

Fortum

Company report

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Cheap Nordic hydropower

We reiterate our Buy recommendation for Fortum but revise our target price to EUR 15.0 (was EUR 16.0). The Generation segment at the core of the company proved its ability in Q2 even under difficult conditions, but the other parts of the Group pushed the result down more than expected. Our earnings estimates decreased with electricity prices, but less than we anticipated due to Generation's strong performance. The share is cheap both in absolute terms (2023e P/E 9x) and relative to peers (over 20% discount), and we consider the expected return to be very good, especially considering the high dividend yield. There is still a clear risk of a downward trend in electricity prices.

Generation achieved a good result considering the circumstances

Fortum's core, the Generation segment, achieved strong results in Q2 under challenging conditions. Generation's comparable EBIT was EUR 304 million and improved from the comparison period (Q2'22: 282 MEUR), although the electricity spot price was 55% lower than last year in Fortum's relevant areas in Q2. The average sales price of €57.5/MWh achieved by the segment in Q2 was excellent and exceeded expectations, as the company was especially successful in physical optimization. However, production volumes were below our expectations. The performance of the Generation segment was good considering the circumstance but the contribution from other businesses was clearly weaker than anticipated. As a result, Fortum's Q2 result fell short of our expectations, but the disappointment was softened by the fact that Generation proved it can make a good result with physical optimization in today's market. In addition, operating cash flow was still high and the balance sheet remains strong even after the Russia exit.

Earnings estimates decreased with electricity prices, but hedging levels softened the decline

At the end of Q2, Fortum's Generation hedges for Nordic generation were approximately at the level we expected. The earnings estimates for 2023 decreased by about 15% due to the decrease in electricity prices and the Q2 result disappointment. The decline in futures for the next few years has been significantly lower than in the collapsed spot price, but from the previous update, the levels for the coming years have decreased significantly. Thus we anticipated that our earnings estimates for the coming years had a pressure of around 10% but in the end the changes were lower than this. The electricity price achieved in the Generation segment and the assumption that the electricity market will continue to fluctuate softened the decline. In addition, we expect other businesses to get a grip and normalize their performance. Fortum also [announced on Friday](#) that it has decided to assess strategic options for Circular Solutions businesses, which means the business is for sale if a price can be agreed on.

The valuation does not dazzle

Despite the turmoil, Fortum's core business is performing well and as the balance sheet dissolves cash flow is abundant. In our opinion, especially considering Fortum's hydropower, the current market cap of around EUR 10 billion is low, as the need for backup/standby power and profitability only increase in the future. The valuation multiples are not dazzling as the share's P/E ratio is about 10x with the estimates for the coming years and due to modest net financial debt, EV/EBITDA ratios are only about 5x. The entire sector is priced moderately in the current situation, but Fortum's multiples are still around 20% below its peers. Following the exit from Russia and the normalization of the financial situation, we do not find this justified and we expect the undervaluation to melt over time. It may take a long time to gain investor confidence after difficult years, but a dividend yield of over 8% is paid while waiting.

Recommendation

Buy

(previous Buy)

EUR 15.00

(previous EUR 16.00)

Share price:

EUR 11.81



Key figures

	2022	2023e	2024e	2025e
Revenue	7754	6791	6570	6600
growth-%	21%	-12%	-3%	0%
EBIT adj.	1611	1601	1577	1519
EBIT-% adj.	20.8 %	23.6 %	24.0 %	23.0 %
Net Income	2080	1320	1119	1094
EPS (adj.)	2.00	1.39	1.25	1.22

P/E (adj.)	7.8	8.5	9.5	9.7
P/B	1.8	1.1	1.1	1.1
Dividend yield-%	5.9 %	8.6 %	8.7 %	8.7 %
EV/EBIT (adj.)	10.3	6.2	6.2	6.4
EV/EBITDA	7.0	5.0	5.1	5.2
EV/S	2.1	1.5	1.5	1.5

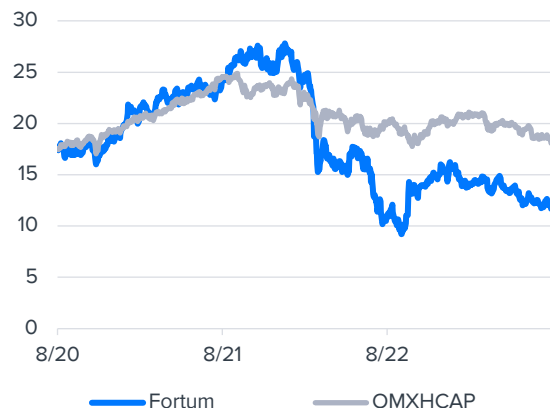
Source: Inderes

Guidance

(Adjusted)

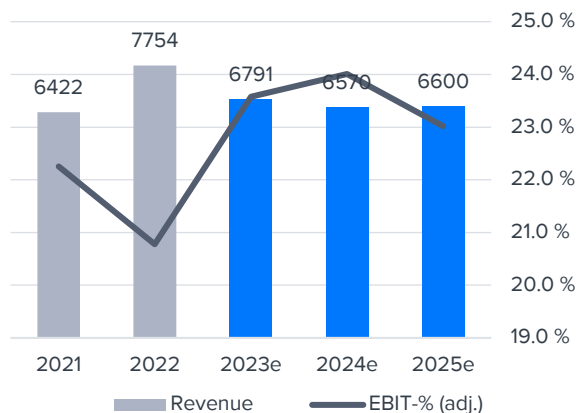
The Generation segment's Nordic outright generation hedges: approximately 70% hedged at EUR 49 per MWh for the remainder of 2023, and approximately 50% at EUR 46 per MWh for 2024.

Share price



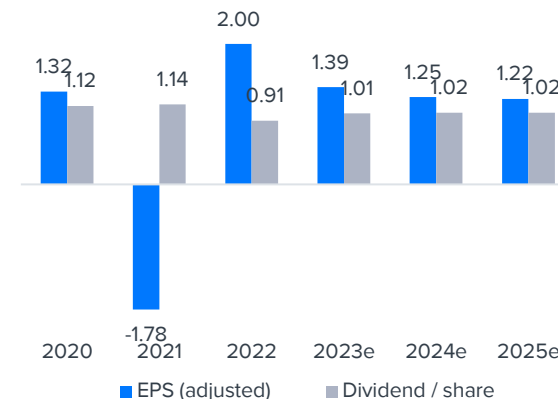
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Exit from Russia
- Improved investment profile and lower risk profile as the financial situation becomes clearer
- High electricity prices would enable excellent earnings levels
- Improving operational efficiency
- Successful investments and divestments in accordance with the strategy



Risk factors

- Russia's actions and their consequences, most recently taking over the business
- Developments in energy policy, industry regulation and taxation
- A drop in electricity prices would be reflected in the result, despite hedging
- Risks related to the state owner
- Success in debt restructuring

Valuation	2023e	2024e	2025e
Share price	11.8	11.8	11.8
Number of shares, millions	897.3	897.3	897.3
Market cap	10597	10597	10597
EV	9975	9847	9704
P/E (adj.)	8.5	9.5	9.7
P/E	8.0	9.5	9.7
P/FCF	3.5	9.1	9.1
P/B	1.1	1.1	1.1
P/S	1.6	1.6	1.6
EV/Sales	1.5	1.5	1.5
EV/EBITDA	5.0	5.1	5.2
EV/EBIT (adj.)	6.2	6.2	6.4
Payout ratio (%)	68.8 %	82.0 %	84.0 %
Dividend yield-%	8.6 %	8.7 %	8.7 %

Source: Inderes

Generation achieved a good result considering the circumstances

Generation's performance was promising

Fortum's core business, the Generation segment, achieved strong results in Q2 under challenging conditions. Generation's comparable EBIT was EUR 304 million and improved from the comparison period (Q2'22: 282 MEUR), although the electricity spot price was 55% lower than last year in Fortum's relevant areas in Q2. However, the Generation segment's EBIT did not reach our estimate due to lower volumes than expected. We expected an EBIT of EUR 316 million from the segment.

Considering the electricity price development, the average sales price of €57.5/MWh achieved by the segment in Q2 was excellent and above estimates (Inderes around €53/MWh and consensus €56.2/MWh). The company was very successful in physical optimization, although we suspected that spring floods prevented hydropower optimization. Part of the positive surprise is probably explained by the hedges applied to Q2, which were high relative to the full year 2023 level. In its outlook, Fortum always states the hedge ratio and price for the whole year (Q1'23: for 2023 70% at €50/MWh), but not for different quarters. In last year's exceptional environment, the company appears to have

managed to lock in high prices for the early part of the year.

The achieved electricity price was excellent considering the circumstances and proved Fortum's flexible production's ability to achieve a significant premium. We believe that this is very important for the future. By contrast, Generation's production volumes fell short of our expectations. Hydropower generation was 4.6 TWh, down slightly year-on-year (Q2'22: 4.7 TWh), while we expected a slight increase considering the water situation. Nuclear power generated 5.8 TWh, slightly more than in the comparison period (Q2'22: 5.6 TWh), but the increase could have been slightly higher given commercial use of OL3 starting. However, the deviations were relatively small.

Many disappointments outside the core

The comparable EBIT of the Consumer Solutions segment was weak in Q2 at EUR 10 million and slightly below our low expectation (15 MEUR). Electricity sales margins decreased as the customer base shrunk in certain protected products due to strongly volatile and high market prices. Customers have tried to exit contracts tied to high prices, which is a problematic situation on many levels.

The confusing Other Operations segment made a comparable operating loss of EUR 52 million in Q2. Our estimate was EUR -30 million, so this partly explains Fortum's performance disappointment. Visibility to the segment is very low, but apparently now the result contained many small negative surprises. In addition, the result of associated companies and joint ventures (-42 MEUR) was also a negative surprise, mainly due to inflation-adjusted provisions related to Swedish nuclear waste. This came as a surprise to us and weakened the lowest lines of the income statement.

Cash flow continues rolling on, the balance sheet is strong

Operating cash flow was a strong EUR 657 million in Q2 and in H1 the corresponding cash flow was EUR 1.1 billion. Collateral receivables decreased by EUR 247 million in Q2, further supporting cash flow. Russia has now been officially cut from Fortum's balance sheet and thanks to the excellent cash flow at the beginning of the year, the balance sheet is now very strong and liquidity is already too high. Net financial debt relative to comparable EBITDA was only 0.3x in Q2, while the target level is around 2.0-2.5x.

Estimates	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	1537	1367	1375	1465	1171	1598	-1%	6791
Comparable EBITDA	362	344	386	470	402	492	-11%	2143
Comparable EBIT	262	262	301	340	313	408	-13%	1601
EPS (adj.)	0.22	0.16	0.21	0.28	0.25	0.33	-25%	1.39
Revenue growth-%	-	-11.1 %	-10.5 %	-4.7 %	-23.8 %	4.0 %	-0.5 pp	-12.4 %
Comparable EBIT-%	17.0 %	19.2 %	21.9 %	23.2 %	26.7 %	25.5 %	-2.7 pp	23.6 %

Source: Inderes & Vara Research (5/26./2023, medians) (medians)

Earnings estimates decreased with the electricity price

Hedges developed roughly as expected

At the end of Q2, Fortum's Generation hedges for Nordic generation were approximately at the level we expected. Generation's hedges were now at around 70% for the rest of 2023 at €49/MWh (Q1'23: 70% at €50/MWh) and for 2024 around 50% at €46/MWh (Q1'23: 45% at €43/MWh). Thus, the 2023 hedge price decreased slightly, which was no surprise after high hedges were probably canceled in Q2 and the fall in electricity prices. For 2024, the development was positive as expected, as next year's future was mainly at a good level of around €70/MWh in Q2.

The earnings estimates for 2023 decreased by some 15% due to the decrease in electricity prices and the Q2 result disappointment. Futures for the rest of the year have declined and started to reflect prevailing spot prices. Now, Q4'23 futures are only about €55/MWh, while previously the levels were closer to €90/MWh. On the other hand, hedge prices and successful physical optimization supported our estimates for the rest of the year.

The fall in electricity prices depressed the earnings estimates for the next few years

The price of electricity is still under pressure in the Nordic countries. The decline in futures for the next few years has been significantly lower than in the collapsed spot price, but from the previous update the levels for the coming years have also decreased significantly. In the previous update, our estimates for 2024 were based on the market price of around €65/MWh, but now future prices are closer to €55/MWh. The corresponding level for 2025 was now €52/MWh (previously €55/MWh).

Based on the above-mentioned changes, Fortum's earnings estimates should have decreased significantly more, but Generation segment's achieved electricity price and efficiency were better than we expected, which softened the estimate changes significantly. Our estimates are therefore based on the fact that despite the decrease in electricity prices, volatility will remain high and enable Fortum to succeed in physical optimization. The importance of hydropower will continue to be emphasized as renewable production increases. In

addition, it is good to note that we expect other businesses to recover in the coming years. In the end, our operational EBIT estimate is about 8%. The strengthening of the balance sheet supported the lower lines slightly and in fact we raised our dividend estimates a bit, because thanks to strong cash flows, Fortum's balance sheet is already over-capitalized.

Circular Solutions under strategic review

Fortum decided to initiate a strategic review of Circular Solutions as part of the continuous review of its business portfolio, and a divestment is one possible option. In 2022, Circular Solutions employed approximately 1,300 people mainly in the Nordic countries, it tied up EUR 700 million in capital and its comparable EBITDA was approximately EUR 70 million. The business is based on the Ekokem acquisition, which Fortum carried out in 2016 for some EUR 700 million. The earnings of the business are sluggish but the entity also includes very interesting parts. There is no need to sell, but the business is now outside the strategic core.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	7347	6791	-8%	7441	6570	-12%	7392	6600	-11%
EBITDA	2271	2014	-11%	2045	1917	-6%	1965	1870	-5%
EBIT (exc. NRIs)	1860	1601	-14%	1716	1577	-8%	1625	1519	-7%
EBIT	1931	1677	-13%	1716	1577	-8%	1625	1519	-7%
PTP	1670	1402	-16%	1504	1435	-5%	1481	1405	-5%
EPS (excl. NRIs)	1.36	1.39	2%	1.31	1.25	-5%	1.29	1.22	-6%
DPS	1.00	1.01	1%	1.00	1.02	2%	1.00	1.02	2%

Source: Inderes

The valuation does not dazzle

A valuable core in the Nordic countries

In our view, the current market cap of the Fortum's Nordic hydro and nuclear assets of around EUR 10 billion is still very low. In particular, the value of Fortum's hydropower as backup/standby power will continue to increase as the effects of wind and solar energy on the electricity market will increase in the future. As a result, fluctuations in electricity prices will continue to intensify, with the prices sometimes being negative and sometimes high. About 1/3 of Fortum's hydropower is highly flexible, 1/3 relatively flexible and 1/3 poorly flexible (run-of-river). Through physical optimization, hydropower will produce earnings, even if the price of electricity is under pressure in general.

The entire sector is priced very moderately at the moment, which is understandable as Europe wrestles with the energy crisis. However, Fortum's current valuation also includes a clear discount to peers, which we do not find justified as the company has exited Russia. It has not been a pretty ride, but Russia is no longer part of the Fortum Group. In theory, it is possible that Fortum may at some point be compensated through the EU for the loss of the Russian business, but we would not count on this ourselves.

There is a margin of safety in the valuation

We expect Fortum's adjusted EPS to be around EUR 1.2 in the coming years, which requires electricity prices to remain at least at current levels and volatility to remain high (physical optimization). Of course, this involves uncertainty as the price of electricity continues on a downward trend, but the current valuation already has a good safety margin. Fortum's adjusted P/E is thus around 10x, which can be

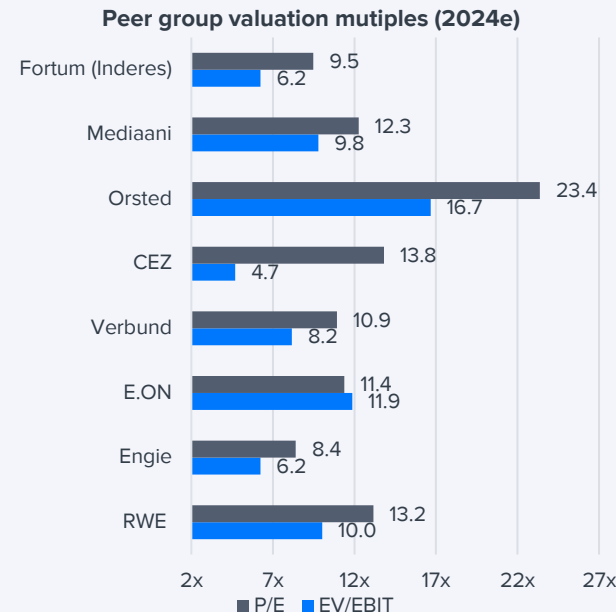
considered attractive, especially considering the good cash flow profile of the next few years. Even though Fortum has plenty of interest-bearing debt, there is also a lot of cash and the level of interest-bearing financial net debt is low. Thus, we believe that with E/V ratios Fortum is very attractively priced. The EV/EBITDA ratios for the next few years are around 5x and the EV/EBIT ratios are around 6x with Russia cut off from the balance sheet and cash flows are expected to remain abundant.

In our view, Fortum is returning to being a credible Nordic energy company, with 43% of its generation coming from valuable hydropower and 53% from nuclear power (2022 figures) in Finland and Sweden. Without Russia, we think Fortum's profile is attractive, although it may take time to repair the company's reputation. Fortum is currently priced at a discount of over 20% compared to the peer group, which we do not consider justified. We estimate that the gap will gradually disappear, making Fortum's expected return attractive. While waiting, shareholders can enjoy an estimated dividend yield of more than 8%, which should be satisfactory even in the current interest rate environment.

We reiterate our Buy recommendation but lower our target price to EUR 15.0 (previously EUR 16.0), reflecting the lowered estimates for the coming years. Still, the expected return is very high when we also consider dividends.

Valuation	2023e	2024e	2025e
Share price	11.8	11.8	11.8
Number of shares, millions	897.3	897.3	897.3
Market cap	10597	10597	10597
EV	9975	9847	9704
P/E (adj.)	8.5	9.5	9.7
P/E	8.0	9.5	9.7
P/FCF	3.5	9.1	9.1
P/B	1.1	1.1	1.1
P/S	1.6	1.6	1.6
EV/Sales	1.5	1.5	1.5
EV/EBITDA	5.0	5.1	5.2
EV/EBIT (adj.)	6.2	6.2	6.4
Payout ratio (%)	68.8 %	82.0 %	84.0 %
Dividend yield-%	8.6 %	8.7 %	8.7 %

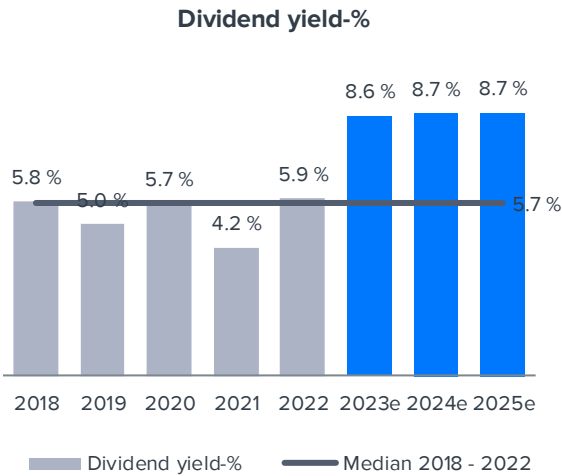
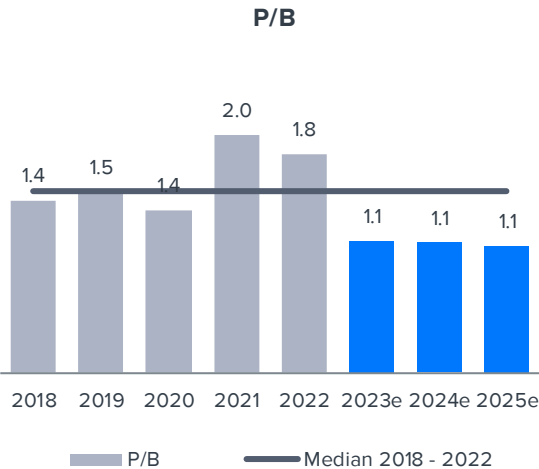
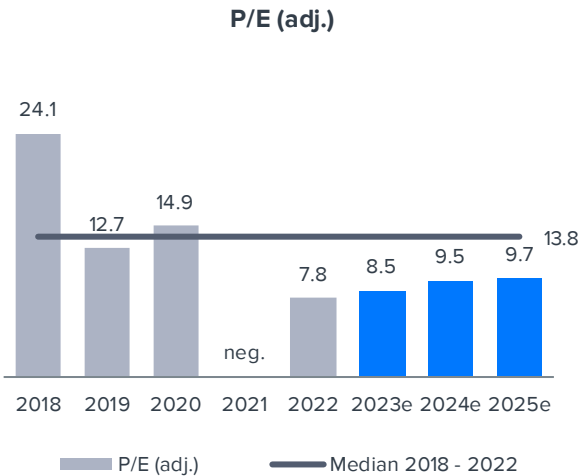
Source: Inderes



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	19.1	22.0	19.7	27.0	15.5	11.8	11.8	11.8	11.8
Number of shares, millions	888.4	888.3	888.4	888.3	897.3	897.3	897.3	897.3	897.3
Market cap	16968	19542	17501	23975	13943	10597	10597	10597	10597
EV	16805	18665	25567	32676	16661	9975	9847	9704	9579
P/E (adj.)	24.1	12.7	14.9	neg.	7.8	8.5	9.5	9.7	9.4
P/E	20.1	13.2	12.0	32.4	6.7	8.0	9.5	9.7	9.4
P/FCF	10.0	46.5	neg.	25.8	1.1	3.5	9.1	9.1	9.4
P/B	1.4	1.5	1.4	2.0	1.8	1.1	1.1	1.1	1.0
P/S	3.2	3.6	3.9	3.7	1.8	1.6	1.6	1.6	1.6
EV/Sales	3.2	3.4	5.7	5.1	2.1	1.5	1.5	1.5	1.4
EV/EBITDA	10.0	11.0	11.0	6.7	7.0	5.0	5.1	5.2	5.1
EV/EBIT (adj.)	17.0	15.7	26.1	22.9	10.3	6.2	6.2	6.4	6.3
Payout ratio (%)	115.9 %	66.0 %	68.1%	137.0 %	39.3 %	68.8 %	82.0 %	84.0 %	83.0 %
Dividend yield-%	5.8 %	5.0 %	5.7 %	4.2 %	5.9 %	8.6 %	8.7 %	8.7 %	8.8 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
RWE	28556	35126	7.3	10.0	5.1	6.2	9.2	13.2	2.6	2.6	1.0
Engie	35161	53197	5.9	6.2	3.8	3.9	7.4	8.4	9.0	8.0	1.0
E.ON	29121	62118	11.8	11.9	7.6	7.6	11.1	11.4	4.8	5.0	1.7
Verbund	25170	28961	7.8	8.2	6.9	7.1	10.6	10.9	4.8	4.8	2.9
CEZ	21188	18455	6.0	4.7	3.9	3.4	14.4	13.8	9.6	5.8	2.3
Enel	60421	131250	10.2	9.6	6.4	6.2	9.8	9.2	7.2	7.4	1.8
Uniper	54658	50933	11.1	33.9	11.0	24.3	17.1	54.0			3.6
Orsted	32515	38347	22.5	16.7	12.4	10.0	32.5	23.4	2.5	2.7	2.7
Fortum (Inderes)	10597	9975	6.2	6.2	5.0	5.1	8.5	9.5	8.6	8.7	1.1
Average			10.3	12.6	7.1	8.6	14.0	18.0	5.8	5.2	2.1
Median			9.0	9.8	6.7	6.6	10.9	12.3	4.8	5.0	2.0
Diff-% to median			-31%	-36%	-26%	-23%	-22%	-23%	79%	75%	-45%

Source: Refinitiv / Inderes

Income statement

Income statement	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	1940	1536	1891	2387	7754	2265	1367	1312	1847	6791	6570	6600	6682
<i>Generation (new)</i>	985	840	1023	1617	4465	1429	805	682	1175	4091	4287	4198	4200
<i>Consumer Solutions</i>	1168	856	1094	1460	4578	1384	750	801	1065	4000	3672	3751	3832
<i>Others (new)</i>	137	136	155	161	589	136	126	136	136	534	540	540	540
<i>Eliminations</i>	-350	-296	-381	-851	-1878	-684	-314	-307	-529	-1834	-1929	-1889	-1890
EBITDA	589	860	1001	-68.0	2382	852	349	288	525	2014	1917	1870	1896
Depreciation	-109	-100	-100	-106	-415	-83	-82	-85	-87	-337	-340	-351	-368
EBIT (excl. NRI)	326	262	354	669	1611	698	262	203	438	1601	1577	1519	1528
EBIT	480	760	901	-174	1967	769	267	203	438	1677	1577	1519	1528
<i>Generation (new)</i>	307	282	357	683	1629	723	304	220	450	1697	1625	1561	1563
<i>Consumer Solutions</i>	35	21	17	24	97	6	10	13	18	47	72	81	90
<i>Others (new)</i>	-16	-41	-20	-38	-115	-31	-52	-30	-30	-143	-120	-122	-125
<i>Items affecting comparability</i>	154	498	547	-843	356	71	5	0	0	76	0	0	0
<i>Osuus osakkuusyhtiöiden tuloksesta</i>	-55	-57	-14	-59	-185	22	-42	0	20	0	0	0	0
Net financial items	-42	-53	-6	-117	-218	-95	-50	-60	-70	-275	-142	-114	-79
PTP	383	650	881	-350	1564	696	175	143	388	1402	1435	1405	1449
Taxes	-95	-7	-155	777	520	-154	199	-32	-81	-67	-301	-295	-304
Minority interest	-11	2	1	4	-4	-2	2	0	-15	-15	-15	-16	-16
Net earnings	277	645	727	431	2080	540	376	112	292	1320	1119	1094	1129
EPS (adj.)	0.17	0.27	0.32	1.23	2.00	0.52	0.41	0.12	0.33	1.39	1.25	1.22	1.26
EPS (rep.)	0.31	0.72	0.81	0.48	2.32	0.60	0.42	0.12	0.33	1.47	1.25	1.22	1.26

Key figures	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	12.7 %	24.5 %	45.9 %	9.9 %	20.7 %	16.8 %	-11.0 %	-30.6 %	-22.6 %	-12.4 %	-3.3 %	0.5 %	1.2 %
Adjusted EBIT growth-%	-29.0 %	26.6 %	45.7 %	28.7 %	12.7 %	114.1 %	0.0 %	-42.5 %	-34.6 %	-0.6 %	-1.5 %	-3.7 %	0.6 %
EBITDA-%	30.4 %	56.0 %	52.9 %	-2.8 %	30.7 %	37.6 %	25.5 %	22.0 %	28.4 %	29.7 %	29.2 %	28.3 %	28.4 %
Adjusted EBIT-%	16.8 %	17.1 %	18.7 %	28.0 %	20.8 %	30.8 %	19.2 %	15.5 %	23.7 %	23.6 %	24.0 %	23.0 %	22.9 %
Net earnings-%	14.3 %	42.0 %	38.4 %	18.1 %	26.8 %	23.8 %	27.5 %	8.5 %	15.8 %	19.4 %	17.0 %	16.6 %	16.9 %

Source: Inderes

Balance sheet

Assets	2022	2023e	2024e	2025e
Non-current assets	12668	11420	11790	12149
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	657	617	627	637
Tangible assets	7266	6729	7089	7438
Associated companies	1249	1027	1027	1027
Other investments	628	1739	1739	1739
Other non-current assets	1935	318	318	318
Deferred tax assets	933	990	990	990
Current assets	10974	9509	8299	7124
Inventories	465	340	328	330
Other current assets	1486	1071	821	821
Receivables	5104	2377	2299	1980
Cash and equivalents	3919	5722	4850	3993
Balance sheet total	23642	20929	20089	19273

Source: Inderes

Liabilities & equity	2022	2023e	2024e	2025e
Equity	7737	9691	9902	10079
Share capital	3046	3046	3046	3046
Retained earnings	6467	6970	7181	7358
Hybrid bonds	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0
Other equity	-1843.0	-383.0	-383.0	-383.0
Minorities	67.0	58.0	58.0	58.0
Non-current liabilities	5797	7176	6176	5176
Deferred tax liabilities	152	384	384	384
Provisions	1097	1092	1092	1092
Long term debt	3658	5000	4000	3000
Convertibles	0.0	0.0	0.0	0.0
Other long term liabilities	890	700	700	700
Current liabilities	10108	4062	4011	4018
Short term debt	4127	1000	1000	1000
Payables	2008	1562	1511	1518
Other current liabilities	3973	1500	1500	1500
Balance sheet total	23642	20929	20089	19273

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	20.7 %	-12.4 %	-3.3 %	0.5 %	1.2 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.0 %	1.0 %
EBIT-%	25.4 %	24.7 %	24.0 %	23.0 %	22.9 %	21.0 %	20.0 %	20.0 %	19.0 %	18.0 %	18.0 %	18.0 %
EBIT (operating profit)	1967	1677	1577	1519	1528	1431	1390	1418	1374	1328	1341	
+ Depreciation	415	337	340	351	368	385	400	415	429	443	455	
- Paid taxes	1061	108	-301	-295	-304	-284	-274	-279	-269	-258	-261	
- Tax, financial expenses	65	-18	-52	-43	-34	-34	-34	-34	-34	-34	-34	
+ Tax, financial income	0	5	22	19	17	17	16	15	14	13	13	
- Change in working capital	2189	348	288	325	257	-11	-11	-11	-11	-12	-6	
Operating cash flow	5697	2457	1873	1876	1833	1505	1488	1524	1504	1480	1509	
+ Change in other long-term liabilities	-26555	-195	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	33888	746	-710	-710	-710	-680	-713	-713	-713	-713	-554	
Free operating cash flow	13030	3008	1163	1166	1123	825	775	812	790	767	955	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	13030	3008	1163	1166	1123	825	775	812	790	767	955	15971
Discounted FCFF		2926	1057	990	890	611	537	525	478	433	504	8422
Sum of FCFF present value		17372	14446	13389	12399	11509	10898	10361	9836	9359	8926	8422
Enterprise value DCF		17372										
- Interest bearing debt		-7785										
+ Cash and cash equivalents		3919										
+ Sijoitukset osakkuusyrityksiin		1000										
-Minorities		-101										
-Dividend/capital return		-817										
Equity value DCF		13596										
Equity value DCF per share		15.2										
WACC												
Tax-% (WACC)		21.0 %										
Target debt ratio (D/(D+E))		25.0 %										
Cost of debt		4.5 %										
Equity Beta		1.20										
Market risk premium		4.75%										
Liquidity premium		0.00%										
Risk free interest rate		2.5 %										
Cost of equity		8.2 %										
Weighted average cost of capital (WACC)		7.0 %										

Cash flow distribution

Period	Percentage
2023e-2027e	37%
2028e-2032e	14%
TERM	48%

■ 2023e-2027e ■ 2028e-2032e ■ TERM

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	4501	6422	7754	6791	6570	EPS (reported)	1.64	0.83	2.32	1.47	1.25
EBITDA	2326	4913	2382	2014	1917	EPS (adj.)	1.32	-1.78	2.00	1.39	1.25
EBIT	1236	4326	1967	1677	1577	OCF / share	1.34	1.23	6.35	2.74	2.09
PTP	1836	4333	1564	1402	1435	FCF / share	-9.10	1.05	14.52	3.35	1.30
Net Income	1460	739	2080	-2263	1119	Book value / share	14.58	13.66	8.55	10.74	10.97
Extraordinary items	255	2897	356	76	0	Dividend / share	1.12	1.14	0.91	1.01	1.02
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	57810	149661	23642	20929	20089	Revenue growth-%	-17%	43%	21%	-12%	-3%
Equity capital	15577	13665	7737	9691	9902	EBITDA growth-%	37%	111%	-52%	-15%	-5%
Goodwill	1069	1021	0	0	0	EBIT (adj.) growth-%	-18%	46%	13%	-1%	-2%
Net debt	8354	9628	3866	278	150	EPS (adj.) growth-%	-24%	-234%	-213%	-31%	-10%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	51.7 %	76.5 %	30.7 %	29.7 %	29.2 %
EBITDA	2326	4913	2382	2014	1917	EBIT (adj.)-%	21.8 %	22.3 %	20.8 %	23.6 %	24.0 %
Change in working capital	-785	-1365	2189	348	288	EBIT-%	27.5 %	67.4 %	25.4 %	24.7 %	24.0 %
Operating cash flow	1189	1092	5697	2457	1873	ROE-%	11.3 %	5.9 %	21.0 %	15.3 %	11.5 %
CAPEX	-20567	-12840	33888	746	-710	ROI-%	8.7 %	15.8 %	7.7 %	11.4 %	11.0 %
Free cash flow	-8088	929	13030	3008	1163	Equity ratio	26.9 %	9.1%	32.7 %	46.3 %	49.3 %
						Gearing	53.6 %	70.5 %	50.0 %	2.9 %	1.5 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	5.7	5.1	2.1	1.5	1.5						
EV/EBITDA (adj.)	11.0	6.7	7.0	5.0	5.1						
EV/EBIT (adj.)	26.1	22.9	10.3	6.2	6.2						
P/E (adj.)	14.9	neg.	7.8	8.5	9.5						
P/B	1.4	2.0	1.8	1.1	1.1						
Dividend-%	5.7 %	4.2 %	5.9 %	8.6 %	8.7 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/17/2020	Buy	15.00 €	13.31 €
4/27/2020	Buy	17.00 €	14.86 €
5/18/2020	Buy	17.50 €	14.92 €
7/21/2020	Buy	20.00 €	17.84 €
8/20/2020	Buy	20.00 €	17.02 €
11/18/2020	Buy	20.00 €	17.63 €
12/4/2020	Buy	20.00 €	18.30 €
2/15/2021	Accumulate	22.50 €	21.97 €
5/14/2021	Accumulate	24.00 €	22.74 €
8/18/2021	Accumulate	26.50 €	24.49 €
11/15/2021	Reduce	25.00 €	25.30 €
2/28/2022	Reduce	19.00 €	19.47 €
3/7/2022	Accumulate	16.00 €	15.26 €
4/27/2022	Reduce	16.00 €	15.63 €
5/13/2022	Reduce	16.00 €	15.31 €
6/21/2022	Accumulate	18.00 €	16.31 €
7/25/2022	Accumulate	13.00 €	11.36 €
8/18/2022	Reduce	11.00 €	11.41 €
8/23/2022	Reduce	11.00 €	10.47 €
8/26/2022	Reduce	11.00 €	10.32 €
9/22/2022	Accumulate	14.50 €	13.25 €
10/13/2022	Accumulate	14.50 €	12.73 €
11/11/2022	Accumulate	16.50 €	14.38 €
12/7/2022	Accumulate	18.00 €	15.87 €
2/28/2023	Accumulate	16.00 €	14.51 €
3/3/2023	Accumulate	16.50 €	14.63 €
5/8/2023	Accumulate	15.00 €	13.57 €
5/12/2023	Buy	16.00 €	13.62 €
8/7/2023	Buy	15.00 €	11.81 €



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