

# Rugvista Group

## Sector top pick

- Becoming excellent at e-commerce
- Q4 was interpreted wrongly by the market
- In a soft market, there is room for Rugvista to grow

### Investment case

Rugvista was founded in 2005 by rug category experts. Since then, it has been on a trajectory to become an excellent e-commerce player. The recruitment of the current CEO, Michael Lindskog, head of Zalando Nordics when the e-commerce giant entered the region, added credibility to these efforts. The product category is well suited to the sales channel, with a high AOV, rather low return rates and practically unlimited shelf life, and current efforts aim to improve the marketing efficiency to leverage the 60%+ gross margins. We think Rugvista can grow to mid-teen EBIT margins and grow organically in the teens for years to come. At 9x '24e EV/EBIT, we argue investors get a strong growth story at value multiples.

### Q4 takeaways

Q4 EBIT was 19% below consensus. This stole the spotlight on reporting day. Adjusting for FX revaluations of the balance sheet and considering consultants for the upcoming warehouse move as one-off costs means the deviation was a slim 4%, however. The report included several data points that support the growth story. The order count was up by 30% y-o-y, and despite a lower reported AOV there was no negative leverage on the marketing ratio, flat y-o-y. Together, the two data points suggest that Rugvista's platform upgrades have had a large positive impact on marketing efficiency and customer generation.

### Outlook

We expect the European home improvement market to remain soft on account of the still-soft consumer confidence. However, we argue Rugvista's small market share (well below 1%, despite being a top 2 rug online pure play in Europe), a consumer return to online and a fragmented market could all make room for the company. While the company sees CPC competition from Chinese giants currently, Rugvista's premium assortment could be less sensitive over time.

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SEKm	2022	2023	2024e	2025e	2026e
Sales	639	702	759	841	919
EBITDA	86	98	130	150	173
EBITDA margin (%)	13.4	13.9	17.2	17.8	18.8
EBIT adj.	75	85	117	136	158
EBIT adj. margin (%)	11.7	12.2	15.5	16.1	17.2
Pretax profit	74	89	123	142	164
EPS	2.83	3.37	4.71	5.42	6.26
EPS adj.	2.83	3.37	4.71	5.42	6.26
Sales growth (%)	-9.3	9.8	8.0	10.9	9.2
EPS growth (%)	-41.0	18.8	40.1	15.0	15.5

Source: ABG Sundal Collier, Company Data

Reason: Case refresher

BUY ● HOLD ○ SELL ○

### Retail

Estimate changes (%)

	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

Source: ABG Sundal Collier

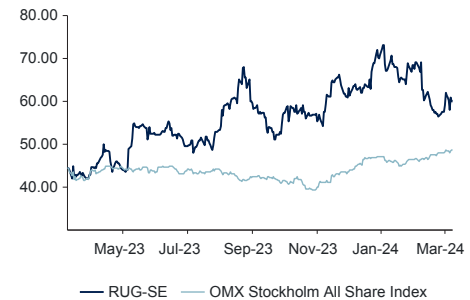
### RUG-SE/RUG-SE

Share price (SEK)	7/3/2024	58.00
Target price		80.0

MCap (SEKm)	1,206
MCap (EURm)	107
No. of shares (m)	20.8
Free float (%)	60.0
Av. daily volume (k)	13

Next event Q1 Report 8 May 2024

### Performance



## Company description

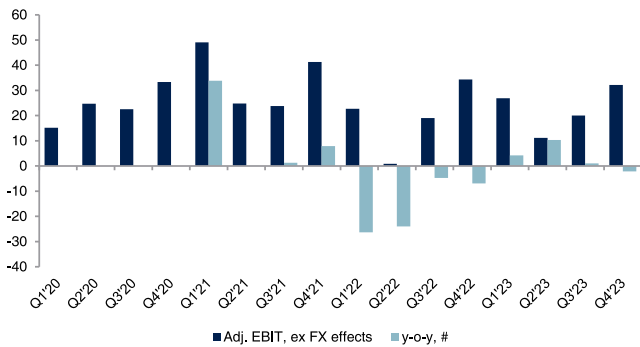
Rugvista is a leading European D2C rug retailer selling a broad assortment of traditional and designer rugs through its online platforms RugVista and CarpetVista since 2005. Rugvista’s high customer satisfaction, long-standing supplier relations and best-in-class margins has led to a strong financial development as the company gets better and better at e-commerce operations.

## Risks

The most significant risks to Rugvista are price pressure risk from smaller competitors entering the market, expansion risk, freight cost risk and consumer trend risk. Rugvista’s production facilities are not owned in-house and the rugs are produced in high-risk countries with regards to social sustainability, and the occurrence of a negative incident at one of these production facilities could be a risk to Rugvista’s reputation and thereby sales.

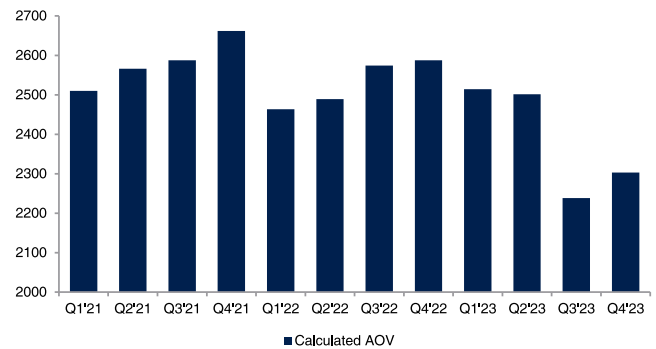
## The BUY case in Rugvista in six charts

### Q4 deviation ex FX effects was minimal



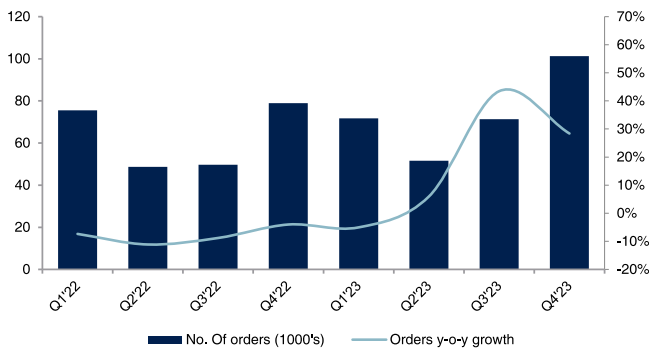
Source: ABG Sundal Collier, company data

### A pressured consumer temporarily opts for discounted rugs



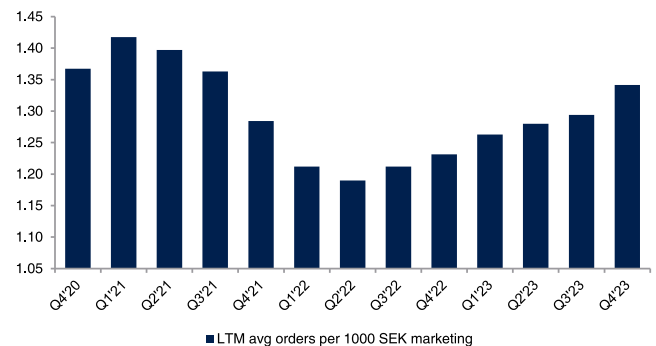
Source: ABG Sundal Collier, company data

### Mid-'23 platform upgrades led to 34% H2 order growth



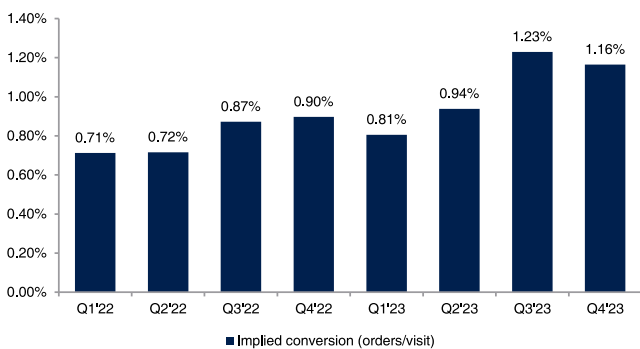
Source: ABG Sundal Collier, company data

### Marketing efficiency is significantly improved



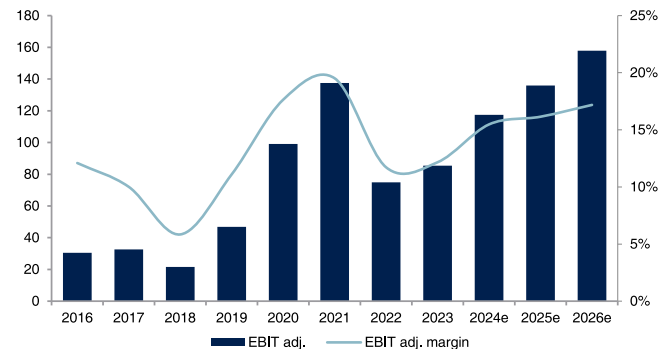
Source: ABG Sundal Collier, company data

### Conversion rate is higher



Source: ABG Sundal Collier, company data

### We forecast strong EBIT development



Source: ABG Sundal Collier, company data

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	326	368	422	562	705	639	702	759	841	919
COGS	-145	-163	-172	-217	-251	-245	-269	-292	-322	-351
Gross profit	180	205	250	345	454	394	433	467	519	568
Other operating items	-148	-182	-195	-233	-318	-309	-336	-337	-369	-395
<b>EBITDA</b>	<b>33</b>	<b>23</b>	<b>55</b>	<b>112</b>	<b>136</b>	<b>86</b>	<b>98</b>	<b>130</b>	<b>150</b>	<b>173</b>
Depreciation and amortisation	0	-2	-8	-8	-8	-11	-12	-13	-14	-15
of which leasing depreciation	0	0	-6	-7	-7	-7	-7	-7	-7	-7
<b>EBITA</b>	<b>33</b>	<b>22</b>	<b>47</b>	<b>104</b>	<b>128</b>	<b>75</b>	<b>85</b>	<b>117</b>	<b>136</b>	<b>158</b>
EO Items	0	0	0	5	-10	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>33</b>	<b>22</b>	<b>47</b>	<b>104</b>	<b>128</b>	<b>75</b>	<b>85</b>	<b>117</b>	<b>136</b>	<b>158</b>
Net financial items	-5	-4	-4	-4	-1	-1	3	6	6	6
<b>Pretax profit</b>	<b>28</b>	<b>18</b>	<b>43</b>	<b>101</b>	<b>127</b>	<b>74</b>	<b>89</b>	<b>123</b>	<b>142</b>	<b>164</b>
Tax	-6	-4	-9	-21	-27	-15	-19	-25	-29	-34
<b>Net profit</b>	<b>22</b>	<b>14</b>	<b>34</b>	<b>80</b>	<b>100</b>	<b>59</b>	<b>70</b>	<b>98</b>	<b>113</b>	<b>130</b>
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
<b>Net profit to shareholders</b>	<b>22</b>	<b>14</b>	<b>34</b>	<b>80</b>	<b>100</b>	<b>59</b>	<b>70</b>	<b>98</b>	<b>113</b>	<b>130</b>
EPS	1.07	0.67	1.66	3.94	4.80	2.83	3.37	4.71	5.42	6.26
EPS adj.	1.07	0.67	1.66	3.75	5.18	2.83	3.37	4.71	5.42	6.26
Total extraordinary items after tax	0	0	0	4	-8	0	0	0	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	22.0	24.3	20.9	20.5	21.2	20.8	21.1	20.6	20.6	20.6
Gross margin (%)	55.4	55.6	59.3	61.4	64.4	61.7	61.7	61.6	61.7	61.8
EBITDA margin (%)	10.0	6.3	13.0	19.9	19.3	13.4	13.9	17.2	17.8	18.8
EBITA margin (%)	10.0	5.8	11.1	18.5	18.1	11.7	12.2	15.5	16.1	17.2
EBIT margin (%)	10.0	5.8	11.1	18.5	18.1	11.7	12.2	15.5	16.1	17.2
Pre-tax margin (%)	8.5	4.9	10.1	17.9	18.0	11.6	12.6	16.3	16.9	17.8
Net margin (%)	6.7	3.7	8.0	14.2	14.2	9.2	10.0	12.9	13.4	14.2
<b>Growth Rates y-o-y</b>	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	--	13.0	14.7	33.0	25.5	-9.3	9.8	8.0	10.9	9.2
EBITDA growth (%)	--	-28.8	137.3	103.3	21.5	-36.8	13.5	33.7	15.1	14.9
EBITA growth (%)	--	-34.0	118.0	122.0	22.6	-41.3	14.0	37.5	15.7	16.1
EBIT growth (%)	--	-34.0	NM	NM	22.6	-41.3	14.0	37.5	15.7	16.1
Net profit growth (%)	--	-37.5	148.9	136.9	24.8	-41.0	18.8	40.1	15.0	15.5
EPS growth (%)	--	-37.5	148.9	136.9	21.8	-41.0	18.8	40.1	15.0	15.5
<b>Profitability</b>	-	-	-	-	-	-	-	-	-	-
ROE (%)	--	9.1	10.7	21.5	21.9	11.8	13.4	17.1	17.7	18.4
ROE adj. (%)	--	9.1	10.7	20.4	23.7	11.8	13.4	17.1	17.7	18.4
ROCE (%)	--	10.9	11.0	23.2	26.4	14.2	16.3	21.7	22.4	23.3
ROCE adj. (%)	--	10.9	11.0	22.0	28.4	14.2	16.1	19.7	20.6	21.6
ROIC (%)	--	8.6	9.4	23.2	32.9	17.0	18.0	24.6	26.6	29.9
ROIC adj. (%)	--	8.6	9.4	22.1	35.5	17.0	18.0	24.6	26.6	29.9
<b>Adj. earnings numbers</b>	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	33	23	55	107	146	86	98	130	150	173
EBITDA adj. margin (%)	10.0	6.3	13.0	19.0	20.7	13.4	13.9	17.2	17.8	18.8
EBITDA lease adj.	33	23	55	107	146	86	98	130	150	173
EBITDA lease adj. margin (%)	10.0	6.3	13.0	19.0	20.7	13.4	13.9	17.2	17.8	18.8
EBITA adj.	33	22	47	99	138	75	85	117	136	158
EBITA adj. margin (%)	10.0	5.8	11.1	17.6	19.5	11.7	12.2	15.5	16.1	17.2
EBIT adj.	33	22	47	99	138	75	85	117	136	158
EBIT adj. margin (%)	10.0	5.8	11.1	17.6	19.5	11.7	12.2	15.5	16.1	17.2
Pretax profit Adj.	28	18	43	96	137	74	89	123	142	164
Net profit Adj.	22	14	34	76	108	59	70	98	113	130
Net profit to shareholders adj.	22	14	34	76	108	59	70	98	113	130
Net adj. margin (%)	6.7	3.7	8.0	13.5	15.3	9.2	10.0	12.9	13.4	14.2

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	33	23	55	112	136	86	98	130	150	173
Net financial items	-5	-4	-4	-4	-1	-1	3	6	6	6
Paid tax	-6	-4	-9	-21	-27	-15	-19	-25	-29	-34
Non-cash items	-26	81	1	0	-4	-2	4	0	0	0
Cash flow before change in WC	-4	96	43	88	104	68	87	111	127	145
Change in working capital	0	-87	4	97	10	-77	42	0	20	-4

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>Operating cash flow</b>	<b>-4</b>	<b>9</b>	<b>46</b>	<b>185</b>	<b>115</b>	<b>-8</b>	<b>128</b>	<b>112</b>	<b>147</b>	<b>141</b>
Capex tangible fixed assets	-1	-0	-1	1	-2	-1	-6	-36	-21	-4
Capex intangible fixed assets	0	0	-0	0	0	-9	-7	-11	-12	-14
Acquisitions and Disposals	0	0	0	0	0	0	0	0	0	0
<b>Free cash flow</b>	<b>-6</b>	<b>9</b>	<b>45</b>	<b>187</b>	<b>112</b>	<b>-18</b>	<b>115</b>	<b>65</b>	<b>114</b>	<b>124</b>
Dividend paid	0	0	0	0	0	-52	-31	-35	-49	-56
Share issues and buybacks	0	4	0	2	11	0	0	0	0	0
Leasing liability amortisation	0	0	-7	-6	-7	-9	-11	-11	-11	-11
Other non-cash items	6	-105	-35	3	-23	2	1	-0	0	0
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	-	300	300	300	300	300	300	300	300	300
Other intangible assets	0	0	0	0	0	9	20	29	38	47
Tangible fixed assets	-	3	2	3	4	4	4	39	60	64
Right-of-use asset	0	0	36	29	28	27	22	22	23	23
Total other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	303	338	332	332	340	346	391	420	434
Inventories	-	143	139	91	147	174	126	159	156	175
Receivables	-	9	10	29	20	52	22	23	25	28
Other current assets	-	2	1	2	1	1	3	3	3	4
Cash and liquid assets	-	17	46	140	218	140	209	228	282	338
<b>Total assets</b>	<b>0</b>	<b>474</b>	<b>533</b>	<b>593</b>	<b>717</b>	<b>707</b>	<b>706</b>	<b>803</b>	<b>886</b>	<b>978</b>
Shareholders equity	0	298	332	413	497	504	542	605	669	743
Minority	-	0	0	0	0	0	0	0	0	0
<b>Total equity</b>	<b>0</b>	<b>298</b>	<b>332</b>	<b>413</b>	<b>497</b>	<b>504</b>	<b>542</b>	<b>605</b>	<b>669</b>	<b>743</b>
Long-term debt	-	88	77	0	0	0	0	0	0	0
Pension debt	-	0	0	0	0	0	0	0	0	0
Convertible debt	-	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	36	30	28	28	23	23	23	23
Total other long-term liabilities	0	10	11	14	0	0	0	0	0	0
Short-term debt	-	11	11	0	0	0	0	0	0	0
Accounts payable	-	44	34	71	95	77	55	83	93	101
Other current liabilities	0	23	33	65	97	98	85	91	101	111
<b>Total liabilities and equity</b>	<b>0</b>	<b>474</b>	<b>533</b>	<b>593</b>	<b>717</b>	<b>707</b>	<b>706</b>	<b>803</b>	<b>886</b>	<b>978</b>
Net IB debt	0	82	78	-110	-190	-112	-186	-205	-259	-315
Net IB debt excl. pension debt	0	82	78	-110	-190	-112	-186	-205	-259	-315
Net IB debt excl. leasing	0	82	42	-140	-218	-140	-209	-228	-282	-339
Capital employed	0	397	456	443	525	532	566	629	692	766
Capital invested	0	380	410	304	307	392	356	401	410	427
Working capital	0	87	83	-14	-24	52	11	10	-10	-6
<b>EV breakdown</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Market cap. diluted (m)	1,176	1,176	1,176	1,176	1,206	1,206	1,206	1,206	1,206	1,206
Net IB debt adj.	0	82	78	-110	-190	-112	-186	-205	-259	-315
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
<b>EV</b>	<b>1,176</b>	<b>1,258</b>	<b>1,255</b>	<b>1,066</b>	<b>1,016</b>	<b>1,093</b>	<b>1,019</b>	<b>1,001</b>	<b>947</b>	<b>890</b>
Total assets turnover (%)	--	155.5	83.9	99.8	107.6	89.8	99.4	100.6	99.6	98.6
Working capital/sales (%)	0.0	11.8	20.1	6.1	-2.7	2.2	4.5	1.4	0.0	-0.9
<b>Financial risk and debt service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net debt/equity (%)	--	27.6	23.6	-26.6	-38.2	-22.3	-34.3	-33.8	-38.7	-42.5
Net debt / market cap (%)	0.0	7.0	6.7	-9.3	-15.7	-9.3	-15.4	-17.0	-21.5	-26.2
Equity ratio (%)	--	62.8	62.2	69.8	69.3	71.2	76.9	75.4	75.5	76.0
Net IB debt adj. / equity (%)	--	27.6	23.6	-26.6	-38.2	-22.3	-34.3	-33.8	-38.7	-42.5
Current ratio	--	2.18	2.50	1.92	2.01	2.10	2.57	2.36	2.40	2.57
EBITDA/net interest	6.8	6.4	12.9	31.5	149.6	147.6	30.2	21.7	25.0	28.8
Net IB debt/EBITDA (x)	0.0	3.5	1.4	-1.0	-1.4	-1.3	-1.9	-1.6	-1.7	-1.8
Net IB debt/EBITDA lease adj. (x)	0.0	3.5	0.8	-1.3	-1.5	-1.6	-2.1	-1.7	-1.9	-2.0
Interest coverage	6.8	6.0	11.0	29.3	140.4	128.7	164.4	19.6	22.6	26.3

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	20	20	20	20	21	21	21	21	21	21
Actual shares outstanding (avg)	20	20	20	20	21	21	21	21	21	21

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	-	0	0	0	1	0	0	0	0	0
Issue month	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	-	-	-	-	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	-	-	-	-	0	0	0	0	0	0
Conv. debt not assumed as equity	-	-	-	-	0	0	0	0	0	0
No. of warrants	-	-	-	-	0	0	0	0	0	0
Market value per warrant	-	-	-	-	0	0	0	0	0	0
Dilution from warrants	-	-	-	-	0	0	0	0	0	0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	0.00	0.00	0.00	0.00	2.50	1.50	1.68	2.36	2.71	3.13
Reported earnings per share	1.07	0.67	1.66	3.94	4.80	2.83	3.37	4.71	5.42	6.26

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	20	20	20	20	21	21	21	21	21	21
Diluted shares adj.	20	20	20	20	21	21	21	21	21	21
EPS	1.07	0.67	1.66	3.94	4.80	2.83	3.37	4.71	5.42	6.26
Dividend per share	0.00	0.00	0.00	0.00	2.50	1.50	1.68	2.36	2.71	3.13
EPS adj.	1.07	0.67	1.66	3.75	5.18	2.83	3.37	4.71	5.42	6.26
BVPS	0.00	14.67	16.36	20.39	23.91	24.23	26.10	29.13	32.19	35.74
BVPS adj.	0.00	-0.12	1.55	5.60	9.48	9.36	10.72	13.32	15.95	19.04
Net IB debt/share	0.00	4.05	3.86	-5.41	-9.13	-5.39	-8.95	-9.85	-12.45	-15.18
Share price	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00
Market cap. (m)	1,176	1,176	1,176	1,176	1,206	1,206	1,206	1,206	1,206	1,206
<b>Valuation</b>	-	-	-	-	-	-	-	-	-	-
P/E (x)	54.2	86.7	34.8	14.7	12.1	20.5	17.2	12.3	10.7	9.3
EV/sales (x)	3.61	3.42	2.97	1.90	1.44	1.71	1.45	1.32	1.13	0.97
EV/EBITDA (x)	36.1	54.2	22.8	9.5	7.5	12.7	10.5	7.7	6.3	5.2
EV/EBITA (x)	36.1	58.5	26.7	10.2	8.0	14.6	11.9	8.5	7.0	5.6
EV/EBIT (x)	36.1	58.5	26.7	10.2	8.0	14.6	11.9	8.5	7.0	5.6
Dividend yield (%)	0.0	0.0	0.0	0.0	4.3	2.6	2.9	4.1	4.7	5.4
FCF yield (%)	-0.5	0.8	3.9	15.9	9.3	-1.5	9.6	5.4	9.4	10.3
Le. adj. FCF yld. (%)	-0.5	0.8	3.3	15.3	8.7	-2.3	8.7	4.5	8.5	9.4
P/BVPS (x)	--	3.95	3.54	2.84	2.43	2.39	2.22	1.99	1.80	1.62
P/BVPS adj. (x)	--	-486.63	37.35	10.36	6.12	6.19	5.41	4.36	3.64	3.05
P/E adj. (x)	54.2	86.7	34.8	15.5	11.2	20.5	17.2	12.3	10.7	9.3
EV/EBITDA adj. (x)	36.1	54.2	22.8	10.0	7.0	12.7	10.5	7.7	6.3	5.2
EV/EBITA adj. (x)	36.1	58.5	26.7	10.8	7.4	14.6	11.9	8.5	7.0	5.6
EV/EBIT adj. (x)	36.1	58.5	26.7	10.8	7.4	14.6	11.9	8.5	7.0	5.6
EV/CE (x)	--	3.2	2.8	2.4	1.9	2.1	1.8	1.6	1.4	1.2
<b>Investment ratios</b>	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	0.4	0.1	0.2	0.2	0.3	1.6	1.8	6.2	3.9	1.9
Capex/depreciation	--	0.1	0.6	-0.9	1.4	2.3	2.3	7.3	4.3	2.1
Capex tangibles / tangible fixed assets	--	6.4	32.7	41.7	56.8	24.9	142.8	90.1	34.2	5.6
Capex intangibles / definite intangibles	--	--	101.1	--	--	100.0	35.9	39.4	32.8	28.7
Depreciation on intang / def. intang	--	--	6	--	--	6	7	8	9	8
Depreciation on tangibles / tangibles	--	53.21	94.57	44.33	40.56	107.86	106.08	10.40	6.84	6.46

Source: ABG Sundal Collier, Company Data

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	% of Total Rating	% of Total IBC	% of Total Rating by Type
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<b>HOLD</b>	30.03%	4%	3.77%
<b>SELL</b>	5.67%	0%	0.00%

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## Stock price, company ratings and target price history

Company: Rugvista Group

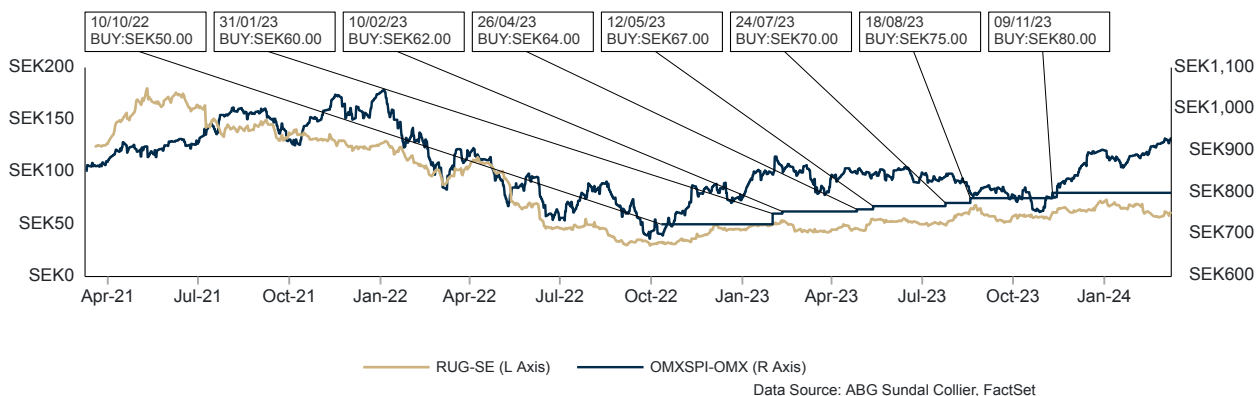
Currency: SEK

Current Recommendation: BUY

Date: 7/3/2024

Current Target price: 80.0

Current Share price: 58.00



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