

## Outlook remains bright

Marimekko is a Finnish design and lifestyle company founded in 1951. The company's largest market area is Finland followed by the APAC region. As we expect further earnings improvement potential via profitable, global growth, we keep our rating "BUY" with TP of EUR 44 (43).

### A Finnish design and lifestyle company

Marimekko, founded in 1951 is a Finnish design and lifestyle company. The company is known for its unique colors and prints. The company's product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. The company aims to gain profitable growth via broader target audience. The company has approx. 150 stores across the world. Marimekko's revenue CAGR in 2013-2019 was ~4.9 percent.

### 20E hampered by the pandemic but outlook remains good

Year 2020 started well but the Covid-19 quickly spread across the world and Marimekko was forced to close its retail stores temporarily in Finland as well as in other market areas. Despite of the challenging times, Marimekko performed relatively well during the lockdown. The company has benefited of having different product segments (i.e. consumers have spent more time at home which has increased the demand of home décor products while fashion sales have dropped). We expect Marimekko's sales to decline by ~4 percent y/y in 20E. Given the circumstances, we consider this fairly good performance. We expect adj. EBIT to be on a par with last year, totaling EUR 17.3m. We expect revenue to grow by ~8 percent in 21E and ~6 percent in 22E. We expect Marimekko is set to reach its EBIT margin target of 15 percent by 22E.

### "BUY" with TP of EUR 44 (43)

We value Marimekko by using valuation multiples. On our estimates, the company trades with 20E P/E multiple of 24.8x and EV/EBIT multiple of 17.9x. Hence the company trades with a discount compared to the premium and luxury peers. Correspondingly, the company trades with 21E P/E multiple of 20.7x and EV/EBIT multiple of 15.6x, which translates into a clear discount compared to the luxury peers. We keep our rating "BUY" with TP of EUR 44 (43).

## Rating

BUY



Share price, EUR (Last trading day's closing price) 37.90

Target price, EUR 44.0

Latest change in rating 21-Sep-20

Latest report on company 05-Nov-20

Research paid by issuer: YES

No. of shares outstanding, '000's 8,110

No. of shares fully diluted, '000's 8,110

Market cap, EURm 307

Free float, % 69.3

Exchange rate -

Reuters code MM01V.HE

Bloomberg code MM01V FH

Average daily volume, EURm -

Next interim report 18-Feb-21

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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
2018	111.9	12.2	10.9%	21.7	1.01	20.5	1.6	14.9	12.9	1.85
2019	125.4	17.1	13.6%	15.9	1.60	22.3	2.4	17.7	5.5	0.00
2020E	121.0	17.3	14.3%	8.9	1.53	24.8	2.6	17.9	2.9	1.05
2021E	131.2	19.5	14.9%	13.1	1.83	20.7	2.3	15.6	4.3	1.20
2022E	139.3	20.9	15.0%	12.4	1.97	19.3	2.2	14.5	4.0	1.28
Market cap, EURm	307			Gearing 2020E, %	6.0			CAGR EPS 2019-22, %	7.0	
Net debt 2020E, EURm	3			Price/book 2020E	6.0			CAGR sales 2019-22, %	3.6	
Enterprise value, EURm	310			Dividend yield 2020E, %	2.8			ROE 2020E, %	27.5	
Total assets 2020E, EURm	105			Tax rate 2020E, %	20.6			ROCE 2020E, %	21.7	
Goodwill 2020E, EURm	0			Equity ratio 2020E, %	48.9			PEG, P/E 20/CAGR	2.4	

## Investment summary

A Finnish design and lifestyle company with approx. 150 stores across the world

Marimekko, founded in 1951 is a Finnish design and lifestyle company. The company is known for its unique colors and prints. The company's product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. Currently, the company has approx. 150 stores across the world. The key market areas are Northern Europe, North America and Asia-Pacific region of which Finland and the APAC region are the largest market areas. Marimekko was first listed in 1974 and for the second time in 1999. Marimekko's headquarter and fabric print is located in Helsinki, Finland.

Finland is the biggest market area, followed by the APAC region

Most of Marimekko's revenue comes from Finland. In 2019, ~57 percent of total net sales came from Finland whereas sales from the APAC region represented ~20 percent of the total sales. One of the cornerstones of the company's strategy is to gain profitable global growth via broader target audience. The company has three revenue streams: retail sales, wholesale sales and license revenue, of which retail sales is the biggest group, representing 50-60 percent of total sales. Marimekko's omni-channel business model allows the company to adjust its growth strategy to fit to each market area. For instance, the company's store base varies based on the market. The company has its own retail stores and own outlet stores but also retailer owned stores and shop-in-shops. In Asia, the company has a loose franchise model, and the Marimekko stores are operated by partners. In addition to physical stores, Marimekko has its online store that serves customers in more than in 30 countries.

The company's omni-channel business model allows the company to adjust its growth strategy to fit to each market area

Marimekko's revenue CAGR in 2013-2019 was 4.9 percent

Marimekko's revenue CAGR in 2013-2019 was ~4.9 percent. Year 2020 started well but the Covid-19 quickly spread across the world and Marimekko was forced to close its retail stores temporarily in Finland as well as in other market areas. Despite of the challenging times, Marimekko performed relatively well during the lockdown. The company has benefited of having different product segments (i.e. consumers have spent more time at home which has increased the demand of home décor products while fashion sales have dropped). Marimekko's profitability development has been favorable in recent years as well. In 2019, adj. EBIT increased by ~40 percent y/y. The company expects 20E sales to be lower compared to 2019 and adj. EBIT to be approx. at the same level or lower than in 2019.

The coronavirus pandemic has hampered Marimekko's operations

We expect sales to decline by 3.5 percent y/y in 20E and adj. EBIT to be on par with 2019

We expect Marimekko's sales to decline by ~3.5 percent y/y to EUR 121m in 2020E. Given the circumstances, we consider this fairly good performance. We expect adj. EBIT to be on par with last year, totaling EUR 17.3m (EUR 17.1m in 2019). We expect sales to grow by ~8 percent in 21E and by ~6 percent in 22E. We expect Marimekko is set to reach its EBIT margin target of 15 percent by 2022E. We however note that the Covid-19 causes significant uncertainties and the consumer confidence and purchasing power are depended on the economic development.

"BUY" with TP of EUR 44 (43)

We approach Marimekko's valuation through valuation multiples and compare them to Marimekko's own historical valuation and peer groups. We consider both, premium and luxury peers to be relevant for Marimekko. Based on our estimates, Marimekko's profitability outperforms the premium peers and adj. EBIT margin is more similar to the luxury peers. On our estimates, the company trades with a clear 20E P/E and EV/EBIT discount compared to the premium and luxury peers. With 21E-22E P/E (20.7x and 19.3x) and EV/EBIT (15.6x and 14.5x) multiples, the company trades with clear discount compared to the luxury peers. We keep our rating "BUY" with TP of EUR 44 (43).

## Company description

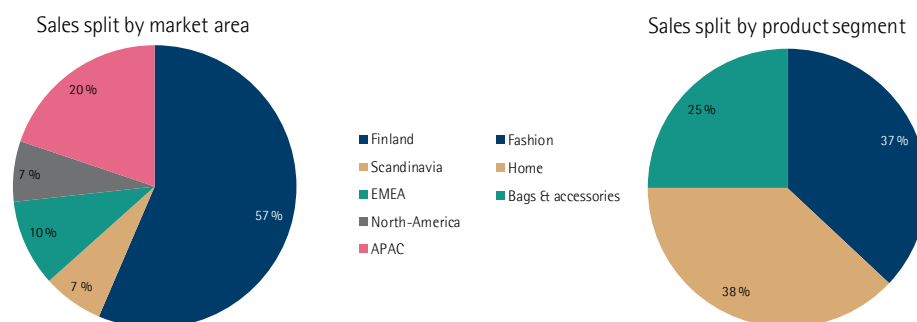
Marimekko is a Finnish design and lifestyle company known for its unique colors and prints

Marimekko, founded in 1951 is a Finnish design and lifestyle company. The company is known for its unique colors and prints. The company's product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. Currently, the company has approx. 150 stores across the world. The key market areas are Northern Europe, North America and Asia-Pacific region of which Finland and the APAC region are the largest market areas. Approximately one-third of the stores are company-owned stores and the rest are retailer-owned stores. Marimekko's online store also serves consumers globally. Marimekko was first listed in 1974 and for the second time in 1999. Marimekko's headquarter and fabric print is located in Helsinki, Finland.

Finland is Marimekko's largest market area followed by APAC region

Most of Marimekko's revenue comes from Finland. In 2019, ~57 percent of total net sales came from Finland whereas sales from the APAC region represented ~20 percent of the total sales. One of the cornerstones of the company's strategy is to gain profitable global growth via broader target audience. So far, the strategy execution has been successful and for instance in Finland, the brand has gained popularity among different age groups and all genders. The company also has a relatively strong footprint e.g. in Japan. The company has three revenue streams: retail sales, wholesale sales and license revenue, of which retail sales is the biggest group, representing 50-60 percent of total sales.

Figure 1: Marimekko's sales split (2019)



Source: Marimekko

Marimekko's product portfolio includes fashion, home decoration and bags and accessories

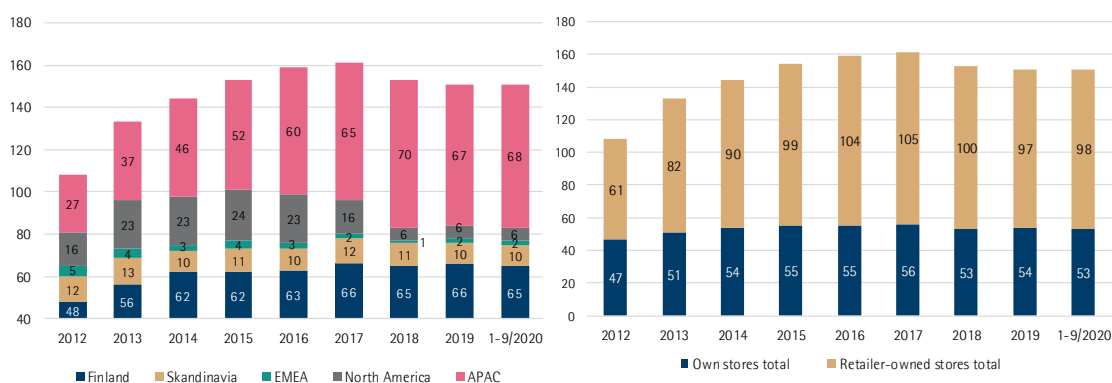
Marimekko's product portfolio includes fashion (clothing), home décor (i.e. home textiles and tableware) as well as bags & accessories. In 2019, home decoration represented some 38 percent of revenue while fashion was 37 percent and bags and accessories 25 percent. This year is likely to be exceptional due to the changed environment caused by the Covid-19. For instance, the company's home market Finland has performed extremely well (Q3'20: 60 percent of sales came from Finland) taking into account the circumstances. Households are spending more time at home and the consumption has been more focused on domestic purchases which has increased the demand of home décor products. Sales of the home décor segment increased by 44 percent y/y during Q3, generating some 45 percent of the total revenue while clothing and bags & accessories saw decline in sales.

## Business model

Omni-channels business channels supports the company's global growth

Marimekko's omni-channel business model allows the company to adjust its growth strategy to fit to each market area. For instance, the company's store base varies based on the market. The company has its own retail stores and own outlet stores but also retailer owned stores and shop-in-shops. In Asia, the company has a loose franchise model, and the Marimekko stores are operated by partners. Marimekko's brand awareness is growing but so are the side effects. Last year, the company came aware of some grey import cases in the APAC region (i.e. Marimekko products being sold by unauthorised distributors, who are not part of the company's selective distribution model). At the end of Q3, Marimekko had 65 stores in Finland (of which 37 are company-owned and 28 retailer-owned). The company had 68 stores in the APAC region, of which 64 stores were partner-led.

Figure 2: Marimekko's store network



Source: Marimekko

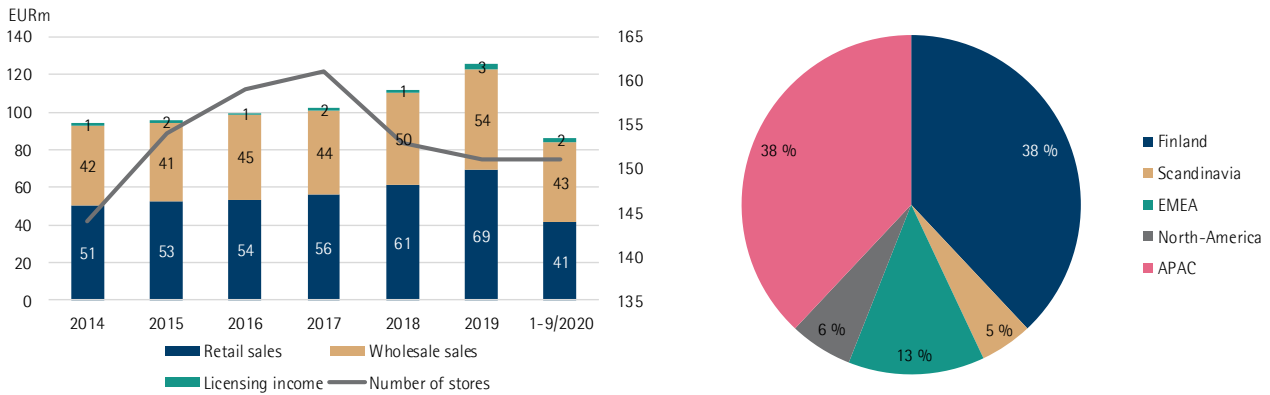
Online store serves customers in more than 30 countries

In addition to physical stores, Marimekko has its online store that serves customers in more than 30 countries. The company does not separate the sales coming from online sales but we expect the share to be meaningful. The importance of online sales has only increased in recent years and the same trend is expected to continue. In 2020, the Covid-19 has also changed the market environment and e-commerce has taken a giant leap forward. Online sales also support growth in the APAC region which is Marimekko's second largest market area. In addition to the company's own online store, Marimekko has increased its presence in other online stores as well, such as in Zalando (the most popular online store in Europe) and Boozt.

Marimekko has three revenue streams: retail sales, wholesale sales and licensing income

Marimekko has three revenue streams: retail sales, wholesale sales and licensing income. Retail sales include sales to Marimekko's own retail and outlet stores as well as online sales. Wholesale sales includes sales to Marimekko's retailer-owned stores and shop-in-shops but also to other channels such as department stores and e-tailers. Licensing income includes traditional licensing but also income from brand collaborations. Latest brand collaboration is from this year as Marimekko and Japanese Uniqlo (subsidiary of Fast Retailing) have launched two collaboration lines, with the newest fall/winter collection launched in mid-November. The previous collaborations between these two brands are from last year and from 2018. In recent years, Marimekko has had several other collaborations as well. For instance, the company has collaborated with the cosmetic brand Clinique and the general discount retailer Target in the US.

Figure 3: Sales structure and brand sales by market area (2019)



Source: Marimekko, Evli Research

Marimekko's brand sales measures the current global reach of the brand

Marimekko's brand sales reflect the current global reach of Marimekko's brand. Brand sales include the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. This estimated retail value is based on realized wholesale sales and licensing income and is unofficial and does not include VAT. In 2019, brand sales accounted for EUR 251m and in Q1-Q3/2020, EUR 209m.

Most of Marimekko products are manufactured in Europe

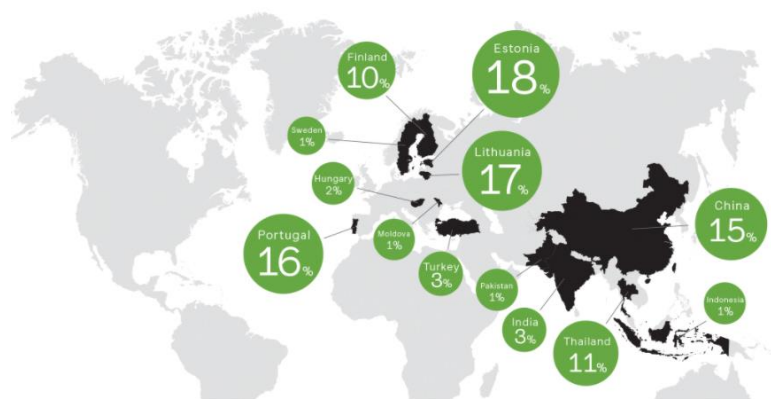
Nearly 70 percent of Marimekko products are manufactured in Europe where Finland, Estonia, Lithuania and Portugal are the largest manufacturing countries. In 2019, 15 percent of the products were manufactured in China and 11 percent in Thailand. Marimekko has its textile printing factory in Helsinki where all the fabrics sold by meter but also all kitchen textiles and some of the fabrics used for clothing and bags are printed. As the company wants to offer sustainable and long-lasting products, the product lines are made to be timeless, rather than to support fast fashion. Nearly 90 percent of the sourced cotton is BCI (Better Cotton Initiative) certified.

Marimekko's textile printing factory locates in Helsinki

Logistics is outsourced to DSV

Marimekko has outsourced its logistics. From early 2020, Marimekko's logistic centre has been located at DSV premises in Vantaa. DSV is responsible for receiving, storing, collecting and shipping of Marimekko products.

Figure 4: Marimekko's manufacturing countries



Source: Marimekko, 2019

## Market outlook

Finland has limited growth opportunities

Finland is Marimekko's largest market area and the company has a strong and recognizable brand image among Finnish consumers. The size of the Finnish retail market is some EUR 42bn (Kehittyvä kauppa). In 2019, Finnish consumers spent some EUR 5.6bn to clothing, footwear and home textiles (Suomen muoti ja tekstiili). Clothing represents almost 80 percent of this. Approximately half of the euros spent on fashion goes to women's clothing. However, men as consumers have become more important target group for fashion brands. As Marimekko's product assortment is largely suitable for all genders, the company does not specifically have clothing lines for men (for instance Marimekko KIOSKI is fully a unisex line). Even though the target audience is wide in Finland, the market is limited. Globally, the size of the apparel and footwear market was USD 1.9 trillion in 2019 (Statista). China has been the most attractive target for fashion brands as consumer driven consumption is still fast growing. According to McKinsey (2020), China has accounted for 38 percent of global fashion industry growth over the past 10 years. At the same time, it is noteworthy that the market also possesses difficulties and it is not easy to break through in China. In addition to China, Japan is also a big market for global fashion industry. Apparel revenue is expected to grow annually by 2.8 percent (CAGR 2020-2025) in Japan (Statista).

Globally, the size of apparel & footwear market was USD 1.9 trillion in 2019

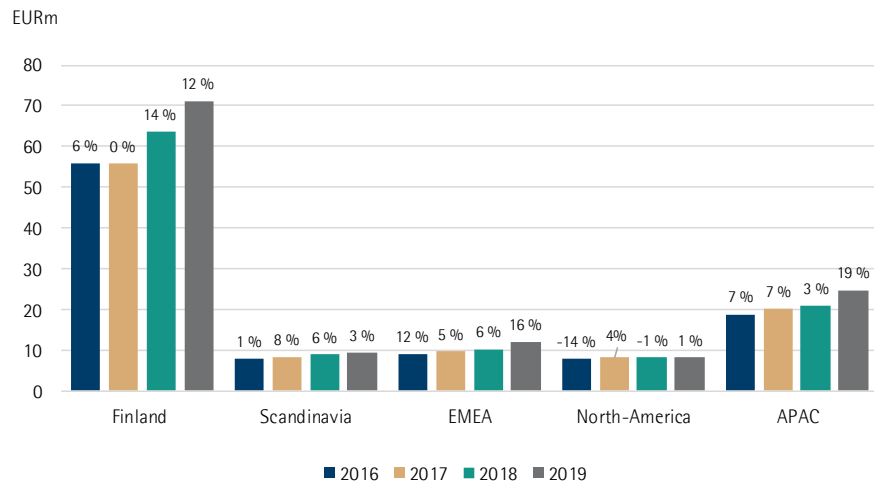
Marimekko sees increasing opportunities in Asia and especially the conquest of Japan has started well

As other fashion brands, also Marimekko sees increasing opportunities in Asia. Especially the conquest of Japan has started well, and it is the biggest market area in the APAC region for Marimekko. The company has had operations also in China since 2012 but the process in China is still in an early stage. The company has currently 68 stores in the APAC region. The company has four own stores in Australia. All Marimekko stores in Asia are partner-owned. The company expects to open more partner-led stores and shop-in-shops in the future. The competition is tight globally but Marimekko's brand is well suited for the global megatrends such as sustainability. We expect this to boost the brand awareness of Marimekko in the APAC region in the future as consumer behavior changes.

E-commerce is growing with a fast phase

Online shopping has increased during the recent years and last year Finnish consumers spent some EUR 13.8bn online (Paytrail). The most popular items to buy from online stores are apparel and shoes but at the same time online sales represent only ~16 percent of the total fashion retail volumes in Finland (Muoti- ja urheilukauppa ry). However, this is likely to change due to the changed market environment caused by the Covid-19. According to Muoti- ja urheilukauppa ry, online sales of apparel have increased by ~100 percent every month since the beginning of this year. Globally e-commerce is only growing as well. For instance, ~32 percent of money spent on retail in China were e-commerce in 2018 (McKinsey) and it is likely that the share has since increased. Marimekko has developed its online store and due to the Covid-19, online sales have increased significantly. It is however difficult to estimate the total share of online sales as the company has not given more precise information of this.

Figure 5: Marimekko's sales and sales growth by market area

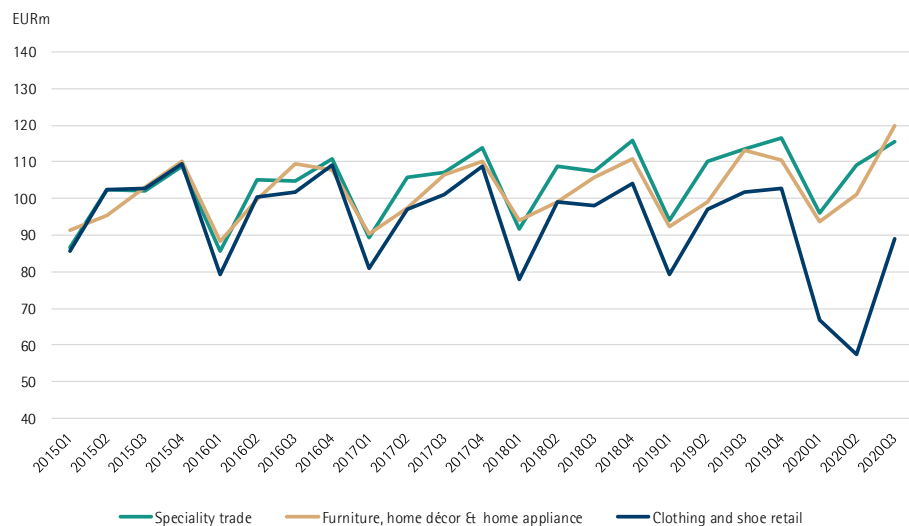


Source: Marimekko, Evli Research

Household consumption is depended on the economic development

The household consumption is correlated with the economic situation and fluctuates based on economic cycles. Already prior the Covid-19, the Finnish GDP growth was expected to slow down, impacting consumer confidence and purchasing power. Of course, now the Covid-19 has had a significant impact on the global economy, and it is still difficult to estimate the total impacts of the virus. It is reasonable to expect that during uncertain times, consumers become more price aware and cautious with their purchases, especially with non-necessity goods. According to the Ministry of Finance, the Finnish GDP in 2020 is expected to decline by 4.5% and to grow by 2.6% in 2021.

Figure 6: Revenue development of different product segments in Finland

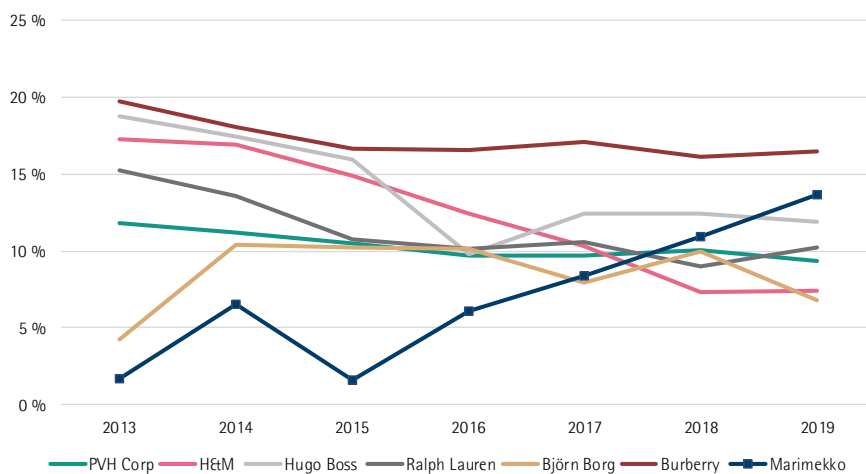


Source: Statistics Finland, Evli Research

The competition field is wide as Marimekko competes with both domestic and global competitors

Marimekko's competitors include fashion retailers and home decoration companies domestically but also globally. Finland alone has several design (ceramics) and textile companies with similar price points e.g. Iittala and Arabia (subsidiaries of Fiskars), Pentik, and Vallila Interior. The company competes also with global premium and luxury brands but also with more traditional fast fashion companies such as H&M. Marimekko's profitability (adj. EBIT margin) has been on the rise and the company is more profitable than many of its premium and luxury peers.

Figure 7: Profitability (EBIT margin) of Marimekko's selected competitors



\*Adj. EBIT margin if available  
 Source: Company annual reports, Bloomberg



## Business opportunities

Brand collaborations are an effective way to increase brand awareness globally

**Brand collaborations** are an effective and relatively fast way to increase brand awareness among global consumers. Marimekko has had several brand collaborations during the recent years. The company has for instance collaborated with Target and Clinique but probably the most known collaboration partner is Japanese Uniqlo. The company had its first Uniqlo-collaboration in 2018 which has been followed by new collaboration lines during 2019-2020. The newest fall/winter collaboration line between these two companies was just launched. The revenue coming from the collaborations is recognized as licensing income and it offers better profitability than regular sales. The collaborations are not totally risk-free as Marimekko's brand image might damage due to issues faced by the collaboration partner (e.g. ethical and sustainability related risks) and must therefore be carefully selected.

Marimekko and Uniqlo have made several collaboration lines

Marimekko products are relatively unisex

**Unisex lines** are also a way to appeal to a broader target audience. Previously, Marimekko was profiled more as women's fashion brand but nowadays the lines are relatively unisex. The company also launched a fully unisex line called Marimekko KIOSKI in 2019, which has gained popularity among all genders and younger consumers.

The importance of sustainability has increased significantly

**New sustainable solutions** are an extremely important part of nowadays' fashion industry. Consumers across the world are becoming more aware of the waste the fashion industry produces and many consumers make decisions based on the sustainability point of view. According to the study made by McKinsey, disposable fashion is losing its importance as consumers want to make ecological solutions and make an impact with their actions. Marimekko wants to make long-lasting fashion that is not tied to any short-lasting trends. The company is actively seeking new ways of doing things. The company is for instance cooperating with Finnish Spinnova which produces more sustainable, wood-based fibers. Marimekko is also testing natural colors for its prints. Further, approx. 90 percent of the company's cotton is BCI (better cotton initiative) produced.

For instance, wood-based fibers and natural colors offer new business opportunities

China is one of the world's most important market areas for fashion brands

**China** is one of the world's most important market areas for fashion brands and it is also in Marimekko's agenda to increase its brand awareness and sales in China. Even though the company has been present in China since 2012, the process is still in an early stage. Currently, Marimekko has 11 partner-owned stores/shop-in-shops in China and Hongkong. Chinese e-commerce is one the biggest in the world and Marimekko runs its own e-commerce operations in China by selling its products in Tmall. Online platforms are also increasing importance in e-commerce and the wide variety of different online platforms offer new opportunities for Marimekko (e.g. WeChat).

The company keeps the focus in the existing market areas

**New market areas** (e.g. Brazil and Russia) do also offer Marimekko new growth opportunities. However, the management indicated that even though growing to these market areas is possible it is still unlikely, at least in mid-term, as the company is aiming to create a solid customer base and increase the brand awareness in the existing market areas. The journey in the existing markets is nowhere close to be ready thus it is unlikely that we see new market area launches any time soon.

## Financial and non-financial targets

Marimekko's mission is to be the world's most inspiring lifestyle design brand renowned for bold prints. The company's aim is to build broader target audience and grow profitably. These include:

- Continue developing product portfolio to appeal to a broader target audience
- Digital commerce and partner-led retail in Asia as key drivers of growth
- Continue developing commercial concept to boost productivity and seamlessness of omnichannel retail
- Approach key markets through key cities
- Further develop sustainability of Marimekko across value chain
- Build awareness and global customer base through social media, PR and brand collaborations
- Increasing scale as a driver for supply chain efficiency

### The company's financial goals are (2018-2022):

- Annual growth in net sales over 10 percent (2019: +12% y/y)
- Operating profit margin (comparable) of 15 percent (2019: 13.6% y/y)
- Ratio of net debt to EBITDA at year end max. 2.0 (2019: 0.35)

The company targets to pay yearly dividend (at least 50% of earnings per share)

### Guidance for 2020E

The company expects 20E net sales to be lower compared to the previous year. Adj. EBIT is expected to be approx. in the same level or lower than in 2019.

### Financial performance and estimates

2013-2019 revenue CAGR was 4.9 percent

Revenue grew more than by 9 percent in 2018 and by 12 percent in 2019

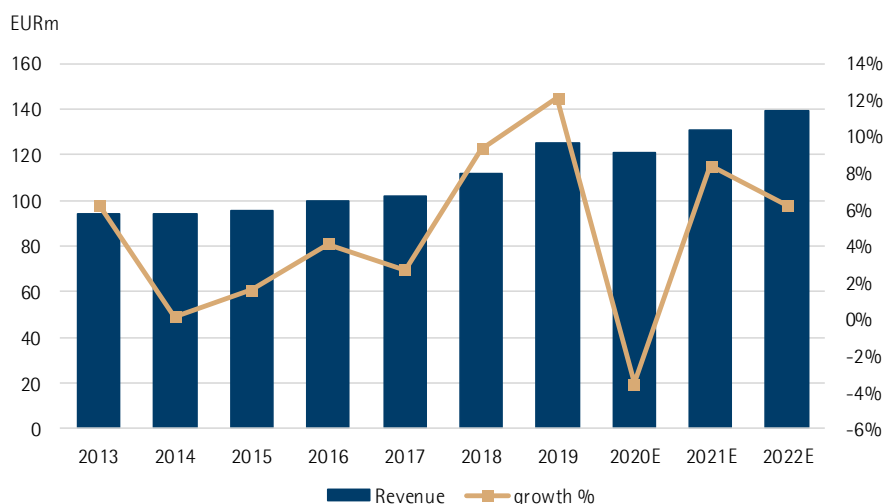
The fashion industry faced one of the worst crises in the history in 2020

Marimekko benefits of having different product segments

Marimekko's revenue CAGR in 2013-2019 was ~4.9 percent. From 2013 to 2017, the company's growth was more moderate and varied between 0-4 percent. In 2018, the business really took off and revenue increased by ~9 percent y/y. The good momentum continued also in 2019 as revenue grew by 12 percent y/y. Positive development was driven by growth in several market areas, increased licensing income especially in the APAC region as well as strong retail sales in Finland. The company had brand collaborations with Japanese Uniqlo and US Target which supports the company's strategy to increase brand awareness globally.

Year 2020 started well but the Covid-19 quickly spread across the world and Marimekko was forced to close its retail stores temporarily in Finland as well as in other market areas. Despite of the challenging times, Marimekko performed relatively well during the lockdown. In H1/2020, sales decreased by 14 percent y/y. Strong online sales supported net sales. Resulting from the extremely strong online demand during the lockdown, the company faced some logistical issues. By the time of the third quarter, those problems were however already solved. In Q3, Marimekko's sales growth was extremely strong (+10 percent y/y). Revenue was boosted especially by favorable trend in wholesale sales in Finland and EMEA. The increase in Finnish wholesale sales was partly due to nonrecurring deliveries. Online sales continued strong as well. Marimekko has benefited of having different product segments during the unexceptional circumstances. Even though fashion sales dropped, the growth has been strong in the home décor segment (+44 percent growth y/y in Q3), which has fully compensated the drop in the other product segments.

Figure 8: Marimekko's sales development



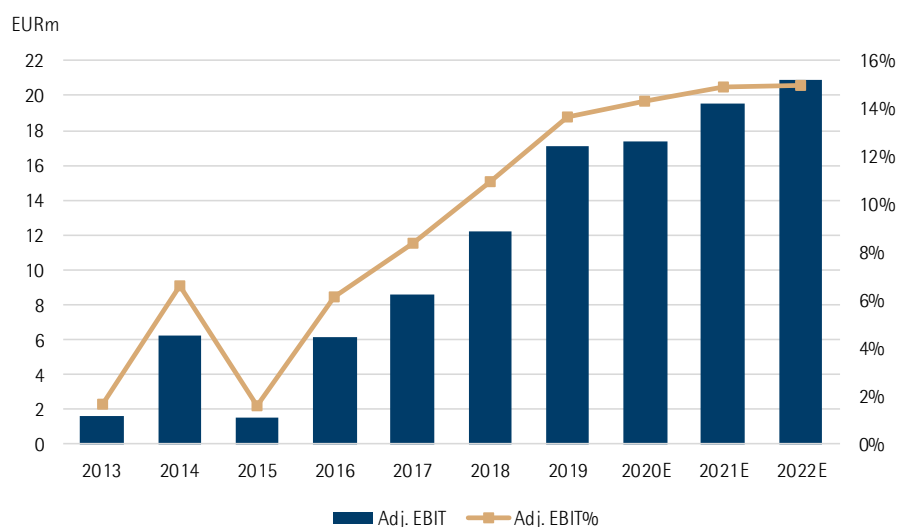
Source: Marimekko, Evli Research

Most of the revenue and profitability were generated during Q3'20

It is important to have customer flows in stores

According to the company, full year wholesale sales in 2020 are supported by nonrecurring promotional deliveries in Finland, of which a vast majority takes place in H2'20. The company indicated that most of its revenue and profitability were generated during Q3. There are several campaigns during the final quarter which are important for Marimekko. The development of the pandemic affects the company's final quarter's outlook as worsening infection situation could led to new temporary closures of Marimekko stores. Even though stores remain open, it is essential to have customer flows in stores as it has a direct impact on retail sales.

Figure 9: Marimekko's profitability



Source: Marimekko, Evli Research

Marimekko's profitability has developed nicely during the recent years

Marimekko's profitability development has been strong during the recent years. Since 2013, the company's adj. EBIT margin has varied from 1.5 percent to 13.6 percent. Profitability has improved steadily since 2015. 2019 was a record year for the company as adj. EBIT increased by ~40 percent y/y and totaled EUR 17.1m (13.6% margin). Due to the changed environment caused by the Covid-19, the company started an ambitious cost savings program and issued cooperation negotiations. The results of the cost savings scheme have been immediate and supported adj. EBIT already during Q2'20. In H1'20, Marimekko's adj. EBIT declined by 38 percent y/y but in Q3'20, adj. EBIT was as high as EUR 10.5m (+34% y/y). In addition to the cost savings scheme, profitability was supported by subsidies granted in various countries due to the Covid-19.

Expecting sales to decrease by ~4 percent in 20E and adj. EBIT similar to 2019

We expect Marimekko's sales to decline by 3.5 percent y/y to EUR 121m in 2020E. Given the circumstances, we consider this fairly good performance. We expect sales in Finland to decrease by one percent and international sales to decline by 6 percent in 20E. We expect similar trend to continue during the final quarter than in Q3'20 and home décor to outperform compared to fashion. We expect gross margin to be slightly below 2019 levels and 20E adj. EBIT to be on par with 2019, totaling EUR 17.3m.

We expect sales growth of 8 percent in 21E and 6 percent in 22E

For 2021E-2022E, we expect sales growth of ~8 percent and ~6 percent, respectively. We expect the sustainability point of view to become more important in consumer purchasing behavior, providing Marimekko competitive advantages. We however highlight that the Covid-19 causes uncertainties also especially with our H1/21E estimates. The pandemic could also have more far reaching consequences, impacting on consumer confidence and purchasing power. We expect Marimekko's good profitability development to continue in 21E-22E. Adj. EBIT is expected to increase by ~13 percent in 21E (EUR 19.5m) and by ~7 percent in 22E (EUR 20.9m), corresponding to adj. EBIT margins of 14.9 percent and 15.0 percent, respectively. Hence, we expect Marimekko is set to reach its adj. EBIT margin target of 15 percent.

We expect Marimekko is set to reach its adj. EBIT margin target of 15 percent by 22E

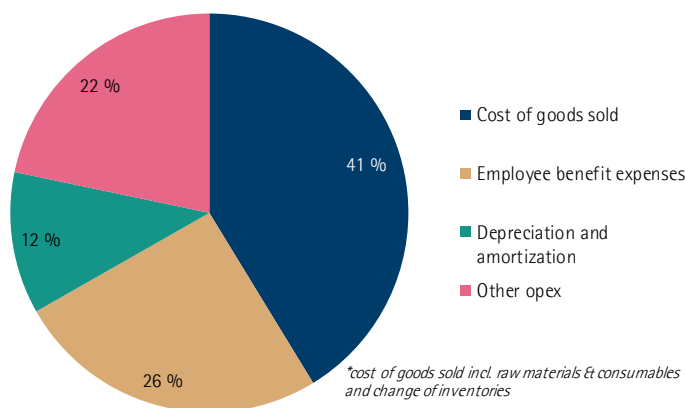
### Cost base – cost of goods sold is the largest cost group

Cost of goods sold and employee benefit expenses are the largest cost groups

Marimekko targets annual cost savings of approximately EUR 1.3m

Due to the nature of the business, cost of goods sold forms a large part of Marimekko's cost base and it represented over 40 percent of total costs in 2019 (in Q3'20: 53 percent). Another large cost group is employee benefit expenses. In 2019, Marimekko had on average 442 employees (+2% y/y) of which a vast majority works in stores. Employee expenses represented some 26 percent of the cost base in 2019 (in Q3'20: 22 percent). In August, Marimekko initiated cooperation negotiations with its employees as the company is restructuring its operations. The cooperation negotiations were completed in October and as a result of the negotiations, the company will lay off at least 20 employees in Finland (in Q1-Q3'2020 the company had on average 437 employees). Through the reorganization and streamlining of cost structure, the company seeks to achieve annual costs savings of approximately EUR 1.3m in total.

Figure 10: Marimekko's cost base (2019)

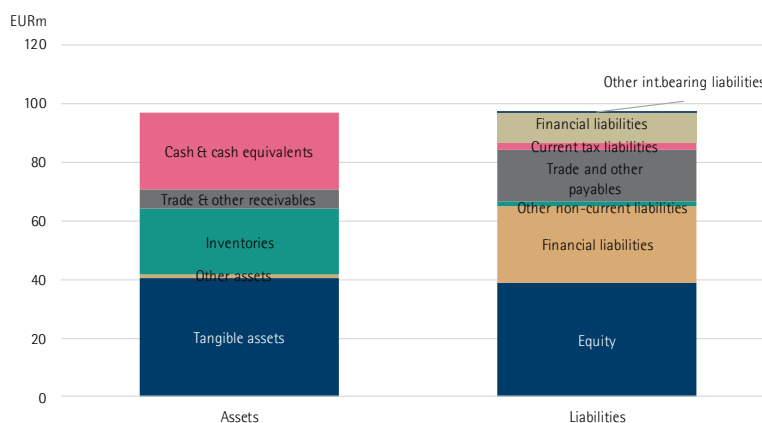


Source: Marimekko, Evli Research

### Balance sheet

Marimekko's tangible assets represent more than 40 percent of total assets. Tangible assets incl. for instance buildings and machinery. Due to the nature of Marimekko's business, inventory is also extensive, and it represents ~23 percent of total assets. Cash and cash equivalents were 27 percent of assets. Marimekko's net debt in 2019 was EUR 10.3m (net debt/EBITDA ratio was 0.35 vs. target of below 2.0).

Figure 11: Marimekko's balance sheet (2019)



Source: Marimekko, Evli Research

Estimates

Marimekko estimates	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	2019				FY2019	2020E				FY2020E	FY2021E
							Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4E		
<b>Finland</b>																	
Retail revenue	35.1	35.4	37.6	38.9	40.8	45.1	8.5	13.3	14.6	15.5	51.9	8.9	7.8	14.6	15.4	46.7	54.0
Wholesale revenue	16.5	16.2	14.7	16.6	14.6	18.3	4.2	3.5	5.0	6.4	19.0	4.6	3.6	8.3	6.7	23.2	20.4
License revenue	0.6	0.4	0.4	0.3	0.2	0.2	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1	0.2	0.2
<b>Total</b>	<b>52.2</b>	<b>52.0</b>	<b>52.7</b>	<b>55.8</b>	<b>55.7</b>	<b>63.5</b>	<b>12.8</b>	<b>16.8</b>	<b>19.7</b>	<b>21.9</b>	<b>71.2</b>	<b>13.6</b>	<b>11.4</b>	<b>23.0</b>	<b>22.2</b>	<b>70.1</b>	<b>74.5</b>
<b>Scandinavia</b>																	
Retail revenue	4.4	5.2	4.8	5.0	5.1	5.3	1.2	1.3	1.5	1.5	5.4	1.0	0.8	1.3	1.3	4.5	5.5
Wholesale revenue	3.8	3.3	2.9	2.9	3.4	3.7	1.0	0.8	1.0	1.1	3.9	1.0	1.1	1.4	1.3	4.8	4.9
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	0.0
<b>Total</b>	<b>8.2</b>	<b>8.5</b>	<b>7.8</b>	<b>7.9</b>	<b>8.5</b>	<b>9.0</b>	<b>2.1</b>	<b>2.1</b>	<b>2.5</b>	<b>2.6</b>	<b>9.3</b>	<b>2.1</b>	<b>1.9</b>	<b>2.8</b>	<b>2.6</b>	<b>9.3</b>	<b>10.4</b>
<b>EMEA</b>																	
Retail revenue	1.4	1.5	1.2	1.1	1.1	1.5	0.4	0.4	0.3	0.5	1.6	0.4	0.7	0.5	0.5	2.1	2.3
Wholesale revenue	6.2	5.9	6.9	7.8	8.3	8.4	3.0	2.7	2.3	1.9	10.0	2.2	2.4	3.4	2.1	10.2	10.5
License revenue	0.1	0.2	0.2	0.3	0.3	0.4	0.1	0.1	0.1	0.2	0.4	0.1	0.1	0.1	0.2	0.5	0.5
<b>Total</b>	<b>7.7</b>	<b>7.5</b>	<b>8.3</b>	<b>9.2</b>	<b>9.7</b>	<b>10.3</b>	<b>3.5</b>	<b>3.2</b>	<b>2.8</b>	<b>2.6</b>	<b>12.0</b>	<b>2.7</b>	<b>3.3</b>	<b>4.0</b>	<b>2.9</b>	<b>12.8</b>	<b>13.4</b>
<b>North America</b>																	
Retail revenue	5.6	6.0	5.9	5.2	5.3	5.2	1.0	1.5	1.7	1.7	5.8	1.0	0.8	1.1	1.3	4.1	5.5
Wholesale revenue	2.5	2.0	2.4	2.2	2.5	2.7	0.6	0.5	0.6	0.3	2.0	0.7	0.6	0.5	0.3	2.1	2.2
License revenue	0.4	0.6	1.0	0.5	0.5	0.3	0.3	0.1	0.1	0.0	0.5	0.0	0.0	0.1	0.1	0.2	0.2
<b>Total</b>	<b>8.5</b>	<b>8.6</b>	<b>9.2</b>	<b>7.9</b>	<b>8.3</b>	<b>8.2</b>	<b>1.9</b>	<b>2.0</b>	<b>2.3</b>	<b>2.0</b>	<b>8.3</b>	<b>1.8</b>	<b>1.5</b>	<b>1.8</b>	<b>1.6</b>	<b>6.4</b>	<b>7.9</b>
<b>APAC</b>																	
Retail revenue	2.3	2.7	3.2	3.5	4.0	4.0	1.0	1.0	1.0	1.3	4.4	0.9	0.9	0.7	1.1	3.5	4.8
Wholesale revenue	15.2	14.9	14.5	15.4	15.5	16.4	5.8	4.1	5.0	3.8	18.7	4.1	3.4	5.4	4.0	16.9	19.7
License revenue	0.0	0.0	0.0	0.0	0.6	0.4	0.0	0.0	1.2	0.4	1.6	0.0	1.0	0.6	0.4	2.0	0.4
<b>Total</b>	<b>17.5</b>	<b>17.5</b>	<b>17.7</b>	<b>18.8</b>	<b>20.2</b>	<b>20.8</b>	<b>6.8</b>	<b>5.1</b>	<b>7.2</b>	<b>5.6</b>	<b>24.7</b>	<b>4.9</b>	<b>5.3</b>	<b>6.6</b>	<b>5.5</b>	<b>22.4</b>	<b>24.9</b>
<b>REVENUE SPLIT</b>																	
Finland	52.2	52.0	52.7	55.8	55.7	63.5	12.8	16.8	19.7	21.9	71.2	13.6	11.4	23.0	22.2	70.1	74.5
International	41.9	42.1	43.0	43.8	46.6	48.3	14.3	12.4	14.8	12.8	54.3	11.3	11.9	15.0	12.6	50.9	56.6
<i>Finland growth (%)</i>	<i>0%</i>	<i>0%</i>	<i>1%</i>	<i>6%</i>	<i>0%</i>	<i>14%</i>	<i>7%</i>	<i>4%</i>	<i>14%</i>	<i>20%</i>	<i>12%</i>	<i>6%</i>	<i>-32%</i>	<i>17%</i>	<i>1%</i>	<i>-1%</i>	<i>6%</i>
<i>International growth (%)</i>	<i>16%</i>	<i>1%</i>	<i>2%</i>	<i>2%</i>	<i>6%</i>	<i>4%</i>	<i>18%</i>	<i>2%</i>	<i>17%</i>	<i>12%</i>	<i>12%</i>	<i>-21%</i>	<i>-3%</i>	<i>2%</i>	<i>-1%</i>	<i>-6%</i>	<i>11%</i>
<b>REVENUE SPLIT</b>																	
Retail	48.8	50.7	52.7	53.6	56.3	61.1	12.1	17.4	19.2	20.4	69.1	12.1	11.0	18.2	19.6	60.9	72.0
Wholesale	44.2	42.2	41.4	44.9	44.4	49.5	14.5	11.5	13.9	13.6	53.6	12.6	11.2	19.0	14.4	57.2	57.8
License	1.1	1.2	1.6	1.1	1.6	1.3	0.5	0.2	1.4	0.7	2.7	0.1	1.1	0.8	0.8	2.9	1.3
<i>Retail growth (%)</i>	<i>12%</i>	<i>4%</i>	<i>4%</i>	<i>2%</i>	<i>5%</i>	<i>8%</i>	<i>11%</i>	<i>9%</i>	<i>16%</i>	<i>16%</i>	<i>13%</i>	<i>0%</i>	<i>-37%</i>	<i>-5%</i>	<i>-4%</i>	<i>-12%</i>	<i>16%</i>
<i>Wholesale growth (%)</i>	<i>1%</i>	<i>-4%</i>	<i>-2%</i>	<i>9%</i>	<i>-1%</i>	<i>12%</i>	<i>15%</i>	<i>-3%</i>	<i>6%</i>	<i>15%</i>	<i>8%</i>	<i>-13%</i>	<i>-3%</i>	<i>37%</i>	<i>6%</i>	<i>7%</i>	<i>1%</i>
<i>License growth (%)</i>	<i>-24%</i>	<i>12%</i>	<i>26%</i>	<i>-31%</i>	<i>52%</i>	<i>-22%</i>	<i>-22%</i>	<i>-32%</i>	<i>761%</i>	<i>231%</i>	<i>113%</i>	<i>-71%</i>	<i>501%</i>	<i>-40%</i>	<i>13%</i>	<i>5%</i>	<i>-54%</i>
<b>TOTAL REVENUE</b>	<b>94.0</b>	<b>94.2</b>	<b>95.7</b>	<b>99.6</b>	<b>102.3</b>	<b>111.9</b>	<b>27.1</b>	<b>29.1</b>	<b>34.5</b>	<b>34.7</b>	<b>125.4</b>	<b>24.9</b>	<b>23.3</b>	<b>38.0</b>	<b>34.8</b>	<b>121.0</b>	<b>131.2</b>
<i>Growth (%)</i>	<i>6%</i>	<i>0%</i>	<i>2%</i>	<i>4%</i>	<i>3%</i>	<i>9%</i>	<i>12.6%</i>	<i>3.3%</i>	<i>15.5%</i>	<i>16.7%</i>	<i>12%</i>	<i>-8.3%</i>	<i>-20.0%</i>	<i>10.3%</i>	<i>0.3%</i>	<i>-4%</i>	<i>8%</i>
Raw materials & consumables	-33.5	-32.8	-35.2	-40.2	-37.4	-42.1	-10.2	-9.6	-13.0	-12.6	-45.4	-11.1	-13.2	-12.3	-12.9	-49.5	-47.9
<i>Growth (%)</i>	<i>14%</i>	<i>-2%</i>	<i>7%</i>	<i>14%</i>	<i>-9%</i>	<i>13%</i>	<i>13%</i>	<i>-12%</i>	<i>16%</i>	<i>14%</i>	<i>8%</i>	<i>9%</i>	<i>37%</i>	<i>-5%</i>	<i>2.0%</i>	<i>9%</i>	<i>-3%</i>
+/- in inventories of completed and unfinished products	0.5	-0.7	0.4	3.0	0.3	1.2	0.7	-0.7	1.5	-1.0	0.4	1.9	3.8	-2.3	-2.0	1.4	0.9
<b>Gross profit</b>	<b>61.0</b>	<b>60.7</b>	<b>60.8</b>	<b>59.4</b>	<b>64.9</b>	<b>71.0</b>	<b>17.6</b>	<b>18.8</b>	<b>22.9</b>	<b>21.1</b>	<b>80.5</b>	<b>15.8</b>	<b>13.9</b>	<b>23.4</b>	<b>20.0</b>	<b>72.9</b>	<b>84.2</b>
<i>Gross margin</i>	<i>64.9%</i>	<i>64.5%</i>	<i>63.6%</i>	<i>59.6%</i>	<i>63.4%</i>	<i>63.4%</i>	<i>65.1%</i>	<i>64.6%</i>	<i>66.6%</i>	<i>60.7%</i>	<i>64.2%</i>	<i>62.8%</i>	<i>59.8%</i>	<i>61.5%</i>	<i>57.3%</i>	<i>60.2%</i>	<i>64.2%</i>
<b>Total OPEX</b>	<b>-54.4</b>	<b>-51.0</b>	<b>-55.1</b>	<b>-53.4</b>	<b>-54.0</b>	<b>-57.3</b>	<b>-12.1</b>	<b>-12.2</b>	<b>-12.1</b>	<b>-14.9</b>	<b>-51.4</b>	<b>-11.4</b>	<b>-8.3</b>	<b>-9.8</b>	<b>-13.9</b>	<b>-43.3</b>	<b>-51.3</b>
<i>Growth (%)</i>	<i>6%</i>	<i>-6%</i>	<i>8%</i>	<i>-3%</i>	<i>1%</i>	<i>6%</i>	<i>-9%</i>	<i>-12%</i>	<i>-9%</i>	<i>-11%</i>	<i>-10%</i>	<i>-6%</i>	<i>-32%</i>	<i>-20%</i>	<i>-7%</i>	<i>-16%</i>	<i>18%</i>
<i>% of revenue</i>	<i>6%</i>	<i>54%</i>	<i>58%</i>	<i>54%</i>	<i>53%</i>	<i>51%</i>	<i>44.8%</i>	<i>41.8%</i>	<i>35.2%</i>	<i>43.0%</i>	<i>41%</i>	<i>45.8%</i>	<i>35.6%</i>	<i>25.7%</i>	<i>39.9%</i>	<i>36%</i>	<i>39%</i>
<b>Adj. EBITDA</b>	<b>8.1</b>	<b>10.6</b>	<b>6.2</b>	<b>10.2</b>	<b>12.0</b>	<b>14.6</b>	<b>5.7</b>	<b>6.8</b>	<b>11.0</b>	<b>6.2</b>	<b>29.7</b>	<b>4.4</b>	<b>5.8</b>	<b>13.6</b>	<b>6.1</b>	<b>29.9</b>	<b>33.3</b>
<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>13.1%</i>	<i>20.9%</i>	<i>23.4%</i>	<i>31.9%</i>	<i>17.9%</i>	<i>23.7%</i>	<i>17.5%</i>	<i>24.8%</i>	<i>35.9%</i>	<i>17.5%</i>	<i>24.7%</i>	<i>25.4%</i>
<b>Adj. EBIT</b>	<b>1.6</b>	<b>6.2</b>	<b>1.5</b>	<b>6.1</b>	<b>8.6</b>	<b>12.2</b>	<b>2.6</b>	<b>3.7</b>	<b>7.8</b>	<b>3.0</b>	<b>17.1</b>	<b>1.2</b>	<b>2.7</b>	<b>10.5</b>	<b>2.9</b>	<b>17.3</b>	<b>19.5</b>
<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>10.9%</i>	<i>9.6%</i>	<i>12.7%</i>	<i>22.7%</i>	<i>8.7%</i>	<i>13.6%</i>	<i>4.9%</i>	<i>11.5%</i>	<i>27.7%</i>	<i>8.4%</i>	<i>14.3%</i>	<i>14.9%</i>

Source: Marimekko, Evli research

Source: Marimekko, Evli Research

## Valuation – “BUY” with TP of EUR 44 (43)

We see both, premium goods peers and luxury goods peer relevant

On our estimates, Marimekko trades with a premium compared to its historical multiples

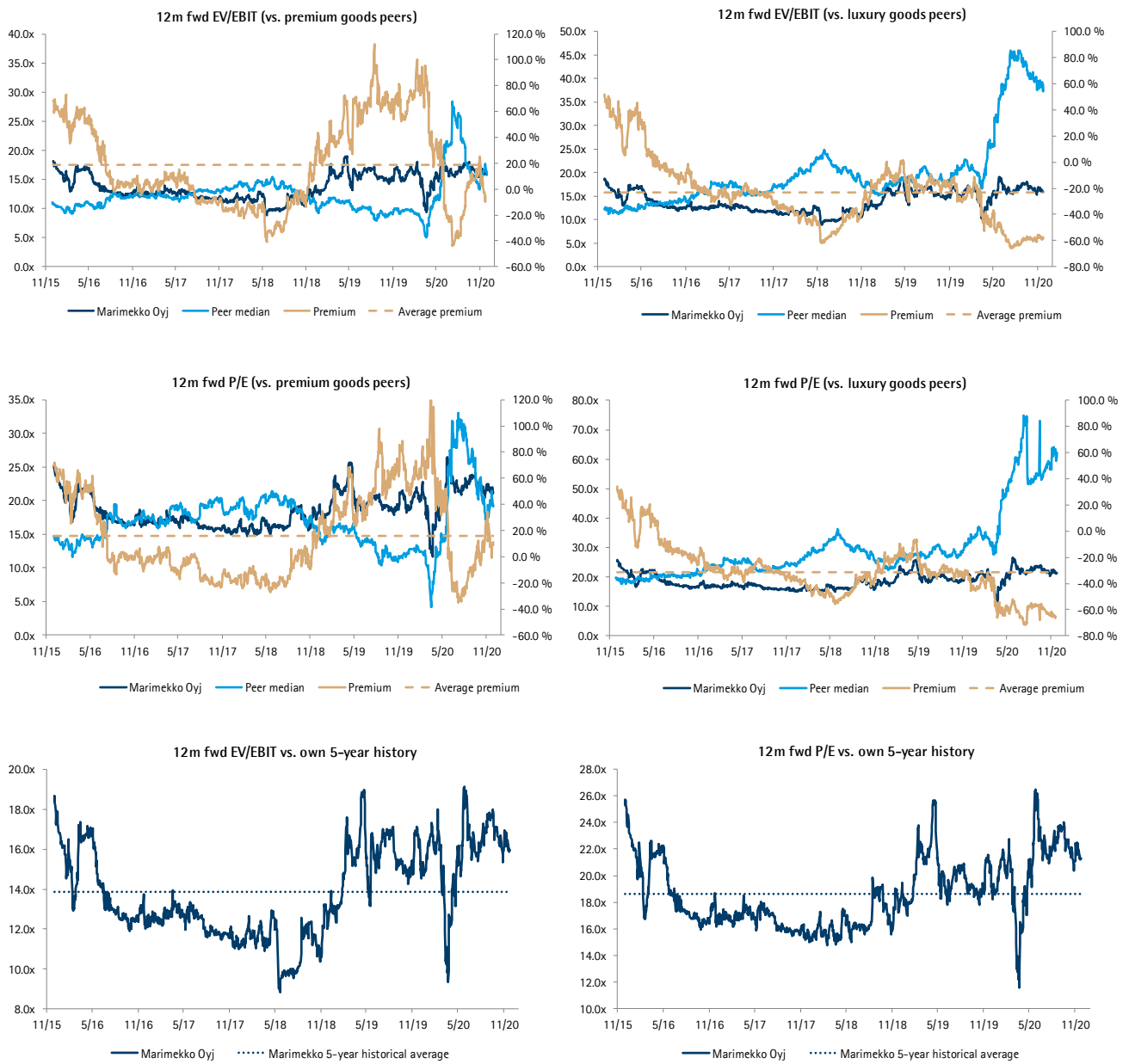
We keep “BUY” with TP of EUR 44 (43)

We approach Marimekko's valuation through valuation multiples and compare them to Marimekko's own historical valuation and peer groups. We consider both, premium and luxury peers to be relevant for Marimekko and note that it is challenging to find exactly similar peers. Based on our estimates, the company's profitability (adj. EBIT margin) is outpacing its premium peers and is more similar to its luxury peers.

On our estimates, Marimekko's 20E P/E multiple is 24.8x. Corresponding 21E-22E P/E multiples are 20.7x and 19.3x. During the last 5 years, Marimekko's own 12m forward looking P/E (Factset consensus) has averaged 18.6x i.e. at present, Marimekko trades at a 33 percent premium vs. own historical level with 20E P/E. Marimekko's 20E P/E multiple, based on our estimates, translates into a 30 percent discount compared to the premium peers and into a 51 percent discount compared to the luxury peers. The company's 21E-22E P/E multiples correspond to a ~40-70 percent premium compared to the premium peers but to a ~50-60 percent discount compared to the luxury peers. The premium with premium goods peers has averaged 16.1 percent during the past 5 years and with luxury peers the discount has averaged 31.7 percent. During the last 5 years, Marimekko's EV/EBIT multiple has averaged 13.8x (IFRS16 impacting this). On our estimates, Marimekko trades with a 20E EV/EBIT multiple of 17.9x. Similarly, 21E-22E EV/EBIT multiples are 15.6x and 14.5x. Hence, based on our estimates, Marimekko trades with a 41 percent EV/EBIT discount compared to the premium peers in 20E and with a ~40 percent premium in 21E-22E. Compared to the luxury peers, Marimekko trades with a clear 20E-22E EV/EBIT discount.

As we expect further earnings improvement potential via profitable, global growth, we see it justified that Marimekko trades with a premium compared to its own historical multiples and compared to the premium goods peer group. Hence, we keep our rating “BUY” with TP of EUR 44 (43).

Figure 12: historical valuation



Source: Factset



Figure 13: peer group valuation

MARIMEKKO PEERS	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			Equity ratio		
		20	21	22	20	21	22	20	21	22	20	21	22
<b>Premium goods</b>													
Bjorn Borg AB	434	8.5x	6.1x	4.1x	17.5x	10.6x	6.2x	14.4x	9.6x	6.2x	45%	50%	56%
HUGO BOSS AG	1830	10.7x	5.6x	4.8x		18.2x	12.8x		20.7x	13.5x	33%	35%	38%
Capri Holdings Limited	5356	13.8x	7.2x	6.2x	25.3x	9.7x	8.1x	31.1x	10.5x	9.1x	32%	36%	41%
Ralph Lauren Corporation Class A	6480	14.6x	6.8x	6.6x	35.4x	9.6x	9.3x	61.6x	14.4x	13.1x	36%	35%	
Ted Baker PLC	260								23.2x	11.6x			
PVH Corp.	5815	111.9x	8.8x	7.6x		13.6x	10.7x		14.4x	10.9x	39%	40%	
Guess?, Inc.	1038	35.1x	7.1x			11.4x			12.7x	10.1x			
Joules Group Plc	174	9.2x	6.9x	5.4x	36.6x	17.1x	10.9x	40.2x	21.7x	15.2x	52%	53%	55%
<b>Luxury goods</b>													
Brunello Cucinelli S.p.A.	2281	35.5x	17.8x	15.3x		49.5x	35.0x		91.5x	54.7x			
Burberry Group plc	7234	10.3x	8.6x	7.8x	22.1x	15.9x	14.1x	37.2x	25.5x	22.7x	39%	44%	47%
Hermes International SCA	86023	38.3x	28.7x	25.0x	48.3x	34.5x	29.7x	76.7x	55.0x	47.8x	66%	69%	71%
Moncler SpA	10385	21.0x	15.8x	13.2x	33.1x	22.4x	18.5x	50.5x	34.1x	28.4x	55%	58%	60%
Prada S.p.A.	103632	18.1x	12.3x	10.8x	1 233.1x	40.0x	28.7x		61.5x	22.3x	50%	52%	51%
Salvatore Ferragamo S.p.A.	2562	18.7x	10.3x	8.0x		54.6x	24.0x		263.6x	52.0x	45%	44%	44%
<b>Premium goods median</b>	<b>1434</b>	<b>13.8x</b>	<b>6.9x</b>	<b>5.8x</b>	<b>30.3x</b>	<b>11.4x</b>	<b>10.0x</b>	<b>35.6x</b>	<b>14.4x</b>	<b>11.3x</b>	<b>38%</b>	<b>38%</b>	<b>48%</b>
<b>Luxury goods median</b>	<b>8809</b>	<b>19.9x</b>	<b>14.1x</b>	<b>12.0x</b>	<b>40.7x</b>	<b>37.2x</b>	<b>26.4x</b>	<b>50.5x</b>	<b>58.2x</b>	<b>38.1x</b>	<b>50%</b>	<b>52%</b>	<b>51%</b>
<b>Marimekko (Evli est.)</b>	<b>798</b>	<b>10.4x</b>	<b>9.2x</b>	<b>8.5x</b>	<b>17.9x</b>	<b>15.6x</b>	<b>14.5x</b>	<b>24.8x</b>	<b>20.7x</b>	<b>19.3x</b>	<b>49%</b>	<b>51%</b>	<b>53%</b>
<i>Marimekko premium vs. premium goods median</i>		-24 %	33 %	46 %	-41 %	38 %	45 %	-30 %	44 %	71 %	30 %	33 %	10 %
<i>Marimekko premium vs. luxury goods median</i>		-48 %	-35 %	-29 %	-56 %	-58 %	-45 %	-51 %	-64 %	-49 %	-3 %	-2 %	4 %
MARIMEKKO PEERS	Ticker	Dividend yield			EBIT margin			ROCE-%			ROE-%		
		20	21	22	20	21	22	20	21	22	20	21	22
<b>Premium goods</b>													
Bjorn Borg AB	BORG-SE	0.0%	0.0%	0.0%	5.5%	7.9%	11.3%	7.3%	10.6%	14.9%	10.3%	13.3%	17.2%
HUGO BOSS AG	BOSS-DE	0.8%	3.9%	5.8%	-8.0%	6.7%	8.8%	-10.1%	9.5%	12.5%	-18.0%	9.3%	12.8%
Capri Holdings Limited	CPRI-US	0.0%	0.0%	0.0%	6.5%	12.9%	13.4%	4.2%	9.8%	10.4%	7.4%	18.0%	17.2%
Ralph Lauren Corporation Class A	RL-US	1.0%	2.9%	3.7%	3.7%	10.9%	11.0%	2.5%	8.4%		4.0%	16.4%	25.9%
Ted Baker PLC	TED-GB	0.0%	0.0%	0.0%	-18.1%	3.2%	5.4%						
PVH Corp.	PVH-US	0.1%	0.1%	0.2%	-3.2%	6.8%	7.8%	-2.0%	5.4%		-4.7%	8.2%	9.5%
Guess?, Inc.	GES-US	1.4%	2.7%	2.7%	-1.0%	5.4%	6.4%				-15.4%	27.3%	
Joules Group Plc	JOUL-GB	0.0%	0.2%	0.4%	2.8%	5.1%	6.9%	9.7%	16.3%	19.9%	9.0%	14.4%	16.5%
<b>Luxury goods</b>													
Brunello Cucinelli S.p.A.	BC-IT	0.7%	0.6%	0.9%	-2.7%	9.4%	12.0%				-11.0%	9.1%	13.8%
Burberry Group plc	BRBY-GB	1.0%	2.0%	2.3%	12.7%	15.3%	16.1%	11.1%	14.5%	15.7%	15.0%	19.0%	18.6%
Hermes International SCA	RMS-FR	0.5%	0.6%	0.7%	27.3%	32.4%	33.5%	20.0%	24.3%	24.6%	15.8%	18.9%	18.7%
Moncler SpA	MONC-IT	0.6%	1.1%	1.4%	22.8%	28.0%	29.5%	14.2%	18.4%	19.7%	13.7%	17.6%	18.5%
Prada S.p.A.	1913-HK	0.1%	0.7%	1.1%	0.4%	10.0%	12.8%	0.2%	6.3%	8.7%	-1.3%	5.9%	8.0%
Salvatore Ferragamo S.p.A.	SFER-IT	0.3%	0.7%	1.5%	-6.6%	3.9%	8.0%	-5.4%	3.8%	8.3%	-11.4%	1.4%	6.7%
<b>Premium goods median</b>		<b>0.0%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.9%</b>	<b>6.8%</b>	<b>8.3%</b>	<b>3.3%</b>	<b>9.6%</b>	<b>13.7%</b>	<b>4.0%</b>	<b>14.4%</b>	<b>16.8%</b>
<b>Luxury goods median</b>		<b>0.6%</b>	<b>0.7%</b>	<b>1.2%</b>	<b>6.6%</b>	<b>12.7%</b>	<b>14.4%</b>	<b>11.1%</b>	<b>14.5%</b>	<b>15.7%</b>	<b>6.2%</b>	<b>13.4%</b>	<b>16.1%</b>
<b>Marimekko (Evli est.)</b>		<b>2.8%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>14.3%</b>	<b>14.9%</b>	<b>15.0%</b>	<b>21.7%</b>	<b>22.2%</b>	<b>22.2%</b>	<b>27.5%</b>	<b>27.2%</b>	<b>26.3%</b>

Source: Factset, Evli Research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	27.1	29.2	34.4	34.7	125.4	24.9	23.3	38.0	34.8	121.0	131.2	139.3
EBITDA	5.7	6.8	11.0	6.2	29.7	4.4	5.8	13.6	6.1	29.9	33.3	35.8
<i>EBITDA margin (%)</i>	<i>21.0</i>	<i>23.3</i>	<i>32.0</i>	<i>17.9</i>	<i>23.7</i>	<i>17.7</i>	<i>24.8</i>	<i>35.9</i>	<i>17.4</i>	<i>24.7</i>	<i>25.3</i>	<i>25.7</i>
EBIT	2.6	3.7	7.8	3.0	17.1	1.2	2.7	10.5	2.9	17.3	19.5	20.9
<i>EBIT margin (%)</i>	<i>9.6</i>	<i>12.7</i>	<i>22.7</i>	<i>8.6</i>	<i>13.6</i>	<i>4.8</i>	<i>11.5</i>	<i>27.7</i>	<i>8.4</i>	<i>14.3</i>	<i>14.9</i>	<i>15.0</i>
Net financial items	-0.1	-0.6	0.0	-0.3	-1.0	-1.0	0.1	-0.6	-0.3	-1.7	-1.0	-1.0
Pre-tax profit	2.5	3.1	7.8	2.7	16.1	0.2	2.8	10.0	2.6	15.6	18.5	19.9
Tax	-0.5	-0.6	-1.4	-0.5	-3.1	-0.1	-0.6	-2.0	-0.5	-3.2	-3.7	-4.0
<i>Tax rate (%)</i>	<i>20.6</i>	<i>18.8</i>	<i>18.6</i>	<i>18.7</i>	<i>19.0</i>	<i>25.8</i>	<i>22.7</i>	<i>20.1</i>	<i>20.0</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.0	2.5	6.4	2.2	13.0	0.2	2.2	8.0	2.1	12.4	14.8	15.9
EPS	0.24	0.31	0.78	0.27	1.60	0.02	0.27	0.98	0.26	1.53	1.83	1.97
EPS adjusted (diluted no. of shares)	0.24	0.31	0.78	0.27	1.60	0.02	0.27	0.98	0.26	1.53	1.83	1.97
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.05	1.20	1.28
<b>SALES, EURm</b>												
Finland	12.8	16.8	19.6	21.9	71.1	13.6	11.4	23.0	22.2	70.1	74.5	79.3
Scandinavia	2.1	2.1	2.5	2.6	9.3	2.1	1.9	2.8	2.6	9.4	10.5	10.8
EMEA	3.5	3.2	2.8	2.6	12.1	2.7	3.3	4.0	2.9	12.8	13.4	13.6
North America	1.9	2.0	2.3	2.0	8.2	1.6	1.5	1.6	1.6	6.4	7.9	8.2
Asia Pacific	6.8	5.1	7.2	5.6	24.7	4.9	5.3	6.6	5.5	22.3	24.9	27.4
<b>Total</b>	<b>27.1</b>	<b>29.2</b>	<b>34.4</b>	<b>34.7</b>	<b>125.4</b>	<b>24.9</b>	<b>23.3</b>	<b>38.0</b>	<b>34.8</b>	<b>121.0</b>	<b>131.2</b>	<b>139.3</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Finland</i>	<i>7.5</i>	<i>4.0</i>	<i>14.1</i>	<i>19.7</i>	<i>11.9</i>	<i>6.3</i>	<i>-32.3</i>	<i>17.2</i>	<i>1.4</i>	<i>-1.4</i>	<i>6.3</i>	<i>6.4</i>
<i>Scandinavia</i>	<i>10.1</i>	<i>-5.2</i>	<i>9.2</i>	<i>-0.2</i>	<i>3.1</i>	<i>0.0</i>	<i>-10.6</i>	<i>11.2</i>	<i>-0.1</i>	<i>0.6</i>	<i>12.0</i>	<i>3.0</i>
<i>EMEA</i>	<i>33.9</i>	<i>40.7</i>	<i>5.6</i>	<i>-6.6</i>	<i>17.2</i>	<i>-22.9</i>	<i>2.1</i>	<i>43.3</i>	<i>10.4</i>	<i>6.2</i>	<i>4.0</i>	<i>2.0</i>
<i>North America</i>	<i>20.3</i>	<i>-17.5</i>	<i>4.3</i>	<i>0.9</i>	<i>0.1</i>	<i>-15.8</i>	<i>-25.7</i>	<i>-29.4</i>	<i>-17.9</i>	<i>-22.5</i>	<i>24.1</i>	<i>4.0</i>
<i>Asia Pacific</i>	<i>11.9</i>	<i>-0.9</i>	<i>30.5</i>	<i>37.6</i>	<i>18.7</i>	<i>-27.9</i>	<i>4.0</i>	<i>-8.0</i>	<i>-1.5</i>	<i>-9.5</i>	<i>11.5</i>	<i>10.0</i>
<b>Total</b>	<b>12.5</b>	<b>3.5</b>	<b>15.3</b>	<b>16.7</b>	<b>12.1</b>	<b>-8.1</b>	<b>-20.2</b>	<b>10.5</b>	<b>0.4</b>	<b>-3.5</b>	<b>8.4</b>	<b>6.2</b>
<b>EBIT, EURm</b>												
Group (EBIT only)	2.6	3.7	7.8	3.0	17.1	1.2	2.7	10.5	2.9	17.3	19.5	20.9
<b>Total</b>	<b>2.6</b>	<b>3.7</b>	<b>7.8</b>	<b>3.0</b>	<b>17.1</b>	<b>1.2</b>	<b>2.7</b>	<b>10.5</b>	<b>2.9</b>	<b>17.3</b>	<b>19.5</b>	<b>20.9</b>
<b>EBIT margin, %</b>												
<i>Total</i>	<i>9.6</i>	<i>12.7</i>	<i>22.7</i>	<i>8.6</i>	<i>13.6</i>	<i>4.8</i>	<i>11.5</i>	<i>27.7</i>	<i>8.4</i>	<i>14.3</i>	<i>14.9</i>	<i>15.0</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	95.7	99.6	102.3	111.9	125.4	121.0	131.2	139.3
<i>Sales growth (%)</i>	<i>1.6</i>	<i>4.1</i>	<i>2.7</i>	<i>9.3</i>	<i>12.1</i>	<i>-3.5</i>	<i>8.4</i>	<i>6.2</i>
EBITDA	6.0	10.2	11.9	14.6	29.7	29.9	33.3	35.8
<i>EBITDA margin (%)</i>	<i>6.3</i>	<i>10.3</i>	<i>11.6</i>	<i>13.1</i>	<i>23.7</i>	<i>24.7</i>	<i>25.3</i>	<i>25.7</i>
Depreciation	-4.5	-4.1	-3.3	-2.4	-12.6	-12.5	-13.7	-14.9
EBITA	1.5	6.1	8.6	12.2	17.1	17.3	19.5	20.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.5	6.1	8.6	12.2	17.1	17.3	19.5	20.9
<i>EBIT margin (%)</i>	<i>1.6</i>	<i>6.1</i>	<i>8.4</i>	<i>10.9</i>	<i>13.6</i>	<i>14.3</i>	<i>14.9</i>	<i>15.0</i>
Reported EBIT	1.5	5.0	8.4	12.2	17.1	17.3	19.5	20.9
<i>EBIT margin (reported) (%)</i>	<i>1.6</i>	<i>5.0</i>	<i>8.2</i>	<i>10.9</i>	<i>13.6</i>	<i>14.3</i>	<i>14.9</i>	<i>15.0</i>
Net financials	0.0	-0.1	-1.2	-0.2	-1.0	-1.7	-1.0	-1.0
Pre-tax profit	1.5	6.0	7.4	12.1	16.1	15.6	18.5	19.9
Taxes	-0.5	-1.1	-1.5	-3.9	-3.1	-3.2	-3.7	-4.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.1	3.8	5.7	8.2	13.0	12.4	14.8	15.9
Cash NRIs	0.0	-1.1	-0.2	0.0	0.0	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>								
<b>Assets</b>								
Fixed assets	17	15	13	5	5	5	7	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	37	36	36	36	36
Inventory	18	21	21	22	23	25	24	25
Receivables	6	8	7	7	7	7	9	9
Liquid funds	4	3	6	23	26	33	38	40
Total assets	46	48	47	94	97	105	113	120
<b>Liabilities</b>								
Shareholder's equity	27	28	31	40	39	51	58	64
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	37	36	36	36	36
Deferred taxes	0	1	1	1	2	2	2	2
Interest bearing debt	7	6	3	0	2	0	0	0
Non-interest bearing current liabilities	11	13	13	16	18	16	17	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	46	48	47	94	97	105	113	120
<b>CASH FLOW, EURm</b>								
+ EBITDA	6	10	12	15	30	30	33	36
- Net financial items	0	0	-1	0	-1	-2	-1	-1
- Taxes	0	-1	-2	-3	-2	-3	-4	-4
- Increase in Net Working Capital	1	-3	0	2	2	-4	1	-1
+/- Other	0	-1	1	0	0	0	0	0
= Cash flow from operations	6	6	10	12	28	21	29	30
- Capex	-4	-3	-1	-1	-12	-12	-16	-17
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	11	0	0	0	0
= Free cash flow	3	4	9	22	16	9	13	12
+/- New issues/buybacks	0	0	0	5	1	0	0	0
- Paid dividend	-3	-3	-3	-4	-15	0	-9	-10
+/- Other	0	-2	-3	-6	1	-2	0	0
Change in cash	0	-1	3	17	3	7	5	3

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	77	82	168	291	307	307	307
Net debt (excl. convertibles)	2	-3	14	12	3	-1	-4
Enterprise value	79	79	182	303	310	306	303
Sales	100	102	112	125	121	131	139
EBITDA	10	12	15	30	30	33	36
EBIT	6	9	12	17	17	20	21
Pre-tax	6	7	12	16	16	19	20
Earnings	5	6	8	13	12	15	16
Equity book value (excl. minorities)	28	31	40	39	51	58	64
<b>Valuation multiples</b>							
EV/sales	0.8	0.8	1.6	2.4	2.6	2.3	2.2
EV/EBITDA	7.8	6.6	12.4	10.2	10.4	9.2	8.5
EV/EBITA	13.0	9.2	14.9	17.7	17.9	15.6	14.5
EV/EBIT	13.0	9.2	14.9	17.7	17.9	15.6	14.5
EV/OCF	12.9	8.0	14.9	10.7	15.1	10.5	10.2
EV/FCFF	31.3	8.2	8.4	11.4	14.8	11.7	12.0
P/FCFE	21.5	9.3	7.8	18.3	34.6	23.4	24.8
P/E	15.7	13.8	20.5	22.3	24.8	20.7	19.3
P/B	2.7	2.7	4.2	7.5	6.0	5.3	4.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	12.0	10.7	9.9
Target EV/EBIT	0.0	0.0	0.0	0.0	20.8	18.2	16.9
Target EV/FCF	0.0	0.0	0.0	0.0	40.5	27.1	28.4
Target P/B	0.0	0.0	0.0	0.0	7.0	6.2	5.6
Target P/E	0.0	0.0	0.0	0.0	28.8	24.1	22.4
<b>Per share measures</b>							
Number of shares	8,090	8,090	8,090	8,130	8,110	8,110	8,110
Number of shares (diluted)	8,090	8,090	8,090	8,130	8,110	8,110	8,110
EPS	0.60	0.73	1.01	1.60	1.53	1.83	1.97
Operating cash flow per share	0.76	1.21	1.51	3.48	2.54	3.60	3.68
Free cash flow per share	0.44	1.09	2.68	1.96	1.09	1.62	1.53
Book value per share	3.50	3.79	4.95	4.78	6.32	7.10	7.87
Dividend per share	0.40	0.50	1.85	0.00	1.05	1.20	1.28
Dividend payout ratio, %	66.3	68.6	182.6	0.0	69.0	65.5	65.0
Dividend yield, %	4.2	5.0	8.9	0.0	2.8	3.2	3.4
FCF yield, %	4.6	10.8	12.9	5.5	2.9	4.3	4.0
<b>Efficiency measures</b>							
ROE	17.6	20.0	23.2	33.1	27.5	27.2	26.3
ROCE	17.9	25.4	22.2	22.7	21.7	22.2	22.2
<b>Financial ratios</b>							
Inventories as % of sales	21.4	20.4	19.8	18.0	20.5	18.0	18.0
Receivables as % of sales	8.1	6.5	6.2	5.3	5.5	6.5	6.5
Non-interest bearing liabilities as % of sales	13.2	12.2	13.9	14.2	13.0	13.0	13.0
NWC/sales, %	16.3	14.7	12.0	9.1	13.0	11.5	11.5
Operative CAPEX/sales, %	2.6	1.0	1.0	9.8	9.7	12.2	12.5
CAPEX/sales (incl. acquisitions), %	2.6	1.0	1.0	9.8	9.7	12.2	12.5
FCFF/EBITDA	0.2	0.8	1.5	0.9	0.7	0.8	0.7
Net debt/EBITDA, book-weighted	0.2	-0.2	0.9	0.4	0.1	0.0	-0.1
Debt/equity, market-weighted	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	58.4	65.1	42.7	40.1	48.9	51.0	53.1
Gearing, %	8.8	-9.4	34.3	30.7	6.0	-2.6	-6.6

**COMPANY DESCRIPTION:** Marimekko is a Finnish lifestyle design house founded in 1951. The company is known for its original prints and colors. The company's product categories consist of high-quality clothing, bags and accessories as well as home décor items. Marimekko's products are sold in about 40 different countries, Finland and Asia being the largest market areas. The company has approximately 150 stores worldwide.

**INVESTMENT CASE:** Marimekko has a strong and unique brand which is enjoying great popularity in Finland and increasingly abroad. The company's growth strategy relies on international expansion and attracting a broader audience, which should support growth and through improved volumes margin improvement. E-commerce and brand collaborations offer further margin expansion potential.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Muotitila Oy	1,017,700	38.571	12.5%
Ilmarinen Mutual Pension Insurance Company	395,419	14.986	4.9%
Varma Mutual Pension Insurance Company	385,920	14.626	4.8%
Enrooth Anna Sophia	340,377	12.900	4.2%
Evli Finnish Small Cap Fund	270,000	10.233	3.3%
Nordea Nordic Small Cap Fund	199,885	7.576	2.5%
Veritas Pension Insurance Company Ltd.	160,117	6.068	2.0%
Sijoitusrahasto Taaleritehdas Mikro Markka	120,000	4.548	1.5%
Oy Talcom Ab	101,000	3.828	1.2%
Oy Etra Invest Ab	100,000	3.790	1.2%
Ten largest	3,090,418	117.127	38%
Residual	5,019,416	190.236	62%
Total	8,109,834	307.363	100%

**EARNINGS CALENDAR**

February 18, 2021	FY 2020 Results
May 20, 2021	Q1 report
August 19, 2021	Q2 report
November 03, 2021	Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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IR: Anna Tuominen	

## 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

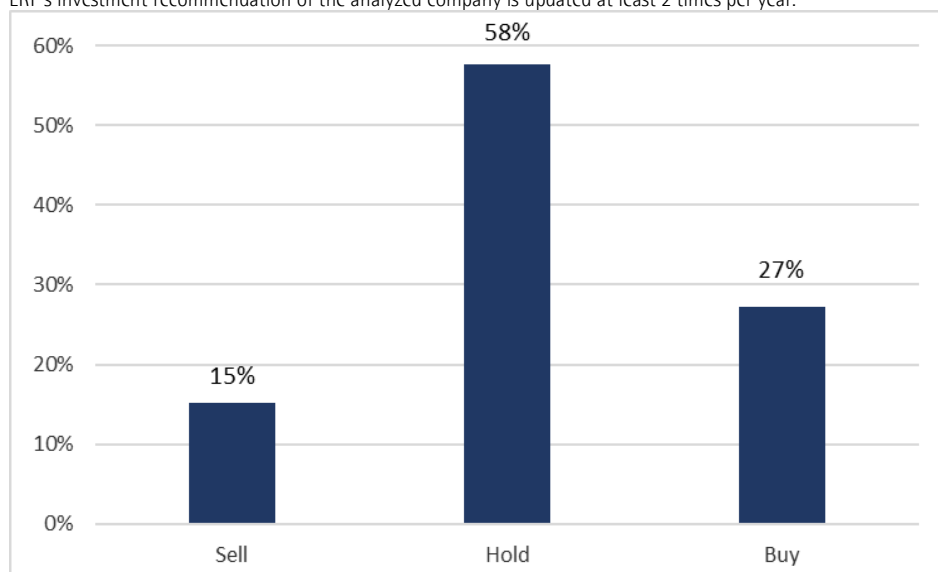
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Investment recommendations are defined as follows:

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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