

Stora Enso

Company report

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This report is a summary translation of the report “Suosimme sektorilta vielä verrokkeja” published on 10/24/2022 at 8:44 am

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We still favor the peers in the sector

We reiterate our Reduce recommendation for Stora Enso and revise our target price to EUR 14.50 (previously EUR 16.00). We added M&As announced by the company in September to our estimates and after Friday's Q3 report, we updated our estimates to include the further weakened economic outlook and other market data. Short-term estimate changes are minimal, but we raised the required return due to increased interest rates. Stora Enso's share is already cheap compared to historical levels, but due to increased interest rates and the earnings trend about to make a downturn, we do not expect the market to be enthusiastic about the lowish valuation. We favor UPM and Metsä Board in the sector that still offer slightly more attractive short-term expected returns than Stora Enso.

Q3 figures were better than estimated

Stora Enso's net sales increased by 15% (+17% excluding Paper) in Q3, driven by a very favorable pricing situation. Stora Enso's adjusted EBIT grew by 29% from the good comparison level indicating a solid performance of the current company structure, as price increases were passed through with good efficiency. The operating result exceeded our and consensus estimates by about 10%, but after the recent positive earnings revisions by UPM and the Metsä Group, the overshoot was probably not enough to surprise the markets.

Minor estimate changes

Stora Enso reiterated its guidance that the operational EBIT for the full year is higher than last year (2021: adj. EBIT 1,528 MEUR). The company will reach its guidance easily after a strong start to the year. Overall, we felt that the market comments were more cautious as economic growth slows down and energy prices are high. We have added the De Jong Packaging acquisition (from beginning of 2023), the board machine conversion at the Oulu site confirmed on Friday (start H1'25) and deducted the estimated contribution from the Maxau and Nymölla paper sites to be divested (from beginning of 2023) to/from our Stora Enso estimates. The net effect of the structural changes and estimate revisions we made after the Q3 figures resulted in our earnings estimates remaining unchanged. We expect Stora Enso to generate a historically high adjusted EBIT of over EUR 1.9 billion in a strong market this year. In the coming years we expect the performance will calm down to a range of EUR 1.3-1.4 billion. The main driver for this is the normalization of pricing in several product segments, which we estimate the calming of certain cost spikes and the tailwind provided by currencies next year cannot fully compensate for. Instead, we expect that volumes will develop sluggishly in the subdued economic situation in the near term.

We are not yet enthusiastic about the valuation and favor other companies in the sector

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 7x and 12x, and the corresponding EV/EBITDA ratios are 6x and 7x. The share is cheap with 2022 multiples, but due to high cyclical risks, this is not a sufficient incentive right now. Overall, 2023 multiples are slightly below the 5-year median, but we do not consider this a significantly attractive starting point considering the increased interest rate expectations. Relative valuation is at a premium compared to the peer group with 2023 multiples although the peer group is also cheap. Thus, considering the overall picture, we take a wait-and-see approach to Stora Enso and prefer UPM and Metsä Board, which we believe offer marginally better risk/return ratios in the sector, even though there are no major differences in the valuation pictures of the companies in the next few years.

Recommendation

Reduce

(previous Reduce)

EUR 14.50

(previous EUR 16.00)

Share price:

EUR 13.62



Key figures

	2021	2022e	2023e	2024e
Revenue	10164	11720	11489	11487
growth-%	19%	15%	-2%	0%
EBIT adj.	1528	1945	1328	1310
EBIT-% adj.	15.0 %	16.6 %	11.6 %	11.4 %
Net Income	1266	1260	957	919
EPS (adj.)	1.56	1.81	1.18	1.16

P/E (adj.)	10.3	7.5	11.5	11.7
P/B	1.2	1.0	1.0	0.9
Dividend yield-%	3.5 %	4.4 %	4.8 %	5.1 %
EV/EBIT (adj.)	9.8	7.0	10.6	10.7
EV/EBITDA	6.6	5.8	6.9	7.0
EV/S	1.5	1.2	1.2	1.2

Source: Inderes

Guidance

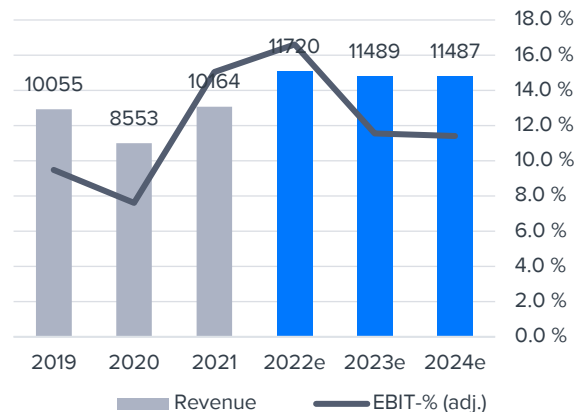
(Unchanged)

Stora Enso's full-year 2022 operational EBIT is estimated to be higher than the full year operational EBIT for 2021 (1,528 MEUR).

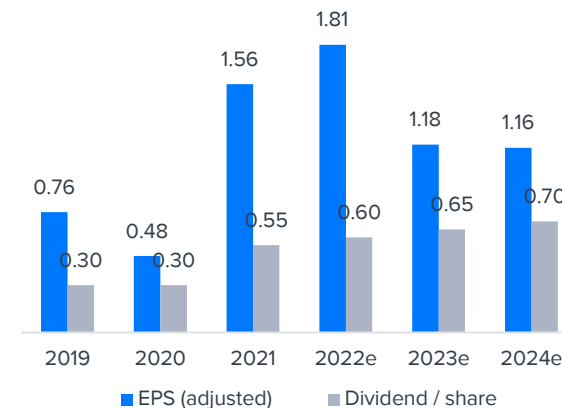
Share price



Revenue and EBIT %



EPS and dividend



Value drivers

- Good long-term prospects for packaging businesses and strong market position
- Product mix gradually improving with new products
- Realizing the potential of completed investments
- Improved cost-efficiency through the cost savings program



Risk factors

- Somewhat cyclical demand in several product groups
- Tighter competition
- Weak outlook for the paper business
- Pulp price risk
- Foreign exchange rate risks

Valuation	2022e	2023e	2024e
Share price	13.6	13.6	13.6
Number of shares, millions	788.6	788.6	788.6
Market cap	10741	10741	10741
EV	13679	14009	14053
P/E (adj.)	7.5	11.5	11.7
P/E	8.5	11.2	11.7
P/FCF	12.3	49.4	17.9
P/B	1.0	1.0	0.9
P/S	0.9	0.9	0.9
EV/Sales	1.2	1.2	1.2
EV/EBITDA	5.8	6.9	7.0
EV/EBIT (adj.)	7.0	10.6	10.7
Payout ratio (%)	37.6 %	53.6 %	60.1 %
Dividend yield-%	4.4 %	4.8 %	5.1 %

Source: Inderes

The company still scored a record result in Q3

Record-breaking performance in a hot market

In Q3, Stora Enso's net sales grew by 15% to EUR 2,963 million, which exceeded both our and consensus estimates. Net sales growth was driven almost entirely by higher sales prices, reflecting the tight market conditions in virtually all segments. Volumes also grew moderately and currency support was clear.

In Q3, Stora Enso improved its adjusted EBIT by 29% to EUR 527 million, which was about 10% above our and consensus estimates. Packaging Materials and Biomaterials once again managed to generate strong earnings that exceeded our expectations thanks to higher prices. In addition, Biomaterials was supported by the weaker EUR/USD exchange rate. The earnings improvement in the Paper division from the loss-making comparison period was high as expected, as the increase in sales prices brought profitability despite inflation. The figures of Wood Products were no surprise either as the unit's

performance decreased clearly from both Q2'22 and Q3'21. We suspect that Wood Products' earnings drop was caused by volumes and inflation while the average price was still relatively good. These two factors already pushed the earnings into a steepish decline but we expect more price pressure in the future. As a whole, we feel Wood Products' figures were a good reminder of the reality of the strength of a downward lever in operations that have enjoyed an exceptionally favorable market in recent times. Only the small Packaging Solutions that suffered from inflation, showed weak earnings and remained below expectations in Q3. Losses from other operations were close to the level we estimated.

The small negative adjustment items recorded by the company in the lower lines, the higher-than-expected financial expenses, and the minority share depressed EPS close to our estimate and it increased by 25% from the comparison period to EUR 0.47.

Balance sheet in the strongest shape for years

Stora Enso's operational cash flow was strong in Q3, as working capital did not continue to grow at the rate seen early in the year and the absolute level remained unchanged (working capital typically released in H2). Thus, the strong result fully materialized as operational cash flow, which increased by 32% from the comparison period to EUR 639 million. This was a strong performance considering inflation. The company's balance sheet strengthened further and adjusted EBITDA to net debt fell to 0.8x (Q3'21: 1.4x). The balance sheet needs firepower, as the company has announced significant investments totaling EUR 2,000 million in the Oulu board machine conversion and the De Jong Packaging acquisition. However, we expect that the company will be able to finance these easily, even if the exceptionally favorable operating environment would normalize in coming years.

Estimates	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	2577	2963	2917	2928	2703	- 3097	2%	11720
EBIT (adj.)	409	527	477	464	405	- 562	10%	1945
EBIT	386	511	477	464	405	- 557	7%	1714
PTP	349	448	442	433	364	- 522	1%	1566
EPS (reported)	0.38	0.47	0.45	0.43	0.36	- 0.52	4%	1.60
Revenue growth-%	24.0 %	15.0 %	13.2 %	13.6 %	4.9 %	- 20.2 %	1.8 pp	15.3 %
EBIT-% (adj.)	15.9 %	17.8 %	16.4 %	15.8 %	15.0 %	- 18.1 %	1.4 pp	16.6 %

Source: Inderes & Vara (consensus)

Estimate structure changed, but the level remained nearly unchanged

Estimate changes 2022e-2024e

- As expected, Stora Enso reiterated its guidance for 2022 but in general we feel the tone of market comments was more cautious than before
- We added the De Jong Packaging acquisition to our estimates from the beginning of 2023, as we expect the good one billion transaction to be completed as planned. Due to the financial structure of the transaction, the EPS effect is positive as it is based on reducing liquidity and additional debt even though the valuation of the transaction (2022e: EV/EBITDA 9x) was not cheap.
- We added the major investment in Oulu to our estimates, but we expect a positive earnings contribution from the line in 2026 at the earliest
- We added the very good divestment price of the Maxau site (EV 210 MEUR, sales gain 50 MEUR) and the fairly good divestment price of the Nymölla site (EV 150 MEUR, sales loss 30 MEUR) to our 2023 estimates. The transactions will reduce Stora Enso's net sales by about EUR 500 million, and the effect on adjusted EBIT will also be negative in the next few years
- The still weak EUR/USD rate gives some support to our Biomaterials' estimates
- We expect the pricing of more cyclical product groups to start to flex in 2023, with weakening demand and improved supply

Operational result drivers 2022e-2024e:

- We expect Packaging Materials to generate a top result in the tight markets this year, but as competition intensifies and the raw material market for corrugated board normalizes in coming years, we expect the unit's performance to calm down before the contribution from the new machine in Oulu starts supporting the division.
- We expect Biomaterials' result to gradually fall from the peak levels achieved in 2022, as we estimate that pulp prices will fall due to the normalization of supply (incl. supply chains and new capacity)
- Packaging Solutions' net sales and earnings will increase clearly with De Jong Packaging starting from the beginning of 2023
- We expect Wood Products' earnings to continue declining like in Q3 throughout next year, as pricing begins to flex with improved supply and calming demand.
- We expect, the earnings share of Paper that's for sale to fall to a very low level next year
- We expect Forest to continue its good and stable performance
- In Energy, the company's position is good due to direct ownership of energy resources

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11506	11720	2%	10653	11489	8%	10684	11487	8%
EBIT (exc. NRIs)	1851	1945	5%	1334	1328	0%	1295	1310	1%
EBIT	1636	1714	5%	1334	1358	2%	1295	1310	1%
PTP	1516	1566	3%	1204	1209	0%	1166	1161	-1%
EPS (excl. NRIs)	1.75	1.81	4%	1.21	1.18	-2%	1.17	1.16	-1%
DPS	0.65	0.60	-8%	0.70	0.65	-7%	0.75	0.70	-7%

Source: Inderes

The scale is still balanced

Valuation multiples are at the right level

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 7x and 11x, while the corresponding EV/EBITDA ratios are around 6x and 7x. With 2022 multiples, the share is cheap. Instead of valuation, investors' risks focus on the sustainability of the earnings level. Stora Enso's multiples for the next years are, in turn, below medium-term levels. We believe that this starting point can still be interpreted as somewhat neutral, given the higher interest rate expectations than in recent years.

Paper's lower share has improved the quality of the company's earnings and supported achievement of the target to reduce cyclicity presented at the CMD. The probable elimination of Paper from the figures will also slightly increase the valuation, as we expect the sites to be sold at lower multiples than the Group has. With the 5-year average realized result, Stora Enso's P/E would be 13x, which we think is a quite neutral level, although the company's profile has certainly changed a few notches for the better in the last five years. In addition to the divestment of Paper, the progress of the battery material project in particular could further improve the profile, but despite the cooperation agreement recently signed with NorthVolt, we believe it will take years for the business to take off.

Relatively, Stora Enso is priced at a premium to the peer group especially when looking at 2023. Thus, the share is not cheap in relative terms, although the peer group is also starting to look cheap. The value of our DCF model based on longer-term estimates is also slightly above the share price at good EUR 17 even though we have raised our required return for Stora Enso slightly due to increased interest rates. Thus, the DCF already gives an attractive indicator of the valuation, but under current market conditions this alone is not enough.

We find the valuation reasonable

We expect investors to receive an annual dividend of about 4-5% over the next few years for the current share price. Therefore, a relatively good dividend supports the expected return. We still expect the company's earnings trend to face tough benchmarks in Q4 or in Q1 at the latest if the historically high raw material prices for pulp, sawn timber and corrugated board are not sustainable and/or the cost level remains high. We do not consider the multiples sufficiently low considering the already visible reversal of the earnings growth driver (i.e. we do not see sufficient upside in the valuation without the company exceeding our estimates). Thus, we believe that the 12-month expected return on the share does not yet clearly exceed our required return, although the expected return is close to turning attractive.

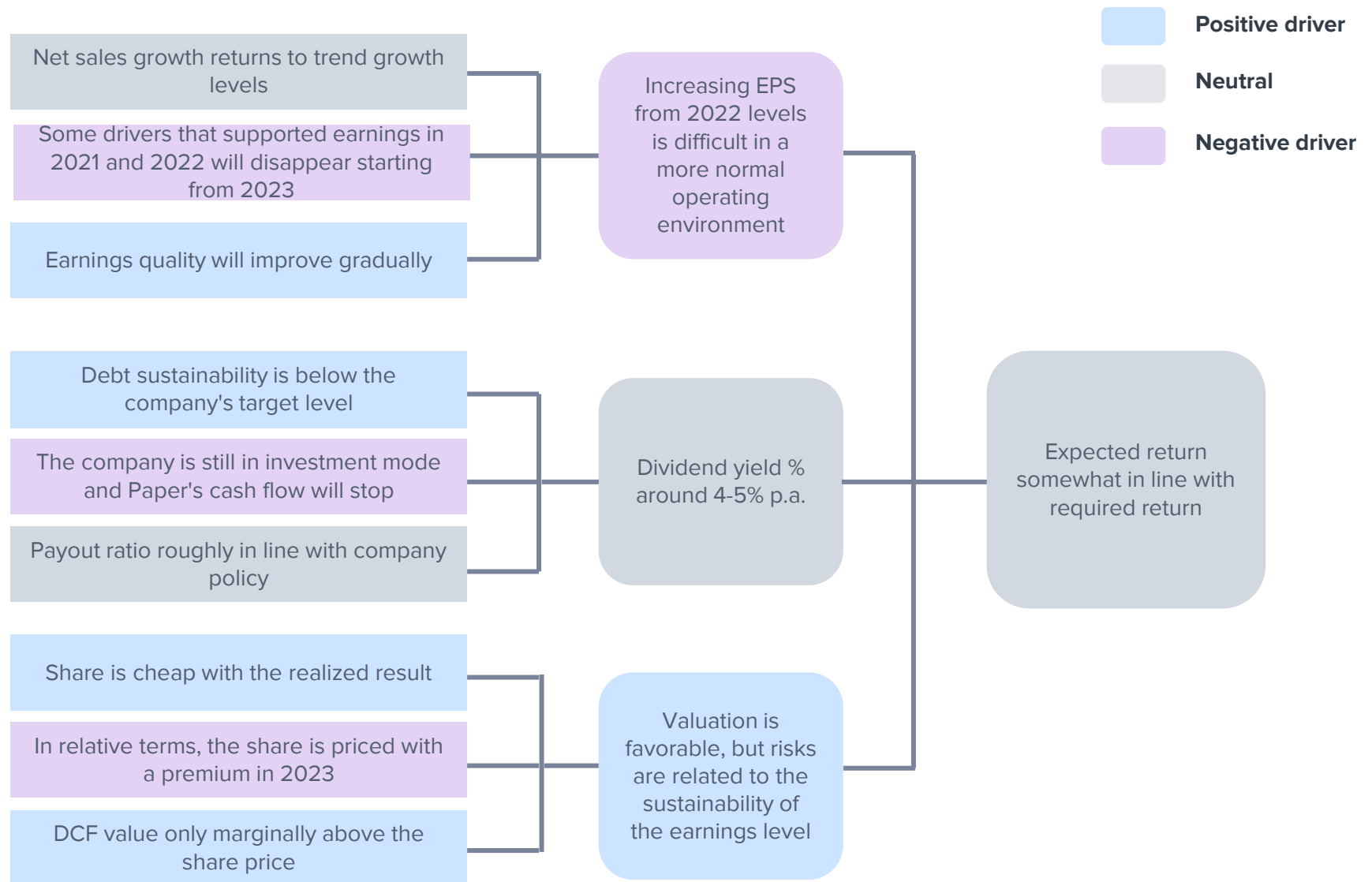
Written-up balance sheet keeps return on capital under control

Stora Enso's P/B ratio is below its medium-term median level at 1.0x (2022e). Historically, this level would already be attractive, but due to forest asset write-ups the increased balance sheet also stabilizes the Group's long-term return on capital to a lower level than before. The Forest division's ROCE% for the heavily written-up balance sheet value in recent years is now slightly above 3% and the cash flow rate is significantly lower. Even relative to the low risk of forest, we do not find the balance sheet value favorable (cf. US 10-year bond rate of over 4%) and we do not expect equity investors to swallow the balance sheet value of forest as is. Thus, the balance sheet, which has been bolstered with write-ups and consequently the chronically limited ROIC will, in our opinion, make the acceptable valuation premium relative to the balance sheet value of equity small.

Valuation	2022e	2023e	2024e
Share price	13.6	13.6	13.6
Number of shares, millions	788.6	788.6	788.6
Market cap	10741	10741	10741
EV	13679	14009	14053
P/E (adj.)	7.5	11.5	11.7
P/E	8.5	11.2	11.7
P/FCF	12.3	49.4	17.9
P/B	1.0	1.0	0.9
P/S	0.9	0.9	0.9
EV/Sales	1.2	1.2	1.2
EV/EBITDA	5.8	6.9	7.0
EV/EBIT (adj.)	7.0	10.6	10.7
Payout ratio (%)	37.6 %	53.6 %	60.1 %
Dividend yield-%	4.4 %	4.8 %	5.1 %

Source: Inderes

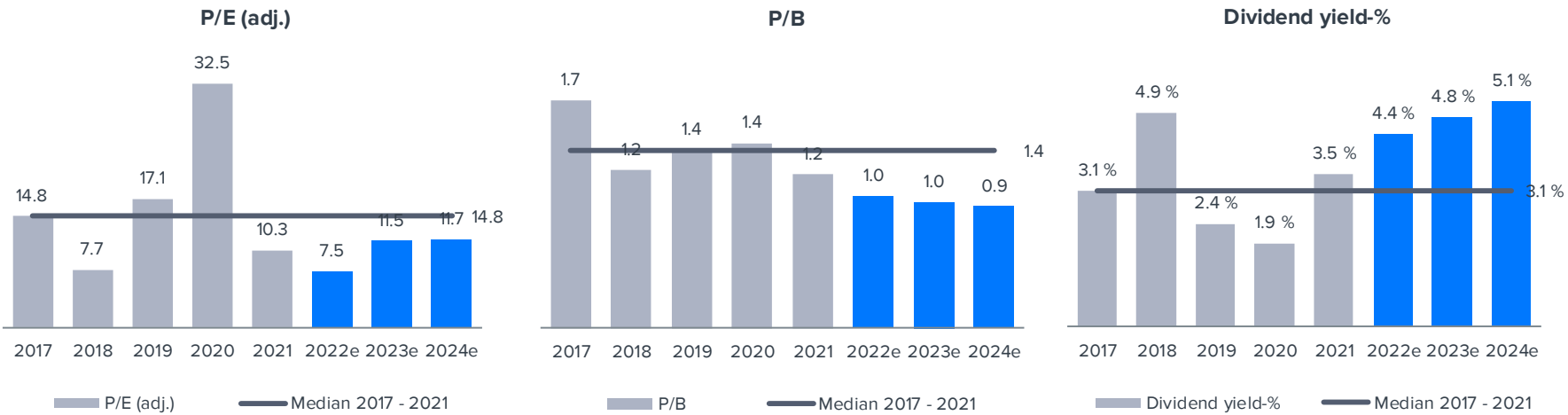
TSR drivers 2022e-2024e



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	13.20	10.01	12.97	15.65	16.14	13.62	13.62	13.62	13.62
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6
Market cap	10410	8075	10057	12386	12465	10741	10741	10741	10741
EV	12896	10310	13351	15453	14902	13679	14009	14053	13865
P/E (adj.)	14.8	7.7	17.1	32.5	10.3	7.5	11.5	11.7	11.4
P/E	16.7	7.8	11.6	19.7	10.1	8.5	11.2	11.7	11.4
P/FCF	10.6	10.4	neg.	22.5	43.6	12.3	49.4	17.9	12.3
P/B	1.7	1.2	1.4	1.4	1.2	1.0	1.0	0.9	0.9
P/S	1.0	0.8	1.0	1.4	1.2	0.9	0.9	0.9	0.9
EV/Sales	1.3	1.0	1.3	1.8	1.5	1.2	1.2	1.2	1.1
EV/EBITDA	9.1	5.5	7.0	10.6	6.6	5.8	6.9	7.0	6.7
EV/EBIT (adj.)	12.8	7.8	14.0	23.7	9.8	7.0	10.6	10.7	10.3
Payout ratio (%)	51.7 %	38.9 %	26.9 %	37.8 %	34.3 %	37.6 %	53.6 %	60.1 %	62.5 %
Dividend yield-%	3.1 %	4.9 %	2.4 %	1.9 %	3.5 %	4.4 %	4.8 %	5.1 %	5.5 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
International Paper		11736	16400	7.8	8.4	5.1	5.4	0.8	0.8	7.2	7.9	5.8	6.0	1.3
Graphic Packaging		6520	12303	12.1	10.4	7.8	7.2	1.3	1.3	9.6	8.6	1.6	1.9	2.8
DS Smith		4448	5846	9.3	7.6	5.5	4.9	0.7	0.6	9.5	7.7	5.2	6.0	1.1
Metsä Board		3021	3278	6.1	7.6	5.2	6.2	1.3	1.3	7.5	9.0	6.5	6.1	1.5
Holmen		6394	6744	11.3	17.2	9.2	13.1	3.2	3.4	13.7	20.7	2.4	2.2	1.4
Billerud		3348	3793	7.6	8.8	5.2	5.6	1.0	0.9	8.0	10.3	4.5	4.2	1.4
Mayr-Melnhof		2768	4033	10.1	9.8	7.0	6.7	1.1	1.0	10.2	9.8	3.1	3.3	1.5
UPM		18505	22058	12.1	11.6	9.6	9.0	1.9	1.8	13.1	12.4	3.9	4.3	1.6
Suzano		13182	24803	6.9	10.4	4.9	6.1	2.7	3.1	3.8	9.4	4.1	1.6	2.3
Smurfit Kappa		8428	11724	7.8	8.2	5.4	5.6	0.9	0.9	8.3	8.9	4.6	4.7	1.6
Stora Enso (Inderes)	13.62	10741	13679	7.0	10.6	5.8	6.9	1.2	1.2	7.5	11.5	4.4	4.8	1.0
Average				9.2	10.4	6.8	7.4	1.8	1.8	9.5	11.2	3.7	3.5	1.6
Median				8.5	9.3	5.5	6.1	1.2	1.2	8.9	9.6	4.0	3.7	1.5
Diff-% to median				-18%	14%	7%	13%	-4%	1%	-15%	20%	11%	27%	-31%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	8553	2276	2592	2577	2719	10164	2798	3054	2964	2904	11720	11489	11487	12208
Packaging Materials	3115	862	987	987	1062	3898	1132	1221	1210	1155	4718	4573	4583	5134
Packaging Solutions	594	159	170	180	214	723	191	188	179	184	742	1664	1562	1564
Biomaterials	1193	355	453	426	494	1728	442	522	567	551	2082	1802	1661	1696
Wood Products	1386	382	477	503	510	1872	573	631	520	489	2213	1936	2087	2209
Paper	1979	428	445	441	389	1703	416	462	471	483	1832	961	889	846
Forest	2046	582	586	546	597	2311	626	649	581	603	2459	2652	2705	2759
Other	928	240	264	303	285	1092	236	290	282	280	1088	1100	1100	1100
Intra-Group sales	-2688	-732	-790	-809	-832	-3163	-818	-909	-846	-840	-3413	-3200	-3100	-3100
EBITDA	1531	410	337	522	996	2265	598	531	645	569	2343	2017	1995	2078
Depreciation	-609	-249	-155	-136	-157	-697	-204	-132	-134	-159	-629	-660	-685	-729
EBIT (excl. NRI)	651	327	365	409	427	1528	503	505	527	410	1945	1328	1310	1349
EBIT	922	161	182	386	839	1568	394	399	511	410	1714	1358	1310	1349
Packaging Materials	403	127	144	152	133	556	196	188	181	110	675	564	595	593
Packaging Solutions	34	4	3	7	12	26	1	-3	1	2	1	93	101	117
Biomaterials	9	65	145	118	167	495	117	123	197	174	611	323	236	257
Wood Products	114	52	100	123	89	364	118	134	70	49	371	151	185	199
Paper	-38	-34	-49	-31	-10	-124	36	51	49	29	165	33	39	38
Forest	164	123	47	49	48	267	49	47	46	47	189	191	193	196
Other	-35	-11	-16	-3	-18	-48	-14	-20	-12	0	-46	-26	-40	-50
Intra-Group sales	0	1	0	1	-2	0	0	0	0	0	0	0	0	0
Net financial items	-150	-36	-30	-37	-46	-149	-19	-29	-63	-37	-148	-149	-149	-154
PTP	773	125	152	349	793	1419	375	370	447	373	1566	1209	1161	1195
Taxes	-156	20	56	-50	-177	-151	-88	-71	-81	-75	-315	-242	-232	-239
Minority interest	9	-1	-3	2	0	-2	2	4	5	-3	9	-10	-10	-10
Net earnings	626	144	205	301	616	1266	289	303	371	296	1260	957	919	946
EPS (adj.)	0.48	0.35	0.42	0.41	0.39	1.56	0.48	0.49	0.47	0.38	1.81	1.18	1.16	1.20
EPS (rep.)	0.79	0.18	0.26	0.38	0.78	1.61	0.37	0.38	0.47	0.38	1.60	1.21	1.16	1.20

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-14.9 %	3.1 %	22.6 %	24.0 %	26.3 %	18.8 %	22.9 %	17.8 %	15.0 %	6.8 %	15.3 %	-2.0 %	0.0 %	6.3 %
Adjusted EBIT growth-%	-31.7 %	81.7 %	105.1 %	133.7 %	261.9 %	134.7 %	53.7 %	38.5 %	28.8 %	-3.9 %	27.3 %	-31.7 %	-1.4 %	3.0 %
EBITDA-%	17.9 %	18.0 %	13.0 %	20.3 %	36.6 %	22.3 %	21.4 %	17.4 %	21.7 %	19.6 %	20.0 %	17.6 %	17.4 %	17.0 %
Adjusted EBIT-%	7.6 %	14.4 %	14.1 %	15.9 %	15.7 %	15.0 %	18.0 %	16.6 %	17.8 %	14.1 %	16.6 %	11.6 %	11.4 %	11.0 %
Net earnings-%	7.3 %	6.3 %	7.9 %	11.7 %	22.7 %	12.5 %	10.3 %	9.9 %	12.5 %	10.2 %	10.7 %	8.3 %	8.0 %	7.7 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13276	14517	14709	15536	15928
Goodwill	281	282	282	632	632
Intangible assets	134	124	126	178	180
Tangible assets	7464	5501	5637	6062	6452
Associated companies	456	580	580	580	580
Other investments	4667	7665	7665	7665	7665
Other non-current assets	157	222	235	235	235
Deferred tax assets	117	143	184	184	184
Current assets	4155	4509	5024	4524	4351
Inventories	1270	1478	1699	1666	1666
Other current assets	79.5	101	101	101	101
Receivables	1145	1449	1699	1608	1551
Cash and equivalents	1661	1481	1524	1149	1034
Balance sheet total	17431	19026	19733	20061	20280

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	8794	10666	10666	11205	11611
Share capital	1423	1423	1423	1423	1423
Retained earnings	6387	7416	8242	8726	9132
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1000	1843	1017	1072	1072
Minorities	-16.0	-16.0	-16.0	-16.0	-16.0
Non-current liabilities	5742	5195	5463	5426	5369
Deferred tax liabilities	1332	1430	1430	1430	1430
Provisions	102	91.0	91.0	91.0	91.0
Long term debt	3822	3313	3582	3545	3488
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	486	361	360	360	360
Current liabilities	2895	3165	3604	3429	3299
Short term debt	928	624	895	886	872
Payables	1837	2339	2578	2413	2297
Other current liabilities	130	202	130	130	130
Balance sheet total	17431	19026	19733	20061	20280

DCF calculation

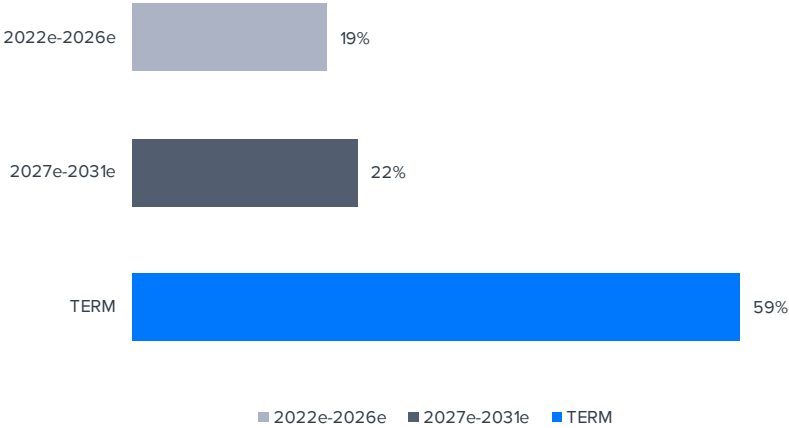
DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	1568	1714	1358	1310	1349	1509	1619	1659	1497	1464	1494	
+ Depreciation	697	629	660	685	729	726	717	710	703	698	692	
- Paid taxes	-79	-356	-242	-232	-239	-269	-295	-307	-278	-274	-283	
- Tax, financial expenses	-16	-30	-30	-30	-31	-33	-29	-25	-21	-19	-16	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	40	-304	-41	-57	-58	-29	-30	-26	-27	-27	-22	
Operating cash flow	2210	1653	1704	1675	1750	1904	1982	2012	1874	1842	1865	
+ Change in other long-term liabilities	-136	-1	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-1788	-780	-1487	-1077	-877	-652	-652	-652	-652	-652	-699	
Free operating cash flow	286	872	217	598	873	1252	1330	1360	1222	1190	1166	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	286	872	217	598	873	1252	1330	1360	1222	1190	1166	19952
Discounted FCFF		860	199	506	684	908	894	847	705	636	577	9873
Sum of FCFF present value		16689	15829	15631	15124	14440	13532	12637	11791	11086	10450	9873
Enterprise value DCF		16689										
- Interesting bearing debt		-3937										
+ Cash and cash equivalents		1481										
-Minorities		16										
-Dividend/capital return		-434										
Equity value DCF		13815										
Equity value DCF per share		17.5										

Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.4
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	10055	8553	10164	11720	11489	EPS (reported)	1.12	0.79	1.61	1.60	1.21
EBITDA	1902	1531	2265	2343	2017	EPS (adj.)	0.76	0.48	1.56	1.81	1.18
EBIT	1305	922	1568	1714	1358	OCF / share	3.44	1.97	2.80	2.10	2.16
PTP	1137	773	1419	1566	1209	FCF / share	-1.58	0.70	0.36	1.11	0.28
Net Income	880	626	1266	1260	957	Book value / share	9.42	11.17	13.54	13.54	14.23
Extraordinary items	352	271	40	-231	30	Dividend / share	0.30	0.30	0.55	0.60	0.65
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	15053	17431	19026	19733	20061	Revenue growth-%	-4%	-15%	19%	15%	-2%
Equity capital	7422	8794	10666	10666	11205	EBITDA growth-%	2%	-20%	48%	3%	-14%
Goodwill	302	281	282	282	632	EBIT (adj.) growth-%	-28%	-32%	135%	27%	-32%
Net debt	3304	3089	2456	2953	3283	EPS (adj.) growth-%	-41%	-36%	225%	16%	-35%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	18.9 %	17.9 %	22.3 %	20.0 %	17.6 %
EBITDA	1902	1531	2265	2343	2017	EBIT (adj.)-%	9.5 %	7.6 %	15.0 %	16.6 %	11.6 %
Change in working capital	316	206	40	-304	-41	EBIT-%	13.0 %	10.8 %	15.4 %	14.6 %	11.8 %
Operating cash flow	2711	1552	2210	1653	1704	ROE-%	12.4 %	7.7 %	13.0 %	11.8 %	8.7 %
CAPEX	-4827	-2331	-1788	-780	-1487	ROI-%	12.0 %	7.4 %	11.2 %	11.5 %	8.8 %
Free cash flow	-1245	552	286	872	217	Equity ratio	49.3 %	50.5 %	56.1 %	54.1 %	55.9 %
						Gearing	44.5 %	35.1 %	23.0 %	27.7 %	29.3 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	1.3	1.8	1.5	1.2	1.2						
EV/EBITDA (adj.)	7.0	10.6	6.6	5.8	6.9						
EV/EBIT (adj.)	14.0	23.7	9.8	7.0	10.6						
P/E (adj.)	17.1	32.5	10.3	7.5	11.5						
P/B	1.4	1.4	1.2	1.0	1.0						
Dividend-%	2.4 %	1.9 %	3.5 %	4.4 %	4.8 %						

Source: Inderes

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Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
28-12-18	Accumulate	11.50 €	10.12 €
30-10-19	Reduce	11.50 €	11.80 €
30-01-20	Reduce	11.50 €	11.76 €
24-03-20	Accumulate	8.50 €	7.36 €
16-04-20	Reduce	9.50 €	9.90 €
22-04-20	Reduce	9.50 €	10.06 €
24-06-20	Reduce	10.50 €	11.19 €
22-07-20	Reduce	10.50 €	11.25 €
24-09-20	Reduce	13.00 €	13.64 €
20-10-20	Reduce	13.00 €	13.67 €
12-11-20	Reduce	13.00 €	13.73 €
01-02-21	Reduce	14.00 €	15.00 €
24-03-21	Reduce	15.00 €	16.15 €
26-04-21	Reduce	15.50 €	16.68 €
22-07-21	Reduce	15.50 €	16.04 €
21-10-21	Reduce	15.50 €	14.65 €
31-01-22	Reduce	17.00 €	17.50 €
29-04-22	Reduce	18.00 €	17.85 €
14-06-22	Reduce	17.00 €	16.18 €
25-07-22	Reduce	16.00 €	14.79 €
24-10-22	Reduce	14.50 €	13.62 €



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