

HEXAGON AB

02.05.2025 08.40 EEST



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COMPANY REPORT



Demand outlook better than suspected

The short-term demand outlook seems to be slightly better than suspected based on abrupt demand slowdown at the end of Q1. The long-term impacts of the tariffs are still unknown. Hexagon has continued to invest for growth, which burdens profitability in the short term despite of increasing gross margins. Strong and continuous growth in recurring revenue and eventual recovery in cyclical sales are strong drivers for earnings growth in the medium term. We reiterate our Accumulate rating and increase our target price to 105 SEK (from 100 SEK) owing to the slightly eased market uncertainty.

Low profitability in Q1 explained by growth investments

The weak growth and profitability in Q1 was already known given Hexagon's announcement of preliminary headline figures on April 11. Q1 organic growth was at 0%. The weakness came from hardware and perpetual software license sales that suffered in March from customers' prolonged investment decisions amid tariff-related uncertainty. The most affected countries were Mexico and Canada. Recurring revenue growth accelerated to 10% (we expected 7%). Share of software and services increased to 62.2% (Q1'24: 60.9%) driving up gross margin to 67.2% (Q1'24: 66.5%). Adjusted EBIT was at 345 MEUR, down 32 MEUR y/y. Adjusted EBIT margin declined significantly to 26.1% (Q1'24: 29.0%). Fixed costs increased more than in previous quarters, especially driven by R&D expenses, putting pressure on earnings. Hexagon had positioned its cost structure for growth given the good business momentum in early 2025, which together with abrupt slow-down in demand contributed to the weakened profitability. The company has, for example, launched new products which increases depreciations related to capitalized R&D.

Markets have recovered but a risk of a recession still looms

Hexagon provided interesting details about tariffs and their consequences to the company. The company has seen an improved demand again during April, reducing uncertainty

regarding the development in the very short-term. However, the management considered it too early to draw conclusions about how large the impact on demand will be over a longer period of time. Currently, the direct negative impact from tariffs on EBIT would be around 15 MEUR/quarter (1% of sales) without mitigating action. The company, however, has a range of measures to mitigate the direct impact from price hikes to rerouting shipping or relocating manufacturing. We slightly increased our organic growth estimates, but this was offset by negative FX changes (weakened USD/EUR). We cut adjusted EBIT by 2% for 2025-26 due to the increased fixed costs. We did not sense an urgency in Hexagon's management team to aggressively cut costs amid tariff-related market uncertainties, which could mean that while the demand outlook is decent enough, the EBIT-margin is likely to suffer in 2025 in the absence of a significant positive shift in macroeconomy.

Eventual recovery in organic growth is the main trigger

Hexagon currently trades at an adjusted EV/EBIT multiple of 16.5x for 2025e and 14.6x for 2026e, which we find attractive. In recent years, we have considered an EV/EBIT multiple of 18x to be fair for the company, but in the current uncertain market environment, we would like to have more of a safety margin and consider a fair value multiple to be 17x. Hexagon is a diversified, value-creating, high-quality technology company that has historically grown organically at around 5% per year over the cycle and has consistently improved its gross margins. The spin-off of Asset Lifetime Intelligence and related businesses to a US-listed company is likely to take place in H1'2026 and could be a potential valuation trigger. Our positive view of the stock is, however, not based on this transaction. We expect the eventual recovery in organic growth (estimated for 2026e) to drive up valuation closer to the fair value.

Recommendation

Accumulate

(prev. Accumulate)

Target price:

105,0 SEK

(prev. 100,0 SEK)

Share price:

93,7 SEK

Business risk



Valuation risk



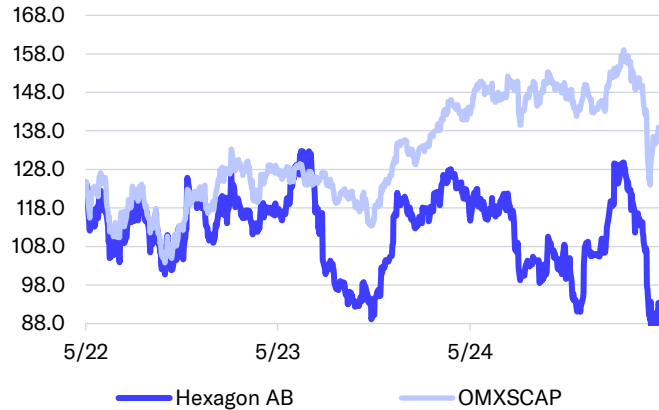
| | 2024 | 2025e | 2026e | 2027e |
|-------------------------|--------|--------|--------|--------|
| Revenue | 5401.1 | 5440.6 | 5760.3 | 6100.3 |
| growth-% | -1 % | 1 % | 6 % | 6 % |
| EBIT adj. | 1602.9 | 1543.3 | 1697.7 | 1832.5 |
| EBIT-% adj. | 29.7 % | 28.4 % | 29.5 % | 30.0 % |
| Net Income | 1023.4 | 978.2 | 1131.0 | 1262.6 |
| EPS (adj.) | 0.43 | 0.42 | 0.47 | 0.52 |
| P/E (adj.) | 21.3 | 20.2 | 18.0 | 16.5 |
| P/B | 2.2 | 1.9 | 1.8 | 1.7 |
| Dividend yield-% | 1.5 % | 1.8 % | 1.9 % | 2.0 % |
| EV/EBIT (adj.) | 17.5 | 16.5 | 14.6 | 13.0 |
| EV/EBITDA | 13.9 | 12.8 | 11.4 | 10.1 |
| EV/S | 5.2 | 4.7 | 4.3 | 3.9 |

Source: Inderes

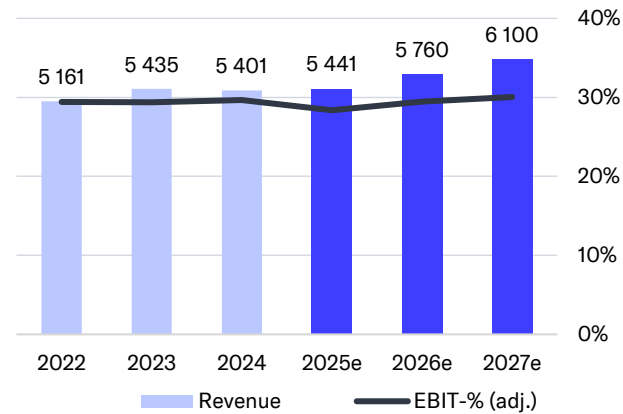
Guidance

(No guidance)

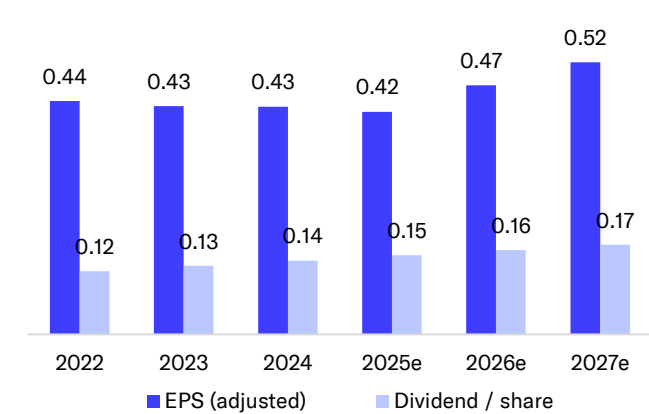
Share price



Net sales and operating earnings-%



Earnings per share and dividend



Value drivers

- Strong market position in core technologies
- Need to utilize data more efficiently in various industries adds demand for Hexagon's solutions over medium-term
- Focus on margin-additive growth and increasing the share of recurring revenue
- Solid track-record of creating value through acquisitions

Risk factors

- Cyclical demand in hardware sales and certain software products
- M&A strategy partially dependent on strong valuation multiples of Hexagon's share
- Execution risk in M&A
- Gradually saturating end-markets in certain segments

| Valuation (EUR) | 2025e | 2026e | 2027e |
|-----------------------------------|--------|--------|--------|
| Share price | 8.52 | 8.52 | 8.52 |
| Number of shares, millions | 2684.3 | 2684.3 | 2684.3 |
| Market cap | 22860 | 22860 | 22860 |
| EV | 25480 | 24754 | 23897 |
| P/E (adj.) | 20.2 | 18.0 | 16.5 |
| P/E | 23.4 | 20.2 | 18.1 |
| P/B | 1.9 | 1.8 | 1.7 |
| P/S | 4.2 | 4.0 | 3.7 |
| EV/Sales | 4.7 | 4.3 | 3.9 |
| EV/EBITDA | 12.8 | 11.4 | 10.1 |
| EV/EBIT (adj.) | 16.5 | 14.6 | 13.0 |
| Payout ratio (%) | 41.2 % | 38.0 % | 36.1 % |
| Dividend yield-% | 1.8 % | 1.9 % | 2.0 % |

Source: Inderes

Difficult March followed by a somewhat better April

Soft headline figures were published 3 weeks ago

Q1 was soft in terms of both sales and earnings, which has been known already since Hexagon announced preliminary Q1 figures on April 11.

Growth turned negative in March

Hexagon's sales growth turned negative in March due to US tariffs-related uncertainty among Hexagon's customers. Organic growth for Q1 was 0% in total. In March, sales declined by 6%, offsetting the positive growth of 9% in February. Customers have not canceled prior orders, but they have been postponing new purchases. Recurring revenue, which tends to develop in a more stable manner, grew strongly in Q1 (10% y/y compared to our estimate of 7%). Sales mix was tilted towards Software and Services (62.2% of sales, Q1'24: 60.9%). However, perpetual software license sales was also weak and suffered from similar customer behavior than sensor and robotics sales

(hardware).

Tariff-related uncertainty seems to have eased somewhat in April

According to management's commentary, the sales have been catching up somewhat in April. Certain segments that saw a sales decline in March turned for positive y/y growth in April. However, April is sales-wise the smallest month in Q2, so it's too early to draw strong conclusions. Hexagon's sales often pile up towards the ends of quarters.

Profits suffered even more than sales since the company had positioned itself to a growth mode

Hexagon positioned itself for growth in 2025 and the cost base increased accordingly, which is why the sudden decline in demand caused the profitability to suffer. Adjusted EBIT was at 345 MEUR, down 32 MEUR y/y. Adjusted EBIT margin declined significantly to 26.1% (Q1'24: 29.0%), even if gross margin improved by 0.7pp to 67.2%

driven by the increased share of software sales.

Especially the R&D expenses increased (16% y/y), which was partially due to new product launches that trigger the amortizations to start rolling for previously capitalized R&D investments related to these particular products.

One-off costs related to acquisitions and spin-off preparations

Reported EBIT was 39 MEUR weaker than we expected due to items affecting comparability of -42.3 MEUR. These items included costs related to the investigation of a potential spin-off of the ALI and SIG divisions and related businesses of -10.3 MEUR, as well as the impairment of overlapping technology and transaction and integration costs in relation to the recent acquisitions of Geomagic and Septentrio.

| Estimates MEUR / EUR | Q1'24 | Q1'25 | Q1'25e | Q1'25e | Consensus | | Difference (%) | 2025e |
|-------------------------|------------|------------|---------|-----------|-----------|------|------------------|------------|
| | Comparison | Actualized | Inderes | Consensus | Low | High | Act. vs. inderes | Inderes |
| Revenue | 1300 | 1323 | 1323 | | | | 0 % | 5441 |
| Gross margin | 66.5 % | 67.2 % | 66.0 % | | | | 1.2 pp | 157126.1 % |
| EBIT (adj.) | 377 | 345 | 345 | | | | 0 % | 1571 |
| EBIT | 336 | 267 | 306 | | | | -13 % | 1401 |
| EPS (reported) | 0.09 | 0.07 | 0.08 | | | | -13 % | 0.38 |
| Revenue growth-% | 1.2 % | 1.8 % | 1.8 % | | | | 0 pp | 0.7 % |
| EBIT-% (adj.) | 29.0 % | 26.1 % | 26.1 % | | | | 0 pp | 28.9 % |

Source: Inderes

Division-specific organic growth vs. estimate

| Group | Q1 24 | Q2 24 | Q3 24 | Q4 24 | Q1 25 | Q1 25e |
|---------------------------------------|-------|-------|-------|-------|-------|--------|
| | 3% | 0% | -2% | 1% | 0% | 0% |
| Manufacturing Intelligence | 5% | 0% | -2% | -2% | -2% | -3% |
| Asset Lifetime Intelligence | 2% | 9% | 6% | 10% | 5% | 8% |
| Geosystems | -2% | -5% | -5% | -2% | -3% | -3% |
| Autonomous Solutions | 8% | -2% | -12% | -2% | 2% | 3% |
| Safety, Infrastructure and Geospatial | 5% | 6% | 2% | 11% | 2% | 6% |

Some relief to market uncertainty

Sales unlikely to crash but the increased cost-base could be a burden if the growth doesn't pick-up

- We slightly increased our organic sales growth estimates due to the demand recovery observed in April by Hexagon. However, FX changes were negative for sales, which is why the total sales estimate changes were 0% for 2025-27.
- We were slightly surprised by the company's increased cost base. Moreover, it seems that there's no urgency to cut costs in the current market conditions. We expect the y/y-increase in fixed costs to moderate going forward given the increased focus on cost-control. However, we find any aggressive cost-cutting unlikely if the market doesn't deteriorate further. As a result, we cut our adjusted EBIT estimates for 2025-26 by 2% despite a stable sales outlook.
- The direct impact on Hexagon's EBIT from the current tariffs would be 15 MEUR per quarter (1.1% of sales) without any mitigating action, according to the company. However, Hexagon has several ways to mitigate the negative financial impact of the tariffs, including price hikes, rerouting shipping, alternative sourcing of materials, inventory management and potentially increasing local production in the US.
- We still expect Hexagon's adjusted EBIT to deteriorate y/y in Q2, even if we somewhat increased Q2 growth assumptions. We model in gradual uptick in organic growth for H2 (~2%) and a return to solid 6% organic growth by 2026 (historical average around 5%).
- Hexagon launched a new Robotics division in Q1 with focus on humanoid robotics. The company will present its robotics solutions in more detail in June (Hexagon Live in Las Vegas). Hexagon has strong capabilities in measuring and positioning sensor technology that could be utilized in different applications.

| Estimate revisions | 2025e | 2025e | Change | 2026e | 2026e | Change | 2027e | 2027e | Change |
|--------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR | Old | New | % | Old | New | % | Old | New | % |
| Revenue | 5441 | 5441 | 0 % | 5767 | 5760 | 0 % | 6100 | 6100 | 0 % |
| EBITDA | 1993 | 1994 | 0 % | 2200 | 2170 | -1 % | 2371 | 2362 | 0 % |
| EBIT (excl. NRIs) | 1571 | 1543 | -2 % | 1730 | 1698 | -2 % | 1848 | 1833 | -1 % |
| EBIT | 1401 | 1348 | -4 % | 1583 | 1525 | -4 % | 1718 | 1678 | -2 % |
| PTP | 1261 | 1208 | -4 % | 1468 | 1410 | -4 % | 1618 | 1578 | -2 % |
| EPS (excl. NRIs) | 0.43 | 0.42 | -2 % | 0.48 | 0.47 | -2 % | 0.52 | 0.52 | 0 % |
| DPS | 0.15 | 0.15 | 0 % | 0.16 | 0.16 | 0 % | 0.17 | 0.17 | 0 % |

Source: Inderes

Growth will eventually recover to good levels

Investment profile: Diversified value-creator

Hexagon is a highly profitable technology company with solid medium-term organic growth prospects. The company continues to invest in growth, particularly in high gross margin areas. The company's addressable markets also have significant barriers to entry, which helps maintain profitability. Hexagon operates in several market segments that, on average, have solid growth prospects supported by megatrends, but certain segments may already show signs of maturity and slowing growth. Hexagon's business is cyclical due to its exposure to the construction, automotive and other manufacturing industries, but the increasing share of recurring revenues (>40%) partially mitigates the cyclicity. The company's ROI is relatively low due to the high amount of goodwill on the balance sheet, which would almost certainly improve if the company focused on purely organic investments. The company's M&A strategy has created value in the past, and acquisitions should continue to support growth in the future, although we don't include any future deals in our estimates. Overall, we find Hexagon to be a clear value creator and well positioned for global megatrends.

Bottom of the cycle likely to be reached but the pace of recovery is burdened by tariffs

Hexagon's sales growth was low in 2024 due to cyclical headwinds. We expect the growth to recover in 2025 owing to easier comparison figures but only slightly given the novel threat of tariffs and protectionism negatively affecting the global economic activity. Based on our estimates, the adjusted EV/EBIT is 16.5x for 2025 and 14.6x for 2026 (reported EV/EBIT 18.9x and 16.2x), which we

consider high in a general context but rather fair for a diversified and growing high-tech company like Hexagon.

Spin-off could be a minor valuation driver in 2026

The likely spin-off of ALL and SIG divisions together with related businesses to a US-listed entity could be a valuation driver in early 2026. These purely software-driven businesses would likely be valued above Hexagon's current EV/EBIT level, but on the other hand, Hexagon's remaining relative valuation level could suffer. The spin-off is a less important valuation driver than an eventual improvement in market conditions and organic growth recovering to a long-term level of roughly 5%.

Expected return 9% p.a. with fairly conservative assumptions

With a fair-value-adjusted EV/EBIT multiple of 17x, we calculate that the share value could grow to SEK 111 by 2026 (including cumulative dividends), assuming an average adj. EBIT growth of 3% p.a. in 2025-26. This would yield an annual return of 9% per share, slightly exceeding the required rate of return. Our base case assumes an adjusted EBIT % of 29.5% by 2026, which is more conservative than Hexagon's financial targets, targeting an adjusted EBIT margin including PPA of 30% (equivalent to an adjusted EBIT margin of 31.3% in our calculations).

| Valuation (EUR) | 2025e | 2026e | 2027e |
|----------------------------|--------|--------|--------|
| Share price | 8.52 | 8.52 | 8.52 |
| Number of shares, millions | 2684.3 | 2684.3 | 2684.3 |
| Market cap | 22860 | 22860 | 22860 |
| EV | 25480 | 24754 | 23897 |
| P/E (adj.) | 20.2 | 18.0 | 16.5 |
| P/E | 23.4 | 20.2 | 18.1 |
| P/B | 1.9 | 1.8 | 1.7 |
| P/S | 4.2 | 4.0 | 3.7 |
| EV/Sales | 4.7 | 4.3 | 3.9 |
| EV/EBITDA | 12.8 | 11.4 | 10.1 |
| EV/EBIT (adj.) | 16.5 | 14.6 | 13.0 |
| Payout ratio (%) | 41.2 % | 38.0 % | 36.1 % |
| Dividend yield-% | 1.8 % | 1.9 % | 2.0 % |

Source: Inderes

Valuation scenarios 2026e

| 2026 estimates, MEUR | Base case | Adj. EBIT (inc. PPA): 30% scenario |
|--------------------------|-----------|------------------------------------|
| Sales | 5 760 | 5 760 |
| Adj. EBIT-% | 29.5 % | 31.3 % |
| Adj. EBIT | 1 698 | 1 803 |
| Adj. EV/EBIT | 17.0x | 18.0x |
| EV | 28 861 | 32 453 |
| Net debt | 2 552 | 2 552 |
| Market cap | 26 310 | 29 902 |
| Share price 2026, EUR | 9.8 | 11.1 |
| Dividends 24-25e, EUR | 0.31 | 0.31 |
| Total, EUR | 10.1 | 11.4 |
| Total, SEK | 111.2 | 125.9 |
| Current share price, SEK | 94 | 94 |
| Return per year | 9.0 % | 15.9 % |

Detailed estimates

| Group, MEUR | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Net operating sales | 3761 | 3908 | 3771 | 4347 | 5176 | 5440 | 5401 | 5441 | 5760 |
| -Growth y/y | 8 % | 4 % | -4 % | 15 % | 19 % | 5 % | -1 % | 1 % | 6 % |
| -of which organic | 8 % | -1 % | -4 % | 12 % | 8 % | 7 % | 0 % | 1 % | 6 % |
| -of which FX | -3 % | 2 % | -2 % | -1 % | 6 % | -4 % | -1 % | -2 % | 0 % |
| -of which structural | 4 % | 3 % | 3 % | 5 % | 5 % | 2 % | 0 % | 2 % | 0 % |
| Gross margin (%) | 62.1 % | 62.8 % | 63.6 % | 64.6 % | 65.4 % | 66.1 % | 66.9 % | 67.3 % | 67.4 % |
| Fixed costs (excluding adjustments) | -1357 | -1430 | -1385 | -1535 | -1857 | -1996 | -2010 | -2118 | -2185 |
| -Growth y/y | 10 % | 5 % | -3 % | 11 % | 21 % | 7 % | 1 % | 5 % | 3 % |
| Adjusted EBIT | 978 | 1024 | 1010 | 1270 | 1518 | 1597 | 1603 | 1543 | 1698 |
| -of net operating sales | 26.0 % | 26.2 % | 26.8 % | 29.2 % | 29.3 % | 29.4 % | 29.7 % | 28.4 % | 29.5 % |
| FX-impact on adj. EBIT | | | | | 98 | -81 | 1 | -54 | 0 |
| EBIT-% change y/y if adjusting for FX-impact | | | | | 0.6 pp | 0.7 pp | 0.2 pp | -0.8 pp | -0.8 pp |
| Divisions | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e |
| Manufacturing Intelligence | | | | | | | | | |
| Sales | | | | | 1902 | 2013 | 1956 | 1914 | 2029 |
| Organic growth | 9 % | -5 % | -9 % | 15 % | 10 % | 9 % | 0 % | -2 % | 6 % |
| Adj. EBIT-% | | | | | 25.9 % | 26.4 % | 27.2 % | 25.7 % | 26.9 % |
| Asset Lifecycle Intelligence | | | | | | | | | |
| Sales | | | | | 728 | 782 | 832 | 879 | 932 |
| Organic growth | 7 % | 8 % | -3 % | 1 % | 7 % | 11 % | 7 % | 7 % | 6 % |
| Adj. EBIT-% | | | | | 35.8 % | 36.2 % | 35.7 % | 35.0 % | 35.5 % |
| Geosystems | | | | | | | | | |
| Sales | | | | | 1585 | 1603 | 1555 | 1514 | 1598 |
| Organic growth | 11 % | 2 % | -4 % | 19 % | 7 % | 4 % | -3 % | -2 % | 6 % |
| Adj. EBIT-% | | | | | 32.8 % | 31.8 % | 31.8 % | 29.3 % | 31.2 % |
| Autonomous Solutions | | | | | | | | | |
| Sales | | | | | 476 | 571 | 558 | 619 | 662 |
| Organic growth | 18 % | 2 % | 2 % | 8 % | 13 % | 22 % | -3 % | 4 % | 7 % |
| Adj. EBIT-% | | | | | 33.1 % | 33.9 % | 34.4 % | 33.8 % | 34.2 % |
| Safety, Infrastructure & Geospatial | | | | | | | | | |
| Sales | | | | | 476 | 464 | 497 | 511 | 536 |
| Organic growth | -6 % | -3 % | 13 % | -3 % | 3 % | -7 % | 6 % | 4 % | 5 % |
| Adj. EBIT-% | | | | | 22.8 % | 22.4 % | 23.1 % | 23.0 % | 23.2 % |

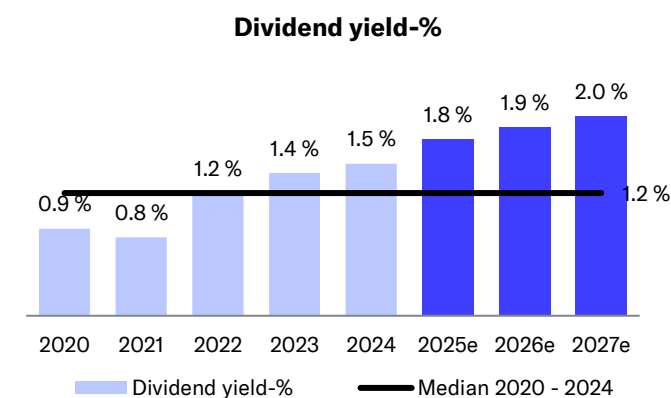
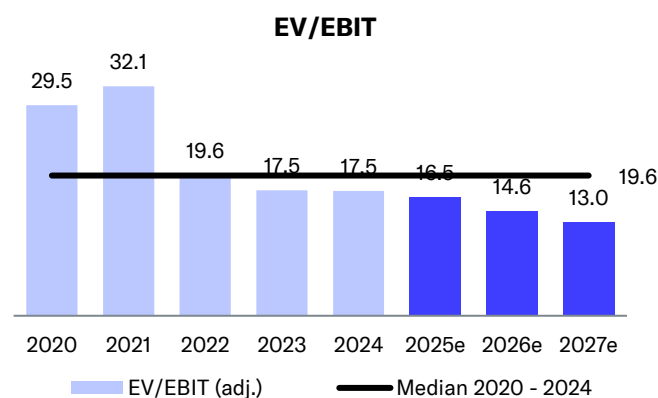
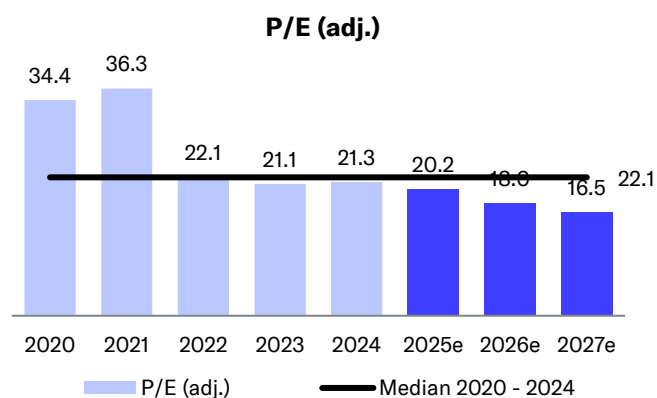
Source: Inderes

| Organic growth | Q1 23 | Q2 23 | Q3 23 | Q4 23 | Q1 24 | Q2 24 | Q3 24 | Q4 24 | Q1 25 | Q2 25e | Q3 25e | Q4 25e |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
| Group | 8% | 8% | 8% | 5% | 3% | 0% | -2% | 1% | 0% | 0% | 1% | 3% |
| Manufacturing Intelligence | 10% | 11% | 8% | 7% | 5% | 0% | -2% | -2% | -2% | -3% | -2% | 1% |
| Asset Lifetime Intelligence | 16% | 11% | 10% | 8% | 2% | 9% | 6% | 10% | 5% | 7% | 6% | 6% |
| Geosystems | 7% | 4% | 3% | 1% | -2% | -5% | -5% | -2% | -3% | -2% | -2% | 0% |
| Autonomous Solutions | 13% | 27% | 34% | 16% | 8% | -2% | -12% | -2% | 2% | -1% | 7% | 6% |
| Safety, Infrastructure and Geospatial | -11% | -9% | -5% | -4% | 5% | 6% | 2% | 11% | 2% | 4% | 5% | 6% |

Valuation table

| Valuation | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|----------------------------|--------|--------|--------|--------|--------|---------------|---------------|---------------|---------------|
| Share price | 10.7 | 14.1 | 9.79 | 9.13 | 9.22 | 8.52 | 8.52 | 8.52 | 8.52 |
| Number of shares, millions | 2568.3 | 2599.3 | 2689.7 | 2684.3 | 2684.3 | 2684.3 | 2684.3 | 2684.3 | 2684.3 |
| Market cap | 27415 | 38095 | 26345 | 24506 | 24737 | 22860 | 22860 | 22860 | 22860 |
| EV | 29732 | 40703 | 29747 | 27992 | 27982 | 25480 | 24754 | 23897 | 22940 |
| P/E (adj.) | 34.4 | 36.3 | 22.1 | 21.1 | 21.3 | 20.2 | 18.0 | 16.5 | 15.2 |
| P/E | 44.4 | 45.7 | 26.1 | 28.5 | 24.2 | 23.4 | 20.2 | 18.1 | 16.3 |
| P/B | 4.6 | 4.4 | 2.7 | 2.4 | 2.2 | 1.9 | 1.8 | 1.7 | 1.6 |
| P/S | 7.3 | 8.8 | 5.1 | 4.5 | 4.6 | 4.2 | 4.0 | 3.7 | 3.6 |
| EV/Sales | 7.9 | 9.4 | 5.8 | 5.2 | 5.2 | 4.7 | 4.3 | 3.9 | 3.6 |
| EV/EBITDA | 22.5 | 25.6 | 17.0 | 15.7 | 13.9 | 12.8 | 11.4 | 10.1 | 9.3 |
| EV/EBIT (adj.) | 29.5 | 32.1 | 19.6 | 17.5 | 17.5 | 16.5 | 14.6 | 13.0 | 11.9 |
| Payout ratio (%) | 38.6 % | 37.1 % | 32.0 % | 40.6 % | 36.7 % | 41.2 % | 38.0 % | 36.1 % | 34.5 % |
| Dividend yield-% | 0.9 % | 0.8 % | 1.2 % | 1.4 % | 1.5 % | 1.8 % | 1.9 % | 2.0 % | 2.1 % |

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

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 |
| Ansys | 24700 | 24047 | 22.0 | 19.6 | 20.9 | 17.5 | 9.8 | 8.9 | 27.7 | 24.6 | | | 4.0 |
| Autodesk | 51060 | 51412 | 26.9 | 23.6 | 25.2 | 21.9 | 9.6 | 8.5 | 32.8 | 28.7 | | | 20.9 |
| Dassault Systemes | 43457 | 41683 | 20.0 | 19.2 | 17.8 | 16.4 | 6.4 | 5.9 | 23.8 | 22.1 | 0.8 | 0.9 | 4.4 |
| Faro Technologies | 508 | 480 | 13.5 | 11.8 | 10.4 | 9.7 | 1.6 | 1.5 | 21.3 | 18.4 | 3.3 | | |
| Nikon | 3107 | 3053 | 0.9 | 0.7 | 9.1 | 6.4 | 0.7 | 0.7 | 30.8 | 17.6 | 3.6 | 3.8 | 0.8 |
| Renishaw | 1952 | 1691 | 12.9 | 11.2 | 9.7 | 8.7 | 2.0 | 1.9 | 16.9 | 14.5 | 3.4 | 3.6 | 1.8 |
| Topcon | 2156 | 2581 | | | 20.1 | 14.9 | 2.0 | 1.9 | 163.8 | 47.0 | 1.2 | 1.2 | 3.2 |
| Trimble | 12984 | 13556 | 16.9 | 15.2 | 15.7 | 14.2 | 4.5 | 4.2 | 21.6 | 18.9 | | | 2.7 |
| Hexagon AB (Inderes) | 22860 | 25480 | 18.9 | 16.2 | 12.8 | 11.4 | 4.7 | 4.3 | 26.6 | 22.3 | 1.8 | 1.9 | 1.9 |
| Average | | | 16.1 | 14.5 | 16.1 | 13.7 | 4.6 | 4.2 | 42.3 | 24.0 | 2.5 | 2.4 | 5.4 |
| Median | | | 16.9 | 15.2 | 16.7 | 14.6 | 3.3 | 3.1 | 25.8 | 20.5 | 3.3 | 2.4 | 3.2 |
| Diff-% to median | | | 12 % | 7 % | -24 % | -22 % | 44 % | 41 % | 3 % | 9 % | -47 % | -20 % | -39 % |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25 | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 5161 | 5435 | 1300 | 1353 | 1300 | 1448 | 5401 | 1323 | 1338 | 1315 | 1465 | 5441 | 5760 | 6100 | 6405 |
| Manufacturing Intelligence | 2537 | 2013 | 478 | 484 | 464 | 530 | 1956 | 470 | 464 | 455 | 525 | 1914 | 2029 | 2151 | 2258 |
| Asset Lifecycle Intelligence | 2639 | 782 | 192 | 203 | 208 | 229 | 832 | 204 | 213 | 219 | 243 | 879 | 932 | 987 | 1037 |
| Geosystems | -15.0 | 1603 | 377 | 406 | 373 | 400 | 1555 | 376 | 389 | 362 | 387 | 1514 | 1598 | 1693 | 1778 |
| Autonomous Solutions | 0.0 | 571 | 136 | 141 | 135 | 147 | 558 | 151 | 149 | 154 | 164 | 619 | 662 | 702 | 737 |
| Safety, Infrastructure & Geospatial | 0.0 | 464 | 117 | 120 | 120 | 141 | 497 | 121 | 122 | 124 | 145 | 511 | 536 | 563 | 591 |
| Group adjustments | 0.0 | 2.2 | 0.4 | 0.0 | 1.0 | 1.8 | 3.2 | 1.2 | 1.3 | 1.3 | 0.3 | 4 | 4 | 4 | 4 |
| EBITDA | 1754 | 1779 | 471 | 497 | 475 | 567 | 2010 | 435 | 487 | 495 | 577 | 1994 | 2170 | 2362 | 2475 |
| Depreciation | -467.0 | -563.0 | -134.8 | -136.6 | -140.5 | -165.6 | -577.5 | -167.8 | -157.0 | -160.0 | -161.2 | -646 | -645 | -684 | -678 |
| EBIT (excl. NRI) | 1518 | 1597 | 377 | 400 | 377 | 450 | 1603 | 345 | 369 | 374 | 456 | 1543 | 1698 | 1833 | 1932 |
| EBIT | 1287 | 1216 | 336 | 361 | 334 | 401 | 1432 | 267 | 330 | 335 | 416 | 1348 | 1525 | 1678 | 1797 |
| Manufacturing Intelligence | 787 | 531 | 125 | 129 | 118 | 159 | 531 | 117 | 114 | 111 | 151 | 492 | 546 | 583 | 614 |
| Asset Lifecycle Intelligence | 755 | 283 | 66.5 | 70.5 | 72.5 | 87.4 | 297 | 62.9 | 72.3 | 77.6 | 94.8 | 308 | 331 | 353 | 372 |
| Geosystems | -254.9 | 510 | 118 | 131 | 122 | 124 | 494 | 103 | 113 | 113 | 115 | 444 | 498 | 542 | 573 |
| Autonomous Solutions | 0.0 | 194 | 47.7 | 52.6 | 45.8 | 46.0 | 192 | 47.7 | 52.9 | 53.3 | 55.3 | 209 | 226 | 253 | 267 |
| Safety, Infrastructure & Geospatial | 0.0 | 104 | 24.3 | 23.8 | 24.6 | 41.9 | 115 | 22.3 | 24.6 | 26.3 | 44.3 | 117 | 124 | 131 | 137 |
| Group adjustments | 0.0 | -405.9 | -44.9 | -46.5 | -48.3 | -57.2 | -197 | -85.6 | -46.6 | -45.2 | -44.1 | -221 | -201 | -184 | -166 |
| Net financial items | -38.7 | -155.3 | -42.7 | -42.1 | -44.2 | -41.1 | -170 | -33.3 | -34.5 | -34.5 | -37.7 | -140 | -115 | -100 | -50 |
| PTP | 1248 | 1061 | 293 | 318 | 290 | 360 | 1262 | 234 | 295 | 301 | 379 | 1208 | 1410 | 1578 | 1747 |
| Taxes | -228.9 | -188.9 | -52.8 | -57.3 | -52.2 | -64.8 | -227 | -42.1 | -53.2 | -54.1 | -68.1 | -217 | -265 | -300 | -332 |
| Minority interest | -11.5 | -12.9 | -2.6 | -3.1 | -2.8 | -3.1 | -12 | -2.7 | -3.4 | -3.1 | -3.4 | -13 | -14 | -15 | -16 |
| Net earnings | 1008 | 859 | 238 | 258 | 235 | 292 | 1023 | 189 | 239 | 243 | 307 | 978 | 1131 | 1263 | 1399 |
| EPS (adj.) | 0.44 | 0.43 | 0.10 | 0.11 | 0.10 | 0.12 | 0.43 | 0.09 | 0.10 | 0.10 | 0.13 | 0.42 | 0.47 | 0.52 | 0.56 |
| EPS (rep.) | 0.37 | 0.32 | 0.09 | 0.10 | 0.09 | 0.11 | 0.38 | 0.07 | 0.09 | 0.09 | 0.11 | 0.36 | 0.42 | 0.47 | 0.52 |

| Key figures | 2022 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25 | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 18.9 % | 5.3 % | 1.2 % | -0.8 % | -3.7 % | 0.9 % | -0.6 % | 1.8 % | -1.1 % | 1.2 % | 1.2 % | 0.7 % | 5.9 % | 5.9 % | 5.0 % |
| Adjusted EBIT growth-% | | 5.2 % | 1.4 % | 1.4 % | -4.2 % | 2.7 % | 0.4 % | -8.4 % | -7.7 % | -0.7 % | 1.2 % | -3.7 % | 10.0 % | 7.9 % | 5.4 % |
| EBITDA-% | 34.0 % | 32.7 % | 36.2 % | 36.7 % | 36.5 % | 39.2 % | 37.2 % | 32.9 % | 36.4 % | 37.7 % | 39.4 % | 36.7 % | 37.7 % | 38.7 % | 38.6 % |
| Adjusted EBIT-% | 29.4 % | 29.4 % | 29.0 % | 29.5 % | 29.0 % | 31.1 % | 29.7 % | 26.1 % | 27.6 % | 28.4 % | 31.1 % | 28.4 % | 29.5 % | 30.0 % | 30.2 % |
| Net earnings-% | 19.5 % | 15.8 % | 18.3 % | 19.1 % | 18.1 % | 20.2 % | 18.9 % | 14.3 % | 17.8 % | 18.5 % | 21.0 % | 18.0 % | 19.6 % | 20.7 % | 21.8 % |

Source: Inderes

Balance sheet

| Assets | 2023 | 2024 | 2025e | 2026e | 2027e |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Non-current assets | 14132 | 14899 | 14885 | 14884 | 14857 |
| Goodwill | 9931 | 10033 | 9992 | 9992 | 9992 |
| Intangible assets | 3063 | 3734 | 3761 | 3760 | 3733 |
| Tangible assets | 801 | 804 | 804 | 804 | 804 |
| Associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investments | 158 | 167 | 167 | 167 | 167 |
| Other non-current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred tax assets | 179 | 161 | 161 | 161 | 161 |
| Current assets | 2752 | 2951 | 2918 | 3037 | 3162 |
| Inventories | 585 | 566 | 560 | 581 | 603 |
| Other current assets | 200 | 195 | 195 | 195 | 195 |
| Receivables | 1420 | 1526 | 1510 | 1570 | 1632 |
| Cash and equivalents | 547 | 664 | 653 | 691 | 732 |
| Balance sheet total | 16884 | 17851 | 17803 | 17922 | 18020 |

Source: Inderes

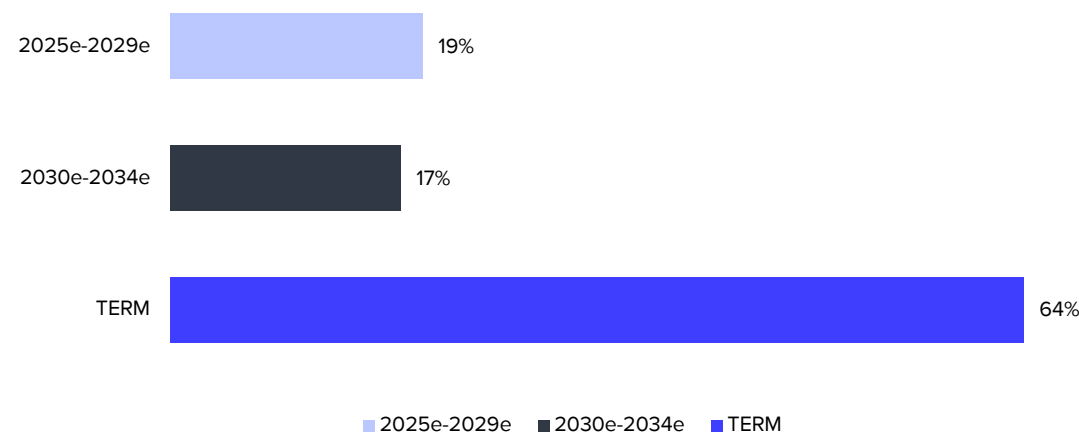
| Liabilities & equity | 2023 | 2024 | 2025e | 2026e | 2027e |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Equity | 10046 | 11196 | 11799 | 12527 | 13360 |
| Share capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained earnings | 0.0 | 674 | 1277 | 2005 | 2838 |
| 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 | 10014 | 10486 | 10486 | 10486 | 10486 |
| Minorities | 32.2 | 35.2 | 35.2 | 35.2 | 35.2 |
| Non-current liabilities | 3753 | 3947 | 3440 | 2887 | 2230 |
| Deferred tax liabilities | 580 | 582 | 582 | 582 | 582 |
| Provisions | 65.0 | 79.0 | 79.0 | 79.0 | 79.0 |
| Interest bearing debt | 2984 | 3100 | 2593 | 2040 | 1383 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 124 | 186 | 186 | 186 | 186 |
| Current liabilities | 3085 | 2707 | 2564 | 2508 | 2430 |
| Interest bearing debt | 1100 | 731 | 611 | 481 | 326 |
| Payables | 1985 | 1976 | 1953 | 2027 | 2104 |
| Other current liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Balance sheet total | 16884 | 17851 | 17803 | 17922 | 18020 |

DCF-calculation

| DCF model | 2024 | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | 2034e | TERM |
|---|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Revenue growth-% | -0.6 % | 0.7 % | 5.9 % | 5.9 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % | 2.8 % | 2.8 % |
| EBIT-% | 26.5 % | 24.8 % | 26.5 % | 27.5 % | 28.1 % | 28.5 % | 30.2 % | 30.2 % | 30.2 % | 26.0 % | 26.0 % | 26.0 % |
| EBIT (operating profit) | 1432 | 1348 | 1525 | 1678 | 1797 | 1918 | 2135 | 2242 | 2354 | 2128 | 2189 | |
| + Depreciation | 578 | 646 | 645 | 684 | 678 | 672 | 652 | 664 | 676 | 689 | 702 | |
| - Paid taxes | -207 | -217 | -265 | -300 | -332 | -361 | -406 | -426 | -447 | -404 | -438 | |
| - Tax, financial expenses | -29.7 | -24.4 | -21.6 | -19.0 | -9.5 | -3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| + Tax, financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Change in working capital | -91.1 | -0.8 | -6.9 | -7.3 | -0.2 | 0.2 | 0.5 | 0.9 | 1.3 | 1.7 | -3.6 | |
| Operating cash flow | 1682 | 1752 | 1877 | 2036 | 2134 | 2225 | 2382 | 2481 | 2584 | 2415 | 2450 | |
| + Change in other long-term liabilities | 76.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -1363 | -632 | -644 | -657 | -668 | -679 | -690 | -702 | -716 | -730 | -714 | |
| Free operating cash flow | 394 | 1120 | 1232 | 1379 | 1466 | 1546 | 1692 | 1779 | 1868 | 1684 | 1736 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | 394 | 1120 | 1232 | 1379 | 1466 | 1546 | 1692 | 1779 | 1868 | 1684 | 1736 | 37717 |
| Discounted FCFF | | 1066 | 1091 | 1135 | 1122 | 1100 | 1119 | 1094 | 1068 | 895 | 857 | 18624 |
| Sum of FCFF present value | | 29169 | 28103 | 27012 | 25877 | 24755 | 23655 | 22537 | 21443 | 20375 | 19481 | 18624 |
| Enterprise value DCF | | 29169 | | | | | | | | | | |
| - Interest bearing debt | | -3831.0 | | | | | | | | | | |
| + Cash and cash equivalents | | 664 | | | | | | | | | | |
| -Minorities | | -68.4 | | | | | | | | | | |
| -Dividend/capital return | | -375.8 | | | | | | | | | | |
| Equity value DCF | | 25557 | | | | | | | | | | |
| Equity value DCF per share | | 9.5 | | | | | | | | | | |
| Equity value DCF per share (SEK) | | 104.7 | | | | | | | | | | |

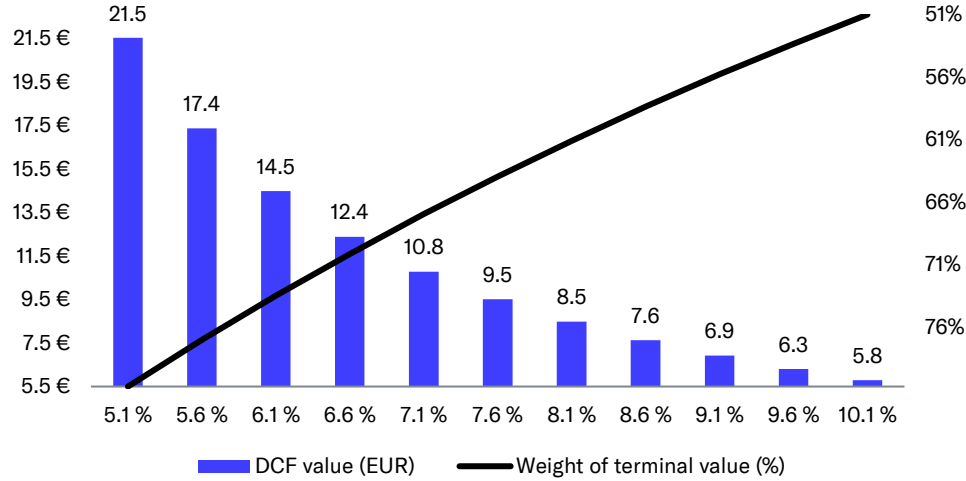
| WACC | |
|--|--------------|
| Tax-% (WACC) | 20.0 % |
| Target debt ratio (D/(D+E)) | 15.0 % |
| Cost of debt | 3.0 % |
| Equity Beta | 1.26 |
| Market risk premium | 4.75 % |
| Liquidity premium | 0.00 % |
| Risk free interest rate | 2.5 % |
| Cost of equity | 8.5 % |
| Weighted average cost of capital (WACC) | 7.6 % |

Cash flow distribution

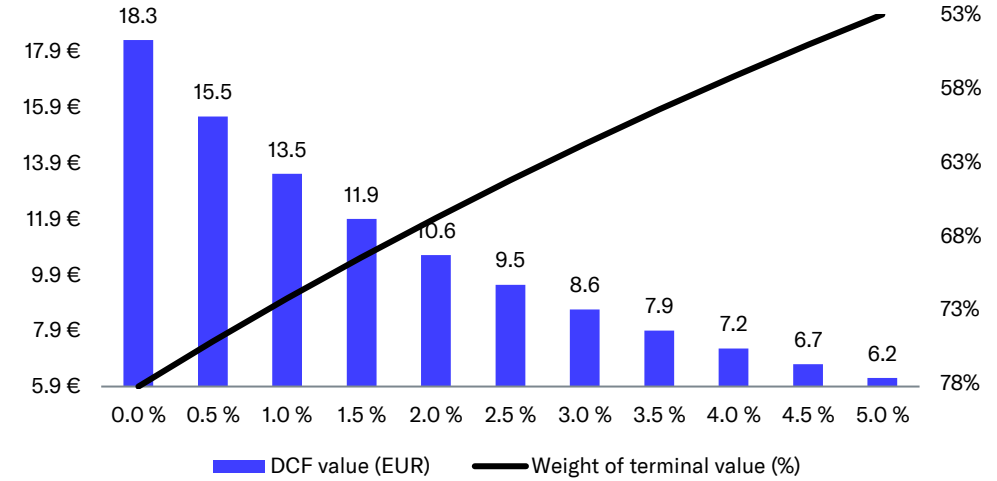


DCF sensitivity calculations and key assumptions in graphs

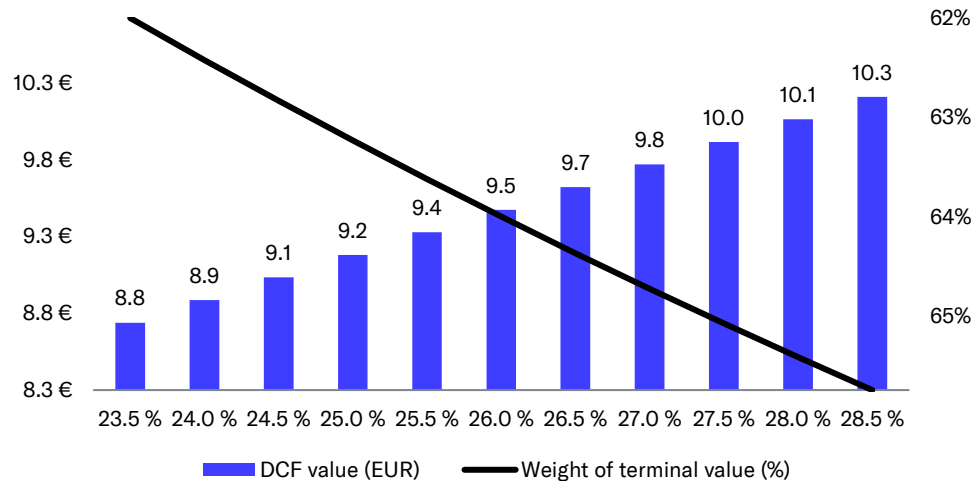
Sensitivity of DCF to changes in the WACC-%



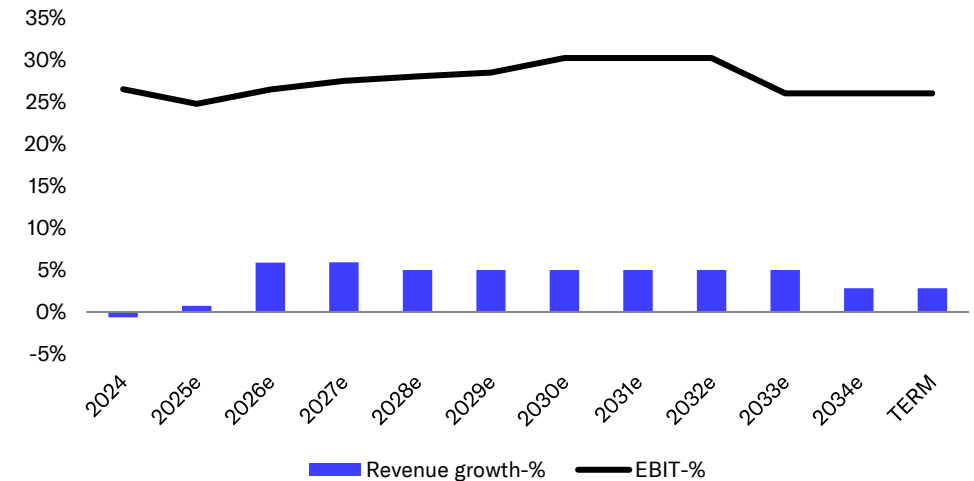
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

| Income statement | 2022 | 2023 | 2024 | 2025e | 2026e | Per share data | 2022 | 2023 | 2024 | 2025e | 2026e |
|---------------------------|-------|-------|-------|--------------|--------------|--------------------------|--------|--------|--------|---------------|---------------|
| Revenue | 5161 | 5435 | 5401 | 5441 | 5760 | EPS (reported) | 0.37 | 0.32 | 0.38 | 0.36 | 0.42 |
| EBITDA | 1754 | 1779 | 2010 | 1994 | 2170 | EPS (adj.) | 0.44 | 0.43 | 0.43 | 0.42 | 0.47 |
| EBIT | 1287 | 1216 | 1432 | 1348 | 1525 | OCF / share | 0.56 | 0.55 | 0.63 | 0.65 | 0.70 |
| PTP | 1248 | 1061 | 1262 | 1208 | 1410 | OFCF / share | -0.36 | 0.25 | 0.15 | 0.42 | 0.46 |
| Net Income | 1008 | 859 | 1023 | 978 | 1131 | Book value / share | 3.65 | 3.73 | 4.16 | 4.38 | 4.65 |
| Extraordinary items | -231 | -381 | -171 | -195 | -173 | Dividend / share | 0.12 | 0.13 | 0.14 | 0.15 | 0.16 |
| Balance sheet | 2022 | 2023 | 2024 | 2025e | 2026e | Growth and profitability | 2022 | 2023 | 2024 | 2025e | 2026e |
| Balance sheet total | 16477 | 16884 | 17851 | 17803 | 17922 | Revenue growth-% | 19 % | 5 % | -1 % | 1 % | 6 % |
| Equity capital | 9865 | 10046 | 11196 | 11799 | 12527 | EBITDA growth-% | 10 % | 1 % | 13 % | -1 % | 9 % |
| Goodwill | 9600 | 9931 | 10033 | 9992 | 9992 | EBIT (adj.) growth-% | 20 % | 5 % | 0 % | -4 % | 10 % |
| Net debt | 3388 | 3536 | 3167 | 2552 | 1830 | EPS (adj.) growth-% | 14 % | -2 % | 0 % | -2 % | 12 % |
| | | | | | | EBITDA-% | 34.0 % | 32.7 % | 37.2 % | 36.7 % | 37.7 % |
| Cash flow | 2022 | 2023 | 2024 | 2025e | 2026e | EBIT (adj.)-% | 29.4 % | 29.4 % | 29.7 % | 28.4 % | 29.5 % |
| EBITDA | 1754 | 1779 | 2010 | 1994 | 2170 | EBIT-% | 24.9 % | 22.4 % | 26.5 % | 24.8 % | 26.5 % |
| Change in working capital | -96 | -34 | -91 | -1 | -7 | ROE-% | 10.9 % | 8.7 % | 9.7 % | 8.5 % | 9.3 % |
| Operating cash flow | 1509 | 1471 | 1682 | 1752 | 1877 | ROI-% | 10.1 % | 8.7 % | 9.8 % | 9.0 % | 10.2 % |
| CAPEX | -2461 | -804 | -1363 | -632 | -644 | Equity ratio | 59.9 % | 59.5 % | 62.7 % | 66.3 % | 69.9 % |
| Free cash flow | -971 | 670 | 394 | 1120 | 1232 | Gearing | 34.3 % | 35.2 % | 28.3 % | 21.6 % | 14.6 % |
| Valuation multiples | 2022 | 2023 | 2024 | 2025e | 2026e | | | | | | |
| EV/S | 5.8 | 5.2 | 5.2 | 4.7 | 4.3 | | | | | | |
| EV/EBITDA | 17.0 | 15.7 | 13.9 | 12.8 | 11.4 | | | | | | |
| EV/EBIT (adj.) | 19.6 | 17.5 | 17.5 | 16.5 | 14.6 | | | | | | |
| P/E (adj.) | 22.1 | 21.1 | 21.3 | 20.2 | 18.0 | | | | | | |
| P/B | 2.7 | 2.4 | 2.2 | 1.9 | 1.8 | | | | | | |
| Dividend-% | 1.2 % | 1.4 % | 1.5 % | 1.8 % | 1.9 % | | | | | | |

Source: Inderes

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Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

| | |
|------------|--|
| Buy | The 12-month risk-adjusted expected shareholder return of the share is very attractive |
| 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 |
|------------|----------------|-----------|-------------|
| 11/24/2023 | Reduce | 102.00 kr | 104.00 kr |
| 02/02/2024 | Reduce | 106.00 kr | 118.10 kr |
| 29/04/2024 | Reduce | 110.00 kr | 120.20 kr |
| 28/07/2024 | Accumulate | 115.00 kr | 107.25 kr |
| 25/10/2024 | Accumulate | 115.00 kr | 106.40 kr |
| 28/01/2025 | Reduce | 120.00 kr | 118.45 kr |
| 03/02/2025 | Reduce | 125.00 kr | 129.60 kr |
| 08/04/2025 | Accumulate | 100.00 kr | 90.00 kr |
| 13/04/2025 | Accumulate | 100.00 kr | 84.68 kr |
| 02/05/2025 | Accumulate | 105.00 kr | 93.68 kr |



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