Fiskars

Extensive report

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This report is a summary translation of the report “Voittavilla brändeillä uuteen kasvuvaiheeseen” published on 12/28/2021 at 11:00 pm

Entering a new growth stage with winning brands

Fiskars' equity story has progressed to an interesting turning point when the new strategy period focuses on growth and operational profitability, which has risen to a good level, and non-recurring costs that have weighed on earnings for long are expected to be completed. We want more evidence from the company before we are convinced that the financial objectives of the new strategy period will be met, but ambitious goals and strong performance under new leadership are encouraging signals to investors. In our update, we made minor forecast changes due to the sale of the North American watering business announced in December, but we reiterate our target price of EUR 24.0. Given the good return expectation, we stick to our Accumulate recommendation.

Fiskars surrounds consumers with a large family of iconic lifestyle products

Fiskars is a consumer product company with a wide and prestigious brand portfolio whose products focus on home, gardening and outdoor activities. Fiskars has reached its present form through several acquisitions that have taken the company into new geographical areas and product categories. Some of Fiskars' product categories show clear seasonality, but a wide product range compensates for the impact of seasonal fluctuations at group level. The group's brand portfolio includes, among other brands, Fiskars, Iittala, Royal Copenhagen, Moomin by Arabia, Gerber, Wedgwood and Waterford. In addition to its extensive brand and product range, Fiskars is a very global and geographically diversified player. Fiskars' products are available in over 100 countries and the company has operations in over 30 countries.

After numerous transformation processes, the group is ready for a new growth phase

Fiskars has been decisively developed from a large holding company to a single integrated company. This has required goal-oriented integration of the acquired companies, divestment of different businesses and investments and harmonization of production chains. The process hasn't been easy, but Fiskars has spent the last ten years in a cycle of various efficiency programs that have taken management's time out of the pursuit of growth. The company has finally laid out a solid foundation and is ready to pursue determined growth. The last efficiency programs are expected to end in 2021, which would mean a positive level correction to the reported result when implemented. In fall 2021, the company published a new strategy and adopted new financial targets, which include annual net sales growth of about 5% and an adjusted operating profit margin of about 15% by the end of 2025. The objectives aren't easy to achieve but are encouraging for the continuity of the strong momentum of recent years. In our estimates, net sales from continuing operations will grow organically by ~4% p.a. and operating profit for 2025 will be 12.5%, so our expectations remain clearly lower than the company's targets. In the new strategy period, the company will invest in winning brands, commercial excellence and direct consumer sales. Fiskars can afford to grow in several markets, but the current strategy period's ambitions are mainly directed toward the USA and China.

Earnings growth and dividend bring the expected return to a good level

The 2022 valuation according to our forecasts is favorable (P/E 16x, EV/EBITDA 9x) if no new efficiency programs with non-recurring cost are started again. With our 2022 forecasts, the share provides more than 5% of earnings yield and annual growth of ~6%, which in tandem clearly exceed the profit requirement we have determined. In addition, Fiskars has a very strong balance sheet, which gives financial flexibility for acquisitions and enables a higher dividend payout than the result. Our forecasts are moderate in comparison to the company's own objectives, so the share offers a higher return than our expectations if the targets are met. However, on the other side of the coin there's the risk of returning to non-existent growth as the home nesting trend subsides and the risk of the cycle of efficiency programs continuing.

Recommendation

Accumulate
(previous Accumulate)

EUR 24.00
(previous 24.00 EUR)

Share price:
22.75

Key figures

	2020	2021e	2022e	2023e
Net sales	1116	1229	1199	1251
growth-%	2%	10%	-2%	4%
EBIT adj.	109.1	154.1	150.3	157.9
EBIT-% adj.	9.8 %	12.5 %	12.5 %	12.6 %
Net income	67.6	84.5	118.4	124.2
EPS (adj.)	0.97	1.21	1.45	1.52

P/E (adj.)	15.5	18.8	15.7	14.9
P/B	1.6	2.3	2.2	2.1
Dividend yield-%	4.0 %	3.5 %	4.2 %	4.6 %
EV/EBIT (adj.)	11.7	12.5	12.3	11.4
EV/EBITDA	7.4	9.6	8.8	8.5
EV/S	1.1	1.6	1.5	1.4

Source: Inderes

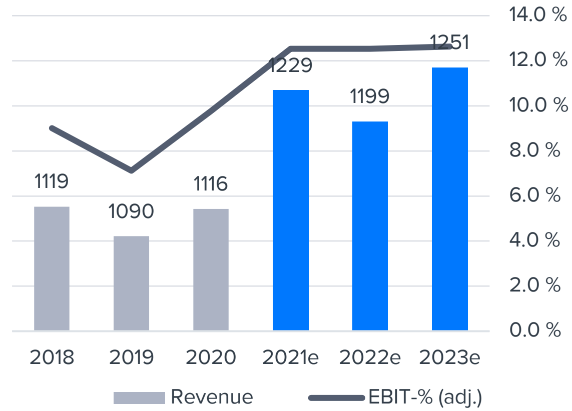
Guidance (Unchanged)

In 2021, Fiskars expects the group's comparable EBITA to be EUR 160-170 million (2020: 136.8 MEUR).

Share price

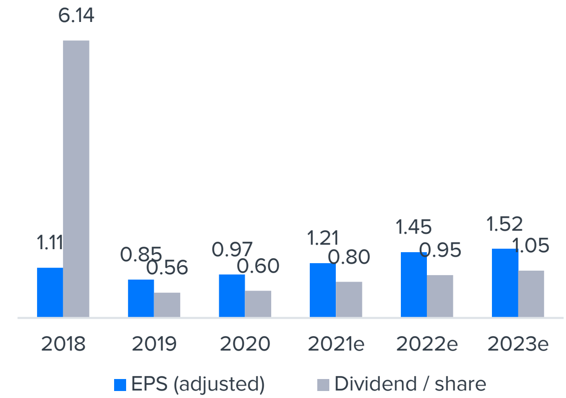
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Portfolio's focus on big and most protitable brands
- Organic growth from new markets and/or product categories
- Profitability improvement through sales and channel mix as well as growth and scale
- Earnings improvement through the Vita segment and the group-wide restructuring program
- Strong balance sheet enables inorganic growth

Risk factors

- Slowdown of the "home nesting" trend demand spike caused by COVID
- Weakening of the global economy and consumer confidence
- Rapid transition of the commerce sector to digital channels and increasing price competition
- Failure of restructuring and efficiency programs
- Unnecessary sprawling and complexity of brand portfolio
- Raw material inflation and challenges in the global logistics chain

Valuation	2021e	2022e	2023e
Share price	22.8	22.8	22.8
Number of shares, millions	81.5	81.5	81.5
Market cap	1853	1853	1853
EV	1929	1844	1803
P/E (adj.)	18.8	15.7	14.9
P/E	21.9	15.7	14.9
P/FCF	30.8	10.4	15.7
P/B	2.3	2.2	2.1
P/S	1.5	1.5	1.5
EV/Sales	1.6	1.5	1.4
EV/EBITDA	9.6	8.8	8.5
EV/EBIT (adj.)	12.5	12.3	11.4
Payout ratio (%)	77.2 %	65.4 %	68.9 %
Dividend yield-%	3.5 %	4.2 %	4.6 %

Source: Inderes

Contents

Fiskars in brief

Fiskars is a Finnish consumer product company whose vision is to have a positive and lasting impact on people's lives. The company's main product groups are related to home, creating, gardening, outdoor activities, cooking, interior decoration, drinkware and tableware. Fiskars' products are sold in over 100 countries. Fiskars serves people around the world with a brand portfolio that includes internationally recognized brands such as Fiskars, Gerber, Iittala, Royal Copenhagen, Waterford and Wedgwood.

1649
Year of establishment

1915
Listing

EUR 1,229 million **(10% vs. 2020)**
Revenue 2021e

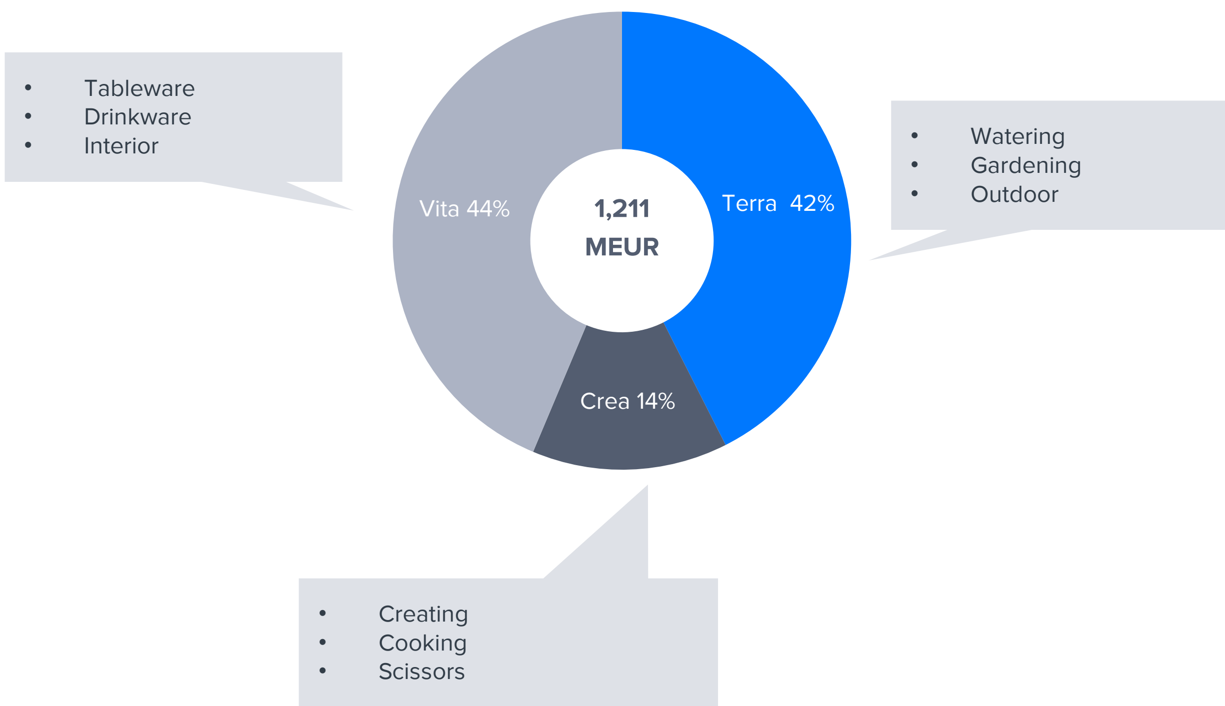
EUR 154 million **(adj. EBIT 12.5 %)**
Comparable operating profit 2021e

~1,870 MEUR
Market value (at EUR 23 share price)

6,157
Personnel (FTE) on average 1-9'21

56%
Net sales from outside Europe in 2020

Net sales breakdown (LTM)



Company description

Fiskars in brief

Fiskars is the oldest company in Finland and was founded in 1649. The company serves people around the world with a brand portfolio that includes internationally recognized brands such as Fiskars, Gerber, Iittala, Moomin by Arabia, Royal Copenhagen, Waterford and Wedgwood. The company builds a family of iconic lifestyle brands and Fiskars' vision is to have a positive and sustainable impact on people's lives.

Fiskars has operations in 30 countries and its products are available in more than 100 countries. The company's largest markets are Europe (47% of net sales) and North America (38% of net sales). At the end of Q3'21, Fiskars had 362 own stores, most of which are located in Asia-Pacific. Most of the stores (66%) are shop-in-shops and the rest are outlet stores (21%) or regular shops (13%).

Three business units

In December 2019, Fiskars published a plan to reform and simplify its organizational structure. As a result of the restructuring of the organization the company has, since the beginning of 2020, consisted of three business units: Terra, Vita and Crea, which have a shared supply chain and support functions. The Group's Other business includes the Group's investments, real estate unit, group operations and joint operations.

Terra offers equipment and tools for gardening, watering and outdoor activities. The segment's spearhead brands are Fiskars and Gerber. The segment's net sales for the last 12 months are EUR 515 million (42% of the Group's net sales) and its comparable EBITA is EUR 66 million (EBITA 13%). Terra's sales are seasonally focused on the first half of the year. The products of the segment are mainly sold in thrid party stores and they aren't particularly suitable for e-commerce due to their large size.

Vita consists of the Group's premium tableware, drinkware and interior categories. Iittala, Royal Copenhagen, Waterford, Wedgwood brands act as the spearhead of the segment. The segment's net sales for the last 12 months are 529 (44% of the Group's net sales) and its comparable EBITA is EUR 91 million (EBITA 17%). The segment's products correlate with Christmas sales, which is why its net sales are strongly focused on the last quarter of the year.

Crea includes Fiskars' cooking, creating and scissors categories. Of the main brands, the sales of Fiskars brand products are reported as part of the Crea segment's net sales. The segment's net sales for the last 12 months are EUR 167 million (14% of the Group's net sales) and its comparable EBITA is EUR 40.6 million (EBITA 24%). Crea is the smallest segment of the Group in terms of/measured by net sales, but clearly the most profitable.

Other segment includes the Group's investments, real estate unit, group operations and joint services. The net sales of the Other segment during the last 12 months were EUR 3.5 million, consisting mainly of timber sales and rental income. The segment's comparable EBITA for the last 12 months was EUR -15 million. The segment's result is negative because Group administration expenses are allocated to it.

Breakdown of net sales (LTM: 1,214 MEUR)

Europe
47%

North America
38%

Asia-Pacific
15%

Stores by type (362 at end of Q3)

Own stores 13%

Outlet stores 21%

Shop-in-shops 66%

Geographical distribution of stores

Asia-Pacific
67%

Europe, Middle East and Africa 32%

North America
2%

Fiskars' brands

The list doesn't include all brands owned by Fiskars

1) Based on 2020 CMD's information
2) Inderes' estimate of the size class of net sales
3) Adjusted for the net sales of Nelson and Gilmour

Brands	% of net sales[3]	Description	Established	Becomes part of Fiskars	Segment
FISKARS	45%[1] (~510 MEUR)	Products for gardening, cooking and creating	1649	1649	Crea & Terra
iittala	10%[1] (~111 MEUR)	Nordic design: Interior design, tableware, giftware	1881	2007	Vita
ROYAL COPENHAGEN	10 %[1] (~110 MEUR)	High quality Danish porcelain products: Interior decoration and tableware	1775	2013	Vita
WEDGWOOD	8 %[1] (~85 MEUR)	Porcelain dishes and tea dishes, Jasperware as well as ornamental items	1759	2015	Vita
WATERFORD	6 %[1] (~69 MEUR)	Irish crystal: Interior decoration, tableware, giftware	1783	2015	Vita
GERBER	5%[2] (~61 MEUR)	Knives, multi-purpose tools and problem-solving gear	1939	1986	Terra
MOOMIN by ARABIA	< 3 %[2]	Strategic cooperation with Rights & Brands	2016	2021[3]	Vita
ROYAL DOULTON LONDON 1815	< 2 %[2]	English tableware and interior design brand	1815	2015	Vita
ROYAL ALBERT ENGLAND 1904	< 2 %[2]	English giftware brand: Tea sets with floral patterns	1896	2015	Vita
ARABIA 1873	< 2 %[2]	Finnish tableware brand.	1873	2007	Vita
Rörstrand	< 2 %[2]	Swedish tableware brand, Europe's 2nd oldest porcelain brand	1726	2007	Vita
ROGAŠKA	< 1 %[2]	High quality Slovenian crystal, giftware, interior decoration, drinkware	1665	2015	Vita
HACKMAN	< 1 %[2]	Cutlery (cookware moved under the Fiskars brand)	1789	2007	Crea
Kitchen Devils	< 1 %[2]	High quality English kitchen knives	1960	N/A	Crea
KAIMANO	< 1 %[2]	Italian kitchen knives	1926	1997	Crea
gingher	< 1 %[2]	Scissors and other tools for creating and the clothing industry	1947	2005	Crea
RAADVAD	< 1 %[2]	Danish high-quality cutlery brand	1758	1994	Crea

Terra segment

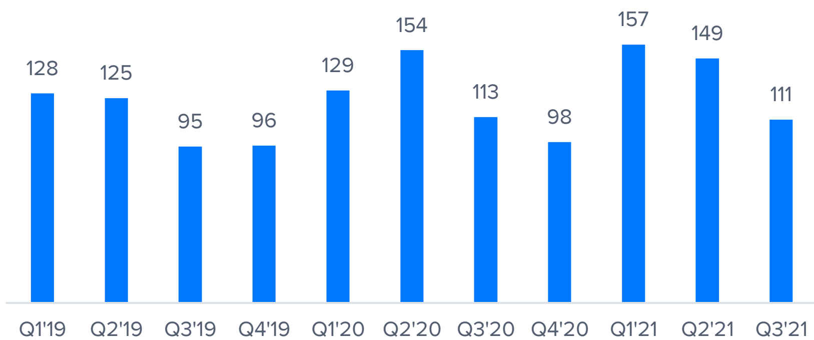
Main brands

FISKARS

GERBER

Growth

Net sales (MEUR)



Target markets

USA

Northern and Central Europe

Product categories

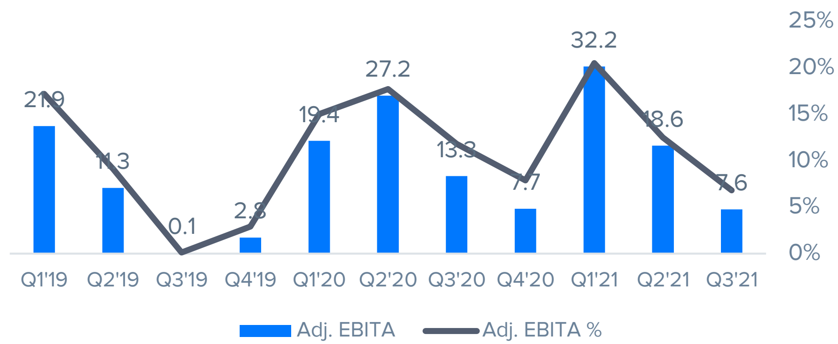
Gardening
(78 % of net sales)

Watering
(2 % of net sales)[1]

Outdoor
(20 % of net sales)

Profitability

EBITA (MEUR)



Sales channels

Resellers
- Brick-and-mortar & online

B2B

Direct consumer sales
- Brick-and-mortar & online

1) adjusted for the share of Gilmour and Nelson businesses

Terra segment

Equipment and tools for home, garden and outdoor activities

The Terra segment offers tools for home, garden and outdoor activities. The segment's key brands are Fiskars and Gerber. Net sales for the last 12 months are EUR 515 million and comparable EBITA is EUR 66 million (EBITA 13%).

The biggest product category in the Terra segment is Gardening (LTM: 66% of net sales). It includes, e.g., rakes, pruners, axes and planting tools. The Outdoor category (LTM: 17% of net sales) consists of Gerber's activity-specific knives, multi-tools and a small tool assortment. The Watering category (LTM: 17% of net sales) includes water hoses and nozzles by Fiskars, Gilmour and Nelson brands. During Q1'22, the category will decrease significantly as the company sells its North American watering business represented by the Nelson and Gilmour brands. The rolling net sales of the divested businesses are EUR 80 million, which represent a significant part of the category's sales.

Fiskars and Gerber are the segment's spearheads

Fiskars is the largest brand in the Terra segment (and in the whole Group). Fiskars branded scissors and kitchenware are under the Crea segment, so its net sales aren't directly comparable with the net sales of Fiskars' products that belong to the Terra segment. Fiskars brand products are found in almost all product categories of the Terra segment. Fiskars' well-known garden products include axes, rakes, spades, hedge trimmers and saws. Fiskars' products are also sold in most countries where the group has operations, and it's the largest gardening brand in the United States.

Gerber is an American outdoor brand known for multi-purpose tools and knives used for camping, hiking, hunting and fishing. Gerber also offers a variety of hatchets, folding spades and other problem-solving gear, such as those used by the US army. Gerber is strong in North America, but in other parts of the world it isn't very big. In recent years, Gerber has started to seek to expand its product portfolio into new categories (e.g. fishing) and the brand has also begun to expand more strongly outside North America.

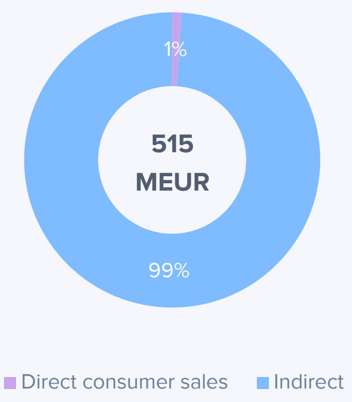
Distribution almost entirely through third parties

Terra's products are sold among others in hardware stores, building materials stores and garden centers. In North America, large retail operators, such as Home Depot and Walmart sell products in their own stores and online shops. Distribution channels are mainly DIY shops and various garden centers. Due to the extensive third-party distribution network and the large size of the products making them poorly suitable for online sales, only 1% of the segment's sales are direct consumer sales.

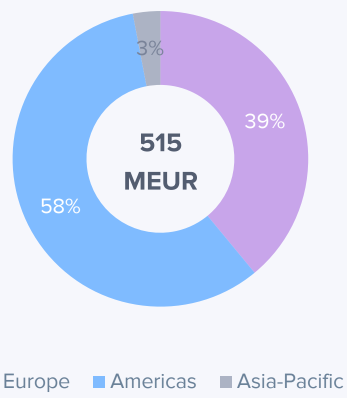
Seasonally strong weight on H1

Terra's sales and earnings have been strongly focused on the first half of the year due to the large garden, outdoor and watering business. Examining rolling figures reveals that about 59% of the segment's net sales and as much as 77% of the comparable EBITA are realized in H1. Therefore, Terra's products have the opposite seasonality to Vita, where net sales and earnings are strongly focused on H2 and especially on Q4. Weather conditions also have a clear impact on the demand for Terra's products.

Terra's sales channel mix (LTM)



Geographical breakdown of sales (LTM)

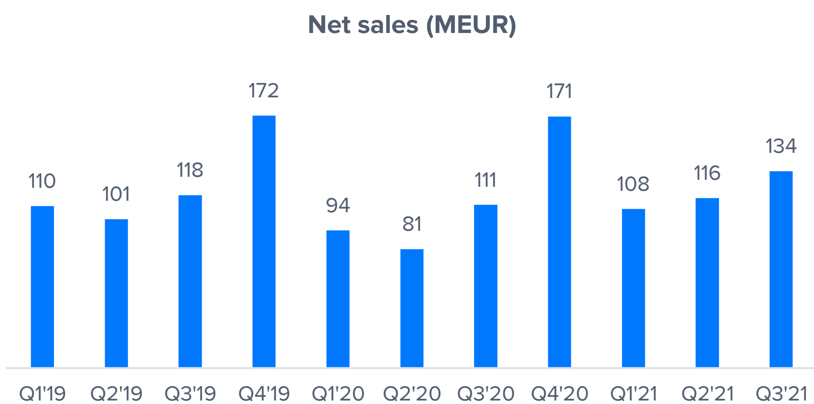


Vita segment

Main brands

iittala
ROYAL COPENHAGEN
WATERFORD
WEDGWOOD

Growth



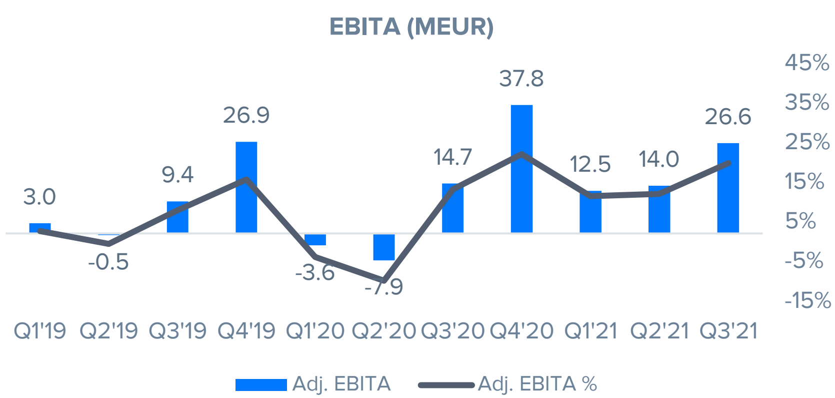
Target markets

- Northern Europe
- Great Britain
- USA
- Japan
- China

Product categories

- Tableware
- Drinkware
- Interior

Profitability



Sales channels

Resellers
- Brick-and-mortar & online

B2B

Direct consumer sales
- Brick-and-mortar & online

Tourism and the restaurant sector

Vita segment 1/ 2

Premium and luxury tableware, giftware and interior design products

The Vita segment offers premium and luxury tableware, giftware and interior design products. The segment's net sales for the last 12 months were EUR 529 million (44% of the Group's net sales) and its comparable EBITA was EUR 91 million (EBITA 17%). About 70% of the Fiskars Group's personnel are employed in the Vita segment. The high number of employees is explained by the fact that the company has its own factories, which require a lot of manual work (glassblowing, porcelain painting etc.) and several own brand stores, whose employees are on Fiskars' payroll.

WWRD acquisition (2015)

In summer 2015, Fiskars made a significant WWRD acquisition, where the company acquired several brands that represent high-quality and traditional porcelain and crystal products. These include, e.g., Waterford (founded in 1783), Wedgwood (1759), Royal Albert (1904), Royal Doulton (1815) and Rogaska (1665).

Scandinavian design brands

The "second half" of the Vita segment's brands are well-known for their Scandinavian design and roots. This side includes leading brands of home interior decoration and tableware from the Nordic countries. The product groups include, e.g., tableware, drinkware, vases, lamps and other interior products. The business consists of brands that joined the Group through acquisitions in the 2000s, such as Iittala, Royal Copenhagen, Rörstrand and Arabia.

Iittala Group acquisition (2007)

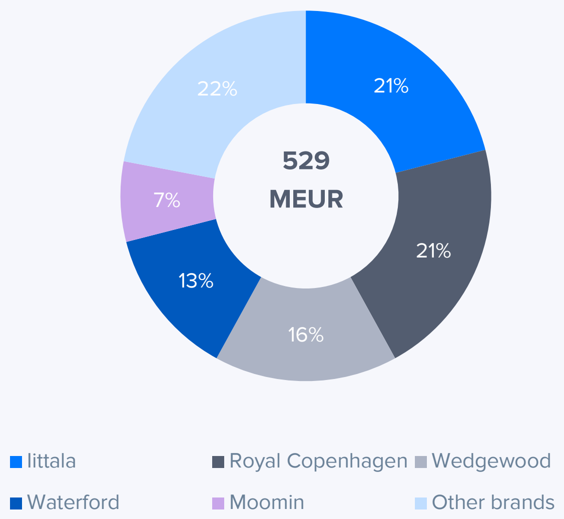
In 2007, Fiskars acquired the Iittala Group, a design company in the domestic product sector. In connection with the Iittala Group acquisition, Fiskars received some of the most prestigious brands in Finland, Sweden and Norway, such as Iittala, Arabia, Hackman, Rörstrand, Höganäs Keramik, BodaNova and Hoyang-Polaris. At the time of acquisition, Iittala Group's net sales were EUR 190 million and adjusted EBIT EUR 17 million (EBIT 9%).

Wholesale trade dominates the sales

According to our estimates, about 45% of the Vita segment's net sales come from wholesale, which enables the products to find their way to large department stores (e.g. Macy's in the United States, Stockmann in Finland or Harrods in England). The products of the Vita segment are often sold in high-end channels, as they represent a premium and/or luxury level in terms of quality and pricing.

The company has stated that, especially through the WWRD acquisition, brand products that have entered the portfolio (formerly known as English & Crystal Living) have recently been taken away from discount-driven stores where they were sold under the previous owner to maintain brand image and pricing power. This has been reflected in a rather muted net sales development in recent years, but it should improve profitability over time.

Breakdown of net sales per brand



Vita segment 2/ 2

A significant proportion of sales from own channels

38% of the Vita segment's net sales come from the company's own direct channels, which include own stores, shop-in-shops, outlets and own online store. These are important channels for developing the brand image and can be used not only to provide expert service, but also to familiarize consumers with the Group's other brands and create new growth opportunities. In general, own stores raise the relative gross margin, as in addition to the wholesale margin, the company also receives the retail margin. However, own stores tend to clearly increase the company's relative sales and marketing cost. This has been visible in the Group's cost structure after the Iittala, Royal Copenhagen and WWRD acquisitions.

According to our estimates, about 5% of the Vita segment's net sales come from the tourism and restaurant sector channel. This includes fine hotels or airlines that want to offer their customers food and drink from stylish crystal or porcelain dishes.

To our understanding, e-commerce represents about 15% of the segment's net sales. This includes both the company's own and third-party online stores. E-commerce is the company's strongest growing channel, and we estimate that the COVID pandemic has only increased e-commerce's relative share of net sales.

H2 seasonally important

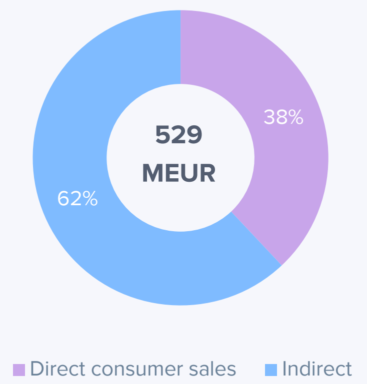
The Vita segment's net sales and earnings have been strongly focused on the latter half of the year. When examining the actual figures for 2020-2021 (LTM), about 58% of the segment's sales were made in H2 and 71% of the comparable EBITA was realized in H2. The Vita segment is seasonally loss-making or generates zero profit in H1. Q4 and especially Christmas sales are very important for the segment, as these products are often bought as gifts.

Product categories

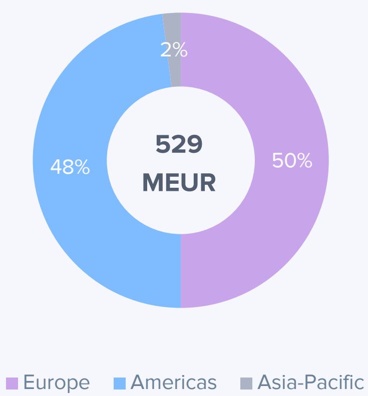
The largest product category in the Vita segment is Tableware which we estimate to account for about 45% of the segment's net sales. Almost all the segment's brands offer tableware. The second largest category is Interior, which we estimated to account for about 23% of the segment's net sales. Drinkware is the third largest category and its estimated share is 17% of the segment's net sales. Other products are estimated to account for approximately 15% of the segment's net sales.

Iittala is the most advanced product category of the brands in the Vita segment Iittala was primarily a glass-making company in the past, but the brand has been purposefully developed to cover other categories of home and interior decoration. The Vita segment has many different brands that have the potential to expand into new product categories, but the company has stated that it doesn't intend to force all brands into all product groups.

Sales channel mix (LTM)



Geographical breakdown of sales (LTM)



The Vita segment was formed through acquisitions

Iittala Group acquisition (2007)

Situation at time of acquisition

- Brand portfolio: Iittala, Arabia, Hackman, Rörstrand, Höganäs Keramik, BodaNova and Hoyang-Polaris
- Debt-free value of the acquisition EUR 230 million
- Net sales EUR 190 million (EV/S 1.2x)
- EBIT EUR 17 million (EV/EBIT 14x)
- Employees 1350
- 30 Iittala stores in total, 7 in Finland
- 50 shop-in-shops of different sizes in Europe and Japan
- Production facilities: Finland (Helsinki, Nuutajärvi, Iittala, Sorsakoski, Vähäkyrö), Sweden (Högnäs) and Norway (Moss)
- Seller: Private equity company ABN AMRO Capital, senior management and individual investors

Royal Copenhagen (2013)

Situation at time of acquisition

- Brand portfolio: Royal Copenhagen
- Debt-free value of the acquisition EUR 66 million
- Net sales EUR 66 million (EV/S 1.0x)
- EBIT EUR 5 million (EV/EBIT 13x)
- Employees 650
- 12 stores and outlet stores (Denmark, Japan and Korea)
- 117 shop-in-shops (Denmark, Asia, Germany and USA)
- Production facilities: Denmark and Thailand
- Seller: Private equity company Axcel

WWRD (2015)

Situation at time of acquisition

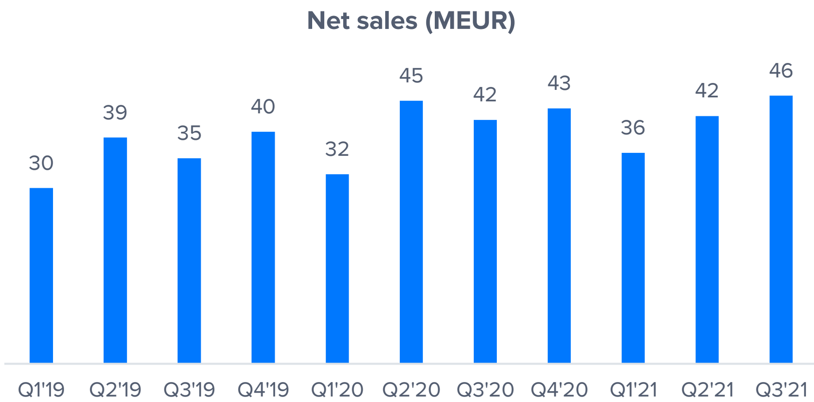
- Brand portfolio: Waterford, Wedgwood, Royal Doulton, Royal Albert and Rogaska
- Debt-free value of the acquisition EUR 406 million
- Net sales EUR 402 million (EV/S 1.0x)
- EBIT EUR 31 million (EV/EBIT 13x)
- Employees 3,800
- 226 stores of which WWRD owns 76, the remaining 150 shop-in-shops
- Production facilities: England, Ireland, Slovenia and Indonesia
- Seller: Private equity company KPS Capital Partners

Crea segment

Main brands

FISKARS

Growth



Target markets

USA

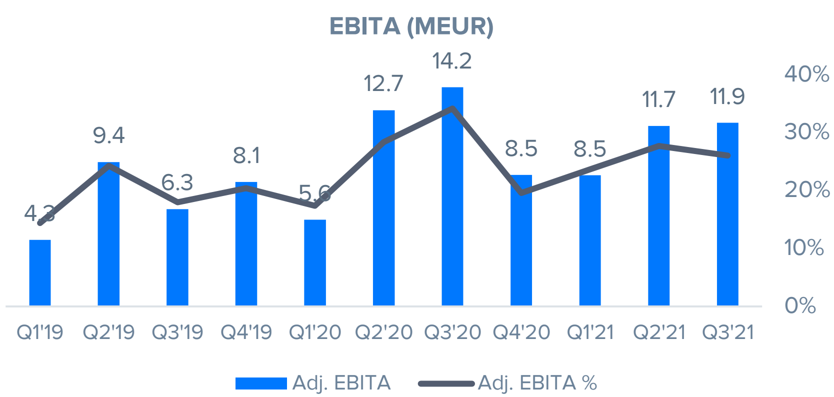
Northern and Central Europe

Product categories

Creating & Scissors
(63% of net sales)

Cooking
(37% of net sales)

Profitability



Sales channels

Resellers
- Brick-and-mortar & online

B2B

Direct consumer sales
- Brick-and-mortar & online

Crea segment

Iconic scissors and products that support creativity

The Crea segment includes the Fiskars Group's Creating, Cooking and Scissors categories. The biggest brands in the segment are Fiskars, Iittala and Royal Doulton. The segment's products include Fiskars' classic orange-handled scissors, paper cutters, kitchen utensils, cookware and knives. In addition to the above brands, Crea also includes several small local brands.

Crea doesn't have its own stores, but some of the products of the Crea segment (e.g. cooking products and scissors) are sold in the Vita segment's own stores. The Crea segment's products are also sold, for example, through third-party brick-and-mortar and online stores. The Crea segment's products are also sold through the Group's own online stores and B2B sales.

Crea is the smallest of the Group's three main segments measured by net sales, but it's clearly the most profitable. The segment's net sales for the last 12 months (Q4'20-Q3'21) were EUR 167 million (14% of the Group's net sales) and its comparable EBITA was EUR 40.6 million (EBITA 24%). The seasonality of the segment is also clearly lower than in the Terra or Vita segment and Crea's net sales are fairly evenly distributed throughout the year (excl. Back-to-school period, which is important for the segment).

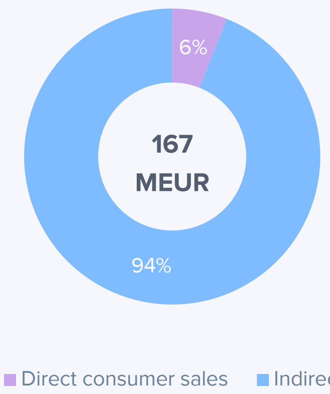
Fiskars is the world's largest scissor brand

The biggest brand in the Crea segment is Fiskars, whose product range includes knives, cutlery and cookware. However, the best-known product of the brand is its orange-handled scissors. According to Fiskars, the company has already sold more than one billion pairs worldwide, making it the world's largest scissor brand. At group level, the net sales of the Fiskars brand have increased by an average of 7% p.a. since 2017 and they accounted for 42% of the Group's rolling 12-month net sales.

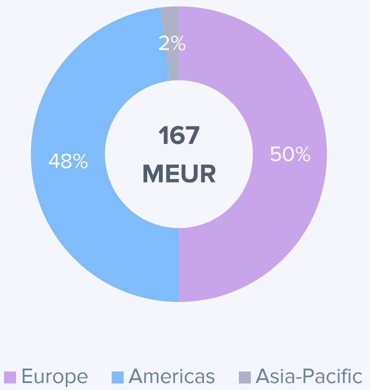
Portfolio covers many small local brands

To our understanding, the Fiskars brand accounts for the clearly largest part of the Crea segment's net sales. The segment also includes several small local brands that became part of the Group through acquisitions, but even their aggregate net sales are modest for the Group. As the key international brands have been found to have better growth prospects and relatively better profitability, Fiskars has paid less attention to the sales, marketing and product development activities of smaller brands. We estimate that smaller brands are being merged with the Group's big brands over time. This has been the case in the last few years, for example, when the Hackmann brand's cookware were merged under the Fiskars' name.

Sales channel mix (LTM)



Geographical breakdown of sales (LTM)

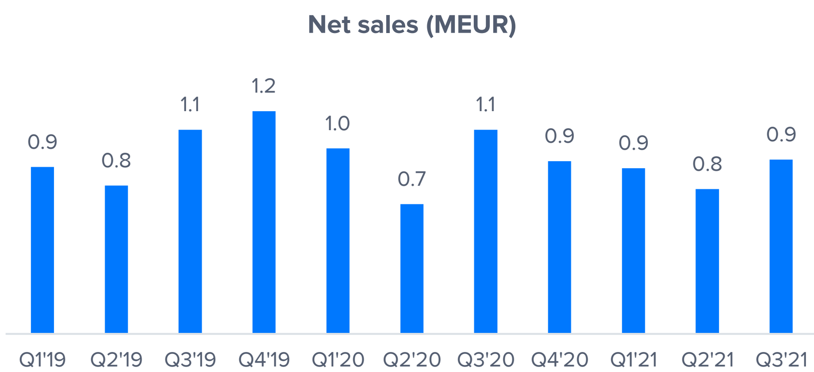


Other segment

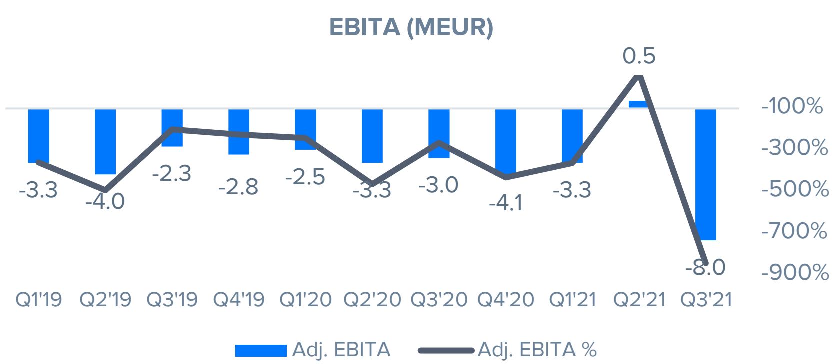
"Brands"

FISKARS VILLAGE

Net sales



Profitability



"Product categories"

- Investment portfolio
- Group administration
- Fiskars' real estate
- Fiskars Ironworks
- Land and property
- Forest management
- Tourist destination

Production

Purchase of raw materials

Fiskars Group's products use a wide range of raw materials, as the company has a wide spectrum of different product categories. The products of the Vita segment are mainly glass or porcelain items of premium grade, manufactured using sand, clay and bone, among others. In the products of the Terra and Crea segments, metals and plastics are important and they're used in scissors, frying pans, axes and garden hoses. Raw materials account for a relatively small share of the final product prices and a large part of the cost structure comes from the labor. For example, glass processing requires a lot of professional skills and manual work. The investments in design, sales and marketing in premium design products also account for a large part of the product's price. Raw materials are bought in many different currencies and there is production in many countries and currencies, which balances the risk of fluctuations in raw materials and currencies in terms of sourcing and manufacturing.

Manufacture of products

About 40% of Fiskars' products are made at own factories and the rest come from contract manufacturers.

Own 'big' factories

The company's largest factory is located in Indonesia, where Fiskars' ceramics plant employs about 750 people. It manufactures products of the Vita segment (e.g. tableware) for the Wedgwood, Royal Doulton, Royal Albert and Waterford brands.

The company's second largest factory is located in Slovenia, where the Vita segment's crystal products are manufactured for the Waterford and Rogaska brands. The factory employs approximately 700 people and there's also some production for parties outside the Group to fill capacity.

The company's third largest factory is located in Thailand, where the production of the Royal Copenhagen brand was transferred from Denmark at the beginning of the 2000s. The factory employs approximately 650 people and e.g. hand painting and glazing is done there.

The company's fourth largest factory is located in Poland, where 600 people manufacture garden tools and shovels for the Fiskars brand. The plant has been expanded several times and, for example, the production of cutting garden products was transferred there from Finland as part of the Supply Chain 2017 efficiency program.

The Billnäs and Iittala factories in **Finland** and the Portland plant in **the United States** are small in terms of personnel, but due to their high productivity they represent a respectable share of Fiskars production capacity. The Iittala factory employs about 200 people and it produces both machine-blown and hand-blown glass. The Billnäs factory also employs about 200 people and produces e.g. axes and scissors for the Fiskars brand. In the United States, the Portland plant employs 190 people to manufacture Gerber knives and multi-purpose tools. The US army is Gerber's big customer and the products must therefore be manufactured in the United States.

Own "small" factories

The third factory in Finland is located in Sorsakoski, where Fiskars' cookware is produced.

In Denmark there is a small Royal Copenhagen factory where porcelain products are manufactured to order, e.g., to the royalty. This factory is more about art than production.

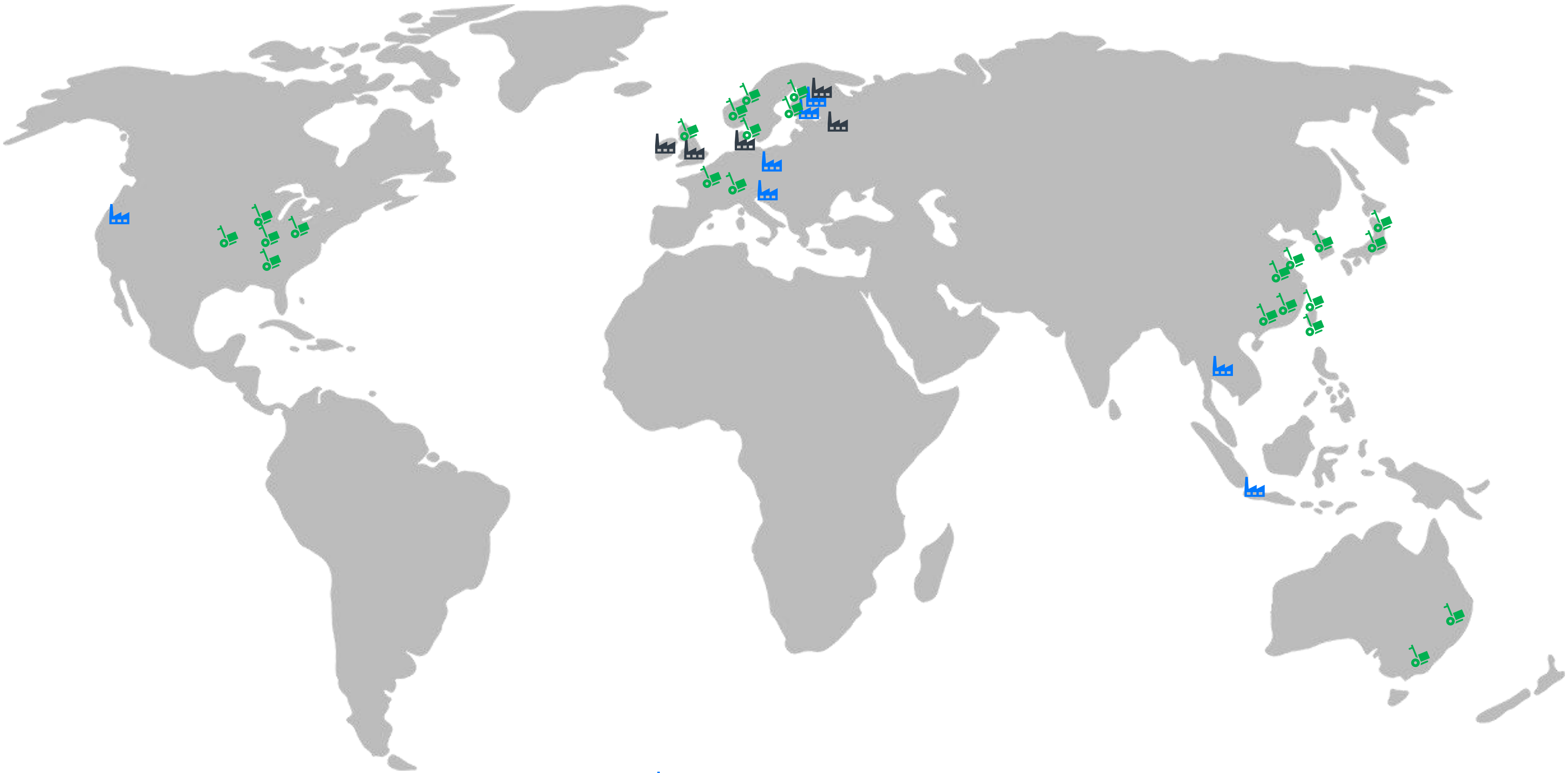
Ireland has a small crystal-manufacturing plant, which is also an important tourist destination for demonstrating the expertise and history of the Waterford brand. There is a small Wedgwood porcelain factory in England, which isn't just a factory but also a tourist destination for the popular brand.

In Russia, the company employs 30 people to produce e.g. snow-shovels in winter and pointed spades in summer.

The share of contract manufacturing is increasing

An increasing share of the Group's products comes from contract manufacturers (Inderes' estimate: 60%). The company has a total of ten key suppliers, a large number of component and material suppliers and suppliers of smaller volumes. Some of the contract manufacturers are Fiskars' long-term partners, because for example, due to detailed molds, manufacturers cannot easily be invited to tender. Therefore, the relationship becomes deeper. In addition, Fiskars' quality standards are high, which is an important factor when forming partnerships. The Vita segment has three large sub-suppliers in Thailand, China and Romania. In 2016, the Arabia factory in Finland was shut down and its production was transferred to Thailand and Romania. In China, a contract manufacturer produces, for example, Royal Doulton products. Fiskars contract manufacturers in Europe produce for example, wine glass stems, concrete parts and electrical parts for Iittala lamps, as well as water hoses. Serviettes and other kitchen textiles also come from contract manufacturers, as it's pointless for the company to start producing such products.

Fiskars' factories and distribution centers



= Own big/medium-sized factory (7)

= Own small factory (5)

= Distribution center (24)

Fiskars' factories

Location	Personnel	Brands	Segment	Product categories
Indonesia, Banten	750	Wedgwood, Royal Albert, Royal Doulton, Waterford	Vita	Ceramics
Slovenia, Rogaska	700	Rogaska, Waterford	Vita	Crystal
Thailand	650	Royal Copenhagen	Vita	Porcelain
Poland	600	Fiskars	Terra	Gardening tools
Finland, Iittala	200	Iittala, Arabia	Vita	Machine-made and hand-blown glass
Finland, Billnäs	200	Fiskars	Terra	Gardening tools
USA, Portland	190	Gerber	Terra	Knives and multi-purpose tools
Ireland, Waterford	70	Waterford	Vita	Customized made-to-order products from glass
Finland, Sorsakoski	60	Fiskars	Crea	Cookware
Russia	30	Fiskars	Terra	Snow tools, shovels
England, Barlaston	N/A	Wedgwood	Vita	Ceramics
Denmark, Copenhagen	N/A	Royal Copenhagen	Vita	Customized made-to-order products from porcelain

History and transition process

Journey to a global consumer product company

In the 21st century, Fiskars has focused on consumer products and the company's aim has been to transform from a holding company to an integrated home of iconic lifestyle brands. Fiskars has made several M&A transactions to shape its portfolio in this direction.

Acquisitions

The Iittala Group acquisition in 2007 strengthened Fiskars' position in the kitchenware area and the Leborgne acquisition in 2007 on the garden tools side. Since the acquisition of Iittala Group, Fiskars has determinedly moved towards uniform and effective global consumer product company. The Royal Copenhagen acquisition in 2013 completed Fiskars' product range with fine hand-painted porcelain and strengthened Fiskars' presence in Asia and the Nordic region. In 2014, Fiskars acquired leading US watering product brands Nelson and Gilmour and strengthened its position in the gardening category. In 2015, Fiskars acquired the WWRD companies and its portfolio of luxury brand home and lifestyle products.

Divestments

During its transformation process, Fiskars has been able to get rid of brands which the company have not expected to form into global consumer brands or brands for which the Group can't offer special synergies with, for example, manufacturing or sales channels. Some brands have also been merged.

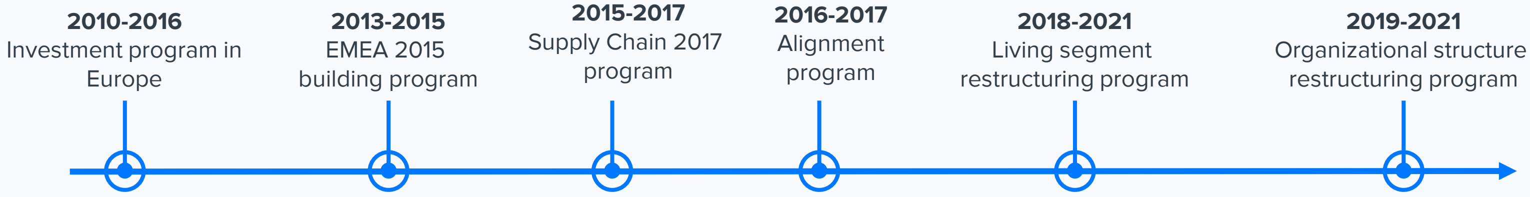
Fiskars has got rid of, e.g., European and US pottery businesses in 2016 and the Buster boat business in 2015. Fiskars also sold Silva, known for sports and outdoor products, and its subsidiary Brunton in 2011 and 2009. In 2019, Fiskars sold its tool-manufacturing Leborgne business to focus on its core strategy that relies on consumer products. Leborgne products are mainly used by professionals and we believe that therefore it didn't support Fiskars' vision. At the end of 2021, Fiskars announced that it had signed an agreement on the sale of the North American watering business. The deal covers the Gilmour and Nelson brands and is expected to be realized during Q1'22. The divested brands aren't at the core of the product portfolio during the new strategy period and the business from them hasn't supported the company's profitability. Furthermore, the Fiskars Group's product range in the US is significantly different from what it is in Europe, where the company continues to grow under the Fiskars brand.

Transformation programs

After numerous M&A transactions, Fiskars has needed to integrate the new companies into the Group smoothly. This has required a lot of work. Throughout the 2010s, the company has in practice been running a restructuring or productivity program, combining ERP systems, production and supply chains, sales companies and generally improved or reorganized operations. At present, Fiskars has two ongoing efficiency programs.

The restructuring program of the Vita segment was launched in 2018 and will last until the end of 2021. The program aims to simplify and strengthen the business and improve efficiency. The other restructuring program, launched in 2020, aims to reduce costs by eliminating overlaps, simplifying processes and working methods, and reducing staff. This program is also due to expire at the end of 2021.

Restructuring programs marked the previous decade



M&A transactions of the transformation process

Year	Event	Target	Business size
2022[1]	Divestment	North America's watering business	Net sales 80 MEUR
2020	Divestment	Ningbo assembly plant	Production value of 9 MEUR
2019	Dividend	Fiskars distributes the remaining 5.52% of its Wärtsilä holding as a dividend	
2019	Divestment	Leborgne business	Non-recurring costs from the sale 0.8 MEUR
2016	Divestment	European pottery business (Ebertsankey) and Spring USA	Net sales totaled 26 MEUR, EBIT 3 MEUR
2015	Divestment	Local pottery business in the United States (American Design Pottery)	Net sales 25 MEUR, 50 employees
2015	Divestment	Buster boat business	Net sales 32 MEUR, EBIT 1 MEUR, 160 employees
2015	Acquisition	WWRD companies	Net sales 402 MEUR, EBIT 31 MEUR
2014	Acquisition	Nelson and Gilmour watering brands	Net sales totaled 90 MEUR, negative EBIT
2014	Divestment	Fiskars sells 8% of Wärtsilä to Investor for 639 MEUR	Non-recurring sales gain of 450 MEUR
2013	Divestment	Fiskars sells its local Sankey business	Net sales 12 MEUR
2013	Acquisition	Royal Copenhagen	Net sales 66 MEUR
2012	Divestment	Fiskars sells 2.08% of Wärtsilä to Investor for 126.8 MEUR	Non-recurring sales gain of 87 MEUR
2011	Divestment	Sale of sports and outdoor brand Silva	Net sales 15 MEUR
2011	Divestment	Fiskars sells 2% of Wärtsilä to institutional investors for 110.6 MEUR	Non-recurring sales gain of 69.8 MEUR
2009	Divestment	Camping and hiking brand Brunton	Net sales under 10 MEUR
2009	Divestment	Crafts brands Heidi Grace and Cloud 9	Net sales totaled 5 MEUR
2009	Acquisition	Acquiring a minority stake (30%) in sports and outdoor brand Silva for 0.2 MEUR	
2007	Acquisition	Iittala Group	Net sales 190 MEUR
2007	Acquisition	Leborgne	Net sales 16 MEUR
2006	Acquisition	Sports and outdoor brand Silva and subsidiary Brunton (majority stake)	Net sales 34 MEUR
2006	Divestment	Power Sentry, a manufacturer of consumer electronics accessories	Net sales 40 MEUR

1) transaction expected to be completed in Q1'22

Restructuring and productivity programs

Name of the program	Year started	Year ended	Total cost	Annual savings
Program to renew organizational structure	**2019**	**2021**	**Total of EUR 45 million with the program below**	**EUR 20 million**
Fiskars aims to reduce costs through renewing the organizational structure. The program seeks synergies and efficiency in management and administration, and aims for savings by eliminating overlaps, simplifying processes and working methods, and reducing staff.				
The Living segment restructuring program	**2018**	**2021**	**Total of EUR 45 million with the program above**	**EUR 17 million**
The aim of the Living segment (the current Vita) restructuring program is to increase operational efficiency, simplify business structure and accelerate long-term strategic development. These changes include optimizing the global retail and distribution network, supply chain and organizational structure. The program focuses mainly on the English & Crystal Living business to improve its profitability.				
Supply Chain 2017 program	**2015**	**2017**	**EUR 11.2 million**	**EUR 8 million**
The purpose of the restructuring program was to optimize the global supply chain network in Europe and Asia. The program aimed to improve the competitiveness of Fiskars' manufacturing and distribution networks. As part of the program, Fiskars moved the Helsinki ceramics plant to the partner network and focused manufacturing of cutting tools from the Billnäs factory to Poland.				
Alignment program	**2016**	**2017**	**EUR 15 million**	**EUR 14 million**
The Alignment program focused on restructuring within the organization, presented personnel reductions and full integration of the English & Crystal Living business acquired in 2015.				
EMEA 2015 restructuring program	**2013**	**2015**	**EUR 21.3 million**	**EUR 13 million**
Fiskars' EMEA 2015 restructuring program aimed at improving the competitiveness and cost structures of the overall supply chain and implementing the company's new business model in the sales companies.				
Investment program in Europe	**2010**	**2016**	**EUR 65 million**	
The objective of the investment program in Europe was to create competitive structures, processes and systems for the European region, including a new common ERP system. In 2013, the program was updated to include the newly acquired Royal Copenhagen. Currently, the entire business under the program uses common systems and processes.				

Past development 1/3

Net sales still at 2016 level

Fiskars' net sales declined continuously between 2016 and 2019, but in 2020, 2% of growth was seen driven by Terra (+12%) and the Crea segments (+13%), which benefited from the home trend. The Vita segment's net sales decreased by 9% in 2020, as the pandemic led to a decline in customer volumes and resellers reducing inventories.

The changes in demand and business environment caused by the pandemic affected in particular the distribution channels of the Vita segment, leading to a drop in net sales in 2020. The Group's 2021 figures (Q1-Q3) have again been convincing with 9% growth y/y, which is well above the current organic growth target of about 5%. Each business unit has grown well, but Vita (+25%) has performed exceptionally well as customers return to the company's own and reseller stores.

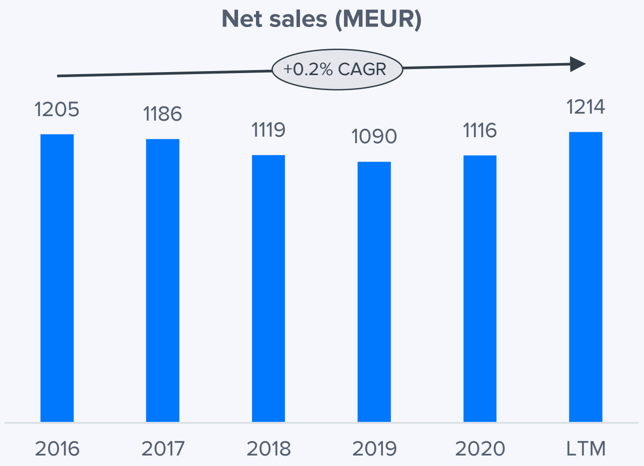
The weak growth in the years before COVID is largely explained by the company's focus on improving processes and profitability, which has required changes in the organizational structure and streamlining its own ownership portfolio. Especially the operations that were part of the WWRD transaction in 2015 have required management attention. After that, Fiskars hasn't made any new acquisitions, but the ownership portfolio has been streamlined in 2016 by divesting the Ebertsankey pottery business and Spring USA that serves the Foodservice channel in 2019 and by selling Leborgne, a manufacturer of tools for building and garden management in 2019, and by selling the Ningbo assembly plant in 2020.

Gross margin increased faster than net sales

During the review period, Fiskars' gross margin has increased by a total of 3% from EUR 503 million in 2016 to rolling 12 months' EUR 518 million. The gross margin has risen slightly from 2016 (41.7%) to 42.7%, resulting in higher gross margin growth than net sales growth.

Among the factors contributing to the gross margin are the withdrawal of Vita segment products from discount-driven sales channels, a stronger focus on own sales channels and efficiency improvements in purchasing and manufacturing. For example, Fiskars has transferred production from its own factories to more efficient suppliers, which has reduced the costs of purchasing and manufacturing. The concentration of the brand portfolio around premium and luxury products has also contributed to a decrease in the relative share of purchasing and manufacturing costs in the final product prices. These products offer significantly higher gross margins than some of the previous product categories that the company has since abandoned. At the same time, the relative profitability of 2021 has faced headwind from exceptionally high raw material prices.

Due to the modest development of net sales, the development of the absolute gross margin has remained minute, although relative profitability has improved slightly.



Past development 2/3

Development of the cost structure

In recent years, Fiskars' cost structure has developed favorably in many respects. Some of this is due to changes in the brand portfolio, but benefits from restructuring and efficiency programs are also visible in costs. However, since net sales have remained at the 2016 level, the cost structure hasn't received any significant support from the scaling of fixed costs.

The cost of goods sold in net sales has fallen from 58% (2016) to 57%, calculated from the last 12 months' figures. Gross margin is calculated by deducting the cost of goods sold from net sales, so the relative decrease in the expense item is driven by the same factors that led to the improvement in the gross margin on the previous page.

The share of sales and marketing costs has fallen from 25% (2016) to 20%, calculated from the last 12 months' figures. The figures clearly show the effects of COVID restrictions on business operations when travel and exhibition expenses have fallen to almost zero. The relative share of the expense item in net sales has fallen to 20%, but this isn't a permanent level. During its CMD, the company communicated that it expects the expense item to return to normal after the pandemic subsides and to grow faster than net sales, especially as a result of data-based marketing.

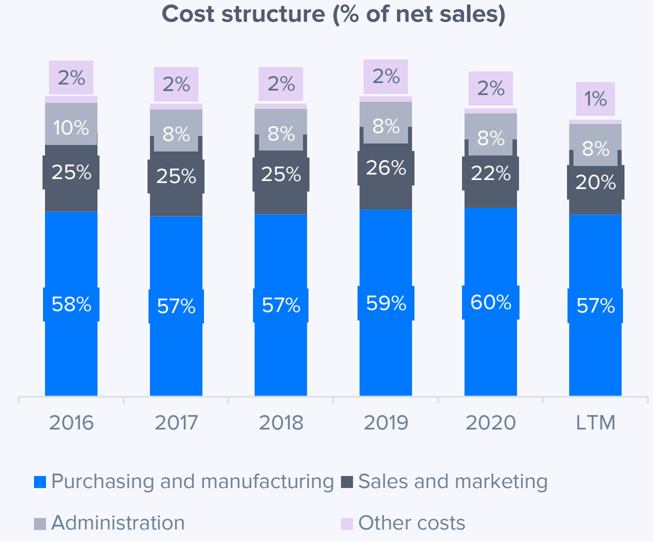
The share of administrative costs has fallen from 10% to 8%, which has received support from the streamlined organizational structure.

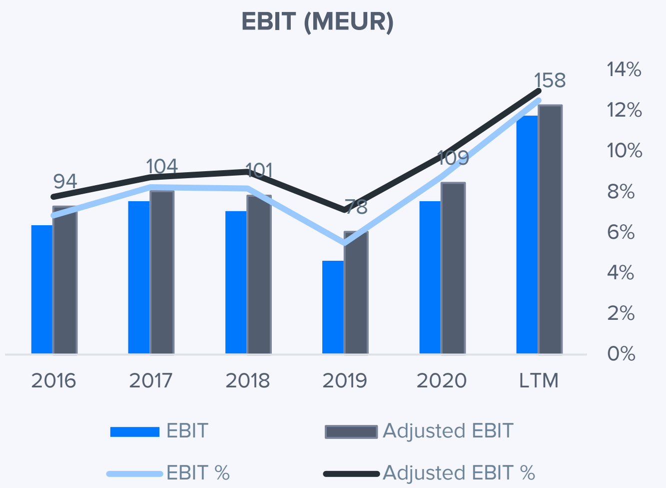
Other expenses have remained very low throughout the review period and the expense item has virtually not affected the company's result. Other expenses include R&D costs (1-2% of net sales) and other operating expenses (<1% of net sales).

Improved relative profitability has increased operating profit

Fiskars' adjusted operating profit has increased from the 2016 level by an average of 12% p.a. to EUR 158 million of the last rolling 12 months. The development has been driven mainly by improved relative profitability. The comparable EBIT margin has remained between 7-10% over the review period (2016-2020), but the rolling 12-month figure has increased to a whopping 13%. We believe that this a really strong performance, considering the background of the highly competitive consumer product sector and the cost structure of Fiskars' product portfolio's manufacturing, sales and marketing activities. The company's management acknowledges that the exceptional circumstances of recent years have created a favorable climate for the figures, but at the same time believes that the Group's current toolbox can be even further utilized.

The reported EBIT has been lower than the comparable EBIT for the whole of the 2010s, due to numerous restructuring and efficiency programs. The restructuring program of the Vita segment and the Group restructuring program still weigh on the reported figures in 2021, but thereafter, in the light of current information, Fiskars should no longer have efficiency programs creating non-recurring costs.





Past development 3/3

Investments and depreciation

Fiskars' average annual investments have been EUR 36.7 million over the review period. The Group's annual investment level in relation to net sales has varied between 2.6% and 4.1%, and the average investment level over the review period has been 3.2% of net sales. At the same time, depreciation and impairment losses have been on average EUR 54.6 million annually, i.e. clearly bigger than investments. The Group's depreciation has increased significantly since the adoption of the IFRS16 standard. Fiskars has many long lease contracts (e.g. own store rental contracts), which have been recognized in the balance sheet as property, plant and equipment from 1/1/2019. Annually, the majority of these rent payments are recorded in depreciation, which has created a big jump in depreciation between 2018 and 2019.

Fiskars' business is very capital-intensive. The company has several own factories which require continuous maintenance and replacement investments. In addition to maintenance, Fiskars also makes expansion or other efficiency-enhancing investments from time to time. In recent years, the company has also invested heavily in IT systems, such as ERP programs or the development of common e-commerce platforms. Moreover, particularly in the Vita segment, investments in the construction of shops are typical.

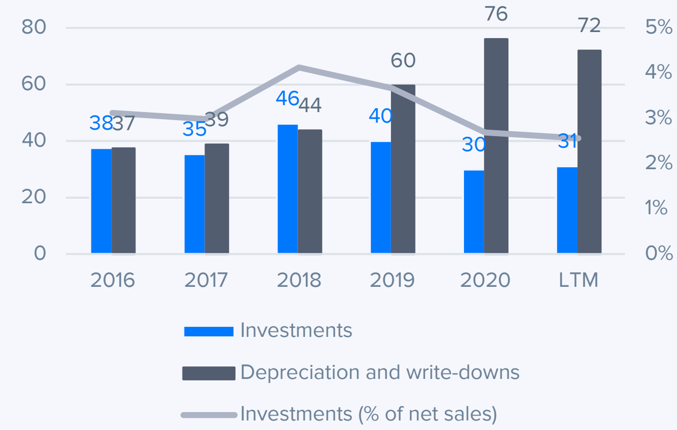
In the last 12 months, investments have remained below the average (EUR 31.1 million). The low investment level in 2020 and 2021 is partly due to the uncertain market situation caused by the COVID pandemic and the postponement of investments. Therefore, they aren't the best indicators for the business' investment needs. During its CMD, the company announced that it expects the investment level in relation to net sales to rise back to around 4%.

Strong balance sheet gives ample room for maneuver

Fiskars has a very strong balance sheet. At the end of Q'21, equity ratio was 58% and net gearing 17%. Net interest-bearing liabilities increased ostensibly in 2019 due to the implementation of IFRS-16, when lease liabilities were transferred to the balance sheet as interest-bearing liabilities. However, this change is fully related to accounting and doesn't affect the company's debt sustainability or fair value. Fiskars also distributed more than EUR 400 million worth of Wärtsilä shares as an additional dividend from its balance sheet in 2019. Without the impact of these, the equity ratio would be even stronger than it is today.

The company's financial objective is to keep the ratio between net debt and EBITDA below 2.5x. For rolling 12 months, this figure is 0.6, which is clearly below the defined maximum. Strong cash flow enables the company to retain a large amount of extra resources annually after necessary investments and dividend payments to strengthen its balance sheet. A robust balance sheet and strong cash flow will, if necessary, leave the company plenty of room for maneuver in M&A. Fiskars' current growth target for net sales no longer includes inorganic growth, but the company has stated that it's ready to pull the trigger if a suitable acquisition target appears.

Investments and deprecation



Balance sheet structure

Strategy and financial objectives

Strategy announced in the fall emphasizes growth

In fall 2021, Fiskars announced a new growth-oriented strategy and ambitious financial targets in connection with its CMD. With its earlier focus on profitability optimization and growth, Fiskars' new strategy relies on winning brands, channels and countries.

More investments in winning brands

Fiskars categorized its brand portfolio into winning and turnaround brands during its CMD. These have different growth and profitability profiles. In the future, the company is expected to grow by investing heavily in winning brands and increasing their share of total sales. Fiskars also invests in turnaround brands to make the turnaround possible, but the time span, magnitude and ambitions of the investments differ from the winning brands. Winning brands can also be expanded to new product groups in the future. This will take advantage of the consumer's emotional bond to the brand and aim to surround the consumer with the brand in a more holistic way. A good example of this is the Fiskars clothing collection for gardening, published in collaboration with Maria Korkeila.

Winning in channels requires getting closer to the consumer

Direct consumer sales are at the heart of the new strategy period. Fiskars' management expects the importance of direct consumer sales to grow significantly among consumer brands and the brands that are ready for this transition to benefit. Direct consumer sales are already familiar to Fiskars as they make up more than a third of the Vita segment sales. At group level, direct consumer sales bring less than 20% of sales and the company is now seeking to increase this figure to ca. 50%.

Success in direct consumer sales requires a seamless multi-channel consumer experience, resulting in Fiskars making large investments in digital marketing, online shopping and its own retail network. We expect the number of stores to grow in the future, especially in China, but the company also wants to optimize its current store network and increase its comparable store sales.

Commercial excellence

Commercial excellence is a key theme in the new strategic period. In addition to stronger direct consumers sales, Fiskars wants to ensure being in other operators' winning channels. Furthermore, the presentation, placement and visibility of the products will be focused on both in own and third-party channels, and also on being present in these channels with an optimal product mix. In regard to product pricing, the company is seeking more value-based pricing and the management says that this factor has supported the Group's improving profitability despite increased raw material costs.

USA is #1 now and in the future

Most of Fiskars' sales come from the United States, but the Group still sees a lot of potential to grow in that market. Local consumers are brand-aware, which creates many opportunities for companies with a strong brand portfolio like Fiskars. Fiskars already has a strong presence among local "big-box" retailers and online stores. Strong and respected brands enable Fiskars to negotiate with the biggest players and open up opportunities to bring new brands and product categories into the selection of existing customers.

Despite its strong footing, the Group still has significant room for improvement in the USA. The Fiskars brand is highly valued among local consumers, but the entire brand offering hasn't yet been made available to consumers. During its CMD, the company's management also admitted that the Gerber brand, known for its special knife and multi-purpose tools, still has untapped potential and that the Vita segment's turnaround has progressed favorably also in this market.

China takes a spot on the podium

China is the second winning market area identified by Fiskars. In China, sales rely on the Vita segment, spearheaded by the Wedgwood brand. Fiskars' sales in China have increased by an average of 50% p.a. (CAGR) since 2017, albeit from a small base figure. China's net sales for 2021 (LTM) were EUR 26 million, which is still modest on Fiskars' scale. Nevertheless, the company expects China to be one of the three largest markets by the end of the strategy period. The large brand portfolio can also be more widely utilized in China and Royal Copenhagen products were introduced to the market during 2021.

Winning and turnaround brands

Brands and target countries[1]

	Brand	Europe	America	Asia-Pacific
Winning brands	FISKARS	✓	✓	
	iittala	✓		✓
	ROYAL COPENHAGEN	✓	✓	✓
	MOOMIN by ARABIA	✓		✓
	GERBER		✓	
Turnaround brands	WEDGWOOD ENGLAND 1759	✓	✓	✓
	WATERFORD	✓	✓	✓
	ROYAL ALBERT ENGLAND 1904	✓	✓	✓
	ROYAL DOULTON LONDON 1815	✓	✓	✓

Attributes of winning brands:

- Organic growth rates are typically faster than for the Group's other brands
- Sales margin is usually clearly higher than for the Group's other brands, when the differences in product categories are considered
  - Improve the Group's profitability
- More investments in them and with a different time span

1) The list doesn't include all brands owned by Fiskars

Financial objectives

	Financial objectives set by Fiskars	History		
Growth	**Annual organic net sales growth of approximately 5%** Currency-neutral	**2018** -5.5%	**2019** -2.5%	**2020** 2.4%
Profitability	**EBIT margin of about 15% by the end of 2025** Adjusted for items that affect comparability	**2018** 9.0%	**2019** 7.1%	**2020** 9.8%
Cash conversion	**Free cash flow at least 80% of the profit for the period** Adjusted for items that affect comparability	**2018** 95 %	**2019** 114%	**2020** 248%
Leverage ratio	**The ratio of net debt to adjusted EBITDA less than 2.5x** Rolling 12 months	**2018** 1.0x	**2019** 2.2x	**2020** 0.8x
Dividend policy	**Stable dividend that grows over time** Distributed twice a year	**2018**[1] EUR 0.54	**2019** EUR 0.56	**2020** EUR 0.6

1) Adjusted for extraordinary dividend

Estimates 1/3

Guidance for the 2021 financial year

In October 2021, Fiskars raised its guidance and now estimates the Group's comparable EBITA to be EUR 160-170 million. The past year has clearly gone better than the company had expected and the guidance has already been raised four times.

Our estimates for the financial year 2021

Net sales increased by 12% to EUR 901 million in January-September. Growth has come from each business unit, but the recovery of Vita, which suffered from COVID during the comparison period, has been the most significant growth engine. China in particular and its own channel have driven Vita's growth. The Crea and Terra units face a record-strong comparison period, but Crea has achieved growth thanks to the successful expansion in Europe in the cooking category, and Terra has seen growth in each product category, despite availability challenges. Comparable EBITA increased to EUR 133 million in January-September (+53%). This was on the shoulders of Vita, which benefited from increased sales volumes, improved channel distribution and the impact of efficiency programs. Crea and Terra's EBITA decreased slightly from a record-strong comparison period, while increased manufacturing and logistics costs had a negative impact on profitability.

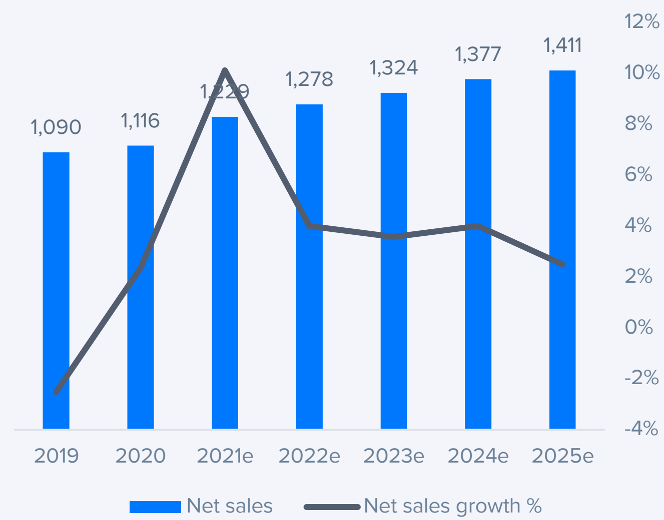
Our forecast for 2021 net sales is EUR 1229 million (up 10%). By its seasonal nature, Q4 is the company's most important quarter and especially Vita's net sales and earnings rely heavily on Christmas sales. In previous years, Vita has had difficulties in generating sales growth and a new COVID wave could have a negative impact on the environment, for example due to restrictions on movement and shutdowns of shops. The fact that the holiday season will be reduced to the core family can also negatively affect the sale of gift and tableware categories, which overshadows Vita's Q4 outlook.

Our forecast for 2021 comparable EBITA is EUR 168 million, which is at the top end of the guidance range. Our comparable EBIT forecast is EUR 154 million (2020: EUR 109 million) which means an EBIT margin of 12.5 % (2020: 9.8%). The earnings growth is driven by growing net sales, improved distribution channel mix and realized benefits from efficiency programs. The figures for 2021 still include the tailwind from the pandemic-driven home trend, which supports Crea and Terra in particular. The restructuring programs will still generate considerable non-recurring costs this year, so our reported operating profit forecast is EUR 140 million (EBIT 11.4%). We expect the reported EPS to be EUR 1.04 (2020: 0.83). We estimate that the company will increase its dividend to EUR 0.80 (2019: 0.60), which corresponds to a 77% payout ratio (2020: 72%).

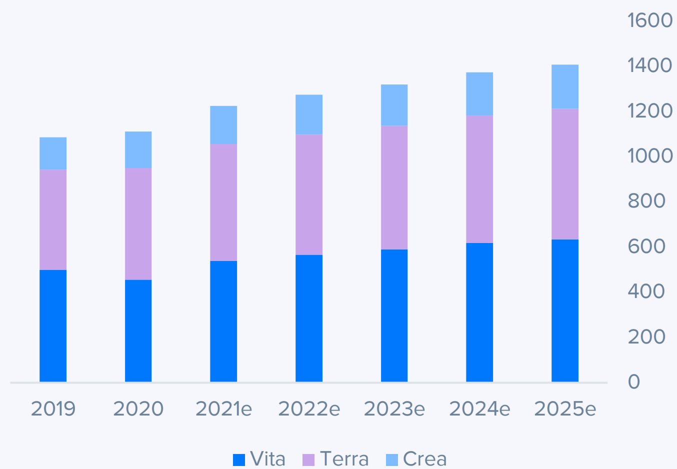
Estimate changes caused by the sale of the watering business

As a result of the sale of the North American watering business, we made minor changes to our estimates. The changes will only affect the Terra segment. We cut the 2022 net sales estimate by nearly EUR 80 million. We expect the divested business to have a weaker growth and profitability profile than the Group's other businesses. This means that divesting the business will have a positive impact on the organic growth and relative profitability of the segment.

Net sales estimates



Net sales per segment (MEUR)



Estimates 2/3

Net sales growth estimates

Fiskars' financial targets include a long-term average currency-neutral organic net sales growth of approximately 5% p.a. We consider this target possible, but our forecasts are below the target at ca. 4% p.a. In 2022, we estimate that net sales will fall due to the sale of the watering business, but this structural decline of EUR 80 million in net sales won't affect organic growth. Achieving organic growth in the long term has historically created challenges for Fiskars. This together with the potentially fading home trend should be considered when assessing new targets.

In our forecasts, Vita is the strongest growth engine in the coming years, growing by 5% p.a., but we also expect good growth from Crea (~4% p.a.). While we expect Terra's organic turnover to grow slightly over 3% p.a., due to the North American watering business, the segment's net sales and operating profit will make a downward level correction in 2022.

Fiskars hasn't made any acquisitions since the WWRD deal in 2015. Since then, net sales have evolved horizontally as the company has divested non-strategic brands, cut its distribution channels and streamlined its product portfolio. The balance sheet is very strong and now that the company has been able to get its own house in order, acquisitions may be in the cards in coming years. The company has stated that it's ready to act if a suitable acquisition target appears.

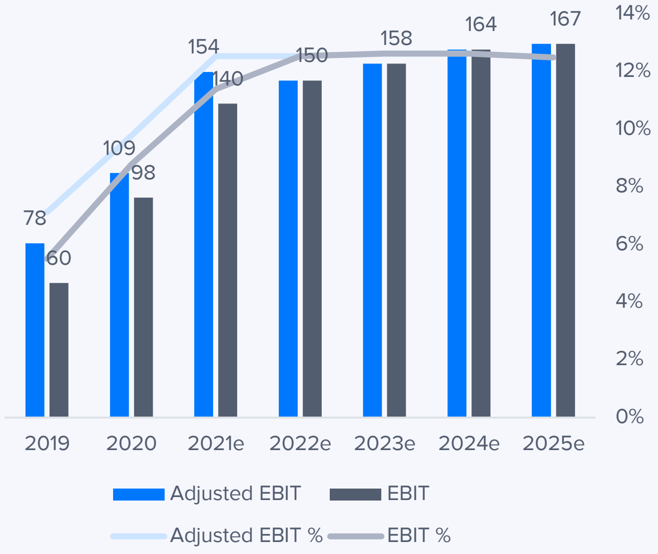
Our profitability estimates are conservative in comparison to the targets

Fiskars targets a 15% adjusted EBIT margin by the end of 2025. We see the target as very ambitious because the company has never achieved such a high profitability level and our EBIT margin estimate for 2025 is well below it at 12.5%. The present management has been convincing and tuned the Group's performance, but we think that the target should be taken with a grain of salt considering Fiskars' historical profitability. The actual adjusted EBIT margin for 2020 was 9.8%, but the adjusted EBIT margin for the last 12 months has already increased to 13.0% due to improvements in Vita's performance.

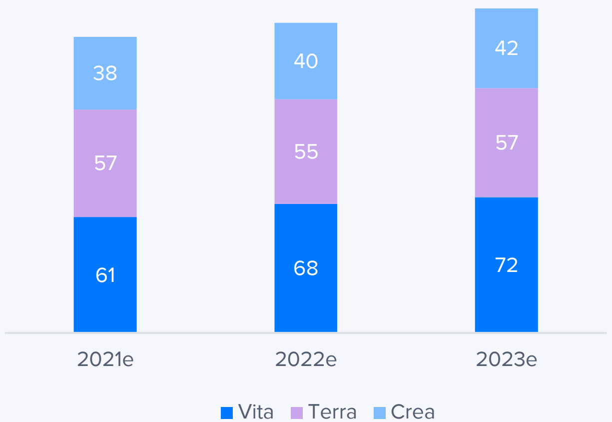
Fiskars' annual depreciation on intangible assets amounts to ca. EUR 14-15 million, so the comparable EBIT margin is typically around ~1% point below the comparable EBITA margin. The reported EBIT has also been weighed down by the non-recurring costs associated with the various efficiency measures over the past decade. As Fiskars' latest efficiency programs are expected to end in 2021, our forecasts for the next few years don't include any non-recurring costs that decrease the reported earnings. Therefore, the reported EBIT margin makes a level adjustment in 2022 to 12.5% (2021e: 11.4%).

We estimate that operating profit in euros will improve year after year, but the development is driven by net sales growth, while relative profitability remains at this year's level. The adjusted EBIT margin for 2021 (2021e: 12.5%) is at a very strong level, partly benefiting from temporary pandemic-related cost savings and increased demand driven by the home trend.

EBIT estimates (MEUR)



Adjusted EBIT per segment (MEUR)



Estimates 3/3

We expect the development of absolute operating profit to be fairly evenly distributed between business units, but we expect a clear improvement from Vita in 2022 as the business environment normalizes and Fiskars' own stores avoid temporary shutdowns.

We expect the company's cost structure to return to normal in the coming years, which will put pressure on relative profitability. The company acknowledges that the home trend has brought positive momentum to the business, but expects profitability to gradually improve from the current level toward the 2025 target. In addition to the much talked about home trend, the company sees the home improvement trend as a longer phenomenon than the exceptional circumstances caused by COVID.

Increasing EPS guides our dividend estimates

We expect the reported EPS to be EUR 1.04 (2020: 0.83). Without the non-recurring items recorded for this year, our EPS forecast would be EUR 1.21. Fiskars' balance sheet is strong and according to our forecasts, the company will increase its dividend to EUR 0.80 (2020: 0.6), which corresponds to a 77% payout ratio (2020: 72%). Although the costs recorded from the restructuring programs weigh on the reported earnings of 2021, we expect the company to continue to increase the dividends thanks to its very strong balance sheet.

When non-recurring costs end in our forecasts from 2022 onward, the reported EPS will rise clearly and the dividend payment capacity will increase even further. Our dividend distribution forecast for the next few years is about 65-70%, which leads to dividend forecasts of EUR 0.95-1.05.

The balance sheet swells even more in our forecasts

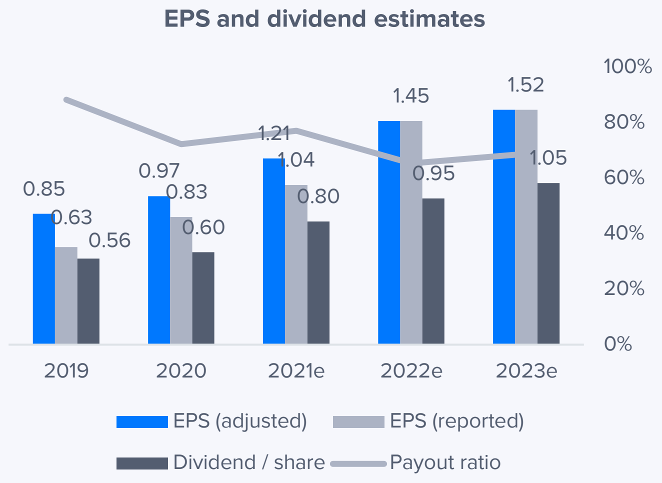
Fiskars has a robust balance sheet, which is further strengthened in our forecasts thanks to good cash flow. In our forecasts, the company's equity ratio will rise from 56% in 2020 to 64% in 2023. Similarly, net gearing decreases from 7% to -6%, after which one may well call the balance sheet overcapitalized. Our forecasts don't include acquisitions to which the cash flow generated by the business in order to boost growth could be channeled. If Fiskars doesn't find suitable acquisition targets, we consider the purchase of own shares or extra dividends as likely solutions to make the balance sheet more efficient.

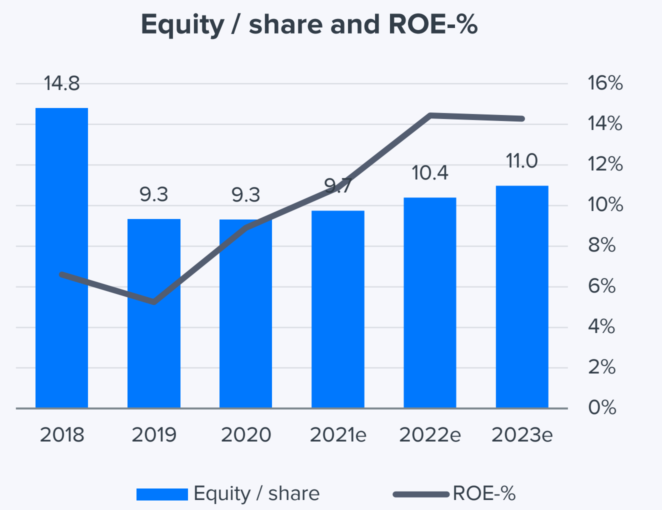
A very strong balance sheet limits ROE in our estimates

In our opinion, Fiskars' balance sheet is slightly too thick, and it isn't used efficiently. This is reflected in our ROE forecasts, which are around 14% for the coming years (ROE-%). With our current earnings and dividend forecasts, the company will generate additional equity in the next few years, which will slow down the ROE growth.

Longer-term estimates

In our longer-term forecasts, Fiskars' net sales growth will gradually slow down from 2.5% to the 2% terminal growth rate. Because of the company's slow-growing target market, we don't believe it to be appropriate to expect faster growth than that several years in the future. At the same time, we estimate that competition will drive profitability back from the 2025 EBIT margin level (12.5%) toward the historical EBIT margin of 9.5%.





Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e	2024e
Revenue	**1090**	**256**	**280**	**267**	**313**	**1116**	**302**	**307**	**292**	**328**	**1229**	**1199**	**1251**	**1301**
Vita	501	93.6	80.9	111	171	457	108	116	134	183	541	568	596	620
Terra	443	129	154	113	97.8	494	157	149	111	98.8	516	453	468	487
Crea	143	32.3	44.7	41.5	43.5	162	35.9	42.2	45.6	45.2	169	176	183	190
Other	3.9	1.0	0.7	1.2	0.9	3.8	0.9	0.8	0.9	0.9	3.5	3.5	3.5	3.7
EBITDA	**120**	**24.1**	**39.8**	**50.4**	**59.1**	**173**	**61.1**	**53.2**	**50.4**	**35.7**	**200**	**209**	**213**	**220**
Depreciation	-59.5	-15.7	-19.0	-14.8	-25.8	-75.3	-15.2	-14.7	-15.8	-14.7	-60.4	-58.7	-55.3	-55.8
EBIT (excl. NRI)	**77.7**	**15.4**	**22.0**	**35.7**	**36.0**	**109**	**46.6**	**41.4**	**34.1**	**32.0**	**154**	**150**	**158**	**164**
EBIT	**60.0**	**8.4**	**20.8**	**35.6**	**33.3**	**98.0**	**45.9**	**38.5**	**34.7**	**21.0**	**140**	**150**	**158**	**164**
Vita	14.6	-9.6	-12.9	12.0	22.4	11.9	10.1	9.9	25.2	15.7	60.9	68.0	71.5	75.6
Terra	31.9	16.0	25.4	12.7	6.7	60.8	31.2	17.3	6.2	2.0	56.7	55.0	57.4	57.0
Crea	26.7	4.8	11.5	13.9	8.3	38.5	8.1	11.2	11.4	7.5	38.2	40.4	42.0	44.1
Other	-13.2	-2.8	-3.3	-3.0	-4.0	-13.1	-3.5	0.1	-8.2	-4.2	-15.8	-13.0	-13.0	-12.5
Net financial items	3.4	0.1	-4.9	-1.0	-3.1	-8.9	-4.3	1.4	2.8	-1.3	-1.4	-1.9	-0.7	-0.1
PTP	**63.2**	**8.5**	**16.3**	**34.6**	**30.4**	**89.8**	**41.9**	**40.4**	**37.8**	**19.7**	**140**	**148**	**157**	**164**
Taxes	-10.8	-3.4	-5.2	-7.5	-5.2	-21.3	-33.7	-9.0	-8.0	-3.9	-54.6	-30.1	-33.0	-34.5
Minority interest	-0.7	-0.2	0.0	-0.1	-0.5	-0.8	-0.2	-0.2	-0.2	0.0	-0.6	0.0	0.0	0.0
Net earnings	**51.7**	**4.9**	**11.1**	**26.9**	**24.7**	**67.6**	**7.9**	**31.2**	**29.6**	**15.8**	**84.5**	**118**	**124**	**130**
EPS (adj.)	**0.85**	**0.15**	**0.15**	**0.33**	**0.34**	**0.97**	**0.11**	**0.42**	**0.36**	**0.33**	**1.21**	**1.45**	**1.52**	**1.59**
EPS (rep.)	**0.63**	**0.06**	**0.14**	**0.33**	**0.30**	**0.83**	**0.10**	**0.38**	**0.36**	**0.19**	**1.04**	**1.45**	**1.52**	**1.59**

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	-2.5 %	-4.6 %	5.6 %	7.2 %	1.8 %	2.4 %	17.9 %	9.7 %	9.4 %	4.7 %	10.1 %	-2.4 %	4.3 %	4.0 %
Adjusted EBIT growth-%	-22.9 %	-32.2 %	67.9 %	245.2 %	14.0 %	40.3 %	202.6 %	88.4 %	-4.3 %	-11.2 %	41.3 %	-2.5 %	5.0 %	4.0 %
EBITDA-%	11.0 %	9.4 %	14.2 %	18.9 %	18.9 %	15.5 %	20.2 %	17.3 %	17.3 %	10.9 %	16.3 %	17.4 %	17.1 %	16.9 %
Adjusted EBIT-%	7.1 %	6.0 %	7.9 %	13.4 %	11.5 %	9.8 %	15.4 %	13.5 %	11.7 %	9.8 %	12.5 %	12.5 %	12.6 %	12.6 %
Net earnings-%	4.7 %	1.9 %	4.0 %	10.1 %	7.9 %	6.1 %	2.6 %	10.2 %	10.1 %	4.8 %	6.9 %	9.9 %	9.9 %	10.0 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**891**	**829**	**864**	**836**	**837**
Goodwill	220	214	214	214	214
Intangible assets	289	268	295	276	275
Tangible assets	162	149	157	148	150
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	83.8	80.6	80.6	80.6	80.6
Other non-current assets	109	90.2	90.2	90.2	90.2
Deferred tax assets	27.9	27.4	27.4	27.4	27.4
Current assets	**474**	**513**	**565**	**552**	**574**
Inventories	232	207	228	223	232
Other current assets	28.8	29.2	29.2	29.2	29.2
Receivables	203	214	234	228	238
Cash and equivalents	9.4	62.5	73.7	72.0	75.0
Balance sheet total	**1364**	**1342**	**1429**	**1388**	**1411**

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**765**	**762**	**797**	**851**	**897**
Share capital	77.5	77.5	77.5	77.5	77.5
Retained earnings	673	680	716	769	816
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-9.2	0.0	0.0	0.0	0.0
Other equity	20.1	0.0	0.0	0.0	0.0
Minorities	3.6	3.8	3.8	3.8	3.8
Non-current liabilities	**194**	**175**	**237**	**169**	**139**
Deferred tax liabilities	32.8	31.2	31.2	31.2	31.2
Provisions	4.1	3.6	3.6	3.6	3.6
Long term debt	51.4	51.2	113	44.4	14.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	106	89.4	89.4	89.4	89.4
Current liabilities	**406**	**405**	**394**	**369**	**375**
Short term debt	109	61.2	28.3	11.1	3.6
Payables	268	310	332	324	338
Other current liabilities	29.1	33.9	33.9	33.9	33.9
Balance sheet total	**1364**	**1342**	**1429**	**1388**	**1411**

Share valuation 1/4

Earnings and balance sheet provide a suitable framework for valuation

Fiskars' valuation should be viewed based on earnings and the balance sheet with the DCF model being a suitable tool for gauging the value range. Earnings-based valuation is hampered by different non-recurring costs, which have weighed on earnings for a decade and whose temporary nature should be challenged. We consider the following factors to be relevant in Fiskars' valuation:

- **Historical lack of growth.** Fiskars' net sales remain at the level of 2016, as the company has focused on improving profitability in recent years. Fiskars doesn't receive much support from market growth, so net sales growth that's significantly faster than inflation requires market shares to be won.
- **Strong and decentralized brand and product portfolios** create business stability. Fiskars' business is geographically decentralized and the product categories balance each other in terms of seasonality. The company's products are sold in over 100 different countries and the brand portfolio is very wide. The different development stages of individual markets or brands also balance each other out.
- **Very strong cash position** reduces the risk profile of the company and enables shareholder value creation through good capital allocation decisions. At the same time, a strong balance sheet limits the return on equity, as the debt lever could be used more, given the stable nature of the business.
- **M&A option** is neutral in our view. We can see that successful M&A transactions have allowed Fiskars to generate significant shareholder value through different cross-selling and cost synergies. However, the latest WWRD acquisition led to a long digesting period. The current management doesn't yet have a track-record of M&A at Fiskars, so we don't believe that historical transactions should be given too much weight.

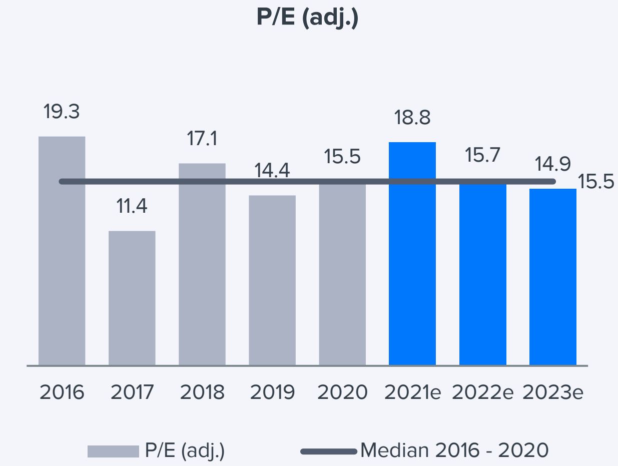
Earnings-based valuation is moderate

Prior to the COVID pandemic, Fiskars' growth and profitability profile was modest. The company was clearly underperforming in relation to its potential, but the home nesting trend that COVID sparked has benefited Fiskars significantly. We believe that Fiskars has a lower risk profile than Nasdaq Helsinki's average and the company has more potential for stable growth and better relative profitability than in the past. We believe that this justifies a valuation level higher than Nasdaq Helsinki's average. We determined the acceptable valuation level for Fiskars' share to be P/E 15-18x and EV/EBITDA 8-11x. However, we would like to stress that the valuation range is based on current assumptions about the company's performance and, if the company's performance meets the objectives of the new strategy period, there is upside in this multiple range.

The assessment of the company's actual earnings capacity is somewhat problematic, as the boost from the home nesting trend is difficult to distinguish from the benefits of the efficiency measures of recent years. The efficiency programs (Vita segment transformation program & organizational restructuring program), which are due to expire by the end of 2021, are expected to result in annual cost savings of EUR ~37 million, which is a significant level in Fiskars' size class. When looking at the earnings-based multiples, the investor must be confident that the savings sought from the ongoing restructuring programs will be materialize and that the company will be able to generate 'intact' earnings without new significant non-recurring costs arising from restructuring programs.

Valuation	2021e	2022e	2023e
Share price	22.8	22.8	22.8
Number of shares, millions	81.5	81.5	81.5
Market cap	1853	1853	1853
EV	1929	1844	1803
P/E (adj.)	18.8	15.7	14.9
P/E	21.9	15.7	14.9
P/FCF	30.8	10.4	15.7
P/B	2.3	2.2	2.1
P/S	1.5	1.5	1.5
EV/Sales	1.6	1.5	1.4
EV/EBITDA	9.6	8.8	8.5
EV/EBIT (adj.)	12.5	12.3	11.4
Payout ratio (%)	77.2 %	65.4 %	68.9 %
Dividend yield-%	3.5 %	4.2 %	4.6 %

Source: Inderes



Share valuation 2/4

We believe that this is a big question mark, since for the last ten years, Fiskars has been continuously running a variety of transformation programs that have caused major non-recurring costs and that have ruined the reported result year after year. Because of these, we believe that the market's confidence in the end of such programs will is tested. This is reflected in uncertainty in the company's sustainable earnings level, as so far it has seemed that every year the company's business or organization have needed to be restructured to maintain competitiveness and we think it's questionable to label these costs as "non-recurring" year after year.

If Fiskars succeeds in the cost savings sought from the ongoing restructuring and transformation programs, and no new programs that create significant non-recurring costs will be launched from 2022 onward, we believe that the share will have clear upside from the current level. This would be supported by the company's earnings growth and higher valuation multiples.

Balance sheet-based valuation is at an acceptable level

Fiskars' balance sheet contains a lot of fixed assets, making the P/B multiple a suitable tool for Fiskars' valuation. The company's balance sheet includes production facilities, machinery, inventories (finished and unfinished products and raw materials), land, real estate and forest holdings, sales receivables and cash assets, which we consider very current assets. Fiskars' balance sheet has accumulated a significant amount of goodwill and other intangible assets as a result of acquisitions. They are based on brands, customer relationships and technologies of the acquired companies.

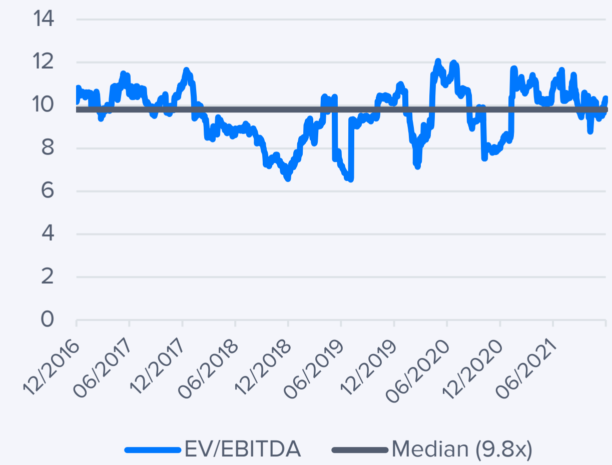
Goodwill (217 MEUR) and intangible assets (269 MEUR) account for 35% of the balance sheet total and 61% of equity.

It's good for investors to be aware of the write-down risk associated with these. However, we believe that there isn't an alarming amount of goodwill and other intangible items in the company's balance sheet. For example, the balance sheet would hold up in a scenario where all these items would have to be written down at once. However, the likelihood of such a scenario is very low. Intangible assets decrease the applicability of the P/B multiple, and therefore we rely primarily on earnings-based multiples.

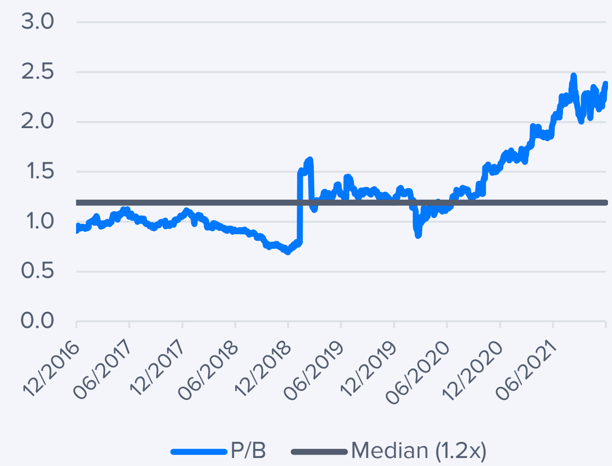
In our opinion, given Fiskars' growth, profitability and risk profile, the company's fair P/B multiple is 1.6-2.2x. It's always worth comparing the balance sheet-based valuation to the return on equity (ROE%), which will be around 14% in our forecasts for the coming years. The large valuation range is due to uncertainty about the current earnings capacity and the actual profitability potential of the business. If Fiskars reaches its EBIT target of about 15%, the return on equity will be well above our forecasts in the coming years. Of course, this would also increase our fair value range for the P/B multiple.

Currently, we consider Fiskars' balance sheet to be overcapitalized, which limits ROE. Looking at the projected ROE level, we believe that the P/B figure is at a neutral level, but with a more aggressive capital structure, we see Fiskars' potential to achieve higher return on equity than we forecast. Despite the low risk profile, we feel that the return on equity we forecast is slightly too low to justify the current P/B figure (2.3x). The P/B multiple is high in relation to historical levels, but we believe that this is justified given Fiskars' improved profitability.

Fiskars' forward-looking EV/EBITDA



Fiskars' P/B ratio development



Share valuation 3/4

Good dividend yield provides support for the share

Fiskars has a strong balance sheet and stable earnings capacity. The company has remained very profitable despite the COVID-ravaged operating landscape and its ability to pay dividends is strong.

We expect the company to distribute approximately 65-70% of the earnings adjusted for non-recurring items in the next few years, but the payout ratio for the current year will rise to 77% of reported earnings as a result of the last non-recurring costs from the efficiency programs. Our dividend forecasts for the financial years 2021 and 2022 are EUR 0.80 and EUR 0.95 (2020: EUR 0.6) representing a dividend yield of 3.5% and 4.2% at the present share price. We see strong upside in the dividend starting from 2022 if/when restructuring programs with non-recurring costs finally come to an end and the reported earnings capacity improves. In addition, a strong balance sheet also allows for an extra dividend to be distributed if there is no other use for cash assets.

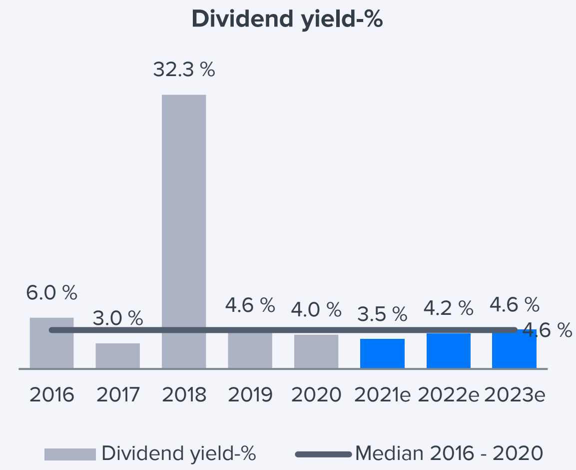
Valuation below the peer group

We have used international listed companies from the consumer product sector in the peer group that each in their own characteristics are similar to Fiskars. Common features may include the same geographical operating area, product categories, same growth and profitability profile, or similar production or distribution strategy. We chose Marimekko, Orthex, Rapala, Nokian Tyres and Harvia as Finnish peers. We chose US tool manufacturer Stanley Black & Decker, German ceramics manufacturer Villeroy & Boch, German kitchenware manufacturer Leifheit and Swedish tableware brand Dunin as international peers.

For 2021 and 2022, the median EV/EBITDA multiples that account for the balance sheet of the peer group are 12x and 10x. In our forecasts, Fiskars' corresponding multiples are 10x and 9x, which are 13-22 % below the peer group. The peer group's median P/E ratios (adjusted) for 2021 and 2022 are 21x and 17x. The corresponding (adjusted) multiples for Fiskars are 19x and 16x, which are 10-12% below the peer group.

Fiskars' earnings-based valuation is lower than the peer group. We believe that this indicates that the market doesn't trust Fiskars' growth outlook for the next few years to be as strong as that of the peer group, and that the reported earnings capacity isn't entirely trusted because of restructuring programs that have continued for 10 years.

The median P/B of the peer group is 2.9x while Fiskars' P/B is 2.3x. The gap to the peer group has narrowed over the past year as Fiskars has provided convincing evidence of improved profitability and increased net sales. We believe that the discount to the peers is partly justified, because domestic peers (Marimekko, Nokian Tyres and Harvia) have a track-record of several years of generating high return on equity. Another indication of lower profitability than the peer group is that Fiskars' sales-based EV/Sales multiple (2.0x) is over 20% below the peer group.



Share valuation 4/4

DCF valuation

DCF valuation is well suited to Fiskars due to the stable nature of its business and relatively good predictability. As with multiple-based valuation, visibility into the continuity of the home nesting trend and the company's current performance bring a certain element of uncertainty to this method as well.

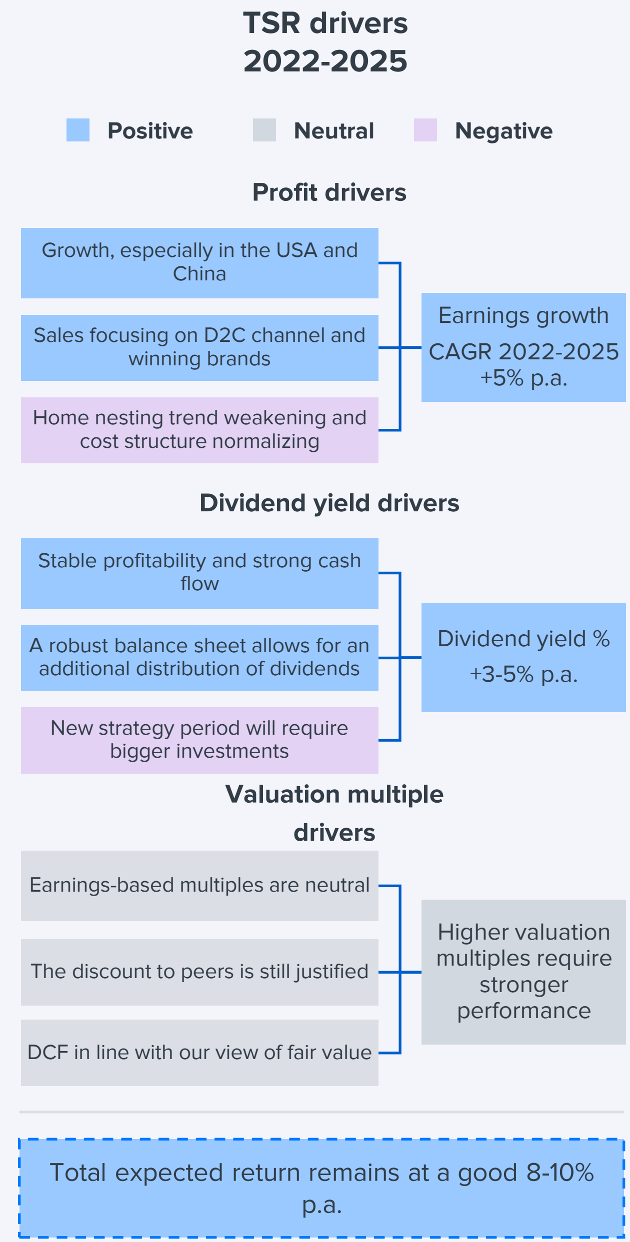
We have maintained Fiskars' WACC at 6.8%. The level is low, but we believe it's justified given Fiskars' strong brands, diversified product portfolio and low risk profile. In our terminal forecasts, net sales growth is 2% and the EBIT margin is set at 9.5%. The weight of the terminal period is 56% in our model, which is a moderate level.

Our discounted cash flow valuation model indicates that the fair value of Fiskars' share is slightly higher than the current market value. According to our DCF calculation, the value of the entire stock is EUR 1.95 billion, which means EUR 23.9 per share.

Target price and recommendation

We reiterate our Accumulate recommendation and EUR 24 target price. Our positive view is supported by the estimated annual growth of around 5% and a good dividend yield of 3.5-5%, which together provide 8-10% expected return for the next few years. This clearly exceeds our 6.8% WACC for the share. Fiskars' share is still valued at a discount to peers, but the gap is closing as the company's earnings capacity improves. The earnings and balance sheet-based valuation multiples for 2021 are slightly tight, but our 2022 forecasts are already on the cheap side.

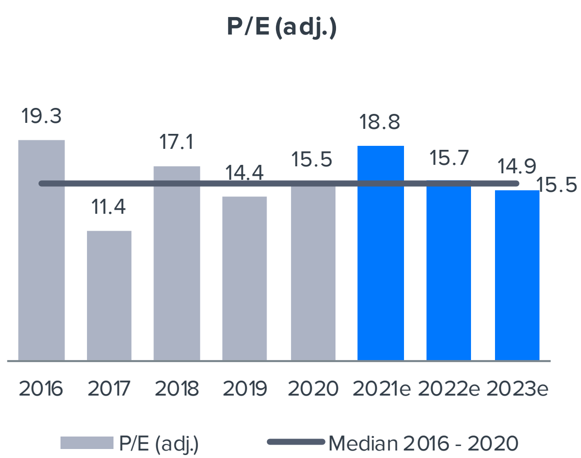
Our positive recommendation is supported by our DCF valuation model, the valuation below the peer group, and the potential for achieving stronger earnings capacity than we forecast.

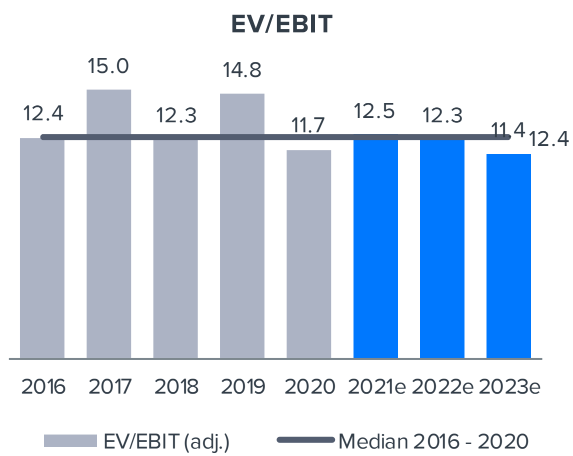


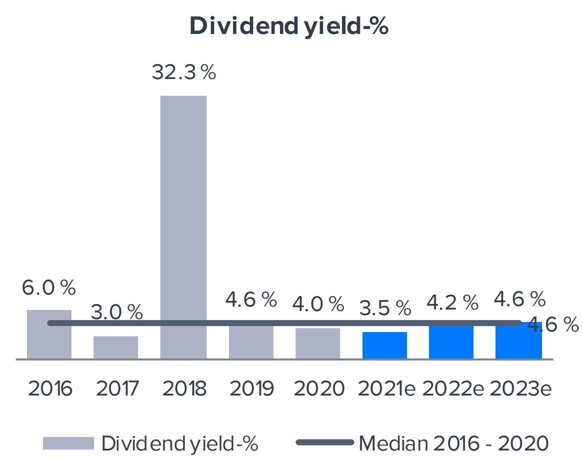
Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	17.6	24.0	19.0	12.2	15.0	**22.8**	**22.8**	**22.8**	**22.8**
Number of shares, millions	81.7	81.7	81.6	81.5	81.5	**81.5**	**81.5**	**81.5**	**81.5**
Market cap	1438	1958	1550	996	1220	**1853**	**1853**	**1853**	**1853**
EV	1152	1559	1236	1152	1276	**1929**	**1844**	**1803**	**1768**
P/E (adj.)	19.3	11.4	17.1	14.4	15.5	**18.8**	**15.7**	**14.9**	**14.3**
P/E	22.5	11.8	19.0	19.3	18.1	**21.9**	**15.7**	**14.9**	**14.3**
P/FCF	28.3	12.9	24.4	28.5	6.9	**30.8**	**10.4**	**15.7**	**15.4**
P/B	1.2	1.5	1.3	1.3	1.6	**2.3**	**2.2**	**2.1**	**2.0**
P/S	1.2	1.7	1.4	0.9	1.1	**1.5**	**1.5**	**1.5**	**1.4**
EV/Sales	1.0	1.3	1.1	1.1	1.1	**1.6**	**1.5**	**1.4**	**1.4**
EV/EBITDA	9.6	11.4	9.1	9.6	7.4	**9.6**	**8.8**	**8.5**	**8.0**
EV/EBIT (adj.)	12.4	15.0	12.3	14.8	11.7	**12.5**	**12.3**	**11.4**	**10.8**
Payout ratio (%)	135.2 %	35.4 %	613.3 %	88.4 %	72.3 %	**77.2 %**	**65.4 %**	**68.9 %**	**70.0 %**
Dividend yield-%	6.0 %	3.0 %	32.3 %	4.6 %	4.0 %	**3.5 %**	**4.2 %**	**4.6 %**	**4.9 %**

Source: Inderes







Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		**MEUR**	**MEUR**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**
Duni AB	116.40	529	663	28.3	13.7	13.2	8.7	1.4	1.2	36.0	15.5	4.3	4.3	2.0
Harvia Oyj	58.60	1083	1127	23.5	20.3	20.8	18.0	6.2	5.2	31.2	26.2	1.7	1.9	11.7
Leifheit AG	34.25	323	288	17.2	13.5	11.0	9.2	1.0	0.9	27.8	21.6	3.1	3.5	2.9
Marimekko Oyj	84.70	692	681	22.7	22.5	15.8	15.7	4.7	4.3	29.3	29.6	1.9	2.0	10.5
Orthex Oyj	10.88	189	211	20.5	14.4	14.4	11.1	2.4	2.2	21.4	17.3	2.4	3.4	5.6
Rapala VMC Corp	8.78	337	382	9.7	12.3	7.2	8.7	1.3	1.4	14.6	18.4	2.3	2.9	2.4
Stanley Black & Decker Inc	185.47	26503	30793	14.5	13.1	12.3	11.0	2.0	1.7	16.8	15.5	1.6	1.7	2.6
Nokian Tyres plc	33.30	4637	4891	16.2	14.6	11.0	10.1	3.0	2.8	19.6	17.4	4.0	4.4	2.9
Villeroy & Boch AG	23.50	323	165	1.9	1.9	1.3	1.3	0.2	0.2	11.2	10.5	4.5	4.8	2.1
Fiskars (Inderes)	**22.75**	**1853**	**1929**	**12.5**	**12.3**	**9.6**	**8.8**	**1.6**	**1.5**	**18.8**	**15.7**	**3.5**	**4.2**	**2.3**
Average				**17.2**	**14.0**	**11.9**	**10.4**	**2.5**	**2.2**	**23.1**	**19.1**	**2.9**	**3.2**	**4.7**
Median				**17.2**	**13.7**	**12.3**	**10.1**	**2.0**	**1.7**	**21.4**	**17.4**	**2.4**	**3.4**	**2.9**
Diff-% to median				***-27%***	***-10%***	***-22%***	***-13%***	***-23%***	***-12%***	***-12%***	***-10%***	***46%***	***25%***	***-18%***

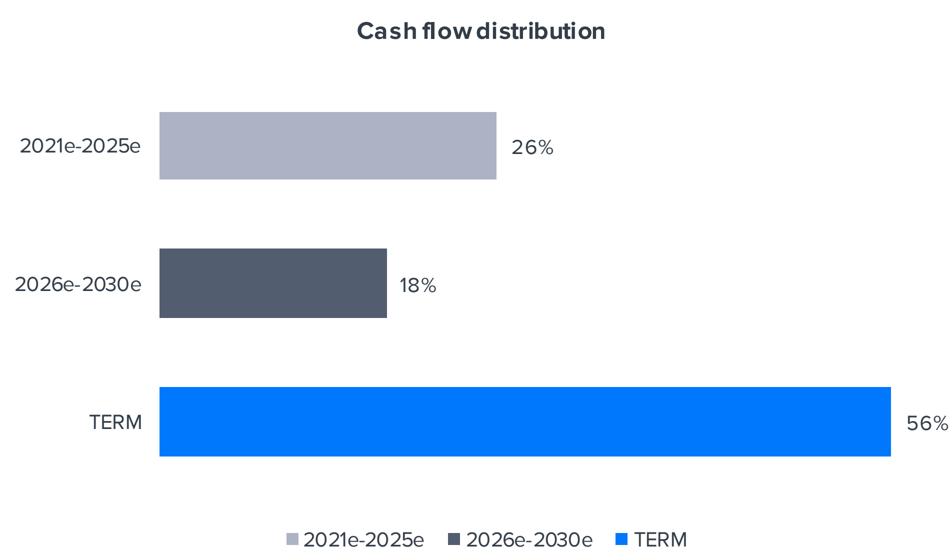
Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**98.0**	**140**	**150**	**158**	**164**	**167**	**164**	**153**	**142**	**138**	**141**	
+ Depreciation	75.3	60.4	58.7	55.3	55.8	57.4	56.3	57.0	57.8	58.6	57.8	
- Paid taxes	-22.4	-54.6	-30.1	-33.0	-34.5	-35.0	-34.5	-32.2	-29.9	-29.0	-29.6	
- Tax, financial expenses	-2.1	-0.3	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	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	0.1	0.1	
- Change in working capital	60.7	-18.7	3.1	-5.4	-5.3	-3.4	-3.5	-2.9	-2.9	-3.0	-3.1	
Operating cash flow	**209**	**127**	**182**	**175**	**180**	**186**	**182**	**175**	**167**	**164**	**166**	
+ Change in other long-term liabilities	-17.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-14.3	-94.9	-31.0	-56.4	-59.8	-48.1	-53.1	-58.4	-59.0	-53.9	-66.1	
Free operating cash flow	**178**	**31.9**	**151**	**118**	**120**	**137**	**129**	**117**	**108**	**110**	**99.7**	
+/- Other	0.0	28.3	27.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	178	60.2	178	118	120	137	129	117	108	110	99.7	2103
Discounted FCFF		**60.2**	**167**	**104**	**98.7**	**106**	**92.8**	**78.6**	**68.0**	**65.1**	**55.0**	**1160**
Sum of FCFF present value		2054	1994	1827	1724	1625	1519	1426	1348	1280	1215	1160
Enterprise value DCF		**2054**										
- Interesting bearing debt		-112.4										
+ Cash and cash equivalents		62.5										
-Minorities		-8.9										
-Dividend/capital return		-48.9										
Equity value DCF		**1948**										
Equity value DCF per share		**23.9**										

Wacc	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	4.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.50%
Risk free interest rate	2.0 %
Cost of equity	**7.3 %**
Weighted average cost of capital (WACC)	**6.8 %**

Source: Inderes



Investment profile 1/3

Broad and well-known brand portfolio decentralizes risk

Fiskars is a family of strong iconic lifestyle brands. Through its wide international brand portfolio, the company has a natural diversification into the success of several different brands. At the same time, this reduces the risk that the Group would be in a difficult position if one of the company's brands lost its competitiveness or prestige. Business diversification into a wide range of product categories (interior decoration, cooking, gardening, outdoor and crafts), over 100 countries and distribution channels also brings stability to performance and lowers the risk profile of the share.

A stable dividend payer

Fiskars has a strong balance sheet, stable earnings and good cash flow. Historically, the business has been consistently profitable and profitability has improved in recent years thanks to increased net sales, portfolio changes and restructuring. Fiskars is known for its shareholder-friendly dividend policy and we believe that the company will continue to be profiled as a stable dividend payer.

Weak historical growth and restructuring programs weigh on valuation

Fiskars' net sales have been largely stagnant for the past six years. Growth has been a major challenge for the company for a long time, and earnings growth has mainly come through efficiency measures. The company has been continuously engaged in various restructuring programs that have weighed on the reported result. The Group's investment profile has been marked by weak growth and incessant restructuring programs over the past few years. This has also been negatively reflected in the acceptable valuation level for the share. The market may well be skeptical about the impermanence of the cycle of efficiency programs.

Positive drivers and potential

Geographical expansion

Fiskars' products are sold in more than 100 countries, which provides a good degree of diversification into the different cycles of different economic areas and thus also balances the fluctuations of business. Fiskars has many high-quality brands that are under-represented in certain geographical areas or not present at all. The company's strategy aims to make more use of brand expansion in new markets. Examples of this in recent years include the expansion of Royal Copenhagen to Australia, the expansion of Gerber outside North America or the expansion of Wedgwood and Royal Copenhagen to the Chinese market.

Expanding to new product categories

The expansion of Gerber into fishery products and Fiskars' expansion into clothing are examples of how Fiskars can stretch its brands into new product categories. For many of its well-known brands, Fiskars has product categories where they have no products at all. This is an underexploited resource where we see clear growth potential for the company still in the coming years.

Moderate balance sheet-based valuation

The P/B ratio that describes the ratio between the company's market value and balance sheet value of equity is 1.6x. The balance sheet is largely very current and, for certain parts, fairly liquid. We think that the balance sheet-based valuation is moderate for a brand company with good earnings and a strong balance sheet.

Earnings-based valuation below the peer group

Fiskars' earnings-based valuation has been below the peer group for long. The company's weak growth and earnings development has been visible in the valuation. If Fiskars manages to achieve the 5% net sales growth that it has been aiming for and to increase its profitability to the level of its financial objectives (without non-recurring costs from restructuring programs spoiling the result), we believe that the share has clear upside.

Potential for inorganic growth

Fiskars has a strong balance sheet, which creates the opportunity to grow its business through acquisitions. The consumer product market related to home, garden and outdoor activities is highly fragmented and Fiskars has a lot of experience in the implementation and integration of acquisitions. Fiskars has historically made large acquisitions, but after the WWRD acquisition inorganic growth has been conspicuous by its absence. In our view, it's likely that the company may use its strong balance sheet for inorganic growth in the future.

Investment profile 2/3

Efficiency and profitability gains through restructuring programs

In the next few years, one of the major earnings growth drivers is related to the efficiency and profitability gains resulting from the end of the ongoing restructuring programs. Fiskars currently has an ongoing transformation program of the Vita segment (2018-2021), from which the company seeks annual cost savings of EUR 17 million, when the program ends. Additionally, Fiskars also has an organizational restructuring program (2019-2021), from which the company seeks annual cost savings of EUR 20 million, when the program ends. The cost savings from the programs are significant, even in Fiskars' size class. After the completion of these programs, if Fiskars doesn't start a new program that will result in non-recurring costs again, the company's reported result will experience a significant correction upward.

Negative drivers and risks

Digitalization of the commerce sector and growing demands of consumers

In recent years, many players in commerce have been in serious difficulties in the face of the rapid upheaval in the industry. One of the main challenges has been a rapid change in consumer behavior, which has forced many players in the sector to modernize and invest large sums in new skills that haven't previously been the companies' core competence. The sector's long-standing way of delivering products to consumers in large quantities, first via wholesale and then via retail, is going to change. Consumers have started to favor small-scale purchases via digital channels, which has put a whole new strain on storage capacity, supply chain management, development of own online shops and profitability of own stores. At the same time, the competitive landscape of companies has become more challenging and consumer options have expanded from local brick-and-mortar store to completely global.

Transparency of pricing

E-commerce is currently Fiskars' fastest growing distribution channel and we don't expect its share of the company's total sales to at least decrease in the future. One of the benefits of e-commerce for consumers is that the product prices can be continuously compared and if the same product is available in several online stores, the product is often ordered from the store with the lowest price or the fastest delivery. Therefore, price transparency and consumer price awareness have clearly increased, which make unjustified over-pricing of products more difficult. Many Fiskars' products belong to the premium or luxury category and have high gross margins. The increasing transparency of pricing through e-commerce constantly pushes companies to make more unique and distinctive products more efficiently, so that current prices and margins are justified.

A complex portfolio is challenging to manage

Fiskars has accumulated dozens of different brands through acquisitions made over the years. While winning brands make up a large part of the net sales, smaller local brands create complexity for production, marketing, warehousing, administration etc. The company has stated that it will make the biggest investments in winning brands due to their stronger growth and profitability potential, but small brands also have strong regional positions and thus defend their position in the portfolio. Small brands are difficult to fade out of the market, for example because of net sales loss and reputation risk, even if their existence is no longer necessarily financially justified.

Cycle of restructuring and efficiency programs

Since 2010, Fiskars has been continuously operating at least one restructuring or efficiency program in the organization or a single business area. Since 2010, over EUR 150 million of costs that affect comparability have incurred from these and some EUR 11 million of non-recurring costs will still be recorded in Q4'21. At the end of each program, a new program has been started within the Group and expenses classified as non-recurring have continuously weakened the reported result. We see a risk that the Group's extensive brand portfolio, numerous different product categories, a wide geographical area, its own factories and distribution centers each require constant restructuring or streamlining, and that the company can't escape the cycle of these programs. This also negatively affects the acceptable valuation for the company.

Investment profile 3/3

The home nesting trend may fade faster than expected

The exceptional circumstances caused by the COVID pandemic have restricted consumption possibilities, which has supported retail demand at the expense of services and experiences. As societies open up and consumers take a step toward normal consumption patterns, this can have a negative impact on the demand for Fiskars' products.

Raw material inflation and challenges in the logistics chain cast a shadow on the near future

In the short term, Fiskars' risk profile is increased by raw material inflation and challenges in the global logistics chain. Despite higher raw material and freight costs, Fiskars has been quite successful in transferring the costs to its own products, albeit with a delay. In addition, product and raw material availability challenges may lead to lost sales. In particular, the Terra segment's sales have been affected by availability problems.

Investment profile

1. **Wide, high-quality and well-known brand portfolio**
2. **Strong balance sheet and financial position**
3. **Stable dividend company**
4. **Highly diversified risk profile with different brands, product categories and geographical areas**
5. **Valuation below the peer group**
6. **Restructuring programs and weak historical growth weigh on the valuation**

Potential

- Geographical expansion
- Expanding to new product categories
- Growth in the DTC channel
- Lowish valuation below the peer group
- Potential for inorganic growth
- Efficiency and profitability gains through restructuring programs

Risks

- Digitalization of the commerce sector and growing demands of consumers
- Transparency of pricing
- Change in consumption patterns
- Fading home trend
- Raw material inflation and challenges in the global logistics chain
- Brand portfolio growing too large and complex
- Cycle of restructuring and efficiency programs

Source: Inderes

Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	1118.5	1090.4	1116.2	**1229.1**	**1199.4**
EBITDA	135.4	119.6	173.3	**200.4**	**209.0**
EBIT	91.6	60.0	98.0	**140.0**	**150.3**
PTP	103.0	63.2	89.8	**139.7**	**148.4**
Net Income	81.7	51.7	67.6	**84.5**	**118.4**
Extraordinary items	-9.2	-17.7	-11.0	**-14.1**	**0.0**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	1719.2	1364.3	1342.0	**1428.6**	**1387.9**
Equity capital	1209.7	764.5	761.7	**797.3**	**850.5**
Goodwill	217.4	219.6	213.7	**213.7**	**213.7**
Net debt	-317.1	150.7	49.9	**67.6**	**-16.5**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	135.4	119.6	173.3	**200.4**	**209.0**
Change in working capital	15.9	24.2	60.7	**-18.7**	**3.1**
Operating cash flow	101.9	124.7	209.5	**126.8**	**181.7**
CAPEX	-50.7	-183.1	-14.3	**-94.9**	**-31.0**
Free cash flow	63.5	35.0	178.1	**60.2**	**178.2**

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	1.1	1.1	1.1	**1.6**	**1.5**
EV/EBITDA (adj.)	9.1	9.6	7.4	**9.6**	**8.8**
EV/EBIT (adj.)	12.3	14.8	11.7	**12.5**	**12.3**
P/E (adj.)	17.1	14.4	15.5	**18.8**	**15.7**
P/E	1.3	1.3	1.6	**2.3**	**2.2**
Dividend-%	32.3 %	4.6 %	4.0 %	**3.5 %**	**4.2 %**

Source: Inderes

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	1.00	0.63	0.83	**1.04**	**1.45**
EPS (adj.)	1.11	0.85	0.97	**1.21**	**1.45**
OCF / share	1.25	1.53	2.57	**1.56**	**2.23**
FCF / share	0.78	0.43	2.19	**0.74**	**2.19**
Book value / share	14.80	9.33	9.30	**9.74**	**10.39**
Dividend / share	6.14	0.56	0.60	**0.80**	**0.95**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	-6%	-3%	2%	**10%**	**-2%**
EBITDA growth-%	-1%	-12%	45%	**16%**	**4%**
EBIT (adj.) growth-%	-3%	-23%	40%	**41%**	**-2%**
EPS (adj.) growth-%	-47%	-24%	13%	**25%**	**20%**
EBITDA-%	12.1 %	11.0 %	15.5 %	**16.3 %**	**17.4 %**
EBIT (adj.)-%	9.0 %	7.1 %	9.8 %	**12.5 %**	**12.5 %**
EBIT-%	8.2 %	5.5 %	8.8 %	**11.4 %**	**12.5 %**
ROE-%	6.6 %	5.3 %	8.9 %	**10.9 %**	**14.4 %**
ROI-%	6.6 %	5.2 %	11.0 %	**15.6 %**	**16.3 %**
Equity ratio	70.4 %	56.0 %	56.8 %	**55.8 %**	**61.3 %**
Gearing	-26.2 %	19.7 %	6.6 %	**8.5 %**	**-1.9 %**

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

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
2/6/2020	Reduce	11.50 €	12.20 €
3/19/2020	Accumulate	9.00 €	7.91 €
5/7/2020	Reduce	10.00 €	10.38 €
7/31/2020	Reduce	11.50 €	12.00 €
10/14/2020	Accumulate	13.00 €	12.14 €
11/2/2020	Accumulate	14.00 €	12.88 €
1/7/2021	Accumulate	16.00 €	15.26 €
2/8/2021	Reduce	15.00 €	15.60 €
4/20/2021	Accumulate	18.00 €	16.80 €
4/29/2021	Accumulate	19.00 €	17.58 €
7/29/2021	Accumulate	22.00 €	20.20 €
11/1/2021	Accumulate	23.00 €	21.25 €
11/10/2021	Accumulate	24.00 €	21.10 €
12/28/2021	Accumulate	24.00 €	22.75 €

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