

20 July 2023

Commissioned research: Fiskars – Strong gross margin shadowed by weak top line

Marketing material commissioned by Fiskars

Fiskars Q2 adjusted EBIT of EUR 23.4m came 14% below Refinitiv consensus expectation. Net sales of EUR 268m were down 16% y/y (-13% on comparable basis) and fell 7% below consensus forecast. Q2 gross margin of 46.8% came above consensus expectations of 45.3%. China sales were up 50% y/y while Americas decline 16% y/y. Direct-to-consumer sales were up 8% y/y. On divisional level, Vita missed our adjusted EBIT estimate clearly, while Terra came largely in line and Crea beat our expectation clearly. Q2 operating cash flow improved clearly and was EUR 56m (EUR 16m a year ago) supported by EUR 38m decline in inventories. Net debt/LTM EBITDA was 2.1x (1.7x in 2022). EPS of EUR 0.16 fell short of consensus expectation of EUR 0.24, affected by FX. There were EUR -1.2m of items affecting comparability on EBIT level. Fiskars lowered its guidance on 5 July and expects adjusted EBIT of EUR 120-130m in 2023. Pre-Q2 consensus has been expecting EUR 126m adjusted EBIT. Initially, we expect consensus to make slightly negative estimate revisions (mathematically 2-3%). We note organizational changes that are proceeding according to plan and are expected to support EBIT in H2.

Q2 gross margin at a healthy level

- Q2 net sales were EUR 268m, -7% versus Refinitiv consensus and Nordea
- Q2 adjusted EBIT was 23.4m, -14%/-18% versus Refinitiv consensus and Nordea, respectively
- Q2 gross margin of 46.8% came 1.5pp above Refinitiv consensus and 0.2pp above Nordea
- Q2 operating cash flow of EUR 56m (EUR 16m a year ago) was supported by lower net working capital which declined to EUR 285m in Q2 from EUR 319m in Q1 2023 with EUR 38m decline in inventories.
- Net debt/LTM EBITDA was 2.1x, up from 2.0x at the end of Q1 (1.1x a year ago)

FISKARS: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q2 2023	Q2 2023E	vs. actual		Q2 2023E	vs. actual		Q1 2023	q/q	Q2 2022	y/y
Sales	268	287	-19	-7%	287	-19	-7%	275	-3%	319	-16%
Gross profit	125	134	-8.4	-6%	130	-4.6	-4%	128	-2%	140	-11%
Gross margin	46.8%	46.6%	0.2pp		45.3%	1.5pp		46.4%	0.4pp	43.9%	2.9pp
Adj. EBIT	23.4	28.4	-5.0	-18%	27.3	-3.9	-14%	31.4	-25%	36	-36%
Adj. EBIT margin	8.7%	9.9%	-1.2pp		9.5%	-0.8pp		11.4%	-2.7pp	11.4%	-2.6pp
EBIT	22.2	27.5	-5.3	-19%	27.3	-5.1	-19%	29.1	-24%	40	-44%
EBIT margin	8.3%	9.6%	-1.3pp		9.5%	-1.2pp		10.6%	-2.3pp	12.4%	-4.1pp
PTP	16.6	25.7	-9.1	-36%	24.3	-7.7	-32%	26.6	-38%	39	-58%
EPS, EUR	0.16	0.25	-0.09	-37%	0.24	-0.08	-34%	0.26	-38%	0.41	-61%

Business areas	Actual	NDA est.			Q1 2023	q/q	Q2 2022	y/y
Sales								
Vita	113.7	114.5	-0.8	-1%	107.7	6%	127	-10%
Terra	105.9	125.3	-19.4	-15%	129.5	-18%	139	-24%
Crea	47.1	46.2	0.9	2%	37.3	26%	52	-9%
Other	1.1	1.0	0.1	10%	0.5	120%	1	22%
TOTAL	267.9	287.1	-19.2	-7%	275	-3%	319	-16%
Adj. EBIT								
Vita	3.0	11.2	-8.2	-73%	7.8	-62%	14.4	-79%
Terra	11.8	12.1	-0.3	-3%	22.8	-48%	15	-21%
Crea	12.8	9.1	3.7	40%	7.8	64%	11.7	9%
Other	-4.2	-4.0	-0.2	5%	-7.2	-42%	-4.8	-13%
TOTAL	23.4	28.4	-5.0	-18%	31.2	-25%	36.3	-36%
Adj. EBIT margin								
Vita	2.6%	9.8%	-7.1pp		7%	-4.6pp	11%	-8.7pp
Terra	11.1%	9.7%	1.5pp		18%	-6.5pp	11%	0.4pp
Crea	27.2%	19.7%	7.5pp		21%	6.3pp	23%	4.6pp
TOTAL	8.7%	9.9%	-1.2pp		11%	-2.6pp	11%	-2.6pp

Source: Company data, Refinitiv and Nordea estimates

Vita missed while Terra beat

- Vita net sales were EUR 114, 1% below our expectations. Comparable sales declined 6% y/y (we had anticipated -7%) due to retail customer segment and the execution of Fiskars' channel strategy. Direct-to-consumer sales accounted for 48% of sales (42% a year ago). Adjusted EBIT was 3.0m, 73% below our forecast of EUR EUR 11.2m. Gross margin weakened due to capacity downtime. In addition the company recorded credit losses in US.
- Terra net sales were EUR 106m, 15% below our expectations. On comparable basis, sales decline 20% y/y (we had anticipated -9%) due to clearly low shipments in Europe and US. Adjusted EBIT of EUR 11.8m came 3% below our expectation of EUR 12.1m. EBIT margins were protected by higher gross margin and prudent cost control.
- Crea net sales were EUR 47m, 2% above our forecast. Comparable sales decline 8% y/y (we had expected -10%). In US, top line was supported by timing of shipments. Adjusted EBIT improved to EUR 12.8m and came 40% above our forecast of EUR 9.1m, supported by an improved gross margin and prudent cost management.

Guidance intact after profit warning on 5 July

Fiskars reiterated its lowered guidance (on 5 July) for slightly lower adjusted EBIT in 2023 (EUR 151m in 2022). Prior to the Q2, Refinitiv consensus was expecting EUR 126m adjusted EBIT in 2023. We note the ongoing profitability programme that should support H2 EBIT by some EUR 15m. Initially, we expect consensus to make slightly negative EBIT revisions (maybe 2-3%) while gross margin should be revised upwards. Higher EPS miss relates partly to FX, while we note positive development in working capital and hence on cash flows. The company will continue focusing on profit and cash protection in H2.

A webcast on the first quarter results will be held on at 11:00 p.m. (EEST). It will be held in English and can be followed at <https://fiskars.videosync.fi/q2-2023-results>

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,116	1,254	1,248	1,139	1,202	1,257
EBITDA (adj)	185	216	210	188	209	226
EBIT (adj)	109	154	151	128	147	162
EBIT (adj) margin	9.8%	12.3%	12.1%	11.2%	12.3%	12.9%
EPS (adj, EUR)	0.96	1.20	1.40	1.18	1.36	1.51
EPS (adj) growth	13.9%	24.6%	16.8%	-15.8%	15.4%	10.7%
DPS (ord, EUR)	0.60	0.76	0.80	0.84	0.88	0.92
EV/Sales	1.2	1.6	1.3	1.3	1.2	1.1
EV/EBIT (adj)	12.6	13.2	10.5	11.3	9.4	8.4
P/E (adj)	15.6	19.2	11.0	13.5	11.7	10.6
P/BV	1.6	2.3	1.5	1.5	1.4	1.4
Dividend yield (ord)	4.0%	3.3%	5.2%	5.3%	5.5%	5.8%
FCF Yield bef A&D, lease adj	11.8%	3.4%	-10.6%	17.9%	10.5%	7.9%
Net debt	144	145	324	157	89	58
Net debt/EBITDA	0.8	0.7	1.7	0.8	0.4	0.3
ROIC after tax	8.6%	12.8%	11.0%	9.1%	11.4%	12.5%

Source: Company data and Nordea estimates

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