

Westwing Group AG

Germany | Retail | MCap EUR 444.5m

21 January 2022

UPDATE



Revenues in Q4 declined,
adj. EBITDA remained
positive – PT down, BUY

What's it all about?

Westwing published preliminary figures for FY21, showing a 5% yoy decline in revenues in the final quarter of FY21. For the full year, the company reported revenues of EUR 522m, which was well within guidance range of EUR 510-550m. We believe that the Q4 decline can largely be explained by the high comparable base, as the company has seen a massive boost by pandemic-related restrictions and store closures. In terms of profitability, adjusted EBITDA was in the range of EUR 9-12m in Q4, which corresponds to a margin of 6-8%. The company expects negative supply chain and cost effects (esp. freight and fulfilment costs) to remain at least through the first half on FY22. Despite the revenue decline, Q4 showed a positive adjusted EBITDA, after Q3 had slipped into negative territory. Our adjusted estimates for FY22-23E project a more moderate but increasing margin profile. Our new PT of 35.00 reflects a lowered industry valuation. We confirm our BUY rating.

BUY (BUY)

Target price	EUR 35.00 (43.00)
Current price	EUR 20.52
Up/downside	70.6%



MAIN AUTHOR

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Westwing Group AG

Germany | Retail | MCap EUR 444.5m | EV EUR 385.3m

BUY (BUY)

Target price EUR 35.00 (43.00)
Current price EUR 20.52
Up/downside 70.6%

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Revenues in Q4 declined, adj. EBITDA remained positive – PT down, BUY

Decline in revenues in Q4

Westwing published preliminary figures for FY21, showing a 21% yoy growth in revenues to EUR 522m (FY20: EUR 433m). This was well within the company's guidance range of EUR 510-550m, but less than we expected. This growth was driven by the performance of the first 9 months, while Q4 shows a decline of ca. 5% to EUR 149m (Q4 2020: EUR 156m). We believe that this decline can largely be explained by the high comparable base, as the company has seen a massive boost by pandemic-related restrictions and store closures. On a two-year stack, Westwing reported a revenue growth of 96% for the full year.

Adjusted EBITDA margin around the low end

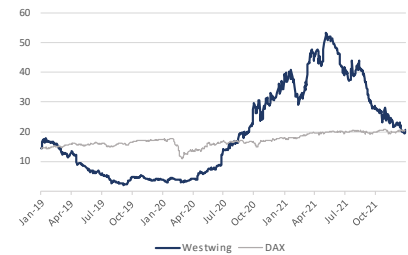
In terms of profitability, the company confirms an adjusted EBITDA margin in the range of 7.5-8.0% for the full year, which is slightly below guidance (8-10%). Westwing pointed to significant supply chain headwinds and associated cost inflation, which intensified in the second half of FY21. For Q4, this translates to EUR 9-12m, which corresponds to a margin of 6-8%. In Q3, the company reported a negative EBITDA on EUR 0.4m.

Headwinds to remain in H1 2022 At this point, the company expects the negative supply chain and cost effects (esp. freight and fulfilment costs) to remain at least through the first half on FY22. At the same time, the company invests into several key areas (marketing, technology, Westwing Collection) and the in-house brand is gaining share. In the fourth quarter, the share of Westwing Collection relative to gross merchandise value increased from 28% a year ago to 37% in Q4 2021. A further increase could support gross margins permanently.

Lower PT, maintain BUY Despite a revenue decline, the fourth quarter showed a positive adjusted EBITDA, after Q3 had slipped into negative territory. Our adjusted estimates for FY22-23E project a more moderate but increasing margin profile. Our new PT of 35.00 reflects a lowered industry valuation. We confirm our BUY rating.

Westwing Group AG	2018	2019	2020	2021P	2022E	2023E
Sales	253.9	267.3	432.9	521.6	636.4	763.7
<i>Growth yoy</i>	15.6%	5.3%	62.0%	20.5%	22.0%	20.0%
EBITDA	3.1	-24.1	42.0	39.8	40.4	50.0
EBIT	-19.5	-33.3	31.4	27.6	26.7	36.7
Net profit	-2.3	-38.0	29.9	16.8	13.8	23.5
Net debt (net cash)	-79.7	-30.9	-62.3	-75.4	-86.6	-108.5
Net debt/EBITDA	-25.7x	1.3x	-1.5x	-1.9x	-2.1x	-2.2x
EPS recurring	-0.15	-1.85	1.38	0.77	0.64	1.08
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	42.7%	44.6%	49.4%	48.5%	48.2%	48.5%
EBITDA margin	1.2%	-9.0%	9.7%	7.6%	6.4%	6.6%
EBIT margin	-7.7%	-12.5%	7.3%	5.3%	4.2%	4.8%
ROCE	-13.1%	-27.9%	20.3%	16.3%	14.5%	17.6%
EV/EBITDA	118.0x	-17.3x	9.2x	9.3x	8.9x	6.8x
EV/EBIT	-18.8x	-12.5x	12.3x	13.4x	13.5x	9.2x
PER	-138.3x	-11.1x	14.9x	26.5x	32.1x	18.9x
FCF yield	-2.4%	-3.1%	10.7%	3.1%	3.0%	5.8%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks 54.35 / 19.00
Price/Book Ratio 4.1x

Ticker / Symbols

ISIN DE000A2N4H07
WKN A2N4H0
Bloomberg WEW:GR

Changes in estimates

		Sales	EBIT	EPS
2021E	old	541	30	0.87
	Δ	-3.6%	-7.1%	-10.7%
2022E	old	660	32	0.84
	Δ	-3.6%	-15.6%	-24.0%
2023E	old	792	46	1.46
	Δ	-3.6%	-20.2%	-25.8%

Key share data

Number of shares: (in m pcs) 21.66
Book value per share: (in EUR) 5.01
Ø trading volume: (12 months) 90,000

Major shareholders

Rocket Internet SE 25.4%
The Capital Group Companies 9.0%
Summit Partners RKT 6.8%
Free Float 45.6%

Company description

Westwing is specialized in the home and living e-commerce sector. The Company offers a broad range of home products, which include home decor, home accessories, textiles and rugs, and large and small furniture, such as living and dining furniture, upholstery, and bedroom furniture, as well as kitchen and dining, lighting, and other products under its own private label Westwing Collection and third-party brands.

Quarterly performance

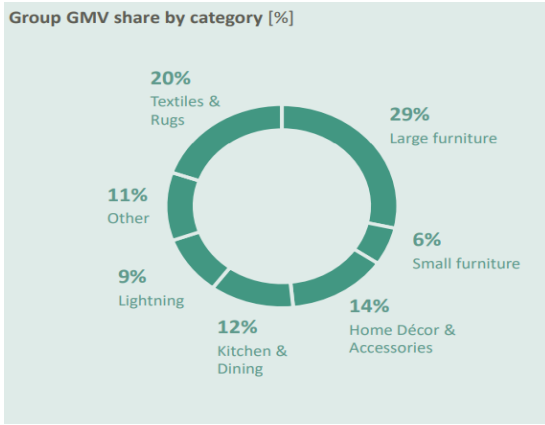
The following table depicts the quarterly performance of Westwing, which shows the strong pandemic related sales boost between Q2/20 and Q1/21.

P&L data	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Sales	88.4	67.6	111.1	98.6	155.7	138.4	131.7	103.2
yoy growth in %	12.3%	10.1%	91.2%	66.0%	76.1%	104.7%	18.5%	4.7%
Gross profit	41.7	31.6	54.0	48.5	80.0	70.0	65.2	50.5
Gross margin in %	47.2%	46.7%	48.6%	49.2%	51.4%	50.6%	49.5%	48.9%
EBITDA	-0.4	-2.9	12.2	7.9	25.3	16.9	6.1	-0.4
EBITDA margin in %	-0.5%	-4.3%	11.0%	8.0%	16.2%	12.2%	4.6%	-0.4%
EBIT	-3.1	-5.3	9.7	5.2	22.3	13.9	3.1	-5.9
EBIT margin in %	-3.5%	-7.8%	8.7%	5.3%	14.3%	10.0%	2.4%	-5.7%
EBT	-3.2	-5.6	9.4	4.3	19.7	13.1	3.4	-6.8
taxes paid	0.6	0.1	1.1	1.9	-5.1	1.9	1.6	-2.0
tax rate in %	-18.8%	-1.8%	11.7%	44.2%	-25.9%	14.5%	47.1%	29.4%
net profit	-3.9	-5.7	8.3	2.4	24.8	11.0	1.8	-8.8
yoy growth in %	na%	na%	na%	na%	na%	na%	-78.3%	na%
EPS	-0.20	-0.29	0.41	0.12	1.23	0.54	0.09	na

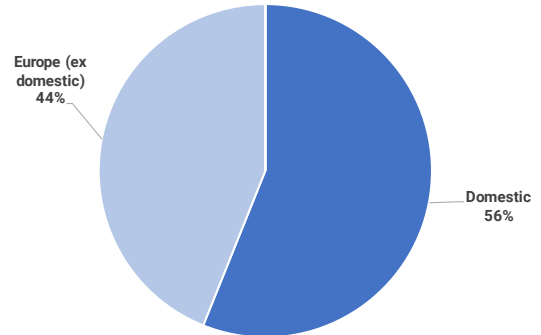
Source: Company data; AlsterResearch

Investment case in six charts

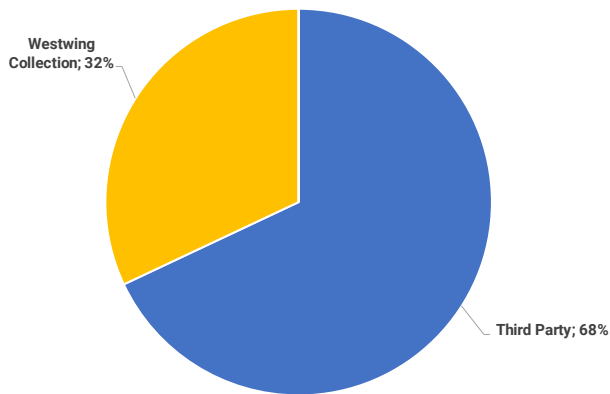
Products & Services by category



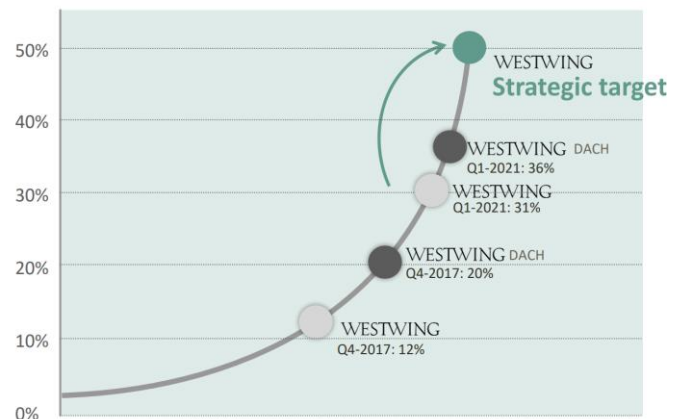
Regional sales split in %



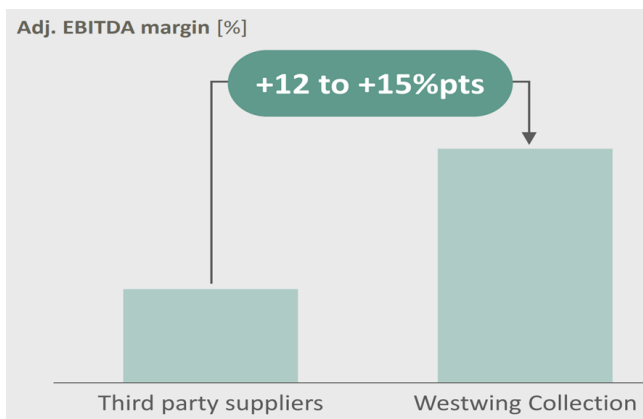
Segmental breakdown in %



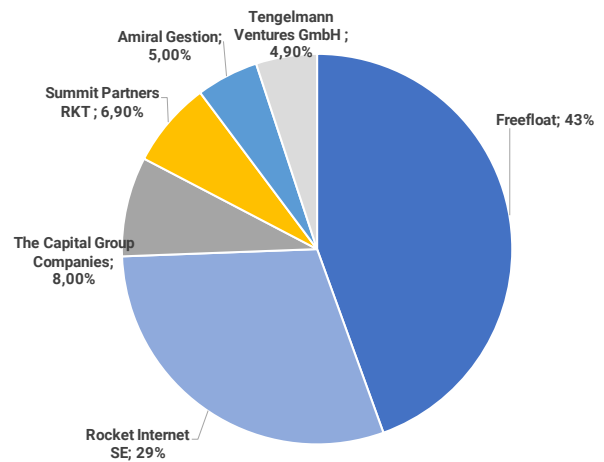
Westwing Collection set to grow



Westwing Collection margin



Major Shareholders



Source: Company data; AlsterResearch

SWOT analysis

Strengths

- Experienced management team
- Love brand image
- Strong customer loyalty as seen in high retention rate of >80%
- High Margin "Westwing Collection" products
- Strong cash conversion with moderate capex requirements and negative working capital
- Focus on the affluent and well defined customer group "home enthusiasts"
- Smart logistics network across Europe
- Strong financial situation (debt ratio of 52% combined with stable operating cashflows, high cash position)

Weaknesses

- High employee fluctuation
- Low margin third party products

Opportunities

- Large and growing market
- Low e-Commerce penetration
- Opportunity to sweep market shares of traditional home & living brands (double digit growth)

Threats

- Longer than expected supply chains disruptions due to the pandemic
- Love brand status not being reached (just another home & living shop -> lower margins and retention rates)
- Customers could return to traditional home & living brands after pandemic
- Westwing Collection does not find planned popularity leading to lower margins
- E-Commerce regulations regarding tax rates

Valuation

DCF Model

The DCF model results in a **fair value of EUR 35.31 per share**:

Top-line growth: We expect Westwing Group AG to continue benefitting from structural growth. Hence our growth estimates for 2021-28E are in the range of 12.2% p.a. The long-term growth rate is set at 2.0%.

EBIT margins. We planned with a long-term EBIT margin of 6%. We expect higher margin "Westwing Collection" items to make up 50% of revenues by 2025.

WACC. The averaged 1-, 3- and 5-year historical equity beta is calculated as 1.00. Unlevering and correcting for mean reversion yields an asset beta of 0.95. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 9.9%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 0.5 this results in a long-term WACC of 7.8%.

DCF (EUR m) (except per share data and beta)	2021P	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	26.3	23.5	32.3	42.7	37.4	39.3	41.2	43.3	
Depreciation & amortization	12.2	13.7	13.4	13.4	13.7	14.3	14.3	14.5	
Change in working capital	-4.9	-5.3	-3.1	-4.7	0.4	0.2	0.2	0.2	
Chg. in long-term provisions	-1.5	0.3	0.4	0.5	0.3	0.2	0.2	0.2	
Capex	-9.4	-11.5	-12.2	-12.8	-14.1	-12.7	-13.3	-14.0	
Cash flow	22.6	20.8	30.7	39.1	37.6	41.2	42.6	44.2	773.5
Present value	22.7	19.4	26.5	31.3	28.1	28.6	27.4	26.4	458.4
WACC	7.9%	7.9%	7.9%	7.9%	7.7%	7.7%	7.7%	7.7%	7.8%

DCF per share derived from	
Total present value	668.7
Mid-year adj. total present value	694.3
Net debt / cash at start of year	-62.3
Financial assets	11.4
Provisions and off b/s debt	3.1
Equity value	764.9
No. of shares outstanding	21.7
Discounted cash flow / share upside/(downside)	35.31 / 72.1%

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	12.2%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	17.0%
Terminal year WACC	7.8%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25.0%
Equity beta	1.00
Unlevered beta (industry or company)	0.95
Target debt / equity	0.5
Relevered beta	1.31
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	9.9%

Share price	20.52
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Sensitivity analysis DCF									
Change in WACC (%-points)		Long term growth					Share of present value		
		1.0%	1.5%	2.0%	2.5%	3.0%	2021E - 2024E	2025E - 2028E	terminal value
2.0%		25.5	26.4	27.3	28.4	29.6	14.9%	16.5%	68.5%
1.0%		28.3	29.4	30.7	32.2	34.0			
0.0%		31.9	33.5	35.3	37.5	40.1			
-1.0%		36.7	39.0	41.8	45.2	49.5			
-2.0%		43.6	47.2	51.7	57.6	65.5			

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 27.24 per share based on 2021P and 43.75 EUR per share on 2025E estimates. **Our DCF based fair value calculations thus is best captures using our adj. FCF 2023E calculation, which derives at an average PT of EUR 35.13.**

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021P	2022E	2023E	2024E	2025E
EBITDA	39.8	40.4	50.0	62.0	67.1
- Maintenance capex	8.6	9.4	8.2	7.6	7.5
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	0.9	1.9	3.2	4.9	13.6
= Adjusted FCF	30.3	29.1	38.6	49.5	46.0
Actual Market Cap	444.5	444.5	444.5	444.5	444.5
+ Net debt (cash)	-75.4	-86.6	-108.5	-140.5	-172.5
+ Pension provisions	1.6	1.9	2.3	2.7	3.0
+ Off b/s financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	11.4	11.4	11.4	11.4	11.4
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
<i>EV Reconciliations</i>	-85.2	-96.1	-117.6	-149.2	-180.9
= Actual EV'	359.2	348.4	326.9	295.3	263.6
Adjusted FCF yield	8.4%	8.3%	11.8%	16.8%	17.5%
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
Fair EV	504.8	484.7	643.5	825.4	766.7
- <i>EV Reconciliations</i>	-85.2	-96.1	-117.6	-149.2	-180.9
Fair Market Cap	590.1	580.8	761.0	974.6	947.6
No. of shares (million)	21.7	21.7	21.7	21.7	21.7
Fair value per share in EUR	27.24	26.81	35.13	44.99	43.75
Premium (-) / discount (+)	32.8%	30.7%	71.2%	119.3%	113.2%

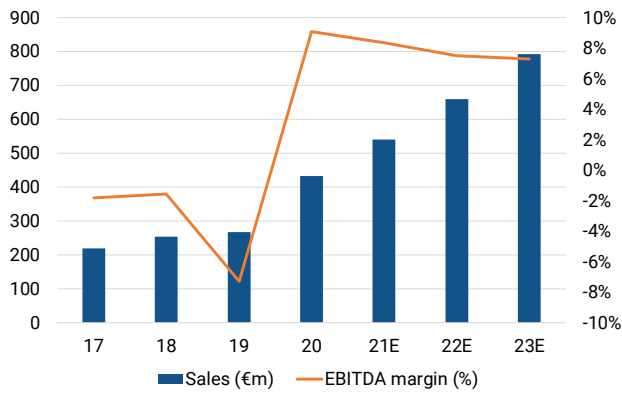
Sensitivity analysis fair value						
Adjusted hurdle rate	4.0%	38.9	38.0	50.0	64.0	61.4
	5.0%	31.9	31.3	41.1	52.6	50.8
	6.0%	27.2	26.8	35.1	45.0	43.7
	7.0%	23.9	23.6	30.9	39.5	38.7
	8.0%	21.4	21.2	27.7	35.5	34.9

Source: Company data; AlsterResearch

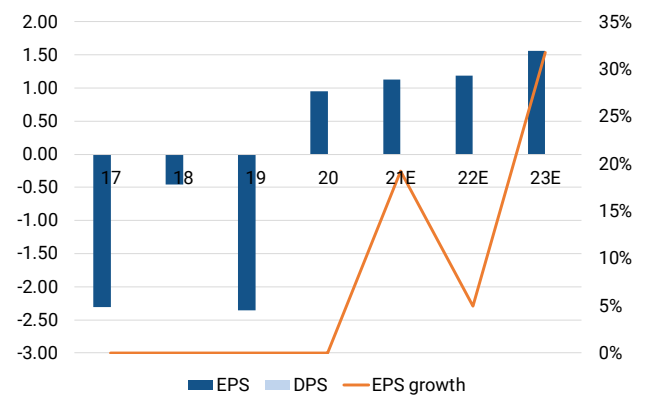
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Financials in six charts

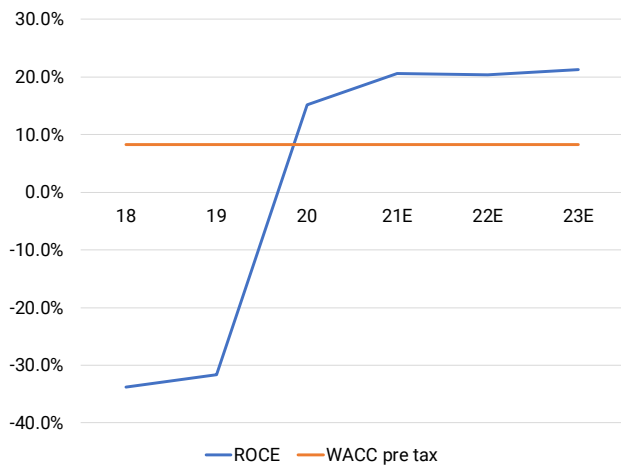
Sales vs. EBITDA margin development



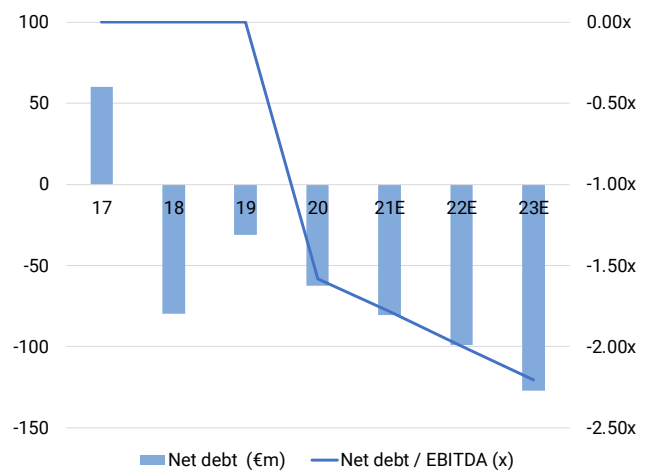
EPS, DPS in EUR & yoy EPS growth



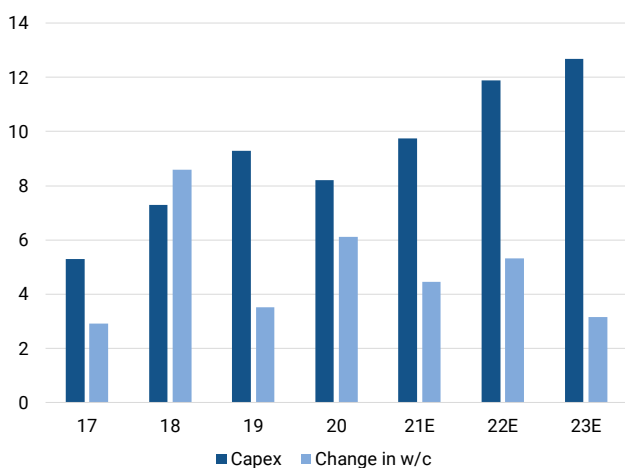
ROCE vs. WACC (pre tax)



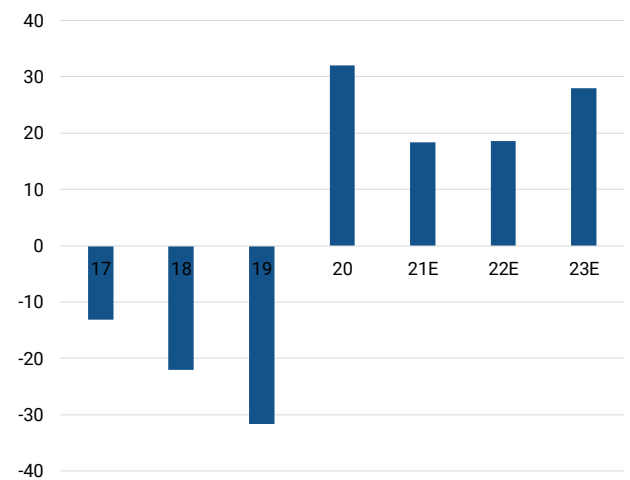
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; AlsterResearch

Financials

Profit and loss (EUR m)	2018	2019	2020	2021P	2022E	2023E
Sales	253.9	267.3	432.9	521.6	636.4	763.7
Sales growth	15.6%	5.3%	62.0%	20.5%	22.0%	20.0%
Cost of sales	145.5	148.1	218.9	268.6	329.7	393.3
Gross profit	108.4	119.2	214.0	253.0	306.7	370.4
SG&A expenses	127.9	151.4	182.0	224.3	278.7	332.2
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses (income)	0.0	1.1	0.6	1.0	1.3	1.5
EBITDA	3.1	-24.1	42.0	39.8	40.4	50.0
Depreciation	5.6	6.8	7.4	8.6	9.4	8.2
EBITA	-17.9	-30.9	34.6	31.2	31.0	41.8
Amortisation of goodwill and intangible assets	1.6	2.4	3.2	3.5	4.2	5.1
EBIT	-19.5	-33.3	31.4	27.6	26.7	36.7
Financial result	-6.9	-3.7	-3.5	-10.0	-11.0	-10.0
Recurring pretax income from continuing operations	-26.4	-37.0	27.9	17.6	15.7	26.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-26.4	-37.0	27.9	17.6	15.7	26.7
Taxes	-0.4	1.0	-1.9	0.9	1.9	3.2
Net income from continuing operations	-26.0	-38.0	29.8	16.8	13.8	23.5
Result from discontinued operations (net of tax)	23.6	0.0	0.0	0.0	0.0	0.0
Net income	-2.4	-38.0	29.8	16.8	13.8	23.5
Minority interest	0.1	0.0	0.1	0.0	0.0	0.0
Net profit (reported)	-2.3	-38.0	29.9	16.8	13.8	23.5
Average number of shares	15.50	20.53	21.66	21.66	21.66	21.66
EPS reported	-0.15	-1.85	1.38	0.77	0.64	1.08

Profit and loss (common size)	2018	2019	2020	2021P	2022E	2023E
Sales	100%	100%	100%	100%	100%	100%
Cost of sales	57%	55%	51%	51%	52%	52%
Gross profit	43%	45%	49%	49%	48%	49%
SG&A expenses	50%	57%	42%	43%	44%	44%
Research and development	0%	0%	0%	0%	0%	0%
Other operating expenses (income)	0%	0%	0%	0%	0%	0%
EBITDA	1%	-9%	10%	8%	6%	7%
Depreciation	2%	3%	2%	2%	1%	1%
EBITA	-7%	-12%	8%	6%	5%	5%
Amortisation of goodwill and intangible assets	1%	1%	1%	1%	1%	1%
EBIT	-8%	-12%	7%	5%	4%	5%
Financial result	-3%	-1%	-1%	-2%	-2%	-1%
Recurring pretax income from continuing operations	-10%	-14%	6%	3%	2%	3%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-10%	-14%	6%	3%	2%	3%
Taxes	-0%	0%	-0%	0%	0%	0%
Net income from continuing operations	-10%	-14%	7%	3%	2%	3%
Result from discontinued operations (net of tax)	9%	0%	0%	0%	0%	0%
Net income	-1%	-14%	7%	3%	2%	3%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	-1%	-14%	7%	3%	2%	3%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021P	2022E	2023E
Intangible assets (excl. Goodwill)	8.0	11.9	14.1	16.3	19.1	20.8
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	21.9	35.4	34.5	29.5	24.5	21.7
Financial assets	2.9	4.2	11.4	11.4	11.4	11.4
FIXED ASSETS	32.8	51.5	60.0	57.2	55.0	53.9
Inventories	22.6	23.4	30.2	34.6	42.4	50.6
Accounts receivable	10.0	9.4	17.4	21.4	26.2	31.4
Other current assets	8.6	7.9	16.5	16.5	16.5	16.5
Liquid assets	123.0	73.2	104.9	118.4	129.6	151.5
Deferred taxes	0.5	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	164.7	113.9	169.0	190.9	214.7	250.0
TOTAL ASSETS	197.5	165.4	229.0	248.2	269.7	303.8
SHAREHOLDERS EQUITY	104.9	74.2	108.6	125.4	139.2	162.7
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	32.2	25.8	26.7	27.0	27.0	27.0
Provisions for pensions and similar obligations	0.9	2.7	3.1	1.6	1.9	2.3
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	33.1	28.5	29.8	28.6	28.9	29.3
short-term liabilities to banks	11.1	16.5	15.9	16.0	16.0	16.0
Accounts payable	32.0	29.7	41.7	44.2	45.2	48.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	16.4	15.9	27.6	28.7	35.0	42.0
Deferred taxes	0.0	0.6	5.4	5.4	5.4	5.4
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	59.5	62.7	90.6	94.3	101.6	111.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	197.5	165.4	229.0	248.2	269.7	303.8

Balance sheet (common size)	2018	2019	2020	2021P	2022E	2023E
Intangible assets (excl. Goodwill)	4%	7%	6%	7%	7%	7%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	11%	21%	15%	12%	9%	7%
Financial assets	1%	3%	5%	5%	4%	4%
FIXED ASSETS	17%	31%	26%	23%	20%	18%
Inventories	11%	14%	13%	14%	16%	17%
Accounts receivable	5%	6%	8%	9%	10%	10%
Other current assets	4%	5%	7%	7%	6%	5%
Liquid assets	62%	44%	46%	48%	48%	50%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	83%	69%	74%	77%	80%	82%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	53%	45%	47%	51%	52%	54%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	16%	16%	12%	11%	10%	9%
Provisions for pensions and similar obligations	0%	2%	1%	1%	1%	1%
Other provisions	0%	0%	0%	0%	0%	0%
Non-current liabilities	17%	17%	13%	12%	11%	10%
short-term liabilities to banks	6%	10%	7%	6%	6%	5%
Accounts payable	16%	18%	18%	18%	17%	16%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	8%	10%	12%	12%	13%	14%
Deferred taxes	0%	0%	2%	2%	2%	2%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	30%	38%	40%	38%	38%	37%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021P	2022E	2023E
Net profit/loss	-26.4	-37.0	27.9	16.8	13.8	23.5
Depreciation of fixed assets (incl. leases)	5.6	6.8	7.4	8.6	9.4	8.2
Amortisation of goodwill	1.6	2.4	3.2	0.0	0.0	0.0
Amortisation of intangible assets	0.0	-0.7	0.0	3.5	4.2	5.1
Others	20.3	18.8	15.2	-1.5	0.3	0.4
Cash flow from operations before changes in w/c	1.1	-9.7	53.7	27.4	27.9	37.2
Increase/decrease in inventory	-5.3	-0.3	-12.2	-4.4	-7.9	-8.2
Increase/decrease in accounts receivable	-7.0	-2.4	-12.5	-4.0	-4.7	-5.2
Increase/decrease in accounts payable	1.8	-1.1	18.9	2.5	1.0	3.3
Increase/decrease in other w/c positions	1.9	0.3	-0.3	1.1	6.3	7.0
Increase/decrease in working capital	-8.6	-3.5	-6.1	-4.9	-5.3	-3.1
Cash flow from operating activities	-7.6	-13.2	47.6	22.5	22.6	34.1
CAPEX	-7.3	-9.3	-8.2	-9.4	-11.5	-12.2
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	11.4	0.5	0.2	0.0	0.0	0.0
Cash flow from investing activities	4.1	-8.8	-8.0	-9.4	-11.5	-12.2
Cash flow before financing	-3.5	-22.0	39.6	13.1	11.2	21.9
Increase/decrease in debt position	0.1	-19.3	-5.4	0.4	0.0	0.0
Purchase of own shares	0.0	-4.0	-2.4	0.0	0.0	0.0
Capital measures	122.5	0.0	1.8	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-9.4	-4.0	-1.4	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.5	-0.4	-0.5	0.0	0.0	0.0
Cash flow from financing activities	112.7	-27.7	-7.9	0.4	0.0	0.0
Increase/decrease in liquid assets	109.2	-49.7	31.7	13.5	11.2	21.9
Liquid assets at end of period	123.0	73.3	104.9	118.4	129.6	151.5

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021P	2022E	2023E
Domestic	133.2	151.0	242.6	294.7	359.5	431.4
Europe (ex domestic)	120.7	116.0	190.0	226.4	276.2	331.4
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	253.9	267.3	432.9	521.6	636.4	763.7

Regional sales split (common size)	2018	2019	2020	2021P	2022E	2023E
Domestic	52.5%	56.5%	56.0%	56.5%	56.5%	56.5%
Europe (ex domestic)	47.5%	43.4%	43.9%	43.4%	43.4%	43.4%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021P	2022E	2023E
Per share data						
Earnings per share reported	-0.15	-1.85	1.38	0.77	0.64	1.08
Cash flow per share	-0.49	-0.64	2.20	0.64	0.61	1.20
Book value per share	6.77	3.61	5.01	5.79	6.43	7.51
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-138.3x	-11.1x	14.9x	26.5x	32.1x	18.9x
P/CF	-41.8x	-31.9x	9.3x	32.0x	33.8x	17.2x
P/BV	3.0x	5.7x	4.1x	3.5x	3.2x	2.7x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-2.4%	-3.1%	10.7%	3.1%	3.0%	5.8%
EV/Sales	1.4x	1.6x	0.9x	0.7x	0.6x	0.4x
EV/EBITDA	118.0x	-17.3x	9.2x	9.3x	8.9x	6.8x
EV/EBIT	-18.8x	-12.5x	12.3x	13.4x	13.5x	9.2x
Income statement (EURm)						
Sales	253.9	267.3	432.9	521.6	636.4	763.7
yoy chg in %	15.6%	5.3%	62.0%	20.5%	22.0%	20.0%
Gross profit	108.4	119.2	214.0	253.0	306.7	370.4
Gross margin in %	42.7%	44.6%	49.4%	48.5%	48.2%	48.5%
EBITDA	3.1	-24.1	42.0	39.8	40.4	50.0
EBITDA margin in %	1.2%	-9.0%	9.7%	7.6%	6.4%	6.6%
EBIT	-19.5	-33.3	31.4	27.6	26.7	36.7
EBIT margin in %	-7.7%	-12.5%	7.3%	5.3%	4.2%	4.8%
Net profit	-2.3	-38.0	29.9	16.8	13.8	23.5
Cash flow statement (EURm)						
CF from operations	-7.6	-13.2	47.6	22.5	22.6	34.1
Capex	-7.3	-9.3	-8.2	-9.4	-11.5	-12.2
Maintenance Capex	0.0	0.0	0.0	8.6	9.4	8.2
Free cash flow	-14.9	-22.5	39.4	13.1	11.2	21.9
Balance sheet (EURm)						
Intangible assets	8.0	11.9	14.1	16.3	19.1	20.8
Tangible assets	21.9	35.4	34.5	29.5	24.5	21.7
Shareholders' equity	104.9	74.2	108.6	125.4	139.2	162.7
Pension provisions	0.9	2.7	3.1	1.6	1.9	2.3
Liabilities and provisions	44.2	45.0	45.7	44.6	44.9	45.3
Net financial debt	-79.7	-30.9	-62.3	-75.4	-86.6	-108.5
w/c requirements	0.6	3.1	5.9	11.9	23.4	33.5
Ratios						
ROE	-2.3%	-51.2%	27.4%	13.4%	9.9%	14.4%
ROCE	-13.1%	-27.9%	20.3%	16.3%	14.5%	17.6%
Net gearing	-76.0%	-41.6%	-57.4%	-60.2%	-62.2%	-66.7%
Net debt / EBITDA	-25.7x	1.3x	-1.5x	-1.9x	-2.1x	-2.2x

Source: Company data; AlsterResearch

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