

LFL growth expected to normalize

Tokmanni will report its Q1 earnings on April 25th. Last year's LFL growth was surprisingly high and for Q1'19 we expect LFL growth to normalize. Tokmanni's Q1 revenue should be driven by the positive retail growth in early 2019. We retain our "Buy" rating with TP of EUR 9.0

Store network growing fast in 2019

Tokmanni's store network was 186 at the end of 2018 and in Q1'19 the store network grew by four new stores in Northern Finland through acquisitions. In February Tokmanni agreed on the opening of three new stores in 2019 and on one store reopening. Tokmanni's revised target is to increase its store network to cover more than 200 stores, which implies of five new store openings or relocated stores each year. With this year's store network growth Tokmanni should clearly exceed its yearly target.

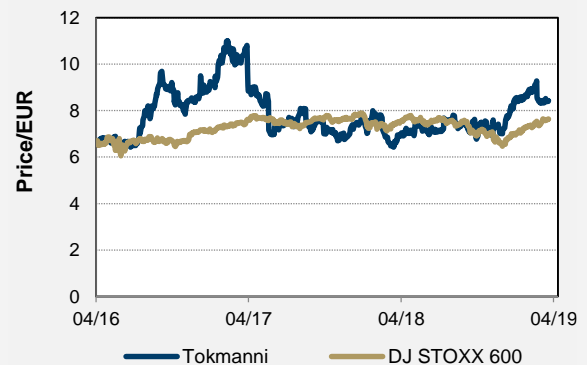
LFL growth expected to normalize in Q1

As retail market is highly seasonal, Q1 is normally weaker than other periods. Tokmanni's LFL growth hit records in 2018 with annual LFL growth of +5.6%. In Q1'18 Tokmanni's reported LFL growth was as high as of 6,1%. We have kept our expectations conservative in 2019E and foresee of LFL growth of 1%. We have retained our gross margin expectation for Q1 at 33,3% even though Tokmanni's target is to increase the gross margin in 2019.

Retaining estimates intact with "Buy" and TP of EUR 9.0

We foresee Q1 revenue of EUR 186m (7.2% growth y/y, of which LFL 1.0%) and adj. EBITDA of EUR 5.1m. (EUR 0.9m Q1'18). We retain "Buy" rating with TP of EUR 9.0. On our estimates Tokmanni trades 10.7x and 9x EV/EBIT in FY19-20E (prior IFRS 16 changes) and offers attractive dividend yield in FY19-20E. Our estimates do not reflect IFRS 16 changes yet but will be updated when Q1 results are out.

Rating BUY



Share price, EUR (Last trading day's closing price) **8.42**

Target price, EUR **9.0**

Latest change in rating **18-Apr-17**

Latest report on company **11-Feb-19**

Research paid by issuer:

No. of shares outstanding, '000's **58,869**

No. of shares fully diluted, '000's **58,869**

Market cap, EURm **496**

Free float, % **100.0**

Exchange rate **1.000**

Reuters code **TOKMAN.HE**

Bloomberg code **TOKMAN FH**

Average daily volume, EURm **na.**

Next interim report **25-Apr-19**

Web site **<https://yritys.tokmanni.fi/>**

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BUY HOLD SELL

KEY FIGURES

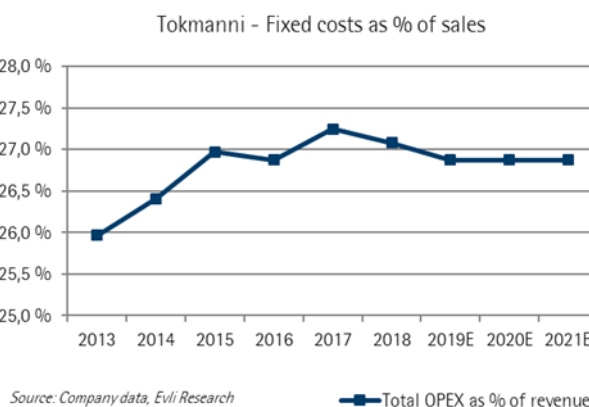
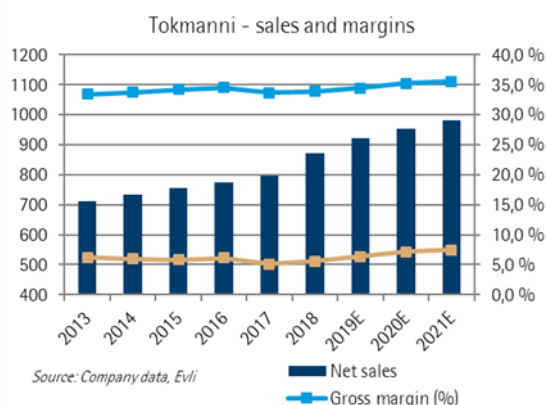
	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	797	41	5.1%	35	0.48	15.2	0.7	13.0	13.8	0.41
2018	870	49	5.6%	43	0.58	12.4	0.6	8.7	11.5	0.50
2019E	921	58	6.3%	54	0.73	11.6	0.7	8.9	10.7	0.55
2020E	952	68	7.1%	64	0.87	9.7	0.6	7.4	9.0	0.65
2021E	982	73	7.5%	70	0.96	8.8	0.6	7.0	8.1	0.67
Market cap, EURm		496	BV per share 2019E, EUR			3.2	CAGR EPS 2018-21, %			18.2
Net debt 2019E, EURm		128	Price/book 2019E			2.6	CAGR sales 2018-21, %			4.1
Enterprise value, EURm		623	Dividend yield 2019E, %			6.5	ROE 2019E, %			23.7
Total assets 2019E, EURm		506	Tax rate 2019E, %			20.0	ROCE 2019E, %			16.5
Goodwill 2019E, EURm		135	Equity ratio 2019E, %			37.2	PEG, P/E 19/CAGR			1.2

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

Tokmanni estimates by Evli

Tokmanni	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Key sales assumptions									
Sales space increase, 1000m2 (organic)	11	18	7	8	24	26	12	12	12
# of stores at year-end	145	149	156	162	175	186	191	196	201
LFL growth (%)	0,0%	-0,3%	-0,6%	-0,1%	-1,3%	5,6%	1,0%	1,0%	1,0%
Net sales	712,8	734,3	755,3	775,8	796,5	870,7	921,2	952,4	981,6
Growth-%	3,3 %	3,0 %	2,9 %	2,7 %	2,7 %	9,3 %	5,8 %	3,4 %	3,1 %
Materials and services (adj.)	-474,6	-486,8	-497,2	-507,9	-528,4	-575,5	-603,6	-617,1	-633,1
Growth-%	-	2,6 %	2,1 %	2,2 %	4,0 %	8,9 %	4,9 %	2,2 %	2,6 %
% of sales	66,6 %	66,3 %	65,8 %	65,5 %	66,3 %	66,1 %	65,5 %	64,8 %	64,5 %
Gross profit (adj.)	238,2	247,5	258,1	267,9	268,1	295,2	317,6	335,2	348,5
Gross margin (%)	33,4 %	33,7 %	34,2 %	34,5 %	33,7 %	33,9 %	34,5 %	35,2 %	35,5 %
Fixed costs (adj.)	-185,1	-193,9	-203,7	-208,5	-217,0	-235,8	-247,5	-255,9	-263,8
Growth-%	-	4,8 %	5,0 %	2,4 %	4,1 %	8,7 %	5,0 %	3,4 %	3,1 %
% of sales	26,0 %	26,4 %	27,0 %	26,9 %	27,2 %	27,1 %	26,9 %	26,9 %	26,9 %
Other income	3,5	3,6	4,0	3,4	3,8	4,0	4,0	4,0	4,0
Share of profits in associated comp.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Depreciation and amortization	-12,6	-13,5	-14,8	-15,2	-14,3	-14,7	-15,6	-15,5	-15,4
EBITDA (adj.)	56,7	57,1	58,4	62,8	54,9	63,4	74,0	83,3	88,7
EBITDA margin (%)	8,0 %	7,8 %	7,7 %	8,1 %	6,9 %	7,3 %	8,0 %	8,7 %	9,0 %
EBIT (adj.)	44,1	43,6	43,6	47,7	40,6	48,7	58,4	67,8	73,3
EBIT margin (%)	6,2 %	5,9 %	5,8 %	6,1 %	5,1 %	5,6 %	6,3 %	7,1 %	7,5 %
NRIs in reported gross profit	0,0	1,1	-0,6	0,5	-0,9	0,3	0,0	0,0	0,0
NRIs in reported fixed costs	-1,1	-1,8	-4,0	1,0	-0,8	1,4	0,0	0,0	0,0
EBIT (reported)	43,0	43,0	39,0	49,2	38,9	50,4	58,4	67,8	73,3
EBIT margin (%)	6,0 %	5,9 %	5,2 %	6,3 %	4,9 %	5,8 %	6,3 %	7,1 %	7,5 %
Net financials	-23,0	-22,2	-20,9	-15,3	-5,9	-5,6	-4,8	-4,0	-3,0
Profit before taxes (reported)	20,1	20,8	18,1	33,9	33,0	44,8	53,6	63,8	70,3
Taxes	-4,8	-4,2	-3,4	-6,8	-6,6	-9,0	-10,7	-12,8	-14,1
Tax rate (%)	23,9 %	20,1 %	18,8 %	20,1 %	20,0 %	20,1 %	20,0 %	20,0 %	20,0 %
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net income (reported)	15,3	16,6	14,7	27,1	26,4	35,8	42,9	51,1	56,2
Average number of shares (million)	58,9	58,9	58,9	58,9	58,9	58,9	58,9	58,9	58,9
EPS (reported)	0,26	0,28	0,25	0,46	0,45	0,61	0,73	0,87	0,96
Dividend and capital return	-	-	-	0,51	0,41	0,50	0,55	0,65	0,72
Payout ratio (%)	-	-	-	111 %	92 %	82 %	75 %	75 %	75 %

Source: Tokmanni, Evli Research



VALUATION

TOKMANNI PEERS	MCAP local FX	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	EV/FCF 19	EV/FCF 20	EV/FCF 21	P/E 19	P/E 20	P/E 21
Nordic non-grocery focused retailers													
Bygghem Group AB	2313	9,0x	7,7x	6,8x	14,8x	11,8x	10,0x	15,3x	16,0x	12,4x	10,2x	8,4x	7,5x
Clas Ohlson AB Class B	4811	7,6x	6,6x	5,4x	11,5x	9,7x	7,6x	17,1x	12,2x		13,7x	11,4x	10,5x
Europris ASA	4806	6,5x	6,1x	5,3x	10,9x	10,1x	8,9x	11,7x	10,6x	8,4x	11,5x	10,8x	9,9x
Stockmann Oyj Abp Class B	173	7,3x	7,3x	7,4x	36,3x	29,6x	15,7x						40,1x
Verkkokauppa.com Oy	184	8,3x	6,9x	5,9x	11,3x	8,9x	7,6x	11,5x	10,3x	8,8x	18,4x	14,8x	12,7x
XXL ASA	4334	6,7x	5,7x	5,0x	12,7x	9,9x	8,5x	15,8x	14,5x	10,6x	13,9x	10,6x	9,1x
Nordic grocery focused retailers													
Axfood AB	36316	12,1x	12,0x	11,8x	18,3x	18,2x	18,7x	33,5x	29,9x	28,0x	22,9x	22,4x	22,5x
ICA Gruppen AB	68993	10,9x	10,7x	11,9x	16,0x	15,9x	16,0x	28,9x	27,5x	34,3x	18,5x	18,2x	18,1x
Kesko Oyj Class B	5012	10,9x	10,6x	10,0x	14,5x	14,2x	13,5x	28,2x	25,7x	20,8x	19,2x	18,5x	17,7x
International discount retailers													
B&M European Value Retail SA	3982	12,4x	11,0x		14,5x	12,9x		26,8x	20,9x		17,6x	15,3x	12,9x
Big Lots, Inc.	1552	5,1x	4,9x	4,9x	8,6x	8,5x	9,7x	10,2x	10,0x		10,6x	10,0x	10,2x
Costco Wholesale Corporation	108017	16,7x	15,6x	14,3x	22,2x	20,5x	18,7x	46,8x	42,1x	37,7x	30,7x	28,9x	26,8x
Distribuidora Internacional de Alimentacion	402	5,7x	5,4x	5,2x	17,8x	15,7x	15,9x				56,7x	22,1x	16,4x
Dollar General Corporation	32216	12,9x	12,0x	11,2x	15,7x	14,6x	13,7x	25,7x	23,9x	30,0x	19,4x	17,5x	16,0x
Dollar Tree, Inc.	25726	11,8x	10,4x	9,3x	16,1x	13,8x	12,3x	28,6x	22,2x	21,1x	20,4x	17,7x	15,9x
Dollarama Inc.	12235	15,2x	14,1x	12,6x	16,7x	15,5x	13,5x	26,0x	22,7x		21,1x	18,8x	17,4x
Pan Pacific International Holdings Corporat	1155374	18,1x	14,5x	13,5x	24,4x	19,4x	17,7x				24,2x	22,6x	20,6x
Five Below, Inc.	7797	27,2x	22,0x	17,6x	33,9x	27,2x	21,8x	78,3x	68,1x	48,7x	45,6x	37,0x	30,4x
Ollie's Bargain Outlet Holdings Inc	5859	26,7x	22,6x	19,3x	30,1x	25,5x	21,1x	81,3x	80,9x		43,1x	36,8x	30,9x
Target Corporation	42690	8,0x	7,9x	8,1x	12,3x	12,1x	12,3x	21,6x	19,9x	21,8x	14,2x	13,3x	12,4x
Walmart Inc.	296036	10,5x	10,3x	9,9x	15,9x	15,5x	14,8x	23,1x	21,5x	21,0x	21,7x	20,6x	19,5x
Nordic non-grocery peers median	4806	7,5x	6,7x	5,6x	12,1x	10,0x	8,7x	15,3x	12,2x	10,6x	13,7x	10,8x	10,2x
Nordic grocery focused retailers	10991	10,9x	10,7x	11,8x	16,0x	15,9x	16,0x	28,9x	27,5x	28,0x	19,2x	18,5x	18,1x
Discount retailers median	18981	12,6x	11,5x	11,2x	16,4x	15,5x	14,8x	26,4x	23,3x	32,6x	21,4x	19,7x	16,9x
Tokmanni (Evli est.)	496	8,4x	7,3x	6,7x	10,7x	9,0x	8,1x	15,3x	11,8x	10,8x	11,6x	9,7x	8,8x
<i>Tokmanni premium vs. Nordic non-grocery focused peers</i>		13%	8%	18%	-12%	-10%	-7%	-7%	-3%	1%	-16%	-10%	-13%
<i>Tokmanni premium vs. Nordic grocery focused peers</i>		-22%	-32%	-43%	-33%	-44%	-50%	-47%	-57%	-62%	-40%	-48%	-51%
<i>Tokmanni premium vs. int. discount peers</i>		-33%	-36%	-41%	-35%	-42%	-46%	-42%	-49%	-67%	-46%	-51%	-48%
		Dividend yield			EBIT margin			ROCE-%			ROE-%		
TOKMANNI PEERS	Ticker	19	20	21	19	20	21	19	20	21	19	20	21
Nordic non-grocery focused retailers													
Bygghem Group AB	BMAX-SE	5,3%	6,1%	7,3%	4,7%	5,4%	5,8%	9,2%	10,6%	11,5%	14,8%	16,6%	17,3%
Clas Ohlson AB Class B	CLAS.B-SE	7,9%	7,5%	7,2%	5,1%	5,8%	6,5%	19,6%	22,7%		18,9%	21,9%	22,2%
Europris ASA	EPR-NO	6,4%	6,6%	7,1%	10,3%	10,4%	10,8%	12,5%	12,9%	13,2%	22,5%	22,2%	22,2%
Stockmann Oyj Abp Class B	STCBV-FI	0,0%	0,0%	2,1%	2,7%	3,5%	4,5%	1,8%	2,4%	3,6%	-3,7%	-2,1%	0,6%
Verkkokauppa.com Oy	VERK-FI	5,2%	5,6%	6,0%	2,7%	3,0%	3,1%	20,5%	23,5%	24,3%	25,8%	29,5%	30,7%
XXL ASA	XXL-NO	2,9%	4,5%	3,8%	5,0%	5,7%	6,1%	7,3%	8,6%	8,7%	7,9%	9,7%	10,7%
Nordic grocery focused retailers													
Axfood AB	AXFO-SE	4,0%	4,1%	4,0%	4,2%	4,1%	4,1%	24,4%	23,8%	21,0%	36,5%	35,8%	34,7%
ICA Gruppen AB	ICA-SE	3,4%	3,4%	3,4%	4,1%	4,0%	4,0%	9,6%	9,4%	9,0%	10,8%	10,6%	10,3%
Kesko Oyj Class B	KESKOB-FI	4,9%	5,1%	5,4%	3,7%	3,8%	3,9%	12,5%	12,5%	13,7%	12,8%	13,0%	13,5%
International discount retailers													
B&M European Value Retail SA	BME-GB	2,3%	2,7%	3,0%	7,8%	8,0%	8,2%	16,6%	17,7%		19,8%	20,7%	
Big Lots, Inc.	BIG-US	3,2%	3,2%	3,4%	4,0%	3,9%	3,6%	14,1%	12,6%		19,1%	18,5%	15,9%
Costco Wholesale Corporation	COST-US	1,0%	1,1%	1,2%	3,2%	3,2%	3,2%	21,1%	20,7%	21,6%	23,6%	21,8%	20,9%
Distribuidora Internacional de Alimentacion	DIA-ES	0,1%	0,1%	0,0%	1,4%	1,5%	1,5%	13,8%	17,9%				
Dollar General Corporation	DG-US	1,0%	1,1%	1,2%	8,1%	8,1%	8,1%	20,8%	20,9%	20,7%	23,9%	23,8%	23,0%
Dollar Tree, Inc.	DLTR-US	0,0%	0,0%	0,0%	7,6%	8,2%	8,4%	15,1%	16,7%	16,6%	17,2%	18,1%	16,0%
Dollarama Inc.	DOL-CA	0,4%	0,5%	0,5%	22,4%	22,5%	23,3%	41,9%	40,7%	9,0%	663,7%	176,0%	102,9%
Pan Pacific International Holdings Corporat	7532-JP	0,5%	0,5%	0,5%	4,7%	4,4%	4,6%	7,0%	8,5%	9,0%	13,3%	12,7%	12,3%
Five Below, Inc.	FIVE-US	0,0%	0,0%	0,0%	11,9%	12,2%	12,2%	26,3%	26,7%	25,1%	24,1%	23,4%	22,4%
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0,0%	0,0%	0,0%	13,3%	13,5%	13,7%	17,0%	19,2%		13,4%	14,4%	13,5%
Target Corporation	TGT-US	3,2%	3,3%	3,6%	5,6%	5,6%	5,5%	15,9%	16,0%	15,3%	24,9%	25,9%	27,8%
Walmart Inc.	WMT-US	2,1%	2,0%	2,3%	4,1%	4,1%	4,0%	14,8%	15,5%	15,4%	17,5%	18,8%	19,4%
Nordic non-grocery peers median		5,2%	5,8%	6,6%	4,8%	5,6%	5,9%	10,8%	11,7%	11,5%	16,8%	19,2%	19,7%
Nordic grocery focused retailers		4,0%	4,1%	4,0%	4,1%	4,0%	4,0%	12,5%	12,5%	13,7%	12,8%	13,0%	13,5%
Discount retailers median		0,7%	0,8%	0,9%	6,6%	6,8%	6,6%	16,2%	17,8%	16,6%	19,8%	20,7%	20,1%
Tokmanni (Evli est.)		6,5%	7,7%	7,9%	6,3%	7,1%	7,5%	16,5%	18,6%	19,9%	23,7%	25,9%	26,1%
		Cash conversion (FCF/EBITDA)			CAPEX/sales			Net debt/EBITDA			Equity ratio		
TOKMANNI PEERS		19	20	21	19	20	21	19	20	21	19	20	21
Nordic non-grocery focused retailers													
Bygghem Group AB		59%	48%	55%	2%	2%	2%	3,6x	3,0x	2,4x	33%	35%	36%
Clas Ohlson AB Class B		44%	54%	na.	3%	3%		0,3x	0,2x	-0,5x	44%	45%	
Europris ASA		56%	57%	63%	2%	2%	1%	1,8x	1,5x	1,2x	30%	33%	35%
Stockmann Oyj Abp Class B		-180%	-11%	21%	38%	10%	4%	5,9x	6,0x	5,5x	40%	38%	44%
Verkkokauppa.com Oy		72%	67%	67%	1%	1%	0%	-1,4x	-1,3x	-1,4x	22%	22%	22%
XXL ASA		43%	40%	47%	2%	2%	2%	2,1x	1,7x	1,4x	41%	43%	42%
Nordic grocery focused retailers													
Axfood AB		36%	40%	42%	3%	3%	3%	0,6x	0,8x	1,0x	29%	29%	28%
ICA Gruppen AB		38%	39%	35%	3%	3%	3%	1,3x	1,3x	1,5x	40%	40%	41%
Kesko Oyj Class B		39%	41%	48%	3%	2%	2%	1,6x	1,7x	1,5x	41%	41%	43%
International discount retailers													
B&M European Value Retail SA		46%	53%	na.	2%	2%		1,3x	1,1x		50%	52%	
Big Lots, Inc.		50%	49%	na.	5%	4%		0,8x	0,8x	0,9x	36%	37%	
Costco Wholesale Corporation		36%	37%	38%	2%	2%	2%	-0,1x	-0,2x	-0,4x	35%	37%	42%
Distribuidora Internacional de Alimentacion SA		-8%	11%	15%	3%	4%	3%	4,4x	4,1x	4,0x	-1%	0%	-1%
Dollar General Corporation		50%	50%	37%	3%	3%	3%	1,0x	0,9x	0,8x	49%	51%	53%
Dollar Tree, Inc.		41%	47%	44%	4%	4%	3%	1,2x	0,8x	0,4x	48%	54%	61%
Dollarama Inc.		58%	62%	na.	4%	3%		2,0x	1,8x	1,1x	-6%	-3%	
Pan Pacific International Holdings Corporation		-128%	25%	21%	4%	3%	3%	4,7x	3,8x	3,4x	30%	32%	35%
Five Below, Inc.		35%	32%	36%	9%	7%	6%	-0,6x	-0,6x	-0,9x	66%	68%	72%
Ollie's Bargain Outlet Holdings Inc		33%	28%	na.	4%	2%		-0,3x	-0,5x	-0,8x	82%	81%	
Target Corporation		37%	39%	37%	4%	4%	4%	1,6x	1,6x	1,8x	28%	28%	29%
Walmart Inc.		46%	48%	47%	2%	2%	2%	1,4x	1,4x	1,2x	34%	33%	33%
Nordic non-grocery peers median		50%	51%	55%	2%	2%	2%	2,0x	1,6x	1,3x	36%	36%	36%
Nordic grocery focused retailers		38%	40%	42%	3%	3%	3%	1,3x	1,3x	1,5x	40%	40%	41%
Discount retailers median		39%	43%	37%	4%	3%	3%	1,3x	1,0x	0,9x	36%	37%	38%
Tokmanni (Evli est.)		55											

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	8.42 PV of Free Cash Flow	375 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	12.07 PV of Horizon value	471 WACC, %	7.6 Market risk premium, %
Share price potential, %	43.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	13.4 Marketable securities	38 Minimum WACC, %	7.1 Equity beta coefficient
Minimum value	10.9 Debt - dividend	-173 Maximum WACC, %	8.1 Target debt ratio, %
Horizon value, %	55.7 Value of stock	711 Nr of shares, Mn	58.9 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	870	921	952	982	1,001	1,021	1,042	1,063	1,084	1,105	1,128	1,150
<i>Sales growth, %</i>	<i>9.3</i>	<i>5.8</i>	<i>3.4</i>	<i>3.1</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	49	58	68	73	75	77	78	80	81	72	73	75
<i>EBIT margin, %</i>	<i>5.6</i>	<i>6.3</i>	<i>7.1</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>
+ Depreciation+amort.	15	16	15	15	16	16	16	17	17	18	18	
- Income taxes	-10	-12	-14	-15	-15	-15	-16	-16	-16	-14	-15	
- Change in NWC	-5	-6	-3	-3	-2	-2	-2	-2	-2	-2	-2	
<i>NWC / Sales, %</i>	<i>10.0</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	<i>10.2</i>	
+ Change in other liabs	-1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-22	-15	-15	-16	-17	-18	-19	-19	-20	-21	-23	-23
<i>Investments / Sales, %</i>	<i>2.5</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</i>	<i>1.7</i>	<i>1.7</i>	<i>1.8</i>	<i>1.8</i>	<i>1.9</i>	<i>1.9</i>	<i>2.0</i>	<i>2.0</i>
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	27	41	52	55	57	57	58	59	59	51	52	956
= Discounted FCF (DFCF)		39	46	45	43	41	38	36	34	27	26	471
= DFCF min WACC		39	46	46	44	42	39	37	35	28	27	542
= DFCF max WACC		39	45	45	43	40	37	35	33	26	25	413

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	174	218	211	268	870	186	232	225	277	921	952	982
EBITDA	1	16	18	28	63	5	18	21	30	74	83	89
<i>EBITDA margin (%)</i>	<i>0.5</i>	<i>7.3</i>	<i>8.6</i>	<i>10.5</i>	<i>7.3</i>	<i>2.7</i>	<i>7.6</i>	<i>9.3</i>	<i>11.0</i>	<i>8.0</i>	<i>8.7</i>	<i>9.0</i>
EBIT	-3	12	15	24	49	1	14	17	26	58	68	73
<i>EBIT margin (%)</i>	<i>-1.6</i>	<i>5.7</i>	<i>6.9</i>	<i>9.1</i>	<i>5.6</i>	<i>0.6</i>	<i>5.9</i>	<i>7.5</i>	<i>9.6</i>	<i>6.3</i>	<i>7.1</i>	<i>7.5</i>
Net financial items	-1	-1	-1	-1	-6	-1	-1	-1	-1	-5	-4	-3
Pre-tax profit	-4	11	13	23	43	0	13	16	25	54	64	70
Tax	1	-3	-2	-5	-9	0	-3	-3	-5	-11	-13	-14
<i>Tax rate (%)</i>	<i>19.3</i>	<i>23.5</i>	<i>19.1</i>	<i>20.0</i>	<i>20.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-3	8	11	18	34	0	10	13	20	43	51	56
EPS	-0.06	0.14	0.18	0.31	0.58	0.00	0.17	0.21	0.34	0.73	0.87	0.96
EPS adjusted (diluted no. of shares)	-0.06	0.14	0.18	0.31	0.58	0.00	0.17	0.21	0.34	0.73	0.87	0.96
Dividend per share	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.55	0.65	0.67
SALES, EURm												
Group	174	218	211	268	870	186	232	225	277	921	952	982
Total	174	218	211	268	870	186	232	225	277	921	952	982
SALES GROWTH, Y/Y %												
Group	10.9	11.0	7.8	8.0	9.3	7.2	6.8	7.0	3.3	5.8	3.4	3.1
Total	10.9	11.0	7.8	8.0	9.3	7.2	6.8	7.0	3.3	5.8	3.4	3.1
EBIT, EURm												
Group	-3	12	15	24	49	1	14	17	26	58	68	73
Total	-3	12	15	24	49	1	14	17	26	58	68	73
EBIT margin, %												
Group	-1.6	5.7	6.9	9.1	5.6	0.6	5.9	7.5	9.6	6.3	7.1	7.5
Total	-1.6	5.7	6.9	9.1	5.6	0.6	5.9	7.5	9.6	6.3	7.1	7.5

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	734	755	776	797	870	921	952	982
<i>Sales growth (%)</i>	<i>3.0</i>	<i>2.9</i>	<i>2.7</i>	<i>2.7</i>	<i>9.3</i>	<i>5.8</i>	<i>3.4</i>	<i>3.1</i>
Costs	-677	-697	-713	-742	-807	-847	-869	-893
Reported EBITDA	57	58	63	55	63	74	83	89
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>7.8</i>	<i>7.7</i>	<i>8.1</i>	<i>6.9</i>	<i>7.3</i>	<i>8.0</i>	<i>8.7</i>	<i>9.0</i>
Depreciation	-13	-15	-15	-14	-15	-16	-15	-15
EBITA	44	44	48	41	49	58	68	73
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	44	44	48	41	49	58	68	73
<i>EBIT margin (%)</i>	<i>5.9</i>	<i>5.8</i>	<i>6.1</i>	<i>5.1</i>	<i>5.6</i>	<i>6.3</i>	<i>7.1</i>	<i>7.5</i>
Net financials	-22	-21	-15	-6	-6	-5	-4	-3
Pre-tax profit	21	23	33	35	43	54	64	70
Extraordinary items	-2	-5	2	-1	1	0	0	0
Taxes	-4	-3	-7	-7	-9	-11	-13	-14
Minority shares	0	0	0	0	0	0	0	0
Net profit	15	15	27	27	35	43	51	56
BALANCE SHEET, EURm								
Assets								
Fixed assets	93	97	95	94	95	95	94	95
<i>% of sales</i>	<i>13</i>	<i>13</i>	<i>12</i>	<i>12</i>	<i>11</i>	<i>10</i>	<i>10</i>	<i>10</i>
Goodwill	129	129	129	129	135	135	135	135
<i>% of sales</i>	<i>18</i>	<i>17</i>	<i>17</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>14</i>	<i>14</i>
Inventory	151	160	155	170	191	203	210	216
<i>% of sales</i>	<i>21</i>	<i>21</i>	<i>20</i>	<i>21</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>
Receivables	16	16	18	22	22	23	23	24
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>2</i>	<i>2</i>
Liquid funds	52	49	58	43	38	46	48	49
<i>% of sales</i>	<i>7</i>	<i>6</i>	<i>7</i>	<i>5</i>	<i>4</i>	<i>5</i>	<i>5</i>	<i>5</i>
Total assets	446	455	459	462	486	506	514	524
Liabilities								
Equity	33	48	167	163	175	188	207	225
<i>% of sales</i>	<i>5</i>	<i>6</i>	<i>21</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>22</i>	<i>23</i>
Deferred taxes	6	6	5	5	6	6	6	6
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Interest bearing debt	306	294	174	177	173	174	159	146
<i>% of sales</i>	<i>42</i>	<i>39</i>	<i>22</i>	<i>22</i>	<i>20</i>	<i>19</i>	<i>17</i>	<i>15</i>
Non-interest bearing current liabilities	84	91	104	107	123	129	133	137
<i>% of sales</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>13</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>
Other interest free debt	18	16	10	11	10	10	10	10
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Total liabilities	446	455	459	463	485	506	514	524
CASH FLOW, EURm								
+ EBITDA	57	58	63	55	63	74	83	89
- Net financial items	-22	-21	-15	-6	-6	-5	-4	-3
- Taxes	-4	-3	-7	-7	-8	-11	-13	-14
- Increase in Net Working Capital	-3	-3	17	-14	-5	-6	-3	-3
+/- Other	-2	-5	2	-1	1	0	0	0
= Cash flow from operations	26	27	59	27	45	52	63	69
- Capex	-13	-18	-13	-13	-7	-15	-15	-16
- Acquisitions	0	0	0	0	-15	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	13	8	46	14	22	37	48	53
+/- Change in interest-bearing debt	-9	-12	-120	3	-4	1	-15	-13
+/- New issues/buybacks	1	0	91	-1	1	0	0	0
- Paid dividend	0	0	0	-30	-24	-29	-32	-38
+/- Change in loan receivables	0	0	-8	-1	-1	0	0	0
Change in cash	5	-3	9	-15	-5	8	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	500	427	423	496	496	496
Net debt	245	116	134	135	128	111	97
Enterprise value	245	616	561	558	623	607	593
Sales	755	776	797	870	921	952	982
EBITDA	58	63	55	63	74	83	89
EBIT	44	48	41	49	58	68	73
Pre-tax	23	33	35	43	54	64	70
Earnings	19	26	28	34	43	51	56
Book value	48	167	163	175	188	207	225
Valuation multiples							
EV/sales	0.3	0.8	0.7	0.6	0.7	0.6	0.6
EV/EBITDA	4.2	9.8	10.2	8.8	8.4	7.3	6.7
EV/EBITA	5.6	12.9	13.8	11.5	10.7	9.0	8.1
EV/EBIT	5.6	12.9	13.8	11.5	10.7	9.0	8.1
EV/operating cash flow	5.0	8.9	17.1	11.5	11.2	9.1	8.3
EV/cash earnings	7.2	15.3	13.3	11.3	10.7	9.1	8.3
P/E	0.0	19.5	15.2	12.4	11.6	9.7	8.8
P/E excl. goodwill	0.0	19.5	15.2	12.4	11.6	9.7	8.8
P/B	0.0	3.0	2.6	2.4	2.6	2.4	2.2
P/sales	0.0	0.6	0.5	0.5	0.5	0.5	0.5
P/CF	0.0	7.2	13.0	8.7	8.9	7.4	7.0
Target EV/EBIT	0.0	0.0	0.0	0.0	11.3	9.5	8.6
Target P/E	0.0	0.0	21.7	14.6	12.3	10.4	9.4
Target P/B	0.0	0.0	0.0	0.0	2.8	2.6	2.4
Per share measures							
Number of shares	22,274	58,869	58,869	58,869	58,869	58,869	58,869
Number of shares (diluted)	22,274	58,869	58,869	58,869	58,869	58,869	58,869
EPS	0.87	0.44	0.48	0.58	0.73	0.87	0.96
EPS excl. goodwill	0.87	0.44	0.48	0.58	0.73	0.87	0.96
Cash EPS	1.53	0.69	0.71	0.84	0.99	1.13	1.22
Operating cash flow per share	2.21	1.18	0.56	0.82	0.95	1.13	1.21
Capital employed per share	13.14	4.80	5.04	5.26	5.36	5.40	5.47
Book value per share	2.16	2.83	2.77	2.96	3.19	3.51	3.82
Book value excl. goodwill	-3.61	0.65	0.58	0.68	0.91	1.23	1.53
Dividend per share	0.00	0.51	0.41	0.50	0.55	0.65	0.67
Dividend payout ratio, %	0.0	116.8	86.0	86.3	75.0	75.0	70.0
Dividend yield, %	0.0	6.0	5.7	5.9	6.5	7.7	7.9
Efficiency measures							
ROE	47.5	23.9	17.0	20.2	23.7	25.9	26.1
ROCE	12.9	14.1	12.1	14.1	16.5	18.6	19.9
Financial ratios							
Capex/sales, %	2.4	1.7	1.7	2.5	1.6	1.6	1.6
Capex/depreciation excl. goodwill,%	124.1	86.0	94.4	109.5	96.2	96.9	103.9
Net debt/EBITDA, book-weighted	4.2	1.8	2.4	2.1	1.7	1.3	1.1
Debt/equity, market-weighted	0.0	0.3	0.4	0.4	0.4	0.3	0.3
Equity ratio, book-weighted	10.9	36.3	35.2	35.9	37.2	40.2	42.9
Gearing	5.10	0.70	0.82	0.77	0.68	0.54	0.43
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takoa Invest	10,267,688	86.454	17.4%
Keskinäinen Työeläkevakuutusyhtiö Elo	4,750,000	39.995	8.1%
Keskinäinen työeläkevakuutusyhtiö Varma	4,343,252	36.570	7.4%
Sijoitusrahasto Nordea Pro Suomi	2,670,267	22.484	4.5%
OP-Suomi Arvo -sijoitusrahasto	1,870,606	15.751	3.2%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,388,574	11.692	2.4%
Fondita Nordic Small Cap -sijoitusrahasto	863,000	7.266	1.5%
Eläkevakuutusosakeyhtiö Veritas	810,000	6.820	1.4%
OP-Suomi Pienyhtiöt -sijoitusrahasto	802,936	6.761	1.4%
Sijoitusrahasto Nordea Nordic Small Cap	769,128	6.476	1.3%
Ten largest	28,535,451	240.268	48%
Residual	30,333,301	255.406	52%
Total	58,868,752	495.675	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Mika Rautiainen

CFO: Markku Pirskanen

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DEFINITIONS

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

Important Disclosures

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;G3rNagWrtf7K&authType=3>

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 updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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