

Nokian Tyres

Company report

4/01/2022 08.00



Joonas Korkiakoski
+358 40 182 8660
joonas.korkiakoski@inderes.fi

This report is a summary translation of the report “Vaikea tilanne ” published on 4/01/2022 at 8:00 am

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res.

A demanding situation

Reflecting our estimate changes, we lower our target price to EUR 15 (previously EUR 18) and our recommendation to Reduce (previously Accumulate). Nokian Tyres' situation is difficult in the short term, as a rapid reduction in Russia risks is impossible and the operating environment is exceptionally unpredictable.

Operating in Russia becomes increasingly tricky day by day

In an analyst call in mid-March, Nokian Tyres reported that up to that point the utilization rates of the Russian production plant had remained good and the war in Ukraine had not yet affected the demand for passenger car tires. Instead, the company had faced challenges on the material and logistics side, reflecting the difficulty in raw material availability for manufacturing, their increased costs and the need to restructure logistics. However, based on to the management's comments, at the time the situation seemed to be that the company had found the solutions needed to operate under significantly changed circumstances, and the operations had not faced massive setbacks. Based on the comments made by the company to the public over the past two weeks and the still acute war situation we believe it is clear that operating in Russia has become and will continue to become increasingly tricky day by day. Naturally, the situation is very problematic for Nokian Tyres from several viewpoints, since a significant share of total capacity is attached to the Russian production plant. Given that this is a structural feature and therefore a matter that essential affects both the implementation of the strategy and relative competitiveness, it is not possible to significantly reduce the Russia risk, that has tragically realized, quickly.

Accelerating European investment plans

The production structure can be changed in the medium and long term and there are three practical options: 1) increasing the capacity of Nokia and Dayton plants , 2) investing in a new production plant organically or through acquisitions and/or 3) increasing contract manufacturing. Nokian Tyres has already previously started measures to increase Nokia's and Dayton's capacities and we believe that these efforts will be accelerated as circumstances permit. Plans for completely new European production capacity will also be stepped up quite unsurprisingly. Our preliminary estimate is that the new plant would initially be at least the size of the Dayton unit, which, when translated into investment, would mean over EUR 350 million. Progressing from the investment decision to a reasonable volume (> 2 million annual tires), would according to our calculations take some 3-4 years when applying the Dayton ramp-up process. The company has a strong financial position which does not limit investments of this size. We have added the plant investment that we find likely, the temporary efficiency encumbrance the ramp-up causes and the effects of a weakening margin structure resulting from increasing contract manufacturing to our estimates for the coming years.

Uncertainty and unpredictability

Based on our estimates, Nokian Tyres' P/E ratios for 2022 and 2023 are 12x and 10x, while the corresponding EV/EBIT ratios are 10x and 8x. The ratios are low in absolute terms, but at the same time the uncertainty associated with our earnings estimates is exceptionally high at the moment. This exceptional uncertainty, together with the unpredictable nature of the situation, depress the short-term return/risk ratio to levels that are too weak.

Recommendation

Reduce
(previous Accumulate)

EUR 15.00
(previous EUR 18.00)

Share price:
14.78



Key figures

| | 2021 | 2022e | 2023e | 2024e |
|-------------------------|--------|--------|--------|--------|
| Revenue | 1714 | 1648 | 1761 | 1843 |
| growth-% | 30% | -4% | 7% | 5% |
| EBIT adj. | 324.9 | 217.8 | 278.3 | 306.6 |
| EBIT-% adj. | 19.0 % | 13.2 % | 15.8 % | 16.6 % |
| Net Income | 206.2 | 143.6 | 204.6 | 214.5 |
| EPS (adj.) | 1.84 | 1.20 | 1.56 | 1.73 |
| P/E (adj.) | 18.1 | 12.3 | 9.5 | 8.6 |
| P/B | 2.8 | 1.2 | 1.1 | 1.1 |
| Dividend yield-% | 1.7 % | 4.1 % | 4.4 % | 4.7 % |
| EV/EBIT (adj.) | 13.9 | 9.9 | 8.2 | 7.4 |
| EV/EBITDA | 10.5 | 6.1 | 5.2 | 4.7 |
| EV/S | 2.6 | 1.3 | 1.3 | 1.2 |

Source: Inderes

Guidance (Unchanged)

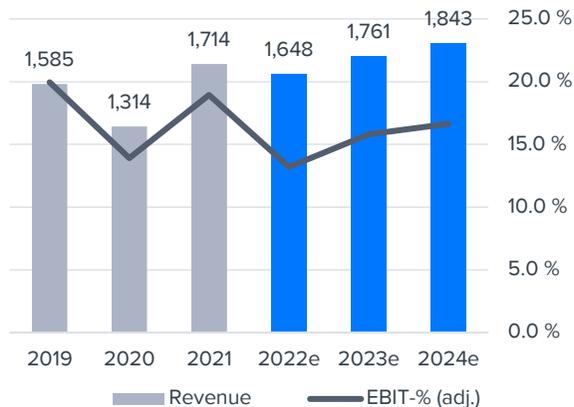
Russia's military action in Ukraine and subsequent sanctions have resulted in considerable uncertainty regarding Russia, the functioning of the Russian financial system and payment transactions and the exchange rate of the Russian ruble. Due to the ongoing uncertainties, the company refrains from providing any guidance for 2022 at this time.

Share price



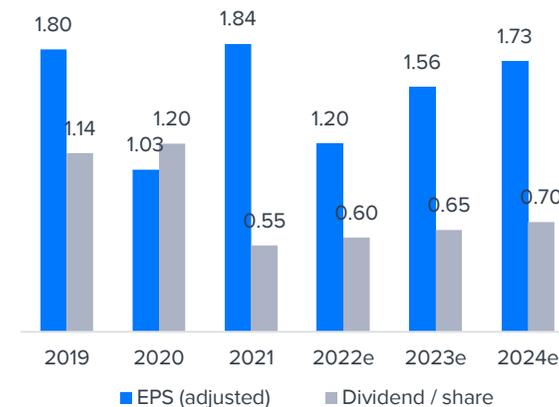
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- A strong winter tire brand and market position in the Nordic countries
- Extensive own distribution network and partner relationships
- Capturing market positions in North America and Central Europe
- Materialization of the benefits of an extensive investment program



Risk factors

- Development of key market areas and demand with cyclical nuances
- Potential distribution challenges
- The decline in brand recognition and pricing power erosion
- Tightening competitive situation
- Failure in capacity management
- Geo-politics and their unpredictability

| Valuation | 2022e | 2023e | 2024e |
|----------------------------|--------|--------|--------|
| Share price | 14.8 | 14.8 | 14.8 |
| Number of shares, millions | 138.2 | 138.2 | 138.2 |
| Market cap | 2042 | 2042 | 2042 |
| EV | 2161 | 2274 | 2281 |
| P/E (adj.) | 12.3 | 9.5 | 8.6 |
| P/E | 14.2 | 10.0 | 9.5 |
| P/FCF | neg. | neg. | 22.9 |
| P/B | 1.2 | 1.1 | 1.1 |
| P/S | 1.2 | 1.2 | 1.1 |
| EV/Sales | 1.3 | 1.3 | 1.2 |
| EV/EBITDA | 6.1 | 5.2 | 4.7 |
| EV/EBIT (adj.) | 9.9 | 8.2 | 7.4 |
| Payout ratio (%) | 57.7 % | 43.9 % | 45.1 % |
| Dividend yield-% | 4.1 % | 4.4 % | 4.7 % |

Source: Inderes

Structural changes

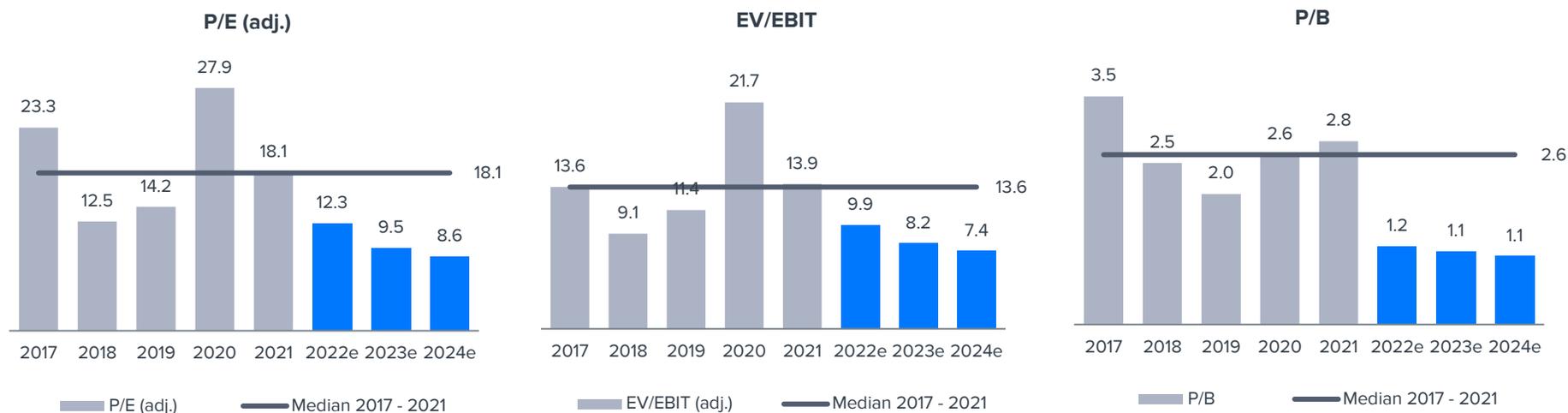
| Estimate revisions | 2022e | 2022e | Change | 2023e | 2023e | Change | 2024e | 2024e | Change |
|---------------------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|--------------|---------------|
| MEUR / EUR | Old | New | % | Old | New | % | Old | New | % |
| Revenue | 1666 | 1648 | -1% | 1802 | 1761 | -2% | 1885 | 1843 | -2% |
| EBIT (exc. NRIs) | 225 | 218 | -3% | 320 | 278 | -13% | 350 | 307 | -12% |
| EBIT | 197 | 190 | -4% | 310 | 264 | -15% | 350 | 277 | -21% |
| PTP | 197 | 182 | -8% | 302 | 256 | -15% | 342 | 268 | -22% |
| EPS (excl. NRIs) | 1.29 | 1.20 | -7% | 1.80 | 1.56 | -13% | 1.98 | 1.73 | -13% |
| DPS | 1.00 | 0.60 | -40% | 1.20 | 0.65 | -46% | 1.30 | 0.70 | -46% |

Source: Inderes

Valuation table

| Valuation | 2017 | 2018 | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e | 2025e |
|----------------------------|--------|--------|--------|---------|--------|--------|--------|--------|--------|
| Share price | 37.8 | 26.8 | 25.6 | 28.8 | 33.3 | 14.8 | 14.8 | 14.8 | 14.8 |
| Number of shares, millions | 136.8 | 138.1 | 138.9 | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 |
| Market cap | 5169 | 3703 | 3561 | 3984 | 4603 | 2042 | 2042 | 2042 | 2042 |
| EV | 4961 | 3388 | 3602 | 3966 | 4504 | 2161 | 2274 | 2281 | 2166 |
| P/E (adj.) | 23.3 | 12.5 | 14.2 | 27.9 | 18.1 | 12.3 | 9.5 | 8.6 | 8.0 |
| P/E | 23.3 | 12.5 | 8.9 | 46.4 | 22.3 | 14.2 | 10.0 | 9.5 | 9.7 |
| P/FCF | 32.7 | 9.4 | neg. | 9.9 | 24.3 | neg. | neg. | 22.9 | 9.3 |
| P/B | 3.5 | 2.5 | 2.0 | 2.6 | 2.8 | 1.2 | 1.1 | 1.1 | 1.0 |
| P/S | 3.3 | 2.3 | 2.2 | 3.0 | 2.7 | 1.2 | 1.2 | 1.1 | 1.1 |
| EV/Sales | 3.2 | 2.1 | 2.3 | 3.0 | 2.6 | 1.3 | 1.3 | 1.2 | 1.1 |
| EV/EBITDA | 10.7 | 7.3 | 8.2 | 13.4 | 10.5 | 6.1 | 5.2 | 4.7 | 4.5 |
| EV/EBIT (adj.) | 13.6 | 9.1 | 11.4 | 21.7 | 13.9 | 9.9 | 8.2 | 7.4 | 6.6 |
| Payout ratio (%) | 96.4 % | 73.9 % | 39.6 % | 193.0 % | 36.9 % | 57.7 % | 43.9 % | 45.1 % | 52.5 % |
| Dividend yield-% | 4.1 % | 5.9 % | 4.4 % | 4.2 % | 1.7 % | 4.1 % | 4.4 % | 4.7 % | 5.4 % |

Source: Inderes



Peer group valuation

| Peer group valuation Company | Share price | Market cap MEUR | EV MEUR | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|---------------------------------|--------------|--------------------|-------------|-------------|-------------|------------|------------|------------|------------|-------------|------------|------------------|------------|------------|
| | | | | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e | 2022e |
| Goodyear Tire & Rubber Co | 14.44 | 3,703 | 9,524 | 8.5 | 6.7 | 4.9 | 4.2 | 0.6 | 0.5 | 6.7 | 4.9 | | | 0.7 |
| Bridgestone Corp | 4758.00 | 24,991 | 25,413 | | | 4.3 | 3.7 | 0.8 | 0.7 | 11.9 | 10.0 | 3.6 | 3.9 | 1.2 |
| Sumitomo Rubber Industries Ltd | 8.10 | 2,176 | 3,452 | | | 5.1 | 4.4 | 0.5 | 0.4 | 11.5 | 8.0 | 4.4 | 5.2 | 0.6 |
| Toyo Tire Corp | 1563.00 | 1,773 | 2,313 | | | 4.3 | 3.7 | 0.7 | 0.6 | 7.5 | 6.3 | 4.4 | 5.1 | 0.8 |
| Yokohama Rubber Co Ltd | 1692.00 | 2,111 | 3,122 | | | 4.0 | 3.5 | 0.5 | 0.5 | 7.4 | 6.2 | 4.2 | 4.6 | 0.5 |
| Michelin SCA | 122.95 | 21,864 | 25,336 | 8.3 | 7.4 | 5.3 | 4.9 | 1.0 | 1.0 | 10.0 | 9.1 | 4.6 | 5.1 | 1.4 |
| Continental AG | 65.40 | 13,399 | 18,178 | 10.4 | 7.0 | 4.8 | 3.8 | 0.6 | 0.5 | 9.9 | 6.9 | 2.9 | 4.1 | 1.0 |
| Cheng Shin Rubber Ind. Co Ltd | 35.45 | 3,606 | 4,340 | 15.7 | 10.9 | 5.8 | 5.3 | 1.2 | 1.1 | 19.1 | 14.3 | 4.3 | 5.0 | 1.3 |
| Nexen Tire Corp | 6420.00 | 480 | 1,146 | 31.2 | 13.6 | 6.5 | 5.0 | 0.7 | 0.7 | 13.5 | 9.0 | 1.7 | 1.7 | 0.4 |
| Apollo Tyres Limited | 191.00 | 1,434 | 2,104 | 14.5 | 10.2 | 6.9 | 5.5 | 0.9 | 0.7 | 17.3 | 11.5 | 1.7 | 2.5 | 1.0 |
| MRF Ltd | 65022.10 | 3,261 | 3,134 | | | | | | | 41.6 | 22.4 | 0.1 | 0.2 | 2.0 |
| Kumho Tire Co Inc | 4220.00 | 898 | 2,216 | 17.9 | 12.4 | 7.1 | 5.8 | 0.8 | 0.7 | 20.0 | 8.4 | | | 0.6 |
| Hankook & Company Co Ltd | 14650.00 | 1,030 | 905 | | | | | | | | | 3.8 | 3.8 | |
| Pirelli & C SpA | 4.93 | 4,966 | 8,477 | 9.6 | 8.2 | 6.3 | 5.6 | 1.4 | 1.3 | 9.9 | 8.4 | 4.1 | 4.2 | 1.0 |
| Nokian Renkaat (Inderes) | 14.78 | 2,042 | 2161 | 9.9 | 8.2 | 6.1 | 5.2 | 1.3 | 1.3 | 12.3 | 9.5 | 4.1 | 4.4 | 1.2 |
| Average | | | | 14.5 | 9.6 | 5.4 | 4.6 | 0.8 | 0.7 | 14.3 | 9.6 | 3.3 | 3.8 | 1.0 |
| Median | | | | 12.5 | 9.2 | 5.2 | 4.6 | 0.8 | 0.7 | 11.5 | 8.4 | 4.0 | 4.2 | 1.0 |
| Diff-% to median | | | | -20% | -11% | 18% | 11% | 72% | 89% | 7% | 12% | 3% | 6% | 23% |

Source: Thomson Reuters / 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 | Q1'22e | Q2'22e | Q3'22e | Q4'22e | 2022e | 2023e | 2024e | 2025e |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 1314 | 342 | 416 | 444 | 513 | 1714 | 383 | 378 | 412 | 476 | 1648 | 1761 | 1843 | 1921 |
| Vianor | 318 | 58.1 | 91.5 | 70.1 | 123 | 343 | 62.7 | 92.4 | 72.2 | 127 | 354 | 368 | 383 | 398 |
| Intra-group and eliminations | -70.2 | -19.3 | -17.8 | -26.2 | -18.6 | -81.9 | -18.0 | -17.8 | -19.4 | -22.4 | -77.7 | -83.0 | -86.8 | -101.1 |
| Passenger Car Tyres | 871 | 246 | 280 | 331 | 343 | 1199 | 275 | 235 | 284 | 302 | 1097 | 1184 | 1238 | 1299 |
| Heavy Tyres | 195 | 57.1 | 62.6 | 69.0 | 65.3 | 254 | 62.8 | 68.2 | 74.5 | 69.9 | 275 | 292 | 309 | 325 |
| EBITDA | 296 | 84.3 | 122 | 129 | 92.9 | 428 | 73.6 | 74.9 | 102 | 102 | 352 | 441 | 485 | 483 |
| Depreciation | -176 | -40 | -40 | -40 | -40 | -160 | -41 | -41 | -41 | -41 | -162 | -177 | -208 | -211 |
| EBIT (excl. NRI) | 183 | 50.4 | 89.5 | 96.9 | 88.1 | 325 | 40.0 | 41.3 | 68.2 | 68.3 | 218 | 278 | 307 | 327 |
| EBIT | 120 | 44.3 | 81.8 | 89.1 | 53.0 | 268 | 33.0 | 34.3 | 61.2 | 61.3 | 190 | 264 | 277 | 272 |
| Vianor | 4.0 | -9.8 | 10.0 | -4.5 | 8.4 | 4.1 | -9.9 | 9.8 | -3.9 | 9.8 | 5.8 | 9.5 | 11.7 | 14.0 |
| Intra-group and eliminations | -15.3 | -5.2 | -2.8 | -8.2 | -2.1 | -18.3 | -3.6 | -3.6 | -3.9 | -4.5 | -15.5 | -14.9 | -16.5 | -19.2 |
| Passenger Car Tyres | 170 | 52.8 | 70.6 | 97.7 | 77.6 | 299 | 46.3 | 29.0 | 63.1 | 52.5 | 191 | 240 | 263 | 280 |
| Heavy Tyres | 23.6 | 12.6 | 11.7 | 11.9 | 4.1 | 40.3 | 7.2 | 6.1 | 12.9 | 10.5 | 36.7 | 43.7 | 48.8 | 52.5 |
| Non-recurring items / non-IFRS entries | -63.0 | -6.1 | -7.7 | -7.8 | -35.1 | -56.7 | -7.0 | -7.0 | -7.0 | -7.0 | -28.0 | -14.0 | -30.0 | -55.0 |
| Net financial items | -13.9 | -0.6 | -2.2 | -4.1 | -3.1 | -10.0 | -2.0 | -1.8 | -2.0 | -2.0 | -8.0 | -8.5 | -8.5 | -8.5 |
| PTP | 106 | 43.7 | 79.6 | 85.0 | 49.9 | 258 | 31.0 | 32.5 | 59.2 | 59.3 | 182 | 256 | 268 | 264 |
| Taxes | -20.1 | -8.2 | -15.1 | -15.8 | -12.9 | -52.0 | -6.5 | -6.8 | -12.4 | -12.5 | -38.2 | -51.2 | -53.6 | -52.7 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net earnings | 85.9 | 35.5 | 64.5 | 69.2 | 37.0 | 206 | 24.5 | 25.6 | 46.7 | 46.8 | 144 | 205 | 215 | 211 |
| EPS (adj.) | 1.04 | 0.29 | 0.51 | 0.54 | 0.49 | 1.84 | 0.22 | 0.23 | 0.38 | 0.38 | 1.20 | 1.56 | 1.73 | 1.84 |
| EPS (rep.) | 0.62 | 0.26 | 0.47 | 0.50 | 0.27 | 1.49 | 0.18 | 0.19 | 0.34 | 0.34 | 1.04 | 1.48 | 1.55 | 1.53 |

| Key figures | 2020 | Q1'21 | Q2'21 | Q3'21 | Q4'21 | 2021 | Q1'22e | Q2'22e | Q3'22e | Q4'22e | 2022e | 2023e | 2024e | 2025e |
|-------------------------------|--------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|-------|-------|-------|
| Revenue growth-% | -17.1% | 22.2% | 53.7% | 26.8% | 24.0% | 30.5% | 12.0% | -9.2% | -7.2% | -7.2% | -3.8% | 6.9% | 4.6% | 4.3% |
| Adjusted EBIT growth-% | -42.2% | 209.6% | 419.7% | 39.9% | 9.9% | 77.6% | -20.6% | -53.9% | -29.6% | -22.4% | -33.0% | 27.8% | 10.2% | 6.6% |
| EBITDA-% | 22.5% | 24.7% | 29.3% | 29.1% | 18.1% | 25.0% | 19.2% | 19.8% | 24.7% | 21.4% | 21.4% | 25.1% | 26.3% | 25.1% |
| Adjusted EBIT-% | 13.9% | 14.7% | 21.5% | 21.8% | 17.2% | 19.0% | 10.4% | 10.9% | 16.6% | 14.4% | 13.2% | 15.8% | 16.6% | 17.0% |
| Net earnings-% | 6.5% | 10.4% | 15.5% | 15.6% | 7.2% | 12.0% | 6.4% | 6.8% | 11.4% | 9.8% | 8.7% | 11.6% | 11.6% | 11.0% |

Source: Inderes

Balance sheet

| Assets | 2020 | 2021 | 2022e | 2023e | 2024e |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 1110 | 1142 | 1169 | 1362 | 1463 |
| Goodwill | 79.2 | 65.3 | 65.3 | 65.3 | 65.3 |
| Intangible assets | 23.6 | 21.7 | 31.7 | 41.7 | 51.7 |
| Tangible assets | 977 | 1024 | 1042 | 1225 | 1317 |
| Associated companies | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other investments | 2.7 | 2.9 | 0.7 | 0.7 | 0.7 |
| Other non-current assets | 5.7 | 6.2 | 7.3 | 7.3 | 7.3 |
| Deferred tax assets | 21.6 | 21.6 | 21.6 | 21.6 | 21.6 |
| Current assets | 1227 | 1241 | 1371 | 1459 | 1522 |
| Inventories | 329 | 415 | 379 | 405 | 424 |
| Other current assets | 71.8 | 83.1 | 84.9 | 84.9 | 84.9 |
| Receivables | 322 | 357 | 494 | 528 | 553 |
| Cash and equivalents | 504 | 386 | 412 | 440 | 461 |
| Balance sheet total | 2337 | 2384 | 2539 | 2820 | 2986 |

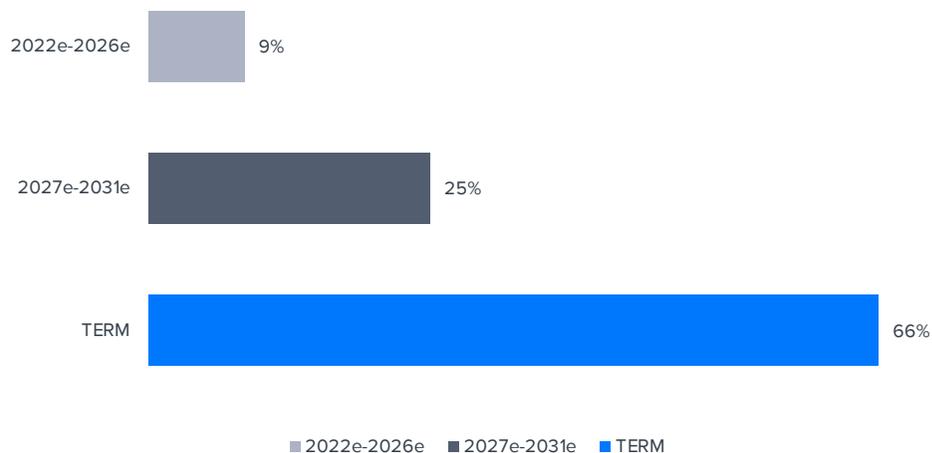
Source: Inderes

| Liabilities & equity | 2020 | 2021 | 2022e | 2023e | 2024e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 1521 | 1628 | 1695 | 1817 | 1941 |
| Share capital | 25.4 | 25.4 | 25.4 | 25.4 | 25.4 |
| Retained earnings | 1545 | 1592 | 1659 | 1781 | 1905 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | -287.1 | -227.6 | -227.6 | -227.6 | -227.6 |
| Other equity | 238 | 238 | 238 | 238 | 238 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities | 291 | 286 | 433 | 546 | 569 |
| Deferred tax liabilities | 32.6 | 37.8 | 37.8 | 37.8 | 37.8 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term debt | 257 | 247 | 395 | 508 | 530 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Current liabilities | 525 | 470 | 411 | 457 | 476 |
| Short term debt | 230 | 40.4 | 136 | 164 | 170 |
| Payables | 281 | 411 | 264 | 282 | 295 |
| Other current liabilities | 13.5 | 19.3 | 10.9 | 10.9 | 10.9 |
| Balance sheet total | 2337 | 2384 | 2539 | 2820 | 2986 |

DCF calculation

| DCF model | 2021 | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | TERM |
|---|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| EBIT (operating profit) | 268 | 190 | 264 | 277 | 272 | 333 | 340 | 347 | 354 | 359 | 364 | |
| + Depreciation | 160 | 162 | 177 | 208 | 211 | 204 | 199 | 194 | 190 | 187 | 184 | |
| - Paid taxes | -46.8 | -38.2 | -51.2 | -53.6 | -52.7 | -64.9 | -66.3 | -67.6 | -69.0 | -70.1 | -73.1 | |
| - Tax, financial expenses | -2.5 | -2.2 | -2.2 | -2.2 | -2.2 | -2.2 | -2.2 | -2.2 | -2.2 | -2.2 | -0.8 | |
| + Tax, financial income | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 1.1 | |
| - Change in working capital | 2.5 | -258.4 | -41.8 | -30.2 | -29.0 | -38.7 | -15.0 | -15.3 | -15.6 | -11.9 | -12.1 | |
| Operating cash flow | 382 | 53.7 | 347 | 399 | 399 | 432 | 456 | 456 | 458 | 462 | 464 | |
| + Change in other long-term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -192 | -189 | -370 | -310 | -180 | -180 | -180 | -180 | -180 | -180 | -180 | |
| Free operating cash flow | 189 | -135 | -23 | 89 | 219 | 252 | 276 | 276 | 278 | 282 | 284 | |
| +/- Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| FCFF | 189 | -135 | -23 | 89 | 219 | 252 | 276 | 276 | 278 | 282 | 284 | 4,255 |
| Discounted FCFF | | -127 | -20 | 72 | 163 | 173 | 175 | 162 | 150 | 141 | 131 | 1,962 |
| Sum of FCFF present value | | 2,980 | 3,107 | 3,127 | 3,055 | 2,893 | 2,720 | 2,545 | 2,384 | 2,234 | 2,093 | 1,962 |
| Enterprise value DCF | | 2,980 | | | | | | | | | | |
| - Interesting bearing debt | | -287 | | | | | | | | | | |
| + Cash and cash equivalents | | 386 | | | | | | | | | | |
| -Minorities | | 0 | | | | | | | | | | |
| -Dividend/capital return | | 0 | | | | | | | | | | |
| Equity value DCF | | 3,078 | | | | | | | | | | |
| Equity value DCF per share | | 22.3 | | | | | | | | | | |

Cash flow distribution



| Wacc | |
|--|--------------|
| Tax-% (WACC) | 21.0 % |
| Target debt ratio (D/(D+E)) | 15.0 % |
| Cost of debt | 4.0 % |
| Equity Beta | 1.50 |
| Market risk premium | 4.75 % |
| Liquidity premium | 0.00 % |
| Risk free interest rate | 2.0 % |
| Cost of equity | 9.2 % |
| Weighted average cost of capital (WACC) | 8.3 % |

Source: Inderes

Summary

| Income statement | 2019 | 2020 | 2021 | 2022e | 2023e | Per share data | 2019 | 2020 | 2021 | 2022e | 2023e |
|---------------------------|--------|--------|--------|---------------|---------------|--------------------------|--------|--------|--------|---------------|---------------|
| Revenue | 1585.3 | 1313.7 | 1714.2 | 1648.3 | 1761.4 | EPS (reported) | 2.88 | 0.62 | 1.49 | 1.04 | 1.48 |
| EBITDA | 441.3 | 295.5 | 428.2 | 352.0 | 441.5 | EPS (adj.) | 1.80 | 1.03 | 1.84 | 1.20 | 1.56 |
| EBIT | 316.5 | 119.9 | 268.2 | 189.8 | 264.3 | OCF / share | 1.61 | 3.85 | 2.76 | 0.39 | 2.51 |
| PTP | 336.7 | 106.0 | 258.2 | 181.8 | 255.8 | FCF / share | -2.86 | 2.92 | 1.37 | -0.98 | -0.17 |
| Net Income | 399.9 | 85.9 | 206.2 | 143.6 | 204.6 | Book value / share | 12.74 | 11.01 | 11.77 | 12.26 | 13.14 |
| Extraordinary items | 0.0 | -63.0 | -56.7 | -28.0 | -14.0 | Dividend / share | 1.14 | 1.20 | 0.55 | 0.60 | 0.65 |
| Balance sheet | 2019 | 2020 | 2021 | 2022e | 2023e | Growth and profitability | 2019 | 2020 | 2021 | 2022e | 2023e |
| Balance sheet total | 2332.6 | 2336.7 | 2383.5 | 2539.4 | 2820.4 | Revenue growth-% | -1% | -17% | 30% | -4% | 7% |
| Equity capital | 1769.7 | 1521.4 | 1627.5 | 1695.1 | 1816.8 | EBITDA growth-% | -5% | -33% | 45% | -18% | 25% |
| Goodwill | 84.4 | 79.2 | 65.3 | 65.3 | 65.3 | EBIT (adj.) growth-% | -15% | -42% | 78% | -33% | 28% |
| Net debt | 41.2 | -17.2 | -98.6 | 118.9 | 231.8 | EPS (adj.) growth-% | -16% | -43% | 78% | -35% | 30% |
| Cash flow | 2019 | 2020 | 2021 | 2022e | 2023e | EBITDA-% | 27.8 % | 22.5 % | 25.0 % | 21.4 % | 25.1 % |
| EBITDA | 441.3 | 295.5 | 428.2 | 352.0 | 441.5 | EBIT (adj.)-% | 20.0 % | 13.9 % | 19.0 % | 13.2 % | 15.8 % |
| Change in working capital | -274.3 | 268.4 | 2.5 | -258.4 | -41.8 | EBIT-% | 20.0 % | 9.1 % | 15.6 % | 11.5 % | 15.0 % |
| Operating cash flow | 223.7 | 531.7 | 381.8 | 53.7 | 346.8 | ROE-% | 24.6 % | 5.2 % | 13.1 % | 8.6 % | 11.7 % |
| CAPEX | -488.4 | -127.7 | -192.4 | -188.9 | -370.0 | ROI-% | 17.5 % | 6.1 % | 13.8 % | 9.3 % | 11.3 % |
| Free cash flow | -397.2 | 403.9 | 189.4 | -135.1 | -23.2 | Equity ratio | 75.9 % | 65.1 % | 68.3 % | 66.8 % | 64.4 % |
| Valuation multiples | 2019 | 2020 | 2021 | 2022e | 2023e | Gearing | 2.3 % | -1.1 % | -6.1 % | 7.0 % | 12.8 % |
| EV/S | 2.3 | 3.0 | 2.6 | 1.3 | 1.3 | | | | | | |
| EV/EBITDA (adj.) | 8.2 | 13.4 | 10.5 | 6.1 | 5.2 | | | | | | |
| EV/EBIT (adj.) | 11.4 | 21.7 | 13.9 | 9.9 | 8.2 | | | | | | |
| P/E (adj.) | 14.2 | 27.9 | 18.1 | 12.3 | 9.5 | | | | | | |
| P/E | 2.0 | 2.6 | 2.8 | 1.2 | 1.1 | | | | | | |
| Dividend-% | 4.4 % | 4.2 % | 1.7 % | 4.1 % | 4.4 % | | | | | | |

Source: Inderes

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| | |
|------------|--|
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| Accumulate | The 12-month risk-adjusted expected shareholder return of the share is attractive |
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| Sell | The 12-month risk-adjusted expected shareholder return of the share is very weak |

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Recommendation history (>12 mo)

| Date | Recommendation | Target price | Share price |
|----------|----------------|--------------|-------------|
| 28-05-20 | Reduce | 20.00 € | 21.85 € |
| 05-08-20 | Reduce | 21.00 € | 21.30 € |
| 28-09-20 | Reduce | 22.00 € | 22.65 € |
| 28-10-20 | Reduce | 26.00 € | 27.70 € |
| 09-02-21 | Reduce | 29.00 € | 30.64 € |
| 05-05-21 | Accumulate | 33.00 € | 31.32 € |
| 04-08-21 | Accumulate | 35.00 € | 33.60 € |
| 10-09-21 | Accumulate | 35.00 € | 31.90 € |
| 03-11-21 | Accumulate | 35.00 € | 33.34 € |
| 13-01-22 | Accumulate | 35.00 € | 34.09 € |
| 08-02-22 | Accumulate | 30.00 € | 28.35 € |
| 01-03-22 | Accumulate | 18.00 € | 16.75 € |
| 01-04-22 | Reduce | 15.00 € | 15.48 € |



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