

Stora Enso

Company report

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This report is a summary translation of the report “Tuloskasvuodotuksia on hinnassa sopusuhtaisesti” published on 7/24/2024 at 11:00 pm EEST.

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Balanced level of earnings growth expectations priced in

We reiterate Stora Enso's Reduce recommendation and our target price of EUR 11.50. Overall, the company's Q2 report was fairly neutral compared to our expectations, although we have made moderate negative changes to our near-term forecasts. In our view, the stock already has enough earnings growth expectations priced in (2025e: P/E 14x), given the relatively clear step-by-step turnaround and the short- and medium-term opportunities and risks in the operating environment. However, we believe the stock's downside potential is already quite limited given the balance sheet valuation and the upward earnings trend in the near term.

Operational performance was very close to forecasts

Stora Enso's revenue decreased by 3% to 2,301 MEUR in Q2, mainly due to plant closures. Growth in continuing operations was slightly positive. Stora Enso's Q2 adjusted EBIT increased by more than 300% to 161 MEUR, exactly in line with our and consensus forecasts. The divisions performed as expected (Biomaterials, Packaging Solutions) or better than our estimates (Forest, Packaging Materials and Wood Products), but this was offset by an ugly loss in the Other segment.

We only trimmed our forecasts slightly after the report

Stora Enso reaffirmed its guidance for the current year that the company's adjusted EBIT this year will be significantly higher than last year (2023: adj. EBIT: 342 MEUR). In Stora Enso's scale, "significantly higher" means an improvement of more than 50%. Our and consensus forecasts before the report expected EBIT to more than double, so the guidance remains loose, especially because of the floor-level comparison figure. However, we did not expect the company to refine its guidance, which was increased in May, in connection with the Q2 report. Market commentary was cautiously optimistic given the news flow in the sector, and the turnaround appears to be progressing in most segments. In addition, the company's cost-cutting measures are progressing. However, following the Q2 report, we have slightly lowered our forecasts for Stora Enso for this year and the coming years, especially for Wood Products (still weak demand outlook in the construction industry) and Packaging Solutions (overcapacity). Adjusted EBIT forecasts fell by 0-5% and at the EPS level the decline was slightly deepened by a slight increase in financial cost forecasts. We still expect Stora Enso to improve to a passable level this year as the inventory trend reverses and the economic situation improves slightly with recovering volumes, increase in pulp prices, easing inflation (excluding timber) and savings. In the coming years, we expect further improvements in a gradually recovering economic environment, but we do not expect the company to achieve good results until 2026-2027.

Earnings improvement expectations are reasonably priced into the stock

Our projections for Stora Enso's earnings multiples for 2024 are high (2024e: adj. P/E 21x) and next year's adjusted P/E of 14x and EV/EBITDA of 8x look neutral. We expect dividend yields in the coming years to be at a satisfactory level of 3-4%. However, we believe that a P/B of 0.9x is already moderate, even if the valuation of the forest assets on the balance sheet is viewed through the lens of an equity investor's required returns. The DCF value is also roughly in line with the current share price. Overall, we believe that the stock is appropriately priced for a turnaround, and as a result, we do not consider the stock's expected return over a one-year horizon to be attractive. However, we do not believe the stock has significant downside potential given the balance sheet valuation and the earnings trend, which has turned in the right direction.

Recommendation

Reduce
(previous Reduce)

EUR 11.50
(previous EUR 11.50)

Share price:
EUR 11.87



Key figures

	2023	2024e	2025e	2026e
Revenue	9396	9204	10152	11117
growth-%	-20%	-2%	10%	10%
EBIT adj.	342	712	1033	1199
EBIT-% adj.	3.6 %	7.7 %	10.2 %	10.8 %
Net income	-357	368	678	821
EPS (adj.)	0.22	0.55	0.86	1.04

P/E (adj.)	56.7	21.7	13.8	11.4
P/B	0.9	0.8	0.8	0.8
Dividend yield-%	2.4 %	2.9 %	3.4 %	4.2 %
EV/EBIT (adj.)	38.3	18.2	12.5	10.4
EV/EBITDA	13.4	11.2	7.6	6.7
EV/S	1.4	1.4	1.3	1.1

Source: Inderes

Guidance

(Unchanged)

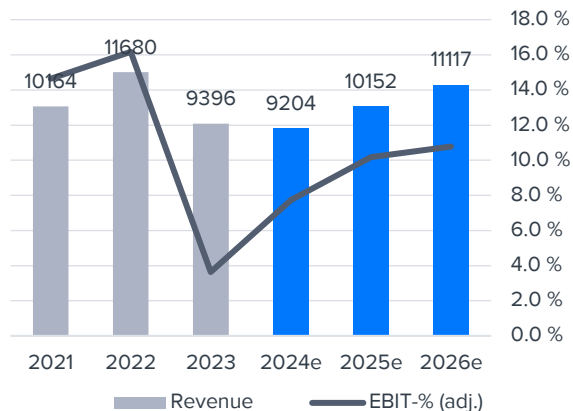
Stora Enso's full year 2024 adjusted EBIT is expected to be significantly higher than for the full year 2023 (342 MEUR)

Share price



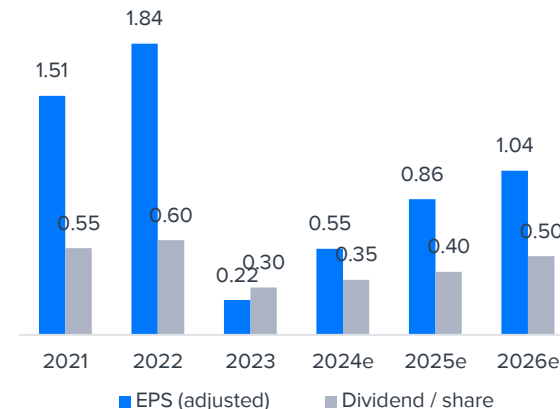
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Good long-term prospects for packaging businesses and strong market position
- Product mix gradually improving with new products
- Cost efficiency and competitiveness improvements through cost savings program
- Battery materials have potential as a high-margin volume product
- Realizing the value of forest assets with good structural arrangements



Risk factors

- Somewhat cyclical demand in several product groups
- Tighter competition
- Pulp price risk
- Foreign exchange rate risks
- Most of revenue comes from Europe
- Competitiveness challenge for Finnish and Nordic mills in a tight wood market

Valuation	2024e	2025e	2026e
Share price	11.9	11.9	11.9
Number of shares, millions	788.6	788.6	788.6
Market cap	9357	9357	9357
EV	12971	12874	12471
P/E (adj.)	21.7	13.8	11.4
P/E	25.4	13.8	11.4
P/B	0.8	0.8	0.8
P/S	1.0	0.9	0.8
EV/Sales	1.4	1.3	1.1
EV/EBITDA	11.2	7.6	6.7
EV/EBIT (adj.)	18.2	12.5	10.4
Payout ratio (%)	74.9 %	46.5 %	48.0 %
Dividend yield-%	2.9 %	3.4 %	4.2 %

Source: Inderes

Operational performance was exactly as expected

Operational development was in line with the forecasts

Stora Enso's Q2 revenue decreased by 3% to 2,301 MEUR, landing between our and consensus forecasts. The decline in revenue was mainly driven by the factory closures made over the past year. Stora Enso's "comparable" volumes turned to 2% growth in the second quarter from a very weak comparison level. Despite some cross-drift, prices remained stable on average, in line with our forecast.

Stora Enso's Q2 adjusted EBIT increased by more than 300% from a very weak comparison level to 161 MEUR, almost exactly in line with our and consensus forecasts. Among the divisions, Packaging Materials was the clearest positive surprise, benefiting from the gradual market recovery and especially from a good average price development. Wood Products also improved its results, beating forecasts, but profitability in the best quarter of the year was very weak given the continued weakness in the construction sector.

The improvement in Biomaterials, driven by higher pulp prices, was in line with expectations, although this was due to a combination of a higher-than-expected average price and higher-than-expected costs (including maintenance). Packaging Solutions also performed in line with expectations as the business remained slightly loss-making in a difficult market situation (overcapacity). Forest, which benefited from the tight timber market, again reported a better-than-expected result in Q2. The only clear disappointment in the operating result was the Others segment, which posted a large loss in the second quarter. This was due to the ongoing costs of the closed mills, falling energy prices and the maintenance burden at the Olkiluoto nuclear power plants.

On the bottom line, Stora Enso recorded net negative adjustments of 46 MEUR in Q2, mainly related to restructuring, which was not in the forecasts. Financing costs were slightly above our forecast,

while the tax rate was unsurprising. As a result, Stora Enso's reported EPS increased from a loss in the same period last year to EUR 0.06, but the figure was well below forecasts, mainly due to one-off expenses.

The balance sheet also finally turned around

From a cash flow perspective, the report was also surprisingly good, as working capital remained in check despite the sharp turnaround in volumes. As a result of the combined effect of the turnaround in rolling results and large investments, the net debt/EBITDA ratio continued to increase year-on-year and stood at 3.5x at the end of Q2 (vs. target below 2x). At the quarterly level, however, the trend reversed in Q2, as the ratio stood at 4.0x at the end of Q1. As the turnaround progresses, we believe that the risk of balance sheet problems has disappeared and that the debt management capacity will continue to strengthen in H2. We estimate that it will be possible for the company to reach the target level in 2026.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	2374	2301	2265	2377	2229	- 2494	2%	9204
EBIT (adj.)	37	161	163	160	122	- 216	-2%	712
EBIT	-253	99	163	160	122	- 216	-39%	642
PTP	-305	50	118	111	67	- 164	-58%	450
EPS (reported)	-0.29	0.06	0.12	0.12	0.07	- 0.18	-50%	0.47
Revenue growth-%	-22.3 %	-3.1 %	-4.6 %	0.1 %	-6.1 %	- 5.1 %	1.5 pp	-2.0 %
EBIT-% (adj.)	1.6 %	7.0 %	7.2 %	6.7 %	5.5 %	- 8.7 %	-0.2 pp	7.7 %

Source: Inderes & Vara Research, 16 forecasts (consensus)

Only slight cuts to our forecasts

Estimate revisions 2024e-2026e

- Stora Enso reaffirmed its guidance for the current year that the company's adjusted EBIT this year will be significantly higher than last year (2023: adj. EBIT: 342 MEUR). In Stora Enso's guidance scale, this represents an improvement of more than 50%. Our and consensus forecasts expect Stora Enso's earnings to more than double this year, so guidance remains loose, especially due to the floor-level comparison figure. However, the reiteration of the guidance was to be expected.
- Market commentary was cautiously optimistic in light of the sector's news flow, and a turn for the better seems to have taken place, at least with the exception of Wood Products and Packaging Solutions.
- We cut our Wood Products forecasts, especially for 2025-2026, as the construction sector is not yet showing signs of light and recovery may take time. Forecasts were also lowered for Packaging Solutions, which suffers from overcapacity.
- The forecast changes for Biomaterials and Packaging Materials were minor.
- We have increased our loss forecasts for Other as the factors that weighed on Q2 appear to be continuing, at least in part for now, based on the comments.
- We raised our forecasts for financing costs again slightly.

Operational result drivers 2024e–2026e:

- We expect Packaging Materials' performance to gradually improve from the very poor level of 2023, driven by the business cycle, easing inflation and new investments (in Oulu). In 2024, the market situation will not allow the division to perform miracles, and the ramp-up of the Oulu plant will weigh on 2025. The sale of the Beihai plant in 2024 should improve the division's earnings.
- We expect a good H2 in Biomaterials as pulp prices continued to rise in Q2. We still expect the price to correct slightly in H2 due to supply growth and to settle slightly above the long-term average in the coming years.
- Packaging Solutions is only expected to improve its performance in the 2025-2026 economic cycle, although overcapacity in the market will act as a brake
- The outlook for Wood Products is difficult as construction continues in the doldrums in 2024, although savings and abating inflation should bring some relief. We do not expect a return to the exceptionally high results of 2021-2022 in the forecast period.
- Forest is forecast to continue its slightly bullish performance in the coming years thanks to the tight timber market

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	9116	9204	1%	10232	10152	-1%	11116	11117	0%
EBITDA	1288	1156	-10%	1727	1687	-2%	1862	1870	0%
EBIT (exc. NRIs)	749	712	-5%	1078	1033	-4%	1194	1199	0%
EBIT	741	642	-13%	1078	1033	-4%	1194	1199	0%
PTP	559	450	-19%	908	851	-6%	1034	1030	0%
EPS (excl. NRIs)	0.58	0.55	-6%	0.92	0.86	-6%	1.04	1.04	0%
DPS	0.35	0.35	0%	0.40	0.40	0%	0.50	0.50	0%

Source: Inderes

We consider the price level justified

Earnings-based valuation not attractive yet

Stora Enso's earnings multiples for 2024 are high, while the P/E ratio for 2025 is 14x and the EV/EBITDA ratio is 8x. Next year's multiples are also around the company's medium-term medians, and we view them as neutral relative to the ongoing uncertainties in the operating environment and current interest rate expectations. Attractive valuation signals can only be found at 2026 multiples (2026e: P/E 11x), even though the forecasts include substantial and still uncertain earnings improvements. In our view, enough earnings growth expectations have been built into the stock, even though Stora Enso's turnaround under a new CEO has started promisingly. In our view, there are also a number of attractive expected medium-term returns on Nasdaq Helsinki equities, which also encourages investors to allocate capital elsewhere.

The reduction in the share of Paper has in principle improved the quality of the company's results and supported the achievement of the cyclical reduction target set out in the previous CMD, but the sharp fall in last year's results shows that the company has a lot of work to do to reduce cyclical and probably also competitiveness. Based on five-year average actual earnings, Stora Enso's adjusted P/E would be just above 12x, which we believe is a fairly neutral level at current interest rates. The period coincides with the peak results in 2021-2022, after which the Nordic timber market has become structurally tighter, interest rate pressure has increased and competition has also increased/is increasing. Given these factors and the company's somewhat questionable capital allocation in recent years, we are not prepared to accept high multiples for the company.

Other indicators not in the green either

On a relative basis, Stora Enso is priced at a premium,

so even the relative valuation does not give a buy signal for the stock. The value of our DCF model, based on our longer-term forecasts, is slightly above the share price at just over EUR 12. Thus, the DCF also indicates that the stock is correctly priced.

We estimate that the expected return will fall short

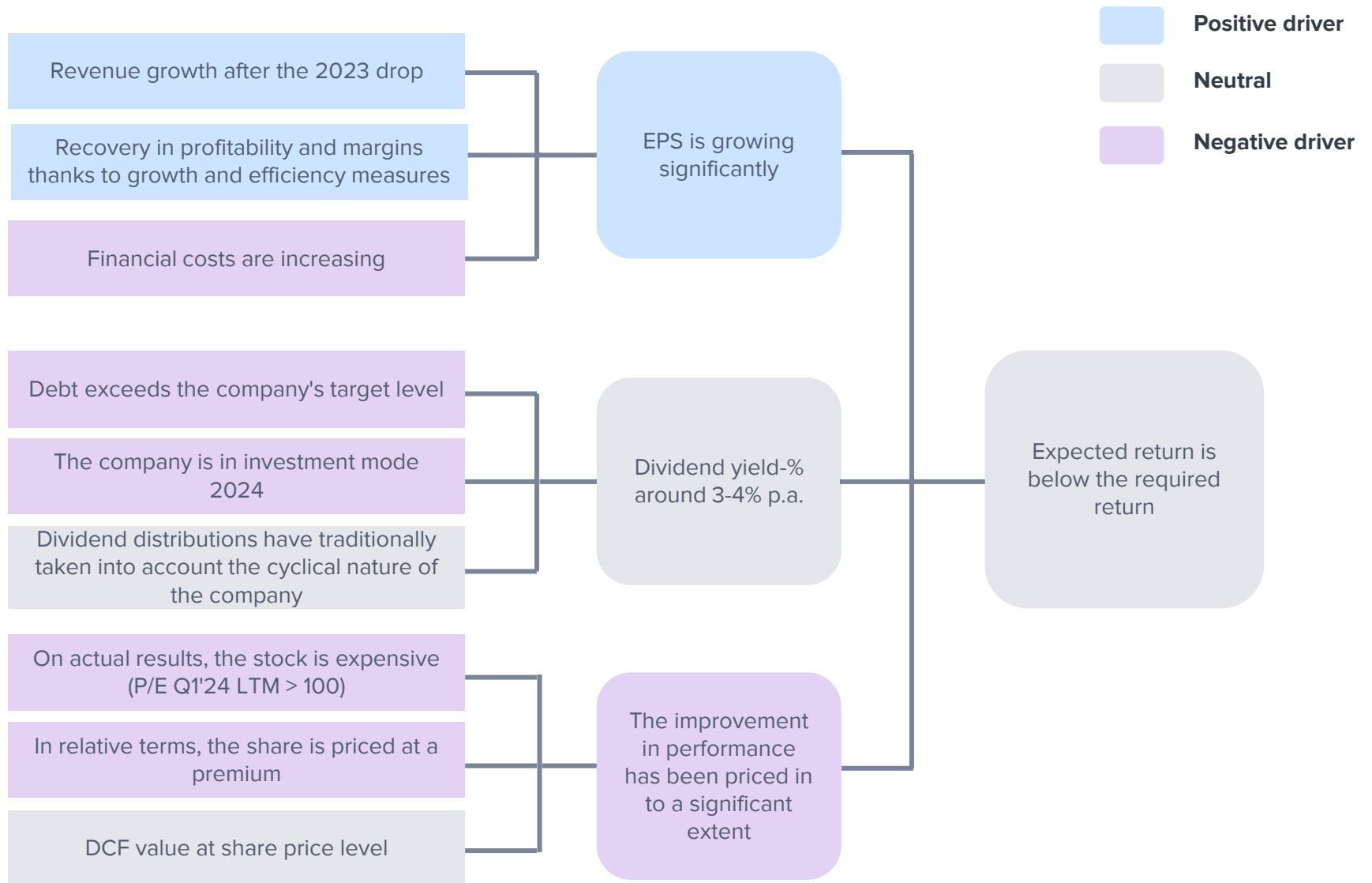
At the current share price, we expect investors to receive an annual dividend yield of 3-4% over the next few years (including another EUR 0.20/share dividend for 2023). This leaves a thin dividend base yield. The earnings growth driver turned in the right direction in Q2 and the trend should continue, but the base level is very low and the rate of earnings growth is unclear. At the actual result, the share is very expensive. In our view, Stora Enso's expected return is lower than the required return in the short term, although the most negative scenario has receded during Q1.

Stora Enso's P/B ratio is below its medium-term median level at 0.9x (2023a). The Forest division's ROCE is now just under 5% of the balance sheet value, which has increased significantly in recent years. Thus, even in relation to the low risk of the forest, we do not consider its balance sheet value to be cheap (cf. US 10-year bond yields over 4%), especially from an equity investor's perspective. Due to the rise in timber prices, the balance sheet value of the forest is probably on a solid footing and therefore the balance sheet value can support the stock. As Stora Enso uses more wood net in the Nordic countries than it harvests from its own forests, it's still difficult to be too happy about the increase in the price of wood, which weakens the competitiveness of industrial operations. The company has also failed, at least so far, to capitalize on the benefits of forest ownership through the profitability of industrial operations.

Valuation	2024e	2025e	2026e
Share price	11.9	11.9	11.9
Number of shares, millions	788.6	788.6	788.6
Market cap	9357	9357	9357
EV	12971	12874	12471
P/E (adj.)	21.7	13.8	11.4
P/E	25.4	13.8	11.4
P/B	0.8	0.8	0.8
P/S	1.0	0.9	0.8
EV/Sales	1.4	1.3	1.1
EV/EBITDA	11.2	7.6	6.7
EV/EBIT (adj.)	18.2	12.5	10.4
Payout ratio (%)	74.9 %	46.5 %	48.0 %
Dividend yield-%	2.9 %	3.4 %	4.2 %

Source: Inderes

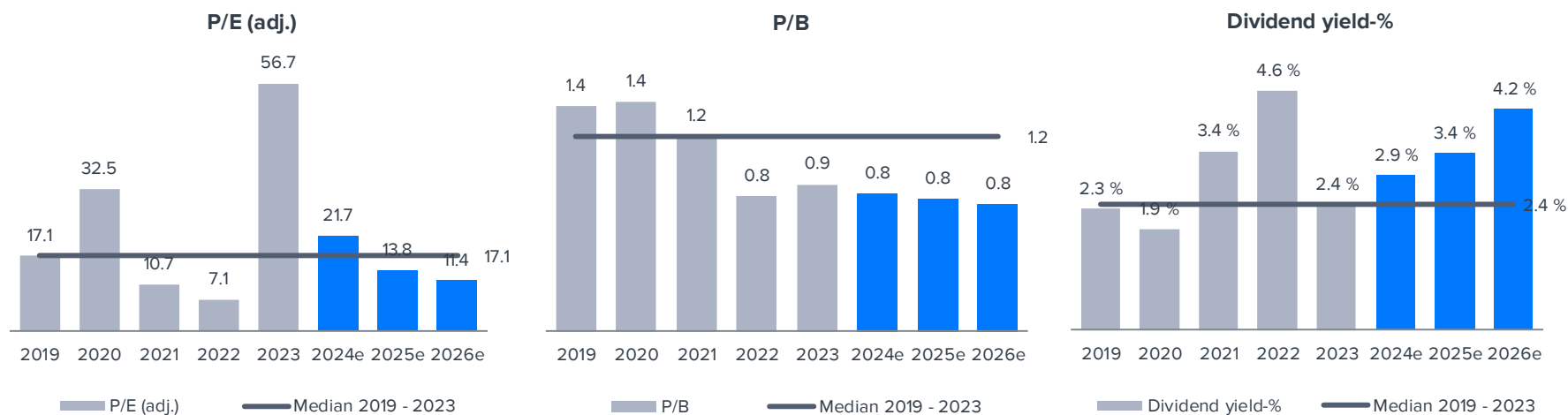
TSR drivers Q2'24a-2026e



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	12.97	15.65	16.14	13.15	12.53	11.87	11.87	11.87	11.87
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6
Market cap	10229	12342	12729	10371	9878	9357	9357	9357	9357
EV	13523	15409	15165	12401	13105	12971	12874	12471	11915
P/E (adj.)	17.1	32.5	10.7	7.1	56.7	21.7	13.8	11.4	9.6
P/E	11.6	19.7	10.4	6.7	neg.	25.4	13.8	11.4	9.6
P/B	1.4	1.4	1.2	0.8	0.9	0.8	0.8	0.8	0.7
P/S	1.0	1.4	1.3	0.9	1.1	1.0	0.9	0.8	0.8
EV/Sales	1.3	1.8	1.5	1.1	1.4	1.4	1.3	1.1	1.0
EV/EBITDA	7.1	10.5	6.8	4.7	13.4	11.2	7.6	6.7	5.8
EV/EBIT (adj.)	14.2	23.7	10.2	6.6	38.3	18.2	12.5	10.4	8.6
Payout ratio (%)	26.9 %	37.8 %	35.4 %	30.5 %	neg.	74.9 %	46.5 %	48.0 %	55.0 %
Dividend yield-%	2.3 %	1.9 %	3.4 %	4.6 %	2.4 %	2.9 %	3.4 %	4.2 %	5.7 %

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
International Paper	14706	18874	17.0	12.4	9.1	7.5	1.1	1.0	22.5	15.0	4.0	4.1	1.9
Graphic Packaging	7848	12966	11.3	10.7	7.9	7.6	1.6	1.5	10.4	9.7	1.5	1.6	2.6
DS Smith	7325	9946	12.8	12.9	8.2	8.1	1.2	1.2	13.5	14.3	4.0	3.9	1.5
Metsä Board	2635	2966	15.5	8.9	9.6	6.6	1.4	1.3	18.9	10.1	4.1	5.6	1.3
Holmen	5964	6143	18.2	16.7	13.5	12.6	3.1	3.0	22.5	20.6	2.5	2.6	1.2
Billerud	2318	2849	15.8	11.1	6.6	5.7	0.8	0.8	18.4	12.9	2.6	4.1	1.0
Mayr-Melnhof	2180	3520	13.8	10.0	7.2	6.0	0.8	0.8	15.7	10.4	2.9	3.6	1.0
UPM	16188	19450	13.6	10.6	9.4	7.9	1.8	1.7	14.6	11.5	5.1	5.3	1.4
Suzano	11471	22160	9.5	8.7	6.1	5.5	3.0	2.7	8.9	8.0	2.8	2.4	1.4
Mondi	8267	9133	12.6	9.2	7.9	6.3	1.2	1.1	17.8	12.3	3.6	4.0	1.6
SCA	9136	10205	20.5	17.5	15.2	13.4	5.9	5.4	25.3	20.5	1.9	2.1	1.0
Stora Enso (Inderes)	9357	12971	18.2	12.5	11.2	7.6	1.4	1.3	21.7	13.8	2.9	3.4	0.8
Average			14.6	11.7	9.1	7.9	2.0	1.9	17.1	13.2	3.2	3.6	1.4
Median			13.8	10.7	8.2	7.5	1.4	1.3	17.8	12.3	2.9	3.9	1.4
Diff-% to median			32%	17%	37%	1%	-1%	1%	22%	12%	4%	-14%	-39%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	11680	2721	2374	2127	2174	9396	2164	2301	2355	2384	9204	10152	11117	11610
Packaging Materials	5496	1300	1155	1057	1045	4557	1100	1138	1159	1188	4586	5240	5821	6077
Packaging Solutions	727	276	288	266	247	1077	224	254	272	280	1030	1118	1205	1299
Biomaterials	2180	488	380	345	374	1587	374	414	420	405	1613	1604	1608	1625
Wood Products	2195	454	436	349	341	1580	349	414	387	351	1501	1611	1838	1897
Forest	2519	687	620	534	649	2490	659	690	651	715	2715	2825	2910	2998
Other	2150	364	214	179	207	964	57	35	40	45	177	175	175	175
Internal sales / Eliminations	-3589	-848	-719	-603	-689	-2859	-599	-644	-575	-600	-2418	-2420	-2440	-2460
EBITDA	2644	414	16	144	407	981	266	225	348	317	1156	1687	1870	2043
Depreciation	-635	-156	-269	-145	-733	-1303	-118	-126	-135	-135	-514	-654	-671	-663
EBIT (excl. NRI)	1890	234	37	21	50	342	156	161	213	182	712	1033	1199	1380
EBIT	2009	258	-253	-1	-326	-322	148	99	213	182	642	1033	1199	1380
Packaging Materials	655	41	-21	-34	-43	-57	60	60	57	39	217	332	413	549
Packaging Solutions	16	8	15	14	6	43	-1	-1	11	13	21	63	92	113
Biomaterials	687	91	-13	5	35	118	57	64	91	67	279	277	284	282
Wood Products	308	-11	-5	-21	-27	-64	-9	7	-4	-8	-14	75	108	130
Forest	204	57	62	59	75	253	70	76	71	81	298	315	327	331
Other	63	27	-10	-15	-1	1	-11	-32	-10	-8	-61	-30	-25	-25
Internal sales / Eliminations	-42	21	9	13	5	48	-10	-13	-2	-2	-27	0	0	0
Adjustment items	119	23	-290	-22	-376	-664	-8	-62	0	0	-70	0	0	0
Net financial items	-151	-29	-52	-40	-52	-173	-47	-49	-48	-48	-192	-182	-169	-155
PTP	1858	228	-305	-41	-378	-495	101	50	165	134	450	851	1030	1225
Taxes	-322	-43	47	7	53	64	-17	-8	-33	-27	-85	-170	-206	-245
Minority interest	13	4	31	1	38	74	1	1	0	0	2	-3	-3	-3
Net earnings	1549	189	-227	-33	-287	-357	85	44	132	107	368	678	821	977
EPS (adj.)	1.84	0.22	0.01	-0.02	0.02	0.22	0.12	0.13	0.17	0.14	0.55	0.86	1.04	1.24
EPS (rep.)	1.96	0.24	-0.29	-0.04	-0.36	-0.45	0.11	0.06	0.17	0.14	0.47	0.86	1.04	1.24

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	14.9 %	-2.8 %	-22.3 %	-28.2 %	-24.1 %	-19.6 %	-20.5 %	-3.1 %	10.7 %	9.7 %	-2.0 %	10.3 %	9.5 %	4.4 %
Adjusted EBIT growth-%	27.0 %	-53.4 %	-92.6 %	-96.1 %	-85.9 %	-81.9 %	-33.4 %	330.5 %	940.1 %	264.6 %	108.3 %	45.0 %	16.0 %	15.1 %
EBITDA-%	22.6 %	15.2 %	0.7 %	6.8 %	18.7 %	10.4 %	12.3 %	9.8 %	14.8 %	13.3 %	12.6 %	16.6 %	16.8 %	17.6 %
Adjusted EBIT-%	16.2 %	8.6 %	1.6 %	1.0 %	2.3 %	3.6 %	7.2 %	7.0 %	9.1 %	7.6 %	7.7 %	10.2 %	10.8 %	11.9 %
Net earnings-%	13.3 %	7.0 %	-9.6 %	-1.5 %	-13.2 %	-3.8 %	3.9 %	1.9 %	5.6 %	4.5 %	4.0 %	6.7 %	7.4 %	8.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	15121	14699	15237	15385	15366
Goodwill	244	505	505	505	505
Intangible assets	121	283	285	287	289
Tangible assets	5278	4867	5403	5549	5528
Associated companies	832	926	926	926	926
Other investments	6854	6921	6921	6921	6921
Other non-current assets	1718	1063	1063	1063	1063
Deferred tax assets	74.0	134	134	134	134
Current assets	5801	6055	4800	5046	5214
Inventories	1810	1466	1289	1421	1556
Other current assets	601	934	934	934	934
Receivables	1473	1191	1196	1371	1501
Cash and equivalents	1917	2464	1381	1320	1223
Balance sheet total	20922	20754	20037	20431	20580

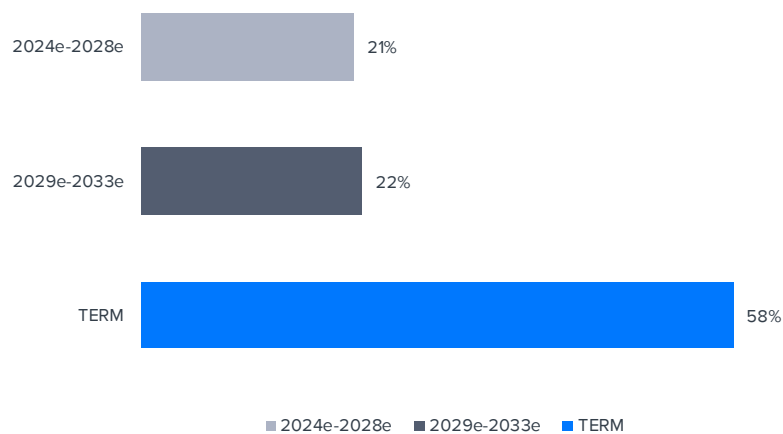
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	12502	10889	11021	11423	11928
Share capital	1423	1423	1423	1423	1423
Retained earnings	8532	7463	7594	7997	8502
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	2577	2100	2100	2100	2100
Minorities	-30.0	-97.0	-97.0	-97.0	-97.0
Non-current liabilities	4486	6190	5792	5663	5260
Deferred tax liabilities	1443	1433	1420	1420	1420
Provisions	81.0	83.0	83.0	83.0	83.0
Interest bearing debt	2792	4446	4061	3932	3529
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	170	228	228	228	228
Current liabilities	3934	3675	3224	3345	3391
Interest bearing debt	1180	1333	1015	983	882
Payables	2410	2112	1979	2132	2279
Other current liabilities	344	230	230	230	230
Balance sheet total	20922	20754	20037	20431	20580

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-19.6 %	-2.0 %	10.3 %	9.5 %	4.4 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	-3.4 %	7.0 %	10.2 %	10.8 %	11.9 %	11.0 %	11.0 %	10.5 %	10.2 %	10.0 %	10.0 %	10.0 %
EBIT (operating profit)	-322	642	1033	1199	1380	1309	1342	1313	1307	1314	1340	
+ Depreciation	1303	514	654	671	663	662	660	659	631	633	635	
- Paid taxes	-6	-98	-170	-206	-245	-235	-245	-242	-243	-246	-254	
- Tax, financial expenses	-26	-42	-40	-38	-34	-30	-27	-24	-22	-20	-18	
+ Tax, financial income	0	5	4	4	3	3	3	3	3	4	4	
- Change in working capital	-119	39	-154	-118	-34	-20	-21	-21	-22	-22	-18	
Operating cash flow	830	1061	1327	1512	1733	1689	1713	1688	1654	1661	1688	
+ Change in other long-term liabilities	60	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-727	-1052	-802	-652	-652	-652	-652	-652	-652	-652	-682	
Free operating cash flow	163	9	525	860	1081	1037	1061	1036	1002	1009	1006	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	163	10	525	860	1081	1037	1061	1036	1002	1009	1006	16182
Discounted FCFF		9	468	708	821	727	686	619	553	514	472	7600
Sum of FCFF present value		13175	13166	12699	11991	11170	10444	9757	9139	8586	8072	7600
Enterprise value DCF		13175										
- Interest bearing debt		-5779										
+ Cash and cash equivalents		2464										
-Minorities		82										
-Dividend/capital return		-237										
Equity value DCF		9705										
Equity value DCF per share		12.3										

Cash flow distribution



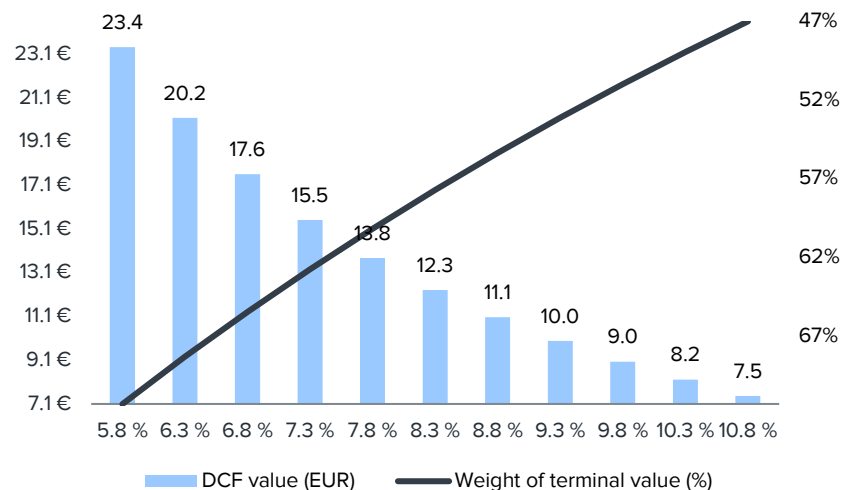
WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.5
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.6 %
Weighted average cost of capital (WACC)	8.3 %

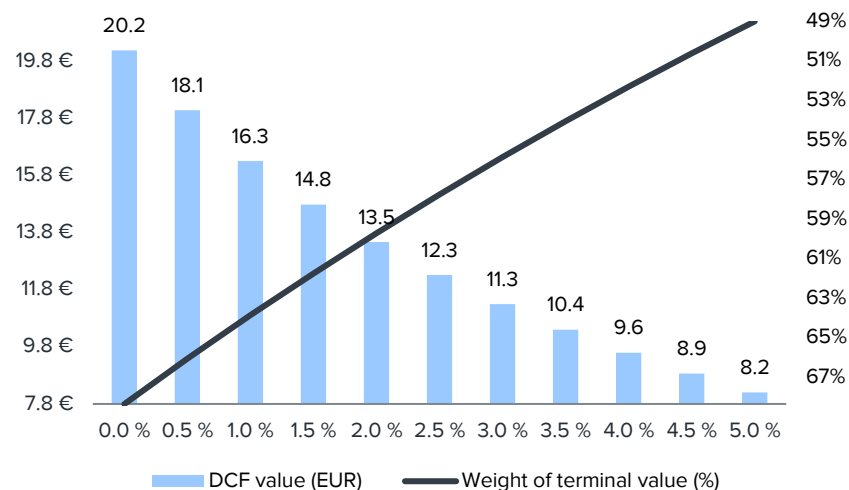
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

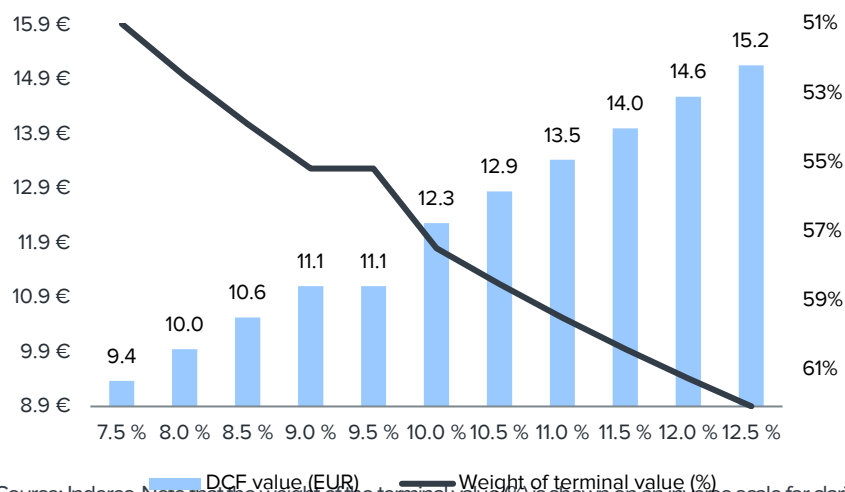
Sensitivity of DCF to changes in the WACC-%



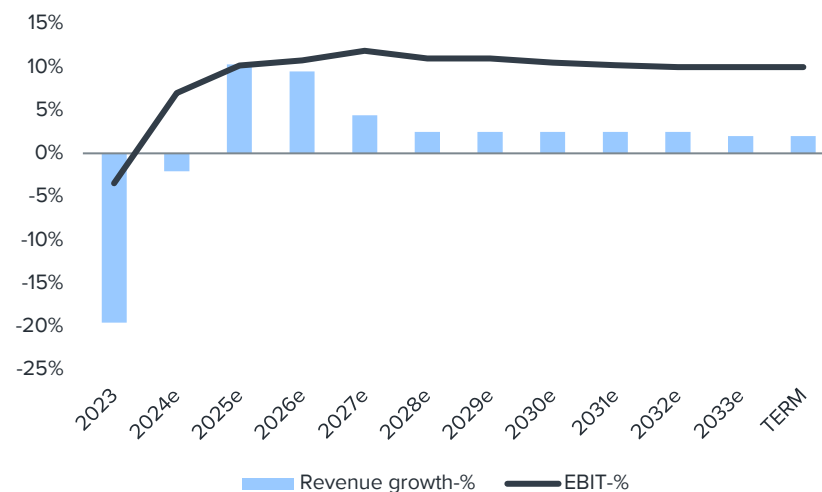
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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	10164	11680	9396	9204	10152	EPS (reported)	1.55	1.96	-0.45	0.47	0.86
EBITDA	2225	2644	981	1156	1687	EPS (adj.)	1.51	1.84	0.22	0.55	0.86
EBIT	1528	2009	-322	642	1033	OCF / share	2.75	2.20	1.05	1.35	1.68
PTP	1379	1858	-495	450	851	FCF / share	0.31	0.61	0.21	0.01	0.67
Net Income	1226	1549	-357	368	678	Book value / share	13.54	15.89	13.93	14.10	14.61
Extraordinary items	40	119	-664	-70	0	Dividend / share	0.55	0.60	0.30	0.35	0.40
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	19026	20922	20754	20037	20431	Revenue growth-%	19%	15%	-20%	-2%	10%
Equity capital	10666	12502	10889	11021	11423	EBITDA growth-%	45%	19%	-63%	18%	46%
Goodwill	282	244	505	505	505	EBIT (adj.) growth-%	129%	27%	-82%	108%	45%
Net debt	2456	2055	3315	3695	3595	EPS (adj.) growth-%	214%	22%	-88%	147%	58%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	21.9 %	22.6 %	10.4 %	12.6 %	16.6 %
EBITDA	2225	2644	981	1156	1687	EBIT (adj.)-%	14.6 %	16.2 %	3.6 %	7.7 %	10.2 %
Change in working capital	40	-643	-119	39	-154	EBIT-%	15.0 %	17.2 %	-3.4 %	7.0 %	10.2 %
Operating cash flow	2170	1735	830	1061	1327	ROE-%	12.6 %	13.3 %	-3.0 %	3.3 %	6.0 %
CAPEX	-1788	-1056	-727	-1052	-802	ROI-%	10.9 %	12.9 %	-1.9 %	4.1 %	6.5 %
Free cash flow	246	478	163	10	525	Equity ratio	56.1 %	59.8 %	52.5 %	55.0 %	55.9 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	23.0 %	16.4 %	30.4 %	33.5 %	31.5 %
EV/S	1.5	1.1	1.4	1.4	1.3						
EV/EBITDA	6.8	4.7	13.4	11.2	7.6						
EV/EBIT (adj.)	10.2	6.6	38.3	18.2	12.5						
P/E (adj.)	10.7	7.1	56.7	21.7	13.8						
P/B	1.2	0.8	0.9	0.8	0.8						
Dividend-%	3.4 %	4.6 %	2.4 %	2.9 %	3.4 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
12/28/2018	Accumulate	11.50 €	10.12 €
10/30/2019	Reduce	11.50 €	11.80 €
1/30/2020	Reduce	11.50 €	11.76 €
3/24/2020	Accumulate	8.50 €	7.36 €
4/16/2020	Reduce	9.50 €	9.90 €
4/22/2020	Reduce	9.50 €	10.06 €
6/24/2020	Reduce	10.50 €	11.19 €
7/22/2020	Reduce	10.50 €	11.25 €
9/24/2020	Reduce	13.00 €	13.64 €
10/20/2020	Reduce	13.00 €	13.67 €
11/12/2020	Reduce	13.00 €	13.73 €
2/1/2021	Reduce	14.00 €	15.00 €
3/24/2021	Reduce	15.00 €	16.15 €
4/26/2021	Reduce	15.50 €	16.68 €
7/22/2021	Reduce	15.50 €	16.04 €
10/21/2021	Reduce	15.50 €	14.65 €
1/31/2022	Reduce	17.00 €	17.50 €
4/29/2022	Reduce	18.00 €	17.85 €
6/14/2022	Reduce	17.00 €	16.18 €
7/25/2022	Reduce	16.00 €	14.79 €
10/24/2022	Reduce	14.50 €	13.62 €
2/1/2023	Reduce	14.00 €	13.10 €
4/21/2023	Reduce	12.00 €	11.48 €
4/26/2023	Reduce	11.50 €	11.15 €
7/19/2023	Reduce	11.50 €	11.45 €
7/24/2023	Reduce	10.50 €	10.11 €
10/4/2023	Reduce	10.50 €	11.31 €
10/25/2023	Reduce	10.50 €	11.21 €
1/27/2024	Sell	10.50 €	12.06 €
2/2/2024	Reduce	10.50 €	11.25 €
2/26/2024	Reduce	11.50 €	12.70 €
7/25/2024	Reduce	11.50 €	11.87 €



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