

Fortum

Company report

02/28/2023



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This report is a summary translation of the report “Sähkömarkkina normalisoitui nopeasti” published on 02/28/2023 at 7:40 am.

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Electricity market returned to normal quickly

We lower our target price for Fortum to EUR 16.0 (was EUR 18,0) but reiterate our Accumulate recommendation. We have made major estimate revisions ahead of the company's Q4 report, and our estimates for the coming years were significantly lowered. Behind this is 1) the sharp fall in electricity prices (including futures) and 2) Fortum's almost one billion write-down in Russia, which weighs on the Q4'22 reported figures. The normalization of the electricity market was not a surprise in the longer term, but in the last few months we have seen a rapid fall. In connection with the Q4 report, Fortum will also announce an updated strategy, which we expect to focus on the company's traditional core areas in the Nordic region.

Electricity prices have fallen very sharply

The electricity market has continued to fluctuate strongly, but in recent months the trend has been sharply downwards. In Nasdaq Nordic electricity futures, the 2023 price was still above €200/MWh at the beginning of December (last update 12/07/2022) but is now below €90/MWh based on realized levels this year and quarterly futures. In practice, prices collapsed at the end of December, which has also put pressure on Fortum's share price. In our estimates, the average market price of electricity in 2023 has fallen from just over €130/MWh to just over €80/MWh, leading to a 30% drop in our estimates for the current year. On the other hand, the government's planned windfall tax will burden the result less than expected. For the next few years, we also made significant downward revisions, but there the futures price levels or our estimates were never that high. Prices will continue to fluctuate, causing Fortum's earnings outlook to swing sharply despite relatively high hedging ratios. The intensity of the volatility will increase if Olkiluoto 3 starts with regular power generation (with a high production price comes a large earnings leverage).

Q4'22 result weighed down by almost one-billion-euro write-down in Russia

At the beginning of February, Fortum announced a new write-down of approximately EUR 990 million in its Q4'22 results related to its Russian operations. The write-down has no impact on Fortum's cash flow, comparable operating profit or comparable profit for the period, but it weighs heavily on the reported results. In addition, the write-down weakens the company's equity and balance sheet structure. We have now considered the write-down in our estimates. The write-down has no material impact on our view, as we have written down the value of Fortum's Russian operations to zero in our own estimates a long time ago. More importantly for the balance sheet and especially for liquidity, Uniper cash was repatriated in December. Otherwise, the Q4'22 result shouldn't be accompanied by any major drama and attention will be focused on the new strategy to be announced with it. We expect Fortum to return to its roots and focus on nuclear, hydro and wind power in the Nordic countries. In addition, in such an exceptional situation, investors will certainly be interested in the dividend proposal, which we expect to be moderate.

Valuation fluctuates with the electricity market

After some exceptional phases, our 2023 estimates for Fortum now expect EPS of just over EUR 1.3, which we believe can be considered a relatively sustainable level also in the future. This depends on developments in the electricity market, but there are now upside risks as prices have fallen sharply. 2023e P/E would be 11x, which we think is reasonable. The balance sheet will slowly recover in the coming years thanks to strong cash flows and the company should return to being a creditworthy energy company, although Russia will continue to weigh on Fortum for a long time.

Recommendation

Accumulate

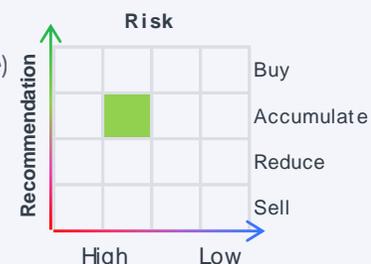
(previous Accumulate)

EUR 16.00

(previous EUR 18.00)

Share price:

14.51



Key figures

	2021	2022e	2023e	2024e
Revenue	6422	8659	8559	8659
growth-%	-87%	35%	-1%	1%
EBIT adj.	1429	1679	2077	1956
EBIT-% adj.	22.3 %	19.4 %	24.3 %	22.6 %
Net Income	3985	1053	1186	1290
EPS (adj.)	-2.43	-2.93	1.32	1.44

P/E (adj.)	neg.	neg.	11.0	10.1
P/B	2.0	2.3	2.0	1.8
Dividend yield-%	4.2 %	2.6 %	3.9 %	7.6 %
EV/EBIT (adj.)	22.9	10.2	7.4	7.2
EV/EBITDA	6.7	6.9	5.8	5.6
EV/S	5.1	2.0	1.8	1.6

Source: Inderes

Guidance

(Unchanged)

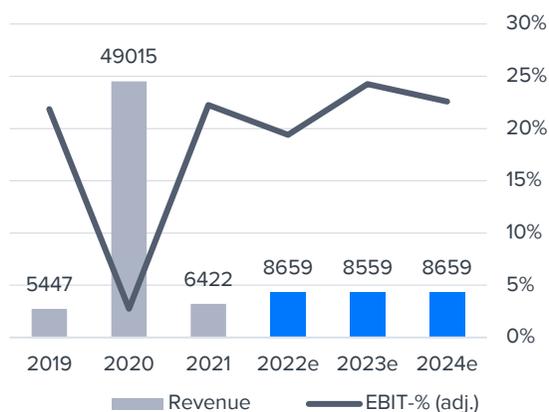
Generation segment's Nordic generation hedges: approximately 80% at EUR 49 per MWh for the remainder of 2022, approximately 65% at EUR 49 per MWh for 2023, and approximately 40% at EUR 38 per MWh for 2024.

Share price



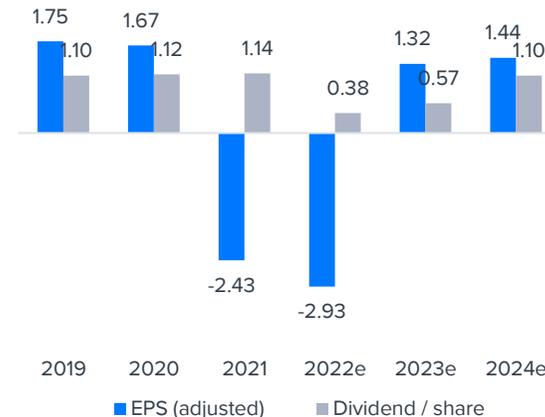
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Successful exit from Uniper and Russia
- Improved investment profile and lower risk profile as the situation becomes clearer
- Very high electricity prices enables wild earnings levels if they persist
- Improving operational efficiency
- Successful investments and divestments in accordance with the strategy



Risk factors

- Write-down risks associated with Russian business, which may also result in balance sheet problems
- Possible windfall taxes and developments in energy policy
- A drop in electricity prices would ultimately be reflected in the result, despite hedging
- Unfavorable regulatory developments in the Nordic countries, Europe or Russia
- Risks related to the state owner

Valuation	2022e	2023e	2024e
Share price	14.5	14.5	14.5
Number of shares, millions	897.3	897.3	897.3
Market cap	13019	13019	13019
EV	17071	15324	14144
P/E (adj.)	neg.	11.0	10.1
P/E	neg.	11.0	10.1
P/FCF	2.5	5.7	6.8
P/B	2.3	2.0	1.8
P/S	1.5	1.5	1.5
EV/Sales	2.0	1.8	1.6
EV/EBITDA	6.9	5.8	5.6
EV/EBIT (adj.)	10.2	7.4	7.2
Payout ratio (%)	neg.	43.1 %	76.5 %
Dividend yield-%	2.6 %	3.9 %	7.6 %

Source: Inderes

Strong operational performance expected in Q4

Fortum will publish its financial statements on Thursday at around 9.00 a.m. Another eventful quarter is behind us, but the single most important factor was the repatriation of funds from Uniper in December. Operationally, Fortum's Generation segment has delivered a strong result in Q4, supported by high electricity prices and presumably hedging prices are also on the rise. The company will also publish its updated strategy and we may also receive comments on the expected windfall tax.

Operating result will be strong

Electricity prices in the Nordic countries were high in Q4, supporting Fortum's Generation segment. The average area price for Finland in Nordpool in Q4 was around €185/MWh, which is a very high level for the period (Q4'21: €115/MWh). However, the price level in Finland was clearly higher than the relevant regions in Sweden (SE2 and SE3), which is why we estimate Fortum's market price to have been around 154 €/MWh. Considering Fortum's high hedging levels (80% for the rest of the year in Q3) and low hedging prices (€49/MWh for the rest of the year in

Q3), we estimate that the average sales price achieved by Generation in Q4 was around €72/MWh. Water supplies were well below normal, which is why we estimate hydropower production to be significantly below the comparison level. However, high price volatility makes it possible to achieve high prices with hydropower, if the situation has been at least reasonable. We expect the Generation segment to generate a comparable operating profit of around 447 MEUR (Q4'21: 401 MEUR).

The contribution of the other segments will remain small in the big picture. The City Solutions segment has been shrinking in recent years with divestments and will suffer from significant cost inflation. The Russia segment should be under some pressure as CSA payments fall, but in any case, the result is questionable as cash flow is stuck. We expect the Consumer Solution segment to have done reasonably well, but it is still small in terms of the overall result. We expect Fortum's comparable EBIT to be around EUR 553 million. We made only minimal changes to our operational estimates.

Russian write-down depress reported figures

The Russian operations were written down by a total of EUR 990 million, which makes a corresponding dent in Fortum's reported result. The write-downs include around EUR 550 million of impairment of Fortum's Russia segment's fixed assets. According to the company, these are recorded as "items affecting comparability". We therefore expect this contribution to be reflected in the already reported operating profit, which we forecast to be close to zero.

In addition, Fortum will write down its shareholdings in TGC-1 and joint ventures. These impairments of ca. EUR 250 million are recognized in the share of results of associates and joint ventures. The remaining write-downs (about 190 MEUR) are related to wind power and are recorded under other financial items. We have attempted to take these into account in our estimates in the relevant rows. We note that the lower rows are difficult to adjust, which makes it challenging to calculate EPS adjusted for all items.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		2022e	
	MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	2171		2591	2752	2449	-	4113	8659
Comparable EBITDA	673		697	775	317	-	949	2238
Comparable EBIT	520		553	612	107	-	782	1679
EBIT (reported)	548		3	-	-	-	-	1933
EPS (reported)	0.95		-0.63	-	-	-	-	-2.65
Revenue growth-%	-		19.3 %	27%	13%	-	89%	34.8 %
Comparable EBIT-%	24.0 %		21.3 %		4.4 %	-	19.0 %	19.4 %

Source: Inderes & Vara Research (27.2.2023) (consensus)

Hedges are of interest, estimates lowered with electricity prices

The outlook monitors the evolution of hedging prices

Fortum's outlook focuses on the development of Generation's hedging levels and prices, as the segment accounts for the majority of the group's earnings. At the end of Q3, Generation segment's Nordic generation hedges were approximately 80% at EUR 49 per MWh for the remainder of 2022, approximately 65% at EUR 49 per MWh for 2023, and approximately 40% at EUR 38 per MWh for 2024. Electricity futures prices hovered strongly above these levels for the rest of the year, although they turned sharply lower in December. Thus, hedging prices should show an increase if hedging has been able to be carried out normally. Fortum has probably continued to hedge "mechanically", through which the changes are likely to be moderate.

In general, we think Fortum's outlook is very good in the Nordic countries if electricity prices remain at least at these levels. The outlook is also affected by Fortum's potential comments on the Finnish government's windfall tax, which could weigh on 2023 earnings. After a sharp decline in earnings estimates, the impact is diminishing, and our latest estimate is only around EUR 200 million. However,

this is fluctuating with the estimates, and the final version of the law hasn't still been published. In Sweden, it seems that a price cap on electricity will be decided upon, which shouldn't have a significant impact on Fortum in practice. However, we will also seek clarification on this in connection with the financial statements.

Cash flow should be abundant

Amid the energy crisis, Fortum's liquidity already hit critical levels last summer, but by the turn of the year it should be in good shape. The biggest factor here is the EUR 4.5 billion received from the sale of Uniper shares and shareholder loans in December. In addition, operating cash flow should be at a good level and capital should gradually be released from hedges, especially as electricity prices fall. This supports cash flows in 2023, but at the quarterly level, cash flows can fluctuate a lot. However, cash flow is very important at the moment, as Fortum's balance sheet is again weakened by the Russia write-downs.

Dividend expected, but uncertain

Dividends are always monitored in the financial statements, and even more so in such exceptional circumstances. We forecast Fortum to propose a small dividend (€0.38/share), for which we believe the parent company has sufficient capital. However, the Russia write-down further weakens the balance sheet. The consensus forecast for Fortum's dividend proposal was €0.90/share (median), but the dispersion in expectations is very large (€0.00-1.14).

Big changes to estimates due to electricity prices and Russia

Our estimates for the coming years were significantly lowered, driven by 1) the sharp fall in electricity prices and 2) Fortum's almost billion write-down in Russia, which weighed on the Q4'22 reported figures. These factors explain the large changes, but the smaller vibrations are caused by factors such as Olkiluoto 3 moving to regular power generation. As the exceptionally high volatility in the electricity market continues, major changes may also be possible in the future, and we will also receive a new strategy with the financial statements. Our current estimates will be updated again shortly after the financial statements.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	8725	8659	-1%	9785	8559	-13%	9551	8659	-9%
EBITDA	3081	2492	-19%	3512	2653	-24%	2855	2545	-11%
EBIT (exc. NRIs)	1718	1679	-2%	2936	2077	-29%	2300	1956	-15%
EBIT	2522	1933	-23%	2936	2077	-29%	2300	1956	-15%
PTP	2581	1537	-40%	2651	1792	-32%	2035	1670	-18%
EPS (excl. NRIs)	-2.44	-2.93	-20%	1.85	1.32	-29%	1.76	1.44	-18%
DPS	0.38	0.38	0%	1.14	0.57	-50%	1.14	1.10	-4%

Valuation fluctuates with the electricity market

A valuable core in the Nordic countries

The value of Fortum's core business has been clear throughout the crisis. The current market value of the company's Nordic hydro and nuclear assets of ca. EUR 13 billion is still very low. Fortum's balance sheet took another hit from the Russia write-downs, but liquidity problems should be history as Uniper money is repatriated. In the past, electricity prices supported excellent results for the coming years, but rapidly falling prices are weakening the outlook for the Generation segment and the cash flows required to repair the balance sheet.

The whole sector is priced moderately, which is understandable given Europe's focus on the energy crisis and politicians' plans to impose additional taxes and price caps on the sector. In addition, Fortum is still burdened by the Russia segment, which is included in our estimates. We expect the segment's profit to be on a downward curve, and in 2023 it will account for only around 9% of operating profit. The business is unlikely to have a significant value, and the result be eliminated from the valuation multiples if you wish.

Fortum's risk profile is generally elevated until it has normal access to debt markets. We expect this to be possible in 2023, as the financial situation is stable again. After the exit from the Russia business, the way is certainly open, but it may take a long time. The latest write-down didn't support the view that Fortum would soon be out of Russia.

On current estimates, the stock is reasonably priced

After some exceptional phases, our estimates for Fortum in 2023 now expect EPS of just over EUR 1.3, which we believe can be considered a relatively "normal level" also in the future. This depends on

developments in the electricity market, but there are now upside risks as prices have fallen sharply. The electricity market bubble has burst, and as a result we no longer use an estimate of "normalized" earnings as a basis for valuation. 2023e P/E would be around 11x, which we think is reasonable.

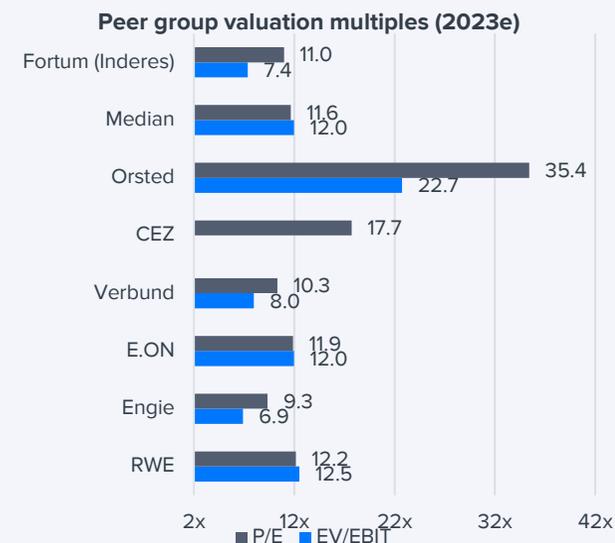
Debt is uncomfortably high in the current situation, but at EV multiples Fortum is still very attractively priced. EV/EBITDA for 2023 is only around 6x and EV/EBIT 7x, although there is also uncertainty about the EV calculation at the moment. However, the balance sheet will slowly recover in the coming years thanks to strong cash flows and the company should return to being a creditworthy energy company, although Russia will continue to weigh on Fortum for a long time.

Uncertainty remains high

Although the Uniper mess is now practically resolved, uncertainty around Fortum remains high. In the current market environment, exiting Russia seems very difficult, even at a reasonable price. In addition, there are significant risks associated with regulation of the whole sector and the energy policy throughout Europe. In Finland, the windfall taxation of electricity companies is attractive, and the tax burden is increasing, even though excess profits are not necessarily forthcoming. Of course, the concern is that the temporary tax will become permanent and continue to be a burden on the sector, or that suddenly Sweden will also adopt a solution that will significantly increase Fortum's tax burden. In addition, the sustainability of high electricity prices in the longer term remains an obvious risk to Fortum's earnings development.

Valuation	2022e	2023e	2024e
Share price	14.5	14.5	14.5
Number of shares, millions	897.3	897.3	897.3
Market cap	13019	13019	13019
EV	17071	15324	14144
P/E (adj.)	neg.	11.0	10.1
P/E	neg.	11.0	10.1
P/FCF	2.5	5.7	6.8
P/B	2.3	2.0	1.8
P/S	1.5	1.5	1.5
EV/Sales	2.0	1.8	1.6
EV/EBITDA	6.9	5.8	5.6
EV/EBIT (adj.)	10.2	7.4	7.2
Payout ratio (%)	neg.	43.1 %	76.5 %
Dividend yield-%	2.6 %	3.9 %	7.6 %

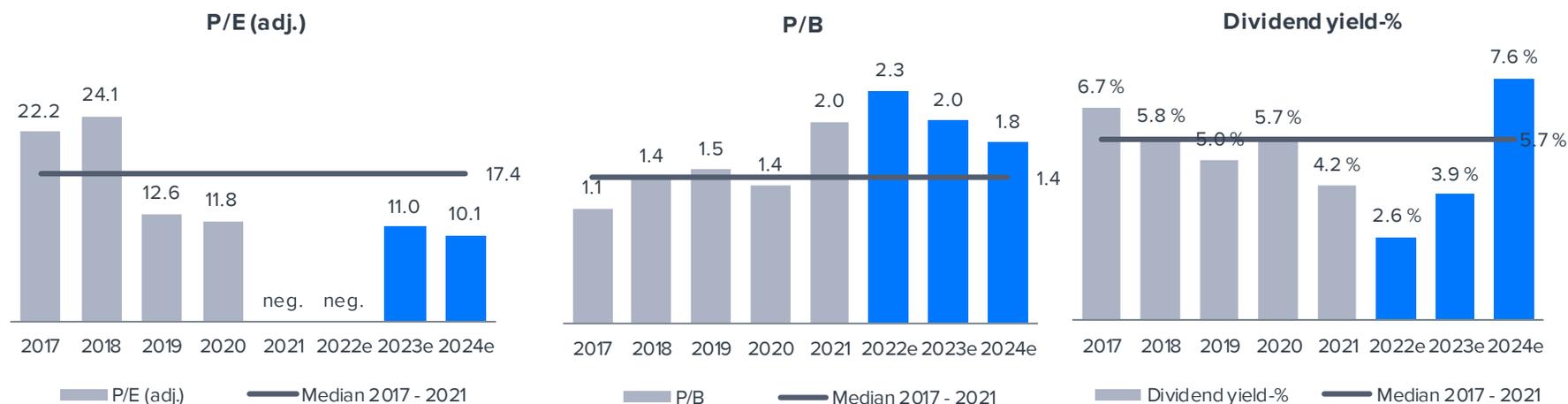
Source: Inderes



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	16.5	19.1	22.0	19.7	27.0	14.5	14.5	14.5	14.5
Number of shares, millions	888.4	888.4	888.3	888.4	888.3	897.3	897.3	897.3	897.3
Market cap	14658	16968	19542	17501	23975	13019	13019	13019	13019
EV	13955	16805	18665	25567	32676	17071	15324	14144	13528
P/E (adj.)	22.2	24.1	12.6	11.8	neg.	neg.	11.0	10.1	10.9
P/E	16.9	20.1	13.2	9.6	32.4	neg.	11.0	10.1	10.9
P/FCF	neg.	10.0	46.5	neg.	25.8	2.5	5.7	6.8	7.2
P/B	1.1	1.4	1.5	1.4	2.0	2.3	2.0	1.8	1.7
P/S	3.2	3.2	3.6	0.4	3.7	1.5	1.5	1.5	1.5
EV/Sales	3.1	3.2	3.4	0.5	5.1	2.0	1.8	1.6	1.6
EV/EBITDA	8.6	10.0	11.0	9.5	6.7	6.9	5.8	5.6	5.7
EV/EBIT (adj.)	16.9	17.0	15.7	19.0	22.9	10.2	7.4	7.2	7.6
Payout ratio (%)	112.8 %	115.9 %	66.0 %	54.6 %	137.0 %	neg.	43.1 %	76.5 %	82.3 %
Dividend yield-%	6.7 %	5.8 %	5.0 %	5.7 %	4.2 %	2.6 %	3.9 %	7.6 %	7.6 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
RWE	27042	46189	10.8	12.5	7.7	7.8	9.1	12.2	2.3	2.3	1.4
Engie	34143	49943	5.9	6.9	3.8	4.1	7.1	9.3	9.3	7.5	0.9
E.ON	27390	54497	11.5	12.0	7.1	7.3	11.0	11.9	4.9	5.1	1.9
Verbund	27481	31744	12.1	8.0	10.3	7.1	16.2	10.3	4.7	5.0	4.0
EDF	46108	87557	11.2	12.8	9.3	4.8		11.4	2.5	3.9	0.9
CEZ	23252						8.3	17.7	7.6	7.2	2.7
Enel	53212	85787	7.4	6.8	4.4	4.2	10.1	9.0	7.5	8.1	1.4
Uniper	23889	24602				26.9					0.5
Orsted	35094	39196	13.1	22.7	9.2	12.5	15.6	35.4	2.2	2.3	3.4
Fortum (Inderes)	13019	17071	10.2	7.4	6.9	5.8	neg.	11.0	2.6	3.9	2.3
Average			10.3	11.7	7.4	9.3	11.0	14.6	5.1	5.2	1.9
Median			11.2	12.0	7.7	7.2	10.1	11.6	4.8	5.1	1.4
Diff-% to median			-9%	-38%	-11%	-20%		-6%	-45%	-23%	59%

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

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	49015	1721	1234	1296	2171	6422	2162	1754	2152	2591	8659	8559	8659	8598
<i>Generation</i>	2006	669	570	677	953	2869	701	715	894	1013	3323	3979	3959	3681
<i>City Solutions</i>	1075	418	256	202	426	1302	390	229	254	379	1252	1323	1351	1380
<i>Consumer Solutions</i>	1267	661	424	485	1052	2622	1168	856	1094	1256	4374	3725	3806	3888
<i>Russia</i>	929	264	182	193	267	906	223	218	261	307	1009	921	921	921
<i>Uniper</i>	44514	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other</i>	140	34	36	33	35	138	35	34	34	36	139	137	141	140
<i>Eliminations</i>	-916	-325	-234	-294	-562	-1415	-355	-298	-385	-400	-1438	-1527	-1519	-1412
EBITDA	2689	675	394	3142	702	4913	386	901	1058	147	2492	2653	2545	2386
Depreciation	-1090	-145	-146	-142	-154	-587	-140	-134	-141	-144	-559	-576	-589	-597
EBIT (excl. NRI)	1344	459	207	243	520	1429	388	318	420	553	1679	2077	1956	1789
EBIT	1599	530	248	3000	548	4326	246	767	917	3	1933	2077	1956	1789
<i>Generation</i>	722	268	190	237	428	1123	275	300	375	447	1397	1885	1770	1591
<i>City Solutions</i>	47	86	-4	-20	73	135	48	-36	-16	42	38	46	57	61
<i>Consumer Solutions</i>	90	36	19	13	-16	52	35	21	17	19	92	78	74	95
<i>Russia</i>	251	100	37	45	79	261	61	57	67	75	260	188	175	162
<i>Uniper</i>	363	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Other</i>	-129	-31	-35	-32	-44	-142	-31	-24	-23	-30	-108	-120	-120	-120
<i>Items affecting comparability</i>	255	71	41	2757	28	2897	-142	449	497	-550	254	0	0	0
<i>Share of assoc. companies' profit of loss</i>	656	80	60	7	21	168	-215	-79	-39	-240	-573	20	20	20
Net financial items	-56	-42	-47	-46	-26	-161	59	499	-141	-240	177	-305	-306	-253
PTP	2199	568	261	2961	543	4333	90	1187	737	-477	1537	1792	1670	1556
Taxes	-344	-91	-46	-73	-115	-325	-104	-150	-137	-74	-465	-581	-355	-330
Minority interest	-32	-15	-1	4	-11	-23	-7	2	1	-15	-19	-25	-26	-26
Net earnings	1823	1092	-474	-721	842	739	-2222	-5686	6099	-566	-2375	1186	1290	1200
EPS (adj.)	1.67	1.15	-0.58	-3.92	0.92	-2.43	-2.32	-6.84	6.24	-0.02	-2.93	1.32	1.44	1.34
EPS (rep.)	2.05	1.23	-0.53	-0.81	0.95	0.83	-2.48	-6.34	6.80	-0.63	-2.65	1.32	1.44	1.34

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	35604	49399	14672	14796	14907
Goodwill	1069	1021	248	248	248
Intangible assets	1739	1146	646	646	646
Tangible assets	19367	19049	8290	8414	8525
Associated companies	2912	2461	1336	1336	1336
Other investments	7959	6477	0.0	0.0	0.0
Other non-current assets	2402	17096	3308	3308	3308
Deferred tax assets	156	2149	844	844	844
Current assets	22206	100262	14456	12507	11225
Inventories	1396	2275	303	300	303
Other current assets	8998	65500	6360	5360	4860
Receivables	9504	24895	1732	1712	1732
Cash and equivalents	2308	7592	6061	5135	4330
Balance sheet total	57810	149661	29128	27303	26132

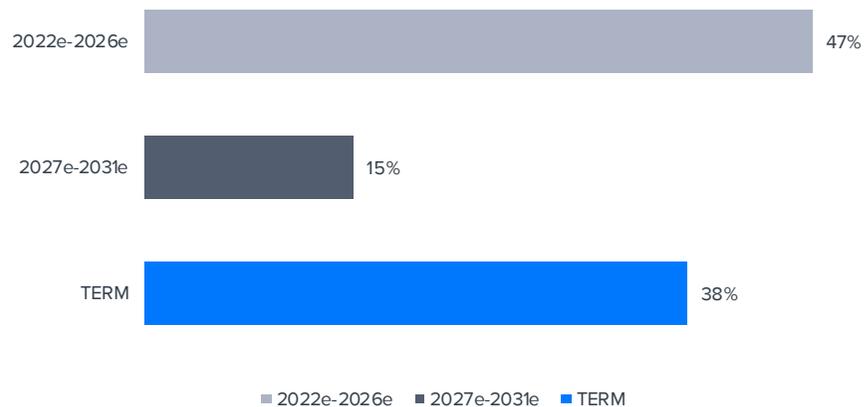
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	15577	13665	5798	6643	7421
Share capital	3046	3046	3046	3046	3046
Retained earnings	10149	10062	6675	7520	8298
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	-242.0	-977.0	-4000.0	-4000.0	-4000.0
Minorities	2624	1534	77.0	77.0	77.0
Non-current liabilities	22356	38070	10471	9670	8357
Deferred tax liabilities	952	827	514	514	514
Provisions	8098	10298	1070	1070	1070
Long term debt	8785	8701	7637	6836	5523
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4521	18244	1250	1250	1250
Current liabilities	19877	97926	12860	10990	10354
Short term debt	1877	8519	3637	1787	1131
Payables	9525	17462	1732	1712	1732
Other current liabilities	8475	71945	7491	7491	7491
Balance sheet total	57810	149661	29128	27303	26132

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	-86.9 %	34.8 %	-1.2 %	1.2 %	-0.7 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	67.4 %	22.3 %	24.3 %	22.6 %	20.8 %	19.5 %	19.5 %	19.0 %	19.0 %	18.0 %	18.0 %	18.0 %
EBIT (operating profit)	4326	1933	2077	1956	1789	1693	1710	1683	1700	1627	1643	
+ Depreciation	587	559	576	589	597	561	570	578	586	594	601	
- Paid taxes	-2443	527	-581	-355	-330	-319	-323	-317	-320	-305	-315	
- Tax, financial expenses	-14	39	-100	-66	-54	-45	-45	-45	-45	-45	-45	
+ Tax, financial income	2	0	0	0	0	0	0	0	0	0	7	
- Change in working capital	-1365	4091	1004	496	502	-3	-3	-3	-3	-3	-3	
Operating cash flow	1092	3149	2975	2621	2503	1887	1909	1897	1918	1867	1887	
+ Change in other long-term liabilities	15923	-26222	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-12840	31738	-700	-700	-700	-662	-706	-706	-706	-706	-701	
Free operating cash flow	4175	8665	2275	1921	1803	1225	1203	1190	1211	1161	1186	
+/- Other	-3246	-3428	0	0	0	0	0	0	0	0	0	
FCFF	929	5237	2275	1921	1803	1225	1203	1190	1211	1161	1186	18007
Discounted FCFF		5300	2139	1677	1462	923	842	773	731	650	617	9369
Sum of FCFF present value	24482	19181	17043	15366	13904	12981	12140	11367	10636	9986	9369	
Enterprise value DCF		24482										
- Interesting bearing debt		-17220										
+ Cash and cash equivalents		7592										
+ Associated companies		1336										
- Minorities		-175										
- Dividend/capital return		-1013										
Equity value DCF		15002										
Equity value DCF per share		16.7										
Wacc												
Tax-% (WACC)		22.0 %										
Target debt ratio (D/(D+E))		30.0 %										
Cost of debt		4.0 %										
Equity Beta		1.50										
Market risk premium		4.75%										
Liquidity premium		0.00%										
Risk free interest rate		2.5 %										
Cost of equity		9.6 %										
Weighted average cost of capital (WACC)		7.7 %										

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	5447	49015	6422	8659	8559	EPS (reported)	1.67	2.05	0.83	-2.65	1.32
EBITDA	1693	2689	4913	2492	2653	EPS (adj.)	1.75	1.67	-2.43	-2.93	1.32
EBIT	1118	1599	4326	1933	2077	OCF / share	1.51	1.75	1.23	3.51	3.32
PTP	1728	2199	4333	1537	1792	FCF / share	0.47	-8.69	1.05	5.84	2.54
Net Income	1482	1823	739	-2375	1186	Book value / share	14.62	14.58	13.66	6.38	7.32
Extraordinary items	-72	255	2897	254	0	Dividend / share	1.10	1.12	1.14	0.38	0.57
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	23364	57810	149661	29128	27303	Revenue growth-%	4%	800%	-87%	35%	-1%
Equity capital	13235	15577	13665	5798	6643	EBITDA growth-%	1%	59%	83%	-49%	6%
Goodwill	612	1069	1021	248	248	EBIT (adj.) growth-%	21%	13%	6%	17%	24%
Net debt	5255	8354	9628	5212	3488	EPS (adj.) growth-%	120%	-4%	-245%	21%	-145%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	31.1 %	5.5 %	76.5 %	28.8 %	31.0 %
EBITDA	1693	2689	4913	2492	2653	EBIT (adj.)-%	21.8 %	2.7 %	22.3 %	19.4 %	24.3 %
Change in working capital	-240	-785	-1365	4091	1004	EBIT-%	20.5 %	3.3 %	67.4 %	22.3 %	24.3 %
Operating cash flow	1340	1556	1092	3149	2975	ROE-%	11.9 %	14.1 %	5.9 %	-26.6 %	19.3 %
CAPEX	-617	-20567	-12840	31738	-700	ROI-%	9.9 %	10.3 %	15.8 %	5.7 %	13.0 %
Free cash flow	420	-7721	929	5237	2275	Equity ratio	56.6 %	26.9 %	9.1%	19.9 %	24.3 %
						Gearing	39.7 %	53.6 %	70.5 %	89.9 %	52.5 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	3.4	0.5	5.1	2.0	1.8						
EV/EBITDA (adj.)	11.0	9.5	6.7	6.9	5.8						
EV/EBIT (adj.)	15.7	19.0	22.9	10.2	7.4						
P/E (adj.)	12.6	11.8	neg.	neg.	11.0						
P/E	1.5	1.4	2.0	2.3	2.0						
Dividend-%	5.0 %	5.7 %	4.2 %	2.6 %	3.9 %						

Source: Inderes

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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 price	Share price
3/17/2020	Buy	15.00 €	13.31 €
4/27/2020	Buy	17.00 €	14.86 €
5/18/2020	Buy	17.50 €	14.92 €
7/21/2020	Buy	20.00 €	17.84 €
8/20/2020	Buy	20.00 €	17.02 €
11/18/2020	Buy	20.00 €	17.63 €
12/4/2020	Buy	20.00 €	18.30 €
2/15/2021	Accumulate	22.50 €	21.97 €
5/14/2021	Accumulate	24.00 €	22.74 €
8/18/2021	Accumulate	26.50 €	24.49 €
11/15/2021	Reduce	25.00 €	25.30 €
2/28/2022	Reduce	19.00 €	19.47 €
3/7/2022	Accumulate	16.00 €	15.26 €
4/27/2022	Reduce	16.00 €	15.63 €
5/13/2022	Reduce	16.00 €	15.31 €
6/21/2022	Accumulate	18.00 €	16.31 €
7/25/2022	Accumulate	13.00 €	11.36 €
8/18/2022	Reduce	11.00 €	11.41 €
8/23/2022	Reduce	11.00 €	10.47 €
8/26/2022	Reduce	11.00 €	10.32 €
9/22/2022	Accumulate	14.50 €	13.25 €
10/13/2022	Accumulate	14.50 €	12.73 €
11/11/2022	Accumulate	16.50 €	14.38 €
12/7/2022	Accumulate	18.00 €	15.87 €
2/28/2023	Accumulate	16.00 €	14.51 €



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