

KONE

2/9/2026 3:40 pm EET

This is a translated version of "Hyvää kyytiä, mutta kalliilla lipulla" report, published on 2/9/2026



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COMPANY REPORT



Smooth ride, elevated price tag

We reiterate our Reduce recommendation for KONE and our target price of EUR 56. The company's Q4 results were in line with expectations, while orders received exceeded forecasts. The guidance provided for this year was quite well in line with our expectations, although we believe the lower ends of the guidance leaned towards caution. We estimate that the guidance came as a slight disappointment to the market after the recent share price increase. We made only small negative revisions to our estimates in connection with the report. In our view, the stock's valuation is currently somewhat stretched, and despite a good earnings growth outlook for the coming years, we estimate that the risk-adjusted expected return will be insufficient.

Q4 result in line with estimates

KONE's adjusted EBIT of 402 MEUR in Q4 was in line with our and market expectations. With this development, the company continued its third consecutive year of annual margin improvement. In turn, reported Q4 order intake (+6.3% y/y) exceeded both our and consensus expectations. At comparable exchange rates, growth was as high as 12.2%, and according to KONE, the margin of orders received remained stable compared to the comparison period.

The lower ends of the guidance range appear cautious

In its guidance for 2026, KONE expects its sales to grow by 2-6% at comparable exchange rates and its adjusted EBIT margin to be 12.3-13.0%. According to the company, key revenue drivers include positive outlooks in maintenance and modernizations, as well as a solid order book. Similarly, revenue growth and an improved sales mix, together with efficiency programs, support margin development. However, pressure on growth and profitability continues to come from New Building Solutions in China. We believe the lower ends of the guidance ranges appear cautious relative to the underlying assumptions and recent developments (cf. 2025 orders received +6.8% y/y at comparable

exchange rates, order book +4.5% y/y at comparable exchange rates, 2025 adj. EBIT-% 12.2%). We believe the midpoint of the margin guidance, in particular, came as a slight disappointment to the market (compared to the consensus estimate of 12.9% before the Q4 results). Typically, KONE refines its guidance during the year, and without significant changes in the market situation, we believe the company should be able to raise at least the lower ends of its ranges.

Reflecting the guidance and the company's comments, we lowered our revenue forecasts for new construction solutions, while only fine-tuning those for maintenance and modernization. Our margin estimates remained unchanged, and we expect the adjusted EBIT margin to be at the upper end of the guidance range at 12.8% this year. As a result, the impact of the forecast revisions remained marginal (change in 2026-27e adjusted EBIT forecasts of 1-2%). We expect KONE to achieve its targeted margin improvement (2027 adjusted EBIT%: 13–14%) in line with its targets through an improved sales mix and efficiency measures.

Earnings growth will be used to digest the multiples

Based on 2025 realized earnings, we believe the stock's valuation multiples at the current share price are high (EV/EBIT 22x, P/E 31x), even for a defensive quality company like KONE. With the good earnings growth rate in the coming years (adjusted EBIT growth 2026e–27e: 9–12% per year), we believe the valuation will only fall to a neutral level by 2027 (2027e EV/EBIT 18x, P/E 25x). Thus, we estimate that the earnings growth in the coming years will largely be absorbed by the multiples, and the risk-adjusted expected return will remain insufficient despite an annual dividend yield of 3-4%. Our view of the stock's somewhat tight valuation is also supported by the DCF model, which emphasizes longer-term potential and is approximately at our target price level.

Recommendation

Reduce

(was Reduce)

Target price:

EUR 56.00

(was EUR 56.00)

Share price:

EUR 60.04

Business risk



Valuation risk



	2025	2026e	2027e	2028e
Revenue	11245	11685	12382	13017
growth-%	1%	4%	6%	5%
EBIT adj.	1369.3	1490.5	1662.5	1786.8
EBIT-% adj.	12.2 %	12.8 %	13.4 %	13.7 %
Net income	980.1	1124.1	1256.3	1352.5
EPS (adj.)	1.96	2.19	2.45	2.63
P/E (adj.)	31.0	27.4	24.5	22.8
P/B	11.2	10.4	9.6	9.0
Dividend yield-%	3.0 %	3.2 %	3.7 %	4.0 %
EV/EBIT (adj.)	22.6	20.5	18.2	16.9
EV/EBITDA	18.7	17.0	15.3	14.2
EV/S	2.8	2.6	2.4	2.3

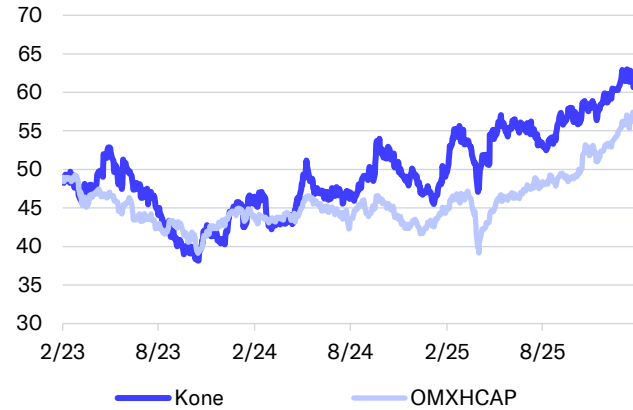
Source: Inderes

Guidance

(New guidance)

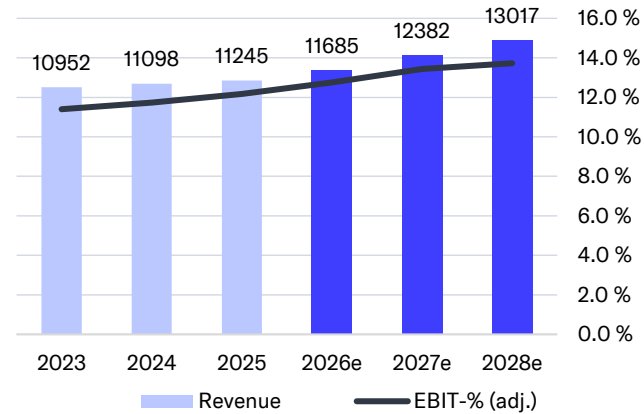
KONE expects its sales to grow 2-6% at comparable exchange rates in 2026 and its adjusted EBIT margin to be in the range of 12.3-13.0%. The negative impact of foreign exchange rates on the adjusted EBIT margin is expected to be approximately 10 basis points, assuming rates remain at the January 2026 level.

Share price



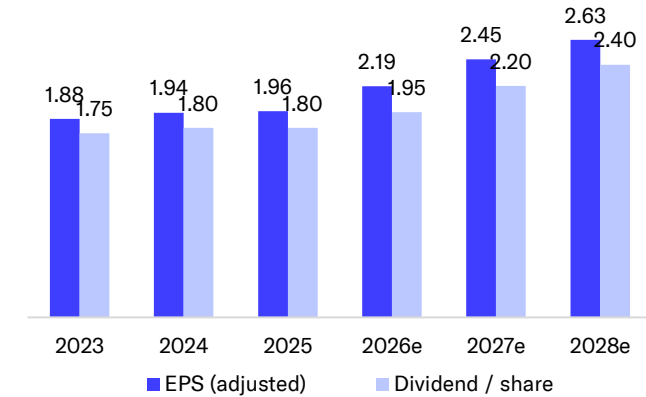
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Global growth in Modernization
- Demand recovery in the new equipment market
- The renewed operating model supports margins
- Rise of new digital services

Risk factors

- Delay in the recovery of the Chinese construction market and continued tight price competition
- The Western market remains sluggish
- Differentiation with digital services proves difficult

Valuation	2026e	2027e	2028e
Share price	60.0	60.0	60.0
Number of shares, millions	517.9	517.9	517.9
Market cap	31092	31092	31092
EV	30551	30321	30136
P/E (adj.)	27.4	24.5	22.8
P/E	27.7	24.7	23.0
P/B	10.4	9.6	9.0
P/S	2.7	2.5	2.4
EV/Sales	2.6	2.4	2.3
EV/EBITDA	17.0	15.3	14.2
EV/EBIT (adj.)	20.5	18.2	16.9
Payout ratio (%)	89.7 %	90.6 %	91.8 %
Dividend yield-%	3.2 %	3.7 %	4.0 %

Source: Inderes

Earnings in line with expectations, positive momentum in orders

Revenue fell slightly short of our expectations

KONE's Q4 revenue remained stable, which was slightly below our estimate. As expected, exchange rates generated headwinds for development, and at comparable exchange rates, revenue grew by a good 4%. Among the business areas, reported revenue from New Building Solutions decreased as expected (-9% y/y), but slightly more sharply than we anticipated (Inderes estimate -6% y/y). Reported service growth was also slightly below our expectations (+2% y/y vs. Inderes estimate +4% y/y), while modernization growth was largely in line with our expectations (+10% y/y vs. Inderes estimate +9% y/y). Regionally, reported revenue in China continued to decline significantly (-19% y/y, -13% y/y at comparable exchange rates). Reported revenue in the Americas also declined slightly (-2% y/y vs. +6% y/y at comparable FX), while in Europe and APMEA (Asia-Pacific, Middle East and Africa) growth was 5-12% (5-23% y/y at comparable FX). China's share of revenue decreased to 17% (Q4'24: 21%).

Operating result in line with our expectations

KONE's adjusted EBIT was 402 MEUR, which was in line with our and consensus estimates. This corresponded to an adjusted EBIT margin of 13.6%, which slightly exceeded expectations. In our view, margin development was supported by the increasing relative share of aftermarket services. According to the company, the Chinese new equipment market, on the other hand, continued to be a headwind. The company recorded non-recurring costs of over 15 MEUR for the quarter, mainly related to the separation of its door business into its own legal and operational structure, as well as restructuring costs. Correspondingly, the cost burden on the lower lines was clearly higher than forecasts, partly due to a one-time tax entry based on the earnings call. Against this backdrop, reported EPS clearly fell short of our and consensus estimates. The dividend proposal (EUR 1.80 per share), which was kept at the same level as last year, also fell short of both our and consensus expectations.

Orders above estimates

KONE's reported Q4 order intake (2,253 MEUR, +6.3% y/y) exceeded both our (2,157 MEUR) and consensus expectations (2,139 MEUR). In comparable currencies, growth was as high as 12.2%. According to the company, orders grew by double-digits in the Americas and APMEA, and clearly in Europe, at comparable exchange rates from the comparison period, while they clearly declined in China. The new equipment market in China continued to hinder development. The margin of orders received was stable compared to the comparison period.

Cash flow and financial position are strong as usual

In 2025, KONE's net cash flow from operations (incl. lease liability payments) was 1,166 MEUR (2024: 1,111 MEUR), and free cash flow after acquisitions was 882 MEUR (2024: 824 MEUR). At the end of the year, the company was clearly net cash positive (700 MEUR) and the balance sheet ratios were strong (equity ratio: 40%, net gearing -25%).

Estimates MEUR / EUR	Q4'24 Comparison	Q4'25 Actualized	Q4'25e Inderes	Q4'25e Consensus	Consensus Low High	Difference (%) Act. vs. inderes	2025 Actualized
Revenue	2976	2961	3007	2978	2902 - 3159	-2%	11245
EBIT (adj.)	387	402	404	402	370 - 490	-1%	1369
EBIT	333	387	404	400	369 - 490	-4%	1336
PTP	330	381	407	407	355 - 488	-6%	1327
EPS (reported)	0.47	0.52	0.61	0.60	0.53 - 0.72	-14%	1.89
DPS	1.80	1.80	1.90	1.87	1.60 - 2.00	-5%	1.80
Revenue growth-%	5.9 %	-0.5 %	1.1 %	0.1 %	-2.5 % - 6.2 %	-1.6 pp	1.3 %
EBIT-% (adj.)	13.0 %	13.6 %	13.4 %	13.5 %	12.8 % - 15.5 %	0.1 pp	12.2 %

Source: Inderes & Vara
Research (2/2/2026, 15-16
forecasts) (consensus)

Slight negative revisions to estimates

The guidance for the current year seems a bit cautious

In its guidance for 2026, KONE expects sales to grow by 2-6% at comparable FX rates and its adjusted EBIT margin to be 12.3-13.0%. According to the company, if exchange rates remain at January 2026 levels, they would have a negative impact of ~10 basis points on the adjusted EBIT margin.

Key revenue drivers include positive outlooks in the service and modernization businesses, as well as a solid order book. In contrast, the decline in China's new equipment market is expected to continue, weighing on the growth outlook. Key drivers for profitability are revenue growth in the service and modernization businesses and a greater contribution from efficiency programs. Correspondingly, pressure on margins will continue to come from new construction solutions in China and wage inflation. The company also commented in the earnings call that raw material costs are rising slightly, but it expects to be able to tackle these through its efficiency measures. In our view, the lower ends of the ranges appear cautious in light of the

underlying assumptions (e.g., sales mix) and recent developments (e.g., order development and order book growth of 4.5% y/y in comparable currencies, 2025 adjusted EBIT-% of 12.2%). Typically, KONE refines its guidance during the year, and without major changes in the market situation, we believe it has the prerequisites to raise at least the lower ends of the ranges.

No major surprises in the market outlook

Comments on the 2026 market outlook were mixed for New Building Solutions. The company expected the market to grow slightly (below 5%) in North America and Europe. Conversely, activity in APMEA is expected to grow significantly (5-10%), while in China it is expected to decline significantly. The company also commented that there are no signs of recovery in the Chinese market, but on the other hand, it is facing lower comparables. KONE does not comment on changes in the value of the equipment market, but volume indications from KONE and Otis suggest a somewhat stable global development. In services, the

company expects clear growth in the APMEA region, while expecting slight growth elsewhere. The growth outlook for modernizations, on the other hand, remains very strong: Europe +5-10% year-on-year and the rest of the world +10%.

Small downward revisions to forecasts

Considering the overall picture, we slightly lowered our revenue forecasts for new construction solutions for the coming years, while making only minor adjustments to maintenance and modernization. In addition, we assume that currencies will still clearly weigh on the reported development in Q1'26. However, we kept our margin estimate unchanged and expect the adjusted EBIT margin to be at the upper end of the guidance range at 12.8% this year. We expect the company to achieve its targeted margin improvement (2027 adjusted EBIT%: 13-14%) on schedule. In addition, we made small adjustments to the bottom line and added small one-off costs to our annual forecasts, reflecting expenses that have recurred in recent years.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11292	11245	0%	11885	11685	-2%	12544	12382	-1%
EBITDA	1666	1655	-1%	1840	1800	-2%	2009	1982	-1%
EBIT (exc. NRIs)	1371	1369	0%	1527	1491	-2%	1685	1663	-1%
EBIT	1353	1336	-1%	1527	1476	-3%	1685	1648	-2%
PTP	1353	1327	-2%	1545	1482	-4%	1707	1656	-3%
EPS (excl. NRIs)	2.02	1.96	-3%	2.29	2.19	-4%	2.53	2.45	-3%
DPS	1.90	1.80	-5%	2.10	1.95	-7%	2.25	2.20	-2%

Source: Inderes

Earnings growth goes into digesting multiples

Elevated valuation multiples

With our updated forecasts, the EV/EBIT ratios, which take into account KONE's strong balance sheet, are approximately 20x and 18x in 2026-2027. The corresponding P/E ratios are around 27x and 25x. Overall, this year's multiples are elevated compared to KONE's last five-year forward 12-month median multiples (EV/EBIT ~19x, P/E ~25x, source: Bloomberg). In contrast, the 2027 multiples are at a neutral level compared to historical figures, but this naturally requires the rapid earnings growth we expect to materialize (cf. 2026e-27e adjusted EBIT growth %: 8.9-11.5%).

In our view, the multiples are still somewhat justified for a defensive quality company like KONE (cf. 2025 ROE-%: 35%). In addition, we believe the company's ability to sustainably raise its earnings level has strengthened due to the growing earnings contribution from aftermarket services, the favorable long-term growth outlook for modernizations, and the decreased share of China. We believe that higher multiples would require stronger earnings growth than our current assumptions, which the company's current year guidance does not indicate, for example. In our view, the upside potential for multiples is also limited by the presumably more moderate earnings growth rate after the margin improvement we forecast for the coming years, as well as the already high absolute valuation. Overall, we believe that earnings growth in the coming years will largely go towards absorbing the multiples, which is also indicated by KONE's high valuation based on 2025 realized earnings (P/E 31x, EV/EBIT 22x).

Relative valuation

KONE's valuation is currently in line with its closest peer Schindler, while at a premium compared to Otis. In our

view, among the main competitors, Otis's valuation can be considered low compared to historical levels, while Schindler's is neutral or slightly elevated (the median 12-month forward-looking EV/EBIT multiples for peers over the last 5 years are 17x-18x, and 12-month forward P/E multiples are 23x-26x). P/E ratios of 23x-26x). In turn, KONE is valued at a premium relative to the broader peer group.

Thus, we find it difficult to see any upside in the stock through relative valuation.

Overall expected return for the next few years at around the level of required return

Assuming KONE's earnings development progresses in line with our expectations, we believe the company and the stock could justifiably be priced at a 17x-21x EV/EBIT ratio and a 24x-27x P/E ratio with the realized earnings at the end of 2028 if no significant changes occur in market pricing or interest rates. This would be equivalent to a value of EUR 62-73 per share. Converted to annual return, this would correspond to an average of approximately 4.2%, in addition to which we believe the stock offers an average annual dividend yield of just over 3%. From this perspective, the medium-term total return expected return would be around the level of our required return on equity of just over 7%. At the same time, the expected return is back-loaded, which means we do not consider its risk-adjusted expected return to be sufficient.

DCF value at our target price level

Our view of the stock being fully priced is also supported by our DCF model, which emphasizes long-term potential and amounts to approximately EUR 56. As described above, we also expect the company to be able to sustainably raise its margin level from previous years and maintain a sustainable earnings leap.

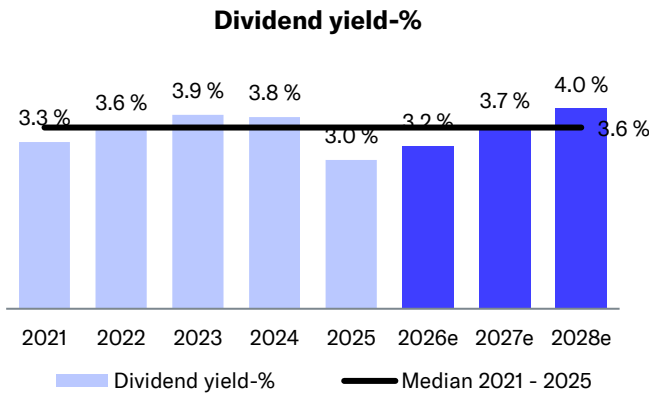
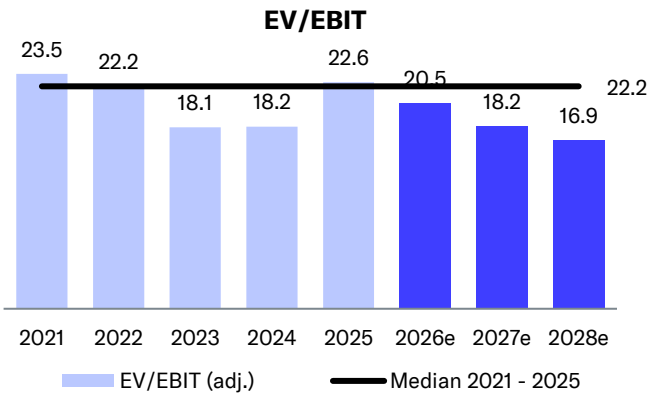
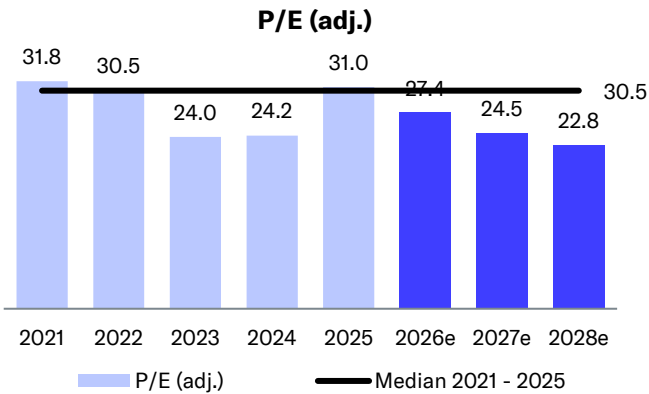
Valuation	2026e	2027e	2028e
Share price	60.0	60.0	60.0
Number of shares, millions	517.9	517.9	517.9
Market cap	31092	31092	31092
EV	30551	30321	30136
P/E (adj.)	27.4	24.5	22.8
P/E	27.7	24.7	23.0
P/B	10.4	9.6	9.0
P/S	2.7	2.5	2.4
EV/Sales	2.6	2.4	2.3
EV/EBITDA	17.0	15.3	14.2
EV/EBIT (adj.)	20.5	18.2	16.9
Payout ratio (%)	89.7 %	90.6 %	91.8 %
Dividend yield-%	3.2 %	3.7 %	4.0 %

Source: Inderes

Valuation table

Valuation	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Share price	63.0	48.3	45.2	47.0	60.6	60.0	60.0	60.0	60.0
Number of shares, millions	518.0	517.1	517.2	517.5	517.9	517.9	517.9	517.9	517.9
Market cap	32652	24975	23358	24324	31362	31092	31092	31092	31092
EV	30724	23908	22611	23694	30970	30551	30321	30136	29968
P/E (adj.)	31.8	30.5	24.0	24.2	31.0	27.4	24.5	22.8	21.5
P/E	32.2	32.2	25.2	25.6	32.0	27.7	24.7	23.0	21.6
P/B	10.3	8.8	8.5	8.5	11.2	10.4	9.6	9.0	8.5
P/S	3.1	2.3	2.1	2.2	2.8	2.7	2.5	2.4	2.3
EV/Sales	2.9	2.2	2.1	2.1	2.8	2.6	2.4	2.3	2.2
EV/EBITDA	20.0	18.5	15.4	15.4	18.7	17.0	15.3	14.2	13.4
EV/EBIT (adj.)	23.5	22.2	18.1	18.2	22.6	20.5	18.2	16.9	15.8
Payout ratio (%)	107.1 %	116.7 %	97.7 %	97.8 %	95.0 %	89.7 %	90.6 %	91.8 %	93.6 %
Dividend yield-%	3.3 %	3.6 %	3.9 %	3.8 %	3.0 %	3.2 %	3.7 %	4.0 %	4.3 %

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 2026e
			2026e	2027e	2026e	2027e	2026e	2027e	2026e	2027e	2026e	2027e	
Otis Worldwide Corp	29551	35458	16.4	15.1	15.2	14.2	2.8	2.6	20.7	18.7	2.0	2.1	
Schindler Holding AG	35328	32168	19.4	18.1	16.3	15.3	2.6	2.5	27.6	25.6	2.3	2.6	6.2
Assa Abloy AB	41178	47188	19.0	17.5	15.7	14.5	3.2	3.0	24.7	22.3	1.7	1.9	3.8
Koninklijke Philips NV	23871	30264	15.6	13.9	10.1	9.2	1.7	1.6	16.7	14.7	3.5	3.6	1.9
Ingersoll Rand Inc	32929	35984	22.4	20.7	19.4	18.0	5.4	5.1	27.7	25.1	0.1	0.1	3.3
Johnson Controls International PLC	71284	79052	24.7	21.8	20.7	18.5	3.7	3.5	29.3	25.2	1.2	1.3	6.2
Dover Corp	25955	27352	18.8	17.5	15.8	14.9	3.8	3.6	21.2	19.6	1.0	1.0	3.8
Honeywell International Inc	128052	146370	19.4	17.8	17.6	16.2	4.4	4.1	22.6	20.8	2.0	2.1	7.3
Kone (Inderes)	31092	30551	20.5	18.2	17.0	15.3	2.6	2.4	27.4	24.5	3.2	3.7	10.4
Average			19.5	17.8	16.4	15.1	3.4	3.3	23.8	21.5	1.7	1.8	4.6
Median			19.2	17.7	16.1	15.1	3.5	3.3	23.7	21.5	1.8	2.0	3.8
Diff-% to median			7%	3%	6%	1%	-25%	-25%	16%	14%	76%	81%	174%

Source: Refinitiv / Inderes

Income statement

Income statement	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26e	Q2'26e	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue	11098	2672	2850	2762	2961	11245	2661	2944	2937	3144	11685	12382	13017	13585
New Building Solutions	4507	929	1071	1020	1078	4098	827	1031	1030	1083	3971	4110	4254	4339
Maintenance	4504	1189	1181	1168	1215	4754	1230	1252	1262	1312	5057	5375	5649	5915
Modernization	2088	555	598	573	668	2394	604	660	645	748	2657	2896	3113	3331
EBITDA	1541	355	415	413	472	1655	370	460	460	510	1800	1982	2118	2239
Depreciation	-292	-78	-77	-79	-85	-319	-79	-79	-80	-87	-325	-334	-346	-358
EBIT (excl. NRI)	1303	280	347	341	402	1369	291	381	380	439	1491	1663	1787	1897
EBIT	1249	277	338	334	387	1336	291	381	380	424	1476	1648	1772	1882
Net financial items	5.2	2.9	21.7	-27.4	-5.4	-8.2	-5.5	4.0	4.0	4.0	6.5	8.8	11.3	13.5
PTP	1254	280	360	307	381	1327	285	385	384	428	1482	1656	1783	1895
Taxes	-293.1	-64.3	-82.7	-80.1	-107.7	-334.8	-66.7	-90.1	-89.9	-100.0	-347	-388	-417	-443
Minority interest	-9.7	-2.7	-3.2	-2.5	-3.7	-11.9	-2.8	-2.8	-2.8	-2.7	-11	-12	-13	-14
Net earnings	951	213	274	224	269	980	216	292	291	325	1124	1256	1353	1437
EPS (adj.)	1.94	0.42	0.55	0.45	0.55	1.96	0.42	0.56	0.56	0.65	2.19	2.45	2.63	2.80
EPS (rep.)	1.84	0.41	0.53	0.43	0.52	1.89	0.42	0.56	0.56	0.63	2.17	2.43	2.61	2.78

Key figures	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26e	Q2'26e	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue growth-%	1.3 %	4.1 %	1.8 %	0.3 %	-0.5 %	1.3 %	-0.4 %	3.3 %	6.3 %	6.2 %	3.9 %	6.0 %	5.1 %	4.4 %
Adjusted EBIT growth-%	4.4 %	6.5 %	3.7 %	6.6 %	4.0 %	5.1 %	4.0 %	9.8 %	11.6 %	9.1 %	8.9 %	11.5 %	7.5 %	6.1 %
EBITDA-%	13.9 %	13.3 %	14.6 %	15.0 %	15.9 %	14.7 %	13.9 %	15.6 %	15.7 %	16.2 %	15.4 %	16.0 %	16.3 %	16.5 %
Adjusted EBIT-%	11.7 %	10.5 %	12.2 %	12.3 %	13.6 %	12.2 %	10.9 %	12.9 %	12.9 %	13.9 %	12.8 %	13.4 %	13.7 %	14.0 %
Net earnings-%	8.6 %	8.0 %	9.6 %	8.1 %	9.1 %	8.7 %	8.1 %	9.9 %	9.9 %	10.3 %	9.6 %	10.1 %	10.4 %	10.6 %

Source: Inderes

Balance sheet

Assets	2024	2025	2026e	2027e	2028e
Non-current assets	3440	3468	3519	3568	3620
Goodwill	1558	1553	1553	1553	1553
Intangible assets	333	337	354	366	382
Tangible assets	899	943	976	1013	1049
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	150	154	154	154	154
Other non-current assets	15.0	13.9	13.9	13.9	13.9
Deferred tax assets	485	469	469	469	469
Current assets	5844	5584	5827	6174	6491
Inventories	857	843	876	928	976
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3173	3013	3155	3343	3515
Cash and equivalents	1814	1728	1796	1903	2000
Balance sheet total	9284	9052	9346	9742	10111

Source: Inderes

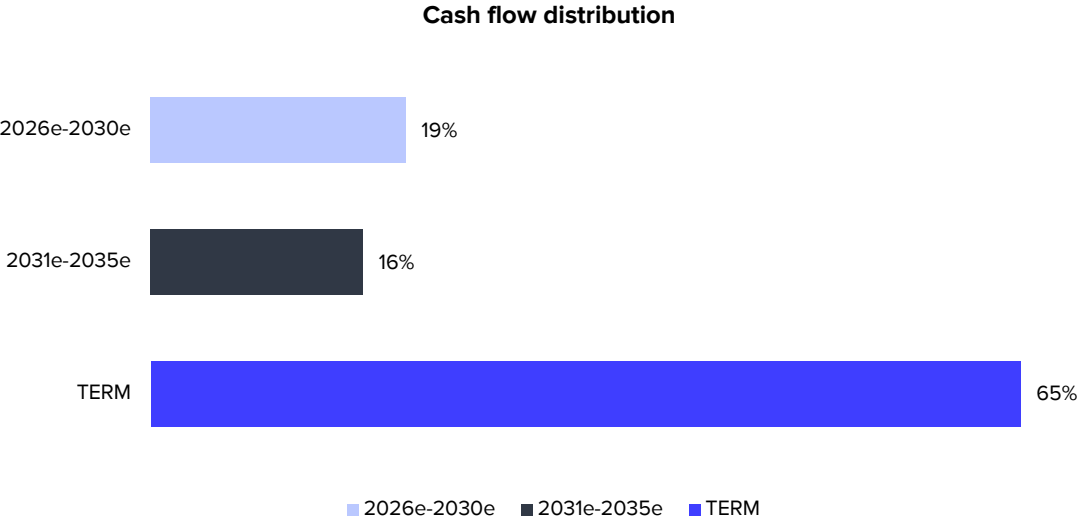
Liabilities & equity	2024	2025	2026e	2027e	2028e
Equity	2893	2827	3025	3279	3500
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2450	2528	2721	2968	3183
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	351	204	204	204	204
Minorities	26.3	29.4	35.0	41.2	47.8
Non-current liabilities	1255	1091	1015	914	833
Deferred tax liabilities	232	241	241	241	241
Provisions	186	176	176	176	176
Interest bearing debt	838	673	598	497	416
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	5136	5134	5305	5549	5778
Interest bearing debt	145	355	315	262	219
Payables	4991	4779	4990	5287	5558
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9284	9052	9346	9742	10111

DCF calculation

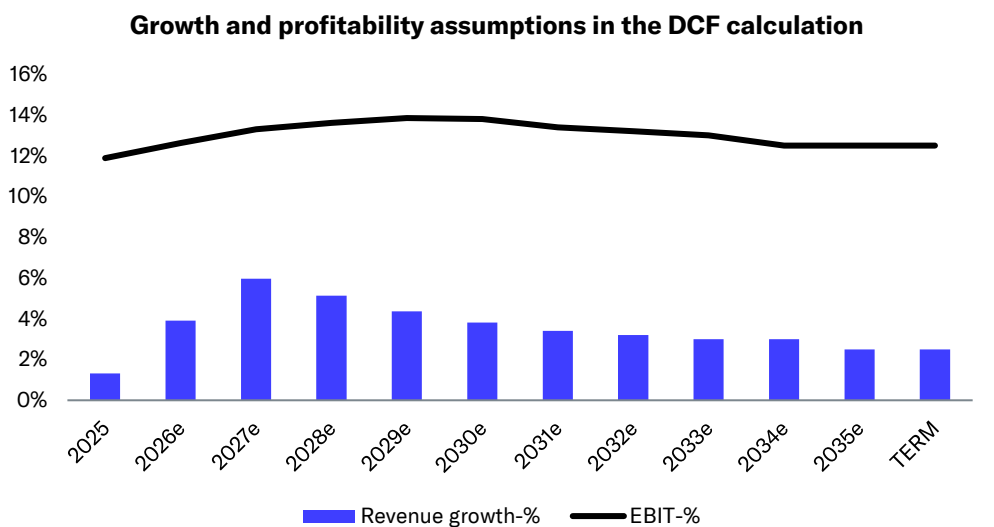
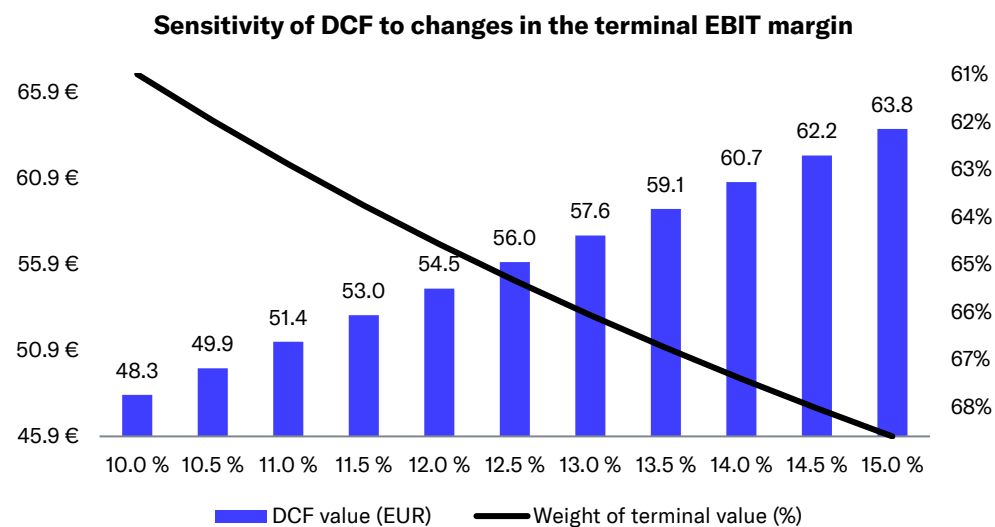
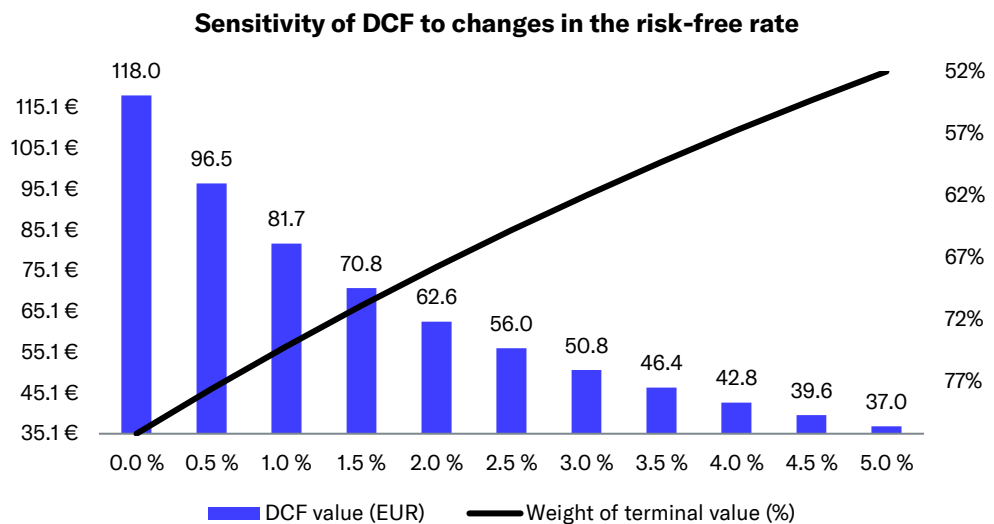
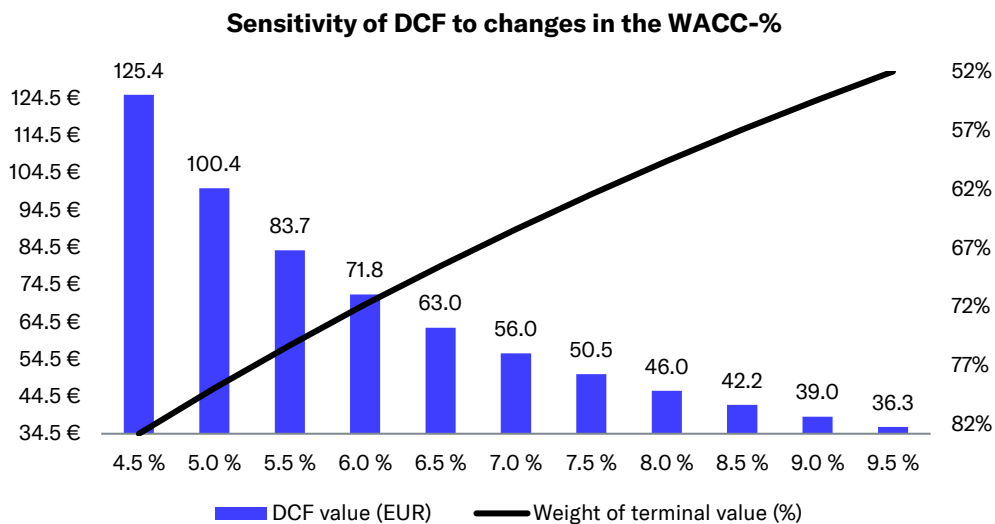
DCF model	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	1.3 %	3.9 %	6.0 %	5.1 %	4.4 %	3.8 %	3.4 %	3.2 %	3.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	11.9 %	12.6 %	13.3 %	13.6 %	13.8 %	13.8 %	13.4 %	13.2 %	13.0 %	12.5 %	12.5 %	12.5 %
EBIT (operating profit)	1336	1476	1648	1772	1882	1946	1954	1987	2015	1996	2046	
+ Depreciation	319	325	334	346	358	367	375	381	387	393	398	
- Paid taxes	-309	-347	-388	-417	-443	-459	-461	-468	-475	-470	-481	
- Tax, financial expenses	-8.1	-3.8	-3.6	-3.3	-3.1	-2.9	-3.0	-3.4	-4.0	-4.5	-5.0	
+ Tax, financial income	6.0	5.4	5.6	5.9	6.2	6.5	6.7	6.9	7.1	7.4	7.6	
- Change in working capital	-37.1	34.9	57.1	52.1	46.6	42.5	39.3	38.3	37.0	38.1	32.7	
Operating cash flow	1307	1490	1653	1755	1846	1901	1911	1941	1968	1960	1998	
+ Change in other long-term liabilities	-9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-363	-376	-383	-398	-402	-405	-407	-410	-413	-411	-407	
Free operating cash flow	934	1114	1270	1357	1444	1496	1504	1531	1555	1549	1591	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	934	1114	1270	1357	1444	1496	1504	1531	1555	1549	1591	36361
Discounted FCFF		1049	1118	1116	1111	1075	1011	962	913	850	816	18649
Sum of FCFF present value		28670	27621	26503	25386	24276	23200	22190	21228	20315	19465	18649
Enterprise value DCF		28670										
- Interest bearing debt		-1028										
+ Cash and cash equivalents		1728										
-Minorities		-363										
-Dividend/capital return		0.0										
Equity value DCF		29028										
Equity value DCF per share		56.1										

WACC	
Tax-% (WACC)	22.5 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	2.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	7.3 %
Weighted average cost of capital (WACC)	7.0 %

Source: Inderes



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2023	2024	2025	2026e	2027e	Per share data	2023	2024	2025	2026e	2027e
Revenue	10952.3	11098.4	11245.3	11685.1	12381.8	EPS (reported)	1.79	1.84	1.89	2.17	2.43
EBITDA	1469.5	1541.2	1655.2	1800.4	1981.8	EPS (adj.)	1.88	1.94	1.96	2.19	2.45
EBIT	1200.1	1249.0	1336.2	1475.5	1647.5	OCF / share	2.19	2.47	2.52	2.88	3.19
PTP	1206.2	1254.2	1326.8	1482.0	1656.3	OFCF / share	1.38	1.29	1.80	2.15	2.45
Net Income	925.8	951.4	980.1	1124.1	1256.3	Book value / share	5.32	5.54	5.40	5.77	6.25
Extraordinary items	-48.3	-54.0	-33.1	-15.0	-15.0	Dividend / share	1.75	1.80	1.80	1.95	2.20
Balance sheet	2023	2024	2025	2026e	2027e	Growth and profitability	2023	2024	2025	2026e	2027e
Balance sheet total	8730.8	9284.3	9052.0	9345.6	9742.2	Revenue growth-%	0%	1%	1%	4%	6%
Equity capital	2786.0	2893.1	2826.8	3025.4	3279.2	EBITDA growth-%	14%	5%	7%	9%	10%
Goodwill	1469.0	1558.4	1552.9	1552.9	1552.9	EBIT (adj.) growth-%	16%	4%	5%	9%	12%
Net debt	-1013.4	-831.2	-699.8	-882.7	-1144.5	EPS (adj.) growth-%	19%	3%	1%	12%	12%
Cash flow	2023	2024	2025	2026e	2027e	EBITDA-%	13.4 %	13.9 %	14.7 %	15.4 %	16.0 %
EBITDA	1469.5	1541.2	1655.2	1800.4	1981.8	EBIT (adj.)-%	11.4 %	11.7 %	12.2 %	12.8 %	13.4 %
Change in working capital	-58.4	68.8	-37.1	34.9	57.1	EBIT-%	11.0 %	11.3 %	11.9 %	12.6 %	13.3 %
Operating cash flow	1134.3	1280.0	1306.8	1490.0	1653.4	ROE-%	33.1 %	33.9 %	34.6 %	38.8 %	40.3 %
CAPEX	-442.0	-601.2	-363.0	-375.6	-383.5	ROI-%	35.4 %	35.1 %	35.2 %	38.5 %	41.9 %
Free cash flow	711.8	667.8	934.3	1114.5	1270.0	Equity ratio	40.9 %	39.8 %	39.9 %	41.7 %	43.6 %
						Gearing	-36.4 %	-28.7 %	-24.8 %	-29.2 %	-34.9 %
Valuation multiples	2023	2024	2025	2026e	2027e						
EV/S	2.1	2.1	2.8	2.6	2.4						
EV/EBITDA	15.4	15.4	18.7	17.0	15.3						
EV/EBIT (adj.)	18.1	18.2	22.6	20.5	18.2						
P/E (adj.)	24.0	24.2	31.0	27.4	24.5						
P/B	8.5	8.5	11.2	10.4	9.6						
Dividend-%	3.9 %	3.8 %	3.0 %	3.2 %	3.7 %						

Source: Inderes

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/20/2018	Reduce	43.00 €	47.30 €
10/26/2018	Reduce	42.00 €	40.60 €
1/25/2019	Reduce	40.00 €	42.73 €
4/29/2019	Sell	41.00 €	48.90 €
7/19/2019	Sell	41.00 €	51.12 €
10/24/2019	Sell	42.00 €	54.18 €
1/29/2020	Sell	45.00 €	61.02 €
3/24/2020	Sell	42.00 €	46.90 €
4/23/2020	Sell	46.00 €	55.00 €
7/20/2020	Sell	48.00 €	64.28 €
9/23/2020	Sell	61.00 €	73.38 €
10/23/2020	Sell	61.00 €	71.26 €
1/29/2021	Sell	61.00 €	67.08 €
4/30/2021	Sell	61.00 €	66.12 €
7/21/2021	Sell	61.00 €	70.82 €
11/1/2021	Reduce	59.00 €	58.72 €
2/3/2022	Reduce	57.00 €	56.80 €
5/2/2022	Accumulate	51.00 €	46.09 €
7/15/2022	Accumulate	51.00 €	45.85 €
7/22/2022	Accumulate	51.00 €	44.38 €
8/31/2022	Reduce	44.00 €	40.89 €
10/17/2022	Reduce	41.50 €	39.09 €
1/27/2023	Reduce	46.00 €	52.48 €
4/28/2023	Reduce	47.50 €	51.98 €
7/21/2023	Reduce	47.50 €	45.47 €
10/26/2023	Reduce	42.00 €	39.50 €
1/24/2024	Reduce	42.00 €	43.14 €
1/28/2024	Reduce	43.00 €	46.31 €
4/24/2024	Accumulate	50.00 €	45.05 €
7/22/2024	Reduce	50.00 €	46.99 €
9/30/2024	Reduce	52.00 €	53.70 €
10/26/2024	Accumulate	55.00 €	51.22 €
Analyst changed			
1/31/2025	Accumulate	55.00 €	50.46 €
5/2/2025	Reduce	55.00 €	54.50 €
7/21/2025	Reduce	55.00 €	54.68 €
10/27/2025	Reduce	56.00 €	58.44 €
2/9/2026	Reduce	56.00 €	60.04 €



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