

Positive surprise with Q2 sales

Tokmanni's Q2'20 sales increased by 19.1% y/y to EUR 286m which is a positive surprise after the company withdrew its guidance in March due to the COVID-19. Tokmanni will report its Q2 result on 29th of July. We keep our rating "BUY" with TP of EUR 16.4 (13.5).

Q2 sales increased by 19.1% y/y

Tokmanni published its Q2 sales beforehand (Q2 result will be published on 29th of July) as its April-June sales increased by 19.1% y/y (EUR 286m). The exceptional jump in sales came as a surprise as the company withdrew its guidance in March, due to the coronavirus situation and the consensus expectation indicated decrease in sales. According to the company, the customer numbers decreased towards the end of March but have since recovered. LFL growth was 17.4% y/y and online sales accounted for 1.4% of sales. Our previous Q2E sales expectation was EUR 191m. Tokmanni expects comparable gross margin in Q2E to decrease by ~1ppt y/y, resulting from the active measures to increase sales and the structure of sales.

Restrictions impacting positively on consumer behavior

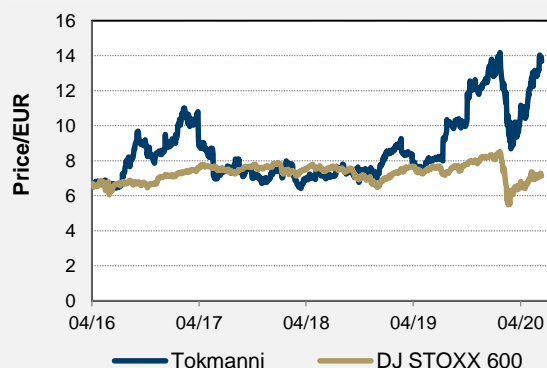
Due to the movement restrictions caused by the COVID-19, Finns have spent more time at home and at their summer cottages and domestic tourism has become more popular. Therefore, the demand of leisure, gardening and home improvement products has strongly increased. Also, the demand of food products has been strong during Q2. On the other hand, clothing sales decreased y/y. We don't expect a significant increase in customer numbers during the quarter but rather in the average basket size. We expect that Tokmanni's cost base has remained stable despite of the increase in sales, resulting in improved profitability. We expect Q2'20E adj. gross margin of 34.1% and adj. EBIT of EUR 30.9m.

"BUY" with TP of EUR 16.4 (13.5)

As result of the latest information, we return back to our view prior the COVID-19 and expect Tokmanni to reach sales of over EUR 1bn in 20E. We expect 20E sales of EUR 1026m and adj. EBIT of EUR 90m. As the significant increase in Q2'20 revenue was exceptional, we expect normalized sales during H2'20E and sales to remain in the same level also in 21E. Our view of Tokmanni's 21E-22E hasn't changed. On our estimates, Tokmanni trades at 20E-21E EV/EBIT multiple of 13.0x and 13.1x, which translates into 25-31% discount compared to the international discount peers. We keep our rating "BUY" with TP of EUR 16.4 (13.5).

Rating

BUY



Share price, EUR (Last trading day's closing price) 13.66

Target price, EUR 16.4

Latest change in rating 31-Oct-19

Latest report on company 30-Apr-20

Research paid by issuer: YES

No. of shares outstanding, '000's 58,869

No. of shares fully diluted, '000's 58,869

Market cap, EURm 804

Free float, % 78.8

Exchange rate 1.000

Reuters code TOKMAN.HE

Bloomberg code TOKMAN FH

Average daily volume, EURm na.

Next interim report 29-Jul-20

Web site ir.tokmanni.fi/en/investors

Analyst Anna-Liisa Rissanen

E-mail annaliisa.rissanen@evli.com

Telephone +358401579919

BUY **HOLD** **SELL**

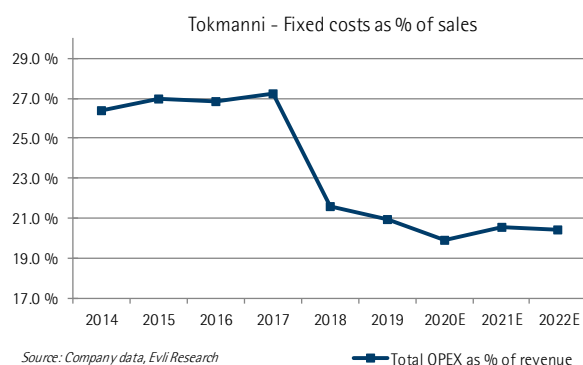
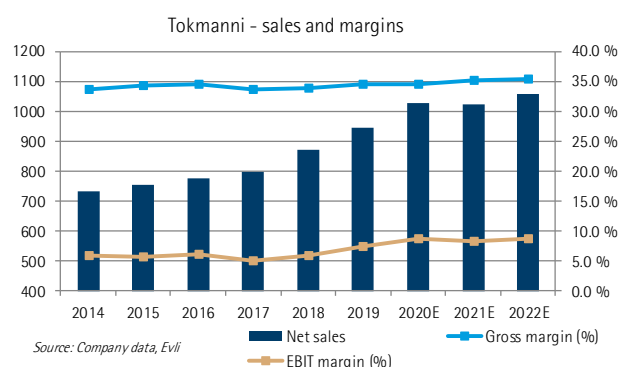
KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	870.4	52.0	6.0%	10.1	0.56	12.9	0.9	15.4	2.4	0.50
2019	944.3	70.4	7.5%	28.3	0.82	15.4	1.2	16.0	3.8	0.62
2020E	1,025.9	90.1	8.8%	53.3	1.08	12.7	1.1	13.0	6.6	0.75
2021E	1,029.3	87.0	8.4%	69.1	1.02	13.3	1.1	13.1	8.6	0.72
2022E	1,057.6	92.7	8.8%	61.3	1.09	12.5	1.1	12.1	7.6	0.77
Market cap, EURm		804	Gearing 2020E, %			172.3	CAGR EPS 2019-22, %			10.2
Net debt 2020E, EURm		363	Price/book 2020E			3.8	CAGR sales 2019-22, %			3.9
Enterprise value, EURm		1,168	Dividend yield 2020E, %			5.5	ROE 2020E, %			32.0
Total assets 2020E, EURm		769	Tax rate 2020E, %			19.8	ROCE 2020E, %			14.9
Goodwill 2020E, EURm		135	Equity ratio 2020E, %			27.4	PEG, P/E 20/CAGR			5.9

Estimates

Tokmanni	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	712.8	734.3	755.3	775.8	796.5	870.5	944.3	1025.9	1029.3	1057.6
<i>Growth-%</i>	3.3 %	3.0 %	2.9 %	2.7 %	2.7 %	9.3 %	8.5 %	8.6 %	0.3 %	2.8 %
Materials and services (adj.)	-474.6	-486.8	-497.2	-507.9	-528.4	-575.2	-619.1	-671.5	-668.1	-683.5
<i>Growth-%</i>	-	2.6 %	2.1 %	2.2 %	4.0 %	8.9 %	7.6 %	8.5 %	-0.5 %	2.3 %
<i>% of sales</i>	66.6 %	66.3 %	65.8 %	65.5 %	66.3 %	66.1 %	65.6 %	65.5 %	64.9 %	64.6 %
Gross profit (adj.)	238.2	247.5	258.1	267.9	268.1	295.0	325.2	354.4	361.2	374.2
<i>Gross margin (%)</i>	33.4 %	33.7 %	34.2 %	34.5 %	33.7 %	33.9 %	34.4 %	34.5 %	35.1 %	35.4 %
Fixed costs (adj.)	-185.1	-193.9	-203.7	-208.5	-217.0	-189.5	-197.9	-204.5	-210.7	-216.4
<i>Growth-%</i>	-	4.8 %	5.0 %	2.4 %	4.1 %	-12.7 %	4.4 %	3.3 %	3.1 %	2.7 %
<i>% of sales</i>	26.0 %	26.4 %	27.0 %	26.9 %	27.2 %	21.8 %	21.0 %	19.9 %	20.5 %	20.5 %
Other income	3.5	3.6	4.0	3.4	3.8	4.1	4.3	4.3	4.3	4.3
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
Depreciation and amortization	-12.6	-13.5	-14.8	-15.2	-14.3	-57.5	-61.2	-64.1	-67.8	-69.4
EBITDA (adj.)	56.7	57.1	58.4	62.8	54.9	109.5	131.6	154.2	154.8	162.0
<i>EBITDA margin (%)</i>	8.0 %	7.8 %	7.7 %	8.1 %	6.9 %	12.6 %	13.9 %	15.0 %	15.0 %	15.3 %
EBIT (adj.)	44.1	43.6	43.6	47.7	40.6	52.0	70.4	90.1	87.0	92.7
<i>EBIT margin (%)</i>	6.2 %	5.9 %	5.8 %	6.1 %	5.1 %	6.0 %	7.5 %	8.8 %	8.4 %	8.8 %
NRIs in reported gross profit	0.0	1.1	-0.6	0.5	-0.9	0.2	-0.1	0.4	0.0	0.0
NRIs in reported fixed costs	-1.1	-1.8	-4.0	1.0	-0.8	1.4	-1.0	-1.0	0.0	0.0
EBIT (reported)	43.0	43.0	39.0	49.2	38.9	53.6	69.4	89.5	87.0	92.7
<i>EBIT margin (%)</i>	6.0 %	5.9 %	5.2 %	6.3 %	4.9 %	6.2 %	7.3 %	8.7 %	8.4 %	8.8 %
Net financials	-23.0	-22.2	-20.9	-15.3	-5.9	-10.5	-10.4	-11.2	-11.6	-12.2
Profit before taxes (reported)	20.1	20.8	18.1	33.9	33.0	43.1	59.0	78.3	75.4	80.5
Taxes	-4.8	-4.2	-3.4	-6.8	-6.6	-8.9	-11.8	-15.6	-15.1	-16.1
<i>Tax rate (%)</i>	23.9 %	20.1 %	18.8 %	20.1 %	20.0 %	20.7 %	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
Net income (reported)	15.3	16.6	14.7	27.1	26.4	34.1	47.2	62.7	60.3	64.4
Average number of shares (million)	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9
EPS (reported)	0.26	0.28	0.25	0.46	0.45	0.58	0.80	1.07	1.02	1.09
Dividend and capital return	-	-	-	0.51	0.41	0.50	0.62	0.75	0.72	0.77
<i>Payout ratio (%)</i>				111 %	92 %	86 %	77 %	70 %	70 %	70 %

Source: Tokmanni, Evli Research



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
Nordic non-grocery focused retailers													
Bygghem Group AB	2868	5.3x	6.6x	6.2x	10.2x	16.9x	15.8x	7.3x	12.3x	14.2x	7.7x	13.5x	12.8x
Clas Ohlson AB Class B	6669	6.1x	6.0x	5.6x	12.2x	12.0x	11.0x	12.6x	13.5x	9.4x	13.6x	13.6x	13.0x
Europris ASA	8208	7.8x	8.0x	7.5x	12.6x	13.7x	12.5x	17.6x	17.5x	16.7x	14.4x	15.8x	14.4x
Stockmann Oyj Abp Class B	67	9.6x	7.1x	7.2x		36.2x	29.7x						
Verkkokauppa.com Oyj	230	11.4x	10.4x	9.4x	15.4x	13.9x	12.3x	21.2x	17.0x	15.3x	23.4x	21.2x	18.7x
XXL ASA	5660	13.5x	9.0x	8.3x	2 681.0x	29.3x	24.3x	18.7x	13.0x	11.1x		37.7x	29.4x
Nordic grocery focused retailers													
Axfood AB	42069	10.1x	10.0x	10.0x	19.8x	19.6x	19.6x	17.6x	23.5x	29.7x	23.9x	23.4x	23.0x
ICA Gruppen AB	89450	10.3x	10.2x	10.0x	20.0x	20.1x	19.7x	30.3x	26.0x	24.6x	21.6x	21.7x	21.2x
Kesko Oyj Class B	6320	9.8x	9.4x	9.1x	20.9x	19.2x	18.2x	22.3x	25.1x	21.0x	22.5x	20.9x	19.8x
International discount retailers													
B&M European Value Retail SA	4317	7.6x	7.6x	7.1x	12.7x	12.5x	11.6x	20.5x	20.7x	21.4x	16.4x	16.3x	14.7x
Big Lots, Inc.	1607	2.3x	2.8x	2.5x	3.2x	4.5x	4.1x	1.3x	7.3x		6.4x	8.3x	10.5x
Costco Wholesale Corporation	143734	20.6x	18.7x	17.1x	27.4x	24.9x	22.4x	47.8x	40.0x	23.4x	38.3x	35.2x	32.0x
Dollar General Corporation	47762	14.7x	15.0x	13.8x	17.6x	18.1x	16.4x	28.7x	30.4x	26.9x	21.5x	21.4x	19.0x
Dollar Tree, Inc.	21668	10.7x	9.7x	9.1x	15.0x	13.4x	12.4x	25.2x	21.3x	24.9x	18.1x	16.3x	14.8x
Dollarama Inc.	14264	15.1x	12.8x		19.7x	16.4x		26.8x	22.5x		26.4x	20.8x	17.5x
Pan Pacific International Holdings Corporati	1589694	19.6x	17.9x	16.0x	26.5x	23.8x	20.7x	42.1x	49.9x	41.6x	33.7x	29.8x	26.0x
Five Below, Inc.	5602	33.3x	17.5x	14.1x	52.8x	22.9x	18.0x	408.8x	321.0x	39.9x	64.6x	27.6x	22.2x
Ollie's Bargain Outlet Holdings Inc	6595	29.0x	24.0x	21.3x	32.7x	26.9x	23.4x	119.8x	61.8x	37.6x	43.2x	36.2x	31.5x
Target Corporation	58952	11.2x	9.6x	9.3x	18.8x	14.6x	13.8x	28.0x	27.2x	17.5x	23.8x	17.5x	15.8x
Walmart Inc.	361782	12.3x	11.8x	11.4x	18.6x	17.5x	16.9x	25.0x	25.3x	23.2x	25.5x	23.5x	22.0x
Nordic non-grocery peers median	6320	8.7x	7.5x	7.3x	12.6x	15.4x	14.1x	17.6x	13.5x	14.2x	14.0x	15.8x	14.4x
Nordic grocery focused retailers		10.1x	10.0x	10.0x	20.0x	19.6x	19.6x	22.3x	25.1x	24.6x	22.5x	21.7x	21.2x
Discount retailers median	17966	13.5x	12.3x	11.4x	18.8x	17.5x	16.7x	28.0x	27.2x	24.9x	25.5x	21.4x	19.0x
Tokmanni (Evli est.)	804	7.6x	7.4x	6.9x	13.0x	13.1x	12.1x	9.8x	8.8x	9.1x	12.7x	13.3x	12.5x
<i>Tokmanni premium vs. Nordic non-grocery focused peers</i>		-13 %	-2 %	-5 %	3 %	-15 %	-14 %	-44 %	-35 %	-36 %	-9 %	-15 %	-13 %
<i>Tokmanni premium vs. Nordic grocery focused peers</i>		-25 %	-27 %	-31 %	-35 %	-33 %	-38 %	-56 %	-65 %	-63 %	-44 %	-38 %	-41 %
<i>Tokmanni premium vs. int. discount peers</i>		-44 %	-40 %	-39 %	-31 %	-25 %	-27 %	-65 %	-68 %	-63 %	-50 %	-38 %	-34 %
TOKMANNI PEERS	Ticker	Dividend yield			EBIT margin			ROCE-%			ROE-%		
Nordic non-grocery focused retailers													
Bygghem Group AB	BMAX-SE	7.4%	3.3%	3.6%	7.6%	5.0%	5.0%	13.0%	7.7%	7.8%	20.2%	11.6%	11.6%
Clas Ohlson AB Class B	CLASB-SE	6.0%	5.9%	6.0%	8.1%	7.9%	8.2%	17.1%	17.1%	18.3%	23.6%	22.5%	19.8%
Europris ASA	EPR-NO	4.3%	4.4%	4.8%	12.1%	11.0%	11.5%	15.6%	13.5%	13.9%	25.6%	21.5%	21.5%
Stockmann Oyj Abp Class B	STCBV-FI	0.0%	0.0%	0.0%	-1.7%	3.5%	4.4%	-0.8%	1.9%	2.5%	-10.9%	-4.8%	-4.4%
Verkkokauppa.com Oyj	VERK-FI	4.3%	4.5%	4.8%	2.6%	2.8%	3.1%	23.4%	25.4%	27.6%	27.1%	29.0%	31.2%
XXL ASA	XXL-NO	0.0%	0.0%	0.7%	0.0%	3.1%	3.6%	0.0%	4.3%	5.0%	-2.8%	3.4%	4.2%
Nordic grocery focused retailers													
Axfood AB	AXFO-SE	3.6%	3.6%	3.7%	4.5%	4.4%	4.4%	21.6%	21.3%	20.5%	45.9%	45.2%	44.0%
ICA Gruppen AB	ICA-SE	2.7%	2.8%	2.8%	4.5%	4.5%	4.4%	9.1%	8.9%	8.4%	11.7%	11.2%	10.9%
Kesko Oyj Class B	KESKOB-FI	3.9%	4.1%	4.2%	4.1%	4.4%	4.5%	9.0%	9.6%	9.8%	14.4%	14.9%	15.0%
International discount retailers													
B&M European Value Retail SA	BME-GB	2.2%	2.3%	2.6%	9.0%	8.5%	8.6%	14.1%	13.9%	15.0%	33.4%	28.6%	32.5%
Big Lots, Inc.	BIG-US	2.9%	3.0%	3.3%	6.0%	4.2%	4.0%	15.5%	10.5%		19.6%	15.2%	7.9%
Costco Wholesale Corporation	COST-US	0.8%	0.8%	0.8%	3.1%	3.2%	3.3%	18.5%	18.6%	17.7%	21.1%	20.2%	19.1%
Dollar General Corporation	DG-US	0.7%	0.8%	0.8%	9.3%	8.9%	9.1%	14.6%	15.1%	14.7%	27.1%	24.6%	24.4%
Dollar Tree, Inc.	DLTR-US	0.0%	0.0%	0.0%	6.8%	7.2%	7.4%	10.4%	10.7%	10.3%	16.3%	15.9%	14.8%
Dollarama Inc.	DOLA-CA	0.4%	0.4%		21.5%	23.5%		23.0%	24.9%				
Pan Pacific International Holdings Corporati	7532-JP	0.4%	0.5%	0.5%	4.3%	4.6%	4.9%	7.2%	7.6%	8.3%	12.6%	12.7%	12.9%
Five Below, Inc.	FIVE-US	0.0%	0.0%	0.0%	6.2%	11.1%	11.6%	7.0%	13.8%		11.8%	21.9%	21.3%
Ollie's Bargain Outlet Holdings Inc	OLLI-US	0.0%	0.0%	0.0%	12.7%	13.3%	13.3%	12.8%	14.2%		12.9%	14.2%	14.5%
Target Corporation	TGT-US	2.3%	2.5%	2.6%	4.4%	5.6%	5.8%	12.1%	15.4%	16.2%	20.3%	26.8%	28.0%
Walmart Inc.	WMT-US	1.6%	1.7%	1.9%	4.0%	4.1%	4.2%	11.4%	11.9%	15.7%	18.4%	19.2%	20.3%
Nordic non-grocery peers median		4.3%	3.9%	4.2%	5.1%	4.2%	4.7%	14.3%	10.6%	10.9%	21.9%	16.6%	15.7%
Nordic grocery focused retailers		3.6%	3.6%	3.7%	4.5%	4.4%	4.4%	9.1%	9.6%	9.8%	14.4%	14.9%	15.0%
Discount retailers median		0.6%	0.6%	0.8%	6.1%	6.4%	5.8%	12.8%	13.9%	15.0%	19.0%	19.7%	19.7%
Tokmanni (Evli est.)		5.5%	5.2%	5.6%	8.8%	8.4%	8.8%	14.9%	14.2%	15.2%	32.0%	27.5%	27.1%
TOKMANNI PEERS		Cash conversion (FCF/EBITDA)			CAPEX/sales			Net debt/EBITDA			Equity ratio		
Nordic non-grocery focused retailers													
Bygghem Group AB		72 %	53 %	44 %	2%	2%	2%	2.3x	2.8x	2.6x	33%	33%	34%
Clas Ohlson AB Class B		49 %	44 %	60 %	4%	4%	2%	1.2x	1.0x	0.7x	35%	36%	43%
Europris ASA		44 %	46 %	45 %	3%	3%	3%	1.8x	1.7x	1.5x	30%	31%	32%
Stockmann Oyj Abp Class B		-47 %	-7 %	-4 %	5%	4%	4%	8.9x	6.6x	6.7x	33%	32%	31%
Verkkokauppa.com Oyj		54 %	61 %	61 %	1%	1%	1%	-1.0x	-1.0x	-1.0x	22%	23%	23%
XXL ASA		72 %	69 %	75 %	2%	2%	2%	5.6x	3.6x	3.2x	41%	43%	45%
Nordic grocery focused retailers													
Axfood AB		57 %	43 %	34 %	2%	4%	4%	1.1x	1.2x	1.3x	22%	22%	22%
ICA Gruppen AB		34 %	39 %	41 %	4%	4%	4%	2.2x	2.2x	2.1x	34%	35%	36%
Kesko Oyj Class B		44 %	37 %	43 %	3%	4%	3%	3.1x	3.0x	2.9x	30%	30%	31%
International discount retailers													
B&M European Value Retail SA		37 %	37 %	33 %	2%	2%	2%	0.8x	0.7x	0.7x	28%	30%	32%
Big Lots, Inc.		175 %	39 %	na.	2%	3%	3%	-1.0x	-1.4x	-1.9x	34%	35%	
Costco Wholesale Corporation		43 %	47 %	73 %	2%	2%	2%	-0.4x	-0.6x	-0.7x	36%	39%	44%
Dollar General Corporation		51 %	50 %	51 %	3%	3%	3%	1.4x	1.5x	1.3x	32%	36%	35%
Dollar Tree, Inc.		42 %	46 %	36 %	4%	4%	4%	1.6x	1.3x	1.1x	37%	40%	41%
Dollarama Inc.		56 %	57 %	na.	3%	3%		2.0x	1.6x		7%	16%	
Pan Pacific International Holdings Corporation		47 %	36 %	38 %	3%	3%	2%	3.3x	2.8x	2.3x	28%	30%	32%
Five Below, Inc.		8 %	5 %	35 %	10%	9%	7%	2.2x	1.4x	1.1x	37%	41%	
Ollie's Bargain Outlet Holdings Inc		24 %	39 %	57 %	2%	2%		0.2x	-0.2x	-0.4x	68%	69%	
Target Corporation		40 %	35 %	53 %	4%	4%	3%	1.5x	1.4x	1.4x	27%	28%	28%
Walmart Inc.		49 %	46 %	49 %	2%	2%	2%	1.3x	1.2x	1.2x	29%	30%	34%
Nordic non-grocery peers median		51 %	50 %	52 %	3%	3%	2%	2.0x	2.2x	2.0x	33%	32%	33%
Nordic grocery focused retailers		44 %	39 %	41 %	3%	4%	4%	2.2x	2.2x	2.1x	30%	30%	31%
Discount retailers median		43 %	39 %	44 %	2%	3%	3%	1.4x	1.3x	1.1x	32%	35%	34%
Tokmanni (Evli est.)		77 %	84 %	76 %	7%	7%	7%	2.4x	2.2x	2.0x	27%	30%	32%

Source: Factset, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	188.1	239.9	231.5	284.8	944.3	199.0	285.8	243.8	297.3	1,025.9	1,029.3	1,057.6
EBITDA	12.8	34.0	37.2	47.6	131.6	16.3	46.9	39.9	51.2	154.2	154.9	162.0
<i>EBITDA margin (%)</i>	<i>6.8</i>	<i>14.2</i>	<i>16.1</i>	<i>16.7</i>	<i>13.9</i>	<i>8.2</i>	<i>16.4</i>	<i>16.4</i>	<i>17.2</i>	<i>15.0</i>	<i>15.0</i>	<i>15.3</i>
EBIT	-2.2	18.7	21.9	32.0	70.4	0.3	30.9	23.9	35.1	90.1	87.0	92.7
<i>EBIT margin (%)</i>	<i>-1.2</i>	<i>7.8</i>	<i>9.5</i>	<i>11.2</i>	<i>7.5</i>	<i>0.2</i>	<i>10.8</i>	<i>9.8</i>	<i>11.8</i>	<i>8.8</i>	<i>8.4</i>	<i>8.8</i>
Net financial items	-2.6	-2.6	-2.6	-2.6	-10.4	-2.5	-2.9	-2.9	-2.9	-11.2	-11.6	-12.2
Pre-tax profit	-4.8	16.1	19.3	29.4	60.0	-2.2	28.0	21.0	32.2	78.9	75.4	80.5
Tax	1.0	-3.1	-4.0	-5.7	-11.8	0.6	-5.6	-4.2	-6.4	-15.6	-15.1	-16.1
<i>Tax rate (%)</i>	<i>20.8</i>	<i>19.3</i>	<i>20.7</i>	<i>19.4</i>	<i>19.7</i>	<i>27.3</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>19.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-3.8	13.0	15.3	23.7	48.2	-1.6	22.4	16.8	25.7	63.3	60.3	64.4
EPS	-0.06	0.22	0.26	0.40	0.82	-0.03	0.38	0.29	0.44	1.08	1.02	1.09
EPS adjusted (diluted no. of shares)	-0.06	0.22	0.26	0.40	0.82	-0.03	0.38	0.29	0.44	1.08	1.02	1.09
Dividend per share	0.00	0.00	0.00	0.00	0.62	0.00	0.00	0.00	0.00	0.75	0.72	0.77
SALES, EURm												
Group	188.1	239.9	231.5	284.8	944.3	199.0	285.8	243.8	297.3	1,025.9	1,029.3	1,057.6
Total	188.1	239.9	231.5	284.8	944.3	199.0	285.8	243.8	297.3	1,025.9	1,029.3	1,057.6
SALES GROWTH, Y/Y %												
Group	<i>8.3</i>	<i>10.2</i>	<i>9.9</i>	<i>6.1</i>	<i>8.5</i>	<i>5.8</i>	<i>19.1</i>	<i>5.3</i>	<i>4.4</i>	<i>8.6</i>	<i>0.3</i>	<i>2.8</i>
Total	<i>8.3</i>	<i>10.2</i>	<i>9.9</i>	<i>6.1</i>	<i>8.5</i>	<i>5.8</i>	<i>19.1</i>	<i>5.3</i>	<i>4.4</i>	<i>8.6</i>	<i>0.3</i>	<i>2.8</i>
EBIT, EURm												
Group	-2.2	18.7	21.9	32.0	70.4	0.3	30.9	23.9	35.1	90.1	87.0	92.7
Total	-2.2	18.7	21.9	32.0	70.4	0.3	30.9	23.9	35.1	90.1	87.0	92.7
EBIT margin, %												
Group	<i>-1.2</i>	<i>7.8</i>	<i>9.5</i>	<i>11.2</i>	<i>7.5</i>	<i>0.2</i>	<i>10.8</i>	<i>9.8</i>	<i>11.8</i>	<i>8.8</i>	<i>8.4</i>	<i>8.8</i>
Total	<i>-1.2</i>	<i>7.8</i>	<i>9.5</i>	<i>11.2</i>	<i>7.5</i>	<i>0.2</i>	<i>10.8</i>	<i>9.8</i>	<i>11.8</i>	<i>8.8</i>	<i>8.4</i>	<i>8.8</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	755.3	775.8	796.5	870.4	944.3	1,025.9	1,029.3	1,057.6
<i>Sales growth (%)</i>	<i>2.9</i>	<i>2.7</i>	<i>2.7</i>	<i>9.3</i>	<i>8.5</i>	<i>8.6</i>	<i>0.3</i>	<i>2.8</i>
EBITDA	58.4	62.8	54.9	109.3	131.6	154.2	154.9	162.0
<i>EBITDA margin (%)</i>	<i>7.7</i>	<i>8.1</i>	<i>6.9</i>	<i>12.6</i>	<i>13.9</i>	<i>15.0</i>	<i>15.0</i>	<i>15.3</i>
Depreciation	-14.8	-15.1	-14.3	-57.3	-61.2	-64.1	-67.9	-69.4
EBITA	43.6	47.7	40.6	52.0	70.4	90.1	87.0	92.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	43.6	47.7	40.6	52.0	70.4	90.1	87.0	92.7
<i>EBIT margin (%)</i>	<i>5.8</i>	<i>6.1</i>	<i>5.1</i>	<i>6.0</i>	<i>7.5</i>	<i>8.8</i>	<i>8.4</i>	<i>8.8</i>
Reported EBIT	39.0	49.2	39.8	53.6	69.4	89.5	87.0	92.7
<i>EBIT margin (reported) (%)</i>	<i>5.2</i>	<i>6.3</i>	<i>5.0</i>	<i>6.2</i>	<i>7.4</i>	<i>8.7</i>	<i>8.4</i>	<i>8.8</i>
Net financials	-20.9	-15.2	-5.9	-10.6	-10.4	-11.2	-11.6	-12.2
Pre-tax profit	22.7	32.5	34.7	41.4	60.0	78.9	75.4	80.5
Taxes	-3.4	-6.8	-6.6	-8.6	-11.8	-15.6	-15.1	-16.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	14.7	27.2	27.3	34.4	47.2	62.7	60.3	64.4
Cash NRIs	-4.6	1.5	-0.8	1.6	-1.0	-0.6	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	97	95	94	95	44	42	41	40
Goodwill	129	129	129	135	135	135	135	135
Right of use assets	0	0	0	234	279	289	291	292
Inventory	160	155	170	191	223	236	226	233
Receivables	16	18	22	22	19	24	24	25
Liquid funds	49	58	43	38	29	41	41	42
Total assets	455	459	462	721	731	769	761	769
Liabilities								
Shareholder's equity	48	167	163	167	185	211	227	249
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	244	310	289	291	292
Deferred taxes	6	5	5	6	0	0	0	0
Interest bearing debt	294	174	177	173	100	116	89	70
Non-interest bearing current liabilities	91	104	107	123	127	144	144	148
Other interest-free debt	16	10	11	10	10	10	10	10
Total liabilities	455	459	463	721	731	769	761	769
CASH FLOW, EURm								
+ EBITDA	58	63	55	109	132	154	155	162
- Net financial items	-21	-15	-6	-11	-10	-11	-12	-12
- Taxes	-3	-4	-8	-7	-12	-16	-15	-16
- Increase in Net Working Capital	-3	15	-13	-5	-24	-2	10	-3
+/- Other	-5	4	0	-42	-1	-1	0	0
= Cash flow from operations	27	63	27	45	84	125	138	131
- Capex	-18	-10	-12	-20	-56	-71	-69	-70
- Acquisitions	0	0	0	-15	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	8	53	15	10	28	53	69	61
+/- New issues/buybacks	0	91	-1	-6	0	0	0	0
- Paid dividend	0	0	-30	-24	-29	-36	-44	-42
+/- Other	-12	-135	0	16	-8	-5	-25	-18
Change in cash	-4	9	-15	-5	-9	12	0	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	500	427	423	743	804	804	804
Net debt (excl. convertibles)	116	134	379	380	363	339	319
Enterprise value	616	561	801	1,123	1,168	1,143	1,124
Sales	776	797	870	944	1,026	1,029	1,058
EBITDA	63	55	109	132	154	155	162
EBIT	48	41	52	70	90	87	93
Pre-tax	33	35	41	60	79	75	80
Earnings	26	28	33	48	63	60	64
Equity book value (excl. minorities)	167	163	167	185	211	227	249
Valuation multiples							
EV/sales	0.8	0.7	0.9	1.2	1.1	1.1	1.1
EV/EBITDA	9.8	10.2	7.3	8.5	7.6	7.4	6.9
EV/EBITA	12.9	13.8	15.4	16.0	13.0	13.1	12.1
EV/EBIT	12.9	13.8	15.4	16.0	13.0	13.1	12.1
EV/OCF	9.9	20.7	17.8	13.3	9.4	8.3	8.6
EV/FCFF	9.3	24.4	24.1	8.8	9.8	8.8	9.1
P/FCFE	9.5	27.7	41.8	26.3	15.1	11.6	13.1
P/E	19.5	15.2	12.9	15.4	12.7	13.3	12.5
P/B	3.0	2.6	2.5	4.0	3.8	3.5	3.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.6	8.4	7.9
Target EV/EBIT	0.0	0.0	0.0	0.0	14.7	15.0	13.9
Target EV/FCF	0.0	0.0	0.0	0.0	24.9	18.9	21.0
Target P/B	0.0	0.0	0.0	0.0	4.6	4.3	3.9
Target P/E	0.0	0.0	0.0	0.0	15.3	16.0	15.0
Per share measures							
Number of shares	58,869	58,869	58,869	58,869	58,869	58,869	58,869
Number of shares (diluted)	58,869	58,869	58,869	58,869	58,869	58,869	58,869
EPS	0.44	0.48	0.56	0.82	1.08	1.02	1.09
Operating cash flow per share	1.06	0.46	0.76	1.43	2.12	2.35	2.22
Free cash flow per share	0.89	0.26	0.17	0.48	0.90	1.17	1.04
Book value per share	2.83	2.77	2.83	3.14	3.58	3.85	4.23
Dividend per share	0.51	0.41	0.50	0.62	0.75	0.72	0.77
Dividend payout ratio, %	116.8	86.0	89.7	75.8	69.9	70.0	70.0
Dividend yield, %	6.0	5.7	7.0	4.9	5.5	5.2	5.6
FCF yield, %	10.5	3.6	2.4	3.8	6.6	8.6	7.6
Efficiency measures							
ROE	23.9	17.0	19.9	27.4	32.0	27.5	27.1
ROCE	14.1	12.1	11.3	12.0	14.9	14.2	15.2
Financial ratios							
Inventories as % of sales	20.0	21.4	21.9	23.6	23.0	22.0	22.0
Receivables as % of sales	2.3	2.8	2.5	2.0	2.4	2.4	2.4
Non-interest bearing liabilities as % of sales	13.3	13.5	14.1	13.4	14.0	14.0	14.0
NWC/sales, %	8.7	10.3	10.0	11.7	11.0	10.0	10.0
Operative CAPEX/sales, %	1.3	1.5	2.3	5.9	7.0	6.7	6.6
CAPEX/sales (incl. acquisitions), %	1.3	1.5	0.6	5.9	7.0	6.7	6.6
FCFF/EBITDA	1.1	0.4	0.3	1.0	0.8	0.8	0.8
Net debt/EBITDA, book-weighted	1.8	2.4	3.5	2.9	2.4	2.2	2.0
Debt/equity, market-weighted	0.3	0.4	0.4	0.1	0.1	0.1	0.1
Equity ratio, book-weighted	36.3	35.2	23.1	25.3	27.4	29.8	32.4
Gearing, %	69.6	82.3	227.0	205.8	172.3	149.2	128.2

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	144.040	17.9%
Keskinäinen työeläkevakuutusyhtiö Varma	3,150,526	43.036	5.4%
Keskinäinen työeläkevakuutusyhtiö Elo	2,486,997	33.972	4.2%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,732,539	23.666	2.9%
OP-Suomi Arvo -sijoitusrahasto	1,223,910	16.719	2.1%
Eläkevakuutusosakeyhtiö Veritas	690,000	9.425	1.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	668,746	9.135	1.1%
Säästöpankki Kotimaa-sijoitusrahasto	636,527	8.695	1.1%
Nordea Fennia Fund	517,851	7.074	0.9%
Kirkon Eläkerahasto	496,973	6.789	0.8%
Ten largest	22,148,757	302.552	38%
Residual	36,719,995	501.595	62%
Total	58,868,752	804.147	100%

EARNINGS CALENDAR

July 29, 2020

Q2 report

October 29, 2020

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Mika Rautiainen

CFO: Markku Pirskanen

IR: Maarit Mikkonen

Tel: +358 300 472 220

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

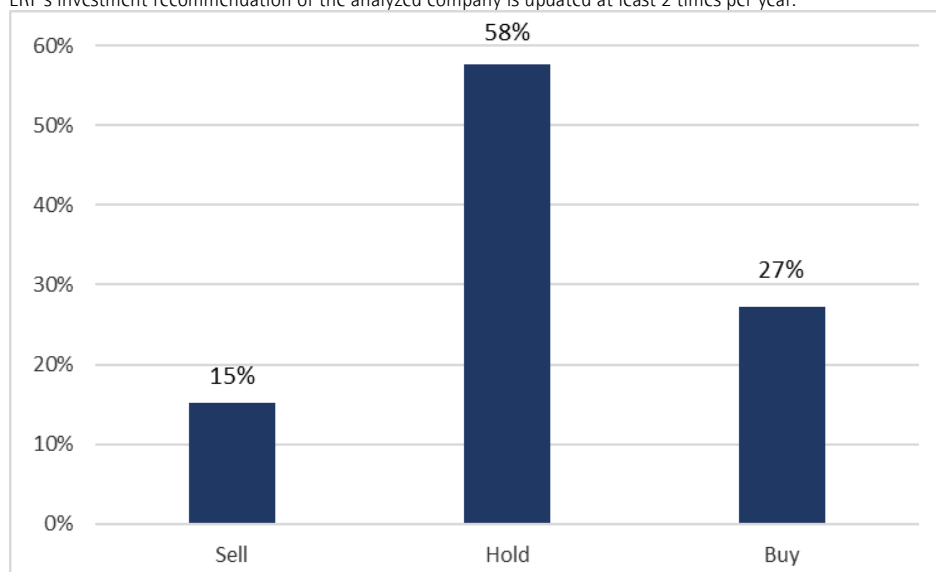
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



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

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001