

TietoEVRY

Company report

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This report is a summary translation of the report "Vakuuttava strategian toteuttaminen jatkuu" published on 07/21/2021 at 8:00 am

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Convincing implementation of strategy continues

We reiterate our Buy recommendation and EUR 34.0 target price for TietoEVRY. Yesterday TietoEVRY again released a better-than-expected quarterly report. Net sales turned to a growth path and the result exceeded market expectations. The strong strategy implementation, good transparency into the business and plans, and preemptive performance lower the company's risk profile. We expect the company to continue its stable earnings growth driven by synergies and now more strongly also supported by net sales growth. We also expect strong dividend in coming years. The share's valuation picture is still very attractive examined from several viewpoints.

Good performance continued and result exceeded market expectations

TietoEVRY's Q2 net sales grew by 5% to EUR 722 million and exceeded our and the market's expectations. Net sales grew organically by 2%. By segment, net sales growth was supported by Industry Software (13%) and Financial Services Solutions (9%). As expected, net sales was depressed by Cloud & Infra (-6%), but the pressure should alleviate towards the end of the year. Operating profit adjusted for non-recurring items was EUR 88 million or 12.2% of net sales (Q2'20: 11.7%). Reported net sales was supported by a non-recurring sales gain in oil and gas (EUR 71 million) and depressed by high EUR 19 million non-recurring costs mainly related to integration and PPA. In the big picture, strategy implementation and integration progressed well, which was visible in the good figures reported by the company.

Convincing strategy implementation and earnings growth driven by synergies

TietoEVRY provides good guidance at business level and several time spans, which improves transparency and predictability, as well as lowers the risk profile. We revised our 2021 estimates slightly and raised our estimates for the next few years by some 2%. TietoEVRY's guidance is that the company's organic growth will be -1%- +2% and adjusted EBIT margin will rise to 13-14% (12.7% in 2020). Our estimates are in line with the company guidance, and we expect net sales to grow by 2% and adjusted EBIT % to rise to 13.2% this year (2020: 12.7%). The profitability improvement is mainly driven by synergies that, on the other hand are subdued by wage inflation (2-4%) and continuous product development investments (4-5% of net sales). In 2022-2023 we estimate that earnings growth will be on average 8% driven by net sales growth and cost synergies. The company has commented that it is active on the acquisition front in coming years for which the balance sheet (net debt/EBITDA ratio below 2x) and strong cash flow give good leeway. We also find new divestments possible.

Valuation picture still supports strong view

The demand fundamentals of TietoEVRY and the sector are strong, the company's outlook has improved, and the acceptable valuation level of the sector has, in our opinion, risen in the past year. In addition, TietoEVRY's business model risk profile is lower than for many Nordic peers, even though the extensive integration still maintains a high-risk level to some extent. With our estimates the adjusted 2021 P/E and EV/EBIT multiples are 12x and 11x and correspondingly 11x and 9x for 2022. The EV/EBIT multiples are ~30% and P/E multiples ~40% below the peers. In our view, the share's relative and absolute valuation is very attractive. The share's return expectation also rises considering the 8% earnings growth, 5% dividend yield, and the upside in the valuation multiples to a very attractive level of >15%. The DCF model also indicates a clearly higher price than currently. In our view, the valuation offers a clear safety margin against COVID and integration risks. Thus, the risk-adjusted return expectation is still highly attractive and supports a strong view of a stable and low-risk company in this sector.

Recommendation

Buy
(previous Buy)

EUR 34.00
(previous EUR 34.00)

Share price:
28.36



Key indicators

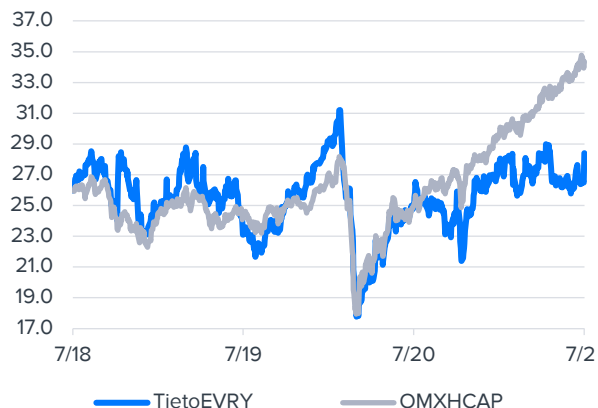
	2020	2021e	2022e	2023e
Net sales	2786	2842	2906	2981
growth %	61%	2%	2%	3%
EBIT adj.	355	375	414	436
EBIT % adj.	12.7%	13.2%	14.3%	14.6%
Net profit	95	273	250	270
EPS (adj.)	2.19	2.40	2.64	2.81
P/E (adj.)	12.3	11.8	10.7	10.1
P/B	2.0	2.0	1.9	1.8
Dividend yield %	4.9%	4.8%	4.9%	5.3%
EV/EBIT (adj.)	10.9	10.7	9.4	8.6
EV/EBITDA	12.0	7.6	7.6	7.0
EV/Sales	1.4	1.4	1.3	1.3

Source: Inderes

Guidance (Unchanged)

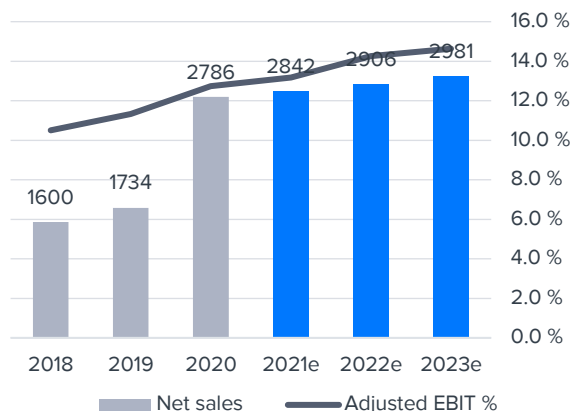
TietoEVRY's guidance is that organic growth will be -1%- +2% and adjusted EBIT margin will rise to 13-14% (12.7% in 2020).

Share price



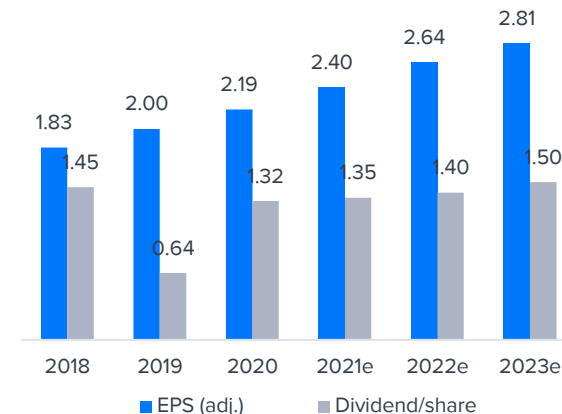
Source: Thomson Reuters

Net sales and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth in the share of highly profitable software product business
- Increase in the share of new modern IT services
- New synergies from TietoEVRY merger



Risk factors

- Weakening competitive position in large customers
- Continuous transformation creates need for continuous reorganization
- TietoEVRY's extensive integration failing/dragging on
- Effects of the COVID pandemic can be stronger than expected on customer demand

Valuation	2021e	2022e	2023e
Share price	28.7	28.7	28.7
Number of shares, millions	118.6	118.6	118.6
Market cap	3399	3399	3399
EV	4052	3917	3769
P/E (adj.)	11.9	10.9	10.2
P/E	12.5	13.6	12.6
P/FCF	14.1	11.0	10.4
P/B	2.0	1.9	1.8
P/S	1.2	1.2	1.1
EV/Sales	1.4	1.3	1.3
EV/EBITDA	7.6	7.7	7.1
EV/EBIT (adj.)	10.8	9.5	8.6
Payout ratio (%)	58.7 %	66.5 %	65.8 %
Dividend yield-%	4.7 %	4.9 %	5.2 %

Source: Inderes

Good performance continued and result exceeded market expectations

Net sales turned to a growth path and exceeded expectations

TietoEVERY's Q2 net sales grew by 5% to EUR 722 million and exceeded our EUR 672 million estimate and the EUR 696 million consensus. Net sales grew organically by 2%. Exchange rate fluctuations had a positive effect of around EUR 30 million on net sales. By segment, net sales growth was supported by Industry Software (13%) and Financial Services Solutions (9%). As expected, net sales was depressed by Cloud & Infra (-6%), but the pressure should alleviate further towards the end of the year.

Profitability improved driven by synergies

Operating profit adjusted for non-recurring items was EUR 88 million in Q2 (Q2'20: EUR 80 million) or 12.2% of net sales. Operating profit exceeded both our

estimate and consensus estimates of EUR 82-84 million. The result was supported by some EUR 21 million cost synergies related to the merger.

Reported net sales was supported by a non-recurring sales gain in the oil and gas business (EUR 71 million) and depressed by still high EUR 19 million non-recurring costs mainly related to integration and PPA. The company also continuously invests to support future development and wage inflation provides headwind for continuous efficiency measures. There were no surprises in other rows and EPS adjusted for non-recurring items was EUR 0.63 and above our and the market's EUR 0.51-0.53 expectations. Reported EPS was EUR 0.99 in Q2.

In Q1, the company launched new efficiency measures in Cloud & Infra to speed up result improvement. The efficiency measures already

worked in the business area (2 percentage points). TietoEVERY continues the measures and expects them to improve profitability in H2.

Estimates MEUR / EUR	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	686	722	672	696	672	718	7%	2842
EBIT (adj.)	80	88	82	84	71	96	7%	375
EBIT	-10	140	127	127	121	139	10%	358
PTP	-14	134	121	121	115	133	11%	331
EPS (adj.)	0.49	0.63	0.51	0.53	0.39	0.78	24%	2.40
EPS (reported)	-0.12	0.99	0.85	0.85	0.74	0.96	17%	2.30
Revenue growth-%	70.2 %	5.1%	-2.1%	1.3 %	-2.1 %	4.6 %	7.2 pp	2.0 %
EBIT-% (adj.)	11.7 %	12.2 %	12.3 %	12.1 %	10.5 %	13.3 %	0 pp	13.2 %

Source: Inderes & Vara Research (consensus)

We raised our 2022-2023 estimates a bit

Guidance unchanged

The company commented that the markets are normalizing and the effects of the pandemic on business will decrease. At the same time, demand for expertise is accelerating which is in line with the comments we've heard in the sector in Q1.

As expected, TietoEVRY repeated its guidance, and the company expects organic growth to amount to -1%- +2% (2020 net sales EUR 2,786 million). In addition, the company estimates that full year adjusted EBIT margin will rise to 13-14% (12.7% in 2020).

We raised our 2022-2023 estimates a bit

We made small revisions to our 2021 estimates. We raised our net sales estimates and lowered our profitability expectations slightly due to softer Q3 comments than anticipated. Driven by better growth outlooks, we raised our estimates for next few years by around 2%.

Strategic objectives until 2023

TietoEVRY's key financial objectives are 1) growth accelerating to 5% by 2023, 2) adjusted operating

profit (EBITA) 15% by 2023, 3) debt/EBITDA below 2x by the end of 2022, and 4) increasing dividend every year. As had been typical for Tieto, TietoEVRY has provided a detailed road map of which areas growth is sought in and what the schedule for reaching the objectives is.

The company includes possible M&A transactions in its 5% growth target. TietoEVRY's cash flow is strong, and the balance sheet strengthens constantly, which also enables inorganic growth. We find acquisitions to be highly likely in the next few years, which is supported by the company's comments.

The company has previously commented that it is also examining its own portfolio over the next 1-2 years. Thus, we find new divestments of non-strategic businesses possible.

Earnings growth in 2021 is driven by synergies

We estimate that TietoEVRY's net sales will grow by 2% to EUR 2,842 million in 2021. We expect adjusted operating profit to be EUR 375 million and profitability to rise to 13.2% (2020: 12.7%). The profitability improvement is mainly driven by synergies that, on the other hand, are subdued by wage inflation (2-4%)

and continuous product development investments (4-5% of net sales).

In our estimates we expect non-recurring costs to decrease clearly and amount to EUR 88 million in 2021 (2020: EUR 208 million). In addition, non-recurring items include a sales gain from the Oil and gas business (EUR 71 million) and thus non-recurring items amount to EUR 17 million on net in 2021.

The company says it constantly examines possible new cost synergies. Like historically, we expect the reorganization need to be continuous also in future driven by changes in employee skills and service demand, as well as technology changes. Net sales synergies are usually harder to perceive and attain that cost synergies, and we have not really estimated these.

In 2022-2023, we expect net sales to grow by 2-3% and adjusted EBIT margin to gradually rise to 14.6% driven by synergies and efficiency measures. In our opinion risks for the synergies materializing are that the current favorable and improving market situation starts spluttering and/or the COVID pandemic becomes prolonged further.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	2788	2842	2%	2850	2906	2%	2924	2981	2%
EBITDA	525	530	1%	501	510	2%	524	534	2%
EBIT (exc. NRIs)	383	375	-2%	405	414	2%	427	436	2%
EBIT	353	358	1%	325	334	3%	347	356	3%
PTP	329	331	1%	308	316	3%	332	342	3%
EPS (excl. NRIs)	2.37	2.40	1%	2.59	2.64	2%	2.75	2.81	2%
DPS	1.35	1.35	0%	1.40	1.40	0%	1.50	1.50	0%

Valuation supports strong view of a stable and low-risk company in the sector

Peer group

The demand fundamentals of TietoEVERY and the sector have strengthened, the company's outlook has improved, and the acceptable valuation level of the sector has risen in the past year. We have used Finnish, Nordic, and global peers in TietoEVERY's peer group. We consider the median of the peer group to be a good yardstick for TietoEVERY's valuation level. We justify the relative valuation from the viewpoint of the company's size, competitive position, scalability of the expertise portfolio, continuity, know-how, geographical diversification, and very predictable business. Here we have also considered TietoEVERY's higher "continuous" reorganization costs than for its peers. In future, TietoEVERY expects the reorganization costs to be some 1% of net sales which corresponds with good 5% of the operating result. In the longer term as the company integration progresses and the company shows strengthening economies of scales and competitiveness, a slight premium can be accepted for the share compared to sector valuation.

Valuation multiples

With our estimates the adjusted 2021 P/E and EV/EBIT multiples for 2021 are 12x and 11x and for 2022 correspondingly 11x and 9x. The EV/EBIT multiples are ~30% and P/E multiples ~40% below the peers. In our view, the share's relative and absolute valuation is very attractive. In addition, dividend yield offers good basic returns.

Components of the expected return for the share

We examine the expected return for TietoEVERY's share from the viewpoint of earnings growth, dividend

yield and the accepted valuation level. We believe the company has preconditions in 2022-2023 for 8% annual earnings growth (compared to 2021 level) pulled by net sales growth and increased profitability. With our increasing dividend estimates of good 60% payout ratio, the dividend yield is around 5%. Strong cash flow continuously strengthens the balance sheet and provides good preconditions for high distribution of profits and inorganic growth.

In our view, there is currently clear upside in the share's valuation multiples. Thus, the share's return expectation consisting of dividend yield, earnings growth and upside in valuation multiples is at >15%. This is highly attractive, especially considering the low risk level compared to the sector.

Valuation	2021e	2022e	2023e
Share price	28.7	28.7	28.7
Number of shares, millions	118.6	118.6	118.6
Market cap	3399	3399	3399
EV	4052	3917	3769
P/E (adj.)	11.9	10.9	10.2
P/E	12.5	13.6	12.6
P/FCF	14.1	11.0	10.4
P/B	2.0	1.9	1.8
P/S	1.2	1.2	1.1
EV/Sales	1.4	1.3	1.3
EV/EBITDA	7.6	7.7	7.1
EV/EBIT (adj.)	10.8	9.5	8.6
Payout ratio (%)	58.7 %	66.5 %	65.8 %
Dividend yield-%	4.7 %	4.9 %	5.2 %

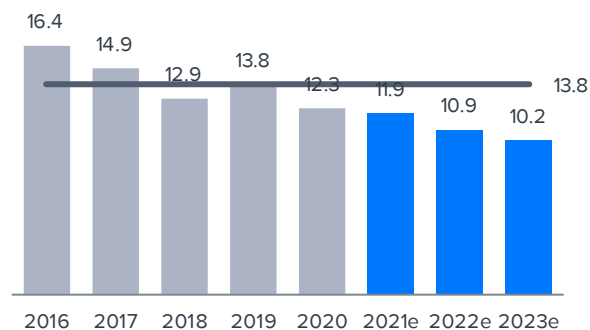
Source: Inderes

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	25.9	26.0	23.6	27.7	26.9	28.7	28.7	28.7	28.7
Number of shares, millions	73.6	74.1	73.8	67.9	118.4	118.6	118.6	118.6	118.6
Market cap	1908	1925	1741	3283	3181	3399	3399	3399	3399
EV	2024	2086	2045	4067	3854	4052	3917	3769	3617
P/E (adj.)	16.4	14.9	12.9	13.8	12.3	11.9	10.9	10.2	9.7
P/E	17.8	17.9	14.1	23.8	33.7	12.5	13.6	12.6	11.9
P/FCF	>100	24.1	neg.	neg.	11.3	14.1	11.0	10.4	10.1
P/B	3.9	4.1	3.6	1.9	2.0	2.0	1.9	1.8	1.7
P/S	1.3	1.2	1.1	1.9	1.1	1.2	1.2	1.1	1.1
EV/Sales	1.4	1.4	1.3	2.3	1.4	1.4	1.3	1.3	1.2
EV/EBITDA	10.4	11.0	9.8	17.7	12.0	7.6	7.7	7.1	6.6
EV/EBIT (adj.)	13.3	12.6	12.2	20.7	10.9	10.8	9.5	8.6	8.0
Payout ratio (%)	94.1%	96.3%	86.9%	59.5%	165.4%	58.7%	66.5%	65.8%	64.1%
Dividend yield-%	5.3%	5.4%	6.1%	1.4%	4.9%	4.7%	4.9%	5.2%	5.4%

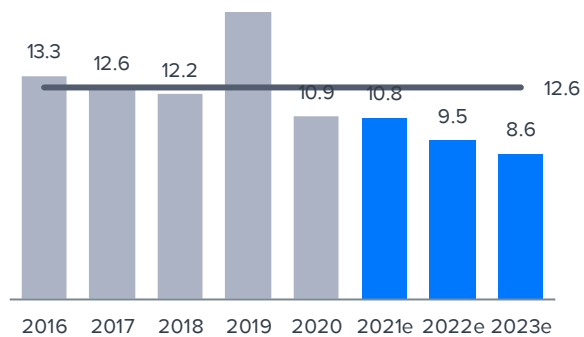
Source: Inderes

P/E (adj.)



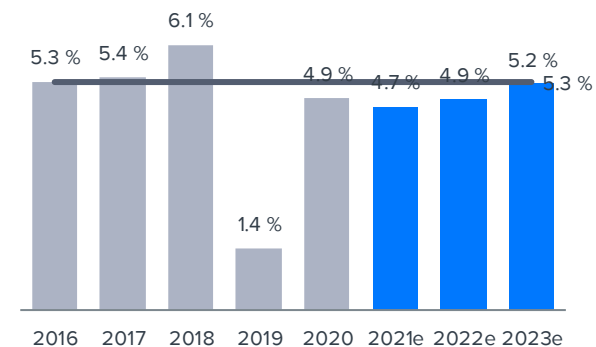
■ P/E (adj.) — Median 2016 - 2020

EV/EBIT



■ EV/EBIT (adj.) — Median 2016 - 2020

Dividend yield %



■ Dividend yield-% — Median 2016 - 2020

Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e
Bilot*	7.2	36	25	11.6	9.5	10.7	8.9	1.0	0.9	18.9	16.9	1.1	1.4
Digia*	8.2	220	237	14.1	12.8	11.1	10.2	1.6	1.4	16.3	15.3	2.1	2.4
Gofore*	19.1	268	264	18.6	16.1	15.7	13.7	2.6	2.3	23.0	20.8	1.8	6.3
Innofactor*	1.9	70	71	11.7	9.4	6.3	7.5	1.0	0.9	17.9	13.0	3.2	3.8
Nixu*	7.9	58	63	233.6	22.8	30.4	14.2	1.2	1.0		31.9		
Siili*	16.9	118	130	14.0	11.6	10.9	9.4	1.3	1.2	15.7	14.1	2.0	2.4
Solteq*	6.0	117	136	14.8	11.7	9.4	7.8	2.0	1.7	19.6	15.3	1.7	2.5
Vincit*	10.3	124	121	13.7	11.4	11.9	10.5	1.9	1.7	19.0	15.9	2.0	2.1
Bouvet	58.1	584	544	17.9	16.3	14.6	13.3	2.2	2.0	24.5	22.3	3.9	4.1
CGI	114.1	16624	18520	14.2	13.6	11.3	10.8	2.3	2.2	20.8	19.2		
Enea	237.5	491	525	23.6	17.6	15.0	13.5	5.5	4.8	26.9	20.9		
Knowlt	286.5	608	595	16.3	13.5	12.4	10.6	1.5	1.3	20.5	18.8	2.5	2.7
Wipro	568.1	35008	33131	24.4	21.6	19.8	17.1	4.7	3.8	30.0	26.1	1.0	1.2
Tata	3205.8	134283	130498	27.4	23.1	25.1	21.3	7.0	6.1	36.2	30.3	2.3	2.6
Atos	40.1	4447	6260	11.5	8.4	5.0	4.5	0.6	0.6	8.6	7.0	2.3	2.7
Capgemini	167.6	27798	33666	17.2	15.5	12.7	11.8	2.0	1.9	21.2	19.0	1.2	1.4
IBM	142.5	104454	142932	13.6	12.7	8.9	9.0	2.3	2.2	12.7	11.5	4.8	5.0
Accenture	313.2	174646	166685	25.8	23.2	20.6	18.6	3.9	3.5	35.1	31.4	1.1	1.2
TietoEVRY (Inderes)	28.7	3399	4052	10.8	9.5	7.6	7.7	1.4	1.3	11.9	10.9	4.7	4.9
Average				28.2	14.8	13.8	11.7	2.4	2.2	21.2	19.1	2.2	2.8
Median (all)				14.8	13.5	11.9	10.6	2.0	1.7	20.1	18.8	2.0	2.5
<i>Diff-% to median</i>				-27%	-30%	-36%	-28%	-27%	-21%	-40%	-42%	131%	99%
Median Finnish companies				14.0	11.6	10.9	9.5	1.6	1.4	18.4	15.3	2.0	2.4

Source: Thomson Reuters / *Inderes' adjusted estimates. NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	1734	744	686	644	712	2786	712	722	667	742	2842	2906	2981	3062
Digital Consulting	483	184	163	143	173	662	175	172	152	183	682	702	730	752
Cloud & Infra	531	253	232	219	227	932	216	219	213	224	871	880	898	916
Industry Software	456	130	122	115	134	501	136	139	123	145	543	560	571	588
Financial Services Solutions	143	107	102	101	109	419	112	119	114	121	466	480	494	509
Product Development Services	1.4	39	34	33	36	142	37	36	33	35	141	142	144	148
Muut	0.0	32	33	32	33	131	36	37	33	33	139	141	144	149
EBITDA	230	94.5	35.9	72.2	120	323	101	182	111	136	530	510	534	552
Depreciation	-106.0	-44	-46	-44	-42	-176	-44	-43	-43	-43	-173	-176	-178	-179
EBIT (excl. NRI)	196	78	80	90	106	355	82	88	90	115	375	414	436	453
EBIT	124	50	-10	29	78	147	57	140	68	93	358	334	356	373
Group items & non-recurring items	-0.4	-28	-90	-62	-29	-208	-25	51	-22	-22	-17	-80	-80	-80
Others	0.0	1	1	1	2	5	3	0	2	3	8	8	8	8
Net financial items	-23.0	-6	-6	-7	-6	-24	-8	-6	-6	-6	-27	-18	-14	-10
PTP	101	44	-16	22	72	122	48	134	62	87	331	316	342	363
Taxes	-22.1	-10	2	-3	-18	-28	-11	-16	-13	-18	-59	-66	-72	-76
Minority interest	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	79.1	35	-14	19	55	95	37	118	49	69	273	250	270	287
EPS (adj.)	2.00	0.48	0.49	0.57	0.65	2.19	0.48	0.63	0.56	0.72	2.40	2.64	2.81	2.95
EPS (rep.)	1.16	0.29	-0.12	0.16	0.46	0.80	0.31	0.99	0.41	0.58	2.30	2.11	2.28	2.42

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	8.4 %	82.2 %	70.2 %	69.6 %	31.1 %	60.7 %	-4.4 %	5.2 %	3.6 %	4.2 %	2.0 %	2.2 %	2.6 %	2.7 %
Adjusted EBIT growth-%	16.9 %	91.1 %	135.9 %	80.2 %	49.0 %	80.8 %	5.1 %	9.8 %	-0.5 %	7.7 %	5.5 %	10.6 %	5.3 %	3.9 %
EBITDA-%	13.3 %	12.7 %	5.2 %	11.2 %	16.8 %	11.6 %	14.1 %	25.3 %	16.7 %	18.4 %	18.7 %	17.6 %	17.9 %	18.0 %
Adjusted EBIT-%	11.3 %	10.5 %	11.7 %	14.0 %	14.9 %	12.7 %	11.5 %	12.2 %	13.4 %	15.5 %	13.2 %	14.3 %	14.6 %	14.8 %
Net earnings-%	4.6 %	4.7 %	-2.0 %	2.9 %	7.7 %	3.4 %	5.2 %	16.3 %	7.4 %	9.3 %	9.6 %	8.6 %	9.1 %	9.4 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	3008	2793	2748	2706	2664
Goodwill	2023	1974	1974	1974	1974
Intangible assets	440	385	341	298	254
Tangible assets	400	329	331	332	334
Associated companies	23.1	19.7	19.7	19.7	19.7
Other investments	10.9	13.4	10.0	10.0	10.0
Other non-current assets	41.4	24.7	24.7	24.7	24.7
Deferred tax assets	68.9	46.9	46.9	46.9	46.9
Current assets	826	812	775	733	751
Inventories	5.2	4.9	0.0	0.0	0.0
Other current assets	13.6	35.9	35.9	35.9	35.9
Receivables	627	519	540	552	566
Cash and equivalents	180	252	199	145	149
Balance sheet total	3834	3605	3522	3439	3416

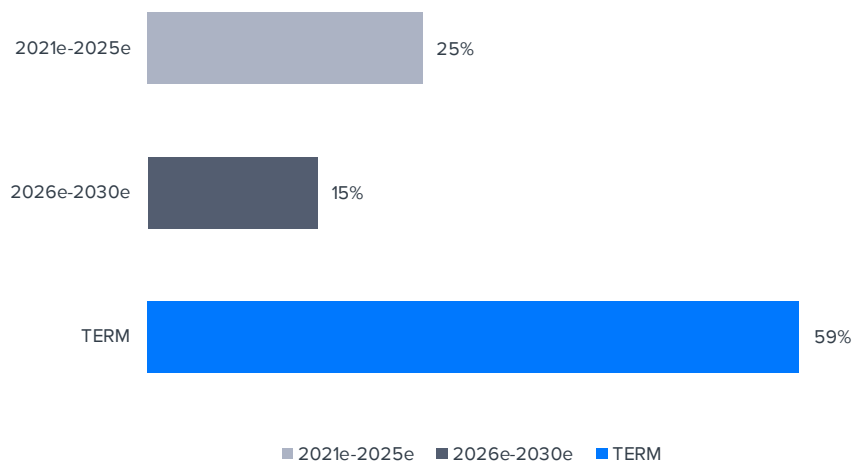
Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	1687	1626	1700	1789	1894
Share capital	118	119	75.8	75.8	75.8
Retained earnings	366	304	420	510	614
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	1204	1204	1204	1204	1204
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	958	1204	1084	915	733
Deferred tax liabilities	40.7	25.3	25.3	25.3	25.3
Provisions	24.4	48.8	48.8	48.8	48.8
Long term debt	592	886	766	597	415
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	301	244	244	244	244
Current liabilities	1189	775	739	735	789
Short term debt	373	39.6	85.2	66.4	104
Payables	720	661	654	668	686
Other current liabilities	96.6	75.0	0.0	0.0	0.0
Balance sheet total	3834	3605	3522	3439	3416

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	147	358	334	356	373	347	323	298	306	313	320	
+ Depreciation	176	173	176	178	179	178	165	166	164	138	143	
- Paid taxes	-21.3	-58.7	-66.4	-71.9	-76.2	-71.4	-66.7	-61.9	-63.9	-65.9	-67.3	
- Tax, financial expenses	-5.7	-4.9	-4.0	-3.1	-2.3	-1.6	-1.3	-0.9	-0.4	-0.1	0.0	
+ Tax, financial income	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
- Change in working capital	5.1	-97.8	2.5	3.0	3.2	3.7	3.2	3.2	3.3	3.4	2.8	
Operating cash flow	301	369	442	462	477	456	423	405	409	389	398	
+ Change in other long-term liabilities	-33.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	14.0	-127.6	-133.6	-136.3	-139.0	-141.8	-144.6	-147.5	-150.5	-153.5	-167.5	
Free operating cash flow	281	241	309	326	338	314	279	257	258	235	231	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	281	241	309	326	338	314	279	257	258	235	231	5528
Discounted FCFF		235	283	281	274	240	200	174	164	141	130	3117
Sum of FCFF present value		5239	5004	4721	4441	4167	3927	3726	3552	3388	3247	3117
Enterprise value DCF		5239										
- Interesting bearing debt		-925.5										
+ Cash and cash equivalents		252										
- Minorities		0.0										
- Dividend/capital return		-156.3										
Equity value DCF		4410										
Equity value DCF per share		37.2										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	0.95
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	6.5 %
Weighted average cost of capital (WACC)	6.3 %

Source: Inderes

Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	1599.5	1734.2	2786.4	2841.9	2905.5	EPS (reported)	1.67	1.16	0.80	2.30	2.11
EBITDA	209.7	230.2	322.5	530.2	510.0	EPS (adj.)	1.83	2.00	2.19	2.40	2.64
EBIT	154.7	124.2	146.7	357.7	334.3	OCF / share	2.53	5.83	2.54	3.11	3.73
PTP	152.8	101.2	122.4	331.2	316.2	FCF / share	-0.38	-23.02	2.38	2.04	2.60
Net Income	123.2	79.1	94.5	272.6	249.8	Book value / share	6.54	24.83	13.73	14.33	15.09
Extraordinary items	-13.3	-72.2	-208.4	-17.0	-80.0	Dividend / share	1.45	0.64	1.32	1.35	1.40
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	1359.6	3833.7	3604.8	3522.5	3438.8	Revenue growth-%	4%	8%	61%	2%	2%
Equity capital	482.5	1687.1	1626.2	1699.6	1789.3	EBITDA growth-%	11%	10%	40%	64%	-4%
Goodwill	442.6	2023.1	1974.4	1974.4	1974.4	EBIT (adj.) growth-%	1%	17%	81%	6%	11%
Net debt	304.5	783.9	673.2	652.7	518.4	EPS (adj.) growth-%	5%	10%	9%	10%	10%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	13.1 %	13.3 %	11.6 %	18.7 %	17.6 %
EBITDA	209.7	230.2	322.5	530.2	510.0	EBIT (adj.)-%	10.5 %	11.3 %	12.7 %	13.2 %	14.3 %
Change in working capital	0.6	237.5	5.1	-97.8	2.5	EBIT-%	9.7 %	7.2 %	5.3 %	12.6 %	11.5 %
Operating cash flow	186.9	396.0	300.8	369.0	442.3	ROE-%	25.7 %	7.3 %	5.7 %	16.4 %	14.3 %
CAPEX	-209.9	-2261.6	14.0	-127.6	-133.6	ROI-%	18.7 %	6.9 %	5.7 %	14.1 %	13.4 %
Free cash flow	-27.8	-1563.8	281.5	241.4	308.7	Equity ratio	35.5 %	44.0 %	45.1 %	48.3 %	52.0 %
Valuation multiples	2018	2019	2020	2021e	2022e	Gearing	63.1 %	46.5 %	41.4 %	38.4 %	29.0 %
EV/S	1.3	2.3	1.4	1.4	1.3						
EV/EBITDA (adj.)	9.8	17.7	12.0	7.6	7.7						
EV/EBIT (adj.)	12.2	20.7	10.9	10.8	9.5						
P/E (adj.)	12.9	13.8	12.3	11.9	10.9						
P/E	3.6	1.9	2.0	2.0	1.9						
Dividend-%	6.1 %	1.4 %	4.9 %	4.7 %	4.9 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
25-07-16	Accumulate	29.00 €	26.88 €
26-10-16	Accumulate	28.00 €	26.02 €
30-01-17	Reduce	26.00 €	26.10 €
06-02-17	Reduce	26.00 €	25.82 €
28-04-17	Reduce	28.00 €	28.14 €
24-07-17	Reduce	27.00 €	26.99 €
25-10-17	Reduce	27.00 €	27.21 €
06-02-18	Reduce	28.00 €	27.98 €
26-04-18	Reduce	29.00 €	29.86 €
23-07-18	Accumulate	28.00 €	25.96 €
25-10-18	Reduce	27.00 €	26.30 €
29-11-18	Reduce	27.00 €	25.70 €
07-02-19	Reduce	27.00 €	26.70 €
26-04-19	Reduce	27.00 €	27.50 €
22-07-19	Accumulate	26.00 €	23.10 €
25-10-19	Reduce	26.00 €	25.92 €
11-12-19	Reduce	27.00 €	26.86 €
17-02-20	Reduce	29.00 €	30.30 €
30-03-20	Accumulate	21.00 €	18.69 €
29-04-20	Accumulate	25.00 €	21.94 €
27-07-20	Accumulate	28.00 €	26.24 €
21-10-20	Buy	30.00 €	25.90 €
28-10-20	Buy	30.00 €	22.66 €
18-02-21	Buy	30.00 €	26.34 €
30-04-21	Buy	34.00 €	28.98 €
21-07-21	Buy	34.00 €	28.36 €



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