

Nokia

Company report

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Firmly forward

We reiterate our Accumulate recommendation and raise our target price to EUR 5.7 (was EUR 5.4) for Nokia. Nokia's Q2 result was again strong, and the company's strategy has progressed with solid steps in the right direction throughout H1. In particular, the profitability improvement in Mobile Networks has progressed rapidly despite the challenges in the operating environment, which shows that Nokia's significant investments to improve the unit's competitiveness are delivering the right results. Nokia's share valuation still looks moderate and, in our view, offers a good expected return for the coming years if the company's strategy continues on its current trajectory.

Another strong quarter

Nokia's Q2 result exceeded expectations, as comparable operating profit increased against expectations from a strong comparison period that was supported to one-off items to EUR 714 million (Q1'21: 683 MEUR). The significantly better than expected performance of Network Infrastructure and Mobile Networks made up for revenues that were missing due to timing factors in Nokia Technologies. Particularly pleasing was the strong level of gross margin maintained by Mobile Networks (Q2'22: 40.2%) and a 3.3 percentage point improvement in operating profit margin adjusted for one-off gains, reflecting Nokia's improved competitiveness and a significant year-on-year increase in operational efficiency.

Outlook supports the continuation of the turnaround

Nokia's revised outlook for the current year confirmed that the company will maintain its earnings growth this year. The company expects its net sales to be at the top end of the fork revised with exchange rate effects (23.5-24.7 BEUR) and the comparable operating profit margin to settle in the middle of the unchanged fork of 11.0-13.5%. The progress of Nokia's strategy and the resulting improvement in its own operational efficiency together with strengthening growth more than compensated for the headwinds of cost inflation and supply chain challenges this year. These should also begin to gradually ease over the next 12 months. Despite the weaker economic growth outlook, there has been no material change in Nokia's demand outlook and operators' investments in 5G and fixed broadband continue at a good level. This also provides a good basis for improved performance in 2023. Based on the outlook, our earnings estimates increased by 5-6%, and we now expect Nokia to generate revenue of EUR 24.6 billion this year (+11%) and a comparable operating profit of 12.3% (2023e-2024e: adj. EBIT: 13.0-13.2%).

Share valuation not overwhelming

The valuation of Nokia's share already seems moderate with our forecasts for the current year (adj. P/E 12.4x and EV/EBIT 7.6x). With 2023 multiples the valuation (adj. P/E 11.7x and EV/EBIT 6.6x) already looks very low. The expected return on the share is also attractive through our sum of the parts calculation as Nokia's strategy continues on the right path in the next few years. At the same time, however, it's worth remembering that in the long term the stable growth outlook of Nokia's target market and thus limited earnings growth potential limit the acceptable valuation multiples of the share. This year, the relative attractiveness of Nokia's low multiples has also diminished as stocks have gone down on a broad front. For example, from the same sector, Ericsson, which is struggling with its own challenges, is currently valued under 6x EV/EBIT.

Recommendation

Accumulate

(previous Accumulate)

EUR 5.70

(previous EUR 5.40)

Share price:

5.01



Key figures

	2021	2022e	2023e	2024e
Revenue	22,202	24,595	25,039	25,547
growth-%	2%	11%	2%	2%
EBIT adj.	2,775	3,033	3,249	3,377
EBIT-% adj.	12.5 %	12.3 %	13.0 %	13.2 %
Net Income	1,632	1,725	2,000	2,214
EPS (adj.)	0.37	0.40	0.43	0.45

P/E (adj.)	15.3	12.4	11.7	11.2
P/B	1.8	1.5	1.4	1.3
Dividend yield-%	1.4 %	2.4 %	3.6 %	4.4 %
EV/EBIT (adj.)	9.9	7.6	6.6	5.8
EV/EBITDA	8.5	6.7	5.7	5.0
EV/S	1.2	0.9	0.9	0.8

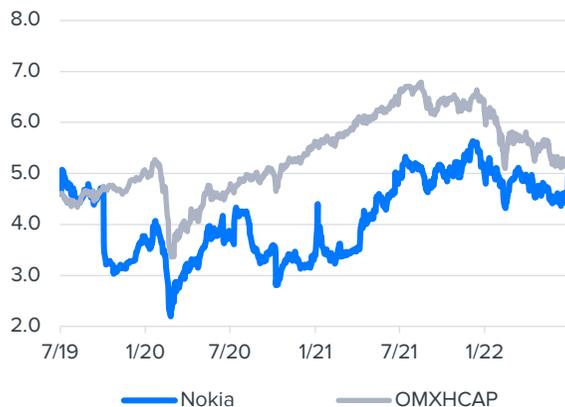
Source: Inderes

Guidance

(Unchanged)

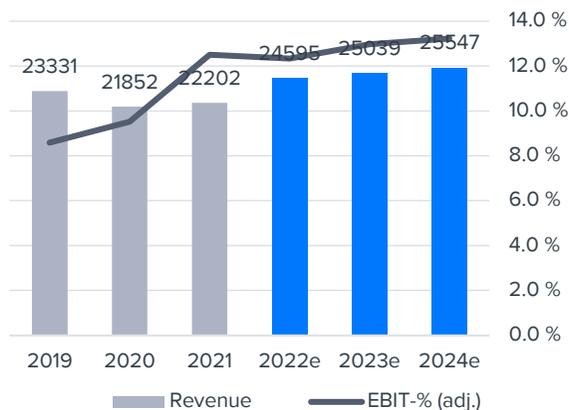
2022: Net sales EUR 23.5-24.7 billion and comparable operating profit 11.0-13.5%

Share price



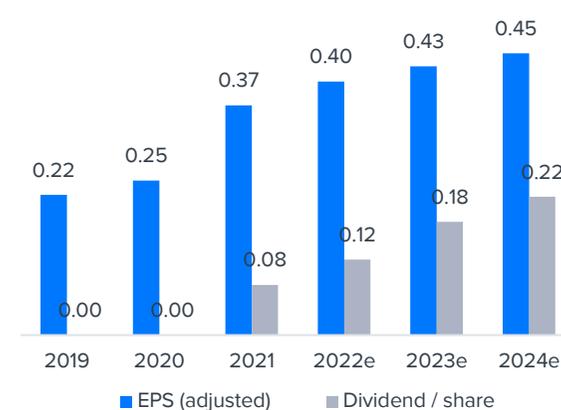
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Transforming from a turnaround company into a profitable growth company
- Technology cycle of the market offers a positive boost
- Huawei sanctions open up opportunities
- Nokia has several well developing product areas
- Strategic value of Nokia's technologies
- Predictable and growing cash flows of Nokia Technologies
- Possible structural arrangements



Risk factors

- Fierce competitive pressure on the market and price erosion
- Global component shortages and supply chain challenges
- Impact of the slowing economic environment on operators' investments
- Unexpected decelerations on the progressing turnaround journey

Valuation	2022e	2023e	2024e
Share price	5.01	5.01	5.01
Number of shares, millions	5589.7	5549.7	5549.7
Market cap	28016	27815	27815
EV	23137	21524	19697
P/E (adj.)	12.4	11.7	11.2
P/E	15.9	13.9	12.6
P/FCF	20.2	14.7	9.5
P/B	1.5	1.4	1.3
P/S	1.1	1.1	1.1
EV/Sales	0.9	0.9	0.8
EV/EBITDA	6.7	5.7	5.0
EV/EBIT (adj.)	7.6	6.6	5.8
Payout ratio (%)	38%	50%	55%
Dividend yield-%	2.4 %	3.6 %	4.4 %

Source: Inderes

Another strong quarter 1/2

Net sales grew faster than anticipated

Nokia's Q2 net sales increased by 11% (by 3% in constant currency) to EUR 5.9 billion, while consensus expected EUR 5.6 billion. As expected, currency-adjusted growth was supported by Network Infrastructure (12%), which was driven by strong demand for fixed and submarine networks, much like in Q1. In Mobile networks, reported net sales grew by 9% and, encouragingly, currency-adjusted growth (1%) also turned slightly positive despite supply chain challenges and component shortages. In Nokia Technologies, net sales fell 25% from a strong comparative period, as certain contracts that expired at the end of 2021 were still under negotiation in Q2.

Contrary to expectations, result grew from the comparison period

Nokia's comparable operating profit in Q2 was EUR 714 million (Q1'21: 683 MEUR) and exceeded our estimate that was in line with consensus expectations (632 MEUR). The comparable operating profit margin (12.2%) weakened from the comparative period that was supported by one-off items (Q2'21: 12.8%), but clearly less than was anticipated. This was a very good performance, taking into account the decrease

of Nokia Technologies' operating profit of more than EUR 100 million compared to the comparison period. This strong performance was driven by strong earnings improvement in Network Infrastructure and Mobile Networks. Nokia Venture Fund investments generated a return of roughly EUR 40 million in Q2 (Q2'21: 10 MEUR), but despite this, Nokia clearly beat earnings expectations, driven by improved operational performance.

Despite the good result, Nokia's free cash flow in Q2 was EUR -116 million due to increased working capital. In addition to growth in current assets, cash flow was weakened by the performance bonuses paid to employees in Q2 for last year's good performance. However, Nokia's net cash was still strong at the end of Q2, amounting to ca. EUR 4.5 billion.

Mobile Networks offered a positive surprise

In Mobile Networks, market demand prospects remain strong and, like in the previous quarter, Nokia revised its market growth estimate upwards by one percentage point to 5%. Geographically, growth was particularly strong in North America and demand is also strong in Europe, although the withdrawal from

Russia is contributing to a slowdown in the region. As expected, supply chain challenges and component shortages held back Nokia's growth in Q2, but generally the company has so far coped well in the challenging environment. Nokia already sees signs of the situation easing in the next 12 months and with strong demand, the company expects Mobile Networks' revenues to reach currency-adjusted growth this year.

Nokia was particularly pleased with the improvement in comparable operating profit in Mobile Networks (Q2'22: 11.2%) from the comparative period supported by one-off items (10.5%). Adjusted for one-off gains, the operating profit margin for Q2 improved by as much as 3.3 percentage points, reflecting a significant year-on-year improvement in the operational efficiency of Mobile Networks. Despite increased cost inflation, gross margin (Q2'22: 40.2%) remained close to the strong level of the comparison period. This is due, among other things, to the growing share of more cost-effective chip-based Reefshark products in 5G deployments. The share of these increased in Q2 to 91% and Nokia is in schedule to increase the share to 100% by the end of this year.

Estimates MEUR / EUR	Q2'21	Q2'22	Q2'22e	Q2'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	5313	5873	5556	5572	5366	- 5673	6%	24595
EBIT (adj.)	683	714	629	632	575	- 743	13%	3033
EBIT	485	564	489	516	444	- 702	15%	2375
PTP	416	541	441	471	370	- 660	23%	2164
EPS (adj.)	0.09	0.10	0.08	0.08	0.07	- 0.10	21%	0.40
EPS (reported)	0.06	0.08	0.06	0.07	0.05	- 0.10	34%	0.31
Revenue growth-%	4.3 %	10.5 %	4.6 %	4.9 %	1.0 %	- 6.8 %	6 pp	10.8 %
EBIT-% (adj.)	12.8 %	12.2 %	11.3 %	11.3 %	10.7 %	- 13.1 %	0.8 pp	12.3 %

Source: Inderes & Infront (consensus)

Another strong quarter 2/2

Enterprise networks that have strong growth potential this decade (2021: 7% of Nokia's net sales) net sales increased by 8% in Q2 after the weaker first quarter (-7%). According to Nokia, the order backlog is very strong, and growth is expected to strengthen in H2, although supply chain problems pose some challenges here. Nokia now has 485 customers in private wireless solutions and in Q2 the company added 76 new enterprise customers.

Strong performance in Network Infrastructure as per usual

Network infrastructure continued its strong performance, with net sales (Q2'22: 2153 MEUR) growing by 12% in constant currency on top of a good comparison period. The unit's comparable operating profit (11.5%) was also at a very good level. Nokia wins market shares thanks to a highly competitive product portfolio, and the demand outlook is generally positive.

Operators continued to invest rapidly in, among other things, fixed broadband which was again reflected in a 22% increase in Fixed Networks on top of an already strong comparison period. Demand is currently particularly strong in North America. In IP Networks and Optical Networks, growth was slower in the quarter (4%) due to supply chain challenges and the exit from Russia. In the big picture, demand prospects in these areas are also good for the future. Submarine Networks also saw strong growth (+27%), driven by the lengthy order backlog.

Soft Q2 in Cloud and Network Services, but overall turnaround advanced on H1

In Cloud and Network Services, the turnaround was stalled in Q2 by a rise in operating expenses, while at the same time currency-adjusted net sales (Q2'22: 753 MEUR) were stable. The unit posted an operating loss of EUR 5 million in the quarter, but the Q1 result (20 MEUR) was reasonably good, so generally the turnaround has been progressing from the start of the year. The unit's gross margin also improved by 1.5 percentage points from the comparison period, indicating that right things are being done below the surface. Last year, Nokia carried out a major clean-up of the unit's product and service offering and redirected its investments to selected growth areas. In the big picture, the unit is in investment phase this year and the operating profit (4-7%) is expected to remain at a relatively modest level. Thanks to software-oriented nature of the business, the margins of the unit still have a clear improvement potential if the volumes can be properly grown in the coming years.

Soft H1 in Nokia Technologies due to timing factors

The first half of the year in Nokia Technologies has been soft due to timing factors, as certain contracts that expired at the end of 2021 (Oppo and Vivo) have not yet been renewed. In addition, one customer left the cell phone market, which terminated its license agreement. Due to these factors, the unit's operating profit in Q2 declined by 35% to EUR 217 million from an exceptionally strong comparison period. The unit's current annual net sales is therefore below the EUR 1.4-1.5 billion range of the end of last year, but Nokia

expects to get back to this level once the ongoing negotiations are concluded. The negotiations are also expected to result in retroactive payments for unpaid periods. The patent disputes are expected to be settled before the end of the year, so one-off gains to support margins are likely in Q3 or Q4, depending on the timing of the contracts. However, Nokia once again commented that it considers its patent portfolio very valuable, and contract negotiations are conducted in peace, and the company plays the long game to get the best outcome.

Outlook supports the continuation of the turnaround

Earnings estimates up after new guidance

Due to currency exchange rate effects, Nokia increased the net sales of the current year to EUR 23.5-24.7 billion (was EUR 22.9-24.1 billion). The company also commented that net sales are now closer to the top of the fork. In terms of profitability, the comparable EBIT margin range of 11.0%-13.5% was reiterated, but currently seems to be settling in the middle of the range.

Under these assumptions, the comparable operating profit for 2022 would be around EUR 3,000 million compared to the consensus expectation of EUR 2,930 million before the report. On this basis, consensus forecasts for the current year will go up by around 2-3%. Our own forecast was a notch more cautious than the consensus and, based on the outlook, our forecast for adjusted operating profit in the coming years increased by around 5-6%.

The progress of Nokia's strategy and the resulting improvement in its own operational efficiency together with strengthening growth more than compensated for the headwinds of cost inflation and supply chain challenges this year. Despite the weaker economic growth outlook, there has been no material change in Nokia's demand outlook and operators' investments in 5G and fixed broadband continue at a good level. Looking ahead to next year, we believe that the conditions for earnings improvement are also good if demand doesn't deteriorate materially and component shortages begin to ease gradually, in line with Nokia current estimates.

We now expect Nokia's net sales to grow by 11% to EUR 24.6 billion this year and comparable operating profit to be 12.3%. Nokia's negotiations on the renewal of two patent agreements create uncertainty on quarter level estimates for the rest of the year. We

have assumed that the contracts will be signed in Q4 and that the retroactive payments will amount to ca. EUR 160 million. Under these assumptions, the operating profit of Nokia Technologies will remain relatively stable on an annual basis compared to the previous year, in line with Nokia's outlook.

Our operating profit margin forecast for 2023-2024 (13.0-13.2%) is still below Nokia's long-term (3-5 year) target of over 14%.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	23322	24595	5%	23924	25039	5%	24497	25547	4%
EBITDA	3265	3451	6%	3658	3795	4%	3818	3959	4%
EBIT (excl. NRIs)	2862	3033	6%	3106	3249	5%	3231	3377	5%
EBIT	2213	2375	7%	2606	2749	5%	2881	3027	5%
PTP	1969	2164	10%	2411	2604	8%	2686	2882	7%
EPS (excl. NRIs)	0.37	0.40	10%	0.40	0.43	7%	0.42	0.45	6%
DPS	0.12	0.12	0%	0.18	0.18	0%	0.22	0.22	0%

Source: Inderes

Sum of the parts calculation

Expected return remains good as turnaround progresses

We approach Nokia's valuation partly through a sum of the parts calculation, as the company can be divided into four independent operations corresponding to the current unit structure. Based on our 2023 forecasts, we have evaluated each unit separately to illustrate the share's potential as the company's earnings turnaround continues in line with our expectations. We have also considered the cash flow impact of restructuring, net cash and the estimated present value of other businesses and group expenses. We reflect the sum of the parts value that's generated if our forecasts are realized to the current share price to estimate the expected return on the share.

In the medium term, we value Nokia Technologies that generates a stable cash flow with an 8.0-10.0x EV/EBIT multiple, which gives the unit the value of EUR 9.3-11.6 billion. The segment's growth outlook is modest, but the predictability of cash flows supports value.

We value extremely well-performing Network Infrastructure with an 8.0-10.0x EV/EBIT multiple. The value of the unit is thus EUR 8.2-10.3 billion.

We value Cloud and Network Services that's still quite low in profitability with a 7-9x EV/EBIT multiple, making the unit worth EUR 2.0-2.5 billion.

For Mobile Networks, we have assumed a 7.5-9.5x EV/EBIT multiple, making the unit worth EUR 7.7-9.8 billion. Our 2023 forecast for the unit now expects an operating profit margin of 9.5%. If the unit were to reach its long-term profitability target (>10%), there would be some upside potential in the value.

With these assumptions, the sum of the parts in 2023 will be EUR 34 billion (EUR 6.1 per share), with the range of EUR 30-39 billion (EUR 5.3-7.0 per share). Therefore, if our forecasts materialize and the market's confidence is expected to be reflected positively in Nokia's valuation multiples, there would be clear upside potential in the share over the next 12-18 months. On top of this, quarterly dividends will provide additional support to the expected return. After Nokia's strong Q2 report, we see the return/risk ratio continue to turn clearly to the positive side.

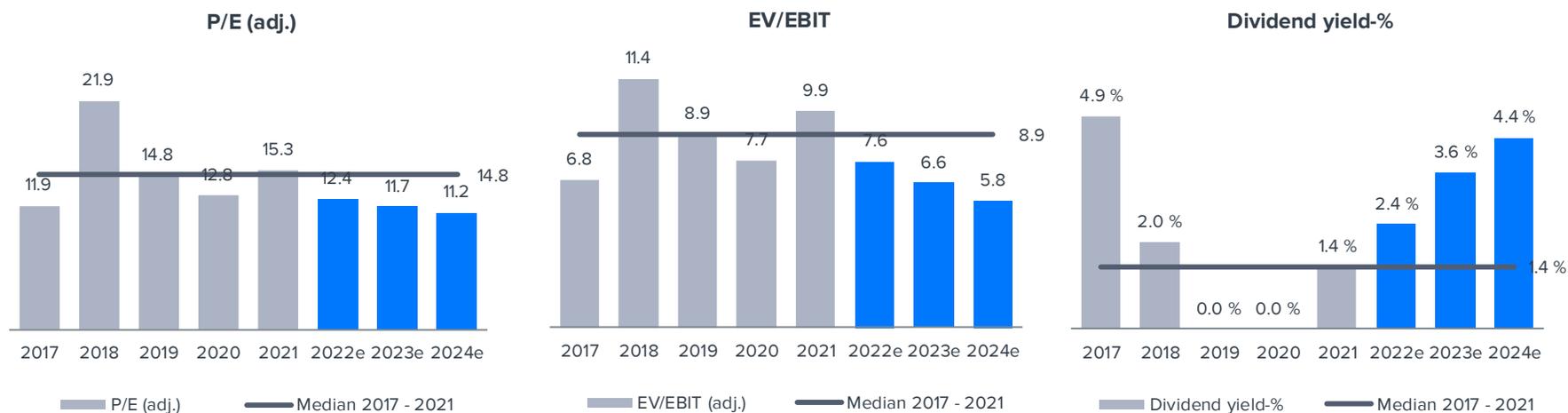
Sum of the parts in 2023

Nokia Technologies	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.2	1.2	1.2
X valuation multiple	8.0	9.0	10.0
EV	9.3	10.4	11.6
<i>Per share (EUR)</i>	1.7	1.9	2.1
Network Infrastructure	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.0	1.0	1.0
X valuation multiple	8.0	9.0	10.0
EV	8.2	9.2	10.3
<i>Per share (EUR)</i>	1.5	1.7	1.9
Cloud and Network services	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	0.3	0.3	0.3
X valuation multiple	7.0	8.0	9.0
EV	2.0	2.3	2.5
<i>Per share (EUR)</i>	0.4	0.4	0.5
Mobile Networks	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.0	1.0	1.0
X valuation multiple	7.5	8.5	9.5
EV	7.7	8.8	9.8
<i>Per share (EUR)</i>	1.4	1.6	1.8
Total	Pessimistic	Neutral	Optimistic
Aggregate EV	27.2	30.7	34.2
Other operating and group costs (NPV)	-3.0	-2.5	-1.5
Net cash and investments 2023e	6.4	6.4	6.4
Costs for restructuring	-1.0	-0.8	-0.5
Sum of the parts total	30	34	39
<i>Per share (EUR)</i>	5.3	6.1	7.0

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.89	5.03	3.30	3.15	5.57	5.01	5.01	5.01	5.01
Number of shares, millions	5650	5593	5606	5617	5629	5590	5550	5550	5550
Market cap	21778	28133	18476	17701	31378	28016	27815	27815	27815
EV	17568	24912	17799	15938	27543	23137	21524	19697	18043
P/E (adj.)	11.9	21.9	14.8	12.8	15.3	12.4	11.7	11.2	11.0
P/E	neg.	neg.	>100	neg.	19.3	15.9	13.9	12.6	11.9
P/FCF	8.6	neg.	neg.	11.1	neg.	20.2	14.7	9.5	9.3
P/B	1.3	1.8	1.2	1.4	1.8	1.5	1.4	1.3	1.2
P/S	0.9	1.2	0.8	0.8	1.4	1.1	1.1	1.1	1.1
EV/Sales	0.8	1.1	0.8	0.7	1.2	0.9	0.9	0.8	0.7
EV/EBITDA	10.1	17.9	8.3	7.9	8.5	6.7	5.7	5.0	4.4
EV/EBIT (adj.)	6.8	11.4	8.9	7.7	9.9	7.6	6.6	5.8	5.2
Payout ratio (%)	neg.	neg.	0.0 %	0.0 %	27.7 %	38.1 %	49.9 %	55.1 %	61.7 %
Dividend yield-%	4.9 %	2.0 %	0.0 %	0.0 %	1.4 %	2.4 %	3.6 %	4.4 %	5.2 %

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Qualcomm	166378	170426	10.2	9.8	9.4	9.2	3.9	3.6	12.1	11.6	1.7	1.9	10.9
Ciena	7255	6788	16.3	10.9	13.1	9.4	1.8	1.6	24.4	15.4			2.8
Cisco	178936	168462	10.0	9.6	9.0	8.9	3.4	3.3	13.2	12.5	3.4	3.5	4.4
Juniper Networks	9026	9344	11.3	9.9	9.1	8.4	1.9	1.8	14.6	12.5	2.9	3.0	2.1
Motorola	35553	40282	18.3	16.3	15.8	14.4	4.7	4.4	22.0	19.7	1.4	1.5	135.6
ZTE	16119	16522	12.8	11.3	8.6	8.1	0.9	0.8	8.7	7.8	2.0	2.6	1.2
Ericsson	24101	18404	5.7	5.0	4.6	4.2	0.7	0.7	10.7	9.2	3.6	3.9	2.0
Amdocs	10278	10108	12.9	12.0	10.3	9.9	2.3	2.1	16.1	14.6	1.8	1.9	2.9
CommScope	1441	11372	11.4	9.4	9.8	8.2	1.3	1.2	4.7	3.2			6.0
Oracle	189419	242675	12.8	12.0	11.5	10.4	5.9	5.0	15.3	13.9	1.6	1.8	
Viavi	3186	3309	11.9	11.4	10.4	9.8	2.6	2.5	15.3	15.0			3.7
Nokia (Inderes)	28016	23137	7.6	6.6	6.7	5.7	0.9	0.9	12.4	11.7	2.4	3.6	1.5
Average			12.1	10.7	10.1	9.2	2.7	2.5	14.3	12.3	2.3	2.5	17.2
Median			11.9	10.9	9.8	9.2	2.3	2.1	14.6	12.5	1.9	2.3	3.3
Diff-% to median			-36%	-39%	-31%	-38%	-58%	-59%	-15%	-6%	29%	59%	-55%

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	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue	21852	5076	5313	5399	6414	22202	5348	5872	6129	7247	24595	25039	25547
Mobile Networks	10397	2262	2380	2315	2760	9717	2268	2592	2685	3079	10624	10837	11054
Network Infrastructure	6736	1727	1778	1915	2254	7674	1974	2153	2279	2547	8953	9087	9269
Nokia Technologies	1402	365	401	367	369	1502	306	305	305	528	1444	1451	1458
Cloud and Network Services	3087	674	703	748	964	3089	736	754	808	1041	3339	3438	3541
Other	269	57	62	64	74	257	76	76	60	60	272	260	260
One-off items/non-IFRS adjustments	-39	-10	-11	-10	-7	-37	-12	-8	-8	-8	-36	-35	-35
EBITDA	2017	702	758	777	1017	3253	628	847	759	1217	3451	3795	3959
Depreciation	-1132	-271	-273	-274	-277	-1095	-274	-282	-260	-260	-1075	-1046	-932
EBIT (excl. NRI)	2081	551	683	633	909	2775	583	714	639	1098	3033	3249	3377
EBIT	885	431	485	503	740	2158	354	565	499	958	2375	2749	3027
Mobile Networks	818	76	250	169	270	765	171	291	201	292	956	1030	1072
Network Infrastructure	457	187	162	187	248	784	195	247	255	285	982	1027	1066
Nokia Technologies	1123	286	332	286	282	1185	220	217	216	480	1134	1161	1166
Cloud and Network Services	-67	-20	10	30	146	166	20	-6	36	115	165	282	322
Other	-251	22	-70	-39	-38	-125	-23	-36	-70	-75	-204	-250	-250
One-off items/non-IFRS adjustments	-1196	-120	-198	-131	-168	-617	-229	-149	-140	-140	-658	-500	-350
Net financial items	-164	-56	-68	-50	-68	-241	-72	-18	-50	-50	-190	-150	-150
PTP	743	372	416	447	692	1926	256	541	449	918	2164	2604	2882
Taxes	-3255	-99	-67	-96	-11	-272	-79	-74	-90	-184	-426	-598	-662
Minority interest	-7	-3	-7	-9	-4	-22	-7	-3	-2	-2	-13	-6	-6
Net earnings	-2523	263	342	343	676	1623	212	457	358	733	1760	2000	2214
EPS (adj.)	0.25	0.07	0.09	0.08	0.13	0.37	0.07	0.10	0.08	0.15	0.40	0.43	0.45
EPS (rep.)	-0.45	0.05	0.06	0.06	0.12	0.29	0.04	0.08	0.06	0.13	0.31	0.36	0.40

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue growth-%	-6.3 %	3.3 %	4.3 %	2.0 %	-2.1 %	1.6 %	5.4 %	10.5 %	13.5 %	13.0 %	10.8 %	1.8 %	2.0 %
Adjusted EBIT growth-%	3.8 %	368.9 %	61.0 %	30.4 %	-13.8 %	33.4 %	5.8 %	4.5 %	1.0 %	20.8 %	9.3 %	7.1 %	3.9 %
EBITDA-%	9.2 %	13.8 %	14.3 %	14.4 %	15.9 %	14.7 %	11.7 %	14.4 %	12.4 %	16.8 %	14.0 %	15.2 %	15.5 %
Adjusted EBIT-%	9.5 %	10.9 %	12.8 %	11.7 %	14.2 %	12.5 %	10.9 %	12.2 %	10.4 %	15.1 %	12.3 %	13.0 %	13.2 %
Net earnings-%	-11.5 %	5.2 %	6.4 %	6.4 %	10.5 %	7.3 %	4.0 %	7.8 %	5.8 %	10.1 %	7.2 %	8.0 %	8.7 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	19307	21250	20811	20129	19449
Goodwill	5074	5431	5431	5431	5431
Intangible assets	3284	2418	2059	1704	1342
Tangible assets	2588	2808	2728	2573	2456
Associated companies	233	243	243	243	243
Other investments	745	758	758	758	758
Other non-current assets	5561	8320	8320	8320	8320
Deferred tax assets	1822	1272	1272	1100	900
Current assets	18215	19597	20857	21283	21639
Inventories	2242	2392	2705	2754	2708
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7698	7601	8559	8763	8967
Cash and equivalents	8275	9604	9592	9765	9963
Balance sheet total	36191	40049	40884	40692	40516

Source: Inderes

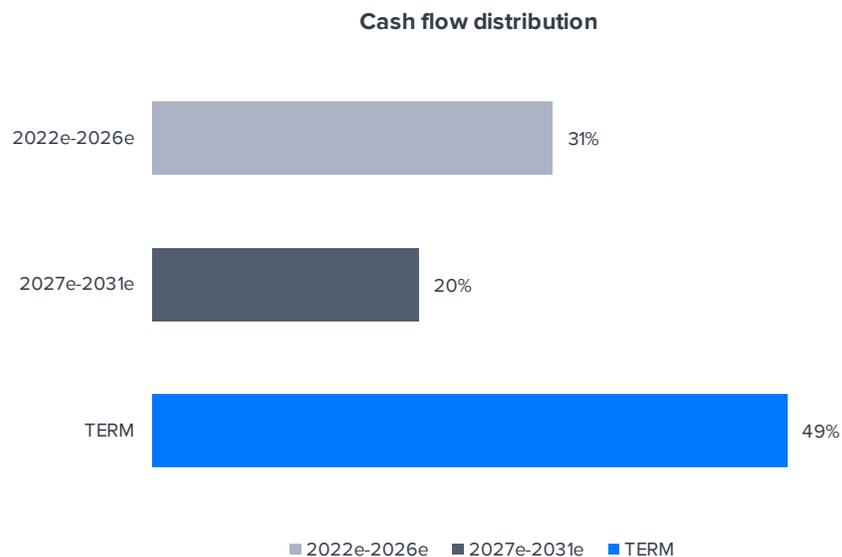
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	12545	17462	18771	20101	21316
Share capital	246	246	246	246	246
Retained earnings	-4143	-2537	-1228	102	1317
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1910	4219	4219	4219	4219
Other equity	14452	15432	15432	15432	15432
Minorities	80	102	102	102	102
Non-current liabilities	12681	11410	9626	8705	7490
Deferred tax liabilities	260	282	282	282	282
Provisions	1532	1569	1569	1569	1569
Long term debt	5736	5361	3677	2756	1541
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5153	4198	4098	4098	4098
Current liabilities	10965	11177	12486	11886	11710
Short term debt	750	301	926	619	214
Payables	10215	10876	11560	11267	11496
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	36191	40049	40884	40692	40516

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	2158	2375	2749	3027	3187	3185	3114	3038	2958	2873	2771	
+ Depreciation	1095	1075	1046	932	908	645	632	622	615	610	606	
- Paid taxes	300	-426	-426	-462	-499	-529	-659	-640	-620	-699	-673	
- Tax, financial expenses	-34	-37	-35	-35	-35	-36	-20	-20	-20	-20	-20	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	608	-588	-546	72	23	23	-30	-31	-32	-33	-62	
Operating cash flow	4127	2400	2789	3534	3585	3289	3037	2970	2902	2732	2622	
+ Change in other long-term liabilities	-918	-100	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-4111	-650	-600	-600	-600	-600	-600	-600	-600	-600	-610	
Free operating cash flow	-902	1650	2189	2934	2985	2689	2437	2370	2302	2132	2012	
+/- Other	-9	-265	-300	0	0	0	0	0	0	0	0	
FCFF	-911	1385	1889	2934	2985	2689	2437	2370	2302	2132	2012	31657
Discounted FCFF		1339	1691	2434	2294	1914	1607	1448	1302	1117	977	15370
Sum of FCFF present value		31493	30155	28463	26029	23736	21822	20214	18767	17465	16347	15370
Enterprise value DCF		31493										
- Interesting bearing debt		-5662										
+ Cash and cash equivalents		9604										
-Minorities		-153										
-Dividend/capital return		-450										
Equity value DCF		34875										
Equity value DCF per share		6.2										

Wacc	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	8.0 %
Cost of debt	2.5 %
Equity Beta	1.35
Market risk premium	4.80%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	8.5 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	23331	21852	22202	24595	25039	EPS (reported)	0.00	-0.45	0.29	0.31	0.36
EBITDA	2146	2017	3253	3451	3795	EPS (adj.)	0.22	0.25	0.37	0.40	0.43
EBIT	486	885	2158	2375	2749	OCF / share	0.12	0.38	0.73	0.43	0.50
PTP	157	743	1926	2164	2604	FCF / share	-0.42	0.28	-0.16	0.25	0.34
Net Income	9	-2523	1623	1760	2000	Book value / share	2.73	2.22	3.08	3.34	3.60
Extraordinary items	-1518	-1196	-617	-658	-500	Dividend / share	0.00	0.00	0.08	0.12	0.18
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	39128	36191	40049	40884	40692	Revenue growth-%	3%	-6%	2%	11%	2%
Equity capital	15401	12545	17462	18771	20101	EBITDA growth-%	54%	-6%	61%	6%	10%
Goodwill	5527	5074	5431	5431	5431	EBIT (adj.) growth-%	-8%	4%	33%	9%	7%
Net debt	-700	-1789	-3942	-4989	-6391	EPS (adj.) growth-%	-3%	10%	49%	10%	6%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	9.2 %	9.2 %	14.7 %	14.0 %	15.2 %
EBITDA	2146	2017	3253	3451	3795	EBIT (adj.)-%	8.6 %	9.5 %	12.5 %	12.3 %	13.0 %
Change in working capital	-1055	225	608	-588	-546	EBIT-%	2.1 %	4.0 %	9.7 %	9.7 %	11.0 %
Operating cash flow	694	2118	4127	2400	2789	ROE-%	0.1 %	-18.2 %	10.9 %	9.8 %	10.3 %
CAPEX	-2496	-22	-4111	-650	-600	ROI-%	2.5 %	4.6 %	10.3 %	10.1 %	11.8 %
Free cash flow	-2347	1599	-911	1385	1889	Equity ratio	39.4 %	34.7 %	43.6 %	45.9 %	49.4 %
						Gearing	-4.5 %	-14.3 %	-22.6 %	-26.6 %	-31.8 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.8	0.7	1.2	0.9	0.9						
EV/EBITDA (adj.)	8.3	7.9	8.5	6.7	5.7						
EV/EBIT (adj.)	8.9	7.7	9.9	7.6	6.6						
P/E (adj.)	14.8	12.8	15.3	12.4	11.7						
P/E	1.2	1.4	1.8	1.5	1.4						
Dividend-%	0.0 %	0.0 %	1.4 %	2.4 %	3.6 %						

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10/26/2018	Accumulate	5.40 €	4.86 €
2/1/2019	Accumulate	5.80 €	5.51 €
4/26/2019	Accumulate	5.40 €	4.70 €
7/26/2019	Accumulate	5.50 €	4.97 €
10/25/2019	Reduce	3.60 €	3.62 €
12/17/2019	Accumulate	3.60 €	3.26 €
2/7/2020	Reduce	3.60 €	3.70 €
4/8/2020	Reduce	3.00 €	2.95 €
5/1/2020	Reduce	3.20 €	3.32 €
8/1/2020	Reduce	4.00 €	4.06 €
9/28/2020	Accumulate	3.60 €	3.24 €
10/30/2020	Buy	3.40 €	2.81 €
12/17/2020	Accumulate	3.50 €	3.27 €
2/1/2021	Reduce	3.50 €	3.96 €
2/5/2021	Reduce	3.60 €	3.70 €
3/11/2021	Accumulate	3.60 €	3.40 €
3/19/2021	Accumulate	3.60 €	3.37 €
4/30/2021	Accumulate	4.50 €	3.87 €
7/14/2021	Accumulate	5.40 €	4.99 €
1/0/1900	Virhe	0.00 €	0.00 €
7/29/2021	Accumulate	5.80 €	5.18 €
10/29/2021	Accumulate	5.90 €	5.02 €
1/12/2022	Accumulate	6.20 €	5.44 €
2/4/2022	Accumulate	6.00 €	5.17 €
3/8/2022	Buy	5.20 €	4.33 €
4/29/2022	Accumulate	5.40 €	4.66 €
7/22/2022	Accumulate	5.70 €	5.01 €



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