

Hexagon AB

Company report

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Lower market activity weighs on growth

Q1 report was a bit soft with growth below estimates. We believe the currently low market activity in the construction and manufacturing sectors slightly burdens Hexagon's growth in 2024 but the company's solid long-term growth profile is still intact. The current valuation does not, however, leave room for upside in the share price so we stick to our Reduce-recommendation. We increase our target price to SEK 110 (prev. SEK 106).

Broad-based softness in Q1 sales growth

Q1 organic growth was 3% and came in below our estimate of 5%. Revenue at 1,300 MEUR also came in 3% below our and consensus estimate. Nominal growth was only 1% burdened by -2% currency effect. Weakness in organic sales growth was rather broad-based. Only Manufacturing Intelligence reached the estimated level of growth. All other divisions grew less than we expected. Sales growth was burdened by the weak construction market and weak industrial activity in Europe. The Asset Lifetime Intelligence division faced high comparison figures from Q1'23 that included a high amount of perpetual license sales making further growth more difficult to achieve. Adjusted EBIT was at 377 MEUR (2-4% below consensus and our estimate). The adjusted EBIT margin improved by 0.1pp y/y driven by cost-savings from the rationalization program. EPS was roughly flat y/y at EUR 0.10 per share.

Market activity restricts the growth pace in the short-term

We slightly decreased our sales estimates following weaker-than-expected growth in Q1. We cut 2024-26 sales and adjusted EBIT estimates by 2%. We now expect revenue to grow by 3% organically in 2024 amid challenging macroeconomic conditions that is somewhat below the historical average of 5% p.a. in 2018-22. The impact of foreign currencies should turn to slightly positive territory in the upcoming quarters, after being clearly negative in Q1 and 2023. Recovering investment activity in the construction and manufacturing industries in Europe and China could support sales growth in the medium term (organic growth estimated at 5% from 2025 onwards).

The expected return does not exceed the estimated cost of capital

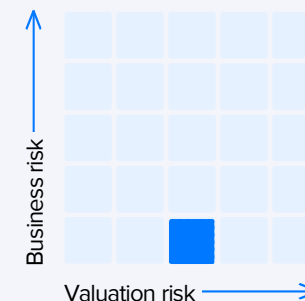
Hexagon is a diversified high-quality technology company that generates value over the long term but we argue that the current high valuation levels don't allow enough upside for an investor. Hexagon's current forward-looking reported EV/EBIT (2024e) is 20x which is in line with the company's 10y median. Increased interest rates do, however, depress accepted valuation levels so one could argue that the stock should at most trade in line with the historical average. We don't see any particular positive triggers in the upcoming quarters as our estimates are roughly in line with the consensus. The stock offers rather moderate return expectations of ~7% p.a. on average in 2024-26 which we don't find attractive enough for a positive recommendation. Even if the company reaches the targeted profitability level (adjusted EBIT inc. PPA of 30%), the expected return would not materially exceed the required return for equity. Our DCF returns a fair value of SEK 110 per share assuming 5% sales growth and 29-31% adjusted EBIT margin for 2026-30 together with a WACC of 7.5%.

Recommendation

Reduce
(prev. Reduce)

110,00 SEK
(prev. 106,00)

Share price:
120,2 SEK



Key indicators

	2023	2024e	2025e	2026e
Revenue	5435,2	5594,9	5927,6	6270,2
growth-%	5 %	3 %	6 %	6 %
EBIT adj.	1596,7	1662,7	1789,1	1909,7
EBIT-% adj.	29,4 %	29,7 %	30,2 %	30,5 %
Net Income	858,9	1067,0	1195,8	1312,3
EPS (adj.)	0,43	0,45	0,49	0,53

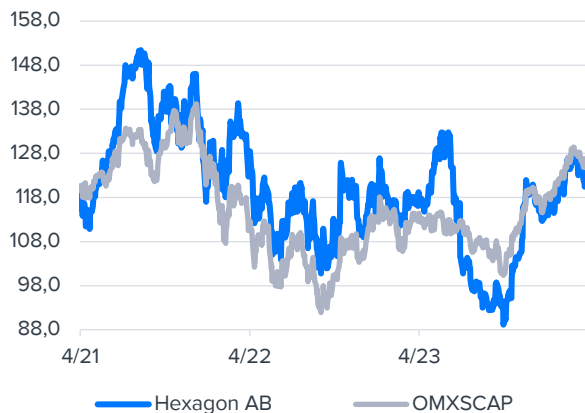
P/E (adj.)	21,1	23,0	20,9	19,4
P/B	2,4	2,6	2,4	2,2
Dividend yield-%	1,4 %	1,4 %	1,5 %	1,6 %
EV/EBIT (adj.)	17,5	18,3	16,6	15,1
EV/EBITDA	15,7	14,9	13,3	12,0
EV/S	5,2	5,4	5,0	4,6

Source: Inderes

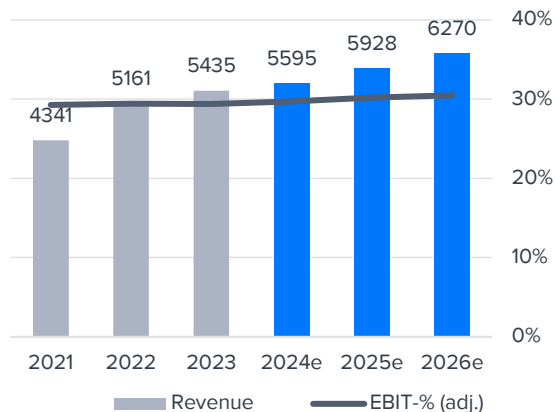
Guidance

(No guidance)

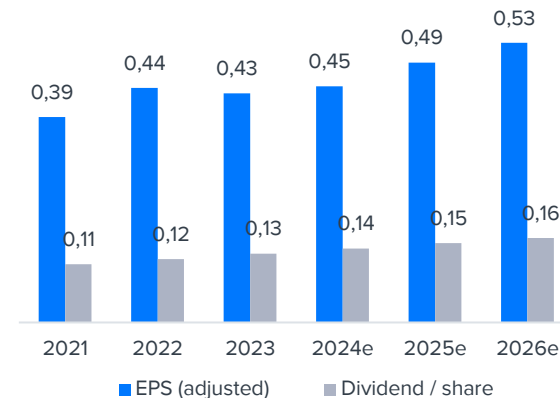
Share price



Net sales and operating earnings-%



Earnings per share and dividend



Value drivers

- Strong market position in core technologies
- Need to utilise 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)	2024e	2025e	2026e
Share price	10,3	10,3	10,3
Number of shares, millions	2684,3	2684,3	2684,3
Market cap	27577	27577	27577
EV	30393	29611	28744
P/E (adj.)	23,0	20,9	19,4
P/E	25,8	23,1	21,0
P/B	2,6	2,4	2,2
P/S	4,9	4,7	4,4
EV/Sales	5,4	5,0	4,6
EV/EBITDA	14,9	13,3	12,0
EV/EBIT (adj.)	18,3	16,6	15,1
Payout ratio (%)	35,2 %	33,7 %	32,7 %
Dividend yield-%	1,4 %	1,5 %	1,6 %

Source: Inderes

Organic growth suffered from the weak market cycle

Recurring revenue continued to grow well, however

- Q1 organic growth was 3% and came in below our estimate of 5%. Revenue at 1,300 MEUR also came in 3% below our and consensus estimate. Nominal growth was only 1% burdened by -2% FX effect.
- Weakness in organic sales growth was rather broad-based. Only Manufacturing Intelligence reached the estimated level of growth. All other divisions grew less than we expected. Sales growth was burdened by the weak construction market and weak industrial activity in Europe. The growth figures of the comparison period were also rather high which made further growth more difficult to achieve. Especially Asset Lifetime Intelligence faced high comparison figures from Q1'23 that included a high amount of perpetual license sales.
- Recurring revenue was already 520 MEUR in Q1 and grew 6% y/y.
- The gross margin was 66.5% which is slightly lower than we estimated but in line with the comparison period Q1'23.
- Adjusted EBIT was 4% below our estimate. Reported EBIT and EPS were 7% below our estimate. The earnings miss was driven by the lower-than-expected revenue growth. Hexagon continued to execute its rationalization program and achieved savings of 29 MEUR during Q1 and annualized run-rate savings of 139 MEUR (targeted amount 165-175 MEUR in total).

Organic growth per division

	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q1 24e
Group	8%	8%	8%	5%	3%	5%
Manufacturing Intelligence	10%	11%	8%	7%	5%	5%
Asset Lifetime Intelligence	16%	11%	10%	8%	2%	9%
Geosystems	7%	4%	3%	1%	-2%	0%
Autonomous Solutions	13%	27%	34%	16%	8%	14%
Safety, Infrastructure and Geospatial	-11%	-9%	-5%	-4%	5%	9%

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	1285	1300	1339	1334	1308	- 1390	-3 %	5714
Gross margin	66,5 %	66,5 %	66,8 %					
EBIT (adj.)	371	377	391	385	359	- 397	-4 %	1701
EBIT	328	336	361				-7 %	1581
EPS (reported)	0,09	0,09	0,10	0,09	0,09	- 0,11	-7 %	0,42
Revenue growth-%	8,0 %	1,2 %	4,2 %	3,8 %	1,8 %	8,2 %	-3 pp	4,9 %
EBIT-% (adj.)	28,9 %	29,0 %	29,2 %	28,9 %			-0,2 pp	29,8 %

Source: Inderes & Bloomberg (consensus includes 13 estimates)

Growth outlook revised down slightly

We cut revenue and adjusted EBIT estimates by 2%

- With growth slowing down slightly more than expected in Q1 and no immediate remedy in sight, we decreased our revenue forecast for 2024-26 by 2%.
- We now forecast revenue to grow by 3%, mainly organically given that the negative FX impact on revenue is not expected to continue during the remainder of the year.
- Even if we cut our adjusted EBIT estimates by 2%, we still expect adj. EBIT to grow by 4% in 2024 supported by operational efficiency gains from the rationalization program.
- We estimate the adjusted EBIT margin to expand to 29.7% in 2024 from 29.4% in 2023.
- Our reported EBIT and EBITDA estimates declined as we included Hexagon's employee share program expenses in our forecasts as adjustments to EBIT.
- We forecast Hexagon's net working capital to decline by 110 MEUR given the strong cash flow in Q1.

Segment specific growth expectations

- For Manufacturing Intelligence, we estimate continued solid growth driven by innovation and moderate market activity in the end market.
- For Asset Lifetime Intelligence, we estimate growth to recover in the following quarters driven by high growth of recurring sales (especially SaaS).
- For Geosystems, we estimate growth to stay muted in 2024 due to the weak construction market in China and Europe.
- Autonomous Solutions faces very high comparison figures from last year in Q2-Q3 so near-term growth could be close to zero or even negative. However, we expect growth to recover to 9% from Q4 onwards.
- We estimate Safety, Infrastructure and Geospatial to continue solid growth of roughly 5% in the upcoming quarters.

Estimate revisions MEUR / EUR	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	5714	5595	-2 %	6056	5928	-2 %	6412	6270	-2 %
EBITDA	2132	2046	-4 %	2310	2221	-4 %	2488	2396	-4 %
EBIT (exc. NRIs)	1701	1663	-2 %	1828	1789	-2 %	1950	1910	-2 %
EBIT	1581	1498	-5 %	1720	1636	-5 %	1864	1777	-5 %
PTP	1418	1335	-6 %	1580	1496	-5 %	1749	1662	-5 %
EPS (excl. NRIs)	0,46	0,45	-3 %	0,50	0,49	-2 %	0,54	0,53	-2 %
DPS	0,14	0,14	0 %	0,15	0,15	0 %	0,16	0,16	0 %

Source: Inderes

Detailed estimates

Group, MEUR	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net operating sales	3761	3908	3771	4347	5176	5440	5595	5928	6270
-Growth y/y	8 %	4 %	-4 %	15 %	19 %	5 %	3 %	6 %	6 %
-of which organic	8 %	-1 %	-4 %	12 %	8 %	7 %	4 %	6 %	6 %
-of which FX	-3 %	2 %	-2 %	-1 %	6 %	-4 %	0 %	0 %	0 %
-of which structural	4 %	3 %	3 %	5 %	5 %	2 %	0 %	0 %	0 %
Gross margin (%)	62,1 %	62,8 %	63,6 %	64,6 %	65,4 %	66,1 %	66,2 %	66,4 %	66,5 %
Fixed costs (excluding adjustments)	-1357	-1430	-1385	-1535	-1857	-1996	-2034	-2147	-2260
-Growth y/y	10 %	5 %	-3 %	11 %	21 %	7 %	2 %	6 %	5 %
Adjusted EBIT	978	1024	1010	1270	1518	1597	1663	1789	1910
-of net operating sales	26,0 %	26,2 %	26,8 %	29,2 %	29,3 %	29,4 %	29,7 %	30,2 %	30,5 %
FX-impact on adj. EBIT					98	-81	-3		
EBIT-% change y/y if adjusting for FX-impact					0,6 pp	0,7 pp	0,3 pp		
Divisions	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Manufacturing Intelligence									
Sales					1902	2013	2050	2152	2260
Organic growth	9 %	-5 %	-9 %	15 %	10 %	9 %	4 %	5 %	5 %
Adj. EBIT-%					25,9 %	26,4 %	27,1 %	27,3 %	27,5 %
Asset Lifetime Intelligence									
Sales					728	782	833	899	971
Organic growth	7 %	8 %	-3 %	1 %	7 %	9 %	7 %	8 %	8 %
Adj. EBIT-%					35,8 %	36,2 %	36,2 %	36,7 %	37,1 %
Geosystems									
Sales					1585	1603	1607	1687	1772
Organic growth	11 %	2 %	-4 %	19 %	7 %	9 %	0 %	5 %	5 %
Adj. EBIT-%					32,8 %	31,8 %	31,5 %	32,4 %	32,6 %
Autonomous Solutions									
Sales					476	571	602	656	709
Organic growth	18 %	2 %	2 %	8 %	13 %	9 %	5 %	9 %	8 %
Adj. EBIT-%					33,1 %	33,9 %	34,7 %	34,9 %	35,2 %
Safety, Infrastructure & Geospational									
Sales					476	464	498	523	550
Organic growth	-6 %	-3 %	13 %	-3 %	3 %	9 %	5 %	5 %	5 %
Adj. EBIT-%					22,8 %	22,4 %	23,4 %	23,5 %	23,6 %

Source: Inderes

Our estimates compared to consensus

MEUR	Inderes		Consensus		Difference	
	2024e	2025e	2024e	2025e	2024e	2025e
Net sales	5 595	5 928	5 724	6 130	-2 %	-3 %
Adjusted EBIT	1 663	1 789	1 649	1 812	1 %	-1 %
EPS (EUR)	0,40	0,45	0,41	0,48	-3 %	-7 %
DPS (EUR)	0,14	0,15	0,14	0,15	0 %	0 %

Source: Bloomberg consensus (13 analysts) and Inderes estimates

Consensus might not be fully updated after Q1 report.

Moderate returns available with low risk

Investment profile: Diversified value-creator

Hexagon is a highly profitable technology company with a solid organic growth outlook in the medium term. The company continues to invest in growth, especially in areas with a high gross margin. Its addressable markets also have significant barriers to entry that support maintaining the profitability. Hexagon operates in several market segments that, on average, have a solid growth outlook supported by mega-trends but certain segments may already show signs of maturation and slowing growth. There is cyclicity in Hexagon's business due to dependence on, e.g., construction, automotive and other manufacturing industries but the increasing share of recurring revenue (currently ~40%) partially mitigates cyclicity. The company's ROI is relatively low due to the high amount of goodwill in the balance sheet, which would almost certainly start improving if the company focused purely on organic investments. The company's M&A strategy has created value in the past and acquisitions are likely to support growth also in the future even if we don't include any future deals in our estimates. Overall, we find Hexagon to be a clearly value-creating company and well-positioned for global mega-trends.

Solid growth outlook justifies the current valuation

We expect Hexagon to continue improving its earnings in 2024-25 even if the macroeconomic conditions are not favorable. Earnings growth is supported by organic innovation and good growth in recently acquired software businesses that both drive up the gross margins. The efficiency program is also likely to curb growth in fixed costs even if normal depreciation is set to increase. There's a certain amount of uncertainty regarding the organic growth in

2024 owing to a cyclical downturn in some customer segments but overall the visibility for sales development is quite good. Based on our estimates, adjusted EV/EBIT for 2024 is at 18x and for 2025 at 17x. (reported EV/EBIT 20x and 18x).

DCF

Our DCF points to a fair value of SEK 110 per share. We have used an average growth assumption of 5% for the next 10 years, assumed adjusted EBIT-% to improve by 1.1pp by 2026 compared to 2023 and decline to 25% in the terminal period. We assume a rather low WACC of 7.5% which we find fair given the low risk level of the company.

We see little upside even if profitability improves

Hexagon's current forward-looking valuation multiple (reported EV/EBIT 2024e: 20x) is at par with its historical median, which we consider close to fair. A significant increase in interest rates has resulted in a decline of accepted multiples in the equity markets. At the same time, we believe that Hexagon's over-the-cycle growth profile has slightly improved owing to high investments in innovation in recent years.

Even if we assume Hexagon to reach its profitability target by 2026, our scenario calculations would point to an annual return of 8.3% (for 3 years from now on) that does not exceed the required return on equity of 8.4%.

We repeat our Reduce recommendation and increase the target price to SEK 110. We conclude that the stock offers a quite moderate return expectation with rather low business risk. The valuation risks are, however, more pronounced and we don't find the ~7% annual return expectations attractive enough for a positive recommendation.

Valuation (EUR)	2024e	2025e	2026e
Share price	10,3	10,3	10,3
Number of shares, millions	2684,3	2684,3	2684,3
Market cap	27577	27577	27577
EV	30393	29611	28744
P/E (adj.)	23,0	20,9	19,4
P/E	25,8	23,1	21,0
P/B	2,6	2,4	2,2
P/S	4,9	4,7	4,4
EV/Sales	5,4	5,0	4,6
EV/EBITDA	14,9	13,3	12,0
EV/EBIT (adj.)	18,3	16,6	15,1
Payout ratio (%)	35,2 %	33,7 %	32,7 %
Dividend yield-%	1,4 %	1,5 %	1,6 %

Source: Inderes

Valuation scenarios¹

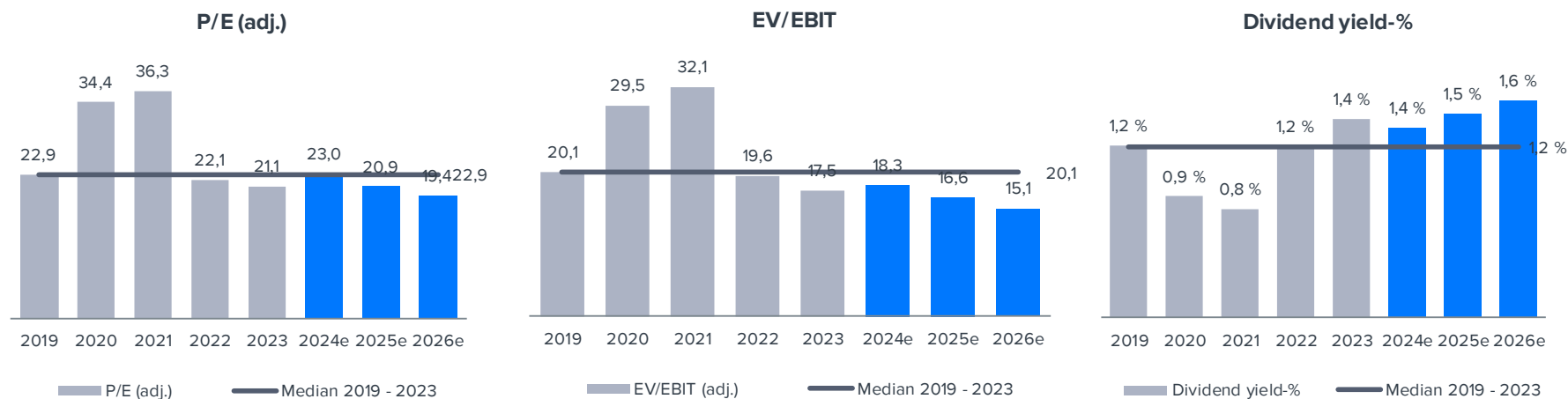
2026 estimates, ME UR	Base case	Adj. EBIT (inc. PPA): 30% scenario
Sales	6 270	6 270
Adj. EBIT-%	30,5 %	31,3 %
Adj, EBIT	1 910	1 963
Adj. EV/EBIT	18x	18x
EV	34 374	35 326
Net debt	1 096	1 096
Market cap	33 279	34 231
Share price 2026, EUR	12,4	12,8
Dividends 23-25e, EUR	0,29	0,29
Total, EUR	12,7	13,0
Current share price, SEK	120	120
Return per year	7,3 %	8,3 %

1) Hexagon targets adjusted EBIT (inc. PPA) of >30% by 2026 which would correspond to adj. EBIT of >31.8% with estimated PPA of 1.8% of sales by 2026.

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7,19	10,7	14,1	9,79	9,13	10,3	10,3	10,3	10,3
Number of shares, millions	2572,8	2568,3	2599,3	2689,7	2684,3	2684,3	2684,3	2684,3	2684,3
Market cap	18494	27415	38095	26345	24506	27577	27577	27577	27577
EV	20552	29732	40703	29747	27992	30393	29611	28744	27819
P/E (adj.)	22,9	34,4	36,3	22,1	21,1	23,0	20,9	19,4	18,3
P/E	26,3	44,4	45,7	26,1	28,5	25,8	23,1	21,0	19,5
P/B	3,0	4,6	4,4	2,7	2,4	2,6	2,4	2,2	2,1
P/S	4,7	7,3	8,8	5,1	4,5	4,9	4,7	4,4	4,2
EV/Sales	5,3	7,9	9,4	5,8	5,2	5,4	5,0	4,6	4,2
EV/EBITDA	16,1	22,5	25,6	17,0	15,7	14,9	13,3	12,0	11,1
EV/EBIT (adj.)	20,1	29,5	32,1	19,6	17,5	18,3	16,6	15,1	13,9
Payout ratio (%)	32,4 %	38,6 %	37,1 %	32,0 %	40,6 %	35,2 %	33,7 %	32,7 %	32,3 %
Dividend yield-%	1,2 %	0,9 %	0,8 %	1,2 %	1,4 %	1,4 %	1,5 %	1,6 %	1,7 %

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
Ansys	27281	27181	27,4	24,7	25,2	23,3	11,7	10,7	34,4	31,2			4,8
Autodesk	43650	43685	24,5	22,9	22,7	20,8	8,6	7,7	29,1	27,0			28,9
Dassault Systemes	50553	49461	24,2	23,4	21,9	19,6	7,7	7,1	29,2	26,6	0,7	0,8	5,6
Faro Technologies	336	314	19,4	11,7	12,1	8,7	0,9	0,9	35,0	18,1	5,3	5,3	
Nikon	3364	2996			7,0	6,6	0,7	0,7	19,6	17,8	3,1	3,3	0,9
Renishaw	3563	3358	23,6	19,8	18,9	15,7	4,2	4,0	29,2	24,8	1,8	2,1	3,3
Topcon	1176	1492			11,3	8,3	1,2	1,1	63,9	17,0	2,3	2,5	1,9
Trimble	13754	16410	19,8	19,4	18,3	17,6	4,9	4,7	22,0	19,9			3,7
Hexagon AB (Inderes)	27577	30393	20,3	18,1	14,9	13,3	5,4	5,0	32,1	25,8	1,4	1,5	2,6
Average			23,1	20,3	17,2	15,1	5,0	4,6	32,8	22,8	2,7	2,8	7,0
Median			23,9	21,4	18,6	16,6	4,5	4,3	29,2	22,3	2,3	2,5	3,7
Diff-% to median			-15 %	-15 %	-20 %	-20 %	20 %	16 %	10 %	16 %	-41 %	-42 %	-30 %

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	4341	5161	1285	1365	1350	1435	5435	1300	1402	1397	1496	5595	5928	6270	6583
Manufacturing Intelligence	2201	2537	477	498	487	552	2013	478	508	500	563	2050	2152	2260	2373
Asset Lifecycle Intelligence	2146	2639	191	186	198	208	782	192	199	215	226	833	899	971	1020
Geosystems	-6,3	-15,0	390	425	389	399	1603	377	427	394	409	1607	1687	1772	1860
Autonomous Solutions	0,0	0,0	125	139	157	150	571	136	144	159	163	602	656	709	744
Safety, Infrastructure & Geospatial	0,0	0,0	103	115	120	126	464	117	122	127	132	498	523	550	577
Group adjustments	0,0	0,0	0,7	1,8	-1,0	0,7	2,2	0,4	1,5	1,5	1,5	4,9	9,0	9,0	9,0
EBITDA	1589	1754	447	475	292	565	1779	471	506	508	560	2046	2221	2396	2510
Depreciation	-578,9	-467,0	-119,0	-124,6	-144,7	-174,7	-563,0	-134,8	-138,0	-138,0	-137,2	-548,0	-585,7	-619,6	-619,6
EBIT (excl. NRI)	1270	1518	371	394	393	438	1597	377	409	411	466	1663	1789	1910	2006
EBIT	1010	1287	328	350	147	391	1216	336	368	370	423	1498	1636	1777	1890
Manufacturing Intelligence	685	787	120	129	124	159	531	125	135	130	166	556	588	621	652
Asset Lifecycle Intelligence	609	755	68,3	62,1	73,5	79,3	283	66,5	67,4	80,6	87,1	302	330	360	379
Geosystems	-284,0	-254,9	128	139	123	121	510	118	139	124	126	506	547	578	606
Net financial items	-26,2	-38,7	-26,8	-36,2	-43,0	-49,3	-155,3	-42,7	-40,0	-42,0	-38,3	-163,0	-140,0	-115,0	-100,0
PTP	984	1248	302	314	104	341	1061	293	328	328	385	1335	1496	1662	1790
Taxes	-173,6	-228,9	-54,3	-56,6	-16,6	-61,4	-188,9	-52,8	-62,4	-62,4	-76,0	-253,6	-284,2	-332,4	-358,0
Minority interest	-8,4	-11,5	-2,9	-3,7	-3,6	-2,7	-12,9	-2,6	-3,9	-3,8	-3,9	-14,2	-15,6	-17,2	-18,9
Net earnings	802	1008	244	254	83,6	277	859	238	262	262	305	1067	1196	1312	1413
EPS (adj.)	0,39	0,44	0,10	0,11	0,10	0,12	0,43	0,10	0,11	0,11	0,13	0,45	0,49	0,53	0,56
EPS (rep.)	0,31	0,37	0,09	0,09	0,03	0,10	0,32	0,09	0,10	0,10	0,11	0,40	0,45	0,49	0,53

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	15,3 %	18,9 %	10,8 %	6,4 %	2,5 %	2,4 %	5,3 %	1,2 %	2,7 %	3,5 %	4,2 %	2,9 %	5,9 %	5,8 %	5,0 %
Adjusted EBIT growth-%		19,5 %	10,8 %	4,1 %	1,8 %	4,9 %	5,2 %	1,4 %	3,9 %	4,6 %	6,2 %	4,1 %	7,6 %	6,7 %	5,1 %
EBITDA-%	36,6 %	34,0 %	34,8 %	34,8 %	21,6 %	39,4 %	32,7 %	36,2 %	36,1 %	36,4 %	37,5 %	36,6 %	37,5 %	38,2 %	38,1 %
Adjusted EBIT-%	29,2 %	29,4 %	28,9 %	28,9 %	29,1 %	30,5 %	29,4 %	29,0 %	29,2 %	29,4 %	31,1 %	29,7 %	30,2 %	30,5 %	30,5 %
Net earnings-%	18,5 %	19,5 %	19,0 %	18,6 %	6,2 %	19,3 %	15,8 %	18,3 %	18,7 %	18,8 %	20,4 %	19,1 %	20,2 %	20,9 %	21,5 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	13833	14132	14126	14176	14229
Goodwill	9600	9931	9924	9924	9924
Intangible assets	3206	3063	3122	3172	3225
Tangible assets	791	801	801	801	801
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	115	158	130	130	130
Other non-current assets	0,0	0,0	0,0	0,0	0,0
Deferred tax assets	122	179	150	150	150
Current assets	2644	2752	2824	2939	3053
Inventories	577	585	587	611	633
Other current assets	173	200	200	200	200
Receivables	1407	1420	1365	1417	1467
Cash and equivalents	486	547	671	711	752
Balance sheet total	16477	16884	16950	17115	17282

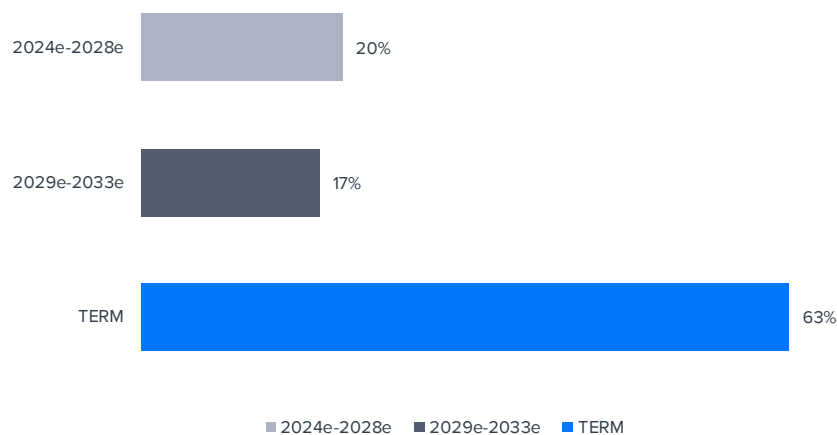
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	9865	10046	10764	11584	12494
Share capital	0,0	0,0	0,0	0,0	0,0
Retained earnings	0,0	0,0	718	1538	2448
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	9830	10014	10014	10014	10014
Minorities	34,4	32,2	32,2	32,2	32,2
Non-current liabilities	3945	3753	3227	2690	2090
Deferred tax liabilities	582	580	580	580	580
Provisions	63,4	65,0	35,0	35,0	35,0
Interest bearing debt	3178	2984	2488	1950	1350
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	122	124	124	124	124
Current liabilities	2667	3085	2959	2841	2699
Interest bearing debt	696	1100	917	719	498
Payables	1971	1985	2042	2122	2201
Other current liabilities	0,0	0,0	0,0	0,0	0,0
Balance sheet total	16477	16884	16950	17115	17282

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5,3 %	2,9 %	5,9 %	5,8 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	2,8 %	2,8 %
EBIT-%	22,4 %	26,8 %	27,6 %	28,3 %	28,7 %	29,1 %	29,5 %	30,5 %	30,5 %	25,0 %	25,0 %	25,0 %
EBIT (operating profit)	1216	1498	1636	1777	1890	2011	2137	2325	2441	2100	2158	
+ Depreciation	563	548	586	620	620	654	674	678	704	727	740	
- Paid taxes	-248	-224	-284	-332	-358	-398	-427	-465	-488	-420	-432	
- Tax, financial expenses	-26,8	-30,8	-26,6	-23,0	-20,0	-3,9	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	-33,9	110	5,3	5,5	5,0	12,2	13,1	14,1	15,2	16,4	4,9	
Operating cash flow	1471	1900	1916	2047	2137	2275	2396	2552	2672	2423	2471	
+ Change in other long-term liabilities	4,1	-30,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-804	-572	-636	-672	-689	-706	-724	-742	-761	-761	-742	
Free operating cash flow	670	1298	1280	1374	1447	1569	1672	1810	1911	1662	1729	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	670	1298	1280	1374	1447	1569	1672	1810	1911	1662	1729	37148
Discounted FCFF		1236	1134	1132	1108	1117	1108	1115	1095	885	856	18402
Sum of FCFF present value		29189	27952	26819	25687	24579	23461	22354	21239	20144	19258	18402
Enterprise value DCF		29189										
- Interest bearing debt		-4083,4										
+ Cash and cash equivalents		547										
-Minorities		-82,7										
-Dividend/capital return		-349,0										
Equity value DCF		25221										
Equity value DCF per share		9,4										
Equity value DCF per share (SEK)		109,9										

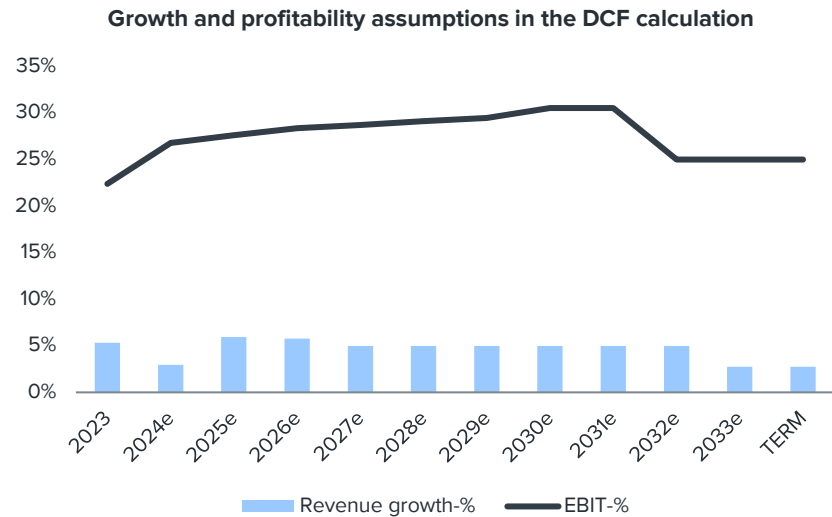
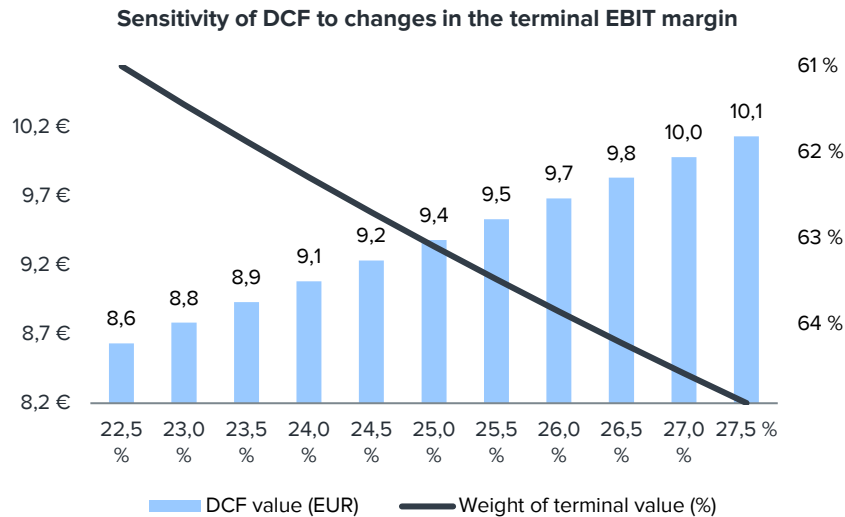
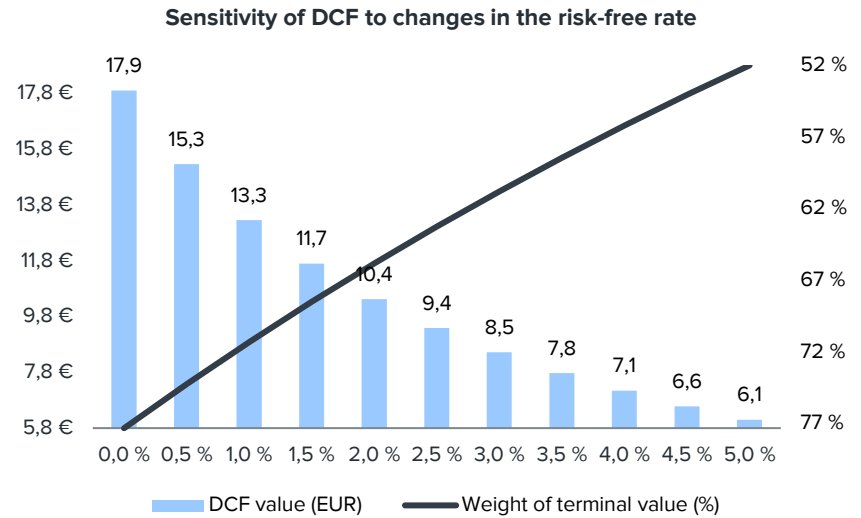
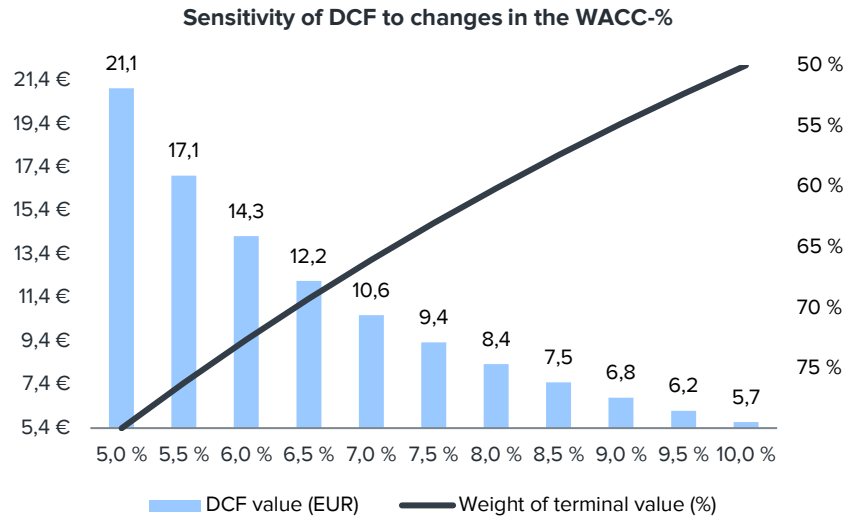
Cash flow distribution



WACC

Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E))	15,0 %
Cost of debt	3,0 %
Equity Beta	1,25
Market risk premium	4,75 %
Liquidity premium	0,00 %
Risk free interest rate	2,5 %
Cost of equity	8,4 %
Weighted average cost of capital (WACC)	7,5 %

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	4341	5161	5435	5595	5928	EPS (reported)	0,31	0,37	0,32	0,40	0,45
EBITDA	1589	1754	1779	2046	2221	EPS (adj.)	0,39	0,44	0,43	0,45	0,49
EBIT	1010	1287	1216	1498	1636	OCF / share	0,54	0,56	0,55	0,71	0,71
PTP	984	1248	1061	1335	1496	FCF / share	-0,85	-0,36	0,25	0,48	0,48
Net Income	802	1008	859	1067	1196	Book value / share	3,36	3,65	3,73	4,00	4,30
Extraordinary items	-260	-231	-381	-165	-154	Dividend / share	0,11	0,12	0,13	0,14	0,15
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	14095	16477	16884	16950	17115	Revenue growth-%	15 %	19 %	5 %	3 %	6 %
Equity capital	8765	9865	10046	10764	11584	EBITDA growth-%	20 %	10 %	1 %	15 %	9 %
Goodwill	8206	9600	9931	9924	9924	EBIT (adj.) growth-%	26 %	20 %	5 %	4 %	8 %
Net debt	2466	3388	3536	2733	1958	EPS (adj.) growth-%	25 %	14 %	-2 %	3 %	10 %
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	36,6 %	34,0 %	32,7 %	36,6 %	37,5 %
EBITDA	1589	1754	1779	2046	2221	EBIT (adj.)-%	29,2 %	29,4 %	29,4 %	29,7 %	30,2 %
Change in working capital	-14	-96	-34	110	5	EBIT-%	23,3 %	24,9 %	22,4 %	26,8 %	27,6 %
Operating cash flow	1411	1509	1471	1900	1916	ROE-%	10,9 %	10,9 %	8,7 %	10,3 %	10,7 %
CAPEX	-3589	-2461	-804	-572	-636	ROI-%	9,9 %	10,1 %	8,7 %	10,6 %	11,5 %
Free cash flow	-2199	-971	670	1298	1280	Equity ratio	62,2 %	59,9 %	59,5 %	63,5 %	67,7 %
						Gearing	28,1 %	34,3 %	35,2 %	25,4 %	16,9 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	9,4	5,8	5,2	5,4	5,0						
EV/EBITDA (adj.)	25,6	17,0	15,7	14,9	13,3						
EV/EBIT (adj.)	32,1	19,6	17,5	18,3	16,6						
P/E (adj.)	36,3	22,1	21,1	23,0	20,9						
P/B	4,4	2,7	2,4	2,6	2,4						
Dividend-%	0,8 %	1,2 %	1,4 %	1,4 %	1,5 %						

Source: Inderes

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Date	Recommendation	Target	Share price
11/24/2023	Reduce	102,00 SEK	104,00 SEK
02/02/2024	Reduce	106,00 SEK	118,10 SEK
29/04/2024	Reduce	110,00 SEK	120,20 SEK



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