Lindex Group

Company report

9/23/2024

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Inderes corporate customer

This report is a summary translation of the report “Lähiaikoina pitäisi tapahtua” published on 9/23/2024 at 8:10 am EEST

Things to unfold soon

We expect progress on both the last restructuring dispute and the strategic review of the department stores in the coming months and believe these will support the unlocking of value in the stock. With the fall in the share price, we raise our recommendation to Buy (was Accumulate), while the target price remains at EUR 3.5.

News on the latest restructuring dispute coming soon

Since the spring, the company has had only one disputed claim (LähiTapiola) related to the restructuring process, on which we expect a decision from the district court soon. It is unlikely that the dispute will be fully resolved in the district court, but we believe that the decision will provide the basis for some form of amicable settlement before the end of the year. This would allow the restructuring process to be completed, which in turn would allow, for example, the payment of dividends and facilitate financial and structural arrangements. In connection with the dispute, a provision of 16 MEUR has been made in the balance sheet, which we expect the company to pay this year. However, the amount of compensation may still change.

Year-end deadline for strategic review of department stores approaching

The company announced almost a year ago that it would launch a strategic review of its department store business, the Stockmann division. The results of this review are expected to be announced later this year. The timing may be partly related to the above dispute, i.e. Lindex may want to wait until the end of the restructuring process is in sight before publishing the results of the strategic review. In practice, we believe the review means that the process of selling department stores is in progress. In addition to the restructuring timeline, the main question is likely to be whether Lindex can find a buyer/taker for the department stores at a reasonable price. We believe the company will announce the divestment of the department stores in the coming months, which should have a clear positive impact on the stock.

Swedish fashion market grew slightly in July-August, but Finnish market remains difficult

In Sweden, the Lindex segment's main market, the clothing market grew by around 2% in July-August, slightly better than our previous expectations. On this basis, we have slightly raised our Q3 forecasts for the Lindex segment. In Finland, on the other hand, we see the market continuing to be sluggish and have lowered our revenue forecasts for the Stockmann division to slightly negative. Overall, however, forecast changes at the group level remained marginal. The company expects 2024 revenue to change by +/- 2% in local currencies and adjusted EBIT to be 70-90 MEUR (80 MEUR last year). In H1, revenue dropped by 2% and adjusted EBIT also decreased, so the guidance indicates a slightly better H2 than last year. Our forecast is closer to the lower end of the range for both revenue and adj. EBIT.

The potential of the restructuring offers a good expected return

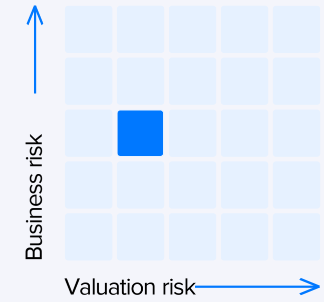
After the company announced the strategic assessment of the Department Stores business, we find the sum of the parts to be the best valuation method. We estimate that the value of the company without department stores is over EUR 4 per share. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores. As a whole, we feel the expected return is good, considering the change in the Department Stores business that is likely this year. With the current structure, our estimate for the company's 2024 P/E ratio adjusted for lease liabilities and cash is around 15x and EV/EBIT 10x. These are relatively high for the company, so the return potential comes mainly from the possible restructuring.

Recommendation

Buy
(was Accumulate)

3.50 EUR
(was 3.50 EUR)

Share price:
2.74



Key figures

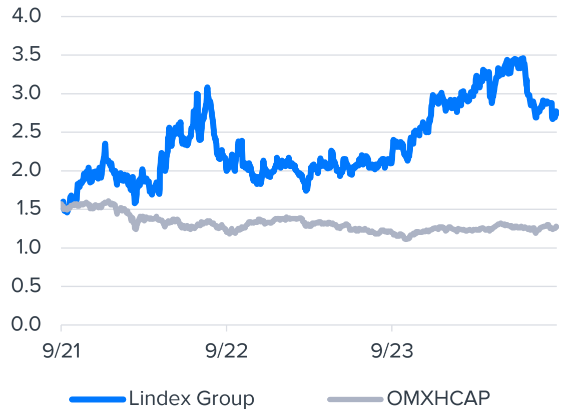
	2023	2024e	2025e	2026e
Revenue	952	948	980	981
growth-%	-3%	0%	3%	0%
EBIT adj.	80	74	77	81
EBIT-% adj.	8.4 %	7.8 %	7.9 %	8.2 %
Net Income	52	20	36	40
EPS (adj.)	0.16	0.19	0.22	0.24
P/E (adj.)	17.0	14.7	12.5	11.5
P/B	1.1	1.1	1.0	1.0
Dividend yield-%	0.0 %	0.0 %	3.3 %	4.4 %
EV/EBIT (adj.)	11.9	13.4	12.5	11.6
EV/EBITDA	5.4	6.1	4.9	4.7
EV/S	1.0	1.1	1.0	1.0

Source: Inderes

Guidance (Unchanged)

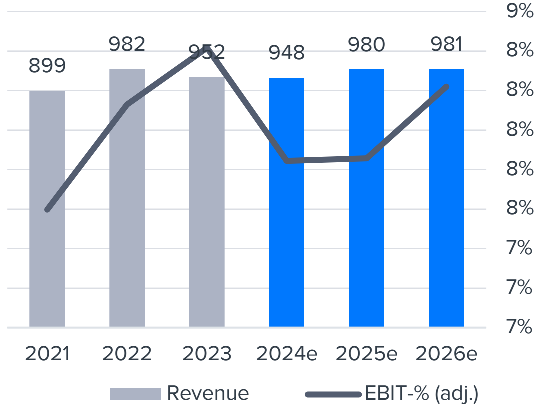
Lindex Group expects revenue in local currencies to change by -2% to +2% in 2024 compared to 2023. The Group's adjusted EBIT is estimated to be 70-90 MEUR.

Share price



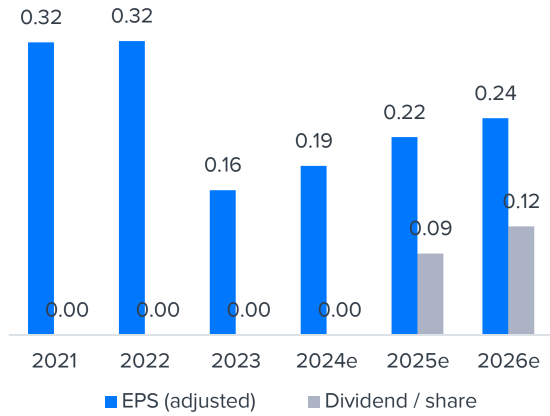
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Lindex division’s cash flow and value creation
- Divestment of the Stockmann division or gradual improvement in its profitability
- Corporate restructuring ending, which enables, e.g., dividend distribution and alleviates structural arrangements

Risk factors

- Department stores destroy value and we see no operational change to this in the next few years
- During and after the restructuring, the company's access to funding may be limited
- Lindex's result, like the fashion industry in general, has been unpredictable

Valuation	2024e	2025e	2026e
Share price	2.74	2.74	2.74
Number of shares, millions	161.9	165.1	165.1
Market cap	452	452	452
EV	997	961	934
P/E (adj.)	14.7	12.5	11.5
P/E	22.3	12.5	11.5
P/B	1.1	1.0	1.0
P/S	0.5	0.5	0.5
EV/Sales	1.1	1.0	1.0
EV/EBITDA	6.1	4.9	4.7
EV/EBIT (adj.)	13.4	12.5	11.6
Payout ratio (%)	0.0 %	41.2 %	50.2 %
Dividend yield-%	0.0 %	3.3 %	4.4 %

Source: Inderes

Estimate revisions

Estimate changes 2024e–2026e

- We lowered the Stockmann division's forecasts slightly for the rest of the year, both in terms of revenue and EBIT
- On the other hand, we slightly raised our forecasts for the Lindex segment following a better-than-expected July-August
- At the group level, the changes were marginal, with the 2024 revenue forecast reduced by 1% and otherwise unchanged

Operational result drivers 2024e–2026e:

- We forecast the Lindex segment's revenue to return to growth in 2025 and to grow by around 3% per year thereafter
- We expect the Lindex segment's result to remain at a good level, in the range of 80-85 MEUR in the coming years, negatively impacted by growth-related costs and positively impacted by sales growth and the gradual benefits of the logistics center coming into operation next year
- For the Stockmann segment, we see a slight increase in revenue next year as consumer demand recovers, but a declining trend thereafter
- However, we believe that the Stockmann segment's performance will improve slightly due to efficiency measures
- As we expect the Stockmann segment to be divested, group forecasts are less relevant in the medium to long term and attention should be focused more on the Lindex segment

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	953	948	-1%	980	980	0%	981	981	0%
EBITDA	164	164	0%	196	196	0%	199	199	0%
EBIT (exc. NRIs)	74	74	0%	77	77	0%	81	81	0%
EBIT	64	64	0%	77	77	0%	81	81	0%
PTP	34	34	0%	46	46	0%	50	50	0%
EPS (excl. NRIs)	0.19	0.19	0%	0.22	0.22	0%	0.24	0.24	0%
DPS	0.00	0.00		0.09	0.09	0%	0.12	0.12	0%

Source: Inderes

Structural change offers good risk/reward

Some challenges in valuation

We feel there are a few factors that make the valuation of Lindex Group difficult. Firstly, a loss-making Department Stores business affects the company's earnings multiples, which make it difficult to use group figures as a whole. Secondly, the performance of both divisions has been very volatile over the last decade, so finding some kind of normal level is not self-evident. This is also muddled by the effects of COVID and the structural changes in the Stockmann division. Thirdly, the company's large lease liabilities distort balance sheet and EV-based figures and, on the other hand, excluding lease liabilities, the company has net cash. Based on these facts, we feel a need to look at figures that have been adjusted in various ways. After the company announced the strategic assessment of the Department Stores business we find the sum of the parts to be the best valuation method. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores.

Valuation summary - Buy

We consider the company's valuation attractive in terms of the risk/reward ratio, given the potential of structural arrangements. This potential is very near with the company’s strategic assessment published in September 2023 and the restructuring process that may soon be completed. As such, we already consider the earnings-based valuation highish. We are not expecting a dividend until 2025, so it has a small but slightly positive impact.

The values indicated by the sum of the parts are well above the current share price. They assume the value of the department stores to be slightly negative or zero. This may materialize if the company decides to divest the department stores at the end of the strategic assessment. On the other hand, if department stores remain part of the group, their losses and negative cash flow continue to burden the company at least for the time being. Our DCF model assumes that department stores will be cash-flow neutral starting in 2028.

With the current structure, we expect the company to reach 6-7% return on capital and around 7% return on free cash flow in the medium term. The company could also pay this out as a dividend in the longer term if there are no bigger investments. The earnings and dividend income generated by the current estimates are not as such sufficient to award a positive view of the share.

Getting rid of department stores would raise the value to over EUR 4

We believe that the sum of the parts is an interesting and useful perspective to the valuation of the stock. In our neutral scenario, we value the Lindex division at around 675 MEUR, which, with 2024 earnings estimates, means an EV/EBIT of around 9x (excluding lease liabilities). Lindex's closest peers KappAhl and MQ were usually priced below 10x EV/EBIT when listed. Considering the increased interest rate and IFRS 16 effects, the valuation could be expected to be slightly lower in the current market, although larger peers such as H&M are of course valued higher. With an EBIT of 80 MEUR, which we estimate to be the normalized earnings level, the Lindex division generates about 55 MEUR in free cash flow/net profit. By discounting this with a 1.5–2% growth assumption and a 9.5 % required return, the current value of the Lindex division is about 700 MEUR.

Valuation	2024e	2025e	2026e
Share price	2.74	2.74	2.74
Number of shares, millions	161.9	165.1	165.1
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Payout ratio (%)	0.0 %	41.2 %	50.2 %
Dividend yield-%	0.0 %	3.3 %	4.4 %

Source: Inderes

Valuation is already highish with the current structure

Translated into a P/E ratio this means around 13x. This is a bit below that of Nordic retail sector peers (10–17x for 2025, median 15x), and more clearly below the level of the larger global competitors H&M (18x) and Inditex (above 25x). We believe that the strong global market position and brand of these companies offer them clearly better growth prospects than the Lindex division, which makes the higher valuation justified.

If the company found a taker for its Department Stores business (i.e. sell it off at zero price), the value of the company would only consist of the Lindex division and would be around EUR 4.1 per share (see calculation on the right). However, the calculation must consider small group costs and negative cash flow generated by department stores as long as they are part of the group. Naturally, the company can also receive a small price for divesting the department stores although we do not expect the sum to be significant for a loss-making business. It is also possible that the company would in practice have to pay the buyer of the department stores, which would mean the value in the transaction would also be negative. Thus, the structural arrangements of the Department Stores business clearly have the potential to create value in the company.

Earnings and cash flow multiples with the current structure

We feel one should not look directly at multiples calculated based on reported figures in the company's valuation. We believe a better way is to adjust the market cap for net cash in the P/E ratio and to remove lease liabilities from EV. If we remove lease liabilities from EV their earnings impact included in financial items should, in our opinion, be considered, which gives a comparable figure without IFRS 16 effects. In addition, we consider the expected impact of the disputed debts (both on debt and number of shares). P/E for this year would be about 15x and EV/EBIT (or in practice EV/PTP) around 10x. For 2025, the figures are 11x and 9x. We find these multiples highish for Stockmann with the current structure, which highlights the need for restructuring for value creation.

Our estimate of the company's sustainable free cash flow is 30–35 MEUR and we do not expect the company to achieve substantial earnings growth in the longer term. This means a free cash flow yield of around 7% at current market cap. If Lindex Group is net cash positive, the company could at least in principle distribute the entire cash flow as dividends, as long as it is technically possible after the restructuring. However, the post-restructuring investments the company mentioned may reduce cash flow and dividend potential. In any case, the longer-term cash-flow rate is below our required return.

Probability weighted expected return

We expect that without structural arrangements, the share's expected return will be at the level of its sustainable free cash flow yield, i.e. 7%. If we assume that the probability of the around EUR 4 sum of the parts value realizing is, e.g., 2/3 within a year (and the remaining 1/3 for the 7% return) the expected return rises to good 30%. Our target price of EUR 3.5 also offers an expected return of approximately 30%.

Sum-of-the-parts calculation	Value, MEUR
Lindex	700
Department stores and other costs	-50
Total	650
Debt excluding lease liabilities	-73
Cash at the end of 2024	95
Value of the share capital	672
Value per share	4.1

Strategy and financial objectives 1/4 - Lindex division

Lindex's strategic objectives

Accelerating growth	Transforming into a sustainable business	Decoupling costs and growth
• Lindex aims to grow in the current and new markets, both in existing and new channels, with a strong and distinctive offering.	• Lindex continues its sustainability-related transformation, which offers many business opportunities, including growth through new circular business models.	• Lindex continues to improve efficiency and enable growth by utilizing digitalization in stores, logistics, procurement and processes as a whole.

Inderes' comments on Lindex division's strategic goals

- In Lindex's main markets (Nordic countries), we estimate that the growth of the clothing market is low, and Lindex already has a fairly strong market position. Thus, we consider the growth potential in the main markets to be limited
- The company already has good and profitable business outside the Nordic countries through its own stores, its own online stores and third-party online stores
- We believe that the new distribution center will enable growth in the future, especially in e-commerce, which supports international growth
- In our opinion, the company has good expertise, especially in lingerie. However, introducing them to the online store is slightly more difficult than for other products

- Lindex has already previously spoken about transitioning to sustainable business. The company has reduced its emissions in recent years and aims for significant additional reductions by 2030. The use of recycled materials has also increased. However, concrete measures to change the actual business model have been limited.
- We believe that the company has opportunities, e.g., in selling used clothes or to some respect, e.g., in renting clothes. On the other hand, for the company's traditional product group, lingerie, these models do not really work
- We see a high-volume low-cost fashion company like Lindex also facing challenges if regulation and/or consumer habits require, e.g., more sustainable products

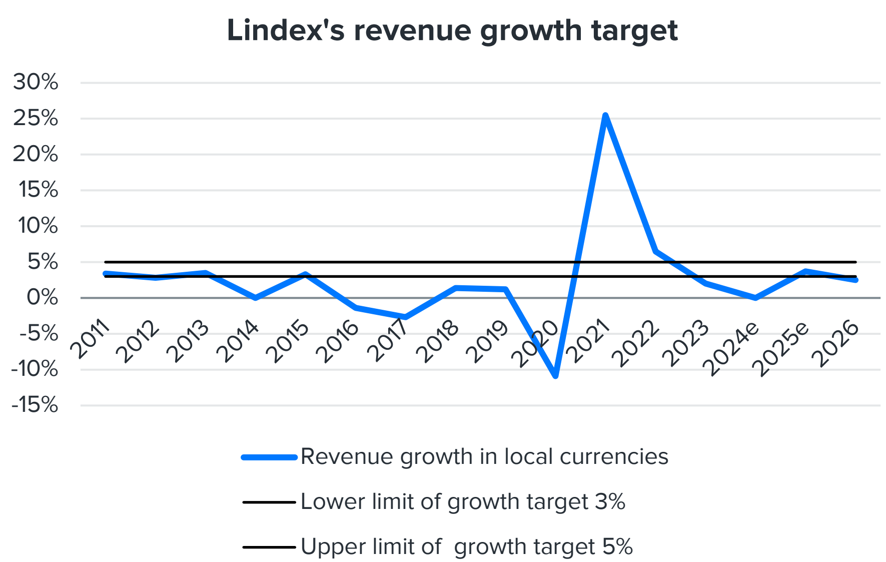
- Lindex has already been able to significantly improve its profitability in recent years and is close to its long-term financial target (more about this on the following page).
- The new logistics center will further improve operational efficiency, although the impact is expected to be visible only in 2026
- If the company succeeds in continuing its growth in digital channels, it should support profitability as sales growth does not require an increase in store-related costs
- On the other hand, if the sales in physical stores decrease substantially, Lindex that still relies heavily on stores, may face challenges in adjusting its operations/costs This is facilitated by short leases (on average under 2 years).

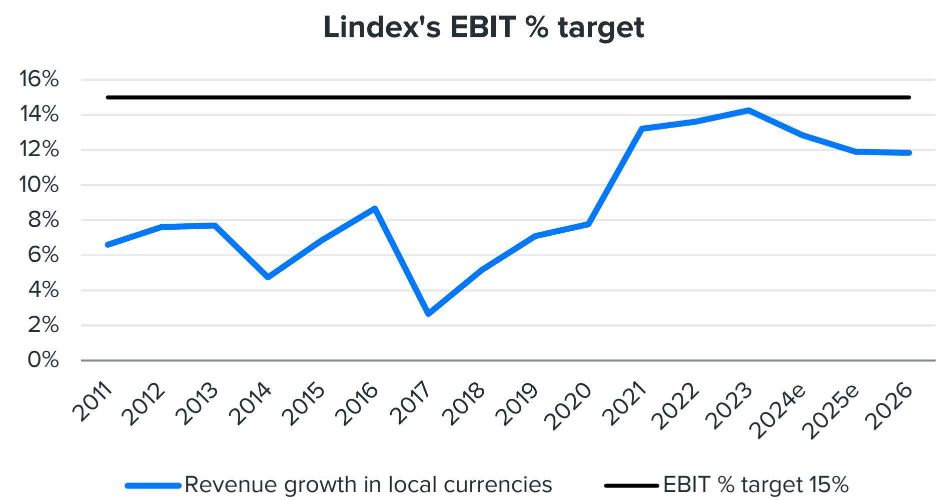
Source: Inderes

Strategy and financial objectives 2/4 - Lindex division

Financial targets (issued in November 2023)

3-5% annual local currency revenue growth (in the medium term)	15% adjusted EBIT margin (in the long-term)	Digital sales account for 30% of revenue (in the medium-term)
• According to the company, Lindex has grown by about 4% since 2019 compared to the last 12 months However, this includes high inflation in recent years • Prior to this, Lindex's historical growth has been only around 1% • We consider the target realistic, but believe that Lindex will be at the bottom of it in the next few years • Medium term refers to 3-4 years	• Lindex's profitability has historically been around 8%, as previously explained, but 14-15% in 2022-23, which is close to the target level • The company's goal is to maintain its current profitability (around 14%) in the next few years to reach 15% in the long term (around 5 years). The aim is logical, given the current high profitability level • In our forecasts, Lindex's margin will be only 11-12% in the coming years, mainly due to the investments required by competition and growth	• Lindex's share of digital sales grew strongly during the COVID era and is currently around 18%, slightly below the level of the COVID years • We believe that both the market trend and the company's own actions will support the increase in the share of digital sales in the future. However, the target of 30% in 3-4 years seems challenging to us • According to the company, digital sales are more profitable than in-store sales, but we feel that the division is partly artificial





Strategy and financial objectives 3/4 - Stockmann division

Strategic goals of the Stockmann division

Developing the offering

- The Stockmann division continues to strengthen its position in premium and luxury categories, adding new brands, complementary product categories and services, and developing the sustainability of its offering. The Helsinki department store plays a key role in this.

Increasing and leveraging the loyalty customer base

- Stockmann will continue to develop its loyalty program to further activate its 1.4 million loyal customer base and better utilize data and personalization capabilities.

Ensuring a seamless omni-channel customer experience

- Stockmann ensures a seamless omni-channel customer experience by developing its department stores, accelerating e-commerce and investing in digitalization and automation.

Inderes' comments on Stockmann division's strategic goals

- Stockmann has already decided in the restructuring program (early 2021) to focus more on the premium category. This sounds reasonable as such, but we suspect that the network/sales area of the company is too big for a store focused only on more expensive categories
- The company emphasizes the role of the Helsinki department store, which may suggest that smaller department stores will be abandoned over time. We think that this would correspond to our observation that the network is too extensive.
- Developing the offering/product portfolio is continuous work where we feel Stockmann has not succeeded in recent years, as sales have been on a downward trend

- The number and utilization of loyal customers has long been one of Stockmann's themes, like for many other consumer companies
- We do not see this bringing any major changes that would be substantially reflected in Stockmann's numbers

- Stockmann was clearly behind in its e-commerce development in the last decade, but we believe that in recent years it has been relatively functional
- Omni-channel is, in practice a requirement in modern fashion/department store trade, and we see no competitive advantage in this regard nor significant improvement steps in Stockmann in this respect
- In our opinion, the company is not planning to invest significantly in the Stockmann division either

Source: Inderes

Strategy and financial targets 4/4 - Stockmann division

Financial targets (issued in November 2023)

Revenue growth in line with market growth (in the medium-term)

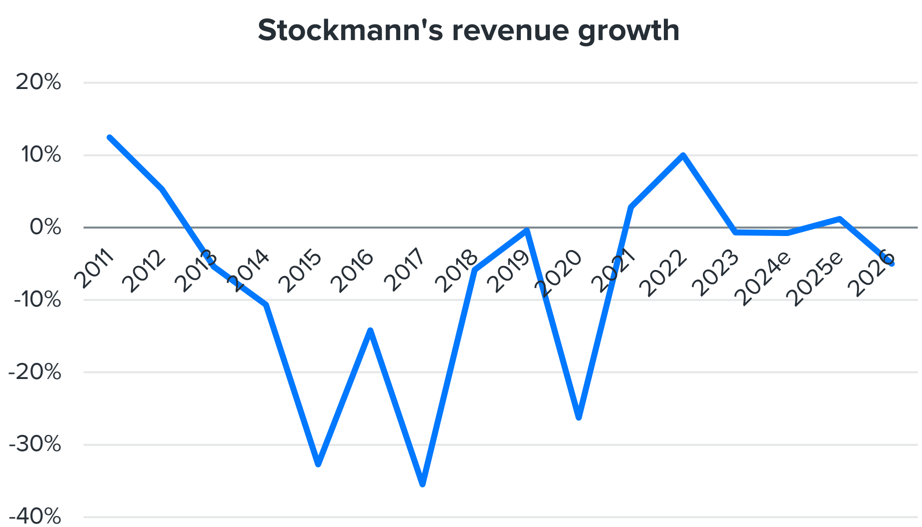
- The revenue of the Stockmann division has been on a structural downward trend for a long time
- The company has not provided an estimate of market growth, but we believe it to be modest
- In our forecasts, Stockmann division's revenue will continue to decline in the coming years, mainly due to a decrease in the sales area

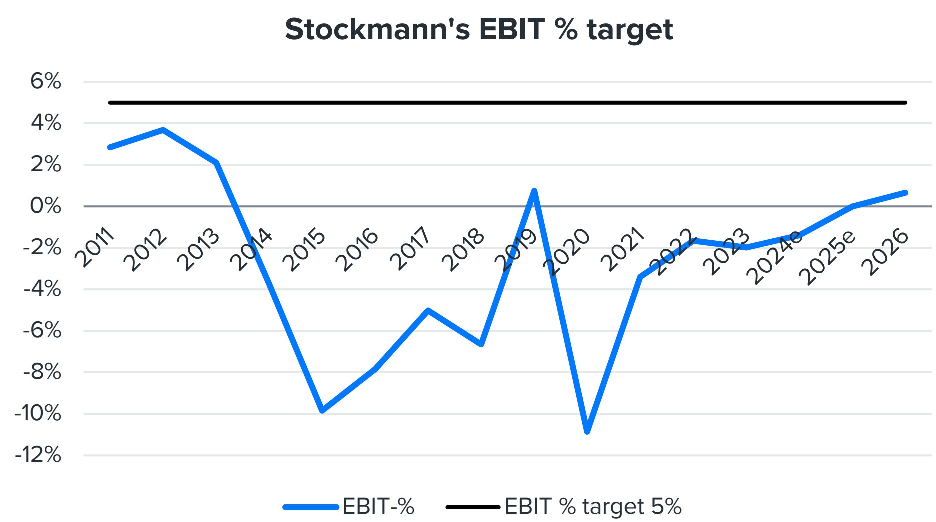
5% adjusted EBIT margin (in the medium-term)

- In terms of EBIT, it should be noted that a significant share of rental costs is only visible in financial expenses due to IFRS 16. Therefore, we estimate that a 5% margin means about zero profit taking these rental costs into account. This could be considered a minimum requirement for any business
- The Stockmann division (and its predecessors) has been generating losses for a decade, we forecast zero EBIT in the coming years

Reaching a positive free cash flow (in the medium-term)

- We believe that this target is very much in line with the margin target, since we assume that depreciation is close to the investment level
- However, we predict that cash flow will remain negative in the coming years due to weak earnings





ESG

Lindex Group's business remains mainly outside taxonomy

Linde Group's main business, retail, is not covered by taxonomy at this stage. We believe that this is because taxonomy initially identified sectors that have the most significant impact on climate change, which does not include retail.

Properties related to the company's operations, on the other hand, are included in taxonomy. At the beginning of 2022, the company still owned department store properties for which taxonomic revenue and expenses were recorded. In addition, right-of-use assets (i.e. leases) under IFRS 16 are covered by taxonomy, which explains the very high taxonomy eligibility of the capex ratio. Since the company sold its department store properties in 2022, the figures have decreased slightly in 2023. The company estimates that it has no taxonomy activities in the Group.

We feel taxonomy has no impact on the business

As the company's main business is currently not covered by taxonomy, we do not believe that current taxonomy will have any impact on the business, and thus on e.g. the financial situation or financial costs. As taxonomy expands, retail trade may be included, e.g. in criteria covering the circular economy.

Climate target in line with SBTi

In November 2023, the company published a new climate target (previously it did not have a group level target) to achieve a 42% reduction in the entire value chain, i.e. Scope 1, 2 and 3 by 2030 compared to the 2022 level. The Science Based Targets project approved Lindex's targets as set out in the Paris Agreement (1.5 degrees Celsius).

Lindex Group has significantly reduced its emissions in recent years. Scope 1 emissions have dropped by about 70% and Scope 2 by over 55%. In terms of Scope 3, the company made a comprehensive calculation only for 2021-22, when emissions were at the same level. So, at least for own emissions, the trend is good, but over 90% of emissions were in Scope 3 last year. Reducing total emissions requires considerable work on Scope 3 emissions, which we consider to be more challenging than own emissions. We note that the possible separation of the department store business from the Group would also have a significant impact on emissions. The company already reports emissions separately for the Lindex and Stockmann divisions, so the development can be monitored separately for each of them. Lindex already has its own target to reduce carbon dioxide emissions in the entire value chain by 50% by 2030 compared to 2017.

Taxonomy eligibility	2022	2023
Revenue	2%	2%
OPEX	10%	9%
CAPEX	92%	88%

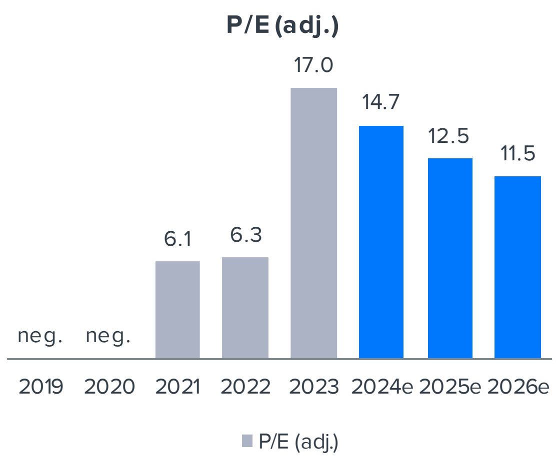
Taxonomy alignment	2022	2023
Revenue	0%	0%
OPEX	0%	0%
CAPEX	0%	0%

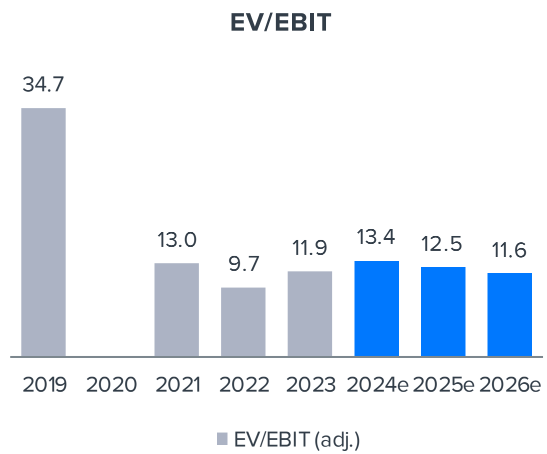
Climate		
Climate target	No	Yes
Target according to the Paris Agreement (1.5 °C warming scenario)	No	Yes

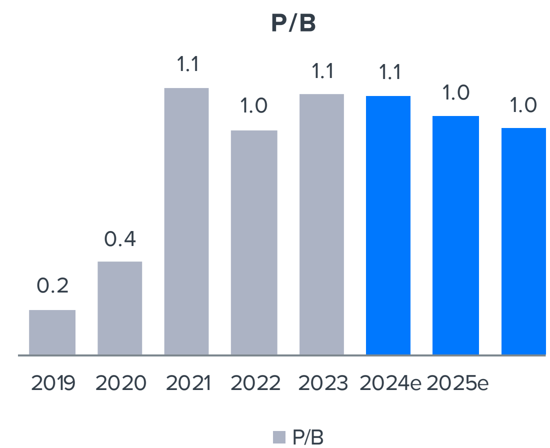
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	2.26	1.14	1.96	2.05	2.72	**2.74**	**2.74**	**2.74**	**2.74**
Number of shares, millions	72.0	72.0	114.0	155.2	160.5	**161.9**	**165.1**	**165.1**	**165.1**
Market cap	155	80	303	320	432	**452**	**452**	**452**	**452**
EV	542		889	774	953	**997**	**961**	**934**	**909**
P/E (adj.)	neg.	neg.	6.1	6.3	17.0	**14.7**	**12.5**	**11.5**	**10.5**
P/E	neg.	neg.	4.7	3.1	8.4	**22.3**	**12.5**	**11.5**	**10.5**
P/B	0.2	0.4	1.1	1.0	1.1	**1.1**	**1.0**	**1.0**	**0.9**
P/S	>100	0.1	0.3	0.3	0.5	**0.5**	**0.5**	**0.5**	**0.5**
EV/Sales	>100		1.0	0.8	1.0	**1.1**	**1.0**	**1.0**	**0.9**
EV/EBITDA			4.8	3.0	5.4	**6.1**	**4.9**	**4.7**	**4.5**
EV/EBIT (adj.)	34.7		13.0	9.7	11.9	**13.4**	**12.5**	**11.6**	**10.8**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**41.2 %**	**50.2 %**	**50.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**3.3 %**	**4.4 %**	**4.7 %**

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**
Lindex	438	1022	15.0	13.1	6.2	5.4	1.1	1.1	13.2	11.1	1.1	3.5	1.1
H & M	24948	29634	18	15	8	8	1	1	21.2	18.4	4.0	4.4	6.0
Fast Retailing	88960	80527	22.9	23.9	18.5	17.5	4.1	3.8	38.1	37.1	0.9	0.9	6.9
Inditex	159074	153418	22.7	20.2	15.6	14.4	4.3	4.0	29.7	26.6	2.9	3.3	8.7
Tokmanni	643	1467	14.4	12.1	6.4	5.8	0.9	0.8	12.7	9.4	6.3	7.7	2.4
Puuilo	816	909	16.2	14.6	12.5	11.2	2.6	2.3	19.6	17.6	4.2	4.7	8.9
Kesko	7308	10193	16.3	14.8	8.5	8.0	0.9	0.8	16.8	15.4	5.3	5.4	2.7
Clas Ohlson	940	1057	16.0	11.5	7.2	6.6	1.2	1.1	19.4	13.6	3.1	3.7	5.6
Lindex Group (Inderes)	**452**	**997**	**13.4**	**12.5**	**6.1**	**4.9**	**1.1**	**1.0**	**14.7**	**12.5**	**0.0**	**3.3**	**1.1**
Average			**17**	**15**	**10**	**9**	**2**	**2**	**20.4**	**17.9**	**3.7**	**4.3**	**5.0**
Median			**16.2**	**14.6**	**8.2**	**7.5**	**1.4**	**1.2**	**19.4**	**15.4**	**4.0**	**4.4**	**5.6**
Diff-% to median			***-17%***	***-15%***	***-26%***	***-35%***	***-22%***	***-18%***	***-24%***	***-18%***	***-100%***	***-24%***	***-80%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**982**	**199**	**252**	**227**	**274**	**952**	**193**	**252**	**228**	**276**	**948**	**980**	**981**	**982**
Lindex	661	127	176	162	168	633	131	170	165	172	637	660	677	693
Stockmann	321	72	76	65	106	319	62	82	63	104	311	320	304	289
EBITDA	**258**	**22.7**	**55.3**	**45.2**	**53.5**	**177**	**17.8**	**45.0**	**46.2**	**55.2**	**164**	**196**	**199**	**201**
Depreciation	-103	-25.6	-25.1	-24.9	-24.6	-100	-25.4	-24.7	-25.0	-25.0	-100	-119	-118	-117
EBIT (excl. NRI)	**79.8**	**-2.4**	**31.6**	**20.6**	**30.3**	**80**	**-6.5**	**29.5**	**21.2**	**30.2**	**74**	**77**	**81**	**84**
EBIT	**155**	**-2.9**	**30.2**	**20.3**	**28.9**	**76.5**	**-7.6**	**20.3**	**21.2**	**30.2**	**64**	**77**	**81**	**84**
Lindex	90	5.6	36.2	26.2	22.3	90	4.2	30.8	27.0	22.0	84	80	82	83
Stockmann	-5	-7.0	-3.5	-4.8	9.0	-6	-9.4	-0.6	-5.0	9.0	-6.0	0.0	2.0	4.0
Non-allocated	-4.8	-1.0	-1.1	-0.8	-1.0	-3.9	-1.2	-0.8	-0.8	-0.8	-3.6	-3.0	-3.0	-3.0
Net financial items	-26	-7.3	-7.0	-6.7	-8.9	-30	-6.5	-8.1	-8.0	-8.0	-31	-31	-31	-30
PTP	**129**	**-10.2**	**23.2**	**13.6**	**20.0**	**46.6**	**-14.1**	**12.2**	**13.2**	**22.2**	**34**	**46**	**50**	**54**
Taxes	-27.5	29.7	-9.4	-5.0	-10.3	5.0	-1.3	-5.2	-2.6	-4.4	-13.6	-9.6	-10.5	-11.4
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	**102**	**19.5**	**13.8**	**8.6**	**9.7**	**51.7**	**-15.4**	**7.0**	**10.6**	**17.8**	**20**	**36**	**40**	**43**
EPS (adj.)	**0.32**	**-0.06**	**-0.09**	**-0.13**	**-0.12**	**-0.39**	**-0.09**	**0.10**	**0.07**	**0.11**	**0.19**	**0.22**	**0.24**	**0.26**
EPS (rep.)	**0.66**	**0.13**	**0.09**	**0.05**	**0.06**	**0.32**	**-0.10**	**0.04**	**0.07**	**0.11**	**0.12**	**0.22**	**0.24**	**0.26**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.2 %	1.2 %	-6.3 %	-7.0 %	0.6 %	-3.1 %	-2.9 %	-0.2 %	0.5 %	0.6 %	-0.3 %	3.3 %	0.1 %	0.2 %
Adjusted EBIT growth-%	16.8 %	-35.7 %	-10.8 %	-6.4 %	16.1 %	0.4 %	170.8 %	-6.6 %	2.9 %	-0.3 %	-7.1 %	3.5 %	4.7 %	4.5 %
EBITDA-%	26.3 %	11.4 %	21.9 %	19.9 %	19.5 %	18.6 %	9.2 %	17.9 %	20.3 %	20.0 %	17.3 %	20.0 %	20.3 %	20.5 %
Adjusted EBIT-%	8.1 %	-1.2 %	12.5 %	9.1 %	11.0 %	8.4 %	-3.4 %	11.7 %	9.3 %	10.9 %	7.8 %	7.9 %	8.2 %	8.6 %
Net earnings-%	10.4 %	9.8 %	5.5 %	3.8 %	3.5 %	5.4 %	-8.0 %	2.8 %	4.6 %	6.4 %	2.1 %	3.7 %	4.0 %	4.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**890**	**963**	**992**	**991**	**988**
Goodwill	251	251	251	251	251
Intangible assets	114	115	115	115	115
Tangible assets	498	562	591	590	587
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.7	0.9	0.9	0.9	0.9
Other non-current assets	3.1	3.2	3.2	3.2	3.2
Deferred tax assets	23.8	30.3	30.3	30.3	30.3
Current assets	**385**	**348**	**304**	**332**	**360**
Inventories	174	163	161	167	167
Other current assets	0.0	5.3	5.3	5.3	5.3
Receivables	43.2	42.0	42.7	44.1	44.1
Cash and equivalents	168	138	94.8	116	144
Balance sheet total	**1276**	**1311**	**1296**	**1323**	**1348**

Source: Inderes

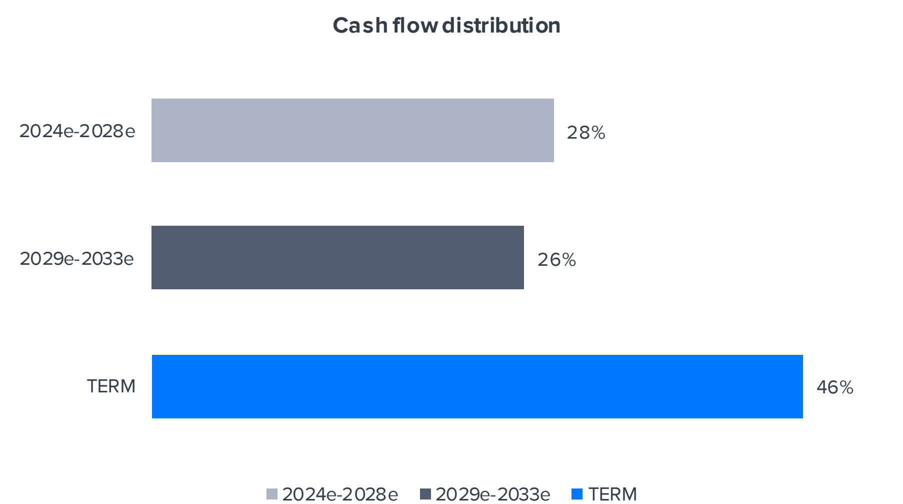
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**336**	**393**	**413**	**449**	**474**
Share capital	77.6	77.6	77.6	77.6	77.6
Retained earnings	205	257	277	313	338
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-18.9	-17.3	-17.3	-17.3	-17.3
Other equity	72.3	75.9	75.9	75.9	75.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**586**	**629**	**601**	**601**	**601**
Deferred tax liabilities	40.3	51.0	51.0	51.0	51.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	545	578	550	550	550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.7	0.3	0.0	0.0	0.0
Current liabilities	**361**	**290**	**282**	**273**	**273**
Interest bearing debt	77.3	81.6	89.8	75.0	75.0
Payables	179	178	180	186	186
Other current liabilities	105	29.7	11.7	11.7	11.7
Balance sheet total	**1283**	**1312**	**1296**	**1323**	**1348**

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-3.1 %	-0.3 %	3.3 %	0.1 %	0.2 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %	1.0 %	1.0 %
EBIT-%	8.0 %	6.8 %	7.9 %	8.2 %	8.6 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %
EBIT (operating profit)	**76.5**	**64.1**	**77.0**	**80.6**	**84.2**	**93.8**	**94.2**	**94.7**	**95.2**	**95.7**	**96.6**	
+ Depreciation	100	100	119	118	117	116	115	115	112	112	113	
- Paid taxes	9.2	-13.6	-9.6	-10.5	-11.4	-13.6	-13.8	-14.1	-14.4	-14.6	-15.0	
- Tax, financial expenses	3.2	-6.4	-6.6	-6.4	-6.3	-6.1	-6.0	-5.8	-5.6	-5.5	-5.3	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-68.7	-15.2	-0.8	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	
Operating cash flow	**120**	**129**	**179**	**182**	**183**	**190**	**189**	**189**	**187**	**187**	**189**	
+ Change in other long-term liabilities	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-166.3	-129.0	-118.0	-115.0	-115.0	-115.0	-115.0	-104.5	-114.9	-114.9	-122.9	
Free operating cash flow	**-46.2**	**-0.3**	**60.8**	**66.7**	**68.3**	**74.9**	**74.5**	**84.7**	**72.2**	**72.6**	**65.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-46.2	-0.3	60.8	66.7	68.3	74.9	74.5	84.7	72.2	72.6	65.7	786
Discounted FCFF		**-0.3**	**54.2**	**54.4**	**50.9**	**50.9**	**46.3**	**48.1**	**37.5**	**34.4**	**28.5**	**341**
Sum of FCFF present value		746	746	692	637	586	535	489	441	404	369	341
Enterprise value DCF		**746**										
- Interest bearing debt		-322										
+ Cash and cash equivalents		138										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**561**										
Equity value DCF per share		**3.4**										

WACC	
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	5.0 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**9.4 %**
Weighted average cost of capital (WACC)	**9.4 %**

Source: Inderes



Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	899.0	981.7	951.7	**948.4**	**980.0**
EBITDA	185.0	258.1	176.7	**164.2**	**195.8**
EBIT	82.1	154.9	76.5	**64.1**	**77.0**
PTP	65.2	129.2	46.6	**33.5**	**45.7**
Net Income	45.1	101.7	51.7	**19.9**	**36.1**
Extraordinary items	13.8	75.1	-3.6	**-10.3**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	1416.1	1275.5	1310.5	**1295.8**	**1323.0**
Equity capital	268.1	335.5	393.1	**413.0**	**449.1**
Goodwill	271.5	250.9	250.9	**250.9**	**250.9**
Net debt	586.7	454.4	521.6	**545.0**	**508.9**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	185.0	258.1	176.7	**164.2**	**195.8**
Change in working capital	-56.9	-2.4	-68.7	**-15.2**	**-0.8**
Operating cash flow	115.0	222.4	120.5	**129.0**	**178.8**
CAPEX	-17.1	8.5	-166.3	**-129.0**	**-118.0**
Free cash flow	132.7	293.8	-46.2	**-0.3**	**60.8**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.0	0.8	1.0	**1.1**	**1.0**
EV/EBITDA	4.8	3.0	5.4	**6.1**	**4.9**
EV/EBIT (adj.)	13.0	9.7	11.9	**13.4**	**12.5**
P/E (adj.)	6.1	6.3	17.0	**14.7**	**12.5**
P/B	1.1	1.0	1.1	**1.1**	**1.0**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**3.3 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.42	0.66	0.32	**0.12**	**0.22**
EPS (adj.)	0.32	0.32	0.16	**0.19**	**0.22**
OCF / share	1.01	1.43	0.75	**0.80**	**1.08**
FCF / share	1.16	1.89	-0.29	**0.00**	**0.37**
Book value / share	2.35	2.16	2.45	**2.55**	**2.72**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.09**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	14%	9%	-3%	**0%**	**3%**
EBITDA growth-%	-173%	40%	-32%	**-7%**	**19%**
EBIT (adj.) growth-%	1294%	17%	0%	**-7%**	**3%**
EPS (adj.) growth-%	-168%	0%	-51%	**17%**	**17%**
EBITDA-%	20.6 %	26.3 %	18.6 %	**17.3 %**	**20.0 %**
EBIT (adj.)-%	7.6 %	8.1 %	8.4 %	**7.8 %**	**7.9 %**
EBIT-%	9.1 %	15.8 %	8.0 %	**6.8 %**	**7.9 %**
ROE-%	20.2 %	33.7 %	14.2 %	**4.9 %**	**8.4 %**
ROI-%	7.6 %	15.3 %	7.6 %	**6.1 %**	**7.2 %**
Equity ratio	18.9 %	26.3 %	30.0 %	**31.9 %**	**33.9 %**
Gearing	218.8 %	135.4 %	132.7 %	**132.0 %**	**113.3 %**

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

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Date	Recommendation	Target	Share price
11/18/2022	Reduce	2.00 €	1.97 €
1/20/2023	Reduce	2.10 €	2.05 €
2/27/2023	Reduce	2.10 €	2.00 €
3/21/2023	Accumulate	2.10 €	1.76 €
5/2/2023	Accumulate	2.35 €	2.11 €
7/24/2023	Accumulate	2.40 €	2.08 €
9/26/2023	Accumulate	2.80 €	2.34 €
10/30/2023	Buy	2.80 €	2.13 €
11/17/2023	Accumulate	2.80 €	2.47 €
12/19/2023	Accumulate	3.10 €	2.73 €
2/12/2024	Accumulate	3.20 €	2.82 €
4/29/2024	Accumulate	3.50 €	2.96 €
7/16/2024	Accumulate	3.50 €	3.28 €
7/22/2024	Accumulate	3.50 €	2.98 €
9/23/2024	Buy	3.50 €	2.74 €

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