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Commissioned research: NoHo Partners - CMD provided more clarity on international growth strategy

Marketing material commissioned by NoHo Partners

NoHo Partners hosted a CMD yesterday, where it talked about its new strategy and long-term targets for the strategy period 2025-27. The main takeaway in our opinion was the new strategy for international growth: the key here is to grow internationally through investment activities, where NoHo seeks for investor partnerships, develops the investment together with the partner, creates value for the investment and then exits at a later stage. Hence, NoHo would act as an active investor, holding either a majority or a minority share, in which case the numbers would not be consolidated into the group numbers, and our focus would turn more towards earnings per share. We were left with an impression that this model allows for faster growth, at the same time retaining the operative power. In Finland, NoHo aims to continue its profitable growth through e.g., new openings and acquisitions, and we view the EUR 400m sales target by 2027 as achievable. In conclusion, the CMD provided confirmation that while the new strategy is ambitious and somewhat more risky, in our view, NoHo's execution will still be careful and thought-through. With the current portfolio, we now model a 7% sales CAGR for 2023-27E, while growth through new openings and majority ownership acquisitions would provide upside to our estimates. Given NoHo's new strategy, we view the investment case as compelling, especially in the long-term.

Profitable growth continues in Finland

- In Finland, NoHo targets EUR 400m net sales by 2027. The growth (8% CAGR in 2023-27) would stem from strengthening the position of the current portfolio, scaling the current concepts into new locations (especially Hook restaurants) and possible expansion through acquisitions.
- NoHo aims to grow in all verticals: events (EUR 20-40m by 2027), entertainment venues (EUR 25-45m) and food restaurants (EUR 45-55m).
- While the Finnish restaurant market's long-term growth trend is positive, NoHo aims to grow faster than the market (we believe double the market growth).

Better Burger Society is looking for new markets in Europe

- In Better Burger Society (NoHo owns approximately 60%), growth stems from scaling the current concepts (Friends & Brgrs and Holy Cow!) as well as possible acquisitions.
- By 2027, BBS aims to expand into 1-3 new markets in Europe, grow faster than the market (in comparable terms, market growth in Finland and Switzerland 5-7%) and open approximately five new locations in each market annually, at the same time retaining the current profitability level (EBITDA margin approximately 15%).

- The aim is to learn best practices regarding capital allocation between markets and concepts.

In Norway and Denmark, NoHo aims to grow market share

- In Norway, NoHo Partners aims to achieve the market leading position, i.e., approximately a 2% market share in the fragmented market of EUR 9bn (NoHo currently has 0.5% market share). Based on the current market dynamics and our calculations, this would require 4x the sales NoHo currently generates in Norway.
- In Denmark, aims to remain in the top five players in the market of EUR 7bn (NoHo currently has a 0.5% market position).

Deleveraging is one of the key focus areas

- Regarding financials, NoHo aims to lower its net debt to operative EBITDA to approximately 2x. This is taking into account the current interest rate environment.
- The new operating model through investment activities allows for growth through financing, which is separate from the parent company.
- In addition, NoHo aims to distribute an annually increasing dividend.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	186	313	372	435	452	470
EBITDA (adj)	34	73	85	101	105	109
EBIT (adj)	-13	25	37	42	45	47
EBIT (adj) margin	-6.7%	7.9%	10.0%	9.7%	9.9%	10.0%
EPS (adj, EUR)	-1.16	-0.27	0.44	0.77	0.86	0.93
EPS (adj) growth	30.1%	76.8%	261.4%	76.6%	11.5%	8.1%
DPS (ord, EUR)	0.00	0.40	0.43	0.47	0.51	0.55
EV/Sales	2.5	1.4	1.5	1.2	1.2	1.1
EV/EBIT (adj)	n.m.	17.6	15.1	12.5	11.7	10.9
P/E (adj)	n.m.	n.m.	20.3	10.7	9.6	8.9
P/BV	2.3	1.9	2.4	2.0	1.8	1.7
Dividend yield (ord)	0.0%	6.0%	4.9%	5.7%	6.2%	6.7%
FCF Yield bef A&D, lease adj	2.4%	21.8%	2.9%	13.1%	11.1%	12.7%
Net debt	322	290	349	328	319	308
Net debt/EBITDA	7.0	3.7	4.2	3.2	3.0	2.8
ROIC after tax	-2.8%	5.8%	7.7%	7.8%	8.4%	8.9%

Source: Company data and Nordea estimates

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