

# NIBE INDUSTRIER B

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# COMPANY REPORT



# We remain on the sidelines, waiting for better risk/reward

NIBE's Q4 result was operationally slightly above our expectations, and we made minor upside revisions to our short- and medium-term estimates. The company's outlook and market indicators continue to show signs of a recovery in the destocking situation. However, the recovery will likely be slow, as at least the first half of this year will remain challenging, due to continued excess inventories in some markets and a slow recovery in consumer confidence and purchasing power as well as in the new-construction market. Additionally, while volume growth and cost-cutting efforts are expected to support margins, we anticipate continued headwinds from high inventory and pricing risks. In our view, given the ongoing uncertainties in the operating environment, the stock is already sufficiently priced for earnings growth (2025e P/E: 29x). As a result, we reiterate our Reduce recommendation with a slightly higher target price of SEK 44.0 per share (prev. SEK 42.0), due to a slight increase in estimates and in line with our DCF.

## Q4 showed continued signs of recovery

NIBE's Q4 revenue decreased by 5.4% year-on-year (5.7% organically) to approximately 11.0 BNSEK, slightly above both our and consensus forecasts. While revenue from the Climate Solutions and Element was largely in line with our expectations, Stoves exceeded our estimates and returned to a more typical seasonal pattern. NIBE's Q4 EBIT increased by 5% year-on-year, mainly due to a one-off positive effect of 597 MSEK from acquisition-related revaluations. Adjusted for this and one-off costs related to the savings program, EBIT declined by ~29% to around 1.1 BNSEK, slightly above both our and consensus forecasts, driven mainly by better-than-expected profitability in Stoves. Despite the challenging operating environment, we believe profitability (Q4'24 adjusted EBIT margin: 10.2%) was stable, with the cost-savings program helping to mitigate the negative impact of lower sales volumes. For FY24, adj. EPS declined to SEK 0.80 from SEK 2.42 in 2023, resulting in a significant dividend cut from SEK 0.65 to SEK 0.30.

## Outlook remains largely unchanged

In the Q4 report, NIBE largely reaffirmed its outlook from the previous quarter. NIBE assesses that inventories in its key distribution chains have returned to acceptable levels, enabling demand to reach manufacturers. The company expects these factors, along with the fully implemented action plan, to help return operating margins to historical levels across its business areas by 2025. While there are emerging signs of a gradual market recovery, excess heat pump inventories persist, and declining interest rates are unlikely to significantly boost consumer purchasing power and confidence until at least H2'25. Given these dynamics, we have kept our revenue estimates mostly unchanged, with slightly higher growth expectations for Stoves following its quicker-than-expected recovery last quarter. Regarding operating profit, apart from the higher volume growth for Stoves which slightly boosts overall EBIT, we have largely maintained our EBIT estimates. In our view, volume growth and cost cutting should support margins, but we believe NIBE's goal of returning to historical margins by 2025 seems relatively ambitious, considering the pricing risks.

## Expected return still insufficient

2024 was a challenging year, with earnings well below potential, due to weak market conditions. Looking ahead, if the market environment improves and the earnings recovery we forecast materializes, the estimated 2025 valuation multiples (P/E: 29x and EV/EBIT: 22x) fall at the upper end of our acceptable range and exceed the company's historical long-term medians. The DCF is also in line with the current share price, implying a limited upside to the valuation. Overall, we believe that the stock is fairly priced for an earnings turnaround and that a larger upside for the stock would require a faster-than-expected adoption of heat pumps, along with an easing of pricing concerns.

## Recommendation

**Reduce**

(prev. Reduce)

## Target price:

**44.0 SEK**

(prev. 42.0 SEK)

## Share price:

44.7

## Business risk



## Valuation risk



|                         | 2024   | 2025e  | 2026e  | 2027e  |
|-------------------------|--------|--------|--------|--------|
| <b>Revenue</b>          | 40,521 | 43,570 | 47,755 | 50,882 |
| <b>growth-%</b>         | -13%   | 8%     | 10%    | 7%     |
| <b>EBIT adj.</b>        | 3,226  | 4,801  | 5,533  | 5,962  |
| <b>EBIT-% adj.</b>      | 8.0 %  | 11.0 % | 11.6 % | 11.7 % |
| <b>Net Income</b>       | 1,164  | 3,107  | 3,760  | 4,144  |
| <b>EPS (adj.)</b>       | 0.80   | 1.54   | 1.87   | 2.06   |
| <b>P/E (adj.)</b>       | 54.3   | 29.0   | 24.0   | 21.7   |
| <b>P/B</b>              | 2.7    | 2.6    | 2.4    | 2.3    |
| <b>Dividend yield-%</b> | 0.7 %  | 1.1 %  | 1.7 %  | 1.4 %  |
| <b>EV/EBIT (adj.)</b>   | 33.0   | 22.4   | 19.0   | 17.1   |
| <b>EV/EBITDA</b>        | 21.6   | 15.3   | 13.0   | 12.1   |
| <b>EV/S</b>             | 2.6    | 2.5    | 2.2    | 2.0    |

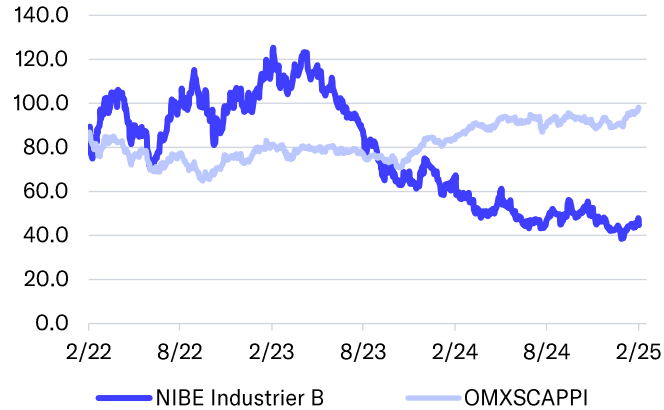
Source: Inderes

## Guidance

(Unchanged)

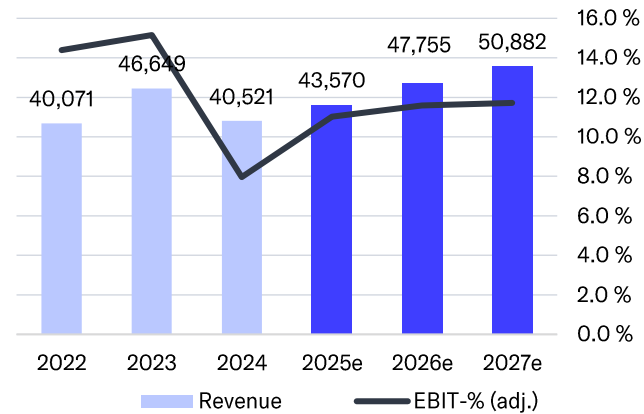
NIBE does not provide guidance

## Share price



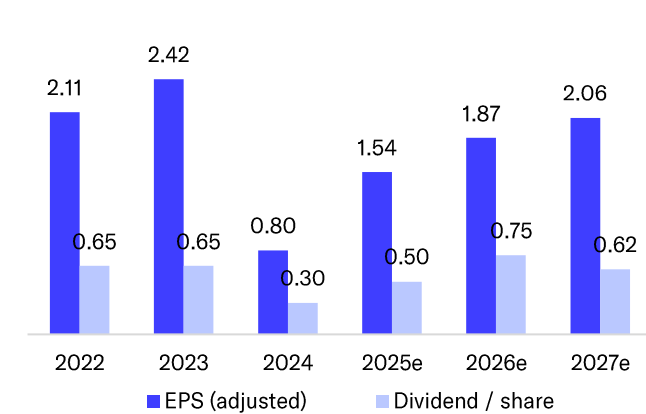
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes

## Value drivers

- Strong market position and globally well-known brands
- Good long-term prospects for renewable energy-based systems
- Energy efficiency investments support growth
- Vertical and horizontal synergies create efficiency and reduce costs

## Risk factors

- Weak new construction market and uncertainty regarding future heat pump subsidies
- Somewhat cyclical demand
- Persistently unfavorable gas-to-electricity price ratios
- Risks generated by acquisitions and/or expansion investments

| Valuation                         | 2025e   | 2026e   | 2027e   |
|-----------------------------------|---------|---------|---------|
| <b>Share price</b>                | 44.7    | 44.7    | 44.7    |
| <b>Number of shares, millions</b> | 2,016   | 2,016   | 2,016   |
| <b>Market cap</b>                 | 90,118  | 90,118  | 90,118  |
| <b>EV</b>                         | 107,475 | 104,855 | 102,138 |
| <b>P/E (adj.)</b>                 | 29.0    | 24.0    | 21.7    |
| <b>P/E</b>                        | 29.0    | 24.0    | 21.7    |
| <b>P/B</b>                        | 2.6     | 2.4     | 2.3     |
| <b>P/S</b>                        | 2.1     | 1.9     | 1.8     |
| <b>EV/Sales</b>                   | 2.5     | 2.2     | 2.0     |
| <b>EV/EBITDA</b>                  | 15.3    | 13.0    | 12.1    |
| <b>EV/EBIT (adj.)</b>             | 22.4    | 19.0    | 17.1    |
| <b>Payout ratio (%)</b>           | 32.4 %  | 40.2 %  | 30.0 %  |
| <b>Dividend yield-%</b>           | 1.1 %   | 1.7 %   | 1.4 %   |

Source: Inderes

# Year ends on a stable note with signs of recovery ahead

## Revenue largely in line with expectations

NIBE's Q4 organic revenue fell 5.7% year-on-year to ~11.0 BNSEK, slightly above our and consensus forecasts. While Climate Solutions showed sequential growth of some 10.5%, driven by strong seasonality, revenue dropped 6.4% year-on-year to 7.2 BNSEK, largely in line with our expectations. The Q4 figures also indicated that the Stoves business area has returned to a more seasonal pattern, with the second half of the year being the strongest. Revenue exceeded our estimates by ~11%, reaching 1.2 BNSEK. Element's Q4 revenue was largely in line with our expectations, reaching 2.8 BNSEK (5.4% y/y organic decline).

In Q4, inventory reductions continued in the distribution chains, leading to more acceptable inventory levels. This positively affected manufacturers, particularly those of heat pumps and stoves. However, the European market recovery remains slow, and Germany, France, and some Eastern European markets still have excess inventory. While the Element business area continues to see its customers move

towards more acceptable inventory levels, the overall business area remains challenging, especially for the white goods and the heat pump industry.

## Adjusted EBIT beat our expectations

NIBE's Q4 EBIT increased by 5% year-on-year, mainly due to a positive one-off effect of 597 MSEK from acquisition-related revaluations. However, NIBE's adj. EBIT fell ~29% to around 1.1 BNSEK. This was above both our and consensus forecasts, primarily due to better-than-expected profitability in Stoves, while Climate Solutions and Element's adjusted EBIT were largely in line with our expectations. Overall, given the challenging operating environment, we believe the profitability level (Q4'24 adj. EBIT margin: 10.2%) was stable, with the cost-savings program mitigating the negative impact of lower sales volumes.

Adjusted EPS fell to SEK 0.45, significantly above both our and consensus forecasts, mainly due to slightly higher operating profit and lower-than-expected taxes. For FY24,

adj. EPS declined to SEK 0.80 from SEK 2.42 in 2023, resulting in a significant dividend cut from SEK 0.65 to SEK 0.30.

## Cash flow was at good levels

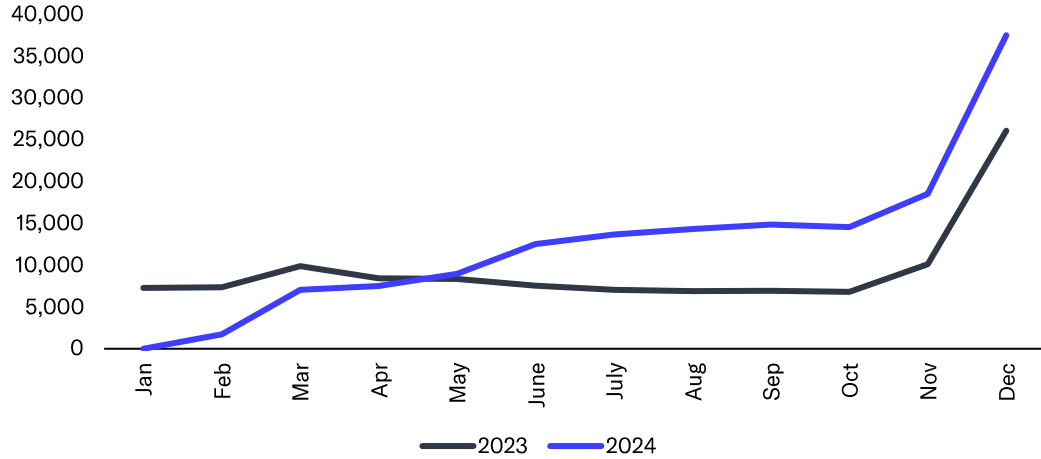
In our view, cash flow was strong given the tough operating environment, with Q4 operating cash flow reaching 2.5 BNSEK. NIBE reduced its inventory by 5% quarter-on-quarter, in line with seasonal effects. The company currently holds 10.6 BNSEK in inventory, equivalent to ~26% of last year's revenue, which is still significantly higher than the pre-pandemic levels of 17-18%. Without a production ramp-up, the elevated inventory levels will likely put pressure on margins. As rolling profit declines, the net debt/EBITDA ratio rose to 3.5x (excluding one-offs) by the end of the period. However, we are not currently concerned about the higher ratio, as we believe it will improve with better profitability and inventory reduction efforts. Nevertheless, the likelihood of a significant acquisition in the near term appears low in our view.

| Estimates<br>MSEK / SEK | Q4'23      | Q4'24      | Q4'24e  | Q4'24e    | Consensus |          | Difference (%)   | 2024    |
|-------------------------|------------|------------|---------|-----------|-----------|----------|------------------|---------|
|                         | Comparison | Actualized | Inderes | Consensus | Low       | High     | Act. vs. inderes | Actual  |
| Revenue                 | 11,656     | 11,025     | 10,670  | 10,728    | 10,435    | - 11,149 | 3%               | 40,521  |
| EBIT (adj.)             | 1,596      | 1,129      | 1,008   | 1,068     | 930       | - 1,201  | 12%              | 3,226   |
| EBIT                    | 1,592      | 1,669      | 1,008   | 1,068     | 930       | - 1,201  | 66%              | 2,671   |
| PTP                     | 1,378      | 1,425      | 788     | 793       | 545       | - 913    | 81%              | 1,536   |
| EPS (adj.)              | 0.49       | 0.45       | 0.30    | 0.33      | 0.22      | - 0.44   | 50%              | 0.80    |
| Revenue growth-%        | -0.1 %     | -5.4 %     | -8.5 %  | -8.0 %    | -10.5 %   | - -4.3 % | 3 pp             | -13.1 % |
| EBIT-%                  | 13.7 %     | 10.2 %     | 9.4 %   | 10.0 %    | 8.9 %     | - 10.8 % | 0.8 pp           | 8.0 %   |

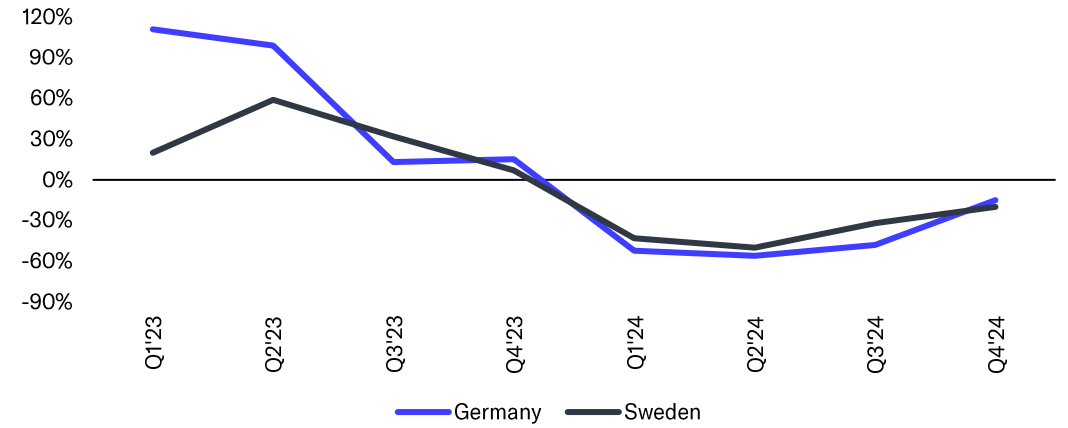
Source: Inderes & Bloomberg  
(03.02.25, 13 analysts)  
(consensus)

# Heat pump market figures in key markets

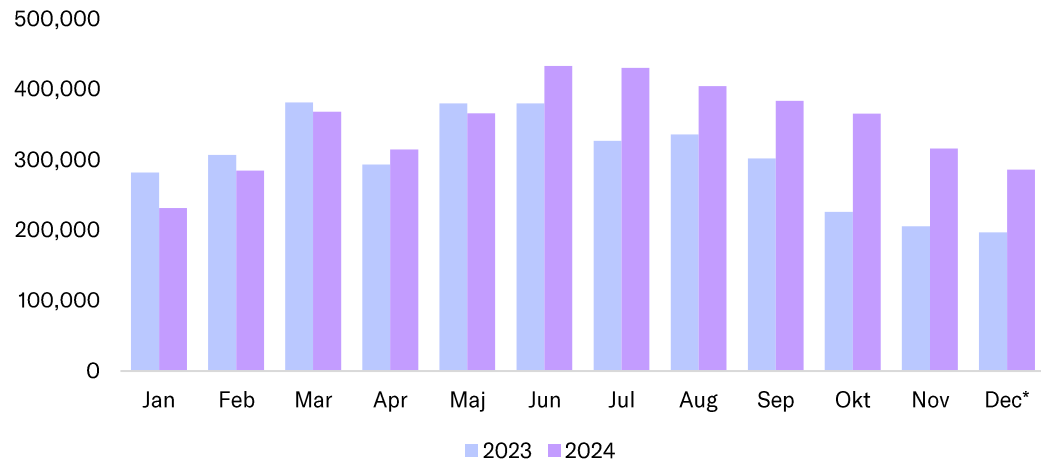
### Applications for heat pump subsidies in Germany <sup>1</sup>



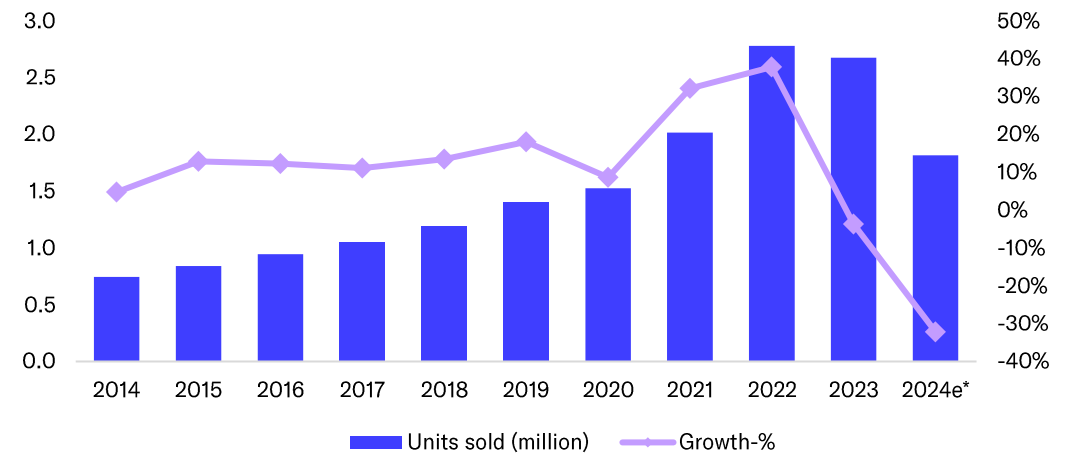
### Heat pump sales growth development in the German and Swedish market (y/y-%) <sup>2</sup>



### U.S. shipments of Air-Source heat pumps <sup>3</sup>



### European heat pump market development <sup>4</sup>



1 Source: BMWK, Inderes  
 2 Source: BDH, SKVP, Inderes  
 3 source: AHRI, Inderes  
 4 source: EHPA, Inderes  
 \* Inderes estimate

# Outlook remains roughly the same

## NIBE remains optimistic about a market rebound

While NIBE doesn't provide specific numerical guidance (this quarter being no exception), the company reaffirmed its relatively optimistic market outlook. NIBE assesses that inventories in its key distribution chains have returned to acceptable levels. Consequently, demand is now reaching manufacturers. The company also notes healthy underlying demand from end customers, driven by falling interest rates. Overall, NIBE expects that these factors, coupled with the fully implemented action plan, will help the company return to operating margins within the historical range of each business area in 2025 (Climate Solutions: 13-15%, Element: 8-11%, and Stoves: 10-13%).

In our view, the primary risks for NIBE remain demand-related, particularly given global economic conditions. We acknowledge these risks, but recent global macroeconomic data suggest they haven't worsened significantly. Therefore, we believe the market has likely

reached its bottom, with gradual improvement continuing in the coming quarters. However, we expect a slow recovery, with meaningful improvement not materializing until the second half of 2025 at the earliest. This is primarily due to excess inventories in Germany, France, and parts of the Eastern European market (which will likely experience slower recoveries), continued weak economic conditions in Europe, a slow new-construction market, and uncertainties surrounding future subsidies in some markets.

Considering these dynamics, we maintain our revenue estimates largely unchanged, except for slightly higher growth expectations for Stoves, following its faster-than-expected recovery last quarter. At the group level, our 2025-2026 revenue estimates are therefore lifted by approximately 1%.

## We believe the 2025 margin ambition is overly optimistic

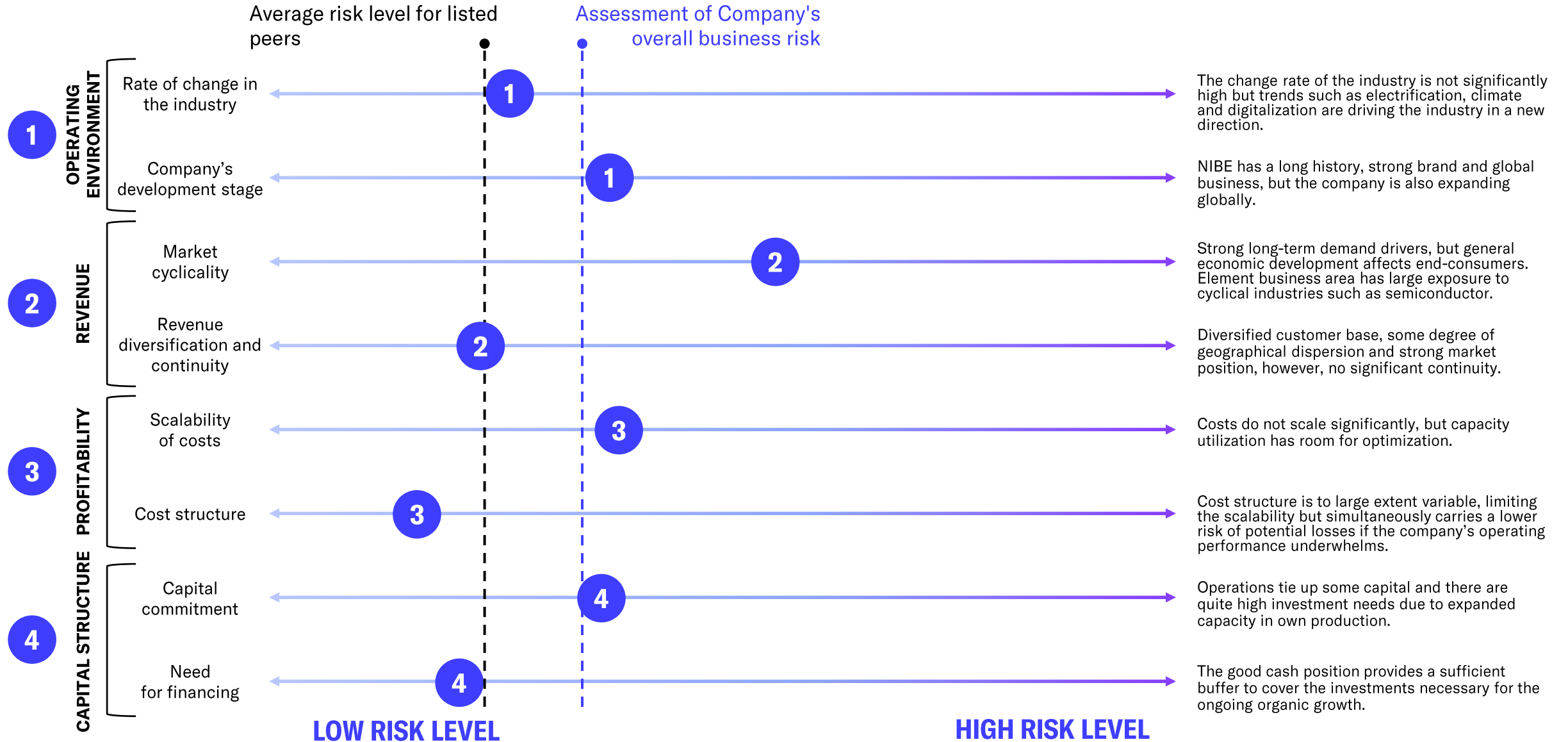
While volume growth and cost-cutting efforts are expected to support margins, we anticipate continued headwinds. First, margin recovery requires a volume recovery, which is not guaranteed given persistent weakness in residential markets and subsidy uncertainty. Second, we see increased competition and capacity growth outpacing demand, creating a risk of structural overcapacity and potential margin pressure. Additionally, NIBE's 2024 inventory sits at 10.6 BNSEK, or 26% of revenue, compared to around 17% pre-COVID. This could force NIBE to lower prices to reduce inventory. Given these risks, we believe NIBE's ambition of returning to historical margins by 2025 is ambitious.

Overall, apart from the increased revenue estimates for the Stoves business (which slightly boosts overall EBIT), we have maintained our already relatively optimistic EBIT estimates.

| Estimate revisions | 2024    | 2024       | Change | 2025e  | 2025e  | Change | 2026e  | 2026e  | Change |
|--------------------|---------|------------|--------|--------|--------|--------|--------|--------|--------|
| MSEK / SEK         | Inderes | Actualized | %      | Old    | New    | %      | Old    | New    | %      |
| Revenue            | 40,166  | 40,521     | 1%     | 43,135 | 43,570 | 1%     | 47,281 | 47,755 | 1%     |
| EBITDA             | 4,040   | 4,916      | 22%    | 6,833  | 7,033  | 3%     | 7,779  | 8,044  | 3%     |
| EBIT (excl. NRIs)  | 3,105   | 3,226      | 4%     | 4,763  | 4,813  | 1%     | 5,481  | 5,533  | 1%     |
| EBIT               | 2,010   | 2,671      | 33%    | 4,763  | 4,813  | 1%     | 5,481  | 5,533  | 1%     |
| PTP                | 899     | 1,536      | 71%    | 4,094  | 4,093  | 0%     | 4,902  | 4,933  | 1%     |
| EPS (excl. NRIs)   | 0.64    | 0.80       | 24%    | 1.54   | 1.55   | 0%     | 1.86   | 1.87   | 1%     |
| DPS                | 0.30    | 0.30       | 0%     | 0.50   | 0.50   | 0%     | 0.75   | 0.75   | 0%     |

Source: Inderes

# Risk profile of the business



# Risk/reward is weak given the uncertain environment

## Valuation multiples and estimate risks are high for the coming year

2024 was a challenging year, with earnings falling significantly short of their potential due to challenging market conditions. Looking ahead, if the market environment improves and our forecast earnings recovery materializes, the estimated 2025 valuation multiples (P/E: 29x and EV/EBIT: 22x) fall at the upper end of our acceptable range and exceed the company's historical long-term medians. In our view, the stock already reflects high expectations for earnings growth, yet there are several risks associated with the anticipated recovery. These include elevated inventory levels, weak economic development in especially Europe, and heightened geopolitical tensions. In addition, intensifying market competition could put pressure on pricing power over time. In our view, the market is currently relying heavily on interest rate cuts to revive consumer purchasing power. However, we believe that this will likely not be visible in the economy until at least the second half of this year. As a result, we consider 2025 valuation to be on the high side. From our perspective, more attractive valuation levels may only emerge when looking at 2026 multiples (2026e: P/E: 24x and EV/EBIT: 19x), even though these estimates hinge on substantial and still uncertain improvements in earnings.

## Priced to a premium compared to peers

On a relative basis, NIBE is trading at a premium compared to peers at around 16-6% based on earnings multiples for 2025-26. We believe that this premium is justified given the company's good track record of profitable growth and high returns on capital. However, compared to its international heat pump peers (such as Carrier, Trane,

Lennox, and Beijer Ref), NIBE is trading relatively in line with its peers based on 2025-26 earnings multiples. We believe this valuation is justified given the similar growth expectations and margin potential.

## DCF value relatively in line with the share price

We also believe that the DCF model is a relevant valuation method for NIBE, given the availability of sufficient historical financial information, the stability of the industry, consistent growth and a relatively predictable business. Overall, the model expects NIBE to grow at a high single-digit rate in the medium term and at a mid-single-digit rate in the long term. From a DCF-based valuation perspective, therefore, one year of challenging figures does not affect the valuation too much. However, the value of our DCF model (SEK 44.0 per share) is in line with the current share price. Therefore, even in a DCF context, the current valuation does not provide a sufficient expected return.

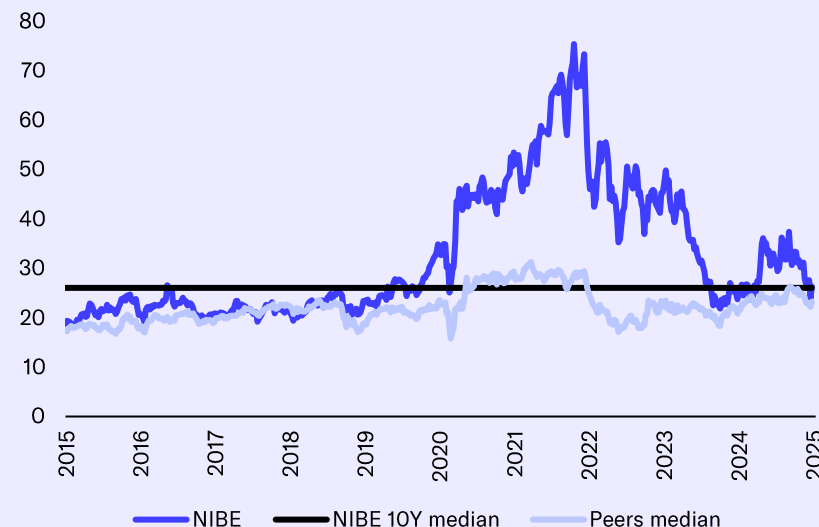
## Thin expected returns at current valuations

We expect investors to receive an annual dividend yield of 1-2% over the next few years at the current share price, which leaves a thin dividend yield base. The earnings growth driver is turning in the right direction in Q1'25, but the starting level is low and the growth rate is unclear. The share is expensive on an actual earnings basis and in our view NIBE's expected return is lower than the required return. As a result, we reiterate our Reduce recommendation with a slightly higher target price of SEK 44.0 per share (prev. SEK 42.0), mainly due to slightly higher estimates. Despite the current outlook, we continue to see NIBE as a promising long-term investment. Throughout its long history, NIBE has consistently created value and has proven itself in a variety of market scenarios.

| Valuation                  | 2025e   | 2026e   | 2027e   |
|----------------------------|---------|---------|---------|
| Share price                | 44.7    | 44.7    | 44.7    |
| Number of shares, millions | 2,016   | 2,016   | 2,016   |
| Market cap                 | 90,118  | 90,118  | 90,118  |
| EV                         | 107,475 | 104,855 | 102,138 |
| P/E (adj.)                 | 29.0    | 24.0    | 21.7    |
| P/E                        | 29.0    | 24.0    | 21.7    |
| P/B                        | 2.6     | 2.4     | 2.3     |
| P/S                        | 2.1     | 1.9     | 1.8     |
| EV/Sales                   | 2.5     | 2.2     | 2.0     |
| EV/EBITDA                  | 15.3    | 13.0    | 12.1    |
| EV/EBIT (adj.)             | 22.4    | 19.0    | 17.1    |
| Payout ratio (%)           | 32.4 %  | 40.2 %  | 30.0 %  |
| Dividend yield-%           | 1.1 %   | 1.7 %   | 1.4 %   |

Source: Inderes

Historical trading multiples, P/E (NTM)

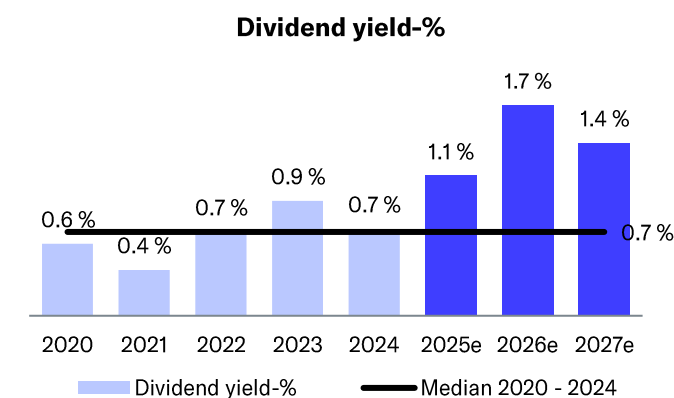
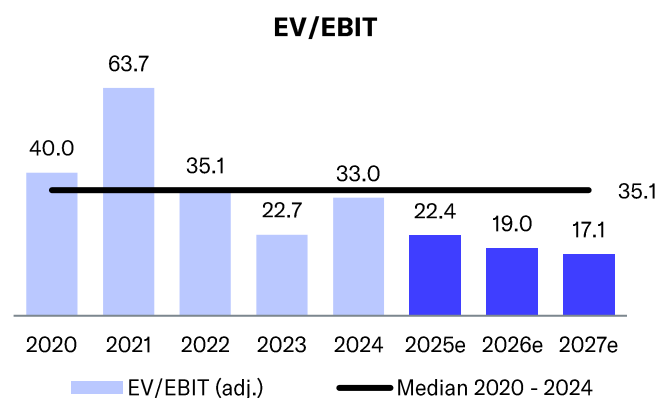
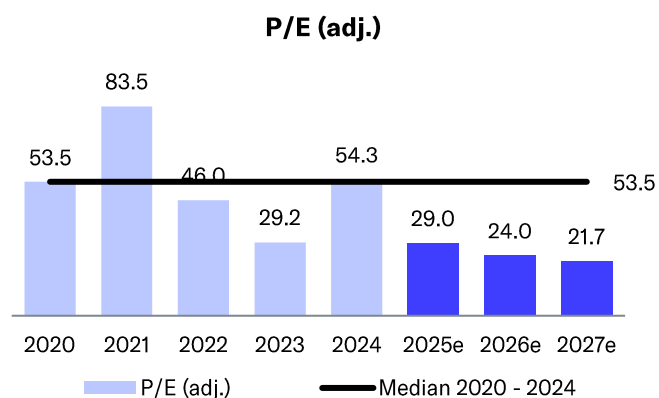




# Valuation table

| Valuation                  | 2020    | 2021    | 2022    | 2023    | 2024    | 2025e   | 2026e   | 2027e   | 2028e  |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Share price                | 67.4    | 136.8   | 97.1    | 70.8    | 43.2    | 44.7    | 44.7    | 44.7    | 44.7   |
| Number of shares, millions | 2,016   | 2,016   | 2,016   | 2,016   | 2,016   | 2,016   | 2,016   | 2,016   | 2,016  |
| Market cap                 | 135,933 | 275,697 | 195,760 | 142,738 | 87,175  | 90,118  | 90,118  | 90,118  | 90,118 |
| EV                         | 142,293 | 283,549 | 202,352 | 160,174 | 106,382 | 107,475 | 104,855 | 102,138 | 98,714 |
| P/E (adj.)                 | 53.5    | 83.5    | 46.0    | 29.2    | 54.3    | 29.0    | 24.0    | 21.7    | 19.7   |
| P/E                        | 47.4    | 83.0    | 45.0    | 29.8    | 74.9    | 29.0    | 24.0    | 21.7    | 19.7   |
| P/B                        | 7.7     | 12.9    | 7.0     | 5.2     | 2.7     | 2.6     | 2.4     | 2.3     | 2.1    |
| P/S                        | 5.0     | 8.9     | 4.9     | 3.1     | 2.2     | 2.1     | 1.9     | 1.8     | 1.7    |
| EV/Sales                   | 5.2     | 9.2     | 5.0     | 3.4     | 2.6     | 2.5     | 2.2     | 2.0     | 1.8    |
| EV/EBITDA                  | 27.8    | 49.2    | 27.1    | 18.2    | 21.6    | 15.3    | 13.0    | 12.1    | 11.2   |
| EV/EBIT (adj.)             | 40.0    | 63.7    | 35.1    | 22.7    | 33.0    | 22.4    | 19.0    | 17.1    | 15.4   |
| Payout ratio (%)           | 27.3 %  | 30.4 %  | 30.1 %  | 27.4 %  | 52.0 %  | 32.4 %  | 40.2 %  | 30.0 %  | 30.0 % |
| Dividend yield-%           | 0.6 %   | 0.4 %   | 0.7 %   | 0.9 %   | 0.7 %   | 1.1 %   | 1.7 %   | 1.4 %   | 1.5 %  |

Source: Inderes



# Peer group valuation

| Peer group valuation<br>Company    | Market cap<br>MEUR | EV<br>MEUR   | EV/EBIT     |             | EV/EBITDA   |             | EV/S        |             | P/E         |             | Dividend yield-% |            | P/B<br>2025e |
|------------------------------------|--------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|------------|--------------|
|                                    |                    |              | 2025e       | 2026e       | 2025e       | 2026e       | 2025e       | 2026e       | 2025e       | 2026e       | 2025e            | 2026e      |              |
| Kone                               | 27,963             | 26,983       | 19.1        | 17.3        | 15.9        | 14.5        | 2.3         | 2.2         | 25.0        | 22.7        | 3.6              | 3.9        | 9.1          |
| Assa Abloy                         | 32,664             | 38,803       | 16.4        | 15.1        | 13.7        | 12.7        | 2.7         | 2.6         | 20.9        | 18.7        | 2.0              | 2.1        | 3.2          |
| Hexagon                            | 31,086             | 34,350       | 20.6        | 18.7        | 15.7        | 14.4        | 6.0         | 5.6         | 24.1        | 21.7        | 1.3              | 1.4        | 2.6          |
| Beijer Ref                         | 7,666              | 8,545        | 23.2        | 21.1        | 18.7        | 17.1        | 2.4         | 2.2         | 31.2        | 27.3        | 1.0              | 1.0        | 3.3          |
| Tomra Systems                      | 4,830              | 5,216        | 26.6        | 20.8        | 17.6        | 14.2        | 3.5         | 3.0         | 37.7        | 27.8        | 1.4              | 1.8        | 6.9          |
| Thule Group                        | 3,646              | 3,998        | 19.7        | 18.0        | 17.3        | 15.9        | 3.9         | 3.6         | 25.1        | 22.7        | 2.9              | 3.2        | 4.5          |
| Munters Group                      | 2,485              | 3,025        | 16.9        | 13.9        | 12.6        | 10.7        | 2.1         | 1.9         | 21.0        | 17.1        | 1.4              | 1.7        | 4.4          |
| Trane Technologies                 | 77,532             | 80,633       | 21.8        | 19.9        | 19.8        | 18.2        | 4.0         | 3.7         | 28.4        | 25.5        | 1.0              | 1.0        | 9.7          |
| Carrier                            | 53,817             | 62,025       | 17.4        | 15.9        | 14.4        | 13.2        | 2.9         | 2.7         | 21.7        | 18.9        | 1.3              | 1.4        | 4.4          |
| Lennox International Inc           | 21,066             | 21,471       | 21.2        | 19.1        | 19.5        | 17.8        | 4.1         | 3.9         | 27.0        | 24.3        | 0.7              | 0.7        | 17.6         |
| <b>NIBE Industrier B (Inderes)</b> | <b>8,032</b>       | <b>9,579</b> | <b>22.4</b> | <b>19.0</b> | <b>15.3</b> | <b>13.0</b> | <b>2.5</b>  | <b>2.2</b>  | <b>29.0</b> | <b>24.0</b> | <b>1.1</b>       | <b>1.7</b> | <b>2.6</b>   |
| <b>Average</b>                     |                    |              | <b>20.3</b> | <b>18.0</b> | <b>16.5</b> | <b>14.9</b> | <b>3.4</b>  | <b>3.1</b>  | <b>26.2</b> | <b>22.7</b> | <b>1.6</b>       | <b>1.8</b> | <b>6.6</b>   |
| <b>Median</b>                      |                    |              | <b>20.2</b> | <b>18.4</b> | <b>16.6</b> | <b>14.4</b> | <b>3.2</b>  | <b>2.9</b>  | <b>25.1</b> | <b>22.7</b> | <b>1.3</b>       | <b>1.6</b> | <b>4.5</b>   |
| <b>Diff-% to median</b>            |                    |              | <b>11%</b>  | <b>3%</b>   | <b>-8%</b>  | <b>-10%</b> | <b>-23%</b> | <b>-23%</b> | <b>16%</b>  | <b>6%</b>   | <b>-16%</b>      | <b>7%</b>  | <b>-42%</b>  |

Source: Refinitiv / Inderes

# Income statement

| Income statement                   | 2023          | 2024          | Q1'25e        | Q2'25e        | Q3'25e        | Q4'25e        | 2025e         | 2026e         | 2027e         | 2028e         |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                     | <b>46,649</b> | <b>40,521</b> | <b>10,023</b> | <b>10,723</b> | <b>10,797</b> | <b>12,027</b> | <b>43,570</b> | <b>47,755</b> | <b>50,882</b> | <b>53,958</b> |
| Climate Solutions                  | 31,373        | 26,037        | 6,330         | 7,135         | 7,185         | 7,904         | 28,553        | 31,551        | 33,602        | 35,618        |
| Element                            | 11,898        | 11,092        | 2,779         | 2,932         | 2,901         | 3,079         | 11,690        | 12,626        | 13,446        | 14,253        |
| Stoves                             | 4,758         | 3,864         | 1,115         | 870           | 927           | 1,285         | 4,198         | 4,534         | 4,851         | 5,166         |
| Eliminations                       | -1,380        | -472          | -200          | -214          | -216          | -241          | -871          | -955          | -1,018        | -1,079        |
| <b>EBITDA</b>                      | <b>8,797</b>  | <b>4,916</b>  | <b>1,374</b>  | <b>1,654</b>  | <b>1,865</b>  | <b>2,127</b>  | <b>7,021</b>  | <b>8,044</b>  | <b>8,414</b>  | <b>8,822</b>  |
| Depreciation                       | -1,824        | -2,245        | -500          | -530          | -570          | -620          | -2,220        | -2,511        | -2,453        | -2,403        |
| <b>EBIT (excl. NRI)</b>            | <b>7,069</b>  | <b>3,226</b>  | <b>874</b>    | <b>1,124</b>  | <b>1,295</b>  | <b>1,507</b>  | <b>4,801</b>  | <b>5,533</b>  | <b>5,962</b>  | <b>6,419</b>  |
| <b>EBIT</b>                        | <b>6,973</b>  | <b>2,671</b>  | <b>874</b>    | <b>1,124</b>  | <b>1,295</b>  | <b>1,507</b>  | <b>4,801</b>  | <b>5,533</b>  | <b>5,962</b>  | <b>6,419</b>  |
| Climate Solutions                  | 5,596         | 1,600         | 633           | 856           | 1,006         | 1,106         | 3,602         | 4,039         | 4,368         | 4,630         |
| Element                            | 942           | 362           | 167           | 220           | 218           | 277           | 881           | 1,136         | 1,210         | 1,354         |
| Stoves                             | 533           | 143           | 95            | 70            | 93            | 148           | 405           | 453           | 485           | 542           |
| Eliminations                       | -98           | 566           | -20           | -21           | -22           | -24           | -87           | -96           | -102          | -108          |
| Share of profits in assoc. compan. | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Net financial items                | -642          | -1,135        | -210          | -180          | -175          | -160          | -725          | -600          | -600          | -500          |
| <b>PTP</b>                         | <b>6,331</b>  | <b>1,536</b>  | <b>664</b>    | <b>944</b>    | <b>1,120</b>  | <b>1,347</b>  | <b>4,076</b>  | <b>4,933</b>  | <b>5,362</b>  | <b>5,919</b>  |
| Taxes                              | -1,535        | -374          | -140          | -230          | -270          | -310          | -950          | -1,135        | -1,180        | -1,302        |
| Minority interest                  | -11           | 2             | -4            | -5            | -5            | -5            | -19           | -38           | -38           | -38           |
| <b>Net earnings</b>                | <b>4,785</b>  | <b>1,164</b>  | <b>520</b>    | <b>709</b>    | <b>845</b>    | <b>1,032</b>  | <b>3,107</b>  | <b>3,760</b>  | <b>4,144</b>  | <b>4,579</b>  |
| <b>EPS (adj.)</b>                  | <b>2.42</b>   | <b>0.80</b>   | <b>0.26</b>   | <b>0.35</b>   | <b>0.42</b>   | <b>0.51</b>   | <b>1.54</b>   | <b>1.87</b>   | <b>2.06</b>   | <b>2.27</b>   |
| <b>EPS (rep.)</b>                  | <b>2.37</b>   | <b>0.58</b>   | <b>0.26</b>   | <b>0.35</b>   | <b>0.42</b>   | <b>0.51</b>   | <b>1.54</b>   | <b>1.87</b>   | <b>2.06</b>   | <b>2.27</b>   |

| Key figures                   | 2023   | 2024    | Q1'25e | Q2'25e | Q3'25e | Q4'25e | 2025e  | 2026e  | 2027e  | 2028e  |
|-------------------------------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Revenue growth-%</b>       | 16.4 % | -13.1 % | 5.6 %  | 6.9 %  | 8.3 %  | 9.1 %  | 7.5 %  | 9.6 %  | 6.5 %  | 6.0 %  |
| <b>Adjusted EBIT growth-%</b> | 22.6 % | -54.4 % | 69.5 % | 68.0 % | 41.9 % | 33.5 % | 48.8 % | 15.3 % | 7.8 %  | 7.7 %  |
| <b>EBITDA-%</b>               | 18.9 % | 12.1 %  | 13.7 % | 15.4 % | 17.3 % | 17.7 % | 16.1 % | 16.8 % | 16.5 % | 16.3 % |
| <b>Adjusted EBIT-%</b>        | 15.2 % | 8.0 %   | 8.7 %  | 10.5 % | 12.0 % | 12.5 % | 11.0 % | 11.6 % | 11.7 % | 11.9 % |
| <b>Net earnings-%</b>         | 10.3 % | 2.9 %   | 5.2 %  | 6.6 %  | 7.8 %  | 8.6 %  | 7.1 %  | 7.9 %  | 8.1 %  | 8.5 %  |

Source: Inderes

# Balance sheet

| Assets                     | 2023          | 2024          | 2025e         | 2026e         | 2027e         |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-current assets</b>  | <b>43,906</b> | <b>46,979</b> | <b>46,869</b> | <b>46,523</b> | <b>46,265</b> |
| Goodwill                   | 26,076        | 26,076        | 26,076        | 26,076        | 26,076        |
| Intangible assets          | 4,938         | 6,165         | 5,775         | 5,807         | 5,870         |
| Tangible assets            | 11,568        | 13,214        | 13,494        | 13,116        | 12,795        |
| Associated companies       | 753           | 953           | 953           | 953           | 953           |
| Other investments          | 31            | 31            | 31            | 31            | 31            |
| Other non-current assets   | 192           | 192           | 192           | 192           | 192           |
| Deferred tax assets        | 348           | 348           | 348           | 348           | 348           |
| <b>Current assets</b>      | <b>24,198</b> | <b>23,427</b> | <b>23,528</b> | <b>25,788</b> | <b>26,967</b> |
| Inventories                | 13,227        | 10,644        | 10,457        | 10,506        | 10,685        |
| Other current assets       | 0             | 0             | 0             | 0             | 0             |
| Receivables                | 6,688         | 7,176         | 7,407         | 8,118         | 8,650         |
| Cash and equivalents       | 4,283         | 5,607         | 5,664         | 7,163         | 7,632         |
| <b>Balance sheet total</b> | <b>68,104</b> | <b>70,406</b> | <b>70,397</b> | <b>72,311</b> | <b>73,233</b> |

Source: Inderes

| Liabilities & equity           | 2023          | 2024          | 2025e         | 2026e         | 2027e         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Equity</b>                  | <b>27,420</b> | <b>32,140</b> | <b>34,642</b> | <b>37,394</b> | <b>40,026</b> |
| Share capital                  | 79            | 79            | 79            | 79            | 79            |
| Retained earnings              | 22,760        | 27,480        | 29,982        | 32,734        | 35,366        |
| Hybrid bonds                   | 0             | 0             | 0             | 0             | 0             |
| Revaluation reserve            | 0             | 0             | 0             | 0             | 0             |
| Other equity                   | 4,543         | 4,543         | 4,543         | 4,543         | 4,543         |
| Minorities                     | 38            | 38            | 38            | 38            | 38            |
| <b>Non-current liabilities</b> | <b>25,119</b> | <b>22,615</b> | <b>20,185</b> | <b>19,517</b> | <b>18,172</b> |
| Deferred tax liabilities       | 0             | 0             | 0             | 0             | 0             |
| Provisions                     | 2,787         | 2,787         | 2,787         | 2,787         | 2,787         |
| Interest bearing debt          | 16,922        | 17,625        | 15,195        | 14,527        | 13,182        |
| Convertibles                   | 0             | 0             | 0             | 0             | 0             |
| Other long term liabilities    | 5,410         | 2,203         | 2,203         | 2,203         | 2,203         |
| <b>Current liabilities</b>     | <b>15,565</b> | <b>15,651</b> | <b>15,570</b> | <b>15,400</b> | <b>15,035</b> |
| Interest bearing debt          | 4,599         | 7,086         | 7,727         | 7,282         | 6,385         |
| Payables                       | 10,966        | 8,565         | 7,843         | 8,118         | 8,650         |
| Other current liabilities      | 0             | 0             | 0             | 0             | 0             |
| <b>Balance sheet total</b>     | <b>68,104</b> | <b>70,406</b> | <b>70,397</b> | <b>72,311</b> | <b>73,233</b> |

# DCF-calculation

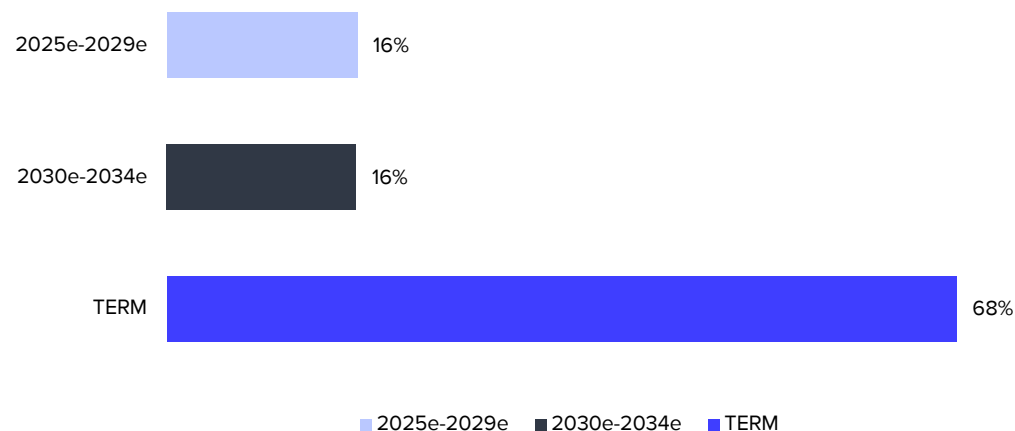
| DCF model                               | 2024          | 2025e          | 2026e        | 2027e        | 2028e        | 2029e        | 2030e        | 2031e        | 2032e        | 2033e        | 2034e        | TERM          |
|-----------------------------------------|---------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Revenue growth-%                        | -13.1 %       | 7.5 %          | 9.6 %        | 6.5 %        | 6.0 %        | 6.0 %        | 6.0 %        | 5.8 %        | 5.5 %        | 5.5 %        | 2.5 %        | 2.5 %         |
| EBIT-%                                  | 6.6 %         | 11.0 %         | 11.6 %       | 11.7 %       | 11.9 %       | 12.2 %       | 12.5 %       | 13.0 %       | 13.0 %       | 13.0 %       | 13.0 %       | 13.0 %        |
| <b>EBIT (operating profit)</b>          | <b>2,671</b>  | <b>4,801</b>   | <b>5,533</b> | <b>5,962</b> | <b>6,419</b> | <b>6,978</b> | <b>7,578</b> | <b>8,339</b> | <b>8,797</b> | <b>9,281</b> | <b>9,517</b> |               |
| + Depreciation                          | 2,245         | 2,220          | 2,511        | 2,453        | 2,403        | 2,360        | 2,353        | 2,319        | 2,296        | 2,278        | 2,130        |               |
| - Paid taxes                            | -374          | -950           | -1,135       | -1,180       | -1,302       | -1,447       | -1,601       | -1,791       | -1,891       | -1,998       | -2,081       |               |
| - Tax, financial expenses               | -276          | -169           | -138         | -132         | -110         | -88          | -66          | -44          | -44          | -44          | -13          |               |
| + Tax, financial income                 | 0             | 0              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |               |
| - Change in working capital             | -306          | -766           | -485         | -179         | -107         | -648         | -686         | -703         | -706         | -744         | -363         |               |
| <b>Operating cash flow</b>              | <b>3,960</b>  | <b>5,136</b>   | <b>6,286</b> | <b>6,924</b> | <b>7,303</b> | <b>7,155</b> | <b>7,578</b> | <b>8,120</b> | <b>8,453</b> | <b>8,773</b> | <b>9,190</b> |               |
| + Change in other long-term liabilities | -3,207        | 0              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |               |
| - Gross CAPEX                           | -5,118        | -2,110         | -2,165       | -2,195       | -2,215       | -2,240       | -2,260       | -2,280       | -2,280       | -2,280       | -2,045       |               |
| <b>Free operating cash flow</b>         | <b>-4,365</b> | <b>3,026</b>   | <b>4,121</b> | <b>4,729</b> | <b>5,088</b> | <b>4,915</b> | <b>5,318</b> | <b>5,840</b> | <b>6,173</b> | <b>6,493</b> | <b>7,145</b> |               |
| +/- Other                               | 0             | 0              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |               |
| FCFF                                    | -4,365        | 3,026          | 4,121        | 4,729        | 5,088        | 4,915        | 5,318        | 5,840        | 6,173        | 6,493        | 7,145        | 148,492       |
| <b>Discounted FCFF</b>                  |               | <b>2,842</b>   | <b>3,602</b> | <b>3,846</b> | <b>3,850</b> | <b>3,461</b> | <b>3,484</b> | <b>3,560</b> | <b>3,501</b> | <b>3,427</b> | <b>3,509</b> | <b>72,912</b> |
| Sum of FCFF present value               |               | 107,992        | 105,150      | 101,548      | 97,702       | 93,852       | 90,391       | 86,907       | 83,348       | 79,847       | 76,420       | 72,912        |
| <b>Enterprise value DCF</b>             |               | <b>107,992</b> |              |              |              |              |              |              |              |              |              |               |
| - Interest bearing debt                 |               | -24,711        |              |              |              |              |              |              |              |              |              |               |
| + Cash and cash equivalents             |               | 5,607          |              |              |              |              |              |              |              |              |              |               |
| -Minorities                             |               | -99            |              |              |              |              |              |              |              |              |              |               |
| -Dividend/capital return                |               | 0              |              |              |              |              |              |              |              |              |              |               |
| <b>Equity value DCF</b>                 |               | <b>88,789</b>  |              |              |              |              |              |              |              |              |              |               |
| <b>Equity value DCF per share</b>       |               | <b>44.0</b>    |              |              |              |              |              |              |              |              |              |               |

## WACC

|                                                |              |
|------------------------------------------------|--------------|
| Tax-% (WACC)                                   | 22.0 %       |
| Target debt ratio (D/(D+E))                    | 15.0 %       |
| Cost of debt                                   | 5.0 %        |
| Equity Beta                                    | 1.18         |
| Market risk premium                            | 4.75%        |
| Liquidity premium                              | 0.00%        |
| Risk free interest rate                        | 2.5 %        |
| <b>Cost of equity</b>                          | <b>8.1 %</b> |
| <b>Weighted average cost of capital (WACC)</b> | <b>7.5 %</b> |

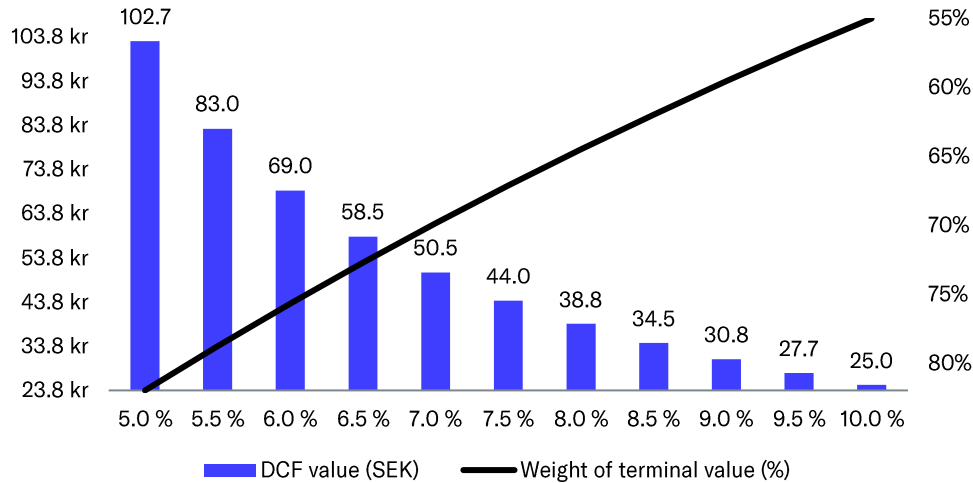
Source: Inderes

## Cash flow distribution

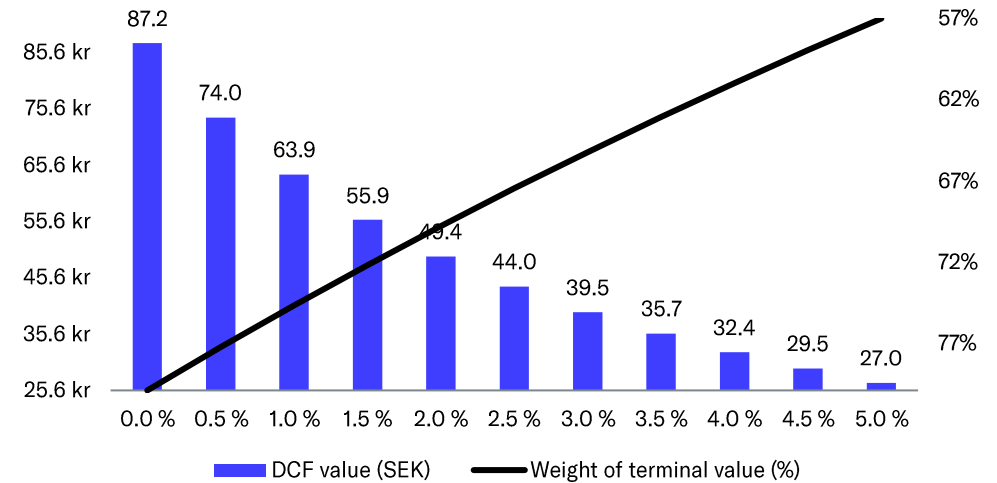


# DCF sensitivity calculations and key assumptions in graphs

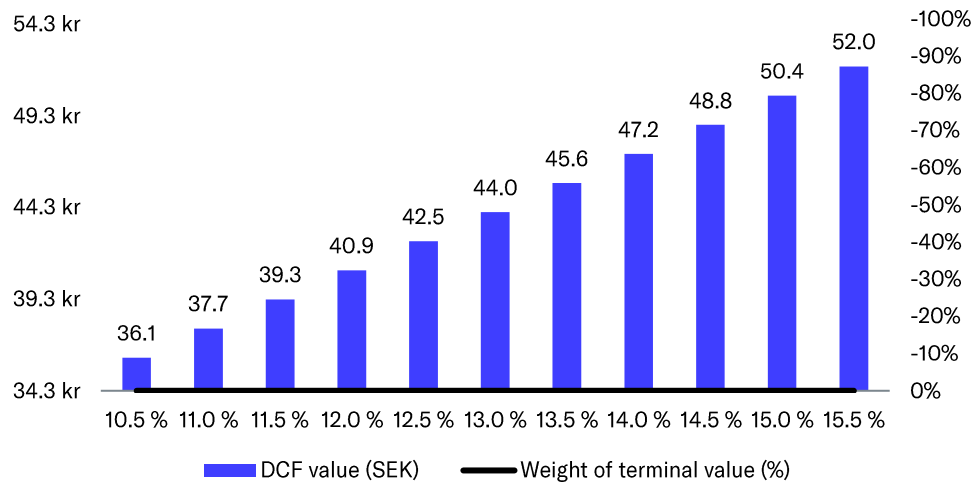
Sensitivity of DCF to changes in the WACC-%



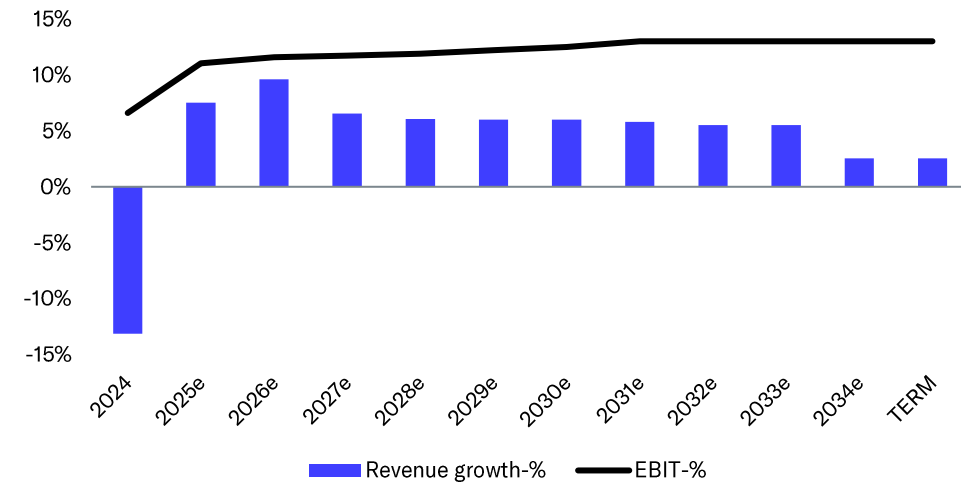
Sensitivity of DCF to changes in the risk-free rate



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                   | 40,071 | 46,649  | 40,521 | <b>43,570</b> | <b>47,755</b> | EPS (reported)           | 2.16   | 2.37   | 0.58   | <b>1.54</b>   | <b>1.87</b>   |
| EBITDA                    | 7,460  | 8,797   | 4,916  | <b>7,021</b>  | <b>8,044</b>  | EPS (adj.)               | 2.11   | 2.42   | 0.80   | <b>1.54</b>   | <b>1.87</b>   |
| EBIT                      | 5,863  | 6,973   | 2,671  | <b>4,801</b>  | <b>5,533</b>  | OCF / share              | 1.48   | 3.32   | 1.96   | <b>2.55</b>   | <b>3.12</b>   |
| PTP                       | 5,675  | 6,331   | 1,536  | <b>4,076</b>  | <b>4,933</b>  | FCF / share              | -1.34  | -2.36  | -2.17  | <b>1.50</b>   | <b>2.04</b>   |
| Net Income                | 4,351  | 4,785   | 1,164  | <b>3,107</b>  | <b>3,760</b>  | Book value / share       | 13.86  | 13.58  | 15.92  | <b>17.16</b>  | <b>18.53</b>  |
| Extraordinary items       | 99     | -96     | -555   | <b>0</b>      | <b>0</b>      | Dividend / share         | 0.65   | 0.65   | 0.30   | <b>0.50</b>   | <b>0.75</b>   |
| Balance sheet             | 2022   | 2023    | 2024   | 2025e         | 2026e         | Growth and profitability | 2022   | 2023   | 2024   | 2025e         | 2026e         |
| Balance sheet total       | 53,994 | 68,104  | 70,406 | <b>70,397</b> | <b>72,311</b> | Revenue growth-%         | 30%    | 16%    | -13%   | <b>8%</b>     | <b>10%</b>    |
| Equity capital            | 27,973 | 27,420  | 32,140 | <b>34,642</b> | <b>37,394</b> | EBITDA growth-%          | 29%    | 18%    | -44%   | <b>43%</b>    | <b>15%</b>    |
| Goodwill                  | 17,630 | 26,076  | 26,076 | <b>26,076</b> | <b>26,076</b> | EBIT (adj.) growth-%     | 29%    | 23%    | -54%   | <b>49%</b>    | <b>15%</b>    |
| Net debt                  | 6,326  | 17,238  | 19,104 | <b>17,258</b> | <b>14,645</b> | EPS (adj.) growth-%      | 29%    | 15%    | -67%   | <b>94%</b>    | <b>21%</b>    |
| Cash flow                 | 2022   | 2023    | 2024   | 2025e         | 2026e         | EBITDA-%                 | 18.6 % | 18.9 % | 12.1 % | <b>16.1 %</b> | <b>16.8 %</b> |
| EBITDA                    | 7,460  | 8,797   | 4,916  | <b>7,021</b>  | <b>8,044</b>  | EBIT (adj.)-%            | 14.4 % | 15.2 % | 8.0 %  | <b>11.0 %</b> | <b>11.6 %</b> |
| Change in working capital | -3,180 | -409    | -306   | <b>-766</b>   | <b>-485</b>   | EBIT-%                   | 14.6 % | 14.9 % | 6.6 %  | <b>11.0 %</b> | <b>11.6 %</b> |
| Operating cash flow       | 2,994  | 6,697   | 3,960  | <b>5,136</b>  | <b>6,286</b>  | ROE-%                    | 17.6 % | 17.3 % | 3.9 %  | <b>9.3 %</b>  | <b>10.5 %</b> |
| CAPEX                     | -5,983 | -13,565 | -5,118 | <b>-2,110</b> | <b>-2,165</b> | ROI-%                    | 16.7 % | 15.8 % | 5.0 %  | <b>8.4 %</b>  | <b>9.5 %</b>  |
| Free cash flow            | -2,696 | -4,754  | -4,365 | <b>3,026</b>  | <b>4,121</b>  | Equity ratio             | 51.8 % | 40.3 % | 45.6 % | <b>49.2 %</b> | <b>51.7 %</b> |
| Valuation multiples       | 2022   | 2023    | 2024   | 2025e         | 2026e         | Gearing                  | 22.6 % | 62.9 % | 59.4 % | <b>49.8 %</b> | <b>39.2 %</b> |
| EV/S                      | 5.0    | 3.4     | 2.6    | <b>2.5</b>    | <b>2.2</b>    |                          |        |        |        |               |               |
| EV/EBITDA                 | 27.1   | 18.2    | 21.6   | <b>15.3</b>   | <b>13.0</b>   |                          |        |        |        |               |               |
| EV/EBIT (adj.)            | 35.1   | 22.7    | 33.0   | <b>22.4</b>   | <b>19.0</b>   |                          |        |        |        |               |               |
| P/E (adj.)                | 46.0   | 29.2    | 54.3   | <b>29.0</b>   | <b>24.0</b>   |                          |        |        |        |               |               |
| P/B                       | 7.0    | 5.2     | 2.7    | <b>2.6</b>    | <b>2.4</b>    |                          |        |        |        |               |               |
| Dividend-%                | 0.7 %  | 0.9 %   | 0.7 %  | <b>1.1 %</b>  | <b>1.7 %</b>  |                          |        |        |        |               |               |

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       |

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

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## Recommendation history (>12 mo)

| Date       | Recommendation | Target  | Share price |
|------------|----------------|---------|-------------|
| 2023-09-20 | Reduce         | 74.1 kr | 70.5 kr     |
| 2023-11-16 | Reduce         | 62.0 kr | 67.5 kr     |
| 2023-02-13 | Reduce         | 59.0 kr | 66.5 kr     |
| 2023-02-19 | Reduce         | 56.0 kr | 59.0 kr     |
| 2024-05-17 | Reduce         | 55.0 kr | 61.3 kr     |
| 2024-08-19 | Accumulate     | 53.0 kr | 47.8 kr     |
| 2024-11-18 | Reduce         | 52.0 kr | 50.1 kr     |
| 2025-02-04 | Reduce         | 42.0 kr | 43.5 kr     |
| 2025-02-17 | Reduce         | 44.0 kr | 44.7 kr     |





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