

# Nokian Tyres

## Company report

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# Spins and tightens

Nokian Tyres published its Q1 report yesterday. The start of the year was still quite unproblematic for the company but with new EU sanctions especially the second half of the year will inevitably become tricky. It takes time to change the production structure and its currently difficult to assess long-term value creation. We reiterate our Reduce recommendation and revise our target price to EUR 13 (previously EUR 15).

## Calm before the storm

Nokian Tyres' net sales increased by 22% to EUR 417 million in Q1 exceeding clearly both our and consensus estimates. In business units the development of Passenger Car Tyres (+28%) (volume growth + implemented price increases) was good thanks to favorable demand development in the key market areas and the operations in the Russian production facility that took a serious turn for the worst only in March. Vianor's sales in the seasonally quiet Q1 period remained stable (-2%), while capacity increases and new product launches in Heavy Tyres (+16%) generated results in line with investment theses. Geographically, Nokian Tyres performed best in strategically important North America and Central Europe. In Q1, the company's EBIT was EUR 67 million, which was also clearly above the consensus estimate. The company managed to fully compensate for the increased material costs in Passenger Car Tyres, but the measures were undersized in Heavy Tyres.

## Predictability is dismal

In early April, Nokian Tyres announced new EU sanctions, which we believe included a three-month transition period to ban the export of tires from Russia to the EU. Since the Russian production facility covers a large part of the total capacity of Passenger Car Tyres, the company's supply and thus its delivery capacity and performance will be dramatically reduced in H2'22. Reflecting this, we have cut our 2022 estimates drastically. We now expect full-year net sales to decrease by 17% to EUR 1,425 million and EBIT to decrease by 50% to EUR 163 million. No further details have been provided by the Q1 report date on the plans for new European production capacity. We have previously estimated that the new own facility would be at least the same size as the Dayton unit. This would mean an investment of around EUR 350 million and applying the Dayton process, reasonable volumes (> 2 million annual tires) would be reached in 3-4 years. The strong balance sheet does not create any obstacles for such a program.

## Cautiously

Based on our estimates, Nokian Tyres' P/E ratios for 2022 and 2023 are 14x and 8x, while the corresponding EV/EBIT ratios are 11x and 7x. The ratios are low in absolute terms, but at the same time the uncertainty associated with our earnings estimates and the general unpredictability in the operating landscape are exceptionally high. Considering this, we view the share only as ostensibly cheap in the short term and the available return/risk ratio as weak. Our view is further supported by the fact that 1) if the Russian business must be written down, the bottom level for the share would be found in the EUR 8.7 per share balance sheet value and 2) that in that situation the remaining assets (no new production facility) and their performance and ROIC we estimate to be sustainable, the company's fair value would be EUR 10-13 per share.

## Recommendation

### Reduce

(previous Reduce)

### EUR 13.00

(previous EUR 15.00)

### Share price:

12.65



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	1714	1425	1704	1843
<b>growth-%</b>	30%	-17%	20%	8%
<b>EBIT adj.</b>	324.9	162.7	274.5	311.8
<b>EBIT-% adj.</b>	19.0 %	11.4 %	16.1 %	16.9 %
<b>Net Income</b>	206.2	103.8	201.6	218.6
<b>EPS (adj.)</b>	1.84	0.91	1.54	1.76
<b>P/E (adj.)</b>	18.1	13.8	8.2	7.2
<b>P/B</b>	2.8	1.1	1.0	0.9
<b>Dividend yield-%</b>	1.7 %	4.3 %	4.7 %	5.1 %
<b>EV/EBIT (adj.)</b>	13.9	11.2	7.3	6.5
<b>EV/EBITDA</b>	10.5	6.1	4.6	4.1
<b>EV/S</b>	2.6	1.3	1.2	1.1

Source: Inderes

## Guidance

(New)

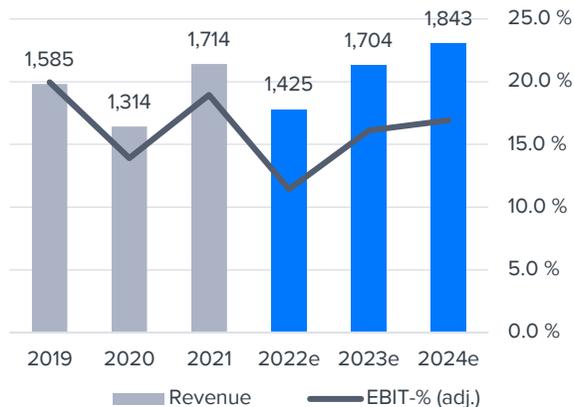
The war in Ukraine and resulting sanctions cause significant uncertainty to Nokian Tyres operating landscape. Nokian Tyres net sales and segments operating profit in 2022 are expected to decrease significantly compared to 2021.

## Share price



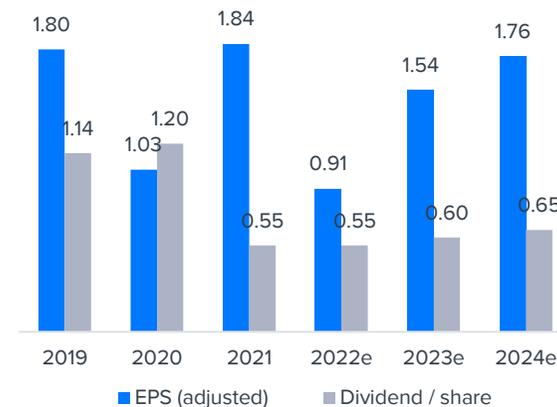
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- A strong winter tire brand and market position in the Nordic countries
- Extensive own distribution network and partner relationships
- Capturing market positions in North America and Central Europe
- Materialization of the benefits of an extensive investment program



## Risk factors

- Development of key market areas and demand with cyclical nuances
- Potential distribution challenges
- The decline in brand recognition and pricing power erosion
- Tightening competitive situation
- Failure in capacity management
- Geo-politics and their unpredictability

Valuation	2022e	2023e	2024e
Share price	12.7	12.7	12.7
Number of shares, millions	138.2	138.2	138.2
Market cap	1748	1748	1748
EV	1824	1995	2013
P/E (adj.)	13.8	8.2	7.2
P/E	16.8	8.7	8.0
P/FCF	neg.	neg.	24.1
P/B	1.1	1.0	0.9
P/S	1.2	1.0	0.9
EV/Sales	1.3	1.2	1.1
EV/EBITDA	6.1	4.6	4.1
EV/EBIT (adj.)	11.2	7.3	6.5
Payout ratio (%)	73.3%	41.1%	41.1%
Dividend yield-%	4.3%	4.7%	5.1%

Source: Inderes

# Calm before the storm

## Net sales higher than expected

Nokian Tyres' net sales increased by 22% to EUR 417 million in Q1 exceeding clearly both our and consensus estimates. In business units the development of Passenger Car Tyres (+28%) (volume growth + implemented price increases) was good thanks to favorable demand development in the key market areas and the operations in the Russian production facility that took a serious turn for the worst only in March. Vianor's sales in the seasonally quiet Q1 period remained stable (-2%), while capacity increases and new product launches in Heavy Tyres (+16%) generated results in line with investment theses.

Geographically, Nokian Tyres performed best in strategically important North America (+76%) and Central Europe (+28%) but we believe that the market

share was at least defended in the Nordic countries (+1%). In general, in addition to the continued healthy demand in non-Russian markets, net sales development was supported by both Nokian Tyres' own popularity and the estimated front-loaded purchases due to the inflationary environment and pre-announced price increases.

## As was EBIT

In Q1, Nokian Tyres' EBIT was EUR 67 million, which was quite clearly better than the consensus estimate. Earnings growth was supported by increased production volumes, higher average prices and a decrease in the relative share of Russian net sales. Similarly, the earnings level was burdened by the share of Heavy Tyres' increased material costs not compensated for with price increases and the more problematic and thus more expensive logistics

starting from March. The price increases in Passenger Car Tyres worked well against exceptionally strongly increased material costs, which brings peace of mind, both in terms of brand recognition and further inflation control. The company recorded non-IFRS items of just over EUR 7 million in the reported figures. The lower lines of the income statement were lower than expected and EPS exceeded expectations more clearly than EBIT.

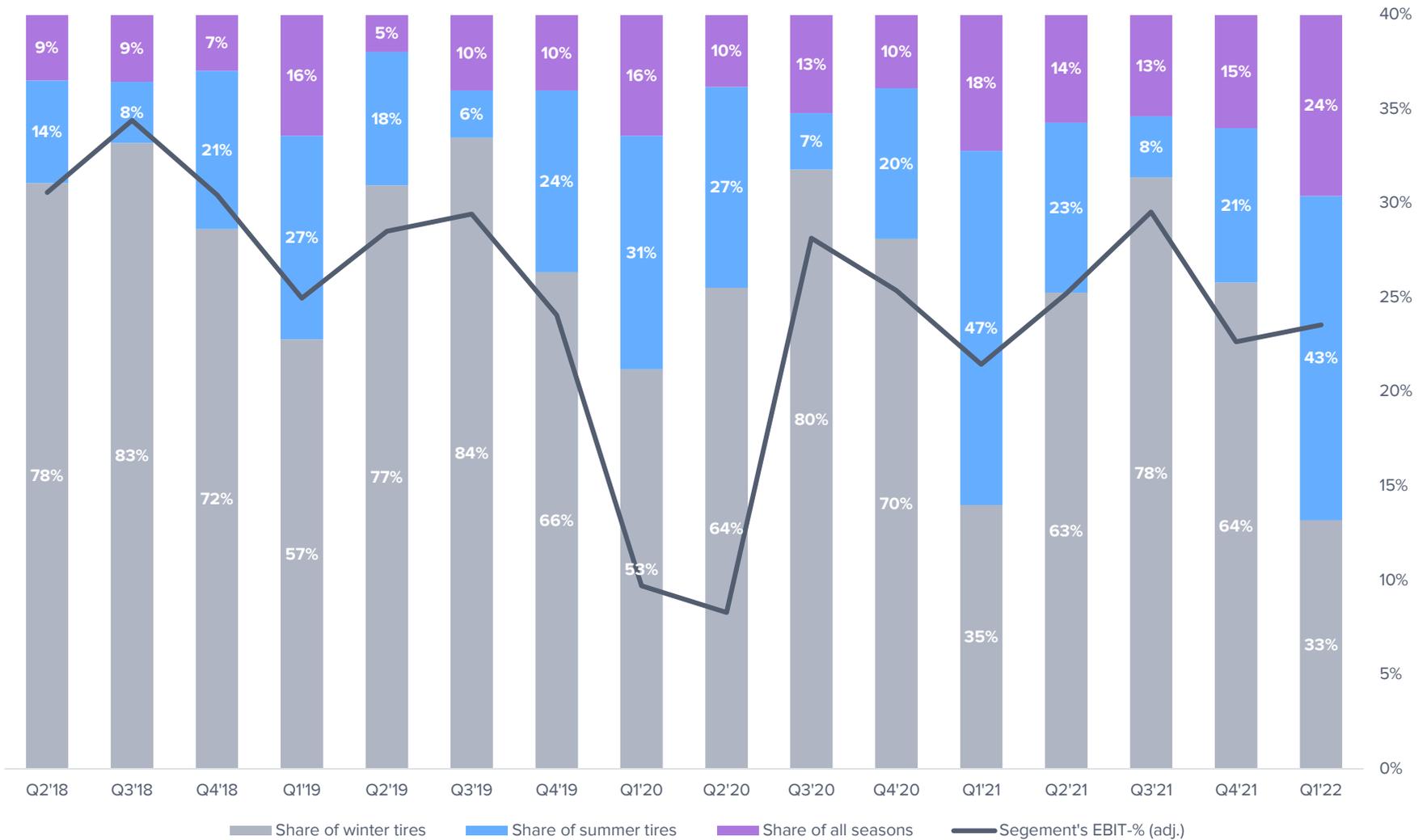
## Balance sheet can handle investments

Working capital commitment was strong as usual in Q1 and the operational cash flow fell to EUR -114 million (Q1'21: -24 MEUR). Nokian Tyres' balance sheet position is strong (Q1'22: Equity ratio 70%). This enables the company to carry out investments in the medium term that change the structure of production and lower country risks related to Russia.

Estimates MEUR / EUR	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	342	417	383	377	356	396	9%	1361
EBIT (adj.)	50	66.5	50	38	13	67	32%	135
EBIT	44	59.3	43	26	-33	67	37%	107
EPS (reported)	0.26	0.34	0.24	0.15	-0.24	0.49	44%	0.59
Revenue growth-%	22.2 %	21.9 %	12.0 %	10.4 %	4.2 %	15.7 %	9.8 pp	-20.6 %
EBIT-% (adj.)	14.7 %	16.0 %	13.1 %	10.0 %	3.6 %	17.0 %	2.9 pp	10.0 %

Source: Inderes & Vara Research (consensus)

# Development of sales mix and profitability in Passenger Car Tyres



# Predictability is dismal

## Guidance generates no added value

As part of the Q1 report, Nokian Tyres issued new guidance. Due to the considerable uncertainty in the operating landscape, the company now expects 2022 net sales and operating profit to decline significantly compared to 2021. As the changed operating conditions that become more challenging almost daily have been known since the beginning of March, the guidance did not really provide any added value.

## Own supply will reduce in the second half of the year

At the beginning of April, the company announced new EU sanctions that included a three-month transition period to ban the export of tires from Russia to the EU. Since the Russian production facility covers a large part of the total capacity of Passenger Car

Tyres, the company's supply and thus its delivery capacity and performance will be dramatically reduced in H2'22. Reflecting this, we have cut our 2022 estimates drastically. We now expect full-year net sales to decrease by 17% to EUR 1,425 million and EBIT to decrease by 50% to EUR 163 million.

## New investments will not help in the short term

Nokian Tyres will change its production structure in coming years. Making significant moves is not possible in the short term while in the medium and long term there are three key options: 1) increasing the capacity of the production facilities in Nokia and Dayton, 2) investing in a new production facility organically or through acquisitions (incl. various joint venture) and/or 3) increasing contract manufacturing.

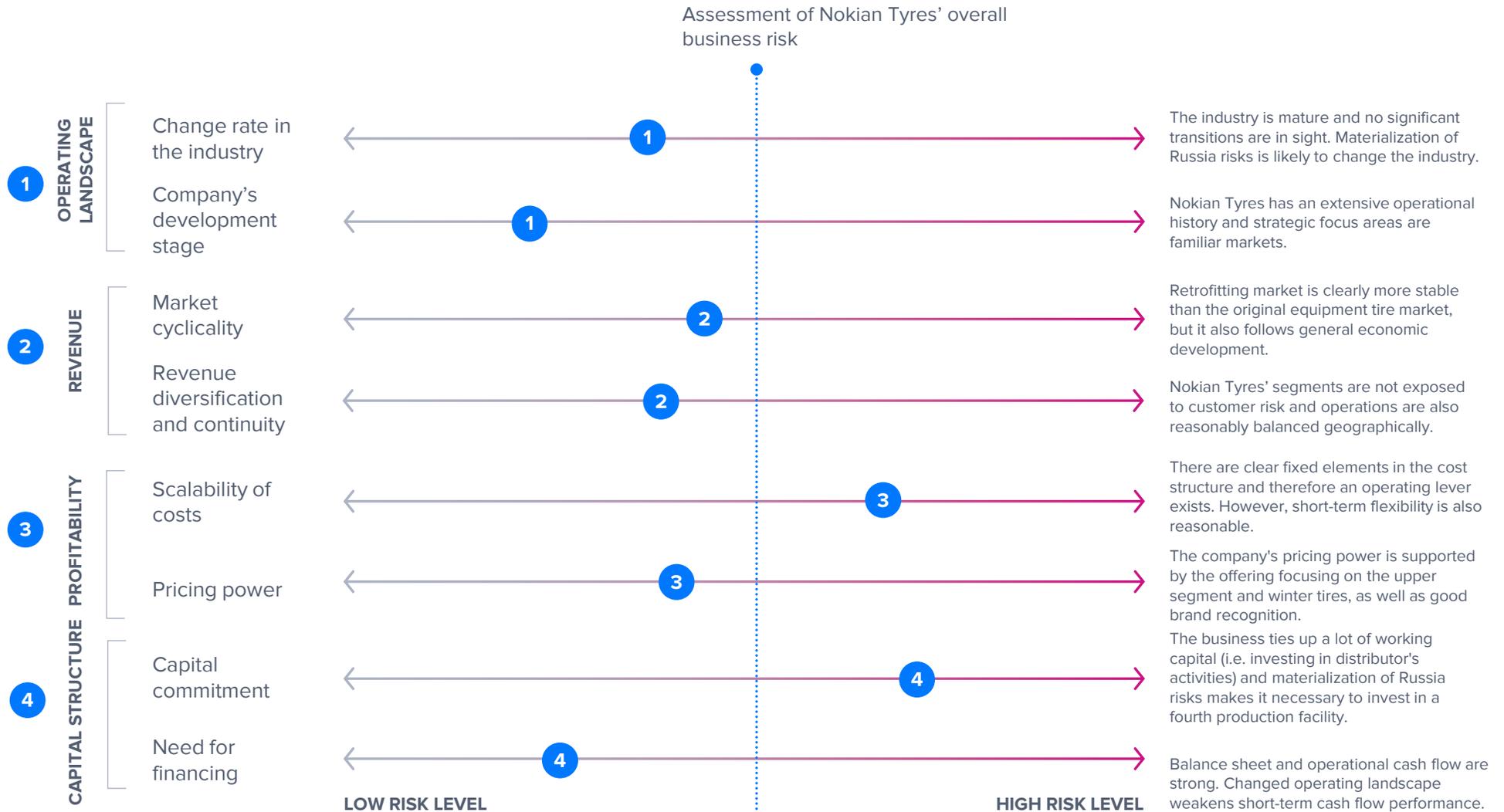
The company has already started measures to increase the capacity in Nokia (with a target of over 6

million annual tires) and Dayton (with a target of over 4 million annual tires), and we believe that these will be accelerated circumstances permitting. The plan of new European production capacity is also being constantly worked on and naturally the company tries to make decisions concerning this as soon as possible. We estimate that the new plant would initially be at least the size of the Dayton unit, which as an investment would mean over EUR 350 million. Progressing from the investment decision to a reasonable volume (> 2 million annual tires), would according to our calculations and applying the Dayton process take some 3-4 years. The company's financial position is strong and, in our view, does not impose any constraints on an investment program of this or even a larger scale.

Estimate revisions	2022e		Change	2023e		Change	2024e		Change	
	MEUR / EUR	Old		New	Old		New	Old		New
Revenue		1648	1425	-14%	1761	1704	-3%	1843	1843	0%
EBIT (exc. NRIs)		218	163	-25%	278	274	-1%	307	312	2%
EBIT		190	135	-29%	264	260	-1%	277	282	2%
PTP		182	127	-30%	256	252	-2%	268	273	2%
EPS (excl. NRIs)		1.20	0.91	-24%	1.56	1.54	-1%	1.73	1.76	2%
DPS		0.60	0.55	-8%	0.65	0.60	-8%	0.70	0.65	-7%

Source: Inderes

# Risk profile of the business model



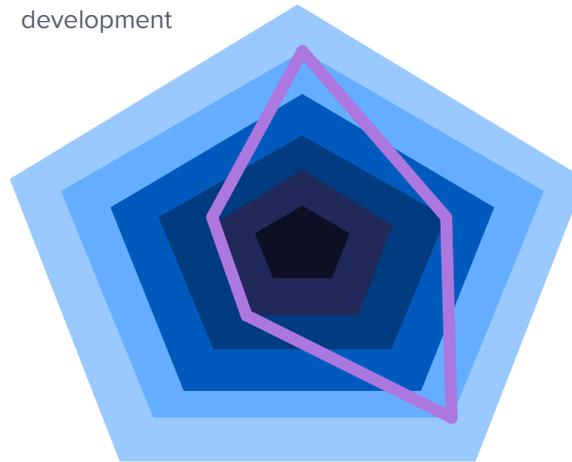
# Industry structure

## Current competitive situation (significant\*)

- There are several manufacturers on the market and the overall cost of switching for consumers is very low
- Rigidities in own cost structures and periodic imbalances in the supply/demand framework increase price pressure and tighten competition
- The long-term growth picture does not differ materially from GDP development

## Threat of substituting products (minor\*)

- A complete replacement of tires would require a significant transformation in the automotive industry
- Production technology is highly mature and no alternative methods are in sight
- In the longer term, material development and market share gains of electric cars offer more opportunities than threats



## Bargaining power of product suppliers (low\*)

- The supply side is not particularly concentrated and the raw material market (in particular rubber) is more dependent on the tire market than vice versa
- This, together with low differentiation capacity, limits the pricing power to the next level
- Largest tire manufacturers are to some extent backward integrated, but the incentives for raw material companies for vertical movements are virtually non-existent

## Threat of new competitors (low\*)

- Economies of scale apply to the industry and launching new business requires high capital investments (e.g. investments in production and distribution network)
- Players' cost structures involve lot of fixed elements which together with the rather modest growth picture at industry level limits the enthusiasm of new players
- We believe that the likelihood of new entrants appearing through vertical movements is small

## Buyers' bargaining power (significant\*)

- The cost of switching for consumers is very low, which limits the bargaining power of manufacturers
- Bargaining power is also partly limited thanks to transparency in pricing
- The bargaining power of manufacturers relative to buyers is limited by the large number of manufacturers and the limited differentiation capacity at product level
- The cost of switching for dealer partners (i.e. reorganizing the supplier portfolio) can become reasonably high
- The dealer field is also very fragmented (excl. distribution channels owned by manufacturers) and there is practically no risk of vertical integration

# Cautiously

## Ostensibly cheap

Based on our estimates, Nokian Tyres' P/E ratios for 2022 and 2023 are 14x and 8x, while the corresponding EV/EBIT ratios are 11x and 7x. The multiples are relatively low in absolute terms and without any significant uncertainty in our earnings estimates and the weakening ROIC due to the change in the production structure in the medium term (i.e. new production unit built in Europe that is probably clearly smaller than the Russian unit), as well as the general unpredictability related to the operating landscape, the company would be undisputedly cheap. However, the above-mentioned negative factors affect, in a concrete way, both short-term performance and risk levels and longer-term value creation possibilities. Reflecting this, we consider the current earnings-based pricing of the share, in light of our current estimates, to be only ostensibly cheap and, vice versa, the short-term return/risk ratio to be too weak.

## Balance sheet provides the bottom for the negative scenario

At the end of Q1, Nokian Tyres' shareholders' equity was EUR 1,680 million, while P/B was 1.1x. At the end of the quarter, the balance sheet value of Russian operations was EUR 476 million. If the worst-case scenario for the company were to be realized and Russian assets were to be written down, the balance sheet value of the company's equity would be EUR 1,204 million, excluding the P&L impact of business divestment and the balance sheet value per share would be EUR 8.7. We also consider this to be a kind of bottom level for the share in the current operating landscape.

## Price contains a final outcome that changes the company significantly

Without the Russian production facility, the business it generates (estimated to be around 17-18 million annual tires, 750-850 MEUR in net sales and over 200 MEUR in EBIT) and new production facility, Nokian Tyres would consist of the Passenger Car Tyres production capacity in Nokia and Dayton, the entire Heavy Tyres business and Vianor. We estimate that such a structure would mean less efficient use of capital than in past years, lower operational profitability and weaker relative competitiveness. Translated into sustainable operational performance, the structure described above would according to our calculations mean conditions to reach some EUR 1,100 million in net sales, EUR 140-160 million in EBIT and 12-13 % in ROIC (cf. average ROIC of some 20% in 2010-2021).

Translated into a fundamentals-based EV/EBIT ratio, the above ROIC together with the long-term growth of the retrofitting market and the expected capital return requirement would be equivalent to a 11x-12x range. Considering this and applying the 15% net gearing we believe to be in the comfort zone, the fair value of Nokian Tyres' stock could in our opinion be estimated to be some EUR 10-13 per share without the Russian production facility. Consequently, the share price currently contains a final outcome that changes the company quite significantly. This is not unjustified, however, given the difficulties related to assessing both the current operating landscape and the performance recovery.

Valuation	2022e	2023e	2024e
Share price	12.7	12.7	12.7
Number of shares, millions	138.2	138.2	138.2
Market cap	1748	1748	1748
EV	1824	1995	2013
P/E (adj.)	13.8	8.2	7.2
P/E	16.8	8.7	8.0
P/FCF	neg.	neg.	24.1
P/B	1.1	1.0	0.9
P/S	1.2	1.0	0.9
EV/Sales	1.3	1.2	1.1
EV/EBITDA	6.1	4.6	4.1
EV/EBIT (adj.)	11.2	7.3	6.5
Payout ratio (%)	73.3 %	41.1%	41.1%
Dividend yield-%	4.3 %	4.7 %	5.1%

Source: Inderes

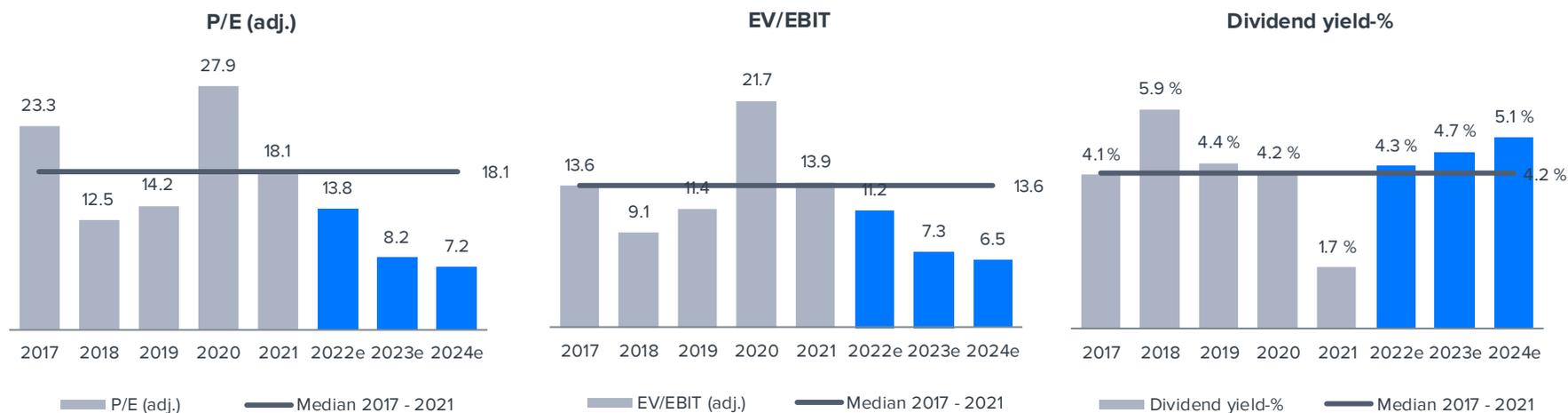
## Fair value excluding Russian production facility

	Min	Max
Sustainable net sales (MEUR)	1000	1100
Turnover of ROCE	0.8	0.9
Capital employed (MEUR)	1212	1257
Sustainable EBIT (MEUR)	140	160
Sustainable EBITmargin	14 %	15 %
Sustainable ROIC	12 %	13 %
Sustainable growth rate	3 %	4 %
Annual investment need	22 %	28 %
COE requirement	9 %	9 %
Acceptable EV/EBIT ratio	11	12
Value of operational activities (MEUR)	1575	1 984
Neutral net gearing	15 %	1 %
Absolute net debt (MEUR)	181	181
Fair value of stock (MEUR)	1394	1803
Share's fair value	10	13

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	37.8	26.8	25.6	28.8	33.3	12.7	12.7	12.7	12.7
Number of shares, millions	136.8	138.1	138.9	138.2	138.2	138.2	138.2	138.2	138.2
Market cap	5169	3703	3561	3984	4603	1748	1748	1748	1748
EV	4961	3388	3602	3966	4504	1824	1995	2013	1888
P/E (adj.)	23.3	12.5	14.2	27.9	18.1	13.8	8.2	7.2	6.5
P/E	23.3	12.5	8.9	46.4	22.3	16.8	8.7	8.0	7.7
P/FCF	32.7	9.4	neg.	9.9	24.3	neg.	neg.	24.1	7.9
P/B	3.5	2.5	2.0	2.6	2.8	1.1	1.0	0.9	0.9
P/S	3.3	2.3	2.2	3.0	2.7	1.2	1.0	0.9	0.9
EV/Sales	3.2	2.1	2.3	3.0	2.6	1.3	1.2	1.1	1.0
EV/EBITDA	10.7	7.3	8.2	13.4	10.5	6.1	4.6	4.1	3.8
EV/EBIT (adj.)	13.6	9.1	11.4	21.7	13.9	11.2	7.3	6.5	5.5
Payout ratio (%)	96.4 %	73.9 %	39.6 %	193.0 %	36.9 %	73.3 %	41.1 %	41.1 %	42.9 %
Dividend yield-%	4.1 %	5.9 %	4.4 %	4.2 %	1.7 %	4.3 %	4.7 %	5.1 %	5.5 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Goodyear Tire & Rubber Co	13.30	3,433	9,539	8.1	6.2	4.7	3.9	0.5	0.5	6.4	4.4			0.7
Bridgestone Corp	4694.00	24,758	25,182	7.5	6.4	4.2	3.8	0.8	0.7	11.6	10.0	3.6	4.0	1.2
Sumitomo Rubber Industries Ltd	7.75	2,099	3,381	15.6		5.3	4.6	0.5	0.4	12.3	9.1	4.2	4.3	0.6
Toyo Tire Corp	1415.00	1,612	2,154			4.2	3.6	0.7	0.6	6.9	5.6	4.8	5.7	0.7
Yokohama Rubber Co Ltd	1638.00	2,052	3,068			4.5	4.0	0.6	0.5	7.5	5.7	4.1	4.7	0.5
Michelin SCA	118.60	20,595	23,927	7.4	6.6	4.8	4.4	0.9	0.9	9.3	8.4	5.0	5.6	1.3
Continental AG	64.68	12,625	17,318	11.2	6.9	5.1	3.8	0.6	0.5	9.9	6.5	3.0	4.4	1.0
Cheng Shin Rubber Ind. Co Ltd	33.40	3,465	4,214	15.8	12.2	6.1	5.7	1.2	1.1	17.9	14.7	4.3	5.1	1.3
Nexen Tire Corp	6840.00	514	1,185	32.3	13.8	6.5	4.9	0.7	0.7	14.8	9.6	1.5	1.6	0.5
Apollo Tyres Limited	210.50	1,640	2,334	15.3	10.7	7.2	5.8	0.9	0.8	19.5	13.5	1.6	2.2	1.1
MRF Ltd	72218.95	3,757	3,625							46.2	24.9	0.1	0.1	2.2
Kumho Tire Co Inc	4185.00	897	2,224	18.4	12.7	7.3	5.9	0.8	0.7	19.8	8.3			0.6
Hankook & Company Co Ltd	14300.00	1,012	887									3.9	3.9	
Pirelli & C SpA	4.66	4,609	8,088	8.9	7.7	5.8	5.1	1.3	1.2	8.9	7.9	4.4	4.5	0.9
<b>Nokian Renkaat (Inderes)</b>	<b>12.65</b>	<b>1,748</b>	<b>1824</b>	<b>11.2</b>	<b>7.3</b>	<b>6.1</b>	<b>4.6</b>	<b>1.3</b>	<b>1.2</b>	<b>13.8</b>	<b>8.2</b>	<b>4.3</b>	<b>4.7</b>	<b>1.1</b>
<b>Average</b>				<b>14.0</b>	<b>9.3</b>	<b>5.5</b>	<b>4.6</b>	<b>0.8</b>	<b>0.7</b>	<b>14.7</b>	<b>9.9</b>	<b>3.4</b>	<b>3.9</b>	<b>1.0</b>
<b>Median</b>				<b>13.2</b>	<b>7.7</b>	<b>5.2</b>	<b>4.5</b>	<b>0.8</b>	<b>0.7</b>	<b>11.6</b>	<b>8.4</b>	<b>4.0</b>	<b>4.4</b>	<b>0.9</b>
<b>Diff-% to median</b>				<b>-15%</b>	<b>-5%</b>	<b>19%</b>	<b>2%</b>	<b>68%</b>	<b>68%</b>	<b>20%</b>	<b>-2%</b>	<b>8%</b>	<b>8%</b>	<b>19%</b>

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

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>1314</b>	<b>342</b>	<b>416</b>	<b>444</b>	<b>513</b>	<b>1714</b>	<b>416</b>	<b>407</b>	<b>282</b>	<b>319</b>	<b>1425</b>	<b>1704</b>	<b>1843</b>	<b>1957</b>
Vianor	318	58.1	91.5	70.1	123	343	57.1	92.4	72.2	127	348	362	377	392
Intra-group and eliminations	-70.2	-19.3	-17.8	-26.2	-18.6	-81.9	-22.0	-19.2	-13.3	-15.0	-69.5	-80.3	-86.8	-103.0
Passenger Car Tyres	871	246	280	331	343	1199	315	266	149	137	867	1127	1239	1339
Heavy Tyres	195	57.1	62.6	69.0	65.3	254	66.4	68.2	74.5	69.9	279	296	314	329
<b>EBITDA</b>	<b>296</b>	<b>84.3</b>	<b>122</b>	<b>129</b>	<b>92.9</b>	<b>428</b>	<b>99.9</b>	<b>87.6</b>	<b>51.2</b>	<b>58.1</b>	<b>297</b>	<b>438</b>	<b>490</b>	<b>501</b>
Depreciation	-176	-40	-40	-40	-40	-160	-41	-41	-41	-41	-162	-177	-208	-211
<b>EBIT (excl. NRI)</b>	<b>183</b>	<b>50.4</b>	<b>89.5</b>	<b>96.9</b>	<b>88.1</b>	<b>325</b>	<b>66.5</b>	<b>54.0</b>	<b>17.7</b>	<b>24.5</b>	<b>163</b>	<b>274</b>	<b>312</b>	<b>346</b>
<b>EBIT</b>	<b>120</b>	<b>44.3</b>	<b>81.8</b>	<b>89.1</b>	<b>53.0</b>	<b>268</b>	<b>59.3</b>	<b>47.0</b>	<b>10.7</b>	<b>17.5</b>	<b>135</b>	<b>260</b>	<b>282</b>	<b>291</b>
Vianor	4.0	-9.8	10.0	-4.5	8.4	4.1	-12.1	9.8	-3.9	9.8	3.6	7.4	9.5	11.7
Intra-group and eliminations	-15.3	-5.2	-2.8	-8.2	-2.1	-18.3	-8.3	-3.8	-2.7	-3.0	-17.8	-14.5	-16.5	-19.6
Passenger Car Tyres	170	52.8	70.6	97.7	77.6	299	74.2	42.0	11.4	7.2	135	224	256	286
Heavy Tyres	23.6	12.6	11.7	11.9	4.1	40.3	12.8	6.1	12.9	10.5	42.3	57.5	63.3	67.7
NRI / non-IFRS recognition	-63.0	-6.1	-7.7	-7.8	-35.1	-56.7	-7.1	-7.0	-7.0	-7.0	-28.1	-14.0	-30.0	-55.0
Net financial items	-13.9	-0.6	-2.2	-4.1	-3.1	-10.0	-1.7	-1.8	-1.9	-1.9	-7.4	-8.5	-8.5	-8.5
<b>PTP</b>	<b>106</b>	<b>43.7</b>	<b>79.6</b>	<b>85.0</b>	<b>49.9</b>	<b>258</b>	<b>57.6</b>	<b>45.2</b>	<b>8.8</b>	<b>15.7</b>	<b>127</b>	<b>252</b>	<b>273</b>	<b>282</b>
Taxes	-20.1	-8.2	-15.1	-15.8	-12.9	-52.0	-10.6	-8.3	-1.6	-2.9	-23.4	-50.4	-54.7	-56.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>85.9</b>	<b>35.5</b>	<b>64.5</b>	<b>69.2</b>	<b>37.0</b>	<b>206</b>	<b>47.0</b>	<b>36.9</b>	<b>7.2</b>	<b>12.8</b>	<b>104</b>	<b>202</b>	<b>219</b>	<b>226</b>
<b>EPS (adj.)</b>	<b>1.04</b>	<b>0.29</b>	<b>0.51</b>	<b>0.54</b>	<b>0.49</b>	<b>1.84</b>	<b>0.38</b>	<b>0.31</b>	<b>0.09</b>	<b>0.13</b>	<b>0.91</b>	<b>1.54</b>	<b>1.76</b>	<b>1.95</b>
<b>EPS (rep.)</b>	<b>0.62</b>	<b>0.26</b>	<b>0.47</b>	<b>0.50</b>	<b>0.27</b>	<b>1.49</b>	<b>0.34</b>	<b>0.27</b>	<b>0.05</b>	<b>0.09</b>	<b>0.75</b>	<b>1.46</b>	<b>1.58</b>	<b>1.63</b>

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-17.1%	22.2 %	53.7 %	26.8 %	24.0 %	30.5 %	21.8 %	-2.1 %	-36.4 %	-37.8 %	-16.9 %	19.6 %	8.1 %	6.2 %
<b>Adjusted EBIT growth-%</b>	-42.2 %	209.6 %	419.7 %	39.9 %	9.9 %	77.6 %	32.0 %	-39.6 %	-81.7 %	-72.1 %	-49.9 %	68.7 %	13.6 %	10.9 %
<b>EBITDA-%</b>	22.5 %	24.7 %	29.3 %	29.1 %	18.1 %	25.0 %	24.0 %	21.5 %	18.2 %	18.2 %	20.8 %	25.7 %	26.6 %	25.6 %
<b>Adjusted EBIT-%</b>	13.9 %	14.7 %	21.5 %	21.8 %	17.2 %	19.0 %	16.0 %	13.3 %	6.3 %	7.7 %	11.4 %	16.1 %	16.9 %	17.7 %
<b>Net earnings-%</b>	6.5 %	10.4 %	15.5 %	15.6 %	7.2 %	12.0 %	11.3 %	9.0 %	2.6 %	4.0 %	7.3 %	11.8 %	11.9 %	11.5 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>1110</b>	<b>1142</b>	<b>1169</b>	<b>1362</b>	<b>1463</b>
Goodwill	79.2	65.3	65.3	65.3	65.3
Intangible assets	23.6	21.7	31.7	41.7	51.7
Tangible assets	977	1024	1042	1225	1317
Associated companies	0.1	0.1	0.1	0.1	0.1
Other investments	2.7	2.9	0.7	0.7	0.7
Other non-current assets	5.7	6.2	7.3	7.3	7.3
Deferred tax assets	21.6	21.6	21.6	21.6	21.6
<b>Current assets</b>	<b>1227</b>	<b>1241</b>	<b>1196</b>	<b>1414</b>	<b>1522</b>
Inventories	329	415	328	392	424
Other current assets	71.8	83.1	84.9	84.9	84.9
Receivables	322	357	427	511	553
Cash and equivalents	504	386	356	426	461
<b>Balance sheet total</b>	<b>2337</b>	<b>2384</b>	<b>2365</b>	<b>2776</b>	<b>2986</b>

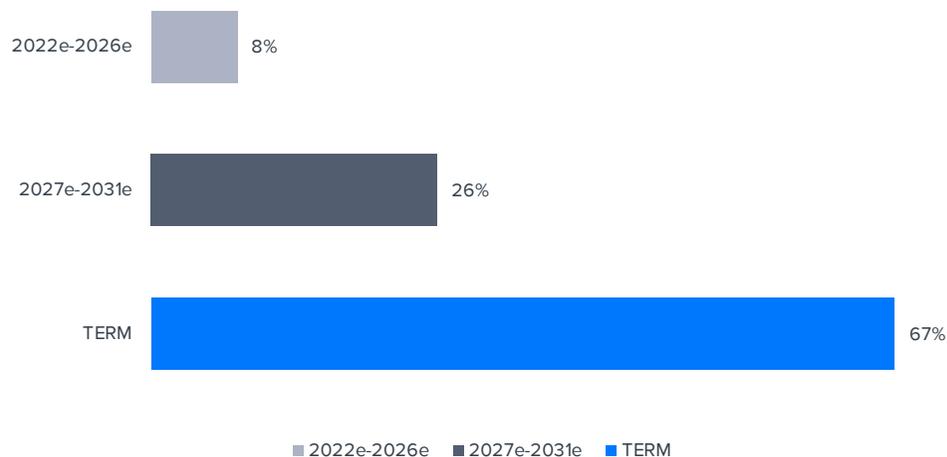
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>1521</b>	<b>1628</b>	<b>1655</b>	<b>1781</b>	<b>1916</b>
Share capital	25.4	25.4	25.4	25.4	25.4
Retained earnings	1545	1592	1619	1745	1880
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-287.1	-227.6	-227.6	-227.6	-227.6
Other equity	238	238	238	238	238
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>291</b>	<b>286</b>	<b>354</b>	<b>547</b>	<b>589</b>
Deferred tax liabilities	32.6	37.8	37.8	37.8	37.8
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	257	247	316	508	550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.9	0.9	0.9	0.9	0.9
<b>Current liabilities</b>	<b>525</b>	<b>470</b>	<b>355</b>	<b>448</b>	<b>481</b>
Short term debt	230	40.4	116	165	175
Payables	281	411	228	273	295
Other current liabilities	13.5	19.3	10.9	10.9	10.9
<b>Balance sheet total</b>	<b>2337</b>	<b>2384</b>	<b>2365</b>	<b>2776</b>	<b>2986</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>268</b>	<b>135</b>	<b>260</b>	<b>282</b>	<b>291</b>	<b>339</b>	<b>346</b>	<b>353</b>	<b>360</b>	<b>365</b>	<b>371</b>	
+ Depreciation	160	162	177	208	211	204	199	194	190	187	184	
- Paid taxes	-46.8	-23.4	-50.4	-54.7	-56.4	-66.2	-67.5	-68.9	-70.3	-71.4	-74.6	
- Tax, financial expenses	-2.5	-1.8	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-0.7	
+ Tax, financial income	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.1	
- Change in working capital	2.5	-175.6	-103.6	-51.2	-42.1	-39.4	-15.3	-15.6	-15.9	-12.2	-12.3	
<b>Operating cash flow</b>	<b>382</b>	<b>96.4</b>	<b>282</b>	<b>382</b>	<b>401</b>	<b>436</b>	<b>460</b>	<b>461</b>	<b>462</b>	<b>467</b>	<b>469</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-192	-189	-370	-310	-180	-180	-180	-180	-180	-180	-180	
<b>Free operating cash flow</b>	<b>189</b>	<b>-92</b>	<b>-88</b>	<b>72</b>	<b>221</b>	<b>256</b>	<b>280</b>	<b>281</b>	<b>282</b>	<b>287</b>	<b>289</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	189	-92	-88	72	221	256	280	281	282	287	289	4,332
<b>Discounted FCFF</b>		<b>-88</b>	<b>-77</b>	<b>59</b>	<b>165</b>	<b>177</b>	<b>179</b>	<b>165</b>	<b>154</b>	<b>144</b>	<b>134</b>	<b>2,009</b>
Sum of FCFF present value		3,020	3,108	3,185	3,127	2,961	2,785	2,606	2,441	2,287	2,143	2,009
<b>Enterprise value DCF</b>		<b>3,020</b>										
- Interesting bearing debt		-287										
+ Cash and cash equivalents		386										
-Minorities		0										
-Dividend/capital return		-76										
<b>Equity value DCF</b>		<b>3,043</b>										
<b>Equity value DCF per share</b>		<b>22.0</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>9.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.3 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	1585.3	1313.7	1714.2	<b>1424.6</b>	<b>1704.5</b>	EPS (reported)	2.88	0.62	1.49	<b>0.75</b>	<b>1.46</b>
EBITDA	441.3	295.5	428.2	<b>296.8</b>	<b>437.6</b>	EPS (adj.)	1.80	1.03	1.84	<b>0.91</b>	<b>1.54</b>
EBIT	316.5	119.9	268.2	<b>134.6</b>	<b>260.5</b>	OCF / share	1.61	3.85	2.76	<b>0.70</b>	<b>2.04</b>
PTP	336.7	106.0	258.2	<b>127.2</b>	<b>252.0</b>	FCF / share	-2.86	2.92	1.37	<b>-0.67</b>	<b>-0.64</b>
Net Income	399.9	85.9	206.2	<b>103.8</b>	<b>201.6</b>	Book value / share	12.74	11.01	11.77	<b>11.98</b>	<b>12.88</b>
Extraordinary items	0.0	-63.0	-56.7	<b>-28.1</b>	<b>-14.0</b>	Dividend / share	1.14	1.20	0.55	<b>0.55</b>	<b>0.60</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	2332.6	2336.7	2383.5	<b>2364.9</b>	<b>2776.0</b>	Revenue growth-%	-1%	-17%	30%	<b>-17%</b>	<b>20%</b>
Equity capital	1769.7	1521.4	1627.5	<b>1655.3</b>	<b>1780.8</b>	EBITDA growth-%	-5%	-33%	45%	<b>-31%</b>	<b>47%</b>
Goodwill	84.4	79.2	65.3	<b>65.3</b>	<b>65.3</b>	EBIT (adj.) growth-%	-15%	-42%	78%	<b>-50%</b>	<b>69%</b>
Net debt	41.2	-17.2	-98.6	<b>76.0</b>	<b>246.8</b>	EPS (adj.) growth-%	-16%	-43%	78%	<b>-50%</b>	<b>68%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	27.8 %	22.5 %	25.0 %	<b>20.8 %</b>	<b>25.7 %</b>
EBITDA	441.3	295.5	428.2	<b>296.8</b>	<b>437.6</b>	EBIT (adj.)-%	20.0 %	13.9 %	19.0 %	<b>11.4 %</b>	<b>16.1 %</b>
Change in working capital	-274.3	268.4	2.5	<b>-175.6</b>	<b>-103.6</b>	EBIT-%	20.0 %	9.1 %	15.6 %	<b>9.4 %</b>	<b>15.3 %</b>
Operating cash flow	223.7	531.7	381.8	<b>96.4</b>	<b>282.0</b>	ROE-%	24.6 %	5.2 %	13.1 %	<b>6.3 %</b>	<b>11.7 %</b>
CAPEX	-488.4	-127.7	-192.4	<b>-188.9</b>	<b>-370.0</b>	ROI-%	17.5 %	6.1 %	13.8 %	<b>6.9 %</b>	<b>11.6 %</b>
Free cash flow	-397.2	403.9	189.4	<b>-92.5</b>	<b>-88.0</b>	Equity ratio	75.9 %	65.1 %	68.3 %	<b>70.0 %</b>	<b>64.1 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	2.3 %	-1.1 %	-6.1 %	<b>4.6 %</b>	<b>13.9 %</b>
EV/S	2.3	3.0	2.6	<b>1.3</b>	<b>1.2</b>						
EV/EBITDA (adj.)	8.2	13.4	10.5	<b>6.1</b>	<b>4.6</b>						
EV/EBIT (adj.)	11.4	21.7	13.9	<b>11.2</b>	<b>7.3</b>						
P/E (adj.)	14.2	27.9	18.1	<b>13.8</b>	<b>8.2</b>						
P/E	2.0	2.6	2.8	<b>1.1</b>	<b>1.0</b>						
Dividend-%	4.4 %	4.2 %	1.7 %	<b>4.3 %</b>	<b>4.7 %</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
28-05-20	Reduce	20.00 €	21.85 €
05-08-20	Reduce	21.00 €	21.30 €
28-09-20	Reduce	22.00 €	22.65 €
28-10-20	Reduce	26.00 €	27.70 €
09-02-21	Reduce	29.00 €	30.64 €
05-05-21	Accumulate	33.00 €	31.32 €
04-08-21	Accumulate	35.00 €	33.60 €
10-09-21	Accumulate	35.00 €	31.90 €
03-11-21	Accumulate	35.00 €	33.34 €
13-01-22	Accumulate	35.00 €	34.09 €
08-02-22	Accumulate	30.00 €	28.35 €
01-03-22	Accumulate	18.00 €	16.75 €
01-04-22	Reduce	15.00 €	15.48 €
28-04-22	Reduce	13.00 €	12.70 €

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