Puuilo Oyj

Company report

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Inderes corporate customer

This report is a summary translation of the report "Esimerkkisuoritus epävakaassa markkinassa" published on 6/13/2024 at 8:44 am EEST

An exemplary performance in an unstable market

Puuilo's Q1 report was strong as usual, driven by strong growth in customer numbers. Although the market environment remains unstable, the company has demonstrated its ability to grab market shares through a distinctive concept and cheap price image. Our growth forecasts for the next few years are driven by several annual store openings toward the target of 70 and sales growth in existing stores. The near-term valuation of the stock remains slightly elevated, but we believe this is justified by the strong earnings growth profile and high return on capital. We reiterate our Accumulate recommendation and raise our target price to EUR 11.5 (was 11), boosted by positive forecast changes.

The mantra continued: market shares grabbed with both hands

Puuilo recorded a 16% revenue growth in Q1, and revenue was 75.4 MEUR. This was quite well in line with our expectations and exactly in line with the consensus. The main growth driver was new store openings, including two converted Hurrikaani stores. Comparable sales increased by 5% and customer numbers by 7%, which we see as a good performance after a slightly more subdued Q4. The main profitability development driver was increased volumes and a slightly improved sales margin from the comparison period. Despite cost pressure, EBITA profitability we monitor at 8.3 MEUR (11% of revenue) was in line with expectations. EPS at the level of the comparison period (EUR 0.06) is explained by increased financing costs, which we estimate resulted from increased IFRS 16 liabilities (interest rate component).

Limited forecast changes, weak signals of improvement in the market environment

We made small forecast changes, mainly due to the better-than-expected Q1 and changes in the store opening forecasts of the year. In addition, we raised the forecasts for the next few years, e.g., driven by the favorable reception of Hurrikaani stores converted to the Puuilo concept. We believe the initial profitability levels in these are higher than in newly established Puuilo stores thanks to the existing customer base. Company management said that they see weak signals of market environment improvement and estimated that the market is currently bottoming out. We agree with this statement to some extent, as, e.g., construction retailers and wholesalers have reported that sales declines that have continued for a long time are slowing down. We estimate that the impact of future interest rate cuts on consumers' purchasing power will not materialize until 2025, but these have a clear indicative value, e.g., for investment demand, which includes renovation and construction important to Puuilo. The pick-up in investment demand may already be visible in this financial year, but we do not rely heavily on this in our forecasts. We expect Puuilo to open 6 new stores in the current financial year and 5 in 2025, which together some 5% comparable growth will translate to an average revenue growth of some 13%. In our forecasts, EBITA profitability rises close to the targeted 17-19% range for the current financial year and reaches an average level of 17.5% in 2025-26.

Expected return is attractive

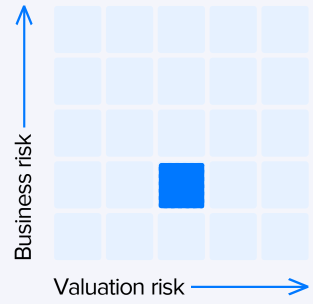
In terms of realized earnings multiples (LTM P/E 23x) the company is priced slightly above our comfort zone. However, this is justified as we expect the company to deliver strong earnings growth in the coming years, which lowers the multiples to more reasonable levels. We forecast Puuilo's result to grow at an annual rate of around 17% over the next three years. Given the 6% dividend yield and slightly elevated valuation level, the expected return on the stock is around 15%. We find this level attractive and it exceeds our WACC, which means that the risk/reward ratio is favorable.

Recommendation

Accumulate
(previous Accumulate)

EUR 11.50
(previous EUR 11.00)

Share price:
10.31



Key figures

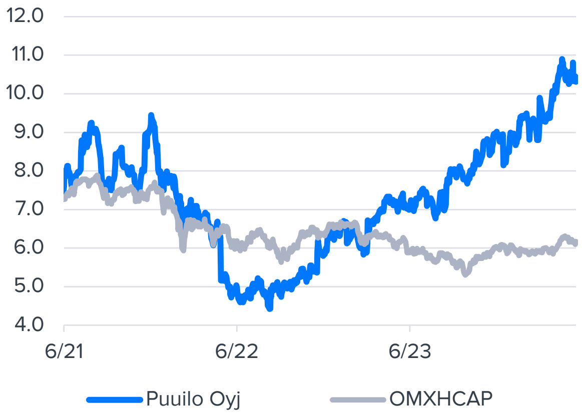
	2023	2024e	2025e	2026e
Revenue	338.5	401.0	431.8	481.6
growth-%	14%	18%	8%	12%
EBIT adj.	52.8	64.7	74.1	83.4
EBIT-% adj.	15.6 %	16.1 %	17.2 %	17.3 %
Net Income	38.7	47.6	55.6	62.5
EPS (adj.)	0.46	0.56	0.66	0.74
P/E (adj.)	20.3	18.6	15.9	14.2
P/B	9.2	8.8	7.5	6.5
Dividend yield-%	4.1 %	4.3 %	5.0 %	5.6 %
EV/EBIT (adj.)	16.8	15.2	13.1	11.6
EV/EBITDA	13.1	11.6	10.1	9.0
EV/S	2.6	2.4	2.2	2.0

Source: Inderes

Guidance (Unchanged)

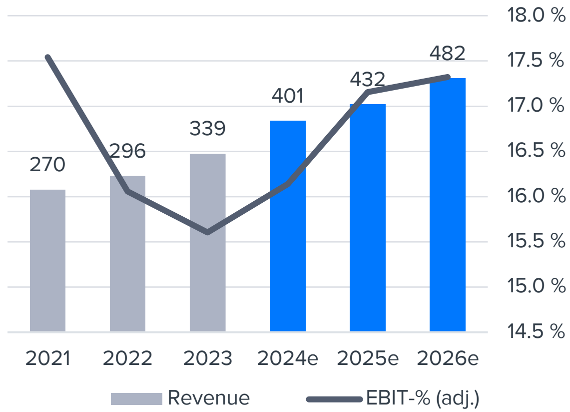
Puuilo predicts that its revenue for 2024 will be 380-410 MEUR (2023: 339 MEUR) and the adjusted EBITA will be in the range of 60-70 MEUR (2023: 54.1 MEUR).

Share price



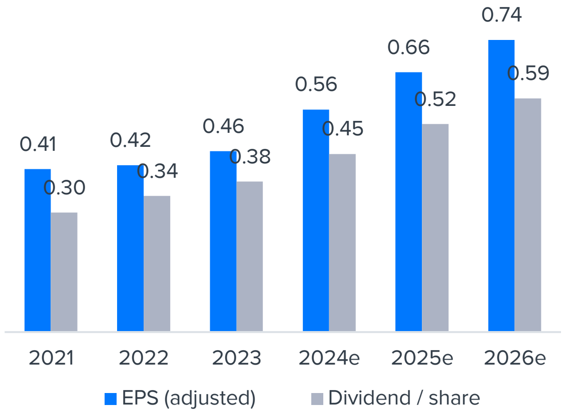
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Increasing the number of stores to over 70
- Significant growth potential remaining in ramping up existing stores
- Growth in private label
- As a result of growth, improved bargaining power with suppliers and scaling of costs
- Further streamlining of operating expenditure levels

Risk factors

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

Valuation	2024e	2025e	2026e
Share price	10.3	10.3	10.3
Number of shares, millions	84.8	84.8	84.8
Market cap	874	874	874
EV	971	960	959
P/E (adj.)	18.4	15.7	14.0
P/E	18.4	15.7	14.0
P/B	8.7	7.4	6.4
P/S	2.2	2.0	1.8
EV/Sales	2.4	2.2	2.0
EV/EBITDA	11.5	10.0	8.9
EV/EBIT (adj.)	15.0	13.0	11.5
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.4 %	5.1 %	5.7 %

Source: Inderes

Profitable growth continued

Strong sales development in an uncertain market

Puuilo recorded a 16% revenue growth in Q1, and revenue was 75.4 MEUR. This was quite well in line with our expectations and exactly in line with the consensus (Inderes 71.6 MEUR and consensus 75.4 MEUR). The main growth driver was new store openings, including two converted Hurrikaani stores. Comparable sales increased by 5% and customer numbers by 7%, which we see as a good performance after a slightly more subdued Q4. As a whole, we believe that the success of the company in the weak market during the quarter signals the attractiveness of Puuilo's concept and its operational expertise.

A good quarter in terms of earnings

The EBITA profitability we monitor at 8.3 MEUR (11% of revenue) was in line with expectations (Inderes 8.1 MEUR and consensus 8.4 MEUR). The good profitability was based on the 36.6% gross margin that improved from the comparison period as we expected. The relative gross margin was positively affected by lower logistics costs and a better sales mix as demand for profitable lower price-point products was better than for more expensive ones. Fixed costs were slightly elevated as we expected, which we believe was due to the extra costs arising from the conversion of Hurrikaani stores. The company is working on measures affecting, e.g., personnel efficiency, which we believe will bear fruit during H2.

EPS at the level of the comparison period (actual EUR 0.06 vs. Inderes and consensus EUR 0.07) is explained by increased financing costs, which we estimate mainly result from increased IFRS16 liabilities (interest rate component).

Guidance reiterated as expected

Puuilo reiterated its guidance of 380-410 MEUR for revenue and 60-70 MEUR for EBITA. The weak market situation that started in Q4 seems to have stabilized slightly, but the consumption environment is likely to remain uncertain. This is reflected in the drop in the sales of high price point products, which means that consumers' price awareness continues to be high.

Cash flow was burdened by inventory growth and investments

Puuilo’s operating cash flow was 2.3 MEUR positive despite significant working capital commitment and investments (e.g. Hurrikaani business acquisition). The company’s balance sheet position remained at a very healthy level with net debt (excl. IFRS16) corresponding to 0.5x of EBITDA.

Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	65.0	75.4	71.6	75.4			5%	401
EBITA (adj.)	7.3	8.3	8.1	8.4			3%	66.3
EBIT	7.0	7.6	8.0	8.4			-5%	64.7
EPS (reported)	0.06	0.06	0.07	0.07			-9%	0.56
Revenue growth-%	10.4 %	16.1 %	10.2 %	15.9 %			5.9 pp	18.5 %
EBITA-% (oik.)	11.2 %	11.0 %	11.3 %	11.2 %			-0.3 pp	16.5 %

Source: Inderes & Bloomberg (consensus, 5 estimates)

We made small positive forecast changes

Estimate changes 2024-26e:

- Our 2024e revenue forecast increased by some 3%. This is explained by a slightly better Q1 than we expected and positive changes to our comparable growth forecasts. We previously expected comparable growth to continue somewhat subdued in the beginning of the year, as in Q4, while we now expect it to be around 5% on an annual basis. Forecast changes in earnings lines were minor, as we believe that Puuilo will suffer from cost pressures during the current financial year, e.g., in terms of personnel costs. However, in view of cost pressures,the company has made investments to achieve efficiency gains (supplement order system, shift planning) which we expect will become visible in Q3 or Q4.
- Our medium-term earnings forecast increased by some 2%, driven by our marginally increased revenue forecast and the favorable reception of converted Hurrikaani stores. We also believe that cost-efficiency will improve, supported by completed efficiency investments.
- We forecast that the company's EPS will grow at an annual rate of around 17% in 2023-26. The company's long-term outlook also seems promising, since as the store network grows, the result of newly opened stores grows with a lever as both customer numbers grow and operational efficiency improves (square-foot sales growth will scale).

Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	391	401	3%	431	432	0%	482	482	0%
EBIT (exc. NRIs)	63.8	64.7	1%	72.7	74.1	2%	82.2	83.4	1%
EBIT	63.8	64.7	1%	72.7	74.1	2%	82.2	83.4	1%
PTP	59.1	59.5	1%	67.7	69.1	2%	77.0	78.1	1%
EPS (excl. NRIs)	0.56	0.56	1%	0.64	0.66	2%	0.73	0.74	1%

Source: Inderes

Expected return is attractive

Higher valuation justified

Puuilo's LTM P/E (23x) is slightly above our range of acceptable valuation levels (P/E ~16-18x) and we see a gradual downside. However, projected earnings growth will correct the elevated valuation in the coming years as the P/E ratio falls to a reasonable level for a growth company (25-26e: 16-14x). EV-based earnings multiples that consider the balance sheet (2024-25e IFRS 16 adj. EV/EBIT 14-12x) also seem quite reasonable when we look at Puuilo's growth potential. For a market leader and a company with strong earnings growth, we believe it is justified to accept temporarily elevated multiples.

Valuation in line with peers

When gauging the relative valuation, we give main weight to the P/E ratio and dividend yield. The comparability of EV-based multiples within the peer group is weakened by differences in the length of IFRS 16 leases affecting net debt between the companies.

Examined with the P/E ratio, the company is priced in line with its retail peer group. In our view, a stronger growth outlook than its peers, excellent capital return potential and a good track record even justify a premium for Puuilo. However, this year's valuation levels of the peer group have risen clearly from last year, and we consider the multiples to be fairly stretched.

The dividend distributed by Puuilo offers a higher return (~30-40% premium) than the peer group, driven by the company's strong cash flow profile and lofty profit distribution policy.

Cash flow model indicates an upside

Our cash flow model suggests a fair value of around EUR 12, which implies an upside of some 15% from the current price and supports a positive view on the stock. Puuilo's cash flow profile is fairly predictable, which allows us to incorporate the value provided by the cash flow model into our valuation of the company.

Reasonable dividend yield

For 2024-25, we forecast a dividend that grows with earnings. Although the stock cannot be called very cheap based on the dividend yield of good 5%, it provides a good basis for expected returns. The dividend yield is very close to the free cash flow yield of around 6% generated by the company, which is explained by the 80% payout policy. On the updated policy, part of this could be used, e.g., for share buybacks (which are cancelled), giving the investor a more tax-efficient alternative to dividends and a possible multiple arbitrage.

Expected return remains attractive

In terms of realized earnings multiples, the company is priced slightly above our comfort zone. However, this is justified as we expect the company to deliver strong earnings growth in the coming years. We forecast Puuilo's result to grow at an annual rate of around 17% over the next three years. Given the 6% dividend yield and the slightly elevated valuation, the expected return on the stock is around 15%. We find this level attractive and it exceeds our WACC, which means that the stock's risk/reward ratio is favorable.

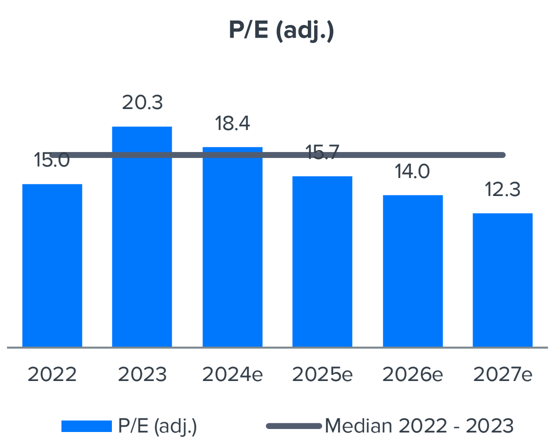
Valuation	2024e	2025e	2026e
Share price	10.3	10.3	10.3
Number of shares, millions	84.8	84.8	84.8
Market cap	874	874	874
EV	971	960	959
P/E (adj.)	18.4	15.7	14.0
P/E	18.4	15.7	14.0
P/B	8.7	7.4	6.4
P/S	2.2	2.0	1.8
EV/Sales	2.4	2.2	2.0
EV/EBITDA	11.5	10.0	8.9
EV/EBIT (adj.)	15.0	13.0	11.5
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.4 %	5.1 %	5.7 %

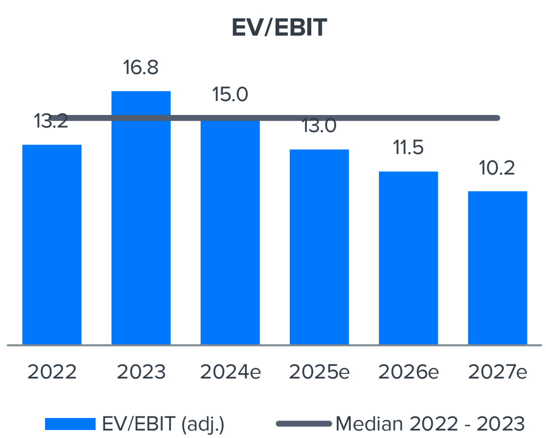
Source: Inderes

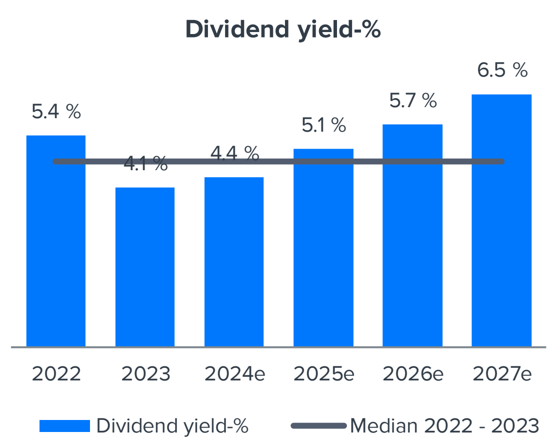
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				6.32	9.26	10.3	10.3	10.3	10.3
Number of shares, millions				84.8	84.8	84.8	84.8	84.8	84.8
Market cap				536	785	874	874	874	874
EV				630	886	971	960	959	958
P/E (adj.)				15.0	20.3	18.4	15.7	14.0	12.3
P/E				15.3	20.3	18.4	15.7	14.0	12.3
P/B				7.0	9.2	8.7	7.4	6.4	5.6
P/S				1.8	2.3	2.2	2.0	1.8	1.6
EV/Sales				2.1	2.6	2.4	2.2	2.0	1.8
EV/EBITDA				10.4	13.1	11.5	10.0	8.9	8.0
EV/EBIT (adj.)				13.2	16.8	15.0	13.0	11.5	10.2
Payout ratio (%)				82.9 %	83.3 %	80.0 %	80.0 %	80.0 %	80.0 %
Dividend yield-%				5.4 %	4.1 %	4.4 %	5.1 %	5.7 %	6.5 %

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Europris ASA	1070	1369	12.3	11.2	7.9	7.4	1.6	1.5	14.0	12.3	4.5	4.7	3.1
Byggmax Group AB	198	442	25.9	15.7	5.7	5.1	0.8	0.8	28.2	11.8	2.1	3.7	0.9
Clas Ohlson AB	1027	1176	17.2	12.8	7.9	7.1	1.3	1.2	20.5	14.9	3.0	3.3	6.3
Axfood AB	5297	6174	17.8	16.6	9.5	8.9	0.8	0.8	21.5	19.6	3.1	3.3	8.0
Dollar General Corp	25325	31106	13.8	14.4	10.4	10.3	0.9	0.8	16.7	17.4	1.9	1.9	4.0
Kesko Oyj	6616	9521	14.7	13.7	7.9	7.5	0.8	0.8	14.7	13.5	6.0	6.1	2.4
Musti Group Oyj	862	1000	21.1	17.7	12.1	10.5	2.1	2.0	29.2	21.6	2.6	3.1	4.4
Verkkokauppa.com Oyj	103	123	17.6	10.6	9.0	6.7	0.3	0.2	23.2	13.7	2.3	4.5	3.2
Kamux Oyj	234	305	14.2	10.9	8.2	6.5	0.3	0.3	14.0	9.8	3.3	4.4	1.9
Tokmanni Oyj	809	1046	9.2	7.8	4.4	4.0	0.6	0.6	13.1	10.0	5.8	6.9	2.9
Rusta	1123	1601	23.0	17.6	9.7	8.5	1.5	1.4	19.6	17.1	2.3	2.9	6.2
Puuilo Oyj (Inderes)	**874**	**971**	**15.0**	**13.0**	**11.5**	**10.0**	**2.4**	**2.2**	**18.4**	**15.7**	**4.4**	**5.1**	**8.7**
Average			**17.0**	**13.5**	**8.4**	**7.5**	**1.0**	**0.9**	**19.5**	**14.7**	**3.3**	**4.1**	**3.9**
Median			**17.2**	**13.7**	**8.2**	**7.4**	**0.8**	**0.8**	**19.6**	**13.7**	**3.0**	**3.7**	**3.2**
Diff-% to median			***-13%***	***-5%***	***41%***	***34%***	***195%***	***185%***	***-6%***	***15%***	***43%***	***37%***	***170%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**296**	**65.0**	**104**	**92.3**	**76.8**	**339**	**75.4**	**126**	**106**	**93.1**	**401**	**432**	**482**	**536**
EBITDA	**60.5**	**10.6**	**24.3**	**18.7**	**14.3**	**67.8**	**12.4**	**30.4**	**22.9**	**18.8**	**84.5**	**96.1**	**108**	**120**
Depreciation	-13.5	-3.6	-3.7	-3.7	-4.0	-15.0	-4.8	-4.7	-5.0	-5.3	-19.8	-22.0	-24.7	-25.9
EBIT (excl. NRI)	**47.6**	**7.0**	**20.6**	**15.0**	**10.3**	**52.8**	**7.6**	**25.7**	**17.9**	**13.5**	**64.7**	**74.1**	**83.4**	**94.3**
EBIT	**47.0**	**7.0**	**20.6**	**15.0**	**10.3**	**52.8**	**7.6**	**25.7**	**17.9**	**13.5**	**64.7**	**74.1**	**83.4**	**94.3**
Net financial items	-3.1	-1.0	-1.3	-1.0	-1.2	-4.5	-1.3	-1.3	-1.3	-1.3	-5.2	-5.0	-5.3	-5.6
PTP	**43.9**	**6.0**	**19.3**	**14.0**	**9.1**	**48.4**	**6.3**	**24.4**	**16.6**	**12.2**	**59.5**	**69.1**	**78.1**	**88.7**
Taxes	-8.8	-1.2	-3.9	-2.8	-1.8	-9.7	-1.3	-4.9	-3.3	-2.4	-11.9	-13.5	-15.6	-17.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**35.1**	**4.8**	**15.4**	**11.2**	**7.3**	**38.7**	**5.0**	**19.5**	**13.3**	**9.8**	**47.6**	**55.6**	**62.5**	**71.0**
EPS (adj.)	**0.42**	**0.06**	**0.18**	**0.13**	**0.09**	**0.46**	**0.06**	**0.23**	**0.16**	**0.12**	**0.56**	**0.66**	**0.74**	**0.84**
EPS (rep.)	**0.41**	**0.06**	**0.18**	**0.13**	**0.09**	**0.46**	**0.06**	**0.23**	**0.16**	**0.12**	**0.56**	**0.66**	**0.74**	**0.84**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.7 %	10.4 %	17.1 %	15.4 %	12.4 %	14.2 %	16.1 %	20.8 %	15.2 %	21.2 %	18.5 %	7.7 %	11.5 %	11.4 %
Adjusted EBIT growth-%	0.4 %	19.6 %	16.0 %	2.5 %	9.3 %	11.0 %	8.1 %	24.9 %	19.7 %	31.6 %	22.5 %	14.5 %	12.6 %	13.1 %
EBITDA-%	20.4 %	16.3 %	23.2 %	20.2 %	18.6 %	20.0 %	16.4 %	24.1 %	21.6 %	20.2 %	21.1 %	22.3 %	22.5 %	22.4 %
Adjusted EBIT-%	16.1 %	10.8 %	19.7 %	16.2 %	13.3 %	15.6 %	10.0 %	20.4 %	16.9 %	14.5 %	16.1 %	17.2 %	17.3 %	17.6 %
Net earnings-%	11.8 %	7.4 %	14.8 %	12.1 %	9.5 %	11.4 %	6.7 %	15.5 %	12.5 %	10.5 %	11.9 %	12.9 %	13.0 %	13.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**107**	**127**	**131**	**139**	**148**
Goodwill	33.5	33.5	33.5	33.5	33.5
Intangible assets	17.4	16.4	16.7	17.3	17.9
Tangible assets	55.6	75.9	81.3	88.1	96.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.7	1.0	0.0	0.0	0.0
Current assets	**124**	**122**	**150**	**172**	**197**
Inventories	89.9	93.1	106	108	120
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	5.4	7.2	8.0	8.6	10.5
Cash and equivalents	28.8	21.5	36.1	55.3	66.5
Balance sheet total	**231**	**249**	**282**	**311**	**345**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**76.2**	**85.0**	**100**	**118**	**136**
Share capital	29.1	29.1	29.1	29.1	29.1
Retained earnings	47.1	55.9	71.3	88.8	107
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**113**	**112**	**133**	**141**	**151**
Deferred tax liabilities	0.0	2.7	0.0	0.0	0.0
Provisions	0.0	0.9	0.0	0.0	0.0
Interest bearing debt	113	108	133	141	151
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**41.7**	**51.7**	**48.3**	**51.8**	**57.8**
Interest bearing debt	9.9	14.6	0.2	0.0	0.0
Payables	31.8	24.2	48.1	51.8	57.8
Other current liabilities	0.0	12.9	0.0	0.0	0.0
Balance sheet total	**231**	**249**	**282**	**311**	**345**

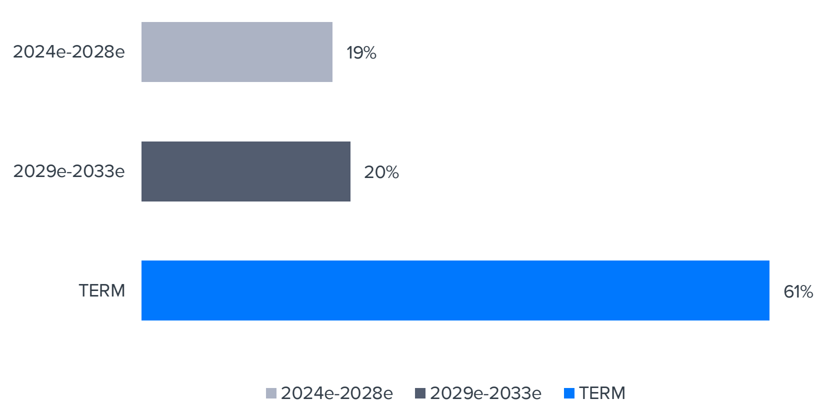
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	14.2 %	18.5 %	7.7 %	11.5 %	11.4 %	10.7 %	8.4 %	8.0 %	5.0 %	3.0 %	1.8 %	1.8 %
EBIT-%	15.6 %	16.1 %	17.2 %	17.3 %	17.6 %	17.7 %	17.7 %	17.7 %	17.7 %	17.0 %	17.0 %	17.0 %
EBIT (operating profit)	**52.8**	**64.7**	**74.1**	**83.4**	**94.3**	**105**	**114**	**123**	**129**	**128**	**130**	
+ Depreciation	15.0	19.8	22.0	24.7	25.9	28.8	31.9	34.8	37.5	40.0	42.4	
- Paid taxes	-7.3	-13.6	-13.5	-15.6	-17.7	-19.9	-21.7	-23.4	-24.5	-24.2	-25.6	
- Tax, financial expenses	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.2	-1.3	-1.3	-1.4	-1.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
- Change in working capital	0.4	-3.0	1.4	-8.4	-8.3	-8.7	-7.6	-7.8	-5.3	-3.3	-2.0	
Operating cash flow	**60.0**	**66.8**	**83.1**	**83.1**	**93.1**	**104**	**116**	**126**	**136**	**139**	**144**	
+ Change in other long-term liabilities	0.9	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-34.2	-25.5	-29.5	-33.5	-37.5	-41.5	-44.0	-46.0	-48.0	-50.0	-51.4	
Free operating cash flow	**26.7**	**40.4**	**53.6**	**49.6**	**55.6**	**62.8**	**71.6**	**79.6**	**87.7**	**88.9**	**93.1**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	26.7	40.4	53.6	49.6	55.6	62.8	71.6	79.6	87.7	88.9	93.1	1477
Discounted FCFF		**38.7**	**47.4**	**40.6**	**42.1**	**43.9**	**46.3**	**47.6**	**48.5**	**45.5**	**44.0**	**698**
Sum of FCFF present value		1143	1104	1057	1016	974	930	884	836	788	742	698
Enterprise value DCF		**1143**										
- Interest bearing debt		-122.8										
+ Cash and cash equivalents		21.5										
-Minorities		0.0										
-Dividend/capital return		-32.2										
Equity value DCF		**1010**										
Equity value DCF per share		**11.9**										

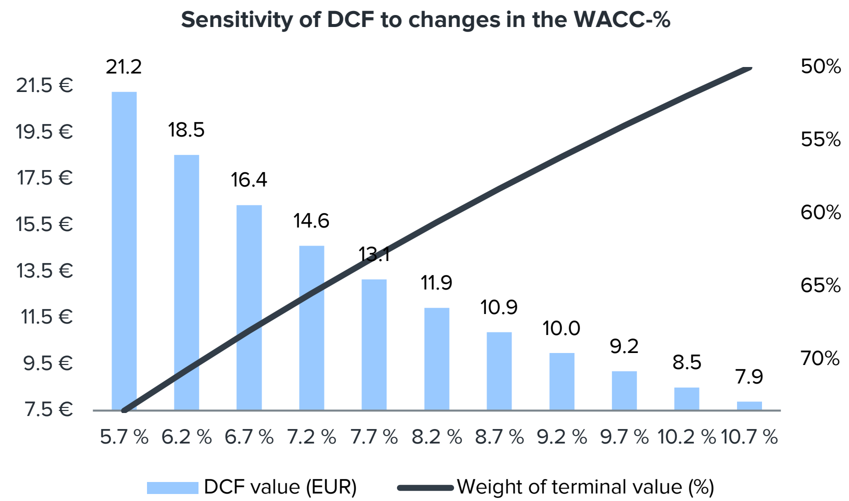
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**9.2 %**
Weighted average cost of capital (WACC)	**8.2 %**

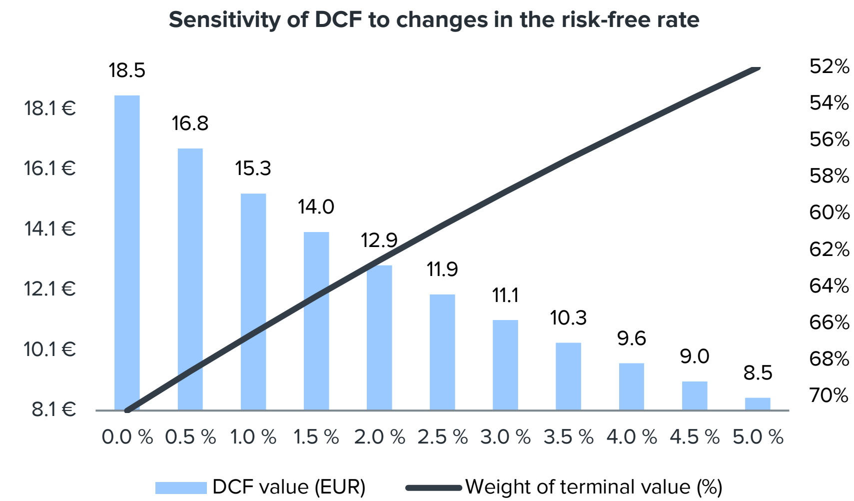
Source: Inderes

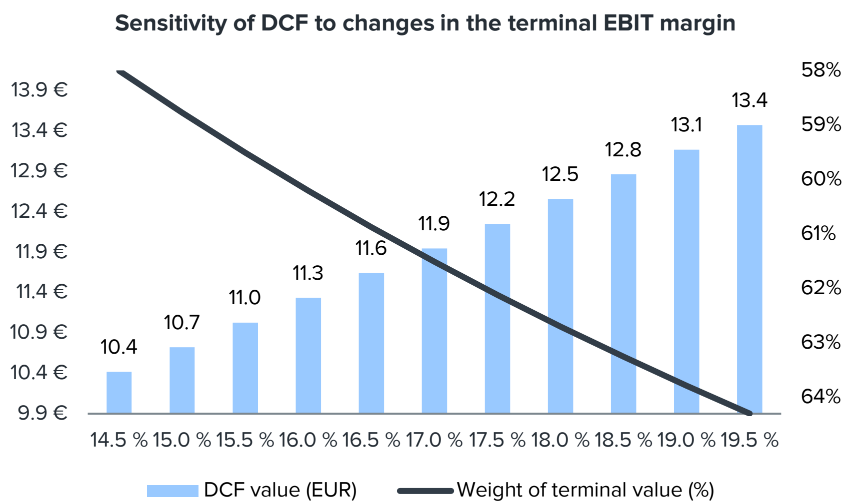
Cash flow distribution

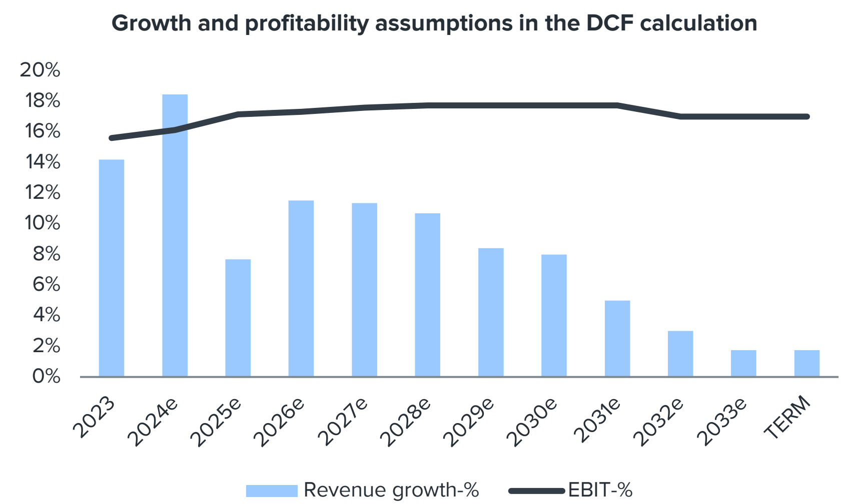


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024e	2025e
Revenue	296.4	338.5	401.0	431.8
EBITDA	60.5	67.8	84.5	96.1
EBIT	47.0	52.8	64.7	74.1
PTP	43.9	48.4	59.5	69.1
Net Income	35.1	38.7	47.6	55.6
Extraordinary items	-0.6	0.0	0.0	0.0

Balance sheet	2022	2023	2024e	2025e
Balance sheet total	231.3	248.5	281.8	310.9
Equity capital	76.2	85.0	100.4	117.9
Goodwill	33.5	33.5	33.5	33.5
Net debt	94.5	101.3	97.2	85.8

Cash flow	2022	2023	2024e	2025e
EBITDA	60.5	67.8	84.5	96.1
Change in working capital	1.7	0.4	-3.0	1.4
Operating cash flow	52.1	60.0	66.8	83.1
CAPEX	-20.4	-34.2	-25.5	-29.5
Free cash flow	31.7	26.7	40.4	53.6

Valuation multiples	2022	2023	2024e	2025e
EV/S	2.1	2.6	2.4	2.2
EV/EBITDA	10.4	13.1	11.5	10.0
EV/EBIT (adj.)	13.2	16.8	15.0	13.0
P/E (adj.)	15.0	20.3	18.4	15.7
P/B	7.0	9.2	8.7	7.4
Dividend-%	5.4 %	4.1 %	4.4 %	5.1 %

Source: Inderes

Per share data	2022	2023	2024e	2025e
EPS (reported)	0.41	0.46	0.56	0.66
EPS (adj.)	0.42	0.46	0.56	0.66
OCF / share	0.61	0.71	0.79	0.98
FCF / share	0.37	0.31	0.48	0.63
Book value / share	0.90	1.00	1.18	1.39
Dividend / share	0.34	0.38	0.45	0.52

Growth and profitability	2022	2023	2024e	2025e
Revenue growth-%	10%	14%	18%	8%
EBITDA growth-%	8%	12%	25%	14%
EBIT (adj.) growth-%	0%	11%	23%	14%
EPS (adj.) growth-%	2%	8%	23%	17%
EBITDA-%	20.4 %	20.0 %	21.1 %	22.3 %
EBIT (adj.)-%	16.1 %	15.6 %	16.1 %	17.2 %
EBIT-%	15.9 %	15.6 %	16.1 %	17.2 %
ROE-%	48.8 %	48.0 %	51.4 %	50.9 %
ROI-%	24.6 %	25.9 %	29.3 %	30.1 %
Equity ratio	32.9 %	34.2 %	35.6 %	37.9 %
Gearing	124.0 %	119.2 %	96.9 %	72.8 %

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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	Share price
10/12/2021	Accumulate	8.50 €	7.77 €
12/17/2021	Accumulate	10.00 €	8.88 €
4/1/2022	Buy	8.50 €	6.72 €
5/27/2022	Buy	6.00 €	5.16 €
6/15/2022	Buy	6.00 €	4.79 €
9/8/2022	Buy	6.00 €	4.94 €
9/16/2022	Buy	6.00 €	4.92 €
12/16/2022	Buy	6.70 €	5.92 €
3/31/2023	Osta	7.00 €	6.11 €
5/16/2023	Accumulate	8.00 €	7.34 €
6/15/2023	Accumulate	8.00 €	7.18 €
Analyst changed			
9/13/2023	Accumulate	8.50 €	7.63 €
9/25/2023	Accumulate	9.00 €	7.93 €
12/14/2023	Accumulate	9.00 €	8.41 €
3/21/2024	Reduce	9.00 €	9.26 €
3/28/2024	Accumulate	10.00 €	9.18 €
4/24/2024	Accumulate	11.00 €	9.99 €
6/13/2024	Accumulate	11.50 €	10.31 €

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