

NESTE

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COMPANY REPORT



The wait is (too) long

We made exceptionally large estimate cuts for the short and medium term, as we adopted a more pessimistic view on the recovery of Renewable Products' margins and consider the postponement of the Rotterdam expansion. With our updated forecasts, we believe the stock's lower expected return is not sufficient to cover the risks of the distant upside potential, especially considering the weakened financial position. Hence, we lower our recommendation to Reduce (was Accumulate) and our target price to EUR 11.50 (was EUR 15.5).

The sales margin for Renewable Products fell more than expected

Neste's Q4 result fell short of expectations by a clear margin, which was due to Renewable Products' weak sales margin that undercut expectations. The sales margin suffered throughout 2024 from the low price of conventional diesel, which affected the pricing of renewable diesel, as well as elevated raw material prices and weaker-than-expected demand. These factors remained largely unchanged for Q4, but the impact of the segment's production challenges and the resulting cost and efficiency losses on the sales margin was clearly stronger than expected.

Cost savings and lower investments through the transformation program

On the earnings day, Neste also reported the conclusions of the full potential analysis. The company announced it is initiating change negotiations aimed at reducing 600 roles as part of a 350 MEUR EBITDA improvement program. Personnel reductions account for about a quarter of the targeted 250 MEUR cut in operating expenses, while the company aims for about a 100 MEUR improvement through commercial successes and more efficient refinery operations. The earnings improvement is part of the company's updated financial targets,

in addition to which Neste aims to keep its net gearing below 40%. Furthermore, investments in 2025-2026 are at most 2.4 BNEUR, even though the ongoing investment period in Rotterdam was extended by one year to 2027, and its investment cost increased to 2.5 BNEUR (was ~1.9 BN).

We cut our estimates heavily

Neste abandoned its margin guidance and now only guides for Renewable Products and Oil Products sales volume growth for 2025. The guidance has a limited impact, as sales volume growth is a given considering last year's expected and unexpected maintenance shutdowns. We cut our EBITDA forecasts for 2025-2026 by a good one-third on average, as we took a significantly more pessimistic view on Renewable Products' sales margin and moved the Rotterdam expansion volumes forward, in line with the updated investment schedule. The predictability of Renewable Products' sales margin remains very difficult, and we see estimate risks related to it in both directions due to the oversupply situation, both in the short and medium term.

Lower long-term potential does not incentivize risk-taking

The stock's valuation is quite high with our 2025-2026 forecasts (P/E ratio 37x and 19x). With our updated estimates, the expected return based on the stock's medium-term earnings improvement potential has also decreased clearly. In return for this longer-term return expectation, investors must also bear more risks than in our previous estimates. We feel this also makes the long-term risk/reward ratio weak.

Recommendation Reduce

(was Accumulate)

Target price:

EUR 11.50

(was EUR 15.50)

Share price:

10.47

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	20635	23270	24389	25954
growth-%	-10%	13%	5%	6%
EBIT adj.	273	333	682	1112
EBIT-% adj.	1.3 %	1.4 %	2.8 %	4.3 %
Net Income	-95	194	430	806
EPS (adj.)	0.17	0.28	0.56	1.05
P/E (adj.)	70.0	36.8	18.7	10.0
P/B	1.3	1.1	1.0	1.0
Dividend yield-%	1.6 %	1.2 %	1.9 %	2.4 %
EV/EBIT (adj.)	49.5	39.0	19.0	10.8
EV/EBITDA	13.4	9.9	7.6	5.5
EV/S	0.7	0.6	0.5	0.5

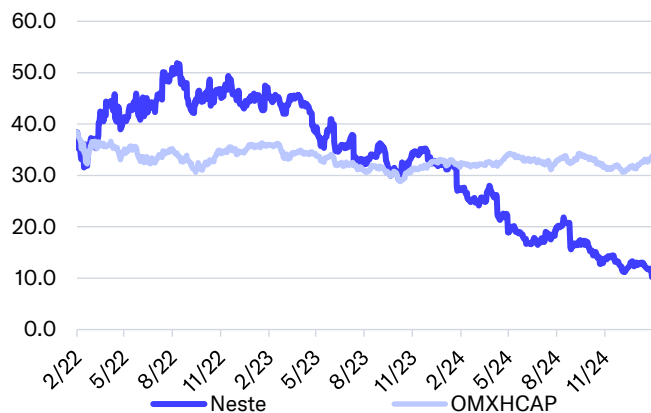
Source: Inderes

Guidance

(New guidance)

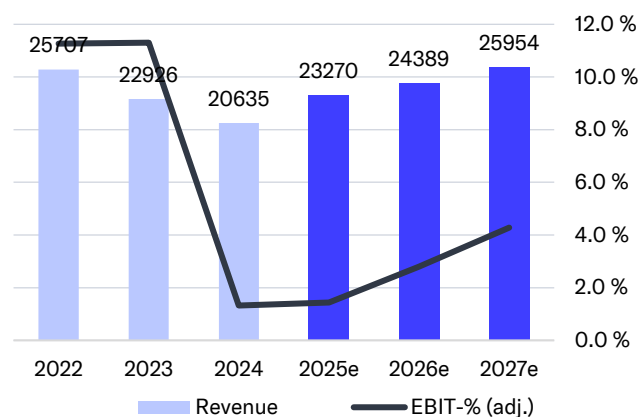
Sales volumes of Renewable Products and Oil Products are expected to be higher in 2025 than in 2024.

Share price



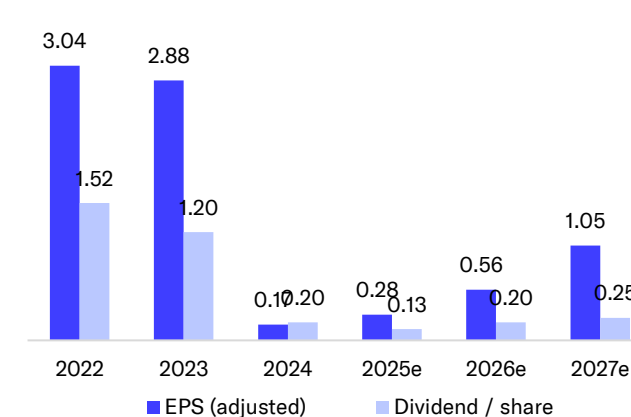
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong market position in all businesses
- Value creation potential of growth investment in Renewable Products' production capacity
- New product applications of Renewable Products in air traffic and chemicals
- The long-term growth outlook for the Renewable Products market, which we expect will restore a healthy margin for the segment

Risk factors

- Risks related to oversupply in Renewable Products
- Long-term sales margin level for Renewable Products
- Weak long-term demand picture for oil-based fuels
- Regulatory risks (+/-)
- Increased indebtedness

Valuation	2025e	2026e	2027e
Share price	10.47	10.47	10.47
Number of shares, millions	768.2	768.2	768.2
Market cap	8043	8043	8043
EV	12996	12950	12042
P/E (adj.)	36.8	18.7	10.0
P/E	41.5	18.7	10.0
P/B	1.1	1.0	1.0
P/S	0.3	0.3	0.3
EV/Sales	0.6	0.5	0.5
EV/EBITDA	9.9	7.6	5.5
EV/EBIT (adj.)	39.0	19.0	10.8
Payout ratio (%)	50.0 %	35.7 %	23.8 %
Dividend yield-%	1.2 %	1.9 %	2.4 %

Source: Inderes

The sales margin of Renewable Products fell more than expected

The sales margin of Renewable Products declined

Neste's Q4 result fell short of our estimates, which were close to the bottom of the consensus, practically as a result of a sharper than expected decline in Renewable Products' sales margin.

The Q4 sales volumes of Renewable Products increased by 15% from the comparison period to 926 kt, which was slightly below our forecast. The increase in sales volumes was affected by higher capacity, but production was far from full flight altitude, as the quarter was impacted by expected and unexpected production shutdowns in Singapore and Rotterdam. Reflecting these factors, the utilization rate of Q4 was exceptionally low at 41%. However, according to the company, all refineries are now operating as expected, as the ramp-up of Martinez was completed at the end of the year. The sales margin for Renewables decreased more strongly than expected in Q4 as it settled at the level of USD 242/ton (Q4'23: USD 813/ton). The clear decline from the comparison period was

expected, reflecting the change in the market situation, but the decline was stronger than we anticipated due to, e.g., unexpected maintenance shutdowns. According to the company, the impact was roughly USD 100/ton. This pushed the segment's EBITDA to only 13 MEUR and below our 85 MEUR forecast.

Oil products slightly supported the overall picture

The comparable EBITDA for Oil Products was 153 MEUR, exceeding our 118 MEUR estimate, which offset the earnings miss at the group level. This was practically due to the total refining margin, which settled at USD 11.8/bbl, exceeding our forecast.

Marketing & Services' EBIT was in line with expectations, considering seasonality, but EBIT was still depressed by a significant loss (Q4'24 18 MEUR) in the Others segment, which includes, e.g., operating expenses.

Reflecting the weak EBIT, Q4 EPS declined significantly more than we expected, resulting in a loss.

The release of working capital did not save the free cash flow for the full year

Reflecting the working capital released in Q4, Neste generated close to 1.2 BNEUR in cash flow from operating activities in 2024. The free cash flow was, however, depressed by, e.g., investments raised by the Rotterdam expansion and the maintenance shutdown in Porvoo, that rose to close on 1.6 BNEUR. Reflecting this, free cash flow for the full year (incl. IFRS 16 payments) was 650 MEUR in the red.

In line with free cash flow development, the company's net debt has risen to 4.2 BNEUR. As the company's earnings level has deteriorated at the same time, the net debt/EBITDA ratio reflecting debt servicing capacity has risen to 4.2x for the previous 12 months. The level is very high, but the company's liquid assets and committed credit

MEUR / EUR	Q4'23 Comparison	Q4'24 Actualized	Q4'24e Inderes	Q4'24e Consensus	Consensus Low High	Difference (%) Act. vs. inderes	2024 Actualized
Revenue	6304	5568	5523	5306	3637-6930	1%	20635
EBITDA (adj.)	797	168	227	310	217-797	-26%	1252
PTP	406	-160	-44.5	-	---	-260%	-113
EPS (adj.)	0.66	-0.13	-0.05	0.05	0.25--0.09	-161%	0.17
DPS	1.20	0.20	0.00	0.50	0.00-1.20		0.20
Revenue growth-%	-3.9 %	-11.7 %	-12.4 %	-15.8 %	-42.3 %-9.9 %	0.7 pp	-10.0 %
EBITDA-% (adj.)	12.6 %	3.0 %	4.1 %	5.8 %	6.0 %-11.5 %	-1.1 pp	6.1 %

Source: Inderes & Vara Research
(consensus, 20 estimates)

Significant overcapacity in 2025

facilities are just under 2.9 BNEUR, and the debts have no covenants. As a result, the financial position is not a problem in the short term, but the decision to distribute a formal dividend in the current situation is perplexing.

Capital markets update

Neste organized a capital markets update (CMU) in connection with its Q4 results release, where it elaborated on its updated financial targets and the market situation for Renewable Products in the short and longer term. The event can be viewed from the link at the bottom right of the page.

The company targets a run rate EBITDA improvement of 350 MEUR by the end of 2026 by optimizing the supply chain and accelerating commercial activities. This means, e.g., that the company aims to re-evaluate how it operates in different markets and with what types of partnership agreements. In addition, the company will re-evaluate its logistics operations, as, according to the company, there

are inefficiencies in its logistics operations. Other key drivers, in addition to the announced personnel reductions, are refinery performance improvements, which should generate better margins and reduce maintenance costs. The company will also cut external purchases. Overall, the cost savings measures seem ambitious, although we believe inefficiencies have accumulated in the organization during the financially strong years, and simply shutting down certain projects will generate savings.

The targets for the commercial side are particularly challenging, as there is significant oversupply in the market in the short term, and on the other hand, we point out that overall earnings improvement is highly dependent on the market situation in Renewable Products.

Market overcapacity is substantial and its removal will likely take several years

Neste presented an updated assessment of the Renewable Products market situation at the CMU, in which the estimated demand was clearly cut. The estimate for

2024 demand in Renewables (renewable road transport diesel, sustainable aviation fuel SAF, and renewable polymers and plastics) was estimated at 16 Mt, while capacity is estimated to be 19 Mt. The corresponding figures for 2025 are 18 Mt of demand and 24 Mt of supply, which corresponds to an oversupply of 6 Mt. The company's updated market estimates also included estimates for 2030, when the undersupply is now forecast to be 14 Mt.

A key question mark regarding the Renewables market in the next few years is how quickly the oversupply situation will be rectified. This is naturally also affected by the estimate of what is so-called voluntary demand, i.e., demand that is not covered by various regulations. Furthermore, it should also be noted that regulation has recently been erratic at times. We believe it is clear that, in the big picture, regulation will drive market growth in the long run and thus, the long-term growth outlook for the Renewables market is attractive.

Estimate revisions MEUR / EUR	2024e Inderes	2024 Actualized	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	20590	20635	0%	23830	23896	0%	27525	24620	-11%
EBITDA	1088	1005	-8%	1978	1318	-33%	2880	1897	-34%
EBIT (excl. NRIs)	344	273	-21%	979	343	-65%	1867	793	-58%
EBIT	121	25.0	-79%	979	318	-68%	1867	793	-58%
PTP	2.6	-113	-4437%	840	178	-79%	1748	617	-65%
EPS (excl. NRIs)	0.27	0.17	-35%	0.93	0.30	-68%	1.93	0.68	-65%
DPS	0.00	0.20		0.40	0.20	-50%	0.60	0.20	-67%

Source: Inderes

Neste's Capital Market's Update 2025



The margin pressure seems to continue

However, in our view, market growth will not be enough to eliminate oversupply in the next few years, and we believe that the supply/demand balance will only be found closer to the end of the decade if it happens solely through demand growth. On the other hand, such a prolonged oversupply situation is, in our view, likely to put pressure on supply, which could accelerate reaching an equilibrium. However, predicting this is very difficult.

Neste's margin has had a premium

In the CMU, Neste also explained the premium it achieved compared to the market's reference margin in Renewable Products. In 2024, Renewable Products reached a sales margin of USD 377/ton, while the reference margin was USD 150-200/ton. The underlying factors of the premium include the global production footprint, integrations in raw material collection, and pre-processing capabilities. Considering these factors, the company's opportunities to optimize production and sales are better than average. In

addition, the company's margin has been supported by SAF volumes and annual contracts. The company did not disclose the structure of the contracts, so the question mark for the future is how the contract margins will react to the updated market situation. However, the 2024 contracts were concluded in a very different market situation than in 2023. Relatively high margin pressure is expected going forward due to the end of the BTC tax relief in the US. In 2024, this brought Neste 590 MEUR or just over USD 400/ton. In the future, the subsidy system will be different when Clean Fuel Production Credit (CFPC) favors local production. Its details are still partly unclear, but only Martinez's 1 Mt of Neste's production is local, while in 2024, Neste sold 49% of its total 3.2 Mt sales volumes to North America. Based on the company's comments, its goal is to continue selling from Singapore to the US market, but considering the increased oversupply in North America, we have strong reservations about the margin potential of

these volumes. Although the worst oversupply situation is in the US market, it should be noted that the markets are global. With the prices of Renewable Products, shipping them to Europe is not a problem, and thus volumes will move to different continents. Thus, margin challenges cannot be avoided by reallocating volumes.

Updated investment schedule for Rotterdam

As part of the transformation program, Neste announced an updated investment schedule for the ongoing Rotterdam investment. The investment period was extended to 2027 from the previous 2026. As a result, the total cost estimate of the investment was raised to 2.5 BNEUR from the previous 1.9 BNEUR. The company's updated financial targets include an intention to invest a maximum of 2.4 BNEUR in 2025-2026, while the investment guidance for 2025 is 1.1-1.3 BNEUR.

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DPS	0.00	0.20		0.40	0.20	-50%	0.60	0.20	-67%

Source: Inderes

Neste's Capital Market's Update 2025



Obscene estimate cuts

This means that in addition to the Rotterdam investment, the target is to cut other investments to approximately 500 MEUR annually.

In its updated financial targets for 2025-2026, in addition to improved earnings and investment targets, the company aims for a net debt ratio of below 40% and an investment grade credit rating. The company also withdrew its previous dividend policy and the dividend will be reviewed separately in the future, but the company's priority is to strengthen its balance sheet. We consider this prioritization important and do not believe that the financial position will be jeopardized, even if the debt temporarily rises higher than this. In our updated forecasts, the company falls short of its target level only marginally at the end of 2025, even in the worst-case scenario, but the margin of error is large due to the market situation for Renewable Products. Overall, the company's financial position, based on our current assumptions, provides breathing room for the next few years, and debt maturities are not a big concern.

Obscene estimate changes

We made major changes to our forecasts after the Q4 report. The forecast changes mainly concerned Renewable Products, as we updated our assessment of the market situation for Renewable Products and the development of the segment's sales margin. The estimate changes in other segments were marginal. The impact of large changes in EBITDA forecasts is emphasized in the lower lines due to the significantly high depreciation levels (i.e., higher than typical investments) in the coming years.

The changes to our Renewable Products sales volume forecasts were small in the short term, as we cut our 2025 sales volume forecast to 4.2 Mt from the previous 4.4 Mt. Instead, we cut our sales margin estimate for 2025 to USD 329/ton, which was the main driver for the sharp decline in our current year's earnings estimates.

The overall picture of the forecast changes for 2026 was more mixed, as we cut our sales volume estimates to just

under 4.7 Mt, reflecting the postponement of the Rotterdam ramp-up, and assessed the market situation to remain considerably more unfavorable next year as well. This same change is reflected in our cut to Renewable Products' sales margin forecast, as we lowered our 2026 estimate from USD 550/ton to USD 375/ton. In 2027, our forecast only expects slight growth in sales volumes, as we expect Rotterdam to be fully reflected in sales volumes only in 2028. However, our estimates for 2027-2028 also decreased clearly, as we cut our medium-term sales margin forecast to an average of approximately USD 470/ton from the previous USD 550/ton.

Estimate revisions MEUR / EUR	2024e Inderes	2024 Actualized	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
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EBITDA	1088	1005	-8%	1978	1318	-33%	2880	1897	-34%
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DPS	0.00	0.20		0.40	0.20	-50%	0.60	0.20	-67%

Source: Inderes

Neste's Capital Market's Update 2025



The wait is too long

Balancing between the short and long term

Despite the high short-term valuation, our previous view has been based on the upside of the long-term valuation as we have assumed that the volume growth brought by Rotterdam and the recovering sales margin of Renewable Products will push the 2027-2028 valuation to a very moderate level. We continue to believe that the current sales margin is not sustainable in the Renewable Products market, as many producers are generating negative cash flow. Thus, we expect the margin to recover, but considering Neste's current financial situation, we believe our updated estimates also clearly raise the risks related to the financial position. This makes relying on the longer-term potential less attractive, as more risks must be borne than in our previous estimates.

In light of the shifted sales volume forecasts and lowered sales margin estimates, the upside potential in the longer-term valuation has also narrowed considerably in our estimates. Reflecting this overall picture, we believe the risk/reward profile of the stock has clearly weakened, and we no longer consider relying on the long-term potential attractive. We do, however, point out that due to the market situation of Renewable Products, estimate risks are exceptionally high for the coming years, and a change in the market situation can alter the overall picture of the coming years' forecasts significantly faster than usual.

Estimate changes also raised the risks related to the debt level

Reflecting our estimate changes, Neste's already high short-term valuation tightened further as our earnings

forecasts for the next few years collapsed. At the same time, the significant decline in short- and medium-term forecasts increased our net debt estimates, as estimate changes drove a significant decline in cash flow estimates for the next few years. This also affects the risk level.

Absolute valuation multiples are high

Based on our estimates for Neste, P/E ratios for 2025-2026 are 37x and 19x, while the corresponding EV/EBIT ratios are 39x and 19x. These are quite high in absolute terms and are not justifiable. With our updated forecasts, the valuation only turns attractive in 2027 when the P/E ratio is 10x and the corresponding EV/EBIT ratio is 11x. When looking at the earnings-based valuation, it should be noted that depreciation in the coming years will significantly exceed normal investments, which pushes the earnings-based valuation below the EBITDA.

Neste estimates that with the Rotterdam expansion, at market prices at the end of the year, it would have the potential to reach an operating cash flow of around 1.5-1.7 BNEUR in 2027-2028. If we assume the announced investments of approximately 500-600 MEUR on top of this, the range is approximately 950-1,150 MEUR in free operating cash flow. This in turn corresponds to a return on operating free cash flow of 8-9.5% based on the 2027 forecasted EV. We do not consider this sufficient compensation, especially when considering the time frame, to incentivize bearing the estimate risks of the coming years.

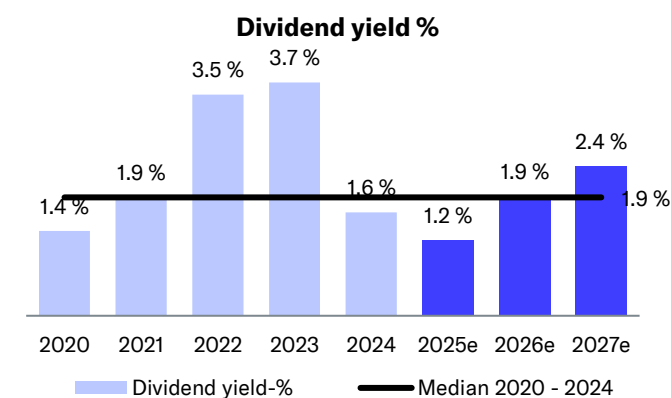
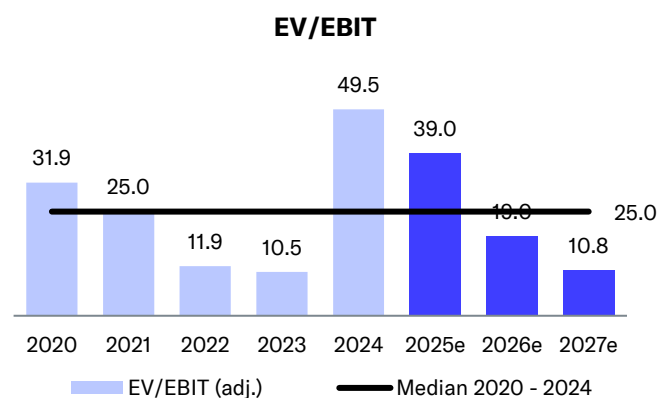
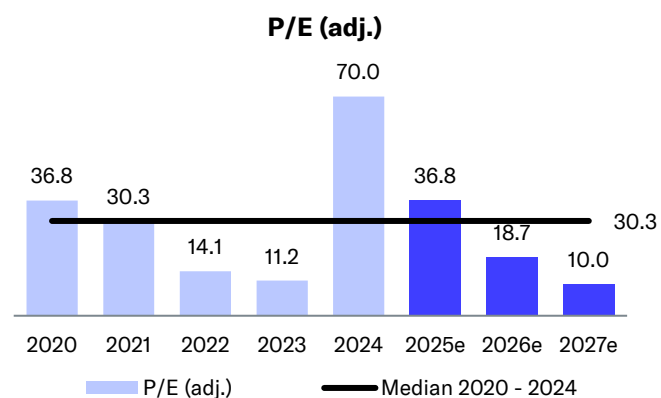
Valuation	2025e	2026e	2027e
Share price	10.47	10.47	10.47
Number of shares, millions	768.2	768.2	768.2
Market cap	8043	8043	8043
EV	12996	12950	12042
P/E (adj.)	36.8	18.7	10.0
P/E	41.5	18.7	10.0
P/B	1.1	1.0	1.0
P/S	0.3	0.3	0.3
EV/Sales	0.6	0.5	0.5
EV/EBITDA	9.9	7.6	5.5
EV/EBIT (adj.)	39.0	19.0	10.8
Payout ratio (%)	50.0 %	35.7 %	23.8 %
Dividend yield-%	1.2 %	1.9 %	2.4 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	59.2	43.4	43.02	32.21	12.13	10.47	10.47	10.47	10.47
Number of shares, millions	768	768	768	768	768	768	768	768	768
Market cap	45425	33299	33043	24744	9318	8043	8043	8043	8043
EV	45212	33494	34407	27237	13511	12996	12950	12042	10727
P/E (adj.)	36.8	30.3	14.1	11.2	70.0	36.8	18.7	10.0	6.1
P/E	63.8	18.8	17.5	17.3	neg.	41.5	18.7	10.0	6.1
P/B	7.7	4.8	4.0	2.9	1.3	1.1	1.0	1.0	0.8
P/S	3.9	2.2	1.3	1.1	0.5	0.3	0.3	0.3	0.3
EV/Sales	3.8	2.2	1.3	1.2	0.7	0.6	0.5	0.5	0.4
EV/EBITDA	30.0	12.8	11.3	10.7	13.4	9.9	7.6	5.5	3.8
EV/EBIT (adj.)	31.9	25.0	11.9	10.5	49.5	39.0	19.0	10.8	6.3
Payout ratio (%)	86%	36%	62%	64%	neg.	50%	36%	24%	17%
Dividend yield-%	1.4 %	1.9 %	3.5 %	3.7 %	1.6 %	1.2 %	1.9 %	2.4 %	2.9 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2025e
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	
Total SA	133661	156068	5.9	6.1	4.0	4.1	0.8	0.8	7.9	7.5	5.8	6.1	1.1
ENI SPA	46108	65536	6.6	6.5	3.7	3.6	0.7	0.7	8.0	7.4	7.4	7.6	0.8
Koc Holding AS	10647	12096	2.5	1.6	1.9	1.3	0.2	0.1	6.0	3.4	4.4	5.7	0.4
TURKIYE PETROL RAFINERILERI AS	6794	5169	4.3	4.9	3.5	3.8	0.2	0.2	6.4	4.9	9.5	9.2	0.9
MOL PLC	6025	7920	4.9	5.0	2.8	2.8	0.4	0.3	5.4	5.3	8.7	8.6	0.5
EQUINOR ASA	61665	67177	2.3	2.5	1.7	1.9	0.7	0.7	7.0	6.9	6.6	6.7	1.4
VALERO ENERGY CORP	40764	49194	14.5	10.5	8.1	6.8	0.4	0.4	18	12.2	3.3	3.4	1.7
HELLENIC PETROLEUM SA	2441	4426	11.1	9.5	6.1	5.5	0.4	0.4	11.3	9.1	6.9	5.5	0.9
POLSKI KONCERN NAFTOWY ORLEN SA	16075	18207	3.6	4.0	2.1	2.2	0.3	0.3	5.3	5.8	8.0	8.2	0.4
MOTOR OIL HELLAS CORINTH REFINERIES SA	2508	4312	8.0	8.0	5.2	5.2	0.4	0.4	6.7	6.7	6.3	6.3	0.9
Neste (Inderes)	8043	12996	39.0	19.0	9.9	7.6	0.6	0.5	36.8	18.7	1.2	1.9	1.1
Average			6.4	5.9	3.9	3.7	0.4	0.4	8.2	6.9	6.7	6.7	0.9
Median			5.4	5.6	3.6	3.7	0.4	0.4	6.8	6.8	6.8	6.5	0.9
Diff-% to median			620%	242%	175%	105%	49%	45%	437%	174%	-82%	-71%	25%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	22926	4801	4642	5624	5568	20635	5277	5692	6151	6151	23270	24389	25954	28444
Oil Products	13285	2669	2436	3400	3324	11829	3071	3383	3666	3666	13785	13200	14190	14273
Renewable Products	8466	1766	1852	1823	1880	7321	1781	1959	2035	2090	7865	9584	10164	12566
Marketing & Services	5168	1234	1165	1180	1108	4687	1200	1150	1250	1200	4800	4850	4900	4900
Other	100	18	24	44	39	125	25	25	25	25	100.0	105	100.0	105
Eliminations	-4094	-887	-834	-822	-783	-3326	-800	-825	-825	-830	-3280	-3350	-3400	-3400
EBITDA	2548	442	119	301	144	1005	242	274	372	421	1308	1712	2193	2821
Depreciation	-866	-242	-237	-247	-254	-980	-250	-250	-250	-250	-1000	-1031	-1081	-1127
EBIT (excl. NRI)	2592	309	3	47	-85	273	-8	49	122	171	333	682	1112	1695
EBIT	1682	200	-119	54	-110	25	-8	24	122	171	308	682	1112	1695
Oil Products	1127	203	-9	54	63	311	56	87	99	99	341	318	383	369
Renewable Products	1426	94	5	-37	-136	-75	-70	-44	8	66	-39	329	700	1298
Marketing & Services	85	16	16	24	17	73	16	17	26	17	76	80	76	78
Other	-48	-4	-13	0	-25	-42	-11	-11	-11	-11	-44	-45	-48	-50
Eliminations	2	0	4	5	-3	6	0	0	0	0	0	0	0	0
Changes in fair value	-910	-109	-121	7	-25	-248	0	0	0	0	0	0	0	0
Net financial items	-86	-11	-50	-27	-50	-138	-35	-35	-35	-35	-140	-176	-163	-132
PTP	1596	189	-169	27	-160	-113	-43	-11	87	136	168	506	949	1563
Taxes	-160	-27	24	-4	26	19	-6	-2	13	20	25	-76	-142	-234
Minority interest	-3	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	1433	162	-144.4	22.5	-134.9	-94.8	-50	-13	100	156	194	430	806	1328
EPS (adj.)	2.88	0.33	-0.03	0.02	-0.14	0.17	-0.06	0.02	0.13	0.20	0.28	0.56	1.05	1.73
EPS (rep.)	1.86	0.21	-0.19	0.03	-0.18	-0.12	-0.06	-0.02	0.13	0.20	0.25	0.56	1.05	1.73

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	-10.8 %	-9.4 %	-13.2 %	-5.8 %	-11.7 %	-10.0 %	9.9 %	22.6 %	9.4 %	10.5 %	12.8 %	4.8 %	6.4 %	9.6 %
Adjusted EBIT growth-%	-10.6 %	-52.6 %	-99.6 %	-94.4 %	-115.7 %	-89.5 %	-102.6 %	1854.2 %	162.2 %	-300.5 %	22.2 %	104.4 %	63.1 %	52.5 %
EBITDA-%	11.1 %	9.2 %	2.6 %	5.3 %	2.6 %	4.9 %	4.6 %	4.8 %	6.1 %	6.8 %	5.6 %	7.0 %	8.4 %	9.9 %
Adjusted EBIT-%	11.3 %	6.4 %	0.1 %	0.8 %	-1.5 %	1.3 %	-0.2 %	0.9 %	2.0 %	2.8 %	1.4 %	2.8 %	4.3 %	6.0 %
Net earnings-%	6.2 %	3.4 %	-3.1 %	0.4 %	-2.4 %	-0.5 %	-0.9 %	-0.2 %	1.6 %	2.5 %	0.8 %	1.8 %	3.1 %	4.7 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	8858	10026	10286	10415	9919
Goodwill	496	514	514	514	514
Intangible assets	185	164	174	184	194
Tangible assets	7786	8872	9122	9241	8735
Associated companies	58	53	53	53	53
Other investments	54	40	40	40	40
Other non-current assets	152	161	161	161	161
Deferred tax assets	127	222	222	222	222
Current assets	7125	5555	6446	6772	7248
Inventories	3366	2898	3374	3561	3841
Other current assets	271	163	163	163	163
Receivables	1913	1539	1978	2073	2206
Cash and equivalents	1575	955	931	976	1038
Balance sheet total	15983	15581	16732	17188	17167

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	8463	7417	7457	7790	8443
Share capital	40	40	40	40	40
Retained earnings	8423	7377	7417	7750	8403
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	0	0	0	0	0
Non-current liabilities	4132	4954	5975	5974	5129
Deferred tax liabilities	317	335	335	335	335
Provisions	187	144	144	144	144
Interest bearing debt	3487	4362	5383	5382	4537
Convertibles	0	0	0	0	0
Other long term liabilities	141	113	113	113	113
Current liabilities	3388	3211	3300	3423	3595
Interest bearing debt	581	786	500	500	500
Payables	2580	2185	2560	2683	2855
Other current liabilities	227	241	241	241	241
Balance sheet total	15983	15581	16732	17188	17167

DCF-calculation

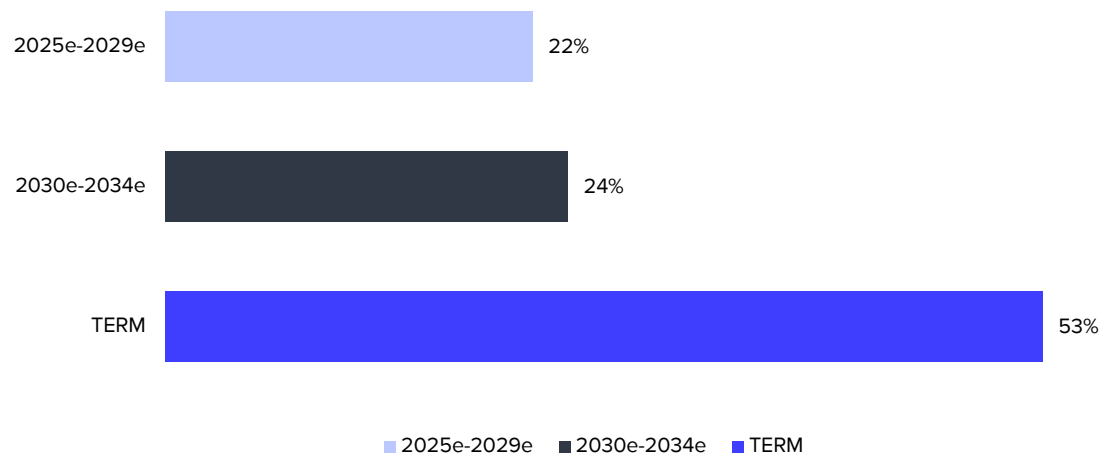
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-10.0 %	12.8 %	4.8 %	6.4 %	9.6 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	0.1 %	1.3 %	2.8 %	4.3 %	6.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %
EBIT (operating profit)	25.0	308	682	1112	1695	1451	1480	1509	1539	1570	1602	
+ Depreciation	980	1000	1031	1081	1127	1064	771	679	672	665	659	
- Paid taxes	-59	25	-76	-142	-234	-201	-207	-211	-216	-220	-300	
- Tax, financial expenses	-23	21	-26	-25	-20	-16	-16	-16	-16	-16	-21	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	568	-540	-159	-241	-363	-71	-73	-74	-75	-77	-79	
Operating cash flow	1492	815	1451	1785	2204	2226	1957	1888	1905	1923	1862	
+ Change in other long-term liabilities	-72	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-2058	-1260	-1160	-585	-585	-600	-605	-605	-605	-605	-679	
Free operating cash flow	-637.6	-445	291	1200	1619	1626	1352	1283	1300	1318	1183	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-638	-445	291	1200	1619	1626	1352	1283	1300	1318	1183	16897
Discounted FCFF		-413	247	933	1154	1062	809	703	653	607	499	7126
Sum of FCFF present value		13380	13793	13545	12612	11458	10396	9587	8884	8231	7625	7128
Enterprise value DCF		13380										
- Interest bearing debt		-5148										
+ Cash and cash equivalents		955										
-Minorities		0										
-Dividend/capital return		0										
Equity value DCF		9188										
Equity value DCF per share		12.0										

WACC

Tax-% (WACC)	15.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	5.0 %
Equity Beta	1.58
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	10.0 %
Weighted average cost of capital (WACC)	9.1 %

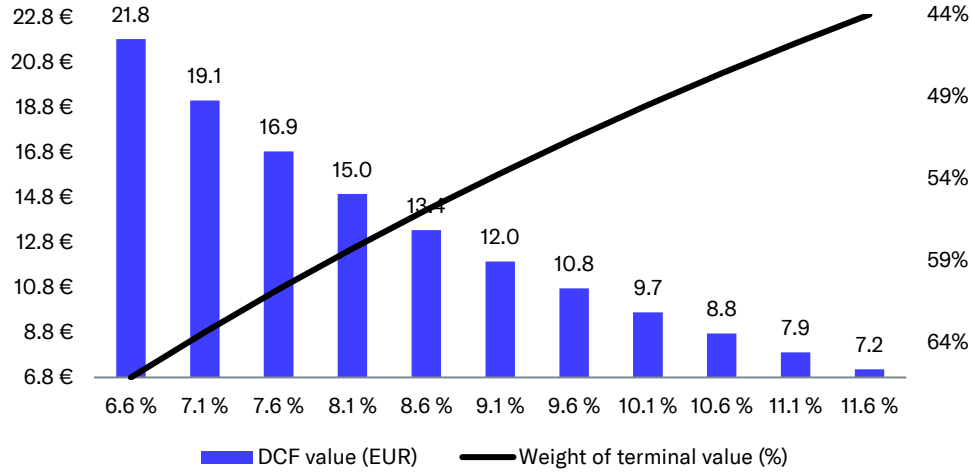
Source: Inderes

Cash flow distribution

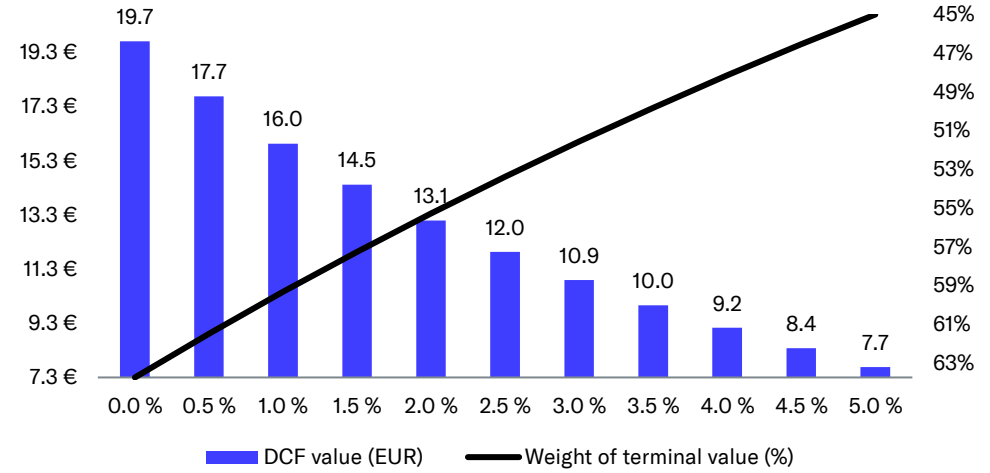


DCF sensitivity calculations and key assumptions in graphs

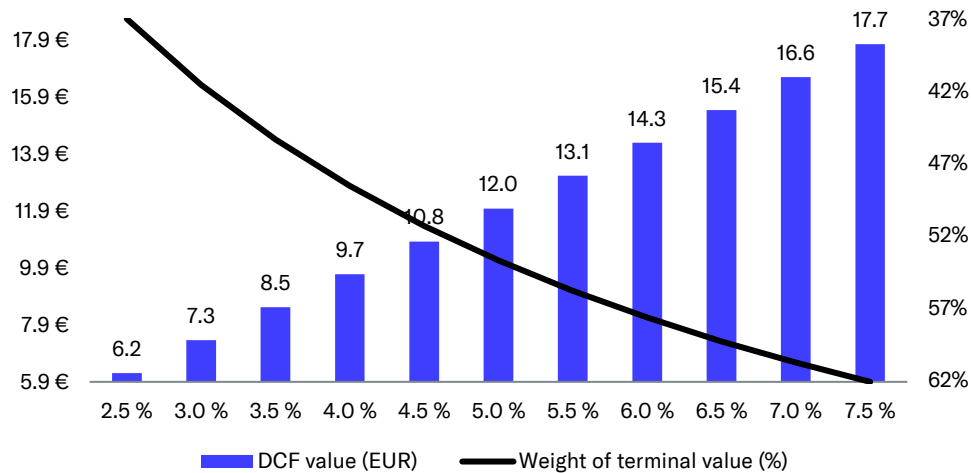
Sensitivity of DCF to changes in the WACC-%



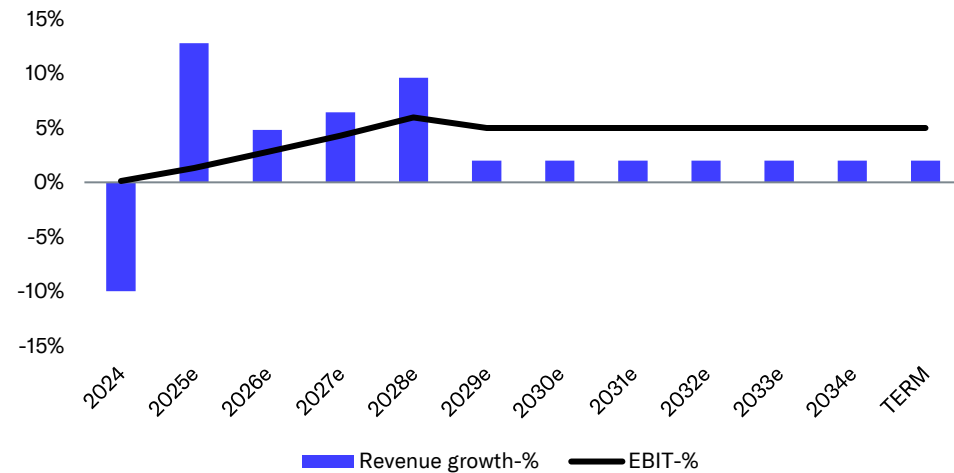
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	25707	22926	20635	23270	24389	EPS (reported)	2.46	1.86	-0.12	0.25	0.56
EBITDA	3047	2548	1005	1308	1712	EPS (adj.)	3.04	2.88	0.17	0.28	0.56
EBIT	2409	1682	25	308	682	OCF / share	2.16	3.28	1.94	1.06	1.89
PTP	2278	1596	-113	168	506	FCF / share	-0.66	0.29	-0.83	-0.58	0.38
Net Income	1887	1433	-95	194	430	Book value / share	10.83	11.02	9.65	9.71	10.14
Extraordinary items	-489	-910	-248	-25	0	Dividend / share	1.52	1.20	0.20	0.00	0.20
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	14917	15983	15581	16732	17188	Revenue growth-%	70%	-11%	-10%	13%	5%
Equity capital	8327	8463	7417	7457	7790	EBITDA growth-%	17%	-16%	-61%	30%	31%
Goodwill	0	496	514	514	514	EBIT (adj.) growth-%	116%	-11%	-89%	22%	104%
Net debt	1344	2493	4193	4952	4907	EPS (adj.) growth-%	112%	-5%	-94%	64%	97%
						EBITDA-%	11.9 %	11.1 %	4.9 %	5.6 %	7.0 %
Cash flow	2022	2023	2024	2025e	2026e	EBIT (adj.)-%	11.3 %	11.3 %	1.3 %	1.4 %	2.8 %
EBITDA	3047	2548	1005	1308	1712	EBIT-%	9.4 %	7.3 %	0.1 %	1.3 %	2.8 %
Change in working capital	-990	224	568	-540	-159	ROE-%	24.7 %	17.1 %	-1.2 %	2.6 %	5.6 %
Operating cash flow	1660	2516	1492	815	1451	ROI-%	24.5 %	14.3 %	0.2 %	2.4 %	5.1 %
CAPEX	-2142	-2247	-2058	-1260	-1160	Equity ratio	56.3 %	53.0 %	47.6 %	44.6 %	45.3 %
Free cash flow	-508	223	-638	-445	291	Gearing	16.1 %	29.5 %	56.5 %	66.4 %	63.0 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	1.3	1.2	0.7	0.6	0.5						
EV/EBITDA	11.3	10.7	13.4	9.9	7.6						
EV/EBIT (adj.)	11.9	10.5	49.5	39.0	19.0						
P/E (adj.)	14.1	11.2	70.0	36.8	18.7						
P/B	4.0	2.9	1.3	1.1	1.0						
Dividend-%	3.5 %	3.7 %	1.6 %	1.2 %	1.9 %						

Source: Inderes

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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

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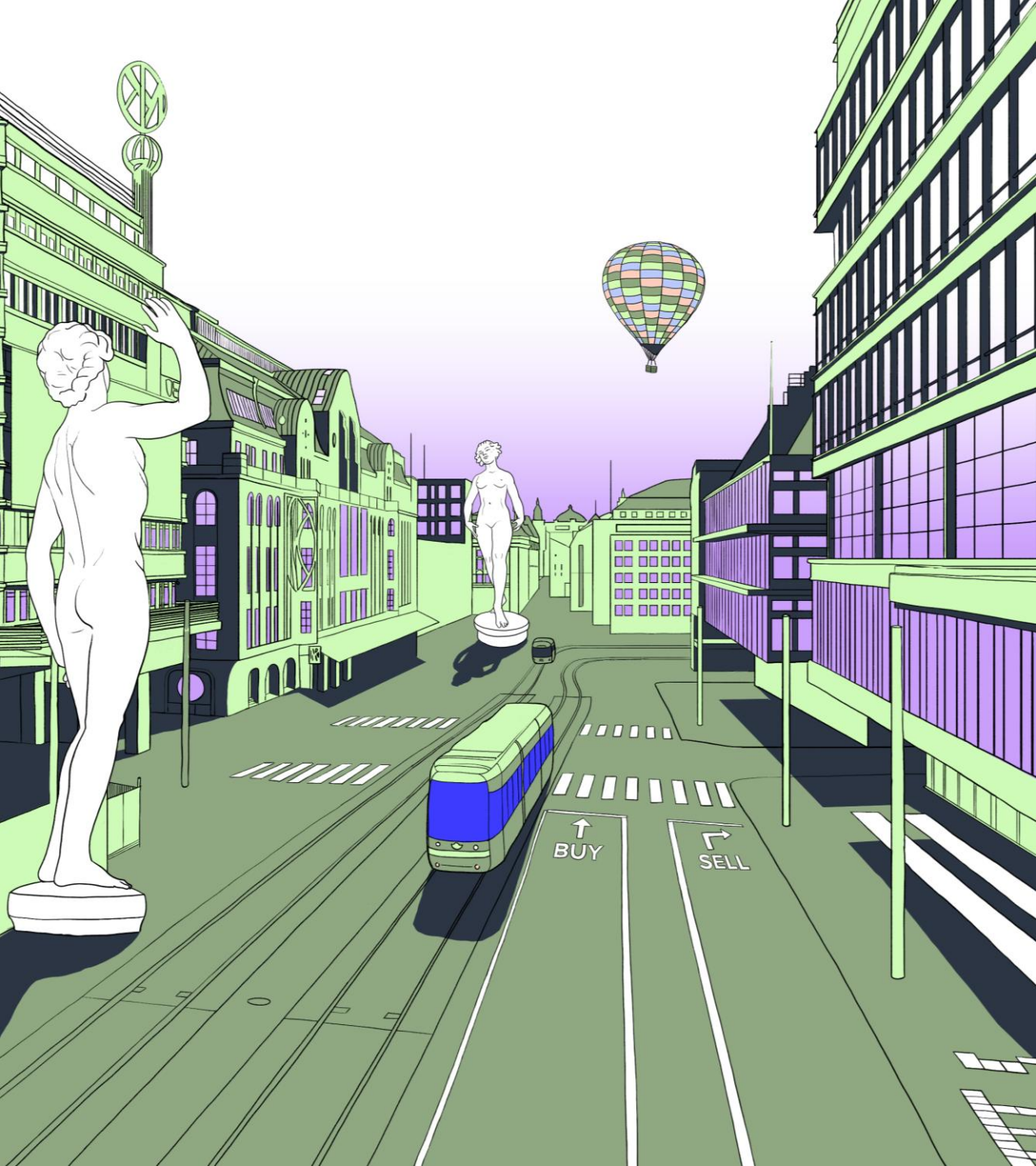
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
1/20/2020	Accumulate	36.00 €	33.83 €
2/10/2020	Reduce	38.00 €	39.53 €
3/13/2020	Accumulate	32.00 €	28.77 €
4/27/2020	Accumulate	32.00 €	29.61 €
5/27/2020	Reduce	35.00 €	35.86 €
7/24/2020	Reduce	40.00 €	41.42 €
10/1/2020	Accumulate	50.00 €	44.97 €
10/26/2020	Reduce	50.00 €	49.00 €
2/8/2021	Reduce	50.00 €	55.20 €
4/20/2021	Reduce	50.00 €	50.56 €
4/30/2021	Reduce	50.00 €	52.04 €
7/28/2021	Reduce	50.00 €	52.18 €
10/28/2021	Reduce	50.00 €	48.94 €
12/27/2021	Accumulate	50.00 €	43.71 €
2/11/2022	Accumulate	44.00 €	38.43 €
3/3/2022	Buy	44.00 €	36.07 €
5/2/2022	Accumulate	44.00 €	41.20 €
6/21/2022	Reduce	44.00 €	43.06 €
7/29/2022	Reduce	46.00 €	48.68 €
10/25/2022	Reduce	48.00 €	47.10 €
10/28/2022	Reduce	48.00 €	45.46 €
2/9/2023	Reduce	50.00 €	47.50 €
4/24/2023	Accumulate	48.00 €	43.77 €
5/2/2023	Accumulate	48.00 €	43.94 €
7/28/2023	Accumulate	39.00 €	32.57 €
10/27/2023	Accumulate	37.00 €	31.90 €
2/9/2024	Buy	35.00 €	27.74 €
4/25/2024	Buy	30.00 €	22.49 €
5/15/2024	Accumulate	21.50 €	18.88 €
7/26/2024	Accumulate	21.00 €	18.12 €
9/12/2024	Accumulate	19.00 €	16.06 €
10/25/2024	Accumulate	17.50 €	14.39 €
11/11/2024	Accumulate	15.50 €	12.83 €
2/17/2025	Reduce	11.50 €	10.47 €



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