

MIPS

Peers confirming the bike recovery

- Sports retailer data remains stable in Q2...
- ...while bike peers show improved growth and strong recovery ahead
- H2e to show accelerated growth, and we are above cons on 2025-26 EBIT: BUY

Sports retailers stabilising trends

We have updated our peer analysis post Q2 reports, and conclude that the global sports retailer market remains on average in negative growth territory, although at a more stable rate than before. In terms of inventory, a selection of retailers have seen 20-40% reductions in inventory since peak in Q3'22. We view this development as neutral but supportive for our case in MIPS that a gradual inventory normalisation is about to play out. In combination with potential growth in 2025e for sports retailers, this could drive quite meaningful growth in gross purchases, which would be further positive.

Bike peer expectations more positive

Looking at the bike sector, the online retailer Bike24 delivered its first growth in Q2 in five quarters (1%), and reiterated its FY guidance of 1-5% growth vs 2023, meaning that H2e need to grow around 5-15%. Its inventory level has also dropped by 25% since peak in Q3'22 and is now stable for the third consecutive quarter, meaning that sales in matches sales out, which is positive for MIPS. Both listed bike producers Merida and Giant also delivered improved growth rates in Q2 and FactSet consensus expectations have come up recently, pointing towards 12-69% growth in Q3-Q4e amid easy comps, improved consumer sentiment and more normalised inventory levels. More related peers to MIPS in Shimano and Fox Factory are also positive on the market ahead and guide for improved growth rates, with consensus expectations around 10-25% growth in Q3-Q4e.

We expect strong growth in H2'24e: BUY

Based on positive peer data, company comments and even easier comps in H2e, we estimate MIPS to grow 60% organically in Q3-Q4e, which will drive significant earnings growth. Even though near-term valuation multiples are not low, we argue that the market will look at valuation multiples further out when growth accelerates. We also find ourselves 11-16% above FactSet consensus on 2025-26e EBIT which should continue to drive the positive estimate revisions trend. We stick to our BUY rating and TP SEK 650, for a 30% upside, and view the latest peer data as supportive for the bike recovery case.

Fast comment

BUY

Consumer Goods

MIPS-SE/MIPS SS

Share price (SEK)	21/8/2024	500.50
Target price		650.0

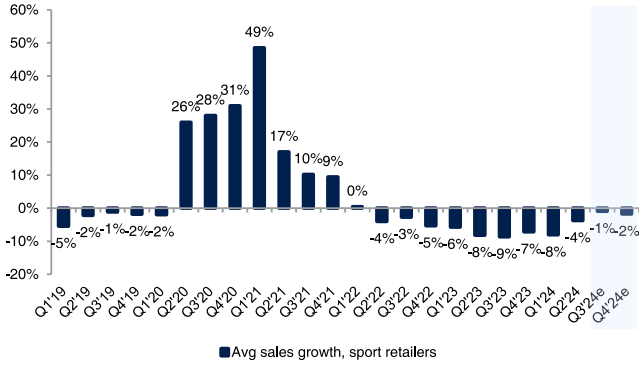
MCap (SEKm)	13,260
MCap (EURm)	1,166
No. of shares (m)	26.5
Free float (%)	99.3
Av. daily volume (k)	23

Next event Q3 Report 24 October 2024

Analyst(s):

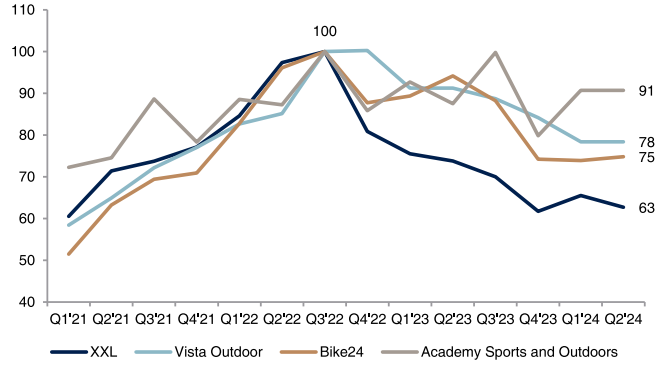
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Average sport retailers growth, y-o-y



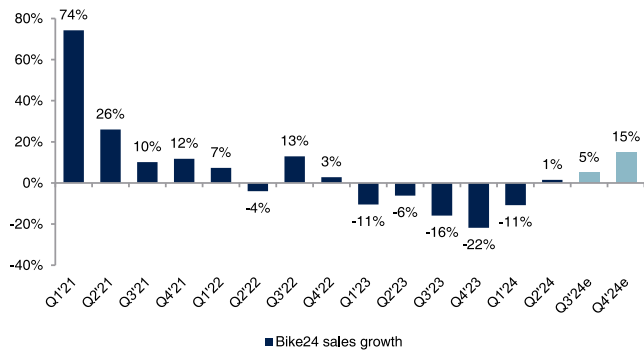
Source: ABG Sundal Collier, company data, FactSet, companies: XXL, Dick's Sporting Good, Sportsman's Warehouse, Big 5 Sporting Goods, Academy Sports and Outdoors, Bike24, Vista Outdoor

Average inventory levels sport retailers (base Q3'22)



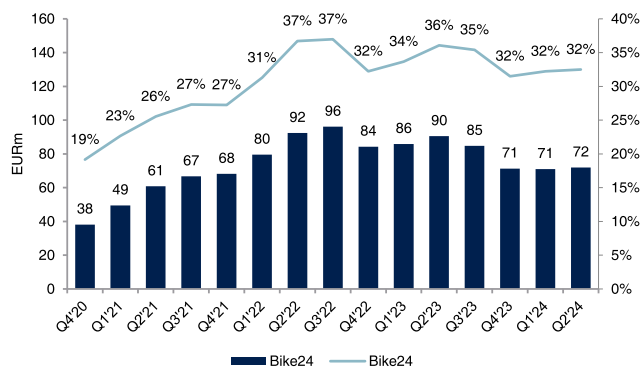
Source: ABG Sundal Collier, XXL, Vista Outdoor, Bike24 and Academy Sports and Outdoor

Bike24 y-o-y sales growth



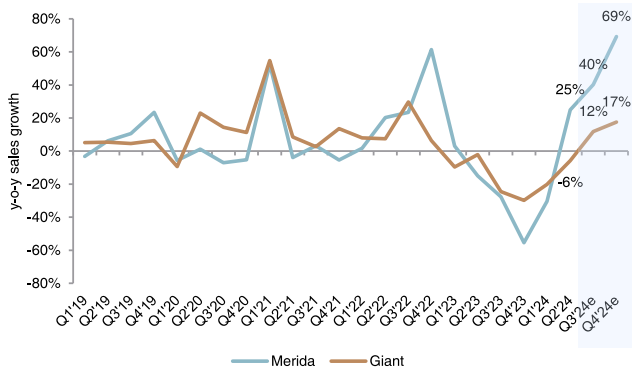
Source: ABG Sundal Collier, company data, implied guidance for H2'24e

Bike24 inventory and inventory/R12m sales



Source: ABG Sundal Collier, company data

Merida and Giant growth y-o-y



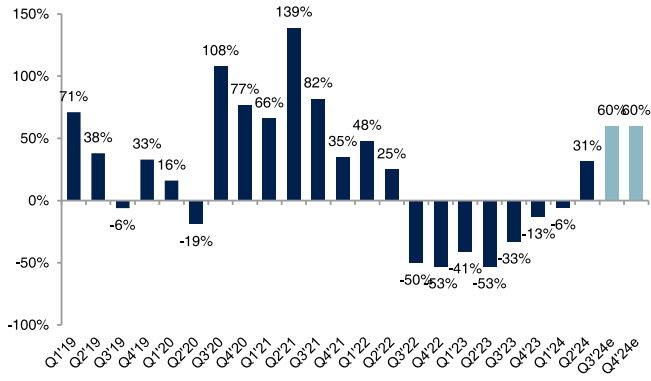
Source: ABG Sundal Collier, FactSet, company data

MIPS vs Fox Factory and Shimano



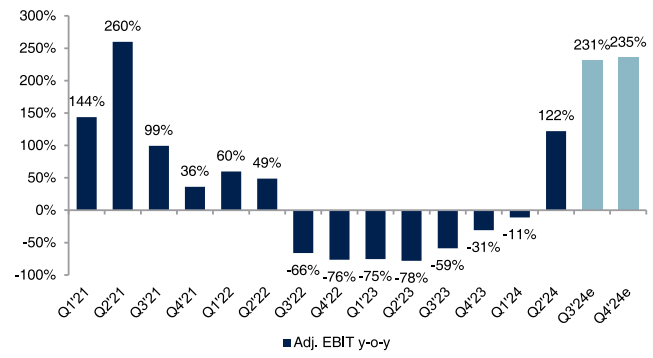
Source: ABG Sundal Collier, company data, Fox Factory, Shimano, FactSet

Quarterly organic growth



Source: ABG Sundal Collier, company data

Adj. EBIT y-o-y



Source: ABG Sundal Collier, company data

MIPS

SEKm	2022	2023	2024e	2025e	2026e
Sales	563	358	482	736	986
Sales growth (%)	-7.4	-36.4	34.6	52.7	33.9
EBITDA	240	86	189	349	505
EBITDA margin (%)	42.7	24.0	39.2	47.4	51.3
EBIT adj.	228	71	173	331	485
EBIT adj. margin (%)	40.5	19.8	35.9	45.0	49.2
Pretax profit	223	84	179	331	485
EPS	6.71	2.41	5.35	9.90	14.51
EPS growth (%)	-30.8	-64.0	<i>nm</i>	84.8	46.6
EPS adj.	6.71	2.41	5.35	9.90	14.51
DPS	5.50	6.00	6.50	7.00	7.25
EV/EBITDA (x)	52.2	146.7	66.6	36.1	24.6
EV/EBIT adj. (x)	55.0	177.3	72.7	38.0	25.6
P/E (x)	74.6	207.3	93.5	50.6	34.5
P/E adj. (x)	74.6	207.3	93.5	50.6	34.5
EV/sales (x)	22.29	35.16	26.12	17.07	12.62
FCF yield (%)	1.6	-0.6	0.8	1.5	2.4
Le. adj. FCF yld. (%)	1.6	-0.6	0.8	1.5	2.4
Dividend yield (%)	1.1	1.2	1.3	1.4	1.4
Net IB debt/EBITDA (x)	-2.1	-4.6	-2.1	-1.2	-1.1
Le. adj. ND/EBITDA (x)	-2.3	-5.0	-2.2	-1.3	-1.1

Source: ABG Sundal Collier, Company Data

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	% of Total Rating	% of Total IBC	% of Total Rating by Type
BUY	64.66%	18%	7.63%
HOLD	30.68%	4%	3.57%
SELL	4.11%	1%	6.67%

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BUY = We expect this stock’s total return to exceed the market’s expected total return by 5% or more over the next six months.

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Stock price, company ratings and target price history

Company: MIPS

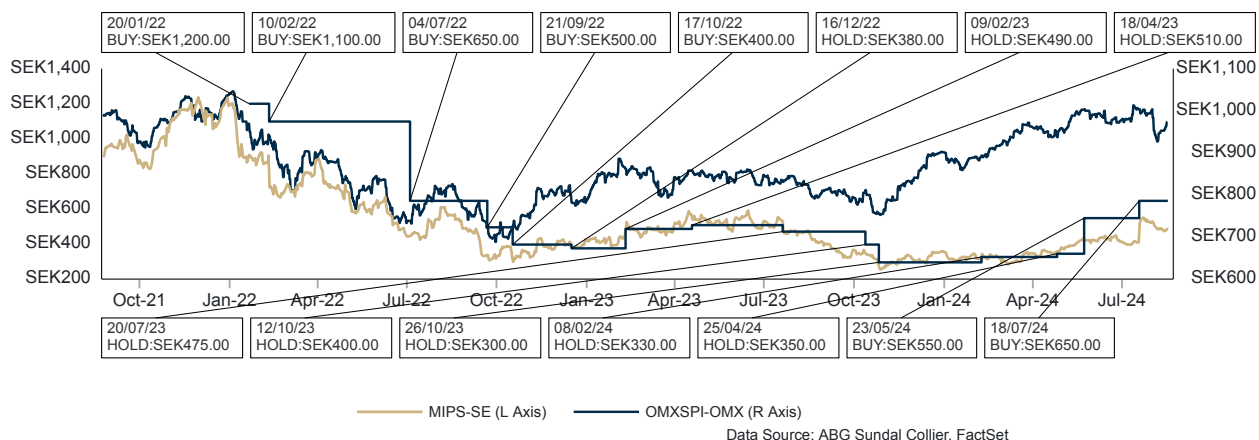
Currency: SEK

Current Recommendation: BUY

Date: 21/8/2024

Current Target price: 650.0

Current Share price: 500.50



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