

Purmo Group

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Vuosi sai vahvan päätöksen” published on 03/04/2022 at 07:00 am

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Ending the year on a high note

We lower our target price for Purmo Group to EUR 12.5 (previously EUR 16.0) but reiterate our Accumulate recommendation after the company's Q4 report. 2021 was a year of strong growth for Purmo Group, both in terms of the top line and earnings. After a strong year of growth, we expect both net sales and earnings growth to clearly moderate in the coming years due to geopolitical uncertainties, stabilization of market demand and rise in raw material prices. However, we feel the valuation is still moderate relative to the current earnings level and potential.

Solid Q4 report

In Q4, Purmo Group's net sales were growing strongly and exceeded our forecast. Net sales increased by 20% from the comparison period to EUR 223 million. In Q4 growth was supported by strong growth in the Radiators division's net sales (+27%) generated by the sales price increases. The ICS division also grew (+9%) through sales price increases, as sales volumes were constrained by the availability of plastics and electrical components. Despite the growth, earnings decreased from a strong comparison period, but was well above our forecast. In Q4 the adjusted EBITDA was EUR 22.6 million (Q4'20: 23.9 MEUR) while we forecasted EUR 18.4 million. The margin fell to 10.2% y/y (Q4'20: 12.8%), when we expected a margin of 8.9%. The company has been able to compensate for cost pressures and material availability challenges throughout the year. The reported result was affected by non-recurring items of EUR 57.7 million (mainly merger costs), which brought the result well below zero. This didn't have a cash flow effect and the company proposed to distribute a capital return of EUR 0.36 per share to the C-shares (forecast: EUR 0.30).

Initial guidance was good, but the uncertainty cut the legs out from under it

In its initial guidance, Purmo Group expected net sales and earnings to increase. However, due to the uncertainty of the outlook, it doesn't rely on this after clarifications. Thus, we lowered our estimates for the next few years in view of the direct and indirect effects of the geopolitical situation and increased cost pressures. Net sales from conflict areas remain around 5% for Purmo, but indirect economic effects also weaken the outlook. We now expect net sales to decrease this year (2022e: -4%) and the rate of growth being slower in the following years (23-24e avg.: 3%). We expect the result to fall slightly as growth investments, higher raw material prices and the balancing of demand/supply depress margins. We expect adjusted EBITDA to drop by 16% to EUR 88 million in 2022 (adj. EBITDA %: 10.8%). Strategic efficiency measures and slight net sales growth boost profitability in our estimates in 2023-2024, supporting earnings growth. The biggest risks in our estimates are the effects of geopolitical risks, a clear weakening of the market, continuous increases in raw material prices and tighter price competition.

Upside in the valuation

Despite the lowered estimates, we believe that Purmo's valuation is moderate relative to our earnings level estimate (2022e: EV/EBIT: 11x, P/E: 12x). Already at the lower end of our acceptable valuation range (EV/EBIT: 12-14x, P/E: 14-16x) the share would offer an upside of some 10%. We moved the valuation to the lower end of our valuation range as visibility to the company's business has been reduced. Compared to the peers, the company is priced clearly below the median level (-30%) and also offers slight upside. In addition to the upside, the share's annual 3% dividend yield supports the expected return. Risks have increased around the share lately, but we believe that the return/risk ratio is currently attractive.

Recommendation

Accumulate

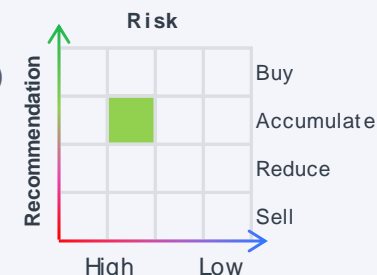
(previous Accumulate)

EUR 12.50

(previous EUR 16.00)

Share price:

10.90



Key figures

	2021	2022e	2023e	2024e
Net sales	843.6	811.0	831.0	862.0
growth-%	26%	-4%	2%	4%
EBITDA adj.	103.7	87.6	95.6	103.4
EBITDA-% adj.	12.3 %	10.8 %	11.5 %	12.0 %
Net Income	-18.9	37.7	44.4	50.7
EPS (adj.)	1.76	0.92	1.08	1.24

P/E (adj.)	8.1	11.9	10.1	8.8
P/B	1.5	1.1	1.0	0.9
Dividend yield-%	2.5 %	3.4 %	3.7 %	3.9 %
EV/EBIT (adj.)	11.1	11.2	9.3	7.9
EV/EBITDA	7.9	7.3	6.3	5.5
EV/S	1.0	0.8	0.7	0.7

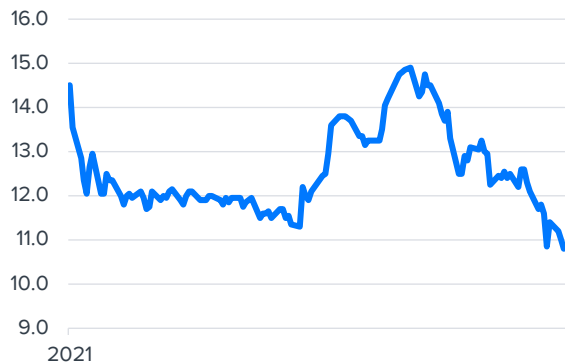
Source: Inderes

Guidance

(New guidance)

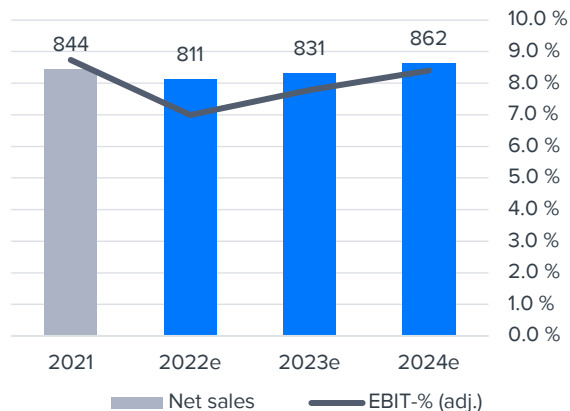
No guidance

Share price



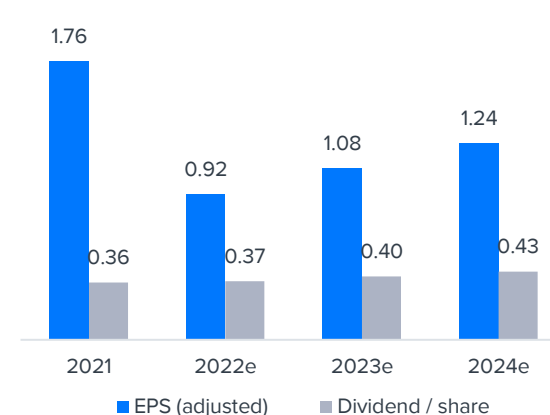
Source: Thomson Reuters

Net sales and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong organic growth faster than market growth
- Sustainable profitability improvement toward higher levels
- Good potential for return on capital
- Growing market with strong megatrends
- One of the largest product portfolios on the market
- Strong global brands
- Leading player on key markets
- Sustainable development, renovation debt, digitalization support the growth outlook of the market
- Acquisitions to support organic growth



Risk factors

- The industry is dependent on construction cycles, especially in housing construction
- Distribution is dependent on large wholesale customers
- Controlling strong growth
- Capacity management and successful growth investment
- Challenges and bottlenecks in global supply chains
- Price competition on the market and possible difficulties in increasing sales prices
- Cost pressures for raw materials and other materials

Valuation	2022e	2023e	2024e
Share price	10.9	10.9	10.9
Number of shares, million:	41.0	41.0	41.0
Market cap	447	447	447
EV	638	604	573
P/E (adj.)	11.9	10.1	8.8
P/B	1.1	1.0	0.9
P/S	0.6	0.5	0.5
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.3	6.3	5.5
EV/EBIT (adj.)	11.2	9.3	7.9
Payout ratio (%)	40.3 %	37.0 %	34.8 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

Result beat the forecasts

Strong growth in net sales

In Q4, Purmo Group's net sales were growing strongly and exceeded our forecast. Net sales increased by 20% from the comparison period to EUR 223 million (Q4'20: 186 MEUR), when we expected EUR 206 million of net sales. The growth in Q4 was supported by strong growth in the Radiators division's net sales (+27%). According to the company, the organic sales volumes were below the level of the comparison period, but the company has apparently been able to increase its sales prices. The growth of the ICS division (+9%) was also driven by sales price increases, as sales volumes were constrained by the availability of plastics and electrical components.

Net sales for the whole financial year grew strongly by 26% to ca. EUR 844 million. The growth in 2021 was driven by strong demand for Purmo Group products and successful supply chain management, despite the shortage of certain raw materials and

components. Purmo has also been able to make the necessary price increases due to the rapidly rising raw material prices on the market, which indicates the company's pricing power. In 2021, the market has also recovered from the COVID-caused slump, which partly explains the strong growth rates, but also stabilizes the market demand when moving forward.

Earnings level down from the comparison period

Despite strong net sales growth, earnings decreased from a strong comparison period, but was well above our forecast. In Q4 the adjusted EBITDA was EUR 22.6 million (Q4'20: 23.9 MEUR) while we forecasted EUR 18.4 million. The margin fell to 10.2% y/y (Q4'20: 12.8%), when we expected a margin of 8.9%. The ICS division's result improved (12%), but the Radiators division's decreased (-9%). In the ICS division, the availability of raw materials and electrical components deteriorated, which was reflected in the result. The increase in raw material prices (in particular steel) had a negative impact on the

Radiators division and couldn't be fully covered. Raw material prices have continued to increase (or stayed at high level) in the early part of the year, so in that area the outlook has remained challenging. The reported result was affected by non-recurring items of EUR 57.7 million (mainly merger costs), which brought the result well below zero. This didn't have a cash flow effect and the company proposed to distribute a capital return of EUR 0.36 per share to the C-shares (forecast: EUR 0.30). The founder shares (F-shares) will receive EUR 0.07 per share.

However, throughout the year, the company has been able to manage well the increased cost pressures and supply chain challenges. Thanks to it, the adjusted EBITDA grew to EUR 104 million in 2021 (2020: 85 MEUR) exceeding the guidance in a clear manner (over 97 MEUR). Profitability has also been supported by the company's efficiency improvement program (PGUp), which aims to make the savings of the COVID period permanent.

Estimates	Q1'20	Q1'21	Q1'21e	Q1'21e	Consensus		Difference (%)	2021e
	MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Net sales	186	223	206				8%	827
EBITDA (adj.)	23.9	22.6	18.4				23%	99.5
EBIT	9.0	-41.9	9.0				-566%	55.2
PTP	7.2	-44.6	7.0				-737%	44.2
EPS (reported)	0.25	-1.58	0.14				-1229%	1.05
DPS	-	0.36	0.30				20%	0.30
Net sales growth-%	-	19.6 %	10.7 %				8.9 pp	25.7 %
EBITDA-% (adj.)	12.8 %	10.2 %	8.9 %				1.2 pp	12.0 %

Source: Inderes

Outlook is uncertain

Guidance shows the present uncertainty

In the report, a lot of interest was on the outlook which is now obscured by uncertainty due to geopolitical circumstances. The company commented that the outlook for the Russian business had deteriorated as expected, but its overall share of the company's business is still very small. The company's net sales from Russia are less than 5% and from Ukraine less than 1%. Less than 3% of company assets are in these countries. However, it's now extremely difficult to operate in these countries and the situation is monitored at group level. There will be some impact, which is why we also lowered our forecasts. However, even the worst scenarios would not have a significant impact on the company in the longer term. Be as it may, the continuation of the company's Russian factory and business operations is still up in the air and the company's growth plans in Russia in particular face clear challenges.

The guidance was interesting

In its report, Purmo Group issued an initial guidance for 2022. However, given the geopolitical situation, the company doesn't rely on it. Net sales and adjusted EBITDA were expected to increase in 2022 from the comparison period without acquisitions, but due to the escalation in geopolitical circumstances no official guidance was issued now. The report didn't immediately confirm this, but it was clarified during the company's Q4 webcast.

The initial guidance was even better we had expected, but we see that recently the operating environment has clearly deteriorated. Cost pressures are continuing, delivery challenges are a hot topic,

and the escalation of the geopolitical situation added a margin of security to our forecasts.

We lowered our estimates due to the outlook

Given the outlook and geopolitical uncertainties, we lowered our forecasts clearly for the coming years. The geopolitical situation directly undermines the company's business, but it can also have indirect effects. However, after moderating in 2022, we expect that growth will continue.

2022 contains great uncertainties

In 2022, Purmo's initial guidance was that the company's net sales and result will improve in 2022, but due to the uncertain outlook, it doesn't formally rely on it. We now estimate net sales to decrease by 4% to EUR 811 million in 2022 and the adjusted EBITDA to drop to EUR 88 million.

The decline in net sales is affected by the weakening growth in the operating countries (Ukraine and Russia about 5% of net sales) due to the geopolitical situation, as well as its indirect

economic effects and more moderate volumes for the products. Net sales are positively affected by the increased sales prices of the products and the Thermotech acquisition made at the beginning of 2022. We expect the result to fall significantly in 2022 as growth investments, higher raw material prices and the balancing of demand/supply depresses margins.

The biggest risks in our estimates are the effects of geopolitical risks, a clear weakening of the market, an increase in raw material prices and tighter price competition.

Toward a more normal operating environment in 2023

In 2023, we expect the company to return to a more normal operating environment and to grow its net sales by 2.5% to EUR 831 million. However, we believe that the market situation will be more

moderate, for example, compared to 2021. In 2024, we expect the market situation to pick up and net sales to grow by about 4% and amount to EUR 862 million.

We expect the profitability margins to start improving again in 2023 and further in 2024. We believe that the front-loaded costs from growth investments will no longer affect profitability, the efficiency program in line with the strategy progresses, and the price pressure on the market lightens, which will help Purmo improve its margins. We estimate that the adjusted EBITDA margin will increase to around 11.5% in 2023 and further to some 12.0% in 2024 supported by volume growth.

Estimate revisions	2022e		Change	2023e		Change	2024e		Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Revenue	851	811	-5%	854	831	-3%	882	862	-2%
EBITDA	97.0	87.6	-10%	102	95.6	-7%	110	103	-6%
EBIT (exc. NRIs)	64.7	56.7	-12%	71.1	64.7	-9%	78.8	72.4	-8%
EBIT	64.7	56.7	-12%	71.1	64.7	-9%	78.8	72.4	-8%
PTP	55.1	47.1	-15%	61.9	55.5	-10%	69.8	63.4	-9%
EPS (excl. NRIs)	1.08	0.92	-15%	1.22	1.08	-11%	1.37	1.24	-10%
DPS	0.40	0.37	-8%	0.45	0.40	-11%	0.50	0.43	-14%

Source: Inderes

Valuation

We price Purmo primarily through earnings-based valuation multiples. We prefer the EV/EBIT multiple and the P/E multiple. In addition, we compare the valuation to an extensive global peer group. We discussed Purmo's potential value if its financial targets were realized in [a recent extensive report](#).

Acceptable valuation range

In the extensive report, we have assessed Purmo's acceptable valuation range through the historical valuation of peers. Given Purmo's highly growth-oriented nature and earnings growth potential our acceptable valuation range is EV/EBIT: 12-14X and P/E 14-16x. There is upside in the multiples if the company continues to grow and improves its profitability towards the objectives. However, multiples can also decline quickly if the earnings level falls below expectations.

Absolute multiples

For 2022, the valuation is moderate (2022e: adj. EV/EBIT 11x, adj. P/E: 12) and offers an upside to our acceptable levels. In 2023, the valuation drops (2023e: adj. EV/EBIT 9x, adj. P/E: 10) to an even more attractive level. Considering 2022 estimates and the lower end of the valuation range we accept (EV/EBIT: 12x, P/E: 14x) the share would offer an upside of around 10%. We are now relying on the lower end of our acceptable range due to low visibility and higher risk levels. As the growth outlook improves and the uncertainty in the market disperses, we could even rely more firmly on the upper end of our valuation range.

We expect a growing dividend from the company over the next few years. We do not feel the dividend is a key driver for the share yet, but it supports the expected return slightly. For the next few years, the

dividend yield is moderate at about 3%.

Peer group

Purmo has a reasonably good peer group available from European listed companies in the industry. The median 2022e EV/EBIT ratio for the peer group is around 14x while the corresponding P/E ratio is some 18x. This is about 30% over Purmo's 2022 valuation level, being very high above compared to Purmo. Most peers are larger global players and the best peers have also had stronger historic growth and profitability than Purmo.

Due to the company's development stage and smaller size, we are still applying a discount of around 20% to the peer group median. Even with a 20% discount, there's an upside to the peer group valuation.

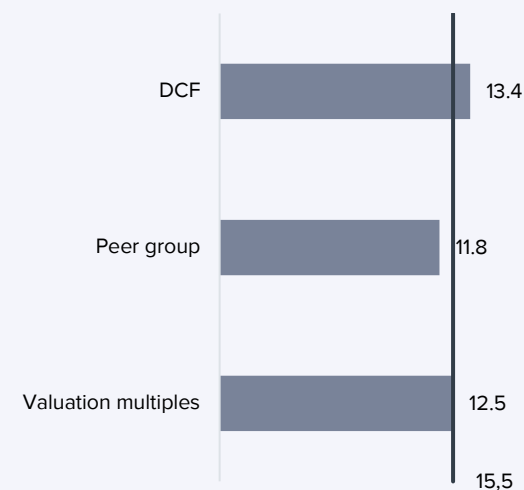
DCF valuation

The value of the share in our DCF model is EUR 13.4 with moderate expectations relative to the company's objectives. In our model, the company's revenue growth will stabilize at 2% in the terminal period after stronger medium-term growth, and the EBIT margin will be 8% of revenue. This corresponds with an EBITDA margin of some 11% using our estimates. The average cost of capital (WACC) used is 9.0% and the cost of equity is 12.6%.

Valuation	2022e	2023e	2024e
Share price	10.9	10.9	10.9
Number of shares, million:	41.0	41.0	41.0
Market cap	447	447	447
EV	638	604	573
P/E (adj.)	11.9	10.1	8.8
P/B	1.1	1.0	0.9
P/S	0.6	0.5	0.5
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.3	6.3	5.5
EV/EBIT (adj.)	11.2	9.3	7.9
Payout ratio (%)	40.3 %	37.0 %	34.8 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

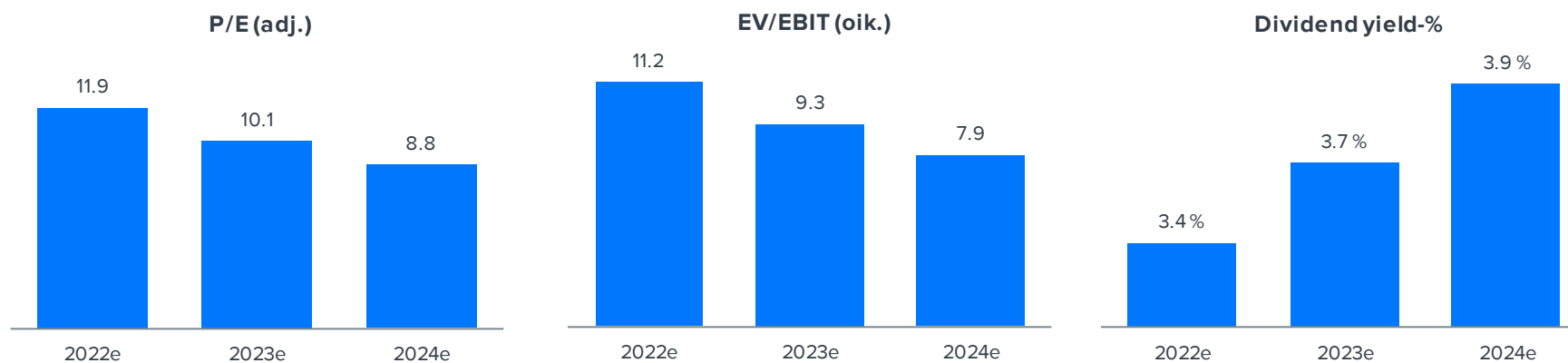
Target price formation



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price					14.2	10.9	10.9	10.9	10.9
Number of shares, millions					29.2	41.0	41.0	41.0	41.0
Market cap					577	447	447	447	447
EV					817	638	604	573	547
P/E (adj.)					8.1	11.9	10.1	8.8	8.3
P/B					1.5	1.1	1.0	0.9	0.9
P/S					0.7	0.6	0.5	0.5	0.5
EV/Sales					1.0	0.8	0.7	0.7	0.6
EV/EBITDA					7.9	7.3	6.3	5.5	5.1
EV/EBIT (adj.)					11.1	11.2	9.3	7.9	7.2
Payout ratio (%)					neg.	40.3 %	37.0 %	34.8 %	35.0 %
Dividend yield-%					2.5 %	3.4 %	3.7 %	3.9 %	4.2 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Nibe Industrier AB	87.88	14634	15092	34.8	30.4	26.2	23.7	4.9	4.4	50.2	44.2	0.6	0.7	7.5
Aalberts NV	47.80	5288	5817	13.3	12.0	9.3	8.5	1.9	1.8	16.7	15.5	1.9	2.1	2.4
Lindab International AB	229.00	1686	1813	13.8	12.5	10.4	9.4	1.7	1.6	17.6	16.5	2.7	2.8	2.8
Systemair AB	74.50	1447	1598	21.7	17.7	15.1	13.0	2.0	1.8	24.3	20.7	1.2	1.4	4.0
Genuit Group PLC	494.50	1470	1710	14.3	11.9	11.3	9.6	2.4	2.1	14.9	14.5	2.7	2.7	1.8
Uponor Oyj	18.87	1382	1471	8.9	8.2	6.9	6.4	1.1	1.0	12.7	11.9	4.1	4.7	2.9
Arbonia AG	18.84	1281	1188	17.4	14.6	8.7	8.0	1.0	1.0	24.4	20.9	1.8	2.1	1.3
Volution Group PLC	480.00	1139	1253	16.1	14.6	14.2	12.8	3.4	3.1	20.2	19.5	1.4	1.5	
Zehnder Group AG	78.50	750	645	11.0	9.2	8.3	7.0	1.1	0.9	15.7	13.6	2.4	2.7	2.4
Purmo Group (Inderes)	10.90	447	638	11.2	9.3	7.3	6.3	0.8	0.7	11.9	10.1	3.4	3.7	1.1
Average				16.8	14.6	12.3	10.9	2.1	2.0	21.9	19.7	2.1	2.3	3.1
Median				14.3	12.5	10.4	9.4	1.9	1.8	17.6	16.5	1.9	2.1	2.6
Diff-% to median				-22%	-26%	-30%	-33%	-59%	-59%	-32%	-39%	75%	75%	-58%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2020	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Net sales	671	844	209	195	200	207	811	831	862	896
EBITDA	71.9	33.7	20.6	20.1	23.2	23.6	87.6	95.6	103.4	107.4
EBITDA (adj.)	85.1	103.7	20.6	20.1	23.2	23.6	87.6	95.6	103.4	107.4
Depreciation	-29.9	-30.2	-7.2	-7.4	-8.1	-8.2	-30.9	-30.9	-31.1	-31.2
EBIT	42.0	3.5	13.4	12.7	15.1	15.4	56.7	64.7	72.4	76.2
Net financial items	-10.1	-8.6	-2.2	-2.3	-2.5	-2.6	-9.6	-9.2	-9.0	-8.7
PTP	31.9	-5.1	11.2	10.4	12.6	12.8	47.1	55.5	63.4	67.5
Taxes	-6.6	-13.7	-2.2	-2.1	-2.5	-2.6	-9.4	-11.1	-12.7	-13.5
Minority interest	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	24.9	-18.9	8.9	8.4	10.1	10.3	37.7	44.4	50.7	54.0
EPS (adj.)	0.94	1.76	0.22	0.20	0.25	0.25	0.92	1.08	1.24	1.32
EPS (rep.)	0.61	-0.65	0.22	0.20	0.25	0.25	0.92	1.08	1.24	1.32

Key figures	2020	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Net sales growth-%	-3.7 %	25.7 %	-	-	-	-7.1 %	-3.9 %	2.5 %	3.7 %	4.0 %
Adjusted EBITDA growth-%	31.0 %	21.8 %	-	-	-	4.6 %	-15.5 %	9.1 %	8.2 %	3.8 %
EBITDA-%	10.7 %	4.0 %	9.8 %	10.4 %	11.6 %	11.4 %	10.8 %	11.5 %	12.0 %	12.0 %
Adjusted EBITDA-%	12.7 %	12.3 %	6.4 %	6.5 %	11.6 %	11.4 %	10.8 %	11.5 %	12.0 %	12.0 %
Net earnings-%	3.7 %	-2.2 %	4.3 %	4.3 %	5.0 %	5.0 %	4.6 %	5.3 %	5.9 %	6.0 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	596	602	596	594	593
Goodwill	365	369	369	369	369
Intangible assets	38.0	36.3	34.5	33.0	31.5
Tangible assets	164	163	165	167	169
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	3.1	7.2	7.0	7.0	7.0
Deferred tax assets	25.5	26.5	20.0	18.0	16.0
Current assets	240	444	419	414	423
Inventories	105	157	138	137	142
Other current assets	26.7	31.7	30.0	30.0	30.0
Receivables	53.1	77.1	81.1	83.1	86.2
Cash and equivalents	55.0	178	170	163	164
Balance sheet total	836	1046	1015	1008	1015

Source: Inderes

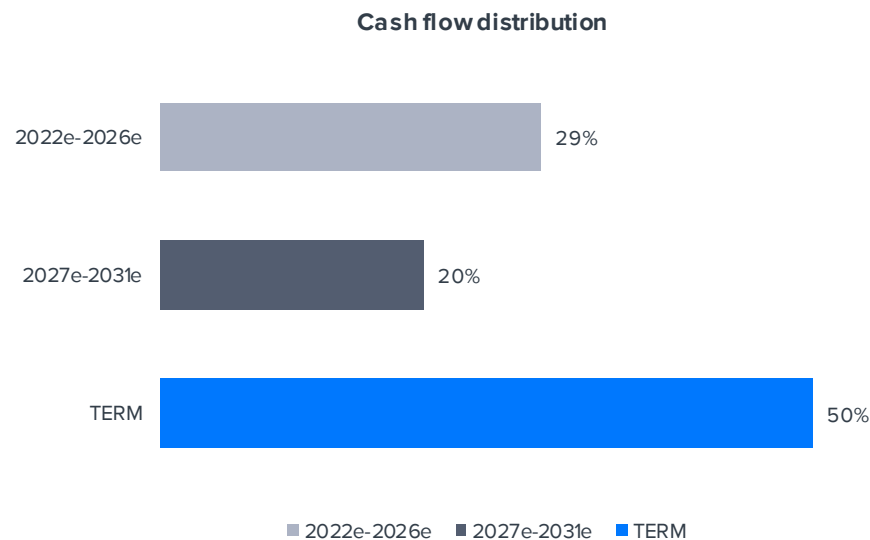
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	517	391	414	443	477
Share capital	0.0	3.1	3.1	3.1	3.1
Retained earnings	25.1	6.6	29.6	58.8	93.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	490	381	381	381	381
Minorities	1.8	0.0	0.0	0.0	0.0
Non-current liabilities	70.7	351	355	315	295
Deferred tax liabilities	3.9	2.6	2.6	2.6	2.6
Provisions	7.3	7.6	7.6	7.6	7.6
Long term debt	29.7	316	320	280	260
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	29.8	24.7	24.7	24.7	24.7
Current liabilities	248	304	246	250	243
Short term debt	100	101	40.0	40.0	30.0
Payables	142	192	195	195	198
Other current liabilities	6.1	11.7	11.7	15.0	15.0
Balance sheet total	836	1046	1015	1008	1015

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	3.5	56.7	64.7	72.4	76.2	74.2	76.5	78.4	79.9	81.5	83.2	
+ Depreciation	30.2	30.9	30.9	31.1	31.2	31.3	31.4	31.5	31.5	31.6	31.6	
- Paid taxes	-16.0	-2.9	-9.1	-10.7	-13.5	-13.2	-13.7	-14.1	-14.4	-14.7	-15.1	
- Tax, financial expenses	-1.7	-1.9	-1.8	-1.8	-1.7	-1.7	-1.6	-1.6	-1.6	-1.6	-1.6	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-25.2	19.9	2.7	-5.2	-10.2	-1.4	-1.3	-1.1	-0.9	-0.9	-0.9	
Operating cash flow	-9.3	103	87.3	85.7	82.0	89.3	91.3	93.1	94.6	95.9	97.2	
+ Change in other long-term liabilities	-4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-35.4	-31.0	-31.2	-31.2	-31.2	-31.2	-31.2	-31.2	-31.2	-31.2	-33.2	
Free operating cash flow	-49.5	71.6	56.1	54.5	50.8	58.1	60.1	61.9	63.4	64.7	64.0	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-49.5	71.6	56.1	54.5	50.8	58.1	60.1	61.9	63.4	64.7	64.0	929
Discounted FCFF		66.7	47.9	42.7	36.5	38.3	36.3	34.3	32.2	30.2	27.4	397
Sum of FCFF present value		790	723	675	632	596	558	521	487	455	425	397
Enterprise value DCF		790										
- Interesting bearing debt		-417.0										
+ Cash and cash equivalents		178										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		550										
Equity value DCF per share		13.4										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	35.0 %
Cost of debt	3.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	3.00%
Risk free interest rate	2.0 %
Cost of equity	12.6 %
Weighted average cost of capital (WACC)	9.0 %

Source: Inderes



Summary

Income statement	2022e	2023e	Per share data	2022e	2023e
Revenue	811.0	831.0	EPS (reported)	0.92	1.08
EBITDA	87.6	95.6	EPS (adj.)	0.92	1.08
EBIT	56.7	64.7	OCF / share	2.50	2.13
PTP	47.1	55.5	FCF / share	1.74	1.37
Net Income	37.7	44.4	Book value / share	10.08	10.79
Extraordinary items	0.0	0.0	Dividend / share	0.37	0.40
Balance sheet	2022e	2023e	Growth and profitability	2022e	2023e
Balance sheet total	1014.9	1008.0	Revenue growth-%	-4%	2%
Equity capital	413.6	442.8	EBITDA growth-%	160%	9%
Goodwill	369.2	369.2	EBIT (adj.) growth-%	-23%	14%
Net debt	190.1	156.5	EPS (adj.) growth-%	-48%	18%
Cash flow	2022e	2023e	EBITDA-%	10.8 %	11.5 %
EBITDA	87.6	95.6	EBIT (adj.)-%	7.0 %	7.8 %
Change in working capital	19.9	2.7	EBIT-%	7.0 %	7.8 %
Operating cash flow	102.6	87.3	ROE-%	9.4 %	10.4 %
CAPEX	-31.0	-31.2	ROI-%	7.2 %	8.4 %
Free cash flow	71.6	56.1	Equity ratio	40.8 %	43.9 %
			Gearing	46.0 %	35.3 %
Valuation multiples	2022e	2023e			
EV/S	0.8	0.7			
EV/EBITDA (adj.)	7.3	6.3			
EV/EBIT (adj.)	11.2	9.3			
P/E (adj.)	11.9	10.1			
P/B	1.1	1.0			
Dividend-%	3.4 %	3.7 %			

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 price	Share price
1/5/2022	Accumulate	16.00 €	14.80 €
3/4/2022	Accumulate	12.50 €	10.90 €



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