

KONE

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COMPANY REPORT



Earnings growth expectations already reflected in share price

KONE's Q3 result was quite in line with both our expectations and the consensus, though orders received were slightly above expectations. The company's guidance for the current year also remained practically unchanged, except for a slight positive revision to the revenue guidance. Reflecting this, the estimate changes remained marginal as well. Due to the increase in the share price, we consider the share to be fully priced and reiterate our Reduce recommendation, while revising our target price to EUR 56 (was 55 euros) in line with our slightly higher forecasts.

Q3 earnings in line with expectations, positive momentum in orders

KONE's revenue remained stable in Q3, which was slightly below our expectations but largely in line with consensus. Meanwhile, the company's adjusted EBIT was 341 MEUR, which fell between our and the consensus forecasts. This corresponded to an adjusted EBIT margin of 12.3%, which was fully in line with our forecast. In turn, reported order intake (2,140 MEUR, +3.0% y/y) slightly exceeded both our expectation (2,089 MEUR) and the consensus expectation (2,066 MEUR). In comparable currencies, growth was as high as 7.8% year-on-year. According to the company, orders grew by double digits at comparable exchange rates in all areas outside of Greater China. The margin of orders received, in turn, remained stable year-on-year.

Only a small clarification to the guidance

In connection with the report, the company specified its guidance for this year and now estimates revenue growth to be 3-5% in comparable currencies (was 2-5%). Conversely, it expects the adjusted EBIT margin to be within the range of 11.8% to 12.3% (was 11.8-12.4%). Overall, as expected, the guidance for the current year remained practically unchanged, apart from a slight positive adjustment to the revenue guidance. Similarly, the market outlook was updated only for New Building Solutions in North America, and

the market is now expected to grow slightly (was "remain stable"). Thus, the situation for New Building Solutions in North America appears to have normalized quite quickly as the year progressed (cf. the company last raised its outlook in Q2). 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. The preliminary comments for next year also remained on a generally similar note to the current ones.

Against this backdrop, our estimate changes were minor, and we estimate that the company's revenue will continue to grow by just under 2% this year, with the adjusted EBIT margin settling at 12.1%. The guidelines for our longer-term estimates also remain unchanged, except for a slight increase in margin estimates. We expect KONE to continue to achieve the 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

Based on our updated estimates, KONE's EV/EBIT multiple for next year that considers its strong balance sheet is approximately 19x and the corresponding P/E ratio is approximately 26x. While we believe these multiples are at a justified level for a defensive quality company like KONE, we find it difficult to see significant upside in them without the realization of faster earnings growth than we expect. This is reflected by the fact that, despite a good earnings growth rate in the coming years (adjusted EBIT growth 2026e-27e 10-11% per year), the valuation with 2027 estimates (2027e P/E: 23x, EV/EBIT: 17x) remains in the range of levels we consider neutral (P/E: 24x-27x, EV/EBIT 17x-21x). 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 our target price.

Recommendation

Reduce

(was Reduce)

Target price:

EUR 56.00

(was EUR 55.00)

Share price:

EUR 58.44

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	11098	11292	11885	12544
growth-%	1%	2%	5%	6%
EBIT adj.	1303.0	1371.4	1526.6	1684.9
EBIT-% adj.	11.7 %	12.1 %	12.8 %	13.4 %
Net Income	951.4	1024.7	1182.9	1306.9
EPS (adj.)	1.94	2.02	2.29	2.53
P/E (adj.)	24.2	29.0	25.6	23.1
P/B	8.5	10.2	9.6	8.9
Dividend yield-%	3.8 %	3.2 %	3.6 %	3.9 %
EV/EBIT (adj.)	18.2	21.5	19.2	17.3
EV/EBITDA	15.4	17.7	15.9	14.5
EV/S	2.1	2.6	2.5	2.3

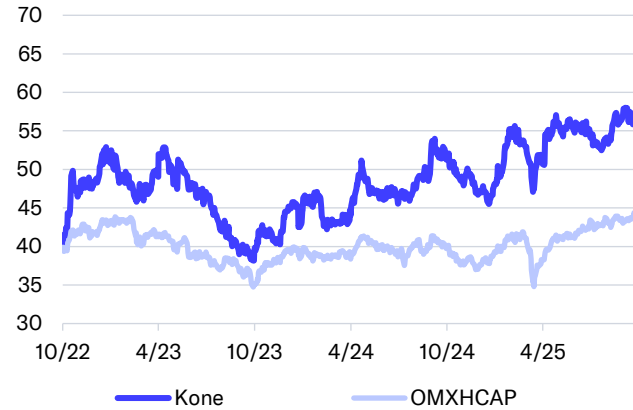
Source: Inderes

Guidance

(Adjusted)

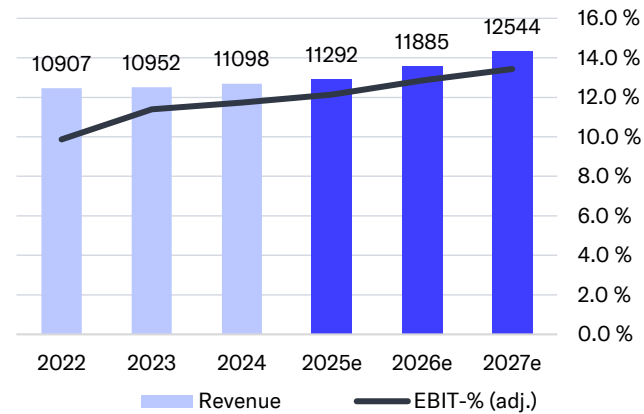
KONE estimates that in 2025, its revenue growth will be in the range of 3 to 5% at comparable exchange rates. The adjusted EBIT margin is estimated to be 11.9-12.3%. Assuming that exchange rates remain at the July 2025 level, their negative impact on adjusted EBIT is approximately 30 MEUR.

Share price



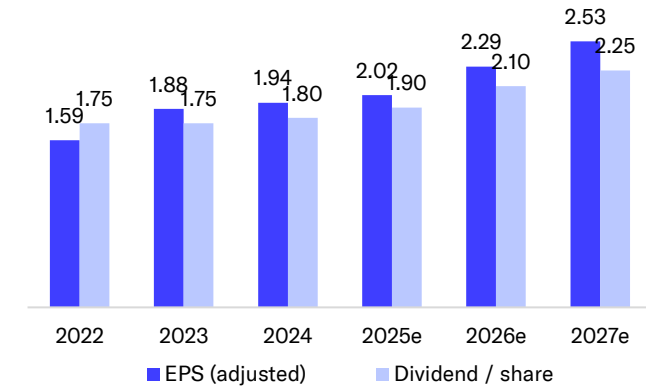
Source: Millistream Market Data AB

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	58.4	58.4	58.4
Number of shares, millions	517.5	517.5	517.5
Market cap	30244	30244	30244
EV	29545	29351	29163
P/E (adj.)	29.0	25.6	23.1
P/E	29.5	25.6	23.1
P/B	10.2	9.6	8.9
P/S	2.7	2.5	2.4
EV/Sales	2.6	2.5	2.3
EV/EBITDA	17.7	15.9	14.5
EV/EBIT (adj.)	21.5	19.2	17.3
Payout ratio (%)	95.9 %	91.9 %	89.1 %
Dividend yield-%	3.2 %	3.6 %	3.9 %

Source: Inderes

Earnings in line with expectations, positive momentum in orders

Revenue development fell slightly short of our expectations

KONE's revenue remained stable in Q3, which was slightly below our expectations but largely in line with those of the consensus. As expected, currencies posed a headwind, and at comparable exchange rates, the company's revenue grew by 3.9%. Of the business areas, the reported revenue for New Building Solutions lowered as expected (-9% y/y), which was quite in line with our projections (Inderes' estimate -9% y/y). Correspondingly, the growth in both Modernization (+12% y/y vs Inderes' estimate +15% y/y) and Service (+5% y/y vs Inderes' estimate +6% y/y) slightly missed our projections. By region, the reported revenue in China continued to decline sharply (-14% y/y, in comparable currencies -10 y/y), while in other regions, the growth trend continued (+2-7% y/y, in comparable currencies -13% y/y). China's share of revenue decreased to 20% in Q3 (Q3'24: 23%).

Operating result in line with our expectations

KONE's adjusted EBIT was 341 MEUR in Q3, which fell between our and the consensus forecasts. This corresponded to an adjusted EBIT margin of 12.3%, which was fully in line with our forecast. According to the company, the improvement in profitability was due to a favorable revenue structure (i.e. an increase in the relative share of Service and Modernization). Instead, headwinds continued to come from China. The company recorded a one-time expense of just over 6 MEUR for the quarter primarily related to the separation of its Door Business into its own legal and operative structure. Correspondingly, on the lower lines, financial expenses were clearly higher than estimates due to hedging (cf. financing income was higher than expected in Q2), which resulted in reported EPS falling clearly short of our and consensus estimates.

Orders slightly above forecasts

KONE's reported order intake (2,140 MEUR, +3.0% y/y) in Q3 slightly exceeded both our expectation (2,089 MEUR) and the consensus expectation (2,066 MEUR). In comparable currencies, growth reached 7.8% year-on-year. According to the company, orders grew by double digits at comparable exchange rates year-on-year in all areas outside of Greater China. The development was thus still hampered by China, where orders again fell significantly at comparable exchange rates (cf. orders from China dropped significantly in Q2). The margin of orders received was stable year-on-year.

Cash flow strengthened and financial position at strong level as usual

In the first nine months of the year, KONE's cash flow from operating activities (incl. payments of lease liabilities) was 838 MEUR (Q1'24 YTD: 676 MEUR). At the quarter's end, the company had a clear net cash position (480 MEUR) and solid balance sheet figures (equity ratio 37%, net debt ratio -19%).

Estimates	Q3'24	Q3'25	Q3'25e	Q3'25e	Consensus		Difference (%)	2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	2754	2762	2796	2768	2714	- 2872	-1%	11292
EBIT (adj.)	319	341	343	337	319	- 351	-1%	1371
EBIT	319	334	343	335	319	- 351	-3%	1353
PTP	322	307	348	339	321	- 361	-12%	1353
EPS (reported)	0.48	0.43	0.52	0.50	0.47	- 0.54	-17%	1.98
Revenue growth-%	0.1 %	0.3 %	1.5 %	0.5 %	-1.4 %	- 4.3 %	-1.2 pp	1.7 %
EBIT-% (adj.)	11.6 %	12.3 %	12.3 %	12.2 %	11.8 %	- 12.2 %	0.1 pp	12.1 %

Source: Inderes & Vara
Research (10/17/2025, 13
analysts) (consensus)

Marginal estimate changes

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 3-5% in comparable currencies (previously, 2-5 % growth at comparable exchange rates). Conversely, it expects the adjusted EBIT margin to be within the range of 11.8% to 12.3% (was 11.8-12.4%). According to the company, if exchange rates remain at July's levels, their negative impact on adjusted EBIT would be around 30 MEUR. On the whole, the guidance for the current year remained practically unchanged, as expected, except for a slight positive revision to the revenue guidance. The updated guidance was well in line with both our estimates and market expectations (consensus: reported revenue growth +1.5% y/y, adj. EBIT-%: 12.1%), considering currency headwinds.

The underlying drivers of the guidance did not change, as the company stated that the key revenue drivers are positive outlooks in the Service and Modernization

businesses and a solid order book. The corresponding drivers of profitability are growth in Service and Modernization revenue and efficiency programs that have been initiated. 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. However, based on the comments, the impact of tariffs has been quite small.

Market outlook almost unchanged

The company updated the market outlook only for New Building Solutions in North America, and the market is now expected to grow slightly (was “remain stable”). Thus, the situation for New Building Solutions in North America appears to have normalized quite quickly as the year progressed (cf. the company last raised its outlook in Q2). 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. Preliminary comments for next year were also quite similar, expecting developments to be supported by positive outlooks for Service and Modernization, the realization of benefits from efficiency programs, and good progress in cost savings. Conversely, headwinds continue to come from the Chinese new equipment market and wage inflation.

Very marginal adjustments to estimates

Based on the overall picture, we made very minor adjustments to our estimates. With a slightly more aftermarket-oriented structure, our margin forecasts increased modestly in the medium term. Overall, however, the changes were limited. We still expect KONE's revenue to grow by just under 2% this year and the adjusted EBIT margin to reach 12.1%. We continue to 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	11308	11292	0%	11894	11885	0%	12537	12544	0%
EBITDA	1671	1666	0%	1839	1840	0%	1992	2009	1%
EBIT (exc. NRIs)	1374	1371	0%	1528	1527	0%	1671	1685	1%
EBIT	1362	1353	-1%	1528	1527	0%	1671	1685	1%
PTP	1394	1353	-3%	1546	1545	0%	1693	1707	1%
EPS (excl. NRIs)	2.09	2.02	-3%	2.29	2.29	0%	2.50	2.53	1%
DPS	1.90	1.90	0%	2.10	2.10	0%	2.25	2.25	0%

Source: Inderes

Hard to see upside in valuation

Valuation multiples are pretty neutral

Based on our updated estimates, KONE's EV/EBIT multiples for 2026 that consider its strong balance sheet are approximately 19x and the corresponding net income-based P/E ratio is approximately 26x. The multiples are practically fully in line with KONE's 12-month forward-looking median coefficients of the last five years (EV/EBIT ~19x, P/E ~25x, source: Bloomberg). Taken as a whole, 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. However, factors that negatively impact the upside potential of the multiples include the lack of earnings growth over the last decade, the presumably limited earnings growth rate after a certain point (i.e., marginal improvement in the coming years), and the already high absolute valuation. 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 our view, the multiple-based valuation is currently at a reasonably neutral level.

Relative valuation

Compared to its closest peers, KONE is currently valued at approximately the same level as Schindler, while it is valued at a premium compared to Otis. Among the main competitors, we believe that Otis's valuation can be considered even slightly low in historical perspective (probably due to growth guidance issued in the summer), while Schindler's is neutral or slightly elevated (last 5 years median 12-month forward EV/EBIT ratios 17x-18x, 12-month fwd. P/E ratios 23x-26x). KONE's stock is currently priced at a slight premium 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 at around the level of required return

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 59-70 per share. Converted to annual return, this would correspond to an average of approximately 4.5%, in addition to which we believe the stock offers an average annual dividend yield of just over 3%. From this perspective, the medium-term total expected return would slightly exceed 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 target price level

Our view of the stock being fully priced is also supported by our DCF model, which emphasizes long-term potential and amounts to approximately EUR 56. 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.

Still, given the overall picture, we believe the share is fully priced for the next 12 months. That said, we do not rule out the possibility that speculation related to the acquisition of TK Elevator could increase the share's valuation in the short term. Nevertheless, it is still impossible to determine the true value creation potential of the possible arrangement.

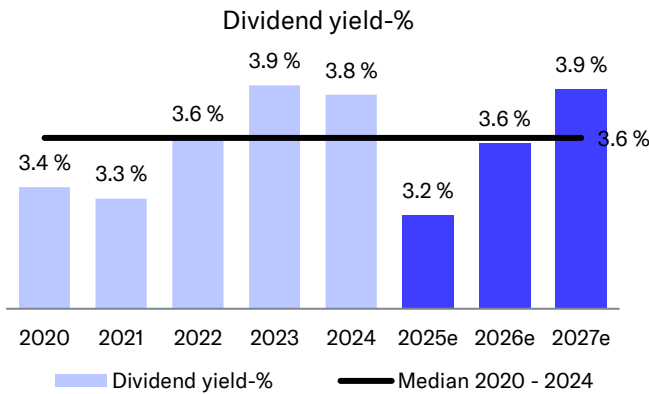
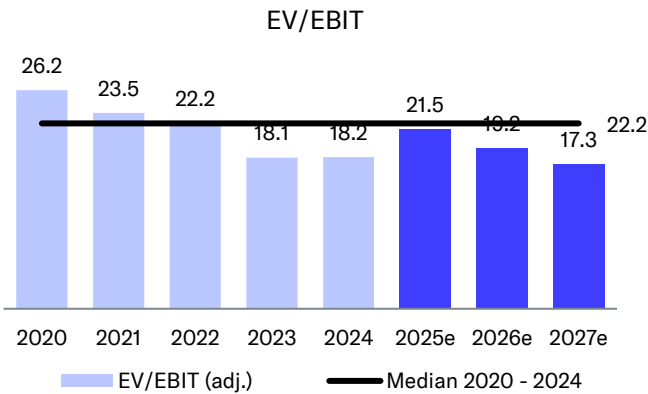
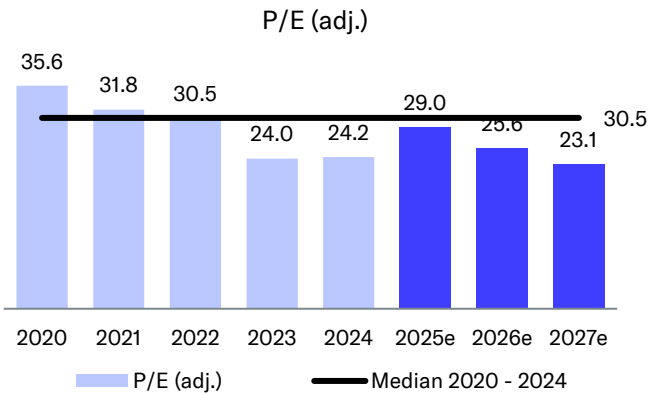
Valuation	2025e	2026e	2027e
Share price	58.4	58.4	58.4
Number of shares, millions	517.5	517.5	517.5
Market cap	30244	30244	30244
EV	29545	29351	29163
P/E (adj.)	29.0	25.6	23.1
P/E	29.5	25.6	23.1
P/B	10.2	9.6	8.9
P/S	2.7	2.5	2.4
EV/Sales	2.6	2.5	2.3
EV/EBITDA	17.7	15.9	14.5
EV/EBIT (adj.)	21.5	19.2	17.3
Payout ratio (%)	95.9 %	91.9 %	89.1 %
Dividend yield-%	3.2 %	3.6 %	3.9 %

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	58.4	58.4	58.4	58.4
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	30244	30244	30244	30244
EV	32722	30724	23908	22611	23694	29545	29351	29163	28973
P/E (adj.)	35.6	31.8	30.5	24.0	24.2	29.0	25.6	23.1	21.7
P/E	36.7	32.2	32.2	25.2	25.6	29.5	25.6	23.1	21.7
P/B	10.9	10.3	8.8	8.5	8.5	10.2	9.6	8.9	8.4
P/S	3.5	3.1	2.3	2.1	2.2	2.7	2.5	2.4	2.3
EV/Sales	3.3	2.9	2.2	2.1	2.1	2.6	2.5	2.3	2.2
EV/EBITDA	22.5	20.0	18.5	15.4	15.4	17.7	15.9	14.5	13.6
EV/EBIT (adj.)	26.2	23.5	22.2	18.1	18.2	21.5	19.2	17.3	16.2
Payout ratio (%)	124.1 %	107.1 %	116.7 %	97.7 %	97.8 %	95.9 %	91.9 %	89.1 %	89.3 %
Dividend yield-%	3.4 %	3.3 %	3.6 %	3.9 %	3.8 %	3.2 %	3.6 %	3.9 %	4.1 %

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	31041	37218	18.3	16.6	17.2	15.5	3.0	2.8	22.9	20.7	1.8	1.9	
Schindler Holding AG	33153	30123	20.0	18.5	16.4	15.3	2.5	2.5	28.7	26.5	2.2	2.5	6.2
Assa Abloy AB	36824	42884	19.1	17.2	15.6	14.3	3.1	2.9	25.8	22.2	1.7	1.9	3.6
Koninklijke Philips NV	23986	30526	16.8	15.4	10.8	10.0	1.7	1.7	18.3	16.6	3.5	3.5	1.9
Ingersoll Rand Inc	27275	30326	19.0	17.6	16.9	15.6	4.7	4.4	23.7	21.5	0.1	0.1	2.9
Johnson Controls International PLC	63571	71796	27.0	23.6	21.6	19.3	3.6	3.4	30.2	25.5	1.3	1.3	5.4
Dover Corp	20932	22484	16.7	15.3	13.9	12.8	3.2	3.1	18.6	17.0	1.2	1.2	3.1
Honeywell International Inc	118035	140780	17.7	17.0	15.5	15.1	4.0	4.0	20.4	20.0	2.1	2.2	7.1
Kone (Inderes)	30244	29545	21.5	19.2	17.7	15.9	2.6	2.5	29.0	25.6	3.2	3.6	10.2
Average			19.3	17.6	16.0	14.7	3.2	3.1	23.6	21.2	1.7	1.8	4.3
Median			18.7	17.1	16.0	15.2	3.1	3.0	23.3	21.1	1.8	1.9	3.6
Diff-% to median			16%	13%	11%	5%	-17%	-18%	25%	21%	86%	87%	184%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	10952	2568	2801	2754	2976	11098	2672	2850	2762	3007	11292	11885	12544	13128
New Building Solutions	4922	1029	1174	1124	1180	4507	929	1071	1020	1109	4129	4174	4299	4428
Service	4127	1083	1114	1117	1189	4504	1189	1181	1168	1237	4776	5074	5379	5648
Modernization	1904	457	513	512	607	2088	555	598	573	661	2387	2637	2866	3052
EBITDA	1470	334	405	393	409	1541	355	415	413	483	1666	1840	2009	2130
Depreciation	-269	-72	-71	-73	-77	-292	-78	-77	-79	-79	-313	-314	-324	-337
EBIT (excl. NRI)	1248	262	335	320	387	1303	280	347	341	404	1371	1527	1685	1793
EBIT	1200	262	335	320	333	1249	277	338	334	404	1353	1527	1685	1793
Net financial items	6.1	3.3	2.2	2.6	-2.9	5.2	2.9	21.7	-27.4	2.9	0.1	18.0	21.7	23.2
PTP	1206	266	337	322	330	1254	280	360	307	407	1353	1545	1707	1817
Taxes	-274.6	-59.8	-75.8	-72.4	-85.1	-293.1	-64.3	-82.7	-80.1	-91.6	-319	-351	-387	-412
Minority interest	-5.8	-2.9	-2.4	-2.8	-1.6	-9.7	-2.7	-3.2	-2.5	-1.5	-10	-11	-12	-13
Net earnings	926	203	259	247	243	951	213	274	224	314	1025	1183	1307	1391
EPS (adj.)	1.88	0.39	0.50	0.48	0.57	1.94	0.42	0.55	0.45	0.61	2.02	2.29	2.53	2.69
EPS (rep.)	1.79	0.39	0.50	0.48	0.47	1.84	0.41	0.53	0.43	0.61	1.98	2.29	2.53	2.69

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	0.4 %	0.5 %	-1.2 %	0.1 %	5.9 %	1.3 %	4.1 %	1.8 %	0.3 %	1.1 %	1.7 %	5.3 %	5.5 %	4.7 %
Adjusted EBIT growth-%	16.0 %	8.5 %	0.8 %	1.1 %	7.8 %	4.4 %	6.5 %	3.7 %	6.6 %	4.5 %	5.2 %	11.3 %	10.4 %	6.4 %
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 %	16.0 %	16.2 %
Adjusted EBIT-%	11.4 %	10.2 %	11.9 %	11.6 %	13.0 %	11.7 %	10.5 %	12.2 %	12.3 %	13.4 %	12.1 %	12.8 %	13.4 %	13.7 %
Net earnings-%	8.5 %	7.9 %	9.2 %	9.0 %	8.2 %	8.6 %	8.0 %	9.6 %	8.1 %	10.4 %	9.1 %	10.0 %	10.4 %	10.6 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	3085	3440	3440	3472	3513
Goodwill	1469	1558	1558	1558	1558
Intangible assets	287	333	320	308	300
Tangible assets	780	899	911	955	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	5924	6235	6581
Inventories	821	857	872	917	968
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3127	3173	3207	3375	3562
Cash and equivalents	1698	1814	1846	1943	2050
Balance sheet total	8731	9284	9364	9707	10094

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	2786	2893	2992	3198	3425
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2387	2450	2544	2745	2965
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	31.2	36.7	42.9
Non-current liabilities	993	1255	1142	1030	935
Deferred tax liabilities	224	232	232	232	232
Provisions	197	186	186	186	186
Interest bearing debt	572	838	724	613	517
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	5229	5478	5734
Interest bearing debt	113	145	125	106	89.6
Payables	4840	4991	5104	5372	5645
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	8731	9284	9364	9707	10094

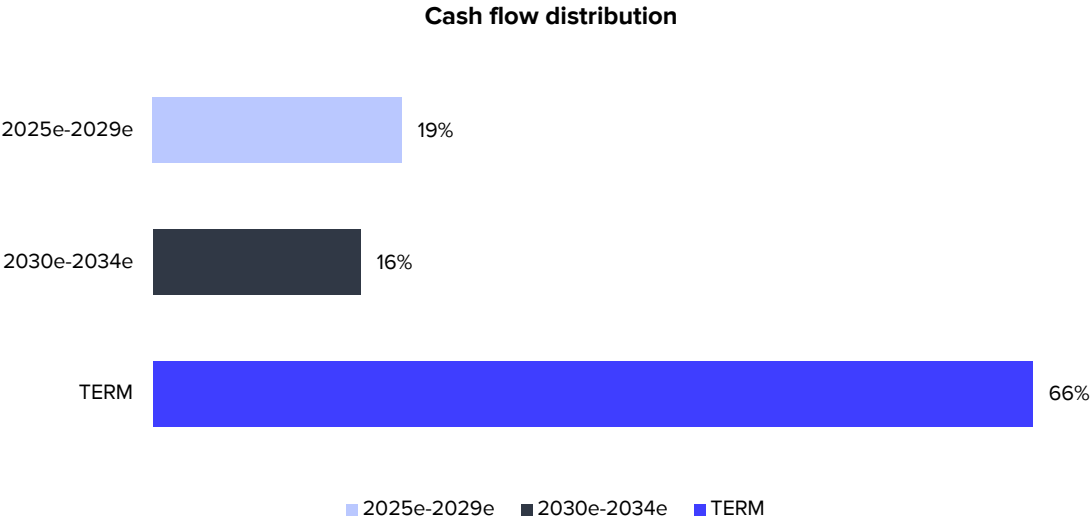
DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	1.3 %	1.7 %	5.3 %	5.5 %	4.7 %	4.2 %	3.8 %	3.4 %	3.4 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.3 %	12.0 %	12.8 %	13.4 %	13.7 %	13.5 %	13.3 %	13.0 %	12.7 %	12.5 %	12.5 %	12.5 %
EBIT (operating profit)	1249	1353	1527	1685	1793	1847	1889	1909	1928	1962	2011	
+ Depreciation	292	313	314	324	337	348	360	370	380	388	396	
- Paid taxes	-331	-319	-351	-387	-412	-425	-435	-439	-444	-452	-463	
- Tax, financial expenses	-7.8	-5.6	-1.9	-1.9	-1.9	-1.9	-1.9	-2.1	-2.3	-2.5	-2.7	
+ Tax, financial income	9.0	5.6	6.0	6.8	7.1	7.5	7.8	8.0	8.3	8.6	8.8	
- Change in working capital	68.8	64.7	53.9	34.8	25.6	20.8	15.7	10.3	10.0	9.3	30.1	
Operating cash flow	1280	1412	1548	1662	1749	1797	1835	1856	1881	1914	1981	
+ 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	-312	-346	-366	-375	-387	-397	-406	-411	-418	-406	
Free operating cash flow	668	1100	1202	1296	1374	1410	1438	1450	1470	1496	1576	
+/- 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	1100	1202	1296	1374	1410	1438	1450	1470	1496	1576	36012
Discounted FCFF		1086	1110	1119	1108	1063	1014	955	905	861	848	19377
Sum of FCFF present value		29446	28360	27250	26131	25023	23960	22946	21991	21086	20224	19377
Enterprise value DCF		29446										
- Interest bearing debt		-983										
+ Cash and cash equivalents		1814										
-Minorities		-318										
-Dividend/capital return		-930.4										
Equity value DCF		29050										
Equity value DCF per share		56.1										

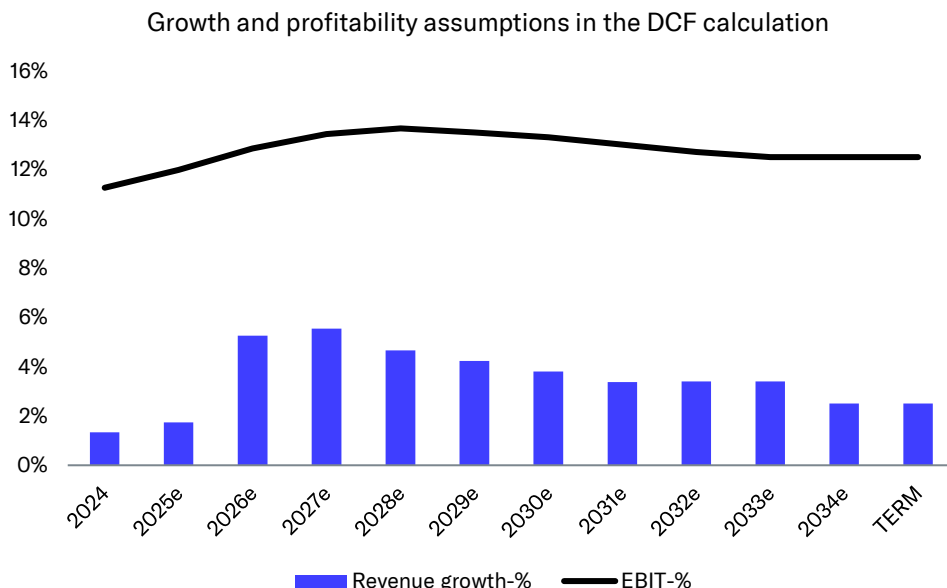
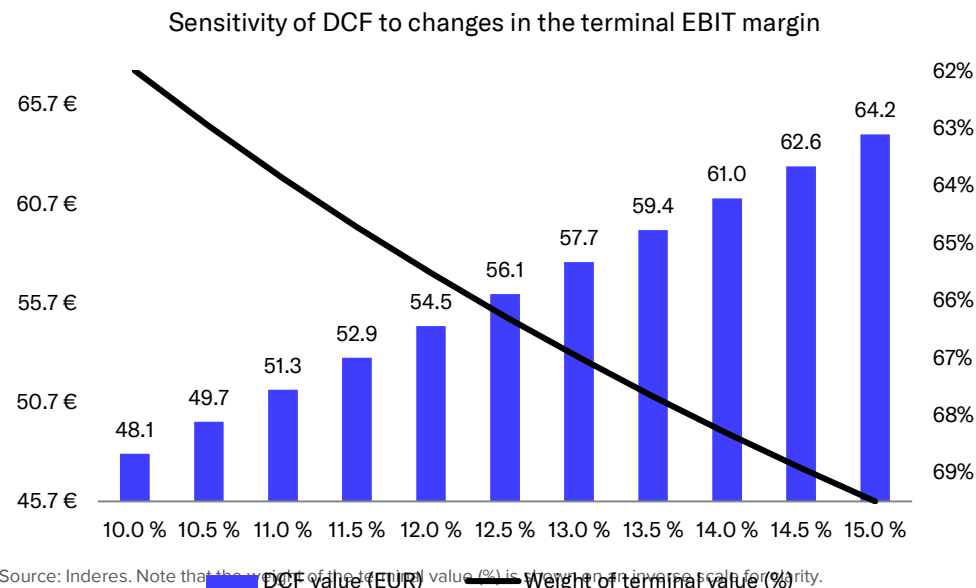
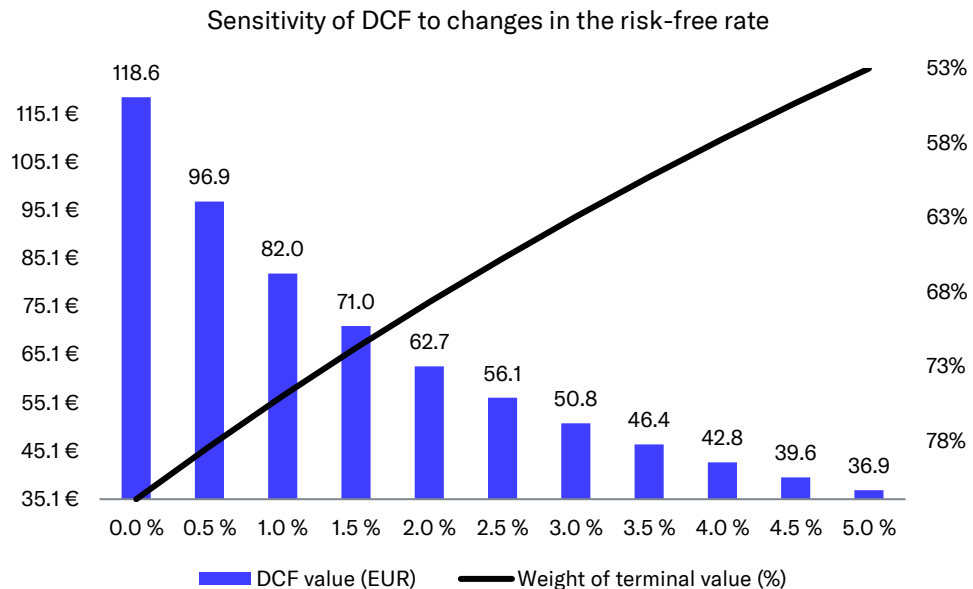
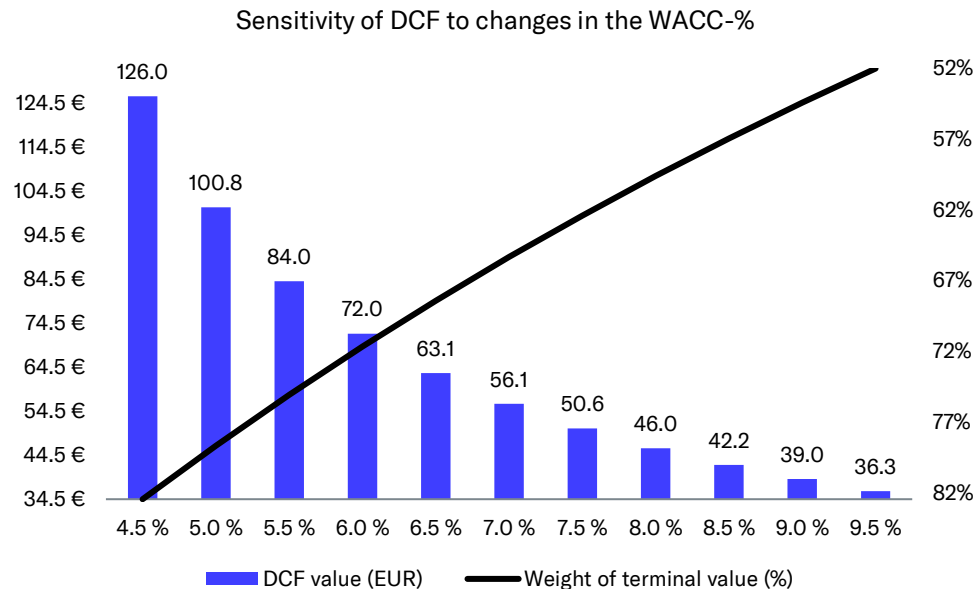
WACC

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 not an input variable for the DCF calculation.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	10906.6	10952.3	11098.4	11291.5	11884.6	EPS (reported)	1.50	1.79	1.84	1.98	2.29
EBITDA	1290.5	1469.5	1541.2	1666.1	1840.3	EPS (adj.)	1.59	1.88	1.94	2.02	2.29
EBIT	1031.2	1200.1	1249.0	1353.0	1526.6	OCF / share	0.86	2.19	2.47	2.73	2.99
PTP	1028.5	1206.2	1254.2	1353.1	1544.6	OCF / share	0.51	1.38	1.29	2.12	2.32
Net Income	774.5	925.8	951.4	1024.7	1182.9	Book value / share	5.49	5.32	5.54	5.72	6.11
Extraordinary items	-45.4	-48.3	-54.0	-18.4	0.0	Dividend / share	1.75	1.75	1.80	1.90	2.10
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	9090.4	8730.8	9284.3	9363.5	9706.9	Revenue growth-%	4%	0%	1%	2%	5%
Equity capital	2866.5	2786.0	2893.1	2992.2	3198.5	EBITDA growth-%	-16%	14%	5%	8%	10%
Goodwill	1414.7	1469.0	1558.4	1558.4	1558.4	EBIT (adj.) growth-%	-18%	16%	4%	5%	11%
Net debt	-1309.0	-1013.4	-831.2	-995.6	-1223.6	EPS (adj.) growth-%	-20%	19%	3%	4%	13%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	11.8 %	13.4 %	13.9 %	14.8 %	15.5 %
EBITDA	1290.5	1469.5	1541.2	1666.1	1840.3	EBIT (adj.)-%	9.9 %	11.4 %	11.7 %	12.1 %	12.8 %
Change in working capital	-559.8	-58.4	68.8	64.7	53.9	EBIT-%	9.5 %	11.0 %	11.3 %	12.0 %	12.8 %
Operating cash flow	443.4	1134.3	1280.0	1412.1	1547.6	ROE-%	25.8 %	33.1 %	33.9 %	35.2 %	38.6 %
CAPEX	-204.3	-442.0	-601.2	-312.4	-345.9	ROI-%	28.4 %	35.4 %	35.1 %	35.7 %	40.0 %
Free cash flow	264.2	711.8	667.8	1099.7	1201.8	Equity ratio	40.3 %	40.9 %	39.8 %	41.4 %	43.0 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	-45.7 %	-36.4 %	-28.7 %	-33.3 %	-38.3 %
EV/S	2.2	2.1	2.1	2.6	2.5						
EV/EBITDA	18.5	15.4	15.4	17.7	15.9						
EV/EBIT (adj.)	22.2	18.1	18.2	21.5	19.2						
P/E (adj.)	30.5	24.0	24.2	29.0	25.6						
P/B	8.8	8.5	8.5	10.2	9.6						
Dividend-%	3.6 %	3.9 %	3.8 %	3.2 %	3.6 %						

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	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 €
10/27/2025	Reduce	56.00 €	58.44 €



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