

Wärtsilä

Company report

7/22/2024



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



Antti Viljakainen
+358 44 591 2216
antti.viljakainen@inderes.fi

This report is a summary translation of the report “Hyviä näkymiä on leivottu tarpeeksi hintaan” published on 7/22/2024 at 8:20 am EEST

**inde
res.**

Good outlook already priced into the stock

We reiterate our Reduce recommendation for Wärtsilä and raise our target price to EUR 17.00 (was EUR 16.50) after the good Q2 report, reflecting our positive forecast changes. Wärtsilä's brisk earnings growth pattern is likely to continue next year, but we believe that the stock already has enough earnings growth expectations built in, with the share price up almost 80% over the past year. As a result, we think the earnings growth is being swallowed up by the higher multiples, and the stock's expected return next year is therefore below the required return.

Earnings growth continued as expected in Q2, both in terms of revenue and margin

In Q2, Wärtsilä increased its revenue by 7% to 1,556 MEUR and its adjusted EBIT by 63% to 176 MEUR (Q2 adj. EBIT-% 11.3%). Wärtsilä's new orders increased by 10% to 1,854 MEUR in Q2, and the company's order book at the end of Q2 was 7.6 BNEUR, 22% higher than in the comparison period, thanks to a positive book-to-bill ratio. The company's profitability and order book were well above our forecasts, so the report was better than expected in terms of key figures. Wärtsilä's profitability also clearly exceeded consensus expectations. A significant part of the outperformance in profitability and orders was generated by Portfolio Business, which is planned to be sold, but the development of key figures in the core businesses was also in line with or better than expected, especially in Marine.

We made slightly positive forecast changes after good report

As expected, Wärtsilä reiterated in its Q2 report its previous view that the demand environment for the next 12 months (Q3'24-Q2'25) will be better than the comparison period in both Marine and Energy. Comments on the market outlook were positive, and the company's order book provides quite good visibility for the rest of the year and into next year, together with a healthy demand outlook for most businesses. In H2, Wärtsilä's revenue should accelerate as the equipment projects (especially in Energy) progress, but due to a more equipment-focused sales mix, the company warned that Q2 EBIT-% would unusually remain the peak of the current year (Q4 is typically Wärtsilä's most profitable quarter of the year in relative terms). Following the good report, we raised Wärtsilä's revenue and margin forecasts for this year and the coming years in the Portfolio Business and Marine. The Energy forecasts were kept unchanged. Group-level forecasts at the adjusted EBIT level were increased by 1-5%, but due to small increases in financial cost forecasts, changes at the EPS level were smaller. We expect Wärtsilä's adjusted EBIT to grow at an annual rate of around 5-10% in the coming years, mainly driven by revenue, after this year's significant earnings leap. The main risks to our forecasts relate to the global economy, energy transition trends and geopolitics.

Good outlook already priced in

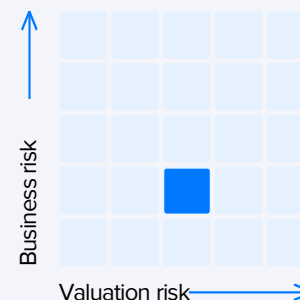
In our estimate, Wärtsilä's adjusted P/E ratios for 2024-2025 are 22x and 20x, while the corresponding EV/EBIT ratios are 15x and 14x. This year's multiples are around Wärtsilä's relatively high medium-term median levels (partly due to zero interest rates and weak performance), and next year's multiples are slightly lower. In relative terms, Wärtsilä's stock is priced slightly below the peer group on an earnings basis, but in our view the peer group's valuation already looks quite demanding. Wärtsilä's DCF value is also slightly below the share price and at the level of our target price. As a result, we believe that Wärtsilä's still good earnings growth prospects are appropriately priced into the stock. In our view, earnings growth is thus buried under the downside in the valuation, and we do not see Wärtsilä's expected return at the current share price level as attractive for further purchases.

Recommendation

Reduce
(previous Reduce)

EUR 17.00
(previous EUR 16.50)

Share price:
EUR 18.49



Key figures

	2023	2024e	2025e	2026e
Revenue	6014	7105	7471	7884
growth-%	3%	18%	5%	6%
EBIT adj.	497	722	799	863
EBIT-% adj.	8.3 %	10.2 %	10.7 %	10.9 %
Net Income	258	475	553	604
EPS (adj.)	0.56	0.82	0.93	1.02

P/E (adj.)	23.6	22.4	19.9	18.2
P/B	3.5	4.3	3.9	3.5
Dividend yield-%	2.4 %	2.2 %	2.7 %	3.2 %
EV/EBIT (adj.)	15.7	15.3	13.5	12.2
EV/EBITDA	13.1	12.9	11.3	10.3
EV/S	1.3	1.6	1.4	1.3

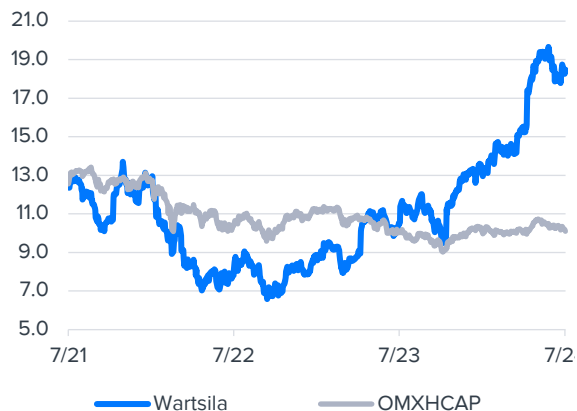
Source: Inderes

Guidance

(Unchanged)

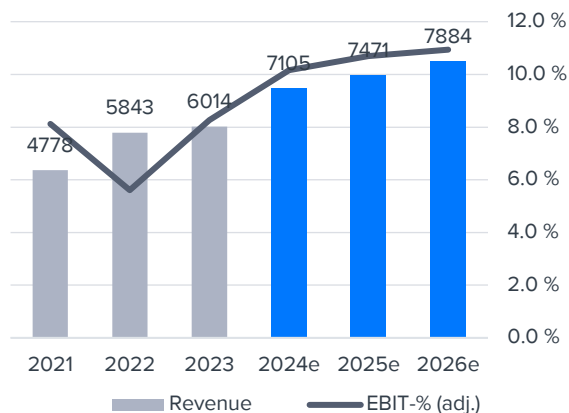
Wärtsilä expects the demand environment for both its marine (Wärtsilä Marine) and energy (Wärtsilä Energy) businesses to be better in the next 12 months (Q3/2024–Q2/2025) than in the comparison period.

Share price



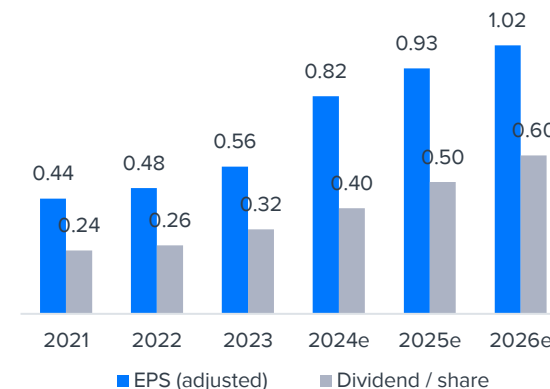
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong position in the selected segments
- Extensive installed equipment portfolio and significant share of services business
- Progress in high value-added services
- Profitability of energy storage solutions turns positive



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	18.5	18.5	18.5
Number of shares, millions	589.0	589.0	589.0
Market cap	10888	10888	10888
EV	11059	10787	10532
P/E (adj.)	22.4	19.9	18.2
P/E	22.9	19.9	18.2
P/B	4.3	3.9	3.5
P/S	1.5	1.5	1.4
EV/Sales	1.6	1.4	1.3
EV/EBITDA	12.9	11.3	10.3
EV/EBIT (adj.)	15.3	13.5	12.2
Payout ratio (%)	49.6 %	53.8 %	59.0 %
Dividend yield-%	2.2 %	2.7 %	3.2 %

Source: Inderes

Profitability was a positive surprise in Q2

Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	1454	1556	1591	1545	1438	- 1666	-2%	7105
EBIT (adj.)	107	176	151	154	139	- 170	17%	722
EBIT	65	168	151	151	129	- 170	11%	709
PTP	52	160	146	145	123	- 159	9%	678
EPS (reported)	0.04	0.20	0.17	0.18	0.15	- 0.20	16%	0.81
Revenue growth-%	3.3 %	7.0 %	9.4 %	6.3 %	-1.1%	- 14.6 %	-2.4 pp	18.1 %
EBIT-% (adj.)	7.4 %	11.3 %	9.5 %	10.0 %	9.7 %	- 10.2 %	1.8 pp	10.2 %

Source: Inderes & Vara Research (consensus)

Slight positive forecast changes in Marine and Portfolio Business

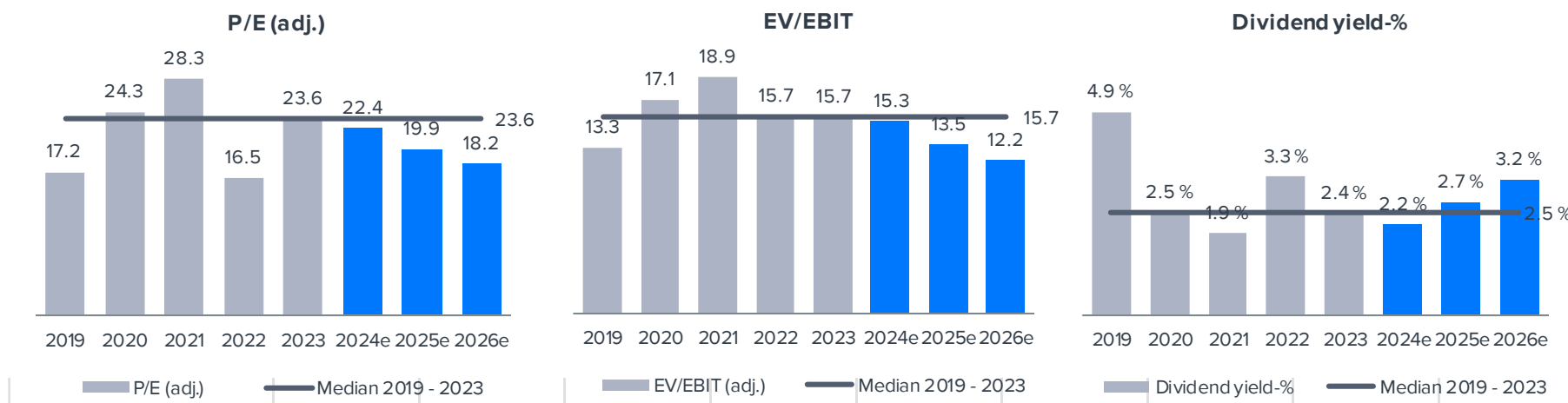
Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	7091	7105	0%	7391	7471	1%	7844	7884	1%
EBITDA	838	858	2%	940	959	2%	1014	1026	1%
EBIT (exc. NRIs)	691	722	5%	779	799	3%	850	863	1%
EBIT	686	709	3%	779	799	3%	850	863	1%
PTP	663	678	2%	775	789	2%	853	862	1%
EPS (excl. NRIs)	0.79	0.82	4%	0.92	0.93	1%	1.01	1.02	1%
DPS	0.40	0.40	0%	0.50	0.50	0%	0.60	0.60	0%

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	9.85	8.15	12.4	7.87	13.1	18.5	18.5	18.5	18.5
Number of shares, millions	591.7	591.7	590.0	590.0	589.0	589.0	589.0	589.0	589.0
Market cap	5828	4823	7293	4643	7734	10888	10888	10888	10888
EV	6601	5255	7326	5158	7804	11059	10787	10532	10281
P/E (adj.)	17.2	24.3	28.3	16.5	23.6	22.4	19.9	18.2	17.0
P/E	27.0	36.0	37.8	neg.	30.0	22.9	19.9	18.2	17.0
P/B	2.4	2.2	3.2	2.2	3.5	4.3	3.9	3.5	3.2
P/S	1.1	1.0	1.5	0.8	1.3	1.5	1.5	1.4	1.3
EV/Sales	1.3	1.1	1.5	0.9	1.3	1.6	1.4	1.3	1.3
EV/EBITDA	11.0	12.1	14.4	15.3	13.1	12.9	11.3	10.3	9.6
EV/EBIT (adj.)	13.3	17.1	18.9	15.7	15.7	15.3	13.5	12.2	11.3
Payout ratio (%)	131.5 %	88.3 %	73.4 %	neg.	73.1 %	49.6 %	53.8 %	59.0 %	59.9 %
Dividend yield-%	4.9 %	2.5 %	1.9 %	3.3 %	2.4 %	2.2 %	2.7 %	3.2 %	3.5 %

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
Metso Corp	7983	8799	10.8	10.0	9.1	8.5	1.7	1.6	14.4	12.8	3.9	4.2	2.8
Kone Oyj	24876	24356	18.0	16.6	15.0	13.9	2.2	2.1	23.2	21.4	4.0	4.1	8.4
Konecranes Abp	4254	4584	9.9	9.2	8.0	7.6	1.1	1.1	13.5	12.5	2.8	3.1	2.4
Siemens Energy AG	20374	17932	18.2	15.2	12.2	6.7	0.5	0.5	498.6	30.3	0.0		2.2
Abb Ltd	92855	95255	18.7	16.9	16.0	14.7	3.1	2.9	24.9	22.5	1.8	1.9	6.7
Alfa Laval AB	16434	17273	18.3	16.6	15.1	14.0	2.9	2.8	23.8	21.6	1.8	1.9	4.6
Alstom SA	8148	9943	13.4	10.9	7.7	6.6	0.6	0.5	15.8	11.9	1.6	1.9	0.8
Caterpillar Inc	156116	186331	14.7	14.3	13.0	12.8	3.1	3.0	16.0	15.3	1.6	1.7	8.4
GE Vernova	41111	38994	45.7	23.8	20.7	14.9	1.2	1.2	48.8	29.7			4.6
Rolls-Royce Holdings PLC	45001	47375	20.5	17.3	13.9	12.2	2.4	2.2	29.1	23.7	0.6	1.1	
Woodward Inc	9876	10311	22.4	21.2	18.2	17.1	3.4	3.2	29.5	27.8	0.6	0.6	4.6
Wartsila (Inderes)	10888	11059	15.3	13.5	12.9	11.3	1.6	1.4	22.4	19.9	2.2	2.7	4.3
Average			19.1	15.6	13.5	11.7	2.0	1.9	67.1	20.9	1.9	2.3	4.6
Median			18.2	16.6	13.9	12.8	2.2	2.1	23.8	21.6	1.7	1.9	4.6
Diff-% to median			-16%	-19%	-7%	-12%	-28%	-31%	-6%	-8%	26%	42%	-6%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	5843	6014	1322	1556	1879	2348	7105	7471	7884	8212
Marine	2758	2800	708	759	755	903	3125	3468	3671	3880
Energy	2721	2610	452	617	924	1189	3182	3227	3437	3582
Portfolio Business	364	604	162	180	200	256	798	777	776	750
EBITDA	240	595	162	205	204	287	858	959	1026	1074
Depreciation	-263	-193	-35	-37	-38	-39	-149	-159	-164	-164
EBIT (excl. NRI)	328	497	132	176	166	248	722	799	863	910
EBIT	-23	402	127	168	166	248	709	799	863	910
Marine	-56	276	77	96	88	124	385	440	470	489
Energy	82	209	50	64	73	117	304	339	372	400
Portfolio Business	-52	-83	0	8	5	7	20	21	21	22
Net financial items	-7	-37	-9	-7	-7	-7	-30	-10	0	9
PTP	-30	365	118	160	159	241	678	789	862	919
Taxes	-27	-95	-32	-43	-43	-65	-182	-212	-232	-247
Minority interest	-6	-12	-1	-1	-5	-14	-21	-24	-26	-28
Net earnings	-63	258	85	116	111	162	475	548	599	639
EPS (adj.)	0.48	0.56	0.15	0.21	0.19	0.28	0.82	0.93	1.02	1.08
EPS (rep.)	-0.11	0.44	0.14	0.20	0.19	0.28	0.81	0.93	1.02	1.08

Key figures	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	22.3 %	2.9 %	-9.8 %	7.0 %	29.4 %	42.9 %	18.1 %	5.1 %	5.5 %	4.2 %
Adjusted EBIT growth-%	-15.5 %	51.5 %	48.3 %	64.5 %	33.8 %	40.0 %	45.2 %	10.7 %	7.9 %	5.5 %
EBITDA-%	4.1 %	9.9 %	12.3 %	13.2 %	10.9 %	12.2 %	12.1 %	12.8 %	13.0 %	13.1 %
Adjusted EBIT-%	5.6 %	8.3 %	10.0 %	11.3 %	8.8 %	10.6 %	10.2 %	10.7 %	10.9 %	11.1 %
Net earnings-%	-1.1 %	4.3 %	6.4 %	7.5 %	5.9 %	6.9 %	6.7 %	7.3 %	7.6 %	7.8 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	2559	2553	2603	2611	2623
Goodwill	1288	1273	1273	1273	1273
Intangible assets	392	402	436	425	417
Tangible assets	562	562	575	593	614
Associated companies	29	33	35	35	35
Other investments	19	19	18	18	18
Other non-current assets	72	52	50	50	50
Deferred tax assets	197	212	216	216	216
Current assets	4049	4250	4725	4968	5243
Inventories	1361	1485	1705	1793	1892
Other current assets	54	5	0	0	0
Receivables	2173	1943	2487	2615	2759
Cash and equivalents	461	817	533	560	591
Balance sheet total	6608	6803	7328	7579	7866

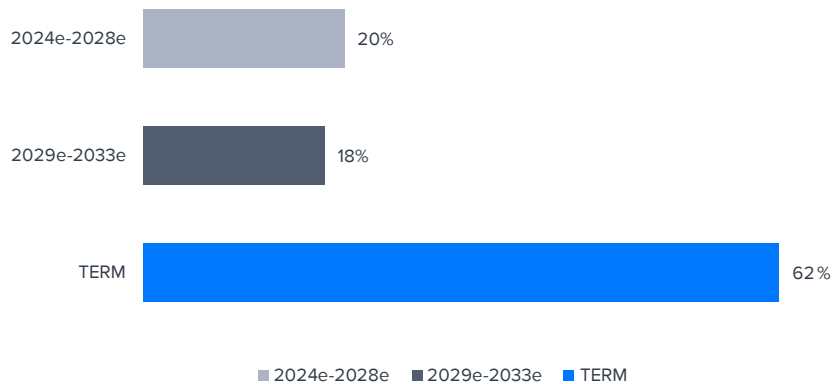
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	2148	2233	2521	2833	3138
Share capital	336	336	336	336	336
Retained earnings	1891	1989	2276	2588	2893
Hybrid bonds	0	0	0	0	0
Revaluation reserve	61	61	61	61	61
Other equity	-152	-161	-161	-161	-161
Minorities	12	8	9	9	9
Non-current liabilities	1355	1405	1193	1001	825
Deferred tax liabilities	65.0	69.0	64.0	64.0	64.0
Provisions	396	372	372	372	372
Interest bearing debt	740	739	532	340	164
Convertibles	0	0	0	0	0
Other long term liabilities	154	225	225	225	225
Current liabilities	3105	3165	3614	3745	3903
Interest bearing debt	209	120	133	84	40
Payables	2874	3045	3482	3661	3863
Other current liabilities	22	0	0	0	0
Balance sheet total	6608	6803	7328	7579	7866

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	2.9 %	18.1 %	5.1 %	5.5 %	4.2 %	3.9 %	3.6 %	3.3 %	3.1 %	2.8 %	2.5 %	2.5 %
EBIT-%	6.7 %	10.0 %	10.7 %	10.9 %	11.1 %	10.8 %	10.5 %	10.1 %	9.8 %	9.5 %	9.2 %	9.2 %
EBIT (operating profit)	402	709	799	863	910	919	924	926	925	920	912	
+ Depreciation	193	149	159	164	164	151	154	156	159	161	162	
- Paid taxes	-106	-191	-212	-232	-247	-251	-253	-253	-252	-251	-248	
- Tax, financial expenses	-12	-12	-6	-3	-1	0	0	0	0	-1	-1	
+ Tax, financial income	2	4	3	3	4	4	5	5	4	4	4	
- Change in working capital	304	-323	-37	-41	-33	-32	-31	-29	-28	-26	-24	
Operating cash flow	783	336	708	754	797	792	799	804	808	808	805	
+ Change in other long-term liabilities	47	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-168	-193	-168	-176	-168	-168	-167	-178	-179	-168	-189	
Free operating cash flow	662	143	540	578	629	624	632	626	629	641	615	
+/- Other	0	0	-5	-5	-5	0	0	0	0	0	0	
FCFF	662	143	535	573	624	624	632	626	629	641	615	12719
Discounted FCFF	139	482	480	487	453	427	394	368	349	312	6447	
Sum of FCFF present value		10339	10200	9718	9238	8751	8298	7870	7476	7108	6759	6447
Enterprise value DCF		10341										
- Interest bearing debt		-859										
+ Cash and cash equivalents		817										
-Minorities		-39										
-Dividend/capital return		-188										
Equity value DCF		10069										
Equity value DCF per share		17.1										

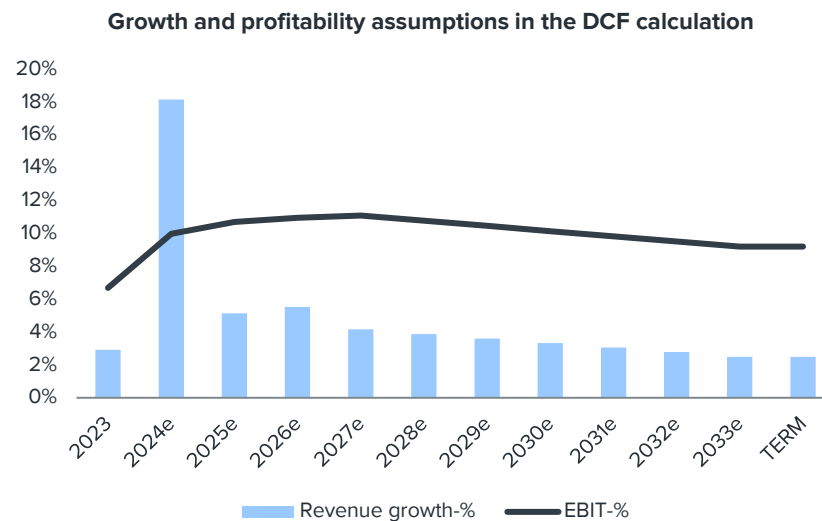
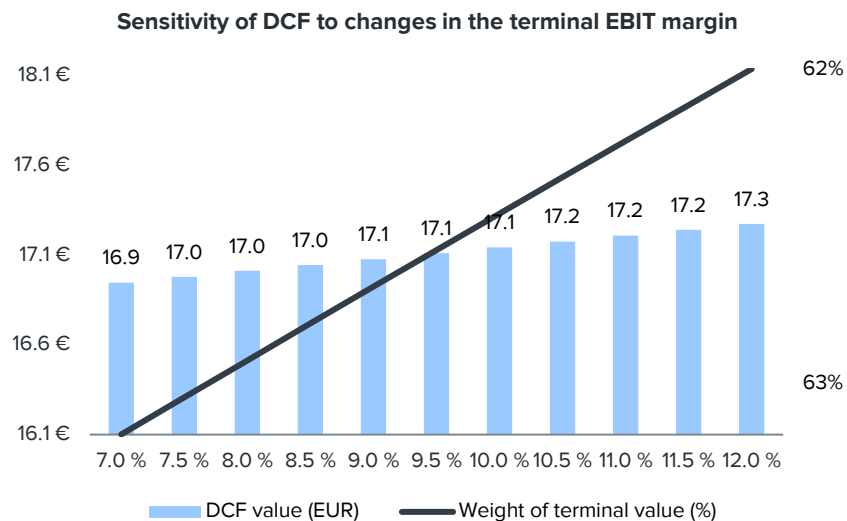
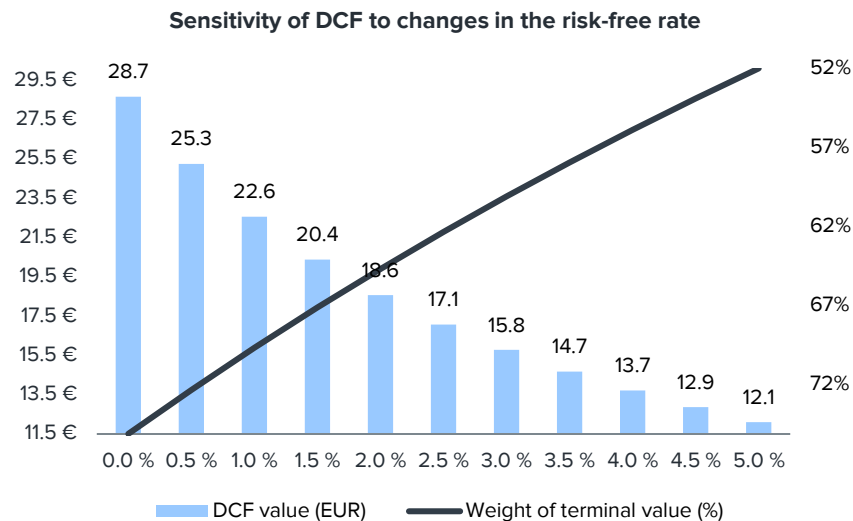
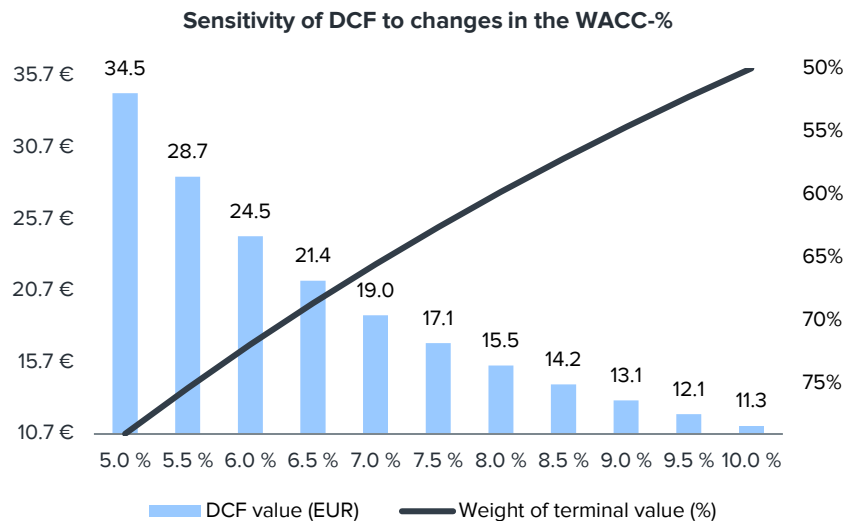
Cash flow distribution



WACC	
Tax-% (WACC)	26.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.7 %
Weighted average cost of capital (WACC)	7.5 %

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	4778.0	5843.0	6014.0	7105.4	7471.0	EPS (reported)	0.33	-0.11	0.44	0.81	0.93
EBITDA	476.0	240.0	595.0	857.8	958.8	EPS (adj.)	0.44	0.48	0.56	0.82	0.93
EBIT	314.0	-23.0	402.0	708.8	799.3	OCF / share	1.35	-0.30	1.33	0.57	1.20
PTP	296.0	-30.0	365.0	678.2	788.9	FCF / share	0.80	-0.60	1.12	0.24	0.91
Net Income	193.0	-63.0	258.0	475.0	547.9	Book value / share	3.92	3.62	3.78	4.26	4.79
Extraordinary items	-74.0	-351.0	-95.0	-13.0	0.0	Dividend / share	0.24	0.26	0.32	0.40	0.50
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	6523.0	6608.0	6803.0	7327.6	7579.0	Revenue growth-%	4%	22%	3%	18%	5%
Equity capital	2323.0	2148.0	2233.0	2520.5	2832.8	EBITDA growth-%	17%	-50%	148%	44%	12%
Goodwill	1374.0	1288.0	1273.0	1273.0	1273.0	EBIT (adj.) growth-%	26%	-15%	52%	45%	11%
Net debt	8.0	488.0	42.0	131.6	-136.0	EPS (adj.) growth-%	30%	9%	17%	48%	13%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	10.0 %	4.1 %	9.9 %	12.1 %	12.8 %
EBITDA	476.0	240.0	595.0	857.8	958.8	EBIT (adj.)-%	8.1 %	5.6 %	8.3 %	10.2 %	10.7 %
Change in working capital	424.0	-357.0	304.0	-322.5	-36.6	EBIT-%	6.6 %	-0.4 %	6.7 %	10.0 %	10.7 %
Operating cash flow	795.7	-175.8	783.4	336.0	707.6	ROE-%	8.6 %	-2.8 %	11.8 %	20.1 %	20.5 %
CAPEX	-286.0	-251.0	-168.0	-192.6	-167.6	ROI-%	9.5 %	0.2 %	13.2 %	23.0 %	25.2 %
Free cash flow	472.7	-354.8	662.4	143.4	534.9	Equity ratio	38.6 %	35.8 %	36.2 %	38.3 %	41.7 %
						Gearing	0.3 %	22.7 %	1.9 %	5.2 %	-4.8 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1.5	0.9	1.3	1.6	1.4						
EV/EBITDA	14.4	15.3	13.1	12.9	11.3						
EV/EBIT (adj.)	18.9	15.7	15.7	15.3	13.5						
P/E (adj.)	28.3	16.5	23.6	22.4	19.9						
P/B	3.2	2.2	3.5	4.3	3.9						
Dividend-%	1.9 %	3.3 %	2.4 %	2.2 %	2.7 %						

Source: Inderes

ESG

Taxonomy eligibility percentages stay low

Wärtsilä's low taxonomy eligibility percentages for revenue and operating costs reflect the fact that the service businesses (over 50% of Wärtsilä's revenue) are not taxonomy-eligible according to Wärtsilä's interpretation. Maritime systems that support the reduction of Wärtsilä's emissions are excluded from taxonomy, as taxonomy only includes ship manufacturing. In the energy business, finished engines for carbon-neutral fuels that also run on natural gas or other fossil fuels are also excluded from taxonomy. On the other hand, the higher taxonomy percentage of investments indicates Wärtsilä's investments in technologies using zero-emission fuels like ammonia and hydrogen, and the company wants to be ready in terms of its product offering when these fuels enter the market.

The political dimension is considerable, but the regulatory risks associated with the taxonomy are unlikely to increase

The political dimension of Wärtsilä's business is significant, as zero-emission marine operations and energy production are the key to achieving global emission reduction targets. Wärtsilä is investing in technologies using zero-emission fuels like ammonia and hydrogen, and we will continue to wait for the potential impact of the extension of the marine emissions trading system on Wärtsilä's business. We consider it quite unlikely that the regulatory risk of Wärtsilä's operations will increase, as the company is at the forefront of the development and commercialization of emission-reducing technologies. So far, we do not see any direct short-term economic impact resulting from the taxonomy, for example on financing costs.

Realistic climate targets, although less ambitious than in other major Finnish machinery manufacturers

Wärtsilä's own climate targets for 2030 ("Set for 30") aim at carbon neutrality in its own operations, as well as a product range that is ready for carbon-free fuels. The carbon neutrality of own activities is related to Scope 1 and Scope 2 activities. Wärtsilä does not measure or at least it does not disclose all Scope 3 indirect emissions, as emissions from the use of products sold by the company are outside the scope of the review. We consider the company's Scope 1 and Scope 2 targets to be realistic but assessing of the magnitude and costs of the Scope 3 objective requires more information, e.g, on the content of target setting and the magnitude of the impact. We assume that over time Wärtsilä will have to rethink its Scope 3 target setting in the context of the intensifying climate debate.

Taxonomy eligibility	2022*	2023
Revenue	15 %	17 %
OPEX	13 %	12 %
CAPEX	34 %	23 %

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

Climate

Climate target	Yes
Target according to the Paris Agreement (1.5 °C warming scenario)	No

*the figures are not comparable due to taxonomy development

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/28/2019	Reduce	9.00 €	9.27 €
11/27/2019	Accumulate	10.00 €	9.08 €
1/20/2020	Accumulate	12.00 €	10.83 €
1/31/2020	Accumulate	12.50 €	11.45 €
3/26/2020	Accumulate	7.50 €	6.78 €
4/22/2020	Accumulate	7.00 €	6.36 €
7/20/2020	Accumulate	8.00 €	7.51 €
10/26/2020	Accumulate	8.00 €	7.44 €
1/21/2021	Reduce	9.40 €	9.01 €
1/29/2021	Reduce	8.70 €	8.11 €
4/23/2021	Reduce	10.00 €	10.31 €
7/21/2021	Reduce	12.00 €	12.35 €
10/27/2021	Accumulate	12.60 €	11.88 €
11/19/2021	Accumulate	14.00 €	13.16 €
1/31/2022	Accumulate	13.00 €	10.84 €
3/30/2022	Accumulate	11.50 €	9.11 €
4/21/2022	Accumulate	10.60 €	8.41 €
4/29/2022	Accumulate	9.50 €	7.75 €
7/22/2022	Accumulate	9.50 €	8.58 €
10/3/2022	Buy	8.00 €	6.58 €
10/26/2022	Buy	8.00 €	6.76 €
11/15/2022	Accumulate	9.00 €	8.25 €
1/4/2023	Accumulate	9.00 €	8.01 €
2/1/2023	Accumulate	9.50 €	8.71 €
4/26/2023	Accumulate	11.00 €	10.10 €
7/24/2023	Accumulate	12.50 €	11.38 €
11/1/2023	Accumulate	12.50 €	11.24 €
1/5/2024	Accumulate	13.50 €	12.96 €
1/31/2024	Accumulate	15.00 €	13.70 €
4/29/2024	Reduce	16.50 €	17.40 €
7/22/2024	Reduce	17.00 €	18.49 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**