

Canatu

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Varovasti kasvutarinan kyytiin” published on 10/22/2024 at 7:19 am EEST

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res.**

Carefully aboard the growth story

We reiterate our EUR 13.0 target price but raise our recommendation to Accumulate (was Reduce). Canatu's stock has fallen by about 12% since our initiation of coverage report, and there have been no significant changes in the company's fundamentals in a good month's time. We believe Canatu is one of the most promising growth stories on the Helsinki stock exchange, and this is also still reflected in the high valuation of the share. However, since the price drop, the risk/reward ratio has improved, and we feel it favors cautious optimism about the stock.

Based on news flow, no significant changes have occurred in the growth story

Shortly after the SPAC listing, Canatu [announced](#) its first S-100 reactor delivery to a large customer in the semiconductor industry, which was already expected based on the information at the time of the listing. Canatu has announced that it will deliver the first two reactors this year. In the coming years, the ramp-up of the Reactor business will be key for the company's growth targets (2027: revenue >100 MEUR and adj. EBIT > 30%), as recurring revenue from royalties and non-discretionary consumables will start growing with it.

Over the past week, Canatu's stock has been declining, which may have been partly affected by ASML's Q3 report which was weaker than expected. The orders received in Q3 by ASML, which in practice holds a monopoly position in EUV lithography systems, and the outlook for 2025, were disappointing compared to expectations. The weaker demand outlook is particularly related to EUV lithography systems, which offhand sounds a little worrisome for Canatu. However, based on ASML's comments, customer demand for Low NA systems is shifting toward newer NXE:3800E systems, which is positive for Canatu. This system generation is the first where the power of EUV systems reaches a level where the properties of pellicles made of Canatu's CNT (carbon nanotube) are clearly improved compared to traditional pellicles that cannot properly withstand the higher heat load and mechanical stress. It is also worth noting that ASML still expects its revenue to grow (2024e 28 BNEUR vs. 2025e 30-35 BNEUR), so Canatu's potential EUV lithography equipment stock seems to continue to increase, as expected, although the development is somewhat more moderate than ASML's previous expectations.

A deep tech company developing advanced carbon nanotubes

Canatu develops advanced carbon nanotubes, related products and production equipment for the semiconductor industry, the automotive industry and medical diagnostics. In recent years, Canatu has moved from the technological development stage to commercialization and grown very quickly (2020-23 CAGR 108%). Canatu already has several significant customers and its proven mass production capability provides credibility for continued strong growth. The company's unique and patented method of manufacturing carbon nanotubes seems a clear competitive advantage, which we believe is reflected in the company's high gross margins through good pricing power (2023: 71%).

The risk/reward ratio turns cautiously positive

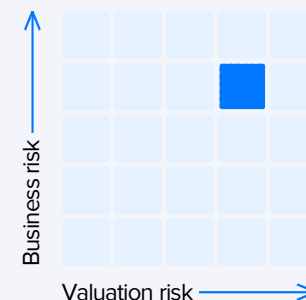
Despite the price drop, expectations of strong scalable growth have been priced in Canatu's valuation (2024e EV/S 13x-15x depending on warrants and earn-outs). With the company's investment profile and growth prospects, we believe a high valuation is justified and the risk/reward ratio now turns cautiously positive. We note that the current valuation still leaves no room for essential dents in the story. Using scenarios with different growth and profitability rates, we have estimated a wide value range of some EUR 6-20 for Canatu, which partly reflects the risks and opportunities associated with the company.

Recommendation

Accumulate
(was Reduce)

EUR 13.00
(was EUR 13.00)

Share price:
11.40



Key figures

	2023	2024e	2025e	2026e
Revenue	13.6	22.7	30.3	41.3
growth-%	62%	67%	34%	36%
EBIT adj.	-0.6	-3.4	-2.4	-0.4
EBIT-% adj.	-4.7 %	-15.1 %	-7.9 %	-1.0 %
Net Income	-1.3	-4.0	-1.8	-0.3
EPS (adj.)	-0.04	-0.09	-0.04	0.01

P/E (adj.)	13.9	neg.	neg.	>100
P/B	2.6	3.5	3.6	3.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	8.1	neg.	neg.	neg.
EV/EBITDA	7.2	neg.	neg.	>100
EV/S	2.5	13.2	10.1	7.5

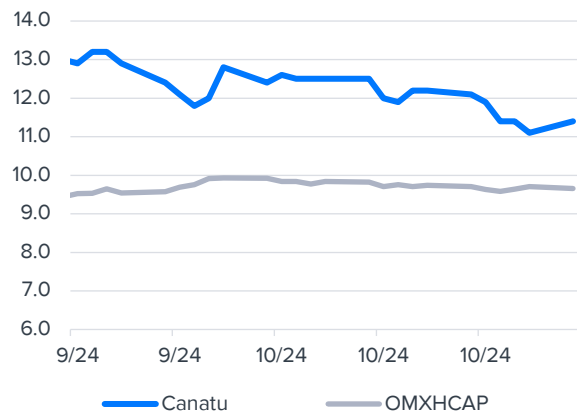
Source: Inderes

Guidance

(Unchanged)

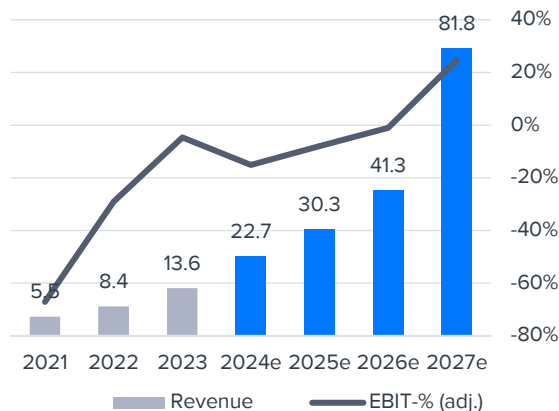
Canatu's net turnover for the 2024 financial year is estimated to be between EUR 20 million and EUR 25 million..

Share price



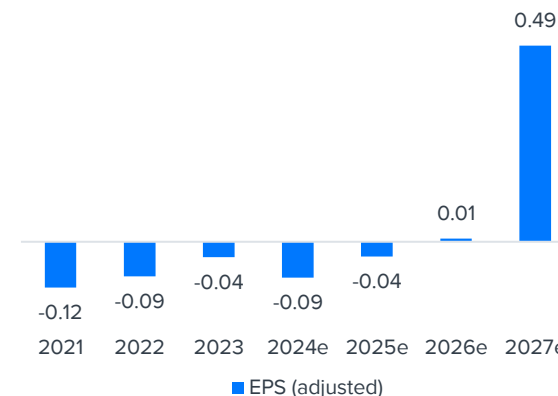
Source: Millstream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth in the semiconductor industry is the key value driver in the coming years
- Unique and patented manufacturing technology is a clear competitive advantage
- High gross margins indicate pricing power and clear scalability potential in profitability
- The automotive industry and diagnostics support longer-term growth outlook
- Optionality related to Canatu's technology and possible new application areas
- The capital-light business model allows for a high ROI



Risk factors

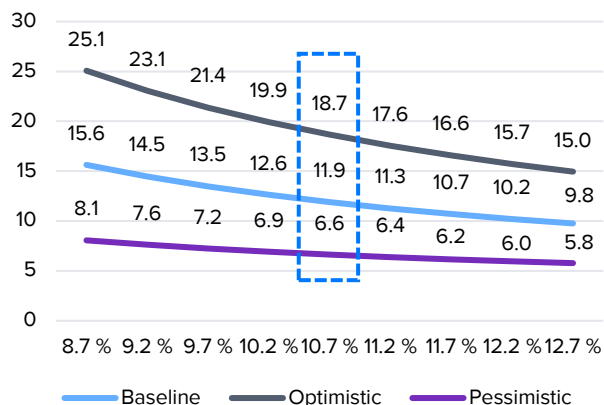
- Concentration, cyclicity and geopolitical risks in the semiconductor industry
- Dependency on individual significant customers
- Sustainability of the competitive advantage in Canatu's carbon nanotube manufacturing
- Competitive threat from other materials in Canatu's product areas
- The high valuation of the stock requires continued strong growth

Valuation	Current	>12e	>13e	>14e
Number of shares, million	34.0	38.4	41.2	44.3
Market cap	387	438	470	505
EV	300	312	310	345
EV/S 2024e	13.2	13.7	13.7	15.2
EV/S 2027e	3.6	3.8	3.8	4.2
EV/S 2028e	2.5	2.6	2.6	2.9
EV/EBIT 2027e	14.7	15.2	15.2	16.9
EV/EBIT 2028e	8.1	8.4	8.4	9.4
DCF value per share	13.4	12.8	12.8	11.9

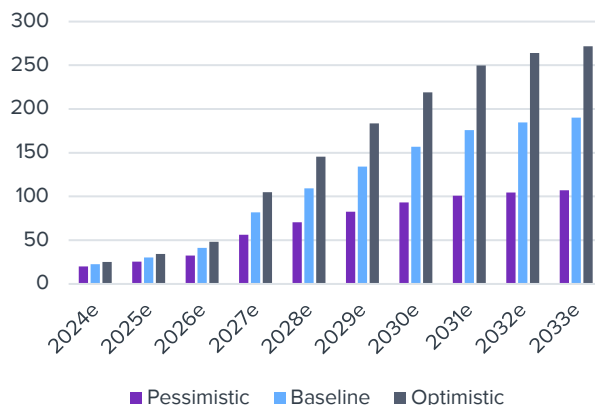
Multiples have been calculated at the current share price, but the variable is the number of shares and the capital raised from exercising warrants

DCF scenarios and a summary of valuation methods

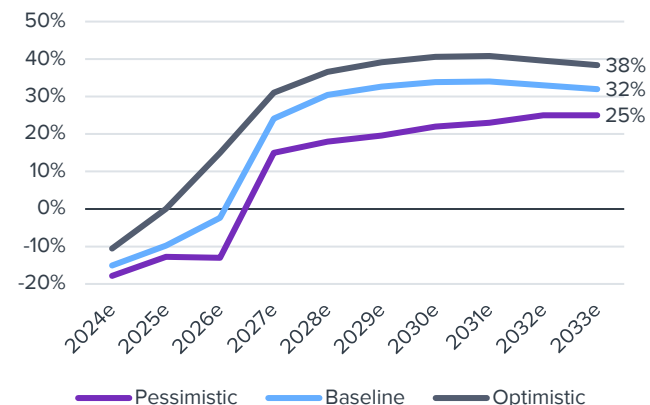
DCF value in different scenarios



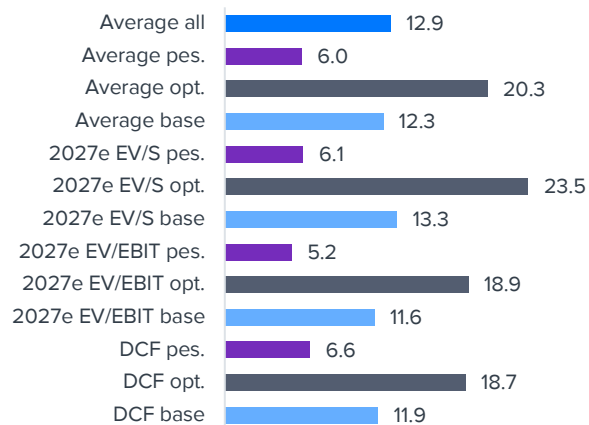
Revenue in different scenarios (MEUR)



EBIT % in different scenarios



Summary of valuation methods (EUR/share)



Scenarios up to 2027 and a summary of peer valuation

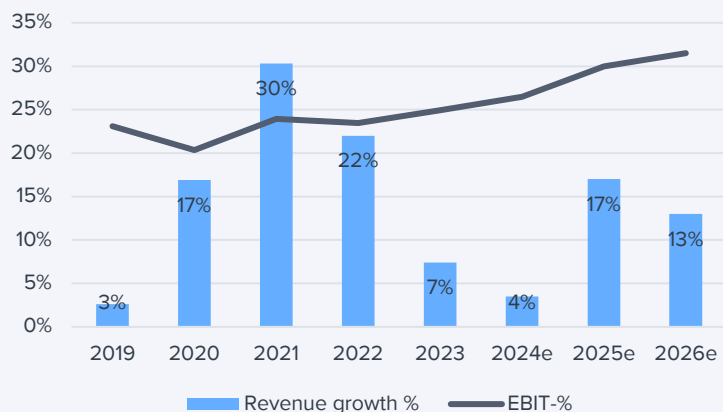
EV/EBIT

Scenarios by 2027	Pessimistic	Current estimates	Optimistic
Revenue	56.4	81.8	105.0
Growth (CAGR 24-27)	43%	57%	67%
EBIT % (adj.)	15%	25%	31%
EBIT (adj.)	8.5	20.3	32.6
x valuation multiple (EV/EBIT)	20x	27x	30x
EV 2027e (MEUR)	169	547	977
Net cash 2027e*	146	163	179
Value of share capital (MEUR)	316	710	1,155
Per share (EUR)	7.1	16.0	26.1
Potential	-37%	41%	129%
Annual expected return	-14%	11%	30%
Per share currently (EUR)	5.2	11.6	18.9

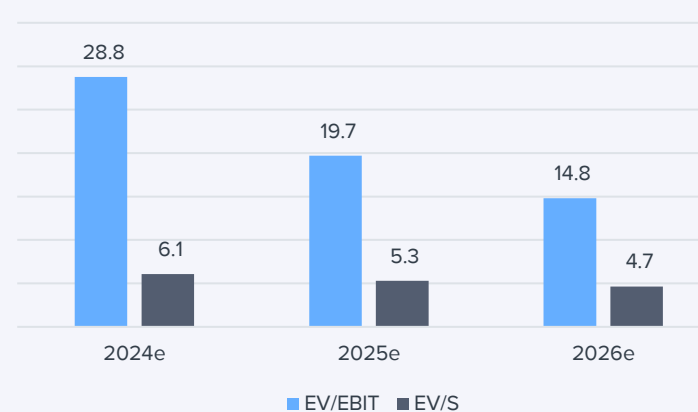
EV/Sales

Scenarios by 2027	Pessimistic	Current estimates	Optimistic
Revenue	56.4	81.8	105.0
Growth (CAGR 24-27)	43%	57%	67%
x valuation multiple (EV/S)	4x	8x	12x
EV 2027e (MEUR)	226	655	1,260
Net cash 2027e*	146	163	179
Value of share capital (MEUR)	372	817	1,439
Per share (EUR)	8.4	18.5	32.5
Potential	-26%	62%	185%
Annual expected return	-9%	16%	39%
Per share currently (EUR)	6.1	13.3	23.5

Peer group growth and EBIT % (median)



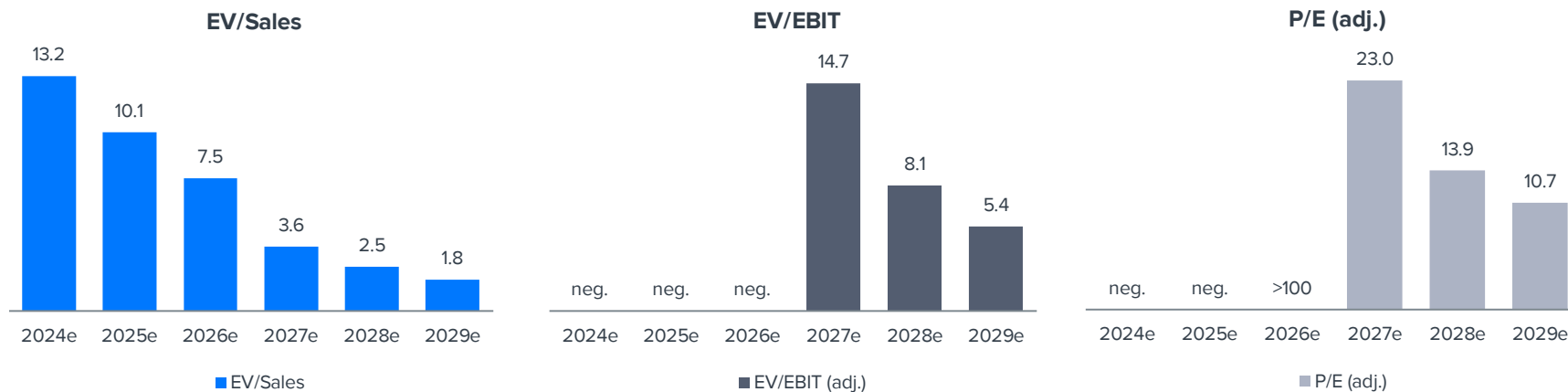
Peer group's EV/EBIT and EV/S



Valuation table

Valuation	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Share price	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Number of shares, millions	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Market cap	387	387	387	387	387	387	387
EV	300	305	309	297	274	241	200
P/E (adj.)	neg.	neg.	>100	23.0	13.9	10.7	8.9
P/E	neg.	neg.	neg.	23.8	14.2	10.9	9.0
P/FCF	neg.	neg.	neg.	34.6	16.7	12.1	9.7
P/B	3.5	3.6	3.6	3.1	2.6	2.1	1.7
P/S	17.1	12.8	9.4	4.7	3.5	2.9	2.5
EV/Sales	13.2	10.1	7.5	3.6	2.5	1.8	1.3
EV/EBITDA	neg.	neg.	>100	12.5	7.2	4.9	3.4
EV/EBIT (adj.)	neg.	neg.	neg.	14.7	8.1	5.4	3.7
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%		Rule of 40
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2025e
TSMC	808011	774295	21.3	16.4	14.0	10.8	9.5	7.6	32%	24%	45%	47%	71%
Intel	89487	115327	129.4	23.4	11.7	7.6	2.4	2.2	-3%	8%	2%	10%	18%
Micron	113504	118377	75.0	10.8	13.7	6.3	5.1	3.4	62%	53%	7%	31%	84%
Samsung	265366	216011	8.2	6.1	4.1	3.3	1.0	1.0	18%	10%	13%	16%	26%
SK Hynix	91689	103958	6.6	4.3	4.2	3.1	2.3	1.7	111%	32%	35%	40%	72%
Broadcom	773837	829105	32.2	24.5	28.4	23.4	17.4	14.8	44%	18%	54%	61%	79%
Qualcomm	175368	176770	14.6	13.4	13.1	12.0	5.0	4.6	8%	9%	34%	34%	43%
AMD	232499	229164	39.7	24.8	29.3	20.3	9.7	7.6	13%	28%	25%	31%	59%
Texas Instruments	166901	170772	35.1	27.6	26.7	21.0	11.8	10.4	-11%	13%	34%	38%	51%
Nvidia	3117803	3093544	40.4	28.4	40.2	27.5	26.7	18.7	112%	43%	66%	66%	109%
GlobalFoundries	20547	20008	28.8	18.2	9.1	7.8	3.2	2.9	-9%	13%	11%	16%	29%
ASML	265524	265073	30.4	23.7	27.5	21.9	9.5	8.1	2%	17%	31%	34%	51%
Applied Materials	141503	138963	19.2	16.6	18.2	16.0	5.6	5.0	3%	11%	29%	30%	41%
Lam Research	86953	86157	21.1	17.9	19.7	16.8	6.3	5.4	-14%	16%	30%	30%	46%
KLA Corporation	83726	85684	24.6	19.7	22.4	18.3	9.5	8.1	-6%	18%	39%	41%	59%
ASM	25644	25026	32.5	24.0	26.2	20.1	8.6	6.9	11%	25%	27%	29%	54%
VAT Group	11952	12192	43.2	30.4	37.1	26.9	11.8	9.2	10%	29%	27%	30%	59%
Besi	8415	8358	37.5	22.2	33.2	20.5	13.0	9.1	13%	42%	35%	41%	83%
Aixtron	1673	1594	11.6	10.2	10.5	9.2	2.5	2.5	0%	3%	22%	24%	27%
Teradyne	18942	18518	36.5	23.6	28.6	20.2	7.2	5.9	4%	23%	20%	25%	48%
Soitec	2894	2880	14.1	15.5	8.7	8.8	3.0	3.0	-10%	-2%	21%	19%	17%
Camtek	3520	3363	28.8	23.8	27.8	23.9	8.7	7.5	34%	16%	30%	31%	47%
Veeco Instruments	1594	1567	14.3	11.8	13.1	11.3	2.4	2.1	8%	11%	17%	18%	29%
Coherent	13970	19361	30.2	22.2	21.2	16.5	4.5	3.9	-9%	17%	15%	17%	34%
Axcelis Technologies	2772	2308	11.7	9.5	11.0	9.6	2.4	2.2	-8%	12%	21%	23%	35%
Entegris	14355	17875	26.0	21.2	20.2	16.9	5.9	5.2	-6%	14%	23%	24%	38%
Onto Innovation	9533	8809	36.9	26.8	33.9	24.9	9.8	8.3	22%	18%	26%	31%	49%
Mitsui Chemicals	4352	8213	20.9	8.7	7.5	6.3	0.8	0.7	-9%	6%	5%	6%	12%
Lintec	1539	1249	23.7	16.8	8.7	5.2	0.7	0.7	-3%	9%			
Tokyo Electron	68234	65406	26.3	17.8	21.3	15.2	5.8	4.6	-15%	27%		27%	54%
Lasertec	12390	12156	70.4	41.3	24.8	16.7	9.7	7.7	45%	25%			
Advantest	37582	37465			54.5	34.7	12.6	10.0	-12%	27%			
Canatu (Inderes)	387	300	neg.	neg.	neg.	neg.	13.2	10.1	67%	34%	-15%	-8%	26%
Average			32.0	19.4	21.0	15.7	7.3	6.0	14%	19%	27%	30%	
Median			28.8	19.7	20.7	16.6	6.1	5.3	4%	17%	27%	30%	
Diff.% to median							118%	90%					

Source: Refinitiv / Inderes

Summary of estimates

	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Semiconductor	11.1	19.6	26.5	36.5	72.9	98.4	120	138
<i>growth-%</i>		76%	35%	38%	99%	35%	22%	15%
Reactors		10.0	13.3	20.6	55.2	78.8	98.2	114
<i>growth-%</i>		0.0 %	33%	55%	168%	43%	25%	16%
CNT products		9.6	13.2	15.9	17.7	19.6	21.8	24.0
<i>growth-%</i>		0.0 %	37%	21%	11%	11%	11%	10%
Automotive	2.4	3.1	3.8	4.8	8.9	10.9	13.2	15.8
<i>growth-%</i>		25%	25%	25%	87%	22%	21%	20%
Medical diagnostic							1.0	3.0
<i>growth-%</i>								200%
Revenue total	13.6	22.7	30.3	41.3	81.8	109	134	157
<i>growth-%</i>	62%	67%	34%	36%	98%	34%	23%	17%
Gross margin	9.6	15.9	21.2	28.9	57.3	76.5	93.9	110
<i>Gross margin-%</i>	71%	70%	70%	70%	70%	70%	70%	70%
OPEX	-12.2	-18.8	-21.7	-26.9	-34.0	-39.1	-45.6	-51.7
<i>% of sales</i>	90%	83%	72%	65%	42%	36%	34%	33%
Other income	2.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5
EBITDA	0.3	-2.4	0.0	2.5	23.8	37.9	48.8	58.5
<i>EBITDA-%</i>	2%	-11%	0%	6%	29%	35%	36%	37%
D&A	-0.9	-1.0	-3.0	-3.5	-4.1	-4.6	-5.0	-5.4
EBIT	-0.6	-3.4	-3.0	-1.0	19.7	33.3	43.8	53.1
<i>EBIT-%</i>	-5%	-15%	-10%	-2%	24%	30%	33%	34%
EBIT (adj.)	-0.6	-3.4	-2.4	-0.4	20.3	33.9	44.3	53.7
<i>EBIT-% (adj.)</i>	-5%	-15%	-8%	-1%	25%	31%	33%	34%
Net financials	-0.7	-1.6	0.7	0.6	0.6	0.7	0.7	0.7
Pre-tax profit	-1.3	-5.0	-2.3	-0.4	20.3	34.0	44.5	53.8
Taxes	0.0	1.0	0.5	0.1	-4.1	-6.8	-8.9	-10.8
Net income	-1.3	-4.0	-1.8	-0.3	16.2	27.2	35.6	43.0
EPS (adj.)	-0.04	-0.09	-0.04	0.01	0.49	0.82	1.06	1.28
EPS (reported)	-0.04	-0.12	-0.05	-0.01	0.48	0.80	1.05	1.27

Source: Inderes

Balance sheet

Assets	Pro forma	2024e	2025e	2026e
Non-current assets	16.1	21.1	24.1	27.1
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	6.7	7.2	6.8	6.4
Tangible assets	9.4	13.9	17.3	20.7
Associated companies	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0
Current assets	109	95.3	90.6	88.5
Inventories	0.4	0.5	0.6	0.8
Other current assets	0.0	0.0	0.0	0.0
Receivables	3.0	4.5	6.1	8.3
Cash and equivalents	106	90.3	83.9	79.4
Balance sheet total	125	116	115	116

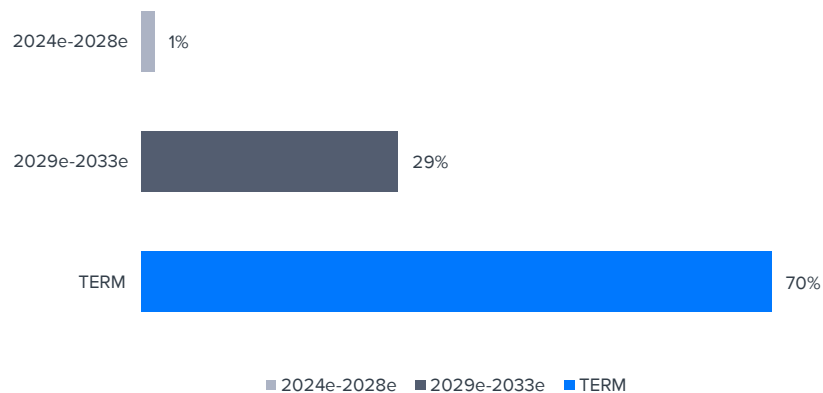
Source: Inderes

Liabilities & equity	Pro forma	2024e	2025e	2026e
Equity	113	109	107	107
Share capital	0.1	0.1	0.1	0.1
Retained earnings	-3.0	-7.0	-8.8	-9.1
Hybrid bonds	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0
Other equity	116	116	116	116
Minorities	0.0	0.0	0.0	0.0
Non-current liabilities	6.1	2.0	0.8	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0
Interest bearing debt	6.1	2.0	0.8	0.0
Convertibles	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0
Current liabilities	5.9	5.3	6.7	8.6
Interest bearing debt	1.2	1.2	1.2	1.2
Payables	4.6	4.1	5.5	7.4
Other current liabilities	0.0	0.0	0.0	0.0
Balance sheet total	125	116	115	116

DCF model

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	62.1%	66.8%	33.6%	36.4%	98.0%	33.6%	22.7%	16.9%	12.1%	5.0%	3.0%	3.0%
EBIT-%	-4.7%	-15.1%	-9.8%	-2.4%	24.1%	30.5%	32.6%	33.9%	34.0%	33.0%	32.0%	32.0%
EBIT (operating profit)	-0.6	-3.4	-3.0	-1.0	19.7	33.3	43.8	53.1	59.8	60.9	60.8	
+ Depreciation	0.9	1.0	3.0	3.5	4.1	4.6	5.0	5.4	5.7	6.0	6.1	
- Paid taxes	0.0	1.0	0.5	0.1	-4.1	-6.8	-8.9	-10.8	-12.1	-12.3	-12.2	
- Tax, financial expenses	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
- Change in working capital	0.5	-2.1	-0.3	-0.4	-1.6	-1.1	-1.0	-0.9	-0.8	-0.4	-0.2	
Operating cash flow	0.8	-3.9	0.3	2.3	18.2	30.1	39.1	47.0	52.8	54.4	54.5	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.3	-6.0	-6.0	-6.5	-7.0	-7.0	-7.0	-7.0	-7.0	-7.0	-7.0	
Free operating cash flow	-9.5	-9.9	-5.7	-4.2	11.2	23.1	32.1	40.0	45.8	47.4	47.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-9.5	-9.9	-5.7	-4.2	11.2	23.1	32.1	40.0	45.8	47.4	47.5	635
Discounted FCFF		-9.7	-5.1	-3.4	8.1	15.1	18.9	21.3	22.1	20.6	18.7	250
Sum of FCFF present value		356	366	371	374	366	351	332	311	289	268	250
Enterprise value DCF		356										
- Interest bearing debt		-7.3										
+ Cash and cash equivalents		106										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		457										
Equity value DCF per share		13.4										

Cash flow distribution



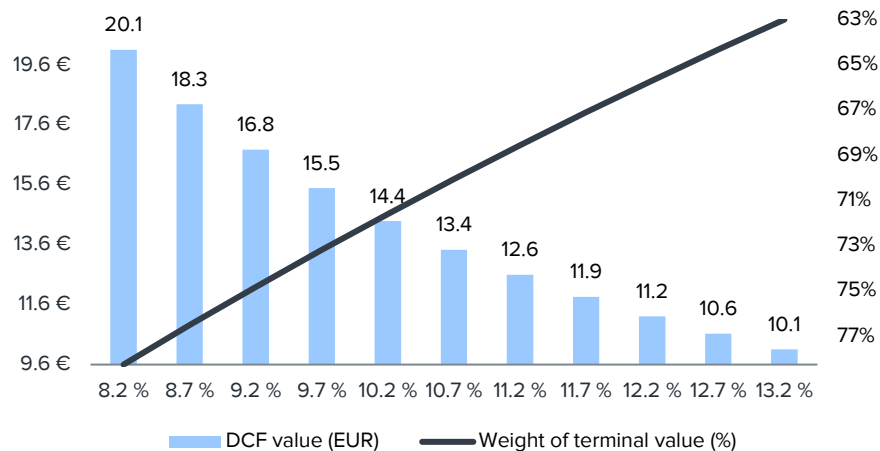
WACC

Tax-% (WACC)	20.0%
Target debt ratio (D/(D+E))	0.0%
Cost of debt	8.0%
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5%
Cost of equity	10.7%
Weighted average cost of capital (WACC)	10.7%

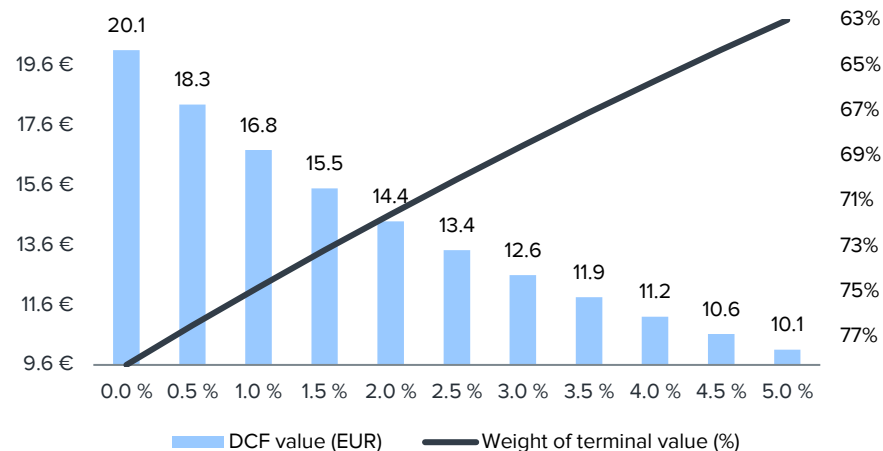
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

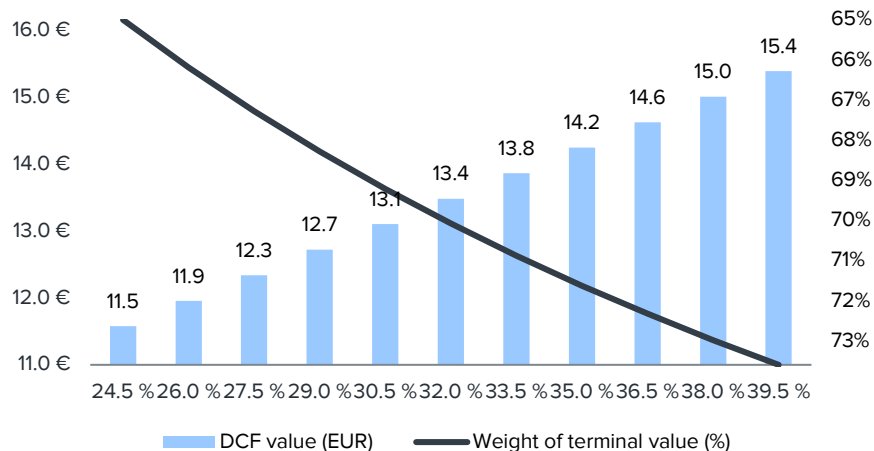
Sensitivity of DCF to changes in the WACC-%



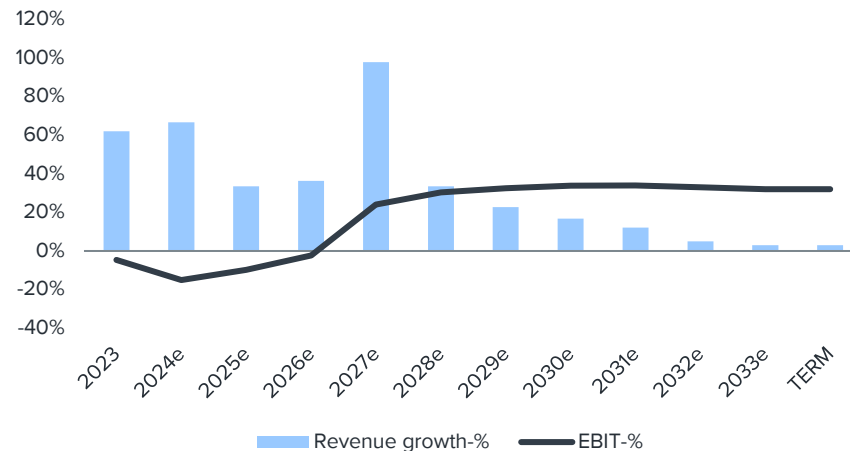
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2024e	2025e	2026e	2027e	Per share data	2024e	2025e	2026e	2027e
Revenue	22.7	30.3	41.3	81.8	EPS (reported)	-0.12	-0.05	-0.01	0.48
EBITDA	-2.4	0.0	2.5	23.8	EPS (adj.)	-0.09	-0.04	0.01	0.49
EBIT	-3.4	-3.0	-1.0	19.7	OCF / share	-0.11	0.01	0.07	0.54
PTP	-5.0	-2.3	-0.4	20.3	FCF / share	-0.29	-0.17	-0.12	0.33
Net Income	-4.0	-1.8	-0.3	16.2	Book value / share	3.21	3.16	3.15	3.63
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00
Balance sheet	2024e	2025e	2026e	2027e	Growth and profitability	2024e	2025e	2026e	2027e
Balance sheet total	116.4	114.7	115.6	138.0	Revenue growth-%	67%	34%	36%	98%
Equity capital	109.1	107.3	107.0	123.2	EBITDA growth-%	-970%	-100%	-41744%	837%
Goodwill	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	434%	-30%	-83%	-4997%
Net debt	-87.1	-81.9	-78.2	-89.9	EPS (adj.) growth-%	133%	-59%	-121%	6331%
Cash flow	2024e	2025e	2026e	2027e	EBITDA-%	-10.7 %	0.0 %	6.1 %	29.0 %
EBITDA	-2.4	0.0	2.5	23.8	EBIT (adj.)-%	-15.1 %	-7.9 %	-1.0 %	24.8 %
Change in working capital	-2.1	-0.3	-0.4	-1.6	EBIT-%	-15.1 %	-9.8 %	-2.4 %	24.1 %
Operating cash flow	-3.9	0.3	2.3	18.2	ROE-%	-3.6 %	-1.7 %	-0.3 %	14.1 %
CAPEX	-6.0	-6.0	-6.5	-7.0	ROI-%	-2.9 %	-2.0 %	-0.3 %	17.6 %
Free cash flow	-9.9	-5.7	-4.2	11.2	Equity ratio	93.7 %	93.5 %	92.5 %	89.3 %
					Gearing	-79.8 %	-76.4 %	-73.1 %	-72.9 %
Valuation multiples	2024e	2025e	2026e	2027e					
EV/S	13.2	10.1	7.5	3.6					
EV/EBITDA	neg.	neg.	>100	12.5					
EV/EBIT (adj.)	neg.	neg.	neg.	14.7					
P/E (adj.)	neg.	neg.	>100	23.0					
P/B	3.5	3.6	3.6	3.1					
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %					

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	Share price
9/17/2024	Reduce	13.00 €	12.90 €
10/22/2024	Accumulate	13.00 €	11.40 €



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