

Tietoevry

Company report

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This report is a summary translation of the report “Nyt saatu ajuri purkamaan aliarvostusta” published on 7/25/2022 at 8:33 am

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A driver found to dissolve undervaluation

We reiterate our Buy recommendation and EUR 31.0 target price for Tietoevry. On Friday, Tietoevry reported a number of interesting things. In Q2, revenue continued to grow strongly, but the result was below expectations. The company raised its revenue guidance and repeated its profitability guidance. However, focus was on the company's plans to separate and list the Banking business, which we expect to clarify the structure, better enable business potential, and dissolve undervaluation. Our estimates remain almost unchanged and we expect stable earnings growth through strengthened revenue growth and profitability and good dividend yield for the coming years. The valuation picture of the share is still very attractive from several angles (2022e adj. P/E 11x and dividend yield > 6%) and now, with the separation, a driver to dissolve the undervaluation.

Result below expectations

Tietoevry's Q4 revenue increased by 2.4% to EUR 739 million and exceeded our and consensus estimates. Revenue grew organically by 5% (Q1: 5%), which is a strong performance for Tietoevry considering the headwind of the Ukrainian war. In Q2, EBITA adjusted for non-recurring items was EUR 79 million (Q2'21: 88 MEUR) or 10.6% of revenue and below our and consensus estimates. The result was depressed by high wage inflation, turnover and the COVID savings ending. Efficiency improvement programs are progressing as planned and support H2 result.

Separating the Banking business would clarify the structure and allow for better development

Tietoevry said it would initiate a strategic review of its Banking business and explore opportunities to separate the business and list it on a stock exchange. The aim is to accelerate growth and profitability. The news came as no surprise, as the company's current 'independent' strategy allows for a separation and we considered this a possible driver for dissolving the undervaluation. Our preliminary estimate is that the Banking business' valuation is now around EV/EBIT 11-13x level (Tietoevry 2022e 10x). However, next year the valuation depends on the development of the business (growth and profitability), the market situation, potential, share of software and share of recurring revenue. We also consider other similar arrangements possible in the future.

Revenue guidance was raised

Tietoevry raised its revenue growth guidance to 3-5% (previously 2-4%) for 2022. In addition, the company expects adjusted EBITA to be EUR 13.1-13.6% in 2022. The company's efficiency programs should support profitability in H2 by 2-2.5% points compared to H1. Thus, our earnings estimates are almost unchanged despite the Q2 undercut and we expect the company to grow organically by 4.3% and EBITA% to be 13.1%. In the big picture, the company invests and continuously improves efficiency to support development whose effects wage inflation slows down.

Valuation picture continues to support a strong view and a driver was found to dissolve the undervaluation

Demand fundamentals for Tietoevry and the sector are strong, the company's outlook is good and the risk profile of the business is lower than for many Nordic peers. With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 11x and 10x or > 30% below peers. We feel that the absolute and relative valuation of the share is still very attractive. The share's expected return also rises to a very attractive >15% considering the 6% earnings growth, 6% dividend yield and the upside in valuation multiples. In addition, our DCF calculation (EUR 35) indicates a clearly higher value than currently. The market was also excited about the separation news (share price reaction +5%).

Recommendation

Buy
(previous Buy)

EUR 31.00
(previous EUR 31.00)

Share price:
26.14



Key figures

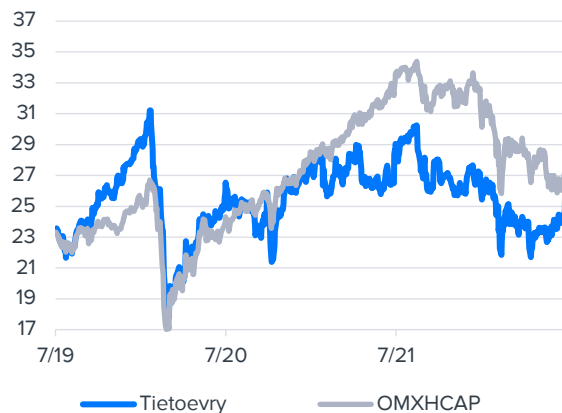
	2021	2022e	2023e	2024e
Revenue	2823	2910	3015	3122
growth-%	1%	3%	4%	4%
EBIT adj.	368	381	409	435
EBIT-% adj.	13.0 %	13.1 %	13.6 %	13.9 %
Net Income	292	182	237	258
EPS (adj.)	2.20	2.36	2.61	2.80
P/E (adj.)	12.5	11.1	10.0	9.3
P/B	1.8	1.7	1.7	1.6
Dividend yield-%	5.1 %	5.4 %	5.7 %	5.9 %
EV/EBIT (adj.)	10.6	9.8	8.9	8.1
EV/EBITDA	7.1	8.8	7.4	6.7
EV/S	1.4	1.3	1.2	1.1

Source: Inderes

Guidance (Improved)

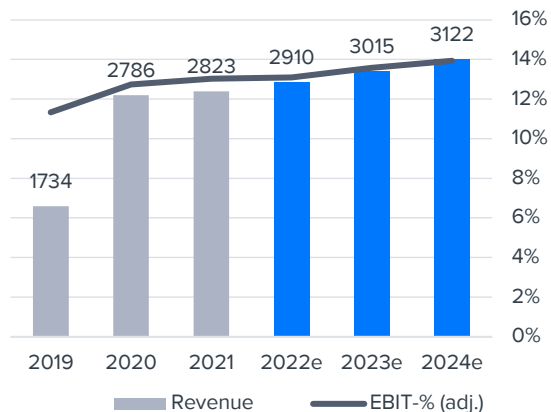
Tietoevry expects its organic growth to be 3% 5% (revenue in 2021: EUR 2,823.4 million). The company estimates its full year adjusted EBITA to be 13.1-13.6% (2021: 13.0%). In addition, Tietoevry expects non-recurring costs to be about 2% of revenue in 2022.

Share price



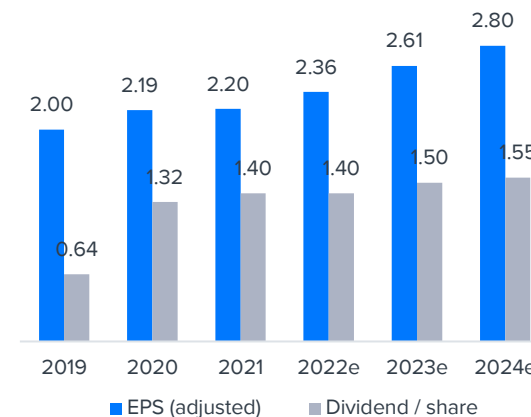
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Increase in the share of highly profitable software product business
- Growing share of new modern IT services
- New synergies from the Tietoevry integration
- Acquisitions and divestments of non-strategic businesses
- Business separation



Risk factors

- Decline in competitive position among large customers
- Continuous transformation creates a constant need for restructuring
- Tietoevry's massive integration failing/dragging on
- Accelerating wage inflation, high employee turnover and a failure in talent competition

Valuation	2022e	2023e	2024e
Share price	26.1	26.1	26.1
Number of shares, millions	118.4	118.4	118.4
Market cap	3096	3096	3096
EV	3753	3638	3511
P/E (adj.)	11.1	10.0	9.3
P/E	17.0	13.0	12.0
P/FCF	14.3	10.5	9.7
P/B	1.7	1.7	1.6
P/S	1.1	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.8	7.4	6.7
EV/EBIT (adj.)	9.8	8.9	8.1
Payout ratio (%)	91.0 %	74.8 %	71.0 %
Dividend yield-%	5.4 %	5.7 %	5.9 %

Source: Inderes

Strong revenue growth but result below expectations

Organic growth continued as strong despite headwind

Tietoevry's Q2 revenue increased by 2.4% to EUR 739 million and exceeded our (732 MEUR) and consensus (733 MEUR) expectations. Revenue grew organically by 5% (Q1: 5%), which is a strong performance for Tietoevry considering the headwind of the Ukrainian war. As expected, growth was driven by Tietoevry Create and Tietoevry Banking (12% and 10%). Growth was still slowed down by Tietoevry Industry and Care (-13% and -5%). Export turnover was 16.3% in Q2 and still elevated (Q1'22 16.5% and Q2'21 11.7%).

Result rows fell short of expectations depressed by wage inflation and NRIs

In Q2, EBIT adjusted for non-recurring items was EUR 79 million (Q2'21: 88 MEUR) or 10.6% of revenue.

Adjusted EBIT was below our and consensus estimates of EUR 86-88 million. The result was depressed by high wage inflation, turnover and the COVID savings ending. The efficiency improvement programs of Tietoevry Connect and Tietoevry Banking are progressing as planned and support the H2 result. The company also said that it had accelerated the efficiency measures in Tietoevry Transform which is expected to become visible toward the end of 2022. Reported EBIT was also depressed by larger-than-expected adjustment items (39 MEUR vs. 33 MEUR estimate) related to the Ukrainian war and discontinued operations in Russia. EPS adjusted for non-recurring items was EUR 0.46 and slightly below our estimate (0.55) but above market expectations (0.50). Tietoevry continuously invests and improves efficiency to support future development, and especially wage inflation

generates headwind for achieved synergy benefits and continued efficiency measures.

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	722	739	732	733	718	742	1%	2910
EBIT (adj.)	88	79	88	86	77	90	-11%	381
EBIT	140	40	55	54	42	61	-28%	259
PTP	134	31	49	49	37	55	-38%	233
EPS (adj.)	0.52	0.46	0.55	0.50	0.37	0.56	-16%	2.36
EPS (reported)	0.99	0.18	0.33	0.33	0.25	0.36	-45%	1.54
Revenue growth-%	5.1%	2.4%	1.4%	1.6%	-0.5%	2.8%	1 pp	3.1%
EBIT-% (adj.)	12.2%	10.6%	12.1%	11.7%	10.7%	12.1%	-1.4 pp	13.1%

Source: Inderes & Vara Research (consensus)

We expect that separation of the Banking business will dissolve undervaluation

The company reviews separation and listing of the Banking business

On Friday, Tietoevry also announced that it has decided to initiate a strategic review of Tietoevry Banking, including a process to study the potential separation into an independent company that would be listed on a stock exchange. The aim is to accelerate the growth and profitability of Tietoevry Banking and enhance its strategic and financial flexibility.

The news itself did not come as a surprise, as the company's current strategy allows for a separation. We already considered separation as one driver for dissolving the undervaluation. Thus the news was very welcome. If the listing review proceeds favorably, Tietoevry will seek to list the Banking business on a stock exchange in the second half of 2023.

Separating the Banking business to dissolve undervaluation

We have already previously assessed that splitting the company would clarify the structure and dissolve undervaluation. We believe that separation of other businesses has also been considered. In line with the new 'independent' strategy, there are no links or synergies between businesses that prevent separation. We find it possible that other businesses will be separated from the whole in the future.

Our preliminary estimate is that the Banking business' valuation is now around EV/EBIT 11-13x level (Tietoevry 2022e 10x). However, next year the valuation depends on the development of the

business (growth and profitability), the market situation, potential, share of software and share of recurring revenue.

The company arranges a CMD in November, where we expect to hear more about the structure and plans for the business.

Banking business

We estimate that Banking business' revenue will grow by 9% to EUR 516 million and adjusted EBITA% to be 13% in 2022. The company feels that as an independent company the business has greater opportunities to grow and improve profitability.

The company is currently relatively far from its previous Banking business profitability target, as the company was aiming for 6-8% growth and 18-22% adjusted EBITA% before the strategy revision and new segment structure.

Only minor adjustments to our estimates

Tietoevry raised its revenue guidance

With strong revenue growth in H1 (organic 4.6%) and H2 outlook, Tietoevry raised its revenue growth guidance to 3-5% (previously 2-4%) for 2022. In addition, the company expects adjusted EBITA to be EUR 13.1-13.6% in 2022. The company's efficiency programs should support profitability in H2 by 2-2.5% points compared to H1. Before the Q2 report, the market in practice already expected the guidance to be at the top of the previous range and in the middle of the new range.

Earnings growth through growth and profitability

We estimate that Tietoevry's revenue will grow by 3% to EUR 2910 million in 2022. Organic revenue growth we estimate to be 4%. During the last three quarters, the company has shown that it can grow also organically (3-5%), which makes the base for earnings

growth stronger.

We estimate that the adjusted EBITA will total EUR 381 million and profitability will rise to 13.1% (2021: 13.0%). The profitability improvement is driven by synergies and efficiency measures (e.g. the old Cloud & Infra). However, these are slowed down by wage inflation (4% in 2022) and continued product development investments (4-5% of revenue).

In our forecasts, we estimate restructuring costs and efficiency costs to be 1.7% of revenue or EUR 50 million in 2022. In addition, we estimate the amortization of intangible assets related to acquisitions to be EUR 46 million, non-recurring costs related to Ukraine EUR 7 million, exit from Russia EUR 7 million and other costs EUR 9 million in 2022. We have adjusted the above expense items from EBITA and net profit.

The company has said it will continuously investigate possible new cost synergies and efficiency measures. As in the past, we expect the need for restructuring to continue in the future, driven by changes in employee skills and the demand for services, as well as changes in technologies. Instead of revenue synergies, the company focuses in the new 'independent' strategy on the development of independent business areas.

In 2023-2024, we estimate a 4% annual increase in revenue and a gradual increase in the EBITA margin to 13.9%, driven by synergies and efficiency measures. In our view, the current favorable and improving market conditions beginning to hiccup and/or higher employee turnover becoming the 'new normal' and wage inflation accelerating further or remaining high are the main risks for the realization of these synergies.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	2895	2910	1%	2979	3015	1%	3075	3122	2%
EBITDA	435	428	-2%	490	492	0%	515	520	1%
EBIT (exc. NRIs)	381	381	0%	407	409	1%	427	435	2%
EBIT	266	259	-2%	316	319	1%	337	343	2%
PTP	243	233	-4%	297	301	1%	321	327	2%
EPS (excl. NRIs)	2.39	2.36	-1%	2.59	2.61	1%	2.74	2.80	2%
DPS	1.40	1.40	0%	1.50	1.50	0%	1.55	1.55	0%

Source: Inderes

A driver found to dissolve undervaluation

Peer group

Demand fundamentals for Tietoevry and the sector have strengthened and the company's outlook has improved over the past good 12 months. We have used Finnish, Nordic and global peers in Tietoevry's peer group. We consider the median of this peer group to be a good yardstick for Tietoevry's valuation level. We base the relative valuation on the company's size, competitive position, and scalability, continuity and know-how of the expert portfolio, as well as geographical diversification and predictable business. We have also considered the 'constant' restructuring costs, which are higher for Tietoevry than its peers. In future, Tietoevry expects restructuring costs to be 1-2% of revenue (2022: ~ 2.0%), representing up to good 10% of the operating result. As the company shows strengthening economies of scale and competitive advantages, a slight premium can be accepted for the share compared to the sector valuation.

Valuation multiples

With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 11x and 10x or > 30% below peers. We feel that the absolute and relative valuation of the share is still very attractive. The company adjusts good 10% more costs from its result than its Finnish peers and considering this the share is still attractively priced. In addition, dividend yield provides a good baseline return.

In our view, dismantling the long-standing undervaluation can be triggered by the continuation of organic growth, which in history has been challenging and the current 3-5% level can be considered good for Tietoevry, which also reflects

how healthy the business is. In addition, the new strategy and segment structure allow new and higher efficiency as the segments have their own stronger focus. Thirdly, the planned business separation, which would clarify the structure and allow the Banking business to grow more and improve profitability. The company has for a longer time communicated that it is active on the M&A front, which can mean acquisitions, smaller divestments or a new divestment (or separation) of a whole segment. This could further strengthen (acquisitions) or clarify the structure (divestments) and reduce the undervaluation.

Components of the expected return for the share

We examine the expected return for Tietoevry's share based on earnings growth, dividend yield and the accepted valuation level. We estimate that the company will be able to achieve an annual earnings growth rate of 6% (compared to 2022 level) in 2023-24, driven by revenue growth and improved profitability. With our growing dividend estimates and average 80% payout ratio the dividend yield is around 6%. Strong cash flow continuously strengthens the balance sheet and provides good preconditions for high distribution of profits and inorganic growth.

We believe there is currently a clear upside in the share's valuation multiples. Thus, the share's expected return consisting of dividend yield, earnings growth and the upside in valuation multiples is >15%. This is a very attractive level, given the strengthened organic growth base, reduced operational uncertainty and low business risk compared to the sector.

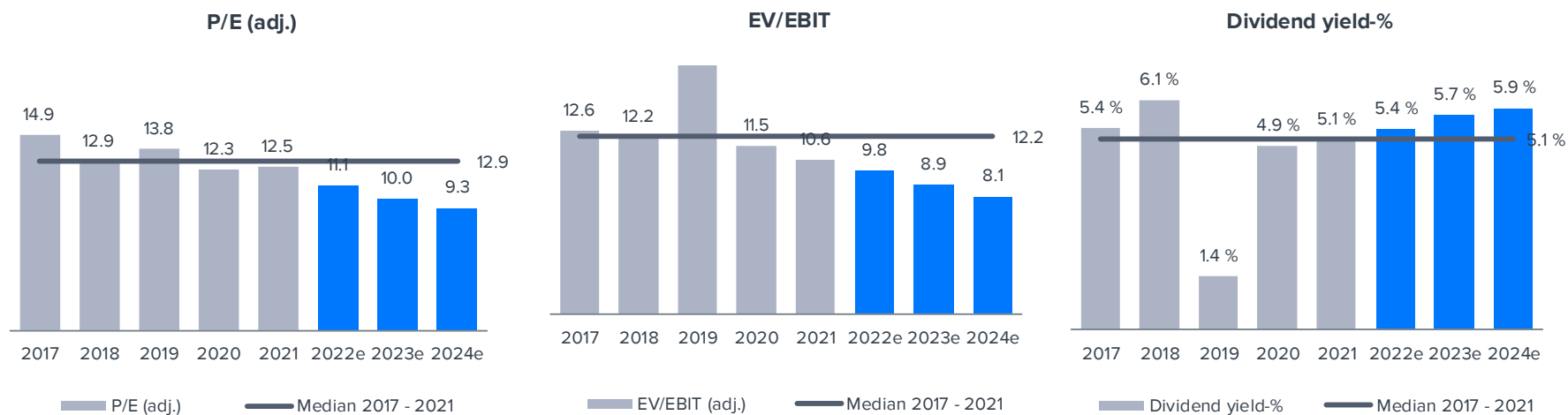
Valuation	2022e	2023e	2024e
Share price	26.1	26.1	26.1
Number of shares, millions	118.4	118.4	118.4
Market cap	3096	3096	3096
EV	3753	3638	3511
P/E (adj.)	11.1	10.0	9.3
P/E	17.0	13.0	12.0
P/FCF	14.3	10.5	9.7
P/B	1.7	1.7	1.6
P/S	1.1	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.8	7.4	6.7
EV/EBIT (adj.)	9.8	8.9	8.1
Payout ratio (%)	91.0 %	74.8 %	71.0 %
Dividend yield-%	5.4 %	5.7 %	5.9 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	26.0	23.6	27.7	26.9	27.5	26.1	26.1	26.1	26.1
Number of shares, millions	74.1	73.8	67.9	118.4	118.4	118.4	118.4	118.4	118.4
Market cap	1925	1741	3283	3181	3254	3096	3096	3096	3096
EV	2086	2045	4067	4097	3900	3753	3638	3511	3371
P/E (adj.)	14.9	12.9	13.8	12.3	12.5	11.1	10.0	9.3	8.8
P/E	17.9	14.1	23.8	33.7	11.2	17.0	13.0	12.0	11.1
P/FCF	24.1	neg.	neg.	82.9	8.4	14.3	10.5	9.7	9.3
P/B	4.1	3.6	1.9	2.0	1.8	1.7	1.7	1.6	1.5
P/S	1.2	1.1	1.9	1.1	1.2	1.1	1.0	1.0	1.0
EV/Sales	1.4	1.3	2.3	1.5	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	11.0	9.8	17.7	12.7	7.1	8.8	7.4	6.7	6.2
EV/EBIT (adj.)	12.6	12.2	20.7	11.5	10.6	9.8	8.9	8.1	7.4
Payout ratio (%)	96.3 %	86.9 %	59.5 %	165.4 %	56.9 %	91.0 %	74.8 %	71.0 %	68.1 %
Dividend yield-%	5.4 %	6.1 %	1.4 %	4.9 %	5.1 %	5.4 %	5.7 %	5.9 %	6.1 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Digia*	195	205	11.0	9.2	9.1	7.7	1.2	1.1	12.8	11.5	2.7	3.2
Digital Workforce*	45	29					1.2	1.2				
Gofore*	349	327	15.9	14.0	14.7	12.4	2.3	2.0	20.7	18.7	1.5	1.8
Loihde*	70	31	6.3	4.9	2.9	3.8	0.2	0.2	16.2	13.7	3.0	3.2
Innofactor*	35	45	9.8	7.9	6.1	5.5	0.7	0.6	11.0	8.8	5.3	6.3
Netum Group*	47	47	11.2	9.8	10.6	9.5	1.6	1.4	14.4	13.1	3.0	3.2
Nixu*	47	51	138.9	19.7	27.3	12.8	0.9	0.8		25.7		
Siili Solutions*	102	115	9.5	8.2	7.7	6.8	1.0	0.9	11.7	10.5	2.8	3.5
Solteq*	44	74	11.8	9.3	6.3	5.4	1.0	0.9	12.4	9.8	5.2	6.1
Vincit*	96	83	8.9	6.3	9.0	6.0	1.0	0.7	11.3	9.7	3.8	4.1
Witted Megacorp*	72	62	61.5	20.6	59.2	20.4	1.1	0.8	187.9	32.5		
Bouvet	646	656	17.2	15.2	14.3	12.8	2.2	1.9	22.1	19.4	41.0	47.4
Enea	185	253	21.6	16.6	9.4	8.2	2.8	2.8	12.1	19.7		
Knowit	775	822	15.2	13.4	10.3	9.3	1.3	1.2	17.9	15.1	2.5	2.8
Netcompany Group	2621	2914	22.9	18.8	18.7	15.8	3.9	3.5	25.3	20.4	0.6	0.9
Wipro	27498	26094	15.2	14.8	12.5	12.2	2.7	2.4	18.5	18.7	1.3	2.0
Tata Consultancy	142012	137731	23.4	20.8	21.4	19.0	5.9	5.2	30.8	27.6	1.6	2.6
Atos SE	1208	3681	18.3	18.3	3.9	3.7	0.3	0.3	6.1	4.2		6.1
Capgemini SE	29496	33534	13.5	12.4	10.3	9.5	1.6	1.5	17.0	15.1	1.6	1.7
IBM	112754	154410	15.3	13.6	10.3	9.6	2.6	2.6	13.8	12.7	4.8	5.1
Accenture	178218	172201	18.8	17.1	15.4	14.2	2.9	2.6	26.9	23.9	1.4	1.5
Tietoevry (Inderes)	3096	3753	9.8	8.9	8.8	7.4	1.3	1.2	11.1	10.0	5.4	5.7
Average			23.3	13.6	14.0	10.2	1.8	1.6	25.7	16.5	5.1	6.0
Median (all)			15.3	13.8	10.3	9.5	1.3	1.2	16.2	15.1	2.8	3.2
<i>Diff-% to median</i>			-35%	-36%	-15%	-22%	0%	1%	-32%	-34%	95%	79%
Median Finnish companies			11.0	9.2	9.0	6.8	1.0	0.9	12.6	11.5	3.0	3.3
<i>Diff-% to median</i>			-10%	-4%	-3%	9%	27%	35%	-12%	-12%	79%	73%
Median international companies			18.3	16.6	12.5	12.2	2.6	2.4	18.5	19.4	1.6	2.6
<i>Diff-% to median</i>			-46%	-47%	-30%	-39%	-51%	-49%	-40%	-48%	242%	122%

Source: Refinitiv / Inderes' adjusted estimate. 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	2786	712	722	648	742	2823	731	739	667	773	2910	3015	3122	3226
Tietoevry Create	662	188	188	172	207	756	218	210	188	228	844	912	976	1034
Tietoevry Banking	932	114	120	112	130	476	125	132	120	139	516	547	577	606
Tietoevry Care	501	54.4	61.5	48.9	57.1	222	56.6	58.3	50.4	58.2	224	235	246	254
Tietoevry Industry	419	82.9	78.5	67.4	74.6	303	71.0	68.3	63.4	70.9	274	282	293	305
Tietoevry Transform	142	121	119	105	122	468	121	119	107	126	473	478	478	478
Eliminations	131	-76	-77	-73	-83	-309	-85	-79	-73	-83	-320	-328	-338	-350
EBITDA	323	101	182	114	155	552	88	81	118	140	428	492	520	542
Depreciation	-175.8	-44	-43	-42	-42	-170	-42	-42	-43	-43	-169	-172	-177	-178
EBIT (excl. NRI)	355	82	88	94	103	368	85	79	97	121	381	409	435	458
EBIT	147	57	140	72	113	382	46	40	76	98	259	319	343	364
Group items & NRIs	0.0	-25	51	-22	10	14	-39	-39	-21	-23	-122	-90	-92	-94
Net financial items	-24.3	-8	-6	-8	-6	-28	-4	-9	-6	-6	-26	-19	-16	-12
PTP	122	48	134	65	107	354	42	31	70	92	233	301	327	352
Taxes	-27.9	-11	-16	-16	-18	-62	-9	-9	-15	-19	-51	-63	-69	-74
Net earnings	94.5	37	118	48	89	292	33	22	55	72	182	237	258	278
EPS (adj.)	2.19	0.48	0.52	0.55	0.64	2.20	0.54	0.45	0.61	0.76	2.36	2.61	2.80	2.98
EPS (rep.)	0.80	0.31	0.99	0.41	0.75	2.46	0.28	0.18	0.46	0.61	1.54	2.00	2.18	2.35
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-%	60.7 %	-4.4 %	5.1 %	0.7 %	4.2 %	1.3 %	2.7 %	2.4 %	2.9 %	4.2 %	3.1 %	3.6 %	3.6 %	3.3 %
Adjusted EBIT growth-%	80.8 %	5.1 %	9.8 %	4.3 %	-3.0 %	3.6 %	3.0 %	-10.5 %	3.2 %	16.7 %	3.6 %	7.4 %	6.2 %	5.3 %
EBITDA-%	11.6 %	14.1 %	25.3 %	17.6 %	20.9 %	19.6 %	12.1 %	11.0 %	17.7 %	18.1 %	14.7 %	16.3 %	16.7 %	16.8 %
Adjusted EBIT-%	12.7 %	11.5 %	12.2 %	14.5 %	13.9 %	13.0 %	11.6 %	10.7 %	14.6 %	15.6 %	13.1 %	13.6 %	13.9 %	14.2 %
Net earnings-%	3.4 %	5.2 %	16.3 %	7.4 %	12.0 %	10.3 %	4.5 %	3.0 %	8.2 %	9.4 %	6.3 %	7.9 %	8.3 %	8.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	2793	2713	2669	2630	2588
Goodwill	1974	1944	1944	1944	1944
Intangible assets	385	388	342	299	255
Tangible assets	329	280	289	293	294
Associated companies	19.7	16.7	16.7	16.7	16.7
Other investments	13.4	17.0	10.0	10.0	10.0
Other non-current assets	24.7	38.1	38.1	38.1	38.1
Deferred tax assets	46.9	29.9	29.9	29.9	29.9
Current assets	812	874	739	824	773
Inventories	4.9	7.2	0.0	0.0	0.0
Other current assets	35.9	23.3	23.3	23.3	23.3
Receivables	519	520	553	573	593
Cash and equivalents	252	324	162	227	156
Balance sheet total	3605	3587	3408	3454	3361

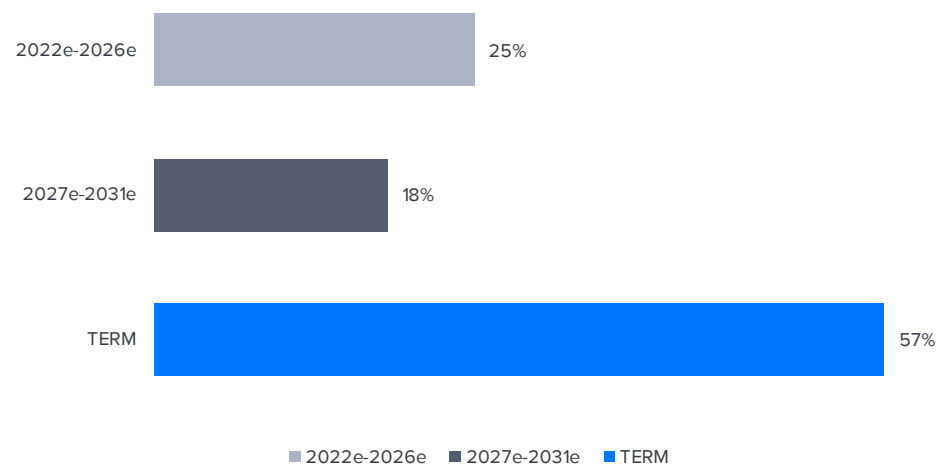
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	1626	1821	1795	1867	1948
Share capital	119	118	75.8	75.8	75.8
Retained earnings	304	500	516	588	668
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	1204	1204	1204	1204	1204
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	1204	999	883	833	533
Deferred tax liabilities	25.3	27.6	27.6	27.6	27.6
Provisions	48.8	22.4	22.4	22.4	22.4
Long term debt	1057	876	760	710	409
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	72.5	73.4	73.4	73.4	73.4
Current liabilities	775	767	729	754	880
Short term debt	112	94.0	60.0	60.0	162
Payables	588	673	669	694	718
Other current liabilities	75.0	0.0	0.0	0.0	0.0
Balance sheet total	3605	3587	3408	3454	3361

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	382	259	319	343	364	332	340	348	357	366	372	
+ Depreciation	170	169	172	177	178	168	164	158	155	152	151	
- Paid taxes	-42.9	-51.3	-63.1	-68.7	-74.0	-67.4	-69.7	-72.1	-74.5	-76.9	-78.3	
- Tax, financial expenses	-5.2	-5.9	-4.2	-3.5	-2.6	-2.5	-1.9	-1.3	-0.7	-0.2	0.0	
+ Tax, financial income	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	
- Change in working capital	19.2	-29.6	4.2	4.3	4.1	3.6	3.3	3.4	3.5	3.6	2.2	
Operating cash flow	523	341	429	453	469	434	436	437	440	445	446	
+ Change in other long-term liabilities	-25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-110.5	-125.0	-133.5	-135.0	-136.5	-138.0	-139.6	-141.2	-142.7	-144.4	-153.9	
Free operating cash flow	387	216	296	318	333	296	297	296	297	300	292	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	387	216	296	318	333	296	297	296	297	300	292	5335
Discounted FCFF		210	268	269	263	219	205	191	179	169	154	2802
Sum of FCFF present value		4928	4718	4450	4181	3918	3699	3494	3304	3125	2956	2802
Enterprise value DCF		4928										
- Interesting bearing debt		-969.6										
+ Cash and cash equivalents		324										
- Minorities		0.0										
- Dividend/capital return		-165.8										
Equity value DCF		4116										
Equity value DCF per share		34.8										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	7.5 %
Weighted average cost of capital (WACC)	7.1 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	1734.2	2786.4	2823.3	2909.7	3015.4	EPS (reported)	1.16	0.80	2.46	1.54	2.00
EBITDA	230.2	322.5	552.0	427.9	491.9	EPS (adj.)	2.00	2.19	2.20	2.36	2.61
EBIT	124.2	146.7	382.0	259.1	319.4	OCF / share	5.83	1.93	4.42	2.88	3.62
PTP	101.2	122.4	353.8	233.5	300.5	FCF / share	-23.02	0.32	3.27	1.83	2.50
Net Income	79.1	94.5	291.6	182.2	237.4	Book value / share	24.83	13.73	15.38	15.16	15.76
Extraordinary items	-72.2	-208.4	14.3	-122.1	-90.0	Dividend / share	0.64	1.32	1.40	1.40	1.50
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	3833.7	3604.8	3587.3	3407.9	3453.9	Revenue growth-%	8%	61%	1%	3%	4%
Equity capital	1687.1	1626.2	1821.1	1795.3	1866.9	EBITDA growth-%	10%	40%	71%	-22%	15%
Goodwill	2023.1	1974.4	1943.7	1943.7	1943.7	EBIT (adj.) growth-%	17%	81%	4%	4%	7%
Net debt	783.9	916.3	645.8	657.5	542.7	EPS (adj.) growth-%	10%	9%	1%	7%	10%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	13.3 %	11.6 %	19.6 %	14.7 %	16.3 %
EBITDA	230.2	322.5	552.0	427.9	491.9	EBIT (adj.)-%	11.3 %	12.7 %	13.0 %	13.1 %	13.6 %
Change in working capital	237.5	-67.0	19.2	-29.6	4.2	EBIT-%	7.2 %	5.3 %	13.5 %	8.9 %	10.6 %
Operating cash flow	396.0	228.7	523.4	341.4	429.0	ROE-%	7.3 %	5.7 %	16.9 %	10.1 %	13.0 %
CAPEX	-2261.6	14.0	-110.5	-125.0	-133.5	ROI-%	6.9 %	5.4 %	13.7 %	9.6 %	12.2 %
Free cash flow	-1563.8	38.4	387.4	216.4	295.5	Equity ratio	44.0 %	45.1 %	50.8 %	52.7 %	54.1 %
						Gearing	46.5 %	56.3 %	35.5 %	36.6 %	29.1 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	2.3	1.5	1.4	1.3	1.2						
EV/EBITDA (adj.)	17.7	12.7	7.1	8.8	7.4						
EV/EBIT (adj.)	20.7	11.5	10.6	9.8	8.9						
P/E (adj.)	13.8	12.3	12.5	11.1	10.0						
P/E	1.9	2.0	1.8	1.7	1.7						
Dividend-%	1.4 %	4.9 %	5.1 %	5.4 %	5.7 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
24-07-17	Reduce	27.00 €	26.99 €
25-10-17	Reduce	27.00 €	27.21 €
06-02-18	Reduce	28.00 €	27.98 €
26-04-18	Reduce	29.00 €	29.86 €
23-07-18	Accumulate	28.00 €	25.96 €
25-10-18	Reduce	27.00 €	26.30 €
29-11-18	Reduce	27.00 €	25.70 €
07-02-19	Reduce	27.00 €	26.70 €
26-04-19	Reduce	27.00 €	27.50 €
22-07-19	Accumulate	26.00 €	23.10 €
25-10-19	Reduce	26.00 €	25.92 €
11-12-19	Reduce	27.00 €	26.86 €
17-02-20	Reduce	29.00 €	30.30 €
30-03-20	Accumulate	21.00 €	18.69 €
29-04-20	Accumulate	25.00 €	21.94 €
27-07-20	Accumulate	28.00 €	26.24 €
21-10-20	Buy	30.00 €	25.90 €
28-10-20	Buy	30.00 €	22.66 €
18-02-21	Buy	30.00 €	26.34 €
30-04-21	Buy	34.00 €	28.98 €
21-07-21	Buy	34.00 €	28.36 €
27-10-21	Buy	34.00 €	26.94 €
18-02-22	Buy	32.00 €	25.70 €
06-05-22	Buy	31.00 €	22.72 €
25-07-22	Buy	31.00 €	26.14 €



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