

## Increasing target price ahead of Q4

Tokmanni reports its Q4 earnings on next week's Friday, 7<sup>th</sup> of February. We expect Q4 revenue to grow by 7.2% to EUR 288m and EBIT of EUR 32.7m. We keep our rating "BUY" with updated TP of EUR 16 (13.5) ahead of Q4.

### New store openings to support sales

Q4 is normally the strongest quarter in terms of both revenue and profit for Tokmanni. According to PTY, revenue of department stores & hypermarkets grew by some 6% in Oct-Nov but declined by 1.5% in December. Decline in sales was exceptionally high in clothing (-11.6%) but also in home & leisure (-4.8%), partly due to mild winter. We expect Tokmanni's Q4'19E revenue to grow by 7.2% to EUR 288m (Q4'18 268m) driven by new store openings and increased customer flows. Two new stores were opened during Q4 with combined selling space of ~4500m<sup>2</sup>. We expect Q4'19E adj. EBIT of EUR 32.7m (Q4'18: 25.6m) resulting in EBIT margin of 11.4%.

### Expecting further profitability improvements in 2020E

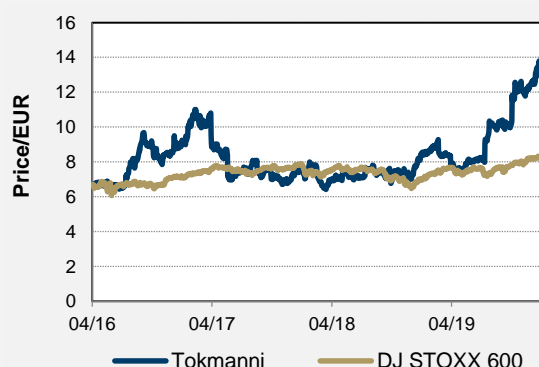
So far Tokmanni's '19 has been strong. In Jan-Sept'19 LFL sales grew +4.9% and at the same time gross profit developed favorably as gross margin was 34.1% vs. 33.7% in Jan-Sept'18. The actions taken to improve profitability seem to work although we hope to get more color on the progress made in improving the efficiency of Tokmanni's supply chain as the success of this is one of the key drivers for further profitability improvement. In 2020E, we expect EBIT margin to increase to 8.2%, stemming mainly from gross margin improvement and 4.4% y/y revenue growth (EUR 989m) driven by store network expansion. The company's long-term target is to reach adj. EBIT margin of ~9%.

### "BUY" with TP of EUR 16 (13.5)

We have kept our estimates intact ahead of Q4 and expect FY19E revenue of EUR 947m (FY18: 870m) and adj. EBIT of EUR 71m (FY18: 52m). We expect Tokmanni to propose a dividend of EUR 0.62 per share in '19 (cons. EUR 0.60). We keep our rating "BUY" with updated TP of EUR 16 (13.5) due to the ~20-30% increase in Nordic non-grocery peer multiples. On our estimates, with the new target price of EUR 16, Tokmanni trades at '20E-21E EV/EBIT multiple of 16.1x and 14.6x which still translates into ~7-10% discount compared to its international peers.

## Rating

BUY



Share price, EUR (Last trading day's closing price)	12.98
Target price, EUR	16.0

Latest change in rating	31-Oct-19
Latest report on company	31-Oct-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	764
Free float, %	100.0
Exchange rate	1.000
Reuters code	TOKMAN.HE
Bloomberg code	TOKMAN FH
Average daily volume, EURm	na.
Next interim report	07-Feb-20
Web site	ir.tokmanni.fi/en/investors

Analyst	Anna-Liisa Rissanen
E-mail	annaliisa.rissanen@evli.com
Telephone	+358401579919

BUY HOLD SELL

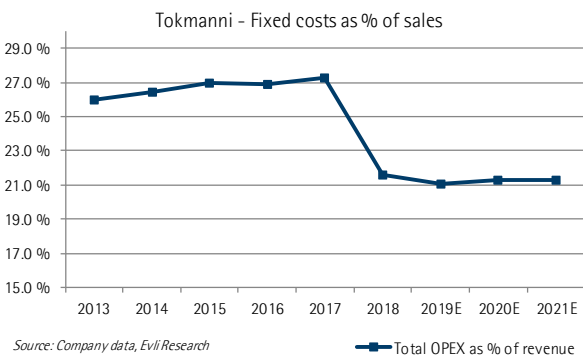
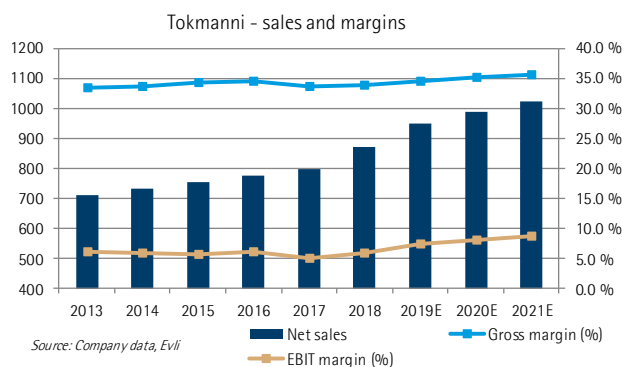
## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	796.5	40.6	5.1%	15.4	0.48	15.2	0.7	13.8	3.6	0.41
2018	870.4	52.3	6.0%	10.1	0.56	12.8	0.9	15.3	2.4	0.50
2019E	947.2	71.1	7.5%	36.6	0.82	15.8	1.2	16.0	4.8	0.62
2020E	988.5	80.8	8.2%	49.4	0.94	13.8	1.1	13.9	6.5	0.71
2021E	1,023.6	88.3	8.6%	56.3	1.05	12.4	1.1	12.6	7.4	0.73
Market cap, EURm		764	Gearing 2019E, %			199.9	CAGR EPS 2018-21, %			23.1
Net debt 2019E, EURm		372	Price/book 2019E			4.1	CAGR sales 2018-21, %			5.6
Enterprise value, EURm		1,136	Dividend yield 2019E, %			4.8	ROE 2019E, %			27.5
Total assets 2019E, EURm		753	Tax rate 2019E, %			20.0	ROCE 2019E, %			12.0
Goodwill 2019E, EURm		135	Equity ratio 2019E, %			24.7	PEG, P/E 19/CAGR			4.9

## Estimates

Tokmanni	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net sales</b>	<b>712.8</b>	<b>734.3</b>	<b>755.3</b>	<b>775.8</b>	<b>796.5</b>	<b>870.5</b>	<b>947.2</b>	<b>988.5</b>	<b>1023.6</b>
<i>Growth-%</i>	<i>3.3 %</i>	<i>3.0 %</i>	<i>2.9 %</i>	<i>2.7 %</i>	<i>2.7 %</i>	<i>9.3 %</i>	<i>8.8 %</i>	<i>4.4 %</i>	<i>3.5 %</i>
Materials and services (adj.)	-474.6	-486.8	-497.2	-507.9	-528.4	-575.2	-620.0	-640.6	-660.2
<i>Growth-%</i>	-	<i>2.6 %</i>	<i>2.1 %</i>	<i>2.2 %</i>	<i>4.0 %</i>	<i>8.9 %</i>	<i>7.8 %</i>	<i>3.3 %</i>	<i>3.1 %</i>
<i>% of sales</i>	<i>66.6 %</i>	<i>66.3 %</i>	<i>65.8 %</i>	<i>65.5 %</i>	<i>66.3 %</i>	<i>66.1 %</i>	<i>65.5 %</i>	<i>64.8 %</i>	<i>64.5 %</i>
<b>Gross profit (adj.)</b>	<b>238.2</b>	<b>247.5</b>	<b>258.1</b>	<b>267.9</b>	<b>268.1</b>	<b>295.3</b>	<b>327.2</b>	<b>348.0</b>	<b>363.4</b>
<i>Gross margin (%)</i>	<i>33.4 %</i>	<i>33.7 %</i>	<i>34.2 %</i>	<i>34.5 %</i>	<i>33.7 %</i>	<i>33.9 %</i>	<i>34.5 %</i>	<i>35.2 %</i>	<i>35.5 %</i>
<b>Fixed costs (adj.)</b>	<b>-185.1</b>	<b>-193.9</b>	<b>-203.7</b>	<b>-208.5</b>	<b>-217.0</b>	<b>-189.5</b>	<b>-199.7</b>	<b>-210.2</b>	<b>-217.7</b>
<i>Growth-%</i>	-	<i>4.8 %</i>	<i>5.0 %</i>	<i>2.4 %</i>	<i>4.1 %</i>	<i>-12.7 %</i>	<i>5.4 %</i>	<i>5.3 %</i>	<i>3.5 %</i>
<i>% of sales</i>	<i>26.0 %</i>	<i>26.4 %</i>	<i>27.0 %</i>	<i>26.9 %</i>	<i>27.2 %</i>	<i>21.8 %</i>	<i>21.1 %</i>	<i>21.3 %</i>	<i>21.3 %</i>
Other income	3.5	3.6	4.0	3.4	3.8	4.1	4.1	4.1	4.1
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	-60.6	-61.1	-61.5
<b>EBITDA (adj.)</b>	<b>56.7</b>	<b>57.1</b>	<b>58.4</b>	<b>62.8</b>	<b>54.9</b>	<b>109.9</b>	<b>131.7</b>	<b>141.8</b>	<b>149.8</b>
<i>EBITDA margin (%)</i>	<i>8.0 %</i>	<i>7.8 %</i>	<i>7.7 %</i>	<i>8.1 %</i>	<i>6.9 %</i>	<i>12.6 %</i>	<i>13.9 %</i>	<i>14.3 %</i>	<i>14.6 %</i>
<b>EBIT (adj.)</b>	<b>44.1</b>	<b>43.6</b>	<b>43.6</b>	<b>47.7</b>	<b>40.6</b>	<b>52.4</b>	<b>71.1</b>	<b>80.8</b>	<b>88.3</b>
<i>EBIT margin (%)</i>	<i>6.2 %</i>	<i>5.9 %</i>	<i>5.8 %</i>	<i>6.1 %</i>	<i>5.1 %</i>	<i>6.0 %</i>	<i>7.5 %</i>	<i>8.2 %</i>	<i>8.6 %</i>
NRIs in reported gross profit	0.0	1.1	-0.6	0.5	-0.9	0.2	0.3	0.0	0.0
NRIs in reported fixed costs	-1.1	-1.8	-4.0	1.0	-0.8	1.4	0.2	0.0	0.0
<b>EBIT (reported)</b>	<b>43.0</b>	<b>43.0</b>	<b>39.0</b>	<b>49.2</b>	<b>38.9</b>	<b>54.0</b>	<b>71.6</b>	<b>80.8</b>	<b>88.3</b>
<i>EBIT margin (%)</i>	<i>6.0 %</i>	<i>5.9 %</i>	<i>5.2 %</i>	<i>6.3 %</i>	<i>4.9 %</i>	<i>6.2 %</i>	<i>7.6 %</i>	<i>8.2 %</i>	<i>8.6 %</i>
Net financials	-23.0	-22.2	-20.9	-15.3	-5.9	-10.5	-10.5	-11.6	-11.2
<b>Profit before taxes (reported)</b>	<b>20.1</b>	<b>20.8</b>	<b>18.1</b>	<b>33.9</b>	<b>33.0</b>	<b>43.5</b>	<b>61.1</b>	<b>69.2</b>	<b>77.1</b>
Taxes	-4.8	-4.2	-3.4	-6.8	-6.6	-8.9	-12.1	-13.8	-15.4
<i>Tax rate (%)</i>	<i>23.9 %</i>	<i>20.1 %</i>	<i>18.8 %</i>	<i>20.1 %</i>	<i>20.0 %</i>	<i>20.5 %</i>	<i>19.8 %</i>	<i>20.0 %</i>	<i>20.0 %</i>
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income (reported)</b>	<b>15.3</b>	<b>16.6</b>	<b>14.7</b>	<b>27.1</b>	<b>26.4</b>	<b>34.6</b>	<b>49.0</b>	<b>55.3</b>	<b>61.7</b>
Average number of shares (million)	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9
<b>EPS (reported)</b>	<b>0.26</b>	<b>0.28</b>	<b>0.25</b>	<b>0.46</b>	<b>0.45</b>	<b>0.59</b>	<b>0.83</b>	<b>0.94</b>	<b>1.05</b>
<b>Dividend and capital return</b>	-	-	-	<b>0.51</b>	<b>0.41</b>	<b>0.50</b>	<b>0.62</b>	<b>0.71</b>	<b>0.79</b>
<i>Payout ratio (%)</i>	-	-	-	<i>111 %</i>	<i>92 %</i>	<i>85 %</i>	<i>75 %</i>	<i>75 %</i>	<i>75 %</i>

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
<b>Nordic non-grocery focused retailers</b>													
Bygghem Group AB	1745	6.1x	5.6x	5.2x	18.4x	16.2x	14.6x		11.6x	10.5x	9.7x	9.0x	8.4x
Clas Ohlson AB Class B	6461	7.5x	6.2x	6.1x	14.6x	12.2x	11.8x	17.8x	12.7x	13.3x	13.7x	13.0x	13.0x
Europris ASA	5296	7.7x	6.5x	5.9x	14.7x	11.5x	10.4x	14.5x	13.4x	11.5x	13.7x	11.7x	10.7x
Stockmann Oyj Abp Class B	169	12.0x	10.2x	9.5x	61.2x	39.3x	30.9x						
Verkkokauppa.com Oy	174	7.7x	7.9x	7.3x	10.8x	10.8x	9.5x	10.7x	12.2x	10.6x	20.1x	17.9x	16.2x
XXL ASA	1964	7.9x	6.4x	5.5x	37.8x	29.0x	19.8x	15.4x	14.8x	10.1x	29.6x	22.8x	13.7x
<b>Nordic grocery focused retailers</b>													
Axfood AB	41807	11.2x	10.2x	10.2x	21.7x	20.0x	19.9x	23.9x	19.7x	23.6x	25.1x	24.2x	23.8x
ICA Gruppen AB	85669	10.7x	10.0x	9.7x	21.0x	19.7x	19.4x	24.7x	25.3x	22.6x	22.6x	21.1x	20.9x
Kesko Oyj Class B	6074	9.6x	9.0x	8.9x	19.6x	18.1x	17.6x	240.9x	25.3x	24.6x	20.8x	20.3x	19.7x
<b>International discount retailers</b>													
B&M European Value Retail SA	3708	13.6x	10.9x	9.6x	16.6x	13.1x	11.4x	40.8x	24.8x	20.1x	18.4x	15.7x	13.8x
Big Lots, Inc.	1081	4.0x	3.7x		6.4x	6.0x		12.5x	9.2x		7.3x	6.9x	6.6x
Costco Wholesale Corporation	136711	19.5x	19.5x	17.8x	25.7x	25.7x	23.6x	41.1x	48.4x	42.5x	37.6x	35.5x	33.1x
Distribuidora Internacional de Alimentacion	700	13.2x	9.8x	21.0x									
Dollar General Corporation	39970	15.7x	14.7x	14.2x	19.1x	17.8x	17.3x	32.1x	29.3x	28.7x	23.6x	21.2x	19.1x
Dollar Tree, Inc.	20734	11.6x	10.0x	9.1x	16.2x	13.8x	12.3x	27.9x	23.4x	22.5x	18.3x	16.5x	14.8x
Dollarama Inc.	14483	14.8x	14.1x	12.1x	19.0x	17.9x	15.4x	31.2x	26.9x	24.0x	26.1x	22.7x	19.7x
Pan Pacific International Holdings Corporati	1105178	16.4x	14.7x	13.2x	22.4x	20.1x	17.7x	28.1x	38.7x	36.7x	22.5x	23.3x	21.0x
Five Below, Inc.	6531	25.6x	19.5x	16.2x	32.1x	24.6x	20.4x	279.9x	113.6x	127.7x	37.9x	32.3x	26.9x
Ollie's Bargain Outlet Holdings Inc	3525	21.7x	15.8x	12.4x	24.6x	17.7x	14.3x	46.5x			27.8x	23.9x	20.3x
Target Corporation	58108	10.4x	9.3x	9.0x	15.9x	14.0x	13.3x	23.0x	21.8x	18.3x	18.0x	16.7x	15.3x
Walmart Inc.	330758	11.8x	11.3x	10.9x	17.7x	16.9x	16.1x	25.1x	23.1x	22.2x	23.4x	22.3x	20.9x
<b>Nordic non-grocery peers median</b>	<b>5296</b>	<b>7.7x</b>	<b>6.4x</b>	<b>6.0x</b>	<b>16.6x</b>	<b>14.2x</b>	<b>13.2x</b>	<b>15.0x</b>	<b>12.7x</b>	<b>10.6x</b>	<b>13.7x</b>	<b>13.0x</b>	<b>13.0x</b>
<b>Nordic grocery focused retailers</b>		<b>10.7x</b>	<b>10.0x</b>	<b>9.7x</b>	<b>21.0x</b>	<b>19.7x</b>	<b>19.4x</b>	<b>24.7x</b>	<b>25.3x</b>	<b>23.6x</b>	<b>22.6x</b>	<b>21.1x</b>	<b>20.9x</b>
<b>Discount retailers median</b>	<b>17609</b>	<b>14.2x</b>	<b>12.7x</b>	<b>12.4x</b>	<b>19.0x</b>	<b>17.7x</b>	<b>15.7x</b>	<b>31.2x</b>	<b>25.9x</b>	<b>24.0x</b>	<b>23.4x</b>	<b>22.3x</b>	<b>19.7x</b>
<b>Tokmanni (Evli est.)</b>	<b>764</b>	<b>8.6x</b>	<b>7.9x</b>	<b>7.4x</b>	<b>16.0x</b>	<b>13.9x</b>	<b>12.6x</b>	<b>12.2x</b>	<b>10.5x</b>	<b>9.7x</b>	<b>15.8x</b>	<b>13.8x</b>	<b>12.4x</b>
<i>Tokmanni premium vs. Nordic non-grocery focused peers</i>		12%	23%	24%	-3%	-2%	-5%	-19%	-18%	-9%	15%	6%	-5%
<i>Tokmanni premium vs. Nordic grocery focused peers</i>		-19%	-20%	-24%	-24%	-29%	-35%	-51%	-59%	-59%	-30%	-35%	-41%
<i>Tokmanni premium vs. int. discount peers</i>		-39%	-38%	-40%	-16%	-21%	-20%	-61%	-60%	-60%	-33%	-38%	-37%
		Dividend yield			EBIT margin			ROCE-%			ROE-%		
<b>TOKMANNI PEERS</b>	<b>Ticker</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>
<b>Nordic non-grocery focused retailers</b>													
Bygghem Group AB	BMAX-SE	5.0%	5.5%	6.6%	4.3%	4.5%	4.6%	7.0%	7.2%	7.5%	11.9%	12.3%	12.6%
Clas Ohlson AB Class B	CLAS.B-SE	5.7%	5.8%	5.9%	7.6%	8.0%	7.9%	17.8%	18.5%	18.9%	27.3%	26.2%	24.2%
Europris ASA	EPR-NO	6.0%	6.3%	6.7%	9.4%	10.4%	10.7%	11.7%	13.0%	13.5%	20.3%	21.9%	22.3%
Stockmann Oyj Abp Class B	STCBV-FI	0.0%	0.0%	0.0%	2.0%	3.4%	4.3%	1.1%	1.9%	2.4%	-7.8%	-3.9%	-3.4%
Verkkokauppa.com Oy	VERK-FI	5.4%	5.8%	6.0%	2.4%	2.5%	2.7%	19.1%	20.4%	22.0%	23.3%	25.8%	27.7%
XXL ASA	XXL-NO	1.6%	2.8%	6.2%	2.1%	2.1%	2.7%	2.3%	2.5%	3.3%	1.5%	2.0%	3.2%
<b>Nordic grocery focused retailers</b>													
Axfood AB	AXFO-SE	3.5%	3.5%	3.6%	4.5%	4.5%	4.4%	20.6%	20.5%	20.2%	39.4%	39.8%	39.2%
ICA Gruppen AB	ICA-SE	2.8%	2.8%	2.9%	4.5%	4.5%	4.5%	8.8%	8.8%	8.7%	11.2%	11.4%	11.0%
Kesko Oyj Class B	KESKOB-FI	4.0%	4.2%	4.4%	4.3%	4.4%	4.5%	9.7%	10.2%	10.5%	14.8%	14.7%	14.7%
<b>International discount retailers</b>													
B&M European Value Retail SA	BME-GB	2.2%	2.6%	2.9%	6.9%	7.5%	7.8%	12.8%	15.6%	17.6%	19.3%	21.5%	22.7%
Big Lots, Inc.	BIG-US	4.3%	4.4%	4.9%	4.1%	4.1%	3.9%	8.8%	8.5%	8.7%	18.1%	16.8%	15.7%
Costco Wholesale Corporation	EPR-NO	0.8%	0.9%	0.9%	3.2%	3.2%	3.2%	20.9%	20.2%	19.8%	23.4%	21.3%	20.2%
Distribuidora Internacional de Alimentacion	DIA-ES	0.0%	0.0%	0.0%	-4.7%	-1.7%	-1.2%						
Dollar General Corporation	DG-US	0.8%	0.9%	1.0%	8.3%	8.4%	8.4%	13.5%	14.1%	15.2%	24.8%	25.0%	24.9%
Dollar Tree, Inc.	DLTR-US	0.0%	0.0%	0.0%	6.8%	7.1%	7.4%	10.8%	11.2%	12.0%	17.3%	16.2%	16.0%
Dollarama Inc.	DOL-CA	0.4%	0.4%		22.8%	23.4%	23.9%	28.0%	33.8%	32.8%			
Pan Pacific International Holdings Corporati	7532-JP	0.6%	0.6%	0.7%	4.7%	4.1%	4.4%	6.6%	7.0%	7.5%	14.6%	12.5%	12.4%
Five Below, Inc.	FIVE-US	0.0%	0.0%	0.0%	11.7%	11.8%	11.8%	16.5%	17.7%	24.9%	26.4%	25.3%	24.1%
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0.0%	0.0%	0.0%	12.3%	12.6%	13.2%	12.2%	13.6%	15.8%	12.3%	13.2%	14.0%
Target Corporation	TGT-US	2.3%	2.4%	2.6%	6.0%	6.1%	6.2%	16.9%	17.2%	17.3%	27.4%	27.6%	29.3%
Walmart Inc.	WMT-US	1.8%	1.8%	2.0%	4.1%	4.2%	4.2%	14.0%	14.7%	15.0%	18.1%	19.2%	20.1%
<b>Nordic non-grocery peers median</b>		<b>5.2%</b>	<b>5.7%</b>	<b>6.1%</b>	<b>3.4%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>9.4%</b>	<b>10.1%</b>	<b>10.5%</b>	<b>16.1%</b>	<b>17.1%</b>	<b>17.5%</b>
<b>Nordic grocery focused retailers</b>		<b>3.5%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>9.7%</b>	<b>10.2%</b>	<b>10.5%</b>	<b>14.8%</b>	<b>14.7%</b>	<b>14.7%</b>
<b>Discount retailers median</b>		<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>	<b>6.4%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>13.5%</b>	<b>14.7%</b>	<b>15.8%</b>	<b>18.7%</b>	<b>20.2%</b>	<b>20.2%</b>
<b>Tokmanni (Evli est.)</b>		<b>4.8%</b>	<b>5.4%</b>	<b>5.7%</b>	<b>7.5%</b>	<b>8.2%</b>	<b>8.6%</b>	<b>12.0%</b>	<b>13.3%</b>	<b>14.3%</b>	<b>27.5%</b>	<b>28.4%</b>	<b>28.8%</b>
<b>TOKMANNI PEERS</b>		Cash conversion (FCF/EBITDA)			CAPEX/sales			Net debt/EBITDA			Equity ratio		
		<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>
<b>Nordic non-grocery focused retailers</b>													
Bygghem Group AB		-22%	48%	49%		3%	3%	3.7x	3.2x	2.9x	30%	30%	30%
Clas Ohlson AB Class B		38%	49%	45%	4%	4%	4%	1.7x	1.4x	1.2x	30%	32%	34%
Europris ASA		49%	48%	52%	3%	3%	2%	2.4x	2.0x	1.7x	27%	28%	30%
Stockmann Oyj Abp Class B		-237%	-16%	-2%	35%	9%	9%	10.4x	8.8x	8.1x	34%	31%	30%
Verkkokauppa.com Oy		79%	65%	69%	1%	1%	0%	-1.5x	-1.4x	-1.5x	22%	21%	21%
XXL ASA		45%	43%	54%	2%	2%	2%	4.7x	4.3x	3.5x	38%	39%	40%
<b>Nordic grocery focused retailers</b>													
Axfood AB		44%	52%	43%	4%	3%	4%	1.2x	1.1x	1.2x	24%	24%	24%
ICA Gruppen AB		42%	39%	43%	3%	4%	4%	2.2x	2.1x	2.0x	34%	35%	36%
Kesko Oyj Class B		4%	36%	36%	5%	3%	3%	3.0x	3.0x	2.9x	30%	30%	31%
<b>International discount retailers</b>													
B&M European Value Retail SA		31%	44%	47%	2%	2%	2%	1.5x	1.4x	1.0x	38%	40%	40%
Big Lots, Inc.		32%	40%	na.	5%	4%	4%	0.9x	0.7x		24%	25%	26%
Costco Wholesale Corporation		51%	40%	4%	2%	2%	2%	-0.3x	-0.4x	-0.5x	34%	36%	39%
Distribuidora Internacional de Alimentacion SA		-324%	-101%	-116%	3%	2%	3%	9.4x	7.1x	15.2x			
Dollar General Corporation		50%	50%	50%	3%	3%	3%	1.7x	1.5x	2.0x	33%	35%	38%
Dollar Tree, Inc.		40%	43%	41%	4%	4%	4%	1.9x	1.4x	1.1x	36%	40%	44%
Dollarama Inc.		49%	52%	51%	4%	3%	3%	2.2x	2.1x	1.2x	3%	1%	4%
Pan Pacific International Holdings Corporation		58%	38%	36%	4%	3%	2%	3.6x	3.1x	2.6x	26%	28%	30%
Five Below, Inc.		9%	17%	13%	11%	10%	9%	-0.1x	-0.1x	0.0x	40%	44%	60%
Ollie's Bargain Outlet Holdings Inc		41%	0%	0%	5%	2%	2%	1.2x	0.5x	-0.2x	67%	66%	66%
Target Corporation		42%	43%	49%	4%	4%	3%	1.5x	1.5x	1.4x	28%	28%	28%
Walmart Inc.		47%	49%	49%	2%	2%	2%	1.6x	1.5x	1.5x	32%	32%	32%
<b>Nordic non-grocery peers median</b>		<b>42%</b>	<b>48%</b>	<b>51%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>3.1x</b>	<b>2.6x</b>	<b>2.3x</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>
<b>Nordic grocery focused retailers</b>		<b>42%</b>	<b>39%</b>	<b>43%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>2.2x</b>	<b>2.1x</b>	<b>2.0x</b>	<b>30%</b>	<b>30%</b>	<b>31%</b>
<b>Discount retailers median</b>		<b>41%</b>	<b>41%</b>	<b>42%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.2x</b>	<b>33%</b>	<b>35%</b>	<b>38%</b>
<b>Tokmanni (Evli est.)</b>		<b>71%</b>	<b>76%</b>	<b>76%</b>									

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	173.7	217.6	210.7	268.4	870.4	188.1	239.9	231.5	287.7	947.2	988.5	1,023.6
EBITDA	1.7	37.9	29.8	40.5	109.9	12.8	34.0	37.2	47.7	131.7	141.8	149.8
<i>EBITDA margin (%)</i>	<i>1.0</i>	<i>17.4</i>	<i>14.1</i>	<i>15.1</i>	<i>12.6</i>	<i>6.8</i>	<i>14.2</i>	<i>16.1</i>	<i>16.6</i>	<i>13.9</i>	<i>14.3</i>	<i>14.6</i>
EBIT	-1.9	13.1	15.5	25.6	52.3	-2.2	18.7	21.9	32.7	71.1	80.8	88.3
<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>7.8</i>	<i>9.5</i>	<i>11.4</i>	<i>7.5</i>	<i>8.2</i>	<i>8.6</i>
Net financial items	-2.8	-2.4	-2.8	-2.6	-10.6	-2.6	-2.6	-2.6	-2.7	-10.5	-11.6	-11.2
Pre-tax profit	-4.7	10.7	12.7	23.0	41.7	-4.8	16.1	19.3	30.0	60.6	69.2	77.1
Tax	0.9	-2.5	-2.4	-4.6	-8.6	1.0	-3.1	-4.0	-6.0	-12.1	-13.8	-15.4
<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>20.8</i>	<i>19.3</i>	<i>20.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-3.8	8.2	10.3	18.4	33.1	-3.8	13.0	15.3	24.0	48.5	55.4	61.7
EPS	-0.06	0.14	0.17	0.31	0.56	-0.06	0.22	0.26	0.41	0.82	0.94	1.05
EPS adjusted (diluted no. of shares)	-0.06	0.14	0.17	0.31	0.56	-0.06	0.22	0.26	0.41	0.82	0.94	1.05
Dividend per share	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.62	0.71	0.73
<b>SALES, EURm</b>												
Group	173.7	217.6	210.7	268.4	870.4	188.1	239.9	231.5	287.7	947.2	988.5	1,023.6
Total	173.7	217.6	210.7	268.4	870.4	188.1	239.9	231.5	287.7	947.2	988.5	1,023.6
<b>SALES GROWTH, Y/Y %</b>												
Group	10.9	11.0	7.8	8.0	9.3	8.3	10.2	9.9	7.2	8.8	4.4	3.5
Total	10.9	11.0	7.8	8.0	9.3	8.3	10.2	9.9	7.2	8.8	4.4	3.5
<b>EBIT, EURm</b>												
Group	-1.9	13.1	15.5	25.6	52.3	-2.2	18.7	21.9	32.7	71.1	80.8	88.3
Total	-1.9	13.1	15.5	25.6	52.3	-2.2	18.7	21.9	32.7	71.1	80.8	88.3
<b>EBIT margin, %</b>												
Group	-1.1	6.0	7.4	9.5	6.0	-1.2	7.8	9.5	11.4	7.5	8.2	8.6
Total	-1.1	6.0	7.4	9.5	6.0	-1.2	7.8	9.5	11.4	7.5	8.2	8.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	734.3	755.3	775.8	796.5	870.4	947.2	988.5	1,023.6
<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>8.8</i>	<i>4.4</i>	<i>3.5</i>
EBITDA	57.1	58.4	62.8	54.9	109.9	131.7	141.8	149.8
<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>13.9</i>	<i>14.3</i>	<i>14.6</i>
Depreciation	-13.5	-14.8	-15.1	-14.3	-57.6	-60.6	-61.1	-61.5
EBITA	43.6	43.6	47.7	40.6	52.3	71.1	80.8	88.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	43.6	43.6	47.7	40.6	52.3	71.1	80.8	88.3
<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>7.5</i>	<i>8.2</i>	<i>8.6</i>
Reported EBIT	41.8	39.0	49.2	39.8	53.3	71.1	80.8	88.3
<i>EBIT margin (reported) (%)</i>	<i>5.7</i>	<i>5.2</i>	<i>6.3</i>	<i>5.0</i>	<i>6.1</i>	<i>7.5</i>	<i>8.2</i>	<i>8.6</i>
Net financials	-22.2	-20.9	-15.2	-5.9	-10.6	-10.5	-11.6	-11.2
Pre-tax profit	21.5	22.7	32.5	34.7	41.7	60.6	69.2	77.1
Taxes	-4.2	-3.4	-6.8	-6.6	-8.6	-12.1	-13.8	-15.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	15.5	14.7	27.2	27.3	34.1	48.5	55.4	61.7
Cash NRIs	-1.8	-4.6	1.5	-0.8	1.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	93	97	95	94	95	95	94	93
Goodwill	129	129	129	129	135	135	135	135
Right of use assets	0	0	0	0	234	237	240	243
Inventory	151	160	155	170	191	208	217	225
Receivables	16	16	18	22	22	23	24	25
Liquid funds	52	49	58	43	38	47	49	51
Total assets	446	455	459	462	721	753	766	778
Liabilities								
Shareholder's equity	33	48	167	163	167	186	204	225
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	244	237	240	243
Deferred taxes	6	6	5	5	6	6	6	6
Interest bearing debt	306	294	174	177	173	182	168	153
Non-interest bearing current liabilities	84	91	104	107	123	133	138	143
Other interest-free debt	18	16	10	11	10	10	10	10
Total liabilities	446	455	459	463	721	753	766	778
<b>CASH FLOW, EURm</b>								
+ EBITDA	57	58	63	55	110	132	142	150
- Net financial items	-22	-21	-15	-6	-11	-10	-12	-11
- Taxes	-4	-3	-4	-8	-7	-12	-14	-15
- Increase in Net Working Capital	-3	-3	15	-13	-5	-9	-4	-4
+/- Other	-2	-5	4	0	-42	0	0	0
= Cash flow from operations	26	27	63	27	45	100	112	120
- Capex	-13	-18	-10	-12	-20	-63	-63	-63
- Acquisitions	0	0	0	0	-15	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	13	8	53	15	10	37	49	56
+/- New issues/buybacks	1	0	91	-1	-6	0	0	0
- Paid dividend	0	0	0	-30	-24	-29	-37	-42
+/- Other	-8	-12	-135	0	16	2	-11	-13
Change in cash	6	-4	9	-15	-5	9	2	2

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	500	427	423	764	764	764
Net debt (excl. convertibles)	245	116	134	379	372	359	344
Enterprise value	245	616	561	801	1,136	1,123	1,108
Sales	755	776	797	870	947	989	1,024
EBITDA	58	63	55	110	132	142	150
EBIT	44	48	41	52	71	81	88
Pre-tax	23	33	35	42	61	69	77
Earnings	19	26	28	33	48	55	62
Equity book value (excl. minorities)	48	167	163	167	186	204	225
<b>Valuation multiples</b>							
EV/sales	0.3	0.8	0.7	0.9	1.2	1.1	1.1
EV/EBITDA	4.2	9.8	10.2	7.3	8.6	7.9	7.4
EV/EBITA	5.6	12.9	13.8	15.3	16.0	13.9	12.6
EV/EBIT	5.6	12.9	13.8	15.3	16.0	13.9	12.6
EV/OCF	9.2	9.9	20.7	17.8	11.4	10.0	9.3
EV/FCFF	9.3	9.3	24.4	24.6	12.2	10.5	9.7
P/FCFE	0.0	9.5	27.7	41.8	20.9	15.5	13.6
P/E	0.0	19.5	15.2	12.8	15.8	13.8	12.4
P/B	0.0	3.0	2.6	2.5	4.1	3.7	3.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.0	9.2	8.6
Target EV/EBIT	0.0	0.0	0.0	0.0	18.5	16.1	14.6
Target EV/FCF	0.0	0.0	0.0	0.0	35.9	26.3	22.8
Target P/B	0.0	0.0	0.0	0.0	5.1	4.6	4.2
Target P/E	0.0	0.0	0.0	0.0	19.4	17.0	15.3
<b>Per share measures</b>							
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	0.82	0.94	1.05
Operating cash flow per share	1.20	1.06	0.46	0.76	1.70	1.91	2.03
Free cash flow per share	0.38	0.89	0.26	0.17	0.62	0.84	0.96
Book value per share	2.16	2.83	2.77	2.83	3.16	3.47	3.82
Dividend per share	0.00	0.51	0.41	0.50	0.62	0.71	0.73
Dividend payout ratio, %	0.0	116.8	86.0	88.9	75.8	75.0	70.0
Dividend yield, %	0.0	6.0	5.7	7.0	4.8	5.4	5.7
FCF yield, %	0.0	10.5	3.6	2.4	4.8	6.5	7.4
<b>Efficiency measures</b>							
ROE	47.5	23.9	17.0	20.1	27.5	28.4	28.8
ROCE	12.9	14.1	12.1	11.3	12.0	13.3	14.3
<b>Financial ratios</b>							
Inventories as % of sales	21.2	20.0	21.4	21.9	22.0	22.0	22.0
Receivables as % of sales	2.1	2.3	2.8	2.5	2.5	2.5	2.4
Non-interest bearing liabilities as % of sales	12.1	13.3	13.5	14.1	14.0	14.0	14.0
NWC/sales, %	11.2	8.7	10.3	10.0	10.2	10.2	10.2
Operative CAPEX/sales, %	2.4	1.3	1.5	2.3	6.7	6.4	6.2
CAPEX/sales (incl. acquisitions), %	2.4	1.3	1.5	0.6	6.7	6.4	6.2
FCFF/EBITDA	0.5	1.1	0.4	0.3	0.7	0.8	0.8
Net debt/EBITDA, book-weighted	4.2	1.8	2.4	3.4	2.8	2.5	2.3
Debt/equity, market-weighted	0.0	0.3	0.4	0.4	0.2	0.2	0.2
Equity ratio, book-weighted	10.9	36.3	35.2	23.1	24.7	26.7	28.9
Gearing, %	509.6	69.6	82.3	227.0	199.9	175.5	153.2

**COMPANY DESCRIPTION:** Tokmanni is the largest and only nationwide general discount retail chain in Finland with approximately 190 stores across the country. The company operates under one brand and has a wide range of low-priced products for example for home renovation and cleaning, dressing and leisure, as well as interior decoration and gardening. Tokmanni offers a selection of international brands, the company's own private label products and non-branded products.

**INVESTMENT CASE:** Based on a healthy demand for Tokmanni's value proposition in the Finnish market, Tokmanni's growth is based on store network expansion and like-for-like growth, resulting in faster than market growth. Profitability drivers include increasing share of private labels, improved sourcing, and cost efficiency improvements.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takoa Invest	10,544,688	136.870	17.9%
Keskinäinen Työeläkevakuutusyhtiö Elo	5,050,000	65.549	8.6%
Keskinäinen työeläkevakuutusyhtiö Varma	3,150,526	40.894	5.4%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,074,000	26.921	3.5%
OP-Suomi Arvo -sijoitusrahasto	1,343,910	17.444	2.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	927,178	12.035	1.6%
Eläkevakuutusosakeyhtiö Veritas	690,000	8.956	1.2%
Kirkon Eläkerahasto	628,458	8.157	1.1%
Säästöpankki Kotimaa-sijoitusrahasto	586,527	7.613	1.0%
Nordea Fennia Fund	578,490	7.509	1.0%
Ten largest	25,573,777	331.948	43%
Residual	33,294,975	432.169	57%
Total	58,868,752	764.116	100%

EARNINGS CALENDAR	
February 07, 2020	FY 2019 Results
April 29, 2020	Q1 report
July 29, 2020	Q2 report
October 29, 2020	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Mika Rautiainen	
CFO: Markku Pirskanen	Tel: +358 300 472 220
IR: Maarit Mikkonen	

## DEFINITIONS

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



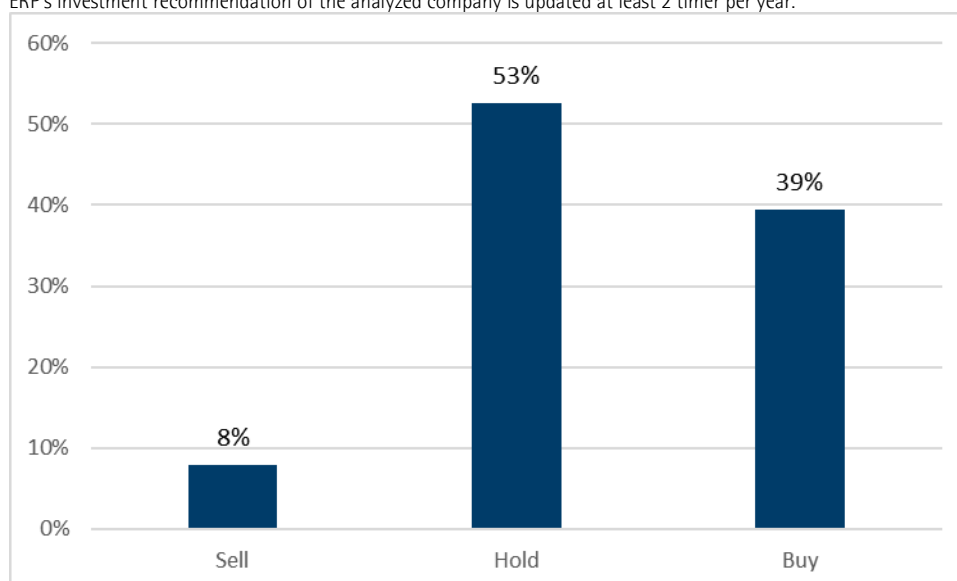
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Investment recommendations are defined as follows:

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

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

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**Contact information****SALES, TRADING AND RESEARCH****Equity Sales**

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

**Trading**

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

**ETFs and Derivatives**

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

**Structured Investments**

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

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

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



**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**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001