

Strong revenue growth in Q3

Tokmanni's Q3 revenue increased by ~13% y/y (LFL growth of 11.6%) and was EUR 262m vs. EUR 253m/255m Evli/cons. Tokmanni's adj. EBIT was EUR 24.0m vs. EUR 25.8m/27.3m Evli/cons. Adj. gross margin was 34.0%. The company expects strong growth in revenue and LFL revenue in 20E. Comparable EBIT margin is expected to improve on the previous year.

- Q3 revenue growth outpaced the expectations as revenue increased by 13% y/y and was EUR 262m vs. our EUR 253m and consensus of EUR 255m. LFL growth was 11.6%. Growth was good especially in sales of yard and garden furniture, sports and leisure, detergents and home cleaning, paper products and groceries. Online sales grew by ~155%.
- Q3 adj. gross profit was EUR 89.0m (34.0% margin) vs. EUR 89.3m (35.3%) Evli expectation. Gross margin was impacted by discount sales and different sales structure.
- Q3 adj. EBITDA was EUR 40.3m vs. EUR 41.9m our view.
- Q3 adj. EBIT was EUR 24.0m (9.2% margin) vs. EUR 25.8m (10.2%) our expectation and EUR 27.3m (10.7%) consensus. Strong growth in revenue and strict cost control had a positive impact on adj. EBIT despite of the decrease in gross margin.
- Q3 eps was EUR 0.29 vs EUR 0.32/0.33 Evli/consensus.
- Guidance for 20E: strong growth in revenue and like-for-like revenue. Profitability (comparable EBIT margin) is expected to improve on the previous year.

Rating BUY

Tokmanni Q3'20	Actual	Evli	Cons.*	Year ago	Act vs. Evli	Act vs. cons
Net sales	262	253	255	232	3 %	3 %
Gross profit (adj.)	89.0	89.3	na.	82.0	0 %	na.
Gross margin (adj.)	34.0 %	35.3 %	na.	35.4 %	-4 %	na.
EBIT (adj.)	24.0	25.8	27.3	21.9	-7 %	-12 %
EBIT margin (adj.)	9.2 %	10.2 %	10.7 %	9.5 %	-10 %	-14 %
EPS	0.29	0.32	0.33	0.27	-9 %	-12 %

*Source: Infront (7 est. mean.)

Share price, EUR (Last trading day's closing price) 14.84

Target price, EUR 18.4

Latest change in rating	31-Oct-19
Latest report on company	30-Jul-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	58,862
No. of shares fully diluted, '000's	58,862
Market cap, EURm	874
Free float, %	78.8
Exchange rate	1.000
Reuters code	TOKMAN.HE
Bloomberg code	TOKMAN FH
Average daily volume, EURm	na.
Next interim report	29-Oct-20
Web site	ir.tokmanni.fi/investors

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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	870.4	52.0	6.0%	10.1	0.56	12.9	0.9	15.4	2.4	0.50
2019	944.3	70.4	7.5%	28.3	0.82	15.4	1.2	16.0	3.8	0.62
2020E	1,034.1	90.6	8.8%	53.8	1.10	13.6	1.2	13.7	6.2	0.76
2021E	1,050.8	92.9	8.8%	72.5	1.12	13.3	1.2	13.0	8.3	0.78
2022E	1,079.7	96.3	8.9%	65.5	1.16	12.8	1.1	12.3	7.5	0.81

Market cap, EURm	874	BV per share 2020E, EUR	171.1	CAGR EPS 2019-22, %	12.2
Net debt 2020E, EURm	363	Price/book 2020E	4.1	CAGR sales 2019-22, %	4.6
Enterprise value, EURm	1,236	Dividend yield 2020E, %	5.2	ROE 2020E, %	32.5
Total assets 2020E, EURm	771	Tax rate 2020E, %	19.8	ROCE 2020E, %	15.0
Goodwill 2020E, EURm	135	Equity ratio 2020E, %	27.5	PEG, P/E 20/CAGR	5.1

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

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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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