

Maintaining "Buy"

Marimekko had a strong Q3 and the company is now on an improved growth trajectory, following own actions that are now bearing fruit. We consider Marimekko's outlook as being positive and retain "Buy" rating for the shares.

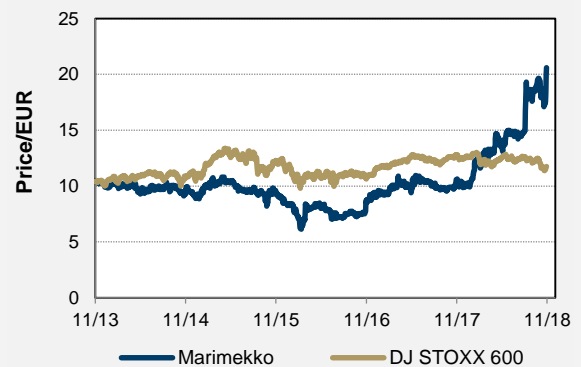
Guidance gives room for only EUR 1.4m EBIT in Q4
Marimekko had a very strong Q3. Performance remained solid in most markets. Despite strong Q3 guidance of max EUR 12m adj. EBIT in 2018E was kept intact. EUR 10.6m has been reached after Q3, implying guidance gives room for only EUR 1.4m for Q4. Earnings in Q4 are to be weakened by a revenue timing issue (part of revenue was timed from Q4 into Q3) and higher costs.

Shares could reach EUR 30 level if EBIT margin meets 15%
Marimekko revised its financial targets. Most notable change is in EBIT margin target, which is now 15% vs. 10% earlier. The 10% will be reached in 2018E. If 15% was reached, our DCF model and multiple exercises imply shares could reach EUR ~30 level, even without assuming higher growth than currently.

Extra dividend of EUR 1.25 to be distributed
Marimekko board proposes to distribute an extra dividend of EUR 1.25 per share, which is EUR ~10m. This corresponds to the divestment proceeds of the Herttoniemi real estate. Net cash was EUR 17m at the end of Q3. The remaining EUR 7m is reserved for general business development needs.

Maintaining "Buy" with an ex-div TP of EUR 22 (18)
We have raised FY19-20E estimates and expect a dividend of EUR 1.85 (0.60 ordinary + 1.25 extra) to be distributed for FY18E. We continue to see Marimekko's outlook to be positive and valuation attractive. Our TP of EUR 22 (18) values the shares at 12.7x EV/EBIT with our 2019E estimates, or at 11% premium to the peer group, justified by a clear turn in sales and further margin upside upon continued growth.

Rating + BUY



Share price, EUR (Last trading day's closing price)	20.60
Target price, EUR	22.0
Latest change in recommendation	15-Feb-18
Latest report on company	1-Nov-18
Research paid by issuer:	Yes
No. of shares outstanding, '000's	8,090
No. of shares fully diluted, '000's	8,090
Market cap, EURm	167
Free float, %	84.0
Exchange rate	0.000
Reuters code	MMO1V.HE
Bloomberg code	MMO1V FH
Average daily volume, EURm	na.
Next interim report	-
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+ BUY + HOLD - SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	100	6	6.1%	6	0.60	15.7	0.8	11.6	13.0	0.40
2017	102	9	8.4%	7	0.73	13.8	0.8	7.4	9.2	0.50
2018E	114	12	10.8%	12	1.01	20.3	1.3	18.5	12.3	1.85
2019E	118	13	11.1%	13	1.32	15.6	1.3	13.2	11.9	0.70
2020E	122	15	12.0%	15	1.48	14.0	1.2	12.1	10.3	0.75
Market cap, EURm		167	BV per share 2018E, EUR		5.0	CAGR EPS 2017-20, %		26.5		
Net debt 2018E, EURm		-16	Price/book 2018E		4.1	CAGR sales 2017-20, %		6.1		
Enterprise value, EURm		151	Dividend yield 2018E, %		9.0	ROE 2018E, %		23.0		
Total assets 2018E, EURm		55	Tax rate 2018E, %		31.7	ROCE 2018E, %		33.3		
Goodwill 2018E, EURm		0	Equity ratio 2018E, %		74.2	PEG, P/E 18/CAGR		1.2		

All the important disclosures can be found on the last pages of this report.

Estimates

Marimekko estimates	FY2013	FY2014	FY2015	FY2016	2017				FY2017	2018E				FY2018E	FY2019E
					Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4E		
Finland															
Retail revenue	35.1	35.4	37.6	38.9	8.1	9.4	11.3	12.0	40.8	7.7	11.8	12.6	12.8	44.8	45.7
Wholesale revenue	16.5	16.2	14.7	16.6	3.7	2.9	3.7	4.3	14.6	4.2	4.3	4.6	4.8	17.8	18.2
License revenue	0.6	0.4	0.4	0.3	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1	0.2	0.2
Total	52.2	52.0	52.7	55.8	11.8	12.4	15.1	16.4	55.7	11.9	16.2	17.2	17.6	62.8	64.1
<i>Retail growth (%)</i>	3%	1%	6%	3%	20%	-11%	4%	12%	5%	-5%	25%	11%	6%	10%	2%
<i>Wholesale growth (%)</i>	-6%	-1%	-10%	13%	12%	3%	-22%	-25%	-12%	13%	45%	24%	11%	22%	2%
<i>License growth (%)</i>	-30%	-24%	-4%	-38%	-38%	61%	-54%	9%	-23%	14%	2%	-9%	0%	2%	0%
<i>Total growth (%)</i>	0%	0%	1%	6%	17%	-8%	-4%	-1%	0%	1%	30%	14%	7%	13%	2%
Scandinavia															
Retail revenue	4.4	5.2	4.8	5.0	1.0	1.2	1.4	1.4	5.1	1.0	1.6	1.3	1.3	5.2	5.3
Wholesale revenue	3.8	3.3	2.9	2.9	0.8	0.6	0.8	1.2	3.4	0.9	0.7	0.9	1.2	3.8	4.0
License revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	8.2	8.5	7.8	7.9	1.8	1.9	2.3	2.6	8.5	1.9	2.2	2.3	2.6	9.0	9.3
<i>Retail growth (%)</i>	32%	18%	-6%	3%	1%	-7%	10%	4%	2%	-4%	26%	-7%	-6%	2%	3%
<i>Wholesale growth (%)</i>	-17%	-13%	-17%	-2%	2%	5%	21%	39%	18%	24%	6%	14%	5%	12%	5%
<i>License growth (%)</i>	-100%	na.	na.	na.	na.	na.	na.	na.	na.	na.	na.	na.	na.	na.	na.
<i>Total growth (%)</i>	4%	4%	-8%	1%	1%	-3%	14%	18%	8%	8%	20%	1%	-1%	6%	4%
EMEA															
Retail revenue	1.4	1.5	1.2	1.1	0.2	0.2	0.3	0.4	1.1	0.4	0.4	0.3	0.4	1.5	1.7
Wholesale revenue	6.2	5.9	6.9	7.8	1.8	1.9	1.8	2.7	8.3	2.1	1.8	2.2	2.8	9.0	9.5
License revenue	0.1	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.4
Total	7.7	7.5	8.3	9.2	2.1	2.3	2.2	3.1	9.7	2.6	2.3	2.7	3.3	10.9	11.5
<i>Retail growth (%)</i>	-6%	7%	-20%	-10%	-29%	-2%	40%	26%	5%	57%	48%	17%	20%	33%	10%
<i>Wholesale growth (%)</i>	0%	-5%	17%	14%	-3%	13%	-14%	28%	6%	17%	-6%	21%	5%	9%	5%
<i>License growth (%)</i>	-6%	62%	27%	60%	47%	4%	-16%	-21%	-2%	15%	17%	0%	0%	9%	0%
<i>Total growth (%)</i>	-1%	-2%	10%	12%	-6%	10%	-9%	26%	5%	22%	1%	20%	7%	12%	6%
North America															
Retail revenue	5.6	6.0	5.9	5.2	1.2	1.3	1.4	1.4	5.3	1.0	1.4	1.4	1.4	5.1	5.3
Wholesale revenue	2.5	2.0	2.4	2.2	0.5	0.4	0.7	0.8	2.5	0.5	0.9	0.8	0.9	3.1	3.2
License revenue	0.4	0.6	1.0	0.5	0.0	0.4	0.1	0.0	0.5	0.1	0.1	0.0	0.0	0.3	0.3
Total	8.5	8.6	9.2	7.9	1.7	2.1	2.2	2.2	8.3	1.6	2.4	2.2	2.3	8.5	8.8
<i>Retail growth (%)</i>	39%	7%	-1%	-11%	12%	-1%	-2%	-4%	1%	-18%	3%	-3%	3%	-3%	4%
<i>Wholesale growth (%)</i>	-21%	-22%	22%	-9%	-9%	-25%	41%	51%	14%	3%	134%	8%	2%	25%	4%
<i>License growth (%)</i>	-18%	48%	47%	-47%	37%	-4%	28%	-10%	2%	165%	-63%	-51%	0%	-40%	0%
<i>Total growth (%)</i>	10%	1%	7%	-14%	5%	-7%	11%	11%	4%	-8%	16%	-1%	3%	3%	4%
APAC															
Retail revenue	2.3	2.7	3.2	3.5	0.9	0.9	0.9	1.3	4.0	0.9	0.9	0.9	1.4	4.1	4.4
Wholesale revenue	15.2	14.9	14.5	15.4	4.2	3.2	4.0	4.2	15.5	4.8	4.3	4.6	4.3	18.0	19.4
License revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.6	0.4	0.0	0.0	0.1	0.5	0.5
Total	17.5	17.5	17.7	18.8	5.1	4.2	5.5	5.5	20.2	6.1	5.1	5.5	5.8	22.5	24.3
<i>Retail growth (%)</i>	251%	16%	18%	9%	12%	10%	30%	15%	16%	1%	-5%	4%	4%	1%	8%
<i>Wholesale growth (%)</i>	26%	-2%	-2%	6%	-5%	7%	-4%	9%	1%	15%	32%	16%	3%	16%	8%
<i>License growth (%)</i>	-33%	150%	-100%	na.	na.	na.	na.	na.	na.	na.	na.	-100%	0%	-18%	0%
<i>Total growth (%)</i>	37%	0%	1%	7%	-3%	7%	13%	11%	7%	20%	24%	1%	5%	12%	8%
REVENUE SPLIT															
Finland	52.2	52.0	52.7	55.8	11.8	12.4	15.1	16.4	55.7	11.9	16.2	17.2	17.6	62.8	64.1
International	41.9	42.1	43.0	43.8	10.7	10.4	12.2	13.4	46.6	12.2	12.1	12.7	14.0	50.9	53.9
<i>Finland growth (%)</i>	0%	0%	1%	6%	17%	-8%	-4%	-1%	0%	1%	30%	14%	7%	13%	2%
<i>International growth (%)</i>	16%	1%	2%	2%	-1%	3%	8%	15%	6%	14%	17%	4%	4%	9%	6%
REVENUE SPLIT															
Retail	48.8	50.7	52.7	53.6	11.4	13.2	15.3	16.5	56.3	10.9	16.0	16.5	17.3	60.7	62.4
Wholesale	44.2	42.2	41.4	44.9	11.0	9.1	11.1	13.2	44.4	12.6	11.9	13.2	14.0	51.7	54.2
License	1.1	1.2	1.6	1.1	0.2	0.5	0.8	0.2	1.6	0.6	0.3	0.2	0.3	1.4	1.4
<i>Retail growth (%)</i>	12%	4%	4%	2%	15%	-8%	6%	10%	5%	-4%	22%	8%	5%	8%	3%
<i>Wholesale growth (%)</i>	1%	-4%	-2%	9%	1%	5%	-9%	1%	-1%	15%	31%	19%	6%	17%	5%
<i>License growth (%)</i>	-24%	12%	26%	-31%	7%	1%	219%	-10%	52%	293%	-43%	-80%	57%	-17%	0%
TOTAL REVENUE	94.0	94.2	95.7	99.6	22.5	22.8	27.2	29.8	102.3	24.1	28.2	29.8	31.6	113.7	118.0
<i>Growth (%)</i>	6%	0%	2%	4%	7%	-3%	1%	6%	3%	7%	24%	10%	6%	11%	4%
Raw materials & consumables	-33.5	-32.8	-35.2	-40.2	-8.5	-9.3	-9.0	-10.7	-37.4	-9.0	-10.9	-11.2	-12.0	-43.0	-44.8
<i>Growth (%)</i>	14%	-2%	7%	14%	-14%	-4%	-10%	-1%	-7%	6%	18%	25%	12%	15%	4%
Gross profit	60.5	61.4	60.4	59.4	14.0	13.5	18.3	19.1	64.9	15.1	17.3	18.7	19.6	70.7	73.2
<i>Gross margin</i>	64.3 %	65.2 %	63.2 %	59.6 %	62.3%	59.3%	67.1%	64.1%	63.4 %	62.7%	61.4%	62.6%	62.0%	62.1 %	62.1 %
Total OPEX	-54.4	-51.0	-55.1	-53.4	-13.0	-13.4	-12.4	-15.2	-54.0	-13.3	-13.8	-13.3	-16.4	-56.8	-58.2
<i>Growth (%)</i>	6%	-6%	8%	-3%	-7%	3%	0%	8%	1%	2%	3%	8%	8%	5%	2%
<i>% of revenue</i>	6%	54%	58%	54%	58.0%	58.9%	45.4%	50.8%	53%	55.3%	48.9%	44.6%	52.0%	50%	49%
Adj. EBITDA	8.1	10.6	6.2	10.2	2.0	1.5	5.2	3.2	12.0	1.9	3.7	6.9	2.3	14.8	15.9
<i>Adj. EBITDA margin</i>	8.6 %	11.2 %	6.4 %	10.2 %	9.0%	6.8%	19.2%	10.6%	11.7 %	8.0%	13.0%	23.0%	7.4%	13.0 %	13.5 %
Adj. EBIT	1.6	6.2	1.5	6.1	1.1	0.7	4.4	2.4	8.6	1.2	3.1	6.3	1.6	12.2	13.1
<i>Adj. EBIT margin</i>	1.7 %	6.6 %	1.6 %	6.1 %	4.8%	3.1%	16.2%	8.0%	8.4 %	4.8%	11.1%	21.1%	5.2%	10.8 %	11.1 %

Source: Marimekko, Evli research

Shares could reach EUR 30 level if EBIT margin hits 15%

If 15% EBIT margin was reached, our DCF model and multiple exercises imply shares could reach EUR ~30 level, even without assuming higher growth than currently. Assuming revenue of EUR 122m (our 2020E estimate), 15% EBIT margin would imply EBIT of 18.3m, which on a fair EV/EBIT multiple of 12.5x and net cash of EUR 16m (our 2020E estimate) yields a market cap of 245m, or EUR ~30 per share.

Relative valuation

We consider the "premium goods" peer group as more relevant for Marimekko.

MARIMEKKO PEERS	MCAP local FX	EV/Sales	EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	EV/FCF	EV/FCF	EV/FCF
		18	19	20	18	19	20	18	19	20	18	19	20
Premium goods													
Guess?, Inc.	1808	0.6x	0.6x		8.7x	7.7x		13.6x	11.2x		34.1x	20.3x	
HUGO BOSS AG	4438	1.6x	1.5x	1.5x	9.3x	8.5x	7.8x	13.5x	12.0x	10.9x	23.2x	17.9x	15.5x
Joules Group Plc	238	1.1x	1.0x	0.9x	10.0x	8.4x	7.8x	16.5x	13.1x	11.6x	94.5x	88.9x	22.0x
Michael Kors Holdings Ltd	8704	1.7x	1.6x	1.5x	7.7x	7.1x	6.2x	9.6x	8.8x	7.6x	12.5x	11.3x	9.9x
Ralph Lauren Corporation Class A	10876	1.6x	1.6x	1.5x	9.9x	9.5x	8.9x	14.0x	13.2x	12.1x	17.4x	16.0x	15.3x
Ted Baker PLC	899	1.6x	1.5x	1.3x	9.8x	8.4x	7.6x	12.8x	10.9x	9.8x	38.5x	24.4x	18.3x
Luxury goods													
Brunello Cucinelli S.p.A.	2169	3.9x	3.6x	3.2x	22.5x	20.1x	18.0x	30.7x	27.4x	24.4x	77.3x	61.1x	55.4x
Burberry Group plc	7672	2.5x	2.4x	2.2x	11.7x	11.0x	9.7x	15.2x	14.3x	12.5x	24.8x	20.8x	18.7x
Hermes International SCA	52905	8.4x	7.7x	7.0x	22.1x	20.1x	18.2x	24.7x	22.5x	20.3x	38.5x	35.8x	32.0x
Moncler SpA	8149	5.6x	4.7x	4.1x	16.2x	13.7x	11.9x	18.5x	15.6x	13.5x	33.2x	24.7x	21.8x
Prada S.p.A.	82394	2.9x	2.7x	2.4x	14.2x	12.1x	10.4x	21.9x	17.9x	15.0x	36.0x	27.9x	22.9x
Salvatore Ferragamo S.p.A.	3612	2.5x	2.4x	2.2x	15.8x	13.7x	11.9x	22.4x	18.5x	15.8x	38.5x	30.4x	26.1x
Premium goods median	3123	1.6x	1.5x	1.5x	9.5x	8.4x	7.8x	13.6x	11.6x	10.9x	28.7x	19.1x	15.5x
Luxury goods median		3.4x	3.1x	2.8x	16.0x	13.7x	11.9x	22.2x	18.2x	15.4x	37.2x	29.1x	24.5x
Marimekko (Evli est.)	422	1.3x	1.3x	1.2x	10.1x	9.8x	8.7x	12.3x	11.9x	10.3x	13.7x	16.2x	14.2x
<i>Marimekko premium vs. premium goods median</i>													
		-17%	-12%	-16%	6%	16%	12%	-9%	2%	-5%	-52%	-15%	-8%
MARIMEKKO PEERS													
	Ticker	Dividend yield			EBIT margin			ROCE-%			ROE-%		
		18	19	20	18	19	20	18	19	20	18	19	20
Premium goods													
Guess?, Inc.	GES-US	4.0%	4.0%	4.0%	4.4%	5.4%	5.7%	10.1%	12.5%		10.0%	13.7%	
HUGO BOSS AG	BOSS-DE	4.3%	4.6%	5.0%	12.1%	12.9%	13.5%	28.2%	28.6%	29.4%	25.2%	26.0%	26.2%
Joules Group Plc	JOUL-GB	1.0%	1.2%	1.3%	6.7%	7.6%	7.8%	26.4%	25.8%	27.9%	2462.0%	2366.8%	2185.5%
Michael Kors Holdings Ltd	KORS-US	0.0%	0.0%	0.0%	18.3%	18.6%	19.2%	26.7%	24.1%	25.3%	30.3%	25.1%	21.3%
Ralph Lauren Corporation Class A	RL-US	1.8%	2.0%	2.1%	11.3%	11.8%	12.6%	15.3%	16.5%	17.3%	15.8%	17.2%	18.5%
Ted Baker PLC	TD-GB	3.2%	3.6%	4.0%	12.7%	13.5%	13.7%	24.7%	26.5%	26.3%	23.3%	22.2%	21.7%
Luxury goods													
Brunello Cucinelli S.p.A.	BC-IT	0.9%	1.1%	1.3%	12.8%	13.0%	13.2%	22.0%	22.8%	23.9%	17.5%	17.5%	17.0%
Burberry Group plc	BRBY-GB	2.3%	2.4%	2.7%	16.5%	16.9%	17.9%	27.3%	26.4%	26.8%	23.7%	22.6%	23.3%
Hermes International SCA	RMS-FR	0.9%	1.0%	1.2%	34.2%	34.1%	34.3%	34.4%	31.8%	29.7%	24.6%	22.7%	21.4%
Moncler SpA	MONC-IT	1.0%	1.3%	1.4%	30.0%	30.3%	30.4%	33.4%	32.0%	31.0%	26.8%	25.3%	23.3%
Prada S.p.A.	1913-HK	2.8%	3.1%	3.5%	13.1%	14.8%	16.3%	10.9%	12.8%	14.6%	10.4%	12.0%	13.3%
Salvatore Ferragamo S.p.A.	SFER-IT	1.7%	2.0%	2.0%	11.4%	13.0%	14.2%	17.8%	19.6%	21.1%	14.1%	15.6%	17.5%
Premium goods median		2.5%	2.8%	3.1%	11.7%	12.4%	13.0%	25.5%	25.0%	26.3%	24.2%	23.7%	21.7%
Luxury goods median		1.3%	1.6%	1.7%	14.8%	15.8%	17.1%	24.6%	24.6%	25.4%	20.6%	20.1%	19.5%
Marimekko (Evli est.)		9.0%	3.4%	3.6%	10.8%	11.1%	12.0%	33.3%	34.6%	37.6%	23.0%	27.7%	30.0%
MARIMEKKO PEERS													
		Cash conversion (FCF/EBITDA)			CAPEX/sales			Net debt/EBITDA			Equity ratio		
		18	19	20	18	19	20	18	19	20	18	19	20
Premium goods													
Guess?, Inc.		26%	38%	35%	4%	4%		-1.4x	-0.7x		56%	56%	
HUGO BOSS AG		40%	47%	50%	6%	6%	5%	0.1x	0.0x	-0.1x	54%	57%	58%
Joules Group Plc		11%	9%	35%	8%	8%	5%	-0.1x	-0.1x	0.0x	44%	46%	53%
Michael Kors Holdings Ltd		62%	63%	63%	5%	5%	5%	0.2x	0.0x	-0.5x	56%	61%	76%
Ralph Lauren Corporation Class A		57%	60%	58%	4%	5%	4%	-1.2x	-1.0x	-0.8x	57%	56%	56%
Ted Baker PLC		25%	34%	41%	5%	5%	5%	1.1x	0.9x	0.7x	51%	53%	56%
Luxury goods													
Brunello Cucinelli S.p.A.		29%	33%	32%	8%	7%	6%	0.1x	0.0x	-0.2x	62%	65%	67%
Burberry Group plc		47%	53%	52%	6%	6%	6%	-1.4x	-1.5x	-1.5x	63%	66%	67%
Hermes International SCA		57%	56%	57%	5%	5%	5%	-1.5x	-1.7x	-1.9x	76%	77%	79%
Moncler SpA		49%	55%	55%	6%	5%	5%	-1.0x	-1.2x	-1.4x	72%	75%	78%
Prada S.p.A.		40%	43%	46%	8%	7%	7%	0.1x	0.0x	-0.1x	61%	62%	63%
Salvatore Ferragamo S.p.A.		41%	45%	46%	6%	5%	5%	-0.6x	-0.7x	-0.9x	64%	65%	66%
Premium goods median		33%	43%	46%	5%	5%	5%	0.0x	0.0x	-0.1x	55%	56%	56%
Luxury goods median		44%	49%	49%	6%	6%	6%	-0.8x	-1.0x	-1.1x	64%	65%	67%
Marimekko (Evli est.)		74%	61%	61%	-2%	3%	3%	-1.1x	-0.7x	-0.9x	74%	71%	74%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	20.60 PV of Free Cash Flow	81 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	22.85 PV of Horizon value	105 WACC, %	7.5 Market risk premium, %	5.8
Share price potential, %	10.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	25.0 Marketable securities	6 Minimum WACC, %	7.0 Equity beta coefficient	0.80
Minimum value	21.1 Debt - dividend	-7 Maximum WACC, %	8.0 Target debt ratio, %	20
Horizon value, %	56.3 Value of stock	185 Nr of shares, Mn	8.1 Effective tax rate, %	25

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	102	114	118	122	126	130	134	138	142	147	149	152
<i>Sales growth, %</i>	2.7	11.1	3.8	3.5	3.5	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Operating income (EBIT)	9	12	13	15	16	16	16	17	17	15	15	15
<i>EBIT margin, %</i>	8.4	10.8	11.1	12.0	12.5	12.0	12.0	12.0	12.0	10.0	10.0	10.0
+ Depreciation+amort.	3	3	3	3	3	3	3	3	4	4	4	
- Income taxes	-2	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	-2	-1	-1	-1	-1	-1	-1	-1	-1	0	
<i>NWC/Sales, %</i>	14.7	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-1	2	-3	-3	-3	-3	-4	-4	-4	-4	-4	-5
<i>Investments/Sales, %</i>	1.1	-1.8	2.5	2.6	2.6	2.7	2.7	2.8	2.8	2.9	3.0	3.0
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	10	11	10	11	12	11	12	12	13	11	11	203
= Discounted FCF (DFCF)		11	9	9	9	8	8	8	7	6	6	105
= DFCF min WACC		11	9	9	9	9	8	8	8	6	6	120
= DFCF max WACC		11	9	9	9	8	8	8	7	6	5	92

INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3	2018Q4E	2018E	2019E	2020E
Net sales	22	23	27	30	102	24	28	30	32	114	118	122
EBITDA	2	2	5	3	12	2	4	7	2	15	16	17
EBITDA margin (%)	8.7	6.8	19.2	10.6	11.6	8.0	13.3	23.0	7.4	13.1	13.5	14.2
EBIT	1	1	4	2	9	1	3	6	2	12	13	15
EBIT margin (%)	4.9	3.1	16.2	8.0	8.4	4.8	11.1	21.1	5.2	10.8	11.1	12.0
Net financial items	0	-1	0	0	-1	0	0	0	0	0	0	0
Pre-tax profit	1	0	4	2	7	1	3	6	2	12	13	15
Tax	0	0	-1	0	-1	0	-2	-1	0	-4	-3	-3
Tax rate (%)	16.6	30.8	19.8	20.8	19.9	21.0	61.7	19.8	20.0	31.7	20.0	20.0
Net profit	1	0	3	2	6	1	1	5	1	8	11	12
EPS	0.10	0.01	0.41	0.21	0.73	0.08	0.16	0.61	0.16	1.01	1.32	1.48
EPS adjusted (diluted no. of shares)	0.10	0.01	0.41	0.21	0.73	0.08	0.16	0.61	0.16	1.01	1.32	1.48
Dividend per share	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	1.85	0.70	0.75
SALES, EURm												
Finland	12	12	15	16	56	12	16	17	18	63	64	66
Scandinavia	2	2	2	3	8	2	2	2	3	9	9	10
EMEA	2	2	2	3	10	3	2	3	3	11	11	12
North America	2	2	2	2	8	2	2	2	2	9	9	9
Asia Pacific	5	4	5	5	20	6	5	6	6	23	24	25
Total	22	23	27	30	102	24	28	30	32	114	118	122
SALES GROWTH, Y/Y %												
Finland	16.9	-7.8	-3.9	-0.8	-0.1	0.8	30.1	14.1	7.3	12.8	2.0	3.5
Scandinavia	1.6	-3.4	13.6	17.7	7.9	7.9	19.7	0.9	-0.9	5.9	3.8	3.5
EMEA	-6.0	10.4	-9.5	26.3	5.4	21.9	0.8	19.6	6.6	11.6	5.5	3.5
North America	4.9	-7.3	10.6	10.9	4.4	-7.8	16.5	-0.7	2.6	3.1	3.9	3.5
Asia Pacific	-2.6	7.5	13.2	10.7	7.0	20.3	23.6	1.1	5.1	11.7	7.8	3.5
Total	7.4	-3.3	1.0	5.9	2.7	7.1	23.9	9.6	5.7	11.1	3.8	3.5
EBIT, EURm												
Group (EBIT only)	1	1	4	2	9	1	3	6	2	12	13	15
Total	1	1	4	2	9	1	3	6	2	12	13	15
EBIT margin, %												
Total	4.9	3.1	16.2	8.0	8.4	4.8	11.1	21.1	5.2	10.8	11.1	12.0

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	94	94	96	100	102	114	118	122
<i>Sales growth (%)</i>	6.3	0.2	1.6	4.1	2.7	11.1	3.8	3.5
Costs	-86	-84	-90	-89	-90	-99	-102	-105
Reported EBITDA	8	11	6	10	12	15	16	17
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	8.7	11.2	6.3	10.3	11.6	13.1	13.5	14.2
Depreciation	-7	-4	-5	-4	-3	-3	-3	-3
EBITA	1	6	2	6	9	12	13	15
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	1	6	2	6	9	12	13	15
<i>EBIT margin (%)</i>	1.5	6.7	1.6	6.1	8.4	10.8	11.1	12.0
Net financials	-1	0	0	0	-1	0	0	0
Pre-tax profit	1	6	2	6	7	12	13	15
Extraordinary items	-1	-1	0	-1	0	0	0	0
Taxes	0	-1	0	-1	-1	-4	-3	-3
Minority shares	0	0	0	0	0	0	0	0
Net profit	-1	4	1	4	6	8	11	12
BALANCE SHEET, EURm								
Assets								
Fixed assets	20	18	17	15	13	9	9	9
<i>% of sales</i>	22	19	18	15	13	8	7	8
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	18	18	18	21	21	23	24	24
<i>% of sales</i>	19	19	19	21	20	20	20	20
Receivables	7	7	6	8	7	8	8	9
<i>% of sales</i>	8	8	6	8	6	7	7	7
Liquid funds	3	4	4	3	6	16	11	16
<i>% of sales</i>	3	4	4	3	6	14	9	13
Total assets	49	47	46	48	47	55	51	58
Liabilities								
Equity	27	29	27	28	31	41	37	43
<i>% of sales</i>	29	31	28	28	30	36	31	35
Deferred taxes	0	0	0	1	1	1	1	1
<i>% of sales</i>	0	0	0	1	1	0	0	0
Interest bearing debt	8	4	7	6	3	0	0	0
<i>% of sales</i>	9	4	8	6	3	0	0	0
Non-interest bearing current liabilities	10	10	11	13	13	14	14	15
<i>% of sales</i>	11	11	12	13	12	12	12	12
Other interest free debt	3	4	0	0	0	0	0	0
<i>% of sales</i>	4	4	0	0	0	0	0	0
Total liabilities	49	47	46	48	47	55	51	58
CASH FLOW, EURm								
+ EBITDA	8	11	6	10	12	15	16	17
- Net financial items	-1	0	0	0	-1	0	0	0
- Taxes	0	-1	0	-1	-2	-4	-3	-3
- Increase in Net Working Capital	0	2	1	-3	1	-2	-1	-1
+/- Other	-1	-1	0	-1	0	0	0	0
= Cash flow from operations	6	10	6	5	10	9	13	14
- Capex	-2	-2	-4	-2	-1	-7	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	9	0	0
= Net cash flow	3	8	3	3	9	11	10	11
+/- Change in interest-bearing debt	-1	-5	4	-1	-3	-3	0	0
+/- New issues/buybacks	0	0	0	0	0	6	0	0
- Paid dividend	-2	-2	-3	-3	-3	-4	-15	-6
+/- Change in loan receivables	0	0	-3	0	0	0	0	0
Change in cash	0	1	0	-1	3	9	-5	5

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	72	67	77	82	167	167	167
Net debt	0	3	2	-3	-16	-11	-16
Enterprise value	72	70	79	79	151	156	151
Sales	94	96	100	102	114	118	122
EBITDA	11	6	10	12	15	16	17
EBIT	6	2	6	9	12	13	15
Pre-tax	6	2	6	7	12	13	15
Earnings	5	1	5	6	8	11	12
Book value	29	27	28	31	41	37	43
Valuation multiples							
EV/sales	0.8	0.7	0.8	0.8	1.3	1.3	1.2
EV/EBITDA	6.8	11.7	7.8	6.6	10.1	9.8	8.7
EV/EBITA	11.4	46.8	13.0	9.2	12.3	11.9	10.3
EV/EBIT	11.4	46.8	13.0	9.2	12.3	11.9	10.3
EV/operating cash flow	6.7	11.1	11.9	7.1	16.8	12.3	10.9
EV/cash earnings	7.9	12.1	8.3	8.8	13.9	11.5	10.3
P/E	14.9	63.5	15.7	13.8	20.3	15.6	14.0
P/E excl. goodwill	14.9	63.5	15.7	13.8	20.3	15.6	14.0
P/B	2.5	2.5	2.7	2.7	4.1	4.6	3.9
P/sales	0.8	0.7	0.8	0.8	1.5	1.4	1.4
P/CF	6.7	10.6	11.6	7.4	18.5	13.2	12.1
Target EV/EBIT	0.0	0.0	0.0	0.0	13.3	12.7	11.1
Target P/E	0.0	0.0	0.0	0.0	21.7	16.6	14.9
Target P/B	0.0	0.0	0.0	0.0	4.4	4.9	4.2
Per share measures							
Number of shares	8,090	8,090	8,090	8,090	8,090	8,090	8,090
Number of shares (diluted)	8,090	8,090	8,090	8,090	8,090	8,090	8,090
EPS	0.60	0.13	0.60	0.73	1.01	1.32	1.48
EPS excl. goodwill	0.60	0.13	0.60	0.73	1.01	1.32	1.48
Cash EPS	1.12	0.72	1.17	1.11	1.34	1.67	1.81
Operating cash flow per share	1.32	0.78	0.82	1.37	1.11	1.57	1.70
Capital employed per share	3.54	3.73	3.81	3.44	3.11	3.21	3.35
Book value per share	3.59	3.35	3.50	3.79	5.05	4.52	5.30
Book value excl. goodwill	3.59	3.35	3.50	3.79	5.05	4.52	5.30
Dividend per share	0.35	0.35	0.40	0.50	1.85	0.70	0.75
Dividend payout ratio, %	58.7	267.6	66.3	68.6	182.4	52.8	50.8
Dividend yield, %	3.9	4.2	4.2	5.0	9.0	3.4	3.6
Efficiency measures							
ROE	17.2	3.8	17.6	20.0	23.0	27.7	30.0
ROCE	18.8	4.7	17.9	25.4	33.3	34.6	37.6
Financial ratios							
Capex/sales, %	2.5	3.8	2.2	1.1	-1.8	2.5	2.6
Capex/depreciation excl. goodwill, %	54.3	79.6	52.7	35.2	-75.3	107.1	117.6
Net debt/EBITDA, book-weighted	0.0	0.5	0.2	-0.2	-1.1	-0.7	-0.9
Debt/equity, market-weighted	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	61.5	58.9	58.4	65.1	74.2	71.3	73.8
Gearing	-0.01	0.11	0.09	-0.09	-0.38	-0.29	-0.37
Number of employees, average	427	436	445	0	0	0	0
Sales per employee, EUR	220,269	219,393	224,000	0	0	0	0
EBIT per employee, EUR	14,739	3,441	13,717	0	0	0	0

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Muotitila Oy	1,297,700	26.733	16.0%
Moomin Characters Oy Ltd	615,000	12.669	7.6%
Ehrnrooth Anna Sophia	400,377	8.248	4.9%
Varma Mutual Pension Insurance Company	385,920	7.950	4.8%
Skandinaviska Enskilda Banken AB	302,909	6.240	3.7%
Svenska Handelsbanken AB (publ), Branch Operation in Finland	247,313	5.095	3.1%
Oy Etra Invest Ab	236,823	4.879	2.9%
Odin Finland	231,301	4.765	2.9%
Veritas Pension Insurance Company Ltd.	220,000	4.532	2.7%
Ilmarinen Mutual Pension Insurance Company	215,419	4.438	2.7%
Ten largest	4,152,762	85.547	51%
Residual	3,936,848	81.099	49%
Total	8,089,610	166.646	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

Important Disclosures

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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

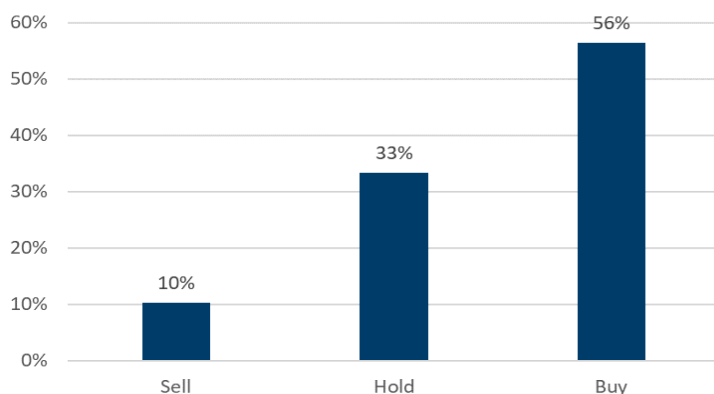
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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