

Growth continues with a gentler slope

Marimekko's Q3 growth was solid although EBIT fell short of our expectations. With higher-than-expected cost development, we modified our EBIT estimates downwards.

Decent Q3 result, EBIT below market expectations

Marimekko posted solid Q3 figures. Although, due to strong comparison figures both the top- and bottom line fell short of expectations. Group net sales grew by 4% y/y to EUR 44.1m driven by strong int'l sales and good growth in domestic retail sales. Domestic net sales declined by 7% y/y while int'l sales increased by 28% y/y mostly driven by strong development of the APAC region. Increased logistics costs pressed the gross margin slightly below that of the comparison period. Moreover, fixed costs saw some pressure through elevated personnel and IT-related costs which caused Q3 EBIT to fall below the comparison period. Q3 EBIT amounted to EUR 11.1m, reflecting an EBIT margin of 25.2% which was still on a great level.

Market might challenge the company's increased ambitions

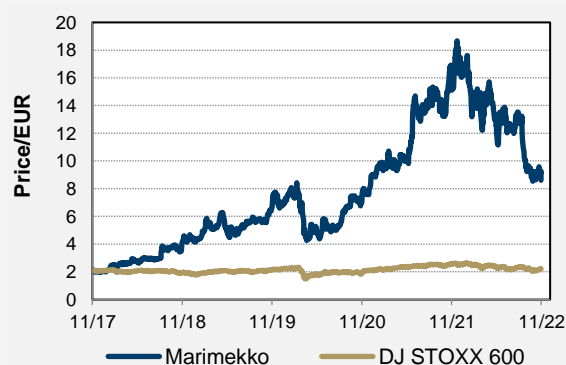
Marimekko renewed its strategy for 2023-27 and consequently raised its growth target to 15%. Currently, against the company's growth ambitions, we see low consumer purchasing power and slowing economy support rather single- than double-digit growth seen during the recent years. On the other hand, increasing brand awareness should support the demand also during uncertain times. We expect the company to perform operatively well in a weaker market driven by lessons learned during the pandemic, but we estimate the demand for Marimekko's offering to see some slowdown. For that reason, we expect the company not to reach its growth target in the coming years.

Valuation remains favorable

We lowered our estimates, driven by higher-than-expected cost pressures. Despite decreased EBIT estimates, we see upside potential in Marimekko's current valuation. Currently, Marimekko is valued with 23E EV/EBIT of 11x while we, with our new target price, value the company with a corresponding multiple of 12x. Reflecting estimate adjustments, we adjust our TP to EUR 10.0 (prev. 12.0). With a moderate valuation, we retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price)	8.60
Target price, EUR	10.0

Latest change in	14-Sep-22
Latest report on	14-Sep-22
Research paid by	YES
No. of shares	40,621
No. of shares fully	40,621
Market cap, EURm	349
Free float, %	74.0
Exchange rate	0.000
Reuters code	MEKKO.HE
Bloomberg code	MEKKO FH
Average daily volume,	0.0
Next interim report	
Web site	company.marimekko.com/en/investors/

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	123.6	18.8	15.2%	13.6	0.33	27.8	3.0	19.6	3.7	0.20
2021	152.2	31.3	20.5%	31.2	0.60	28.3	4.4	21.2	4.5	0.72
2022E	167.5	29.9	17.8%	-1.9	0.59	14.7	2.1	11.8	-0.5	0.38
2023E	179.0	32.5	18.2%	32.4	0.60	14.2	1.9	10.4	9.3	0.33
2024E	192.4	35.6	18.5%	24.8	0.68	12.7	1.7	9.1	7.1	0.44
Market cap, EURm		349	Gearing 2022E, %			6.4	CAGR EPS 2021-24, %			3.9
Net debt 2022E, EURm		4	Price/book 2022E			5.5	CAGR sales 2021-24, %			8.1
Enterprise value, EURm		353	Dividend yield 2022E, %			4.4	ROE 2022E, %			35.7
Total assets 2022E, EURm		136	Tax rate 2022E, %			21.1	ROCE 2022E, %			29.6
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			47.2	PEG, P/E 22/CAGR			2.4

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

Q3 result

Marimekko's Q3 result came in below market expectations. Group net sales grew by 4% y/y to EUR 44.1m driven by strong int'l sales. In total, domestic sales declined by 7% y/y as a result of a strong comparison period and decreased wholesale deliveries. Q3'21 included non-recurring wholesale deliveries which were significantly lower in Q3'22 as guided beforehand. On the other hand, domestic retail sales developed favorably and partly offset the negative impact of wholesale sales by increasing by 10% y/y. Int'l sales increased by 28% y/y mostly driven by strong development of the APAC region. In addition, performance in Scandinavia and the EMEA region developed strongly while North America declined due to the closing of New York and Boston stores. To our understanding, the company is seeking a new location in New York and the store will be opened soon. Fashion and bags and accessories developed favorably by showing double-digit growth while the home product line faced a 10% y/y decline. The decline in the home category raises some concerns about the segment's 2020-21 performance being driven by homing/renovating boom and its future development.

The hit of increased costs came in stronger than expected. Gross margin weakened mainly due to elevated logistics costs. Additional recruitments and good development of retail increased personnel costs. Moreover, continued IT-system and digitalization investments were seen in elevated operative costs. With a weaker gross margin and elevated fixed costs, Marimekko's Q3 EBIT fell short of that of the comparison period. Q3 EBIT amounted to EUR 11.1m landing clearly below our expectations. Despite a notable drop in EBIT in absolute terms, relative profitability remained at a strong level of 25.2% (EBIT margin). With EBIT below the comparison period, also EPS faced a notable decline y/y. Q3 EPS amounted to EUR 0.22.

Estimates

ESTIMATE CHANGES									
	2022E			2023E			2024E		
	Old	New		Old	New		Old	New	
Net sales	168.3	167.5	0%	181.0	179.0	-1%	193.3	192.4	0%
Finland	100.9	97.8	-3%	106.3	102.0	-4%	110.0	106.6	-3%
Int'l	67.4	69.7	3%	74.7	76.9	3%	83.2	85.7	3%
Adj. EBIT	32.6	29.9	-8%	35.6	32.5	-9%	37.3	35.6	-5%

With lower-than-expected Q3 results, we decreased our 22-23 EBIT estimates by some 8% and 9% respectively. Our view of the cost development became stricter by the evidence seen in Q3. Topline estimates remained relatively intact while downward adjustments made to domestic sales estimates were partly offset by positive adjustments in international sales estimates. In 2022, we now expect group net sales to amount to EUR 167.5m. Net sales growth of 10% is mostly driven by a strong performance of international sales. We expect the cost pressures to continue and profitability to decrease that of the comparison period. Our 22 EBIT estimate amounts to EUR 29.9m, reflecting an EBIT margin of 17.8%. The free cash flow of 2022 will be notably weaker than in the previous year mostly driven by a heavy increase in working capital due to increased inventory and abnormal timing of trade payables which the company is currently mitigating and, to our understanding, should smoothen soon.

We see the economic downturn and weakening consumer purchasing power influence Marimekko's 23E net sales growth, especially in Europe. We expect the growth rate to decrease from the levels seen during the last two years. Our 23E group net sales estimate amounts to EUR 179.0m, reflecting y/y growth of 6.9% which is largely supported by int'l sales development. With gross margin intact and fixed costs developing approx. in line with topline growth, we expect relative profitability to remain intact. The company's ambitions to increase scalability might surprise us positively but, at this moment, we wait for further evidence of the company's scalability strategy to kick largely in, given the current high inflation rates in some of Marimekko's main markets. Our 23 EBIT estimate amounts to EUR 32.5m, reflecting an EBIT margin of 18.2%.

ESTIMATES															
	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22E	Q4'22E	2022E	2023E	2024E
Net sales	111.9	125.4	123.6	29.1	32.7	42.4	48.1	152.3	36.0	38.0	44.1	49.4	167.5	179.0	192.4
<i>growth-%</i>	<i>9.3%</i>	<i>12.1%</i>	<i>-1.4%</i>	<i>17.0%</i>	<i>40.2%</i>	<i>11.5%</i>	<i>28.7%</i>	<i>23.2%</i>	<i>23.8%</i>	<i>16.2%</i>	<i>4.0%</i>	<i>2.7%</i>	<i>10.0%</i>	<i>6.9%</i>	<i>7.5%</i>
Finland sales	63.5	71.2	71.1	14.5	18.4	28.8	30.6	92.3	18.5	23.0	26.7	29.6	97.8	102.0	106.6
International sales	48.3	54.3	52.4	14.6	14.3	13.6	17.4	59.9	17.5	15.0	17.4	19.8	69.7	76.9	85.7
Adj. EBIT	12.2	17.1	20.5	5.6	4.9	13.1	7.6	31.3	6.6	5.7	11.1	6.4	29.9	32.5	35.6
<i>margin</i>	<i>10.9%</i>	<i>13.6%</i>	<i>16.5%</i>	<i>19.3%</i>	<i>14.9%</i>	<i>31.0%</i>	<i>15.9%</i>	<i>20.5%</i>	<i>18.4%</i>	<i>15.0%</i>	<i>25.2%</i>	<i>13.0%</i>	<i>17.8%</i>	<i>18.2%</i>	<i>18.5%</i>
Adj. EPS	0.20	0.32	0.33	0.11	0.09	0.26	0.14	0.60	0.12	0.12	0.22	0.13	0.59	0.60	0.68

Valuation

After the Q3 result, Marimekko is valued with 23E EV/EBIT and P/E multiples of 10x and 14x respectively. Meanwhile, the company trades with a significant premium to its premium brand peer group. However, Marimekko's discount on luxury goods peer group is ~30%. We consider that Marimekko's valuation should near that of the luxury peer group, given its track record of strong profitable growth, strong brand, and high-quality business. Our new target price values Marimekko with 23E EV/EBIT of 12x (14% discount on luxury peers). Even though Marimekko's EBIT growth is expected to slow down and is, in the near future, driven more heavily by topline growth, we see the company's current valuation as quite moderate. In addition to favorable valuation, the case is supported by decent earnings growth and solid dividend yield. With a negative adjustment in our 23E EBIT, we adjust our target price to EUR 10.0 (prev. 12.0), but with valuation having room for an upside, we retain our BUY rating.

MARIMEKKO PEER VALUATION

	EV/EBITDA		EV/EBIT		P/E		EBIT margin		ROE-%		Dividend yield	
	22	23	22	23	22	23	22	23	22	23	22	23
Premium goods												
Bjorn Borg AB	6.5x	4.7x	9.3x	5.8x	11.6x	7.7x	10.0%	13.8%				
HUGO BOSS AG	5.5x	4.7x	12.0x	9.9x	15.9x	14.3x	9.2%	9.6%	18.7%	18.3%	2.4%	2.9%
Capri Holdings Limited	5.4x	4.6x	6.4x	5.5x	6.5x	6.1x	18.0%	18.3%	32.2%	27.2%	0.0%	0.0%
Ralph Lauren Corporation Class A	5.9x	5.6x	7.8x	7.2x	11.6x	10.2x	12.2%	12.6%	22.4%	23.6%	3.4%	3.6%
Ted Baker PLC												
PVH Corp.	4.3x	3.9x	6.0x	5.4x	6.3x	5.8x	8.7%	8.9%	9.9%	9.8%	0.2%	0.2%
Guess?, Inc.	2.0x	1.6x	2.5x	2.0x	6.4x	5.2x	9.9%	10.8%	35.0%	43.4%		
V.F. Corporation	9.9x	9.0x	12.1x	10.8x	11.4x	9.9x	10.9%	11.5%	28.0%	31.5%	7.3%	7.4%
Luxury goods												
Brunello Cucinelli S.p.A.	18.0x	15.7x	36.8x	31.0x	51.1x	45.8x	14.0%	14.3%	21.4%	21.1%	1.0%	1.1%
Burberry Group plc	6.6x	6.7x	10.1x	10.3x	15.4x	14.9x	19.7%	19.6%	29.0%	25.7%	3.0%	3.3%
Hermes International SCA	25.9x	22.7x	29.3x	25.5x	44.2x	39.1x	39.8%	40.2%	27.2%	25.3%	0.8%	0.9%
Moncler SpA	10.9x	9.5x	14.7x	12.7x	20.6x	19.6x	30.0%	30.3%	19.7%	18.4%	1.9%	2.0%
Prada S.p.A.	8.4x	7.3x	16.5x	13.8x	27.3x	22.8x	18.1%	19.3%	13.7%	15.2%	2.4%	2.8%
Salvatore Ferragamo S.p.A.	9.4x	10.6x	22.7x	32.8x	35.9x	55.8x	9.7%	6.4%	8.9%	5.7%	1.7%	1.1%
Kering SA	7.9x	7.3x	9.9x	9.0x	14.5x	13.5x	28.6%	28.5%	26.0%	24.1%	3.0%	3.3%
Canada Goose Holdings, Inc.	6.8x	5.3x	9.4x	7.2x	12.7x	10.6x	18.3%	19.8%	28.6%	26.4%	0.0%	0.0%
Premium goods median	5.5x	4.7x	7.8x	5.8x	11.4x	7.7x	10.0%	11.5%	25.2%	25.4%	2.4%	2.9%
Luxury goods median	8.9x	8.4x	15.6x	13.2x	24.0x	21.2x	18.9%	19.4%	20.5%	19.8%	1.8%	1.5%
Marimekko (Evli est.)	8.9x	7.4x	11.8x	10.4x	14.7x	14.2x	17.8%	18.2%	35.7%	35.8%	4.4%	3.9%
<i>Marimekko premium vs. premium goods media</i>	<i>62%</i>	<i>58%</i>	<i>52%</i>	<i>78%</i>	<i>29%</i>	<i>84%</i>	<i>78%</i>	<i>58%</i>	<i>42%</i>	<i>41%</i>	<i>82%</i>	<i>34%</i>
<i>Marimekko premium vs. luxury goods median</i>	<i>0%</i>	<i>-12%</i>	<i>-24%</i>	<i>-22%</i>	<i>-39%</i>	<i>-33%</i>	<i>-6%</i>	<i>-7%</i>	<i>74%</i>	<i>81%</i>	<i>150%</i>	<i>149%</i>

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.60 PV of Free Cash Flow	307 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	19.90 PV of Horizon value	504 WACC, %	7.5 Market risk premium, %	5.8
Share price potential, %	131.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	21.9 Marketable securities	60 Minimum WACC, %	7.0 Equity beta coefficient	0.80
Minimum value	18.2 Debt - dividend	-62 Maximum WACC, %	8.0 Target debt ratio, %	20
Horizon value, %	62.1 Value of stock	808 Nr of shares, Mn	40.6 Effective tax rate, %	25

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	152	167	179	192	205	217	230	242	249	256	262	267
<i>Sales growth, %</i>	<i>23.2</i>	<i>10.0</i>	<i>6.9</i>	<i>7.5</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>5.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	31	30	33	36	37	38	39	41	42	44	44	45
<i>Operating income margin, %</i>	<i>20.5</i>	<i>17.8</i>	<i>18.2</i>	<i>18.5</i>	<i>18.0</i>	<i>17.5</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>
+ Depreciation+amort.	12	10	13	14	15	16	17	18	18	19	20	
EBITDA	43	40	46	49	52	54	56	59	61	63	64	
- Paid taxes	-4	-6	-7	-7	-7	-8	-8	-8	-8	-9	-9	
- Change in NWC	-2	-15	11	1	-1	-1	-1	-1	-1	-1	0	
<i>NWC / Sales, %</i>	<i>6.4</i>	<i>15.0</i>	<i>8.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	<i>3.1</i>	<i>12.1</i>	<i>9.0</i>	<i>8.9</i>	<i>8.7</i>	<i>8.7</i>	<i>8.7</i>	<i>8.5</i>	<i>8.2</i>	<i>8.2</i>	<i>8.0</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	35	16	48	41	42	43	45	48	50	51	53	977
= Discounted FCFF		15	45	35	33	32	31	30	30	28	27	504
= DFCF min WACC		15	45	36	34	33	32	31	31	30	28	578
= DFCF max WACC		15	44	35	33	31	30	30	29	27	26	442

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	29.1	32.7	42.4	48.1	152.2	36.0	38.0	44.1	49.4	167.5	179.0	192.4
EBITDA	8.6	8.0	16.2	10.6	43.3	9.1	8.1	13.6	8.9	39.7	45.7	49.2
<i>EBITDA margin (%)</i>	<i>29.6</i>	<i>24.4</i>	<i>38.1</i>	<i>22.0</i>	<i>28.5</i>	<i>25.3</i>	<i>21.4</i>	<i>30.8</i>	<i>18.0</i>	<i>23.7</i>	<i>25.5</i>	<i>25.6</i>
EBIT	5.6	4.9	13.1	7.6	31.3	6.6	5.7	11.1	6.4	29.9	32.5	35.6
<i>EBIT margin (%)</i>	<i>19.3</i>	<i>14.9</i>	<i>31.0</i>	<i>15.9</i>	<i>20.5</i>	<i>18.4</i>	<i>15.0</i>	<i>25.2</i>	<i>13.0</i>	<i>17.8</i>	<i>18.2</i>	<i>18.5</i>
Net financial items	-0.1	-0.2	0.0	0.0	-0.4	-0.1	0.3	0.2	0.0	0.3	-1.8	-1.3
Pre-tax profit	5.5	4.7	13.1	7.6	30.8	6.5	6.0	11.3	6.4	30.2	30.7	34.3
Tax	-1.1	-1.0	-2.6	-1.7	-6.4	-1.5	-1.2	-2.4	-1.3	-6.4	-6.1	-6.9
<i>Tax rate (%)</i>	<i>19.6</i>	<i>21.8</i>	<i>19.9</i>	<i>22.6</i>	<i>20.8</i>	<i>22.6</i>	<i>20.0</i>	<i>21.4</i>	<i>20.0</i>	<i>21.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	4.4	3.6	10.5	5.9	24.4	5.0	4.8	8.9	5.2	23.8	24.5	27.4
EPS	0.11	0.09	0.26	0.14	0.60	0.12	0.12	0.22	0.13	0.59	0.60	0.68
EPS adjusted (diluted no. of shares)	0.11	0.09	0.26	0.14	0.60	0.12	0.12	0.22	0.13	0.59	0.60	0.68
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.38	0.33	0.44
SALES, EURm												
Finland	14.5	18.4	28.8	30.6	92.3	18.5	23.0	26.7	29.6	97.8	102.0	106.6
Scandinavia	2.4	2.9	2.9	4.4	12.7	3.0	3.0	3.5	4.7	14.2	14.9	15.9
EMEA	4.1	3.0	2.7	3.1	12.9	5.5	3.2	3.7	3.8	16.1	17.4	18.8
North America	1.4	2.2	2.0	2.7	8.4	1.8	2.0	1.9	2.7	8.4	9.8	11.0
Asia Pacific	6.6	6.3	5.9	7.2	26.0	7.3	6.8	8.3	8.6	31.0	34.8	40.1
Total	29.1	32.7	42.4	48.1	152.2	36.0	38.0	44.1	49.4	167.5	179.0	192.4
SALES GROWTH, Y/Y %												
<i>Finland</i>	<i>6.9</i>	<i>61.5</i>	<i>25.3</i>	<i>31.9</i>	<i>29.7</i>	<i>27.3</i>	<i>25.2</i>	<i>-7.3</i>	<i>-3.4</i>	<i>5.9</i>	<i>4.4</i>	<i>4.5</i>
<i>Scandinavia</i>	<i>16.0</i>	<i>53.3</i>	<i>4.3</i>	<i>39.6</i>	<i>27.3</i>	<i>22.8</i>	<i>3.7</i>	<i>21.0</i>	<i>5.9</i>	<i>12.1</i>	<i>4.6</i>	<i>6.8</i>
<i>EMEA</i>	<i>51.5</i>	<i>-9.6</i>	<i>-32.1</i>	<i>-21.1</i>	<i>-7.5</i>	<i>33.5</i>	<i>7.1</i>	<i>36.3</i>	<i>21.2</i>	<i>25.1</i>	<i>8.1</i>	<i>7.9</i>
<i>North America</i>	<i>-9.8</i>	<i>51.0</i>	<i>24.9</i>	<i>56.8</i>	<i>30.8</i>	<i>25.7</i>	<i>-10.2</i>	<i>-8.4</i>	<i>1.8</i>	<i>0.2</i>	<i>16.5</i>	<i>12.0</i>
<i>Asia Pacific</i>	<i>34.7</i>	<i>17.9</i>	<i>-10.4</i>	<i>36.2</i>	<i>17.5</i>	<i>10.2</i>	<i>9.0</i>	<i>40.1</i>	<i>19.2</i>	<i>19.2</i>	<i>12.5</i>	<i>15.0</i>
Total	16.9	40.3	11.5	28.7	23.2	23.8	16.2	4.0	2.7	10.0	6.9	7.5
EBIT, EURm												
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7
Scandinavia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9
EMEA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
North America	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.4
Group (EBIT only)	5.6	4.9	13.1	7.6	31.3	6.6	5.7	11.1	6.4	29.9	32.5	0.0
Total	5.6	4.9	13.1	7.6	31.3	6.6	5.7	11.1	6.4	29.9	32.5	35.6
EBIT margin, %												
<i>Finland</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.5</i>
<i>Scandinavia</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.5</i>
<i>EMEA</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.5</i>
<i>North America</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.5</i>
<i>Asia Pacific</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.5</i>
Total	19.3	14.9	31.0	15.9	20.5	18.4	15.0	25.2	13.0	17.8	18.2	18.5

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	102.3	111.9	125.4	123.6	152.2	167.5	179.0	192.4
<i>Sales growth (%)</i>	<i>0.0</i>	<i>9.3</i>	<i>12.1</i>	<i>-1.5</i>	<i>23.2</i>	<i>10.0</i>	<i>6.9</i>	<i>7.5</i>
EBITDA	11.9	14.6	29.7	31.3	43.3	39.7	45.7	49.2
<i>EBITDA margin (%)</i>	<i>11.6</i>	<i>13.1</i>	<i>23.7</i>	<i>25.4</i>	<i>28.5</i>	<i>23.7</i>	<i>25.5</i>	<i>25.6</i>
Depreciation	-3.3	-2.4	-12.6	-12.6	-12.1	-9.8	-13.2	-13.6
EBITA	8.6	12.2	17.1	18.8	31.3	29.9	32.5	35.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.6	12.2	17.1	18.8	31.3	29.9	32.5	35.6
<i>EBIT margin (%)</i>	<i>8.4</i>	<i>10.9</i>	<i>13.6</i>	<i>15.2</i>	<i>20.5</i>	<i>17.8</i>	<i>18.2</i>	<i>18.5</i>
Reported EBIT	8.6	12.2	17.1	18.0	31.3	29.9	32.5	35.6
<i>EBIT margin (reported) (%)</i>	<i>8.4</i>	<i>10.9</i>	<i>13.6</i>	<i>14.5</i>	<i>20.5</i>	<i>17.8</i>	<i>18.2</i>	<i>18.5</i>
Net financials	-1.2	-0.2	-1.0	-1.8	-0.4	0.3	-1.8	-1.3
Pre-tax profit	7.4	12.1	16.1	17.0	30.8	30.2	30.7	34.3
Taxes	-1.5	-3.9	-3.1	-3.7	-6.4	-6.4	-6.1	-6.9
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.9	8.2	13.0	12.5	24.4	23.8	24.5	27.4
Cash NRIs	0.0	0.0	0.0	-0.8	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	13	5	5	5	5	6	6	7
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	37	36	37	29	39	41	44
Inventory	21	22	23	22	26	37	34	35
Receivables	7	7	7	8	12	17	13	13
Liquid funds	6	23	26	41	60	37	56	70
Total assets	47	94	97	114	133	136	151	170
Liabilities								
Shareholder's equity	31	40	39	52	69	64	73	87
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	37	36	37	30	39	42	44
Deferred taxes	1	1	2	1	3	3	3	3
Interest bearing debt	3	0	2	2	2	2	2	2
Non-interest bearing current liabilities	13	16	18	22	28	28	32	35
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	47	94	97	114	133	136	151	170
CASH FLOW, EURm								
+ EBITDA	12	15	30	31	43	40	46	49
- Net financial items	-1	0	-1	-2	0	0	-2	-1
- Taxes	-2	-3	-3	-6	-4	-6	-6	-7
- Increase in Net Working Capital	0	2	3	3	-2	-15	11	1
+/- Other	1	0	0	0	-1	0	0	0
= Cash flow from operations	10	12	29	27	36	18	49	42
- Capex	-1	-1	-11	-14	-5	-20	-16	-17
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	11	0	0	0	0	0	0
= Free cash flow	9	22	18	14	31	-2	32	25
+/- New issues/buybacks	0	5	1	8	1	0	0	0
- Paid dividend	-3	-4	-15	-7	-8	-29	-15	-13
+/- Other	-3	-6	-1	0	-5	8	3	2
Change in cash	3	17	3	15	19	-23	20	14

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	168	291	369	691	349	349	349
Net debt (excl. convertibles)	14	12	-2	-27	4	-13	-24
Enterprise value	182	303	368	664	353	337	325
Sales	112	125	124	152	167	179	192
EBITDA	15	30	31	43	40	46	49
EBIT	12	17	19	31	30	33	36
Pre-tax	12	16	17	31	30	31	34
Earnings	8	13	13	24	24	25	27
Equity book value (excl. minorities)	40	39	52	69	64	73	87
Valuation multiples							
EV/sales	1.6	2.4	3.0	4.4	2.1	1.9	1.7
EV/EBITDA	12.4	10.2	11.7	15.3	8.9	7.4	6.6
EV/EBITA	14.9	17.7	19.6	21.2	11.8	10.4	9.1
EV/EBIT	14.9	17.7	19.6	21.2	11.8	10.4	9.1
EV/OCF	14.9	10.5	13.4	18.5	19.3	6.9	7.8
EV/FCFF	8.4	10.7	14.2	18.8	22.6	7.0	7.9
P/FCFE	38.8	82.4	135.3	110.9	-183.2	10.8	14.1
P/E	20.5	22.3	27.8	28.3	14.7	14.2	12.7
P/B	4.2	7.5	7.1	10.0	5.5	4.8	4.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.3	8.6	7.8
Target EV/EBIT	0.0	0.0	0.0	0.0	13.7	12.1	10.7
Target EV/FCF	0.0	0.0	0.0	0.0	-215.1	12.2	15.4
Target P/B	0.0	0.0	0.0	0.0	6.3	5.6	4.7
Target P/E	0.0	0.0	0.0	0.0	17.0	16.5	14.8
Per share measures							
Number of shares	40,448	40,649	40,549	40,549	40,621	40,621	40,621
Number of shares (diluted)	40,448	40,649	40,549	40,549	40,621	40,621	40,621
EPS	0.20	0.32	0.33	0.60	0.59	0.60	0.68
Operating cash flow per share	0.30	0.71	0.68	0.89	0.45	1.20	1.03
Free cash flow per share	0.54	0.43	0.34	0.77	-0.05	0.80	0.61
Book value per share	0.99	0.96	1.29	1.71	1.58	1.80	2.14
Dividend per share	0.37	0.18	0.20	0.72	0.38	0.33	0.44
Dividend payout ratio, %	182.6	56.1	60.9	119.6	64.8	55.0	65.0
Dividend yield, %	8.9	2.5	2.2	4.2	4.4	3.9	5.1
FCF yield, %	12.9	6.1	3.7	4.5	-0.5	9.3	7.1
Efficiency measures							
ROE	23.2	33.1	29.2	40.1	35.7	35.8	34.3
ROCE	22.2	22.7	22.9	33.0	29.6	30.0	29.3
Financial ratios							
Inventories as % of sales	19.8	18.0	18.2	17.1	22.0	19.0	18.0
Receivables as % of sales	6.2	5.3	6.6	7.9	10.0	7.0	7.0
Non-interest bearing liabilities as % of sales	13.9	14.2	17.9	18.6	17.0	18.0	18.0
NWC/sales, %	12.0	9.1	6.8	6.4	15.0	8.0	7.0
Operative CAPEX/sales, %	1.0	9.0	11.2	3.1	12.1	9.0	8.9
CAPEX/sales (incl. acquisitions), %	1.0	9.0	11.2	3.1	12.1	9.0	8.9
FCFF/EBITDA	1.5	1.0	0.8	0.8	0.4	1.1	0.8
Net debt/EBITDA, book-weighted	0.9	0.4	-0.1	-0.6	0.1	-0.3	-0.5
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	42.7	40.1	45.7	52.2	47.2	48.3	51.2
Gearing, %	34.3	30.7	-3.2	-38.9	6.4	-17.5	-27.7

COMPANY DESCRIPTION: Marimekko is a Finnish lifestyle design house founded in 1951. The company is known for its original prints and colors. The company's product categories consist of high-quality clothing, bags and accessories as well as home décor items. Marimekko's products are sold in about 40 different countries, Finland and Asia being the largest market areas. The company has approximately 150 stores worldwide.

INVESTMENT CASE: Marimekko has a strong and unique brand which is enjoying great popularity in Finland and increasingly abroad. The company's growth strategy relies on international expansion and attracting a broader audience, which should support growth and through improved volumes margin improvement. E-commerce and brand collaborations offer further margin expansion potential.

OWNERSHIP STRUCTURE	SHARES	EURm	%
PowerBank Ventures Oy	5,088,500	43.761	12.5%
Keskinäinen Työeläkevakuutusyhtiö Varma	1,929,600	16.595	4.8%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,926,940	16.572	4.7%
Ehnröth Anna Sophia	1,651,885	14.206	4.1%
Sijoitusrahasto Nordea Nordic Small Cap	999,425	8.595	2.5%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	877,500	7.547	2.2%
Oy Talcom Ab	505,500	4.347	1.2%
Oy Etra Invest Ab	500,000	4.300	1.2%
Alahuhta Matti	411,650	3.540	1.0%
Eläkevakuutusosakeyhtiö Veritas	375,000	3.225	0.9%
Ten largest	14,266,000	122.688	35%
Residual	26,355,380	226.656	65%
Total	40,621,380	349.344	100%

EARNINGS CALENDAR

February 16, 2023	Q1 report
May 16, 2023	Q2 report
November 08, 2023	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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CFO: Elina Anckar

Tel: +358 9 75 871

IR: Anna Tuominen

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

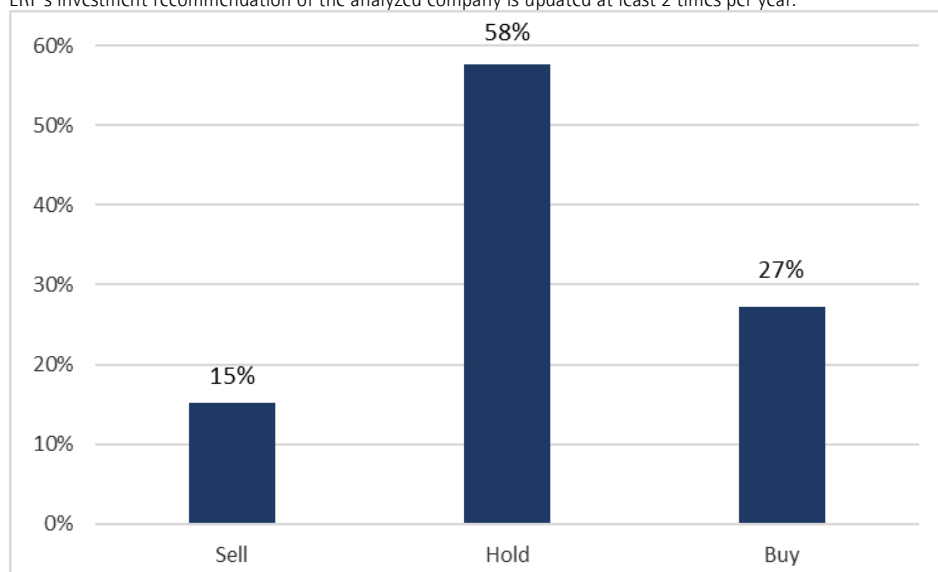
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Heikura

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