

Food & Staples Retailing/Finland, October 11, 2018

Preview

LFL growth should normalize

Tokmanni will report its Q3 business review on October 24^{th} . In Q3 comparables no longer provide tailwind as in H1, which should make the quarter more normal and better representative of how assortment improvements and other development actions yield results. Our estimates, rating and TP are intact ahead of the Q3 report.

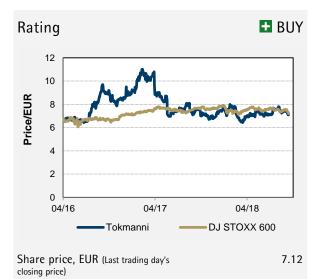
Non-grocery market growth figures indicate softer demand PTY statistics indicate the non-grocery market grew by -4.2% in July and by -1.4% in August. Still in H1 non-grocery market grew by +1.5%. PTY statistics thus seem to indicate somewhat softer demand in the market in Q3 vs. H1.

We expect positive LFL growth to continue from H1

Tokmanni delivered 7.0% LFL growth in H1, supported by weak comparables, better weather, assortment improvements and somewhat more active take on campaigning and their better management. In Q3 comparables no longer help and hence LFL growth should normalize. We have incorporated LFL growth of $\pm 2.0\%$ for Q3.

Estimates, rating and TP intact ahead of Q3

We expect revenue of EUR 207m (6.1% growth y/y, of which LFL 2.0%) and adj. EBITDA of EUR 19.6m (EUR 16.1m y/y) in Q3. Our "Buy" case and TP EUR 9 remain intact ahead of the Q2 report, as valuation remains attractive against the sourcing improvement potential and related gross margin improvement potential, in our view.



Target price, EUR	9.0
Latest change in recommendation	18-Apr-17
Latest report on company	10-Aug-18
Research paid by issuer:	Yes
No. of shares outstanding, '000's	58,869
No. of shares fully diluted, '000's	58,869
Market cap, EURm	419
Free float, %	100.0
Exchange rate	1.000
Reuters code	TOKMAN.HE
Bloomberg code	TOKMAN FH
Average daily volume, EURm	na.
Next interim report	24-0ct-18
Web site	https://yritys.tokmanni.fi/
Analyst	Joonas Häyhä
E-mail	joonas.hayha@evli.com

BUY 🖸	HOLD	SELL
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KEY FIGL	JRES									
	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	776	48	6.1%	33	0.44	19.5	0.8	7.2	12.9	0.51
2017	797	41	5.1%	35	0.48	15.2	0.7	13.0	13.8	0.41
2018E	856	52	6.1%	47	0.63	11.3	0.6	9.1	10.5	0.45
2019E	881	58	6.6%	54	0.74	9.6	0.6	7.2	9.1	0.52
2020E	914	68	7.4%	65	0.88	8.1	0.6	6.4	7.6	0.62
Market ca	p, EURm		419 E	BV per share 20	18E, EUR		3.0 CAGR I	EPS 2017-2	20, %	22.7
Net debt 2	2018E, EURm		129 F	Price/book 2018	E		2.4 CAGR	sales 2017-	-20, %	4.7
Enterprise	value, EURm		548 [Dividend yield 2018E, % 6.3 ROE 2018E, %					21.8	
Total asset	ts 2018E, EURr	n	484 1	Tax rate 2018E, % 20.9 ROCE 2018E, %				14.9		
Goodwill 2	2018E, EURm		129 E	quity ratio 201	8E, %		36.5 PEG, P/	E 18/CAGF		0.9

Telephone

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

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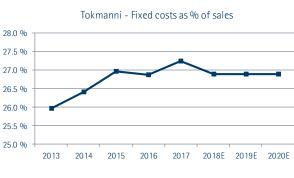
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Estimates

Tokmanni	2013	2014	2015	2016	2017	2018E	2019E	2020E
Key sales assumptions								
Sales space increase, 1000m2	11	18	7	8	24	8	12	12
Sales space at year end, 1000m2	375	393	400	408	432	440	452	464
LFL growth (%)	0.0%	-0.3%	-0.6%	-0.1%	-1.3%	3.7%	1.0%	1.0%
•								
Net sales	712.8	734.3	755.3	775.8	796.5	856.6	881.3	914.1
Growth-%	3.3 %	3.0 %	2.9 %	2.7 %	2.7 %	7.5 %	2.9 %	3.7 %
Materials and services (adj.)	-474.6	-486.8	-497.2	-507.9	-528.4	-564.6	-575.0	-589.6
Growth-%	-474.0	2.6 %	2.1 %	2.2 %	4.0 %	6.8 %	1.8 %	2.5 %
% of sales	66.6 %	66.3 %	65.8 %	65.5 %	66.3 %	65.9 %	65.2 %	64.5 %
Gross profit (adj.)	238.2	247.5	258.1	267.9	268.1	292.0	306.3	324.5
Gross margin (%)	33.4 %	33.7 %	34.2 %	34.5 %	33.7 %	34.1 %	34.8 %	35.5 %
o. oss margin (10)	0011 70	0017 70	0 112 70	0 110 10	0017 70	0 10	0 110 10	00.0 70
Fixed costs (adj.)	-185.1	-193.9	-203.7	-208.5	-217.0	-229.0	-237.0	-245.8
Growth-%	-	4.8 %	5.0 %	2.4 %	4.1 %	5.5 %	3.5 %	3.7 %
% of sales	26.0 %	26.4 %	27.0 %	26.9 %	27.2 %	26.7 %	26.9 %	26.9 %
Other income	3.5	3.6	4.0	3.4	3.8	3.6	3.6	3.6
Share of profits in associated comp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-12.6	-13.5	-14.8	-15.2	-14.3	-14.4	-14.6	-14.5
EB ITDA (adj.)	56.7	57.1	58.4	62.8	54.9	66.5	72.9	82.3
EBITDA margin (%)	8.0 %	7.8 %	7.7 %	8.1 %	6.9 %	7.8 %	8.3 %	9.0 %
25H5/thangin (10)	0.0 70	7.0 70	711 10	011 10	0.0 70	7.0 70	0.0 70	0.0 /0
EBIT (adj.)	44.1	43.6	43.6	47.7	40.6	52.1	58.3	67.8
EBIT margin (%)	6.2 %	5.9 %	5.8 %	6.1 %	5.1 %	6.1 %	6.6 %	7.4 %
NRIs in reported gross profit	0.0	1.1	-0.6	0.5	-0.9	0.9	0.0	0.0
NRIs in reported fixed costs	-1.1	-1.8	-4.0	1.0	-0.8	1.0	0.0	0.0
EBIT (reported)	43.0	43.0	39.0	49.2	38.9	54.0	58.3	67.8
EBIT margin (%)	6.0 %	5.9 %	5.2 %	6.3 %	4.9 %	6.3 %	6.6 %	7.4 %
Net financials	-23.0	-22.2	-20.9	-15.3	-5.9	-5.3	-4.0	-3.0
Profit before taxes (reported)	20.1	20.8	18.1	33.9	33.0	48.7	54.3	64.8
Taxes	-4.8	-4.2	-3.4	-6.8	-6.6	-9.8	-10.9	-13.0
Tax rate (%)	23.9 %	20.1 %	18.8 %	20.1 %	20.0 %	20.1 %	20.0 %	20.0 %
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (reported)	15.3	16.6	14.7	27.1	26.4	38.9	43.5	51.9
Average number of shares (million)	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9
EPS (reported)	0.26	0.28	0.25	0.46	0.45	0.66	0.74	0.88
Dividend and capital return	-	-	-	0.51	0.41	0.45	0.52	0.62
Payout ratio (%)				111%	92%	68%	70%	70%

Source: Tokmanni, Evli Research





Relative valuation

	MCAP		EV/EBITDA			EV/EBIT	EV/EBIT	EV/FCF	EV/FCF	EV/FCF	P/E	P/E	P/E
Nordic non-grocery focused retailers	local FX	18	19	20	18	19	20	18	19	20	18	19	20
Byggmax Group AB	2104	7.5x	6.2x	5.5x	13.2x	10.9x	9.7x	12.6x	10.5x	9.4x	9.8x	7.5x	6.9x
Clas Ohlson AB Class B	4580	6.8x	6.4x	5.9x	10.6x	9.8x	8.8x	13.1x	13.4x	12.5x	13.3x	12.3x	11.1x
Europris ASA	3573	7.0x	6.4x	5.8x	8.0x	7.3x	6.7x	16.8x	11.1x	9.6x	8.7x	8.2x	7.7x
Stockmann Oyj Abp Class B	264	9.6x	9.5x	9.5x	25.1x	22.7x	21.6x	9.0x	25.3x	35.0x		33.8x	20.2x
Verkkokauppa.com Oy	189	13.0x	9.2x	7.6x	14.8x	10.2x	8.2x	22.2	13.6x	11.3x	23.5x	16.3x	13.6x
XXL ASA Nordic grocery focused retailers	5681	9.2x	7.6x	6.7x	11.9x	9.5x	8.3x	23.3x	21.7x	15.8x	12.8x	9.9x	8.7x
Axfood AB	34420	12.0x	11.7x	11.4x	16.5x	16.3x	15.9x	24.0x	21.0x	20.7x	21.9x	21.5x	21.1x
ICA Gruppen AB	57005	10.3x	9.9x	9.7x	14.0x	13.5x	13.1x	25.4x	26.2x	21.9x	16.3x	15.9x	15.7x
Kesko Óyj Class B	4524	9.8x	9.2x	8.8x	14.1x	13.1x	12.4x	14.1x	21.3x	18.6x	18.7x	17.2x	16.4x
International discount retailers													
B&M European Value Retail SA	3929	13.1x	11.5x	10.1x	15.1x	13.3x	11.7x	32.8x	21.2x	18.1x	18.7x	16.4x	14.5x
Big Lots, Inc. Costco Wholesale Corporation	1728 96862	5.1x 16.4x	5.0x 15.1x	4.8x 14.0x	7.6x 21.7x	7.2x 20.0x	7.2x 18.4x	14.6x 36.3x	12.6x 40.6x	7.9x 35.7x	9.6x 32.3x	8.9x 28.7x	8.3x 26.4x
Distribuidora Internacional de Alimentacion	1192	4.5x	4.4x	4.2x	8.3x	8.3x	7.8x	30.37	32.5x	21.2x	7.6x	7.6x	7.1x
Dollar General Corporation	28035	11.6x	10.7x	10.0x	14.0x	12.9x	11.9x	23.7x	20.9x	17.8x	17.3x	15.7x	14.3x
Dollar Tree, Inc.	20037	9.4x	8.3x	7.6x	12.5x	10.9x	9.8x	18.8x	16.9x	14.4x	15.3x	13.9x	12.6x
Dollarama Inc.	12316	15.9x	15.1x	13.8x	17.4x	16.5x	15.1x	31.0x	23.9x		21.9x	19.6x	17.3x
Don Quijote Holdings Co.,Ltd.	957040 6411	16.7x 27.9x	15.9x 22.3x	14.7x 18.2x	22.0x	20.5x 27.4x	18.7x 22.3x	190.9x	114.9x 50.1x	126.4x 45.0x	25.6x 44.7x	24.6x 37.0x	22.4x 30.1x
Five Below, Inc. Ollie's Bargain Outlet Holdings Inc	5477	30.6x	22.3x 25.7x	21.3x	34.2x 34.5x	27.4x 28.6x	22.3x 23.7x	92.6x	65.2x	35.4x	44.7x 49.7x	41.9x	34.7x
Target Corporation	44845	8.4x	8.3x	8.5x	13.2x	13.2x	13.8x	24.8x	20.7x	18.9x	15.8x	15.1x	14.8x
Walmart Inc.	280456	10.1x	10.0x	9.8x	15.0x	15.1x	14.6x	24.2x	21.4x	23.0x	19.8x	20.0x	19.1x
Nordic non-grocery peers median	4524	8.3x	7.0x	6.3x	12.5x	10.0x	8.6x	13.1x	13.5x	11.9x	12.8x	11.1x	9.9x
Nordic grocery focused retailers	10177	10.3x	9.9x	9.7x	14.1x	13.5x	13.1x	24.0x	21.3x	20.7x	18.7x	17.2x	16.4x
Discount retailers median Tokmanni (Evli est.)	16177 419	12.4x 8.2x	7.3x	10.1x 6.3x	15.1x 10.5x	14.2x 9.1x	14.2x 7.6x	27.9x 16.6x	22.7x 12.0x	21.2x 10.0x	19.3x 11.3x	18.0x 9.6x	16.0x 8.1x
Tokmanni (EVII est.) Tokmanni premium vs. Nordic non-grocery focused		-1%	7.3X 5%	-1%	-16%	-9%	-11%	26%	-11%	-16%	-11%	-13%	-19%
Tokmanni premium vs. Nordic front-grocery rocused pee		-20%	-26%	-35%	-25%	-32%	-42%	-31%	-44%	-51%	-39%	-44%	-51%
Tokmanni premium vs. int. discount peers		-33%	-34%	-38%	-30%	-36%	-46%	-41%	-47%	-53%	-41%	-46%	-50%
TOWALLIAN DEEDS			Dividend yie			EBIT margin			ROCE-%			ROE-%	
TOKMANNI PEERS	Ticker	18	19	20	18	19	20	18	19	20	18	19	20
Nordic non-grocery focused retailers Byggmax Group AB	BMAX-SE	7.6%	8.0%	8.7%	4.6%	5.1%	5.2%	12.1%	14.4%	14.9%	15.3%	18.9%	19.4%
Clas Ohlson AB Class B	CLAS.B-SE	8.7%	8.7%	7.9%	5.0%	5.3%	5.8%	17.2%	18.6%	20.2%	15.7%	17.3%	19.0%
Europris ASA	EPR-NO	8.4%	8.9%	9.3%	10.1%	10.2%	10.4%	15.8%	16.1%	16.5%	21.8%	21.4%	21.6%
Stockmann Oyj Abp Class B	STCBV-FI	0.3%	0.7%	2.0%	3.6%	3.9%	4.2%	2.6%	2.8%	3.0%	-1.6%	0.9%	1.6%
Verkkokauppa.com Oy	VERK-FI	4.7%	5.3%	6.2%	2.1%	2.8%	3.0%	23.3%	30.1%	29.1%	19.7%	26.7%	29.2%
XXL ASA Nordic grocery focused retailers	XXL-NO	4.6%	5.4%	6.1%	6.3%	7.0%	7.2%	12.0%	13.9%	14.6%	11.6%	13.8%	14.4%
Axfood AB	AXFO-SE	4.4%	4.4%	4.5%	4.3%	4.2%	4.1%	34.9%	34.7%	34.7%	36.4%	36.0%	35.7%
ICA Gruppen AB	ICA-SE	4.0%	4.1%	4.2%	4.0%	4.0%	4.0%	10.0%	10.1%	10.0%	10.4%	10.2%	10.1%
Kesko Oyj Class B	KESKOB-F	5.2%	5.5%	5.8%	3.1%	3.3%	3.4%	12.4%	13.1%	13.6%	11.4%	12.1%	12.5%
International discount retailers													
B&M European Value Retail SA Big Lots, Inc.	BME-GB BIG-US	2.2% 2.8%	2.5% 3.1%	3.5% 3.5%	8.4% 4.8%	8.5% 5.0%	8.6% 4.9%	16.4% 21.4%	17.5% 20.6%	18.7% 19.4%	21.1% 26.6%	21.8% 26.7%	22.8% 23.7%
Costco Wholesale Corporation	COST-US	1.0%	1.1%	1.2%	3.2%	3.2%	3.2%	20.8%	20.6%	20.5%	23.4%	20.7%	20.9%
Distribuidora Internacional de Alimentacion		7.8%	6.5%	7.1%	3.3%	3.3%	3.3%	18.4%	18.2%	17.7%	46.8%	41.8%	39.0%
Dollar General Corporation	DG-US	1.1%	1.2%	1.3%	8.6%	8.6%	8.6%	21.1%	21.5%	22.1%	24.2%	23.5%	22.6%
Dollar Tree, Inc.	DLTR-US	0.0%	0.0%	0.0%	8.3%	8.5%	8.7%	13.3%	13.7%	15.0%	15.7%	14.8%	14.3%
Dollarama Inc.	DOL-CA	0.4%	0.5%	0.5%	23.1%	23.3%	23.3%	47.1%	50.2%	0.50/-	10.40/-	11 70/-	3424.3%
Don Quijote Holdings Co.,Ltd. Five Below, Inc.	7532-JP FIVE-US	0.5% 0.0%	0.6% 0.0%	0.6% 0.0%	5.5% 12.0%	5.4% 12.3%	5.5% 12.4%	8.1% 27.5%	8.3% 28.1%	8.5% 28.4%	12.4% 25.7%	11.7% 24.9%	11.4% 24.1%
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0.0%	0.0%	0.0%	12.8%	13.2%	13.5%	15.8%	16.5%	19.1%	12.5%	13.2%	14.6%
Target Corporation	TGT-US	3.0%	3.2%	3.5%	5.6%	5.5%	5.2%	15.5%	15.2%	14.9%	24.4%	24.2%	26.4%
Walmart Inc.	WMT-US	2.2%	2.3%	2.2%	4.3%	4.1%	4.1%	15.6%	15.6%	16.0%	18.9%	18.2%	18.5%
Nordic non-grocery peers median		6.2%	6.7%	7.1%	4.8%	5.2%	5.5%	13.9%	15.3%	15.7%	15.5%	18.1%	19.2%
Nordic grocery focused retailers Discount retailers median		4.4% 1.0%	4.4% 1.1%	4.5% 1.2%	4.0% 6.9%	4.0% 7.0%	4.0% 7.0%	12.4% 17.4%	13.1% 17.8%	13.6% 18.7%	11.4% 23.4%	12.1% 22.7%	12.5% 22.7%
Tokmanni (Evli est.)		6.3%	7.3%	8.7%	6.1%	6.6%	7.4%	14.9%	16.2%	18.7%	21.8%	23.5%	25.4%
TOKITATITI (LVII CSC.)		0.3-70	7.370	0.7 -70	0.170	0.0-70	7.4-70	14.570	10.2 70	10.7 70	21.0%	23.370	23.4 70
			version (FC			CAPEX/sales			et debt/EBIT			Equity ratio	
TOKMANNI PEERS		18	19	20	18	19	20	18	19	20	18	19	20
Nordic non-grocery focused retailers Byggmax Group AB		60%	59%	59%	2%	2%	2%	2.6x	2.0x	1.6x	38%	40%	43%
Clas Ohlson AB Class B		52%	48%	47%	3%	3%	3%	-0.2x	-0.1x	-0.1x	50%	49%	50%
Europris ASA		42%	58%	61%	1%	1%	1%	1.6x	1.3x	1.0x	40%	41%	43%
Stockmann Oyj Abp Class B		107%	37%	27%	5%	5%	5%	6.9x	6.7x	6.8x	43%	44%	44%
Verkkokauppa.com Oy		-55%	68%	67%	0%	0%	0%	-3.5x	-2.6x	-2.2x	32%	31%	29%
XXL ASA Nordic grocery focused retailers		39%	35%	42%	3%	2%	2%	2.0x	1.6x	1.3x	49%	50%	51%
Nordic grocery focused retailers Axfood AB		50%	56%	55%	2%	2%	2%	-0.3x	-0.3x	-0.3x	38%	38%	38%
ICA Gruppen AB		41%	38%	44%	3%	3%	3%	1.0x	1.0x	0.8x	42%	43%	44%
Kesko Oyj Class B		69%	43%	47%	2%	2%	2%	0.1x	0.2x	0.2x	48%	49%	49%
International discount retailers				_									
B&M European Value Retail SA		40%	54%	56%	2%	2%	2%	1.2x	0.9x	0.6x	46%	47%	47%
Big Lots, Inc. Costco Wholesale Corporation		35% 45%	40% 37%	60% 39%	4% 2%	4% 2%	3% 2%	0.5x 0.1x	0.5x 0.0x	0.4x -0.2x	39% 32%	40% 34%	49% 38%
Distribuidora Internacional de Alimentacion	SA	-3%	14%	20%	2% 4%	2% 4%	2% 4%	2.1x	0.0x 2.0x	-0.2x 1.9x	9%	10%	38% 12%
Dollar General Corporation	•	49%	51%	56%	3%	3%	3%	1.0x	0.8x	0.6x	51%	52%	54%
Dollar Tree, Inc.		50%	49%	53%	4%	3%	3%	1.4x	0.9x	0.5x	51%	57%	64%
Dollarama Inc.		51%	63%	na.	5%	3%	46:	2.3x	2.4x	2.2x	-14%	-20%	
Don Quijote Holdings Co.,Ltd.		-135%	14%	12%	6%	4% 7%	4% 6%	3.0x	2.6x	2.3x	37%	39%	41%
Five Below, Inc. Ollie's Bargain Outlet Holdings Inc		15% 33%	45% 39%	40% 60%	9% 6%	7% 2%	6% 2%	-0.4x -0.2x	-0.4x -0.6x	-0.4x -0.7x	66% 81%	66% 82%	69% 80%
Target Corporation		34%	40%	45%	5%	4%	4%	1.6x	1.6x	1.8x	29%	29%	29%
Walmart Inc.		42%	47%	43%	2%	2%	2%	1.5x	1.5x	1.4x	35%	35%	35%
Nordic non-grocery peers median		47%	53%	53%	3%	2%	2%	1.8x	1.4x	1.2x	42%	43%	43%
Nordic grocery focused retailers		50%	43%	47%	2%	2%	2% 2%	0.1x	0.2x	0.2x	42%	43%	44%
Discount retailers median Tokmanni (Evli est.)		38% 50%	42% 61%	45% 62%	4% 2%	3% 2%	3% 2%	1.3x 1.9x	0.9x 1.6x	0.6x 1.2x	38% 37%	40% 39%	47% 43%
LIOKINGIIII (EVII COL.)		30%	0170	UZ 70	∠ 70	≥70	Z 70	1.37	1.07	1.21	3770	3370	+3%0

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WAC	C
Current share price	7.12 PV of Free Cash Flow	356 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	11.43 PV of Horizon value	476 WACC, %	7.6 Market risk premium, %	5.8
Share price potential, %	60.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	12.7 Marketable securities	43 Minimum WACC, %	7.1 Equity beta coefficient	0.90
Minimum value	10.3 Debt - dividend	-201 Maximum WACC, %	8.1 Target debt ratio, %	20
Horizon value, %	57.2 Value of stock	673 Nr of shares, Mn	58.9 Effective tax rate, %	25

DCF ti FIID	2017	20105	20105	20205	20215	20225	20225	20245	20255	20205	20275	Havinas
DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	797	856	881	914	937	960	984	1,009	1,034	1,060	1,081	1,103
Sales growth, %	2.7	7.5	2.9	3.7	2.5	2.5	2.5	2.5	2.5	2.5	2.0	2.0
Operating income (EBIT)	41	52	58	68	70	72	74	76	67	69	70	72
EBIT margin, %	5.1	6.1	6.6	7.4	7.5	7.5	7.5	7.5	6.5	6.5	6.5	6.5
+ Depreciation+amort.	14	14	15	14	14	14	14	15	15	15	16	
- Income taxes	-8	-11	-12	-14	-14	-14	-15	-15	-13	-14	-14	
- Change in NWC	-14	-9	-3	-3	-2	-2	-3	-3	-3	-3	-2	
NWC / Sales, %	10.3	10.7	10.7	10.7	10.7	10.7	10.7	10.6	10.6	10.6	10.6	
+ Change in other liabs	-1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-13	-14	-14	-14	-14	-15	-15	-16	-17	-18	-19	-19
Investments / Sales, %	1.7	1.6	1.6	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7
- Other items	-1	1	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	18	33	45	51	54	55	55	56	49	50	51	932
= Discounted FCF (DFCF)		33	41	44	43	40	38	36	29	27	26	476
= DFCF min WACC		33	41	44	43	41	39	37	30	28	27	546
= DFCF max WACC		33	41	43	42	39	37	35	28	26	25	418

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EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3E	2018Q4E	2018E	2019E	2020E
Net sales	157	196	195	249	797	174	218	207	258	856	881	914
EBITDA	-1	12	16	29	55	1	16	20	30	66	73	82
EBITDA margin (%)	-1.0	5.9	8.3	11.5	6.9	0.5	7.3	9.5	11.7	7.8	8.3	9.0
EBIT	-5	8	13	25	41	-3	12	16	26	52	58	68
EBIT margin (%)	-3.3	4.1	6.5	10.1	5.1	-1.6	5.7	7.7	10.3	6.1	6.6	7.4
Net financial items	-1	-1	-2	-2	-6	-1	-1	-1	-1	-5	-4	-3
Pre-tax profit	-6	7	11	23	35	-4	11	15	25	47	54	65
Tax	2	-1	-2	-5	-7	1	-3	-3	-5	-10	-11	-13
Tax rate (%)	26.2	16.4	21.7	20.5	19.0	19.3	23.5	20.0	20.0	20.9	20.0	20.0
Net profit	-5	6	9	19	28	-3	8	12	20	37	43	52
EPS	-0.08	0.10	0.15	0.32	0.48	-0.06	0.14	0.20	0.34	0.63	0.74	0.88
EPS adjusted (diluted no. of shares)	-0.08	0.10	0.15	0.32	0.48	-0.06	0.14	0.20	0.34	0.63	0.74	0.88
Dividend per share	0.00	0.00	0.00	0.00	0.41	0.00	0.00	0.00	0.00	0.45	0.52	0.62
SALES, EURm												
Group	157	196	195	249	797	174	218	207	258	856	881	914
Total	157	196	195	249	797	174	218	207	258	856	881	914
SALES GROWTH, Y/Y %												
Group	-1.1	1.9	4.5	4.4	2.7	10.9	11.0	6.1	3.7	7.5	2.9	3.7
Total	-1.1	1.9	4.5	4.4	2.7	10.9	11.0	6.1	3.7	7.5	2.9	3.7
EBIT, EURm												
Group	-5	8	13	25	41	-3	12	16	26	52	58	68
Total	-5	8	13	25	41	-3	12	16	26	52	58	68
EBIT margin, %												
Group	-3.3	4.1	6.5	10.1	5.1	-1.6	5.7	7.7	10.3	6.1	6.6	7.4
Total	-3.3	4.1	6.5	10.1	5.1	-1.6	5.7	7.7	10.3	6.1	6.6	7.4

TOKMANNI

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	713	734	755	776	797	856	881	914
Sales growth (%)	0.0	3.0	2.9	2.7	2.7	7.5	2.9	3.7
Costs	-656	-677	-697	-713	-742	-790	-808	-832
Reported EBITDA	57	57	58	63	55	66	73	82
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	7.9	7.8	7.7	8.1	6.9	7.8	8.3	9.0
Depreciation	-13	-13	-15	-15	-14	-14	-15	-14
EBITA	44	44	44	48	41	52	58	68
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	44	44	44	48	41	52	58	68
EBIT margin (%)	6.2	5.9	5.8	6.1	5.1	6.1	6.6	7.4
Net financials	-23	-22	-21	-15	-6	-5	-4	-3
Pre-tax profit	21	21	23	33	35	47	54	65
Extraordinary items	-1	-2	-5	2	-1	1	0	0
Taxes	-5	-4	-3	-7	-7	-10	-11	-13
Minority shares	0	0	0	0	0	0	0	0
Net profit	15	15	15	27	27	38	43	52
BALANCE SHEET, EURm								
Assets								
Fixed assets	93	93	97	95	94	93	93	92
% of sales	13	13	13	12	12	11	11	10
Goodwill	129	129	129	129	129	129	129	129
% of sales	18	18	17	17	16	15	15	14
Inventory	147	151	160	155	170	184	189	197
% of sales	21	21	21	20	21	22	22	22
Receivables	15	16	16	18	22	22	22	23
% of sales	2	2	2	2	3	3	3	3
Liquid funds	47	52	49	58	43	51	53	55
% of sales	7	7	6	7	5	6	6	6
Total assets	435	446	455	459	462	484	491	500
Liabilities								
Equity	16	33	48	167	163	177	194	215
% of sales	2	5	6	21	20	21	22	24
Deferred taxes	5	6	6	5	5	5	5	5
% of sales	1	1	1	1	1	1	1	1
Interest bearing debt	315	306	294	174	177	180	167	151
% of sales	44	42	39	22	22	21	19	16
Non-interest bearing current liabilities	83	84	91	104	107	111	115	119
% of sales	12	11	12	13	13	13	13	13
Other interest free debt	15	18	16	10	11	11	11	11
% of sales	2	2	2	1	1	1	1	1
Total liabilities	435	446	455	459	463	484	491	500
CASH FLOW, EURm								
+ EBITDA	57	57	58	63	55	66	73	82
- Net financial items	-23	-22	-21	-15	-6	-5	-4	-3
- Taxes	-4	-4	-3	-7	-7	-10	-11	-13
- Increase in Net Working Capital	-79	-3	-3	17	-14	-9	-3	-3
+/- Other	-1	-2	-5	2	-1	1	0	0
= Cash flow from operations	-51	26	27	59	27	43	55	63
- Capex	-235	-13	-18	-13	-13	-14	-14	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-285	13	8	46	14	29	41	49
+/- Change in interest-bearing debt	315	-9	-12	-120	3	4	-13	-16
+/- New issues/buybacks	1	1	0	91	-1	0	0	0
- Paid dividend	0	0	0	0	-30	-24	-26	-30
+/- Change in loan receivables	15	0	0	-8	-1	0	0	0
Change in cash	46	5	-3	9	-15	9	2	2
analysis was	10	J	5	9	10	3	_	_

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	0	0	500	427	419	419	419
Net debt	254	245	116	134	129	114	96
Enterprise value	254	245	616	561	548	533	515
Sales	734	755	776	797	856	881	914
EBITDA	57	58	63	55	66	73	82
EBIT	44	44	48	41	52	58	68
Pre-tax	21	23	33	35	47	54	65
Earnings	17	19	26	28	37	43	52
Book value	33	48	167	163	177	194	215
Valuation multiples							
EV/sales	0.3	0.3	0.8	0.7	0.6	0.6	0.6
EV/EBITDA	4.4	4.2	9.8	10.2	8.2	7.3	6.3
EV/EBITA	5.8	5.6	12.9	13.8	10.5	9.1	7.6
EV/EBIT	5.8	5.6	12.9	13.8	10.5	9.1	7.6
EV/operating cash flow	5.6	5.0	8.9	17.1	11.9	9.1	7.9
EV/cash earnings	8.1	7.2	15.3	13.3	10.7	9.2	7.8
P/E	0.0	0.0	19.5	15.2	11.3	9.6	8.1
P/E excl. goodwill	0.0	0.0	19.5	15.2	11.3	9.6	8.1
P/B	0.0	0.0	3.0	2.6	2.4	2.2	1.9
P/sales	0.0	0.0	0.6	0.5	0.5	0.5	0.5
P/CF	0.0	0.0	7.2	13.0	9.1	7.2	6.4
Target EV/EBIT	0.0	0.0	0.0	0.0	12.7	11.0	9.2
Target P/E	0.0	0.0	0.0	0.0	14.3	12.2	10.2
Target P/B	0.0	0.0	0.0	0.0	3.0	2.7	2.5
Per share measures	0.0	0.0	0.0	0.0	3.0	2.7	2.0
Number of shares	22,274	22,274	58,869	58,869	58,869	58,869	58,869
Number of shares (diluted)	22,274	22,274	58,869	58,869	58,869	58,869	58,869
EPS	0.78	0.87	0.44	0.48	0.63	0.74	0.88
EPS excl. goodwill	0.78	0.87	0.44	0.48	0.63	0.74	0.88
Cash EPS	1.40	1.53	0.69	0.71	0.87	0.99	1.13
Operating cash flow per share	2.05	2.21	1.18	0.56	0.78	0.99	1.11
Capital employed per share	12.87	13.14	4.80	5.04	5.19	5.23	5.28
Book value per share	1.49	2.16	2.83	2.77	3.00	3.29	3.66
Book value excl. goodwill	-4.28	-3.61	0.65	0.58	0.82	1.11	1.47
Dividend per share	0.00	0.00	0.65	0.36	0.62	0.52	0.62
Dividend payout ratio, %	0.00	0.00	116.8	86.0	71.5	70.0	70.0
Dividend yield, %	0.0	0.0	6.0	5.7	6.3	70.0	8.7
· · ·	0.0	0.0	0.0	5.7	0.3	7.5	0.7
ROE					01.0	00.5	25.4
NUE	CO C	47 F	22.0				
POCE	69.6	47.5	23.9	17.0	21.8	23.5	25.4
ROCE	69.6 13.0	47.5 12.9	23.9 14.1	17.0 12.1	14.9	16.2	18.7
Financial ratios	13.0	12.9	14.1	12.1	14.9	16.2	18.7
Financial ratios Capex/sales, %	13.0	12.9	14.1	12.1	14.9	16.2	18.7
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,%	13.0 1.8 96.9	12.9 2.4 124.1	14.1 1.7 86.0	12.1 1.7 94.4	14.9 1.6 97.2	16.2 1.6 96.2	18.7 1.5 96.8
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted	13.0 1.8 96.9 4.4	2.4 124.1 4.2	14.1 1.7 86.0 1.8	12.1 1.7 94.4 2.4	14.9 1.6 97.2 1.9	1.6 96.2 1.6	1.5 96.8 1.2
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted Debt/equity, market-weighted	13.0 1.8 96.9 4.4 0.0	2.4 124.1 4.2 0.0	14.1 1.7 86.0 1.8 0.3	12.1 1.7 94.4 2.4 0.4	1.6 97.2 1.9 0.4	1.6 96.2 1.6 0.4	1.5 96.8 1.2 0.4
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted	13.0 1.8 96.9 4.4 0.0 7.4	2.4 124.1 4.2 0.0 10.9	14.1 1.7 86.0 1.8 0.3 36.3	12.1 1.7 94.4 2.4 0.4 35.2	14.9 1.6 97.2 1.9 0.4 36.5	1.6 96.2 1.6 0.4 39.5	1.5 96.8 1.2 0.4 43.0
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing	13.0 1.8 96.9 4.4 0.0 7.4 7.63	2.4 124.1 4.2 0.0 10.9 5.10	14.1 1.7 86.0 1.8 0.3 36.3 0.70	12.1 1.7 94.4 2.4 0.4 35.2 0.82	14.9 1.6 97.2 1.9 0.4 36.5 0.73	1.6 96.2 1.6 0.4 39.5 0.59	1.5 96.8 1.2 0.4 43.0 0.44
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing Number of employees, average	13.0 1.8 96.9 4.4 0.0 7.4 7.63 0	2.4 124.1 4.2 0.0 10.9 5.10	14.1 1.7 86.0 1.8 0.3 36.3 0.70	12.1 1.7 94.4 2.4 0.4 35.2 0.82	14.9 1.6 97.2 1.9 0.4 36.5 0.73 0	1.6 96.2 1.6 0.4 39.5 0.59	18.7 96.8 1.2 0.4 43.0 0.44
Financial ratios Capex/sales, % Capex/depreciation excl. goodwill,% Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing	13.0 1.8 96.9 4.4 0.0 7.4 7.63	2.4 124.1 4.2 0.0 10.9 5.10	14.1 1.7 86.0 1.8 0.3 36.3 0.70	12.1 1.7 94.4 2.4 0.4 35.2 0.82	14.9 1.6 97.2 1.9 0.4 36.5 0.73	1.6 96.2 1.6 0.4 39.5 0.59	1.5 96.8 1.2 0.4 43.0 0.44

Food & Staples Retailing/Finland, October 11, 2018
Preview

COMPANY DESCRIPTION:	
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INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takoa Invest	10,267,688	73.106	17.4%
Keskinäinen Työeläkevakuutusyhtiö Elo	4,750,000	33.820	8.1%
Keskinäinen työeläkevakuutusyhtiö Varma	4,343,252	30.924	7.4%
Sijoitusrahasto Nordea Pro Suomi	2,670,267	19.012	4.5%
OP-Suomi Arvo -sijoitusrahasto	1,870,606	13.319	3.2%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,388,574	9.887	2.4%
Fondita Nordic Small Cap -sijoitusrahasto	863,000	6.145	1.5%
Eläkevakuutusosakeyhtiö Veritas	810,000	5.767	1.4%
OP-Suomi Pienyhtiöt -sijoitusrahasto	802,936	5.717	1.4%
Sijoitusrahasto Nordea Nordic Small Cap	769,128	5.476	1.3%
Ten largest	28,535,451	203.172	48%
Residual	30,333,301	215.973	52%
Total	58,868,752	419.146	100%

October 24, 2018

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Harri Sivula

CFO: Markku Pirskanen

IR: Joséphine Mickwitz

Tel: +358 300 472 220



DEFINITIONS

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

Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at

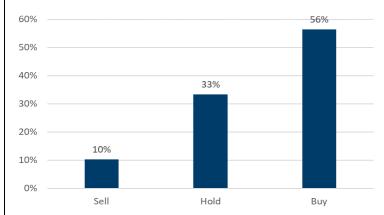
https://research.evli.com/JasperAllModels.action?authParam=key;461&tauthParam=x;G3rNagWrtf7K&tauthType=3
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP: http://research.evli.com

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 in general updated 2 - 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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TOKMANNI

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Food & Staples Retailing/Finland, October 11, 2018 Preview

Contact information

SALES AND TRADING HELSINKI

Equity Sales	Trading	ETFs and Derivatives
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Ari Laine +358 9 4766 9115 Lauri Vehkaluoto (Head) +358 9 4766 9130 Tobias Björk (Head) +358 9 4766 9130 Lauri Ahokanto Niclas Henelius Joachim Dannberg Kimmo Lilja +358 9 4766 9117 Pasi Väisänen +358 9 4766 9120 +358 9 4766 9123 +358 9 4766 9116 +358 9 4766 9120 +358 9 4766 9130

Structured Investments Corporate Bonds sales and trading **Derivatives Trading**

Heikki Savijoki +358 9 4766 9726 Jukka Hyvönen +46 8 407 8138 Sami Järvinen +358 9 4766 9110 Aki Lakkisto +358 9 4766 9542 +358 9 4766 9123 Thomas Kaukonen

Evli Investment Solutions

+358 9 4766 9669

+46 8 407 8021

Johannes Asuja +358 9 4766 9205

SALES AND TRADING STOCKHOLM

Thomas Kåhrström +46 8 407 8018

EQUITY RESEARCH

Urban Lawesson (Head)

Markku Reinikainen

Joonas Häyhä Jonas Forslund Olli Pöyhönen Jerker Salokivi +358 9 4766 9662 +358 9 4766 9314 +358 9 4766 9643



Aleksanterinkatu 19 A P.O. Box 1081 FIN-00101 Helsinki, FINLAND Phone +358 9 476 690 Fax +358 9 634 382 Internet www.evli.com E-mail firstname.lastname@evli.com

EVLI BANK PLC, STOCKHOLMSFILIAL Kungsgatan 27, P.O. Box 16354 SE-111 56 Stockholm Sverige stockholm@evli.com Tel +46 (0)8 407 8000 Fax +46 (0)8 407 8001