Restamax – company profile

Restamax should have all the prerequisites to expand its operations and achieve higher growth rates than the overall Finnish restaurant market. Organic growth with existing concepts is supported by a diversified concept offering and good level of profitability, and the fragmented market consisting mostly of small firms with low profitability is likely to provide possibilities for acquisitions, which the management is keen to execute.

Increasing consumption of restaurant services support growth

While eating out has become more common in Finland, Finnish consumers still appear to lag behind the European level in their consumption of restaurant services. Consumer habit convergence in the longer term seems probable, and an additional factor supporting restaurant consumption is the relative share of people living alone, which has also increased. The factors appear to be in place to support volume growth prospects of the market, which provides growth opportunities for the company.

Profitability improvement likely to rely on scale of operations

The company's long-term profitability improvement is likely to rely mostly on the scale of operations. Customer volume growth in existing restaurants would be slightly positive for margins as fixed costs were divided to higher volume, but we believe that the margin improvement will mostly rely on higher discounts from suppliers. This limits the upside to profitability improvement, but also the downside as clear drops in margins would require losing a significant amount of volumes, a scale back in operations or unprofitable expansion investments.

Three scenarios, implied multiples used to consider valuation

We form three scenarios to reflect the company's growth potential, and consider how implied multiples (EV/EBITDA, EV/EBIT and P/E) change in each scenario when the assigned equity value changes. Implied multiples can be compared to two different peer groups. We consider the Finnish small cap group as a better comparison group: currently its FY2014 median multiples are 7.0x EV/EBITDA, 10.0x EV/EBIT and 12.3x P/E.

Rating	INITIAL PUBLIC OFFERING

Evli Bank acts as financial adviser to Restamax and lead manager of IPO

Implied valuation multiples with BASE CASE estimates

Pre-money	EV/EBITDA		EV/EBIT		P/E	
equity value	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
30	3.9x	3.3x	8.1x	6.6x	9.7x	7.6x
35	4.4x	3.8x	9.1x	7.5x	11.4x	8.8x
40	4.9x	4.2x	10.1x	8.4x	13.0x	10.1x
45	5.4x	4.7x	11.2x	9.3x	14.6x	11.4x
50	5.9x	5.1x	12.2x	10.2x	16.2x	12.6x
55	6.4x	5.5x	13.3x	11.1x	17.9x	13.9x
60	7.0x	6.0x	14.3x	12.0x	19.5x	15.1x
65	7.5x	6.4x	15.3x	12.9x	21.1x	16.4x
70	8.0x	6.9x	16.4x	13.8x	22.7x	17.7x
75	8.5x	7.3x	17.4x	14.7x	24.3x	18.9x
80	9.0x	7.8x	18.4x	15.6x	26.0x	20.2x

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BUY ACCUMULATE REDUCE SELL

KEY FIGURES (BASE CASE SCENARIO)

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2011	47	6	13.2%	6	-	-	-	-	-	-
2012	61	6	9.4%	5	-	-	-	-	-	-
2013E	67	5	7.2%	4	-	-	-	-	-	-
2014E	72	6	7.8%	5	-	-	-	-	-	-
2015E	77	6	8.0%	6	-	-	-	-	-	-

Market cap, EURm	-	BV per share 2013E, EUR	-	CAGR EPS 2012-15, %	-
Net debt 2013E, EURm	6	Price/book 2013E	-	CAGR sales 2012-15, %	8.1
Enterprise value, EURm	-	Dividend yield 2013E, %	-	ROE 2013E, %	21.5
Total assets 2013E, EURm	42	Tax rate 2013E, %	28.9	ROCE 2013E, %	19.5
Goodwill 2013E, EURm	9	Equity ratio 2013E, %	39.5	PEG, P/E 13/CAGR	1.0

All the important disclosures can be found on the last pages of this report.

Investment case

Restamax operates in the restaurant industry with good profitability and ambitious growth targets

Restamax is a Finnish company operating approximately 60 restaurants including food restaurants, pubs, bars, nightclubs, cafes as well as other entertainment and social life venues. The company's restaurants operate in leased premises and most of the restaurants are run directly by the company in city centres and shopping malls. Profitability is significantly better than the industry average and mostly based on economies of scale. Net sales were 60.8m in 2012 and respective EBITDA margin was 16.4%. Restamax aims to achieve net sales of EUR 100m by 2015 via both organic growth and acquisitions, which the management is keen to execute.

Wide concept offering and related information support organic growth potential…

We expect organic growth to originate mainly from new openings. Organic growth with existing concepts is supported by a diversified concept offering and good level of profitability, which should ensure sufficient financing for expansion. Existing concepts have already been tested elsewhere, and the related information about cost structures helps to plan the volume needed for profitable operations, reducing the risk of unprofitable expansion. Good profitability also provides the financial muscle for maintenance investments in existing restaurants, and the wide selection of concepts can be used to replace those approaching the end of their lifecycles.

...and the fragmentation of the market provides possibilities to acquire small firms with low profitability lacking sufficient scale.

Acquisitions appear likely and we see that the company benefits from the fragmentation of the Finnish restaurant market. Low profitability among small firms should provide possibilities for relatively cheap acquisitions, and by linking acquisitions to the company's centralized supply chain and personnel circulation, Restamax should be able to clearly cut down unit costs and thus improve the restaurant's profitability in a relatively short period of time. Furthermore, the ability to invest allows maintenance and marketing efforts, and the concept offering allows the company to change the concept to better fit the competitive field if necessary.

Long-term profitability improvement is likely to rely mostly on the scale of operations

The company's long-term profitability improvement is likely to rely mostly on the scale of operations. Customer volume growth in existing restaurants would be slightly positive for margins as fixed costs were divided to higher volume, but we believe that the margin improvement will mostly rely on higher discounts from suppliers. This limits the upside to profitability improvement, but also the downside as clear drops in margins would require losing a significant amount of volumes, a scale back in operations or unprofitable expansion investments.

We combine our scenario estimates with different assumptions for assigned equity value, which yields implied multiples that can be compared to two different peer groups.

In our 2014-2016 estimates, we consider three scenarios to reflect the company's growth potential under different assumptions for new net openings with own concepts. We further expand the assessment by considering how implied multiples change in each scenario when the assigned equity value changes. Implied multiples can be compared to two different peer groups, from which we consider the Finnish small cap group as a better comparison group. Currently the Finnish small cap group's FY2014 median multiples are 7.0x EV/EBITDA, 10.0x EV/EBIT and 12.3x P/E.

Company description

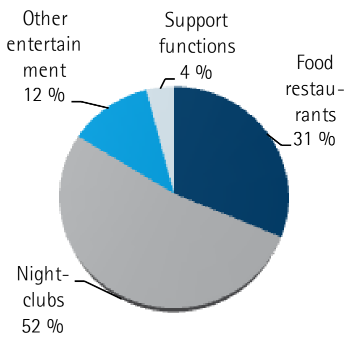
Restamax has approximately 60 restaurants in large Finnish cities…

Restamax has approximately 60 restaurants including food restaurants, pubs, bars, nightclubs, cafes as well as other entertainment and social life venues. The restaurants are placed mostly in large Finnish cities such as Tampere, Helsinki, Turku, Jyväskylä, Hämeenlinna, Lappeenranta and Kuopio. Most recognized brands include Stefan's Steakhouse, Wayne's Coffee, Gringos Locos, London, Ilona and Galaxy Center. The company operates in leased premises and most of the restaurants are run directly by the company (i.e. not franchising) in city centres and shopping malls.

...which makes it the fourth largest company operating in the Finnish restaurant market.

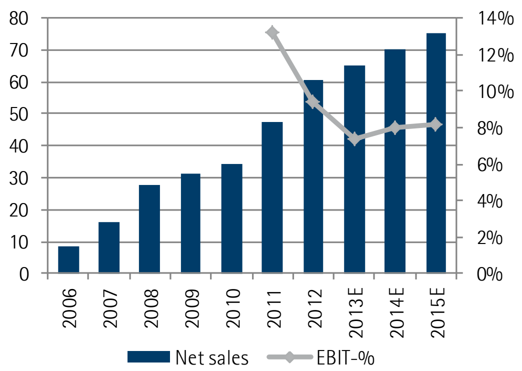
Restamax employs some 700 people (including rented workforce) and had an annual turnover of EUR 60.8m in 2012, making it the fourth largest company operating in the Finnish restaurant industry after S-Group, Restel and Royal Restaurants. Sales growth has been strong as the company has delivered a CAGR of 41% during 2006-2010 (FAS), and 33% CAGR during 2010-2012 (IFRS). EBITDA margins have varied between some 10-20% throughout the period. Reported (IFRS) EBITDA margin was 16.4% in 2012.

Net sales by segment, 2012



Source: Company data

Net sales and EBIT-%



Source: Company data, Evli estimates

2011 EBIT figure includes EUR 2m of insurance compensation; comparable EBIT margin was 8.9% in 2011.

Nightclubs and food restaurants are the biggest categories generating sales

In 2012, sales were divided between food restaurants (31%), nightclubs (52%), other entertainment (12%) and support functions (4%). While the nightclub business is currently the biggest category generating sales, the company has stated that it aims to grow its exposure more in food restaurants than in nightclubs, although both categories remain as part of the company's growth strategy. An important prerequisite for expansion is that the target location holds room for several of the company's restaurants, which enables better utilization of economies of scale.

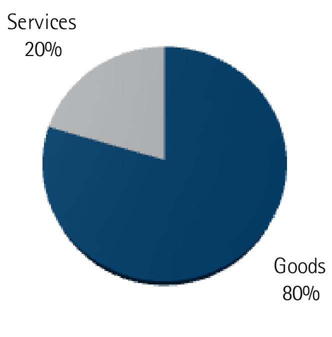
Wide concept offering improves growth potential in both city centres and shopping malls

Within its nightclub range, Restamax's concept offering is targeted to different age groups. The company has been moving away from its pub business since 2006-2007 and has an objective to keep or increase exposure in nightclubs targeted to adults rather than in youth nightclubs. In its food restaurant operations, the company is positioned in the fast casual, casual dining and upper quality dining segments, and does not have an intention to enter fine dining or fast food. Most of the company's restaurants are located in city centres, but it also has multiple restaurants in shopping malls. The concept offering is wide, which improves growth potential in both locations.

The company derives its revenue mostly from sales of goods, such as drinks and food, but also from sales of services, such as entrance & cloakroom fees and coffee & billiard sales.

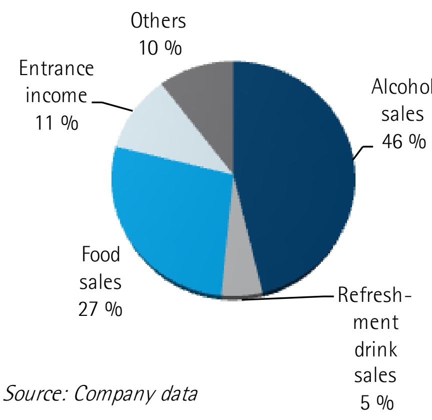
Drinks (52%) and food (27%) were the biggest items generating sales in 2012

Net sales by category, 2012



Source: Company data

Net sales by biggest items, 2012



Source: Company data

Profitability is much better than the industry average and based on economies of scale

Restamax's profit generation is significantly better than the industry average and it is mainly based on economies of scale. The company uses centralized purchases which delivers significant discounts from suppliers compared to those of smaller industry peers. While discounts explain a large part of the profitability gap, the company also derives advantage from having multiple restaurants in the same town as it maintains a personnel circulation within the range of its restaurants. The circulation brings flexibility as it provides the company with skilled staff in short notice situations and reduces the need for rental workforce. Employees within the circulation are in many instances employed full-time, which reduces employee turnover rates and improves satisfaction.

Close monitoring of sales, centralized purchases, low employee turnover and entrepreneur-minded restaurant managers make the organization efficient

The company's organizational structure is entrepreneur-minded as each restaurant manager has a profit responsibility of the unit in his/her hands. In addition, the company is able to monitor sales developments in each restaurant in real time, which allows quick reaction to discover the underlying reasons behind sales developments. Close monitoring of sales, centralized purchases, low employee turnover and entrepreneur-minded restaurant managers make the organization quite efficient, which also contribute to the reasons behind the company's significantly better margins.

Financial targets and guidance

FY2013 guidance: sales to grow about 10% (y/y), EBITDA excl. one-offs at last year's level

The company's revised guidance for FY2013 is that net sales will grow by about 10% from FY2012, and EBITDA excl. one-offs will be at last year's level. Net sales growth will be mostly based on growth investments conducted in 2012. In the longer term, Restamax aims to achieve net sales of EUR 100m by the end of 2015. According to our estimates, this would be reached with 17 restaurant openings per year in 2014 and 2015 and assuming no closures. FY2013 net sales guidance implies that FY2013 sales will reach about EUR 66.9m, after which CAGR would need to be 22% in 2014 and 2015 in order for the company to reach its financial target.

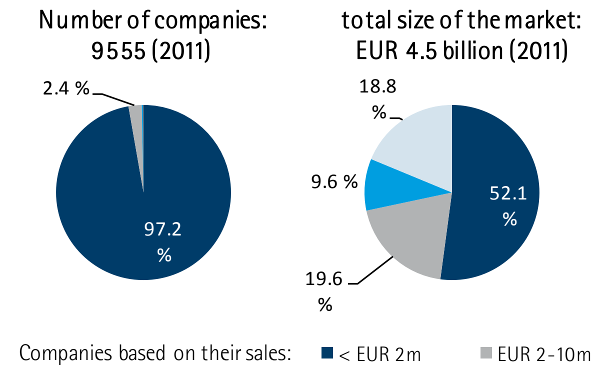
Financial targets: net sales of EUR 100m by 2015, at least 20% ROI, under 70% gearing and dividend distribution of about 50% of EPS

Other stated financial targets include delivering at least 20% return on investment (ROI) and keeping gearing under 70% in the long run. The company's dividend policy is to distribute about 50% of its EPS to shareholders.

Restaurant market in Finland

The Finnish restaurant market is highly fragmented..

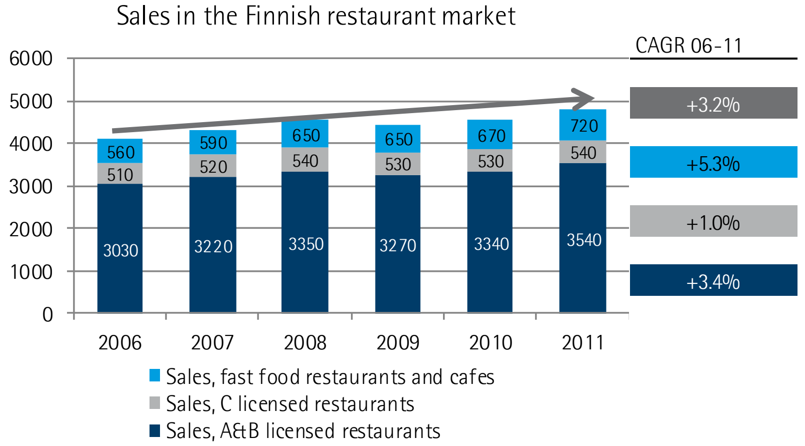
The Finnish restaurant market is highly fragmented and it consists of mostly small businesses. The total number of Finnish companies operating restaurants was 9555 in 2011 and the vast majority of them (97%) have an annual turnover of less than EUR 2m. According to the Statistics Finland, the total size of the Finnish restaurant market is approximately EUR 4.5b, from which the companies with less than EUR 2m annual turnover hold 52%. Companies that have more than EUR 40m annual turnover, such as Restamax, control 19% of the total market.



Source: Statistics Finland

..and has grown 3.2% on average between 2006-2011.

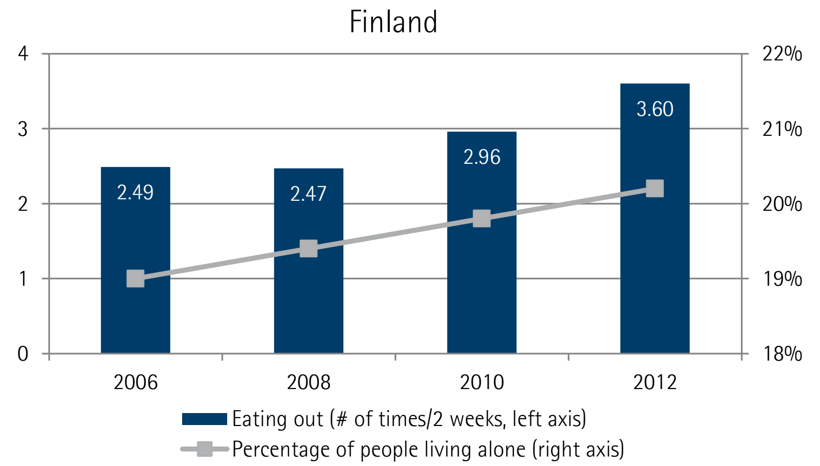
The total restaurant market CAGR was 3.2% in 2006-2011. While the Finnish Hospitality Association's reporting structures have slightly changed, total restaurant market growth was 4.7% in 2012. The majority of Restamax's restaurants are positioned in the A&B licenses segment, which has grown by 3.4% per year on average during 2006-2011. Restamax does not have C licensed restaurants or fast food business, but has a small exposure to the fast food and café segment through Wayne's coffee.



Source: Restamax via Finnish Hospitality Association

The Finnish restaurant market is likely to continue growing as consumers move towards the European model in their consumption of restaurant services

Market growth in Finnish restaurant industry has been quite steady as it did only experienced a 2% sales drop in 2009 compared to the 9% slump in GDP. The company believes that the Finnish restaurant market will continue to grow in the future as consumers move towards the European model in their consumption of restaurant services. According to a TNS Gallup restaurant industry trend study (2012), eating out has become more common in Finland with consumers eating out, on average, 3.6 times within a two week period in 2012. That compares to an average of 3.8 times per two weeks among Swedish consumers in 2011, according to Delfi Foodserviceguide (2012). The gap to the European level is likely to be bigger, which upon consumer habit convergence would provide the basis for higher restaurant market growth than GDP. An additional factor supporting restaurant service consumption in Finland is the relative share of people living alone, which has also increased. While consumer confidence and purchasing power may be subject occasional swings, the factors appear to be in place to support volume growth prospects of the market, which provides growth opportunities for the company as well.



Source: TNS Gallup restaurant industry trend study 2012, Statistics Finland

The overall EBITDA margins in the Finnish restaurant industry have varied between 3-6% in 2006-2011

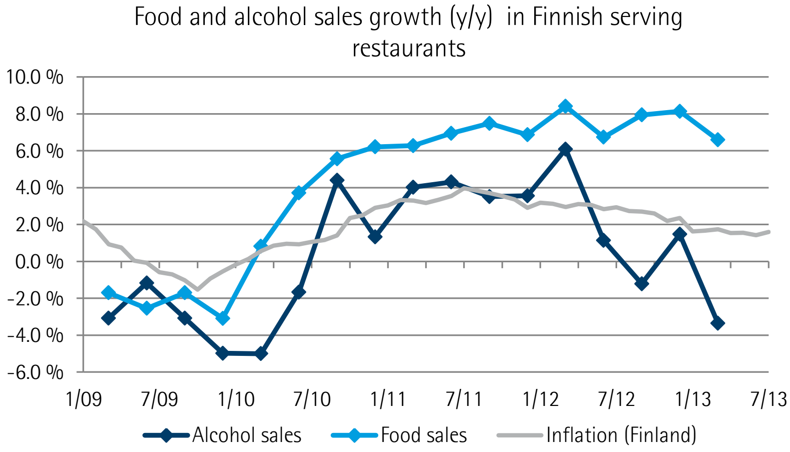
The overall profitability in the Finnish restaurant industry has been modest. According to Statistics Finland and the Finnish Hospitality Association (MaRa), the average EBITDA margin in the Finnish restaurant industry has varied between 3-6% in 2006-2011. Net income margins have varied between 0-2%. Low profitability is most likely explained by the high number of small firms that lack the needed scale for profitable operations.

Finnish restaurant industry, EURm	2006	2007	2008	2009	2010	2011
Sales (incl. other operating income)	3605	3886	4033	4020	4122	4433
growth-%	-	8 %	4 %	0 %	3 %	8 %
EBITDA	216	238	188	181	207	270
EBIT	108	123	69	55	80	141
Net operating income	55	59	10	6	24	79
EBITDA-%	*6.0 %*	*6.1 %*	*4.7 %*	*4.5 %*	*5.0 %*	*6.1 %*
EBIT-%	*3.0 %*	*3.2 %*	*1.7 %*	*1.4 %*	*2.0 %*	*3.2 %*
Net income-%	*1.5 %*	*1.5 %*	*0.2 %*	*0.2 %*	*0.6 %*	*1.8 %*

Source: Statistics Finland

The early part of this year was challenging, but now the macro environment is starting to look better

While the expected changes in consumer behavior are in place to support market growth in the longer term, the early part of this year was somewhat difficult for the industry due to the weak macro environment. Alcohol sales in Finnish serving restaurants declined in the early part of the year (latest observation is Q1'13), but food sales held up well.



Source: Valvira, Statistics finland, Evli Research

Youth unemployment also rose at the early part of the year, but the trend seems to be turning based on the latest observations.

Source: Eurostat

The overall macro environment has recently started to show signs of improvement as the Finnish GDP grew 0.2% (q/q) in Q2'13 vs. -0.2% (q/q) in Q1'13, according to Eurostat.

Source: Eurostat **Seasonally and working day adjusted*

Restamax's potential in the Finnish restaurant market

While the operating environment is challenging, Restamax should have the prerequisites to grow faster than the overall restaurant market

A built-in feature of the market is that the turnover rate in the restaurant field is high. Low entry barriers and poor profitability among a majority of firms operating in the industry keep the restaurant field in constant change, which acts as an important volume driver due to new restaurants attracting customer flows. Although the operating environment is challenging, Restamax should have the prerequisites to grow faster than the overall market. In addition to acquisitions being a clear source of growth, we believe that the company also has a competitive advantage over most industry peers in growing organically.

Organic growth

We believe that maintaining and growing customer volumes in existing restaurants relies mainly on investments…

We believe that maintaining and growing customer volumes in existing restaurants relies mainly on investments. Customer volumes tend, excluding a peak reached soon after openings, to develop positively during first 12 or 24 months depending on the restaurant type, but in the longer term volumes have a tendency to trend slightly downwards as new restaurants entering the field attract customer flows. The nightclub, bar and pub business in particular is subject to somewhat shorter lifecycles, while trends in the food restaurant segment are smoother. Maintaining long-term customer flow requires marketing efforts and ability to keep the concepts relatively fresh and interesting, by steadily keeping up maintenance investments and making occasional adjustments to the concepts.

… to which the company's good level of profitability and wide concept offering should contribute positively.

We see that Restamax's ability to make investments to existing restaurants separates it from most industry peers in keeping and growing volumes in existing restaurants. The company's good level of profitability should provide the financial muscle for maintenance investments, and the wide selection of concepts can be used to replace those approaching the end of their lifecycles. These factors reduce the risk of prolonged loss making or fixed-term property leases generating only costs.

Wide concept offering and related information support organic growth potential…

While maintaining and growing customer volumes in existing restaurants is important, we see that the bigger component in achieving organic growth will be new openings in new and existing market areas. As openings in city centres are often dependent on the premises available, we see that the wide concept offering improves expansion possibilities as the company has different alternatives to choose from to fit the competitive situation of the area. Furthermore, existing concepts have already been tested elsewhere, and the related information about cost structures helps to plan the volume needed for profitable operations, reducing the risk of unprofitable expansion. The main threat to organic growth originates from low entry barriers. New firms operating with small scale may not be economically viable and won't last in the competition very long, but can take market share in short-term and distort competition.

External growth

...and the fragmentation of the market should provide possibilities to acquire small firms with low profitability lacking sufficient scale.

The fragmentation of the Finnish restaurant market is likely to offer plenty of external growth opportunities as the market consists of mostly small firms lacking sufficient scale for profitable operations. Low profitability among small firms should provide possibilities for relatively cheap acquisitions, and by linking acquisitions to the company's centralized supply chain and personnel circulation, Restamax should be able to clearly cut down unit costs and thus improve the restaurant's profitability. Furthermore, the ability to invest allows maintenance and marketing efforts, and the concept offering allows the company to change the concept to better fit the competitive field if necessary. While the success of newly produced concepts would be more uncertain due to lack of traction, Restamax should have all the prerequisites to transform acquired restaurants into profit-generating units in a relatively short period of time.

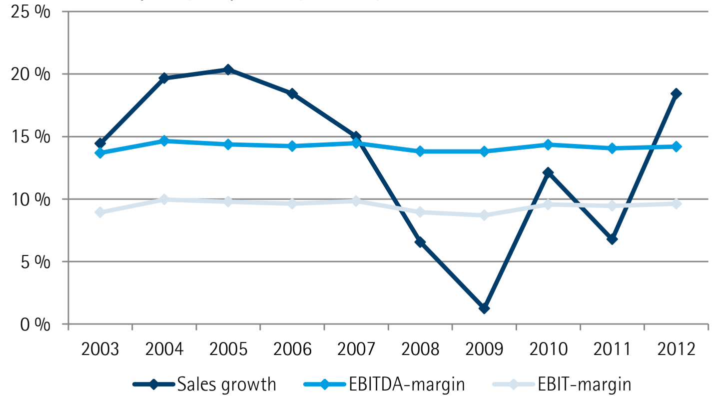
Improving profitability

Profitability improvement is likely to originate mainly from larger scale with no substantial swings...

The company's long-term profitability improvement is likely to rely mostly on the scale of operations. Customer volume growth in existing restaurants would be slightly positive for margins as fixed costs were divided to higher volume, but we believe that the margin improvement will mostly rely on higher discounts from suppliers. This limits the upside to profitability improvement, but also the downside as clear drops in margins would require losing a significant amount of volumes, a scale back in operations or unprofitable expansion investments. We do not see any substantial swings in margins, which is also supported by the international restaurant group's average EBITDA and EBIT margins.

...which is also supported by the international peer group's average margins.

Int. peer group average sales growth and margins, 2003-2012



Source: Factset, Evli Research

Near- and mid-term estimates

For FY2013, we assume 10% sales growth and EBITDA growth of 0% based on the company's guidance

In our FY2013 sales estimates, we assume 10% sales growth and EBITDA growth of 0% based on the company's guidance. After taking into account performance in Q1-Q3'13, our FY2013 estimates imply 5.5% sales growth and an EBIT margin of 14.3% for Q4'13. Depreciations are assumed to be at the similar level than in Q1-Q3'13, at EUR 1.3m. Our FY2013 EBIT margin estimate is 7.2%, which compares to 9.4% in FY2012.

Three scenarios considered to reflect growth potential via new openings

In our 2014-2016 estimates, we consider three scenarios in which we assume different number of net openings and consider their effect on sales growth and profitability. We use the implied growth rates from each scenario to form our 2014-2016 sales estimates. For FY2014, we assume a one-time 40bps improvement in EBIT margin in all scenarios to reflect the cost savings impact emerging from the company's newly agreed brewery contract, which helps to offset the rise in other costs. In addition to the one-time improvement, we make further alterations to our EBIT margin estimates as economies of scale should depend on the growth rate. While our scenarios only consider different assumptions for 2014-2016, it should be noted that longer term estimates are also affected in absolute terms due to accumulation.

One new opening is assumed to increase sales by EUR 1m per year

The company had 49 and 59 restaurants at year ends 2011 and 2012, respectively. Given that net sales in respective years were EUR 47.3m and 60.8m, average net sales per restaurant were EUR 0.97m and 1.03m in 2011 and 2012, respectively. We assume that a new opening will increase sales by EUR 1m per year. Net openings were 5 and 10 in 2011 and 2012, respectively.

	FY2011	FY2012
Net sales (EURm)	47.3	60.8
EBITDA (EURm)	9.2	9.9
# of restaurants at year end	49	59
Sales/restaurant (EURm)	**0.97**	**1.03**
# of new openings with own concepts	5	10
# of new openings with acquired concepts	1	6
# of closures	0	2
# of sold restaurants	1	4
# of net openings	5	10

Source: Company data, Evli Research

Base case scenario

In our base case scenario, we assume that the number of net openings will reach 5 restaurants per year. The assumption implies sales growth of 7.7%, 7.1% and 6.6% for 2014-2016, respectively. Under these assumptions, net sales would total EUR 76.8m in 2015.

Our base case scenario assumes that the number of net openings will reach 5 restaurants per year...

Sales and sales growth (%) in 2014-2016 under BASE CASE assumptions

BASE CASE	2013E	2014E	2015E	2016E
Sales (EURm) with different assumptions for net openings (per year, EUR 1m /opening)				
1	66.8	67.8	68.8	69.8
2	66.8	68.8	70.8	72.8
3	66.8	69.8	72.8	75.8
4	66.8	70.8	74.8	78.8
5	**66.8**	**71.8**	**76.8**	**81.8**
6	66.8	72.8	78.8	84.8
7	66.8	73.8	80.8	87.8
8	66.8	74.8	82.8	90.8
9	66.8	75.8	84.8	93.8
10	66.8	76.8	86.8	96.8

Implied sales growth (%) with different assumptions for net openings (per year)	2013E	2014E	2015E	2016E
1	9.9 %	1.5 %	1.5 %	1.5 %
2	9.9 %	3.0 %	2.9 %	2.8 %
3	9.9 %	4.5 %	4.3 %	4.1 %
4	9.9 %	6.0 %	5.7 %	5.3 %
5	**9.9 %**	**7.5 %**	**7.0 %**	**6.5 %**
6	9.9 %	9.0 %	8.2 %	7.6 %
7	9.9 %	10.5 %	9.5 %	8.7 %
8	9.9 %	12.0 %	10.7 %	9.7 %
9	9.9 %	13.5 %	11.9 %	10.6 %
10	9.9 %	15.0 %	13.0 %	11.5 %

Source: Evli Estimates

...which improves EBIT margin by 20bps per year between 2014-2016.

In our base case mid-term profitability estimates, we assume a 20bps improvement in EBIT margin throughout 2014-2016 as expansion should slightly improve margins thanks to additional economies of scale. In FY2011, the company's EBIT margin excluding the earnings effect of insurance compensation (EUR 2m) was 8.9% compared to reported margin of 13.2%. As the EBIT margin was 9.4% in FY2012, the FY2012 sales growth of 28.5% improved the margin by 50bps. Given that our base case sales growth estimates are lower, we consider a 20bps improvement as reasonable. Thus, we assume 7.8%, 8.0% and 8.2% EBIT margins for 2014-2016, respectively.

BASE CASE	2012	2013E	2014E	2015E	2016E
Net sales	60.8	66.8	71.8	76.8	81.8
Growth-%	*28.5 %*	*9.9 %*	*7.5 %*	*7.0 %*	*6.5 %*
EBITDA	9.9	9.9	11.2	12.2	13.2
Growth-%	*8.0 %*	*-0.1 %*	*12.8 %*	*8.8 %*	*8.1 %*
EBITDA-%	*16.4 %*	*14.9 %*	*15.6 %*	*15.9 %*	*16.1 %*
EBIT	5.7	4.8	5.6	6.1	6.7
EBIT-%	*9.4 %*	*7.2 %*	*7.8 %*	*8.0 %*	*8.2 %*

Source: Evli estimates

Optimistic scenario

Optimistic scenario assumes that the number of net openings will reach 12 restaurants...

In our optimistic scenario, we assume that the number of net openings will reach 12 restaurants per year. The assumption implies sales growth of 18.4%, 15.5% and 13.4% for 2014-2016, respectively. Under these assumptions, net sales would total EUR 90.8m in 2015.

Sales and sales growth (%) in 2014-2016 under OPTIMISTIC assumptions

OPTIMISTIC CASE	2013E	2014E	2015E	2016E
Sales (EURm) with different assumptions for net openings (per year, EUR 1m /opening)				
9	66.8	75.8	84.8	93.8
10	66.8	76.8	86.8	96.8
11	66.8	77.8	88.8	99.8
12	**66.8**	**78.8**	**90.8**	**102.8**
13	66.8	79.8	92.8	105.8
14	66.8	80.8	94.8	108.8
15	66.8	81.8	96.8	111.8
16	66.8	82.8	98.8	114.8
17	66.8	83.8	100.8	117.8
18	66.8	84.8	102.8	120.8
Implied sales growth (%) with different assumptions for net openings (per year)	2013E	2014E	2015E	2016E
9	9.9 %	13.5 %	11.9 %	10.6 %
10	9.9 %	15.0 %	13.0 %	11.5 %
11	9.9 %	16.5 %	14.1 %	12.4 %
12	**9.9 %**	**18.0 %**	**15.2 %**	**13.2 %**
13	9.9 %	19.5 %	16.3 %	14.0 %
14	9.9 %	21.0 %	17.3 %	14.8 %
15	9.9 %	22.5 %	18.3 %	15.5 %
16	9.9 %	24.0 %	19.3 %	16.2 %
17	9.9 %	25.5 %	20.3 %	16.9 %
18	9.9 %	26.9 %	21.2 %	17.5 %

Source: Evli Estimates

...which results in a 40bps improvement in EBIT margin throughout 2014-2016.

In our optimistic mid-term profitability estimates, we assume a 40bps improvement in EBIT margin throughout 2014-2016 as expansion should improve margins thanks to additional economies of scale. Thus, we assume 8.0%, 8.4% and 8.8% EBIT margins for 2014-2016, respectively.

OPTIMISTIC	2012	2013E	2014E	2015E	2016E
Net sales	60.8	66.8	78.8	90.8	102.8
Growth-%	*28.5 %*	*9.9 %*	*18.0 %*	*15.2 %*	*13.2 %*
EBITDA	9.9	9.9	11.9	14.3	16.7
Growth-%	*8.0 %*	*-0.1 %*	*19.9 %*	*19.8 %*	*17.0 %*
EBITDA-%	*16.4 %*	*14.9 %*	*15.1 %*	*15.7 %*	*16.2 %*
EBIT	5.7	4.8	6.3	7.6	9.0
EBIT-%	*9.4 %*	*7.2 %*	*8.0 %*	*8.4 %*	*8.8 %*

Source: Evli estimates

Pessimistic scenario

Pessimistic estimate for net openings is 2 restaurants per year...

In our pessimistic scenario, we assume that the number of net openings will reach 2 restaurants per year. The assumption implies sales growth of 3.1%, 3.0% and 2.9% for 2014-2016, respectively. Under these assumptions, net sales would total EUR 70.8m in 2015.

Sales and sales growth (%) in 2014-2016 under PESSIMISTIC assumptions

PESSIMISTIC CASE	2013E	2014E	2015E	2016E
Sales (EURm) with different assumptions for net openings (per year, EUR 1m /opening)				
1	66.8	67.8	68.8	69.8
2	**66.8**	**68.8**	**70.8**	**72.8**
3	66.8	69.8	72.8	75.8
4	66.8	70.8	74.8	78.8
5	66.8	71.8	76.8	81.8
6	66.8	72.8	78.8	84.8
7	66.8	73.8	80.8	87.8
8	66.8	74.8	82.8	90.8
9	66.8	75.8	84.8	93.8
10	66.8	76.8	86.8	96.8

Implied sales growth (%) with different assumptions for net openings (per year)	2013E	2014E	2015E	2016E
1	9.9 %	1.5 %	1.5 %	1.5 %
2	**9.9 %**	**3.0 %**	**2.9 %**	**2.8 %**
3	9.9 %	4.5 %	4.3 %	4.1 %
4	9.9 %	6.0 %	5.7 %	5.3 %
5	9.9 %	7.5 %	7.0 %	6.5 %
6	9.9 %	9.0 %	8.2 %	7.6 %
7	9.9 %	10.5 %	9.5 %	8.7 %
8	9.9 %	12.0 %	10.7 %	9.7 %
9	9.9 %	13.5 %	11.9 %	10.6 %
10	9.9 %	15.0 %	13.0 %	11.5 %

Source: Evli Estimates

...which does not improve profitability after the one-time EBIT margin improvement of 40 bps in FY2014.

In our pessimistic mid-term profitability estimates, we assume no improvement in EBIT margin in our 2015-2016 estimates in addition to the 40 bps improvement in FY2014. Thus, we assume constant 7.8% EBIT margins for 2014-2016, respectively.

PESSIMISTIC	2012	2013E	2014E	2015E	2016E
Net sales	60.8	66.8	68.8	70.8	72.8
Growth-%	*28.5 %*	*9.9 %*	*3.0 %*	*2.9 %*	*2.8 %*
EBITDA	9.9	9.9	10.8	11.2	11.5
Growth-%	*8.0 %*	*-0.1 %*	*9.1 %*	*3.1 %*	*2.9 %*
EBITDA-%	*16.4 %*	*14.9 %*	*15.7 %*	*15.8 %*	*15.8 %*
EBIT	5.7	4.8	5.2	5.4	5.5
EBIT-%	*9.4 %*	*7.2 %*	*7.6 %*	*7.6 %*	*7.6 %*

Source: Evli estimates

Summary

Our scenario assumptions and estimates are summarized in the table below. While our scenarios only consider different assumptions for sales growth and EBIT margin in 2014-2016, it should be noted that longer term estimates are also affected in absolute terms due to accumulation.

Scenario estimates

	2013Q3	2013Q4	2013E	2014E	2015E	2016E
Sales growth (%)						
Optimistic	-	-	9.9 %	18.0 %	15.2 %	13.2 %
Base case	-	-	9.9 %	7.5 %	7.0 %	6.5 %
Pessimistic	-	-	9.9 %	3.0 %	2.9 %	2.8 %
EBIT margin (%)						
Optimistic	-	-	7.2 %	8.0 %	8.4 %	8.8 %
Base case	-	-	7.2 %	7.8 %	8.0 %	8.2 %
Pessimistic	-	-	7.2 %	7.6 %	7.6 %	7.6 %
Implied EBITDA growth (%)						
Optimistic	-	-	-0.1 %	19.9 %	19.8 %	17.0 %
Base case	-	-	-0.1 %	12.8 %	8.8 %	8.1 %
Pessimistic	-	-	-0.1 %	9.1 %	3.1 %	2.9 %
Sales (EURm)						
Optimistic	-	-	66.8	78.8	90.8	102.8
Base case	-	-	66.8	71.8	76.8	81.8
Pessimistic	-	-	66.8	68.8	70.8	72.8
EBITDA (EURm)						
Optimistic	-	-	9.9	11.9	14.3	16.7
Base case	-	-	9.9	11.2	12.2	13.2
Pessimistic	-	-	9.9	10.8	11.2	11.5
EBIT (EURm)						
Optimistic	-	-	4.8	6.3	7.6	9.0
Base case	-	-	4.8	5.6	6.1	6.7
Pessimistic	-	-	4.8	5.2	5.4	5.5

Source: Evli Research

The company's growth target is supported by M&A actions, which the company is keen to execute

The company's growth target is supported by M&A actions, which the company is keen to execute. According to our understanding, Restamax has historically paid EV/EBITDA multiples of 2-5x on its acquisitions. Assuming an acquisition target with an annual EBITDA margin of 6%, a paid EV/EBITDA multiple of 5x would equal to an EV/Sales multiple of 0.3x. Therefore, a EUR 5m investment on acquisitions would raise annual sales by over EUR 16m and improve annual EBIT by roughly EUR 1.2m, assuming that the acquisitions can be turned to generate some 7.2% EBIT margin, which is the company's current level of profitability. While the fragmented market should offer plenty of possibilities for acquisitions, it should be noted that an important prerequisite for expansion is that the targeted location fits multiple restaurants in order to better utilize economies of scale. Thus, expansion to new areas via M&A would require the availability and ability to find multiple acquisition targets in the desired location.

We further expand the assessment by considering how implied valuation multiples (EV/EBITDA, EV/EBIT and P/E) change within each of our scenarios when the assigned equity value changes. Implied multiples can be compared to two different peer groups: Finnish small cap group and international restaurant group. We consider the Finnish small cap group as being a better comparison group as the international restaurant group consists mostly of much bigger companies and their valuation multiples are distorted by respective market valuations (mainly US and UK based companies). The Finnish small cap group consists of small-cap companies under Evli Research coverage and the multiples are derived from Evli Research estimates, while the international restaurant group's multiples are derived from Factset. The Finnish small cap group's FY2014 median multiples are currently 7.0x EV/EBITDA, 10.0x EV/EBIT and 12.3x P/E.

We further expand the assessment by considering how implied valuation multiples change within each of our scenarios when the assigned equity value changes. Implied multiples can be compared to two peer groups.

Implied valuation multiples with BASE CASE estimates

Pre-money	EV/EBITDA		EV/EBIT		P/E	
equity value	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
30	3.9x	3.3x	8.1x	6.6x	9.7x	7.6x
35	4.4x	3.8x	9.1x	7.5x	11.4x	8.8x
40	4.9x	4.2x	10.1x	8.4x	13.0x	10.1x
45	5.4x	4.7x	11.2x	9.3x	14.6x	11.4x
50	5.9x	5.1x	12.2x	10.2x	16.2x	12.6x
55	6.4x	5.5x	13.3x	11.1x	17.9x	13.9x
60	7.0x	6.0x	14.3x	12.0x	19.5x	15.1x
65	7.5x	6.4x	15.3x	12.9x	21.1x	16.4x
70	8.0x	6.9x	16.4x	13.8x	22.7x	17.7x
75	8.5x	7.3x	17.4x	14.7x	24.3x	18.9x
80	9.0x	7.8x	18.4x	15.6x	26.0x	20.2x

Implied valuation multiples with OPTIMISTIC estimates

Pre-money	EV/EBITDA		EV/EBIT		P/E	
equity value	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
30	4.0x	3.2x	8.2x	6.1x	9.7x	6.6x
35	4.5x	3.7x	9.2x	6.9x	11.4x	7.8x
40	5.0x	4.1x	10.3x	7.7x	13.0x	8.9x
45	5.5x	4.5x	11.3x	8.5x	14.6x	10.0x
50	6.0x	4.9x	12.4x	9.3x	16.2x	11.1x
55	6.5x	5.3x	13.4x	10.1x	17.9x	12.2x
60	7.0x	5.8x	14.4x	10.9x	19.5x	13.3x
65	7.5x	6.2x	15.5x	11.7x	21.1x	14.4x
70	8.0x	6.6x	16.5x	12.5x	22.7x	15.5x
75	8.5x	7.0x	17.5x	13.3x	24.3x	16.6x
80	9.0x	7.4x	18.6x	14.1x	26.0x	17.7x

Implied valuation multiples with PESSIMISTIC estimates

Pre-money	EV/EBITDA		EV/EBIT		P/E	
equity value	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
30	3.9x	3.4x	8.0x	7.0x	9.7x	8.2x
35	4.4x	3.8x	9.0x	7.9x	11.4x	9.5x
40	4.9x	4.3x	10.1x	8.9x	13.0x	10.9x
45	5.4x	4.8x	11.1x	9.9x	14.6x	12.3x
50	5.9x	5.2x	12.2x	10.8x	16.2x	13.6x
55	6.4x	5.7x	13.2x	11.8x	17.9x	15.0x
60	6.9x	6.1x	14.2x	12.7x	19.5x	16.3x
65	7.4x	6.6x	15.3x	13.7x	21.1x	17.7x
70	7.9x	7.1x	16.3x	14.6x	22.7x	19.1x
75	8.4x	7.5x	17.3x	15.6x	24.3x	20.4x
80	8.9x	8.0x	18.4x	16.5x	26.0x	21.8x

Source: Evli Research

Peer group tables

FINNISH SMALL CAP GROUP	Market Cap (EURm)	EV/EBITDA 13	EV/EBITDA 14	EV/EBIT 13	EV/EBIT 14	P/E 13	P/E 14	P/B 13	P/B 14
Alma Media	253	7.4x	8.3x	12.0x	12.8x	14.6x	16.6x	2.8x	2.7x
Apetit	117	7.2x	6.0x	11.6x	8.9x	14.8x	11.2x	0.8x	0.8x
Atria	221	6.2x	5.3x	13.9x	10.4x	12.4x	7.3x	0.5x	0.5x
Basware	271	20.6x	10.9x	55.3x	16.0x	107.9x	26.3x	2.8x	2.6x
Componenta	36	7.3x	5.3x	12.7x	7.9x	-58538x	4.9x	0.6x	0.5x
Comptel	53	5.5x	4.6x	10.9x	7.2x	39.8x	9.8x	2.0x	1.7x
Digia	82	10.2x	6.7x	14.3x	8.9x	20.6x	12.5x	1.9x	1.7x
Elektrobit	182	11.0x	8.2x	27.4x	15.1x	51.1x	22.4x	2.4x	2.2x
Etteplan	63	5.8x	5.0x	9.6x	6.9x	12.4x	9.7x	2.4x	2.1x
F-Secure	275	8.1x	7.9x	10.9x	9.8x	17.2x	16.0x	3.9x	3.6x
HKScan	183	6.2x	5.5x	19.7x	14.4x	25.4x	13.7x	0.4x	0.4x
Marimekko	87	16.2x	12.7x	62.8x	19.2x	58.4x	27.0x	3.1x	3.0x
Ponsse	264	11.8x	7.4x	15.5x	8.8x	32.7x	10.6x	4.2x	3.3x
Pöyry	213	12.1x	7.8x	19.4x	10.3x	32.6x	12.0x	1.6x	1.5x
Rapala	195	8.9x	8.3x	11.3x	10.4x	19.3x	14.2x	1.6x	1.5x
SRV	147	11.4x	6.3x	12.7x	6.8x	8.9x	6.4x	0.7x	0.6x
Median	**183**	**8.5x**	**7.0x**	**13.3x**	**10.0x**	**19.9x**	**12.3x**	**2.0x**	**1.7x**

Source: Evli Research

INTERNATIONAL PEERS	Market Cap (EURm)	EV/EBITDA 13	EV/EBITDA 14	EV/EBIT 13	EV/EBIT 14	P/E 13	P/E 14	P/B 13	P/B 14
Berjaya Food Bhd.	100	13.2x	10.6x	18.1x	14.4x	17.2x	14.7x	2.1x	1.9x
BJ's Restaurants, Inc.	537	9.8x	8.4x	24.6x	20.1x	29.5x	25.7x	1.9x	1.7x
Bloomin' Brands, Inc.	2112	9.3x	8.0x	14.9x	12.4x	20.9x	17.6x	7.4x	5.2x
The Cheesecake Factory Incorporat	1828	9.9x	9.3x	14.8x	13.9x	22.1x	19.7x	4.4x	4.0x
Chipotle Mexican Grill, Inc.	11830	24.8x	20.2x	29.3x	23.4x	50.4x	40.6x	10.9x	9.4x
Darden Restaurants, Inc.	4883	9.0x	8.1x	15.2x	13.6x	17.8x	16.2x	3.0x	2.8x
Del Frisco's Restaurant Group, Inc.	314	9.5x	8.0x	13.2x	11.0x	20.0x	17.0x	2.2x	1.9x
Groupe Flo SA	129								
Red Robin Gourmet Burgers, Inc.	766	10.7x	8.9x	24.6x	19.8x	32.4x	27.4x	3.0x	2.7x
The Restaurant Group plc	1346	11.1x	10.0x	16.0x	14.4x	21.3x	19.1x	5.4x	4.7x
Ruth's Hospitality Group, Inc.	302	8.2x	7.8x	11.4x	10.7x	18.2x	16.6x	4.0x	3.5x
Spirit Pub Company plc	590	8.6x	8.1x	11.2x	10.6x	12.2x	11.3x	0.9x	0.8x
Texas Roadhouse, Inc.	1421	10.8x	9.5x	15.3x	13.3x	24.3x	21.3x	3.4x	3.0x
Mitchells & Butlers plc	1928	8.1x	7.8x	11.2x	10.6x	11.9x	11.1x	1.3x	1.2x
J D Wetherspoon plc	1077	8.5x	8.1x	12.5x	12.0x	16.0x	15.0x	4.2x	3.6x
Prezzo PLC	335	10.0x	9.0x	14.2x	12.9x	18.9x	17.0x	2.6x	2.2x
Median	**921**	**9.8x**	**8.4x**	**14.9x**	**13.3x**	**20.0x**	**17.0x**	**3.0x**	**2.8x**

Source: Factset, Evli Research

Investment risks

In our view, most important investment risks deal with unprofitable expansion investments, further deterioration in the macro environment and the comprehensive renewal of the Finnish alcohol laws

In our view, most important investment risks deal with unprofitable expansion investments, further deterioration in the macro environment (unemployment, consumer spending) and the comprehensive renewal of the Finnish alcohol laws, which is currently being prepared by the Ministry of Social Affairs and Health. Related changes to alcohol laws are expected to take effect starting in 2014 or later, pending the approval of the Finnish parliament. Proposals within the renewal hold both positive and negative changes for the company.

Alcohol taxation is likely to rise starting in 2014, but previous tax hikes have not had significant negative effects on volumes

The most probable change within the law renewal is that alcohol taxation will be raised starting in 2014. While the tax hike will be passed on to sales prices, the change could have a negative effect on sales volumes in the company's restaurants. The effect of higher sales prices on volumes seem to depend on customer purchasing power and the overall macro environment, which implies that it would be the largest in pubs and nightclubs targeted to the youngest customer segment. The company has stated that previous alcohol tax hikes in 2008-2012 have not had a significant effect on volumes nor profitability.

Late night alcohol serving period could also be shortened, but the effect may be limited under certain reliefs

The renewal of alcohol laws has also included a proposal to remove late night alcohol serving rights for bars, pubs and nightclubs. Under current law, some restaurants are permitted to serve alcohol for an extended period until 2:30 or 3:30. As such, the possible removal of late night serving rights could hurt sales volumes as it does not appear likely that consumers would enter restaurants earlier to compensate for shorter opening hours. However, it should be noted that the law renewal has also included proposals to remove the quantity limit of purchases as well as the rule of compulsory closure 30 minutes after serving has ended. Upon approval, these changes could mean that the negative effect stemming from shorter serving period might be limited.

Some proposals could steer alcohol consumption more towards restaurants

Positive suggestions within the law renewal are the shortening of alcohol retail sales hours during the weekend, increased regulation for drinking in public places and the increased oversight of celebratory events in which alcohol is served without serving rights. These changes could steer alcohol consumption more towards restaurants.

Other risks include further decreases in consumer spending, inability to find suitable premises in central places, unsuccessful concept launches or location choices and unprofitable expansion investments.

Other investment risks are mainly related to the macro environment as well as to operational and strategic choices. Adverse developments in the macro environment, such as rising (youth) unemployment and prolonged economic uncertainty could increase cautiousness in consumer spending. Operational and strategic risks include the inability to find suitable premises in central places, unsuccessful concept launches or location choices and unprofitable expansion investments. We do not see major financial risks as revenue and costs are in the same currency and the interest rate risk does not appear to be significant given the company's low debt level.

Base case DCF results

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	-	PV of Free Cash Flow	25	Long-term growth, %	2.0	Risk-free interest rate, %	3.50
DCF share value	53.2	PV of Horizon value	37	WACC, %	7.5	Market risk premium, %	5.5
Share price potential, %	-	Unconsolidated equity	-3	Spread, %	0.5	Debt risk premium, %	2.0
Maximum value	59.2	Marketable securities	3	Minimum WACC, %	7.0	Equity beta coefficient	0.80
Minimum value	48.1	Debt - dividend	-10	Maximum WACC, %	8.0	Target debt ratio, %	10
Horizon value, %	59.2	Value of stock	53	Nr of shares, Mn	-	Effective tax rate, %	25

DCF valuation, EURm	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	Horizon
Net sales	61	67	72	77	82	87	91	95	98	99	101	103
Sales growth, %	*28.5*	*9.9*	*7.5*	*7.0*	*6.5*	*6.0*	*5.0*	*4.0*	*3.0*	*2.0*	*2.0*	*2.0*
Operating income (EBIT)	6	5	6	6	7	7	7	7	6	5	6	6
EBIT margin, %	*9.4*	*7.2*	*7.8*	*8.0*	*8.2*	*8.0*	*7.5*	*7.0*	*6.0*	*5.5*	*5.5*	*5.5*
+ Depreciation+amort.	4	5	6	6	6	7	7	8	8	8	8	
- Income taxes	-1	-1	-1	-1	-1	-2	-2	-1	-1	-1	-1	
- Change in NWC	4	-1	1	1	1	1	0	0	0	0	0	
NWC / Sales, %	*-13.5*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	*-11.0*	
+ Change in other liabs	1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-11	-7	-7	-8	-8	-9	-9	-9	-9	-9	-9	-9
Investments / Sales, %	*17.3*	*10.7*	*10.2*	*10.1*	*10.0*	*9.9*	*9.6*	*9.4*	*9.2*	*8.9*	*8.9*	*8.9*
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	3	1	3	4	4	4	4	4	4	4	4	72
= Discounted FCF (DFCF)		1	3	3	3	3	3	3	2	2	2	37

= DFCF min WACC		1	3	3	3	3	3	3	2	2	2	42
= DFCF max WACC		1	3	3	3	3	3	3	2	2	2	32

Base case DCF results

INTERIM FIGURES

EVLI ESTIMATES, EURm	2012Q1	2012Q2	2012Q3	2012Q4	2012	2013Q1	2013Q2	2013Q3	2013Q4E	2013E	2014E	2015E
Net sales	12	13	16	19	61	15	15	17	20	67	72	77
EBITDA	2	1	4	3	10	1	2	3	4	10	11	12
EBITDA margin (%)	*13.0*	*10.6*	*24.6*	*15.4*	*16.4*	*8.3*	*10.7*	*17.6*	*20.9*	*14.9*	*15.6*	*15.9*
EBIT	1	0	2	2	6	0	0	2	3	5	6	6
EBIT margin (%)	*5.6*	*2.7*	*13.5*	*13.2*	*9.4*	*-0.1*	*2.7*	*9.8*	*14.3*	*7.2*	*7.8*	*8.0*
Net financial items	0	0	0	0	-1	0	0	0	0	-1	0	0
Pre-tax profit	1	0	2	2	5	0	0	2	3	4	5	6
Tax	0	0	0	0	-1	0	0	0	-1	-1	-1	-1
Tax rate (%)	*24.5*	*125.6*	*15.1*	*19.1*	*22.9*	*-99.1*	*47.7*	*20.4*	*22.5*	*28.9*	*22.0*	*22.0*
Net profit	0	0	1	1	3	0	0	1	2	3	4	4
EPS												
EPS adjusted (diluted no. of shares)												
Dividend per share												
SALES, EURm												
Restamax	12	13	16	19	61	15	15	17	20	67	72	77
Total	12	13	16	19	61	15	15	17	20	67	72	77
SALES GROWTH, Y/Y %												
Restamax	*2.4*	*14.1*	*39.4*	*58.0*	*28.5*	*25.3*	*12.9*	*1.1*	*5.5*	*9.9*	*7.5*	*7.0*
Total	*2.4*	*14.1*	*39.4*	*58.0*	*28.5*	*25.3*	*12.9*	*1.1*	*5.5*	*9.9*	*7.5*	*7.0*
EBIT, EURm												
Restamax	1	0	2	2	6	0	0	2	3	5	6	6
Total	1	0	2	2	6	0	0	2	3	5	6	6
EBIT margin, %												
Restamax	*5.6*	*2.7*	*13.5*	*13.2*	*9.4*	*-0.1*	*2.7*	*9.8*	*14.3*	*7.2*	*7.8*	*8.0*
Total	*5.6*	*2.7*	*13.5*	*13.2*	*9.4*	*-0.1*	*2.7*	*9.8*	*14.3*	*7.2*	*7.8*	*8.0*

Base case DCF results

INCOME STATEMENT, EURm	2011	2012	2013E	2014E	2015E
Sales	47	61	67	72	77
Sales growth (%)	-	*28.5*	*9.9*	*7.5*	*7.0*
Costs	-38	-51	-57	-61	-65
Reported EBITDA	9	10	10	11	12
Extraordinary items in EBITDA	0	0	0	0	0
EBITDA margin (%)	*19.4*	*16.4*	*14.9*	*15.6*	*15.9*
Depreciation	-3	-4	-5	-6	-6
EBITA	6	6	5	6	6
Goodwill amortization / writedown	0	0	0	0	0
Reported EBIT	6	6	5	6	6
EBIT margin (%)	*13.2*	*9.4*	*7.2*	*7.8*	*8.0*
Net financials	-1	-1	-1	0	0
Pre-tax profit	6	5	4	5	6
Extraordinary items	0	0	0	0	0
Taxes	-1	-1	-1	-1	-1
Minority shares	0	-1	0	0	0
Net profit	5	3	3	4	4
BALANCE SHEET, EURm					
Assets					
Fixed assets	16	21	23	25	27
% of sales	*33*	*35*	*35*	*35*	*35*
Goodwill	8	9	9	9	9
% of sales	*17*	*15*	*14*	*13*	*12*
Inventory	1	1	2	2	2
% of sales	*3*	*2*	*3*	*3*	*3*
Receivables	4	4	5	5	5
% of sales	*7*	*6*	*7*	*7*	*7*
Liquid funds	1	3	3	4	4
% of sales	*3*	*6*	*5*	*5*	*5*
Total assets	31	39	42	45	47
Liabilities					
Equity	11	14	17	19	22
% of sales	*23*	*22*	*25*	*27*	*29*
Deferred taxes	1	1	1	1	1
% of sales	*1*	*1*	*1*	*1*	*1*
Interest bearing debt	9	10	9	8	7
% of sales	*19*	*16*	*14*	*11*	*9*
Non-interest bearing current liabilities	9	13	14	15	16
% of sales	*19*	*22*	*21*	*21*	*21*
Other interest free debt	1	2	2	2	2
% of sales	*3*	*3*	*3*	*3*	*3*
Total liabilities	31	39	42	45	47
CASH FLOW, EURm					
+ EBITDA		10	10	11	12
- Net financial items		-1	-1	0	0
- Taxes		-1	-1	-1	-1
- Increase in Net Working Capital		4	-1	1	1
+/- Other		0	0	0	0
= Cash flow from operations		12	8	10	11
- Capex		-11	-7	-7	-8
- Acquisitions		0	0	0	0
+ Divestments		0	0	0	0
= Net cash flow		1	0	3	3
+/- Change in interest-bearing debt		1	0	-1	-1
+/- New issues/buybacks		0	0	0	0
- Paid dividend		0	0	-1	-2
+/- Change in loan receivables		1	0	0	0
Change in cash		2	0	0	0

Base case DCF results

KEY FIGURES	2011	2012	2013E	2014E	2015E
M-cap	-	-	-	-	-
Net debt	8	6	6	5	3
Enterprise value	-	-	-	-	-
Sales	47	61	67	72	77
EBITDA	9	10	10	11	12
EBIT	6	6	5	6	6
Pre-tax	6	5	4	5	6
Earnings	5	3	3	4	4
Book value	10	13	16	18	21
Valuation multiples					
EV/sales					
EV/EBITDA					
EV/EBITA					
EV/EBIT					
EV/operating cash flow					
EV/cash earnings					
P/E					
P/E excl. goodwill					
P/B					
P/sales					
P/CF					
Target EV/EBIT					
Target P/E					
Target P/B					
Per share measures					
Number of shares					
Number of shares (diluted)					
EPS					
EPS excl. goodwill					
Cash EPS					
Operating cash flow per share					
Capital employed per share					
Book value per share					
Book value excl. goodwill					
Dividend per share					
Dividend payout ratio, %			45.0	45.0	45.0
Dividend yield, %			2.6	3.4	3.8
Efficiency measures					
ROE	-	26.9	21.5	23.1	22.6
ROCE	-	26.4	19.5	21.0	21.8
Financial ratios					
Capex/sales, %	56.9	17.3	10.7	10.2	10.1
Capex/depreciation excl. goodwill,%	632.2	227.5	139.9	130.3	128.1
Net debt/EBITDA, book-weighted	0.8	0.6	0.6	0.4	0.2
Debt/equity, market-weighted	0.0	0.0	0.2	0.2	0.1
Equity ratio, book-weighted	34.9	34.8	39.5	43.1	46.5
Gearing	0.7	0.5	0.4	0.2	0.1

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for the financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest bearing debt – financial assets	EBITDA/Share $\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share $\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share $\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year

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