PUUILO OYJ

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

Forging growth beyond Finland

Puuilo, a Finnish discount DIY retailer, has delivered strong earnings growth, and we see a good outlook for continued growth supported by the expansion and maturation of its domestic store network. The company is seeking further growth by piloting its concept in Sweden. The starting points for internationalization are at least reasonable, but initial success will require investments in raising brand awareness. The stock looks expensive based on trailing earnings, but earnings growth and dividend yield offset the high multiples, which is why we consider the risk/reward ratio to be sufficient. We reiterate our Accumulate recommendation and EUR 18.00 target price.

A prize specimen in discount retail

Puuilo is a discount retail company operating in Finland and soon in Sweden. Its concept focuses on DIY needs, although the company also sells other, often rather defensive product categories. The company has grown strongly throughout its history (2010–25 CAGR of 20%) and has done so with exceptional profitability. Efficient operations in both stores and administration have secured the company clearly higher profitability than its competitors. Rapid growth has also been reflected in market shares, as over the past five years the company has doubled its share of the Finnish discount trade market (12% in 2023). Although the company has grown strongly historically, we still see significant growth potential in the company, supported by the maturing store network and new store openings.

Sweden is opening up a new path for growth, but there is no guarantee of success

The company is piloting its current concept in Sweden with a network of around 10 stores. Initially, Puuilo's growth is driven by store openings, and later by the maturation of the young network and the growing awareness of the concept. If successful, the pilot will extend the growth path far into the future and open doors to the rest of Northern Europe as well. However, Puuilo starts from an underdog position. The number of competitors and their store networks are larger in Sweden than in Finland, so we estimate that finding good retail locations will be challenging, and sales will initially have to be taken from neighbors through promotional campaigns. This erodes margins, and in our view, major profits should not be expected from Sweden during this strategy period (2025–2030). Expansion will increase the Group's cost structure, add to forecasting uncertainty, and, in a worst-case scenario, weaken the Group's excellent returns on capital. However, the risk is limited by the asset-light pilot model, which we believe can be adapted to fit the market with minimal effort. However, in our view, the starting points for success are at least reasonable, driven by a concept that has performed exceptionally well in Finland. In the domestic market, the company has outperformed all known Swedish players measured by market share growth. However, for our forecasts in Sweden, we are proceeding for now with a clear safety margin.

Expected return is sufficient

In terms of realized earnings multiples (P/E 23x and IFRS 16 adj. EV/EBIT 19x), the company is priced above our comfort zone. However, this is justified as we expect the company to be able to achieve strong earnings growth in the coming years, when multiples fall to an attractive level for a high-quality growth company (2027-28e P/E 19x and 17x and IFRS16 adj. EV/EBIT 15x and 13x). Taking into account our earnings growth forecasts, valuation multiples that are slightly elevated on actual earnings, and a 5% dividend yield, the expected total return on the stock is around 10%. We consider this level sufficient, as it just barely exceeds our required return, meaning that the stock's risk/reward ratio remains adequate. The value per share of just above EUR 18 implied by our cash flow model also suggests upside and justifies a positive view on the stock. We see Puuilo as one of the highest quality companies in the sector, with a concept that has proven its competitiveness in both favorable and challenging markets.

Recommendation
Accumulate
(was Accumulate)

Target price:
EUR 18.00
(was EUR 18.00)

Share price:
EUR 17.24

Business risk
●●○○○

Valuation risk
●●●●○

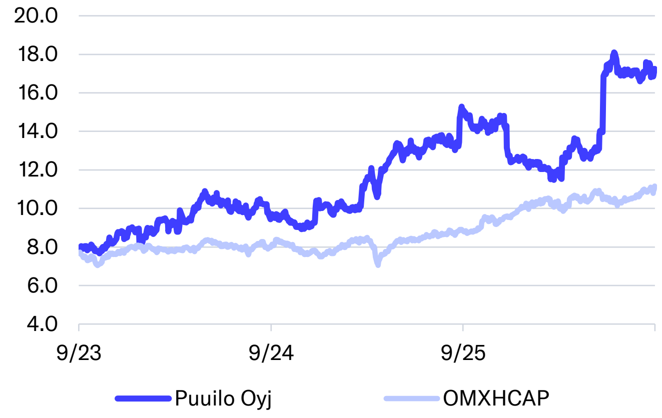
	2025	2026e	2027e	2028e
Revenue	442.3	509.0	585.4	659.3
growth-%	15%	15%	15%	13%
EBIT adj.	75.4	92.9	102.9	114.4
EBIT-% adj.	17.0 %	18.3 %	17.6 %	17.4 %
Net Income	56.0	68.9	78.9	87.9
EPS (adj.)	0.66	0.82	0.93	1.04
P/E (adj.)	18.6	21.1	18.5	16.6
P/B	10.6	13.1	11.5	9.6
Dividend yield-%	5.4 %	4.4 %	4.4 %	4.9 %
EV/EBIT (adj.)	15.6	17.3	15.7	14.2
EV/EBITDA	12.1	13.7	12.4	11.1
EV/S	2.7	3.2	2.8	2.5

Source: Inderes

Guidance (Unchanged)

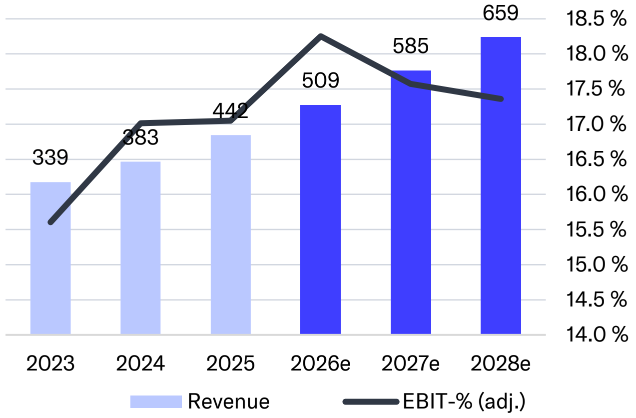
The company forecasts the revenue for the financial year 2026 to be 495–515 MEUR and the adjusted EBITA to be 87–97 MEUR.

Share price



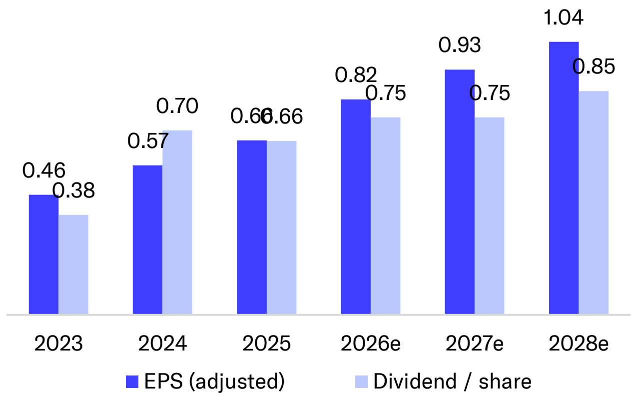
Source: Millistream Market Data AB

Revenue and EBIT % (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Increasing the number of stores to over 90
- Internationalization
- Significant growth potential remaining in ramping up existing stores
- Growth in private label
- As a result of growth, improved bargaining power with suppliers and scaling of costs
- Further streamlining of operating expenditure levels

Risk factors

- Increased competition as key competitors also expand their brick-and-mortar networks
- Global disruptions in product availability and the rise of protectionism
- Successful category management
- Weakened consumer purchasing power in a cost-inflationary environment
- Professionalization of construction and urbanization

Valuation	2026e	2027e	2028e
Share price	17.2	17.2	17.2
Number of shares, millions	84.8	84.8	84.8
Market cap	1462	1462	1462
EV	1603	1618	1623
P/E (adj.)	21.1	18.5	16.6
P/E	21.2	18.5	16.6
P/B	13.1	11.5	9.6
P/S	2.9	2.5	2.2
EV/Sales	3.2	2.8	2.5
EV/EBITDA	13.7	12.4	11.1
EV/EBIT (adj.)	17.3	15.7	14.2
Payout ratio (%)	92.3 %	80.5 %	82.0 %
Dividend yield-%	4.4 %	4.4 %	4.9 %

Source: Inderes

Contents

Puuilo in brief

Puuilo is one of the leading players in Finland’s growing discount retailer market. The company has expanded strongly in Finland and gained significant market share through new stores.

1982

Year of establishment

2021

Technical listing

457 MEUR (+15% y/y)

Revenue last 12 months

83 MEUR (18.1% of revenue)

Adj. EBITA last 12 months

12%

Market share among discount retailers in Finland

58

Number of stores Q1’26

Sentica

2011:
Sentica Partners acquires a majority holding

2012:
First private labels

2012-15:
Strong revenue growth

Adelis

2015-20:
Adelis Equity becomes Puuilo's owner

Current honed concept

Process measurement and knowledge management

Ensuring scalability

Listed company

2020:
COVID period boosts the demand for general merchandise

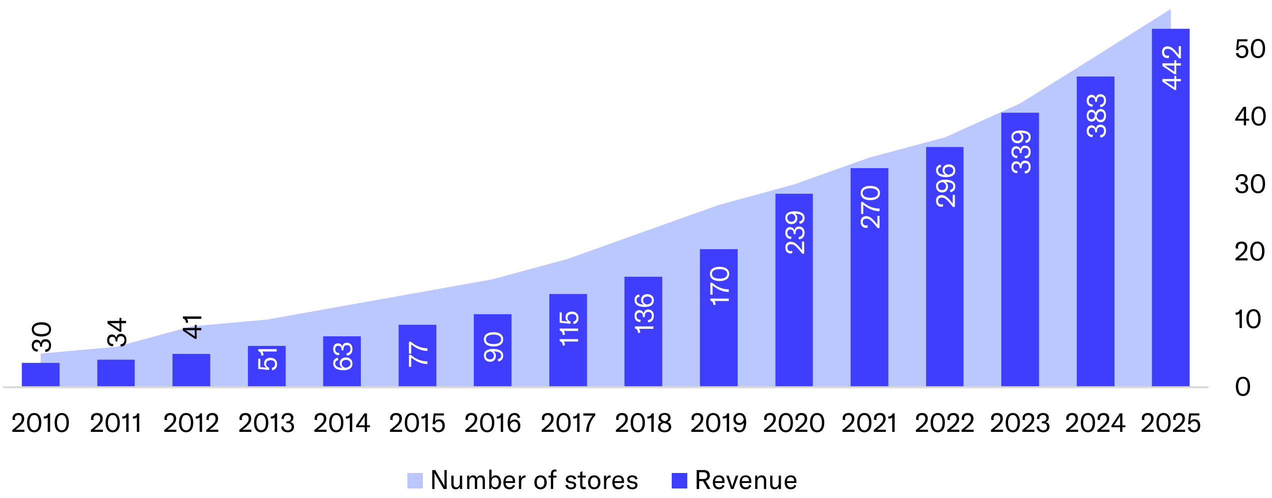
2021:
Listing on the main list of Nasdaq Helsinki

2022-24:
Clear market share gains

2024-26:
Adelis sells its remaining stake

The concept withstands a challenging market and intensified competition

The strategy is updated twice: Adding more stores in Finland and initiating the pilot phase for international expansion



Company description and business model (1/3)

A profitable growth company with a long history

Puuilo is a Finnish retail company focusing on cheap goods that started out with mobile shops in 1982 and later grew an extensive store network. The company has been developed since 2011, first under private equity investor Sentica Partners and since 2015 under Adelis Equity Partners, which divested its remaining shares at the beginning of 2024. Puuilo was listed on the main list of Nasdaq Helsinki in the summer of 2021 at a price of EUR 6.6 per share. The company has grown strongly throughout its history, with an average sales growth of 20% (CAGR) in the financial years 2010-2025. The company is embarking on its international expansion by piloting its store concept in Sweden over the next few years. Thus far, the company has only operated in Finland.

Puuilo has achieved excellent relative profitability compared to the sector average. We believe this is the result of both a good gross margin and strict cost control. The trend has been positive, and in 2025 the company raised its EBITA margin to its highest level of 18.3%. This is an exceptionally high level for a retail company.

Customer promise at the heart of operations

Puuilo has built a strong concept among busy "DIY" customers. The concept relies on low prices, easy shopping and a relatively wide range of products. When it comes to pricing, the company does not always strive to be the cheapest option, but the basic principle is that the customer should not be disappointed with the price level. Pricing decisions are guided by both product cost prices and competitor pricing. The company's cost structure has been kept significantly lower than among competitors, which enables excellent profitability for the company.

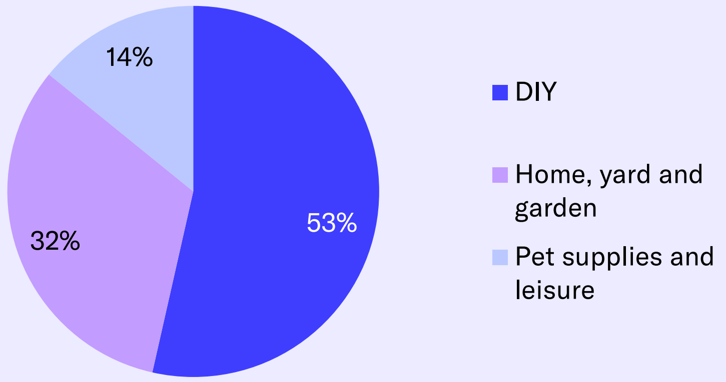
Customer base has expanded over the years

Puuilo's clearly largest customer group is consumers, and it serves especially DIY customers. The company's customer base is wide and represents all socio-economic backgrounds and genders throughout Finland. A typical Puuilo customer is a 55-74-year-old man who lives in a single-family home or duplex in southern Finland. Therefore, the usual Puuilo customer is also in the "best age" in terms of purchasing power. The number of corporate customers has also grown strongly in recent years, and we estimate that the share of customers who identify as corporate customers with the FIRMA account product represents a bit under 10% of sales. In a nutshell, the company's customers appreciate easy shopping and a wide and affordable selection.

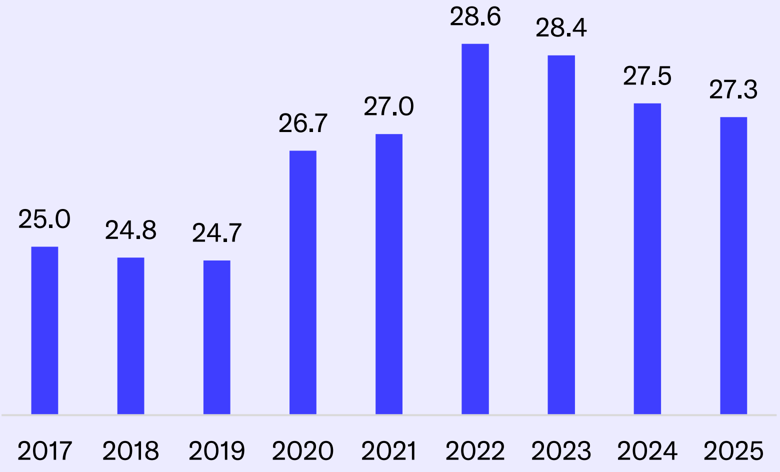
Product range consists of several main categories

The product range of each Puuilo store follows the same line and is centrally managed, which enables more efficient procurement and campaigns. The selection consists of nine product groups: building materials, HVAC and electric supplies, car accessories, household products, garden supplies, pet food and accessories, tools, free-time products, and groceries. The product groups cover a product range of about 30,000 titles. A large part of the selection consists of defensive, low-priced supplies based on need and frequent/recurring consumption, with the share of more cyclical consumer goods being relatively small. Defensiveness has been emphasized in the years 2022–2025, during which the general economic situation has been challenging.

Sales breakdown
2025



Development of average purchase*
EUR



Source: Puuilo, Inderes
* Partly based on Inderes' estimate

Company description and business model (2/3)

The selection of the main categories includes product options with different price points and characteristics, e.g., three different products, in three price categories (A, B and private label). This aims to respond to the preferences of different types of customers while creating a depth of selection compared to other discount retailers. Part of Puuilo's sales consist of seasonal products, but the dependence on seasonality is modest compared to the broader retail sector. For example, Christmas or Black Friday are not major seasons for Puuilo. The strongest sales months of Puuilo take place in May-August, which is typical of hardware stores.

Private labels are an essential part of the business

23.6% of sales in the financial year 2025 came from private labels and the volume has grown systematically in line with the strategy. Own products are sold under several private labels, e.g., Tamforce, Kramfors and Pitstone. They are clearly priced lower than the corresponding branded products, but their margins are better, as the purchase prices are also lower. On the one hand, lower purchase prices allow for higher volumes, but the real reason for the higher margin of private labels lies in the lower costs of the supply chain, as the chain skips wholesalers and importers. On the other hand, we feel success in private label sales also requires the presence of branded products alongside them so that the difference in price levels is tangible to the customer, which can also trigger a purchase decision.

Store network and warehouses

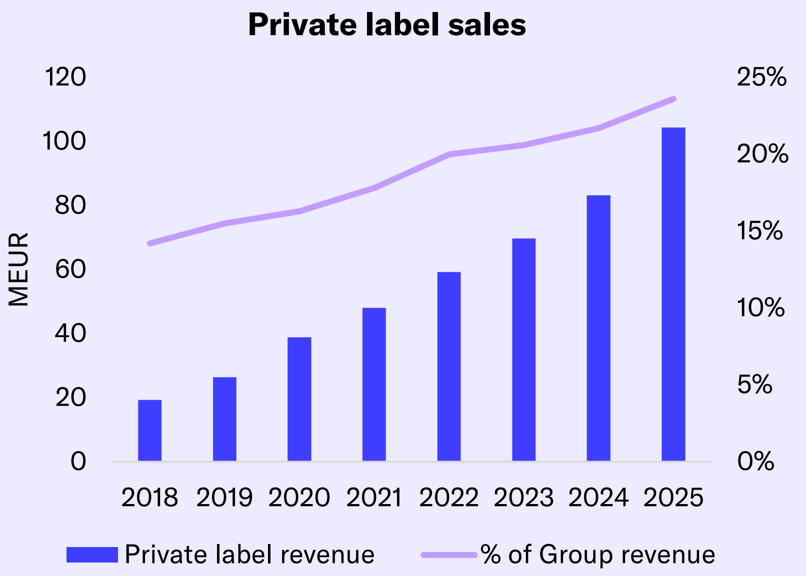
The company's store network has expanded relatively steadily to become nationwide, now consisting of 60 stores, and has grown by around five new stores per year (2020-2025). However, in line with the renewed strategy, the pace of openings has accelerated, and, for example, in FY2026–27, the company plans to open as many as seven new stores per year Growth supported by new stores is also expected to continue beyond the strategy period (2030), as the company plans to expand into Sweden with its own Puuilo-style concept. We have discussed the expansion into Sweden in the strategy section on page 18.

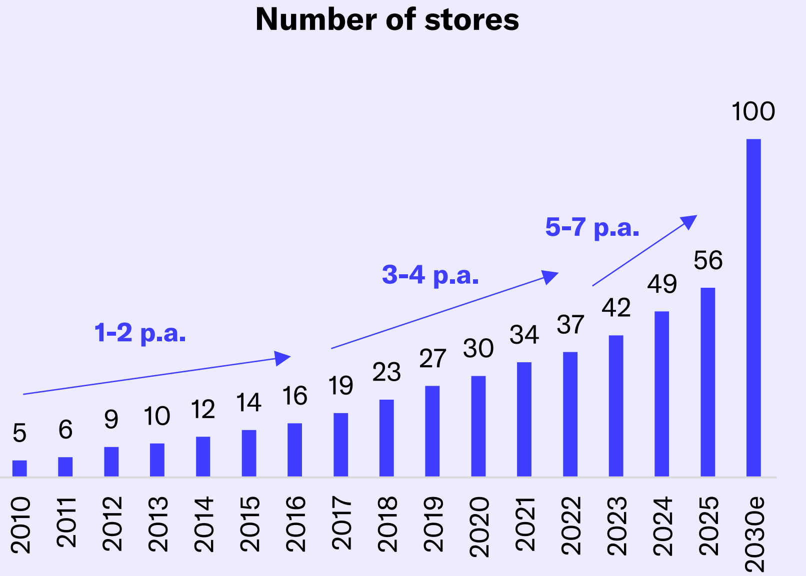
Suppliers typically deliver goods directly to the stores' warehouses. Furthermore, Puuilo engages in warehousing cooperation for its own brands with DSV (formerly Schenker). Schenker), whose leased warehouse is located in Nurmijärvi, and the capital tied up in it is also reflected in Puuilo's balance sheet. The leased warehouse is utilized especially in private label sourcing, where volumes are larger than in traditional product orders.

In the retail sector, product availability and logistics management are key success factors. We believe that the company has found a good compromise between availability, capital commitment and profitability.

The supply chain is diverse

The company buys finished products from some 700 different suppliers. According to the prospectus, 84% of purchases for the financial year 2020 came from Finnish suppliers, 13% from Asia and 3% from Europe. However, a significant proportion of the goods purchased in Finland have been manufactured outside Finland. Most of the private label products are sourced directly from factories in Asia. In procurement, supplier responsibility is an important selection criterion. With regard to its own products, the company bears the related sea freight and other logistics costs.





Source: Puuilo, Inderes

Company description and business model (3/3)

The role of multichannel is also important

Most of Puuilo's sales come from brick-and-mortar stores but at the same time the e-commerce platform, which was renewed in 2019-2020, is an important part of the business model. A well-functioning online store supports the Puuilo brand and presents the selection. It also supports the image of a good price-quality ratio and helps the company collect customer data for targeted marketing. Puuilo's online sales have grown, although their share of revenue remains relatively small at 2.6% (2025). About 30% of online purchases are pick-up orders. The online store currently operates only in Finland, but with the expansion into Sweden, the company is likely to make it available to Swedish customers as well.

Capital-efficient business model

Puuilo's business model is highly capital-light, which is largely due to the low investment needs in the store network. The company's simplified stores operate in rental premises, which allows for a quick repayment period for new stores and provides the company with quite high returns on capital. Thus, we see the expansion of the company's key strategic area, i.e. the store network, as commercially sound.

The return on capital invested in the company's business (ROIC %) has been an excellent combination of good performance and an efficient balance sheet. The slight downward trend in the graph is mainly due to the conscious increase in inventories to ensure availability in 2021 and when entering 2022, but since then, destocking has taken place. We discuss the company's capital needs in more detail on page 25.

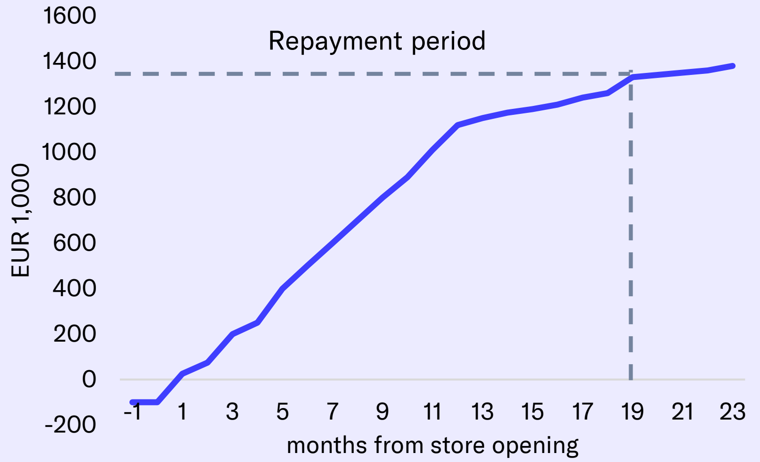
Brand image improves as the store network expands

Also in terms of brand awareness, the company still has the potential to improve, which supports comparable sales growth. According to a survey conducted by Puuilo in 2023, 20% of consumers named Puuilo when asked to list discount retailers/general stores. The trend has been good, as in 2020 the same figure was 12%. We believe the company's spontaneous brand awareness is still clearly weaker than among its competitors in the Helsinki Metropolitan Area. The marketing budget that grows (and partly scales) with the growing size and improved targeting supports improving brand awareness in addition to the physical presence of the store.

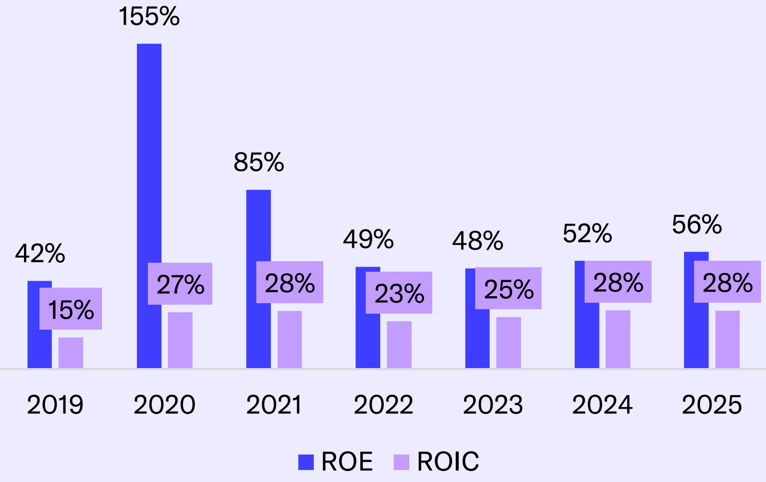
Moderate risk profile

In our opinion, Puuilo's risk profile is lower than for the average company on Nasdaq Helsinki. The risk profile is lowered by a concept that has generally been proven to be quite effective and its defensive growth ability. The business generates quite abundant cash flow, and capital commitment is low, which together enable excellent return on capital. The company's balance sheet is virtually debt-free (IFRS 16 adj. net debt/EBITDA of 0.3x or ~30 MEUR) and the items recorded in goodwill on the balance sheet (33.5 MEUR) relate to the acquisition of the parent company's Puuilo business. From this point of view, we consider the risk of goodwill write-downs to be very low. We consider the tightened competition as one factor that increases the risk level, but feel that the concept is fairly well-positioned compared to competitors. On the other hand, increased competition may increase price competition, which may depress margins.

EBITDA development in a new store

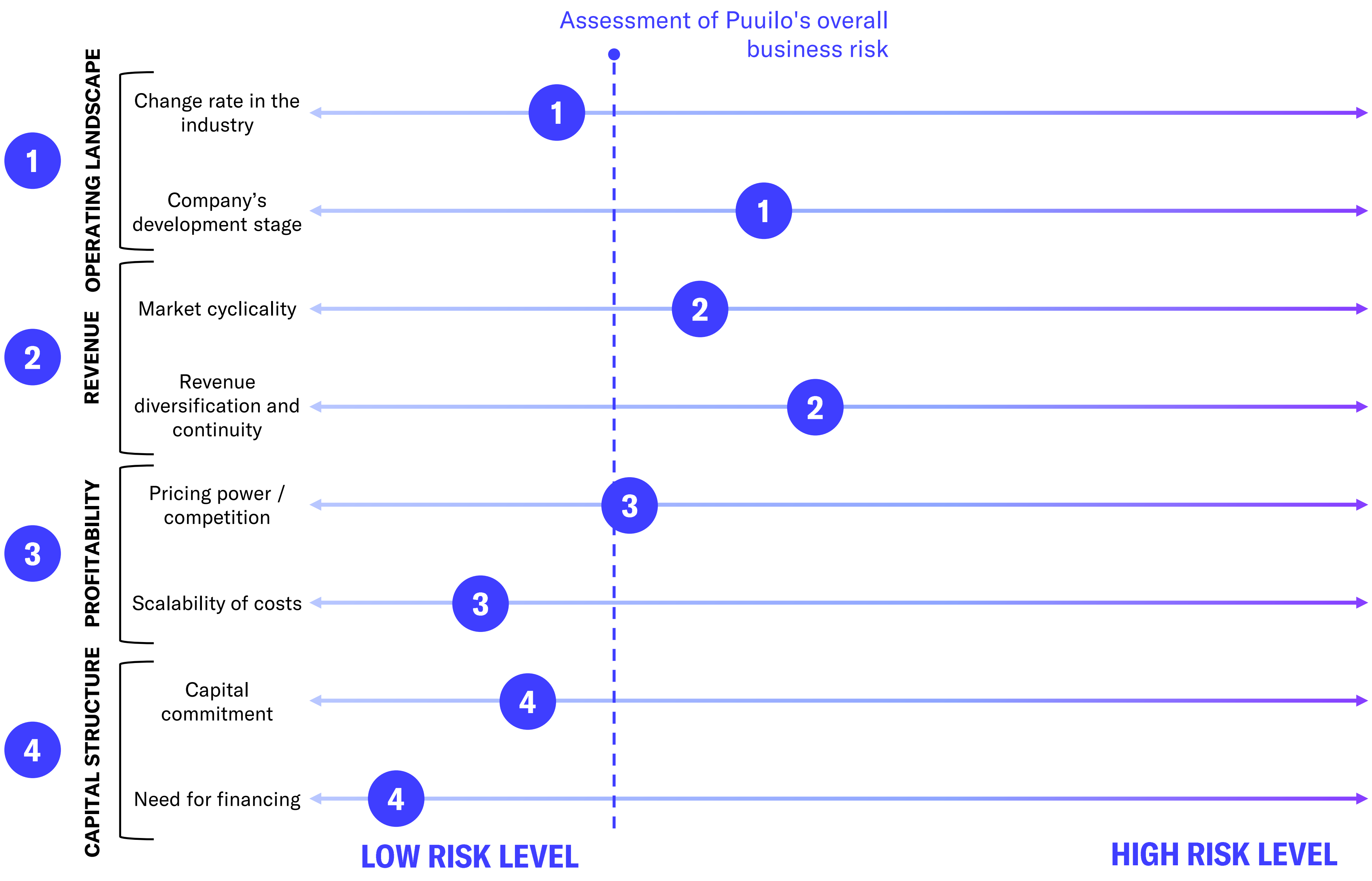


Return on capital



Source: Puuilo, Inderes

Risk profile of the business



The industry changes slowly, but sales are moving online, which emphasizes the multi-channel business model

A growing foothold in the Finnish discount retailer market. The most profitable in the industry already at this stage. Sweden expansion increases the risk level.

Discount retail is growing faster than the broader retail sector and has performed well through economic cycles.

Revenue focuses on Finland, although the geographical coverage is extensive. Recurring revenue accounts for 0%, as sales starts from zero every day.

Product range is weighted toward low-price-point products, where customer price sensitivity is lower than in other discount retail segments. Competition is intensifying as the store footprint expands.

The share of fixed costs is clearly lower than for competitors relative to revenue. The cost structure of the stores scales well with growth thanks to high volumes.

The business only requires little investment and approximately 20% of revenue is committed to working capital

Financial position is at a healthy level. There is room to increase debt financing if investment needs so require.

Industry and market overview 1/7

The popularity discount stores has increased

Defining the target market for Puuilo is somewhat challenging, as it competes against conventional specialty retailers, department stores and discount stores. In addition, customers who often buy directly from wholesalers may also shop in the store. We have examined the company's target markets from two different perspectives: (1) discount and (2) DIY/hardware store.

At its core, Puuilo is profiled as a discount retailer, whose target market is growing faster than the conventional retail market. This is partly because consumers' price awareness has increased in recent years. Generally, consumers are currently looking for value for their money. In the big picture, however, the popularity of discount stores is driven by a substantial improvement in the quality of discount products, as a few decades ago, some consumers perceived discount products to be of low quality. The increased popularity has also been influenced by the strong expansion of the discount retailers' store network, which has raised the chains' visibility and brought them closer to consumers.

The size of the market compiled by Finnish discount retailers (see page 18) was around 3.6 BEUR in 2025. Throughout history, the market has grown at a rate of 5-7% (vs. retail trade 2-3%), suggesting that discount retailers have gobbled market shares of department stores and specialty stores. At the same time, the market has concentrated on larger players. Today, the five largest companies account for 76% and the ten largest for 95% of the entire discount retail market. We believe that market consolidation has largely been a resource issue, which has enabled large players to expand their store network (as well as make acquisitions), but we also believe that these players have distinct concepts that stand out and appeal to consumers.

There is a fierce battle over market shares

Puuilo's market share in the Finnish discount trade has risen from 6% in 2019 to 12% in 2025. The company shares the second-largest position in the market with Motonet, and we believe the company will surpass Motonet's level by the end of 2026. There is still a long way to go to catch up with the industry leader, Tokmanni, and we do not believe the company will reach Tokmanni's current level with the current potential of its business (a network of >90 stores in Finland).

We estimate that the trend that previously prevailed in the industry, where large players grabbed market share from smaller ones, has changed over the past few years. Now there are a few medium-sized, fast-growing players in the industry (such as Puuilo, Rusta, Jula, Normal) that are collectively taking market share from small players, but especially from large and established retail chains (such as Tokmanni, Motonet, Kärkkäinen). The change in the trend partly signals the consolidation of the market, but at the same time a weaker general economic situation, where the growth of total demand for discount retail has temporarily slowed down from past years. In the case of Puuilo and Jula, it is worth noting the fact that they have also been taking market share from traditional hardware stores, which is why we feel it is justified to examine this market as well.

The DIY market is growing fast

More than half of Puuilo's product range/revenue comprises DIY product groups. These product groups are, in some respects, comparable to those sold in hardware stores. We have formed a group of players focusing on DIY products, which, at the end of 2025, amounted to ~1.3 BEUR. In turn, the size of the Finnish hardware market was slightly under 2 BEUR.

Source: Asiakastieto, company investor websites

Industry and market overview 2/7

There are substantial differences in the growth profiles of the market. The DIY market has grown by an average of 7% over the past six years, while the size of more cyclical hardware stores has remained at the 2019 levels. The most significant factor here is the exceptionally challenging operating environment for construction, which has also been reflected in specialty retailers selling construction goods. Looking over the long term, the hardware trade has grown roughly in line with GDP during 2010–25 and closely follows the market development of construction.

Discount and DIY trade is also profitable

In addition to growth, the profitability development of discount and DIY stores such as Puuilo has been positive. We believe this is based on two different components: 1) reasonably healthy product margins and 2) a low cost structure achieved through strict cost control.

Gross margins are supported by private labels and large purchase volumes: Although discount store products are often perceived as cheap, domestic and Nordic discount players have generally achieved gross margins of over 30%. This is influenced by both high purchase volumes (low purchase price) and higher shares of more profitable private labels than in conventional trade. The share of private label sales of Nordic listed companies is close to 40%, while the share in grocery sales of S and K Group is, e.g., approximately 25%. The relative gross margins of DIY stores are also supported by product assortments with a more favorable margin structure (e.g., consumables). The downside of this, in turn, is slower inventory turnover but we see the whole as a positive for the result.

Strict cost discipline enables a combination of low prices and good profitability: Strict cost control is also typical for discount stores, which results in the cost structures of discount players typically being rather low (e.g. compared to specialty stores). Cost savings often arise from simple stores, lower rent levels of stores, and efficiency in administrative and logistics operations. Efficiency gains can also be achieved from large sales per store or square meter, as additional sales are quite efficiently scaled. This is, however, true regardless of the industry.

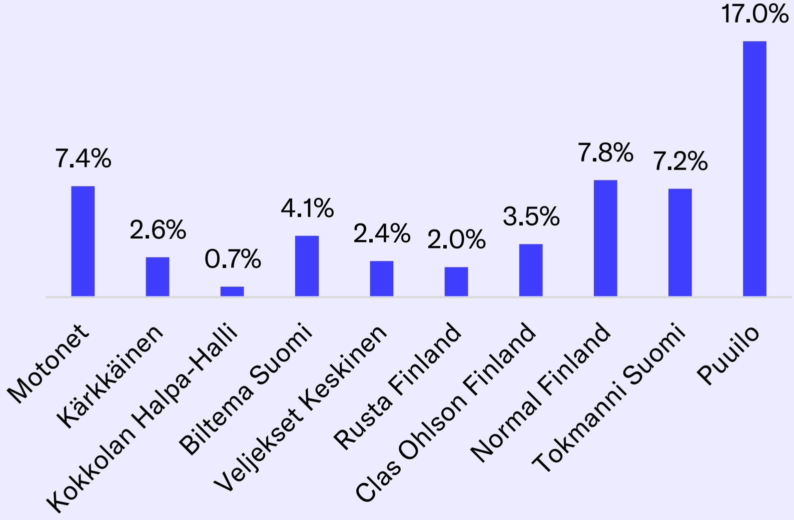
The comparability of the cost ratios of domestic companies is weakened by differences in accounting practices (IFRS vs. FAS) but in general, we can say that the cost ratios are quite efficient. Thus, the average EBIT % of well-known discount stores operating in the Nordic countries was ~5% in 2021-2025.

Larger retail chains are expanding their network coverage

The expansion of the store network is a key part of the strategy of many companies focusing on discount/consumer goods retail. The store network (>200) of Tokmanni, the largest operator in discount retail, is starting to reach its full scale in Finland, and we estimate that the company will only open individual discount stores of the current format going forward. In the future, Tokmanni may open new grocery-focused stores, but these are irrelevant for Puuilo. Rusta, which acquired Hong Kong in 2018, which had entered corporate restructuring, plans to significantly expand its presence in Finland. Rusta has confirmed at least 15 new store openings in Finland over a 1-3 year horizon, and we believe the company's long-term target is around 80-100 stores. Jula (11), which arrived in Finland from Sweden in 2020, intends to reach

Profitability of Finnish discount retailers

5-year median



Source: Asiakastieto, company investor websites

Industry and market overview 3/7

to our understanding, to build a network of around 20 stores. Biltema (24) and K-Citymarket (82) also announced their intention to expand their store networks with several new stores in the coming years. We believe, Prisma (~70) and Motonet (42) aim to increase the number of individual stores in Finland. Also strong in e-commerce, Kärkkäinen plans to expand its chain with a few new brick-and-mortar stores.

Motonet (with its own concept) and Tokmanni (with an acquisition) are the only Finnish discount retailers who have also entered the Swedish market to compete. We believe that this partly signals that the Swedish market is generally seen as difficult due to the strong concepts and brands of existing chains. On the other hand, the same foreign operators are also largely present in Finland, so we feel Puuilo's clear winning of market shares (also from foreign players) indicates the competitiveness of the concept. Therefore, we feel the Puuilo concept has potential for internationalization.

A survival of the fittest scenario may also lie ahead

The Finnish market also has medium-sized chains with surprisingly low profitability (see page 11). As growth-oriented operators expand their store networks, competitive pressure between operators increases. In this situation, the operators in a weaker position are those who already had low profitability even in a good market and whose balance sheet cannot withstand losses for long. The best-known players that have exited the market in previous years include Hong Kong, which was acquired by Rusta (2018) and Anttila (2016). During 2024, the painting goods store RTV announced that it had filed for corporate restructuring (bankruptcy in 2025) and later the garden store Plantagen was declared bankrupt, both of which were plagued by reduced revenue, as well as weak profitability and balance sheet position.

Competition will intensify sooner or later

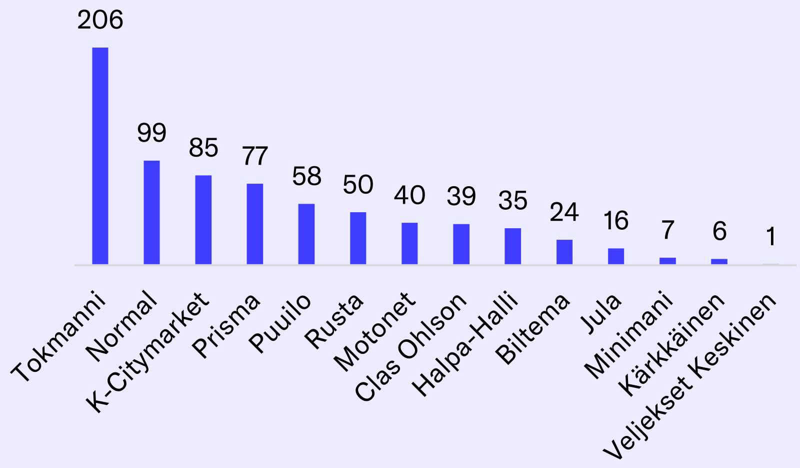
So far, the discount retail market has enabled the larger chains to expand their store networks while also attracting foreign players to the Finnish market. One day, when the remaining capacity for discount retail demand is filled, competition in the market will intensify significantly. This is a significant threat to discount retailers like Puuilo that achieve excellent profitability.

It is still challenging to assess the exact timing of a more significant tightening of the competitive environment. The share of discount retail in total retail trade in peer countries is still significantly higher than in the Nordic markets. From this perspective, market growth will not come to an end anytime soon, but the day it does, the margins (as well as growth) of the market players will also be under pressure.

Wide selection and price image as competitive advantages

Conventionally, a large number of product titles and maintaining an efficient cost structure are contradictory. This is because the supply chain becomes more complex and purchasing volumes are spread across more products. Puuilo has found a concept in the middle ground that stands out, offering its core customers a relevant selection at affordable prices. According to the company, Puuilo's average product costs around EUR 5, with an average basket size of around EUR 27.

Store count of Finnish peers



Source: Company websites

Industry and market overview 4/7

However, a low price point does not mean a low margin, as the products sold by the company with low price points have a more favorable relative margin potential than products with higher prices. We believe this is due to lower price awareness among customers in low-priced products, which means that the seller has the freedom to price the product with better margins, and the high share of private label products. This has been visible in 2023-25, when consumption has focused on low-priced products and the company's gross margin has improved through a much more favorable sales distribution.

Facing specialty stores and generalists

Specialty stores offer a clearly wider selection than Puuilo, typically in one or a few selected categories. However, their price level is more expensive mainly due to their heavier cost structure. Specialty stores competing with Puuilo include, e.g., K-Rauta, Stark, IKH, Bauhaus, Rautanet and Musti.

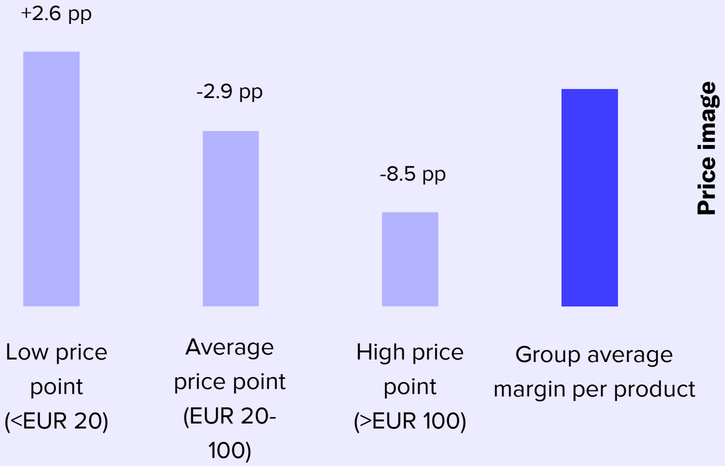
In Finland's discount trade, generalists include, e.g., Halpa-Halli, Rusta, Tokmanni, Minimani and Kärkkäinen. Other notable generalists outside the discount trade are the durable goods departments of Prisma and Citymarket.

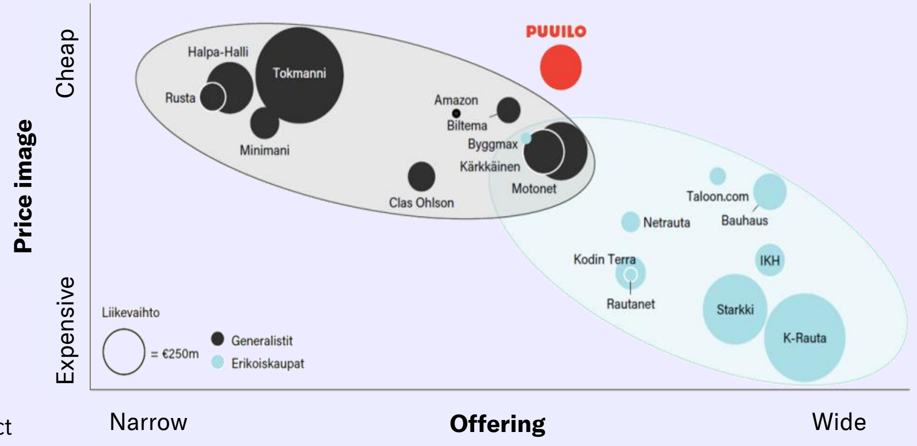
Based on surveys commissioned by Puuilo it is perceived to have a deeper selection of "DIY" products and tools compared to generalists. Some generalists have also reduced their selection in Puuilo's product categories, as the competitive situation has led them to focus on categories where the customer value offered by their concept is stronger.

Increasing competition from Chinese online stores has become a key concern for domestic trade. However, we feel that Puuilo is somewhat protected from this, as the customer often seeks a quick needs-based solution from the Puuilo store.

Product group	Example products	Share of sales
Low price point < EUR 20		
Average price point EUR 20-100		
High price point > EUR 100		

Product-specific margin per price point





Source: Puuilo

Industry and market overview - Sweden 5/7

Discount retail is also growing in Sweden

We have also briefly examined the Swedish discount retail market with a view to Puuilo's internationalization. Like in Finland, the Swedish discount retail market has also grown faster than retail trade. According to the IPO prospectus of Puuilo's peer Rusta, the average annual growth of the Swedish discount retail market has been approximately 8%, whereas total retail trade has grown by 2-3%, according to Statistics Sweden (SCB). However, the growth of discount retail has been measured during an economic boom (2007-2020), which is why we consider a sustainable growth rate of about 5-6% to be more realistic. The growth of the discount retail sector in Sweden is driven by the same factors as in Finland

Number of competitors is higher than in the home market

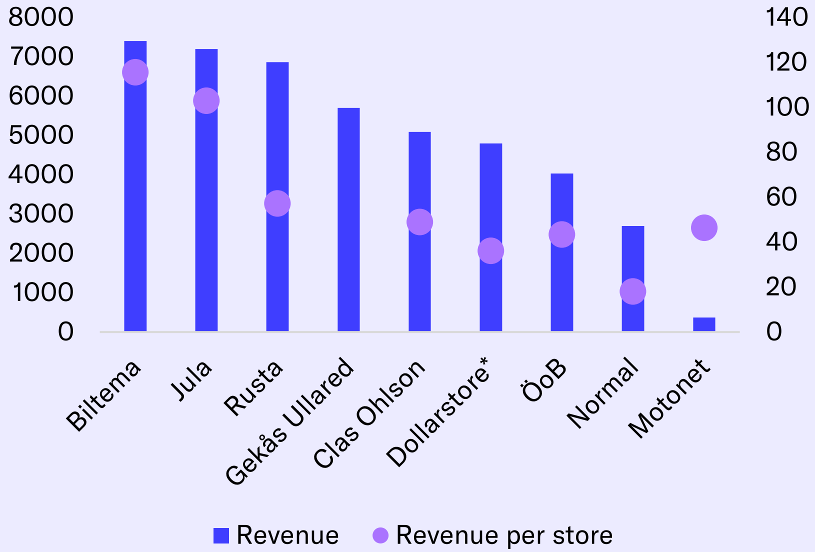
Key discount retailers focused on DIY trade that are familiar from Finland and relevant to Puuilo include, e.g., Biltema, Jula, Motonet and Clas Ohlson. Other major discount retail chains in the market include Rusta, ÖoB, Dollarstore, Gekås Ullared and Normal, but their selections focus more on home decor, cleaning supplies, cosmetics and other low-priced product categories. In Sweden, in addition to the discount DIY retailers familiar to Puuilo, there are players such as jem & fix and Thansen. Hardware store chains such as K-bygg, Bauhaus, Hornbach, XL-Bygg, and Beijer Byggmaterial also serve Puuilo’s core customers, although their product ranges focus on building supplies and more strongly on serving professional customers. In absolute terms, the number of competitors in Sweden is therefore higher than in Finland, but on the other hand, the market relevant to Puuilo is roughly double in size (a rough estimate of >6 BEUR). This leaves room for multiple players in the market.

Competition is fierce

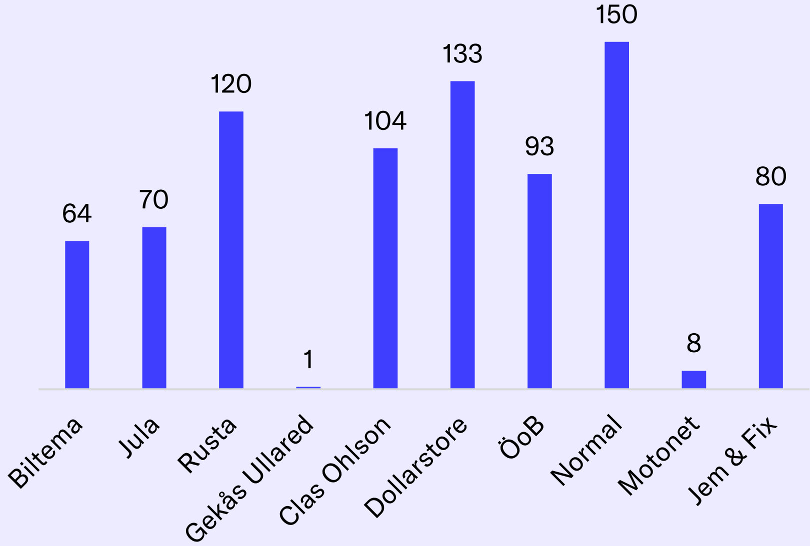
Overall, we see the competitive landscape in Sweden as at least on par with Finland, if not more intense, where the key driver is the sheer number of competitors (and their extensive store networks). As a result, finding open white-spot locations may already be quite challenging, meaning sales will need to be won from the neighbor sharing the same parking lot. This in turn is likely to require marketing investments and promotional campaigns, which is why we see no reason to expect EBIT margins above 10% from Puuilo's Swedish operations, at least during the current strategy period.

Peer revenue in Sweden

MSEK

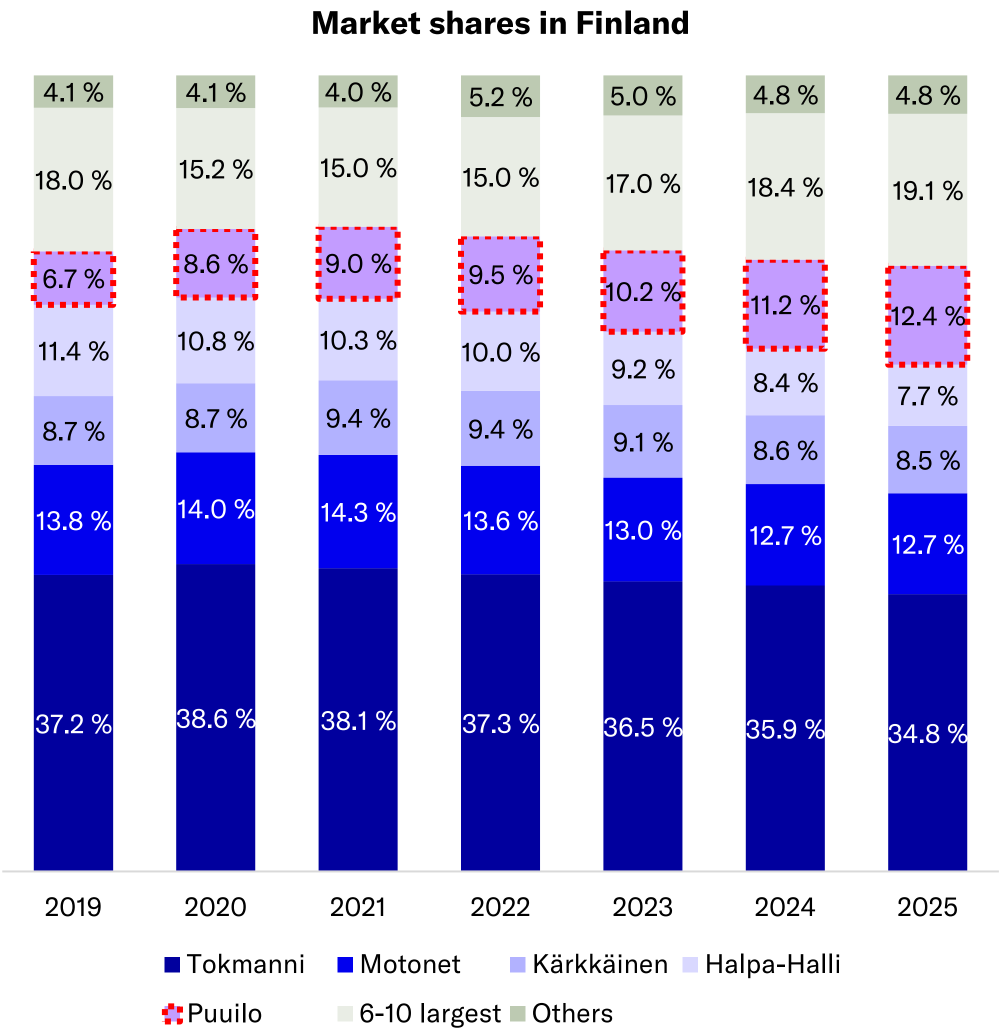


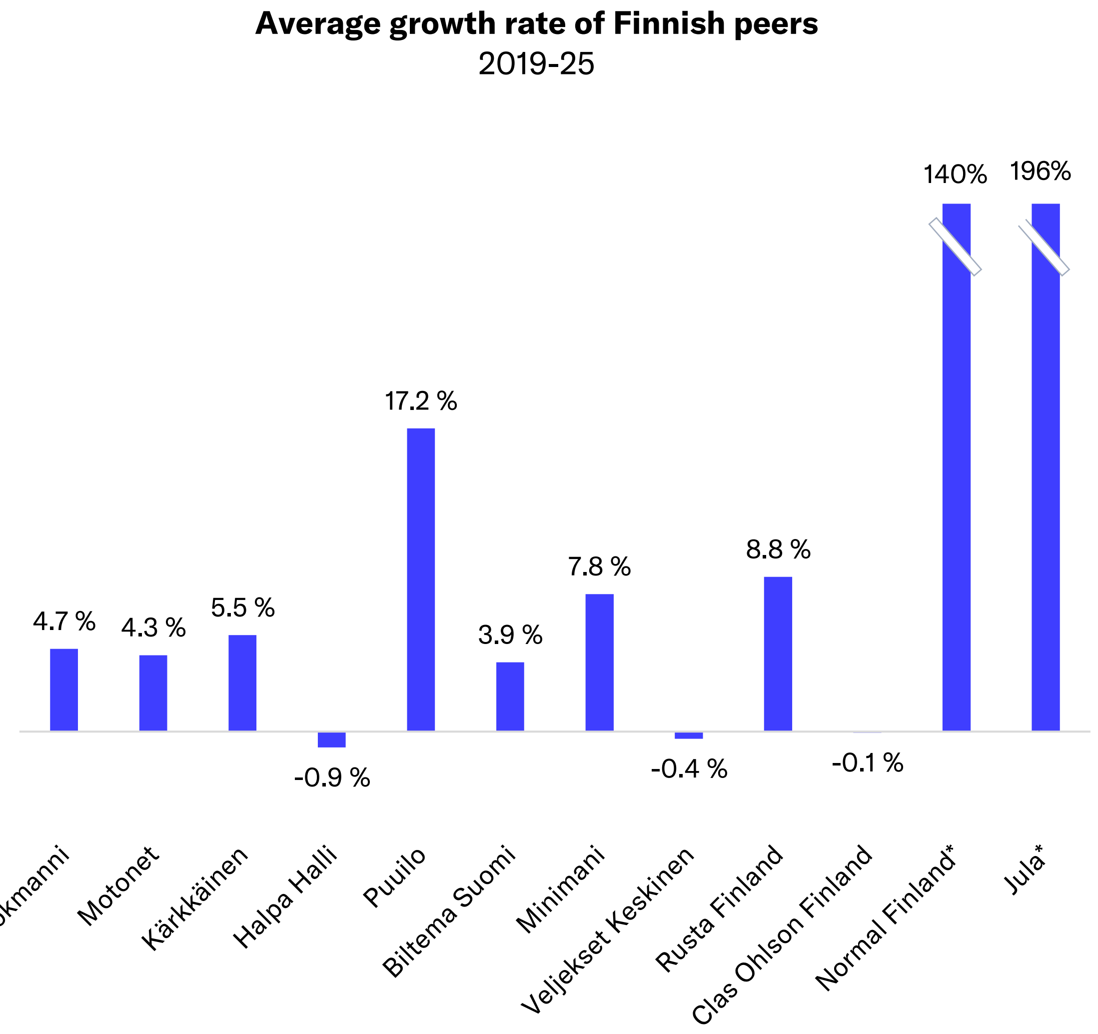
Number of stores in Sweden



Source: Company investor websites, Allabolag
*Incl. Denmark

Industry and market review - discount retail market statistics (6/7)





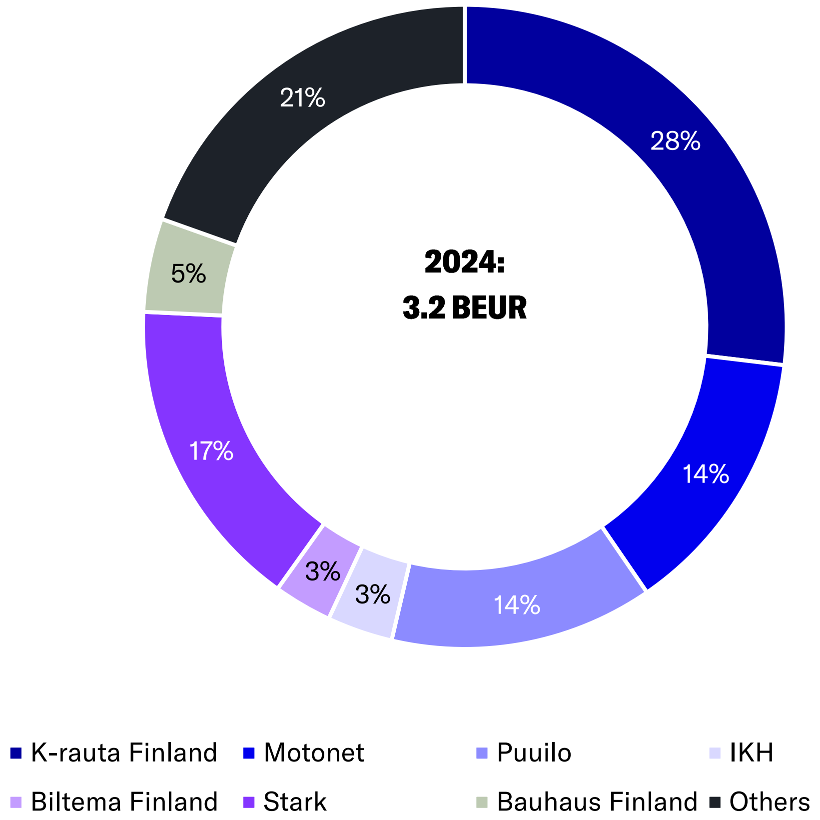
Source: Asiakastieto, Puuilo, Tokmanni, Inderes

*Review period shorter than 5 years

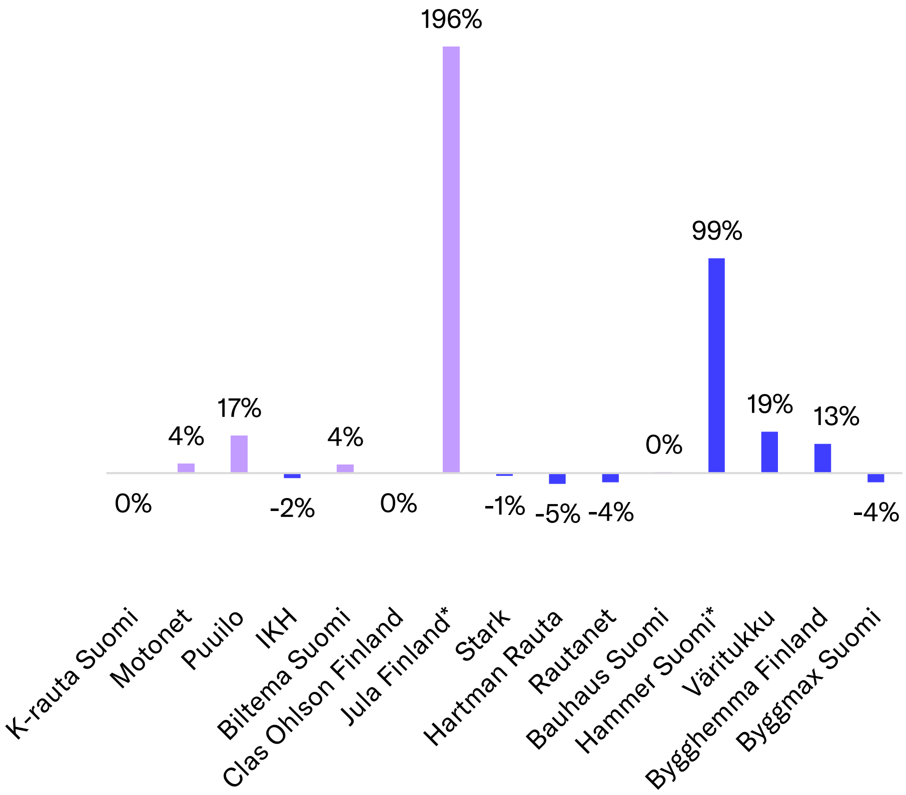
Discount stores: *Motonet, Kärkkäinen, Halpa Halli, Puuilo, IKH, Biltema Finland, Minimani, Veljekset Keskinen, Rusta Finland, Clas Ohlson Finland, Normal Finland, Vaalimaan Kauppakartano Oy, Löytötex Oy, Tampereen Säästötex Oy, Säästökuoppa Group Oy, Porvoon mikrokulma Oy, Tuontitukku Fi Oy, Tavaratalo Hurrikaani Oy, Sopuraha/Tukkusein Oy, Saiturinpörssi/Kar-Agent Oy, Halpakauppa Oy, Jula Finland*

Industry and market review - hardware and DIY market statistics (7/7)

Hardware and DIY retail market shares
2025



Average growth of hardware and DIY stores (2019–25)



Source: Asiakastieto, Puuilo, Kesko, Inderes
*Review period shorter than 5 years
Hardware stores: *K-Rauta Finland, IKH, Stark, Hartman Rauta, Rautanet, Hammer Finland, Väritukku, Bygghemma Finland (BHG Group), Byggmax Finland.*
DIY stores: *Motonet, Puuilo, Biltema Finland, Clas Ohlson Finland, Jula Finland, Bauhaus Finland.*

Strategy (1/4)

Updated strategy in a nutshell

Puuilo updated its strategy in fall 2025. We interpret that the updated growth strategy focuses on

- Expanding the store network to over 90 stores in Finland
- Piloting internationalization in Sweden
- Comparable growth resulting from the ramp-up of existing stores
- Improving profitability through the scalability of young stores, the increase in the share of more profitable private labels and increasing operational efficiency

Confirmation for future capital allocation policy

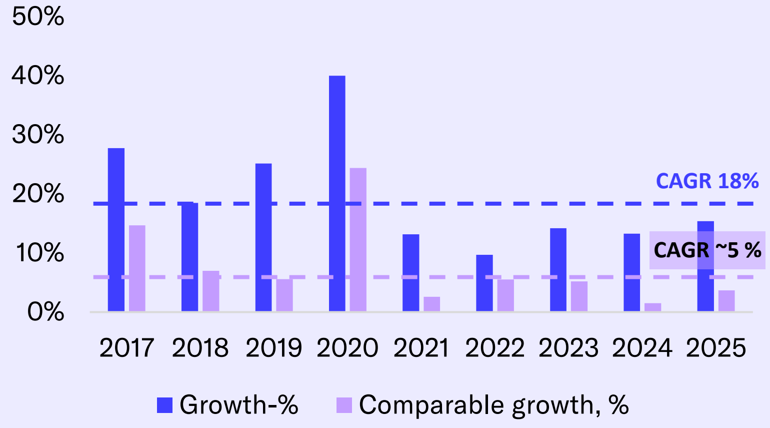
Previously, the company's long-term capital allocation policy was somewhat shrouded in mystery. It was recognized that growth has its limits domestically, which left the possibility of settling into a cash flow and dividend distribution machine or potentially continuing its growth path outside of Finland. Following the strategy update, the company came out with a clear message: investors will achieve a better return if the company continues to expand its store network abroad compared to a scenario where domestic cash flows were distributed almost 100% to shareholders. If the expansion into Sweden gets off to the expected start, we see no obstacles preventing the company from expanding into other Scandinavian countries as well. As a result, the cash flow machine scenario is likely further away than previously thought. However, it is essential for the investor to note that the company generates cash flow in excess of its capital requirements, so capital returns in addition to the annual dividend are likely to be seen in the future as well, depending, of course, on the prevailing situation of the Swedish business.

Store network potential yet to be realized

Due to the structure of Puuilo's customer base, brick-and-mortar stores play a central role in the strategy, as a typical "DIY" customer needs the product immediately as well as personal service when choosing the product. Based on marketplace analysis, the company has identified an even larger number of potential store locations (over 90 vs. 60 at the time of the IPO) for the current store concept, the majority of which are located in vibrant areas in southern and western Finland. However, new stores will increasingly be opened in smaller towns, as the company has found through various pilot projects that its concept works just as effectively in smaller towns (e.g., with a population of under 30,000) as it does in larger ones. In other words, the profitability and return on capital levels of smaller stores are in line with conventional stores.

To reach a network of more than 90 stores by 2030, the company will open approximately 6–7 new stores annually. In our view, expanding the network is a sensible way for the company to grow, as the repayment period for capital-light investments is short (see page 20) and the return on capital is therefore high. On the other hand, as the number of stores increases toward the target, the best marketplaces have probably already been reached, so establishing the last stores may no longer improve the company's already excellent return on capital. However, we believe that it will remain well above the cost of capital, which means that opening a new store creates value.

Revenue development



Source: Puuilo, Inderes

Strategy (2/4)

In addition to new stores, the existing network also offers growth potential. According to our calculations, the current young store network offers a revenue potential of roughly 200 MEUR in the long term. We feel the growth of old stores is the most valuable growth method due to its scalability.

Internationalization is being piloted in Sweden

In connection with its strategy update, the company announced that it is initiating plans to expand its business internationally. Sweden was chosen as the first target of the project, where the company intends to pilot the attractiveness of its current format concept. We estimate that approximately 10 stores will be opened initially, after which the acceleration of the project will be considered based on certain criteria. In our view, a key factor in the pilot model is that the company is also prepared to retreat from internationalization if the concept fails to take off in Sweden. The first stores will be opened in Örebro (late 2026) and Sundsvall (early 2027) in existing premises in central retail locations.

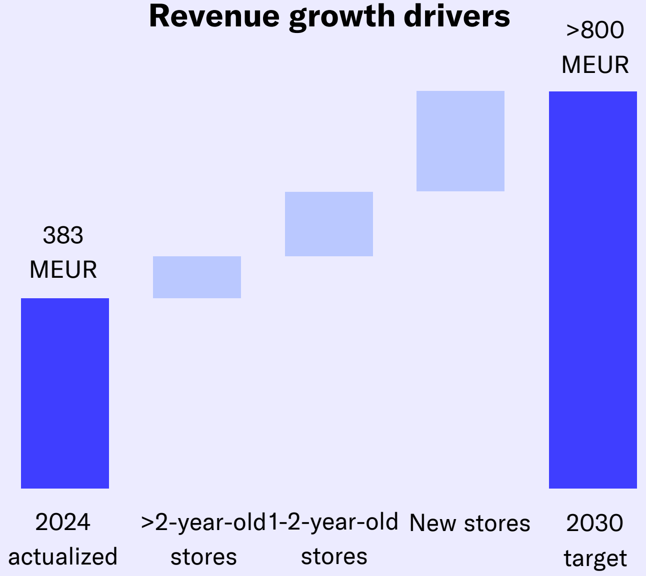
The company will have to refine its concept to some extent to suit local habits, for example regarding certain domestic products. However, we understand that the core idea of the concept will remain aligned with Puuilo's Finnish concept, meaning that the primary customers will be DIY consumers. In our view, testing a concept that has performed excellently in Finland abroad is an understandable move, but it naturally increases Puuilo's risk level as an investment. Failure in the pilot or expansion could, in a worst-case scenario, pose a threat to the Group's excellent profitability and returns on capital. On the other hand, Puuilo's internationalization model is very light, meaning that business development will initially take place with very few local resources. As sales increase, resources (e.g., local HR) will be added, but in this case, the company will have better control over its profitability as the increasing sales cover these front-loaded costs.

Although the pilot model can be considered less risky (e.g., compared to an acquisition), we estimate that realizing the true potential requires a network of >10 stores. With a network of fewer than 10 stores, the volume benefits derived from growth will remain minor, as in the early stages the company must invest in enabling growth, i.e., campaigns (marketing and discounts). For the time being, the success of the project is difficult to assess, but Motonet's positive performance in organic expansion in Sweden is an encouraging example of why the best company in its niche sector in Finland could not also succeed elsewhere.

E-commerce as part of a multi-channel model

Growth is also sought in e-commerce but as part of a multi-channel business model. The company continues to invest in the development of its multi-channel business, which we consider sensible, as a growing number of transactions are made online. The development list includes features that help customers better familiarize themselves with the products or make purchase decisions online. A well-functioning online store is also an essential factor in improving the customer's shopping experience, which is one of the key factors of the Puuilo concept.

Revenue growth drivers



Source: Puuilo, Inderes

Strategy (3/4)

Increasing the share of private label products in sales

The company is also constantly developing the selection sold under private labels, which have better gross margins than other sales. The aim is to increase the share of private labels to 30% of sales (2025: 23.6%). The goal is achievable in the longer term and the company has managed to increase this share slightly each year. For large players in the retail sector, 30% is a realistic target level and, e.g., Tokmanni already reaches this.

Reaching the target is supported by the fact that the company's strong growth also enables profitable procurement of more products directly from the factory, as the volumes of product manufacturing and transportation exceed the critical mass. Growth in brand awareness and quality improvement of private label brands also facilitates the sales of products released under these brands.

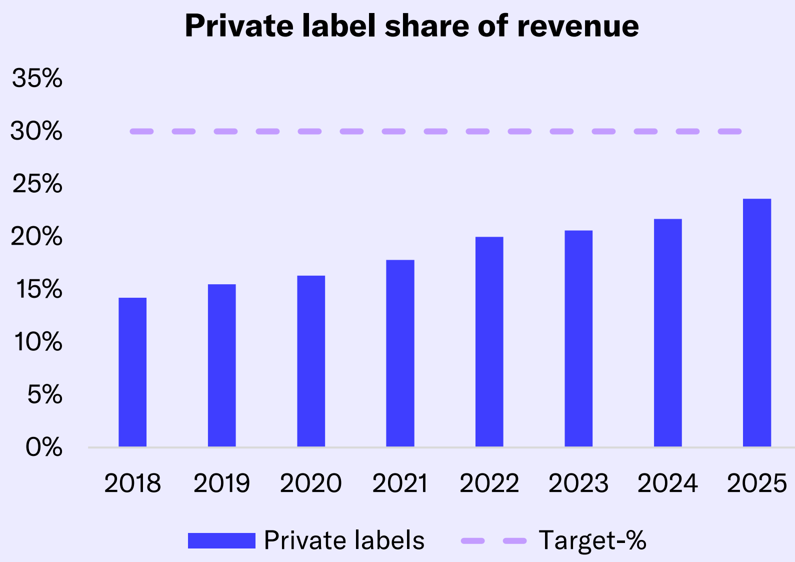
A key question, or concern, regarding the profitability impact of private labels is whether the margin benefit will be eroded by intensifying price competition into lower customer prices, in which case the gross margin uplift would prove thin. On the other hand, offering cheaper prices could increase the volume, which would thus accelerate absolute earnings.

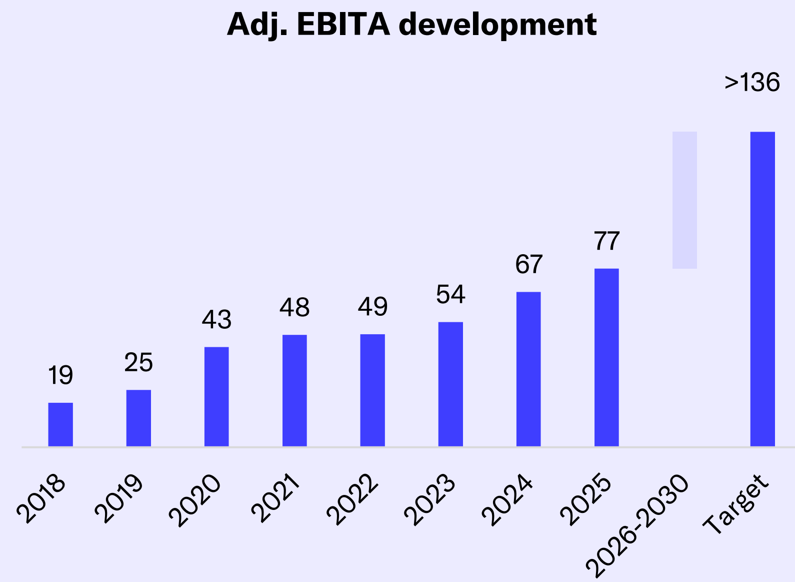
Efficiency drives profitability improvement

As the larger store network matures (as sales grow), we estimate that the company will achieve efficiency gains, as store-specific costs (rent, maintenance, personnel) increase more slowly than sales grows. The company has also said that it has focused on shift planning to improve the efficiency of its store personnel. As procurement volumes increase, we believe the company will receive better purchase conditions from its suppliers, which enables the company either to have higher product margins or offer lower product prices with existing margins. We also see scalability potential in marketing costs, as Puuilo currently conducts its marketing nationwide, which means that marketing does not need to be increased at the same pace as the store network and revenue grow when expanding into new cities. Thus, we consider the over 17% EBITA margin targeted by the company realistic and expect the company to achieve it in the coming years. On the other hand, a major threat to the increase in EBITA% is intensifying price competition and a failure in internationalization. It is also possible that internationalization will temporarily increase corporate expenses in the early stages of the project, which would also take a toll on profitability. However, this situation would be temporary if the company succeeds in generating even adequate profitability (relative to Finnish profitability) in Sweden.

Acquisitions are possible, but unlikely

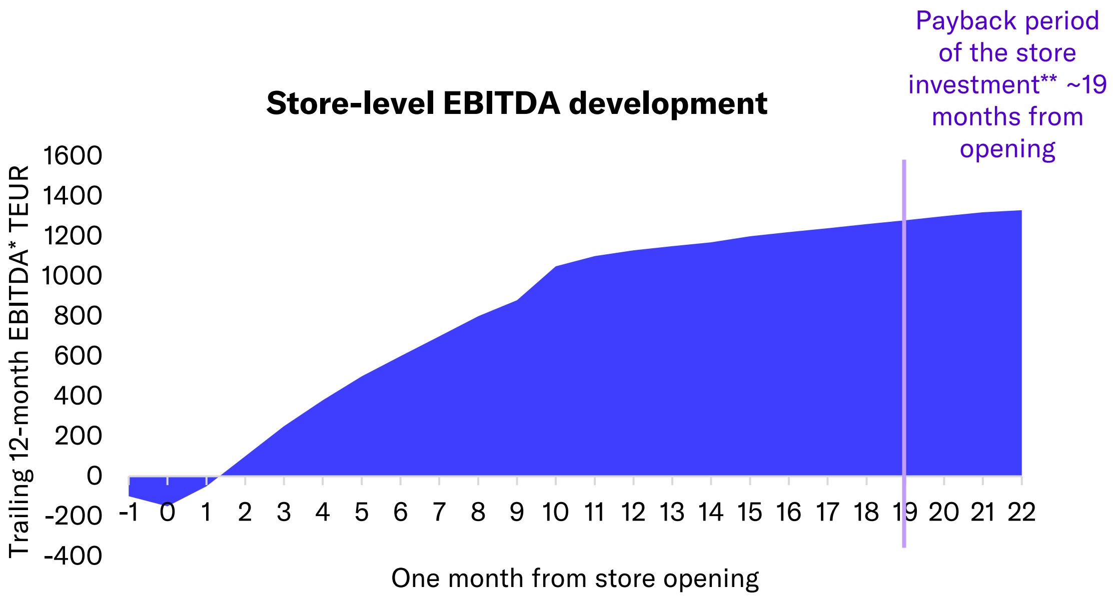
Acquisitions are not on page one of the company's growth strategy playbook, as the company primarily seeks to expand organically with the Puuilo concept. On the other hand, in early 2024, the company carried out the Hurricane business acquisition, where it acquired three discount stores in new locations for Puuilo. Thus, the company accelerated its growth and put its overflowing cash position to work. However, we suspect suitable acquisition targets for Puuilo (big enough town, not too close to existing Puuilo stores, suitable store space) in Finland are few and far between. Thus, we consider acquisitions unlikely during this strategy period.

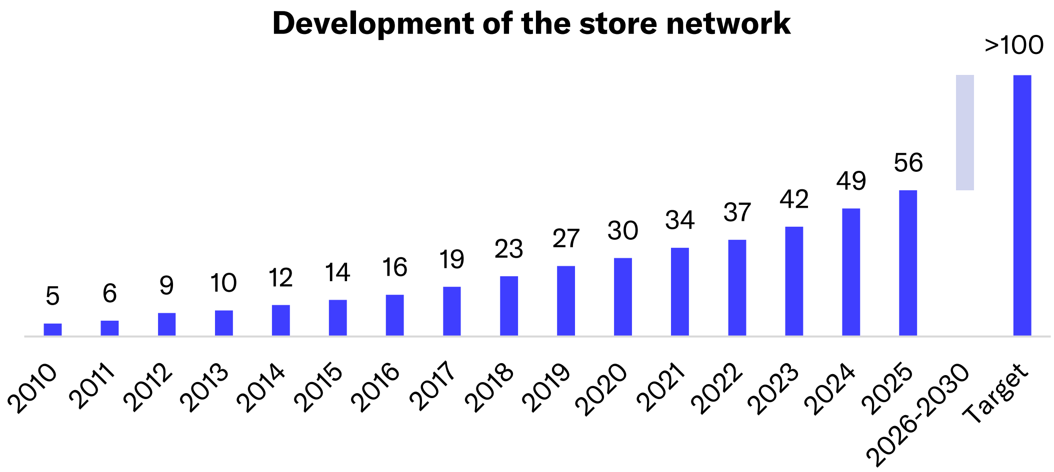


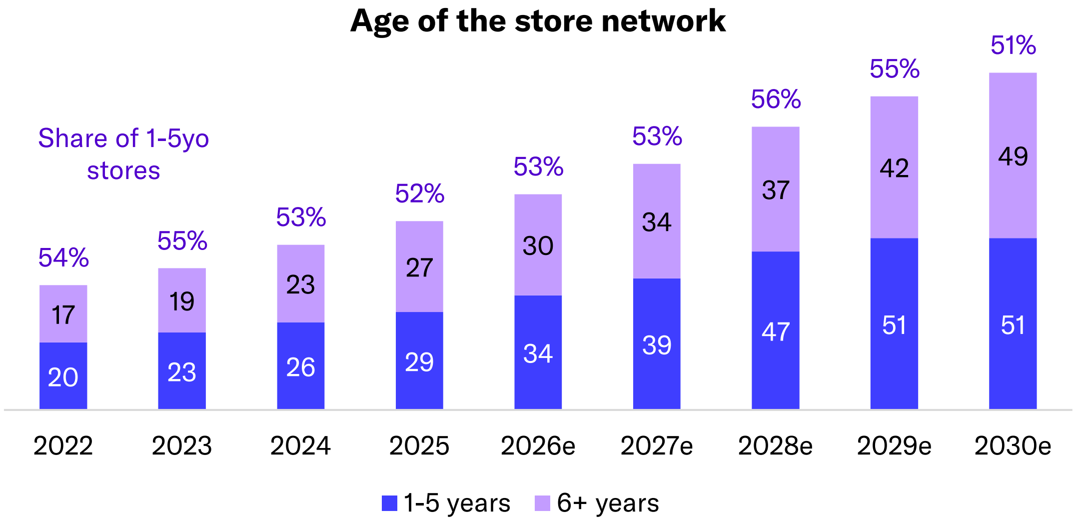


Source: Puuilo, Inderes

Strategy – Store rollout model and other facts about Puuilo's store network 4/4







Source: Puuilo, Inderes
*EBITDA incl. lease expenses, **CAPEX (0.3 MEUR) + initial inventory (1.5 MEUR)

Financial targets (1/2)

Financial targets (2025-2030)

Over 800 MEUR revenue

- Puuilo has grown on average by 20% per year (2010-2025 CAGR), supported by new and old stores.
- Achieving this target requires annual growth of at least 13%. Roughly half of the growth is estimated to come from existing stores, as the age of the network is still young. The other half is explained by the expansion of the store network (7–10 stores per year).

Adjusted EBITA margin of more than 17% by 2030

- Puuilo achieved a profitability level of over 17% for the first time during the COVID period in 2020-21. Driven by cost pressures, the margin temporarily dropped below the target level. In 2024, the company returned to a level above 17%, and this level now appears fairly normal.
- Key components supporting profitability include an improving gross margin as the share of private label products approaches 30% (the long-term target), as well as improved efficiency in maturing stores driven by rising unit sales.

Inderes' view on the targets

- In our view, the prerequisites for achieving the target are good. The company has succeeded in generating new profitable growth even in a challenging competitive environment, which signals the defensive nature and attractiveness of the concept.
- A rapidly launching internationalization could lift revenue clearly above the target, but we expect per-store sales in Sweden to develop more slowly than in Finland due to Puuilo's low brand recognition. We forecast 2030e revenue to reach 792 MEUR.

- We expect the company to continue its comparable growth, which improves the underlying profitability profile of the store network (i.e., per-store growth scales). On the gross margin, we forecast a gradually improving trajectory supported by a rising private label share.
- The key threat to profitability above 17% is intensifying competition and the resulting price competition. In addition, the expansion into Sweden will raise the group's cost structure at least initially, when sales volumes are still low. Despite these risks, we forecast group profitability to remain above the target level, at just under 18%.

Source: Puuilo, Inderes

Financial targets (2/2)

Financial targets (2025-2030)

Over 80% profit distribution

- The company aims to return at least 80% of its net profit to its owners annually. In addition to dividends, the company can use, e.g., share buybacks ar a means for profit distribution.
- With a strong cash flow profile and low capex needs, the company's cash reserves are growing at a rapid pace. For this reason, the company has paid most of its profit as dividends to its shareholders.

Net debt/EBITDA ratio below 2.5x

- Due to the company's strong performance, net debt to EBITDA has fallen to around zero from 2x at the time of the IPO. At the end of Q1'26, the ratio was 1.2x (0.3x IFRS 16 adjusted).

Inderes' view on the targets

- We forecast the company's payout ratio to remain at a level of at least 80%, in addition to which the company will return capital accumulating in the cash flow via extra dividends (not included in our forecasts).
- We consider adding a share buyback option as a positive, as it (+ the cancellation of treasury shares) is a more tax-optimal alternative for shareholders. However, this requires that own shares are not bought flagrantly above the fair value of the share.

- We do not believe that the debt will rise close to the company's ceiling during this strategy period, as this would require significant debt-financed investments from the company. At present, the company can finance its organic expansion with cash. On the other hand, we see utilizing debt as possible, e.g., in executing a potential acquisition.

Source: Puuilo, Inderes

Past development 1/2

The company is in a strong growth phase

Puuilo’s revenue growth has been strong in recent years, even though the market situation has fluctuated strongly (2017-2025 CAGR 18.3%). At the same time, the size of the company has multiplied rapidly. Growth has come from new store openings, but at the same time comparable store sales have also grown notably in recent years (see chart). According to Puuilo’s definition, a store is considered new in the year of opening and the following financial year, and older strores than this are included in comparable sales.

Comparable growth is largely based on the increase in the number of store visitors as thre customer base in the area grows over time. According to the company, sales per square meter of a store have averaged 1.4 KEUR for 1-2-year-old stores, 3.2 KEUR for 3-5-year-old stores and 3.7 KEUR for 6-10-year-old stores. The average sales per square meter of stores older than that is 4.3 KEUR, which means over 10 MEUR sales at store level. Puuilo currently has around 60 stores, and the existing store network is still young, with roughly half of it less than five years old. In conclusion, even if the company one day reaches its maximum number of stores, sales will likely continue for several years supported by comparable growth.

Profitable growth throughout history

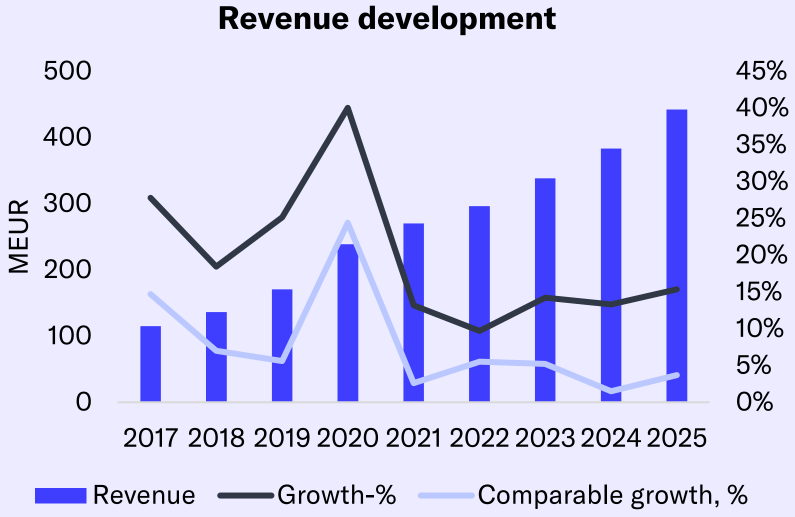
The company’s adjusted EBITA (operating profit before trademark depreciation) has increased from 19 MEUR in 2018 to 77.1 MEUR in the financial year 2025. Relative profitability has improved in the same period from 14.1% to 17.4%. We estimate that in addition to growth, this has been the result of an improved gross margin (the gross margin has increased from 34.6% in 2018 to 38.2% in 2025 driven by increased purchasing volumes and a growing share of private labels), a truly efficient cost structure, and revenue scaling brought by maturing stores.

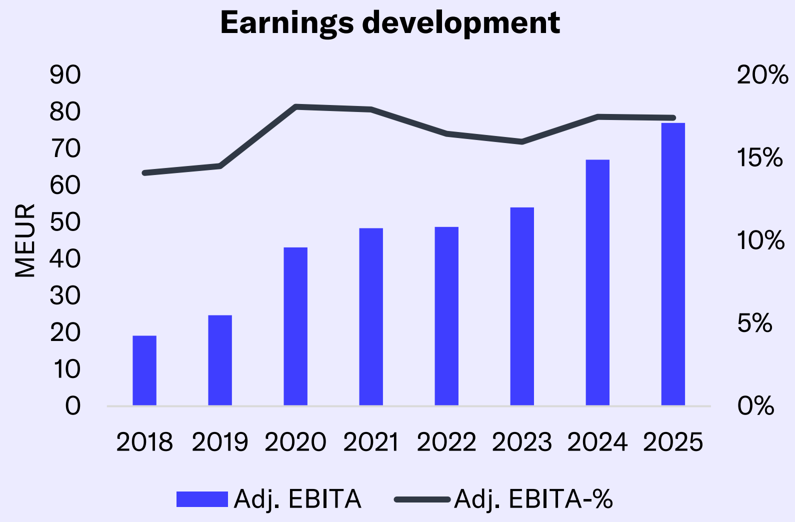
The cost structure is already very competitive

Puuilo's foxed costs that consider rental expenses (2025: 21% of revenue, 2018-25: 20%) are clearly lower than competitors, especially due to lower rent levels. Cost discipline is also widely applied to other expense items (efficiency of store personnel and lean administrative organization). For example, the share of fixed costs (incl. rents) in Tokmanni's and Rusta's revenue has been around 28% to 35% during 2020-2025.

Puuilo's largest expense item by far is material costs, whose share of revenue has decreased by over 3 percentage points to 62% in 2025. We suspect improved material costs are the result of the company's increased size class and the resulting purchasing benefits. At the same time, the company has managed to grow its private labels with a more profitable margin structure, which has helped decrease relative material costs.

Puuilo's personnel costs as a percentage of revenue have remained fairly stable around 10%. Costs saw stronger scaling during 2018–2020, when the pace of store openings was moderate and low inflation kept wage increases mild.

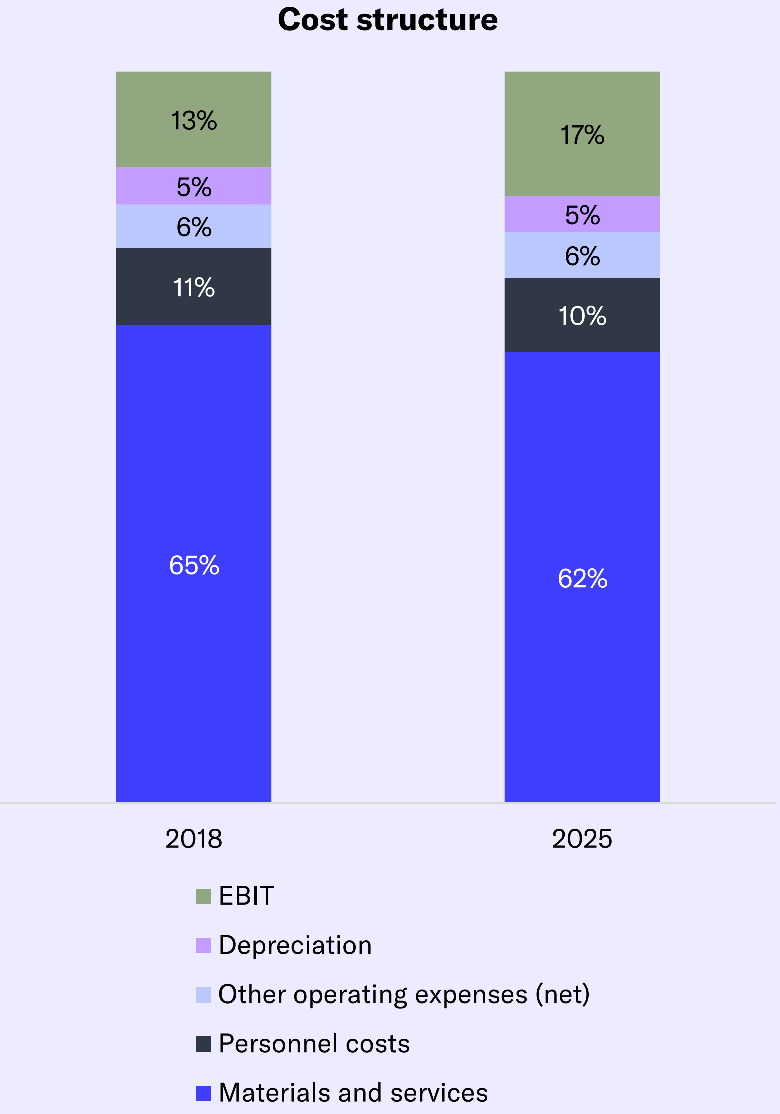




Source: Puuilo, Inderes

Past development 2/2

The share of other operating expenses has remained fairly stable at around 6%. These costs include administrative expenses, property maintenance costs, marketing and IT costs, sales freight and credit card commissions. Puuilo has invested heavily in its IT systems, the increase of which we estimate has kept the expense ratio flat while administration and marketing costs have scaled.



Source: Puuilo, Inderes

Financial position (1/2)

The business ties up very little non-current assets

Puuilo's balance sheet total at the end of the financial year 2025 was 317 MEUR. The company's balance sheet contains ~150 MEUR of non-current tangible assets, of which a significant part is fixed assets related to leased properties (92 MEUR). Other long-term tangible assets consist mainly of store furniture and machinery (8 MEUR).

In addition, non-current assets contain a lot of intangible assets (47 MEUR), most of which are goodwill (33.5 MEUR). In addition, intangible assets include Puuilo's trademarkand costs capitalized in the balance sheet related to ERP and IT systems .

Goodwill and the value allocated to trademarks were formed when the company changed hands in a private equity transaction in 2015. The value allocated to Puuilo's trademark is depreciated over 20 years using straight-line depreciation (1.1 MEUR/year), which explains the difference between the company's reported EBITA and operating profit (EBIT).

Inventories the largest item on the balance sheet

Of the current assets on the balance sheet, by far the largest is the company's inventory, which at the end of 2025 was 123 MEUR or 28% of revenue. Inventory levels relative to revenue have decreased in recent years from the situation at the end of 2021 (34% of revenue). This was caused by the company wanting to ensure the availability of its private label products from factories in Asia in particular. As inventory turnover has accelerated (2025: 2.3x), the relative share of inventory has also declined.

The company's trade receivables and other receivables are relatively small, totaling some 13 MEUR. They accumulate very little, as Puuilo's consumer customers pay for the products immediately at the register. Corporate customers are offered payment terms of 14-30 days, which we understand are on the rise. This means that the relative share of accounts receivable may increase in the future, which, however, will bring the company additional volume and better margins.

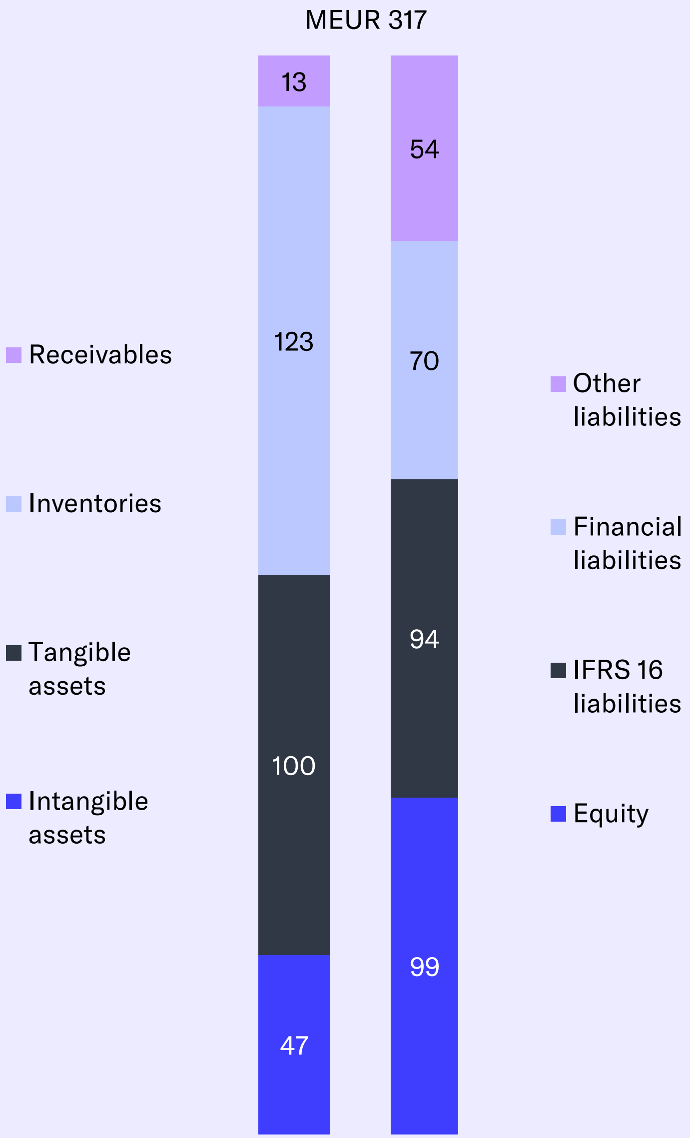
The company's cash position was strong at the end of 2025, as the balance sheet contained 33 MEUR in cash due toa strong operating result and decreased inventory levels. Maintaining a cash buffer is important in itself, as by paying its invoices quickly, the company receives a so-called cash discount from its suppliers on its purchase prices.

No surprises in liabilities either

On the liabilities side of the balance sheet, the company's equity was nearly 100 MEUR at the end of 2025, which corresponds to an equity ratio of ~31%. Adjusted for IFRS16 items, this corresponds to an equity ratio of just above 40%, which is a healthy level. The company's interest-bearing debt consisted of lease liabilities related to lease agreements of 94 MEUR and bank loans of approximately 70 MEUR. Adjusted for IFRS 16 items, the company's net debt equaled the trailing 12-month EBITDA, which indicates that debt is well under control.

The company had a little over 50 MEUR in current non-interest-bearing liabilities. Of these items, trade payables and advances received accounted for ~32 MEUR, with the remainder consisting of other current non-interest-bearing liabilities.

Balance sheet
2025



Source: Puuilo, Inderes

Financial position (2/2)

Investments and net working capital

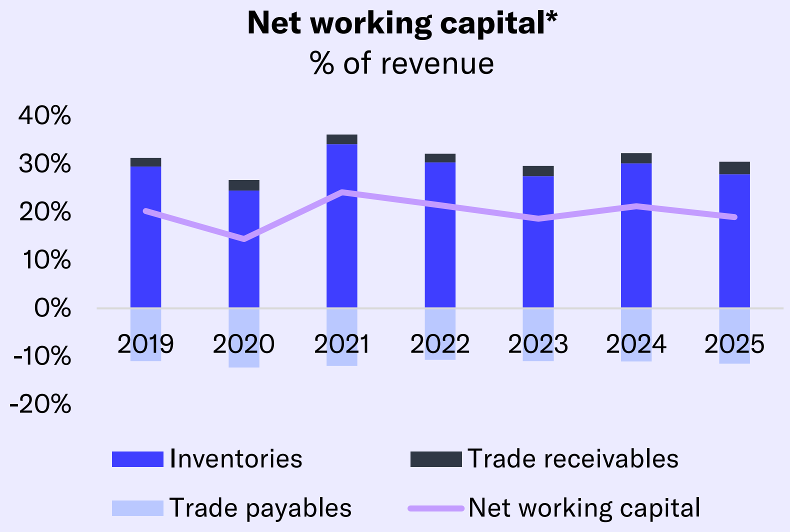
As a whole, Puuilo's business is very capital-light. Capital expenditure consists of investments related to store openings and their maintenance (incl. initial inventory) as well as growth investments. In 2018, the company began renewing several IT systems (e-commerce, ERP, cash register and HR systems, and purchase invoice processing automation) to ensure that systems are scalable to larger volumes and improve efficiency. Resources were also invested in their integrations and the reforms (incl. ERP) were successfully completed by the beginning of 2022. The faster pace of store openings in recent years has also slightly raised the level of investments (6-7 MEUR in 2024-25). On average, Puuilo's investments have remained at around 4 MEUR p.a.

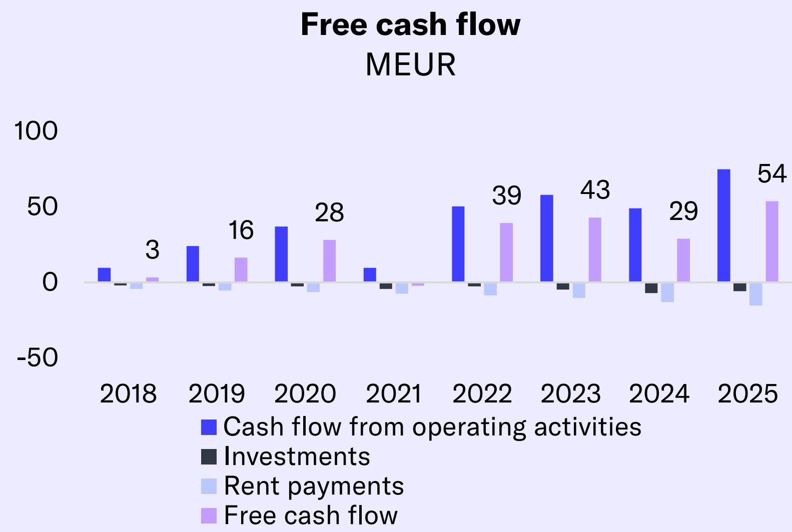
In 2025, operating net working capital was 19% of revenue, so growth ties some capital. Compared to history, the development has been on a downward trend, indicating that the company's growth has become more efficient. The improvement has occurred especially through a relative decrease in inventory levels, while the relative levels of receivables and trade payables have remained unchanged.

Cash flow is allocated to dividends

The company's operations generate strong cash flow, which has developed positively, especially thanks to the favorable development of sales and profitability. Investment levels are also low, and acquisitions are not pursued in the company's strategy. Free cash flow was excellent at 54 MEUR in 2025 and it has grown at an annual rate of just over 20% (2019-25).

The company's goal is to distribute at least 80% of the net profit to shareholders (dividends or share buybacks), which we consider justifiable, considering the low investment needs and controlled growth. As a listed company, Puuilo's dividend payment has also been in line with this ratio.





Source: Puuilo, Inderes
*Trade payables include trade payables, advances received, income tax liabilities and other current liabilities. Trade receivables include sales and other receivables

Investment profile

1. A concept that speaks to consumers, which is largely made up of defensive product categories
2. Expansion of the store network and growth of existing stores
3. Internationalization pilot in Sweden extends the growth runway
4. Excellent profitability and return on capital relative to the sector
5. Strong cash flow, a high proportion of which is channeled into profit distribution

Potential

- Increasing the number of stores in Finland to over 90 (Q2'26: 59 stores) and increasing sales per square meter in existing stores
- Increase in the share of more profitable private label products
- Improved bargaining power with suppliers driven by growth, and the scaling of fixed costs (rents, administration, marketing, etc.)
- Tight cost control
- Internationalization

Risks

- Intensifying competition as key competitors expand their brick-and-mortar networks
- Geopolitical tensions may indirectly impact the company's development
- Weakened purchasing power among consumers
- The trend of increasing professionalism in renovations and living in apartment buildings

Source: Inderes

Estimates (1/4)

Estimate model

A key driver for the company's growth and profitability development is the expansion of the store network. Thus, we model revenue development using the number of stores, the floor area of the stores (m2) and average sales per square meter. The store openings reported by the company make estimation fairly reliable, so the most difficult component to assess is the magnitude of comparable growth. We believe this is linked to the average age of the store network (sales of the store grow and profitability improves with age) and market development.

We forecast cost lines and, thus, EBITA profitability at Group level, using gross margin and fixed costs as the main forecast lines. With the internationalization underway, we have examined Puuilo's future development on a country-by-country basis under different scenarios (see page 38). That said, the company is unlikely to report detailed country-level performance in the near term.

Summary of estimates

In our forecasts, Puuilo's growth story continues to rely on the expansion of the store network, and we expect the company to open 6-7 new stores in Finland annually. Through this, we estimate that the domestic network will reach 90 stores by the end of 2030. In addition to openings, growth is supported by the network's still low average age (~50% of stores are under 5 years old), as a store's sales grow and profitability typically improves for several years after opening. In addition to the domestic market, we forecast the company to open a pilot network of 10 stores in Sweden by 2030. Consequently, we arrive at an annual revenue growth of ~12% (2025-2030 CAGR).

Volume growth is the key source of earnings growth in our estimates. We estimate that there is still some room for scalability in the company's cost structure, but the constantly expanding store network will continue to create cost pressure at the Group level. We estimate that the company's gross margin will receive a tailwind from the rapid growth of private label products, while at the same time we anticipate that competition in the industry will intensify annually as several discount retailers expand their networks. The expansion into Sweden will weigh on cost efficiency for the first few years, as we forecast operations to turn profitable only in 2030. Based on these assumptions, we expect EBITA to rise to 17.6% by the end of 2030 (2025: 17.4%) and earnings per share to grow at an annual rate of 14% (2025-2030 CAGR).

2026 guidance

Puuilo expects that its revenue for 2026 will be 480-510 MEUR (2025: 442 MEUR) and the adjusted EBITA will be in the range of 80-90 MEUR (2025: 77 MEUR). The mid-point of the guidance indicates an annual growth rate of about 12% and a 17.2% EBITA margin.

2026: Strong development in the early part of the year bodes well

The beginning of 2026 was extremely strong for Puuilo. Revenue grew by double digits, comparable growth accelerated, and gross margin improved significantly. Due to the above factors, H1 adj. EBITA increased by 30% from the comparison period.

We estimate that the good trend of H1 will continue during the rest of the year. We forecast 2026 revenue to rise by 15 percent to 509 MEUR, supported by both the expanding store network (9 new stores) and like-for-like growth. The slowing trend in the gross margin compared to the beginning of the year

Drivers for estimates

Revenue

794 MEUR
2030e revenue

+12%
Revenue CAGR 2025-30e

- 6-7 new stores per year → 90 stores in Finland in 2030
- Like-for-like growth continues: ~50% of stores are less than 5 years old → sales grow as stores mature
- Sweden: 10 stores by 2030

Adjusted EBITA margin and EPS

17.6%
EBITA-% 2030e (2025: 17.4%)

+14%
EPS CAGR 2025-30e

- Volume growth and a partially scalable cost structure are the main sources of earnings growth
- Private labels provide support, while tightening price competition weighs on the gross margin
- Sweden profitable only in 2030

Source: Inderes

Estimates (2/4)

is largely explained by raw material inflation and additional costs resulting from higher freight prices. In addition, we estimate that Q1 in particular received a significant tailwind from strong sales growth of own brands. We estimate that the development of fixed costs will continue to be favorable for the company, supported by scalability enabled by picking up comparable growth. We believe that EBITA will increase significantly and reach a level of 94 MEUR (2025: 77 MEUR). This corresponds to 18.5% of revenue.

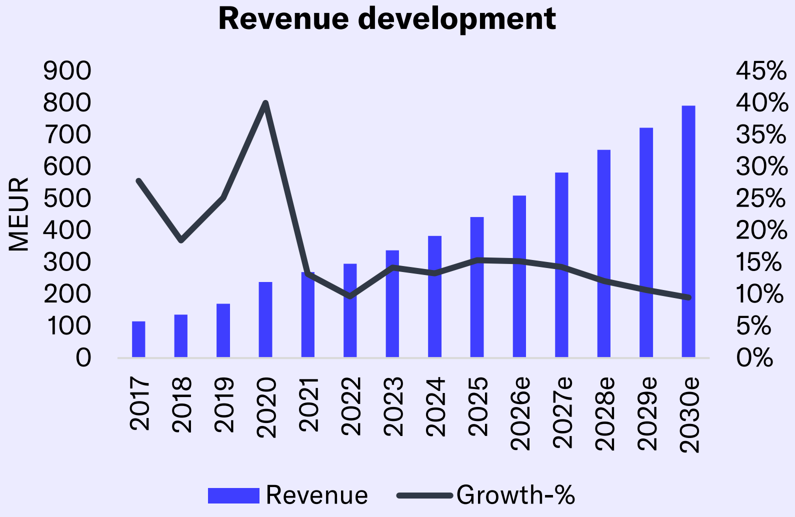
2027-28: store openings and network maturation will drive growth

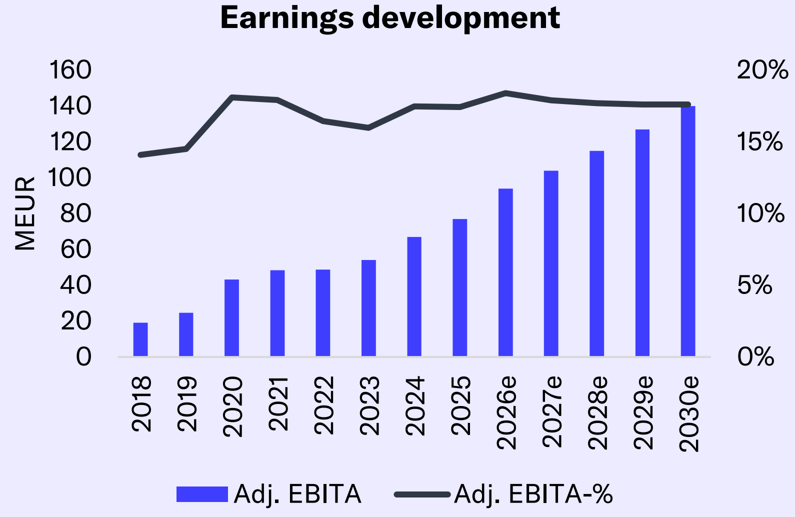
The growth drivers will remain unchanged in the coming years, and we forecast revenue to grow by 15% in 2027 and by 13% in 2028. The growth percentage relative to the number of opened stores (9 and 11) is slowed down by the stores opened in Sweden as well as slightly more moderate expectations for comparable growth. We estimate that the revenue potential of the Swedish stores will be significantly smaller than in Finland in the initial phase, due to the concept's still weak brand awareness in the new market. Due to the recovering economic development, a bolder view on like-for-like growth could be justified, but as before, we forecast Puuilo's medium-term growth with a higher margin of safety due to high-strung growth expectations.

We estimate that the company's gross margin will remain rather stable, supported by the increasing share of private label products. At the same time, the expansion into Sweden will take a toll on the Group-level margin development. We estimate that the partial localization of the product assortment will create a slight headwind for the margin level of the Swedish operations, and in addition, we believe that the company will engage in heavy marketing campaigns in the new market during the first few years. In addition, we have assumed that competition in the industry will gradually intensify as the discount store network of the entire market expands, also driven by key competitors. For now, however, it is challenging to assess to what extent the growth of the overall market will yield to competition, but we are fairly certain that at some point competitive pressure will increase as capacity exceeds demand. We estimate that the relative share of fixed costs will increase largely due to the lower efficiency in Sweden. Through this, we forecast the EBITA margin to weaken compared to 2026 (18.5%) and settle at 17.8% in 2027 and 17.6% in 2028. However, at an absolute level, we expect EBITA to rise, even though we believe the Swedish business will still be loss-making at this stage (an operating loss of roughly 1 MEUR/year).

Long-term estimates

We forecast that the Group-level revenue growth will remain robust all the way up to 2030, at which point Finland's store network will have reached its full potential. That said, growth in Finland will not stop there; instead, the growth of newer stores will continue at a good level for several years. However, at the Group level, revenue growth figures will slow down in the 2030s, even though we forecast the Swedish business to grow strongly. A key factor in our long-term forecasts is that we expect store expansion in Sweden to accelerate after the pilot phase.





Source: Inderes

Estimates (3/4)

For the remainder of the forecast period (2030-35e), we forecast an average of 4 new stores per year. In reality, the growth rate will accelerate from this (if the concept fits the market), but from this point onward, our forecasting model assumes perpetual revenue growth. Consequently, capturing Sweden's long-term potential is left to our scenario model (see p. 38).

We estimate Puuilo's profitability to stabilize at just over 17%, highlighting the efficient operations in Finland and the Swedish business, which is still in its ramp-up phase. We estimate that the Swedish business will achieve an EBIT margin of 5% in 2030 and a profitability of just over 10% only in the late 2030s. These levels are clearly lower than those in Finland, but we believe this is justified for now due to the low predictability.

Cash flow and dividend

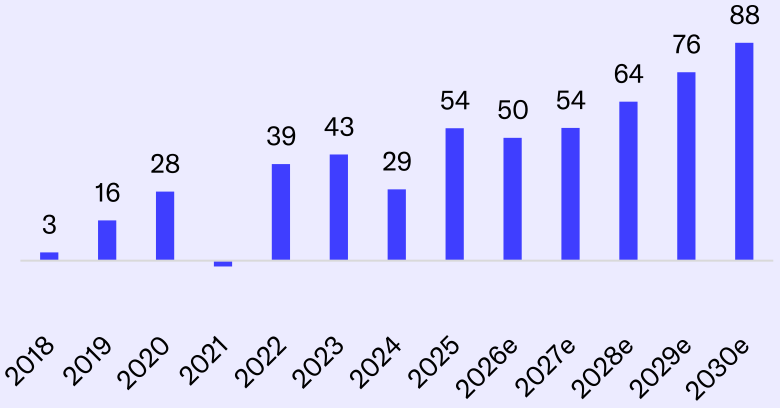
Puuilo's business model generates exceptionally strong cash flow, as the stores operate in leased premises and capital expenditure needs are practically limited to store fixtures and working capital for new stores. Supported by earnings growth, we forecast operating cash flow to rise from 90 MEUR in 2026 to 140 MEUR by 2030. In our estimates, investments (the majority being lease payments) will remain between 30–40 MEUR, which corresponds to approximately 7% of revenue. In our forecasts, free cash flow will settle at 50-90 MEUR, corresponding to the majority of the net profit. Strong cash flow and low investment needs mean in practice that the company is able to distribute the majority of its net income to its owners without compromising the financing of its growth. The company’s goal is to distribute at least 80% of the net profit. Since the balance sheet is practically debt-free and cash reserves have grown strong, we consider the continuation of extra dividends likely, and we have included an extra dividend of EUR 0.15 in our dividend forecast for 2026 (totaling EUR 0.75 per share). From here on, we forecast a dividend with a payout ratio of ~80%, although additional dividends are set to continue in the future at these earnings levels.

Return on capital and balance sheet

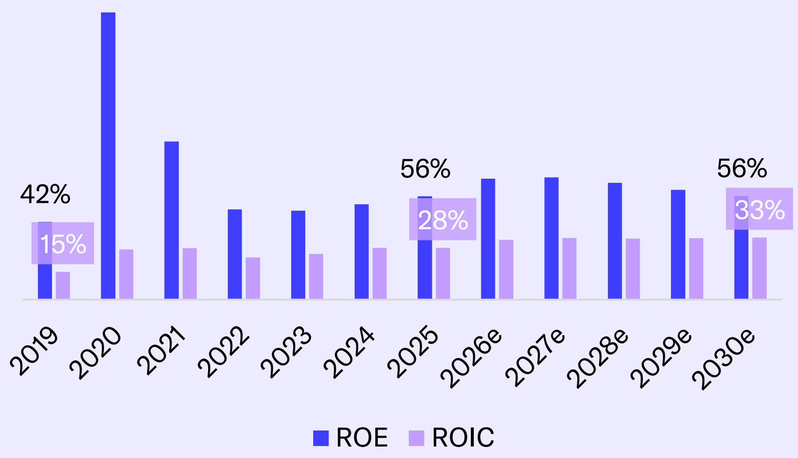
Puuilo's capital-light business model and unprecedented profitability levels for the sector have enabled the company to achieve excellent returns on capital (see page 8 and the margin). We estimate that the return on capital employed will remain at an excellent level of 30-35% throughout the forecast period. We forecast the return on equity levels to hover around 50%. In the big picture, we anticipate return levels to decline toward the end of the forecast period, which partly signals increasing competition and the weaker return potential of stores at the tail end of the domestic store opening pipeline (i.e., the earnings potential of these stores is not on par with the current network).

In terms of its balance sheet, Puuilo's risk profile is low. At the end of 2025, net debt was 130 MEUR, the majority of which consists of IFRS 16 lease liabilities. The company has 70 MEUR in traditional interest-bearing debt, and we do not forecast it to increase. In our estimates, net debt adjusted for IFRS 16 items will be close to zero in 2026, which over time will turn negative into a net cash position. Thus, in our view, the balance sheet gives the company plenty of room for maneuver to continue both expanding its store network and investing in Sweden without compromising its dividend-paying capacity.

Free cash flow
MEUR



Return on capital



Source: Inderes

Estimates (4/4)

Forecast risks

The key forecast risks relate to the growth rate of the company's store network. If the company's store opening rate falls short of our projected pace of about 10 stores per year, the earnings accumulation will be weighted further into the future. In addition, we see a significant risk regarding the development of the competitive landscape, as several discount/DIY operators plan to expand their store networks quite aggressively. Over time, the growth potential enabled by the increasing popularity of discount retail will begin to diminish, and we may one day find ourselves in a situation where there is clear overcapacity in the industry. This scenario would have a negative impact on the industry's margins. On the other hand, if Puuilo's concept proves successful in Sweden, we believe it will open up a long runway for growth across Northern Europe.

Estimate revisions

Our estimates remained unchanged in connection with the report.

Estimate revisions	2026e	2026	Change	2027e	2027e	Change	2028e	2028e	Change
MEUR/EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	509	509	0%	585	585	0%	659	659	0%
EBIT excluding NRIs	92.9	92.9	0%	103	103	0%	114	114	0%
EBIT	92.5	92.5	0%	103	103	0%	114	114	0%
Profit before tax	86.0	86.0	0%	96.3	96.3	0%	107	107	0%
EPS (excl. NRIs)	0.82	0.82	0%	0.93	0.93	0%	1.04	1.04	0%

Source: Inderes

Income statement

Income statement	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue	**383**	**89.3**	**136**	**116**	**101**	**442**	**104**	**153**	**135**	**117**	**509**	**585**	**659**	**728**
EBITDA	**84.0**	**15.8**	**32.8**	**27.0**	**21.7**	**97.3**	**21.5**	**39.3**	**31.1**	**25.0**	**117**	**131**	**146**	**162**
Depreciation	-18.7	-5.4	-5.3	-5.6	-5.7	-22.0	-5.8	-6.1	-6.2	-6.3	-24.4	-28.0	-31.7	-35.3
EBIT (excl. NRI)	**65.2**	**10.4**	**27.5**	**21.4**	**16.1**	**75.4**	**15.9**	**33.4**	**24.9**	**18.7**	**92.9**	**103**	**114**	**126**
EBIT	**65.2**	**10.4**	**27.5**	**21.4**	**16.0**	**75.3**	**15.7**	**33.2**	**24.9**	**18.7**	**92.5**	**103**	**114**	**126**
Net financial items	-5.1	-1.4	-1.4	-1.4	-1.2	-5.5	-1.5	-1.7	-1.6	-1.7	-6.5	-6.6	-7.2	-7.7
PTP	**60.1**	**9.0**	**26.0**	**20.0**	**14.8**	**69.8**	**14.2**	**31.5**	**23.3**	**17.0**	**86.0**	**96.3**	**107**	**119**
Taxes	-12.0	-1.8	-5.2	-3.9	-2.9	-13.8	-2.8	-6.2	-4.7	-3.4	-17.1	-17.3	-19.3	-21.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**48.1**	**7.2**	**20.8**	**16.1**	**11.9**	**56.0**	**11.4**	**25.3**	**18.7**	**13.6**	**68.9**	**78.9**	**87.9**	**97.4**
EPS (adj.)	**0.57**	**0.09**	**0.25**	**0.19**	**0.14**	**0.66**	**0.14**	**0.30**	**0.22**	**0.16**	**0.82**	**0.93**	**1.04**	**1.15**
EPS (rep.)	**0.57**	**0.09**	**0.25**	**0.19**	**0.14**	**0.66**	**0.13**	**0.30**	**0.22**	**0.16**	**0.81**	**0.93**	**1.04**	**1.15**

Key figures	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue growth-%	13.3 %	18.4 %	13.2 %	13.7 %	17.7 %	15.4 %	16.2 %	12.8 %	15.9 %	16.2 %	15.1 %	15.0 %	12.6 %	10.4 %
Adjusted EBIT growth-%	23.5 %	37.6 %	12.5 %	11.1 %	15.4 %	15.6 %	52.3 %	21.4 %	16.2 %	16.7 %	23.2 %	10.7 %	11.2 %	10.5 %
EBITDA-%	21.9 %	17.7 %	24.1 %	23.3 %	21.4 %	22.0 %	20.7 %	25.6 %	23.1 %	21.3 %	23.0 %	22.4 %	22.2 %	22.2 %
Adjusted EBIT-%	17.0 %	11.7 %	20.2 %	18.5 %	15.9 %	17.0 %	15.3 %	21.8 %	18.5 %	16.0 %	18.3 %	17.6 %	17.4 %	17.4 %
Net earnings-%	12.6 %	8.1 %	15.3 %	13.9 %	11.7 %	12.7 %	11.0 %	16.5 %	13.9 %	11.6 %	13.5 %	13.5 %	13.3 %	13.4 %

Source: Inderes

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

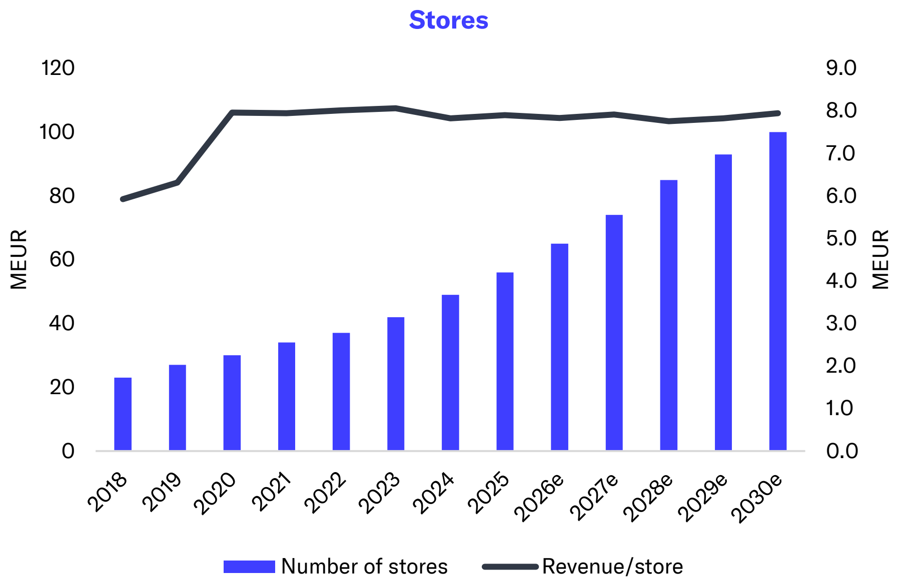
Assets	2024	2025	2026e	2027e	2028e
Non-current assets	**139**	**149**	**163**	**180**	**196**
Goodwill	33.5	33.5	33.5	33.5	33.5
Intangible assets	16.0	13.7	13.6	13.5	13.5
Tangible assets	88.0	100.0	115	131	147
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.3	1.6	1.6	1.8	2.0
Current assets	**142**	**168**	**193**	**221**	**256**
Inventories	116	123	142	163	184
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	8.2	11.6	12.7	14.6	16.5
Cash and equivalents	18.3	33.0	38.0	43.7	56.0
Balance sheet total	**281**	**317**	**356**	**401**	**452**

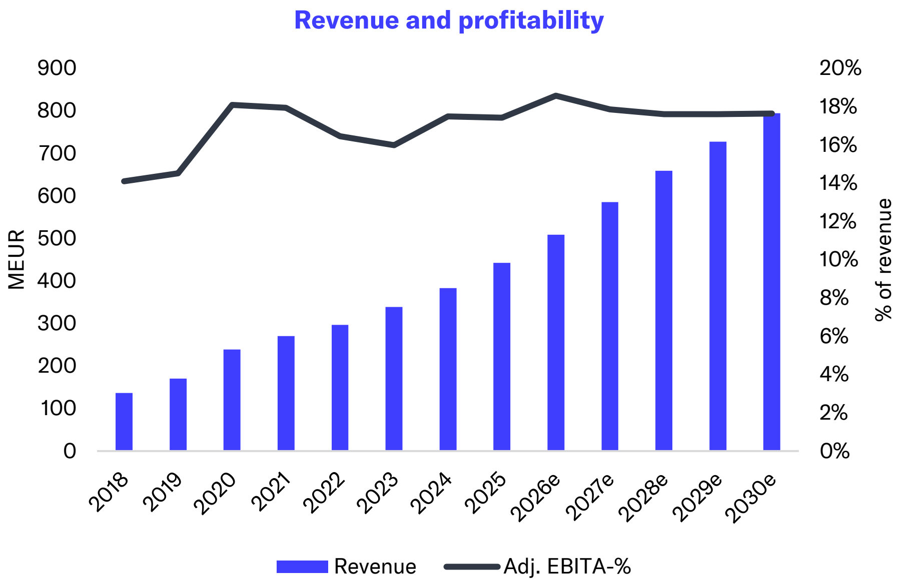
Source: Inderes

Liabilities & equity	2024	2025	2026e	2027e	2028e
Equity	**102**	**98.9**	**112**	**127**	**152**
Share capital	29.1	29.0	29.0	29.0	29.0
Retained earnings	72.7	69.9	82.9	98.2	123
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	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**122**	**151**	**182**	**203**	**221**
Deferred tax liabilities	2.5	2.3	2.3	2.3	2.3
Provisions	1.0	1.1	1.1	1.1	1.1
Interest bearing debt	118	147	179	199	218
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**57.4**	**67.2**	**61.6**	**71.7**	**79.1**
Interest bearing debt	15.0	16.2	0.6	1.4	0.0
Payables	42.4	51.0	61.1	70.2	79.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**281**	**317**	**356**	**401**	**452**

Summary of estimates

	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Number of stores	23	27	30	34	37	42	49	56	65	74	85	93	100
Revenue	136	170	239	270	296	339	383	442	509	585	659	728	794
Growth-%		25%	40%	13%	10%	14%	13%	15%	15%	15%	13%	10%	9%
Revenue/store	5.9	6.3	8.0	7.9	8.0	8.1	7.8	7.9	7.8	7.9	7.8	7.8	7.9
Gross margin, %	34.6%	35.3%	36.5%	36.8%	36.2%	36.6%	37.7%	38.2%	39.0%	38.7%	38.8%	38.7%	38.7%
Adj. EBITA	19	25	43	48	49	54	67	77	94	104	116	128	140
Adj. EBITA-%	14.1%	14.5%	18.1%	17.9%	16.5%	16.0%	17.5%	17.4%	18.6%	17.8%	17.6%	17.6%	17.6%





Valuation (1/4)

A summary of the valuation and expected return

Puuilo is a growing, highly profitable quality company. The business itself is a fairly simple retail business and the balance sheet is very neat. This enables the reliable utilization of several different valuation methods. In our valuation model for Puuilo, we use, in addition to absolute earnings multiples, relative earnings multiples and a discounted cash flow model. When gauging the expected return, we consider the company's earnings growth outlook, dividends, and potential changes in valuation multiples.

Therefore, we reiterate our Accumulate recommendation and EUR 18 target price. In our view, the stock offers an investor a sufficient expected return (~10%) supported by earnings growth and dividend yield. On the other hand, in the short term, the expected return is limited by valuation multiples that are high when measured by the trailing 12-month actual earnings.

Several factors support the valuation

In our view, there are several factors supporting the valuation of Puuilo. The company has demonstrated the defensive nature of its concept, which has ensured strong growth even in a more challenging market situation. In other words, the company has clearly gained market shares over the past two years. The company has done this very profitably, which few industry peers have been able to achieve. Thanks to its capital-light business model and strong profitability, the company's return on capital is among the best in the sector, which we believe justifies its elevated valuation level compared to, for example, the valuation level of Nasdaq Heslinki (NTM P/E ~14). On the other hand, factors such as tightening competition in the industry and the limited market size (which will turn into a positive driver if the Swedish pilot succeeds) place a limit on the company's valuation multiples.

Valuation fairly in line with history

Over its five-year history on the stock exchange, Puuilo has traded at an average forward P/E multiple of 16x (see page 36). The valuation of the share has recently risen to around 20x, a level at which the company was priced during the hot demand environment. At the same time, the valuation multiples were also boosted by the low interest rate environment and an otherwise overheated stock market. As a result, current pricing could be described as fairly tight, for which we also find justification. The company's annual revenue growth has remained between 15-20%, while in our view, the quality of operations (profitability and return on capital) has improved. However, the expansion into Sweden increases uncertainty related to short- and medium-term forecasting, but if successful, it will extend the group's growth path far into the future. In the big picture, we see that the current multiples are justified, but in our view, there is no longer any upside left in them, and earnings performance will instead drive the share's value development. Therefore, we believe that earnings disappointments would put downward pressure on the share, driven by both earnings expectations and valuation multiples.

Multiples are clearly elevated

Multiples based on the last 12 months (P/E of 23x and IFRS 16 adj. EV/EBIT of 19x) are above our comfort zone, assuming the continuation of strong earnings growth. The earnings growth we expect (~15%) remedies the valuation to a moderate level (2027-28e P/E 19 and 17x and IFRS 16 adj. EV/EBIT 15x and 13x), considering the company's earnings growth potential and high return on capital.

Valuation level	2025e	2026e	2027e
Share price	13.2	13.2	13.2
Number of shares, millions	84.8	84.8	84.8
Market cap	1115	1115	1115
Enterprise value (EV)	1243	1248	1248
P/E (adj.)	20.2	17.1	14.4
P/E	20.2	17.1	14.4
P/B	11.4	9.4	7.7
P/S	2.5	2.2	2.0
EV/Sales	2.8	2.5	2.2
EV/EBITDA	12.9	10.9	9.5
EV/EBIT (adj.)	16.7	14.2	12.3
Dividend/earnings (%)	80.0%	80.0%	80.0%
Dividend yield-%	4.0%	4.7%	5.6%

Source: Inderes

Puuilo's valuation drivers

+ Factors supporting the valuation:

- Attractive concept has enabled strong growth even in a weak operating environment
- Excellent track record of profitable growth even during weak market conditions
- Return on capital among the best in the sector

– Factors negatively affecting the valuation:

- Tightened competition in retail
- The limited market size → becomes a positive driver if the Sweden pilot is successful
- Internationalization raises the risk level

Source: Inderes

Valuation (2/4)

Premium pricing compared to peers is justified

Puuilo is priced at a clear premium relative to a peer group consisting of high-quality retail companies. We use the P/E ratio as a benchmark for the peer group, as the comparability of EV multiples within the peer group is weakened by company-specific differences in lease lengths (which affect the amount of IFRS 16 liabilities).

Generally speaking, we consider accepting a premium for Puuilo to be justified due to the company's exceptionally high return on capital and long-term earnings growth outlook. Overall, we see the pricing of the peers at a fairly neutral level (2026e median P/E 15x), although multiples have declined quite clearly over the past few months, for which we find no valid justification. Thus, a sustainable premium could be between 15-30%. Against this backdrop, the current 40% premium seems high, and we therefore do not see the valuation of peers as a positive driver for Puuilo's pricing picture.

Dividend yield at a very good level

As noted, Puuilo distributes a large proportion of its earnings to its shareholders as dividends. As a result, the dividend yield offered by the stock rises to decent levels (2026-28e ~ 4- 5%), thus acting as a driver of the expected return. At these return on capital levels, we believe that investing the earnings back into the business would be sensible, but on the other hand, we recognize that even heavier growth investments (expanding the store network) would put pressure on the company's relative profitability and its otherwise light business structure.

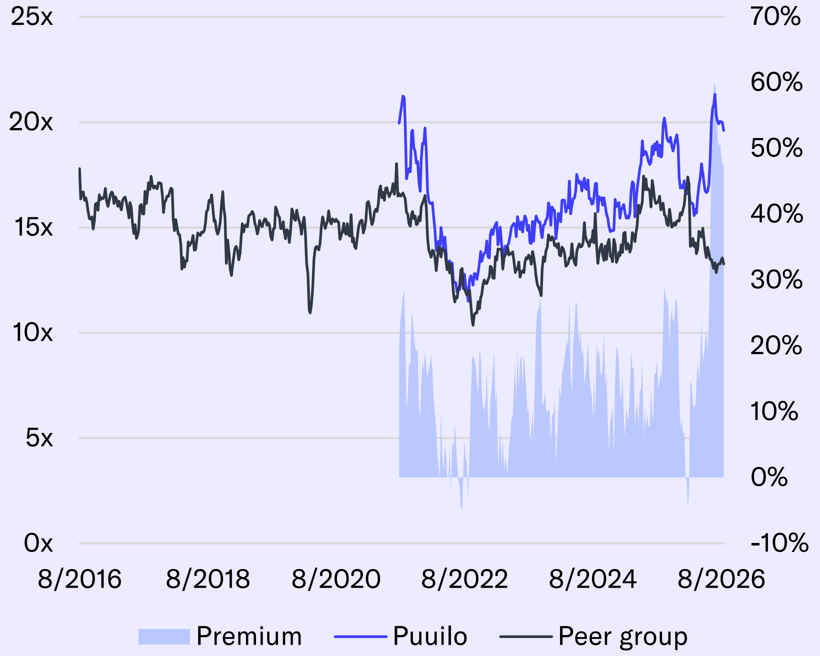
DCF model

According to our DCF model, Puuilo's equity value is 1577 MEUR, corresponding to a EUR 18.6 per share value. This is above the current price, which, together with the dividend yield, supports a positive view on the stock. The company's business generates abundant and fairly predictable cash flow and the balance sheet is very light (excl. IFRS 16 items). The growth has tied up some working capital, but it has not significantly weakened the return on capital. The cost of capital in the model is set at 8% (vs. the average of ~ 9% for companies in our coverage). In our opinion, the level is justified by the company's proven defensive and profitable growth profile. In addition, growth based on the expansion of the company's store network is fairly easily predictable based on announced store opening plans, which also makes the forecasting of cash flows fairly reliable. In our view, the biggest risk regarding our ~15% annual earnings growth and 17-18% EBITA forecasts is potential changes in the competitive landscape and consumer habits (DIY → B2B).

Overall expected return remains attractive

In terms of realized earnings multiples, the company is priced above our comfort zone. However, this is justified as we expect the company to deliver strong earnings growth in the coming years. We forecast Puuilo's result to grow at an annual rate of around ~15% over the next three years. Given the 4-5% dividend yield and the slightly elevated valuation, the expected return on the stock is around 10%. This exceeds our required rate of return, meaning the risk-reward ratio of the share remains sufficient despite the elevated valuation.

12-month forward-looking P/E ratio



Source: Bloomberg

Valuation (3/4)

Long-term scenarios

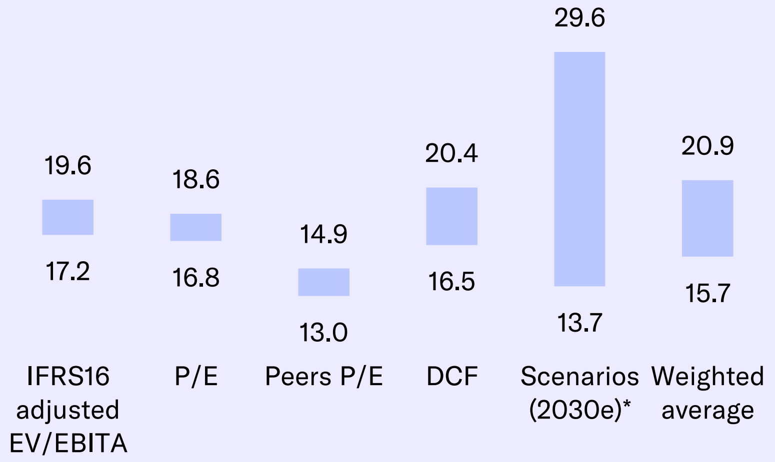
We have formulated three different scenarios for the company's long-term development, as the company is currently facing a major transformation due to organic internationalization. The optimistic scenario assumes that the Swedish business will perform similarly to Finland in the long term, and that the number of stores will eventually rise well above 100. Our baseline scenario based on current forecasts assumes that the expansion into Sweden will progress gradually and that profitability will develop significantly more slowly than in the home market. The pessimistic scenario, in turn, assumes a failure in internationalization and a mediocre development in the domestic market. More detailed forecast assumptions are provided on page 38.

Both the optimistic and baseline scenarios indicate that the company's fair value is clearly higher than the current level. The annualized total shareholder return (TSR) calculated for the base scenario is between roughly 10-15%, which we believe offers an attractive risk/reward ratio. In the optimistic scenario, the expected return would rise to around 20%, which is an excellent level. The optimistic scenario is predicated on the company continuing to trade at elevated multiples, driven by an earnings growth outlook extending far into the future as internationalization continues beyond Sweden. In the pessimistic scenario, we assume that Finnish fundamentals will weaken and the store network will stop at 80 stores. In this scenario, the expansion into Sweden would remain at the pilot phase, making the growth outlook significantly weaker than at present. As a result, the expected return would be very weak, and the fair value of the share would be clearly below the current share price due to weak earnings performance and downward pressure on valuation multiples.

Fair value of the share

We determine Puuilo's fair value range to be EUR 16-20. The weighted midpoint of this is ~EUR 18, which is in line with our target price. The fair value is based on values produced by absolute and relative earnings multiples and the DCF model. The multiple-based valuations are based on our 2027 forecasts, excluding the scenarios formed for 2030.

Fair value



Background assumptions:
EV/EBITA 16-18x
P/E 18-20x
Peers P/E 14-16x
DCF: WACC 7.7-8.7%

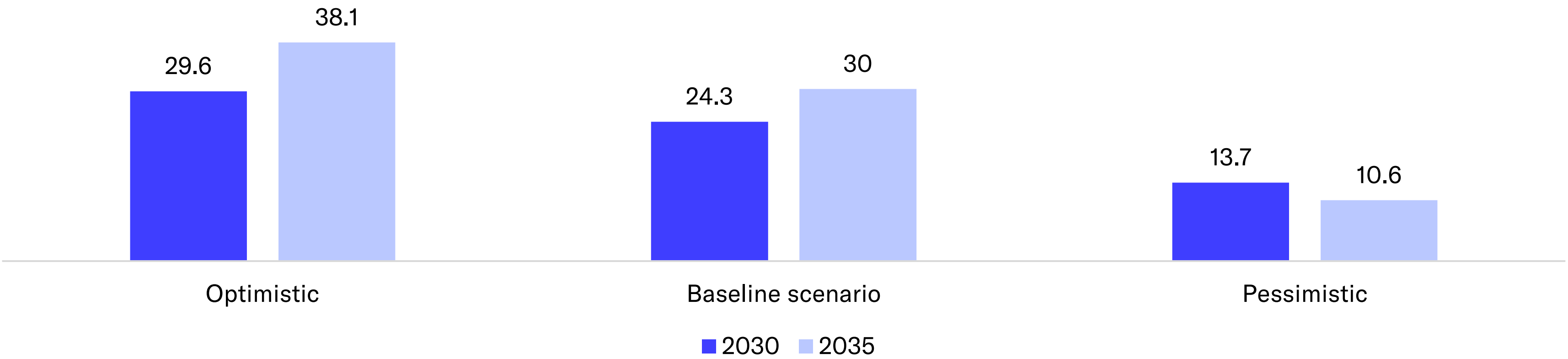
Source: Inderes

Valuation: Scenarios (4/4)

Optimistic	2030	2035
Revenue	**840**	**1079**
Finland	808	964
Sweden	32	115
Adj. EBITA	**158**	**202**
Finland	155	186
Sweden	3	16
EBITA-%	***18.9%***	***18.7%***
EV/EBITA	17.0x	17.0x
EV	**2693**	**3427**
Net debt	179	196
Value of entire stock	**2513**	**3231**
per share	29.6	38.1
Annual value increase	14.5%	9.2%
Dividend yield	5.0%	7.5%
Total expected return	**19.5%**	**16.7%**

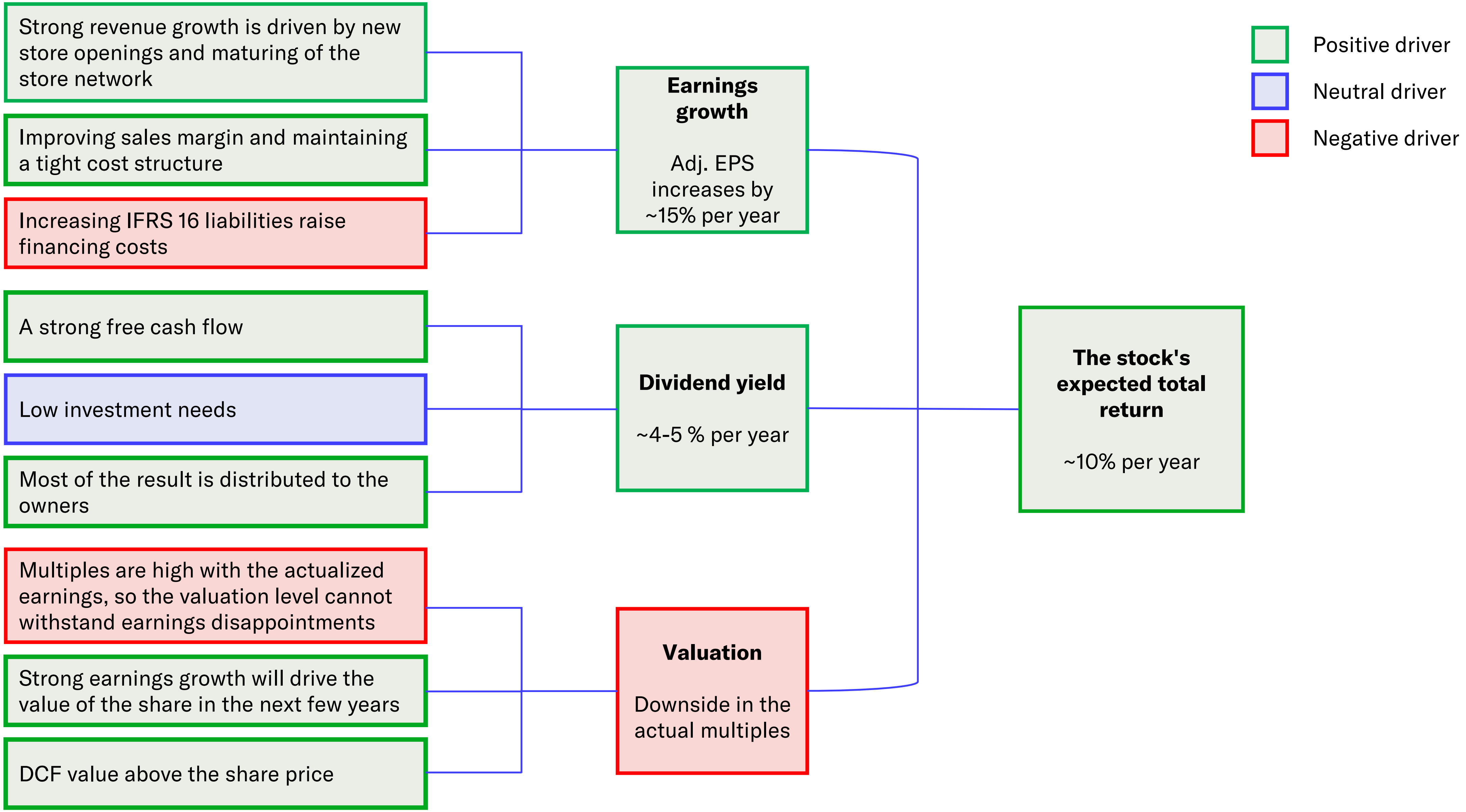
Pessimistic	2030	2035
Revenue	**741**	**802**
Finland	714	756
Sweden	27	45
Adj. EBITA	**102**	**96**
Finland	101	95
Sweden	1	2
EBITA-%	***13.7%***	***12.0%***
EV/EBITA	13.0x	11.0x
EV	**1324**	**1060**
Net debt	167	160
Value of entire stock	**1157**	**900**
per share	13.7	10.6
Annual value increase	-5.7%	-5.2%
Dividend yield	4.0%	6.0%
Total expected return	**-1.7%**	**0.8%**

Fair value per share



Source: Inderes

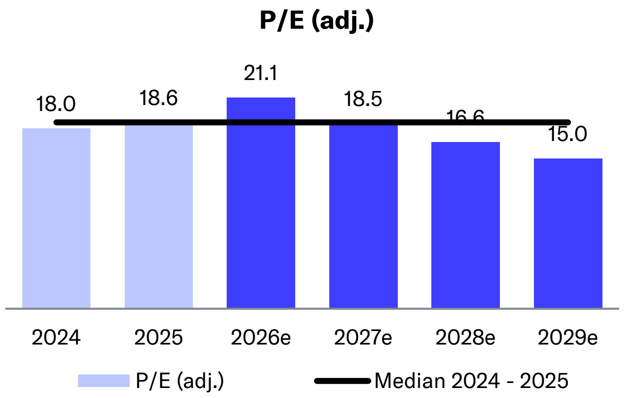
Total shareholder return drivers 2025-2028e

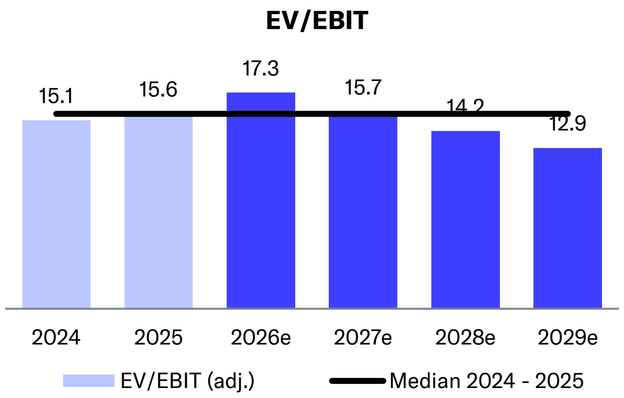


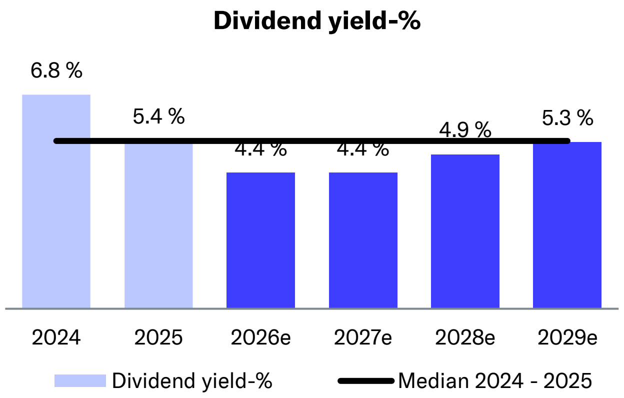
Valuation table

Valuation	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Share price	7.99	6.32	9.26	10.2	12.3	17.2	17.2	17.2	17.2
Number of shares, millions	84.8	84.8	84.8	84.8	84.8	84.8	84.8	84.8	84.8
Market cap	677	536	785	867	1044	1462	1462	1462	1462
EV	775	630	886	982	1174	1603	1618	1623	1625
P/E (adj.)	19.4	15.0	20.3	18.0	18.6	21.1	18.5	16.6	15.0
P/E	21.2	15.3	20.3	18.0	18.6	21.2	18.5	16.6	15.0
P/B	10.0	7.0	9.2	8.5	10.6	13.1	11.5	9.6	8.3
P/S	2.5	1.8	2.3	2.3	2.4	2.9	2.5	2.2	2.0
EV/Sales	2.9	2.1	2.6	2.6	2.7	3.2	2.8	2.5	2.2
EV/EBITDA	13.9	10.4	13.1	11.7	12.1	13.7	12.4	11.1	10.0
EV/EBIT (adj.)	16.4	13.2	16.8	15.1	15.6	17.3	15.7	14.2	12.9
Payout ratio (%)	80.0 %	82.9 %	83.3 %	123.3 %	99.9 %	92.3 %	80.5 %	82.0 %	80.0 %
Dividend yield-%	3.8 %	5.4 %	4.1 %	6.8 %	5.4 %	4.4 %	4.4 %	4.9 %	5.3 %

Source: Inderes







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2026e	 2027e	EV/EBITDA 2026e	 2027e	EV/S 2026e	 2027e	P/E 2026e	 2027e	Dividend yield-% 2026e	 2027e	P/B 2026e
Europris ASA	1281	1755	13.2	11.1	7.5	6.7	1.2	1.2	15.2	12.1	4.7	4.9	3.0
Byggmax Group AB	282	451	13.5	12.5	5.1	5.0	0.8	0.8	12.7	11.4	3.9	4.4	1.2
Clas Ohlson AB	2439	2409	17.1	14.5	13.1	10.1	2.1	1.9	22.0	18.4	2.3	2.9	8.0
Axfood AB	4827	6235	18.7	16.9	8.9	8.3	0.8	0.7	21.9	19.4	3.7	3.9	7.3
Dollar General Corp	24000	26596	14.4	12.3	9.7	8.5	0.7	0.7	19.2	15.8	1.9	1.9	3.2
Kesko Oyj	8943	12597	18.0	15.6	9.5	8.5	1.0	0.9	19.4	17.3	4.3	4.6	3.0
Musti Group Oyj	490	725	11.7	12.3	7.0	6.4	1.4	1.3	10.9		6.2		2.0
Verkkokauppa.com Oyj	162	174	11.4	10.0	7.8	7.1	0.3	0.3	14.9	12.5	5.2	5.6	4.0
Tokmanni Oyj	415	1315	18.2	13.8	5.9	5.4	0.7	0.7	11.2	8.9	5.0	6.2	1.6
Rusta	1064	1491	17.1	14.0	7.4	7.3	1.3	1.1	20.0	15.6	3.2	3.0	4.5
Tractor Supply	14888	16608	14.0	13.3	10.1	9.6	1.2	1.2	16.9	16.0	2.9	3.1	6.5
Hornbach Holding	1338	2644	10.3	10.0	5.2	5.1	0.4	0.4	9.4	9.2	3.0	3.0	0.6
B&M European Value Retail	2876	5307	11.2	11.1	6.5	6.4	0.8	0.8	12.2	11.5	4.0	4.1	3.0
Kingfisher	5931	8111	10.6	10.2	5.3	5.1	0.5	0.5	13.4	12.2	4.0	4.0	0.9
Puuilo Oyj (Inderes)	**1462**	**1603**	**17.3**	**15.7**	**13.7**	**12.4**	**3.2**	**2.8**	**21.1**	**18.5**	**4.4**	**4.4**	**13.1**
Average			**14.2**	**12.7**	**7.8**	**7.1**	**1.0**	**0.9**	**15.7**	**13.9**	**3.9**	**4.0**	**3.5**
Median			**13.7**	**12.4**	**7.4**	**6.9**	**0.8**	**0.8**	**15.0**	**12.5**	**3.9**	**4.0**	**3.0**
Diff-% to median			**26%**	**27%**	**84%**	**80%**	**294%**	**257%**	**40%**	**48%**	**10%**	**8%**	**333%**

Source: Refinitiv / Inderes

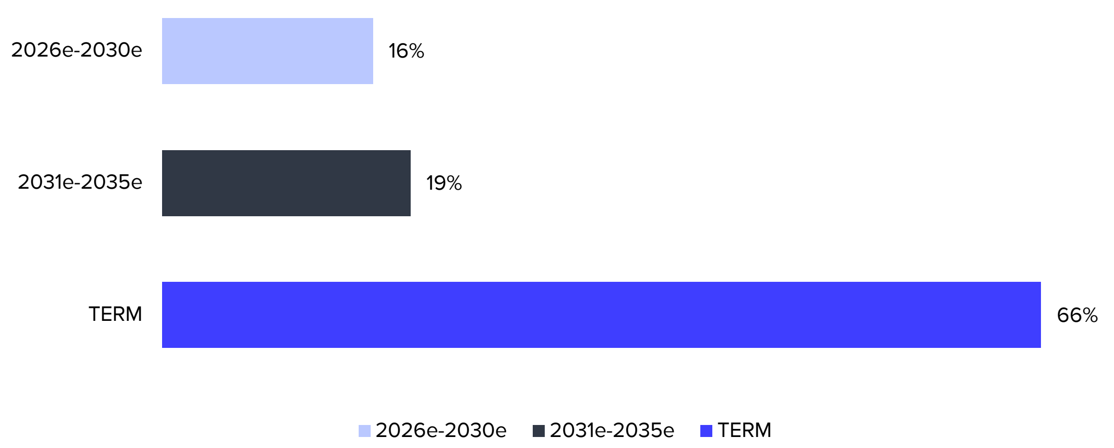
DCF calculation

DCF model	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	15.4 %	15.1 %	15.0 %	12.6 %	10.4 %	9.1 %	7.9 %	5.9 %	5.0 %	5.1 %	2.5 %	2.5 %
EBIT-%	17.0 %	18.2 %	17.6 %	17.4 %	17.4 %	17.5 %	17.5 %	17.5 %	17.5 %	16.5 %	16.5 %	16.5 %
EBIT (operating profit)	**75.3**	**92.5**	**103**	**114**	**126**	**139**	**150**	**159**	**167**	**165**	**169**	
+ Depreciation	22.0	24.6	28.0	31.7	35.3	38.6	41.6	44.3	46.9	49.4	51.5	
- Paid taxes	-14.3	-17.1	-17.5	-19.5	-21.6	-23.7	-25.4	-26.9	-28.2	-27.9	-29.7	
- Tax, financial expenses	-1.1	-1.3	-1.2	-1.3	-1.4	-1.5	-1.8	-1.9	-2.0	-2.1	-2.2	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	
- Change in working capital	-2.6	-9.6	-14.0	-13.6	-12.6	-12.2	-11.5	-9.3	-8.4	-9.0	-4.6	
Operating cash flow	**79.3**	**89.2**	**98.1**	**112**	**126**	**140**	**153**	**165**	**175**	**176**	**186**	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-31.7	-39.3	-44.3	-47.3	-49.8	-51.8	-53.8	-55.8	-57.8	-58.8	-54.6	
Free operating cash flow	**47.7**	**49.9**	**53.8**	**64.5**	**76.4**	**88.3**	**99.0**	**109**	**117**	**117**	**131**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	47.7	49.9	53.8	64.5	76.4	88.3	99.0	109	117	117	131	2365
Discounted FCFF		**48.8**	**48.6**	**53.9**	**59.0**	**63.1**	**65.3**	**66.6**	**66.1**	**61.0**	**63.1**	**1140**
Sum of FCFF present value		1735	1686	1638	1584	1525	1462	1396	1330	1264	1203	1140
Enterprise value DCF		**1735**										
- Interest bearing debt		-163.4										
+ Cash and cash equivalents		33.0										
+ Associated companies		0.0										
-Minorities		0.0										
-Dividend/capital return		-28.0										
Equity value DCF		**1577**										
Equity value DCF per share		**18.6**										

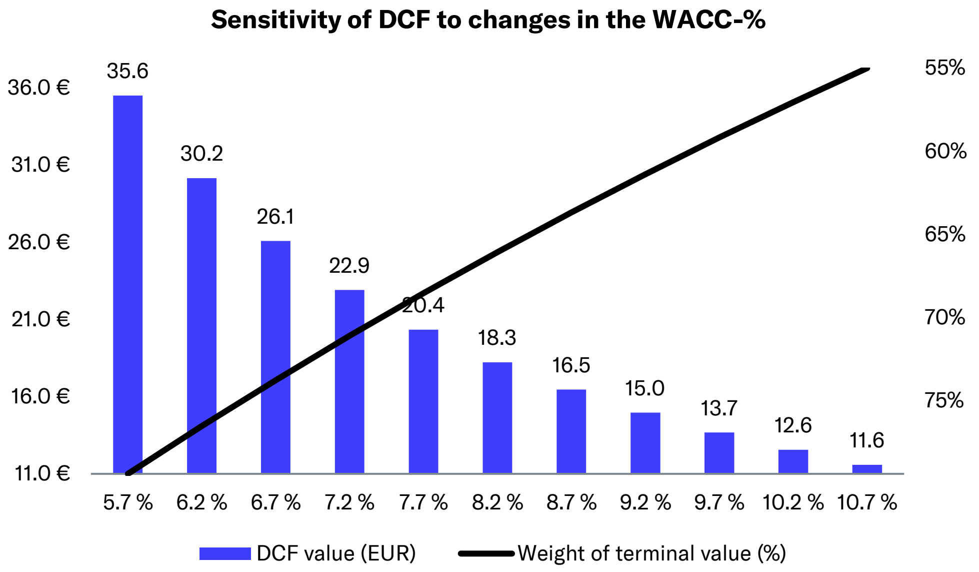
WACC	
Tax-% (WACC)	18.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**9.2 %**
Weighted average cost of capital (WACC)	**8.2 %**

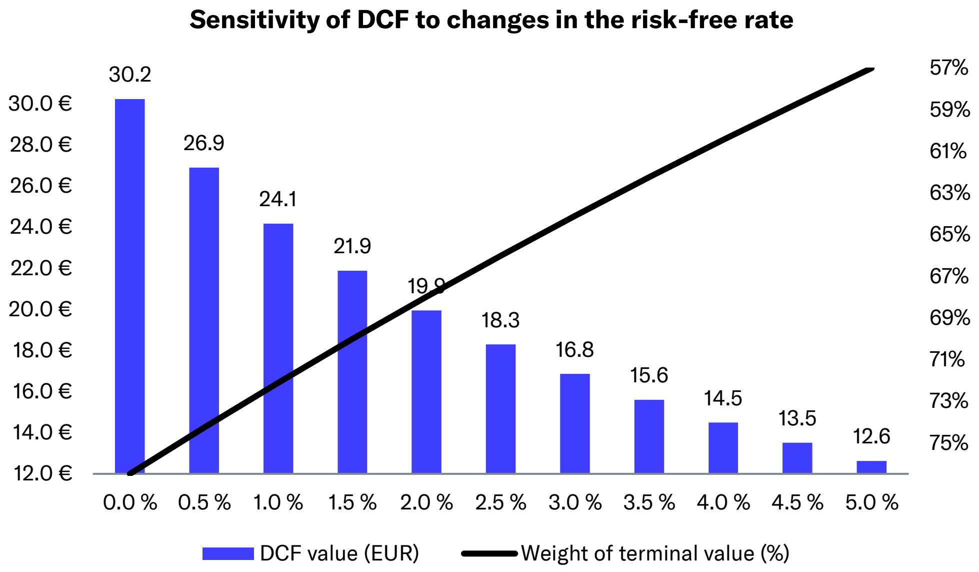
Source: Inderes

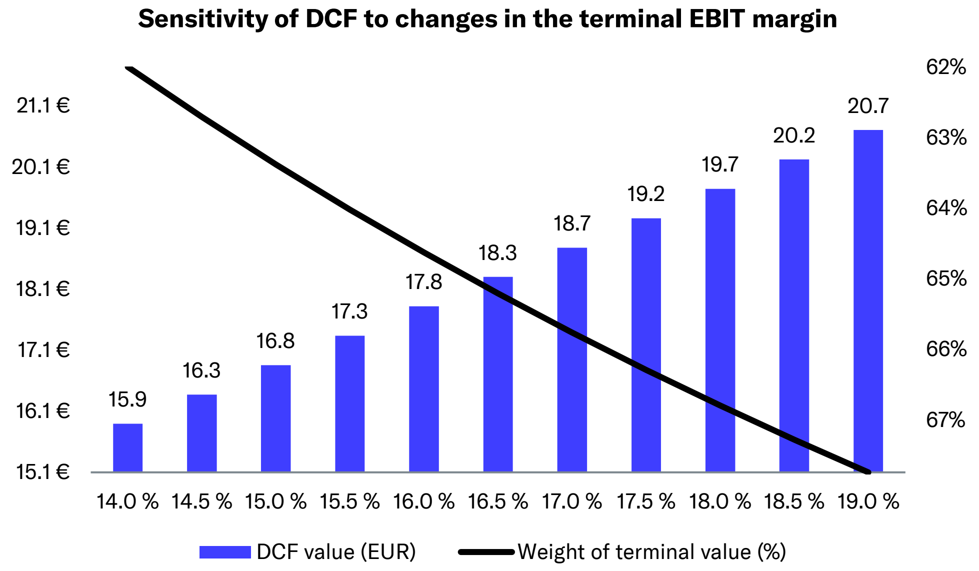
Cash flow distribution

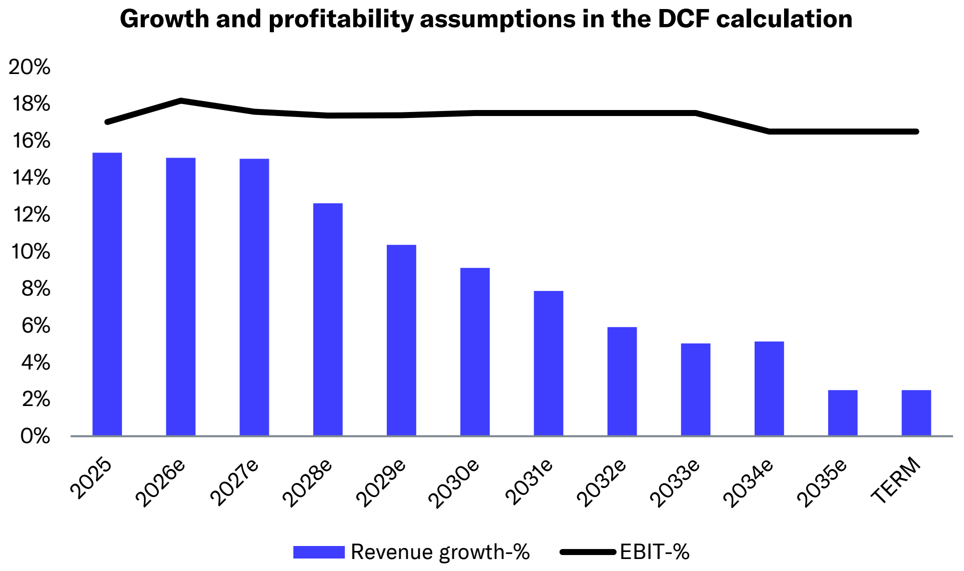


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2024	2025	2026e	2027e
Revenue	383.4	442.3	**509.0**	**585.4**
EBITDA	84.0	97.3	**117.1**	**130.8**
EBIT	65.2	75.3	**92.5**	**102.9**
PTP	60.1	69.8	**86.0**	**96.3**
Net Income	48.1	56.0	**68.9**	**78.9**
Extraordinary items	0.0	-0.1	**-0.4**	**0.0**

Balance sheet	2024	2025	2026e	2027e
Balance sheet total	280.8	316.7	**356.0**	**401.5**
Equity capital	101.8	98.9	**111.9**	**127.2**
Goodwill	33.5	33.5	**33.5**	**33.5**
Net debt	114.8	130.4	**141.7**	**156.9**

Cash flow	2024	2025	2026e	2027e
EBITDA	84.0	97.3	**117.1**	**130.8**
Change in working capital	-18.2	-2.6	**-9.6**	**-14.0**
Operating cash flow	52.3	79.3	**89.2**	**98.1**
CAPEX	-30.5	-31.7	**-39.3**	**-44.3**
Free cash flow	21.9	47.7	**49.9**	**53.8**

Valuation multiples	2024	2025	2026e	2027e
EV/S	2.6	2.7	**3.2**	**2.8**
EV/EBITDA	11.7	12.1	**13.7**	**12.4**
EV/EBIT (adj.)	15.1	15.6	**17.3**	**15.7**
P/E (adj.)	18.0	18.6	**21.1**	**18.5**
P/B	8.5	10.6	**13.1**	**11.5**
Dividend-%	6.8 %	5.4 %	**4.4 %**	**4.4 %**

Source: Inderes

Per share data	2024	2025	2026e	2027e
EPS (reported)	0.57	0.66	**0.81**	**0.93**
EPS (adj.)	0.57	0.66	**0.82**	**0.93**
OCF / share	0.62	0.94	**1.05**	**1.16**
OFCF / share	0.26	0.56	**0.59**	**0.63**
Book value / share	1.20	1.17	**1.32**	**1.50**
Dividend / share	0.70	0.66	**0.75**	**0.75**

Growth and profitability	2024	2025	2026e	2027e
Revenue growth-%	13%	15%	**15%**	**15%**
EBITDA growth-%	24%	16%	**20%**	**12%**
EBIT (adj.) growth-%	24%	16%	**23%**	**11%**
EPS (adj.) growth-%	24%	17%	**24%**	**14%**
EBITDA-%	21.9 %	22.0 %	**23.0 %**	**22.4 %**
EBIT (adj.)-%	17.0 %	17.0 %	**18.3 %**	**17.6 %**
EBIT-%	17.0 %	17.0 %	**18.2 %**	**17.6 %**
ROE-%	51.5 %	55.8 %	**65.4 %**	**66.0 %**
ROI-%	29.5 %	30.3 %	**33.4 %**	**33.2 %**
Equity ratio	36.3 %	31.2 %	**31.4 %**	**31.7 %**
Gearing	112.8 %	131.9 %	**126.7 %**	**123.3 %**
Net debt/EBITDA	1.4	1.3	**1.2**	**1.2**
EBITDA/net financials	16.5	17.7	**18.0**	**19.8**

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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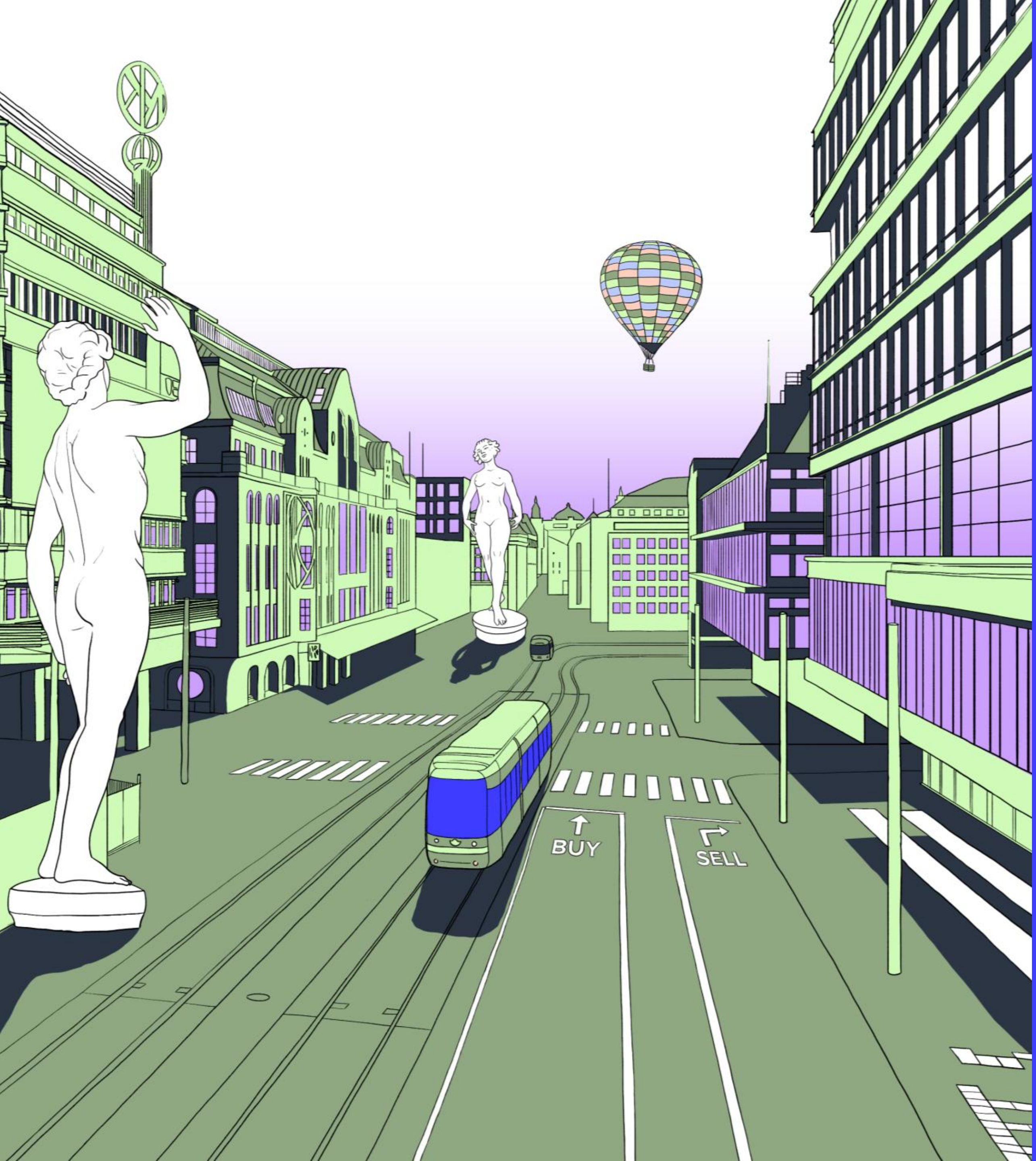
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
	Analyst changed		
9/13/2023	Accumulate	8.50 €	7.63 €
9/25/2023	Accumulate	9.00 €	7.93 €
12/14/2023	Accumulate	9.00 €	8.41 €
3/21/2024	Reduce	9.00 €	9.26 €
3/28/2024	Accumulate	10.00 €	9.18 €
4/24/2024	Accumulate	11.00 €	9.99 €
6/13/2024	Accumulate	11.50 €	10.31 €
9/13/2024	Accumulate	11.00 €	9.84 €
12/12/2024	Accumulate	11.50 €	10.07 €
12/30/2024	Accumulate	11.50 €	10.14 €
3/10/2025	Accumulate	12.00 €	11.16 €
3/28/2025	Reduce	12.00 €	12.09 €
6/11/2025	Reduce	13.50 €	13.52 €
9/12/2025	Reduce	14.50 €	14.72 €
12/11/2025	Accumulate	14.50 €	13.15 €
3/18/2026	Buy	14.00 €	11.90 €
3/26/2026	Accumulate	14.00 €	12.65 €
6/12/2026	Accumulate	17.50 €	16.04 €
9/11/2026	Accumulate	18.00 €	16.82 €
9/18/2026	Accumulate	18.00 €	17.24 €



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