Purmo Group

Company report

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Inderes corporate customer

This report is a summary translation of the report “Asteittaista tulosparannusta edessä” published on 4/26/2023 at 7:12 pm

Gradual earnings improvement ahead

Purmo's Q1 result was clearly stronger than we expected thanks to the good margin. We increased our adjusted EBITDA margin estimate by 9% for this year and are now at the top end of the reiterated guidance. We made no significant changes for the coming years. We still consider the expected return reasonable, and reiterate our Accumulate recommendation and EUR 9.5 target price.

Q1 net sales as expected, profitability clearly better

The expected 10% drop in Purmo's Q1 net sales was caused by the drop in radiator net sales. Profitability, on the other hand, was clearly better than we expected and remained at the level of the comparison period for the adjusted EBITDA margin, but decreased from the comparison period. This was supported by the improved margin of the Climate Products & Systems division (CPS). CPS' absolute adjusted EBITDA was practically at the level of the comparison period and clearly better than our estimate. CPS' strong profitability was supported, e.g., by price increases and cost control, including through the ongoing efficiency program.

Guidance unchanged, but our estimate rose to its top end

Purmo repeated its guidance for the full year. It expects 2023 adjusted EBITDA to be at the same level as in 2022, i.e. around EUR 93 million. Purmo says this means a +/- 5% change, or about EUR 88-97.5 million. The progress of the efficiency program continues to support profitability. On the other hand, the company pointed out that the cost investments needed for growth partly reduce the net savings of the efficiency program and mentioned the uncertain and weak market situation. Our full-year adjusted EBITDA estimate rose by 9% to EUR 96 million. So our estimate is still within the guidance range but moved from the bottom almost to the top.

Value creation through efficiency and growth – we expect the company's margin will be below the target

Purmo's value creation in the next few years is expected to take place in two ways. Firstly, with the EUR 40 million efficiency program, whose full effect will be visible in 2025. Efficiency improvement mainly concerns the CPS division and especially radiators, where a significant volume decrease weakened profitability last year. Secondly, it aims to grow in the Solutions division, where profitability is better than in CPS and thus the growth supports the company's margin. We believe that the company will be able to improve its results in both ways in coming years, although we do not believe that the benefits of the efficiency program will be fully reflected in the result, which was also indicated by the company in the Q1 report. The growth is supported, e.g., by the need for energy renovations in buildings. Purmo's financial objective is an EBITDA margin of more than 15%. Our estimates are far from this, about 12%, because we do not believe that the radiator business will reach 15% profitability and at best the margin has been 12-13%.

Neutral valuation multiples, earnings growth from 2024 and dividend yield drive expected return

We feel that 2023 earnings-based ratios (P/E 11x, EV/EBIT 11x) are neutral for Purmo. The company's acceptable valuation is limited by the subdued growth potential in radiators and the return on capital of about 10%. On average, we expect a small (4%) earnings growth in 2022-25 , although the interest of the hybrid bond depresses EPS. Earnings growth together with a dividend yield of about 4-5%, raises the share's expected return to 8-10%, which is slightly higher than our required return. Our DCF and sum of the parts indicate a clearly higher level than the current share price. This requires, however, a sustainable improvement in profitability and/or a better growth profile.

Recommendation

Accumulate

(previous Accumulate)

EUR 9.50

(previous EUR 9.50)

Share price:

8.68

Key figures

	2022	2023e	2024e	2025e
Revenue	904.1	855.7	880.0	905.1
growth-%	7%	-5%	3%	3%
EBITDA adj.	92.9	95.9	99.8	106.1
EBITDA-% adj.	10.3 %	11.2 %	11.3 %	11.7 %
Net Income	13.2	4.8	32.5	46.5
EPS (adj.)	0.85	0.79	0.86	0.96

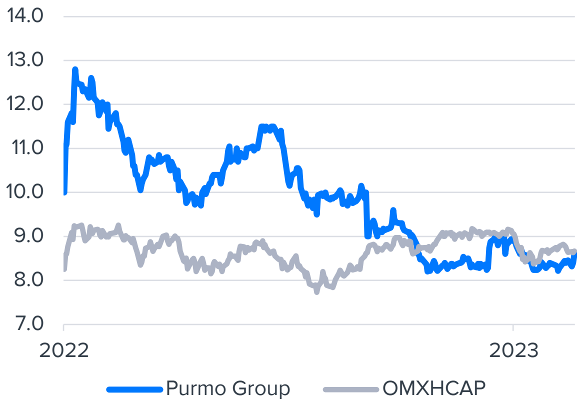
P/E (adj.)	9.7	11.0	10.1	9.1
P/B	0.9	0.8	0.8	0.8
Dividend yield-%	4.3 %	4.0 %	4.0 %	4.5 %
EV/EBIT (adj.)	10.3	9.7	8.9	7.9
EV/EBITDA	6.8	6.1	6.1	5.5
EV/S	0.7	0.7	0.7	0.6

Source: Inderes

Guidance (Unchanged)

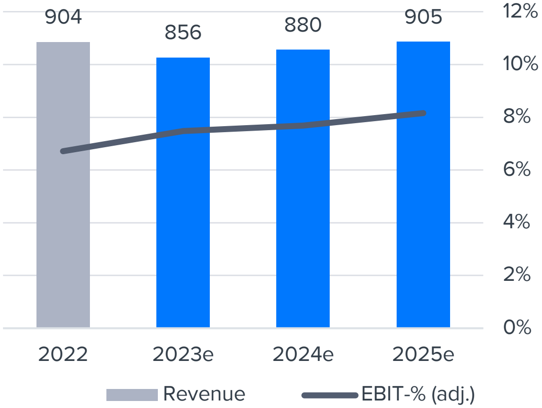
Purmo Group's adjusted EBITDA in 2023 is expected to be on a similar level to 2022 (EUR 92.9 million). Similar means being within +/- 5 per cent of the previous year.

Share price



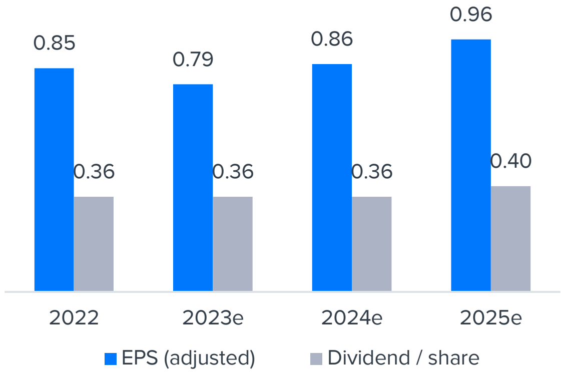
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- One of the largest product portfolios on the market
- Strong brands and market positions in Europe's radiator business
- Sustainable development, renovation debt, digitalization support the growth outlook of the market

Risk factors

- Dependency on construction cycles, especially in housing construction
- Distribution is dependent on large wholesale customers
- Capacity management and successful growth investment

Valuation	2023e	2024e	2025e
Share price	8.68	8.68	8.68
Number of shares, millions	42.7	42.7	42.7
Market cap	370	370	370
EV	684	665	640
P/E (adj.)	11.0	10.1	9.1
P/B	0.8	0.8	0.8
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.7	0.6
EV/EBITDA	6.1	6.1	5.5
EV/EBIT (adj.)	9.7	8.9	7.9
Payout ratio (%)	11924%	56%	41%
Dividend yield-%	4.0 %	4.0 %	4.5 %

Source: Inderes

Profitability exceeded our expectation clearly

Net sales fell as expected, driven by radiators

Purmo's net sales decreased by 10% or organically by 11%, which was in practice in line with expectations. With the new divisions, the net sales for Climate Products & Systems decreased by 13% but were slightly better than our expectation. The decline in the CPS division was as expected caused by the drop in radiator net sales while the net sales of other products were around the level of the comparison period. Purmo’s demand, especially in radiators, deteriorated clearly during 2022, which resulted in its H1’22 figures being relatively good, but H2’22 figures being weak. Climate Solutions division's net sales increased thanks to the acquisition but fell organically by 6% from a strong comparison period and slightly more than we expected. According to the company, the level of the comparison period was exceptionally high in the Climate Solutions division and the current level is more normal in terms of both net sales and profitability.

Earnings down from last year, but clearly above our expectations

Due to the clearly lower net sales, Purmo's result decreased from the comparison period, but it managed to maintain its adjusted EBITDA margin at the level of the comparison period. This was a better performance than we expected. Good profitability was supported by Climate Products & Systems, where the company was able to maintain, even in absolute terms, the adjusted EBITDA (close on 23 MEUR) at the level of the comparison period, even though net sales decreased clearly. This was supported by price increases and the ongoing efficiency program, which according to the company progressed better than planned. The drop in steel prices also supported the margin. For the Climate Solutions division, both the result and margin fell as expected from a strong comparison period. The recorded non-recurring expenses were lower than we anticipated in Q1, which supported the reported result. However, the overall cost estimate of the efficiency program is unchanged, so larger non-recurring costs will be seen in coming quarters, which mainly also affect cash flow.

Cash flow improved

The company also reported clearly stronger operating cash flow than in the comparison period, although due to the seasonal commitment of working capital, it was still at zero (Q122: -39 MEUR). The hybrid bond issued in February improved the balance sheet situation as expected, and reported net debt/adj. EBITDA was 2.5x compared to 3.0x at the end of 2022. In this calculation, the hybrid bond is not included in net debt.

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	236	212	210	207			1%	856
EBITDA	29.3	23.0	9.3	17.1			147%	62.6
EBITDA (adj.)	29.3	26.4	19.3				37%	96.0
EBIT	14.1	15.1	1.3	5.9			1062%	30.6
EPS (reported)	0.34	0.16	0.13	0.08			26%	0.79
Revenue growth-%	-	-10.4 %	-11.0 %	-12.4 %			0.7 pp	-5.4 %
EBITDA-% (adj.)	12.4 %	12.5 %	9.2 %				3.3 pp	11.2 %

Source: Inderes & Bloomberg, 4 analysts (consensus)

2023 estimates at the top of the guidance, 2024-25 unchanged

Guidance unchanged

Purmo repeated its guidance for the full year. It expects 2023 adjusted EBITDA to be at the same level as in 2022, i.e. around EUR 93 million. Purmo says this means a +/- 5% change, or about EUR 88-97.5 million. The company also commented that retailers' inventories have normalized, which we believe should support demand in upcoming quarters. The progress of the efficiency program continues to support profitability. On the other hand, the company pointed out that the cost investments needed for growth partly reduce the net savings of the efficiency program and mentioned the continued uncertain and weak market situation.

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We raised our 2023 estimate from the bottom end to the top

The Q1 earnings surprise alone was EUR 7 million compared to our estimates, so although we did not make any significant changes to our adjusted EBITDA estimates for the rest of the year, our full-year estimate increased to EUR 96 million. So our estimate is still within the guidance range but moved from the bottom almost to the top.

No substantial changes in 2024-25 estimates

Although we raised our 2023 estimates somewhat, we do not see any reason at this stage to change the estimates for 2024-25 (or beyond). However, Purmo should achieve about EUR 20 million savings in 2024 from its efficiency program, while our earnings improvement is now under EUR 5 million. We see a risk of tighter pricing and pressure to continue to increase costs to support growth. Despite this we do see more upward risk in 2024 estimates if Purmo's performance continues at least in line with our estimates this year.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	862	856	-1%	887	880	-1%	924	905	-2%
EBITDA (adj.)	87.7	95.9	9%	100	100	0%	107	106	-1%
EBIT	21.7	30.6	41%	57.6	57.6	0%	74.6	73.8	-1%
PTP	1.7	10.0	488%	41.6	41.6	0%	59.6	58.8	-1%
EPS (excl. NRIs)	0.66	0.79	20%	0.86	0.86	0%	0.97	0.96	-1%
DPS	0.36	0.36	0%	0.36	0.36	0%	0.40	0.40	0%

Source: Inderes

Valuation 1/2

Summary - recommendation and target price

We reiterate our Accumulate recommendation and EUR 9.5 target price for Purmo. Our positive view is supported by the estimated annual growth of around 4% and dividend yield of 4-5%, which together provide 8-10% expected return for the next few years. This slightly exceeds our required return.

Earnings-based valuation on target

Purmo's historical profile is of a company with relatively weak growth and average profitability. We believe the company's valuation level is negatively affected at least by the fact that nearly half of its sales come from radiators, where the market has been structurally declining for a long time and stable development is expected for the next few years. In addition, the company's return on capital is average, reflecting historically weak capital allocation (a large amount of goodwill in the balance sheet). The company now aims to focus on growing segments in heating and cooling solutions, but we do not believe the company will be able to achieve significant (over 5%) sustainable net sales growth with its current structure. Acquisitions create an opportunity to accelerate growth, but these are unlikely in the near future, at least on a significant scale.

We believe the acceptable valuation level for Purmo's share is P/E 10-12x and EV/EBIT 9-11x. This includes an assumption of a positive earnings trend from 2024 onwards at the latest. If we were convinced that the company could achieve its margin target in the medium term, the valuation could be higher, as faster earnings growth in the coming years would compensate for it.

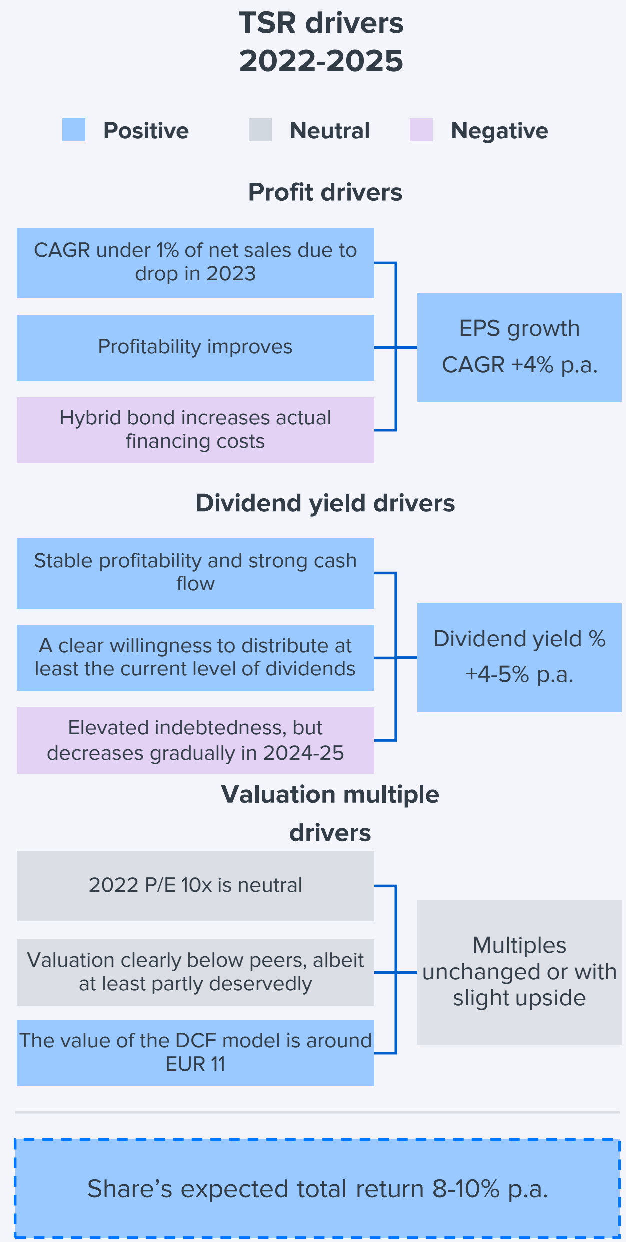
The company's valuation for this year is P/E around 11x and EV/EBIT around 10x, considering the hybrid bond and its interest rates in EPS. So the valuation is within the acceptable multiple range. The expected earnings growth pushes multiples down to the bottom end of the acceptable range in 2024. It is also worth noting that with our estimates the company can repay the hybrid bond in 2026, which reduces the company's interest expenses.

DCF valuation

The lack of historical financial information and changes in the focus of the business make it difficult to determine Purmo's DCF. However, due to the moderate growth profile and relatively stable profitability, the DCF model is, in our opinion, suitable for Purmo as such. Our estimates also for the longer term were already discussed in the estimates section above. The weight of the terminal period is around 50% in our model.

Our required return on capital (WACC) for Purmo is about 8.5% and the cost of equity is around 10%. The lowish WACC is supported by relatively stable business operations and the use of debt leverage, while a higher WACC is supported by, e.g., business cyclicality.

Our DCF model indicates that Purmo's debt-free value is about EUR 750 million and the value of the share capital is about EUR 460 million, or close on EUR 11 per share. The DCF model assumes that profitability improves from the current level and that good cash flow improves the debt situation in the coming years, which enables, e.g., repayment of the hybrid bond. We put more weight on the multiples of the next few years when defining the target price, but the DCF model shows the company's potential in the longer term.



Valuation 2/2

Balance sheet-based valuation is at an acceptable level

With our estimates Purmo's return on capital will remain average even in the medium term, with the total return on capital below 10% and a return on equity on both sides of 10%. Therefore, a P/B ratio of 1.0x or even slightly below seems justified for the company. However, the hybrid bond must be adjusted from the figures, which has been recognized as equity, although we believe that it is in practice a debt. Considering this, the current P/B valuation is about 0.9x. Purmo's book value for this year (excluding the hybrid bond) is approximately EUR 9, which would mean a fair value of P/B 1.0x. The return on capital is depressed by the large amount of goodwill that the company has generated from acquisitions.

Sum of the parts value higher than current share price

Purmo's reporting was still divided into Radiators and ICS divisions in 2022 figures. We believe that this clear division into different profile activities provides a good basis for a sum of the parts valuation. We believe that the main competitor for the Radiators segment, and thus the closest peer, is Stelrad, whose 2023 EV/EBITDA ratio (around 6x) we use directly to determine the value of the division. We use a broader peer group for the ICS division, i.e. in practice the entire peer group of the company from which we have removed Stelrad and Arbonia that operate more in radiators. These peers give ICS an EV/EBITDA ratio of around 13x. By using the 2021-23e EBITDA average for Purmo's (former) divisions, the fair value of Purmo's share is around EUR 13.5. We feel the multiple for ICS peers is quite high and that the ICS segment with a more moderate growth outlook than the peers does not deserve the same multiples. Even if we lowered ICS' valuation multiples to EV/EBITDA 10x, the sum of the parts would still indicate a fair value of nearly EUR 11 per share as we reach the current share price level with a ratio of around 8x for ICS.

Especially the high share of radiators and the lower growth profile resulting from this, therefore, depresses the valuation of the entire company. We do not believe that Purmon will start divesting parts of the company, so in that sense the sum of the parts value is unlikely to materialize. However, we feel it provides a useful angle for valuation.

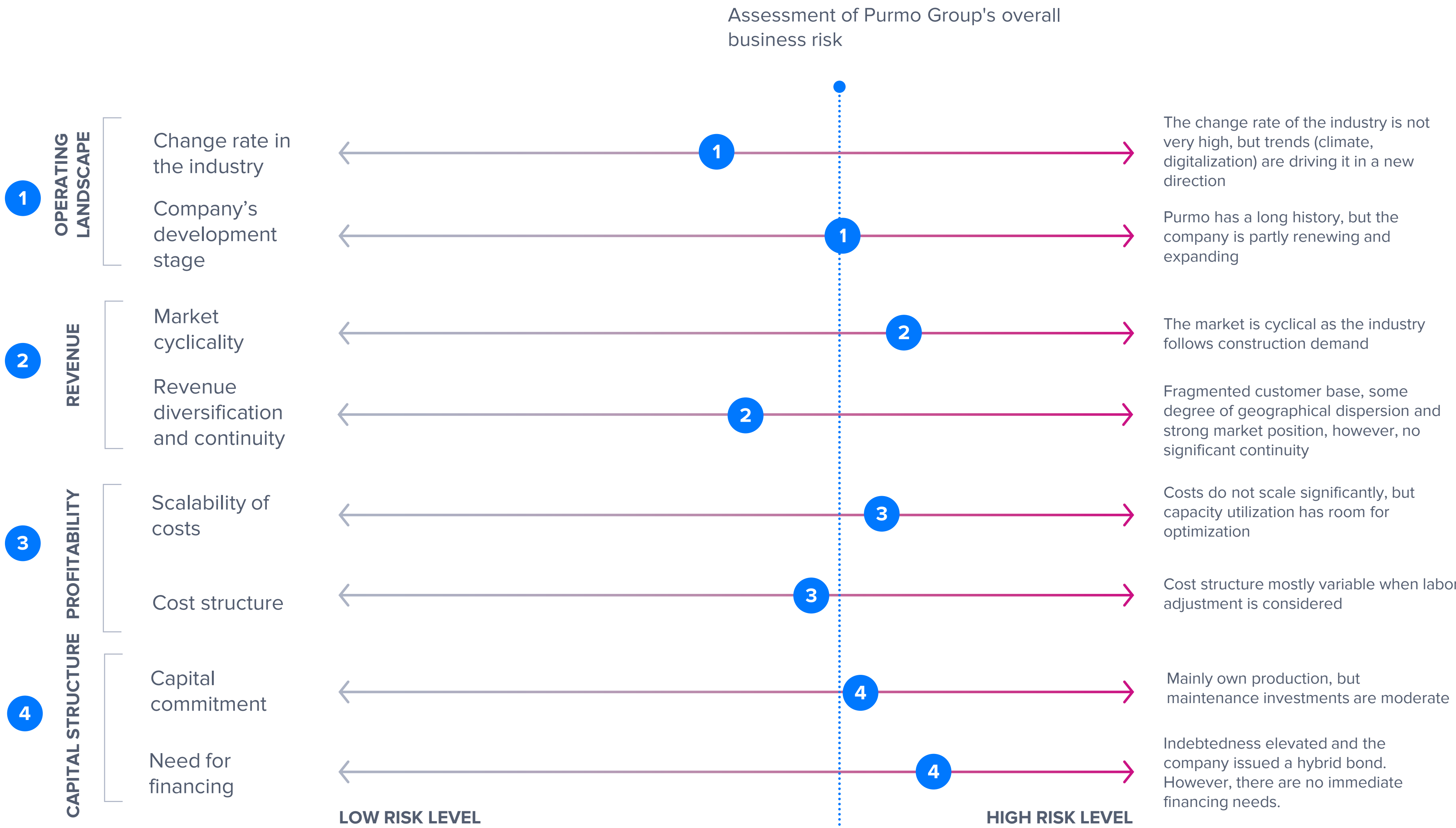
Share may double if the company meets its targets

The company has ambitious financial targets on a 3-5-year horizon. If we assume that Purmo reaches its 15% adjusted EBITDA margin target in 2026 (using our current net sales estimate), it would generate EBITDA of good EUR 140 million and EPS of around EUR 1.75. If the company would then be priced at 11x P/E, the calculated value of the share would be EUR 19 in 2026, which is double the current price. However, as we have already mentioned, our estimates are clearly below the target level.

Valuation	2023e	2024e	2025e
Share price	8.68	8.68	8.68
Number of shares, millions	42.7	42.7	42.7
Market cap	370	370	370
EV	684	665	640
P/E (adj.)	11.0	10.1	9.1
P/B	0.8	0.8	0.8
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.7	0.6
EV/EBITDA	6.1	6.1	5.5
EV/EBIT (adj.)	9.7	8.9	7.9
Payout ratio (%)	11924%	56%	41%
Dividend yield-%	4.0 %	4.0 %	4.5 %

Source: Inderes

Risk profile of the business model



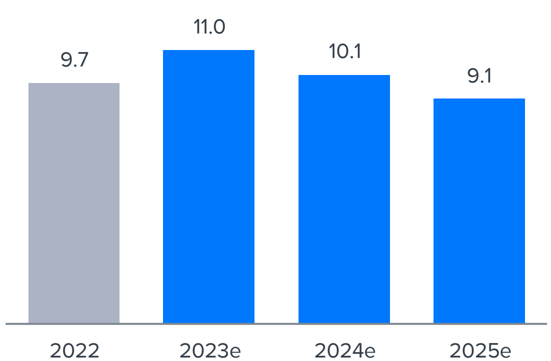
Source: Inderes

Valuation table

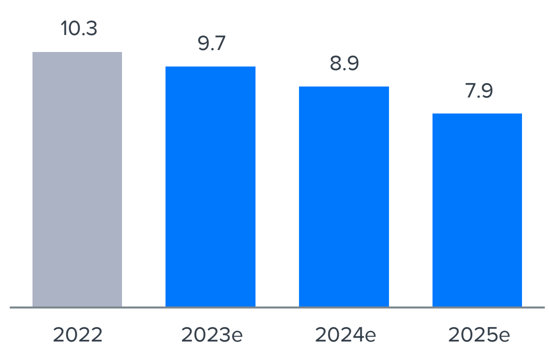
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price					8.22	**8.68**	**8.68**	**8.68**	**8.68**
Number of shares, millions					41.2	**42.7**	**42.7**	**42.7**	**42.6**
Market cap					351	**370**	**370**	**370**	**370**
EV					627	**684**	**665**	**640**	**548**
P/E (adj.)					9.7	**11.0**	**10.1**	**9.1**	**7.5**
P/B					0.9	**0.8**	**0.8**	**0.8**	**0.8**
P/S					0.4	**0.4**	**0.4**	**0.4**	**0.4**
EV/Sales					0.7	**0.7**	**0.7**	**0.6**	**0.6**
EV/EBITDA					6.8	**6.1**	**6.1**	**5.5**	**4.9**
EV/EBIT (adj.)					10.3	**9.7**	**8.9**	**7.9**	**6.9**
Payout ratio (%)					112.9 %	**11924.2 %**	**55.7 %**	**40.6 %**	**40.0 %**
Dividend yield-%					4.3 %	**4.0 %**	**4.0 %**	**4.5 %**	**5.3 %**

Source: Inderes

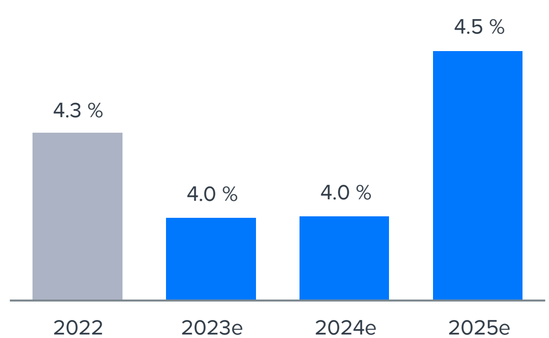
P/E (adj.)



EV/EBIT (adj.)



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Nibe Industrier AB	21277	21840	35.0	31.6	28.0	25.2	5.3	4.8	45.6	40.9	0.7	0.7	7.7
Lindab International AB	1081	1364	13.9	12.2	9.6	8.7	1.2	1.2	14.8	13.0	2.8	3.2	1.7
Systemair AB	1592	1819	18.4	16.7	13.0	12.3	1.7	1.6	24.2	21.2	1.4	1.6	3.8
Uponor Oyj	1835	1957	15.9	13.8	10.6	9.6	1.5	1.4	22.5	19.4	2.8	2.9	3.7
Arbonia AG	752	940	16.4	13.1	7.2	6.3	0.7	0.7	20.2	15.4	3.2	3.6	0.7
Volution Group PLC	948	1048	14.7	14.2	12.0	11.7	2.9	2.8	17.3	16.8	1.8	1.9	
Zehnder Group AG	1413	1385	18.3	16.1	13.7	12.4	1.7	1.6	14.3	12.5	2.7	3.0	2.3
Stelrad Group PLC	168	261	8.1	7.1	5.8	5.2	0.7	0.6	8.8	7.1	4.6	5.6	
Ecoclime Group AB	18	15	37.0	6.7	14.0	4.6	0.6	0.5	80.5	9.3			0.9
Purmo Group (Inderes)	**370**	**624**	**9.7**	**8.9**	**6.1**	**6.1**	**0.7**	**0.7**	**11.0**	**10.1**	**4.0**	**4.0**	**0.8**
Average			**19.7**	**14.6**	**12.6**	**10.7**	**1.8**	**1.7**	**27.6**	**17.3**	**2.5**	**2.8**	**3.0**
Median			**16.4**	**13.8**	**12.0**	**9.6**	**1.5**	**1.4**	**20.2**	**15.4**	**2.8**	**3.0**	**2.3**
Diff-% to median			***-41%***	***-35%***	***-49%***	***-37%***	***-51%***	***-52%***	***-45%***	***-35%***	***46%***	***37%***	***-65%***

Source: Refinitiv / Inderes

Income statement

Income statement	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**236**	**245**	**216**	**207**	**904**	**212**	**210**	**217**	**217**	**856**	**880**	**905**	**931**
Climate Products & Systems	195	192	171	163	721	169	165	172	172	678	692	706	720
Climate Solutions	42	53	45	44	184	43	45	45	45	178	188	199	211
EBITDA	**29.3**	**24.3**	**18.5**	**6.3**	**78.4**	**23.1**	**12.5**	**13.5**	**13.5**	**62.6**	**89.8**	**106.1**	**111.4**
EBITDA (adj.)	**29.2**	**27.8**	**19.6**	**16.3**	**92.9**	**26.4**	**22.5**	**23.5**	**23.5**	**95.9**	**99.8**	**106.1**	**111.4**
Depreciation	-15.2	-8.4	-8.0	-7.9	-39.4	-8.0	-8.0	-8.0	-8.0	-32.0	-32.2	-32.3	-32.4
EBIT (excl. NRI)	**21.6**	**19.5**	**11.5**	**8.1**	**60.7**	**18.5**	**14.5**	**15.5**	**15.5**	**64.0**	**67.6**	**73.8**	**79.0**
EBIT	**14.1**	**15.9**	**10.5**	**-1.5**	**39.0**	**15.1**	**4.5**	**5.5**	**5.5**	**30.6**	**57.6**	**73.8**	**79.0**
Climate Products & Systems (oik. EBITDA)	22.9	21.2	15.3	12.3	71.7	22.7	19.0	20.0	20.0	81.7	83.0	86.5	90.0
Climate Solutions (oik. EBITDA)	8.5	8.7	6.4	6.3	29.9	6.2	6.0	6.0	6.0	24.2	27.0	30.0	32.0
Other	-2.1	-2.1	-2.1	-2.4	-8.7	-2.5	-2.5	-2.5	-2.5	-10.0	-10.2	-10.4	-10.6
Share of profits in assoc. compan.	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
Net financial items	-2.8	-3.0	-4.3	-7.3	-17.4	-5.6	-5.0	-5.0	-5.0	-20.6	-16.0	-15.0	-13.8
PTP	**11.3**	**12.9**	**6.2**	**-8.8**	**21.6**	**9.5**	**-0.5**	**0.5**	**0.5**	**10.0**	**41.6**	**58.8**	**65.3**
Taxes	-4.8	-4.5	-0.9	1.8	-8.4	-2.7	-0.5	-1.0	-1.0	-5.2	-9.2	-12.4	-15.0
Minority interest	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
Net earnings	**6.5**	**8.4**	**5.3**	**-7.0**	**13.2**	**6.4**	**-2.4**	**-1.9**	**-1.9**	**0.1**	**26.8**	**40.8**	**49.3**
EPS (adj.)	**0.34**	**0.29**	**0.15**	**0.06**	**0.85**	**0.23**	**0.18**	**0.19**	**0.19**	**0.79**	**0.86**	**0.96**	**1.16**
EPS (rep.)	**0.16**	**0.20**	**0.13**	**-0.17**	**0.32**	**0.15**	**-0.06**	**-0.05**	**-0.05**	**0.00**	**0.63**	**0.96**	**1.16**

Key figures	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	24.0 %	15.5 %	-1.0 %	-7.1 %	7.2 %	-10.4 %	-14.3 %	0.3 %	5.0 %	-5.4 %	2.8 %	2.9 %	2.9 %
Adj. EBITDA growth-%	0.3 %	3.8 %	-22.8 %	-27.9 %	-10.6 %	-9.6 %	-19.1 %	19.9 %	44.2 %	3.2 %	4.1 %	6.3 %	5.0 %
EBITDA-%	12.4 %	9.9 %	8.6 %	3.1 %	8.7 %	10.9 %	6.0 %	6.2 %	6.2 %	7.3 %	10.2 %	11.7 %	12.0 %
Adjusted EBITDA-%	12.4 %	11.4 %	9.1 %	3.9 %	10.3 %	12.5 %	10.7 %	10.8 %	10.8 %	11.2 %	11.3 %	11.7 %	12.0 %
Net earnings-%	2.8 %	3.4 %	2.5 %	-3.4 %	1.5 %	3.2 %	-0.5 %	-0.2 %	-0.2 %	0.6 %	3.7 %	5.1 %	5.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**602**	**619**	**615**	**615**	**614**
Goodwill	369	371	371	371	371
Intangible assets	36.3	47.0	45.0	43.2	41.5
Tangible assets	163	167	169	170	172
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	7.2	5.6	5.6	5.6	5.6
Deferred tax assets	26.5	29.2	25.0	25.0	25.0
Current assets	**444**	**365**	**386**	**383**	**415**
Inventories	157	174	154	150	154
Other current assets	31.7	45.4	30.0	30.0	30.0
Receivables	77.1	89.1	85.6	88.0	90.5
Cash and equivalents	178	56.3	116	116	141
Balance sheet total	**1046**	**984**	**1001**	**998**	**1029**

Source: Inderes

2021 Pro forma

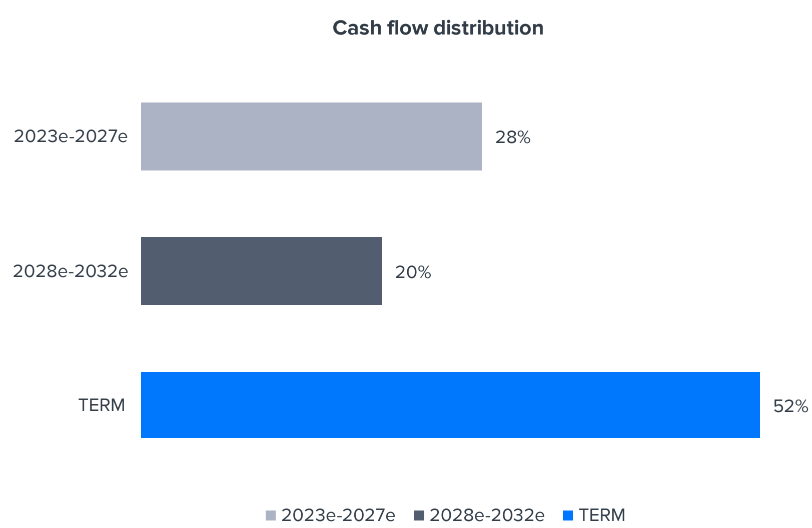
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**391**	**403**	**449**	**460**	**486**
Share capital	3.1	3.1	3.1	3.1	3.1
Retained earnings	6.6	24.4	9.6	21.5	47.3
Hybrid bonds	0.0	0.0	60.0	60.0	60.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	381	376	376	376	376
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**351**	**346**	**313**	**293**	**283**
Deferred tax liabilities	2.6	5.4	5.4	5.4	5.4
Provisions	7.6	7.8	7.8	7.8	7.8
Long term debt	316	312	280	260	250
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	24.7	20.1	20.1	20.1	20.1
Current liabilities	**304**	**235**	**239**	**244**	**260**
Short term debt	101	20.7	30.0	30.0	40.0
Payables	192	193	188	194	199
Other current liabilities	11.7	20.7	20.7	20.7	20.7
Balance sheet total	**1046**	**984**	**1001**	**998**	**1029**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	-5.4 %	2.8 %	2.9 %	2.9 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	4.3 %	3.6 %	6.6 %	8.2 %	8.5 %	7.5 %	7.5 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**39.0**	**30.6**	**57.6**	**73.8**	**79.0**	**71.6**	**73.4**	**75.2**	**72.0**	**73.8**	**75.2**	
+ Depreciation	39.4	32.0	32.2	32.3	32.4	32.4	32.5	32.5	32.5	32.5	32.1	
- Paid taxes	-8.3	-1.0	-9.2	-12.4	-15.0	-13.5	-13.9	-14.3	-13.6	-14.0	-14.3	
- Tax, financial expenses	-5.0	-4.7	-3.5	-3.2	-3.2	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-32.0	33.9	7.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.3	-1.3	-1.1	
Operating cash flow	**33.1**	**90.7**	**84.5**	**89.3**	**91.9**	**86.4**	**87.8**	**89.2**	**86.7**	**88.0**	**89.0**	
+ Change in other long-term liabilities	-4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-53.3	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-29.6	-34.2	
Free operating cash flow	**-24.6**	**58.7**	**52.5**	**57.3**	**59.9**	**54.4**	**55.8**	**57.2**	**54.7**	**58.5**	**54.8**	
+/- Other	0.0	-4.7	-5.7	-5.7	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-24.6	54.0	46.8	51.6	58.9	54.4	55.8	57.2	54.7	58.5	54.8	857
Discounted FCFF		**51.1**	**40.8**	**41.5**	**43.6**	**37.1**	**35.1**	**33.1**	**29.2**	**28.8**	**24.8**	**388**
Sum of FCFF present value		753	702	661	620	576	539	504	471	442	413	388
Enterprise value DCF		**753**										
- Interesting bearing debt		-333										
+ Cash and cash equivalents		56										
-Minorities		0.0										
-Dividend/capital return		-14.9										
Equity value DCF		**462**										
Equity value DCF per share		**10.8**										

WACC	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	**10.1 %**
Weighted average cost of capital (WACC)	**8.5 %**

Source: Inderes



Summary

Income statement	2022	2023e	2024e
Revenue	904.1	855.7	880.0
EBITDA	78.4	62.6	89.8
EBIT	39.0	30.6	57.6
PTP	21.6	10.0	41.6
Net Income	13.2	0.1	26.8
Extraordinary items	-21.7	-33.4	-10.0

Balance sheet	2022	2023e	2024e
Balance sheet total	983.9	1000.8	998.0
Equity capital	403.3	448.5	460.4
Goodwill	370.6	370.6	370.6
Net debt	276.8	193.6	174.2

Cash flow	2022	2023e	2024e
EBITDA	78.4	62.6	89.8
Change in working capital	-32.0	33.9	7.3
Operating cash flow	33.1	90.7	84.5
CAPEX	-53.3	-32.0	-32.0
Free cash flow	-24.6	54.0	46.8

Valuation multiples	2022	2023e	2024e
EV/S	0.7	0.7	0.7
EV/EBITDA (adj.)	6.8	6.1	6.1
EV/EBIT (adj.)	10.3	9.7	8.9
P/E (adj.)	9.7	11.0	10.1
P/B	0.9	0.8	0.8
Dividend-%	4.3 %	4.0 %	4.0 %

Source: Inderes

Per share data	2022	2023e	2024e
EPS (reported)	0.32	0.00	0.63
EPS (adj.)	0.85	0.79	0.86
OCF / share	0.80	2.13	1.98
FCF / share	-0.60	1.27	1.10
Book value / share	9.79	10.51	10.79
Dividend / share	0.36	0.36	0.36

Growth and profitability	2022	2023e	2024e
Revenue growth-%	7%	-5%	3%
EBITDA growth-%	133%	-20%	43%
EBIT (adj.) growth-%	-18%	5%	6%
EPS (adj.) growth-%	-53%	-7%	10%
EBITDA-%	8.7 %	7.3 %	10.2 %
EBIT (adj.)-%	6.7 %	7.5 %	7.7 %
EBIT-%	4.3 %	3.6 %	6.6 %
ROE-%	3.3 %	0.0 %	5.9 %
ROI-%	5.1 %	4.1 %	7.6 %
Equity ratio	41.0 %	44.8 %	46.1 %
Gearing	68.6 %	43.2 %	37.8 %

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Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
05-01-22	Accumulate	16.00 €	14.80 €
04-03-22	Accumulate	12.50 €	10.90 €
13-04-22	Accumulate	13.00 €	12.00 €
13-05-22	Buy	13.00 €	10.35 €
12-08-22	Buy	13.00 €	11.00 €
09-11-22	Buy	12.00 €	10.00 €
11-11-22	Buy	12.00 €	9.00 €
09-12-22	Accumulate	10.00 €	9.20 €
10-02-23	Accumulate	9.50 €	8.38 €
05-04-23	Accumulate	9.50 €	8.32 €
27-04-23	Accumulate	9.50 €	8.68 €

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