

HEXAGON AB

2/3/2025 8.00 am EET



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COMPANY REPORT



Organic growth recovery already priced in

Hexagon reported a solid Q4, although organic growth remained low as expected. Recurring revenue continued to grow well, driven by SaaS, and profitability slightly exceeded market expectations. The company's guidance and general macroeconomic indicators suggest that cyclical demand will remain soft in early 2025, which slightly increases the uncertainty around the timing of the expected recovery in organic growth, which we expect to occur gradually towards the end of the year. Increased valuation multiples don't leave room for upside, which is why we reiterate our Reduce recommendation with an increased price target of SEK 125 (was 120).

Profitability slightly above expectations in Q4 report

Growth remained subdued in Q4 due to weak hardware sales and, to some extent, low demand in key industries such as construction and automotive in EMEA and North America. Organic growth of 1% year-on-year was in line with our estimate, although revenue beat consensus by almost 3%. Recurring revenue such as software grew well at 7% year-on-year, continuing a similar positive trend seen in previous quarters. Profitability and cash flow were bright spots in the report, with Q4 adj. EBIT beating our estimate by 3% and the consensus by 5%. The year-end net debt of 3.2 BNEUR was 170 MEUR lower than our estimate due to the strong cash conversion in Q4. The company's dividend proposal of EUR 0.14 based on 2024 earnings was in line with our estimate and slightly above consensus (EUR 0.13), which could either reflect management's confidence in future earnings growth or the lack of attractive acquisition opportunities ahead.

Growth assumed to recover gradually in 2025

Hexagon stated that it expects market conditions to remain unchanged in Q1, which we believe means low organic growth

will continue in the short term. We expect growth to gradually pick up and estimate organic growth of 5-6% for 2025-26. However, our 2025 organic growth estimates are significantly skewed towards H2 and our Q1 organic growth estimate is only 3%. However, total 2025e revenue growth (9%) is boosted by 3.4pp from the FX changes (mainly stronger USD) and 1.5pp from recent acquisitions. We also expect profitability to continue to improve, supported by a higher proportion of high-margin products such as software. We have raised our 2025-26 adjusted EBIT estimates by 3% due to slightly better-than-expected profitability in the Q4 report and the recently volatile FX-rates.

Risk/reward not attractive anymore

Hexagon currently trades at an adjusted EV/EBIT multiple of 18x for 2025e and 16.5x for 2026e. We believe that 18x is a fair valuation multiple for this diversified, value-creating, high-quality technology company. Current valuation levels no longer offer attractive return expectations, we argue, as our current estimates and fair valuation assumptions would imply a return of only 6% p.a. over the next two years. We also see a risk that the challenges in key industries such as construction and automotive will last longer than expected, which would likely lead to a delayed recovery in organic growth. The likely spin-off of Asset Lifetime Intelligence and related businesses could be a valuation driver in 2025. However, we don't see any obvious valuation upside in the spin-off scenario unless the company can demonstrate that the move will actually help it grow faster over the long term.

Recommendation

Reduce

(was Reduce)

Target price:

SEK 125

(was SEK 120)

Share price:

SEK 129.60

Business risk



Valuation risk



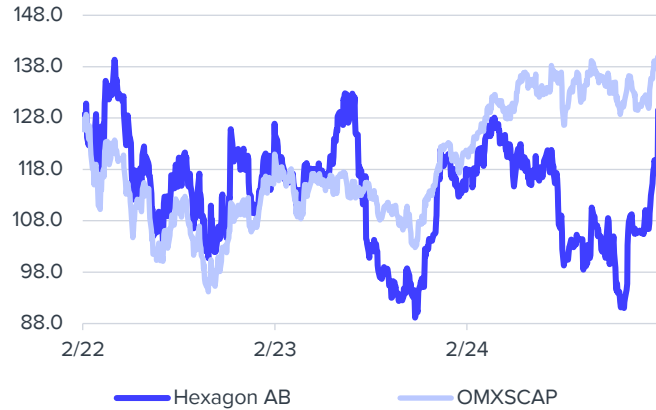
	2024	2025e	2026e	2027e
Revenue	5401.1	5912.6	6274.9	6598.2
growth-%	-1 %	9 %	6 %	5 %
EBIT adj.	1602.9	1804.8	1931.4	2042.8
EBIT-% adj.	29.7 %	30.5 %	30.8 %	31.0 %
Net Income	1023.4	1212.7	1340.8	1434.9
EPS (adj.)	0.43	0.50	0.54	0.57
P/E (adj.)	21.3	22.4	20.7	19.7
P/B	2.2	2.5	2.3	2.2
Dividend yield-%	1.5 %	1.3 %	1.4 %	1.5 %
EV/EBIT (adj.)	17.5	18.1	16.5	15.1
EV/EBITDA	13.9	14.7	13.3	12.2
EV/S	5.2	5.5	5.1	4.7

Source: Inderes

Guidance

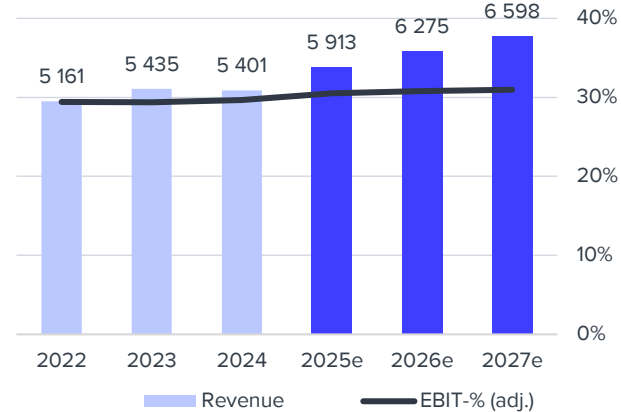
(No guidance)

Share price



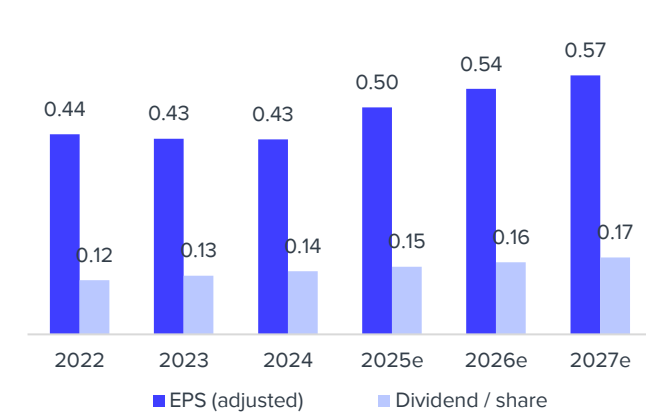
Source: Millstream Market Data AB

Net sales and operating earnings-%



Source: Inderes

Earnings per share and dividend



Source: Inderes

Value drivers

- Strong market position in core technologies
- Need to utilize data more efficiently in various industries adds demand for Hexagon's solutions over medium-term
- Focus on margin-additive growth and increasing the share of recurring revenue
- Solid track-record of creating value through acquisitions

Risk factors

- Cyclical demand in hardware sales and certain software products
- M&A strategy partially dependent on strong valuation multiples of Hexagon's share
- Execution risk in M&A
- Gradually saturating end-markets in certain segments

Valuation (EUR)	2025e	2026e	2027e
Share price	11.3	11.3	11.3
Number of shares, millions	2684.3	2684.3	2684.3
Market cap	30250	30250	30250
EV	32730	31830	30874
P/E (adj.)	22.4	20.7	19.7
P/E	24.9	22.6	21.1
P/B	2.5	2.3	2.2
P/S	5.1	4.8	4.6
EV/Sales	5.5	5.1	4.7
EV/EBITDA	14.7	13.3	12.2
EV/EBIT (adj.)	18.1	16.5	15.1
Payout ratio (%)	33.2 %	32.0 %	31.8 %
Dividend yield-%	1.3 %	1.4 %	1.5 %

Source: Inderes

Q4'24: Profitability and cash flow beat expectations

Revenue slightly above consensus, organic growth in line with our estimates

Hexagon's Q4 revenue landed 1% above our estimates and almost 3% above consensus. Organic growth was 1%, in line with our estimate. Recurring revenue continued to grow at a good pace of 7% year-on-year, driven by Software, which was in line with the previous quarter (Q3). As expected, organic growth was negative in Manufacturing Intelligence and Geosystems, which are partially dependent on industrial investment and construction activity, respectively. Asset Lifetime Intelligence grew strongly (10%), with SaaS revenue up as much as 30%. Autonomous Solutions growth (-2%) was well below our expectations due to strong comparatives related to a large single project in Q4'23 and the product upgrade cycle postponing customer orders. Safety, Infrastructure and Geospatial grew 11%, well above our estimate of 4%, driven by strong growth in the public safety segment.

Profitability and cash flow were slightly better than expected

Q4 adjusted EBIT came in at 450 MEUR, some 3% above our estimate and 5% above consensus. Hexagon improved its adjusted EBIT margin to a record high of 31.1% (up 0.6pp year-on-year). The gross margin was 66.7%, up 0.2pp year-on-year. Adjusted EBIT was supported by favorable FX movements, which we calculate had a 0.7pp impact on the adjusted EBIT margin (we expected FX impact to be close to zero). Gross margin was supported by the divestment of the non-core hardware business in early 2024 and continued software revenue growth. Q4 cash conversion was high at 116% (Q4'23: 103%). Net debt at the end of 2024 was 3,231 MEUR compared to our estimate of 3,401 MEUR.

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		Difference (%)
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes
Revenue	1435	1448	1440	1411			1 %
Gross margin	66.5 %	66.7 %	66.2 %				0.5 pp
EBIT (adj.)	438	450	437	427			3 %
EBIT	391	401	392	383			2 %
EPS (reported)	0.10	0.11	0.10	0.10			5 %
DPS	0.13	0.14	0.14	0.13			0 %
Revenue growth-%	2.4 %	0.9 %	0.3 %	-1.7 %			0.6 pp
EBIT-% (adj.)	30.5 %	31.1 %	30.4 %	30.3 %			0.7 pp

Source: Inderes & Hexagon
(consensus includes 20 estimates)

2025 sales boosted by currencies

Estimates revised slightly up owing to favourable Q4 profitability

- Hexagon does not provide numerical guidance. However, it stated in the Q4 report that it expects the market environment to remain unchanged in Q1 2025, which we believe could imply continued low organic growth levels. Our forecast for Q1 organic growth is 3%, implying a small uptick from Q4 (1%) driven by lower comparison figures.
- We slightly increased our earnings estimates for 2025 driven by Q4 performance and recent FX-changes. Adjusted EBIT 2025-26e increased by 3%.
- Of the high 9.4% revenue growth forecast to 2025, some 4.5% is organic, 3.4% currency impact and 1.5% owing to acquisitions.
- Our 2025 organic growth assumptions are tilted towards H2 and are thus subject to some uncertainty related to recovery in key industries such as construction and automotive.
- The company said that the investigation into the proposed separation of ALI and related businesses is ongoing, and the board intends to provide an update on this during Q1.

Software grows well, hardware sales pick-up is not yet in sight

- We assume Hexagon to grow by 5% p.a. organically in the medium term. The demand is currently below the over-the-cycle average even if recurring revenue like software continues to grow well.
- **Manufacturing Intelligence** order intake was weak in Q4'24, in line with negative revenue growth. The weakness is driven by demand for hardware products such as sensors and robotics. The source of the weakness is, e.g., the automotive industry in EMEA and to some extent also in North America. We expect the hardware market to recover in the medium term, although the timing is still somewhat uncertain.
- **Asset Lifetime Intelligence** continues to grow strongly driven by demand for various efficiency-improving solutions such as design and engineering software and enterprise asset management.
- **Geosystems** is suffering from weakness in the construction markets in EMEA and North America, although China stabilized in Q4. Software sales are developing favorably, and we expect hardware demand to pick up in the medium term.
- **Autonomous Solutions** should continue to grow at a good pace despite a weak Q4. Good demand from marine, aerospace and defense should continue. Mining demand suffered temporarily in Q4 due to a product upgrade cycle but is expected to pick up soon.
- **Safety, Infrastructure and Geospatial** has a very strong pipeline of new potential projects, according to Hexagon.

Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	5393	5401	0 %	5791	5913	2 %	6146	6275	2 %
EBITDA	1978	2010	2 %	2168	2226	3 %	2362	2402	2 %
EBIT (excl. NRIs)	1590	1603	1 %	1756	1805	3 %	1879	1931	3 %
EBIT	1423	1432	1 %	1588	1634	3 %	1734	1783	3 %
PTP	1254	1262	1 %	1448	1494	3 %	1619	1668	3 %
EPS (excl. NRIs)	0.42	0.43	2 %	0.48	0.50	4 %	0.53	0.54	3 %
DPS	0.14	0.14	0 %	0.15	0.15	0 %	0.16	0.16	0 %

Source: Inderes

Elevated valuation does not leave upside

Investment profile: Diversified value creator

Hexagon is a highly profitable technology company with solid medium-term organic growth prospects. The company continues to invest in growth, particularly in high gross margin areas. The company's addressable markets also have significant barriers to entry, which helps maintain profitability. Hexagon operates in several market segments that, on average, have solid growth prospects supported by megatrends, but certain segments may already show signs of maturity and slowing growth. Hexagon's business is cyclical due to its exposure to the construction, automotive and other manufacturing industries, but the increasing share of recurring revenues (>40%) partially mitigates the cyclicity. The company's ROI is relatively low due to the high amount of goodwill on the balance sheet, which would almost certainly improve if the company focused on purely organic investments. The company's M&A strategy has created value in the past, and acquisitions should continue to support growth in the future, although we don't include any future deals in our estimates. Overall, we find Hexagon to be a clear value creator and well positioned for global megatrends.

Bottom of the cycle likely to be reached but the pace of recovery is uncertain

Hexagon's sales growth was low in 2024 due to cyclical headwinds. We expect the growth recover in 2025 owing to easier comparison figures, lower interest rates boosting key industries and FX technically boosting sales. Based on our estimates, the adjusted EV/EBIT is 18x for 2025 and 16.5x for 2026 (reported EV/EBIT 20x and 18x), which we consider high in a general context, but rather fair for a

diversified and growing high-tech company like Hexagon. However, we do not see significant upside to the valuation. The growth recovery in our estimates is already skewed towards H2'25, adding uncertainty to the estimated earnings improvement. We see a risk that challenges in key industries such as construction and automotive will persist, which would likely lead to a delayed recovery in organic growth. Any upside to the valuation would likely require positive surprises to estimated organic growth.

The likely spin-off of Asset Lifetime Intelligence and related businesses could be a valuation driver in 2025. However, we don't see any obvious valuation upside in the spin-off scenario unless the company can prove that the move will actually help it grow faster in the long run. We have assessed the potential valuations of Hexagon and ALI separately in our research report published on October 28, 2024.

Expected return not sufficient

With a fair value adjusted EV/EBIT multiple of 18x, we calculate that the share value could grow to EUR 12.7 (including cumulative dividends), assuming an average adj. EBIT growth of 10% p.a. in 2025-26. This would yield an annual return of ~6% per share that is slightly below the required rate of return. Our base case assumes an adjusted EBIT margin of 30.8% by 2026, which is more conservative than Hexagon's financial targets, targeting an adjusted EBIT margin including PPA of 30% (equivalent to an adjusted EBIT margin of 31.3% in our calculations).

Valuation (EUR)	2025e	2026e	2027e
Share price	11.3	11.3	11.3
Number of shares, millions	2684.3	2684.3	2684.3
Market cap	30250	30250	30250
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P/E	24.9	22.6	21.1
P/B	2.5	2.3	2.2
P/S	5.1	4.8	4.6
EV/Sales	5.5	5.1	4.7
EV/EBITDA	14.7	13.3	12.2
EV/EBIT (adj.)	18.1	16.5	15.1
Payout ratio (%)	33.2 %	32.0 %	31.8 %
Dividend yield-%	1.3 %	1.4 %	1.5 %

Source: Inderes

Valuation scenarios

2026 estimates, MEUR	Base case	Adj. EBIT (inc. PPA): 30% scenario
Sales	6 275	6 275
Adj. EBIT-%	30.8 %	31.3 %
Adj. EBIT	1 931	1 964
Adj. EV/EBIT	18x	18x
EV	34 765	35 353
Net debt	1 498	1 498
Market cap	33 267	33 855
Share price 2026, EUR	12.4	12.6
Dividends 23-25e, EUR	0.31	0.31
Total, EUR	12.7	12.9
Current share price, SEK	130	130
Return per year	6.2 %	7.1 %

Detailed estimates

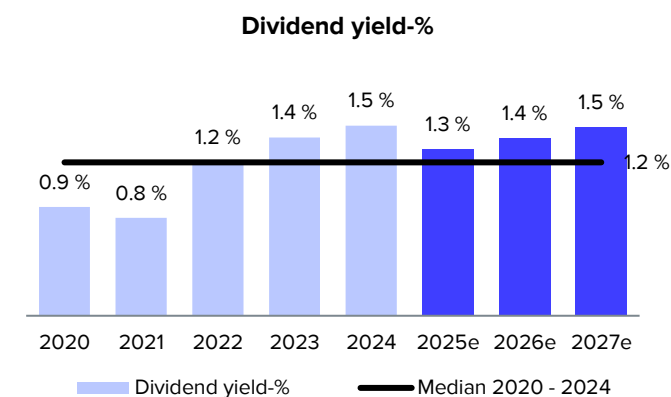
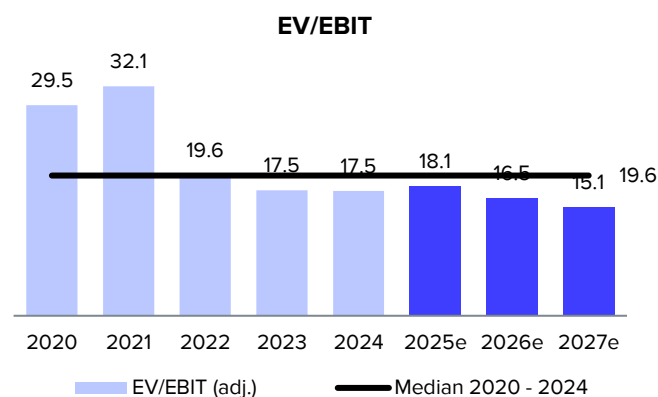
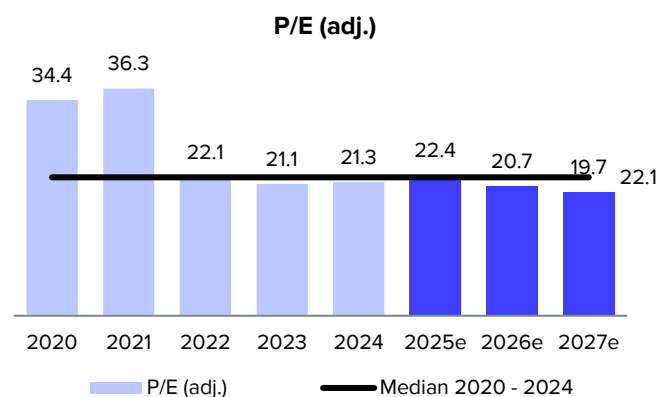
Group, MEUR	2018	2019	2020	2021	2022	2023	2024	2025e	2026e
Net operating sales	3761	3908	3771	4347	5176	5440	5401	5913	6275
-Growth y/y	8 %	4 %	-4 %	15 %	19 %	5 %	-1 %	9 %	6 %
-of which organic	8 %	-1 %	-4 %	12 %	8 %	7 %	0 %	5 %	6 %
-of which FX	-3 %	2 %	-2 %	-1 %	6 %	-4 %	-1 %	3 %	0 %
-of which structural	4 %	3 %	3 %	5 %	5 %	2 %	0 %	2 %	0 %
Gross margin (%)	62.1 %	62.8 %	63.6 %	64.6 %	65.4 %	66.1 %	66.9 %	67.0 %	67.2 %
Fixed costs (excluding adjustments)	-1357	-1430	-1385	-1535	-1857	-1996	-2010	-2157	-2285
-Growth y/y	10 %	5 %	-3 %	11 %	21 %	7 %	1 %	7 %	6 %
Adjusted EBIT	978	1024	1010	1270	1518	1597	1603	1805	1931
-of net operating sales	26.0 %	26.2 %	26.8 %	29.2 %	29.3 %	29.4 %	29.7 %	30.5 %	30.8 %
FX-impact on adj. EBIT					98	-81	-19	74	0
EBIT-% change y/y if adjusting for FX-impact					0.6 pp	0.7 pp	0.6 pp	0.5 pp	0.6 pp
Divisions	2018	2019	2020	2021	2022	2023	2024	2025e	2026e
Manufacturing Intelligence									
Sales					1902	2013	1956	2119	2246
Organic growth	9 %	-5 %	-9 %	15 %	10 %	9 %	0 %	4 %	6 %
Adj. EBIT-%					25.9 %	26.4 %	27.2 %	28.0 %	28.2 %
Asset Lifecycle Intelligence									
Sales					728	782	832	914	978
Organic growth	7 %	8 %	-3 %	1 %	7 %	11 %	7 %	7 %	7 %
Adj. EBIT-%					35.8 %	36.2 %	35.7 %	36.4 %	36.6 %
Geosystems									
Sales					1585	1603	1555	1659	1750
Organic growth	11 %	2 %	-4 %	19 %	7 %	4 %	-3 %	3 %	6 %
Adj. EBIT-%					32.8 %	31.8 %	31.8 %	32.5 %	32.8 %
Autonomous Solutions									
Sales					476	571	558	672	725
Organic growth	18 %	2 %	2 %	8 %	13 %	22 %	-3 %	8 %	8 %
Adj. EBIT-%					33.1 %	33.9 %	34.4 %	35.3 %	35.5 %
Safety, Infrastructure & Geospatial									
Sales					476	464	497	544	571
Organic growth	-6 %	-3 %	13 %	-3 %	3 %	-7 %	6 %	6 %	5 %
Adj. EBIT-%					22.8 %	22.4 %	23.1 %	23.8 %	24.0 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price (EUR)	10.7	14.1	9.79	9.13	9.22	11.3	11.3	11.3	11.3
Number of shares, millions	2568.3	2599.3	2689.7	2684.3	2684.3	2684.3	2684.3	2684.3	2684.3
Market cap	27415	38095	26345	24506	24737	30250	30250	30250	30250
EV	29732	40703	29747	27992	27982	32730	31830	30874	29785
P/E (adj.)	34.4	36.3	22.1	21.1	21.3	22.4	20.7	19.7	18.1
P/E	44.4	45.7	26.1	28.5	24.2	24.9	22.6	21.1	19.1
P/B	4.6	4.4	2.7	2.4	2.2	2.5	2.3	2.2	2.0
P/S	7.3	8.8	5.1	4.5	4.6	5.1	4.8	4.6	4.4
EV/Sales	7.9	9.4	5.8	5.2	5.2	5.5	5.1	4.7	4.3
EV/EBITDA	22.5	25.6	17.0	15.7	13.9	14.7	13.3	12.2	11.2
EV/EBIT (adj.)	29.5	32.1	19.6	17.5	17.5	18.1	16.5	15.1	13.9
Payout ratio (%)	38.6 %	37.1 %	32.0 %	40.6 %	36.7 %	33.2 %	32.0 %	31.8 %	30.5 %
Dividend yield-%	0.9 %	0.8 %	1.2 %	1.4 %	1.5 %	1.3 %	1.4 %	1.5 %	1.6 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Ansys	29486	28965	24.6	21.8	23.1	22.8	11.0	10.1	31.4	27.1			4.4
Autodesk	64393	64945	31.0	27.6	29.2	26.1	11.0	9.8	37.5	33.7			23.9
Dassault Systemes	50593	49527	24.5	22.3	20.6	18.9	7.4	6.8	27.6	25.2	0.7	0.8	5.2
Faro Technologies	577	559	21.1		14.8	4.6	1.6	1.1	31.5		3.2		
Nikon	3648	3441	1.0	0.8	8.7	6.7	0.8	0.7	32.5	17.3	3.3	3.4	0.9
Renishaw	3137	2881	18.8	16.4	14.9	13.3	3.3	3.1	23.6	20.6	2.2	2.4	2.7
Topcon	1966	2406			16.4	12.9	1.8	1.7	53.4	30.8	1.5	1.5	2.9
Trimble	17724	18449	21.2	19.2	19.5	17.9	5.6	5.2	25.8	22.7			3.1
Hexagon AB (Inderes)	30250	32730	20.0	17.8	14.7	13.3	5.5	5.1	35.2	29.6	1.3	1.4	2.5
Average			20.3	18.0	18.4	15.4	5.3	4.8	32.9	25.4	2.2	2.0	6.2
Median			21.2	20.5	17.9	15.6	4.5	4.2	31.4	25.2	2.2	2.0	3.1
Diff-% to median			-6 %	-13 %	-18 %	-15 %	24 %	22 %	12 %	17 %	-40 %	-27 %	-19 %

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	5161	5435	1300	1353	1300	1448	5401	1396	1484	1450	1582	5913	6275	6598	6928
Manufacturing Intelligence	2537	2013	478	484	464	530	1956	496	527	515	582	2119	2246	2358	2476
Asset Lifecycle Intelligence	2639	782	192	203	208	229	832	218	222	230	244	914	978	1037	1089
Geosystems	-15.0	1603	377	406	373	400	1555	391	433	408	426	1659	1750	1838	1930
Autonomous Solutions	0.0	571	136	141	135	147	558	162	170	164	176	672	725	762	800
Safety, Infrastructure & Geospatial	0.0	464	117	120	120	141	497	128	131	132	153	544	571	600	630
Group adjustments	0.0	2.2	0.4	0.0	1.0	1.8	3.2	1.3	1.3	1.3	1.3	5	4	4	4
EBITDA	1754	1779	471	497	475	567	2010	516	553	543	614	2226	2402	2531	2667
Depreciation	-467.0	-563.0	-134.8	-136.6	-140.5	-165.6	-577.5	-142.0	-145.0	-150.0	-155.0	-592	-618	-618	-631
EBIT (excl. NRI)	1518	1597	377	400	377	450	1603	413	447	432	512	1805	1931	2043	2146
EBIT	1287	1216	336	361	334	401	1432	374	408	393	459	1634	1783	1913	2036
Manufacturing Intelligence	787	531	125	129	118	159	531	133	144	135	181	593	633	670	703
Asset Lifecycle Intelligence	755	283	66.5	70.5	72.5	87.4	297	76.9	80.0	82.9	93.0	333	358	382	401
Geosystems	-254.9	510	118	131	122	124	494	123	141	135	140	539	574	603	633
Autonomous Solutions	0.0	194	47.7	52.6	45.8	46.0	192	57.7	63.9	57.3	58.2	237	258	275	290
Safety, Infrastructure & Geospatial	0.0	104	24.3	23.8	24.6	41.9	115	27.4	26.5	28.0	47.6	129	137	144	151
Group adjustments	0.0	-405.9	-44.9	-46.5	-48.3	-57.2	-197	-43.4	-46.7	-45.3	-61.8	-197	-177	-160	-142
Net financial items	-38.7	-155.3	-42.7	-42.1	-44.2	-41.1	-170	-38.4	-34.5	-34.5	-32.6	-140	-115	-100	-33
PTP	1248	1061	293	318	290	360	1262	336	374	359	426	1494	1668	1813	2003
Taxes	-228.9	-188.9	-52.8	-57.3	-52.2	-64.8	-227	-60.5	-67.3	-64.6	-76.7	-269	-314	-363	-401
Minority interest	-11.5	-12.9	-2.6	-3.1	-2.8	-3.1	-12	-2.9	-3.4	-3.1	-3.4	-13	-14	-15	-16
Net earnings	1008	859	238	258	235	292	1023	273	303	291	346	1213	1341	1435	1586
EPS (adj.)	0.44	0.43	0.10	0.11	0.10	0.12	0.43	0.11	0.12	0.12	0.14	0.50	0.54	0.57	0.62
EPS (rep.)	0.37	0.32	0.09	0.10	0.09	0.11	0.38	0.10	0.11	0.11	0.13	0.45	0.50	0.53	0.59

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	18.9 %	5.3 %	1.2 %	-0.8 %	-3.7 %	0.9 %	-0.6 %	7.4 %	9.7 %	11.5 %	9.3 %	9.5 %	6.1 %	5.2 %	5.0 %
Adjusted EBIT growth-%		5.2 %	1.4 %	1.4 %	-4.2 %	2.7 %	0.4 %	9.8 %	11.9 %	14.8 %	13.7 %	12.6 %	7.0 %	5.8 %	5.0 %
EBITDA-%	34.0 %	32.7 %	36.2 %	36.7 %	36.5 %	39.2 %	37.2 %	37.0 %	37.3 %	37.5 %	38.8 %	37.7 %	38.3 %	38.4 %	38.5 %
Adjusted EBIT-%	29.4 %	29.4 %	29.0 %	29.5 %	29.0 %	31.1 %	29.7 %	29.6 %	30.1 %	29.8 %	32.3 %	30.5 %	30.8 %	31.0 %	31.0 %
Net earnings-%	19.5 %	15.8 %	18.3 %	19.1 %	18.1 %	20.2 %	18.9 %	19.5 %	20.4 %	20.1 %	21.9 %	20.5 %	21.4 %	21.7 %	22.9 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	14132	14899	14949	14986	15034
Goodwill	9931	10033	10013	10013	10013
Intangible assets	3063	3734	3804	3841	3889
Tangible assets	801	804	804	804	804
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	158	167	167	167	167
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	179	161	161	161	161
Current assets	2752	2951	3154	3291	3405
Inventories	585	566	608	633	652
Other current assets	200	195	195	195	195
Receivables	1420	1526	1641	1710	1766
Cash and equivalents	547	664	710	753	792
Balance sheet total	16884	17851	18103	18277	18439

Source: Inderes

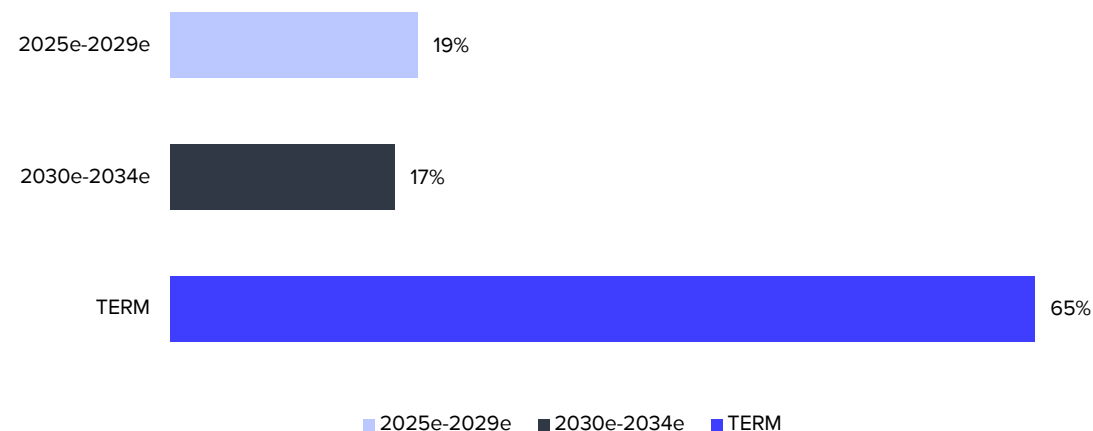
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	10046	11196	12033	12971	13977
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	674	1511	2449	3455
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	10014	10486	10486	10486	10486
Minorities	32.2	35.2	35.2	35.2	35.2
Non-current liabilities	3753	3947	3356	2668	1931
Deferred tax liabilities	580	582	582	582	582
Provisions	65.0	79.0	79.0	79.0	79.0
Interest bearing debt	2984	3100	2509	1821	1084
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	124	186	186	186	186
Current liabilities	3085	2707	2714	2638	2531
Interest bearing debt	1100	731	592	429	255
Payables	1985	1976	2122	2208	2276
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	16884	17851	18103	18277	18439

DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-0.6 %	9.5 %	6.1 %	5.2 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.8 %	2.8 %
EBIT-%	26.5 %	27.6 %	28.4 %	29.0 %	29.4 %	29.7 %	31.0 %	31.0 %	26.0 %	26.0 %	26.0 %	26.0 %
EBIT (operating profit)	1432	1634	1783	1913	2036	2164	2367	2486	2189	2299	2364	
+ Depreciation	578	592	618	618	631	638	629	648	665	682	698	
- Paid taxes	-207	-269	-314	-363	-401	-432	-473	-497	-438	0	-473	
- Tax, financial expenses	-29.7	-24.9	-21.6	-20.0	-6.5	-1.2	0.0	0.0	0.0	0.0	0.0	
+ 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	-91.1	-11.0	-7.8	-7.0	-0.2	0.2	0.5	0.9	1.4	1.9	-3.9	
Operating cash flow	1682	1922	2059	2142	2259	2369	2523	2638	2418	2983	2585	
+ Change in other long-term liabilities	76.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1363	-642	-655	-666	-678	-689	-700	-712	-726	-741	-721	
Free operating cash flow	394	1280	1404	1475	1582	1680	1823	1926	1692	2242	1865	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	394	1280	1404	1475	1582	1680	1823	1926	1692	2242	1865	42401
Discounted FCFF		1200	1226	1200	1199	1186	1198	1179	965	1191	922	20977
Sum of FCFF present value		32443	31243	30017	28817	27619	26433	25235	24056	23091	21900	20977
Enterprise value DCF		32443										
- Interest bearing debt		-3831.0										
+ Cash and cash equivalents		664										
-Minorities		-88.8										
-Dividend/capital return		0.0										
Equity value DCF		29187										
Equity value DCF per share		10.9										
Equity value DCF per share (SEK)		125.0										

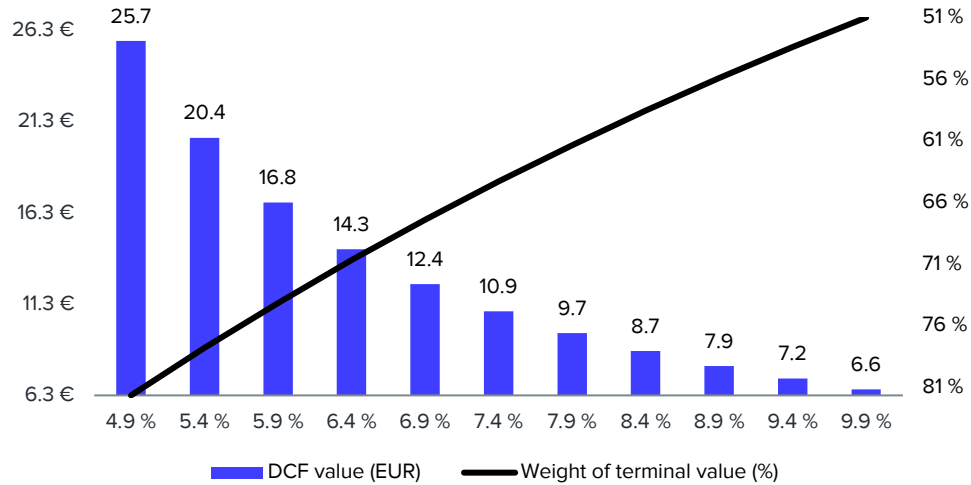
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	3.0 %
Equity Beta	1.21
Market risk premium	4.75 %
Liquidity premium	0.00 %
Risk free interest rate	2.5 %
Cost of equity	8.2 %
Weighted average cost of capital (WACC)	7.4 %

Cash flow distribution

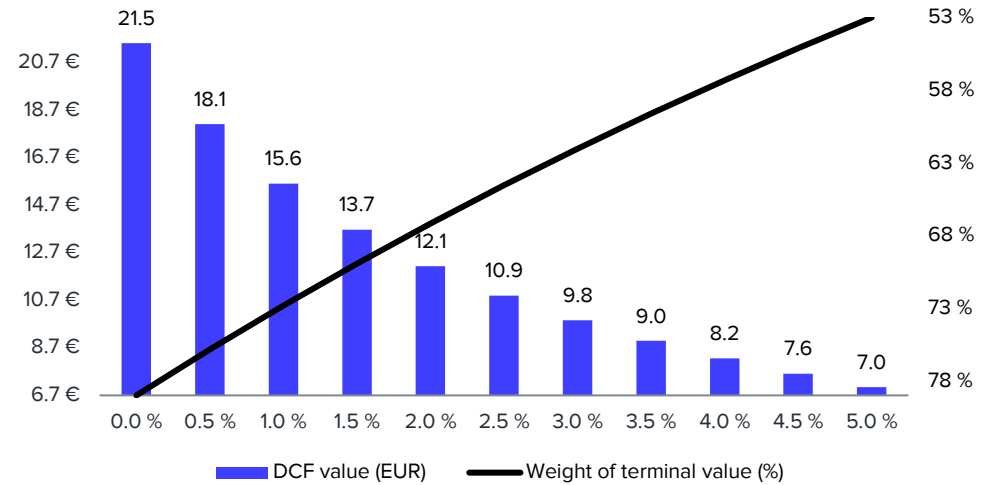


DCF sensitivity calculations and key assumptions in graphs

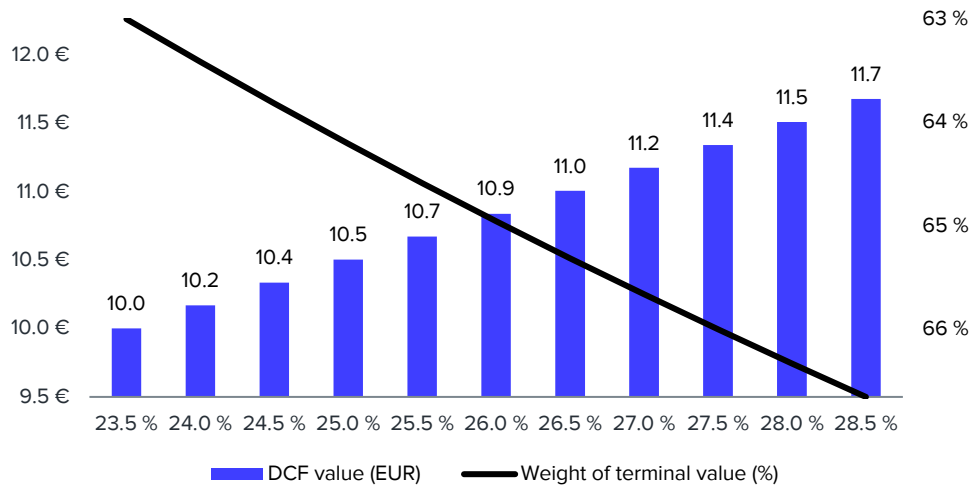
Sensitivity of DCF to changes in the WACC-%



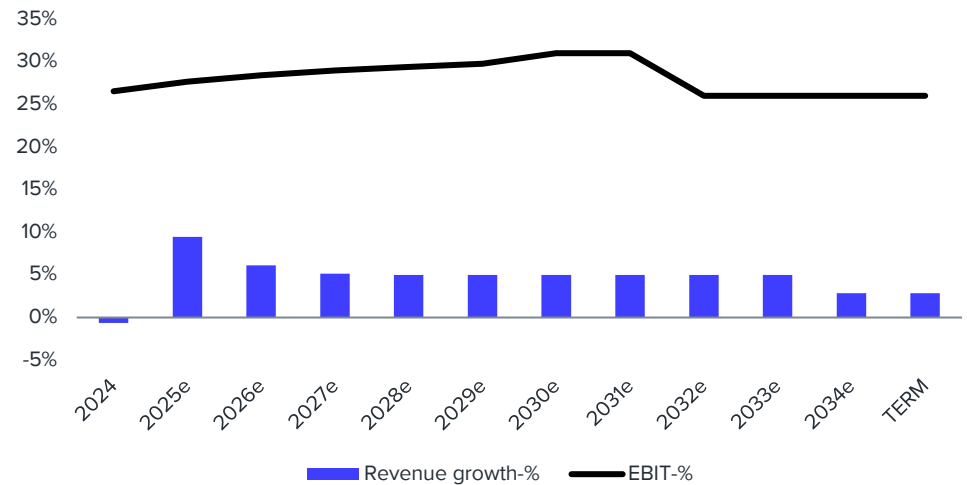
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Lähde: Inderes. Huomaa, että terminaaliarvon paino (%) on esitetty käännteisellä asteikolla selkeyden vuoksi.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	5161	5435	5401	5913	6275	EPS (reported)	0.37	0.32	0.38	0.45	0.50
EBITDA	1754	1779	2010	2226	2402	EPS (adj.)	0.44	0.43	0.43	0.50	0.54
EBIT	1287	1216	1432	1634	1783	OCF / share	0.56	0.55	0.63	0.72	0.77
PTP	1248	1061	1262	1494	1668	FCF / share	-0.36	0.25	0.15	0.48	0.52
Net Income	1008	859	1023	1213	1341	Book value / share	3.65	3.73	4.16	4.47	4.82
Extraordinary items	-231	-381	-171	-170	-148	Dividend / share	0.12	0.13	0.14	0.15	0.16
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	16477	16884	17851	18103	18277	Revenue growth-%	19 %	5 %	-1 %	9 %	6 %
Equity capital	9865	10046	11196	12033	12971	EBITDA growth-%	10 %	1 %	13 %	11 %	8 %
Goodwill	9600	9931	10033	10013	10013	EBIT (adj.) growth-%	20 %	5 %	0 %	13 %	7 %
Net debt	3388	3536	3167	2391	1498	EPS (adj.) growth-%	14 %	-2 %	0 %	16 %	8 %
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	34.0 %	32.7 %	37.2 %	37.7 %	38.3 %
EBITDA	1754	1779	2010	2226	2402	EBIT (adj.)-%	29.4 %	29.4 %	29.7 %	30.5 %	30.8 %
Change in working capital	-96	-34	-91	-11	-8	EBIT-%	24.9 %	22.4 %	26.5 %	27.6 %	28.4 %
Operating cash flow	1509	1471	1682	1922	2059	ROE-%	10.9 %	8.7 %	9.7 %	10.5 %	10.8 %
CAPEX	-2461	-804	-1363	-642	-655	ROI-%	10.1 %	8.7 %	9.8 %	10.8 %	11.8 %
Free cash flow	-971	670	394	1280	1404	Equity ratio	59.9 %	59.5 %	62.7 %	66.5 %	71.0 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	34.3 %	35.2 %	28.3 %	19.9 %	11.5 %
EV/S	5.8	5.2	5.2	5.5	5.1						
EV/EBITDA	17.0	15.7	13.9	14.7	13.3						
EV/EBIT (adj.)	19.6	17.5	17.5	18.1	16.5						
P/E (adj.)	22.1	21.1	21.3	22.4	20.7						
P/B	2.7	2.4	2.2	2.5	2.3						
Dividend-%	1.2 %	1.4 %	1.5 %	1.3 %	1.4 %						

Source: Inderes

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

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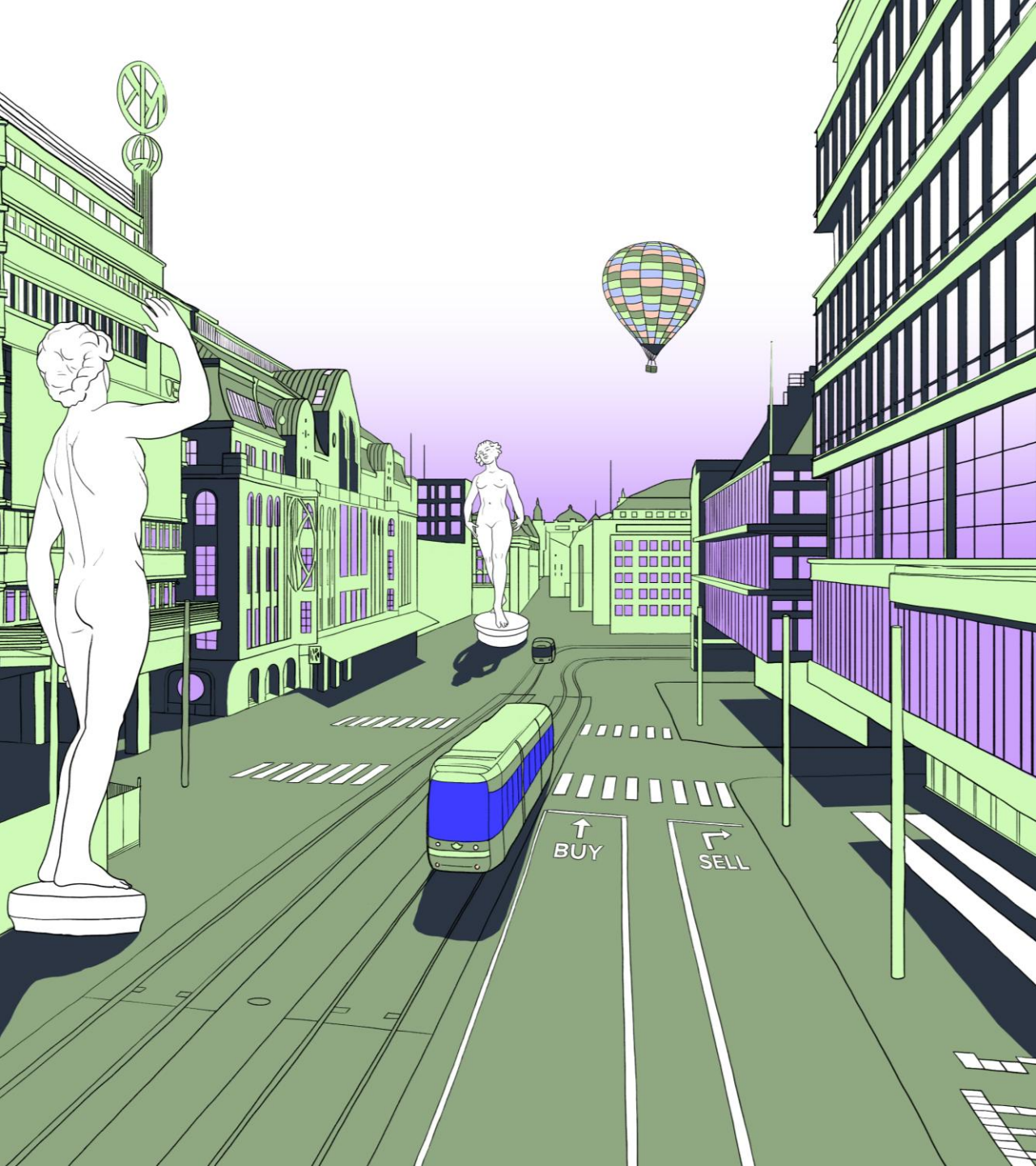
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/24/2023	Reduce	102.00 kr	104.00 kr
02/02/2024	Reduce	106.00 kr	118.10 kr
29/04/2024	Reduce	110.00 kr	120.20 kr
28/07/2024	Accumulate	115.00 kr	107.25 kr
25/10/2024	Accumulate	115.00 kr	106.40 kr
28/01/2025	Reduce	120.00 kr	118.45 kr
03/02/2025	Reduce	125.00 kr	129.60 kr



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