

7 November 2023

Commissioned research: NoHo Partners – Slight EBIT miss likely driven by rainy weather in Q3 – profitability remained above targeted level

Marketing material commissioned by NoHo Partners

NoHo Partners reported Q3 EBIT of EUR 8.7m, -5% versus Vara consensus and +1% versus our estimate. Q3 net sales were up 12% at EUR 96m, 3% below consensus and 2% below our estimates. Operational EBITDA (operating cash flow) was EUR 10.6m in Q3 (EUR 10.7m a year ago). When adjusting for EUR 1.5m impact from Better Burger Society transaction costs, operational EBITDA came 3% below our estimate. Finland profitability came slightly below our expectations, while International beat our expectation. Deviation to our estimates in Finland is likely due to rainy weather late in the summer that affected high season of terrace sales. The company recorder EUR 3.6m negative fair value change due to Eezy shareholding to its financing costs (we anticipated EUR -2.4m). Adjusted EPS was EUR 0.18 while consensus was expecting EUR 0.15. Leverage (net debt/operational EBITDA ex-IFRS 16) was 3.3x and was increased due to the acquisition of Holy Cow!. October sales were up 19% y/y to EUR 31.7m while we have anticipated 27% y/y growth in Q4, mainly driven by acquisitions. Holy Cow! integration is progressing well with KPIs developing above NoHo's expectations. In CEO comments, the company notes that underlying restaurant demand has remained stable. The guidance was kept intact for 2023; NoHo expects around EUR 380m sales and around 9% EBIT margin from restaurant business. Pre-Q3 Vara consensus has expected EUR 379m sales and an 9.8% EBIT margin in 2023. We expect consensus to trim slightly top line and EBIT estimates for 2023E, while we expect 2024-25 estimates to remain largely intact.

Main takeaways from Q3

- Q3 net sales were EUR 96m (-3% versus Vara consensus).
- Q3 EBIT was EUR 8.7m (5% below consensus at EUR 9.2m). Holy Cow! acquisition costs of EUR 1.5m burdened EBIT. In total, the company recorded EUR 2.5m transaction costs from the transaction (EUR 1m in financial costs).
- Finnish operations top line was 75.5m in Q3 with EUR 7.8m EBIT (10.3% margin). We had expected EUR 78.2m sales and EUR 8.6m EBIT (11% margin) from Finland. International business top line was EUR 20.5m with EUR 0.9m EBIT (4.5% margin). We had expected EUR 19.8m top line and EUR 0.1m EBIT (0.3% margin) from International business, burdened by acquisition costs of the Holy Cow!.
- Operational EBITDA (operating cash flow) was EUR 10.6m in Q3 (EUR 10.7m in Q3 2022). When adjusting for EUR 1.5m of transaction costs, operational EBITDA was EUR 12.1m and came 3% below our estimate.

- Material margin was up 10bp y/y to 75.0% while personnel expenses were down 100bp y/y to 31.4%.
- Q3 EPS was EUR -0.03, below consensus at EUR 0.02. NoHo recorder EUR 3.6m negative fair value changes from its Eezy shareholding (we had expected EUR -2.4m). Excluding fair value changes and BBS transaction costs (EUR 2.5m), Q3 EPS would have been EUR 0.18, above consensus at EUR 0.15 (we expected EUR 0.17). Non-controlling interest was EUR 0.4m, while we had anticipated EUR 0.6m.
- Net debt, excluding IFRS 16 lease liabilities was EUR 140m in Q3 (EUR 121m in 2022 and EUR 127m a year ago). Net debt/operational EBITDA (excluding IFRS 16) was 3.3x in Q3 (2.9x in 2022) and was affected by the acquisition of Holy Cow!.

Guidance for 2023 intact – October sales up 19% y/y

NoHo's unchanged guidance for 2023 expects around EUR 380m sales with around 9% EBIT margin in restaurant business. Vara consensus has been expecting EUR 379m sales and an 9.8% EBIT margin in 2023 (we have modelled EUR 379m sales with 9.4% EBIT margin).

October sales were up 19% y/y to EUR 31.7m. We have anticipated 27% y/y growth in Q4E, driven mainly by acquisitions.

We expect consensus to trim slightly top line and EBIT for 2023E, while we expect fairly neutral consensus revisions for 2024E-25E.

NOHO PARTNERS: DEVIATION TABLE

EURm	Actual Q3 2023	NDA est. Q3 2023E	Deviation vs. actual		Consensus Q3 2023E	Deviation vs. actual		Actual Q2 2023	q/q	Actual Q3 2022	y/y
Sales	96.0	98.0	-2.0	-2%	99.0	-3.0	-3%	93	3%	86	12%
Adj. operational EBITDA	12.1	12.5	-0.4	-3%	17.1	-5.0	-29%	12.6	-4%	10.7	13%
EBIT	8.7	8.7	0.0	1%	9.2	-0.5	-5%	10.7	-19%	8.4	4%
EBIT margin	9.1%	8.8%		0.2pp	9.3%		-0.2pp	11.5%	-2.4pp	9.8%	-0.7pp
Adj. EBIT	10.2	10.7	-0.5	-4%	9.2	1.0	11%	10.7	-5%	8.4	21%
Adj. EBIT margin	10.6%	10.9%		-0.3pp	9.3%		1.3pp	11.5%	-0.8pp	9.8%	0.9pp
PTP	0.4	2.3	-1.9	-83%	1.8	-1.4	-77%	5.2	-92%	(1.3)	-131%
EPS	(0.03)	0.05	-0.08	-158%	0.02	-0.05	-294%	0.17	-117%	(0.19)	-84%

Geographical estimates

Sales by geography

Finland	75.5	78.2	-3	-3%				77.4	-2%	69.7	8%
International	20.5	19.8	1	4%				15.9	29%	16.3	26%

EBIT by geography

Finland	7.8	8.6	-0.8	-9%				9.5	-18%	7.7	1%
International	0.9	0.1	0.8	1475%				1.2	-25%	0.7	29%

EBIT margin by geography

Finland	10.3%	11.0%		-0.7pp				12.3%	-1.9pp	11.0%	-1pp
International	4.4%	0.3%		4.1pp				7.5%	-3.2pp	4.3%	0pp

Source: Company data, Vara Research and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	157	186	313	379	451	469
EBITDA (adj)	21	34	73	89	104	108
EBIT (adj)	-31	-13	25	38	46	49
EBIT (adj) margin	-19.6%	-6.7%	7.9%	10.0%	10.3%	10.4%
EPS (adj, EUR)	-1.66	-1.16	-0.27	0.58	0.96	0.99
EPS (adj) growth	-173.3%	30.1%	76.8%	314.8%	65.4%	3.4%
DPS (ord, EUR)	0.00	0.00	0.40	0.42	0.46	0.50
EV/Sales	3.0	2.5	1.4	1.2	1.0	0.9
EV/EBIT (adj)	n.m.	n.m.	17.6	12.2	9.7	8.8
P/E (adj)	n.m.	n.m.	n.m.	13.1	7.9	7.7
P/BV	2.0	2.3	1.9	2.1	1.6	1.5
Dividend yield (ord)	0.0%	0.0%	6.0%	5.5%	6.1%	6.6%
FCF Yield bef A&D, lease adj	-18.3%	3.8%	23.2%	16.0%	17.8%	13.3%
Net debt	318	322	290	282	265	244
Net debt/EBITDA	11.3	7.0	3.7	3.2	2.5	2.3
ROIC after tax	-6.3%	-2.8%	5.8%	8.7%	10.4%	10.8%

Source: Company data and Nordea estimates

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Nordea analyst: Joni Sandvall

Joni Sandvall

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

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI

Write to me: Fleminginkatu 27, 00020 Nordea

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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