

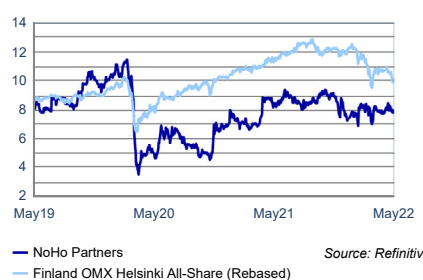
NoHo Partners

Consumer Goods
Finland

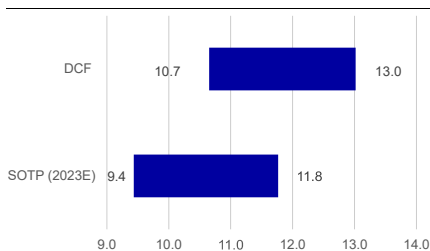
KEY DATA

Stock country	Finland
Bloomberg	NOHO FH
Reuters	NOHOP.HE
Share price (close)	EUR 7.82
Free Float	49%
Market cap. (bn)	EUR 0.15/EUR 0.15
Website	http://www.noho.fi/
Next report date	09 Aug 2022

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	2%	2%	2%
EBIT (adj)	-12%	-5%	1%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Entering the high season at a good pace

NoHo Partners' Q1 2022 results came in above Infront consensus expectations and it issued new guidance for 2022. Given the accelerating market, the company expects around EUR 300m in sales and ~7% EBIT margin for its restaurant business in 2022. We believe the mix will support Q2 earnings, while H2's outlook could be somewhat dented by rising inflation burdening consumers' disposable income. We believe NoHo might even increase its guidance at a later stage if spending remains solid in H2. Near-term focus will be on lowering its debt level, while more aggressive growth investments should drive top-line growth in 2023-24. We derive a fair value range of EUR 10.0-12.4 (10.3-12.7) per NoHo share.

Q1 above consensus expectations – Q2 could be strong

NoHo's Q1 2022 EBIT came in 51% above Infront consensus estimates and benefitted from EUR 2.1m in government grants. April sales were 36% above pre-pandemic 2019's level, while the company expects Q2 sales to be in the range of EUR 85-91m, up 26-34% from Q2 2019. Operational EBITDA is expected to be EUR 12.5-14.5m. Q2 will be supported by the Ice Hockey World Championships, which are expected to increase sales by EUR 5m. We believe the margin from these sales is strong. Net debt, excluding IFRS 16 leases, was EUR 149m in Q1, and the company aims to reach its target of below 3x net debt/operational EBITDA as early as in 2022. The company was confident about meeting short-term debt payments even without selling Eezy shares. We believe this would require renegotiation of its EUR 10m convertible loan from the Finnish Industry Investment, due at end May.

2024 targets appear realistic – guidance upgrade possible

We raise 2022E-24E top line by 2%, while taking a more conservative view on H2 2022E margin development and trimming 2022E EBIT by 11%. For 2023E, we trim EBIT by 5%, but raise it by 1% for 2024E. NoHo guides for a top line of around EUR 300m and a ~7% EBIT margin in 2022. Depending on Q2 weather and H2 consumer spending, we believe the company might hike its guidance later. We continue to include EUR 1m in government grants in our estimates for Q2 and forecast EUR 23.9m EBIT in 2022.

Fair value range up to EUR 10.0-12.4

We derive a fair value range of EUR 10.0-12.4 (10.3-12.7) with equal weight from our DCF- and SOTP-based valuations. The company's Eezy stake is reported as assets held for sale; this stake is currently worth EUR ~29m, with a book value of EUR ~26m.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	323	273	157	186	301	337	362
EBITDA (adj)	34	76	21	34	67	79	86
EBIT (adj)	12	31	-31	-13	21	30	36
EBIT (adj) margin	3.9%	11.4%	-19.6%	-6.7%	6.9%	8.9%	9.8%
EPS (adj, EUR)	0.54	2.27	-1.66	-1.16	0.30	0.69	0.92
EPS (adj) growth	27.4%	318.9%	-173.3%	30.1%	125.4%	135.1%	33.1%
DPS (ord, EUR)	0.34	0.00	0.00	0.00	0.00	0.40	0.45
EV/Sales	1.0	1.7	3.0	2.5	1.5	1.3	1.1
EV/EBIT (adj)	24.9	15.6	n.m.	n.m.	21.2	14.2	11.7
P/E (adj)	16.0	4.5	n.m.	n.m.	26.5	11.3	8.5
P/BV	2.4	1.5	2.0	2.3	2.0	1.7	1.5
Dividend yield (ord)	3.9%	0.0%	0.0%	0.0%	0.0%	5.1%	5.8%
FCF Yield bef A&D, lease	5.2%	9.9%	-18.3%	3.8%	7.3%	12.3%	13.7%
Net debt	138	268	318	322	283	266	255
Net debt/EBITDA	4.9	3.6	11.3	7.0	4.0	3.4	3.0
ROIC after tax	6.0%	7.9%	-6.3%	-2.8%	4.8%	7.0%	8.4%

Source: Company data and Nordea estimates

Q1 2022 results and deviation

NoHo Partners reported Q1 EBIT of EUR -1.3m, 51% (EUR 1.3m) above Infront consensus and 33% (EUR 0.3m) below our estimate. Q1 net sales were EUR 48.5m and came in 6% above consensus and 1% above our forecast. Operational EBITDA (operating cash flow) was EUR 1.1m in Q1, while the cash position was EUR 2.1m at the end of Q1 (EUR 6.4m at the end of Q4). Government grants amounted to EUR 2.1m in Q1. April sales of EUR 28.9m were up 608% y/y (up 36% from the 2019 level), while operational EBITDA was EUR 4.5m. The company expects May sales in the range of EUR 29-32m and operational EBITDA of EUR 4.5-5.5m. It expects June sales to be in the range of EUR 27-30m with operational EBITDA of EUR 3.5-4.5m. NoHo issued new guidance for 2022, and expects a top line of around EUR 300m and an EBIT margin for the restaurant business of around 7%. Pre-Q1 Infront consensus estimates are EUR 286m in sales and a 7.6% EBIT margin. We believe the guidance takes account of uncertainties related to the general economic situation, cost increases and availability of staff, and we consider it conservative, especially in terms of profitability. The company expects the market to accelerate in Q2 and to be relatively resilient to the weakening purchasing power of domestic consumers.

Q1 EBIT margin was strong in the International business

- Q1 net sales were EUR 48.5m (Infront consensus: EUR 45.9m).
- Q1 EBIT was EUR -1.3m (consensus: EUR -2.6m). Government grants were EUR 2.1m in Q1 (we had modelled EUR 2m).
- NoHo started to report key figures for the Finnish operations and the International business and as of Q1 now treats these as separate segments. The Finnish operations' top line was EUR 37.3m in Q1 with EUR -2.4m EBIT (-6.3% margin). We had expected EUR 34.1m sales from Finland. The top line for the International business was EUR 11.2m with EUR 1.1m EBIT (9.4% margin) and was supported by government grants. We had expected a EUR 13.9m top line from the International business.
- Operational EBITDA (operating cash flow) was EUR 1.1m in Q1 (EUR -6.7m in Q1 2021). In April, operational EBITDA was EUR 4.5m, while the company expects May operational EBITDA to be EUR 4.5-5.5m and June operational EBITDA to be EUR 3.5-4.5m. This indicates EUR 13.5m operational EBITDA for Q2 (we model EUR 12m).
- April sales were EUR 28.9m, 36% above the 2019 level and up 608% y/y. The company expects May sales of EUR 29-32m and June sales of EUR 27-30m. This indicates a Q2 top-line midpoint of EUR 87.9m (Refinitiv consensus: EUR 79.3m; our estimate: EUR 82.8m).
- Q1 EPS was EUR -0.18, above consensus of EUR -0.26.
- Over the next 12 months, the company will focus on normalisation of its debt level, while it aims to concentrate its cash flow more on growth in 2023.
- Net debt, excluding IFRS 16 lease liabilities, was EUR 149m in Q1 (EUR 152m at the end of 2021). The company aims for net debt/operational EBITDA to be below 3x as early as this year.

New guidance for 2022 issued

NoHo introduced new guidance for 2022 in conjunction with the Q1 report. The company expects EUR 300m in sales and a 7% EBIT margin for the restaurant business in 2022. We believe the company is taking a conservative approach, especially in terms of the profitability margin for 2022, due to geopolitical tensions, cost increases and availability of staff.

Q1 DEVIATION TABLE (EURm; EPS IN EUR)

EURm	Actual Q1 2022	NDA est. Q1 2022E	Deviation vs. actual	Consensus Q1 2022E	Deviation vs. actual	Actual Q4 2021	q/q	Actual Q1 2021	y/y
Sales	48.5	48.0	0.5	45.9	2.6	70	-30%	20	141%
EBIT	(1.3)	(1.0)	-0.3	(2.6)	1.3	6.7	-119%	(9.7)	-87%
EBIT margin	-2.7%	-2.0%	-0.6pp	-5.7%	3.1pp	9.6%	-12.3pp	-48.3%	45.6pp
Adj. EBIT *	(3.4)	(3.0)	-0.4	(3.4)	0.0	4.3	-180%	(13.7)	-75%
Adj. EBIT margin	-7.0%	-6.2%	-0.8pp	-7.5%	0.5pp	6.1%	-13.1pp	-67.9%	60.9pp
EPS	(0.18)	(0.15)	-0.03	(0.26)	0.08	0.08	-322%	(0.49)	-63%

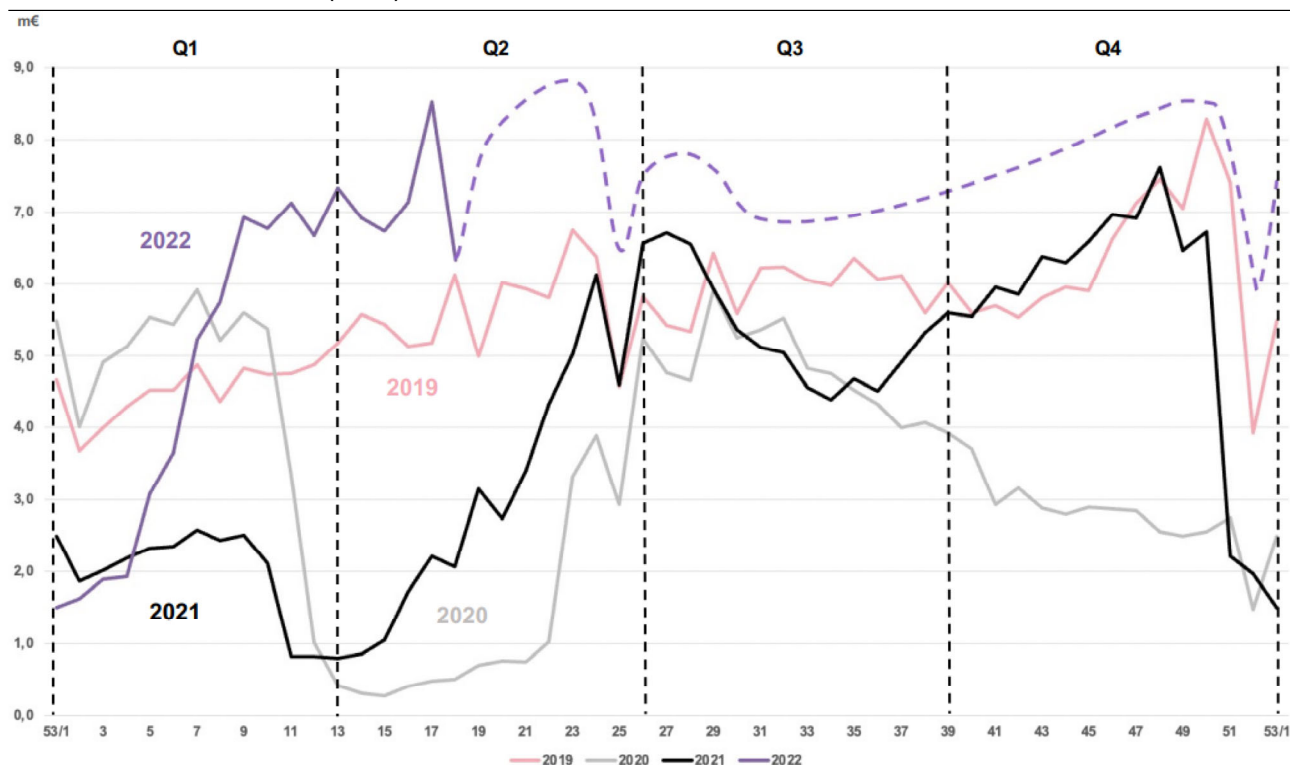
Source: Company data, Infront and Nordea estimates

Impressions from the analyst meeting

We make the following remarks after the analyst meeting:

- In March, sales developed favourably in Finland with a record-high 9.8% EBIT margin. The company seemed positive about the outlook in 2022 given the pent-up demand and positive impact from the Ice Hockey World Championships (EUR 5m).
- NoHo is focusing more on international growth and aims to be the market leader in the Nordic restaurant market. The company expects Norway to represent approximately 25% of sales in 2024. We believe the company will adopt an aggressive M&A agenda in 2023, having spent 2022 focusing on reducing its debt level, which is elevated due to COVID-19.
- An increase in remote working will affect NoHo's lunchtime sales, and it aims to exit this market over time. NoHo currently has five to six restaurants that serve lunch.
- The company expects raw material cost inflation to intensify in Q3, but it should be able to compensate for this with price increases and centralised sourcing. Raw material costs have increased around 6.5%, while prices of brewery products have risen by around 3% and food stuff by some 10%.
- The company is fully committed to reaching its strategic targets of EUR 400m in sales and a 10% EBIT margin by 2024. Growth will come mainly from Norway, Friends&Brgrs and blockbusters such as the Nokia Arena and Allas Sea Pool. The net debt to operating EBITDA target is below 3x and NoHo believes it will reach this target in Q4 2022. The company has the ambition to return to paying dividends during the strategy period 2022-24.

WEEKLY SALES DEVELOPMENT (EURm)



Source: Company data and company estimates

Revisions

Estimate revisions

We raise our Q2 2022E top line by 6%, owing to the faster-than-anticipated market recovery, and hike 2022E-24E revenue by 2%. Our EBIT estimate for Q2 is up by 9% owing to the strong top-line development, but we cut 2022E EBIT by 11% due to more conservative margin development assumptions and higher IFRS 16 depreciations related to Nokia Arena in Tampere, Finland. Our forecast includes an estimated EUR 1.0m grant from the Finnish government in Q2. We cut 2023E EBIT by 5% but maintain 2024E EBIT largely intact.

We assume a divestment of the stake in Eezy during 2022. However, we do not include any capital gain from the possible divestment owing to the timing and valuation uncertainty. We note that NoHo's capital gain from the sale of its 5.1 million Eezy shares (a 20.5% stake) based on the 9 May closing price would be roughly EUR 2.5m. Hence, the possible boost to 2022E EPS would be roughly EUR 0.13. Depending on the outcome of the potential divestment of Eezy, we believe NoHo could pay dividends from 2022, although we do not model any until 2023.

ESTIMATE REVISIONS (EPS/DPS IN EUR)

EURm	New estimates				Old estimates				Difference %			
	Q2 2022E	2022E	2023E	2024E	Q2 2022E	2022E	2023E	2024E	Q2 2022E	2022E	2023E	2024E
Sales	88.0	301	337	362	82.8	296	331	356	6%	2%	2%	2%
Adj. EBIT	10.0	20.8	29.9	35.6	9.1	23.7	31.3	35.2	11%	-12%	-5%	1%
Adj. EBIT margin	11.4%	6.9%	8.9%	9.8%	10.9%	8.0%	9.4%	9.9%	0.4pp	-1.1pp	-0.6pp	-0.1pp
EBIT	11.0	23.9	29.9	35.6	10.1	26.7	31.3	35.2	9%	-11%	-5%	1%
EBIT margin	12.5%	7.9%	8.9%	9.8%	12.1%	9.0%	9.4%	9.9%	0.4pp	-1.1pp	-0.6pp	-0.1pp
Adj. EPS	0.28	0.30	0.69	0.92	0.25	0.45	0.80	0.95	12%	-34%	-13%	-3%
EPS	0.33	0.46	0.69	0.92	0.30	0.61	0.80	0.95	10%	-25%	-13%	-3%
DPS		0.00	0.40	0.45		0.00	0.40	0.45			0%	0%

Source: Nordea estimates

Valuation

We derive a fair value range of EUR 10.0-12.4 by equally weighting our DCF- and SOTP valuations.

DCF valuation yields EUR 10.7-13.0 per share

The outcome of our DCF valuation is EUR 10.7-13.0 (10.4-12.7) per share. We use a WACC of 6.5-7.0%, assuming a terminal growth rate of 2.5% with the EBIT margin gradually rising to 10%.

WACC COMPONENTS	
WACC components	
Risk-free interest rate	2.5%
Market risk premium	4.0%
Equity beta	1.7-1.9
Cost of equity	9.3-10.1%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	55%
WACC	6.5-7.0%

Source: Nordea estimates

DCF VALUE (EURm AND EUR)		
DCF value	Value	Per share
NPV FCFF	484-530	25.2-27.6
(Net debt)	-322	-16.7
Market value of associates	41	2.1
(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	6	0.3
DCF Value	205-250	10.7-13

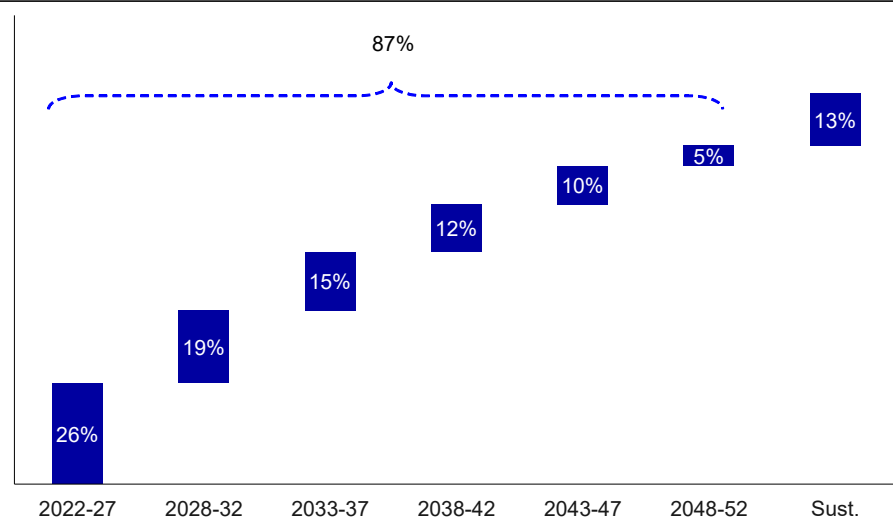
Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2022-27	2028-32	2033-37	2038-42	2043-47	2048-52	Sust.
Sales growth, CAGR	5.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	9.6%	10.0%	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	1.0
Capex/sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
NWC/sales	-10.3%	-9.8%	-9.3%	-8.8%	-8.3%	-7.8%	-7.8%
FCFF, CAGR	11.3%	3.7%	4.2%	4.2%	4.2%	-15.7%	2.5%

Source: Nordea estimates

DCF VALUATION COMPOSITION



Source: Nordea estimates

DCF valuation sensitivity

To highlight the sensitivity of our DCF valuation, we 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 table. Using changes of ± 0.5 pp for WACC, ± 0.5 pp for sales growth, and ± 0.5 pp for the EBIT margin, our DCF model yields a value range of EUR 10.1-13.7 per share.

SENSITIVITY OF OUR DCF MODEL (EUR)

Sensitivity analysis: WACC vs EBIT margin

		WACC				
		6.3%	6.5%	6.8%	7.0%	7.3%
EBIT marg. change	0.5pp	15.9	14.5	13.2	12.0	10.9
	0.3pp	15.1	13.7	12.5	11.4	10.3
	0.0pp	14.3	13.0	11.8	10.7	9.7
	-0.3pp	13.6	12.3	11.2	10.1	9.2
	-0.5pp	12.8	11.6	10.5	9.5	8.6

- +/-0.5 pp sales growth change translates to a change of +/-10 in the fair value

Sensitivity analysis: WACC vs Sales growth

		WACC				
		6.3%	6.5%	6.8%	7.0%	7.3%
Sales growth change	0.5pp	15.8	14.3	13.1	11.9	10.8
	0.3pp	15.0	13.7	12.4	11.3	10.3
	0.0pp	14.3	13.0	11.8	10.7	9.7
	-0.3pp	13.7	12.4	11.3	10.2	9.3
	-0.5pp	13.0	11.8	10.7	9.7	8.8

- +/-0.5 pp EBIT margin change translates into a change of +/-11% change in the fair value

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	11.9	12.5	13.2	13.8	14.5
	0.3pp	11.3	11.9	12.5	13.1	13.8
	0.0pp	10.7	11.3	11.8	12.4	13.1
	-0.3pp	10.1	10.6	11.2	11.7	12.3
	-0.5pp	9.5	10.0	10.5	11.1	11.6

Source: Nordea estimates

SOTP valuation yields EUR 9.4-11.8 per share

When we apply 2023E EV/EBIT multiples of 9-10.5x for the Restaurant segment, the market valuation of the Eezy stake (20.5% of the company) as of 9 May, and then deduct 2022E net debt and current minority holdings, we derive an SOTP fair value range of EUR 9.4-11.8 (10.2-12.7) per NoHo share.

SOTP VALUATION

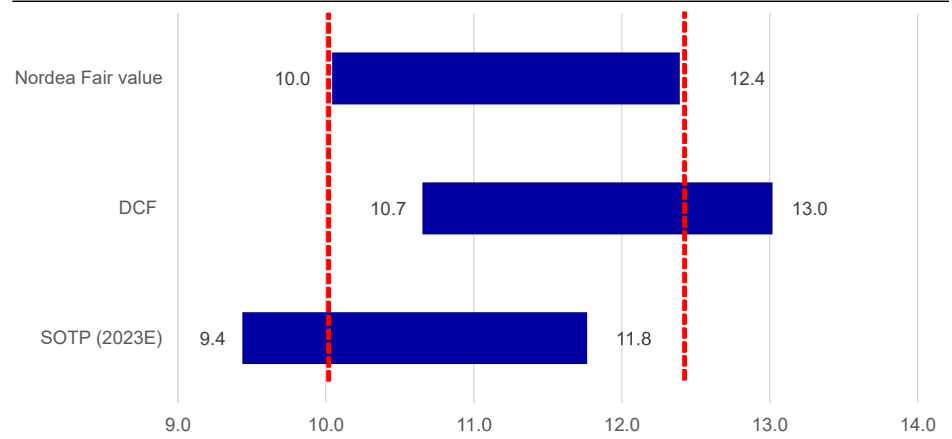
Business	EV/EBIT 9x	Per share, 9x	EV/EBIT 10.5x	Per share, 10.5x	% of EV	EBIT '23E
Restaurant	269	14.0	314	16.3	90-91%	29.9
EV from own operations	269	14.0	314	16.3	90-91%	
EEZY stake (20.5%) as of 9.5.2022	29	1.5	29	1.5	10-8%	
Other sellable securitites (Q1 2022)	0.4	0.0	0.4	0.0	0-0%	
EV from holdings	29	1.5	29	1.5	10-9%	
Total EV with market prices	298	15.5	343	17.8		
Net debt 2022E (excl IFRS 16)	112	5.8	112	5.8		
Equity value	186	9.7	231	12.0		
Minorities	-5	-0.3	-5	-0.3		
Number of shares, million	19.2		19.2			
Equity per share, EUR	9.4		11.8			

Source: Company data and Nordea estimates

Fair value range EUR 10.0-12.4

Our fair value range for NoHo is EUR 10.0-12.4 (10.3-12.7) per share, as indicated by the red lines in the chart below.

FAIR VALUE RANGE (EUR/SHARE)



Source: Nordea estimates

Detailed estimates

ANNUAL ESTIMATES (EURm)

	2018	2019	2020	2021	2022E	2023E	2024E
Turnover	323	273	157	186	301	337	362
growth %	74%	-16%	-43%	19%	62%	12%	8%
Other operating income	7	6	17	17	10	10	10
Materials and services	-66	-85	-58	-64	-103	-116	-124
Staff expenses	-151	-63	-48	-53	-78	-84	-90
Other operating expenses	-84	-56	-41	-41	-60	-68	-71
EBITDA	28.4	74.3	27.6	45.9	70.3	79.1	86.4
EBITDA margin %	8.8%	27.2%	17.6%	24.7%	23.4%	23.5%	23.8%
D&A	-21	-45	-52	-47	-46	-49	-51
IFRS 16 depreciation	0	-22	-31	-30	-32	-34	-35
EBIT adjusted	12.5	31.1	-30.7	-12.6	20.8	29.9	35.6
EBIT adj. margin %	3.9 %	11.4 %	-19.6 %	-6.7 %	6.9 %	8.9 %	9.8 %
NRI	-5.3	-0.5	6.8	11.7	3.1	0.0	0.0
EBIT	7.2	30.6	-23.9	-0.9	23.9	29.9	35.6
EBIT margin %	2.2 %	11.2 %	-15.2 %	-0.5 %	7.9 %	8.9 %	9.8 %
Associate income	0.0	0.8	0.5	0.3	0.0	0.0	0.0
Net financial expenses	-1.6	-5.2	-11.0	-11.9	-11.6	-11.2	-11.2
of which IFRS 16	0.0	-5.0	-5.0	-5.9	-7.1	-7.2	-7.3
of which NRI	-0.9	2.1	-1.7	0.0	0.0	0.0	0.0
Profit before taxes	5.6	25.3	-34.8	-12.8	12.2	18.7	24.4
Reported taxes	-1.4	-1.5	5.4	2.4	-2.1	-3.0	-3.9
Net profit	4.2	23.8	-29.5	-10.3	10.2	15.7	20.5
Minorities	0.7	1.5	-2.6	0.3	1.4	2.4	2.8
Profit to equity holders	3.5	22.3	-26.8	-10.6	8.8	13.3	17.7
Hybrid interest incl tax shield	0.0	-1.4	0.0	0.0	0.0	0.0	0.0
EPS, EUR (continued op)	0.19	1.10	-1.40	-0.55	0.46	0.69	0.92

Source: Company data and Nordea estimates

QUARTERLY ESTIMATES (EURm)

	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22E	Q3/22E	Q4/22E
Turnover	50	19	56	32	20	34	62	70	49	88	82	83
growth %	-38%	-81%	-27%	-58%	-60%	81%	10%	120%	141%	155%	32%	19%
Other operating income	2	8	3	3	5	5	2	5	4	2	2	2
Materials and services	-19	-6	-20	-12	-7	-12	-22	-23	-16	-30	-29	-28
Staff expenses	-15	-8	-13	-11	-9	-10	-15	-19	-15	-22	-20	-21
Other operating expenses	-14	-5	-12	-10	-7	-8	-12	-14	-10	-15	-17	-18
EBITDA	4.4	8.1	13.5	1.5	1.8	9.3	16.2	18.6	10.4	22.6	18.4	19.0
EBITDA margin %	8.8%	42.5%	24.1%	4.9%	8.9%	27.0%	26.2%	26.7%	21.4%	25.6%	22.5%	22.9%
D&A	-11	-16	-11	-14	-11	-11	-12	-12	-12	-12	-12	-12
IFRS 16 depreciation	-7	-8	-7	-8	-8	-8	-8	-8	-8	-8	-8	-8
EBIT adjusted	-6.6	-11.2	1.2	-14.0	-13.7	-6.3	3.2	4.3	-3.4	10.0	6.8	7.4
EBIT adj. margin %	-13%	-59%	2.2 %	-44%	-68%	-18.4 %	5.2 %	6.1 %	-7.0 %	11.4 %	8.3 %	8.9 %
NRI	0.0	2.8	1.7	2.3	4.0	4.5	0.7	2.5	2.1	1.0	0.0	0.0
EBIT	-6.6	-8.4	2.9	-11.8	-9.7	-1.8	3.9	6.7	-1.3	11.0	6.8	7.4
EBIT margin %	-13%	-44%	5.2 %	-37%	-48%	-5.2 %	6.4 %	9.6 %	-2.7 %	12.5 %	8.3 %	8.9 %
Associate income	0.0	-0.4	0.6	0.3	-0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Net financial expenses	-3.3	-2.3	-2.6	-2.7	-2.3	-3.7	-3.1	-2.8	-3.0	-2.7	-3.1	-2.8
of which IFRS 16	-1.3	-1.3	-1.3	-1.3	-1.5	-1.5	-1.5	-1.5	-1.8	-1.8	-1.8	-1.7
of which NRI	-1.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before taxes	-9.9	-10.7	0.3	-14.5	-12.1	-5.5	0.9	3.9	-4.3	8.3	3.7	4.5
Reported taxes	1.0	1.6	0.2	2.6	1.3	1.3	0.5	-0.6	0.7	-1.4	-0.6	-0.7
Net profit	-8.9	-9.2	0.4	-11.9	-10.8	-4.3	1.3	3.3	-3.6	6.9	3.1	3.8
Minorities	-0.9	-0.4	0.3	-1.7	-1.3	-0.7	0.6	1.8	-0.1	0.5	0.4	0.6
Profit to equity holders	-8.0	-8.8	0.2	-10.2	-9.4	-3.5	0.7	1.6	-3.5	6.4	2.7	3.2
Hybrid interest incl tax shield	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS, EUR (continued op)	-0.44	-0.46	0.01	-0.53	-0.49	-0.18	0.04	0.08	-0.18	0.33	0.14	0.17

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 every risk that the company may be facing, but instead to highlight those that we find most relevant. In normal circumstances, the main risks relate to the Finnish economy, the restaurant business, NoHo's international expansion efforts, regulations and alcohol licences. COVID-19 is still a current risk – and its development is hard to predict – so it could affect NoHo's business for longer than anticipated.

General Finnish economy

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

COVID-19 has a negative impact on sales and earnings

COVID-19

The COVID-19 pandemic creates a high swing factor for NoHo Partners' earnings and balance sheets. While the company has flexible staffing, rental agreements are harder to adjust. The company is fully dependent on customers visiting its restaurants and venues, hence any drop in demand has a negative impact on sales and earnings. Currently, restaurant restrictions are easing or fully abolished in NoHo's operating countries. However, in addition to COVID-19 development, there is also high uncertainty as to when tourism and business spending will recover.

Unfavourable weather conditions hurt restaurant sales

Weather

Restaurant revenue increases during the summer months. NoHo has several summer or terraced restaurants, and these are especially vulnerable to summer weather. In the event of a cold or rainy summer, sales in the restaurant business would likely decrease. Mild winters can also negatively affect the restaurant business at ski resorts.

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

Alcohol licences and regulations

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

Tourists are an important customer group in the restaurant business

Changes in tourism

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; although we expect a gradual recovery, revenues from foreign tourists might remain at a lower level until at least the end of 2022.

A dilutive rights issue or a hybrid bond are still possible given the current situation

Financial position

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 2021, which should secure funding for the coming years. Our main concern relates to the currently low equity ratio. In a worst-case scenario where the company cannot secure additional funding, there is a risk that the equity value would be zero. We believe the risk level, however, has decreased since the easing of restaurant restrictions.

Entering new markets has its own set of risks

Risks related to international expansion

NoHo's ambitions to grow internationally do not come without costs, investment needs 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	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	87	114	130	186	323	273	157	186	301	337	362
Revenue growth	33.2%	31.1%	14.5%	42.9%	73.9%	-15.6%	-42.5%	18.7%	61.7%	12.0%	7.5%
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	12	17	19	22	28	75	28	46	70	79	86
Depreciation and impairments PPE	-6	-7	-8	-8	-11	-36	-42	-38	-37	-39	-41
of which leased assets	0	0	0	0	0	-22	-31	-30	-32	-34	-35
EBITA	6	10	12	15	17	39	-13	9	33	40	46
Amortisation and impairments	-1	-2	-3	-4	-10	-9	-10	-9	-9	-10	-10
EBIT	5	7	9	11	7	31	-24	-1	24	30	36
of which associates	0	0	0	0	0	1	1	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-1	-1	-1	-3	-2	-5	-11	-12	-12	-11	-11
of which lease interest	0	0	0	0	0	-5	-5	-6	-7	-7	-7
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	5	6	8	8	6	25	-35	-13	12	19	24
Reported taxes	-1	-1	-2	-3	-1	-1	5	2	-2	-3	-4
Net profit from continued operations	3	5	6	5	4	24	-29	-10	10	16	21
Discontinued operations	0	0	0	0	0	24	0	0	0	0	0
Minority interests	0	0	0	0	-1	-2	3	0	-1	-2	-3
Net profit to equity	3	5	6	5	3	45	-27	-11	9	13	18
EPS, EUR	0.22	0.31	0.35	0.30	0.19	2.36	-1.40	-0.55	0.46	0.69	0.92
DPS, EUR	0.22	0.27	0.30	0.33	0.34	0.00	0.00	0.00	0.00	0.40	0.45
of which ordinary	0.22	0.27	0.30	0.33	0.34	0.00	0.00	0.00	0.00	0.40	0.45
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	13.9%	14.6%	14.9%	12.1%	8.8%	27.5%	17.9%	24.8%	23.4%	23.5%	23.8%
EBITA	7.2%	8.5%	9.1%	7.9%	5.2%	14.5%	-8.6%	4.6%	11.0%	11.8%	12.6%
EBIT	6.1%	6.4%	6.9%	5.8%	2.2%	11.2%	-15.2%	-0.5%	7.9%	8.9%	9.8%

Adjusted earnings

EBITDA (adj)	12	17	20	23	34	76	21	34	67	79	86
EBITA (adj)	7	10	12	15	22	40	-20	-3	30	40	46
EBIT (adj)	6	8	9	11	12	31	-31	-13	21	30	36
EPS (adj, EUR)	0.24	0.35	0.37	0.43	0.54	2.27	-1.66	-1.16	0.30	0.69	0.92

Adjusted profit margins in percent

EBITDA (adj)	14.3%	15.2%	15.2%	12.2%	10.4%	27.7%	13.6%	18.5%	22.3%	23.5%	23.8%
EBITA (adj)	7.7%	9.1%	9.3%	8.0%	6.9%	14.7%	-12.9%	-1.7%	10.0%	11.8%	12.6%
EBIT (adj)	6.6%	7.0%	7.2%	6.0%	3.9%	11.4%	-19.6%	-6.7%	6.9%	8.9%	9.8%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	25.1%	37.8%	25.8%	6.7%	7.4%	10.1%	0.8%	5.8%
EBITDA	n.m.	n.m.	n.m.	17.7%	25.4%	44.3%	11.2%	18.9%	25.7%	22.7%	2.8%
EBIT	n.a.	n.a.	n.a.	13.5%	12.2%	42.1%	n.m.	n.m.	17.3%	32.9%	3.1%
EPS	n.a.	n.a.	n.a.	n.a.	-4.1%	61.4%	n.m.	n.m.	8.5%	28.9%	-17.1%
DPS	n.m.	n.m.	n.m.	18.7%	30.5%	n.m.	n.m.	n.m.	n.m.	3.3%	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	6.9%	6.3%	4.7%	6.3%	3.1%	2.1%	3.0%	4.7%	4.8%
Average EBITDA margin	n.a.	n.a.	14.7%	13.7%	11.8%	15.8%	16.2%	17.8%	20.0%	23.8%	23.1%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E (adj)	14.5	14.2	16.4	20.1	16.0	4.5	n.m.	n.m.	26.5	11.3	8.5
EV/EBITDA (adj)	6.2	6.5	6.6	8.3	9.2	6.2	22.4	13.7	6.5	5.4	4.8
EV/EBITA (adj)	11.6	10.8	10.8	12.6	14.0	11.8	n.m.	n.m.	14.6	10.7	9.1
EV/EBIT (adj)	13.5	14.1	14.1	17.0	24.9	15.6	n.m.	n.m.	21.2	14.2	11.7

VALUATION RATIOS - REPORTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E	16.3	16.1	17.4	28.2	44.4	4.4	n.m.	n.m.	17.1	11.3	8.5
EV/Sales	0.89	0.98	1.01	1.01	0.96	1.73	3.05	2.54	1.46	1.26	1.15
EV/EBITDA	6.4	6.8	6.8	8.4	10.9	6.3	17.3	10.3	6.2	5.4	4.8
EV/EBITA	12.4	11.6	11.1	12.8	18.4	12.2	n.m.	57.4	13.3	10.7	9.1
EV/EBIT	14.6	15.4	14.6	17.5	43.2	15.8	n.m.	n.m.	18.4	14.2	11.7
Dividend yield (ord.)	6.3%	5.4%	5.0%	3.9%	3.9%	0.0%	0.0%	0.0%	0.0%	5.1%	5.8%
FCF yield	-12.0%	-4.1%	3.6%	-3.6%	-35.7%	12.2%	1.7%	24.6%	28.7%	35.0%	37.1%
FCF Yield bef A&D, lease adj	-3.3%	2.3%	6.3%	4.7%	5.2%	9.9%	-18.3%	3.8%	7.3%	12.3%	13.7%
Payout ratio	91.0%	76.4%	81.9%	77.6%	62.7%	0.0%	0.0%	0.0%	0.0%	57.7%	48.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	40	44	47	66	204	177	180	178	172	166	160
of which R&D	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
of which other intangibles	10	10	10	14	57	48	45	40	35	29	23
of which goodwill	30	34	38	53	147	129	135	137	137	137	137
Tangible assets	25	29	29	32	46	186	166	177	183	191	199
of which leased assets	0	0	0	0	0	128	118	130	130	131	132
Shares associates	0	1	1	3	0	39	39	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	1	1	1	1
Deferred tax assets	0	1	0	1	0	1	9	10	10	10	10
Other non-IB non-current assets	1	1	1	1	4	3	3	3	3	3	3
Other non-current assets	0	1	1	1	0	0	0	0	0	0	0
Total non-current assets	67	77	79	104	255	406	397	369	369	371	373
Inventory	2	2	2	3	5	6	4	5	8	9	10
Accounts receivable	10	10	14	24	40	24	14	17	27	30	33
Short-term leased assets	0	0	0	0	0	31	30	32	34	35	36
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	5	2	2	3	5	4	3	6	32	36	34
Total current assets	17	14	18	29	50	64	51	61	102	111	112
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30	0	n.a.	n.a.
Total assets	84	91	98	133	305	471	448	459	471	482	486
Shareholders equity	39	40	43	45	67	129	76	64	74	87	97
Of which preferred stocks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Of which equity part of hybrid debt	n.a.	n.a.	n.a.	n.a.	n.a.	25	0	0	0	0	0
Minority interest	0	0	1	2	9	8	5	5	6	9	10
Total Equity	39	40	44	47	76	137	81	69	80	96	107
Deferred tax	1	1	1	2	10	6	8	5	5	5	5
Long term interest bearing debt	17	22	24	35	90	73	94	113	98	83	68
Pension provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	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	4	6	8	4	4	4	4	4
Non-current lease debt	0	0	0	0	0	134	126	140	137	138	139
Convertible debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Shareholder debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	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	19	24	26	40	107	221	232	262	244	230	216
Short-term provisions	0	0	0	0	1	0	0	0	0	0	0
Accounts payable	18	18	19	34	68	48	35	52	66	74	80
Current lease debt	0	0	0	0	0	27	27	29	34	35	36
Other current liabilities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Short term interest bearing debt	7	9	8	12	53	38	74	46	46	46	46
Total current liabilities	25	27	28	46	122	113	135	128	147	156	162
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	84	91	98	133	305	471	448	459	471	482	486
Balance sheet and debt metrics											
Net debt	19	29	31	44	138	268	318	322	283	266	255
of which lease debt	0	0	0	0	0	161	153	169	171	173	175
Working capital	-7	-6	-3	-7	-23	-18	-17	-30	-31	-35	-37
Invested capital	61	71	76	96	231	388	380	338	338	337	336
Capital employed	64	71	77	93	219	409	402	398	396	399	397
ROE	10.3%	12.8%	13.5%	11.5%	6.2%	45.6%	-26.1%	-15.1%	12.7%	16.5%	19.2%
ROIC	9.3%	9.5%	9.8%	10.2%	6.0%	7.9%	-6.3%	-2.8%	4.8%	7.0%	8.4%
ROCE	11.4%	11.8%	12.7%	13.2%	9.3%	10.6%	-7.5%	-2.8%	5.6%	7.8%	9.3%
Net debt/EBITDA	1.6	1.8	1.6	2.0	4.9	3.6	11.3	7.0	4.0	3.4	3.0
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.1	n.m.	n.m.	n.m.
Equity ratio	46.4%	43.7%	44.3%	33.8%	22.0%	27.5%	17.0%	14.0%	15.7%	18.1%	20.0%
Net gearing	48.5%	73.1%	69.8%	93.3%	182.0%	195.3%	392.2%	463.5%	351.9%	277.1%	237.5%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA (adj) for associates	12	17	19	22	28	74	28	46	70	79	86
Paid taxes	-3	0	-3	-3	-4	-3	-3	-1	-2	-3	-4
Net financials	-1	-1	-1	-3	-2	-7	-11	-12	-12	-11	-11
Change in provisions	0	0	0	0	1	-1	0	0	0	0	0
Change in other LT non-IB	0	-1	0	3	1	2	-12	-1	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	1	1	0	0	0
Dividends paid to minorities	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	-1
Other adj to reconcile to cash flow	0	1	-1	-1	-4	0	14	0	1	0	0
Funds from operations (FFO)	9	16	15	18	21	62	16	33	57	65	70
Change in NWC	0	-4	-2	0	-2	-5	-8	12	1	4	3
Cash flow from operations (CFO)	8	12	14	18	19	57	8	45	58	69	72
Capital expenditure	-10	-10	-7	-11	-10	-16	-6	-9	-15	-16	-17
Free cash flow before A&D	-2	2	6	7	9	41	2	36	43	53	56
Proceeds from sale of assets	13	0	0	0	0	2	0	0	0	0	0
Acquisitions	-18	-5	-3	-12	-67	-19	0	0	0	0	0
Free cash flow	-7	-3	4	-5	-58	24	3	36	43	53	56
Free cash flow bef A&D, lease adj	-2	2	6	7	9	19	-28	6	11	19	21
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.	0	0	0	0	0	0
Net change in debt	11	6	1	6	75	-13	55	-10	-15	-15	-15
Other financing adjustments	0	0	0	0	0	-28	-25	-27	-2	-34	-35
Other non-cash adjustments	0	-1	0	5	7	0	-7	4	0	0	0
Change in cash	2	-3	0	1	2	-1	0	3	26	4	-2
Cash flow metrics											
Capex/D&A	n.m.	n.m.	69.2%	95.8%	48.1%	36.3%	11.7%	19.6%	32.5%	32.6%	33.0%
Capex/Sales	11.6%	9.2%	5.5%	6.0%	3.2%	5.9%	3.9%	5.0%	5.0%	4.8%	4.6%
Key information											
Share price year end (/current)	4	5	6	9	9	10	8	8	8	8	8
Market cap.	57	82	100	142	164	196	155	146	150	150	150
Enterprise value	77	112	131	188	310	471	477	473	439	425	416
Diluted no. of shares, year-end (m)	16.4	16.4	16.6	16.6	18.9	19.0	19.2	19.2	19.2	19.2	19.2

Source: Company data and Nordea estimates

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Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland Tel: +358 9 1651 Fax: +358 9 165 59710 Reg.no. 2858394-9 Satamaradankatu 5 Helsinki	Nordea Markets Division, Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Nordea Markets Division, Research Visiting address: Grønjordsvej 10 DK-2300 Copenhagen S Denmark Tel: +45 3333 3333 Fax: +45 3333 1520	Nordea Markets Division, Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway Tel: +47 2248 5000 Fax: +47 2256 8650