KONE

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Aapeli Pursimo
+358 40 719 6067
aapeli.pursimo@inderes.fi

COMPANY REPORT

Consistent performance

KONE's Q2 result was quite in line with our forecasts and the consensus, though orders received were slightly below expectations. As expected, exchange rate developments negatively affected the quarterly figures reported. The company only made a minor clarification to its guidance, resulting in minimal forecast changes except for slight adjustments due to currency effects. Based on this overall picture, we believe the stock is still largely correctly priced, and we reiterate our target price of EUR 55 and our Reduce recommendation.

Q2 result in line with expectations, orders slightly below estimates

In Q2, KONE's revenue grew by just under 2%, which was in line with our estimate and slightly above the consensus. KONE's adjusted EBIT for Q2 was 347 MEUR, which was fully in line with the consensus and just below our forecast. This corresponded to an adjusted EBIT margin of 12.2%, in line with market expectations. However, the reported order intake for Q2 (2,316 MEUR, -0.5% y/y) was slightly below both our expectation (2,374 MEUR) and the consensus expectation (2,352 MEUR). Order growth in comparable currencies was in the high single digits outside of China (around -10% y/y in China). Meanwhile, the margin on orders received was stable relative to the comparison period.

Only a small clarification to the guidance

In connection with the report, the company specified its guidance for 2025 and now estimates revenue growth to be 2–5% in comparable currencies (previously, 1–6 % growth). Conversely, it expects the adjusted EBIT margin to remain within the range of 11.8% to 12.4%. According to the company, if exchange rates remain at July's levels, the negative impact on adjusted EBIT would be around 50 MEUR. As expected, the overall guidance remained unchanged, except for the slight clarification. Similarly, the market outlook was updated only for New Building Solutions in North America, and the market is now expected to remain stable (previously slightly declining). Otherwise, the outlook was unchanged and especially the modernization market is expected to grow rapidly in all geographical areas. In China, the company expects New Building Solutions to continue declining at a double-digit rate this year. Based on our interpretation, the company was also slightly more cautious about the timing of the stabilization of market activity in China.

Against this backdrop, the forecast changes also remained minimal, in addition to the slightly lower estimates due to currency effects (2025e-2026e adj. EBIT ~-2%). We now forecast the company's reported revenue to grow by just under 2% this year (was +~ 4%), and its adjusted EBIT margin to settle at 12.1% (was 12.2%). Our longer-term projections also remain on track, and we expect KONE to achieve its targeted margin improvement (2027 adj. EBIT-%: 13-14%) within the target schedule through efficiency measures and an improved sales structure.

We believe the share is tightly valued

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 20x and 18x. The corresponding P/E ratios are around 26x and 24x. Overall, we think the multiples are at a justified level for a defensive quality company like KONE, but see no upside in them, also considering the still elevated uncertainties related to the global economy. Therefore, we estimate that the expected return on the stock is based on a dividend yield of just under 4% over the next 12 months. Our view of the stock being fully priced is also supported by our DCF model, which emphasizes long-term potential and is roughly in line with the share price.

Recommendation
Reduce
(was Reduce)

Target price:
EUR 55.00
(was EUR 55.00)

Share price:
EUR 54.68

Business risk
●○○○○

Valuation risk
●●●○○

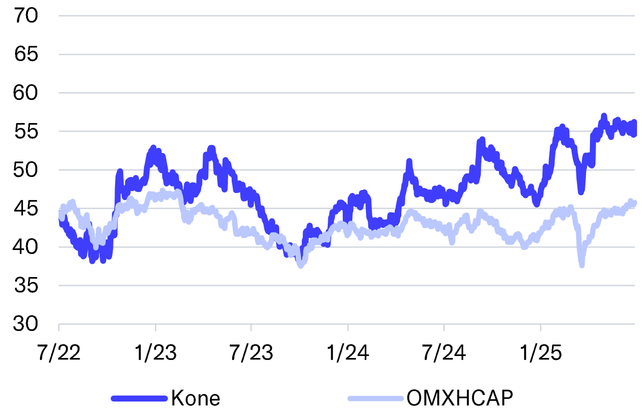
	2024	2025e	2026e	2027e
Revenue	11098	11308	11894	12537
growth-%	1%	2%	5%	5%
EBIT adj.	1303.0	1373.8	1528.1	1671.2
EBIT-% adj.	11.7 %	12.1 %	12.8 %	13.3 %
Net Income	951.4	1067.2	1183.5	1295.6
EPS (adj.)	1.94	2.09	2.29	2.50
P/E (adj.)	24.2	26.2	23.9	21.8
P/B	8.5	9.4	8.8	8.3
Dividend yield-%	3.8 %	3.5 %	3.8 %	4.1 %
EV/EBIT (adj.)	18.2	20.1	17.9	16.3
EV/EBITDA	15.4	16.5	14.9	13.7
EV/S	2.1	2.4	2.3	2.2

Source: Inderes

Guidance (Adjusted)

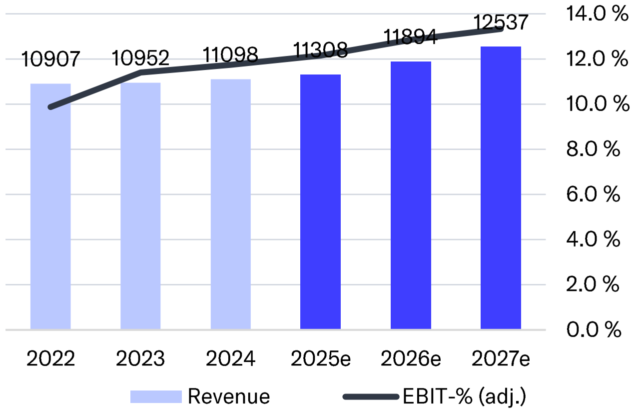
KONE estimates that in 2025, its revenue growth will be in the range of 2 to 5% at comparable exchange rates. The adjusted EBIT margin is estimated to be 11.8-12.4%. Assuming that exchange rates remain at the July 2025 level, their negative impact on adjusted EBIT is approximately 50 MEUR.

Share price



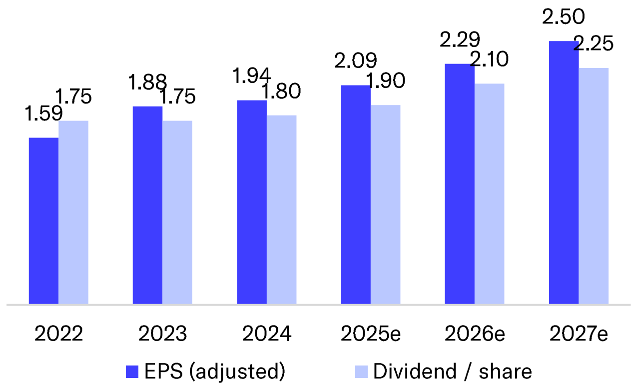
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Global growth in Modernization
- Demand recovery in the new equipment market
- The renewed operating model supports margins
- Rise of new digital services

Risk factors

- Delay in the recovery of the Chinese construction market and continued tight price competition
- The Western market remains sluggish
- Differentiation with digital services proves difficult

Valuation	2025e	2026e	2027e
Share price	54.7	54.7	54.7
Number of shares, millions	517.5	517.5	517.5
Market cap	28298	28298	28298
EV	27556	27385	27210
P/E (adj.)	26.2	23.9	21.8
P/E	26.5	23.9	21.8
P/B	9.4	8.8	8.3
P/S	2.5	2.4	2.3
EV/Sales	2.4	2.3	2.2
EV/EBITDA	16.5	14.9	13.7
EV/EBIT (adj.)	20.1	17.9	16.3
Payout ratio (%)	92.0 %	91.8 %	89.9 %
Dividend yield-%	3.5 %	3.8 %	4.1 %

Source: Inderes

Result in line with expectations, orders slightly below estimates

Revenue growth in line with our expectations, but sales structure was more aftermarket-heavy

In Q2, KONE’s revenue grew by just under 2%, which was largely in line with our estimates, as well as with those of the consensus. As expected, currencies posed a headwind, and at comparable exchange rates, the company's revenue increased by 4.9%. Of the business areas, the reported revenue for New Building Solutions decreased as expected (-9% y/y), but the rate of decline was slightly sharper than we anticipated (Inderes' estimate -6% y/y). In turn, the reported growth of Modernization was even faster than we expected (+17% y/y vs. estimate +13% y/y). Similarly, the 6% growth in Service was slightly ahead of our forecasts.

By region, the reported revenue in China continued to decline sharply (-12.5% y/y), while in other regions, the growth trend remained at a good level (+4-9% y/y). China’s share of revenue decreased to 21% in Q2 (Q2’24: 25%).

Result in line with market expectations

KONE's adjusted EBIT for Q2 was 347 MEUR, which was fully in line with the consensus and just below our forecast. This corresponded to an adjusted EBIT margin of 12.2%, which was in line with market expectations as well. According to the company, the improvement in profitability was due to an increase in the relative share of Maintenance and Modernization. Instead, headwinds continued to come from China. The company recorded a one-time expense of just over 9 MEUR for the quarter related to the separation of its Door Business into its own legal and operative structure. Similarly, the cost burden on the lower lines was slightly more moderate than we expected in net terms. This was reflected in the reported EPS, which rose by a cent above our expectations.

Orders fell slightly short of forecasts

KONE’s reported order intake for Q2 (2,316 MEUR, -0.5% y/y) was slightly below both our expectation (2,374 MEUR) and the consensus expectation (2,352 MEUR). However, at comparable exchange rates, orders increased by 3.0%. The company reported significant order increases year-on-year at comparable exchange rates in the Americas and APMEA. In Europe, on the other hand, orders fell slightly. China continued to be a drag, with orders falling sharply but at a slightly more moderate pace than before (i.e., no longer significantly). By contrast, the margin on orders received remained stable relative to the comparison period.

Financial position at strong level as usual

In H1, KONE's cash flow from operating activities (incl. payments of lease liabilities) was 536 MEUR (H1'24: 465 MEUR) and 442 MEUR of free cash flow was created (H1'24: 341 MEUR). At the end of the quarter, the company had clearly positive net assets (300 MEUR) and the balance sheet figures were at a strong level (equity ratio 34%, net debt ratio -13%).

Estimates	Q2'24	Q2'25	Q2'25e	Q2'25e	Consensus			Difference (%)	2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low		High	Act. vs. inderes	Inderes
Revenue	2801	2850	2847	2832	2785	-	2912	0%	11308
EBIT (adj.)	335	347	350	347	335	-	358	-1%	1374
EBIT	335	338	350	346	333	-	358	-3%	1362
PTP	337	360	353	348	333	-	363	2%	1394
EPS (reported)	0.50	0.53	0.52	0.52	0.49	-	0.55	1%	2.06
Revenue growth-%	-1.2 %	1.8 %	1.7 %	1.1 %	-0.6 %	-	4.0 %	0.1 pp	1.9 %
EBIT-% (adj.)	11.9 %	12.2 %	12.3 %	12.2 %	12.0 %	-	12.3 %	-0.1 pp	12.1 %

Source: Inderes & Vara Research (7/15/2025, 14-16 estimates) (consensus)

Forecasts slightly down, especially due to currencies

This year's guidance was slightly refined

In connection with the report, KONE specified its guidance for this year and now estimates revenue growth to be 2–5% in comparable currencies (previously, 1–6 % growth at comparable exchange rates). Conversely, it expects the adjusted EBIT margin to be within the range of 11.8% to 12.2% (unchanged). According to the company, if exchange rates remain at July's levels, the negative impact on adjusted EBIT would be around 50 MEUR. As expected, the overall guidance for this year remained unchanged, except for the slight clarification. In our estimation, this was also fairly in line with the consensus expectation before the report (reported revenue growth +1.8% y/y, adj. EBIT-%: 12.2%), taking into account the currency headwinds likely to emerge in the remainder of the year as well.

According to the company, the key revenue drivers are the positive outlook in the Maintenance and Modernization businesses and the strong order backlog. Revenue growth, an improved sales structure and efficiency programs support margin development. However, pressure continues to come from New Building Solutions in China, and the slight decrease in order intake margins in 2024, as well as the limited impact of tariffs. Based on the company's comments, the tariffs have also not yet had a significant financial impact, and the company will continue to take active measures (e.g., leveraging global production and pricing) to mitigate the impact.

Market outlook almost unchanged

The company updated its market outlook only for New Building Solutions in North America and now expects the market to remain stable (previously slightly declining). Otherwise, the outlook was unchanged and especially the modernization market is expected to grow rapidly in all geographical areas. In China, the company expects New Building Solutions to continue to decline at a double-digit rate this year. Based on our interpretation, the company was also slightly more cautious about the timing of the stabilization of market activity in China than in Q1.

Small negative revisions to estimates due to currencies

In line with the overall picture, we only made minor estimate revisions, mainly regarding the revenue structure. We expect the revenue structure to be slightly more aftermarket-oriented than in the past. We also considered recent currency developments (the strengthening of the euro, especially against the US dollar and the Chinese yuan), which created headwinds for our absolute revenue and earnings estimates. At the marginal level, however, the overall impact was limited. We now expect KONE's revenue to grow by just under 2% this year and the adjusted EBIT margin to reach 12.1%. We also still forecast that the company will continue to achieve the targeted margin improvement (2027 adj. EBIT-%: 13-14%) as scheduled in 2027.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11515	11308	-2%	12135	11894	-2%	12762	12537	-2%
EBITDA	1710	1671	-2%	1876	1839	-2%	2019	1992	-1%
EBIT (exc. NRIs)	1401	1374	-2%	1558	1528	-2%	1689	1671	-1%
EBIT	1398	1362	-3%	1558	1528	-2%	1689	1671	-1%
PTP	1410	1394	-1%	1573	1546	-2%	1710	1693	-1%
EPS (excl. NRIs)	2.09	2.09	0%	2.33	2.29	-2%	2.53	2.50	-1%
DPS	1.90	1.90	0%	2.10	2.10	0%	2.25	2.25	0%

Source: Inderes

Share is tightly valued overall

Valuation multiples are pretty neutral

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 20x and 18x. The corresponding net profit-based P/E ratios are approximately 26x and 24x.

Relative to KONE's 12-month forward-looking median coefficients of the last five years (EV/EBIT ~19x, P/E ~25x, source: Bloomberg) the multiples for this year are slightly elevated. Similarly, we feel 2026 multiples offer a slight upside. Overall, we believe the multiples are at a justified level for a defensive quality company like KONE, also considering the low risk level of the business. The earnings growth not materializing for a decade is negative in terms of the upside potential for multiples. On the other hand, the conditions for achieving earnings growth have now strengthened, thanks to the growth in the share of aftermarkets in earnings, favorable long-term growth prospects for Modernization and the reduced dependence on China. In the current situation, we believe that the multiple-based valuation is at a neutral level, but we do not see any significant upside in it.

Relative valuation

KONE's valuation is currently largely in line with the closest peers, Otis and Schindler. Among the main competitors, we believe that Otis' valuation is at somewhat neutral levels, while Schindler's is slightly elevated (last 5 years median 12-month forward EV/EBIT ratios 17x-18x, 12-month fwd. P/E ratios 24x-26x). On the other hand, KONE's still somewhat higher (although declining) dependence on China than its competitors and lower profitability, in particular compared to Otis, would justify a certain discount relative to peers.

KONE's stock is currently priced at a slight premium as a whole compared to the broader peer group. Thus, we find it difficult to see an upside in the stock through relative valuation.

Overall expected return for the next few years is moderate

Assuming KONE's earnings development progresses in line with our expectations, we believe the company and the stock could justifiably be priced at a 17x-21x EV/EBIT ratio and a 24x-27x P/E ratio with the realized earnings at the end of 2027 if no significant changes occur in market pricing or interest rates. This would be equivalent to a value of EUR 59-69 per share. Converted to annual return, this would correspond to an average of around 7%, in addition to which we estimate the share offers an annual dividend yield of some 3-4%. From this perspective, the medium-term total expected return is above the required return on equity of good 7% we apply. However, we point out that the expected return is back-loaded.

DCF value at around share price level

Our view of the share's correct pricing is also supported by the DCF model, which emphasizes the longer-term potential and indicates a value that is roughly in line with the share price (EUR ~55). At the same time, it is worth noting that in our forecasts, we expect the company to sustainably raise its margin level from recent years and achieve a sustainable leap in earnings. As stated above, we believe, however, there is currently a clear and achievable path to this.

Considering the overall picture, though, we see the share as fully priced for the next 12 months, also given the elevated uncertainties in the global economy.

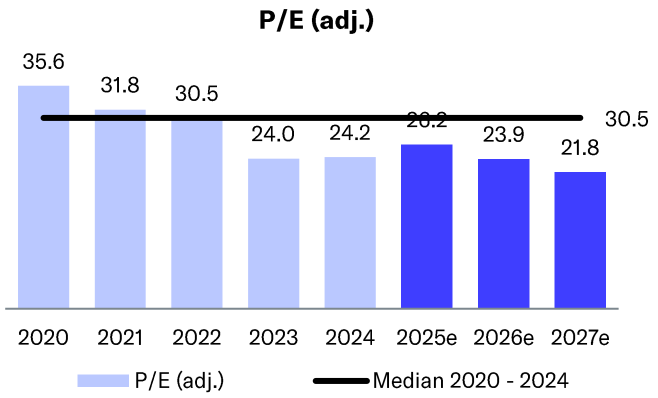
Valuation	2025e	2026e	2027e
Share price	54.7	54.7	54.7
Number of shares, millions	517.5	517.5	517.5
Market cap	28298	28298	28298
EV	27556	27385	27210
P/E (adj.)	26.2	23.9	21.8
P/E	26.5	23.9	21.8
P/B	9.4	8.8	8.3
P/S	2.5	2.4	2.3
EV/Sales	2.4	2.3	2.2
EV/EBITDA	16.5	14.9	13.7
EV/EBIT (adj.)	20.1	17.9	16.3
Payout ratio (%)	92.0 %	91.8 %	89.9 %
Dividend yield-%	3.5 %	3.8 %	4.1 %

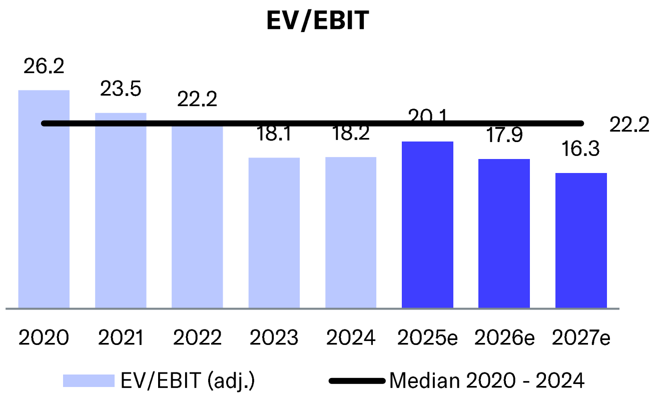
Source: Inderes

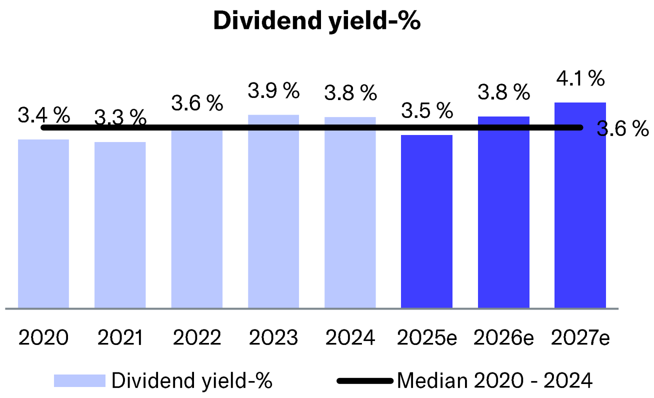
Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	66.5	63.0	48.3	45.2	47.0	54.7	54.7	54.7	54.7
Number of shares, millions	518.4	518.0	517.1	517.2	517.5	517.5	517.5	517.5	517.5
Market cap	34452	32652	24975	23358	24324	28298	28298	28298	28298
EV	32722	30724	23908	22611	23694	27556	27385	27210	27029
P/E (adj.)	35.6	31.8	30.5	24.0	24.2	26.2	23.9	21.8	20.4
P/E	36.7	32.2	32.2	25.2	25.6	26.5	23.9	21.8	20.4
P/B	10.9	10.3	8.8	8.5	8.5	9.4	8.8	8.3	7.8
P/S	3.5	3.1	2.3	2.1	2.2	2.5	2.4	2.3	2.2
EV/Sales	3.3	2.9	2.2	2.1	2.1	2.4	2.3	2.2	2.1
EV/EBITDA	22.5	20.0	18.5	15.4	15.4	16.5	14.9	13.7	12.8
EV/EBIT (adj.)	26.2	23.5	22.2	18.1	18.2	20.1	17.9	16.3	15.1
Payout ratio (%)	124.1 %	107.1 %	116.7 %	97.7 %	97.8 %	92.0 %	91.8 %	89.9 %	89.7 %
Dividend yield-%	3.4 %	3.3 %	3.6 %	3.9 %	3.8 %	3.5 %	3.8 %	4.1 %	4.4 %

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	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**
Otis Worldwide Corp	33696	39373	19.4	17.3	18.0	16.1	3.1	3.0	24.6	22.1	1.7	1.8	
Schindler Holding AG	33598	30162	20.4	18.9	16.7	15.7	2.5	2.4	29.6	27.4	2.2	2.4	6.4
Assa Abloy AB	31633	37948	17.9	15.9	14.3	13.2	2.8	2.7	22.9	19.9	1.9	2.2	3.2
Koninklijke Philips NV	20424	26787	15.0	13.9	9.4	8.6	1.5	1.4	15.8	14.1	4.1	4.1	1.6
Ingersoll Rand Inc	29635	32411	21.2	19.5	18.0	16.8	5.0	4.8	25.6	23.3	0.1	0.1	3.0
Johnson Controls International PLC	61560	70583	26.9	23.5	21.3	19.1	3.5	3.3	29.8	25.3	1.3	1.4	4.3
Dover Corp	22158	23161	17.4	16.1	9.7	13.7	3.4	3.2	20.1	18.4	1.1	1.2	3.4
Honeywell International Inc	130520	150596	19.0	17.5	16.9	15.8	4.3	4.2	22.7	20.8	1.9	2.0	7.0
Kone (Inderes)	**28298**	**27556**	**20.1**	**17.9**	**16.5**	**14.9**	**2.4**	**2.3**	**26.2**	**23.9**	**3.5**	**3.8**	**9.4**
Average			**19.6**	**17.8**	**15.5**	**14.9**	**3.3**	**3.1**	**23.9**	**21.4**	**1.8**	**1.9**	**4.1**
Median			**19.2**	**17.4**	**16.8**	**15.7**	**3.2**	**3.1**	**23.8**	**21.5**	**1.8**	**1.9**	**3.4**
Diff-% to median			***4%***	***3%***	***-2%***	***-5%***	***-25%***	***-26%***	***10%***	***11%***	***94%***	***101%***	***177%***

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**10952**	**2568**	**2801**	**2754**	**2976**	**11098**	**2672**	**2850**	**2796**	**2989**	**11308**	**11894**	**12537**	**13114**
New Building Solutions	4922	1029	1174	1124	1180	4507	929	1071	1029	1091	4120	4202	4371	4524
Service	4127	1083	1114	1117	1189	4504	1189	1181	1179	1237	4785	5072	5351	5592
Modernization	1904	457	513	512	607	2088	555	598	589	661	2402	2619	2815	2998
EBITDA	**1470**	**334**	**405**	**393**	**409**	**1541**	**355**	**415**	**420**	**481**	**1671**	**1839**	**1992**	**2119**
Depreciation	-269.4	-71.5	-70.6	-73.4	-76.7	-292.2	-78.0	-77.1	-77.1	-77.1	-309	-311	-321	-333
EBIT (excl. NRI)	**1248**	**262**	**335**	**320**	**387**	**1303**	**280**	**347**	**343**	**404**	**1374**	**1528**	**1671**	**1786**
EBIT	**1200**	**262**	**335**	**320**	**333**	**1249**	**277**	**338**	**343**	**404**	**1362**	**1528**	**1671**	**1786**
Net financial items	6.1	3.3	2.2	2.6	-2.9	5.2	2.9	21.7	5.0	2.9	32.5	18.2	21.6	23.2
PTP	**1206**	**266**	**337**	**322**	**330**	**1254**	**280**	**360**	**348**	**407**	**1394**	**1546**	**1693**	**1809**
Taxes	-274.6	-59.8	-75.8	-72.4	-85.1	-293.1	-64.3	-82.7	-78.3	-91.6	-317	-351	-385	-411
Minority interest	-5.8	-2.9	-2.4	-2.8	-1.6	-9.7	-2.7	-3.2	-2.8	-1.5	-10	-11	-12	-13
Net earnings	**926**	**203**	**259**	**247**	**243**	**951**	**213**	**274**	**267**	**314**	**1067**	**1184**	**1296**	**1385**
EPS (adj.)	**1.88**	**0.39**	**0.50**	**0.48**	**0.57**	**1.94**	**0.42**	**0.55**	**0.52**	**0.61**	**2.09**	**2.29**	**2.50**	**2.68**
EPS (rep.)	**1.79**	**0.39**	**0.50**	**0.48**	**0.47**	**1.84**	**0.41**	**0.53**	**0.52**	**0.61**	**2.06**	**2.29**	**2.50**	**2.68**

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	0.4 %	0.5 %	-1.2 %	0.1 %	5.9 %	1.3 %	4.1 %	1.8 %	1.5 %	0.5 %	1.9 %	5.2 %	5.4 %	4.6 %
Adjusted EBIT growth-%	16.0 %	8.5 %	0.8 %	1.1 %	7.8 %	4.4 %	6.5 %	3.7 %	7.4 %	4.6 %	5.4 %	11.2 %	9.4 %	6.9 %
EBITDA-%	13.4 %	13.0 %	14.5 %	14.3 %	13.8 %	13.9 %	13.3 %	14.6 %	15.0 %	16.1 %	14.8 %	15.5 %	15.9 %	16.2 %
Adjusted EBIT-%	11.4 %	10.2 %	11.9 %	11.6 %	13.0 %	11.7 %	10.5 %	12.2 %	12.3 %	13.5 %	12.1 %	12.8 %	13.3 %	13.6 %
Net earnings-%	8.5 %	7.9 %	9.2 %	9.0 %	8.2 %	8.6 %	8.0 %	9.6 %	9.5 %	10.5 %	9.4 %	10.0 %	10.3 %	10.6 %

Source: Inderes

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

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**3085**	**3440**	**3441**	**3473**	**3513**
Goodwill	1469	1558	1558	1558	1558
Intangible assets	287	333	321	309	301
Tangible assets	780	899	912	956	1004
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	101	150	150	150	150
Other non-current assets	9.2	15.0	15.0	15.0	15.0
Deferred tax assets	439	485	485	485	485
Current assets	**5645**	**5844**	**5954**	**6263**	**6602**
Inventories	821	857	873	918	968
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3127	3173	3233	3401	3585
Cash and equivalents	1698	1814	1848	1944	2049
Balance sheet total	**8731**	**9284**	**9396**	**9736**	**10115**

Source: Inderes

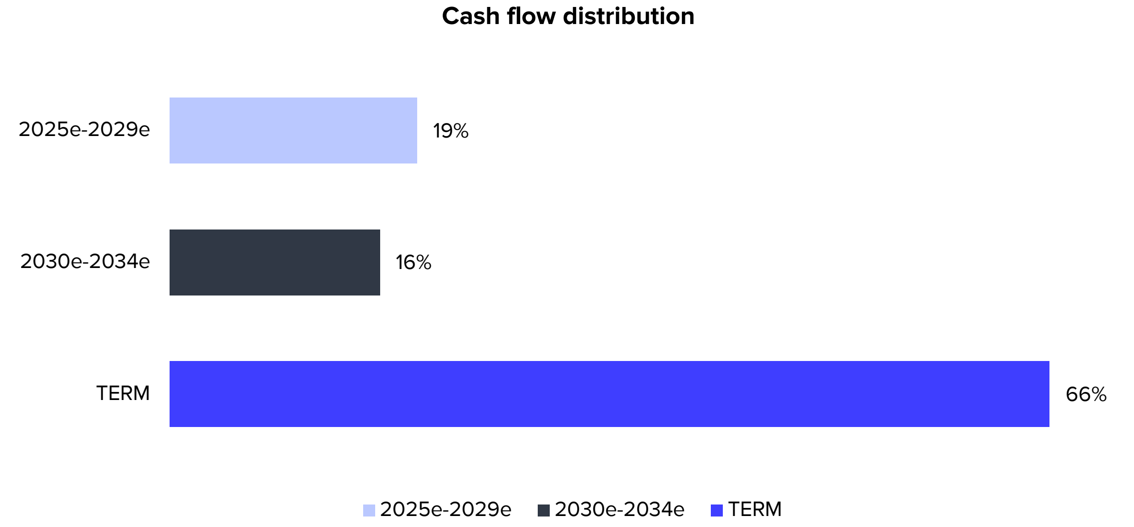
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**2786**	**2893**	**3035**	**3242**	**3457**
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2387	2450	2586	2788	2997
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	299	351	351	351	351
Minorities	33.9	26.3	31.4	37.1	43.3
Non-current liabilities	**993**	**1255**	**1127**	**1035**	**949**
Deferred tax liabilities	224	232	232	232	232
Provisions	197	186	186	186	186
Interest bearing debt	572	838	709	617	532
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**4952**	**5136**	**5234**	**5459**	**5709**
Interest bearing debt	113	145	123	107	92.1
Payables	4840	4991	5111	5352	5617
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**8731**	**9284**	**9396**	**9736**	**10115**

DCF-calculation

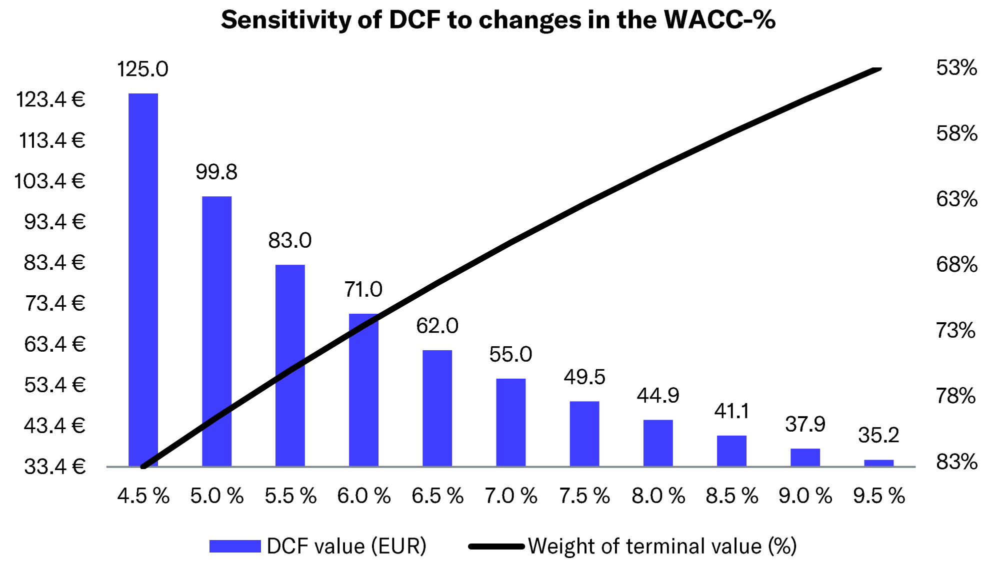
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	1.3 %	1.9 %	5.2 %	5.4 %	4.6 %	4.2 %	3.8 %	3.4 %	3.4 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.3 %	12.0 %	12.8 %	13.3 %	13.6 %	13.5 %	13.3 %	13.1 %	13.0 %	12.8 %	12.5 %	12.5 %
EBIT (operating profit)	**1249**	**1362**	**1528**	**1671**	**1786**	**1845**	**1886**	**1921**	**1971**	**2007**	**2009**	
+ Depreciation	292	309	311	321	333	344	355	365	375	384	391	
- Paid taxes	-331	-317	-351	-385	-411	-425	-435	-443	-454	-462	-463	
- Tax, financial expenses	-7.8	2.0	-1.9	-1.9	-1.9	-1.9	-2.0	-2.1	-2.3	-2.5	-2.7	
+ Tax, financial income	9.0	5.4	6.0	6.8	7.1	7.5	7.8	8.0	8.3	8.6	8.8	
- Change in working capital	68.8	44.3	28.3	30.8	22.7	18.3	13.6	8.6	8.0	7.2	28.6	
Operating cash flow	**1280**	**1406**	**1520**	**1643**	**1736**	**1788**	**1826**	**1859**	**1907**	**1942**	**1972**	
+ Change in other long-term liabilities	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-601	-310	-343	-361	-371	-382	-393	-402	-406	-413	-401	
Free operating cash flow	**668**	**1096**	**1177**	**1282**	**1365**	**1405**	**1434**	**1457**	**1501**	**1528**	**1572**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	668	1096	1177	1282	1365	1405	1434	1457	1501	1528	1572	35920
Discounted FCFF		**1063**	**1068**	**1087**	**1082**	**1041**	**992**	**943**	**908**	**864**	**831**	**18984**
Sum of FCFF present value		28861	27798	26731	25644	24562	23521	22529	21586	20678	19814	18984
Enterprise value DCF		**28861**										
- Interest bearing debt		-983										
+ Cash and cash equivalents		1814										
-Minorities		-296										
-Dividend/capital return		-930.4										
Equity value DCF		**28488**										
Equity value DCF per share		**55.0**										

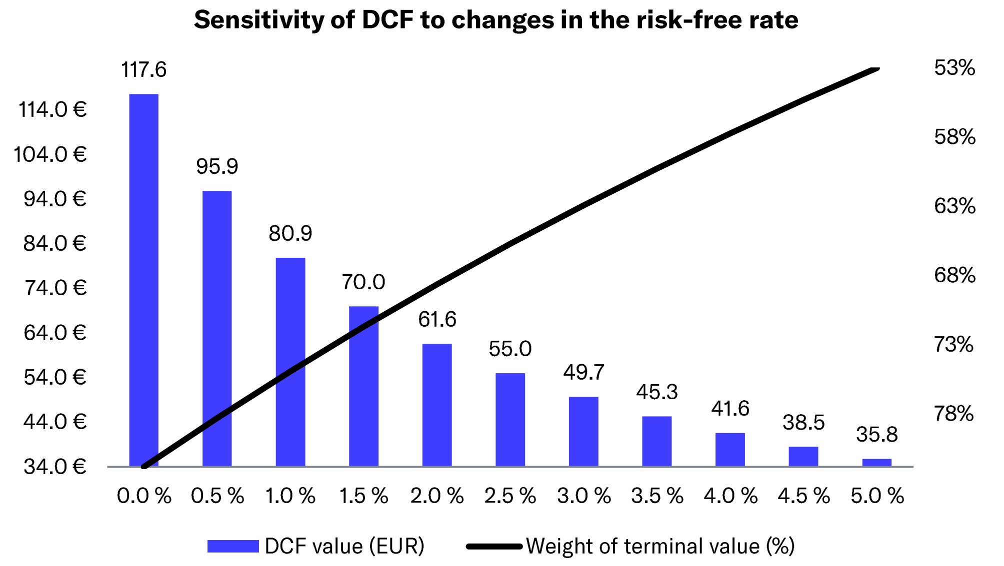
WACC	
Tax-% (WACC)	22.5 %
Target debt ratio (D/(D+E)	5.0 %
Cost of debt	2.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**7.3 %**
Weighted average cost of capital (WACC)	**7.0 %**

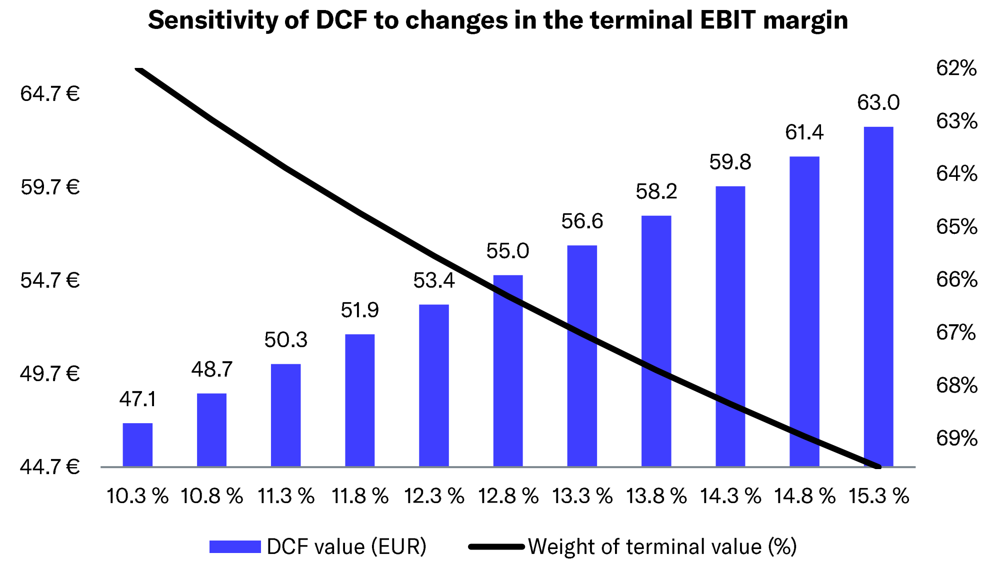
Source: Inderes

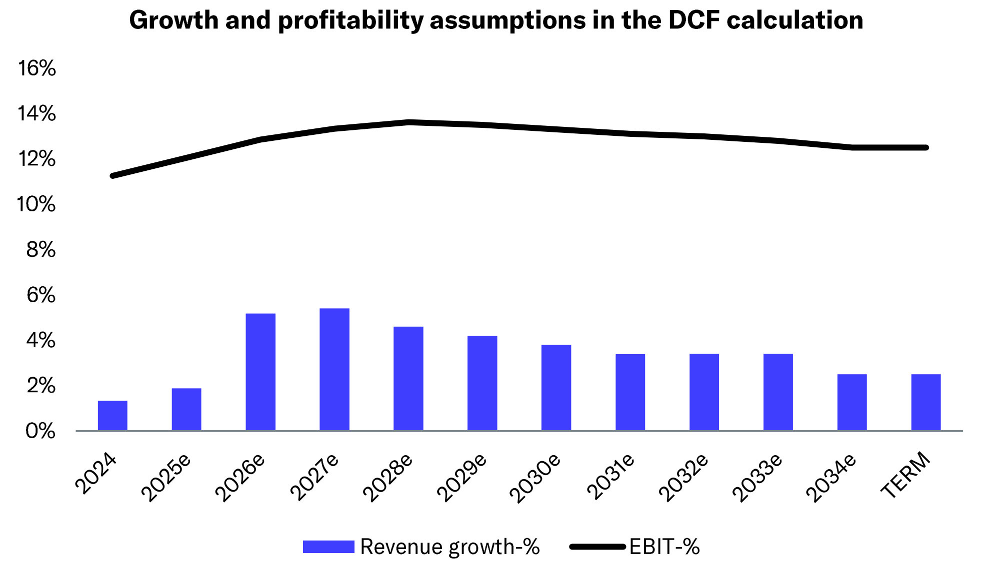


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	10906.6	10952.3	11098.4	**11307.8**	**11893.6**
EBITDA	1290.5	1469.5	1541.2	**1671.1**	**1838.8**
EBIT	1031.2	1200.1	1249.0	**1361.8**	**1528.1**
PTP	1028.5	1206.2	1254.2	**1394.3**	**1546.3**
Net Income	774.5	925.8	951.4	**1067.2**	**1183.5**
Extraordinary items	-45.4	-48.3	-54.0	**-12.0**	**0.0**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	9090.4	8730.8	9284.3	**9395.7**	**9736.0**
Equity capital	2866.5	2786.0	2893.1	**3035.0**	**3242.0**
Goodwill	1414.7	1469.0	1558.4	**1558.4**	**1558.4**
Net debt	-1309.0	-1013.4	-831.2	**-1016.3**	**-1219.7**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	1290.5	1469.5	1541.2	**1671.1**	**1838.8**
Change in working capital	-559.8	-58.4	68.8	**44.3**	**28.3**
Operating cash flow	443.4	1134.3	1280.0	**1405.9**	**1519.7**
CAPEX	-204.3	-442.0	-601.2	**-310.4**	**-342.6**
Free cash flow	264.2	711.8	667.8	**1095.5**	**1177.2**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	2.2	2.1	2.1	**2.4**	**2.3**
EV/EBITDA	18.5	15.4	15.4	**16.5**	**14.9**
EV/EBIT (adj.)	22.2	18.1	18.2	**20.1**	**17.9**
P/E (adj.)	30.5	24.0	24.2	**26.2**	**23.9**
P/B	8.8	8.5	8.5	**9.4**	**8.8**
Dividend-%	3.6 %	3.9 %	3.8 %	**3.5 %**	**3.8 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	1.50	1.79	1.84	**2.06**	**2.29**
EPS (adj.)	1.59	1.88	1.94	**2.09**	**2.29**
OCF / share	0.86	2.19	2.47	**2.72**	**2.94**
OFCF / share	0.51	1.38	1.29	**2.12**	**2.27**
Book value / share	5.49	5.32	5.54	**5.80**	**6.19**
Dividend / share	1.75	1.75	1.80	**1.90**	**2.10**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	4%	0%	1%	**2%**	**5%**
EBITDA growth-%	-16%	14%	5%	**8%**	**10%**
EBIT (adj.) growth-%	-18%	16%	4%	**5%**	**11%**
EPS (adj.) growth-%	-20%	19%	3%	**7%**	**10%**
EBITDA-%	11.8 %	13.4 %	13.9 %	**14.8 %**	**15.5 %**
EBIT (adj.)-%	9.9 %	11.4 %	11.7 %	**12.1 %**	**12.8 %**
EBIT-%	9.5 %	11.0 %	11.3 %	**12.0 %**	**12.8 %**
ROE-%	25.8 %	33.1 %	33.9 %	**36.4 %**	**38.1 %**
ROI-%	28.4 %	35.4 %	35.1 %	**35.8 %**	**39.7 %**
Equity ratio	40.3 %	40.9 %	39.8 %	**41.8 %**	**43.5 %**
Gearing	-45.7 %	-36.4 %	-28.7 %	**-33.5 %**	**-37.6 %**

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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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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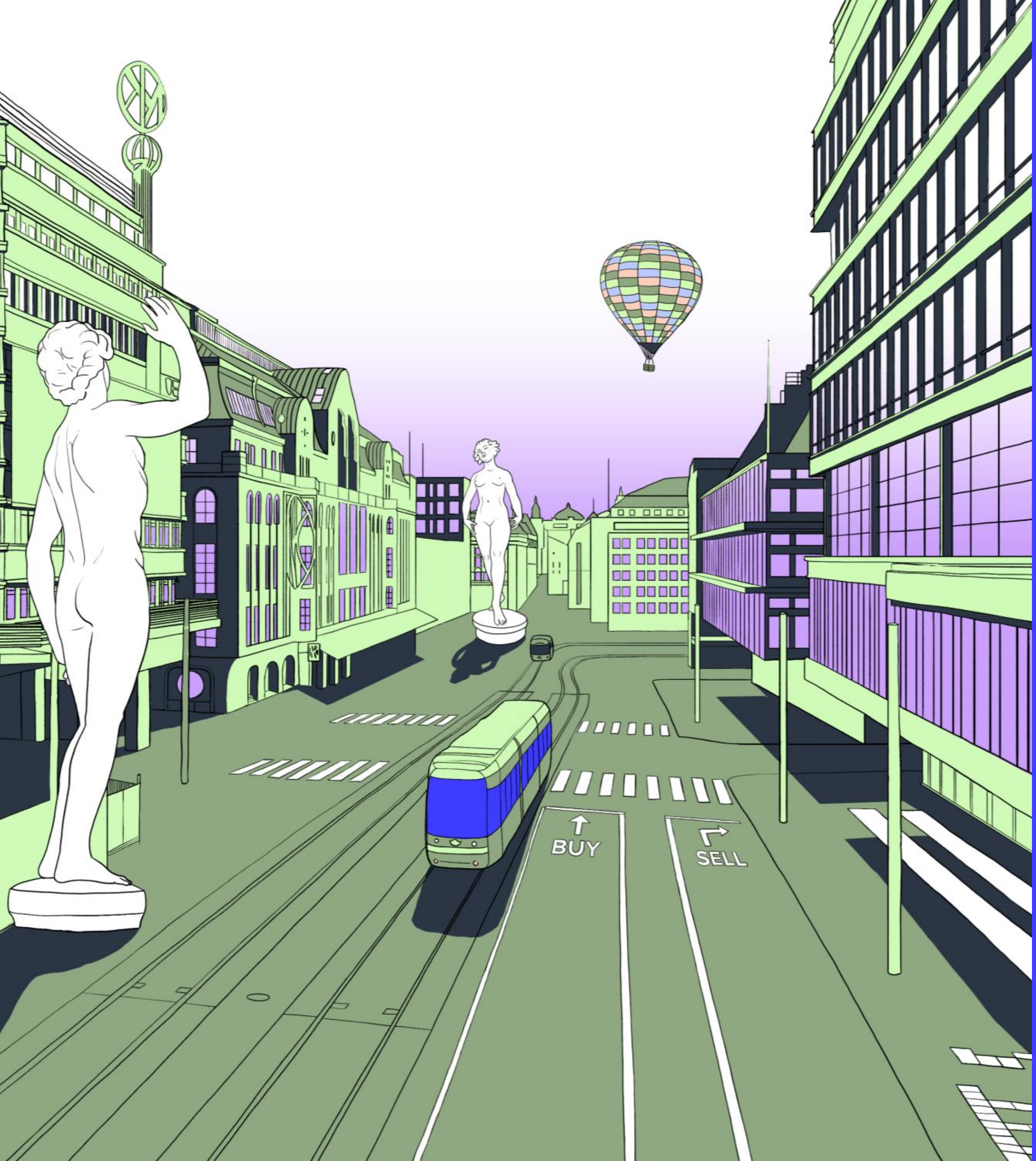
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/20/2018	Reduce	43.00 €	47.30 €
10/26/2018	Reduce	42.00 €	40.60 €
1/25/2019	Reduce	40.00 €	42.73 €
4/29/2019	Sell	41.00 €	48.90 €
7/19/2019	Sell	41.00 €	51.12 €
10/24/2019	Sell	42.00 €	54.18 €
1/29/2020	Sell	45.00 €	61.02 €
3/24/2020	Sell	42.00 €	46.90 €
4/23/2020	Sell	46.00 €	55.00 €
7/20/2020	Sell	48.00 €	64.28 €
9/23/2020	Sell	61.00 €	73.38 €
10/23/2020	Sell	61.00 €	71.26 €
1/29/2021	Sell	61.00 €	67.08 €
4/30/2021	Sell	61.00 €	66.12 €
7/21/2021	Sell	61.00 €	70.82 €
11/1/2021	Reduce	59.00 €	58.72 €
2/3/2022	Reduce	57.00 €	56.80 €
5/2/2022	Accumulate	51.00 €	46.09 €
7/15/2022	Accumulate	51.00 €	45.85 €
7/22/2022	Accumulate	51.00 €	44.38 €
8/31/2022	Reduce	44.00 €	40.89 €
10/17/2022	Reduce	41.50 €	39.09 €
1/27/2023	Reduce	46.00 €	52.48 €
4/28/2023	Reduce	47.50 €	51.98 €
7/21/2023	Reduce	47.50 €	45.47 €
10/26/2023	Reduce	42.00 €	39.50 €
1/24/2024	Reduce	42.00 €	43.14 €
1/28/2024	Reduce	43.00 €	46.31 €
4/24/2024	Accumulate	50.00 €	45.05 €
7/22/2024	Accumulate	50.00 €	46.99 €
9/30/2024	Reduce	52.00 €	53.70 €
10/26/2024	Accumulate	55.00 €	51.22 €
Analyst changed			
1/31/2025	Accumulate	55.00 €	50.46 €
5/2/2025	Reduce	55.00 €	54.50 €
7/21/2025	Reduce	55.00 €	54.68 €



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Inderes Ab
Brunnsgatan
Stockholm
+358 10 219 4690

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