

Hexagon AB

Company report

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Temporary weakness creates opportunity

Q2 performance suffered from cyclical headwinds, but Hexagon also demonstrated strong underlying development such as good growth in recurring software revenue and improved efficiency. A cyclical recovery is not yet in sight in the near term, but we expect the underlying positive development to be increasingly reflected in earnings in Q4 and 2025. In view of the recent share price decline, we find the expected return attractive and change our recommendation to Accumulate (prev. Reduce) with a target price of SEK 115 (prev. 110).

Hardware sales suffered more than expected

Q2 organic revenue growth was 0% as cyclical headwinds in automotive and construction hurt hardware sales. Sales were 3/4% below our/consensus estimates. Weaker-than-expected revenue was also reflected in adjusted EBIT, which was 2/5% below our/consensus estimates. However, revenue quality improved as recurring revenue growth was around 8% y/y, driven by SaaS. The improved revenue mix drove gross margin to an all-time high and supported adjusted EBIT, together with continued efficiency gains from the rationalization program.

Cyclical rebound not yet in sight, but internal development bodes well for future earnings growth

Hexagon's management pointed out that it does not yet expect an improvement in demand from the construction and automotive industries in the third quarter. However, the good growth in software sales, innovation and improved operational efficiency bode well for further earnings growth once cyclical demand picks up. Management expects the good momentum in recurring revenues to continue in the near term. Q3 will be a particularly active quarter for new product launches, which Hexagon hopes will help the company strengthen its market share once macroeconomic conditions improve.

Our estimate reductions mainly limited to short term

We have slightly lowered our estimates as we expect no organic growth in Q3. We estimate organic growth to recover to 4% by Q4, mainly driven by easier comparison figures. For 2025, we estimate a clear up-tick in organic growth supported by a moderate cyclical recovery. We lower sales and adjusted EBIT by 2% in 2024e and by 1% in 2025-26e. The current year's estimated adjusted EBIT growth of 38 MEUR is well below the targeted or achieved savings from Hexagon's ongoing rationalization program, which has so far achieved run-rate annual savings of around 160 MEUR. We therefore expect the major benefits to be realized in 2025-26.

Expected return has improved given the lower share price and good underlying development

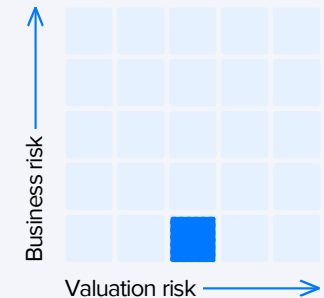
Hexagon is a diversified, high-quality technology company that creates value over the long term. We have been cautious recently as the pace of organic growth has slowed due to cyclical headwinds. We believe that the major cyclical disappointments are now behind us and do not expect any further incremental declines in organic growth in the coming quarters, even if the recovery is not yet in sight. We see Hexagon's fair adjusted EV/EBIT valuation multiple at 18x, compared to current levels of 17x for 2024e and 15x for 2025e. The reported EV/EBIT multiple of 19x is also below the 10-year historical median, even though the company's earnings quality has improved due to a higher share of software sales and other recurring revenues. We calculate the expected return over the next 3 years to be 10-11% p.a., assuming a fair adj. EV/EBIT of 18x and average earnings growth of 7% p.a. in 2025-26..

Recommendation

Accumulate
(prev. Reduce)

115 SEK
(prev. 110 SEK)

Share price:
107.25 SEK



Key indicators

	2023	2024e	2025e	2026e
Revenue	5435.2	5487.0	5842.6	6180.4
growth-%	5%	1%	6%	6%
EBIT adj.	1596.7	1634.2	1772.3	1888.7
EBIT-% adj.	29.4 %	29.8 %	30.3 %	30.6 %
Net Income	858.9	1040.1	1178.1	1311.2
EPS (adj.)	0.43	0.44	0.49	0.53

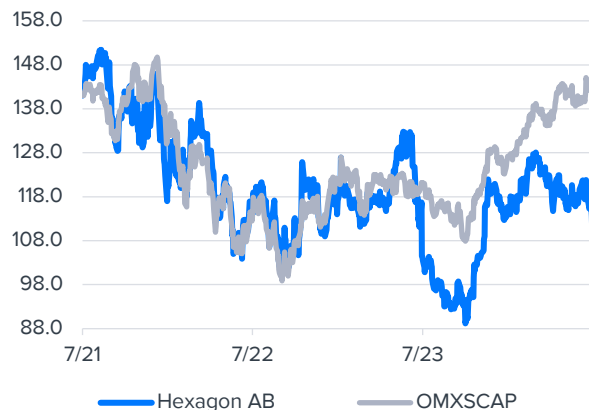
P/E (adj.)	21.1	20.9	18.8	17.3
P/B	2.4	2.3	2.1	2.0
Dividend yield-%	1.4 %	1.5 %	1.6 %	1.8 %
EV/EBIT (adj.)	17.5	17.0	15.2	13.8
EV/EBITDA	15.7	13.8	12.3	11.0
EV/S	5.2	5.1	4.6	4.2

Source: Inderes

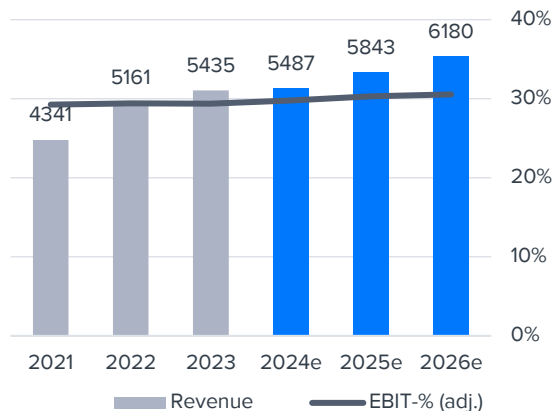
Guidance

(No guidance)

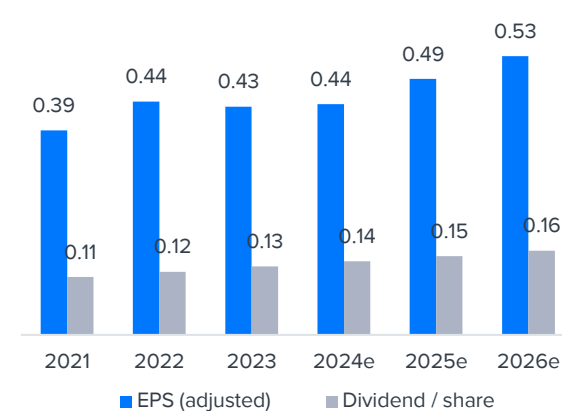
Share price



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	9.14	9.14	9.14
Number of shares, millions	2684.3	2684.3	2684.3
Market cap	24537	24537	24537
EV	27732	26999	26144
P/E (adj.)	20.9	18.8	17.3
P/E	23.6	20.8	18.7
P/B	2.3	2.1	2.0
P/S	4.5	4.2	4.0
EV/Sales	5.1	4.6	4.2
EV/EBITDA	13.8	12.3	11.0
EV/EBIT (adj.)	17.0	15.2	13.8
Payout ratio (%)	36.1 %	34.2 %	32.8 %
Dividend yield-%	1.5 %	1.6 %	1.8 %

Source: Inderes

Q2 weakness driven by cyclical headwinds

Sales missed estimates owing to cyclical headwinds

Q2 growth ended up being weaker than we expected, which was reflected in the bottom line, even though relative profitability was quite strong. Revenues were 3% below our estimate and 4% below consensus. Adjusted EBIT was 2% below our estimate and 4.5% below consensus.

Large segments with significant hardware sales, such as Manufacturing Intelligence (MI) and Geosystems, suffered from cyclical headwinds in some of their key end markets (automotive for MI and construction for Geosystems). However, recurring revenues, including software and services, grew 8% year-on-year, indicating an expected improvement in revenue quality. This development signals good potential for earnings growth once the cyclical industries recover. Autonomous Solutions' growth suffered from high

comparables from last year due to some large one-off defense projects. Asset Lifecycle Intelligence exceeded slightly our organic growth estimate with strong demand for SaaS and perpetual software licenses driven by investment in data centers and new energy assets. Safety, Infrastructure and Geospatial delivered as expected.

Profitability was relatively resilient

Gross margin reached an all-time high, improving 1.7 percentage points year-on-year. A high gross margin is naturally supported by a higher proportion of recurring revenues, especially software. High gross margins, together with operational efficiency measures, also helped to maintain the EBIT margin at a good level of 29.5%, up 0.6pp year-on-year. Net financial expenses have increased materially in H1 y/y but declined slightly compared to the level in H2'23.

Stable cash flow and strengthened balance sheet

Cash conversion was healthy at 85% as the company continued to focus on working capital management and cash flow. Net debt was 3 691 MEUR at the end of Q2 (Q2'23: 3 864 MEUR). Equity ratio improved to 60.2% (Q2'23: 58.4%). Leverage in balance sheet has declined given that Hexagon has not done large acquisitions in the past year. So far in 2024, it has done 5 small bolt-on acquisitions for a total cash consideration of 67 MEUR.

Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus	Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	1365	1353	1402	1409		-3%	5487
Gross margin	65.6 %	67.3 %	67.3 %			0 pp	66.5 %
EBIT (adj.)	394	400	409	419		-2%	1634
EBIT	350	361	368	377		-2%	1464
EPS (reported)	0.09	0.10	0.10	0.10		-2%	0.39
Revenue growth-%	8.0 %	-0.8 %	2.7 %	3.2 %		-3.6 pp	1.0 %
EBIT-% (adj.)	28.9 %	29.5 %	29.2 %	29.7 %		0.3 pp	29.8 %

Source: Inderes & Hexagon (consensus includes 20 estimates)

Division-specific organic sales growth

Group	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24e	Q2 24
Manufacturing Intelligence	8%	8%	8%	5%	3%	3%	0%
Asset Lifetime Intelligence	16%	11%	10%	8%	2%	7%	9%
Geosystems	7%	4%	3%	1%	-2%	0%	-5%
Autonomous Solutions	13%	27%	34%	16%	8%	3%	-2%
Safety, Infrastructure and Geospatial	-11%	-9%	-5%	-4%	5%	6%	6%

Big picture rather intact

Underlying positive development entails improving earnings growth once the cyclical headwinds ease up

- According to Hexagon, early indications are that the automotive and construction markets will remain challenging in the third quarter of 2024.
- The company highlighted that its focus on innovation (meaning improving sales mix) and operational efficiencies (meaning cost savings) will help support the adjusted EBIT margin despite cyclical headwinds.
- The company also believes this builds a strong foundation for earnings growth once the macro environment improves.
- The good growth in recurring revenues was supported by increasing customer acceptance of subscription-based services. New features and innovations also contributed to the positive development. Hexagon expects this trend to continue in the near future.
- Q3 will be a particularly active quarter for new product launches, which Hexagon hopes will help the company gain market share once macroeconomic conditions improve.
- By the end of Q2, Hexagon has achieved the majority of the targeted savings in its rationalization program on a run-rate basis. However, the full impact to EBIT will be visible not until 2025.
- We have lowered our estimates only slightly, with the largest impact in 2024. Revenue and EBIT estimates for 2024 have been lowered by 2% and for 2025-26 by only 1%.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	5595	5487	-2%	5928	5843	-1%	6270	6180	-1%
EBITDA	2046	2012	-2%	2221	2203	-1%	2396	2374	-1%
EBIT (exc. NRIs)	1663	1634	-2%	1789	1772	-1%	1910	1889	-1%
EBIT	1498	1464	-2%	1636	1614	-1%	1777	1751	-1%
PTP	1335	1295	-3%	1496	1474	-1%	1662	1636	-2%
EPS (excl. NRIs)	0.45	0.44	-2%	0.49	0.49	-1%	0.53	0.53	0%
DPS	0.14	0.14	0%	0.15	0.15	0%	0.16	0.16	0%

Source: Inderes

Attractive price for the quality

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 (currently ~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.

Earnings-based valuation has fallen below fair value, we argue

We expect Hexagon's earnings growth to remain rather low in 2024 due to cyclical headwinds, although it will improve towards the end of the year due to easier comparison figures. Earnings growth should accelerate in 2025-26, driven by the cyclical recovery, good underlying gross margins and efficiency. Recurring revenue growth will be driven by organic innovation and good growth in recently acquired software businesses, both of which will increase gross margins. The full benefits of the

efficiency program will also not be seen until 2025. Based on our estimates, the adjusted EV/EBIT is 17x for 2024 and 15x for 2025 (reported EV/EBIT 19x and 17x), which we consider high in a general context, but rather attractive for a diversified and stable value-creator like Hexagon. We consider a fair valuation multiple for Hexagon to be an adjusted EV/EBIT of 18x or a reported EV/EBIT of 20x.

The current reported EV/EBIT (2024e) of 19x is also slightly below the historical median of 20x. While valuation levels have generally suffered from higher interest rates and increased macroeconomic uncertainty, we note that the quality of Hexagon's business has improved as the proportion of software and other recurring revenues has increased (hardware/software/services split roughly 40/40/20% of revenue).

Expected return turned attractive

With a fair value adjusted EV/EBIT multiple of 18x, we calculate that the share value could grow to EUR 12.1 (including cumulative dividends), assuming an average earnings growth of 7% p.a. in 2025-26. This would yield annual return of 10.6%. Our base case assumes an Adjusted EBIT margin of 30.6% by 2026, which is more conservative than Hexagon's financial targets, which target an adjusted EBIT margin including PPA of 30% (equivalent to an adjusted EBIT margin of 31.3% in our calculations). If the company achieves its target, the expected annual return would increase to 11.5%.

We believe that the major cyclical disappointments are now behind us and we do not expect any further incremental declines in organic growth in the coming quarters, even if the recovery is not yet in sight. We raise our recommendation to Accumulate with a target price of SEK 115.

Valuation (EUR)	2024e	2025e	2026e
Share price	9.14	9.14	9.14
Number of shares, millions	2684.3	2684.3	2684.3
Market cap	24537	24537	24537
EV	27732	26999	26144
P/E (adj.)	20.9	18.8	17.3
P/E	23.6	20.8	18.7
P/B	2.3	2.1	2.0
P/S	4.5	4.2	4.0
EV/Sales	5.1	4.6	4.2
EV/EBITDA	13.8	12.3	11.0
EV/EBIT (adj.)	17.0	15.2	13.8
Payout ratio (%)	36.1 %	34.2 %	32.8 %
Dividend yield-%	1.5 %	1.6 %	1.8 %

Source: Inderes

Valuation scenarios¹

2026 estimates, MEUR	Base case	Adj. EBIT (inc. PPA): 30% scenario
Sales	6180	6180
Adj. EBIT-%	30.6 %	31.3 %
Adj. EBIT	1889	1934
Adj. EV/EBIT	18x	18x
EV	33997	34820
Net debt	1543	1543
Market cap	32454	33277
Share price 2026, EUR	12,1	12.4
Dividends 23-25e, EUR	0.29	0.29
Total, EUR	12.4	12.7
Current share price, SEK	107	107
Return per year	10.6%	11.5%

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.

Detailed estimates

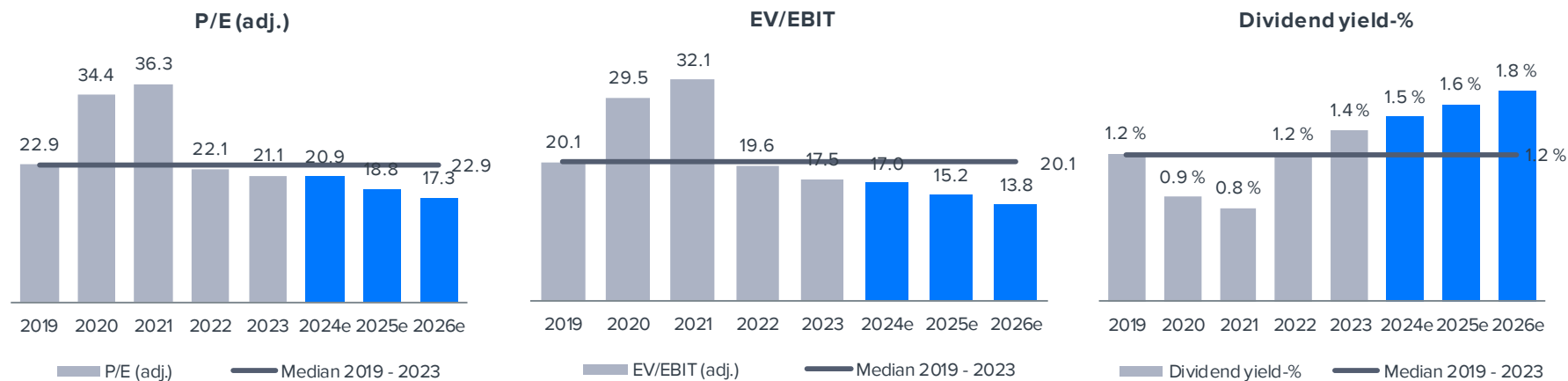
Group, MEUR	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net operating sales	3761	3908	3771	4347	5176	5440	5487	5843	6180
-Growth y/y	8%	4%	-4%	15%	19%	5%	1%	6%	6%
-of which organic	8%	-1%	-4%	12%	8%	7%	2%	6%	6%
-of which FX	-3%	2%	-2%	-1%	6%	-4%	-1%	0%	0%
-of which structural	4%	3%	3%	5%	5%	2%	0%	0%	0%
Gross margin (%)	62.1 %	62.8 %	63.6 %	64.6 %	65.4 %	66.1 %	66.5 %	66.4 %	66.5 %
Fixed costs (excluding adjustments)	-1357	-1430	-1385	-1535	-1857	-1996	-2012	-2107	-2221
-Growth y/y	10%	5%	-3%	11%	21%	7%	1%	5%	5%
Adjusted EBIT	978	1024	1010	1270	1518	1597	1634	1772	1889
-of net operating sales	26.0 %	26.2 %	26.8 %	29.2 %	29.3 %	29.4 %	29.8 %	30.3 %	30.6 %
FX-impact on adj. EBIT					98	-81	-17		
EBIT-% change y/y if adjusting for FX-impact					0,6 pp	0,7 pp	0,5 pp		
Divisions	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Manufacturing Intelligence									
Sales					1902	2013	1983	2102	2207
Organic growth	9%	-5%	-9%	15%	10%	9%	1%	6%	5%
Adj. EBIT-%					25.9 %	26.4 %	27.2 %	27.4 %	27.6 %
Asset Lifetime Intelligence									
Sales					728	782	835	902	965
Organic growth	7%	8%	-3%	1%	7%	11%	7%	8%	7%
Adj. EBIT-%					35.8 %	36.2 %	36.3 %	36.5 %	36.7 %
Geosystems									
Sales					1585	1603	1580	1665	1757
Organic growth	11%	2%	-4%	19%	7%	4%	-1%	5%	6%
Adj. EBIT-%					32.8 %	31.8 %	31.2 %	32.4 %	32.6 %
Autonomous Solutions									
Sales					476	571	591	651	703
Organic growth	18%	2%	2%	8%	13%	22%	1%	10%	8%
Adj. EBIT-%					33.1 %	33.9 %	35.6 %	35.8 %	36.0 %
Safety, Infrastructure & Geospatial									
Sales					476	464	494	519	545
Organic growth	-6%	-3%	13%	-3%	3%	-7%	5%	5%	5%
Adj. EBIT-%					22.8 %	22.4 %	23.7 %	23.8 %	23.9 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.19	10.7	14.1	9.79	9.13	9.14	9.14	9.14	9.14
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	24537	24537	24537	24537
EV	20552	29732	40703	29747	27992	27732	26999	26144	25244
P/E (adj.)	22.9	34.4	36.3	22.1	21.1	20.9	18.8	17.3	16.4
P/E	26.3	44.4	45.7	26.1	28.5	23.6	20.8	18.7	17.5
P/B	3.0	4.6	4.4	2.7	2.4	2.3	2.1	2.0	1.8
P/S	4.7	7.3	8.8	5.1	4.5	4.5	4.2	4.0	3.8
EV/Sales	5.3	7.9	9.4	5.8	5.2	5.1	4.6	4.2	3.9
EV/EBITDA	16.1	22.5	25.6	17.0	15.7	13.8	12.3	11.0	10.1
EV/EBIT (adj.)	20.1	29.5	32.1	19.6	17.5	17.0	15.2	13.8	12.6
Payout ratio (%)	32.4 %	38.6 %	37.1 %	32.0 %	40.6 %	36.1 %	34.2 %	32.8 %	32.6 %
Dividend yield-%	1.2 %	0.9 %	0.8 %	1.2 %	1.4 %	1.5 %	1.6 %	1.8 %	1.9 %

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	25111	24819	26.6	23.8	26.2	22.4	11.1	10.2	33.4	29.9			8.9
Autodesk	47801	48073	27.4	24.4	25.4	22.9	9.6	8.6	32.2	29.7			31.9
Dassault Systemes	46658	45634	23.4	21.7	21.1	18.5	7.3	6.7	27.0	25.0	0.7	0.8	5.2
Faro Technologies	305	280	16.7	10.8	10.7	8.2	0.9	0.8	27.8	16.8	5.8	5.8	
Nikon	3516	3342		1.0	7.7	7.4	0.8	0.8	20.3	19.4	3.0	3.2	0.9
Renishaw	3128	2921	21.6	17.4	16.9	13.8	3.6	3.4	25.7	21.2	2.1	2.3	2.9
Topcon	1106	1477			11.0	7.9	1.2	1.1	59.5	17.1	2.5	2.7	1.8
Trimble	12453	15010	18.7	19.1	16.9	16.2	4.5	4.3	20.3	18.1			3.6
Hexagon AB (Inderes)	24537	27732	18.9	16.7	13.8	12.3	5.1	4.6	28.6	23.6	1.5	1.6	2.3
Average			22.4	16.9	17.0	14.7	4.9	4.5	30.8	22.2	2.8	3.0	7.9
Median			22.5	19.1	16.9	15.0	4.0	3.9	27.4	20.3	2.5	2.7	3.6
Diff-% to median			-16%	-12%	-18%	-18%	25%	20%	4%	16%	-38%	-39%	-36%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	4341	5161	1285	1365	1350	1435	5435	1300	1353	1356	1477	5487	5843	6180	6510
Manufacturing Intelligence	2201	2537	477	498	487	552	2013	478	484	473	548	1983	2102	2207	2328
Asset Lifecycle Intelligence	2146	2639	191	186	198	208	782	192	203	216	225	835	902	965	1023
Geosystems	-6.3	-15.0	390	425	389	399	1603	377	406	391	406	1580	1665	1757	1844
Autonomous Solutions	0.0	0.0	125	139	157	150	571	136	141	149	165	591	651	703	738
Safety, Infrastructure & Geospatial	0.0	0.0	103	115	120	126	464	117	120	126	131	494	519	545	572
Group adjustments	0.0	0.0	0.7	1.8	-1.0	0.7	2.2	0.4	0.0	1.5	1.5	3	4	4	4
EBITDA	1589	1754	447	475	292	565	1779	471	497	497	547	2012	2203	2374	2499
Depreciation	-578.9	-467.0	-119.0	-124.6	-144.7	-174.7	-563.0	-134.8	-136.6	-138.0	-138.6	-548	-589	-623	-623
EBIT (excl. NRI)	1270	1518	371	394	393	438	1597	377	400	400	458	1634	1772	1889	1997
EBIT	1010	1287	328	350	147	391	1216	336	361	359	409	1464	1614	1751	1876
Manufacturing Intelligence	685	787	120	129	124	159	531	125	129	123	161	538	576	609	647
Asset Lifecycle Intelligence	609	755	68.3	62.1	73.5	79.3	283	66.5	70.5	80.4	86.3	304	329	354	378
Geosystems	-284.0	-254.9	128	139	123	121	510	118	131	121	123	493	539	573	601
Autonomous Solutions	0.0	0.0	41.3	48.1	54.0	50.2	194	47.7	52.6	53.8	56.2	210	233	253	266
Safety, Infrastructure & Geospatial	0.0	0.0	18.4	21.7	26.6	37.3	104	24.3	23.8	29.0	40.1	117	123	130	137
Group adjustments	0.0	0.0	-46.6	-49.6	-253.5	-56.2	-406	-44.9	-46.5	-48.7	-58.2	-198	-187	-168	-153
Net financial items	-26.2	-38.7	-26.8	-36.2	-43.0	-49.3	-155	-42.7	-42.1	-42.0	-42.2	-169	-140	-115	-100
PTP	984	1248	302	314	104	341	1061	293	318	317	366	1295	1474	1636	1776
Taxes	-173.6	-228.9	-54.3	-56.6	-16.6	-61.4	-189	-52.8	-57.3	-57.1	-73.7	-241	-280	-308	-355
Minority interest	-8.4	-11.5	-2.9	-3.7	-3.6	-2.7	-13	-2.6	-3.1	-3.8	-4.7	-14	-16	-17	-19
Net earnings	802	1008	244	254	83.6	277	859	238	258	256	288	1040	1178	1311	1402
EPS (adj.)	0.39	0.44	0.10	0.11	0.10	0.12	0.43	0.10	0.11	0.11	0.12	0.44	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	0.39	0.44	0.49	0.52

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	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 %	-0.8 %	0.5 %	2.9 %	1.0 %	6.5 %	5.8 %	5.3 %
Adjusted EBIT growth-%		19.5 %	10.8 %	4.1 %	1.8 %	4.9 %	5.2 %	1.4 %	1.4 %	1.8 %	4.5 %	2.3 %	8.5 %	6.6 %	5.7 %
EBITDA-%	36.6 %	34.0 %	34.8 %	34.8 %	21.6 %	39.4 %	32.7 %	36.2 %	36.7 %	36.7 %	37.0 %	36.7 %	37.7 %	38.4 %	38.4 %
Adjusted EBIT-%	29.2 %	29.4 %	#####	28.9 %	29.1 %	30.5 %	29.4 %	29.0 %	29.5 %	29.5 %	31.0 %	29.8 %	30.3 %	30.6 %	30.7 %
Net earnings-%	18.5 %	19.5 %	19.0 %	18.6 %	6.2 %	19.3 %	15.8 %	18.3 %	19.1 %	18.9 %	19.5 %	19.0 %	20.2 %	21.2 %	21.5 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	13833	14132	14334	14406	14463
Goodwill	9600	9931	9952	9952	9952
Intangible assets	3206	3063	3242	3314	3371
Tangible assets	791	801	801	801	801
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	115	158	160	160	160
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	122	179	180	180	180
Current assets	2644	2752	2817	2946	3062
Inventories	577	585	620	649	674
Other current assets	173	200	200	200	200
Receivables	1407	1420	1339	1396	1446
Cash and equivalents	486	547	658	701	742
Balance sheet total	16477	16884	17152	17352	17524

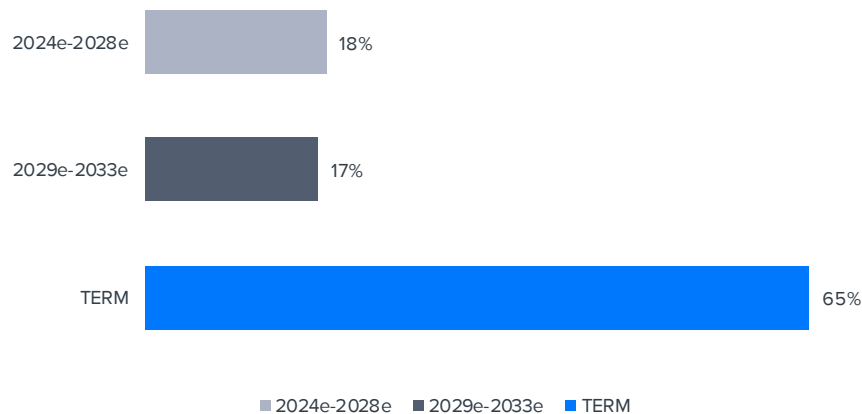
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	9865	10046	10737	11540	12448
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	691	1493	2402
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	3476	2975	2384
Deferred tax liabilities	582	580	580	580	580
Provisions	63.4	65.0	35.0	35.0	35.0
Interest bearing debt	3178	2984	2761	2260	1669
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	122	124	100.0	100.0	100.0
Current liabilities	2667	3085	2938	2837	2692
Interest bearing debt	696	1100	1018	833	615
Payables	1971	1985	1920	2004	2077
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	16477	16884	17152	17352	17524

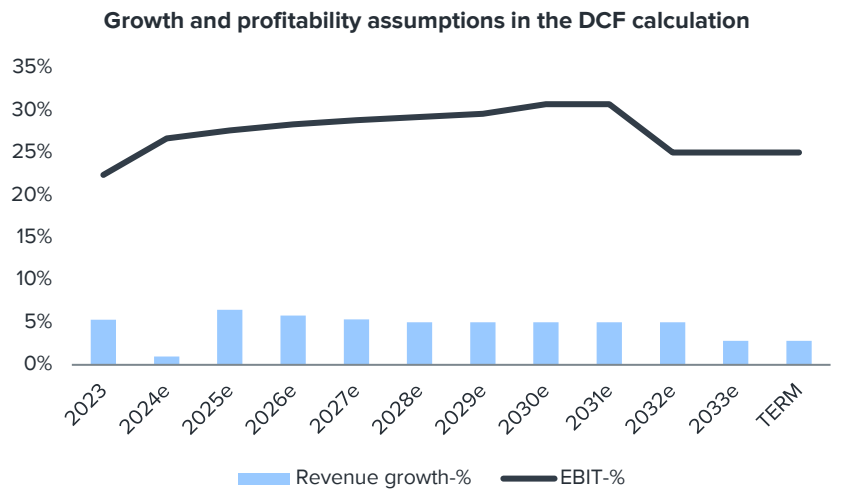
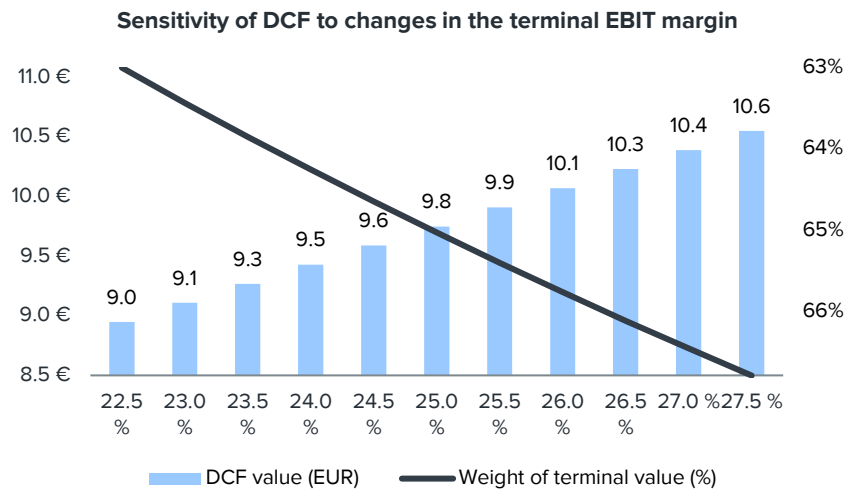
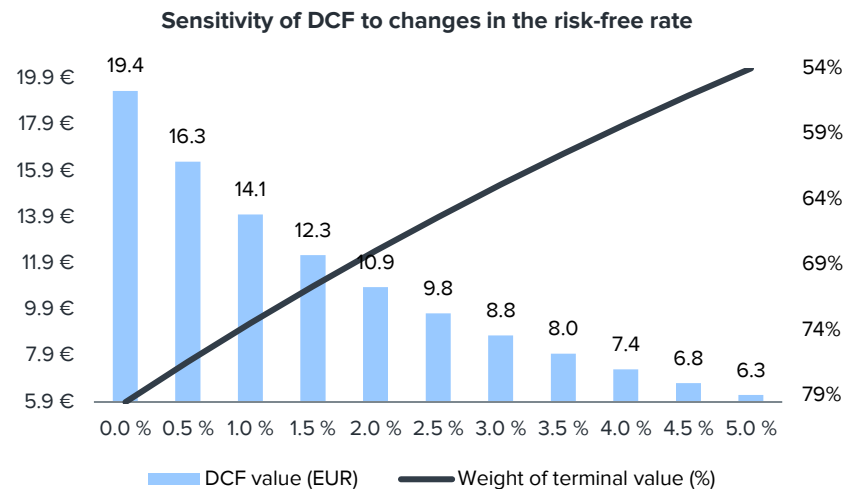
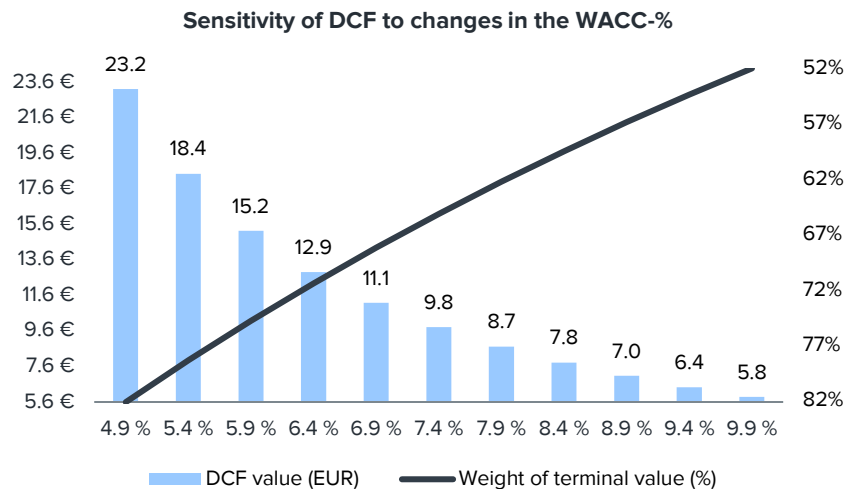
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.3 %	1.0 %	6.5 %	5.8 %	5.3 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.8 %	2.8 %
EBIT-%	22.4 %	26.7 %	27.6 %	28.3 %	28.8 %	29.2 %	29.6 %	30.7 %	30.7 %	25.0 %	25.0 %	25.0 %
EBIT (operating profit)	1216	1464	1614	1751	1876	1996	2122	2314	2430	2077	2135	
+ Depreciation	563	548	589	623	623	655	674	679	705	729	744	
- Paid taxes	-248	-242	-280	-308	-355	-392	-423	-463	-486	-415	-427	
- Tax, financial expenses	-26.8	-31.0	-26.6	-21.6	-20.0	-7.4	-1.7	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	-18.3	-2.5	-2.4	-2.3	4.6	5.1	5.7	6.4	7.1	-0.5	
Operating cash flow	1471	1721	1894	2042	2121	2256	2376	2536	2656	2398	2452	
+ Change in other long-term liabilities	4.1	-54.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-804	-750	-661	-680	-698	-715	-733	-752	-770	-770	-746	
Free operating cash flow	670	917	1233	1363	1423	1541	1643	1784	1885	1627	1706	
+/- 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	917	1233	1363	1423	1541	1643	1784	1885	1627	1706	38439
Discounted FCFF		890	1114	1147	1116	1125	1118	1131	1113	894	873	19680
Sum of FCFF present value		30201	29312	28197	27050	25934	24809	23691	22561	21448	20554	19680
Enterprise value DCF		30201										
- Interest bearing debt		-4083.4										
+ Cash and cash equivalents		547										
-Minorities		-73.8										
-Dividend/capital return		-349.0										
Equity value DCF		26242										
Equity value DCF per share		9.8										
Equity value DCF per share (SEK)		114.7										
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



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	5487	5843	EPS (reported)	0.31	0.37	0.32	0.39	0.44
EBITDA	1589	1754	1779	2012	2203	EPS (adj.)	0.39	0.44	0.43	0.44	0.49
EBIT	1010	1287	1216	1464	1614	OCF / share	0.54	0.56	0.55	0.64	0.71
PTP	984	1248	1061	1295	1474	FCF / share	-0.85	-0.36	0.25	0.34	0.46
Net Income	802	1008	859	1040	1178	Book value / share	3.36	3.65	3.73	3.99	4.29
Extraordinary items	-260	-231	-381	-170	-159	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	17152	17352	Revenue growth-%	15%	19%	5%	1%	6%
Equity capital	8765	9865	10046	10737	11540	EBITDA growth-%	20%	10%	1%	13%	9%
Goodwill	8206	9600	9931	9952	9952	EBIT (adj.) growth-%	26%	20%	5%	2%	8%
Net debt	2466	3388	3536	3120	2392	EPS (adj.) growth-%	25%	14%	-2%	1%	11%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	36.6 %	34.0 %	32.7 %	36.7 %	37.7 %
EBITDA	1589	1754	1779	2012	2203	EBIT (adj.)-%	29.2 %	29.4 %	29.4 %	29.8 %	30.3 %
Change in working capital	-14	-96	-34	-18	-2	EBIT-%	23.3 %	24.9 %	22.4 %	26.7 %	27.6 %
Operating cash flow	1411	1509	1471	1721	1894	ROE-%	10.9 %	10.9 %	8.7 %	10.0 %	10.6 %
CAPEX	-3589	-2461	-804	-750	-661	ROI-%	9.9 %	10.1 %	8.7 %	10.2 %	11.1 %
Free cash flow	-2199	-971	670	917	1233	Equity ratio	62.2 %	59.9 %	59.5 %	62.6 %	66.5 %
						Gearing	28.1 %	34.3 %	35.2 %	29.1 %	20.7 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	9.4	5.8	5.2	5.1	4.6						
EV/EBITDA	25.6	17.0	15.7	13.8	12.3						
EV/EBIT (adj.)	32.1	19.6	17.5	17.0	15.2						
P/E (adj.)	36.3	22.1	21.1	20.9	18.8						
P/B	4.4	2.7	2.4	2.3	2.1						
Dividend-%	0.8 %	1.2 %	1.4 %	1.5 %	1.6 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/24/2023	Reduce	102.00 €	104.00 €
2/2/2024	Reduce	106.00 €	118.10 €
4/29/2024	Reduce	110.00 €	120.20 €
7/28/2024	Accumulate	115.00 €	107.25 €



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