

Growth strategy expected to succeed

Marimekko's H1 has been impressive and we expect the good momentum to continue throughout the year. The company has been able to target broader audience and license sales in APAC is expected to increase in H2, which should support revenue growth. We keep "HOLD" with TP of EUR 30 (26).

Strong Q2 earnings

Marimekko's Q2 revenue was in line with expectations at EUR 29.1m vs. EUR 31.1m/29.8m Evli/cons. Revenue growth was good especially in Finland where comparable retail sales increased by 17% y/y and totaled EUR 16.8m vs. 16.7m Evli view. International revenue was EUR 12.4m vs. EUR 14.4m Evli view. Adj. EBIT was EUR 3.7m vs. EUR 3.5m/3.2m Evli/cons. Earnings were supported by increased sales and gross margin improvements, which were impacted by moderate sale campaigns and increased retail sales.

Broader customer segments support growth

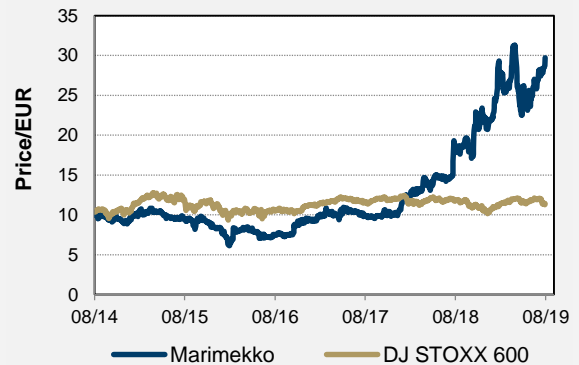
Marimekko had a strong H1 as the company's revenue grew by ~8% and adj. EBIT by ~46 % y/y. We expect the good momentum to continue as the company has been able to target wider customer segments and seeks to improve growth through online store, partner-led retail in Asia as well as by increasing the sales/m2 in its physical stores. In Q2, Marimekko updated its guidance for 2019, mainly as it expects higher licensing income in APAC during H2'19. The company reiterated its guidance for 2019E revenue and expects the revenue to be higher than in 2018 and expects operating profit to be higher than in 2018, approximately maximum of EUR 15m. We expect 2019E revenue of EUR 123m and EBIT of EUR 15m, resulting in EBIT% of 11.9%.

We retain "HOLD" with TP of EUR 30 (prev. EUR 26)

We have kept our underlying estimates largely intact but increased our 20E-21E estimates as we expect the wider target audience and improved gross margin levels to support growth. On our estimates, Marimekko trades at 19E-20E EV/EBITDA multiple of 9.7x and 8.6x which translates into ~50% premium compared to the premium goods peer group. We see Marimekko's current valuation as stretched, but as we expect the company to transition towards new customer segments and markets, which should accelerate growth and enable the company to reach a new profitability level, we accept the premium. We keep our rating "HOLD" with TP of EUR 30 (26).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 29.70

Target price, EUR 30.0

Latest change in rating 16-May-19

Latest report on company 23-Jul-19

Research paid by issuer: YES

No. of shares outstanding, '000's 8,130

No. of shares fully diluted, '000's 8,130

Market cap, EURm 241

Free float, % 84.0

Exchange rate 0.000

Reuters code MM01V.HE

Bloomberg code MM01V.FH

Average daily volume, EURm na.

Next interim report 06-Nov-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	102	9	8.4%	7	0.73	13.8	0.8	7.4	9.2	0.50
2018	112	12	10.9%	12	1.01	20.5	1.3	13.1	11.9	1.85
2019E	123	15	11.9%	14	1.38	21.5	2.1	11.5	17.9	0.70
2020E	132	18	13.6%	17	1.66	17.9	1.9	9.7	14.3	0.80
2021E	142	21	14.5%	20	1.95	15.2	1.7	9.4	12.0	0.90
Market cap, EURm		241	BV per share 2019E, EUR		4.5	CAGR EPS 2018-21, %		24.4		
Net debt 2019E, EURm		21	Price/book 2019E		6.5	CAGR sales 2018-21, %		8.3		
Enterprise value, EURm		262	Dividend yield 2019E, %		2.4	ROE 2019E, %		29.1		
Total assets 2019E, EURm		99	Tax rate 2019E, %		19.9	ROCE 2019E, %		24.4		
Goodwill 2019E, EURm		0	Equity ratio 2019E, %		37.2	PEG, P/E 19/CAGR		1.5		

Strong Q2 earnings

Marimekko's Q2 revenue was in line with expectations at EUR 29.1m vs. EUR 31.1m/29.8m Evli/cons. Revenue growth was good especially in Finland where comparable retail sales increased by 17% y/y and totaled EUR 16.8m vs. 16.7m Evli view. Also, growth in wholesale sales in EMEA region was good. Wholesale sales in Finland decreased by 18% y/y as there were large non-recurring wholesale deliveries in Q2'18. International revenue was EUR 12.4m vs. EUR 14.4m Evli view. Adj. EBIT was EUR 3.7m vs. EUR 3.5m/3.2m Evli/cons. Earnings were supported by increased sales and gross margin improvements, which were impacted by moderate sale campaigns and increased retail sales.

Broader customer segments support growth

Marimekko had a strong H1 as the company's revenue grew by ~8% and adj. EBIT by ~46 % y/y. We expect the good momentum to continue as the company has been able to target wider customer segments and seeks to improve growth through online store, partner-led retail in Asia as well as by increasing the sales/m2 in its physical stores. Marimekko has approximately 150 stores in 15 countries, of which most of the stores are outside of Finland and the company aims to open 10 new shops or shop-in-shops in 2019. In APAC, Japan is the largest market area but the company sees growth opportunities in other countries as well. Net sales from APAC represented 21% of total sales in H1'19. During the last couple of years, the company's combined revenue from APAC has been flat but the company has indicated that the revenue from APAC is likely to increase in the future as the strategy is to appeal to broader target audience globally. We expect APAC's retail revenue in 2019E to increase by ~20% y/y and wholesale sales growth of ~13% y/y. In Q2, Marimekko updated its guidance for 2019, mainly as it expects higher licensing income in APAC during H2'19. The company reiterated its guidance for 2019E revenue and expects the revenue to be higher than in 2018 and expects operating profit to be higher than in 2018, approximately maximum of EUR 15m (previous: operating profit expected to be in the same level as in 2018). The company targets 10% y/y revenue growth and EBIT% of 15% in the long-term. We expect 2019E revenue of EUR 123m (prev. EUR 125m) and EBIT of EUR 15m (prev. EUR 14m), resulting in EBIT% of 11.9%.

We retain "HOLD" with TP of EUR 30 (prev. EUR 26)

We have kept our underlying estimates largely intact but increased our 20E-21E estimates as we expect broader target audience and improved gross margin levels to support growth. We expect the company's revenue to grow ~8% y/y in 20E-21E and EBIT growth of ~20% y/y. On our estimates, Marimekko trades at 19E-20E EV/EBITDA multiple of 9.7x and 8.6x which translates into ~50% premium compared to the premium goods peer group. We see Marimekko's current valuation as stretched, but as we expect the company to transition towards new customer segments and markets, which should accelerate growth and enable the company to reach a new profitability level, we accept the premium. Our EBIT% estimates are already shifting towards the luxury goods peer group which also justifies higher multiples. We keep our rating "HOLD" with new TP of EUR 30 (prev. EUR 26).

Estimates

Marimekko estimates	FY2013	FY2014	FY2015	FY2016	FY2017	2018				FY2018	2019E				FY2019E	FY2020E
						Q1	Q2	Q3	Q4		Q1	Q2E	Q3E	Q4E		
Finland																
Retail revenue	35,1	35,4	37,6	38,9	40,8	7,7	11,8	12,6	13,0	45,1	8,5	13,3	14,1	14,4	50,3	54,3
Wholesale revenue	16,5	16,2	14,7	16,6	14,6	4,2	4,3	4,6	5,2	18,3	4,2	3,5	4,1	5,3	17,1	17,4
License revenue	0,6	0,4	0,4	0,3	0,2	0,0	0,0	0,0	0,0	0,2	0,1	0,0	0,0	0,0	0,2	0,2
Total	52,2	52,0	52,7	55,8	55,7	11,9	16,2	17,2	18,3	63,5	12,8	16,8	18,2	19,8	67,6	71,9
Scandinavia																
Retail revenue	4,4	5,2	4,8	5,0	5,1	1,0	1,6	1,3	1,4	5,3	1,2	1,3	1,4	1,5	5,4	5,7
Wholesale revenue	3,8	3,3	2,9	2,9	3,4	0,9	0,7	0,9	1,2	3,7	1,0	0,8	1,0	1,2	4,0	4,3
License revenue	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total	8,2	8,5	7,8	7,9	8,5	1,9	2,2	2,3	2,6	9,0	2,1	2,1	2,4	2,8	9,4	10,0
EMEA																
Retail revenue	1,4	1,5	1,2	1,1	1,1	0,4	0,4	0,3	0,4	1,5	0,4	0,4	0,4	0,5	1,7	2,1
Wholesale revenue	6,2	5,9	6,9	7,8	8,3	2,1	1,8	2,2	2,3	8,4	3,0	2,7	2,5	2,5	10,6	11,2
License revenue	0,1	0,2	0,2	0,3	0,3	0,1	0,1	0,1	0,1	0,4	0,1	0,1	0,1	0,1	0,4	0,4
Total	7,7	7,5	8,3	9,2	9,7	2,6	2,3	2,7	2,8	10,3	3,5	3,2	3,0	3,1	12,8	13,7
North America																
Retail revenue	5,6	6,0	5,9	5,2	5,3	1,0	1,4	1,4	1,5	5,2	1,0	1,5	1,5	1,6	5,5	5,8
Wholesale revenue	2,5	2,0	2,4	2,2	2,5	0,5	0,9	0,8	0,4	2,7	0,6	0,5	0,8	0,4	2,4	2,5
License revenue	0,4	0,6	1,0	0,5	0,5	0,1	0,1	0,0	0,0	0,3	0,3	0,1	0,0	0,0	0,4	0,4
Total	8,5	8,6	9,2	7,9	8,3	1,6	2,4	2,2	2,0	8,2	1,9	2,0	2,3	2,1	8,3	8,8
APAC																
Retail revenue	2,3	2,7	3,2	3,5	4,0	0,9	0,9	0,9	1,3	4,0	1,0	1,0	1,2	1,5	4,8	5,9
Wholesale revenue	15,2	14,9	14,5	15,4	15,5	4,8	4,3	4,6	2,7	16,4	5,8	4,1	5,2	3,6	18,6	21,4
License revenue	0,0	0,0	0,0	0,0	0,6	0,4	0,0	0,0	0,0	0,4	0,0	0,0	1,0	1,0	2,0	0,0
Total	17,5	17,5	17,7	18,8	20,2	6,1	5,1	5,5	4,1	20,8	6,8	5,1	7,4	6,1	25,4	27,3
REVENUE SPLIT																
Finland	52,2	52,0	52,7	55,8	55,7	11,9	16,2	17,2	18,3	63,5	12,8	16,8	18,2	19,8	67,6	71,9
International	41,9	42,1	43,0	43,8	46,6	12,2	12,1	12,7	11,4	48,3	14,3	12,4	15,1	14,1	55,9	59,8
<i>Finland growth (%)</i>	<i>0%</i>	<i>0%</i>	<i>1%</i>	<i>6%</i>	<i>0%</i>	<i>1%</i>	<i>30%</i>	<i>14%</i>	<i>12%</i>	<i>14%</i>	<i>7%</i>	<i>4%</i>	<i>6%</i>	<i>8%</i>	<i>6%</i>	<i>6%</i>
<i>International growth (%)</i>	<i>16%</i>	<i>1%</i>	<i>2%</i>	<i>2%</i>	<i>6%</i>	<i>14%</i>	<i>17%</i>	<i>4%</i>	<i>-15%</i>	<i>4%</i>	<i>18%</i>	<i>2%</i>	<i>19%</i>	<i>23%</i>	<i>16%</i>	<i>7%</i>
REVENUE SPLIT																
Retail	48,8	50,7	52,7	53,6	56,3	10,9	16,0	16,5	17,7	61,1	12,1	17,4	18,6	19,6	67,7	73,9
Wholesale	44,2	42,2	41,4	44,9	44,4	12,6	11,9	13,2	11,8	49,5	14,5	11,5	13,6	13,0	52,7	56,8
License	1,1	1,2	1,6	1,1	1,6	0,6	0,3	0,2	0,2	1,3	0,5	0,2	1,2	1,2	3,1	1,1
<i>Retail growth (%)</i>	<i>12%</i>	<i>4%</i>	<i>4%</i>	<i>2%</i>	<i>5%</i>	<i>-4%</i>	<i>22%</i>	<i>8%</i>	<i>7%</i>	<i>8%</i>	<i>11%</i>	<i>9%</i>	<i>13%</i>	<i>11%</i>	<i>11%</i>	<i>9%</i>
<i>Wholesale growth (%)</i>	<i>1%</i>	<i>-4%</i>	<i>-2%</i>	<i>9%</i>	<i>-1%</i>	<i>15%</i>	<i>31%</i>	<i>19%</i>	<i>-10%</i>	<i>12%</i>	<i>15%</i>	<i>-3%</i>	<i>3%</i>	<i>10%</i>	<i>6%</i>	<i>8%</i>
<i>License growth (%)</i>	<i>-24%</i>	<i>12%</i>	<i>26%</i>	<i>-31%</i>	<i>52%</i>	<i>293%</i>	<i>-43%</i>	<i>-80%</i>	<i>16%</i>	<i>-22%</i>	<i>-22%</i>	<i>-32%</i>	<i>621%</i>	<i>495%</i>	<i>137%</i>	<i>-65%</i>
TOTAL REVENUE	94,0	94,2	95,7	99,6	102,3	24,1	28,2	29,8	29,7	111,9	27,1	29,1	33,3	33,9	123,4	131,7
<i>Growth (%)</i>	<i>6%</i>	<i>0%</i>	<i>2%</i>	<i>4%</i>	<i>3%</i>	<i>7%</i>	<i>24%</i>	<i>10%</i>	<i>0%</i>	<i>9%</i>	<i>12,6%</i>	<i>3,3%</i>	<i>11,7%</i>	<i>13,9%</i>	<i>10%</i>	<i>7%</i>
Raw materials & consumables	-33,5	-32,8	-35,2	-40,2	-37,4	-9,0	-10,9	-11,2	-11,0	-42,1	-10,2	-9,6	-11,6	-11,5	-42,9	-45,0
<i>Growth (%)</i>	<i>14%</i>	<i>-2%</i>	<i>7%</i>	<i>14%</i>	<i>-7%</i>	<i>6%</i>	<i>18%</i>	<i>25%</i>	<i>3%</i>	<i>13%</i>	<i>13%</i>	<i>4,0%</i>	<i>4,0%</i>	<i>4,0%</i>	<i>2%</i>	<i>5%</i>
Gross profit	60,5	61,4	60,4	59,4	64,9	15,1	17,3	18,7	18,7	69,8	16,9	19,5	21,7	22,4	80,5	86,7
<i>Gross margin</i>	<i>64,3%</i>	<i>65,2%</i>	<i>63,2%</i>	<i>59,6%</i>	<i>63,4%</i>	<i>62,7%</i>	<i>61,4%</i>	<i>62,6%</i>	<i>62,9%</i>	<i>62,4%</i>	<i>62,4%</i>	<i>67,0%</i>	<i>65,2%</i>	<i>66,1%</i>	<i>65,3%</i>	<i>65,8%</i>
Total OPEX	-54,4	-51,0	-55,1	-53,4	-54,0	-13,3	-13,8	-13,3	-16,8	-57,3	-12,1	-12,2	-13,6	-17,3	-55,2	-58,2
<i>Growth (%)</i>	<i>6%</i>	<i>-6%</i>	<i>8%</i>	<i>-3%</i>	<i>1%</i>	<i>2%</i>	<i>3%</i>	<i>8%</i>	<i>11%</i>	<i>6%</i>	<i>-9%</i>	<i>-12%</i>	<i>2%</i>	<i>2%</i>	<i>-4%</i>	<i>6%</i>
<i>% of revenue</i>	<i>6%</i>	<i>54%</i>	<i>58%</i>	<i>54%</i>	<i>53%</i>	<i>55,3%</i>	<i>48,9%</i>	<i>44,6%</i>	<i>56,7%</i>	<i>51%</i>	<i>44,8%</i>	<i>41,8%</i>	<i>40,7%</i>	<i>51,0%</i>	<i>45%</i>	<i>44%</i>
Adj. EBITDA	8,1	10,6	6,2	10,2	12,0	1,9	3,7	6,9	2,2	14,6	5,7	6,8	9,5	5,0	27,1	29,9
<i>Adj. EBITDA margin</i>	<i>8,6%</i>	<i>11,2%</i>	<i>6,4%</i>	<i>10,2%</i>	<i>11,7%</i>	<i>8,0%</i>	<i>13,0%</i>	<i>23,0%</i>	<i>7,3%</i>	<i>13,1%</i>	<i>20,9%</i>	<i>23,4%</i>	<i>28,6%</i>	<i>14,9%</i>	<i>21,9%</i>	<i>22,7%</i>
Adj. EBIT	1,6	6,2	1,5	6,1	8,6	1,2	3,1	6,3	1,6	12,2	2,6	3,7	6,4	1,9	14,7	17,9
<i>Adj. EBIT margin</i>	<i>1,7%</i>	<i>6,6%</i>	<i>1,6%</i>	<i>6,1%</i>	<i>8,4%</i>	<i>4,8%</i>	<i>11,1%</i>	<i>21,1%</i>	<i>5,5%</i>	<i>10,9%</i>	<i>9,6%</i>	<i>12,7%</i>	<i>19,3%</i>	<i>5,8%</i>	<i>11,9%</i>	<i>13,6%</i>

Source: Marimekko, Evli research

Valuation

MARIMEKKO PEERS	MCAP local FX	EV/Sales 19	EV/Sales 20	EV/Sales 21	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	Equity ratio		
											19	20	21
Premium goods													
Guess?, Inc.	1013	0,1x	0,0x		1,0x	-0,4x		1,5x	-0,6x				
HUGO BOSS AG	3402	1,2x	1,1x	1,1x	6,8x	6,2x	5,7x	9,3x	8,5x	7,7x	50%	52%	54%
Joules Group Plc	226	0,9x	0,8x	0,8x	8,2x	7,2x	6,8x	12,4x	10,9x	10,2x	44%	47%	
Capri Holdings Limited	4281	1,1x	0,9x	0,8x	5,3x	4,6x	4,1x	6,9x	5,8x	5,1x	41%	49%	57%
Ralph Lauren Corporation Class A	6715	1,0x	1,0x	0,9x	6,3x	5,9x	5,6x	8,5x	7,9x	7,3x	47%	47%	45%
Ted Baker PLC	402	0,8x	0,8x	0,7x	6,5x	6,1x	5,8x	9,4x	9,1x	8,6x	50%	51%	53%
Luxury goods													
Brunello Cucinelli S.p.A.	1867	3,1x	2,9x	2,7x	18,2x	16,6x	15,1x	25,1x	23,0x	20,7x	63%	65%	68%
Burberry Group plc	8615	2,7x	2,6x	2,4x	13,1x	11,9x	10,6x	17,0x	15,4x	13,5x	62%	65%	66%
Hermes International SCA	63156	8,9x	8,0x	7,3x	23,6x	21,2x	19,1x	26,3x	23,7x	21,2x	76%	78%	79%
Moncler SpA	8543	5,0x	4,3x	3,7x	14,1x	12,1x	10,4x	16,4x	14,0x	12,0x	65%	68%	72%
Prada S.p.A.	57701	2,1x	2,0x	1,9x	9,9x	9,3x	9,0x	21,5x	18,3x	15,6x	59%	58%	57%
Salvatore Ferragamo S.p.A.	2892	1,9x	1,8x	1,7x	12,2x	11,0x	9,7x	17,5x	15,3x	13,2x	54%	55%	56%
Premium goods median	2207	1,0x	0,9x	0,8x	6,4x	6,0x	5,7x	8,9x	8,2x	7,7x	47%	49%	53%
Luxury goods median		2,9x	2,7x	2,5x	13,6x	12,0x	10,5x	19,5x	16,8x	14,6x	63%	65%	67%
Marimekko (Evli est.)	536	2,1x	1,9x	1,7x	9,7x	8,6x	8,0x	17,9x	14,3x	12,0x	43%	45%	45%
<i>Marimekko premium vs. premium goods median</i>		<i>119 %</i>	<i>125 %</i>	<i>108 %</i>	<i>52 %</i>	<i>43 %</i>	<i>39 %</i>	<i>100 %</i>	<i>75 %</i>	<i>56 %</i>	<i>-9 %</i>	<i>-9 %</i>	<i>-16 %</i>
		Dividend yield			EBIT margin			ROCE-%			ROE-%		
MARIMEKKO PEERS	Ticker	19	20	21	19	20	21	19	20	21	19	20	21
Premium goods													
Guess?, Inc.	GES-US	3,6%	3,2%	3,2%	5,0%	5,3%	5,4%				16,2%	17,4%	
HUGO BOSS AG	BOSS-DE	5,8%	6,4%	7,0%	12,8%	13,3%	13,8%	25,8%	26,8%	27,6%	24,4%	25,2%	25,3%
Joules Group Plc	JOUL-GB	1,1%	1,3%	1,4%	7,4%	7,4%	7,6%	23,8%	22,8%	16,7%	36,4%	30,9%	1896,6%
Capri Holdings Limited	CPRI-US	0,0%	0,0%	0,0%	15,3%	15,9%	16,4%	14,9%	15,2%	16,2%	24,6%	20,5%	18,5%
Ralph Lauren Corporation Class A	RL-US	3,1%	3,4%	3,7%	11,9%	12,4%	13,0%	14,7%	15,7%	16,0%	20,1%	21,3%	21,9%
Ted Baker PLC	TED-GB	5,2%	5,4%	5,6%	8,6%	8,5%	8,7%	18,2%	17,9%	17,8%	16,5%	16,2%	14,5%
Luxury goods													
Brunello Cucinelli S.p.A.	BC-IT	1,3%	1,4%	1,5%	12,5%	12,6%	12,8%	22,4%	23,1%	24,1%	16,8%	16,4%	16,8%
Burberry Group plc	BRBY-GB	2,1%	2,3%	2,5%	16,2%	16,8%	17,7%	27,9%	28,5%	28,1%	24,0%	23,7%	23,6%
Hermes International SCA	RMS-FR	0,8%	1,0%	1,1%	33,7%	34,0%	34,3%	32,1%	30,5%	28,7%	23,0%	21,7%	20,6%
Moncler SpA	MONC-IT	1,3%	1,5%	1,7%	30,3%	30,6%	30,8%	32,2%	31,3%	30,9%	27,8%	25,0%	23,7%
Prada S.p.A.	1913-HK	3,0%	3,0%	3,4%	9,8%	11,1%	12,2%	7,7%	8,9%	9,7%	8,4%	7,9%	9,1%
Salvatore Ferragamo S.p.A.	SFER-IT	2,1%	2,4%	2,6%	11,0%	11,8%	12,8%	14,7%	15,6%	16,8%	12,5%	13,4%	14,5%
Premium goods median		3,3%	3,3%	3,4%	10,3%	10,4%	10,8%	18,2%	17,9%	16,7%	22,2%	20,9%	21,9%
Luxury goods median		1,7%	1,9%	2,1%	14,3%	14,7%	15,3%	25,2%	25,8%	26,1%	19,9%	19,0%	18,7%
Marimekko (Evli est.)		2,4%	2,7%	3,0%	11,9%	13,6%	14,5%	24,4%	22,6%	25,9%	29,1%	33,0%	32,1%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	29.70 PV of Free Cash Flow	99 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	28.81 PV of Horizon value	127 WACC, %	7.5 Market risk premium, %
Share price potential, %	-3.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	31.4 Marketable securities	23 Minimum WACC, %	7.0 Equity beta coefficient
Minimum value	26.6 Debt - dividend	-15 Maximum WACC, %	8.0 Target debt ratio, %
Horizon value, %	56.2 Value of stock	234 Nr of shares, Mn	8.1 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	112	123	132	142	148	154	159	163	168	173	177	180
<i>Sales growth, %</i>	<i>9.3</i>	<i>10.3</i>	<i>6.7</i>	<i>8.0</i>	<i>4.0</i>	<i>4.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	12	15	18	21	21	22	21	20	17	17	18	18
<i>EBIT margin, %</i>	<i>10.9</i>	<i>11.9</i>	<i>13.6</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>13.0</i>	<i>12.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>
+ Depreciation+amort.	2	12	12	11	11	12	12	13	13	13	14	
- Income taxes	-3	-3	-4	-4	-4	-4	-4	-4	-3	-3	-4	
- Change in NWC	2	-3	-1	-1	-1	-1	-1	-1	-1	-1	0	
<i>NWC / Sales, %</i>	<i>12.0</i>	<i>13.3</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-32	-12	-12	-11	-12	-12	-12	-13	-13	-14	-14	-14
<i>Investments / Sales, %</i>	<i>28.5</i>	<i>9.4</i>	<i>9.4</i>	<i>7.7</i>	<i>7.8</i>	<i>7.8</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-19	9	13	15	16	17	16	15	13	13	14	251
= Discounted FCF (DFCF)		9	11	12	13	12	11	9	7	7	7	127
= DFCF min WACC		9	11	12	13	13	11	10	8	7	7	146
= DFCF max WACC		9	11	12	12	12	10	9	7	7	7	112

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	24	28	30	30	112	27	29	33	34	123	132	142
EBITDA	2	4	7	2	15	6	7	10	5	27	30	31
<i>EBITDA margin (%)</i>	<i>8.0</i>	<i>13.0</i>	<i>23.0</i>	<i>7.3</i>	<i>13.1</i>	<i>20.9</i>	<i>23.4</i>	<i>28.6</i>	<i>14.9</i>	<i>21.9</i>	<i>22.7</i>	<i>21.9</i>
EBIT	1	3	6	2	12	3	4	6	2	15	18	21
<i>EBIT margin (%)</i>	<i>4.8</i>	<i>11.1</i>	<i>21.1</i>	<i>5.5</i>	<i>10.9</i>	<i>9.6</i>	<i>12.7</i>	<i>19.3</i>	<i>5.8</i>	<i>11.9</i>	<i>13.6</i>	<i>14.5</i>
Net financial items	0	0	0	0	0	0	-1	0	0	-1	-1	-1
Pre-tax profit	1	3	6	2	12	2	3	6	2	14	17	20
Tax	0	-2	-1	0	-4	-1	-1	-1	0	-3	-3	-4
<i>Tax rate (%)</i>	<i>21.0</i>	<i>61.7</i>	<i>19.8</i>	<i>22.2</i>	<i>32.0</i>	<i>21.0</i>	<i>18.8</i>	<i>20.0</i>	<i>20.0</i>	<i>19.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1	1	5	1	8	2	3	5	2	11	13	16
EPS	0.08	0.16	0.61	0.16	1.01	0.24	0.32	0.63	0.19	1.38	1.66	1.95
EPS adjusted (diluted no. of shares)	0.08	0.16	0.61	0.16	1.01	0.24	0.32	0.63	0.19	1.38	1.66	1.95
Dividend per share	0.00	0.00	0.00	0.00	1.85	0.00	0.00	0.00	0.00	0.70	0.80	0.90
SALES, EURm												
Finland	12	16	17	18	64	13	17	18	20	68	72	78
Scandinavia	2	2	2	3	9	2	2	2	3	9	10	11
EMEA	3	2	3	3	10	3	3	3	3	13	14	15
North America	2	2	2	2	8	2	2	2	2	8	9	9
Asia Pacific	6	5	6	4	21	7	5	7	6	25	27	30
Total	24	28	30	30	112	27	29	33	34	123	132	142
SALES GROWTH, Y/Y %												
<i>Finland</i>	<i>0.8</i>	<i>30.1</i>	<i>14.1</i>	<i>11.6</i>	<i>14.1</i>	<i>7.3</i>	<i>3.9</i>	<i>6.1</i>	<i>8.1</i>	<i>6.4</i>	<i>6.5</i>	<i>8.0</i>
<i>Scandinavia</i>	<i>7.9</i>	<i>19.7</i>	<i>0.9</i>	<i>0.9</i>	<i>6.5</i>	<i>11.4</i>	<i>-5.5</i>	<i>6.2</i>	<i>6.6</i>	<i>4.5</i>	<i>6.2</i>	<i>8.0</i>
<i>EMEA</i>	<i>21.9</i>	<i>0.8</i>	<i>19.6</i>	<i>-11.0</i>	<i>5.9</i>	<i>33.1</i>	<i>39.2</i>	<i>12.3</i>	<i>12.5</i>	<i>23.5</i>	<i>7.4</i>	<i>8.0</i>
<i>North America</i>	<i>-7.8</i>	<i>16.5</i>	<i>-0.7</i>	<i>-11.7</i>	<i>-0.8</i>	<i>22.4</i>	<i>-18.0</i>	<i>6.1</i>	<i>4.9</i>	<i>1.8</i>	<i>5.0</i>	<i>8.0</i>
<i>Asia Pacific</i>	<i>20.3</i>	<i>23.6</i>	<i>1.1</i>	<i>-25.9</i>	<i>3.2</i>	<i>11.8</i>	<i>-0.8</i>	<i>33.4</i>	<i>49.7</i>	<i>21.8</i>	<i>7.8</i>	<i>8.0</i>
Total	7.1	23.9	9.6	-0.3	9.3	12.6	3.3	11.7	13.9	10.3	6.7	8.0
EBIT, EURm												
Group (EBIT only)	1	3	6	2	12	3	4	6	2	15	18	21
Total	1	3	6	2	12	3	4	6	2	15	18	21
EBIT margin, %												
Total	4.8	11.1	21.1	5.5	10.9	9.6	12.7	19.3	5.8	11.9	13.6	14.5

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	94	96	100	102	112	123	132	142
<i>Sales growth (%)</i>	<i>0.2</i>	<i>1.6</i>	<i>4.1</i>	<i>2.7</i>	<i>9.3</i>	<i>10.3</i>	<i>6.7</i>	<i>8.0</i>
Costs	-84	-90	-89	-90	-97	-96	-102	-111
Reported EBITDA	11	6	10	12	15	27	30	31
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>11.2</i>	<i>6.3</i>	<i>10.3</i>	<i>11.6</i>	<i>13.1</i>	<i>21.9</i>	<i>22.7</i>	<i>21.9</i>
Depreciation	-4	-5	-4	-3	-2	-12	-12	-11
EBITA	6	2	6	9	12	15	18	21
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	6	2	6	9	12	15	18	21
<i>EBIT margin (%)</i>	<i>6.7</i>	<i>1.6</i>	<i>6.1</i>	<i>8.4</i>	<i>10.9</i>	<i>11.9</i>	<i>13.6</i>	<i>14.5</i>
Net financials	0	0	0	-1	0	-1	-1	-1
Pre-tax profit	6	2	6	7	12	14	17	20
Extraordinary items	-1	0	-1	0	0	0	0	0
Taxes	-1	0	-1	-1	-4	-3	-3	-4
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	1	4	6	8	11	13	16
BALANCE SHEET, EURm								
Assets								
Fixed assets	18	17	15	13	43	42	42	43
<i>% of sales</i>	<i>19</i>	<i>18</i>	<i>15</i>	<i>13</i>	<i>38</i>	<i>34</i>	<i>32</i>	<i>30</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	18	18	21	21	22	24	26	28
<i>% of sales</i>	<i>19</i>	<i>19</i>	<i>21</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>
Receivables	7	6	8	7	7	8	9	9
<i>% of sales</i>	<i>8</i>	<i>6</i>	<i>8</i>	<i>6</i>	<i>6</i>	<i>7</i>	<i>7</i>	<i>7</i>
Liquid funds	4	4	3	6	23	25	20	21
<i>% of sales</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>6</i>	<i>21</i>	<i>20</i>	<i>15</i>	<i>15</i>
Total assets	47	46	48	47	95	99	97	102
Liabilities								
Equity	29	27	28	31	40	37	45	54
<i>% of sales</i>	<i>31</i>	<i>28</i>	<i>28</i>	<i>30</i>	<i>36</i>	<i>30</i>	<i>34</i>	<i>38</i>
Deferred taxes	0	0	1	1	1	1	1	1
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Interest bearing debt	4	7	6	3	0	46	34	28
<i>% of sales</i>	<i>4</i>	<i>8</i>	<i>6</i>	<i>3</i>	<i>0</i>	<i>37</i>	<i>26</i>	<i>20</i>
Non-interest bearing current liabilities	10	11	13	13	16	16	17	18
<i>% of sales</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>12</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>
Other interest free debt	4	0	0	0	0	0	0	0
<i>% of sales</i>	<i>4</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	47	46	48	47	57	99	97	102
CASH FLOW, EURm								
+ EBITDA	11	6	10	12	15	27	30	31
- Net financial items	0	0	0	-1	0	-1	-1	-1
- Taxes	-1	0	-1	-2	-3	-3	-3	-4
- Increase in Net Working Capital	2	1	-3	1	2	-3	-1	-1
+/- Other	-1	0	-1	0	0	0	0	0
= Cash flow from operations	10	6	5	10	12	21	24	25
- Capex	-2	-4	-2	-1	-41	-12	-12	-11
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	9	0	0	0
= Net cash flow	8	3	3	9	-20	9	12	14
+/- Change in interest-bearing debt	-5	4	-1	-3	-3	45	-11	-6
+/- New issues/buybacks	0	0	0	0	5	1	0	0
- Paid dividend	-2	-3	-3	-3	-4	-15	-6	-7
+/- Change in loan receivables	0	-3	0	0	0	0	0	0
Change in cash	1	0	-1	3	-22	40	-5	2

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	67	77	82	168	241	241	241
Net debt	3	2	-3	-23	21	14	7
Enterprise value	70	79	79	145	262	256	248
Sales	96	100	102	112	123	132	142
EBITDA	6	10	12	15	27	30	31
EBIT	2	6	9	12	15	18	21
Pre-tax	2	6	7	12	14	17	20
Earnings	1	5	6	8	11	13	16
Book value	27	28	31	40	37	45	54
Valuation multiples							
EV/sales	0.7	0.8	0.8	1.3	2.1	1.9	1.7
EV/EBITDA	11.7	7.8	6.6	10.0	9.7	8.6	8.0
EV/EBITA	46.8	13.0	9.2	11.9	17.9	14.3	12.0
EV/EBIT	46.8	13.0	9.2	11.9	17.9	14.3	12.0
EV/operating cash flow	11.1	11.9	7.1	11.3	12.4	10.3	9.7
EV/cash earnings	12.1	8.3	8.8	13.1	11.2	10.0	9.4
P/E	63.5	15.7	13.8	20.5	21.5	17.9	15.2
P/E excl. goodwill	63.5	15.7	13.8	20.5	21.5	17.9	15.2
P/B	2.5	2.7	2.7	4.2	6.5	5.4	4.5
P/sales	0.7	0.8	0.8	1.5	2.0	1.8	1.7
P/CF	10.6	11.6	7.4	13.1	11.5	9.7	9.4
Target EV/EBIT	0.0	0.0	0.0	0.0	18.0	14.4	12.2
Target P/E	0.0	0.0	0.0	0.0	21.8	18.1	15.4
Target P/B	0.0	0.0	0.0	0.0	6.6	5.4	4.5
Per share measures							
Number of shares	8,090	8,090	8,090	8,090	8,130	8,130	8,130
Number of shares (diluted)	8,090	8,090	8,090	8,090	8,130	8,130	8,130
EPS	0.13	0.60	0.73	1.01	1.38	1.66	1.95
EPS excl. goodwill	0.13	0.60	0.73	1.01	1.38	1.66	1.95
Cash EPS	0.72	1.17	1.11	1.38	2.89	3.13	3.25
Operating cash flow per share	0.78	0.82	1.37	1.59	2.59	3.06	3.15
Capital employed per share	3.73	3.81	3.44	2.13	7.07	7.29	7.52
Book value per share	3.35	3.50	3.79	4.95	4.55	5.51	6.66
Book value excl. goodwill	3.35	3.50	3.79	4.95	4.55	5.51	6.66
Dividend per share	0.35	0.40	0.50	1.85	0.70	0.80	0.90
Dividend payout ratio, %	267.6	66.3	68.6	182.6	50.8	48.2	46.1
Dividend yield, %	4.2	4.2	5.0	8.9	2.4	2.7	3.0
Efficiency measures							
ROE	3.8	17.6	20.0	23.2	29.1	33.0	32.1
ROCE	4.7	17.9	25.4	33.1	24.4	22.6	25.9
Financial ratios							
Capex/sales, %	3.8	2.2	1.1	28.5	9.4	9.4	7.7
Capex/depreciation excl. goodwill,%	79.6	52.7	35.2	1,329.8	93.6	102.8	104.0
Net debt/EBITDA, book-weighted	0.5	0.2	-0.2	-1.6	0.8	0.5	0.2
Debt/equity, market-weighted	0.1	0.1	0.0	0.0	0.2	0.1	0.1
Equity ratio, book-weighted	58.9	58.4	65.1	70.0	37.2	46.0	53.0
Gearing	0.11	0.09	-0.09	-0.57	0.56	0.32	0.13
Number of employees, average	436	445	0	0	0	0	0
Sales per employee, EUR	219,393	224,000	0	0	0	0	0
EBIT per employee, EUR	3,441	13,717	0	0	0	0	0

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Muotitila Oy	1,297,700	38.542	16.0%
Moomin Characters Oy Ltd	615,000	18.265	7.6%
Ehrnrooth Anna Sophia	400,377	11.891	4.9%
Varma Mutual Pension Insurance Company	385,920	11.462	4.7%
Skandinaviska Enskilda Banken AB	302,909	8.996	3.7%
Svenska Handelsbanken AB (publ), Branch Operation in Finland	247,313	7.345	3.0%
Oy Etra Invest Ab	236,823	7.034	2.9%
Odin Finland	231,301	6.870	2.8%
Veritas Pension Insurance Company Ltd.	220,000	6.534	2.7%
Ilmarinen Mutual Pension Insurance Company	215,419	6.398	2.6%
Ten largest	4,152,762	123.337	51%
Residual	3,977,072	118.119	49%
Total	8,129,834	241.456	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Tiina Alahuhta-Kasko

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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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