

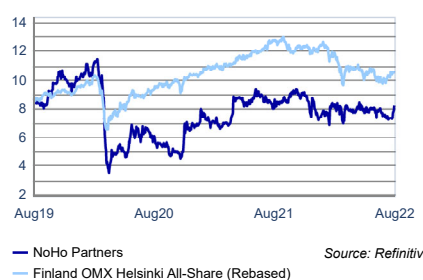
NoHo Partners

Consumer Goods
Finland

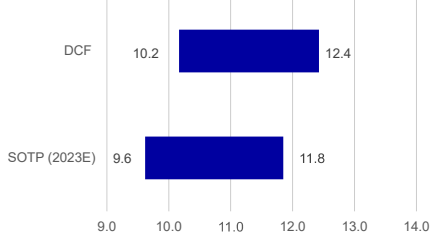
KEY DATA

Stock country	Finland
Bloomberg	NOHO FH
Reuters	NOHOP.HE
Share price (close)	EUR 8.30
Free Float	49%
Market cap. (bn)	EUR 0.17/EUR 0.17
Website	http://www.noho.fi/
Next report date	08 Nov 2022

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	0%	0%	0%
EBIT (adj)	0%	3%	4%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Q2 underlined improved operational efficiency

Q2 EBIT beat Refinitiv consensus by 18%, underlining the improved operational efficiency of the company. Demand has remained favourable in early Q3 and bookings for Q4 suggest a solid end to the year. Guidance was kept intact and we consider another guidance upgrade possible in late 2022. Debt is expected to reach the targeted level in 2022 and the company can then conduct more meaningful acquisitions in 2023 to reach its 2024 top-line target of EUR 400m. Consumer confidence is low and uncertainty is relatively high ahead of an important Q4. We do not expect any meaningful direct impact from inflation. We derive a fair value range of EUR 9.9-12.1 (9.8-12.1) per NoHo share.

Strong Q2 and confident H2 outlook

NoHo Partners reported Q2 EBIT of EUR 16.1m, 18% above Refinitiv consensus and 2% above our estimate. Net sales totalled EUR 90.2m, in line with expectations. Operational EBITDA (operating cash flow) totalled EUR 18.3m in Q2. In addition to a positive market environment, underlying operations performed strongly; adjusted for Finnish government grants and a positive impact from the Ice Hockey World Championships (also in 2023), the EBIT margin was close to 13% in Q2. The company has been able to broaden its portfolio of highly profitable units and there are far fewer significantly loss-making units than there were in 2019. NoHo has been able to orchestrate a successful turnaround in Denmark and is now concentrating on returning Hanko Sushi to the black. The outlook for H2 appears promising, despite potential weakening of consumer demand, as booking rates are above the 2019 level for Q4.

Slightly positive revisions; potential for a guidance upgrade

We leave our top-line estimates intact, while we raise our 2022-24 EBIT estimates by 2-4%. We believe market demand remains supportive, which could lead to another guidance upgrade in late 2022. We model a 9.5% EBIT margin for 2022, while the company guides for a margin above 8%.

Fair value range of EUR 9.9-12.1

We derive a fair value range of EUR 9.9-12.1 (9.8-12.1) with equal weight from our DCF- and SOTP-based valuations. The company's Eezy stake is currently worth EUR ~25m. Consumer demand, especially in 2023, is still uncertain, but we believe the company is well positioned with its offering.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	323	273	157	186	306	339	365
EBITDA (adj)	34	76	21	34	69	80	88
EBIT (adj)	12	31	-31	-13	22	31	37
EBIT (adj) margin	3.9%	11.4%	-19.6%	-6.7%	7.2%	9.1%	10.2%
EPS (adj, EUR)	0.54	2.27	-1.66	-1.16	0.18	0.63	0.88
EPS (adj) growth	27.4%	318.9%	-173.3%	30.1%	115.5%	249.3%	39.8%
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	1.2
EV/EBIT (adj)	24.9	15.6	n.m.	n.m.	20.3	14.2	11.5
P/E (adj)	16.0	4.5	n.m.	n.m.	46.1	13.2	9.4
P/BV	2.4	1.5	2.0	2.3	2.0	1.7	1.6
Dividend yield (ord)	3.9%	0.0%	0.0%	0.0%	0.0%	4.8%	5.4%
FCF Yield bef A&D, lease	5.2%	9.9%	-18.3%	3.8%	8.7%	10.7%	12.3%
Net debt	138	268	318	322	269	253	242
Net debt/EBITDA	4.9	3.6	11.3	7.0	3.6	3.2	2.7
ROIC after tax	6.0%	7.9%	-6.3%	-2.8%	5.2%	7.2%	8.7%

Source: Company data and Nordea estimates

Q2 2022 results and deviation

NoHo Partners reported Q2 EBIT of EUR 16.1m, 18% above Refinitiv consensus and 2% above our estimate. Q2 net sales were EUR 90.2m, in line with consensus and our estimate. Operational EBITDA (operating cash flow) was EUR +18.3m in Q2, while the cash position was EUR 3.5m at the end of Q2 (EUR 2.1m at the end of Q1). Government grants were EUR 4.8m in Q2, while we had anticipated EUR 4.3m. The company no longer discloses monthly sales figures, but guidance for 2022 (upgraded on 22 June) was kept intact. The company is expecting around a EUR 300m top line and an EBIT margin above 8% for its restaurant business. Refinitiv consensus is for EUR 305m in sales and an 8.9% EBIT margin in 2022. According to the company, the booking situation for Q4 looks good, especially for weekends. NoHo has been able to mitigate the inflation impact through purchasing agreements, price increases, and recruitment and resource allocation. Overall, it expects good restaurant demand to continue in H2. It keeps its long-term targets intact, and aims for EUR 400m in sales and EUR 40m in EBIT in 2024. Given the confident outlook for H2 and solid demand in the restaurant market, we believe the company could upgrade its guidance in late 2022.

Q2 EBIT margin was strong, even adjusted for grants

- Q2 net sales were EUR 90.2m (Refinitiv consensus: EUR 90.3m).
- Q2 EBIT was EUR 16.1m (consensus: EUR 13.7m). Government grants were EUR 4.8m in Q2, of which EUR 4.3m was related to Q1 closures in Finland and which was disclosed earlier (we had modelled EUR 4.3m government grants for Q2).
- The Finnish operations' top line was EUR 72.9m in Q2 with EUR 14.6m EBIT (20.0% margin). We had expected EUR 73.5m in sales from Finland. The International business's top line was EUR 17.3m with EUR 1.5m EBIT (8.9% margin). We had expected a EUR 16.6m top line from International. We note that the company has been able to turn Denmark's profitability into positive territory.
- Operational EBITDA (operating cash flow) was EUR 18.3m in Q2 (EUR 0.7m in Q2 2021).
- Q2 EPS was EUR 0.45, above consensus of EUR 0.34. We note the relatively high non-controlling interest of EUR 1.6m, while we had modelled EUR 0.6m. In addition, the company recorded a EUR 0.8m negative impact from changes in the market price of Eezy shares in Q2.
- Net debt, excluding IFRS 16 lease liabilities was EUR 127m in Q2 (EUR 149m in Q1). The company aims to achieve below 3x net debt/operational EBITDA. It has continued to amortise its loans ahead of schedule and strengthened equity through the conversion of a Tesi EUR 10m loan taken out during the COVID-19 pandemic. Net debt/operational EBITDA dropped below 3.5x in Q2.
- The company is launching an extensive recruitment campaign that is aimed at finding new personnel to meet labour shortages that are affecting the entire industry.

Guidance intact after positive profit warning in June

NoHo upgraded its guidance for 2022 on 22 June. The company expects EUR 300m sales and an EBIT margin above 8% for its restaurant business in 2022. Refinitiv consensus is for EUR 305m in sales and an 8.9% EBIT margin in 2022. We note the importance of government grants for 2022, although the Q2 performance underlines improved operational performance. Excluding EUR 4.3m in Finnish government grants that were awarded retrospectively, NoHo's EBIT margin would have been 13.1% in Q2.

Q2 DEVIATION TABLE (EURm; EPS IN EUR)

EURm	Actual Q2 2022	NDA est. Q2 2022E	Deviation vs. actual		Consensus Q2 2022E	Deviation vs. actual		Actual Q1 2022	q/q	Actual Q2 2021	y/y
Sales	90.2	90.0	0.2	0%	90.3	-0.1	0%	49	86%	34	162%
EBIT	16.1	15.8	0.3	2%	13.7	2.4	18%	(1.3)	-1338%	(1.8)	-990%
EBIT margin	17.8%	17.6%		0.3pp	15.1%		2.7pp	-2.7%	20.5pp	-5.2%	23.1pp
Adj. EBIT *	11.3	11.5	-0.2	-2%	13.7	-2.4	-17%	(3.4)	-432%	(6.3)	-278%
Adj. EBIT margin	12.5%	12.8%		-0.3pp	15.1%		-2.6pp	-7.0%	19.5pp	-18.4%	30.9pp
EPS	0.45	0.54	-0.09	-17%	0.34	0.11	31%	(0.18)	-347%	(0.18)	-346%

Source: Company data, Refinitiv and Nordea estimates

Impressions from the analyst meeting

We make the following remarks after the analyst meeting:

- In Q2, thanks to the positive market development and the Ice Hockey World Championships in Tampere, the company achieved record operating margins. Portfolio adjustments and EUR 2m in cost savings achieved during the COVID-19 pandemic should also support the development going forward, we argue.
- Interest expenses are declining by about EUR 1m on an annual level, based on lower net debt, and should mitigate around EUR 1m in greater expenses due to higher rates.
- The company has been clearly improving its EBITDA margins across the portfolio and its top five units generated the same EBITDA in Q2 as its top 30 did in Q2 2019. Hanko Sushi (~20 units) has turned to negative EBITDA territory and the company is aiming for an extensive restyling of the brand during H2.
- NoHo will concentrate on loan amortisation in 2022, although larger M&A deals should occur in 2023 in order for the company to reach its 2024 targets. We note EUR 16.6m in loan repayments in H2 and EUR 13.1m in Q1 2023, of which EUR 4m relates to the commercial paper (CP) programme. We believe the company will continue its CP and thereby be able to repay debt with incoming cash flow and its current cash position (EUR 3.5m in Q2). In addition, the company has a 20.5% stake in Eezy, worth some EUR 25m on 8 August.
- The company did not appear too concerned about the impact of inflation on its earnings, due to long purchasing agreements and pricing power. Its greatest concerns for H2 relate to consumer demand, although this is expected to remain solid.
- NoHo noted that bookings indicate better B2B sales in Q4 compared to the 2019 level.
- For Friends & Brgs, the company noted likely intensifying competition and pressure on material margins. This could lead to sub-10% EBIT margins.
- Overall, we were left with the impression that the company could exceed its "above 8% EBIT margin" guidance. However, given the extreme importance of Christmas sales, we believe this would happen in late 2022 at the earliest.

Revisions

Estimate revisions

Following the Q2 report, we keep our top-line estimates intact, while we raise 2022E-24E EBIT by 2-4%. We continue to believe that the company could raise its 2022 EBIT margin guidance in late 2022. In addition, we make adjustments to our minority interest estimates. We cut 2022E EPS due to the revaluation of Eezy shares and the higher-than-anticipated minority interest.

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 uncertainty over timing and valuation. We note that Eezy is currently (as of 8 August) trading below NoHo's acquisition price for the shares (EUR 5.14). 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 %			
	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E
Sales	83.5	306	339	365	83.5	306	339	365	0%	0%	0%	0%
Adj. EBIT	7.9	22.1	30.8	37.2	7.6	22.1	29.9	35.7	4%	0%	3%	4%
Adj. EBIT margin	9.5%	7.2%	9.1%	10.2%	9.1%	7.2%	8.8%	9.8%	0.4pp	0.0pp	0.2pp	0.4pp
EBIT	7.9	29.0	30.8	37.2	7.6	28.5	29.9	35.7	4%	2%	3%	4%
EBIT margin	9.5%	9.5%	9.1%	10.2%	9.1%	9.3%	8.8%	9.8%	0.4pp	0.2pp	0.2pp	0.4pp
Adj. EPS	0.16	0.18	0.63	0.88	0.17	0.31	0.65	0.86	-11%	-42%	-2%	3%
EPS	0.16	0.53	0.63	0.88	0.17	0.63	0.65	0.86	-11%	-17%	-2%	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 9.9-12.1 by equally weighting our DCF- and SOTP valuations.

DCF valuation yields EUR 10.2-12.4 per share

The outcome of our DCF valuation is EUR 10.2-12.4 (9.6-11.7). We use a WACC of 6.8-7.3%, assuming a terminal growth rate of 2.5% with the EBIT margin gradually rising to 10%.

WACC COMPONENTS	
WACC components	
Risk-free interest rate	3.0%
Market risk premium	4.0%
Equity beta	1.7-1.9
Cost of equity	9.7-10.6%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	55%
WACC	6.8-7.3%

Source: Nordea estimates

DCF VALUE (EURm AND EUR)		
DCF value	Value	Per share
NPV FCFF	490-537	23.7-25.9
(Net debt)	-322	-15.5
Market value of associates	35	1.7
(Market value of minorities)	-5	-0.2
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	210-257	10.2-12.4

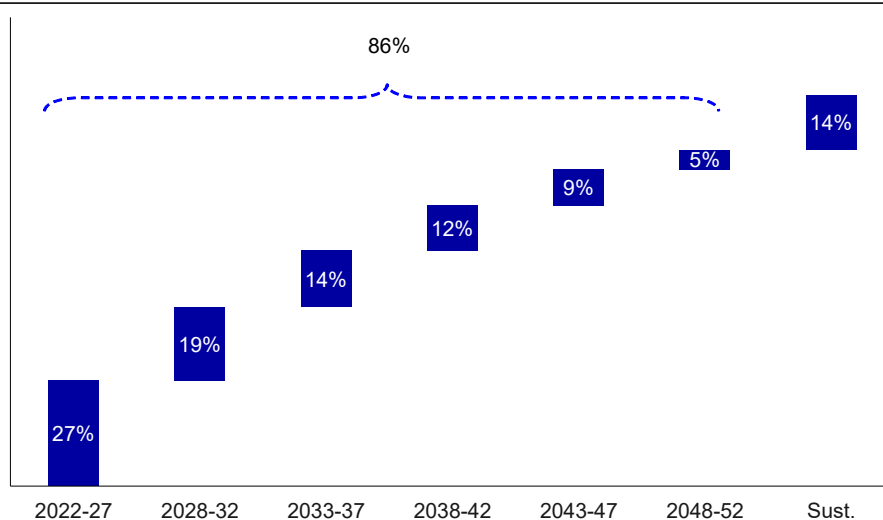
Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2022-27	2028-32	2033-37	2038-42	2043-47	2048-52	Sust.
Sales growth, CAGR	5.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	10.3%	10.0%	10.0%	10.0%	10.0%	10.0%	4.7%
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	8.8%	1.9%	4.2%	4.2%	4.2%	-12.2%	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 9.7-13.1 per share.

SENSITIVITY OF OUR DCF MODEL (EUR)**Sensitivity analysis: WACC vs EBIT margin**

		WACC				
		6.5%	6.8%	7.0%	7.3%	7.5%
EBIT marg. change	0.5pp	15.0	13.7	12.5	11.4	10.3
	0.3pp	14.4	13.1	11.9	10.8	9.8
	0.0pp	13.7	12.4	11.3	10.3	9.3
	-0.3pp	13.0	11.8	10.7	9.7	8.8
	-0.5pp	12.3	11.2	10.1	9.2	8.3

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

Sensitivity analysis: WACC vs Sales growth

		WACC				
		6.5%	6.8%	7.0%	7.3%	7.5%
Sales growth change	0.5pp	15.0	13.7	12.5	11.3	10.3
	0.3pp	14.3	13.0	11.9	10.8	9.8
	0.0pp	13.7	12.4	11.3	10.3	9.3
	-0.3pp	13.0	11.8	10.7	9.8	8.8
	-0.5pp	12.4	11.3	10.2	9.3	8.4

- +/-0.5 pp EBIT margin change translates into a change of +10/-9% 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	11.3	11.9	12.5	13.1	13.7
	0.3pp	10.8	11.3	11.9	12.5	13.1
	0.0pp	10.2	10.7	11.3	11.9	12.5
	-0.3pp	9.7	10.2	10.7	11.3	11.8
	-0.5pp	9.1	9.6	10.1	10.6	11.2

Source: Nordea estimates

SOTP valuation yields EUR 9.6-11.8 per share

Applying 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 8 August, and then deducting 2022E net debt and current minority holdings, we derive an SOTP fair value range of EUR 9.6-11.8 (10.1-12.4) per NoHo share.

SOTP VALUATION

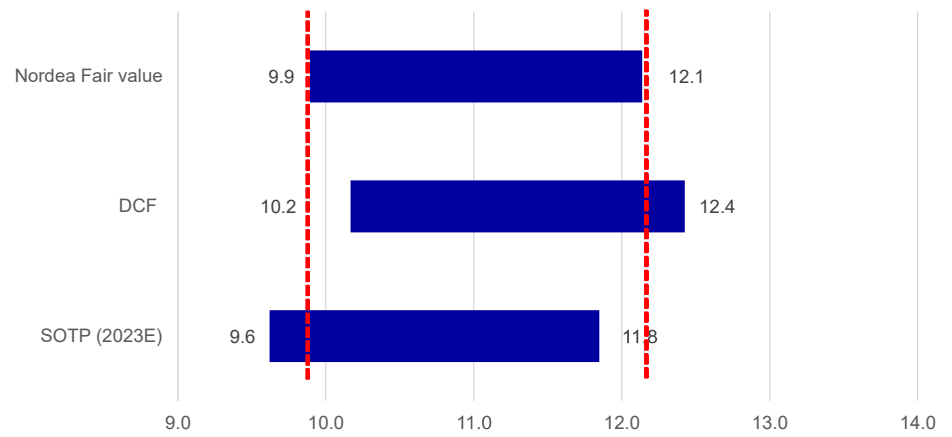
Business	EV/EBIT 9x	Per share, 9x	EV/EBIT 10.5x	Per share, 10.5x	% of EV	EBIT '23E
Restaurant	277	13.4	323	15.6	92-93%	30.8
EV from own operations	277	13.4	323	15.6	92-93%	
EEZY stake (20.5%) as of 8.8.2022	25	1.2	25	1.2	8-7%	
Other sellable securities (Q2 2022)	0.3	0.0	0.3	0.0	0-0%	
EV from holdings	25	1.2	25	1.2	8-7%	
Total EV with market prices	302	14.6	348	16.8		
Net debt 2022E (excl IFRS 16)	98	4.7	98	4.7		
Equity value	204	9.9	250	12.1		
Minorities	-5	-0.2	-5	-0.2		
Number of shares, million	20.7		20.7			
Equity per share, EUR	9.6		11.8			

Source: Company data and Nordea estimates

Fair value range EUR 9.9-12.1

Our fair value range for NoHo is EUR 9.9-12.1 (9.8-12.1) 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	306	339	365
growth %	74%	-16%	-43%	19%	64%	11%	8%
Other operating income	7	6	17	17	14	14	14
Materials and services	-66	-85	-58	-64	-105	-117	-126
Staff expenses	-151	-63	-48	-53	-77	-82	-88
Other operating expenses	-84	-56	-41	-41	-62	-74	-77
EBITDA	28.4	74.3	27.6	45.9	75.7	80.2	88.1
EBITDA margin %	8.8%	27.2%	17.6%	24.7%	24.8%	23.6%	24.2%
D&A	-21	-45	-52	-47	-47	-49	-51
IFRS 16 depreciation	0	-22	-31	-30	-32	-34	-35
EBIT adjusted	12.5	31.1	-30.7	-12.6	22.1	30.8	37.2
EBIT adj. margin %	3.9 %	11.4 %	-19.6 %	-6.7 %	7.2 %	9.1 %	10.2 %
NRI	-5.3	-0.5	6.8	11.7	6.9	0.0	0.0
EBIT	7.2	30.6	-23.9	-0.9	29.0	30.8	37.2
EBIT margin %	2.2 %	11.2 %	-15.2 %	-0.5 %	9.5 %	9.1 %	10.2 %
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	-12.2	-11.7	-11.7
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	16.9	19.1	25.5
Reported taxes	-1.4	-1.5	5.4	2.4	-2.9	-3.1	-4.1
Net profit	4.2	23.8	-29.5	-10.3	14.0	16.0	21.4
Minorities	0.7	1.5	-2.6	0.3	3.5	3.0	3.2
Profit to equity holders	3.5	22.3	-26.8	-10.6	10.5	13.0	18.2
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	0.53	0.63	0.88

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	Q2/22	Q3/22E	Q4/22E
Turnover	50	19	56	32	20	34	62	70	49	90	84	83
growth %	-38%	-81%	-27%	-58%	-60%	81%	10%	120%	141%	162%	35%	20%
Other operating income	2	8	3	3	5	5	2	5	4	6	2	2
Materials and services	-19	-6	-20	-12	-7	-12	-22	-23	-16	-31	-29	-28
Staff expenses	-15	-8	-13	-11	-9	-10	-15	-19	-15	-21	-20	-21
Other operating expenses	-14	-5	-12	-10	-7	-8	-12	-14	-10	-17	-16	-19
EBITDA	4.4	8.1	13.5	1.5	1.8	9.3	16.2	18.6	10.4	27.7	19.5	18.0
EBITDA margin %	8.8%	42.5%	24.1%	4.9%	8.9%	27.0%	26.2%	26.7%	21.4%	30.7%	23.4%	21.6%
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	11.3	7.9	6.4
EBIT adj. margin %	-13%	-59%	2.2 %	-44%	-68%	-18.4 %	5.2 %	6.1 %	-7.0 %	12.5 %	9.5 %	7.6 %
NRI	0.0	2.8	1.7	2.3	4.0	4.5	0.7	2.5	2.1	4.8	0.0	0.0
EBIT	-6.6	-8.4	2.9	-11.8	-9.7	-1.8	3.9	6.7	-1.3	16.1	7.9	6.4
EBIT margin %	-13%	-44%	5.2 %	-37%	-48%	-5.2 %	6.4 %	9.6 %	-2.7 %	17.8 %	9.5 %	7.6 %
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	-3.4	-3.1	-2.7
of which IFRS 16	-1.3	-1.3	-1.3	-1.3	-1.5	-1.5	-1.5	-1.5	-1.8	-1.9	-1.8	-1.6
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	12.7	4.8	3.7
Reported taxes	1.0	1.6	0.2	2.6	1.3	1.3	0.5	-0.6	0.7	-2.1	-0.8	-0.6
Net profit	-8.9	-9.2	0.4	-11.9	-10.8	-4.3	1.3	3.3	-3.6	10.6	4.0	3.0
Minorities	-0.9	-0.4	0.3	-1.7	-1.3	-0.7	0.6	1.8	-0.1	1.6	1.0	1.0
Profit to equity holders	-8.0	-8.8	0.2	-10.2	-9.4	-3.5	0.7	1.6	-3.5	9.0	3.0	2.0
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	0.45	0.15	0.10

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 had 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 have been fully abolished in NoHo's operating countries. However, in addition to the COVID-19 development, there is also high uncertainty as to when tourism and to some extent 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 and conversion of the EUR 10m convertible bond.

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	306	339	365
Revenue growth	33.2%	31.1%	14.5%	42.9%	73.9%	-15.6%	-42.5%	18.7%	64.3%	11.0%	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	76	80	88
Depreciation and impairments PPE	-6	-7	-8	-8	-11	-36	-42	-38	-37	-40	-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	38	41	47
Amortisation and impairments	-1	-2	-3	-4	-10	-9	-10	-9	-9	-10	-10
EBIT	5	7	9	11	7	31	-24	-1	29	31	37
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	-12	-12
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	17	19	25
Reported taxes	-1	-1	-2	-3	-1	-1	5	2	-3	-3	-4
Net profit from continued operations	3	5	6	5	4	24	-29	-10	14	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	-4	-3	-3
Net profit to equity	3	5	6	5	3	45	-27	-11	10	13	18
EPS, EUR	0.22	0.31	0.35	0.30	0.19	2.36	-1.40	-0.55	0.53	0.63	0.88
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%	24.8%	23.6%	24.2%
EBITA	7.2%	8.5%	9.1%	7.9%	5.2%	14.5%	-8.6%	4.6%	12.6%	12.0%	13.0%
EBIT	6.1%	6.4%	6.9%	5.8%	2.2%	11.2%	-15.2%	-0.5%	9.5%	9.1%	10.2%

Adjusted earnings

EBITDA (adj)	12	17	20	23	34	76	21	34	69	80	88
EBITA (adj)	7	10	12	15	22	40	-20	-3	31	41	47
EBIT (adj)	6	8	9	11	12	31	-31	-13	22	31	37
EPS (adj, EUR)	0.24	0.35	0.37	0.43	0.54	2.27	-1.66	-1.16	0.18	0.63	0.88

Adjusted profit margins in percent

EBITDA (adj)	14.3%	15.2%	15.2%	12.2%	10.4%	27.7%	13.6%	18.5%	22.5%	23.6%	24.2%
EBITA (adj)	7.7%	9.1%	9.3%	8.0%	6.9%	14.7%	-12.9%	-1.7%	10.3%	12.0%	13.0%
EBIT (adj)	6.6%	7.0%	7.2%	6.0%	3.9%	11.4%	-19.6%	-6.7%	7.2%	9.1%	10.2%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	25.1%	37.8%	25.8%	6.7%	7.4%	10.5%	1.0%	6.0%
EBITDA	n.m.	n.m.	n.m.	17.7%	25.4%	44.3%	11.2%	18.9%	27.6%	23.1%	3.3%
EBIT	n.a.	n.a.	n.a.	13.5%	12.2%	42.1%	n.m.	n.m.	22.0%	33.7%	4.0%
EPS	n.a.	n.a.	n.a.	n.a.	-4.1%	61.4%	n.m.	n.m.	11.6%	26.4%	-17.9%
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%	3.4%	5.2%	5.3%
Average EBITDA margin	n.a.	n.a.	14.7%	13.7%	11.8%	15.8%	16.2%	17.8%	20.4%	24.2%	23.5%

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.	46.1	13.2	9.4
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.	14.3	10.7	9.0
EV/EBIT (adj)	13.5	14.1	14.1	17.0	24.9	15.6	n.m.	n.m.	20.3	14.2	11.5

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.	15.8	13.2	9.4
EV/Sales	0.89	0.98	1.01	1.01	0.96	1.73	3.05	2.54	1.47	1.28	1.17
EV/EBITDA	6.4	6.8	6.8	8.4	10.9	6.3	17.3	10.3	5.9	5.4	4.8
EV/EBITA	12.4	11.6	11.1	12.8	18.4	12.2	n.m.	57.4	11.7	10.7	9.0
EV/EBIT	14.6	15.4	14.6	17.5	43.2	15.8	n.m.	n.m.	15.5	14.2	11.5
Dividend yield (ord.)	6.3%	5.4%	5.0%	3.9%	3.9%	0.0%	0.0%	0.0%	0.0%	4.8%	5.4%
FCF yield	-12.0%	-4.1%	3.6%	-3.6%	-35.7%	12.2%	1.7%	24.6%	27.3%	30.7%	32.9%
FCF Yield bef A&D, lease adj	-3.3%	2.3%	6.3%	4.7%	5.2%	9.9%	-18.3%	3.8%	8.7%	10.7%	12.3%
Payout ratio	91.0%	76.4%	81.9%	77.6%	62.7%	0.0%	0.0%	0.0%	0.0%	63.6%	51.2%

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	173	167	161
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	138	138	138
Tangible assets	25	29	29	32	46	186	166	177	183	191	200
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	368	370	372	374
Inventory	2	2	2	3	5	6	4	5	8	9	10
Accounts receivable	10	10	14	24	40	24	14	17	28	31	33
Short-term leased assets	0	0	0	0	0	31	30	32	34	35	37
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	46	49	47
Total current assets	17	14	18	29	50	64	51	61	116	125	126
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	486	497	501
Shareholders equity	39	40	43	45	67	129	76	64	86	99	109
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	9	12	13
Total Equity	39	40	44	47	76	137	81	69	94	110	122
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	138
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	67	75	80
Current lease debt	0	0	0	0	0	27	27	29	34	35	37
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	148	157	163
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	486	497	501
Balance sheet and debt metrics											
Net debt	19	29	31	44	138	268	318	322	269	253	242
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	-32	-35	-38
Invested capital	61	71	76	96	231	388	380	338	339	337	337
Capital employed	64	71	77	93	219	409	402	398	410	413	411
ROE	10.3%	12.8%	13.5%	11.5%	6.2%	45.6%	-26.1%	-15.1%	14.0%	14.1%	17.5%
ROIC	9.3%	9.5%	9.8%	10.2%	6.0%	7.9%	-6.3%	-2.8%	5.2%	7.2%	8.7%
ROCE	11.4%	11.8%	12.7%	13.2%	9.3%	10.6%	-7.5%	-2.8%	5.9%	7.8%	9.4%
Net debt/EBITDA	1.6	1.8	1.6	2.0	4.9	3.6	11.3	7.0	3.6	3.2	2.7
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%	17.6%	19.9%	21.7%
Net gearing	48.5%	73.1%	69.8%	93.3%	182.0%	195.3%	392.2%	463.5%	285.2%	228.9%	198.4%

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	76	80	88
Paid taxes	-3	0	-3	-3	-4	-3	-3	-1	-3	-3	-4
Net financials	-1	-1	-1	-3	-2	-7	-11	-12	-12	-12	-12
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	-2
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	61	65	71
Change in NWC	0	-4	-2	0	-2	-5	-8	12	1	3	3
Cash flow from operations (CFO)	8	12	14	18	19	57	8	45	63	69	73
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	47	53	57
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	-1	0	0
Free cash flow	-7	-3	4	-5	-58	24	3	36	47	53	57
Free cash flow bef A&D, lease adj	-2	2	6	7	9	19	-28	6	15	18	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	10	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	40	3	-2
Cash flow metrics											
Capex/D&A	n.m.	n.m.	69.2%	95.8%	48.1%	36.3%	11.7%	19.6%	32.6%	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	172	172	172
Enterprise value	77	112	131	188	310	471	477	473	449	436	427
Diluted no. of shares, year-end (m)	16.4	16.4	16.6	16.6	18.9	19.0	19.2	19.2	20.7	20.7	20.7

Source: Company data and Nordea estimates

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Completion Date

09 Aug 2022, 20:55 CET

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