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# COMPANY REPORT



# Risk/reward attractive despite slower recovery

We believe that the headwinds to gross margins, including price investments, increased markdowns, and negative impacts from external factors, have been stronger than earlier anticipated in H&M's Q1 (Dec-Feb). As a result, we have lowered our earnings estimates. However, we still see earnings growth and dividends offering a good expected return, which, coupled with the declining valuation since our last research update (share price - 9%), keeps the risk/reward ratio on the right side. Consequently, we reiterate our Accumulate recommendation but lower our target price to SEK 150 per share (prev. SEK 160) due to lower estimates.

## We expect continued headwinds to gross margins in Q1

H&M previously announced, alongside its Q4 report, that it had a strong start to Q1, with December–January sales rising by 4%. However, this figure was boosted by a favorable Black Friday timing effect, and we estimate the underlying sales growth to be around 2–3%. Additionally, as February last year was a leap year, we expect February 2025 to be negatively impacted by one fewer trading day. Overall, we forecast approximately 2% revenue growth in local currencies for Q1, with reported growth of 4% due to a positive FX impact.

On gross margin, H&M will continue to face several gross margin headwinds, including price investments, increased markdowns, and negative impacts from external factors such as FX and freight. While we anticipate that H&M's efficiency measures will likely offset some of these negative impacts, we estimate the gross margin to decrease from 51.5% last year to 50.9% in Q1'25.

In terms of fixed costs, we expect continued good cost control due to its efficiency measures. Additionally, we note that H&M booked a 161 MSEK one-off cost in Q1'24 related to cost-saving measures, which will provide a positive tailwind in Q1'25. However, we expect increased marketing investments to drive

operating expenses up. Overall, we expect operating expenses as a percentage of revenue to decrease slightly compared to last year's level, which, together with some top-line growth will help offset the negative effect from a lower gross margin. H&M will report its Q1 results on Thursday, March 27th.

## Lower estimates, but still positive revenue and margin trend in 2025-27

For 2025-2027, we have adopted a more cautious approach to our revenue growth estimates and margin outlook, given our expectations of a slower recovery and risks related to U.S.-China tariffs. The U.S. accounts for approximately 15% of H&M's revenue, while China represents about 25% of its sourcing. In our view, there is a risk that tariff costs cannot be passed on to consumers without significantly impacting sales volumes, at least not immediately. Nevertheless, we still anticipate mid-single-digit growth over the medium term. Given our expectation of a relatively stable gross margin in the coming years, this should provide some operational leverage. Therefore, we expect the EBIT margin to gradually improve from 7.4% in 2024 towards 9% in 2027. H&M continues to target a long-term EBIT margin of 10%, which we expect will be challenging to achieve given the current outlook.

## Still good expected return at current valuation

H&M's P/Es for 2025 and 2026 are 18x and 14x, which is below H&M's historical trading levels, considering the 10-year and 5-year medians of around P/E 20x. Also, from an EV/EBIT perspective (2025: 15x, 2026: 13x) the company's multiples look relatively attractive, given that the earnings turnaround that we forecast materializes. In our view, the expected earnings growth and dividend provide a solid total expected return above our required return. Our DCF is also in the green, in line with our target price, suggesting some upside. Overall, we therefore consider the risk/reward/ratio as good.

## Recommendation

**Accumulate**

(prev. Accumulate)

## Target price:

**150 SEK**

(prev. 160 SEK)

## Share price:

135

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
<b>Revenue</b>	234,478	242,200	256,246	268,407
<b>growth-%</b>	-1%	3%	6%	5%
<b>EBIT adj.</b>	17,505	18,155	21,729	23,879
<b>EBIT-% adj.</b>	7.5 %	7.5 %	8.5 %	8.9 %
<b>Net Income</b>	11,621	12,266	15,273	16,896
<b>EPS (adj.)</b>	7.3	7.6	9.5	10.5
<b>P/E (adj.)</b>	20.5	17.7	14.2	12.8
<b>P/B</b>	5.2	4.6	4.3	4.0
<b>Dividend yield-%</b>	4.5 %	5.6 %	6.3 %	7.0 %
<b>EV/EBIT (adj.)</b>	17.2	15.4	12.9	11.8
<b>EV/EBITDA</b>	7.7	7.0	6.3	6.0
<b>EV/S</b>	1.3	1.2	1.1	1.1

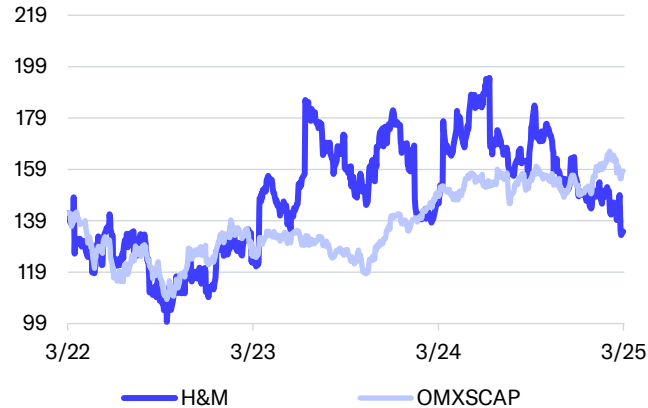
Source: Inderes

## Guidance

(Unchanged)

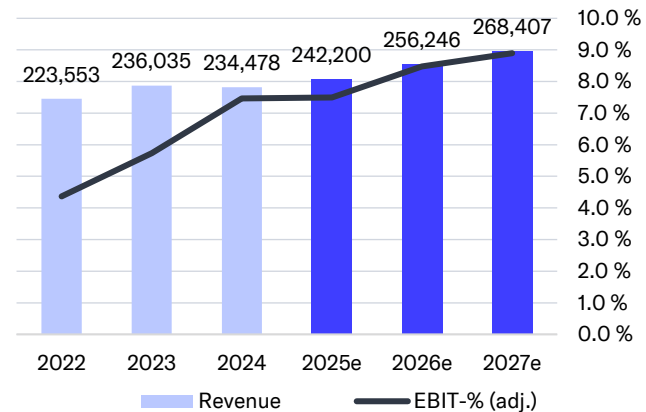
No guidance

## Share price



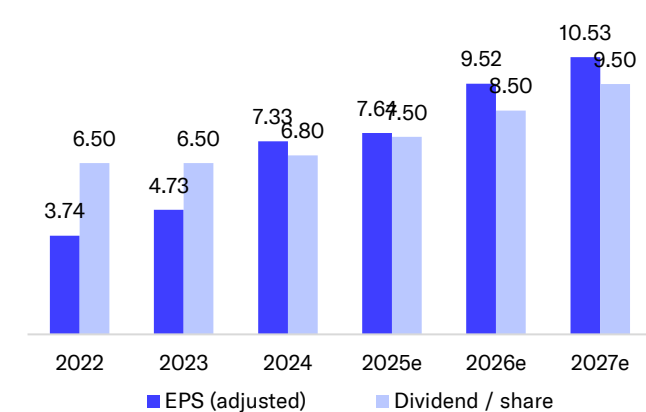
Source: Millstream Market Data AB

## Sales and EBIT-%



Source: Inderes

## EPS and DPS



Source: Inderes

## Value drivers

- Very strong brand and market presence in fashion retail
- Potential to grow in emerging markets and increase market share
- Margin improvement towards 10% EBIT-margin target
- Portfolio chains / ventures could create value in the mid-/long-term

## Risk factors

- The fashion industry is fiercely competed and somewhat cyclical in nature
- H&M's track record from the past decade is poor and a "normal" margin level is uncertain
- Increased tariffs/regulation could have a negative impact
- Reputational risk for H&M
- Change in consumer preferences away from fast fashion

Valuation	2025e	2026e	2027e
Share price	135	135	135
Number of shares, m	1,605	1,605	1,605
Market cap	216,608	216,608	216,608
EV	279,368	280,647	281,853
P/E (adj.)	17.7	14.2	12.8
P/E	17.7	14.2	12.8
P/B	4.6	4.3	4.0
P/S	0.9	0.8	0.8
EV/Sales	1.2	1.1	1.1
EV/EBITDA	7.0	6.3	6.0
EV/EBIT (adj.)	15.4	12.9	11.8
Payout ratio (%)	98%	89%	90%
Dividend yield-%	5.6 %	6.3 %	7.0 %

Source: Inderes

# Positive top-line growth but headwinds to gross margins

## We expect modest revenue growth in local currencies

H&M will report its Q1'25 (Dec-Feb) results on Thursday, March 27<sup>th</sup>, at 8:00 am CET.

In connection with its Q4 report, H&M communicated 4% revenue growth in December-January. However, this was affected by a positive Black Friday timing effect and we estimate that the underlying sales growth was some 2-3%. In addition, February last year was a leap year, therefore, we expect February 2025 to be negatively impacted by one fewer trading day.

Overall, we therefore estimate some 2% Q1 revenue growth in local currencies, and 4% reported growth due to a positive FX impact.

## Continued headwinds to gross margins

In Q1, H&M will continue to face several gross margin headwinds, including price investments, increased

markdowns, and negative impacts from external factors such as FX and freight. While we anticipate that H&M's efficiency measures will likely offset some of these negative impacts, we estimate the gross margin to decrease from 51.5% last year to 50.9% in Q1'25, in line with consensus.

Regarding fixed costs, we expect continued good cost control due to its efficiency measures. Additionally, we note that H&M booked a 161 MSEK one-off cost in Q1'24 related to cost-saving measures, which will be a positive tailwind in Q1'25. However, we expect increased marketing investments to drive operating expenses up. Overall, we expect operating expenses as a percentage of revenue to decrease slightly compared to last year's level, which, together with some top-line growth will help offset the negative effect from a lower gross margin. We therefore estimate absolute EBIT to increase, while profitability (EBIT-%) will remain roughly at the same level as in the same

period last year. In the lower lines of the income statement, we expect a slight increase in financial expenses and relative tax rate to be roughly at the same level as last year, leading to EPS of SEK 0.79, slightly lower than consensus.

## We expect positive top-line and margin trends in fiscal 2025

While H&M does not provide financial guidance, it will likely publish sales figures for most of March. We expect 3% growth in local currencies for Q2'25 (March-May) and 3% growth for the full year of 2025. We expect the gross margin to be around 53% in the coming years, with top-line growth driving down operating expenses as a percentage of revenue and increasing the EBIT margin to around 7.5% in 2025 and towards 8-9% in 2026-2027. We believe the company's 10% ambition is challenging to achieve.

Estimates	Q1'24	Q1'25	Q1'25e	Q1'25e	Consensus		2025e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
<b>Revenue</b>	53,669		55,900	56,347	54,742 - 57,134		242,200
<b>Gross profit</b>	27,655		28,453	28,682	27,660 - 29,326		128,430
<b>Gross margin %</b>	51.5 %		50.9 %	50.9 %	49.9 % - 51.6 %		53.0 %
<b>EBIT</b>	2,077		2,078	2,211	1,512 - 2,722		18,155
<b>EPS (reported)</b>	0.75		0.76	0.82	0.46 - 1.06		7.64
<b>Revenue growth-%</b>	-2.2 %		4.2 %	5.0 %	2.0 % - 6.5 %		3.3 %
<b>EBIT-%</b>	3.9 %		3.7 %	3.9 %	2.8 % - 4.8 %		7.5 %

Source: Inderes & Infront (consensus)

# More cautious assumptions on the margin improvement

## Stronger headwinds than expected in Q1

For Q1'25, we have lowered our revenue growth estimates in local currencies by 100 bps to 2%, due to somewhat more subdued markets than previously anticipated. On the gross margin side, we believe that the headwinds, including price investments, increased markdowns, and negative impacts from external factors such as FX and freight, have been stronger than expected. We therefore expect a gross margin of 50.9% in Q1 (prev. 51.5%).

The lower estimates and some fine-tuning in the cost estimates lead to 9% lower earnings expectations for the current year.

## Margin outlook further softened for 2026-2027

For 2026-2027, we have adopted a more cautious approach to our revenue growth estimates. We would like to see clearer signs of improvement in key markets, particularly the U.S., which has been a persistent weak

spot for H&M. Nevertheless, we still anticipate mid-single-digit growth over the medium term. Given our expectation of a relatively stable gross margin in the coming years, this should provide some operational leverage.

One downside risk to our estimates is the potential impact of U.S.-China tariffs. The U.S. accounts for approximately 15% of H&M's revenue, while China represents about 25% of its sourcing. Although we believe that H&M has good flexibility in its supply chain and can shift production to other countries, such a transition would likely take time and will not come without consequences. Additionally, there is a risk that tariff costs cannot be passed on to consumers without significantly impacting sales volumes, at least not immediately.

Overall, we believe the pace of margin improvement will be more gradual than previously expected, leading to a 4-5% reduction in earnings forecasts for the coming years. However, we still anticipate revenue growth, coupled with

continued cost efficiencies, to drive an EBIT margin increase from 7.4% in 2024 to approximately 9% in 2027. While H&M continues to target a long-term EBIT margin of 10%, we do not expect this target to be met.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MSEK / SEK	Old	New	%	Old	New	%	Old	New	%
Revenue	244,800	242,200	-1%	257,970	256,246	-1%	270,279	268,407	-1%
EBIT	19,803	18,155	-8%	22,772	21,729	-5%	24,745	23,879	-4%
PTP	18,003	16,355	-9%	21,272	20,229	-5%	23,245	22,379	-4%
EPS (excl. NRIs)	8.42	7.64	-9%	10.01	9.52	-5%	10.94	10.53	-4%
DPS	7.50	7.50	0%	8.50	8.50	0%	9.50	9.50	0%

Source: Inderes



# Risk/reward ratio still attractive

## Valuation summary - Accumulate

We consider H&M an interesting investment opportunity given the company's potential for continued revenue growth and high returns on capital. Although we expect some downward pressure on LTM earnings multiples, the expected earnings growth and dividend provide a solid total expected return in our view. In addition, as the valuation has continued to decline since our last research update (share price -9%), we believe the risk/reward profile is still at good levels despite decreased estimates. Consequently, we reiterate our Accumulate Recommendation.

## Acceptable absolute multiples in 2025-26

H&M's P/E on actual earnings is in the higher range of our acceptable valuation multiples. However, the company is showing an ongoing margin recovery (although slower than earlier expected), which we expect to last until 2026-27. H&M's P/Es for 2025 and 2026 are 18x and 14x, which is below H&M's historical trading levels, considering the 10-year and 5-year medians of around P/E 20x. Also, from an EV/EBIT perspective (2025: 15x, 2026: 13x) the company's multiples look relatively modest. However, they require the expected margin improvement to materialize, which disappointed in 2024.

Looking from 2027 onwards, when we expect stable growth and profitability going forward, we believe H&M's acceptable P/E is 15-20x and EV/EBIT with reported figures is 13-15x. Our estimate of H&M's sustainable free cash flow in 2025-26 is 9-12 BNSEK, which implies a free cash flow yield of 3-5%.

## Valuation compared to the peer group

All retail chains have significant lease obligations, which confounds the EV-based valuation. Therefore, we mainly look at the peer group's P/E ratios. The peer group's median P/E is 15x for 2025, slightly lower than H&M's 17x, and 14x for 2026, roughly the same as H&M's level. H&M's closest peer, Inditex, is valued at a P/E multiple of 22-24x for 2025-26, which is significantly higher than H&M. However, Inditex has also been growing faster than H&M for a number of years. It is important to note that the peer group's valuation multiples vary widely, from single digits to over 30x, making the peer group somewhat dependent on the specific companies included. Consequently, while peer valuation indicates some upside potential for H&M, we do not place too much emphasis on it.

## DCF suggests a good upside

We expect stable growth and margins from 2027 to 2032. In the terminal period, we expect the EBIT margin to stabilize at around 8.5%, while our terminal growth rate assumption is 2.5%. We estimate H&M's cost of equity and WACC (due to no financial debt) at 8.0%, which is quite low given the company's strong and broad market presence and strong global brand.

With these assumptions, our DCF model arrives at an equity value of roughly 240 BNSEK, which translates to around SEK 150 per share (prev. SEK 160). This is in line with our target price and above the current share price, suggesting some upside.

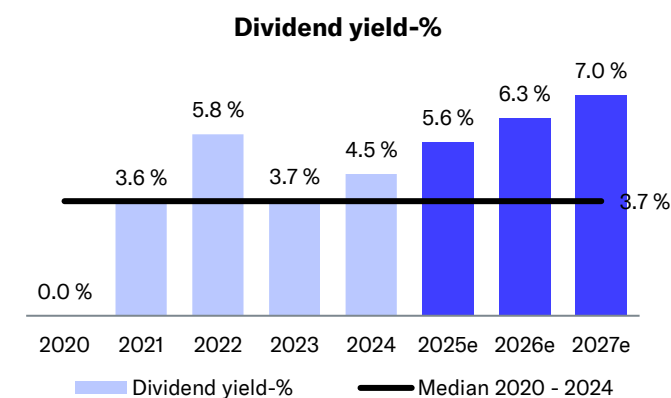
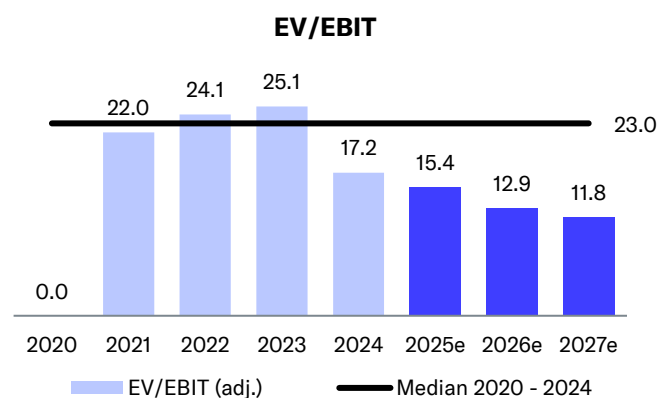
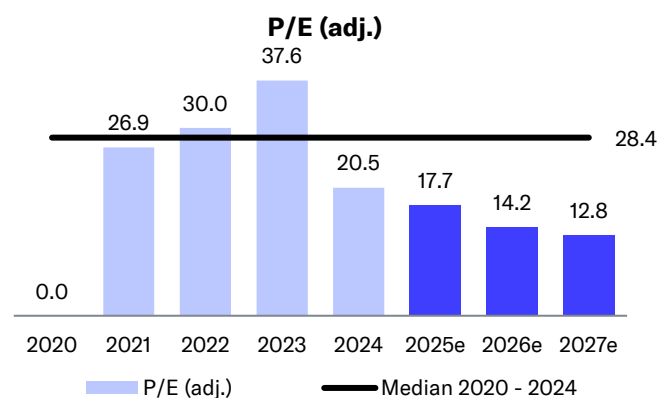
Valuation	2025e	2026e	2027e
Share price	135	135	135
Number of shares, m	1,605	1,605	1,605
Market cap	216,608	216,608	216,608
EV	279,368	280,647	281,853
P/E (adj.)	17.7	14.2	12.8
P/E	17.7	14.2	12.8
P/B	4.6	4.3	4.0
P/S	0.9	0.8	0.8
EV/Sales	1.2	1.1	1.1
EV/EBITDA	7.0	6.3	6.0
EV/EBIT (adj.)	15.4	12.9	11.8
Payout ratio (%)	98%	89%	90%
Dividend yield-%	5.6 %	6.3 %	7.0 %

Source: Inderes

# Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	172	179	112	178	150	135	135	135	135
Number of shares, millions	1655.1	1655.1	1645.5	1633.5	1611.7	1604.5	1604.5	1604.5	1604.5
Market cap	284,672	295,927	184,569	288,002	240,675	216,608	216,608	216,608	216,608
EV	348,197	335,147	235,497	339,574	300,289	279,368	280,647	281,853	283,133
P/E (adj.)	>100	26.9	30.0	37.6	20.5	17.7	14.2	12.8	11.6
P/E	>100	26.9	51.8	33.3	20.8	17.7	14.2	12.8	11.6
P/B	5.2	4.9	3.6	6.1	5.2	4.6	4.3	4.0	3.8
P/S	1.5	1.5	0.8	1.2	1.0	0.9	0.8	0.8	0.8
EV/Sales	1.9	1.7	1.1	1.4	1.3	1.2	1.1	1.1	1.0
EV/EBITDA	12.0	8.9	7.9	9.1	7.7	7.0	6.3	6.0	5.7
EV/EBIT (adj.)	>100	22.0	24.1	25.1	17.2	15.4	12.9	11.8	10.8
Payout ratio (%)	0.0 %	97.7 %	299.8 %	120.9 %	93.9 %	98.1 %	89.3 %	90.2 %	100.0 %
Dividend yield-%	0.0 %	3.6 %	5.8 %	3.7 %	4.5 %	5.6 %	6.3 %	7.0 %	8.6 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Inditex	140,779	135,006	18.1	16.6	12.7	11.8	3.5	3.3	23.9	22.0	3.8	4.1	7.1
Fast Retailing	89,081	81,440	21.7	20.7	17.3	16.0	3.9	3.6	35.0	32.5	1.0	1.1	6.3
Next	14,046	16,068	12.5	11.9	10.3	9.8	2.2	2.1	15.2	14.0	2.4	2.6	6.3
GAP													
Zalando	8,204	7,458	14.8	12.1	8.4	7.4	0.7	0.6	26.4	21.0			2.7
Victoria's Secret	1,444	2,595	8.3	8.5	4.9	5.0	0.5	0.5	8.5	8.7			2.6
Abercrombie & Fitch	3,812	3,013	4.5	4.4	3.8	3.6	0.7	0.6	8.1	7.4			2.8
Urban Outfitters	4,152	3,682	8.7	7.3	6.9	5.8	0.7	0.7	12.4	10.5			1.7
<b>H&amp;M (Inderes)</b>	<b>19,692</b>	<b>25,397</b>	<b>15.4</b>	<b>12.9</b>	<b>7.0</b>	<b>6.3</b>	<b>1.2</b>	<b>1.1</b>	<b>17.7</b>	<b>14.2</b>	<b>5.6</b>	<b>6.3</b>	<b>4.6</b>
<b>Average</b>			<b>12.6</b>	<b>11.6</b>	<b>9.2</b>	<b>8.5</b>	<b>1.7</b>	<b>1.6</b>	<b>18.5</b>	<b>16.6</b>	<b>2.4</b>	<b>2.6</b>	<b>4.2</b>
<b>Median</b>			<b>12.5</b>	<b>11.9</b>	<b>8.4</b>	<b>7.4</b>	<b>0.7</b>	<b>0.7</b>	<b>15.2</b>	<b>14.0</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>
<b>Diff-% to median</b>			<b>23%</b>	<b>8%</b>	<b>-17%</b>	<b>-14%</b>	<b>58%</b>	<b>61%</b>	<b>16%</b>	<b>1%</b>	<b>132%</b>	<b>142%</b>	<b>63%</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>236,035</b>	<b>234,478</b>	<b>55,900</b>	<b>60,500</b>	<b>61,500</b>	<b>64,300</b>	<b>242,200</b>	<b>256,246</b>	<b>268,407</b>	<b>281,312</b>
<b>EBITDA</b>	<b>37,492</b>	<b>38,904</b>	<b>7,478</b>	<b>11,325</b>	<b>10,280</b>	<b>10,672</b>	<b>39,755</b>	<b>44,327</b>	<b>47,018</b>	<b>49,998</b>
Depreciation	-22,955	-21,598	-5,400	-5,400	-5,400	-5,400	-21,600	-22,598	-23,139	-23,731
<b>EBIT (excl. NRI)</b>	<b>13,538</b>	<b>17,505</b>	<b>2,078</b>	<b>5,925</b>	<b>4,880</b>	<b>5,272</b>	<b>18,155</b>	<b>21,729</b>	<b>23,879</b>	<b>26,267</b>
<b>EBIT</b>	<b>14,537</b>	<b>17,306</b>	<b>2,078</b>	<b>5,925</b>	<b>4,880</b>	<b>5,272</b>	<b>18,155</b>	<b>21,729</b>	<b>23,879</b>	<b>26,267</b>
Net financial items	-1,527	-1,863	-450	-450	-450	-450	-1,800	-1,500	-1,500	-1,500
<b>PTP</b>	<b>13,010</b>	<b>15,443</b>	<b>1,628</b>	<b>5,475</b>	<b>4,430</b>	<b>4,822</b>	<b>16,355</b>	<b>20,229</b>	<b>22,379</b>	<b>24,767</b>
Taxes	-4,287	-3,859	-407	-1,369	-1,108	-1,206	-4,089	-4,956	-5,483	-6,068
Minority interest	0	37	0	0	0	0	0	0	0	0
<b>Net earnings</b>	<b>8,723</b>	<b>11,621</b>	<b>1,221</b>	<b>4,106</b>	<b>3,323</b>	<b>3,617</b>	<b>12,266</b>	<b>15,273</b>	<b>16,896</b>	<b>18,699</b>
<b>EPS (adj.)</b>	<b>4.7</b>	<b>7.3</b>	<b>0.8</b>	<b>2.6</b>	<b>2.1</b>	<b>2.3</b>	<b>7.6</b>	<b>9.5</b>	<b>10.5</b>	<b>11.7</b>
<b>EPS (rep.)</b>	<b>5.3</b>	<b>7.2</b>	<b>0.8</b>	<b>2.6</b>	<b>2.1</b>	<b>2.3</b>	<b>7.6</b>	<b>9.5</b>	<b>10.5</b>	<b>11.7</b>

Key figures	2023	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue growth-%</b>	5.6 %	-0.7 %	4.2 %	1.5 %	4.2 %	3.4 %	3.3 %	5.8 %	4.7 %	4.8 %
<b>Adjusted EBIT growth-%</b>	38.7 %	29.3 %	0.0 %	-18.8 %	39.2 %	14.0 %	3.7 %	19.7 %	9.9 %	10.0 %
<b>EBITDA-%</b>	15.9 %	16.6 %	13.4 %	18.7 %	16.7 %	16.6 %	16.4 %	17.3 %	17.5 %	17.8 %
<b>Adjusted EBIT-%</b>	5.7 %	7.5 %	3.7 %	9.8 %	7.9 %	8.2 %	7.5 %	8.5 %	8.9 %	9.3 %
<b>Net earnings-%</b>	3.7 %	5.0 %	2.2 %	6.8 %	5.4 %	5.6 %	5.1 %	6.0 %	6.3 %	6.6 %

Source: Inderes

# Balance sheet

Assets	2023	2024	2025e	2026e	2027e
<b>Non-current assets</b>	<b>100744</b>	<b>104487</b>	<b>107387</b>	<b>110009</b>	<b>112831</b>
Goodwill	1013	1013	1013	1013	1013
Intangible assets	8712	7717	8217	8717	9217
Tangible assets	81536	86220	88620	90742	93064
Associated companies	209	259	259	259	259
Other investments	2363	3029	3029	3029	3029
Other non-current assets	1204	859	859	859	859
Deferred tax assets	5707	5390	5390	5390	5390
<b>Current assets</b>	<b>80529</b>	<b>75727</b>	<b>75082</b>	<b>71749</b>	<b>75154</b>
Inventories	37358	40348	38752	40999	42945
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	16773	18039	16954	17937	18788
Cash and equivalents	26398	17340	19376	12812	13420
<b>Balance sheet total</b>	<b>181273</b>	<b>180214</b>	<b>182469</b>	<b>181758</b>	<b>187985</b>

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
<b>Equity</b>	<b>47601</b>	<b>46211</b>	<b>47567</b>	<b>50806</b>	<b>54064</b>
Share capital	207	207	207	207	207
Retained earnings	41198	39559	40915	44154	47412
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	6196	6445	6445	6445	6445
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>65745</b>	<b>67353</b>	<b>50000</b>	<b>50000</b>	<b>50000</b>
Deferred tax liabilities	2416	2242	0.0	0.0	0.0
Provisions	384	471	0.0	0.0	0.0
Interest bearing debt	62813	64478	50000	50000	50000
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	132	162	0.0	0.0	0.0
<b>Current liabilities</b>	<b>67927</b>	<b>66650</b>	<b>84902</b>	<b>80952</b>	<b>83922</b>
Interest bearing debt	15157	12476	32136	26852	28666
Payables	21027	24417	23009	24343	25499
Other current liabilities	31743	29757	29757	29757	29757
<b>Balance sheet total</b>	<b>181273</b>	<b>180214</b>	<b>182469</b>	<b>181758</b>	<b>187985</b>

# DCF-calculation

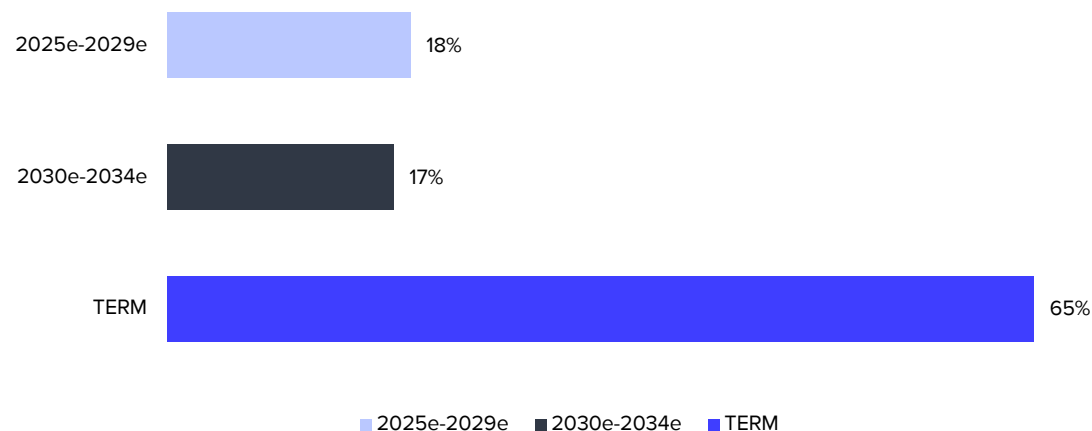
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-0.7 %	3.3 %	5.8 %	4.7 %	4.8 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	7.4 %	7.5 %	8.5 %	8.9 %	9.3 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>17,306</b>	<b>18,155</b>	<b>21,729</b>	<b>23,879</b>	<b>26,267</b>	<b>26,584</b>	<b>27,913</b>	<b>29,309</b>	<b>30,774</b>	<b>32,313</b>	<b>31,428</b>	
+ Depreciation	21,598	21,600	22,598	23,139	23,731	23,890	24,670	25,458	26,052	27,355	28,723	
- Paid taxes	-3,716	-6,331	-4,956	-5,483	-6,068	-6,146	-6,471	-6,813	-7,172	-7,549	-7,700	
- Tax, financial expenses	-466	-450	-368	-368	-368	-368	-368	-368	-368	-368	0	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-2,852	1,273	-1,896	-1,642	-1,742	-1,899	-1,994	-2,093	-2,198	-2,308	-1,212	
<b>Operating cash flow</b>	<b>31,870</b>	<b>34,247</b>	<b>37,107</b>	<b>39,526</b>	<b>41,821</b>	<b>42,062</b>	<b>43,751</b>	<b>45,493</b>	<b>47,089</b>	<b>49,443</b>	<b>51,239</b>	
+ Change in other long-term liabilities	117	-633	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-25,608	-24,500	-25,220	-25,962	-26,725	-27,512	-28,323	-28,515	-31,833	-33,424	-31,909	
<b>Free operating cash flow</b>	<b>6,379</b>	<b>9,114</b>	<b>11,887</b>	<b>13,565</b>	<b>15,095</b>	<b>14,549</b>	<b>15,428</b>	<b>16,978</b>	<b>15,256</b>	<b>16,019</b>	<b>19,330</b>	
+/- Other	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	
FCFF	4,379	7,114	9,887	11,565	13,095	12,549	13,428	14,978	13,256	14,019	17,330	325,184
<b>Discounted FCFF</b>		<b>6,697</b>	<b>8,621</b>	<b>9,340</b>	<b>9,796</b>	<b>8,696</b>	<b>8,618</b>	<b>8,904</b>	<b>7,299</b>	<b>7,150</b>	<b>8,187</b>	<b>153,618</b>
Sum of FCFF present value		236,927	230,230	221,608	212,268	202,472	193,776	185,158	176,254	168,955	161,805	153,618
<b>Enterprise value DCF</b>		<b>236,927</b>										
- Interest bearing debt		-14,117										
+ Cash and cash equivalents		17,340										
-Minorities		0										
-Dividend/capital return		0										
<b>Equity value DCF</b>		<b>240,150</b>										
<b>Equity value DCF per share</b>		<b>150</b>										

## WACC

Tax-% (WACC)	24.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	223,553	236,035	234,478	<b>242,200</b>	<b>256,246</b>	EPS (reported)	2.2	5.3	7.2	<b>7.6</b>	<b>9.5</b>
EBITDA	29,748	37,492	38,904	<b>39,755</b>	<b>44,327</b>	EPS (adj.)	3.7	4.7	7.3	<b>7.6</b>	<b>9.5</b>
EBIT	7,169	14,537	17,306	<b>18,155</b>	<b>21,729</b>	OCF / share	15.2	21.1	19.8	<b>21.3</b>	<b>23.1</b>
PTP	6,216	13,010	15,443	<b>16,355</b>	<b>20,229</b>	FCF / share	1.0	6.2	2.7	<b>4.4</b>	<b>6.2</b>
Net Income	3,566	8,723	11,621	<b>12,266</b>	<b>15,273</b>	Book value / share	30.8	29.1	28.7	<b>29.6</b>	<b>31.7</b>
Extraordinary items	-2,591	999	-199	<b>0</b>	<b>0</b>	Dividend / share	6.5	6.5	6.8	<b>7.5</b>	<b>8.5</b>
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	182,048	181,273	180,214	<b>182,469</b>	<b>181,758</b>	Revenue growth-%	12%	6%	-1%	<b>3%</b>	<b>6%</b>
Equity capital	50,757	47,601	46,211	<b>47,567</b>	<b>50,806</b>	EBITDA growth-%	-21%	26%	4%	<b>2%</b>	<b>11%</b>
Goodwill	64	1,013	1,013	<b>1,013</b>	<b>1,013</b>	EBIT (adj.) growth-%	-36%	39%	29%	<b>4%</b>	<b>20%</b>
Net debt	50,928	51,572	59,614	<b>62,760</b>	<b>64,039</b>	EPS (adj.) growth-%	-44%	26%	55%	<b>4%</b>	<b>25%</b>
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	13.3 %	15.9 %	16.6 %	<b>16.4 %</b>	<b>17.3 %</b>
EBITDA	29,748	37,492	38,904	<b>39,755</b>	<b>44,327</b>	EBIT (adj.)-%	4.4 %	5.7 %	7.5 %	<b>7.5 %</b>	<b>8.5 %</b>
Change in working capital	-539	1,830	-2,852	<b>1,273</b>	<b>-1,896</b>	EBIT-%	3.2 %	6.2 %	7.4 %	<b>7.5 %</b>	<b>8.5 %</b>
Operating cash flow	25,091	34,505	31,870	<b>34,247</b>	<b>37,107</b>	ROE-%	6.4 %	17.7 %	24.8 %	<b>26.2 %</b>	<b>31.1 %</b>
CAPEX	-23,581	-22,298	-25,608	<b>-24,500</b>	<b>-25,220</b>	ROI-%	5.7 %	11.7 %	13.9 %	<b>14.4 %</b>	<b>16.9 %</b>
Free cash flow	1,660	10,199	4,379	<b>7,114</b>	<b>9,887</b>	Equity ratio	27.9 %	26.3 %	25.6 %	<b>26.1 %</b>	<b>28.0 %</b>
						Gearing	100.3 %	108.3 %	129.0 %	<b>131.9 %</b>	<b>126.0 %</b>
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	1.1	1.4	1.3	<b>1.2</b>	<b>1.1</b>						
EV/EBITDA	7.9	9.1	7.7	<b>7.0</b>	<b>6.3</b>						
EV/EBIT (adj.)	24.1	25.1	17.2	<b>15.4</b>	<b>12.9</b>						
P/E (adj.)	30.0	37.6	20.5	<b>17.7</b>	<b>14.2</b>						
P/B	3.6	6.1	5.2	<b>4.6</b>	<b>4.3</b>						
Dividend-%	5.8 %	3.7 %	4.5 %	<b>5.6 %</b>	<b>6.3 %</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2023-10-10	Accumulate	165	148
17.12.2023	Reduce	170	178
2024-02-01	Accumulate	165	147
2024-03-28	Reduce	170	178
2024-06-28	Reduce	170	169
2024-08-29	Reduce	170	162
2024-09-27	Reduce	170	173
2024-12-18	Reduce	160	152
2025-01-31	Accumulate	160	149
Analyst change 2025-03-17			
2025-03-18	Accumulate	150	135



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