

KONE

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COMPANY REPORT



We got what we paid for

KONE's Q1 figures were quite well in line with our and the market's expectations. The overall picture of the report turned slightly to the positive side, driven by the order intake that slightly exceeded expectations. The revised guidance for this year was also in line with our expectations ahead of the report, and thus, the estimate changes were marginal at group level. Reflecting this, we reiterate our EUR 55 target price, but as the share price has risen, we lower our recommendation to Reduce (was Accumulate).

The Q1 report was well in line with our expectations

In Q1, KONE's revenue grew by 4%, which was in line with our and consensus estimates. However, the revenue structure was more aftermarket-heavy than we expected. In Q1, KONE's adjusted EBIT amounted to 280 MEUR, which exceeded our estimate slightly but was in line with the consensus. This corresponded to an adjusted EBIT margin of 10.5%, in line with market expectations. In contrast, the reported order intake in Q1 (2,378 MEUR, +6% y/y) slightly exceeded both our (Inderes' estimate +4% y/y) and the consensus forecast (2,303 MEUR, +3% y/y). The order increase was double-digit outside China and especially strong in Modernization. The margin of orders declined slightly year-on-year, driven by China, while the margin of orders was more stable in the rest of the world.

Revised guidance in line with market expectations

In connection with the report, KONE specified its guidance for the current year and estimates that its revenue will grow by 1-6% in comparable currencies (previously expected to grow slightly). On the other hand, it expects the adjusted EBIT margin to be 11.8-12.2% (previously, improvement in EBIT is expected to continue). This was also quite well in line with the consensus expectation before the report and with our estimates. Correspondingly, the company slightly lowered its market

outlook for New Building Solutions in North America due to increased uncertainty in the business environment. For Europe, the company raised its outlook and expects the market to grow slightly. Otherwise, the outlook was unchanged and especially the modernization market is expected to grow rapidly in all geographical areas. In China, the company expects New Building Solutions to continue to decline at a double-digit rate this year. Encouraging was that the company commented that it had seen the first signs of activity stabilizing in the region towards the end of the year.

In line with the overall picture, we only made minor estimate revisions regarding the revenue structure. However, the impact on group-level forecasts was mainly cosmetic. We still expect KONE's revenue to grow by some 4% this year and the adjusted EBIT margin to reach 12.2%. We also still expect the company to continue to achieve the targeted margin improvement (2027 adj. EBIT-%: 13-14%) on schedule through strategic efficiency measures and an improved sales mix.

We think the share is correctly priced

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 20x and 18x. The corresponding P/E ratios are around 26x and 23x. Overall, we think the multiples are at a justified level for a defensive quality company like KONE, but see no upside in them, also considering the elevated uncertainties related to the global economy. Therefore, we estimate that the expected return on the stock is based on a dividend yield of just under 4% over the next 12 months. Our view of the stock being fully priced is also supported by our DCF model, which emphasizes long-term potential and is roughly in line with the share price.

Recommendation

Reduce

(was Accumulate)

Target price:

EUR 55.00

(was EUR 55.00)

Share price:

EUR 54.50

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	11098	11515	12135	12762
growth-%	1%	4%	5%	5%
EBIT adj.	1303.0	1400.8	1557.8	1689.5
EBIT-% adj.	11.7 %	12.2 %	12.8 %	13.2 %
Net Income	951.4	1081.1	1206.9	1311.6
EPS (adj.)	1.94	2.09	2.33	2.53

P/E (adj.)	24.2	26.0	23.4	21.5
P/B	8.5	9.3	8.7	8.1
Dividend yield-%	3.8 %	3.5 %	3.9 %	4.1 %
EV/EBIT (adj.)	18.2	19.6	17.5	16.0
EV/EBITDA	15.4	16.1	14.6	13.4
EV/S	2.1	2.4	2.2	2.1

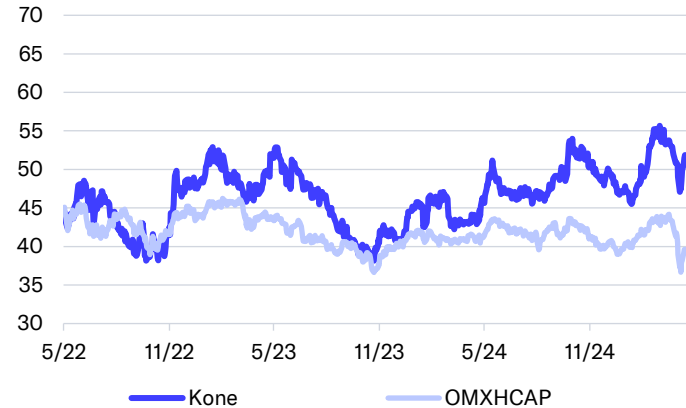
Source: Inderes

Guidance

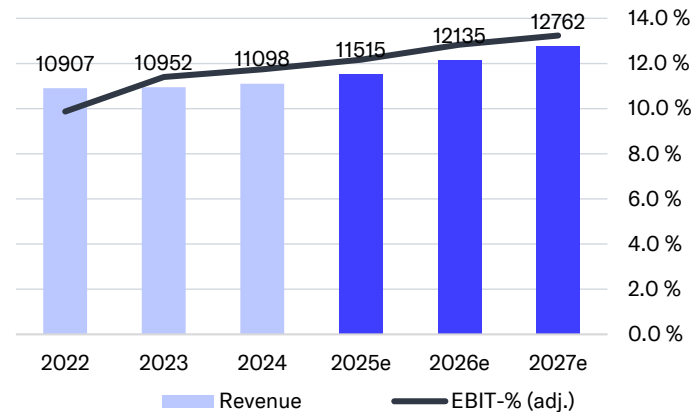
(Adjusted)

KONE estimates that in 2025, its revenue growth will be in the range of 1 to 6% at comparable exchange rates. The adjusted EBIT margin is estimated to be 11.8-12.4%. Assuming that exchange rates remain at the April 2025 level, their negative impact on adjusted EBIT is approximately 50 MEUR.

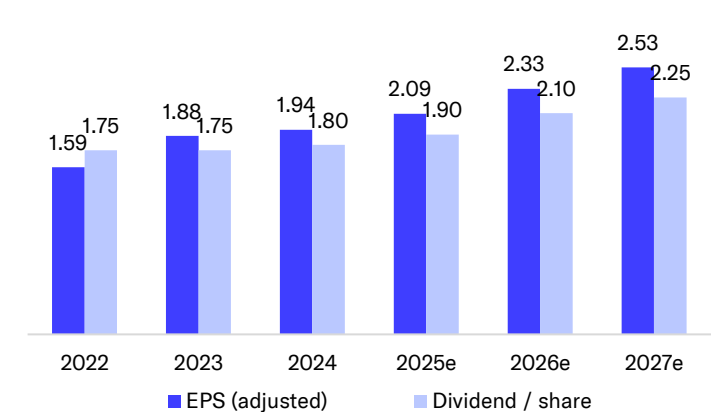
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Global growth in Modernization
- Demand recovery in the new equipment market
- The renewed operating model supports margins
- Rise of new digital services

Risk factors

- Delay in the recovery of the Chinese construction market and continued tight price competition
- The Western market remains sluggish
- Differentiation with digital services proves difficult

Valuation	2025e	2026e	2027e
Share price	54.5	54.5	54.5
Number of shares, millions	517.5	517.5	517.5
Market cap	28205	28205	28205
EV	27494	27298	27108
P/E (adj.)	26.0	23.4	21.5
P/E	26.1	23.4	21.5
P/B	9.3	8.7	8.1
P/S	2.4	2.3	2.2
EV/Sales	2.4	2.2	2.1
EV/EBITDA	16.1	14.6	13.4
EV/EBIT (adj.)	19.6	17.5	16.0
Payout ratio (%)	90.9 %	90.1 %	88.8 %
Dividend yield-%	3.5 %	3.9 %	4.1 %

Source: Inderes

Q1 figures were in line with expectations

Revenue growth in line with expectations, but the structure was more aftermarket-heavy

In Q1, KONE’s revenue grew by 4%, which was in line with our and consensus estimates. Of the business areas, revenue for New Building Solutions decreased as expected (-10% y/y), but the rate of decline was even sharper than we anticipated (Inderes' estimate -5% y/y). On the other hand, the growth of Modernization was even faster than we expected (+21% y/y vs. estimate +14% y/y). Correspondingly, the Maintenance business' growth of just under 10% was fairly well in line with our expectations.

By region, revenue in China continued to decline sharply (-14% y/y), while in other regions, the growth trend remained strong (+7-9% y/y). China’s share of revenue decreased by 19% in Q1 (Q1'24: 22%).

Earnings also at the expected level

In Q1, KONE's adjusted EBIT amounted to 280 MEUR,

which exceeded our estimate slightly but was in line with the consensus. This corresponded to an adjusted EBIT margin of 10.5%, which was also in line with market expectations. According to the company, the improvement in profitability was due to an increase in the relative share of Maintenance and Modernization. Instead, headwinds continued to come from China. The company recorded small non-recurring expenses for the quarter, and the cost burden on the lower lines was slightly higher than expected in net terms. Reflecting this, reported earnings per share were marginally below the forecasts.

Slight overshoot in orders compared to forecasts

KONE’s reported Q1 order intake (2,378 MEUR, +6% y/y) slightly exceeded both our (Inderes' estimate +4% y/y) and the consensus forecast (2,303 MEUR, +3% y/y). According to the company, orders increased clearly from the comparison period in the Americas and Europe, and considerably in APMEA. China continued to depress the

development, with orders falling clearly. As expected, the company reported that modernization orders increased considerably. On the other hand, the margin of received orders declined slightly year-on-year, driven by China, while the margin of orders in the rest of the world was more stable.

Very strong financial position despite dividend distribution

In Q1, KONE's cash flow from operating activities (incl. payments of lease liabilities) was 369 MEUR (Q1'24: 295 MEUR) and 322 MEUR of free cash flow was created (Q1'24: 223 MEUR). At the end of the quarter, the company had clearly positive net assets even after dividend payments (336 MEUR) and the balance sheet figures were at a strong level (equity ratio 32%, net debt ratio -16%).

Estimates MEUR / EUR	Q1'24 Comparison	Q1'25 Actualized	Q1'25e Inderes	Q1'25e Consensus	Consensus Low High	Difference (%) Act. vs. Inderes	2025e Inderes
Revenue	2568	2672	2670	2664	2618-2696	0%	11515
EBIT (adj.)	262	280	277	281	272-290	1%	1401
EBIT	262	277	277	280	267-289	0%	1398
PTP	266	280	281	282	274-293	0%	1410
EPS (reported)	0.39	0.41	0.42	0.42	0.38-0.44	-2%	2.09
Revenue growth-%	0.5 %	4.1 %	4.0 %	3.7 %	2.0 %-5.0 %	0.1 pp	3.8 %
EBIT-% (adj.)	10.2 %	10.5 %	10.4 %	10.5 %	10.4 %-10.8 %	0.1 pp	12.2 %

Source: Inderes & Vara Research
(28.4.2025, 13-15 estimates)
(consensus)

Changes in forecasts remained marginal

This year’s guidance is still quite broad

In connection with the report, KONE specified its guidance for this year and now estimates revenue growth to be 1-6% in comparable currencies (previously, growing slightly). On the other hand, it expects the adjusted EBIT margin to be 11.8-12.2% (previously, improvement in EBIT is expected to continue). This was also quite well in line with the consensus expectation before the report (reported revenue growth +3.5% y/y, adj. EBIT-%: 12.2%) and also with our forecast (growth +4% y/y, adj. EBIT-%: 12.2 %).

According to the company, the key revenue drivers are the positive outlook in the Maintenance and Modernization businesses and the strong order backlog. Revenue growth, improved sales mix and efficiency programs support margin development. However, pressure continues to come from New Building Solutions in China, and the slight decrease in order intake margins in 2024, as well as the limited impact of tariffs. Regarding tariffs, the company

commented that imports account for less than 10% of its US revenue (compared to ~20% of the group's revenue coming from the US in recent years). Thus, the direct impacts of the tariffs are limited and KONE seeks to tackle the effects through global production and pricing.

Only minor revisions to market outlook

The company slightly lowered its market outlook for New Building Solutions in North America due to increased uncertainty in the business environment, while for Europe, the company raised its outlook and expects the market to grow slightly. Otherwise, the outlook was unchanged and especially the modernization market is expected to grow rapidly in all geographical areas. In China, the company expects new construction solutions to continue to decline at a double-digit rate this year. Encouraging was, however, that the company commented that it had seen the first signs of activity stabilizing in the region towards the end of the year.

Only marginal adjustments to forecasts

In line with the overall picture, we only made minor estimate revisions, mainly regarding the revenue structure. However, the impact on group-level forecasts was mainly cosmetic. We still expect KONE’s revenue to grow by some 4% this year and the adjusted EBIT margin to reach 12.2%.

We also still expect the company to continue to achieve the targeted margin improvement (2027 adj. EBIT-%: 13-14%) as scheduled in 2027. We believe the company is supported by strategy-driven efficiency measures (incl. pricing) and an improving sales mix (growth in the share of Maintenance and Modernization).

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11558	11515	0%	12207	12135	-1%	12848	12762	-1%
EBITDA	1707	1710	0%	1854	1876	1%	2008	2019	1%
EBIT (exc. NRIs)	1416	1401	-1%	1557	1558	0%	1699	1689	-1%
EBIT	1416	1398	-1%	1557	1558	0%	1699	1689	-1%
PTP	1430	1410	-1%	1574	1573	0%	1722	1710	-1%
EPS (excl. NRIs)	2.12	2.09	-1%	2.34	2.33	0%	2.56	2.53	-1%
DPS	1.90	1.90	0%	2.10	2.10	0%	2.25	2.25	0%

Source: Inderes

The share is largely correctly priced

Valuation multiples are pretty neutral

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 20x and 18x. The corresponding net profit-based P/E ratios are approximately 26x and 23x.

Relative to KONE's 12-month forward-looking median coefficients of the last five years (EV/EBIT ~19x, P/E ~25x, source: Bloomberg) the multiples for this year are slightly elevated. Similarly, we feel 2026 multiples offer a slight upside. Overall, we believe the multiples are at a justified level for a defensive quality company like KONE, also considering the low risk level of the business. The earnings growth not materializing for a decade is negative in terms of the upside potential for multiples. On the other hand, the conditions for achieving earnings growth have now strengthened, thanks to the growth in the share of aftermarkets in earnings and the reduced dependence on China. In the current situation, we believe that the multiple-based valuation is at a neutral level, but we do not see any significant upside in it.

Relative valuation

KONE's valuation is currently in line with the closest peers, Otis and Schindler. In our opinion, the valuations of the main competitors can also be considered somewhat neutral (the median of the last five years 12-month fwd. EV/EBIT ratios 17x-18x, 12-month fwd. P/E ratios 24x-26x). On the other hand, KONE's still somewhat higher (although declining) dependence on China than its competitors and lower profitability, in particular compared to Otis, would justify a certain discount relative to peers.

KONE's stock is currently priced at a slight premium as a whole compared to the broader peer group. Thus, we find it difficult to see an upside in the stock through relative valuation.

Overall expected return for the next few years is good

Assuming KONE's earnings development progresses in line with our expectations, we believe the company and the stock could justifiably be priced at a 17x-21x EV/EBIT ratio and a 24x-27x P/E ratio with the realized earnings at the end of 2027 if no significant changes occur in market pricing or interest rates. This would be equivalent to a value of EUR 70 per share. Converted to annual return, this would correspond to an average of around 7%, in addition to which we estimate the share offers an annual dividend yield of some 3-4%. From this perspective, the medium-term total expected return is above the required return on equity of good 7% we apply. However, we point out that the expected return is back-loaded.

DCF value still above the share price

Our view of the share's correct pricing is also supported by the DCF model, which emphasizes the longer-term potential and indicates a value that is roughly in line with the share price (EUR ~55). At the same time, it is worth noting that in our forecasts, we expect the company to sustainably raise its margin level from recent years and achieve a sustainable leap in earnings. As stated above, we believe, however, there is currently a clear and achievable path to this.

Considering the overall picture, we see the share as largely fully priced for the next 12 months, also considering the elevated uncertainties in the global economy.

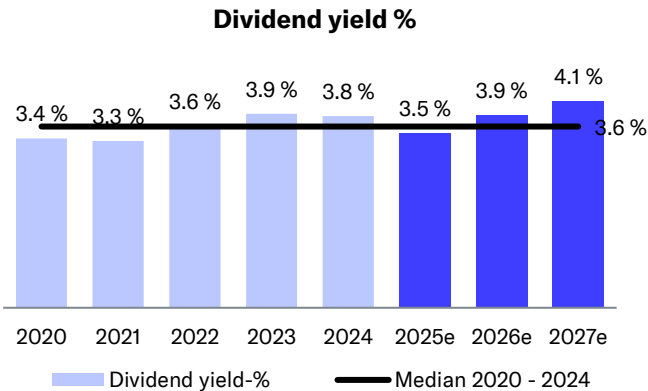
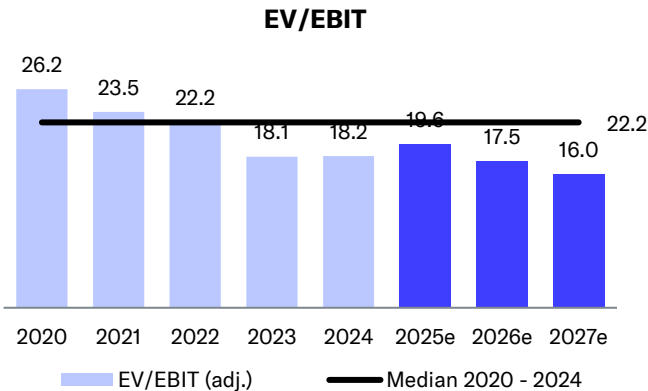
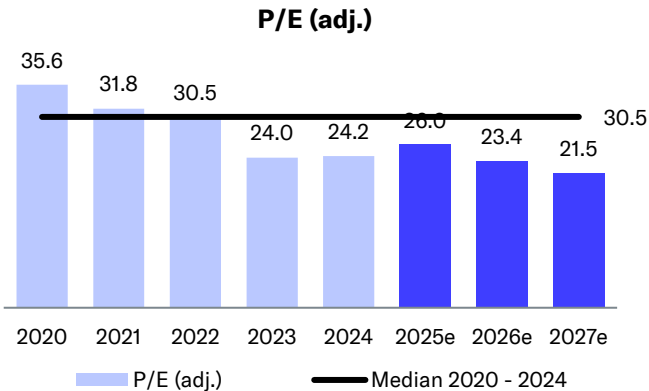
Valuation	2025e	2026e	2027e
Share price	54.5	54.5	54.5
Number of shares, millions	517.5	517.5	517.5
Market cap	28205	28205	28205
EV	27494	27298	27108
P/E (adj.)	26.0	23.4	21.5
P/E	26.1	23.4	21.5
P/B	9.3	8.7	8.1
P/S	2.4	2.3	2.2
EV/Sales	2.4	2.2	2.1
EV/EBITDA	16.1	14.6	13.4
EV/EBIT (adj.)	19.6	17.5	16.0
Payout ratio (%)	90.9 %	90.1 %	88.8 %
Dividend yield-%	3.5 %	3.9 %	4.1 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	66.5	63.0	48.3	45.2	47.0	54.5	54.5	54.5	54.5
Number of shares, millions	518.4	518.0	517.1	517.2	517.5	517.5	517.5	517.5	517.5
Market cap	34452	32652	24975	23358	24324	28205	28205	28205	28205
EV	32722	30724	23908	22611	23694	27494	27298	27108	26920
P/E (adj.)	35.6	31.8	30.5	24.0	24.2	26.0	23.4	21.5	20.3
P/E	36.7	32.2	32.2	25.2	25.6	26.1	23.4	21.5	20.3
P/B	10.9	10.3	8.8	8.5	8.5	9.3	8.7	8.1	7.6
P/S	3.5	3.1	2.3	2.1	2.2	2.4	2.3	2.2	2.1
EV/Sales	3.3	2.9	2.2	2.1	2.1	2.4	2.2	2.1	2.0
EV/EBITDA	22.5	20.0	18.5	15.4	15.4	16.1	14.6	13.4	12.6
EV/EBIT (adj.)	26.2	23.5	22.2	18.1	18.2	19.6	17.5	16.0	15.1
Payout ratio (%)	124.1 %	107.1 %	116.7 %	97.7 %	97.8 %	90.9 %	90.1 %	88.8 %	89.3 %
Dividend yield-%	3.4 %	3.3 %	3.6 %	3.9 %	3.8 %	3.5 %	3.9 %	4.1 %	4.4 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Otis Worldwide Corp	32902	38708	18.3	16.6	17.2	15.6	3.0	2.9	23.4	21.1	1.7	1.9	
Schindler Holding AG	31179	27768	18.9	17.4	15.5	14.5	2.3	2.2	27.6	25.5	2.3	2.5	5.8
Assa Abloy AB	29229	35717	16.2	14.5	13.2	12.1	2.5	2.4	20.5	17.7	2.1	2.4	2.8
Koninklijke Philips NV	20697	25753	12.5	11.7	8.4	7.7	1.4	1.3	14.4	13.0	3.9	4.0	1.7
Ingersoll Rand Inc	26531	29420	18.1	17.0	15.7	14.7	4.5	4.3	22.0	20.2	0.1	0.1	2.6
Johnson Controls International PLC	47743	56566	21.4	18.8	16.9	15.1	2.8	2.6	22.9	19.7	1.8	1.9	3.2
Dover Corp	20501	21527	16.0	14.8	8.8	12.6	3.1	2.9	18.4	16.8	1.2	1.3	3.1
Honeywell International Inc	119399	137620	17.3	16.1	15.2	14.2	3.9	3.7	20.5	18.7	2.2	2.3	7.0
Kone (Inderes)	28205	27494	19.6	17.5	16.1	14.6	2.4	2.2	26.0	23.4	3.5	3.9	9.3
Average			17.3	15.9	13.9	13.3	2.9	2.8	21.2	19.1	1.9	2.0	3.7
Median			17.7	16.3	15.3	14.4	2.9	2.8	21.3	19.2	2.0	2.1	3.1
Diff-% to median			11%	7%	5%	1%	-17%	-18%	22%	22%	78%	84%	203%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	10952	2568	2801	2754	2976	11098	2672	2915	2871	3056	11515	12135	12762	13345
New Building Solutions	4922	1029	1174	1124	1180	4507	929	1133	1105	1164	4332	4462	4640	4803
Maintenance	4127	1083	1114	1117	1189	4504	1189	1192	1190	1231	4801	5089	5344	5584
Modernization	1904	457	513	512	607	2088	555	590	576	661	2382	2584	2778	2958
EBITDA	1470	334	405	393	409	1541	355	436	429	490	1710	1876	2019	2129
Depreciation	-269.4	-71.5	-70.6	-73.4	-76.7	-292.2	-78.0	-78.0	-78.0	-78.0	-312	-318	-329	-341
EBIT (excl. NRI)	1248	262	335	320	387	1303	280	358	351	412	1401	1558	1689	1788
EBIT	1200	262	335	320	333	1249	277	358	351	412	1398	1558	1689	1788
Net financial items	6.1	3.3	2.2	2.6	-2.9	5.2	2.9	2.9	2.9	2.9	11.6	15.7	20.6	25.3
PTP	1206	266	337	322	330	1254	280	361	354	415	1410	1573	1710	1813
Taxes	-274.6	-59.8	-75.8	-72.4	-85.1	-293.1	-64.3	-81.2	-79.7	-93.3	-319	-356	-386	-410
Minority interest	-5.8	-2.9	-2.4	-2.8	-1.6	-9.7	-2.7	-2.0	-2.8	-2.4	-10	-11	-12	-13
Net earnings	926	203	259	247	243	951	213	278	272	319	1081	1207	1312	1391
EPS (adj.)	1.88	0.39	0.50	0.48	0.57	1.94	0.42	0.54	0.53	0.62	2.09	2.33	2.53	2.69
EPS (rep.)	1.79	0.39	0.50	0.48	0.47	1.84	0.41	0.54	0.53	0.62	2.09	2.33	2.53	2.69

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	0.4 %	0.5 %	-1.2 %	0.1 %	5.9 %	1.3 %	4.1 %	4.1 %	4.3 %	2.7 %	3.8 %	5.4 %	5.2 %	4.6 %
Adjusted EBIT growth-%	16.0 %	8.5 %	0.8 %	1.1 %	7.8 %	4.4 %	6.5 %	7.0 %	10.0 %	6.6 %	7.5 %	11.2 %	8.5 %	5.8 %
EBITDA-%	13.4 %	13.0 %	14.5 %	14.3 %	13.8 %	13.9 %	13.3 %	15.0 %	15.0 %	16.0 %	14.8 %	15.5 %	15.8 %	16.0 %
Adjusted EBIT-%	11.4 %	10.2 %	11.9 %	11.6 %	13.0 %	11.7 %	10.5 %	12.3 %	12.2 %	13.5 %	12.2 %	12.8 %	13.2 %	13.4 %
Net earnings-%	8.5 %	7.9 %	9.2 %	9.0 %	8.2 %	8.6 %	8.0 %	9.5 %	9.5 %	10.4 %	9.4 %	9.9 %	10.3 %	10.4 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	3085	3440	3458	3493	3531
Goodwill	1469	1558	1558	1558	1558
Intangible assets	287	333	321	309	301
Tangible assets	780	899	929	975	1022
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	101	150	150	150	150
Other non-current assets	9.2	15.0	15.0	15.0	15.0
Deferred tax assets	439	485	485	485	485
Current assets	5645	5844	6063	6390	6720
Inventories	821	857	889	937	985
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3127	3173	3292	3470	3649
Cash and equivalents	1698	1814	1882	1983	2086
Balance sheet total	8731	9284	9521	9883	10251

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	2786	2893	3049	3279	3510
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2387	2450	2600	2825	3050
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	299	351	351	351	351
Minorities	33.9	26.3	31.3	36.8	42.8
Non-current liabilities	993	1255	1185	1080	982
Deferred tax liabilities	224	232	232	232	232
Provisions	197	186	186	186	186
Interest bearing debt	572	838	767	663	564
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	4952	5136	5288	5523	5760
Interest bearing debt	113	145	133	115	97.7
Payables	4840	4991	5155	5408	5662
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	8731	9284	9521	9883	10251

DCF-calculation

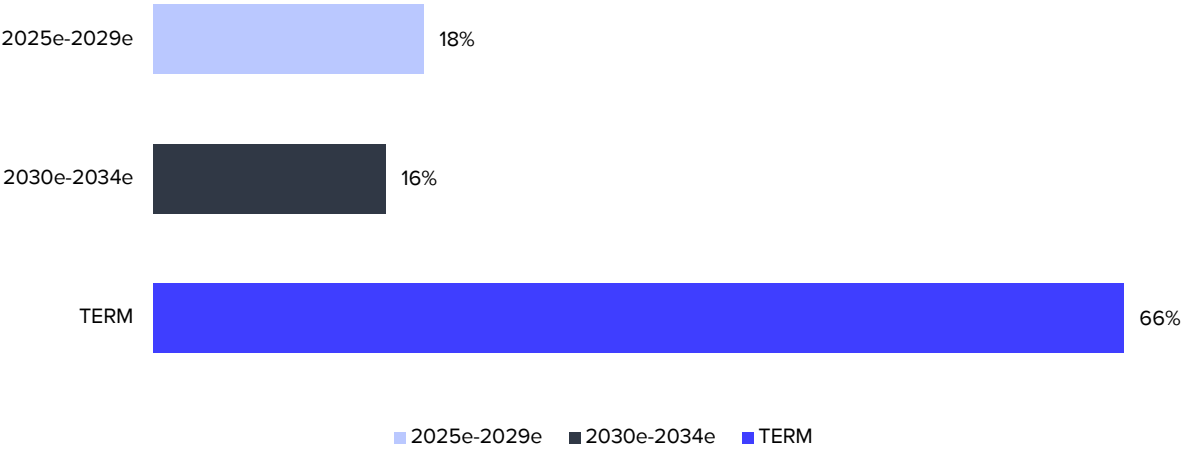
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	1.3 %	3.8 %	5.4 %	5.2 %	4.6 %	4.2 %	3.9 %	3.5 %	3.4 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.3 %	12.1 %	12.8 %	13.2 %	13.4 %	13.5 %	13.3 %	13.1 %	13.0 %	12.8 %	12.5 %	12.5 %
EBIT (operating profit)	1249	1398	1558	1689	1788	1878	1921	1959	2010	2046	2048	
+ Depreciation	292	312	318	329	341	352	364	375	385	394	402	
- Paid taxes	-331	-319	-356	-386	-410	-431	-441	-449	-460	-467	-467	
- Tax, financial expenses	-7.8	-6.6	-6.1	-5.5	-4.9	-4.3	-4.4	-5.3	-6.4	-7.8	-9.0	
+ Tax, financial income	9.0	9.2	9.6	10.1	10.6	11.1	11.5	11.9	12.4	12.8	13.2	
- Change in working capital	68.8	13.0	28.2	26.2	20.3	16.4	12.3	7.9	6.0	5.1	27.4	
Operating cash flow	1280	1407	1552	1663	1745	1822	1863	1899	1947	1983	2015	
+ Change in other long-term liabilities	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-601	-330	-353	-368	-379	-392	-403	-413	-416	-424	-418	
Free operating cash flow	668	1077	1199	1295	1366	1431	1460	1486	1531	1559	1597	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	668	1077	1199	1295	1366	1431	1460	1486	1531	1559	1597	36503
Discounted FCFF		1030	1072	1082	1066	1044	996	947	912	868	831	19005
Sum of FCFF present value		28853	27824	26755	25670	24604	23560	22564	21617	20705	19837	19005
Enterprise value DCF		28853										
- Interest bearing debt		-983										
+ Cash and cash equivalents		1814										
-Minorities		-292										
-Dividend/capital return		-930.4										
Equity value DCF		28484										
Equity value DCF per share		55.0										

WACC

Tax-% (WACC)	22.5 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	2.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	7.3 %
Weighted average cost of capital (WACC)	7.0 %

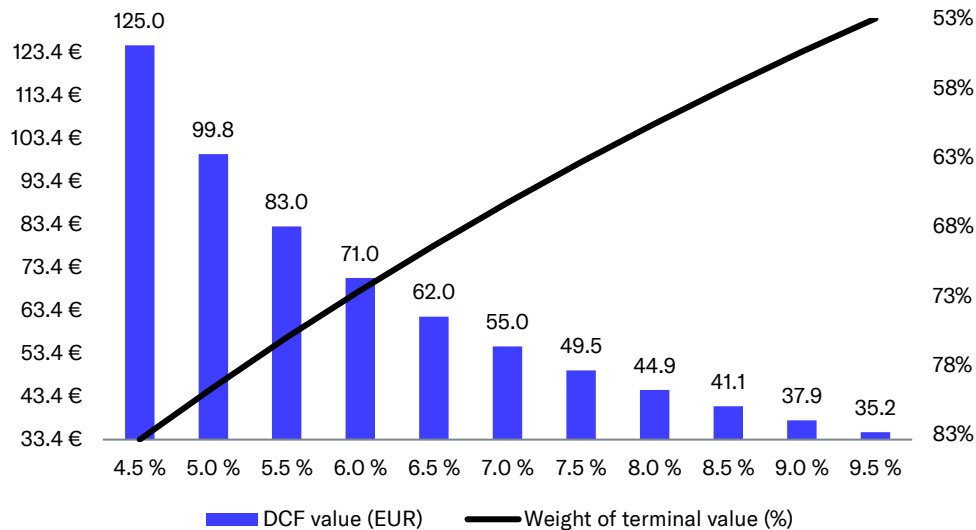
Source: Inderes

Cash flow distribution

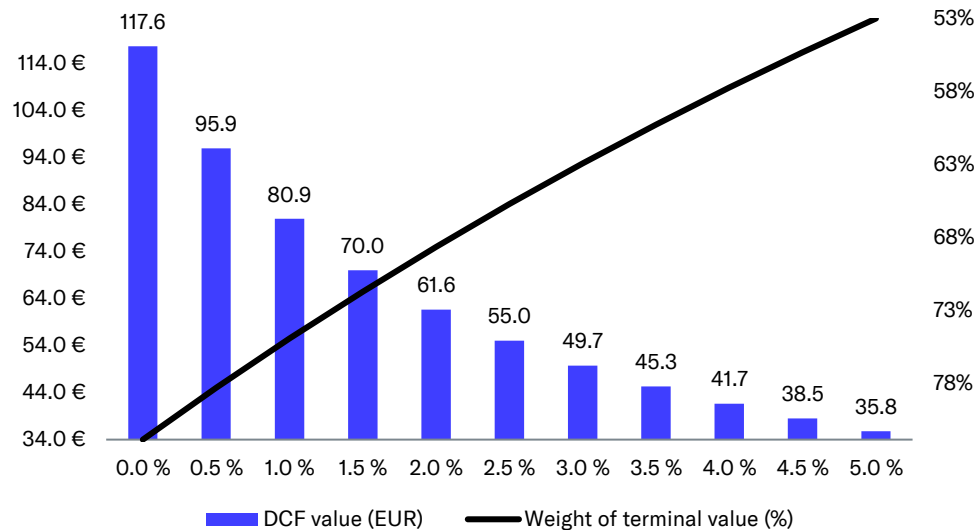


DCF sensitivity calculations and key assumptions in graphs

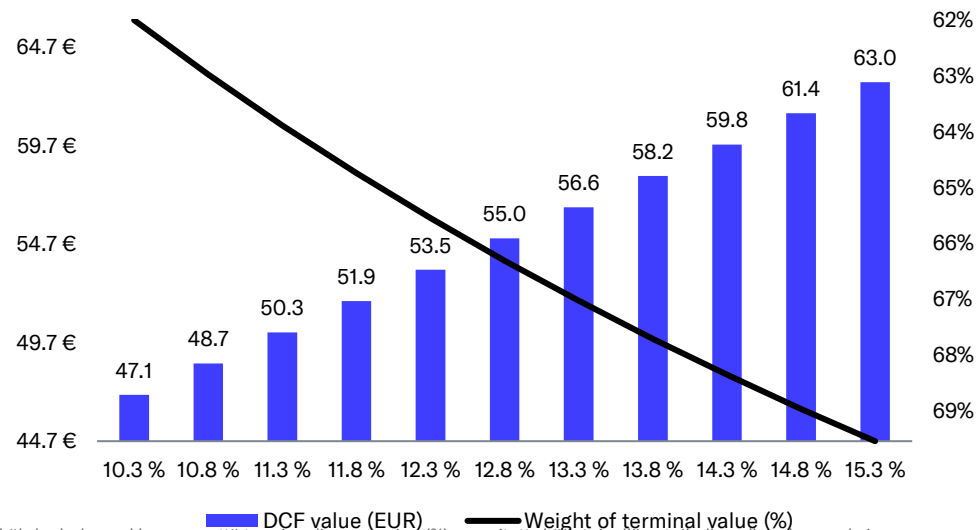
Sensitivity of DCF to changes in the WACC-%



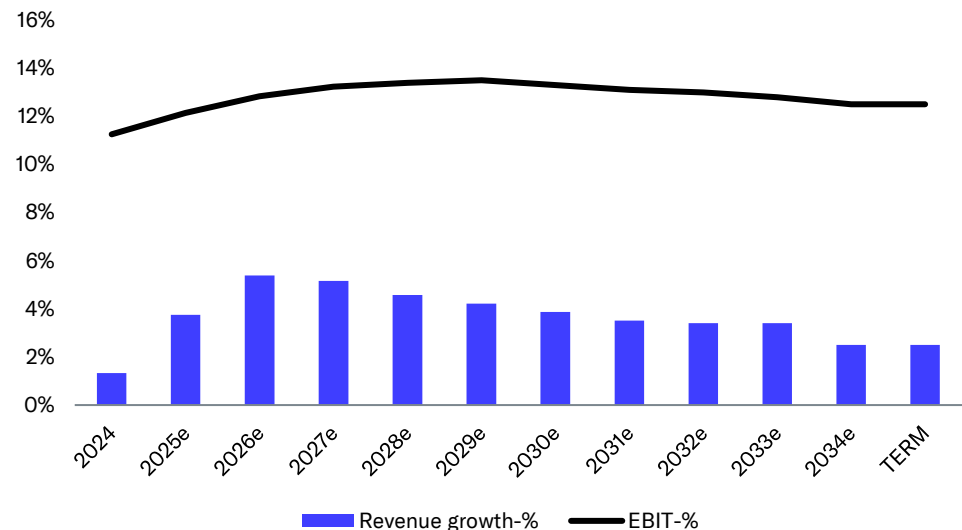
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Lähde: Inderes. Huomaa, että terminaaliarvon paino (%) on esitetty käänteisellä asteikolla selkeyden vuoksi.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	10906.6	10952.3	11098.4	11514.7	12135.1	EPS (reported)	1.50	1.79	1.84	2.09	2.33
EBITDA	1290.5	1469.5	1541.2	1709.9	1876.0	EPS (adj.)	1.59	1.88	1.94	2.09	2.33
EBIT	1031.2	1200.1	1249.0	1397.9	1557.8	OCF / share	0.86	2.19	2.47	2.72	3.00
PTP	1028.5	1206.2	1254.2	1409.5	1573.5	FCF / share	0.51	1.38	1.29	2.08	2.32
Net Income	774.5	925.8	951.4	1081.1	1206.9	Book value / share	5.49	5.32	5.54	5.83	6.26
Extraordinary items	-45.4	-48.3	-54.0	-2.8	0.0	Dividend / share	1.75	1.75	1.80	1.90	2.10
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	9090.4	8730.8	9284.3	9521.3	9882.6	Revenue growth-%	4%	0%	1%	4%	5%
Equity capital	2866.5	2786.0	2893.1	3048.7	3278.9	EBITDA growth-%	-16%	14%	5%	11%	10%
Goodwill	1414.7	1469.0	1558.4	1558.4	1558.4	EBIT (adj.) growth-%	-18%	16%	4%	8%	11%
Net debt	-1309.0	-1013.4	-831.2	-982.1	-1205.8	EPS (adj.) growth-%	-20%	19%	3%	8%	11%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	11.8 %	13.4 %	13.9 %	14.8 %	15.5 %
EBITDA	1290.5	1469.5	1541.2	1709.9	1876.0	EBIT (adj.)-%	9.9 %	11.4 %	11.7 %	12.2 %	12.8 %
Change in working capital	-559.8	-58.4	68.8	13.0	28.2	EBIT-%	9.5 %	11.0 %	11.3 %	12.1 %	12.8 %
Operating cash flow	443.4	1134.3	1280.0	1407.0	1552.1	ROE-%	25.8 %	33.1 %	33.9 %	36.7 %	38.6 %
CAPEX	-204.3	-442.0	-601.2	-329.8	-352.8	ROI-%	28.4 %	35.4 %	35.1 %	36.8 %	40.0 %
Free cash flow	264.2	711.8	667.8	1077.3	1199.3	Equity ratio	40.3 %	40.9 %	39.8 %	41.3 %	43.1 %
						Gearing	-45.7 %	-36.4 %	-28.7 %	-32.2 %	-36.8 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	2.2	2.1	2.1	2.4	2.2						
EV/EBITDA	18.5	15.4	15.4	16.1	14.6						
EV/EBIT (adj.)	22.2	18.1	18.2	19.6	17.5						
P/E (adj.)	30.5	24.0	24.2	26.0	23.4						
P/B	8.8	8.5	8.5	9.3	8.7						
Dividend-%	3.6 %	3.9 %	3.8 %	3.5 %	3.9 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/20/2018	Reduce	43.00 €	47.30 €
10/26/2018	Reduce	42.00 €	40.60 €
1/25/2019	Reduce	40.00 €	42.73 €
4/29/2019	Sell	41.00 €	48.90 €
7/19/2019	Sell	41.00 €	51.12 €
10/24/2019	Sell	42.00 €	54.18 €
1/29/2020	Sell	45.00 €	61.02 €
3/24/2020	Sell	42.00 €	46.90 €
4/23/2020	Sell	46.00 €	55.00 €
7/20/2020	Sell	48.00 €	64.28 €
9/23/2020	Sell	61.00 €	73.38 €
10/23/2020	Sell	61.00 €	71.26 €
1/29/2021	Sell	61.00 €	67.08 €
4/30/2021	Sell	61.00 €	66.12 €
7/21/2021	Sell	61.00 €	70.82 €
11/1/2021	Reduce	59.00 €	58.72 €
2/3/2022	Reduce	57.00 €	56.80 €
5/2/2022	Accumulate	51.00 €	46.09 €
7/15/2022	Accumulate	51.00 €	45.85 €
7/22/2022	Accumulate	51.00 €	44.38 €
8/31/2022	Reduce	44.00 €	40.89 €
10/17/2022	Reduce	41.50 €	39.09 €
1/27/2023	Reduce	46.00 €	52.48 €
4/28/2023	Reduce	47.50 €	51.98 €
7/21/2023	Reduce	47.50 €	45.47 €
10/26/2023	Reduce	42.00 €	39.50 €
1/24/2024	Reduce	42.00 €	43.14 €
1/28/2024	Reduce	43.00 €	46.31 €
4/24/2024	Accumulate	50.00 €	45.05 €
7/22/2024	Lisää	50.00 €	46.99 €
9/30/2024	Reduce	52.00 €	53.70 €
10/26/2024	Accumulate	55.00 €	51.22 €
Analyst changed			
1/31/2025	Accumulate	55.00 €	50.46 €
5/2/2025	Reduce	55.00 €	54.50 €



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