

Neste

Company report

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This report is a summary translation of the report “Marginaalit pysyvät hulppeina” published on 02/09/2023 at 9:25 am

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Margins remain impressive

The Q4 result reported by Neste yesterday was a smidgen better than our expectations, which was due to Renewable Products' sales margin. This, as well as Oil Product margins that remained strong, were reflected positively in our 2023 estimates, but we did not make any substantial changes to our medium-term estimates. In light of this overall picture, we raise our target price to EUR 50.0 (previous EUR 44.0) but considering the expected return is below the required return we reiterate our Reduce recommendation.

Sales margin for Renewable Products exceeded expectations

In Q4, Neste's comparable EBITDA was EUR 894 million, which exceeded both our and consensus expectations with a slight margin. The earnings overshoot was in practice based on Renewable Products, whose sales margin was higher than we expected, while Q4 sales volumes were well in line with our expectations. Similarly, the result of Oil Products was well in line with expectations, as the total refining margin, which was slightly below our expectation but remained rather high, was offset by slightly higher sales volumes than we estimated. Neste's Board of Directors proposes a dividend of EUR 1.52 per share, which also exceeded our expectations slightly in line with the result. The dividend consists of a basic dividend of EUR 1.02 and two additional dividends of EUR 0.25, one of which is discretionary.

2023 margin estimates improved clearly for both Renewable and Oil Products

Neste expects the sales volumes of Renewable Products to be lower in Q1 than in Q4. The company expects the segment's sales margin to be 825-925 USD/t, i.e. at record level. Similarly, Oil Products' sales volumes are expected to develop steadily and the refining margin is expected to decrease somewhat from Q4. In line with clearly stronger guidance for Renewable Products' sales margin than expected, we clearly raised our 2023 sales margin estimate. In addition, the Oil Product margins, which remained at a rather high level in the early part of the year, raised our estimates for 2023. Thus, at Group level, our 2023 EBITDA estimate rose clearly (+10%). However, next to these short-term estimate changes, we made no changes to the medium- or long-term estimates of either segment. Our estimates for Renewable Products expect its medium-term volume growth to push the segment's earnings to an average growth of around 11% (2023-2027e), but our Oil Product estimates expect the total refining margin of the next few years to normalize from the current exceptionally high levels to historical levels.

Upside in valuation is tight

With our updated estimates, 2023 (adj.) P/E and EV/EBIT ratios are 16x and 14x, which we find justified in absolute terms. However, due to the different outlooks of the businesses and thus also justified valuation levels, we do not consider Group-level earnings-based valuation multiples to be particularly good indicators. In our sum of the parts model Renewable Products is valued at a 18x EV/EBIT ratio with our 2023 estimates. However, with our longer-term earnings growth the valuation falls to a clearly more moderate level but we do not believe that this is sufficient to turn the long-term expected return higher than the required return we apply.

Recommendation

Reduce

(previous Reduce)

EUR 50.00

(previous EUR 48.00)

Share price:

47.50



Key figures

	2022	2023e	2024e	2025e
Revenue	25707	26624	24158	23883
growth-%	70%	4%	-9%	-1%
EBIT adj.	2898	2748	2843	2894
EBIT-% adj.	11.3 %	10.3 %	11.8 %	12.1 %
Net Income	1887	2238	2279	2351
EPS (adj.)	3.02	2.91	2.97	3.06

P/E (adj.)	14.3	16.3	16.0	15.5
P/B	4.0	3.9	3.5	3.1
Dividend yield-%	3.5 %	3.1 %	3.2 %	3.3 %
EV/EBIT (adj.)	11.9	13.9	13.1	12.5
EV/EBITDA	11.3	11.1	10.3	9.7
EV/S	1.3	1.4	1.5	1.5

Source: Inderes

Guidance

(New guidance)

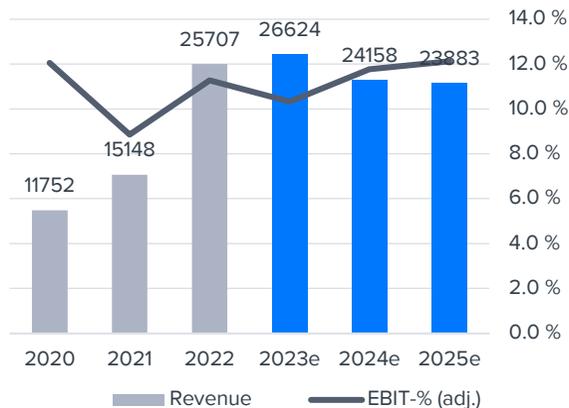
Renewable Products' sales volumes are expected to be lower than in Q4'22 and the sales margin is expected to be 825-925 USD/ton. Oil Products' sales volumes are expected to be at Q4'22 level and the total refining margin is expected to remain stable, but decrease slightly compared to Q4.

Share price



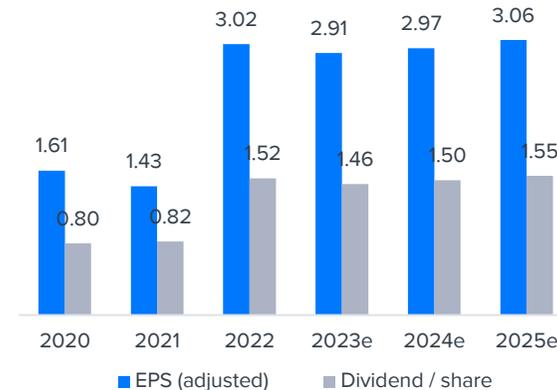
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong market position in all businesses
- Value creation potential of growth investments in Renewable Products' production capacity
- New product applications of Renewable Products in air traffic and chemicals
- Good long-term growth outlook on the market for Renewable Products



Risk factors

- Tightening competition for Renewable Products
- Long-term sales margin level for Renewable Products
- Weak long-term demand picture for oil-based fuels
- Regulatory risks (+/-)

Valuation	2023e	2024e	2025e
Share price	47.50	47.50	47.50
Number of shares, millions	768.1	768.1	768.1
Market cap	36484	36484	36484
EV	38083	37183	36072
P/E (adj.)	16.3	16.0	15.5
P/E	16.3	16.0	15.5
P/B	3.9	3.5	3.1
P/S	1.4	1.5	1.5
EV/Sales	1.4	1.5	1.5
EV/EBITDA	11.1	10.3	9.7
EV/EBIT (adj.)	13.9	13.1	12.5
Payout ratio (%)	50.0%	50.6%	50.6%
Dividend yield-%	3.1%	3.2%	3.3%

Source: Inderes

Earnings overshoot based on the sales margin of Renewable Products

Renewable Products' sales margin a smidgen higher than we expected

The sales volumes of Renewable Products were 779,000 tons in Q4, which was well in line with our estimate.

The sales margin for renewable products was 783 USD/ton in Q4 and slightly above our 755 USD/ton estimate. Thus, the sales margin exceeded the middle of the company's estimated 700-800 USD/ton range, which the company also estimated to be the outcome in the pre-silent period call. Considering these factors, the comparable EBITDA for Renewable Products was EUR 415 million, which is slightly above our EUR 383 million estimate.

Oil Products' volumes compensate for a slightly lower margin than we expected

Oil Products' sales volumes of good 3 million tons exceeded our expectations slightly. The Q4 refining margin remained high at 23.5 USD/bbl (Q4'21: 9.4

USD/bbl), which is caused in particular by the high diesel margins reflecting the tight supply situation on the market. The total refining margin was slightly lower than we expected, but at earnings level this was effectively offset by sales volumes. Thus, the comparable EBITDA for Oil Products reached EUR 450 million, a smidgen below our EUR 465 million estimate. Considering seasonality, Marketing & Services reached normal performance levels and offered no surprises.

The reported result was slightly depressed by negative value changes in inventories, but comparable EPS adjusted for these reached EUR 0.84 per share. This exceeded our estimate reflecting the operating result and the lower tax rate than we expected. Neste raised its basic dividend to EUR 1.02 per share and we expect that two additional dividends of EUR 0.25 will be paid, even though one of them is still discretionary.

Working capital slowed down cash flow, large investments were reflected in the balance sheet

In 2022, operating cash flow was only EUR 1,197 million, slowed down by the commitment of working capital (2022: 1,357 MEUR). Annual organic investments amounted to 1.7 billion, mainly as a result of the Singapore investment and JV in the US. Thus, the free cash flow for 2022 fell to EUR -390 million.

As the free cash flow was in the red, net debt at the end of the year rose to EUR 1.3 billion (2021: 41 MEUR). Overall, however, the company's indebtedness is at a fairly moderate level (2022: net debt/EBITDA 0.4x). Thus, the financial position does not slow down the considerable medium-term investment plans or the ability to pay dividends in line with the profit distribution policy.

MEUR / EUR	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	TOT
Revenue	4967	6562	7187	6263	4070	- 8173	-9%	25707
Käyttökate (oik.)	591	894	874	856	736	- 952	2%	3537
EBIT	524	589	694	682	580	- 772	-15%	2410
PTP	500	563	679	648	555	- 708	-17%	2279
EPS (adj.)	0.49	0.84	0.75	0.73	0.63	- 0.80	12%	3.04
DPS	0.82	1.52	1.50	1.44	1.20	- 1.50	1%	1.52
Revenue growth-%	64.0 %	32.1%	44.7 %	26.1%	-18.1 %	- 64.5 %	-12.6 pp	69.7 %
EBITDA-% (oik.)	11.9 %	13.6 %	12.2 %	13.7 %	18.1 %	- 11.6 %	1.5 pp	13.8 %

Source: Inderes & Infront (consensus)

Sales margin estimates increased for 2023

Short-term outlook

Neste expects the sales volumes of Renewable Products to be lower in Q1 than in Q4. Sales volumes are depressed by a fire at the Rotterdam refinery in December, which results in a shutdown of about one month at the refinery. This is not offset by the start of the US joint venture at the beginning of Q1, as its volume expectations are limited. This was not surprising given the ramp-up process of this type of a refinery (incl. filling of stocks and quality assurance). The company expects the sales margin of Renewable Products to be 825-925 USD/t, where the middle of the range exceeds the previous record level (Q2'22: 865 USD/ton). The company expects Oil Products' sales volumes to develop steadily while the total refining margin is expected to remain stable but decrease somewhat from the Q4 level.

Short-term estimate changes

We raised our short-term estimates for both Renewable Products and Oil Products after the Q4 report. We raised our 2023 total refining margin for Oil Products to 17.3 USD/bbl, which is, however, mainly due to the diesel product margin that remained very strong in the early part of the year. Diesel margins have been on a downward trend recently, but this is partly offset by the strengthened gasoline product margin. Our estimate for comparable EBITDA for Renewable Products also increased, especially as we raised our sales margin estimate for the beginning of the year in light of the strong guidance. However, we expect the average sales margin to temporarily decrease slightly during 2023, based on the volume growth of the joint venture in California and the ramp-up of Singapore, where we expect the margin level of initial volumes to be lower than the old capacity.

We did not make any changes to our medium-term estimates

We practically made no changes to our medium- and long-term estimates after the report. We expect the 2023 volumes of Renewable Products to grow to good 4 million tons and to continue to grow to 5.3 million tons in 2025. In our 2027 estimates, we expect the volumes from the increased capacity of the Rotterdam expansion to raise volumes further to 6.3 million tons. Our average medium term sales margin estimate is 715 USD/ton and thus our average operating result estimate for the corresponding period is 11% (CAGR-% 2023-2027e).

Estimate revisions	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	26574	25707	-3%	27537	26624	-3%	23908	24158	1%
EBITDA	3201	3047	-5%	3090	3430	11%	3566	3612	1%
EBIT (exc. NRIs)	2887	2898	0%	2386	2748	15%	2843	2843	0%
EBIT	2543	2409	-5%	2386	2748	15%	2843	2843	0%
PTP	2423	2278	-6%	2297	2633	15%	2785	2748	-1%
EPS (excl. NRIs)	2.94	3.02	3%	2.54	2.91	15%	3.01	2.97	-1%
DPS	1.50	1.52	1%	1.30	1.46	12%	1.50	1.50	0%

Source: Inderes

Upside in valuation is tight

Short-term valuation multiples

With our estimates Neste's adjusted P/E ratios for 2023 and 2024 are 16x and corresponding EV/EBIT ratios are 14x and 13x. We feel the short-term valuation multiples are justified.

Neste's businesses have, however, very different medium- and long-term demand outlooks. Therefore, we feel the Group level earnings-based valuation does not provide the best overall view of the share's valuation. For this reason, the Oil Products segment's peer group is also a poor indicator of Group level valuation in our opinion. Thus, we use our sum of the parts calculation and cash flow model as our main valuation indicators.

Sum of the parts as a valuation indicator

In the sum of the parts calculation, we determine the value of Oil Products using the multiples of peers with a 20% premium that is based on its excellent operational efficiency and competitiveness. We use the multiples of the retail trade sector for Marketing & Services and consider the earnings of the Others segment and net debt. Examined this way, Renewable Products is valued at around 18x EV/EBIT ratio with 2023 estimates, representing good 90% of the company's value.

We find the acceptable valuation multiple for Renewable Products to be higher than average in the context of Nasdaq Helsinki, considering proven excellent operational performance and earnings growth through high ROE investments.

In addition to the shock resistance of the business, the high valuation multiple is naturally supported by an extraordinarily strong market position in a market with a good long-term growth outlook. We feel that the current valuation level of the segment is still highish

but will be pushed to a reasonable level with our long-term earnings growth estimate. However, with the current valuation, a sufficient expected return to support share purchases would, in our opinion, require too much reliance on a high valuation level. Thus, we feel that the sum of the parts model indicates that the share is quite correctly priced.

DCF model

The share value indicated by our DCF model is EUR 50.8, which offers a reasonable upside. In the DCF model, 59% of the value consists of the terminal value, which we consider a rather justified level considering the long-term earnings growth outlook for Renewable Products. On the other hand, the elevated terminal value raises the risk level and we do not feel that an investor can ignore the uncertainty surrounding the long-term margin level of Renewable Products, as it is now considerably high.

We wait for a better risk/return ratio

We consider the valuation of the share to be relatively neutral as a whole. At the current price, we feel that purchases require relying too much on the distant future and especially on the high valuation level of Renewable Products being maintained in the long run. This, in turn, increases the long-term risk level, as we believe that the long-term competitive situation can change the margins of the market and Neste, and also the growth outlook.

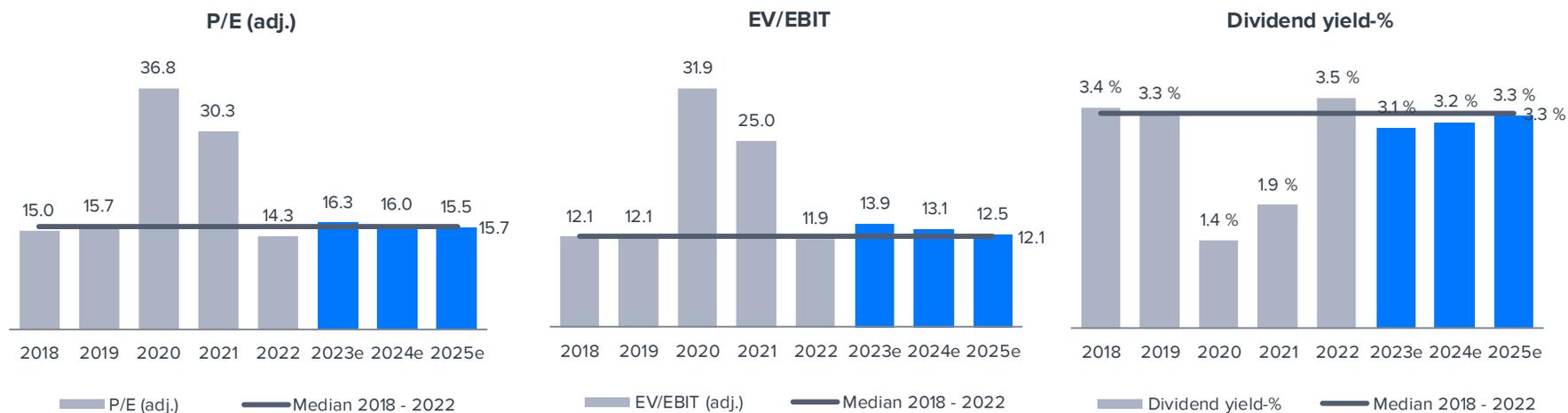
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EV	38083	37183	36072
P/E (adj.)	16.3	16.0	15.5
P/E	16.3	16.0	15.5
P/B	3.9	3.5	3.1
P/S	1.4	1.5	1.5
EV/Sales	1.4	1.5	1.5
EV/EBITDA	11.1	10.3	9.7
EV/EBIT (adj.)	13.9	13.1	12.5
Payout ratio (%)	50.0 %	50.6 %	50.6 %
Dividend yield-%	3.1 %	3.2 %	3.3 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	22.5	31.0	59.16	43.36	43.02	47.50	47.50	47.50	47.50
Number of shares, millions	767	768	768	768	768	768	768	768	768
Market cap	17233	23814	45425	33299	33043	36484	36484	36484	36484
EV	17244	23651	45212	33494	34407	38083	37183	36072	34560
P/E (adj.)	15.0	15.7	36.8	30.3	14.3	16.3	16.0	15.5	13.6
P/E	22.1	13.3	63.8	18.8	17.5	16.3	16.0	15.5	13.6
P/B	3.7	4.0	7.7	4.8	4.0	3.9	3.5	3.1	2.8
P/S	1.2	1.5	3.9	2.2	1.3	1.4	1.5	1.5	1.4
EV/Sales	1.2	1.5	3.8	2.2	1.3	1.4	1.5	1.5	1.3
EV/EBITDA	10.5	8.7	30.0	12.8	11.3	11.1	10.3	9.7	8.4
EV/EBIT (adj.)	12.1	12.1	31.9	25.0	11.9	13.9	13.1	12.5	10.6
Payout ratio (%)	75%	44%	86%	36%	62%	50%	51%	51%	50%
Dividend yield-%	3.4 %	3.3 %	1.4 %	1.9 %	3.5 %	3.1 %	3.2 %	3.3 %	3.7 %

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
Total SA	150705	165182	4.2	5.0	3.2	3.6	0.7	0.7	5.4	6.1	5.6	5.6	1.1
ENI SPA	49665	63835	3.8	4.4	2.7	2.9	0.6	0.7	5.0	5.9	6.3	6.4	0.8
Koc Holding AS	8685	12532	2.5	2.3	2.1	1.8	0.3	0.2	3.6	2.9	4.3	4.5	0.9
TURKIYE PETROL RAFINERILERI AS	7146	6641	3.9	5.9	3.8	5.2	0.2	0.2	5.5	8.3	12.9	9.1	2.7
MOL PLC	5697	7086	3.3	3.9	2.1	2.2	0.3	0.4	3.6	3.8	8.2	8.0	0.6
EQUINOR ASA	85643	65723	1.2	1.5	1.1	1.3	0.5	0.6	5.1	6.5	0.5	0.5	1.7
VALERO ENERGY CORP	48502	56623	5.1	7.4	4.2	5.7	0.4	0.4	6	8.2	3.1	3.2	1.8
SARAS SPA	1365	935	2.3	6.3	1.6	2.6	0.1	0.1	4.9	14.5	8.7	5.6	0.8
HELLENIC PETROLEUM SA	2341	4110	5.1	7.5	3.6	4.7	0.3	0.3	4.5	5.9	9.0	6.2	0.8
POLSKI KONCERN NAFTOWY ORLEN SA	15281	16376	2.2	3.3	1.5	1.9	0.2	0.3	3.7	4.5	5.4	5.7	0.5
MOTOR OIL HELLAS CORINTH REFINERIES SA	2504	3870	4.8	7.3	3.6	4.8	0.3	0.3	4.4	5.7	6.6	6.5	1.1
Neste (Inderes)	36484	38083	13.9	13.1	11.1	10.3	1.4	1.5	16.3	16.0	3.1	3.2	3.9
Average			3.5	5.0	2.7	3.3	0.4	0.4	4.7	6.6	6.4	5.6	1.2
Median			3.8	5.0	2.7	2.9	0.3	0.3	4.9	5.9	6.3	5.7	0.9
Diff-% to median			269%	164%	319%	251%	393%	397%	231%	173%	-52%	-45%	322%

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	15148	5523	7039	6583	6562	25707	6476	6497	6849	6802	26624	24158	23883	25785
Oil Products	7810	3019	4043	3877	3657	14596	3600	3424	3000	3113	13136	9720	9720	9720
Renewable Products	5895	2176	2729	2403	2597	9905	2366	2663	3339	3279	11648	12540	12540	14362
Marketing & Services	3803	1229	1481	1604	1562	5876	1450	1350	1450	1350	5600	4250	3995	4000
Others	170	35	38	37	37	147	60	60	60	60	240	248	253	253
Eliminations	-2530	-937	-1251	-1338	-1290	-4816	-1000	-1000	-1000	-1000	-4000	-2600	-2625	-2550
EBITDA	2607	915	927	456	749	3047	961	846	821	802	3430	3612	3709	4095
Depreciation	-584	-153	-158	-167	-161	-638	-163	-173	-173	-173	-682	-769	-814	-825
EBIT (excl. NRI)	1342	424	927	813	734	2898	798	673	648	629	2748	2843	2894	3270
EBIT	2023	762	769	289	589	2409	798	673	648	629	2748	2843	2894	3270
Oil Products	71	64	456	475	377	1372	290	204	133	111	738	399	378	417
Renewable Products	1238	358	472	303	347	1480	493	451	494	511	1949	2379	2448	2787
Marketing & Services	74	25	18	41	13	97	25	28	30	18	101	101	99	95
Others	-35	-13	-22	-7	-8	-50	-10	-10	-10	-10	-40	-35	-30	-30
Eliminations	-6	0	-6	1	4	-1	0	0	0	0	0	0	0	0
Changes in fair value	681	328	-148	-524	-145	-489	0	0	0	0	0	0	0	0
Net financial items	-61	-27	-20	-59	-26	-131	-25	-30	-30	-30	-115	-96	-60	-39
PTP	1962	735	750	231	563	2278	773	643	618	599	2633	2748	2835	3230
Taxes	-188	-96	-151	-92	-49	-388	-116	-96	-93	-90	-395	-467	-482	-549
Minority interest	-2	-1	1	-3	0	-3	0	0	0	0	0	-2	-2	-2
Net earnings	1771	638	599	136	514	1887	657	547	525	510	2238	2279	2351	2679
EPS (adj.)	1.43	0.39	0.97	0.79	0.86	3.02	0.86	0.71	0.68	0.66	2.91	2.97	3.06	3.49
EPS (rep.)	2.31	0.83	0.78	0.18	0.67	2.46	0.86	0.71	0.68	0.66	2.91	2.97	3.06	3.49

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-%	28.9 %	76.3 %	132.9 %	63.5 %	32.1 %	69.7 %	17.3 %	-7.7 %	4.0 %	3.6 %	3.6 %	-9.3 %	-1.1 %	8.0 %
Adjusted EBIT growth-%	-5.2 %	40.6 %	285.0 %	121.2 %	69.8 %	115.9 %	88.2 %	-27.4 %	-20.3 %	-14.2 %	-5.2 %	3.5 %	1.8 %	13.0 %
EBITDA-%	17.2 %	16.6 %	13.2 %	6.9 %	11.4 %	11.9 %	14.8 %	13.0 %	12.0 %	11.8 %	12.9 %	15.0 %	15.5 %	15.9 %
Adjusted EBIT-%	8.9 %	7.7 %	13.2 %	12.3 %	11.2 %	11.3 %	12.3 %	10.4 %	9.5 %	9.3 %	10.3 %	11.8 %	12.1 %	12.7 %
Net earnings-%	11.7 %	11.6 %	8.5 %	2.1 %	7.8 %	7.3 %	10.1 %	8.4 %	7.7 %	7.5 %	8.4 %	9.4 %	9.8 %	10.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	5893	7414	8542	9008	9129
Goodwill	0	0	0	0	0
Intangible assets	516	570	580	590	600
Tangible assets	5152	6570	7688	8144	8255
Associated companies	60	63	63	63	63
Other investments	59	49	49	49	49
Other non-current assets	63	103	103	103	103
Deferred tax assets	45	59	59	59	59
Current assets	6524	7503	7594	7001	7798
Inventories	2618	3648	3860	3575	3535
Other current assets	648	406	406	406	406
Receivables	1677	2178	2263	2053	2030
Cash and equivalents	1581	1271	1065	966	1828
Balance sheet total	12417	14917	16136	16009	16927

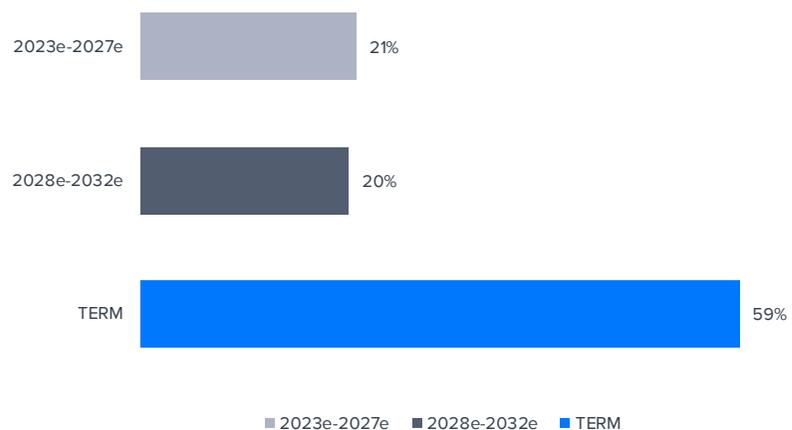
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	6985	8327	9398	10557	11756
Share capital	40	40	40	40	40
Retained earnings	6941	8282	9353	10512	11711
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	4	5	5	5	5
Non-current liabilities	2087	2674	2954	1958	1710
Deferred tax liabilities	309	336	336	336	336
Provisions	210	200	200	200	200
Long term debt	1378	1964	2244	1248	1000
Convertibles	0	0	0	0	0
Other long term liabilities	190	174	174	174	174
Current liabilities	3345	3916	3785	3494	3461
Short term debt	379	651	400	400	400
Payables	2761	3022	3142	2851	2818
Other current liabilities	205	243	243	243	243
Balance sheet total	12417	14917	16136	16009	16927

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	69.7 %	3.6 %	-9.3 %	-1.1 %	8.0 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	9.4 %	10.3 %	11.8 %	12.1 %	12.7 %	13.0 %	13.5 %	13.5 %	12.5 %	12.5 %	12.5 %	12.5 %
EBIT (operating profit)	2409	2748	2843	2894	3270	3436	3657	3749	3558	3647	3720	
+ Depreciation	638	682	769	814	825	800	778	720	708	661	655	
- Paid taxes	-375	-395	-467	-482	-549	-578	-616	-631	-599	-615	-738	
- Tax, financial expenses	-23	-17	-16	-10	-7	-7	-7	-7	-7	-7	-8	
+ Tax, financial income	0	0	0	0	0	1	1	1	2	2	2	
- Change in working capital	-990	-178	204	32	-219	-74	-76	-78	-80	-82	-67	
Operating cash flow	1660	2840	3332	3248	3321	3578	3737	3753	3581	3606	3564	
+ Change in other long-term liabilities	-26	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-2142	-1810	-1235	-935	-585	-585	-585	-600	-605	-605	-658	
Free operating cash flow	-507.8	1030	2097	2313	2736	2993	3152	3153	2976	3001	2906	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-507.8	1030	2097	2313	2736	2993	3152	3153	2976	3001	2906	51105
Discounted FCFF		963	1820	1862	2042	2073	2025	1879	1645	1539	1382	24310
Sum of FCFF present value		41539	40576	38756	36895	34853	32780	30755	28876	27231	25692	24310
Enterprise value DCF		41539										
- Interesting bearing debt		-2615										
+ Cash and cash equivalents		1271										
-Minorities		-19										
-Dividend/capital return		-1167										
Equity value DCF		39008										
Equity value DCF per share		50.8										

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	11752	15148	25707	26624	24158	EPS (reported)	0.93	2.31	2.46	2.91	2.97
EBITDA	1508	2607	3047	3430	3612	EPS (adj.)	1.61	1.43	3.02	2.91	2.97
EBIT	828	2023	2409	2748	2843	OCF / share	2.42	2.40	2.16	3.70	4.34
PTP	787	1962	2278	2633	2748	FCF / share	1.11	0.46	-0.66	1.34	2.73
Net Income	712	1771	1887	2238	2279	Book value / share	7.72	9.09	10.83	12.23	13.74
Extraordinary items	-588	681	-489	0	0	Dividend / share	0.80	0.82	1.52	1.46	1.50
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	9815	12417	14917	16136	16009	Revenue growth-%	-26%	29%	70%	4%	-9%
Equity capital	5929	6985	8327	9398	10557	EBITDA growth-%	-45%	73%	17%	13%	5%
Goodwill	0	0	0	0	0	EBIT (adj.) growth-%	-28%	-5%	116%	-5%	3%
Net debt	-244	176	1344	1579	682	EPS (adj.) growth-%	-19%	-11%	110%	-3%	2%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	12.8 %	17.2 %	11.9 %	12.9 %	15.0 %
EBITDA	1508	2607	3047	3430	3612	EBIT (adj.)-%	12.0 %	8.9 %	11.3 %	10.3 %	11.8 %
Change in working capital	453	-650	-990	-178	204	EBIT-%	7.0 %	13.4 %	9.4 %	10.3 %	11.8 %
Operating cash flow	1856	1840	1660	2840	3332	ROE-%	12.0 %	27.5 %	24.7 %	25.3 %	22.8 %
CAPEX	-1144	-1518	-2142	-1810	-1235	ROI-%	11.5 %	25.3 %	24.5 %	23.9 %	23.5 %
Free cash flow	852	356	-508	1030	2097	Equity ratio	60.4 %	56.6 %	56.3 %	58.2 %	66.0 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-4.1 %	2.5 %	16.1 %	16.8 %	6.5 %
EV/S	3.8	2.2	1.3	1.4	1.5						
EV/EBITDA (adj.)	30.0	12.8	11.3	11.1	10.3						
EV/EBIT (adj.)	31.9	25.0	11.9	13.9	13.1						
P/E (adj.)	36.8	30.3	14.3	16.3	16.0						
P/E	7.7	4.8	4.0	3.9	3.5						
Dividend-%	1.4 %	1.9 %	3.5 %	3.1 %	3.2 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
20-01-20	Accumulate	36.00 €	33.83 €
10-02-20	Reduce	38.00 €	39.53 €
13-03-20	Accumulate	32.00 €	28.77 €
27-04-20	Accumulate	32.00 €	29.61 €
27-05-20	Reduce	35.00 €	35.86 €
24-07-20	Reduce	40.00 €	41.42 €
01-10-20	Accumulate	50.00 €	44.97 €
26-10-20	Reduce	50.00 €	49.00 €
08-02-21	Reduce	50.00 €	55.20 €
20-04-21	Reduce	50.00 €	50.56 €
30-04-21	Reduce	50.00 €	52.04 €
28-07-21	Reduce	50.00 €	52.18 €
28-10-21	Reduce	50.00 €	48.94 €
27-12-21	Accumulate	50.00 €	43.71 €
11-02-22	Accumulate	44.00 €	38.43 €
03-03-22	Buy	44.00 €	36.07 €
02-05-22	Accumulate	44.00 €	41.20 €
21-06-22	Reduce	44.00 €	43.06 €
29-07-22	Reduce	46.00 €	48.68 €
25-10-22	Reduce	48.00 €	47.10 €
28-10-22	Reduce	48.00 €	45.46 €
09-02-23	Reduce	50.00 €	47.50 €



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