

Tietoevry

Company report

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This report is a summary translation of the report “Kasvunäytöt lisäävät luottamusta” published on 05/06/2022 at 09:05 am.

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Evidence of growth increases confidence

We reiterate our Buy recommendation for Tietoevry and lower our target price to EUR 31.0 (previously 32.0) reflecting estimate revisions. In Q1, revenue growth strengthened despite the strong headwinds and result rows remained slightly below market expectations. A particularly positive highlight was the strong organic growth. Overall, historically efficient strategy implementation, good transparency in operations and plans, and predictable execution lower Tietoevry's risk profile. We expect stable earnings growth through strengthened revenue growth and profitability and good dividend yield for the coming years. The valuation picture of the share is still very attractive from several angles (2022e adj. P/E 9x with dividend yield > 6%).

Strong organic revenue growth, result falling slightly short of expectations

Tietoevry's Q1 revenue increased by 3% to EUR 731 million and exceeded our and consensus expectations. Revenue grew organically by 5% (Q4 3%), which is a good level improvement despite the headwinds from the war in Ukraine, and a strong performance for Tietoevry. EBITA adjusted for one-off items was EUR 85 million (Q1'21: 82.1 MEUR) or 11.6% of revenue and was slightly below market expectations. The earnings growth was supported by the synergy benefits associated with the merger. The reported EBIT was weighed down by the higher-than-expected adjustment items related to the costs of the efficiency program.

Impact of the war in Ukraine is limited on Tietoevry's business

Last year, the share of Tietoevry's work done in Ukraine represented 3% of revenue and almost all the work is done for international customers. Most of these employees have been transferred to safer areas in Ukraine and abroad. In this way, work can still be done and the impact on revenue was limited in Q1, which we believe will also be the case in Q2. The company recorded small one-off costs (less than 1 MEUR), which we expect to continue as the war goes on.

Tietoevry reconfirmed its guidance, which was a positive signal considering headwinds

Like consensus, we considered it possible before the Q1 report that the company would revise its guidance for growth downwards. This way the reconfirmation of the guidance and the strong growth of Q1 dispelled uncertainty. Tietoevry estimates its organic growth to be 2-4% for the whole year. In addition, the company estimates that the adjusted EBITA will be EUR 13.1-13.6% (2021: 13.0%). We lowered our earnings estimates slightly (~3%) with the impact of Russia and Ukraine, higher one-off items and wage inflation (now 4%, was 3%). We estimate revenue to grow by 3% and by 4% organically. Furthermore, we expect the adjusted EBITA margin to increase to 13.2% this year (2021: 13.0%). In 2023-2024, we estimate average earnings growth to be 6%, driven by revenue growth and profitability improvement. The company has commented that it is active on the acquisition front, for which the balance sheet (1.1x net debt/EBITDA ratio) and strong cash flow provide plenty of leeway.

Valuation picture still supports a strong view

Demand fundamentals for Tietoevry and the sector are strong, the company's outlook is good, the business' risk profile is lower than many Nordic peers and short-term uncertainty was relieved by the Q1 report. With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 9x and 8x or < 40% below peers. We feel that the absolute and relative valuation of the share is very attractive. The company adjusts slightly over 10% more costs from its result than its Finnish peers, and with this in mind the share is still attractively priced. The share's expected return also rises to a very attractive >15% considering the 6% earnings growth, 6% dividend yield and the upside in valuation multiples. In addition, our DCF calculation indicates a clearly higher value than current price.

Recommendation

Buy

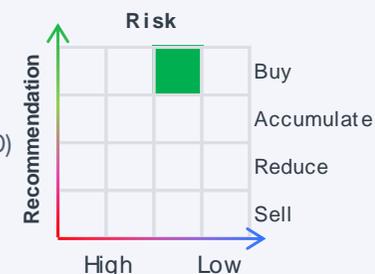
(previous Buy)

EUR 31.00

(previous EUR 32.00)

Share price:

22.72



Key figures

	2021	2022e	2023e	2024e
Revenue	2823	2899	2984	3081
growth-%	1%	3%	3%	3%
EBIT adj.	368	383	409	429
EBIT-% adj.	13.0 %	13.2 %	13.7 %	13.9 %
Net Income	292	193	240	259
EPS (adj.)	2.20	2.41	2.63	2.79

P/E (adj.)	12.5	9.4	8.6	8.1
P/B	1.8	1.5	1.4	1.4
Dividend yield-%	5.1 %	6.2 %	6.6 %	6.8 %
EV/EBIT (adj.)	10.0	8.3	7.5	6.9
EV/EBITDA	6.7	7.3	6.1	5.7
EV/S	1.3	1.1	1.0	1.0

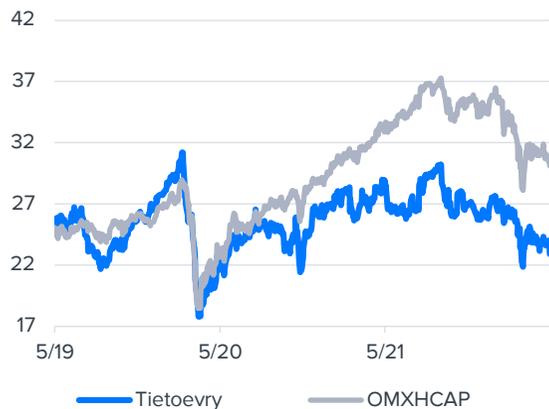
Source: Inderes

Guidance

(Unchanged)

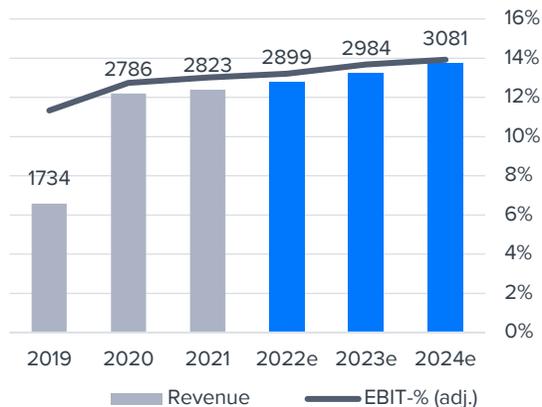
Tietoevry expects its organic growth to be 2-4% (revenue in 2021: EUR 2,823 million) The company estimates its full year adjusted EBITA to be 13.1-13.6% (2021: 13.0%). In addition, Tietoevry expects non-recurring costs to be about 1.5-2% of revenue in 2022.

Share price



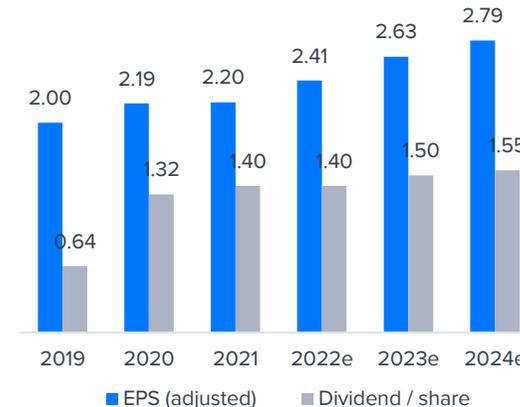
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Increase in the share of highly profitable software product business
- Growing share of new modern IT services
- New synergies from the Tietoevry merger
- Acquisitions and divestments of non-strategic businesses



Risk factors

- Decline in competitive position among large customers
- Continuous transformation creates a constant need for restructuring
- Tietoevry's massive integration failing/dragging on
- Accelerating wage inflation, high employee turnover and a failure in talent competition

Valuation	2022e	2023e	2024e
Share price	22.7	22.7	22.7
Number of shares, million:	118.4	118.4	118.4
Market cap	2691	2691	2691
EV	3192	3066	2941
P/E (adj.)	9.4	8.6	8.1
P/E	13.9	11.2	10.4
P/FCF	16.5	8.9	8.6
P/B	1.5	1.4	1.4
P/S	0.9	0.9	0.9
EV/Sales	1.1	1.0	1.0
EV/EBITDA	7.3	6.1	5.7
EV/EBIT (adj.)	8.3	7.5	6.9
Payout ratio (%)	85.7 %	74.1 %	70.8 %
Dividend yield-%	6.2 %	6.6 %	6.8 %

Source: Inderes

Result slightly short of expectations, strong growth and outlook the highlights

Organic growth strengthened despite the headwinds

Tietoevry's Q1 revenue increased by 3% to EUR 731 million and exceeded our (725 MEUR) and consensus (720 MEUR) expectations. Growth was slowed down by business sales (14 MEUR). Revenue grew organically by 5% (Q4 3%), which is a good level improvement despite the headwinds of the war in Ukraine, and a strong performance for Tietoevry. The company also started reporting in accordance with the new segment structure and the growth was organically driven by Tietoevry Create and Tietoevry Banking (15% and 8%). Growth was again slowed down by Tietoevry Connect and Transform (organically -1% and 0%), which contain old Cloud&Infra. In addition, the company reiterated that the work done in Ukraine was about 3% of revenue and almost all of the work is done for international

customers. Most of these employees have been transferred to safer areas in Ukraine and abroad. In this way, work can still be done and the impact on revenue was limited in Q1, which we believe will also be the case in Q2.

Result rows fell a little short of expectations, driven by high one-off costs

In Q1, EBITA adjusted for one-off items was EUR 85 million (Q1'21: 82 MEUR) and 11.6% of net sales. The adjusted EBITA was slightly below our and consensus estimates of EUR 87-90 million. Our estimates didn't yet consider the effects of Russia and Ukraine. The result growth was supported by the synergy benefits related to the merger (97 MEUR in 2021). The reported EBITA was weighed down by larger-than-expected adjustment items (39 MEUR vs. 24 MEUR estimate) related to expected PPA

depreciation and higher-than-expected costs of the efficiency program. Tietoevry has invested continuously to support future development, and particularly wage inflation brings a headwind for the continued efficiency measures. The company estimates wage inflation for the whole year to be 4% (previous estimate 3%). EPS, adjusted for one-off items, was EUR 0.53 and slightly below our expectations (0.55) but above market expectations (0.52).

Estimates MEUR / EUR	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	712	731	725	720	705	742	1%	2889
EBIT (adj.)	82	85	90	87	80	93	-6%	391
EBIT	57	46	66	62	37	68	-30%	296
PTP	48	42	59	57	50	63	-29%	268
EPS (adj.)	0.48	0.53	0.55	0.52	0.21	0.57	-4%	2.42
EPS (reported)	0.31	0.28	0.39	0.37	0.30	0.41	-29%	1.79
Revenue growth-%	-4.4 %	2.7 %	2.0 %	1.2 %	-0.9 %	4.3 %	0.8 pp	2.7 %
EBIT-% (adj.)	11.5 %	11.6 %	12.4 %	12.0 %	11.3 %	12.5 %	-0.8 pp	13.5 %

Source: Inderes & Vara Research (consensus)

We lowered earnings estimates slightly

Tietoevry reconfirmed its guidance, which was a positive signal considering headwinds

The company commented that it expects the strong order backlog and active markets to support the growth targets for 2022. Thus, Tietoevry reconfirmed its guidance, which estimates the company's organic growth for the whole year to be 2-4%. In addition, the company estimates that the adjusted EBITA will be EUR 13.1-13.6% (2021: 13.0%). Like consensus, we considered it possible that the company would revise its guidance for growth downwards.

Earnings growth through growth and profitability

With the strong Q1 revenue, the uncertainty decreased and offset the effect of the discontinued operations in Russia and Ukraine on revenue. We lowered our earnings estimates slightly (~3%) with the impact of Russia and Ukraine, higher one-off items and wage inflation (now 4%, was 3%).

We estimate that Tietoevry's revenue will grow by

2.5% to EUR 2,893 million in 2022. Organic revenue growth we estimate to be 4%. During the last two quarters, the company has shown that it can grow also organically (Q4'21: 3% and Q1'22: 5%), which makes the base for earnings growth stronger.

We estimate that the adjusted EBITA will total EUR 382 million and profitability will rise to 13.2% (2021: 13.0%). The profitability improvement is driven by synergies and efficiency measures (e.g. the old Cloud & Infra). However, these are slowed down by wage inflation (4% in 2022) and continued product development investments (4-5% of revenue).

In our forecasts, we estimate restructuring costs and efficiency costs to be 1.8% of revenue or EUR 52 million in 2022. In addition, we estimate the amortization of intangible assets related to acquisitions to be EUR 46 million, the non-recurring costs related to Ukraine EUR 7 million, the exit from Russia EUR 7 million and other costs EUR 2 million in 2022. We have adjusted the above expense items

from EBITA and net profit.

The company has said it will continuously investigate possible new cost synergies and efficiency measures. As in the past, we expect the need for restructuring to continue in the future, driven by changes in employee skills and the demand for services as well as changes in technologies. Revenue synergies are generally more difficult to understand and achieve than cost synergies, which is why our estimates for them are cautious.

In 2023-2024, we forecast a 3% increase in revenue and a gradual increase in the EBITA margin to 13.9%, driven by synergies and efficiency measures. In our view, the current favorable and improving market conditions beginning to hiccup and/or higher employee turnover becoming the "new normal" and wage inflation accelerating further are the main risks for the realization of these synergies.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	2889	2899	0%	2964	2984	1%	3044	3081	1%
EBITDA	468	437	-7%	503	500	-1%	519	514	-1%
EBIT (exc. NRIs)	391	383	-2%	415	409	-2%	436	429	-2%
EBIT	296	267	-10%	324	318	-2%	346	339	-2%
PTP	268	245	-9%	311	304	-2%	336	328	-2%
EPS (excl. NRIs)	2.42	2.41	-1%	2.68	2.63	-2%	2.84	2.79	-2%
DPS	1.40	1.40	0%	1.50	1.50	0%	1.55	1.55	0%

Valuation picture is still very attractive

Peer group

Demand fundamentals for Tietoevry and the sector have strengthened, and the company's outlook has improved over the past good 12 months. We have used Finnish, Nordic and global peers in Tietoevry's peer group. We consider the median of this peer group to be a good yardstick for Tietoevry's valuation level. We base the relative valuation on the company's size, competitive position, and scalability, continuity and know-how of the expert portfolio, as well as geographical diversification and predictable business. We have also considered the 'constant' restructuring costs, which are higher for Tietoevry than its peers. In future, Tietoevry expects restructuring costs to be 1-2% of revenue (2022: 1.5-2.0%), representing up to good 10% of the operating result. In the longer term, as company integration progresses and the company shows strengthening economies of scale and competitive advantages, a slight premium can be accepted for the share compared to the sector valuation.

Valuation multiples

With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 9x and 8x or < 40% below peers. We feel that the absolute and relative valuation of the share is still very attractive. The company adjusts slightly over 10% more costs from its result than its Finnish peers, and with this in mind the share is still attractively priced. In addition, dividend yield provides a good baseline return.

In our view, dismantling the long-standing undervaluation can be triggered by the continuation of organic growth, which in history has been challenging and the current 3-5% level can be

considered good for Tietoevry, which also reflects how healthy the business is. In addition, the new strategy and segment structure allow new and higher efficiency as the segments have their own stronger focus. Third, the company has communicated that it's active on the M&A front, which can mean acquisitions, smaller divestments or even divestment (or division) of a whole segment. This could further strengthen (acquisitions) or clarify the structure (divestments) and reduce the undervaluation.

Components of the expected return for the share

We examine the expected return for Tietoevry's share based on earnings growth, dividend yield and the accepted valuation level. We estimate that the company will be able to achieve an annual earnings growth rate of 6% (compared to 2022 level) in 2023-24, driven by revenue growth and improved profitability. With our growing dividend estimates and good 70% payout ratio the dividend yield is around 6%. Strong cash flow continuously strengthens the balance sheet and provides good preconditions for high distribution of profits and inorganic growth.

We believe there is currently a clear upside in the share's valuation multiples. Thus, the share's expected return consisting of dividend yield, earnings growth and the upside in valuation multiples is >15%. This is a very attractive level, given the strengthened organic growth base, reduced operational uncertainty and low business risk compared to the sector.

Valuation	2022e	2023e	2024e
Share price	22.7	22.7	22.7
Number of shares, million:	118.4	118.4	118.4
Market cap	2691	2691	2691
EV	3192	3066	2941
P/E (adj.)	9.4	8.6	8.1
P/E	13.9	11.2	10.4
P/FCF	16.5	8.9	8.6
P/B	1.5	1.4	1.4
P/S	0.9	0.9	0.9
EV/Sales	1.1	1.0	1.0
EV/EBITDA	7.3	6.1	5.7
EV/EBIT (adj.)	8.3	7.5	6.9
Payout ratio (%)	85.7 %	74.1 %	70.8 %
Dividend yield-%	6.2 %	6.6 %	6.8 %

Source: Inderes

Valuation table

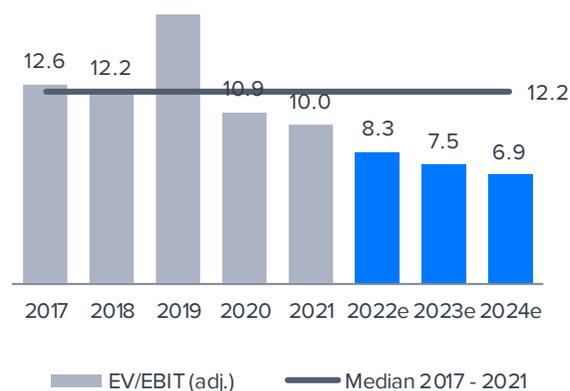
Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	26.0	23.6	27.7	26.9	27.5	22.7	22.7	22.7	22.7
Number of shares, millions	74.1	73.8	67.9	118.4	118.4	118.4	118.4	118.4	118.4
Market cap	1925	1741	3283	3181	3254	2691	2691	2691	2691
EV	2086	2045	4067	3854	3694	3192	3066	2941	2802
P/E (adj.)	14.9	12.9	13.8	12.3	12.5	9.4	8.6	8.1	7.7
P/E	17.9	14.1	23.8	33.7	11.2	13.9	11.2	10.4	9.6
P/FCF	24.1	neg.	neg.	11.3	9.3	16.5	8.9	8.6	8.2
P/B	4.1	3.6	1.9	2.0	1.8	1.5	1.4	1.4	1.3
P/S	1.2	1.1	1.9	1.1	1.2	0.9	0.9	0.9	0.8
EV/Sales	1.4	1.3	2.3	1.4	1.3	1.1	1.0	1.0	0.9
EV/EBITDA	11.0	9.8	17.7	12.0	6.7	7.3	6.1	5.7	5.2
EV/EBIT (adj.)	12.6	12.2	20.7	10.9	10.0	8.3	7.5	6.9	6.2
Payout ratio (%)	96.3 %	86.9 %	59.5 %	165.4 %	56.9 %	85.7 %	74.1 %	70.8 %	67.9 %
Dividend yield-%	5.4 %	6.1 %	1.4 %	4.9 %	5.1 %	6.2 %	6.6 %	6.8 %	7.0 %

Source: Inderes

P/E (adj.)



EV/EBIT



Dividend yield-%



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Bilot*	4.1	23	17	11.0	6.3	10.0	6.0	0.5	0.5	15.9	10.5	2.5	3.2
Digia*	7.3	194	204	10.9	9.2	9.0	7.7	1.2	1.1	12.7	11.4	2.8	3.2
Gofore*	22.9	352	326	16.2	14.2	15.0	12.6	2.3	2.0	21.3	19.2	1.5	1.7
Innofactor*	1.2	43	45	8.7	7.0	5.6	4.8	0.7	0.6	12.2	9.5	5.1	6.0
Nixu*	6.6	49	53	145.4	20.6	28.6	13.4	1.0	0.8		27.0		
Silli*	14.6	102	116	9.6	8.3	7.8	6.8	1.0	0.9	11.7	10.5	2.7	3.4
Solteq*	3.1	60	82	10.5	8.5	6.2	5.3	1.1	0.9	12.2	9.7	4.9	5.9
Vincit*	5.8	71	60	7.5	6.1	7.0	5.7	0.9	0.8	11.4	9.5	3.8	4.1
Bouvet		682	660	17.3	15.1	14.5	12.9	2.1	1.9	23.4	20.4	3.8	4.3
CGI	102.6	16697	18677	12.1	11.4	9.8	9.3	2.0	1.9	17.2	15.8		
Enea	110.0	232	290	16.2	11.5	8.7	7.1	2.9	2.8	13.5	13.3		
Knowlt	294.2	770	785	17.4	14.0	10.6	9.6	1.3	1.2	20.2	17.4	2.5	2.6
Wipro	501.2	33814	31196	18.0	16.4	14.9	13.7	3.2	2.8	22.6	21.2	1.6	1.7
Tata	3513.4	160462	155357	26.2	22.8	23.9	21.0	6.6	5.7	34.1	29.8	2.4	2.6
Atos	24.7	2807	5321	15.4	11.1	5.4	4.8	0.5	0.5	11.1	7.5		2.3
Capgemini	188.7	32537	36989	14.9	13.4	11.5	10.4	1.8	1.7	19.1	16.7	1.4	1.6
IBM	136.1	116357	157608	15.0	13.9	10.2	9.8	2.7	2.7	14.2	13.2	4.5	4.8
Accenture	302.3	196379	191846	21.7	19.6	17.8	16.2	3.3	3.0	29.1	26.0	1.2	1.3
Tietoenvy (Inderes)	22.7	2691	3192	8.3	7.5	7.3	6.1	1.1	1.0	9.4	8.6	6.2	6.6
Average				20.8	12.4	11.6	9.6	1.9	1.7	17.9	16.1	2.8	3.1
Median (all)				14.9	11.4	10.1	9.4	1.5	1.3	15.9	14.6	2.6	3.2
<i>Diff-% to median</i>				-44%	-34%	-28%	-35%	-25%	-23%	-41%	-41%	137%	108%
Median Finnish companies				10.9	8.5	8.4	6.5	1.0	0.9	12.7	11.0	2.8	3.2
<i>Diff-% to median</i>				-24%	-11%	-13%	-6%	10%	16%	-26%	-21%	123%	106%
Median international companies				16.7	14.0	11.1	10.1	2.4	2.3	19.6	17.1	2.4	2.4
<i>Diff-% to median</i>				-50%	-46%	-34%	-39%	-55%	-55%	-52%	-49%	152%	170%

Source: Thomson Reuters / *Inderes' adjusted estimate. 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
Revenue	2786	712	722	648	742	2823	731	736	665	767	2899	2984	3081	3183
Tietoevry Create	662	188	188	172	207	756	218	207	188	224	837	904	967	1025
Tietoevry Banking	932	114	120	112	130	476	125	130	120	139	514	545	575	606
Tietoevry Care	501	54.4	61.5	48.9	57.1	222	56.6	63.3	49.9	57.7	227	239	251	263
Tietoevry Industry	419	82.9	78.5	67.4	74.6	303	71.0	68.3	62.7	69.4	271	252	240	230
Tietoevry Transform	142	121	119	105	122	468	121	120	107	126	475	487	500	513
Eliminoinnit	131	-76	-77	-73	-83	-309	-85	-77	-73	-83	-318	-326	-336	-348
EBITDA	323	101	182	114	155	552	88.3	99.5	118	132	437	500	514	537
Depreciation	-175.8	-44	-43	-42	-42	-170	-42	-43	-43	-43	-170	-182	-175	-176
EBIT (excl. NRI)	355	82	88	94	103	368	85	90	97	112	383	409	429	451
EBIT	147	57	140	72	113	382	46	57	75	89	267	318	339	361
Konsernierät & kertaerät	0.0	-25	51	-22	10	14	-39	-33	-21	-23	-116	-91	-90	-90
Net financial items	-24.3	-8	-6	-8	-6	-28	-4	-6	-6	-6	-22	-14	-11	-8
PTP	122	48	134	65	107	354	42	51	69	83	245	304	328	353
Taxes	-27.9	-11	-16	-16	-18	-62	-9	-11	-15	-17	-51	-64	-69	-74
Net earnings	94.5	37	118	48	89	292	33	40	55	66	193	240	259	279
EPS (adj.)	2.19	0.48	0.52	0.55	0.64	2.20	0.53	0.56	0.60	0.71	2.41	2.63	2.79	2.96
EPS (rep.)	0.80	0.31	0.99	0.41	0.75	2.46	0.28	0.34	0.46	0.55	1.63	2.03	2.19	2.36
Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	60.7 %	-4.4 %	5.1 %	0.7 %	4.2 %	1.3 %	2.7 %	2.0 %	2.7 %	3.3 %	2.7 %	2.9 %	3.2 %	3.3 %
Adjusted EBIT growth-%	80.8 %	5.1 %	9.8 %	4.3 %	-3.0 %	3.6 %	3.0 %	1.9 %	2.7 %	8.3 %	4.1 %	6.7 %	5.0 %	5.1 %
EBITDA-%	11.6 %	14.1 %	25.3 %	17.6 %	20.9 %	19.6 %	12.1 %	13.5 %	17.7 %	17.2 %	15.1 %	16.7 %	16.7 %	16.9 %
Adjusted EBIT-%	12.7 %	11.5 %	12.2 %	14.5 %	13.9 %	13.0 %	11.6 %	12.2 %	14.5 %	14.6 %	13.2 %	13.7 %	13.9 %	14.2 %
Net earnings-%	3.4 %	5.2 %	16.3 %	7.4 %	12.0 %	10.3 %	4.5 %	5.5 %	8.2 %	8.6 %	6.7 %	8.0 %	8.4 %	8.8 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	2793	2713	2668	2620	2580
Goodwill	1974	1944	1944	1944	1944
Intangible assets	385	388	338	294	251
Tangible assets	329	280	292	287	291
Associated companies	19.7	16.7	16.7	16.7	16.7
Other investments	13.4	17.0	10.0	10.0	10.0
Other non-current assets	24.7	38.1	38.1	38.1	38.1
Deferred tax assets	46.9	29.9	29.9	29.9	29.9
Current assets	812	874	719	740	763
Inventories	4.9	7.2	0.0	0.0	0.0
Other current assets	35.9	23.3	23.3	23.3	23.3
Receivables	519	520	551	567	585
Cash and equivalents	252	324	145	149	154
Balance sheet total	3605	3587	3388	3359	3343

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	1626	1821	1807	1881	1962
Share capital	119	118	75.8	75.8	75.8
Retained earnings	304	500	527	601	683
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	1204	1204	1204	1204	1204
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	1204	999	849	687	591
Deferred tax liabilities	25.3	27.6	27.6	27.6	27.6
Provisions	48.8	22.4	22.4	22.4	22.4
Long term debt	886	732	582	420	324
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	244	217	217	217	217
Current liabilities	775	767	732	791	790
Short term debt	39.6	31.5	64.8	105	81.0
Payables	661	736	667	686	709
Other current liabilities	75.0	0.0	0.0	0.0	0.0
Balance sheet total	3605	3587	3388	3359	3343

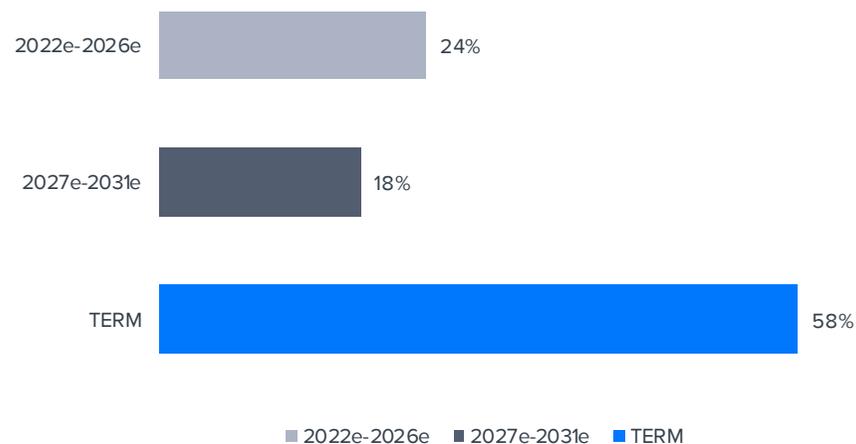
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	382	267	318	339	361	327	335	344	352	361	367	
+ Depreciation	170	170	182	175	176	167	163	157	154	151	150	
- Paid taxes	-42.9	-51.5	-63.8	-68.9	-74.2	-67.5	-69.8	-72.1	-74.2	-76.2	-77.4	
- Tax, financial expenses	-5.2	-5.0	-3.1	-2.4	-1.8	-1.4	-0.8	-0.3	0.0	0.0	0.0	
+ Tax, financial income	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	
- Change in working capital	9.6	-92.5	3.4	3.9	4.1	3.6	3.3	3.4	3.4	3.5	2.2	
Operating cash flow	514	288	436	446	465	429	431	432	436	440	442	
+ Change in other long-term liabilities	-52.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-110.5	-125.0	-133.5	-135.0	-136.5	-138.0	-139.6	-141.2	-142.7	-144.4	-149.4	
Free operating cash flow	351	163	303	311	329	291	291	291	293	296	293	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	351	163	303	311	329	291	291	291	293	296	293	5338
Discounted FCFF		156	271	260	256	212	198	185	174	164	151	2762
Sum of FCFF present value		4789	4633	4362	4102	3846	3634	3436	3251	3077	2913	2762
Enterprise value DCF		4789										
- Interesting bearing debt		-763.1										
+ Cash and cash equivalents		324										
-Minorities		0.0										
-Dividend/capital return		-165.8										
Equity value DCF		4184										
Equity value DCF per share		35.3										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	7.5 %
Weighted average cost of capital (WACC)	7.1 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	1734.2	2786.4	2823.3	2899.3	2984.4	EPS (reported)	1.16	0.80	2.46	1.63	2.03
EBITDA	230.2	322.5	552.0	437.0	499.7	EPS (adj.)	2.00	2.19	2.20	2.41	2.63
EBIT	124.2	146.7	382.0	267.3	317.5	OCF / share	5.83	2.54	4.34	2.43	3.68
PTP	101.2	122.4	353.8	244.9	303.6	FCF / share	-23.02	2.38	2.96	1.38	2.56
Net Income	79.1	94.5	291.6	193.4	239.9	Book value / share	24.83	13.73	15.38	15.25	15.88
Extraordinary items	-72.2	-208.4	14.3	-115.7	-91.0	Dividend / share	0.64	1.32	1.40	1.40	1.50
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	3833.7	3604.8	3587.3	3387.5	3359.3	Revenue growth-%	8%	61%	1%	3%	3%
Equity capital	1687.1	1626.2	1821.1	1806.5	1880.6	EBITDA growth-%	10%	40%	71%	-21%	14%
Goodwill	2023.1	1974.4	1943.7	1943.7	1943.7	EBIT (adj.) growth-%	17%	81%	4%	4%	7%
Net debt	783.9	673.2	439.3	501.8	375.7	EPS (adj.) growth-%	10%	9%	1%	9%	9%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	13.3 %	11.6 %	19.6 %	15.1 %	16.7 %
EBITDA	230.2	322.5	552.0	437.0	499.7	EBIT (adj.)-%	11.3 %	12.7 %	13.0 %	13.2 %	13.7 %
Change in working capital	237.5	5.1	9.6	-92.5	3.4	EBIT-%	7.2 %	5.3 %	13.5 %	9.2 %	10.6 %
Operating cash flow	396.0	300.8	513.8	288.3	436.4	ROE-%	7.3 %	5.7 %	16.9 %	10.7 %	13.0 %
CAPEX	-2261.6	14.0	-110.5	-125.0	-133.5	ROI-%	6.9 %	5.7 %	14.9 %	10.7 %	13.1 %
Free cash flow	-1563.8	281.5	350.8	163.3	302.9	Equity ratio	44.0 %	45.1 %	50.8 %	53.3 %	56.0 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	46.5 %	41.4 %	24.1 %	27.8 %	20.0 %
EV/S	2.3	1.4	1.3	1.1	1.0						
EV/EBITDA (adj.)	17.7	12.0	6.7	7.3	6.1						
EV/EBIT (adj.)	20.7	10.9	10.0	8.3	7.5						
P/E (adj.)	13.8	12.3	12.5	9.4	8.6						
P/E	1.9	2.0	1.8	1.5	1.4						
Dividend-%	1.4 %	4.9 %	5.1 %	6.2 %	6.6 %						

Source: Inderes

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Date	Recommendation	Target price	Share price
7/24/2017	Reduce	27.00 €	26.99 €
10/25/2017	Reduce	27.00 €	27.21 €
2/6/2018	Reduce	28.00 €	27.98 €
4/26/2018	Reduce	29.00 €	29.86 €
7/23/2018	Accumulate	28.00 €	25.96 €
10/25/2018	Reduce	27.00 €	26.30 €
11/29/2018	Reduce	27.00 €	25.70 €
2/7/2019	Reduce	27.00 €	26.70 €
4/26/2019	Reduce	27.00 €	27.50 €
7/22/2019	Accumulate	26.00 €	23.10 €
10/25/2019	Reduce	26.00 €	25.92 €
12/11/2019	Reduce	27.00 €	26.86 €
2/17/2020	Reduce	29.00 €	30.30 €
3/30/2020	Accumulate	21.00 €	18.69 €
4/29/2020	Accumulate	25.00 €	21.94 €
7/27/2020	Accumulate	28.00 €	26.24 €
10/21/2020	Buy	30.00 €	25.90 €
10/28/2020	Buy	30.00 €	22.66 €
2/18/2021	Buy	30.00 €	26.34 €
4/30/2021	Buy	34.00 €	28.98 €
7/21/2021	Buy	34.00 €	28.36 €
10/27/2021	Buy	34.00 €	26.94 €
2/18/2022	Buy	32.00 €	25.70 €
5/6/2022	Buy	31.00 €	22.72 €



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