

Kone

Company report

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Taking the elevator up from the earnings slump

KONE's Q4 report was a mix of positive and negative surprises. Order intake was disappointing, net sales were in line and the adjusted EBIT margin was a clear positive surprise. The 2023 guidance was less precise than before, but the Chinese market is expected to start recovering. Our estimate changes are relatively small. We reiterate our Reduce recommendation for KONE but raise our target price to EUR 46.00 (previously EUR 41.50) after reviewing the parameters of our total return model.

A mix of good and bad Q4 figures

KONE's order intake for Q4 (-11% y-o-y) was clearly below the consensus. This was particularly due to China, where we estimate that KONE's orders decreased by 27% y-o-y. However, the margin of received orders increased compared both to Q4'21 and Q3'22 due to lower raw material costs in China and price increases in all other regions. Q4 net sales fell slightly short of expectations. Net sales from new machine sales decreased (-1% y-o-y), but growth was strong in both maintenance (+11% y-o-y) and modernization (+16% y-o-y). Q4 adjusted EBIT margin (12.5%) was 1.1-1.2 percentage points higher than the expected consensus. KONE said that the margin was still lower than one year ago due to cost pressures and poor sales development in China, even though increased service sales supported profitability. In full year 2022, KONE was able to keep the cost inflation of components and logistics under control with price increases, but wage inflation was a big burden. KONE's Q4 EPS was close to the consensus estimate as net financial costs and the Group tax rate were higher than expected. The dividend proposal (EUR 1.75) was in line with consensus.

Cautious optimism in 2023 comments and guidance

As expected, KONE estimates that the Chinese new equipment market will fall by over 10% in 2023. However, the Chinese market is expected to start recovering at the end of H1'23 thanks to government support packages. The market for maintenance and modernization is growing in all areas. KONE expects 2023 net sales to be at the 2022 level. The adjusted EBIT margin is expected to improve thanks to higher margins of the orders received last year and good development of the service business. However, the guidance is "highly dependent on the effectiveness of the measures introduced to create stability in the Chinese property sector." The expected margin improvement is slowed down by the contraction of the high-margin Chinese market and component and wage cost pressures. KONE has, however, been able to compensate for the cost pressures with its own pricing: the margins of the order book have improved several quarters in a row and the company delivers these orders in 2023. Our own estimate changes are quite small.

Overdose of optimism in the share price

KONE's expected total return is slightly positive with 2024 P/E and EV/EBIT ratios but some 7% below our return requirement. Based on this, the risk-adjusted expected return for the share is weak. The 2023-2024 EV/EBIT ratios (22x and 18x) are 25-30% above the median of peers and 18-26% above the ratios of the closest competitors Otis and Schindler. Our DCF model indicates a EUR 48 value for KONE's share with a 9% downside. The indication of the share's tight pricing is consistent with the results of our other models.

Recommendation

Reduce

(previous Reduce)

EUR 46.00

(previous EUR 41.50)

Share price:

52.48



Key figures

	2022	2023e	2024e	2025e
Revenue	10907	11110	11698	12118
growth-%	4%	2%	5%	4%
EBIT adj.	1076.6	1204.4	1416.3	1538.5
EBIT-% adj.	9.9 %	10.8 %	12.1 %	12.7 %
Net Income	774.5	822.1	1078.9	1179.3
EPS (adj.)	1.59	1.84	2.09	2.28

P/E (adj.)	30.5	28.5	25.2	23.0
P/B	8.8	9.9	9.3	8.5
Dividend yield-%	3.6 %	3.3 %	3.4 %	3.5 %
EV/EBIT (adj.)	22.1	21.8	18.4	16.8
EV/EBITDA	18.4	19.7	15.5	14.2
EV/S	2.2	2.4	2.2	2.1

Source: Inderes

Guidance

(New guidance)

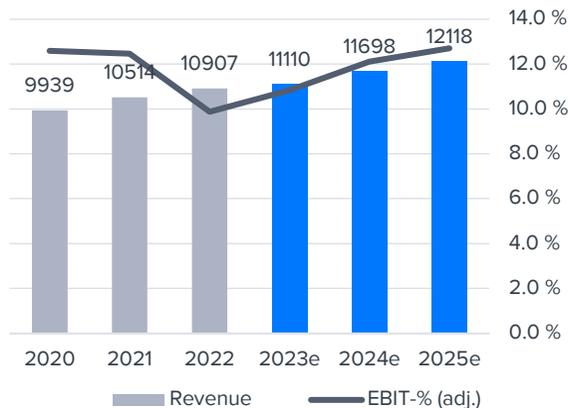
KONE expects its sales at comparable exchange rates for the year 2023 to be at a similar level as in the previous year. The adjusted EBIT margin is expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the maintenance business.

Share price



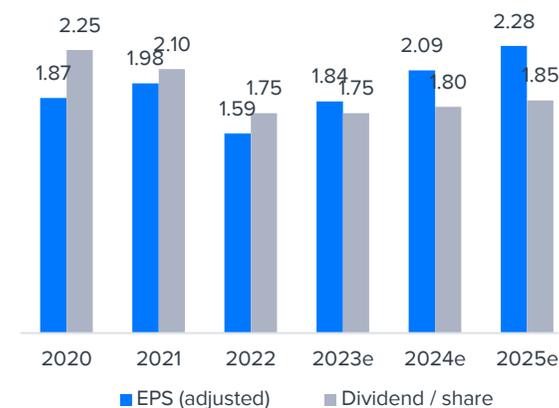
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Demand recovery in the new equipment market
- Growth in the maintenance markets in China and other Asian countries
- Renewed operating model will start supporting 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 sticky
- Standing out with digital services proves difficult

Valuation	2023e	2024e	2025e
Share price	52.5	52.5	52.5
Number of shares, millions	517.1	517.1	517.1
Market cap	27137	27137	27137
EV	26236	26062	25852
P/E (adj.)	28.5	25.2	23.0
P/E	33.0	25.2	23.0
P/FCF	42.0	25.3	24.2
P/B	9.9	9.3	8.5
P/S	2.4	2.3	2.2
EV/Sales	2.4	2.2	2.1
EV/EBITDA	19.7	15.5	14.2
EV/EBIT (adj.)	21.8	18.4	16.8
Payout ratio (%)	109.9 %	86.2 %	81.0 %
Dividend yield-%	3.3 %	3.4 %	3.5 %

Source: Inderes

A cocktail of good and bad Q4 figures

Q4 offering was mixed

KONE's Q4 report was a mix of positive and negative surprises. Order intake was disappointing, net sales were in line and the adjusted EBIT margin was a clear positive surprise.

China orders in a steep decline

KONE's Q4 order intake (1,944 MEUR; -11% y-o-y in comparable currencies) fell clearly short of the consensus expectation that was EUR 2,095 million (-3% y-o-y). This was particularly due to China, where we estimate that KONE's orders decreased by 27% y-o-y. Elsewhere in the world, orders decreased by 2% y-o-y. At Group level, orders for new equipment fell considerably (>-10%), modernization orders increased slightly (+0...+5%) and maintenance orders were stable. The margin of received orders increased

compared both to Q4'21 and Q3'22 due to lower raw material costs in China and price increases in all other regions.

Price increases reflected in the margin

Q4 net sales fell a little short of our and consensus expectations. Net sales from new machine sales decreased (-1% y-o-y), but growth was strong in both maintenance (+11% y-o-y) and modernization (+16% y-o-y). Q4 adjusted EBIT margin (12.5%) was 1.1-1.2 percentage points higher than the expected consensus. KONE said that the margin was still lower than one year ago due to cost pressures and poor sales development in China, even though increased service sales supported profitability. In the full year 2022, KONE was able to keep component and logistics cost inflation well under control with its own

price increases, as their share of net sales remained at the 2021 level at 40.9%. By contrast, wage inflation was a big burden in 2022: wage costs per employee rose by more than 7% y-o-y and the net sales share of personnel costs rose to 32.4% from 30.6% in 2021.

Financial expenses and taxes pointed upwards

KONE's Q4 EPS was close to the consensus estimate as net financial costs amounted to EUR -3 million (estimate +7...+9 MEUR) and the Group tax rate was around 1 percentage point above expectations. The dividend proposal (EUR 1.75) was in line with the consensus and exceeded our expectation.

Estimates MEUR / EUR	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Tot.
Revenue	2767	2912	2962	2927	2603	- 3070	-2%	10907
EBIT (adj.)	359	365	335	333	270	- 367	9%	1077
EBIT	352	367	335	332	270	- 387	10%	1031
PTP	360	364	342	342	276	- 396	6%	1028
EPS (adj.)	0.55	0.52	0.50	0.51	0.40	- 0.61	4%	1.59
EPS (reported)	0.53	0.51	0.50	0.51	0.40	- 0.61	2%	1.50
DPS	2.10	1.75	1.60	1.75	1.35	- 2.15	9%	1.75
Revenue growth-%	5.6 %	5.2 %	7.1 %	5.8 %	-5.9 %	- 11.0 %	-1.8 pp	3.7 %
EBIT-% (adj.)	13.0 %	12.5 %	11.3 %	11.4 %	10.4 %	- 12.0 %	1.2 pp	9.9 %

Source: Inderes & Vara Research (consensus)

Cautious optimism in 2023 comments and guidance

Market and earnings are expected to recover

2023 guidance was less precise than before. However, the Chinese market is expected to recover. In terms of the adjusted result, our estimate changes are relatively small.

2023 market image is inconsistent

As expected, KONE estimates that the Chinese new equipment market will fall by over 10% in 2023. However, the Chinese market is expected to start recovering at the end of H1'23 thanks to government support packages. Elsewhere in the Asia-Pacific region the new equipment market is expected to grow by +5...+10% y-o-y, to be stable in EMEA and to decline by 0%...-5% y-o-y in the Americas. The market for maintenance and modernization is growing in all areas.

2023 guidance relies on China's recovery

KONE expects 2023 net sales to be at the 2022 level at comparable exchange rates. The adjusted

EBIT margin is expected to start recovering due to improved margins on orders received in 2022 and continued solid performance in the maintenance business. However, the guidance is "highly dependent on the effectiveness of the measures introduced to create stability in the Chinese property sector."

The margin guidance means that KONE's adjusted EBIT will improve from 9.9% in 2022. The improvement is slowed down by the contraction of high-margin Chinese market and cost pressures: although raw material prices are falling, prices of added-value components are rising due to wage inflation. KONE's own wage costs will also increase by some EUR 100 million. KONE has been able to compensate for these factors with its own pricing: the margins of the order book have improved several quarters in a row and the company delivers these orders in 2023.

More responsibility given to regions while achieving savings

KONE announced that it would launch a new business model, which would give local organizations more freedom and responsibility to "exploit regional growth potential". The company aims at cost savings of EUR 100 million, especially through personnel costs in 2024 and non-recurring costs of the revision are EUR 130 million in 2023. The savings are not directly transferred to EBIT as the program is implemented due to increased costs. We expect the program to directly generate an improvement of EUR 10-20 million in EBIT in 2023 and EUR 30-50 million in 2024.

Marginal estimate changes

In view of the rather soft 2023 guidance, we made some minor adjustments to our profitability calculations. We have also added the above-mentioned EUR 130 million to non-recurring costs. Our 2024 estimates remain roughly unchanged.

Estimate revisions	2022e	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Inderes	Actual	%	Old	New	%	Old	New	%
Revenue	10958	10907	0%	10833	11110	3%	11375	11698	3%
EBIT (exc. NRIs)	1047	1077	3%	1226	1204	-2%	1385	1416	2%
EBIT	999	1031	3%	1226	1074	-12%	1385	1416	2%
PTP	1007	1029	2%	1236	1084	-12%	1398	1423	2%
EPS (excl. NRIs)	1.56	1.59	1%	1.82	1.84	1%	2.05	2.09	2%
DPS	1.60	1.75	9%	1.65	1.75	6%	1.80	1.80	0%

Source: Inderes

Overdose of optimism in the share price

Valuation is high, even if everything goes as planned

The valuation of KONE's share is tight. Although we expect a relatively rapid EPS growth in 2023-2025 (+13% p.a.), the share valuation is still high as even with 2023 multiples P/E is 23x. At this point, our estimates assume that the recovery of the Chinese market starts in 2023, but there is a lot of uncertainty about the strength of the increase. The weak housing construction market in Europe and America can also tighten price competition and lead to either new margin pressures or loss of market share for KONE. On the other hand, we have strong confidence in KONE's positive view on the maintenance and modernization business.

In our estimates, we have taken a rather cautious view on the earnings impact of the operating model renewal in KONE before we receive more information on the matter. This is a possible positive share price driver, as well as possible news from China on the recovery of the construction market. However, the valuation of KONE's share is currently so high that generating a well-founded upside requires a significant increase in consensus estimates.

We reiterate our Reduce recommendation for KONE. As our estimates have risen and we have revised our parameters of our total return model we raise our target price to EUR 46.00 (previously EUR 41.50). With the target price, the valuation of the share is in line with the closest peers measured with 2024 P/E and EV/EBIT.

Risk-adjusted expected return not attractive

The total expected return on KONE's share (upside potential in the share price based on earnings growth and expected change in valuation multiple plus dividend yield) with 2024 P/E and EV/EBIT ratios is slightly positive but below our required return of around 7%. Based on this, the risk-adjusted expected return for the share is weak.

Multiple-based valuation is at top

As KONE has about EUR 1.3 billion in net assets, the EV/EBIT ratio is better suited than the P/E to assess peer group pricing. With 2023-2024 ratios EV/EBIT (22x and 18x) is 25-30% above the median of peers and 18-26% above the ratios of the closest competitors Otis and Schindler. KONE's greater dependence on the Chinese market than its competitors is still more of a disadvantage than an advantage for the company and does not support a premium valuation.

No upside to the cash flow value either

Our DCF model indicates a EUR 48 value for KONE's share with a 9% downside. The parameters of the model are always subject to considerable uncertainty, but the indication of the tight pricing of KONE's share is consistent with the results of our other models.

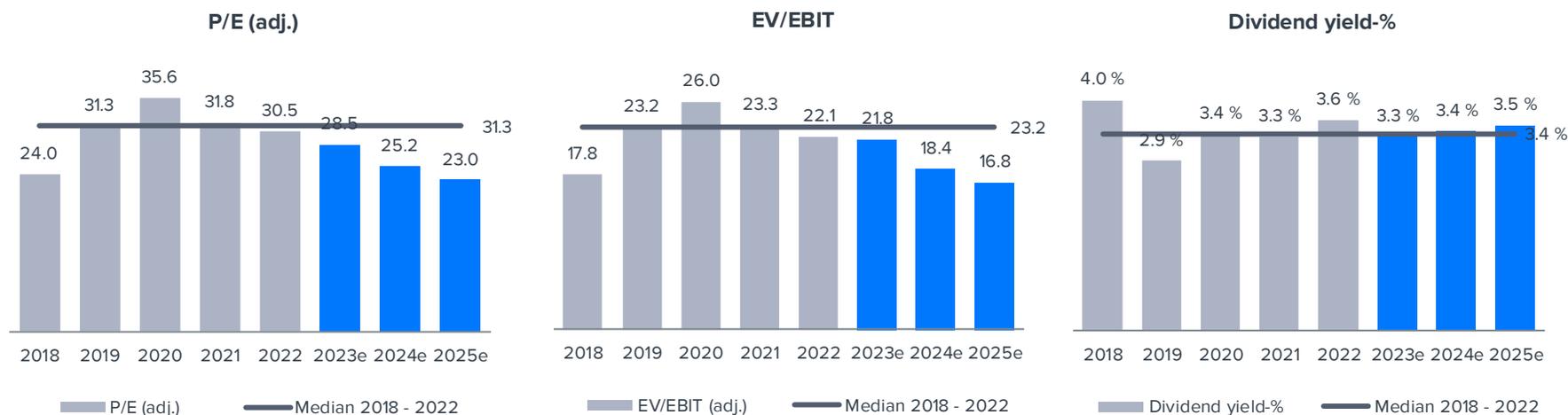
Valuation	2023e	2024e	2025e
Share price	52.5	52.5	52.5
Number of shares, millions	517.1	517.1	517.1
Market cap	27137	27137	27137
EV	26236	26062	25852
P/E (adj.)	28.5	25.2	23.0
P/E	33.0	25.2	23.0
P/FCF	42.0	25.3	24.2
P/B	9.9	9.3	8.5
P/S	2.4	2.3	2.2
EV/Sales	2.4	2.2	2.1
EV/EBITDA	19.7	15.5	14.2
EV/EBIT (adj.)	21.8	18.4	16.8
Payout ratio (%)	109.9 %	86.2 %	81.0 %
Dividend yield-%	3.3 %	3.4 %	3.5 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	41.6	58.3	66.5	63.0	48.3	52.5	52.5	52.5	52.5
Number of shares, millions	516.1	518.4	518.4	518.0	517.1	517.1	517.1	517.1	517.1
Market cap	21489	30212	34452	32652	24975	27137	27137	27137	27137
EV	19758	28677	32555	30555	23780	26236	26062	25852	25524
P/E (adj.)	24.0	31.3	35.6	31.8	30.5	28.5	25.2	23.0	21.1
P/E	25.6	32.4	36.7	32.2	32.2	33.0	25.2	23.0	21.1
P/FCF	28.7	43.8	25.5	26.9	>100	42.0	25.3	24.2	21.5
P/B	7.0	9.5	10.9	10.3	8.8	9.9	9.3	8.5	7.7
P/S	2.4	3.0	3.5	3.1	2.3	2.4	2.3	2.2	2.2
EV/Sales	2.2	2.9	3.3	2.9	2.2	2.4	2.2	2.1	2.0
EV/EBITDA	17.0	20.0	22.4	19.8	18.4	19.7	15.5	14.2	13.0
EV/EBIT (adj.)	17.8	23.2	26.0	23.3	22.1	21.8	18.4	16.8	15.3
Payout ratio (%)	101.1%	94.5 %	124.1%	107.1%	116.7 %	109.9 %	86.2 %	81.0 %	90.0 %
Dividend yield-%	4.0 %	2.9 %	3.4 %	3.3 %	3.6 %	3.3 %	3.4 %	3.5 %	4.3 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Schindler Holding AG	20362	18173	17.0	14.7	13.1	11.6	1.6	1.6	25.3	22.2	2.3	2.5	4.4
Assa Abloy AB	24239	26762	15.4	14.2	12.8	11.9	2.4	2.3	19.4	17.9	2.0	2.2	3.0
Koninklijke Philips NV	13738	21269	17.3	12.5	8.6	7.2	1.2	1.1	14.4	10.8	4.8	5.7	1.1
Otis Worldwide Corp	30935	36000	17.6	16.5	16.3	15.3	2.8	2.7	23.5	21.5	1.6	1.8	
Ingersoll Rand Inc	20781	21967	18.8	17.4	15.6	14.4	3.9	3.7	22.3	20.1	0.1	0.2	2.4
Johnson Controls International PLC	42894	50375	16.6	15.0	13.2	12.1	2.0	2.0	19.4	16.9	2.1	2.3	2.7
Gree Electric Appliances Inc of Zhuhai	26720	22614	5.5	5.0	4.7	4.4	0.8	0.7	7.0	6.4	8.1	8.6	1.6
Dover Corp	18677	21727	13.7	14.3	13.0	12.4	2.8	2.7	16.0	14.6	1.5	1.6	4.4
Honeywell International Inc	127449	135722	18.4	17.0	16.0	14.8	4.0	3.8	22.6	20.2	2.0	2.1	7.5
Lennox International Inc	8053	9480	14.5	13.3	13.0	12.1	2.2	2.1	16.7	15.2	1.6	1.7	
Melco International Development Ltd	1954	8334		16.7	13.2	7.1	2.9	2.1			0.1		
Kone (Inderes)	27137	26236	21.8	18.4	19.7	15.5	2.4	2.2	28.5	25.2	3.3	3.4	9.9
Average			15.5	14.2	12.7	11.2	2.4	2.2	18.7	16.6	2.4	2.9	3.4
Median			16.8	14.7	13.1	12.1	2.4	2.1	19.4	17.4	2.0	2.2	2.8
Diff-% to median			30%	25%	51%	27%	0%	6%	47%	45%	68%	59%	247%

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

Income statement

Income statement	2021	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	10514	10907	2455	2887	2818	2949	11110	11698	12118	12575
Group	10514	10907	2455	2887	2818	2949	11110	11698	12118	12575
EBITDA	1539	1291	266	355	343	369	1333	1684	1817	1966
Depreciation	-244.0	-259.3	-64.8	-64.8	-64.8	-64.8	-259.1	-267.5	-278.3	-297.6
EBIT (excl. NRI)	1310	1077	202	321	348	334	1204	1416	1539	1669
EBIT	1295	1031	202	291	278	304	1074	1416	1539	1669
Group	1295	1031	202	291	278	304	1074	1416	1539	1669
Net financial items	25.5	-2.7	2.4	2.4	2.4	2.4	9.7	6.3	10.8	18.0
PTP	1321	1029	204	293	281	306	1084	1423	1549	1687
Taxes	-298.1	-244.0	-46.9	-67.4	-64.5	-70.4	-249.3	-327.2	-356.3	-388.0
Minority interest	-8.5	-10.0	-3.0	-2.0	-4.5	-3.1	-12.6	-16.5	-13.7	-13.7
Net earnings	1014	775	154	224	212	233	822	1079	1179	1285
EPS (adj.)	1.983	1.586	0.298	0.491	0.544	0.508	1.841	2.086	2.281	2.486
EPS (rep.)	1.958	1.498	0.298	0.433	0.409	0.450	1.590	2.086	2.281	2.486

Key figures	2021	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	5.8 %	3.7 %	0.5 %	13.0 %	-6.0 %	1.3 %	1.9 %	5.3 %	3.6 %	3.8 %
Adjusted EBIT growth-%	4.7 %	-17.8 %	2.6 %	53.2 %	13.9 %	-8.5 %	11.9 %	17.6 %	8.6 %	8.5 %
EBITDA-%	14.6 %	11.8 %	10.9 %	12.3 %	12.2 %	12.5 %	12.0 %	14.4 %	15.0 %	15.6 %
Adjusted EBIT-%	12.5 %	9.9 %	8.2 %	11.1 %	12.4 %	11.3 %	10.8 %	12.1 %	12.7 %	13.3 %
Net earnings-%	9.6 %	7.1 %	6.3 %	7.7 %	7.5 %	7.9 %	7.4 %	9.2 %	9.7 %	10.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	2915	2899	2948	2986	3052
Goodwill	1405	1415	1415	1415	1415
Intangible assets	217	208	205	205	247
Tangible assets	737	717	769	806	832
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	147	124	124	124	124
Other non-current assets	22.9	10.0	10.0	10.0	10.0
Deferred tax assets	386	425	425	425	425
Current assets	6805	6191	6006	6324	6552
Inventories	718	844	778	819	848
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3202	3377	3222	3392	3514
Cash and equivalents	2885	1970	2007	2113	2189
Balance sheet total	9720	9090	8954	9310	9604

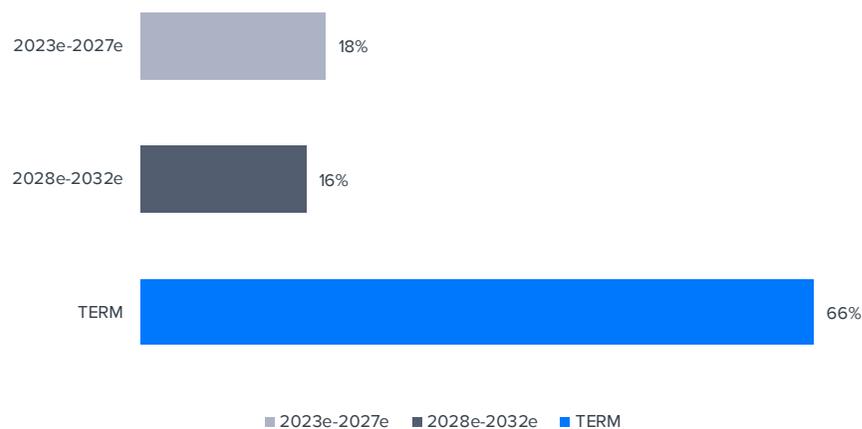
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	3199	2867	2785	2960	3209
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2549	2184	2103	2278	2527
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	559	586	586	586	586
Minorities	25.0	29.9	29.9	29.9	29.9
Non-current liabilities	1000	949	1184	1144	1056
Deferred tax liabilities	218	214	214	214	214
Provisions	152	177	177	177	177
Long term debt	435	418	652	613	525
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	194	140	140	140	140
Current liabilities	5521	5275	4986	5206	5338
Short term debt	117	116	181	170	146
Payables	5405	5159	4805	5036	5193
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9720	9090	8954	9310	9604

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	3.7 %	1.9 %	5.3 %	3.6 %	3.8 %	4.0 %	4.1 %	4.3 %	4.5 %	4.7 %	2.5 %	2.5 %
EBIT-%	9.5 %	9.7 %	12.1 %	12.7 %	13.3 %	13.0 %	12.8 %	12.6 %	11.5 %	11.5 %	11.5 %	11.5 %
EBIT (operating profit)	1031	1074	1416	1539	1669	1704	1742	1783	1707	1787	1832	
+ Depreciation	259	259	267	278	298	306	316	327	339	352	366	
- Paid taxes	-286.7	-249.3	-327.2	-356.3	-388.0	-397.4	-406.8	-417.0	-399.7	-418.5	-429.6	
- Tax, financial expenses	-13.6	-8.3	-9.4	-8.9	-7.6	-6.7	-6.5	-6.4	-6.7	-7.1	-6.7	
+ Tax, financial income	12.9	10.5	10.9	11.4	11.8	12.2	12.7	13.3	13.8	14.5	15.0	
- Change in working capital	-546.8	-132.3	19.2	5.4	6.2	7.0	7.7	8.4	9.1	9.7	22.0	
Operating cash flow	456	954	1377	1468	1589	1625	1665	1709	1662	1738	1798	
+ Change in other long-term liabilities	-29.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-204.3	-308.1	-305.0	-345.0	-329.6	-342.1	-355.4	-369.8	-385.2	-401.8	-401.5	
Free operating cash flow	223	646	1072	1123	1259	1283	1310	1339	1277	1336	1397	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	223	646	1072	1123	1259	1283	1310	1339	1277	1336	1397	31187
Discounted FCFF		606	940	919	962	916	873	833	742	725	707	15799
Sum of FCFF present value		24021	23415	22475	21556	20594	19678	18806	17973	17231	16506	15799
Enterprise value DCF		24021										
- Interesting bearing debt		-175.9										
+ Cash and cash equivalents		1970										
-Minorities		-294.5										
-Dividend/capital return		-903.8										
Equity value DCF		24639										
Equity value DCF per share		47.6										

Cash flow distribution



Wacc

Tax-% (WACC)	23.5 %
Target debt ratio (D/(D+E))	3.0 %
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)	7.1 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	9938.5	10514.1	10906.7	11109.6	11697.5	EPS (reported)	1.81	1.96	1.50	1.59	2.09
EBITDA	1451.9	1539.3	1290.5	1333.5	1683.8	EPS (adj.)	1.87	1.98	1.59	1.84	2.09
EBIT	1212.9	1295.3	1031.2	1074.4	1416.3	OCF / share	2.80	3.01	0.88	1.85	2.66
PTP	1224.3	1320.8	1028.5	1084.0	1422.6	FCF / share	2.61	2.34	0.43	1.25	2.07
Net Income	939.3	1014.2	774.5	822.1	1078.9	Book value / share	6.12	6.13	5.49	5.33	5.67
Extraordinary items	-37.6	-14.5	-45.4	-130.0	0.0	Dividend / share	2.25	2.10	1.75	1.75	1.80
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	8792.0	9720.4	9090.4	8954.5	9309.9	Revenue growth-%	0%	6%	4%	2%	5%
Equity capital	3197.2	3199.2	2866.5	2784.8	2959.9	EBITDA growth-%	1%	6%	-16%	3%	26%
Goodwill	1327.0	1405.2	1414.7	1414.7	1414.7	EBIT (adj.) growth-%	1%	5%	-18%	12%	18%
Net debt	-2120.8	-2332.9	-1436.5	-1173.5	-1330.3	EPS (adj.) growth-%	0%	6%	-20%	16%	13%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	14.6 %	14.6 %	11.8 %	12.0 %	14.4 %
EBITDA	1451.9	1539.3	1290.5	1333.5	1683.8	EBIT (adj.)-%	12.6 %	12.5 %	9.9 %	10.8 %	12.1 %
Change in working capital	314.2	358.7	-546.8	-132.3	19.2	EBIT-%	12.2 %	12.3 %	9.5 %	9.7 %	12.1 %
Operating cash flow	1453.9	1557.7	456.4	954.0	1377.3	ROE-%	29.6 %	31.9 %	25.8 %	29.4 %	38.0 %
CAPEX	-144.0	-349.3	-204.3	-308.1	-305.0	ROI-%	33.7 %	36.1 %	30.4 %	31.9 %	39.8 %
Free cash flow	1351.8	1213.1	222.9	646.0	1072.3	Equity ratio	45.5 %	41.2 %	40.7 %	40.9 %	42.1 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-66.3 %	-72.9 %	-50.1 %	-42.1 %	-44.9 %
EV/S	3.3	2.9	2.2	2.4	2.2						
EV/EBITDA (adj.)	22.4	19.8	18.4	19.7	15.5						
EV/EBIT (adj.)	26.0	23.3	22.1	21.8	18.4						
P/E (adj.)	35.6	31.8	30.5	28.5	25.2						
P/E	10.9	10.3	8.8	9.9	9.3						
Dividend-%	3.4 %	3.3 %	3.6 %	3.3 %	3.4 %						

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
20-07-18	Reduce	43.00 €	47.30 €
26-10-18	Reduce	42.00 €	40.60 €
25-01-19	Reduce	40.00 €	42.73 €
29-04-19	Sell	41.00 €	48.90 €
19-07-19	Sell	41.00 €	51.12 €
24-10-19	Sell	42.00 €	54.18 €
29-01-20	Sell	45.00 €	61.02 €
24-03-20	Sell	42.00 €	46.90 €
23-04-20	Sell	46.00 €	55.00 €
20-07-20	Sell	48.00 €	64.28 €
23-09-20	Sell	61.00 €	73.38 €
23-10-20	Sell	61.00 €	71.26 €
29-01-21	Sell	61.00 €	67.08 €
30-04-21	Sell	61.00 €	66.12 €
21-07-21	Sell	61.00 €	70.82 €
01-11-21	Reduce	59.00 €	58.72 €
03-02-22	Reduce	57.00 €	56.80 €
02-05-22	Accumulate	51.00 €	46.09 €
15-07-22	Accumulate	51.00 €	45.85 €
22-07-22	Accumulate	51.00 €	44.38 €
31-08-22	Reduce	44.00 €	40.89 €
17-10-22	Reduce	41.50 €	39.09 €
27-01-23	Reduce	46.00 €	52.48 €



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