

Marimekko

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Juhlavuonna nähdään myös kovat tulospileet ” published on 05/21/2021 at 8:53 am

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Anniversary year turning into an earnings party

Marimekko's Q1 clearly exceeded the comparison period and market expectations. Last week, the company raised its 2021 guidance, which together with the strong Q1 resulted in us raising our 2021 operating profit estimate by 14%. The Marimekko brand is attractive to consumers and the company has been able to raise its competitiveness to an excellent level. Q1 was very promising, and we expect the company to generate its strongest result ever in honor of its 70th anniversary. We raise our target price for Marimekko to EUR 62.0 (previously EUR 55.0) to reflect our positive estimate revisions. Even at these levels we still see a good return expectation in the share, which is why we reiterate our Accumulate recommendation.

Net sales and result grew clearly from the comparison period and exceeded market expectations

Q1 net sales grew by 17% to EUR 29.1 million (consensus EUR 27.6 million). In Finland, net sales increased by 7% and international sales grew by 29%. Net sales was boosted by good wholesale sales development in Asia-Pacific, Finland and Scandinavia, and increased licensing income in EMEA. Strongest growth was seen in Home products (+37%), which partially reflects the growing interest in home decoration caused by the COVID pandemic. The COVID pandemic still impacts the fashion industry negatively but even these categories showed promising growth in Q1, Clothing +4% and Bags & Accessories +7%. Operating profit nearly quintupled from EUR 1.2 million to EUR 5.6 million (consensus EUR 2.3 million). Profitability was extremely strong considering typical seasonality (EBIT 19%, Q1'20: 5%) and was also clearly above the company's long-term financial objective (EBIT 15%). The result was boosted by net sales growth, stronger relative sales margin, and lower fixed costs.

Last week's positive earnings revision and good Q1 report reflected positively on our estimates

Last week, the company raised its 2021 guidance citing improved sales outlook for the full year and the very strong Q1. According to the updated guidance, net sales will grow from last year (2020: EUR 123.6 million) and the comparable EBIT margin will be on par with 2020 or higher (2020: 16.3%). We did not revise our estimates directly after the guidance update as we wanted to see the Q1 result first and hear the company's detailed comments about the outlook. After the convincing Q1 report, we raised our net sales estimate to EUR 143 million (previously EUR 139 million) which means 16% growth from 2020. We raised our comparable EBIT estimate to EUR 23.6 million (previously EUR 20.7 million) which means 17% growth from 2020 and a 16.5% EBIT margin. We believe 2021 will be exceptionally strong in terms of Marimekko's result (and the best in the company's operating history), which reflects the company's extremely high brand image, the low cost structure caused by COVID, and the special collections launched in honor of the anniversary that bring their positive boost to the 2021 figures. However, we believe implementing a wider international growth strategy will require larger investments in coming years in, e.g., improving brand recognition on new market areas, which we expect to chip away at relative profitability even though the net sales growth outlook is good. Due to this, our earnings growth estimate for 2022-2023 is modest compared to the record year 2021. After the Q1 report, we raised our 2022-2023 net sales estimates by 4-7%.

Earnings-based valuation reasonable supported by a buoyant brand, strong balance sheet and dividend

P/E ratios for 2021 and 2022 based on our updated estimates are 25x and 26x. The corresponding EV/EBITDA ratios are 13x and 12x. In terms of 2021, Marimekko's valuation is clearly below the international peer group (30-60%), but with our 2022 earnings estimate that is depressed by growth investments, Marimekko's valuation is almost in line with the peer group. Reasonable earnings-based valuation, the buoyant Marimekko brand, strong balance sheet and dividend yield of some 3% offer, in our opinion, a sufficient return expectation to reiterate our Accumulate recommendation.

Recommendation

Accumulate

(previous Accumulate)

EUR 62.00

(previous EUR 55.00)

Share price:

57.10



Key indicators

| | 2020 | 2021e | 2022e | 2023e |
|---------------------------|--------|--------|--------|--------|
| Net sales | 124 | 143 | 156 | 167 |
| growth % | -1 % | 16 % | 9 % | 7 % |
| EBIT adjusted | 20.2 | 23.6 | 23.0 | 24.0 |
| EBIT % adjusted | 16.3 % | 16.5 % | 14.8 % | 14.4 % |
| Net profit | 13.8 | 18.2 | 17.7 | 18.6 |
| EPS (adjusted) | 1.80 | 2.25 | 2.18 | 2.29 |
| P/E (adjusted) | 25.3 | 25.4 | 26.2 | 24.9 |
| P/B | 7.0 | 7.4 | 6.8 | 6.3 |
| Dividend yield % | 2.2 % | 2.8 % | 2.8 % | 3.0 % |
| EV/EBIT (adjusted) | 18.2 | 19.3 | 19.7 | 18.7 |
| EV/EBITDA | 11.5 | 12.7 | 12.4 | 11.9 |
| EV/Sales | 3.0 | 3.2 | 2.9 | 2.7 |

Source: Inderes

Guidance

(Improved)

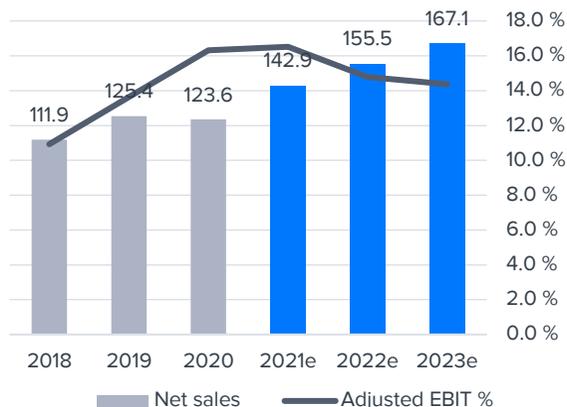
The Marimekko Group's net sales for 2021 are expected to be higher than in the previous year (2020: EUR 123.6 million). Comparable operating profit margin is estimated to be approximately on a par with or higher than in the previous year (2020: 16.3%).

Share price



Source: Thomson Reuters

Net sales and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Polished brand, new collections and the buzz surrounding the brand
- Impressive cooperation deals have generated new international recognition
- Benefits of scale through growth create earnings growth potential
- Unutilized potential in licensing business
- Growth in online and individual store sales

Risk factors

- Store closings and drop in consumption due to COVID
- Maintaining cost competitiveness on global consumer markets
- Brand attractiveness and remaining relevant throughout the cycles
- Digitalization of retail trade and changes in consumer behavior
- Earnings level now at an all-time high, is the profitability seen in recent years sustainable?

Valuation

- Earnings-based valuation is slightly above the company's historic levels but so are growth and earnings outlooks
- Earnings-based valuation is still acceptable and below the peer group
- Balance sheet is in good shape, investment needs are low, the company is very profitable and generates good cash flow
- Our dividend estimate for the next few years is ~3%

Q1 report was very strong

Q1 report was stronger than expected across the board

Marimekko's Q1 exceeded the comparison period and market expectations both in terms of net sales and profitability. Last week, the company raised its 2021 guidance citing improved sales outlook for the full year and the very strong Q1. Due to the silent period, the company did not explain the basis for the new guidance in more detail or offer preliminary data on Q1 last week, so we did not revise our estimates at that time.

Markets were expecting a strong report but the company's Q1 performance was clearly better than expected across the board. The consensus estimate may have included updated estimates and so-called old estimates that had not been revised after the raised guidance released last week. Thus, the consensus estimate is not necessarily fully reliable this time.

Net sales grew by 17%

Net sales grew by 17% to EUR 29.1 million. Our net sales estimate was EUR 27.3 million (consensus EUR 27.6 million). In Finland, net sales increased by 7% and international sales grew by 29%. Strong growth

in international sales was pleasing as 58% of net sales came from Finland in 2020 and one of the company's key strategic goals is to expand more strongly outside the domestic market.

Net sales was boosted by good wholesale sales development in Asia-Pacific, Finland and Scandinavia and increased licensing income in EMEA. In Asia Pacific, growth was supported by timing, as some deliveries that were planned for Q4'20 were transferred to Q1'21 and in the comparison period some deliveries were moved to Q2'20 due to COVID and challenges in the online store. In Finland, wholesale was boosted especially by non-recurring promotional campaigns, whose total value was clearly higher than in the comparison period. The COVID pandemic continued to depress the number of customers in stores but online sales that grew well supported retail sales.

Strongest growth was seen in Home products (+37%), which still in our opinion partially reflects the growing interest in home decoration caused by the COVID pandemic. The COVID pandemic still impacts the fashion industry heavily but these categories also showed promising signs of net sales recovering in Q1, Clothing +4% and Bags & Accessories +7%.

Operating profit nearly quintupled

Operating profit nearly quintupled from the comparison period and amounted to EUR 5.6 million (Q1'20: EUR 1.2 million). The EBIT margin was extremely strong considering Marimekko's typical seasonality (EBIT 19%, Q1'20: 5%) and was also above the company's long-term financial objective (EBIT 15%). Our operating profit estimate was EUR 3.1 million (consensus EUR 2.3 million). The result was boosted by net sales growth, stronger relative sales margin and lower fixed costs. Relative sales margins were strengthened by improved product-specific margins and clearly higher licensing income than in the comparison period. Fixed costs were depressed by lower reservations for credit losses than in the comparison period, timing of marketing investments, temporary rent cuts and some rents being linked to net sales.

EPS improved considerably

EPS grew clearly more than operating profit in Q1 and stood at EUR 0.55 (Q1'20: EUR 0.02). Our estimate was EUR 0.28 (consensus EUR 0.18). The strong EPS growth was based on net sales growth and clearly lower net financing costs than in Q1'20.

| Estimates MEUR / EUR | Q1'20 | Q1'21 | Q1'21e | Q1'21e | Consensus | | Difference (%) | 2021e |
|-------------------------|------------|------------|---------|-----------|-----------|--------|------------------|---------|
| | Comparison | Actualized | Inderes | Consensus | Low | High | Act. vs. inderes | Inderes |
| Revenue | 24.9 | 29.1 | 27.3 | 27.6 | 27.1 | 28.1 | 6% | 142.9 |
| EBIT (adj.) | 1.2 | 5.6 | 3.1 | 2.3 | 1.4 | 3.1 | 81% | 23.6 |
| EBIT | 1.2 | 5.6 | 3.1 | 2.3 | 1.4 | 3.1 | 81% | 23.6 |
| EPS (reported) | 0.02 | 0.55 | 0.28 | 0.18 | 0.11 | 0.28 | 95% | 2.25 |
| Revenue growth-% | -8.3 % | 17.0 % | 9.9 % | 11.0 % | 9.0 % | 13.0 % | 7.1 pp | 15.7 % |
| EBIT-% (adj.) | 4.9 % | 19.3 % | 11.3 % | 8.3 % | 5.2 % | 11.0 % | 8 pp | 16.5 % |

Source: Inderes & Infront (consensus)

Estimate changes were positive

We raised our estimates for 2021

Marimekko raised its 2021 guidance last week. According to the guidance, net sales is expected to grow from 2020 (2020: EUR 123.6 million) and the comparable EBIT margin to be on par with 2020 or higher (2020: 16.3%). We did not revise our estimates directly after the guidance update as we wanted to see the Q1 result first and hear the company's detailed comments. After the Q1 report, we raised our 2021 net sales estimate to EUR 143 million (previously EUR 139 million) which means 16% growth from 2020. We raised our comparable EBIT estimate to EUR 23.6 million (previously EUR 20.7 million) which means 17% growth from 2020 and a 16.5% EBIT margin. According to our 2021 estimates, the company will exceed its long-term financial targets that are over 10% annual growth in net sales and an EBIT margin of 15%.

Drivers for 2021 earnings growth are strong

Marimekko's brand has successfully renewed itself in recent years and reached new wider consumer groups. Therefore, we find the demand outlook for the brand to be extremely strong. This year, Marimekko celebrates its 70th anniversary and the company plans to launch several special products and new types of cooperation projects. We believe these will have a positive impact on sales. The COVID outbreak in early

2020 forced the company to shut its stores and problems related to changing logistics centers has a negative effect on the company's ability to serve its customers. These factors had a negative effect on 2020 net sales and result, and we believe the disappearance of these challenges will support 2021 net sales and earnings growth.

Marimekko expects its sales in Finland to increase from 2020. Sales growth in Finland is supported by non-recurring promotional deliveries whose total value is expected to be clearly higher than last year. According to the company the deliveries will focus on H2. The company also estimates that net sales on the second largest market area (Asia Pacific) will grow in 2021.

The company expects to reach annual savings of EUR 1.3 million with the cooperation negotiations carried out in fall 2020, reorganization, and cutting working duties, which will support earnings growth. Part of the 2020 earnings improvement was caused by the company's fast fixed costs savings program, postponed investments, and state subsidies. In 2021, the company plans to invest considerably in international growth, which means investments in digital technology, multichannel customer experience, responsibility, and brand recognition. The company estimates that fixed costs will grow from 2020 and

investments will be at last year's level. Net sales growth and improved relative sales margin will apparently compensate for these growing costs to the extent that the EBIT margin has preconditions to improve from a very good level in 2020.

We expect 2022-2023 result to remain on par with the extremely strong 70h anniversary

According to our estimates, Marimekko will make its best result ever this year and profitability will be extremely high (EBIT 2021e: 16.5%). Even though we raised our 2022-2023 net sales and earnings estimates, we assume that international growth investments still have a slight negative effect on relative profitability. Therefore, we do not expect the company's result to grow in the next few years, even though net sales grows. This is visible in the fact that our net sales growth estimate for the next couple of years is at 7-9% and the EBIT margin reverts from the extremely high 16.5% level (2021e) to some 14.4% (2023e).

Marimekko has a strong balance sheet. Net debt/EBITDA (rolling 12-months) was only 0.1x at the end of Q1'21 while the company's financial target is 2.0x at most. We raised our dividend estimates for the next couple of years clearly and our payout ratio estimate is around 70-75%.

| Estimate revisions | 2021e | 2021e | Change | 2022e | 2022e | Change | 2023e | 2023e | Change |
|--------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR | Old | New | % | Old | New | % | Old | New | % |
| Revenue | 139 | 143 | 3% | 151 | 156 | 3% | 162 | 167 | 3% |
| EBIT (exc. NRIs) | 20.7 | 23.6 | 14% | 21.5 | 23.0 | 7% | 23.0 | 24.0 | 4% |
| EBIT | 20.7 | 23.6 | 14% | 21.5 | 23.0 | 7% | 23.0 | 24.0 | 4% |
| EPS (excl. NRIs) | 1.94 | 2.25 | 16% | 2.00 | 2.18 | 9% | 2.16 | 2.29 | 6% |
| DPS | 1.20 | 1.60 | 33% | 1.30 | 1.60 | 23% | 1.40 | 1.70 | 21% |

Valuation still moderate

Earnings-based valuation below the peer group

Marimekko's P/E ratios for 2021 and 2022 based on our updated estimates are 25x and 26x. The corresponding EV/EBITDA ratios are 13x and 12x. In terms of 2021, Marimekko's valuation is clearly below the international peer group (30-60%), but with our 2022 earnings estimate Marimekko's valuation is almost in line with the peer group.

We believe 2021 will be exceptionally strong in terms of Marimekko's result, which reflects the company's extremely high brand image, the low cost structure caused by COVID, and the special collections launched in honor of the anniversary that bring their positive boost to the 2021 figures. Implementing a wider international growth strategy will, in our opinion, require larger investments in coming years, which we expect to chip away at relative profitability, even though the net sales growth outlook is good. Due to this, our earnings growth estimate for the next couple of years is modest compared to the record year 2021.

Strong performance justifies a high valuation

Marimekko has survived the COVID crisis extremely well. COVID has brought many conventional players in the industry to their knees while Marimekko is pounding out the strongest reports ever in its operating history from one quarter to the next. A convincing track record increases our confidence in the company's competitiveness and management, and this is also reflected positively in the accepted valuation.

The rekindled buzz around Marimekko's brand among consumers generates good opportunities to keep the result at record levels in coming years and the company has with its new collections expanded its customer base clearly outside the niche category.

This gives a great base for amassing new customers, pricing products with good sales margins, and thus also generate extremely strong profitability even if the company is investing heavily in international growth.

Marimekko has long been priced with a clear discount compared to its peer group because its small size, a brand that is not known to the general public, focused geographical presence, and weak growth and profitability figures have previously justified this. The company has in recent years, however, been able to constantly improve its performance and move closer to highly valued international fashion houses. In our eyes, Marimekko's investment profile has constantly become more attractive, and we are ready to accept the peer group's valuation for the company.

Strong balance sheet and stable dividend support the share

According to our estimates, Marimekko will generate a stable result and good cash flow in the next few years. Even though the company has said that marketing investments and other investments will grow considerably from last year, the company has a strong balance sheet, low annual investment needs and a scalable business model. Stable cash flow together with a strong balance sheet support good dividend payment capability. In connection with the update, we have raised our dividend estimates for the next couple of years clearly and our 2021-2023 payout ratio estimate is around 70-75%. The company's dividend policy is to distribute at least 50% of the EPS so we expect the dividend in the next few years to be clearly above this floor level. According to our estimates, Marimekko offers a dividend yield of 2.8-3.0% in the next couple of years with the current price level, which is some 60-140% above the peer group.

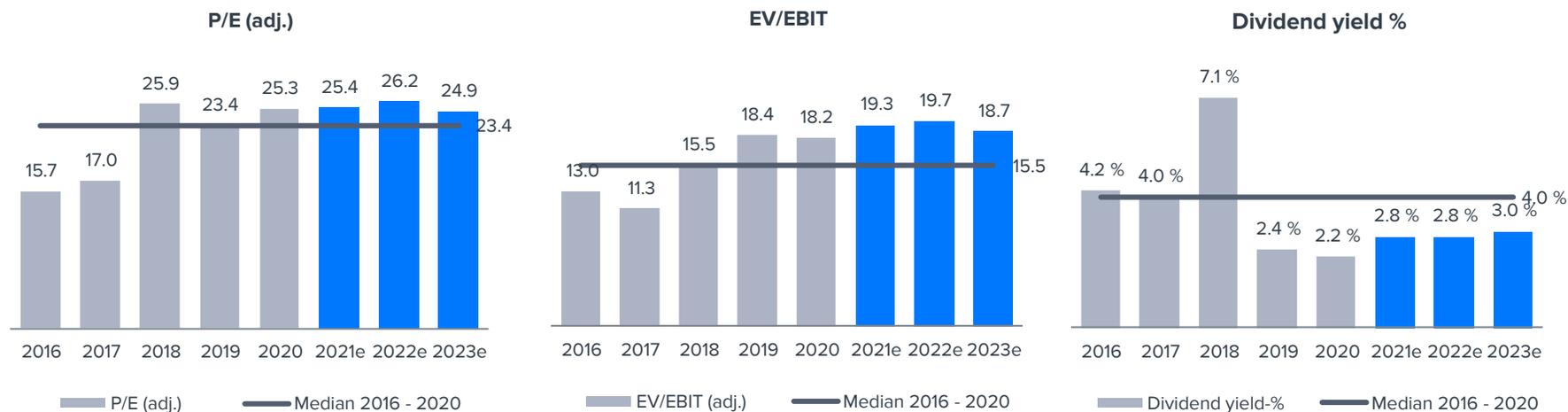
| Valuation | 2021e | 2022e | 2023e |
|----------------------------|--------|--------|--------|
| Share price | 57.1 | 57.1 | 57.1 |
| Number of shares, millions | 8.11 | 8.11 | 8.11 |
| Market cap | 463 | 463 | 463 |
| EV | 456 | 453 | 449 |
| P/E (adj.) | 25.4 | 26.2 | 24.9 |
| P/E | 25.4 | 26.2 | 24.9 |
| P/FCF | 37.4 | 27.9 | 25.4 |
| P/B | 7.4 | 6.8 | 6.3 |
| P/S | 3.2 | 3.0 | 2.8 |
| EV/Sales | 3.2 | 2.9 | 2.7 |
| EV/EBITDA | 12.7 | 12.4 | 11.9 |
| EV/EBIT (adj.) | 19.3 | 19.7 | 18.7 |
| Payout ratio (%) | 71.2 % | 73.3 % | 74.2 % |
| Dividend yield-% | 2.8 % | 2.8 % | 3.0 % |

Source: Inderes

Valuation table

| Valuation | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | 2024e |
|----------------------------|--------|--------|---------|--------|--------|--------|--------|--------|--------|
| Share price | 9.48 | 12.4 | 26.2 | 37.4 | 45.6 | 57.1 | 57.1 | 57.1 | 57.1 |
| Number of shares, millions | 8.09 | 8.09 | 8.09 | 8.13 | 8.11 | 8.11 | 8.11 | 8.11 | 8.11 |
| Market cap | 77 | 100 | 212 | 304 | 369 | 463 | 463 | 463 | 463 |
| EV | 79 | 97 | 189 | 314 | 366 | 456 | 453 | 449 | 443 |
| P/E (adj.) | 15.7 | 17.0 | 25.9 | 23.4 | 25.3 | 25.4 | 26.2 | 24.9 | 23.0 |
| P/E | 19.0 | 17.7 | 15.5 | 23.4 | 26.8 | 25.4 | 26.2 | 24.9 | 23.0 |
| P/FCF | 22.1 | 10.4 | 7.7 | 14.4 | 25.1 | 37.4 | 27.9 | 25.4 | 22.9 |
| P/B | 2.7 | 3.3 | 5.3 | 7.8 | 7.0 | 7.4 | 6.8 | 6.3 | 5.8 |
| P/S | 0.8 | 1.0 | 1.9 | 2.4 | 3.0 | 3.2 | 3.0 | 2.8 | 2.6 |
| EV/Sales | 0.8 | 1.0 | 1.7 | 2.5 | 3.0 | 3.2 | 2.9 | 2.7 | 2.5 |
| EV/EBITDA | 8.5 | 8.4 | 9.4 | 10.6 | 11.5 | 12.7 | 12.4 | 11.9 | 11.2 |
| EV/EBIT (adj.) | 13.0 | 11.3 | 15.5 | 18.4 | 18.2 | 19.3 | 19.7 | 18.7 | 17.1 |
| Payout ratio (%) | 80.3 % | 71.5 % | 109.3 % | 56.2 % | 58.9 % | 71.2 % | 73.3 % | 74.2 % | 70.0 % |
| Dividend yield-% | 4.2 % | 4.0 % | 7.1 % | 2.4 % | 2.2 % | 2.8 % | 2.8 % | 3.0 % | 3.0 % |

Source: Inderes



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 | |
| PVH Corp | 112.66 | 6596 | 8168 | | 15.3 | 39.9 | 10.0 | 1.4 | 1.1 | | 18.3 | 0.0 | 0.1 | 1.7 |
| VF Corp | 84.70 | 27258 | 29093 | 48.4 | 23.3 | 34.8 | 18.9 | 3.9 | 3.1 | 64.0 | 28.1 | 2.2 | 2.4 | 18.8 |
| LVMH Moët Hennessy Louis Vuitton SE | 626.20 | 313729 | 331913 | 25.2 | 22.0 | 18.8 | 16.7 | 5.6 | 5.1 | 36.6 | 31.9 | 1.2 | 1.3 | 7.2 |
| Prada SpA | 50.75 | 13644 | 16107 | 47.2 | 31.8 | 17.2 | 14.0 | 5.2 | 4.7 | 71.5 | 44.6 | 0.9 | 1.4 | 4.7 |
| H & M Hennes & Mauritz AB | 211.95 | 30793 | 36367 | 27.2 | 19.2 | 10.2 | 8.9 | 1.8 | 1.6 | 34.7 | 24.6 | 2.3 | 3.4 | 5.6 |
| Hugo Boss AG | 42.45 | 2968 | 4041 | 29.2 | 17.0 | 8.9 | 7.2 | 1.7 | 1.6 | 39.2 | 20.3 | 1.9 | 3.7 | 3.5 |
| Hermes International SCA | 1069.50 | 111974 | 108939 | 39.0 | 34.2 | 33.2 | 29.5 | 13.3 | 12.0 | 58.7 | 51.2 | 0.5 | 0.7 | 12.7 |
| Guess? Inc | 28.08 | 1487 | 1423 | | 11.2 | 25.7 | 7.6 | 0.9 | 0.7 | | 16.4 | 0.8 | 1.6 | 3.8 |
| Salvatore Ferragamo SpA | 19.03 | 3199 | 3606 | 68.8 | 34.6 | 15.7 | 12.9 | 3.2 | 2.9 | 182.3 | 57.1 | 0.7 | 1.1 | 4.4 |
| Ralph Lauren Corp | 131.05 | 7872 | 7250 | 97.4 | 13.5 | 24.5 | 9.4 | 2.0 | 1.6 | 215.8 | 19.4 | | 2.1 | 3.7 |
| Ted Baker PLC | 189.70 | 401 | 517 | | | | 9.7 | 1.1 | 1.0 | | | | | 2.0 |
| Industria de Diseno Textil SA | 31.87 | 100377 | 98989 | 53.4 | 23.9 | 21.2 | 14.5 | 4.7 | 3.8 | 73.1 | 31.2 | 1.8 | 2.9 | 6.9 |
| Burberry Group PLC | 218.00 | 9877 | 9997 | 23.3 | 19.0 | 15.5 | 12.4 | 3.7 | 3.2 | 34.9 | 25.4 | 1.1 | 2.2 | 6.3 |
| Kering SA | 709.90 | 88460 | 94749 | 21.5 | 18.6 | 16.6 | 14.6 | 5.9 | 5.3 | 30.0 | 25.5 | 1.5 | 1.7 | 6.4 |
| Marimekko (Inderes) | 57.10 | 463 | 456 | 19.3 | 19.7 | 12.7 | 12.4 | 3.2 | 2.9 | 25.4 | 26.2 | 2.8 | 2.8 | 7.4 |
| Average | | | | 43.7 | 21.8 | 21.7 | 13.3 | 3.9 | 3.4 | 76.4 | 30.3 | 1.3 | 1.9 | 6.3 |
| Median | | | | 39.0 | 19.2 | 18.8 | 12.7 | 3.4 | 3.0 | 58.7 | 25.5 | 1.2 | 1.7 | 5.2 |
| Diff-% to median | | | | -50% | 3% | -32% | -2% | -7% | -2% | -57% | 3% | 143% | 64% | 43% |

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 |
|-------------------------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| Revenue | 125 | 24.9 | 23.3 | 38.0 | 37.4 | 124 | 29.1 | 29.2 | 43.2 | 41.4 | 143 | 156 | 167 | 179 |
| Finland | 71.2 | 13.6 | 11.4 | 23.0 | 23.2 | 71.1 | 14.5 | 14.8 | 26.4 | 26.0 | 81.8 | 88.3 | 94.5 | 101 |
| Scandinavia | 9.3 | 2.1 | 1.9 | 2.8 | 3.2 | 9.9 | 2.4 | 2.2 | 2.9 | 3.3 | 10.8 | 11.3 | 12.2 | 13.1 |
| EMEA | 12.0 | 2.7 | 3.3 | 4.0 | 4.0 | 14.0 | 4.1 | 3.8 | 4.3 | 4.3 | 16.4 | 17.7 | 19.1 | 20.5 |
| North America | 8.3 | 1.6 | 1.5 | 1.6 | 1.7 | 6.5 | 1.4 | 1.6 | 1.7 | 1.8 | 6.5 | 6.8 | 7.4 | 7.9 |
| Asia Pacific | 24.7 | 4.9 | 5.3 | 6.6 | 5.3 | 22.1 | 6.6 | 6.9 | 7.9 | 6.1 | 27.5 | 31.4 | 33.9 | 36.3 |
| EBITDA | 29.7 | 4.4 | 5.8 | 13.6 | 8.1 | 31.9 | 8.7 | 8.1 | 11.1 | 8.1 | 35.9 | 36.5 | 37.7 | 39.7 |
| Depreciation | -12.5 | -3.2 | -3.1 | -3.1 | -3.2 | -12.6 | -3.0 | -3.1 | -3.1 | -3.1 | -12.3 | -13.5 | -13.7 | -13.7 |
| EBIT (excl. NRI) | 17.1 | 1.2 | 2.7 | 10.5 | 5.8 | 20.2 | 5.6 | 5.0 | 8.0 | 5.0 | 23.6 | 23.0 | 24.0 | 25.9 |
| EBIT | 17.1 | 1.2 | 2.7 | 10.5 | 5.0 | 19.3 | 5.6 | 5.0 | 8.0 | 5.0 | 23.6 | 23.0 | 24.0 | 25.9 |
| Net financial items | -1.0 | -1.0 | 0.1 | -0.6 | -0.4 | -1.8 | -0.1 | -0.3 | -0.3 | -0.3 | -0.9 | -0.9 | -0.8 | -0.8 |
| PTP | 16.2 | 0.2 | 2.8 | 10.0 | 4.6 | 17.6 | 5.5 | 4.8 | 7.8 | 4.8 | 22.8 | 22.1 | 23.2 | 25.2 |
| Taxes | -3.1 | -0.1 | -0.6 | -2.0 | -1.1 | -3.8 | -1.1 | -1.0 | -1.6 | -1.0 | -4.5 | -4.4 | -4.6 | -5.0 |
| Net earnings | 13.0 | 0.2 | 2.2 | 8.0 | 3.5 | 13.8 | 4.4 | 3.8 | 6.2 | 3.8 | 18.2 | 17.7 | 18.6 | 20.1 |
| EPS (adj.) | 1.60 | 0.02 | 0.27 | 0.98 | 0.53 | 1.80 | 0.55 | 0.47 | 0.76 | 0.47 | 2.25 | 2.18 | 2.29 | 2.48 |
| EPS (rep.) | 1.60 | 0.02 | 0.27 | 0.98 | 0.43 | 1.70 | 0.55 | 0.47 | 0.76 | 0.47 | 2.25 | 2.18 | 2.29 | 2.48 |
| Key figures | 2019 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | 2020 | Q1'21 | Q2'21e | Q3'21e | Q4'21e | 2021e | 2022e | 2023e | 2024e |
| Revenue growth-% | 12.1 % | -8.3 % | -19.9 % | 10.3 % | 7.6 % | -1.5 % | 17.0 % | 25.3 % | 13.7 % | 10.8 % | 15.7 % | 8.8 % | 7.4 % | 7.0 % |
| Adjusted EBIT growth-% | 40.1 % | -53.4 % | -27.9 % | 34.4 % | 92.2 % | 17.8 % | 365.6 % | 88.0 % | -23.9 % | -13.6 % | 17.1 % | -2.6 % | 4.3 % | 8.0 % |
| EBITDA-% | 23.6 % | 17.5 % | 24.8 % | 35.8 % | 21.8 % | 25.8 % | 29.8 % | 27.6 % | 25.6 % | 19.5 % | 25.1 % | 23.4 % | 22.6 % | 22.2 % |
| Adjusted EBIT-% | 13.6 % | 4.9 % | 11.4 % | 27.7 % | 15.5 % | 16.3 % | 19.3 % | 17.1 % | 18.5 % | 12.1 % | 16.5 % | 14.8 % | 14.4 % | 14.5 % |
| Net earnings-% | 10.4 % | 0.7 % | 9.2 % | 21.0 % | 9.3 % | 11.1 % | 15.2 % | 13.0 % | 14.3 % | 9.2 % | 12.8 % | 11.4 % | 11.1 % | 11.3 % |

Source: Inderes

Balance sheet

| Assets | 2019 | 2020 | 2021e | 2022e | 2023e |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 41.6 | 43.2 | 47.2 | 48.1 | 48.3 |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Intangible assets | 0.6 | 1.1 | 1.4 | 1.6 | 1.7 |
| Tangible assets | 40.4 | 41.3 | 44.9 | 45.7 | 45.8 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred tax assets | 0.5 | 0.9 | 0.9 | 0.9 | 0.9 |
| Current assets | 55.3 | 71.6 | 61.9 | 67.9 | 75.4 |
| Inventories | 22.6 | 22.4 | 25.7 | 28.0 | 30.1 |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables | 6.6 | 8.1 | 9.4 | 10.2 | 11.0 |
| Cash and equivalents | 26.1 | 41.0 | 26.8 | 29.7 | 34.4 |
| Balance sheet total | 96.9 | 115 | 109 | 116 | 124 |

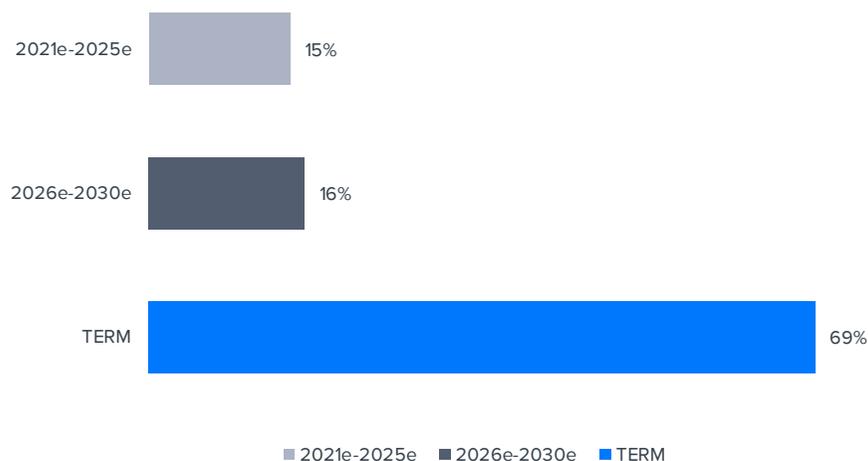
Source: Inderes

| Liabilities & equity | 2019 | 2020 | 2021e | 2022e | 2023e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 38.9 | 52.8 | 62.9 | 67.6 | 73.2 |
| Share capital | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Retained earnings | 30.0 | 43.8 | 53.9 | 58.6 | 64.3 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 |
| Other equity | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities | 27.6 | 28.5 | 20.0 | 20.0 | 20.0 |
| 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 | 26.0 | 27.0 | 20.0 | 20.0 | 20.0 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 1.6 | 1.5 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 30.4 | 33.6 | 26.2 | 28.4 | 30.5 |
| Short term debt | 10.5 | 10.9 | 0.0 | 0.0 | 0.0 |
| Payables | 17.8 | 22.2 | 25.6 | 27.9 | 30.0 |
| Other current liabilities | 2.1 | 0.5 | 0.5 | 0.5 | 0.5 |
| Balance sheet total | 96.9 | 115 | 109 | 116 | 124 |

DCF calculation

| DCF model | 2020 | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | TERM |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| EBIT (operating profit) | 19.3 | 23.6 | 23.0 | 24.0 | 25.9 | 27.7 | 28.7 | 29.8 | 31.5 | 33.1 | 33.9 | |
| + Depreciation | 12.6 | 12.3 | 13.5 | 13.7 | 13.7 | 13.6 | 13.4 | 13.1 | 12.7 | 8.7 | 9.2 | |
| - Paid taxes | -4.1 | -4.5 | -4.4 | -4.6 | -5.0 | -5.4 | -5.6 | -5.8 | -6.3 | -6.6 | -6.7 | |
| - Tax, financial expenses | -0.4 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | |
| + 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 | 1.4 | -1.1 | -0.8 | -0.8 | -0.8 | -0.8 | -0.9 | -1.0 | -0.9 | -0.8 | -0.4 | |
| Operating cash flow | 28.8 | 30.1 | 31.0 | 32.1 | 33.7 | 35.0 | 35.5 | 36.0 | 37.0 | 34.4 | 35.9 | |
| + Change in other long-term liabilities | -0.2 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -13.9 | -16.2 | -14.4 | -13.9 | -13.5 | -13.1 | -12.6 | -12.0 | 0.4 | -10.3 | -10.0 | |
| Free operating cash flow | 14.7 | 12.4 | 16.6 | 18.3 | 20.2 | 21.9 | 22.9 | 24.0 | 37.4 | 24.1 | 25.9 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | 14.7 | 12.4 | 16.6 | 18.3 | 20.2 | 21.9 | 22.9 | 24.0 | 37.4 | 24.1 | 25.9 | 653 |
| Discounted FCFF | | 11.9 | 15.0 | 15.4 | 16.0 | 16.3 | 15.9 | 15.7 | 22.9 | 13.8 | 13.9 | 351 |
| Sum of FCFF present value | | 508 | 496 | 481 | 466 | 450 | 434 | 418 | 402 | 379 | 365 | 351 |
| Enterprise value DCF | | 508 | | | | | | | | | | |
| - Interesting bearing debt | | -37.9 | | | | | | | | | | |
| + Cash and cash equivalents | | 41.0 | | | | | | | | | | |
| -Minorities | | 0.0 | | | | | | | | | | |
| -Dividend/capital return | | -8.1 | | | | | | | | | | |
| Equity value DCF | | 503 | | | | | | | | | | |
| Equity value DCF per share | | 62.1 | | | | | | | | | | |

Cash flow distribution



| Wacc | |
|--|--------------|
| Tax-% (WACC) | 21.0 % |
| Target debt ratio (D/(D+E)) | 10.0 % |
| Cost of debt | 2.0 % |
| Equity Beta | 1.10 |
| Market risk premium | 4.75% |
| Liquidity premium | 0.00% |
| Risk free interest rate | 2.0 % |
| Cost of equity | 7.2 % |
| Weighted average cost of capital (WACC) | 6.7 % |

Source: Inderes

Summary

| Income statement | 2018 | 2019 | 2020 | 2021e | 2022e | Per share data | 2018 | 2019 | 2020 | 2021e | 2022e |
|--|-------------|-------|-------|-------|-------|--------------------------|--------|-------|-------|--------|--------|
| Revenue | 111.9 | 125.4 | 123.6 | 142.9 | 155.5 | EPS (reported) | 1.69 | 1.60 | 1.70 | 2.25 | 2.18 |
| EBITDA | 20.2 | 29.7 | 31.9 | 35.9 | 36.5 | EPS (adj.) | 1.01 | 1.60 | 1.80 | 2.25 | 2.18 |
| EBIT | 17.7 | 17.1 | 19.3 | 23.6 | 23.0 | OCF / share | 2.28 | 3.56 | 3.55 | 3.71 | 3.83 |
| PTP | 17.6 | 16.2 | 17.6 | 22.8 | 22.1 | FCF / share | 3.38 | 2.60 | 1.82 | 1.53 | 2.05 |
| Net Income | 13.7 | 13.0 | 13.8 | 18.2 | 17.7 | Book value / share | 4.95 | 4.79 | 6.51 | 7.76 | 8.34 |
| Extraordinary items | 5.5 | 0.0 | -0.8 | 0.0 | 0.0 | Dividend / share | 1.85 | 0.90 | 1.00 | 1.60 | 1.60 |
| Balance sheet | 2018 | 2019 | 2020 | 2021e | 2022e | Growth and profitability | 2018 | 2019 | 2020 | 2021e | 2022e |
| Balance sheet total | 57.1 | 96.9 | 114.8 | 109.1 | 116.0 | Revenue growth-% | 9% | 12% | -1% | 16% | 9% |
| Equity capital | 40.0 | 38.9 | 52.8 | 62.9 | 67.6 | EBITDA growth-% | 73% | 47% | 8% | 12% | 2% |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EBIT (adj.) growth-% | 42% | 40% | 18% | 17% | -3% |
| Net debt | -22.8 | 10.3 | -3.2 | -6.8 | -9.7 | EPS (adj.) growth-% | 39% | 58% | 12% | 25% | -3% |
| Cash flow | 2018 | 2019 | 2020 | 2021e | 2022e | EBITDA-% | 18.1% | 23.6% | 25.8% | 25.1% | 23.4% |
| EBITDA | 20.2 | 29.7 | 31.9 | 35.9 | 36.5 | EBIT (adj.)-% | 10.9% | 13.6% | 16.3% | 16.5% | 14.8% |
| Change in working capital | 2.2 | 3.0 | 1.4 | -1.1 | -0.8 | EBIT-% | 15.8% | 13.6% | 15.7% | 16.5% | 14.8% |
| Operating cash flow | 18.4 | 29.0 | 28.8 | 30.1 | 31.0 | ROE-% | 38.8% | 33.0% | 30.0% | 31.5% | 27.1% |
| CAPEX | 6.0 | -48.8 | -13.9 | -16.2 | -14.4 | ROI-% | 47.7% | 29.6% | 23.3% | 27.3% | 27.0% |
| Free cash flow | 27.4 | 21.1 | 14.7 | 12.4 | 16.6 | Equity ratio | 70.0% | 40.2% | 46.0% | 57.7% | 58.3% |
| | | | | | | Gearing | -56.9% | 26.4% | -6.0% | -10.7% | -14.3% |
| Largest shareholders | % of shares | | | | | Valuation multiples | 2018 | 2019 | 2020 | 2021e | 2022e |
| Mika Ihmuotila | 12.5% | | | | | EV/S | 1.7 | 2.5 | 3.0 | 3.2 | 2.9 |
| Swedbank Robur Fonder | 4.9% | | | | | EV/EBITDA (adj.) | 9.4 | 10.6 | 11.5 | 12.7 | 12.4 |
| Ilmarinen Mutual Pension Insurance Company | 4.9% | | | | | EV/EBIT (adj.) | 15.5 | 18.4 | 18.2 | 19.3 | 19.7 |
| Varma Mutual Pension Insurance Company | 4.8% | | | | | P/E (adj.) | 25.9 | 23.4 | 25.3 | 25.4 | 26.2 |
| Sophia Ehrnrooth | 4.2% | | | | | P/E | 5.3 | 7.8 | 7.0 | 7.4 | 6.8 |
| Nordea Fonder | 3.5% | | | | | Dividend-% | 7.1% | 2.4% | 2.2% | 2.8% | 2.8% |

Source: Inderes

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

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Recommendation history (>12 mo)

| Date | Recommendation | Target price | Share price |
|----------|----------------|--------------|-------------|
| 11-07-19 | Reduce | 28.00 € | 26.80 € |
| 15-08-19 | Accumulate | 32.00 € | 28.70 € |
| 14-10-19 | Accumulate | 33.00 € | 29.50 € |
| 06-11-19 | Accumulate | 40.00 € | 37.40 € |
| 14-02-20 | Accumulate | 42.00 € | 40.00 € |
| 25-03-20 | Accumulate | 27.00 € | 23.90 € |
| 14-05-20 | Accumulate | 25.00 € | 21.90 € |
| 17-08-20 | Accumulate | 33.00 € | 29.65 € |
| 21-09-20 | Accumulate | 40.00 € | 37.05 € |
| 09-11-20 | Accumulate | 42.00 € | 39.00 € |
| 11-12-20 | Accumulate | 47.00 € | 44.50 € |
| 19-02-21 | Accumulate | 55.00 € | 51.10 € |
| 21-05-21 | Accumulate | 62.00 € | 57.10 € |



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