

# Fortum

## Company report

11/5/2024



**Juha Kinnunen**  
+358 40 778 1368  
juha.kinnunen@inderes.fi

This report is a summary translation of the report “Odotettua kehitystä Q3:lla” published on 10/30/2024 at 7:40 am EET

inde  
res.

# Expected developments in Q3

We reiterate our Reduce recommendation for Fortum and revise our target price to EUR 14.0 (was EUR 14.5). The Q3 result was largely in line with our expectations, but the earnings forecasts for the coming years remained under mild pressure as electricity prices stayed depressed. After an exceptionally strong cash flow in the second half of the year, Fortum will soon have net cash, so a generous dividend stream is secured, and the valuation is low anyway. However, given that earnings growth will remain negative in the coming years, we believe that without a positive development in electricity prices, the return potential is limited.

## Q3 result as expected in the big picture

Fortum's comparable EBIT for the seasonally weak Q3 was 158 MEUR, in line with market expectations. There was a significant decline from the comparison period (Q3'23: 226 MEUR), together with power prices. The power price achieved in the Generation segment was a good EUR 44.1/MWh considering the circumstances, but the year-on-year decrease (Q3'23: EUR 51.2/MWh) was still significant. Comparable operating profit of the Generation segment was 176 MEUR in Q3, which was reasonably in line with our forecast (183 MEUR). On the positive side, the power price achieved was higher than we anticipated, while on the negative side, the production volume of the highly cost-effective hydropower was lower than we anticipated in Q3. Comparable EPS was EUR 0.14, while the expectation was at EUR 0.13. Overall, the operational result was at a good level given the circumstances and did not provide any material surprises. Cash flow from operating activities was quite good at 349 MEUR in Q3.

## Forecasts for the next few years lower, mainly in line with electricity futures

In the outlook, special attention is always paid to the Generation segment's hedges, which will determine the earnings development in the coming years. Approximately 80% of the Generation segment's estimated outright power sales in the Nordic countries have been hedged at EUR 47/MWh for the remainder of 2024, approximately 65% at EUR 42/MWh for 2025 and approximately 40% at EUR 41/MWh for 2026. Of these, the hedge price of EUR 44/MWh for Q4'24 was a clear disappointment for us, as we expected the high-priced hedges to be allocated to the seasonally good Q4, but these were apparently already significantly used up for the Q3 result. Otherwise, the hedges were in line with our expectations. However, earnings forecasts for the coming years remained under pressure as electricity futures dipped to around EUR 40/MWh (previous update around EUR 42-43/MWh). Significantly higher future levels will have to wait until 2029, when the market seems to expect a more favorable supply/demand balance. In terms of operational result, our projections for the coming years were lowered by around 5%, but the exceptional cash flows in Q4 and a stronger balance sheet structure have made the lower lines of the income statement less volatile.

## Value and dividend yield on offer

Fortum's valuation multiples are moderate (2025e P/E 13x and EV/EBIT below 11x), the company is significantly undervalued relative to the present value of its production sites and, in our view, slightly undervalued relative to its peers. However, as the result declines in the coming years, we believe that the upward drivers are limited. The high dividend yield (7-8% for the next few years) provides a good basis for expected return, which may well motivate a patient value investor to wait for a positive turn in electricity prices with Fortum shares in the portfolio. In the long run, as electrification progresses, demand will increase, which means that the price of electricity must also rise. We already find the risk/reward ratio of the stock quite attractive but remain on the sidelines for now.

## Recommendation

**Reduce**  
(was Reduce)

**EUR 14.00**  
(was EUR 14.50)

**Share price:**  
13.81



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	6711	6190	5633	5679
<b>growth-%</b>	-14%	-8%	-9%	1%
<b>EBIT adj.</b>	1544	1252	1146	1116
<b>EBIT-% adj.</b>	23.0 %	20.2 %	20.3 %	19.6 %
<b>Net Income</b>	1513	1262	953	942
<b>EPS (adj.)</b>	1.28	1.27	1.06	1.05

<b>P/E (adj.)</b>	10.2	10.9	13.0	13.1
<b>P/B</b>	1.4	1.4	1.4	1.4
<b>Dividend yield-%</b>	8.8 %	8.3 %	6.9 %	6.8 %
<b>EV/EBIT (adj.)</b>	8.2	9.7	10.6	11.0
<b>EV/EBITDA</b>	6.3	7.0	8.2	8.5
<b>EV/S</b>	1.9	2.0	2.2	2.2

Source: Inderes

## Guidance

(Adjusted)

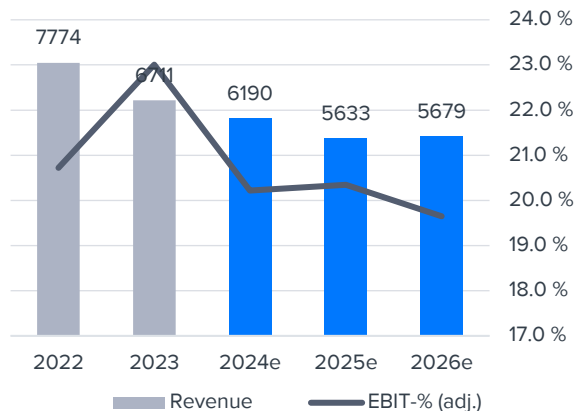
The Generation segment's Nordic outright generation hedges were approximately 80% hedged at EUR 44 per MWh for the remainder of 2024, approximately 65% at EUR 42 per MWh for 2025, and approximately 40% at EUR 41 per MWh for 2026.

## Share price



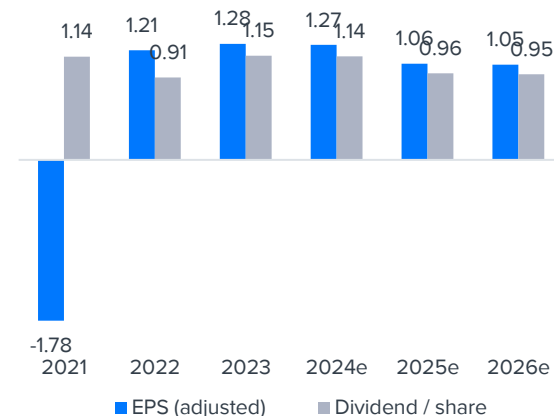
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Rise in relative valuation level as earnings trend reverses
- Strong long-term growth in electricity demand and a correction of price levels
- High electricity prices would enable excellent earnings levels
- Improving operational efficiency
- Successful investments and divestments in accordance with the strategy
- Making rational use of the strong balance sheet



## Risk factors

- Developments in energy policy, industry regulation and taxation
- A drop in electricity prices would be reflected in the result, despite hedging
- Risks related to the state owner
- Mistakes in capital allocation

Valuation	2024e	2025e	2026e
Share price	13.8	13.8	13.8
Number of shares, millions	897.3	897.3	897.3
Market cap	12391	12391	12391
EV	12107	12201	12243
P/E (adj.)	10.9	13.0	13.1
P/E	9.8	13.0	13.1
P/B	1.4	1.4	1.4
P/S	2.0	2.2	2.2
EV/Sales	2.0	2.2	2.2
EV/EBITDA	7.0	8.2	8.5
EV/EBIT (adj.)	9.7	10.6	11.0
Payout ratio (%)	81.2 %	90.0 %	90.0 %
Dividend yield-%	8.3 %	6.9 %	6.8 %

Source: Inderes

# Q3 result as expected in the big picture

## Operational result figures largely as expected

Fortum's comparable EBITDA was 254 MEUR, which is slightly higher than we expected (245 MEUR). Correspondingly, comparable EBIT amounted to 158 MEUR, clearly down from the comparison period (Q3'23: 226 MEUR) and slightly missing our forecast (167 MEUR). The operational result was still well in line with the consensus. Comparable EPS was EUR 0.14, while the expectation was at EUR 0.13. Overall, the operational result was at a good level given the circumstances and did not provide any material surprises. Cash flow from operating activities in Q3 was quite good at 349 MEUR, further strengthening the balance sheet.

## High hedges in the Generation segment had a bigger impact than expected in Q3

Generation's power generation in Q3 was slightly lower than expected at 10.8 TWh, as hydro generation volumes declined 13% due to lower water inflow. The spot power price in the generation price areas declined to just EUR 19.8/MWh in Q3 (Q3'23: EUR 33.0/MWh).

EUR 51.2/MWh). We had actually expected a slightly steeper decline to EUR 42/MWh, as we estimated that the price level of the hedges for the summer season would have been significantly lower than in the seasonally strong Q4. However, the average price of the remaining hedges for Q4 was only EUR 44/MWh, compared to our forecast of around EUR 50/MWh, indicating the consumption of good prices in Q3. This weakens Fortum's earnings outlook for the rest of the year by a notch. In addition, the optimization premium in Q3 was at a very good level, as we had expected.

Comparable operating profit of the Generation segment was 176 MEUR in Q3, which was virtually in line with our forecast (183 MEUR). The power price achieved was on the positive side, while on the negative side the production of the highly cost-effective hydropower was lower than anticipated. The operational result decreased by 33% from the comparison period, mainly due to lower spot and hedge prices. According to the company, the Pjelax wind farm had a marginally negative contribution to the result. Overall, things are progressing as one would expect in this environment.

## Consumer Solutions segment result was subdued

The comparable EBIT of the Consumer Solutions segment in Q3 was only 6 MEUR, whereas our forecast of 13 MEUR was flat year-on-year. According to the company, the decrease was mainly due to lower gas sales margins. The comparable operating result of the Other Operations segment was a loss of 24 MEUR, slightly lower than our forecast (-28 MEUR). Fixed costs have started to decrease as the company's efficiency improvement program is progressing as planned.

## Deviations on the lower lines of the income statement

Fortum's net finance costs (+3 MEUR) were lower than projected and the share of profit/loss of associates and joint ventures (+34 MEUR) in the reported result was surprisingly good. These are complicated by multiple items, and we urge investors to monitor comparable figures and cash flows.

Fortum's balance sheet is already very strong, and given the excellent cash flow for the rest of the year, the company will already have net cash at the end of the year. The turnaround in the financial position has been very fast.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	1220	1094	1066	1088	913	- 1231	3%	6190
Comparable EBITDA	318	254	245	248	222	- 263	4%	1618
Comparable EBIT	226	158	167	157	145	- 183	-5%	1252
EPS (adj.)	0.23	0.14	0.13	0.13	0.08	- 0.15	9%	1.27
Revenue growth-%	-	-10.3 %	-12.6 %	-10.8 %	-25.2 %	- 0.9 %	2.3 pp	-7.8 %
Comp. EBIT-%	18.5 %	14.4 %	15.7 %	14.4 %	15.9 %	- 14.9 %	-1.2 pp	20.2 %

Source: Inderes & Vara Research 10/24/2024, median figures (consensus)

# Forecasts for the next few years lower, mainly in line with electricity futures

## Generation segment hedges

At the end of September, roughly 80% of the Generation segment's estimated wholesale electricity sales in the Nordic countries were hedged at EUR 44/MWh for the rest of 2024, approximately 65% at EUR 42/MWh for 2025 (Q2'24: 60% at EUR 42/MWh) and around 40% at EUR 41/MWh for 2026. Fortum's annual outright portfolio is about 47 TWh, which means a change of EUR 1/MWh means about 47 MEUR in comparable operating result on an annual basis.

The hedge price of EUR 44/MWh indicated for Q4'24 was a definite disappointment for us, as we expected the high-priced hedges to be allocated to the seasonally good Q4. Either more of these were used in Q3 or new hedges were taken out at lower price levels. This clearly weighed on the Generation segment's Q4 estimates, leading to a slight downward revision of the 2024 operating result forecasts. By contrast, hedge prices for the coming years were in line with our expectations. For 2025, the price level is unchanged and the hedge level had increased by a moderate 5%. The 2026 hedges were presented for the first time, but the hedge price (EUR 41/MWh) was at the level we expected. The hedge ratio was also roughly as expected (forecast above 30%).

## Electricity futures for the coming years continued to fall

Earnings forecasts for the coming years remained under pressure as electricity futures dipped to around EUR 40/MWh, and already below in some cases. At the time of the previous update, the levels were around EUR 42-43/MWh. Significantly higher future levels will now have to wait until 2029, when the market seems to expect a more favorable supply/demand balance. Electricity prices are under particular pressure from industrial demand, which has remained at a low level and does not seem to be picking up quickly either. In addition, new capacity has continued to be added, especially for wind power. In the long term, we believe that price levels will inevitably rise in line with demand growth. Although electrification and decarbonization have progressed hesitantly in recent times, demand will ultimately grow in the longer term. Since the current price of electricity does not encourage investment, the price will eventually have to rise.

Our own forecasts previously assumed market prices of slightly above EUR 40/MWh for the coming years. Hedges are at about the same level, and in addition Fortum earns an optimization premium of EUR 7/MWh on top of the "market prices" in our projections, mainly

through flexible hydropower. We estimate that the electricity price achieved by Fortum's Generation segment will be close to the bottom at EUR 47/MWh.

## Cash flow in Q4 set to be wild

Fortum's cash flow will be exceptionally strong in Q4, as the sale of the Circular Solutions business will generate approximately 800 MEUR (capital gain of approximately 110 MEUR), Vestas will pay out compensations of an estimated 100 MEUR (Fortum announced on October 10 that it had reached a settlement with Vestas in a commercial dispute related to wind park projects in Russia), the Belgian tax dispute will generate 19 MEUR (recorded in the Q2'24 result but cash flow will occur in Q4'24) and also some smaller divestments will generate presumably tens of millions. This amount of likely more than 900 MEUR will be complemented by normal operating cash flow from a seasonally strong Q4, so that even after investments, Fortum will have a significant net cash position at the end of the year (net financial liabilities 655 MEUR at the end of Q3'24). This means that additional dividends would be very affordable if the main owner were in acute financial need.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	6228	6190	-1%	5997	5633	-6%	6053	5679	-6%
EBITDA	1845	1742	-6%	1541	1479	-4%	1506	1439	-4%
EBIT (exc. NRIs)	1343	1252	-7%	1225	1146	-6%	1181	1116	-6%
EBIT	1502	1376	-8%	1225	1146	-6%	1181	1116	-6%
PTP	1516	1557	3%	1202	1163	-3%	1159	1151	-1%
EPS (excl. NRIs)	1.19	1.27	7%	1.09	1.06	-2%	1.05	1.05	0%
DPS	1.04	1.14	9%	0.96	0.96	0%	0.92	0.95	2%

# Value and dividend yield on offer

## Valuable core in hydro and nuclear power

In 2023, 45% of Fortum's electricity production came from high-value hydropower and 53% from nuclear power in Finland and Sweden. In particular, the value of Fortum's hydropower as balancing power will continue to increase as the impact of wind power on the electricity market continues to grow. As a result, fluctuations in electricity prices will continue to be strong, with the prices sometimes being negative and sometimes high. About 1/3 of Fortum's hydropower is highly flexible, 1/3 relatively flexible and 1/3 poorly flexible (run-of-river). Through physical optimization, hydropower will produce earnings, even if the price of electricity is low in general, as it is now.

If Fortum's value were conceptualized in terms of the sum of its parts, we believe that the value would be particularly concentrated in hydropower and would support a substantially higher valuation than today. However, in our view, the sum of the parts is only relevant if the value can be realized. We do not see this as realistic for Fortum in the medium term. Nevertheless, a long-term owner is heartened by the fact that there are very tangible and valuable assets beneath the surface.

## Valuation multiples are low, but in the absence of earnings growth, upward drivers remain limited

With our updated forecasts, the 2025e P/E is around 13x and EV/EBIT below 11x. Even though the multiples are moderate, we do not see any upside in the absence of earnings growth, at least in the near term. In the medium term, electricity prices appear to remain at the current moderate level, although the long-term demand and price outlook is good. In the long term, we see clearly more upward pressure on electricity prices than downward pressure, but movements in the supply/demand balance are very slow.

Fortum, which currently has a very robust balance sheet, has an excellent ability to pay dividends, and we expect its dividend payout ratio to be at the upper end of its policy range (60-90% of comparable earnings per share) in the coming years. We also think that additional dividends would be possible after the exceptionally strong cash flow (incl. divestments) in Q4, but at least for the time being we do not predict it.

With the P/B ratio approximately 1.4x, Fortum's balance sheet valuation is also reasonable. The balance sheet includes, for instance, hydropower and nuclear power plants that have largely been decommissioned and are of considerable value. Nevertheless, Fortum's return on capital is modest under current conditions (2025 ROE forecast 11%), so it is not worth paying much more than that without unwinding the sum of the parts.

## At least mildly undervalued in relative terms

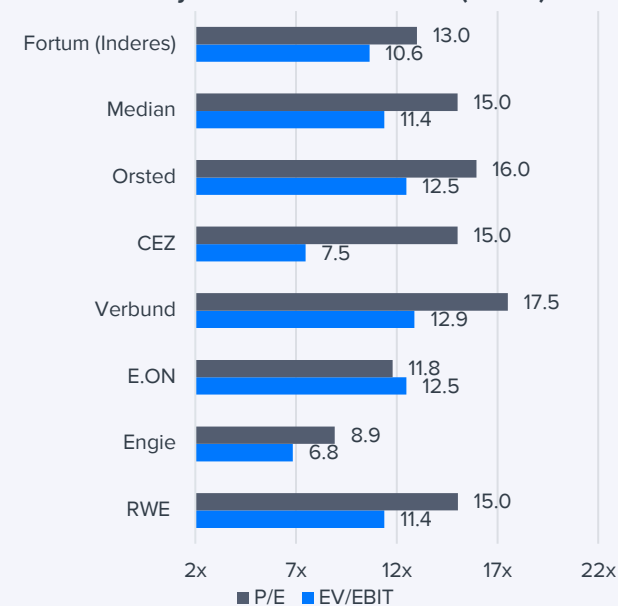
Fortum's valuation multiples for the coming years are at least slightly below the median of its peer group at next year's estimates (P/E 15x and EV/EBIT 11x). In our view, the company's best peer is Verbund, which is valued higher than Fortum (2025e P/E 17x and EV/EBIT 13x). In this way, the peer group would support even a slightly higher valuation of the company. Overall, we believe Fortum's relative valuation is quite attractive, but it still does not offer major upside.

On the whole, we consider Fortum to be slightly undervalued at the moment, and not a bad choice for a patient value or dividend investor. Still, in the short term, we expect returns to be largely limited to dividend yields without a turnaround in electricity prices. Because of this, we will remain on the sidelines to monitor the situation.

Valuation	2024e	2025e	2026e
Share price	13.8	13.8	13.8
Number of shares, millions	897.3	897.3	897.3
Market cap	12391	12391	12391
EV	12107	12201	12243
P/E (adj.)	10.9	13.0	13.1
P/E	9.8	13.0	13.1
P/B	1.4	1.4	1.4
P/S	2.0	2.2	2.2
EV/Sales	2.0	2.2	2.2
EV/EBITDA	7.0	8.2	8.5
EV/EBIT (adj.)	9.7	10.6	11.0
Payout ratio (%)	81.2 %	90.0 %	90.0 %
Dividend yield-%	8.3 %	6.9 %	6.8 %

Source: Inderes

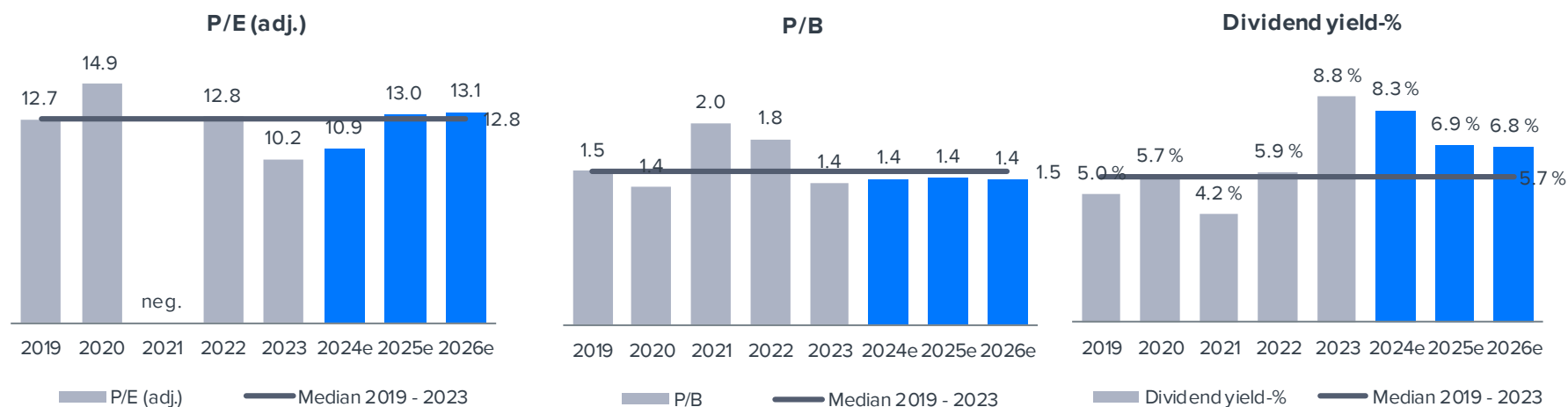
## Verrokkiryhmän arvostuskertoimet (2025e)



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	22.0	19.7	27.0	15.5	13.1	13.8	13.8	13.8	13.8
Number of shares, millions	888.3	888.4	888.3	897.3	897.3	897.3	897.3	897.3	897.3
Market cap	19542	17501	23975	13943	11718	12391	12391	12391	12391
EV	18665	25567	32676	16661	12660	12107	12201	12243	12239
P/E (adj.)	12.7	14.9	neg.	12.8	10.2	10.9	13.0	13.1	13.2
P/E	13.2	12.0	32.4	6.7	7.7	9.8	13.0	13.1	13.2
P/B	1.5	1.4	2.0	1.8	1.4	1.4	1.4	1.4	1.4
P/S	3.6	3.9	3.7	1.8	1.7	2.0	2.2	2.2	2.1
EV/Sales	3.4	5.7	5.1	2.1	1.9	2.0	2.2	2.2	2.1
EV/EBITDA	11.0	11.0	6.7	7.0	6.3	7.0	8.2	8.5	8.3
EV/EBIT (adj.)	15.7	26.1	22.9	10.3	8.2	9.7	10.6	11.0	10.7
Payout ratio (%)	66.0 %	68.1 %	137.0 %	39.3 %	68.2 %	81.2 %	90.0 %	90.0 %	90.0 %
Dividend yield-%	5.0 %	5.7 %	4.2 %	5.9 %	8.8 %	8.3 %	6.9 %	6.8 %	6.8 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
RWE	22895	31965	9.6	11.4	6.0	6.4	11.0	15.0	3.6	3.8	0.7
Engie	38331	59280	6.1	6.8	4.0	4.3	7.3	8.9	8.8	7.8	1.2
E.ON	33928	71846	12.6	12.5	8.2	8.0	11.5	11.8	4.3	4.4	2.0
Verbund	27272	30991	12.0	12.9	9.5	10.3	16.0	17.5	3.3	3.0	2.7
CEZ	19428	21232	6.4	7.5	4.4	4.7	15.5	15.0	5.5	5.0	2.1
Enel	73281	150569	10.0	10.1	6.6	6.6	10.7	10.7	6.4	6.5	2.1
Orsted	24468	33354	16.8	12.5	9.2	8.2	23.4	16.0			2.4
<b>Fortum (Inderes)</b>	<b>12391</b>	<b>12107</b>	<b>9.7</b>	<b>10.6</b>	<b>7.0</b>	<b>8.2</b>	<b>10.9</b>	<b>13.0</b>	<b>8.3</b>	<b>6.9</b>	<b>1.4</b>
<b>Average</b>			<b>10.5</b>	<b>10.5</b>	<b>6.8</b>	<b>6.9</b>	<b>13.6</b>	<b>13.6</b>	<b>5.3</b>	<b>5.1</b>	<b>1.9</b>
<b>Median</b>			<b>10.0</b>	<b>11.4</b>	<b>6.6</b>	<b>6.6</b>	<b>11.5</b>	<b>15.0</b>	<b>4.9</b>	<b>4.7</b>	<b>2.1</b>
<b>Diff-% to median</b>			<b>-3%</b>	<b>-6%</b>	<b>6%</b>	<b>26%</b>	<b>-5%</b>	<b>-13%</b>	<b>69%</b>	<b>47%</b>	<b>-30%</b>

Source: Refinitiv / Inderes



# Income statement

Income statement	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>2265</b>	<b>1367</b>	<b>1221</b>	<b>1858</b>	<b>6711</b>	<b>2015</b>	<b>1255</b>	<b>1094</b>	<b>1826</b>	<b>6190</b>	<b>5633</b>	<b>5679</b>	<b>5806</b>
<i>Generation (new)</i>	1429	805	847	1339	4420	1412	796	645	1227	4080	3927	3931	4028
<i>Consumer Solutions</i>	1384	750	563	1069	3766	1154	619	508	1108	3389	3328	3373	3447
<i>Others (new)</i>	136	126	139	147	548	144	145	166	42.6	497	145	144	144
<i>Eliminations</i>	-684	-314	-328	-697	-2023	-695	-305	-224	-552	-1776	-1767	-1769	-1813
<b>EBITDA</b>	<b>852</b>	<b>349</b>	<b>344</b>	<b>476</b>	<b>2021</b>	<b>663</b>	<b>334</b>	<b>219</b>	<b>526</b>	<b>1742</b>	<b>1479</b>	<b>1439</b>	<b>1476</b>
Depreciation	-83	-82	-93	-101	-359	-92	-93	-96	-85	-366	-333	-323	-332
<b>EBIT (excl. NRI)</b>	<b>698</b>	<b>262</b>	<b>226</b>	<b>358</b>	<b>1544</b>	<b>530</b>	<b>233</b>	<b>158</b>	<b>331</b>	<b>1252</b>	<b>1146</b>	<b>1116</b>	<b>1144</b>
<b>EBIT</b>	<b>769</b>	<b>267</b>	<b>251</b>	<b>375</b>	<b>1662</b>	<b>571</b>	<b>241</b>	<b>123</b>	<b>441</b>	<b>1376</b>	<b>1146</b>	<b>1116</b>	<b>1144</b>
<i>Generation (new)</i>	723	304	262	390	1679	513	264	176	341	1294	1179	1130	1150
<i>Consumer Solutions</i>	6	10	11	11	38	42	12	6	18	78	80	86	94
<i>Others (new)</i>	-31	-52	-47	-43	-173	-25	-43	-24	-28	-120	-112	-100	-100
<i>Items affecting comparability</i>	71	5	25	17	118	41	8	-35	110	124	0	0	0
<i>Osuus osakkuusyhtiöiden tuloksesta</i>	22	-42	-10	89	59	21	2	34	23	80	80	81	81
Net financial items	-95	-50	-17	24	-138	-13	29	4	81	101	-63	-46	-67
<b>PTP</b>	<b>696</b>	<b>175</b>	<b>224</b>	<b>488</b>	<b>1583</b>	<b>580</b>	<b>272</b>	<b>160</b>	<b>545</b>	<b>1557</b>	<b>1163</b>	<b>1151</b>	<b>1158</b>
Taxes	-154	199	-38	-76	-69	-106	-57	-27	-99	-289	-206	-203	-215
Minority interest	-2	2	0	-1	-1	-2	2	0	-5	-5	-5	-5	-5
<b>Net earnings</b>	<b>540</b>	<b>376</b>	<b>186</b>	<b>411</b>	<b>1513</b>	<b>471</b>	<b>218</b>	<b>133</b>	<b>440</b>	<b>1262</b>	<b>953</b>	<b>942</b>	<b>937</b>
<b>EPS (adj.)</b>	<b>0.54</b>	<b>0.16</b>	<b>0.23</b>	<b>0.35</b>	<b>1.28</b>	<b>0.48</b>	<b>0.23</b>	<b>0.19</b>	<b>0.37</b>	<b>1.27</b>	<b>1.06</b>	<b>1.05</b>	<b>1.04</b>
<b>EPS (rep.)</b>	<b>0.60</b>	<b>0.42</b>	<b>0.21</b>	<b>0.46</b>	<b>1.69</b>	<b>0.53</b>	<b>0.24</b>	<b>0.15</b>	<b>0.49</b>	<b>1.41</b>	<b>1.06</b>	<b>1.05</b>	<b>1.04</b>

Key figures	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue growth-%</b>	16.8 %	-11.0 %	-35.4 %	-22.8 %	-13.7 %	-11.0 %	-8.2 %	-10.4 %	-1.7 %	-7.8 %	-9.0 %	0.8 %	2.2 %
<b>Adjusted EBIT growth-%</b>	114.1 %	0.0 %	-36.2 %	-46.5 %	-4.2 %	-24.1 %	-11.1 %	-30.1 %	-7.7 %	-18.9 %	-8.4 %	-2.6 %	2.5 %
<b>EBITDA-%</b>	37.6 %	25.5 %	28.2 %	25.6 %	30.1 %	32.9 %	26.6 %	20.0 %	28.8 %	28.1 %	26.3 %	25.3 %	25.4 %
<b>Adjusted EBIT-%</b>	30.8 %	19.2 %	18.5 %	19.3 %	23.0 %	26.3 %	18.6 %	14.4 %	18.1 %	20.2 %	20.3 %	19.6 %	19.7 %
<b>Net earnings-%</b>	23.8 %	27.5 %	15.2 %	22.1 %	22.5 %	23.4 %	17.3 %	12.2 %	24.1 %	20.4 %	16.9 %	16.6 %	16.1 %

Source: Inderes

# Balance sheet

Assets	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>11392</b>	<b>10578</b>	<b>10745</b>	<b>10922</b>
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	643	593	593	593
Tangible assets	6612	6296	6463	6640
Associated companies	1059	1200	1200	1200
Other investments	644	500	500	500
Other non-current assets	1476	1100	1100	1100
Deferred tax assets	958	889	889	889
<b>Current assets</b>	<b>7347</b>	<b>7570</b>	<b>6642</b>	<b>6693</b>
Inventories	452	371	338	341
Other current assets	389	389	389	389
Receivables	2323	1857	1690	1704
Cash and equivalents	4183	4952	4225	4259
<b>Balance sheet total</b>	<b>18739</b>	<b>18148</b>	<b>17387</b>	<b>17615</b>

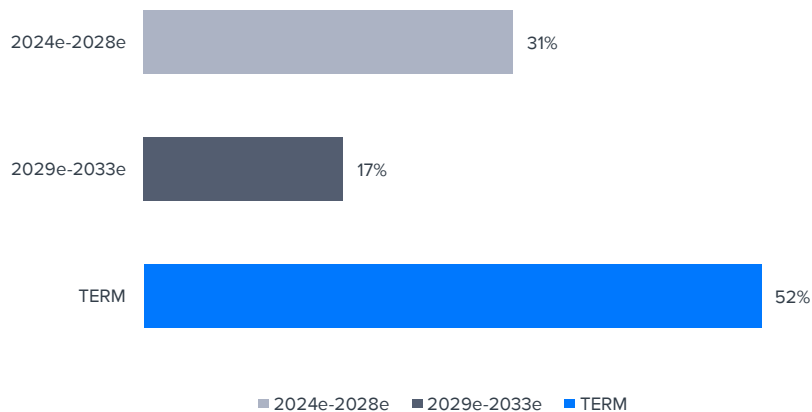
Source: Inderes

Liabilities & equity	2023	2024e	2025e	2026e
<b>Equity</b>	<b>8498</b>	<b>8749</b>	<b>8677</b>	<b>8762</b>
Share capital	3046	3046	3046	3046
Retained earnings	5592	5823	5751	5836
Hybrid bonds	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0
Other equity	-200.0	-200.0	-200.0	-200.0
Minorities	60.0	80.0	80.0	80.0
<b>Non-current liabilities</b>	<b>6534</b>	<b>6187</b>	<b>5645</b>	<b>5714</b>
Deferred tax liabilities	428	375	375	375
Provisions	1185	1185	1185	1185
Interest bearing debt	4573	4279	3737	3806
Convertibles	0.0	0.0	0.0	0.0
Other long term liabilities	348	348	348	348
<b>Current liabilities</b>	<b>3707</b>	<b>3212</b>	<b>3065</b>	<b>3139</b>
Interest bearing debt	1337	1174	1082	1090
Payables	1312	1238	1183	1249
Other current liabilities	1058	800	800	800
<b>Balance sheet total</b>	<b>18739</b>	<b>18148</b>	<b>17387</b>	<b>17615</b>

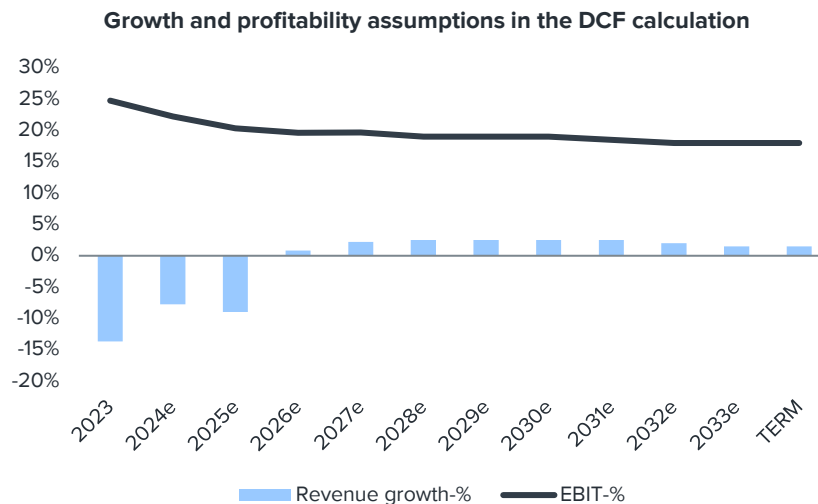
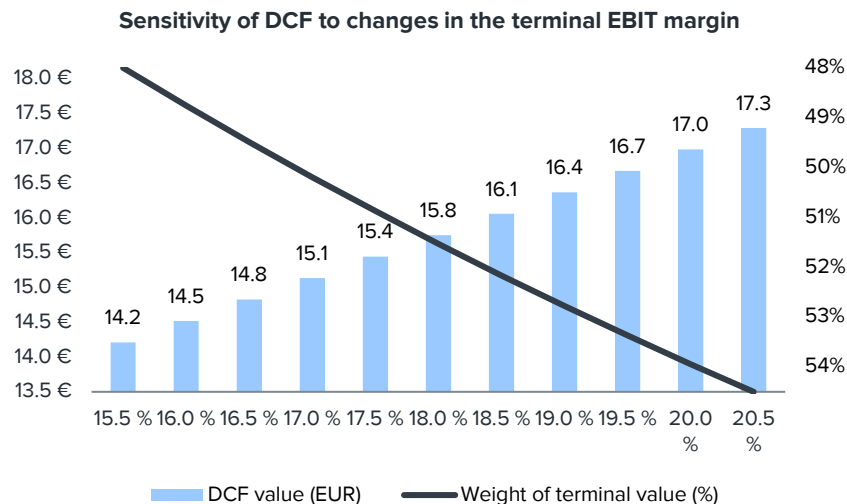
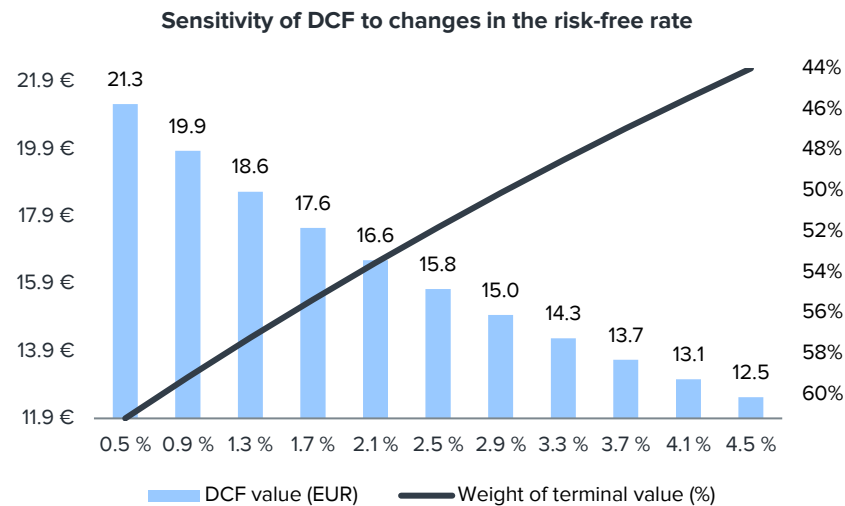
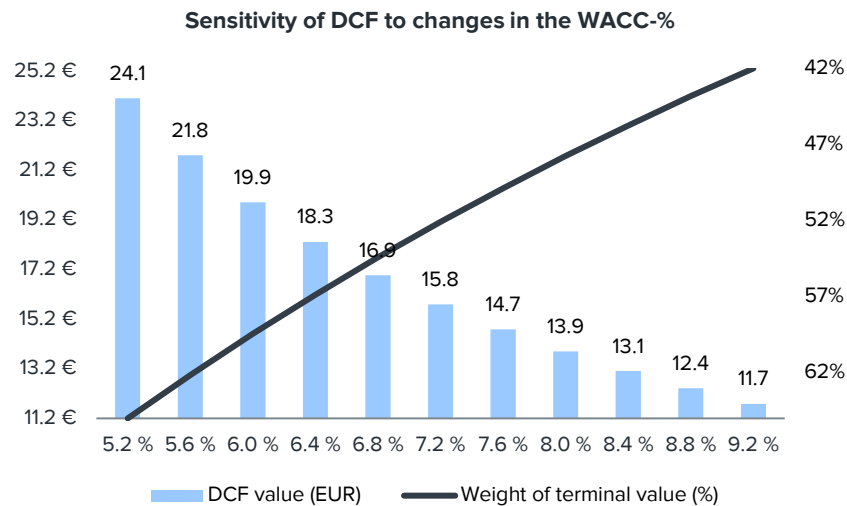
# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-13.7 %	-7.8 %	-9.0 %	0.8 %	2.2 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	1.5 %	1.5 %
EBIT-%	24.8 %	22.2 %	20.3 %	19.6 %	19.7 %	19.0 %	19.0 %	19.0 %	18.5 %	18.0 %	18.0 %	18.0 %
<b>EBIT (operating profit)</b>	<b>1662</b>	<b>1376</b>	<b>1146</b>	<b>1116</b>	<b>1144</b>	<b>1131</b>	<b>1159</b>	<b>1188</b>	<b>1186</b>	<b>1177</b>	<b>1194</b>	
+ Depreciation	359	366	333	323	332	335	336	337	337	338	339	
- Paid taxes	182	-273	-206	-203	-215	-205	-210	-216	-216	-214	-217	
- Tax, financial expenses	-14	-15	-42	-37	-38	-38	-38	-39	-39	-40	-40	
+ Tax, financial income	7	35	31	28	25	16	17	17	18	18	18	
- Change in working capital	280	215	145	50	-18	-20	-21	-21	-22	-18	-14	
<b>Operating cash flow</b>	<b>2477</b>	<b>1703</b>	<b>1407</b>	<b>1277</b>	<b>1229</b>	<b>1220</b>	<b>1242</b>	<b>1266</b>	<b>1264</b>	<b>1261</b>	<b>1280</b>	
+ Change in other long-term liabilities	-454	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	752	520	-500	-500	-400	-352	-365	-365	-366	-363	-384	
<b>Free operating cash flow</b>	<b>2775</b>	<b>2223</b>	<b>907</b>	<b>777</b>	<b>829</b>	<b>868</b>	<b>878</b>	<b>901</b>	<b>898</b>	<b>899</b>	<b>897</b>	
+/- Other	368	0	0	0	0	0	0	0	0	0	0	
FCFF	3143	2223	907	777	829	868	878	901	898	899	897	15888
<b>Discounted FCFF</b>		<b>2196</b>	<b>836</b>	<b>668</b>	<b>665</b>	<b>648</b>	<b>612</b>	<b>585</b>	<b>545</b>	<b>508</b>	<b>473</b>	<b>8377</b>
Sum of FCFF present value		16112	13916	13080	12413	11748	11100	10488	9903	9358	8850	8377
<b>Enterprise value DCF</b>		<b>16112</b>										
- Interest bearing debt		-5910										
+ Cash and cash equivalents		4183										
+ Sijoitukset osakkuusyrittisiin		1059										
-Minorities		-274										
-Dividend/capital return		-1032										
<b>Equity value DCF</b>		<b>14138</b>										
<b>Equity value DCF per share</b>		<b>15.8</b>										
<b>WACC</b>												
Tax-% (WACC)		20.0 %										
Target debt ratio (D/(D+E))		25.0 %										
Cost of debt		4.5 %										
Equity Beta		1.25										
Market risk premium		4.75%										
Liquidity premium		0.00%										
Risk free interest rate		2.5 %										
<b>Cost of equity</b>		<b>8.4 %</b>										
<b>Weighted average cost of capital (WACC)</b>		<b>7.2 %</b>										

## Cash flow distribution



# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	6422	7774	6711	<b>6190</b>	<b>5633</b>	EPS (reported)	0.83	2.32	1.69	<b>1.41</b>	<b>1.06</b>
EBITDA	4913	2382	2021	<b>1742</b>	<b>1479</b>	EPS (adj.)	-1.78	1.21	1.28	<b>1.27</b>	<b>1.06</b>
EBIT	4326	1967	1662	<b>1376</b>	<b>1146</b>	OCF / share	1.23	6.35	2.76	<b>1.90</b>	<b>1.57</b>
PTP	4333	1564	1583	<b>1557</b>	<b>1163</b>	FCF / share	1.05	3.94	3.50	<b>2.48</b>	<b>1.01</b>
Net Income	739	2080	1513	<b>1262</b>	<b>953</b>	Book value / share	13.66	8.55	9.40	<b>9.66</b>	<b>9.58</b>
Extraordinary items	2897	356	118	<b>124</b>	<b>0</b>	Dividend / share	1.14	0.91	1.15	<b>1.14</b>	<b>0.96</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	149661	23642	18739	<b>18148</b>	<b>17387</b>	Revenue growth-%	43%	21%	-14%	<b>-8%</b>	<b>-9%</b>
Equity capital	13665	7737	8498	<b>8749</b>	<b>8677</b>	EBITDA growth-%	111%	-52%	-15%	<b>-14%</b>	<b>-15%</b>
Goodwill	1021	0	0	<b>0</b>	<b>0</b>	EBIT (adj.) growth-%	46%	13%	-4%	<b>-19%</b>	<b>-8%</b>
Net debt	9628	3866	1727	<b>501</b>	<b>594</b>	EPS (adj.) growth-%	-234%	-168%	6%	<b>-1%</b>	<b>-16%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	76.5 %	30.6 %	30.1 %	<b>28.1 %</b>	<b>26.3 %</b>
EBITDA	4913	2382	2021	<b>1742</b>	<b>1479</b>	EBIT (adj.)-%	22.3 %	20.7 %	23.0 %	<b>20.2 %</b>	<b>20.3 %</b>
Change in working capital	-1365	2189	280	<b>215</b>	<b>145</b>	EBIT-%	67.4 %	25.3 %	24.8 %	<b>22.2 %</b>	<b>20.3 %</b>
Operating cash flow	1092	5697	2477	<b>1703</b>	<b>1407</b>	ROE-%	5.9 %	21.0 %	18.8 %	<b>14.8 %</b>	<b>11.0 %</b>
CAPEX	-12840	33888	752	<b>520</b>	<b>-500</b>	ROI-%	15.8 %	7.7 %	12.6 %	<b>11.4 %</b>	<b>10.0 %</b>
Free cash flow	929	3536	3143	<b>2223</b>	<b>907</b>	Equity ratio	9.1 %	32.7 %	45.3 %	<b>48.2 %</b>	<b>49.9 %</b>
						Gearing	70.5 %	50.0 %	20.3 %	<b>5.7 %</b>	<b>6.9 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	5.1	2.1	1.9	<b>2.0</b>	<b>2.2</b>						
EV/EBITDA	6.7	7.0	6.3	<b>7.0</b>	<b>8.2</b>						
EV/EBIT (adj.)	22.9	10.3	8.2	<b>9.7</b>	<b>10.6</b>						
P/E (adj.)	neg.	12.8	10.2	<b>10.9</b>	<b>13.0</b>						
P/B	2.0	1.8	1.4	<b>1.4</b>	<b>1.4</b>						
Dividend-%	4.2 %	5.9 %	8.8 %	<b>8.3 %</b>	<b>6.9 %</b>						

Source: Inderes

# Disclaimer and recommendation history

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

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

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

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

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

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

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

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

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

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/17/2020	Buy	15.00 €	13.31 €
4/27/2020	Buy	17.00 €	14.86 €
5/18/2020	Buy	17.50 €	14.92 €
7/21/2020	Buy	20.00 €	17.84 €
8/20/2020	Buy	20.00 €	17.02 €
11/18/2020	Buy	20.00 €	17.63 €
12/4/2020	Buy	20.00 €	18.30 €
2/15/2021	Accumulate	22.50 €	21.97 €
5/14/2021	Accumulate	24.00 €	22.74 €
8/18/2021	Accumulate	26.50 €	24.49 €
11/15/2021	Reduce	25.00 €	25.30 €
2/28/2022	Reduce	19.00 €	19.47 €
3/7/2022	Accumulate	16.00 €	15.26 €
4/27/2022	Reduce	16.00 €	15.63 €
5/13/2022	Reduce	16.00 €	15.31 €
6/21/2022	Accumulate	18.00 €	16.31 €
7/25/2022	Accumulate	13.00 €	11.36 €
8/18/2022	Reduce	11.00 €	11.41 €
8/23/2022	Reduce	11.00 €	10.47 €
8/26/2022	Reduce	11.00 €	10.32 €
9/22/2022	Accumulate	14.50 €	13.25 €
10/13/2022	Accumulate	14.50 €	12.73 €
11/11/2022	Accumulate	16.50 €	14.38 €
12/7/2022	Accumulate	18.00 €	15.87 €
2/28/2023	Accumulate	16.00 €	14.51 €
3/3/2023	Accumulate	16.50 €	14.63 €
5/8/2023	Accumulate	15.00 €	13.57 €
5/12/2023	Buy	16.00 €	13.62 €
8/7/2023	Buy	15.00 €	11.81 €
11/3/2023	Buy	14.00 €	12.07 €
1/4/2024	Buy	14.50 €	13.26 €
2/8/2024	Buy	13.50 €	11.78 €
4/25/2024	Accumulate	13.50 €	12.13 €
5/1/2024	Accumulate	13.50 €	12.38 €
8/16/2024	Reduce	14.50 €	14.52 €
10/30/2024	Reduce	14.00 €	13.81 €



**Inderes democratizes investor information by connecting investors and listed companies.**

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

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

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

**Inderes Oyj**

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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



**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**



THOMSON REUTERS  
ANALYST AWARDS



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



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



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



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Connecting investors  
and listed companies.**