

08 November 2022

Commissioned research: NoHo Partners – A solid performance in Q3 with a confident outlook for important Q4

Marketing material commissioned by NoHo Partners

NoHo Partners reported Q3 EBIT of EUR 8.4m, +10% versus Refinitiv consensus and +6% versus Nordea. Q3 net sales were EUR 86m and came 2% above consensus. Operational EBITDA (operating cash flow) was EUR +10.7m in Q3, while cash position was EUR 4.5m at the end of Q3 (EUR 3.5m at the end of Q2). There were no government grants in Q3. The company recorder EUR 6.7m negative fair value change due to Eezy shareholding to its financing costs (not fully visible in consensus). The guidance for 2022 (upgraded on 3 October) was kept intact. The company is expecting above EUR 300m top line and above 8.5% EBIT margin in restaurant business. Refinitiv consensus has expected EUR 310m sales and an 8.8% EBIT margin in 2022 (Nordea 9.5%). According to the company, the booking situation for Q4 looks good and above the 2019 level. Long-term targets are kept intact and the company targets EUR 400m sales and EUR 40m EBIT in 2024. NoHo Partners expects to reach its below 3x leverage (net debt/operational EBITDA, ex-IFRS 16) target by the year-end and has renewed its financing agreement that enable growth investment during the strategy period. We expect consensus to make slightly positive revisions on the back of Q3 results.

NOHO PARTNERS: DEVIATION TABLE

EURm	Actual Q3 2022	NDA est. Q3 2022E	Deviation vs. actual		Consensus Q3 2022E	Deviation vs. actual		Actual Q2 2022	q/q	Actual Q3 2021	y/y
Sales	86.0	83.5	2.5	3%	84.7	1.3	2%	90	-5%	62	39%
EBIT	8.4	7.9	0.5	6%	7.7	0.7	10%	16.1	-48%	3.9	113%
EBIT margin	9.8%	9.5%		0.3pp	9.1%		0.7pp	17.8%	-8.1pp	6.4%	3.4pp
Adj. EBIT *	8.4	7.9	0.5	6%	7.7	0.7	10%	11.3	-26%	3.2	161%
Adj. EBIT margin	9.8%	9.5%		0.3pp	9.1%		0.7pp	12.5%	-2.8pp	5.2%	4.6pp
EPS	(0.19)	0.16	-0.35	-222%	0.06	-0.25	-400%	0.47	-141%	0.04	-592%

Source: Company data, Refinitiv and Nordea estimates; Note: *) Nordea estimate excludes government grants

Q3 EBIT margin continued at a strong level – Eezy burdening EPS

- Q3 net sales were EUR 86m (2% above Refinitiv consensus at EUR 84.7m).
- Q3 EBIT was EUR 8.4m (10% above consensus at EUR 7.7m). There were no government grants in Q3, in line with our assumption.
- Finnish operations top line was 69.7m in Q3 with EUR 7.7m EBIT (11.0% margin). We had expected EUR 67.3m sales and EUR 6.1m EBIT (9.0% margin) from Finland. All business areas grew in Finland, while strong EBIT was a consequence due to development of restaurant portfolio and better relative profitability. International business top line was EUR 16.3m with EUR 0.7m EBIT (4.1% margin). We had expected EUR 16.3m top line and EUR 1.8m EBIT (11.3% margin) from International business. The company notes that profitability continues at a good level in Denmark following the turnaround program.

- Operational EBITDA (operating cash flow) was EUR 10.7m in Q3 (EUR 7.5m in Q3 2021).
- Q3 EPS was EUR -0.19, below consensus at EUR 0.06. The miss is attributable to EUR 6.7m negative impact from fair value changes of Eezy shareholding in Q3. Excluding fair value changes, Q3 EPS would have been EUR 0.14. Non-controlling interest was EUR 1.0m, in line with our expectation.
- Net debt, excluding IFRS 16 lease liabilities was EUR 127m in Q3 (EUR 127m in Q2 and EUR 159m a year ago). The company aims to reach below 3x net debt/operational EBITDA (excluding IFRS 16) by the year-end. The company has renewed its financing agreement on 4 November which stabilised financial position to the state prior to the COVID-19 crisis. We note that near-term (<1 year) maturity distribution is now more even between (and lower payments), that should allow growth investments during the strategy period. Net debt/operational EBITDA (excluding IFRS 16) was 3.2x in Q3.

Guidance intact after positive profit warning on October

NoHo upgraded its guidance for 2022 on 3 October. The company expects above EUR 300m sales and above 8.5% EBIT margin in restaurant business in 2022. Refinitiv consensus has been expecting EUR 310m sales and an 8.8% EBIT margin in 2022. We note the importance of government grants for full year 2022, while Q3 performance underlines continued good operational performance. Despite strong Q3, we expect consensus to make only slightly positive EBIT revision based on Q3 report as guidance leaves room for weakening margin for high season. However, we note that the company has issued already two positive profit warnings in 2022 and we are modelling a 9.5% EBIT margin for 2022E, above the company guidance.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	273	157	186	306	339	365
EBITDA (adj)	76	21	34	69	80	88
EBIT (adj)	31	-31	-13	22	31	37
EBIT (adj) margin	11.4%	-19.6%	-6.7%	7.2%	9.1%	10.2%
EPS (adj, EUR)	2.27	-1.66	-1.16	0.18	0.63	0.88
EPS (adj) growth	318.9%	-173.3%	30.1%	115.5%	249.3%	39.8%
DPS (ord, EUR)	0.00	0.00	0.00	0.00	0.40	0.45
EV/Sales	1.7	3.0	2.5	1.4	1.2	1.1
EV/EBIT (adj)	15.6	n.m.	n.m.	19.2	13.4	10.8
P/E (adj)	4.5	n.m.	n.m.	39.7	11.4	8.1
P/BV	1.5	2.0	2.3	1.7	1.5	1.4
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	5.6%	6.3%
FCF Yield bef A&D, lease adj	9.9%	-18.3%	3.8%	10.1%	12.4%	14.2%
Net debt	268	318	322	269	253	242
Net debt/EBITDA	3.6	11.3	7.0	3.6	3.2	2.7
ROIC after tax	7.9%	-6.3%	-2.8%	5.2%	7.2%	8.7%

Source: Company data and Nordea estimates

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Nordea analyst: Joni Sandvall

Joni Sandvall

Analyst, Consumer Goods and Retail, Food and Beverages, Healthcare, Investment companies

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI, Finland

Write to me: Fleminginkatu 27, 00020 Nordea, Finland

Tel: +358 9 5300 5484 | Mob: +358 445460855

E-mail: joni.sandvall@nordea.com
Web: nordeamarkets.com

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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