

6 July 2023

Commissioned research: NoHo Partners – Expansion to Switzerland through acquisition and a positive profit warning

Marketing material commissioned by NoHo Partners

NoHo Partners announced today acquisition of Swiss premium burger chain Holy Cow! with 2023E EV/operational EBITDA multiple of ~5.3x. Transaction is expected to be completed during Q3 2023 with around EUR 2m one-off transaction costs. Acquisition will be made through a new company, Better Burger Society (where NoHo will have 53% ownership), which will acquire 76% ownership in Holy Cow! with EUR 24m. As a result, the company updates its guidance and now expects around EUR 380m sales (from previously above EUR 350m) and approximately 9% EBIT margin (intact). NoHo expects Holy Cow! to have around EUR 40m sales and around EUR 6m operational EBITDA in 2023. In 2022, Holy Cow! had CHF 38.8m sales and CHF 2.2m EBIT (roughly 5.7% EBIT margin) and it has 16 restaurants with intention to open several new units during the coming 12-months. Given slightly lower EBIT margin in Holy Cow!, it appears that NoHo's underlying business has developed above earlier guidance. We however note that this has been well expected by post-Q1 Vara consensus modelling EUR 370m sales and 9.5% EBIT margin in 2023E.

In addition, the company announced that it will reach its 2024 targets (EUR 400m sales and around 10% EBIT margin) ahead of its plan and will update financial targets for 2024-26 during H1 2024. Prior to the acquisition, consensus has modelled EUR 414m sales with 9.9% EBIT margin in 2025E. As part of the transaction, NoHo and PE investor Intera Partners have established Better Burger Society with target to reach a leading position in the premium burger market in Europe. NoHo will invest into Better Burger Society with its shares in Friends & Brgs, valuing it with EUR 20.8m base valuation for the full share capital while parties have agreed on contingent consideration up to EUR 15m conditional to the EBITDA development of Friends & Brgs in 2023. 53% of Better Burger Society is owned by NoHo, 40% by Intera Partners and 7% by the executive management and the founding partners. We believe Better Burger Society targets new market openings and view Intera Partners as a logical choice for partner due to the common history. In addition, we note PE partner allows possible exit at a later stage. We have a fair value range of EUR 12.0-15.1 per NoHo share.

Better Burger Society reveals value creation in Friends & Brgs

As part of the acquisition, Better Burger Society is established. NoHo Partners' share ownership in Friends & Brgs is invested into the new company. Approximately 53% of Better Burger Society is owned by NoHo Partners, approximately 40% by Intera Partners' and approximately 7% by the executive management and the founding partners.

Friends & Brgs is valued with EUR 20.8m base valuation and the parties have agreed on a contingent consideration acquisition price of maximum EUR 15m concerning Friends & Brgs,

which is conditional to the EBITDA development of Friends & Brgrs in 2023. We believe the contingent consideration could be some EUR 10m. This can be compared to around EUR 12m valuation for Friends & Brgrs in 2020 when NoHo acquired its stake in the company. We estimate Better Burger Society to have around EUR 70m sales in 2023E.

We note the partnership with Intera Partners could allow for exit at a later stage. However, we believe the target is to grow the company with new acquisition during coming years.

Q2 due on 8 August

For Q2E, due on 8 August, we are well in line with post-Q1 Vara consensus on top line and EBIT. Based on upgraded guidance, it appears that NoHo's performance on an underlying basis has been above earlier guidance, which, however, has been well anticipated by the consensus. Hence, we do not expect any material changes to underlying estimates and would not be surprised if the company would increase its guidance again at a later stage in 2023.

NHOH PARTNERS: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q2 2023E	2023E	2024E	2025E	Q2 2023E	2023E	2024E	2025E	Q2 2023E	2023E	2024E	2025E
Sales	95.7	369	398	410	97.0	370	396	414	-1%	0%	0%	-1%
Oper. EBITDA	11.1	43	48	50	11.5	44	48	50	-3%	-2%	0%	0%
Adj. EBIT	9.4	35.3	40.4	42.1	9.4	35.0	38.6	41.0	-1%	1%	5%	3%
Adj. EBIT margin	9.8%	9.6%	10.2%	10.3%	9.7%	9.5%	9.7%	9.9%	0.1pp	0.1pp	0.4pp	0.4pp
EBIT	9.4	35.3	40.4	42.1	9.4	35.0	38.6	41.0	-1%	1%	5%	3%
EBIT margin	9.8%	9.6%	10.2%	10.3%	9.7%	9.5%	9.7%	9.9%	0.1pp	0.1pp	0.4pp	0.4pp
PTP	5.9	22.0	27.2	28.8	6.1	21.6	25.4	28.2	-2%	2%	7%	2%
EPS	0.21	0.72	0.89	0.91	0.20	0.69	0.82	0.90	5%	5%	9%	1%
DPS		0.42	0.46	0.50		0.44	0.48	0.51		-3%	-3%	-1%

Geographical estimates

Sales by geography

Finland	78.9	300	319	328
International	16.8	69	79	81

EBIT by geography

Finland	7.9	29.8	33.5	34.5
International	1.5	5.5	7.0	7.6

EBIT margin by geography

Finland	10.0%	9.9%	10.5%	10.5%
International	8.9%	8.0%	8.8%	9.3%

Source: Vara Research and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	157	186	313	369	398	410
EBITDA (adj)	21	34	73	84	91	94
EBIT (adj)	-31	-13	25	35	40	42
EBIT (adj) margin	-19.6%	-6.7%	7.9%	9.6%	10.2%	10.3%
EPS (adj, EUR)	-1.66	-1.16	-0.18	0.72	0.89	0.91
EPS (adj) growth	-173.3%	30.1%	84.5%	499.0%	23.2%	2.1%
DPS (ord, EUR)	0.00	0.00	0.40	0.42	0.46	0.50
EV/Sales	3.0	2.5	1.4	1.3	1.1	1.1
EV/EBIT (adj)	n.m.	n.m.	17.6	13.2	11.3	10.7
P/E (adj)	n.m.	n.m.	n.m.	12.8	10.4	10.2
P/BV	2.0	2.3	1.9	2.4	2.1	1.9
Dividend yield (ord)	0.0%	0.0%	6.0%	4.5%	5.0%	5.4%
FCF Yield bef A&D, lease adj	-18.3%	3.8%	23.2%	16.2%	11.2%	9.5%
Net debt	318	322	290	264	253	246
Net debt/EBITDA	11.3	7.0	3.7	3.1	2.8	2.6
ROIC after tax	-6.3%	-2.8%	5.8%	8.2%	9.4%	9.8%

Source: Company data and Nordea estimates

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