

Nokian Tyres

Company report

7/23/2023



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This report is a summary translation of the report “Näkymät ennallaan tälle ja tuleville vuosille” published on 7/23/2023 at 2:34 pm EEST.

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Outlook unchanged for this and coming years

We do not find the quarterly figures very interesting due to the transition phase at Nokian Tyres. However, the Q2 result was roughly in line with our expectations and the company reiterated its guidance for the full year. We see solid return potential for the company looking ahead to 2027-2028, when the Romanian plant should be in full swing. We reiterate our Buy recommendation but revise our target price to EUR 10.5 (previously EUR 11) on slightly lower estimates and a revised valuation model.

Q2 result roughly in line with expectations, full-year guidance unchanged

In Q2, Nokian Tyres' operations continued to suffer significantly from capacity constraints following the divestment of operations in Russia, and subcontracting volumes did not yet have a material impact on net sales either. Therefore, we do not find the quarterly figures particularly informative. The Q2 result was roughly in line with expectations, with an adjusted EBIT of EUR 15 million, and thus H1 result ended up EUR 1 million positive. As expected, Nokian Tyres reiterated its guidance for the full year, with net sales expected to be EUR 1,300-1,500 million and an overall operating margin of 6-8% for the segments. The guidance does not include the Russian businesses divested in H1. The company also reiterated that the EBIT is expected to be generated in the second half of the year. Our expectations for this year are at the lower end of the range for net sales (1,330 MEUR) and in the middle of the margin range (6.9%), resulting in an adjusted EBIT of just over EUR 90 million. This is a low level for the company in the bigger picture. We did not make any material changes to our net sales or earnings forecasts, but at the net profit level our estimates were lowered by 4-7% due to higher financing costs and taxes (for 2023).

Earnings hit bottom in 2023, with new factory supporting growth from 2025 onwards

Based on Nokia Tyres' guidance for this year, its adjusted operating result will be around EUR 80-120 million (our estimate 92 MEUR). This should be the low point from which the company will start to improve its performance significantly over the next five years. This will be done in 2024 through contract manufacturing and partly by increasing the capacity of existing factories (Finland, USA) and from 2025 through the ramp-up of the new Romanian factory. According to the company, investments progressed as planned during Q2 and construction work in Romania started in the spring. Profitability should reach a normalized level only after the Romanian factory is built, which will allow a reduction in low-margin contract manufacturing. This was also indicated by the company's estimates at the spring capital markets event. We believe this will happen in 2027-2028, when we forecast the company's earnings level to be above EUR 200 million. The company's target is much higher, with an EBIT of around EUR 300 million in 2027.

Expected return well above our required return, but a horizon of several years is required

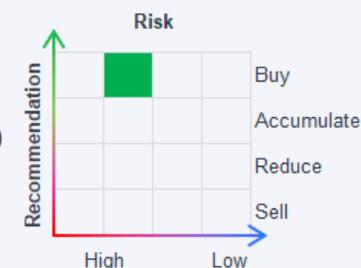
Earnings-based valuation is high on this year's weak earnings, but after this year earnings should only trend upwards and (expected) earnings growth should support share price development. Forecasts for 2024-2025 already indicate a moderate valuation (P/E 10x-13x, EV/EBIT 10x-12x) given that they do not yet reflect the significant impact of the new plant. However, the potential over a 4-5-year horizon is so significant that we estimate the expected return over the next few years to be around 20% per annum, well above our required return.

Recommendation

Buy
(previous Buy)

EUR 10.50
(previous EUR 11.00)

Share price:
8.40



Key figures

	2022	2023e	2024e	2025e
Revenue	1776	1331	1479	1578
growth-%	4%	-25%	11%	7%
EBIT adj.	221.2	92.4	125.6	155.0
EBIT-% adj.	12.5 %	6.9 %	8.5 %	9.8 %
Net Income	-175.5	40.7	76.3	83.7
EPS (adj.)	1.14	0.43	0.62	0.78

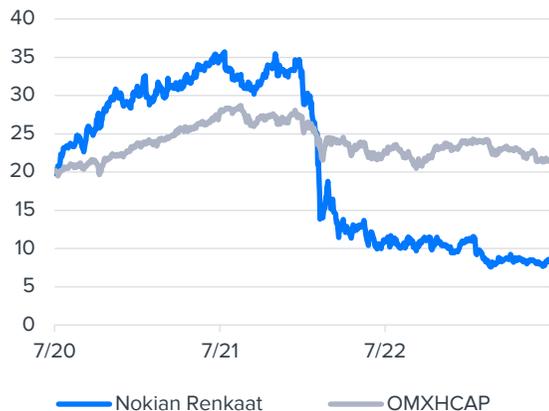
P/E (adj.)	8.5	19.7	13.5	10.8
P/B	0.9	0.8	0.8	0.8
Dividend yield-%	5.7 %	6.5 %	6.5 %	6.5 %
EV/EBIT (adj.)	6.7	14.5	12.4	10.7
EV/EBITDA	7.6	7.2	6.5	6.1
EV/S	0.8	1.0	1.0	1.1

Source: Inderes

Guidance (Unchanged)

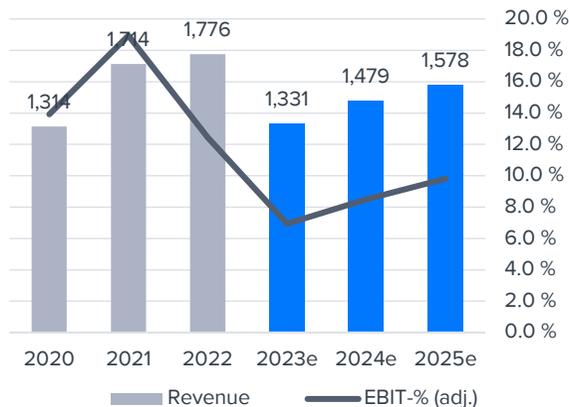
In 2023, Nokian Tyres' segments net sales are expected to be between EUR 1,300-1,500 million and segments' operating profit percentage of net sales between 6-8%. It is expected that due to seasonality, the segments' operating profit will be generated in the second half of the year.

Share price



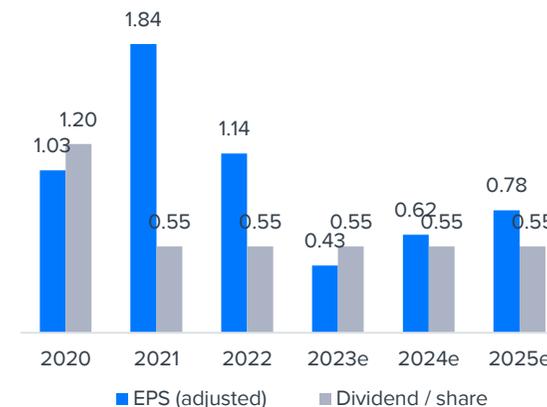
Source: Millistream Market Data AB

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
- Ensuring replacement production for the Russian factory



Risk factors

- Development of key market areas and demand with cyclical nuances
- Loss of market position in Central Europe
- The decline in brand recognition and pricing power erosion
- Tightening competitive situation

Valuation	2023e	2024e	2025e
Share price	8.40	8.40	8.40
Number of shares, millions	138.2	138.2	138.2
Market cap	1161	1161	1161
EV	1335	1552	1660
P/E (adj.)	19.7	13.5	10.8
P/E	28.5	15.2	13.9
P/FCF	21.2	neg.	neg.
P/B	0.8	0.8	0.8
P/S	0.9	0.8	0.7
EV/Sales	1.0	1.0	1.1
EV/EBITDA	7.2	6.5	6.1
EV/EBIT (adj.)	14.5	12.4	10.7
Payout ratio (%)	186.8 %	99.6 %	90.8 %
Dividend yield-%	6.5 %	6.5 %	6.5 %

Source: Inderes

Q2 was roughly in line with estimates given the ongoing transition

Estimates vs. outcome Q2'23

- As expected, Nokian Tyres' net sales fell year-on-year period due to the exit from Russia and the resulting capacity shortage. Net sales declined slightly more than we expected, but the big structural changes make it difficult, and not particularly useful, to assess quarterly figures this year.
- The company achieved a small positive result on adjusted EBIT, roughly in line with expectations, and ended H1 with EUR 1 million in the black.
- Taxes were exceptionally high in the quarter, which weighed on EPS. The company also continued to record one-off items related to the US plant ramp-up.
- Overall, we believe that the company's quarterly figures bear limited significance in the current situation, with the business and results in a state of flux and the result being focused on the winter tire season at the end of the year.
- The table below uses as comparison figures of the "Segments Total" figures provided by the company, excluding the Russian business.

Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	332	293	312	299	245	- 323	-6%	1331
EBIT (adj.)	1	15.2	18	17	3	- 25	-15%	92
EBIT	-	10	18	12	3	- 20	-47%	74
EPS (reported)	-1.62	0.01	0.08	0.02	-0.09	- 0.08	-88%	0.29
Revenue growth-%	16%	-12%	-6%	-10%	-26%	- -3%	-5.7 pp	-25%
EBIT-% (adj.)	0.3 %	5.2 %	5.7 %	5.8 %	1.3 %	- 7.6 %	-0.5 pp	6.9 %

Source: Inderes & Vara Research, 10 analysts (consensus)

No major operational changes to estimates

As expected, full-year guidance remains unchanged

As expected, Nokian Tyres reiterated its guidance for the full year, with net sales expected to be EUR 1,300-1,500 million and an overall operating margin of 6-8% for the segments. The guidance does not include the Russian businesses divested in H1. The company also reiterated that operating profit is expected to be generated in H2, which is obvious, as in H1 the company made an adjusted operating profit of only EUR 1 million. Our expectations for this year are at the lower end of the range for net sales (1,330 MEUR) and in the middle of the margin (range 6.9%), resulting in an adjusted EBIT of just over EUR 90 million. This is a low level for the company in the bigger picture.

We increased one-offs and raised financing costs

We made no significant changes to our operational net sales or earnings forecasts. In its strategy update, the company said that in 2023-2025 it will target a "high single-digit" adjusted EBIT margin. Our forecast is 8.5% for 2024 and 9.8% for 2025, so our projections are in line with that target, although the 2025 projection is right at the top end.

For the reported result in 2023, the projections are more clearly down, as we added one-off items there. Furthermore, we raised our estimate for financing costs as the company took on significant amounts of new debt during Q2.

A lot of cash in hand for investments

Nokian Tyres raised EUR 250 million of new debt during Q2 and had around EUR 640 million of

interest-bearing debt at the end of the quarter. However, there was also plenty of cash in hand, EUR 420 million, even though the early part of the year is seasonally weak for the company's cash flow. The company has plenty of money to invest in the Romanian plant (650 MEUR in total). A grant of around EUR 100 million from the Romanian government, which is expected to be available for the investment, is still under consideration by the EU.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	Uusi	%	Old	New	%	Old	New	%
Revenue	1353	1331	-2%	1492	1479	-1%	1589	1578	-1%
EBIT (exc. NRIs)	94.5	92.4	-2%	126	126	-1%	155	155	0%
EBIT	94.5	74.0	-22%	116	116	-1%	125	125	0%
PTP	80.3	57.2	-29%	102	96.6	-6%	111	106	-5%
EPS (excl. NRIs)	0.46	0.43	-7%	0.66	0.62	-5%	0.81	0.78	-4%
DPS	0.55	0.55	0%	0.55	0.55	0%	0.55	0.55	0%

Source: Inderes

Valuation

Medium term potential must be considered for multiples

This year's valuation for Nokian Tyres looks high due to the weak earnings performance. Already in 2024-2025, we believe that the valuation (P/E ~10x-13x and EV/EBIT 10x-12x) is moderate given the company's potential. The company's results should improve significantly once the new plant in Romania is in full production in 2026-2027. This plant will both replace the lower-margin contract manufacturing and enable future growth.

The peer group multiples are quite mixed, but perhaps the best peer is Pirelli, with both EV/EBIT and P/E for this year at well over 9x. So, there is no direct support for valuation. We don't believe that the DCF model is a very good valuation method in the current uncertain environment, but our DCF value is around EUR 12.5. As the DCF is heavily weighted towards the years after 2027, we do not directly base our target price on it at this stage.

P/B below 1

The company's P/B ratio remains below 1x. Based on our current projections, the company's return on equity will remain below our 9% required return in the coming years, but well above 10% in 2027. In this respect too, the current valuation is justified, but looking further ahead, we believe that a valuation below book value is attractive.

Potential still a few years away, but the expected return is good enough

When Nokia Tyres builds a new 6-million tire plant in Romania, its own production capacity in 4-5 years will be around 15-16 million tires (Nokia 5-6m, Dayton 4m,

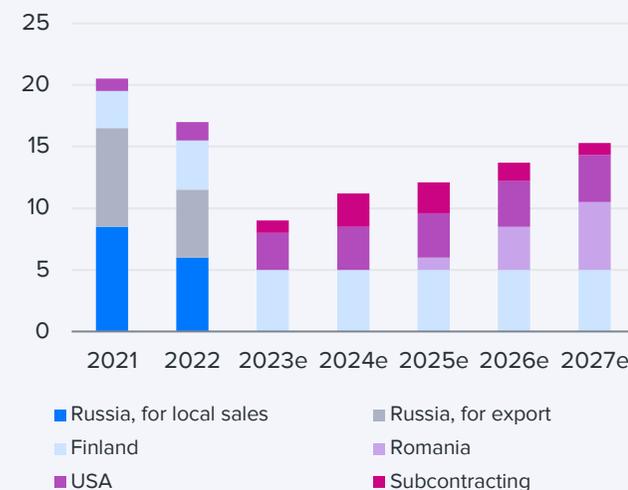
Romania 6m). This capacity will be well sufficient to produce 2021 volumes without the tires sold locally in Russia at that time, and there will be significantly more capacity in the US. This is around 50% more than our estimated volume level for 2023, meaning that the company has the potential to grow significantly from 2024 onwards, as its targets show. With a production volume of around 15 million tires we estimate that the whole company could reach an EBIT level of around EUR 230 million in 4 years. The company's targets indicate an EBIT level of EUR 300 million already in 2027. These can be compared to the company's information that in 2021, without Russian sales, it made an adjusted EBIT of about EUR 210 million, according to our estimate with lower volumes. Valuing EUR 230 million at, say, an EV/EBIT multiple of 10x would give a share value of around EUR 14 after 4 years. This together with dividends gives an expected return of around 20% per year. However, this will require the successful construction and ramp-up of the plant and the maintenance of a reasonable market position in Central Europe through contract manufacturing in the meantime. If we were to value the company's target EBIT of EUR 300 million at an EV/EBIT multiple of 10x, the expected return would rise to well over 20% per year.

Earnings growth will only become clearer from 2025 onwards, when the new plant will be operational. However, we believe that the market can start pricing in future earnings potential much earlier if the company moves in the right direction. We believe that the latest targets are credible and provide a good indication of the company's future performance, cash flow capacity, return on capital and hence value.

Valuation	2023e	2024e	2025e
Share price	8.40	8.40	8.40
Number of shares, millions	138.2	138.2	138.2
Market cap	1161	1161	1161
EV	1335	1552	1660
P/E (adj.)	19.7	13.5	10.8
P/E	28.5	15.2	13.9
P/FCF	21.2	neg.	neg.
P/B	0.8	0.8	0.8
P/S	0.9	0.8	0.7
EV/Sales	1.0	1.0	1.1
EV/EBITDA	7.2	6.5	6.1
EV/EBIT (adj.)	14.5	12.4	10.7
Payout ratio (%)	186.8 %	99.6 %	90.8 %
Dividend yield-%	6.5 %	6.5 %	6.5 %

Source: Inderes

Nokian Tyres production volumes



Source: Inderes' estimate

Financial objectives 2023-2027

Strategy period split in two

Nokian Tyres has split its five-year strategy period in two, calling 2023-2025 the investment phase and 2026-2027 the growth phase. The financial targets outlined on the previous page are planned to be achieved by the end of the period, in 2027. The company also gave some more specific targets.

Operating margin below 10% in the coming years

Nokian Tyres said that volume and net sales in 2023 will be the base level from which to start growing. This year, subcontracting will produce an estimated 1.5 million tires, but the number will rise to close to 3 million tires per year in 2024-2025. In addition, the US plant will reach an annual capacity of 4 million tires in 2024. These capacity increases will drive growth in passenger car tires in 2024-2025, with the company also targeting growth in heavy tires. The company targets an adjusted EBITDA margin of over 15% in 2023-2025, but an adjusted EBIT margin of less than 10%. Our estimates are in line with these targets. Commercial production at the Romanian plant is expected to start in 2025, supporting volumes from then on.

EBIT target of 15% in 2027

Nokian Tyres' net sales target for 2027 is EUR 2 billion, which includes Passenger Car Tyres at around EUR 1.3 billion, Heavy Tyres at EUR 400 million and thus the current net sales level of just over EUR 350 million is sufficient for Vianor. The company said it is targeting an annual capacity of more than 15 million tires in 2027 in its own factories, in addition to which it intends to continue contract manufacturing, at least to some extent.

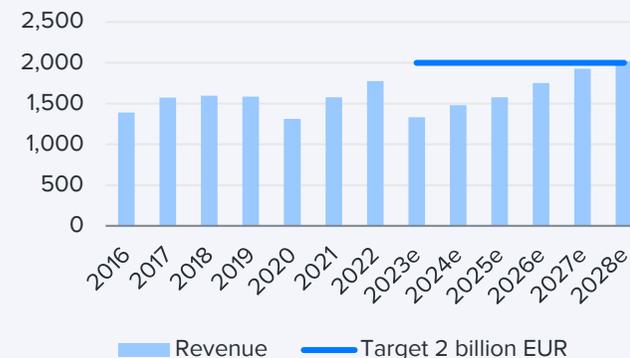
Investments increase depreciation, but the company still aims for a 1.0x capital turnover

The company said that due to investments, its depreciation will be quite high, around 9% of net sales when the Romanian plant starts up and thus the EBITDA margin target is 23-25% for 2026-2027. Although the company's official targets did not include one for return on capital, it implicitly gave it a target level. Despite the high level of investment, the company is targeting a 1.0x capital turnover, which means that the ROIC target is the same as the EBIT target of 15%. We expect a somewhat weaker capital turnover and thus a lower ROIC than the EBIT margin (just over 10%). Thus, our forecasts are below the company's targets in terms of both margin and capital turnover, and either of them progressing towards the company's targets could mean a better return on capital than our expectations. A better-than-expected return on capital should also imply a higher valuation than our current estimate.

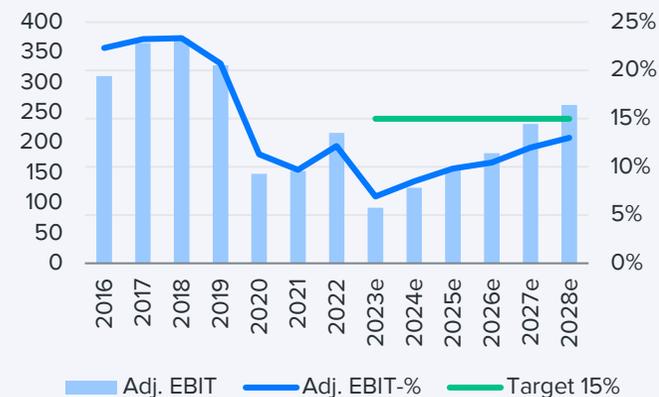
Balance sheet target allows for generous dividends

Nokian Tyres' balance sheet target for the entire 2023-2027 period is a net debt to adjusted EBITDA ratio of 1-2x. After the investment phase, cash flow should improve markedly and be higher than the bottom line, as investments remain below depreciation. Net debt/EBITDA is projected to peak at the end of 2025 (1.8x) and fall to 1.0x in 2027.

Revenue growth



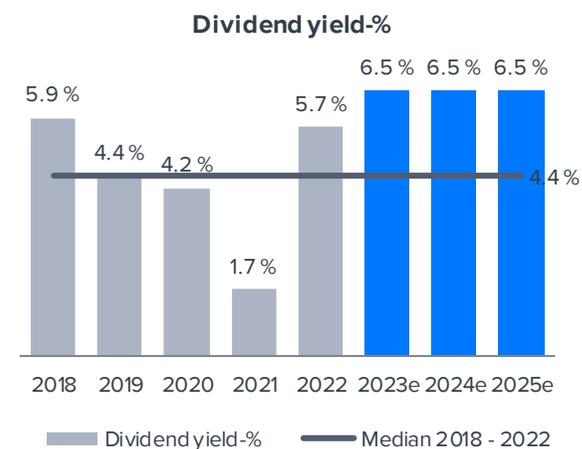
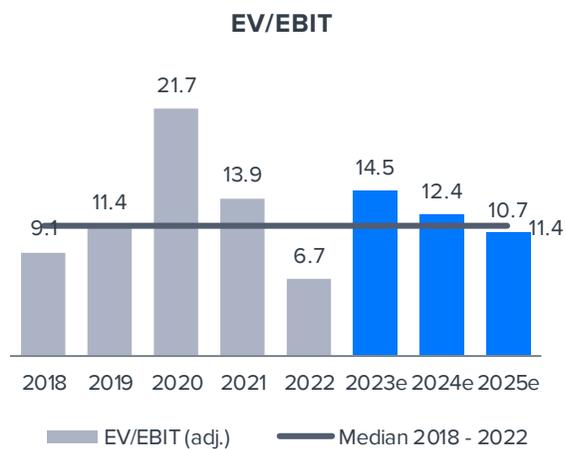
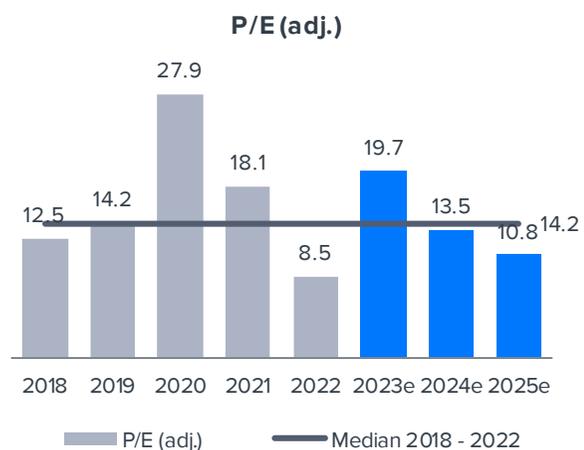
Adjusted EBIT and margin



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	26.8	25.6	28.8	33.3	9.72	8.40	8.40	8.40	8.40
Number of shares, millions	138.1	138.9	138.2	138.2	138.3	138.2	138.2	138.2	138.2
Market cap	3703	3561	3984	4603	1344	1161	1161	1161	1161
EV	3388	3602	3966	4504	1485	1335	1552	1660	1653
P/E (adj.)	12.5	14.2	27.9	18.1	8.5	19.7	13.5	10.8	8.7
P/E	12.5	8.9	46.4	22.3	neg.	28.5	15.2	13.9	10.6
P/FCF	9.4	neg.	9.9	24.3	neg.	21.2	neg.	neg.	12.3
P/B	2.5	2.0	2.6	2.8	0.9	0.8	0.8	0.8	0.8
P/S	2.3	2.2	3.0	2.7	0.8	0.9	0.8	0.7	0.7
EV/Sales	2.1	2.3	3.0	2.6	0.8	1.0	1.0	1.1	0.9
EV/EBITDA	7.3	8.2	13.4	10.5	7.6	7.2	6.5	6.1	5.3
EV/EBIT (adj.)	9.1	11.4	21.7	13.9	6.7	14.5	12.4	10.7	9.0
Payout ratio (%)	73.9 %	39.6 %	193.0 %	36.9 %	neg.	186.8 %	99.6 %	90.8 %	70.0 %
Dividend yield-%	5.9 %	4.4 %	4.2 %	1.7 %	5.7 %	6.5 %	6.5 %	6.5 %	6.6 %

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
Goodyear	4,004	11,450	12.4	10.0	6.4	5.6	0.6	0.6	16.2	9.2			0.8
Bridgestone	25,976	28,063	10.0	9.2	5.2	5.0	1.0	1.0	10.6	10.2	3.6	3.9	1.3
Sumitomo Rubber	2,395	4,075	17.4		6.0	5.4	0.6	0.6	14.9	10.8	2.7	3.3	0.7
Toyo Tire	1,867	2,532			4.5	4.2	0.8	0.7	7.2	6.6	3.6	4.3	0.8
Yokohama	3,303	4,460			5.2	4.6	0.7	0.7	8.6	7.3	2.4	2.7	0.7
Michelin	20,252	25,456	7.7	7.4	4.8	4.7	0.9	0.9	9.3	8.8	4.9	5.2	1.1
Continental	14,400	20,388	8.2	6.9	4.3	3.8	0.5	0.5	9.2	7.4	2.7	3.7	1.0
Cheng Shin Rubber	3,585	4,133	16.6	12.8	7.7	7.5	1.4	1.2	19.6	15.1	4.6	5.3	1.4
Nexen	585	1,676	15	11	7	6	1	1	8.2	5.9	1.3	1.4	0.5
Apollo Tyres	2,918	3,483	18.0	12.7	10.0	7.9	1.3	1.2	27.1	16.6	1.0	1.3	2.1
MRF	4,753	4,839	41.2	19.7	20.3	12.7	1.9	1.8	65.2	27.5	0.1	0.2	3.0
Kumho Tire	907	2,637	16	14	8	8	1	1	13.3	9.9			1.1
Hankook & Co	780	807	4	5	4	3	1	1	4.9	5.9	5.1	5.1	0.3
Pirelli	4,840	8,401	9.3	8.4	6.2	5.7	1.3	1.2	9.4	8.4	3.8	4.3	0.9
Nokian Tyres (Inderes)	1,161	1335	14.5	12.4	7.2	6.5	1.0	1.0	19.7	13.5	6.5	6.5	0.8
Average			14.6	10.6	7.1	6.0	1.0	0.9	16.0	10.7	3.0	3.4	1.1
Median			13.6	10.0	6.1	5.5	0.9	0.9	10	9.0	3.2	3.8	0.9
Diff-% to median			6%	23%	18%	18%	11%	17%	97%	49%	108%	73%	-10%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	1714	416	482	466	411	1776	236	293	360	442	1331	1479	1578	1751
Passenger Car Tyres	1199	315	335	348	236	1234	133	153	244	264	794	921	999	1149
Heavy Tyres	254	66	74	68	65	274	68	68	65	65	266	279	293	308
Vianor	343	57	99	77	129	362	56	94	78	132	360	367	374	382
Internal and eliminations	-81.9	-22	-26	-27	-19	-93	-21	-21	-27	-20	-89	-89	-89	-89
One-off items / non-IFRS entries	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
EBITDA	428	94.8	-8.4	81.5	26.5	194	14.0	37.6	57.9	81.4	191	238	274	313
Depreciation	-160	-36	-194	-41	-40	-311	-33	-28	-28	-28	-117	-123	-149	-160
EBIT (excl. NRI)	325	66.5	86.3	54.9	13.5	221	-14.1	15.1	33.9	57.4	92.4	126	155	183
EBIT	268	59.3	-202.8	40.8	-13.5	-116	-18.8	9.4	29.9	53.4	74.0	116	125	153
Passenger Car Tyres	299	74.2	63.8	54.8	-14.0	179	-4.6	0.6	34.1	42.3	72.4	96.7	124	149
Heavy Tyres	40.3	12.8	15.7	9.0	6.4	43.8	9.6	8.7	9.1	7.9	35.2	43.0	45.1	47.4
Vianor	4.1	-12.1	9.6	-5.2	10.8	3.1	-13.5	9.5	-3.9	9.2	1.3	1.8	1.9	1.9
Internal and eliminations	-18.3	-8.3	-2.7	-3.8	10.3	-4.5	-5.6	-3.6	-5.4	-2.0	-16.5	-15.9	-15.9	-15.9
One-off items / non-IFRS entries	-56.7	-7.1	-289.2	-14.1	-27.0	-337.4	-4.7	-5.7	-4.0	-4.0	-18.4	-10.0	-30.0	-30.0
Net financial items	-10.0	-1.7	3.5	-6.9	-25.0	-30.1	-3.7	-2.9	-5.0	-5.0	-16.8	-19.0	-19.0	-14.0
PTP	258	57.6	-199.3	33.8	-38.5	-146.4	-22.5	6.5	24.9	48.4	57.2	96.6	106	139
Taxes	-52.0	-10.6	-31.9	-9.5	22.8	-29.2	3.7	-5.6	-5.0	-9.7	-16.6	-20.3	-22.3	-29.1
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
Net earnings	206	47.0	-231.2	24.4	-15.7	-175.5	-18.8	0.8	20.0	38.7	40.6	76.3	83.7	110
EPS (adj.)	1.84	0.39	0.42	0.26	0.07	1.14	-0.10	0.05	0.17	0.31	0.43	0.62	0.78	0.97
EPS (rep.)	1.49	0.34	-1.67	0.18	-0.11	-1.27	-0.14	0.01	0.14	0.28	0.29	0.55	0.61	0.79

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	30.5 %	21.8 %	15.9 %	5.1 %	-19.8 %	3.6 %	-43.3 %	-39.2 %	-22.8 %	7.5 %	-25.0 %	11.1 %	6.7 %	10.9 %
Adjusted EBIT growth-%	77.6 %	32.0 %	-3.6 %	-43.4 %	-84.7 %	-31.9 %	-121.2 %	-82.5 %	-38.1 %	324.9 %	-58.2 %	36.0 %	23.4 %	17.9 %
EBITDA-%	25.0 %	22.8 %	-1.7 %	17.5 %	6.4 %	10.9 %	5.9 %	12.8 %	16.1 %	18.4 %	14.3 %	16.1 %	17.4 %	17.9 %
Adjusted EBIT-%	19.0 %	16.0 %	17.9 %	11.8 %	3.3 %	12.5 %	-6.0 %	5.2 %	9.4 %	13.0 %	6.9 %	8.5 %	9.8 %	10.4 %
Net earnings-%	12.0 %	11.3 %	-47.9 %	5.2 %	-3.8 %	-9.9 %	-8.0 %	0.3 %	5.5 %	8.8 %	3.1 %	5.2 %	5.3 %	6.3 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	1142	1019	1090	1304	1391
Goodwill	65.3	63.2	63.2	63.2	63.2
Intangible assets	21.7	15.6	13.3	14.8	15.8
Tangible assets	1024	899	982	1195	1280
Associated companies	0.1	0.1	0.1	0.1	0.1
Other investments	2.9	3.0	0.7	0.7	0.7
Other non-current assets	6.2	14.4	7.3	7.3	7.3
Deferred tax assets	21.6	23.5	23.5	23.5	23.5
Current assets	1241	1191	1126	1105	1174
Inventories	415	530	333	355	379
Other current assets	83.1	76.1	84.9	84.9	84.9
Receivables	357	326	333	370	395
Cash and equivalents	386	259	376	296	316
Balance sheet total	2384	2210	2217	2409	2565

Source: Inderes

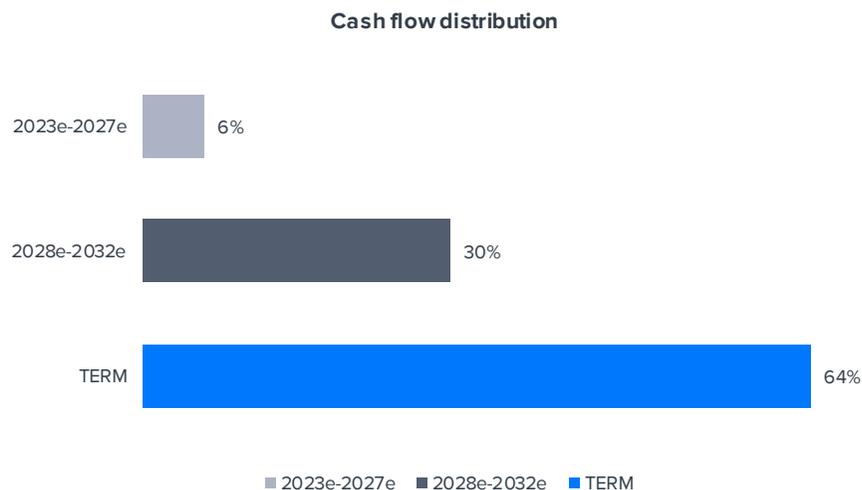
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	1628	1433	1398	1398	1406
Share capital	25.4	25.4	25.4	25.4	25.4
Retained earnings	1592	1344	1308	1309	1316
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-227.6	-349.5	-349.5	-349.5	-349.5
Other equity	238	414	414	414	414
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	286	219	518	627	730
Deferred tax liabilities	37.8	17.4	17.4	17.4	17.4
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	247	201	500	609	711
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.9	0.8	0.9	0.9	0.9
Current liabilities	470	557	301	384	429
Short term debt	40.4	199	50.0	77.3	103
Payables	411	344	240	296	316
Other current liabilities	19.3	14.0	10.9	10.9	10.9
Balance sheet total	2384	2210	2217	2409	2565

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	3.6 %	-25.0 %	11.1 %	6.7 %	10.9 %	10.0 %	5.0 %	3.0 %	1.5 %	1.5 %	1.5 %	1.5 %
EBIT-%	-6.5 %	5.6 %	7.8 %	7.9 %	8.7 %	12.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
EBIT (operating profit)	-116.2	74.0	116	125	153	231	263	271	275	279	283	
+ Depreciation	311	112	123	149	160	176	170	167	165	151	152	
- Paid taxes	-51.5	-16.5	-20.3	-22.3	-29.1	-45.8	-52.7	-54.5	-55.6	-56.5	-56.3	
- Tax, financial expenses	6.5	-5.1	-4.2	-4.2	-3.2	-2.9	-2.7	-2.5	-2.3	-2.3	-4.3	
+ Tax, financial income	-0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.1	
- Change in working capital	-148.4	73.8	-2.8	-28.9	-49.9	-50.8	-27.9	-17.6	12.1	12.6	-8.7	
Operating cash flow	0.5	238	211	219	231	308	350	364	394	384	367	
+ Change in other long-term liabilities	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-185	-183	-336	-236	-137	-137	-151	-151	-150	-160	-160	
Free operating cash flow	-185	55	-125	-17	94	171	199	213	244	224	207	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-185	55	-125	-17	94	171	199	213	244	224	207	2,813
Discounted FCFF		53	-111	-14	71	117	125	123	129	109	93	1,258
Sum of FCFF present value		1,954	1,901	2,012	2,026	1,955	1,838	1,713	1,589	1,460	1,351	1,258
Enterprise value DCF		1,954										
- Interest bearing debt		-400										
+ Cash and cash equivalents		259										
-Minorities		0										
-Dividend/capital return		-76										
Equity value DCF		1,737										
Equity value DCF per share		12.6										

WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	5.0 %
Equity Beta	1.42
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	9.0 %

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1313.7	1714.2	1776.1	1331.4	1478.9	EPS (reported)	0.62	1.49	-1.27	0.29	0.55
EBITDA	295.5	428.2	194.4	185.5	238.4	EPS (adj.)	1.03	1.84	1.14	0.43	0.62
EBIT	119.9	268.2	-116.2	74.0	115.6	OCF / share	3.85	2.76	0.00	1.72	1.53
PTP	106.0	258.2	-146.4	57.2	96.6	FCF / share	2.92	1.37	-1.34	0.40	-0.91
Net Income	85.9	206.2	-175.5	40.7	76.3	Book value / share	11.01	11.77	10.37	10.11	10.11
Extraordinary items	-63.0	-56.7	-337.4	-18.4	-10.0	Dividend / share	1.20	0.55	0.55	0.55	0.55
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	2336.7	2383.5	2209.8	2216.5	2409.4	Revenue growth-%	-17%	30%	4%	-25%	11%
Equity capital	1521.4	1627.5	1433.0	1397.7	1398.0	EBITDA growth-%	-33%	45%	-55%	-5%	29%
Goodwill	79.2	65.3	63.2	63.2	63.2	EBIT (adj.) growth-%	-42%	78%	-32%	-58%	36%
Net debt	-17.2	-98.6	140.9	174.4	390.7	EPS (adj.) growth-%	-43%	78%	-38%	-63%	46%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	22.5 %	25.0 %	10.9 %	13.9 %	16.1 %
EBITDA	295.5	428.2	194.4	185.5	238.4	EBIT (adj.)-%	13.9 %	19.0 %	12.5 %	6.9 %	8.5 %
Change in working capital	268.4	2.5	-148.4	73.8	-2.8	EBIT-%	9.1 %	15.6 %	-6.5 %	5.6 %	7.8 %
Operating cash flow	531.7	381.8	0.5	237.9	211.3	ROE-%	5.2 %	13.1 %	-11.5 %	2.9 %	5.5 %
CAPEX	-127.7	-192.4	-185.1	-183.3	-336.5	ROI-%	6.1 %	13.8 %	-6.1 %	4.0 %	5.8 %
Free cash flow	403.9	189.4	-184.7	54.7	-125.2	Equity ratio	65.1 %	68.3 %	64.8 %	63.1 %	58.0 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-1.1 %	-6.1 %	9.8 %	12.5 %	27.9 %
EV/S	3.0	2.6	0.8	1.0	1.0						
EV/EBITDA (adj.)	13.4	10.5	7.6	7.2	6.5						
EV/EBIT (adj.)	21.7	13.9	6.7	14.5	12.4						
P/E (adj.)	27.9	18.1	8.5	19.7	13.5						
P/B	2.6	2.8	0.9	0.8	0.8						
Dividend-%	4.2 %	1.7 %	5.7 %	6.5 %	6.5 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/28/2020	Reduce	20.00 €	21.85 €
8/5/2020	Reduce	21.00 €	21.30 €
9/28/2020	Reduce	22.00 €	22.65 €
10/28/2020	Reduce	26.00 €	27.70 €
2/9/2021	Reduce	29.00 €	30.64 €
5/5/2021	Accumulate	33.00 €	31.32 €
8/4/2021	Accumulate	35.00 €	33.60 €
9/10/2021	Accumulate	35.00 €	31.90 €
11/3/2021	Accumulate	35.00 €	33.34 €
1/13/2022	Accumulate	35.00 €	34.09 €
2/8/2022	Accumulate	30.00 €	28.35 €
3/1/2022	Accumulate	18.00 €	16.75 €
4/1/2022	Reduce	15.00 €	15.48 €
4/28/2022	Reduce	13.00 €	12.70 €
	Analyst changed		
6/20/2022	Reduce	12.00 €	11.42 €
7/29/2022	Reduce	12.00 €	10.95 €
8/3/2022	Accumulate	12.00 €	10.20 €
11/2/2022	Accumulate	11.50 €	10.08 €
12/20/2022	Accumulate	11.50 €	9.49 €
2/8/2023	Accumulate	11.50 €	10.21 €
3/22/2023	Buy	11.00 €	7.91 €
4/26/2023	Buy	11.00 €	9.03 €
7/24/2023	Buy	10.50 €	8.40 €



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