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|-----------------|--------|--------|-------------|
| Company Comment | Retail | Sweden | 08 May 2024 |
|-----------------|--------|--------|-------------|

Mandatory bid offer from Rite Ventures at SEK 17per share

Main owner Rite Ventures has announced its expected mandatory bid offer for Nelly Group reflecting its holding that increased to 30.11% following the transaction on 26 April. The offer, with an acceptance period running from 10 May to 7 June, is made at SEK 17 per share in Nelly Group, a steep discount to our current mid-point equity value of SEK 34 per share. We arrive at our mid-point equity value based on a WACC of 7.5% and steady-state EBIT margin of 5%.

Valuation update

Mid-point valuation summary

Valuation and mid-point DCF summary (SEK)

| | | | |
|--|------------|-------------|------------|
| DCF value, mid-point (SEK) | 34.00 | | |
| Share price (SEK) | 17.92 | | |
| 2024E EV/Sales (ex. lease debt) at current share price (x) | 0.38 | | |
| 2024E EV/EBIT (ex. lease debt) at current share price (x) | 6.1 | | |
| | Low | High | Mid |
| DCF valuation range (SEK) | 26.00 | 43.00 | 34.00 |
| Share price potential vs. DCF valuation range (%) | 45 | 140 | 90 |
| 2024E EV/Sales (ex. lease debt) at DCF valuation range | 0.61 | 1.12 | 0.85 |
| 2024E EV/EBIT (ex. lease debt) at DCF valuation range | 10.0 | 18.1 | 13.8 |

Source: SEB

Mid-point DCF valuation summary

| DCF valuation (SEKm) | | Weighted average cost of capital (%) | |
|---|--------------|--------------------------------------|------------|
| NPV of FCF in explicit forecast period | 453 | Risk free interest rate | 2.5 |
| NPV of continuing value | 426 | Risk premium | 5.0 |
| Value of operation | 878 | Cost of equity | 7.5 |
| Net debt | (158) | After tax cost of debt | 2.0 |
| Share issue/buy-back in forecast period | - | WACC | 7.5 |
| Value of associated companies | - | Assumptions | |
| Value of minority shareholders' equity | - | | |
| Value of marketable assets | - | | |
| DCF value of equity | 1,037 | | |
| DCF value per share (SEK) | 34.00 | | |
| Current share price (SEK) | 17.54 | Number of forecast years | 10 |
| DCF performance potential (%) | 94 | EBIT margin - steady state (%) | 5.1 |
| | | EBIT multiple - steady state (x) | 10.6 |
| | | Continuing value (% of NPV) | 48.5 |

Source: SEB

Capitalisation and valuation forecasts

| Capitalization (SEKm) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|------------|------------|------------|------------|------------|------------|
| Share price (SEK) | 17.92 | 17.92 | 17.92 | 17.92 | 17.92 | 17.92 |
| No of shares, f. dil. (m) | 18.495 | 18.495 | 30.484 | 30.484 | 30.484 | 30.484 |
| Market cap (SEKm) | 331 | 331 | 546 | 546 | 546 | 546 |
| Net debt/(cash) ex. IFRS-16 leases (SEKm) | (198) | (97) | (151) | (158) | (203) | (277) |
| EV excl. lease debt (SEKm) | 134 | 235 | 395 | 388 | 343 | 270 |
| Net debt/(cash) incl. IFRS-16 leases (SEKm) | 119 | 198 | 133 | 126 | 82 | 10 |
| EV/ incl. lease debt (SEKm) | 450 | 529 | 679 | 673 | 629 | 557 |
| Short P&L forecasts and valuation (x) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
| Net sales | 1,428 | 1,299 | 1,061 | 1,032 | 1,076 | 1,108 |
| Adj. EBIT | (15) | (46) | 16 | 64 | 68 | 73 |
| Adj. EBIT margin (%) | (1.0) | (3.5) | 1.5 | 6.2 | 6.4 | 6.6 |
| EV/Sales (ex. lease debt) (x) | 0.09 | 0.18 | 0.37 | 0.38 | 0.32 | 0.24 |
| EV/EBIT (ex. lease debt) (x) | n.a. | n.a. | 24.9 | 6.1 | 5.0 | 3.7 |

Source: SEB

Assets valuations

| Asset valuation (SEKm) | Q4/22 | Q1/23 | Q2/23 | Q3/23 | Q4/23 | Q1/24 |
|---|------------|------------|------------|------------|------------|------------|
| Net cash, excl. IFRS-16 lease liabilities | 97 | 24 | 150 | 120 | 151 | 126 |
| Tangible assets | 12 | 11 | 11 | 13 | 16 | 16 |
| Stock-in-trade | 226 | 232 | 182 | 207 | 152 | 175 |
| Tax loss carry-forwards (@ 20.6% standard corporate tax rate) | 148 | 148 | 148 | 148 | 146 | 146 |
| Cash and asset valuation, total | 483 | 415 | 491 | 489 | 466 | 462 |
| Group market capitalization | 546 | 546 | 546 | 546 | 546 | 546 |
| Deducting lease liabilities | (295) | (288) | (282) | (290) | (284) | (276) |
| Net asset valuation including lease obligations | 188 | 127 | 210 | 198 | 182 | 186 |
| Group market capitalization | 546 | 546 | 546 | 546 | 546 | 546 |

Source: SEB

Key figures

| (SEKm) | 2023 | 2024E | 2025E | 2026E |
|--------------------------|-------------|--------------|--------------|--------------|
| Revenues (m) | 1,061 | 1,032 | 1,076 | 1,108 |
| Adj. EBIT | 16 | 64 | 68 | 73 |
| PTP (m) | (2) | 52 | 57 | 62 |
| EPS | (0.06) | 1.71 | 1.87 | 2.02 |
| EPS (adjusted) | 0.09 | 1.71 | 1.87 | 2.02 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue growth (%) | (18.3) | (2.7) | 4.3 | 3.0 |
| EPS growth (%) | n.a. | 1,734.7 | 9.2 | 8.1 |
| Operating margin (%) | 1.0 | 6.2 | 6.4 | 6.6 |
| ROCE (%) | 4.3 | 13.0 | 12.6 | 12.1 |
| Net Debt/EBITDA (x) | 2.1 | 1.1 | 0.7 | 0.1 |
| PER (adjusted) | 163.5 | 10.3 | 9.4 | 8.7 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| Free Cash Flow Yield (%) | 2.2 | 1.3 | 8.5 | 13.7 |
| P/BV (x) | 2.6 | 2.3 | 1.9 | 1.5 |
| EV/EBIT (x) | 37.6 | 10.4 | 9.0 | 7.5 |
| EV/Sales (x) | 0.56 | 0.64 | 0.57 | 0.49 |

Source: SEB

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