

Focus on improving profitability in '19E

(Corrected version)

Tokmanni's focus in 2019E is to increase profitability and profit margin. Tokmanni's revenue and LFL growth grew well in Q1 driven by campaigns and clearance sales. We see valuation of being moderate. Hence, we retain TP of EUR 9.0, but downgrade our rating to "HOLD"

LFL growth was clearly above expectations

Tokmanni's Q1 revenue grew by 8.3% and was EUR 188m vs. EUR 186m our expectation. LFL growth continued to be high with 4.1 % growth vs. 1 % our view. Sales was driven by clearance sales, Nettopäivät campaign and the change in assortment of newly-acquired Ale-Makasiini stores. Sales development was particularly good in clothing and tool products categories. At the same time, discounted prices weighed down gross margin (31,2% vs. 33,3% our view). Tokmanni's target is to increase its gross margin and profitability and reduce the relative share of fixed costs in 2019E.

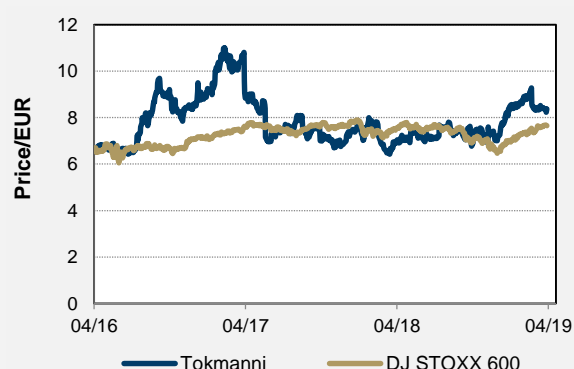
Focus on new store openings and increase in profitability

Tokmanni's target to expand its store network has been efficient. In Q1'19 Tokmanni's store network was 188 stores (175 stores in Q1'18). Tokmanni reiterates its guidance and targets to increase its retail space by some 12,000 square meters annually which means approximately five new store openings per year. Tokmanni has agreed on opening of seven new stores and two relocated stores during 2019, hence, Tokmanni will exceed its targets in 2019E.

Retaining TP of EUR 9 with "HOLD"

Tokmanni's figures were impacted by the changes of IFRS 16. We have updated our figures to reflect the changes. Based on Q1 results, we have slightly adjusted upwards our estimates. We now see revenue of EUR 936m and EBIT of EUR 63m for 2019E compared to previous estimates of EUR 921m and EUR 58m. In 2019E Tokmanni trades at 13x EV/EBIT which is some 18% discount to Nordic grocery focused peers. We retain our TP of EUR 9, but downgrade our rating to "HOLD".

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 8.36

Target price, EUR 9.0

Latest change in rating 18-Apr-17

Latest report on company 18-Apr-19

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 492

Free float, % 100.0

Exchange rate 1.000

Reuters code TOKMAN.HE

Bloomberg code TOKMAN FH

Average daily volume, EURm na.

Next interim report 8-Aug-19

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🟢 BUY 🟡 HOLD 🔴 SELL

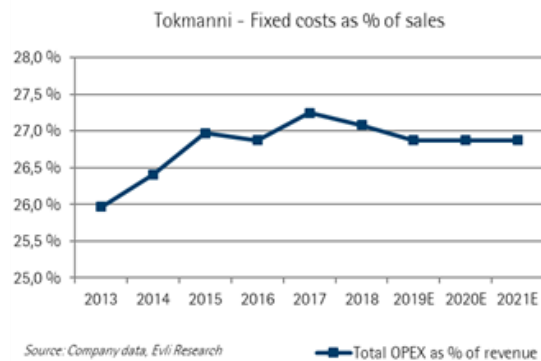
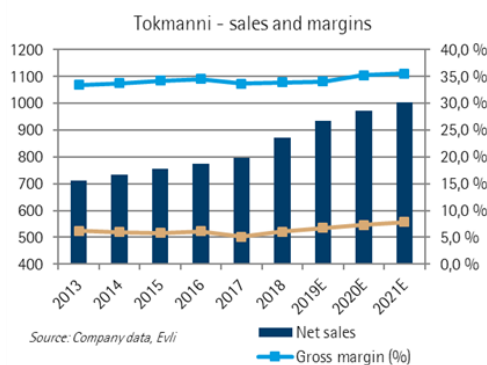
KEY FIGURES

	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	52	6.0%	42	0.56	12.8	0.9	4.6	15.3	0.50
2019E	936	63	6.7%	52	0.71	11.7	0.9	4.8	13.0	0.54
2020E	972	71	7.3%	60	0.81	10.3	0.8	4.2	10.7	0.61
2021E	1,002	78	7.8%	67	0.91	9.1	0.7	4.1	8.9	0.64
Market cap, EURm		492		BV per share 2019E, EUR		3.0		CAGR EPS 2018-21, %		17.6
Net debt 2019E, EURm		329		Price/book 2019E		2.7		CAGR sales 2018-21, %		4.8
Enterprise value, EURm		821		Dividend yield 2019E, %		6.5		ROE 2019E, %		24.2
Total assets 2019E, EURm		702		Tax rate 2019E, %		19.9		ROCE 2019E, %		11.1
Goodwill 2019E, EURm		135		Equity ratio 2019E, %		25.6		PEG, P/E 19/CAGR		1.3

Estimates

Tokmanni	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Key sales assumptions									
Sales space increase, 1000m2 (organic)	11	18	7	8	24	26	17	12	12
# of stores at year-end	145	149	156	162	175	186	193	198	203
LFL growth (%)	0,0%	-0,3%	-0,6%	-0,1%	-1,3%	5,6%	2,0%	1,0%	1,0%
Net sales	712,8	734,3	755,3	775,8	796,5	870,5	935,8	972,4	1002,0
Growth-%	3,3%	3,0%	2,9%	2,7%	2,7%	9,3%	7,5%	3,9%	3,0%
Materials and services (adj.)	-474,6	-486,8	-497,2	-507,9	-528,4	-575,2	-617,2	-630,1	-646,3
Growth-%	-	2,6%	2,1%	2,2%	4,0%	8,9%	7,3%	2,1%	2,6%
% of sales	66,6%	66,3%	65,8%	65,5%	66,3%	66,1%	66,0%	64,8%	64,5%
Gross profit (adj.)	238,2	247,5	258,1	267,9	268,1	295,3	318,6	342,3	355,7
Gross margin (%)	33,4%	33,7%	34,2%	34,5%	33,7%	33,9%	34,0%	35,2%	35,5%
Fixed costs (adj.)	-185,1	-193,9	-203,7	-208,5	-217,0	-189,5	-199,7	-211,8	-220,2
Growth-%	-	4,8%	5,0%	2,4%	4,1%	-12,7%	5,4%	6,1%	4,0%
% of sales	26,0%	26,4%	27,0%	26,9%	27,2%	21,8%	21,3%	21,8%	22,0%
Other income	3,5	3,6	4,0	3,4	3,8	4,1	4,2	4,2	4,2
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	-57,5	-60,0	-63,4	-61,3
EBITDA (adj.)	56,7	57,1	58,4	62,8	54,9	109,9	123,1	134,6	139,7
EBITDA margin (%)	8,0%	7,8%	7,7%	8,1%	6,9%	12,6%	13,2%	13,8%	13,9%
EBIT (adj.)	44,1	43,6	43,6	47,7	40,6	52,4	63,1	71,3	78,4
EBIT margin (%)	6,2%	5,9%	5,8%	6,1%	5,1%	6,0%	6,7%	7,3%	7,8%
NRIs in reported gross profit	0,0	1,1	-0,6	0,5	-0,9	0,2	0,2	0,0	0,0
NRIs in reported fixed costs	-1,1	-1,8	-4,0	1,0	-0,8	1,4	0,5	0,0	0,0
EBIT (reported)	43,0	43,0	39,0	49,2	38,9	54,0	63,8	71,3	78,4
EBIT margin (%)	6,0%	5,9%	5,2%	6,3%	4,9%	6,2%	6,8%	7,3%	7,8%
Net financials	-23,0	-22,2	-20,9	-15,3	-5,9	-10,5	-10,7	-11,6	-11,2
Profit before taxes (reported)	20,1	20,8	18,1	33,9	33,0	43,5	53,1	59,7	67,2
Taxes	-4,8	-4,2	-3,4	-6,8	-6,6	-8,9	-10,4	-11,9	-13,4
Tax rate (%)	23,9%	20,1%	18,8%	20,1%	20,0%	20,5%	19,6%	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	34,6	42,7	47,7	53,7
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	0,59	0,72	0,81	0,91
Dividend and capital return	-	-	-	0,51	0,41	0,50	0,54	0,61	0,68
Payout ratio (%)	-	-	-	111%	92%	85%	75%	75%	75%

Source: Tokmanni, Evli Research



Valuation

TOKMANNI PEERS	MCAP local FX	EV/EBITDA			EV/EBIT			EV/FCF			P/E		
		19	20	21	19	20	21	19	20	21	19	20	21
Nordic non-grocery focused retailers													
Bygghem Group AB	2400	9,2x	7,9x	6,9x	15,1x	12,0x	10,3x	15,7x	16,4x	12,7x	10,6x	8,8x	7,8x
Clas Ohlson AB Class B	4978	7,8x	6,8x	5,6x	11,9x	10,1x	7,9x	17,7x	12,6x		14,2x	11,8x	10,8x
Europris ASA	4686	6,1x	5,9x	5,2x	10,4x	9,8x	8,6x	12,5x	11,5x	8,9x	11,5x	10,7x	9,7x
Stockmann Oyj Abp Class B	164	8,0x	8,2x	7,3x	38,8x	36,4x	15,5x			34,9x			37,8x
Verkkokauppa.com Oy	183	8,3x	6,9x	5,9x	11,2x	8,9x	7,5x	11,4x	10,2x	8,7x	18,3x	14,7x	12,6x
XXL ASA	3994	6,3x	5,4x	5,0x	12,7x	10,1x	9,0x	21,7x	14,8x	13,1x	12,7x	9,8x	8,6x
Nordic grocery focused retailers													
Axfood AB	37322	10,9x	10,8x	10,7x	19,0x	18,9x	18,8x	29,1x	26,3x	25,6x	22,9x	22,5x	22,2x
ICA Gruppen AB	68973	10,0x	9,9x	9,6x	15,9x	15,8x	15,9x	28,9x	27,5x	34,3x	18,6x	18,4x	34,3x
Kesko Oyj Class B	4826	11,5x	11,2x	10,7x	15,2x	14,7x	14,6x	34,1x	27,5x	21,6x	18,3x	17,7x	17,0x
International discount retailers													
B&M European Value Retail SA	3947	12,3x	11,0x		14,5x	12,9x		26,6x	20,7x		17,4x	15,3x	12,8x
Big Lots, Inc.	1543	5,1x	4,9x	4,9x	8,6x	8,4x	9,5x	10,1x	10,0x		10,6x	10,0x	10,2x
Costco Wholesale Corporation	108035	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	355	5,6x	5,3x	5,0x	17,5x	15,5x	15,4x			80,4x	34,3x	20,0x	16,4x
Dollar General Corporation	32755	13,0x	12,1x	11,4x	15,9x	14,8x	13,9x	26,1x	24,3x	30,5x	19,7x	17,8x	16,2x
Dollar Tree, Inc.	26419	12,1x	10,7x	9,5x	16,4x	14,1x	12,6x	29,3x	22,7x	21,7x	20,9x	18,1x	16,3x
Dollarama Inc.	13088	16,1x	14,9x	13,4x	17,7x	16,4x	14,4x	27,6x	24,1x		22,6x	20,1x	18,6x
Pan Pacific International Holdings Corporat	1131733	17,8x	14,4x	13,3x	24,0x	19,2x	17,5x		59,8x	64,2x	23,7x	22,1x	20,2x
Five Below, Inc.	8119	28,1x	22,6x	18,4x	34,9x	28,0x	22,8x	80,7x	70,1x	50,8x	47,5x	38,5x	31,6x
Ollie's Bargain Outlet Holdings Inc	6014	27,4x	23,2x	19,8x	30,9x	26,2x	21,6x	83,5x	83,1x		44,2x	37,7x	31,8x
Target Corporation	42205	7,9x	7,8x	8,0x	12,2x	11,9x	12,1x	21,1x	19,3x	21,6x	14,0x	13,1x	12,3x
Walmart Inc.	296805	10,6x	10,4x	9,9x	15,9x	15,5x	14,9x	23,2x	21,6x	21,0x	21,8x	20,7x	19,6x
Nordic non-grocery peers median													
Nordic grocery focused retailers													
Discount retailers median													
Tokmanni (Evl est.)													
<i>Tokmanni premium vs. Nordic non-grocery focused peers</i>													
<i>Tokmanni premium vs. Nordic grocery focused peers</i>													
<i>Tokmanni premium vs. int. discount peers</i>													
Dividend yield													
EBIT margin													
ROCE-%													
TOKMANNI PEERS													
Nordic non-grocery focused retailers													
Bygghem Group AB	BMAX-SE	5,1%	5,8%	7,0%	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	7,6%	7,3%	6,9%	5,1%	5,8%	6,5%	19,6%	22,7%		18,9%	21,9%	22,2%
Europris ASA	EPR-NO	6,6%	6,8%	7,3%	10,1%	10,3%	10,8%	12,4%	12,9%	13,1%	22,0%	22,1%	22,2%
Stockmann Oyj Abp Class B	STCBV-FI	0,0%	0,0%	2,2%	2,3%	2,5%	4,5%	1,6%	1,8%	3,6%	-2,9%	-2,3%	0,6%
Verkkokauppa.com Oy	VERK-FI	5,2%	5,7%	6,1%	2,2%	3,0%	3,1%	20,5%	23,5%	24,3%	25,8%	29,5%	30,7%
XXL ASA	XXL-NO	2,7%	4,9%	4,4%	5,3%	6,0%	6,3%	7,0%	8,1%	8,8%	7,9%	9,5%	10,4%
Nordic grocery focused retailers													
Axfood AB	AXFO-SE	3,9%	4,0%	4,0%	4,4%	4,3%	4,2%	20,9%	20,6%	19,9%	38,6%	37,3%	35,9%
ICA Gruppen AB	ICA-SE	3,4%	3,5%	3,4%	4,1%	4,1%	4,0%	9,7%	9,5%	9,1%	10,7%	10,5%	10,2%
Kesko Oyj Class B	KESKOB-FI	5,1%	5,3%	5,6%	3,9%	3,9%	3,9%	11,8%	12,0%	12,4%	13,1%	13,4%	13,8%
International discount retailers													
B&M European Value Retail SA	BME-GB	2,4%	2,7%	3,0%	7,7%	8,0%	8,2%	16,5%	17,5%		19,5%	20,2%	
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%	0,5%	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%	20,8%	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%	16,6%	16,6%	17,2%	18,0%	16,0%
Dollarama Inc.	DOLA-CA	0,4%	0,5%	0,5%	22,4%	22,5%	23,3%	41,9%	40,7%		66,3%	176,0%	102,9%
Pan Pacific International Holdings Corporat	PPH-JP	0,5%	0,5%	0,6%	4,7%	4,5%	4,6%	7,0%	6,5%	8,9%	13,3%	12,6%	12,3%
Five Below, Inc.	FIVE-US	0,0%	0,0%	0,0%	11,9%	12,2%	12,2%	26,1%	26,2%	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%	3,4%	3,6%	5,5%	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%	18,9%	19,4%
Nordic non-grocery peers median													
Nordic grocery focused retailers													
Discount retailers median													
Tokmanni (Evl est.)													
Cash conversion (FCF/EBITDA)													
CAPEX/sales													
Net debt/EBITDA													
Equity ratio													
TOKMANNI PEERS													
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		49%	51%	58%	3%	3%	2%	1,5x	1,4x	1,1x	31%	33%	34%
Stockmann Oyj Abp Class B		-214%	-13%	21%	3%	10%	4%	6,3x	6,6x	5,5x	42%	40%	44%
Verkkokauppa.com Oy		72%	67%	67%	1%	1%	0%	-1,4x	-1,3x	-1,4x	22%	22%	22%
XXL ASA		29%	37%	38%	2%	2%	2%	2,5x	2,0x	1,8x	39%	41%	42%
Nordic grocery focused retailers													
Axfood AB		38%	41%	42%	4%	3%	3%	1,1x	1,2x	1,3x	25%	25%	26%
ICA Gruppen AB		35%	36%	28%	3%	3%	3%	1,2x	1,2x	1,2x	40%	40%	41%
Kesko Oyj Class B		34%	41%	50%	3%	2%	2%	2,8x	2,8x	2,6x	38%	38%	39%
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%	36%	2%	2%	2%	-0,1x	-0,2x	-0,4x	35%	37%	
Distribuidora Internacional de Alimentacion SA		-11%	7%	15%	3%	4%	3%	4,4x	4,2x	3,9x	-1%	0%	42%
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%	55%	61%
Dollarama Inc.		58%	62%	na.	4%	3%		2,0x	1,8x	1,1x	-6%	-3%	
Pan Pacific International Holdings Corporation		-129%	24%	21%	4%	3%	3%	4,7x	3,8x	3,5x	30%	32%	35%
Five Below, Inc.		35%	32%	36%	9%	7%	6%	-0,9x	-0,9x	-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		38%	40%	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													
Nordic grocery focused retailers													
Discount retailers median													
Tokmanni (Evl est.)													

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	8.36 PV of Free Cash Flow	587 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	12.16 PV of Horizon value	537 WACC, %	7.6 Market risk premium, %
Share price potential, %	45.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	13.7 Marketable securities	38 Minimum WACC, %	7.1 Equity beta coefficient
Minimum value	10.9 Debt - dividend	-446 Maximum WACC, %	8.1 Target debt ratio, %
Horizon value, %	47.8 Value of stock	716 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	936	972	1,002	1,022	1,042	1,063	1,085	1,106	1,128	1,151	1,174
<i>Sales growth, %</i>	<i>9.3</i>	<i>7.5</i>	<i>3.9</i>	<i>3.0</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>	<i>2.0</i>
Operating income (EBIT)	52	63	71	78	77	78	80	81	83	73	75	76
<i>EBIT margin, %</i>	<i>6.0</i>	<i>6.7</i>	<i>7.3</i>	<i>7.8</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.	58	60	63	61	49	40	34	30	27	25	24	
- Income taxes	-12	-13	-14	-16	-15	-16	-16	-16	-16	-15	-15	
- Change in NWC	-5	-8	-4	-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	-299	-15	-15	-16	-17	-18	-19	-19	-20	-21	-23	-23
<i>Investments / Sales, %</i>	<i>34.3</i>	<i>1.6</i>	<i>1.5</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>2.0</i>	<i>2.0</i>
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-206	88	102	105	92	83	77	74	71	60	59	1,088
= Discounted FCF (DFCF)		83	90	86	70	59	51	45	41	32	29	537
= DFCF min WACC		84	91	87	71	60	53	47	42	33	31	617
= DFCF max WACC		83	89	85	69	58	50	44	39	31	28	471

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	174	218	211	268	870	188	236	229	282	936	972	1,002
EBITDA	12	28	30	41	110	13	31	34	46	123	135	140
<i>EBITDA margin (%)</i>	<i>7.0</i>	<i>12.6</i>	<i>14.1</i>	<i>15.1</i>	<i>12.6</i>	<i>6.8</i>	<i>13.0</i>	<i>14.7</i>	<i>16.3</i>	<i>13.2</i>	<i>13.8</i>	<i>13.9</i>
EBIT	-2	13	16	26	52	-2	16	19	31	63	71	78
<i>EBIT margin (%)</i>	<i>-1.1</i>	<i>6.0</i>	<i>7.4</i>	<i>9.5</i>	<i>6.0</i>	<i>-1.2</i>	<i>6.6</i>	<i>8.2</i>	<i>10.9</i>	<i>6.7</i>	<i>7.3</i>	<i>7.8</i>
Net financial items	-3	-2	-3	-3	-11	-3	-3	-3	-3	-11	-12	-11
Pre-tax profit	-5	11	13	23	42	-5	13	16	28	52	60	67
Tax	1	-2	-2	-5	-9	1	-3	-3	-6	-10	-12	-13
<i>Tax rate (%)</i>	<i>19.1</i>	<i>23.4</i>	<i>18.9</i>	<i>20.0</i>	<i>20.6</i>	<i>21.3</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>19.9</i>	<i>19.9</i>	<i>19.9</i>
Net profit	-4	8	10	18	33	-4	10	13	23	42	48	54
EPS	-0.06	0.14	0.17	0.31	0.56	-0.06	0.18	0.22	0.38	0.71	0.81	0.91
EPS adjusted (diluted no. of shares)	-0.06	0.14	0.17	0.31	0.56	-0.06	0.18	0.22	0.38	0.71	0.81	0.91
Dividend per share	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.54	0.61	0.64
SALES, EURm												
Group	174	218	211	268	870	188	236	229	282	936	972	1,002
Total	174	218	211	268	870	188	236	229	282	936	972	1,002
SALES GROWTH, Y/Y %												
Group	10.9	11.0	7.8	8.0	9.3	8.3	8.6	8.7	5.3	7.5	3.9	3.0
Total	10.9	11.0	7.8	8.0	9.3	8.3	8.6	8.7	5.3	7.5	3.9	3.0
EBIT, EURm												
Group	-2	13	16	26	52	-2	16	19	31	63	71	78
Total	-2	13	16	26	52	-2	16	19	31	63	71	78
EBIT margin, %												
Group	-1.1	6.0	7.4	9.5	6.0	-1.2	6.6	8.2	10.9	6.7	7.3	7.8
Total	-1.1	6.0	7.4	9.5	6.0	-1.2	6.6	8.2	10.9	6.7	7.3	7.8

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	734	755	776	797	870	936	972	1,002
<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>7.5</i>	<i>3.9</i>	<i>3.0</i>
Costs	-677	-697	-713	-742	-760	-813	-838	-862
Reported EBITDA	57	58	63	55	110	123	135	140
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>12.6</i>	<i>13.2</i>	<i>13.8</i>	<i>13.9</i>
Depreciation	-13	-15	-15	-14	-58	-60	-63	-61
EBITA	44	44	48	41	52	63	71	78
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	44	44	48	41	52	63	71	78
<i>EBIT margin (%)</i>	<i>5.9</i>	<i>5.8</i>	<i>6.1</i>	<i>5.1</i>	<i>6.0</i>	<i>6.7</i>	<i>7.3</i>	<i>7.8</i>
Net financials	-22	-21	-15	-6	-11	-11	-12	-11
Pre-tax profit	21	23	33	35	42	52	60	67
Extraordinary items	-2	-5	2	-1	1	0	0	0
Taxes	-4	-3	-7	-7	-9	-10	-12	-13
Minority shares	0	0	0	0	0	0	0	0
Net profit	15	15	27	27	34	42	48	54
BALANCE SHEET, EURm								
Assets								
Fixed assets	93	97	95	94	329	284	236	190
<i>% of sales</i>	<i>13</i>	<i>13</i>	<i>12</i>	<i>12</i>	<i>38</i>	<i>30</i>	<i>24</i>	<i>19</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>14</i>	<i>14</i>	<i>13</i>
Inventory	151	160	155	170	191	206	214	220
<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	24	25
<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	47	49	50
<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	721	702	664	627
Liabilities								
Equity	33	48	167	163	167	179	195	213
<i>% of sales</i>	<i>5</i>	<i>6</i>	<i>21</i>	<i>20</i>	<i>19</i>	<i>19</i>	<i>20</i>	<i>21</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	417	376	317	259
<i>% of sales</i>	<i>42</i>	<i>39</i>	<i>22</i>	<i>22</i>	<i>48</i>	<i>40</i>	<i>33</i>	<i>26</i>
Non-interest bearing current liabilities	84	91	104	107	123	131	136	140
<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	721	702	664	627
CASH FLOW, EURm								
+ EBITDA	57	58	63	55	110	123	135	140
- Net financial items	-22	-21	-15	-6	-11	-11	-12	-11
- Taxes	-4	-3	-7	-7	-10	-10	-12	-13
- Increase in Net Working Capital	-3	-3	17	-14	-5	-8	-4	-3
+/- Other	-2	-5	2	-1	1	0	0	0
= Cash flow from operations	26	27	59	27	86	94	107	112
- Capex	-13	-18	-13	-13	-284	-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	-212	79	92	96
+/- Change in interest-bearing debt	-9	-12	-120	3	240	-41	-59	-59
+/- New issues/buybacks	1	0	91	-1	-6	0	0	0
- Paid dividend	0	0	0	-30	-24	-29	-32	-36
+/- Change in loan receivables	0	0	-8	-1	-1	0	0	0
Change in cash	5	-3	9	-15	-3	9	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	500	427	423	492	492	492
Net debt	245	116	134	379	329	269	208
Enterprise value	245	616	561	801	821	761	701
Sales	755	776	797	870	936	972	1,002
EBITDA	58	63	55	110	123	135	140
EBIT	44	48	41	52	63	71	78
Pre-tax	23	33	35	42	52	60	67
Earnings	19	26	28	33	42	48	54
Book value	48	167	163	167	179	195	213
Valuation multiples							
EV/sales	0.3	0.8	0.7	0.9	0.9	0.8	0.7
EV/EBITDA	4.2	9.8	10.2	7.3	6.7	5.7	5.0
EV/EBITA	5.6	12.9	13.8	15.3	13.0	10.7	8.9
EV/EBIT	5.6	12.9	13.8	15.3	13.0	10.7	8.9
EV/operating cash flow	5.0	8.9	17.1	8.7	8.0	6.5	5.8
EV/cash earnings	7.2	15.3	13.3	9.0	8.1	6.8	6.1
P/E	0.0	19.5	15.2	12.8	11.7	10.3	9.1
P/E excl. goodwill	0.0	19.5	15.2	12.8	11.7	10.3	9.1
P/B	0.0	3.0	2.6	2.5	2.7	2.5	2.3
P/sales	0.0	0.6	0.5	0.5	0.5	0.5	0.5
P/CF	0.0	7.2	13.0	4.6	4.8	4.2	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	13.6	11.2	9.4
Target P/E	0.0	0.0	0.0	0.0	12.6	11.1	9.8
Target P/B	0.0	0.0	0.0	0.0	3.0	2.7	2.5
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	0.56	0.71	0.81	0.91
EPS excl. goodwill	0.87	0.44	0.48	0.56	0.71	0.81	0.91
Cash EPS	1.53	0.69	0.71	1.52	1.73	1.89	1.96
Operating cash flow per share	2.21	1.18	0.56	1.57	1.74	1.98	2.06
Capital employed per share	13.14	4.80	5.04	9.26	8.63	7.88	7.16
Book value per share	2.16	2.83	2.77	2.83	3.05	3.31	3.62
Book value excl. goodwill	-3.61	0.65	0.58	0.55	0.76	1.03	1.33
Dividend per share	0.00	0.51	0.41	0.50	0.54	0.61	0.64
Dividend payout ratio, %	0.0	116.8	86.0	88.9	76.3	74.9	70.0
Dividend yield, %	0.0	6.0	5.7	7.0	6.5	7.3	7.7
Efficiency measures							
ROE	47.5	23.9	17.0	20.1	24.2	25.5	26.4
ROCE	12.9	14.1	12.1	11.3	11.1	13.3	15.9
Financial ratios							
Capex/sales, %	2.4	1.7	1.7	34.3	1.6	1.5	1.6
Capex/depreciation excl. goodwill,%	124.1	86.0	94.4	508.5	25.0	23.7	26.1
Net debt/EBITDA, book-weighted	4.2	1.8	2.4	3.4	2.7	2.0	1.5
Debt/equity, market-weighted	0.0	0.3	0.4	1.0	0.8	0.6	0.5
Equity ratio, book-weighted	10.9	36.3	35.2	23.1	25.6	29.4	34.0
Gearing	5.10	0.70	0.82	2.27	1.84	1.38	0.98
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	85.838	17.4%
Keskinäinen Työeläkevakuutusyhtiö Elo	4,750,000	39.710	8.1%
Keskinäinen työeläkevakuutusyhtiö Varma	4,343,252	36.310	7.4%
Sijoitusrahasto Nordea Pro Suomi	2,670,267	22.323	4.5%
OP-Suomi Arvo -sijoitusrahasto	1,870,606	15.638	3.2%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,388,574	11.608	2.4%
Fondita Nordic Small Cap -sijoitusrahasto	863,000	7.215	1.5%
Eläkevakuutusosakeyhtiö Veritas	810,000	6.772	1.4%
OP-Suomi Pienyhtiöt -sijoitusrahasto	802,936	6.713	1.4%
Sijoitusrahasto Nordea Nordic Small Cap	769,128	6.430	1.3%
Ten largest	28,535,451	238.556	48%
Residual	30,333,301	253.586	52%
Total	58,868,752	492.143	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Mika Rautiainen

CFO: Markku Pirskanen

IR: Maarit Mikkonen

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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

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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is 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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