

## The era of discount retailing

Tokmanni's 2010–2020 revenue CAGR was 5.4%. At the end of 2020, Tokmanni had 192 stores across the country and it is the largest general discount retailer in Finland. We expect 21E revenue growth of 1.5% and adj. EBIT margin of 9%. We keep our rating "BUY" with TP of EUR 20.

### Largest general discount retailer in Finland

Tokmanni is the largest general discount retailer in Finland. Tokmanni's revenue CAGR in 2010–2020 was 5.4%. Tokmanni reached its targeted EUR 1bn in sales in 2020 with further store network expansion and strong LFL growth. Revenue grew by 13.6%. The company also reached its adj. EBIT margin target of ~9% (9.3%) last year. The company had 192 stores across Finland at the end of 2020 and 98.8% of Tokmanni's revenue came from physical stores.

### 2020 was a record year

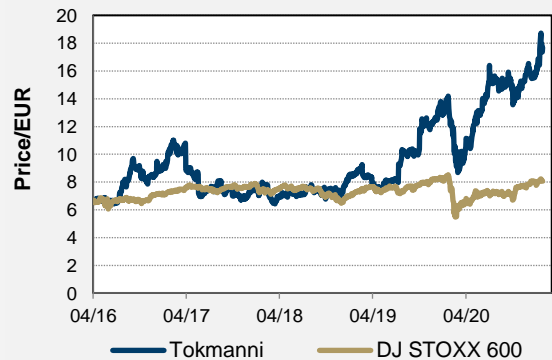
2020 was exceptional year due to the coronavirus and the company clearly benefited from the changed environment and consumer behavior as LFL revenue increased by 12.3%. It is also noteworthy that the company has been able to attract new customers with broad product assortment and affordable prices as the share of new customers was 20% in 2020. The company targets to increase its retail selling space annually by 12,000m<sup>2</sup> which means approx. 5 new stores per year. Additionally, Tokmanni's long-term target is to achieve low single digit LFL revenue growth. The company will set its refined strategic targets in connection with the CMD which takes place in March.

### "BUY" with TP of EUR 20

We expect 21E revenue to increase by 1.5% to EUR 1089m. In 22E–23E we expect revenue to grow by 3.5% and 3.4%, respectively. We expect 21E adj. EBIT to be on a par with last year and adj. EBIT margin of 9%. In 22E, we expect adj. EBIT margin of 9.2% and in 23E, 9.3%. We approach Tokmanni's valuation through our scenario analysis and valuation multiples. Our scenario analysis consists of three scenarios: base case, optimistic and pessimistic. The scenario analysis yields a fair value of EUR 20. On our estimates, Tokmanni trades with 21E–22E EV/EBIT multiple of 13.8x and 12.9x, which is 6–7% discount compared to the Nordic non-grocery peers and 17–18% discount compared to the int. discount peers. We keep our rating "BUY" with TP of EUR 20.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 17.70

Target price, EUR 20.0

Latest change in rating 30-Oct-19

Latest report on company 15-Feb-21

Research paid by issuer: YES

No. of shares outstanding, '000's 58,760

No. of shares fully diluted, '000's 58,760

Market cap, EURm 1,040

Free float, % 100.0

Exchange rate -

Reuters code TOKMAN.HE

Bloomberg code TOKMAN FH

Average daily volume, EURm -

Next interim report 29-Apr-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
2019	944.3	70.4	7.5%	28.3	0.82	15.4	1.2	16.0	3.8	0.62
2020	1,073.2	100.2	9.3%	86.2	1.23	13.2	1.2	12.9	9.0	0.85
2021E	1,089.3	98.5	9.0%	61.8	1.19	14.8	1.2	13.8	5.9	0.85
2022E	1,127.3	103.9	9.2%	70.6	1.26	14.0	1.2	12.9	6.8	0.89
2023E	1,165.9	108.2	9.3%	76.0	1.31	13.5	1.1	12.2	7.3	0.96
Market cap, EURm		1,040	Gearing 2021E, %			135.1	CAGR EPS 2020-23, %			2.1
Net debt 2021E, EURm		321	Price/book 2021E			4.4	CAGR sales 2020-23, %			2.8
Enterprise value, EURm		1,361	Dividend yield 2021E, %			4.8	ROE 2021E, %			30.9
Total assets 2021E, EURm		770	Tax rate 2021E, %			20.0	ROCE 2021E, %			16.0
Goodwill 2021E, EURm		136	Equity ratio 2021E, %			30.8	PEG, P/E 21/CAGR			-3.4

## Investment Summary

Only general discount retailer with nationwide store network in Finland

Tokmanni is the largest general discount retailer in Finland, selling both non-grocery and grocery products in seven main product categories. The company was founded in 1989 and nowadays it is the only general discount retailer with a nationwide store network in Finland. 98.8% of Tokmanni's revenue came from physical stores in 2020.

Financial targets met during 2020

Tokmanni reached its targeted EUR 1bn in sales in 2020 with further store network expansion and strong LFL growth (+12.3%). The company had 192 stores at the end of 2020 and with the targeted store network expansion pace (12,000m<sup>2</sup> or ~5 stores annually) Tokmanni is set to reach its target of over 200 stores within the next couple of years. The company also reached its adj. EBIT margin target of ~9% (9.3%) last year. The company will set refined strategic targets later in March, in connection with the CMD. We expect there is still gross margin improvement potential via increased direct sourcing and by increased share of private label products in the mix. Positive LFL growth and more efficient operations are expected to be a key driver behind OPEX scalability.

There is still gross margin improvement potential

LFL growth has developed favorably in 2018-2020 while OPEX has been well controlled

The competitive field for Tokmanni is wide and fragmented and in general the competition has been tight in recent years. In the past, Tokmanni's revenue growth was mainly supported by new store openings rather than LFL growth but in 2018-2019, the financial performance notably improved as LFL growth turned from negative in 2017 (-1.3%) to positive in 2018 (+5.6%) and in 2019 (+4.3%), supported by successful season sales and campaigns as well as increased customer visits. 2020 was exceptional due to the coronavirus and the company clearly benefited from the changed environment and consumer behavior as LFL growth was 12.3%. It is also noteworthy that the company has been able to attract new customers with broad product assortment and affordable prices as the share of new customers was 20% in 2020. Additionally, the average basket in stores increased by ~10%. Despite the active take on pricing and issues with apparel sales during 2020, Tokmanni was able to improve its gross margin level. Comparable gross margin was 34.6% (34.4%) in 2020. OPEX has been well controlled during the last years and despite the extra costs caused by the COVID-19, OPEX as % of sales improved notably in 2020 (19.7%).

We expect 21E revenue to increase by 1.5% and adj. EBIT margin of 9%

We expect 2021E revenue to increase by 1.5% y/y to EUR 1089m. We expect the slight revenue increase to stem from new store openings rather than further LFL growth (we expect LFL revenue to decrease by ~2%). In 2022E-2023E, we expect revenue to increase by 3.5% and 3.4% of which LFL growth is ~1%. We expect 2021E adj. EBIT to be on a par with last year and adj. EBIT margin of 9% (2020: 9.3%). In 2022E-2023E, we expect adj. EBIT of EUR 104m (9.2%) and EUR 108m (9.3%), respectively.

We keep "BUY" with TP of EUR 20

We approach Tokmanni's valuation through our scenario analysis and valuation multiples. Our scenario analysis consists of three scenarios: base case, optimistic and pessimistic. Our base case scenario results in a fair value of EUR 17.5. Our optimistic estimates yield a fair value of EUR 26.8 and our pessimistic scenario yields a fair value of EUR 10.2. We put more emphasize to our base case and optimistic estimates as Tokmanni has shown ability to successfully execute its strategy which reinforces our view of the future sales and earnings growth potential. Therefore, our scenario analysis would yield a fair value of EUR 20.0. On our estimates, Tokmanni trades with 21E-22E EV/EBIT multiple of 13.8x and 12.9x, which translates into 6-7% discount compared to the Nordic non-grocery peer group and ~17-18% discount compared to the international discount peers. With our target price of EUR 20 and estimates, Tokmanni trades close to its Nordic non-grocery peers and with ~8-10% discount compared to the international discount peers in 2021E-2022E. We keep our rating "BUY" with TP of EUR 20.

## Company Description

The largest general discount retailer in Finland with 192 stores

Tokmanni, founded in 1989 in Eastern Finland is the largest general discount retail chain in Finland when measured with both revenue and the number of stores. At the end of 2020, the company had 192 stores across the country, which makes Tokmanni the only nationwide general discount retailer in Finland. Tokmanni operates in leased/rented premises and does not generally own properties. The group's revenue is generated through the sale of goods, i.e. the group has no significant sale of services. The company has been publicly traded since 2016.

### Sales structure

Seven main product categories with over 30,000 products

Tokmanni's total revenue in 2020 was EUR 1073m. The company's product assortment consists of over 30,000 products. The company has not reported category-specific revenues. Tokmanni's seven main product categories are (in no specific order):

- Garden
- Health, beauty and well-being
- Cleaning and storage
- Home improvement
- Home decoration and kitchen
- Clothing
- Groceries

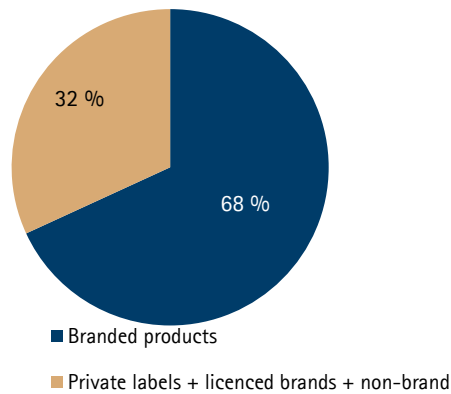
Tokmanni has branded products but also its own private labels

The company has six so called destination categories it aims to strengthen primarily via private labels (garden, health, beauty & wellbeing, cleaning & storage, home improvement, home decoration & kitchen and clothing). According to the management, the company is the market leader in Finland within gardening and cleaning and storage product categories. In recent years, the company has launched several new private labels. For instance, the company launched two new private labels in health and beauty and cleaning product categories in 2019 while in 2020, the company strengthened its pet food assortment with a new private label. The company continues to introduce new private labels in the targeted product categories and to increase the product offering within these groups. Tokmanni currently has approximately 50 private labels, out of which 10-15 are meaningful in terms of sales.

Seasonal products often carry higher gross margins

Tokmanni's business is seasonal with Q4 being the largest quarter due to Christmas. Q1 is the smallest quarter in terms of revenue. Seasonal products are an important part of Tokmanni's business, as they are often private label products which carry higher gross margins. Demand for seasonal products is somewhat weather-sensitive and weather has been mentioned to impact the business in Q1 (winter products) and especially in Q2 (garden, yard, and home products).

Figure 1: Tokmanni's revenue by category



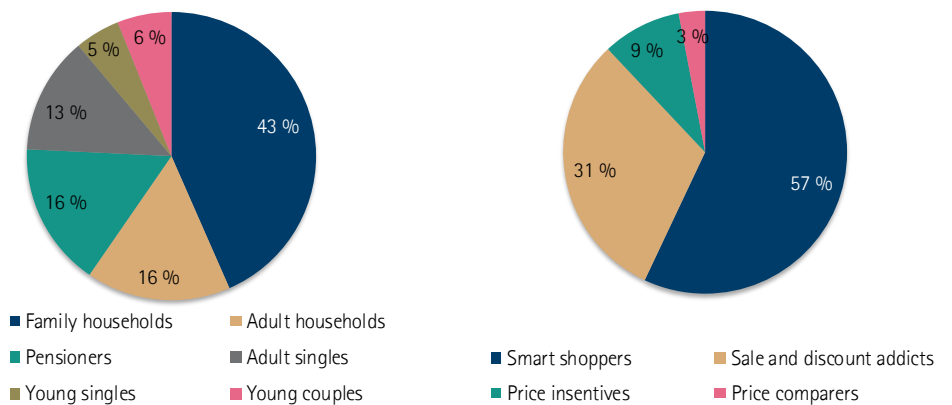
Source: Tokmanni (2020)

### Customers

Family households are the biggest customer group

Tokmanni has a wide customer base and the company enjoys popularity among the consumers as the product assortment is broad and price competitive. As the company's store network is nationwide, stores can be found in small towns but also in busy city centers. By far the largest customer group is family households which represents almost half of Tokmanni's customer base. Pensioners and adult singles are the next largest groups while young people are minority of the customer base. Behaviorally, smart shoppers are most likely to visit Tokmanni's stores, following sale and discount addicts. The company's efforts to appeal to a larger target audience have paid off and for example in 2020, the share of new customers was 20%.

Figure 2: Tokmanni's customer base and types



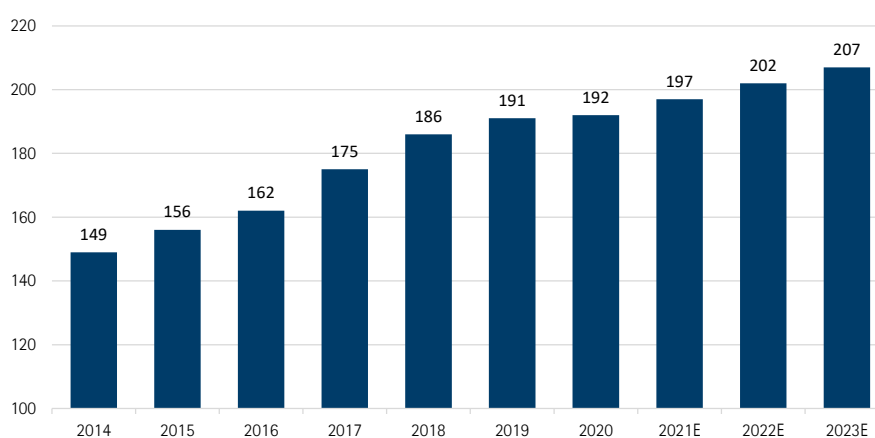
Source: Tokmanni (figures from year 2018)

## Business model

192 stores across the country

Tokmanni's business model relies on its nationwide store network and attractive pricing model combined with its wide product assortment of A-branded products as well as private labels and non-branded products. The company had 192 stores across the country at the end of 2020 and the company targets to increase its store network to cover over 200 stores. In 2020, the company opened 5 new stores (including two reopenings under Tokmanni brand). Further, the company expanded some of its stores and closed three stores. The company targets to increase its new retail selling space by ~12,000m<sup>2</sup> (in net terms) annually, which means approx. 5 new, enlarged or relocated stores.

Figure 3: Number of stores at year-end



Source: Tokmanni, Evli Research

Increasing popularity in online sales

In 2020, 98.8% of Tokmanni's sales came from physical stores while online sales accounted approximately 1.2% of the total revenue. Tokmanni's business is thus primarily based on physical stores, but the importance of online is recognized and efforts to develop an omni-channel approach have proceeded. The functions of Tokmanni's physical stores and online store support each other, allowing smooth searching, purchasing, collecting, and returning processes for consumers. Further, the COVID-19 has speeded up the shift into online (online sales increased by 124% y/y in 2020). According to the company, many of its consumers do the research first online but the actual purchases are made in physical stores. The company is constantly increasing the selection offered online and some of Tokmanni's products (e.g. ReUse computers, selective cosmetics) can only be bought online.

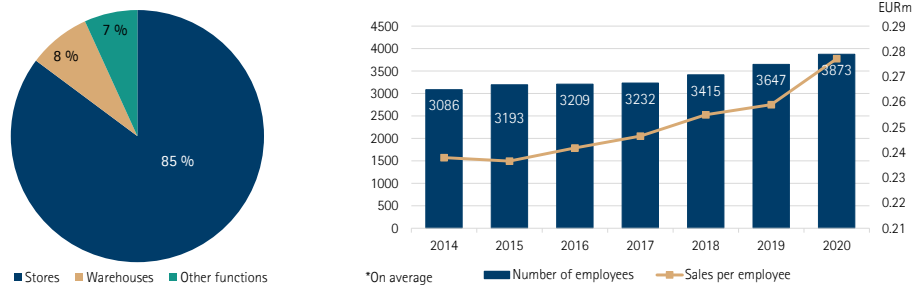
Mäntsälä logistics center is designed to serve a store network of ~200 stores

Most of Tokmanni's products are delivered to stores from its logistics center, located in Mäntsälä. Prior Christmas season, Tokmanni also uses its warehouse in Lempäälä and Lahti as temporary solutions to support the Mäntsälä logistics center. The Mäntsälä logistics center has been designed to serve a store network of some 200 stores. Tokmanni has launched a review on the possibilities of expanding the Mäntsälä logistics center with the municipality of Mäntsälä and the property owner. Based on the preliminary plans, the storage space would increase by about a third compared to the current level. The project would replace Tokmanni's existing external warehouses, if realized.

Most of Tokmanni's employees work in stores

In 2020, Tokmanni had on average 3873 employees. Employees in stores represents some 85% of the total employees while ~8% of the employees are working at warehouses and ~7% in other functions. Sales employees are a large part of Tokmanni's employee base and the company also uses temporary work force during holiday and campaign seasons.

Figure 4: Employee numbers and categories



Source: Tokmanni (2020), Evli Research

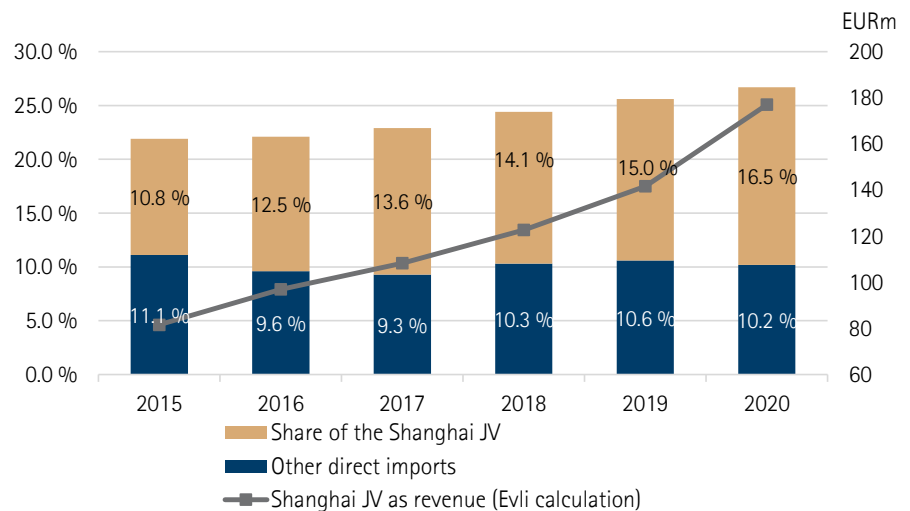
### Sourcing – Focus on increasing direct import

Tokmanni sources its products from agents, importers and straight from manufacturers in mainly Finland, Europe and Asia. The supplier network is wide and de-centralized. Tokmanni is committed to responsible sourcing, and it seeks to buy products only from responsible suppliers.

Sourcing benefits of the JV are based cutting out the middlemen and by combining purchasing

Tokmanni's strategic focus is on increasing sourcing directly from suppliers, as cutting out the middlemen improves Tokmanni's gross margin and strengthens the price competitiveness and price image. More efficient sourcing has been primarily linked to the joint venture with Norwegian Europris: Tokmanni has had a purchasing joint venture in Shanghai with Europris since 2013 with 50/50 ownership. Sourcing benefits of the JV are based on cutting out the middlemen and by combining purchasing volumes. In 2015 Tokmanni estimated that the average gross margin benefit of products sourced via the Shanghai office was typically some 10-15%-points. In 2018, Europris acquired 20% of the Swedish ÖoB, which should benefit also Tokmanni through increased purchasing volumes. The Shanghai office has approximately 25 employees.

Figure 5: Direct imports as % of total revenue



Source: Tokmanni, Evli Research

Direct import via Shanghai JV has increased

The revenue share of direct imports remained relatively flat in 2015-2017 at 22-23%. In 2018, the share of direct import increased to ~24%, in 2019, to ~26% and in 2020, to ~27%. Increasing the share of direct import is of high importance on the company's agenda as it translates into higher gross margins. Direct import from Shanghai has

increased from 2015 to 2020. As most of the private labels are imported via the sourcing offices, increasing the share of private labels will increase the share of direct import.

## Market

The competitive field is fragmented

Tokmanni's target market is large, and the competitive field is fragmented. The competitive environment includes direct competitors such as hypermarkets, general discount stores and department stores, as well as indirect and product-group specific competitors such as specialty retailers and online. In general, markets have offered limited growth in recent years.

Tokmanni's competitors varies from online retailers to hypermarkets

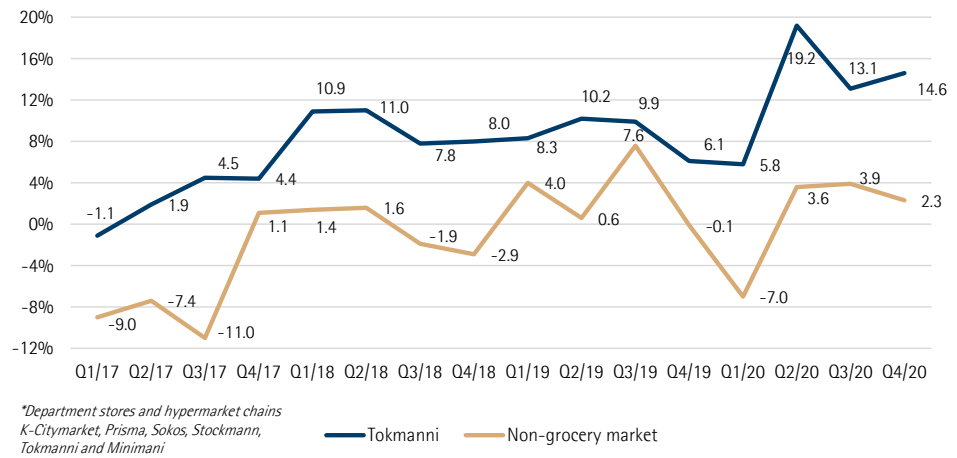
Tokmanni's main competitors include hypermarkets (K-Citymarket and Prisma) and other discount retailers in Finland (such as Halpa-Halli, J. Kärkkäinen, Rusta, Veljekset Keskinen, Minimani and Clas Ohlson). Tokmanni also competes with a wide variety of specialty retailers (such as Gigantti, H&M, Ikea and XXL) and online retailers.

## Competitive advantages (and disadvantages)

Tokmanni believes to have some competitive edge against each competitor groups, but in certain aspects it also falls behind its competitors:

- **Hypermarkets:** Tokmanni believes its low perceived price image provides the company with a competitive advantage over hypermarkets. On the downside, hypermarkets offer a large product assortment in both grocery (incl. fresh food) and non-grocery products, whereas Tokmanni's grocery assortment is limited.
- **Other discount retailers:** Tokmanni is the only discount retailer in Finland with a nationwide store network as most of Tokmanni's discount retailer competitors are regional operators.
- **Specialty retailers:** Tokmanni's primary competitive advantage compared to specialty retailers is its considerably wider assortment and a nationwide store network. On the downside, Tokmanni's category-specific assortment may fall behind that of specialized retailers (home electronics for example). Specialty retailers may have affordable prices and a strong assortment of private label goods.
- **Department stores:** Department stores offer a wide assortment of consumer goods, but their perceived price image is often higher.
- **Online retailers:** Tokmanni's store network allows physical access to products and is a good delivery chain (click & collect), but on the other hand online retailers typically have competitive prices and a wide assortment.

Figure 6: Tokmanni vs. non-grocery market development

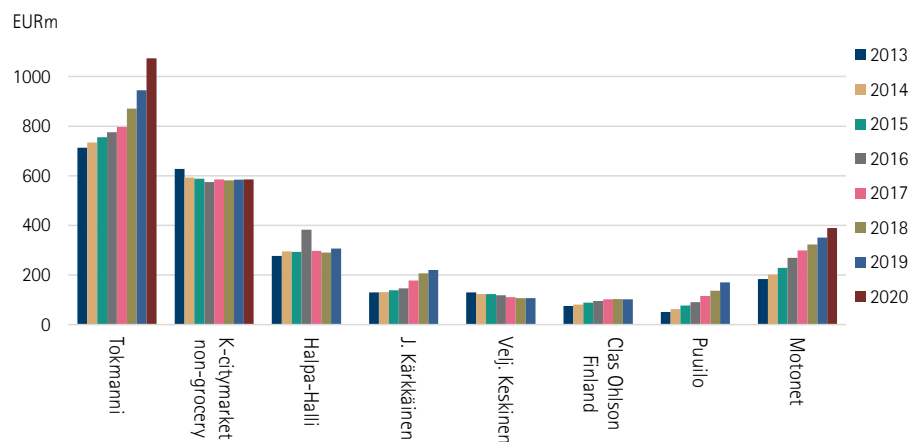


Source: Tokmanni, The Finnish Grocery Trade Association

Tokmanni's revenue beats its competitors

Tokmanni has constantly been able to outpace the growth of the Finnish non-grocery market. Tokmanni's revenue beats its competitors, K-Citymarket non-grocery being the biggest competitor. Many of the competitors do not have as wide store network as Tokmanni and the stores are focused into a specific area which explains lower revenue.

Figure 7: Revenue of some of Tokmanni's main competitors



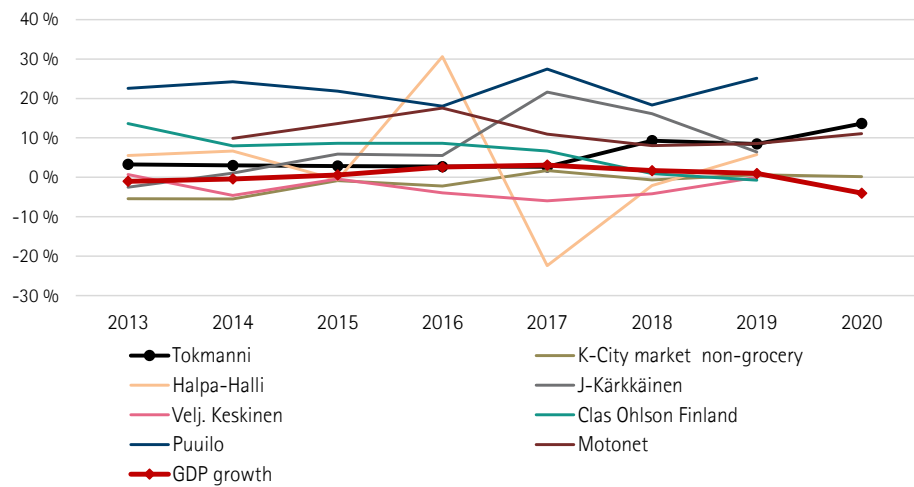
Source: Asiakastieto, Company websites

Growth has been better than Finnish GDP growth

Tokmanni's revenue growth has historically been slightly better than the Finnish GDP growth except in 2016-2017 when the growth was in line with the GDP growth. In 2018-2019, as a result of Tokmanni's strong LFL growth, the total growth clearly improved compared to the GDP growth. The COVID-19 hampered the GDP development in 2020 and based on the latest estimates, GDP declined by ~3-4% last year. In 2021, the Finnish GDP is expected to grow by 2.5% and in 2022, by 2.0% (Ministry of Finance). 2020 was an extraordinary year and Tokmanni benefited from the changed environment, resulting in strong LFL growth. Puuilo's growth has also been strong during the years and its growth rates have been the strongest during 2013-2019. Based on our understanding, Puuilo's good growth figures are resulting from increased store network and improved online sales but also due to good LFL growth. We assume that the COVID-19 has also impacted positively on Puuilo's business in 2020.



Figure 8: Sales growth vs. GDP growth

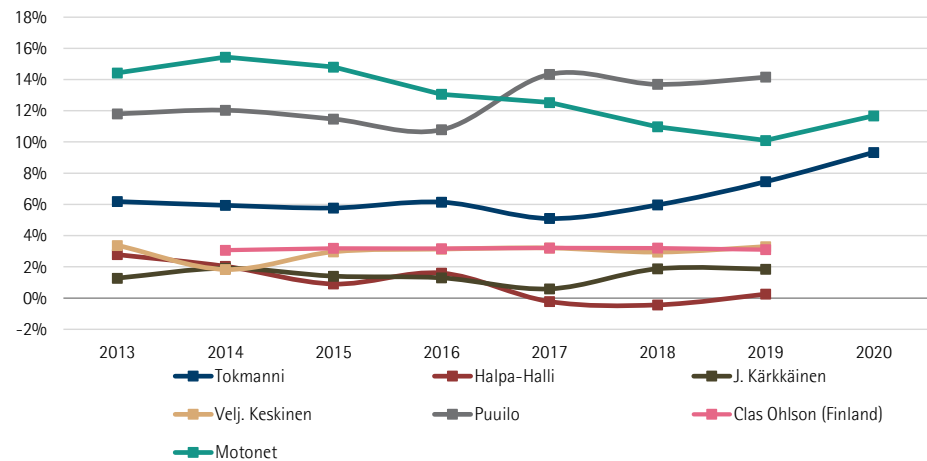


Source: Asiakastieto, company websites, Statistics Finland

Profitability among Tokmanni's competitors varies

Profitability among Tokmanni's competitors also varies. Most competitors have generated EBIT margins in the range of 1-4%. Puuilo and Motonet have been the most profitable competitors in recent years with above 10% EBIT margins. Both of the companies rely on the DIY customer segments and their product mix differs from Tokmanni's (i.e. no/only little of grocery products) which explains relatively higher margins. Profitability of some competitors has not been reported, but at least Hong Kong's profitability reportedly turned negative before it was acquired by Swedish Rusta in spring 2018.

Figure 9: EBIT margin of main competitors

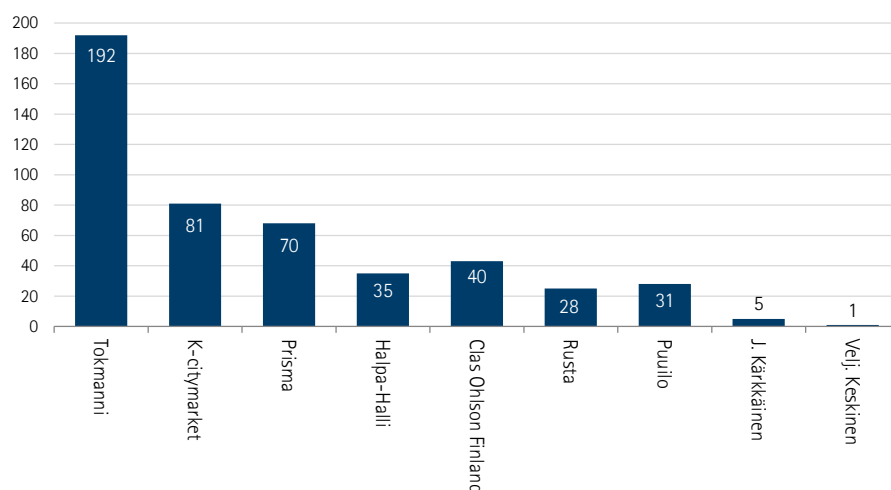


Source: Asiakastieto

Only nationwide discount retailer in Finland

Tokmanni is the only discount retailer in Finland that has a nationwide network. Most discount retail competitors operate regionally. Hypermarkets (K-Citymarket and Prisma) have a good store network coverage in Finland.

Figure 10: Number of stores



Source: Company websites

## Changes in the competitive environment

The competitive field is fragmented, and the competition has been tight

In general, the competitive field for Tokmanni is fragmented and competition has been tight in recent years. Structurally the most notable change has been Anttila's bankruptcy and retreat from the market in 2016. The bankruptcy had a negative impact on Tokmanni in the short-term due to the clearance sale but should have benefited the remaining players in the longer term.

Tokmanni acquired Ale-Makasiini in 2018, four regional stores in 2019 and one regional store in 2020

Certain signs of consolidation have been witnessed in the wider Nordic market during the last years. In 2018, Tokmanni acquired a small rival Ale-Makasiini; Europris acquired a 20% stake in Swedish ÖoB which will benefit Tokmanni as well via the Shanghai sourcing office; and Swedish Rusta acquired Finnish Hong Kong, which may become a more prominent competitor as Rusta is able to offer access to direct sourcing from factories in Asia. Hong Kong was reportedly loss-making and in the middle of a debt restructuring process before the acquisition in 2018. The new Rusta department store chain was launched in Finland last summer. Even though Rusta's price image and product offering are similar to Tokmanni (however, not as wide product assortment as Tokmanni's), the company's store network is limited when comparing to Tokmanni. Rusta currently has slightly less than 30 stores in Finland and but is planning to double its store count in the near future. Rusta/Hong Kong had EUR ~100m sales in Finland vs. Tokmanni EUR 944m in 2019. In early 2019, Tokmanni acquired four regional stores (Centtilä, TEX and Säästökuoppa) in Northern Finland. The business acquisitions continued in 2020, as in early February, Tokmanni acquired one regional store (Perhemarket) in Pudasjärvi. There are also new opening's in the pipeline as Tokmanni is aiming to open five new/relocated stores in 2021.

Tokmanni has competitive advantages against Amazon

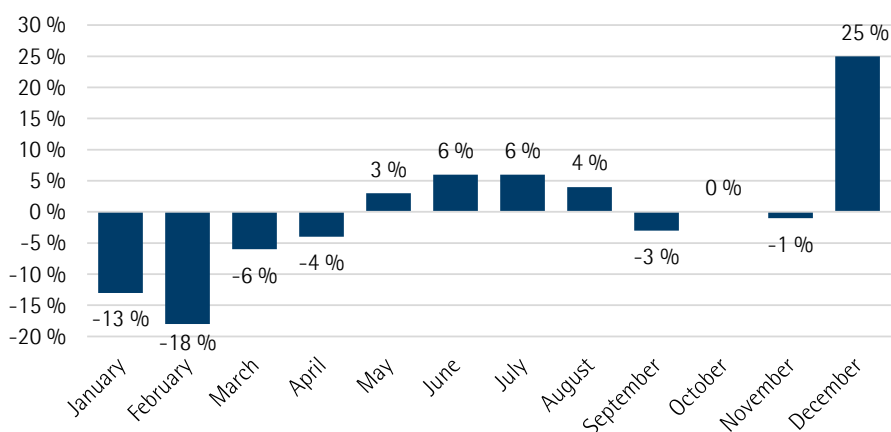
Amazon launched its operations in Sweden in late 2020. In our view, the impacts of the Swedish launch in Finland were negligible. Even though the presence of the online giant has only increased in the Nordics, we don't expect Amazon to launch its operations in Finland in the near future. And even if the company would enter the Finnish market, we note that Tokmanni's prices are competitive. Additionally, Tokmanni relies on physical stores (with the support of online store) which offers the company competitive advantages (faster deliveries, easier return policy etc.). Thus, we don't expect Amazon to possess significant threats to Tokmanni's operations at least not with the current set up. We however highlight that the possible entry of Amazon will no doubt have impacts on the competitive landscape in Finland and might further increase the consolidation.

**Seasonal nature**

Tokmanni's business is seasonal

Retail sales generally focus on campaign seasons, especially on Christmas sales. However, according to the Finnish Commerce Federation (FCF), the difference between Christmas sales (December) and normal sales is narrowing down, and the importance of November is increasing due to campaigns such as Black Friday. For Tokmanni, the first quarter of the year normally generates weaker sales whereas the last quarter, and especially the Christmas season provides a large part of the annual sales and profitability development. In 2020, the first quarter represented some 19% of Tokmanni's total year-end sales while the last quarter represented some 30% of the total sales. Adj. EBIT in the final quarter represented ~45% of the total 2020 adj. EBIT.

Figure 11: Retail monthly sales compared to the average sales



\* Compared to average monthly sales 2000-2019

Source: Finnish Commerce Federation (2020)

## Strategic and financial targets

Tokmanni targets to keep its price image and attractive and wide assortment

Tokmanni's strategic target is to continue strengthening its position as Finland's leading discount retailer by leveraging its key competitive advantages: the strong perceived price image, an attractive and wide assortment, lean and efficient operation model, nationwide store network with an online store and a good in-store customer experience. Tokmanni aims to deliver stable and profitable growth over the long term by (1) leveraging its unified brand image, demand-driven category management, continuous store concept and assortment development and through further investments in digital and omni-channel services to drive LFL revenue growth; (2) continuing to increase the amount of net new selling space by approximately 12,000 square meters annually, translating into approximately five new or relocated stores, and (3) improving profitability and working capital management through improved processes and tools in sourcing, supply chain management and category management as well as improving its store efficiency. The financial targets were met already last year, and the company will introduce its refined strategic targets in connection with the CMD, which takes place in late March.

The company will introduce its refined strategic targets in connection with the CMD

Tokmanni's long-term financial targets include (some of them will be revised in March)

Tokmanni targets to open five new stores per year

- Store openings: Tokmanni targets to increase the amount of net new selling area by approximately 12,000 square meters annually, translating into approximately five new or relocated stores. The annual increase has varied in recent years, but on average the target has been met. New stores have historically reached "full" revenue potential in about two years' time. Positive EBITDA has been typically reached within the first operating year. Payback time on invested CAPEX has been about 2-3 years.

Targets to achieve low single digit LFL revenue growth

- LFL growth: Tokmanni's long-term target is to achieve low single digit LFL revenue growth. LFL growth was ~0% in 2013-2016 and -1.3% in 2017. In 2018-2019 LFL growth notably improved as it was 5.6% in 2018 and 4.3% in 2019. 2020 was a record year with LFL growth of 12.3%.

Adj. EBIT margin target of 9% exceeded in 2020

- Profitability: Tokmanni's target was to gradually increase adj. EBIT margin to ~9%. This was exceeded in 2020 as adj. EBIT margin was 9.3%.
- Leverage: Tokmanni aims to keep net debt/EBITDA below 3.2x. At the end of 2020, Tokmanni's net debt/EBITDA was 2.0x.
- Dividend policy: Tokmanni aims to pay out approximately 70% of its net earnings as dividends. Capital structure, financial condition, general economic and business conditions as well as future prospects are considered when issuing dividends. Tokmanni has paid out above 70% of reported EPS in 2016-2020.

2020 sales exceeded EUR 1bn

The company also met one of its milestones in 2020 as its sales exceeded EUR 1bn (1.073bn).

### Guidance for 2021E

The company expects slight growth in revenue in 2021. Adj. EBIT is expected to be at the same level as in the previous year.

## Financial performance and estimates

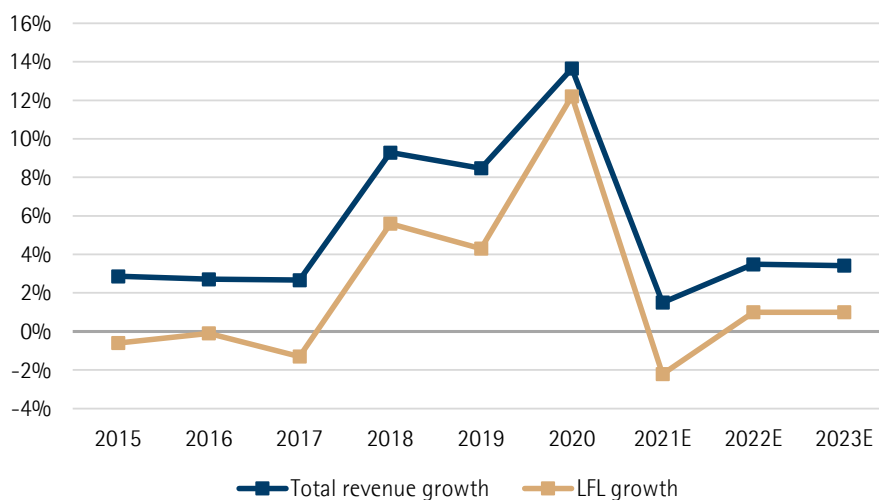
Revenue CAGR in 2010-2020 was 5.4%

Tokmanni's revenue CAGR in 2010-2020 was 5.4%. Growth in 2013-2017 was fully based on expanding the store network, as LFL growth was broadly zero in each year in 2013-2016 and negative (-1.3%) in 2017. LFL growth improved notably in 2018 as it was 5.6%. Good LFL growth was supported by favorable weather in H1'18 but also by assortment improvements and investments into prices. The good momentum continued throughout 2019 as LFL growth was 4.3%, driven by successful campaigns and increased customer flows.

COVID-19 boosted Tokmanni's sales in 2020

The beginning of 2020 started well but the coronavirus quickly spread all over the world. The Finnish government decided on movement restrictions in mid-March and due to the lockdown and the uncertain development of the situation, Tokmanni withdrew its 2020 guidance in late March. Despite the situation, the company was able to keep its stores open. The movement restrictions hampered the customer flows at first, but the situation did improve relatively fast. Since then, Tokmanni has benefited the exceptional times as consumers have spent more time at home and cottages which has increased the demand of several product categories (i.e. garden, leisure, home decoration & home improvement and groceries). On the other hand, apparel sales were weighed down by the situation. Household consumption was focused on domestic purchases throughout the year which boosted sales. In H1'2020, Tokmanni's revenue increased by 13.3% y/y of which LFL growth was 11.8%. The good momentum continued throughout the year and FY2020 revenue increased by 13.6% y/y to EUR 1073m (LFL: 12.3%).

Figure 12: total revenue growth vs. LFL growth



Source: Tokmanni, Evli Research

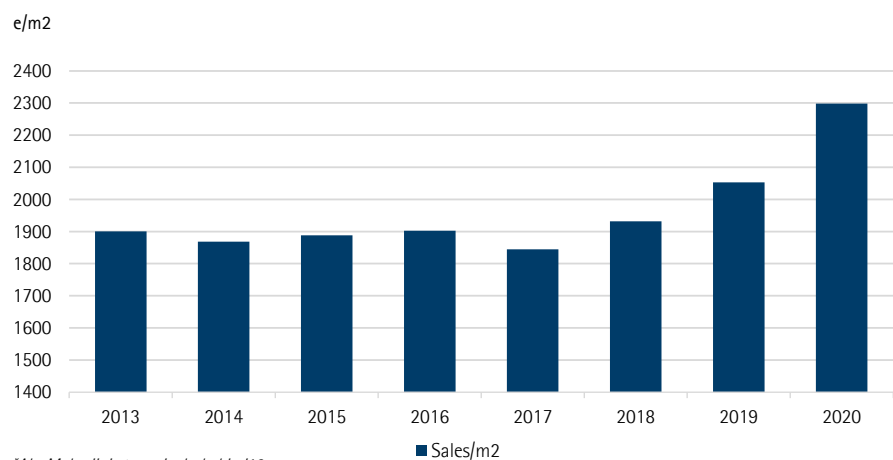
At the end of 2020, Tokmanni had 192 stores vs. the target of over 200 stores

Tokmanni's store network has continuously expanded in 2010-2020. In 2018, the company acquired the operations of Ale-Makasiini in Finland and the nine stores acquired were converted into Tokmanni at the end of 2018. The revenue of Ale-Makasiini was EUR 20m and EBIT EUR 1m in 2017. In the beginning of 2019, Tokmanni acquired four regional stores in Northern Finland and opened new stores across the country. Following the acquisitions and new openings, Tokmanni had 191 stores at the end of 2019. Tokmanni continued to open new stores in 2020 (e.g. in Pietarsaari and Aura) but also closed couple of stores. The company also acquired one regional store in Pudasjärvi in early 2020. At the end of 2020, Tokmanni had 192 stores. There are already new openings in the 2021E pipeline as the company has agreed on the opening of three new stores and two relocated and enlarged stores during 2021.

Tokmanni's retail sales space increased by 7,000m<sup>2</sup> in 2020

Tokmanni's average sales/m<sup>2</sup> was quite stable at EUR 1850-1900 per m<sup>2</sup> in 2011-2017 but increased between 2018-2020. Sales/m<sup>2</sup> in individual stores varies to some extent. Tokmanni has previously stated sales/m<sup>2</sup> in small stores was typically ~20% higher than average, whereas sales/m<sup>2</sup> in large stores was typically ~20% below average. The differences are driven by location: small stores are typically in city centers where customer flows are higher. Sales/m<sup>2</sup> in newly opened stores typically grows gradually and reached maturity in about two years' time. Tokmanni targets to increase its retail selling space by 12,000m<sup>2</sup> (net). In 2020, the increase was only 7,000m<sup>2</sup> as the company postponed some of its investment plans due to the COVID-19. At the end of 2020, the retail selling space in the Tokmanni stores totaled approx. 467,000m<sup>2</sup>.

Figure 13: sales/m<sup>2</sup> development

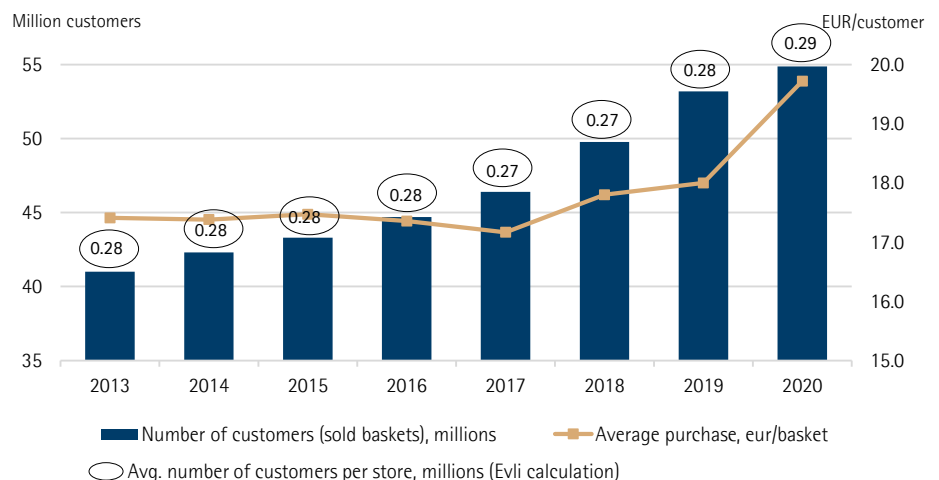


Source: Tokmanni, Evli Research

Customer visits increased by 3.2% and the comparable average purchase increased by 9.5% in 2020

Tokmanni's customer numbers have grown quite well in line with the increase of the store count. In 2020, customer visits grew by 3.2%. The average purchase has been quite stable over the years but in 2020, the average purchase increased due to the changed environment caused by the pandemic. In other words, Tokmanni's customers bought more at once to avoid unnecessary movement. The comparable average basket was EUR 19.72 in 2020, an increase of 9.5% y/y.

Figure 14: customer visits (million) and average purchase

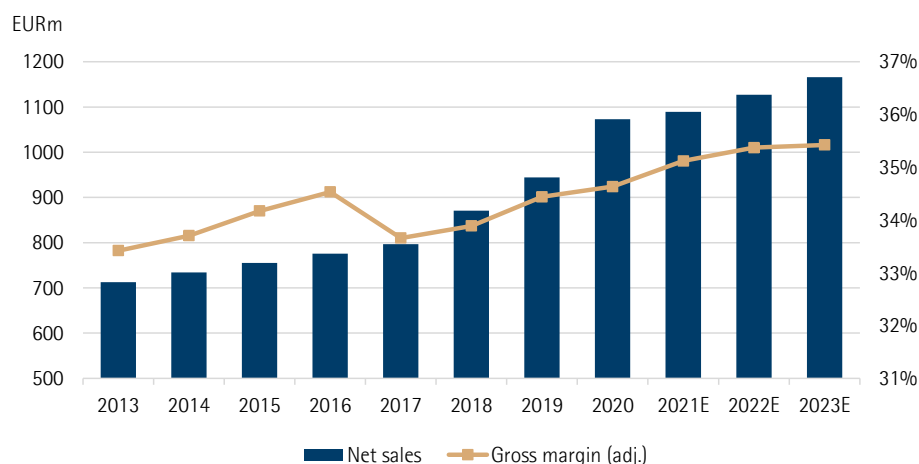


Source: Tokmanni, Evli Research

We forecast Tokmanni's revenue development based on LFL growth and the planned store network expansion. We expect 12,000m2 increase in retail selling space in 21E-23E.

We expect Tokmanni's FY2021E revenue to grow by 1.5% and LFL revenue to decrease by 2.2%. Thus, the slight growth is driven by new store openings. In 2022E-2023E we expect revenue to increase by 3.5% and 3.4%, with LFL growth of 1% in both years.

Figure 15: Tokmanni's revenue and gross margin (adj.) development



Source: Tokmanni, Evli Research

## We expect there is still gross margin improvement potential

Gross margin has increased from 2017

Tokmanni's gross margin improved gradually in 2013-2016 on the back of increased direct imports, increased share of private labels in the mix, increased efficiency of purchasing processes and more efficient pricing. Increased direct purchasing in 2013-2016 was primarily related to increased use of the sourcing company in Shanghai. In 2017, gross margin slumped as Tokmanni had a very weak H1'17, with mild winter and cold spring hurting sales of higher-margin seasonal products. In 2018, the gross margin slightly improved (33.9%), although better improvement was seen in 2019 as comparable gross margin was 34.4%. In 2020, gross margin fluctuated a lot. COVID-19 caused changes in the consumer behaviour and the sales mix was slightly different compared to the previous years. For instance, the demand of leisure and garden products as well as home products increased while apparel sales dropped. In order to balance the inventory, the company had significant apparel discount sales during Q3 which hampered gross margin. At the end of Q3'20, the company's gross margin development was slightly below the comparison period but due to the strong Q4, the company's FY2020 adj. gross margin improved by 0.2pp y/y to 34.6%.

We expect further gross margin improvement potential via efficient sourcing and increased share of private labels

When Tokmanni was still aiming to reach its adj. EBIT margin target of 9% the company stated that the gross margin improvement potential is some 0.5-1.5pp (compared to 2019 figures). The company reached the adj. EBIT margin target last year and at the same time adj. gross margin improved by 0.2pp. This implies that there is still some margin improvement potential left (with the previously stated improvement potential, the gross margin should land between 35-36%). The margin improvement comes primarily via more efficient sourcing and increased share of private labels in the mix. The revenue share of direct import in 2015-2017 was relatively flat at 23-24% but has since increased. In 2020, the revenue share of direct import was 26.6% (2019: 25.6%). Also, the revenue share of Shanghai JV (16.5% in 2020) has developed favorably. We expect 2021E adj. gross margin to increase by 0.5pp to 35.1% and. We however note that due to the shipping container shortage, freight costs have been on the rise in late 2020 and in

the beginning of 2021, which might have a negative impact on the gross margin in H1'21E. We expect adj. gross margin of 35.4% in 2022E-2023E.

**Cost structure – employee expenses representing more than half of the total OPEX**

Employee benefits expenses represents almost 58% of total OPEX

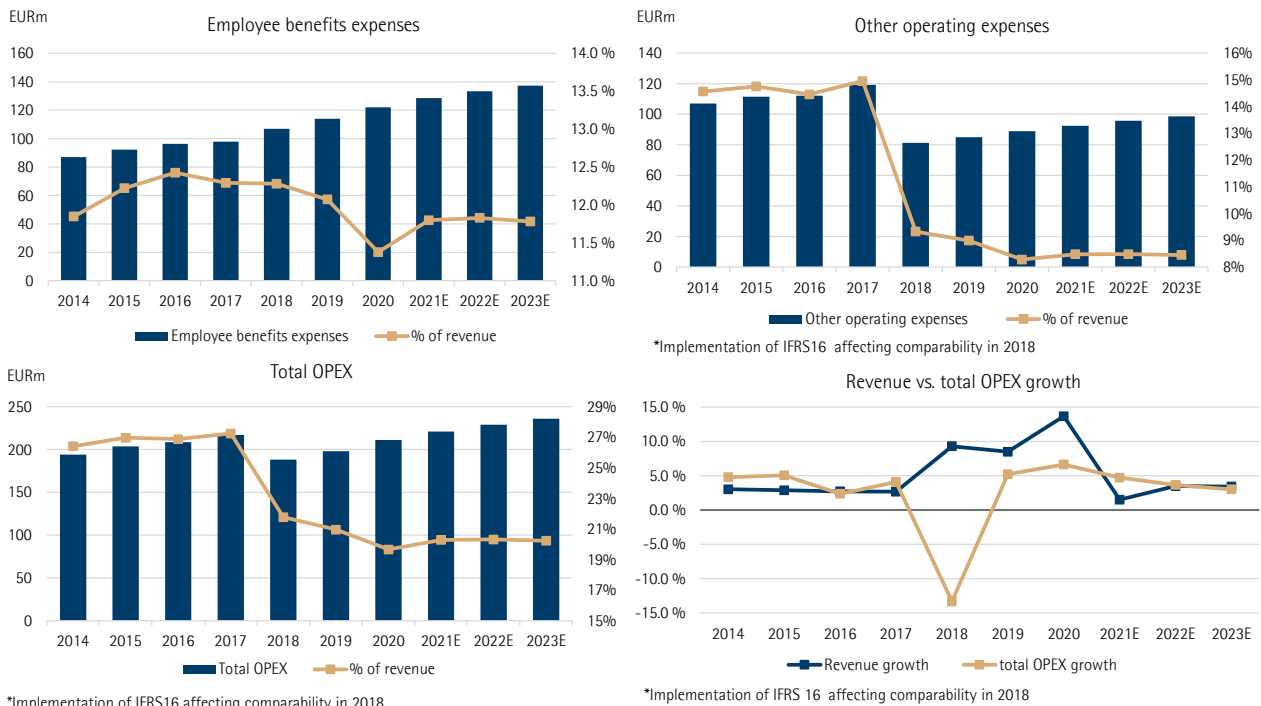
Tokmanni reports its operational expenses in two main items: employee benefits expenses (i.e. personnel costs) and other operating expenses. In 2020, ~58% of total OPEX were related to the employee benefits expenses. Other OPEX (incl. rental expenses, marketing expenses, purchased services etc.) represented ~42% of total costs. Personnel expenses were negatively impacted by work shift arrangements due to the COVID-19 but on the other hand, temporary reduction (from May to December) of statutory employee pension (TyEL) payments had a EUR 2.2m positive impact on employee costs. Furthermore, actions related to the epidemic (e.g. safety actions) resulted in additional expenses.

**OPEX as % of sales have decreased driven by strong LFL growth**

LFL growth supports OPEX scalability

Tokmanni's operating expenses (OPEX) have historically increased in absolute terms due to the growing store network but OPEX as % of sales have been relatively flat. In 2014-2015, OPEX grew faster than sales, mainly due to investments into brand renewal and store concepts. OPEX as % of sales were broadly flat in 2016 vs. 2015 but increased in 2017 vs. 2016 with weak sales especially in H1'17. In 2018-2020, the LFL growth has been clearly positive, supporting scalability. We expect there is still OPEX improvement potential through more efficient operations and supply chain improvements. Positive LFL growth is expected to be a key driver behind OPEX scalability.

Figure 16: Tokmanni's cost base



\*Implementation of IFRS16 affecting comparability in 2018

\*Implementation of IFRS 16 affecting comparability in 2018

Source: Tokmanni, Evli Research



**Adj. EBIT has improved notably during the last years**

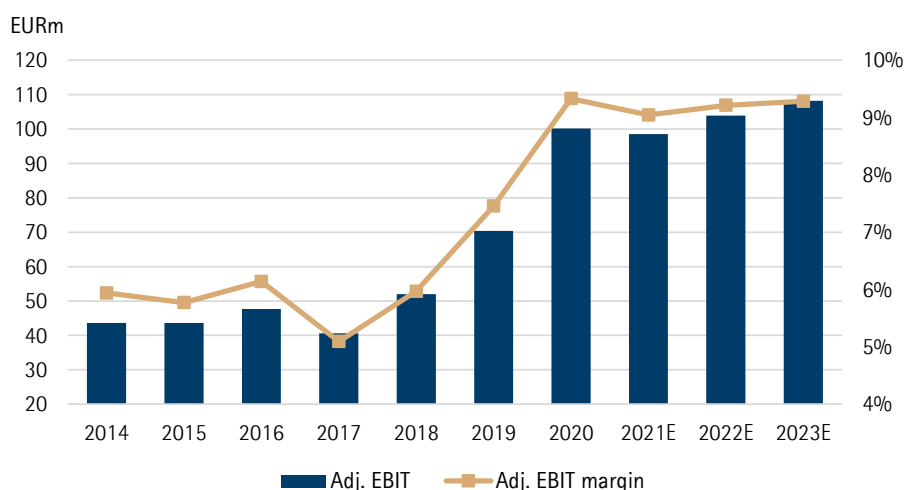
Adj. EBIT has improved notably during the last years

Tokmanni's adj. EBIT weakened in 2017 on the back of negative LFL growth and weaker gross margin. In 2018, adj. EBIT improved again, driven by strong LFL growth and gross margin improvement. In 2019, adj. EBIT grew by ~35% y/y to EUR 70.4m, resulting in adj. EBIT margin of 7.5%. Tokmanni's financial target was to reach adj. EBIT margin of ~9% and in 2020, the company was able to exceed the target with adj. EBIT margin of 9.3%. Profitability was boosted by strong LFL growth and healthy margins but at the same time the company had good control over costs.

We expect 21E-23E adj. EBIT margin of 9.0%-9.3%

We expect 21E adj. EBIT to be on a par with last year, resulting in adj. EBIT margin of 9.0%. The slightly lower adj. EBIT margin is mainly due to a decline in LFL growth. In 2022E, we expect adj. EBIT margin to increase to 9.2% (EUR 104m) and in 2023E, to 9.3% (EUR 108m). We expect the improvement to stem mostly from improved gross margin.

Figure 17: Tokmanni's adj. EBIT and adj. EBIT margin



Source: Tokmanni, Evli Research

**Balance sheet overview**

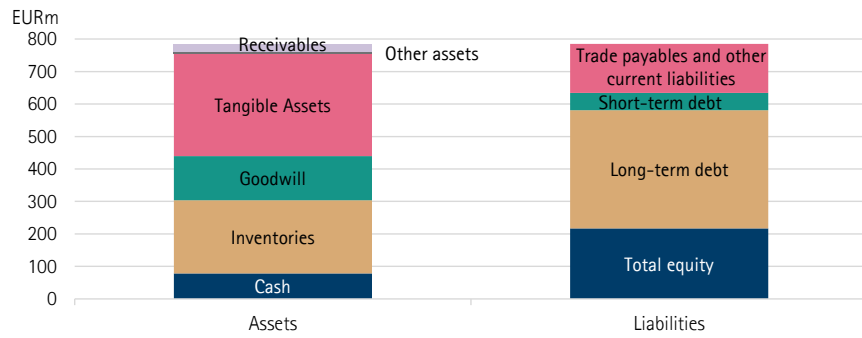
Tokmanni operates in leased/rented premises and does not generally own properties

Due to the nature of the business, inventory represents a large part (~30%) of Tokmanni's assets. Intangible assets mainly consist of goodwill resulting from business combinations and business acquisitions. In 2020, goodwill was EUR ~136m which is approximately 17% of the company's total assets. Tokmanni operates in leased/rented premises and does not generally own properties which explains the relatively small share of tangible assets. CAPEX in 2021E is expected to be some EUR 16-18m.

Interest bearing debt was EUR 411m in 2020

Long-term debt represents approximately ~64% of the company's liabilities while short-term debt and other short term liabilities are approximately 36% of the liabilities (we have treated Tokmanni's loan of EUR 100m as long term debt as the company was able to rearrange the loan with new maturity date). Interest bearing debt was in total EUR 411m in 2020.

Figure 18: Tokmanni's balance sheet (2020)



\* Tokmanni's loan of EUR 100m was set to mature in Oct'21, but the company was able to rearrange this loan with new maturity date in Feb '26. Therefore we treat the loan as long-term debt

Source: Tokmanni, Evli Research

## Base case – estimates

Tokmanni	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Key sales assumptions</b>											
Sales space increase, 1000m2 (organic)	11	18	7	8	24	26	19	7	12	12	12
# of stores at year-end	145	149	156	162	175	186	191	192	197	202	207
LFL growth (%)	0.0%	-0.3%	-0.6%	-0.1%	-1.3%	5.6%	4.3%	12.3%	-2.2%	1.0%	1.0%
<b>Net sales</b>	<b>712.8</b>	<b>734.3</b>	<b>755.3</b>	<b>775.8</b>	<b>796.5</b>	<b>870.5</b>	<b>944.3</b>	<b>1073.2</b>	<b>1089.3</b>	<b>1127.3</b>	<b>1165.9</b>
Growth-%	3.3 %	3.0 %	2.9 %	2.7 %	2.7 %	9.3 %	8.5 %	13.7 %	1.5 %	3.5 %	3.4 %
Materials and services (adj.)	-474.6	-486.8	-497.2	-507.9	-528.4	-575.2	-619.1	-701.5	-706.8	-728.6	-752.9
Growth-%	-	2.6 %	2.1 %	2.2 %	4.0 %	8.9 %	7.6 %	13.3 %	0.8 %	3.1 %	3.3 %
% of sales	66.6 %	66.3 %	65.8 %	65.5 %	66.3 %	66.1 %	65.6 %	65.4 %	64.9 %	64.6 %	64.6 %
<b>Gross profit (adj.)</b>	<b>238.2</b>	<b>247.5</b>	<b>258.1</b>	<b>267.9</b>	<b>268.1</b>	<b>295.0</b>	<b>325.2</b>	<b>371.7</b>	<b>382.6</b>	<b>398.8</b>	<b>413.0</b>
Gross margin (%)	33.4 %	33.7 %	34.2 %	34.5 %	33.7 %	33.9 %	34.4 %	34.6 %	35.1 %	35.4 %	35.4 %
<b>Fixed costs (adj.)</b>	<b>-185.1</b>	<b>-193.9</b>	<b>-203.7</b>	<b>-208.5</b>	<b>-217.0</b>	<b>-189.5</b>	<b>-197.9</b>	<b>-211.0</b>	<b>-220.9</b>	<b>-229.0</b>	<b>-235.9</b>
Growth-%	-	4.8 %	5.0 %	2.4 %	4.1 %	-12.7 %	4.4 %	6.6 %	4.7 %	3.6 %	3.0 %
% of sales	26.0 %	26.4 %	27.0 %	26.9 %	27.2 %	21.8 %	21.0 %	19.7 %	20.3 %	20.3 %	20.2 %
Other income	3.5	3.6	4.0	3.4	3.8	4.1	4.3	4.1	4.1	4.1	4.1
Share of profits in associated comp.	0.0	0.0	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	-57.5	-61.2	-64.7	-67.2	-70.0	-73.0
<b>EBITDA (adj.)</b>	<b>56.7</b>	<b>57.1</b>	<b>58.4</b>	<b>62.8</b>	<b>54.9</b>	<b>109.5</b>	<b>131.6</b>	<b>164.8</b>	<b>165.7</b>	<b>173.9</b>	<b>181.2</b>
EBITDA margin (%)	8.0 %	7.8 %	7.7 %	8.1 %	6.9 %	12.6 %	13.9 %	15.4 %	15.2 %	15.4 %	15.5 %
<b>EBIT (adj.)</b>	<b>44.1</b>	<b>43.6</b>	<b>43.6</b>	<b>47.7</b>	<b>40.6</b>	<b>52.0</b>	<b>70.4</b>	<b>100.2</b>	<b>98.5</b>	<b>103.9</b>	<b>108.2</b>
EBIT margin (%)	6.2 %	5.9 %	5.8 %	6.1 %	5.1 %	6.0 %	7.5 %	9.3 %	9.0 %	9.2 %	9.3 %
NRIs in reported gross profit	0.0	1.1	-0.6	0.5	-0.9	0.2	-0.1	-0.7	0.0	0.0	0.0
NRIs in reported fixed costs	-1.1	-1.8	-4.0	1.0	-0.8	1.4	-1.0	-0.5	0.0	0.0	0.0
<b>EBIT (reported)</b>	<b>43.0</b>	<b>43.0</b>	<b>39.0</b>	<b>49.2</b>	<b>38.9</b>	<b>53.6</b>	<b>69.4</b>	<b>98.9</b>	<b>98.5</b>	<b>103.9</b>	<b>108.2</b>
EBIT margin (%)	6.0 %	5.9 %	5.2 %	6.3 %	4.9 %	6.2 %	7.3 %	9.2 %	9.0 %	9.2 %	9.3 %
Net financials	-23.0	-22.2	-20.9	-15.3	-5.9	-10.5	-10.4	-10.0	-10.8	-11.3	-11.9
<b>Profit before taxes (reported)</b>	<b>20.1</b>	<b>20.8</b>	<b>18.1</b>	<b>33.9</b>	<b>33.0</b>	<b>43.1</b>	<b>59.0</b>	<b>88.9</b>	<b>87.7</b>	<b>92.5</b>	<b>96.3</b>
Taxes	-4.8	-4.2	-3.4	-6.8	-6.6	-8.9	-11.8	-17.7	-17.5	-18.5	-19.3
Tax rate (%)	23.9 %	20.1 %	18.8 %	20.1 %	20.0 %	20.7 %	20.0 %	20.0 %	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	0.0	0.0
<b>Net income (reported)</b>	<b>15.3</b>	<b>16.6</b>	<b>14.7</b>	<b>27.1</b>	<b>26.4</b>	<b>34.1</b>	<b>47.2</b>	<b>71.1</b>	<b>70.2</b>	<b>74.0</b>	<b>77.1</b>
Average number of shares (million)	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.8	58.8	58.8	58.8
<b>EPS (reported)</b>	<b>0.26</b>	<b>0.28</b>	<b>0.25</b>	<b>0.46</b>	<b>0.45</b>	<b>0.58</b>	<b>0.80</b>	<b>1.21</b>	<b>1.19</b>	<b>1.26</b>	<b>1.31</b>
<b>Dividend and capital return</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.51</b>	<b>0.41</b>	<b>0.50</b>	<b>0.62</b>	<b>0.85</b>	<b>0.85</b>	<b>0.89</b>	<b>0.96</b>
Payout ratio (%)				111 %	92 %	86 %	77 %	70 %	71 %	71 %	73 %

Source: Tokmanni, Evli Research

## Scenario estimates

Key assumptions behind the base case estimates:

- 12,000m2 selling space increase per year.
- LFL revenue is expected to decline by ~2% in 2021E. In 2022E-2023E, slight LFL revenue growth (~1%).
- 80bps improvement in gross margin. OPEX as % of sales between 20.3%-20.2%.

Key assumptions behind the optimistic estimates:

- 12,000m2 selling space increase per year.
- Good LFL growth (~4%), driven by increased customer flows and average purchase as well as strong growth in online sales.
- Gross margin improvement potential can be fully used, resulting from strong growth in direct sourcing and increased share of own labels.
- The company is able to keep the share of OPEX in a lower level, supported by more efficient operations.

Key assumptions behind the pessimistic estimates:

- 10,000m2 selling space increase per year.
- LFL revenue to decline (from -0.5 % to -5%) in 2021E-2023E.
- The coronavirus situation continues throughout 2021, impacting negatively on purchasing power.
- Limited gross margin improvement potential due to tight competition.
- OPEX scalability limited due to increased costs and decline in LFL revenue.

Tokmanni		2017	2018	2019	2020	2021E	2022E	2023E	CAGR 20-23E
<b>Scenario estimates</b>									
Revenue									
	Optimistic	797	871	944	1073	1147	1216	1295	6 %
	Growth	2.7 %	9.3 %	8.5 %	13.7 %	6.9 %	6.0 %	6.5 %	
	Base case	797	871	944	1073	1089	1127	1166	3 %
	Growth	2.7 %	9.3 %	8.5 %	13.7 %	1.5 %	3.5 %	3.4 %	
	Pessimistic	797	871	944	1073	1063	1084	1104	1 %
	Growth	2.7 %	9.3 %	8.5 %	13.7 %	-1.0 %	2.0 %	1.9 %	
Gross margin									
	Optimistic	33.7 %	33.9 %	34.4 %	34.6 %	35.4 %	35.8 %	36.0 %	
	Base case	33.7 %	33.9 %	34.4 %	34.6 %	35.1 %	35.4 %	35.4 %	
	Pessimistic	33.7 %	33.9 %	34.4 %	34.6 %	34.4 %	34.5 %	34.7 %	
Total fixed costs									
	Optimistic	-217	-189.5	-197.9	-211	-231	-243	-258	7 %
	% as of sales	27.2 %	21.8 %	21.0 %	19.7 %	20.1 %	20.0 %	19.9 %	
	Base case	-217	-189.5	-197.9	-211	-221	-229	-236	4 %
	% as of sales	27.2 %	21.8 %	21.0 %	19.7 %	20.3 %	20.3 %	20.2 %	
	Pessimistic	-217	-189.5	-197.9	-211	-221	-224	-229	3 %
	% as of sales	27.2 %	21.8 %	21.0 %	19.7 %	20.8 %	20.7 %	20.7 %	
Adj. EBIT									
	Optimistic	40.6	52.0	70.4	100.2	112.4	126.3	139.6	12 %
	Base case	40.6	52.0	70.4	100.2	98.5	103.9	108.2	3 %
	Pessimistic	40.6	52.0	70.4	100.2	81.5	83.6	85.7	-5 %
Adj. EBIT margin									
	Optimistic	5.1 %	6.0 %	7.5 %	9.3 %	9.8 %	10.4 %	10.8 %	
	Base case	5.1 %	6.0 %	7.5 %	9.3 %	9.0 %	9.2 %	9.3 %	
	Pessimistic	5.1 %	6.0 %	7.5 %	9.3 %	7.7 %	7.7 %	7.8 %	

Source: Evli Research

Scenario fair values:  
Optimistic EUR 26.8  
Base case EUR 17.5  
Pessimistic EUR 10.2

We value our base case 2022E EV/EBIT at 13x and arrive to EUR 17.5 fair value. Our optimistic 2022E adj. EBIT estimate and a higher 2022E EV/EBIT multiple of 15x would yield a fair value of EUR 26.8 while our pessimistic 2022E adj. EBIT estimate and a lower 2022E EV/EBIT multiple of 11x would yield a fair value of EUR 10.2.

We currently give more emphasize to base case and optimistic estimates

We have put more emphasize on our base case estimates and our optimistic estimates, as the company has executed well its strategy resulting in strong performance in terms of both, sales growth and profitability. We keep our rating "BUY" with TP of EUR 20.0.

Fair value	Weight (%)	Comment
26.8	35 %	2022E EV/EBIT 15x
17.5	55 %	2022E EV/EBIT 13x
10.2	10 %	2022E EV/EBIT 11x
20.0	100 %	
<b>20.0</b>		

## EV/EBIT 2022E

	6.0x	8.0x	10.0x	12.0x	14.0x	16.0x	18.0x	20.0x
<b>Optimistic</b>								
EV (with 2022E optimistic EBIT)	758	1010	1263	1515	1768	2020	2273	2525
Net debt 2021E	321	321	321	321	321	321	321	321
Equity value	437	689	942	1194	1447	1699	1952	2204
Equity value per share	7.4	11.7	16.0	20.3	24.6	28.9	33.2	37.5
<b>Base case</b>								
EV (with 2022E base case EBIT)	623	831	1039	1247	1454	1662	1870	2078
Net debt 2021E	321	321	321	321	321	321	321	321
Equity value	302	510	718	926	1133	1341	1549	1757
Equity value per share	5.1	8.7	12.2	15.8	19.3	22.8	26.4	29.9
<b>Pessimistic</b>								
EV (with 2022E pessimistic EBIT)	502	669	836	1004	1171	1338	1506	1673
Net debt 2021E	321	321	321	321	321	321	321	321
Equity value	181	348	515	683	850	1017	1185	1352
Equity value per share	3.1	5.9	8.8	11.6	14.5	17.3	20.2	23.0

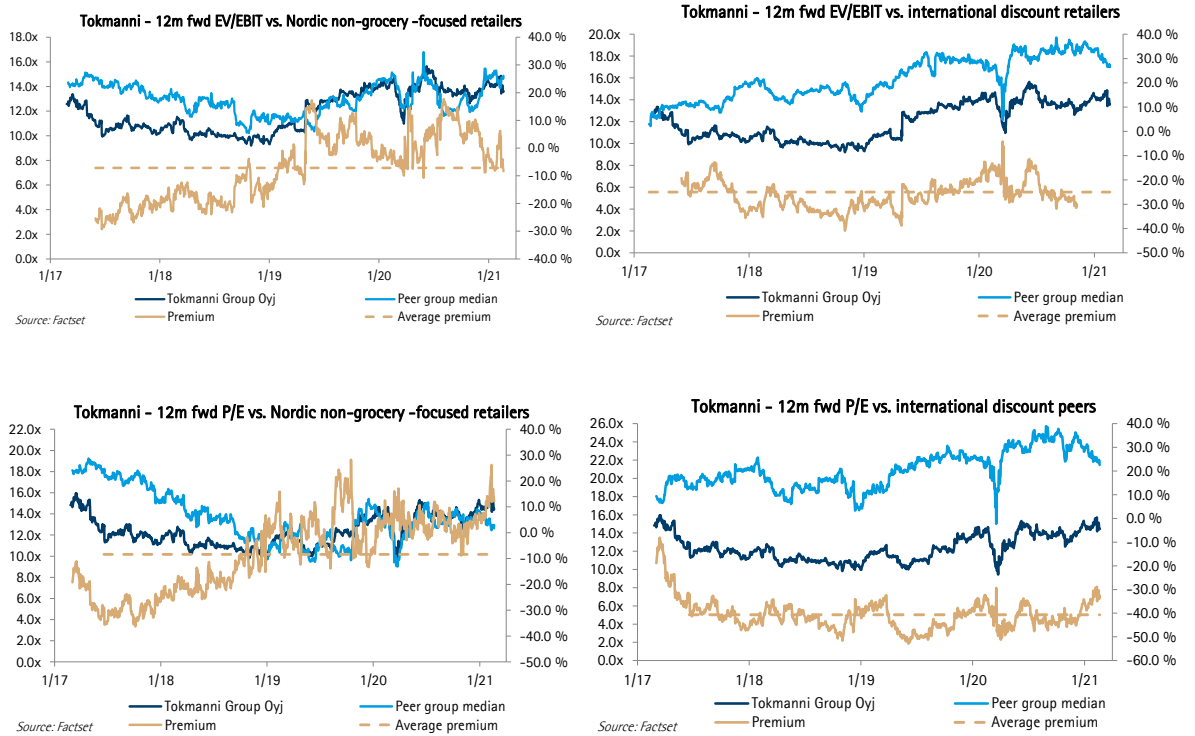
Source: Evli Research

## Valuation

### Historical valuation

Tokmanni has been listed since 2016. Tokmanni’s 5-year historical average 12m forward EV/EBIT multiple is 12.0x and average P/E is 12.4x (based on FactSet consensus estimates). On our estimates, Tokmanni trades with 21E-22E EV/EBIT multiple of 13.8x and 12.9x which translates into 6-7% discount compared to the Nordic non-grocery peer group and 17-18% discount compared to the international discount peers. This also translates into 8-15% premium compared to Tokmanni’s own historical 12m forward EV/EBIT multiple.

We consider Tokmanni’s valuation moderate against the margin improvement potential. Our target price (EUR 20) and estimates value Tokmanni at 15.2x and 14.2x EV/EBIT in 2021E-2022E which is in line with the Nordic non-grocery peer group and 8-10% discount compared to the international discount peer group.



## Relative valuation

TOKMANNI PEERS	MCAP local FX	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22	EV/EBIT 20	EV/EBIT 21	EV/EBIT 22	EV/FCF 20	EV/FCF 21	EV/FCF 22	P/E 20	P/E 21	P/E 22
<b>Nordic non-grocery focused retailers</b>													
Byggmax Group AB	3218	4.2x	5.7x	5.8x	7.2x	13.0x	13.7x	6.8x	8.0x	21.5x	6.1x	10.3x	11.0x
Clas Ohlson AB Class B	4735	4.8x	4.4x	4.2x	10.1x	9.0x	8.5x	8.2x	8.0x	7.6x	10.4x	10.1x	10.1x
Europris ASA	7703	6.0x	6.6x	6.3x	8.8x	10.6x	9.9x	7.3x	12.6x	13.2x	9.8x	12.6x	12.1x
Stockmann Oyj Abp Class B	86	6.6x	5.9x	5.6x	429.3x	32.4x	28.6x	12.2x	12.2x	99.4x			
Verkkokauppa.com Oyj	436	11.8x	15.3x	13.7x	14.6x	18.8x	16.6x	28.3x	22.9x	22.8x	29.1x	26.7x	23.8x
XXL ASA	4842	7.0x	6.2x	5.6x	21.6x	16.7x	13.8x	5.1x	14.9x	11.7x	39.4x	17.1x	14.2x
<b>Nordic grocery focused retailers</b>													
Axfood AB	41840	9.5x	9.6x	9.5x	18.0x	18.2x	18.2x	15.8x	23.0x	27.2x	22.1x	21.8x	21.7x
ICA Gruppen AB	82289	9.6x	9.6x	9.4x	18.4x	18.8x	18.4x	26.5x	25.7x	21.5x	19.8x	19.6x	19.2x
Kesko Oyj Class B	8411	10.0x	10.2x	10.1x	18.7x	19.2x	18.8x	15.5x	30.1x	23.8x	19.4x	21.4x	21.1x
<b>International discount retailers</b>													
B&M European Value Retail SA	5574	7.5x	9.0x	8.3x	10.9x	13.8x	12.7x	15.1x	20.7x	17.3x	14.9x	17.1x	15.5x
Big Lots, Inc.	2410	2.1x	4.9x	4.9x	2.8x	7.4x	7.4x	2.3x	11.4x	12.1x	8.8x	11.7x	10.1x
Costco Wholesale Corporation	151557	21.7x	18.2x	16.6x	28.5x	23.3x	21.3x	36.8x	32.3x	29.4x	35.4x	33.4x	31.3x
Dollar General Corporation	47819	13.8x	14.0x	12.8x	16.0x	16.6x	15.3x	21.2x	26.4x	22.7x	18.2x	19.5x	17.5x
Dollar Tree, Inc.	24220	11.4x	10.2x	9.3x	15.6x	13.8x	12.4x	24.3x	22.6x	20.8x	18.3x	16.6x	15.0x
Dollarama Inc.	14648	15.8x	13.0x	11.0x	20.6x	16.5x	14.3x	28.3x	22.6x	36.3x	25.7x	20.7x	18.1x
Pan Pacific International Holdings Corpora	1616930	17.6x	17.0x	15.2x	23.7x	22.9x	20.1x	55.2x	89.2x	43.2x	31.9x	28.9x	25.6x
Five Below, Inc.	10627	46.7x	28.5x	23.1x	69.8x	36.8x	29.6x		105.6x	70.6x	90.3x	47.0x	38.4x
Ollie's Bargain Outlet Holdings Inc	5825	17.8x	20.3x	16.9x	19.5x	22.7x	19.1x	23.3x	78.3x	32.7x	29.2x	31.7x	27.5x
Target Corporation	93324	10.6x	11.9x	11.5x	14.5x	16.6x	15.7x	20.0x	27.9x	25.8x	20.2x	21.2x	19.4x
Walmart Inc.	383284	12.8x	12.2x	11.7x	19.0x	18.3x	17.3x	19.8x	33.7x	31.9x	24.5x	24.9x	23.0x
<b>Nordic non-grocery peers median</b>	<b>4842</b>	<b>6.3x</b>	<b>6.0x</b>	<b>5.7x</b>	<b>12.4x</b>	<b>14.8x</b>	<b>13.8x</b>	<b>7.8x</b>	<b>13.7x</b>	<b>17.3x</b>	<b>10.4x</b>	<b>12.6x</b>	<b>12.1x</b>
<b>Nordic grocery focused retailers</b>													
<b>Discount retailers median</b>	<b>19434</b>	<b>13.3x</b>	<b>12.6x</b>	<b>11.6x</b>	<b>19.0x</b>	<b>16.6x</b>	<b>15.7x</b>	<b>23.3x</b>	<b>27.9x</b>	<b>30.7x</b>	<b>24.5x</b>	<b>21.2x</b>	<b>19.4x</b>
<b>Tokmanni (Evli est.)</b>	<b>1040</b>	<b>7.8x</b>	<b>8.2x</b>	<b>7.7x</b>	<b>12.9x</b>	<b>13.8x</b>	<b>12.9x</b>	<b>9.2x</b>	<b>11.1x</b>	<b>10.1x</b>	<b>13.2x</b>	<b>14.8x</b>	<b>14.0x</b>
<i>Tokmanni premium vs. Nordic non-grocery focused peers</i>		23%	36%	35%	4%	-7%	-6%	18%	-19%	-41%	26%	18%	16%
<i>Tokmanni premium vs. Nordic grocery focused peers</i>		-18%	-15%	-19%	-30%	-27%	-30%	-42%	-57%	-57%	-34%	-31%	-33%
<i>Tokmanni premium vs. int. discount peers</i>		-41%	-35%	-33%	-32%	-17%	-18%	-61%	-60%	-67%	-46%	-30%	-28%
TOKMANNI PEERS	Ticker	Dividend yield			EBIT margin			ROCE-%			ROE-%		
<b>Nordic non-grocery focused retailers</b>		20	21	22	20	21	22	20	21	22	20	21	22
Byggmax Group AB	BMAX-SE	5.2%	5.2%	5.2%	9.8%	6.0%	5.5%	19.8%	11.2%	10.1%	26.6%	15.1%	13.5%
Clas Ohlson AB Class B	CLAS.B-SE	8.4%	8.4%	8.4%	7.7%	7.9%	7.8%	15.8%	17.0%	17.7%	20.9%	20.7%	20.0%
Europris ASA	EPR-NO	5.6%	5.1%	5.4%	14.5%	12.1%	12.3%	23.0%	16.2%	16.0%	36.8%	26.2%	24.3%
Stockmann Oyj Abp Class B	STCBV-FI	0.0%	0.0%	0.0%	0.3%	3.3%	3.7%	0.1%	1.8%	2.1%	-8.6%	-4.0%	-2.9%
Verkkokauppa.com Oyj	VERK-FI	4.6%	2.6%	2.7%	3.6%	3.8%	4.0%	32.2%	35.2%	35.7%	37.2%	39.1%	37.1%
XXL ASA	XXL-NO	0.0%	1.0%	2.6%	3.5%	4.3%	4.9%	4.6%	5.8%	6.5%	2.8%	6.2%	7.0%
<b>Nordic grocery focused retailers</b>													
Axfood AB	AXFO-SE	3.7%	3.8%	3.8%	4.7%	4.6%	4.6%	22.4%	22.1%	21.2%	43.4%	41.5%	39.6%
ICA Gruppen AB	ICA-SE	3.1%	3.2%	3.2%	4.6%	4.5%	4.5%	9.4%	8.8%	8.4%	11.8%	11.5%	11.2%
Kesko Oyj Class B	KESKOB-FI	3.5%	3.6%	3.8%	5.3%	5.3%	5.3%	12.6%	12.0%	11.8%	19.8%	17.2%	17.0%
<b>International discount retailers</b>													
B&M European Value Retail SA	BME-GB	10.8%	2.2%	2.5%	11.3%	10.0%	10.0%	22.4%	18.9%	19.0%	48.0%	39.2%	40.0%
Big Lots, Inc.	BIG-US	1.8%	1.9%	2.1%	6.4%	4.6%	4.7%	14.3%	9.9%	11.1%	22.5%	12.7%	13.0%
Costco Wholesale Corporation	COST-US	0.8%	0.8%	0.9%	3.3%	3.4%	3.4%	18.0%	21.1%	19.5%	22.4%	27.8%	24.9%
Dollar General Corporation	DG-US	0.7%	0.8%	0.8%	10.7%	9.5%	9.6%	17.7%	15.6%	16.4%	37.0%	31.2%	30.3%
Dollar Tree, Inc.	DLTR-US	0.0%	0.0%	0.0%	7.4%	7.7%	7.9%	11.4%	11.6%	11.4%	18.2%	17.3%	16.7%
Dollarama Inc.	DOL-CA	0.4%	0.4%	0.7%	21.5%	23.3%	22.9%	24.2%	25.9%	29.7%			
Pan Pacific International Holdings Corpora	7532-JP	0.6%	0.6%	0.7%	4.5%	4.8%	5.1%	7.8%	8.2%	8.9%	13.5%	13.3%	13.4%
Five Below, Inc.	FIVE-US	0.0%	0.0%	0.0%	7.3%	11.7%	12.0%	8.4%	14.4%	15.8%	14.0%	22.2%	21.4%
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0.0%	0.0%	0.0%	15.0%	13.4%	13.8%	15.4%	13.2%	14.7%	15.0%	12.7%	14.0%
Target Corporation	TGT-US	1.5%	1.6%	1.6%	7.0%	6.8%	6.9%	19.9%	18.1%	19.0%	32.4%	29.3%	29.3%
Walmart Inc.	WMT-US	1.5%	1.5%	1.6%	4.1%	4.2%	4.2%	14.4%	13.9%	14.5%	18.7%	18.1%	18.7%
<b>Nordic non-grocery peers median</b>		<b>4.9%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>5.6%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>17.8%</b>	<b>13.7%</b>	<b>13.1%</b>	<b>23.8%</b>	<b>17.9%</b>	<b>16.7%</b>
<b>Nordic grocery focused retailers</b>													
<b>Discount retailers median</b>		<b>0.7%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>12.6%</b>	<b>12.0%</b>	<b>11.8%</b>	<b>19.8%</b>	<b>17.2%</b>	<b>17.0%</b>
<b>Tokmanni (Evli est.)</b>		<b>5.2%</b>	<b>4.8%</b>	<b>5.1%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.2%</b>	<b>16.4%</b>	<b>16.0%</b>	<b>17.2%</b>	<b>36.0%</b>	<b>30.9%</b>	<b>29.7%</b>
TOKMANNI PEERS		Cash conversion (FCF/EBITDA)			CAPEX/sales			Net debt/EBITDA			Equity ratio		
<b>Nordic non-grocery focused retailers</b>		20	21	22	20	21	22	20	21	22	20	21	22
Byggmax Group AB		63%	-4%	27%				1.5x	2.1x	2.0x	40%	42%	42%
Clas Ohlson AB Class B		57%	56%	55%	2%	2%	2%	1.1x	0.8x	0.6x	37%	39%	41%
Europris ASA		79%	52%	48%	1%	2%	2%	1.1x	1.1x	0.9x	30%	33%	35%
Stockmann Oyj Abp Class B		55%	-18%	6%	6%	13%	13%	6.0x	5.4x	5.0x	34%	34%	35%
Verkkokauppa.com Oyj		58%	67%	60%	1%	1%	1%	-1.1x	-0.9x	-1.0x	23%	23%	25%
XXL ASA		138%	41%	48%	2%	2%	2%	2.7x	2.2x	1.9x	45%	47%	48%
<b>Nordic grocery focused retailers</b>													
Axfood AB		62%	42%	35%	2%	4%	5%	1.0x	1.0x	1.2x	24%	24%	24%
ICA Gruppen AB		36%	38%	44%	5%	3%	3%	2.1x	2.2x	2.1x	34%	35%	36%
Kesko Oyj Class B		65%	34%	42%	3%	4%	3%	2.2x	2.3x	2.2x	33%	34%	34%
<b>International discount retailers</b>													
B&M European Value Retail SA		55%	43%	48%	2%	2%	2%	1.0x	1.2x	1.2x	23%	29%	32%
Big Lots, Inc.		162%	43%	41%	2%	3%	3%	-0.9x	-1.2x	-0.8x	32%	34%	34%
Costco Wholesale Corporation		56%	56%	56%	2%	2%	2%	-0.6x	-0.7x	-1.0x	34%	32%	34%
Dollar General Corporation		61%	53%	56%	3%	3%	3%	1.4x	1.6x	1.4x	29%	30%	32%
Dollar Tree, Inc.		46%	45%	45%	4%	4%	4%	1.6x	1.3x	0.9x	37%	40%	41%
Dollarama Inc.		52%	58%	30%	4%	3%	2%	1.9x	1.8x	0.5x	10%	19%	24%
Pan Pacific International Holdings Corporation		34%	19%	35%	2%	3%	2%	2.9x	2.6x	2.1x	29%	32%	34%
Five Below, Inc.		-1%	27%	33%	10%	8%	7%	1.0x	0.7x	0.4x	39%	42%	46%
Ollie's Bargain Outlet Holdings Inc		84%	26%	52%	2%	3%	3%	-0.3x	-0.7x	-0.9x	68%	69%	68%
Target Corporation		56%	43%	45%	3%	4%	3%	0.7x	0.9x	0.9x	29%	31%	31%
Walmart Inc.		62%	36%	37%	2%	2%	2%	1.1x	1.0x	0.9x	34%	36%	36%
<b>Nordic non-grocery peers median</b>		<b>61%</b>	<b>47%</b>	<b>48%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>1.3x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>36%</b>	<b>37%</b>	<b>38%</b>
<b>Nordic grocery focused retailers</b>													
<b>Discount retailers median</b>		<b>62%</b>	<b>38%</b>	<b>42%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>2.1x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>33%</b>	<b>34%</b>	<b>34%</b>
<b>Tokmanni (Evli est.)</b>		<b>85%</b>	<b>74%</b>	<b>76%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>2.0x</b>	<b>1.9x</b>	<b>1.7x</b>	<b>28%</b>	<b>31%</b>	<b>34%</b>

Source: Factset, Evli Research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	199.0	286.0	261.7	326.5	1,073.2	225.4	281.0	260.2	322.8	1,089.3	1,127.3	1,165.9
EBITDA	16.3	46.7	40.3	61.5	164.8	23.7	44.7	42.4	54.9	165.7	173.9	181.2
<i>EBITDA margin (%)</i>	<i>8.2</i>	<i>16.3</i>	<i>15.4</i>	<i>18.8</i>	<i>15.4</i>	<i>10.5</i>	<i>15.9</i>	<i>16.3</i>	<i>17.0</i>	<i>15.2</i>	<i>15.4</i>	<i>15.5</i>
EBIT	0.3	30.6	24.0	45.3	100.2	6.9	27.9	25.6	38.1	98.5	103.9	108.2
<i>EBIT margin (%)</i>	<i>0.2</i>	<i>10.7</i>	<i>9.2</i>	<i>13.9</i>	<i>9.3</i>	<i>3.1</i>	<i>9.9</i>	<i>9.8</i>	<i>11.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.3</i>
Net financial items	-2.5	-2.5	-2.5	-2.5	-10.0	-2.7	-2.7	-2.7	-2.7	-10.8	-11.3	-11.9
Pre-tax profit	-2.2	28.1	21.5	42.8	90.2	4.2	25.2	22.9	35.4	87.7	92.5	96.3
Tax	0.6	-5.6	-4.3	-8.4	-17.7	-0.8	-5.0	-4.6	-7.1	-17.5	-18.5	-19.3
<i>Tax rate (%)</i>	<i>27.3</i>	<i>19.9</i>	<i>20.0</i>	<i>19.6</i>	<i>19.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-1.6	22.5	17.2	34.4	72.5	3.4	20.1	18.3	28.3	70.2	74.0	77.1
EPS	-0.03	0.38	0.29	0.58	1.23	0.06	0.34	0.31	0.48	1.19	1.26	1.31
EPS adjusted (diluted no. of shares)	-0.03	0.38	0.29	0.58	1.23	0.06	0.34	0.31	0.48	1.19	1.26	1.31
Dividend per share	0.00	0.00	0.00	0.00	0.85	0.00	0.00	0.00	0.00	0.85	0.89	0.96
<b>SALES, EURm</b>												
Group	199.0	286.0	261.7	326.5	1,073.2	225.4	281.0	260.2	322.8	1,089.3	1,127.3	1,165.9
Total	199.0	286.0	261.7	326.5	1,073.2	225.4	281.0	260.2	322.8	1,089.3	1,127.3	1,165.9
<b>SALES GROWTH, Y/Y %</b>												
Group	<i>5.8</i>	<i>19.2</i>	<i>13.0</i>	<i>14.6</i>	<i>13.7</i>	<i>13.2</i>	<i>-1.7</i>	<i>-0.6</i>	<i>-1.1</i>	<i>1.5</i>	<i>3.5</i>	<i>3.4</i>
Total	<i>5.8</i>	<i>19.2</i>	<i>13.0</i>	<i>14.6</i>	<i>13.7</i>	<i>13.2</i>	<i>-1.7</i>	<i>-0.6</i>	<i>-1.1</i>	<i>1.5</i>	<i>3.5</i>	<i>3.4</i>
<b>EBIT, EURm</b>												
Group	0.3	30.6	24.0	45.3	100.2	6.9	27.9	25.6	38.1	98.5	103.9	108.2
Total	0.3	30.6	24.0	45.3	100.2	6.9	27.9	25.6	38.1	98.5	103.9	108.2
<b>EBIT margin, %</b>												
Group	<i>0.2</i>	<i>10.7</i>	<i>9.2</i>	<i>13.9</i>	<i>9.3</i>	<i>3.1</i>	<i>9.9</i>	<i>9.8</i>	<i>11.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.3</i>
Total	<i>0.2</i>	<i>10.7</i>	<i>9.2</i>	<i>13.9</i>	<i>9.3</i>	<i>3.1</i>	<i>9.9</i>	<i>9.8</i>	<i>11.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.3</i>



INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	775.8	796.5	870.4	944.3	1,073.2	1,089.3	1,127.3	1,165.9
<i>Sales growth (%)</i>	<i>2.7</i>	<i>2.7</i>	<i>9.3</i>	<i>8.5</i>	<i>13.7</i>	<i>1.5</i>	<i>3.5</i>	<i>3.4</i>
EBITDA	62.8	54.9	109.3	131.6	164.8	165.7	173.9	181.2
<i>EBITDA margin (%)</i>	<i>8.1</i>	<i>6.9</i>	<i>12.6</i>	<i>13.9</i>	<i>15.4</i>	<i>15.2</i>	<i>15.4</i>	<i>15.5</i>
Depreciation	-15.1	-14.3	-57.3	-61.2	-64.6	-67.2	-70.0	-73.0
EBITA	47.7	40.6	52.0	70.4	100.2	98.5	103.9	108.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	47.7	40.6	52.0	70.4	100.2	98.5	103.9	108.2
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>5.1</i>	<i>6.0</i>	<i>7.5</i>	<i>9.3</i>	<i>9.0</i>	<i>9.2</i>	<i>9.3</i>
Reported EBIT	49.2	39.8	53.6	69.4	98.9	98.5	103.9	108.2
<i>EBIT margin (reported) (%)</i>	<i>6.3</i>	<i>5.0</i>	<i>6.2</i>	<i>7.4</i>	<i>9.2</i>	<i>9.0</i>	<i>9.2</i>	<i>9.3</i>
Net financials	-15.2	-5.9	-10.6	-10.4	-10.0	-10.8	-11.3	-11.9
Pre-tax profit	32.5	34.7	41.4	60.0	90.2	87.7	92.5	96.3
Taxes	-6.8	-6.6	-8.6	-11.8	-17.7	-17.5	-18.5	-19.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	27.2	27.3	34.4	47.2	71.2	70.2	74.0	77.1
Cash NRIs	1.5	-0.8	1.6	-1.0	-1.3	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	95	94	95	44	44	42	39	38
Goodwill	129	129	135	135	136	136	136	136
Right of use assets	0	0	234	279	279	283	285	283
Inventory	155	170	191	223	226	240	248	256
Receivables	18	22	22	19	21	25	26	27
Liquid funds	58	43	38	29	78	44	45	47
Total assets	459	462	721	731	785	770	781	789
<b>Liabilities</b>								
Shareholder's equity	167	163	167	185	217	238	262	286
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	244	310	311	283	285	283
Deferred taxes	5	5	6	0	0	0	0	0
Interest bearing debt	174	177	173	100	100	82	61	40
Non-interest bearing current liabilities	104	107	123	127	141	153	158	163
Other interest-free debt	10	11	10	10	16	16	16	16
Total liabilities	459	463	721	731	785	770	781	789
<b>CASH FLOW, EURm</b>								
+ EBITDA	63	55	109	132	165	166	174	181
- Net financial items	-15	-6	-11	-10	-10	-11	-11	-12
- Taxes	-4	-8	-7	-12	-18	-18	-19	-19
- Increase in Net Working Capital	15	-13	-5	-24	15	-7	-4	-4
+/- Other	4	0	-42	-1	-1	0	0	0
= Cash flow from operations	63	27	45	84	151	131	140	146
- Capex	-10	-12	-20	-56	-64	-69	-70	-70
- Acquisitions	0	0	-15	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	53	15	10	28	86	62	71	76
+/- New issues/buybacks	91	-1	-6	0	-2	0	0	0
- Paid dividend	0	-30	-24	-29	-36	-50	-50	-53
+/- Other	-135	0	16	-8	1	-46	-19	-22
Change in cash	9	-15	-5	-9	49	-35	2	2

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	427	423	743	955	1,040	1,040	1,040
Net debt (excl. convertibles)	134	379	380	333	321	300	277
Enterprise value	561	801	1,123	1,288	1,361	1,340	1,317
Sales	797	870	944	1,073	1,089	1,127	1,166
EBITDA	55	109	132	165	166	174	181
EBIT	41	52	70	100	99	104	108
Pre-tax	35	41	60	90	88	93	96
Earnings	28	33	48	72	70	74	77
Equity book value (excl. minorities)	163	167	185	217	238	262	286
<b>Valuation multiples</b>							
EV/sales	0.7	0.9	1.2	1.2	1.2	1.2	1.1
EV/EBITDA	10.2	7.3	8.5	7.8	8.2	7.7	7.3
EV/EBITA	13.8	15.4	16.0	12.9	13.8	12.9	12.2
EV/EBIT	13.8	15.4	16.0	12.9	13.8	12.9	12.2
EV/OCF	20.7	17.8	13.3	8.6	10.4	9.6	9.0
EV/FCFF	24.4	24.1	8.8	9.2	11.1	10.1	9.5
P/FCFE	27.7	41.8	26.3	11.1	16.8	14.7	13.7
P/E	15.2	12.9	15.4	13.2	14.8	14.0	13.5
P/B	2.6	2.5	4.0	4.4	4.4	4.0	3.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.0	8.5	8.0
Target EV/EBIT	0.0	0.0	0.0	0.0	15.2	14.2	13.4
Target EV/FCF	0.0	0.0	0.0	0.0	24.2	20.9	19.1
Target P/B	0.0	0.0	0.0	0.0	4.9	4.5	4.1
Target P/E	0.0	0.0	0.0	0.0	16.7	15.9	15.2
<b>Per share measures</b>							
Number of shares	58,869	58,869	58,869	58,825	58,760	58,760	58,760
Number of shares (diluted)	58,869	58,869	58,869	58,825	58,760	58,760	58,760
EPS	0.48	0.56	0.82	1.23	1.19	1.26	1.31
Operating cash flow per share	0.46	0.76	1.43	2.56	2.23	2.38	2.49
Free cash flow per share	0.26	0.17	0.48	1.46	1.05	1.20	1.29
Book value per share	2.77	2.83	3.14	3.69	4.04	4.45	4.87
Dividend per share	0.41	0.50	0.62	0.85	0.85	0.89	0.96
Dividend payout ratio, %	86.0	89.7	75.8	69.0	71.0	71.0	73.0
Dividend yield, %	5.7	7.0	4.9	4.8	4.8	5.1	5.4
FCF yield, %	3.6	2.4	3.8	9.0	5.9	6.8	7.3
<b>Efficiency measures</b>							
ROE	17.0	19.9	27.4	36.0	30.9	29.7	28.1
ROCE	12.1	11.3	12.0	16.4	16.0	17.2	17.8
<b>Financial ratios</b>							
Inventories as % of sales	21.4	21.9	23.6	21.0	22.0	22.0	22.0
Receivables as % of sales	2.8	2.5	2.0	1.9	2.3	2.3	2.3
Non-interest bearing liabilities as % of sales	13.5	14.1	13.4	13.1	14.0	14.0	14.0
NWC/sales, %	10.3	10.0	11.7	8.9	9.4	9.4	9.5
Operative CAPEX/sales, %	1.5	2.3	5.9	6.0	6.3	6.2	6.0
CAPEX/sales (incl. acquisitions), %	1.5	0.6	5.9	6.0	6.3	6.2	6.0
FCFF/EBITDA	0.4	0.3	1.0	0.9	0.7	0.8	0.8
Net debt/EBITDA, book-weighted	2.4	3.5	2.9	2.0	1.9	1.7	1.5
Debt/equity, market-weighted	0.4	0.4	0.1	0.1	0.1	0.1	0.0
Equity ratio, book-weighted	35.2	23.1	25.3	27.7	30.8	33.5	36.3
Gearing, %	82.3	227.0	205.8	153.1	135.1	114.7	96.7

**COMPANY DESCRIPTION:** Tokmanni is the largest and only nationwide general discount retail chain in Finland with approximately 190 stores across the country. The company operates under one brand and has a wide range of low-priced products for example for home renovation and cleaning, dressing and leisure, as well as interior decoration and gardening. Tokmanni offers a selection of international brands, the company's own private label products and non-branded products.

**INVESTMENT CASE:** Based on a healthy demand for Tokmanni's value proposition in the Finnish market, Tokmanni's growth is based on store network expansion and like-for-like growth, resulting in faster than market growth. Profitability drivers include increasing share of private labels, improved sourcing, and cost efficiency improvements.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takoa Invest	10,544,688	186.641	17.9%
Keskinäinen työeläkevakuutusyhtiö Varma	2,810,526	49.746	4.8%
Keskinäinen työeläkevakuutusyhtiö Elo	2,294,354	40.610	3.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,732,534	30.666	2.9%
OP-Suomi Arvo -sijoitusrahasto	1,198,437	21.212	2.0%
Eläkevakuutusosakeyhtiö Veritas	690,000	12.213	1.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	621,000	10.992	1.1%
Säästöpankki Kotimaa-sijoitusrahasto	611,527	10.824	1.0%
Nordea Fennia Fund	509,178	9.012	0.9%
Kirkon Eläkerahasto	451,531	7.992	0.8%
Ten largest	21,463,775	379.909	37%
Residual	37,296,226	660.143	63%
Total	58,760,001	1,040.052	100%

EARNINGS CALENDAR	
April 29, 2021	Q1 report
July 29, 2021	Q2 report
October 29, 2021	Q3 report

COMPANY MISCELLANEOUS	
CEO: Mika Rautiainen	
CFO: Markku Pirskanen	Tel: +358 300 472 220
IR: Maarit Mikkonen	

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

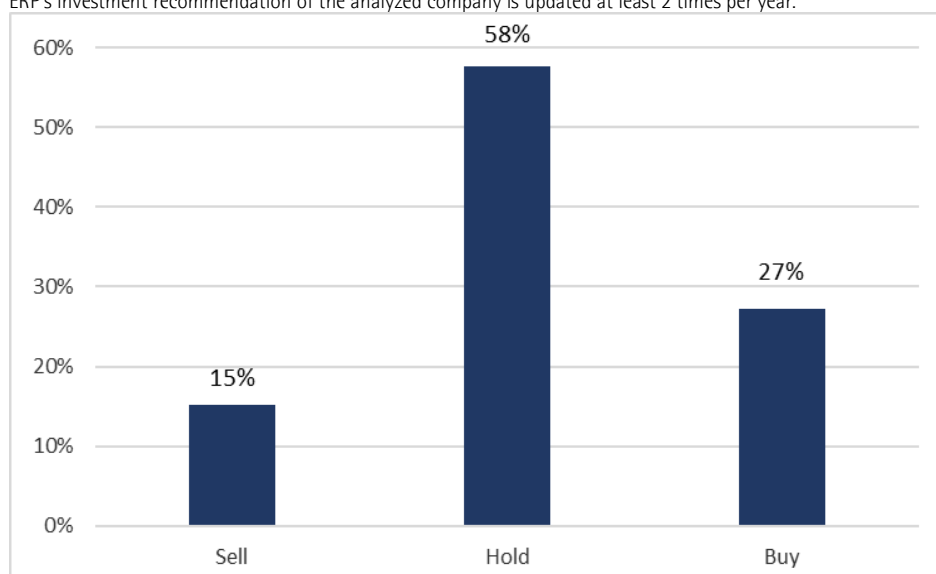
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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## Name(s) of the analyst(s): Rissanen

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