

# Orthex

## Company report

8/23/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Huoletonta menoa" published on 8/23/2024 at 8:00 am EEST

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# A carefree ride

Orthex's Q2 numbers were slightly below our expectations, although the performance was decent in a weak business environment. Based on Nordic retail sales figures, we estimate that the company continued to gain market share in both the Nordic and other European markets, but growth in the rest of Europe remained sluggish compared to the growth target of more than 10%. Our projections for the next few years turn the stock's valuation picture on the attractive side. We revise our target price to EUR 7.0 (was EUR 7.2) and reiterate our Accumulate recommendation.

## Slower growth and slightly lower gross margin than we expected led to revenue shortfall

Orthex's Q1 revenue grew by 4% to 21 MEUR, which was still below our forecast of 21.5 MEUR. Sales increased both in the Nordic countries (+5%) and in the markets of the rest of Europe (+6%), despite weak consumer good sales figures. However, growth in both markets fell short of our expectations. According to the company, growth in the rest of Europe was limited by the postponement of some deliveries from Q2 to Q3, underlining the difference with our forecasts. We would like to see the company accelerate its growth outside the Nordic region, where the growth story is increasingly focused and where a strong market share does not limit the scope for growth as it does in the Nordic region. The adjusted EBITA of 1.6 MEUR missed our estimate of 1.8 MEUR. Orthex's fixed cost structure was well in line with our expectations, so the lower-than-expected profitability is explained by a gross margin below our forecasts. On an overall level, we believe that the business developed positively given the known weak demand environment.

## Forecasts for the coming years slightly down, growth market engine should be fired up

In connection with the report, we have slightly lowered our revenue forecasts for the coming years, especially for the rest of Europe, which is driving our forecast changes. Our revenue and profit forecasts fell by 3-4%, but the overall picture of our expectations for the next few years remains unchanged. Growth in the rest of Europe was disappointing, but based on management comments, deliveries in this market were postponed to the next quarter. This, combined with increased growth investments (e.g., the new Benelux sales office) should allow growth in Rest of Europe to accelerate already in Q3. We expect Orthex's revenue to grow by approximately 7% over the next few years, driven by the rest of Europe, in line with our revenue growth target of over 5%. Orthex's existing production facilities are capable of supporting our projected growth over the next several years without significant capital investment, making growth in the current size class particularly profitable. We expect the company's EBITA margin to increase to 14-15% in the coming years, which is still below the company's EBITA target of 18%. Orthex's strong balance sheet provides the company with the flexibility to pursue M&A should attractive targets become available.

## Valuation supports sticking with the share

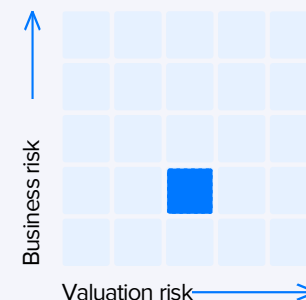
Orthex's earnings-based valuation (2024e: EV/EBIT 12x, P/E: 16x) is slightly elevated in our view, but driven by a 4-5% dividend yield and around 15% annualized earnings growth over the next few years, we see the stock primed for an annualized return of 12-16%. Our EBIT forecasts for 2024-2025 price Orthex at a discount of about 14-15% to peers. In our view, the discount appears to be on the wide side, but we estimate that further evidence of accelerating growth is needed to narrow the gap. Our DCF model suggests a value of EUR 7.3 per share, which also supports a positive view.

## Recommendation

**Accumulate**  
(was Accumulate)

**7.00 EUR**  
(was 7.20 EUR)

**Share price:**  
6.34



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	85.9	88.5	94.5	100.4
<b>growth-%</b>	2%	3%	7%	6%
<b>EBIT adj.</b>	10.0	11.0	13.4	14.7
<b>EBIT-% adj.</b>	11.7 %	12.4 %	14.2 %	14.6 %
<b>Net Income</b>	6.9	7.3	9.5	10.6
<b>EPS (adj.)</b>	0.35	0.41	0.53	0.60
<b>P/E (adj.)</b>	15.5	15.5	11.9	10.6
<b>P/B</b>	2.8	3.0	2.6	2.3
<b>Dividend yield-%</b>	3.9 %	3.9 %	4.6 %	5.5 %
<b>EV/EBIT (adj.)</b>	11.8	11.8	9.4	8.2
<b>EV/EBITDA</b>	7.9	8.5	7.1	6.3
<b>EV/S</b>	1.4	1.5	1.3	1.2

Source: Inderes

## Guidance

(Unchanged)

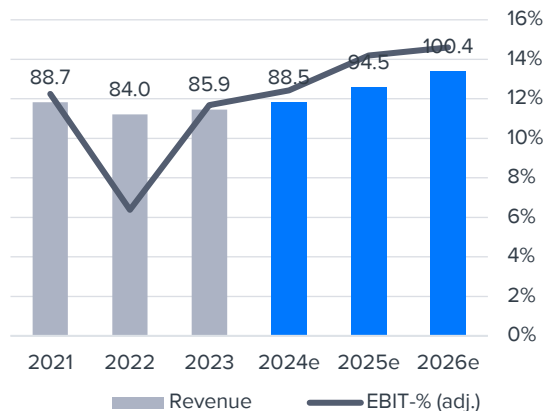
Orthex does not publish a short-term outlook. In the long term, the company targets average organic growth of over 5% and an adjusted EBITA margin of over 18%.

## Share price



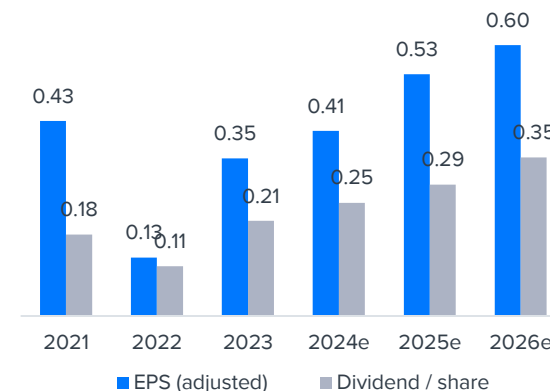
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Large and defensive target market
- Favorable megatrends drive product demand growth
- Leading position in the Nordic countries and the possibility of expanding to Europe through key customers
- Fragmented industry offers opportunities for acquisitions
- Known consumer brands
- Strong relations with retail chains
- Efficient and automated production with short delivery times



## Risk factors

- Fluctuations in raw material prices and disruptions in availability
- Dependence on the operation of own production facilities
- Production capacity limits growth
- Success on export markets
- Risks involved in achieving financial targets
- M&A risks
- Plastics have a bad reputation as a raw material

Valuation	2024e	2025e	2026e
Share price	6.34	6.34	6.34
Number of shares, millions	17.8	17.8	17.8
Market cap	113	113	113
EV	129	126	121
P/E (adj.)	15.5	11.9	10.6
P/E	15.5	11.9	10.6
P/B	3.0	2.6	2.3
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.3	1.2
EV/EBITDA	8.5	7.1	6.3
EV/EBIT (adj.)	11.8	9.4	8.2
Payout ratio (%)	61.2 %	54.3 %	58.5 %
Dividend yield-%	3.9 %	4.6 %	5.5 %

Source: Inderes

# Slope of growth main factor in earnings miss

## Strong growth in the Nordics, but we expected more from growth markets

Orthex's Q2 revenue increased by 4% to 21.0 MEUR, which missed both our and consensus expectations. By market, invoiced sales in the Nordics grew a convincing 5%, given Orthex's strong market position, but we expected a much stronger performance in the Rest of Europe, where growth was 6%. Based on management comments, some deliveries were postponed during the reporting period from Q2 to Q3, closing the gap between our forecasts and the result. Sales outside Europe continued to develop poorly, but this is due to a single customer and the market is not a strategic focus for Orthex.

Orthex faced a soft comparison period in terms of both sales and profitability, which together with the strong performance in Q4-Q1 explains our high expectations despite the weak market environment. Compared to the sluggish sales performance of Nordic furniture and hardware retailers, Orthex's

sales performed well and the company gained significant market share.

We would like to see stronger growth outside the Nordic region, as the longer-term growth story is more dependent on the European growth market. In Q4'23, the company opened a new sales office for Benelux, which we believe did not yet have an impact on growth in the first half of the year.

## Gross margin strengthening more modest than expected

Orthex's gross profit was below our expectations due to lower revenue and a weaker gross margin than we had projected. Q2 is seasonally challenging for Orthex as sales are more concentrated than usual in the Home & Garden category, where gross margins are lower than in other categories. Orthex's fixed costs were well in line with our expectations, so the difference between the operating result of 1.6 MEUR and our forecast of 1.8 MEUR was due to the gross margin. Despite the earnings miss, we believe that

Orthex's earnings level developed well in a weak demand environment. However, when assessing the development, the electricity subsidy of 0.8 MEUR granted by the Swedish State in the comparison period must be taken into account, which masks the development of the reported figures. Unlike us, Orthex did not record the electricity subsidy as an item affecting comparability last year, which can lead to confusion when interpreting the earnings performance.

## Strong balance sheet provides room to maneuver

Orthex's operating cash flow in Q2 was weak at -0.4 MEUR, which can be explained by the build-up of working capital for the summer holiday season. The net debt/EBITDA ratio monitored by the company was nevertheless at a strong level of 1.6x, against a target level of below 2.5x. At the current earnings level, the company could clearly afford to leverage its balance sheet, for example in the context of an acquisition.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.1	21.0	21.5	21.7	21.5	22.2	-2%	88.5
Gross margin	5.2	5.7	6.1	-	-	-	-7%	26.6
EBIT (adj.)	1.3	1.6	1.8	-	-	-	-14%	11.0
EBIT	2.1	1.6	1.8	2.2	1.8	2.5	-14%	11.0
EPS (reported)	0.06	0.05	0.06	0.07	0.06	0.09	-16%	0.41
Revenue growth-%	-4.1 %	4.3 %	6.6 %	7.7 %	6.7 %	10.2 %	-2.2 pp	2.9 %
EBIT-% (adj.)	6.4 %	7.4 %	8.4 %	-	-	-	-1 pp	12.4 %

Source: Inderes & Bloomberg (consensus)

# Estimate changes remained relatively marginal

## Slope of growth in Rest of Europe a concern

As part of the update, we have slightly lowered our growth forecasts for the coming years, with a particular focus on the Rest of Europe markets. In addition, the earnings miss in Q2 led us to change our forecast for the current year. We remain confident in Orthex's ability to accelerate growth as consumer purchasing power and confidence strengthen, but the main question mark for longer-term growth relates to the slope of growth in the rest of Europe, which we believe is critical to the growth story. Understandably, retailers are more selective and cautious than usual about expanding their assortments in the current weak demand cycle, but given Orthex's limited market share, we expected the company to be able to grow more rapidly outside the Nordics. A pick-up in growth in the Rest of Europe in Q3 on the back of postponed deliveries would

provide a natural boost to the international growth story.

Orthex's business is very profitable and there is still some room for scalability in its cost structure, so we are generally positive on the company's growth aspirations and its track record of capital allocation.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	91.1	88.5	-3%	97.7	94.5	-3%	105	100	-4%
EBITDA	16.1	15.3	-5%	18.3	17.8	-3%	19.7	19.0	-4%
EBIT (exc. NRIs)	11.9	11.0	-8%	13.9	13.4	-3%	15.3	14.7	-4%
EBIT	11.9	11.0	-8%	13.9	13.4	-3%	15.3	14.7	-4%
PTP	10.2	9.3	-9%	12.4	11.9	-4%	14.0	13.4	-4%
EPS (excl. NRIs)	0.45	0.41	-9%	0.55	0.53	-4%	0.63	0.60	-4%
DPS	0.25	0.25	0%	0.29	0.29	0%	0.35	0.35	0%

Source: Inderes

# Quality justifies price tag

## Earnings growth melts valuation multiples

Based on our updated estimates, adjusted P/E ratios for 2024 and 2025 are 16x and 12x, while the corresponding EV/EBIT ratios are 12x and 9x. In our view, the valuation of the stock is slightly elevated on the current year's forecasts but is already moving to a clearly attractive valuation on the next year's forecasts, given the quality of the company. We have assumed that the company's gross margin will normalize around the historical average of 29% in the coming years. Orthex's relative profitability can stretch further if raw material prices continue to decline in the next few years. We do not expect this to be fully reflected in Orthex's profitability, as we believe that competition would cause pressure in the future to either lower prices or rely more on campaign sales to protect the market position (however, storage solutions are not Giffen goods).

We have reservations about the company's ability to sustain price increases, but so far, the evidence is undeniably in favor of the company's pricing power and management seems confident about pricing. In our forecasts, Orthex's normalized EBIT margin over the cycle is approximately 12-14%, which is still clearly below the company's own target level. We believe a full commitment to Orthex's 18% EBITA margin target is premature at this stage of the investment story and on current evidence, but recent signs of a recovery in profitability are undeniably encouraging.

## DCF model argues for upside

Our DCF model indicates a value of EUR 7.3 per share for Orthex. Our DCF model assumes an EBIT margin of around 11-14% and revenue growth of approximately 2-6%. We believe that these

assumptions are realistic, but because of the company's short stock market history, its track record of maintaining these levels is still limited. We suspect that bulking of the storage solution product group is a key risk for maintaining the company's longer-term profitability. However, in our view, the desire (and pressure) of retailers to move their supply chains closer to their customers is one factor limiting the intensification of competition.

## The consolidator is also a potential takeover target

In connection with the IPO, Orthex said that the plastic industry is suitable for consolidation and it intends to actively monitor the acquisition targets. The growing balance sheet provides more leeway in acquisitions, and we estimate that with debt financing alone, the company has firepower worth 21 MEUR (gearing that only considers Orthex's EBITDA would be 3x after the transaction), which would mean a revenue potential of over 20 MEUR to be purchased with a 1x revenue multiple. However, at current valuation levels, Orthex itself could be an attractive target for an industrial buyer. Newell Brands acquired Sistema, Orthex's competitor, with a 3.2x revenue multiple in 2016. In the current interest rate environment, asking for similar multiples would be challenging, but takeover activity is still visible among consumer product companies. For example, Fiskars bought Georg Jensen, who had a lower normalized performance, this year at significantly higher multiples than Orthex (EV/EBITDA 9.5x), compared to which the valuation of Orthex's valuation seems rather moderate.

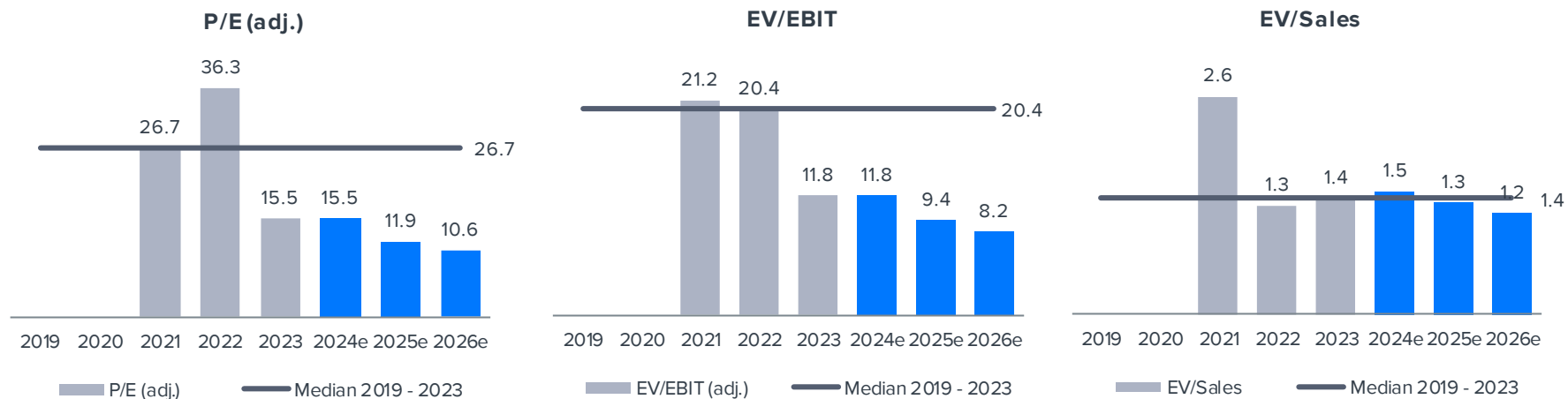
Valuation	2024e	2025e	2026e
Share price	6.34	6.34	6.34
Number of shares, million:	17.8	17.8	17.8
Market cap	113	113	113
EV	129	126	121
P/E (adj.)	15.5	11.9	10.6
P/E	15.5	11.9	10.6
P/B	3.0	2.6	2.3
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.3	1.2
EV/EBITDA	8.5	7.1	6.3
EV/EBIT (adj.)	11.8	9.4	8.2
Payout ratio (%)	61.2 %	54.3 %	58.5 %
Dividend yield-%	3.9 %	4.6 %	5.5 %

Source: Inderes

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.5	4.68	5.40	<b>6.34</b>	<b>6.34</b>	<b>6.34</b>	<b>6.34</b>
Number of shares, millions			17.8	17.8	17.8	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>
Market cap			204	83	96	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>
EV			230	109	118	<b>129</b>	<b>126</b>	<b>121</b>	<b>116</b>
P/E (adj.)			26.7	36.3	15.5	<b>15.5</b>	<b>11.9</b>	<b>10.6</b>	<b>9.7</b>
P/E			33.8	39.2	13.9	<b>15.5</b>	<b>11.9</b>	<b>10.6</b>	<b>9.7</b>
P/B			6.4	2.8	2.8	<b>3.0</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>
P/S			2.3	1.0	1.1	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>
EV/Sales			2.6	1.3	1.4	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>
EV/EBITDA			17.4	11.8	7.9	<b>8.5</b>	<b>7.1</b>	<b>6.3</b>	<b>5.8</b>
EV/EBIT (adj.)			21.2	20.4	11.8	<b>11.8</b>	<b>9.4</b>	<b>8.2</b>	<b>7.4</b>
Payout ratio (%)			53.0 %	92.2 %	54.1 %	<b>61.2 %</b>	<b>54.3 %</b>	<b>58.5 %</b>	<b>55.0 %</b>
Dividend yield-%			1.6 %	2.4 %	3.9 %	<b>3.9 %</b>	<b>4.6 %</b>	<b>5.5 %</b>	<b>5.7 %</b>

Source: Inderes



# Peer group valuation

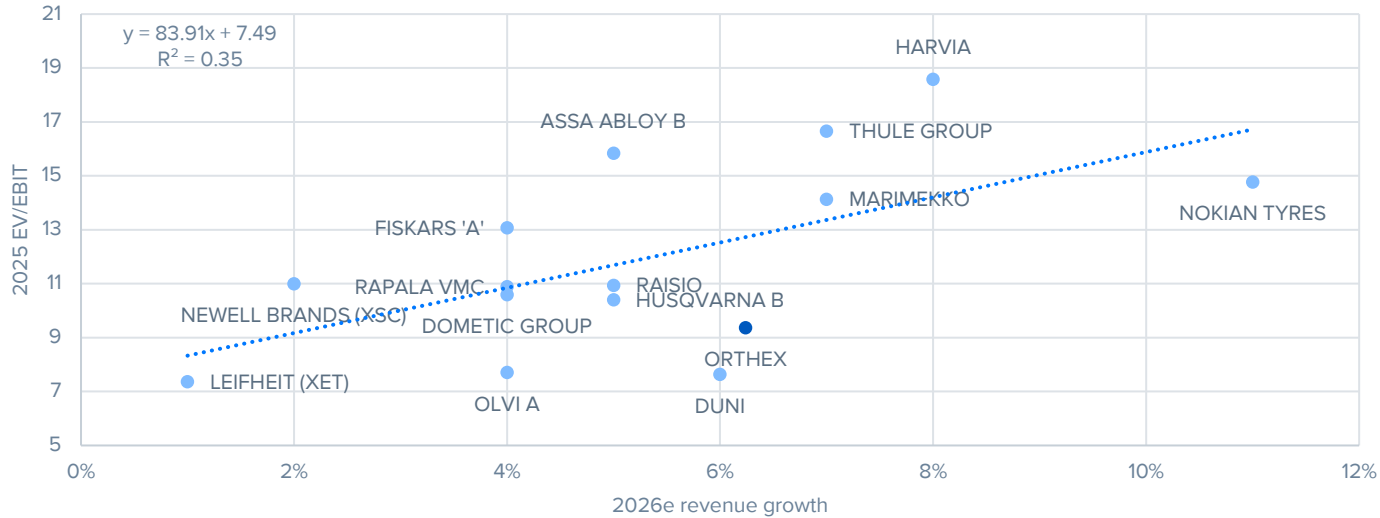
Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Duni AB	414	546	11.3	7.6	7.5	5.7	0.8	0.8	12.6	8.3	3.5	5.0	1.2
Fiskars Oyj Abp	1338	1820	17.9	13.1	11.6	8.4	1.5	1.5	16.0	14.0	5.1	5.5	1.7
Harvia Oyj	793	826	21.8	18.6	18.3	15.9	4.8	4.2	29.7	25.2	1.8	2.0	6.5
Leifheit AG	179	140	8.7	7.4	5.6	5.1	0.5	0.5	14.7	12.5	5.1	6.7	1.5
Marimekko Oyj	519	517	15.4	14.1	12.0	11.0	2.9	2.7	20.6	18.1	3.5	4.0	6.5
Rapala VMC Corp	100	190	14.7	10.9	7.6	6.1	0.8	0.8	256.0	17.1	1.6	1.2	0.6
Thule Group AB	2679	2835	19.5	16.7	16.6	14.5	3.4	3.2	24.9	21.1	3.3	3.6	4.2
Nokian Tyres plc	1167	1768	24.7	14.8	8.9	6.6	1.3	1.2	29.0	13.8	6.6	6.4	0.9
Assa Abloy AB	30502	36407	17.1	15.8	14.2	13.3	2.8	2.6	22.2	20.0	1.9	2.0	3.4
Newell Brands Inc	2778	6966	12.5	11.0	8.5	7.9	1.0	1.0	11.4	9.8	3.8	3.8	1.0
DOMETIC Group	1937	3185	12.4	10.6	8.7	7.8	1.4	1.3	14.7	11.0	2.8	3.6	0.8
Raisio Oyj	345	295	12.7	10.9	8.9	7.8	1.3	1.2	16.7	15.5	6.5	6.5	1.3
Husqvarna AB	3545	4679	12.7	10.4	7.6	6.7	1.1	1.0	15.0	11.6	4.5	4.7	1.6
Helen of Troy Ltd	1076	1734	6.7	7.6	5.8	6.7	1.0	1.0	6.0	7.4			0.8
<b>Orthex (Inderes)</b>	<b>113</b>	<b>129</b>	<b>11.8</b>	<b>9.4</b>	<b>8.5</b>	<b>7.1</b>	<b>1.5</b>	<b>1.3</b>	<b>15.5</b>	<b>11.9</b>	<b>3.9</b>	<b>4.6</b>	<b>3.0</b>
<b>Average</b>			<b>14.9</b>	<b>12.1</b>	<b>10.1</b>	<b>8.8</b>	<b>1.8</b>	<b>1.6</b>	<b>35.0</b>	<b>14.7</b>	<b>3.8</b>	<b>4.2</b>	<b>2.3</b>
<b>Median</b>			<b>13.7</b>	<b>11.0</b>	<b>8.8</b>	<b>7.8</b>	<b>1.3</b>	<b>1.2</b>	<b>16.4</b>	<b>13.9</b>	<b>3.5</b>	<b>4.0</b>	<b>1.4</b>
<b>Diff-% to median</b>			<b>-14%</b>	<b>-15%</b>	<b>-4%</b>	<b>-9%</b>	<b>11%</b>	<b>11%</b>	<b>-5%</b>	<b>-14%</b>	<b>11%</b>	<b>14%</b>	<b>109%</b>

Source: Refinitiv / Inderes

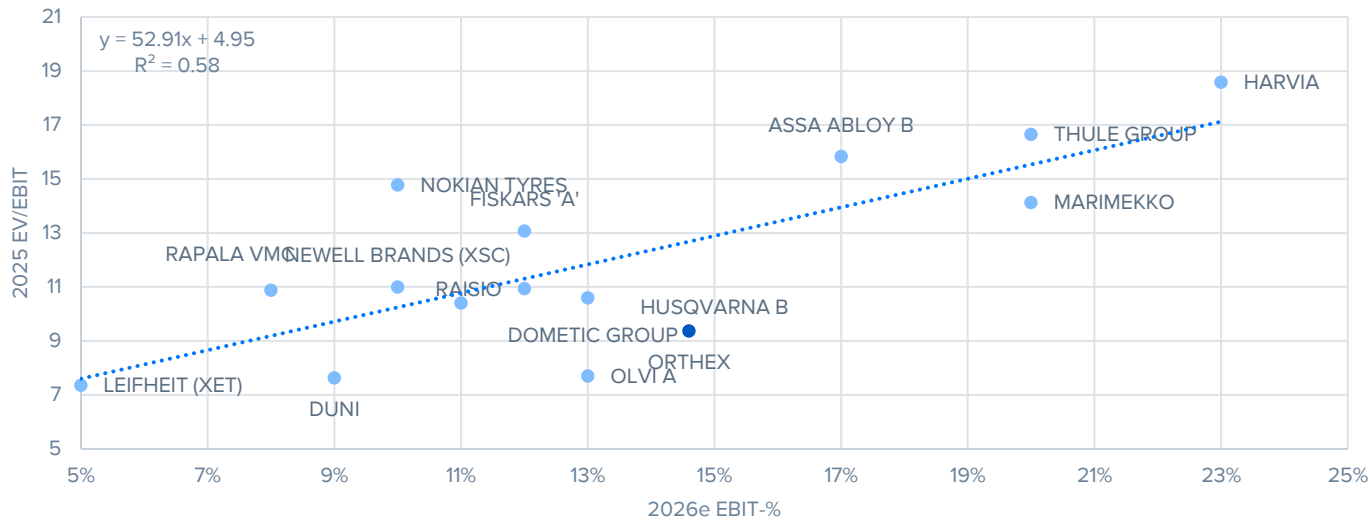


# Visualization of Orthex's and its peers' valuation

2025 EV/EBIT vs 2026 revenue growth



2025 EV/EBIT vs 2026 EBIT-%



In our opinion, Orthex's share seems favorably priced relative to the company's growth profile and relative profitability.

We believe the pricing that seems affordable may be partly due to the overestimated cyclicality of the result after a weak 2022.

In our view, the demand for Orthex's products is among the most stable in the peer group, which makes the current discount pricing seem rather blatant.

One of the factors that concern markets may justifiably be Orthex's higher exposure to the Nordic countries than for the peers, where the short-term outlook is challenging.

# Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>88.7</b>	<b>84.0</b>	<b>20.5</b>	<b>20.1</b>	<b>21.9</b>	<b>23.4</b>	<b>85.9</b>	<b>22.0</b>	<b>21.0</b>	<b>22.1</b>	<b>23.3</b>	<b>88.5</b>	<b>94.5</b>	<b>100</b>	<b>106</b>
Nordics	72.9	68.4	16.2	16.3	17.8	18.4	68.7	17.5	17.2	17.8	18.0	70.5	73.0	75.5	77.8
Rest of Europe	15.1	15.9	4.9	3.9	4.2	5.5	18.5	5.3	4.2	4.5	5.7	19.7	22.9	26.3	30.0
Rest of the world	2.5	1.4	0.2	0.3	0.2	0.1	0.8	0.1	0.2	0.1	0.1	0.5	0.5	0.6	0.6
Discounts and rebates	-1.8	-1.7	-0.8	-0.4	-0.3	-0.5	-2.0	-0.9	-0.6	-0.3	-0.5	-2.3	-1.9	-2.0	-2.2
<b>EBITDA</b>	<b>13.2</b>	<b>9.2</b>	<b>3.4</b>	<b>3.1</b>	<b>4.6</b>	<b>3.9</b>	<b>14.9</b>	<b>3.8</b>	<b>2.6</b>	<b>4.6</b>	<b>4.2</b>	<b>15.3</b>	<b>17.8</b>	<b>19.0</b>	<b>20.0</b>
Depreciation	-4.0	-4.0	-1.0	-1.0	-1.0	-1.0	-4.1	-1.1	-1.1	-1.1	-1.1	-4.3	-4.4	-4.4	-4.4
<b>EBIT (excl. NRI)</b>	<b>10.9</b>	<b>5.4</b>	<b>2.4</b>	<b>1.3</b>	<b>3.5</b>	<b>2.9</b>	<b>10.0</b>	<b>2.8</b>	<b>1.6</b>	<b>3.5</b>	<b>3.2</b>	<b>11.0</b>	<b>13.4</b>	<b>14.7</b>	<b>15.6</b>
<b>EBIT</b>	<b>9.3</b>	<b>5.2</b>	<b>2.3</b>	<b>2.1</b>	<b>3.5</b>	<b>2.9</b>	<b>10.8</b>	<b>2.8</b>	<b>1.6</b>	<b>3.5</b>	<b>3.2</b>	<b>11.0</b>	<b>13.4</b>	<b>14.7</b>	<b>15.6</b>
Share of profits in assoc. compan.	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	0.0
Net financial items	-1.6	-2.2	-0.6	-0.7	-0.3	-0.6	-2.2	-0.7	-0.4	-0.4	-0.3	-1.7	-1.5	-1.3	-1.0
<b>PTP</b>	<b>7.7</b>	<b>3.0</b>	<b>1.7</b>	<b>1.3</b>	<b>3.2</b>	<b>2.3</b>	<b>8.5</b>	<b>2.1</b>	<b>1.2</b>	<b>3.2</b>	<b>2.8</b>	<b>9.3</b>	<b>11.9</b>	<b>13.4</b>	<b>14.6</b>
Taxes	-1.6	-0.9	-0.4	-0.3	-0.8	-0.2	-1.6	-0.5	-0.3	-0.7	-0.6	-2.0	-2.4	-2.7	-3.0
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	0.0
<b>Net earnings</b>	<b>6.0</b>	<b>2.1</b>	<b>1.3</b>	<b>1.1</b>	<b>2.4</b>	<b>2.1</b>	<b>6.9</b>	<b>1.6</b>	<b>0.9</b>	<b>2.5</b>	<b>2.2</b>	<b>7.3</b>	<b>9.5</b>	<b>10.6</b>	<b>11.6</b>
<b>EPS (adj.)</b>	<b>0.43</b>	<b>0.13</b>	<b>0.08</b>	<b>0.02</b>	<b>0.13</b>	<b>0.12</b>	<b>0.35</b>	<b>0.09</b>	<b>0.05</b>	<b>0.14</b>	<b>0.13</b>	<b>0.41</b>	<b>0.53</b>	<b>0.60</b>	<b>0.65</b>
<b>EPS (rep.)</b>	<b>0.34</b>	<b>0.12</b>	<b>0.07</b>	<b>0.06</b>	<b>0.13</b>	<b>0.12</b>	<b>0.39</b>	<b>0.09</b>	<b>0.05</b>	<b>0.14</b>	<b>0.13</b>	<b>0.41</b>	<b>0.53</b>	<b>0.60</b>	<b>0.65</b>
<b>Key figures</b>	<b>2021</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	16.9 %	-5.2 %	-0.5 %	-4.1 %	-0.9 %	15.0 %	2.2 %	7.5 %	4.3 %	1.0 %	-0.4 %	2.9 %	6.8 %	6.2 %	5.8 %
<b>Adjusted EBIT growth-%</b>	-15.0 %	-50.7 %	33.1 %	-716.7 %	58.9 %	81.6 %	87.3 %	16.5 %	20.2 %	0.5 %	9.8 %	9.5 %	22.0 %	9.2 %	6.6 %
<b>EBITDA-%</b>	14.9 %	11.0 %	16.4 %	15.1 %	20.8 %	16.7 %	17.3 %	17.4 %	12.5 %	20.8 %	18.2 %	17.3 %	18.8 %	18.9 %	18.8 %
<b>Adjusted EBIT-%</b>	12.3 %	6.4 %	11.6 %	6.4 %	16.0 %	12.3 %	11.7 %	12.5 %	7.4 %	15.9 %	13.5 %	12.4 %	14.2 %	14.6 %	14.7 %
<b>Net earnings-%</b>	6.8 %	2.5 %	6.4 %	5.3 %	10.9 %	9.1 %	8.0 %	7.1 %	4.4 %	11.4 %	9.6 %	8.2 %	10.0 %	10.6 %	10.9 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>43.8</b>	<b>44.0</b>	<b>43.1</b>	<b>42.9</b>	<b>43.1</b>
Goodwill	22.3	22.3	22.3	22.3	22.3
Intangible assets	0.1	0.0	0.2	0.2	0.2
Tangible assets	20.6	20.9	20.5	20.4	20.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	0.8	0.7	0.0	0.0	0.0
<b>Current assets</b>	<b>38.0</b>	<b>41.5</b>	<b>38.0</b>	<b>41.1</b>	<b>43.2</b>
Inventories	14.3	12.1	12.4	13.7	14.0
Other current assets	0.1	0.0	0.0	0.0	0.0
Receivables	13.4	17.9	15.0	16.1	17.1
Cash and equivalents	10.3	11.6	10.6	11.3	12.0
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.6</b>	<b>81.1</b>	<b>84.0</b>	<b>86.2</b>

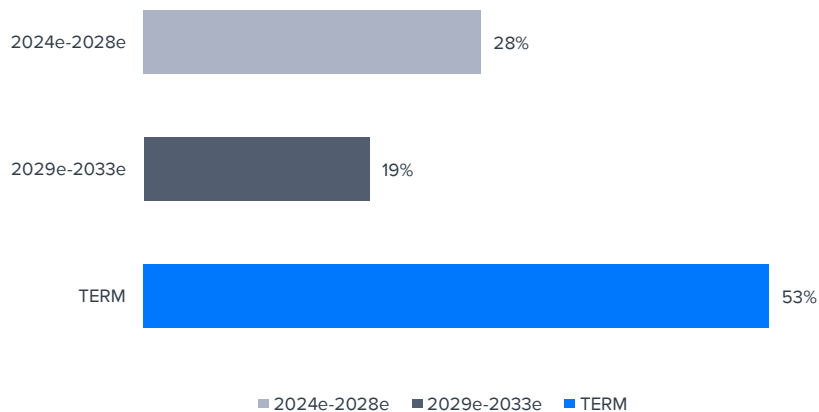
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>29.7</b>	<b>34.4</b>	<b>38.0</b>	<b>43.0</b>	<b>48.5</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.3	26.9	30.5	35.5	41.0
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-0.5	-0.4	-0.4	-0.4	-0.4
Other equity	7.9	7.9	7.9	7.9	7.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>32.8</b>	<b>30.4</b>	<b>25.5</b>	<b>22.7</b>	<b>18.9</b>
Deferred tax liabilities	0.8	0.8	0.8	0.8	0.8
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	32.0	29.6	24.7	21.9	18.1
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
<b>Current liabilities</b>	<b>19.3</b>	<b>20.7</b>	<b>17.6</b>	<b>18.3</b>	<b>18.8</b>
Interest bearing debt	4.3	4.3	2.7	2.4	2.0
Payables	14.0	15.7	14.2	15.1	16.1
Other current liabilities	1.0	0.7	0.7	0.7	0.7
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.5</b>	<b>81.1</b>	<b>84.0</b>	<b>86.2</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	2.2 %	2.9 %	6.8 %	6.2 %	5.8 %	5.0 %	3.5 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %
EBIT-%	12.5 %	12.4 %	14.2 %	14.6 %	14.7 %	12.5 %	12.0 %	12.0 %	12.0 %	11.5 %	11.5 %	11.5 %
<b>EBIT (operating profit)</b>	<b>10.8</b>	<b>11.0</b>	<b>13.4</b>	<b>14.7</b>	<b>15.6</b>	<b>13.9</b>	<b>13.9</b>	<b>14.3</b>	<b>14.6</b>	<b>14.3</b>	<b>14.6</b>	
+ Depreciation	4.1	4.3	4.4	4.4	4.4	4.5	4.6	4.7	4.8	4.9	5.0	
- Paid taxes	-1.5	-1.3	-2.4	-2.7	-3.0	-2.7	-2.7	-2.8	-2.9	-2.9	-3.0	
- Tax, financial expenses	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.8	1.0	-1.4	-0.4	-0.3	-0.5	0.3	-0.5	-0.4	-0.3	-0.3	
<b>Operating cash flow</b>	<b>12.1</b>	<b>14.6</b>	<b>13.7</b>	<b>15.6</b>	<b>16.5</b>	<b>15.1</b>	<b>15.9</b>	<b>15.5</b>	<b>16.0</b>	<b>15.9</b>	<b>16.3</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-4.4	-4.0	-4.2	-4.5	-4.8	-4.9	-5.1	-5.2	-5.3	-5.5	-5.5	
<b>Free operating cash flow</b>	<b>7.7</b>	<b>10.6</b>	<b>9.4</b>	<b>11.1</b>	<b>11.7</b>	<b>10.2</b>	<b>10.8</b>	<b>10.3</b>	<b>10.7</b>	<b>10.5</b>	<b>10.8</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	7.7	10.6	9.4	11.1	11.7	10.2	10.8	10.3	10.7	10.5	10.8	173
<b>Discounted FCFF</b>		<b>10.3</b>	<b>8.5</b>	<b>9.2</b>	<b>8.9</b>	<b>7.2</b>	<b>7.0</b>	<b>6.2</b>	<b>5.9</b>	<b>5.4</b>	<b>5.1</b>	<b>81.6</b>
Sum of FCFF present value		155	145	136	127	118	111	104	98.0	92.1	86.7	81.6
<b>Enterprise value DCF</b>		<b>155</b>										
- Interest bearing debt		-33.9										
+ Cash and cash equivalents		11.6										
-Minorities		0.0										
-Dividend/capital return		-3.7										
<b>Equity value DCF</b>		<b>129</b>										
<b>Equity value DCF per share</b>		<b>7.3</b>										

## Cash flow distribution

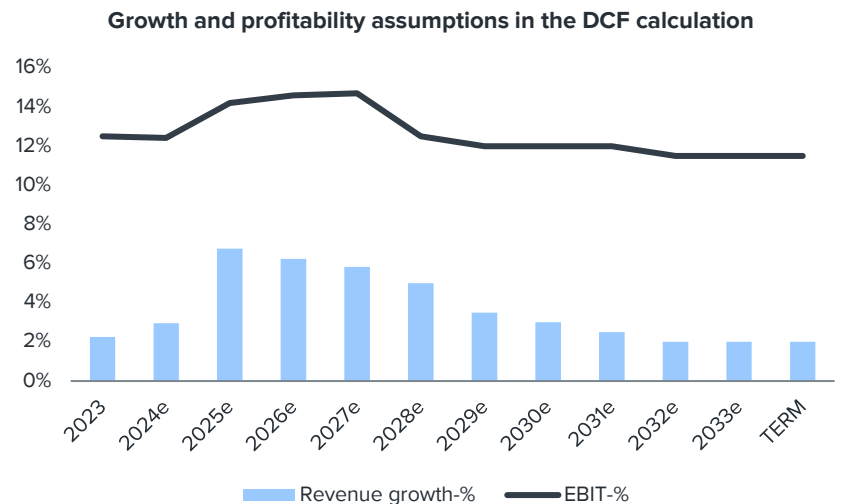
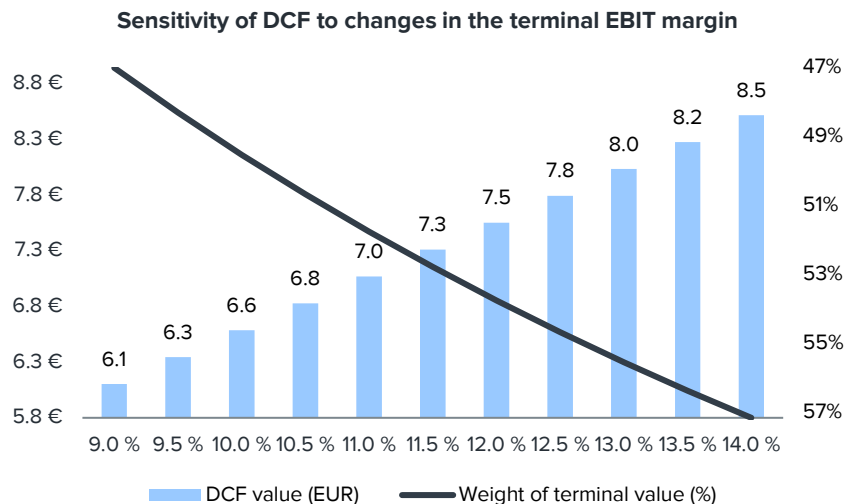
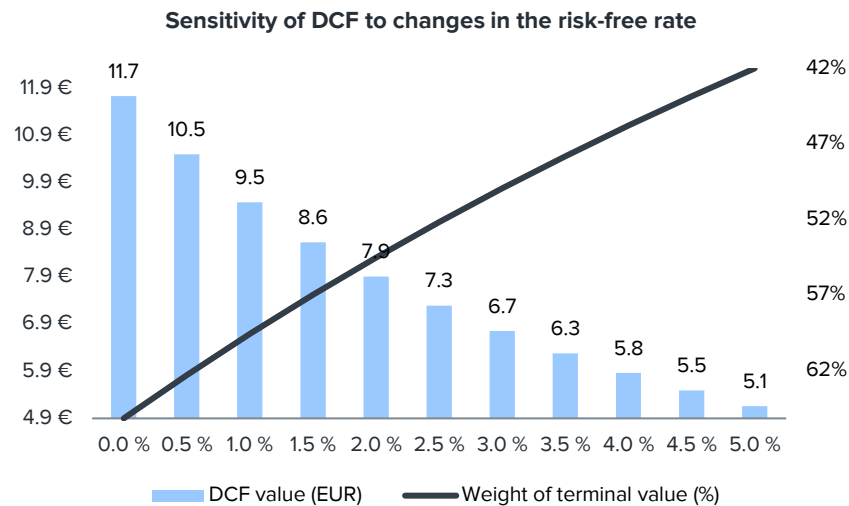
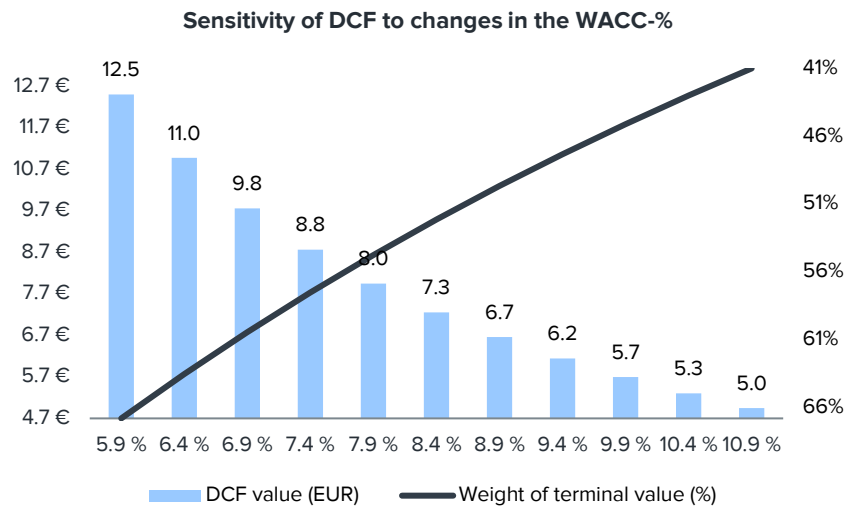


## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.4 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	88.7	84.0	85.9	<b>88.5</b>	<b>94.5</b>	EPS (reported)	0.34	0.12	0.39	<b>0.41</b>	<b>0.53</b>
EBITDA	13.2	9.2	14.9	<b>15.3</b>	<b>17.8</b>	EPS (adj.)	0.43	0.13	0.35	<b>0.41</b>	<b>0.53</b>
EBIT	9.3	5.2	10.8	<b>11.0</b>	<b>13.4</b>	OCF / share	0.55	0.42	0.68	<b>0.82</b>	<b>0.77</b>
PTP	7.7	3.0	8.5	<b>9.3</b>	<b>11.9</b>	FCF / share	0.31	0.31	0.43	<b>0.60</b>	<b>0.53</b>
Net Income	6.0	2.1	6.9	<b>7.3</b>	<b>9.5</b>	Book value / share	1.79	1.67	1.94	<b>2.14</b>	<b>2.42</b>
Extraordinary items	-1.6	-0.2	0.7	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.18	0.11	0.21	<b>0.25</b>	<b>0.29</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	88.8	81.8	85.6	<b>81.1</b>	<b>84.0</b>	Revenue growth-%	17%	-5%	2%	<b>3%</b>	<b>7%</b>
Equity capital	31.8	29.7	34.4	<b>38.0</b>	<b>43.0</b>	EBITDA growth-%	-20%	-30%	61%	<b>3%</b>	<b>16%</b>
Goodwill	23.7	22.3	22.3	<b>22.3</b>	<b>22.3</b>	EBIT (adj.) growth-%	-16%	-51%	87%	<b>9%</b>	<b>22%</b>
Net debt	25.9	26.0	22.3	<b>16.9</b>	<b>13.0</b>	EPS (adj.) growth-%	-15%	-70%	170%	<b>17%</b>	<b>31%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.9 %	11.0 %	17.3 %	<b>17.3 %</b>	<b>18.8 %</b>
EBITDA	13.2	9.2	14.9	<b>15.3</b>	<b>17.8</b>	EBIT (adj.)-%	12.3 %	6.4 %	11.7 %	<b>12.4 %</b>	<b>14.2 %</b>
Change in working capital	-1.6	-0.6	-0.8	<b>1.0</b>	<b>-1.4</b>	EBIT-%	10.4 %	6.2 %	12.5 %	<b>12.4 %</b>	<b>14.2 %</b>
Operating cash flow	9.8	7.5	12.1	<b>14.6</b>	<b>13.7</b>	ROE-%	24.7 %	6.9 %	21.5 %	<b>20.0 %</b>	<b>23.4 %</b>
CAPEX	-4.3	-1.9	-4.4	<b>-4.0</b>	<b>-4.2</b>	ROI-%	13.9 %	7.5 %	16.0 %	<b>16.5 %</b>	<b>20.2 %</b>
Free cash flow	5.5	5.6	7.7	<b>10.6</b>	<b>9.4</b>	Equity ratio	35.8 %	36.3 %	40.3 %	<b>46.8 %</b>	<b>51.2 %</b>
						Gearing	81.4 %	87.6 %	64.8 %	<b>44.4 %</b>	<b>30.3 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.6	1.3	1.4	<b>1.5</b>	<b>1.3</b>						
EV/EBITDA	17.4	11.8	7.9	<b>8.5</b>	<b>7.1</b>						
EV/EBIT (adj.)	21.2	20.4	11.8	<b>11.8</b>	<b>9.4</b>						
P/E (adj.)	26.7	36.3	15.5	<b>15.5</b>	<b>11.9</b>						
P/B	6.4	2.8	2.8	<b>3.0</b>	<b>2.6</b>						
Dividend-%	1.6 %	2.4 %	3.9 %	<b>3.9 %</b>	<b>4.6 %</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/26/2021	Accumulate	8.50 €	7.42 €
5/12/2021	Accumulate	11.00 €	10.15 €
8/26/2021	Accumulate	13.00 €	11.48 €
9/20/2021	Buy	13.00 €	10.50 €
11/11/2021	Accumulate	12.50 €	11.63 €
<i>Analyst changed</i>			
1/13/2022	Accumulate	11.50 €	10.44 €
3/10/2022	Accumulate	8.00 €	7.14 €
5/11/2022	Reduce	7.00 €	6.68 €
8/26/2022	Reduce	5.00 €	5.42 €
10/11/2022	Accumulate	4.40 €	3.93 €
11/14/2022	Accumulate	5.80 €	5.27 €
3/9/2023	Accumulate	5.60 €	5.05 €
5/18/2023	Accumulate	5.60 €	4.99 €
8/25/2023	Accumulate	5.40 €	4.64 €
11/8/2023	Buy	6.00 €	4.95 €
3/6/2024	Accumulate	7.00 €	6.39 €
3/22/2024	Accumulate	7.00 €	6.26 €
5/16/2024	Accumulate	7.20 €	6.74 €
8/23/2024	Accumulate	7.00 €	6.34 €



**Inderes democratizes investor information by connecting investors and listed companies.**

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We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

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**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**



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ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020



**Analyysi kuuluu  
kaikille.**