

15 September 2023

Commissioned research: Fiskars – Expands its luxury portfolio with acquisitions of Georg Jensen – good strategic fit and material synergy potential by 2025

Marketing material commissioned by Fiskars

On 14 September, Fiskars Group announced acquisition of Georg Jensen, a Danish luxury lifestyle brand, from Investcorp with USD 165m (EUR 151.5m) enterprise value. Deal value corresponds to LTM EV/sales of 1.0x, EV/EBITDA of 5.6x (9.5x excluding IFRS 16) and EV/EBIT of 11.5x. Acquisition is expected to be completed early Q4 2023, subject to customary closing conditions. Due to purchase price allocations, Fiskars Group expects the transaction to be EPS dilutive in 2023-24. Fiskars Group's guidance for 2023 does not take into account the acquisition, while the company expects its guidance to be negatively impacted due to PPAs. The current guidance for adjusted EBIT for 2023 is EUR 120-130m, while it will be reviewed when reasoned estimates can be made. Following the acquisition, Fiskars Group direct-to-consumer sales share of sales increases to ~24% (21% in 2022) while sales split between Vita and Fiskars (according to the new reporting structure effective from the beginning of Q4 2023) will be even. Georg Jensen sales split is evenly distributed between jewelry and home and it will be another brand for Fiskars Group with above EUR 100m sales. In 2022, Georg Jensen had net sales of EUR 153.5m with 62% gross margin, EBITDA of 30.6m (19.4% margin) and EBIT of EUR 14.9m (9.4% margin). Given the challenging market conditions, Georg Jensen LTM (until June 2023) net sales were EUR 153.5m with EBITDA of EUR 26.9m and EBIT of EUR 11.5m. Fiskars Group expects material, EUR 18m, synergies from the acquisition within next 24-months, mainly through support functions and sourcing. Transaction costs are expected to be EUR 5m (recorded in Q4 2023), while integration costs related to acquisition are expected to be EUR 10m, in 2024-26. Given the scale of synergies, we expect Fiskars Group to consolidate its sourcing and possibly manufacturing footprint. The acquisition will be fully debt financed. At the end of Q2 2023, Fiskars Group net debt was EUR 342m with a leverage of 2.08x. On a pro forma level, leverage would increase to 2.6x at the end of Q2, while we note that the company has been focusing on profit and cash flow protection in 2023. We have anticipated strong cash flows in H2 and do not expect temporarily higher leverage to be any issue for the company. Based on the confidence of the management, we expect relatively fast organic deleverage after the acquisition. Targeted synergies are material and we note that the company has a good track record on reaching its targeted cost savings. The acquisition appears to be a good strategic fit for Fiskars Group and we expect smoother integration of the businesses compared to e.g. English & Crystal Living business acquired in 2015.

Georg Jensen in brief

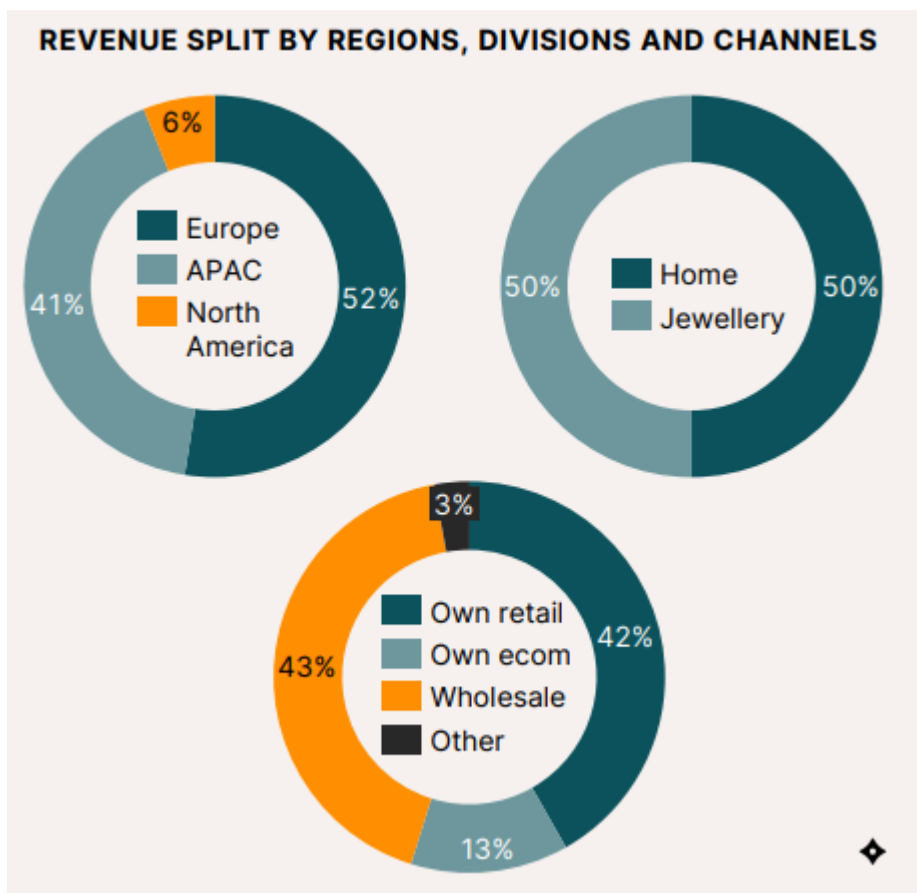
Georg Jensen financials in 2022 (2021)

- Net sales EUR 158.1m (149.3m)
- Gross margin 61.9% (62.2%)
- EBITDA EUR 30.6m (31.1m) with 19.4% margin (20.9%)
- EBIT EUR 14.9m (14.6m) with 9.4% margin (9.8%)

The company is headquartered in Copenhagen, Denmark, and it has roughly 1,200 employees. The company has two own production facilities, one in Copenhagen, Denmark for silver/hollowware products and another in Chiang Mai, Thailand for jewelry products. The company complements its own manufacturing with specialist third-party suppliers, to whom the production of home products is outsourced.

The company is present in over 10 countries with Europe as main market, followed by APAC.

Georg Jensen sales split

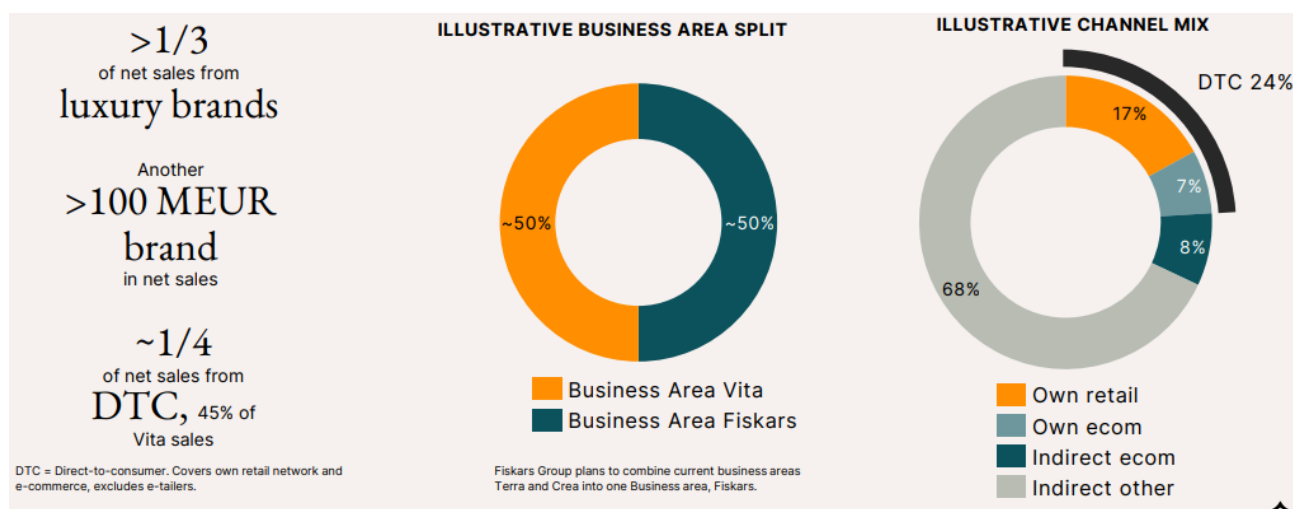


Source: Company data

Pro forma figures

Based on 2022 figures, the acquisition would increase Fiskars Group sales by approximately 13% and adjusted EBIT by roughly 10%. However, we note purchase price allocations, which are likely burdening EBIT figures. Based on pro forma LTM figures, Fiskars Group sales would be EUR 1293m and adjusted EBIT EUR 129m. Purchase price allocations are finalized only after the transaction is completed.

Fiskars Group post transaction (illustrative)



Source: Company data

Good strategic fit – synergies would more than double EBIT contribution

We view the acquisition as a good strategic fit for Fiskars Group. It increases DTC share of revenues, expands luxury brand portfolio and creates further support for growth in China. Valuation of the transaction is slightly below Fiskars own valuation on a standalone basis and we note targeted synergies that would more than double Georg Jensen 2022 EBIT level.

FISKARS: OUR ESTIMATES VS. CONSENSUS

EURm	Actual		Nordea estimates			Consensus estimates				Difference %			
	2022	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E
Sales	1,248	259	1,109	1,187	1,246	267	1,123	1,196	1,248	-3%	-1%	-1%	0%
Gross profit	556	121	518	559	592	123	513	549	580	-1%	1%	2%	2%
Gross margin	44.5%	46.8%	46.7%	47.1%	47.5%	45.9%	45.7%	45.9%	46.5%	0.9pp	1.0pp	1.3pp	1.0pp
EBITDA	194	44	178	207	224	45	184	201	221	-2%	-3%	3%	1%
EBITDA margin	15.6%	17.0%	16.1%	17.5%	18.0%	16.9%	16.4%	16.8%	17.7%	0.1pp	-0.3pp	0.6pp	0.3pp
Adj. EBIT	151	29	123	147	161	30	126	136	157	-2%	-3%	8%	3%
Adj. EBIT margin	12.1%	11.4%	11.0%	12.4%	12.9%	11.3%	11.2%	11.4%	12.6%	0.1pp	-0.2pp	1.0pp	0.4pp
EBIT	135	29	119	147	161	30	126	136	157	-2%	-6%	8%	3%
EBIT margin	10.8%	11.4%	10.7%	12.4%	12.9%	11.3%	11.2%	11.4%	12.6%	0.1pp	-0.5pp	1.0pp	0.4pp
PTP	124	27	105	136	151	27	103	123	146	-1%	2%	10%	3%
EPS	1.20	0.26	1.02	1.33	1.48	0.27	1.06	1.28	1.41	-1%	-4%	4%	5%
Adj. EPS	1.40	0.26	1.06	1.33	1.48	0.27	1.09	1.34	1.50	-1%	-3%	-1%	-1%
DPS	0.80		0.84	0.88	0.92		0.83	0.87	0.92	2%	1%	0%	

Source: Company data, Refinitiv, and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,116	1,254	1,248	1,109	1,187	1,246
EBITDA (adj)	185	216	210	182	207	224
EBIT (adj)	109	154	151	123	147	161
EBIT (adj) margin	9.8%	12.3%	12.1%	11.0%	12.4%	12.9%
EPS (adj, EUR)	0.96	1.20	1.40	1.06	1.33	1.48
EPS (adj) growth	13.9%	24.6%	16.8%	-24.3%	25.4%	11.1%
DPS (ord, EUR)	0.60	0.76	0.80	0.84	0.88	0.92
EV/Sales	1.2	1.6	1.3	1.4	1.3	1.2
EV/EBIT (adj)	12.6	13.2	10.5	12.9	10.3	9.2
P/E (adj)	15.6	19.2	11.0	16.2	12.9	11.6
P/BV	1.6	2.3	1.5	1.6	1.6	1.5
Dividend yield (ord)	4.0%	3.3%	5.2%	4.9%	5.1%	5.4%
FCF Yield bef A&D, lease adj	11.8%	3.4%	-10.6%	14.6%	9.2%	7.0%
Net debt	144	145	324	183	123	97
Net debt/EBITDA	0.8	0.7	1.7	1.0	0.6	0.4
ROIC after tax	8.6%	12.8%	11.0%	8.6%	11.1%	12.2%

Source: Company data and Nordea estimates

Completion date: 15/09/2023 05:15:06 CET

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