

# Huhtamaki

## Company report

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This report is a summary translation of the report "Punalaputettu osake pysyy ostoskorissa" published on 7/21/2023 at 6:58 am EEST

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# Bargain binned share stays in shopping cart

We reiterate our EUR 39.00 target price and Buy recommendation for Huhtamaki. Huhtamaki's Q2 report was weaker than we and the market expected due to problems focusing on the Flexible Packaging division, but estimate changes are minor. Huhtamaki is valued clearly below its long-term average levels. Thus, we feel that the earnings growth we expect from the company next year, good 3% dividend yield and the upside in the valuation offer a clearly higher expected return than the required return, especially in the medium term. However, the share does not necessarily have fast growth drivers before a more concrete market pick up.

## Problems in Flexible Packaging pushed Group numbers below estimates

Huhtamaki's Q2 result was slightly weaker than we predicted, as Flexible Packaging's net sales and result plummeted more than expected due to subdued consumer demand and the final phase of destocking in the value chain. The Group's net sales decreased by -2% in comparable terms (emerging markets -2%) and volumes probably dropped slightly more. With the exception of Flexible Packaging, the other divisions performed at least reasonably despite the average low demand (market conditions vary by product and region) and inflation.

## No significant changes to estimates after the report

In its Q2 report, Huhtamaki reiterated the outlook for 2023 issued in connection with the financial statements, according to which the company's trading conditions are expected to remain stable, despite the continued volatility in the operating environment. The company also continues to implement active growth investments. In terms of demand, the decline in value chain inventories appears to be over, but uncertainty remains regarding the direction of underlying demand. After the report, we significantly lowered our short-term net sales and result estimates for Flexible Packaging and expect the market recovery and Huhtamaki's corrective measures to begin to revive the division's result only next year. However, this was offset by estimate hikes in North America that again performed strongly in Q2 and that will gain new capacity. The estimate cuts in the Group's adjusted EBIT estimates were a few per cent. This year, we expect Huhtamaki's result to fall, as exit from Russia (Russian units that were clearly more profitable than the Group's average were included for 8 months in 2022 figures), the currency effect likely to be negative and lower than normal demand depress earnings. In the next few years, we expect Huhtamaki to be able to achieve moderate earnings growth through recovering volumes, efficiency measures and improved product mix. The clearest risks to our estimates relate to consumer demand, inflation and partly to regulation.

## Valuation picture remains very attractive, especially in the medium term

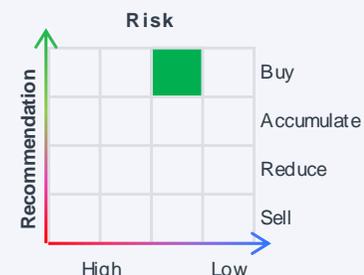
Huhtamaki's adjusted P/E ratios for 2023 and 2024 based on our estimates are 15x and 14x, and the corresponding EV/EBITDA ratios are 9x and 8x. The dividend yield for the next few years is 3-4%. Multiples for 2023 have already fallen some 20% below the company's 5-year medians. We consider these valuation levels moderate, although we are not prepared to rely on a return of the longer-term median levels given the current interest rate environment and relative premium. The company's balance sheet-based valuation (2023e P/B 1.7x) is also moderate relative to the company's typical return on capital (2018-2022 average ROE % 14%) and capital accumulation potential. Thus, the expected return of Huhtamaki's share consisting of earnings growth in the coming years, upside in the valuation and the dividend still clearly exceeds our required return, especially in the medium term.

## Recommendation

**Buy**  
(previous Buy)

**EUR 39.00**  
(previous EUR 39.00)

**Share price:**  
EUR 32.00



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	4479	4253	4406	4625
<b>growth-%</b>	25%	-5%	4%	5%
<b>EBIT adj.</b>	395.1	366.7	400.0	437.0
<b>EBIT-% adj.</b>	8.8 %	8.6 %	9.1 %	9.4 %
<b>Net Income</b>	276.2	181.4	236.5	265.4
<b>EPS (adj.)</b>	2.49	2.12	2.34	2.62

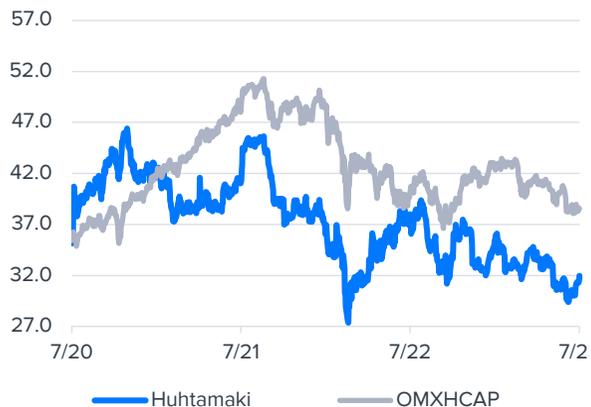
<b>P/E (adj.)</b>	12.9	15.1	13.7	12.2
<b>P/B</b>	1.8	1.7	1.6	1.5
<b>Dividend yield-%</b>	3.1 %	3.2 %	3.3 %	3.4 %
<b>EV/EBIT (adj.)</b>	12.6	13.4	11.9	10.5
<b>EV/EBITDA</b>	8.1	8.7	7.7	7.0
<b>EV/S</b>	1.1	1.2	1.1	1.0

Source: Inderes

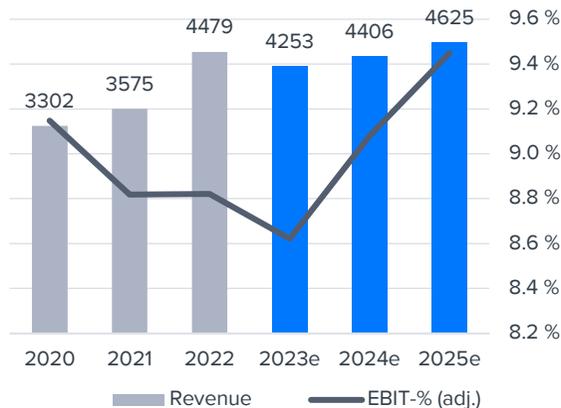
## Guidance (Unchanged)

The Group's trading conditions are expected to remain relatively stable, despite the continued volatility in the operating environment.

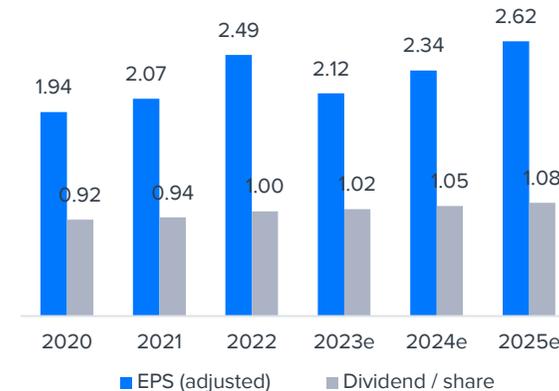
## Share price



## Revenue and EBIT-%



## EPS and dividend



## Value drivers

- Organic market growth exceeds GDP growth
- Fragmented industry structure supports M&A transactions
- Profitability has not yet reached its potential
- Sustainable development (replacement of plastics) increasingly supports demand for fiber-based packaging



## Risk factors

- Increase in raw material prices
- Tighter competition
- Foreign exchange rates
- Tightening regulation

Valuation	2023e	2024e	2025e
Share price	32.0	32.0	32.0
Number of shares, millions	104.4	104.4	104.4
Market cap	3340	3340	3340
EV	4900	4780	4597
P/E (adj.)	15.1	13.7	12.2
P/E	18.4	14.1	12.6
P/FCF	14.9	12.1	9.8
P/B	1.7	1.6	1.5
P/S	0.8	0.8	0.7
EV/Sales	1.2	1.1	1.0
EV/EBITDA	8.7	7.7	7.0
EV/EBIT (adj.)	13.4	11.9	10.5
Payout ratio (%)	58.7 %	46.3 %	42.5 %
Dividend yield-%	3.2 %	3.3 %	3.4 %

Source: Inderes

# Three cylinders worked, one ran on empty

## Net sales made a downturn

Huhtamaki's net sales fell by 8% in Q2 to EUR 1,052 million, which was below our and consensus' estimates. The decline in net sales was due to low volumes (estimated around -5%), currencies and inorganic exit from Russian operations. In Q2, comparable growth was -2% (emerging markets -2%). This represents the overall challenging market although there are major variations in demand by region and product group.

Of the divisions, Flexible Packaging's comparable EBIT decreased at a double-digit rate while the three other divisions were growing. Food Service E-A-O and Fiber Packaging even at a good 5-7% level. Thus, weak demand caused by the pressure in consumers' purchasing power and destocking in the value chain seems to have focused on Flexible Packaging (the weight of emerging markets in the division's portfolio is substantial) and most of the Group is performing reasonably in terms of sales even in a market burdened by the above-mentioned factors.

## Flexible Packaging depressed Group earnings

Huhtamaki's adjusted EBIT in Q2 was EUR 93 million. The result weakened by some 10% from the comparison period due to subdued volume development, exit from the profitable Russian operations (explained around half of the earnings drop) and currencies. The company was still able to compensate for inflationary pressures fairly well as profitability was in line with expectations. Due to net sales falling short of expectations, the Group's result was slightly below our and consensus' estimates that had been lowered before the report. Among the divisions, Flexible Packaging's result slumped deeper than expected due to weak sales development which depressed Group figures. Other divisions' net performance was in line with our expectations, and especially North America continued to be strong.

In the lower lines, Huhtamaki's EUR 38 million non-recurring costs were mainly related to the expected closing of the factory in Prague (incl. PPA depreciation). Financial expenses were at the

expected level, but the tax rate exceeded estimates slightly and the profit share attributable to minorities was below expectations. Thus, reported EPS decreased clearly from the comparison period to EUR 0.24 and was below our estimate.

## Cash flow continued to improve

Huhtamaki's net debt at the end of Q2 was EUR 1,453 MEUR million. Thus, the company's net indebtedness at the end of Q2 was 79% (Q2'22: 90%) and the net debt/EBITDA ratio fell to the middle of the target range to 2.5x (Q4'22: 3.0x). We believe the company's balance sheet is in good condition. In Q2, Huhtamaki's free cash flow remained in the black at EUR 29 million (Q2'22: -20 MEUR) as the working capital situation that plagued last year improved further. Huhtamaki continued making investments at a fairly expected and steady pace.

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	1147	1052	1115	1098	1042	- 1127	-6%	4253
EBIT (adj.)	103	93	97	97	91	- 103	-4%	367
EBIT	97	55	60	93	58	- 102	-9%	320
PTP	84	39	45	77	42	- 87	-12%	255
EPS (reported)	0.58	0.24	0.29	0.54	0.21	- 0.64	-17%	1.74
Revenue growth-%	30.8 %	-8.3 %	-2.8 %	-4.3 %	-9.2 %	- -1.8 %	-5.5 pp	-5.0 %
EBIT-% (adj.)	9.0 %	8.8 %	8.7 %	8.8 %	8.8 %	- 9.1%	0.1 pp	8.6 %

Source: Inderes & Vara Research (consensus)

# No need for bigger estimate revisions

## Estimate revisions 2023e-2025e

- In its Q2 report, Huhtamaki reiterated the outlook for 2023 according to which the company's trading conditions are expected to remain stable, despite the continued volatility in the operating environment. According to Huhtamaki, its diverse product range provides business stability and the Group's good financial position enables utilization of profitable growth opportunities.
- Operational estimate changes were small at Group level, as Flexible Packaging's estimate cuts for 2023-2024 were largely offset by raised estimates in North America that showed strong performance in Q2. We now expect the gradual recovery of the market and Huhtamaki's corrective measures to start to revive Flexible Packaging's result from next year, but we only expect a healthy result from the division in 2025/2026.
- The changes we made to the estimates for Food Service E-A-O and Fiber Packaging were marginal
- In addition, we cut our earnings estimates for minorities and our dividend estimate slightly for the next few years due to the lower earnings estimates for Flexible Packaging.

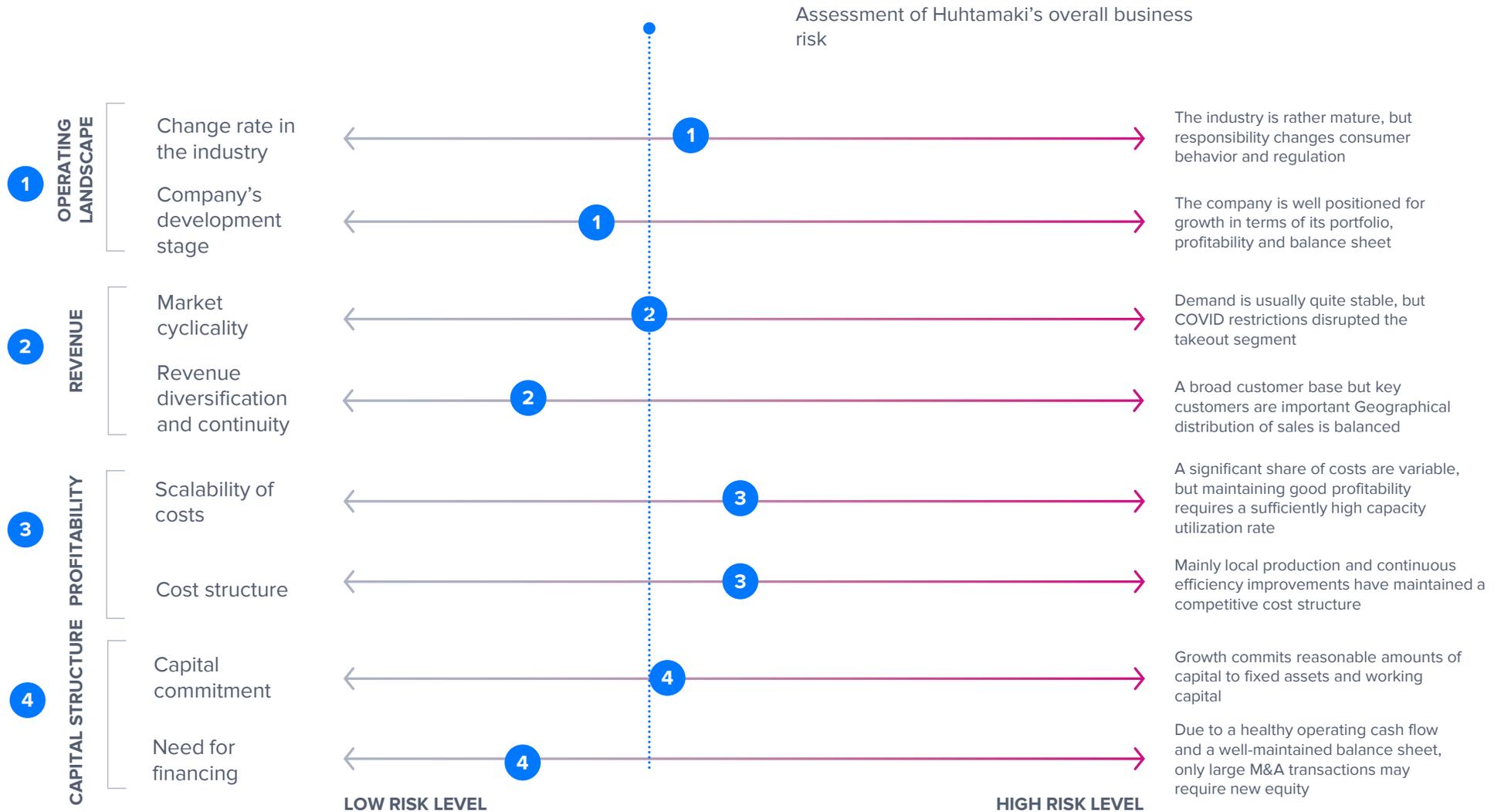
## Operational result drivers 2023e-2025e:

- We expect Huhtamaki's demand to start recovering slowly during H2 as the impact of the fall in inventories on demand ends. The company's products and its customers are daily consumption and/or low unit price products, which we expect consumers will continue to consume at roughly the current levels, provided that the macro picture and/or purchasing power do not deteriorate further. A clearer improvement in underlying demand, on the other hand, would require a pick-up of the macro picture/purchasing power, which in the neutral scenario will not happen until next year.
- This year, we expect Huhtamaki's result to fall, because the benefits of efficiency measures and the development of the product mix are buried under repairing the Russia exit (Russia included in 2022 figures for 8 months), the headwind from currencies and weak demand.
- In the next few years, we expect the result to grow moderately , particularly driven by volume growth, continuous increase in efficiency and a gradually improving product mix. The biggest improvement expectations rely on Flexible Packaging that currently performs clearly below its normal level and also on North America once the investments are completed.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	4344	4253	-2%	4430	4406	-1%	4630	4625	0%
EBIT (exc. NRIs)	379	367	-3%	408	400	-2%	437	437	0%
EBIT	335	320	-5%	402	392	-2%	431	429	0%
PTP	271	255	-6%	342	331	-3%	373	371	-1%
EPS (excl. NRIs)	2.26	2.12	-6%	2.37	2.34	-1%	2.61	2.62	0%
DPS	1.03	1.02	-1%	1.06	1.05	-1%	1.08	1.08	0%

Source: Inderes

# Risk profile of the business model



# We still consider the share clearly undervalued

## Valuation is below medium-term medians

Huhtamaki's operational P/E ratios for 2023 and 2024 based on our estimates are 15x and 14x, while the corresponding EV/EBITDA ratios are 9x and 8x. Dividend income for the next few years is 3-4%. The multiples are some 20% below the company's actual levels over the past 5 years (mainly zero interest period) already with this year's subdued performance and more clearly with 2024 figures. We find these levels attractive even if the required returns have increased as interest rate expectations have risen.

The prevailing economic situation with a limited long-term growth outlook also supports the strengths of the defensive Huhtamaki that usually maintains a relatively good growth mode even in periods of slow economic growth and offers a wide geographical diversification as an investment, as long as the inflation and negative inventory cycle turn. The company also unquestionably deserves growth company multiples, and the P/E ratios that are only slightly below the historical 17x-20x level are not unreasonable for the company in our opinion despite certain patterns of the manufacturing industry (i.e. limited scalability and capital commitment). Therefore, we consider the share's overall valuation to already be rather attractive.

## A productive balance sheet at a reasonable price

The same story is also told by the P/B ratio, which is more than a third below the average of the past 5 years at about 1.7x (2023e TOT). Over the past 5 years, the company has reached an average reported ROE-% of over 14%, and we consider roughly this historical level to be a realistic expectation for the company also in the future. In the medium term, the business will also grow with this expected return, as the company typically invests at least half of its net

profit back into its business. We feel this relatively good capital accumulation potential supports the company's acceptable P/B valuation.

## Expected return is highly attractive

We estimate that Huhtamaki's expected return consisting of annual EPS growth of around 6% (calculated from Q1'23 LTM outcome), 3-4% dividend yield and the upside in the valuation is clearly better than the required return. Thus, we feel that continued share purchases in the company are well justified, even though earnings growth that always plays an important role as a share driver is on a break also in Huhtamaki in 2023. Materialization of our expected return relies especially on earnings growth starting again during 2024 and the share does not necessarily have clear growth drivers before the market starts showing clear signs of a demand picture that enables earnings growth.

## Relative valuation is justifiably at a premium

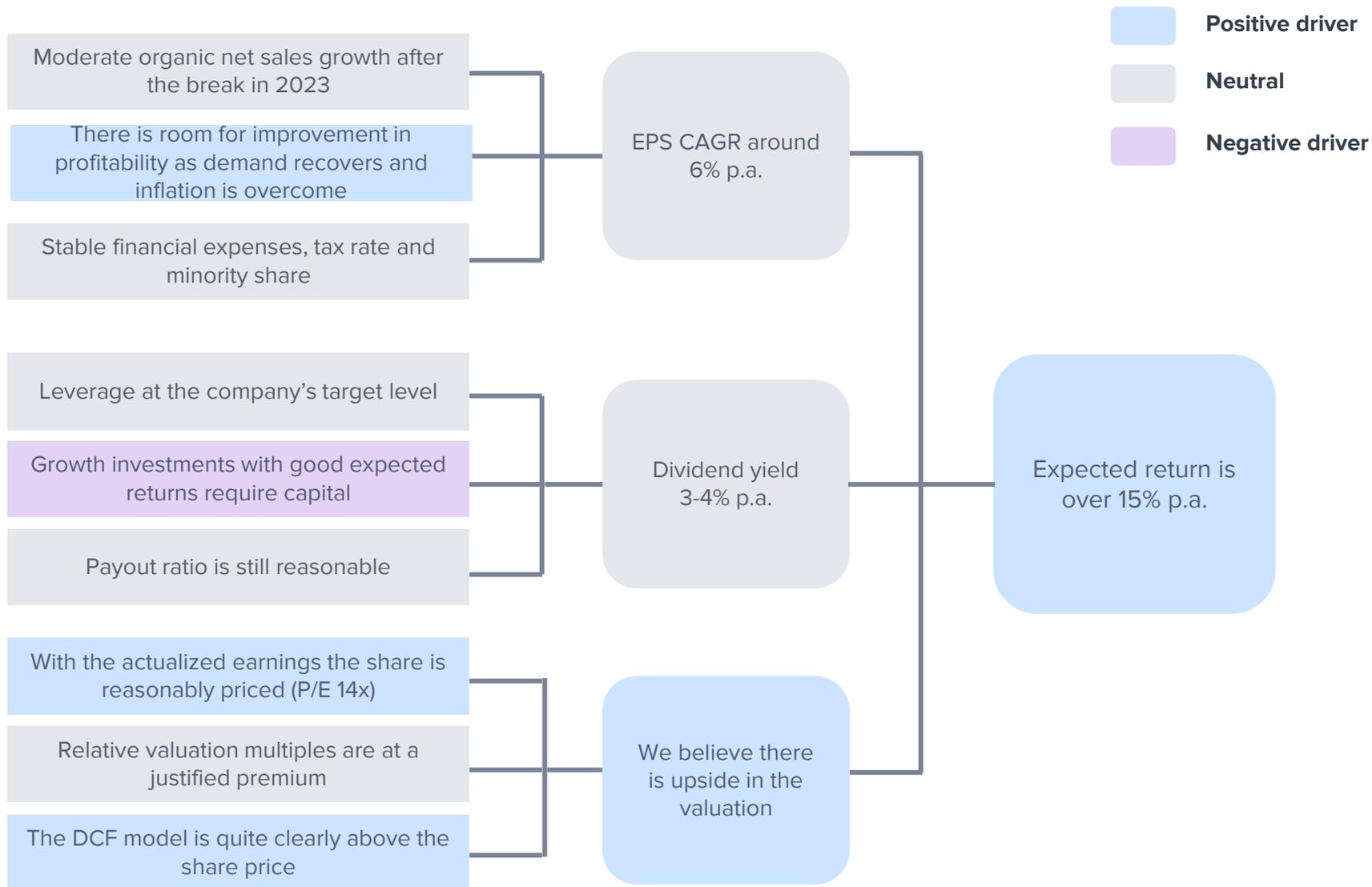
In relative terms, Huhtamaki is valued at a premium to its peer group. We consider this premium to be justified considering the company's growth potential and market position. We feel the peer group is already very moderately priced and is not a very comparable indicator for Huhtamaki. Thus, we do not believe that the relative premium will prevent the realization of our expected return.

The share's low pricing is also indicated by the DCF value that is more than 20% above the current share price and around our target price. According to our estimate, despite short-term interest rate pressures, an interest rate level that remains tolerable in the longer-term supports the valuation of moderate-risk investments like Huhtamaki in the medium term at the latest. Therefore, the DCF valuation supports a positive view of the share.

Valuation	2023e	2024e	2025e
Share price	32.0	32.0	32.0
Number of shares, millions	104.4	104.4	104.4
Market cap	3340	3340	3340
EV	4900	4780	4597
P/E (adj.)	15.1	13.7	12.2
P/E	18.4	14.1	12.6
P/FCF	14.9	12.1	9.8
P/B	1.7	1.6	1.5
P/S	0.8	0.8	0.7
EV/Sales	1.2	1.1	1.0
EV/EBITDA	8.7	7.7	7.0
EV/EBIT (adj.)	13.4	11.9	10.5
Payout ratio (%)	58.7 %	46.3 %	42.5 %
Dividend yield-%	3.2 %	3.3 %	3.4 %

Source: Inderes

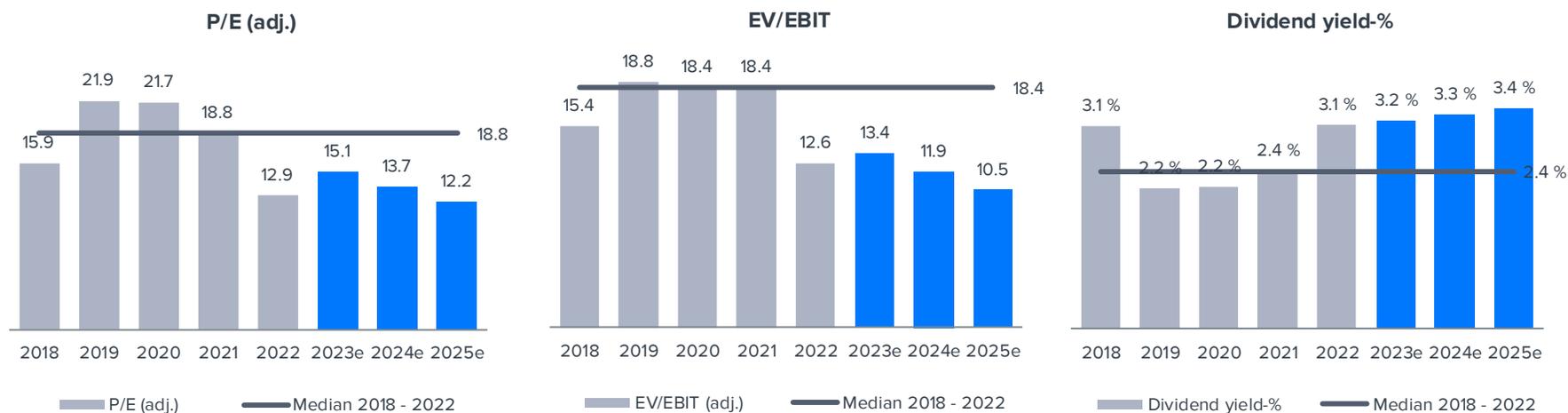
# TSR drivers Q2'23 LTM-2026e



# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	27.1	41.4	42.3	38.9	32.0	32.0	32.0	32.0	32.0
Number of shares, millions	104.0	104.0	104.3	104.3	104.4	104.4	104.4	104.4	104.4
Market cap	2815	4303	4410	4058	3340	3340	3340	3340	3340
EV	3877	5509	5563	5786	4971	4900	4780	4597	4430
P/E (adj.)	15.9	21.9	21.7	18.8	12.9	15.1	13.7	12.2	11.5
P/E	18.1	22.6	25.0	20.4	12.1	18.4	14.1	12.6	11.8
P/FCF	>100	60.2	13.9	neg.	81.3	14.9	12.1	9.8	10.3
P/B	2.3	3.2	3.4	2.7	1.8	1.7	1.6	1.5	1.4
P/S	0.9	1.3	1.3	1.1	0.7	0.8	0.8	0.7	0.7
EV/Sales	1.2	1.6	1.7	1.6	1.1	1.2	1.1	1.0	0.9
EV/EBITDA	9.9	12.3	12.0	12.3	8.1	8.7	7.7	7.0	6.5
EV/EBIT (adj.)	15.4	18.8	18.4	18.4	12.6	13.4	11.9	10.5	9.7
Payout ratio (%)	56.2 %	48.7 %	54.3 %	49.3 %	37.8 %	58.7 %	46.3 %	42.5 %	45.0 %
Dividend yield-%	3.1 %	2.2 %	2.2 %	2.4 %	3.1 %	3.2 %	3.3 %	3.4 %	3.8 %

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
Sonoco	5110	7758	10.3	10.0	7.7	7.4	1.2	1.2	10.1	9.8	3.4	3.5	2.3
Amcor	13122	13122	9.3	9.2	7.3	7.2	1.0	1.0	13.6	13.5	4.8	4.9	3.5
DS Smith	4662	6413	6.8	8.3	4.8	5.4	0.7	0.7	6.9	8.6	6.3	6.0	0.9
Mayr-Melnhof	2660	4201	19.8	10.7	8.6	6.1	1.0	1.0	19.3	9.8	3.2	3.1	1.3
Sealed Air	5928	9973	12.0	10.8	9.1	8.5	1.9	1.8	13.3	11.6	1.8	1.8	9.3
Gerresheimer	3551	4596	20.0	16.3	10.9	9.4	2.3	2.1	21.7	17.7	1.2	1.4	2.3
<b>Huhtamaki (Inderes)</b>	<b>3340</b>	<b>4900</b>	<b>13.4</b>	<b>11.9</b>	<b>8.7</b>	<b>7.7</b>	<b>1.2</b>	<b>1.1</b>	<b>15.1</b>	<b>13.7</b>	<b>3.2</b>	<b>3.3</b>	<b>1.7</b>
<b>Average</b>			<b>13.0</b>	<b>10.9</b>	<b>8.1</b>	<b>7.3</b>	<b>1.3</b>	<b>1.3</b>	<b>14.1</b>	<b>11.9</b>	<b>3.5</b>	<b>3.5</b>	<b>3.3</b>
<b>Median</b>			<b>11.1</b>	<b>10.4</b>	<b>8.2</b>	<b>7.3</b>	<b>1.1</b>	<b>1.1</b>	<b>13.5</b>	<b>10.7</b>	<b>3.3</b>	<b>3.3</b>	<b>2.3</b>
<b>Diff-% to median</b>			<b>20%</b>	<b>15%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>2%</b>	<b>12%</b>	<b>27%</b>	<b>-3%</b>	<b>-1%</b>	<b>-25%</b>

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
<b>Revenue</b>	<b>3575</b>	<b>1050</b>	<b>1147</b>	<b>1178</b>	<b>1104</b>	<b>4479</b>	<b>1047</b>	<b>1052</b>	<b>1076</b>	<b>1078</b>	<b>4253</b>	<b>4406</b>	<b>4625</b>	<b>4865</b>
Foodservice E-A-O	942	255	289	301	267	1111	256	271	285	268	1080	1120	1165	1215
North America	1160	338	375	372	384	1468	358	373	360	365	1456	1480	1530	1590
Flexible Packaging	1167	378	391	421	369	1558	349	328	350	360	1387	1460	1570	1690
Fiber Packaging	334	91	96	89	87	363	87	86	86	90	349	366	380	390
Other and eliminations	-27	-11	-3	-4	-3	-21	-3	-7	-5	-5	-20	-20	-20	-20
NRIs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>470</b>	<b>144</b>	<b>146</b>	<b>194</b>	<b>132</b>	<b>617</b>	<b>138</b>	<b>138</b>	<b>142</b>	<b>144</b>	<b>562</b>	<b>617</b>	<b>658</b>	<b>677</b>
Depreciation	-174	-51	-50	-57	-54	-211	-51	-83	-54	-54	-242	-225	-229	-227
<b>EBIT (excl. NRI)</b>	<b>315</b>	<b>98</b>	<b>103</b>	<b>102</b>	<b>93</b>	<b>395</b>	<b>92</b>	<b>93</b>	<b>90</b>	<b>92</b>	<b>367</b>	<b>400</b>	<b>437</b>	<b>458</b>
<b>EBIT</b>	<b>296</b>	<b>94</b>	<b>97</b>	<b>137</b>	<b>78</b>	<b>405</b>	<b>87</b>	<b>55</b>	<b>88</b>	<b>90</b>	<b>320</b>	<b>392</b>	<b>429</b>	<b>450</b>
Foodservice E-A-O	78	26	25	31	24	106	21	25	25	24	95	104	110	115
North America	139	39	42	42	49	172	43	45	41	39	168	163	172	177
Flexible Packaging	80	29	27	26	16	98	21	16	17	20	74	102	123	133
Fiber Packaging	36	8	13	9	11	40	11	9	11	12	42	45	46	47
Other and eliminations	-18	-4	-4	-6	-7	-20	-4	-3	-4	-4	-14	-16	-16	-16
NRIs	-19	-4	-6	36	-15	10	-5	-38	-2	-2	-46	-6	-6	-6
Net financial items	-33	-3	-12	-22	-16	-53	-19	-15	-15	-15	-64	-61	-58	-54
<b>PTP</b>	<b>263</b>	<b>91</b>	<b>84</b>	<b>115</b>	<b>62</b>	<b>352</b>	<b>68</b>	<b>39</b>	<b>73</b>	<b>75</b>	<b>255</b>	<b>331</b>	<b>371</b>	<b>396</b>
Taxes	-60	-22	-22	-20	-3	-67	-16	-13	-18	-19	-65	-83	-93	-99
Minority interest	-4	-3	-2	-2	-3	-9	-3	-2	-2	-2	-8	-12	-13	-14
<b>Net earnings</b>	<b>199</b>	<b>66</b>	<b>61</b>	<b>93</b>	<b>56</b>	<b>276</b>	<b>50</b>	<b>25</b>	<b>53</b>	<b>54</b>	<b>181</b>	<b>236</b>	<b>265</b>	<b>283</b>
<b>EPS (adj.)</b>	<b>2.07</b>	<b>0.63</b>	<b>0.63</b>	<b>0.59</b>	<b>0.65</b>	<b>2.49</b>	<b>0.51</b>	<b>0.55</b>	<b>0.53</b>	<b>0.54</b>	<b>2.12</b>	<b>2.34</b>	<b>2.62</b>	<b>2.79</b>
<b>EPS (rep.)</b>	<b>1.91</b>	<b>0.63</b>	<b>0.58</b>	<b>0.89</b>	<b>0.54</b>	<b>2.65</b>	<b>0.47</b>	<b>0.24</b>	<b>0.51</b>	<b>0.52</b>	<b>1.74</b>	<b>2.27</b>	<b>2.54</b>	<b>2.71</b>

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue growth-%</b>	8.3 %	30.9 %	30.8 %	31.5 %	10.4 %	25.3 %	-0.2 %	-8.3 %	-8.7 %	-2.3 %	-5.0 %	3.6 %	5.0 %	5.2 %
<b>Adjusted EBIT growth-%</b>	4.4 %	26.6 %	28.7 %	33.1 %	13.6 %	25.3 %	-5.5 %	-9.8 %	-11.2 %	-1.7 %	-7.2 %	9.1 %	9.3 %	4.8 %
<b>EBITDA-%</b>	13.1%	13.8 %	12.7 %	16.5 %	12.0 %	13.8 %	13.2 %	13.1 %	13.2 %	13.3 %	13.2 %	14.0 %	14.2 %	13.9 %
<b>Adjusted EBIT-%</b>	8.8 %	9.3 %	9.0 %	8.6 %	8.5 %	8.8 %	8.8 %	8.8 %	8.4 %	8.5 %	8.6 %	9.1 %	9.4 %	9.4 %
<b>Net earnings-%</b>	5.6 %	6.3 %	5.3 %	7.9 %	5.1 %	6.2 %	4.7 %	2.4 %	4.9 %	5.0 %	4.3 %	5.4 %	5.7 %	5.8 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>2929</b>	<b>3008</b>	<b>3091</b>	<b>3117</b>	<b>3099</b>
Goodwill	1001	1035	1035	1035	1035
Intangible assets	122	118	110	105	99.6
Tangible assets	1674	1736	1827	1858	1845
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	9.8	12.7	12.7	12.7	12.7
Other non-current assets	67.6	57.8	57.8	57.8	57.8
Deferred tax assets	55.1	48.4	48.4	48.4	48.4
<b>Current assets</b>	<b>1613</b>	<b>1814</b>	<b>1762</b>	<b>1758</b>	<b>1774</b>
Inventories	666	755	702	705	717
Other current assets	23.9	39.3	39.3	39.3	39.3
Receivables	745	709	723	749	786
Cash and equivalents	179	309	298	264	231
<b>Balance sheet total</b>	<b>4542</b>	<b>4821</b>	<b>4853</b>	<b>4875</b>	<b>4872</b>

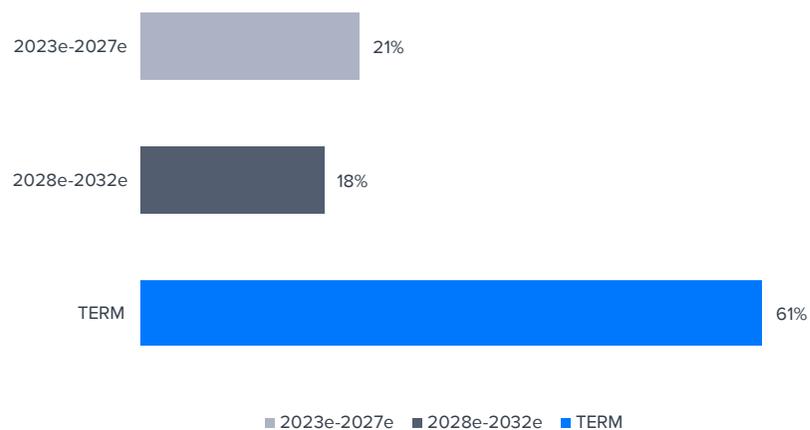
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>1597</b>	<b>1922</b>	<b>1997</b>	<b>2127</b>	<b>2283</b>
Share capital	366	366	366	366	366
Retained earnings	1245	1429	1506	1636	1792
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	-91.0	46.4	46.4	46.4	46.4
Minorities	76.5	80.0	78.0	78.0	78.0
<b>Non-current liabilities</b>	<b>1623</b>	<b>1692</b>	<b>1673</b>	<b>1557</b>	<b>1392</b>
Deferred tax liabilities	132	133	133	133	133
Provisions	13.1	13.3	13.3	13.3	13.3
Long term debt	1276	1404	1386	1270	1104
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	202	141	141	141	141
<b>Current liabilities</b>	<b>1322</b>	<b>1208</b>	<b>1183</b>	<b>1190</b>	<b>1198</b>
Short term debt	427	392	336	307	266
Payables	835	735	766	802	851
Other current liabilities	59.7	80.6	80.6	80.6	80.6
<b>Balance sheet total</b>	<b>4542</b>	<b>4821</b>	<b>4853</b>	<b>4875</b>	<b>4872</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	25.3 %	-5.0 %	3.6 %	5.0 %	5.2 %	4.0 %	4.0 %	3.5 %	3.5 %	3.5 %	2.0 %	2.0 %
EBIT-%	9.0 %	7.5 %	8.9 %	9.3 %	9.2 %	9.5 %	9.2 %	8.8 %	8.5 %	8.5 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>405</b>	<b>320</b>	<b>392</b>	<b>429</b>	<b>450</b>	<b>481</b>	<b>484</b>	<b>479</b>	<b>479</b>	<b>496</b>	<b>506</b>	
+ Depreciation	211	242	225	229	227	226	224	223	222	221	220	
- Paid taxes	-59	-65	-83	-93	-99	-108	-111	-111	-112	-118	-122	
- Tax, financial expenses	-10	-17	-15	-15	-13	-12	-10	-9	-7	-6	-5	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-149	71	7	0	-29	-27	-28	-26	-27	2	-16	
<b>Operating cash flow</b>	<b>399</b>	<b>551</b>	<b>527</b>	<b>551</b>	<b>536</b>	<b>559</b>	<b>559</b>	<b>557</b>	<b>554</b>	<b>594</b>	<b>583</b>	
+ Change in other long-term liabilities	-61	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-297	-326	-251	-211	-211	-211	-211	-211	-211	-211	-235	
<b>Free operating cash flow</b>	<b>41</b>	<b>225</b>	<b>276</b>	<b>340</b>	<b>325</b>	<b>348</b>	<b>348</b>	<b>346</b>	<b>343</b>	<b>383</b>	<b>349</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	41	225	276	340	325	348	348	346	343	383	349	6925
<b>Discounted FCFF</b>		<b>218</b>	<b>249</b>	<b>287</b>	<b>256</b>	<b>256</b>	<b>238</b>	<b>221</b>	<b>205</b>	<b>213</b>	<b>181</b>	<b>3597</b>
Sum of FCFF present value		5921	5703	5454	5167	4911	4656	4417	4196	3991	3778	3597
<b>Enterprise value DCF</b>		<b>5921</b>										
- Interest bearing debt		-1796										
+ Cash and cash equivalents		309										
-Minorities		-136										
-Dividend/capital return		-104										
<b>Equity value DCF</b>		<b>4210</b>										
<b>Equity value DCF per share</b>		<b>40.3</b>										

Cash flow distribution



## WACC

Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.2 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	3302	3575	4479	<b>4253</b>	<b>4406</b>	EPS (reported)	1.69	1.91	2.65	<b>1.74</b>	<b>2.27</b>
EBITDA	465	470	617	<b>562</b>	<b>617</b>	EPS (adj.)	1.94	2.07	2.49	<b>2.12</b>	<b>2.34</b>
EBIT	265	296	405	<b>320</b>	<b>392</b>	OCF / share	4.56	2.23	3.82	<b>5.28</b>	<b>5.05</b>
PTP	237	263	352	<b>255</b>	<b>331</b>	FCF / share	3.04	-6.24	0.39	<b>2.15</b>	<b>2.64</b>
Net Income	177	199	276	<b>181</b>	<b>236</b>	Book value / share	12.31	14.57	17.65	<b>18.39</b>	<b>19.64</b>
Extraordinary items	-37	-19	10	<b>-47</b>	<b>-8</b>	Dividend / share	0.92	0.94	1.00	<b>1.02</b>	<b>1.05</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	3596	4542	4821	<b>4853</b>	<b>4875</b>	Revenue growth-%	-3%	8%	25%	<b>-5%</b>	<b>4%</b>
Equity capital	1365	1597	1922	<b>1997</b>	<b>2127</b>	EBITDA growth-%	4%	1%	31%	<b>-9%</b>	<b>10%</b>
Goodwill	732	1001	1035	<b>1035</b>	<b>1035</b>	EBIT (adj.) growth-%	3%	4%	25%	<b>-7%</b>	<b>9%</b>
Net debt	878	1524	1487	<b>1424</b>	<b>1313</b>	EPS (adj.) growth-%	3%	7%	20%	<b>-15%</b>	<b>10%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	14.1 %	13.1 %	13.8 %	<b>13.2 %</b>	<b>14.0 %</b>
EBITDA	465	470	617	<b>562</b>	<b>617</b>	EBIT (adj.)-%	9.1 %	8.8 %	8.8 %	<b>8.6 %</b>	<b>9.1 %</b>
Change in working capital	80	-208	-149	<b>71</b>	<b>7</b>	EBIT-%	8.0 %	8.3 %	9.0 %	<b>7.5 %</b>	<b>8.9 %</b>
Operating cash flow	476	233	399	<b>551</b>	<b>527</b>	ROE-%	13.4 %	14.2 %	16.4 %	<b>9.6 %</b>	<b>11.9 %</b>
CAPEX	-167	-846	-297	<b>-326</b>	<b>-251</b>	ROI-%	10.4 %	10.1 %	11.6 %	<b>8.6 %</b>	<b>10.6 %</b>
Free cash flow	317	-651	41	<b>225</b>	<b>276</b>	Equity ratio	37.9 %	35.2 %	39.9 %	<b>41.2 %</b>	<b>43.6 %</b>
						Gearing	64.3 %	95.4 %	77.3 %	<b>71.3 %</b>	<b>61.7 %</b>

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/10/2018	Reduce	35.00 €	36.33 €
5/2/2018	Reduce	35.00 €	34.11 €
7/23/2018	Accumulate	32.00 €	28.68 €
10/30/2018	Accumulate	27.00 €	23.45 €
1/17/2019	Reduce	27.00 €	28.07 €
2/20/2019	Reduce	31.00 €	32.12 €
4/30/2019	Reduce	33.00 €	34.50 €
7/22/2019	Reduce	34.00 €	35.76 €
10/23/2019	Reduce	37.50 €	40.30 €
2/19/2020	Reduce	40.00 €	42.96 €
3/25/2020	Accumulate	28.00 €	25.85 €
5/5/2020	Reduce	33.00 €	34.08 €
7/27/2020	Reduce	38.00 €	40.70 €
10/23/2020	Reduce	41.00 €	43.04 €
2/12/2021	Accumulate	43.00 €	40.62 €
4/23/2021	Accumulate	44.00 €	41.58 €
7/23/2021	Accumulate	45.00 €	42.96 €
10/18/2021	Accumulate	42.00 €	39.42 €
2/8/2022	Accumulate	39.00 €	33.77 €
3/29/2022	Buy	39.00 €	32.05 €
4/28/2022	Buy	40.00 €	34.37 €
7/14/2022	Accumulate	40.00 €	37.03 €
7/21/2022	Accumulate	40.00 €	37.38 €
10/19/2022	Accumulate	39.00 €	34.00 €
10/24/2022	Accumulate	39.00 €	36.10 €
2/10/2023	Buy	39.00 €	32.41 €
3/29/2023	Buy	39.00 €	33.57 €
4/28/2023	Buy	39.00 €	32.69 €
7/18/2023	Buy	39.00 €	31.40 €
7/21/2023	Buy	39.00 €	32.00 €



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