

Hennes & Mauritz

Betting big, as it should: reiterate BUY

- Growth investments currently weighing on margins
- September could be the first sign of a turnaround
- Reiterate BUY and TP of SEK 195

Conclusions from the Q3'24 report

H&M reported fiscal Q3'24 (Jun-Aug) lccy sales growth of +0%, 3% below our expectations. However, the last two months of the quarter grew +4%. Furthermore, current trading impressed, as September is expected to grow by 11% (lccy). The gross margin expanded slightly despite headwinds from raw materials, higher markdowns and price investments. However, opex was elevated due to adverse FX, accelerated marketing efforts and NRIs. As such, the adjusted EBIT margin contracted 1.5pp, resulting in a ~20% miss vs. Infront consensus. In other words, sales picked up speed nicely while margins took a step back. Lastly, a SEK 1bn buyback program for the coming two months was launched.

Outlook: accelerating sales growth at a higher cost

As described in our [6 September note](#), H&M is currently accelerating its marketing efforts to reignite the brand, which has lost strength in the last 5-6 years. We calculate that these costs were ~SEK 350m in Q3 and assume SEK 550m in Q4e. Furthermore, the group is investing in price/value, and it also seems to accelerate its customer activation efforts, which is weighing on margins. The crucial question at this point is if the net effect of these efforts will be positive. Although Q4 got off to a strong start, we believe it is too early to evaluate. We forecast 7% sales growth but a 1pp margin contraction in Q4, resulting in EBIT of SEK 3.8bn (-11% y-o-y). For FY'25, we forecast 5% lccy sales growth and a 1.2pp margin expansion for an EPS just short of SEK 9.00 (+26% y-o-y).

Reiterate BUY and TP of SEK 195

We cut '24e adj. EPS by 12% but just fine-tune our '25e-'26e earnings and reiterate BUY, as a continuously solid sales performance could give fuel to the shares. Our TP of SEK 195 is unchanged, corresponding to a lease adj. EV/EBIT of ~15x ('25e).

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SEKm	2022	2023	2024e	2025e	2026e
Sales	223,553	236,035	237,168	248,076	255,237
EBITDA	28,858	37,460	37,997	42,516	44,047
EBITDA margin (%)	12.9	15.9	16.0	17.1	17.3
EBIT adj.	10,109	13,538	17,085	20,733	21,727
EBIT adj. margin (%)	4.5	5.7	7.2	8.4	8.5
Pretax profit	6,216	13,010	14,784	19,083	20,069
EPS	2.15	5.35	6.87	8.98	9.57
EPS adj.	3.99	4.52	7.13	8.98	9.57
Sales growth (%)	12.4	5.6	0.5	4.6	2.9
EPS growth (%)	-67.1	nm	28.3	30.8	6.5

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

BUY HOLD SELL

Retail

Estimate changes (%)

	2024e	2025e	2026e
Sales	-0.3	0.5	0.5
EBIT	-12.6	-1.0	-0.2
EPS	-13.8	-1.1	-0.3

Source: ABG Sundal Collier

HM.B-SE/HMB SS

Share price (SEK)	26/9/2024	173.00
Target price		195.0

MCap (SEKm)	292,072
MCap (EURm)	22,672
No. of shares (m)	1,416.1
Free float (%)	37.1
Av. daily volume (k)	3,566

Next event Q4 Report 30 January 2025

Performance



	2024e	2025e	2026e
P/E (x)	25.2	19.3	18.1
P/E adj. (x)	24.3	19.3	18.1
P/BVPS (x)	6.27	6.13	5.89
EV/EBITDA (x)	8.7	7.7	7.3
EV/EBIT adj. (x)	19.2	15.7	14.8
EV/sales (x)	1.39	1.31	1.26
ROE adj. (%)	25.3	32.1	33.2
Dividend yield (%)	3.8	3.8	3.8
FCF yield (%)	8.4	9.5	9.7
Le. adj. FCF yld. (%)	3.9	5.1	5.3
Net IB debt/EBITDA (x)	1.1	1.0	0.9
Le. adj. ND/EBITDA (x)	-0.2	-0.2	-0.1

Company description

H&M is one of the largest omni-players in the global fashion market. The company has in-house design but outsourced production, primarily located in Asia. The H&M brand is the absolute largest one, followed by COS, & Other Stories, Monki, Weekday, ARKET, Afound and H&M Home. H&M is driven by the desire to make great design available to everyone, in a more sustainable way.

[Sustainability information](#)

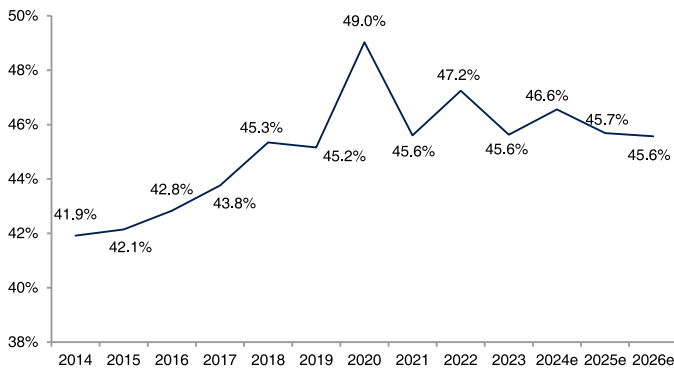
Low-single-digit sales growth in '24e-'25e

Iccy sales growth (y-o-y)



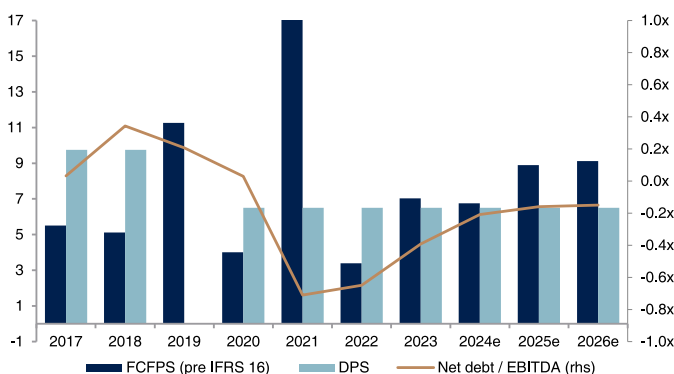
Source: ABG Sundal Collier, company data

Opex-to-sales (pre-IFRS 16)



Source: ABG Sundal Collier, Company data

FCFPS, DPS and gearing (SEK)



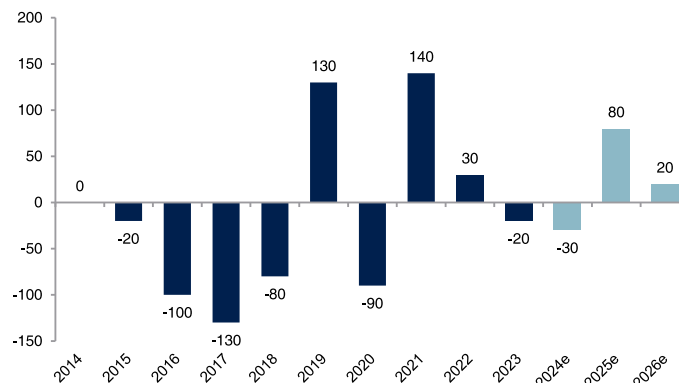
Source: ABG Sundal Collier, Company data

Risks

Naturally, we rank fashion risk (unsuccessful collections) as the most significant risk. In cases of declining LFL sales growth, margins usually follow on the back of rising inventories and elevated markdown levels. Furthermore, the digital transformation within the fashion industry imply accelerated competition and increased transparency, which could put pressure to prices. Furthermore, increasing awareness of sustainability could lower the demand for fast fashion.

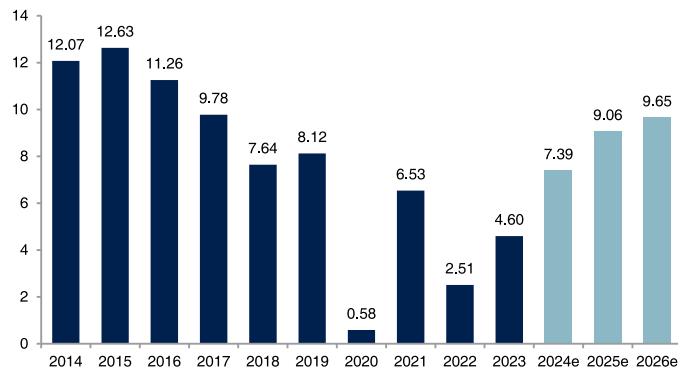
Improved inventory mgmt. supports margins

Markdown impact, y-o-y (bp)



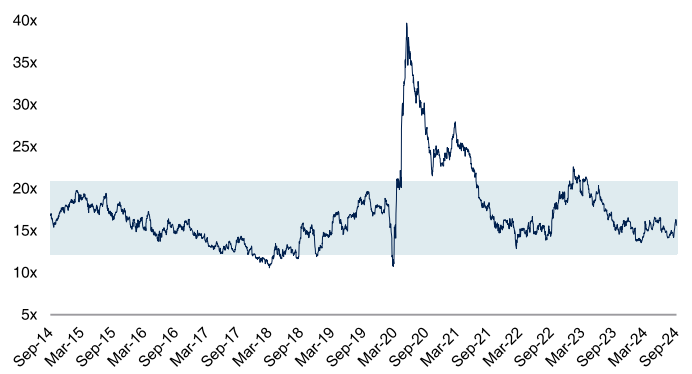
Source: ABG Sundal Collier, company data

EPS adj. (pre-IFRS 16)



Source: ABG Sundal Collier, Company data

EV/EBIT (NTM)



Source: ABG Sundal Collier, FactSet

ABGSC estimate revisions (SEKbn)

	Old			New			Chg.		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Net sales	237.8	246.8	253.9	237.2	248.1	255.2	0%	1%	1%
Gross profit	126.7	132.1	136.0	125.4	132.6	136.6	-1%	0%	0%
Gross margin	53.3%	53.5%	53.6%	52.9%	53.5%	53.5%	-40 bps	0 bps	0 bps
Opex/Sales (incl. D&A)	45.2%	45.0%	45.0%	45.7%	45.1%	45.0%	50 bps	10 bps	0 bps
EBIT adj.	19.3	20.9	21.8	17.1	20.7	21.7	-11%	-1%	0%
EBIT adj. margin	8.1%	8.5%	8.6%	7.2%	8.4%	8.5%	-90 bps	-10 bps	-10 bps
EPS adj.	8.13	9.08	9.60	7.13	8.98	9.57	-12%	-1%	0%
EPS	7.97	9.08	9.60	6.87	8.98	9.57	-14%	-1%	0%
Growth drivers									
LFL sales growth	2.5%	3.6%	2.4%	2.1%	4.4%	2.4%	-40 bps	80 bps	0 bps
Expansion	0.0%	0.5%	0.5%	0.0%	0.5%	0.5%	0 bps	0 bps	0 bps
FX	-1.8%	-0.3%	0.0%	-1.6%	-0.3%	0.0%	10 bps	0 bps	0 bps
Lccy	2.5%	4.1%	2.9%	2.1%	4.9%	2.9%	-40 bps	80 bps	0 bps
Gross margin bridge									
Currency impact	20	0	0	20	0	0	0	0	0
Markdowns	-10	70	20	-30	80	20	-20	10	0
Sourcing, logistics, other	215	-50	0	225	10	0	10	60	0
Price, quality, investments	-20	0	-10	-50	-30	-10	-30	-30	0
NRI	0	0	0	0	0	0	0	0	0
Total	53.3%	53.5%	53.6%	52.9%	53.5%	53.5%	-40 bps	0 bps	0 bps

Source: ABG Sundal Collier, Company data

ABGSC P&L estimates (SEKm)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024e	2023	2024e	2025e	2026e
Net sales	54,872	57,616	60,897	62,650	53,669	59,605	59,011	64,883	236,035	237,168	248,076	255,237
Cost of goods sold	-29,006	-27,300	-29,930	-29,061	-26,014	-26,036	-28,878	-30,823	-115,297	-111,751	-115,441	-118,625
Gross profit	25,866	30,316	30,967	33,589	27,655	33,569	30,133	34,060	120,738	125,417	132,635	136,612
SG&A	-20,635	-20,082	-20,501	-23,059	-19,851	-20,847	-21,082	-24,919	-84,277	-86,699	-90,119	-92,565
EBITDA adj.	5,231	10,234	10,466	10,530	7,804	12,722	9,051	9,141	36,461	38,718	42,516	44,047
Non-recurring items	999	0	0	0	-161	-199	-200	0	999	-560	0	0
EBITDA	6,230	10,234	10,466	10,530	7,643	12,523	8,851	9,141	37,460	38,158	42,516	44,047
D&A	-5,505	-5,493	-5,727	-6,198	-5,405	-5,425	-5,344	-5,298	-22,923	-21,472	-21,782	-22,321
o/w Ordinary D&A and write-downs	-2,415	-2,405	-2,352	-2,634	-2,128	-2,134	-2,122	-2,294	-9,806	-8,678	-9,405	-9,980
o/w IFRS 16	-3,090	-3,088	-3,375	-3,564	-3,277	-3,291	-3,222	-3,004	-13,117	-12,794	-12,378	-12,341
EBIT adj.	-274	4,741	4,739	4,332	2,238	7,297	3,707	3,843	13,538	17,085	20,733	21,727
EBIT	725	4,741	4,739	4,332	2,077	7,098	3,507	3,843	14,537	16,525	20,733	21,727
Net financial items	-329	-416	-366	-416	-471	-430	-422	-418	-1,527	-1,741	-1,651	-1,658
PTP	396	4,325	4,373	3,916	1,606	6,668	3,085	3,425	13,010	14,784	19,083	20,069
Tax	144	-1,037	-1,054	-2,340	-405	-1,673	-778	-871	-4,287	-3,727	-4,800	-5,046
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	540	3,288	3,319	1,576	1,201	4,995	2,307	2,554	8,723	11,057	14,283	15,023
EPS	0.33	2.02	2.04	0.97	0.74	3.10	1.43	1.59	5.35	6.87	8.98	9.57
EPS adj. (SEK)	-0.50	2.02	2.04	0.97	0.82	3.19	1.53	1.59	4.52	7.13	8.98	9.57
Ratios												
Sales growth	12%	6%	6%	0%	-2%	3%	-3%	4%	5.6%	0.5%	4.6%	2.9%
Sales growth, lccy	3%	0%	0%	-4%	-2%	3%	0%	7%	-0.5%	2.1%	4.9%	2.9%
Gross margin	47.1%	52.6%	50.9%	53.6%	51.5%	56.3%	51.1%	52.5%	51.2%	52.9%	53.5%	53.5%
SG&A-to-sales	37.6%	34.9%	33.7%	36.8%	37.0%	35.0%	35.7%	38.4%	45.6%	46.6%	45.7%	45.6%
EBIT adj. margin	-0.5%	8.2%	7.8%	6.9%	4.2%	12.2%	6.3%	5.9%	5.7%	7.2%	8.4%	8.5%
Pretax margin	0.7%	7.5%	7.2%	6.3%	3.0%	11.2%	5.2%	5.3%	5.5%	6.2%	7.7%	7.9%
Net margin	1.0%	5.7%	5.5%	2.5%	2.2%	8.4%	3.9%	3.9%	3.7%	4.7%	5.8%	5.9%
Tax rate	-36.4%	24.0%	24.1%	59.8%	25.2%	25.1%	25.2%	25.4%	33.0%	25.2%	25.2%	25.1%
DPS									6.50	6.50	6.50	6.50
Growth drivers												
LFL sales growth	8%	5%	5%	-2%	-2%	3%	0%	7%	4%	2%	4%	2%
Expansion	-5%	-5%	-5%	-2%	0%	0%	0%	0%	-4%	0%	0%	1%
FX	8%	6%	6%	4%	0%	0%	-3%	-3%	6%	-2%	0%	0%
Total	12%	6%	6%	0%	-2%	3%	-3%	4%	6%	0%	5%	3%
Lccy	3%	0%	0%	-4%	-2%	3%	0%	7%	0%	2%	5%	3%
Gross margin bridge (bp)												
Currency impact	-90	-100	-90	10	30	50	-10	-10	-70	20	0	0
Markdowns	0	0	-60	0	-50	0	-30	-30	-20	-30	80	20
Sourcing/logistics	-140	-300	260	300	460	350	70	50	35	225	10	0
Price, quality, other	80	70	70	80	0	-30	-30	-120	80	-50	-30	-10
NRI prior year	0	-20	0	0	0	0	0	0	0	0	0	0
NRI	-70	140	10	0	0	0	20	0	25	5	0	0
Total	-220	-210	190	390	440	370	20	-110	50	170	60	10

Source: ABG Sundal Collier, Company data

ABGSC cash flow estimates (SEKm)

	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
PTP (adjusted for interest cash effects)	20,809	15,639	17,391	2,052	14,300	6,216	13,010	14,844	19,198	20,184
Provisions for pensions	9	0	-12	22	-13	768	-323	141	0	0
Depreciation	8,488	9,671	11,051	25,953	22,320	22,579	22,955	21,576	21,782	22,321
Tax paid	-6,071	-3,059	-3,677	-3,719	-4,974	-3,499	-5,565	-2,204	-4,800	-5,046
Other non-cash items	0	0	0	0	0	0	-971	430	0	0
CASH EARNINGS	23,235	22,251	24,753	24,308	31,633	26,064	29,106	34,787	36,181	37,459
CASH EARNINGS pre IFRS 16				10,134	19,354	13,925	16,239	22,424	24,245	25,559
Changes in current receivables	-1,115	-587	753	1,373	-736	-452	-594	42	-409	-503
Changes in stock-in-trade	-2,414	-3,489	273	-1,980	1,263	-3,734	5,248	-2,103	1,177	181
Changes in current liabilities	1,881	3,112	3,207	2,199	12,459	2,598	189	787	227	505
CHANGE IN WORKING CAPITAL	-1,648	-964	4,233	1,592	12,986	-1,588	4,843	-1,274	995	183
OPERATING CASH FLOW	21,587	21,287	28,986	25,900	44,619	24,476	33,949	33,513	37,177	37,642
OPERATING CASH FLOW pre IFRS 16	21,587	21,287	28,986	11,726	32,340	12,337	21,082	21,150	25,241	25,742
Investments in renting rights and other intangibles	-2,160	-3,271	-2,956	-1,496	-737	-1,484	-978	-1,839	-2,852	-2,934
Investments in fixed assets	-10,311	-9,557	-7,384	-3,606	-2,727	-5,329	-8,641	-8,464	-8,312	-8,552
CASH FLOW FROM INVESTMENT ACTIVITIES	-12,471	-12,828	-10,340	-5,102	-3,464	-6,813	-9,619	-10,303	-11,163	-11,486
FREE CASH FLOW	9,116	8,459	18,646	20,798	41,155	17,663	24,330	23,210	26,013	26,156
FREE CASH FLOW pre IFRS 16	9,116	8,459	18,646	6,624	28,876	5,524	11,463	10,847	14,077	14,256
Financial investments	7,595	9,128	-2,343	-1,127	-7,762	680	5,904	-3,571	0	0
Dividends	-16,137	-16,137	-16,137	0	-10,758	-10,687	-10,577	-10,593	-10,432	-10,294
Buybacks	0	0	0	0	0	-3,000	-1,075	-2,927	-4,000	-4,000
CASH FLOW FROM FINANCING ACTIVITIES	-8,542	-7,009	-18,480	-15,301	-30,799	-25,146	-18,615	-29,454	-26,368	-26,194
CASH FLOW FOR THE PERIOD	574	1,450	166	5,497	10,356	-7,483	5,715	-6,244	-355	-37
IB liquid funds & short-term investments	9,446	9,718	11,590	12,312	16,540	27,471	21,707	26,398	19,931	19,576
Cash flow for the period	574	1,450	166	5,497	10,356	-7,483	5,715	-6,244	-355	-37
Changes in currency rates	-302	422	556	-1,269	575	1,719	-1,024	-223	0	0
OB liquid funds & short-term investments	9,718	11,590	12,312	16,540	27,471	21,707	26,398	19,931	19,576	19,538
FCFPS (pre IFRS 16)	5.5	5.1	11.3	4.0	17.4	3.4	7.0	6.8	8.9	9.1
DPS	9.75	9.75	0.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Net debt / EBITDA	0.0x	0.3x	0.2x	0.0x	-0.7x	-0.6x	-0.4x	-0.2x	-0.2x	-0.1x

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	200,004	210,400	232,755	187,031	198,967	223,553	236,035	237,168	248,076	255,237
COGS	-91,914	-99,513	-110,302	-93,547	-94,011	-110,330	-115,297	-111,751	-115,441	-118,625
Gross profit	108,090	110,887	122,453	93,484	104,956	113,223	120,738	125,417	132,635	136,612
Other operating items	-79,033	-85,723	-94,056	-64,432	-67,391	-84,365	-83,278	-87,420	-90,119	-92,565
EBITDA	29,057	25,164	28,397	29,052	37,565	28,858	37,460	37,997	42,516	44,047
Depreciation and amortisation	-8,488	-9,671	-11,051	-25,953	-22,310	-21,689	-22,923	-21,472	-21,782	-22,321
of which leasing depreciation	0	0	0	-13,869	-11,988	-11,631	-13,117	-12,794	-12,378	-12,341
EBITA	20,569	15,493	17,346	3,099	15,255	7,169	14,537	16,525	20,733	21,727
EO Items	0	0	0	0	0	-2,940	999	-560	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	20,569	15,493	17,346	3,099	15,255	7,169	14,537	16,525	20,733	21,727
Net financial items	240	146	45	-1,047	-955	-953	-1,527	-1,741	-1,651	-1,658
Pretax profit	20,809	15,639	17,391	2,052	14,300	6,216	13,010	14,784	19,083	20,069
Tax	-4,625	-2,987	-3,948	-809	-3,290	-2,650	-4,287	-3,727	-4,800	-5,046
Net profit	16,184	12,652	13,443	1,243	11,010	3,566	8,723	11,057	14,283	15,023
Minority interest	0	0	0	0	0	0	0	0	-	-
Net profit discontinued	0	0	0	0	0	0	0	0	-	-
Net profit to shareholders	16,184	12,652	13,443	1,243	11,010	3,566	8,723	11,057	14,283	15,023
EPS	9.78	7.64	8.12	0.58	6.53	2.15	5.35	6.87	8.98	9.57
EPS adj.	9.78	7.64	8.12	0.75	6.65	3.99	4.52	7.13	8.98	9.57
Total extraordinary items after tax	0	0	0	0	0	-2,940	670	-419	0	0
Leasing payments	0	0	0	-13,869	-11,988	-11,631	-13,117	-12,794	-12,378	-12,341
<i>Tax rate (%)</i>	<i>22.2</i>	<i>19.1</i>	<i>22.7</i>	<i>39.4</i>	<i>23.0</i>	<i>42.6</i>	<i>33.0</i>	<i>25.2</i>	<i>25.2</i>	<i>25.1</i>
<i>Gross margin (%)</i>	<i>54.0</i>	<i>52.7</i>	<i>52.6</i>	<i>50.0</i>	<i>52.8</i>	<i>50.6</i>	<i>51.2</i>	<i>52.9</i>	<i>53.5</i>	<i>53.5</i>
<i>EBITDA margin (%)</i>	<i>14.5</i>	<i>12.0</i>	<i>12.2</i>	<i>15.5</i>	<i>18.9</i>	<i>12.9</i>	<i>15.9</i>	<i>16.0</i>	<i>17.1</i>	<i>17.3</i>
<i>EBITA margin (%)</i>	<i>10.3</i>	<i>7.4</i>	<i>7.5</i>	<i>1.7</i>	<i>7.7</i>	<i>3.2</i>	<i>6.2</i>	<i>7.0</i>	<i>8.4</i>	<i>8.5</i>
<i>EBIT margin (%)</i>	<i>10.3</i>	<i>7.4</i>	<i>7.5</i>	<i>1.7</i>	<i>7.7</i>	<i>3.2</i>	<i>6.2</i>	<i>7.0</i>	<i>8.4</i>	<i>8.5</i>
<i>Pre-tax margin (%)</i>	<i>10.4</i>	<i>7.4</i>	<i>7.5</i>	<i>1.1</i>	<i>7.2</i>	<i>2.8</i>	<i>5.5</i>	<i>6.2</i>	<i>7.7</i>	<i>7.9</i>
<i>Net margin (%)</i>	<i>8.1</i>	<i>6.0</i>	<i>5.8</i>	<i>0.7</i>	<i>5.5</i>	<i>1.6</i>	<i>3.7</i>	<i>4.7</i>	<i>5.8</i>	<i>5.9</i>
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
<i>Sales growth (%)</i>	<i>4.0</i>	<i>5.2</i>	<i>10.6</i>	<i>-19.6</i>	<i>6.4</i>	<i>12.4</i>	<i>5.6</i>	<i>0.5</i>	<i>4.6</i>	<i>2.9</i>
<i>EBITDA growth (%)</i>	<i>-7.5</i>	<i>-13.4</i>	<i>12.8</i>	<i>2.3</i>	<i>29.3</i>	<i>-23.2</i>	<i>29.8</i>	<i>1.4</i>	<i>11.9</i>	<i>3.6</i>
<i>EBITA growth (%)</i>	<i>-13.7</i>	<i>-24.7</i>	<i>12.0</i>	<i>-82.1</i>	<i>392.3</i>	<i>-53.0</i>	<i>102.8</i>	<i>13.7</i>	<i>25.5</i>	<i>4.8</i>
<i>EBIT growth (%)</i>	<i>-13.7</i>	<i>-24.7</i>	<i>12.0</i>	<i>-82.1</i>	<i>NM</i>	<i>-53.0</i>	<i>NM</i>	<i>13.7</i>	<i>25.5</i>	<i>4.8</i>
<i>Net profit growth (%)</i>	<i>-13.2</i>	<i>-21.8</i>	<i>6.3</i>	<i>-90.8</i>	<i>785.8</i>	<i>-67.6</i>	<i>144.6</i>	<i>26.8</i>	<i>29.2</i>	<i>5.2</i>
<i>EPS growth (%)</i>	<i>-13.2</i>	<i>-21.8</i>	<i>6.3</i>	<i>-92.8</i>	<i>nm</i>	<i>-67.1</i>	<i>nm</i>	<i>28.3</i>	<i>30.8</i>	<i>6.5</i>
Profitability	-	-	-	-	-	-	-	-	-	-
<i>ROE (%)</i>	<i>26.8</i>	<i>21.4</i>	<i>23.3</i>	<i>2.2</i>	<i>19.2</i>	<i>6.4</i>	<i>17.7</i>	<i>24.1</i>	<i>32.1</i>	<i>33.2</i>
<i>ROE adj. (%)</i>	<i>26.8</i>	<i>21.4</i>	<i>23.3</i>	<i>2.2</i>	<i>19.2</i>	<i>11.7</i>	<i>15.7</i>	<i>25.3</i>	<i>32.1</i>	<i>33.2</i>
<i>ROCE (%)</i>	<i>31.0</i>	<i>21.2</i>	<i>22.8</i>	<i>2.1</i>	<i>11.0</i>	<i>5.1</i>	<i>10.5</i>	<i>12.4</i>	<i>16.5</i>	<i>17.3</i>
<i>ROCE adj. (%)</i>	<i>31.0</i>	<i>21.2</i>	<i>22.8</i>	<i>2.1</i>	<i>11.0</i>	<i>7.4</i>	<i>9.7</i>	<i>12.8</i>	<i>16.5</i>	<i>17.3</i>
<i>ROIC (%)</i>	<i>28.2</i>	<i>20.0</i>	<i>21.8</i>	<i>2.2</i>	<i>11.8</i>	<i>4.6</i>	<i>10.7</i>	<i>14.1</i>	<i>18.1</i>	<i>18.8</i>
<i>ROIC adj. (%)</i>	<i>28.2</i>	<i>20.0</i>	<i>21.8</i>	<i>2.2</i>	<i>11.8</i>	<i>6.5</i>	<i>10.0</i>	<i>14.6</i>	<i>18.1</i>	<i>18.8</i>
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
<i>EBITDA adj.</i>	<i>29,057</i>	<i>25,164</i>	<i>28,397</i>	<i>29,052</i>	<i>37,565</i>	<i>31,798</i>	<i>36,461</i>	<i>38,557</i>	<i>42,516</i>	<i>44,047</i>
<i>EBITDA adj. margin (%)</i>	<i>14.5</i>	<i>12.0</i>	<i>12.2</i>	<i>15.5</i>	<i>18.9</i>	<i>14.2</i>	<i>15.4</i>	<i>16.3</i>	<i>17.1</i>	<i>17.3</i>
<i>EBITDA lease adj.</i>	<i>29,057</i>	<i>25,164</i>	<i>28,397</i>	<i>13,872</i>	<i>24,542</i>	<i>16,321</i>	<i>22,849</i>	<i>23,676</i>	<i>28,706</i>	<i>30,280</i>
<i>EBITDA lease adj. margin (%)</i>	<i>14.5</i>	<i>12.0</i>	<i>12.2</i>	<i>7.4</i>	<i>12.3</i>	<i>7.3</i>	<i>9.7</i>	<i>10.0</i>	<i>11.6</i>	<i>11.9</i>
<i>EBITA adj.</i>	<i>20,569</i>	<i>15,493</i>	<i>17,346</i>	<i>3,099</i>	<i>15,255</i>	<i>10,109</i>	<i>13,538</i>	<i>17,085</i>	<i>20,733</i>	<i>21,727</i>
<i>EBITA adj. margin (%)</i>	<i>10.3</i>	<i>7.4</i>	<i>7.5</i>	<i>1.7</i>	<i>7.7</i>	<i>4.5</i>	<i>5.7</i>	<i>7.2</i>	<i>8.4</i>	<i>8.5</i>
<i>EBIT adj.</i>	<i>20,569</i>	<i>15,493</i>	<i>17,346</i>	<i>3,099</i>	<i>15,255</i>	<i>10,109</i>	<i>13,538</i>	<i>17,085</i>	<i>20,733</i>	<i>21,727</i>
<i>EBIT adj. margin (%)</i>	<i>10.3</i>	<i>7.4</i>	<i>7.5</i>	<i>1.7</i>	<i>7.7</i>	<i>4.5</i>	<i>5.7</i>	<i>7.2</i>	<i>8.4</i>	<i>8.5</i>
<i>Pretax profit Adj.</i>	<i>20,809</i>	<i>15,639</i>	<i>17,391</i>	<i>2,052</i>	<i>14,300</i>	<i>9,156</i>	<i>12,011</i>	<i>15,344</i>	<i>19,083</i>	<i>20,069</i>
<i>Net profit Adj.</i>	<i>16,184</i>	<i>12,652</i>	<i>13,443</i>	<i>1,243</i>	<i>11,010</i>	<i>6,506</i>	<i>7,724</i>	<i>11,617</i>	<i>14,283</i>	<i>15,023</i>
<i>Net profit to shareholders adj.</i>	<i>16,184</i>	<i>12,652</i>	<i>13,443</i>	<i>1,243</i>	<i>11,010</i>	<i>6,506</i>	<i>7,724</i>	<i>11,617</i>	<i>14,283</i>	<i>15,023</i>
<i>Net adj. margin (%)</i>	<i>8.1</i>	<i>6.0</i>	<i>5.8</i>	<i>0.7</i>	<i>5.5</i>	<i>2.9</i>	<i>3.3</i>	<i>4.9</i>	<i>5.8</i>	<i>5.9</i>

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	29,057	25,164	28,397	29,052	37,565	28,858	37,460	37,997	42,516	44,047
Net financial items	240	146	45	-1,047	-955	-953	-1,527	-1,741	-1,651	-1,658
Paid tax	-4,625	-2,987	-3,948	-809	-3,290	-2,650	-4,287	-3,727	-4,800	-5,046
Non-cash items	-1,437	-72	259	-2,888	-1,687	809	-2,540	2,259	116	116
Cash flow before change in WC	23,235	22,251	24,753	24,308	31,633	26,064	29,106	34,787	36,181	37,459
Change in working capital	-1,648	-964	4,233	1,592	12,986	-1,588	4,843	-1,274	995	183

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	21,587	21,287	28,986	25,900	44,619	24,476	33,949	33,513	37,177	37,642
Capex tangible fixed assets	-10,311	-9,557	-7,384	-3,606	-2,727	-5,329	-8,641	-8,464	-8,312	-8,552
Capex intangible fixed assets	-2,160	-3,271	-2,956	-1,496	-737	-1,484	-978	-1,839	-2,852	-2,934
Acquisitions and Disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	9,116	8,459	18,646	20,798	41,155	17,663	24,330	23,210	26,013	26,156
Dividend paid	-16,137	-16,137	-16,137	0	-10,758	-10,687	-10,577	-10,593	-10,432	-10,294
Share issues and buybacks	0	0	0	0	0	-3,000	-1,075	-2,927	-4,000	-4,000
Leasing liability amortisation	0	0	0	-14,174	-12,279	-12,139	-12,867	-12,364	-11,936	-11,900
Other non-cash items	-859	1,434	631	-59,151	7,181	-3,565	-3,914	4,595	-1,330	-185
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	64	64	64	64	64	64	64	64	64	64
Other intangible assets	6,979	9,554	11,384	10,368	9,492	9,092	9,661	9,194	9,643	10,028
Tangible fixed assets	39,818	42,439	40,892	31,639	26,576	24,431	25,242	26,984	28,293	29,414
Right-of-use asset	0	0	0	59,535	53,086	58,305	56,294	56,125	55,957	55,789
Total other fixed assets	6,871	8,951	5,873	7,407	11,577	10,633	9,483	9,884	9,884	9,884
Fixed assets	53,732	61,008	58,213	109,013	100,795	102,525	100,744	102,250	103,841	105,179
Inventories	33,712	37,721	37,823	38,209	37,306	42,495	37,358	39,133	37,956	37,775
Receivables	12,316	12,265	12,137	10,609	14,209	15,321	16,773	16,354	16,763	17,266
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	9,718	11,590	12,312	16,540	27,471	21,707	26,398	19,931	19,576	19,538
Total assets	109,478	122,584	120,485	174,371	179,781	182,048	181,273	177,668	178,135	179,758
Shareholders equity	59,713	58,546	57,069	54,623	60,018	50,757	47,601	44,252	44,660	45,945
Minority	0	0	-	-	-	-	-	-	-	-
Total equity	59,713	58,546	57,069	54,623	60,018	50,757	47,601	44,252	44,660	45,945
Long-term debt	350	10,492	0	0	0	0	0	0	0	0
Pension debt	445	445	445	445	445	445	445	445	445	445
Convertible debt	0	0	-	-	-	-	-	-	-	-
Leasing liability	0	0	0	63,733	57,077	61,857	60,888	56,125	55,957	55,789
Total other long-term liabilities	5,331	5,088	5,404	1,224	4,584	3,755	6,018	5,251	6,749	7,101
Short-term debt	9,870	9,289	17,763	16,499	9,597	10,666	17,016	14,558	14,558	14,558
Accounts payable	7,215	6,800	8,217	6,465	6,783	7,755	8,133	8,165	8,564	8,798
Other current liabilities	23,638	28,130	31,587	31,382	41,278	46,813	41,172	48,873	47,202	47,122
Total liabilities and equity	106,562	118,790	120,485	174,371	179,781	182,048	181,273	177,668	178,135	179,758
Net IB debt	-3,008	3,479	23	56,730	28,071	40,628	42,468	41,314	41,500	41,370
Net IB debt excl. pension debt	-3,453	3,034	-422	56,285	27,626	40,183	42,023	40,869	41,055	40,925
Net IB debt excl. leasing	-3,008	3,479	23	-7,003	-29,006	-21,229	-18,420	-14,812	-14,457	-14,419
Capital employed	70,378	78,772	75,277	135,300	127,137	123,725	125,950	115,380	115,620	116,737
Capital invested	59,621	65,819	57,092	111,353	88,089	91,385	90,069	85,565	86,160	87,315
Working capital	15,175	15,056	10,156	10,971	3,455	3,248	4,826	-1,551	-1,048	-878
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	286,327	286,327	286,327	286,327	286,327	281,936	281,936	277,663	273,969	270,509
Net IB debt adj.	947	8,636	5,896	64,137	39,648	51,261	51,951	51,198	51,384	51,254
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	-	-	-	-	-	-	-	-	-	-
EV	287,274	294,963	292,223	350,464	325,975	333,197	333,887	328,860	325,353	321,762
Total assets turnover (%)	189.7	181.3	191.5	126.9	112.4	123.6	129.9	132.1	139.4	142.6
Working capital/sales (%)	6.7	7.2	5.4	5.6	3.6	1.5	1.7	0.7	-0.5	-0.4
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	-5.0	5.9	0.0	103.9	46.8	80.0	89.2	93.4	92.9	90.0
Net debt / market cap (%)	-1.1	1.2	0.0	19.8	9.8	14.4	15.1	14.9	15.1	15.3
Equity ratio (%)	54.5	47.8	47.4	31.3	33.4	27.9	26.3	24.9	25.1	25.6
Net IB debt adj. / equity (%)	1.6	14.8	10.3	117.4	66.1	101.0	109.1	115.7	115.1	111.6
Current ratio	1.37	1.39	1.08	1.20	1.37	1.22	1.21	1.05	1.06	1.06
EBITDA/net interest	121.1	172.4	189.3	193.7	250.4	192.4	249.7	253.3	--	--
Net IB debt/EBITDA (x)	-0.1	0.1	0.0	2.0	0.7	1.4	1.1	1.1	1.0	0.9
Net IB debt/EBITDA lease adj. (x)	0.0	0.3	0.2	0.0	-0.7	-0.6	-0.4	-0.2	-0.2	-0.1
Interest coverage	508.5	108.1	115.6	20.7	101.7	47.8	96.9	110.2	--	--

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	1,655	1,655	1,655	1,655	1,655	1,630	1,630	1,605	1,584	1,564
Actual shares outstanding (avg)	1,655	1,655	1,655	1,655	1,655	1,630	1,630	1,605	1,584	1,564

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	0	0	0	0	0	0	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	-	-
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	-	-
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	-	-
No. of warrants	0	0	0	0	0	0	0	0	-	-
Market value per warrant	0	0	0	0	0	0	0	0	-	-
Dilution from warrants	0	0	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	9.75	9.75	0.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Reported earnings per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	1,655	1,655	1,655	1,655	1,655	1,630	1,630	1,605	1,584	1,564
Diluted shares adj.	1,655	1,655	1,655	1,655	1,655	1,630	1,630	1,605	1,584	1,564
EPS	9.78	7.64	8.12	0.58	6.53	2.15	5.35	6.87	8.98	9.57
Dividend per share	9.75	9.75	0.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50
EPS adj.	9.78	7.64	8.12	0.75	6.65	3.99	4.52	7.13	8.98	9.57
BVPS	36.08	35.37	34.48	33.00	36.26	31.15	29.21	27.57	28.20	29.38
BVPS adj.	31.82	29.56	27.56	26.70	30.49	25.53	23.24	21.80	22.07	22.93
Net IB debt/share	0.57	5.22	3.56	38.75	23.96	31.45	31.88	31.90	32.45	32.78
Share price	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00
Market cap. (m)	286,327	286,327	286,327	286,327	286,327	281,936	281,936	277,663	273,969	270,509
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	17.7	22.6	21.3	296.7	26.5	80.6	32.3	25.2	19.3	18.1
EV/sales (x)	1.44	1.40	1.26	1.87	1.64	1.49	1.41	1.39	1.31	1.26
EV/EBITDA (x)	9.9	11.7	10.3	12.1	8.7	11.5	8.9	8.7	7.7	7.3
EV/EBITA (x)	14.0	19.0	16.8	113.1	21.4	46.5	23.0	19.9	15.7	14.8
EV/EBIT (x)	14.0	19.0	16.8	113.1	21.4	46.5	23.0	19.9	15.7	14.8
Dividend yield (%)	5.6	5.6	0.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8
FCF yield (%)	3.2	3.0	6.5	7.3	14.4	6.3	8.6	8.4	9.5	9.7
Le. adj. FCF yld. (%)	3.2	3.0	6.5	2.3	10.1	2.0	4.1	3.9	5.1	5.3
P/BVPS (x)	4.80	4.89	5.02	5.24	4.77	5.55	5.92	6.27	6.13	5.89
P/BVPS adj. (x)	5.44	5.85	6.28	6.48	5.67	6.78	7.44	7.93	7.84	7.54
P/E adj. (x)	17.7	22.6	21.3	230.4	26.0	43.3	38.3	24.3	19.3	18.1
EV/EBITDA adj. (x)	9.9	11.7	10.3	12.1	8.7	10.5	9.2	8.5	7.7	7.3
EV/EBITA adj. (x)	14.0	19.0	16.8	113.1	21.4	33.0	24.7	19.2	15.7	14.8
EV/EBIT adj. (x)	14.0	19.0	16.8	113.1	21.4	33.0	24.7	19.2	15.7	14.8
EV/CE (x)	4.1	3.7	3.9	2.6	2.6	2.7	2.7	2.9	2.8	2.8
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	6.2	6.1	4.4	2.7	1.7	3.0	4.1	4.3	4.5	4.5
Capex/depreciation	1.5	1.3	0.9	0.4	0.3	0.7	1.0	1.2	1.2	1.2
Capex tangibles / tangible fixed assets	25.9	22.5	18.1	11.4	10.3	21.8	34.2	31.4	29.4	29.1
Capex intangibles / definite intangibles	30.9	34.2	26.0	14.4	7.8	16.3	10.1	20.0	29.6	29.3
Depreciation on intang / def. intang	0	0	0	0	0	0	0	0	0	0
Depreciation on tangibles / tangibles	21.32	22.79	27.02	38.19	38.84	41.17	38.85	32.16	33.24	33.93

Source: ABG Sundal Collier, Company Data

Analyst Certification

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ABG Sundal Collier Ratings and Investment Banking by 9/27/2024

Total of Rating	Research Coverage	Investment Banking Clients (IBC)	
	% of Total Rating	% of Total IBC	% of Total Rating by Type
BUY	65.85%	18%	7.47%
HOLD	30.05%	4%	3.64%
SELL	3.55%	0%	0.00%

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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: Hennes & Mauritz

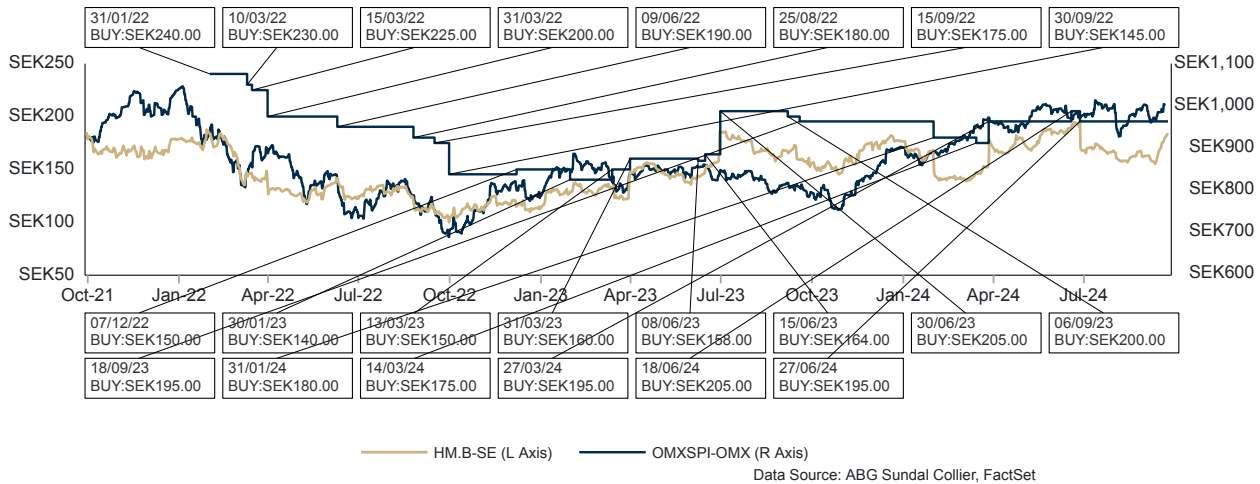
Currency: SEK

Current Recommendation: BUY

Date: 26/9/2024

Current Target price: 195.0

Current Share price: 173.00



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Production of recommendation: 9/27/2024 05:42.

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