

Food & Staples Retailing/Finland, February 11, 2019
Spot comment

Towards improving profitability in 2019E

Tokmanni's focus is shifting towards improving profitability in 2019E. We continue to consider valuation is being moderate against the margin improvement potential and hence we retain "Buy" rating with an ex-div TP of EUR 9.

Q4 was just fine

Tokmanni's $\Omega4$ revenue grew broadly as expected, with LFL still strong at 4.7% vs. our 4.0% expectation. However, adj. EBITDA missed estimates by EUR 3m, driven by one-off costs due to a product recall in the quarter (adj. EBITDA impact EUR -1.4m) and other one-off costs related to integration of the acquisitions carried out in late 2018. Integration costs should not have a meaningful impact on $\Omega1'19$, we understand. The negative impact of the product recall on gross profit was estimated at EUR 1.1-1.2m – excluding this the gross margin would have been in line with our estimate of 34.8%. Overall, $\Omega4$ looked just fine.

Focus shifting towards improving profitability in 2019E

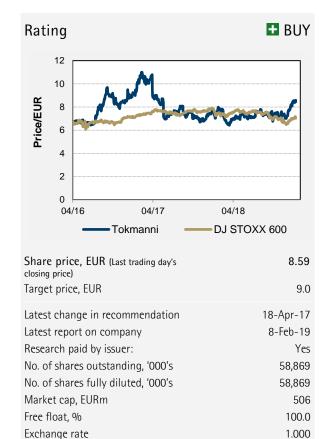
Tokmanni's 2018 was about improving customer trust by investing in prices, marketing and selections. In 2019E focus is shifting towards improving profitability by increasing the revenue share of direct imports (ie. increasing the gross margin) and pushing OPEX as % of sales down. Certain real estate - related costs have already been negotiated down.

Now targeting above 200 stores

Tokmanni updated its financial targets to reflect IFRS 16. These included no drama, but at the same time the target for the store network was revised to "above" 200 stores vs. "about" 200 stores previously. This is based on a view that demand will be sufficient.

Retaining Buy" with ex-div TP of EUR 9

We continue to consider valuation is being moderate against the margin improvement potential and hence we retain "Buy" rating with an ex-div TP of EUR 9.



■ BUY □ HOLD ■ SELL

KEY FIGU	IRES									
	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	797	41	5.1%	35	0.48	15.2	0.7	13.0	13.8	0.41
2018	870	49	5.6%	43	0.58	12.4	0.6	8.7	11.5	0.50
2019E	924	59	6.4%	55	0.74	11.6	0.7	9.0	10.7	0.56
2020E	955	69	7.2%	65	0.88	9.8	0.6	7.5	9.0	0.66
2021E	984	74	7.6%	71	0.97	8.9	0.6	7.0	8.1	0.68
Market cap	Market cap, EURm 506 BV per sh				19E, EUR		3.2 CAGR I	EPS 2018-2	21, %	18.7
Net debt 2	Net debt 2019E, EURm 127 Price/book 2019E			E	2.7 CAGR sales 2018-21, %					
Enterprise	value, EURm		633 I	Dividend yield 20	D19E, %			24.0		
Total asset	s 2019E, EURn	n	507	ax rate 2019E, 9	/o			16.7		
Goodwill 2019E, EURm 135 E All the important disclosures can be found on the last pa			Equity ratio 2019 Iges of this report.			37.3 PEG, P/	/E 19/CAGR	l	1.3	

Reuters code

Web site

Analyst

E-mail

Telephone

Bloomberg code

Next interim report

Average daily volume, EURm

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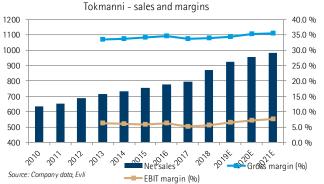
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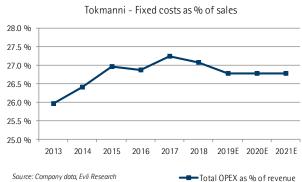
Estimates

Our estimates do not yet reflect IFRS 16.

Tokmanni	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Key sales assumptions	2013	2014	2013	2010	2017	2010	20131	2020E	2021L
Sales space increase, 1000m2 (organic)	11	18	7	8	24	28	12	12	12
# of stores at year-end	145	149	, 156	162	175	186	191	196	201
LFL growth (%)	0.0%	-0.3%	-0.6%	-0.1%	-1.3%	5.6%	1.0%	1.0%	1.0%
LI L growth (40)	0.070	-0.5 %	-0.0%	-0.170	-1.5 70	3.0 70	1.0%	1.0 %	1.0%
Net sales	712.8	734.3	755.3	775.8	796.5	870.7	923.7	954.9	984.1
Growth-%	3.3 %	3.0 %	2.9 %	2.7 %	2.7 %	9.3 %	6.1 %	3.4 %	3.1 %
Materials and services (adj.)	-474.6	-486.8	-497.2	-507.9	-528.4	-575.5	-605.3	-618.7	-634.7
Growth-%	-	2.6 %	2.1 %	2.2 %	4.0 %	8.9 %	5.2 %	2.2 %	2.6 %
% of sales	66.6 %	66.3 %	65.8 %	65.5 %	66.3 %	66.1 %	65.5 %	64.8 %	64.5 %
Gross profit (adj.)	238.2	247.5	258.1	267.9	268.1	295.2	318.4	336.1	349.4
Gross margin (%)	33.4 %	33.7 %	34.2 %	34.5 %	33.7 %	33.9 %	34.5 %	35.2 %	35.5 %
eross marym (10)	00.1 70	0017 70	0 112 10	0 110 70	0017 70	00.0 70	0 110 10	0012 70	00.0 70
Fixed costs (adj.)	-185.1	-193.9	-203.7	-208.5	-217.0	-235.8	-247.5	-255.8	-263.7
Growth-%	-	4.8 %	5.0 %	2.4 %	4.1 %	8.7 %	5.0 %	3.4 %	3.1 %
% of sales	26.0 %	26.4 %	27.0 %	26.9 %	27.2 %	27.1 %	26.8 %	26.8 %	26.8 %
Other income	3.5	3.6	4.0	3.4	3.8	4.0	4.0	4.0	4.0
Share of profits in associated comp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-12.6	-13.5	-14.8	-15.2	-14.3	-14.7	-15.6	-15.5	-15.4
EBITDA (adj.)	56.7	57.1	58.4	62.8	54.9	63.4	75.0	84.3	89.7
EBITDA margin (%)	8.0 %	7.8 %	7.7 %	8.1 %	6.9 %	7.3 %	8.1 %	8.8 %	9.1 %
Ebrio Amargin (10)	0.0 70	7.0 70	7.7 70	0.1 70	0.0 70	7.5 70	0.1 70	0.0 70	3.1 70
EBIT (adj.)	44.1	43.6	43.6	47.7	40.6	48.7	59.4	68.8	74.3
EBIT margin (%)	6.2 %	5.9 %	5.8 %	6.1 %	5.1 %	5.6 %	6.4 %	7.2 %	7.6 %
NRIs in reported gross profit	0.0	1.1	-0.6	0.5	-0.9	0.3	0.0	0.0	0.0
NRIs in reported fixed costs	-1.1	-1.8	-4.0	1.0	-0.3	1.4	0.0	0.0	0.0
Wills in reported fixed costs	1.1	1.0	4.0	1.0	0.0	1	0.0	0.0	0.0
EBIT (reported)	43.0	43.0	39.0	49.2	38.9	50.4	59.4	68.8	74.3
EBIT margin (%)	6.0 %	5.9 %	5.2 %	6.3 %	4.9 %	5.8 %	6.4 %	7.2 %	7.6 %
Net financials	-23.0	-22.2	-20.9	-15.3	-5.9	-5.6	-4.8	-4.0	-3.0
Profit before taxes (reported)	20.1	20.8	18.1	33.9	33.0	44.8	54.6	64.8	71.3
Taxes	-4.8	-4.2	-3.4	-6.8	-6.6	-9.0	-10.9	-13.0	-14.3
Tax rate (%)	23.9 %	20.1 %	18.8 %	20.1 %	20.0 %	20.1 %	20.0 %	20.0 %	20.0 %
Minorities	0.0	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	35.8	43.6	51.8	57.0
Average number of shares (million)	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9
EPS (reported)	0.20	0.28	0.25	0.46	0.45	0.61	0.74	0.88	0.97
icrs (reported)	0.26	0.20	0.23	0.40	0.43	0.01	0.74	0.00	0.57
Dividend and capital return	0.26 -	U.20 -	-	0.51	0.41	0.50	0.56	0.66	0.73

Source: Tokmanni, Evli Research





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Valuation

TOWAAANNI DEEDC	MCAP		A 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	19	20	21	19	20	21	19	20	21	19	20	21
Byggmax Group AB	1961	8.4x	7.2x	6.3x	13.6x	11.0x	9.4x	16.6x	18.3x	12.0x	8.6x	7.2x	6.4x
Clas Ohlson AB Class B	4757	7.0x	6.2x		10.1x	9.1x		14.1x	12.0x		12.1x	11.1x	
Europris ASA	4395	6.1x	5.8x	5.3x	9.9x	9.2x	8.2x	11.1x	10.2x	8.1x	10.4x	9.9x	9.0x
Stockmann Oyj Abp Class B Verkkokauppa.com Oy	178 170	9.8x 9.4x	10.0x 7.9x		34.6x 10.4x	33.3x 8.8x		9.8x 13.9x	82.7x 10.8x		17.4x	14.8x	11.1x
XXL ASA	3710	7.8x	6.6x		11.6x	9.5x		23.5x	17.5x		10.7x	8.7x	6.2x
Nordic grocery focused retailers													
Axfood AB	34242 70643	11.5x 11.7x	11.4x 11.6x	11.3x 13.8x	17.4x 15.8x	17.3x 15.8x	17.9x 16.0x	31.8x 38.0x	27.9x 34.0x	25.9x 55.5x	21.6x 18.7x	21.3x 18.5x	21.4x 18.5x
ICA Gruppen AB Kesko Oyi Class B	5200	10.6x	10.3x	9.7x	15.6x	14.7x	13.9x	19.9x	18.0x	13.4x	19.5x	19.0x	18.0x
International discount retailers				*****									
B&M European Value Retail SA	3179	10.1x	9.0x		11.9x	10.7x		21.3x	17.5x		14.0x	12.3x	10.3x
Big Lots, Inc. Costco Wholesale Corporation	1237 91512	4.6x 14.6x	4.6x 13.2x	12.2x	7.4x 19.3x	7.8x 17.4x	16.0x	8.1x 41.7x	13.3x 37.1x	42.9x	8.4x 27.0x	8.2x 24.9x	22.9x
Distribuidora Internacional de Alimentacion	447	5.0x	4.8x	4.2x	15.1x	13.4x	10.0x	37.5x	207.5x	51.7x	15.7x	11.5x	6.5x
Dollar General Corporation	30579	11.7x	11.0x		14.2x	13.1x		23.4x	21.2x		17.5x	15.9x	13.8x
Dollar Tree, Inc.	23238	9.9x	8.9x		13.0x	11.6x		20.4x	17.4x		16.9x	15.1x	13.8x
Dollarama Inc. Pan Pacific International Holdings Corporati	11533 1028660	14.1x 16.2x	13.0x 12.7x	11.7x	15.7x 22.1x	14.7x 17.3x	15.5x	23.0x	21.6x 46.7x	57.9x	19.1x 22.4x	16.6x 19.6x	17.8x
Five Below, Inc.	7072	24.4x	19.8x		29.9x	24.3x	10.0%	68.1x	52.4x	07.07	40.1x	32.5x	29.8x
Ollie's Bargain Outlet Holdings Inc	5222	23.7x	19.8x		26.5x	22.2x		63.5x	69.2x		39.0x	32.8x	
Target Corporation Walmart Inc.	36988 277685	7.3x 9.8x	7.3x 9.7x	9.4x	11.4x 14.7x	11.4x 14.4x	14.3x	18.4x 21.1x	18.3x 20.4x	19.2x	12.6x 20.2x	12.0x 19.2x	11.9x 18.4x
Nordic non-grocery peers median	4395	8.1x	6.9x	5.8x	11.0x	9.3x	8.8x	14.0x	14.7x	10.1x	10.7x	9.9x	7.7x
Nordic grocery focused retailers		11.5x	11.4x	11.3x	15.8x	15.8x	16.0x	31.8x	27.9x	25.9x	19.5x	19.0x	18.5x
Discount retailers median	17386	10.9x	10.3x	10.6x	14.9x	13.9x	14.9x	23.0x	21.4x	47.3x	18.3x	16.3x	13.8x
Tokmanni (Evli est.) Tokmanni premium vs. Nordic non-grocery focused	506	8.4x 4%	7.3x 6%	6.7x	10.7x -3%	9.0x -4%	8.1x -8%	15.3x 9%	11.8x -20%	10.8x	11.6x	9.8x -1%	8.9x 15%
Tokmanni premium vs. Nordic grocery focused pee		-27%	-36%	-41%	-33%	-43%	-49%	-52%	-58%	-58%	-41%	-49%	-52%
Tokmanni premium vs. int. discount peers		-23%	-29%	-36%	-29%	-36%	-46%	-33%	-45%	-77%	-37%	-40%	-36%
TOWAAANNI DEEDE	Tieleen		Dividend yiel		10	EBIT margin	21	10	ROCE-%	21	10	ROE-%	21
Nordic non-grocery focused retailers	Ticker	19	20	21	19	20	21	19	20	21	19	20	21
Byggmax Group AB	BMAX-SE	6.2%	7.2%	8.6%	4.7%	5.4%	5.7%	9.3%	10.8%	11.7%	14.8%	16.5%	17.2%
Clas Ohlson AB Class B	CLAS.B-SE	8.4%	7.6%		5.6%	6.1%		21.1%	22.9%		19.6%	20.7%	
Europris ASA Stockmann Oyj Abp Class B	EPR-NO STCBV-FI	7.0% 0.0%	7.2% 0.0%	7.8%	10.3% 2.1%	10.4% 2.3%	10.9%	13.2% 1.6%	13.5% 1.7%	13.2%	22.7% -1.5%	22.2% -1.1%	21.9%
Verkkokauppa.com Oy	VERK-FI	5.4%	6.0%	6.3%	2.1%	2.5%	3.0%	23.3%	23.0%		23.3%	25.5%	31.2%
XXL ASA	XXL-NO	3.1%	5.7%	10.4%	5.0%	5.4%	6.8%	8.6%	9.8%		8.6%	9.9%	01.270
Nordic grocery focused retailers	AVEO 65												
Axfood AB ICA Gruppen AB	AXFO-SE ICA-SE	4.3% 3.3%	4.4% 3.4%	4.3% 3.4%	4.2% 4.1%	4.1% 4.1%	4.0% 4.0%	24.3% 10.3%	23.8% 10.1%	20.9% 9.1%	36.5% 10.9%	35.8% 10.6%	34.8% 10.3%
Kesko Oyj Class B	KESKOB-FI	4.7%	5.0%	5.2%	3.3%	3.4%	3.5%	12.3%	12.3%	12.4%	12.7%	12.8%	13.3%
International discount retailers													
B&M European Value Retail SA	BME-GB	2.9%	3.3%	3.7%	7.8%	8.0%	8.2%	16.8%	17.8%		20.3%	21.6%	
Big Lots, Inc. Costco Wholesale Corporation	BIG-US COST-US	4.1% 1.2%	4.6% 1.3%	1.4%	3.8% 3.1%	3.5% 3.2%	3.2%	14.5% 20.3%	13.0% 20.3%	20.5%	21.0% 22.9%	18.6% 21.2%	20.6%
Distribuidora Internacional de Alimentacion		0.0%	1.1%	4.5%	1.4%	1.6%	1.9%	9.2%	10.4%	20.5 /0	16.0%	21.5%	57.0%
Dollar General Corporation	DG-US	1.1%	1.2%		8.5%	8.4%	8.6%	21.2%	20.9%	18.1%	23.5%	22.8%	
Dollar Tree, Inc. Dollarama Inc.	DLTR-US DOL-CA	0.0% 0.5%	0.0%		8.2% 22.7%	8.5% 22.5%	8.9%	12.6%	12.8% 39.7%	11.5%	13.9%	13.2%	
Pan Pacific International Holdings Corporati		0.5%	0.5% 0.6%	0.6%	4.7%	4.6%	4.8%	41.5% 7.1%	8.8%	9.3%	12.6%	12.7%	12.4%
Five Below, Inc.	FIVE-US	0.0%	0.0%		12.2%	12.4%	12.0%	27.1%	27.7%		26.1%	24.9%	
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0.0%	0.0%		13.3%	13.6%	F 00/	16.7%	19.3%	10.00/	13.3%	14.3%	
Target Corporation Walmart Inc.	TGT-US WMT-US	3.9% 2.3%	4.2% 2.4%	2.5%	5.4% 4.1%	5.3% 4.1%	5.2% 4.1%	15.3% 15.2%	14.9% 15.4%	13.2% 15.5%	23.9% 17.1%	25.8% 17.8%	17.5%
Nordic non-grocery peers median	***************************************	5.8%	6.6%	8.2%	4.8%	5.4%	6.3%	11.3%	12.1%	12.4%	17.2%	18.6%	21.9%
Nordic grocery focused retailers		4.3%	4.4%	4.3%	4.1%	4.1%	4.0%	12.3%	12.3%	12.4%	12.7%	12.8%	13.3%
Discount retailers median Tokmanni (Evli est.)		0.8% 6.5%	1.1% 7.7%	2.5% 7.9%	6.6%	6.6% 7.2%	5.2% 7.6%	16.0% 16.7%	16.6% 18.9%	14.3% 20.1%	20.3% 24.0%	21.2% 26.1%	19.1% 26.3%
TOMITALITI (LVII CSL.)		0.5%	7.7%	1.3%0	0.4%	1.290	7.0%0	10.7%	10.3%	20.1%	24.0%	20.190	20.3%
			nversion (FCI			CAPEX/sales			et debt/EBIT			Equity ratio	
Nordic non-grocery focused retailers		19	20	21	19	20	21	19	20	21	19	20	21
Byggmax Group AB		51%	40%	53%	2%	2%	2%	3.8x	3.2x	2.6x	33%	35%	36%
Clas Ohlson AB Class B		50%	52%	na.	3%	3%		0.2x	0.1x		48%	48%	
Europris ASA		55%	57%	65%	3%	3%	3%	1.6x	1.4x	1.2x	32%	34%	35%
Stockmann Oyj Abp Class B Verkkokauppa.com Oy		100% 67%	12% 73%	na. na.	4% 0%	4% 0%		7.3x -3.1x	7.6x -2.5x		45% 28%	43% 26%	
XXL ASA		33%	38%	na.	2%	2%		2.8x	2.3x		48%	49%	
Nordic grocery focused retailers													
Axfood AB ICA Gruppen AB		36% 31%	41% 34%	44% 25%	3% 3%	3% 3%	3% 3%	0.6x 1.1x	0.8x 1.1x	1.1x 1.3x	29% 41%	29% 42%	28% 43%
Kesko Oyj Class B		54%	57%	73%	2%	2%	2%	0.4x	0.5x	0.4x	45%	45%	45%
International discount retailers													
B&M European Value Retail SA		47%	51%	59%	2% E06	2% 4%	1%	1.3x	1.2x		47%	48%	
Big Lots, Inc. Costco Wholesale Corporation		56% 35%	35% 36%	na. 29%	5% 2%	4% 2%	2%	0.8x -0.1x	0.8x -0.3x	-0.3x	35% 35%	38% 38%	41%
Distribuidora Internacional de Alimentacion	SA	13%	2%	8%	3%	4%	3%	3.6x	3.5x	2.9x	6%	4%	2%
Dollar General Corporation		50%	52%	49%	3%	3%	3%	0.8x	0.7x		52%	53%	51%
Dollar Tree, Inc. Dollarama Inc.		48% 61%	51% 60%	50%	3% 3%	3% 3%	4%	0.9x 2.0x	0.5x 1.9x		55% -17%	59% -14%	58%
Pan Pacific International Holdings Corporati	on	-154%	27%	na. 20%	3% 4%	3%	3%	4.6x	3.5x	3.2x	31%	32%	35%
Five Below, Inc.		36%	38%	na.	7%	6%	5%	-0.4x	-0.4x		64%	67%	
Ollie's Bargain Outlet Holdings Inc		37%	29%	na.	2%	2%	401	-0.6x	-0.7x		82%	80%	2001
Target Corporation Walmart Inc.		39% 46%	40% 47%	46% 49%	4% 2%	4% 2%	4% 2%	1.6x 1.3x	1.7x 1.3x	1.4x	30% 35%	31% 35%	38% 39%
Nordic non-grocery peers median		53%	46%	59%	3%	3%	2%	2.2x	1.3x 1.9x	1.4x 1.9x	39%	39%	36%
Nordic grocery focused retailers		36%	41%	44%	3%	3%	3%	0.6x	0.8x	1.1x	41%	42%	43%
Discount retailers median Tokmanni (Evli est.)		43%	39%	48%	3%	3%	3%	1.1x	1.0x	2.2x	35%	38%	39%
LLOKIHARIRI IEVII EST.I		55%	62%	62%	2%	2%	2%	1.7x	1.3x	1.1x	37%	40%	43%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WAC	С
Current share price	8.59 PV of Free Cash Flow	372 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	11.95 PV of Horizon value	466 WACC, %	7.6 Market risk premium, %	5.8
Share price potential, %	39.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	13.3 Marketable securities	38 Minimum WACC, %	7.1 Equity beta coefficient	0.90
Minimum value	10.8 Debt - dividend	-173 Maximum WACC, %	8.1 Target debt ratio, %	20
Horizon value, %	55.6 Value of stock	703 Nr of shares, Mn	58.9 Effective tax rate, %	25

DCF ti FIID	2010	20105	20205	20215	20225	20225	20245	20255	20205	20275	20205	Havinas
DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	870	924	955	984	1,004	1,024	1,044	1,065	1,087	1,108	1,130	1,153
Sales growth, %	9.3	6.1	3.4	3.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	49	59	69	74	75	77	78	80	81	72	73	75
EBIT margin, %	5.6	6.4	7.2	7.6	7.5	7.5	7.5	7.5	7.5	6.5	6.5	6.5
+ Depreciation+amort.	15	16	15	15	16	16	16	17	17	18	18	
- Income taxes	-10	-12	-14	-15	-15	-15	-16	-16	-16	-14	-15	
- Change in NWC	-5	-7	-3	-3	-2	-2	-2	-2	-2	-2	-2	
NWC / Sales, %	10.0	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	
+ Change in other liabs	-1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-22	-15	-15	-16	-17	-18	-19	-19	-20	-21	-23	-23
Investments / Sales, %	2.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.9	1.9	2.0	2.0
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	27	41	52	56	57	57	58	59	60	52	52	959
= Discounted FCF (DFCF)		39	46	45	43	40	38	36	34	27	25	466
= DFCF min WACC		39	46	46	44	41	39	37	35	28	27	536
= DFCF max WACC		39	45	45	42	39	37	34	32	26	24	409

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EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	174	218	211	268	870	187	233	226	277	924	955	984
EBITDA	1	16	18	28	63	5	18	21	30	75	84	90
EBITDA margin (%)	0.5	7.3	8.6	10.5	7.3	2.8	7.7	9.4	11.0	8.1	8.8	9.1
EBIT	-3	12	15	24	49	1	14	17	27	59	69	74
EBIT margin (%)	-1.6	5.7	6.9	9.1	5.6	0.7	6.0	7.7	9.6	6.4	7.2	7.6
Net financial items	-1	-1	-1	-1	-6	-1	-1	-1	-1	-5	-4	-3
Pre-tax profit	-4	11	13	23	43	0	13	16	25	55	65	71
Tax	1	-3	-2	-5	-9	0	-3	-3	-5	-11	-13	-14
Tax rate (%)	19.3	23.5	19.1	20.0	20.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Net profit	-3	8	11	18	34	0	10	13	20	44	52	57
EPS	-0.06	0.14	0.18	0.31	0.58	0.00	0.17	0.22	0.35	0.74	0.88	0.97
EPS adjusted (diluted no. of shares)	-0.06	0.14	0.18	0.31	0.58	0.00	0.17	0.22	0.35	0.74	0.88	0.97
Dividend per share	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.56	0.66	0.68
SALES, EURm												
Group	174	218	211	268	870	187	233	226	277	924	955	984
Total	174	218	211	268	870	187	233	226	277	924	955	984
SALES GROWTH, Y/Y %												
Group	10.9	11.0	7.8	8.0	9.3	7.7	7.2	7.4	3.3	6.1	3.4	3.1
Total	10.9	11.0	7.8	8.0	9.3	7.7	7.2	7.4	3.3	6.1	3.4	3.1
EBIT, EURm											,	
Group	-3	12	15	24	49	1	14	17	27	59	69	74
Total	-3	12	15	24	49	1	14	17	27	59	69	74
EBIT margin, %												
Group	-1.6	5.7	6.9	9.1	5.6	0.7	6.0	7.7	9.6	6.4	7.2	7.6
Total	-1.6	5.7	6.9	9.1	5.6	0.7	6.0	7.7	9.6	6.4	7.2	7.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	734	755	776	797	870	924	955	984
Sales growth (%)	3.0	2.9	2.7	2.7	9.3	6.1	3.4	3.1
Costs	-677	-697	-713	-742	-807	-849	-871	-894
Reported EBITDA	57	58	63	55	63	75	84	90
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	7.8	7.7	8.1	6.9	7.3	8.1	8.8	9.1
Depreciation	-13	-15	-15	-14	-15	-16	-15	-15
EBITA	44	44	48	41	49	59	69	74
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	44	44	48	41	49	59	69	74
EBIT margin (%)	5.9	5.8	6.1	5.1	5.6	6.4	7.2	7.6
Net financials	-22	-21	-15	-6	-6	-5	-4	-3
Pre-tax profit	21	23	33	35	43	55	65	71
Extraordinary items	-2	-5	2	-1	1	0	0	0
Taxes	-4	-3	-7	-7	-9	-11	-13	-14
Minority shares	0	0	0	0	0	0	0	0
Net profit	15	15	27	27	35	44	52	57
BALANCE SHEET, EURm								
Assets								
Fixed assets	93	97	95	94	95	95	94	95
% of sales	13	13	12	12	11	10	10	10
Goodwill	129	129	129	129	135	135	135	135
% of sales	18	17	17	16	15	15	14	14
Inventory	151	160	155	170	191	203	210	217
% of sales	21	21	20	21	22	22	22	22
Receivables	16	16	18	22	22	23	23	24
% of sales	2	2	2	3	3	2	2	2
Liquid funds	52	49	58	43	38	46	48	49
% of sales	7	6	7	5	4	5	5	5
Total assets Liabilities	446	455	459	462	486	507	515	524
Equity	33	48	167	163	175	189	208	226
% of sales	5	6	21	20	20	20	22	23
Deferred taxes	6	6	5	5	6	6	6	6
% of sales	1	1	1	1	1	1	1	1
Interest bearing debt	306	294	174	177	173	173	158	145
% of sales	42	39	22	22	20	19	17	15
Non-interest bearing current liabilities	84	91	104	107	123	129	134	138
% of sales	11	12	13	13	14	14	14	14
Other interest free debt	18	16	10	11	10	10	10	10
% of sales	2	2	1	1	1	1	1	1
Total liabilities	446	455	459	463	485	507	515	524
CASH FLOW, EURm								
+ EBITDA	57	58	63	55	63	75	84	90
- Net financial items	-22	-21	-15	-6	-6	-5	-4	-3
- Taxes	-4	-3	-7	-7	-8	-11	-13	-14
- Increase in Net Working Capital	-3	-3	17	-14	-5	-7	-3	-3
+/- Other	-2	-5	2	-1	1	0	0	0
= Cash flow from operations	26	27	59	27	45	53	64	69
- Capex	-13	-18	-13	-13	-7	-15	-15	-16
- Acquisitions	0	0	0	0	-15	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	13	8	46	14	22	38	49	53
+/- Change in interest-bearing debt	-9	-12	-120	3	-4	0	-15	-13
+/- New issues/buybacks	1	0	91	-1	1	0	0	0
- Paid dividend	0	0	0	-30	-24	-29	-33	-39
+/- Change in loan receivables	0	0	-8	-1	-1	0	0	0
Change in cash	5	-3	9	-15	-5	8	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	500	427	423	506	506	506
Net debt	245	116	134	135	127	111	96
Enterprise value	245	616	561	558	633	616	602
Sales	755	776	797	870	924	955	984
EBITDA	58	63	55	63	75	84	90
EBIT	44	48	41	49	59	69	74
Pre-tax	23	33	35	43	55	65	71
Earnings	19	26	28	34	44	52	57
Book value	48	167	163	175	189	208	226
Valuation multiples							
EV/sales	0.3	0.8	0.7	0.6	0.7	0.6	0.6
EV/EBITDA	4.2	9.8	10.2	8.8	8.4	7.3	6.7
EV/EBITA	5.6	12.9	13.8	11.5	10.7	9.0	8.1
EV/EBIT	5.6	12.9	13.8	11.5	10.7	9.0	8.1
EV/operating cash flow	5.0	8.9	17.1	11.5	11.2	9.2	8.4
EV/cash earnings	7.2	15.3	13.3	11.3	10.7	9.2	8.3
P/E	0.0	19.5	15.2	12.4	11.6	9.8	8.9
P/E excl. goodwill	0.0	19.5	15.2	12.4	11.6	9.8	8.9
P/B	0.0	3.0	2.6	2.4	2.7	2.4	2.2
P/sales	0.0	0.6	0.5	0.5	0.5	0.5	0.5
P/CF	0.0	7.2	13.0	8.7	9.0	7.5	7.0
Target EV/EBIT	0.0	0.0	0.0	0.0	11.1	9.3	8.4
Target P/E	0.0	0.0	0.0	0.0	12.1	10.2	9.3
Target P/B	0.0	0.0	0.0	0.0	2.8	2.5	2.3
Per share measures	0.0	0.0	0.0	0.0	2.0	2.5	2.3
Number of shares	22,274	58,869	58,869	58,869	58,869	58,869	58,869
Number of shares (diluted)	22,274	58,869	58,869	58,869	58,869	58,869	58,869
EPS	0.87	0.44	0.48	0.58	0.74	0.88	0.97
EPS excl. goodwill	0.87	0.44	0.48	0.58	0.74	0.88	0.97
Cash EPS	1.53	0.44	0.46	0.84	1.01	1.14	1.23
Operating cash flow per share	2.21	1.18	0.71	0.82	0.96	1.14	1.23
Capital employed per share	13.14	4.80	5.04	5.26	5.36	5.41	5.47
Book value per share	2.16	2.83	2.77	2.96	3.21	3.53	3.84
Book value excl. goodwill	-3.61	0.65	0.58	0.68	0.92	1.24	1.55
Dividend per share	0.00	0.65	0.36	0.50	0.56	0.66	0.68
Dividend payout ratio, %	0.00	116.8	86.0	86.3	75.0	75.0	70.0
Dividend yield, %	0.0	6.0	5.7	5.8	6.5	75.0	70.0
· · · · · · · · · · · · · · · · · · ·	0.0	0.0	5.7	5.6	0.5	7.7	7.5
ROE	47.5	22.0	17.0	20.2	24.0	20.1	20.2
ROCE	47.5 12.9	23.9 14.1	17.0	20.2 14.1	24.0	26.1	26.3
	12.9	14.1	12.1	14.1	16.7	18.9	20.1
Financial ratios	2.4	1 7	1.7	2.5	1.0	1.0	1.0
Capex/sales, % Capex/depreciation excl. goodwill,%	2.4 124.1	1.7 86.0	1.7	2.5 109.5	1.6 96.2	1.6	1.6 103.9
Capex/debreciation excl. doodwiii.%			94.4	109.5	96.2	96.9	103.9
			0.4	0.1	4 7	1.0	
Net debt/EBITDA, book-weighted	4.2	1.8	2.4	2.1	1.7	1.3	1.1
Net debt/EBITDA, book-weighted Debt/equity, market-weighted	4.2 0.0	1.8 0.3	0.4	0.4	0.3	0.3	0.3
Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted	4.2 0.0 10.9	1.8 0.3 36.3	0.4 35.2	0.4 35.9	0.3 37.3	0.3 40.3	0.3 43.1
Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing	4.2 0.0 10.9 5.10	1.8 0.3 36.3 0.70	0.4 35.2 0.82	0.4 35.9 0.77	0.3 37.3 0.67	0.3 40.3 0.53	0.3 43.1 0.43
Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing Number of employees, average	4.2 0.0 10.9 5.10 0	1.8 0.3 36.3 0.70 0	0.4 35.2 0.82 0	0.4 35.9 0.77 0	0.3 37.3 0.67 0	0.3 40.3 0.53 0	0.3 43.1 0.43 0
Net debt/EBITDA, book-weighted Debt/equity, market-weighted Equity ratio, book-weighted Gearing	4.2 0.0 10.9 5.10	1.8 0.3 36.3 0.70	0.4 35.2 0.82	0.4 35.9 0.77	0.3 37.3 0.67	0.3 40.3 0.53	0.3 43.1 0.43

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COLUMN DECORURE ON	
COMPANY DESCRIPTION:	

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	0/0
Takoa Invest	10,267,688	88.199	17.4%
Keskinäinen Työeläkevakuutusyhtiö Elo	4,750,000	40.802	8.1%
Keskinäinen työeläkevakuutusyhtiö Varma	4,343,252	37.309	7.4%
Sijoitusrahasto Nordea Pro Suomi	2,670,267	22.938	4.5%
OP-Suomi Arvo -sijoitusrahasto	1,870,606	16.069	3.2%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,388,574	11.928	2.4%
Fondita Nordic Small Cap -sijoitusrahasto	863,000	7.413	1.5%
Eläkevakuutusosakeyhtiö Veritas	810,000	6.958	1.4%
OP-Suomi Pienyhtiöt -sijoitusrahasto	802,936	6.897	1.4%
Sijoitusrahasto Nordea Nordic Small Cap	769,128	6.607	1.3%
Ten largest	28,535,451	245.120	48%
Residual	30,333,301	260.563	52%
Total	58,868,752	505.683	100%

FARNINGS	CAL	ENIDAR	

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Mika Rautiainen

CFO: Markku Pirskanen Tel: +358 300 472 220

IR: Maarit Mikkonen

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DEFINITIONS

DIF.	FDC		
P/E	Profit before extraordinary items and taxes income taxes + minority interest		
Price per share			
Earnings per share			
	Number of shares		
P/Sales	DPS		
Market cap	Dividend for the financial period per share		
Sales			
P/BV Price per share	CEPS Gross cash flow from operations		
Shareholders' equity + taxed provisions per share	Number of shares		
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) Market cap + net debt + minority interest at market value	Sales/Share Sales		
	Number of shares		
 share of associated companies at market value 	Number of snares		
Net debt	EBITDA/Share		
Interest bearing debt — financial assets	Earnings before interest, tax, depreciation and amortisation		
	Number of shares		
7.46	FDITIC		
EV/Sales Enterprise value	EBIT/Share Operating profit		
	Number of shares		
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		
operating profit	INTILIDEL OF STITLES		
Div yield, %	Total assets		
Dividend per share	Balance sheet total		
Price per share			
Payout ratio, % Total dividends	Interest coverage (x) Operating profit		
Earnings before extraordinary items and taxes – income taxes + minority interest	Financial items		
g,,	, marcial terms		
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 term advances received and accounts payable (average) 			
ROCE, %	Equity ratio, %		
Profit before extraordinary items + interest expenses + other financial costs	Shareholders' equity + minority interest + taxed provisions		
Balance sheet total — non interest bearing debt (average)	Total assets – interest free loans		
ROE, %	CAGR, %		
•	Cumulative annual growth rate = Average growth per year		
Profit before extraordinary items and taxes – income taxes	Cumulative annual growth rate — Average growth per year		

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Important Disclosures

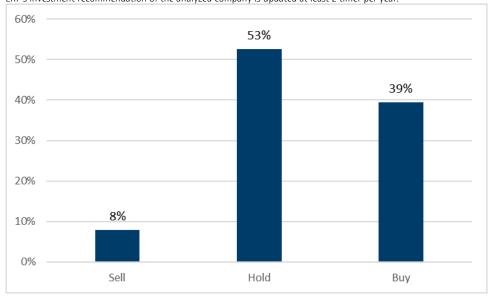
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Investment recommendations are defined as follows:

Target price compared to share price Recommendation

< -10 % SELL -10 - (+10) % HOLD > 10 % BUY

ERP's investment recommendation of the analyzed company is updated at least 2 timer per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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