

Telia

Company report

04/27/2023



Joni Grönqvist
+358 40 515 3113
joni.gronqvist@inderes.fi

This report is a summary translation of the report “Liikaa epävarmuutta useilla rintamilla” published on 04/27/2023 at 8:48 am.

inde
res.

Too much uncertainty on several fronts

We reiterate our SEK 29 target price and Reduce recommendation for Telia. Telia's Q1 figures were broadly in line with expectations, but the comments about the headwinds to the savings target were disappointing. As expected, the company reiterated its guidance, but with more reservations than normal given the uncertainty surrounding the economy and savings targets. We made only minor revisions to our estimates and believe that that expected return will mainly be driven by the dividend (8%). The valuation picture for the stock (2023e P/E 17x and EV/EBIT 16x) still argues for caution, especially given the elevated uncertainty.

Figures were line with expectations, but headwinds to the savings target were disappointing

Telia reported Q1 revenue growth of 5.7%, slightly above our and the market expectations. Comparable service revenue growth accelerated to 3.8% in Q1 (Q4: 0.7%). Service revenue is now up eight quarters, which is important to put earnings growth on a firmer footing. Adjusted EBITDA increased by 0.8% and was in line with expectations. In Q1, earnings growth was constrained by the challenging TV advertising and pay-TV markets and still high energy costs. The company now admitted that it's challenging to reach the key SEK 2 billion savings target in the current inflationary environment, which is clearly disappointing but already priced into the share.

Telia has been trying to develop its Danish operations for years, but is now divesting them at a good price

Telia said it had agreed to sell its Danish operations and networks for around SEK 9.5 billion, which corresponds to an EV/EBITDA multiple of 8.9x on 2022 figures and is well above Telia's own current level of 6x. Telia will use the funds to reduce its debts. Telia has been trying to develop its operations for several years, but cash flow has been non-existent, and the desired market position has not been achieved. Thus, the company decided to sell the operations at what we think is a relatively good price. However, the continuous divestment of operations eats away at the growth base. The company continues to see divestment opportunities outside the strategically pivotal core activities.

The company reiterated its guidance as expected

Telia reiterated the guidance and expects service revenue growth rate to be in the low single digits (estimate 1-4%) and adjusted EBITDA to be in line with the comparison period or growth rate to be in the low single digits (estimate 1-4%). In addition, the company guides for an operating cash flow (excluding working capital changes) of SEK 7-9 billion in 2023. We made only minor revisions to the estimates based on the report and will add the impact of the sale of the Danish operations when the timing is confirmed. In our view, cash flow should be at least SEK 8 billion for the dividend to be sustainable and requires catching up in the rest of the year. We now forecast net sales to grow by 3% in 2023-24 and adjusted EBITDA to grow by 1%.

Valuation and outlook still support caution

We still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns. Telia's adjusted P/E and EV/EBIT multiples for 2023 are respectively 17x and 16x, well below Nordic peers and slightly above the peer group as a whole. The expected return, which in practice consists only of dividend yield (8%), isn't quite enough to meet the required return. DCF calculation (SEK 29) now also supports the target price. In this way, the valuation still argues in favor of standing on the sidelines. A positive view would require inflation to be better implemented in customer prices and this to drive earnings growth.

Recommendation

Reduce

(previous Reduce)

SEK 29.00

(previous SEK 29.00)

Share price:

28.04



Key figures

	2022	2023e	2024e	2025e
Revenue	90827	94690	97126	99546
growth-%	3%	4%	3%	2%
EBITDA (adj.)	30328	30856	31297	31919
EBITDA-% (adj.)	33.4 %	32.6 %	32.2 %	32.1 %
Net Income	-14638	5473	6413	6648
EPS (adj.)	0.53	1.62	1.83	1.87

P/E (adj.)	50.3	17.3	15.3	15.0
P/B	1.6	1.8	1.8	2.2
Dividend yield-%	7.5 %	7.1 %	7.3 %	7.5 %
EV/EBIT (adj.)	16.3	16.0	15.2	15.2
EV/EBITDA	6.3	6.4	6.3	6.5
EV/S	2.0	2.0	2.0	2.0

Source: Inderes

Guidance

(Unchanged)

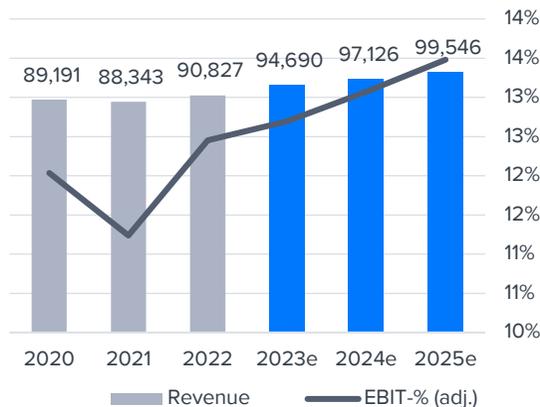
Service revenues are estimated to grow by low single digit and adjusted EBITDA is estimated to be flat to grow by low single digit in 2023.

Share price



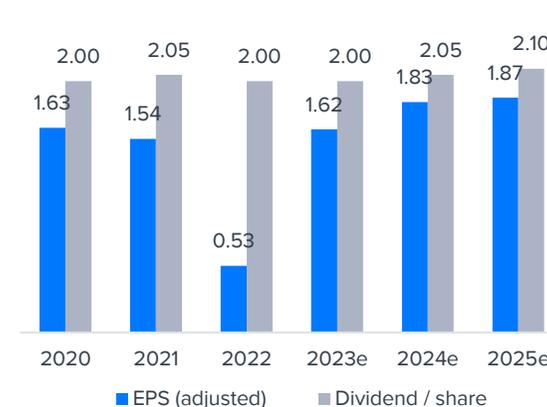
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Continuing the turnaround of the Swedish business and a turnaround in Finland
- Earnings growth through growth in net sales and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- Divestment of non-strategic operations



Risk factors

- Upward pressure on the interest market
- Inflation continuing and increasing
- Tighter competition
- Realization of cost savings
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry

Valuation	2023e	2024e	2025e
Share price	28.0	28.0	28.0
Number of shares, millions	3932	3932	3932
Market cap	110256	110256	110256
EV	192219	192979	203804
P/E (adj.)	17.3	15.3	15.0
P/E	20.1	17.2	16.6
P/FCF	12.5	10.9	10.4
P/B	1.8	1.8	2.2
P/S	1.2	1.1	1.1
EV/Sales	2.0	2.0	2.0
EV/EBITDA	6.4	6.3	6.5
EV/EBIT (adj.)	16.0	15.2	15.2
Payout ratio (%)	143.7 %	125.7 %	124.2 %
Dividend yield-%	7.1 %	7.3 %	7.5 %

Source: Inderes

Figures in line with expectations, but headwinds to the savings target were disappointing

Net sales grew slightly more than expected

Telia reported Q1 revenue up 5.7% to SEK 23,069 million (Q4: 3.8%), slightly above our and the market expectations. The trend in revenue excluding exchange rate effects and M&A increased by 3.7%, accelerating from the end of last year (Q4: 0.5%). Comparable service revenues growth also accelerated at almost the same pace to 3.8% in Q1. Service revenue has now grown for eight quarters, which is important to put profit growth on a firmer footing and is also reflected in the company's strategic objectives and guidance. Geographically, Sweden made good progress and Finland has also been put on a better growth path.

Operating result in line with expectations, but disappointing comments on savings target

Adjusted EBITDA increased by 0.8% to SEK 7,258 million and was in line with our and market expectations (Q4: +1.2%). The adjusted EBITDA margin was thus 31.5%, below the 33.0% of the comparison period. Comparable EBITDA decreased by 0.8% year-on-year (Q4: -2.0%). Earnings growth in Q1 was constrained by challenging TV advertising and the pay-TV market, as well as by energy costs, which were SEK 130 million higher in Q1 (Q4: SEK

280 million), but the headwinds should continue to subside. The company now admits its savings target of SEK 2 billion by 2023 is challenging in the current inflationary environment. This is of course disappointing for the market, but on the other hand possibly already partly priced into the stock. The company reduced 900 employees as planned at the end of Q1 and beginning of Q2, which supports the savings. Depreciation was slightly higher than expected and thus other earnings rows were slightly below expectations. Reported EPS was SEK 0.15 and below our and market forecasts (SEK 0.21 and 0.26).

Cash flow was weak due to customer funding cycles but will level off as the year progresses. The leverage ratio was also at the top end of the target range (Q1 net debt/ EBITDA 2.49x) but will improve over the year driven by cash flow and the sale of the Danish operations.

Telia sells its Danish operations

Telia announced yesterday that it had agreed to sell its Danish operations and networks for around SEK 9.5 billion. The transaction amount corresponds to an EV/EBITDA multiple of 8.9x on 2022 figures and is well above Telia's own current level of 6x. Telia says it will use the funds to reduce debt. The sale is in line with the strategy in that the company is focusing on markets where it has a clear plan to defend its leading market position. Telia has been considering various strategic options in Denmark for several years and clearly has not found a "cure", as now the operations are being sold. On one hand, it clarifies the focus in the large and complex Telia, but on the other one, the constant divestment of activities eats away at the basis for growth. However, the Danish operations have not generated much cash flow for years. The companies have now agreed on the big picture issues and expect to complete a more comprehensive contract draft by the summer and further complete the deal by Q1'24. We expect the deal to go ahead but will add it to our estimates once the schedule is confirmed. The company continues to see divestment opportunities outside the strategically pivotal core activities, such as in masts.

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MSEK								
Revenue	21818	23069	22288	22414	22148	- 22640	4%	94690
EBITDA (adj.)	7202	7258	7226	7171	7053	- 7473	0%	30771
EBIT (incl. assoc. companies)	2437	1887	2081	2317	2033	- 2761	-9%	11137
PTP	1407	1044	1221	1282	1133	- 1594	-15%	7732
EPS (reported)	0.23	0.15	0.21	0.26	0.19	- 0.35	-28%	1.62
Revenue growth-%	0.0 %	5.7 %	2.2 %	2.7 %	1.5 %	- 3.8 %	3.6 pp	4.3 %
EBITDA (adj.) -%	33.0 %	31.5 %	32.4 %	32.0 %	31.8 %	- 33.0 %	-1 pp	32.5 %

Source: Inderes & Telia Company, 15 forecasts (consensus)

Only minor adjustments to our estimates

Estimate revisions 2023e-2024e

- We kept our revenue forecasts almost unchanged with the Q1 report.
- We will add the impact of the sale of the Danish businesses when the schedule is confirmed.
- Regarding cash flow, investments were highest in 2022 and the company expects a lower level in the following years. In addition, earnings growth supports cash flow, while higher interest costs create headwinds. Overall, however, the company's cash flow guidance of EUR 7-9 billion is relatively broad.

Operational earnings drivers 2023-2024e:

- Service revenues growth driven by 5G and faster subscription sales
- Continuing the turnaround of the Swedish business and a successful turnaround in Finland
- TV & Media recovering from COVID
- Cost savings: 2 billion by 2023 and another 2 billion by 2025. However, in Q1 the company said this would be challenging to achieve.
- Headwinds from rising energy prices and interest rates

Objectives for the 2021-23 strategy period:

- Service revenue growth rate is a low single-digit number (estimate: 1-4%)
- Adjusted EBITDA growth rate is a low or medium single-digit number (estimate: at 1-7%)
- Comments in Q4'22 indicate that investments excluding royalties and license fees will be less than 15% of revenue in 2023 (approx. 15% in the past). The company brought forward investments worth EUR 1 billion in 2022.

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
MSEK									
Revenue	93084	94690	2%	95480	97126	2%	97861	99546	2%
EBITDA	29836	29971	0%	31203	31297	0%	31971	31919	0%
EBIT (exc. NRIs)	11931	12022	1%	12575	12696	1%	13451	13421	0%
EBIT	11131	11137	0%	11675	11896	2%	12751	12721	0%
PTP	7751	7732	0%	8609	8836	3%	9168	9148	0%
EPS (adj. continuous operations)	1.62	1.62	0%	1.81	1.83	1%	1.87	1.87	0%
DPS	2.00	2.00	0%	2.05	2.05	0%	2.10	2.10	0%

Source: Inderes

Valuation and uncertainty still argue for caution

Valuation multiples

Historically, it has been difficult to compare Telia with competitors with earnings multiples, because e.g., Telia's EBITDA does not show the income from minority holdings (they are reported in EBIT) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. However, the income statement is now relatively clean, excluding the minorities of masts sold in the last year and the large write-down in Q4.

In the bigger picture, we still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns. Businesses have made better progress in 2022 and Q1 than they have in years. In terms of its risk profile Telia differs clearly from, e.g., Elisa who has been able to reduce the macro pressure clearly better by means of systematic energy and, in particular, interest rate hedging.

Our estimates put Telia's adjusted P/E and EV/EBIT multiples for 2023e at 17x and 16x, well below Nordic peers and slightly above the peer group as a whole. The multiples are slightly below the company's own level of the last 5 years (19x and 18x). Given the company's headwinds from the macro, the overall market environment and the rise in required returns brought on by rising interest rates, we don't believe this is enough to justify a positive view on the stock.

Expected return is not quite enough yet

The expected return on Telia's share currently consists almost entirely of the dividend yield (8%),

which also carries a risk. We forecast earnings growth of 1% in the coming years and the share valuation isn't attractive either. Thus, the expected return does not cover the COE requirement.

DCF calculation

From a DCF viewpoint, a slightly higher valuation level than currently can be justified for Telia (SEK 29). However, the last 5 years have been a roller coaster for Telia and there have been many disappointments. In addition, the overall business mix has changed significantly (Eurasia and masts divested, now Danish operations sold and TV&Media acquired). These factors reduce predictability for long-term cash flows.

Our DCF model indicates a value of SEK 29.3 per share for Telia. The model assumes that the company's net sales growth will be about 2% in the medium term and 1.6% in the terminal. We expect the EBIT margin to be around 12-14% in 2022-2030 and 13% in the terminal. The adjusted EBIT % has averaged 14% over the last 5 years. However, the weight of the terminal assumption is still high in the valuation (61%).

With a highly predictable and stable business relative to the general market, we continue to use a low (6.7%) discount rate (WACC) compared to the market. The weight of the DCF relies heavily on the terminal value, but also acts as one approach for Telia's valuation. However, we do not believe that this alone is sufficient to justify a positive view.

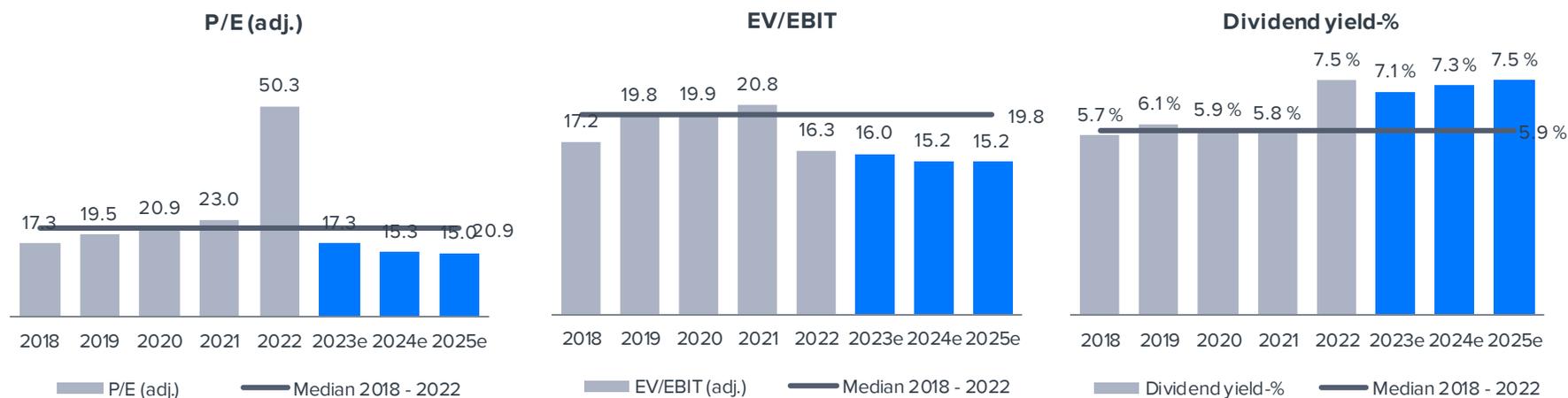
Valuation	2023e	2024e	2025e
Share price	28.0	28.0	28.0
Number of shares, millions	3932	3932	3932
Market cap	110256	110256	110256
EV	192219	192979	203804
P/E (adj.)	17.3	15.3	15.0
P/E	20.1	17.2	16.6
P/FCF	12.5	10.9	10.4
P/B	1.8	1.8	2.2
P/S	1.2	1.1	1.1
EV/Sales	2.0	2.0	2.0
EV/EBITDA	6.4	6.3	6.5
EV/EBIT (adj.)	16.0	15.2	15.2
Payout ratio (%)	143.7 %	125.7 %	124.2 %
Dividend yield-%	7.1 %	7.3 %	7.5 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	41.2	40.3	34.0	35.4	26.7	28.0	28.0	28.0	28.0
Number of shares, millions	4292	4172	4090	4090	4035	3932	3932	3932	3932
Market cap	174149	165535	138884	144793	104830	110256	110256	110256	110256
EV	223723	243678	213286	206767	184486	192219	192979	203804	204426
P/E (adj.)	17.3	19.5	20.9	23.0	50.3	17.3	15.3	15.0	15.3
P/E	18.4	22.6	neg.	12.6	neg.	20.1	17.2	16.6	15.3
P/FCF	neg.	neg.	10.7	14.5	neg.	12.5	10.9	10.4	9.8
P/B	1.8	1.8	2.2	1.8	1.6	1.8	1.8	2.2	2.3
P/S	2.1	1.9	1.6	1.6	1.2	1.2	1.1	1.1	1.1
EV/Sales	2.7	2.8	2.4	2.3	2.0	2.0	2.0	2.0	2.0
EV/EBITDA	8.6	8.1	7.1	5.9	6.3	6.4	6.3	6.5	6.4
EV/EBIT (adj.)	17.2	19.8	19.9	20.8	16.3	16.0	15.2	15.2	15.0
Payout ratio (%)	104.2 %	135.5 %	neg.	72.9 %	neg.	143.7 %	125.7 %	124.2 %	98.0 %
Dividend yield-%	5.7 %	6.1 %	5.9 %	5.8 %	7.5 %	7.1 %	7.3 %	7.5 %	6.4 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2023e
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	
Tele2	6405	9109	19.0	17.9	9.2	8.9	3.6	3.5	17.5	17.5	7.1	7.4	3.2
Elisa	9347	10569	21.6	20.5	13.9	13.4	4.8	4.6	23.2	22.1	4.0	4.2	7.0
Telenor	15532	25563	16.3	15.0	7.6	7.3	3.2	3.1	19.9	17.3	7.2	7.2	3.3
BT	17217	40301	11.3	10.9	4.5	4.4	1.7	1.7	7.9	8.4	5.1	5.1	1.0
Proximus	2838	5951	10.6	11.1	3.4	3.3	1.0	1.0	7.4	8.1	13.1	7.3	0.8
Orange Belgium	885	1337	11.3	11.8	3.4	3.5	0.9	0.9	13.5	12.5	3.5	2.9	1.2
Swisscom AG	32029	39798	17.1	17.0	8.5	8.5	3.5	3.5	17.7	17.6	3.7	3.7	2.7
Telekom Austria AG	4745	7086	7.6	7.2	3.7	3.6	1.4	1.4	7.4	7.0	4.8	5.2	1.2
Deutsche Telekom	110550	291461	14.0	12.4	6.8	6.5	2.6	2.5	13.4	11.7	3.5	3.9	2.2
Koninklijke KPN	13077	19809	16.7	15.6	7.8	7.6	3.7	3.6	17.3	16.1	4.7	4.9	3.7
Telia (Inderes) MSEK	110256	192219	16.0	15.2	6.4	6.3	2.0	2.0	17.3	15.3	7.1	7.3	1.8
Average			14.6	13.9	6.9	6.7	2.6	2.6	14.5	13.8	5.7	5.2	2.6
Median			15.2	13.7	7.2	6.9	2.9	2.8	15.4	14.3	4.7	5.0	2.4
Diff-% to median			5%	11%	-11%	-8%	-29%	-29%	13%	7%	52%	46%	-27%
Median (Nordic companies)			19.0	17.9	9.2	8.9	3.6	3.5	19.9	17.5	7.1	7.2	3.3
Diff-% median (Nordic companies)			-16%	-15%	-30%	-29%	-43%	-43%	-13%	-13%	1%	2%	-46%

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	89191	88343	21818	22293	22456	24261	90827	23069	23202	23303	25115	94690	97126	99546	101947
Sweden	33740	34451	8548	8641	8698	9225	35112	8980	8986	9003	9502	36471	37309	38168	39045
Finland	15260	14504	3630	3655	3723	4182	15190	3957	3911	3947	4391	16206	16595	16960	17333
Norway	13373	13788	3649	3662	3859	3851	15022	3764	3772	3975	3967	15478	15942	16421	16880
Denmark	5464	5214	1275	1269	1371	1383	5298	1324	1297	1404	1417	5443	5551	5663	5776
Lithuania	4151	4320	1113	1171	1203	1297	4784	1322	1218	1252	1349	5140	5294	5453	5617
Estonia	3321	3331	868	867	922	980	3637	982	902	959	1019	3862	3978	4097	4220
TV & Media + other operations	16367	14370	3019	3334	2959	3720	13032	3151	3430	3050	3855	13485	13877	14235	14555
Eliminations and other	-2485.2	-1635	-285	-307	-281	-376	-1248	-411	-313	-286	-383	-1394	-1422	-1450	-1479
EBITDA	30194	35151	7030	7499	7872	7016	29417	6673	7735	7978	7585	29971	30497	31219	32086
EBITDA (adj.)	30702	29861	7202	7681	8071	7374	30328	7258	7835	8078	7685	30856	31297	31919	32786
Depreciation	-27861.0	-20023	-4607	-4686	-4706	-24937	-38936	-4814	-4680	-4670	-4670	-18834	-18602	-18499	-18424
EBIT (excl. NRI)	10735	9929	2595	2996	3364	2355	11310	2444	3155	3408	3015	12022	12696	13421	13662
EBIT	2333	15127	2423	2814	3165	-17921	-9519	1859	3055	3308	2915	11137	11896	12721	13662
Share of assoc. companies' profit/loss	0.0	104	14	18	23	47	102	28	30	30	30	118	160	160	160
Net financial items	-3318.0	-2634	-1030	-711	-784	-841	-3366	-843	-880	-900	-900	-3523	-3220	-3733	-3966
PTP	-21065.5	12597	1407	2121	2404	-18715	-12783	1044	2205	2438	2045	7732	8836	9148	9856
Taxes	-1412.0	-937	-321	-437	-521	-102	-1381	-307	-441	-488	-409	-1645	-1796	-1860	-2007
Minority interest	-156.0	-156	-157	-159	-174	16	-474	-135	-160	-160	-160	-615	-627	-640	-653
Net earnings	#####	11504	929	1525	1709	-18801	-14638	602	1604	1791	1476	5473	6413	6648	7196
EPS (adj. continuous operations)	1.63	1.54	0.27	0.42	0.47	-0.64	0.53	0.30	0.43	0.48	0.40	1.62	1.83	1.87	1.83
EPS (reported)	-5.53	2.81	0.23	0.38	0.42	-4.66	-3.63	0.15	0.41	0.46	0.38	1.39	1.63	1.69	1.83
Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	3.8 %	-1.0 %	0.0 %	1.9 %	5.6 %	3.8 %	2.8 %	5.7 %	4.1 %	3.8 %	3.5 %	4.3 %	2.6 %	2.5 %	2.4 %
Adjusted EBIT growth-%		-7.5 %	19.5 %	12.2 %	17.3 %	6.2 %	13.9 %	-5.8 %	5.3 %	1.3 %	28.0 %	6.3 %	5.6 %	5.7 %	1.8 %
EBITDA-% (adj.)	33.9 %	33.8 %	33.0 %	34.5 %	35.9 %	30.4 %	33.4 %	31.5 %	33.8 %	34.7 %	30.6 %	32.6 %	32.2 %	32.1 %	32.2 %

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	194880	185090	184456	183955	183592
Goodwill	89943	74547	74547	74547	74547
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	88226	91373	90739	90238	89875
Associated companies	4749	8171	8171	8171	8171
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	10660	9928	9928	9928	9928
Deferred tax assets	1302	1071	1071	1071	1071
Current assets	42146	37703	38259	39165	40066
Inventories	2040	2918	3042	3120	3198
Other current assets	3005	3022	3022	3022	3022
Receivables	22743	24892	22726	23310	23891
Cash and equivalents	14358	6871	9469	9713	9955
Balance sheet total	237026	222793	222715	223120	223658

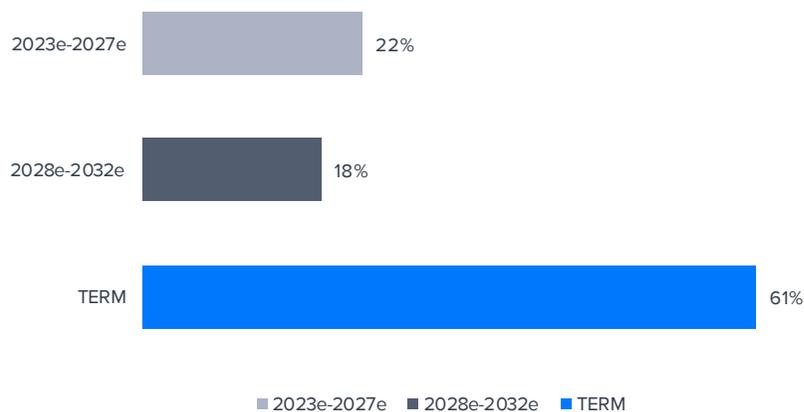
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	83543	67673	65282	63830	52455
Share capital	14961	14961	14961	14961	14961
Retained earnings	55503	39316	36925	35473	34060
Hybrid bonds	10267	9962	9962	9962	0
Revaluation reserve	0	0	0	0	0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	2812	3434	3434	3434	3434
Non-current liabilities	110464	112380	110089	110942	120349
Deferred tax liabilities	10185	10514	10514	10514	10514
Provisions	7001	5022	5022	5022	5022
Long term debt	75005	83484	81193	82046	91453
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	18273	13360	13360	13360	13360
Current liabilities	43019	42741	47344	48347	50854
Short term debt	2215	3309	10505	10655	12315
Payables	32729	35734	33141	33994	34841
Other current liabilities	8075	3698	3698	3698	3698
Balance sheet total	237026	222794	222715	223120	223658

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.8 %	4.3 %	2.6 %	2.5 %	2.4 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.6 %	1.6 %
EBIT-%	-10.5 %	11.8 %	12.2 %	12.8 %	13.4 %	14.0 %	14.0 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %
EBIT (operating profit)	-9519	11137	11896	12721	13662	14558	14849	15146	14346	14632	14867	
+ Depreciation	38936	18834	18602	18499	18424	18373	18339	18324	18323	18333	18352	
- Paid taxes	-821	-1645	-1796	-1860	-2007	-2194	-2369	-2480	-2317	-2378	-2430	
- Tax, financial expenses	386	-796	-706	-813	-863	-862	-748	-700	-698	-697	-694	
+ Tax, financial income	-25	35	40	41	42	43	43	44	45	46	47	
- Change in working capital	-4416	-550	190	188	187	159	162	165	168	172	140	
Operating cash flow	24541	27015	28224	28775	29445	30076	30277	30500	29867	30108	30282	
+ Change in other long-term liabilities	-6892	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-25955	-18200	-18100	-18136	-18172	-18209	-18263	-18318	-18373	-18428	-18600	
Free operating cash flow	-8306	8815	10124	10638	11273	11867	12013	12181	11494	11680	11682	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-8306	8815	10124	10638	11273	11867	12013	12181	11494	11680	11682	230916
Discounted FCFF		8432	9073	8931	8866	8745	8293	7878	6964	6630	6213	122802
Sum of FCFF present value		202827	194395	185322	176391	167524	158780	150487	142609	135644	129014	122802
Enterprise value DCF		202827										
- Interesting bearing debt		-86793										
+ Cash and cash equivalents		6871										
-Minorities		-3434										
-Dividend/capital return		-7864										
Equity value DCF		115307										
Equity value DCF per share		29.3										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	7.7 %
Weighted average cost of capital (WACC)	6.7 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	89191	88343	90827	94690	97126	EPS (reported)	-5.53	2.81	-3.63	1.39	1.63
EBITDA	30194	35151	29417	29971	30497	EPS (adj.)	1.63	1.54	0.53	1.62	1.83
EBIT	2333	15127	-9519	11137	11896	OCF / share	9.04	8.98	6.08	6.87	7.18
PTP	-21065	12597	-12783	7732	8836	FCF / share	3.18	2.45	-2.06	2.24	2.57
Net Income	-22912	11680	-14638	5473	6413	Book value / share	15.36	19.74	15.92	15.73	15.36
Extraordinary items	-8403	5199	-20829	-885	-800	Dividend / share	2.00	2.05	2.00	2.00	2.05
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	226682	237026	222793	222715	223120	Revenue growth-%	4%	-1%	3%	4%	3%
Equity capital	63954	83543	67673	65282	63830	EBITDA growth-%	-2%	-3%	2%	2%	1%
Goodwill	86521	89943	74547	74547	74547	EBIT (adj.) growth-%	-13%	-8%	14%	6%	6%
Net debt	76984	62862	79922	82229	82989	EPS (adj.) growth-%	-21%	-5%	-66%	205%	13%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.4 %	33.8 %	33.4 %	32.6 %	32.2 %
EBITDA	30194	35151	29417	29971	30497	EBIT (adj.)-%	12.0 %	11.2 %	12.5 %	12.7 %	13.1 %
Change in working capital	10250	2240	-4416	-550	190	EBIT-%	2.6 %	17.1 %	-10.5 %	11.8 %	12.2 %
Operating cash flow	36966	36743	24541	27015	28224	ROE-%	-29.4 %	16.0 %	-20.2 %	8.7 %	10.5 %
CAPEX	-4961	-24079	-25955	-18200	-18100	ROI-%	-10.5 %	9.9 %	-5.8 %	7.3 %	7.8 %
Free cash flow	13009	10006	-8306	8815	10124	Equity ratio	28.2 %	35.2 %	30.4 %	29.3 %	28.6 %
						Gearing	120.4 %	75.2 %	118.1 %	126.0 %	130.0 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.4	2.3	2.0	2.0	2.0						
EV/EBITDA (adj.)	7.1	5.9	6.3	6.4	6.3						
EV/EBIT (adj.)	19.9	20.8	16.3	16.0	15.2						
P/E (adj.)	20.9	23.0	50.3	17.3	15.3						
P/B	2.2	1.8	1.6	1.8	1.8						
Dividend-%	5.9 %	5.8 %	7.5 %	7.1 %	7.3 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak
	The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/23/2018	Accumulate	44.0 SEK	39.1 SEK
10/22/2018	Accumulate	45.0 SEK	40.3 SEK
1/28/2019	Accumulate	44.0 SEK	39.8 SEK
3/27/2019	Accumulate	44.0 SEK	41.4 SEK
4/26/2019	Accumulate	44.0 SEK	40.8 SEK
7/18/2019	Reduce	44.0 SEK	42.9 SEK
10/18/2019	Reduce	42.0 SEK	41.7 SEK
1/14/2020	Reduce	42.0 SEK	40.6 SEK
1/30/2020	Reduce	42.0 SEK	41.8 SEK
3/19/2020	Accumulate	39.0 SEK	34.0 SEK
3/27/2020	Accumulate	38.0 SEK	35.0 SEK
4/23/2020	Accumulate	38.0 SEK	34.1 SEK
7/20/2020	Accumulate	38.0 SEK	36.3 SEK
10/22/2020	Accumulate	38.0 SEK	37.2 SEK
1/27/2021	Accumulate	38.0 SEK	36.6 SEK
2/1/2021	Accumulate	40.0 SEK	36.7 SEK
4/26/2021	Accumulate	40.0 SEK	35.1 SEK
7/22/2021	Accumulate	40.0 SEK	38.1 SEK
10/22/2021	Accumulate	39.0 SEK	35.6 SEK
1/31/2022	Accumulate	39.0 SEK	36.3 SEK
4/28/2022	Reduce	41.0 SEK	41.4 SEK
7/21/2022	Accumulate	41.0 SEK	37.2 SEK
10/24/2022	Reduce	29.0 SEK	28.3 SEK
1/27/2023	Reduce	29.0 SEK	26.7 SEK
4/27/2023	Reduce	29.0 SEK	28.0 SEK



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**