

# Wärtsilä

## Company report

10/02/2022 22:05



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This report is a summary translation of the report “Katse kevääseen ja kurssipotentiaaliin” published on 10/2/2022 at 10:09 pm

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# Eyes turned to spring and share price potential

On Friday, Wartsilä hosted a pre-silent period conference call. The market situation continues as relatively favorable, but cost inflation in the supply chain creates short-term margin pressure. We made moderate estimate cuts. The share is cheap, and we raise our recommendation to Buy (previously Accumulate) with a EUR 8.00 (9.50) target price.

## Market is still primarily performing well

Wartsilä reiterated its guidance that the demand environment in Q3'22 is better than in Q3'21. Strong service demand in both the Marine business and Energy, where customers have a high capacity utilization rate, supports this development. The equipment market shows positive developments in LNG carriers and even scrubbers. The demand for energy storage systems is strong and the Q3 order intake will be good. Storage systems are supported by the US Inflation Reduction Act (USD 738 billion, of which more than 50% goes to renewable energy and climate action) and positive signs are already visible. In addition, a number of power companies that have already ordered energy storage systems are now interested in backup/standby power as companies run their coal-fired power plants down.

## Cost pressures likely to be temporary

Currently, Wartsilä's key problem is the cost inflation in the subcontracting chain as passing on the impact to own prices takes time. The main problem is the price of energy that hit the subcontractors with foundry and forging activities the hardest. For example, the market price of gas in the UK was EUR 114/MWh in Q3'22 (+140 % y-o-y) and is expected to grow by 80-180% y-o-y in Q4'22-Q2'23 before making a downturn. There are not many alternative suppliers for the casting and forging used by Wartsilä and nearly all are located in Europe so tendering would not really make a difference. Increasing wages also cause cost pressure. Wartsilä highlighted that cost inflation can be quickly passed on to own customer prices in wear and spare parts. However, in orders with longer delivery times (e.g. 6-9 months), Wartsilä must carefully assess future cost levels when making the offer, as in the current situation, many subcontractors will not commit to fixed prices for more than a very short period of time. Overall, however, we consider these problems to be temporary, as, apart from wages, the increase in procurement prices is expected to either stop (metals) or prices make a downturn (energy, freight) by the end of H1'23, while Wartsilä will simultaneously benefit from its own price increases.

## Earnings estimates cut slightly

Our net sales estimates for 2022-2024 remain unchanged. We have cut our adjusted EBIT estimates for 2022-2023 by 3-5%, after reassessing the impact of cost inflation on the profitability of equipment deliveries. Wartsilä's profitability in 2022-2023 is, however, supported by strong demand in service businesses and we estimate that 80-88% of the Group's adjusted EBIT will come from services in these years.

## The valuation makes the mouth water

The total expected return of Wartsilä's share is 19% y-o-y with 2023 multiples, which is clearly above the 9% COE requirement. Thus the share's risk-adjusted expected return is very attractive. The 2023 P/E and EV/EBIT ratios (12x and 10x) of the share are 12-25% below the median of the peers and well below the share's own historical ratios. Our DCF model indicates an upside potential of 80% for the share.

## Recommendation

### Buy

(previous Accumulate)

### EUR 8.00

(previous EUR 9.50)

### Share price:

6.58



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	4778	5588	5921	6180
<b>growth-%</b>	4%	17%	6%	4%
<b>EBIT adj.</b>	357	363	480	577
<b>EBIT-% adj.</b>	7.5 %	6.5 %	8.1 %	9.3 %
<b>Net Income</b>	193	54	319	402
<b>EPS (adj.)</b>	0.40	0.47	0.54	0.68
<b>P/E (adj.)</b>	31.0	14.1	12.2	9.7
<b>P/B</b>	3.2	1.8	1.7	1.6
<b>Dividend yield-%</b>	1.9 %	5.0 %	6.3 %	8.3 %
<b>EV/EBIT (adj.)</b>	22.5	12.8	9.6	7.8
<b>EV/EBITDA</b>	16.9	12.4	7.4	6.3
<b>EV/S</b>	1.7	0.8	0.8	0.7

Source: Inderes

## Guidance

(Unchanged)

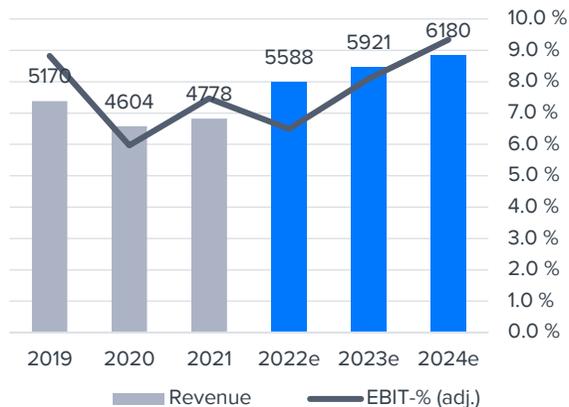
Wartsilä expects the demand environment in the third quarter to be better than that of the corresponding period in the previous year. However, the prevailing market conditions make the outlook uncertain.

## Share price



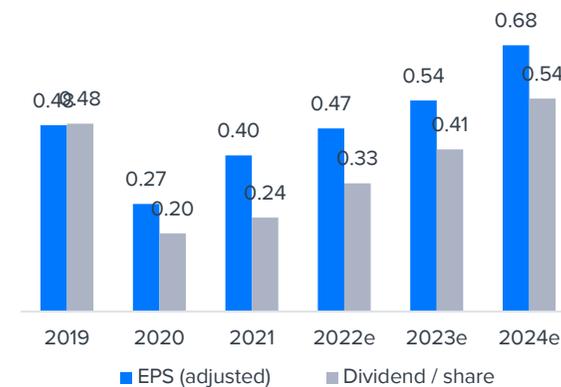
Source: Millstream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Strong position in selected segments
- Growing role of special-purpose vessels and automation in marine operations
- Extensive installed equipment portfolio and significant share of service business
- Proven good and predictable performance over the cycle



## Risk factors

- Cyclicity of shipbuilding
- Uncertainty about the winning renewable energy production forms
- Energy's deliveries focusing on storage solutions depress margins

Valuation	2022e	2023e	2024e
Share price	6.58	6.58	6.58
Number of shares, millions	591.7	591.7	591.7
Market cap	3895	3895	3895
EV	4653	4597	4510
P/E (adj.)	14.1	12.2	9.7
P/E	72.5	12.2	9.7
P/FCF	43.9	15.1	11.5
P/B	1.8	1.7	1.6
P/S	0.7	0.7	0.6
EV/Sales	0.8	0.8	0.7
EV/EBITDA	12.4	7.4	6.3
EV/EBIT (adj.)	12.8	9.6	7.8
Payout ratio (%)	360.7 %	76.9 %	80.0 %
Dividend yield-%	5.0 %	6.3 %	8.3 %

Source: Inderes

# Earnings estimates cut slightly

## Slight downward earnings revisions

Our earnings estimate cuts for 2022-2023 are moderate and based on continued cost pressures. However, the service business ensures that profitability remains at a reasonable level.

## Net sales continue to grow rapidly

Our net sales estimates for 2022-2024 remain unchanged. We still expect net sales to grow by 17% y-o-y in 2022, 6% y-o-y in 2023 and 4% y-o-y in 2024. Our estimates are 1-5% lower than the consensus after Q2 at the end of July. Growth is boosted by the Energy business (2022e: + 28 % y-o-y and 2023e: + 10 % y-o-y) driven by energy storage system deliveries.

## EBIT estimates cut moderately as cost pressure continues

We have cut our adjusted EBIT estimates for 2022-2023 by 3-5%, after reassessing the impact of cost inflation on the profitability of equipment deliveries. Our new adjusted EBIT margin estimate for 2022 (6.5%) is clearly below the consensus (7.3%). The difference decreases in 2023-2024 (-0.4...-0.1 percentage points). Overall, our adjusted euro-denominated EBIT estimates for 2022-2024 are 6-12% lower than the consensus. It should also be noted that our 2024 EBIT margin estimate (9.3%) is still far from the company's own 12% target.

## Profitability relies strongly on services

Wärtsilä' profitability in 2022-2023 is supported by strong demand from service businesses (which the company referred to) and especially the fact that cost

inflation in wear and spare parts can quickly be passed on to own customer prices. We estimate that in 2022-2023 as much as 80-88% of the Group's adjusted EBIT will come from service businesses. The corresponding share of net sales is 49-50%.

Estimate revisions MEUR / EUR	2022e		Change %	2023e		Change %	2024e		Change %
	Old	New		Old	New		Old	New	
Revenue	5588	5588	0%	5921	5921	0%	6180	6180	0%
EBIT (exc. NRIs)	375	363	-3%	504	480	-5%	585	577	-1%
EBIT	152	140	-8%	504	480	-5%	585	577	-1%
PTP	144	133	-8%	497	472	-5%	577	569	-1%
EPS (excl. NRIs)	0.48	0.47	-3%	0.57	0.54	-6%	0.69	0.68	-2%
DPS	0.34	0.33	-3%	0.44	0.41	-5%	0.55	0.54	-2%

Source: Inderes

# The valuation makes the mouth water

## Share price drop is exaggerated, recommendation raised to Buy

Wärtsilä's share has declined by 25% since the day the Q2 report was released. We believe that the market is currently discounting the short-term profitability challenges too much. We consider these difficulties to be temporary and expect alleviating cost inflation and own price increases to become properly visible in the company's figures in Q2'23 at the latest. In the short term, the company's profitability relies on the service business, whose volume and margin outlook remains favorable. The share price is likely to continue receiving support from order news in the LNG carrier and specialized tonnage segments as well as energy storage systems. As the cost drivers are still turbulent in the next few quarters, investors should turn their eyes clearly towards 2023.

The valuation of the share has fallen to a very attractive level. We raise our recommendation to Buy (previously Accumulate), even though we cut our target price to EUR 8.00 (9.50) after lowering our estimates slightly. With the new target price, the company's 2023 P/E ratio would be in line with the key peers.

## Risk-adjusted expected return is highly attractive

The total expected return of Wärtsilä's share (upside in the share price determined by earnings growth and change in valuation multiple plus dividend yield) is 19% y-o-y with 2023 multiples, which clearly exceeds the 9% COE requirement. Thus the share's risk-adjusted expected return is very attractive.

## Peer group pricing indicates a hefty upside

The 2023 P/E and EV/EBIT ratios (12x and 10x) of the share are 12-25% below the median of the peers and well below the share's own historical ratios. Multiple-based pricing is very low as whole.

## DCF potential is juicy

Our DCF model indicates an upside potential of 80% for the share. Although the parameters of the model always include considerable uncertainty, we find the current upside exceptionally juicy.

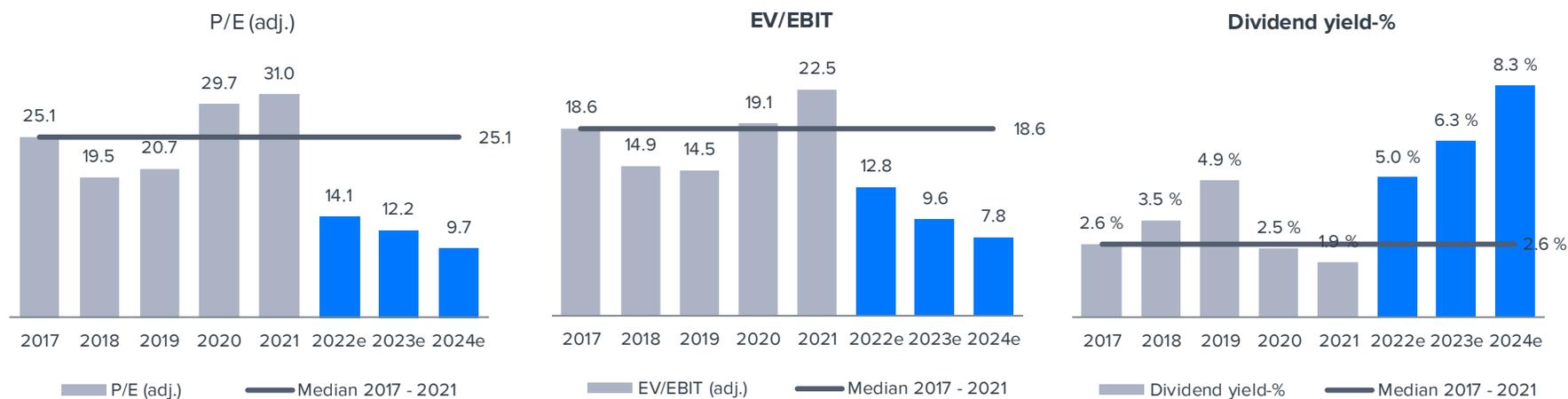
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Market cap	3895	3895	3895
EV	4653	4597	4510
P/E (adj.)	14.1	12.2	9.7
P/E	72.5	12.2	9.7
P/FCF	43.9	15.1	11.5
P/B	1.8	1.7	1.6
P/S	0.7	0.7	0.6
EV/Sales	0.8	0.8	0.7
EV/EBITDA	12.4	7.4	6.3
EV/EBIT (adj.)	12.8	9.6	7.8
Payout ratio (%)	360.7 %	76.9 %	80.0 %
Dividend yield-%	5.0 %	6.3 %	8.3 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	17.5	13.9	9.85	8.15	12.4	<b>6.58</b>	<b>6.58</b>	<b>6.58</b>	<b>6.58</b>
Number of shares, millions	591.7	591.7	591.7	591.7	591.7	<b>591.7</b>	<b>591.7</b>	<b>591.7</b>	<b>591.7</b>
Market cap	10375	8225	5828	4823	7314	<b>3895</b>	<b>3895</b>	<b>3895</b>	<b>3895</b>
EV	10721	8608	6601	5255	8022	<b>4653</b>	<b>4597</b>	<b>4510</b>	<b>4414</b>
P/E (adj.)	25.1	19.5	20.7	29.7	31.0	<b>14.1</b>	<b>12.2</b>	<b>9.7</b>	<b>8.5</b>
P/E	27.7	21.3	27.0	36.0	37.9	<b>72.5</b>	<b>12.2</b>	<b>9.7</b>	<b>8.5</b>
P/FCF	38.3	32.8	neg.	6.9	neg.	<b>43.9</b>	<b>15.1</b>	<b>11.5</b>	<b>9.1</b>
P/B	4.4	3.4	2.4	2.2	3.2	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>
P/S	2.1	1.6	1.1	1.0	1.5	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>
EV/Sales	2.2	1.7	1.3	1.1	1.7	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
EV/EBITDA	15.5	12.8	12.2	12.9	16.9	<b>12.4</b>	<b>7.4</b>	<b>6.3</b>	<b>5.7</b>
EV/EBIT (adj.)	18.6	14.9	14.5	19.1	22.5	<b>12.8</b>	<b>9.6</b>	<b>7.8</b>	<b>7.0</b>
Payout ratio (%)	72.6 %	73.5 %	131.5 %	88.3 %	73.6 %	<b>360.7 %</b>	<b>76.9 %</b>	<b>80.0 %</b>	<b>90.0 %</b>
Dividend yield-%	2.6 %	3.5 %	4.9 %	2.5 %	1.9 %	<b>5.0 %</b>	<b>6.3 %</b>	<b>8.3 %</b>	<b>10.6 %</b>

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
Metso Outotec Corp	5383	5932	10.7	8.2	8.3	6.7	1.2	1.1	11.8	10.1	4.3	5.1	2.3
Kone Oyj	20461	19091	16.7	14.4	13.6	12.0	1.7	1.7	22.4	19.2	4.7	4.9	6.6
Konecranes Abp	1593	2294	9.2	7.0	6.4	5.2	0.7	0.6	9.0	7.0	6.3	6.8	1.2
Siemens Energy AG	8211	5794		7.8	4.6	2.8	0.2	0.2	29.8	13.9	1.6	2.6	0.5
Abb Ltd	51983	56716	14.3	12.7	11.4	10.5	1.9	1.8	17.5	15.3	3.5	3.6	3.8
Alfa Laval AB	10224	11087	16.0	13.6	12.7	11.1	2.4	2.2	20.1	17.0	2.4	2.7	3.3
Alstom SA	6097	7998	14.7	12.7	7.3	6.7	0.5	0.5	15.7	10.2	2.0	2.3	0.7
Caterpillar Inc	89673	121388	14.9	13.2	11.9	10.9	2.1	2.0	13.2	11.5	2.8	3.0	5.7
General Electric Co	70430	84464	13.5	9.5	9.4	7.2	1.1	1.0	22.8	13.6	0.5	0.5	1.9
Rolls-Royce Holdings PLC	6453	12250	22.7	14.4	8.0	6.7	0.9	0.9	54.9	18.0		0.6	
Woodward Inc	4977	5659	23.9	18.1	14.7	12.4	2.3	2.1	30.2	22.2	0.9	1.0	1.8
<b>Wartsila (Inderes)</b>	<b>3895</b>	<b>4653</b>	<b>12.8</b>	<b>9.6</b>	<b>12.4</b>	<b>7.4</b>	<b>0.8</b>	<b>0.8</b>	<b>14.1</b>	<b>12.2</b>	<b>5.0</b>	<b>6.3</b>	<b>1.8</b>
<b>Average</b>			<b>15.7</b>	<b>12.0</b>	<b>9.8</b>	<b>8.4</b>	<b>1.4</b>	<b>1.3</b>	<b>22.5</b>	<b>14.4</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>
<b>Median</b>			<b>14.8</b>	<b>12.7</b>	<b>9.4</b>	<b>7.2</b>	<b>1.2</b>	<b>1.1</b>	<b>20.1</b>	<b>13.9</b>	<b>2.6</b>	<b>2.7</b>	<b>2.1</b>
<b>Diff-% to median</b>			<b>-14%</b>	<b>-25%</b>	<b>33%</b>	<b>3%</b>	<b>-28%</b>	<b>-27%</b>	<b>-30%</b>	<b>-12%</b>	<b>92%</b>	<b>133%</b>	<b>-13%</b>

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	H1'21	H2'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>4604</b>	<b>946</b>	<b>1132</b>	<b>1103</b>	<b>1597</b>	<b>2078</b>	<b>2700</b>	<b>4778</b>	<b>1231</b>	<b>1408</b>	<b>1322</b>	<b>1627</b>	<b>5588</b>	<b>5921</b>	<b>6180</b>	<b>6432</b>
Marine Power	1748	426	466	381	590	892	971	1863	455	503	450	561	1969	2091	2191	2291
Marine Systems	808	142	150	141	221	292	362	654	163	185	192	268	808	777	804	824
Voyage	248	59	68	68	84	127	152	279	60	58	67	105	291	310	334	361
Energy	1620	288	415	487	671	703	1158	1861	535	633	578	631	2377	2615	2731	2841
Portfolio Business	181	33	31	25	32	64	57	121	18	28	34	62	142	127	120	114
<b>EBITDA</b>	<b>408</b>	<b>75</b>	<b>100</b>	<b>117</b>	<b>184</b>	<b>175</b>	<b>301</b>	<b>476</b>	<b>-25</b>	<b>109</b>	<b>128</b>	<b>162</b>	<b>374</b>	<b>618</b>	<b>716</b>	<b>774</b>
Depreciation	-174	-39	-42	-41	-40	-81	-81	-162	-122	-34	-39	-39	-234	-138	-139	-142
<b>EBIT (excl. NRI)</b>	<b>275</b>	<b>41</b>	<b>71</b>	<b>87</b>	<b>158</b>	<b>112</b>	<b>245</b>	<b>357</b>	<b>65</b>	<b>86</b>	<b>89</b>	<b>123</b>	<b>363</b>	<b>480</b>	<b>577</b>	<b>632</b>
<b>EBIT</b>	<b>234</b>	<b>36</b>	<b>58</b>	<b>76</b>	<b>144</b>	<b>94</b>	<b>220</b>	<b>314</b>	<b>-147</b>	<b>75</b>	<b>89</b>	<b>123</b>	<b>140</b>	<b>480</b>	<b>577</b>	<b>632</b>
Marine Power	134	40	37	35	68	77	103	180	-35	47	37	50	100	223	262	279
Marine Systems	81	7	12	15	13	19	28	47	5	11	13	19	49	67	79	85
Voyage	-42	-14	-11	-12	-2	-25	-14	-39	-134	-24	-2	2	-158	3	13	22
Energy	91	4	24	43	63	28	106	134	20	41	40	47	148	184	220	244
Portfolio Business	-29	-1	-4	-6	2	-5	-4	-9	-3	0	0	4	2	2	3	3
Net financial items	-43	-1	-5	-1	-11	-6	-12	-18	0	-2	-2	-2	-7	-8	-8	-8
<b>PTP</b>	<b>191</b>	<b>35</b>	<b>53</b>	<b>75</b>	<b>133</b>	<b>88</b>	<b>208</b>	<b>296</b>	<b>-147</b>	<b>73</b>	<b>86</b>	<b>121</b>	<b>133</b>	<b>472</b>	<b>569</b>	<b>624</b>
Taxes	-58	-11	-18	-25	-49	-29	-74	-103	5	-21	-25	-35	-76	-150	-164	-162
Minority interest	1	0	0	-1	1	0	0	0	-1	-1	0	-1	-3	-3	-3	-3
<b>Net earnings</b>	<b>134</b>	<b>24</b>	<b>35</b>	<b>49</b>	<b>85</b>	<b>59</b>	<b>134</b>	<b>193</b>	<b>-143</b>	<b>51</b>	<b>61</b>	<b>85</b>	<b>54</b>	<b>319</b>	<b>402</b>	<b>459</b>
<b>Net earnings</b>	<b>134</b>	<b>24</b>	<b>35</b>	<b>49</b>	<b>85</b>	<b>59</b>	<b>134</b>	<b>193</b>	<b>-143</b>	<b>51</b>	<b>61</b>	<b>85</b>	<b>54</b>	<b>319</b>	<b>402</b>	<b>459</b>
<b>EPS (adj.)</b>	<b>0.27</b>	<b>0.05</b>	<b>0.08</b>	<b>0.10</b>	<b>0.17</b>	<b>0.13</b>	<b>0.27</b>	<b>0.40</b>	<b>0.12</b>	<b>0.10</b>	<b>0.10</b>	<b>0.14</b>	<b>0.47</b>	<b>0.54</b>	<b>0.68</b>	<b>0.78</b>
<b>EPS (rep.)</b>	<b>0.23</b>	<b>0.04</b>	<b>0.06</b>	<b>0.08</b>	<b>0.14</b>	<b>0.10</b>	<b>0.23</b>	<b>0.33</b>	<b>-0.24</b>	<b>0.09</b>	<b>0.10</b>	<b>0.14</b>	<b>0.09</b>	<b>0.54</b>	<b>0.68</b>	<b>0.78</b>

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	H1'21	H2'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-10.9 %	-19.1%	-7.2 %	10.9 %	31.0 %	-13.1%	22.0 %	3.8 %	30.1%	24.4 %	19.8 %	1.9 %	16.9 %	6.0 %	4.4 %	4.1 %
<b>Adjusted EBIT growth-%</b>	-39.7 %	-27.4 %	29.8 %	43.6 %	53.4 %	0.5 %	49.8 %	29.8 %	57.2 %	21.7 %	2.1 %	-22.0 %	1.7 %	32.1 %	20.3 %	9.6 %
<b>EBITDA-%</b>	8.9 %	8.0 %	8.8 %	10.6 %	11.5 %	8.4 %	11.1 %	10.0 %	-2.0 %	7.7 %	9.7 %	10.0 %	6.7 %	10.4 %	11.6 %	12.0 %
<b>Adjusted EBIT-%</b>	6.0 %	4.4 %	6.2 %	7.9 %	9.9 %	5.4 %	9.1 %	7.5 %	5.3 %	6.1 %	6.7 %	7.6 %	6.5 %	8.1 %	9.3 %	9.8 %
<b>Net earnings-%</b>	2.9 %	2.6 %	3.1 %	4.4 %	5.3 %	2.8 %	5.0 %	4.0 %	-11.6 %	3.6 %	4.6 %	5.2 %	1.0 %	5.4 %	6.5 %	7.1 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>2427</b>	<b>2539</b>	<b>2452</b>	<b>2458</b>	<b>2480</b>
Goodwill	1325	1374	1299	1299	1299
Intangible assets	391	401	363	365	367
Tangible assets	444	504	530	534	554
Associated companies	23	27	27	27	27
Other investments	19	18	18	18	18
Other non-current assets	42	48	48	48	48
Deferred tax assets	183	167	167	167	167
<b>Current assets</b>	<b>3805</b>	<b>3984</b>	<b>3923</b>	<b>4156</b>	<b>4338</b>
Inventories	1192	1185	1296	1374	1434
Other current assets	99	2	0	0	0
Receivables	1595	1833	2123	2250	2348
Cash and equivalents	919	964	503	533	556
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6375</b>	<b>6615</b>	<b>6819</b>

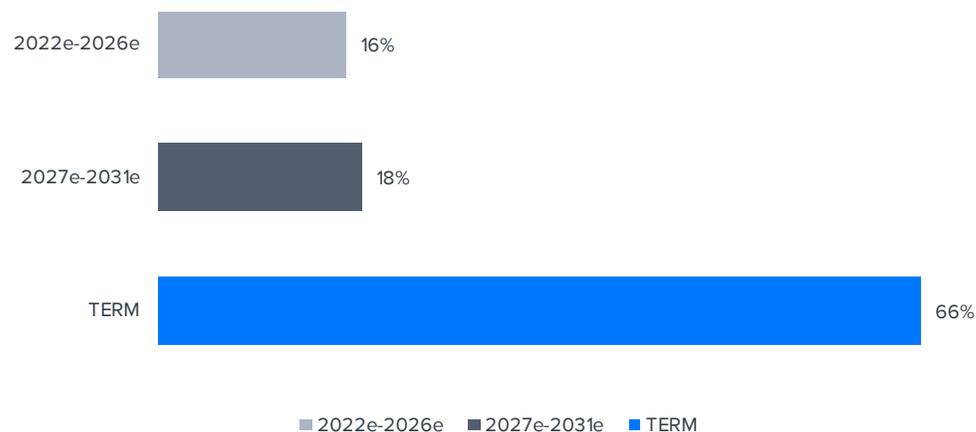
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>2187</b>	<b>2259</b>	<b>2170</b>	<b>2296</b>	<b>2453</b>
Share capital	336	336	336	336	336
Retained earnings	2030	2105	2016	2142	2299
Hybrid bonds	0	0	0	0	0
Revaluation reserve	61	61	61	61	61
Other equity	-251	-251	-251	-251	-251
Minorities	11	8	8	8	8
<b>Non-current liabilities</b>	<b>1720</b>	<b>1936</b>	<b>1608</b>	<b>1588</b>	<b>1539</b>
Deferred tax liabilities	76.0	66.0	66.0	66.0	66.0
Provisions	324	324	324	324	324
Long term debt	1129	1325	997	977	928
Convertibles	0	0	0	0	0
Other long term liabilities	191	221	221	221	221
<b>Current liabilities</b>	<b>2325</b>	<b>2328</b>	<b>2596</b>	<b>2731</b>	<b>2827</b>
Short term debt	198	321	249	244	231
Payables	2059	2007	2347	2487	2596
Other current liabilities	68	0	0	0	0
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6375</b>	<b>6615</b>	<b>6819</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>314</b>	<b>140</b>	<b>480</b>	<b>577</b>	<b>632</b>	<b>668</b>	<b>678</b>	<b>687</b>	<b>694</b>	<b>699</b>	<b>703</b>	
+ Depreciation	162	234	138	139	142	141	142	142	141	140	144	
- Paid taxes	-97	-76	-150	-164	-162	-172	-174	-176	-177	-178	-179	
- Tax, financial expenses	-8	-4	-3	-3	-3	-3	-4	-4	-5	-5	-6	
+ Tax, financial income	2	1	1	1	1	1	1	1	2	2	2	
- Change in working capital	-254	-60	-64	-50	-48	-48	-46	-45	-44	-42	-40	
<b>Operating cash flow</b>	<b>118</b>	<b>236</b>	<b>402</b>	<b>500</b>	<b>562</b>	<b>588</b>	<b>597</b>	<b>605</b>	<b>611</b>	<b>616</b>	<b>624</b>	
+ Change in other long-term liabilities	30	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-286	-147	-144	-161	-136	-144	-141	-138	-134	-164	-169	
<b>Free operating cash flow</b>	<b>-138</b>	<b>89</b>	<b>257</b>	<b>339</b>	<b>426</b>	<b>444</b>	<b>456</b>	<b>467</b>	<b>477</b>	<b>452</b>	<b>455</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-138	89	257	339	426	444	456	467	477	452	455	10043
<b>Discounted FCFF</b>		<b>87</b>	<b>235</b>	<b>289</b>	<b>338</b>	<b>328</b>	<b>314</b>	<b>299</b>	<b>285</b>	<b>251</b>	<b>236</b>	<b>5197</b>
Sum of FCFF present value		7859	7772	7536	7247	6909	6581	6268	5968	5684	5433	5197
<b>Enterprise value DCF</b>		<b>7859</b>										
- Interesting bearing debt		-1647										
+ Cash and cash equivalents		964										
-Minorities		-14										
-Dividend/capital return		-142										
<b>Equity value DCF</b>		<b>7020</b>										
<b>Equity value DCF per share</b>		<b>11.9</b>										

## Cash flow distribution



Wacc	
Tax-% (WACC)	26.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.4 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	5170.0	4604.0	4778.0	<b>5587.7</b>	<b>5920.7</b>	EPS (reported)	0.37	0.23	0.33	<b>0.09</b>	<b>0.54</b>
EBITDA	541.0	408.0	476.0	<b>374.1</b>	<b>617.7</b>	EPS (adj.)	0.48	0.27	0.40	<b>0.47</b>	<b>0.54</b>
EBIT	361.0	234.0	314.0	<b>140.1</b>	<b>479.6</b>	OCF / share	0.26	1.30	0.20	<b>0.40</b>	<b>0.68</b>
PTP	314.0	191.0	296.0	<b>132.7</b>	<b>471.8</b>	FCF / share	-0.26	1.18	-0.23	<b>0.15</b>	<b>0.43</b>
Net Income	216.0	134.0	193.0	<b>53.7</b>	<b>319.1</b>	Book value / share	4.05	3.68	3.80	<b>3.65</b>	<b>3.87</b>
Extraordinary items	-95.0	-41.0	-43.0	<b>-223.0</b>	<b>0.0</b>	Dividend / share	0.48	0.20	0.24	<b>0.33</b>	<b>0.41</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	6398.0	6232.0	6523.0	<b>6374.6</b>	<b>6614.6</b>	Revenue growth-%	0%	-11%	4%	<b>17%</b>	<b>6%</b>
Equity capital	2409.0	2187.0	2258.7	<b>2170.3</b>	<b>2295.7</b>	EBITDA growth-%	-20%	-25%	17%	<b>-21%</b>	<b>65%</b>
Goodwill	1380.0	1325.0	1374.0	<b>1299.0</b>	<b>1299.0</b>	EBIT (adj.) growth-%	-21%	-40%	30%	<b>2%</b>	<b>32%</b>
Net debt	738.0	408.0	682.6	<b>743.5</b>	<b>688.3</b>	EPS (adj.) growth-%	-33%	-42%	45%	<b>17%</b>	<b>15%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	10.5 %	8.9 %	10.0 %	<b>6.7 %</b>	<b>10.4 %</b>
EBITDA	541.0	408.0	476.0	<b>374.1</b>	<b>617.7</b>	EBIT (adj.)-%	8.8 %	6.0 %	7.5 %	<b>6.5 %</b>	<b>8.1 %</b>
Change in working capital	-235.0	469.0	-254.2	<b>-59.6</b>	<b>-63.9</b>	EBIT-%	7.0 %	5.1 %	6.6 %	<b>2.5 %</b>	<b>8.1 %</b>
Operating cash flow	152.5	770.9	118.5	<b>235.8</b>	<b>401.6</b>	ROE-%	9.0 %	5.9 %	8.7 %	<b>2.4 %</b>	<b>14.3 %</b>
CAPEX	-329.0	-73.0	-286.0	<b>-147.0</b>	<b>-144.4</b>	ROI-%	11.2 %	6.7 %	8.4 %	<b>3.9 %</b>	<b>13.9 %</b>
Free cash flow	-155.5	695.9	-137.5	<b>88.8</b>	<b>257.2</b>	Equity ratio	41.4 %	37.8 %	37.5 %	<b>37.5 %</b>	<b>38.3 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	30.6 %	18.7 %	30.2 %	<b>34.3 %</b>	<b>30.0 %</b>
EV/S	1.3	1.1	1.7	<b>0.8</b>	<b>0.8</b>						
EV/EBITDA (adj.)	12.2	12.9	16.9	<b>12.4</b>	<b>7.4</b>						
EV/EBIT (adj.)	14.5	19.1	22.5	<b>12.8</b>	<b>9.6</b>						
P/E (adj.)	20.7	29.7	31.0	<b>14.1</b>	<b>12.2</b>						
P/E	2.4	2.2	3.2	<b>1.8</b>	<b>1.7</b>						
Dividend-%	4.9 %	2.5 %	1.9 %	<b>5.0 %</b>	<b>6.3 %</b>						

Source: Inderes

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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 price	Share price
28-10-19	Reduce	9.00 €	9.27 €
27-11-19	Accumulate	10.00 €	9.08 €
20-01-20	Accumulate	12.00 €	10.83 €
31-01-20	Accumulate	12.50 €	11.45 €
26-03-20	Accumulate	7.50 €	6.78 €
22-04-20	Accumulate	7.00 €	6.36 €
20-07-20	Accumulate	8.00 €	7.51 €
26-10-20	Accumulate	8.00 €	7.44 €
21-01-21	Reduce	9.40 €	9.01 €
29-01-21	Reduce	8.70 €	8.11 €
23-04-21	Reduce	10.00 €	10.31 €
21-07-21	Reduce	12.00 €	12.35 €
27-10-21	Accumulate	12.60 €	11.88 €
19-11-21	Accumulate	14.00 €	13.16 €
31-01-22	Accumulate	13.00 €	10.84 €
30-03-22	Accumulate	11.50 €	9.11 €
21-04-22	Accumulate	10.60 €	8.41 €
29-04-22	Accumulate	9.50 €	7.75 €
22-07-22	Accumulate	9.50 €	8.58 €
03-10-22	Buy	8.00 €	6.58 €



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