

# Amer Sports

Industry (GICS): Leisure Equipment & Products  
Sector (Nordea): Consumer Goods

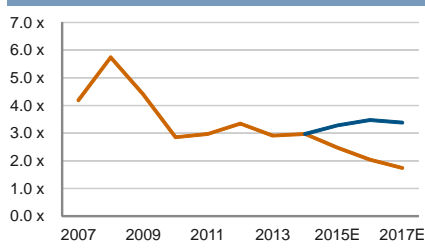
**BB+**

Stable

Key info	
Country	Finland
Bloomberg debt	AMEAS Corp
Bloomberg equity	AMEAS FH
Moody's	NR/n.a.
S&P	NR/n.a.
Market cap.(bn)	EUR 2.67/EUR 2.67

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## Adjusted debt/EBITDA



Source: Company data and Nordea Markets

## Amer Sports' outstanding bonds

Issuer	Coupon	Maturity	Currency	Amount
AMER SPORTS OY	4.125	Mar-16	EUR	100
AMER SPORTS OY	2.652	Apr-16	SEK	500
AMER SPORTS OY	1.994	Nov-18	SEK	750

Source: Bloomberg and Nordea Markets

## Steady as she goes

*Amer Sports' operational performance and profitability have improved, but its financial risk profile has stagnated. Our credit assessment expects no material improvement in the company's credit metrics. Thus, we highlight that the strengthening of the metrics could trigger a shadow rating upgrade. We reiterate our BB+ shadow rating and Stable outlook.*

## Solid top line and profitability performance

Amer Sports' Q1 was a solid quarter, continuing the positive trend in 2014. Sales increased by 5% y/y in local currencies and the EBIT margin (excluding NRI) improved y/y to 5.8% (4.1%). Top-line growth was driven especially by Apparel and Footwear, while profit increased mainly thanks to Ball Sports and Apparel's higher gross margins.

## Cash flow remains modest and financials stagnated

Cash generation was practically unchanged y/y, but on LTM basis, the cash flow strengthened thanks to the NWC trend. However, due to distributions and the Louisville Slugger acquisition, we expect the retained full-year cash flow to be negative. The company's credit metrics have been stagnant since 2010 due to limited cash flow generation, with adjusted debt/EBITDA at 3.3x and FFO/debt at 22% in Q1.

## Credit metrics improvement could trigger an upgrade

We maintain our shadow rating for Amer Sports at BB+ with a Stable outlook. We argue that if profit and cash flow improved in line with our base case, we would expect to see further acquisitions. On the other hand, if the performance is more in line with our credit case, the financials will remain relatively stable even without acquisitions. Thus, our credit assessment is based on the view that the financial risk profile will not materially improve in 2015E-17E. We note, however, that Amer Sports' shadow rating could be upgraded to BBB- if the financial metrics, and especially cash flow ratios, improve.

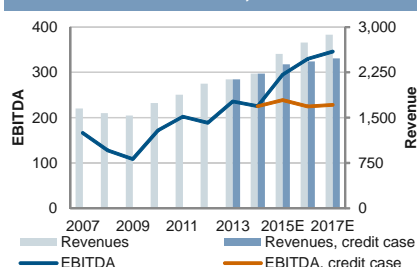
Key credit metrics and ratios (adjusted numbers)										
EURm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	127	108	171	202	188	236	225	295	330	346
- margin	8%	7%	10%	11%	9%	11%	10%	12%	12%	12%
EBIT	71	51	115	142	122	164	94	212	252	268
- margin	4%	3%	7%	8%	6%	8%	4%	8%	9%	9%
Shareholders' equity	492	664	714	744	756	759	840	921	1,021	1,130
Debt	730	478	489	601	630	687	669	731	671	602
Debt/(Debt+Equity)	0.6	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.3
FFO/Debt	8.0%	17.6%	26.8%	24.2%	15.9%	23.6%	21.7%	28.6%	34.9%	41.2%
FOCF/Debt	-2.5%	25.9%	9.9%	-7.9%	5.0%	9.7%	9.3%	8.9%	18.0%	22.4%
DCF/Debt	-7.4%	23.4%	5.9%	-11.2%	-1.2%	3.7%	2.2%	1.7%	9.3%	11.7%
EBITDA interest coverage	2.2	3.7	5.1	6.2	4.8	5.9	4.5	7.7	9.3	10.7
Debt/EBITDA	5.7	4.4	2.9	3.0	3.3	2.9	3.0	2.5	2.0	1.7
ROC	5.8%	4.3%	9.8%	11.2%	8.9%	11.6%	6.4%	13.4%	15.1%	15.7%

Source: Company data and Nordea Markets

# Recent development and outlook

Amer Sports' grew and improved profitability in Q1. However, we expect the retained cash flow to be negative in 2015, and anticipate no immediate changes in the credit profile.

Revenues and EBITDA, EURm

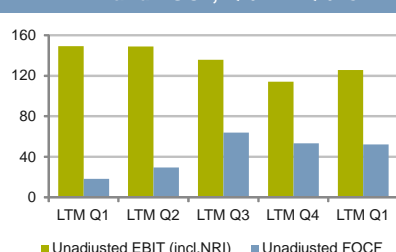


Source: Company data and Nordea Markets

## Solid sales growth in Q1 combined with higher profitability

Q1 net sales increased by 5% y/y in local currencies, which was driven especially by Apparel (+22% y/y) and Footwear (+13%), thereby improving sales across the channels and geographies. The EBIT (excluding NRI) margin improved to 5.8% in Q1, up from 4.1% y/y, driven mainly by the higher gross margin in Ball Sports and Apparel. The Winter and Outdoor division's profitability was substantially better y/y at 6.3% (3.3%), and the Ball Sports division reported a higher EBIT margin. Fitness suffered from destocking and profit dropped y/y. Amer Sports maintained its outlook and expects improving net sales in local currencies and EBIT (excluding NRI) margin for 2015.

LTM EBIT and FOCF, Q1/14 - Q1/15

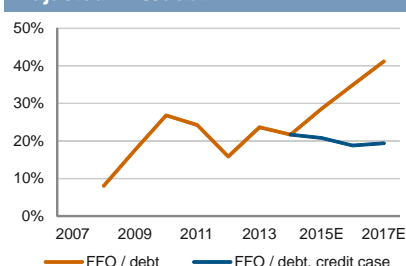


Source: Company data and Nordea Markets

## 2015 retained cash flow expected to be clearly negative

Q1 cash flow from operations was practically unchanged y/y, but improved substantially on a LTM basis thanks to the NWC trend. LTM FOCF amounted to EUR ~50m. However, the company has paid dividends of EUR ~50m in Q2 and closed the USD ~70m acquisition of Louisville Slugger, resulting in a negative retained cash flow expectation for the full year.

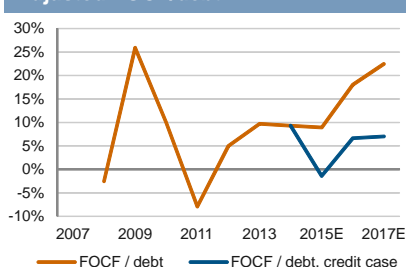
Adjusted FFO/debt



Source: Company data and Nordea Markets

Reported net debt amounted to EUR 445m in Q1, somewhat up y/y. We expect the debt load to increase towards year-end due to the negative retained cash flow. Amer Sports has issued EUR 40m and USD 85m Schuldschein loans with maturities of five to seven years in Q2, balancing the maturity structure. Liquidity remained adequate at EUR ~400m in Q1.

Adjusted FOCF/debt



Source: Company data and Nordea Markets

## Credit metrics remain stagnant

Despite the better performance, Amer Sports' credit metrics have remained stagnant since 2010 owing to its limited cash flow generation. Adjusted debt/EBITDA was 3.3x in Q1, while FFO/debt and FOCF/debt was 22% and 9%, respectively. Our base case calls for improving credit metrics in 2015E-17E as a result of higher profit, while the credit case calls for relatively stable – or even moderately weakening – metrics.

## Materialisation of the base case could be a positive trigger

We do not factor in any further acquisitions in our base and credit case assumptions. However, our credit assessment is based on our view that the financial risk profile will not materially improve in 2015E-17E, as we argue the following:

- Base case: We expect higher debt capacity to translate into further acquisitions, as more acquisitive strategy is targeted.
- Credit case: Relatively stable profitability and non-existent retained cash flow generation translate into somewhat stagnated credit metrics.

We assess the financial risk profile at the lower end of the Significant category, resulting in the shadow rating of BB+. If the metrics develop according to the base case and there are no material acquisitions, our assessment of the financial profile could change in the medium term, triggering a shadow rating upgrade to BBB-. Negative shadow rating pressure could be triggered by large debt-financed acquisitions, but we take comfort in the company's leverage target of less than 3.0x (2.0x in 2014), which limits headroom for debt-financed deals to moderate levels.

# Credit considerations

We view Amer Sports as a BB+ credit, supported by its diversified and strong product and brand portfolio, solid market positions and solid geographical footprint. These factors are partly offset by the seasonality, exposure to weather conditions, intense competition and increased risk of acquisitions.

*We maintain Amer Sports' shadow rating at BB+ with a Stable outlook*

## Credit view summary

We view Amer Sports as a BB+ credit, based on our assessment of a Satisfactory business risk profile and a Significant financial risk profile. With these assessments, we arrive at shadow anchor rating of bb+/bbb-. As Amer Sports' credit metrics are generally positioned at the lower end of the Significant category and with especially cash flow metrics being on the Aggressive side, we maintain our BB+ shadow rating.

We note that should Amer Sports' credit metrics improve according to our base case, and the financial risk profile becomes more comfortably positioned in the Significant category within the next 9-18 months, this would, in the absence of acquisitions, open room for positive shadow rating action. However, the credit metrics have remained stable due to relatively thin cash flow, and we sense that the company is getting more ready for acquisitive growth. Therefore, we maintain our cautious view regarding the development of the credit metrics and maintain the Stable outlook for the shadow rating.

## Credit-supportive factors

- **Diversified product portfolio.** Amer Sports' product offering consists of sports equipment, apparel, footwear, and accessories covering a wide range of sports.
- **Well-known brands and solid market positions.** Amer Sports' strong brand portfolio includes names such as Atomic, Salomon, Mavic, Suunto and Wilson. The company holds a no. 1 or a no. 2 position in many categories globally, with market shares of 30-40% in the strongest product segments.
- **Solid geographical footprint.** Amer Sports derives ~50% of sales from EMEA, ~40% from Americas and the rest from Asia-Pacific. The sales network covers more than 30 countries.
- **Implementation of strategy.** Amer Sports is implementing a strategy targeting eg increased synergies, efficiency and focus on softgoods. As a result, the company's profitability should improve and seasonality flatten.
- **Solid financing track-record since 2009.** Amer Sports has demonstrated solid access to capital markets since the correction move in 2009, when the company strengthened its balance sheet by issuing hybrid notes and equity.

## Credit-constraining factors

- **Strong seasonality and exposure to winter conditions.** Amer Sports generates 70-90% of EBIT and EBITDA in H1. At the same time, all cash flow is generated with a bit of a time lag in Q4-Q1. The seasonality is driven especially by the Winter and Outdoors division. Despite increased focus on softgoods, Amer Sport continues to be exposed to winter conditions, although to a lesser extent than previously.
- **Competitive environment.** The sporting goods industry is highly competitive and many of Amer Sports competitors are large, diversified and financially solid companies. The access to retailers is dependent on the company's positioning in each of its product categories, implying that a no. 1-3 position in each category is highly valuable.

- **Exposure to economic cycles, consumer trends and FX.** Demand for Amer Sports' products is driven by consumer trends and is also exposed to economic conditions. Furthermore, Amer Sports has exposure to FX. While the strengthening of the USD benefits the company in the short term, long-term impact is negative due to sourcing.
- **Moderate cash flow generation.** Amer Sports' cash flow has been relatively thin during recent years and, as a result, the company's financial metrics have not strengthened despite operational improvement.
- **Increased risk of acquisitions.** Amer Sports has been focusing on internal matters and organic growth in recent years. However, the acquisition of Louisville Slugger in March-April was the first step towards returning to more acquisitive growth, in our view. Although Amer Sports continues to prefer organic over acquisitive growth, further acquisitions cannot be ruled out, especially as the company has some headroom based on its leverage target.

## Rating matrix

Business risk profile	Financial risk profile						
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged	
	Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
	Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
	Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
	Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
	Weak	bb+	bb+	bb	bb-	b+	b/b-
	Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Source: Company data and Nordea Markets

## Financial risk profile matrix, 2014A figures

	FFO/ debt	Debt/ EBITDA	FFO/ Cash interest(x)	EBITDA/ interest(x)	CFO/ debt(%)	FOCF/ debt(%)	DCF/ debt(%)
Minimal	>60	<1.5	>13	>15	>50	>40	>25
Modest	45-60	1.5-2	9-13	10-15	35-50	25-40	15-25
Intermediate	30-45	2-3	6-9	6-10	25-35	15-25	10-15
Significant	20-30	3-4	4-6	3-6	15-25	10-15	5-10
Aggressive	12-20	4-5	2-4	2-3	10-15	5-10	2-5
Highly leveraged	<12	>5	<2	<2	<10	<5	<2

## Credit metrics development

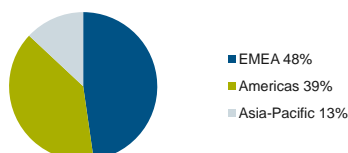
2014A	22%	3.0	2.9	4.5	20%	9%	2%
2015E, base case	29%	2.5	5.5	7.7	21%	9%	2%
2016E, base case	35%	2.0	6.6	9.3	30%	18%	9%
2017E, base case	41%	1.7	7.7	10.7	36%	22%	12%
2017E, credit case	19%	3.4	3.0	4.6	18%	7%	1%

Source: Company data and Nordea Markets

# Company overview

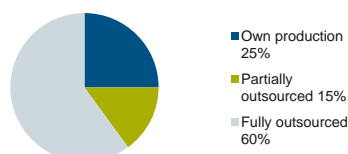
Amer Sports is a sporting goods company deriving roughly half of its revenues from EMEA. The company has outsourced a large part of its production, but continues to expand its operations at the other end of the value-chain by increasingly focusing on B2C. In recent years, Amer Sports has been restructuring its operations and focusing on portfolio management and synergies. Going forward, the company is targeting an acceleration in growth, and likely more via acquisitions as well.

## Revenue by region, 2014



Source: Company data and Nordea Markets

## Production by value



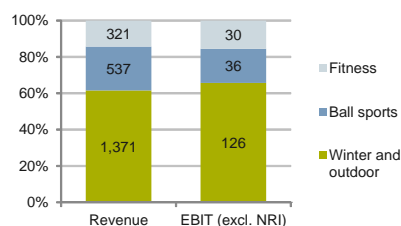
Source: Company data and Nordea Markets

## Amer Sports' ownership base

The Local Government Pensions Institution	4.6%
Maa- ja Vesitekniiikan Tuki ry.	4.2%
Mandatum Life	3.9%
Varma	3.0%
Ilmarinen	2.3%
Brotherus Ilkka	2.3%
Elo	2.2%
Others	77.5%

Source: Company data and Nordea Markets

## Segments by revenue and EBIT, 2014



Source: Company data and Nordea Markets

## A diversified and global sporting goods company

Amer Sports is a global and diversified sporting goods company with leading market positions in several product areas. Its offering consists of sports equipment, apparel, footwear, and accessories covering a wide range of sports. It operates globally, although many product areas are tilted toward certain regions.

Amer Sports employs some 7,600 people. It has 12 manufacturing sites the most important of which are located in Austria, Bulgaria, France, Finland, Canada and the United States. It manufactures ~25% of the products itself, ~15% is produced by partially outsourced vendors, and ~60% of the production is fully outsourced. The products typically manufactured by the company itself include ski and fitness equipment. The manufacturing of other products, ie racquet sports and golf products, team sports products and apparel and footwear, is mainly outsourced.

Amer Sports sells its products to trade customers and directly to consumers through brand stores, factory outlets, and online stores. The products are distributed to customers from five main distribution centres located in Europe and the US. At the end of 2014, the Amer Sports sales network covered 34 countries and the company operated 250 retail stores. The company derives ~50% of its revenues from EMEA, ~40% from Americas and the rest from Asia-Pacific.

The sporting goods market is considered highly competitive. While Amer Sports has no competitors challenging it across all of its product categories, there are numbers of competitors active in several individual product groups. Amer Sports holds no. 1 and no. 2 positions globally in several product categories, and it targets to be in a volume position, ie no. 1-3, in all of its product segments.

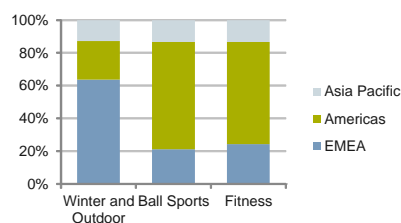
The shares are listed on the NASDAQ OMX Helsinki. The ownership base is diversified with The Local Government Pensions Institutions (KEVA) and Maa- ja Vesitekniiikan Tuki ry as the largest owners, each with less than 5% ownership in the company.

## Three business segments with nearly ten leading brands

Amer Sports is organised into three business segments:

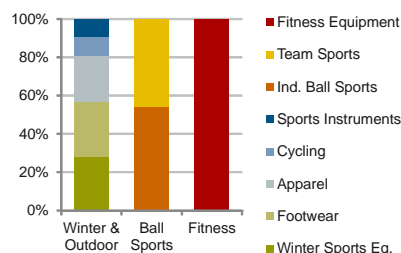
- **Winter and Outdoor (62% of revenue and 66% of EBIT excl. NRI in 2014)** consists of five business areas: Winter Sports Equipment, Footwear, Apparel, Cycling and Sports Instruments. The products are sold under the brands of Salomon, Atomic, Arc'teryx, Mavic and Suunto. Products in the segment include skis, bindings, ski boots, sport shoes and clothes, biking equipment and sport watches. Winter Sports Equipment and Footwear represent ~30% of the segment's revenues, each, followed by Apparel with ~25% of the sales. Winter and Outdoor generates ~60% of its revenues from EMEA, followed by ~25% from Americas.
- **Ball Sports (24% of revenue and 19% of EBIT excl. NRI in 2014)**

## Revenue by geography, 2014



Source: Company data and Nordea Markets

## Business areas by revenues, 2014



Source: Company data and Nordea Markets

consists of the Individual Ball Sports and Team Sports business areas. The brands represented by the segment are Wilson and DeMarini. Products of the segment include eg tennis racquets and balls, golf clubs and balls, footballs, basketballs, and baseball gloves and balls. Some 55% of the segment's sales are derived from Individual Ball Sports, ie golf and tennis, and the rest from Team Sports. The segment generates ~65% of revenues from Americas, followed by ~20% from EMEA.

- **Fitness (14% of revenue and 16% of EBIT excl. NRI in 2014)** sells gym equipment under the Precor brand. The segment generates 62% of its revenues from Americas.

## Business areas and Amer Sports' brands

	Salomon	Atomic	Arcteryx	Mavic	Suunto	Wilson	DeMarini	Precor
<b>Winter and Outdoor</b>								
Winter Sports Equipment								
Footwear								
Apparel								
Cycling								
Sports Instruments								
<b>Ball Sports</b>								
Individual Ball Sports								
Team Sports								
<b>Fitness</b>								
Fitness Equipment								

Source: Company data and Nordea Markets

## Strategy looks for synergies and growth in soft goods...

Amer Sports targets improved profitability by defined portfolio roles and synergies, which are sought for from category-based development, sourcing, supply chain integration, sales and distribution. Synergies can be derived especially from Ball Sports, Winter Sports Equipment, Apparel and Footwear. On the other hand, Precor, Mavic and Suunto are relatively distinct businesses with more limited synergy potential.

Amer Sports also targets to reach EUR 1bn in sales in softgoods - ie in Apparel and Footwear - by 2016. The growth is targeted by category-based development, building scale, and leveraging the existing brands. Amer Sports derived EUR 800m of sales from softgoods in 2014.

Other strategic targets of the company aim at better understanding customer needs and improving the distribution footprint, eg by expanding its in-house retail network, consisting of 250 retail stores and more than 60 online stores at the end of 2014. Business-to-consumer sales were 5% of total sales in 2014.

Amer Sports also continues to strive for operational excellence, eg by restructuring its Ball Sports operations. The restructuring programme should be finalised by H1 2016, and EUR 54m out of EUR 60m in NRI stemming from the programme implementation was recognised already in 2014.

## ... and continues to prefer organic over acquisitive growth

After the period of restructurings and internal measures, Amer Sports aims to accelerate growth towards 2020, especially in Apparel and Footwear, Business-to-Consumer, and digital products and services. The company continues to prioritise profitable growth over cost-cutting and prefers organic growth. However, M&A opportunities are screened, as well.

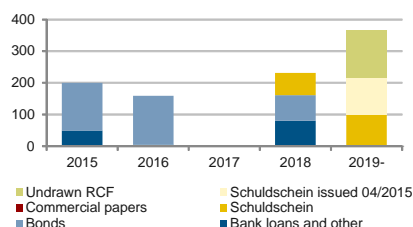
Amer Sports made its first material acquisition in years in March-April 2015, when it acquired Louisville Slugger, a designer and marketer of bats, gloves, bags and protectives. The EV of the acquisition, including no production assets, was USD 75m and the purpose was to accelerate growth in Ball Sports.



# Financial profile and debt structure

Amer Sports' debt structure is balanced and credit metrics have remained stable in recent years. We consider the financial risk profile as somewhat stagnated, mainly due to relatively thin cash flow.

Estimated maturities Q1 2015, EURm



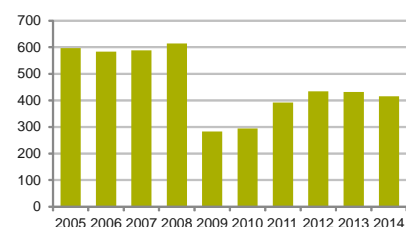
Source: Company data and Nordea Markets

## Balanced maturity structure, decent liquidity

Amer Sports' reported net debt has remained relatively stable during the past three years, and stood at EUR ~420m at the end of 2014. Thanks to the company's active debt management, the maturity structure is well balanced. The outstanding debt mainly consists of bonds and Schuldscheins, complemented with bank facilities. Virtually all debt financing is issued at the parent company level.

Amer Sports' liquidity stood at EUR 400m at the end of Q1 2014, consisting of EUR ~250m in cash and EUR 150m in unutilised RCF maturing in 2019. We estimate liquidity as adequate, but note that due to the seasonality of the business, Amer Sports needs to maintain ample liquidity.

Reported net debt, EURm



Source: Company data and Nordea Markets

Estimated debt structure, Q1 2015

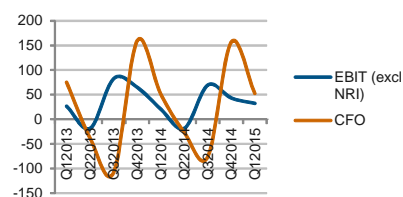
LTM EBITDA, adjusted	Maturity	Nominal	Utilized	211 x EBITDA
EUR 30m bilateral loan	Sep-18	30	30	0.1
EUR 50m bilateral loan	Apr-18	50	50	
EUR 150m syndicated RCF	Dec-19	150	0	0.0
Pension loan	2015	3	3	0.0
Other IB loans	-	61	61	0.3
Commercial papers	-	0	0	0.0
EUR 150m 5.375%	Jun-15	150	150	0.7
EUR 100m 4.125%	Mar-16	100	100	0.5
SEK 500m FRN	Apr-16	54	54	0.3
SEK 750m FRN	Nov-18	82	82	0.4
EUR 70m EUR / USD Schuldschein	Dec-18	70	70	0.3
EUR 100m EUR Schuldschein	Jan-20	100	100	0.5
<b>Gross debt, unadjusted</b>		<b>700</b>		<b>3.3</b>
Adjustments to debt**			1	0.0
<b>Debt, adjusted (to adjusted EBITDA)</b>		<b>701</b>		<b>3.3</b>

\* Excl. EUR 40m and USD 85m 5- and 7-year Schuldscheins issued in April 2015

\*\* Incl. EUR 29m sold receivables, EUR 118m op. lease commitments, EUR 45m pension obligations and EUR 191m excess cash.

Source: Company data and Nordea Markets

Earnings and cash flow, EURm

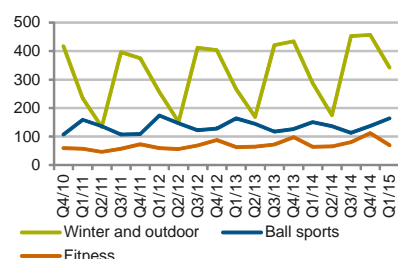


Source: Company data and Nordea Markets

## Cash flow somewhat limited and characterised by seasonality

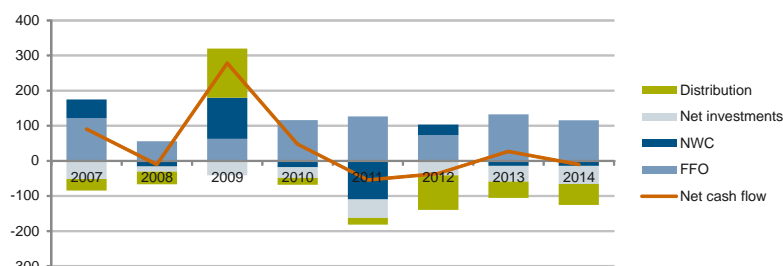
Cash flow is relatively thin, as in 2009-14 the average retained cash flow has been roughly zero. Seasonality is visible in cash flow and earnings, and is driven by the Winter and Outdoor division. With some 60% of sales generated during H2, the group's earnings are heavily tilted towards the latter part of the year. In 2014, 72% of EBIT (excl. NRI) was generated in H2, substantially below the levels of previous years. Cash flow seasonality follows the earnings pattern with a time lag, as cash is mainly generated in Q4, and to some extent in Q1, as NWC is released.

Quarterly sales by division, EURm



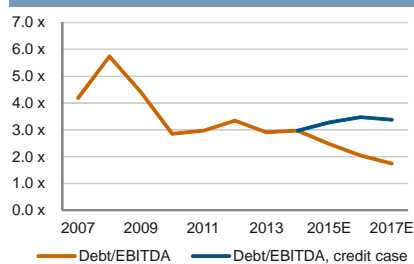
Source: Company data and Nordea Markets

Unadjusted cash flow, EURm



Source: Company data and Nordea Markets

## Adjusted debt / EBITDA



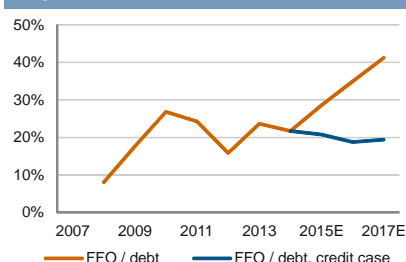
Source: Company data and Nordea Markets

## Credit metrics have remained relatively stable

As a result of relatively thin cash flow, Amer Sports' credit metrics have stagnated since 2010. Adjusted debt/EBITDA has fluctuated between 2.9x and 3.3x, ending up at 3.0x in 2014. Adjusted FFO/debt and FOCF/debt have experienced more variation, and stood at 22% and 9%, respectively, at the end of last year. We note that due to seasonality, Amer Sports' unadjusted net debt generally peaks in Q3 at a level EUR 100-150m higher than at year-end

In our base case, we see improving credit metrics and financial risk profile for 2015 as a result of improved profitability. Our credit case is based on more conservative assumptions and calls for relatively stable, or even moderately weakening, credit metrics. We have not factored acquisitions, other than Louisville Slugger, into our assumptions. However, we note that especially if the base case materialises, acquisitions are in our view likely as Amer Sports aims to accelerate growth.

## Adjusted FFO/debt



Source: Company data and Nordea Markets

In addition to sales growth and profitability, Amer Sports' financial targets include cash flow generation and leverage ratios. The company is well in line with its unadjusted leverage target of less than 3x, but did not manage to meet its cash flow and profitability targets in 2010-14.

## Financial targets and Amer Sports' track-record

	Target	2010A	2011A	2012A	2013A	2014A
Organic sales growth, FX neutral	5%	8%	9%	5%	8%	6%
EBIT (excl NRI) margin	10%	6.2%	7.2%	6.7%	7.3%	7.6%
Free cash flow / net profit	1.0x	0.7x	-0.2x	0.9x	0.5x	0.6x
Net debt / EBITDA	3.0x	2.2x	2.3x	2.4x	2.2x	2.0x

Source: Company data and Nordea Markets



# Financial forecasts

Our base case assumes substantially improving credit metrics and financial risk profile throughout the forecast period. The credit case sees relatively stable trends on the financials front.

## Key assumptions – Base case

- Revenue increases by 15% in 2015E as a result of organic growth (especially in softgoods) and the Louisville Slugger acquisition. In 2016E-17E, the growth rates are 7% and 5%, respectively.
- Profitability improves in 2015E, as all the business segments improve their EBIT margins, and it remains roughly stable thereafter.
- NWC increases hand in hand with the top line and ties up EUR 56m in cash in 2015E. The changes are more moderate in 2016E-17E, but continue to have a negative cash flow impact.
- Adjusted annual capex is EUR ~85m, including EUR 50-55m in investments on an unadjusted basis.
- Dividends increase moderately throughout the forecast period.

## Key assumptions – Credit case

- Revenue increases by 7% in 2015E mainly as a result of the Louisville Slugger acquisition. In 2016E-17E, the growth rate is 2%.
- Profitability remains stable in 2015E, and decreases moderately in 2016E.
- NWC ties up EUR 86m in cash in 2015E. The changes are very moderate in 2016E-17E, but still have a negative cash flow impact.
- Adjusted annual capex is EUR ~85m, including EUR 50-55m in investments on an unadjusted basis.
- Dividends remain relatively stable.

## Outcome

Credit metrics improve substantially in the base case, as retained cash flow remains positive each year and profitability improves. As a result, Amer Sports' financial risk profile strengthens. In the credit case, the metrics and the financial risk profile remain relatively stable.

Summary of adjusted figures																
EUR(m)	2008						Base case					Credit case				
	2008	2009	2010	2011	2012	2013	2014	Q1 LTM	2015E	2016E	2017E	2014	Q1 LTM	2015E	2016E	2017E
Revenues	1,577	1,533	1,740	1,881	2,064	2,137	2,229	2,303	2,556	2,744	2,876	2,229	2,303	2,385	2,432	2,481
EBITDA	127	108	171	202	188	236	225	211	295	330	346	225	211	239	224	228
- margin	8%	7%	10%	11%	9%	11%	10%	9%	12%	12%	12%	10%	9%	10%	9%	9%
Debt	730	478	489	601	630	687	669	701	731	671	602	669	701	783	779	770
Equity	492	664	714	744	756	759	840	876	921	1,021	1,130	840	876	879	902	933
FFO	59	84	131	146	100	162	145	157	209	234	248	145	157	162	147	149
Change in NWC	-16	117	-19	-110	30	-14	-14	-31	-56	-31	-31	-14	-31	-86	-13	-13
OCF	40	194	112	36	130	148	131	136	152	203	217	131	136	76	134	136
Capex	-58	-70	-64	-83	-99	-82	-69	-54	-87	-82	-82	-69	-54	-87	-82	-82
FOCF	-18	124	49	-48	31	67	62	64	65	121	135	62	64	-11	51	54
Net acquisitions	31	1	10	6	12	1	0	0	0	0	0	0	0	-67	0	0
Dividends	-36	-12	-20	-20	-39	-41	-47	-47	-53	-59	-64	-47	-47	-42	-49	-43
FFO/debt	8%	18%	27%	24%	16%	24%	22%	22%	29%	35%	41%	22%	22%	21%	19%	19%
FOCF/debt	-3%	26%	10%	-8%	5%	10%	9%	9%	9%	18%	22%	9%	9%	-1%	7%	7%
DCF/debt	-7%	23%	6%	-11%	-1%	4%	2%	2%	2%	9%	12%	2%	2%	-7%	0%	1%
Debt/EBITDA	5.7x	4.4x	2.9x	3.0x	3.3x	2.9x	3.0x	3.3x	2.5x	2.0x	1.7x	3.0x	3.3x	3.3x	3.5x	3.4x
EBITDA/interest	2.2x	3.7x	5.1x	6.2x	4.8x	5.9x	4.5x	4.5x	7.7x	9.3x	10.7x	4.5x	4.5x	4.8x	4.5x	4.6x

Source: Company data and Nordea Markets

# Reported numbers and forecasts

Income statement										
EURm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Total revenue	1,577	1,533	1,740	1,881	2,064	2,137	2,229	2,556	2,744	2,876
- growth	-4.6%	-2.7%	13.5%	8.1%	9.7%	3.5%	4.3%	14.7%	7.4%	4.8%
Gross profit	633	620	742	817	901	932	979	1,144	1,223	1,281
- margin	40.1%	40.4%	42.6%	43.5%	43.6%	43.6%	43.9%	44.8%	44.6%	44.6%
EBITDA	104	83	144	171	154	197	213	260	289	305
- margin	6.6%	5.4%	8.3%	9.1%	7.5%	9.2%	9.6%	10.2%	10.5%	10.6%
EBITA	66	44	108	136	114	155	168	215	244	260
- margin	4.2%	2.9%	6.2%	7.2%	5.5%	7.3%	7.6%	8.4%	8.9%	9.0%
EBIT	66	44	108	136	114	155	114	209	244	260
- margin	4.2%	2.9%	6.2%	7.2%	5.5%	7.3%	5.1%	8.2%	8.9%	9.0%
Net finance	-33	-18	-21	-21	-32	-29	-37	-26	-23	-20
Pre-tax profit	33	25	87	115	82	126	77	183	221	240
Taxes	-12	6	-7	-24	-24	-36	-22	-51	-62	-67
Net profit, continuing operations	21	31	80	91	58	90	55	132	159	173
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	34	31	69	91	58	90	71	134	159	173
EBITDA (credit adj)	127	108	171	202	188	236	225	295	330	346
EBIT (credit adj)	71	51	115	142	122	164	94	212	252	268
Interest expense (credit adj)	-58	-30	-34	-33	-39	-40	-50	-38	-35	-32

Source: Company data and Nordea Markets

Balance Sheet										
EURm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Goodwill	279	274	287	296	289	281	305	305	305	305
Other intangibles	208	210	214	215	211	205	205	272	272	272
Tangible assets	129	135	140	158	163	168	174	184	189	194
Shares associates	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0
Other non-interest bearing non-current assets	0	0	0	0	0	0	0	0	0	0
Other non-current assets	73	74	101	100	106	101	123	123	123	123
<b>Non-current assets</b>	<b>688</b>	<b>693</b>	<b>742</b>	<b>768</b>	<b>770</b>	<b>756</b>	<b>807</b>	<b>884</b>	<b>889</b>	<b>894</b>
Inventory	346	235	302	360	337	355	413	460	494	518
Accounts receivable	556	475	525	612	614	649	710	805	851	891
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	72	122	85	79	143	270	244	279	300	314
<b>Current assets</b>	<b>974</b>	<b>832</b>	<b>912</b>	<b>1,050</b>	<b>1,093</b>	<b>1,274</b>	<b>1,367</b>	<b>1,544</b>	<b>1,644</b>	<b>1,723</b>
Assets held for sale	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>1,662</b>	<b>1,525</b>	<b>1,654</b>	<b>1,818</b>	<b>1,863</b>	<b>2,030</b>	<b>2,174</b>	<b>2,428</b>	<b>2,533</b>	<b>2,617</b>
<b>Shareholders equity</b>	<b>506</b>	<b>733</b>	<b>788</b>	<b>827</b>	<b>756</b>	<b>759</b>	<b>840</b>	<b>921</b>	<b>1,021</b>	<b>1,130</b>
<b>Minority interest</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Deferred tax	8	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	178	283	279	251	378	518	390	256	274	288
Non-current liabilities	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	16	14	20	23	34	59	102	102	102	102
<b>Non-current liabilities</b>	<b>202</b>	<b>297</b>	<b>298</b>	<b>274</b>	<b>413</b>	<b>577</b>	<b>492</b>	<b>357</b>	<b>376</b>	<b>389</b>
Short-term provisions	14	15	30	32	47	30	36	42	45	47
Accounts payable	389	340	435	463	446	478	533	613	659	690
Other current liabilities	41	16	0	0	0	0	0	0	0	0
Short term interest bearing debt	508	121	101	219	199	184	269	492	430	358
<b>Current liabilities</b>	<b>952</b>	<b>492</b>	<b>565</b>	<b>715</b>	<b>691</b>	<b>692</b>	<b>839</b>	<b>1,148</b>	<b>1,133</b>	<b>1,096</b>
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities and equity</b>	<b>1,662</b>	<b>1,525</b>	<b>1,654</b>	<b>1,818</b>	<b>1,863</b>	<b>2,030</b>	<b>2,174</b>	<b>2,428</b>	<b>2,533</b>	<b>2,617</b>
Cash and cash eq (credit adj)	18	30	21	20	36	68	61	70	75	79
Total assets (credit adj)	1,688	1,525	1,685	1,861	1,881	1,990	2,138	2,366	2,455	2,528
Shareholders equity (credit adj)	492	664	714	744	756	759	840	921	1,021	1,130
Debt (credit adj)	730	478	489	601	630	687	669	731	671	602

Source: Company data and Nordea Markets

## Cash flow statement

EURm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	104	83	144	171	154	197	213	260	289	305
Adj due to change in group structure	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	-25	0	-39	-4	0	0
Net financials	-33	-18	-21	-21	-32	-29	-37	-26	-23	-20
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	-15	-2	-7	-24	-24	-36	-22	-51	-62	-67
Other	0	0	0	0	0	0	0	0	0	0
<b>Operating cash flow before NWC</b>	<b>56</b>	<b>63</b>	<b>116</b>	<b>127</b>	<b>74</b>	<b>133</b>	<b>115</b>	<b>179</b>	<b>204</b>	<b>218</b>
Change in NWC	-16	117	-19	-110	30	-14	-14	-56	-31	-31
<b>Operating cash flow</b>	<b>40</b>	<b>180</b>	<b>97</b>	<b>17</b>	<b>104</b>	<b>119</b>	<b>101</b>	<b>122</b>	<b>173</b>	<b>187</b>
CAPEX	-43	-40	-40	-51	-49	-45	-51	-55	-50	-50
<b>Free operating cash flow</b>	<b>-3</b>	<b>140</b>	<b>57</b>	<b>-35</b>	<b>54</b>	<b>73</b>	<b>50</b>	<b>67</b>	<b>123</b>	<b>137</b>
Dividends paid	-36	-12	-20	-20	-39	-41	-47	-53	-59	-64
Share issues / buybacks	0	152	0	0	-60	-5	-13	0	0	0
<b>Discretionary cash flow</b>	<b>-39</b>	<b>280</b>	<b>38</b>	<b>-54</b>	<b>-45</b>	<b>27</b>	<b>-10</b>	<b>14</b>	<b>64</b>	<b>73</b>
Other investments / divestments	0	0	0	0	0	0	0	0	0	0
Other	-3	-3	0	-7	-4	0	0	-67	0	0
Proceeds from sale of assets	31	1	10	6	12	1	0	0	0	0
Net change to group borrowing/repayments	30	-282	-25	91	106	125	-42	89	-44	-58
Other	-29	53	-49	-42	-6	-25	26	0	0	0
<b>Change in cash</b>	<b>-9</b>	<b>50</b>	<b>-26</b>	<b>-6</b>	<b>64</b>	<b>128</b>	<b>-27</b>	<b>36</b>	<b>21</b>	<b>14</b>
<b>Adjusted metrics</b>										
Funds from operations (FFO) (adj)	59	84	131	146	100	162	145	209	234	248
Operating cash flow (OCF) (adj)	40	194	112	36	130	148	131	152	203	217
Free operating cash flow (FOCF) (adj)	-18	124	49	-48	31	67	62	65	121	135
Discretionary cash flow (DCF) (adj)	-54	112	29	-67	-8	25	15	12	62	71

Source: Company data and Nordea Markets

## Key ratios

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
<b>Profitability</b>										
ROC	5.8%	4.3%	9.8%	11.2%	8.9%	11.6%	6.4%	13.4%	15.1%	15.7%
ROIC after tax	3.7%	3.2%	8.9%	9.2%	8.9%	9.9%	10.3%	12.0%	12.8%	13.3%
ROE after tax	6.7%	5.1%	9.1%	11.2%	7.3%	11.9%	8.8%	15.2%	16.4%	16.1%
<b>Debt &amp; Interest coverage</b>										
FFO/Debt	8.0%	17.6%	26.8%	24.2%	15.9%	23.6%	21.7%	28.6%	34.9%	41.2%
FOCF/Debt	-2.5%	25.9%	9.9%	-7.9%	5.0%	9.7%	9.3%	8.9%	18.0%	22.4%
DCF/Debt	-7.4%	23.4%	5.9%	-11.2%	-1.2%	3.7%	2.2%	1.7%	9.3%	11.7%
EBITDA interest coverage	2.2	3.7	5.1	6.2	4.8	5.9	4.5	7.7	9.3	10.7
FFO cash interest coverage	-1.0	-2.9	-3.9	-4.5	-2.5	-4.1	-2.9	-5.5	-6.6	-7.7
<b>Leverage</b>										
Debt/EBITDA	5.7	4.4	2.9	3.0	3.3	2.9	3.0	2.5	2.0	1.7
Equity ratio	30.4%	48.1%	47.6%	45.5%	40.6%	37.4%	38.7%	37.9%	40.3%	43.2%
Debt/(Debt+Equity)	0.6	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.3
<b>Capital expenditure</b>										
CAPEX/Depreciation and amortisation	-1.13	-1.01	-1.11	-1.44	-1.22	-1.07	-1.15	-1.22	-1.11	-1.11
CAPEX/Sales	0.03	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02
<b>Working capital ratios</b>										
Inventory turnover (days)	80	56	63	70	60	61	68	66	66	66
Receivables turnover (days)	129	113	110	119	108	111	116	115	113	113
Days sales outstanding (days)	90	81	91	90	79	82	87	88	88	88
<b>Per share data</b>										
EPS	0.47	0.32	0.57	0.76	0.49	0.77	0.60	1.13	1.35	1.46
EPS (adj.)	0.11	0.32	0.69	0.70	0.69	0.77	0.80	1.15	1.35	1.46
DPS	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.6
BVPS	6.9	6.0	6.5	7.0	6.4	6.4	7.1	7.9	8.7	9.6
<b>Equity valuation and yield</b>										
Market cap.	392	848	1,264	1,058	1,325	1,780	1,892	2,660	2,660	2,660
Enterprise value	1,008	1,134	1,562	1,452	1,762	2,214	2,310	3,131	3,067	2,994
P/E	11.5	21.7	18.4	11.8	22.8	19.7	26.9	20.1	16.9	15.5
P/BV	0.8	1.2	1.6	1.3	1.8	2.3	2.3	2.9	2.6	2.4
EV/Sales	0.6	0.7	0.9	0.8	0.9	1.0	1.0	1.2	1.1	1.0
EV/EBITDA	9.7	13.7	10.9	8.5	11.4	11.2	10.8	12.0	10.6	9.8
Dividend yield	3.0%	2.3%	2.9%	3.7%	3.1%	2.6%	2.8%	2.2%	2.4%	2.6%
Payout ratio	105.8%	37.7%	28.3%	21.5%	67.0%	45.7%	66.8%	39.7%	36.8%	37.3%

Source: Company data and Nordea Markets

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No holdings or other affiliations by analysts or associates.

**Market-making obligations and other significant financial interest**

Nordea Markets has no market-making obligations in Amer Sports

**Recommendation definitions****Outperform**

Over the next three months, the fixed income instrument's total return is expected to exceed the total return of the relevant

**Market perform**

Over the next three months, the fixed income instrument's total return is expected to be in line with the total return of the relevant

**Underperform**

Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant

All research is produced on an ad hoc basis and will be updated when the circumstances require it.

**Investment banking transactions**

Nordea Markets has no ongoing or completed public investment banking transactions with Amer Sports

In view of Nordea's position in its markets readers should however assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

**Distribution of recommendations**

Recommendation	Count	% distribution
Outperform	88	17%
Market perform	284	56%
Under perform	140	27%
Total	512	100%

As of 1 January 2015

**Issuer Review**

*This report has not been reviewed by the Issuer prior to publication.*

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