

# Wärtsilä

## Company report

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# Good performance in a difficult market

Wärtsilä's Q1 figures landed reasonably close to estimates, although adjusted relative profitability was slightly below expectations. Margins were depressed by weaker sales mix and a strong increase in costs. Wärtsilä's Q2 guidance was disappointing, but understandable in the current turbulent market situation. Low visibility into demand and earnings drivers led us to cut our estimates for 2022-2024. We reiterate our Accumulate recommendation for the share as the valuation is remarkably cheap. As our estimates decline by some 10%, we cut the target price to EUR 9.50 (previously 10.60).

## Group figures broadly in line with expectations

Wärtsilä's Q1 order intake (+11% y-o-y) was close to our and consensus estimates. Marine Power generated the positive surprise, while Energy's orders were lowish. The Group's net sales grew roughly at the expected pace. Energy overshot expectations most while other units remained slightly below expectations. The Group's equipment net sales (+48% y-o-y) increased faster than service net sales (+17% y-o-y), which weakened the sales mix from 2021. The adjusted EBIT margins of business operations were broadly in line with expectations, except for Voyage, where profitability remained weak. Net sales growth offered Wärtsilä earnings leverage but the less favorable sales mix and the clear increase in costs depressed profitability. As previously reported, Wärtsilä made a EUR 200 million write-down on its Russian operations, which was visible as a NRI in operating profit.

## More caution is called for in estimates

Wärtsilä expects the Q2'22 demand environment to be similar to Q2'21, which was disappointing. Market activity is held back by China's COVID lockdowns, Ukraine's war, accelerated inflation and supply chain disruptions. An additional challenge for Wärtsilä's growth is the prolonged decision-making of customers in the energy storage market. This is based on the significant rise in the prices of battery metals and customers are currently trying to adapt to the new market situation. However, the need for backup/standby power to support renewable energy sources (like wind parks) remains and storage solution purchases cannot be delayed for too long. Wärtsilä spoke of months rather than years. Inflation pressure has increased in Wärtsilä's purchases from last year and the situation is expected to continue throughout the year. Wärtsilä has some possibilities to hedge against cost inflation, but many contracts do not have price escalation clauses and Wärtsilä bears the risk. The above-mentioned unfavorable factors have led us to cut our 2022-2024 net sales estimates by 8-10% and adjusted EBIT estimates by 5-11%.

## Attractiveness of valuation increases further

The total expected return of Wärtsilä's share is 17% y-o-y with 2023 multiples, which is well above the 8% COE requirement. Thus the share's risk-adjusted expected return is attractive. The P/E and EV/EBIT ratios for 2023 are 18-26% below the median of the peers and well below the share's own historical ratios. Multiple-based pricing is low as whole. Our DCF model indicates a 47% upside potential for the share, which is considerable.

## Recommendation

### Accumulate

(previous Accumulate)

### EUR 9.50

(previous EUR 10.60)

### Share price:

7.75



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	4778	5375	5705	5887
<b>growth-%</b>	4%	13%	6%	3%
<b>EBIT adj.</b>	357	379	500	570
<b>EBIT-% adj.</b>	7.5 %	7.1 %	8.8 %	9.7 %
<b>Net Income</b>	193	48	334	397
<b>EPS (adj.)</b>	0.40	0.44	0.56	0.67

<b>P/E (adj.)</b>	31.0	17.6	13.7	11.6
<b>P/B</b>	3.2	2.1	2.0	1.9
<b>Dividend yield-%</b>	1.9 %	4.0 %	5.6 %	6.9 %
<b>EV/EBIT (adj.)</b>	22.5	14.0	10.4	9.0
<b>EV/EBITDA</b>	16.9	12.8	8.1	7.2
<b>EV/S</b>	1.7	1.0	0.9	0.9

Source: Inderes

## Guidance

(New guidance)

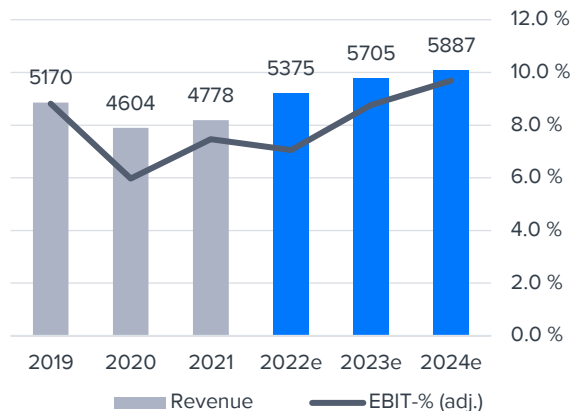
Wärtsilä expects the demand environment in Q2'22 to be similar to that of Q2'21. However, the prevailing market conditions make the outlook uncertain.

### Share price



Source: Thomson Reuters

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Strong position in selected segments
- Growing role of special-purpose vessels and automation in marine operations
- Extensive installed equipment portfolio and significant share of service business
- Proven good and predictable performance over the cycle



### Risk factors

- Cyclicity of shipbuilding
- Uncertainty about the winning renewable energy production forms
- Energy's deliveries focusing on storage solutions depress margins

Valuation	2022e	2023e	2024e
Share price	7.75	7.75	7.75
Number of shares, millions	591.7	591.7	591.7
Market cap	4587	4587	4587
EV	5303	5222	5122
P/E (adj.)	17.6	13.7	11.6
P/E	95.8	13.7	11.6
P/FCF	33.7	17.0	12.6
P/B	2.1	2.0	1.9
P/S	0.9	0.8	0.8
EV/Sales	1.0	0.9	0.9
EV/EBITDA	12.8	8.1	7.2
EV/EBIT (adj.)	14.0	10.4	9.0
Payout ratio (%)	379.8 %	76.8 %	80.0 %
Dividend yield-%	4.0 %	5.6 %	6.9 %

Source: Inderes

# Group figures broadly in line with expectations

## Quite close to the target

Wärtsilä's Q1 figures landed reasonably close to estimates, although adjusted relative profitability was slightly below expectations. Margins were depressed by weaker sales mix and a strong increase in costs.

## Energy storages dosed off, cruise ships did not

Wärtsilä's Q1 order intake (1,380 MEUR; +11% y-o-y) was close to our (1,345 MEUR) and consensus (1,378 MEUR) estimates. Marine Power (+34% y-o-y vs. +19% y-o-y) generated the positive surprise, while Energy's orders were lowish (+3% y-o-y vs. +11% y-o-y). Energy showed the delay in storage solution orders indicated by Wärtsilä as a result of the price surge in raw materials (actualized 260 MWh vs. 806 MWh in Q1'21). At Group level, equipment orders grew by 17% y-o-y and service orders by 6% y-o-y. Service orders

in the cruise segment important for the Marine business increased rapidly as expected (107 MEUR; +52% y-o-y) and Wärtsilä's customers expect to achieve a 100% utilization rate this summer. Of Wärtsilä's EUR 6,107 million order book (+13% y-o-y) EUR 3,334 million or 55%, is expected to be delivered during 2022. Wärtsilä has considered "all possible information available at this time" in this assessment.

## Sales mix weakened clearly

The Group's net sales grew at roughly the expected pace. Energy (+86% y-o-y) overshot expectations most while other units remained slightly below expectations. The Group's equipment net sales (+48% y-o-y) increased faster than service net sales (+17% y-o-y), which weakened the sales mix from 2021. Services now accounted for 51% (Q1'21: 57%).

## Cost inflation depressed margins

The adjusted EBIT margins of business operations were broadly in line with expectations, except for Voyage, where profitability remained weak (adjusted EBIT margin -24%). Net sales growth offered Wärtsilä earnings leverage but the less favorable sales mix and especially the clear increase in costs depressed profitability. As previously reported, Wärtsilä made a EUR 200 million write-down on its Russian operations, which was visible as a NRI in operating profit. Most of the item is not tax deductible such as goodwill.

Estimates	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	946	1231	1251	1159	1032	- 1347	-2%	5834
EBIT (adj.)	41	65	75	67	44	- 86	-13%	432
EBIT	36	-147	-125	65	44	- 85	17%	232
PTP	35	-147	-128	62	43	- 80	14%	220
EPS (adj.)	0.05	0.12	0.08	0.08	0.05	- 0.10	48%	0.46
EPS (reported)	0.04	-0.24	-0.26	0.08	0.05	- 0.09	-7%	0.12
Revenue growth-%	-19.1%	30.1%	32.2 %	22.5 %	9.1%	- 42.4 %	-2.1 pp	12.5 %
EBIT-% (adj.)	4.4 %	5.3 %	6.0 %	5.8 %	4.3 %	- 6.4 %	-0.7 pp	7.4 %

Source: Inderes & Vara Research (consensus)

# More caution is called for in estimates

## 2022 becomes a new gap year

Wärtsilä's Q2 guidance was disappointing, but understandable in the current turbulent market situation. There are many indications that 2022 will be a gap year for Wärtsilä in terms of performance and we have considered this in our estimates. Low visibility into demand and earnings drivers also led us to cut our estimates for 2023-2024.

## A bunch of negative external factors

Wärtsilä expects the Q2'22 demand environment to be similar to Q2'21, which was disappointing. Market activity is held back by China's COVID lockdowns, Ukraine's war, accelerated inflation and supply chain disruptions.

## Energy storage market is taking a breather

An additional challenge for Wärtsilä's growth is the

prolonged decision-making of customers in the energy storage market. The underlying reason is the significant rise in the prices of battery metals: The market price of lithium is currently around fivefold higher and the price of cobalt double compared to one year ago. Storage system customers are currently trying to adapt to the new market situation. Wärtsilä did, however, indicate that the need for backup/standby power to support renewable energy sources (like wind parks) remains and storage solution purchases cannot be delayed for too long. Wärtsilä spoke of months rather than years.

## Cost inflation can be hedged against to a degree

Wärtsilä said that inflation pressure has increased in its purchases from last year and the situation is expected to continue throughout the year. Wärtsilä has means for hedging against cost inflation, e.g., by

using price-increase clauses, locking purchase prices and considering expected cost increases in pricing. However, many contracts do not have price escalation clauses and Wärtsilä bears the risk. In the current market situation, this risk may be significant.

## More caution in our estimates

The mentioned global market risks, the delay visible in the energy storage market and the increasing cost pressure have led us to cut our 2022-2024 net sales estimates by 8-10% and adjusted EBIT estimates by 5-11%. The changes include a factor that provides structural support for margins as the net sales share of energy storage that will be loss-making for the next few years decreases due to the delays.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	5825	5375	-8%	6292	5705	-9%	6545	5887	-10%
EBITDA	467	415	-11%	679	643	-5%	771	715	-7%
EBIT (exc. NRIs)	432	379	-12%	541	500	-7%	629	570	-9%
EBIT	232	167	-28%	541	500	-7%	629	570	-9%
PTP	220	157	-29%	529	490	-7%	617	560	-9%
EPS (excl. NRIs)	0.46	0.44	-4%	0.62	0.56	-8%	0.74	0.67	-10%
DPS	0.32	0.31	-4%	0.47	0.43	-8%	0.60	0.54	-10%

Source: Inderes

# Attractiveness of valuation increases further

## Positive overall picture and Accumulate recommendation remain

Despite the risks identified in the Q1 report, the longer-term market outlook for Wärtsilä is mainly good. While there is uncertainty about the equipment demand of the Marine businesses, Energy's outlook remains positive both in terms of gas powered load following power plants and storage, and the same applies to the Group's services business as a whole. Wärtsilä has the expertise and track record of a very diverse power supply offering, and we consider the company a likely winner of the ongoing energy transition. This does not alter the fact that the company's adjusted EBIT has been in a downward trend in recent years and 2022 seems to become another gap year. However, our confidence in positive long-term drivers of Wärtsilä's business remains unchanged. We have already stressed the need for a long-term approach for Wärtsilä's shareholders and do it again.

The share valuation is remarkably advantageous. Unfortunately, the potential positive drivers in the near term are more likely to be related to the removal of various threats (war in Ukraine, Chinese COVID epidemic) than to actual Wärtsilä news. We reiterate our Accumulate recommendation for the share as the valuation is remarkably cheap. However, a more positive recommendation would require better market visibility. As our estimates decline by some 10%, we cut the target price to EUR 9.50 (10,60).

## Risk-adjusted expected return is attractive

The total expected return of Wärtsilä's share (upside in the share price determined by earnings growth and change in valuation multiple plus dividend yield) is 17% y-o-y with 2023 multiples, which clearly exceeds the

8% COE requirement. Thus the share's risk-adjusted expected return is attractive.

## Peer group pricing reflects a clear upside

The 2023 P/E and EV/EBIT ratios (14x and 10x) of the share are 18-26% below the median of the peers and well below the share's own historical ratios. Multiple-based pricing is low as whole.

## DCF potential is extensive

Our DCF model indicates a 47% upside potential for the share, which is considerable. Since the results of the model depend heavily on long-term growth and profitability assumptions, conclusions should be drawn with caution.

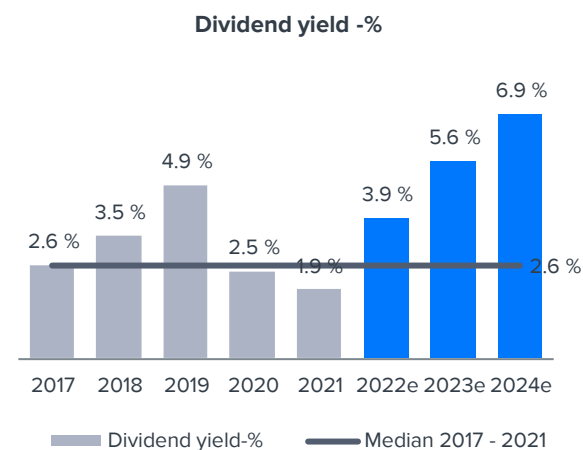
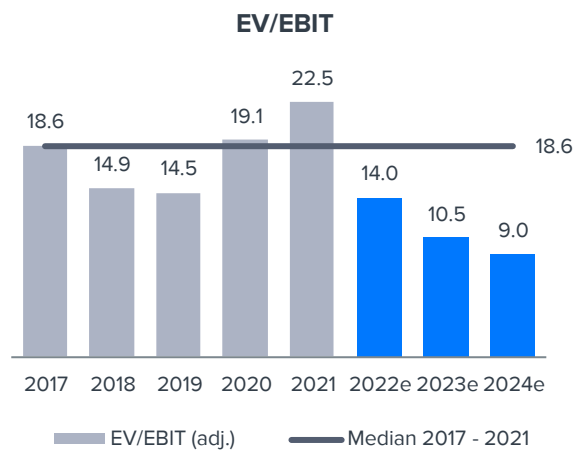
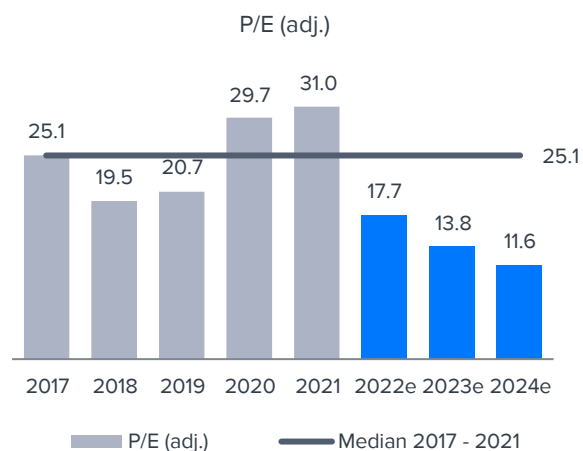
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Market cap	4587	4587	4587
EV	5303	5222	5122
P/E (adj.)	17.6	13.7	11.6
P/E	95.8	13.7	11.6
P/FCF	33.7	17.0	12.6
P/B	2.1	2.0	1.9
P/S	0.9	0.8	0.8
EV/Sales	1.0	0.9	0.9
EV/EBITDA	12.8	8.1	7.2
EV/EBIT (adj.)	14.0	10.4	9.0
Payout ratio (%)	379.8 %	76.8 %	80.0 %
Dividend yield-%	4.0 %	5.6 %	6.9 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	17.5	13.9	9.85	8.15	12.4	7.75	7.75	7.75	7.75
Number of shares, millions	591.7	591.7	591.7	591.7	591.7	591.7	591.7	591.7	591.7
Market cap	10375	8225	5828	4823	7314	4587	4587	4587	4587
EV	10721	8608	6601	5255	8022	5303	5222	5122	5027
P/E (adj.)	25.1	19.5	20.7	29.7	31.0	17.6	13.7	11.6	10.4
P/E	27.7	21.3	27.0	36.0	37.9	95.8	13.7	11.6	10.4
P/FCF	38.3	32.8	neg.	6.9	neg.	33.7	17.10	12.6	10.9
P/B	4.4	3.4	2.4	2.2	3.2	2.1	2.0	1.9	1.8
P/S	2.1	1.6	1.1	1.0	1.5	0.9	0.8	0.8	0.7
EV/Sales	2.2	1.7	1.3	1.1	1.7	1.0	0.9	0.9	0.8
EV/EBITDA	15.5	12.8	12.2	12.9	16.9	12.8	8.1	7.2	6.6
EV/EBIT (adj.)	18.6	14.9	14.5	19.1	22.5	14.0	10.4	9.0	8.2
Payout ratio (%)	72.6 %	73.5 %	131.5 %	88.3 %	73.6 %	379.8 %	76.8 %	80.0 %	90.0 %
Dividend yield-%	2.6 %	3.5 %	4.9 %	2.5 %	1.9 %	4.0 %	5.6 %	6.9 %	8.7 %

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Metso Outotec Corp	7.83	6779	7242	12.1	10.3	9.7	8.4	1.5	1.4	15.6	13.3	3.6	4.2	2.7
Kone Oyj	45.40	21078	18767	18.8	17.3	15.8	14.9	2.1	2.0	24.2	22.5	4.0	4.2	7.9
Konecranes Abp	26.17	2107	2657	8.3	6.9	6.4	5.4	0.8	0.7	9.9	8.5	4.7	5.0	1.4
Siemens Energy AG	18.77	13635	10752	41.7	15.0	8.9	5.1	0.5	0.4	53.5	18.4	1.2	2.1	0.9
Abb Ltd	29.25	60536	63716	16.3	13.9	13.0	11.5	2.1	2.0	21.0	18.3	2.8	3.0	4.6
Alfa Laval AB	310.70	13006	13726	17.9	15.6	14.1	12.6	2.8	2.5	23.1	20.4	2.1	2.3	3.9
Alstom SA	21.86	8164	11545	29.3	17.5	14.1	11.5	0.9	0.7	21.6	14.7	1.4	1.7	0.9
Caterpillar Inc	212.20	107386	133852	16.2	13.8	13.2	11.3	2.3	2.1	17.8	15.0	2.1	2.3	7.0
General Electric Co	87.99	90914	98721	16.3	11.5	12.8	9.3	1.5	1.4	27.7	16.5	0.4	0.4	2.3
Rolls-Royce Holdings PLC	86.83	9112	15370	25.9	15.1	9.3	7.0	1.0	0.9	30.5	24.8		1.1	
Woodward Inc	114.71	6819	7100	23.2	18.6	16.5	14.3	3.1	2.8	31.3	24.2	0.6	0.7	
<b>Wartsila (Inderes)</b>	<b>7.79</b>	<b>4611</b>	<b>5326</b>	<b>14.0</b>	<b>10.5</b>	<b>12.8</b>	<b>8.2</b>	<b>1.0</b>	<b>0.9</b>	<b>17.7</b>	<b>13.8</b>	<b>3.9</b>	<b>5.6</b>	<b>2.1</b>
<b>Average</b>				<b>20.6</b>	<b>14.1</b>	<b>12.1</b>	<b>10.1</b>	<b>1.7</b>	<b>1.5</b>	<b>25.1</b>	<b>17.9</b>	<b>2.3</b>	<b>2.5</b>	<b>3.5</b>
<b>Median</b>				<b>17.9</b>	<b>15.0</b>	<b>13.0</b>	<b>11.3</b>	<b>1.5</b>	<b>1.4</b>	<b>23.1</b>	<b>18.3</b>	<b>2.1</b>	<b>2.3</b>	<b>2.7</b>
<b>Diff-% to median</b>				<b>-22%</b>	<b>-30%</b>	<b>-1%</b>	<b>-28%</b>	<b>-35%</b>	<b>-33%</b>	<b>-23%</b>	<b>-25%</b>	<b>89%</b>	<b>146%</b>	<b>-21%</b>

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



# Income statement

Income statement	2020	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>4604</b>	<b>4778</b>	<b>1231</b>	<b>1318</b>	<b>1281</b>	<b>1545</b>	<b>5375</b>	<b>5705</b>	<b>5887</b>	<b>6117</b>
Marine Power	1748	1863	455	460	443	578	1935	2037	2130	2243
Marine Systems	808	654	163	201	192	252	808	777	804	824
Voyage	248	279	60	78	69	91	298	322	344	371
Energy	1620	1861	535	543	544	570	2192	2442	2488	2565
Portfolio Business	181	121	18	36	34	54	142	127	120	114
<b>EBITDA</b>	<b>408</b>	<b>476</b>	<b>-25</b>	<b>129</b>	<b>140</b>	<b>172</b>	<b>415</b>	<b>643</b>	<b>715</b>	<b>756</b>
Depreciation	-174	-162	-122	-42	-42	-42	-248	-143	-145	-146
<b>EBIT (excl. NRI)</b>	<b>275</b>	<b>357</b>	<b>65</b>	<b>87</b>	<b>98</b>	<b>130</b>	<b>379</b>	<b>500</b>	<b>570</b>	<b>611</b>
<b>EBIT</b>	<b>234</b>	<b>314</b>	<b>-147</b>	<b>87</b>	<b>98</b>	<b>130</b>	<b>167</b>	<b>500</b>	<b>570</b>	<b>611</b>
Marine Power	134	180	-35	39	37	53	94	225	260	271
Marine Systems	81	47	5	13	15	25	58	72	79	85
Voyage	-42	-39	-134	-4	3	4	-131	8	15	22
Energy	91	134	20	38	43	44	144	193	213	230
Portfolio Business	-29	-9	-3	1	0	4	2	2	3	3
Net financial items	-43	-18	0	-4	-4	-4	-11	-10	-10	-10
<b>PTP</b>	<b>191</b>	<b>296</b>	<b>-147</b>	<b>83</b>	<b>94</b>	<b>127</b>	<b>157</b>	<b>490</b>	<b>560</b>	<b>601</b>
Taxes	-58	-103	5	-31	-35	-47	-107	-154	-162	-156
Minority interest	1	0	-1	0	0	-1	-2	-2	-2	-2
<b>Net earnings</b>	<b>134</b>	<b>193</b>	<b>-143</b>	<b>52</b>	<b>59</b>	<b>79</b>	<b>48</b>	<b>334</b>	<b>397</b>	<b>443</b>
<b>EPS (adj.)</b>	<b>0.27</b>	<b>0.40</b>	<b>0.12</b>	<b>0.09</b>	<b>0.10</b>	<b>0.13</b>	<b>0.44</b>	<b>0.56</b>	<b>0.67</b>	<b>0.75</b>
<b>EPS (rep.)</b>	<b>0.23</b>	<b>0.33</b>	<b>-0.24</b>	<b>0.09</b>	<b>0.10</b>	<b>0.13</b>	<b>0.08</b>	<b>0.56</b>	<b>0.67</b>	<b>0.75</b>

Key figures	2020	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-10.9 %	3.8 %	30.1 %	16.4 %	16.2 %	-3.3 %	12.5 %	6.1 %	3.2 %	3.9 %
<b>Adjusted EBIT growth-%</b>	-39.7 %	29.8 %	57.2 %	22.6 %	12.2 %	-17.6 %	6.3 %	31.9 %	14.0 %	7.1 %
<b>EBITDA-%</b>	8.9 %	10.0 %	-2.0 %	9.8 %	10.9 %	11.1 %	7.7 %	11.3 %	12.1 %	12.4 %
<b>Adjusted EBIT-%</b>	6.0 %	7.5 %	5.3 %	6.6 %	7.6 %	8.4 %	7.1 %	8.8 %	9.7 %	10.0 %
<b>Net earnings-%</b>	2.9 %	4.0 %	-11.6 %	4.0 %	4.6 %	5.1 %	0.9 %	5.9 %	6.7 %	7.2 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>2427</b>	<b>2539</b>	<b>2442</b>	<b>2451</b>	<b>2457</b>
Goodwill	1325	1374	1299	1299	1299
Intangible assets	391	401	353	357	352
Tangible assets	444	504	530	536	546
Associated companies	23	27	27	27	27
Other investments	19	18	18	18	18
Other non-current assets	42	48	48	48	48
Deferred tax assets	183	167	167	167	167
<b>Current assets</b>	<b>3805</b>	<b>3984</b>	<b>3774</b>	<b>4005</b>	<b>4133</b>
Inventories	1192	1185	1247	1324	1366
Other current assets	99	2	0	0	0
Receivables	1595	1833	2043	2168	2237
Cash and equivalents	919	964	484	513	530
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6216</b>	<b>6456</b>	<b>6590</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>2187</b>	<b>2259</b>	<b>2165</b>	<b>2317</b>	<b>2457</b>
Share capital	336	336	336	336	336
Retained earnings	2030	2105	2011	2163	2303
Hybrid bonds	0	0	0	0	0
Revaluation reserve	61	61	61	61	61
Other equity	-251	-251	-251	-251	-251
Minorities	11	8	8	8	8
<b>Non-current liabilities</b>	<b>1720</b>	<b>1936</b>	<b>1557</b>	<b>1518</b>	<b>1451</b>
Deferred tax liabilities	76.0	66.0	66.0	66.0	66.0
Provisions	324	324	324	324	324
Long term debt	1129	1325	946	907	840
Convertibles	0	0	0	0	0
Other long term liabilities	191	221	221	221	221
<b>Current liabilities</b>	<b>2325</b>	<b>2328</b>	<b>2494</b>	<b>2622</b>	<b>2682</b>
Short term debt	198	321	236	226	209
Payables	2059	2007	2258	2396	2473
Other current liabilities	68	0	0	0	0
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6216</b>	<b>6456</b>	<b>6590</b>

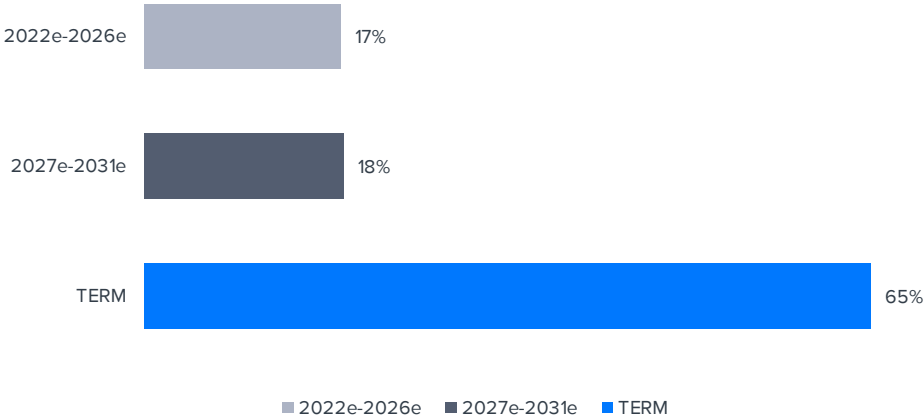
# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	314	167	500	570	611	666	696	685	672	670	666	
+ Depreciation	162	248	143	145	146	144	143	142	140	138	141	
- Paid taxes	-97	-107	-154	-162	-156	-171	-178	-175	-171	-170	-169	
- Tax, financial expenses	-8	-4	-4	-4	-3	-4	-4	-4	-5	-5	-6	
+ Tax, financial income	2	1	1	1	1	1	1	1	1	1	2	
- Change in working capital	-254	-19	-63	-35	-44	-44	-43	-42	-41	-39	-38	
Operating cash flow	118	287	423	515	553	593	615	607	596	594	596	
+ Change in other long-term liabilities	30	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-286	-151	-152	-150	-133	-139	-135	-131	-126	-160	-165	
Free operating cash flow	-138	136	270	365	421	454	480	476	470	434	431	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-138	136	270	365	421	454	480	476	470	434	431	9726
Discounted FCFF		130	240	303	325	327	322	298	274	236	218	4928
Sum of FCFF present value		7600	7470	7230	6928	6603	6276	5954	5656	5382	5146	4928
Enterprise value DCF		7600										
- Interesting bearing debt		-1647										
+ Cash and cash equivalents		964										
-Minorities		-17										
-Dividend/capital return		-142										
Equity value DCF		6759										
Equity value DCF per share		11.4										

Wacc	
Tax-% (WACC)	26.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	3.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	8.2 %
Weighted average cost of capital (WACC)	7.3 %

Source: Inderes

Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	5170.0	4604.0	4778.0	5375.4	5704.8	EPS (reported)	0.37	0.23	0.33	0.08	0.56
EBITDA	541.0	408.0	476.0	415.4	643.5	EPS (adj.)	0.48	0.27	0.40	0.44	0.56
EBIT	361.0	234.0	314.0	167.4	500.5	OCF / share	0.26	1.30	0.20	0.49	0.71
PTP	314.0	191.0	296.0	156.6	490.3	FCF / share	-0.26	1.18	-0.23	0.23	0.46
Net Income	216.0	134.0	193.0	47.9	334.0	Book value / share	4.05	3.68	3.80	3.64	3.90
Extraordinary items	-95.0	-41.0	-43.0	-212.0	0.0	Dividend / share	0.48	0.20	0.24	0.31	0.43
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	6398.0	6232.0	6523.0	6215.5	6456.3	Revenue growth-%	0%	-11%	4%	13%	6%
Equity capital	2409.0	2187.0	2258.7	2164.5	2316.6	EBITDA growth-%	-20%	-25%	17%	-13%	55%
Goodwill	1380.0	1325.0	1374.0	1299.0	1299.0	EBIT (adj.) growth-%	-21%	-40%	30%	6%	32%
Net debt	738.0	408.0	682.6	698.5	619.2	EPS (adj.) growth-%	-33%	-42%	45%	10%	29%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	10.5 %	8.9 %	10.0 %	7.7 %	11.3 %
EBITDA	541.0	408.0	476.0	415.4	643.5	EBIT (adj.)-%	8.8 %	6.0 %	7.5 %	7.1 %	8.8 %
Change in working capital	-235.0	469.0	-254.2	-18.8	-63.3	EBIT-%	7.0 %	5.1 %	6.6 %	3.1 %	8.8 %
Operating cash flow	152.5	770.9	118.5	287.0	422.7	ROE-%	9.0 %	5.9 %	8.7 %	2.2 %	15.0 %
CAPEX	-329.0	-73.0	-286.0	-151.0	-152.5	ROI-%	11.2 %	6.7 %	8.4 %	4.7 %	14.8 %
Free cash flow	-155.5	695.9	-137.5	136.0	270.2	Equity ratio	41.4 %	37.8 %	37.5 %	38.3 %	39.5 %
						Gearing	30.6 %	18.7 %	30.2 %	32.3 %	26.7 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	1.3	1.1	1.7	1.0	0.9						
EV/EBITDA (adj.)	12.2	12.9	16.9	12.8	8.1						
EV/EBIT (adj.)	14.5	19.1	22.5	14.0	10.4						
P/E (adj.)	20.7	29.7	31.0	17.6	13.7						
P/E	2.4	2.2	3.2	2.1	2.0						
Dividend-%	4.9 %	2.5 %	1.9 %	4.0 %	5.6 %						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
31-01-19	Accumulate	15.50 €	14.82 €
23-04-19	Reduce	15.00 €	15.52 €
29-04-19	Reduce	14.50 €	14.41 €
19-07-19	Reduce	11.50 €	10.93 €
19-09-19	Reduce	10.50 €	10.06 €
28-10-19	Reduce	9.00 €	9.27 €
27-11-19	Accumulate	10.00 €	9.08 €
20-01-20	Accumulate	12.00 €	10.83 €
31-01-20	Accumulate	12.50 €	11.45 €
26-03-20	Accumulate	7.50 €	6.78 €
22-04-20	Accumulate	7.00 €	6.36 €
20-07-20	Accumulate	8.00 €	7.51 €
26-10-20	Accumulate	8.00 €	7.44 €
21-01-21	Reduce	9.40 €	9.01 €
29-01-21	Reduce	8.70 €	8.11 €
23-04-21	Reduce	10.00 €	10.31 €
21-07-21	Reduce	12.00 €	12.35 €
27-10-21	Accumulate	12.60 €	11.88 €
19-11-21	Accumulate	14.00 €	13.16 €
31-01-22	Accumulate	13.00 €	10.84 €
30-03-22	Accumulate	11.50 €	9.11 €
21-04-22	Accumulate	10.60 €	8.41 €
29-04-22	Accumulate	9.50 €	7.75 €



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