

# H&M

## Company report

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# Gross margin improved faster than expected

H&M's first-quarter results were better than expected, mainly due to a higher gross margin. The revenue trend also seems to be turning positive again, which we find encouraging. We raise our estimates, especially for 2024, and increase our target price to SEK 170 (was 165). Due to the increased share price, we downgrade to Reduce (was Accumulate).

## Gross margin strength drives Q1 results above expectations

H&M's revenue declined by 2% in the first quarter, slightly less than we expected (-3%). H&M's gross margin improved to 51.5% vs. 47.2% year-on-year thanks to tailwinds from "external factors", i.e., lower costs and efficiency measures. Markdowns had a negative impact of around 0.5 pp year-on-year. Gross margin was well above our expectations (50.1%) and the consensus (49.9%), although a significant improvement was expected given the weak comparison period. Opex was slightly higher than we expected, but down 2% in local currencies, resulting in a flat opex/sales ratio. EBIT improved to over 2 BNSEK, compared to a slightly negative EBIT a year ago, excluding a one-off charge of around 1 BNSEK related to Sellpy. However, Q1 is the seasonally weakest earnings quarter for H&M.

## Good start to Q2, 10% EBIT margin target for 2024 remains unchanged yet also challenging

H&M commented that so far in March until the 25th, revenue are up 2% in local currencies, which looks positive to us. The company also commented that external factors are expected to be positive for gross margin in Q2, while markdowns are expected to increase slightly year-on-year. The company also sees a negative price development during the year, which will have a negative impact on the gross margin, but this was not quantified. A return to revenue growth is crucial for a further improvement in revenue, as we believe that the effect of efficiency measures is already largely visible. H&M does not give any guidance but reiterated its "ambition" to reach an EBIT margin of 10% during 2024. This would require a further increase in profitability from 6.8% over the last 12 months, which we believe will not be fully realized during 2024. Nevertheless, we still see a positive margin trend and H&M reaching an EBIT margin of 8.7% in 2024 and around 9.5% in 2025-26. In 2024, this is supported by both improving gross margin and lower opex/sales thanks to cost efficiencies and growing revenue, while in 2025 we see a fairly stable gross margin and further improvement in opex/sales. We have increased our EBIT estimates by 6% in 2024 and by 2% in 2025-26.

## Share price increase has made risk/reward unattractive

H&M's share is up over 20% since our upgrade to Accumulate in end-January. The P/E for 2024 is 20x, which is at the upper end of our acceptable multiples. For 2025, the expected margin improvement drives the P/E down to 17x. The multiples are below the closest peer, Inditex, which trades at 26x for 2024. We believe some discount is fair given Inditex's better revenue performance. We estimate H&M's free cash flow and dividend yield to be around 4% in the coming years. After a stronger earnings improvement in 2024-25, driven by increase in the margin, we expect steady revenue and earnings growth of 5% in the medium term. Our DCF value is close to the current share price. Overall, we believe the stock is fairly valued.

## Recommendation

**Reduce**  
(previous Accumulate)

**170 SEK**  
(previous 165 SEK)

**Share price:**  
178



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	236 035	237 069	247 555	259 558
<b>growth-%</b>	6 %	0 %	4 %	5 %
<b>EBIT adj.</b>	13 538	20 737	23 719	24 823
<b>EBIT-% adj.</b>	5,7 %	8,7 %	9,6 %	9,6 %
<b>Net Income</b>	8 723	14 184	16 775	17 835
<b>EPS (adj.)</b>	4,7	8,8	10,4	11,1
<b>P/E (adj.)</b>	37,6	20,2	17,1	16,0
<b>P/B</b>	6,1	5,6	5,0	4,6
<b>Dividend yield-%</b>	3,7 %	3,9 %	4,2 %	4,8 %
<b>EV/EBIT (adj.)</b>	25,1	16,4	14,2	13,5
<b>EV/EBITDA</b>	9,1	8,0	7,3	7,1
<b>EV/S</b>	1,4	1,4	1,4	1,3

Source: Inderes

## Guidance

(Unchanged)

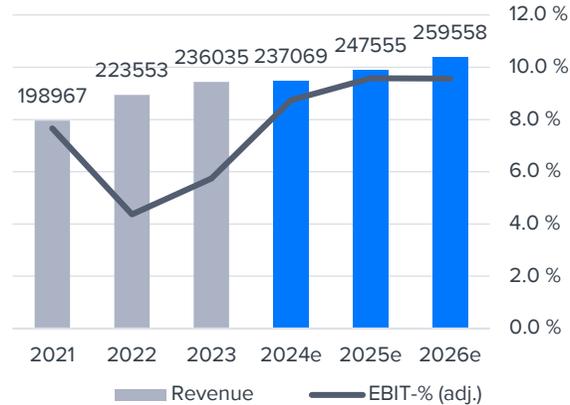
No guidance

## Osakekurssi



Source: Millistream Market Data AB

## Liikevaihto ja liikevoitto-%



Source: Inderes

## Osakekohtainen tulos ja osinko



Source: Inderes



### Value drivers

- Very strong brand and market presence in the fashion retail
- Potential to grow in emerging markets and increase market share
- Margin improvement towards 10% EBIT-margin target
- Portfolio chains / ventures could create value in the mid-/long-term



### Risk factors

- Fashion industry is fiercely competed and somewhat cyclical in nature
- H&M's track record from the past decade is poor and a "normal" margin level is uncertain
- Increased regulation could have a negative impact
- Reputational risk for the H&M
- Change in consumer preferences away from fast fashion

Valuation	2024e	2025e	2026e
Share price	178	178	178
Number of shares, m	1611	1611	1611
Market cap	286,250	286,250	286,250
EV	339,111	337,309	336,140
P/E (adj.)	20.2	17.1	16.0
P/E	20.2	17.1	16.0
P/B	5.6	5.0	4.6
P/S	1.2	1.2	1.1
EV/Sales	1.4	1.4	1.3
EV/EBITDA	8.0	7.3	7.1
EV/EBIT (adj.)	16.4	14.2	13.5
Payout ratio (%)	79%	72%	77%
Dividend yield-%	3.9%	4.2%	4.8%

Source: Inderes

# Q1 topped expectations due to strong gross margin

## Revenue declined 2 % both in local currencies and SEK

The company had already announced in its Q4 report that revenue for December-January, i.e., 2/3 of the quarter, was down 4% in local currencies. In February, revenue had rebounded a bit more than expected (also supported by the extra day due to the leap year) and Q1 revenue ended up only down 2%. On a regional basis, only Eastern Europe showed a significant revenue increase. Portfolio brands, i.e., chains other than H&M, continued to grow strongly, with COS doing particularly well, as we understand. Declining store numbers continued to have a negative impact on growth.

## Margins improved clearly year-on-year from a low comparison and beat expectations

H&M's gross margin improved from 47.2% to 51.5%

thanks to tailwind from "external factors", i.e., cost reductions and efficiency measures. Markdowns had a negative impact of around 0.5 pp year-on-year. The gross margin improvement was thus significantly higher than we or the consensus expected, even though a significant improvement was expected from the weak comparison period. Opex was slightly higher than we expected, but down 2% in local currencies, which means that the opex/sales ratio was flat. EBIT improved to over 2 BNSEK, compared with a slightly negative EBIT a year ago, excluding a one-off item (around 1 BNSEK) related to Sellpy. As Q1 is seasonally the weakest earnings quarter, the significant percentage earnings surprise in Q1 has a much smaller impact in the full-year context.

## Balance sheet remains strong

H&M's cash flow before changes in working capital

also improved significantly as a result of the higher earnings, while changes in working capital were negative and burdened the cash flow. H&M remains in a net cash position excluding lease liabilities. Including lease liabilities, net debt/EBITDA remained at 1.4x as at the end of Q4, in line with the company's target range of 1.0-2.0x. H&M completed its SEK 3 billion share buyback program at the beginning of March, which is largely reflected in the Q1 balance sheet (end-Feb) as well as in the number of shares.

Estimates MSEK / SEK	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	54872	53699	53000	53338	52287	- 55034	1%	237069
Gross profit	25886	27655	26553	26594	25814	- 27436	4%	124915
Gross margin-%	49.7 %	51.5 %	50.1 %	49.9 %	48.1 %	- 50.2 %	3%	52.7 %
EBIT	725	2077	1553	1409	2007	- 441	34%	20737
EPS (reported)	0.33	0.75	0.54	0.42	0.71	- 0.04	40%	8.81
Revenue growth-%	11.6 %	-2.1 %	-3.4 %	-2.8 %	-4.7 %	- 0.3 %	1.3 pp	0.4 %
EBIT-%	1.3 %	3.9 %	2.9 %	2.6 %	3.8 %	- 0.8 %	0.9 pp	8.7 %

Source: Inderes & Infront (consensus)

# Earnings estimates slightly up

## Q2 is off to a positive start

H&M commented that so far March sales up to the 25th are up 2% in local currencies, which is better than we previously expected for Q2 (flat). The company also commented that external factors are expected to be positive for gross margin in Q2, while markdowns are expected to increase slightly. According to the company, the increase in markdowns is more related to driving demand through pricing rather than clearing excess inventory. The return of sales to growth is crucial for a further improvement in opex/sales, as we believe that the effect of efficiency measures is already largely visible.

## Company still aiming for 10% EBIT margin in 2024

H&M does not give any guidance but reiterated its "ambition" to reach an EBIT margin of 10% during 2024. This would require a further increase in

profitability from 6.8% over the last 12 months, which we do not believe will be fully realized during 2024. Nevertheless, we still see a positive margin trend and H&M reaching an EBIT margin of 8.7% in 2024 and around 9.5% in 2025.

## Estimates up for 2024, slightly also for 2025-26

We have increased our EBIT estimate for 2024 by 6% thanks to the better-than-expected Q1 and the outlook for a positive sales trend. However, H&M is continuously working on its pricing to be competitive and affordable, and we expect its prices to be lower at the end of 2024 than at the beginning of 2024. Therefore, part of the gross margin support will be mitigated by pricing, which will limit the margin improvement. Nevertheless, the company emphasized its focus on "normalizing" gross margins this year, which we believe means something in the

range of 52.5-53% as seen before COVID in 2018-19. We forecast 52.7% for the full year 2024.

We have also slightly raised our estimates for 2025-26 as a result of the improving revenue trend, but overall our estimates beyond this year remain largely unchanged.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MSEK / SEK	Old	New	%	Old	New	%	Old	New	%
Revenue	232400	237069	2%	243296	247555	2%	255154	259558	2%
EBIT	19635	20737	6%	23228	23719	2%	24325	24823	2%
PTP	18035	18916	5%	22028	22219	1%	23325	23623	1%
EPS (excl. NRIs)	8.40	8.81	5%	10.33	10.42	1%	10.94	11.07	1%
DPS	7.00	7.00	0%	7.50	7.50	0%	8.50	8.50	0%

Source: Inderes

# Valuation and recommendation

## Valuation summary - Reduce

We forecast earnings growth in 2024 as margins continue to improve. We expect H&M to pay out most of its earnings and free cash flow as dividends, resulting in a dividend yield of around 4%. Multiples are currently at the upper end of our acceptable range and the stock is trading around our DCF value. We therefore see little upside on a 12-month horizon.

## Absolute multiples acceptable in 2024-25

H&M's valuation multiples for 2023 are quite high with a P/E of over 30x. However, H&M is showing a continued margin recovery and is targeting an EBIT margin of 10% in 2024, as mentioned above. We expect the margin improvement to last until 2024-25. The headline multiples for 2024 are 20x P/E and 16x EV/EBIT, which look relatively fair. Adjusted for lease liabilities, EV/EBIT is around 15x and P/E adjusted for net cash ex IFRS 16 is around 20x. Given the continued growth potential and high returns on capital that we see in the company, these are within our range of acceptable multiples, albeit at the high end. As we expect further margin improvement in 2025, the multiples start to look more attractive, with the headline P/E falling to 17x. Of course, this assumes that the expected margin improvement is realized.

Looking beyond 2025, when we expect stable growth and profitability in the future, we believe H&M's acceptable P/E is 15-20x and EV/EBIT with reported figures is 13-15x. We estimate H&M's sustainable free cash flow for 2024-26 at 11-12 BNSEK, which implies a free cash flow yield of around 4%.

## Valuation compared to the peer group

All retail chains have significant lease liabilities that muddle up the EV-based valuation. Therefore, we mainly look at the peer group's P/E ratios. The peer group's median P/E is 22x for 2024, slightly higher than H&M's 20x, and 18x for 2025, also higher than H&M's 17x. The peer group ranges from single digits to over 40x. Thus, the peer group median is somewhat dependent on which companies are included in the group, as there are other potential peers in the fashion industry. We note that H&M's EV/EBIT valuation is slightly above our peer group. H&M's closest peer, Inditex, is valued at 27x for 2024 and 24x for 2025, which is significantly higher than H&M. However, Inditex has also been growing faster than H&M for a number of years. In our view, H&M's valuation is fair compared to its peers.

## DCF suggests current price is fair

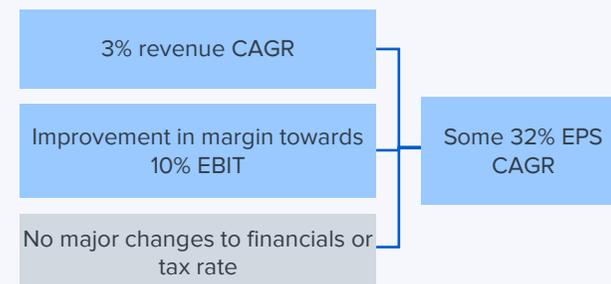
We expect stable growth and margin in the 2025-2032 period. In the terminal period, we expect the EBIT margin to remain broadly stable around 9.5%, while our terminal growth rate assumption is 3%. We estimate H&M's cost of equity and WACC (due to no financial debt) at 8.0%, which is quite low given the company's strong and broad market presence and strong global brand.

With these assumptions, our DCF model arrives at an EV of around 270 BNSEK, which translates into a slightly higher equity value or around SEK 175 per share. This is well in line with the current share price and suggests that the share is fairly valued.

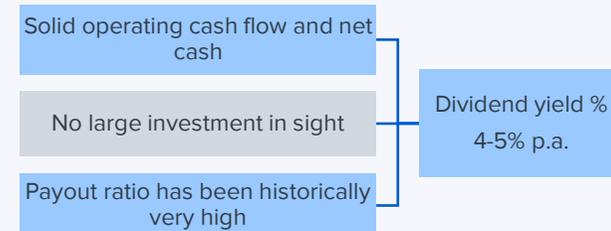
## TSR drivers 2023-2026

■ Positive ■ Neutral ■ Negative

### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



# Investment profile 1/2

- 1. Global footprint with solid growth potential**
- 2. One of the strongest brands in fashion retail**
- 3. EBIT margin recovering towards 10%**
- 4. High return on capital, making growth value creative**
- 5. Intense competition in the industry**

## Potential



- Market share is still small in the global fashion industry, so there is room to grow especially outside Europe
- Cost efficiency program and more "normal" market circumstances (after COVID-19 and its aftermath) should enable higher margins
- Clear focus on sustainability could support demand/image
- Some of the portfolio chains / ventures could create more value than currently expected

## Risks



- The fashion industry is fiercely competed, and some collections might not appeal to customers
- H&M has a poor track record of declining margins from the past decade, which could recur
- Potential regulation regarding durability and recycling of textiles (mostly in EU) could have a negative impact
- Reputational risk especially for H&M brand, including the risk of the whole industry being viewed as negative for the climate

# Investment profile 2/2

## Investment profile

There is no doubt in our mind that H&M Group's investment profile is that of a growth company. It has shown strong long-term growth throughout its history, which we expect it will continue to deliver going forward as well. However, the challenge has been the margins, which deteriorated through the previous decade from over 20% EBIT margin at best to only mid-single digits more recently. Hence, in some respect the Group is currently also a turnaround company in earnings terms.

## Positive drivers and opportunities

Clearly the biggest positive driver for H&M Group is continued revenue growth. We believe this can be achieved in all markets, but growth outside Europe should be the main driver, given that in Europe the markets are quite mature and H&M Group's share is also already strong. In addition to revenue growth, we expect improving margin levels in the next two years to support earnings growth as well. Over time, we believe the margin is however unlikely to improve further, as the competition is fierce, the company wants to maintain attractive pricing and it also needs to constantly invest (meaning both capex and opex increase) into omni-channel capabilities.

In the longer-term there's clearly possibilities in H&M Group's several portfolio chains and smaller business ventures to grow into major businesses and hence drive earnings and value for the Group. Perhaps currently the most promising ones in this respect is the second-hand fashion platform Sellpy and Afound, both aiming to gain support and benefit from the increasing circular economy

needs/trend.

In our view H&M Group is quite strongly committed to reducing its climate impact and contributing to more sustainable fashion. This could be a competitive edge if consumers increasingly take sustainability matters into consideration when making fashion purchases.

## Risks and threats

The fashion industry is inherently dependent on consumer preferences, it's also at risk for changes in those preferences. This means that some collections might not sell that well and even the style of the whole brand might go out of fashion at times. This is clearly a risk for H&M Group, like any player in the industry. The industry is also fiercely competitive and fragmented. Especially online revenue has enabled new entrants to enter a global market more easily than before, hence intensifying the competition. This means consumers always have a wide range of choices and price pressure is also likely to remain high in the Group's affordable fashion category.

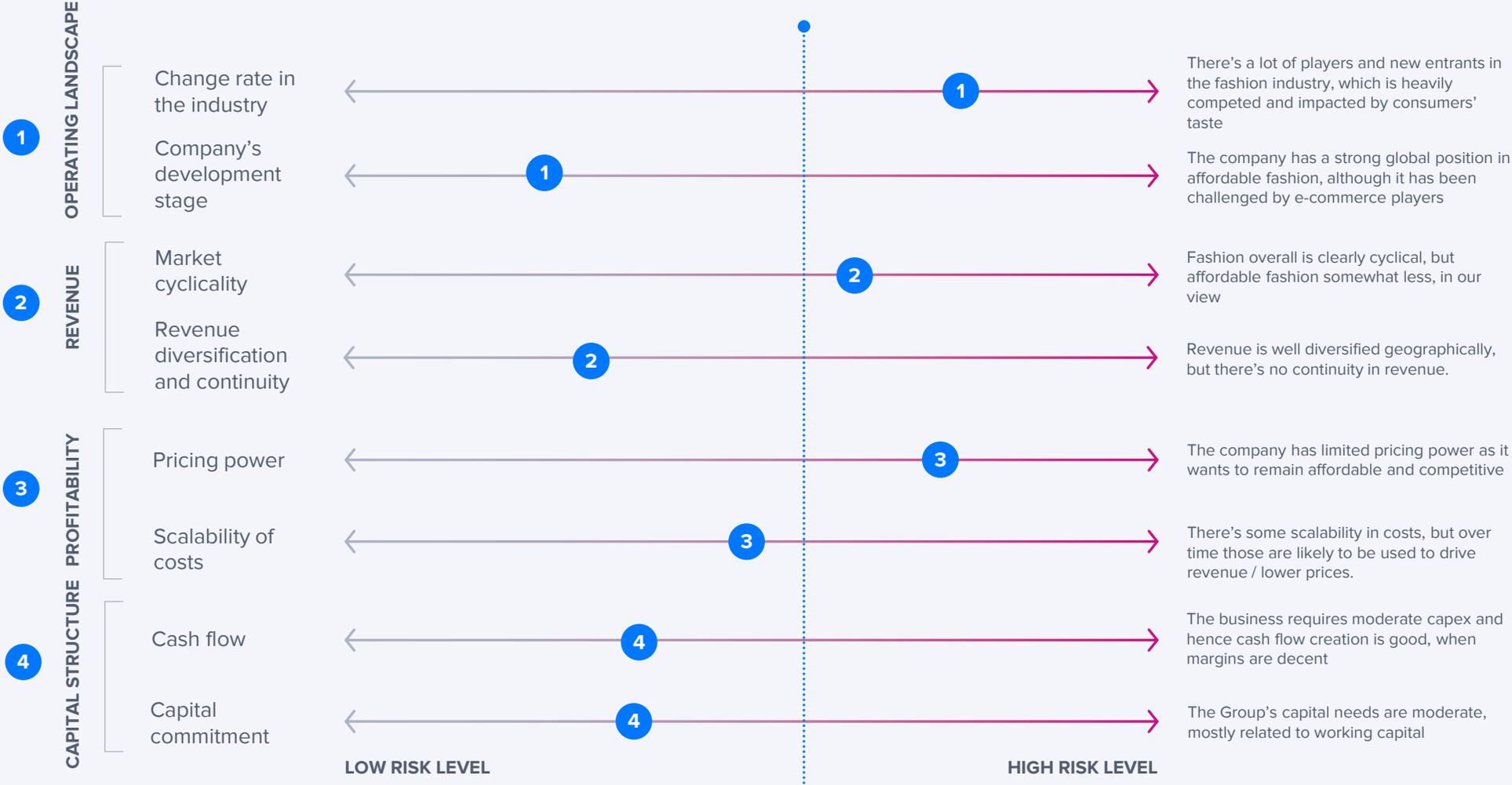
While we see some possibilities in the circular economy/sustainability for H&M Group, it certainly poses a risk for the company as well. Affordable/fast fashion is seen as somewhat resource-consuming and hence negative for the climate. If such a view strengthens among consumers, it could have negative impact for the Group's business in the longer-term. The brand could also face other reputational risks regarding, e.g., labour conditions of subcontractors or the impacts of sourcing cotton, etc. In the sustainability side we also see a regulation risk

(currently mostly regarding EU), which could somehow limit H&M Group's business or burden them with more costs related to the durability or circularity of the products.

In earnings terms, we note that H&M Group had a weak period in margin development from 2010 to 2020. Despite a somewhat better outlook currently, there's a risk that margins will remain clearly below historic levels and also below our expectations.

# Risk profile of the business model

Assessment of H&M Group's overall business risk

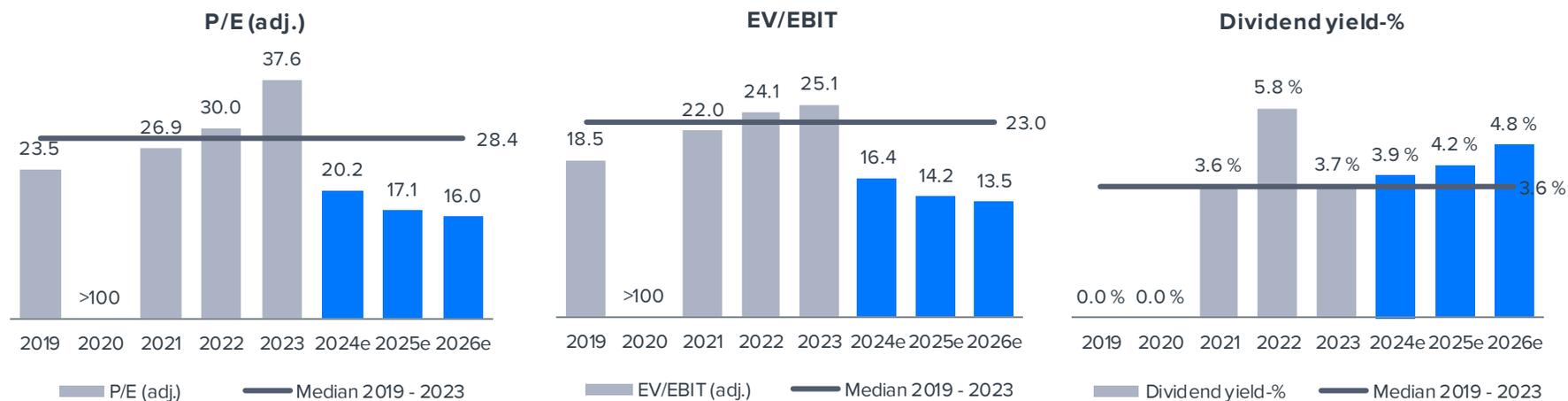


Source: Inderes

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	190	172	179	112	178	178	178	178	178
Number of shares, millions	1655.1	1655.1	1655.1	1645.5	1633.5	1610.5	1610.5	1610.5	1610.5
Market cap	315,258	284,672	295,927	184,569	288,002	286,250	286,250	286,250	286,250
EV	320,644	348,197	335,147	235,497	339,574	339,111	337,309	336,140	335,923
P/E (adj.)	23.5	>100	26.9	30.0	37.6	20.2	17.1	16.0	14.9
P/E	23.5	>100	26.9	51.8	33.3	20.2	17.1	16.0	14.9
P/B	5.5	5.2	4.9	3.6	6.1	5.6	5.0	4.6	4.2
P/S	1.4	1.5	1.5	0.8	1.2	1.2	1.2	1.1	1.1
EV/Sales	1.4	1.9	1.7	1.1	1.4	1.4	1.4	1.3	1.2
EV/EBITDA	11.3	12.0	8.9	7.9	9.1	8.0	7.3	7.1	6.9
EV/EBIT (adj.)	18.5	>100	22.0	24.1	25.1	16.4	14.2	13.5	13.0
Payout ratio (%)	0.0 %	0.0 %	97.7 %	299.8 %	120.9 %	79.5 %	72.0 %	76.8 %	100.0 %
Dividend yield-%	0.0 %	0.0 %	3.6 %	5.8 %	3.7 %	3.9 %	4.2 %	4.8 %	6.7 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Inditex	142524	136691	20.2	18.3	13.9	12.8	3.8	3.5	26.6	24.2	3.2	3.6	7.8
Fast Retailing	89873	83098	28.4	25.9	20.9	19.1	4.5	4.1	44.9	40.8	0.7	0.8	7.4
Next	13770	15926	13.9	13.3	11.7	11.3	2.5	2.4	16.4	15.5	2.2	2.4	8.6
GAP	9561	9199	20.0	13.6	9.7	8.0	0.7	0.7	23.7	19.9	2.1	2.2	4.3
Zalando	6702	5910	16.4	12.0	8.5	7.0	0.6	0.5	32.6	23.7			2.5
Victoria's Secret	1325	2133	7.3	8.7	4.0	4.6	0.4	0.4	8.6	11.1			3.0
Abercrombie & Fitch	5677	5307	12.0	10.4	9.2	8.4	1.4	1.3	20.1	15.9			6.0
Urban Outfitters	3643	3235	8.7	8.1	6.8	6.3	0.7	0.6	12.9	11.9			1.7
<b>H&amp;M (Inderes)</b>	<b>24677</b>	<b>29234</b>	<b>16.4</b>	<b>14.2</b>	<b>8.0</b>	<b>7.3</b>	<b>1.4</b>	<b>1.4</b>	<b>20.2</b>	<b>17.1</b>	<b>3.9</b>	<b>4.2</b>	<b>5.6</b>
<b>Average</b>			<b>15.9</b>	<b>13.8</b>	<b>10.6</b>	<b>9.7</b>	<b>1.8</b>	<b>1.7</b>	<b>23.2</b>	<b>20.4</b>	<b>2.1</b>	<b>2.2</b>	<b>5.2</b>
<b>Median</b>			<b>15.2</b>	<b>12.7</b>	<b>9.4</b>	<b>8.2</b>	<b>1.0</b>	<b>1.0</b>	<b>21.9</b>	<b>17.9</b>	<b>2.2</b>	<b>2.3</b>	<b>5.1</b>
<b>Diff-% to median</b>			<b>8%</b>	<b>12%</b>	<b>-16%</b>	<b>-11%</b>	<b>41%</b>	<b>40%</b>	<b>-8%</b>	<b>-5%</b>	<b>80%</b>	<b>86%</b>	<b>9%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	223,553	54,872	57,616	60,897	62,650	236,035	53,669	58,000	61,500	63,900	237,069	247,555	259,558	272,536
EBITDA	29,748	6,230	10,234	10,466	10,562	37,492	7,480	11,530	12,080	11,550	42,640	46,435	47,591	48,871
Depreciation	-22,579	-5,505	-5,493	-5,727	-6,230	-22,955	-5,403	-5,500	-5,500	-5,500	-21,903	-22,716	-22,768	-22,980
EBIT (excl. NRI)	9,760	-274	4,741	4,739	4,332	13,538	2,077	6,030	6,580	6,050	20,737	23,719	24,823	25,891
EBIT	7,169	725	4,741	4,739	4,332	14,537	2,077	6,030	6,580	6,050	20,737	23,719	24,823	25,891
Net financial items	-953	-329	-416	-366	-416	-1,527	-471	-450	-450	-450	-1,821	-1,500	-1,200	-500
PTP	6,216	396	4,325	4,373	3,916	13,010	1,606	5,580	6,130	5,600	18,916	22,219	23,623	25,391
Taxes	-2,650	144	-1,037	-1,054	-2,340	-4,287	-405	-1,395	-1,533	-1,400	-4,733	-5,444	-5,788	-6,221
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	3,566	540	3,288	3,319	1,576	8,723	1,201	4,185	4,598	4,200	14,184	16,775	17,835	19,170
EPS (adj.)	3.7	-0.3	2.0	2.0	1.0	4.7	0.7	2.6	2.9	2.6	8.8	10.4	11.1	11.9
EPS (rep.)	2.2	0.3	2.0	2.0	1.0	5.3	0.7	2.6	2.9	2.6	8.8	10.4	11.1	11.9
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	12.4 %	11.6 %	5.7 %	6.0 %	0.3 %	5.6 %	-2.2 %	0.7 %	1.0 %	2.0 %	0.4 %	4.4 %	4.8 %	5.0 %
Adjusted EBIT growth-%	-36.0 %	-159.8 %	-5.0 %	78.6 %	160.8 %	38.7 %	-858.0 %	27.2 %	38.8 %	39.7 %	53.2 %	14.4 %	4.7 %	4.3 %
EBITDA-%	13.3 %	11.4 %	17.8 %	17.2 %	16.9 %	15.9 %	13.9 %	19.9 %	19.6 %	18.1 %	18.0 %	18.8 %	18.3 %	17.9 %
Adjusted EBIT-%	4.4 %	-0.5 %	8.2 %	7.8 %	6.9 %	5.7 %	3.9 %	10.4 %	10.7 %	9.5 %	8.7 %	9.6 %	9.6 %	9.5 %
Net earnings-%	1.6 %	1.0 %	5.7 %	5.5 %	2.5 %	3.7 %	2.2 %	7.2 %	7.5 %	6.6 %	6.0 %	6.8 %	6.9 %	7.0 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>102525</b>	<b>100744</b>	<b>103841</b>	<b>106125</b>	<b>109092</b>
Goodwill	64.0	1013	1013	1013	1013
Intangible assets	9092	8712	9212	9712	10212
Tangible assets	82736	81536	84133	85917	88384
Associated companies	503	209	209	209	209
Other investments	2654	2363	2363	2363	2363
Other non-current assets	939	1204	1204	1204	1204
Deferred tax assets	6537	5707	5707	5707	5707
<b>Current assets</b>	<b>79523</b>	<b>80529</b>	<b>74677</b>	<b>75504</b>	<b>71378</b>
Inventories	42495	37358	37931	39609	41529
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	15321	16773	15409	16091	16871
Cash and equivalents	21707	26398	21336	19804	12978
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>178518</b>	<b>181629</b>	<b>180470</b>

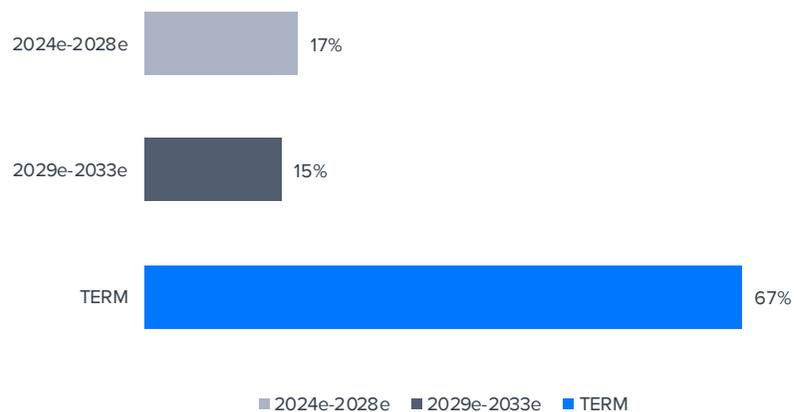
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>50757</b>	<b>47601</b>	<b>51242</b>	<b>56744</b>	<b>62500</b>
Share capital	207	207	207	207	207
Retained earnings	44694	41198	44839	50341	56097
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	5856	6196	6196	6196	6196
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>62956</b>	<b>65745</b>	<b>50000</b>	<b>50000</b>	<b>50000</b>
Deferred tax liabilities	3273	2416	0.0	0.0	0.0
Provisions	575	384	0.0	0.0	0.0
Interest bearing debt	58925	62813	50000	50000	50000
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	183	132	0.0	0.0	0.0
<b>Current liabilities</b>	<b>68335</b>	<b>67927</b>	<b>77276</b>	<b>74886</b>	<b>67971</b>
Interest bearing debt	13710	15157	24197	20863	12867
Payables	21090	21027	21336	22280	23360
Other current liabilities	33535	31743	31743	31743	31743
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>178518</b>	<b>181629</b>	<b>180470</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.6 %	0.4 %	4.4 %	4.8 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.2 %	8.7 %	9.6 %	9.6 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %
<b>EBIT (operating profit)</b>	<b>14537</b>	<b>20737</b>	<b>23719</b>	<b>24823</b>	<b>25891</b>	<b>27185</b>	<b>28545</b>	<b>29972</b>	<b>31471</b>	<b>33044</b>	<b>34035</b>	
+ Depreciation	22955	21903	22716	22768	22980	23306	23716	24680	25611	26501	27827	
- Paid taxes	-4314	-7149	-5444	-5788	-6221	-6538	-6871	-7221	-7588	-7973	-8216	
- Tax, financial expenses	-503	-456	-368	-294	-123	-123	-123	-123	-123	-123	-123	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	1830	1100	-1416	-1620	-1752	-1840	-1932	-2028	-2130	-2236	-1409	
<b>Operating cash flow</b>	<b>34505</b>	<b>36136</b>	<b>39208</b>	<b>39889</b>	<b>40775</b>	<b>41991</b>	<b>43335</b>	<b>45281</b>	<b>47241</b>	<b>49214</b>	<b>52115</b>	
+ Change in other long-term liabilities	-242	-516	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-22298	-25000	-25000	-25735	-26492	-27272	-28075	-28902	-29881	-32448	-31573	
<b>Free operating cash flow</b>	<b>11965</b>	<b>10620</b>	<b>14208</b>	<b>14154</b>	<b>14283</b>	<b>14720</b>	<b>15260</b>	<b>16379</b>	<b>17361</b>	<b>16766</b>	<b>20542</b>	
+/- Other	-1766	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	
FCFF	10199	8620	12208	12154	12283	12720	13260	14379	15361	14766	18542	384848
<b>Discounted FCFF</b>		<b>8132</b>	<b>10667</b>	<b>9837</b>	<b>9208</b>	<b>8832</b>	<b>8528</b>	<b>8566</b>	<b>8476</b>	<b>7547</b>	<b>8778</b>	<b>182185</b>
Sum of FCFF present value		270756	262624	251957	242120	232912	224080	215551	206985	198510	190963	182185
<b>Enterprise value DCF</b>		<b>270756</b>										
- Interest bearing debt		-17082										
+ Cash and cash equivalents		26398										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>280072</b>										
<b>Equity value DCF per share</b>		<b>174</b>										

Cash flow distribution

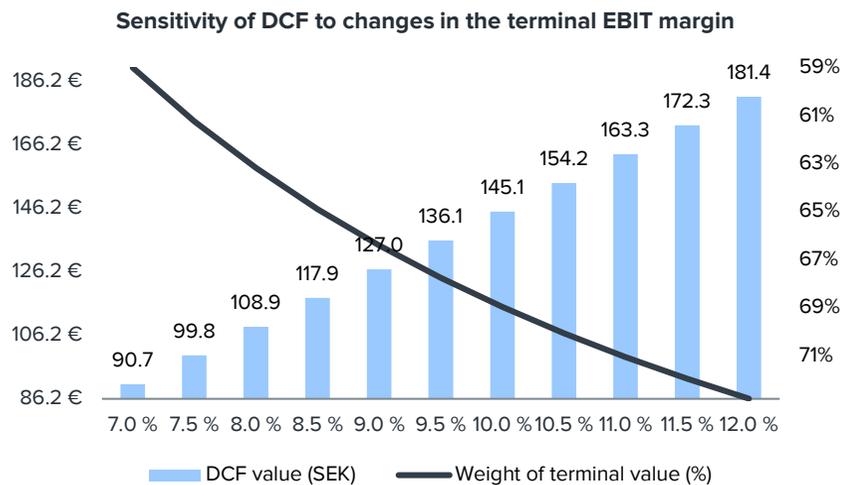
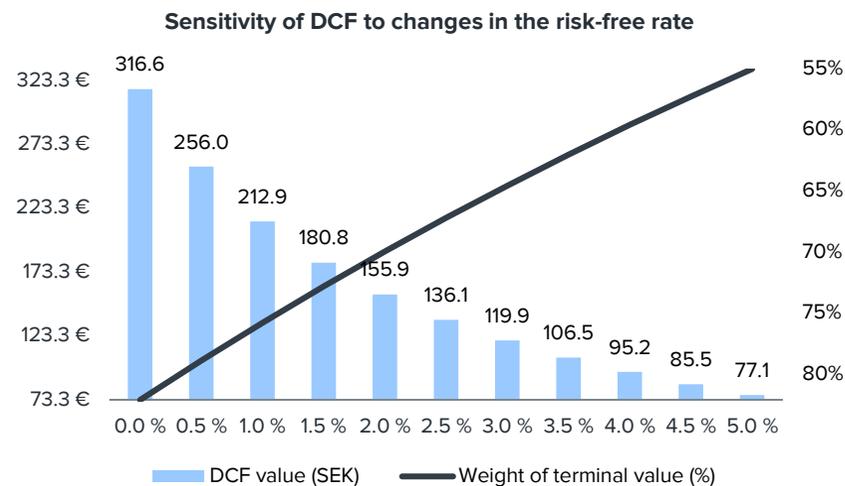
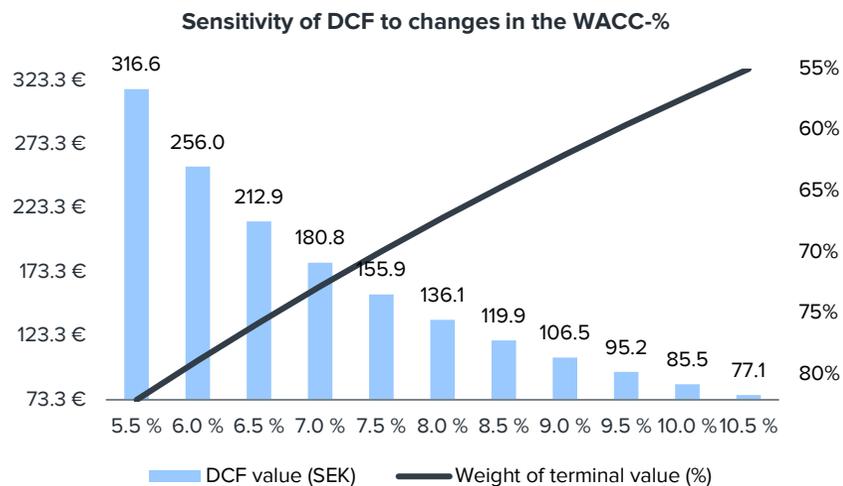


## WACC

Tax-% (WACC)	24.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	198967	223553	236035	<b>237069</b>	<b>247555</b>	EPS (reported)	6.7	2.2	5.3	<b>8.8</b>	<b>10.4</b>
EBITDA	37575	29748	37492	<b>42640</b>	<b>46435</b>	EPS (adj.)	6.7	3.7	4.7	<b>8.8</b>	<b>10.4</b>
EBIT	15255	7169	14537	<b>20737</b>	<b>23719</b>	OCF / share	27.1	15.2	21.1	<b>22.4</b>	<b>24.3</b>
PTP	14300	6216	13010	<b>18916</b>	<b>22219</b>	FCF / share	18.8	1.0	6.2	<b>5.4</b>	<b>7.6</b>
Net Income	11010	3566	8723	<b>14184</b>	<b>16775</b>	Book value / share	36.3	30.8	29.1	<b>31.8</b>	<b>35.2</b>
Extraordinary items	0	-2591	999	<b>0</b>	<b>0</b>	Dividend / share	6.5	6.5	6.5	<b>7.0</b>	<b>7.5</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	179781	182048	181273	<b>178518</b>	<b>181629</b>	Revenue growth-%	6%	12%	6%	<b>0%</b>	<b>4%</b>
Equity capital	60018	50757	47601	<b>51242</b>	<b>56744</b>	EBITDA growth-%	29%	-21%	26%	<b>14%</b>	<b>9%</b>
Goodwill	64	64	1013	<b>1013</b>	<b>1013</b>	EBIT (adj.) growth-%	392%	-36%	39%	<b>53%</b>	<b>14%</b>
Net debt	39220	50928	51572	<b>52861</b>	<b>51058</b>	EPS (adj.) growth-%	786%	-44%	26%	<b>86%</b>	<b>18%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	18.9 %	13.3 %	15.9 %	<b>18.0 %</b>	<b>18.8 %</b>
EBITDA	37575	29748	37492	<b>42640</b>	<b>46435</b>	EBIT (adj.)-%	7.7 %	4.4 %	5.7 %	<b>8.7 %</b>	<b>9.6 %</b>
Change in working capital	11083	-539	1830	<b>1100</b>	<b>-1416</b>	EBIT-%	7.7 %	3.2 %	6.2 %	<b>8.7 %</b>	<b>9.6 %</b>
Operating cash flow	44849	25091	34505	<b>36136</b>	<b>39208</b>	ROE-%	19.2 %	6.4 %	17.7 %	<b>28.7 %</b>	<b>31.1 %</b>
CAPEX	-13751	-23581	-22298	<b>-25000</b>	<b>-25000</b>	ROI-%	11.7 %	5.7 %	11.7 %	<b>16.5 %</b>	<b>18.7 %</b>
Free cash flow	31094	1660	10199	<b>8620</b>	<b>12208</b>	Equity ratio	33.4 %	27.9 %	26.3 %	<b>28.7 %</b>	<b>31.2 %</b>
						Gearing	65.3 %	100.3 %	108.3 %	<b>103.2 %</b>	<b>90.0 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1.7	1.1	1.4	<b>1.4</b>	<b>1.4</b>						
EV/EBITDA (adj.)	8.9	7.9	9.1	<b>8.0</b>	<b>7.3</b>						
EV/EBIT (adj.)	22.0	24.1	25.1	<b>16.4</b>	<b>14.2</b>						
P/E (adj.)	26.9	30.0	37.6	<b>20.2</b>	<b>17.1</b>						
P/B	4.9	3.6	6.1	<b>5.6</b>	<b>5.0</b>						
Dividend-%	3.6 %	5.8 %	3.7 %	<b>3.9 %</b>	<b>4.2 %</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/10/2023	Accumulate	165	148
12/17/2023	Reduce	170	178
2/1/2024	Accumulate	165	147
3/28/2024	Reduce	170	178



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