

Stora Enso

Company report

02/01/2023



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This report is a summary translation of the report "Virta väärään suuntaan oli odotettua vuolaampi" published on 02/01/2023 at 08:15 am.

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Flow in the wrong direction was stronger than expected

We reiterate our Reduce recommendation for Stora Enso and revise our target price to EUR 14.00 (was 14.50). Stora Enso's Q4 report was weaker than expected and the company's near-term outlook is also weak in many areas due to sluggish demand and inflationary challenges. We slightly lowered our estimates for Stora Enso this year, but otherwise our estimates for the coming years were largely unchanged. In addition, we raised our required return by a notch, especially in view of the company's high volatility and earnings performance that is hurting again. The valuation of Stora Enso isn't unreasonable despite the downward earnings trend this year, but we still prefer UPM and Metsä Board, which offer slightly more attractive short-term expected returns than Stora Enso.

A winning run of results ended more harshly than expected

Stora Enso's net sales grew 5% in Q4 (+5% excluding Paper), driven in particular by higher sales prices. Volume growth was sluggish, reflecting the weakening business cycle and the burden of annual maintenance. Stora Enso's adjusted EBIT turned down in Q4, declining 17% from a good level in the comparison period, mainly due to sluggish volumes and rising costs. Operational EBIT was roughly 10% below our and consensus forecasts. The proposed dividend was EUR 0.60 per share, in line with estimates.

Minor estimate changes

For the current year, Stora Enso issued guidance that the company's operational EBIT will be lower than last year (2022 adj. EBIT: 1,891 MEUR). Prior to the Q4 report, expectations for us and consensus were about a 30% operational EBIT drop. The guidance was exactly what we expected, as Stora Enso doesn't typically specify its guidance with adjectives. In addition, the company expects demand for corrugated board and sawn wood to remain weak in the first part of the year, while the market situation for consumer paperboard and pulp is more stable. Stora Enso also expects costs to rise this year, which was in line with our preliminary expectations. Our estimate for Stora Enso's adjusted EBIT for the current year (including the sale of the Hylte paper mill) decreased by about 6% following the revisions after the Q4 report. However, the changes for the coming years were minor. We expect Stora Enso's adjusted EBIT to fall by 34% to EUR 1,251 million this year, as demand constrained by the economic slowdown, improving supply and inflation normalize margins. In the coming years, we forecast a gradual improvement in the company's profitability, the improving economic situation and the completion of investments support volumes and inflation calms down. The main risks to our estimates are the global economy, continued inflation and intensifying competition.

Relative to the declining result, the valuation multiples for the current year look fairly neutral

Stora Enso's adjusted P/E ratios for 2023 and 2024 based on our estimates are 12x and 11x, and the corresponding EV/EBITDA ratios are 7x and 6x. The 2023 multiples that are the main focus are overall slightly below the 5-year medians, but we don't consider this to be a significantly attractive starting point given rising interest rate expectations and declining earnings expectations. In relative terms, the valuation is also very neutral to the peer group, while the only positive signal for the valuation is provided by the DCF. Given the overall valuation picture and the weakish short-term earnings expectations, we believe that Stora Enso's short-term expected return is still below the required return. Thus, we maintain a wait-and-see stance on Stora Enso and favor peers that in our view have slightly better risk/return ratios in the sector.

Recommendation

Reduce

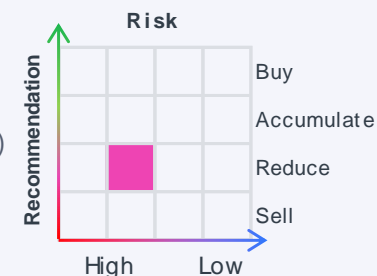
(previous Reduce)

EUR 14.00

(previous EUR 14.50)

Share price:

EUR 13.10



Key figures

	2022	2023e	2024e	2025e
Revenue	11680	10997	11364	12199
growth-%	15%	-6%	3%	7%
EBIT adj.	1891	1251	1326	1429
EBIT-% adj.	16.2 %	11.4 %	11.7 %	11.7 %
Net Income	1549	887	946	1023
EPS (adj.)	1.76	1.13	1.20	1.30
P/E (adj.)	7.5	11.6	10.9	10.1
P/B	0.8	0.8	0.8	0.7
Dividend yield-%	4.6 %	4.7 %	5.1 %	5.7 %
EV/EBIT (adj.)	6.6	10.5	9.8	8.9
EV/EBITDA	4.7	6.8	6.3	5.8
EV/S	1.1	1.2	1.1	1.0

Source: Inderes

Guidance

(New guidance)

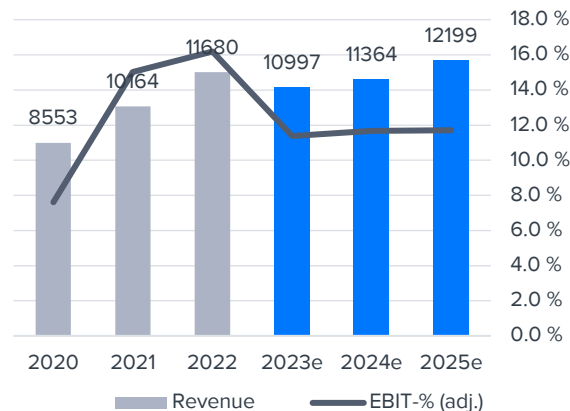
Stora Enso's full-year 2023 operational EBIT is expected to be lower than for the full-year 2022 (EUR 1,891 million).

Share price



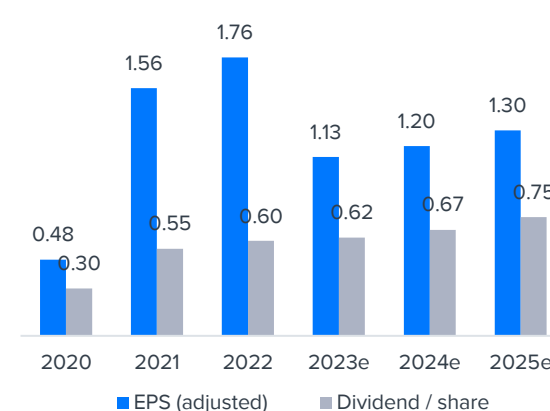
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Good long-term prospects for packaging businesses and strong market position
- Product mix gradually improving with new products
- Realizing the potential of ongoing investments
- Improved cost-efficiency through the cost savings program
- Battery materials have potential as a high-margin volume product



Risk factors

- Somewhat cyclical demand in several product groups
- Tighter competition
- Pulp price risk
- Foreign exchange rate risks
- Most sales come from Europe

Valuation	2023e	2024e	2025e
Share price	13.1	13.1	13.1
Number of shares, millions	788.6	788.6	788.6
Market cap	10327	10327	10327
EV	13169	13013	12700
P/E (adj.)	11.6	10.9	10.1
P/E	11.6	10.9	10.1
P/FCF	neg.	13.6	10.7
P/B	0.8	0.8	0.7
P/S	0.9	0.9	0.8
EV/Sales	1.2	1.1	1.0
EV/EBITDA	6.8	6.3	5.8
EV/EBIT (adj.)	10.5	9.8	8.9
Payout ratio (%)	55.2 %	55.9 %	57.8 %
Dividend yield-%	4.7 %	5.1 %	5.7 %

Source: Inderes

A winning run of results ended more harshly than expected in Q4

Growth stalled in Q4

Stora Enso's Q4 net sales increased by 5% to EUR 2,864 million, below our and consensus forecasts. Growth was fueled by sales prices and, to a lesser extent, currencies that were still higher than in the comparison period. Volume growth was weaker than expected, also when adjusted for structural changes. In Q4, all the divisions saw growth, barring Wood Products, which suffered from volume and price pressure on lumber.

Operational performance was clearly below our expectations

Stora Enso's adjusted operational EBIT for Q4 decreased by 17% to EUR 355 million, as growth (i.e. price increases) didn't properly trickle down to the bottom line as inflation brought headwinds alongside the burden on annual earnings and sluggish volume growth. Operating profit also underperformed our and consensus estimates by more than 10%. At division level, the performance was mixed.

Biomaterials showed good momentum, posting a record result on the back of rising pulp prices and a kick from currencies. In doing so, the division beat our that consensus projections by a wide margin. Contrary to our expectations, Paper posted a better result as sales prices clearly offset cost increases. In addition, the stable Forest was able to achieve a clear increase in earnings, although this was partly explained by a small gain on a land sale in Sweden. On the disappointing side, Packaging Materials' profitability plummeted and was well below estimates due to inflation, a weak market for corrugated raw materials and annual maintenance. Due to a clear downturn in demand and prices for sawn wood, Wood Products' performance fell into the red in all earnings rows, starting from EBITDA. This performance was well below all expectations.

Cash flow repatriation remained sluggish

In the bottom rows, Stora Enso recognized large non-operational fair value changes for forest and biological assets in the reported Q4 figures. We

consider forests to be strategic assets for Stora Enso and the change in book value will not have a huge impact on our view of the company. Financial expenses were in line with expectations and taxes were higher than expected, reflecting the better-than-expected reported result. Thus, the company's reported EPS ended up at EUR 0.74, well above our and consensus estimates due to fair value changes.

From a cash flow perspective, Q4 was sluggish for Stora Enso. The company's operating cash flow deteriorated in Q4 by -31% to EUR 429 million year-on-year, as the businesses tied up working capital, contrary to the normal seasonal nature of Q4. At the end of the review period, the net debt to EBITDA ratio was at a moderate level of 0.7x (target below 2x). In other words, the company's balance sheet is in strong shape for future investments. Stora Enso plans to pay a dividend of EUR 0.60/share in the spring after a strong performance in 2022, which was also in line with our and the market's expectations.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	2719	2864	2904	2905	2775	- 3023	-1%	11680
EBIT (adj.)	427	355	410	403	204	- 496	-13%	1891
EBIT	839	705	410	440	350	- 661	72%	2009
PTP	793	666	373	401	316	- 634	78%	1858
EPS (reported)	0.78	0.74	0.38	0.40	0.32	- 0.44	97%	1.96
DPS	0.55	0.60	0.60	0.59	0.40	- 0.68	0%	0.60
Revenue growth-%	26.3 %	5.3 %	6.8 %	6.8 %	2.1 %	- 11.2 %	-1.5 pp	14.9 %
EBIT-% (adj.)	15.7 %	12.4 %	14.1 %	13.9 %	7.4 %	- 16.4 %	-1.7 pp	16.2 %

Source: Inderes & Vara (consensus)

Estimate revisions limited to 2023

Estimate revisions 2023e-2025e

- For the current year, Stora Enso issued guidance that the company's operational EBIT will be lower than last year (2022 adj. EBIT: 1,891 MEUR). Prior to the Q4 report, expectations for us and consensus were about a 30% operational EBIT drop. Stora Enso doesn't typically specify its guidance with adjectives, so the guidance was fully in line with our expectations.
- We added the sale of the Hylte paper mill to our estimates, but the impact was small. In addition, the Maxau plant will remain in the company slightly longer than expected.
- After the Q4 disappointment, we cut our estimates for Packaging Materials due to volumes (corrugated board) and costs (especially energy and wood). We slightly raised Paper's estimates due to persistently high cost levels, but the impact on Stora Enso is small. Biomaterials estimates increased slightly due to better-than-expected pulp prices and a slightly tighter market, especially for softwood pulp (including a capacity closure in Canada). In view of the very difficult lumber market in the short term, Wood Products' estimates were downgraded, especially for 2023 but slightly for the next few years too.
- We raised our investment estimate for the current year, as the big cardboard project in Oulu is set to become a major investment project already this year.

Operational result drivers 2023e-2025e:

- We expect Packaging Materials' results to fall sharply this year, especially in H1 volumes and margins for corrugated raw materials, reflecting a weak market and inflation. In the coming years, we expect the unit's profitability to gradually improve thanks to the economic cycle and new investments (especially in Oulu).
- We expect Biomaterials' earnings to gradually decline from the 2022 peak, as we expect pulp prices to fall in the coming years as supply normalizes (incl. supply chains and new capacity) and demand remains healthy.
- Packaging Solutions' net sales and earnings will increase clearly with De Jong Packaging starting from the beginning of 2023.
- In Wood Products, we forecast the result to remain clearly down in a weak sawmill cycle until Q4'23, when the division faces a weak comparison figure. We don't expect the division to return to the exceptionally high performance levels of 2021-2022.
- In Energy, the company's position is good due to high self-sufficiency, but due to the likely rolling hedging of the open long position, the company's energy costs will rise this year.

Estimate revisions	2022	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11720	11680	0%	11489	10997	-4%	11487	11364	-1%
EBIT (exc. NRIs)	1945	1891	-3%	1328	1251	-6%	1310	1326	1%
EBIT	1714	2009	17%	1358	1246	-8%	1310	1326	1%
PTP	1566	1858	19%	1209	1096	-9%	1161	1195	3%
EPS (excl. NRIs)	1.81	1.76	-3%	1.18	1.13	-5%	1.16	1.20	3%
DPS	0.60	0.60	0%	0.65	0.62	-5%	0.70	0.67	-4%

Source: Inderes

We retain our wait-and-see stance

Valuation multiples are at the right level

Stora Enso's adjusted P/E ratios for 2023 and 2024 based on our estimates are 12x and 11x, while the corresponding EV/EBITDA ratios are around 7x and 6x. In turn, Stora Enso's multiples for the next years are slightly below medium-term levels. In our view, this is still a somewhat neutral starting point, given the higher interest rate expectations of recent years, earnings that are declining at least this year and the uncertainty surrounding the outlook.

The reduction in the share of Paper has improved the quality of the company's earnings and supported achievement of the target to reduce cyclicality presented at the CMD. However, the drop in earnings seen in Q4 and continuing from the beginning of the year showed that Stora Enso's earnings are still volatile, and the company has a lot of work to do to reduce cyclicality. With 5-year average realized results, Stora Enso's P/E would be 11x, which is no longer a high level considering that the company's profile has improved a few notches over the last 5 years (the period includes, of course, the peak results of 2021-2022). In addition to the divestment in Paper, the progress of the battery material project in particular could further improve the profile. However, despite the Polestar collaboration (and the earlier NorthVolt deal) announced in the Q4 report, we believe it will take years to ramp up the business.

In relative terms, Stora Enso is priced neutrally compared to its peer group, especially looking ahead to next year. Thus, the share is not cheap in relative terms, although the peer group is also starting to look cheap. The value of our DCF model based longer-term estimates is also above the share price at good EUR 17 even though we have raised our required return for Stora Enso slightly due to fluctuating performance of the company. Thus, the DCF already gives an attractive indicator of the valuation, but under current market conditions this alone is not enough for a positive

recommendation.

We find the valuation reasonable

We expect investors to receive an annual dividend of about 4-5% over the next few years for the current share price. Therefore, a relatively good dividend supports the expected return. In our view, in light of the earnings growth driver remaining negative for at least the next 4 quarters, we don't see the multiples as sufficiently favorable (i.e. we don't believe there is material upside to the valuation without beating our estimates). Thus, we believe that the 12-month expected return on the stock isn't yet well above our required return. However, from the perspective of medium- and long-term patient investors, the stock is already starting to have some undeniably attractive elements.

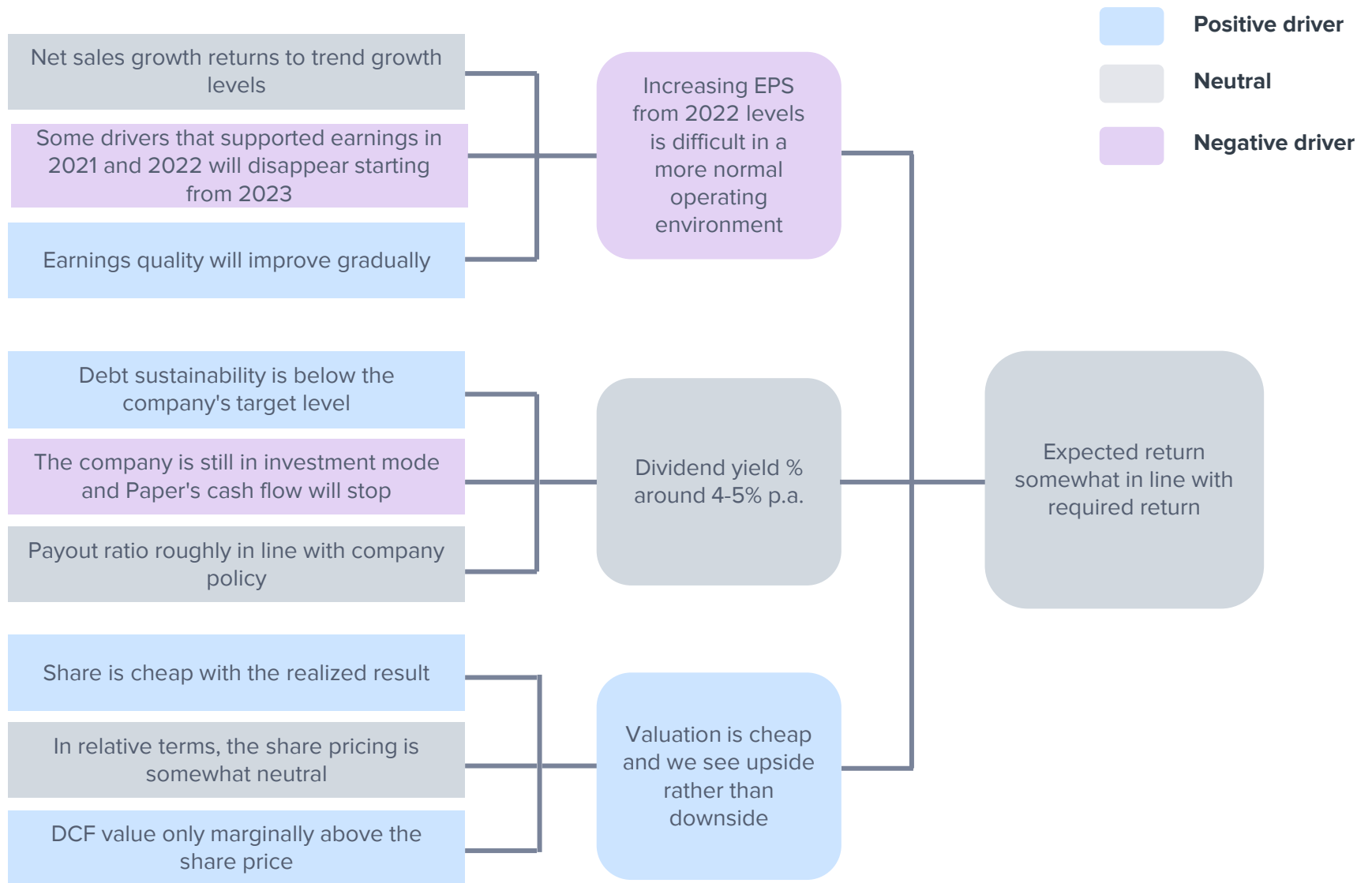
Written-up balance sheet keeps return on capital under control

Stora Enso's P/B ratio is below its medium-term median level at 0.8x (2022 TOT). Historically, this level would already be attractive for Stora Enso, but due to forest asset write-ups the increased balance sheet also stabilizes the Group's long-term return on capital to a lower level than before. The Forest division's ROCE% for the heavily written-up balance sheet value in recent years is now ca. 4% and the cash flow rate is significantly lower. Even relative to the low risk of forest, we do not find the balance sheet value favorable (cf. the interest rate on the US 10-year bond is around 3.5%) and we don't believe that equity investors will swallow the balance sheet value of the strategic forest (i.e. the forest is unlikely to be sold and the value won't unwind quickly) for Stora Enso as such. Thus, the balance sheet, which has been bolstered with write-ups and consequently the chronically limited ROIC, in our opinion, nail down an acceptable balance sheet valuation for the share at around the equity balance sheet value.

Valuation	2023e	2024e	2025e
Share price	13.1	13.1	13.1
Number of shares, millions	788.6	788.6	788.6
Market cap	10327	10327	10327
EV	13169	13013	12700
P/E (adj.)	11.6	10.9	10.1
P/E	11.6	10.9	10.1
P/FCF	neg.	13.6	10.7
P/B	0.8	0.8	0.7
P/S	0.9	0.9	0.8
EV/Sales	1.2	1.1	1.0
EV/EBITDA	6.8	6.3	5.8
EV/EBIT (adj.)	10.5	9.8	8.9
Payout ratio (%)	55.2 %	55.9 %	57.8 %
Dividend yield-%	4.7 %	5.1 %	5.7 %

Source: Inderes

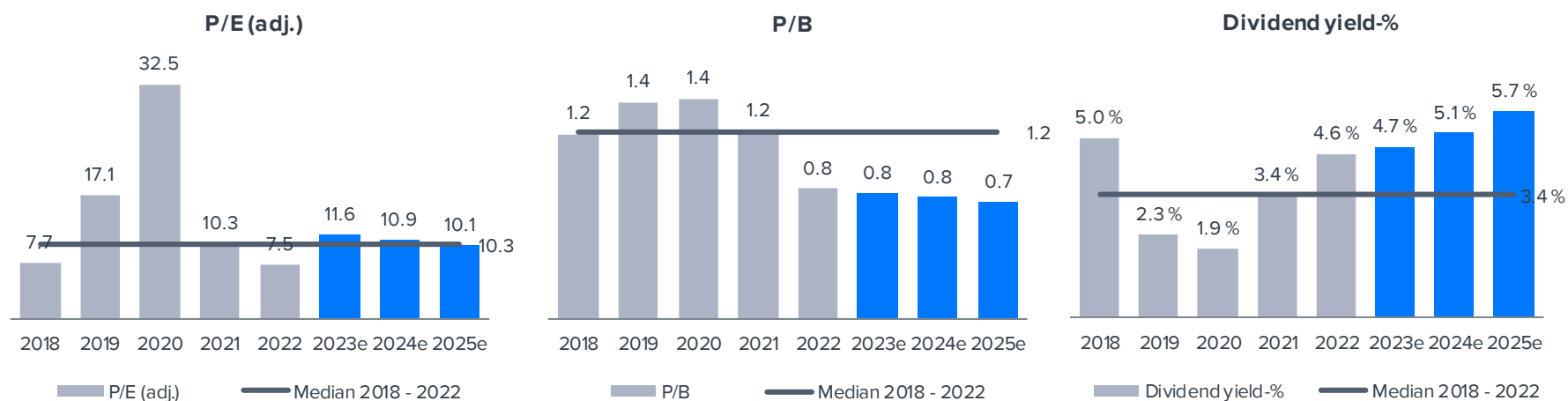
TSR drivers 2022a-2025e



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	10.01	12.97	15.65	16.14	13.15	13.10	13.10	13.10	13.10
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6
Market cap	7890	10229	12342	12729	10371	10327	10327	10327	10327
EV	10124	13523	15409	15165	12401	13169	13013	12700	12103
P/E (adj.)	7.7	17.1	32.5	10.3	7.5	11.6	10.9	10.1	9.3
P/E	7.8	11.6	19.7	10.1	6.7	11.6	10.9	10.1	9.3
P/FCF	10.1	neg.	22.4	44.5	21.7	neg.	13.6	10.7	8.0
P/B	1.2	1.4	1.4	1.2	0.8	0.8	0.8	0.7	0.7
P/S	0.8	1.0	1.4	1.3	0.9	0.9	0.9	0.8	0.8
EV/Sales	1.0	1.3	1.8	1.5	1.1	1.2	1.1	1.0	1.0
EV/EBITDA	5.4	7.1	10.5	6.7	4.7	6.8	6.3	5.8	5.3
EV/EBIT (adj.)	7.6	14.2	23.7	9.9	6.6	10.5	9.8	8.9	8.0
Payout ratio (%)	38.9 %	26.9 %	37.8 %	34.3 %	30.5 %	55.2 %	55.9 %	57.8 %	57.0 %
Dividend yield-%	5.0 %	2.3 %	1.9 %	3.4 %	4.6 %	4.7 %	5.1 %	5.7 %	6.1 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
International Paper	12364	16845	12.9	12.7	7.5	7.4	0.9	0.9	12.7	12.2	4.9	5.0	1.4
Graphic Packaging	6546	11526	10.2	9.8	7.2	6.9	1.3	1.3	9.1	8.3	2.1	2.4	2.5
DS Smith	5551	6518	7.2	7.9	5.1	5.3	0.7	0.7	8.5	9.2	5.2	5.1	1.1
Metsä Board	3029	3123	7.0	7.8	5.8	6.7	1.2	1.2	8.8	9.7	6.3	5.9	1.3
Holmen	6178	6450	15.5	18.3	12.1	13.7	3.3	3.4	19.0	22.3	2.7	2.8	1.3
Billerud	2678	2979	8.7	8.5	5.1	5.3	0.7	0.7	9.9	9.4	4.9	4.5	1.0
Mayr-Melnhof	3096	4648	11.2	10.4	7.3	6.9	1.1	1.1	10.9	10.0	3.3	3.4	1.4
UPM	17747	21772	10.9	10.5	8.5	8.0	1.7	1.7	11.3	10.7	4.6	4.9	1.4
Suzano	11376	22597	9.2	15.6	5.4	6.5	2.9	3.1	7.7	17.4	2.2	2.6	1.7
Smurfit Kappa	9983	13266	9.8	9.7	6.5	6.4	1.0	1.0	11.2	11.0	4.0	3.9	1.7
Stora Enso (Inderes)	10327	13169	10.5	9.8	6.8	6.3	1.2	1.1	11.6	10.9	4.7	5.1	0.8
Average			11.1	11.5	7.6	7.8	1.8	1.8	11.9	12.8	3.5	3.6	1.4
Median			10.0	10.1	6.8	6.8	1.2	1.2	11.0	10.9	3.6	3.6	1.4
Diff-% to median			6%	-3%	0%	-7%	0%	-4%	5%	0%	30%	41%	-43%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	10164	2798	3054	2964	2864	11680	2764	2753	2659	2820	10997	11364	12199	12739
Packaging Materials	3898	1132	1221	1210	1127	4690	1107	1117	1137	1104	4465	4639	5270	5665
Packaging Solutions	723	191	188	179	179	737	356	402	437	469	1664	1562	1564	1601
Biomaterials	1728	442	522	567	649	2180	514	484	423	450	1871	1706	1742	1760
Wood Products	1872	573	631	520	471	2195	462	493	469	486	1909	2078	2222	2296
Paper	1703	416	462	471	423	1772	283	206	209	207	904	678	648	609
Forest	2311	626	649	581	663	2519	687	682	580	675	2623	2700	2754	2809
Other	1092	236	290	282	289	1097	295	290	285	280	1150	1100	1100	1100
Internal sales	-3163	-818	-909	-846	-937	-3510	-940	-920	-880	-850	-3590	-3100	-3100	-3100
EBITDA	2265	598	531	645	870	2644	535	465	479	451	1931	2057	2192	2291
Depreciation	-697	-204	-132	-134	-165	-635	-190	-165	-165	-165	-685	-731	-763	-777
EBIT (excl. NRI)	1528	503	505	527	356	1891	350	300	314	286	1251	1326	1429	1514
EBIT	1568	394	399	511	705	2009	345	300	314	286	1246	1326	1429	1514
Packaging Materials	556	196	188	181	31	596	94	112	148	91	445	584	613	661
Packaging Solutions	26	1	-3	1	-1	-2	14	22	22	28	87	96	112	135
Biomaterials	495	117	123	197	250	687	153	90	58	76	377	282	317	324
Wood Products	364	118	134	70	-13	309	10	28	33	33	103	155	189	197
Paper	-124	36	51	49	49	185	28	13	14	11	66	43	38	34
Forest	267	49	47	46	62	204	58	46	46	51	201	207	209	212
Other	-48	-14	-20	-12	-1	-47	-7	-12	-6	-3	-28	-40	-50	-50
Internal sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net financial items	-149	-19	-29	-63	-40	-151	-38	-38	-38	-38	-150	-132	-138	-117
PTP	1419	375	370	447	666	1858	307	263	277	249	1096	1195	1291	1397
Taxes	-151	-88	-71	-81	-82	-322	-61	-53	-55	-50	-219	-239	-258	-279
Minority interest	-2	2	4	5	2	13	3	3	3	3	10	-10	-10	-10
Net earnings	1266	289	303	371	586	1549	248	213	224	202	887	946	1023	1108
EPS (adj.)	1.56	0.48	0.49	0.47	0.32	1.76	0.32	0.27	0.28	0.26	1.13	1.20	1.30	1.40
EPS (rep.)	1.61	0.37	0.38	0.47	0.74	1.96	0.31	0.27	0.28	0.26	1.12	1.20	1.30	1.40

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	18.8 %	22.9 %	17.8 %	15.0 %	5.3 %	14.9 %	-1.2 %	-9.8 %	-10.3 %	-1.5 %	-5.8 %	3.3 %	7.4 %	4.4 %
Adjusted EBIT growth-%	134.7 %	53.7 %	38.5 %	28.8 %	-16.5 %	23.8 %	-30.4 %	-40.6 %	-40.3 %	-19.6 %	-33.9 %	6.0 %	7.7 %	5.9 %
EBITDA-%	22.3 %	21.4 %	17.4 %	21.7 %	30.4 %	22.6 %	19.3 %	16.9 %	18.0 %	16.0 %	17.6 %	18.1 %	18.0 %	18.0 %
Adjusted EBIT-%	15.0 %	18.0 %	16.6 %	17.8 %	12.4 %	16.2 %	12.7 %	10.9 %	11.8 %	10.2 %	11.4 %	11.7 %	11.7 %	11.9 %
Net earnings-%	12.5 %	10.3 %	9.9 %	12.5 %	20.4 %	13.3 %	9.0 %	7.7 %	8.4 %	7.2 %	8.1 %	8.3 %	8.4 %	8.7 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	14517	15121	16338	16609	16722
Goodwill	282	244	594	594	594
Intangible assets	124	121	173	175	177
Tangible assets	5501	5278	6093	6362	6473
Associated companies	580	832	832	832	832
Other investments	7665	6854	6854	6854	6854
Other non-current assets	222	1718	1718	1718	1718
Deferred tax assets	143	74.0	74.0	74.0	74.0
Current assets	4509	5801	5000	4919	5115
Inventories	1478	1810	1650	1648	1769
Other current assets	101	601	601	601	601
Receivables	1449	1473	1430	1534	1647
Cash and equivalents	1481	1917	1320	1136	1098
Balance sheet total	19026	20922	21338	21528	21837

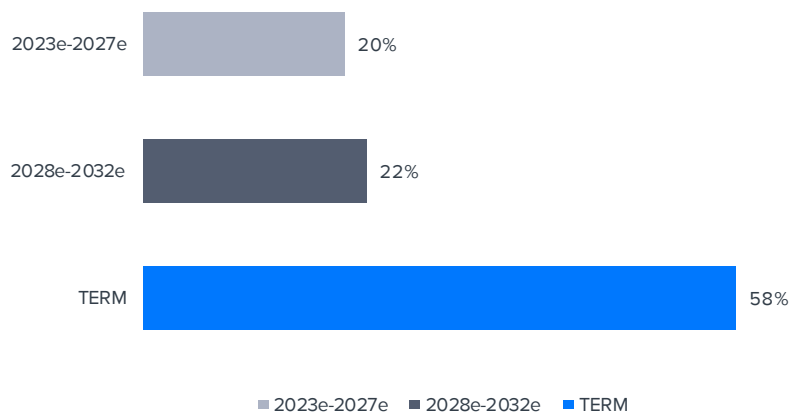
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	10666	12502	12915	13372	13866
Share capital	1423	1423	1423	1423	1423
Retained earnings	7416	8532	8945	9402	9896
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	1843	2577	2577	2577	2577
Minorities	-16.0	-30.0	-30.0	-30.0	-30.0
Non-current liabilities	5195	4486	5042	4770	4488
Deferred tax liabilities	1430	1443	1443	1443	1443
Provisions	91.0	81.0	81.0	81.0	81.0
Long term debt	3313	2792	3348	3076	2794
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	361	170	170	170	170
Current liabilities	3165	3934	3380	3386	3482
Short term debt	624	1180	837	769	699
Payables	2339	2410	2199	2273	2440
Other current liabilities	202	344	344	344	344
Balance sheet total	19026	20922	21338	21528	21837

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	14.9 %	-5.8 %	3.3 %	7.4 %	4.4 %	3.0 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	17.2 %	11.3 %	11.7 %	11.7 %	11.9 %	12.5 %	12.5 %	11.0 %	10.5 %	10.5 %	10.5 %	10.5 %
EBIT (operating profit)	2009	1246	1326	1429	1514	1640	1681	1516	1484	1521	1551	
+ Depreciation	635	685	731	763	777	762	748	736	726	687	683	
- Paid taxes	-240	-219	-239	-258	-279	-310	-323	-292	-289	-298	-305	
- Tax, financial expenses	-26	-30	-30	-31	-27	-22	-17	-13	-10	-9	-9	
+ Tax, financial income	0	0	4	3	3	3	4	2	3	3	4	
- Change in working capital	-643	-7	-29	-67	-43	-31	-26	-27	-28	-28	-23	
Operating cash flow	1735	1675	1763	1840	1945	2043	2067	1923	1885	1875	1901	
+ Change in other long-term liabilities	-201	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-1056	-1902	-1002	-877	-652	-652	-652	-652	-652	-652	-702	
Free operating cash flow	478	-227	761	963	1293	1391	1415	1271	1233	1223	1199	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	478	-227	761	963	1293	1391	1415	1271	1233	1223	1199	19879
Discounted FCFF		-211	655	766	951	947	890	739	663	608	551	9142
Sum of FCFF present value		15702	15913	15259	14492	13541	12595	11705	10965	10302	9693	9142
Enterprise value DCF		15702										
- Interesting bearing debt		-3972										
+ Cash and cash equivalents		1917										
-Minorities		24										
-Dividend/capital return		-473										
Equity value DCF		13198										
Equity value DCF per share		16.7										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.5
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	8553	10164	11680	10997	11364	EPS (reported)	0.79	1.61	1.96	1.12	1.20
EBITDA	1531	2265	2644	1931	2057	EPS (adj.)	0.48	1.56	1.76	1.13	1.20
EBIT	922	1568	2009	1246	1326	OCF / share	1.97	2.80	2.20	2.12	2.24
PTP	773	1419	1858	1096	1195	FCF / share	0.70	0.36	0.61	-0.29	0.96
Net Income	626	1266	1549	887	946	Book value / share	11.17	13.54	15.89	16.42	16.99
Extraordinary items	271	40	118	-5	0	Dividend / share	0.30	0.55	0.60	0.62	0.67
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	17431	19026	20922	21338	21528	Revenue growth-%	-15%	19%	15%	-6%	3%
Equity capital	8794	10666	12502	12915	13372	EBITDA growth-%	-20%	48%	17%	-27%	7%
Goodwill	281	282	244	594	594	EBIT (adj.) growth-%	-32%	135%	24%	-34%	6%
Net debt	3089	2456	2055	2865	2709	EPS (adj.) growth-%	-36%	225%	12%	-36%	6%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	17.9 %	22.3 %	22.6 %	17.6 %	18.1 %
EBITDA	1531	2265	2644	1931	2057	EBIT (adj.)-%	7.6 %	15.0 %	16.2 %	11.4 %	11.7 %
Change in working capital	206	40	-643	-7	-29	EBIT-%	10.8 %	15.4 %	17.2 %	11.3 %	11.7 %
Operating cash flow	1552	2210	1735	1675	1763	ROE-%	7.7 %	13.0 %	13.3 %	7.0 %	7.2 %
CAPEX	-2331	-1788	-1056	-1902	-1002	ROI-%	7.4 %	11.2 %	12.9 %	7.4 %	7.8 %
Free cash flow	552	286	478	-227	761	Equity ratio	50.5 %	56.1 %	59.8 %	60.5 %	62.1 %
						Gearing	35.1 %	23.0 %	16.4 %	22.2 %	20.3 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	1.8	1.5	1.1	1.2	1.1						
EV/EBITDA (adj.)	10.5	6.7	4.7	6.8	6.3						
EV/EBIT (adj.)	23.7	9.9	6.6	10.5	9.8						
P/E (adj.)	32.5	10.3	7.5	11.6	10.9						
P/B	1.4	1.2	0.8	0.8	0.8						
Dividend-%	1.9 %	3.4 %	4.6 %	4.7 %	5.1 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
12/28/2018	Accumulate	11.50 €	10.12 €
10/30/2019	Reduce	11.50 €	11.80 €
1/30/2020	Reduce	11.50 €	11.76 €
3/24/2020	Accumulate	8.50 €	7.36 €
4/16/2020	Reduce	9.50 €	9.90 €
4/22/2020	Reduce	9.50 €	10.06 €
6/24/2020	Reduce	10.50 €	11.19 €
7/22/2020	Reduce	10.50 €	11.25 €
9/24/2020	Reduce	13.00 €	13.64 €
10/20/2020	Reduce	13.00 €	13.67 €
11/12/2020	Reduce	13.00 €	13.73 €
2/1/2021	Reduce	14.00 €	15.00 €
3/24/2021	Reduce	15.00 €	16.15 €
4/26/2021	Reduce	15.50 €	16.68 €
7/22/2021	Reduce	15.50 €	16.04 €
10/21/2021	Reduce	15.50 €	14.65 €
1/31/2022	Reduce	17.00 €	17.50 €
4/29/2022	Reduce	18.00 €	17.85 €
6/14/2022	Reduce	17.00 €	16.18 €
7/25/2022	Reduce	16.00 €	14.79 €
10/24/2022	Reduce	14.50 €	13.62 €
2/1/2023	Reduce	14.00 €	13.10 €



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