

# Telia

## Company report

01/27/2023



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This report is a summary translation of the report “Vielä pysytään satamassa” published on 01/27/2023 at 08:10 am.

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# Not setting sail just yet

We reiterate our SEK 29 target price and Reduce recommendation for Telia. Operationally, Telia's Q4 was slightly softer than expected. Operational guidance was in line with our expectations but left some downward pressure on market expectations for EBITDA. In addition, the cash flow guidance was broad and cash flow will have to fall at the upper end of the guidance for a sustainable dividend payment. We made only minor revisions to our estimates and believe that that expected return will mainly be driven by the dividend (8%). The valuation picture for the stock (2023e P/E 17x and EV/EBIT 16x) still argues for caution, especially given the uncertainty. In addition, there are better risk/return ratios available on the stock market.

## Positive trend slowed down in Q4

Telia's net sales increased by 4% to SEK 24,261 million (Q3: 5.6%), which was in line with our expectations. However, both the trend in net sales excluding exchange rate effects and M&A and comparable service revenues growth slowed to ~0.5% from over 2% growth previously in the year. Adjusted EBITDA increased by 1.2% (Q3: +4.3%) and was above our and slightly below market expectations. In Q4, earnings potential continued to be limited in particular by energy costs. The reported result was weighed down by the previously reported large write-downs of SEK 20 billion, which have no impact on cash flow. Cash flow for the full year 2022 was SEK 5.7 billion, brought down by front-loaded investments of SEK 1 billion. This means that the cash flow doesn't cover the proposed dividend of EUR 7.9 billion, which isn't sustainable in the longer term.

## Strategy progressed in 2022, but there is more to do in 2023

The company did a good job of turning its businesses around last year and the transformation has progressed on several fronts. In 2023, growth will be supported by the current growth trend, price increases and new products. Last year, however, inflation provided a headwind to the savings targets on the expenditure side. The company has reduced its cost base by 1.1 billion in 2021-2022, against a target of 2 billion by 2023. So, there's catching up to do. The company expects to reduce its headcount by 1,000 in Q1'23 (2,000 in previous years), further streamline IT and reduce marketing costs.

## Operational guidance in line with expectations, but cash flow slightly softer

Telia expects service revenues to grow at a low single-digit rate and adjusted EBITDA to be at the level of the comparison period or to grow at a low single-digit rate. In addition, the company guides for an operating cash flow (excluding working capital changes) of SEK 7-9 billion in 2023. Operational guidance and Q4 were in line with our expectations. Thus, we made only minor revisions to our estimates. In our view, cash flow should be at least EUR 8 billion to make the dividend sustainable. We now forecast net sales to grow by 3% in 2023-24 and EBITDA to grow 1%.

## Valuation and outlook still argue for caution

We still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns. Telia's adjusted P/E and EV/EBIT ratios for 2023 are 17x and 16x and 1% below Nordic peers. The expected return, which in practice consists only of dividend yield (8%), isn't quite enough to meet the required return. The cash flow calculation (SEK 30) indicates upside to the current share price, but we aren't prepared to rely on this in the face of uncertainty. In this way, the valuation still argues in favor of standing on the sidelines. A positive view would require inflation to be better implemented in customer prices and this to drive earnings growth.

## Recommendation

### Reduce

(previous Reduce)

**SEK 29.00**

(previous SEK 29.00)

**Share price:**

26.71



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	90827	93084	95480	97861
<b>growth-%</b>	3%	2%	3%	2%
<b>EBITDA (adj.)</b>	30328	30636	31203	32171
<b>EBITDA-% (adj.)</b>	33.4 %	32.9 %	32.7 %	32.9 %
<b>Net Income</b>	-14638	5561	6207	6638
<b>EPS (adj.)</b>	0.53	1.62	1.81	1.87

<b>P/E (adj.)</b>	50.3	16.5	14.8	14.3
<b>P/B</b>	1.6	1.7	1.7	2.1
<b>Dividend yield-%</b>	7.5 %	7.5 %	7.7 %	7.9 %
<b>EV/EBIT (adj.)</b>	16.3	15.7	15.0	14.8
<b>EV/EBITDA</b>	6.3	6.3	6.2	6.4
<b>EV/S</b>	2.0	2.0	2.0	2.0

Source: Inderes

## Guidance

(New guidance)

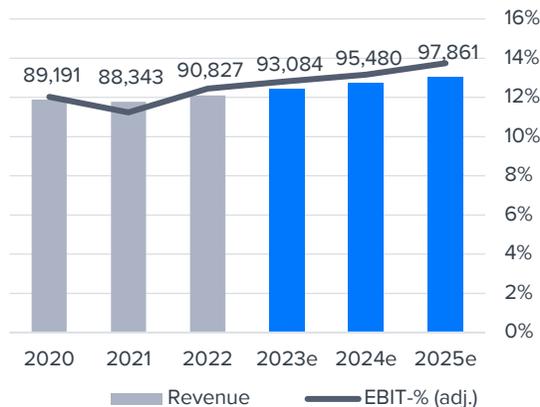
Service revenues are estimated to grow by low single digit and adjusted EBITDA is estimated to be flat to grow by low single digit in 2023.

## Share price



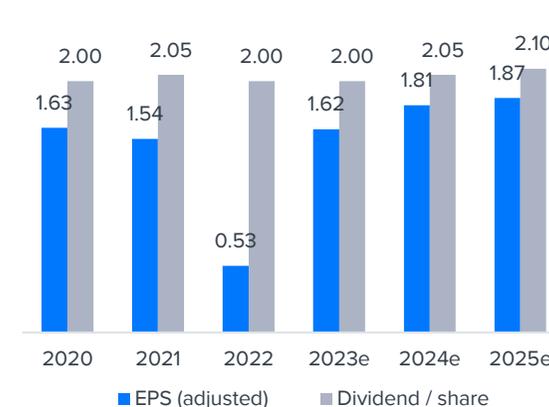
Source: Millistream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Continuing the turnaround of the Swedish business and a turnaround in Finland
- Earnings growth through growth in net sales and profitability improvement
- 5G opportunities
- Strong cash flow
- M&A
- Divestment of non-strategic operations



## Risk factors

- Upward pressure on the interest market
- Inflation continuing and increasing
- Tighter competition
- Realization of cost savings
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry

Valuation	2023e	2024e	2025e
Share price	26.7	26.7	26.7
Number of shares, millio	3932	3932	3932
Market cap	105027	105027	105027
EV	187155	188097	198914
P/E (adj.)	16.5	14.8	14.3
P/E	18.9	16.9	15.8
P/FCF	12.1	10.5	9.8
P/B	1.7	1.7	2.1
P/S	1.1	1.1	1.1
EV/Sales	2.0	2.0	2.0
EV/EBITDA	6.3	6.2	6.4
EV/EBIT (adj.)	15.7	15.0	14.8
Payout ratio (%)	141.4 %	129.9 %	124.4 %
Dividend yield-%	7.5 %	7.7 %	7.9 %

Source: Inderes

# Trend weakened in Q4

## Net sales in line with expectations, but slightly below estimates on a comparable basis

Telia reported that Q4 net sales were up 4% to SEK 24,261 million (Q3: 5.6%), which was almost in line with our and market expectations. Excluding exchange rate effects and M&A, net sales grew by 0.5%, slowing down from the beginning of the year (Q1-Q3'22: 2.1-2.7%). Comparable service revenues growth also slowed at almost the same pace to 0.7% in Q4. Service revenues have now grown for seven quarters, but the slowdown from before is somewhat worrying. The growth in service revenues is important to ensure that earnings growth is on a more solid base, and both Telia's strategic objectives and guidance reflect this. For the whole of 2022, comparable service revenues grew by 2.1%, which is a good level by historical standards.

## Earnings growth slowed slightly

Adjusted EBITDA grew by 1.2% to SEK 7374 million and was above our expectations and slightly below market expectations (Q3: +4.3%). Thus, the adjusted EBITDA margin was 30.4% and slightly below the 31.2% of the comparison period. Comparable EBITDA decreased by 2% year-on-year (Q3 +1.0%). The earnings potential in Q4 continued to be limited in particular by energy costs, which were SEK 280 million higher in Q4 and SEK 780 million higher for the whole year. The company said it is on track to meet its 2 billion savings target by 2023. As previously announced, the reported result was weighed down by a substantial non-cash impairment of EUR 19.8 billion due to higher market interest rates. Thus, the reported EPS of SEK -4.78 were below our forecast.

Full-year 2022 cash flow was SEK 5.7 billion, constrained by SEK 1 billion of front-loaded investments and high inventories in Q4, which are expected to be unloaded this year. The Board of Directors proposed a dividend of 2.00, which is the minimum according to Telia's dividend policy. Thus, the dividend didn't increase as the company had intended. The dividend proposal was slightly below our (2.07) and market expectations (2.05). The cash flow didn't cover the dividend, which is obviously not sustainable in the longer term. However, given the exceptional environment, we believe that a one-off dividend can be achieved through a healthy balance sheet.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	23380	24261	24137	24432	23547	- 25265	1%	90827
EBITDA (adj.)	7290	7374	7103	7416	7103	- 7538	4%	30328
EBIT (incl. minorities)	1772	-17874	-17512	2306	1870	- 2745	-2%	-9519
PTP	1181	-18715	-18312	1590	1185	- 1983	-2%	-12783
EPS (reported)	0.39	-4.78	0.32	0.32	0.19	- 0.48	n.a.	0.53
DPS	2.05	2.00	2.07	2.05	2.00	- 2.10	-3%	2.00
Revenue growth-%	-0.4 %	3.8 %	3.2 %	4.5 %	0.7 %	- 8.1 %	0.5 pp	2.8 %
EBITDA (adj.) -%	31.2 %	30.4 %	29.4 %	30.4 %	30.2 %	- 29.8 %	1 pp	56.1 %

Source: Inderes & Telia Company (consensus)

# We have made slight adjustments to our estimates

## Estimate revisions 2023e-2024e

- We kept our net sales estimates almost unchanged with the Q4 report
- We raised our earnings estimates slightly, as energy prices have stopped rising.
- We again lowered our dividend estimates slightly, due to slightly softer-than-expected cash flow guidance.
- Regarding cash flow, investments were highest in 2022 and the company now expects a lower level in the following years. In addition, earnings growth supports cash flow, while higher interest costs create headwinds. Overall, however, the company's cash flow guidance of SEK 7-9 billion is relatively broad.

## Operational earnings drivers 2023-2024e:

- Service revenues growth driven by 5G and faster subscription sales
- Continuing the turnaround of the Swedish business and a successful turnaround in Finland
- TV & Media recovering from COVID
- Cost savings (2 billion by 2023 and another 2 billion by 2025)
- Headwinds from rising energy prices and interest rates

## Objectives for the 2021-23 strategy period:

- Service revenues growth rate is a low single-digit number (estimate: 1-4%)
- Adjusted EBITDA growth rate is a low or medium single-digit number (estimate: at 1-7%)
- The latest comments indicate that CAPEX excluding license fees and royalties will be below 15% of net sales (around 15% in the past) in 2023. The company brought forward investments worth EUR 1 billion in 2022.

Estimate revisions	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MSEK / SEK	Old	New	%	Old	New	%	Old	New	%
Revenue	90703	90827	0%	93259	93084	0%	95658	95480	0%
EBITDA				30204	30636	1%	31424	31203	-1%
EBIT (exc. NRIs)	11503	11310	-2%	11499	11931	4%	12623	12575	0%
EBIT	-9150	-9519	4%	10699	11131	4%	11723	11675	0%
PTP	-12380	-12783	3%	7519	7751	3%	8559	8609	1%
EPS (adj. continuous operations)	1.52	0.53	-65%	1.56	1.62	3%	1.79	1.81	1%
DPS	2.07	2.00	-3%	2.09	2.00	-4%	2.11	2.05	-3%

Source: Inderes

# Valuation and uncertainty still argue for caution

## Valuation multiples

Historically, it has been difficult to compare Telia with competitors with earnings multiples, because e.g., Telia's EBITDA does not show the income from minority holdings (they are reported in EBIT) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. However, the income statement is now relatively clean, excluding the minorities of towers sold in the last year and the large write-down in Q4.

In the bigger picture, we still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns. Businesses performed better in 2022 than in years past, although this trend slowed markedly in Q4. In terms of its risk profile Telia differs clearly from, e.g., Elisa who has been able to reduce the macro pressure clearly better by means of systematic energy and, in particular, interest rate hedging.

With the share price decline and lowered estimates, Telia's adjusted P/E and EV/EBIT multiples for 2023e are 17x and 16x and 1% below Nordic peers. The multiples are slightly below the company's own level of the last 5 years (19x and 18x). Considering the company's headwinds from macro and the general market environment, we do not consider this to be enough to justify a positive view on the share.

## Expected return is not quite enough yet

The expected return on Telia's share currently consists almost entirely of the dividend yield (8%), which also carries a risk. We forecast earnings growth of 1% in the coming years and the share valuation isn't attractive either. Thus, the expected return does not cover the COE requirement.

## DCF calculation

From a DCF viewpoint, a slightly higher valuation level than currently can be justified for Telia (SEK 30). However, the last 5 years have been a roller coaster for Telia and there have been many disappointments. In addition, the entire business has changed significantly (Eurasia divested and TV&Media acquired). These factors reduce predictability for long-term cash flows.

Our DCF model indicates a value of SEK 29.9 per share for Telia. The model assumes that the company's net sales growth will be about 2% in the medium term and 1.6% in the terminal. We expect the EBIT margin to be around 12-14% in 2022-2030 and 13% in the terminal. The adjusted EBIT % has averaged 14% over the last 5 years. However, the weight of the terminal assumption is still high in the valuation (61%).

With a highly predictable and stable business relative to the general market, we continue to use a low (6.7%) discount rate (WACC) compared to the market. The weight of the DCF relies heavily on the terminal value, but also acts as one approach for Telia's valuation. However, we do not believe that this alone is sufficient to justify a positive view.

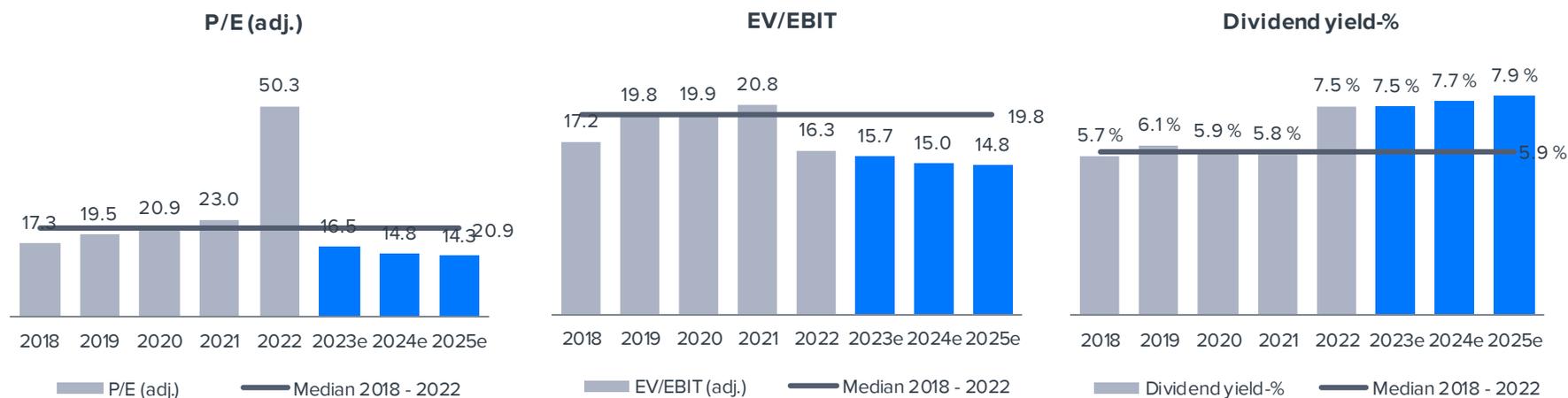
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EV/EBIT (adj.)	15.7	15.0	14.8
Payout ratio (%)	141.4 %	129.9 %	124.4 %
Dividend yield-%	7.5 %	7.7 %	7.9 %

Source: Inderes

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	41.2	40.3	34.0	35.4	26.7	26.7	26.7	26.7	26.7
Number of shares, millions	4292	4172	4090	4090	4035	3932	3932	3932	3932
Market cap	174149	165535	138884	144793	104830	105027	105027	105027	105027
EV	223723	243678	213286	206767	184486	187155	188097	198914	199656
P/E (adj.)	17.3	19.5	20.9	23.0	50.3	16.5	14.8	14.3	14.9
P/E	18.4	22.6	neg.	12.6	neg.	18.9	16.9	15.8	14.9
P/FCF	neg.	neg.	10.7	14.5	neg.	12.1	10.5	9.8	9.4
P/B	1.8	1.8	2.2	1.8	1.6	1.7	1.7	2.1	2.2
P/S	2.1	1.9	1.6	1.6	1.2	1.1	1.1	1.1	1.0
EV/Sales	2.7	2.8	2.4	2.3	2.0	2.0	2.0	2.0	2.0
EV/EBITDA	8.6	8.1	7.1	5.9	6.3	6.3	6.2	6.4	6.2
EV/EBIT (adj.)	17.2	19.8	19.9	20.8	16.3	15.7	15.0	14.8	14.7
Payout ratio (%)	104.2 %	135.5 %	neg.	72.9 %	neg.	141.4 %	129.9 %	124.4 %	98.0 %
Dividend yield-%	5.7 %	6.1 %	5.9 %	5.8 %	7.5 %	7.5 %	7.7 %	7.9 %	6.6 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Tele2	64282	94969	17.5	16.3	8.4	8.1	3.3	3.3	15.1	15.4	9.4	9.2	3.2
Elisa	96657	111837	20.5	19.6	13.1	12.7	4.5	4.4	21.6	20.7	4.3	4.5	6.6
Telenor	148861	272570	12.9	12.1	6.0	5.8	2.5	2.5	14.3	13.1	9.2	9.1	4.5
BT	162450	421467	10.3	10.0	4.3	4.2	1.6	1.6	6.1	6.8	6.0	6.0	0.9
Proximus	35853	71320	11.4	11.9	3.6	3.6	1.1	1.1	7.9	8.4	10.7	9.0	1.0
Orange Belgium	10482	14296	11.8	11.9	3.3	3.2	0.9	0.9	14.5	13.1	3.3	3.0	1.3
Swisscom AG	311169	401496	17.4	17.0	8.2	8.0	3.3	3.2	17.6	17.0	4.1	4.2	2.4
Telekom Austria AG	45769	73167	7.1	6.6	3.5	3.4	1.3	1.3	6.6	6.2	4.9	5.3	1.1
Deutsche Telekom	1131272	2770621	12.1	10.5	5.6	5.3	2.1	2.1	12.4	10.9	3.8	4.2	2.3
Koninklijke KPN	138181	200417	15.5	14.5	7.1	7.0	3.3	3.3	17.2	16.0	4.9	5.1	3.9
<b>Telia (Inderes) MSEK</b>	<b>105027</b>	<b>187155</b>	<b>15.7</b>	<b>15.0</b>	<b>6.3</b>	<b>6.2</b>	<b>2.0</b>	<b>2.0</b>	<b>16.5</b>	<b>14.8</b>	<b>7.5</b>	<b>7.7</b>	<b>1.7</b>
Average			13.6	13.0	6.3	6.1	2.4	2.3	13.3	12.7	6.1	6.0	2.7
<b>Median</b>			<b>12.5</b>	<b>12.0</b>	<b>5.8</b>	<b>5.6</b>	<b>2.3</b>	<b>2.3</b>	<b>14.4</b>	<b>13.1</b>	<b>4.9</b>	<b>5.2</b>	<b>2.3</b>
<b>Diff-% to median</b>			<b>25%</b>	<b>24%</b>	<b>9%</b>	<b>12%</b>	<b>-12%</b>	<b>-13%</b>	<b>15%</b>	<b>13%</b>	<b>53%</b>	<b>47%</b>	<b>-27%</b>
<b>Median (Nordic)</b>			<b>17.5</b>	<b>16.3</b>	<b>8.4</b>	<b>8.1</b>	<b>3.3</b>	<b>3.3</b>	<b>15.1</b>	<b>15.4</b>	<b>9.2</b>	<b>9.1</b>	<b>4.5</b>
<b>Diff-% to median (Nordic)</b>			<b>-10%</b>	<b>-8%</b>	<b>-25%</b>	<b>-23%</b>	<b>-39%</b>	<b>-39%</b>	<b>9%</b>	<b>-4%</b>	<b>-19%</b>	<b>-15%</b>	<b>-63%</b>

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

# Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>89191</b>	<b>88343</b>	<b>21818</b>	<b>22293</b>	<b>22456</b>	<b>24261</b>	<b>90827</b>	<b>22288</b>	<b>22822</b>	<b>23034</b>	<b>24939</b>	<b>93084</b>	<b>95480</b>	<b>97861</b>	<b>100221</b>
Sweden	33740	34451	8548	8641	8698	9225	35112	8633	8770	8846	9409	35659	36479	37318	38177
Finland	15260	14504	3630	3655	3723	4182	15190	3739	3746	3835	4308	15628	16003	16355	16715
Norway	13373	13788	3649	3662	3859	3851	15022	3759	3772	3975	3967	15472	15937	16415	16874
Denmark	5464	5214	1275	1269	1371	1383	5298	1301	1297	1404	1417	5419	5528	5638	5751
Lithuania	4151	4320	1113	1171	1203	1297	4784	1157	1218	1252	1349	4975	5125	5278	5437
Estonia	3321	3331	868	867	922	980	3637	903	902	959	1019	3783	3896	4013	4134
TV & Media + other operations	16367	14370	3019	3334	2959	3720	13032	3087	3430	3050	3855	13421	13812	14168	14486
Eliminations and other	-2485.2	-1635	-285	-307	-281	-376	-1248	-291	-313	-286	-383	-1273	-1299	-1325	-1351
<b>EBITDA</b>	<b>30194</b>	<b>35151</b>	<b>7030</b>	<b>7499</b>	<b>7872</b>	<b>7016</b>	<b>29417</b>	<b>6726</b>	<b>7644</b>	<b>7895</b>	<b>7571</b>	<b>29836</b>	<b>30303</b>	<b>31271</b>	<b>31981</b>
<b>EBITDA (adj.)</b>	<b>30702</b>	<b>29861</b>	<b>7202</b>	<b>7681</b>	<b>8071</b>	<b>7374</b>	<b>30328</b>	<b>7226</b>	<b>7744</b>	<b>7995</b>	<b>7671</b>	<b>30636</b>	<b>31203</b>	<b>32171</b>	<b>32881</b>
Depreciation	-27861.0	-20023	-4607	-4686	-4706	-24937	-38936	-4685	-4680	-4670	-4670	-18705	-18628	-18520	-18441
<b>EBIT (excl. NRI)</b>	<b>10735</b>	<b>9929</b>	<b>2595</b>	<b>2996</b>	<b>3364</b>	<b>2355</b>	<b>11310</b>	<b>2541</b>	<b>3064</b>	<b>3325</b>	<b>3001</b>	<b>11931</b>	<b>12575</b>	<b>13451</b>	<b>13540</b>
<b>EBIT</b>	<b>2333</b>	<b>15127</b>	<b>2423</b>	<b>2814</b>	<b>3165</b>	<b>-17921</b>	<b>-9519</b>	<b>2041</b>	<b>2964</b>	<b>3225</b>	<b>2901</b>	<b>11131</b>	<b>11675</b>	<b>12751</b>	<b>13540</b>
Share of associated companies' profit	0.0	104	14	18	23	47	102	40	40	40	40	160	160	160	160
Net financial items	-3318.0	-2634	-1030	-711	-784	-841	-3366	-860	-880	-900	-900	-3540	-3226	-3743	-3979
<b>PTP</b>	<b>-21065.5</b>	<b>12597</b>	<b>1407</b>	<b>2121</b>	<b>2404</b>	<b>-18715</b>	<b>-12783</b>	<b>1221</b>	<b>2124</b>	<b>2365</b>	<b>2041</b>	<b>7751</b>	<b>8609</b>	<b>9168</b>	<b>9721</b>
Taxes	-1412.0	-937	-321	-437	-521	-102	-1381	-244	-425	-473	-408	-1550	-1749	-1865	-1979
Minority interest	-156.0	-156	-157	-159	-174	16	-474	-160	-160	-160	-160	-640	-653	-666	-679
<b>Net earnings</b>	<b>-22633.5</b>	<b>11504</b>	<b>929</b>	<b>1525</b>	<b>1709</b>	<b>-18801</b>	<b>-14638</b>	<b>817</b>	<b>1539</b>	<b>1732</b>	<b>1473</b>	<b>5561</b>	<b>6207</b>	<b>6638</b>	<b>7063</b>
<b>EPS (adj. continuous operations)</b>	<b>1.63</b>	<b>1.54</b>	<b>0.27</b>	<b>0.42</b>	<b>0.47</b>	<b>-0.64</b>	<b>0.53</b>	<b>0.33</b>	<b>0.42</b>	<b>0.47</b>	<b>0.40</b>	<b>1.62</b>	<b>1.81</b>	<b>1.87</b>	<b>1.80</b>
<b>EPS (reported)</b>	<b>-5.53</b>	<b>2.81</b>	<b>0.23</b>	<b>0.38</b>	<b>0.42</b>	<b>-4.66</b>	<b>-3.63</b>	<b>0.21</b>	<b>0.39</b>	<b>0.44</b>	<b>0.37</b>	<b>1.41</b>	<b>1.58</b>	<b>1.69</b>	<b>1.80</b>
<b>Key figures</b>	<b>2020</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23e</b>	<b>Q2'23e</b>	<b>Q3'23e</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenue growth-%</b>	3.8 %	-1.0 %	0.0 %	1.9 %	5.6 %	3.8 %	2.8 %	2.2 %	2.4 %	2.6 %	2.8 %	2.5 %	2.6 %	2.5 %	2.4 %
<b>Adjusted EBIT growth-%</b>		-7.5 %	19.5 %	12.2 %	17.3 %	6.2 %	13.9 %	-2.1 %	2.3 %	-1.1 %	27.4 %	5.5 %	5.4 %	7.0 %	0.7 %
<b>EBITDA-% (adj.)</b>	33.9 %	33.8 %	33.0 %	34.5 %	35.9 %	30.4 %	33.4 %	32.4 %	33.9 %	34.7 %	30.8 %	32.9 %	32.7 %	32.9 %	32.8 %
<b>Adjusted EBIT-%</b>	12.0 %	11.2 %	11.9 %	13.4 %	15.0 %	9.7 %	12.5 %	11.4 %	13.4 %	14.4 %	12.0 %	12.8 %	13.2 %	13.7 %	13.5 %
<b>Net earnings-%</b>	-25.4 %	13.0 %	4.3 %	6.8 %	7.6 %	-77.5 %	-16.1 %	3.7 %	6.7 %	7.5 %	5.9 %	6.0 %	6.5 %	6.8 %	7.0 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>194880</b>	<b>185090</b>	<b>184585</b>	<b>184057</b>	<b>183674</b>
Goodwill	89943	74547	74547	74547	74547
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	88226	91373	90868	90340	89957
Associated companies	4749	8171	8171	8171	8171
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	10660	9928	9928	9928	9928
Deferred tax assets	1302	1071	1071	1071	1071
<b>Current assets</b>	<b>42146</b>	<b>37703</b>	<b>37661</b>	<b>38553</b>	<b>39439</b>
Inventories	2040	2918	2991	3067	3144
Other current assets	3005	3022	3022	3022	3022
Receivables	22743	24892	22340	22915	23487
Cash and equivalents	14358	6871	9308	9548	9786
<b>Balance sheet total</b>	<b>237026</b>	<b>222793</b>	<b>222246</b>	<b>222610</b>	<b>223112</b>

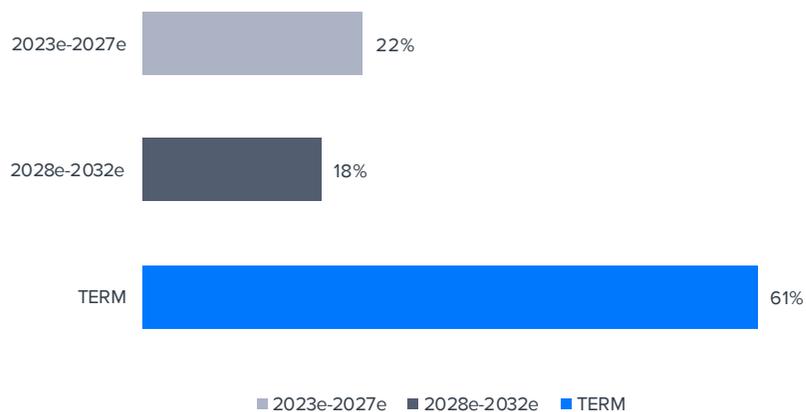
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>83543</b>	<b>67673</b>	<b>65370</b>	<b>63713</b>	<b>52328</b>
Share capital	14961	14961	14961	14961	14961
Retained earnings	55503	39316	37013	35356	33933
Hybrid bonds	10267	9962	9962	9962	0
Revaluation reserve	0	0	0	0	0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	2812	3434	3434	3434	3434
<b>Non-current liabilities</b>	<b>110464</b>	<b>112380</b>	<b>110093</b>	<b>111098</b>	<b>120494</b>
Deferred tax liabilities	10185	10514	10514	10514	10514
Provisions	7001	5022	5022	5022	5022
Long term debt	75005	83484	81197	82202	91598
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	18273	13360	13360	13360	13360
<b>Current liabilities</b>	<b>43019</b>	<b>42741</b>	<b>46783</b>	<b>47799</b>	<b>50290</b>
Short term debt	2215	3309	10505	10683	12341
Payables	32729	35734	32579	33418	34251
Other current liabilities	8075	3698	3698	3698	3698
<b>Balance sheet total</b>	<b>237026</b>	<b>222794</b>	<b>222246</b>	<b>222610</b>	<b>223112</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.8 %	2.5 %	2.6 %	2.5 %	2.4 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.6 %	1.6 %
EBIT-%	-10.5 %	12.0 %	12.2 %	13.0 %	13.5 %	14.0 %	14.0 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>-9519</b>	<b>11131</b>	<b>11675</b>	<b>12751</b>	<b>13540</b>	<b>14312</b>	<b>14598</b>	<b>14890</b>	<b>14103</b>	<b>14385</b>	<b>14615</b>	
+ Depreciation	38936	18705	18628	18520	18441	18386	18350	18332	18329	18338	18357	
- Paid taxes	-821	-1550	-1749	-1865	-1979	-2139	-2314	-2424	-2263	-2323	-2375	
- Tax, financial expenses	386	-756	-707	-815	-865	-865	-751	-702	-700	-700	-697	
+ Tax, financial income	-25	33	39	40	41	42	43	44	44	45	46	
- Change in working capital	-4416	-675	187	185	184	156	159	162	166	169	138	
<b>Operating cash flow</b>	<b>24541</b>	<b>26888</b>	<b>28073</b>	<b>28817</b>	<b>29362</b>	<b>29891</b>	<b>30085</b>	<b>30302</b>	<b>29678</b>	<b>29914</b>	<b>30084</b>	
+ Change in other long-term liabilities	-6892	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-25955	-18200	-18100	-18136	-18172	-18209	-18263	-18318	-18373	-18428	-18525	
<b>Free operating cash flow</b>	<b>-8306</b>	<b>8688</b>	<b>9973</b>	<b>10681</b>	<b>11190</b>	<b>11682</b>	<b>11822</b>	<b>11984</b>	<b>11305</b>	<b>11486</b>	<b>11559</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-8306	8688	9973	10681	11190	11682	11822	11984	11305	11486	11559	228477
<b>Discounted FCFF</b>		<b>8178</b>	<b>8795</b>	<b>8824</b>	<b>8661</b>	<b>8471</b>	<b>8031</b>	<b>7627</b>	<b>6741</b>	<b>6416</b>	<b>6049</b>	<b>119566</b>
Sum of FCFF present value		197357	189179	180384	171561	162900	154429	146398	138772	132031	125615	119566
<b>Enterprise value DCF</b>		<b>197357</b>										
- Interesting bearing debt		-86793										
+ Cash and cash equivalents		6871										
-Minorities		-3434										
-Dividend/capital return		0										
<b>Equity value DCF</b>		<b>117701</b>										
<b>Equity value DCF per share</b>		<b>29.9</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>7.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.7 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	89191	88343	90827	<b>93084</b>	<b>95480</b>	EPS (reported)	-5.53	2.81	-3.63	<b>1.41</b>	<b>1.58</b>
EBITDA	30194	35151	29417	<b>29836</b>	<b>30303</b>	EPS (adj.)	1.63	1.54	0.53	<b>1.62</b>	<b>1.81</b>
EBIT	2333	15127	-9519	<b>11131</b>	<b>11675</b>	OCF / share	9.04	8.98	6.08	<b>6.84</b>	<b>7.14</b>
PTP	-21065	12597	-12783	<b>7751</b>	<b>8609</b>	FCF / share	3.18	2.45	-2.06	<b>2.21</b>	<b>2.54</b>
Net Income	-22912	11680	-14638	<b>5561</b>	<b>6207</b>	Book value / share	15.36	19.74	15.92	<b>15.75</b>	<b>15.33</b>
Extraordinary items	-8403	5199	-20829	<b>-800</b>	<b>-900</b>	Dividend / share	2.00	2.05	2.00	<b>2.00</b>	<b>2.05</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	226682	237026	222793	<b>222246</b>	<b>222610</b>	Revenue growth-%	4%	-1%	3%	<b>2%</b>	<b>3%</b>
Equity capital	63954	83543	67673	<b>65370</b>	<b>63713</b>	EBITDA growth-%	-2%	-3%	2%	<b>1%</b>	<b>2%</b>
Goodwill	86521	89943	74547	<b>74547</b>	<b>74547</b>	EBIT (adj.) growth-%	-13%	-8%	14%	<b>5%</b>	<b>5%</b>
Net debt	76984	62862	79922	<b>82394</b>	<b>83337</b>	EPS (adj.) growth-%	-21%	-5%	-66%	<b>205%</b>	<b>12%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.4 %	33.8 %	33.4 %	<b>32.9 %</b>	<b>32.7 %</b>
EBITDA	30194	35151	29417	<b>29836</b>	<b>30303</b>	EBIT (adj.)-%	12.0 %	11.2 %	12.5 %	<b>12.8 %</b>	<b>13.2 %</b>
Change in working capital	10250	2240	-4416	<b>-675</b>	<b>187</b>	EBIT-%	2.6 %	17.1 %	-10.5 %	<b>12.0 %</b>	<b>12.2 %</b>
Operating cash flow	36966	36743	24541	<b>26888</b>	<b>28073</b>	ROE-%	-29.4 %	16.0 %	-20.2 %	<b>8.8 %</b>	<b>10.2 %</b>
CAPEX	-4961	-24079	-25955	<b>-18200</b>	<b>-18100</b>	ROI-%	-10.5 %	9.9 %	-5.8 %	<b>7.4 %</b>	<b>7.7 %</b>
Free cash flow	13009	10006	-8306	<b>8688</b>	<b>9973</b>	Equity ratio	28.2 %	35.2 %	30.4 %	<b>29.4 %</b>	<b>28.6 %</b>
						Gearing	120.4 %	75.2 %	118.1 %	<b>126.0 %</b>	<b>130.8 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.4	2.3	2.0	<b>2.0</b>	<b>2.0</b>						
EV/EBITDA (adj.)	7.1	5.9	6.3	<b>6.3</b>	<b>6.2</b>						
EV/EBIT (adj.)	19.9	20.8	16.3	<b>15.7</b>	<b>15.0</b>						
P/E (adj.)	20.9	23.0	50.3	<b>16.5</b>	<b>14.8</b>						
P/E	2.2	1.8	1.6	<b>1.7</b>	<b>1.7</b>						
Dividend-%	5.9 %	5.8 %	7.5 %	<b>7.5 %</b>	<b>7.7 %</b>						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
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
7/23/2018	Accumulate	44.00 €	39.06 €
10/22/2018	Accumulate	45.00 €	40.30 €
1/28/2019	Accumulate	44.00 €	39.78 €
3/27/2019	Accumulate	44.00 €	41.43 €
4/26/2019	Accumulate	44.00 €	40.80 €
7/18/2019	Reduce	44.00 €	42.90 €
10/18/2019	Reduce	42.00 €	41.65 €
1/14/2020	Reduce	42.00 €	40.57 €
1/30/2020	Reduce	42.00 €	41.83 €
3/19/2020	Accumulate	39.00 €	34.04 €
3/27/2020	Accumulate	38.00 €	35.00 €
4/23/2020	Accumulate	38.00 €	34.05 €
7/20/2020	Accumulate	38.00 €	36.27 €
10/22/2020	Accumulate	38.00 €	37.20 €
1/27/2021	Accumulate	38.00 €	36.56 €
2/1/2021	Accumulate	40.00 €	36.70 €
4/26/2021	Accumulate	40.00 €	35.07 €
7/22/2021	Accumulate	40.00 €	38.15 €
10/22/2021	Accumulate	39.00 €	35.58 €
1/31/2022	Accumulate	39.00 €	36.30 €
4/28/2022	Reduce	41.00 €	41.40 €
7/21/2022	Accumulate	41.00 €	37.20 €
10/24/2022	Reduce	29.00 €	28.25 €
1/27/2023	Reduce	29.00 €	26.70 €



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