# Further proof of organic growth needed

Marimekko's Q4'16 group earnings did not offer major surprises. While Marimekko continues to expand its reach in 2017, guidance of flat sales and adj. EBIT in 2017 is not supportive for like-for-like organic growth expectations. We reiterate "Reduce" rating.

## No major surprises in Q4'16

Marimekko's Q4'16 group earnings did not offer major surprises. In Finland Marimekko's net sales reached our estimate, but were strongly based on growth in wholesale sales (+28% y/y) due to non-recurring deliveries. Finnish comparable retail sales declined by 12% and were split to -7% in outlet stores and -12% in prime stores. In international operations, sales were slightly ahead of our estimates. Cost savings reached in H1'16 continued to provide support to earnings.

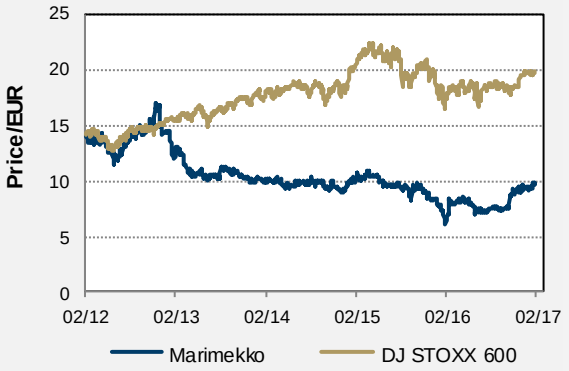
## Expanding reach and reviewing pricing strategy in 2017

Marimekko seeks to further expand its reach in 2017. In January 2017 the company expanded its e-commerce to 16 new countries in Europe, and in terms of physical stores the company seeks to open 10-20 new stores during 2017 (mostly retailer-owned shop-in-shops). The pricing strategy will also be reviewed with the aim to increase the proportion of slightly more affordable products in response to price-sensitive market conditions. The company will also further optimize its product portfolio and seeks to improve procurement efficiency.

## Further proof of organic growth needed – "Reduce"

Considering the store network and e-commerce expansion in 2017, Marimekko's guidance of flat sales and flat adj. EBIT in 2017 seems quite cautious and is not supportive for like-for-like organic growth expectations. Evidence of sustained l-f-l growth is needed to justify higher valuation, in our view. We reiterate "Reduce" rating with an ex-div TP of EUR 9.0 (8.5).

Rating — REDUCE




| | |
|---|---|
| Share price, EUR (Last trading day's closing price) | 9.77 |
| Target price, EUR | 9.0 |
| Latest change in recommendation | 19-Aug-14 |
| Latest report on company | 9-Feb-17 |
| No. of shares outstanding, '000's | 8,090 |
| No. of shares fully diluted, '000's | 8,090 |
| Market cap, EURm | 79 |
| Free float, % | 86.0 |
| Exchange rate | 0.000 |
| Reuters code | MMO1V.HE |
| Bloomberg code | MMO1V FH |
| Average daily volume, EURm | na. |
| Next interim report | - |
| Web site | www.marimekko.fi |

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|---|---|
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BUY ACCUMULATE REDUCE 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | 96 | 2 | 1.6% | 2 | 0.13 | 63.5 | 0.7 | 10.6 | 46.8 | 0.35 |
| 2016 | 100 | 6 | 6.1% | 6 | 0.60 | 15.7 | 0.8 | 11.6 | 13.0 | 0.40 |
| 2017E | 102 | 6 | 6.1% | 6 | 0.58 | 16.9 | 0.8 | 8.5 | 12.8 | 0.40 |
| 2018E | 104 | 7 | 6.4% | 7 | 0.64 | 15.4 | 0.8 | 8.8 | 11.7 | 0.45 |
| 2019E | 107 | 8 | 7.5% | 8 | 0.77 | 12.7 | 0.7 | 7.9 | 9.6 | 0.55 |

| | | | | | |
|---|---|---|---|---|---|
| Market cap, EURm | 79 | BV per share 2017E, EUR | 3.7 | CAGR EPS 2016-19, % | 8.4 |
| Net debt 2017E, EURm | 0 | Price/book 2017E | 2.7 | CAGR sales 2016-19, % | 2.3 |
| Enterprise value, EURm | 79 | Dividend yield 2017E, % | 4.1 | ROE 2017E, % | 16.1 |
| Total assets 2017E, EURm | 46 | Tax rate 2017E, % | 22.0 | ROCE 2017E, % | 18.4 |
| Goodwill 2017E, EURm | 0 | Equity ratio 2017E, % | 64.7 | PEG, P/E 17/CAGR | 1.2 |

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

| VALUATION RESULTS | | BASE CASE DETAILS | | VALUATION ASSUMPTIONS | | ASSUMPTIONS FOR WACC | |
|---|---|---|---|---|---|---|---|
| Current share price | 9.77 | PV of Free Cash Flow | 39 | Long-term growth, % | 2.0 | Risk-free interest rate, % | 3.00 |
| DCF share value | 10.41 | PV of Horizon value | 48 | WACC, % | 8.7 | Market risk premium, % | 5.0 |
| Share price potential, % | 6.6 | Unconsolidated equity | 0 | Spread, % | 0.5 | Debt risk premium, % | 2.5 |
| Maximum value | 11.3 | Marketable securities | 3 | Minimum WACC, % | 8.2 | Equity beta coefficient | 1.10 |
| Minimum value | 9.6 | Debt - dividend | -6 | Maximum WACC, % | 9.2 | Target debt ratio, % | 15 |
| Horizon value, % | 55.0 | Value of stock | 84 | Nr of shares, Mn | 8.1 | Effective tax rate, % | 25 |

| DCF valuation, EURm | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | Horizon |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 100 | 102 | 104 | 107 | 109 | 112 | 115 | 118 | 121 | 124 | 126 | 129 |
| *Sales growth, %* | *4.1* | *2.0* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.0* | *2.0* |
| Operating income (EBIT) | 6 | 6 | 7 | 8 | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| *EBIT margin, %* | *6.1* | *6.1* | *6.4* | *7.5* | *8.2* | *8.0* | *8.0* | *8.0* | *8.0* | *8.0* | *8.0* | *8.0* |
| + Depreciation+amort. | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | |
| - Income taxes | -1 | -1 | -1 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | |
| - Change in NWC | -3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| *NWC / Sales, %* | *16.3* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | *15.5* | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Capital Expenditure | -2 | -4 | -4 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 |
| *Investments / Sales, %* | *2.2* | *3.8* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* | *4.3* |
| - Other items | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = Unlevered Free CF (FCF) | 3 | 5 | 4 | 5 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 109 |
| = Discounted FCF (DFCF) | | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 48 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| = DFCF min WACC | 5 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 3 | 3 | 54 |
| = DFCF max WACC | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 42 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2016Q1 | 2016Q2 | 2016Q3 | 2016Q4 | 2016 | 2017Q1E | 2017Q2E | 2017Q3E | 2017Q4E | 2017E | 2018E | 2019E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 21 | 24 | 27 | 28 | 100 | 22 | 24 | 27 | 29 | 102 | 104 | 107 |
| EBITDA | 1 | 2 | 5 | 3 | 10 | 1 | 3 | 4 | 3 | 10 | 11 | 12 |
| *EBITDA margin (%)* | *3.7* | *8.4* | *17.7* | *9.6* | *10.3* | *3.3* | *11.2* | *15.1* | *9.4* | *10.0* | *10.4* | *11.4* |
| EBIT | 0 | 1 | 4 | 2 | 6 | 0 | 2 | 3 | 2 | 6 | 7 | 8 |
| *EBIT margin (%)* | *-1.4* | *4.0* | *13.5* | *6.4* | *6.1* | *-1.4* | *7.1* | *11.4* | *5.9* | *6.1* | *6.4* | *7.5* |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 0 | 1 | 4 | 2 | 6 | 0 | 2 | 3 | 2 | 6 | 7 | 8 |
| Tax | 0 | 0 | -1 | 0 | -1 | 0 | 0 | -1 | 0 | -1 | -1 | -2 |
| *Tax rate (%)* | *53.0* | *17.9* | *21.5* | *22.0* | *18.9* | *22.0* | *22.0* | *22.0* | *22.0* | *22.0* | *22.0* | *22.0* |
| Net profit | 0 | 1 | 3 | 2 | 5 | 0 | 1 | 2 | 1 | 5 | 5 | 6 |
| EPS | -0.02 | 0.09 | 0.34 | 0.19 | 0.60 | -0.03 | 0.16 | 0.29 | 0.16 | 0.58 | 0.64 | 0.77 |
| EPS adjusted (diluted no. of shares) | -0.02 | 0.09 | 0.34 | 0.19 | 0.60 | -0.03 | 0.16 | 0.29 | 0.16 | 0.58 | 0.64 | 0.77 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.40 | 0.45 | 0.55 |
| SALES, EURm | | | | | | | | | | | | |
| Finland | 10 | 13 | 16 | 17 | 56 | 10 | 14 | 16 | 17 | 57 | 58 | 59 |
| Scandinavia | 2 | 2 | 2 | 2 | 8 | 2 | 2 | 2 | 2 | 8 | 8 | 8 |
| EMEA | 2 | 2 | 2 | 2 | 9 | 2 | 2 | 2 | 2 | 9 | 10 | 10 |
| North America | 2 | 2 | 2 | 2 | 8 | 2 | 2 | 2 | 2 | 8 | 9 | 9 |
| Asia Pacific | 5 | 4 | 5 | 5 | 19 | 5 | 4 | 5 | 5 | 19 | 20 | 20 |
| Total | 21 | 24 | 27 | 28 | 100 | 22 | 24 | 27 | 29 | 102 | 104 | 107 |
| *SALES GROWTH, Y/Y %* | | | | | | | | | | | | |
| *Finland* | *4.2* | *3.0* | *12.2* | *3.6* | *5.8* | *2.0* | *2.0* | *0.0* | *2.0* | *1.4* | *2.5* | *2.5* |
| *Scandinavia* | *-4.0* | *-3.2* | *7.9* | *2.6* | *0.8* | *3.0* | *3.0* | *1.0* | *2.5* | *2.4* | *2.5* | *2.5* |
| *EMEA* | *0.5* | *-4.8* | *52.0* | *9.7* | *11.7* | *2.5* | *3.0* | *-2.0* | *1.0* | *1.0* | *2.5* | *2.5* |
| *North America* | *-22.3* | *9.2* | *-16.5* | *-24.0* | *-14.3* | *8.0* | *1.0* | *8.0* | *8.0* | *6.0* | *2.5* | *2.5* |
| *Asia Pacific* | *22.1* | *-7.6* | *1.4* | *10.7* | *6.6* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* | *2.5* |
| *Total* | *4.0* | *0.4* | *9.6* | *2.5* | *4.1* | *2.7* | *2.2* | *0.9* | *2.5* | *2.0* | *2.5* | *2.5* |
| EBIT, EURm | | | | | | | | | | | | |
| Group (EBIT only) | 0 | 1 | 4 | 2 | 6 | 0 | 2 | 3 | 2 | 6 | 7 | 8 |
| Total | 0 | 1 | 4 | 2 | 6 | 0 | 2 | 3 | 2 | 6 | 7 | 8 |
| *EBIT margin, %* | | | | | | | | | | | | |
| *Total* | *-1.4* | *4.0* | *13.5* | *6.4* | *6.1* | *-1.4* | *7.1* | *11.4* | *5.9* | *6.1* | *6.4* | *7.5* |

| INCOME STATEMENT, EURm | 2012 | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
|---|---|---|---|---|---|---|---|---|
| Sales | 88 | 94 | 94 | 96 | 100 | 102 | 104 | 107 |
| *Sales growth (%)* | *14.2* | *6.3* | *0.2* | *1.6* | *4.1* | *2.0* | *2.5* | *2.5* |
| Costs | -83 | -86 | -84 | -90 | -89 | -91 | -93 | -95 |
| Reported EBITDA | 6 | 8 | 11 | 6 | 10 | 10 | 11 | 12 |
| Extraordinary items in EBITDA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *EBITDA margin (%)* | *6.3* | *8.7* | *11.2* | *6.3* | *10.3* | *10.0* | *10.4* | *11.4* |
| Depreciation | -4 | -7 | -4 | -5 | -4 | -4 | -4 | -4 |
| EBITA | 2 | 1 | 6 | 2 | 6 | 6 | 7 | 8 |
| Goodwill amortization / writedown | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported EBIT | 2 | 1 | 6 | 2 | 6 | 6 | 7 | 8 |
| *EBIT margin (%)* | *2.3* | *1.5* | *6.7* | *1.6* | *6.1* | *6.1* | *6.4* | *7.5* |
| Net financials | -1 | -1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 1 | 1 | 6 | 2 | 6 | 6 | 7 | 8 |
| Extraordinary items | 0 | -1 | -1 | 0 | -1 | 0 | 0 | 0 |
| Taxes | 0 | 0 | -1 | 0 | -1 | -1 | -1 | -2 |
| Minority shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | 1 | -1 | 4 | 1 | 4 | 5 | 5 | 6 |
| **BALANCE SHEET, EURm** | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 25 | 20 | 18 | 17 | 15 | 15 | 16 | 16 |
| *% of sales* | *28* | *22* | *19* | *18* | *15* | *15* | *15* | *15* |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *% of sales* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Inventory | 19 | 18 | 18 | 18 | 21 | 19 | 20 | 20 |
| *% of sales* | *21* | *19* | *19* | *19* | *21* | *19* | *19* | *19* |
| Receivables | 8 | 7 | 7 | 6 | 8 | 8 | 8 | 8 |
| *% of sales* | *9* | *8* | *8* | *6* | *8* | *8* | *8* | *8* |
| Liquid funds | 3 | 3 | 4 | 4 | 3 | 4 | 4 | 4 |
| *% of sales* | *4* | *3* | *4* | *4* | *3* | *4* | *4* | *4* |
| Total assets | 55 | 49 | 47 | 46 | 48 | 46 | 47 | 48 |
| Liabilities | | | | | | | | |
| Equity | 30 | 27 | 29 | 27 | 28 | 30 | 32 | 34 |
| *% of sales* | *34* | *29* | *31* | *28* | *28* | *29* | *30* | *32* |
| Deferred taxes | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| *% of sales* | *1* | *0* | *0* | *0* | *1* | *1* | *1* | *1* |
| Interest bearing debt | 9 | 8 | 4 | 7 | 6 | 4 | 3 | 1 |
| *% of sales* | *11* | *9* | *4* | *8* | *6* | *4* | *3* | *1* |
| Non-interest bearing current liabilities | 12 | 10 | 10 | 11 | 13 | 11 | 11 | 12 |
| *% of sales* | *13* | *11* | *11* | *12* | *13* | *11* | *11* | *11* |
| Other interest free debt | 3 | 3 | 4 | 0 | 0 | 0 | 0 | 0 |
| *% of sales* | *4* | *4* | *4* | *0* | *0* | *0* | *0* | *0* |
| Total liabilities | 55 | 49 | 47 | 46 | 48 | 46 | 47 | 48 |
| **CASH FLOW, EURm** | | | | | | | | |
| + EBITDA | 6 | 8 | 11 | 6 | 10 | 10 | 11 | 12 |
| - Net financial items | -1 | -1 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Taxes | 0 | 0 | -1 | 0 | -1 | -1 | -1 | -2 |
| - Increase in Net Working Capital | 4 | 0 | 2 | 1 | -3 | 0 | 0 | 0 |
| +/- Other | 0 | -1 | -1 | 0 | -1 | 0 | 0 | 0 |
| = Cash flow from operations | 9 | 6 | 10 | 6 | 5 | 9 | 9 | 10 |
| - Capex | -11 | -2 | -2 | -4 | -2 | -4 | -4 | -5 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Net cash flow | -2 | 3 | 8 | 3 | 3 | 5 | 4 | 5 |
| +/- Change in interest-bearing debt | 4 | -1 | -5 | 4 | -1 | -2 | -1 | -2 |
| +/- New issues/buybacks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Paid dividend | -4 | -2 | -2 | -3 | -3 | -3 | -3 | -4 |
| +/- Change in loan receivables | 3 | 0 | 0 | -3 | 0 | 0 | 0 | 0 |
| Change in cash | 2 | 0 | 1 | 0 | -1 | 0 | 0 | 0 |

| KEY FIGURES | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
|---|---|---|---|---|---|---|---|
| M-cap | 79 | 72 | 67 | 77 | 79 | 79 | 79 |
| Net debt | 5 | 0 | 3 | 2 | 0 | -1 | -2 |
| Enterprise value | 85 | 72 | 70 | 79 | 79 | 78 | 77 |
| Sales | 94 | 94 | 96 | 100 | 102 | 104 | 107 |
| EBITDA | 8 | 11 | 6 | 10 | 10 | 11 | 12 |
| EBIT | 1 | 6 | 2 | 6 | 6 | 7 | 8 |
| Pre-tax | 1 | 6 | 2 | 6 | 6 | 7 | 8 |
| Earnings | 0 | 5 | 1 | 5 | 5 | 5 | 6 |
| Book value | 27 | 29 | 27 | 28 | 30 | 32 | 34 |
| **Valuation multiples** | | | | | | | |
| EV/sales | 0.9 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 |
| EV/EBITDA | 10.4 | 6.8 | 11.7 | 7.8 | 7.8 | 7.2 | 6.3 |
| EV/EBITA | 60.4 | 11.4 | 46.8 | 13.0 | 12.8 | 11.7 | 9.6 |
| EV/EBIT | 60.4 | 11.4 | 46.8 | 13.0 | 12.8 | 11.7 | 9.6 |
| EV/operating cash flow | 11.6 | 6.7 | 11.1 | 11.9 | 8.6 | 8.8 | 7.6 |
| EV/cash earnings | 12.1 | 7.9 | 12.1 | 8.3 | 9.2 | 8.5 | 7.3 |
| P/E | 218.6 | 14.9 | 63.5 | 15.7 | 16.9 | 15.4 | 12.7 |
| P/E excl. goodwill | 218.6 | 14.9 | 63.5 | 15.7 | 16.9 | 15.4 | 12.7 |
| P/B | 2.9 | 2.5 | 2.5 | 2.7 | 2.7 | 2.5 | 2.3 |
| P/sales | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 |
| P/CF | 10.9 | 6.7 | 10.6 | 11.6 | 8.5 | 8.8 | 7.9 |
| *Target EV/EBIT* | *0.0* | *0.0* | *0.0* | *0.0* | *11.8* | *10.8* | *8.8* |
| *Target P/E* | *0.0* | *0.0* | *0.0* | *0.0* | *15.6* | *14.1* | *11.7* |
| *Target P/B* | *0.0* | *0.0* | *0.0* | *0.0* | *2.4* | *2.3* | *2.1* |
| **Per share measures** | | | | | | | |
| Number of shares | 8,040 | 8,090 | 8,090 | 8,090 | 8,090 | 8,090 | 8,090 |
| Number of shares (diluted) | 8,040 | 8,090 | 8,090 | 8,090 | 8,090 | 8,090 | 8,090 |
| EPS | 0.05 | 0.60 | 0.13 | 0.60 | 0.58 | 0.64 | 0.77 |
| EPS excl. goodwill | 0.05 | 0.60 | 0.13 | 0.60 | 0.58 | 0.64 | 0.77 |
| Cash EPS | 0.87 | 1.12 | 0.72 | 1.17 | 1.07 | 1.14 | 1.29 |
| Operating cash flow per share | 0.91 | 1.32 | 0.78 | 0.82 | 1.15 | 1.11 | 1.24 |
| Capital employed per share | 4.01 | 3.54 | 3.73 | 3.81 | 3.74 | 3.83 | 3.93 |
| Book value per share | 3.36 | 3.59 | 3.35 | 3.50 | 3.68 | 3.92 | 4.23 |
| Book value excl. goodwill | 3.36 | 3.59 | 3.35 | 3.50 | 3.68 | 3.92 | 4.23 |
| Dividend per share | 0.25 | 0.35 | 0.35 | 0.40 | 0.40 | 0.45 | 0.55 |
| Dividend payout ratio, % | 553.7 | 58.7 | 267.6 | 66.3 | 69.1 | 70.7 | 71.6 |
| Dividend yield, % | 2.5 | 3.9 | 4.2 | 4.1 | 4.1 | 4.6 | 5.6 |
| **Efficiency measures** | | | | | | | |
| ROE | 1.3 | 17.2 | 3.8 | 17.6 | 16.1 | 16.8 | 18.9 |
| ROCE | 4.0 | 18.8 | 4.7 | 17.9 | 18.4 | 19.8 | 23.0 |
| **Financial ratios** | | | | | | | |
| Capex/sales, % | 2.5 | 2.5 | 3.8 | 2.2 | 3.8 | 4.3 | 4.3 |
| Capex/depreciation excl. goodwill,% | 34.8 | 54.3 | 79.6 | 52.7 | 96.3 | 109.3 | 109.3 |
| Net debt/EBITDA, book-weighted | 0.6 | 0.0 | 0.5 | 0.2 | 0.0 | -0.1 | -0.2 |
| Debt/equity, market-weighted | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Equity ratio, book-weighted | 55.5 | 61.5 | 58.9 | 58.4 | 64.7 | 67.2 | 70.9 |
| Gearing | 0.19 | -0.01 | 0.11 | 0.09 | 0.02 | -0.02 | -0.07 |
| Number of employees, average | 419 | 427 | 436 | 445 | 454 | 463 | 472 |
| Sales per employee, EUR | 224,331 | 220,269 | 219,393 | 224,000 | 224,078 | 225,176 | 226,280 |
| EBIT per employee, EUR | 3,341 | 14,739 | 3,441 | 13,717 | 13,669 | 14,481 | 16,952 |

# MARIMEKKO

Consumer Durables & Apparel/Finland, February 14, 2017
Spot comment

COMPANY DESCRIPTION: Marimekko is a Finnish textile and clothing company which manufactures and markets clothing, interior decoration items and bags. The operations are based on the original Marimekko brand and the Marimekko concept which is derived from the brand and represents the company's lifestyle thinking.

INVESTMENT CASE: Marimekko is committed to building its brand in a controlled way and seeking growth in international operations. This is needed in the long run in order to maintain the annual growth rate of over 5%.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|---|---|---|---|
| Muotitila Oy | 1,297,700 | 12.679 | 16.0% |
| semerca investments sa | 850,377 | 8.308 | 10.5% |
| Varma Mutual Pension Insurance Company | 385,920 | 3.770 | 4.8% |
| Odin Finland | 344,251 | 3.363 | 4.3% |
| Veritas Pension Insurance Company Ltd. | 220,000 | 2.149 | 2.7% |
| Ilmarinen Mutual Pension Insurance Company | 215,419 | 2.105 | 2.7% |
| Keva | 197,754 | 1.932 | 2.4% |
| OP-Finland Small Firms Fund | 151,197 | 1.477 | 1.9% |
| Mutual Fund Tapiola Finland | 136,395 | 1.333 | 1.7% |
| Nordea Finland Small Cap Fund | 95,000 | 0.928 | 1.2% |
| Ten largest | 3,894,013 | 38.045 | 48% |
| Residual | 4,195,597 | 40.991 | 52% |
| Total | 8,089,610 | 79.035 | 100% |

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Mika Ihamuotila
CFO: Thomas Ekström
IR:

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DEFINITIONS

| | |
|---|---|
| P/E<br>$\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS<br>$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/Sales<br>$\frac{\text{Market cap}}{\text{Sales}}$ | DPS<br>Dividend for the financial period per share |
| P/BV<br>$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | CEPS<br>$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$ |
| P/CF<br>$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$ | EV/Share<br>$\frac{\text{Enterprise value}}{\text{Number of shares}}$ |
| EV (Enterprise value)<br>Market cap + net debt + minority interest at market value<br>– share of associated companies at market value | Sales/Share<br>$\frac{\text{Sales}}{\text{Number of shares}}$ |
| Net debt<br>Interest bearing debt – financial assets | EBITDA/Share<br>$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$ |
| EV/Sales<br>$\frac{\text{Enterprise value}}{\text{Sales}}$ | EBIT/Share<br>$\frac{\text{Operating profit}}{\text{Number of shares}}$ |
| EV/EBITDA<br>$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$ | EAFI/Share<br>$\frac{\text{Pretax profit}}{\text{Number of shares}}$ |
| EV/EBIT<br>$\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Capital employed/Share<br>$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$ |
| Div yield, %<br>$\frac{\text{Dividend per share}}{\text{Price per share}}$ | Total assets<br>Balancesheet total |
| Payout ratio, %<br>$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Interest coverage (x)<br>$\frac{\text{Operating profit}}{\text{Financial items}}$ |
| Net cash/Share<br>$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$ | Asset turnover (x)<br>$\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$ |
| ROA, %<br>$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$ | Debt/Equity, %<br>$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| ROCE, %<br>$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$ | Equity ratio, %<br>$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$ |
| ROE, %<br>$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | CAGR, %<br>Cumulative annual growth rate = Average growth per year |

Important Disclosures

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https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3
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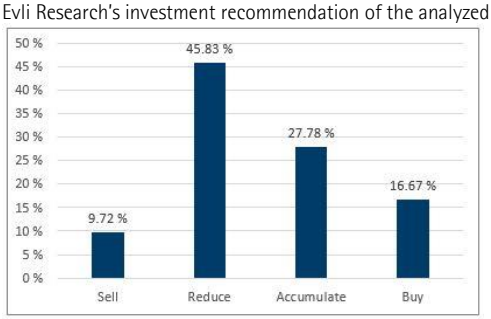
Investment recommendations are defined as follows:

| Target price compared to share price | Recommendation |
|---|---|
| < -5 % | SELL |
| -5 – (+5) % | REDUCE |
| 5 – 15 % | ACCUMULATE |
| > 15 % | BUY |

Evli Research's investment recommendation of the analyzed company is in general updated 2 – 4 per year.




The graph above shows the distribution of Evli Research's recommendations of companies under coverage in 25th of August 2014. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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