

26 October 2023

Commissioned research: Fiskars – Q3 mix better-than-feared – own sales channels performing well

Marketing material commissioned by Fiskars

Fiskars' Q3 adjusted EBIT of EUR 17.9m came slightly above preliminary figures released on 12 October (EUR 17m). Net sales of EUR 241m were down 18% y/y (pre-released). Q3 gross margin of 47.1% came above consensus expectations of 46.2%. Direct-to-consumer sales were up 6% y/y driven by both strong performance in own ecommerce and stable development in own retail network. On divisional level, all operating segments beat our estimates while Other missed clearly. Hence, we view result mix as strong. Q3 operating cash flow improved clearly and was EUR 68m (EUR -46m a year ago) supported by EUR 23m decline in inventories q/q. Net debt/LTM EBITDA was 2.2x (1.7x in 2022). There were EUR -4.2m of items affecting comparability on EBIT level. Fiskars lowered its guidance on 12 October and expects adjusted EBIT of EUR 100-120m in 2023. Pre-Q3 consensus has been expecting EUR 107m adjusted EBIT. Initially, we do not expect large consensus revisions owing to profit warning and pre-released figures on 12 October. However, good divisional mix, improving gross margins and strong cash flow can give support for 2024E-25E estimates, we believe.

Gross margin continues to improve – strong cash flow

- Q3 net sales were EUR 241m, down 18% y/y (-13% y/y on comparable basis).
- Q3 adjusted EBIT was 17.9m, down 46% y/y and slightly above pre-released number of EUR 17m.
- Q3 gross margin of 47.1% came 0.8pp above Refinitiv consensus and 0.2pp above Nordea
- Q3 operating cash flow of EUR 68m (EUR -46m a year ago) was supported by lower net working capital which declined to EUR 280m in Q3 from EUR 285m in Q3 2023 with EUR 23m decline in inventories.
- Net debt/LTM EBITDA was 2.2x, up from 2.1x at the end of Q2 (1.8x a year ago)

FISKARS: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q3 2023	Q3 2023E	vs. actual		Q3 2023E	vs. actual		Q2 2023	q/q	Q3 2022	y/y
Sales	241	240	1	1%	250	-8	-3%	268	-10%	293	-18%
Gross profit	114	113	1.0	1%	116	-1.9	-2%	125	-9%	133	-15%
Gross margin	47.1%	46.9%	0.2pp		46.2%	0.8pp		46.8%	0.3pp	45.6%	1.5pp
Adj. EBIT	17.9	17.0	0.9	5%	21.7	-3.8	-17%	23.3	-23%	33	-46%
Adj. EBIT margin	7.4%	7.1%	0.4pp		8.7%	-1.3pp		8.7%	-1.3pp	11.4%	-4.0pp
EBIT	13.7	17.0	-3.3	-19%	21.7	-8.0	-37%	22.1	-38%	30	-54%
EBIT margin	5.7%	7.1%			8.7%	-3.0pp		8.3%	-2.6pp	10.1%	-4.4pp
PTP	11.8	13.7	-1.9	-14%	20.7	-8.9	-43%	16.5	-28%	28	-58%
EPS, EUR	0.11	0.13	-0.02	-19%	0.17	-0.06	-33%	0.15	-29%	0.28	-61%

Business areas	Actual	NDA est.			Q2 2023	q/q	Q3 2022	y/y
Sales								
Vita	119.4	118.2	1.2	1%	113.7	5%	140	-15%
Terra	86.6	84.9	1.7	2%	105.9	-18%	108	-20%
Crea	34.0	35.9	-1.9	-5%	47.1	-28%	43	-21%
Other	1.2	1.0	0.2	20%	1.1	9%	1	9%
TOTAL	241.3	240.1	1.2	1%	267.8	-10%	293	-18%

Adj. EBIT	Actual	NDA est.			Q2 2023	q/q	Q3 2022	y/y
Vita	16.9	13.8	3.1	23%	3	463%	24.6	-31%
Terra	2.1	0.8	1.3	163%	11.8	-82%	5.2	-60%
Crea	8.9	6.9	2.0	29%	12.8	-30%	10	-11%
Other	-10.0	-4.5	-5.5	122%	-4.2	138%	-6.6	52%
TOTAL	17.9	17.0	0.9	5%	23.4	-24%	33.2	-46%

Adj. EBIT margin	Actual	NDA est.			Q2 2023	q/q	Q3 2022	y/y
Vita	14.2%	11.7%	2.5pp		3%	11.5pp	18%	-3.4pp
Terra	2.4%	0.9%	1.5pp		11%	-8.7pp	5%	-2.4pp
Crea	26.2%	19.2%	7.0pp		27%	-1.0pp	23%	3.0pp
TOTAL	7.4%	7.1%	0.4pp		9%	-1.3pp	11%	-3.9pp

Source: Company data, Refinitiv and Nordea estimates

All operating business areas beat our estimates

- Vita net sales were EUR 119m, 1% above our expectations. Comparable sales declined 10% y/y (we had anticipated -11%) due to retail customer segment and the execution of Fiskars' channel strategy. Direct-to-consumer sales accounted for 45% of sales (37% a year ago). Adjusted EBIT was 16.9m, 23% above our forecast of EUR EUR 13.8m. Gross margin improved y/y.
- Terra net sales were EUR 87m, 2% above our expectations. On comparable basis, sales decline 15% y/y (we had anticipated -17%), especially due to Europe. Adjusted EBIT of EUR 2.1m came 163% above our expectation of EUR 0.8m. Lower volumes were partly mitigated by higher gross margin and prudent cost control.
- Crea net sales were EUR 34m, 5% below our forecast. Comparable sales decline 17% y/y (we had expected -13%). In US, top line was burdened by timing of shipments (from Q3 to Q2). Adjusted EBIT declined to EUR 8.9m and came 29% above our forecast of EUR 6.9m, supported by an improved gross margin and prudent cost management.
- Other segment came clearly below our expectations. The company notes decreased gross profit and unallocated development expenses related to strategic programs.

Guidance intact after profit warning on 12 October

Fiskars reiterated its lowered guidance (on 12 October) for adjusted EBIT of EUR 100-120m in 2023 (EUR 151m in 2022). Prior to the Q3, Refinitiv consensus was expecting EUR 107m adjusted EBIT in 2023. We note the ongoing profitability programme that should support H2 EBIT by some EUR 15m. Initially, we do not expect any meaningful consensus revision owing to profit warning on

12 October and pre-released Q3 headline figures. However, good divisional mix, improving gross margins and strong cash flow can give support for 2024E-25E estimates, we believe.

A webcast on the first quarter results will be held on at 14:00 p.m. (EEST). It will be held in English and can be followed at <https://fiskars.videosync.fi/q3-2023-results>

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,116	1,254	1,248	1,137	1,318	1,398
EBITDA (adj)	185	216	210	177	234	256
EBIT (adj)	109	154	151	108	137	179
EBIT (adj) margin	9.8%	12.3%	12.1%	9.5%	10.4%	12.8%
EPS (adj, EUR)	0.96	1.20	1.40	0.91	1.08	1.56
EPS (adj) growth	13.9%	24.6%	16.8%	-34.8%	18.5%	44.1%
DPS (ord, EUR)	0.60	0.76	0.80	0.80	0.84	0.88
EV/Sales	1.2	1.6	1.3	1.4	1.2	1.1
EV/EBIT (adj)	12.6	13.2	10.5	14.7	11.1	8.3
P/E (adj)	15.6	19.2	11.0	16.1	13.6	9.5
P/BV	1.6	2.3	1.5	1.4	1.4	1.3
Dividend yield (ord)	4.0%	3.3%	5.2%	5.4%	5.7%	6.0%
FCF Yield bef A&D, lease adj	11.8%	3.4%	-10.6%	12.4%	11.4%	8.5%
Net debt	144	145	324	396	325	292
Net debt/EBITDA	0.8	0.7	1.7	2.4	1.4	1.2
ROIC after tax	8.6%	12.8%	11.0%	7.0%	8.8%	11.7%

Source: Company data and Nordea estimates

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