NoHo Partners

Consumer Goods
Finland

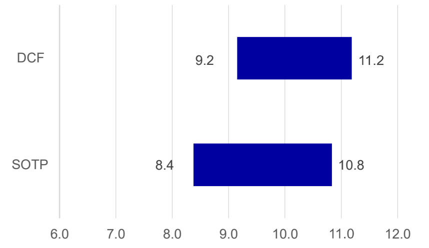
KEY DATA

Stock country	Finland
Bloomberg	NOHO FH
Reuters	NOHOP.HE
Share price (close)	EUR 9.18
Free Float	50%
Market cap. (bn)	EUR 0.18/EUR 0.18
Website	http://www.noho.fi/
Next report date	09 Nov 2021

PERFORMANCE

Source: Refinitiv

VALUATION APPROACH (EUR/SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	2%	1%	1%
EBIT (adj)	6%	1%	1%

Source: Nordea estimates

Nordea Markets - Analysts
Joni Sandvall
Analyst

Svante Krokfors
Director

Pent-up demand is kicking in

NoHo Partners will release its Q3 report on 9 November. Given the easing of restaurant restrictions, we believe sales are gradually recovering. The peak season could be characterised by high consumer demand, while corporate sales might continue to be negatively affected by pandemic-related uncertainty. In conjunction with its Q2 report, NoHo expected Q3 sales of EUR 54-59m, which, based on monthly sales figures, it clearly exceeded. We model EUR 62m sales for Q3 (-20% versus Q3 2019) and estimate EUR 68m sales for Q4 (-10% versus Q4 2019). We expect continuing market recovery in 2022 and model EUR 290m sales in 2022E, up 6% from the 2019 level. We derive a fair value range of EUR 8.8-11.0 (8.4-10.6) per NoHo share.

Card data reflects the pace of the market recovery

August sales of EUR ~18m exceeded NoHo's expectation of EUR 15-18m while September sales of EUR ~18m exceeded its forecast of EUR 14-16m. Based on preliminary figures, cash flow for Q3 was positive by over EUR 6.5m. Nordea's Finnish card data up to week 41 shows a clear recovery in the restaurant market, with the latest figures exceeding the 2019 level. However, we remain slightly cautious due to expectations of a slower recovery in corporate sales. We model Q3 sales of EUR 62m, 20% below Q3 2019, while we forecast EUR 68m sales for Q4, 10% below Q4 2019.

Small estimate revisions on an absolute basis

We hike our 2021E-23E top line by 1-2%, while we raise 2021E adjusted EBIT by 16% (EUR 0.8m) and 2022E-23E adjusted EBIT by 1%. We continue to expect a gradual market recovery and forecast EUR 290m sales for 2022, up 6% from 2019 and 4% above the EUR 280m anticipated by the company's management with the current structure.

Valuation range of EUR 8.8-11.0 – low equity ratio

We derive a fair value range of EUR 8.8-11.0 (8.4-10.6) by equally weighting our DCF and SOTP valuations. Based on our estimates, NoHo's equity ratio is ~16% in 2021E (14.6% in Q2 2021) and ~18% in 2022E. NoHo had a EUR 25m hybrid bond in 2019-20 for expansion purposes. If we assume a similar instrument with two-year maturity and a 9% annual coupon, the equity ratio would increase by ~4 pp for 2021E-22E, while our EPS estimates, all else equal, would decrease by 12-20% for 2022-23. In addition, the company has a EUR ~37m stake in Eezy, with a book value of around EUR 30m.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	186	323	273	157	184	290	328
EBITDA (adj)	23	34	76	21	33	71	77
EBIT (adj)	11	12	31	-31	-13	27	37
EBIT (adj) margin	6.0%	3.9%	11.4%	-19.6%	-6.8%	9.1%	11.1%
EPS (adj, EUR)	0.43	0.54	2.27	-1.66	-1.06	0.60	1.00
EPS (adj) growth	16.1%	27.4%	318.9%	-173.3%	36.6%	156.6%	67.4%
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	1.7	1.4
EV/EBIT (adj)	17.0	24.9	15.6	n.m.	n.m.	20.3	14.2
P/E (adj)	20.1	16.0	4.5	n.m.	n.m.	15.4	9.2
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%	3.3%	4.4%
FCF Yield bef A&D, lease	4.7%	5.2%	9.9%	-18.3%	2.1%	7.1%	10.4%
Net debt	44	138	268	318	310	299	289
Net debt/EBITDA	2.0	4.9	3.6	11.3	7.4	4.2	3.8
ROIC after tax	10.2%	6.0%	7.9%	-6.3%	-2.7%	5.7%	7.9%

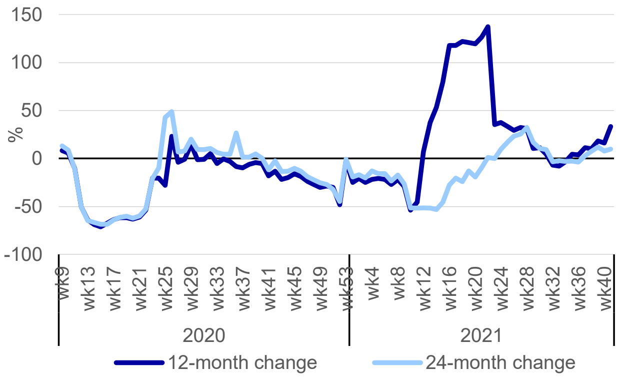
Source: Company data and Nordea estimates

Expectations ahead of the Q3 results

Restaurant market showing clear signs of recovery
According to the latest card payment data from Nordea (for Finnish cards, up to week 41), card payments in restaurants have shown a clear recovery after the easing of restrictions. Spending by foreigners has likely remained much lower, however, and cash payments might be being used less than usual during the COVID-19 pandemic; hence, the level of card payments may reflect lower cash spending. In addition, corporate sales might remain subdued also in Q4.

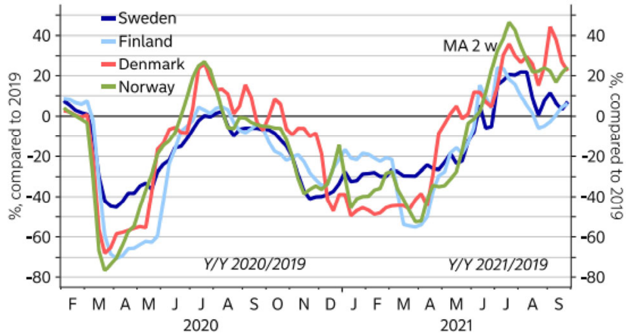
When looking at Nordic card data, we see encouraging signs in Denmark and Norway, where restrictions were lifted earlier.

FINNISH RESTAURANT CARD PAYMENTS, 2020-21



Source: Nordea and Macrobond

NORDIC CARD PAYMENTS IN RESTAURANTS VERSUS 2019 LEVEL (TWO-WEEK MOVING AVERAGE)

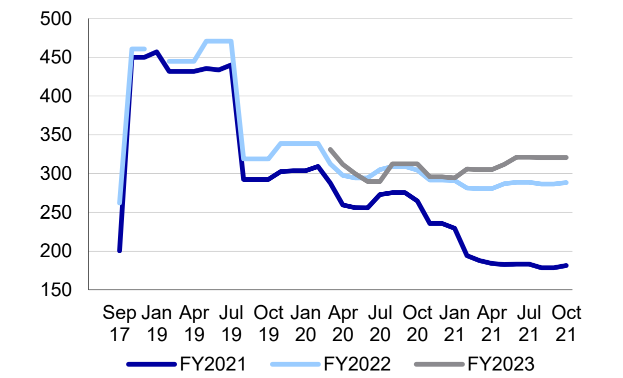


Source: Company data and Nordea estimates

Expectations ahead of the Q3 report

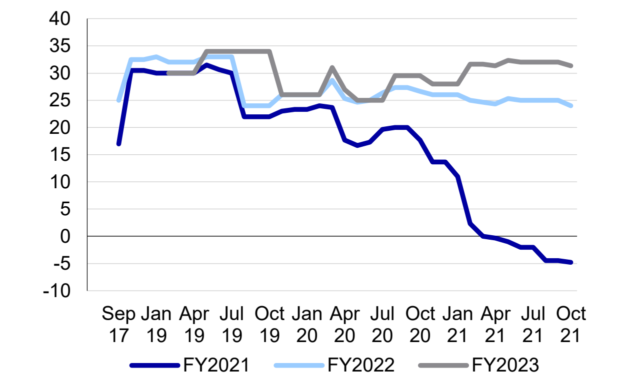
NoHo will release its Q3 2021 report on Tuesday, 9 November at 08.15 EET.

CONSENSUS SALES ESTIMATES (EURm)



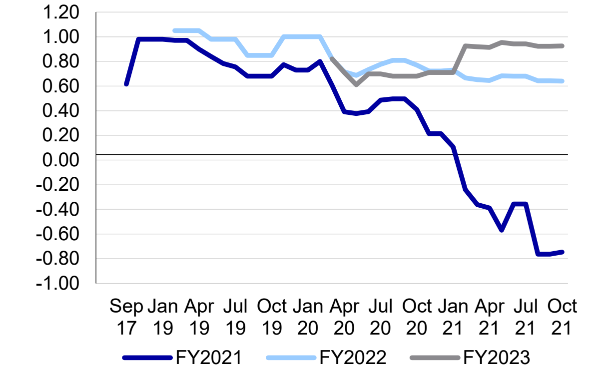
Source: Refinitiv

CONSENSUS EBIT ESTIMATES (EURm)



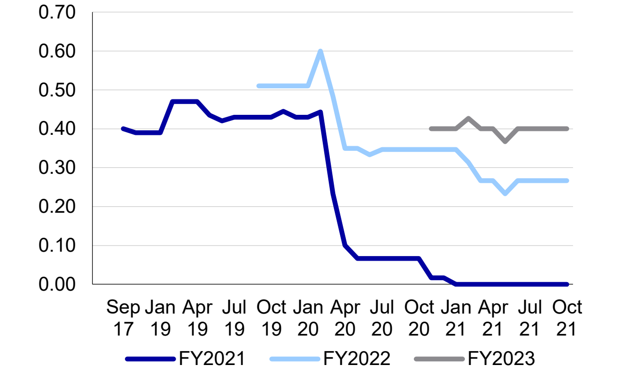
Source: Refinitiv

CONSENSUS EPS ESTIMATES (EUR)



Source: Refinitiv

CONSENSUS DPS ESTIMATES (EUR)



Source: Refinitiv

We are 6-14% above consensus on adjusted EBIT for 2022E-23E

For 2021E, we are 3% above post-Q2 Infront consensus on sales, although we note that consensus might not include announced sales figures for Q3. We are up to 2% ahead of consensus on sales for 2022E-23E, while we are 6-14% ahead on adjusted EBIT. We assume a EUR 2.9-3.5m positive contribution from associated company Eezy in our 2022-23 EBIT estimates. We note the low quality of the consensus figures, however, due to rapid changes in the operating environment.

OUR ESTIMATES VS POST-Q2 CONSENSUS (EPS AND DPS IN EUR)

	Nordea estimates				Consensus estimates				Difference %			
EURm	**Q3 2021E**	**2021E**	**2022E**	**2023E**	**Q3 2021E**	**2021E**	**2022E**	**2023E**	**Q3 2021E**	**2021E**	**2022E**	**2023E**
Sales	**61.6**	**184**	**290**	**328**	**57.9**	**178**	**287**	**321**	**6%**	**3%**	**1%**	**2%**
Adj. EBIT	**1.7**	**-12.6**	**26.5**	**36.5**	**2.3**	**-4.2**	**25.0**	**32.2**	**-27%**	**199%**	**6%**	**14%**
Adj. EBIT margin	2.8%	-6.8%	9.1%	11.1%	4.0%	-2.4%	8.7%	10.0%	-1.2pp	-4.5pp	0.4pp	1.1pp
EBIT	1.7	-4.1	26.5	36.5	2.3	-4.2	25.0	32.2	-27%	-3%	6%	14%
EBIT margin	2.8%	-2.2%	9.1%	11.1%	4.0%	-2.4%	8.7%	10.0%	-1.2pp	0.1pp	0.4pp	1.1pp
EPS	-0.04	-0.61	0.60	1.00	-0.01	-0.61	0.65	0.93	467%	1%	-8%	7%
DPS		0.00	0.30	0.40		0.00	0.27	0.40	n.m.	n.m.	12%	0%

Source: Nordea estimates and Infront

Revisions

Estimate revisions

We make only minor estimate revisions and raise our Q3 top-line estimates slightly to match pre-announced monthly sales figures. We do not model any future M&A in our estimates. NoHo only has one reporting segment, although it is the largest shareholder in Eezy (with ~23.8% 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	**61.6**	**184**	**290**	**328**	**60.2**	**181**	**288**	**326**	**2%**	**2%**	**1%**	**1%**
Adj. EBIT	**1.7**	**-12.6**	**26.5**	**36.5**	**1.1**	**-13.3**	**26.2**	**36.0**	**50%**	**-6%**	**1%**	**1%**
Adj. EBIT margin	2.8%	-6.8%	9.1%	11.1%	1.9%	-7.4%	9.1%	11.1%	0.9pp	0.5pp	0.0pp	0.1pp
EBIT	1.7	-4.1	26.5	36.5	1.1	-4.8	26.2	36.0	50%	-16%	1%	1%
EBIT margin	2.8%	-2.2%	9.1%	11.1%	1.9%	-2.7%	9.1%	11.1%	0.9pp	0.5pp	0.0pp	0.1pp
Adj. EPS	**-0.04**	**-1.06**	**0.60**	**1.00**	**-0.06**	**-1.09**	**0.60**	**0.98**	**-38%**	**-3%**	**-1%**	**2%**
EPS	-0.04	-0.61	0.60	1.00	-0.06	-0.65	0.60	0.98	-38%	-5%	-1%	2%
DPS		**0.00**	**0.30**	**0.40**		**0.00**	**0.30**	**0.40**			**0%**	**0%**
Sales by division												
Restaurant	62	184	290	328	60	181	288	326	2%	2%	1%	1%
Group total	**62**	**184**	**290**	**328**	**60**	**181**	**288**	**326**	**2%**	**2%**	**1%**	**1%**
Adj. EBIT by division												
Restaurant	0.8	-14.2	23.6	33.0	0.3	-15.0	23.5	32.9	218%	-5%	0%	0%
Group total	**1.7**	**-12.6**	**26.5**	**36.5**	**1.1**	**-13.3**	**26.2**	**36.0**	**50%**	**-6%**	**1%**	**1%**
Adj. EBIT margin by division												
Restaurant	1.3%	-7.7%	8.1%	10.1%	0.4%	-8.3%	8.2%	10.1%	0.9pp	0.6pp	0.0pp	0.0pp
Group total	**2.8%**	**-6.8%**	**9.1%**	**11.1%**	**1.9%**	**-7.4%**	**9.1%**	**11.1%**	0.9pp	0.5pp	0.0pp	0.1pp

Source: Nordea estimates

Valuation

We derive a fair value range of EUR 8.8-11.0 (8.4-10.6) by equally weighting our DCF and SOTP valuations.

DCF valuation yields EUR 9.2-11.2 per share

The outcome of our DCF valuation is EUR 9.2-11.2 (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	1.8-2.0
Cost of equity	10.1-11.2%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	55%
WACC	**7.0-7.6%**

Source: Nordea estimates

DCF VALUE (EURm AND EUR)

DCF value	Value	Per share
NPV FCFF	440-479	22.9-24.9
(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	12	0.6
DCF Value	**176-215**	**9.2-11.2**

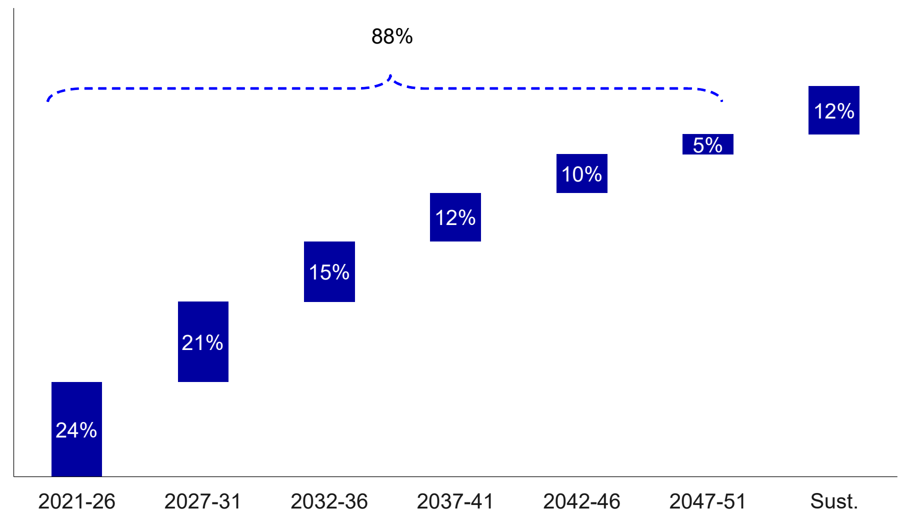
Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2021-26	2027-31	2032-36	2037-41	2042-46	2047-51	Sust.
Sales growth, CAGR	15.4%	2.5%	2.5%	2.5%	2.5%	2.5%	
EBIT-margin, excluding associates	9.0%	10.0%	10.0%	10.0%	10.0%	4.0%	
Capex/depreciation, x	1.1	1.0	1.0	1.0	1.0	1.0	
Capex/sales	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	
NWC/sales	-9.4%	-9.4%	-9.4%	-9.4%	-9.4%	-9.4%	
FCFF, CAGR	11.1%	-0.6%	2.5%	2.5%	2.5%	-16.0%	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 8.6-11.9 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	13.8	12.5	11.3	10.2	9.3
	0.3pp	13.1	11.9	10.7	9.7	8.8
	0.0pp	12.4	11.3	10.2	9.2	8.2
	-0.3pp	11.8	10.6	9.6	8.6	7.7
	-0.5pp	11.1	10.0	9.0	8.1	7.2

Sensitivity analysis: WACC vs Sales growth

		WACC				
		6.7%	7.0%	7.2%	7.5%	7.7%
Sales growth change	0.5pp	13.8	12.5	11.3	10.2	9.2
	0.3pp	13.1	11.9	10.7	9.7	8.7
	0.0pp	12.4	11.3	10.2	9.2	8.2
	-0.3pp	11.8	10.7	9.6	8.7	7.8
	-0.5pp	11.2	10.1	9.1	8.2	7.3

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	10.2	10.7	11.3	11.9	12.5
	0.3pp	9.7	10.2	10.7	11.3	11.9
	0.0pp	9.1	9.6	10.2	10.7	11.3
	-0.3pp	8.6	9.1	9.6	10.1	10.7
	-0.5pp	8.0	8.5	9.0	9.5	10.1

Source: Nordea estimates

SOTP valuation yields EUR 8.4-10.8 per share

When we apply 2022E EV/EBIT multiples of 12-14x for the Restaurant segment, the current market valuation (as of 29 October) of the Eezy stake (23.8% of the company), and deduct 2021E net debt and current minority holdings, we derive a SOTP fair value range of EUR 8.4-10.8 per NoHo share.

SOTP VALUATION

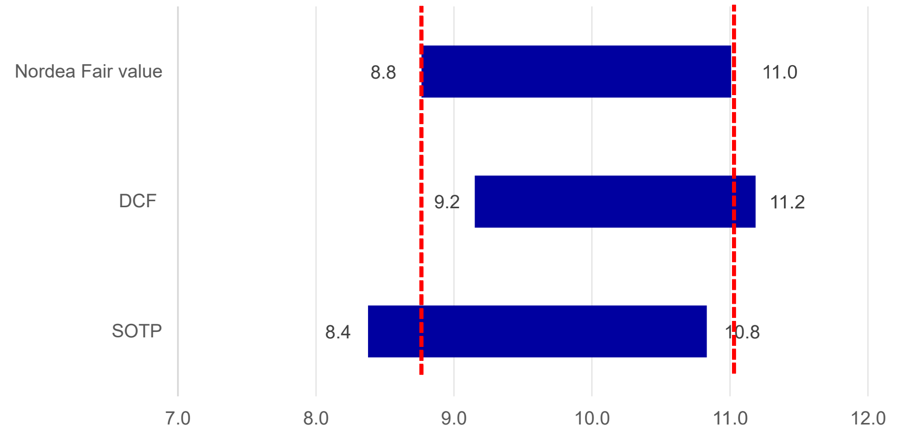
Business	EV/EBIT 12x	Per share, 12x	EV/EBIT 14x	Per share, 14x	% of EV	EBIT '22E
Restaurant	283	14.7	330	17.2	88-90%	23.6
EV from own operations	**283**	14.7	**330**	17.2	**88-90%**	
EEZY stake (23.8%) as of 29.10.2021	37	1.9	37	1.9	12-10%	
Other sellable securitites (Q2 2021)	0.3	0.0	0.3	0.0	0-0%	
EV from holdings	**38**	2.0	**38**	2.0	**12-10%**	
Total EV with market prices	**321**	16.7	**368**	19.1		
Net debt 2021E (excl IFRS 16)	155	8.0	155	8.0		
Equity value	**166**	**8.6**	**213**	**11.1**		
Minorities	-5	-0.3	-5	-0.3		
Number of shares, million	19.2		19.2			
Equity per share, EUR	8.4		10.8			

Source: Company data and Nordea estimates

Fair value range EUR 8.8-11.0

Our fair value range for NoHo is EUR 8.8-11.0 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.

ANNUAL ESTIMATES (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E
Turnover	**186**	**323**	**273**	**157**	**184**	**290**	**328**
growth %	43%	74%	-16%	-43%	18%	58%	13%
Other operating income	2	7	6	17	14	5	5
Materials and services	-36	-66	-85	-58	-62	-98	-112
Staff expenses	-83	-151	-63	-48	-49	-75	-84
Other operating expenses	-47	-84	-56	-41	-46	-55	-64
EBITDA	22.4	28.4	74.3	27.6	40.1	67.9	73.4
EBITDA margin %	12.1%	8.8%	27.2%	17.6%	21.8%	23.4%	22.4%
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**	**-12.6**	**26.5**	**36.5**
EBIT adj. margin %	6.0 %	3.9 %	11.4 %	-19.6 %	-6.8 %	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**	**-4.1**	**26.5**	**36.5**
EBIT margin %	5.8 %	2.2 %	11.2 %	-15.2 %	-2.2 %	9.1 %	11.1 %
Associate income	0.1	0.0	0.8	0.5	1.6	2.9	3.5
Net financial expenses	-2.8	-1.6	-5.2	-11.0	-11.6	-11.0	-10.4
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**	**-15.7**	**15.5**	**26.1**
Reported taxes	-2.5	-1.4	-1.5	5.4	2.5	-3.0	-5.4
Net profit	**5.5**	**4.2**	**23.8**	**-29.5**	**-13.2**	**12.5**	**20.7**
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**	**-11.8**	**11.5**	**19.2**
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**	**-0.61**	**0.60**	**1.00**

	2017	2018	2019	2020	2021E	2022E	2023E
Restaurant business							
Turnover	**122.2**	**209.7**	**272.9**	**156.8**	**184.2**	**290.2**	**327.9**
growth %	14%	72%	30%	-43%	18%	58%	13%
Adj. EBIT	**6.9**	**6.4**	**18.7**	**-31.3**	**-14.2**	**23.6**	**33.0**
margin %	5.7 %	3.0 %	6.8 %	-20.0 %	-7.7 %	8.1 %	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**	**62**	**68**
growth %	62%	37%	-25%	-24%	-38%	-81%	-27%	-58%	-60%	81%	10%	115%
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	-21	-22
Staff expenses	-39	-48	-16	-18	-15	-8	-13	-11	-9	-10	-15	-15
Other operating expenses	-12	-16	-17	-16	-14	-5	-12	-10	-7	-8	-16	-15
EBITDA	15.2	17.5	20.8	18.8	4.4	8.1	13.5	1.5	1.8	9.3	12.3	16.7
EBITDA margin %	18.9%	17.5%	27.1%	25.0%	8.8%	42.5%	24.1%	4.9%	8.9%	27.0%	20.0%	24.6%
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**	**1.7**	**5.8**
EBIT adj. margin %	3.4 %	5.8 %	13.1 %	9.7 %	-13 %	-59%	2.2 %	-44 %	-68 %	-18.4 %	2.8 %	8.5 %
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**	**1.7**	**5.8**
EBIT margin %	3.4 %	5.8 %	12.8 %	9.3 %	-13 %	-44%	5.2 %	-37 %	-48 %	-5.2 %	2.8 %	8.5 %
Associate income	0.0	-0.1	0.3	0.6	0.0	-0.4	0.6	0.3	-0.1	0.4	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**	**-0.9**	**2.8**
Reported taxes	0.0	-0.9	-0.9	-0.2	1.0	1.6	0.2	2.6	1.3	1.3	0.4	-0.5
Net profit	**2.8**	**2.5**	**7.7**	**4.9**	**-8.9**	**-9.2**	**0.4**	**-11.9**	**-10.8**	**-4.3**	**-0.5**	**2.3**
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**	**-0.7**	**1.9**
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**	**-0.04**	**0.10**

	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**	**61.6**	**68.0**
growth %	72%	51%	16%	11%	-6%	-72%	-27%	-58%	-60%	81%	10%	115%
Adj. EBIT	**1.8**	**4.0**	**6.2**	**6.7**	**-6.7**	**-10.9**	**0.5**	**-14.2**	**-13.6**	**-6.7**	**0.8**	**5.2**
margin %	3.3 %	5.9 %	8.1 %	9.0 %	-13 %	-57 %	0.9 %	-45 %	-67 %	-19.4 %	1.3 %	7.7 %
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, a recovery in the market has begun, although there is still uncertainty over possible restrictions. In addition, there is high uncertainty as to when tourism and business spending will recover, which is dependent on the recovery in consumer spending.

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. Mild 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 or a hybrid bond are still possible given the current situation

Given NoHo's current financial situation, we consider a hybrid bond or a rights issue possible, which would dilute earnings per share or the current shareholders' ownership. The company was able to negotiate a new funding package in February, which should secure funding for the coming years. Our main concern relates to the low equity ratio currently. 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**	**184**	**290**	**328**
Revenue growth	7.0%	33.2%	31.1%	14.5%	42.9%	73.9%	-15.6%	-42.5%	17.5%	57.5%	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	42	71	77
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	5	35	45
Amortisation and impairments	-1	-1	-2	-3	-4	-10	-9	-10	-9	-9	-8
EBIT	4	5	7	9	11	7	31	-24	-4	27	37
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	-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**	**15**	**26**
Reported taxes	-1	-1	-1	-2	-3	-1	-1	5	2	-3	-5
Net profit from continued operations	3	3	5	6	5	4	24	-29	-13	12	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	-12	11	19
EPS, EUR	**0.24**	**0.22**	**0.31**	**0.35**	**0.30**	**0.19**	**2.36**	**-1.40**	**-0.61**	**0.60**	**1.00**
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%	22.7%	24.4%	23.5%
EBITA	7.0%	7.2%	8.5%	9.1%	7.9%	5.2%	14.5%	-8.6%	2.8%	12.2%	13.6%
EBIT	6.2%	6.1%	6.4%	6.9%	5.8%	2.2%	11.2%	-15.2%	-2.2%	9.1%	11.1%
Adjusted earnings											
EBITDA (adj)	9	12	17	20	23	34	76	21	33	71	77
EBITA (adj)	5	7	10	12	15	22	40	-20	-3	35	45
EBIT (adj)	4	6	8	9	11	12	31	-31	-13	27	37
EPS (adj, EUR)	0.24	0.24	0.35	0.37	0.43	0.54	2.27	-1.66	-1.06	0.60	1.00
Adjusted profit margins in percent											
EBITDA (adj)	14.1%	14.3%	15.2%	15.2%	12.2%	10.4%	27.7%	13.6%	18.1%	24.4%	23.5%
EBITA (adj)	7.0%	7.7%	9.1%	9.3%	8.0%	6.9%	14.7%	-12.9%	-1.8%	12.2%	13.6%
EBIT (adj)	6.2%	6.6%	7.0%	7.2%	6.0%	3.9%	11.4%	-19.6%	-6.8%	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%	7.2%	9.3%	0.3%
EBITDA	n.m.	n.m.	n.m.	n.m.	17.7%	25.4%	44.3%	11.2%	16.6%	25.9%	22.0%
EBIT	n.a.	n.a.	n.a.	n.a.	13.5%	12.2%	42.1%	n.m.	n.m.	19.7%	38.4%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	-4.1%	61.4%	n.m.	n.m.	14.5%	38.7%
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%	3.0%	5.3%
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.	15.4	9.2
EV/EBITDA (adj)	7.5	6.2	6.5	6.6	8.3	9.2	6.2	22.4	14.7	6.8	6.1
EV/EBITA (adj)	15.2	11.6	10.8	10.8	12.6	14.0	11.8	n.m.	n.m.	13.6	10.5
EV/EBIT (adj)	17.0	13.5	14.1	14.1	17.0	24.9	15.6	n.m.	n.m.	20.3	14.2

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.	15.4	9.2
EV/Sales	1.06	0.89	0.98	1.01	1.01	0.96	1.73	3.05	2.66	1.65	1.43
EV/EBITDA	7.5	6.4	6.8	6.8	8.4	10.9	6.3	17.3	12.2	7.1	6.4
EV/EBITA	15.2	12.4	11.6	11.1	12.8	18.4	12.2	n.m.	142.0	14.8	11.4
EV/EBIT	17.0	14.6	15.4	14.6	17.5	43.2	15.8	n.m.	n.m.	20.3	14.2
Dividend yield (ord.)	2.1%	6.3%	5.4%	5.0%	3.9%	3.9%	0.0%	0.0%	0.0%	3.3%	4.4%
FCF yield	-1.3%	-12.0%	-4.1%	3.6%	-3.6%	-35.7%	12.2%	1.7%	23.0%	23.8%	26.0%
FCF Yield bef A&D, lease adj	-1.1%	-3.3%	2.3%	6.3%	4.7%	5.2%	9.9%	-18.3%	2.1%	7.1%	10.4%
Payout ratio	37.5%	102.2%	86.7%	86.9%	108.4%	174.4%	0.0%	0.0%	0.0%	50.2%	40.0%

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	32	34	36
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	386	392	398
Inventory	1	2	2	2	3	5	6	4	4	6	7
Accounts receivable	4	10	10	14	24	40	24	14	17	26	30
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	5	8
Total current assets	20	17	14	18	29	50	64	51	58	65	72
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**	**457**	**470**
Shareholders equity	28	39	40	43	45	67	129	76	67	79	92
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	71	83	97
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	139	124	114
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	276	265	256
Short-term provisions	0	0	0	0	0	1	0	0	0	0	0
Accounts payable	9	18	18	19	34	68	48	35	44	58	66
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	97	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**	**457**	**470**
Balance sheet and debt metrics											
Net debt	6	19	29	31	44	138	268	318	310	299	289
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	-24	-26	-30
Invested capital	36	61	71	76	96	231	388	380	362	366	369
Capital employed	38	64	71	77	93	219	409	402	388	387	394
ROE	12.6%	10.3%	12.8%	13.5%	11.5%	6.2%	45.6%	-26.1%	-16.4%	15.7%	22.5%
ROIC	10.8%	9.3%	9.5%	9.8%	10.2%	6.0%	7.9%	-6.3%	-2.7%	5.7%	7.9%
ROCE	13.3%	11.4%	11.8%	12.7%	13.2%	9.3%	10.6%	-7.5%	-3.0%	7.0%	9.6%
Net debt/EBITDA	0.7	1.6	1.8	1.6	2.0	4.9	3.6	11.3	7.4	4.2	3.8
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.4	n.m.	n.m.
Equity ratio	57.5%	46.4%	43.7%	44.3%	33.8%	22.0%	27.5%	17.0%	15.1%	17.2%	19.6%
Net gearing	22.5%	48.5%	73.1%	69.8%	93.3%	182.0%	195.3%	392.2%	439.3%	362.9%	298.8%

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**	**40**	**68**	**73**
Paid taxes	-2	-3	0	-3	-3	-4	-3	-3	2	-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	3	0	0
Funds from operations (FFO)	**5**	**9**	**16**	**15**	**18**	**21**	**62**	**16**	**35**	**55**	**58**
Change in NWC	-2	0	-4	-2	0	-2	-5	-8	7	2	3
Cash flow from operations (CFO)	**3**	**8**	**12**	**14**	**18**	**19**	**57**	**8**	**41**	**57**	**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**	**34**	**42**	**46**
Proceeds from sale of assets	0	13	0	0	0	0	2	0	9	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	41	42	46
Free cash flow bef A&D, lease adj	-1	-2	2	6	7	9	19	-28	4	12	18
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	-5	-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	-3	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%	33.5%	39.4%
Capex/Sales	5.6%	11.6%	9.2%	5.5%	6.0%	3.2%	5.9%	3.9%	3.8%	5.1%	4.8%
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	176	176	176
Enterprise value	69	77	112	131	188	310	471	477	490	480	470
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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