

Telia

Company report

7/21/2023



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This report is a summary translation of the report “Operaattoriliiketoiminta vetää, mutta TV ja media painaa” published on 07/21/2023 at 9:30 am.

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Operator business is performing, TV and Media weighs down

We reiterate our Reduce recommendation and lower our target price to SEK 25 (was 29.0) reflecting estimate changes and increased uncertainty. Telia's Q2 was operationally good and in line with expectations, but the lower earnings lines missed expectations. As expected, the company reiterated its guidance, but commented that cash flow was at the lower end of the guidance range, leaving clear room for improvement in H2. The cash flow is not sufficient to cover the dividend, but the company is again prepared to stick to its dividend policy, which is not sustainable in the longer term. We anticipate that the expected return will mainly rely on the dividend (8%). The valuation picture for the stock (2023e P/E 19x and EV/EBIT 16x) is neutral and uncertainty around the cash flow guidance keeps us cautious.

Operator business did well, but TV and Media weighed on Q2 and the rest of the year

Telia reported Q2 revenue up 4.5% (Q1: 5.7%), which was in line with expectations. Revenue growth was supported by the operator business, but the TV and Media business again limited growth. The nine consecutive quarters of service revenue growth reflect the company's good operational performance and is important in putting earnings growth on a firmer footing. Adjusted EBITDA increased by 1.2% to SEK 7,773 million and was in line with our and market expectations. Earnings potential was limited by a challenging TV market, which was also reflected in Viaplay, but the company has taken efficiency measures to improve the profitability of its own business next year. Depreciation and non-recurring costs were higher than expected and thus other earnings lines were well below our and the market's expectations. Cash flow was weak in H1 (SEK 1.4 billion) due to periodicity of customer funding but will improve in H2.

We lowered our profit earnings, still much to do to meet the cash flow guidance

Telia reiterated the guidance and expects service revenue growth rate to be in the low single digits (estimate 1-4%) and adjusted EBITDA to be in line with the comparison period or growth rate to be in the low single digits (estimate 1-4%). The company also guides for an operating cash flow (excl. working capital changes) of SEK 7-9 billion in 2023 (H1 1.4) but said in Q2 it expects it to be at the lower end of guidance. On the earnings call, however, it was commented that the board is prepared to pay a dividend of at least SEK 2 per share this year in line with the dividend policy, despite the weak cash flow, which is not sustainable in the longer term. We kept our operational estimates almost unchanged, but lowered other earnings margins driven by depreciation and interest charges. We now forecast revenue to grow by 4% in 2023-2024 and adjusted EBITDA to grow by 2%. Net debt/EBITDA is 2.7x and above target levels (2.0x-2.5x), but H2's better cash flow and the sale of the Danish operations (0.2x) will improve gearing. We also understand that TV and Media can be divested in the medium term, once the business has been turned around, which would clarify the structure and improve the balance sheet.

Valuation and drivers still argue for caution

We still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns and internal challenges. Telia's adjusted P/E and EV/EBIT multiples for 2023 are 19x and 16x and slightly above (prev. below) the Nordic peers and 30% above (prev. slightly below) the peer group. In absolute terms, we see the valuation as neutral, but relatively tight. The expected return, which in practice consists almost only of dividend yield (8%), isn't quite enough to meet the required return. Our DCF calculation (SEK 25) also supports the target price. Thus, the overall picture is fairly neutral. In the short term, we see more negative drivers with a possible cut in cash flow guidance. A positive view would require better earnings growth in order to improve cash flow and make the dividend more sustainable.

Recommendation

Reduce

(previous Reduce)

SEK 25.00

(previous SEK 29.00)

Share price:

24.53



Key figures

	2022	2023e	2024e	2025e
Revenue	90827	94824	97698	100399
growth-%	3%	4%	3%	3%
Käyttökate (oik.)	30328	30688	31309	32131
Käyttökate-% (oik.)	33.4 %	32.4 %	32.0 %	32.0 %
Net Income	-14638	3523	5057	6267
EPS (adj.)	0.53	1.30	1.59	1.77

P/E (adj.)	50.3	18.9	15.4	13.8
P/B	1.6	1.6	1.7	1.7
Dividend yield-%	7.5 %	8.2 %	8.4 %	8.6 %
EV/EBIT (adj.)	16.3	16.4	14.9	13.7
EV/EBITDA	6.3	6.2	6.0	5.8
EV/S	2.0	1.9	1.9	1.8

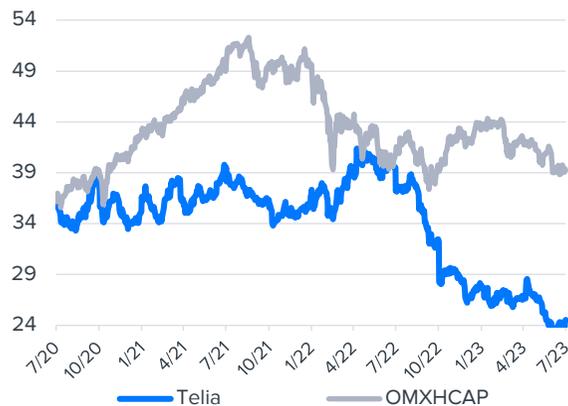
Source: Inderes

Guidance

(Unchanged)

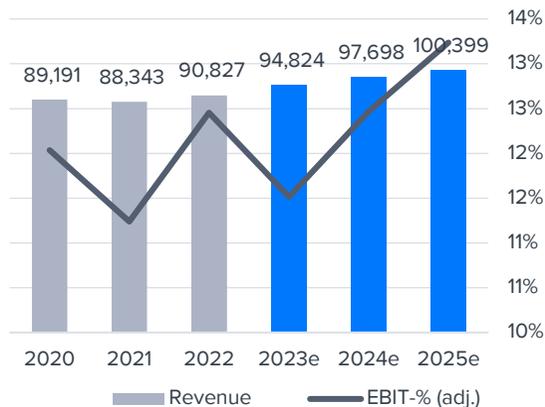
Service revenues are estimated to grow by low single digit and adjusted EBITDA is estimated to be flat to grow by low single digit in 2023.

Share price



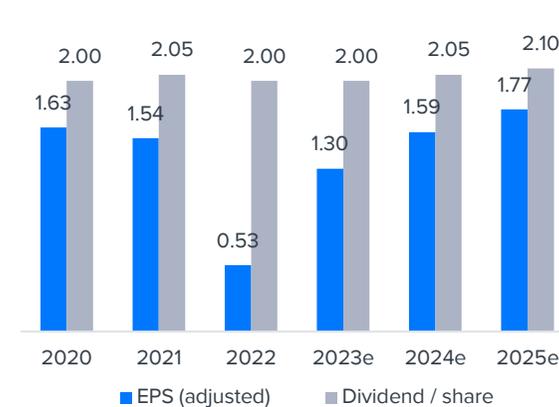
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Continuing the turnaround of the Swedish business and a turnaround in Finland
- Earnings growth through growth in net sales and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- Divestment of non-strategic operations



Risk factors

- Upward pressure on the interest market
- Inflation continuing and increasing
- Tighter competition
- Realization of cost savings
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry

Valuation	2023e	2024e	2025e
Share price	24.5	24.5	24.5
Number of shares, million	3932	3932	3932
Market cap	96455	96455	96455
EV	179422	180977	182054
P/E (adj.)	18.9	15.4	13.8
P/E	27.4	19.1	15.4
P/FCF	11.8	9.7	9.0
P/B	1.6	1.7	1.7
P/S	1.0	1.0	1.0
EV/Sales	1.9	1.9	1.8
EV/EBITDA	6.2	6.0	5.8
EV/EBIT (adj.)	16.4	14.9	13.7
Payout ratio (%)	223.2 %	159.4 %	131.8 %
Dividend yield-%	8.2 %	8.4 %	8.6 %

Source: Inderes

Operator business did well, but TV and Media weighed on Q2

Revenue grew well with operator business, but TV and Media weighing down

Telia reported Q2 revenue up 4.5% at SEK 23,297 million (Q1: 5.7%), which was in line with expectations. The trend in revenue excluding exchange rate effects and M&A increased by 2.2%, slowing down slightly from Q1 (3.7%). Revenue growth was supported by the operator business, but the TV and Media business again limited growth. Comparable services revenue growth also slowed slightly to 1.9% (Q1 3.8%). The nine consecutive quarters of services revenue growth reflect the company's good operational performance and is important in putting earnings growth on a firmer footing. This is also reflected in the company's strategic objectives and guidance. Geographically, Sweden made good progress and Finland's turnaround is moving forward.

EBITDA was in line with expectations, but lower lines missed estimates

Adjusted EBITDA increased by 1.2% to SEK 7,773 million and was in line with our and market expectations (Q1: +0.8%). The adjusted EBITDA margin was thus 33.4%, below the 34.5% of the comparison period: Comparable EBITDA was at the level of the comparison period. Earnings potential was limited in Q2 by challenging TV advertising and the pay-TV market, but the company has taken efficiency measures to improve profitability next year. The result is also constrained by inflation and higher interest costs. The result is supported by price increases and churn, which was predictably low in Q2. Depreciation and non-recurring costs were higher than expected and thus other earnings lines were well below our and the market's expectations.

Reported EPS was SEK 0.19 and below our and market forecasts (SEK 0.41 and 0.32).

Cash flow was weak in H1 (SEK 1.4 billion) due to periodicity of customer funding but will level off over the year. The company now comments that it expects to be at the lower end of its cash flow guidance of SEK 7-9 billion. The leverage ratio was also at the top end of the target range but will improve over the year driven by cash flow and the sale of the Danish operations.

Estimates	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MSEK								
Revenue	22293	23297	23202	23026	22615	- 23466	0%	94824
EBITDA (adj.)	7681	7773	7835	7662	7500	- 7774	-1%	29984
EBIT (incl. assoc. companies)	2832	2245	3085	2723	2503	- 2895	-27%	9330
PTP	2121	1235	2205	1789	1212	- 2138	-44%	5377
EPS (reported)	0.38	0.19	0.41	0.32	0.24	- 0.38	-54%	1.30
Revenue growth-%	1.9 %	4.5 %	4.1 %	3.3 %	1.4 %	- 5.3 %	0.4 pp	4.4 %
EBITDA (adj.) -%	34.5 %	33.4 %	33.8 %	33.3 %	33.2 %	- 33.1 %	-0.4 pp	31.6 %

Source: Inderes & Telia Company, 20 analysts (consensus)

Operational estimates unchanged, bottom rows lowered

Estimate revisions 2023e-2024e

- We kept our operational estimates almost unchanged
- However, we increased depreciation levels and interest charges for the coming years, which led to a more pronounced decline in the lower earnings rows
- We will add the impact of the sale of the Danish businesses when the schedule is confirmed. The company now expects to complete the transaction by Q1'24 at the latest
- The company comments that cash flow will land at the lower end of the guidance range (SEK 7-9 billion) Thus the cash flow is not structurally sufficient to cover the SEK 2 "floor" dividend. However, in the earnings call, it was commented that the board is prepared to pay in line with the dividend policy also this year, despite the cash flow.

Guidance for 2023

- Telia expects service revenues to grow at a low single-digit rate and adjusted EBITDA to be at the level of the comparison period or to grow at a low single-digit rate.
- The company projects an operating cash flow excluding working capital changes of SEK 7-9 billion in 2023. Our view is that cash flow should be at least SEK 8 billion for the dividend to be sustainable, but the comments of cash flow being at the lower end of the range do not support this.

Operational earnings drivers 2023-2024e:

- Service revenues growth driven by 5G and faster subscription sales
- Continuing the good business trend in Sweden and a successful turnaround in Finland
- TV and Media turnaround
- Cost savings: 2 billion by 2023 and another 2 billion by 2025. However, in Q1 the company said this would be challenging to achieve.
- Headwinds from inflation and higher interest rates

Objectives for the 2021-23 strategy period:

- Service revenue growth rate is a low single-digit number (estimate: 1-4%)
- Adjusted EBITDA growth rate is a low or medium single-digit number (estimate: at 1-7%)
- Comments in Q4'22 indicate that investments excluding royalties and license fees will be less than 15% of revenue in 2023 (approx. 15% in the past). The company brought forward investments worth EUR 1 billion in 2022.
- The dividend policy has a "floor" of SEK 2 per share and the aim is to increase this by a low single-digit figure every year.

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MSEK	Old	New	%	Old	New	%	Old	New	%
Revenue	94690	94824	0%	97126	97698	1%	99546	100399	1%
EBITDA	29971	29099	-3%	31297	31309	0%	31919	31931	0%
EBIT (exc. NRIs)	12022	10919	-9%	12696	12181	-4%	13421	13289	-1%
EBIT	11137	9330	-16%	11896	10981	-8%	12721	12589	-1%
PTP	7732	5377	-30%	8836	7119	-19%	9148	8661	-5%
EPS (adj. recurring operations)	1.62	1.30	-20%	1.83	1.59	-13%	1.87	1.77	-5%
DPS	2.00	2.00	0%	2.05	2.05	0%	2.10	2.10	0%

Source: Inderes

Valuation and uncertainty argue for caution

Valuation multiples

Historically, it has been difficult to compare Telia with competitors with earnings multiples, because e.g., Telia's EBITDA does not show the income from minority holdings (they are reported in EBIT) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. However, the income statement is now relatively clean, excluding the minorities of masts sold in the last year and the large write-down in Q4.

In the bigger picture, we still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns and the softness of TV and Media. In 2022 and H1'23, the operator business has made better progress than in years past. Telia's risk profile is clearly different from, e.g., Elisa, which has been able to reduce macro pressures much better through systematic energy and especially interest rate hedging and has developed solidly and predictably in operational terms.

We forecast Telia's adjusted P/E and EV/EBIT multiples for 2023e to be 19x and 16x, respectively. The multiples are slightly above (prev. below) the Nordic peers and 30% above (prev. slightly above) the entire peer group. In absolute terms, we see the valuation as neutral, but relatively tight. The multiples are slightly below the company's own level of the last 5 years (19x and 18x). Given the company's macro headwinds, the overall market environment, the rise in required returns brought on by rising interest rates and the ongoing new challenges, we don't think this is enough to justify a positive view on the stock.

Expected return is not quite enough yet

The expected return on Telia's share currently consists almost entirely of the dividend yield (8%), which also carries a risk. We forecast earnings growth of < 2% in the coming years and the share valuation isn't attractive either. Thus, the expected return does not cover the COE requirement.

DCF calculation

The cash flow statement now also supports our target price (SEK 25). The last 5 years have been a roller coaster for Telia and there have been many disappointments. In addition, the overall business mix has changed significantly (Eurasia and masts divested, now Danish operations sold, and TV & Media acquired). These factors reduce predictability for long-term cash flows.

Our DCF model indicates a value of SEK 25.2 per share for Telia. The model assumes that the company's net sales growth will be about 2% in the medium term and in the terminal period. We expect the EBIT margin to be around 12-14% in 2022-2030 and 13% in the terminal. The adjusted EBIT % has averaged 14% over the last 5 years. However, the weight of the terminal assumption is still high in the valuation (58%).

With a business that is predictable and stable relative to the overall market, we continue to use a discount rate (WACC) that is low relative to the market (7.0%), although we increased it slightly (0.3 percentage points) due to the tightening interest rate environment and uncertainty. The weight of the DCF still relies heavily on the terminal value, but also acts as one approach for Telia's valuation.

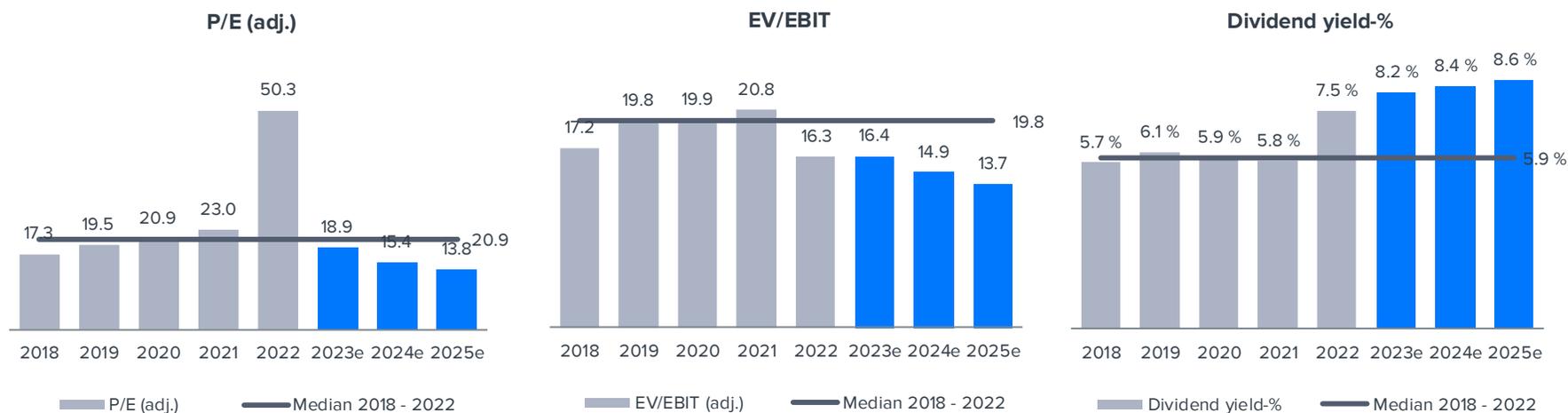
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P/E	27.4	19.1	15.4
P/FCF	11.8	9.7	9.0
P/B	1.6	1.7	1.7
P/S	1.0	1.0	1.0
EV/Sales	1.9	1.9	1.8
EV/EBITDA	6.2	6.0	5.8
EV/EBIT (adj.)	16.4	14.9	13.7
Payout ratio (%)	223.2 %	159.4 %	131.8 %
Dividend yield-%	8.2 %	8.4 %	8.6 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	41.2	40.3	34.0	35.4	26.7	24.5	24.5	24.5	24.5
Number of shares, millions	4292	4172	4090	4090	4035	3932	3932	3932	3932
Market cap	174149	165535	138884	144793	104830	96455	96455	96455	96455
EV	223723	243678	213286	206767	184486	179422	180977	182054	182712
P/E (adj.)	17.3	19.5	20.9	23.0	50.3	18.9	15.4	13.8	13.4
P/E	18.4	22.6	neg.	12.6	neg.	27.4	19.1	15.4	13.4
P/FCF	neg.	neg.	10.7	14.5	neg.	11.8	9.7	9.0	8.5
P/B	1.8	1.8	2.2	1.8	1.6	1.6	1.7	1.7	1.8
P/S	2.1	1.9	1.6	1.6	1.2	1.0	1.0	1.0	0.9
EV/Sales	2.7	2.8	2.4	2.3	2.0	1.9	1.9	1.8	1.8
EV/EBITDA	8.6	8.1	7.1	5.9	6.3	6.2	6.0	5.8	5.7
EV/EBIT (adj.)	17.2	19.8	19.9	20.8	16.3	16.4	14.9	13.7	13.2
Payout ratio (%)	104.2 %	135.5 %	neg.	72.9 %	neg.	223.2 %	159.4 %	131.8 %	95.0 %
Dividend yield-%	5.7 %	6.1 %	5.9 %	5.8 %	7.5 %	8.2 %	8.4 %	8.6 %	7.1 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Tele2	4860	7577	16.0	15.0	7.7	7.5	3.0	2.9	13.5	13.5	8.8	8.7	2.5
Elisa	8166	9630	19.6	18.6	12.6	12.2	4.4	4.2	20.4	19.5	4.6	4.8	6.1
Telenor	12894	20736	13.5	12.5	6.9	6.6	2.9	2.9	18.1	14.1	9.2	8.8	2.0
BT	14362	37228	10.2	9.9	4.1	4.0	1.6	1.6	6.4	6.8	6.2	6.0	0.8
Proximus	2441	5758	9.8	10.4	3.2	3.2	0.9	0.9	6.0	6.6	15.6	8.8	0.7
Orange Belgium	861	1313	9.4	11.3	3.5	3.4	0.9	0.9	13.8	12.9	3.6		1.2
Swisscom AG	29811	37610	16.0	15.8	7.9	7.8	3.3	3.2	16.4	16.1	4.1	4.1	2.4
Telekom Austria AG	4465	6856	7.4	7.0	3.6	3.5	1.3	1.3	7.0	6.6	5.1	5.6	1.1
Deutsche Telekom	96827	265521	12.4	11.3	6.2	5.9	2.4	2.3	11.3	10.1	3.9	4.6	1.8
Koninklijke KPN	13089	18366	15.2	14.2	7.2	7.0	3.4	3.3	17.3	15.8	4.6	4.9	3.6
Telia (Inderes) MSEK	96455	179422	16.4	14.9	6.2	6.0	1.9	1.9	18.9	15.4	8.2	8.4	1.6
Average			13.0	12.6	6.3	6.1	2.4	2.4	13.0	12.2	6.6	6.3	2.2
Median			13.0	11.9	6.5	6.2	2.6	2.6	13.7	13.2	4.9	5.6	1.9
<i>Diff-% to median</i>			27%	25%	-6%	-3%	-28%	-28%	38%	17%	68%	50%	-16%
Median (Nordic)			16.0	15.0	7.7	7.5	3.0	2.9	18.1	14.1	8.8	8.7	2.5

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	89191	88343	21818	22293	22456	24261	90827	23069	23297	23300	25157	94824	97698	100399	102877
Sweden	33740	34451	8548	8641	8698	9225	35112	8980	8983	9003	9502	36467	37561	38500	39386
Finland	15260	14504	3630	3655	3723	4182	15190	3957	4134	4021	4433	16545	17372	17893	18287
Norway	13373	13788	3649	3662	3859	3851	15022	3764	3618	3898	3967	15247	15400	15862	16306
Denmark	5464	5214	1275	1269	1371	1383	5298	1324	1379	1404	1417	5524	5690	5861	6037
Lithuania	4151	4320	1113	1171	1203	1297	4784	1322	1305	1252	1349	5228	5385	5546	5713
Estonia	3321	3331	868	867	922	980	3637	982	1017	959	1019	3976	4095	4218	4345
TV & Media + other operations	16367	14370	3019	3334	2959	3720	13032	3151	3387	3050	3855	13443	13833	14190	14510
Eliminations and other	-2485.2	-1635	-285	-307	-281	-376	-1248	-411	-526	-286	-383	-1607	-1639	-1671	-1705
EBITDA	30194	35151	7030	7499	7872	7016	29417	6673	7369	7595	7462	29099	30109	31231	32211
EBITDA (adj.)	30702	29861	7202	7681	8071	7374	30328	7258	7773	7895	7762	30688	31309	32131	32911
Depreciation	-27861.0	-20023	-4607	-4686	-4706	-24937	-38936	-4814	-5135	-4910	-4910	-19769	-19128	-18643	-18360
EBIT (excl. NRI)	10735	9929	2595	2996	3364	2355	11310	2444	2638	2985	2852	10919	12181	13289	13851
EBIT	2333	15127	2423	2814	3165	-17921	-9519	1859	2234	2685	2552	9330	10981	12589	13851
Share of assoc. profit/loss	0.0	104	14	18	23	47	102	28	11	30	30	99	160	160	160
Net financial items	-3318.0	-2634	-1030	-711	-784	-841	-3366	-843	-1009	-1100	-1100	-4052	-4021	-4087	-4133
PTP	-21065	12597	1407	2121	2404	-18715	-12783	1044	1236	1615	1482	5377	7119	8661	9878
Taxes	-1412.0	-937	-321	-437	-521	-102	-1381	-307	-318	-323	-296	-1244	-1441	-1760	-2012
Minority interest	-156.0	-156	-157	-159	-174	16	-474	-135	-155	-160	-160	-610	-622	-635	-647
Net earnings	-22633	11504	929	1525	1709	-18801	-14638	602	763	1132	1025	3523	5057	6267	7219
EPS (adj. recurring operations)	1.63	1.54	0.27	0.42	0.47	-0.64	0.53	0.30	0.30	0.36	0.34	1.30	1.59	1.77	1.84
EPS (reported)	-5.53	2.81	0.23	0.38	0.42	-4.66	-3.63	0.15	0.19	0.29	0.26	0.90	1.29	1.59	1.84
Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	3.8 %	-1.0 %	0.0 %	1.9 %	5.6 %	3.8 %	2.8 %	5.7 %	4.5 %	3.8 %	3.7 %	4.4 %	3.0 %	2.8 %	2.5 %
Adjusted EBIT growth-%		-7.5 %	19.5 %	12.2 %	17.3 %	6.2 %	13.9 %	-5.8 %	-12.0 %	-11.3 %	21.1 %	-3.5 %	11.6 %	9.1 %	4.2 %
EBITDA-% (adj.)	33.9 %	33.8 %	33.0 %	34.5 %	35.9 %	30.4 %	33.4 %	31.5 %	33.4 %	33.9 %	30.9 %	32.4 %	32.0 %	32.0 %	32.0 %

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	194880	185090	183521	182493	181986
Goodwill	89943	74547	74547	74547	74547
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	88226	91373	89804	88776	88269
Associated companies	4749	8171	8171	8171	8171
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	10660	9928	9928	9928	9928
Deferred tax assets	1302	1071	1071	1071	1071
Current assets	42146	37703	38308	39378	40383
Inventories	2040	2918	3046	3139	3226
Other current assets	3005	3022	3022	3022	3022
Receivables	22743	24892	22758	23447	24096
Cash and equivalents	14358	6871	9482	9770	10040
Balance sheet total	237026	222793	221829	221871	222369

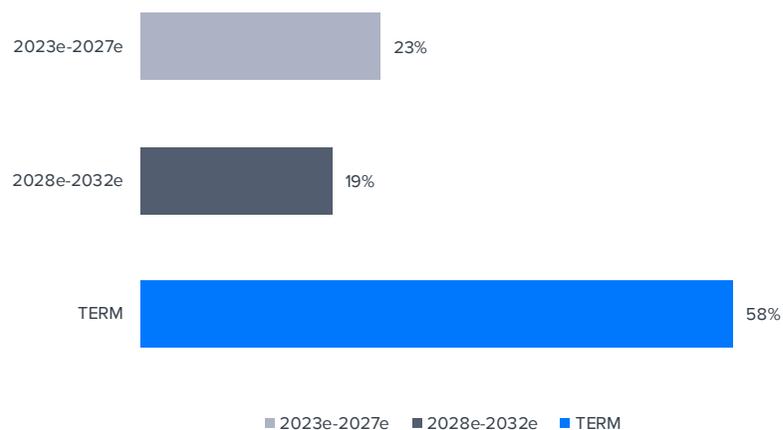
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	83543	67673	63332	60524	58730
Share capital	14961	14961	14961	14961	14961
Retained earnings	55503	39316	34975	32167	30373
Hybrid bonds	10267	9962	9962	9962	9962
Revaluation reserve	0	0	0	0	0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	2812	3434	3434	3434	3434
Non-current liabilities	110464	112380	110954	112521	113666
Deferred tax liabilities	10185	10514	10514	10514	10514
Provisions	7001	5022	5022	5022	5022
Long term debt	75005	83484	82058	83625	84770
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	18273	13360	13360	13360	13360
Current liabilities	43019	42741	47544	48826	49973
Short term debt	2215	3309	10657	10934	11136
Payables	32729	35734	33188	34194	35140
Other current liabilities	8075	3698	3698	3698	3698
Balance sheet total	237026	222794	221829	221871	222369

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.8 %	4.4 %	3.0 %	2.8 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.9 %	1.9 %
EBIT-%	-10.5 %	9.8 %	11.2 %	12.5 %	13.5 %	14.0 %	14.0 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %
EBIT (operating profit)	-9519	9330	10981	12589	13851	14691	14985	15284	14476	14766	15047	
+ Depreciation	38936	19769	19128	18643	18360	18057	18088	18124	18164	18207	18252	
- Paid taxes	-821	-1244	-1441	-1760	-2012	-2246	-2271	-2337	-2281	-2343	-2399	
- Tax, financial expenses	386	-994	-872	-887	-898	-839	-874	-872	-761	-760	-763	
+ Tax, financial income	-25	39	40	41	42	43	44	45	46	47	47	
- Change in working capital	-4416	-540	224	210	193	160	163	167	170	173	168	
Operating cash flow	24541	26360	28060	28836	29537	29867	30134	30411	29814	30090	30352	
+ Change in other long-term liabilities	-6892	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-25955	-18200	-18100	-18136	-18172	-18209	-18263	-18318	-18373	-18428	-20075	
Free operating cash flow	-8306	8160	9960	10700	11364	11658	11871	12093	11440	11661	10277	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-8306	8160	9960	10700	11364	11658	11871	12093	11440	11661	10277	204930
Discounted FCFF		7915	9029	9064	8996	8624	8206	7812	6907	6579	5418	108040
Sum of FCFF present value		186591	178676	169647	160583	151587	142962	134756	126944	120037	113458	108040
Enterprise value DCF		186591										
- Interest bearing debt		-86793										
+ Cash and cash equivalents		6871										
-Minorities		-3434										
-Dividend/capital return		-7864										
Equity value DCF		99071										
Equity value DCF per share		25.2										

Cash flow distribution



WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.0 %
Weighted average cost of capital (WACC)	7.0 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	89191	88343	90827	94824	97698	EPS (reported)	-5.53	2.81	-3.63	0.90	1.29
EBITDA	30194	35151	29417	29099	30109	EPS (adj.)	1.63	1.54	0.53	1.30	1.59
EBIT	2333	15127	-9519	9330	10981	OCF / share	9.04	8.98	6.08	6.70	7.14
PTP	-21065	12597	-12783	5377	7119	FCF / share	3.18	2.45	-2.06	2.08	2.53
Net Income	-22912	11680	-14638	3523	5057	Book value / share	15.36	19.74	15.92	15.23	14.52
Extraordinary items	-8403	5199	-20829	-1589	-1200	Dividend / share	2.00	2.05	2.00	2.00	2.05
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	226682	237026	222793	221829	221871	Revenue growth-%	4%	-1%	3%	4%	3%
Equity capital	63954	83543	67673	63332	60524	EBITDA growth-%	-2%	-3%	2%	1%	2%
Goodwill	86521	89943	74547	74547	74547	EBIT (adj.) growth-%	-13%	-8%	14%	-3%	12%
Net debt	76984	62862	79922	83233	84789	EPS (adj.) growth-%	-21%	-5%	-66%	145%	22%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.4 %	33.8 %	33.4 %	32.4 %	32.0 %
EBITDA	30194	35151	29417	29099	30109	EBIT (adj.)-%	12.0 %	11.2 %	12.5 %	11.5 %	12.5 %
Change in working capital	10250	2240	-4416	-540	224	EBIT-%	2.6 %	17.1 %	-10.5 %	9.8 %	11.2 %
Operating cash flow	36966	36743	24541	26360	28060	ROE-%	-29.4 %	16.0 %	-20.2 %	5.7 %	8.6 %
CAPEX	-4961	-24079	-25955	-18200	-18100	ROI-%	-10.5 %	9.9 %	-5.8 %	6.2 %	7.3 %
Free cash flow	13009	10006	-8306	8160	9960	Equity ratio	28.2 %	35.2 %	30.4 %	28.5 %	27.3 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	120.4 %	75.2 %	118.1 %	131.4 %	140.1 %
EV/S	2.4	2.3	2.0	1.9	1.9						
EV/EBITDA (adj.)	7.1	5.9	6.3	6.2	6.0						
EV/EBIT (adj.)	19.9	20.8	16.3	16.4	14.9						
P/E (adj.)	20.9	23.0	50.3	18.9	15.4						
P/B	2.2	1.8	1.6	1.6	1.7						
Dividend-%	5.9 %	5.8 %	7.5 %	8.2 %	8.4 %						

Source: Inderes

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Date	Recommendation	Target	Share price
7/23/2018	Accumulate	44.0 SEK	39.1 SEK
10/22/2018	Accumulate	45.0 SEK	40.3 SEK
1/28/2019	Accumulate	44.0 SEK	39.8 SEK
3/27/2019	Accumulate	44.0 SEK	41.4 SEK
4/26/2019	Accumulate	44.0 SEK	40.8 SEK
7/18/2019	Reduce	44.0 SEK	42.9 SEK
10/18/2019	Reduce	42.0 SEK	41.7 SEK
1/14/2020	Reduce	42.0 SEK	40.6 SEK
1/30/2020	Reduce	42.0 SEK	41.8 SEK
3/19/2020	Accumulate	39.0 SEK	34.0 SEK
3/27/2020	Accumulate	38.0 SEK	35.0 SEK
4/23/2020	Accumulate	38.0 SEK	34.1 SEK
7/20/2020	Accumulate	38.0 SEK	36.3 SEK
10/22/2020	Accumulate	38.0 SEK	37.2 SEK
1/27/2021	Accumulate	38.0 SEK	36.6 SEK
2/1/2021	Accumulate	40.0 SEK	36.7 SEK
4/26/2021	Accumulate	40.0 SEK	35.1 SEK
7/22/2021	Accumulate	40.0 SEK	38.1 SEK
10/22/2021	Accumulate	39.0 SEK	35.6 SEK
1/31/2022	Accumulate	39.0 SEK	36.3 SEK
4/28/2022	Reduce	41.0 SEK	41.4 SEK
7/21/2022	Accumulate	41.0 SEK	37.2 SEK
10/24/2022	Reduce	29.0 SEK	28.3 SEK
1/27/2023	Reduce	29.0 SEK	26.7 SEK
4/27/2023	Reduce	29.0 SEK	28.0 SEK
7/21/2023	Reduce	25.0 SEK	24.5 SEK



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