

Stora Enso

Company report

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This report is a summary translation of the report “Kyttäämme vielä, vaikka liipasinraja alkaa lähestyä” published on 07/25/2022 at 08:10 am.

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Still waiting, but with a finger on the trigger already

We reiterate our Reduce recommendation for Stora Enso but revise our target price to EUR 16.00 (was EUR 17.00). The market situation is still strong for Stora Enso and robust earnings growth will continue this year. However, we believe that the risk of the cyclical earnings peak being overtaken is very acute, which we expect to make the market increasingly nervous about the company going forward. As such, we continue to favor other companies in the sector, although we do not believe that Stora Enso's valuation is unreasonable at this stage.

High expectations weren't met, although the result is extremely strong in absolute terms

Stora Enso's net sales increased by 18 % (+21 % excluding Paper) in Q2, driven by a very favorable pricing situation. In contrast, volume development was moderate. In Q2, Stora Enso's adjusted EBIT increased by 38% from the good level of the comparison period to a quarterly record of EUR 505 million for the current shape of the company. However, the operational result was below our and consensus forecasts, which had been raised by 10% after the positive guidance revision in summer. The underperformance came from Biomaterials, where the support from higher pulp prices was under the burden of falling volumes and rising costs. Packaging Materials, Wood Products and especially Paper reported good price-driven earnings growth and Forest's performance was steady as usual.

No significant changes to estimates after the Q2 report

In its Q2 report in June, Stora Enso reconfirmed its increased guidance of a higher adjusted operating profit than last year for the current year (2021 adj. EBIT 1,528 MEUR). This reconfirmation of the recent guidance was to be expected. The company comments that the demand situation in the pulp, paper and consumer board markets remains favorable, but that corrugated board and sawn timber are starting to show signs of normalization from the very hot market conditions of the pandemic period. This in itself wasn't surprising, as we remain very skeptical about the sustainability of sky-high prices for products like lumber, pulp and corrugated board (and similarly about certain inputs), once the gradual removal of global supply constraints loosens markets and/or the global economic slowdown blunts the sharpest edge of demand. However, based on the recent news flow, we believe that cyclical risks are increasing for Stora Enso, especially when looking at the upcoming winter. We made only minor adjustments to our estimates after the report. We expect Stora Enso's adjusted operational EBIT to increase by 15% this year to EUR 1.8 billion on the back of a continued strong market that continues well into the rest of the year. In the coming years we expect that the performance will calm down to a range of EUR 1.3-1.4 billion operational EBIT. The main driver for this is the normalization of pricing in several product segments, which we estimate the slow volume growth and calming of certain cost spikes can't fully compensate for.

We are still favoring other companies from the sector, although the differences in valuation are minuscule

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 9x and 12x, while the corresponding EV/EBITDA ratios are 6x and 7x. The share price is low with 2022 multiples, but due to increasing cyclical risks, this is not a sufficient incentive right now. The 2023 multiples are, in turn, close to the company's 5-year median. In our view, the valuation of the stock, the impending downturn in the earnings trend and a dividend yield of 4-5% don't create an expected return that is significantly higher than the required return. Thus, we take a wait-and-see stance on Stora Enso and prefer UPM and Metsä Board, which in our view offer marginally better risk/return ratios in the sector, even though we don't believe there are major differences in the valuation pictures of the companies.

Recommendation

Reduce

(previous Reduce)

EUR 16.00

(previous EUR 17.00)

Share price:

EUR 14.79



Key figures

	2021	2022e	2023e	2024e
Revenue	10164	11506	10653	10684
growth-%	19%	13%	-7%	0%
EBIT adj.	1528	1851	1334	1295
EBIT-% adj.	15.0 %	16.1 %	12.5 %	12.1 %
Net Income	1266	1204	953	923
EPS (adj.)	1.56	1.75	1.21	1.17
P/E (adj.)	10.3	8.5	12.2	12.6
P/B	1.2	1.1	1.0	1.0
Dividend yield-%	3.5 %	4.4 %	4.7 %	5.1 %
EV/EBIT (adj.)	9.8	7.9	10.6	10.7
EV/EBITDA	6.6	6.3	7.3	7.2
EV/S	1.5	1.3	1.3	1.3

Source: Inderes

Guidance

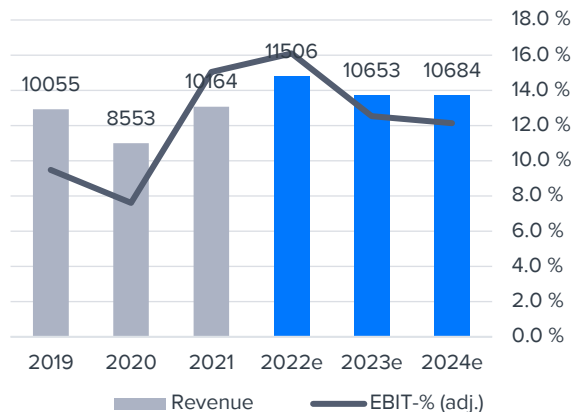
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Stora Enso's full-year 2022 operational EBIT is estimated to be higher than the full year operational EBIT for 2021 (EUR 1,528 million).

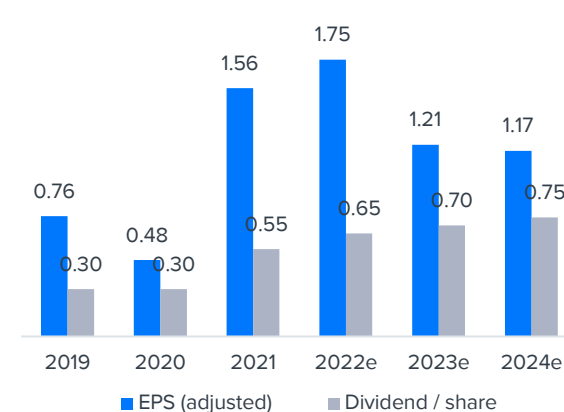
Share price



Net sales and EBIT %



EPS and dividend



Value drivers

- Good long-term prospects for packaging businesses and strong market position
- Product mix gradually improving with new products
- Realizing the potential of investments that have been made
- Improved cost-efficiency through the cost savings program
- Progress of the battery material project to volume production



Risk factors

- Somewhat cyclical demand in several product groups
- Tighter competition
- Weak outlook for the paper business
- Pulp price risk
- Foreign exchange rate risks

Valuation	2022e	2023e	2024e
Share price	14.8	14.8	14.8
Number of shares, millions	788.6	788.6	788.6
Market cap	11664	11664	11664
EV	14531	14148	13864
P/E (adj.)	8.5	12.2	12.6
P/E	9.7	12.2	12.6
P/FCF	13.4	11.5	12.3
P/B	1.1	1.0	1.0
P/S	1.0	1.1	1.1
EV/Sales	1.3	1.3	1.3
EV/EBITDA	6.3	7.3	7.2
EV/EBIT (adj.)	7.9	10.6	10.7
Payout ratio (%)	42.6 %	57.9 %	64.1 %
Dividend yield-%	4.4 %	4.7 %	5.1 %

Source: Inderes

Even a record result couldn't meet sky-high expectations

Exceptionally strong growth in net sales continued driven by pricing

Stora Enso's Q2 net sales increased by 18% to EUR 3,054 MEUR, which was in line with our forecast and above consensus. The net sales growth was driven almost entirely by higher sales prices, reflecting the tight market conditions in virtually all segments. By contrast, volume growth was weaker than moderate expectations and supply chain disruptions seem to have weighed on volumes more than expected.

Missing the tough consensus expectations

In Q2, Stora Enso improved its adjusted EBIT by 38% to EUR 505 MEUR, which was about 10% below our and consensus forecasts. At divisional level, Packaging Materials scraped together another very strong and slightly better-than-expected result on the back of higher prices. Wood Products, boosted by still very high lumber prices, had a record strong

performance and the unit exceeded our forecast. Paper also exceeded expectations thanks to pricing and as expected, was the main driver of the company's steep earnings improvement (cf. Q2'21 in which the division made heavy losses). In addition to Forest's solid performance, the book value of the forests managed by the unit rose, quite expectedly, by around EUR 200 million to EUR 8.2 billion at the half-year update. Missing the Q2 expectations was largely because of Biomaterials, which surprisingly fell short of the comparison period and came in well below expectations. Biomaterials volumes declined due to logistical disruptions, on top of which average prices increased slower and costs faster than was expected, leaving margins subdued in the context of a very good pulp cycle. The loss from Other operations was also higher than expected.

On the bottom lines, the result was negatively impacted by write-downs and negative fair value

changes related to the divested units in Russia, which were higher than our forecasts. However, the importance of these items for the big picture of Stora Enso was limited. Financial expenses and taxes were on a somewhat normal level. Thus, EPS ultimately rose to EUR 0.38, well below forecasts reflecting the operational EBIT and particularly the adjustment items.

Balance sheet in the strongest shape for years

Operating cash flow in Q2 was below the result due to reasons related to working capital and decreased by 13% to EUR 404 million year-on-year. This was expected due to inflation and seasonal factors rising NWC. However, the company's balance sheet is strong and the adjusted EBITDA to net debt ratio fell to 1.0x (Q1'21: 1.8x). Thus, Stora Enso is very well prepared for a weaker economic cycle in terms of its balance sheet.

Estimates MEUR / EUR	Q2'21	Q2'22	Q2'22e	Q2'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	2592	3054	3064	2982	3139	- 2739	0%	11506
EBIT (adj.)	365	505	569	548	452	- 683	-11%	1851
EBIT	182	399	514	533	452	- 604	-22%	1636
PTP	152	370	478	501	417	- 571	-23%	1516
EPS (reported)	0.26	0.38	0.48	0.52	0.41	- 0.64	-21%	1.53
Revenue growth-%	22.6 %	17.8 %	18.2 %	15.0 %	21.1 %	- 5.7 %	-0.4 pp	13.2 %
EBIT-% (adj.)	14.1%	16.5 %	18.6 %	18.4 %	14.4 %	- 24.9 %	-2 pp	16.1 %

Source: Inderes & Vara (consensus)

Forecasts remained unchanged in the big picture

Estimate changes 2022e-2024e

- In its Q2 report Stora Enso reconfirmed its guidance of a higher adjusted operating profit than last year for the current year (2021 adj. EBIT 1,528 MEUR). This reconfirmation of the recently upgraded guidance was to be expected.
- The company comments that the situation in the pulp, paper and consumer board markets remains extremely tight, but that corrugated raw materials and sawn timber are starting to show signs of normalization from the very hot market conditions of the pandemic period. This in itself wasn't surprising, as we remain very skeptical about the sustainability of sky-high prices for raw materials, especially lumber, pulp and corrugated board (and similarly about certain inputs) in the long run. We estimate that a more gradual normalization will begin to emerge more broadly as the removal of global and various supply constraints loosens markets and/or the slowdown in the global economy blunts the sharpest edge of demand.
- After the report, we slightly raised our estimates for Packaging Materials, but our estimates for the other units decreased, particularly reflecting higher cost estimates. Currencies supported our forecasts, but at group level the changes were slightly negative. Our investment forecasts increased slightly after the company raised its forecast for the current year due to inflation among other things.

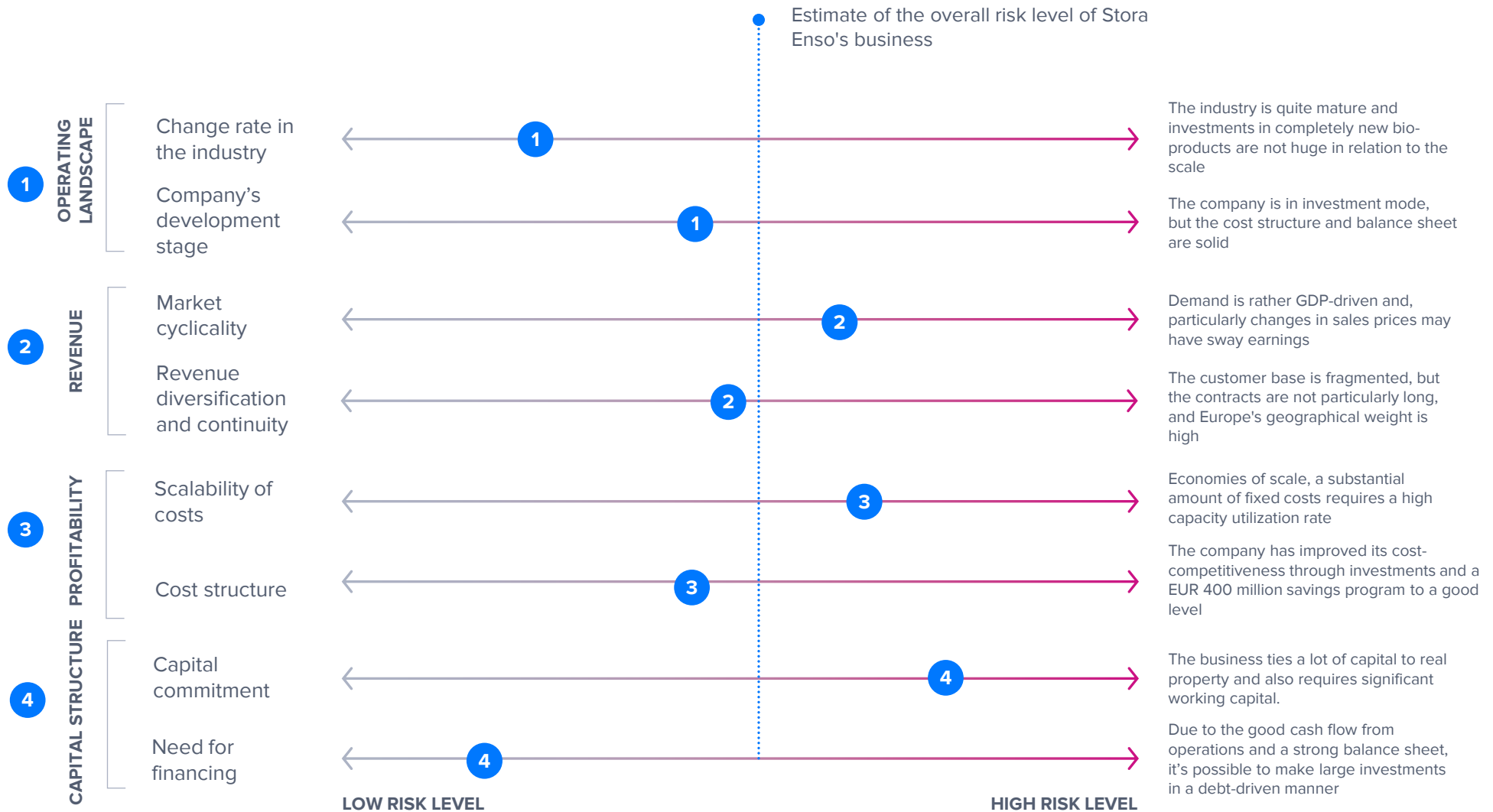
Operational result drivers 2022e-2024e:

- We expect Packaging Materials to make a top result in the tight markets this year, but as the competition intensifies and the raw material market for corrugated board normalizes in the coming years, we expect the unit's performance to calm down slightly.
- We expect that the result of Biomaterials will gradually fall from the peak levels that will be achieved 2022, as we estimate that pulp prices will fall due to the normalization of supply (incl. supply chains) and new production capacity.
- In Wood Products, we forecast a sharp downward turn from very high levels already in Q3, as pricing starts to flex downwards due to the combined effect of improving supply and easing demand.
- Our estimates are cautious for Paper that's for sale, as we expect demand to start suffering from sharply higher prices in the winter.
- Stora Enso Paper and also other business units have a good energy position (low use of natural gas)
- We expect Forest to continue with strong and stable earnings.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11406	11506	1%	10613	10653	0%	10584	10684	1%
EBIT (exc. NRIs)	1894	1851	-2%	1352	1334	-1%	1320	1295	-2%
EBIT	1730	1636	-5%	1352	1334	-1%	1320	1295	-2%
PTP	1603	1516	-5%	1221	1204	-1%	1191	1166	-2%
EPS (excl. NRIs)	1.77	1.75	-1%	1.23	1.21	-1%	1.20	1.17	-2%
DPS	0.65	0.65	0%	0.70	0.70	0%	0.75	0.75	0%

Source: Inderes

Risk profile of the business model



We retain our wait-and-see position

Valuation multiples are at the right level

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 9x and 12x, while the corresponding EV/EBITDA ratios are around 6x and 7x. With 2022 multiples, the share is cheap. Instead of valuation, investors' risks focus on the sustainability of the earnings level. Stora Enso's multiples for the next years are, in turn, at medium-term average levels or slightly below them. In our view, this is still a neutral starting point given the higher interest rate expectations than in the recent years. However, the decrease in the share of Paper has improved the quality of the company's results. The probable elimination of Paper from the figures will also increase the valuation, as we expect the mills to be sold with lower multiples than the Group. With the 5-year average realized result, Stora Enso's P/E would be 15x, which we think is a quite neutral level, although the company's profile has certainly changed a few notches for the better in the last five years. In addition to the divestment of Paper, especially the progress of the battery material project could further improve the profile, but despite the cooperation agreement now signed with NorthVolt, we believe it will take years for the business to take off.

When looking at 2022-2023, we feel that Stora Enso has been priced in line with the peer group in relative terms. Our DCF model, based on our longer-term forecasts, is also only slightly above the share price at about EUR 17. Therefore, the relative valuation or the DCF do not indicate a clear pricing error in the share.

We find the valuation reasonable

We expect investors to receive an annual dividend of about 4-5% over the next few years for the current share price. Thus, a reasonable dividend is expected to support the expected return and we believe the company will be able to increase its dividend in coming

years. However, dividend alone is not enough to attract purchases.

We still expect that the company's earnings trend will face tough benchmarks in Q4 or in 2023 at the latest if the historically high raw material prices for pulp, sawn timber and corrugated board aren't sustainable and the cost level remains high in line with our expectations. We do not consider the multiples sufficiently low when reflected to the already visible reversal of this earnings growth driver (i.e. we do not believe that there is upside in the valuation without sustainably maintaining the historically high earnings level). Thus, we believe that the 12-month expected TSR on the stock is not yet well above our required return, although it's getting close.

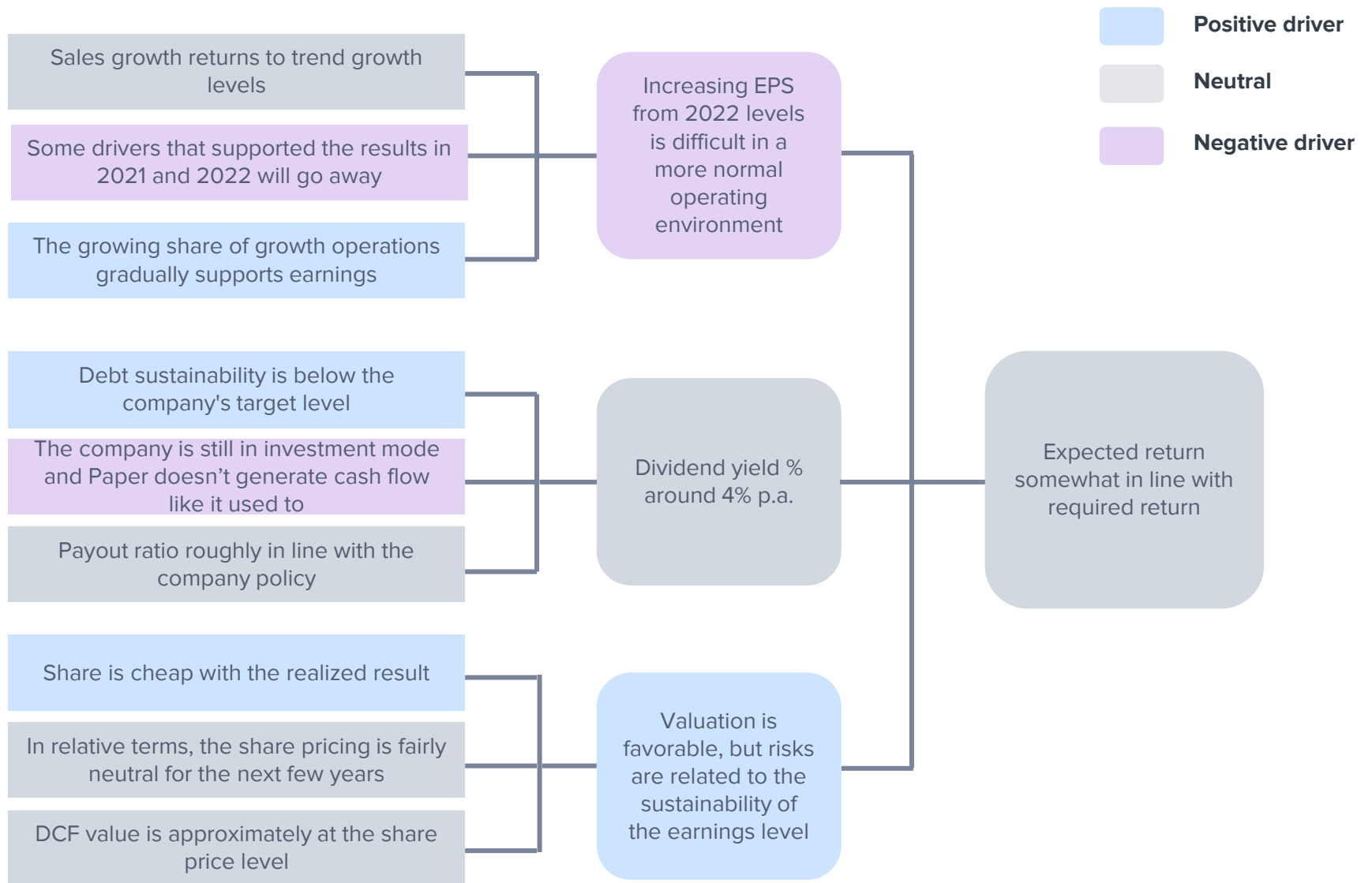
Written-up balance sheet keeps return on capital under control

Stora Enso's P/B ratio is below its medium-term median level at 1.1x (2022e). According to our estimates, the balance sheet that has grown through forest asset write-ups which stabilize the company's long-term return on capital to a lower level than before. The ROCE-% of the Forest division is now about 3% for the balance sheet value that has been written up heavily in recent years. The cash flow rate is significantly lower so even relative to the low risk of forest assets, we don't consider the current balance sheet value challenging (cf. US 10-year bond rate is roughly 3%). In addition, the company's return on investment of more than 13% for the industrial business of Stora Enso hasn't been an easy target for the company over time, although at present the company is easily beating the target with the help of the exceptionally favorable market. Thus, the balance sheet, which has been bolstered with write-ups and consequently the chronically limited ROIC will, in our opinion, make the acceptable valuation premium relative to the balance sheet value of equity small.

Valuation	2022e	2023e	2024e
Share price	14.8	14.8	14.8
Number of shares, millions	788.6	788.6	788.6
Market cap	11664	11664	11664
EV	14531	14148	13864
P/E (adj.)	8.5	12.2	12.6
P/E	9.7	12.2	12.6
P/FCF	13.4	11.5	12.3
P/B	1.1	1.0	1.0
P/S	1.0	1.1	1.1
EV/Sales	1.3	1.3	1.3
EV/EBITDA	6.3	7.3	7.2
EV/EBIT (adj.)	7.9	10.6	10.7
Payout ratio (%)	42.6 %	57.9 %	64.1 %
Dividend yield-%	4.4 %	4.7 %	5.1 %

Source: Inderes

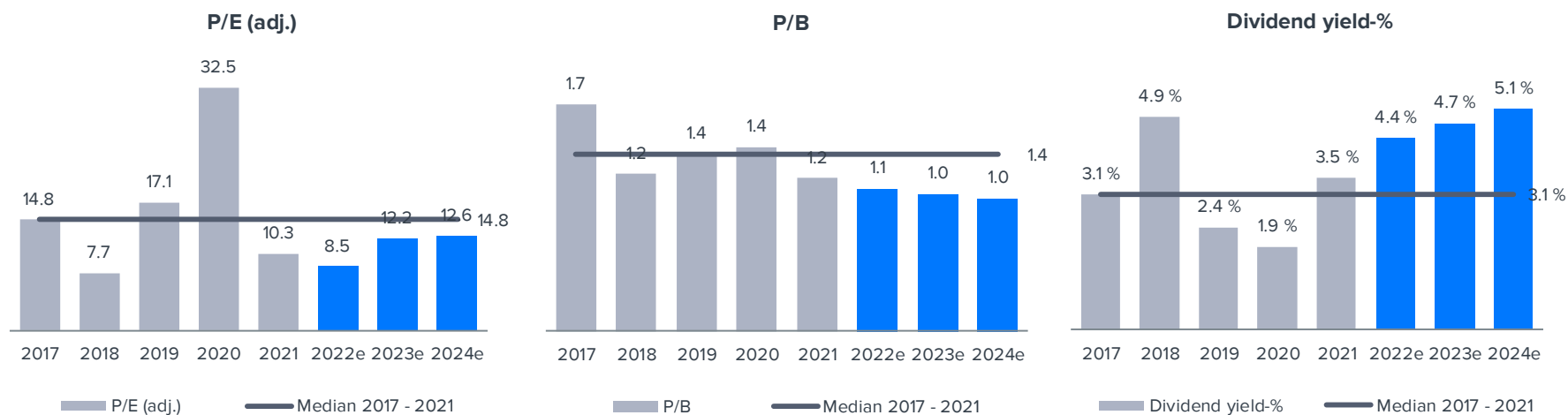
TSR drivers 2022e-2024e



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	13.20	10.01	12.97	15.65	16.14	14.79	14.79	14.79	14.79
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6
Market cap	10410	8075	10057	12386	12465	11664	11664	11664	11664
EV	12896	10310	13351	15453	14902	14531	14148	13864	13579
P/E (adj.)	14.8	7.7	17.1	32.5	10.3	8.5	12.2	12.6	12.5
P/E	16.7	7.8	11.6	19.7	10.1	9.7	12.2	12.6	12.5
P/FCF	10.6	10.4	neg.	22.5	43.6	13.4	11.5	12.3	11.9
P/B	1.7	1.2	1.4	1.4	1.2	1.1	1.0	1.0	1.0
P/S	1.0	0.8	1.0	1.4	1.2	1.0	1.1	1.1	1.1
EV/Sales	1.3	1.0	1.3	1.8	1.5	1.3	1.3	1.3	1.2
EV/EBITDA	9.1	5.5	7.0	10.6	6.6	6.3	7.3	7.2	7.1
EV/EBIT (adj.)	12.8	7.8	14.0	23.7	9.8	7.9	10.6	10.7	10.5
Payout ratio (%)	51.7 %	38.9 %	26.9 %	37.8 %	34.3 %	42.6 %	57.9 %	64.1 %	63.4 %
Dividend yield-%	3.1 %	4.9 %	2.4 %	1.9 %	3.5 %	4.4 %	4.7 %	5.1 %	5.1 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
International Paper		15735	19910	9.3	9.0	6.2	6.0	1.0	0.9	9.2	9.2	4.3	4.5	1.8
Graphic Packaging		6474	12186	12.6	11.1	8.1	7.6	1.4	1.3	10.2	9.2	1.6	1.7	2.8
DS Smith		4594	6018	9.4	8.4	5.6	5.1	0.8	0.7	9.6	8.1	5.1	5.8	1.1
Metsä Board		2999	3048	6.6	8.1	5.5	6.4	1.3	1.3	8.7	10.4	5.4	5.1	1.5
Holmen		6867	7178	13.3	18.4	10.7	13.8	3.4	3.5	16.4	22.2	2.2	2.1	1.5
Billerud		3060	3530	7.2	8.2	4.7	5.2	0.9	0.8	7.3	9.5	4.8	4.7	1.2
Mayr-Melnhof		3036	4152	11.0	10.5	7.5	7.1	1.1	1.1	11.8	11.2	2.8	3.0	1.6
UPM		16039	17567	10.8	10.2	8.4	7.8	1.6	1.5	12.4	11.8	4.4	4.9	1.4
Suzano		11113	20728	6.9	10.2	4.8	5.9	2.7	3.0	4.6	11.4	3.7	2.3	2.5
Smurfit Kappa		8727	11617	8.4	8.2	5.7	5.6	1.0	0.9	9.6	9.4	4.3	4.4	1.7
Stora Enso (Inderes)	14.79	11664	14531	7.9	10.6	6.3	7.3	1.3	1.3	8.5	12.2	4.4	4.7	1.1
Average				9.7	10.7	7.1	7.6	1.8	1.9	10.4	12.0	3.4	3.4	1.7
Median				9.3	9.6	6.0	6.2	1.3	1.3	9.6	10.0	4.0	3.7	1.6
Diff-% to median				-16%	11%	6%	17%	0%	3%	-11%	23%	11%	27%	-30%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	8553	2276	2592	2577	2719	10164	2798	3054	2871	2784	11506	10653	10684	10889
Packaging Materials	3115	862	987	987	1062	3898	1132	1221	1195	1122	4670	4431	4432	4530
Packaging Solutions	594	159	170	180	214	723	191	188	186	196	761	562	520	535
Biomaterials	1193	355	453	426	494	1728	442	522	553	498	2015	1768	1672	1713
Wood Products	1386	382	477	503	510	1872	573	631	498	475	2177	1932	2101	2171
Paper	1979	428	445	441	389	1703	416	462	452	450	1780	1550	1448	1378
Forest	2046	582	586	546	597	2311	626	649	602	633	2510	2560	2611	2663
Other	928	240	264	303	285	1092	236	290	260	260	1046	1100	1100	1100
Internal sales	-2688	-732	-790	-809	-832	-3163	-818	-909	-875	-850	-3452	-3250	-3200	-3200
EBITDA	1531	410	337	522	996	2265	598	531	639	521	2289	1948	1916	1909
Depreciation	-609	-249	-155	-136	-157	-697	-204	-132	-158	-159	-653	-614	-621	-613
EBIT (excl. NRI)	651	327	365	409	427	1528	503	505	481	362	1851	1334	1295	1296
EBIT	922	161	182	386	839	1568	394	399	481	362	1636	1334	1295	1296
Packaging Materials	403	127	144	152	133	556	196	188	167	122	673	620	618	628
Packaging Solutions	34	4	3	7	12	26	1	-3	5	8	12	31	34	37
Biomaterials	9	65	145	118	167	495	117	123	167	119	526	298	243	270
Wood Products	114	52	100	123	89	364	118	134	61	51	364	173	192	200
Paper	-38	-34	-49	-31	-10	-124	36	51	40	28	155	70	64	60
Forest	164	123	47	49	48	267	49	47	48	46	190	190	192	195
Other	-35	-11	-16	-3	-18	-48	-14	-20	-8	-12	-54	-47	-47	-47
Internal sales	0	1	0	1	-2	0	0	0	0	0	0	0	0	-47
Net financial items	-150	-36	-30	-37	-46	-149	-19	-29	-35	-37	-120	-131	-129	-118
PTP	773	125	152	349	793	1419	375	370	446	325	1516	1204	1166	1178
Taxes	-156	20	56	-50	-177	-151	-88	-71	-89	-65	-313	-241	-233	-236
Minority interest	9	-1	-3	2	0	-2	2	4	-2	-3	2	-10	-10	-10
Net earnings	626	144	205	301	616	1266	289	303	355	258	1204	953	923	933
EPS (adj.)	0.48	0.35	0.42	0.41	0.39	1.56	0.48	0.49	0.45	0.33	1.75	1.21	1.17	1.18
EPS (rep.)	0.79	0.18	0.26	0.38	0.78	1.61	0.37	0.38	0.45	0.33	1.53	1.21	1.17	1.18
Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-14.9 %	3.1 %	22.6 %	24.0 %	26.3 %	18.8 %	22.9 %	17.8 %	11.4 %	2.4 %	13.2 %	-7.4 %	0.3 %	1.9 %
Adjusted EBIT growth-%	-31.7 %	81.7 %	105.1 %	133.7 %	261.9 %	134.7 %	53.7 %	38.5 %	17.5 %	-15.2 %	21.1 %	-27.9 %	-2.9 %	0.1 %
EBITDA-%	17.9 %	18.0 %	13.0 %	20.3 %	36.6 %	22.3 %	21.4 %	17.4 %	22.2 %	18.7 %	19.9 %	18.3 %	17.9 %	17.5 %
Adjusted EBIT-%	7.6 %	14.4 %	14.1 %	15.9 %	15.7 %	15.0 %	18.0 %	16.6 %	16.7 %	13.0 %	16.1 %	12.5 %	12.1 %	11.9 %
Net earnings-%	7.3 %	6.3 %	7.9 %	11.7 %	22.7 %	12.5 %	10.3 %	9.9 %	12.4 %	9.3 %	10.5 %	8.9 %	8.6 %	8.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13276	14517	14655	14718	14749
Goodwill	281	282	282	282	282
Intangible assets	134	124	126	128	130
Tangible assets	7464	5501	5583	5644	5673
Associated companies	456	580	580	580	580
Other investments	4667	7665	7665	7665	7665
Other non-current assets	157	222	235	235	235
Deferred tax assets	117	143	184	184	184
Current assets	4155	4509	4934	4415	4268
Inventories	1270	1478	1668	1545	1549
Other current assets	79.5	101	101	101	101
Receivables	1145	1449	1668	1491	1442
Cash and equivalents	1661	1481	1496	1278	1175
Balance sheet total	17431	19026	19589	19133	19017

Source: Inderes

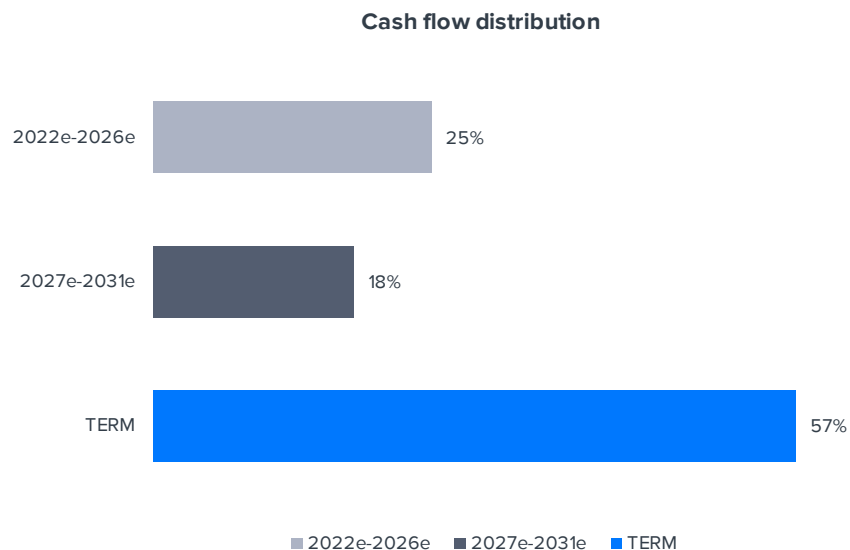
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	8794	10666	10666	11106	11477
Share capital	1423	1423	1423	1423	1423
Retained earnings	6387	7416	8187	8627	8998
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1000	1843	1072	1072	1072
Minorities	-16.0	-16.0	-16.0	-16.0	-16.0
Non-current liabilities	5742	5195	5385	4904	4594
Deferred tax liabilities	1332	1430	1430	1430	1430
Provisions	102	91.0	91.0	91.0	91.0
Long term debt	3822	3313	3504	3023	2713
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	486	361	360	360	360
Current liabilities	2895	3165	3537	3123	2945
Short term debt	928	624	876	756	678
Payables	1837	2339	2531	2237	2137
Other current liabilities	130	202	130	130	130
Balance sheet total	17431	19026	19589	19133	19017

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	1568	1636	1334	1295	1296	1339	1316	1319	1322	1355	1382	
+ Depreciation	697	653	614	621	613	605	596	587	580	584	588	
- Paid taxes	-79	-354	-241	-233	-236	-246	-244	-247	-249	-257	-265	
- Tax, financial expenses	-16	-25	-26	-26	-24	-22	-20	-18	-16	-14	-12	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	40	-289	6	-56	-16	-22	-22	-23	-23	-24	-20	
Operating cash flow	2210	1620	1688	1601	1633	1655	1626	1620	1614	1644	1674	
+ Change in other long-term liabilities	-136	-1	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-1788	-750	-677	-652	-652	-627	-627	-627	-627	-627	-631	
Free operating cash flow	286	869	1011	949	981	1028	999	993	987	1017	1044	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	286	869	1011	949	981	1028	999	993	987	1017	1044	18777
Discounted FCFF		842	909	793	761	741	669	617	570	545	520	9350
Sum of FCFF present value		16317	15475	14566	13773	13011	12271	11602	10985	10415	9870	9350
Enterprise value DCF		16317										
- Interesting bearing debt		-3937										
+ Cash and cash equivalents		1481										
-Minorities		17										
-Dividend/capital return		-434										
Equity value DCF		13445										
Equity value DCF per share		17.0										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.5
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	8.9 %
Weighted average cost of capital (WACC)	7.7 %

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	10055	8553	10164	11506	10653	EPS (reported)	1.12	0.79	1.61	1.53	1.21
EBITDA	1902	1531	2265	2289	1948	EPS (adj.)	0.76	0.48	1.56	1.75	1.21
EBIT	1305	922	1568	1636	1334	OCF / share	3.44	1.97	2.80	2.05	2.14
PTP	1137	773	1419	1516	1204	FCF / share	-1.58	0.70	0.36	1.10	1.28
Net Income	880	626	1266	1204	953	Book value / share	9.42	11.17	13.54	13.54	14.10
Extraordinary items	352	271	40	-215	0	Dividend / share	0.30	0.30	0.55	0.65	0.70
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	15053	17431	19026	19589	19133	Revenue growth-%	-4%	-15%	19%	13%	-7%
Equity capital	7422	8794	10666	10666	11106	EBITDA growth-%	2%	-20%	48%	1%	-15%
Goodwill	302	281	282	282	282	EBIT (adj.) growth-%	-28%	-32%	135%	21%	-28%
Net debt	3304	3089	2456	2884	2501	EPS (adj.) growth-%	-41%	-36%	225%	12%	-31%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	18.9 %	17.9 %	22.3 %	19.9 %	18.3 %
EBITDA	1902	1531	2265	2289	1948	EBIT (adj.)-%	9.5 %	7.6 %	15.0 %	16.1 %	12.5 %
Change in working capital	316	206	40	-289	6	EBIT-%	13.0 %	10.8 %	15.4 %	14.2 %	12.5 %
Operating cash flow	2711	1552	2210	1620	1688	ROE-%	12.4 %	7.7 %	13.0 %	11.3 %	8.7 %
CAPEX	-4827	-2331	-1788	-750	-677	ROI-%	12.0 %	7.4 %	11.2 %	11.0 %	8.9 %
Free cash flow	-1245	552	286	869	1011	Equity ratio	49.3 %	50.5 %	56.1 %	54.4 %	58.0 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	44.5 %	35.1 %	23.0 %	27.0 %	22.5 %
EV/S	1.3	1.8	1.5	1.3	1.3						
EV/EBITDA (adj.)	7.0	10.6	6.6	6.3	7.3						
EV/EBIT (adj.)	14.0	23.7	9.8	7.9	10.6						
P/E (adj.)	17.1	32.5	10.3	8.5	12.2						
P/B	1.4	1.4	1.2	1.1	1.0						
Dividend-%	2.4 %	1.9 %	3.5 %	4.4 %	4.7 %						

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
12/28/2018	Accumulate	11.50 €	10.12 €
10/30/2019	Reduce	11.50 €	11.80 €
1/30/2020	Reduce	11.50 €	11.76 €
3/24/2020	Accumulate	8.50 €	7.36 €
4/16/2020	Reduce	9.50 €	9.90 €
4/22/2020	Reduce	9.50 €	10.06 €
6/24/2020	Reduce	10.50 €	11.19 €
7/22/2020	Reduce	10.50 €	11.25 €
9/24/2020	Reduce	13.00 €	13.64 €
10/20/2020	Reduce	13.00 €	13.67 €
11/12/2020	Reduce	13.00 €	13.73 €
2/1/2021	Reduce	14.00 €	15.00 €
3/24/2021	Reduce	15.00 €	16.15 €
4/26/2021	Reduce	15.50 €	16.68 €
7/22/2021	Reduce	15.50 €	16.04 €
10/21/2021	Reduce	15.50 €	14.65 €
1/31/2022	Reduce	17.00 €	17.50 €
4/29/2022	Reduce	18.00 €	17.85 €
6/14/2022	Reduce	17.00 €	16.18 €
7/25/2022	Reduce	16.00 €	14.79 €



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