TELIA

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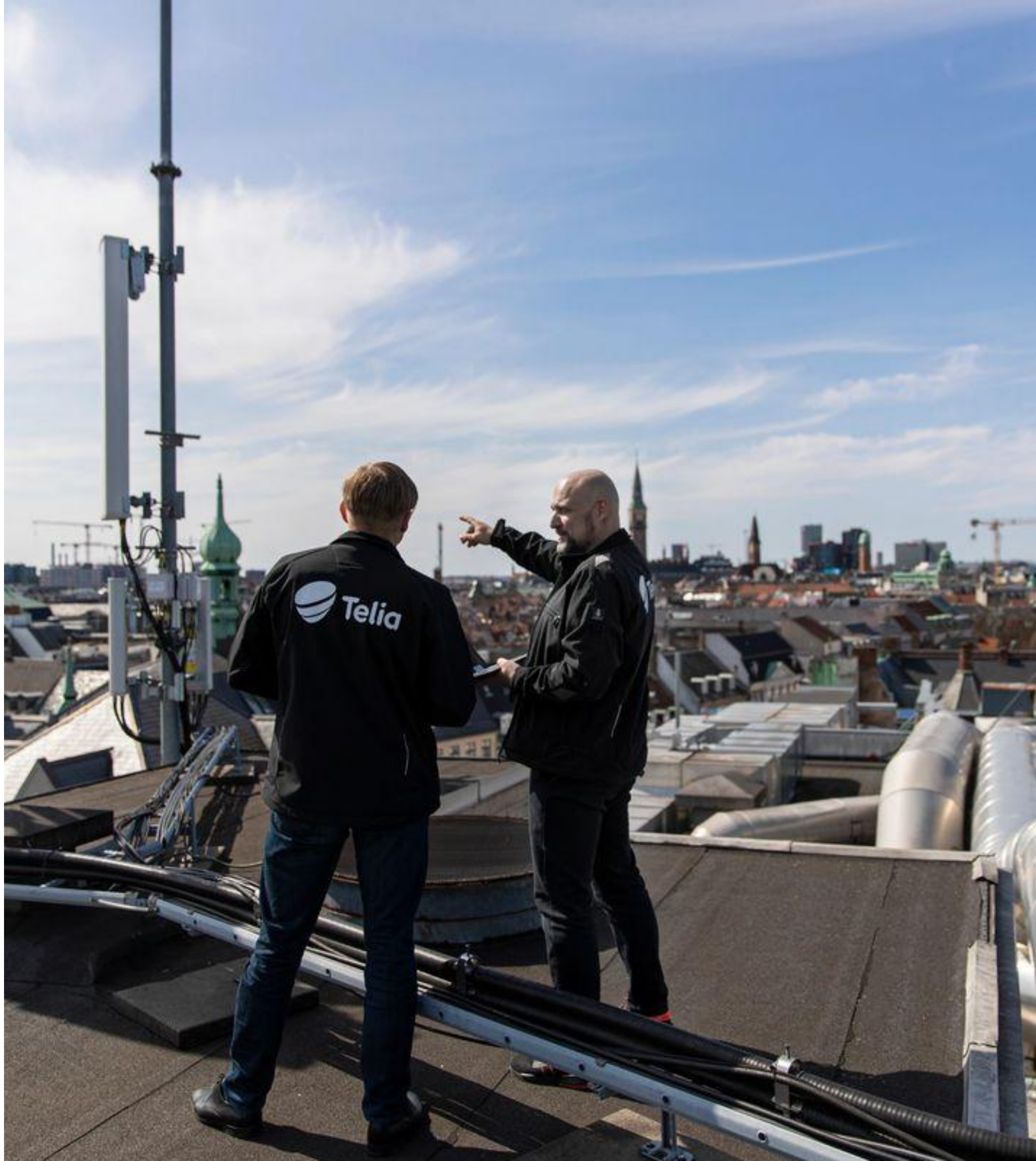
Joni Grönqvist, Analyst
+358 40 515 3113
joni.gronqvist@inderes.fi

COMPANY REPORT



Improvement in quality level

We reiterate our SEK 41.0 target price for Telia and raise our recommendation to Reduce (was Sell) due to the decrease in the share price. Telia's Q2 revenue and earnings slightly exceeded our expectations but were in line with those of the consensus. In the big picture, confidence in earnings growth and particularly in cash flow has improved over a little more than the past year. However, the slope of earnings growth is insufficient to turn the valuation positive, as the valuation picture is tight (2026 adj. EV/EBIT 17x and P/E 19x).

Q2 well in line with market expectations; positive performance in Norway

Telia reported Q2 revenue up 4% at 20,705 MSEK. The comparable service revenue growth we track was 2.8%, an improvement from 2.1% in Q1. The company is thus well on track to achieve its 2026 service revenue growth target of around 2%. Geographically, Norway was a positive surprise, returning to growth, and other key markets developed in line with our expectations. Adjusted EBITDA increased by 1.7% to 8,378 MSEK and exceeded our expectations, as well as the consensus expectations by a small margin. Non-recurring costs were higher than we expected, and thus the reported result was nearly in line with our expectations. Cash flow was 2.2 BSEK, clearly exceeding our estimate, the consensus estimate, and the company's guidance of just over 1 BSEK, though it will likely level off in H2.

Good performance over a longer period has improved quality

Under its current leadership, Telia has significantly improved its operational performance, in terms of both earnings growth rate and alignment of words and actions. In our view, this strong performance is also partly the result of previous strategies, as 10 years ago, the company began simplifying an overly complex and difficult-to-manage structure. This "simplification" and improvement of focus took many years and involved some misguided strategic acquisitions along the way. However, the company now appears to be in a much better position to implement its strategy and achieve important earnings growth.

Telia well on track to meet guidance

The company expects comparable service revenue to grow by 2% and comparable EBITDA to grow by some 3% in 2026. In addition, Telia guides for cash flow of around 9 BSEK in 2026, assuming normalized spectrum CAPEX of 650 MSEK. Based on the Q2 report, we only made minor adjustments to our estimates (−1–+2%). Overall, the company has experienced consistent earnings growth without major setbacks for some time now, which has lowered the risk level. We forecast revenue to grow by 2.9% and adjusted EBITDA by 3.4% in 2026 (consensus before Q2 report +3% and 4%). In 2027-2028, we expect revenue to grow by ~2%, with no change in profitability. Earnings growth is mainly supported by growth in service revenue and, geographically, the gradual recovery of weak markets (Finland and Norway).

Price decline has eliminated most of the overvaluation

In recent years, Telia has clearly improved its operational performance and delivered on its promises more consistently. This means that the recurring disappointments of the past 10 years have clearly decreased. The share price (2026e, adj. EV/EBIT 17x and P/E 19x) still indicates a continuation of strong performance, even though the most significant overvaluation has been eliminated with the drop in share price. However, the valuation relative to its closest Nordic peers and Elisa has widened, and the company now trades at a 19% premium to them (was 13%). Thus, the absolute valuation is tight, and the relative valuation remains very tight in our view, even though the quality gap has narrowed and, in part, even turned in Telia's favor. In our view, however, maintaining the growth rate of earnings is challenging now that significant efficiency measures have already been implemented. Although Telia's risk profile has declined due to its improved focus, a more positive view of the stock would require signs of a faster earnings growth rate (~2%) than we are forecasting in the coming years.

Recommendation
Reduce
(was Sell)

Target price:
SEK 41.00
(was SEK 41.00)

Share price:
SEK 46.25

Business risk

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Valuation risk

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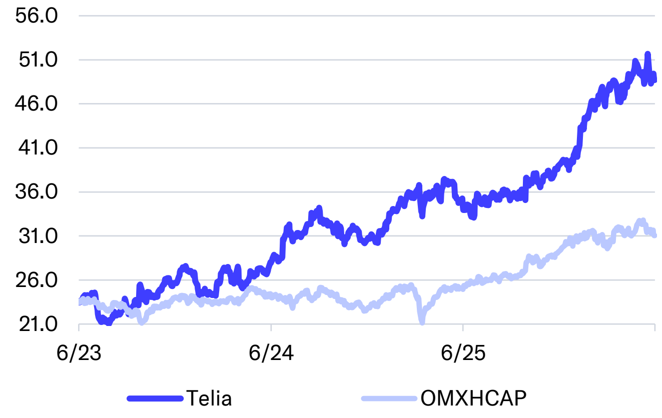
	2025	2026e	2027e	2028e
Revenue	80982	83299	85171	86946
growth-%	0%	3%	2%	2%
EBITDA (adj.)	31920	32992	33764	34521
EBITDA-% (adj.)	39.4 %	39.6 %	39.6 %	39.7 %
Net Income	5067	8684	9226	9489
EPS (adj.)	2.36	2.50	2.53	2.62
P/E (adj.)	16.7	18.5	18.3	17.6
P/B	3.8	4.3	4.2	4.1
Dividend yield-%	5.2 %	4.5 %	4.6 %	4.8 %
EV/EBIT (adj.)	16.2	17.2	16.4	15.8
EV/EBITDA	8.5	8.4	8.1	7.9
EV/S	2.9	3.2	3.1	3.1

Source: Inderes

Guidance (Unchanged)

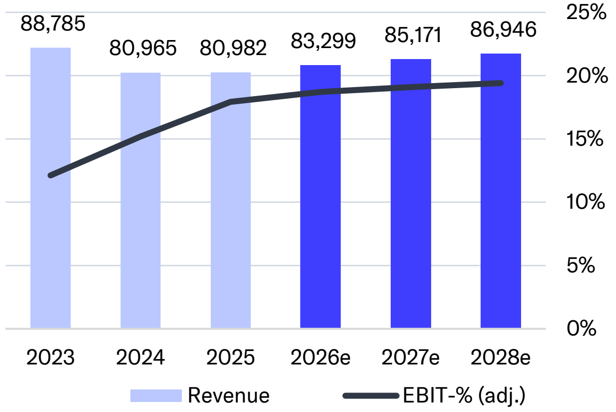
Telia guides for comparable service revenue growth of around 2% and comparable EBITDA growth of around 3% in 2026.

Share price



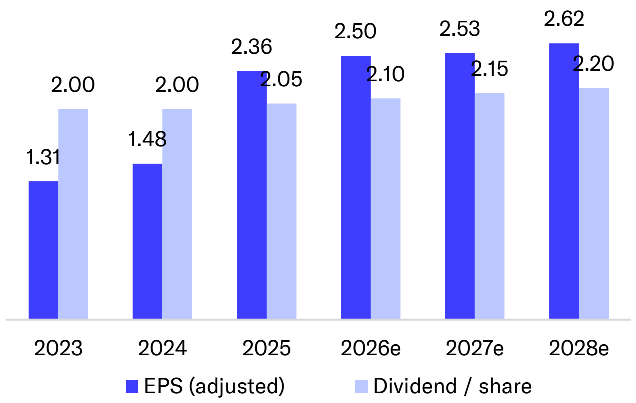
Source: Millistream Market Data AB

Revenue and EBIT % (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Continuing the turnaround in Sweden and a turnaround in Finland and Norway
- Earnings growth through top-line growth and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- Divestment of non-strategic businesses

Risk factors

- Realization of cost savings
- Intensified competition
- 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
- Intensified inflation

Valuation	2026e	2027e	2028e
Share price	46.3	46.3	46.3
Number of shares, millions	3923	3923	3923
Market cap	181444	181444	181444
EV	267724	267206	266584
P/E (adj.)	18.5	18.3	17.6
P/E	20.9	19.7	19.1
P/B	4.3	4.2	4.1
P/S	2.2	2.1	2.1
EV/Sales	3.2	3.1	3.1
EV/EBITDA	8.4	8.1	7.9
EV/EBIT (adj.)	17.2	16.4	15.8
Payout ratio (%)	94.9 %	91.4 %	91.0 %
Dividend yield-%	4.5 %	4.6 %	4.8 %

Source: Inderes

Q2 well in line with market expectations; positive performance in Norway

Revenue grew more than we expected, driven by Norway

Telia's revenue in the second quarter increased by 4% to 20,705 MSEK, and excluding currency effects and M&A, revenue increased by +1.8%. Revenue exceeded our expectations, as well as the consensus expectations to a slight extent. Comparable service revenue growth was 2.8%, an improvement from 2.1% in Q1. The company is thus well on track to achieve its 2026 service revenue growth target of around 2%. Geographically, comparable growth was driven by Sweden as expected; Finland's revenue decreased slightly, also as expected, while the turnaround to growth in Norway was a positive surprise. Finland and Norway have been turnaround markets for some time, and based on comments, Norway appears to be turning around faster than Finland, which is contrary to previous expectations. Sweden, the most important market, progressed as planned at +5% (comparable 1%), which we consider a good performance.

Earnings grew slightly better than we expected

Adjusted EBITDA increased by 1.7% to 8,378 MSEK and exceeded our expectations, as well as the consensus expectations by a small margin. Comparable earnings grew by 3.4%; this figure is adjusted for currencies and divestments but, to our understanding, still includes the earnings impact of the recently acquired Bredband2. Thus, in our view, this is not purely organic earnings growth. The adjusted EBITDA margin was 40.5% and improved only marginally (from 40.3%) as the effects of extensive cost savings ended.

Geographically, Sweden saw strong like-for-like earnings growth (5%) driven by the acquisition of Bredband2, while Finland's earnings achieved a slight increase of 1% (Q1'26: 1%), and Norway's earnings decline moderated to -2% (Q1'26: -3%). Despite strong revenue growth, Norway's earnings growth was slowed by a strong comparison period. Adjustments were approximately 300 MSEK higher than expected, which meant that the reported lines were relatively consistent with our expectations.

Cash flow was 2.2 BSEK, clearly exceeding our estimate, the consensus estimate, and the company's guidance of just over 1 BSEK. However, this was due to changes in working capital and investments, which the company expects will level off in H2. The company reiterated its cash flow guidance of 9 BSEK.

Estimates	Q2'25	Q2'26	Q2'26e	Q2'26e	Consensus			Difference (%)	2026e
MSEK	Comparison	Actualized	Inderes	Consensus	Low		High	Act. vs. inderes	Inderes
Revenue	19787	20705	20187	20595	20049	-	20917	3%	83299
EBITDA (adj.)	7965	8378	8102	8339	8050	-	8450	3%	32704
EBIT (incl. associated companies)	3351	3690	3653	3691	3330	-	3853	1%	14447
PTP	2601	2968	2973	2944	2679	-	3093	0%	11752
EPS (continuing operations)	0.50	0.57	0.56	0.55	0.49	-	0.62	1%	2.50
Revenue growth-%	2.0 %	4.6 %	2.0 %	4.1 %	1.3 %	-	5.7 %	2.6 pp	2.9 %
EBITDA (adj.)-%	40.3 %	40.5 %	40.1 %	40.5 %	40.2 %	-	40.4 %	0.3 pp	39.3 %

Source: Inderes & Telia Company, 19-20 estimates (consensus)

In the big picture, our estimates remain unchanged

Estimate revisions

- We have made minor revisions on the operational side for the next few years (–1–+2%).

Guidance for 2026 and our expectations

- In 2026, the company expects comparable service revenue to grow by 2% and comparable EBITDA to grow by around 3%. In addition, Telia guides for cash flow of around 9 BSEK in 2026, assuming normalized spectrum CAPEX of 650 MSEK.
- We forecast revenue to grow by 2.9% and adjusted EBITDA by 3.4% in 2026 (consensus before Q2 report +3% and 4%). In 2027-2028, we expect revenue to grow by ~2% annually, with no change in profitability.

Operational earnings drivers

- Service revenue growth driven by 5G and faster subscription sales.
- Low attrition and price increases across the sector are supporting revenue and especially profitability.
- Ongoing annual efficiency measures of around BSEK.

Telia's financial targets for 2025-27 are:

- Comparable service revenue growth of 2% per year on average
- Comparable annual average EBITDA growth of 4%
- Investments excluding licenses and spectrum fees under 14 BSEK per year
- Free cash flow of at least 10 BSEK in 2027

Estimate revisions MSEK	2026e Old	2026 New	Change %	2027e Old	2027e New	Change %	2028e Old	2028e New	Change %
Revenue	82836	83299	1%	84534	85171	1%	86186	86946	1%
EBITDA	31971	31851	0%	33454	33764	1%	34150	34521	1%
EBIT (exc. NRIs)	15379	15588	1%	15957	16259	2%	16512	16877	2%
EBIT	14526	14447	-1%	15257	15559	2%	15712	16077	2%
PTP	11866	11752	-1%	12111	12414	2%	12385	12761	3%
EPS (continuing operations)	2.45	2.50	2%	2.48	2.53	2%	2.55	2.62	3%
DPS	2.10	2.10	0%	2.15	2.15	0%	2.20	2.20	0%

Source: Inderes

Tight valuation picture, though quality has improved

Valuation multiples

On the whole, Telia's risk profile is moderate compared to the general stock market and has also improved compared to its closest peers (particularly Elisa). The operator business has developed more favorably overall in 2022–2026 than in previous years, except for slight fluctuations in 2024 and intense competition in the Finnish market in H2’26. Telia's risk profile has improved, the company has delivered on more of its promises in recent years, and there have clearly been fewer disappointments than in the past. Meanwhile, Elisa, a close peer, has started to show some signs of distress, having already had to lower its targets a few times (regarding Telecom service revenue). Confidence in Telia's earnings capability, and particularly its cash flow, has improved over the past year.

The share price (2026e, adj. EV/EBIT 17x and P/E 19x) still indicates a continuation of strong performance, even though the most significant overvaluation has been eliminated with the drop in share price. However, the valuation relative to its closest Nordic peers and Elisa has widened, and the company now trades at a 19% premium to them (was 13%). Thus, the absolute valuation is tight, and the relative valuation remains very tight in our view, even though the quality gap has narrowed and, in part, even turned in Telia's favor. The multiples are also in line with the company's five-year average (18x and 20x), even though the required return has increased.

Expected return from dividends and earnings growth is insufficient

The expected return on Telia's stock mainly consists of the dividend yield (4.5%), whose sustainability has clearly improved. We forecast earnings growth of around 2% in the coming years, and its risk level has diminished. Additionally, we believe there is downside in the valuation. Thus, the expected return isn't enough to meet the required return on equity and therefore to have a positive view of the stock.

DCF calculation

The DCF calculation supports our view on the share (SEK 41). The last five years have been a roller coaster for Telia, and the company and its investors have experienced several disappointments in terms of numbers. In addition, the overall business mix has changed significantly (Eurasia and masts divested, Danish operations sold and TV & Media acquired and now sold, Latvian operations currently being sold and Bredband2 has been acquired). These factors continue to undermine the predictability and comparability of long-term cash flows, even though most quarters in recent years have been good.

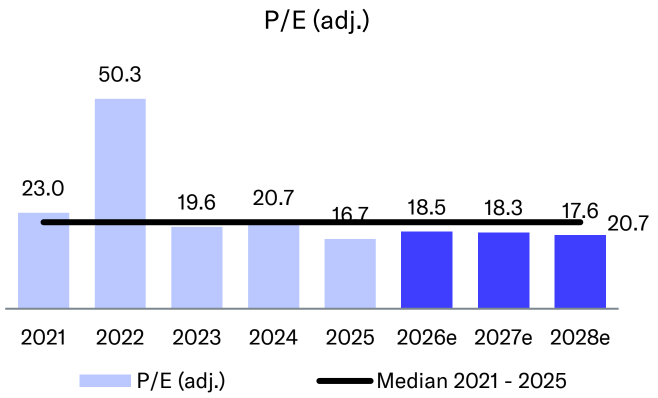
The model assumes that the company's revenue growth will be about 2% in the medium term and 1.8% in the terminal. We forecast an EBIT margin of around 16-19.5% between 2024 and 2030 and 19.5% in the terminal period. The forecasts are relatively ambitious, which is also reflected in the highish terminal weight in the valuation (64%).

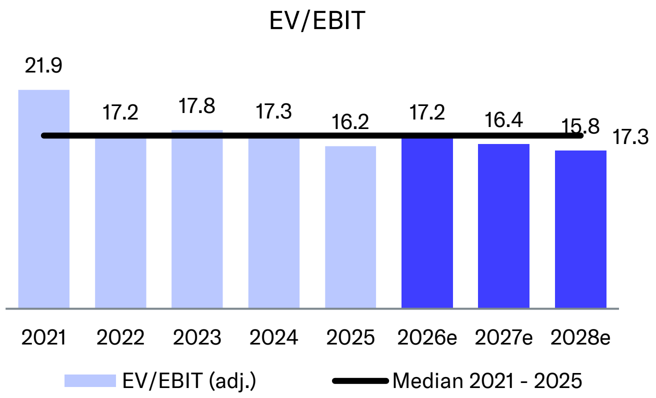
With a predictable and stable business relative to the general market, we continue to use a low (7.0%) discount rate (WACC) compared to the general market.

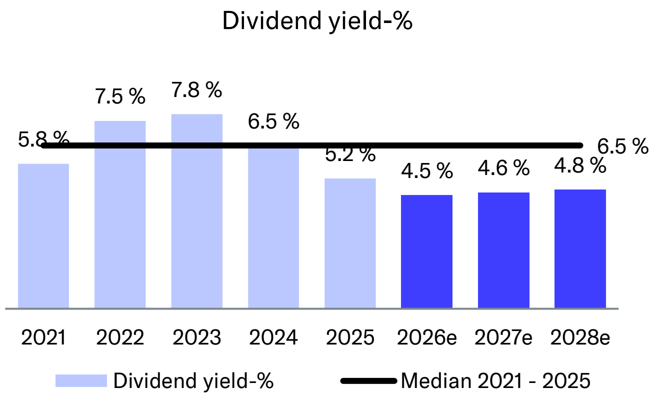
Valuation table

Valuation	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Share price	35.4	26.7	25.7	30.7	39.4	46.3	46.3	46.3	46.3
Number of shares, millions	4090	4035	4035	3923	3923	3923	3923	3923	3923
Market cap	144793	104830	101173	120322	154492	181444	181444	181444	181444
EV	217034	194448	191731	212721	235792	267724	267206	266584	265567
P/E (adj.)	23.0	50.3	19.6	20.7	16.7	18.5	18.3	17.6	16.7
P/E	12.6	neg.	neg.	28.5	30.5	20.9	19.7	19.1	18.2
P/B	2.1	1.9	2.3	2.6	3.8	4.3	4.2	4.1	4.0
P/S	1.6	1.2	1.1	1.5	1.9	2.2	2.1	2.1	2.0
EV/Sales	2.5	2.1	2.2	2.6	2.9	3.2	3.1	3.1	3.0
EV/EBITDA	6.2	6.6	6.8	7.3	8.5	8.4	8.1	7.9	7.7
EV/EBIT (adj.)	21.9	17.2	17.8	17.3	16.2	17.2	16.4	15.8	15.1
Payout ratio (%)	73%	neg.	neg.	186%	159%	95%	91%	91%	95%
Dividend yield-%	5.8 %	7.5 %	7.8 %	6.5 %	5.2 %	4.5 %	4.6 %	4.8 %	5.2 %

Source: Inderes







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2026e	 2027e	EV/EBITDA 2026e	 2027e	EV/S 2026e	 2027e	P/E 2026e	 2027e	Dividend yield-% 2026e	 2027e	P/B 2026e
Tele2	10920	13168	15.9	18.2	10.2	10.3	4.8	4.7	18.6	19.5	6.2	6.3	4.9
Elisa	6282	7716	14.6	14.0	9.3	9.0	3.4	3.3	15.3	14.7	6.6	6.8	4.7
Telenor	17614	21622	13.3	12.5	7.1	6.9	3.2	3.2	13.2	14.4	6.8	6.9	2.8
BT	22653	46777	12.3	12.0	4.9	4.9	2.0	2.1	11.1	10.5	4.2	4.4	1.5
Proximus	2074	6167	11.6	11.3	3.3	3.3	1.0	1.0	6.7	6.5	5.2	6.7	0.4
Orange Belgium	1449	3454	21.2	18.6	6.5	6.3	1.8	1.8	82.7	47.8		0.6	1.8
Swisscom AG	35913	53808	24.0	22.7	8.0	7.9	3.4	3.4	23.6	22.0	4.2	4.3	2.8
Telekom Austria AG	6625	8211	8.9	8.5	3.8	3.7	1.4	1.4	10.1	9.5	4.6	4.9	1.2
Telia (Inderes) MSEK	181444	267724	17.2	16.4	8.4	8.1	3.2	3.1	18.5	18.3	4.5	4.6	3.5
Median			14.0	13.2	6.8	6.6	2.8	2.7	14.2	14.6	4.6	5.2	2.4
Diff-% to median			23%	25%	23%	22%	15%	14%	30%	25%	-2%	-10%	47%
Median (Nordic)			14.6	14.0	9.3	9.0	3.4	3.3	15.3	14.7	6.6	6.8	4.7

Income statement

Income statement	2023	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue	88785	80965	20035	19787	19861	21300	80982	19969	20705	20499	22126	83299	85171	86946	88673
Sweden	35869	35392	8894	9042	8689	9457	36082	9234	9516	9193	10052	37996	38832	39531	40124
Finland	16545	15507	3756	3641	3709	3850	14956	3569	3574	3672	3850	14666	14989	15333	15717
Norway	15114	14307	3415	3249	3373	3418	13455	3232	3524	3508	3589	13853	14199	14554	14918
Lithuania	5516	5618	1366	1334	1392	1552	5644	1378	1418	1427	1599	5822	5996	6176	6362
Estonia	4145	4095	1025	983	1040	1088	4137	978	1033	1040	1099	4149	4274	4402	4534
Other businesses	13410	6046	1579	1538	1656	1935	6707	1578	1640	1658	1937	6813	6881	6950	7019
EBITDA	28392	29303	7942	7667	8385	3745	27740	7389	7990	8563	7909	31851	33064	33721	34428
EBITDA (adj.)	30254	30892	7803	7965	8459	7693	31920	7942	8378	8663	8009	32992	33764	34521	35328
Depreciation	-23517	-18589	-4365	-4340	-4398	-4302	-17405	-4307	-4330	-4377	-4390	-17404	-17505	-17644	-17773
EBIT (excl. NRI)	10758	12303	3438	3625	4061	3390	14515	3635	4048	4286	3620	15588	16259	16877	17555
EBIT	4875	10714	3577	3327	3987	-557	10335	3082	3660	4186	3520	14447	15559	16077	16655
Share of profit of associated companies	0	120	25	24	23	19	91	20	30	23	23	96	130	130	130
Net financial items	-3875	-4600	-769	-750	-735	-872	-3126	-719	-722	-680	-670	-2791	-3275	-3447	-3420
PTP	1105	6234	2833	2601	3275	-1410	7300	2383	2968	3529	2873	11752	12414	12761	13365
Taxes	-1099	-1313	-557	-434	-761	285	-1467	-547	-548	-706	-575	-2375	-2481	-2551	-2674
Minority interest	-594	-702	-183	-206	-191	-186	-766	-172	-190	-165	-165	-693	-706	-720	-735
Net earnings	-588	4219	2093	1961	2323	-1311	5067	1664	2230	2658	2133	8684	9226	9489	9957
EPS (continuing operations)	-0.15	1.08	0.53	0.50	0.59	-0.33	1.29	0.42	0.57	0.68	0.54	2.21	2.35	2.42	2.54

Key figures	2023	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue growth-%	-2.2 %	-8.8 %	3.5 %	-2.0 %	-0.7 %	-0.6 %	0.0 %	-0.3 %	4.6 %	3.2 %	3.9 %	2.9 %	2.2 %	2.1 %	2.0 %
Adjusted EBIT growth-%		2.1 %	6.7 %	2.9 %	2.5 %	1.3 %	3.3 %	1.8 %	5.2 %	2.4 %	4.1 %	3.4 %	2.3 %	2.2 %	2.3 %
EBITDA-% (adj.)	32.0 %	38.2 %	38.9 %	40.3 %	42.6 %	36.1 %	39.4 %	39.8 %	40.5 %	42.3 %	36.2 %	39.6 %	39.6 %	39.7 %	39.8 %

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

Assets	2024	2025	2026e	2027e	2028e
Non-current assets	170878	158396	164272	164949	165578
Goodwill	65442	56890	61770	61770	61770
Intangible assets	0	0	0	0	0
Tangible assets	86014	84395	85391	86068	86697
Associated companies	10964	13699	13699	13699	13699
Other investments	0	0	0	0	0
Other non-current assets	7383	2869	2869	2869	2869
Deferred tax assets	1075	543	543	543	543
Current assets	33394	30855	31591	32301	32974
Inventories	1869	1559	1604	1640	1674
Other current assets	1935	0	0	0	0
Receivables	19778	17769	19159	19589	19998
Cash and equivalents	9812	11527	10829	11072	11303
Balance sheet total	204272	189251	195863	197250	198552

Source: Inderes

Liabilities & equity	2024	2025	2026e	2027e	2028e
Equity	59357	54820	55462	46488	47542
Share capital	14961	14961	14961	14961	14961
Retained earnings	30516	26146	26788	27776	28830
Hybrid bonds	9962	9962	9962	0	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	3918	3751	3751	3751	3751
Non-current liabilities	103792	100801	102099	110334	110001
Deferred tax liabilities	9079	8615	8615	8615	8615
Provisions	5697	8566	8566	8566	8566
Interest bearing debt	81923	77483	78781	87016	86683
Convertibles	0	0	0	0	0
Other long term liabilities	7093	6137	6137	6137	6137
Current liabilities	41123	33630	38302	40429	41009
Interest bearing debt	10108	5331	8314	9767	9709
Payables	31015	28299	29987	30661	31301
Other current liabilities	0	0	0	0	0
Balance sheet total	204272	189251	195863	197250	198552

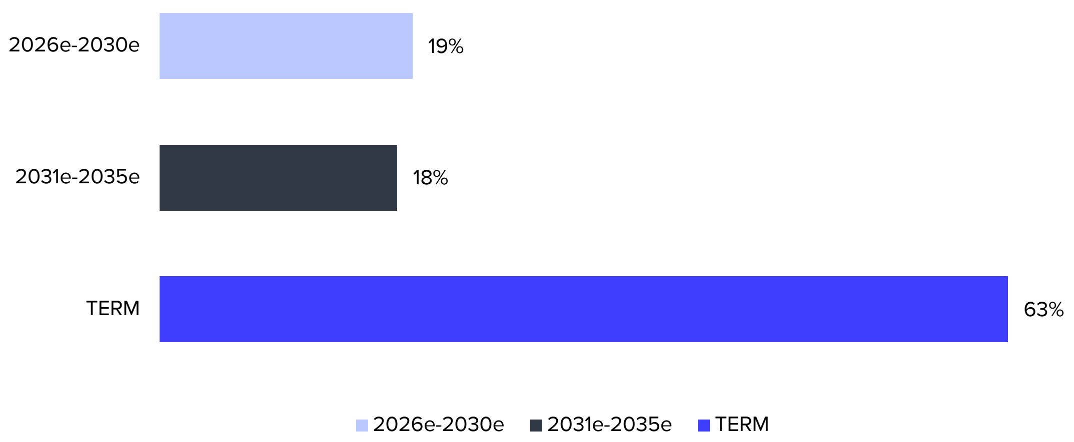
DCF-calculation

DCF model	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	0.0 %	2.9 %	2.2 %	2.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.8 %	1.8 %
EBIT-%	12.8 %	17.3 %	18.3 %	18.5 %	18.8 %	19.5 %	19.5 %	19.5 %	19.5 %	19.5 %	19.5 %	19.5 %
EBIT (operating profit)	10335	14447	15559	16077	16655	17637	17990	18350	18717	19091	19438	
+ Depreciation	17405	17404	17505	17644	17773	17875	17976	18074	18160	18236	18304	
- Paid taxes	-1399	-2375	-2481	-2551	-2674	-2879	-3013	-3090	-3169	-3249	-3323	
- Tax, financial expenses	-678	-614	-706	-741	-737	-731	-669	-665	-662	-659	-656	
+ Tax, financial income	41	46	44	45	46	47	48	49	50	51	52	
- Change in working capital	1538	254	207	197	191	196	200	204	208	213	197	
Operating cash flow	27243	29161	30128	30670	31255	32146	32532	32921	33304	33683	34013	
+ Change in other long-term liabilities	1913	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-2720	-23280	-18182	-18273	-18273	-18364	-18456	-18493	-18530	-18567	-18833	
Free operating cash flow	26436	5881	11946	12397	12982	13782	14076	14428	14774	15116	15180	
+/- Other	-1543	0	0	0	0	0	0	0	0	0	0	
FCFF	24893	5881	11946	12397	12982	13782	14076	14428	14774	15116	15180	301295
Discounted FCFF		5704	10834	10513	10293	10217	9757	9352	8953	8565	8043	159630
Sum of FCFF present value		251861	246157	235322	224810	214517	204299	194542	185191	176237	167672	159630

Enterprise value DCF	251861
- Interest bearing debt	-92776
+ Cash and cash equivalents	11527
+ Associated companies	3700
-Minorities	-3751
-Dividend/capital return	-8042
Equity value DCF	162519
Equity value DCF per share	41.4

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.2 %
Weighted average cost of capital (WACC)	7.0 %

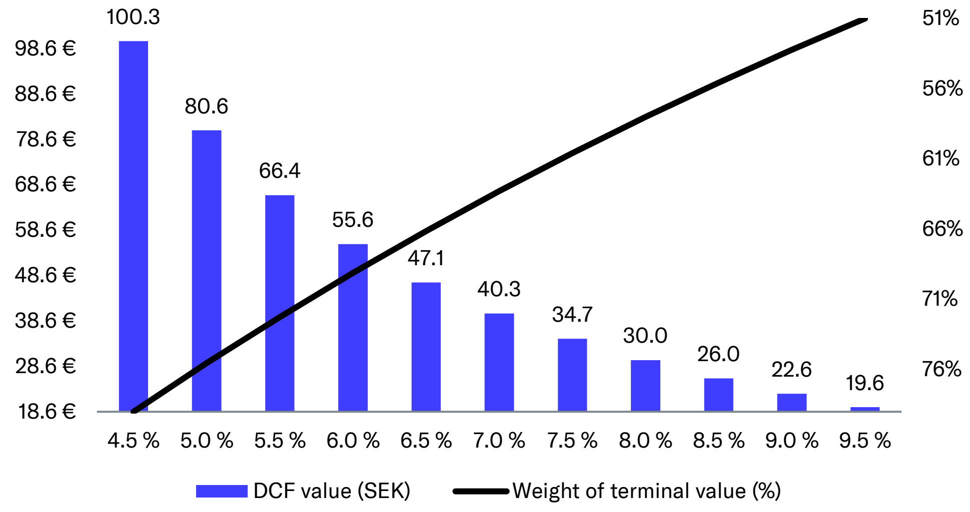
Cash flow distribution



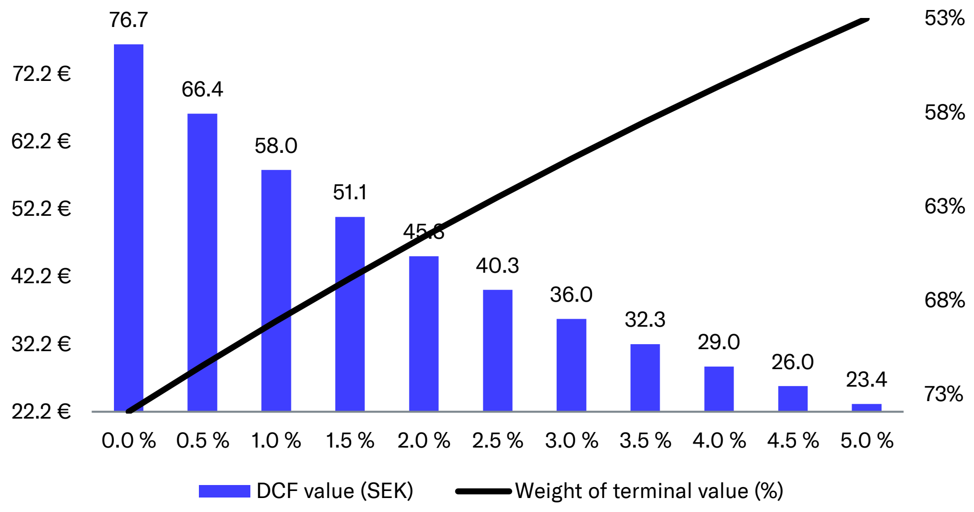
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

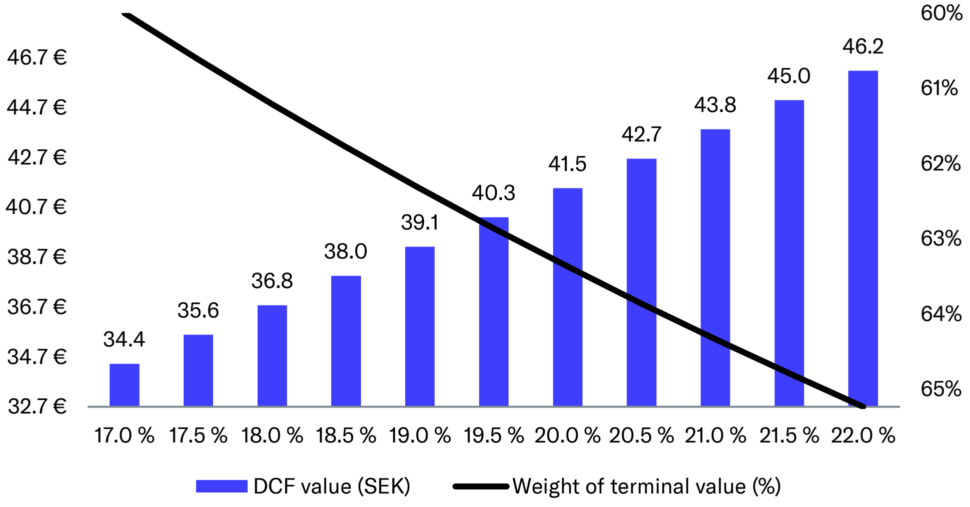
Sensitivity of DCF to changes in the WACC-%



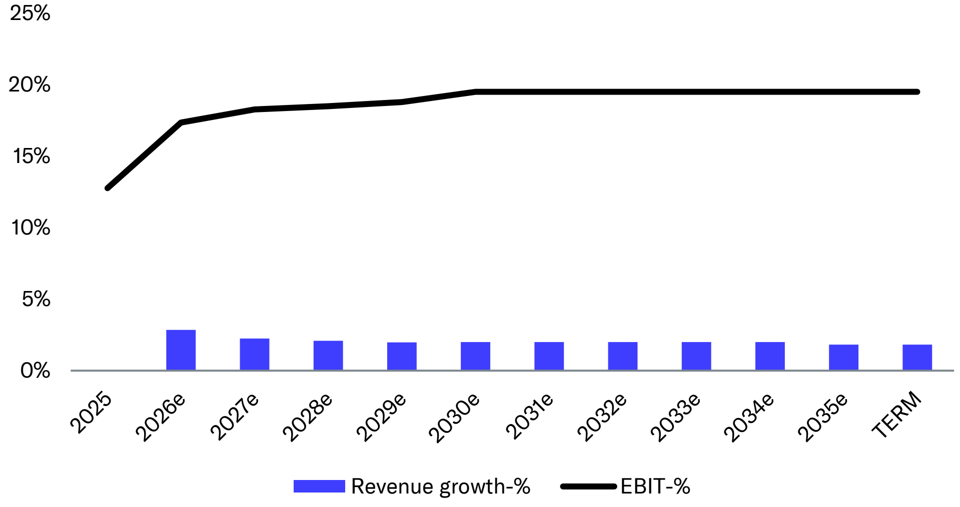
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2023	2024	2025	2026e	2027e
Revenue	88785	80965	80982	83299	85171
EBITDA	28392	29303	27740	31851	33064
EBIT	4875	10714	10335	14447	15559
PTP	1105	6234	7300	11752	12414
Net Income	303	7079	3524	8684	9226
Extraordinary items	-5883	-1589	-4180	-1141	-700

Balance sheet	2023	2024	2025	2026e	2027e
Balance sheet total	226468	204272	189251	195863	197250
Equity capital	56994	59357	54820	55462	46488
Goodwill	66020	65442	56890	61770	61770
Net debt	80770	82219	71287	76267	85711

Cash flow	2023	2024	2025	2026e	2027e
EBITDA	28392	29303	27740	31851	33064
Change in working capital	-2145	978	1538	254	207
Operating cash flow	22760	28156	27243	29161	30128
CAPEX	-12622	-12475	-2720	-23280	-18182
Free cash flow	12293	11683	24893	5881	11946

Valuation multiples	2023	2024	2025	2026e	2027e
EV/S	2.2	2.6	2.9	3.2	3.1
EV/EBITDA	6.8	7.3	8.5	8.4	8.1
EV/EBIT (adj.)	17.8	17.3	16.2	17.2	16.4
P/E (adj.)	19.6	20.7	16.7	18.5	18.3
P/B	2.3	2.6	3.8	4.3	4.2
Dividend-%	7.8 %	6.5 %	5.2 %	4.5 %	4.6 %

Source: Inderes

Per share data	2023	2024	2025	2026e	2027e
EPS (reported)	-0.15	1.08	1.29	2.21	2.35
EPS (adj.)	1.31	1.48	2.36	2.50	2.53
OCF / share	5.64	7.18	6.94	7.43	7.68
OFCF / share	3.05	2.98	6.35	1.50	3.05
Book value / share	13.25	14.13	13.02	13.18	10.89
Dividend / share	2.00	2.00	2.05	2.10	2.15

Growth and profitability	2023	2024	2025	2026e	2027e
Revenue growth-%	-2%	-9%	0%	3%	2%
EBITDA growth-%	-40%	2%	3%	3%	2%
EBIT (adj.) growth-%	-5%	14%	18%	7%	4%
EPS (adj.) growth-%	147%	13%	59%	6%	1%
EBITDA-%	34.1 %	38.2 %	39.4 %	39.6 %	39.6 %
EBIT (adj.)-%	12.1 %	15.2 %	17.9 %	18.7 %	19.1 %
EBIT-%	5.5 %	13.2 %	12.8 %	17.3 %	18.3 %
ROE-%	-1.0 %	7.7 %	9.5 %	16.9 %	19.5 %
ROI-%	3.3 %	7.2 %	7.4 %	10.5 %	11.1 %
Equity ratio	25.2 %	29.1 %	29.0 %	28.3 %	23.6 %
Gearing	141.7 %	138.5 %	130.0 %	137.5 %	184.4 %
Net debt/EBITDA	2.8	2.8	2.6	2.4	2.6
EBITDA/net financials	7.3	6.4	8.9	11.4	10.1

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
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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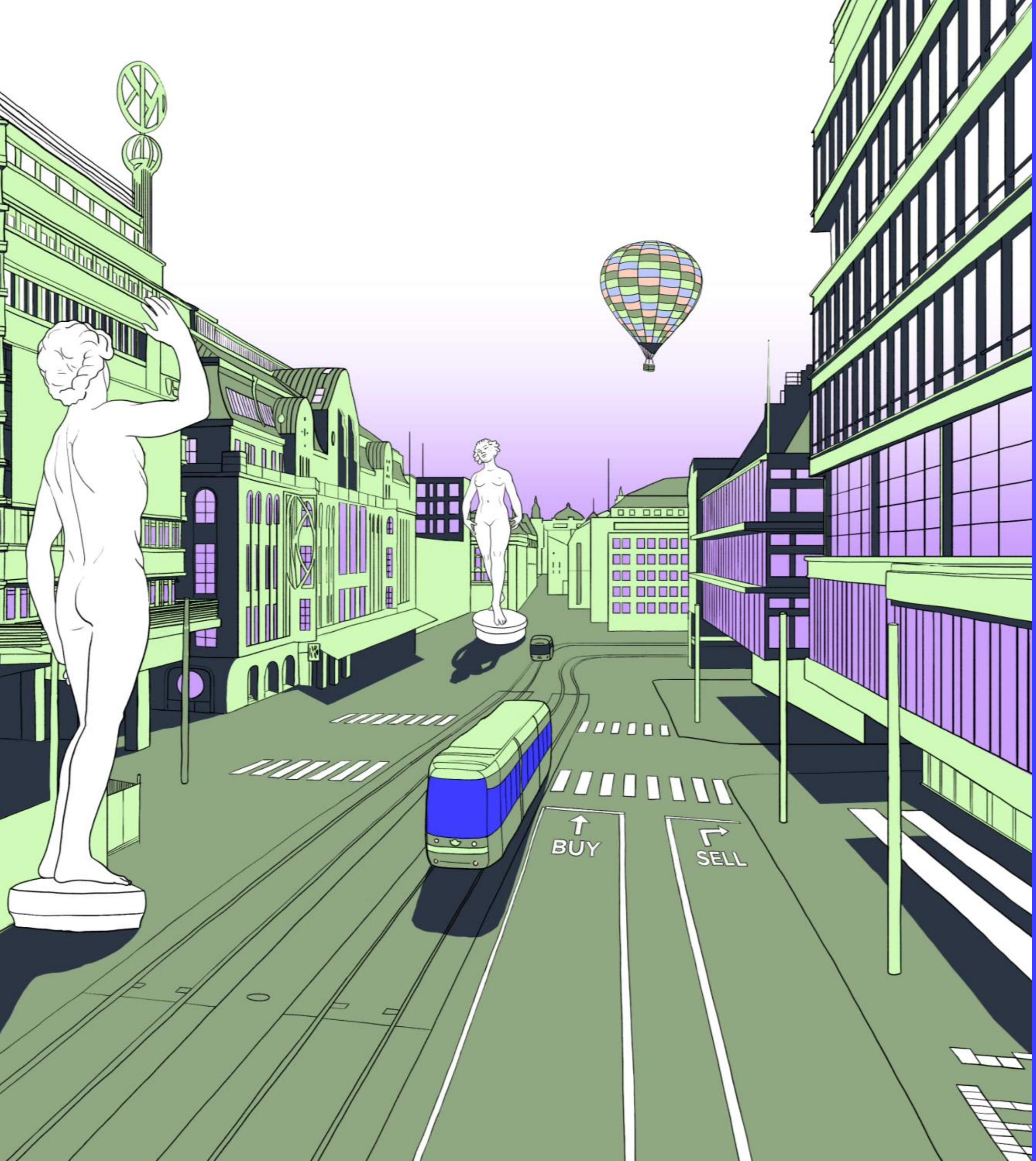
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/23/2018	Accumulate	44.0 SEK	39.1 SEK
10/22/2018	Accumulate	45.0 SEK	40.3 SEK
1/28/2019	Accumulate	44.0 SEK	39.8 SEK
3/27/2019	Accumulate	44.0 SEK	41.4 SEK
4/26/2019	Accumulate	44.0 SEK	40.8 SEK
7/18/2019	Reduce	44.0 SEK	42.9 SEK
10/18/2019	Reduce	42.0 SEK	41.7 SEK
1/14/2020	Reduce	42.0 SEK	40.6 SEK
1/30/2020	Reduce	42.0 SEK	41.8 SEK
3/19/2020	Accumulate	39.0 SEK	34.0 SEK
3/27/2020	Accumulate	38.0 SEK	35.0 SEK
4/23/2020	Accumulate	38.0 SEK	34.1 SEK
7/20/2020	Accumulate	38.0 SEK	36.3 SEK
10/22/2020	Accumulate	38.0 SEK	37.2 SEK
1/27/2021	Accumulate	38.0 SEK	36.6 SEK
2/1/2021	Accumulate	40.0 SEK	36.7 SEK
4/26/2021	Accumulate	40.0 SEK	35.1 SEK
7/22/2021	Accumulate	40.0 SEK	38.1 SEK
10/22/2021	Accumulate	39.0 SEK	35.6 SEK
1/31/2022	Accumulate	39.0 SEK	36.3 SEK
4/28/2022	Reduce	41.0 SEK	41.4 SEK
7/21/2022	Accumulate	41.0 SEK	37.2 SEK
10/24/2022	Reduce	29.0 SEK	28.3 SEK
1/27/2023	Reduce	29.0 SEK	26.7 SEK
4/27/2023	Reduce	29.0 SEK	28.0 SEK
7/21/2023	Reduce	25.0 SEK	24.5 SEK
10/5/2023	Reduce	24.0 SEK	22.6 SEK
10/20/2023	Reduce	26.0 SEK	25.4 SEK
1/29/2024	Reduce	26.0 SEK	26.9 SEK
4/26/2024	Reduce	26.0 SEK	25.9 SEK
7/19/2024	Reduce	29.0 SEK	30.6 SEK
9/27/2024	Reduce	32.0 SEK	33.8 SEK
10/25/2024	Reduce	32.0 SEK	31.9 SEK
1/31/2025	Reduce	32.0 SEK	31.7 SEK
4/17/2025	Reduce	32.0 SEK	35.8 SEK
4/25/2025	Reduce	34.0 SEK	35.4 SEK
7/14/2025	Reduce	34.0 SEK	33.2 SEK
7/21/2025	Reduce	35.0 SEK	35.0 SEK
10/24/2025	Reduce	35.0 SEK	37.6 SEK
1/30/2026	Reduce	38.0 SEK	40.0 SEK
4/22/2026	Sell	38.0 SEK	46.2 SEK
4/27/2026	Sell	41.0 SEK	48.1 SEK
7/20/2026	Reduce	41.0 SEK	46.3 SEK



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Inderes Ab
Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

inderes.se

Inderes Oyj
Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.fi

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