Course set on profit jump

We initiate coverage of Oriola with a target price of EUR 1.1 and ACCUMULATE-rating. Oriola is seeking a clear improvement in its profitability in the long term, which if materialized, would provide significant upside potential.

Well positioned in healthy, growing market

Oriola is a pharmaceutical distribution and services company, maintaining a leading position within its operating markets Finland and Sweden. Oriola operates in steadily growing markets, with the distribution market defensive by nature but consolidated, while the more fragmented market for health products provides potential for faster growth. Oriola through a joint venture also owns 50% of Sweden's third-largest pharmacy chain Kronans Apotek.

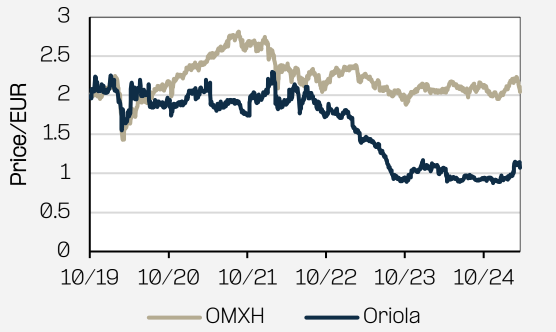
Targeting clearly improved profitability

Oriola's profitability, measured by the adj. EBIT margin, has fallen significantly from mid-2010 peaks to the 1.0-1.5% levels seen during the 2020's and growth in Oriola's invoicing during the past years in the lower single-digits. 2024 saw growth picking up to 5.1% and the adj. EBIT improving by 30% y/y. In the long term, Oriola targets a net sales growth at around the market rate, with a minimum of 4%, while seeking to achieve an EBIT margin of above 3%. We estimate net sales growth to amount to around 5% p.a. during 2025-2027, expecting accelerated growth in the wholesale business. We estimate profitability to improve gradually towards an adj. EBIT margin of 1.9% in 2027. Although our estimate is cautious in relation to the target, with accelerated growth in the more profitable wholesale business, value-driven growth in the distribution business, and cost savings and enhanced efficiency through for instance the on-going ERP and warehouse management investment, the target could be achieved.

Target price of EUR 1.1, ACCUMULATE-rating

We initiate coverage of Oriola with a target price of EUR 1.1 per share and ACCUMULATE-rating. Our valuation is based on a sum-of-the-parts approach, through which we arrive at an equity value of EUR 1.46 per share, which we further adjust for market related and company specific risk. In the long-term, Oriola exhibits significant upside potential should profitability move towards the 3% target and profitability of Kronans Apotek improve to levels corresponding to that of the industry.

Rating: Accumulate



Share price, EUR (Last trading day's closing price)	**1.02**
Target price, EUR	1.1
Latest change in recommendation	07-Apr-25
Latest report on company	07-Apr-25
Research paid by issuer:	YES
No. of shares outstanding, '000's	185 323
No. of shares fully diluted, '000's	185 323
Market cap, EURm	189
Free float, %	65.4%
Exchange rate	-
Reuters code	ORIOLA.HE
Bloomberg code	ORIOLA FH
Average daily volume, EURm	-
Next interim report	29-Apr-25
Web site	www.oriola.fi

Analyst	Jerker Salokivi
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Telephone	+358 9 4766 9149

BUY ACCUMULATE REDUCE 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
2023	1493.8	-5.3	-0.4%	7.9	-0.11	-9.6	0.2	-52.0	4.0%	0.07
2024	1679.7	13.6	0.8%	29.8	-0.11	-8.1	0.1	16.0	18.5%	0.07
2025E	1777.8	15.9	0.9%	14.5	0.02	48.4	0.1	9.9	7.7%	0.08
2026E	1864.4	21.4	1.2%	24.1	0.08	12.2	0.1	6.9	12.7%	0.09
2027E	1950.6	28.5	1.5%	33.0	0.14	7.3	0.1	4.7	17.4%	0.10

Market cap, EURm	189	Gearing 2025E, %	44.0 %	CAGR EPS 2024-27, %	0.0 %
Net debt 2025E, EURm	55	Price/book 2025E	1.5	CAGR Sales 2024-27, %	5.1 %
Enterprise value, EURm	158	Dividend yield 2025E, %	7.8 %	ROE 2025E, %	3.0 %
Total assets 2025E, EURm	904	Tax rate 2025E, %	20.0 %	ROCE 2025E, %	3.9 %
Goodwill 2025E, EURm	35	Equity ratio 2025E, %	13.8 %	PEG, P/E 25/CAGR	0.4

All the important disclosures can be found on the last pages of this report. This report has been prepared based on the combination of share classes and corresponding expected number of shares

Investment summary

Leading pharmaceutical distribution and services company

Oriola is a pharmaceutical distribution and services company, maintaining a leading position within its operating markets Finland and Sweden. Through its Distribution segment, Oriola provides efficient and reliable distribution services, ensuring prompt deliveries of pharmaceuticals to a diverse array of customers, including pharmacies and retailers, both online and brick–and–mortar, as well as veterinarians. Oriola's Wholesale segment focuses on traded goods and over–the–counter products, as well as parallel import and special licensed medicines. The Wholesale segment also includes Oriola's advisory services. Oriola through a joint venture also owns 50% of Sweden's third–largest pharmacy chain Kronans Apotek. Headquartered in Espoo, Finland, Oriola employs around 800 employees (FTE).

Steadily growing underlying market, distribution market controlled by Oriola and Tamro

Oriola's main market is the market for distribution of pharmaceuticals in Finland and Sweden. The market is defensive by nature and has experienced rather steady growth during the past. A high barrier of entry has led to the market being dominated by Oriola and Tamro, who together essentially control the market in Finland and Sweden. In 2024 the combined market was approximately EUR 8.8bn, with the Swedish market nearly double the size of the Finnish market. The five–year CAGR of the Finnish and Swedish markets are at 3.7% and 6.5% respectively, and Oriola's market share 45% and 43% respectively. Through the Wholesale–segment Oriola targets the much more fragmented market for health products (Fin+Swe ~EUR 1.5bn), with a five–year CAGR of 3.4%.

Growth and profitability improvement in 2024, net earnings burdened by joint venture

Oriola's profitability, measured by the adj. EBIT margin, has fallen significantly from mid–2010 peaks to the 1.0–1.5% levels seen during the 2020's. Growth in Oriola's invoicing during the same period has been in the lower single–digits, picking up to 5.1% in 2024. Oriola also saw profitability improve in 2024, with the adj. EBIT up 30% y/y after declining slightly in the previous year. Net earnings have in the past two years been clearly negative due to weaker performance of the joint venture and thereto relating impairments.

Expecting around 5% growth p.a. through 2025–2027 and margins to improve but below target level

Oriola aims to achieve annual net sales growth at around the market rate, with a minimum of 4%, in the long term. The company has set an ambitious adj. EBIT margin target of above 3% considering recent performance. We estimate net sales growth to amount to around 5% p.a. during 2025–2027, expecting accelerated growth in the wholesale business, where the market dynamics present better relative growth prospects, and which is also a focus area for Oriola. We estimate profitability to improve gradually towards an adj. EBIT margin of 1.9% in 2027. Our estimate is cautious in comparison to the target, owing to the track record in recent years and uncertainty in drivers for the targeted improvement. Although ambitious, with accelerated growth in the more profitable wholesale business, value–driven growth in the distribution business, and cost savings and enhanced efficiency through for instance the on–going ERP and warehouse management investment, the target could be achieved.

We initiate coverage with a target price of EUR 1.1 per share and ACCUMULATE–rating

We initiate coverage of Oriola with a target price of EUR 1.1 per share and ACCUMULATE–rating. Our valuation is based on a sum–of–the–parts approach, valuing Oriola's distribution and wholesale businesses at 10.5x 2025e EBIT (adj.) and Oriola's share of the joint venture at a 7.0x 2027e EBITA, assuming profitability at around market levels. Adjusting for other investments and net debt, we arrive at a equity value of EUR 1.46 per share. Our target price is further adjusted downward due to risks relating to market environment related risks through the on–going trade war and implied balance sheet strengthening actions from potential JV impairments on our estimates. In the long–term, Oriola exhibits significant upside potential should profitability move towards the 3% target and profitability of Kronans Apotek improve to levels corresponding to that of the industry.

Company overview

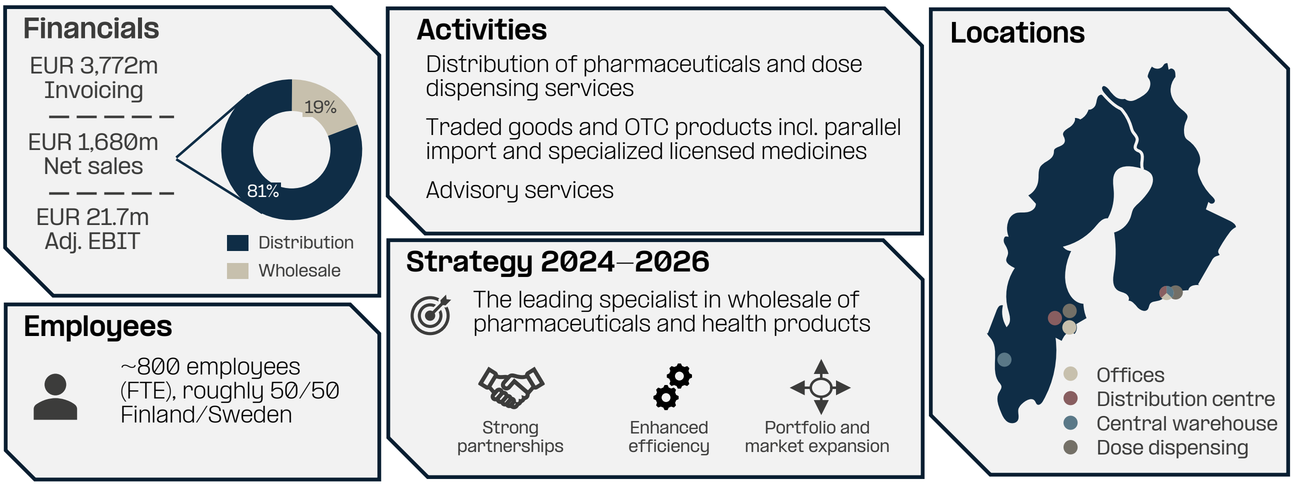
Leading pharmaceutical distribution and services company

Oriola is a pharmaceutical distribution and services company with a rich history dating back to its establishment in 1907. The company has grown and adapted over the years and now maintains a leading position within its operating markets Finland and Sweden. The current Oriola Corporation was established in 2006 following a demerger of Orion group. Oriola is listed on Nasdaq Helsinki and its headquarters are in Espoo, Finland. The average number of employees (FTE) amounted to 812 at the end of 2024.

Two segments: Distribution and Wholesale

Oriola operates through two segments: Distribution and Wholesale. The Distribution segment is clearly the largest, accounting for nearly 80% of net sales in 2024. Through the segment Oriola provides efficient and reliable distribution services, ensuring prompt deliveries of pharmaceuticals to a diverse array of customers, including pharmacies and retailers, both online and brick-and-mortar, as well as veterinarians. The segment also offers dose dispensing services in Finland. Oriola's Wholesale segment focuses on traded goods and over-the-counter products, as well as parallel import and special licensed medicines. The Wholesale segment also includes Oriola's advisory services.

Figure 1: Short overview of Oriola



Source: Oriola, Evli Research

Current business mix mainly volume-driven, low margin

The majority of Oriola's business, namely the Distribution segment, consists of delivering pharmaceuticals to entities within the public and private healthcare sector, including for instance pharmacies and hospitals. Oriola's part in the value chain, along with competition and regulatory compliance, among other things, clearly limit margin potential and earnings increases are as such largely volume driven. Within Wholesale the product mix is oriented towards non-prescription medicines and healthcare products, which together with own brand products such as Dexal, provide higher margin potential. The segment also includes Oriola's advisory services, which in terms of net sales still is small, but with a clearly higher margin potential than Distribution.

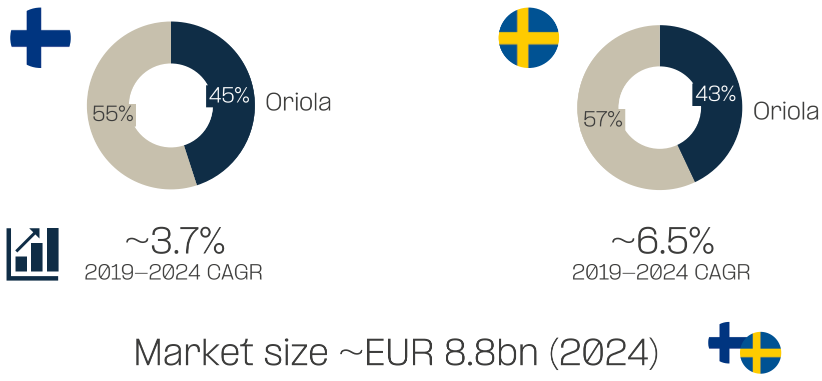
50% ownership of Kronans Apotek, one of Sweden's largest pharmacy chains

Oriola is also a partial owner of Swedish pharmacy chain Kronans Apotek, which with its approx. 500 pharmacies and online business is among the three largest in Sweden. The company was formed through a merger of Kronans Apotek and Apoteksgruppen in 2022. Kronans Apotek was fully owned by Oriola and Apoteksgruppen by Euroapotheca, an international group of Northern European companies operating retail pharmacy chains, pharmaceutical wholesale companies, and online pharmacies. Both companies hold a 50% share of Kronans Apotek. Kronans Apotek generates around one billion euros in net sales.

Finnish and Swedish distribution market controlled by Oriola and Tamro

Oriola's main market is the market for distribution of pharmaceuticals in Finland and Sweden. The market is defensive by nature and has experienced rather steady growth during the past. A high barrier of entry has led to the market being dominated by Oriola and Tamro, a part of Germany based PHOENIX Group, who together essentially control the market in Finland and Sweden, with Tamro holding a slightly higher market share. In 2024 the combined market was approximately EUR 8.8bn, with the Swedish market nearly double the size of the Finnish market.

Figure 2: Overview of pharmaceutical distribution market and Oriola's market share



Source: Oriola, LTK, IQVIA (via Lif), Evli Research

Seeking significant profitability improvement

For the strategy period 2024–2026, Oriola has set its sights on becoming the leading specialist in the wholesale of pharmaceuticals and health products. The strategy revolves around strong partnerships, enhanced efficiency and portfolio and market expansion. Oriola has set the following long-term financial targets: Annual sales growth at market rate (min. 4%), adjusted EBIT margin above 3% (2024: 1.3%) and a return on equity of over 20% (2024: -13.2%). Oriola aims to distribute an increasing annual dividend of 2/3 of net profit.

Net sales growth and improvement in profitability in 2024

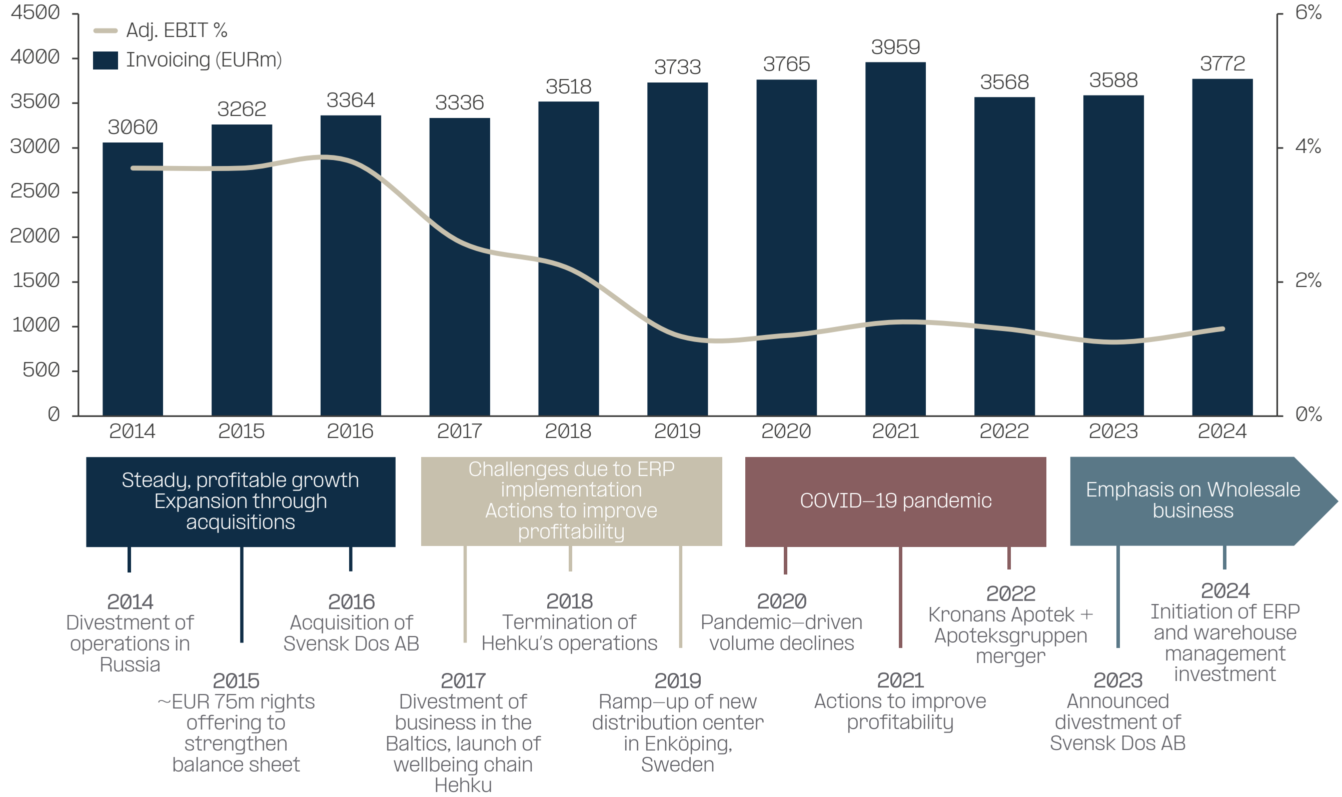
Oriola's net sales in 2024 amounted to EUR 1,680m, growing 12.4% y/y. Organic growth was 3%. Oriola's invoicing, which describes the volume of Oriola's business, amounted to EUR 3,772m and grew 5.1% y/y. The net sales growth was heavily influenced by a customer changing from consignment agreement to Oriola's inventory. The adj. EBIT amounted to EUR 21.7m (2023: 16.7m) and the adj. EBIT margin to 1.3% (2023: 1.1%). Profitability was aided by the growth and increased efficiency as well as favourable cost development through lower fuel prices.

Company history

Long history, public company since 2006

The roots of today's Oriola stretch back over 100 years in time: in Sweden to the establishment of the medicine wholesaler Kronans Droghandel in 1907, and in Finland to the foundation of Oriola Oy in 1948. Oriola Corporation was established in 2006 after Orion Group demerged into two new stock listed companies: Orion Corporation and Oriola-KD Corporation. The change of name from Oriola-KD to Oriola Corporation went into effect in 2017.

Figure 3: overview of Oriola's history



Source: Oriola, Evli Research

International expansion during 1990-2010, operations in Nordics, Baltics and Russia

Oriola's internationalization phase began in 1990, when the company started pharmaceutical wholesale operations in Estonia. The expansion in the Baltics continued in the mid 90's with the start of operations also in Lithuania and Latvia. The operations in Sweden started in 2002, when Orion acquired a majority holding in Kronans Droghandel, which was then merged with Oriola. The transaction created the consolidation and market positioning within pharmaceutical distribution in Finland and Sweden that is still seen today. In 2008 the company also entered the Russian market through the acquisition of pharmaceutical retail and wholesale companies Vitim & Co and Moron Ltd, and later on the 03 Apteka pharmacy chain in Moscow. By 2009, the remaining minority holding's in Kronans Droghandel had also been acquired.

Divestment of Baltic and Russian businesses during 2010's

The mid 2010's saw the divestment of Oriola's international operations (excl. Sweden). In 2010 Oriola sold its dental trade business, through a minority holding in Lifco Dental International Ab. The operations in Russia were divested in 2014, only six years after the original acquisition, at a substantial loss. The Baltic operations were divested to the companies' existing management in 2017. In terms of geographical expansion, Oriola was then essentially back to the pre-90's situation, but with a stronger presence in the now core markets of Finland and Sweden.

Eventful 2010's overshadowed by ERP implementation challenges

In Sweden Oriola focused on expanding its pharmacy business Kronans Apotek, founded in 2013 through the acquisition of Medstop Pharmacies, the then fifth largest pharmacy chain in Sweden. Oriola also started dose-dispensing services in Sweden with the acquisition of Svensk Dos Ab in 2016 and in Finland the year after. Oriola also launched the short-lived wellbeing chain Hehku together with Kesko, with the first stores opened in 2018, in anticipation of a potential regulatory easing. Through the acquisitions of Farenta and ICTHS Health support in 2016 and 2017 respectively, the company further expanded its business to pharmaceutical expert services in Finland and Sweden, and to staffing services to pharmacies in Finland. Oriola's holding in Farenta was divested in 2022. The late 2010's was marred by ERP implementation challenges in Finland, resulting in weakened picking quality and profitability.

Merger to create Kronans apotek, sale of Svensk Dos Ab

A key event during the 2020's was the merger between Kronans Apotek and Apoteksgruppen, to create one of the largest pharmacy chains in Sweden. Oriola also announced the divestment of Svensk Dos AB to Apotekstjänst Sverige AB in 2023, but the Swedish Competition Authority then prohibited the sale due to the negative impact on competition. However, the Swedish Patent and Market Court of Appeal approved the appeal made by Apotekstjänst Sverige regarding the sale, and the sales process was completed in April 2025.

Acquisition of MedInfo potential sign of pan-Nordic expansion

Oriola acquired the Danish company MedInfo in early 2025. MedInfo offers medical information and patient support programmes and prior to the acquisition operated as Oriola's subcontractor covering the Danish and Norwegian markets with MI and PSP services. The acquisition is on the smaller side, with net sales below a million euros, but strategically interesting from a pan-Nordic perspective and ambitions to grow the advisory services.

Company overview

Current reporting structure set in January 2024

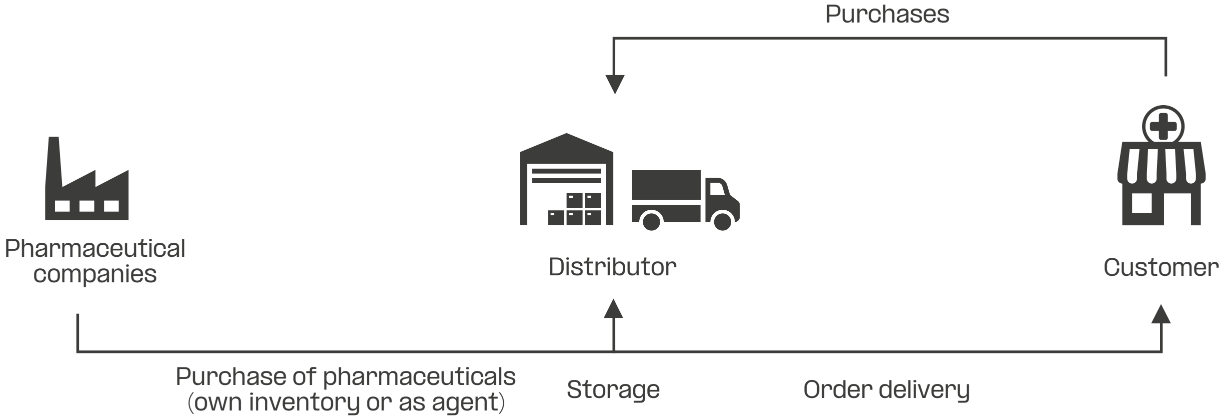
Oriola updated its segment reporting in conjunction with its strategy update in late 2023 and has since January 2024 reported two segments: Distribution and Wholesale. Before the update Oriola did not report separate segments. The change was made to improve transparency and align with the updated strategy, which shifted emphasis from pharmaceuticals distribution to wholesale of pharmaceuticals and health products.

Distribution

Distribution accounts for nearly 80% of net sales

Distribution of pharmaceuticals has always been at the core of operations and the Distribution segment accounts for some 80% of Oriola's net sales. As a distributor, Oriola acts as the middleman between pharmaceutical companies and customers. In Oriola's case the customers include pharmacies and public and private healthcare entities.

Figure 4: Simplified operating model – Distribution



Source: Evli Research

Oriola does not manufacture any pharmaceuticals itself but instead relies on agreements with pharmaceutical companies. Under these agreements Oriola maintains an inventory of pharmaceuticals supplied by the pharmaceutical companies. Oriola then distributes these goods to customers when needed. These agreements can be separated into two categories:

Wholesale: Oriola purchases products supplied by the pharmaceutical companies into Oriola's own stock and acts as a principal.

Consignment stock: Products supplied by the pharmaceutical companies are stored but not owned by Oriola and Oriola acts as an agent.

Invoicing figure represents volume of business

The difference in the type of agreement with the pharmaceutical companies impacts how net sales is reported. In the case of wholesale agreements, the entirety of the value of the sale is reported as net sales. In consignment stock agreements Oriola only recognizes the agreed upon share of the value of the sale as net sales. Oriola reports a separate Invoicing figure, which includes the aggregate value of sales from both agreement types.

Oriola's fee typically fixed percentage of value of sold goods

As a distributor, Oriola receives a distribution fee amounting to an agreed upon share of the price paid by the customer for the goods, typically a set percentage. This is the main source of income in the segment. Additionally, Oriola may receive certain additional delivery fees from its customers.

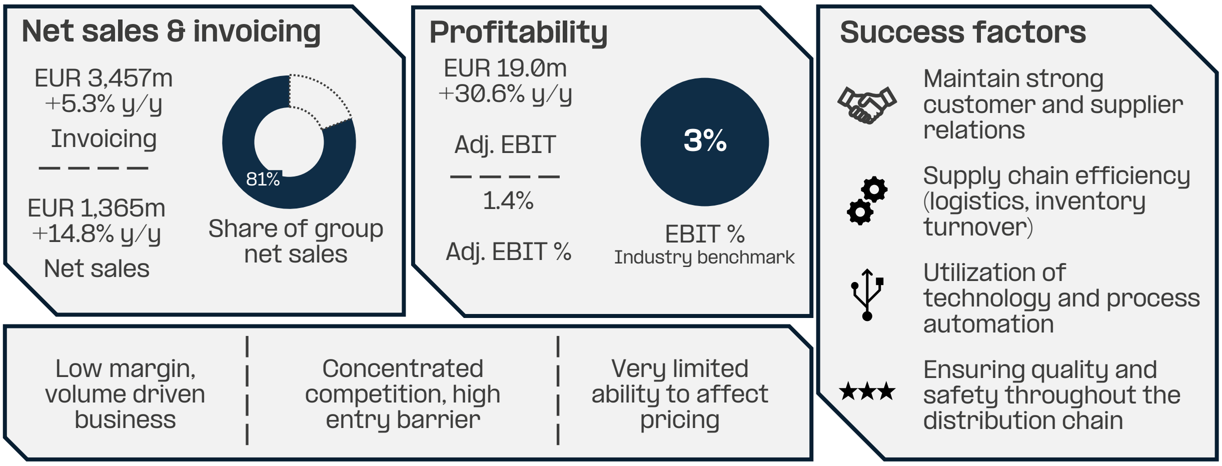
Dose dispensing services in Finland

The Distribution–segment includes Oriola's dose dispensing services in Finland. The service consists of automated dose dispensing, where Oriola repackages pharmaceuticals into single–use pouches according to the prescriptions. In Finland, Oriola offers this service to pharmacies where patients can collect their prescribed pharmaceuticals for two weeks at a time. Automated dose dispensing improves the patient's life quality, increases medicine safety and provides savings for the state.

Low–margin, volume–driven business

Although the market for pharmaceuticals distribution in Finland and Sweden is very consolidated, with Oriola and Tamro controlling the majority of the market, competition is still very much present and the possibilities to affect pricing low. With the fees received amounting to a rather small share of the transaction value, the margin potential is clearly on the lower side. With limited scalability, the earnings upside relies largely on volume growth. This being said, the sector is seeing growth in costly, high margin and low volume products along with and increased need for cold and freeze product storing, which is providing additional value–driven growth.

Figure 5: overview of the Distribution segment



Source: Oriola, Evli Research

Quality control and reliable distribution are essential due to the critical nature of business

Due to the for society critical nature of the distribution business, ensuring availability and timely deliveries of goods is essential. The regulatory environment concerning distribution and availability is extensive, but in short, distributors are mandated to maintain a certain supply of pharmaceutical goods to ensure security of supply and be able to deliver to pharmacies within a reasonable amount of time. A failure to uphold the requirements could, apart from the potential adverse societal effects, also lead to significant financial consequences through cancellation of distribution agreements and fines from breaches of obligations.

Low inherent margins highlight importance of efficiency of own operations

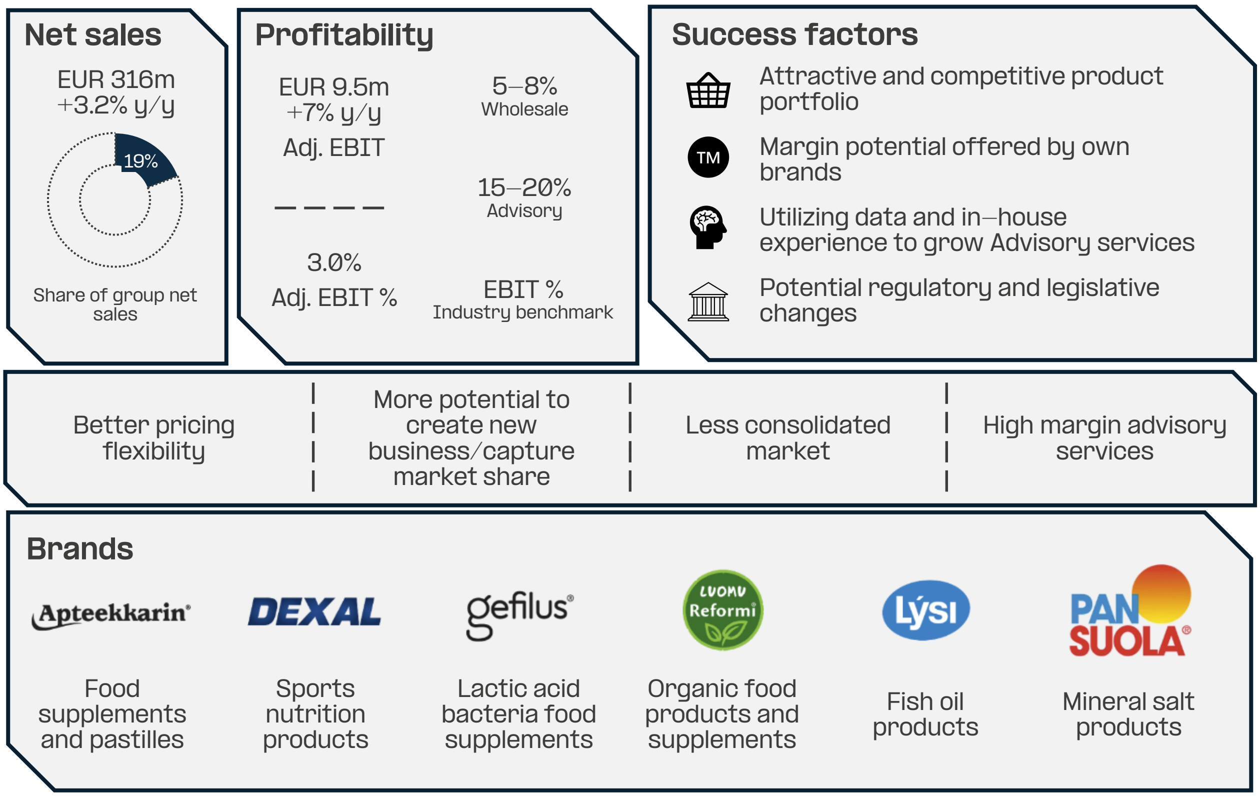
With distribution fees being relatively fixed, the segment's relative profitability is dependent on the efficiency of its own operations. Optimization of warehouse management and supply chains therefore plays an important role, as these heavily influence operating costs. The pharmaceutical industry adds a level of complexity to distribution due to stringent guidelines and for instance certain pharmaceuticals being temperature sensitive and requiring strict control throughout the distribution chain. Efficiency in inventory management is also an important element through inventory turnover speed and reduction of potential wastage. Oriola's flexibility in determining inventory levels for pharmaceuticals is, however, reduced by national requirements. For instance, in Finland, the Act on Obligatory Storing of Medicines requires a specific minimum inventory level for a wide range of essential pharmaceuticals. Technology plays an important and increasing role in seeking efficiency improvements, evident by the in 2024 initiated extensive investment in Oriola's ERP and warehouse management.

Wholesale

Sale of traded goods and OTC products, advisory services

Wholesale is Oriola's "newer" business, the growth of which was lifted to a higher strategic importance more recently. The business has been reported as a separate segment since 2024. Wholesale is Oriola's business in traded goods and OTC offered to pharmacy and retail customers and includes parallel import and specialized medicines. Whereas in Distribution the pharmaceutical products are mainly prescription based, products sold in Wholesale include non–prescription categories within wellbeing and healthcare. The Wholesale segment further includes Oriola's Advisory services business.

Figure 6: overview of the Wholesale segment



Source: Oriola, Evli Research

Healthcare and wellbeing products

The goods sold within Wholesale mainly consist of a variety of products within the healthcare and wellbeing category. Delivery models include both direct wholesale and third–party logistics (3PL), of which the latter is more common in Sweden compared with Finland. The customer segment extends beyond pharmacies and also includes for instance larger retail chains such as Kesko and S Group in Finland. As the goods sold are mainly non–prescription and as such not regulated to the same extent of prescription pharmaceuticals, the potential customer segment is clearly larger.

More brand focus in Finland, e–commerce more common in Sweden

Operations in Finland and Sweden differ to some extent. Generally speaking, the wholesale business is more liberal in terms of what can be sold and to whom, and Oriola has a better ability to affect pricing. In Finland the product mix relies more on own brands, and brands which Oriola has exclusive distribution rights for. In Sweden, Oriola in some cases has agreements with pharmacies for the delivery of a certain bundle of products, which one would typically find at the counter of the check–out at a pharmacy. The agreements can be either wholesale or 3PL. Sweden also offers more flexibility through e–commerce due to more liberal regulation and a lower pharmacy per capita ratio, meaning fewer physical delivery points.

More fragmented market with better profitability potential

The wholesale business offers better margin potential when compared to the distribution business. Prices in pharmacies are not regulated in the same way as prescription pharmaceuticals, which increases Oriola's negotiating power, and private label products offer a better inherent profitability potential. The market for wellbeing and healthcare products is fragmented, which together with the products being less essential compared to prescription pharmaceuticals means that competition is still fairly tough.

Also offers services related to parallel import and special licensed medicines

The Wholesale-segment also offers services related to parallel import and special licensed medicine. Parallel import refers to the replacement of pharmaceutical product with another equivalent product. This is more common in Sweden, where pharmacies can negotiate a better price for the equivalent product and keep the difference in price to the original product, for which a fixed price has been determined. Fluctuations in the local currency affect the extent of conducted parallel import. Special licensed medicines refers to replacing a pharmaceutical that has been accepted for sale with another not yet accepted alternative, after acquiring a special permit for that alternative. One common reason for the need of an alternative may arise from weak availability of the commonly accepted product

Advisory

Advisory services support Oriola's customers in the Nordics…

Oriola's advisory services are included in the Wholesale-segment. Oriola does not report net sales for the business and is still only a very small part of Group net sales. The advisory services include a rather broad offering, but as a generalization they aim to support pharmaceutical companies in market access and local customs to be able to succeed in the Nordics.

… in their decision-making, through know-how and accumulated data

A driving factor behind the services offered is the limited presence of the large pharmaceutical companies in the Nordics and the know-how relating to the local markets may as such be lacking. Navigating the complex and by country varying regulatory and legislative network can prove to be challenging without local expertise. Oriola through its advisory services and is able to act as a local expert in areas such as gaining market access, licensing, translations, sales support etc. Oriola, through the entirety of its business, also has access to substantial amounts of data, which can be utilized to help pharmaceutical companies in their decision making. Oriola also has personnel on its own payroll working directly with pharmaceutical companies.

Still small, but attractive potential

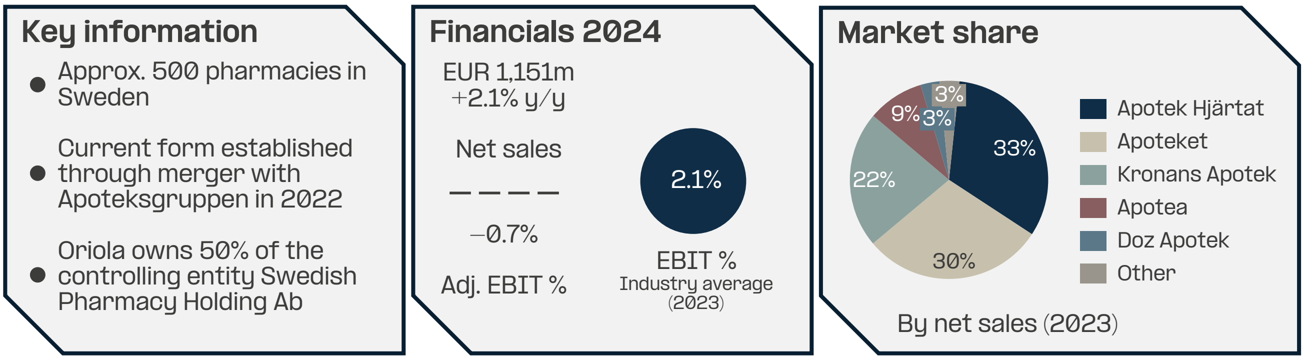
Although still small, the advisory business is in our view interesting for multiple reasons. The margin potential for expert services is significant, with the industry benchmark at 15-20% (Oriola). There is also clear potential to grow, both in recognized areas and yet to be established areas. We also see the advisory services as an interesting avenue for inorganic growth to expand the Nordic presence, as already partly evidenced by the MedInfo acquisition in early 2025. A sign of perceived value creation potential in our view is the addition of Advisory Services (EVP) to the management team in conjunction with the renewed team as of January 1st, 2025.

Kronans apotek

50% ownership of Kronans Apotek, one of Sweden's largest pharmacy chains

Oriola owns a 50% share of Swedish Pharmacy Holding group, the controlling entity of Kronans Apotek. With its approx. 500 pharmacies and online business, Kronans apotek is the largest pharmacy chain in Sweden, measured by the number of pharmacies, and third largest measured by net sales (TLV, 2023). The company was formed through a merger of Kronans Apotek and Apoteksgruppen in 2022. Kronans Apotek was fully owned by Oriola and Apoteksgruppen by Euroapotheca, an international group of Northern European companies operating retail pharmacy chains, pharmaceutical wholesale companies, and online pharmacies. Both companies hold a 50% share of Kronans Apotek. Oriola reports its share of the net result in the Swedish Pharmacy Holding AB under the EBIT line in the consolidated statement of comprehensive income.

Figure 7: overview of Kronans Apotek



Source: Oriola, TLV, Evli Research

Integration challenges have burdened profitability

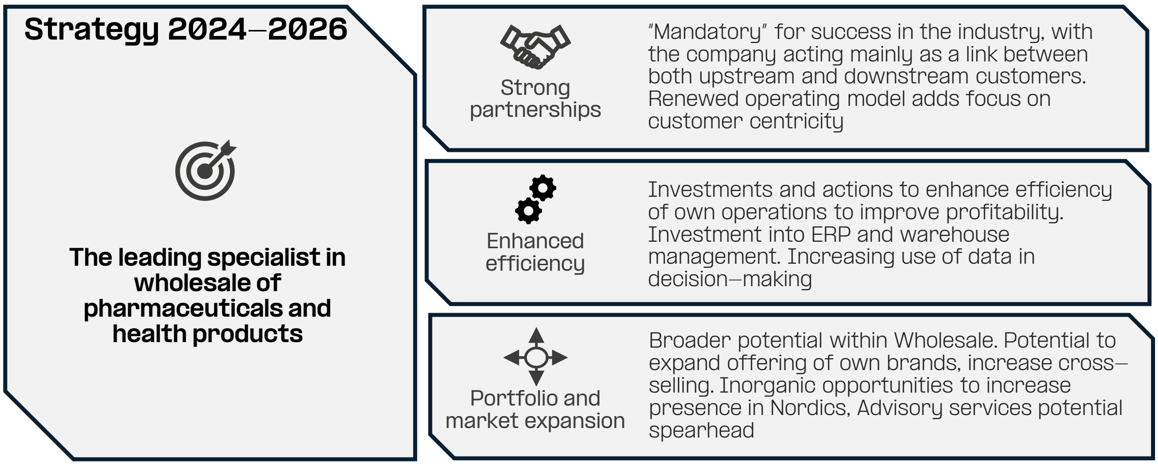
Kronans Apotek has struggled with profitability due to issues relating to the integration of the two merged companies and the adj. EBIT has been slightly negative for the past two years but still managed slightly growth in 2024. Originally, the transaction was expected to create annual run-rate synergies of approximately EUR 25 million on EBITDA level. Some of the planned synergies have been achieved but work still remains. Oriola has stated that it expects Kronans Apotek to reach a profitability level representing that of the industry benchmark by 2027. That level is represented by the other two largest chains Apoteket and Apoteket Hjärtat and based on their figures for 2023 would be around 3%.

Strategy and financial targets

Aiming to be the leading specialist in wholesale of pharmaceuticals and health products

Oriola updated its strategy and long–term financial targets in October 2023, with the new strategy period set for 2024–2026. The strategy for the period revolves around becoming the leading specialist in wholesale of pharmaceuticals and health products. The revised strategy shifts emphasis to growth of the wholesale business from the previous strategy, which was centered around the core business and improving profitability. Implicitly profitability remains a clear focus area given the higher margins in the wholesale business compared with distribution and the long–term EBIT–margin target set clearly above previous years' levels.

Figure 8: overview of Oriola's strategy for 2024–2026



Source: Oriola, Evli Research

Distribution "fixed" market, wholesale offers faster growth potential

Whereas the market for pharmaceuticals distribution in Finland and Sweden is highly consolidated, and growth is primarily driven by market growth through volume and price increases, the wholesale market is much more fragmented, and market drivers provide potential for faster growth than within distribution.

Strong partnerships – the "must have"

Maintaining strong partnerships is essentially mandatory in the industry, with Oriola's position heavily reliant on both upstream and downstream customers. Especially agreements with the larger pharmaceutical companies are essential, and a potential customer loss would be hard to replace. Development of data and insights driven business is seen to create additional customer value. In its recently renewed operating model and management team, a common sales organization for both commercial units was introduced, Oriola seeks to create stronger partnerships with improved customer focus, as well as reduced complexity for customers.

Enhanced efficiency – driving profitability

The actions to enhance efficiency are aimed at increasing Oriola's profitability. A key element lies in investments and actions into increasing warehouse capacity and efficiency through investments into infrastructure and technology. Oriola is currently making a substantial investment into ERP and warehouse management systems, with the investments expected to amount to EUR 35m. Further actions are aimed at supporting profitable, organic growth, through a focus on large and efficient volumes and customer segments.

Portfolio and market expansion – growth acceleration

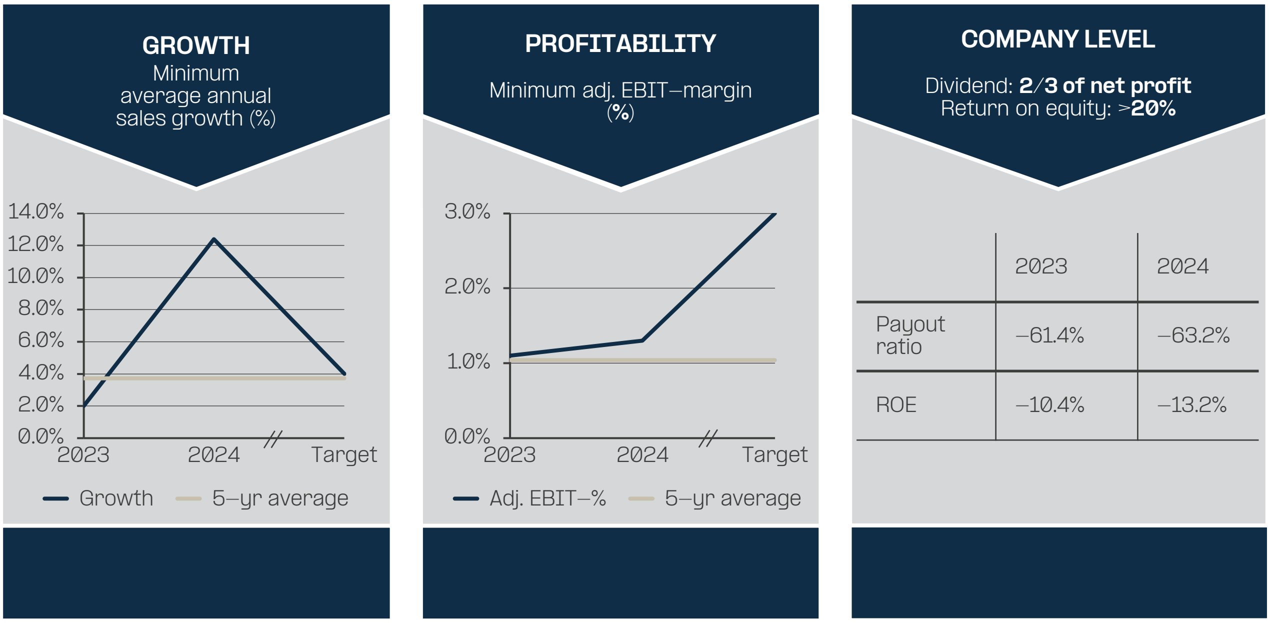
Growth potential is supported by the wholesale business, utilizing Oriola's existing portfolio and market presence and developing new and existing brands, product ranges and customer segments. This also includes investments in specific differentiating and digital services. Apart from expanding the current offering, we see that the advisory services business offers potential to also create new business services, utilizing Oriola's extensive data and expertise. Oriola has not explicitly stated a M&A strategy, but we see potential for further increasing the Nordic presence through targeted acquisitions.

Financial targets

Targeting clearly improved profitability

For the strategy period 2024–2026, Oriola has set financial targets as depicted in figure 9. From the previous strategy period the growth target remained unchanged. The profitability target was set to a clearly more ambitious level, with the previous target an over 5% EPS growth (excl. adj. items). The previous ROCE > 20% target was changed to ROE > 20%. The payout target was raised from 50% of EPS to the current target of 2/3 of net profit.

Figure 9: Financial targets (2024–2026)



Source: Oriola, Evli Research

EBIT margin improvement through gross margin and cost base

Of the financial targets the profitability target is clearly the most ambitious. The adj. EBIT margin target is nearly triple the average level achieved during recent years. As a minor remark, some fluctuation in the margin arises simply through the mix of consignment and wholesale contracts any given year, as suppliers sometimes adjust agreements based on their preferences, but the mix still remains relatively even on average. With fees in the distribution business quite fixed and growth rather limited, Group gross margin upside revolves around the wholesale business. As such, one main component for achieving the target lies in the efficiency of Oriola's operations. The investment into ERP and warehouse management is expected to be a key part of this. Optimization of the cost base would still have to be substantial, as based on financial figures for the previous years a one percentage point increase in the EBIT-margin would require an approx. 10% decrease in operating costs (employee expenses and other opex). The required increases in EBIT to achieve the target minimum EBIT-margin of 3% correlates with a profit level needed to achieve the over 20% ROE target.

Guidance for 2025

Increase in adj. EBITDA in 2025

Oriola expects the adjusted EBITDA excluding the Swedish dose dispensing business to increase from the previous year (2024: EUR 33.3m). The expectation of improved adjusted EBITDA is based on growing markets and strategy execution.

Growth in distribution market, wholesale potentially affected by consumer confidence

The pharmaceutical distribution market is expected to continue to grow in 2025, driven by high-value pharmaceuticals and products requiring advanced logistics. Availability issues of certain pharmaceuticals are expected to continue. Consumer confidence is expected to remain weak, potentially affecting the wholesale market.

Market overview

Pharmaceutical market (Fin+Swe) size EUR 8.8bn in 2024

Oriola operates in Finland and Sweden and the in terms of net sales for Oriola most important market is the pharmaceutical market in both countries, with a combined value of around EUR 8.8bn in 2024. Additionally, through the Wholesale-segment Oriola targets the market for health products (~EUR 1.5bn) and the pharmacy market in Sweden through Kronans Apotek. (Oriola, Euromonitor via Oriola)

Pharmaceutical market

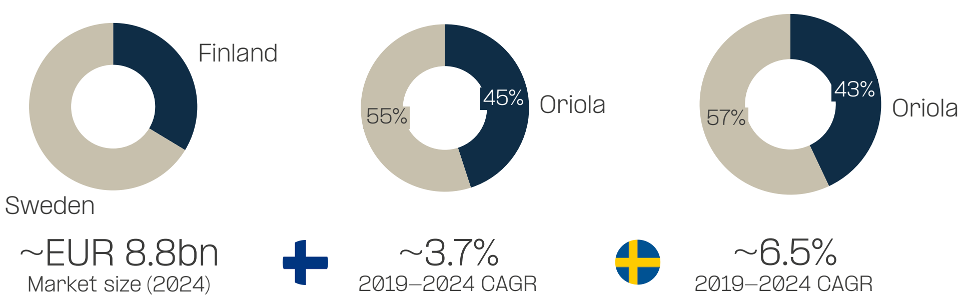
Steadily growing market

The pharmaceutical distribution market refers to the wholesale distribution of prescription and OTC medicines, with the main customers groups being pharmacies and hospitals. The combined value of the Finnish and Swedish market amounted to around EUR 8.8bn in 2024, with an average annual growth rate of around 6% during the past three years in value terms (Oriola).

Oriola and Tamro control the distribution market

A high barrier of entry has led to the market being dominated by Oriola and Tamro, a part of Germany based PHOENIX Group, who together essentially control the market in Finland and Sweden, with Tamro holding a slightly higher market share. Market entry is greatly affected by strict regulations and the low margin potential clearly favours the already established entities through economies of scale. The volumes needed to achieve sufficient scale for profitability effectively rules out newcomers while the requirement of transporting medicines separately from other goods has the same effect on distributors in other fields potentially seeking to expand to pharmaceutical distribution.

Figure 10: Pharmaceutical distribution market overview – Finland and Sweden



Source: Oriola, LTK, IQVIA (via Lif), Evli Research

Pharmaceutical market – Finland

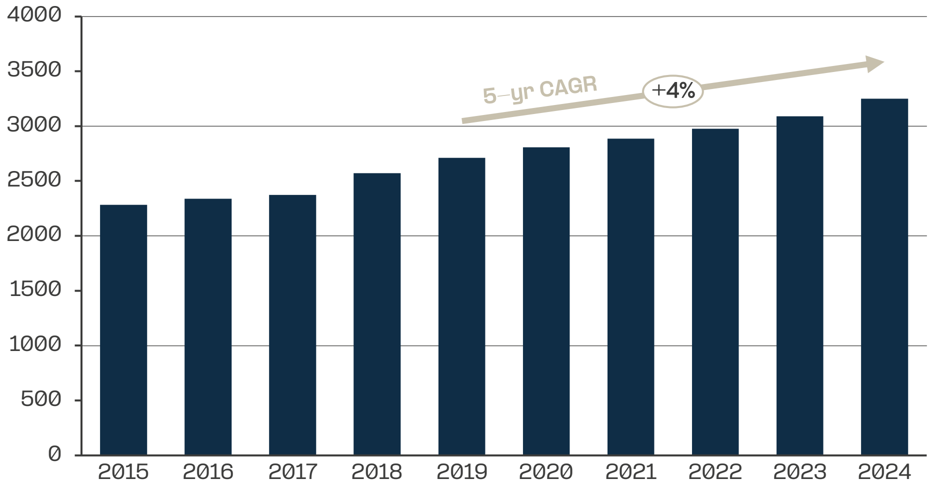
EUR 3.25bn market, average growth of ~4% p.a.

The total size of the pharmaceutical market in Finland amounted to EUR 3.25bn in 2024, of which around 90% came from prescription medicines and the remainder from OTC medicines. Market growth in 2024 was around five percent. Growth has been relatively steady over a longer time-period, with annual positive single-digit annual figures and a CAGR of around 4% during the past five years.

Static market shares

As earlier mentioned, Oriola and Tamro essentially control the market in Finland, with Tamro holding a slightly higher market share at 55% and Oriola at 45%. The market share has remained rather steady for a long period of time; for reference the market shares in 2010 for Oriola and Tamro were 46% and 54% respectively. Any fluctuation over the years mainly arise from the performance of the principal's products and won/lost distribution agreements, although the latter has been quite rare.

Figure 11: Pharmaceutical market size, Finland (EURm)



Source: Pharma Industry Finland, Evli Research

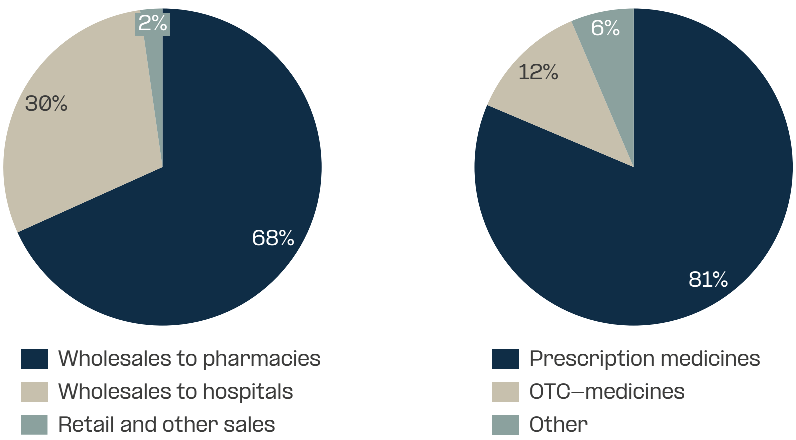
A pharmaceutical company's products can only be distributed by one wholesaler

In Finland, the wholesale distribution of medicines is based on the one-channel principle, although not legally defined. This means that a pharmacy or hospital can only have the pharmaceutical company's products supplied by one wholesaler. The responsibility of distributing prescription-only and self-care medicines lies on pharmacies, and on hospital pharmacies in the case of pharmaceutical services in hospitals and healthcare centres. Veterinary medicines are delivered either to pharmacies or directly to veterinary surgeons.

Medicine prices managed through the reimbursement system

Medicine prices in Finland are effectively regulated by the reimbursement system. Upon introduction of a new outpatient prescription-only medicine the pharmaceutical company can, and typically does, apply to include the product in the reimbursement system. If the price applied for the product is deemed reasonable by the price authorities, it will be included in the reimbursement system. Around 90% of prescription-only medicines available in pharmacies are reimbursable. The price of the product paid by the patient is determined by the wholesale price, the pharmacy margin and taxes, from which the reimbursement amount is deducted. Wholesale prices of non-reimbursed medicines are not restricted. Hospital medicine prices typically go through a bidding process every two years. Prices of medicines have been on a downward trend, especially within the reimbursement system, mainly due to price competition, while self-care medicines have been on a slight upward trend. (Pharma Industry Finland)

Figure 12: pharmaceutical sales by customer type (left) and pharmacy sales by product type (right) in Finland, 2024



Source: Pharma Industry Finland, Evli Research

Over 800 mainly privately owned pharmacies, no pharmacy chains

Pharmacies account for roughly two thirds of the pharmaceutical market and hospitals for roughly a third. The pharmacies in Finland are mainly privately owned but also include the university pharmacies of the University of Helsinki and University of Eastern Finland and their subsidiary pharmacies. In Finland there were a total of 827 pharmacies in 2023 (The Association of Finnish pharmacies). The number of pharmacies has remained rather steady, as in 2010 the number was 812. Pharmacy licenses are controlled the Finnish Medicines Agency (Fimea) and can only be granted to a licensed pharmacist. Fimea also decides on the opening of new pharmacies and subsidiary pharmacies. Due to the issued licenses being personal, and a single pharmacist being allowed to control permits for up to one pharmacy and three subsidiary pharmacies, pharmacy chains are not a possibility.

Discussions for sales channel expansion of OTC medicines on–going

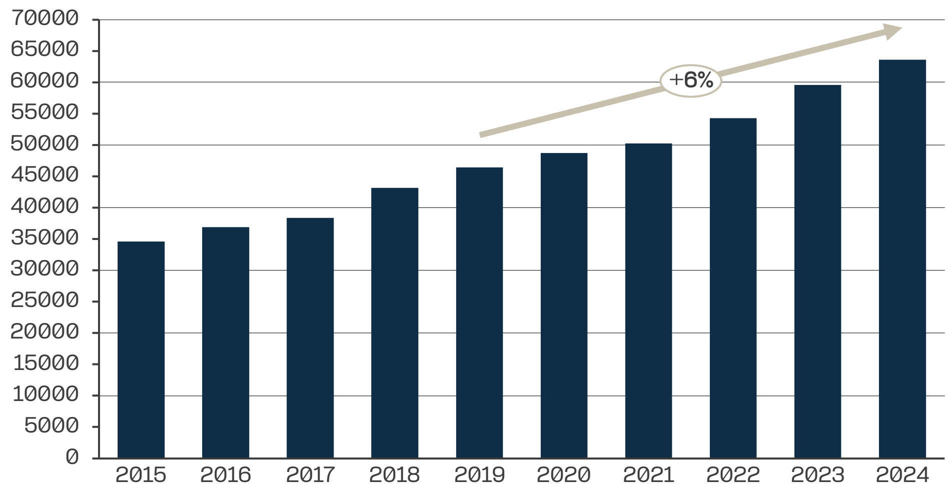
In Finland, prescription medicines and OTC medicines are sold at pharmacies. Discussions around releasing sales of OTC medicines beyond pharmacies has been on–going. In late 2024, a working group assigned to investigate the sales channel expansion released its report. From what we gather, the contents of the report express a limited near–term likelihood of the expansion of sales beyond pharmacies. An expansion of potential sales channels would enable Oriola to reach a wider target group in retail, potentially increasing sales of other products.

Pharmaceutical market – Sweden

~EUR 5.5bn market, five-year CAGR 6.5%

The total size of the pharmaceutical market in Sweden amounted to SEK 63.6bn in 2024, corresponding to approx. EUR 5.5bn (31.12.2024 FX). Slightly over 90% came from prescription medicines and the remainder from OTC medicines. In 2024 the market growth was 6.8%. Growth has been relatively steady over a longer time-period and has grown at a CAGR of 6.5% during the past five years. The faster growth compared with Finland can partially be explained by faster population growth, at about three times the pace of Finland when comparing 10-year development. As in Finland, the market is dominated by Oriola and Tamro, with Oriola's market share at 43% in 2024 (Oriola). The market shares have similarly remained rather steady over a longer time period.

Figure 13: Pharmaceutical market size, Sweden (SEKm)



Source: Lif, Evli Research

Similar characteristics to Finnish market...

In terms of distribution of pharmaceuticals, the Swedish market shares similarities to the Finnish market. In Sweden the one-channel principle is also followed. Distribution is highly regulated, and distributors must be able to deliver medicines to pharmacies under the so-called 24-hour rule, which requires deliveries within 24-hours or by the following business day. In Finland this is not a rule but more of a market practice. In Sweden, the prices of pharmaceuticals are similarly controlled as in Finland through a value-based pricing and reimbursement scheme for out-patient prescription pharmaceuticals, determined by Tandvårds- och läkemedelsförmånsverket (TLV), as well as a mandatory substitution for the lowest-cost generic alternative. In Sweden the one-channel principle also applies, limiting one pharmaceutical companies distribution to one wholesaler.

... but in some cases more liberal

In terms of legislation, a key difference lies in the establishment of pharmacies. Whereas in Finland, the pharmacy license model effectively restricts the establishment of pharmacy chains, in Sweden competition was opened up in 2009 and the market is fairly consolidated to a few large chains. In Sweden, the sale of certain non-prescription medicines has also been opened up and can be sold at for instance grocery stores. Discussions around a similar shift in Finland have been on-going.

Pharmacy market – Sweden

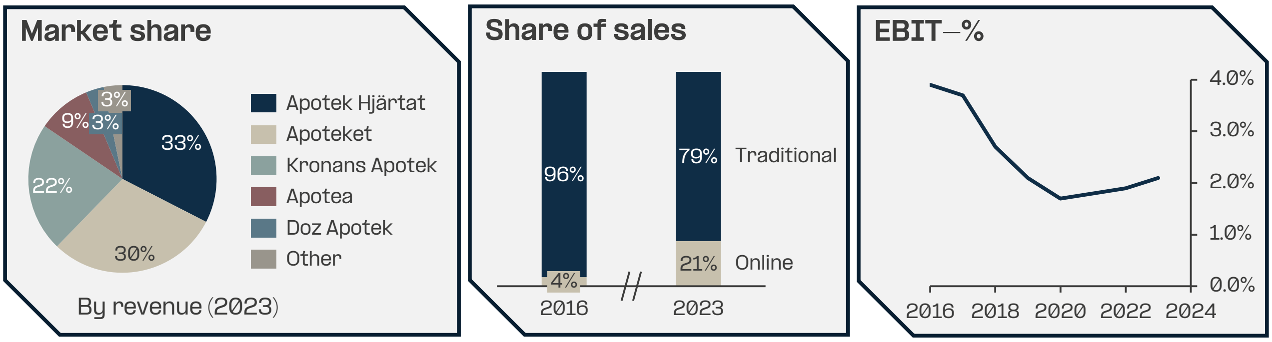
Three largest pharmacy chains hold nearly 90% of market

The pharmacy market in Sweden is rather consolidated, with the three largest pharmacy chains controlling a majority of the market, and around 50 other smaller entities mainly consisting of one or a few pharmacies. In total there are around 1400 pharmacies in Sweden. Market shares of the large chains have in recent years remained relatively stable. On a longer time horizon, the online pharmacy Apotea has been able to capture market share through the increasing share of e-commerce in the industry.

Online sales have grown notably…

A clear trend in the industry has been the shift to online sales. In 2016, the share was still only 4.3% of the total value of goods sold but stood at 21.1% by 2023. In 2023 the increase in value of goods sold online and in brick-and-mortar pharmacies was 17% and 7% respectively. In terms of volume the corresponding figures were 6% and -3% respectively. Of the products sold around 50% of online sales were prescription medicines, whereas that share is closer to 80% for the traditional pharmacies. (TLV)

Figure 14: Statistics – Pharmacy market Sweden



Source: TLV, Evli Research

…contributing to increased competition and weakening margins

The increase in online sales has led to a declining trend in the number of pharmacies, as growth in online sales has reduced the revenue potential for some pharmacies to the point of being unprofitable. The increased competition is evident through the unfavourable margin development in the pharmacy market, with the sector average EBIT-% having fallen from close to 4% in 2016 to below 2% in 2020. Online pharmacies have targeted especially the non-prescription categories, which due to flexible pricing have been a more profitable category. With online pharmacies competing with prices and taking market shares, the traditional pharmacies have had to adapt, which in turn has led to the lower margins, as revenue has been reduced, and the share of less profitable prescription drugs has increased. The larger pharmacy chains have responded by creating their own online businesses.

Trade margins increased in 2024 to reduce faced challenges

During 2024 a decision was made by TLV to increase the trade margin for pharmacies, i.e. the difference between the purchase and sales price. The decision was made due to aforementioned competition and cost pressure faced by pharmacies from increasing medicine prices, leading to lower gross margins, and subsequent potential vulnerability from further cost pressure. According to TLV, the increase has been enough to stabilize the situation, which we interpret as unlikely near-term margin increases.

Financial performance

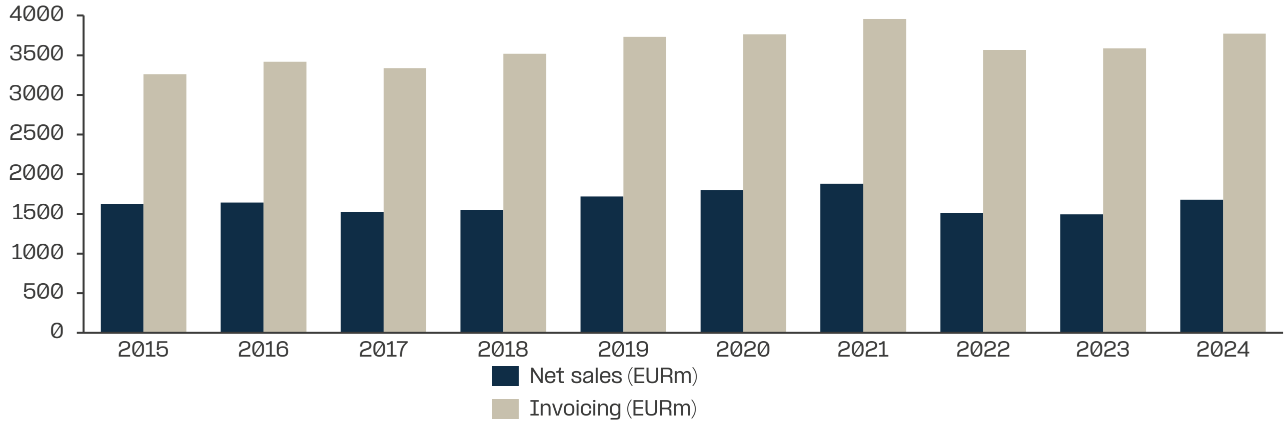
Invoicing better measure for Oriola's volume development

Besides net sales, Oriola also reports invoicing as a separate metric. Within Distribution, the difference in the type of agreement with the pharmaceutical companies impacts how net sales is reported. In the case of wholesale agreements, the entirety of the value of the sale is reported as net sales. In consignment stock agreements Oriola only recognizes the agreed upon share of the value of the sale as net sales. As the type of contracts with suppliers may change over the years, this could cause fluctuations in net sales not representative of actual increases or decreases in volumes. As such the invoicing metric better captures Oriola's top-line development.

Low comparability of historical figures

For illustrative purposes we have presented reported figures for invoicing and net sales for 2014–2024 below. Note that these figures have not been adjusted for discontinued operations. Comparability of historical figures have been affected by the reclassification of Kronans apotek in 2022 as well as to a clearly smaller extent by the divestment of Baltic operations in 2017 and at least the former should be noted in looking at longer term growth. Based on crude adjustments to reported historical figures from the aforementioned discontinued operations, we estimate Oriola's annual average growth during the past ten years at around the current growth target of 4%. Figures presented in figure 16 are adjusted for Kronans Apotek.

Figure 15: Oriola's net sales and invoicing 2015–2024 (N.B. as reported)



Source: Oriola, Evli Research

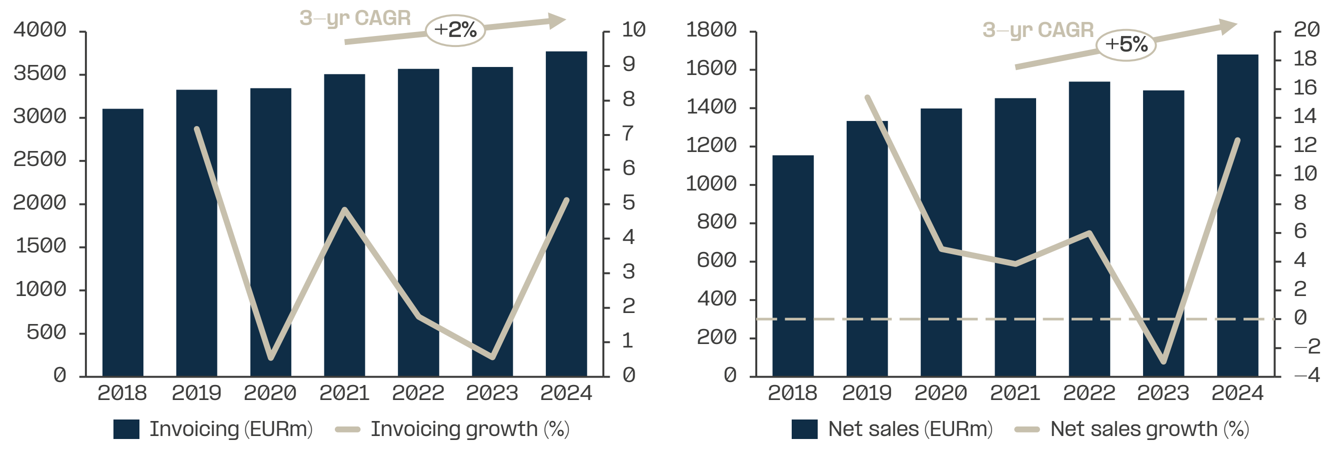
Modest growth pace after initial rebound from pandemic...

During the time period after the start of the Covid-19 pandemic, Oriola's invoicing development has been fairly modest. After an initial rebound in growth in 2021 following a recovery in demand caused by the pandemic, growth continued at a slow pace during 2022–2023, affected by the market environment and lower volumes in the Swedish dose dispensing business. The growth was driven by the Distribution segment, with Wholesale showing y/y declines.

... with a clear pick-up in 2024

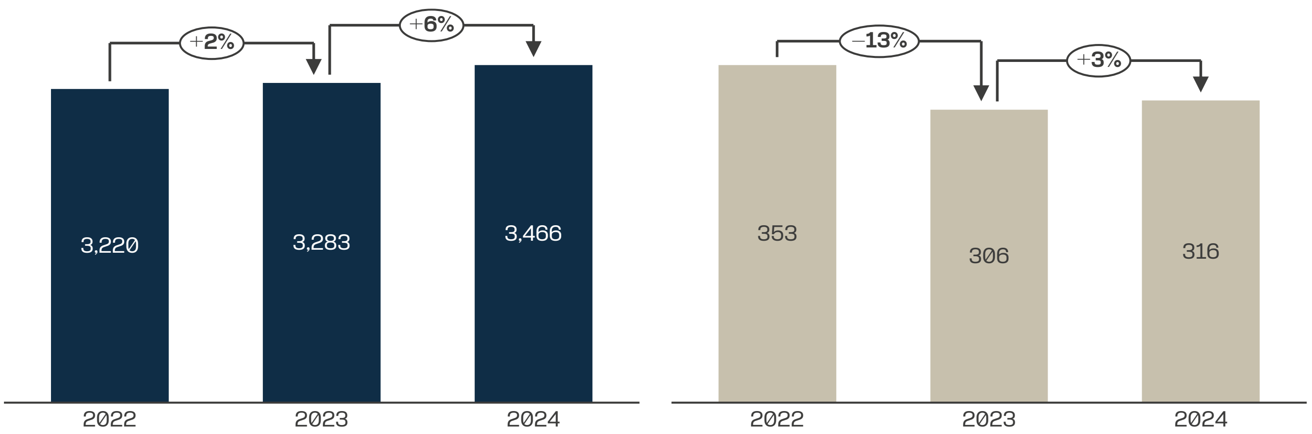
2024 saw growth picking up both in terms of invoicing and net sales. Invoicing increased by 5.1% and net sales by 12.1%, with net sales impacted by a customer moving from consignment to wholesale stock. Organic growth in net sales for the year was 3%. The growth in invoicing for the Distribution and Wholesale segments were 5.6% and 3.2% respectively. The good growth in Distribution was attributable to growth in market volumes. In the Wholesale segment, focus was on building capabilities for accelerating growth, with full year growth still below target levels.

Figure 16: Invoicing and net sales development 2018–2024 (continuing operations)



Source: Oriola, Evli Research

Figure 167: Invoicing – Distribution (LHS) and Wholesale (RHS), EURm



Source: Oriola, Evli Research

Profitability

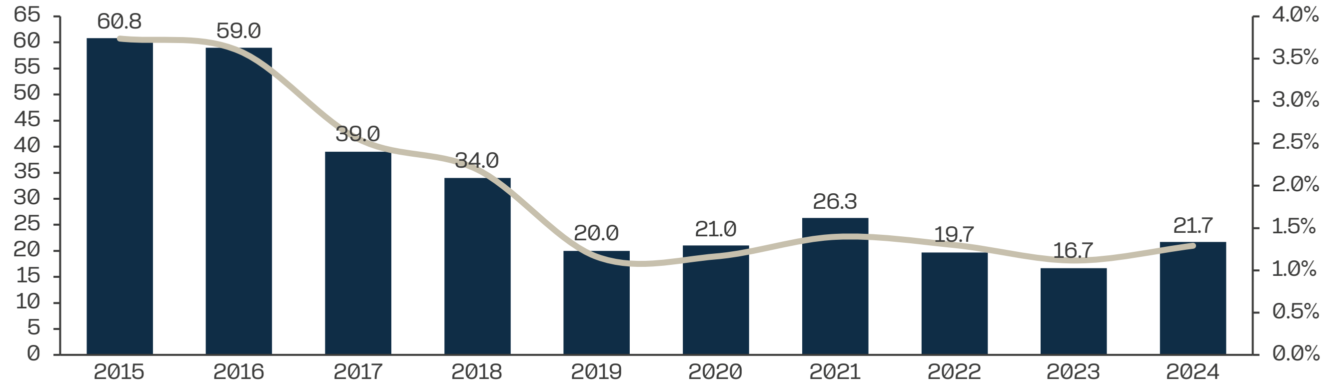
Weakened profitability during 2015–2019 due to ERP challenges and competition in the pharmacy business

Looking at the past ten years performance, Oriola saw peak profitability during the mid 2010's. Profitability then was aided to a large extent by the pharmacy business in Sweden. The latter half of the 2010's saw profitability decline rapidly due to significant challenges relating to its ERP implementation and costs relating thereto. Competition in the pharmacy business also increased, further impacting profitability.

The adj. EBIT-% has since remained around 1.0–1.5%

Since 2019 the adj. EBIT-% has remained between 1.0–1.5%. The reported EBIT has roughly followed slightly below the adjusted EBIT. The larger exceptions have been in 2022, when a ~EUR 10m impairment was made, relating to among other things process automation development, and in 2023 due to at ~EUR 21m impairment loss on goodwill in the dose dispensing unit. The reported EBIT in 2023 was as such negative.

Figure 18: Adjusted EBIT, LHS (EURm) and adjusted EBIT-% (RHS)

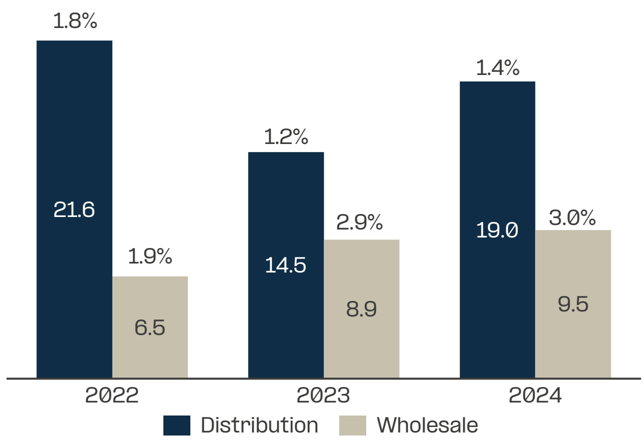


Source: Oriola, Evli Research

Growth and favourable cost development related improvement in 2024

Profitability improved both in absolute and relative terms in 2024. The adj. EBIT improved by 30% to EUR 21.7m and the adj EBIT-% to 1.3% (1.1%). The improvement came from both segments, with the adj. EBIT-% in the Distribution segment improving to 1.4% (1.2%) and in the Wholesale segment to 3.0% (2.9%). The Group profitability improvement was largely attributable to the Distribution segment, aided by the net sales growth along with a favourable development of costs due to efficiency gains and lower transport costs through cheaper fuel prices.

Figure 19: Adjusted EBIT (EURm) and adjusted EBIT-%

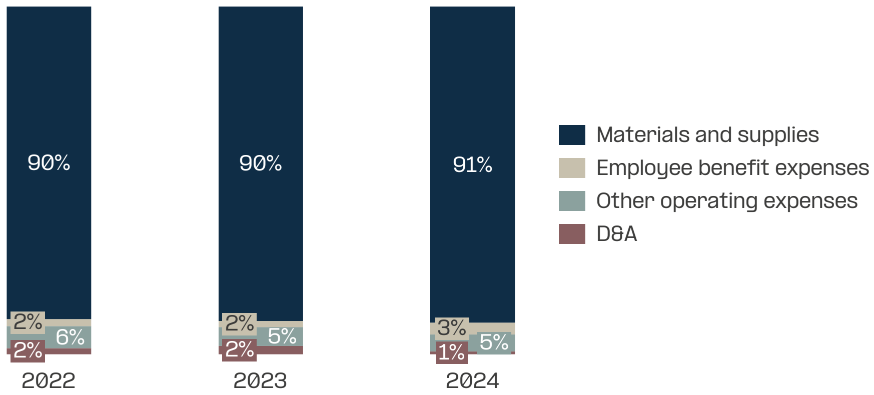


Source: Oriola, Evli Research

Cost base typical for inherent lower margin business

Oriola's costs consist mainly of materials and supplies relating to products sold. For consignment stock deliveries within Distribution, the related costs are not visible in the income statement, but instead the delivery fee is booked as net sales. Although the difference between the materials and supplies and net sales would technically constitute the gross margin, in Oriola's case the share of consignment or wholesale stock could, in the case of a (unlikely) significant increase/decrease, significantly affect the margin without any other fundamental changes. The high share of materials and supplies does however showcase the inherent low-margin nature of the distribution business.

Figure 20: Oriola's cost base composition 2022–2024 (of total costs)

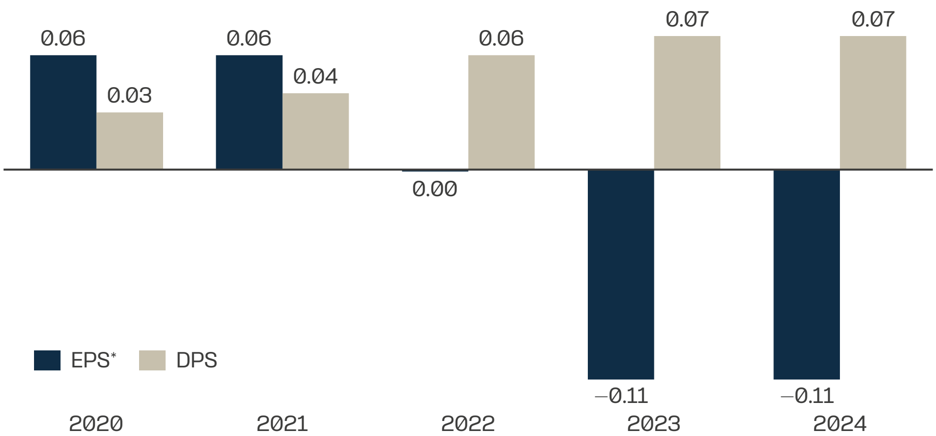


Source: Oriola, Evli Research

Oriola has managed to reduce operating expenses

The remaining cost categories are employee expenses, other operating expenses and D&A, which together make up around 10% of total costs. Comparable figures are available for 2022 onwards, after the merger and subsequent reclassification of Kronans Apotek in the income statement. Looking at the trends for all categories and excluding large one-off impairments, costs have been decreasing across the board. Compared with 2022, employee expenses are down 8% (2024: EUR 56.1m) and other operating expenses (2024: EUR 81.6m) are down by 14%, both mainly attributable to actions taken to enhance efficiency. Other operating expenses also include freight costs, along with the typical SG&A related expenses. Deprecation of tangible assets in 2024 amounted to EUR 8.0m, mainly through machinery and equipment and rights of use assets, and amortization and impairments of intangible assets to EUR 5.7m, mainly arising from previously implemented software.

Figure 21: Oriola's EPS and DPS, 2020–2024



Source: Oriola, Evli Research. *Continuing operations

Financial expenses and result of JV strain earnings

Oriola's earnings were negative in 2023 and 2024, with EPS at EUR -0.11. Although the reported operating profit improved clearly to EUR 13.6m in 2024, the pre-tax profit amounted to EUR -18.6m. In 2024 Oriola's net financials amounted to -7.3m and the share of results in joint venture to -24.8m. This includes a EUR 16.3m goodwill impairment but was also a result of weakened financial performance of Kronans apotek.

Oriola has been able to increase dividend payments

Oriola's dividend per share has increased fairly steadily during the 2020's, up from EUR 0.03 per share to EUR 0.07 in 2024. Oriola targets an increasing dividend distribution of 2/3 of its net earnings. The dividend yield for 2024 was 7.8%.

Balance sheet

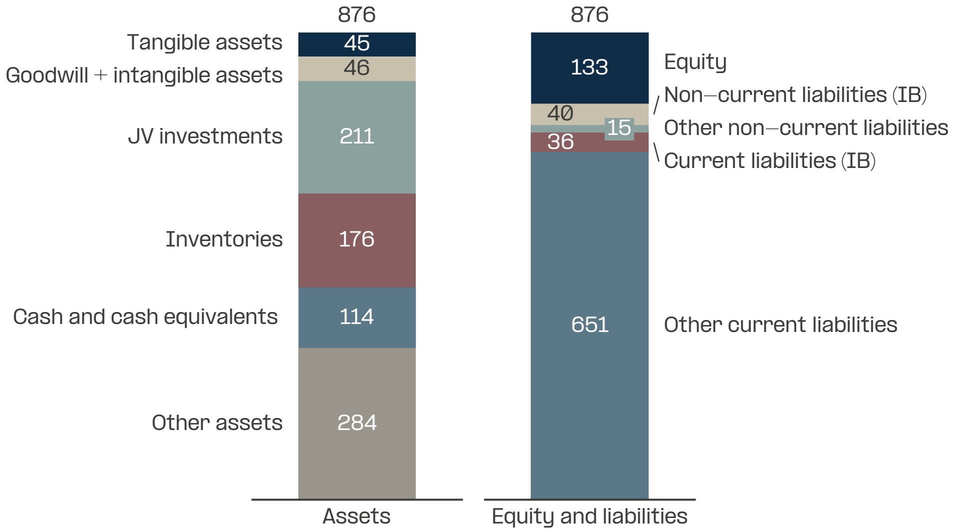
Balance sheet has been scaled down, healthy cash position of EUR 114m (2024)

Oriola's balance sheet amounted to EUR 876m at the end of 2024. The balance sheet has shrunk by approx. EUR 100m during the past few years mainly through impairments, and a reduction in the cash position. Oriola's tangible assets amounted to EUR 45m, split fairly evenly across buildings, machinery and equipment and ROU assets. Oriola both owns and rents property and has for the by the company owned property in Espoo, Finland, been reviewing options. Goodwill amounted to EUR 35m, while the remaining intangible assets relate mainly to software implementation. The balance sheet value of Oriola's investment in Kronans Apotek amounted to EUR 211m and included an EUR 16.3m impairment in 2024. Inventories amounted to EUR 176m. Other assets of EUR 284m consist mainly of trade receivables. We note that in Sweden Oriola has open-ended frame agreements for the sale of trade receivables, which in 2024 amounted to EUR 94.1m. Oriola's cash and cash equivalents amounted to EUR 114m at the end of 2024.

High amount of trade payables due to favourable invoice payment terms

Of the equity and liabilities in 2024, equity amounted to EUR 133m, nearly half of the corresponding figure in 2022, with the decline mainly due to losses arising from Oriola's share of the Kronans Apotek joint venture. Interest-bearing liabilities amounted to EUR 76m and Oriola's net cash position as such at around EUR 40m. Oriola's equity ratio at the end of 2024 was 15.4% and gearing -28.0%. The clear majority of the equity and liabilities consists of trade payables. Compared to invoicing, the amount shows the favourable agreement terms for Oriola on invoice payment terms. The long payment times enable a lighter balance sheet in terms of interest-bearing debt. There is likely, however, a certain trade-off in terms of potential margins.

Figure 22: Oriola's balance sheet composition, EURm (2024)



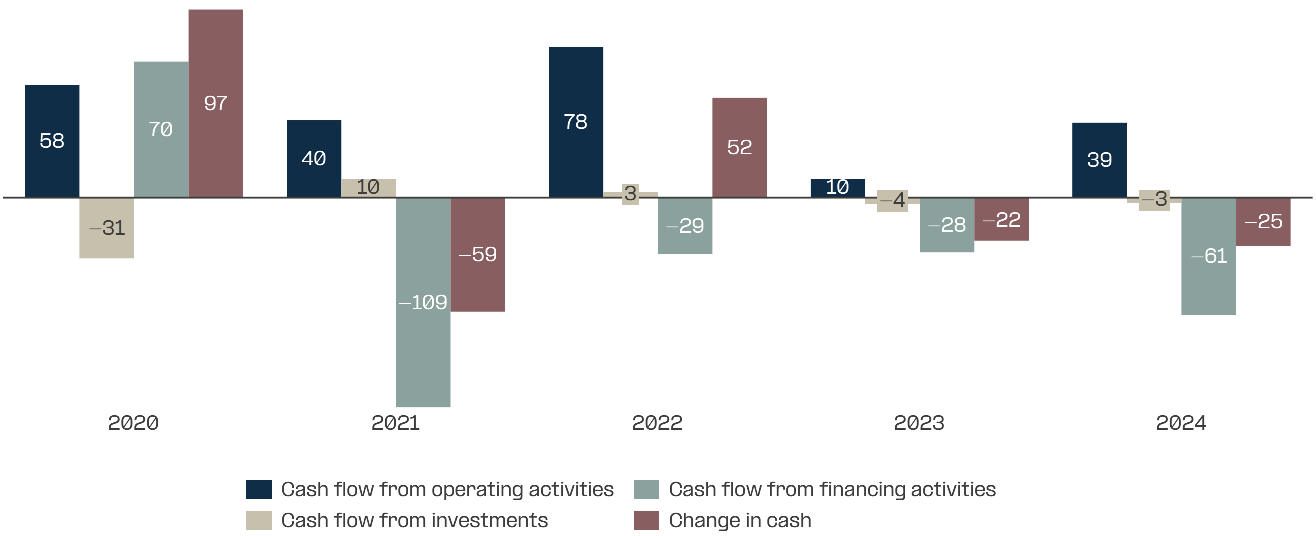
Source: Oriola, Evli Research

Cash flow

Large NWC causes operating cash flow fluctuations, NWC in 2024 EUR –203m

Oriola's cash flows have exhibited significant fluctuations over the years. Cash flows from operations have during the past five years been positive. Operating cash flows before NWC changes have during the past few years, crudely speaking, followed EBIT. NWC changes have been substantial, broadly in the range of +/– EUR 30m, owing to the large share of receivables and especially payables on the balance sheet. Oriola's net working capital in 2024 amounted to EUR –203m, thanks to the favourable payment terms.

Figure 23: Breakdown of Oriola's cash flow statement, 2020–2024 (EURm)



Source: Oriola, Evli Research

Investments fairly limited, ERP and warehouse management investment mainly expensed

Investments have been fairly limited apart from certain larger acquisitions and divestments. The level during the past few years in particular has been very modest, at below EUR 5m p.a. Oriola is currently undergoing a significant investments in ERP and warehouse management, expected to amount to EUR 35m. Due to the ERP arrangement being a cloud computing arrangement, only 10% will treated as CAPEX and the remainder as costs. With the investment needs ultimately fairly light and periodic, the investment "run rate" should be in the mid to upper single–digit figures.

Interest–bearing debt has been reduced to much more manageable levels

Cash flow from financing activities has seen the largest swings, owing largely to easing of debt on the balance sheet. Oriola's total interest–bearing liabilities has decreased from EUR 295m in 2020 to only EUR 76.1m in 2024. In Sweden, Oriola uses non–recourse factoring programmes. The sold receivables amounted to EUR 94.1m in 2024. Although not listed as interest–bearing debt, we treat them as such in model assumptions . "On–going" financing activities in the past few years have been at around EUR 15m, from dividend distribution and payment of lease liabilities. Oriola is as such fairly close to maintaining at least a break–even change in cash before dividends and the net cash position and sizeable amount of cash and cash equivalents support continued dividend distribution.

Estimates

Organic growth 3% in 2024

Oriola saw a positive development in 2024, with invoicing and net sales increasing 5.1% and 12.4% y/y respectively. A significant part of the net sales increase was due to a customer changing from consignment agreement to Oriola's inventory and full-year organic growth was 3%. In terms of segments, Distribution grew by 2.5% organically and Wholesale by 3.3%. The adjusted EBIT increased to EUR 21.7m (16.7m), at a margin of 1.3%. Profitability was aided by the growth and favourable OPEX development through lower freight costs.

Oriola's guidance for 2025 is as follows:

- Oriola expects the adjusted EBITDA excluding the Swedish dose dispensing business to increase from the previous year (2024: EUR 33.3 million). The expectation of improved adjusted EBITDA is based on growing markets and strategy execution.

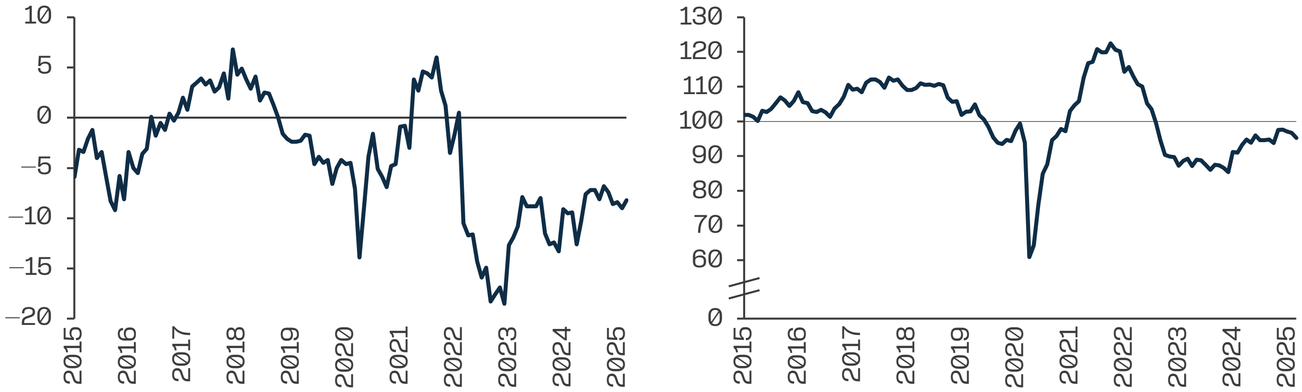
We expect growth of 5.8% in 2025 supported by new customers and volume/value-growth

For 2025, we expect net sales of EUR 1,778m, with a y/y growth of 5.8%. We expect baseline growth to be supported by market volume growth and steady market shares along with additional momentum from new customers. Within distribution, growth is seen to be driven by high-value pharmaceuticals as sell as products requiring advanced logistics, which should aid value growth compared with more standardized commodities. Market development in distribution is generally less prone to overall economic sentiment due to the for society critical nature. In the wholesale market the consumer confidence has a bigger impact, with products in the healthcare and wellbeing categories more prone to customers purchasing power. Increased uncertainty could shift the sales mix toward lower price categories. Although consumer confidence remains weaker, we see Oriola's efforts to build capabilities for growth contributing positively. An example is the introduction of Oriola's own brand Dexal to Sweden in 2024. Oriola has also sought to improve its e-commerce capabilities in Sweden, which as a subsegment is growing faster than the traditional sales model.

We expect the adj. EBITDA to improve 7% y/y

We expect an adjusted EBITDA of EUR 35.7m in 2025, a 7% y/y increase. The improvement is mainly expected to arise from volume growth and we expect essentially flat margin development across segments. As we have earlier stated, the gross margin in Oriola's case is somewhat misleading, but from a perceived relative gross margin perspective we see larger scalability coming down to the wholesale segment. Higher cost, low volume distribution products could also drive improvements. Some increase y/y is also seen due to a slightly weaker Q4/24 due to lower working days in December. We expect net earnings to improve clearly and turn positive, with our estimate at EUR 3.9m. Earnings in 2024 were burdened by the goodwill impairment in Kronans Apotek. Although we expect the share of result from the JV to improve clearly, with the delayed integration and assumed continued additional integration costs, we expect the result to remain negative.

Figure 23: Consumer confidence indicators, Finland (LHS) and Sweden (LHS)



Source: Statistics Finland, National Institute of Economic Research, Evli Research

2026–2027e: growth of around 5% p.a.

During 2026–2027, we expect growth to remain slightly above the market growth but y/y growth to decline slightly from our 2025 estimate. We expect net sales to reach EUR 1,951m in 2027, a CAGR of just over 5% from 2024. We expect the growth of the distribution segment to trend downwards towards 4% p.a. For the Wholesale segment, we expect growth to pick up further and be at or around 6% during 2026–2027. The distribution business is more defensive by nature, following more need-based characteristics. Growth could be further supported by value-driven growth, which could be supported by the trend of increased sales of costlier and lower volume products. Wholesale sales on the other hand, are more prone to consumer sentiment. The market is, however, more fragmented, which we see will play in Oriola's favour given its stronger position and broad offering compared with smaller niche providers. Oriola's focus is also clearly on growing the wholesale business.

Drivers such as the ageing population and demand for wellbeing and healthcare products to support continued long term demand growth

The market for pharmaceuticals and health products is expected to exhibit good growth potential through long-term market drivers. The ageing population is inevitably leading to increased healthcare expenditures for the state. The demand for wellbeing and healthcare products is also increasing through consumer preferences and willingness to invest in lifestyle, with the Covid-19 pandemic in parts having acted as trigger. Ease of access to and as such a larger customer potential is provided by online sales, which if markets in Finland were to open up in terms of sales channels for certain categories now sold only in pharmacies, could provide additional growth opportunities.

Expect EBIT margin to reach 1.9% in 2027, below 3% long term target

In relation to Oriola's financial targets, we remain rather conservative on our estimates for profitability development. We estimate that the adj. EBIT margin will gradually improve during 2026–2027 to 1.9% vs. 1.3% in 2024. Oriola's long term target is a 3% EBIT margin. The improvement will in our view come through a mix of a higher gross margin and enhanced efficiency. An uncertainty in our view is how the effects of the on-going ERP and warehouse management investment will play out on the cost base. We further assume that the EBITA margin of Kronans Apotek will improve from the close to zero level in 2024 to 2.5% in 2027. With this, the net earnings would improve significantly, with our 2027 estimate at EUR 25.8m (2024: –20.1m).

Notes to estimates

Net sales assumed to follow invoicing growth, fluctuations through contract changes impossible to estimate in advance

In terms of estimating future development, we first note a few considerations. Besides net sales, Oriola also reports its invoicing, which describes the volume of Oriola's business. The difference between invoicing and net sales essentially concerns only the Distribution segment. The difference arises from the types of agreements: consignment stock or wholesale. In the former only the fee, or margin of the value is booked in net sales, but fully in the latter. Fluctuations occur due to changing customer preferences, which was seen in 2024. There is no visibility into potential future changes and hence we generally treat invoicing and net sales the same in terms of growth estimates.

On-going investment mainly expensed, hence large adjusting items in coming years

Oriola's reporting has included a few adjusted figures and changed the measure used for guiding profitability to adj. EBITDA from 2025 onwards. Previous profitability guidance was based on adj. EBIT excl. Swedish dos AB, which was divested on April 1st, 2025. As a point of clarification regarding the use of adj. EBITDA, the adjustment items are not materially related to D&A. The known adjustment in the coming years relate to Oriola's ERP and Warehouse management investment, which is expensed to 90% and the remainder booked as CAEPX, but the items are costs and hence cash items. The adj. EBITDA provides better comparability but is worth noting given that the adjustment items on our estimates amount to some 15–20% of adj. EBITDA during 2025–2027.

Sold receivables treated as IB debt in assumptions

Oriola's balance sheet in terms of reported interest-bearing debt may be deceptive. Oriola's interest-bearing liabilities amounted to EUR 76.1m at the end of 2024. In Sweden, Oriola uses non-recourse factoring programmes. The sold receivables amounted to EUR 94.1m in 2024. Although not listed in IB liabilities, we treat it as such for modelling and valuation purposes. The sold receivables also affect interest expenses in the P&L, which explains the on paper fairly high payments in relation to reported IB liabilities.

Table 1: Estimates summary

Oriola	2022	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24	2024	Q1/'25E	Q2/'25E	Q3/'25E	Q4/'25E	2025E	2026E	2027E
Net sales	**1539**	**1494**	**375.1**	**439.4**	**424.4**	**440.7**	**1680**	**412.7**	**464.1**	**437.5**	**463.6**	**1778**	**1864**	**1951**
sales growth		*-2.9%*	*4.1%*	*13.0%*	*18.6%*	*14.0%*	*12.4%*	*10.0%*	*5.6%*	*3.1%*	*5.2%*	*5.8%*	*4.9%*	*4.6%*
EBITDA	**34.7**	**30.0**	**6.7**	**8.6**	**4.9**	**7.0**	**27.2**	**5.9**	**7.0**	**7.2**	**7.7**	**27.7**	**33.2**	**40.3**
Adj. EBITDA							**33.3**	**7.9**	**9.0**	**9.2**	**9.7**	**35.7**	**41.2**	**48.3**
D&A and impairments	-25.2	-35.4	-3.0	-2.9	-4.7	-3.0	-13.6	-3.0	-3.0	-3.0	-3.0	-11.8	-11.8	-11.8
EBIT	**9.5**	**-5.4**	**3.7**	**5.7**	**0.2**	**4.0**	**13.6**	**2.9**	**4.0**	**4.2**	**4.7**	**15.9**	**21.4**	**28.5**
EBIT-margin	*0.6%*	*-0.4%*	*1.0%*	*1.3%*	*0.0%*	*0.9%*	*0.8%*	*0.7%*	*0.9%*	*1.0%*	*1.0%*	*0.9%*	*1.1%*	*1.5%*
Adj. EBIT	**19.7**	**16.7**	**4.7**	**5.1**	**5.5**	**6.4**	**21.7**	**4.9**	**6.0**	**6.2**	**6.7**	**23.9**	**29.4**	**36.5**
adj. EBIT-margin	*1.3%*	*1.1%*	*1.3%*	*1.2%*	*1.3%*	*1.5%*	*1.3%*	*1.2%*	*1.3%*	*1.4%*	*1.4%*	*1.3%*	*1.6%*	*1.9%*
Financial income and expenses	-0.7	-7.6	-2.2	-1.6	-1.8	-1.8	-7.4	-1.5	-1.5	-1.5	-1.5	-6.0	-5.5	-5.0
Share of result in joint venture	-2.0	-4.8	-3.5	-1.3	-0.6	-19.5	-24.9	-2.0	-0.5	-0.5	-1.0	-4.0	2.8	7.0
Profit before taxes	**6.9**	**-17.6**	**-2.0**	**2.8**	**-2.2**	**-17.3**	**-18.6**	**-0.6**	**2.0**	**2.2**	**2.2**	**5.9**	**18.8**	**30.5**
Income taxes	-2.1	-3.1	-0.4	-0.9	0.3	-0.5	-1.5	-0.3	-0.5	-0.5	-0.6	-2.0	-3.2	-4.7
Net earnings	**4.8**	**-20.7**	**-2.4**	**1.9**	**-1.9**	**-17.8**	**-20.1**	**-0.8**	**1.5**	**1.7**	**1.6**	**3.9**	**15.6**	**25.8**
Distribution	**2022**	**2023**	**Q1/'24**	**Q2/'24**	**Q3/'24**	**Q4/'24**	**2024**	**Q1/'25E**	**Q2/'25E**	**Q3/'25E**	**Q4/'25E**	**2025E**	**2026E**	**2027E**
Invoicing	**3220**	**3283**	827.2	870.6	854.1	904.6	**3457**	875.9	923.7	894.2	977.0	**3671**	**3836**	**4001**
invoicing growth %		*1.9%*	*5.9%*	*5.5%*	*8.4%*	*1.8%*	*5.3%*	*5.9%*	*6.1%*	*4.7%*	*8.0%*	*6.2%*	*4.5%*	*4.3%*
Net sales	**1192**	**1189**	294.1	358.0	350.8	361.8	**1365**	328.8	378.9	359.5	382.1	**1449**	**1515**	**1580**
sales growth %		*-0.3%*	*3.8%*	*15.5%*	*23.4%*	*16.1%*	*14.8%*	*11.8%*	*5.8%*	*2.5%*	*5.6%*	*6.2%*	*4.5%*	*4.3%*
EBIT	**23.0**	**-6.9**	4.1	5.4	5.0	5.9	**20.4**	4.5	4.9	5.5	6.0	**21.0**	**25.7**	**31.6**
EBIT margin	*1.9%*	*-0.6%*	*1.4%*	*1.5%*	*1.4%*	*1.6%*	*1.5%*	*1.4%*	*1.3%*	*1.5%*	*1.6%*	*1.5%*	*1.7%*	*2.0%*
Adjustment items		-21.5	0.0	1.4	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	**21.6**	**14.5**	4.1	4.0	5.0	5.9	**19.0**	4.5	4.9	5.5	6.0	**21.0**	**25.7**	**31.6**
adj. EBIT margin	*1.8%*	*1.2%*	*1.4%*	*1.1%*	*1.4%*	*1.6%*	*1.4%*	*1.4%*	*1.3%*	*1.5%*	*1.6%*	*1.5%*	*1.7%*	*2.0%*
Wholesale	**2022**	**2023**	**Q1/'24**	**Q2/'24**	**Q3/'24**	**Q4/'24**	**2024**	**Q1/'25E**	**Q2/'25E**	**Q3/'25E**	**Q4/'25E**	**2025E**	**2026E**	**2027E**
Invoicing	**352.7**	**306.2**	81.2	81.8	73.8	79.1	**315.9**	84.3	85.5	78.4	81.9	**330.1**	**351.6**	**372.7**
invoicing growth %		*-13.2%*	*4.6%*	*3.0%*	*0.0%*	*5.1%*	*3.2%*	*3.8%*	*4.6%*	*6.2%*	*3.6%*	*4.5%*	*6.5%*	*6.0%*
Net sales	**351.4**	**305.7**	81.1	81.6	73.8	79.1	**315.6**	84.0	85.3	78.1	81.7	**329.1**	**350.5**	**371.5**
sales growth %		*-13.0%*	*4.6%*	*2.9%*	*0.0%*	*5.3%*	*3.2%*	*3.6%*	*4.5%*	*5.9%*	*3.3%*	*4.3%*	*6.5%*	*6.0%*
EBIT	**6.5**	**8.6**	2.7	2.3	1.4	2.0	**8.5**	2.9	2.4	2.4	2.1	**9.9**	**10.9**	**12.3**
EBIT margin	*1.9%*	*2.8%*	*3.3%*	*2.8%*	*1.9%*	*2.5%*	*2.7%*	*3.5%*	*2.8%*	*3.1%*	*2.6%*	*3.0%*	*3.1%*	*3.3%*
Adjustment items		-0.3	-0.1	0.0	-0.9	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	**6.5**	**8.9**	2.8	2.3	2.3	2.0	**9.5**	2.9	2.4	2.4	2.1	**9.9**	**10.9**	**12.3**
adj. EBIT margin	*1.8%*	*2.9%*	*3.5%*	*2.8%*	*3.1%*	*2.5%*	*3.0%*	*3.5%*	*2.8%*	*3.1%*	*2.6%*	*3.0%*	*3.1%*	*3.3%*
Group admin	**2022**	**2023**	**Q1/'24**	**Q2/'24**	**Q3/'24**	**Q4/'24**	**2024**	**Q1/'25E**	**Q2/'25E**	**Q3/'25E**	**Q4/'25E**	**2025E**	**2026E**	**2027E**
EBIT	-20.0	-7.0	-3.1	-2.1	-6.3	-3.8	-15.3	-4.5	-3.3	-3.7	-3.4	-15.0	-15.2	-15.4
Adj. EBIT	-6.4	-6.8	-2.2	-1.2	-1.9	-1.5	-6.8	-2.5	-1.3	-1.7	-1.4	-7.0	-7.2	-7.4

Source: Oriola, Evli Research estimates

Valuation

Initiate coverage with target price of EUR 1.1 and ACCUMULATE-rating

We initiate coverage of Oriola with a target price of EUR 1.1 per share and ACCUMULATE–rating. Due to the joint venture Kronans apotek, we find that simple multiple analysis is not advisable, and we rely on a sum–of–the–parts approach. Oriola's potential valuation is broad, with considerable upside should the target profitability levels be achieved for both the core business and the joint venture. We highlight, however, that Oriola's performance during the past years has been fairly weak, and the targeted levels are ambitious in comparison. Based on more recent performance, we see that Oriola is heading in the right direction, but Oriola in our view still has a lot to prove to justify valuing the company based on profitability targets.

Valuation of EUR 251m for distribution and wholesale business

Our sum–of–the–parts approach consists of Oriola's cash flow generating units and investments, adjusted for net debt. We label the Distribution and Wholesale segments, and group level costs as the core business. In our view, the sufficient similarity of the segments, despite some differences in margin potential, does not necessitate a separation, which would also further complicate the already fairly complex valuation approach. In valuing the core business, we rely on valuation multiples. We have identified a peer group consisting of public healthcare companies, all of which are listed in the US. We provide a short summary of the companies later in the chapter. The companies in the peer group to a certain extent focus on distribution of pharmaceuticals and equipment, but we have also included for instance Walgreens Boots Alliance, operating one of the largest drugstore chains in the US. The comparability to these significantly larger companies is fairly weak, and we mostly see the valuation levels as a valuation cap. For reference purposes, we have further constructed a broader group of public Finnish and Swedish companies, that exhibit inherently lower margins. We argue that the defensive nature of the underlying market and steady market growth are favourable factors in determining valuation multiples, currently offset by the relatively low profitability. In our view a FWD 12m EV/EBIT multiple range of 10–12x would be justified based on our peer group and local benchmark group median 2025e EV/EBIT of 12.8x and 11.3x. Based on an EV/EBIT multiple of 10.5x for 2025e, we arrive at a base case valuation of EUR 251m for the core business.

Ownership in Doktor.se valued at 2024 BV of EUR 11m

Oriola's investments include the Kronans Apotek joint venture and its approx. 5% ownership in Doktor.se, which provides personal digital healthcare services to its customers. Although we use the term core business for the Distribution and Wholesale segments, this does not imply that these investments are non–core, on the contrary. The joint venture is clearly strategic and has clear synergies with the pharmacies also being customers. The ownership in Doktor.se is small and Oriola has reduced its ownership share in the past but remains as a strategic investment. We value the share in Doktor.se at 2024 BV of EUR 11m.

High valuation for joint venture in balance sheet

As of 2024, after a goodwill impairment in the JV of EUR 33m during the year, the book value of Oriola's ownership is EUR 211m. We consider the valuation high given the current performance of Kronans Apotek. As an example, on the previous year's net sales (EUR 1,151m) and accounting for the net debt of EUR 97m, such a valuation could be reached assuming a three percent EBITA–margin at a 15x EV/EBITA multiple. In 2024, Kronans Apoteks EBITA (excl. one–off integration costs) was barely positive. Due to purchase price allocation amortizations EBITA currently better represents operative performance but should align with EBIT in the long–term. Oriola has indicated that Kronans Apotek aims to achieve an EBIT–margin representing that of the industry by 2027, which is based on the profitability levels of the two other large Swedish pharmacy chains Apotek Hjärtat AB and Apoteket AB, which would be roughly around 2.5–3.5% on EBIT–%.

Implied DCF value for the share of the JV EUR 84m assuming long term EBIT margin of 2.5%...

We value the ownership in Kronans Apotek primarily through multiples analysis. We have also included it in our DCF through Oriola's share of its profits/(loss). Our DCF assumption assumes gradual profitability improvement during 2025–2027 and an EBIT margin of 2.5% and growth of 3% p.a. from 2028 onwards, which excluding net debt gives an implied value of EUR 84m. Given the integration challenges and limited visibility in reaching the implied levels, we consider the lower end of the implied range more reasonable. A 0.5% increase in the long-term EBIT margin would increase the value by EUR 30m. We note that from a cash-flow perspective, Oriola's options to realize value are either through dividends or through an exit. With the latter unlikely and assuming higher focus on strengthening the balance sheet, the likelihood of any dividends before 2027 appears to be relatively low. We further note that the available figures for the joint venture are also on a rather general level, which complicates more thorough analysis of financials.

…and EUR 62m on our multiples based approach

We have not identified a group of comparable peers in the pharmacy sector, the closest being Walgreens Boots Alliance. As such we opt to use the multiples we have applied for the core business as a benchmark. The potential growth and profitability profiles are rather similar, which supports using similar multiples. The current financial performance and our estimates for 2025, however, give a weak basis for profitability-based multiples valuation. The industry average in 2023 was 2.1% (TLV), but given Kronans Apotek's weak performance and relative market share, the figure should likely be closer to 3% and correspond with the figures of Apotek Hjärtat AB and Apoteket AB, if Kronans Apotek's figures corresponded to market performance. If Kronans Apotek had managed a 3% EBITA margin during 2024, the value of Oriola's share using a 10x EV/EBITA multiple would be EUR 124m. We base our valuation on the assumption of achieving a 2.5% EBITA margin in 2027 and lower single-digit growth, which would yield a EUR 109m valuation using 2024 net debt. We consider that a 10x multiple would be justified on forward 12m figures, which we adjust to 7x to account for the risks in achieving the estimated 2027 figures, corresponding to a 12% annual "discount factor", for a valuation of EUR 62m.

If JV impaired to our valuation, balance sheet would need strengthening

Our valuation of Kronans Apotek comes with an additional consideration through the balance sheet, as an impairment from current book value would result in negative equity. Continued weak profitability of Kronans Apotek could also require actions from owners to strengthen its balance sheet. In a sort of worst-case scenario, where the company's equity would be clearly at risk, a sizeable rights offering would in our view be a preferred option. The impact and likelihood of such a potential scenario is very hard to magnify. Based on more harsh scenarios in terms of offer price and assuming a EUR 60m cap, our derived fair value per share could drop by 40%. We currently do not consider such a risk material enough to base our estimates on such a scenario, but consider it in assessing risks in relation to our fair value derived from the SOTP approach.

Figure 24: SOTP summary

VALUATION			
Base case	Implied value (EURm)	Per share (EUR)	Notes
Core business	251	1.35	10.5x 2025e adj. EBIT
Share of joint venture	65	0.35	7.0x 2027e EBITA
Other investments	11	0.06	2024 BV
Net debt	37	0.20	Q4/24
Sold trade receivables	-94	-0.51	Q4/24
Equity value	270	1.46	

Source: Evli Research

We arrive at a target price of EUR 1.1, after further risk-adjustment to EUR 1.46 SOTP equity value. Potential upside considerable should target profitability levels be achieved

After including 2024 net cash of EUR 37m and the EUR 94m sold receivables as debt, we arrive at an equity value of EUR 270m, and on a per share basis (after the combination of share classes) to EUR 1.46. The assumptions for our estimates are based on market conditions remaining similar to those of 2024. However, with the tariffs imposed by the US and potential impending escalation of the trade war, we see a greater risk of potential deterioration. Although Oriola is not affected by export tariffs, potential indirect impact could arise from cost inflation and weaker economic activity resulting in lower volumes. Potential counter-tariffs could also further escalate the situation with the already low margins for both Oriola and Kronans Apotek. Although it is yet too early to draw conclusions, overall market consensus still seems to agree on potential short-term consequences being negative. A 10%

decrease to our 2025e adj. EBIT estimate as well as justified valuation multiples would lower the implied equity value of our SOTP approach by around 20%. We consider these risks along with the aforementioned risks relating to the joint venture and arrive at a target price of EUR 1.1 per share. In the long term Oriola exhibits clear valuation upside potential if the targeted profitability levels are reached. To illustrate on our base case SOTP approach, assuming both the core business and Kronans Apoteks were to achieve an EBIT margin of 3% in 2025 and all else equal, the upside to our base case equity value would be approx. 250%.

Peer group

"Peers" consist of large US healthcare companies

As noted earlier, we have not identified closely comparable peers for Oriola. Our peers group consists of public healthcare companies, all of which are listed in the US and mainly clearly larger in size. To a certain extent these companies operate within pharmaceutical distribution but also include other operations in the health care sector. We present a short summary below. We view the peer group as more of a valuation ceiling in terms of multiples due to the companies being significantly larger and valued accordingly. In addition, we have constructed a group of Finnish and Swedish stocks, which exhibit lower margins and have not shown substantial growth in the past.

CVS Health Corporation is a leading American healthcare company that among many other brands owns CVS Pharmacy, a retail pharmacy chain; CVS Caremark, a pharmacy benefits manager; and Aetna, a health insurance provider, with around 300,000 employees.

Cardinal Health is a global healthcare services and products company, specializing in the distribution of pharmaceuticals and medical products, manufacturing medical and laboratory products, and providing performance and data solutions for healthcare facilities, with around 48,000 employees

McKesson is one of the oldest and largest healthcare companies and specializes in the distribution of pharmaceuticals, medical supplies, and health information technology, with around 80,000 employees.

Cencora is a pharmaceutical solutions organization, originating from AmerisourceBergen. The company offers services that include pharmaceutical distribution, health solutions, and animal health services, with over 46,000 employees.

Owens & Minor specializes in healthcare logistics and supply chain management, offering a wide range of services including distribution, manufacturing, and patient direct solutions, with over 20,000 employees.

Walgreens Boots Alliance is a leading global healthcare, pharmacy, and retail company, formed in 2014 through the merger of Walgreens and Alliance Boots. The company offers a wide range of services including pharmacy dispensing, health and wellness products, and beauty products, with over 300,000 employees.

Table 1: Peer group summary

ORIOLA PEER GROUP	MCAP MEUR	EV/EBITDA 25	26	27	EV/EBIT 25	26	27	P/E 25	26	27
CVS Health	73042	9.6x	8.7x	8.0x	11.6x	10.4x	9.8x	10.8x	9.3x	8.0x
Cardinal Health	28497	10.5x	9.6x	9.0x	12.2x	11.1x	10.3x	15.3x	13.7x	12.3x
McKesson	77910	15.1x	14.0x	12.7x	16.3x	15.1x	13.8x	19.1x	16.9x	14.9x
Cencora	49128	12.3x	11.5x	10.5x	14.1x	13.1x	12.2x	17.6x	16.1x	14.6x
Owens & Minor	574	4.8x	4.3x	4.0x	8.0x	6.9x	6.3x	4.7x	4.0x	3.4x
Walgreens Boots Alliance	8405	12.2x	11.9x	11.2x	21.9x	21.0x	18.5x	6.8x	6.8x	6.1x
Peer Group Average	**34994**	**10.7x**	**10.0x**	**9.2x**	**14.0x**	**12.9x**	**11.8x**	**12.4x**	**11.1x**	**9.9x**
Peer Group Median	**28497**	**11.3x**	**10.5x**	**9.8x**	**13.1x**	**12.1x**	**11.2x**	**13.0x**	**11.5x**	**10.2x**

ORIOLA PEER GROUP	Sales 24	Sales gr. 25	26	27	EBIT-% 25	26	27	Div. yield 25	26	27
CVS Health	359386	-1.5%	4.9%	5.6%	3.4 %	3.6 %	3.6 %	3.9 %	4.2 %	4.7 %
Cardinal Health	205552	3.2%	8.3%	7.4%	1.2 %	1.3 %	1.3 %	1.6 %	1.6 %	
McKesson	319818	11.2%	8.2%	8.6%	1.5 %	1.5 %	1.5 %	0.4 %	0.4 %	0.4 %
Cencora	273743	9.3%	7.1%	7.8%	1.3 %	1.3 %	1.3 %	0.7 %	0.8 %	
Owens & Minor	10289	-2.5%	3.3%	3.4%	3.2 %	3.6 %	3.8 %	0.0 %	0.0 %	0.0 %
Walgreens Boots Alliance	135429	2.8%	2.4%	3.4%	1.2 %	1.2 %	1.3 %	7.4 %	7.0 %	
Peer Group Average	**217369**	**3.8%**	**5.7%**	**6.0%**	**2.0 %**	**2.1 %**	**2.1 %**	**2.3 %**	**2.3 %**	**1.7 %**
Peer Group Median	**239648**	**3.0%**	**6.0%**	**6.5%**	**1.4 %**	**1.4 %**	**1.4 %**	**1.2 %**	**1.2 %**	**0.4 %**

Source: FactSet, Evli Research

Local, lower-margin benchmark group median EV/EBIT 11.3x

For the purpose of creating a benchmark for valuation multiples for local, lower margin public companies, we have further created a broader group based on the universe of Finnish and Swedish public stocks. We have selected stocks that based on historic performance would suggest expectations of an on average lower single-digit EBIT-margin, further adjusted for an average annual growth of below 10% during the past three years. With available historical data and analyst estimates, the group consists of 42 companies with a median market cap of around EUR 205m. We present the companies' 2025e EV/EBIT to average three-year EBIT-margin below. We note that this method is fairly crude and the companies operate in various different industries, but the larger sample should provide an adequate benchmark.

Figure 25: Scatter plot of broader benchmark group

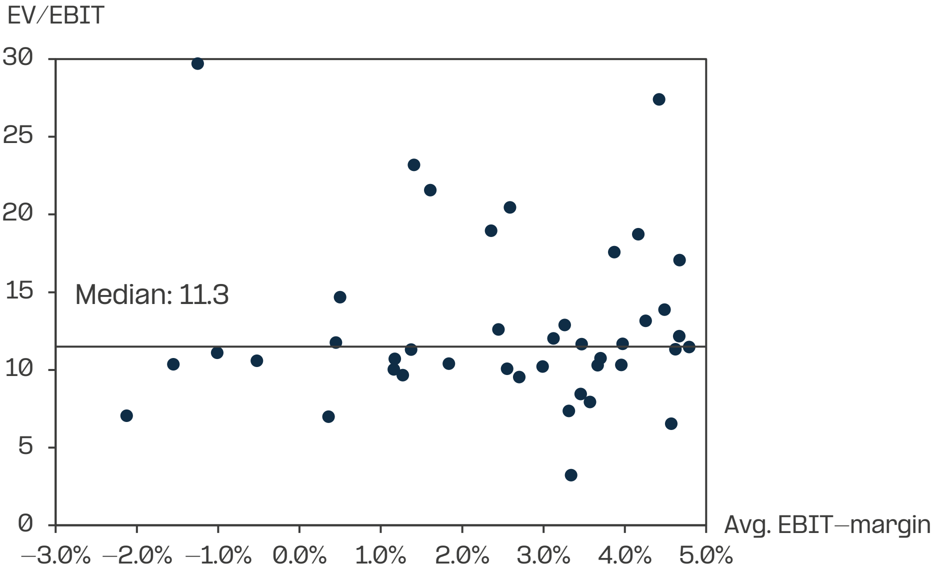


Figure 25: Scatter plot of broader benchmark group

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	1.02	PV of Free Cash Flow	243	Long-term growth, %	1.5 %	Risk-free interest rate, %	2.50 %
DCF share value	3.01	PV of Horizon value	285	WACC, %	7.8 %	Market risk premium, %	5.8 %
Share price potential, %	194.2 %	Unconsolidated equity	86	Spread, %	0.5 %	Debt risk premium %	2.5 %
Maximum value	3.2	Marketable securities	114	Minimum WACC, %	7.3 %	Equity beta coefficient	0.95
Minimum value	2.8	Debt - dividend	-170	Maximum WACC, %	8.3 %	Target debt ratio, %	20 %
Horizon value, %	54.0 %	Value of stock	557	No. of shares, Mn	185.3	Effective tax rate, %	20 %

DCF valuation, EURm	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	TERMINAL
Net sales	1 680	1 778	1 864	1 951	2 029	2 110	2 194	2 260	2 328	2 398	2 434	2 470
Sales growth (%)	*12.4%*	*5.8%*	*4.9%*	*4.6%*	*4.0%*	*4.0%*	*4.0%*	*3.0%*	*3.0%*	*3.0%*	*1.5%*	*1.5%*
Operating income (EBIT)	14	16	21	28	37	38	39	34	35	36	37	37
Operating income margin %	*0.8%*	*0.9%*	*1.2%*	*1.5%*	*1.8%*	*1.8%*	*1.8%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
+ Depreciation+amort.	13	12	12	12	9	10	11	12	13	13	14	
EBITDA	27	28	33	40	45	48	51	46	47	49	50	
- Paid taxes	-5	-3	-4	-6	-7	-8	-8	-7	-7	-7	-7	
- Change in NWC	21	7	6	6	6	6	6	5	5	5	3	
NWC / Sales, %	*-6.5%*	*-6.5%*	*-6.6%*	*-6.6%*	*-6.6%*	*-6.6%*	*-6.7%*	*-6.7%*	*-6.7%*	*-6.7%*	*-6.7%*	
+ Change in other liabs												
- Operative CAPEX	-3	-3	-4	-5	-8	-8	-8	-9	-9	-9	-9	
opCAPEX / Sales, %	*0.5%*	*0.5%*	*0.5%*	*0.6%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	
- Acquisitions												
+ Divestments												
- Other items	0											
= FCFF	42	28	31	35	36	38	40	35	37	38	36	591
= Discounted FCFF		27	27	29	27	27	26	21	21	20	18	285
= DFCF min WACC		27	27	29	28	28	27	22	21	21	18	324
= DFCF max WACC		27	27	29	27	26	26	21	20	19	17	252

Sensitivity analysis, EUR

		Terminal WACC				
		5.77 %	6.77 %	7.77 %	8.77 %	9.77 %
Terminal EBIT-%	-0.50 %	0.69	0.86	0.96	1.01	1.03
	0.50 %	2.50	2.20	1.98	1.82	1.68
	1.50 %	4.31	3.53	3.01	2.62	2.33
	2.50 %	6.11	4.87	4.03	3.43	2.98
	3.50 %	7.92	6.21	5.06	4.24	3.63

INTERIM FIGURES

EVLI ESTIMATES, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Net sales	375.1	439.5	424.4	440.7	1 679.7	412.7	464.1	437.5	463.6	1 777.8	1 864.4	1 950.6
EBITDA	6.7	8.5	5.0	7.0	27.1	5.9	7.0	7.2	7.7	27.7	33.2	40.3
EBITDA margin (%)	*1.8%*	*1.9%*	*1.2%*	*1.6%*	*1.6%*	*1.4%*	*1.5%*	*1.6%*	*1.7%*	*1.6%*	*1.8%*	*2.1%*
EBIT	3.7	5.6	0.3	4.0	13.6	2.9	4.0	4.2	4.7	15.9	21.4	28.5
EBIT margin (%)	*1.0%*	*1.3%*	*0.1%*	*0.9%*	*0.8%*	*0.7%*	*0.9%*	*1.0%*	*1.0%*	*0.9%*	*1.2%*	*1.5%*
Net financial items	-5.7	-2.8	-2.5	-21.2	-32.1	-3.5	-2.0	-2.0	-2.5	-10.0	-2.7	2.0
Pre-tax profit	-2.0	2.9	-2.2	-17.2	-18.5	-0.6	2.0	2.2	2.2	5.9	18.8	30.5
Tax	-0.4	-0.9	0.2	-0.5	-1.5	-0.3	-0.5	-0.5	-0.6	-2.0	-3.2	-4.7
Tax rate (%)	*22.6%*	*21.0%*	*12.5%*	*21.7%*	*23.8%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Net profit	-2.3	2.0	-2.0	-17.7	-20.0	-0.8	1.5	1.7	1.6	3.9	15.6	25.8
EPS	-0.01	0.01	-0.01	-0.10	-0.11	0.00	0.01	0.01	0.01	0.02	0.08	0.14
EPS adj. (diluted)	-0.01	0.01	-0.01	-0.10	-0.11	0.00	0.01	0.01	0.01	0.02	0.08	0.14
Dividend per share					0.07					0.08	0.10	0.09

SALES, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Distribution	294.1	358.0	350.8	361.8	1 364.7	328.8	378.9	359.5	382.1	1 449.3	1 514.5	1 579.7
Wholesale	81.1	81.7	73.7	79.1	315.6	84.0	85.3	78.1	81.7	329.1	350.5	371.5
Other	-0.1	-0.2	-0.1	-0.2	-0.6	-0.2	-0.2	-0.2	-0.2	-0.6	-0.6	-0.6
Total	375.1	439.5	424.4	440.7	1 679.7	412.7	464.1	437.5	463.6	1 777.8	1 864.4	1 950.6

SALES GROWTH, Y/Y %	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Distribution	3.8%	15.5%	23.4%	16.1%	14.8%	11.8%	5.9%	2.5%	5.6%	6.2%	4.5%	4.3%
Wholesale	4.6%	3.0%	-0.1%	5.3%	3.2%	3.6%	4.4%	6.0%	3.3%	4.3%	6.5%	6.0%
Other	-67.4%	-3.2%	-39.8%	-2.6%	-32.2%	50.0%	-25.0%	50.0%	-25.0%			
Total	4.1%	13.0%	18.6%	14.0%	12.4%	10.0%	5.6%	3.1%	5.2%	5.8%	4.9%	4.6%

EBIT, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Distribution	4.1	5.4	5.1	5.8	20.4	4.5	4.9	5.5	6.0	21.0	25.7	31.6
Wholesale	2.7	2.3	1.5	2.0	8.5	2.9	2.4	2.4	2.1	9.9	10.9	12.3
Other	-3.1	-2.1	-6.3	-3.8	-15.3	-4.5	-3.3	-3.7	-3.4	-15.0	-15.2	-15.4
Total	3.7	5.6	0.3	4.0	13.6	2.9	4.0	4.2	4.7	15.9	21.4	28.5

EBIT margin %	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Distribution	1.4%	1.5%	1.5%	1.6%	1.5%	1.4%	1.3%	1.5%	1.6%	1.5%	1.7%	2.0%
Wholesale	3.3%	2.8%	2.0%	2.5%	2.7%	3.5%	2.8%	3.1%	2.6%	3.0%	3.1%	3.3%
Other	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	1.0%	1.3%	0.1%	0.9%	0.8%	0.7%	0.9%	1.0%	1.0%	0.9%	1.2%	1.5%

INCOME STATEMENT, EURm	2022	2023	2024	2025E	2026E	2027E
Sales	1 539.1	1 493.8	1 679.7	1 777.8	1 864.4	1 950.6
Sales growth (%)		–2.9%	12.4%	5.8%	4.9%	4.6%
EBITDA	25.0	29.9	27.1	27.7	33.2	40.3
EBITDA margin (%)	1.6%	2.0%	1.6%	1.6%	1.8%	2.1%
Depreciation	–15.4	–13.8	–13.5	–11.8	–11.8	–11.8
EBITA	9.5	16.1	13.6	15.9	21.4	28.5
Goodwill amortization / writedown		–21.4				
EBIT	9.5	–5.3	13.6	15.9	21.4	28.5
EBIT margin (%)	0.6%	–0.4%	0.8%	0.9%	1.2%	1.5%
Reported EBIT	9.5	–5.3	13.6	15.9	21.4	28.5
EBIT margin (reported) (%)	0.6%	–0.4%	0.8%	0.9%	1.2%	1.5%
Net financials	–2.7	–12.4	–32.1	–10.0	–2.7	2.0
Pre–tax profit	6.9	–17.6	–18.5	5.9	18.8	30.5
Taxes	–2.1	–3.1	–1.5	–2.0	–3.2	–4.7
Minority shares						
Net profit	4.8	–20.7	–20.0	3.9	15.6	25.8
Cash NRIs						
Non–cash NRIs						
BALANCE SHEET, EURm						
Assets						
Fixed assets	343	303	266	261	256	253
Goodwill	61	35	35	35	35	35
Right of use assets	14	9	12	14	16	19
Inventory	149	163	176	187	196	205
Receivables	232	285	272	287	300	314
Liquid funds	161	138	114	120	126	132
Total assets	961	935	876	904	930	958
Liabilities						
Shareholders' equity	226	171	133	125	125	133
Minority interest						
Convertibles						
Lease liabilities				14	16	19
Deferred taxes	5	3	1	1	1	1
Interest bearing debt	137	214	170	161	155	144
Non–interest bearing current liabilities	581	532	557	590	618	647
Other interest–free debt	13	14	14	14	14	14
Total liabilities	961	935	876	904	930	958
CASH FLOW, EURm						
+ EBITDA	25	30	27	28	33	40
– Net financial items	–3	–12	–32	–10	–3	2
– Taxes	–4	–4	–3	–2	–3	–5
– Increase in Net Working Capital	28	–13	21	7	6	6
+/– Other	32	10	25			
= Cash flow from operations	78	10	39	23	34	44
– Capex	234	–2	–9	–8	–10	–11
– Acquisitions						
+ Divestments						
= Free cash flow	312	8	30	15	24	33
+/– New issues/buybacks	221	–23	–5			
– Paid dividend	11	13	13	15	19	17
+/– Other	–372	3	–37	5	–3	–9
Change in cash	161	–22	–25	7	6	6

KEY FIGURES	2022	2023	2024	2025E	2026E	2027E
M-cap	316	198	162	189	189	189
Net debt (excl. convertibles)	-24	76	57	55	46	31
Enterprise value	292	274	218	158	149	134
Sales	1 539	1 494	1 680	1 778	1 864	1 951
EBITDA	25	30	27	28	33	40
EBIT	10	-5	14	16	21	28
Pre-tax	7	-18	-19	6	19	31
Earnings	5	-21	-20	4	16	26
Equity book value (excl. minorities)	226	171	133	125	125	133

Valuation multiple	2022	2023	2024	2025E	2026E	2027E
EV/Sales	0.2	0.2	0.1	0.1	0.1	0.1
EV/EBITDA	11.7	9.1	8.1	5.7	4.5	3.3
EV/EBITA	30.6	17.0	16.0	9.9	6.9	4.7
EV/EBIT	30.6	-52.0	16.0	9.9	6.9	4.7
EV/OCF	3.7	28.5	5.6	6.9	4.4	3.1
EV/FCF	0.9	22.9	5.2	5.6	4.8	3.8
P/FCFR	1.0	25.0	5.4	13.0	7.9	5.7
P/E	66.0	-9.6	-8.1	48.4	12.2	7.3
P/BV	1.4	1.2	1.2	1.5	1.5	1.4
Target EV/EBITDA				9.3	7.5	5.8
Target EV/EBIT				16.3	11.6	8.2
Target EV/FCFF				17.8	10.4	7.1
Target P/BV				1.6	1.6	1.5
Target P/E, diluted				52.1	13.1	7.9

Per share measures	2022	2023	2024	2025E	2026E	2027E
Number of shares (million)	181.49	181.49	181.49	185.32	185.32	185.32
Number of shares (diluted, million)	181.49	181.49	181.49	185.32	185.32	185.32
EPS	0.03	-0.11	-0.11	0.02	0.08	0.14
Operating cash flow per share	0.43	0.05	0.21	0.12	0.18	0.24
Free cash flow per share	1.72	0.04	0.16	0.08	0.13	0.18
Book value per share	1.24	0.94	0.74	0.67	0.68	0.72
Dividend per share	0.06	0.07	0.07	0.08	0.09	0.10
Dividend payout ratio, %	227.4%	-61.3%	-63.5%	379.1%	107.1%	71.8%
Dividend yield, %	3.5%	6.4%	6.9%	7.8%	8.8%	9.8%
FCF yield, %	98.7%	4.0%	18.5%	7.7%	12.7%	17.4%

Efficiency measures	2022	2023	2024	2025E	2026E	2027E
ROE		-10.4%	-13.1%	3.0%	12.5%	20.0%
ROCE	4.2%	-2.7%	-3.3%	3.9%	8.1%	12.0%

Financial ratios	2022	2023	2024	2025E	2026E	2027E
Inventories as % of sales	9.7%	10.9%	10.5%	10.5%	10.5%	10.5%
Receivables as % of sales	15.0%	19.1%	16.2%	16.1%	16.1%	16.1%
Non-int. bearing liabilities as % of sales	37.8%	35.6%	33.2%	33.2%	33.2%	33.2%
NWC/sales, %	-13.1%	-5.6%	-6.5%	-6.5%	-6.6%	-6.6%
Operative CAPEX/Sales, %	-15.2%	0.1%	0.5%	0.5%	0.5%	0.6%
CAPEX/sales (incl. acquisitions), %	-15.2%	0.1%	0.5%	0.5%	0.5%	0.6%
FCFF/EBITDA	13.0	0.4	1.5	1.0	0.9	0.9
Net Debt/EBITDA, book-weighted	-0.9	2.5	2.1	2.0	1.4	0.8
Debt/equity, market-weighted	0.4	1.1	1.1	0.8	0.8	0.8
Equity ratio, book-weighted	0.2	0.2	0.2	0.1	0.1	0.1
Gearing, %	-10.5%	44.3%	42.5%	44.0%	36.3%	23.4%

COMPANY DESCRIPTION: Oriola is a pharmaceutical distribution and services company, maintaining a leading position within its operating markets Finland and Sweden. Oriola operates through two segments: Distribution and Wholesale. Oriola also owns 50% of Swedens third-largest pharmacy chain Kronans Apotek. Headquartered in Espoo, Finland, Oriola employs around 800 employees (FTE).

INVESTMENT CASE: Oriola's profitability has been low throughout the 2020's, with the adj. EBIT margin at around 1.0–1.5%. Through focus on higher-margin wholesale business and enhanced efficiency, the company ambitiously targets a 3% EBIT margin in the long term. The underlying market through its defensive nature provides steady, volume driven growth, further supported by trends driving value growth. Valuation upside is considerable, should the company reach its targeted levels of profitability.

EARNINGS CALENDAR

April 29, 2025	Q1 report
July 17, 2025	Q2 report
October 30, 2025	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Katarina Gabrielson	Orionintie 5, 02200 Espoo
CFO: Mats Danielsson	Tel: +358 10 429 99
IR: Tua Stenius-Örnhjelm	

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	**EPS** $\frac{\text{Profit before extraord. items and taxes – income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholder's equity + taxed provisions per share}}$	**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** $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
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** $\frac{\text{Total assets – non–interest bearing debt}}{\text{Number of shares}}$
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, %** $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	**Equity ratio. %** $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest–free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses + other financial costs}}{\text{Balance sheet total – non–interest bearing debt (average)}}$	**CAGR, %** Cumulative annual growth rate = Average growth rate per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholders' equity + minority interest + taxed provisions (average)}}$	

Important Disclosures

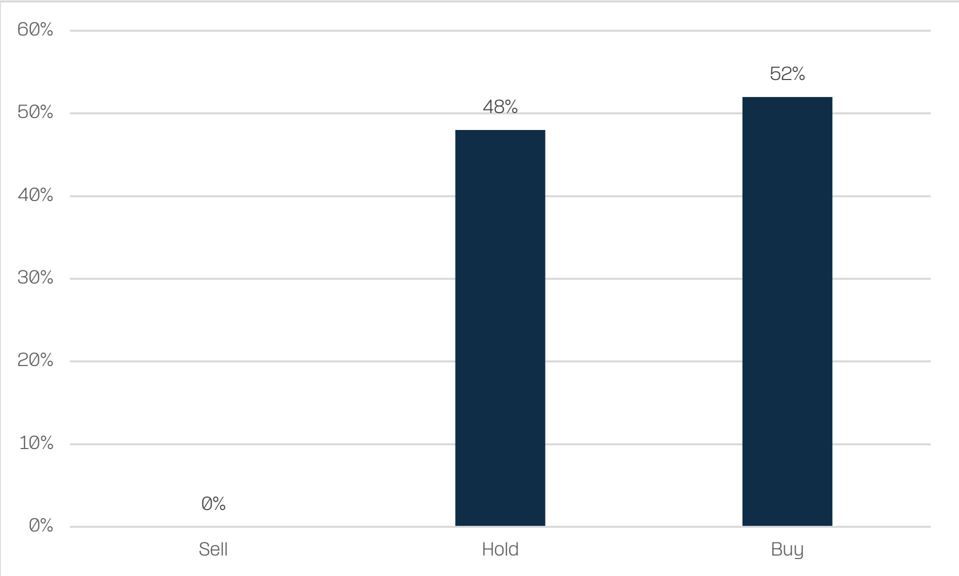
Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. The valuation assumptions used are sensitive to changes and can significantly affect fair values. A change of a single percentage point in any used assumption could affect fair values by more than +/-20%. Recommendations and changes by analysts are available at Analysts' recommendations and ratings revisions.

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – 0 %	RECUDE
0 – (+10) %	ACCUMULATE
> 10 %	BUY

ERP may temporarily suspend the rating and, if applicable, the target price to comply with regulations and/or firm policies, in which case a NOT RATED classification is used.

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage on the 23rd of October, 2024. If recommendation is not given, it is not mentioned here. As ERP is currently updating its ratings methodology, the graph will be updated in due time to reflect the changes.

Name(s) of the analyst(s): Jerker Salokivi

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