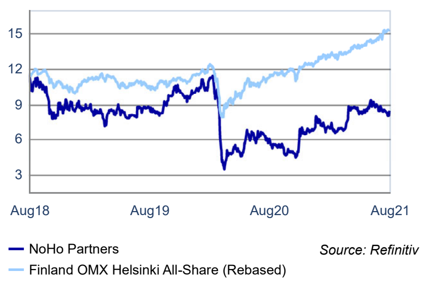
NoHo Partners

Consumer Goods
Finland

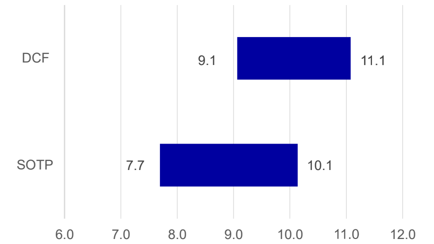
KEY DATA

Stock country	Finland
Bloomberg	NOHO FH
Reuters	NOHOP.HE
Share price (close)	EUR 8.57
Free Float	50%
Market cap. (bn)	EUR 0.16/EUR 0.16
Website	http://www.noho.fi/
Next report date	09 Nov 2021

PERFORMANCE



VALUATION APPROACH (EUR PER SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-4%	0%	0%
EBIT (adj)	-55%	0%	0%

Source: Nordea estimates

Nordea Markets - Analysts
Joni Sandvall
Analyst

Svante Krokfors
Director

Q2 underpins underlying efficiency

NoHo reported Q2 EBIT of EUR -1.8m, supported by EUR 4.5m government grants and well above Infront consensus expectations. Underlying efficiency measures are starting to become visible with July sales of above EUR 25m and EUR 4.5m operating cash flow. The company is expecting tougher market conditions in August-September, with more normalised conditions in the more important Q4. However, operating cash flow should remain positive even with the current tighter restrictions. We continue to believe that the EUR 400m sales and 10% EBIT margin by 2024 are reachable and believe that pent-up demand will drive a fast recovery, as seen during June-July, when restrictions are eased again. We derive a fair value range of EUR 8.4-10.6 per NoHo share.

Q3 sales guided to be EUR 54-61m with positive cash flow

NoHo reported Q2 sales of EUR 34.5m and operating cash flow of EUR 0.7m. July sales were above EUR 25m with EUR 4.5m cash flow, indicating strong underlying efficiency as soon as market conditions normalise. Q3 sales are guided to be EUR 54-61m with August sales of EUR 15-18m and September sales of EUR 14-16m. Cash flow is expected to remain positive in August and September and to be EUR 5-7m in Q3. The company can operate with positive cash flow even with the current tighter restrictions, while a possible easing of restrictions in Q4 should enable a fast recovery with high pent-up demand in the market. Liquid funds were EUR 19m at the end of July, while net debt excluding IFRS 16 was below EUR 160m.

2022-23 estimates intact

On the back of somewhat lower than anticipated sales guidance for Q3, we lower 2021E top line by 4% and EBIT by EUR 5.1m. With the current structure the company expects to reach EUR 280m sales in 2022, while it targets EUR 400m sales by 2024. We do not model any acquisitions (NoHo targets EUR 50m though M&A in Norway). We forecast EUR 288m sales in 2022 and EUR 350m in 2024. We forecast NoHo to reach its 10% EBIT margin target from the Restaurant business ahead of schedule in 2023.

Fair value range of EUR 8.4-10.6

We derive a fair value range of EUR 8.4-10.6 (8.2-10.4) by equally weighting our DCF and SOTP valuations. NoHo is in the process of divesting its holding in Eezy with a clear ambition to deleverage. Further expansion in Norway and a gradually recovering restaurant market should support, while there is still high uncertainty over when the full recovery will take place.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	186	323	273	157	181	288	326
EBITDA (adj)	23	34	76	21	32	71	76
EBIT (adj)	11	12	31	-31	-13	26	36
EBIT (adj) margin	6.0%	3.9%	11.4%	-19.6%	-7.4%	9.1%	11.1%
EPS (adj, EUR)	0.43	0.54	2.27	-1.66	-1.09	0.60	0.98
EPS (adj) growth	16.1%	27.4%	318.9%	-173.3%	34.6%	155.2%	63.5%
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	2.7	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.	14.3	8.7
P/BV	3.2	2.4	1.5	2.0	2.6	2.2	1.9
Dividend yield (ord)	3.9%	3.9%	0.0%	0.0%	0.0%	3.5%	4.7%
FCF Yield bef A&D, lease	4.7%	5.2%	9.9%	-18.3%	-2.9%	13.1%	11.4%
Net debt	44	138	268	318	325	305	294
Net debt/EBITDA	2.0	4.9	3.6	11.3	7.9	4.3	3.9
ROIC after tax	10.2%	6.0%	7.9%	-6.3%	-2.8%	5.6%	7.7%

Source: Company data and Nordea estimates

Deviation and Q2 2021 results

NoHo Partners reported Q2 EBIT of EUR -1.8m, 51% above Refinitiv consensus. Q2 net sales were EUR 34.5m, fairly in line with pre-released sales figures. Operating cash flow was EUR 0.7m in Q2, while liquid assets were EUR ~19m at the end of July. Government grants were EUR 4.5m in Q2 (we had expected EUR 4.9m). July sales exceeded EUR 25m and were nearly on a par with the 2019 level, while the company expects August and September sales to exceed EUR 14m. July cash flow was EUR +4.5m and the company expects positive cash flow in August and September. The company expects Q3 sales to be EUR 54-61m with EUR 5-7m in positive operating cash flow. Relative profitability was substantially higher in July compared to 2019 and 2020. The company has opted not to issue full-year guidance due to the uncertain market environment and to continue with monthly sales reporting.

Q2 operating cash flow was EUR 0.7m

- Q2 net sales were EUR 34.5m, fairly in line with pre-released sales figures (Refinitiv consensus EUR 32.7m).
- Q2 EBIT was EUR -1.8m (consensus at EUR -3.7m). Government grants were EUR 4.5m in Q2 (we had modelled EUR 4.9m). Associated company Eezy's contribution to Q2 EBIT was EUR 0.3m in Q2.
- Operating cash flow was EUR 0.7m in Q2 (EUR -0.2m in Q2 2020). July operating cash flow was EUR 4.5m while the company expects August and September cash flow to be positive as well. Q3 operating cash flow is guided to be EUR 5-7m.
- July sales were above EUR 25m, almost in line with 2019. The company expects August and September sales to be EUR 15-18m and EUR 14-16m, respectively. Q3 sales are guided to be EUR 54-61m.
- Q2 EPS was EUR -0.18, below the consensus expectation of EUR -0.13.

No guidance for 2021 – net debt declining

Amid the volatile market environment, NoHo does not provide guidance for 2021. Pre-Q2 Infront consensus estimated EUR 183m sales and EUR -4.3m EBIT in 2021.

Net debt excluding IFRS16 declined to below EUR 160m in July. The company targets EUR 40m operating cash flow for 2022 and below 3x net debt-to-operating cash flow during the 2022-24 strategy period. If we adjust for the EUR ~40m Eezy stake, which is now classified as an asset held for sale, the company aims to reach its leverage target already in 2022.

Q2 DEVIATION TABLE (EURm; EPS IN EUR)

EURm	Actual Q2 2021	NDA est. Q2 2021E	Deviation vs. actual		Consensus Q2 2021E	Deviation vs. actual		Actual Q1 2021	q/q	Actual Q2 2020	y/y
Sales	**34**	**33.7**	**0.8**	**2%**	**32.7**	**1.8**	**6%**	**20**	**71%**	**19**	**81%**
EBIT	**(1.8)**	**(0.4)**	**-1.4**	**373%**	**(3.7)**	**1.9**	**-51%**	**(9.7)**	**-81%**	**(8.4)**	**-79%**
Adj. EBIT	**(6.3)**	**(5.2)**	**-1.1**	**21%**	**(4.9)**	**-1.4**	**29%**	**(13.7)**	**-54%**	**(11.2)**	**-44%**
Adj. EBIT margin	-18.4%	-15.5%		-2.9pp	-15.0%		5.1pp	-67.9%	49.5pp	-59.0%	40.6pp
EPS	**(0.18)**	**(0.10)**	**-0.08**	74%	**(0.13)**	**-0.05**	38%	**(0.49)**	-63%	**(0.46)**	-61%

Source: Company data, Infront, and Nordea estimates

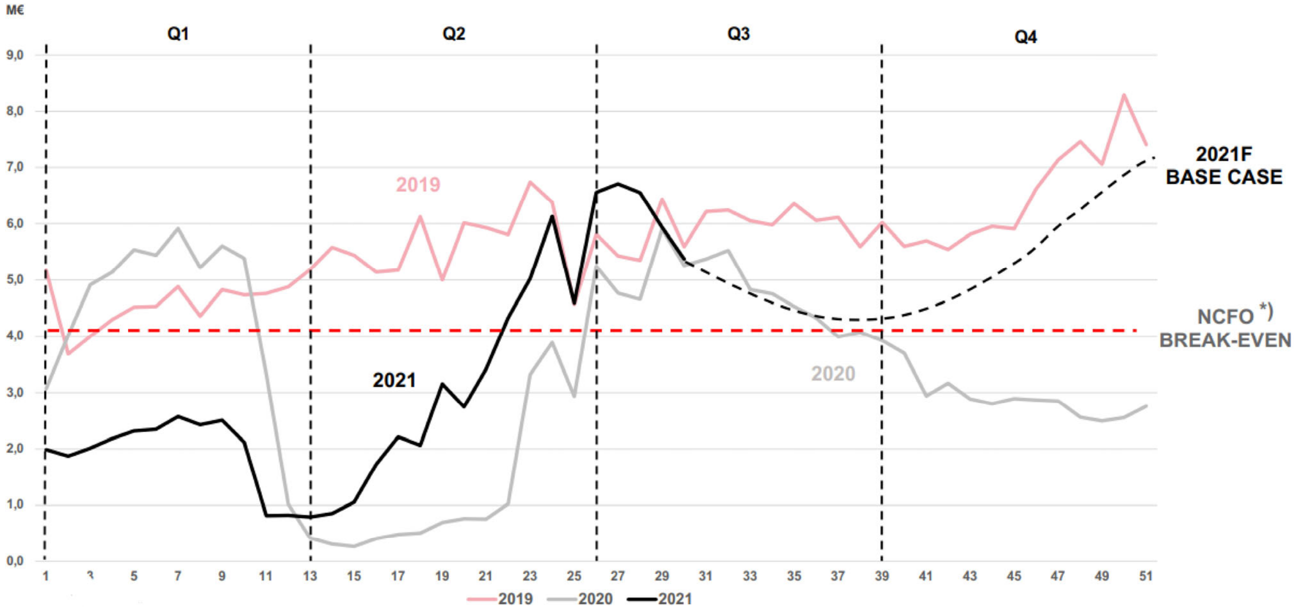
Impressions from the analyst meeting

We make the following remarks after the analyst meeting:

- The company can operate with positive cash flow with new restrictions (i.e. Finnish restaurants open at least until 23:00)
- The company has EUR ~19m in liquid funds and has reclassified Eezy as an asset held for sale (the company aims to divest the holding within one year).
- NoHo expects current tighter restrictions to remain in August-September with normalising business conditions from October onwards. The company has a solid reservation pipeline for the important Christmas season.
- In Finland and Denmark, the company does not expect more government grants.

- In Denmark and Norway, business conditions are normalising fast and the company will continue with its expansion in Norway with current operations proceeding well.
- Q3 sales are expected to be EUR 54-61m with EUR 5-7m positive operating cash flow.
- For 2022, NoHo targets EUR 40-50m in operating cash flow and aims to further reduce its debt.

WEEKLY SALES DEVELOPMENT (EURm)



Source: Company data

Revisions

Estimate revisions

Owing to the current pandemic situation and the top-line guidance for Q3 being slightly below expectations, we trim our 2021E top line by 4% and EBIT by EUR 5.1m. We maintain our underlying estimates for 2022-23. 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. The Eezy stake is currently classified as an asset held for sale.

ESTIMATE REVISIONS (EPS/DPS IN EUR)

	New estimates				Old estimates				Difference %			
EURm	**Q3 2021E**	**2021E**	**2022E**	**2023E**	**Q3 2021E**	**2021E**	**2022E**	**2023E**	**Q3 2021E**	**2021E**	**2022E**	**2023E**
Sales	**60.2**	**181**	**288**	**326**	**68.6**	**189**	**288**	**325**	**-12%**	**-4%**	**0%**	**0%**
Adj. EBIT	**1.1**	**-13.3**	**26.2**	**36.0**	**4.7**	**-8.6**	**26.1**	**36.0**	**-76%**	**55%**	**0%**	**0%**
Adj. EBIT margin	1.9%	-7.4%	9.1%	11.1%	6.8%	-4.6%	9.1%	11.1%	-4.9pp	-2.8pp	0.0pp	0.0pp
EBIT	1.1	-4.8	26.2	36.0	4.7	0.2	26.1	36.0	-76%	-2406%	0%	0%
EBIT margin	1.9%	-2.7%	9.1%	11.1%	6.8%	0.1%	9.1%	11.1%	-4.9pp	-2.8pp	0.0pp	0.0pp
Adj. EPS	**-0.06**	**-1.09**	**0.60**	**0.98**	**0.09**	**-0.87**	**0.65**	**1.03**	**-171%**	**25%**	**-8%**	**-5%**
EPS	-0.06	-0.65	0.60	0.98	0.09	-0.41	0.65	1.03	-171%	56%	-8%	-5%
DPS		**0.00**	**0.30**	**0.40**		**0.00**	**0.30**	**0.40**			**0%**	**0%**
Sales by division												
Restaurant	60	181	288	326	69	189	288	325	-12%	-4%	0%	0%
Group total	**60**	**181**	**288**	**326**	**69**	**189**	**288**	**325**	**-12%**	**-4%**	**0%**	**0%**
Adj. EBIT by division												
Restaurant	0.3	-15.0	23.5	32.9	3.7	-10.6	23.0	32.3	-93%	42%	2%	2%
Group total	**1.1**	**-13.3**	**26.2**	**36.0**	**4.7**	**-8.6**	**26.1**	**36.0**	**-76%**	**55%**	**0%**	**0%**
Adj. EBIT margin by division												
Restaurant	0.4%	-8.3%	8.2%	10.1%	5.3%	-5.6%	8.0%	9.9%	-4.9pp	-2.7pp	0.2pp	0.2pp
Group total	**1.9%**	**-7.4%**	**9.1%**	**11.1%**	**6.8%**	**-4.6%**	**9.1%**	**11.1%**	-4.9pp	-2.8pp	0.0pp	0.0pp

Source: Nordea estimates

Valuation

We derive a fair value range of EUR 8.4-10.6 by equally weighting our DCF and SOTP valuations.

DCF valuation yields EUR 9.1-11.1 per share

The outcome of our DCF valuation is EUR 9.1-11.1 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	441-480	22.9-25
(Net debt)	-318	-16.5
Market value of associates	47	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	0.5
DCF Value	**174-213**	**9.1-11.1**

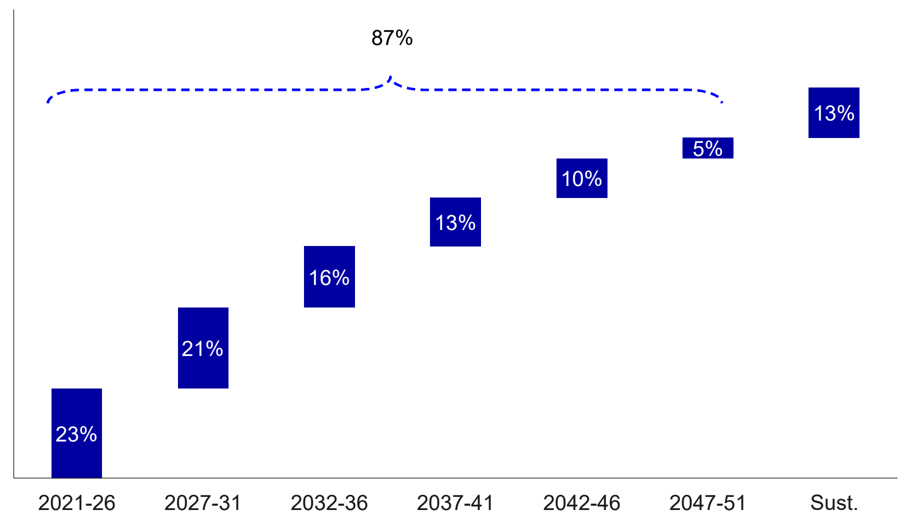
Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	**2021-26**	**2027-31**	**2032-36**	**2037-41**	**2042-46**	**2047-51**	**Sust.**
Sales growth, CAGR	15.65%	2.5%	2.5%	2.5%	2.5%	2.5%	
EBIT-margin, excluding associates	9.1%	10.0%	10.0%	10.0%	10.0%	4.0%	
Capex/depreciation, x	1.1	1.0	1.0	1.0	1.0	1.0	
Capex/sales	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	
NWC/sales	-10.4%	-10.4%	-10.4%	-10.4%	-10.4%	-10.4%	
FCFF, CAGR	82.9%	0.1%	2.5%	2.5%	2.5%	-15.4%	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 8.5-11.8 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**	13.6	12.4	11.2	10.1	9.1
	0.3pp	13.0	11.8	10.6	9.6	8.6
	0.0pp	12.4	11.2	10.1	9.1	8.1
	-0.3pp	11.7	10.6	9.5	8.5	7.7
	-0.5pp	11.1	10.0	9.0	8.0	7.2

Sensitivity analysis: WACC vs Sales growth

		WACC				
		6.7%	**7.0%**	**7.2%**	**7.5%**	**7.7%**
Sales growth change	**0.5pp**	13.7	12.4	11.2	10.1	9.1
	0.3pp	13.0	11.8	10.6	9.6	8.6
	0.0pp	12.4	11.2	10.1	9.1	8.1
	-0.3pp	11.7	10.6	9.5	8.6	7.7
	-0.5pp	11.1	10.0	9.0	8.1	7.2

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**	10.1	10.6	11.2	11.8	12.4
	0.3pp	9.5	10.1	10.6	11.2	11.8
	0.0pp	9.0	9.5	10.1	10.6	11.2
	-0.3pp	8.5	9.0	9.5	10.1	10.6
	-0.5pp	8.0	8.4	9.0	9.5	10.0

Source: Nordea estimates

SOTP valuation yields EUR 7.7-10.1 per share

When applying 2022E EV/EBIT multiples of 12-14x for the Restaurant segment, the current market valuation (as of 9 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 7.7-10.1 per NoHo share.

SOTP VALUATION

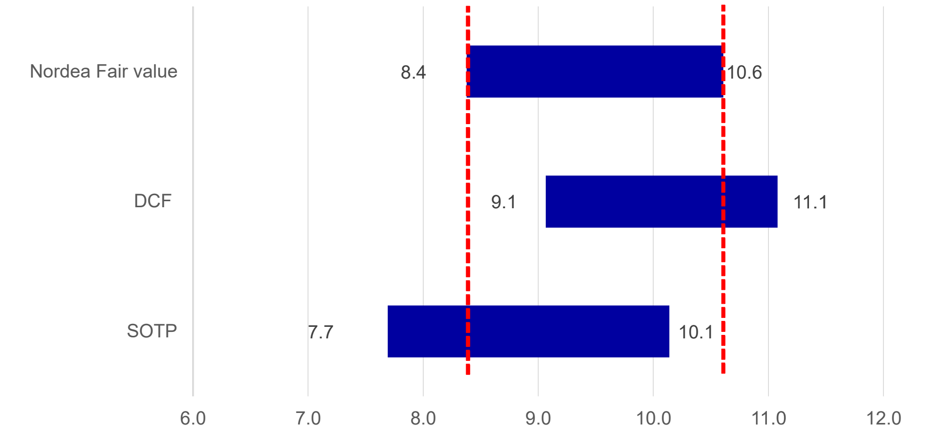
Business	**EV/EBIT 12x**	**Per share, 12x**	**EV/EBIT 14x**	**Per share, 14x**	**% of EV**	**EBIT '22E**
Restaurant	282	14.7	329	17.1	87-89%	23.5
EV from own operations	**282**	14.7	**329**	17.1	**87-89%**	
EEZY stake (25.25%) as of 9.8.2021	40	2.1	40	2.1	12-11%	
Other sellable securitites (Q2 2021)	0.3	0.0	0.3	0.0	0-0%	
EV from holdings	**40**	2.1	**40**	2.1	**13-11%**	
Total EV with market prices	**323**	16.8	**370**	19.2		
Net debt 2021E (excl IFRS 16)	170	8.8	170	8.8		
Equity value	**153**	**7.9**	**200**	**10.4**		
Minorities	-5	-0.3	-5	-0.3		
Number of shares, million	19.2		19.2			
Equity per share, EUR	7.7		10.1			

Source: Company data and Nordea estimates

Fair value range EUR 8.4-10.6

Our fair value range for NoHo is EUR 8.4-10.6 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**	**181**	**288**	**326**
growth %	43%	74%	-16%	-43%	16%	59%	13%
Other operating income	2	7	6	17	14	5	5
Materials and services	-36	-66	-85	-58	-61	-98	-111
Staff expenses	-83	-151	-63	-48	-48	-74	-84
Other operating expenses	-47	-84	-56	-41	-46	-54	-63
EBITDA	22.4	28.4	74.3	27.6	39.3	67.9	73.3
EBITDA margin %	12.1%	8.8%	27.2%	17.6%	21.7%	23.5%	22.5%
D&A	**-12**	**-21**	**-45**	**-52**	**-46**	**-44**	**-40**
IFRS 16 depreciation	0	0	-22	-31	-30	-29	-28
EBIT adjusted	**11.1**	**12.5**	**31.1**	**-30.7**	**-13.3**	**26.2**	**36.0**
EBIT adj. margin %	6.0 %	3.9 %	11.4 %	-19.6 %	-7.4 %	9.1 %	11.1 %
NRI	-0.3	-5.3	-0.5	6.8	8.5	0.0	0.0
EBIT	**10.8**	**7.2**	**30.6**	**-23.9**	**-4.8**	**26.2**	**36.0**
EBIT margin %	5.8 %	2.2 %	11.2 %	-15.2 %	-2.7 %	9.1 %	11.1 %
Associate income	0.1	0.0	0.8	0.5	1.6	2.7	3.2
Net financial expenses	-2.8	-1.6	-5.2	-11.0	-11.6	-10.5	-10.3
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**	**-16.5**	**15.6**	**25.8**
Reported taxes	-2.5	-1.4	-1.5	5.4	2.6	-3.1	-5.4
Net profit	**5.5**	**4.2**	**23.8**	**-29.5**	**-13.8**	**12.5**	**20.3**
Minorities	0.4	0.7	1.5	-2.6	-1.5	1.0	1.5
Profit to equity holders	**5.1**	**3.5**	**22.3**	**-26.8**	**-12.4**	**11.5**	**18.8**
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**	**-0.65**	**0.60**	**0.98**

	2017	2018	2019	2020	2021E	2022E	2023E
Restaurant business							
Turnover	**122.2**	**209.7**	**272.9**	**156.8**	**181.3**	**288.2**	**325.7**
growth %	14%	72%	30%	-43%	16%	59%	13%
Adj. EBIT	**6.9**	**6.4**	**18.7**	**-31.3**	**-15.0**	**23.5**	**32.9**
margin %	5.7 %	3.0 %	6.8 %	-20.0 %	-8.3 %	8.2 %	10.1 %
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	Q2/21	Q3/21E	Q4/21E
Turnover	**80**	**100**	**77**	**75**	**50**	**19**	**56**	**32**	**20**	**34**	**60**	**66**
growth %	62%	37%	-25%	-24%	-38%	-81%	-27%	-58%	-60%	81%	8%	110%
Other operating income	2	2	1	2	2	8	3	3	5	5	2	1
Materials and services	-16	-21	-24	-25	-19	-6	-20	-12	-7	-12	-20	-22
Staff expenses	-39	-48	-16	-18	-15	-8	-13	-11	-9	-10	-14	-15
Other operating expenses	-12	-16	-17	-16	-14	-5	-12	-10	-7	-8	-16	-14
EBITDA	15.2	17.5	20.8	18.8	4.4	8.1	13.5	1.5	1.8	9.3	11.7	16.5
EBITDA margin %	18.9%	17.5%	27.1%	25.0%	8.8%	42.5%	24.1%	4.9%	8.9%	27.0%	19.5%	24.9%
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**	**-6.3**	**1.1**	**5.5**
EBIT adj. margin %	3.4 %	5.8 %	13.1 %	9.7 %	-13 %	-59%	2.2 %	-44 %	-68 %	-18.4 %	1.9 %	8.4 %
NRI	0.0	0.0	-0.2	-0.3	0.0	2.8	1.7	2.3	4.0	4.5	0.0	0.0
EBIT	**2.7**	**5.8**	**9.8**	**7.0**	**-6.6**	**-8.4**	**2.9**	**-11.8**	**-9.7**	**-1.8**	**1.1**	**5.5**
EBIT margin %	3.4 %	5.8 %	12.8 %	9.3 %	-13 %	-44%	5.2 %	-37 %	-48 %	-5.2 %	1.9 %	8.4 %
Associate income	0.0	-0.1	0.3	0.6	0.0	-0.4	0.6	0.3	-0.1	0.4	0.9	0.5
Net financial expenses	0.1	-2.3	-1.4	-2.0	-3.3	-2.3	-2.6	-2.7	-2.3	-3.7	-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**	**-5.5**	**-1.5**	**2.6**
Reported taxes	0.0	-0.9	-0.9	-0.2	1.0	1.6	0.2	2.6	1.3	1.3	0.5	-0.4
Net profit	**2.8**	**2.5**	**7.7**	**4.9**	**-8.9**	**-9.2**	**0.4**	**-11.9**	**-10.8**	**-4.3**	**-1.0**	**2.1**
Minorities	0.2	1.0	0.6	0.7	-0.9	-0.4	0.3	-1.7	-1.3	-0.7	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**	**-3.5**	**-1.2**	**1.7**
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**	**-0.18**	**-0.06**	**0.09**
	Q1/19	**Q2/19**	**Q3/19**	**Q4/19**	**Q1/20**	**Q2/20**	**Q3/20**	**Q4/20**	**Q1/21**	**Q2/21**	**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**	**34.5**	**60.2**	**66.4**
growth %	72%	51%	16%	11%	-6%	-72%	-27%	-58%	-60%	81%	8%	110%
Adj. EBIT	**1.8**	**4.0**	**6.2**	**6.7**	**-6.7**	**-10.9**	**0.5**	**-14.2**	**-13.6**	**-6.7**	**0.3**	**5.0**
margin %	3.3 %	5.9 %	8.1 %	9.0 %	-13 %	-57 %	0.9 %	-45 %	-67 %	-19.4 %	0.4 %	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**	**181**	**288**	**326**
Revenue growth	7.0%	33.2%	31.1%	14.5%	42.9%	73.9%	-15.6%	-42.5%	15.6%	59.0%	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	41	71	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	-28
EBITA	5	6	10	12	15	17	39	-13	4	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	-5	26	36
of which associates	0	0	0	0	0	0	1	1	2	3	3
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	-12	-11	-10
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**	**-16**	**16**	**26**
Reported taxes	-1	-1	-1	-2	-3	-1	-1	5	3	-3	-5
Net profit from continued operations	3	3	5	6	5	4	24	-29	-14	13	20
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	-12	12	19
EPS, EUR	**0.24**	**0.22**	**0.31**	**0.35**	**0.30**	**0.19**	**2.36**	**-1.40**	**-0.65**	**0.60**	**0.98**
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%	22.6%	24.5%	23.5%
EBITA	7.0%	7.2%	8.5%	9.1%	7.9%	5.2%	14.5%	-8.6%	2.4%	12.2%	13.5%
EBIT	6.2%	6.1%	6.4%	6.9%	5.8%	2.2%	11.2%	-15.2%	-2.7%	9.1%	11.1%
Adjusted earnings											
EBITDA (adj)	9	12	17	20	23	34	76	21	32	71	76
EBITA (adj)	5	7	10	12	15	22	40	-20	-4	35	44
EBIT (adj)	4	6	8	9	11	12	31	-31	-13	26	36
EPS (adj, EUR)	0.24	0.24	0.35	0.37	0.43	0.54	2.27	-1.66	-1.09	0.60	0.98
Adjusted profit margins in percent											
EBITDA (adj)	14.1%	14.3%	15.2%	15.2%	12.2%	10.4%	27.7%	13.6%	17.9%	24.5%	23.5%
EBITA (adj)	7.0%	7.7%	9.1%	9.3%	8.0%	6.9%	14.7%	-12.9%	-2.3%	12.2%	13.5%
EBIT (adj)	6.2%	6.6%	7.0%	7.2%	6.0%	3.9%	11.4%	-19.6%	-7.4%	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%	6.9%	9.2%	0.2%
EBITDA	n.m.	n.m.	n.m.	n.m.	17.7%	25.4%	44.3%	11.2%	16.1%	25.8%	21.9%
EBIT	n.a.	n.a.	n.a.	n.a.	13.5%	12.2%	42.1%	n.m.	n.m.	19.4%	38.0%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	-4.1%	61.4%	n.m.	n.m.	14.6%	38.2%
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%	1.8%	2.9%	5.2%
Average EBITDA margin	n.a.	n.a.	n.a.	14.7%	13.7%	11.8%	15.8%	16.2%	17.4%	19.9%	23.8%

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.	14.3	8.7
EV/EBITDA (adj)	7.5	6.2	6.5	6.6	8.3	9.2	6.2	22.4	15.2	6.7	6.1
EV/EBITA (adj)	15.2	11.6	10.8	10.8	12.6	14.0	11.8	n.m.	n.m.	13.5	10.5
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.	14.3	8.7
EV/Sales	1.06	0.89	0.98	1.01	1.01	0.96	1.73	3.05	2.72	1.64	1.42
EV/EBITDA	7.5	6.4	6.8	6.8	8.4	10.9	6.3	17.3	12.5	7.0	6.3
EV/EBITA	15.2	12.4	11.6	11.1	12.8	18.4	12.2	n.m.	184.3	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%	3.5%	4.7%
FCF yield	-1.3%	-12.0%	-4.1%	3.6%	-3.6%	-35.7%	12.2%	1.7%	15.4%	31.0%	28.1%
FCF Yield bef A&D, lease adj	-1.1%	-3.3%	2.3%	6.3%	4.7%	5.2%	9.9%	-18.3%	-2.9%	13.1%	11.4%
Payout ratio	37.5%	102.2%	86.7%	86.9%	108.4%	174.4%	0.0%	0.0%	0.0%	49.9%	40.7%

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	185
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	40	42
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	398	404
Inventory	1	2	2	2	3	5	6	4	3	5	6
Accounts receivable	4	10	10	14	24	40	24	14	16	25	29
Short-term leased assets	0	0	0	0	0	0	31	30	29	28	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	8	14	17
Total current assets	20	17	14	18	29	50	64	51	56	72	80
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**	**449**	**471**	**485**
Shareholders equity	28	39	40	43	45	67	129	76	64	75	88
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	3	4	5
Total Equity	28	39	40	44	47	76	137	81	67	79	93
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	154	139	129
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	291	280	271
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	61	68
Current lease debt	0	0	0	0	0	0	27	27	29	28	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	112	120
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**	**449**	**471**	**485**
Balance sheet and debt metrics											
Net debt	6	19	29	31	44	138	268	318	325	305	294
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	-19	-30	-34
Invested capital	36	61	71	76	96	231	388	380	374	369	370
Capital employed	38	64	71	77	93	219	409	402	400	399	405
ROE	12.6%	10.3%	12.8%	13.5%	11.5%	6.2%	45.6%	-26.1%	-17.7%	16.6%	23.0%
ROIC	10.8%	9.3%	9.5%	9.8%	10.2%	6.0%	7.9%	-6.3%	-2.8%	5.6%	7.7%
ROCE	13.3%	11.4%	11.8%	12.7%	13.2%	9.3%	10.6%	-7.5%	-3.1%	6.8%	9.2%
Net debt/EBITDA	0.7	1.6	1.8	1.6	2.0	4.9	3.6	11.3	7.9	4.3	3.9
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.5	n.m.	n.m.
Equity ratio	57.5%	46.4%	43.7%	44.3%	33.8%	22.0%	27.5%	17.0%	14.2%	16.0%	18.2%
Net gearing	22.5%	48.5%	73.1%	69.8%	93.3%	182.0%	195.3%	392.2%	484.1%	385.8%	316.6%

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**	**39**	**68**	**73**
Paid taxes	-2	-3	0	-3	-3	-4	-3	-3	3	-3	-5
Net financials	0	-1	-1	-1	-3	-2	-7	-11	-12	-11	-10
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**	**31**	**55**	**58**
Change in NWC	-2	0	-4	-2	0	-2	-5	-8	2	11	4
Cash flow from operations (CFO)	**3**	**8**	**12**	**14**	**18**	**19**	**57**	**8**	**33**	**66**	**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**	**26**	**51**	**46**
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	25	51	46
Free cash flow bef A&D, lease adj	-1	-2	2	6	7	9	19	-28	-5	22	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	10	-15	-10
Other financing adjustments	-2	0	0	0	0	0	-28	-25	-31	-29	-28
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	5	7	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%	33.7%	39.6%
Capex/Sales	5.6%	11.6%	9.2%	5.5%	6.0%	3.2%	5.9%	3.9%	3.9%	5.2%	4.9%
Key information											
Share price year end (/current)	4	4	5	6	9	9	10	8	9	9	9
Market cap.	62	57	82	100	142	164	196	155	165	165	165
Enterprise value	69	77	112	131	188	310	471	477	493	474	464
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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