Anora

Company report

5/8/2024

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Inderes corporate customer

This report is a summary translation of the report "Marginaali nousutrendillä " published on 5/7/2024 at 6:48 pm EEST

inderes.

Margin on an upward trend

Anora's Q1 results improved slightly on the comparison period but fell short of expectations. The full-year guidance was reiterated, and we continue to believe that the company will be able to significantly improve its results in the coming years compared to last year's weak performance. We have not made any significant changes to our forecasts, but with the dividend payout, we lower the target price to EUR 5.3 (previously EUR 5.5) and reiterate our Accumulate recommendation.

Result improvement less than expected, but in key segments

Anora's revenue decreased by 8%, somewhat more than we expected. The decline came from all segments, as weak international sales in Spirits also pushed the segment down against our expectations. The Wine and Industrial segments declined more than we had forecast. Anora's adjusted EBITDA was 8.9 MEUR, an improvement from the comparison period (7.9 MEUR), but below our expectations (10.0 MEUR). However, the Wine segment improved in line with our expectations and the Spirits segment also improved year-on-year, exceeding our expectations despite slightly lower revenue. The improvement in the Wine and Spirits segments was supported by both a significant improvement in gross margin and a reduction in fixed costs. The Industrial segment, on the other hand, achieved an adjusted EBITDA of just under 1 MEUR, versus 2.5 MEUR in the comparison period and our expectations of 3 MEUR. However, Industrial is Anora's smallest segment. It is also less important for the company's value than the other two segments, so we see the Q1 result as an improvement in the right places for the company's growth and value. Of course, the weak performance of Industrial as such is still negative. Q1 is also seasonally by far the slowest quarter for Anora.

Guidance unchanged, profitability likely to improve in 2024-26

Anora is guiding for an adjusted EBITDA margin of 75-85 MEUR this year and also reported that Q1 was in line with its expectations. We have slightly lowered our forecast and expect an adjusted EBITDA of 80 MEUR this year. Anora's 2023 performance was weak relative to its history and, in our view, to its potential, mainly due to three factors: 11) the weakening of the SEK and NOK, 2) the poor performance of Globus Wine (Denmark), and 3) the loss of principals in wine distribution. All of these mainly affected the Wine segment. On the first point, price increases have already clearly improved the situation in Q4'23 and the increase in currency hedges will support a smoother development going forward. Rectifying points 2 and 3 is slower and we believe will take place gradually in 2024-25. In addition, cost efficiency should support earnings already in 2024. We expect Anora's earnings to continue their upward trend in 2025-26 to a level of around 90 MEUR, which we consider somewhat normal for Anora. This means an adjusted EBITDA margin of around 12%, which is still well below the company's target of 16% in 2030.

2024 valuation relatively neutral, earnings growth and dividend offer reasonably good expected returns

Anora's P/E of 11x for this year is at the lower end of our acceptable multiple range, and we view the valuation as relatively neutral based on our forecasts for this year. However, earnings growth and dividends offer an expected return of around 15% over the next few years, well above our required return. The P/B ratio of 0.7-0.8x also offers an upside, as we believe that the return on capital will be close to our required return in the long run, and thus around 1x is an acceptable level for the next couple of years. The usefulness of EV ratios is weakened by large lease liabilities and off-balance sheet sales receivables that have been sold. The DCF value is in line with the target price.

Recommendation

Accumulate
(previous Accumulate)

EUR 5.30
(previous EUR 5.50)

Share price:
4.72

Key figures

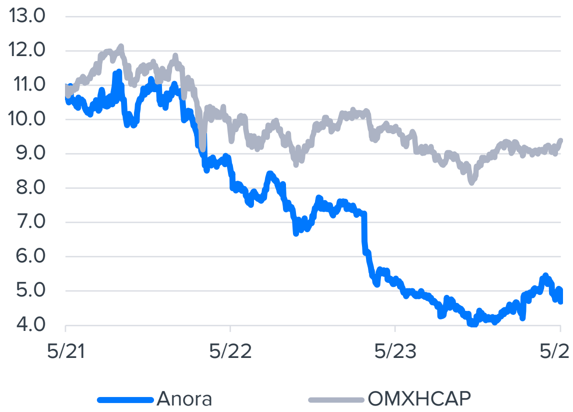
	2023	2024e	2025e	2026e
Revenue	726.5	700.9	724.5	739.0
growth-%	3%	-4%	3%	2%
EBITDA (adj.)	68.2	80.4	86.2	90.2
EBITDA-% (adj.)	9.4 %	11.5 %	11.9 %	12.2 %
Net Income	-39.9	28.6	35.2	41.9
EPS (adj.)	0.19	0.44	0.52	0.62
P/E (adj.)	23.1	10.7	9.1	7.6
P/B	0.7	0.8	0.7	0.7
Dividend yield-%	5.0 %	5.3 %	6.4 %	8.5 %
EV/EBIT (adj.)	12.0	7.9	6.5	5.7
EV/EBITDA	6.2	5.3	4.4	4.0
EV/S	0.6	0.6	0.5	0.5

Source: Inderes

Guidance (Unchanged)

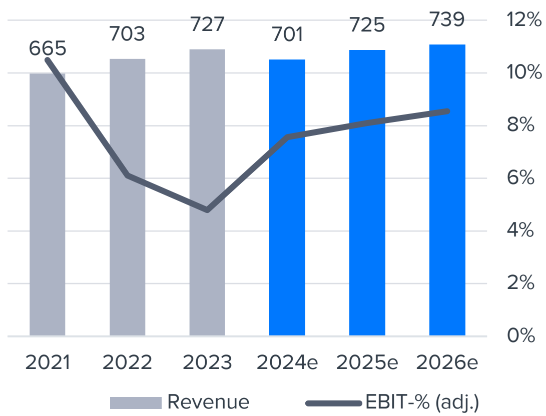
In 2024, Anora's comparable EBITDA is expected to be between 75-85 MEUR (2023: 69 MEUR)

Share price



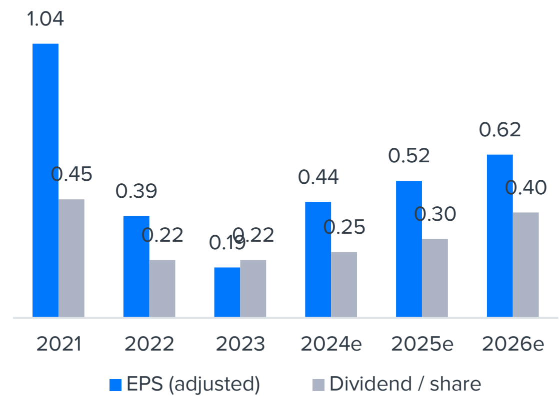
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong market position and extensive product portfolio
- Stable market and historically stable profitability
- Good potential for creating cash flow

Risk factors

- Globus Wine's performance remaining weak
- Price fluctuations of barley affects earnings
- Anora will continue to seek acquisitions, which involves risks related to the price and integration

Valuation	2024e	2025e	2026e
Share price	4.72	4.72	4.72
Number of shares, millions	67.6	67.6	67.6
Market cap	319	319	319
EV	417	382	359
P/E (adj.)	10.7	9.1	7.6
P/E	11.1	9.1	7.6
P/B	0.8	0.7	0.7
P/S	0.5	0.4	0.4
EV/Sales	0.6	0.5	0.5
EV/EBITDA	5.3	4.4	4.0
EV/EBIT (adj.)	7.9	6.5	5.7
Payout ratio (%)	59%	58%	65%
Dividend yield-%	5.3 %	6.4 %	8.5 %

Source: Inderes

Q1 missed expectations due to weak Industrial

Revenue down more than expected across the board

Anora's revenue fell by 8%, slightly more than we expected and also more than the general market development (Nordic volumes -1%). The decline came from all segments, as weak international sales in Spirits also pushed the segment down against our expectations. The Wine and Industrial segments declined more than we had forecast.

In the Wine segment, this was partly due to the discontinuation of filling contracts in Denmark, which had a more limited impact on the result, and, as expected, the loss of distribution contracts last year, which accounted for about half of the Wine segment's revenue decline. As of Q2'24, this is no longer included in the comparison figures. Revenue in the Industrial segment declined by 12%, weighed down by lower prices and volumes.

Earnings improvement below expectations, but in the right places

Anora's performance weakened in 2022-23, mainly due to a number of challenges in the Wine segment (exchange rates, loss of partners, and poor performance of Globus Wine in Denmark). The result turned around year-on-year in Q4'23 and continued the same trend in Q1'24, albeit at a slightly slower pace than expected. However, the Wine segment improved in line with our expectations and the Spirits segment also improved year-on-year, exceeding our expectations despite slightly lower revenue. In both segments, the earnings improvement was helped by price increases and cost control, which supported both the gross margin growth and the fixed cost reduction.

The Industrial segment, on the other hand, achieved an adjusted EBITDA of just under 1 MEUR, versus 2.5 MEUR in the comparison period and our expectations of 3 MEUR. But Industrial is Anora's smallest segment. It is also less important for the company's value than the other two segments, so we see the Q1 result as an improvement in the right places for the company's growth and value. Of course, the weak performance of Industrial as such is still negative.

Seasonally weak cash flow, balance sheet almost on target

Anora's cash flow from operating activities was 45 MEUR negative, due to typical seasonal fluctuations in working capital. The figure for the comparison period (4 MEUR positive) was significantly boosted by the sale of trade receivables. Anora's net debt/adj. EBITDA was 2.6x at the end of the quarter, close to the company's target level (below 2.5x). The company also has a significant amount of cash, which we believe would allow it to reduce its debt early.

Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparisor	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	160	147	156	157			-6%	701
EBITDA (adj.)	7.9	8.9	10.0	11.3			-11%	80.3
EBITDA	6.9	7.8	10.0	10.8			-22%	79.2
EBIT (adj.)	-0.7	2.0	3.2	4.1			-38%	53.0
EBIT	-1.7	0.8	3.2	3.6			-75%	51.9
EPS (reported)	-0.08	-0.03	-0.01	-0.02			154%	0.42
Revenue growth-%	19.5 %	-7.9 %	-2.2 %	-1.6 %			-5.7 pp	-3.5 %
EBIT-% (adj.)	-0.4 %	1.4 %	2.1 %	2.6 %	-		-0.7 pp	7.6 %

Source: Inderes & Vara Research, 5 analyytikkoa (consensus)

No significant forecast changes

Full-year guidance remains unchanged

As expected, Anora reiterated its full-year outlook and expects an adjusted EBITDA margin of 75-85 MEUR in 2024. The company also reported that Q1 was in line with its expectations, although it missed analysts' expectations. For the last 12 months, the group's adjusted EBITDA is around 69 MEUR, so the trend of improving results needs to continue throughout the year to reach the guidance. The comparison figures are quite weak, so we foresee that this will happen.

For the full year, we are forecasting adjusted EBITDA of 80 MEUR, i.e. in the middle of the guidance range, and it has decreased by about 1 MEUR. Margin-wise, the 12-month rolling adjusted EBITDA-% is now 9.7%, up from 8.7% at the weakest point (Q3'23), and our expectation for 2024 is 11.5%.

Revenue projections slightly down

Our revenue forecasts for the forecast years have been lowered as a result of Industrial's lower revenue and a reduction in low-margin revenue. The recent weakening of the SEK and NOK may also be reflected in Anora's figures, although thanks to the current currency hedging policy, it should not hurt results as in previous years.

Wine segment as 2024 earnings driver

Anora's Wine segment's adjusted EBITDA roughly halved in 2023 and we expect it to return to around 2022 levels this year. This is the main driver of the improvement in this year's results in our forecasts. The improvement is supported in particular by the better gross margin achieved through price increases and fixed cost savings. We do expect the Spirits segment to improve too, while the Industrial segment is expected to deteriorate. The role of the Industrial segment is mainly to sell on the side streams of Anora's processes and to act as a logistics operator in Norway.

No significant change in long-term forecasts

The projections for 2025-26 remained virtually unchanged. We still expect the company to be able to convert its revenue into growth next year, with the adjusted EBITDA margin rising to around 12%. This is well below the company's 2030 target of 16%, but roughly in line with the 2016-19 pro forma profitability (old Altia and Arcus combined but excluding Globus Wine).

Estimate revisions	2024e	2023	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	724	701	-3%	744	725	-3%	758	739	-3%
EBITDA (adj.)	81.0	80.3	-1%	86.6	86.2	0%	90.5	90.2	0%
EBIT (exc. NRIs)	53.8	53.0	-1%	59.0	58.7	-1%	63.4	63.2	0%
EBIT	53.8	51.9	-4%	59.0	58.7	-1%	63.4	63.2	0%
PTP	37.3	35.8	-4%	45.0	44.7	-1%	53.4	53.2	0%
EPS (excl. NRIs)	0.44	0.44	0%	0.52	0.52	-1%	0.62	0.62	0%
DPS	0.25	0.25	0%	0.30	0.30	0%	0.40	0.40	0%

Source: Inderes

Return in terms of earnings growth and dividends

Valuation summary – Accumulate

Anora's earnings outlook for the coming years consists of both dividend yield and earnings growth, with the margin improvement of the last few quarters translating to a full-year level, and we expect the company's revenue to return to growth in 2025. The valuation level for 2023 is still high by earnings multiples, but already attractive from 2025 onwards. By looking at other valuation methods, the valuation picture seems moderate overall.

We see the total expected return for the stock as consisting of dividend yield, earnings growth driven by improved profitability and a decrease in multiples (vs. 2023 actualized level). We believe the multiples for this year are quite neutral.

DCF model value in line with the target price

Due to the stable industry, steady growth and relatively easily predictable business, the DCF model is, in our opinion, a relevant valuation method for Anora. Our DCF model gives Anora a debt-free value of about 675 MEUR, which means that the value of the share capital is about 360 MEUR, or EUR 5.3 per share. The small decrease compared to the previous report is mainly due to the dividend payout. Here we treat sold receivables as debt (about 170 MEUR at the end of 2023).

After our more detailed forecast years (2024-26), we forecast only 1% growth in revenue for the company from 2028 onwards. We assume the EBIT margin to be 7-8%. This means that EBIT will be 55-65 MEUR in 2028-33. Investments remain close to the depreciation level.

Because the company's demand is even and defensive and profitability is stable, we use a relatively low 7.6% WACC. About half of the cash flows will already be generated in the next 10 years and the other half in the terminal period.

Earnings-based valuation neutral in 2024

For the P/E ratio, we see acceptable multiples of 11-13x, with this year's ratio at the lower end of the range. In 2025-26 the valuation is below 10x, which we think is cheap, and we think Anora's performance in those years will be relatively normal. This provides upside for the share with earnings growth.

Anora's EV/EBIT valuation is approximately 8x with 2024 earnings. In its current form, Anora has only been operational for one year, but we find Altia's historic valuation levels relevant also to Anora, as the return on capital and growth profile are very similar. Examined like this, Altia's/Anora's average historical EV/EBIT is about 12x. Similarly, the P/E ratio for 2024 is 11x and the historical average is 12x.

As regards the EV-based valuation, we note that Anora has a relatively high lease liability in its balance sheet, over 100 MEUR, relative to its value, which is not actual financial liability. On the other hand, it has off-balance-sheet sold receivables of some 170 MEUR (at the end of 2023), which can be considered as debt-like assets. We have not adjusted this either way when calculating multiples, but for this reason we do not believe EV-based multiples are the most appropriate for Anora.

Valuation	2024e	2025e	2026e
Share price	4.72	4.72	4.72
Number of shares, millions	67.6	67.6	67.6
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Payout ratio (%)	59%	58%	65%
Dividend yield-%	5.3 %	6.4 %	8.5 %

Source: Inderes

Expected return approximately 15% per year

Balance sheet-based valuation on the cheaper side

With our estimates, Anora's return on capital (both ROE and ROCE) will be around 9-10% in 2025-26. The rate of return is thus slightly above our required return (8.0% for equity, 7.6% for total capital). Thus, the P/B ratio should be slightly above 1.0x. The same is true for the EV/IC ratio (i.e. enterprise value/invested capital). At the current share price, both the P/B and EV/IC ratios for 2024-25 are 0.7-0.8x. The level is justified at current earnings levels, but we believe that medium-term return on capital levels justify around 1x levels. The book value per share is just over EUR 6. In this respect, the stock still has upside, but on the other hand, the return required here is only achieved in our forecasts within a 1-2-year horizon.

Expected return around 10% in the longer term

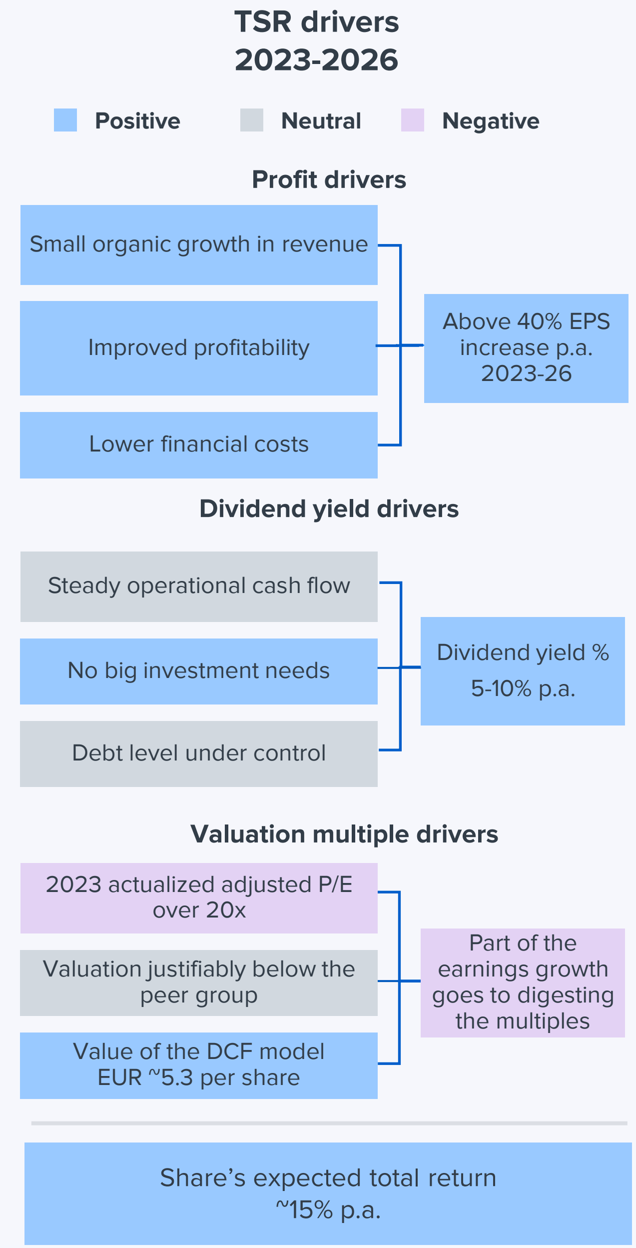
We believe Anora has the possibility of substantially increasing its volumes within the existing production facilities. Thus, growth in the foreseeable future will not require significant factory investments and the company can use its free cash flow mainly for dividends and possible acquisitions.

The impact of growth on earnings and return on capital naturally depends on what type of products the company can grow with. However, with our current estimates, growth is rather neutral from the point of view of return on capital and hence value creation. Therefore, the company's level of return on capital is mainly determined by its profitability level.

Although our return on capital projections are only slightly above our required return also looking further into the future, Anora's expected return at current valuations is reasonably good also in the longer term. If Anora would distribute its entire free cash flow as dividends (some 35 MEUR) the dividend yield would be over 10%. In our opinion, this describes Anora's long-term annual return potential well. The return is above our required return of some 8%.

Valuation compared to the peer group

In our opinion, Anora has no direct peers, either in the Nordic countries nor internationally. We use major international alcohol producers as our peer group. Anora's multiples are well below the average/median of the peer group with both earnings-based and balance sheet multiples, as should be. This is due to Anora's lower profitability, return on capital and growth. So we do not feel peer group comparison provides essential support to Anora's valuation.



Source: Inderes

Investment profile 1/2

1. **Strong market position, stable profitability and extensive product portfolio**

2. **Historically a rather stable market**

3. **We believe return on capital will remain at the level of their costs**

4. **Profitability of the Wine segment weak, but should make a clear recovery already in 2024**

5. **Possibility of continued expansion in the European market with acquisitions**

6. **Historically a good dividend payer**

Potential

- **Synergies and efficiency improvement** arising from the merger between Altia and Arcus and the acquisition of Globus Wine are already mainly reflected in Anora's figures, but the full impact of the ongoing efficiency programs will not be seen until 2025-26
- **Geographical expansion** With Anora's extensive Nordic brand portfolio, the company has a better opportunity to increase sales in the export markets (in spirits)
- **Complementing acquisitions** The company is interested in further growth through acquisitions, where the next logical step would be Central Europe. This could again generate new cross-selling synergy. However, the current balance sheet limits acquisitions

Risks

- **Profitability remaining low in the Wine segment.** This is particularly true of Globus Wine's current weak performance and the Swedish market, where Anora has lost volume
- **Exposure to barley price variation:** Barley is the company's main raw material and its price increase has had a negative impact on earnings this year
- **An error in product safety or other deterioration in a brand/brand reliability may result in a drop in demand:** However, this risk is mitigated by Anora's geographical dispersion and several different brands
- **Acquisition risks:** Price paid in possible future acquisitions and integration of operations generate their own operational risk

Source: Inderes

Investment profile 2/2

Next, we will discuss Anora's competitive advantages, strengths/opportunities, and weaknesses/risks.

Limited competitive advantages

In terms of competitive advantages, we feel that Anora's business should be divided into its own brands and partner brands.

For own brands, the potential competitive advantage is in the brand's strength. This is difficult to measure, but market shares give some perception of the strength of the brand. From this angle, Anora's well-known spirit brands Koskenkorva in non-flavored vodkas and Linie & OP Anderson in akvavit seem to enjoy some competitive advantage as their market shares in the Nordic countries are over 50%. However, we do not see a company-wide competitive advantage in own brands, even though we believe that certain brands and markets have them. Anora's history and know-how of acting in a monopoly market can generate some advantage against international competitors but we do not see this as a clear competitive advantage either.

In partner brands, this long knowledge of the monopoly market, combined with a strong position in all Nordic markets, gives Anora a type of competitive advantage. But the Swedish Viva Wine Group, for example, operates in the same monopoly market and has been able to increase its market share steadily, which indicates that Anora does not have a clear competitive advantage at least against them. However, partners can easily get skilled distribution across the Nordic countries through Anora.

Industrial segment's operations are mainly handling of side streams and logistics, where we do not see any competitive advantages as such. Side stream management is nevertheless important for Anora and making even a small profit here is naturally positive for the Group as a whole.

Other strengths and opportunities

Anora's strong position in the Nordic countries and its extensive brand portfolio also give it a good position in the export markets to seek growth and export Nordic products to Europe through a possible acquisition. Anora also has its own online store in Germany. However, the role of the export market in Anora as a whole is limited, so we do not expect growth there to quickly change the growth profile of Anora.

Anora also sees itself as a forerunner in sustainability. For example, the company aims to reduce its carbon dioxide emissions and move to more climate-friendly packaging. We do not believe that, at least in the eyes of the consumer, the sustainability profile of Anora has an impact on purchasing decisions, so it is of little importance on the demand side. Monopoly chains, on the other hand, have clear responsibility aspirations and Anora's actions support the entry/retention of products in the monopoly chains.

In terms of performance, we see potential for improvement in 2024-25, as we believe that pricing and increased hedging will compensate for the weakening of SEK and NOK and merger synergies and other efficiency gains will be increasingly visible.

Weaknesses and risks

We feel Anora's clear weakness is a stunted target market, which has partly led to the company's subdued historical growth. However, Anora sees small market growth in the coming years as well, but the alcohol consumption trend especially in Finland has made a downturn, which may, if continued, be reflected as a market decline. Anora has a small range of non-alcoholic products and in 2023 made an investment in the Danish company ISH, which sells non-alcoholic beverages. However, the scale of this business is so small for the time being that it is not, in our view, able to compensate for a possible reduction in alcohol consumption.

Another clear weakness is the current poor performance of the Wine segment, which has been affected by 1) exchange rate changes 2) Globus Wine's weaker-than-expected profitability, and 3) loss of partnership agreements. We believe that point 1 has already been largely resolved but fixing points 2 and 3 is likely to take longer.

According to our estimates, Anora's return on capital will be approximately at the level of the return requirement which is a weakness for Anora as an investment as it considerably limits its longer-term expected return. Improving this would require a clear improvement in profitability or a better capital revenue.

We see the reduction in partner agreements as a risk, which we believe could mainly be caused by continued consolidation of international alcohol producers. This could lead to an increase in the number of companies handling Nordic distribution themselves.

Strategy and financial targets 1/2

Anora's growth strategy extends until 2030

Anora announced its strategy for the first time since the merger of Arcus and Altia (and the acquisition of Globus Wine) in November 2022. Anora's growth strategy is based on three pillars:

- In the monopoly market (Sweden, Norway, Finland), the company aims to grow 1.5 times faster than the market, which, according to the company, means around 3% growth.
- In Denmark and the Baltic countries, the company aims to expand its operations to establish itself as a regional leader
- Internationally, the company seeks growth through "hero brands"

There are also numerical targets linked to the objectives, which are:

- Increase the share of non-monopoly market sales in the Spirits segment's revenue to 20 (around 11% last year)
- "Hero brands" to account for 30% of revenue (about 15% last year)
- Leading position in ESG

We believe it is challenging for Anora to reach faster growth than the market in the monopoly market due to its already strong market position. Anora aims to support growth by strengthening its position in all sales channels, so in addition to monopoly chains, e.g., in the retail sector, where it currently has a smallish position. Growth is also sought through investing in "hero brands" in the monopoly market. At least recently, its performance has been weaker than the market, especially in wines, due to the decline in partner sales. On the other hand, market development has also continued on a downward trend from COVID era figures, due to normalization and weak economic conditions.

In non-monopoly market sales, Anora still has a long way to go. Anora is a small player in the Baltic countries, and although the company sees potential there, especially in spirits, its impact for Anora is limited (revenue increase ~15 MEUR). More significant international growth relies more on opening new markets, where the company's recent track record is almost non-existent.

The growth strategy was overshadowed by negative factors in 2023

Anora's growth strategy and related financial targets (which we will discuss on the next page) are, in our view, quite ambitious. In the year following the strategy announcement, the company's profitability declined more strongly than expected, especially due to Globus Wine and currency effect. Therefore, we believe that the company has had and will have to focus more on correcting profitability and short-term problems than on investing in longer-term growth.

However, the company has progressed in its growth targets, for example in terms of own wines. In terms of spirits, strategy implementation has also progressed, although no significant development has been made, e.g., in international expansion.

Anora's responsibility objectives

Science-based objectives:

Overall emissions reduction of 38% by 2030 and net zero emissions by 2050

Koskenkorva distillery carbon neutral by 2026 and the entire production by 2030 without carbon compensation

Share of own grain spirits produced from renewable grains raised to 30%

All Anora's packaging will be light, 100% recyclable and manufactured from certified sources or recycled materials by 2030

Strategy and financial targets 2/2

Financial targets for 2030 (issued in November 2022)

Annual revenue growth 3-5% (incl. acquisitions, but mainly organic)

- The combined revenue of Anora and Altia was practically stagnate in 2016-2020
- In 2021-22, strong demand in the COVID era and the acquisition of Globus Wine accelerated growth to 6% per year
- We see achieving even the lower end of the target organically challenging
- Therefore, we believe that achieving this goal will require acquisitions

Adjusted EBITDA margin of 16%

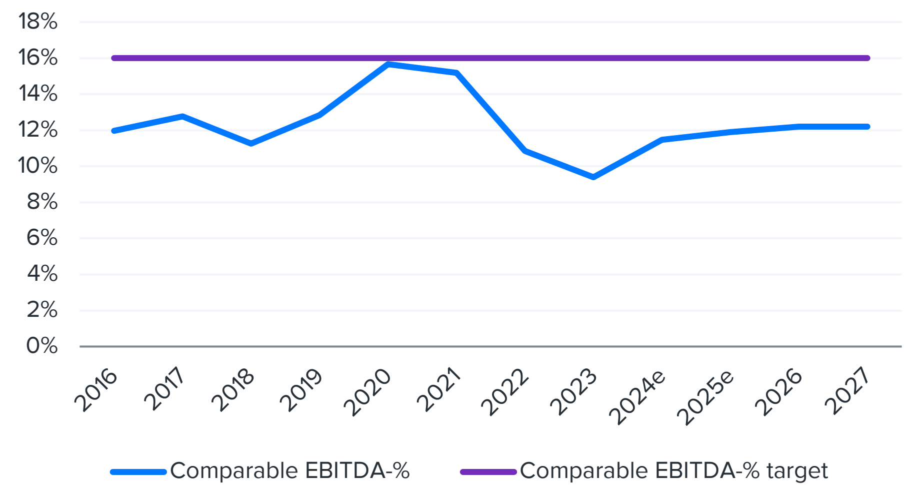
- Altia's and Arcus' combined EBITDA-% in 2016-19 was good 12%. In the COVID years 2020-21, it was 15-16%, but fell below 10% in 2023
- We find the target extremely challenging and forecast a margin of 11-12% for the next few years
- Even if Anora got closer to its target level, we believe that it will not happen until the latter part of the decade

Net debt/adjusted EBITDA below 2.5x

- In summer 2022, Anora acquired Globus Wine with debt, which, together with the downward earnings trend has raised the leverage
- At the end of Q1'24, net debt/adj. EBITDA was 2.6x
- However, the company has fundamentally good cash flow and, supported by an improving performance, we believe it will reach a more sustainable target level in 2024

Revenue growth vs. target level

Anora EBITDA vs. target level

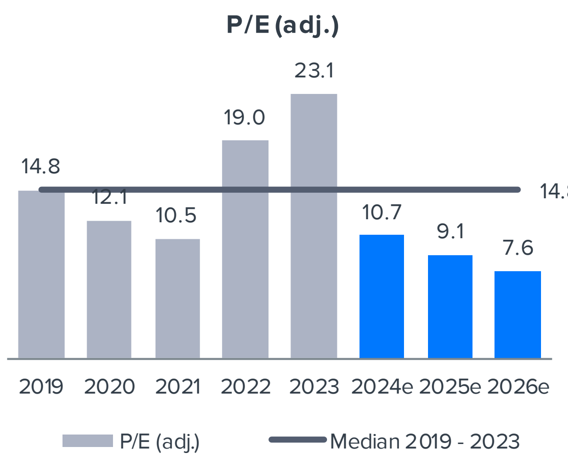


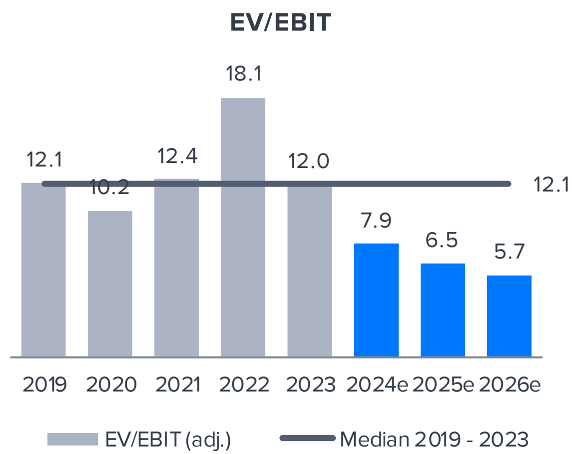
Source: Anora, Inderes

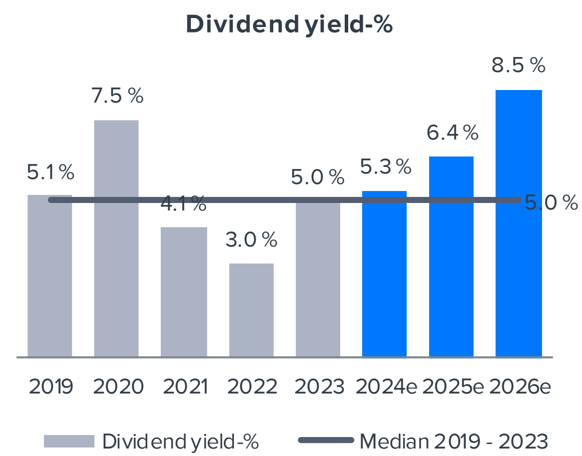
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	8.20	9.98	10.9	7.36	4.44	**4.72**	**4.72**	**4.72**	**4.72**
Number of shares, millions	36.1	36.1	46.6	67.6	67.6	**67.6**	**67.6**	**67.6**	**67.6**
Market cap	296	361	736	498	300	**319**	**319**	**319**	**319**
EV	325	357	864	778	419	**417**	**382**	**359**	**340**
P/E (adj.)	14.8	12.1	10.5	19.0	23.1	**10.7**	**9.1**	**7.6**	**7.0**
P/E	16.1	20.3	11.9	27.7	neg.	**11.1**	**9.1**	**7.6**	**7.0**
P/B	2.0	2.3	1.5	1.0	0.7	**0.8**	**0.7**	**0.7**	**0.7**
P/S	0.8	1.1	1.1	0.7	0.4	**0.5**	**0.4**	**0.4**	**0.4**
EV/Sales	0.9	1.0	1.3	1.1	0.6	**0.6**	**0.5**	**0.5**	**0.5**
EV/EBITDA	7.6	8.9	9.1	11.5	6.2	**5.3**	**4.4**	**4.0**	**3.7**
EV/EBIT (adj.)	12.1	10.2	12.4	18.1	12.0	**7.9**	**6.5**	**5.7**	**5.2**
Payout ratio (%)	82.6 %	152.7 %	71.2 %	82.9 %	neg.	**59.0 %**	**57.6 %**	**64.5 %**	**70.0 %**
Dividend yield-%	5.1 %	7.5 %	4.1 %	3.0 %	5.0 %	**5.3 %**	**6.4 %**	**8.5 %**	**10.1 %**

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**
Brown-Forman	20726	23330	19.2	19.0	18.2	17.7	5.9	5.8	23.8	23.6	1.9	1.9	6.7
Davide Campari Milano	11618	13234	19.6	16.9	16.7	14.4	4.2	3.8	26.9	23.5	0.8	0.8	3.0
Diageo	70793	90787	16.0	15.3	14.4	13.9	4.8	4.6	18.2	17.3	3.0	3.1	6.9
Pernod-Ricard	36121	48490	15.4	14.7	13.4	12.9	4.2	4.0	17.4	16.4	3.2	3.2	2.2
Remy-Cointreau	4610	5070	17.0	16.1	14.9	14.0	4.3	4.1	24.3	23.3	2.3	2.4	2.5
Constellation Brands	43668	54692	18.5	16.6	16.3	14.6	5.9	5.6	21.6	18.9	1.4	1.5	4.8
Olvi	624	614	8.2	7.5	6.1	5.6	1.0	0.9	10.7	9.7	4.2	4.5	1.9
Royal Unibrew	3540	4466	16.9	15.5	12.7	11.8	2.2	2.1	20.3	17.9	3.5	3.0	4.0
Anora (Inderes)	**319**	**417**	**7.9**	**6.5**	**5.3**	**4.4**	**0.6**	**0.5**	**10.7**	**9.1**	**5.3**	**6.4**	**0.8**
Average			**16.3**	**15.2**	**14.1**	**13.1**	**4.0**	**3.9**	**20.4**	**18.8**	**2.5**	**2.6**	**4.0**
Median			**16.9**	**15.8**	**14.6**	**14.0**	**4.2**	**4.0**	**20.9**	**18.4**	**2.6**	**2.7**	**3.5**
Diff-% to median			***-53%***	***-59%***	***-64%***	***-68%***	***-86%***	***-87%***	***-49%***	***-51%***	***103%***	***134%***	***-78%***

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	**703**	**160**	**183**	**173**	**211**	**727**	**147**	**171**	**172**	**211**	**701**	**725**	**739**	**754**
Wine	317	73.3	81.6	78.0	101	334	66.6	80.0	78.0	101	326	337	344	351
Spirits	234	48.9	58.4	57.2	72.5	237	47.0	59.0	59.0	75.0	240	247	252	257
Industrial	286	67.5	70.3	71.0	60.7	270	55.2	55.0	60.0	60.0	230	237	242	247
Group and eliminations	-133.2	-30.2	-27.6	-33.2	-23.3	-114.3	-21.9	-23.0	-25.0	-25.0	-95	-97	-99	-101
EBITDA	**67.9**	**6.9**	**9.9**	**28.9**	**21.9**	**67.5**	**7.7**	**18.5**	**22.0**	**31.0**	**79.2**	**86.2**	**90.2**	**92.0**
Depreciation	-33.2	-8.6	-8.3	-8.4	-73.6	-98.8	-6.9	-6.8	-6.8	-6.8	-27.3	-27.6	-27.1	-26.7
EBIT (excl. NRI)	**42.9**	**-0.7**	**4.9**	**11.8**	**18.9**	**34.8**	**1.9**	**11.7**	**15.2**	**24.2**	**53.0**	**58.7**	**63.2**	**65.3**
EBIT	**34.7**	**-1.7**	**1.7**	**20.5**	**-51.7**	**-31.3**	**0.8**	**11.7**	**15.2**	**24.2**	**51.9**	**58.7**	**63.2**	**65.3**
Wine (EBITDA)	23.5	1.2	-1.3	2.3	10.2	12.4	2.6	5.0	5.0	12.0	24.6	27.6	29.2	29.8
Spirits (EBITDA)	37.8	5.8	7.6	11.8	15.1	40.3	6.8	10.0	13.0	16.0	45.8	45.7	46.6	47.6
Industrial (EBITDA)	17.7	2.5	5.9	6.0	3.1	17.5	0.8	2.5	4.0	4.0	11.3	14.2	15.7	16.0
Group and eliminations	-2.8	-1.6	0.8	0.2	-1.3	-1.9	-1.4	1.0	0.0	-1.0	-1.4	-1.3	-1.4	-1.4
Share of profits in assoc. compan.	0.6	1.1	-0.3	-0.3	-0.3	0.2	0.7	0.0	0.0	0.2	0.9	1.0	1.0	1.0
Net financial items	-11.9	-5.3	-6.0	-5.8	-5.6	-22.8	-4.5	-4.5	-4.0	-4.0	-17.0	-15.0	-11.0	-8.2
PTP	**23.4**	**-5.9**	**-4.7**	**14.4**	**-57.6**	**-53.8**	**-3.0**	**7.2**	**11.2**	**20.4**	**35.8**	**44.7**	**53.2**	**58.1**
Taxes	-5.3	0.3	0.6	-0.4	13.5	13.9	0.8	-1.4	-2.2	-4.1	-7.0	-9.2	-11.0	-12.0
Minority interest	-0.2	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Net earnings	**17.9**	**-5.6**	**-4.2**	**14.0**	**-44.1**	**-39.9**	**-2.2**	**5.8**	**8.9**	**16.2**	**28.6**	**35.2**	**41.9**	**45.8**
EPS (adj.)	**0.39**	**-0.07**	**-0.01**	**0.08**	**0.20**	**0.19**	**-0.02**	**0.09**	**0.13**	**0.24**	**0.44**	**0.52**	**0.62**	**0.68**
EPS (rep.)	**0.27**	**-0.08**	**-0.06**	**0.21**	**-0.65**	**-0.59**	**-0.03**	**0.09**	**0.13**	**0.24**	**0.42**	**0.52**	**0.62**	**0.68**

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-%	5.7 %	19.5 %	10.3 %	-4.9 %	-4.7 %	3.4 %	-7.9 %	-6.4 %	-0.6 %	-0.1 %	-3.5 %	3.4 %	2.0 %	2.0 %
Adjusted EBIT growth-%	-38.5 %	-112.5 %	-56.8 %	-17.7 %	53.8 %	-19.0 %	-392.3 %	141.2 %	29.4 %	28.4 %	52.3 %	10.7 %	7.6 %	3.4 %
EBITDA-%	9.7 %	4.3 %	5.4 %	16.7 %	10.4 %	9.3 %	5.2 %	10.8 %	12.8 %	14.7 %	11.3 %	11.9 %	12.2 %	12.2 %
Adjusted EBIT-%	6.1 %	-0.4 %	2.7 %	6.8 %	8.9 %	4.8 %	1.3 %	6.8 %	8.8 %	11.5 %	7.6 %	8.1 %	8.5 %	8.7 %
Net earnings-%	2.6 %	-3.5 %	-2.3 %	8.1 %	-20.9 %	-5.5 %	-1.5 %	3.4 %	5.2 %	7.7 %	4.1 %	4.9 %	5.7 %	6.1 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**772**	**654**	**658**	**659**	**660**
Goodwill	311	304	304	304	304
Intangible assets	226	206	206	206	206
Tangible assets	214	131	131	132	134
Associated companies	20.7	12.3	12.3	12.3	12.3
Other investments	0.7	0.7	1.0	1.0	1.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.6	0.0	3.0	3.0	3.0
Current assets	**529**	**482**	**469**	**512**	**440**
Inventories	186	144	140	145	148
Other current assets	4.1	14.5	14.5	14.5	14.5
Receivables	248	110	105	109	111
Cash and equivalents	91.4	213	209	244	167
Balance sheet total	**1301**	**1136**	**1127**	**1171**	**1100**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**482**	**409**	**423**	**441**	**463**
Share capital	61.5	61.5	61.5	61.5	61.5
Retained earnings	111	55.4	69.2	87.5	109
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	309	291	291	291	291
Minorities	0.9	0.5	0.7	0.9	1.1
Non-current liabilities	**409**	**375**	**339**	**339**	**239**
Deferred tax liabilities	57.3	36.8	36.8	36.8	36.8
Provisions	2.7	2.4	2.4	2.4	2.4
Interest bearing debt	348	336	300	300	200
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.6	0.1	0.0	0.0	0.0
Current liabilities	**411**	**352**	**365**	**391**	**398**
Interest bearing debt	43.9	15.4	20.0	20.0	20.0
Payables	364	328	336	362	369
Other current liabilities	2.8	8.7	8.7	8.7	8.7
Balance sheet total	**1301**	**1136**	**1127**	**1171**	**1100**

DCF calculation

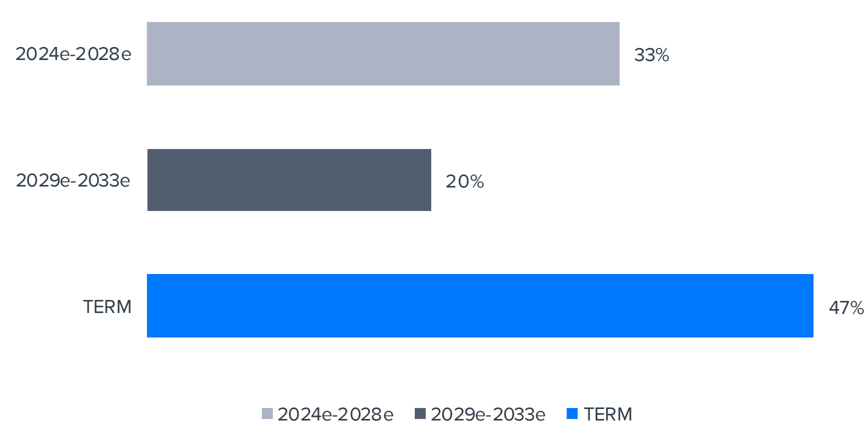
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3.4 %	-3.5 %	3.4 %	2.0 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	-4.3 %	7.4 %	8.1 %	8.5 %	8.7 %	8.0 %	8.0 %	7.5 %	7.5 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**-31.3**	**51.9**	**58.7**	**63.2**	**65.3**	**60.9**	**61.5**	**58.2**	**58.8**	**55.5**	**56.0**	
+ Depreciation	98.8	27.3	27.6	27.1	26.7	27.1	27.5	27.9	27.6	27.9	28.2	
- Paid taxes	-6.0	-10.0	-9.2	-11.0	-12.0	-11.1	-11.2	-10.5	-10.6	-9.9	-9.0	
- Tax, financial expenses	-7.1	-4.4	-4.2	-3.4	-2.8	-2.8	-2.8	-2.8	-2.8	-2.8	-2.8	
+ Tax, financial income	1.3	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0	
- Change in working capital	139	17.3	17.6	2.2	2.2	1.1	1.1	1.2	1.2	1.2	1.2	
Operating cash flow	**195**	**83.2**	**91.5**	**79.1**	**80.5**	**76.4**	**77.3**	**75.1**	**75.3**	**72.9**	**73.6**	
+ Change in other long-term liabilities	-0.8	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	10.1	-28.3	-28.3	-28.6	-28.8	-29.1	-29.4	-26.6	-23.5	-29.7	-31.6	
Free operating cash flow	**204**	**54.8**	**63.2**	**50.6**	**51.7**	**47.2**	**47.8**	**48.5**	**51.8**	**43.2**	**42.0**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	204	54.8	63.2	50.6	51.7	47.2	47.8	48.5	51.8	43.2	42.0	640
Discounted FCFF		**52.2**	**56.0**	**41.6**	**39.5**	**33.6**	**31.6**	**29.7**	**29.5**	**22.9**	**20.7**	**315**
Sum of FCFF present value		672	620	564	522	483	449	418	388	358	336	315

Enterprise value DCF	**672**
- Interest bearing debt	-524
+ Cash and cash equivalents	213
-Minorities	-0.5
-Dividend/capital return	-14.9
Equity value DCF	**359**
Equity value DCF per share	**5.3**

WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.5 %
Cost of equity	**8.0 %**
Weighted average cost of capital (WACC)	**7.6 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	665.0	702.7	726.5	**700.9**	**724.5**
EBITDA	95.2	67.9	67.5	**79.2**	**86.2**
EBIT	64.0	34.7	-31.3	**51.9**	**58.7**
PTP	54.5	23.4	-53.8	**35.8**	**44.7**
Net Income	42.7	17.9	-39.9	**28.6**	**35.2**
Extraordinary items	-5.8	-8.2	-66.1	**-1.1**	**0.0**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.92	0.27	-0.59	**0.42**	**0.52**
EPS (adj.)	1.04	0.39	0.19	**0.44**	**0.52**
OCF / share	2.21	-0.06	2.88	**1.23**	**1.35**
FCF / share	-9.11	-1.73	3.02	**0.81**	**0.93**
Book value / share	10.88	7.11	6.04	**6.24**	**6.51**
Dividend / share	0.45	0.22	0.22	**0.25**	**0.30**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	1233.3	1301.3	1135.7	**1127.0**	**1171.3**
Equity capital	507.9	481.6	408.7	**422.7**	**441.2**
Goodwill	277.8	310.5	304.3	**304.3**	**304.3**
Net debt	126.1	300.9	138.2	**111.0**	**75.7**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	94%	6%	3%	**-4%**	**3%**
EBITDA growth-%	136%	-29%	-1%	**17%**	**9%**
EBIT (adj.) growth-%	99%	-38%	-19%	**52%**	**11%**
EPS (adj.) growth-%	26%	-63%	-50%	**129%**	**18%**
EBITDA-%	14.3 %	9.7 %	9.3 %	**11.3 %**	**11.9 %**
EBIT (adj.)-%	10.5 %	6.1 %	4.8 %	**7.6 %**	**8.1 %**
EBIT-%	9.6 %	4.9 %	-4.3 %	**7.4 %**	**8.1 %**
ROE-%	12.9 %	3.6 %	-9.0 %	**6.9 %**	**8.2 %**
ROI-%	12.1 %	4.9 %	-3.2 %	**7.7 %**	**8.6 %**
Equity ratio	41.2 %	37.0 %	36.0 %	**37.5 %**	**37.7 %**
Gearing	24.8 %	62.5 %	33.8 %	**26.3 %**	**17.1 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	95.2	67.9	67.5	**79.2**	**86.2**
Change in working capital	-10.8	-75.4	138.9	**17.3**	**17.6**
Operating cash flow	102.9	-4.1	194.5	**83.2**	**91.5**
CAPEX	-530.9	-111.7	10.1	**-28.3**	**-28.3**
Free cash flow	-424.4	-117.2	203.8	**54.8**	**63.2**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.3	1.1	0.6	**0.6**	**0.5**
EV/EBITDA (adj.)	9.1	11.5	6.2	**5.3**	**4.4**
EV/EBIT (adj.)	12.4	18.1	12.0	**7.9**	**6.5**
P/E (adj.)	10.5	19.0	23.1	**10.7**	**9.1**
P/B	1.5	1.0	0.7	**0.8**	**0.7**
Dividend-%	4.1 %	3.0 %	5.0 %	**5.3 %**	**6.4 %**

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
9/27/2022	Reduce	7.50 €	7.05 €
11/24/2022	Reduce	7.50 €	7.40 €
3/1/2023	Reduce	6.80 €	6.45 €
3/29/2023	Accumulate	6.20 €	5.19 €
5/12/2023	Accumulate	6.20 €	5.26 €
7/26/2023	Accumulate	5.50 €	4.80 €
8/16/2023	Accumulate	4.70 €	4.30 €
8/28/2023	Accumulate	5.00 €	4.46 €
9/7/2023	Buy	5.50 €	4.74 €
11/10/2023	Buy	5.50 €	4.44 €
1/12/2024	Buy	5.50 €	4.44 €
2/15/2024	Buy	5.50 €	4.42 €
4/8/2024	Accumulate	5.50 €	5.39 €
5/8/2024	Accumulate	5.30 €	4.72 €

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Mikael Rautanen
2014, 2016, 2017, 2019

Sauli Vilén
2012, 2016, 2018, 2019, 2020

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

Olli Koponen
2020

Joni Grönqvist
2019, 2020

Erkki Vesola
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