

Adj. EBITDA miss despite revenue beat; upgrades guidance

Tokmanni beat estimates on revenue, but missed them on adj. EBITDA. Stronger revenue is driven by LFL growth of 4.0% vs. our 2.0% expectation, whereas the adj. EBITDA miss is driven by higher than expected OPEX. Tokmanni upgrades its guidance after the third quarter for revenue: revenue growth will be "strong" (prev: "good") in 2018, based on new openings and "good" (prev: "low single-digit") LFL growth. Adj. EBITDA margin guidance is intact. The change in guidance wording improves trust for seasonally strong Q4, in our view. Despite the adj. EBITDA miss we consider the report to be fairly good, due to stronger LFL growth and stable gross margin.

- Q3 revenue was EUR 211m vs. EUR 207m/208m Evli/cons, 1-2% above estimates. Revenue grew by 7.8% y/y, driven by 4.0% LFL growth (Evli exp. 2.0%) and new openings. Good LFL growth is attributed to assortment improvements and investments in prices.
- Q3 adj. gross margin was 34.2% vs. 34.4% Evli estimate. the share of direct imports and PL products of total sales remained flat y/y.
- Q3 adj. fixed costs in total were EUR 54.9m (26.1% of revenue) vs. EUR 52.6m (25.4% of sales) Evli view.
- Q3 adj. EBITDA was EUR 18.2m (8.6% margin) vs. EUR 19.6m (9.5%) Evli and EUR 19.2m (9.2%) consensus.
- 2018 guidance upgraded: revenue growth will be "strong" (prev: "good") in 2018, based on new openings and "good" (prev: "low single-digit") LFL growth. Profitability (adj. EBITDA margin) is expected to increase in 2018E (intact). CAPEX will be at the level of depreciations in 2018.

Rating + BUY

Tokmanni Q3'18	Actual	Evli	Cons.*	Year ago
Net sales	210.7	207.3	207.6	195.4
Gross profit (adj.)	72.1	71.3	na.	66.0
Gross margin (adj.)	34.2 %	34.4 %	na.	33.8 %
EBITDA (adj.)	18.2	19.6	19.2	16.2
EBITDA margin (adj.)	8.6 %	9.5 %	9.2 %	8.3 %
EPS	0.17	0.20	0.19	0.16

*Source: Inquiry Financial (4-5 est. avg.)

Share price, EUR (Last trading day's closing price)	7.37
Target price, EUR	9.0
Latest change in recommendation	18-Apr-17
Latest report on company	11-Oct-18
Research paid by issuer:	Yes
No. of shares outstanding, '000's	58,869
No. of shares fully diluted, '000's	58,869
Market cap, EURm	434
Free float, %	100.0
Exchange rate	1.000
Reuters code	TOKMAN.HE
Bloomberg code	TOKMAN FH
Average daily volume, EURm	na.
Next interim report	24-Oct-18
Web site	https://yritys.tokmanni.fi/
Analyst	Joonas Häyhä
E-mail	joonas.hayha@evli.com
Telephone	+358 9 4766 9662

+ BUY + HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	776	48	6.1%	33	0.44	19.5	0.8	7.2	12.9	0.51
2017	797	41	5.1%	35	0.48	15.2	0.7	13.0	13.8	0.41
2018E	856	52	6.1%	47	0.63	11.7	0.7	9.4	10.8	0.45
2019E	881	58	6.6%	54	0.74	10.0	0.6	7.4	9.4	0.52
2020E	914	68	7.4%	65	0.88	8.4	0.6	6.6	7.8	0.62
Market cap, EURm		434	BV per share 2018E, EUR			3.0	CAGR EPS 2017-20, %			22.7
Net debt 2018E, EURm		129	Price/book 2018E			2.5	CAGR sales 2017-20, %			4.7
Enterprise value, EURm		563	Dividend yield 2018E, %			6.1	ROE 2018E, %			21.8
Total assets 2018E, EURm		484	Tax rate 2018E, %			20.9	ROCE 2018E, %			14.9
Goodwill 2018E, EURm		129	Equity ratio 2018E, %			36.5	PEG, P/E 18/CAGR			1.0

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

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. Recommendations and changes by analysts are available at

<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWr7f7K&authType=3>

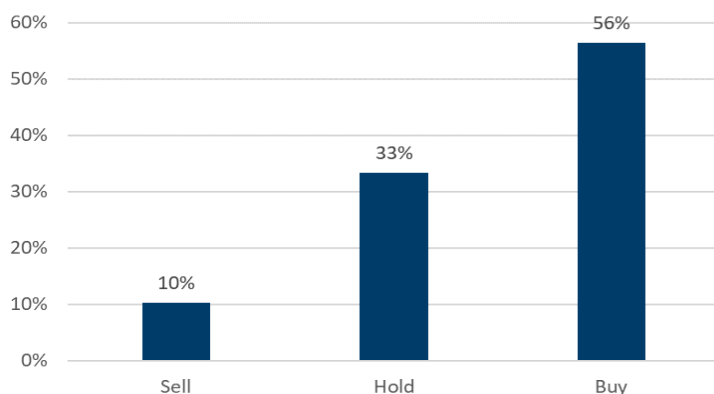
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

<http://research.evli.com>

Investment recommendations are defined as follows:

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

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



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

Name(s) of the analyst(s): Häyhä

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [11.10.2018, 8:00]. This report has been published on [24.10.2018, 9:00].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP may pursue an assignment from the issuer(s) of the financial instruments mentioned in the recommendation or this report. These assignments may have a limited economic or financial impact on ERP and/or Evli. Under such assignments ERP may perform services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied

directly or indirectly to investment banking transactions performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

October 24, 2018

Contact information

SALES AND TRADING HELSINKI

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9130
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120

Corporate Bonds sales and trading

Jukka Hyvönen +46 8 407 8138
Thomas Kaukonen +358 9 4766 9542

ETFs and Derivatives

Tobias Björk (Head) +358 9 4766 9130
Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Derivatives Trading

Sami Järvinen +358 9 4766 9110

SALES AND TRADING STOCKHOLM

Urban Lawesson (Head) +46 8 407 8021
Thomas Kährström +46 8 407 8018

EQUITY RESEARCH

Joonas Häyhä +358 9 4766 9662
Jonas Forslund +358 9 4766 9314
Olli Pöyhönen +358 9 4766 9643
Jerker Salokivi +358 9 4766 9149



EVLI BANK PLC

Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail
firstname.lastname@evli.com

EVLI BANK PLC,
STOCKHOLMSFILIAL
Kungsgatan 27, P.O. Box 16354
SE-111 56 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001