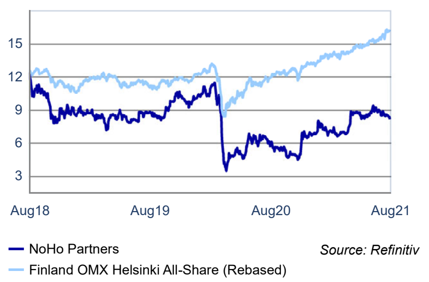
NoHo Partners

Consumer Goods
Finland

KEY DATA

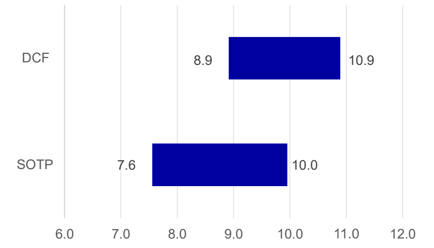
Stock country	Finland
Bloomberg	NOHO FH
Reuters	NOHOP.HE
Share price (close)	EUR 8.19
Free Float	50%
Market cap. (bn)	EUR 0.16/EUR 0.16
Website	http://www.noho.fi/
Next report date	10 Aug 2021

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH (EUR)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-6%	-2%	0%
EBIT (adj)	-91%	-4%	0%

Source: Nordea estimates

Nordea Markets - Analysts
Joni Sandvall
Analyst

Svante Krokfors
Director

Potential new restrictions a blip in recovery story

NoHo released June sales figures on 13 July with clearly positive operating cash flows. Despite the new wave of COVID-19, we think the company has been able to continue its recovery due to the favourable weather conditions in July. However, uncertainty over government decisions regarding pandemic-related restrictions has increased, although we do not expect similar closures to those in 2020 and earlier this year. The company targets around EUR 400m in sales with a 10% EBIT margin by 2024, which we view as ambitious but reachable. The key growth driver is further M&A in Norway, which should account for about 40% of targeted growth in 2022-24. We derive a fair value range of EUR 8.2-10.4.

Further easing of restrictions on hold

NoHo released its updated strategy in June, but since then the emergence of new COVID-19 variants has meant further easing of restrictions has been postponed. Although tighter restrictions are plausible, we do not expect similar lockdown measures to those seen earlier. June sales were above expectations with Q2 sales of EUR 33.7m taking Q2 operating cash flow into the black. We expect the recovery to continue, although at a slower pace due to the current limitations on opening hours. We forecast sales of EUR 189m for 2021, 3% above pre-Q2 Infront consensus, but EUR 288m for 2022, which can be compared to NoHo's expectation of EUR 280m with the current portfolio and the consensus estimate of EUR 289m.

Ambitious but reachable targets for 2024

Despite the strong June sales figures, we trim our 2021E top line by 6% owing to the current pandemic situation. For 2022E, we cut the top line by 2% and adjusted EBIT by 4%, but leave our 2023 estimates intact. NoHo targets EUR 400m in sales with a 10% EBIT margin by 2024. We view its targets as ambitious but achievable despite its clear ambition to deleverage operations. In our view, M&A in Norway and the scaling up of Friends & Brgrs remain the key growth drivers.

Fair value of EUR 8.2-10.4 – uncertainty remains

We derive a fair value range of EUR 8.2-10.4 (8.6-10.8) by equally weighting our DCF and SOTP valuations. We think the risk level has decreased, as the company is seeking to deleverage (gradual divestment of Eezy). However, a sales recovery will depend a lot on government actions. We expect the company to continue to benefit from the release of pent-up demand in the market, although there is considerable uncertainty over the recovery in tourism and business spending for H2.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	186	323	273	157	189	288	325
EBITDA (adj)	23	34	76	21	37	70	76
EBIT (adj)	11	12	31	-31	-9	26	36
EBIT (adj) margin	6.0%	3.9%	11.4%	-19.6%	-4.6%	9.1%	11.1%
EPS (adj, EUR)	0.43	0.54	2.27	-1.66	-0.87	0.65	1.03
EPS (adj) growth	16.1%	27.4%	318.9%	-173.3%	47.6%	174.7%	58.5%
DPS (ord, EUR)	0.33	0.34	0.00	0.00	0.00	0.30	0.40
EV/Sales	1.0	1.0	1.7	3.0	2.6	1.6	1.4
EV/EBIT (adj)	17.0	24.9	15.6	n.m.	n.m.	20.2	14.1
P/E (adj)	20.1	16.0	4.5	n.m.	n.m.	12.6	7.9
P/BV	3.2	2.4	1.5	2.0	2.3	2.0	1.7
Dividend yield (ord)	3.9%	3.9%	0.0%	0.0%	0.0%	3.7%	4.9%
FCF Yield bef A&D, lease	4.7%	5.2%	9.9%	-18.3%	-1.0%	13.0%	12.2%
Net debt	44	138	268	318	322	303	292
Net debt/EBITDA	2.0	4.9	3.6	11.3	7.0	4.3	3.8
ROIC after tax	10.2%	6.0%	7.9%	-6.3%	-1.8%	5.5%	7.6%

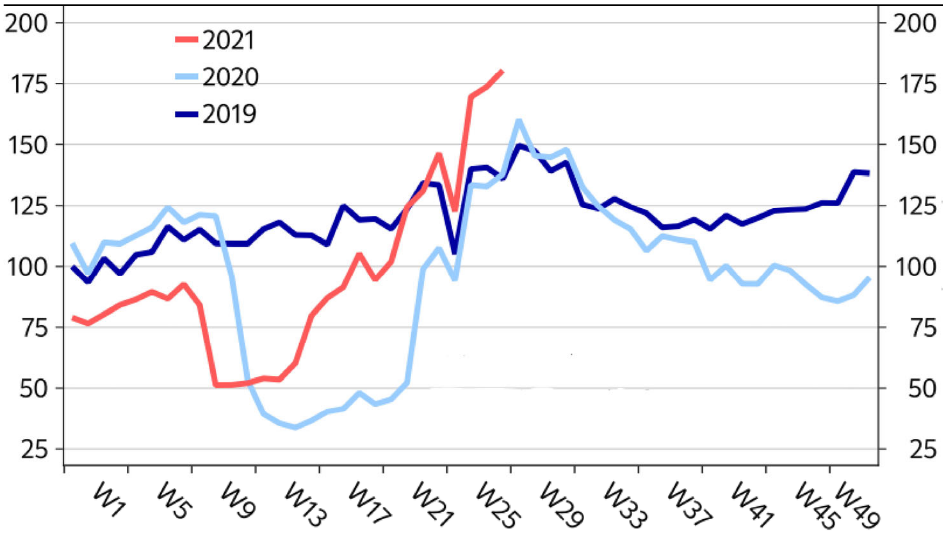
Source: Company data and Nordea estimates

Expectations ahead of the Q2 results

Restaurant market has remained challenging
According to the latest card payment data from Nordea (for Finnish cards, up to week 28), card payments in restaurants have surpassed the 2019 level. We believe favourable weather has supported restaurant terrace sales in particular. Spending by foreigners was likely much lower, however, and cash payments might be less common than usual during the COVID-19 pandemic, hence the level of card payments may reflect lower cash spending.

In its latest update, NoHo reported sales of EUR 33.7m for Q2, up ~77% y/y.

FINNISH RESTAURANT CARD PAYMENTS (INDEXED, 1.1.2019=100)

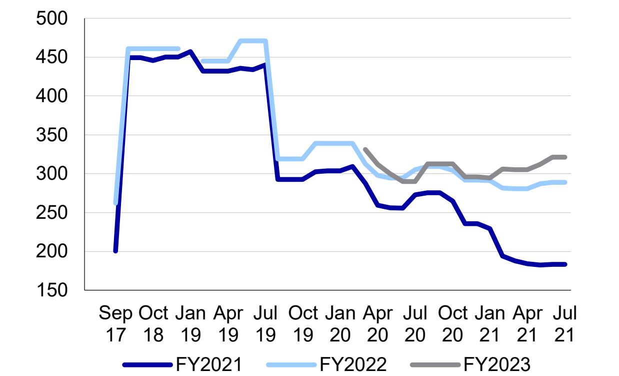


Source: Nordea and Macrobond

Expectations ahead of the Q2 report

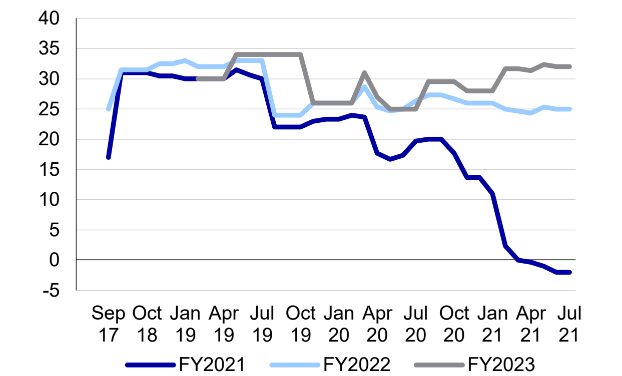
NoHo will release its Q2 2020 report on Tuesday, 10 August at 08.15 EET.

CONSENSUS SALES ESTIMATES (EURm)



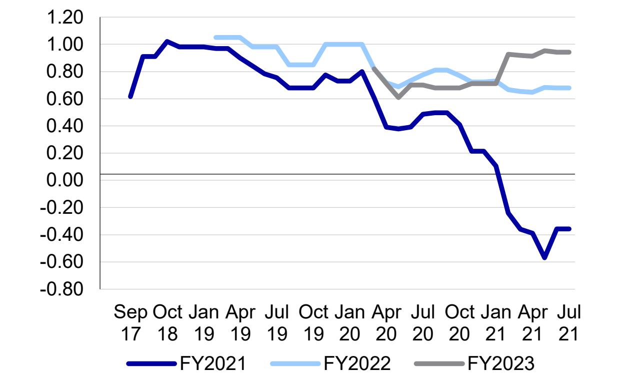
Source: Refinitiv

CONSENSUS EBIT ESTIMATES (EURm)



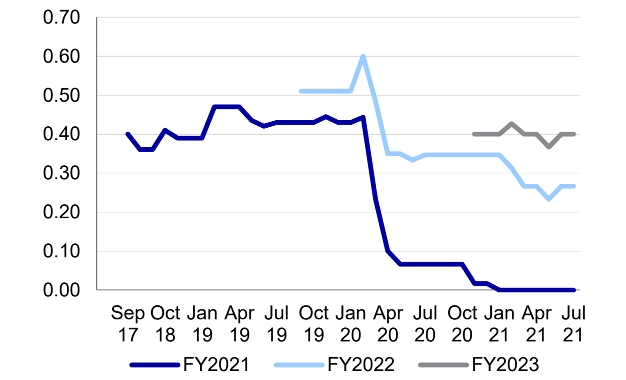
Source: Refinitiv

CONSENSUS EPS ESTIMATES (EUR)



Source: Refinitiv

CONSENSUS DPS ESTIMATES (EUR)



Source: Refinitiv

We are 9-15% above consensus on adjusted EBIT for 2022E-23E

For 2021E, we are 3% ahead of pre-Q2 Infront consensus on sales. We are up to 2% ahead of consensus on sales for 2022E-23E, while we are 9-15% ahead on adjusted EBIT. We have assumed a EUR 2.0-3.7m positive contribution from associated company Eezy in our EBIT estimates. We note the low quality of the consensus figures, however, due to rapid changes in the operating environment.

OUR ESTIMATES VS CONSENSUS (EPS AND DPS IN EUR)

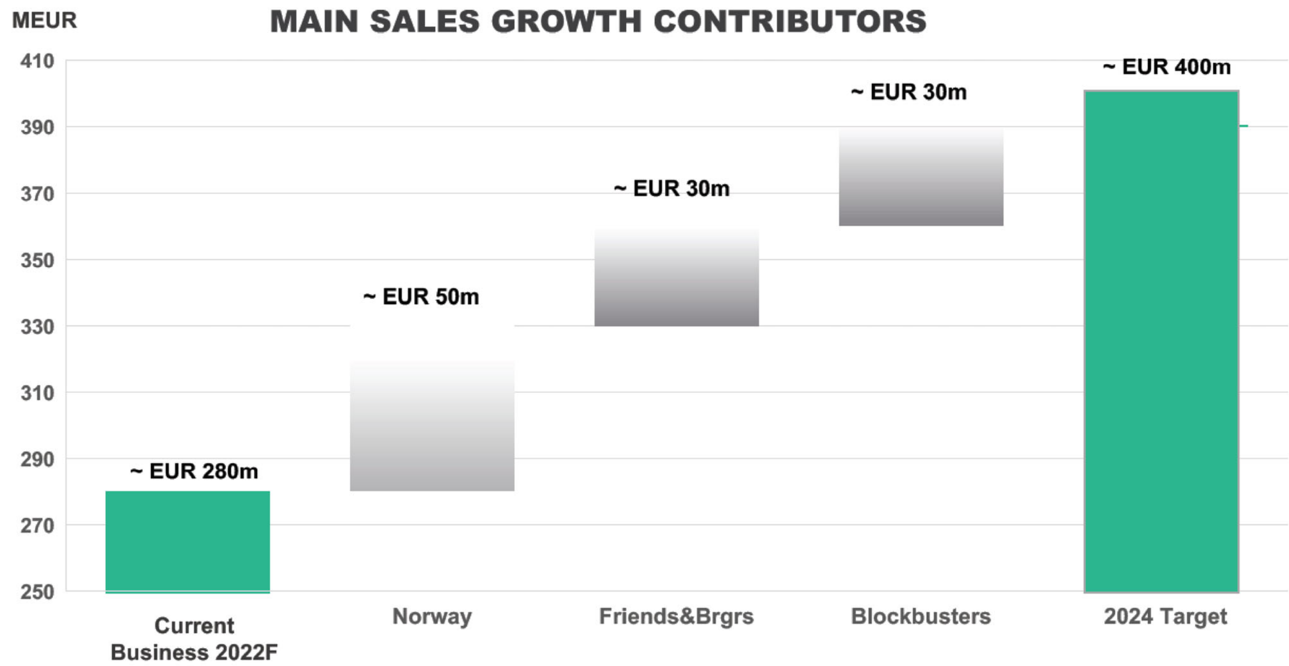
	Nordea estimates				Consensus estimates				Difference %			
EURm	**Q2 2021E**	**2021E**	**2022E**	**2023E**	**Q2 2021E**	**2021E**	**2022E**	**2023E**	**Q2 2021E**	**2021E**	**2022E**	**2023E**
Sales	**33.7**	**189**	**288**	**325**	**31.1**	**183**	**289**	**318**	**8%**	**3%**	**0%**	**2%**
Adj. EBIT	**-5.2**	**-8.6**	**26.1**	**36.0**	**n.a.**	**-5.1**	**24.1**	**31.2**		**67%**	**9%**	**15%**
Adj. EBIT margin	-15.5%	-4.6%	9.1%	11.1%		-2.8%	8.3%	9.8%		-1.8pp	0.7pp	1.2pp
EBIT	-0.4	0.2	26.1	36.0	n.a.	-4.3	25.1	32.4		-105%	4%	11%
EBIT margin	-1.1%	0.1%	9.1%	11.1%		-2.3%	8.7%	10.2%		2.5pp	0.4pp	0.9pp
EPS	-0.10	-0.41	0.65	1.03		-0.58	0.67	0.94		-29%	-3%	10%
DPS		0.00	0.30	0.40		0.00	0.23	0.37		n.m.	29%	9%

Source: Nordea estimates and Infront

Strategy for 2022-24

NoHo targets EUR 400m in sales with a 10% adjusted EBIT margin by 2024. The updated strategy for 2022-24 (published on 11 June) focuses on growth through M&A in Norway, scaling up the Friends & Brgrs chain, and large and profitable urban projects. The company will continue its cost-saving programme and further improve its operational efficiency. It aims to deleverage its balance sheet through operating cash flows and the gradual divestment of its stake in Eezy.

NOHO TARGETS EUR 400m OF SALES BY 2024 THROUGH ORGANIC GROWTH AND M&A IN NORWAY



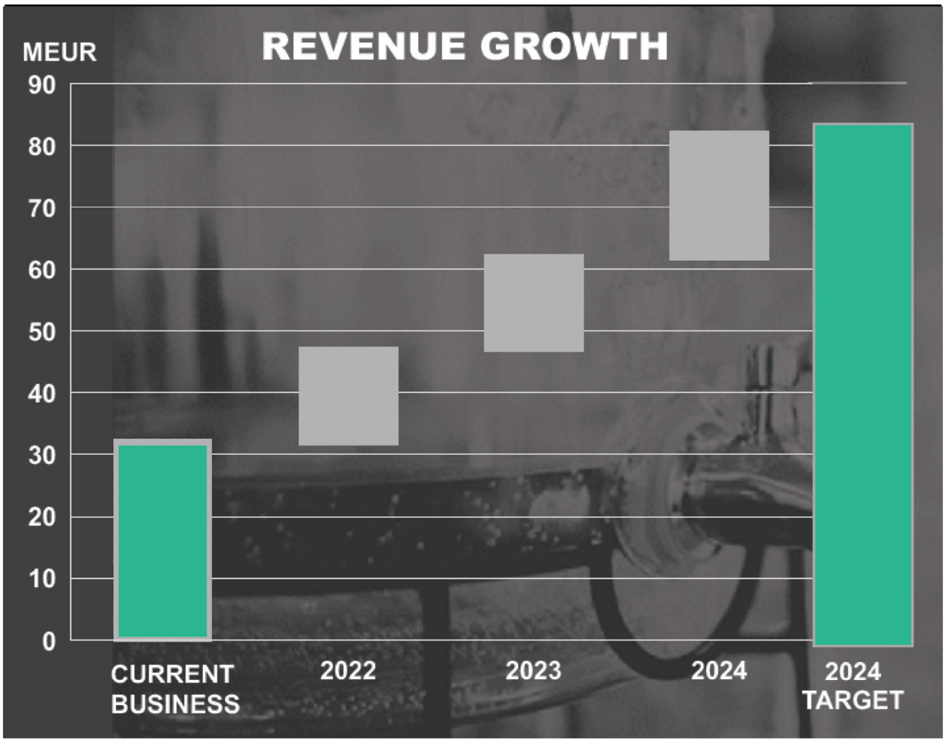
Source: Company data

Norway is the single most important growth driver
NoHo targets increased sales in Norway, from EUR 30m in 2021 up to EUR 80m in 2024. The company also expects to reach a market-leading position in the future. The current market leader has annual sales of EUR 120m.

Sales target of EUR 80m in Norway by 2024...

...with the potential to become the market leader

NOHO TARGETS SALES OF EUR 80m IN NORWAY BY 2024



Source: Company data

Friends & Brgrs network is set to expand

In 2020 NoHo acquired the Friends & Brgrs chain. It aims to boost sales to EUR 50m by 2024. The company aims to have 20 Friends & Brgrs restaurants by the end of 2021 with ten new restaurants opening annually during the strategy period. Friends & Brgrs restaurants reach profitability faster than traditional restaurants, with EUR 0.15-0.5m in annual EBITDA after opening. The capex requirement for a new restaurant stands at EUR 0.2-0.25m.

Ten new restaurants annually during the strategy period

FRIENDS & BRGRS: AMBITION TO BOOST ANNUAL SALES TO EUR 50m NATIONALLY

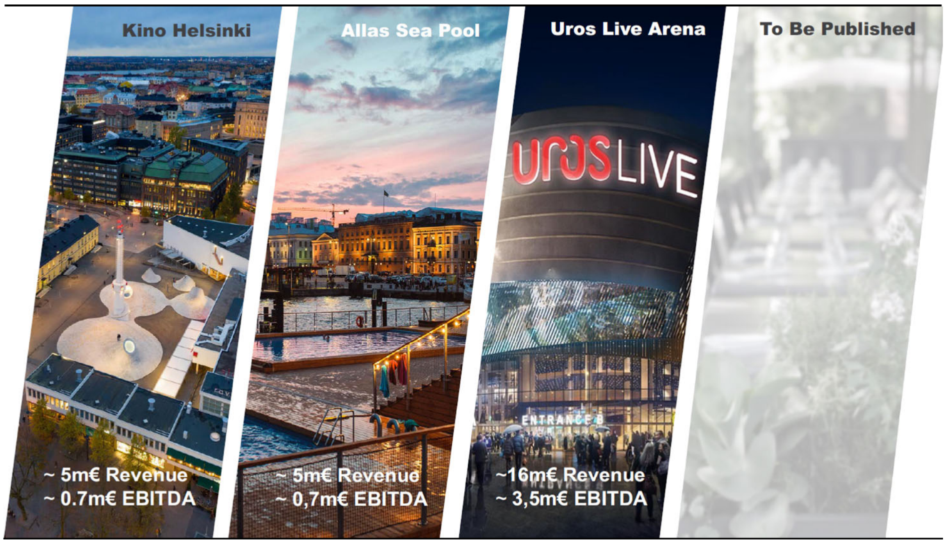
Source: Company data

Blockbusters to create EUR 30m in annual revenue

NoHo aims to continue to grow its urban Blockbuster business with targeted openings.

Urban projects with high revenues and solid profitability

BLOCKBUSTERS TO CREATE ANNUAL SALES OF EUR 30m



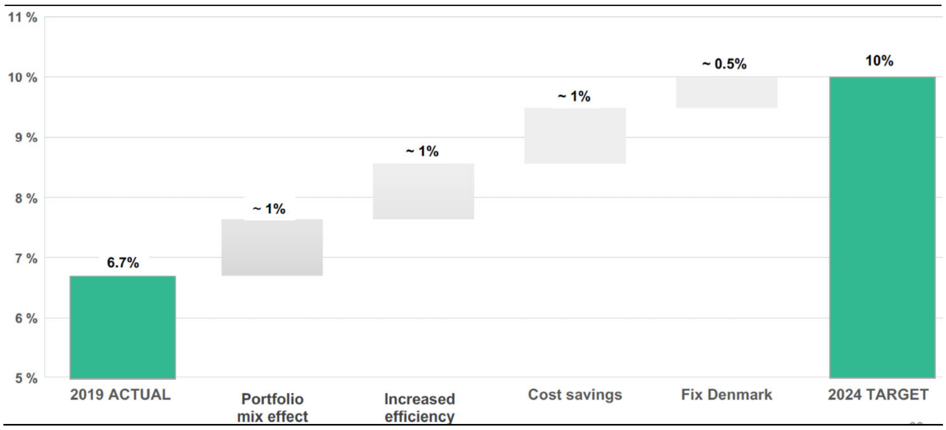
Source: Company data

10% EBIT margin target by 2024

The company aim to achieve its target of a 10% EBIT margin by 2024 via cost savings, portfolio optimisation, increased efficiency, and fixing its Danish operations. The company has been improving its efficiency and cleaning its portfolio during the COVID-19 pandemic. Consequently, we expect the current EBIT margin to be above 8% in normal market conditions. We think the 10% EBIT margin target is ambitious but reachable. For the Restaurant business, we model a 9.9% EBIT margin for 2023 and 10.5% for 2024.

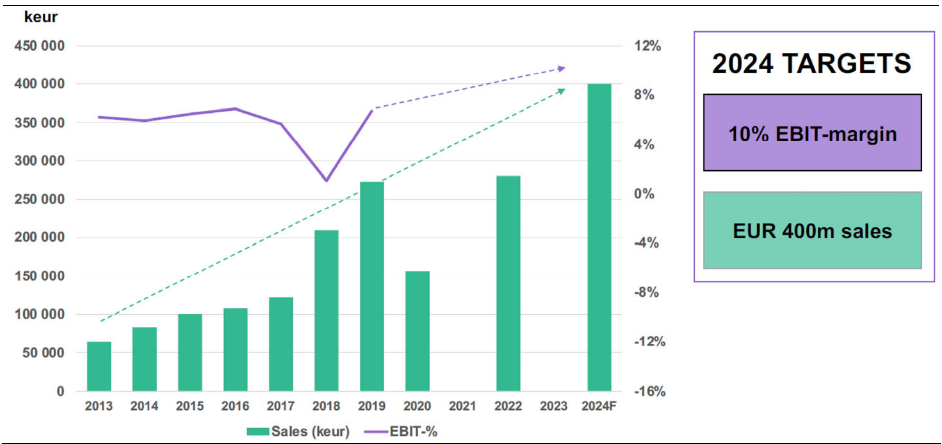
10% EBIT margin target is ambitious but reachable, in our view

10% EBIT MARGIN TARGET BY 2024



Source: Company data

SALES AND PROFITABILITY TARGETS BY 2024



Source: Company data

Revisions

Estimate revisions

Despite the strong June sales figures, we trim our 2021E top line by 6% owing to the current pandemic situation. For 2022E, we cut top line by 2% and adjusted EBIT by 4%, while we leave our 2023 estimates intact. We do not model any future M&A in our estimates. NoHo has only one reporting segment, although it is the largest shareholder in Eezy (with ~25.3% ownership), which is reported in EBIT.

ESTIMATE REVISIONS (EPS/DPS IN EUR)

	New estimates				Old estimates				Difference %			
EURm	**Q2 2021E**	**2021E**	**2022E**	**2023E**	**Q2 2021E**	**2021E**	**2022E**	**2023E**	**Q2 2021E**	**2021E**	**2022E**	**2023E**
Sales	**33.7**	**189**	**288**	**325**	**31.0**	**201**	**294**	**327**	**9%**	**-6%**	**-2%**	**0%**
Adj. EBIT	**-5.2**	**-8.6**	**26.1**	**36.0**	**-5.4**	**-4.5**	**27.1**	**35.9**	**-3%**	**91%**	**-4%**	**0%**
Adj. EBIT margin	-15.5%	-4.6%	9.1%	11.1%	-17.3%	-2.2%	9.2%	11.0%	1.8pp	-2.3pp	-0.1pp	0.1pp
EBIT	-0.4	0.2	26.1	36.0	-0.5	4.3	27.1	35.9	-28%	-95%	-4%	0%
EBIT margin	-1.1%	0.1%	9.1%	11.1%	-1.7%	2.1%	9.2%	11.0%	0.6pp	-2.0pp	-0.1pp	0.1pp
Adj. EPS	**-0.36**	**-0.87**	**0.65**	**1.03**	**-0.36**	**-0.70**	**0.69**	**1.03**	**-2%**	**24%**	**-5%**	**0%**
EPS	-0.10	-0.41	0.65	1.03	-0.11	-0.25	0.69	1.03	-6%	69%	-5%	0%
DPS		**0.00**	**0.30**	**0.40**		**0.00**	**0.30**	**0.40**			**0%**	**0%**
Sales by division												
Restaurant	34	189	288	325	31	201	294	327	9%	-6%	-2%	0%
Group total	**34**	**189**	**288**	**325**	**31**	**201**	**294**	**327**	**9%**	**-6%**	**-2%**	**0%**
Adj. EBIT by division												
Restaurant	-5.7	-10.6	23.0	32.3	-5.8	-6.5	24.0	32.2	-3%	63%	-4%	0%
Group total	**-5.2**	**-8.6**	**26.1**	**36.0**	**-5.4**	**-4.5**	**27.1**	**35.9**	**-3%**	**91%**	**-4%**	**0%**
Adj. EBIT margin by division												
Restaurant	-16.8%	-5.6%	8.0%	9.9%	-18.8%	-3.2%	8.2%	9.9%	1.9pp	-2.4pp	-0.2pp	0.1pp
Group total	**-15.5%**	**-4.6%**	**9.1%**	**11.1%**	**-17.3%**	**-2.2%**	**9.2%**	**11.0%**	1.8pp	-2.3pp	-0.1pp	0.1pp

Source: Nordea estimates

Valuation

We derive a fair value range of EUR 8.2-10.4 by equally weighting our DCF and SOTP valuations.

DCF valuation yields EUR 8.9-10.9 per share

The outcome of our DCF valuation is EUR 8.9-10.9 per share. We use a WACC of 7.2-7.6%, assuming a terminal growth rate of 2.5% with the EBIT margin gradually rising to 10%.

WACC COMPONENTS

WACC components	
Risk-free interest rate	2.0%
Market risk premium	4.5%
Equity beta	1.9-2.0
Cost of equity	10.4-11.2%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	55%
WACC	**7.2-7.6%**

Source: Nordea estimates

DCF VALUE (EURm AND EUR)

DCF value	Value	Per share
NPV FCFF	439-477	22.8-24.8
(Net debt)	-318	-16.5
Market value of associates	46	2.4
(Market value of minorities)	-5	-0.3
Surplus values	0	0.0
(Market value preference shares)	0	0.0
Share based adjustments	0	0.0
Other adjustments	0	0.0
Time value	9	0.4
DCF Value	**171-209**	**8.9-10.9**

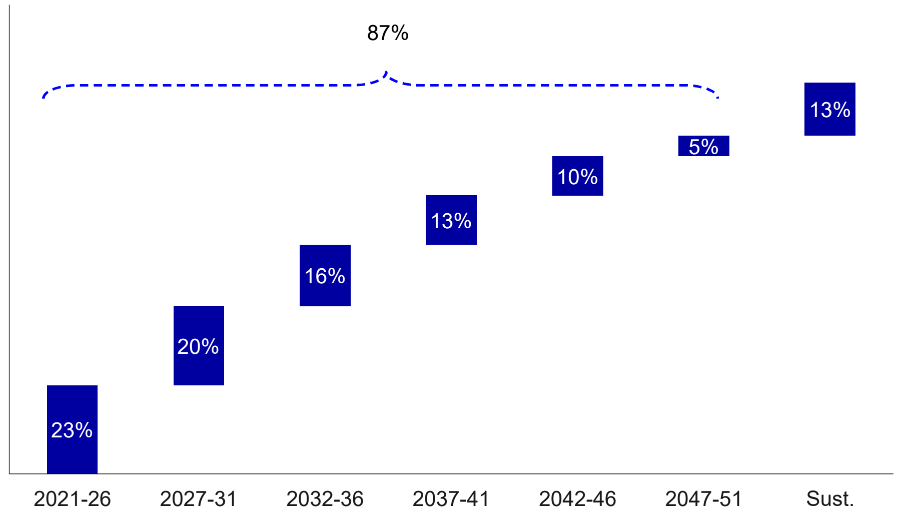
Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2021-26	2027-31	2032-36	2037-41	2042-46	2047-51	Sust.
Sales growth, CAGR	14.69%	2.5%	2.5%	2.5%	2.5%	2.5%	
EBIT-margin, excluding associates	9.0%	10.0%	10.0%	10.0%	10.0%	4.2%	
Capex/depreciation, x	1.1	1.0	1.0	1.0	1.0	1.0	
Capex/sales	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	
NWC/sales	-9.2%	-9.2%	-9.2%	-9.2%	-9.2%	-9.2%	
FCFF, CAGR	49.1%	1.0%	2.5%	2.5%	2.5%	-14.6%	2.5%

Source: Nordea estimates

DCF VALUATION COMPOSITION



Source: Nordea estimates

DCF valuation sensitivity

To highlight the sensitivity of our DCF valuation, we also provide sensitivity matrices that model variations in revenue growth, margin assumptions, and cost of capital. The sensitivities in our WACC are outlined in the following tables. When we use sensitivities to changes of ±0.5 pp for WACC, ±0.5 pp for sales growth, and ±0.5 for EBIT margin, our DCF model gives us a value range of EUR 8.4-11.6 per share.

SENSITIVITY OF OUR DCF MODEL (EUR)

Sensitivity analysis: WACC vs EBIT margin

		WACC				
		6.7%	7.0%	7.2%	7.5%	7.7%
EBIT marg. change	0.5pp	13.5	12.2	11.0	9.9	8.9
	0.3pp	12.9	11.6	10.5	9.4	8.4
	0.0pp	12.2	11.0	9.9	8.9	8.0
	-0.3pp	11.6	10.4	9.3	8.4	7.5
	-0.5pp	10.9	9.8	8.8	7.8	7.0

Sensitivity analysis: WACC vs Sales growth

		WACC				
		6.7%	7.0%	7.2%	7.5%	7.7%
Sales growth change	0.5pp	13.6	12.2	11.1	10.0	9.0
	0.3pp	12.9	11.6	10.5	9.4	8.4
	0.0pp	12.2	11.0	9.9	8.9	8.0
	-0.3pp	11.6	10.4	9.4	8.4	7.5
	-0.5pp	11.0	9.9	8.8	7.9	7.0

Sensitivity analysis: Sales growth vs EBIT margin

		Sales growth change				
		-0.5pp	-0.3pp	0.0pp	0.3pp	0.5pp
EBIT margin change	0.5pp	9.9	10.4	11.0	11.6	12.3
	0.3pp	9.4	9.9	10.5	11.0	11.7
	0.0pp	8.8	9.4	9.9	10.5	11.1
	-0.3pp	8.3	8.8	9.3	9.9	10.5
	-0.5pp	7.8	8.3	8.8	9.3	9.9

Source: Nordea estimates

SOTP valuation yields EUR 7.6-10.0 per share

When applying 2022E EV/EBIT multiples of 12-14x for the Restaurant segment, the current market valuation (as of 3 August) of the Eezy stake (25.3% of the company), and deducting 2021E net debt and current minority holdings, we derive a SOTP fair value range of EUR 7.6-10.0 per NoHo share.

SOTP VALUATION

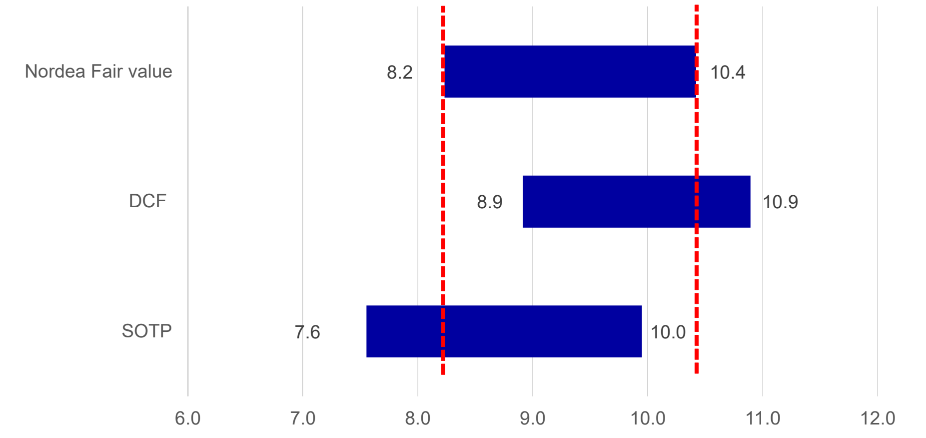
Business	EV/EBIT 12x	Per share, 12x	EV/EBIT 14x	Per share, 14x	% of EV	EBIT '22E
Restaurant	277	14.4	323	16.8	87-89%	23.0
EV from own operations	**277**	14.4	**323**	16.8	**87-89%**	
EEZY stake (25.25%) as of 3.8.2021	40	2.1	40	2.1	13-11%	
Other sellable securitites (Q1 2021)	0.1	0.0	0.1	0.0	0-0%	
EV from holdings	**40**	2.1	**40**	2.1	**13-11%**	
Total EV with market prices	**317**	16.5	**363**	18.9		
Net debt 2021E (excl IFRS 16)	167	8.7	167	8.7		
Equity value	**150**	**7.8**	**196**	**10.2**		
Minorities	-5	-0.3	-5	-0.3		
Number of shares, million	19.2		19.2			
Equity per share, EUR	7.6		10.0			

Source: Company data and Nordea estimates

Fair value range EUR 8.2-10.4

Our fair value range for NoHo is EUR 8.2-10.4 per share, as indicated by the red lines in the chart below.

FAIR VALUE RANGE (EUR/SHARE)



Source: Nordea estimates

Detailed estimates

COVID-19 will be a major swing factor for estimates

Given the abnormal situation caused by COVID-19, NoHo's earnings and balance sheet contain a large swing factor. We assume a gradual recovery in the situation, but government actions and consumer behaviour are hard to predict under circumstances never seen before. In addition, possible rent relief would support cash flows, but the impact on the income statement might be negligible.

ANNUAL ESTIMATES (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E
Turnover	**186**	**323**	**273**	**157**	**189**	**288**	**325**
growth %	43%	74%	-16%	-43%	20%	53%	13%
Other operating income	2	7	6	17	14	6	6
Materials and services	-36	-66	-85	-58	-64	-98	-111
Staff expenses	-83	-151	-63	-48	-46	-70	-79
Other operating expenses	-47	-84	-56	-41	-49	-60	-69
EBITDA	22.4	28.4	74.3	27.6	43.9	67.2	72.6
EBITDA margin %	12.1%	8.8%	27.2%	17.6%	23.3%	23.3%	22.3%
D&A	**-12**	**-21**	**-45**	**-52**	**-46**	**-44**	**-40**
IFRS 16 depreciation	0	0	-22	-31	-30	-29	-27
EBIT adjusted	**11.1**	**12.5**	**31.1**	**-30.7**	**-8.6**	**26.1**	**36.0**
EBIT adj. margin %	6.0 %	3.9 %	11.4 %	-19.6 %	-4.6 %	9.1 %	11.1 %
NRI	-0.3	-5.3	-0.5	6.8	8.8	0.0	0.0
EBIT	**10.8**	**7.2**	**30.6**	**-23.9**	**0.2**	**26.1**	**36.0**
EBIT margin %	5.8 %	2.2 %	11.2 %	-15.2 %	0.1 %	9.1 %	11.1 %
Associate income	0.1	0.0	0.8	0.5	2.0	3.1	3.7
Net financial expenses	-2.8	-1.6	-5.2	-11.0	-10.4	-9.3	-9.1
of which IFRS 16	0.0	0.0	-5.0	-5.0	-5.0	-5.1	-5.1
of which NRI	-1.7	-0.9	2.1	-1.7	0.0	0.0	0.0
Profit before taxes	**8.0**	**5.6**	**25.3**	**-34.8**	**-10.2**	**16.8**	**26.9**
Reported taxes	-2.5	-1.4	-1.5	5.4	1.4	-3.3	-5.6
Net profit	**5.5**	**4.2**	**23.8**	**-29.5**	**-8.9**	**13.5**	**21.3**
Minorities	0.4	0.7	1.5	-2.6	-0.9	1.0	1.5
Profit to equity holders	**5.1**	**3.5**	**22.3**	**-26.8**	**-7.9**	**12.5**	**19.8**
Hybrid interest incl tax shield	0.0	0.0	-1.4	0.0	0.0	0.0	0.0
EPS, EUR (continued op)	**0.30**	**0.19**	**1.10**	**-1.40**	**-0.41**	**0.65**	**1.03**

	2017	2018	2019	2020	2021E	2022E	2023E
Restaurant business							
Turnover	**122.2**	**209.7**	**272.9**	**156.8**	**188.9**	**288.1**	**325.5**
growth %	14%	72%	30%	-43%	20%	53%	13%
Adj. EBIT	**6.9**	**6.4**	**18.7**	**-31.3**	**-10.6**	**23.0**	**32.3**
margin %	5.7 %	3.0 %	6.8 %	-20.0 %	-5.6 %	8.0 %	9.9 %
Eliminations							
Turnover	-11.9	-13.7	-11.8	0.0	0.0	0.0	0.0
Operating profit	0.0	0.0	0.0	0.1	0.0	0.0	0.0

Source: Company data and Nordea estimates

QUARTERLY ESTIMATES (EURm)

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21E	Q3/21E	Q4/21E
Turnover	**80**	**100**	**77**	**75**	**50**	**19**	**56**	**32**	**20**	**34**	**69**	**66**
growth %	62%	37%	-25%	-24%	-38%	-81%	-27%	-58%	-60%	77%	23%	110%
Other operating income	2	2	1	2	2	8	3	3	5	6	2	1
Materials and services	-16	-21	-24	-25	-19	-6	-20	-12	-7	-11	-23	-22
Staff expenses	-39	-48	-16	-18	-15	-8	-13	-11	-9	-8	-14	-15
Other operating expenses	-12	-16	-17	-16	-14	-5	-12	-10	-7	-9	-18	-14
EBITDA	15.2	17.5	20.8	18.8	4.4	8.1	13.5	1.5	1.8	10.6	15.1	16.5
EBITDA margin %	18.9%	17.5%	27.1%	25.0%	8.8%	42.5%	24.1%	4.9%	8.9%	31.4%	22.0%	24.8%
D&A	**-12**	**-12**	**-11**	**-12**	**-11**	**-16**	**-11**	**-14**	**-11**	**-11**	**-11**	**-11**
IFRS 16 depreciation	-5	-5	-5	-5	-8	-8	-8	-8	-8	-8	-8	-8
EBIT adjusted	**2.7**	**5.8**	**10.0**	**7.3**	**-6.6**	**-11.2**	**1.2**	**-14.0**	**-13.7**	**-5.2**	**4.7**	**5.6**
EBIT adj. margin %	3.4 %	5.8 %	13.1 %	9.7 %	-13 %	-59%	2.2 %	-44 %	-68 %	-15.5 %	6.8 %	8.5 %
NRI	0.0	0.0	-0.2	-0.3	0.0	2.8	1.7	2.3	4.0	4.9	0.0	0.0
EBIT	**2.7**	**5.8**	**9.8**	**7.0**	**-6.6**	**-8.4**	**2.9**	**-11.8**	**-9.7**	**-0.4**	**4.7**	**5.6**
EBIT margin %	3.4 %	5.8 %	12.8 %	9.3 %	-13 %	-44%	5.2 %	-37 %	-48 %	-1.1 %	6.8 %	8.5 %
Associate income	0.0	-0.1	0.3	0.6	0.0	-0.4	0.6	0.3	-0.1	0.4	1.0	0.6
Net financial expenses	0.1	-2.3	-1.4	-2.0	-3.3	-2.3	-2.6	-2.7	-2.3	-2.5	-2.6	-3.0
of which IFRS 16	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3
of which NRI	2.1	0.0	0.0	0.0	-1.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Profit before taxes	**2.8**	**3.4**	**8.6**	**5.0**	**-9.9**	**-10.7**	**0.3**	**-14.5**	**-12.1**	**-2.9**	**2.1**	**2.7**
Reported taxes	0.0	-0.9	-0.9	-0.2	1.0	1.6	0.2	2.6	1.3	0.7	-0.2	-0.4
Net profit	**2.8**	**2.5**	**7.7**	**4.9**	**-8.9**	**-9.2**	**0.4**	**-11.9**	**-10.8**	**-2.2**	**1.9**	**2.2**
Minorities	0.2	1.0	0.6	0.7	-0.9	-0.4	0.3	-1.7	-1.3	-0.2	0.2	0.4
Profit to equity holders	**2.7**	**1.6**	**7.2**	**4.2**	**-8.0**	**-8.8**	**0.2**	**-10.2**	**-9.4**	**-2.0**	**1.7**	**1.8**
Hybrid interest incl tax shield	0.0	-0.5	-0.5	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS, EUR (continued op)	**0.14**	**0.06**	**0.35**	**0.20**	**-0.44**	**-0.46**	**0.01**	**-0.53**	**-0.49**	**-0.10**	**0.09**	**0.10**

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21E	Q3/21E	Q4/21E
Restaurant business												
Turnover	**53.3**	**67.7**	**76.7**	**75.2**	**50.1**	**19.0**	**56.0**	**31.6**	**20.2**	**33.7**	**68.6**	**66.4**
growth %	72%	51%	16%	11%	-6%	-72%	-27%	-58%	-60%	77%	23%	110%
Adj. EBIT	**1.8**	**4.0**	**6.2**	**6.7**	**-6.7**	**-10.9**	**0.5**	**-14.2**	**-13.6**	**-5.7**	**3.7**	**5.0**
margin %	3.3 %	5.9 %	8.1 %	9.0 %	-13 %	-57 %	0.9 %	-45 %	-67 %	-16.8 %	5.3 %	7.6 %
Eliminations												
Turnover	-3.4	-4.5	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-0.1	0.0	0.0	0.0	0.0

Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors that we find relevant for NoHo. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may be facing, but instead, to highlight those we find most relevant. In normal circumstances, the main risks we identify relate to the overall Finnish economy, the restaurant business, NoHo's international expansion efforts, regulations, and alcohol licences. However, how COVID-19 will progress is hard to predict, and this might affect NoHo's business for longer than anticipated.

General Finnish economy

The restaurant industry depends on the general Finnish economy. In times of strong economic activity, people are more inclined to eat out and they have more money to spend.

Coronavirus

The coronavirus will have a negative impact on sales and earnings

The current situation creates a high swing factor for NoHo Partners' earnings and balance sheet. While the company has flexible staffing, rental agreements are harder to adjust. The company is fully dependent on customers visiting its restaurants and venues, and any drop in demand has a negative impact on sales and earnings. Currently, the new COVID-19 wave is creating uncertainty over the recovery pace of the business. In addition, dependent on the recovery in consumer spending, there is high uncertainty as to when tourism and business spending will recover.

Weather

Unfavourable weather conditions hurt restaurant sales

Revenue in the restaurant business increases during the summer months. NoHo has several summer or terraced restaurants, and these are especially vulnerable to the summer weather. In the event of a cold or rainy summer, sales in the restaurant business will most likely decrease. Warm winters could also negatively affect the restaurant business at ski resorts.

Alcohol licences and regulations

The restaurant business has to operate under local regulations; restaurants/clubs depend on alcohol licences

When operating in the restaurant business, NoHo has to adhere to local alcohol legislation, food legislation, labour agreements and value-added taxation. In addition, a significant share of its business operations are subject to licences and are closely controlled. Amendments to current regulation and legislation will affect NoHo, and unexpected changes to them could negatively impact operations.

Changes in tourism

Tourists are an important customer group in the restaurant business

Tourists are an important customer group for the restaurant segment. Over the past 20 years, the number of tourists, especially foreign tourists, has increased in Finland. If tourism were to abate, it would have a negative effect on NoHo's business. COVID-19 has caused a severe drop in the number of tourists visiting Finland, and although we expect a gradually recovering situation, revenues from foreign tourists might remain at a lower level at least until 2022.

Financial position

A dilutive rights issue is still possible given the current situation

Given NoHo's current financial situation, we consider a rights issue possible, which would dilute the current shareholders' ownership. The company was able to negotiate a new funding package in February, which should secure funding for the coming years. In a worst-case scenario where the company is not able to secure additional funding, there is a risk that the equity value would be zero.

Risks related to international expansion

Entering new markets has its own set of risks

NoHo's ambitions to grow internationally do not come without costs, investments and risks. New markets, new regulatory environments, local competition (at various levels of consolidation) and risks related to the execution of strategy can all affect the company and the success of its ambitions.

Reported numbers and forecasts

INCOME STATEMENT

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	**65**	**87**	**114**	**130**	**186**	**323**	**273**	**157**	**189**	**288**	**325**
Revenue growth	7.0%	33.2%	31.1%	14.5%	42.9%	73.9%	-15.6%	-42.5%	20.5%	52.5%	13.0%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	9	12	17	19	22	28	75	28	46	70	76
Depreciation and impairments PPE	-5	-6	-7	-8	-8	-11	-36	-42	-37	-35	-32
of which leased assets	0	0	0	0	0	0	-22	-31	-30	-29	-27
EBITA	5	6	10	12	15	17	39	-13	9	35	44
Amortisation and impairments	-1	-1	-2	-3	-4	-10	-9	-10	-9	-9	-8
EBIT	4	5	7	9	11	7	31	-24	0	26	36
of which associates	0	0	0	0	0	0	1	1	2	3	4
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	-1	-1	-1	-3	-2	-5	-11	-10	-9	-9
of which lease interest	0	0	0	0	0	0	-5	-5	-5	-5	-5
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**4**	**5**	**6**	**8**	**8**	**6**	**25**	**-35**	**-10**	**17**	**27**
Reported taxes	-1	-1	-1	-2	-3	-1	-1	5	1	-3	-6
Net profit from continued operations	3	3	5	6	5	4	24	-29	-9	14	21
Discontinued operations	0	0	0	0	0	0	24	0	0	0	0
Minority interests	0	0	0	0	0	-1	-2	3	1	-1	-2
Net profit to equity	3	3	5	6	5	3	45	-27	-8	13	20
EPS, EUR	**0.24**	**0.22**	**0.31**	**0.35**	**0.30**	**0.19**	**2.36**	**-1.40**	**-0.41**	**0.65**	**1.03**
DPS, EUR	0.09	0.22	0.27	0.30	0.33	0.34	0.00	0.00	0.00	0.30	0.40
of which ordinary	0.09	0.22	0.27	0.30	0.33	0.34	0.00	0.00	0.00	0.30	0.40
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	14.1%	13.9%	14.6%	14.9%	12.1%	8.8%	27.5%	17.9%	24.3%	24.4%	23.4%
EBITA	7.0%	7.2%	8.5%	9.1%	7.9%	5.2%	14.5%	-8.6%	4.9%	12.1%	13.5%
EBIT	6.2%	6.1%	6.4%	6.9%	5.8%	2.2%	11.2%	-15.2%	0.1%	9.1%	11.1%
Adjusted earnings											
EBITDA (adj)	9	12	17	20	23	34	76	21	37	70	76
EBITA (adj)	5	7	10	12	15	22	40	-20	1	35	44
EBIT (adj)	4	6	8	9	11	12	31	-31	-9	26	36
EPS (adj, EUR)	0.24	0.24	0.35	0.37	0.43	0.54	2.27	-1.66	-0.87	0.65	1.03
Adjusted profit margins in percent											
EBITDA (adj)	14.1%	14.3%	15.2%	15.2%	12.2%	10.4%	27.7%	13.6%	19.6%	24.4%	23.4%
EBITA (adj)	7.0%	7.7%	9.1%	9.3%	8.0%	6.9%	14.7%	-12.9%	0.3%	12.1%	13.5%
EBIT (adj)	6.2%	6.6%	7.0%	7.2%	6.0%	3.9%	11.4%	-19.6%	-4.6%	9.1%	11.1%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	25.1%	37.8%	25.8%	6.7%	7.7%	9.2%	0.1%
EBITDA	n.m.	n.m.	n.m.	n.m.	17.7%	25.4%	44.3%	11.2%	18.8%	25.7%	21.8%
EBIT	n.a.	n.a.	n.a.	n.a.	13.5%	12.2%	42.1%	n.m.	-52.8%	19.4%	38.0%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	-4.1%	61.4%	n.m.	n.m.	16.5%	39.6%
DPS	n.m.	n.m.	n.m.	n.m.	18.7%	30.5%	n.m.	n.m.	n.m.	-1.9%	3.3%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	6.9%	6.3%	4.7%	6.3%	3.1%	2.2%	3.3%	5.6%
Average EBITDA margin	n.a.	n.a.	n.a.	14.7%	13.7%	11.8%	15.8%	16.2%	17.7%	20.1%	24.0%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	18.2	14.5	14.2	16.4	20.1	16.0	4.5	n.m.	n.m.	12.6	7.9
EV/EBITDA (adj)	7.5	6.2	6.5	6.6	8.3	9.2	6.2	22.4	13.0	6.6	6.0
EV/EBITA (adj)	15.2	11.6	10.8	10.8	12.6	14.0	11.8	n.m.	896.6	13.3	10.3
EV/EBIT (adj)	17.0	13.5	14.1	14.1	17.0	24.9	15.6	n.m.	n.m.	20.2	14.1

VALUATION RATIOS - REPORTED EARNINGS

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	18.2	16.3	16.1	17.4	28.2	44.4	4.4	n.m.	n.m.	12.6	7.9
EV/Sales	1.06	0.89	0.98	1.01	1.01	0.96	1.73	3.05	2.56	1.61	1.40
EV/EBITDA	7.5	6.4	6.8	6.8	8.4	10.9	6.3	17.3	11.0	6.9	6.3
EV/EBITA	15.2	12.4	11.6	11.1	12.8	18.4	12.2	n.m.	65.4	14.6	11.3
EV/EBIT	17.0	14.6	15.4	14.6	17.5	43.2	15.8	n.m.	n.m.	20.2	14.1
Dividend yield (ord.)	2.1%	6.3%	5.4%	5.0%	3.9%	3.9%	0.0%	0.0%	0.0%	3.7%	4.9%
FCF yield	-1.3%	-12.0%	-4.1%	3.6%	-3.6%	-35.7%	12.2%	1.7%	18.1%	31.6%	29.6%
FCF Yield bef A&D, lease adj	-1.1%	-3.3%	2.3%	6.3%	4.7%	5.2%	9.9%	-18.3%	-1.0%	13.0%	12.2%
Payout ratio	37.5%	102.2%	86.7%	86.9%	108.4%	174.4%	0.0%	0.0%	0.0%	46.0%	38.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	9	40	44	47	66	204	177	180	174	169	165
of which R&D	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
of which other intangibles	1	10	10	10	14	57	48	45	37	32	28
of which goodwill	9	30	34	38	53	147	129	135	137	137	137
Tangible assets	18	25	29	29	32	46	186	166	168	177	184
of which leased assets	0	0	0	0	0	0	128	118	121	125	126
Shares associates	0	0	1	1	3	0	39	39	39	41	43
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	1	0	1	0	1	0	1	9	9	9	9
Other non-IB non-current assets	0	1	1	1	1	4	3	3	3	3	3
Other non-current assets	0	0	1	1	1	0	0	0	0	0	0
Total non-current assets	29	67	77	79	104	255	406	397	393	399	405
Inventory	1	2	2	2	3	5	6	4	3	5	6
Accounts receivable	4	10	10	14	24	40	24	14	17	26	29
Short-term leased assets	0	0	0	0	0	0	31	30	29	27	28
Other current assets	11	0	0	0	0	0	0	0	0	0	0
Cash and bank	3	5	2	2	3	5	4	3	1	6	10
Total current assets	20	17	14	18	29	50	64	51	51	65	73
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**49**	**84**	**91**	**98**	**133**	**305**	**471**	**448**	**444**	**464**	**478**
Shareholders equity	28	39	40	43	45	67	129	76	68	81	95
Of which preferred stocks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Of which equity part of hybrid debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25	0	0	0	0
Minority interest	0	0	0	1	2	9	8	5	4	4	5
Total Equity	28	39	40	44	47	76	137	81	72	85	100
Deferred tax	0	1	1	1	2	10	6	8	8	8	8
Long term interest bearing debt	6	17	22	24	35	90	73	94	144	129	119
Pension provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	1	1	1	1	4	6	8	4	4	4	4
Non-current lease debt	0	0	0	0	0	0	134	126	126	130	131
Convertible debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Shareholder debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Hybrid debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Total non-current liabilities	7	19	24	26	40	107	221	232	281	270	261
Short-term provisions	0	0	0	0	0	1	0	0	0	0	0
Accounts payable	9	18	18	19	34	68	48	35	38	58	65
Current lease debt	0	0	0	0	0	0	27	27	29	27	28
Other current liabilities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Short term interest bearing debt	4	7	9	8	12	53	38	74	24	24	24
Total current liabilities	13	25	27	28	46	122	113	135	91	109	117
Liabilities for assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total liabilities and equity	**49**	**84**	**91**	**98**	**133**	**305**	**471**	**448**	**444**	**464**	**478**
Balance sheet and debt metrics											
Net debt	6	19	29	31	44	138	268	318	322	303	292
of which lease debt	0	0	0	0	0	0	161	153	155	157	159
Working capital	7	-7	-6	-3	-7	-23	-18	-17	-17	-27	-30
Invested capital	36	61	71	76	96	231	388	380	376	372	375
Capital employed	38	64	71	77	93	219	409	402	395	395	402
ROE	12.6%	10.3%	12.8%	13.5%	11.5%	6.2%	45.6%	-26.1%	-11.0%	16.8%	22.6%
ROIC	10.8%	9.3%	9.5%	9.8%	10.2%	6.0%	7.9%	-6.3%	-1.8%	5.5%	7.6%
ROCE	13.3%	11.4%	11.8%	12.7%	13.2%	9.3%	10.6%	-7.5%	-1.9%	6.8%	9.3%
Net debt/EBITDA	0.7	1.6	1.8	1.6	2.0	4.9	3.6	11.3	7.0	4.3	3.8
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.2	n.m.	n.m.
Equity ratio	57.5%	46.4%	43.7%	44.3%	33.8%	22.0%	27.5%	17.0%	15.4%	17.4%	19.8%
Net gearing	22.5%	48.5%	73.1%	69.8%	93.3%	182.0%	195.3%	392.2%	446.1%	356.3%	292.1%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBITDA (adj) for associates	**9**	**12**	**17**	**19**	**22**	**28**	**74**	**28**	**44**	**67**	**73**
Paid taxes	-2	-3	0	-3	-3	-4	-3	-3	1	-3	-6
Net financials	0	-1	-1	-1	-3	-2	-7	-11	-10	-9	-9
Change in provisions	0	0	0	0	0	1	-1	0	0	0	0
Change in other LT non-IB	-1	0	-1	0	3	1	2	-12	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	1	1	1	2
Dividends paid to minorities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	-1	-1
Other adj to reconcile to cash flow	0	0	1	-1	-1	-4	0	14	0	0	0
Funds from operations (FFO)	**5**	**9**	**16**	**15**	**18**	**21**	**62**	**16**	**36**	**55**	**59**
Change in NWC	-2	0	-4	-2	0	-2	-5	-8	0	9	3
Cash flow from operations (CFO)	**3**	**8**	**12**	**14**	**18**	**19**	**57**	**8**	**36**	**64**	**62**
Capital expenditure	-4	-10	-10	-7	-11	-10	-16	-6	-7	-15	-16
Free cash flow before A&D	**-1**	**-2**	**2**	**6**	**7**	**9**	**41**	**2**	**29**	**50**	**47**
Proceeds from sale of assets	0	13	0	0	0	0	2	0	2	0	0
Acquisitions	0	-18	-5	-3	-12	-67	-19	0	-2	0	0
Free cash flow	-1	-7	-3	4	-5	-58	24	3	29	50	47
Free cash flow bef A&D, lease adj	-1	-2	2	6	7	9	19	-28	-2	20	19
Dividends paid	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Equity issues / buybacks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Net change in debt	0	11	6	1	6	75	-13	55	0	-15	-10
Other financing adjustments	-2	0	0	0	0	0	-28	-25	-31	-29	-27
Other non-cash adjustments	-11	0	-1	0	5	7	0	-2	0	0	0
Change in cash	0	2	-3	0	1	2	-1	0	-2	5	3
Cash flow metrics											
Capex/D&A	70.9%	n.m.	n.m.	69.2%	95.8%	48.1%	36.3%	11.7%	15.3%	33.1%	38.8%
Capex/Sales	5.6%	11.6%	9.2%	5.5%	6.0%	3.2%	5.9%	3.9%	3.7%	5.1%	4.8%
Key information											
Share price year end (/current)	4	4	5	6	9	9	10	8	8	8	8
Market cap.	62	57	82	100	142	164	196	155	157	157	157
Enterprise value	69	77	112	131	188	310	471	477	483	465	454
Diluted no. of shares, year-end (m)	14.2	16.4	16.4	16.6	16.6	18.9	19.0	19.2	19.2	19.2	19.2

Source: Company data and Nordea estimates

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