

# Rapala VMC

## Company report

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This report is a summary translation of the report "Isot kalat uivat vielä kärsivällisen haaviin" published on 2/13/2022 at 9:56 pm

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# Big fish caught in the net of those with patience

Rapala's H2'21 fell clearly short of our high expectations as some key orders were received already in H1'21 as stores ensured availability. 2021 net sales improved by 50% to EUR 32.7 million and thus the company heads into 2022 from a lower earnings level than we expected. However, we still believe in preconditions for continued earnings growth also in the next few years despite the fishing boom slowing down as the journey to reach the full potential of the Rapala brand and the rod & reel category has only started. The valuation is cheap despite our estimate revisions. We lower our target price to EUR 8.5 (prev. EUR 11.0) and give a Buy recommendation (prev. Accumulate).

## Earnings level fell clearly below our high expectations motivated by strong H1

Operating profit in H2 (cf.) was only EUR 6.2 million and less than one-half of our EUR 13.2 million estimate. Based on the earnings call it seems that the increase in inventories to EUR 86.2 million (2020: 68.8 MEUR) was a conscious choice to prepare for a strong-looking spring season. The Group also has better manageability as purchases are centrally controlled and inventory balance can be monitored more closely. During the fall, the brand portfolio has been unified as the company has had many items with weak return on capital. Pruning them from inventories also resulted in clearance sales which diluted profitability while the preparation of the Okuma launch generated additional costs. Even though H2 figures were a big disappointment, the company seems to be progressing in the right direction in terms of its strategy.

## The company's chronic problems are being resolved and the company is moving to a growth stage

Rapala's guidance was that 2022 comparable operating profit will be in line with the previous year (32.7 MEUR). We lowered our 2022 EPS estimate by 8%. Even though 2022 EBIT does not grow in our estimate EPS grows as the company no longer has to pay minority interest (Russia and Eastern Europe) nor interest on hybrid. We expect the fishing boom to gradually weaken (2022-23) but the market will still be clearly above the 2019 level, e.g., supported by increased recreational fishing boats. The negative effects of the slowdown are efficiently counterbalanced by growth projects and especially beginning Okuma sales which we believe will, in the next few years, reach the levels of Shimano sales (some 30 MEUR) previously distributed by Rapala. The Group's focus is also increasingly on utilizing the flagship brand Rapala and we believe this will bear fruit as the brand known by everyone has been gathering dust for too long as less important brands have been in focus for sales and customers' shelf space. Also relative to estimated full potential (EBIT ~15%), the company has a lot of room for improvement (2021 EBIT 11.1%). Our 2022-2024 EPS growth estimate is around 12% (CAGR).

## We believe you should stay on board despite the H2 disappointment

Rapala's adjusted earnings multiples are 2022e P/E 14x and EV/EBIT 10x, and 2023e P/E 12x and EV/EBIT 10x. These are low in absolute terms for a defensive consumer brand company. Also relative to its peers, Rapala is still priced at a clear discount on earnings basis (-25%). We believe the acceptable P/E ratio for the company is currently around 15x and it can be stretched to some 20x in the longer term as confidence towards the company's performance strengthens. The annual overall return for the share consists of a gradual multiple improvement, 12% earnings growth and 2-4% dividend yield. We also point out that next to strategy implementation there is another potential route for dismantling the value of strong brands as Rapala's competitor previously bought a 19.2% share of the company.

## Recommendation

### Buy

(previous Accumulate)

**EUR 8.50**

(previous EUR 11.00)

**Share price:**

7.14



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	294.3	296.2	303.6	316.0
<b>growth-%</b>	13%	1%	3%	4%
<b>EBIT adj.</b>	32.7	32.7	34.0	36.8
<b>EBIT-% adj.</b>	11.1 %	11.0 %	11.2 %	11.7 %
<b>Net Income</b>	18.1	20.4	22.2	25.4
<b>EPS (adj.)</b>	0.46	0.53	0.57	0.66

<b>P/E (adj.)</b>	19.1	13.5	12.4	10.9
<b>P/B</b>	2.4	1.8	1.6	1.5
<b>Dividend yield-%</b>	1.7 %	2.8 %	4.2 %	4.9 %
<b>EV/EBIT (adj.)</b>	12.7	10.2	9.7	8.7
<b>EV/EBITDA</b>	9.0	7.8	7.5	6.8
<b>EV/S</b>	1.4	1.1	1.1	1.0

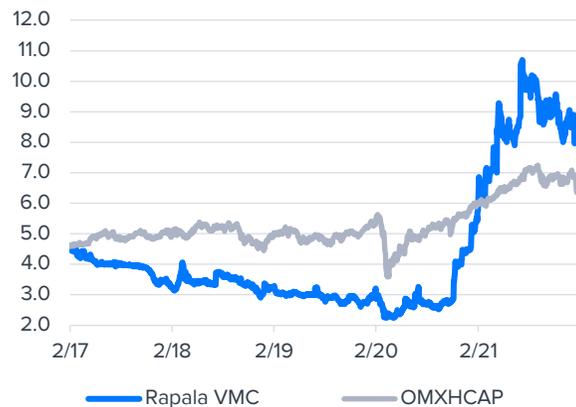
Lähde: Inderes

## Guidance

(New guidance)

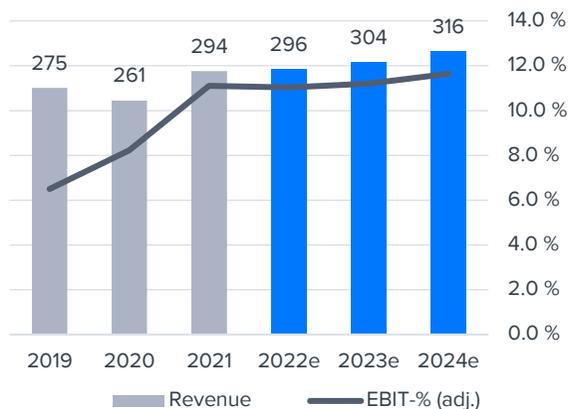
2022 guidance: Full year comparable operating profit to be in line with the previous year (32.7 MEUR).

## Share price



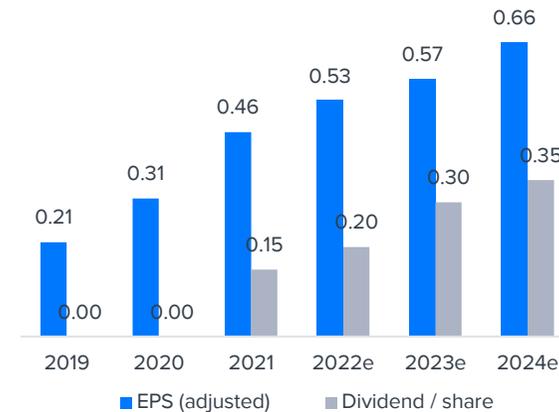
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Strategy successful
- Net sales turning to sustainable growth
- Improving cost efficiency
- Release of capital



## Risk factors

- Strategy unsuccessful
- Rapid digitalization of distribution
- High fixed costs
- High seasonality in demand
- Effect of fishing boom slowing down on the fishing market
- Russia's flexing in the Ukraine raises the risks concerning future development of Russian sales (2020: 5% of sales)

Valuation	2022e	2023e	2024e
Share price	7.14	7.14	7.14
Number of shares, millions	38.6	38.6	38.6
Market cap	276	276	276
EV	334	330	321
P/E (adj.)	13.5	12.4	10.9
P/E	13.5	12.4	10.9
P/FCF	10.8	19.8	11.9
P/B	1.8	1.6	1.5
P/S	0.9	0.9	0.9
EV/Sales	1.1	1.1	1.0
EV/EBITDA	7.8	7.5	6.8
EV/EBIT (adj.)	10.2	9.7	8.7
Payout ratio (%)	37.9 %	52.2 %	53.2 %
Dividend yield-%	2.8 %	4.2 %	4.9 %

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# Earnings clearly below our high expectations motivated by strong H1

## Our high expectations clearly not reached

Rapala's net sales fell by 7% to EUR 135 million and missed our EUR 141 million estimate. The sales drop was, however, explained by normal seasonality not materializing in the comparison period when sales shifted from H1 to H2. In terms of own product categories H2 sales decreased by 2% to EUR 107 million. In third party products sales fell 22% to EUR 27.4 million especially due to Shimano distribution ending in two parts in fall 2020.

## Earnings clearly below our high estimates

Due to the high sales margins of products the undercut in the sales estimate appeared ugly in the earnings. Profitability was also lowered by pruning of product items from inventories in line with the strategy which resulted in clearance sales that diluted profitability. Preparation of the Okuma launch also generated additional costs and adjusted EBIT was

EUR 6.2 million while we expected an EBIT of EUR 13.2 million. Financial expenses were also higher than we expected at EUR 2.7 million (1.7 MEUR from exchange rate losses) and reported EPS fell to EUR 0.02 being substantially below our EUR 0.19 estimate.

## Balance sheet has strengthened and enables dividend

The company convinced us in the earnings call that the increase in inventories to EUR 86.2 million (2020: 68.8 MEUR) was a conscious choice to prepare for a strong-looking spring season. The inventory content was said to be highly current, and they have been raised in selected categories with good growth outlook.

However, net debt rose at least temporarily to EUR 70.6 million (H2'20: 45.2 MEUR) due to increased inventories and the repayment of the EUR 25 million

hybrid loan in November. Despite the increase in net liabilities the balance sheet is still strong as the company's earnings level has increased. During its weaker years Rapala had problems with its covenants (net liabilities/EBITDA under 3.8x) but now the ratio is only 1.6x (ex. IFRS 16).

The company announced it has acquired Shimano's minority interests in the Russian and Eastern European distribution companies for EUR 10.3 million (11/08/2021). In 2021, the minority interest was EUR 1.5 million and considering this the P/E ratio of the acquisition was only some 7x. This seems like a sensible move especially if Okuma sales reaches Shimano levels in the next few years.

The proposed dividend of EUR 0.15 per share was below our expectations after the earnings undercut (estimate EUR 0.20).

Estimates MEUR / EUR	H2'20	H2'21	H2'21e	H2'21e	Consensus		Difference (%)	2021
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	144	135	141				-5%	294
EBIT (adj.)	17.3	6.2	13.2				-53%	32.7
EBIT	11.6	5.8	13.2				-56%	32.1
EPS (reported)	0.16	0.02	0.19				-90%	0.53
DPS	0.00	0.15	0.20				-25%	0.15
Revenue growth-%	7.5 %	-7 %	-2.2 %				-4.4 pp	12.6 %
EBIT-% (adj.)	12.0 %	4.6 %	9.3 %				-4.7 pp	11.1 %

Source: Inderes

# We lowered our earnings estimates for the next few years

## Guidance slightly below our estimate

Rapala's guidance was that 2022 comparable operating profit will be in line with the previous year (32.7 MEUR). We lowered our 2022 EBIT estimate by 4% to the level of the new guidance. We point out, that even though 2022 EBIT does not grow EPS grows as the company no longer has to pay minority interest nor interest on hybrid.

## Thus far, strategy has strengthened the foundation

The key theme of the strategy has been to dissolve the complexity of the Group and simplifying operations, as well as improving agility. Completed measures in 202-2021 have included, e.g., a EUR 10 million cost cutting program including shutdown of the loss making Batam factory and concentration of inventories in Europe. The management model has been simplified and focus in product development has shifted more to customers and building Rapala's

own rod & reel category. The company has also started pruning its product items and unifying its brand portfolio. The two key themes in 2022 is the ramp-up of Okuma sales and pruning SKU times while investing more on flagship brands (especially Rapala).

## Okuma drives synergistic growth in next few years

We expect the fishing boom to gradually weaken (2022-23) but the market will still be clearly above the 2019 level, e.g., supported by increased recreational fishing boats (2019: Rapala sales 275 MEUR and adjusted EBIT 17.9 MEUR). The company's own organic projects and especially Okuma sales starting will support growth in coming years. Okuma sales starts for Rapala with high margins as the distribution channel already exists.

The company has repeatedly made very encouraging remarks about Okuma's selection and

factory support to Rapala. We have now raised our 2022 estimate for Okuma sales to EUR 15 million (prev. 10 MEUR). By 2025 we expect Okuma sales to rise as high as some EUR 30 million. The figures are clearly higher than what the previous supplier Svendsen Sport distributed Okuma for in Europe (around 10 MEUR p.a.). However, Svendsen did not own the brand and was not to our understanding ready to invest in it like Rapala is. Its geographical distribution coverage was also smaller.

Rapala sold Shimano for around EUR 30 million p.a. in the European countries where the company had exclusive rights and in the Russian joint venture. Now Rapala sells Okuma in all of these markets and also in Germany, the Netherlands, Belgium, Luxembourg, Italy, Great Britain and Turkey so there should be potential for even higher volumes in the long term.

Estimate revisions MEUR / EUR	2021	2021	Change %	2022e	2022e	Change %	2023e	2023e	Change %
	Old	New		Old	New		Old	New	
Revenue	301	294	-2%	287	296	3%	300	304	1%
EBIT (exc. NRIs)	39.7	32.7	-18%	34.0	32.7	-4%	38.0	34.0	-10%
EBIT	39.5	32.1	-19%	34.0	32.7	-4%	38.0	34.0	-10%
PTP	36.3	28.0	-23%	30.7	28.3	-8%	35.2	30.8	-13%
EPS (excl. NRIs)	0.62	0.46	-26%	0.57	0.53	-8%	0.66	0.57	-13%
DPS	0.20	0.15	0%	0.30	0.20	-33%	0.35	0.30	-14%

Source: Inderes

# Share's return/risk ratio is attractive

## Our accepted valuation higher than currently

Rapala's adjusted earnings multiples 2022e P/E 14x and EV/EBIT 10x and 2023e P/E 12x and EV/EBIT 10x are attractive both in absolute and relative terms.

We believe the acceptable forward-looking P/E ratio range for Rapala is around 15x-20x. Currently the lower end of the range is a clearly more realistic assumption and the markets require solid six-month periods before confidence in a sustainable improvement from the company can strengthen. We do, however, find the scenario realistic that the valuation multiple could stretch to the top of the range in the next few years as market confidence in Rapala's performance strengthens.

The range we accept is also reasonable considering Rapala's historic valuation (P/E) that has been between 13x and 30x with actualized results and the average has been 17x (see 8). With the current share price the valuation with the actualized result is 15.5x (2021 P/E)

On earnings basis Rapala is also still priced at a clear discount (-25%) relative to its peer group consisting of defensive consumer brand companies (p. 9).

We outline EPS drivers if the company progressed according to our estimates in the graph on the following page. The total return for the share currently consists of a gradual multiple improvement, 12% earnings growth and 2-4% dividend yield.

## Longer perspective in 2025

According to our estimates Rapala's EPS rises to EUR 0.77 per share in 2025. This would mean a good EUR 15 share price with a P/E ratio of around 20x.

## DCF calculation indicates upside

Our DCF model (p. 12) indicates a value of EUR 9.7 per share. It also indicates a clear upside in the share even though it is sensitive to assumptions. DCF depicts a situation where the company's earnings level is sustainably raised in terms of EBIT to 13.0% which is the profitability we estimate after 2025. The cost of equity we use for Rapala in the calculation is now 9.3% (prev. 8.8%) and the cost of capital WACC % is 7.8% (prev. 7.5%). We raised our required returns slightly due to recent hikes in interest rate expectations. The cost of equity we use is slightly higher than what is typically used for defensive consumer brand companies. This indicates the uncertainty related to the turnaround being successful. The effects of the weakening fishing boom on Rapala also slightly raise the estimate risks in the short term.

## Purchase offer still a positive option

We also remind investors that next to a successful implementation of the strategy there is also another potential route for dismantling the value of strong brands as Rapala's competitor (Pure Fishing) previously bought a 19.2% share of the company.

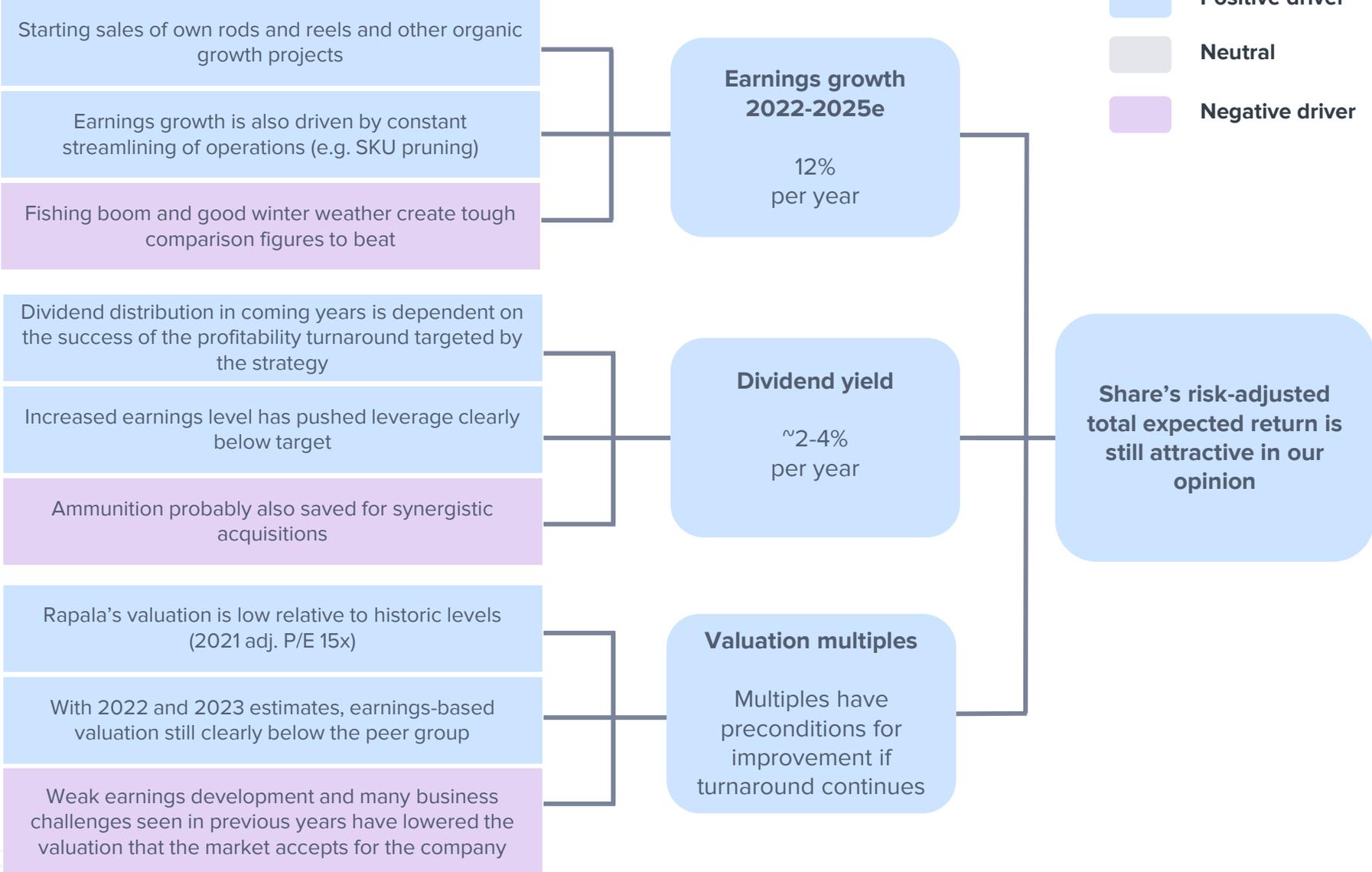
We also take the opportunity to state that we have no visibility into whether the main owner VMC is willing to sell the company. Pure Fishing recently purchased Rapala's competitor the Danish Svendsen Sport which at least indicated that the buyer is very active.

Valuation	2022e	2023e	2024e
Share price	7.14	7.14	7.14
Number of shares, millions	38.6	38.6	38.6
Market cap	276	276	276
EV	334	330	321
P/E (adj.)	13.5	12.4	10.9
P/E	13.5	12.4	10.9
P/FCF	10.8	19.8	11.9
P/B	1.8	1.6	1.5
P/S	0.9	0.9	0.9
EV/Sales	1.1	1.1	1.0
EV/EBITDA	7.8	7.5	6.8
EV/EBIT (adj.)	10.2	9.7	8.7
Payout ratio (%)	37.9 %	52.2 %	53.2 %
Dividend yield-%	2.8 %	4.2 %	4.9 %

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# EPS drivers 2021-2024e

- Positive driver
- Neutral
- Negative driver

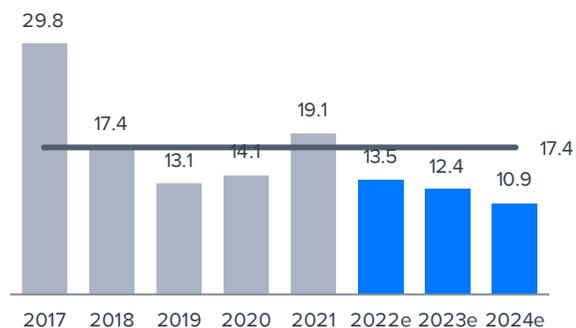


# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.45	3.05	2.77	4.36	8.72	7.14	7.14	7.14	7.14
Number of shares, millions	38.3	38.3	38.3	38.6	38.6	38.6	38.6	38.6	38.6
Market cap	132	117	106	168	337	276	276	276	276
EV	232	216	207	252	415	334	330	321	307
P/E (adj.)	29.8	17.4	13.1	14.1	19.1	13.5	12.4	10.9	9.3
P/E	71.9	24.3	29.6	>100	19.8	13.5	12.4	10.9	9.3
P/FCF	4.9	neg.	11.4	3.3	>100	10.8	19.8	11.9	9.4
P/B	1.0	0.8	0.7	1.2	2.4	1.8	1.6	1.5	1.4
P/S	0.5	0.4	0.4	0.6	1.1	0.9	0.9	0.9	0.9
EV/Sales	0.9	0.8	0.8	1.0	1.4	1.1	1.1	1.0	1.0
EV/EBITDA	14.7	9.7	8.0	10.2	9.0	7.8	7.5	6.8	5.8
EV/EBIT (adj.)	20.2	13.0	11.6	11.7	12.7	10.2	9.7	8.7	7.3
Payout ratio (%)	83.3 %	47.9 %	0.0 %	0.0 %	34.0 %	37.9 %	52.2 %	53.2 %	55.0 %
Dividend yield-%	1.2 %	2.0 %	0.0 %	0.0 %	1.7 %	2.8 %	4.2 %	4.9 %	5.9 %

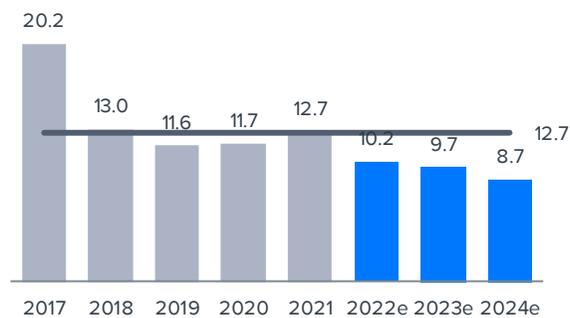
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P/E (adj.)



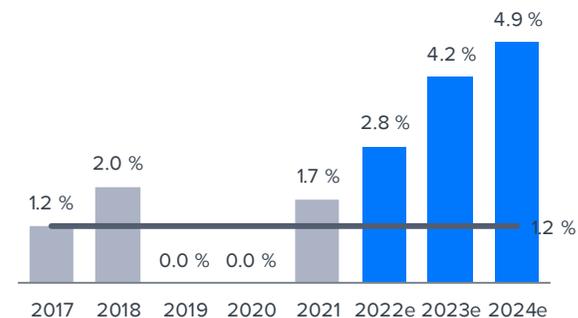
■ P/E (adj.)    — Median 2017 - 2021

EV/EBIT



■ EV/EBIT (adj.)    — Median 2017 - 2021

Dividend yield-%



■ Dividend yield-%    — Median 2017 - 2021

# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Globeride Inc	2994.00	544	594			5.6	4.8	0.7	0.6	8.6	7.1	1.3	1.4	1.9
Shimano Inc	29770.00	20751	17962			14.4	14.3	4.4	4.3	25.6	25.5	0.8	0.9	4.0
Fiskars Oyj Abp	23.35	1926	2062	14.1	13.3	10.2	9.7	1.7	1.6	15.7	14.9	3.5	3.8	2.2
Fenix Outdoor International AG	1266.00	1328	1363	13.6	11.9	9.0	8.1	2.0	1.9	20.2	17.7	1.5	2.0	3.6
Johnson Outdoors Inc	84.89	760	612					0.9	0.9	11.3	9.9			
Deckers Outdoor Corp	304.11	7300	6420	13.6	11.3	12.6	10.5	2.4	2.1	20.2	16.5			5.4
Callaway Golf Co	22.92	3757	4358	17.1	14.5	10.0	8.9	1.3	1.2	34.2	26.6		0.0	
361 Degrees International Ltd	3.88	907	437	3.3	3.0	3.0	2.8	0.5	0.4	10.1	9.7	3.8	4.1	0.8
Columbia Sportswear Co	96.37	5538	4750	11.0	10.1	8.8	8.3	1.5	1.4	16.8	15.0	1.2	1.3	2.8
Mizuno Corp	2377.00	479	351			5.7	4.8	0.3	0.3		13.3	2.1	2.1	0.6
Yonex Co Ltd	917.00	651	534			9.5	8.6	1.0	1.0	18.0	16.5	0.9	1.0	1.8
MIPS AB	732.00	1818	1776	44.6	35.0	42.8	34.0	23.7	19.1	57.9	45.7	0.9	1.1	24.6
<b>Rapala VMC (Inderes)</b>	<b>7.14</b>	<b>276</b>	<b>334</b>	<b>10.2</b>	<b>9.7</b>	<b>7.8</b>	<b>7.5</b>	<b>1.1</b>	<b>1.1</b>	<b>13.5</b>	<b>12.4</b>	<b>2.8</b>	<b>4.2</b>	<b>1.8</b>
<b>Average</b>				<b>16.7</b>	<b>14.1</b>	<b>12.0</b>	<b>10.5</b>	<b>3.4</b>	<b>2.9</b>	<b>21.7</b>	<b>18.2</b>	<b>1.8</b>	<b>1.8</b>	<b>4.8</b>
<b>Median</b>				<b>13.6</b>	<b>11.9</b>	<b>9.5</b>	<b>8.6</b>	<b>1.4</b>	<b>1.3</b>	<b>18.0</b>	<b>15.7</b>	<b>1.3</b>	<b>1.3</b>	<b>2.5</b>
<b>Diff-% to median</b>				<b>-25%</b>	<b>-18%</b>	<b>-18%</b>	<b>-14%</b>	<b>-19%</b>	<b>-16%</b>	<b>-25%</b>	<b>-21%</b>	<b>110%</b>	<b>212%</b>	<b>-29%</b>

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

# Income statement

Income statement	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>117</b>	<b>144</b>	<b>261</b>	<b>160</b>	<b>135</b>	<b>294</b>	<b>162</b>	<b>134</b>	<b>296</b>	<b>304</b>	<b>316</b>	<b>322</b>
Group's own products	78.3	109	188	121	107	228	127	109	236	254	273	278
Third party products	38.8	35.0	73.8	39.2	27.4	66.6	35.0	25.0	60.0	50.0	43.0	43.9
Eliminations and non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>6.8</b>	<b>17.9</b>	<b>24.7</b>	<b>33.9</b>	<b>12.1</b>	<b>46.0</b>	<b>31.2</b>	<b>11.4</b>	<b>42.7</b>	<b>44.3</b>	<b>47.3</b>	<b>52.8</b>
Depreciation	-7.6	-6.3	-13.9	-7.6	-6.3	-13.9	-5.0	-5.0	-10.0	-10.3	-10.4	-10.6
<b>EBIT (excl. NRI)</b>	<b>4.2</b>	<b>17.3</b>	<b>21.5</b>	<b>26.5</b>	<b>6.2</b>	<b>32.7</b>	<b>26.2</b>	<b>6.4</b>	<b>32.7</b>	<b>34.0</b>	<b>36.8</b>	<b>42.2</b>
<b>EBIT</b>	<b>-0.8</b>	<b>11.6</b>	<b>10.8</b>	<b>26.3</b>	<b>5.8</b>	<b>32.1</b>	<b>26.2</b>	<b>6.4</b>	<b>32.7</b>	<b>34.0</b>	<b>36.8</b>	<b>42.2</b>
Group's own products	4.3	19.1	23.4	22.1	7.5	29.5	22.2	7.6	29.9	31.5	34.7	36.5
Third party products	-0.1	-1.8	-1.9	4.5	-1.3	3.2	4.0	-1.2	2.8	2.5	2.2	5.7
Eliminations and non-recurring items	-5.0	-5.7	-10.7	-0.2	-0.4	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-1.9	-2.3	-4.2	-1.4	-2.7	-4.1	-2.2	-2.2	-4.4	-3.2	-3.0	-2.5
<b>PTP</b>	<b>-2.7</b>	<b>9.3</b>	<b>6.6</b>	<b>24.9</b>	<b>3.1</b>	<b>28.0</b>	<b>24.0</b>	<b>4.2</b>	<b>28.3</b>	<b>30.8</b>	<b>33.8</b>	<b>39.7</b>
Taxes	-1.1	-2.1	-3.2	-6.9	-1.4	-8.3	-6.7	-1.2	-7.9	-8.6	-8.5	-9.9
Minority interest	-0.4	-0.5	-0.9	-1.1	-0.5	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>-4.9</b>	<b>6.1</b>	<b>1.2</b>	<b>16.3</b>	<b>0.8</b>	<b>17.0</b>	<b>17.3</b>	<b>3.1</b>	<b>20.4</b>	<b>22.2</b>	<b>25.4</b>	<b>29.8</b>
<b>EPS (adj.)</b>	<b>0.00</b>	<b>0.30</b>	<b>0.31</b>	<b>0.43</b>	<b>0.03</b>	<b>0.46</b>	<b>0.45</b>	<b>0.08</b>	<b>0.53</b>	<b>0.57</b>	<b>0.66</b>	<b>0.77</b>
<b>EPS (rep.)</b>	<b>-0.13</b>	<b>0.16</b>	<b>0.03</b>	<b>0.42</b>	<b>0.02</b>	<b>0.44</b>	<b>0.45</b>	<b>0.08</b>	<b>0.53</b>	<b>0.57</b>	<b>0.66</b>	<b>0.77</b>

Key figures	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>			-5.1 %	36.4 %	-6.7 %	12.6 %	1.4 %	-0.2 %	0.6 %	2.5 %	4.1 %	2.0 %
<b>Adjusted EBIT growth-%</b>	-65.1 %	194 %	20.1 %	531.0 %	-64 %	52.0 %	-1.0 %	4.2 %	0.0 %	4.1 %	8.2 %	14.7 %
<b>EBITDA-%</b>	5.8 %	12.4 %	9.5 %	21.2 %	9.0 %	15.6 %	19.3 %	8.5 %	14.4 %	14.6 %	15.0 %	16.4 %
<b>Adjusted EBIT-%</b>	3.6 %	12.0 %	8.2 %	16.6 %	4.6 %	11.1 %	16.2 %	4.8 %	11.0 %	11.2 %	11.7 %	13.1 %
<b>Net earnings-%</b>	-4.2 %	4.2 %	0.5 %	10.2 %	0.6 %	5.8 %	10.7 %	2.3 %	6.9 %	7.3 %	8.0 %	9.2 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>123</b>	<b>138</b>	<b>136</b>	<b>137</b>	<b>137</b>
Goodwill	49.1	49.1	49.1	49.1	49.1
Intangible assets	22.1	31.7	31.6	31.5	31.4
Tangible assets	33.0	35.1	36.1	36.8	37.4
Associated companies	11.7	14.5	11.7	11.7	11.7
Other investments	7.2	7.6	7.6	7.6	7.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>150</b>	<b>178</b>	<b>178</b>	<b>176</b>	<b>183</b>
Inventories	68.8	86.2	85.9	82.0	85.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	53.0	63.5	63.9	65.5	68.2
Cash and equivalents	27.9	27.8	28.0	28.7	29.9
<b>Balance sheet total</b>	<b>273</b>	<b>316</b>	<b>314</b>	<b>313</b>	<b>321</b>

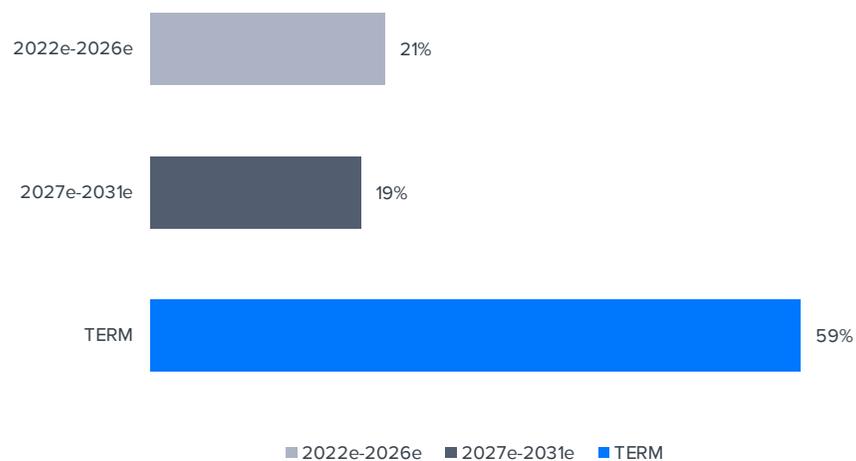
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>143</b>	<b>139</b>	<b>154</b>	<b>168</b>	<b>182</b>
Share capital	3.6	3.6	3.6	3.6	3.6
Retained earnings	109	136	150	165	179
Hybrid bonds	25.0	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	5.2	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>69.2</b>	<b>70.0</b>	<b>61.9</b>	<b>60.1</b>	<b>55.6</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	60.7	59.2	48.4	46.6	42.1
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	8.5	10.8	13.5	13.5	13.5
<b>Current liabilities</b>	<b>60.6</b>	<b>106</b>	<b>98.1</b>	<b>84.4</b>	<b>82.8</b>
Short term debt	19.6	46.7	38.2	36.8	33.2
Payables	41.0	59.5	59.9	47.7	49.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>273</b>	<b>316</b>	<b>314</b>	<b>313</b>	<b>321</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>32.1</b>	<b>32.7</b>	<b>34.0</b>	<b>36.8</b>	<b>42.2</b>	<b>42.7</b>	<b>43.6</b>	<b>44.5</b>	<b>45.4</b>	<b>46.3</b>	<b>47.2</b>	
+ Depreciation	13.9	10.0	10.3	10.4	10.6	10.7	10.8	10.8	10.9	10.9	10.9	
- Paid taxes	-8.3	-7.9	-8.6	-8.5	-9.9	-10.2	-10.5	-10.8	-11.1	-11.5	-11.8	
- Tax, financial expenses	-1.3	-1.3	-1.0	-0.8	-0.7	-0.6	-0.5	-0.4	-0.2	-0.1	0.0	
+ Tax, financial income	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-9.4	0.3	-9.9	-4.1	-2.1	-2.1	-2.2	-2.2	-2.2	-2.3	-2.3	
<b>Operating cash flow</b>	<b>27.1</b>	<b>33.8</b>	<b>24.9</b>	<b>34.0</b>	<b>40.2</b>	<b>40.6</b>	<b>41.3</b>	<b>42.0</b>	<b>42.6</b>	<b>43.3</b>	<b>44.0</b>	
+ Change in other long-term liabilities	2.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-26.0	-10.9	-10.9	-10.9	-10.9	-10.9	-10.9	-11.1	-11.1	-11.1	-11.5	
<b>Free operating cash flow</b>	<b>3.4</b>	<b>25.6</b>	<b>14.0</b>	<b>23.1</b>	<b>29.3</b>	<b>29.7</b>	<b>30.4</b>	<b>30.9</b>	<b>31.5</b>	<b>32.2</b>	<b>32.5</b>	
+/- Other	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	2.3	25.6	14.0	23.1	29.3	29.7	30.4	30.9	31.5	32.2	32.5	568
<b>Discounted FCFF</b>		<b>24.0</b>	<b>12.1</b>	<b>18.6</b>	<b>21.9</b>	<b>20.6</b>	<b>19.5</b>	<b>18.4</b>	<b>17.4</b>	<b>16.5</b>	<b>15.4</b>	<b>270</b>
Sum of FCFF present value		454	430	418	399	377	357	337	319	301	285	270
<b>Enterprise value DCF</b>		<b>454</b>										
- Interesting bearing debt		-105.9										
+ Cash and cash equivalents		27.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>376</b>										
<b>Equity value DCF per share</b>		<b>9.7</b>										

Cash flow distribution



## Wacc

Tax-% (WACC)	30.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	5.0 %
Equity Beta	1.10
Market risk premium	4.80%
Liquidity premium	2.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>9.3 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.8 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	275.4	261.3	294.3	<b>296.2</b>	<b>303.6</b>	EPS (reported)	0.09	0.03	0.44	<b>0.53</b>	<b>0.57</b>
EBITDA	26.0	24.7	46.0	<b>42.7</b>	<b>44.3</b>	EPS (adj.)	0.21	0.31	0.46	<b>0.53</b>	<b>0.57</b>
EBIT	13.4	10.8	32.1	<b>32.7</b>	<b>34.0</b>	OCF / share	0.69	1.39	0.70	<b>0.88</b>	<b>0.64</b>
PTP	9.8	6.6	28.0	<b>28.3</b>	<b>30.8</b>	FCF / share	0.24	1.32	0.06	<b>0.66</b>	<b>0.36</b>
Net Income	3.6	1.2	17.0	<b>20.4</b>	<b>22.2</b>	Book value / share	3.84	3.57	3.61	<b>3.99</b>	<b>4.36</b>
Extraordinary items	-4.5	-10.7	-0.6	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.00	0.00	0.15	<b>0.20</b>	<b>0.30</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	289.4	272.8	315.5	<b>313.9</b>	<b>312.9</b>	Revenue growth-%	5%	-5%	13%	<b>1%</b>	<b>3%</b>
Equity capital	151.5	143.0	139.3	<b>153.9</b>	<b>168.3</b>	EBITDA growth-%	16%	-5%	86%	<b>-7%</b>	<b>4%</b>
Goodwill	49.1	49.1	49.1	<b>49.1</b>	<b>49.1</b>	EBIT (adj.) growth-%	7%	20%	52%	<b>0%</b>	<b>4%</b>
Net liabilities	107.4	77.4	78.1	<b>58.7</b>	<b>54.7</b>	EPS (adj.) growth-%	21%	46%	48%	<b>15%</b>	<b>9%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	9.4 %	9.5 %	15.6 %	<b>14.4 %</b>	<b>14.6 %</b>
EBITDA	26.0	24.7	46.0	<b>42.7</b>	<b>44.3</b>	EBIT (adj.)-%	6.5 %	8.2 %	11.1 %	<b>11.0 %</b>	<b>11.2 %</b>
Change in working capital	6.1	28.9	-9.4	<b>0.3</b>	<b>-9.9</b>	EBIT-%	4.9 %	4.1 %	10.9 %	<b>11.0 %</b>	<b>11.2 %</b>
Operating cash flow	26.4	53.7	27.1	<b>33.8</b>	<b>24.9</b>	ROE-%	2.5 %	0.8 %	12.3 %	<b>13.9 %</b>	<b>13.8 %</b>
CAPEX	-32.3	-1.6	-26.0	<b>-10.9</b>	<b>-10.9</b>	ROI-%	5.7 %	4.7 %	13.8 %	<b>13.5 %</b>	<b>13.9 %</b>
Free cash flow	9.3	50.8	2.3	<b>25.6</b>	<b>14.0</b>	Equity ratio	52.3 %	52.4 %	44.2 %	<b>49.0 %</b>	<b>53.8 %</b>
						Gearing	54.4 %	36.6 %	56.1 %	<b>38.1 %</b>	<b>32.5 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.8	1.0	1.4	<b>1.1</b>	<b>1.1</b>						
EV/EBITDA (adj.)	8.0	10.2	9.0	<b>7.8</b>	<b>7.5</b>						
EV/EBIT (adj.)	11.6	11.7	12.7	<b>10.2</b>	<b>9.7</b>						
P/E (adj.)	13.1	14.1	19.1	<b>13.5</b>	<b>12.4</b>						
P/B	0.7	1.2	2.4	<b>1.8</b>	<b>1.6</b>						
Dividend-%	0.0 %	0.0 %	1.7 %	<b>2.8 %</b>	<b>4.2 %</b>						

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10-09-18	Accumulate	4.00 €	3.50 €
14-01-19	Accumulate	3.80 €	3.33 €
17-02-19	Reduce	3.30 €	3.21 €
23-04-19	Accumulate	3.30 €	3.05 €
21-07-19	Reduce	3.10 €	3.15 €
09-01-20	Reduce	2.90 €	2.73 €
27-01-20	Accumulate	3.10 €	2.86 €
13-02-20	Accumulate	3.10 €	2.94 €
18-03-20	Reduce	2.30 €	2.38 €
26-05-20	Reduce	2.40 €	2.60 €
10-06-20	Reduce	2.60 €	2.67 €
20-07-20	Reduce	2.60 €	2.80 €
02-10-20	Accumulate	2.80 €	2.60 €
18-11-20	Accumulate	3.80 €	3.44 €
23-11-20	Buy	4.50 €	3.65 €
21-01-21	Accumulate	5.60 €	5.10 €
11-02-21	Accumulate	6.20 €	5.68 €
10-03-21	Accumulate	6.70 €	6.08 €
21-04-21	Accumulate	9.00 €	7.00 €
19-07-21	Accumulate	12.00 €	10.60 €
29-11-21	Accumulate	11.00 €	9.00 €
14-02-22	Buy	8.50 €	7.14 €

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