

KONE

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COMPANY REPORT



On the path to earnings growth

KONE's Q4 report turned slightly positive, as the order intake and EBIT exceeded market expectations a bit. The guidance issued for this year is still quite broad but nonetheless indicates operational earnings growth. Reflecting the company's comments, we cut our short-term margin forecasts and expect margin improvement to occur later than previously anticipated, relative to the company's 2027 targets. However, we still consider the expected return consisting of our earnings growth and dividend forecasts attractive. Thus, we reiterate our Accumulate recommendation and EUR 55 target price.

The Q4 report contained no major surprises

KONE's reported Q4 order intake (2,119 MEUR, +3%) was slightly below our forecast (+5%), but exceeded the consensus (-1%). The order increase was double-digit outside China and especially strong in Modernization. The margin of orders received, in turn, decreased slightly, pressed by China. KONE's revenue grew by +6% driven by Service and Modernization, exceeding expectations. Adjusted EBIT in Q4 was 387 MEUR, which slightly exceeded both our and the consensus forecast. Reported earnings were depressed by -54 MEUR in items affecting comparability, mainly related to restructuring in China and expensed development costs. Thus, the reported earnings per share fell short of estimates. The dividend proposal (EUR 1.80) was in line with our estimate.

Guidance indicates operational earnings growth, we postponed expectations for a clearer margin improvement

In its 2025 guidance, KONE expects revenue to grow slightly at comparable exchange rates. KONE also expects the improvement in its adjusted EBIT margin to continue. According to the company, the key revenue drivers are the positive outlook in the Service and Modernization businesses and the strong order backlog. Correspondingly, revenue growth and

improved sales mix, together with efficiency programs, support margin development. Pressure, however, continues to come from New Building Solutions in China, where volumes are still expected to decline at a double-digit pace. On the other hand, it should be noted that China's share of revenue already decreased to 21% in Q4 (Q4'23: 25%) and the downward trend will continue in 2025. Mirroring the guidance and the company's comments, we made only minor revisions to our medium-term revenue forecasts. Instead, we believe the targeted margin improvement (2027 adj. EBIT %: 13-14%) to occur later than we had previously anticipated. We expect the company to still reach its target level with strategy-compliant measures (incl. changes to the sales mix), but especially the market situation in China and the short-term margin pressures still caused by inflation have shifted our expectations forward. We expect KONE's revenue to grow by some 4% this year and the adjusted EBIT margin to reach 12.2% (was 12.9%).

Expected return attractive compared to the low risk level and strengthening earnings growth outlook

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 18x and 16x. The corresponding P/E ratios are around 24x and 22x. As a whole, we find the multiples reasonable for a quality company, but we do not see any significant upside in the short term. Thus, the total expected return of the stock is based on the sum of high single-digit earnings growth and an annual dividend yield of approximately 4%, which we forecast for the next few years. This exceeds our required return. Our positive view is also supported by the value indicated by our DCF model that is above the current price (EUR ~56 per share).

Recommendation

Accumulate

(was Accumulate)

Target price:

55.00 EUR

(was EUR 55.00)

Share price:

50.46

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	11098	11558	12207	12848
growth-%	1%	4%	6%	5%
EBIT adj.	1303.0	1415.7	1556.6	1699.5
EBIT-% adj.	11.7 %	12.2 %	12.8 %	13.2 %
Net Income	951.4	1098.0	1209.3	1322.7
EPS (adj.)	1.94	2.12	2.34	2.56
P/E (adj.)	24.2	23.8	21.6	19.7
P/B	8.5	8.6	8.0	7.5
Dividend yield-%	3.8 %	3.8 %	4.2 %	4.5 %
EV/EBIT (adj.)	18.2	17.9	16.2	14.7
EV/EBITDA	15.4	14.9	13.6	12.4
EV/S	2.1	2.2	2.1	1.9

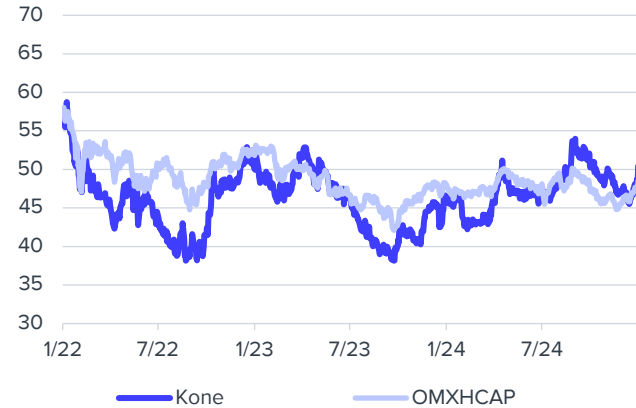
Source: Inderes

Guidance

(New guidance)

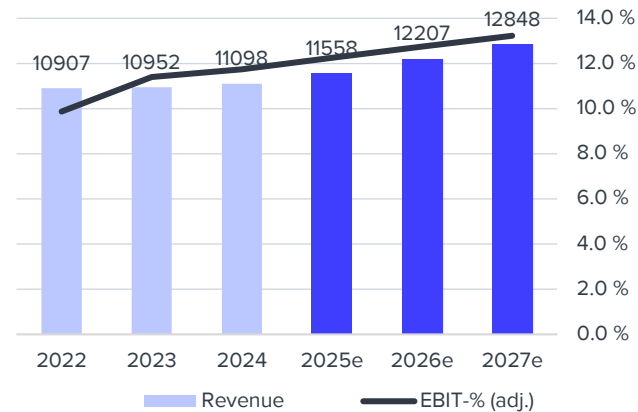
KONE estimates that its revenue will grow slightly at comparable exchange rates in 2025. The improvement in the adjusted EBIT margin is expected to continue (2024 adj. EBIT %: 11.7%).

Share price



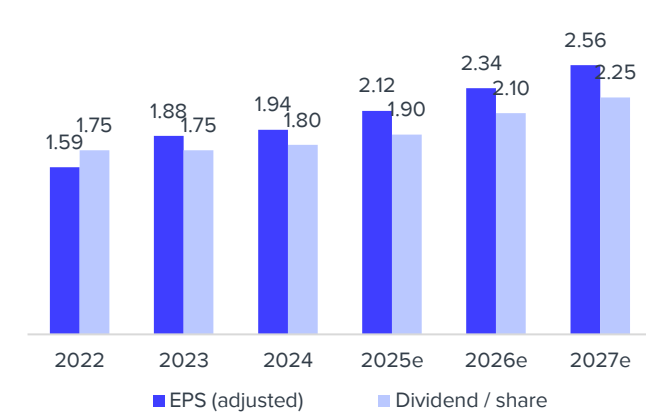
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Global growth in Modernization
- Demand recovery in the new equipment market
- The renewed operating model supports margins
Rise of new digital services

Risk factors

- Delay in the recovery of the Chinese construction market and continued tight price competition
- The Western market remains sluggish
- Differentiation with digital services proves difficult

Valuation	2025e	2026e	2027e
Share price	50.5	50.5	50.5
Number of shares, millions	517.5	517.5	517.5
Market cap	26114	26114	26114
EV	25364	25164	24960
P/E (adj.)	23.8	21.6	19.7
P/E	23.8	21.6	19.7
P/B	8.6	8.0	7.5
P/S	2.3	2.1	2.0
EV/Sales	2.2	2.1	1.9
EV/EBITDA	14.9	13.6	12.4
EV/EBIT (adj.)	17.9	16.2	14.7
Payout ratio (%)	89.5 %	89.9 %	88.0 %
Dividend yield-%	3.8 %	4.2 %	4.5 %

Source: Inderes

Q4 figures exceeded market expectations slightly

Order intake and revenue slightly above market expectations

KONE's reported Q4 order intake (2,119 MEUR, +3% y-o-y) was slightly below our forecast (+5%), but exceeded the consensus (-1%). The order increase was double-digit outside China and, as expected, particularly strong in Modernization. On the other hand, the margin of received orders declined slightly year-on-year, driven by China (especially in new equipment sales), while the order margin in the rest of the world was more stable.

KONE's revenue grew by +6% in Q4, which was fairly in line with our forecast (+5%) and exceeded the consensus (+3%). Of the business areas, the revenue of New Building Solutions declined slightly year-on-year (-2%), driven, as expected, by China. The growth rates of Service (+11%) and Modernization (+14%) were high as expected, and their development was positive across the board (excl. China

where modernization dropped slightly). Revenue from China continued to decline sharply (-13%), while other regions continued to see strong growth (+8-21%), accelerating from previous quarters. China's share of revenue decreased by 21% in Q4 (Q4'23: 25%) and the downward trend will continue in 2025, reflecting the order intake.

Operating results slightly above expectations

In Q4, KONE's adjusted EBIT amounted to 387 MEUR, which exceeded both our and consensus estimates slightly. This corresponded to an adjusted EBIT margin of 13.0%, which was in line with market expectations. The profitability development was driven by a change in the revenue mix, i.e. an increase in the share of Service and Modernization and a margin improvement in Modernization. Margin pressure came from China and wide-ranging inflation. The reported result was depressed

by items affecting comparability of -54 MEUR from restructuring and development costs recognized as expenses. A majority of the restructuring costs were related to China.

The cost burden on the lower lines was also slightly higher than expected in net. The reported earnings per share fell below the forecasts. The dividend proposal (EUR 1.80) was in line with our forecast and slightly below consensus.

Very strong financial position

In 2024, KONE's cash flow (incl. payments of lease liabilities) was 1,111 MEUR (2023: 1,003 MEUR) and 824 MEUR of free cash flow was created (2023: 684 MEUR). At the end of the year, the company had clearly positive net assets (831 MEUR) and the balance sheet figures were at a strong level (equity ratio 40%, net gearing -29%; net debt/EBITDA -0.5x).

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		Difference (%)	2024
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	2810	2976	2963	2928	2869	- 3162	0%	11098
EBIT (adj.)	359	387	370	379	362	- 415	4%	1303
EBIT	362	333	370	376	342	- 415	-10%	1249
PTP	361	330	373	379	343	- 417	-12%	1254
EPS (reported)	0.53	0.47	0.55	0.56	0.51	- 0.61	-15%	1.84
DPS	1.75	1.80	1.80	1.85	1.75	- 2.00	0%	1.80
Revenue growth-%	-3.5 %	5.9 %	5.4 %	4.2 %	2.1 %	- 12.5 %	0.5 pp	1.3 %
EBIT-% (adj.)	12.8 %	13.0 %	12.5 %	13.0 %	12.6 %	- 13.1 %	0.5 pp	11.7 %

Source: Inderes & Vara Research (consensus)

Short-term EBIT forecasts cut slightly

This year's guidance is still quite broad

In its 2025 guidance, KONE expects its revenue to grow slightly at comparable exchange rates and its adjusted EBIT margin to continue to improve.

According to the company, the key revenue drivers are the positive outlook in the Service and Modernization businesses and the strong order backlog. Revenue growth, improved sales mix and efficiency programs support margin development. However, pressure continues to come from New Building Solutions in China and the slight decrease in order intake margins in 2024. As a whole, the guidance is fairly broad and will be revised as the year progresses, but nevertheless indicates operational earnings growth.

No major surprises in the market situation

The market outlook comments for 2025 were moderate as expected for New Building Solutions, as market volumes in

China are expected to continue to decline at a double-digit rate. Similarly, in other regions, the market outlook varies from stable European markets to clear growth in APMEA. KONE does not comment on the change in the value of the equipment market, but volume indicators from KONE and Otis that published its results on Wednesday point to a slight decline on annual level.

On the service side, however, clear growth is expected in APMEA (+5-10%) and slight growth elsewhere (+0-5%). The growth outlook for the modernization market is very strong for 2025: In Europe +5-10% y-o-y and +10% y-o-y in the rest of the world.

Margin expectations slightly down

Reflecting the guidance and the company's comments, we only made small adjustments to our revenue forecasts for the coming years. Instead, we believe the targeted margin improvement (2027 adj. EBIT %: 13-14%) to occur later than

we had previously anticipated. We believe KONE has all the prerequisites to reach its target level through strategy-aligned efficiency measures (incl. pricing) and sales mix improvement (growth in the share of Services and Modernization). However, the market situation, especially in China, and the continued short-term price pressures from inflation have moved our expectations forward. We now expect the company to reach the target according to schedule in 2027 (was 2026).

This year, we predict that KONE's revenue will grow by approximately +4% and the adjusted EBIT margin will reach 12.2% (was 12.9%).

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	11086	11098	0%	11636	11558	-1%	12355	12207	-1%
EBITDA	1576	1541	-2%	1796	1707	-5%	1949	1854	-5%
EBIT (exc. NRIs)	1287	1303	1%	1505	1416	-6%	1645	1557	-5%
EBIT	1287	1249	-3%	1505	1416	-6%	1645	1557	-5%
PTP	1298	1254	-3%	1519	1430	-6%	1664	1574	-5%
EPS (excl. NRIs)	1.92	1.94	1%	2.25	2.12	-6%	2.46	2.34	-5%
DPS	1.80	1.80	0%	1.90	1.90	0%	2.10	2.10	0%

Source: Inderes

Expected return rests on earnings growth

Valuation multiples are pretty neutral

With our updated forecasts, the EV/EBIT ratios considering KONE's strong balance sheet in 2025 and 2026 are approximately 18x and 16x. The corresponding net profit-based P/E ratios are approximately 24x and 22x.

Relative to KONE's 12-month forward-looking median coefficients of the last five years (EV/EBIT ~19x, P/E ~25x, source: Bloomberg) the multiples for this year are quite well in line. Similarly, we believe that there is upside in the 2026 multiples, but this naturally requires that the earnings growth we expect materializes.

Overall, we believe the multiples are at a justified level for a quality company like KONE, also considering the low risk level of the business. The earnings growth not materializing for a decade is negative in terms of the upside potential for multiples. On the other hand, the conditions for achieving earnings growth have now strengthened, thanks to the growth in the share of aftermarkets in earnings and the reduced dependence on China. In the current situation, however, we believe that the multiple-based valuation is neutral.

Relative valuation

KONE's valuation is currently in line with the closest peers, Otis and Schindler. In our opinion, the valuations of the main competitors can also be considered neutral (the median of the last five years 12-month fwd. EV/EBIT ratios 17x-18x, 12-month fwd. P/E ratios 24x-26x). On the other hand, KONE's still somewhat higher (although declining) dependence on China than its competitors would justify a certain discount relative to peers.

KONE's valuation as a whole is in line with the more extensive peer group. Thus, we do not see any particular mispricing in the stock compared to the relative valuation.

Overall expected return for the next few years is good

Assuming KONE's earnings development progresses in line with our expectations, we believe the company and the stock could justifiably be priced at a 17x-21x EV/EBIT ratio and a 24x-27x P/E ratio with the realized earnings at the end of 2027 if no significant changes occur in market pricing or interest rates. This would be equivalent to a value of EUR 60-70 per share. Converted to annual return, this would correspond to an average of approximately 9%, in addition to which we estimate the share offers an annual dividend yield of some 4%. The medium-term total expected return is clearly above the required return on equity of good 7% we apply. However, we point out that the expected return is back-loaded.

DCF value still above the share price

Our view of the share's upside is also supported by the DCF model, which emphasizes long-term potential and indicates a value that is above the share price as well (EUR ~56). It is worth noting, however, that despite our slight forecast cuts, we expect the company will be able to sustainably raise its margin level from recent years and achieve a sustainable earnings leap. As stated above, we believe, however, there is currently a clear and achievable path to this.

Considering the overall picture, we see our forecasted earnings growth, combined with the neutral valuation and dividend yield, forming a sufficient expected return relative to the low risk level of the business.

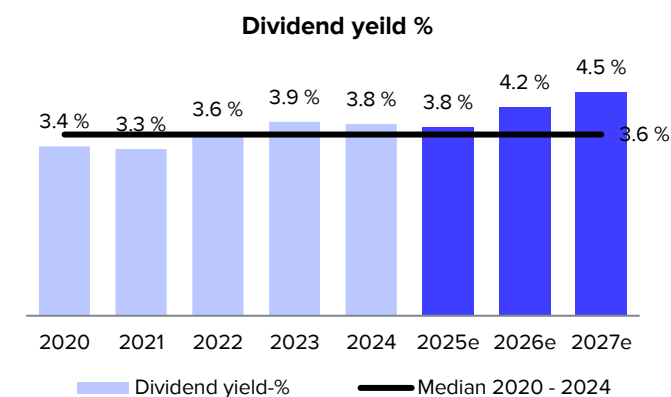
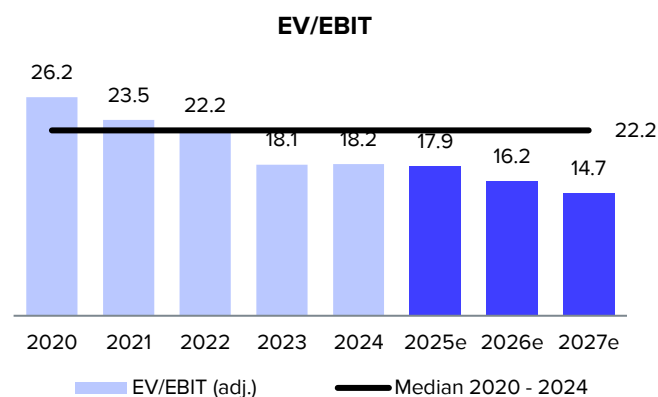
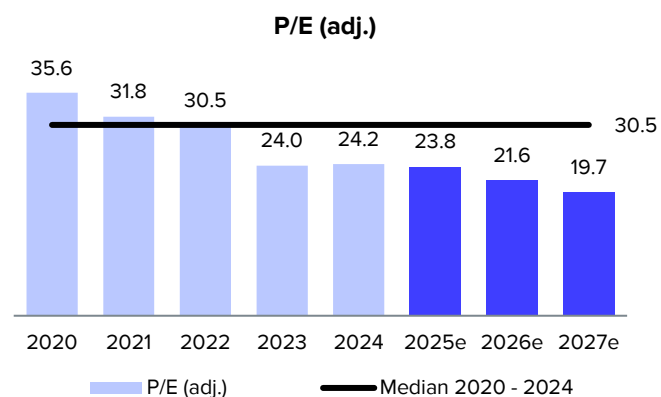
Valuation	2025e	2026e	2027e
Share price	50.5	50.5	50.5
Number of shares, millions	517.5	517.5	517.5
Market cap	26114	26114	26114
EV	25364	25164	24960
P/E (adj.)	23.8	21.6	19.7
P/E	23.8	21.6	19.7
P/B	8.6	8.0	7.5
P/S	2.3	2.1	2.0
EV/Sales	2.2	2.1	1.9
EV/EBITDA	14.9	13.6	12.4
EV/EBIT (adj.)	17.9	16.2	14.7
Payout ratio (%)	89.5 %	89.9 %	88.0 %
Dividend yield-%	3.8 %	4.2 %	4.5 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	66.5	63.0	48.3	45.2	47.0	50.5	50.5	50.5	50.5
Number of shares, millions	518.4	518.0	517.1	517.2	517.5	517.5	517.5	517.5	517.5
Market cap	34452	32652	24975	23358	24324	26114	26114	26114	26114
EV	32722	30724	23908	22611	23694	25364	25164	24960	24758
P/E (adj.)	35.6	31.8	30.5	24.0	24.2	23.8	21.6	19.7	18.6
P/E	36.7	32.2	32.2	25.2	25.6	23.8	21.6	19.7	18.6
P/B	10.9	10.3	8.8	8.5	8.5	8.6	8.0	7.5	7.0
P/S	3.5	3.1	2.3	2.1	2.2	2.3	2.1	2.0	1.9
EV/Sales	3.3	2.9	2.2	2.1	2.1	2.2	2.1	1.9	1.8
EV/EBITDA	22.5	20.0	18.5	15.4	15.4	14.9	13.6	12.4	11.7
EV/EBIT (adj.)	26.2	23.5	22.2	18.1	18.2	17.9	16.2	14.7	13.8
Payout ratio (%)	124.1 %	107.1 %	116.7 %	97.7 %	97.8 %	89.5 %	89.9 %	88.0 %	88.6 %
Dividend yield-%	3.4 %	3.3 %	3.6 %	3.9 %	3.8 %	3.8 %	4.2 %	4.5 %	4.8 %

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
Otis Worldwide Corp	36285	42462	17.9	16.6	16.6	15.5	3.0	2.9	22.9	20.8	1.7	1.9	
Schindler Holding AG	29218	26220	17.5	16.6	14.3	13.5	2.1	2.1	25.7	23.6	2.4	2.6	5.4
Assa Abloy AB	32647	38443	16.6	15.3	13.9	12.9	2.7	2.6	21.3	19.1	1.9	2.1	3.3
Koninklijke Philips NV	24636	31157	15.1	13.8	9.8	9.1	1.6	1.6	17.3	15.0	3.4	3.6	2.0
Ingersoll Rand Inc	35274	38545	21.3	19.8	18.5	17.2	5.3	5.0	26.2	23.7	0.1	0.1	3.1
Johnson Controls International PLC	48326	57832	20.5	18.0	16.2	14.6	2.6	2.5	21.8	18.7	2.0	2.1	3.0
Dover Corp	25985	28865	19.2	17.8	16.2	15.1	3.7	3.5	21.2	19.4	1.1	1.1	4.3
Honeywell International Inc	137945	157052	17.1	16.0	15.1	14.2	4.0	3.8	20.2	18.5	2.1	2.2	7.8
Kone (Inderes)	26114	25364	17.9	16.2	14.9	13.6	2.2	2.1	23.8	21.6	3.8	4.2	8.6
Average			18.1	16.7	15.1	14.0	3.1	3.0	22.1	19.9	1.8	2.0	4.1
Median			17.7	16.6	15.6	14.4	2.9	2.8	21.6	19.3	1.9	2.1	3.3
Diff-% to median			1%	-3%	-5%	-6%	-24%	-25%	10%	12%	95%	101%	158%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	10952	2568	2801	2754	2976	11098	2670	2915	2883	3090	11558	12207	12848	13433
New Building Solutions	4922	1029	1174	1124	1180	4507	980	1159	1122	1180	4441	4574	4757	4924
Service	4127	1083	1114	1117	1189	4504	1170	1192	1188	1248	4798	5086	5340	5580
Modernization	1904	457	513	512	607	2088	521	564	573	661	2319	2547	2750	2929
EBITDA	1470	334	405	393	409	1541	350	435	427	494	1707	1854	2008	2118
Depreciation	-269.4	-71.5	-70.6	-73.4	-76.7	-292.2	-72.7	-72.7	-72.7	-72.7	-291	-298	-308	-319
EBIT (excl. NRI)	1248	262	335	320	387	1303	277	362	355	421	1416	1557	1699	1799
EBIT	1200	262	335	320	333	1249	277	362	355	421	1416	1557	1699	1799
Net financial items	6.1	3.3	2.2	2.6	-2.9	5.2	3.5	3.5	3.5	3.5	13.8	17.8	22.6	27.3
PTP	1206	266	337	322	330	1254	281	366	358	425	1430	1574	1722	1826
Taxes	-274.6	-59.8	-75.8	-72.4	-85.1	-293.1	-63.2	-82.3	-80.6	-95.6	-322	-354	-387	-411
Minority interest	-5.8	-2.9	-2.4	-2.8	-1.6	-9.7	-1.5	-2.0	-2.8	-3.6	-10	-11	-12	-13
Net earnings	926	203	259	247	243	951	216	282	275	326	1098	1209	1323	1403
EPS (adj.)	1.88	0.39	0.50	0.48	0.57	1.94	0.42	0.54	0.53	0.63	2.12	2.34	2.56	2.71
EPS (rep.)	1.79	0.39	0.50	0.48	0.47	1.84	0.42	0.54	0.53	0.63	2.12	2.34	2.56	2.71
Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	0.4 %	0.5 %	-1.2 %	0.1 %	5.9 %	1.3 %	4.0 %	4.1 %	4.7 %	3.8 %	4.1 %	5.6 %	5.3 %	4.6 %
Adjusted EBIT growth-%	16.0 %	8.5 %	0.8 %	1.1 %	7.8 %	4.4 %	5.7 %	8.3 %	11.0 %	9.0 %	8.7 %	9.9 %	9.2 %	5.8 %
EBITDA-%	13.4 %	13.0 %	14.5 %	14.3 %	13.8 %	13.9 %	13.1 %	14.9 %	14.8 %	16.0 %	14.8 %	15.2 %	15.6 %	15.8 %
Adjusted EBIT-%	11.4 %	10.2 %	11.9 %	11.6 %	13.0 %	11.7 %	10.4 %	12.4 %	12.3 %	13.6 %	12.2 %	12.8 %	13.2 %	13.4 %
Net earnings-%	8.5 %	7.9 %	9.2 %	9.0 %	8.2 %	8.6 %	8.1 %	9.7 %	9.5 %	10.5 %	9.5 %	9.9 %	10.3 %	10.4 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	3085	3440	3463	3501	3541
Goodwill	1469	1558	1558	1558	1558
Intangible assets	287	333	322	311	304
Tangible assets	780	899	932	981	1029
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	101	150	150	150	150
Other non-current assets	9.2	15.0	15.0	15.0	15.0
Deferred tax assets	439	485	485	485	485
Current assets	5645	5844	6086	6428	6765
Inventories	821	857	892	942	992
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3127	3173	3305	3490	3674
Cash and equivalents	1698	1814	1889	1995	2100
Balance sheet total	8731	9284	9549	9928	10307

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	2786	2893	3066	3298	3540
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2387	2450	2617	2844	3080
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	299	351	351	351	351
Minorities	33.9	26.3	31.3	36.7	42.7
Non-current liabilities	993	1255	1177	1076	970
Deferred tax liabilities	224	232	232	232	232
Provisions	197	186	186	186	186
Interest bearing debt	572	838	760	658	553
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	4952	5136	5306	5554	5796
Interest bearing debt	113	145	132	114	95.8
Payables	4840	4991	5174	5440	5700
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	8731	9284	9549	9928	10307

DCF-calculation

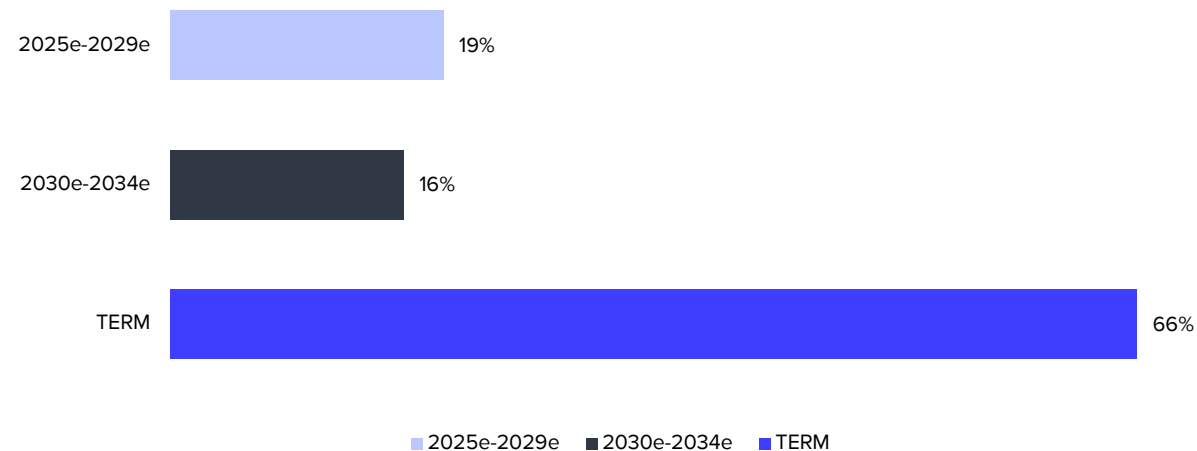
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	1.3 %	4.1 %	5.6 %	5.3 %	4.6 %	4.2 %	3.8 %	3.4 %	3.4 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.3 %	12.2 %	12.8 %	13.2 %	13.4 %	13.5 %	13.3 %	13.1 %	12.8 %	12.8 %	12.5 %	12.5 %
EBIT (operating profit)	1249	1416	1557	1699	1799	1889	1932	1969	1989	2057	2059	
+ Depreciation	292	291	298	308	319	329	340	349	359	367	377	
- Paid taxes	-331	-322	-354	-387	-411	-432	-442	-450	-454	-468	-468	
- Tax, financial expenses	-7.8	-6.1	-5.6	-5.1	-4.5	-3.9	-4.0	-4.8	-5.9	-7.1	-8.3	
+ Tax, financial income	9.0	9.2	9.6	10.1	10.6	11.1	11.5	12.0	12.4	12.8	13.2	
- Change in working capital	68.8	16.7	30.4	27.2	20.3	16.2	11.8	7.3	6.0	5.1	27.5	
Operating cash flow	1280	1405	1535	1653	1733	1810	1849	1883	1907	1966	2000	
+ Change in other long-term liabilities	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-601	-313	-336	-349	-358	-369	-379	-388	-390	-409	-416	
Free operating cash flow	668	1091	1199	1304	1375	1441	1470	1495	1516	1557	1584	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	668	1091	1199	1304	1375	1441	1470	1495	1516	1557	1584	36201
Discounted FCFF		1026	1053	1071	1056	1034	986	937	889	853	811	18533
Sum of FCFF present value		28248	27222	26169	25098	24047	24034	22023	21085	20197	19344	18533
Enterprise value DCF		28248										
- Interest bearing debt		-983										
+ Cash and cash equivalents		1814										
-Minorities		-269										
-Dividend/capital return		0.0										
Equity value DCF		28832										
Equity value DCF per share		55.7										

WACC

Tax-% (WACC)	22.5 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	2.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	7.3 %
Weighted average cost of capital (WACC)	7.0 %

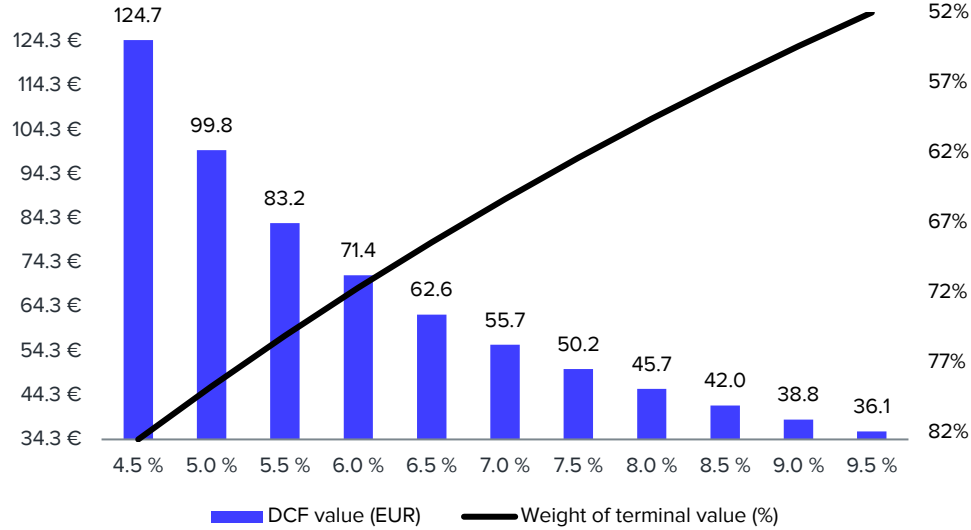
Source: Inderes

Cash flow distribution

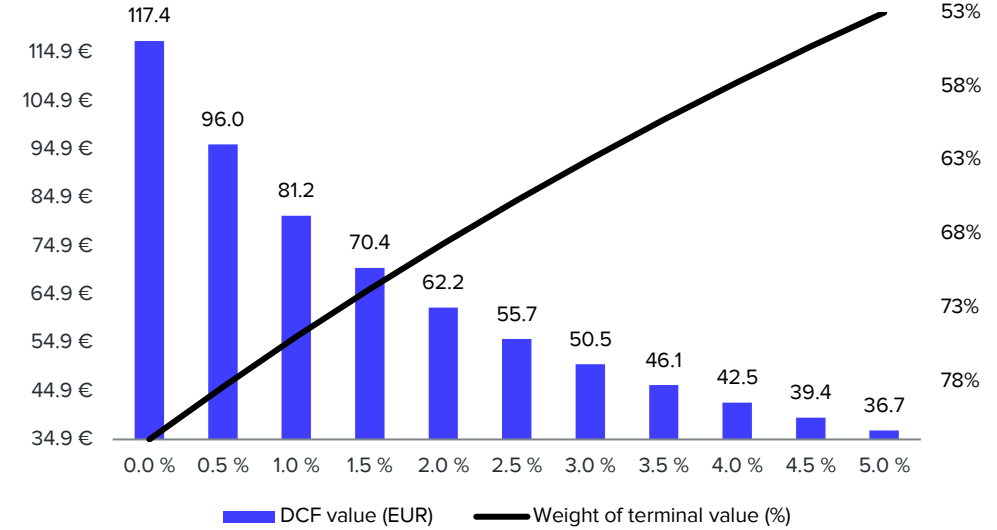


DCF sensitivity calculations and key assumptions in graphs

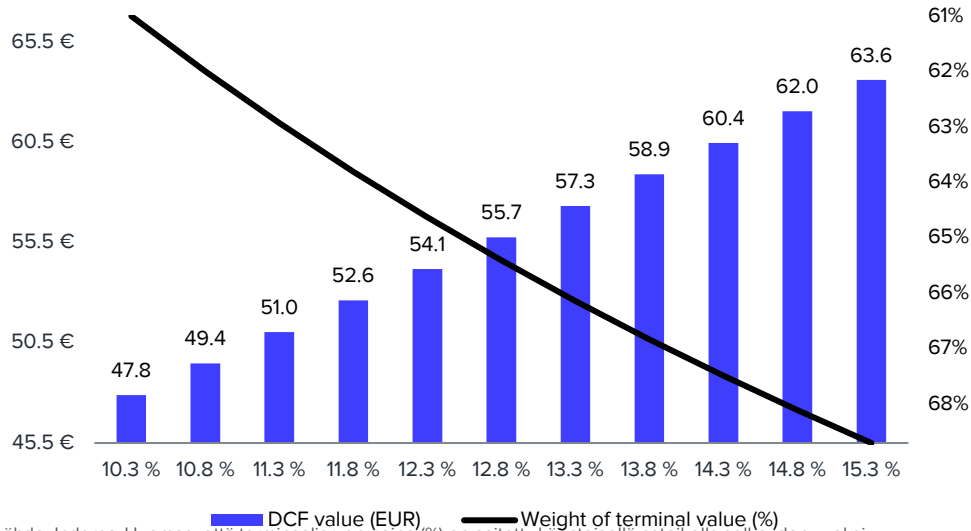
Sensitivity of DCF to changes in the WACC-%



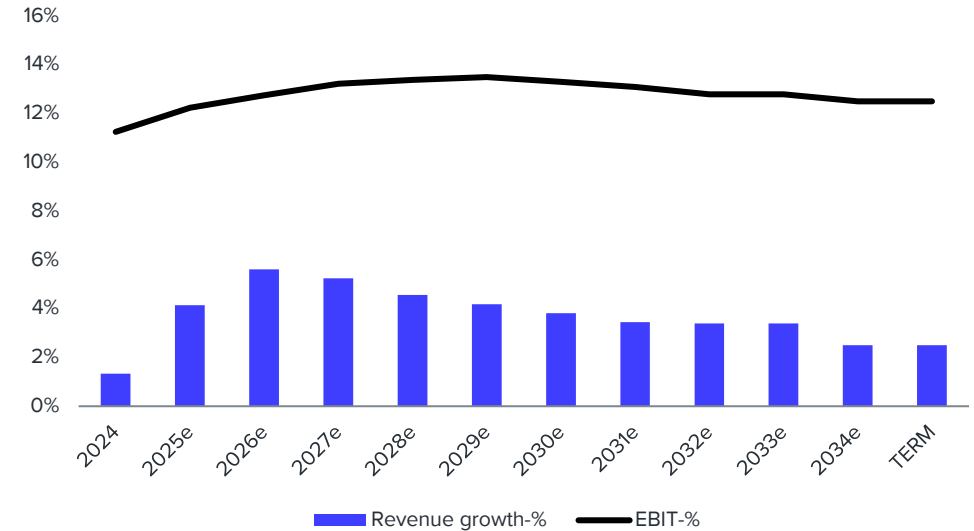
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	10906.6	10952.3	11098.4	11558.3	12206.7	EPS (reported)	1.50	1.79	1.84	2.12	2.34
EBITDA	1290.5	1469.5	1541.2	1706.5	1854.3	EPS (adj.)	1.59	1.88	1.94	2.12	2.34
EBIT	1031.2	1200.1	1249.0	1415.7	1556.6	OCF / share	0.86	2.19	2.47	2.71	2.97
PTP	1028.5	1206.2	1254.2	1429.5	1574.4	FCF / share	0.51	1.38	1.29	2.11	2.32
Net Income	774.5	925.8	951.4	1098.0	1209.3	Book value / share	5.49	5.32	5.54	5.86	6.30
Extraordinary items	-45.4	-48.3	-54.0	0.0	0.0	Dividend / share	1.75	1.75	1.80	1.90	2.10
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	9090.4	8730.8	9284.3	9549.0	9928.3	Revenue growth-%	4%	0%	1%	4%	6%
Equity capital	2866.5	2786.0	2893.1	3065.6	3298.1	EBITDA growth-%	-16%	14%	5%	11%	9%
Goodwill	1414.7	1469.0	1558.4	1558.4	1558.4	EBIT (adj.) growth-%	-18%	16%	4%	9%	10%
Net debt	-1309.0	-1013.4	-831.2	-997.8	-1222.9	EPS (adj.) growth-%	-20%	19%	3%	9%	10%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	11.8 %	13.4 %	13.9 %	14.8 %	15.2 %
EBITDA	1290.5	1469.5	1541.2	1706.5	1854.3	EBIT (adj.)-%	9.9 %	11.4 %	11.7 %	12.2 %	12.8 %
Change in working capital	-559.8	-58.4	68.8	16.7	30.4	EBIT-%	9.5 %	11.0 %	11.3 %	12.2 %	12.8 %
Operating cash flow	443.4	1134.3	1280.0	1404.7	1534.5	ROE-%	25.8 %	33.1 %	33.9 %	37.2 %	38.4 %
CAPEX	-204.3	-442.0	-601.2	-313.4	-335.6	ROI-%	28.4 %	35.4 %	35.1 %	37.2 %	39.8 %
Free cash flow	264.2	711.8	667.8	1091.3	1198.9	Equity ratio	40.3 %	40.9 %	39.8 %	41.4 %	43.1 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	-45.7 %	-36.4 %	-28.7 %	-32.5 %	-37.1 %
EV/S	2.2	2.1	2.1	2.2	2.1						
EV/EBITDA	18.5	15.4	15.4	14.9	13.6						
EV/EBIT (adj.)	22.2	18.1	18.2	17.9	16.2						
P/E (adj.)	30.5	24.0	24.2	23.8	21.6						
P/B	8.8	8.5	8.5	8.6	8.0						
Dividend-%	3.6 %	3.9 %	3.8 %	3.8 %	4.2 %						

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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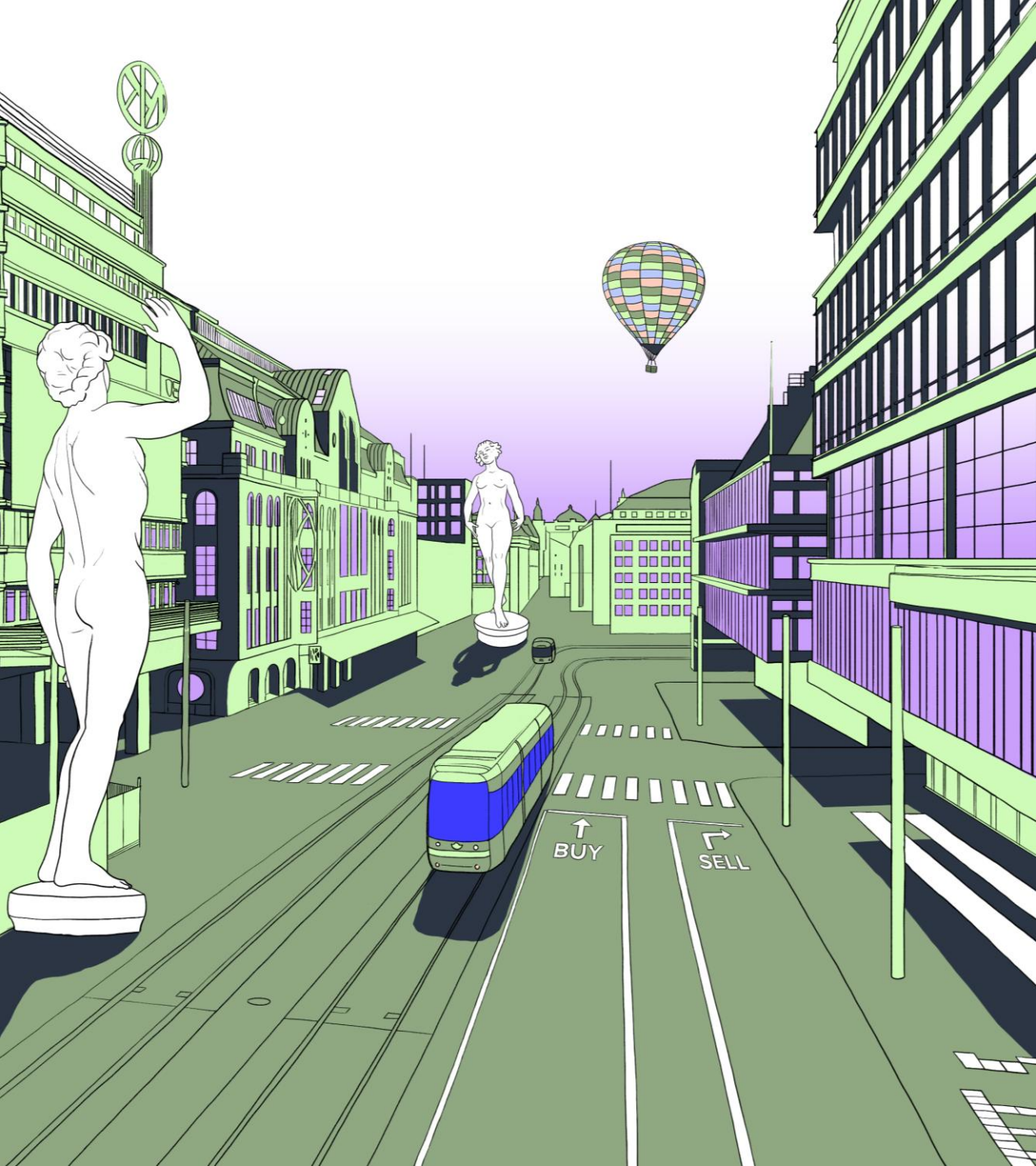
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/20/2018	Reduce	43.00 €	47.30 €
10/26/2018	Reduce	42.00 €	40.60 €
1/25/2019	Reduce	40.00 €	42.73 €
4/29/2019	Sell	41.00 €	48.90 €
7/19/2019	Sell	41.00 €	51.12 €
10/24/2019	Sell	42.00 €	54.18 €
1/29/2020	Sell	45.00 €	61.02 €
3/24/2020	Sell	42.00 €	46.90 €
4/23/2020	Sell	46.00 €	55.00 €
7/20/2020	Sell	48.00 €	64.28 €
9/23/2020	Sell	61.00 €	73.38 €
10/23/2020	Sell	61.00 €	71.26 €
1/29/2021	Sell	61.00 €	67.08 €
4/30/2021	Sell	61.00 €	66.12 €
7/21/2021	Sell	61.00 €	70.82 €
11/1/2021	Reduce	59.00 €	58.72 €
2/3/2022	Reduce	57.00 €	56.80 €
5/2/2022	Accumulate	51.00 €	46.09 €
7/15/2022	Accumulate	51.00 €	45.85 €
7/22/2022	Accumulate	51.00 €	44.38 €
8/31/2022	Reduce	44.00 €	40.89 €
10/17/2022	Reduce	41.50 €	39.09 €
1/27/2023	Reduce	46.00 €	52.48 €
4/28/2023	Reduce	47.50 €	51.98 €
7/21/2023	Reduce	47.50 €	45.47 €
10/26/2023	Reduce	42.00 €	39.50 €
1/24/2024	Reduce	42.00 €	43.14 €
1/28/2024	Reduce	43.00 €	46.31 €
4/24/2024	Accumulate	50.00 €	45.05 €
7/22/2024	Lisää	50.00 €	46.99 €
9/30/2024	Reduce	52.00 €	53.70 €
10/26/2024	Accumulate	55.00 €	51.22 €
..... Analyst changed			
1/31/2025	Accumulate	55.00 €	50.46 €



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