

Valmet

Company report

2/9/2024



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This report is a summary translation of the report “Osaketta ei ole edelleenkaan hinnalla pilattu” published on 2/8/2024 at 9:10 am EET.

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The stock is still not expensive

The overall picture in Valmet's Q4 report turned positive thanks to surprisingly strong guidance for the current year. We made slight organic upgrades to our forecasts for this year and included the acquisition of Siemens' gas chromatography business, which is expected to be completed in early Q2. Reflecting the changes and the slightly improved short-term visibility of the report, we raise our target price for Valmet to EUR 28.00 (was EUR 27.00). However, we lower our recommendation to Accumulate (was Buy), as the recent weeks' strong rise in the share price has dissolved the clearest undervaluation in our view. We believe that the upside in Valmet's low valuation and the good dividend yield of 5% still generate a higher expected return than the required return.

No big surprises in the end-of-year figures

Valmet's revenue decreased by 3% in Q4 to 1499 MEUR, exceeding our and the consensus estimates. Acquisitions (notably Körber) boosted revenue by 4 percentage points. Services and Automation grew by 1–4%, but the group result was held back by a fall in revenue in Process Technologies (equipment). Adjusted EBITA, down 7% year-on-year to 183 MEUR, fell between our and consensus forecasts, as profitability was lower than expected due to equipment project challenges. As expected, the dividend proposal was 4% higher than last year at EUR 1.35 per share. In Q4, new orders decreased by 17% year-on-year to 1,154 MEUR. The order flow was very close to our and the consensus forecasts. The order structure, however, was better than expected, as the decline in service orders was only 3%, despite the continued difficult situation in the forest sector, and the drop in orders for Automation was also at the same level. Valmet kept its market outlook unchanged and demand comments were cautiously positive, especially in Services and Automation. The order book at the end of Q4 was at a moderate level of 4.0 BNEUR, albeit 10% lower than in the same period last year. Nevertheless, a larger than expected portion of the order book is for orders expected to be realized in 2024.

Despite surprisingly upbeat guidance, we remain cautious for the current year

Valmet's guidance for the current year is that in 2024, revenue will be at the same level as in 2023 and earnings (adjusted EBITA) will be at the same level or higher compared to 2023 (2023: revenue 5,532 MEUR, adjusted EBITA 619 MEUR). Based on the comments, the guidance does not yet include acquisitions that have been agreed but not yet completed, so the guidance was markedly stronger than our and slightly stronger than the consensus forecasts. The timing of the order book partly explains the wording, but in order to meet the guidance, H1 also needs to generate revenue very quickly from high-margin Service and Automation deals. We have organically raised our forecast for this year a bit but lowered our forecast for Process Technologies for next year due to the timing of the order book as well as uncertain demand. We added the acquisition of Siemens' gas chromatography business (EV 103 MEUR) in our forecasts from the beginning of Q2. Our forecasts for this year still remain at the lower end of the guidance range. We now expect Valmet's adjusted EPS to develop fairly steadily in the coming years.

Although the share price has risen, all valuation indicators are in the green

Valmet's adjusted P/E ratios for 2024 and 2025 are 12x and 11x, and the corresponding EV/EBIT ratios are around 10x and 9x. Valuation is below Valmet's historical levels, although the quality of the company's palette has improved in recent years. The share is significantly undervalued in relative terms and the DCF is well above the current price. With a solid track record and strong competitive advantages, Valmet's valuation upside and 5% dividend yield offer a higher expected return next year than the required return, even if the earnings growth outlook is weak.

Recommendation

Accumulate

(previous Buy)

EUR 28.00

(previous EUR 27.00)

Share price:

EUR 26.13



Key figures

	2023	2024e	2025e	2026e
Revenue	5532	5424	5267	5407
growth-%	9%	-2%	-3%	3%
EBIT adj.	598	594	611	658
EBIT-% adj.	10.8 %	10.9 %	11.6 %	12.2 %
Net Income	358	338	366	407
EPS (adj.)	2.31	2.19	2.30	2.55

P/E (adj.)	11.3	11.9	11.4	10.2
P/B	1.9	1.8	1.7	1.7
Dividend yield-%	5.2 %	5.4 %	5.5 %	5.5 %
EV/EBIT (adj.)	9.8	9.6	8.8	7.9
EV/EBITDA	8.4	7.8	7.2	6.6
EV/S	1.1	1.0	1.0	1.0

Source: Inderes

Guidance

(New guidance)

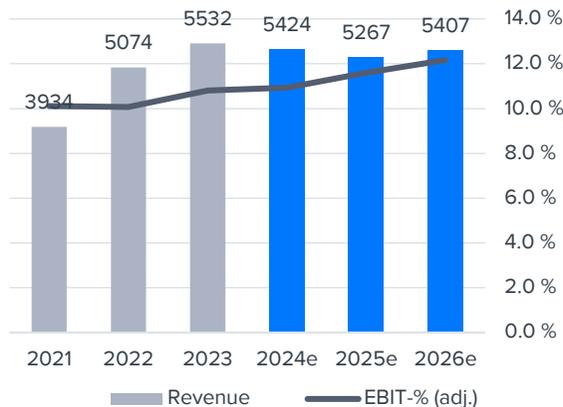
Valmet's estimates that in 2024, revenue will be at the same level as in 2023 and earnings (adjusted EBITA) will be at the same level or increase compared to 2023 (2023: revenue 5,532 MEUR, adjusted EBITA 619 MEUR).

Share price



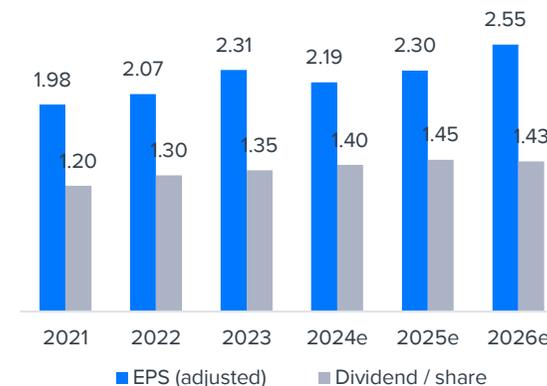
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong and sustainable technological competitive advantage
- Very high market share in the equipment business
- Good long-term growth outlook for stable businesses
- Profitability still has room for improvement
- The order book provides fairly good visibility and the balance sheet is in good shape
- The potential of a possible Neles merger, especially in the long term



Risk factors

- Cyclical demand, especially in the equipment businesses
- Long-term organic growth outlook is limited
- Fierce competition, especially in times of weaker demand
- Project risks
- Continuation of weak market situation for customers

Valuation	2024e	2025e	2026e
Share price	26.1	26.1	26.1
Number of shares, million	184.5	184.5	184.5
Market cap	4822	4822	4822
EV	5677	5398	5184
P/E (adj.)	11.9	11.4	10.2
P/E	14.3	13.2	11.8
P/B	1.8	1.7	1.7
P/S	0.9	0.9	0.9
EV/Sales	1.0	1.0	1.0
EV/EBITDA	7.8	7.2	6.6
EV/EBIT (adj.)	9.6	8.8	7.9
Payout ratio (%)	76.5 %	73.1 %	65.0 %
Dividend yield-%	5.4 %	5.5 %	5.5 %

Source: Inderes

Orders, operating result, and dividend in line with expectations

Revenue made a downturn

Valmet's revenue in Q4 went down by 3% to 1499 MEUR, exceeding our and consensus estimates. The overshoot came from Services and Process Technologies. These units were also affected by the Körber acquisition in early November, which, together with one smaller acquisition, supported growth by 4%.

Relative profitability strengthened

Valmet's adjusted EBITA, down 7% year-on-year to 183 MEUR, was between our and consensus forecasts. There were no major deviations in the divisional results compared to our forecasts or Q4'22. Project challenges and inflation left the unit's adjusted EBITA margin in Process Technologies at its weakest level in its short reporting history at 4.1%, which was negative. However, the stable businesses that are important for Valmet's value continued to perform well in Q4.

On the bottom line, PPA depreciation was higher than expected and Valmet also recorded a one-off charge of 10 MEUR for Q4 (not in the forecast). Financial expenses and taxes were roughly in line with our expectations. As a result, reported EPS was well below the comparison period as well as our and consensus forecasts at EUR 0.56.

Valmet's free cash flow after investments, which fluctuates strongly on a quarterly basis, (incl. the 380 MEUR acquisition of EV Körber) was about 400 MEUR below zero in Q4. Consequently, the company's net gearing rose to 40%. The ratio of EBITDA and net debt increased to 1.5x (0.8x at the end of 2022). In our view, Valmet's balance sheet is still in good shape and the 4% increase in dividend estimates to EUR 1.35 was in line with expectations.

New orders came in as expected

Valmet's new orders decreased in all three segments in

Q4. Overall, new orders decreased by 17% year-on-year to 1,155 MEUR, which was quite in line with our and consensus forecasts. Service orders in the forest sector, which suffered globally from low utilization rates, decreased by only 3%, which was a positive surprise. In Automation, growth in orders received was close to zero and project orders plunged sharply (-33%) from the strong comparison level, as anticipated.

Valmet kept its market outlook unchanged and comments were more positive than expected, especially in Services and Automation. In Process Technologies, the situation seems more uncertain. Valmet's order book at the end of Q4 was at a moderate level of 4.0 BNEUR, but down 10% from Q4'22. (incl. the order book that came in with Körber). Valmet estimates that 85% of the order book will turn into revenue this year. Last year, the corresponding figure was 75%, so the order book is "shorter" than last year and our expectations.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023 TOT
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	
Revenue	1540	1499	1461	1422	1323	- 1554	3%	5532
Adjusted EBITA	196	183	187	179	142	- 205	-2%	619
EBIT	156	148	172	158	116	- 173	-14%	507
PTP	152	133	160	150	116	- 173	-17%	473
EPS (reported)	0.66	0.56	0.65	0.61	0.48	- 0.70	-14%	1.94
DPS	1.30	1.35	1.35	1.35	1.21	- 1.40	0%	1.35
Revenue growth-%	28.7 %	-2.7 %	-5.1 %	-7.7 %	-14.1 %	- 0.9 %	2.5 pp	9.0 %
EBITA-% (oik.)	12.7 %	12.2 %	12.8 %	12.6 %	10.7 %	- 13.2 %	-0.6 pp	11.2 %

Source: Inderes & Vara, 11 forecasts (consensus)

Forecasts for this year raised moderately based on guidance

Estimate revisions 2024e–2026e

- Valmet's guidance for the current year is that in 2024, revenue will be at the same level as in 2023 and earnings (adjusted EBITA) will be at the same level or higher compared to 2023 (2023: revenue 5,532 MEUR, adjusted EBITA 619 MEUR). Based on the comments, the guidance does not yet include acquisitions already agreed but not yet completed, so the guidance was especially stronger than our and slightly stronger than the consensus forecasts. Prior to the report, we expected a 6–7% decline in revenue and adjusted EBITA, excluding the already agreed acquisitions of Siemens' gas chromatography business and Demuth.
- Following the report, we raised our forecasts for 2024 due to a shorter-than-expected order book and stronger-than-estimated Q4 orders in Services and Automation, as well as market commentary. We also added the acquisition of Siemens' gas chromatographs (EV 102 MEUR) in our forecasts from the beginning of Q2. The addition increased the financial expenses and the PPA depreciation estimates for the next few years as well.
- In our 2025 forecasts, we made small negative revenue-related revisions in Process Technologies, offsetting small upward revisions in stable businesses. The changes were motivated by the project book, which is mainly focused on 2024, and uncertain demand for new projects.

Operational result drivers 2024e–2025e:

- We expect Valmet's revenue to decline by 2% this year and adjusted EBITA to increase by 1%. This means that our forecasts are at the lower end of the company's guidance. We remain cautious about this year due to the still very difficult market situation for forest sector customers, especially in Europe.
- We expect Valmet's profitability to improve slightly, as the decline in revenue is mainly concentrated in the low-margin Process Technologies. Services should return to growth in H2'24 at the latest in the wake of customers' production, and the Q4 results have provided some additional confidence in the direction. In our forecasts, the diversified Automation segment avoids a larger dip in revenue, which will support the group's profitability.
- We expect adjusted EPS, which best reflects the impact of acquisitions, to decline slightly this year, as higher financial expenses due to increased debt levels from acquisitions will erode the net result. By 2025, we expect adjusted EPS to turn slowly upwards as adjusted EBITA growth picks up in a marginally better market and interest costs decline.

Estimate revisions	2023	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	TOT	%	Old	New	%	Old	New	%
Revenue	5494	5532	1%	5403	5424	0%	5316	5267	-1%
EBIT (adj.)	603	598	-1%	552	594	7%	603	611	1%
EBIT	531	507	-5%	482	508	5%	535	533	0%
PTP	500	473	-5%	432	450	4%	491	485	-1%
EPS (adj.)	2.33	2.31	-1%	2.05	2.19	7%	2.28	2.30	1%
DPS	1.35	1.35	0%	1.40	1.40	0%	1.45	1.45	0%

Source: Inderes

Overall valuation picture still very appealing

Multiples are very moderate

Valmet's P/E ratios for 2024–2025 adjusted for PPA depreciations and one-off items are 12x and 11x, and adjusted EV/EBIT ratios are around 10x and 9x. Current multiples are 10–15% below Valmet's 5-year median. In our view, this reflects the moderate pricing of the share given the much-improved quality of the company in recent years (including improved internal operations and increased profitability as well as a growing share of stable businesses). This is despite the fact that the company's earnings growth potential over the next few years is lower than in recent years, and earnings growth at the adjusted EPS level may also be on the back burner this year. In our view, an adjusted P/E of 13x–16x and an adjusted EV/EBIT of 10x–12x are well justified valuation levels for Valmet in the current environment of higher interest rate expectations.

Relative discount not justified

In relative terms, Valmet is also priced at a clear average discount of around 25% compared to the peer group. We do not think this is justified after the Neles merger, but we think the company should be priced largely in line with the peer group. In our view, the peer group as a whole is no longer cheap relative to current interest rates and the weak economic outlook. Therefore, we do not believe that Valmet's undervaluation can be expected to be dissolved only through a rise in Valmet's share price.

Expected return still good in our view

We estimate that Valmet's dividend yield will be around 5% in the coming years, in line with the company's track record, but with slower dividend growth than in recent years. The dividend supports the expected return and, together with Valmet's strong competitive advantages, gives investors the patience to hold on to the company. We believe that the risks associated with the dividend

and its growth are limited, despite the cyclical risks.

We expect Valmet's expected return over the next 12 months to come from the upside in the valuation multiples and the dividend, although the earnings growth driver could be slightly negative at the EPS level in 2024. In our view, the sum of these components brings the expected return on the share well above the required return, even though Valmet's share price has risen by around 30% since our Buy recommendation after the Q3 report and the clearest undervaluation has, in our opinion, dissolved. In the medium term, we think that the expected return will be clearly positive. We also expect the main driver, earnings growth, to provide moderate support for the share again from 2025 onwards.

DCF value still above the share price

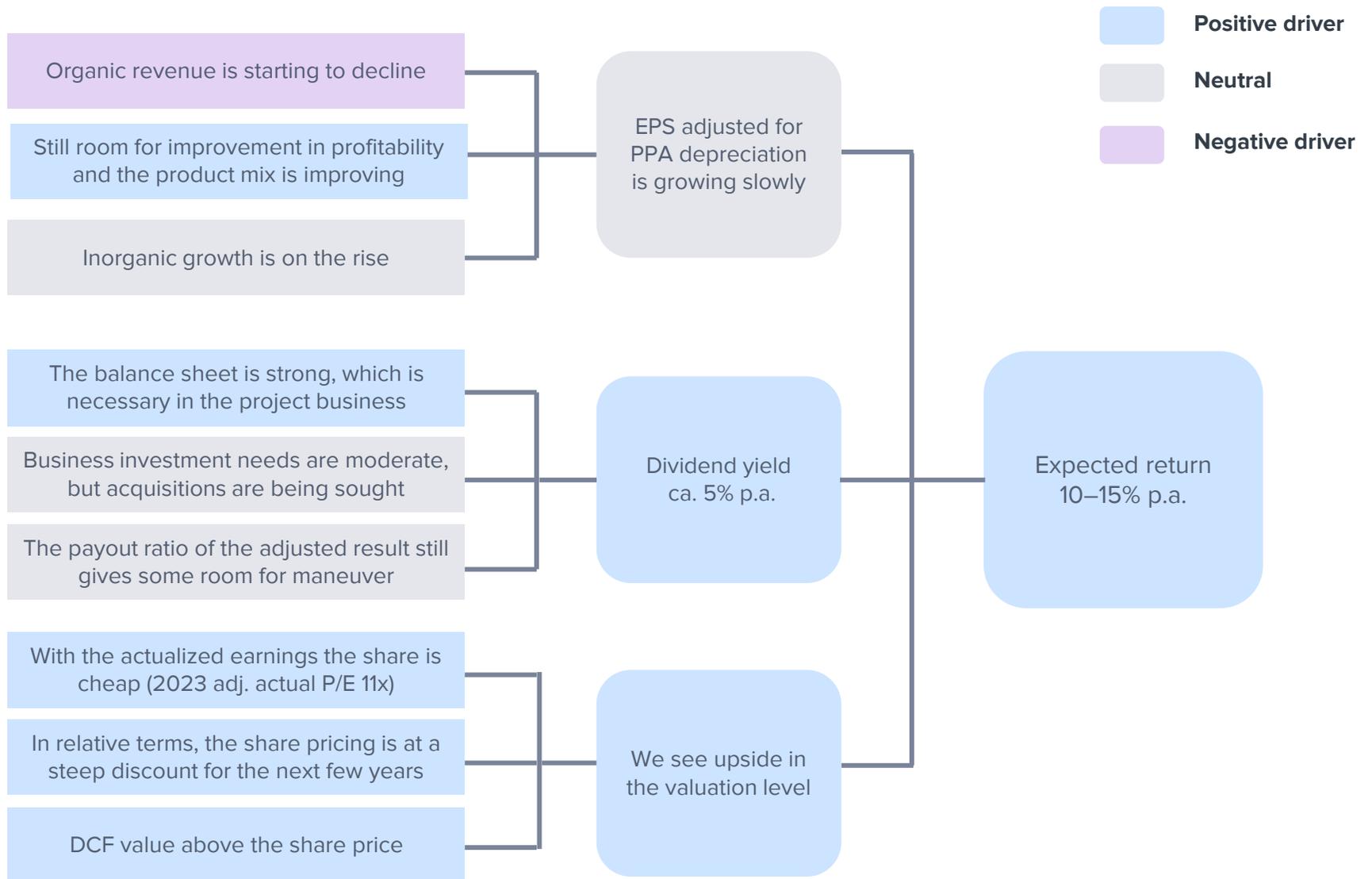
Our view of the share's upside is also supported by the DCF model, which emphasizes long-term potential and indicates a value that is above the share price as well. In the model, we do not expect Valmet to be able to deliver more than slow long-term and earnings growth, which is a conservative starting point given the company's competitive advantages, strong track record of improvement and proven acquisition potential.

Taking into account the overall picture, we believe that a positive view is well justified for Valmet and that the fair value of the share is higher than the current price. We feel that the balance sheet and volume-based valuation of the share (2024e: EV/S 1.0x and P/B 1.8x) still provides a certain degree of support, while the short-term earnings outlook turned out to be stronger than expected. On the other hand, given the percentage of Services and Automation in revenue and the nature of the businesses, we think a collapse is unlikely, despite the remaining uncertainties in the forest sector and the macroeconomic environment.

Valuation	2024e	2025e	2026e
Share price	26.1	26.1	26.1
Number of shares, millions	184.5	184.5	184.5
Market cap	4822	4822	4822
EV	5677	5398	5184
P/E (adj.)	11.9	11.4	10.2
P/E	14.3	13.2	11.8
P/B	1.8	1.7	1.7
P/S	0.9	0.9	0.9
EV/Sales	1.0	1.0	1.0
EV/EBITDA	7.8	7.2	6.6
EV/EBIT (adj.)	9.6	8.8	7.9
Payout ratio (%)	76.5 %	73.1 %	65.0 %
Dividend yield-%	5.4 %	5.5 %	5.5 %

Source: Inderes

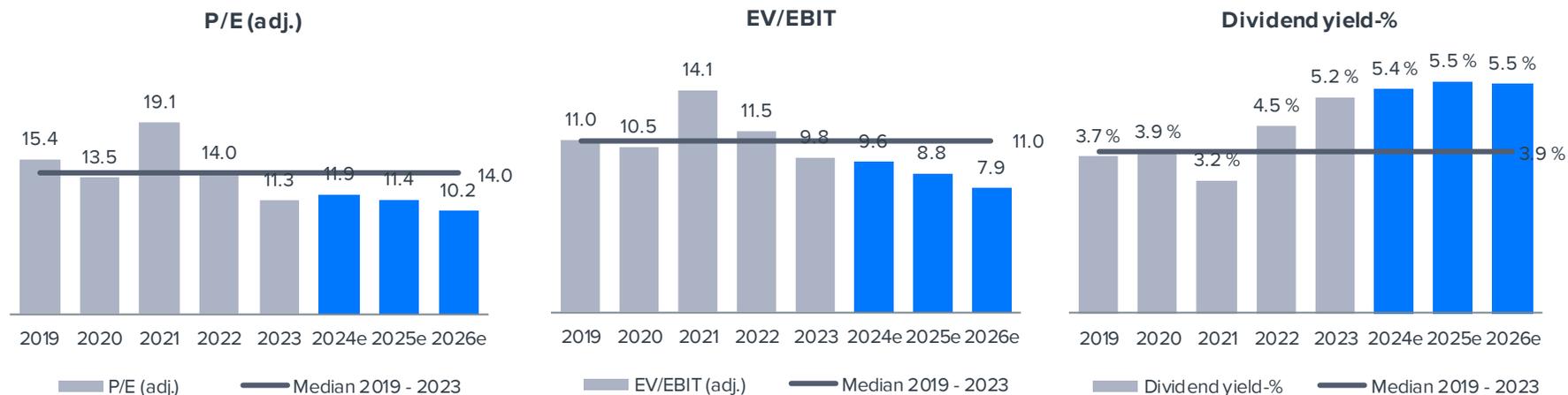
TSR drivers 2024-2026e



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	21.4	23.4	37.7	29.0	26.1	26.13	26.13	26.13	26.13
Number of shares, millions	149.6	149.5	149.5	184.5	184.5	184.5	184.5	184.5	184.5
Market cap	3196	3492	5639	5351	4818	4822	4822	4822	4822
EV	3167	3733	5621	5893	5881	5677	5398	5184	4980
P/E (adj.)	15.4	13.5	19.1	14.0	11.3	11.9	11.4	10.2	9.7
P/E	15.9	15.1	19.0	15.8	13.5	14.3	13.2	11.8	11.0
P/B	3.1	3.1	4.3	2.1	1.9	1.8	1.7	1.7	1.6
P/S	0.9	0.9	1.4	1.1	0.9	0.9	0.9	0.9	0.9
EV/Sales	0.9	1.0	1.4	1.2	1.1	1.0	1.0	1.0	0.9
EV/EBITDA	8.2	8.8	10.8	9.2	8.4	7.8	7.2	6.6	6.1
EV/EBIT (adj.)	11.0	10.5	14.1	11.5	9.8	9.6	8.8	7.9	7.2
Payout ratio (%)	59.4 %	58.3 %	60.6 %	71.0 %	69.7 %	76.5 %	73.1 %	65.0 %	70.0 %
Dividend yield-%	3.7 %	3.9 %	3.2 %	4.5 %	5.2 %	5.4 %	5.5 %	5.5 %	6.4 %

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Atlas Copco	70401	72244	21.7	21.4	18.3	17.9	4.8	4.7	28.7	28.4	1.6	1.7	8.8
Sandvik	24102	28057	13.7	14.3	10.6	11.0	2.5	2.6	16.6	16.9	2.6	2.7	3.0
SKF	8572	9718	8.9	9.3	6.8	6.9	1.1	1.1	12.1	13.1	3.6	3.7	1.7
Wärtsilä	8219	8267	16.7	13.1	12.6	10.5	1.4	1.2	24.1	18.3	2.3	2.8	3.6
ABB	75583	78042	16.5	15.8	14.1	13.6	2.6	2.5	21.6	20.9	2.2	2.3	5.9
Andritz	5834	5384	7.9	7.8	6.0	6.0	0.6	0.6	10.9	10.9	4.2	4.5	2.6
Cargotec	3840	3970	7.6	9.9	6.3	7.5	0.9	1.0	10.1	13.3	2.8	3.0	2.3
Konecranes	3582	3927	9.4	9.0	7.6	7.2	1.0	1.0	12.9	12.3	3.0	3.3	2.3
Metso	7653	8440	10.3	10.5	8.7	8.9	1.6	1.6	13.3	13.1	3.7	3.9	2.9
Alfa Laval	13512	14397	17.0	14.9	13.7	12.2	2.6	2.4	21.9	19.3	1.9	2.2	4.0
Valmet (Inderes)	4822	5677	9.6	8.8	7.8	7.2	1.0	1.0	11.9	11.4	5.4	5.5	1.8
Average			13.0	12.6	10.5	10.2	1.9	1.9	17.2	16.6	2.8	3.0	3.7
Median			12.0	11.8	9.6	9.7	1.5	1.4	14.9	15.1	2.7	2.9	3.0
Diff-% to median			-20%	-25%	-19%	-26%	-28%	-27%	-20%	-25%	99%	89%	-39%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	5074	1321	1417	1295	1499	5532	1259	1387	1285	1492	5424	5267	5407	5576
Services	1606	389	457	429	509	1784	373	448	429	518	1768	1839	1913	1989
Automation	1040	304	338	311	375	1328	306	365	343	409	1423	1483	1543	1596
Process Technology	2428	628	623	554	615	2420	580	574	514	565	2232	1945	1952	1991
EBITDA	639	155	179	169	201	703	147	180	178	225	730	751	791	816
Depreciation	-203	-58	-43	-42	-53	-196	-53	-57	-57	-57	-223	-218	-209	-203
EBIT (adj.)	511	128	147	141	182	598	114	145	143	190	594	611	658	687
EBIT	436	97	136	127	148	507	94	123	121	168	508	533	582	613
Services (adj. EBITA)	237	63	79	79	91	312	60	74	75	93	302	313	325	338
Automation (adj. EBITA)	190	50	60	59	79	248	51	64	62	86	262	277	293	306
Process Technology (adj. EBITA)	145	30	29	25	26	110	26	29	27	31	113	107	127	129
Others (adj. EBITA)	-39	-9	-16	-13	-13	-51	-14	-13	-12	-12	-51	-52	-53	-53
Amortization of other intangibles	-22	-5	-6	-5	-5	-21	-8	-8	-8	-8	-32	-34	-34	-34
PPA deprecation	-92	-29	-14	-14	-19	-76	-20	-22	-22	-22	-86	-78	-76	-74
NRI	17	-2	2	-4	-11	-15	0	0	0	0	0	0	0	0
Net financial items	-5	-5	-7	-7	-15	-34	-12	-15	-16	-16	-58	-48	-43	-31
PTP	431	91	129	120	133	473	82	109	106	153	450	485	539	582
Taxes	-94	-21	-30	-35	-29	-114	-21	-27	-26	-38	-113	-119	-132	-143
Minority interest	0	-1	0	0	0	-1	0	0	0	0	0	0	0	0
Net earnings	338	70	99	85	104	358	62	82	79	114	338	366	407	440
EPS (adj.)	2.07	0.58	0.52	0.52	0.69	2.31	0.42	0.53	0.52	0.71	2.19	2.30	2.55	2.70
EPS (rep.)	1.83	0.38	0.54	0.46	0.56	1.94	0.33	0.44	0.43	0.62	1.83	1.98	2.21	2.38

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	29.0 %	37.6 %	10.2 %	0.6 %	-2.7 %	9.0 %	-4.7 %	-2.1 %	-0.7 %	-0.5 %	-2.0 %	-2.9 %	2.7 %	3.1 %
Adjusted EBIT growth-%	28.4 %	75.3 %	43.1 %	-2.4 %	-4.7 %	17.0 %	-10.6 %	-1.3 %	2.0 %	4.5 %	-0.8 %	2.9 %	7.7 %	4.4 %
EBITDA-%	12.6 %	11.7 %	12.6 %	13.0 %	13.4 %	12.7 %	11.7 %	13.0 %	13.8 %	15.1 %	13.5 %	14.3 %	14.6 %	14.6 %
Adjusted EBIT-%	10.1 %	9.7 %	10.4 %	10.9 %	12.1 %	10.8 %	9.1 %	10.5 %	11.2 %	12.7 %	10.9 %	11.6 %	12.2 %	12.3 %
Net earnings-%	6.7 %	5.3 %	7.0 %	6.6 %	6.9 %	6.5 %	4.9 %	5.9 %	6.2 %	7.7 %	6.2 %	7.0 %	7.5 %	7.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	3386	3768	3756	3618	3485
Goodwill	1611	1735	1785	1785	1785
Intangible assets	1030	1142	1074	971	874
Tangible assets	600	698	704	669	633
Associated companies	15.0	16.0	16.0	16.0	16.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	68.8	87.0	87.0	87.0	87.0
Deferred tax assets	62.0	90.0	90.0	90.0	90.0
Current assets	2887	3296	3201	3107	3221
Inventories	934	1049	949	843	865
Other current assets	357	842	842	842	842
Receivables	1319	973	976	1001	1081
Cash and equivalents	277	432	434	421	433
Balance sheet total	6273	7064	6957	6725	6706

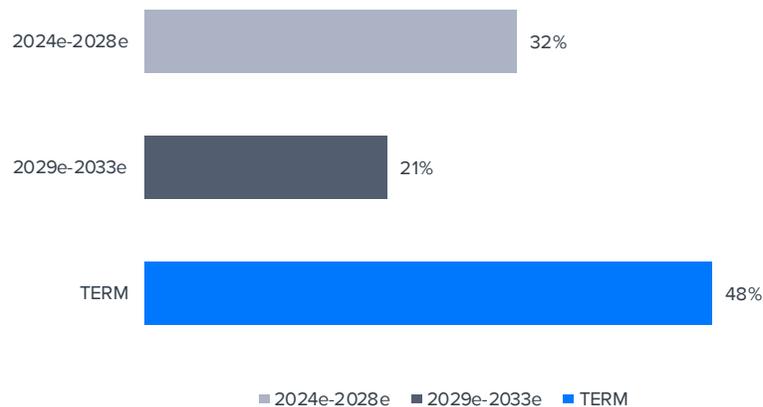
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	2501	2572	2660	2768	2908
Share capital	140	140	140	140	140
Retained earnings	999	1096	1184	1292	1432
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	1357	1330	1330	1330	1330
Minorities	5.0	6.0	6.0	6.0	6.0
Non-current liabilities	1034	1829	1517	1285	1123
Deferred tax liabilities	238	283	283	283	283
Provisions	38.0	42.0	42.0	42.0	42.0
Interest bearing debt	618	1338	1026	794	632
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	140	166	166	166	166
Current liabilities	2738	2663	2779	2672	2675
Interest bearing debt	190	146	252	193	153
Payables	1957	1671	1681	1633	1676
Other current liabilities	591	846	846	846	846
Balance sheet total	6273	7064	6957	6725	6706

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.0 %	-2.0 %	-2.9 %	2.7 %	3.1 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	9.2 %	9.4 %	10.1 %	10.8 %	11.0 %	11.5 %	11.0 %	10.5 %	10.5 %	10.0 %	10.0 %	10.0 %
EBIT (operating profit)	507	508	533	582	613	660	651	640	659	646	659	
+ Depreciation	196	223	218	209	203	195	185	176	146	143	140	
- Paid taxes	-97	-113	-119	-132	-143	-156	-156	-155	-160	-157	-160	
- Tax, financial expenses	-8	-14	-12	-11	-7	-5	-3	-2	-2	-2	-2	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-285	107	33	-60	-64	-10	-10	-11	-11	-11	-8	
Operating cash flow	313	710	654	589	602	684	666	648	632	619	630	
+ Change in other long-term liabilities	30	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-549	-210	-81	-76	-110	-110	-110	-110	-110	-110	-147	
Free operating cash flow	-206	500	573	513	492	574	556	538	522	509	483	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-206	500	573	513	492	574	556	538	522	509	483	7298
Discounted FCFF		464	489	402	355	381	339	302	269	242	211	3182
Sum of FCFF present value		6635	6171	5682	5280	4925	4545	4206	3904	3635	3393	3182
Enterprise value DCF		6635										
- Interest bearing debt		-1484										
+ Cash and cash equivalents		432										
-Minorities		-11										
-Dividend/capital return		-249										
Equity value DCF		5323										
Equity value DCF per share		28.8										

Cash flow distribution



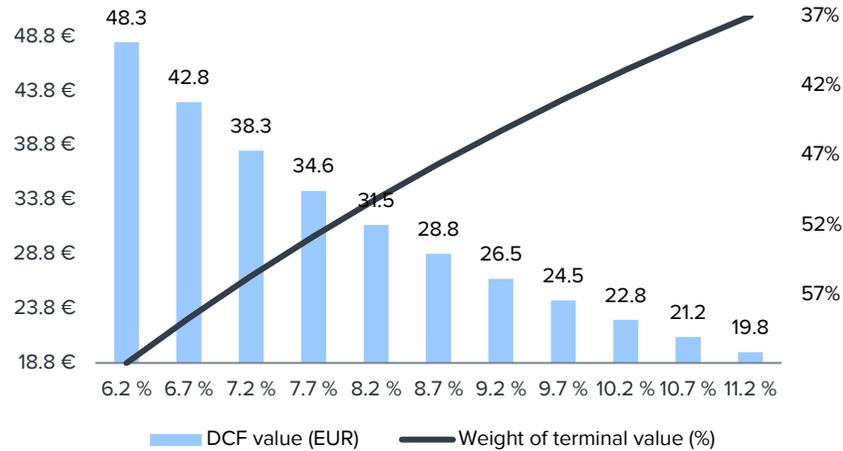
WACC

Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.0 %
Equity Beta	1.45
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.7 %

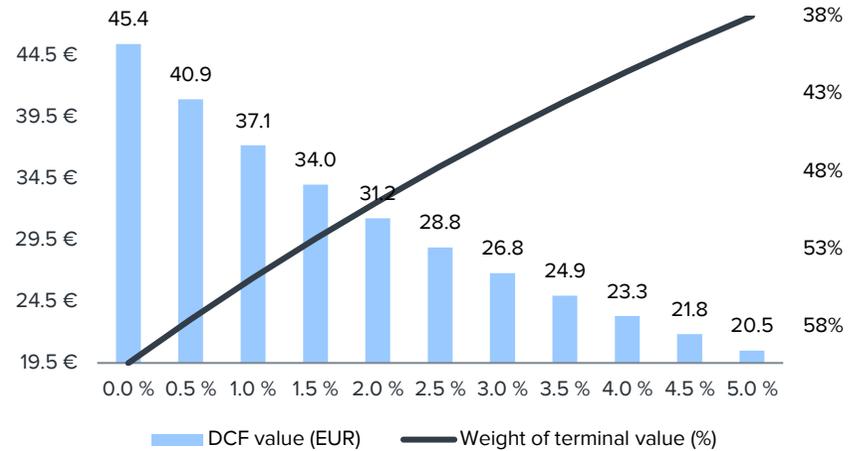
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

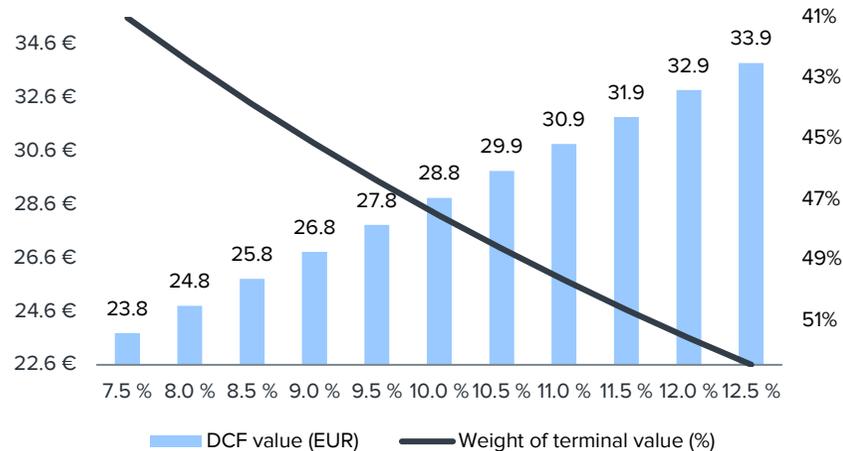
Sensitivity of DCF to changes in the WACC-%



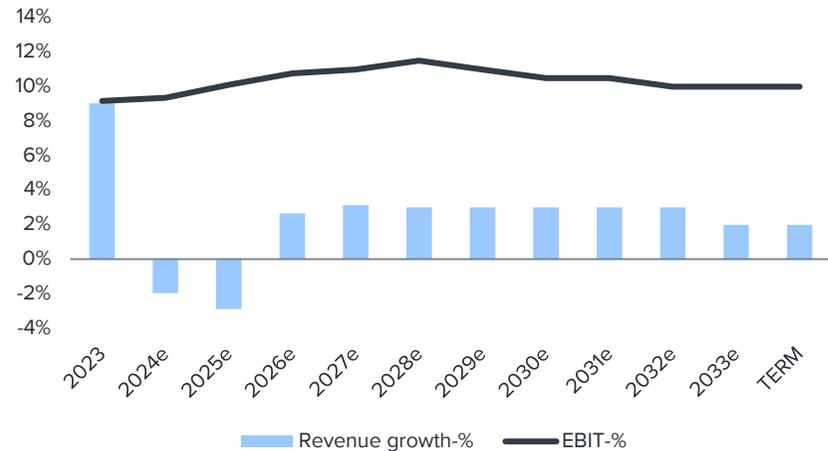
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	3934	5074	5532	5424	5267	EPS (reported)	1.98	1.83	1.94	1.83	1.98
EBITDA	521	639	703	730	751	EPS (adj.)	1.98	2.07	2.31	2.19	2.30
EBIT	399	436	507	508	533	OCF / share	3.88	10.39	1.70	3.85	3.54
PTP	396	431	473	450	485	FCF / share	2.46	-0.57	-1.12	2.71	3.11
Net Income	296	338	358	338	366	Book value / share	8.87	13.53	13.91	14.38	14.97
Extraordinary items	1	-75	-91	-86	-78	Dividend / share	1.20	1.30	1.35	1.40	1.45
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	4420	6273	7064	6957	6725	Revenue growth-%	5%	29%	9%	-2%	-3%
Equity capital	1332	2501	2572	2660	2768	EBITDA growth-%	22%	23%	10%	4%	3%
Goodwill	730	1611	1735	1785	1785	EBIT (adj.) growth-%	12%	28%	17%	-1%	3%
Net debt	-43	531	1052	844	566	EPS (adj.) growth-%	15%	5%	11%	-5%	5%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	13.2 %	12.6 %	12.7 %	13.5 %	14.3 %
EBITDA	521	639	703	730	751	EBIT (adj.)-%	10.1 %	10.1 %	10.8 %	10.9 %	11.6 %
Change in working capital	160	-543	-285	107	33	EBIT-%	10.1 %	8.6 %	9.2 %	9.4 %	10.1 %
Operating cash flow	581	1917	313	710	654	ROE-%	24.1 %	17.7 %	14.1 %	12.9 %	13.5 %
CAPEX	-164	-1982	-549	-210	-81	ROI-%	23.2 %	17.0 %	13.8 %	12.7 %	13.9 %
Free cash flow	368	-105	-206	500	573	Equity ratio	42.0 %	49.3 %	43.5 %	45.6 %	49.2 %
						Gearing	-3.2 %	21.2 %	40.9 %	31.7 %	20.4 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1.4	1.2	1.1	1.0	1.0						
EV/EBITDA (adj.)	10.8	9.2	8.4	7.8	7.2						
EV/EBIT (adj.)	14.1	11.5	9.8	9.6	8.8						
P/E (adj.)	19.1	14.0	11.3	11.9	11.4						
P/B	4.3	2.1	1.9	1.8	1.7						
Dividend-%	3.2 %	4.5 %	5.2 %	5.4 %	5.5 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/24/2019	Reduce	22.00 €	21.18 €
8/16/2019	Accumulate	18.00 €	15.72 €
10/25/2019	Accumulate	21.00 €	20.04 €
2/6/2020	Accumulate	25.00 €	23.94 €
3/13/2020	Accumulate	19.00 €	17.00 €
4/23/2020	Accumulate	20.00 €	18.81 €
6/4/2020	Reduce	23.00 €	24.37 €
7/23/2020	Accumulate	24.00 €	22.65 €
9/30/2020	Accumulate	24.00 €	21.63 €
10/28/2020	Accumulate	23.00 €	20.28 €
12/30/2020	Accumulate	25.00 €	23.29 €
2/5/2021	Accumulate	30.00 €	28.02 €
3/11/2021	Accumulate	30.00 €	28.60 €
4/19/2021	Accumulate	36.00 €	33.97 €
4/23/2021	Accumulate	36.00 €	34.45 €
7/5/2021	Accumulate	36.00 €	35.02 €
7/23/2021	Accumulate	38.50 €	36.69 €
10/27/2021	Accumulate	38.50 €	34.66 €
2/4/2022	Accumulate	37.00 €	32.80 €
4/5/2022	Accumulate	32.00 €	28.08 €
4/28/2022	Buy	32.00 €	25.31 €
7/21/2022	Buy	32.00 €	24.66 €
7/28/2022	Buy	32.00 €	24.70 €
10/27/2022	Buy	32.00 €	23.23 €
1/31/2022	Accumulate	32.00 €	29.00 €
2/2/2023	Accumulate	34.00 €	32.30 €
4/27/2023	Lisää	34.00 €	29.91 €
7/27/2023	Lisää	29.00 €	24.98 €
10/26/2023	Osta	27.00 €	20.23 €
2/8/2024	Lisää	28.00 €	26.13 €



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