

Kone

Company report

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Erkki Vesola
+358 50 549 5512
erkki.vesola@inderes.fi

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Coming years rely on the aftermarket

The opportunities offered by digital services and modernization were the two spearheads of KONE's Capital Markets Day and will underpin growth and profitability in the coming years. Our forecast changes are minimal. The stock's valuation has risen to demanding levels again, and there are no significant upside drivers in sight. We reduce our recommendation to the Reduce level (see below) and set the target price at EUR 52.00, which would bring the expected total return close to the required return.

Few stock price drivers presented at CMD

At KONE's Capital Markets Day on September 27, the company presented its new strategy, the most interesting parts of which are the use of digital services to drive growth and earnings improvement, and the opportunities in the growing modernization market. In the area of digital services, KONE aims to bring its entire fleet of serviced elevators online. The share is now around 35%, of which 20 percentage points are already connected to 24/7 services. In digital services, KONE achieved a 10-percentage point higher conversion rate for digital services and a 5-percentage point higher service contract retention rate. This also has the effect of increasing margins, as a trained maintenance worker can be 30% more productive maintaining 24/7 elevators than other elevators. There is a huge opportunity for modernization as 10 million of the world's nearly 25 million elevators are over 15 years old and only 0.3 million lifts are currently being modernized each year. KONE is targeting >10% growth in modernization, and its modernization margin is "not far from the group average" (11% by 2023). Modernizations accounted for 18% of KONE's revenue in Q3'23-Q2'24, with growth of +11% year-on-year.

No specific pressures to change forecasts

KONE had announced its financial targets up to 2027 a little earlier. These were revenue growth of around +5% year-on-year and a comparable EBIT margin of 13-14% in 2027. Growth and earnings improvement will be based on maintenance and modernization, as KONE expects the new equipment market in China to continue to decline in 2025. In contrast, the maintenance market is expected to grow by almost 10% per year and the modernization market by more than 10%. KONE's targeted margin improvement is based on a change in the revenue mix towards more service and modernization-oriented products, as well as more efficient procurement, sales and marketing, and support functions. Our forecast changes remain moderate. Due to KONE's pessimism on China, we have lowered our revenue forecasts for 2025-2026 by -2 to -3%. However, we believe that KONE is well positioned to make progress towards our 2027 targets, and having raised our estimates for both service and especially modernization profitability, our 2025 EBIT margin expectation is now 12.8% (previously 12.4%) and our 2026 forecast is 13.2% (12.7%).

Valuation is again on the tight side

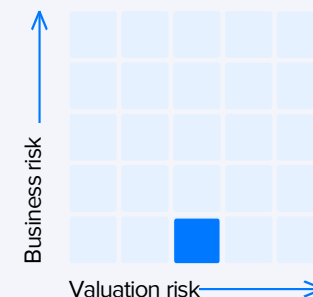
The expected total return of KONE's share is slightly positive with 2025 P/E and EV/EBIT ratios at 4-5% which is below our 7% required return. Based on this, the risk-adjusted expected return for the share isn't currently attractive. The 2025 EV/EBIT and EV/EBITDA are around 5% above the peer median and on either side of the multiples of the main competitors Otis and Schindler. Overall, peer valuation of KONE's share is on the full side. Our DCF model indicates only +2% upside for KONE.

Recommendation

Reduce
(was Accumulate)

EUR 52.00
(was EUR 50.00)

Share price:
53.70



Key figures

	2023	2024e	2025e	2026e
Revenue	10952	11176	11669	12342
growth-%	0%	2%	4%	6%
EBIT adj.	1248.4	1347.4	1490.2	1624.2
EBIT-% adj.	11.4 %	12.1 %	12.8 %	13.2 %
Net income	925.8	1043.8	1155.7	1263.8
EPS (adj.)	1.88	2.02	2.23	2.44

P/E (adj.)	24.0	26.6	24.0	22.0
P/B	8.5	9.6	9.0	8.2
Dividend yield-%	3.9 %	3.4 %	3.5 %	3.9 %
EV/EBIT (adj.)	18.1	20.1	18.0	16.4
EV/EBITDA	15.4	16.6	15.1	13.8
EV/S	2.1	2.4	2.3	2.2

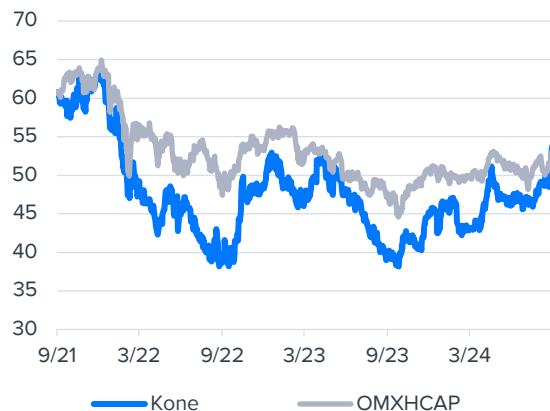
Source: Inderes

Guidance

(Unchanged)

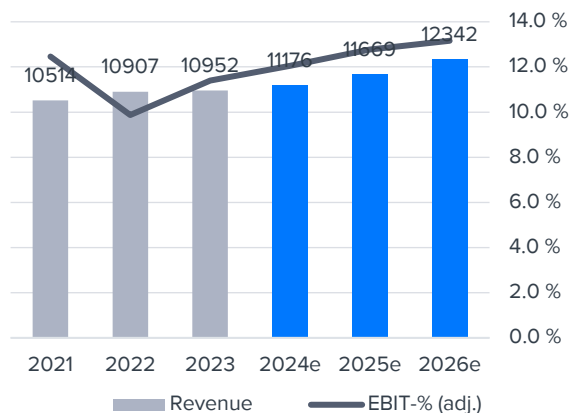
KONE estimates that in 2024, its revenue growth will be in the range of 0 to 4% at comparable exchange rates. The adjusted EBIT margin is expected to be in the range of 11.5-12.2%.

Share price



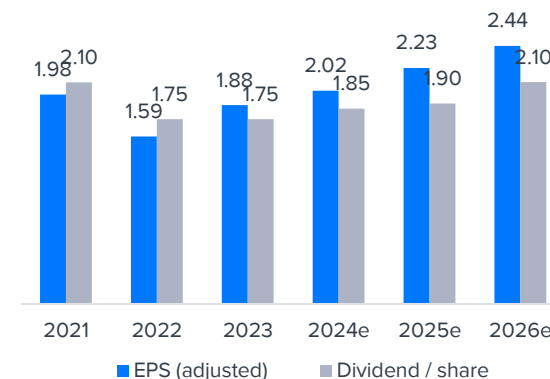
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Demand recovery in the new equipment market
- Growth in the maintenance and modernization markets in China and other Asian countries
- The renewed operating model to support 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
- Standing out with digital services proves difficult

Valuation	2024e	2025e	2026e
Share price	53.7	53.7	53.7
Number of shares, millions	517.2	517.2	517.2
Market cap	27776	27776	27776
EV	27019	26839	26570
P/E (adj.)	26.6	24.0	22.0
P/E	26.6	24.0	22.0
P/B	9.6	9.0	8.2
P/S	2.5	2.4	2.3
EV/Sales	2.4	2.3	2.2
EV/EBITDA	16.6	15.1	13.8
EV/EBIT (adj.)	20.1	18.0	16.4
Payout ratio (%)	91.6 %	84.9 %	85.9 %
Dividend yield-%	3.4 %	3.5 %	3.9 %

Source: Inderes

Few share price drivers presented at CMD

Maintenance and modernization focus

Digital maintenance services, modernizations and the opportunities they offer were the two spearheads of KONE's Capital Markets Day.

New equipment sales are now in the background

At KONE's Capital Markets Day on 27 September, the company presented its new strategy, which is guided by 1) leveraging digital services to drive growth and profit improvement ("Accelerate Digital"); 2) opportunities in the growing modernization market ("Drive Modernization"); 3) consolidating positions in KONE's already strong residential segment ("Win Residential"); and 4) reducing the carbon footprint throughout the value chain ("Cut Carbon"). In our view, the most interesting of these for investors were strategy points 1) and 2).

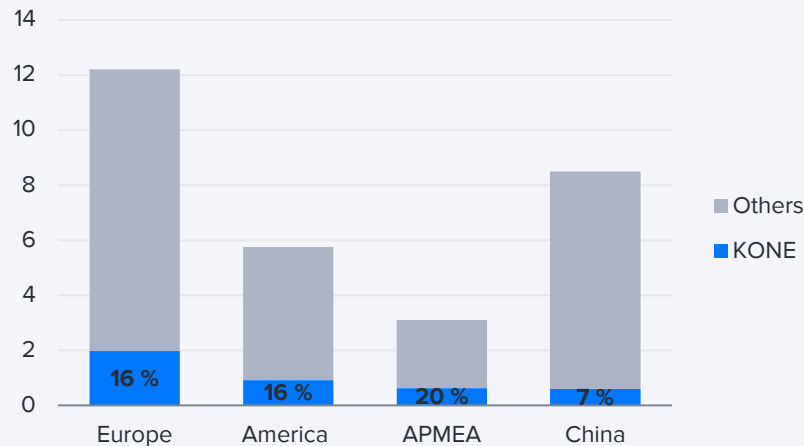
Digital services glue the customer to KONE

In the area of digital services, KONE aims to bring its entire fleet of serviced elevators (now > 1.6 million units) online. The share is now around 35%, of which 20 percentage points are already connected to 24/7 services. In digital services, KONE has achieved a 10-percentage point higher conversion rate (percentage of elevators under service contract out of total new elevator deliveries) and a 5-percentage point higher service contract retention rate. This also has the effect of increasing margins, as a trained maintenance worker can be 30% more productive maintaining 24/7 elevators than other elevators.

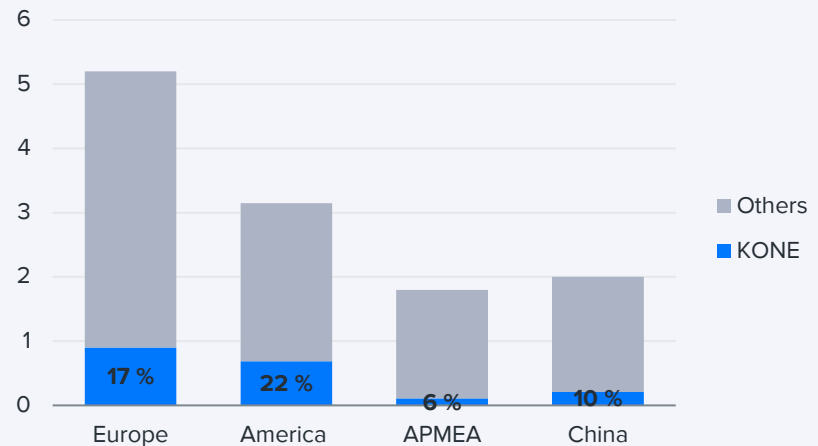
Modernization provides plenty of food for growth

KONE sees a great opportunity in modernization, as 10 million of the world's nearly 25 million elevators are over 15 years old and only 0.3 million elevators are currently modernized each year. KONE will focus its modernization efforts not only on all-inclusive deliveries, but also on partial modernizations with components such as 24/7 connectivity, control and signaling system upgrades, predictive maintenance, and energy-saving solutions. KONE is targeting double-digit growth in modernization, and its modernization margin is "not far from the group average" (11% by 2023). Last year, KONE's addressable market in the modernization market was approximately 12 BNEUR, and KONE's market share was just over 15%. Modernizations accounted for 18% of KONE's revenue in Q3'23-Q2'24, with growth of +11% year-on-year.

Maintenance market 2023, BNEUR



Modernization market 2023, BNEUR



No significant pressure to change forecasts

Growth and profitability from the aftermarket

KONE's growth in both revenue and profitability in the coming years will increasingly depend on maintenance and modernization. Our forecast changes are minimal.

China is not expected to improve next year

KONE had announced its financial targets up to 2027 a little earlier. These were revenue growth of around +5% year-on-year and a comparable EBIT margin of 13-14% in 2027. Growth and profit improvement will be based on maintenance and modernization, as KONE expects the new equipment market in China to continue to decline in 2025, and only a few percent annual growth elsewhere. In contrast, the maintenance market is expected to grow by almost 10% per year and the modernization market by more than 10%.

Multiple drivers for margin improvement

KONE's target margin improvement from 11.5-12.2% in 2024 to 13-14% in 2027 is based on the following drivers: 1) a change in the revenue mix toward a greater focus on maintenance and modernization (+0.5pp impact), and 2) more traditional efficiency improvements in procurement, sales and marketing, and support functions (+1.0pp): In our view, the emphasis could have been different, as KONE says its profitability in modernization has increased by +4 percentage points since 2020.

Revenue forecasts down, margins up

Our forecast changes have remained moderate, although KONE's new strategic focus and the related growth and profitability outlook were very interesting. However, profitability drivers other than the change in revenue mix and the benefits of the ongoing

digitization of the maintenance business remained somewhat isolated. Our forecasts for 2024 were already in line with the guidance prior to the CMD and, after very small revisions, we now expect revenue growth of +2% year-on-year and an EBIT margin of 12.1%, which is near the top of the range. As KONE is also pessimistic about China's prospects for 2025, we have lowered our revenue forecasts for 2025-2026 by 2 to 3%. However, we believe that KONE is well positioned to make progress towards our 2027 targets, and having raised our estimates for both service and especially modernization profitability, our 2025 EBIT margin expectation is now 12.8% (previously 12.4%) and our 2026 forecast is 13.2% (12.7%).

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11287	11176	-1%	11996	11669	-3%	12595	12342	-2%
EBITDA	1649	1631	-1%	1789	1781	0%	1910	1922	1%
EBIT (excl. NRIs)	1363	1347	-1%	1490	1490	0%	1599	1624	2%
EBIT	1363	1347	-1%	1490	1490	0%	1599	1624	2%
PTP	1377	1357	-1%	1507	1504	0%	1621	1645	1%
EPS (excl. NRIs)	2.05	2.02	-1%	2.24	2.23	0%	2.41	2.44	1%
DPS	1.85	1.85	0%	1.90	1.90	0%	2.10	2.10	0%

Source: Inderes

Valuation is again on the tight side

Upside potential eaten up for now

KONE's share price has risen +13% over the past month, and neither the medium-term financial targets nor the Capital Markets Day updates led to any forecast changes that would justify a further increase in the share price. The valuation of the stock has risen again to a rather demanding level by all measures we use. We believe the stock take a breather for some time as no single market or business is expected to provide significant upside. We reduce our recommendation to the Reduce level (prev. Accumulate) and set the target price at EUR 52.00, which would bring the expected total return close to the required return.

Expected total return is not satisfactory

The total expected return on KONE's share (upside potential in the share price based on earnings growth and expected change in valuation multiple plus dividend yield) with 2025 P/E and EV/EBIT ratios is 4-5% which is below our required return of around 7%. Based on this, the risk-adjusted expected return for the share isn't currently attractive.

Multiple-based valuation is on the full side

As KONE has a fair amount of net assets, the EV/EBIT and the EV/EBITDA ratios are better suited than the P/E to assess peer group pricing. The 2025 EV/EBIT and EV/EBITDA are about +5% above the peer group median. The multiples land on either side of those of the main competitors, Otis and Schindler. Overall, peer valuation of KONE's share is on the full side.

The DCF value potential is low

Our DCF model indicates a EUR 55 value for KONE's share to which the upside is only 2%. This bolsters our current cautious investment view.

Valuation	2024e	2025e	2026e
Share price	53.7	53.7	53.7
Number of shares, millions	517.2	517.2	517.2
Market cap	27776	27776	27776
EV	27019	26839	26570
P/E (adj.)	26.6	24.0	22.0
P/E	26.6	24.0	22.0
P/B	9.6	9.0	8.2
P/S	2.5	2.4	2.3
EV/Sales	2.4	2.3	2.2
EV/EBITDA	16.6	15.1	13.8
EV/EBIT (adj.)	20.1	18.0	16.4
Payout ratio (%)	91.6 %	84.9 %	85.9 %
Dividend yield-%	3.4 %	3.5 %	3.9 %

Source: Inderes

ESG

Low taxonomy eligibility

KONE's taxonomy eligibility percentages are low. Most of the company's business (manufacture, maintenance and modernization of elevators and escalators) is not included in taxonomy, as the elevator and escalator industry is not among high emission industries. Of revenue, the manufacture, installation, maintenance and repair of sliding doors, turning doors, revolving doors, turnstiles, rolling doors, express roll-up doors, and tilt-up doors, as well as the manufacture, installation, maintenance and repair of elevators with regenerative machinery are taxonomy eligible. Overall, KONE emphasizes its support for transition to more sustainable urban environments and buildings by offering energy-efficient and innovative solutions and using healthy and sustainable materials. The company has also set ambitious targets for 2030 to reduce greenhouse gas emissions.

Relatively low business risk from a taxonomy regulation perspective

As the proportion of elevators in the total energy consumption in buildings is surprisingly low, we do not believe that the tightening of energy or emissions regulations in the industry poses a significant risk to KONE's business. For the same reason, we do not believe that an increase in the taxonomy percentage is in the interests of either the legislator or operators in the elevator industry.

No significant economic impact so far

We do not yet see, nor do we expect, that taxonomy will have significant economic impact, such as, e.g., significantly lower financing costs.

Scope 1 and scope 2 targets realistic

KONE's climate targets set in 2020 are in line with the 1.5 °C warming scenario. In 2022, in total 85% of the company's scope 1 and scope 2 emissions consisted of emissions from the company's maintenance vehicle fleet and the remaining 15% of emissions from the company's premises. KONE's target by 2030 is a 50% reduction in Scope 1 and Scope 2 emissions compared to the reference year 2018. In addition, the company aims at a 40% reduction in the emissions of materials and energy consumption throughout the life cycle of ordered products (scope 3) in 2030 compared to 2018. We consider the company's Scope 1 and Scope 2 targets realistic, considering, e.g., the ongoing electrification of the maintenance vehicle fleet in the current decade. By contrast, we consider the reduction objective for Scope 3 emissions to be challenging, as it requires a lot of new innovations and investments, as well as energy consumption of elevators remaining at a high level in customer preferences.

Taxonomy eligibility	2022*	2023
Revenue	15 %	44 %
OPEX	0 %	0 %
CAPEX	27 %	17 %

Taxonomy alignment	2022*	2023
Revenue	14 %	14 %
OPEX	0 %	0 %
CAPEX	0 %	0 %

Climate

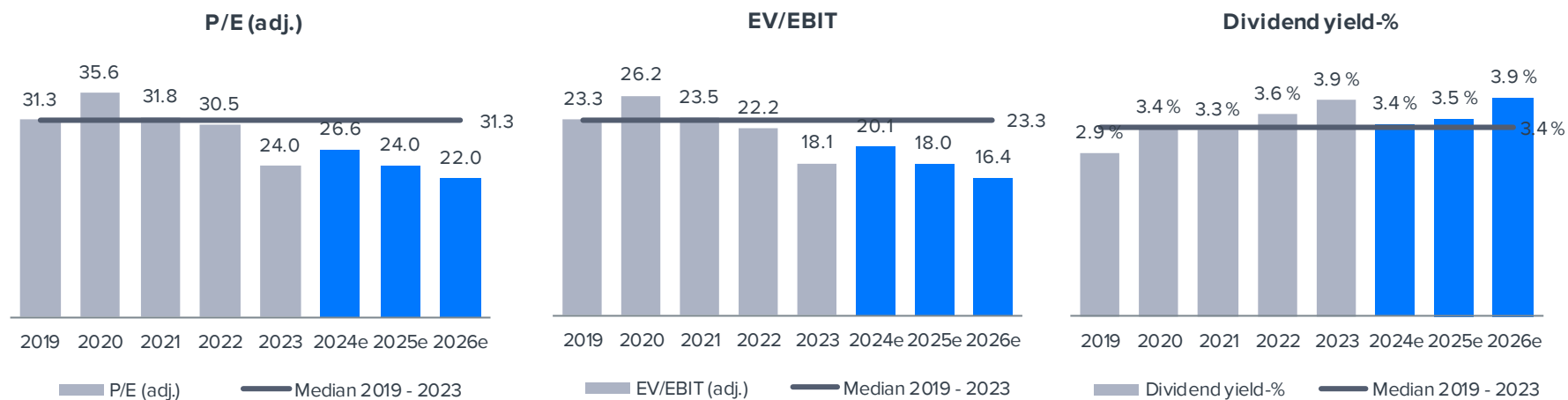
Climate target	Yes
Target according to Paris agreement (1.5 °C warming scenario)	Yes

* Figures are not comparable due to changes in taxonomy.

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	58.3	66.5	63.0	48.3	45.2	53.7	53.7	53.7	53.7
Number of shares, millions	518.4	518.4	518.0	517.1	517.2	517.2	517.2	517.2	517.2
Market cap	30212	34452	32652	24975	23358	27776	27776	27776	27776
EV	28828	32722	30724	23908	22611	27019	26839	26570	26332
P/E (adj.)	31.3	35.6	31.8	30.5	24.0	26.6	24.0	22.0	20.6
P/E	32.4	36.7	32.2	32.2	25.2	26.6	24.0	22.0	20.6
P/B	9.5	10.9	10.3	8.8	8.5	9.6	9.0	8.2	7.6
P/S	3.0	3.5	3.1	2.3	2.1	2.5	2.4	2.3	2.1
EV/Sales	2.9	3.3	2.9	2.2	2.1	2.4	2.3	2.2	2.0
EV/EBITDA	20.1	22.5	20.0	18.5	15.4	16.6	15.1	13.8	13.0
EV/EBIT (adj.)	23.3	26.2	23.5	22.2	18.1	20.1	18.0	16.4	15.3
Payout ratio (%)	94.5 %	124.1 %	107.1 %	116.7 %	97.7 %	91.6 %	84.9 %	85.9 %	90.0 %
Dividend yield-%	2.9 %	3.4 %	3.3 %	3.6 %	3.9 %	3.4 %	3.5 %	3.9 %	4.4 %

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Schindler Holding AG	28086	25189	18.3	16.8	14.7	13.7	2.1	2.0	26.8	24.8	2.2	2.4	5.4
Assa Abloy AB	33733	39694	18.5	17.2	15.4	14.4	3.0	2.9	24.5	22.3	1.7	1.9	3.7
Koninklijke Philips NV	27691	34116	17.2	16.3	11.5	10.3	1.8	1.8	19.7	17.9	3.0	3.0	2.3
Otis Worldwide Corp	37418	43184	20.2	18.8	19.0	17.6	3.4	3.3	27.0	24.7	1.5	1.6	
Ingersoll Rand Inc	35400	38760	23.4	21.5	21.3	19.4	5.9	5.5	29.5	27.1	0.1	0.1	3.6
Johnson Controls International PLC	46137	55743	18.3	17.6	14.4	14.3	2.3	2.3	21.0	19.5	1.9	2.0	3.1
Gree Electric Appliances Inc of Zhuhai	31882	25352	6.0	5.7	5.2	4.9	0.9	0.9	8.0	7.5	5.8	6.3	1.8
Dover Corp	23704	26247	18.3	17.5	15.6	15.1	3.4	3.4	21.1	19.8	1.1	1.1	4.9
Honeywell International Inc	120944	137687	17.4	15.8	15.2	13.9	3.9	3.7	20.5	18.6	2.1	2.3	8.0
Lennox International Inc	19280	20381	23.7	21.2	21.6	19.5	4.5	4.1	29.7	26.3	0.7	0.8	26.6
Melco International Development Ltd	862	8259	19.6	17.1	7.7	7.1	2.0	1.9		12.3	0.2	0.2	50.9
Kone (Inderes)	27776	27019	20.1	18.0	16.6	15.1	2.4	2.3	26.6	24.0	3.4	3.5	9.6
Average			18.3	16.9	14.7	13.7	3.0	2.9	22.8	20.1	1.8	2.0	11.0
Median			18.3	17.2	15.2	14.3	3.0	2.9	22.8	19.8	1.7	1.9	4.3
Diff-% to median			9%	5%	9%	5%	-19%	-19%	17%	21%	102%	91%	122%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	10907	10952	2568	2801	2859	2948	11176	11669	12342	12995
EBITDA	1291	1470	334	405	423	468	1631	1781	1922	2032
Depreciation	-259.3	-269.4	-71.5	-70.6	-70.6	-70.6	-283.3	-290.9	-297.9	-308.6
EBIT (excl. NRI)	1077	1248	262	335	353	398	1347	1490	1624	1723
EBIT	1031	1200	262	335	353	398	1347	1490	1624	1723
Net financial items	-2.7	6.1	3.3	2.2	2.2	2.2	9.9	13.8	20.5	28.0
PTP	1029	1206	266	337	355	400	1357	1504	1645	1751
Taxes	-244.0	-274.6	-59.8	-75.8	-79.9	-90.0	-305.5	-338.5	-370.2	-394.1
Minority interest	-10.0	-5.8	-2.9	-2.4	-1.5	-1.2	-8.0	-9.9	-10.8	-11.5
Net earnings	775	926	203	259	274	309	1044	1156	1264	1346
EPS (adj.)	1.586	1.883	0.392	0.500	0.529	0.597	2.018	2.234	2.443	2.602
EPS (rep.)	1.498	1.790	0.392	0.500	0.529	0.597	2.018	2.234	2.443	2.602
Key figures	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	3.7 %	0.4 %	0.5 %	-1.2 %	4.0 %	4.9 %	2.0 %	4.4 %	5.8 %	5.3 %
Adjusted EBIT growth-%	-17.8 %	16.0 %	8.5 %	0.8 %	11.7 %	10.9 %	7.9 %	10.6 %	9.0 %	6.1 %
EBITDA-%	11.8 %	13.4 %	13.0 %	14.5 %	14.8 %	15.9 %	14.6 %	15.3 %	15.6 %	15.6 %
Adjusted EBIT-%	9.9 %	11.4 %	10.2 %	11.9 %	12.3 %	13.5 %	12.1 %	12.8 %	13.2 %	13.3 %
Net earnings-%	7.1 %	8.5 %	7.9 %	9.2 %	9.6 %	10.5 %	9.3 %	9.9 %	10.2 %	10.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	2899	3085	3143	3163	3196
Goodwill	1415	1469	1500	1500	1500
Intangible assets	208	287	304	293	282
Tangible assets	717	780	792	824	868
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	124	101	114	114	114
Other non-current assets	10.0	9.2	10.3	10.3	10.3
Deferred tax assets	425	439	422	422	422
Current assets	6191	5645	5761	6015	6362
Inventories	844	821	838	875	925
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3377	3127	3191	3331	3524
Cash and equivalents	1970	1698	1732	1809	1913
Balance sheet total	9090	8731	8903	9177	9558

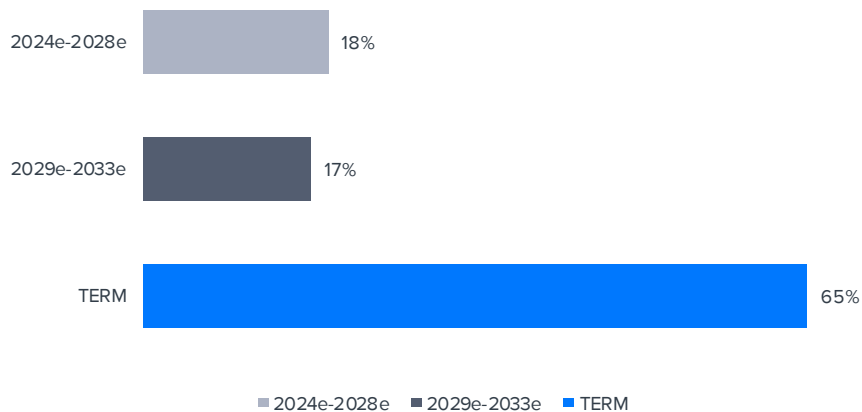
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	2867	2786	2935	3140	3428
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2184	2387	2526	2726	3008
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	586	299	305	305	305
Minorities	29.9	33.9	37.9	42.8	48.2
Non-current liabilities	949	993	948	844	696
Deferred tax liabilities	214	224	225	225	225
Provisions	177	197	193	193	193
Interest bearing debt	558	572	530	426	278
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	5275	4952	5020	5193	5434
Interest bearing debt	104	113	104	83.8	54.7
Payables	5171	4840	4916	5110	5380
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9090	8731	8903	9177	9558

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	0.4 %	2.0 %	4.4 %	5.8 %	5.3 %	4.9 %	4.5 %	4.2 %	3.8 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.0 %	12.1 %	12.8 %	13.2 %	13.3 %	13.8 %	14.1 %	13.6 %	13.1 %	12.8 %	12.5 %	12.5 %
EBIT (operating profit)	1200	1347	1490	1624	1723	1876	2004	2019	2018	2039	2041	
+ Depreciation	269	283	291	298	309	319	331	342	353	363	373	
- Paid taxes	-278.2	-287.3	-338.5	-370.2	-394.1	-430.1	-460.2	-464.5	-465.0	-470.3	-471.5	
- Tax, financial expenses	-8.9	-6.3	-5.7	-4.6	-3.4	-2.4	-1.7	-1.7	-1.7	-1.8	-1.8	
+ Tax, financial income	10.3	8.5	8.8	9.2	9.7	10.2	11.0	11.8	12.5	13.3	14.0	
- Change in working capital	-58.4	-4.2	15.8	27.5	23.3	19.6	15.6	11.4	7.0	2.4	25.3	
Operating cash flow	1134	1341	1462	1584	1667	1793	1899	1917	1923	1945	1980	
+ Change in other long-term liabilities	19.5	-4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-442.0	-357.6	-311.1	-331.3	-344.1	-356.8	-368.8	-379.8	-389.9	-398.9	-407.5	
Free operating cash flow	712	980	1150	1253	1323	1436	1530	1538	1533	1546	1572	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	712	980	1150	1253	1323	1436	1530	1538	1533	1546	1572	35102
Discounted FCFF		963	1056	1074	1059	1073	1068	1002	933	879	834	18625
Sum of FCFF present value		28565	27602	26546	25473	24414	23341	22273	21271	20338	19459	18625
Enterprise value DCF		28565										
- Interest bearing debt		-684.2										
+ Cash and cash equivalents		1698										
-Minorities		-363.3										
-Dividend/capital return		-904.1										
Equity value DCF		28333										
Equity value DCF per share		54.8										

Cash flow distribution

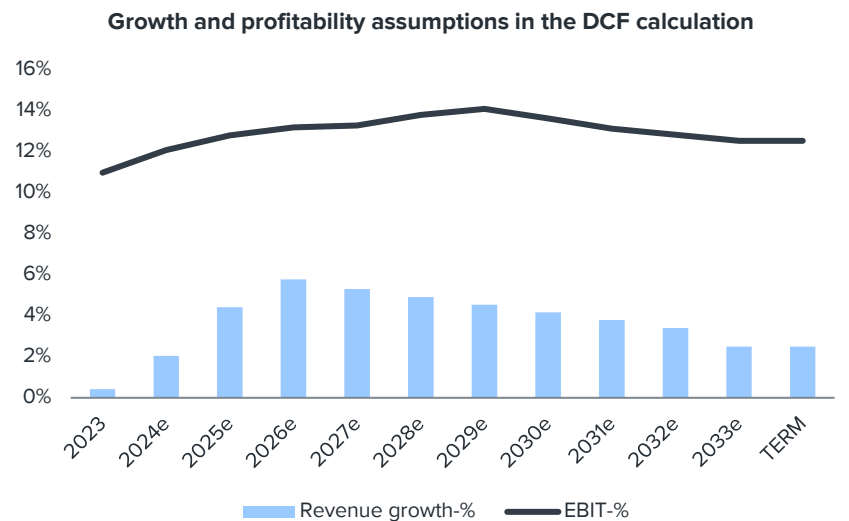
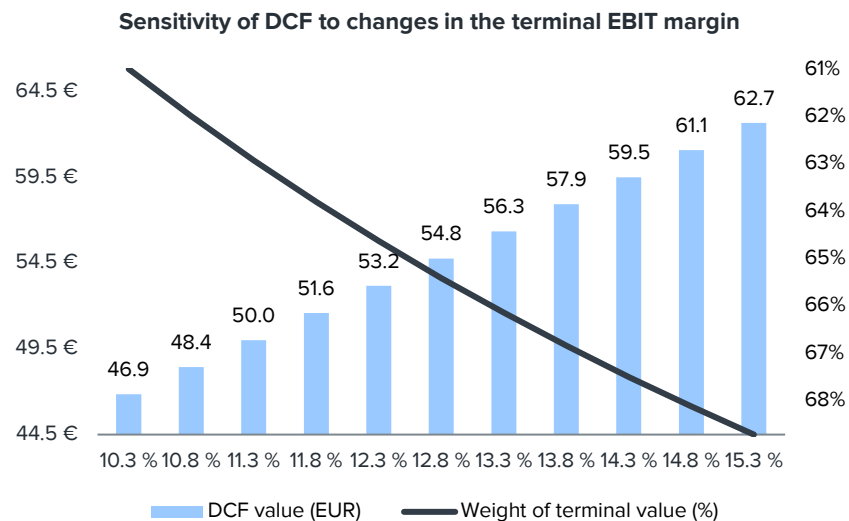
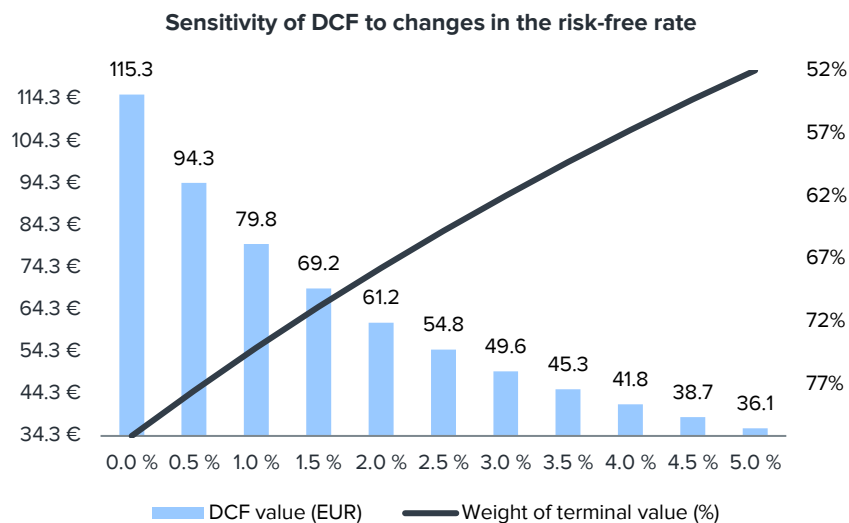
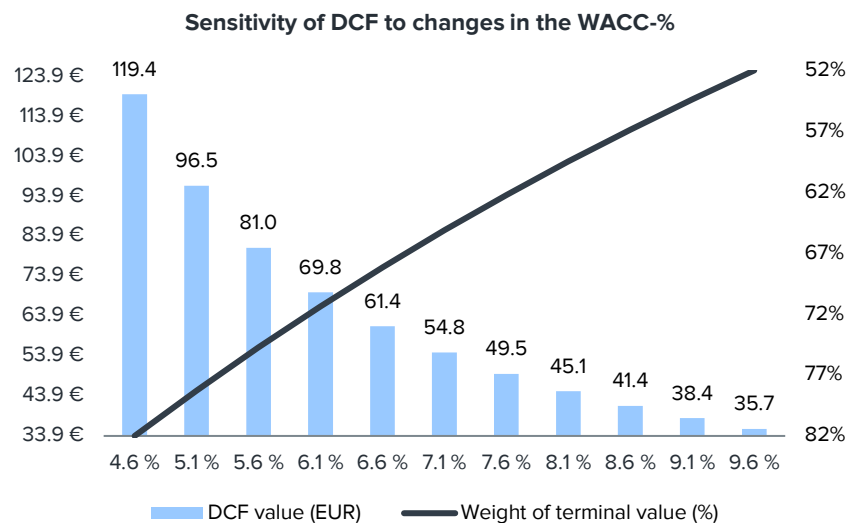


WACC

Tax-% (WACC)	22.5 %
Target debt ratio (D/(D+E))	3.0 %
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)	7.1 %

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	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	10514.1	10906.7	10952.3	11175.8	11668.5	EPS (reported)	1.96	1.50	1.79	2.02	2.23
EBITDA	1539.3	1290.5	1469.5	1630.7	1781.1	EPS (adj.)	1.98	1.59	1.88	2.02	2.23
EBIT	1295.3	1031.2	1200.1	1347.4	1490.2	OCF / share	3.02	0.86	2.19	2.59	2.83
PTP	1320.8	1028.5	1206.2	1357.3	1504.0	FCF / share	2.34	0.51	1.38	1.89	2.22
Net Income	1014.2	774.5	925.8	1043.8	1155.7	Book value / share	6.13	5.49	5.32	5.60	5.99
Extraordinary items	-14.5	-45.4	-48.3	0.0	0.0	Dividend / share	2.10	1.75	1.75	1.85	1.90
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	9720.4	9090.4	8730.8	8903.3	9177.4	Revenue growth-%	6%	4%	0%	2%	4%
Equity capital	3199.2	2866.5	2786.0	2935.5	3140.3	EBITDA growth-%	6%	-16%	14%	11%	9%
Goodwill	1405.2	1414.7	1469.0	1500.0	1500.0	EBIT (adj.) growth-%	5%	-18%	16%	8%	11%
Net debt	-2164.1	-1309.0	-1013.4	-1098.5	-1299.0	EPS (adj.) growth-%	6%	-20%	19%	7%	11%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.6 %	11.8 %	13.4 %	14.6 %	15.3 %
EBITDA	1539.3	1290.5	1469.5	1630.7	1781.1	EBIT (adj.)-%	12.5 %	9.9 %	11.4 %	12.1 %	12.8 %
Change in working capital	364.0	-559.8	-58.4	-4.2	15.8	EBIT-%	12.3 %	9.5 %	11.0 %	12.1 %	12.8 %
Operating cash flow	1563.0	443.4	1134.3	1341.5	1461.5	ROE-%	31.9 %	25.8 %	33.1 %	37.0 %	38.6 %
CAPEX	-349.3	-204.3	-442.0	-357.6	-311.1	ROI-%	34.6 %	28.4 %	35.4 %	39.4 %	42.4 %
Free cash flow	1211.3	264.2	711.8	979.8	1150.4	Equity ratio	41.2 %	40.3 %	40.9 %	42.7 %	44.8 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	-67.6 %	-45.7 %	-36.4 %	-37.4 %	-41.4 %
EV/S	2.9	2.2	2.1	2.4	2.3						
EV/EBITDA	20.0	18.5	15.4	16.6	15.1						
EV/EBIT (adj.)	23.5	22.2	18.1	20.1	18.0						
P/E (adj.)	31.8	30.5	24.0	26.6	24.0						
P/B	10.3	8.8	8.5	9.6	9.0						
Dividend-%	3.3 %	3.6 %	3.9 %	3.4 %	3.5 %						

Source: Inderes

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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	Share price
7/20/2018	Reduce	#####	47.30 €
10/26/2018	Reduce	#####	40.60 €
1/25/2019	Reduce	#####	42.73 €
4/29/2019	Sell	41.00 €	48.90 €
7/19/2019	Sell	41.00 €	51.12 €
10/24/2019	Sell	#####	54.18 €
1/29/2020	Sell	#####	61.02 €
3/24/2020	Sell	#####	46.90 €
4/23/2020	Sell	#####	55.00 €
7/20/2020	Sell	#####	64.28 €
9/23/2020	Sell	#####	73.38 €
10/23/2020	Sell	#####	71.26 €
1/29/2021	Sell	#####	67.08 €
4/30/2021	Sell	#####	66.12 €
7/21/2021	Sell	#####	70.82 €
11/1/2021	Reduce	#####	58.72 €
2/3/2022	Reduce	#####	56.80 €
5/2/2022	Accumulate	#####	46.09 €
7/15/2022	Accumulate	#####	45.85 €
7/22/2022	Accumulate	#####	44.38 €
8/31/2022	Reduce	#####	40.89 €
10/17/2022	Reduce	41.50 €	39.09 €
1/27/2023	Reduce	#####	52.48 €
4/28/2023	Reduce	#####	51.98 €
7/21/2023	Reduce	#####	45.47 €
10/26/2023	Reduce	#####	39.50 €
1/24/2024	Reduce	#####	43.14 €
1/28/2024	Reduce	#####	46.31 €
4/24/2024	Accumulate	#####	45.05 €
7/22/2024	Lisää	#####	46.99 €
9/30/2024	Reduce	#####	53.70 €



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Itämerentori 2

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