

Neste

Company report

7/28/2023



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This report is a summary translation of the report “Uusiutuvien tuotteiden marginaalit paineessa” published on 07/28/2023 at 8:20 am.

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Margins for Renewable Products under pressure

Neste's Q2 results were well below our expectations and the near-term outlook in Renewable Products, which was also affected by the challenges in Singapore, brought our estimates down significantly for the rest of the year. We also scaled up our medium-term projections for the sales margin of Renewable Products in the light of the change in Sweden's blending mandate and threats to supply growth. However, we expect the segment's earnings growth to remain buoyant as production capacity increases. Reflecting the sharp decline in our estimates and the increased required return, we cut our target price to EUR 39.0 (was EUR 48.0) and reiterate our Accumulate recommendation.

Results below our estimates in both key segments

In Q2, Neste achieved a comparable EBITDA of EUR 784 million, which was below estimates by a clear margin. Sales volumes of Renewable Products developed broadly in line with expectations, increasing by 40% from the early part of the year, in line with volume growth from investments in Singapore and Martinez. By contrast, the sales margin for Renewable Products fell to the lower end of the guidance range. This and thus also the segment's result were well short of our expectations. The refining margin for Oil Products remained strong and was well in line with our expectations. However, with lower sales volumes, the segment also missed our estimates.

We cut short- and medium-term estimates for Renewable Products

Neste expects Renewable Products' sales volumes in Q3 to be slightly lower than in Q2'23. This was a clear disappointment compared to our forecasts of still rising volumes. The sluggish development of sales volumes is due to the repair work required for the equipment breakdown at the Singapore extension, which limits production in addition to the normal maintenance shutdown. The company expects the segment's sales margin to remain at \$800-900/ton in Q3. Sales volumes of Oil Products are expected to remain strong and the refining margin in Q3 is expected to be slightly higher than in Q2. We have lowered our H2 forecasts, notably as a result of the projected decline in Renewable Products' sales volumes. The earnings miss in Q2, combined with estimate revisions, cut our comparable EBITDA estimate for the current year by 12%. We also cut our medium-term projections (2024-2025 - 9-11%) in light of the threats to the Swedish blending mandate and the supply/demand balance in the Renewables market in the coming years. Even so, the projected earnings growth outlook for the coming years remains strong in light of the expected doubling of Renewable Products' sales volumes.

Drop in share price offsets fall in estimates and rise in risk levels

Our estimates for the current year adjusted P/E and EV/EBIT multiples are 14x and 13x, which are reasonable. However, due to the different outlooks of the businesses and thus also justified valuation levels, we do not consider Group-level earnings-based valuation multiples to be good indicators. In our sum of the parts model Renewable Products is valued at a 17x EV/EBIT ratio with our 2023 estimates. The high valuation already falls to a moderate level with our projected longer-term earnings growth, and its downside is offset by the strong earnings growth we expect from the current year. Thus, we consider the valuation of the stock to be attractive. In line with the change in the Swedish blending mandate and also the increased risk level related to the oversupply in the coming years, we have slightly increased our required return, but despite this and the estimate cuts, our cash flow model is also well above the current price (EUR ~45/share).

Recommendation

Accumulate

(previous Accumulate)

EUR 39.00

(previous EUR 48.00)

Share price:

32.57



Key figures

	2022	2023e	2024e	2025e
Revenue	25707	21206	23630	24093
growth-%	70%	-18%	11%	2%
EBIT adj.	2898	2135	2312	2467
EBIT-% adj.	11.3 %	10.1 %	9.8 %	10.2 %
Net Income	1887	1228	1824	1975
EPS (adj.)	3.02	2.35	2.37	2.57
P/E (adj.)	14.3	13.8	13.7	12.7
P/B	4.0	3.0	2.7	2.4
Dividend yield-%	3.5 %	3.4 %	3.5 %	3.7 %
EV/EBIT (adj.)	11.9	12.7	11.5	10.4
EV/EBITDA	11.3	11.6	8.4	7.6
EV/S	1.3	1.3	1.1	1.1

Source: Inderes

Guidance

(New guidance)

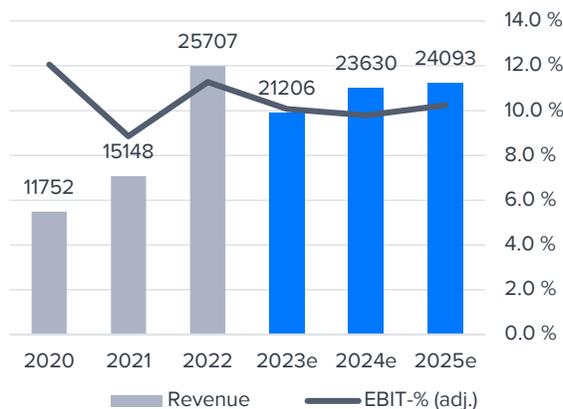
Sales volumes of Renewable Products in Q3'23 are expected to be somewhat lower than in Q2'23 and sales margins are expected to be \$800-900/ton. Sales volumes of Oil Products are expected to remain high in Q1'23 and the overall refining margin is expected to be slightly higher than in Q1'23.

Share price



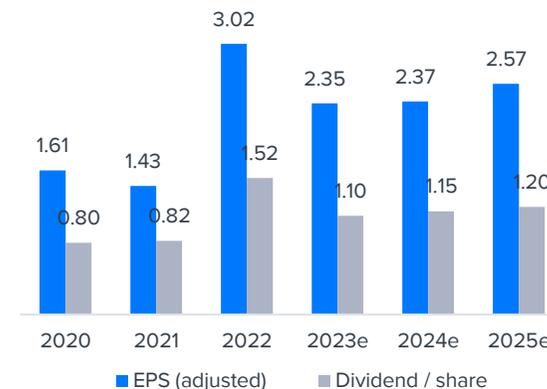
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong market position in all businesses
- Value creation potential of growth investments in Renewable Products' production capacity
- New product applications of Renewable Products in air traffic and chemicals
- Good long-term growth outlook on the market for Renewable Products



Risk factors

- Tightening competition for Renewable Products
- Long-term sales margin level for Renewable Products
- Weak long-term demand picture for oil-based fuels
- Regulatory risks (+/-)

Valuation	2023e	2024e	2025e
Share price	32.57	32.57	32.57
Number of shares, millions	768.1	768.1	768.1
Market cap	25016	25016	25016
EV	27037	26606	25609
P/E (adj.)	13.8	13.7	12.7
P/E	20.4	13.7	12.7
P/B	3.0	2.7	2.4
P/S	1.2	1.1	1.0
EV/Sales	1.3	1.1	1.1
EV/EBITDA	11.6	8.4	7.6
EV/EBIT (adj.)	12.7	11.5	10.4
Payout ratio (%)	68.8 %	48.4 %	46.7 %
Dividend yield-%	3.4 %	3.5 %	3.7 %

Source: Inderes

Earnings miss in both Renewable Products and Oil Products

Sales margin for Renewable Products missed expectations

Renewable Products' sales volumes in Q2 were 905,000 tons, up 42% on quarter-on-quarter, in line with guidance and roughly in line with our estimate (+37%). Volume growth was driven by increased capacity from the expansion in Singapore and the progress of the Martinez joint venture.

By contrast, the sales margin for Renewable Products in Q2 was at the lower end of the guidance range (\$800-900/ton) at \$800/ton. Thus, the sales margin, burdened by the Singapore ramp-up and the lack of pre-processing capacity in Martinez, was well below our estimate (\$895/ton). As a result, the comparable EBITDA for Renewable Products was EUR 513 million, well below our forecast of EUR 593 million.

Sales volumes of Oil Products were also below our expectations

Sales volumes of Oil Products, down from Q1 at around 2.8 million tons, were below our expectations, while the segment's total refining margin of \$16.7/bbl was almost in line with our estimate of \$17/bbl. Thus, reflecting the lower-than-expected volume level, the comparable EBITDA of EUR 239 million in Oil Products was also below our forecast of EUR 282 million. There were no surprises in the results of M&S or Other, and their small size does not change the overall picture of the main segments' performance at group level.

The reported result was weighed down by a clearly negative inventory revaluation due to falling commodity prices. The adjusted comparable EPS landed at EUR 0.63 per share, in line with the operating result.

Cash flow at a good level, but large investments eat into operating cash flow

H1 cash flow from operating activities amounted to EUR 794 million, as capacity growth has slowed down the release of working capital due to lower commodity prices. In line with investment projects, organic investments are substantial (H1: 769 MEUR) and the EUR 176 million inorganic growth has also been a cash flow grab. As a result, after H1, Neste's free cash flow is EUR 126 million in the red.

With the investment phase, Neste's net debt has increased to EUR 2.5 billion at the end of H1, but the gearing ratio is still at a very reasonable level of 24%. Thus, the company's relatively good financial position has not been significantly affected by massive investments.

MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	7039	5351	6391	5773	4293	- 6391	-16%	21206
EBITDA (adj.)	1085	784	911	835	779	- 932	-14%	2950
PTP	750	295	713	-	-	-	-59%	1431
EPS (adj.)	0.96	0.63	0.79	0.71	0.65	- 0.80	-20%	2.35
Revenue growth-%	132.9 %	-24.0 %	-9.2 %	-18.0 %	-39.0 %	- -9.2 %	-14.8 pp	-17.5 %
EBITDA-% (oik.)	15.4 %	14.7 %	14.3 %	14.5 %	18.1 %	- 14.6 %	0.4 pp	13.9 %

Source: Inderes & Vara Research (consensus, 15 forecasts)

Estimates cut across the board

Short-term outlook

Neste expects Renewable Products' sales volumes in Q3 to be slightly lower than in Q2'23 and sales margins of \$800-900/ton. The company expects sales volumes of Oil Products to remain at a high level and the overall refining margin is expected to be slightly higher than in Q2.

In particular, the guidance on Renewable Products' sales volumes was a clear disappointment relative to expectations that the phased expansion in Singapore and the Martinez ramp-up would deliver further volume growth in Q3. The sluggish sales volume guidance is driven by an equipment failure in Singapore, which will extend the maintenance shutdown into early Q3. Production on H2 is also limited by the usual maintenance shutdowns on the "old" Singapore line and in Rotterdam. According to Neste, the repair work in Singapore will have an impact of 230,000 tons on H2 sales and the ramp-up of the new Singapore line will be completed by the

end of the year. At this point, the company also reported that Q4 sales volumes will increase from Q3 levels.

Short-term estimate changes

We scaled back our near-term sales volume estimates in Renewable Products, clearly reflecting production constraints in H2. The sizable cuts in sales volume estimates were not offset by a slight increase in our short-term sales margin estimate. Similarly, our estimate for the refining margin of Oil Products rose, but this was undermined by lower sales volume forecasts. As a result, our earnings estimate for the current year was not only burdened by the earnings miss of Q2, but also accompanied by significant cuts in H2 forecasts.

Medium-term estimates were also under pressure

We also scaled back our medium-term projections in Renewable Products, reflecting the uncertainty surrounding margin levels due to the reallocation of

the Swedish blending mandate reduction, and also reflecting the risks of oversupply in the coming years. As a result, our medium-term forecast for sales margins fell to around \$670/ton (cf. \$779/ton 2022) with cuts being front-loaded (i.e. the short-term margin fell the most). However, we made no changes to long-term production and sales volumes and expect capacity imported from Rotterdam to roughly double sales volumes in 2027 compared to the last 12 months. This also almost doubles the result for the period, as the fall in sales margin is partly offset by the increase in efficiency.

In addition to the change in margin projections, the lower lines were weighed down by higher projections for Renewable Products' depreciation for H2'23 and the coming years. We have also cut our dividend estimates for the coming years across the board in the light of falling earnings forecasts and continued investment in the coming years.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change	
	MEUR / EUR	Old		New	%		Old	New		%
Revenue		25290	21206	-16%	24050	23630	-2%	23775	24093	1%
EBITDA		2990	2322	-22%	3585	3186	-11%	3702	3358	-9%
EBIT (exc. NRIs)		2660	2135	-20%	2807	2312	-18%	2880	2467	-14%
EBIT		2293	1507	-34%	2807	2312	-18%	2880	2467	-14%
PTP		2209	1431	-35%	2696	2200	-18%	2812	2382	-15%
EPS (excl. NRIs)		2.86	2.35	-18%	2.91	2.37	-18%	3.04	2.57	-15%
DPS		1.43	1.10	-23%	1.50	1.15	-23%	1.55	1.20	-23%

Source: Inderes

Renewable Products' earnings growth drives expected returns

Short-term valuation multiples

With our estimates Neste's adjusted P/E ratios for 2023 and 2024 are 14x and corresponding EV/EBIT ratios are 13x and 12x. In our view, the short-term valuation multiples are quite reasonable, both in comparison to Neste's own historical valuation level and in the context of the stock market as a whole.

However, different businesses have very different medium- and long-term demand prospects and returns on capital. Hence, we consider the levels of valuation justified for them to be very different. Therefore, we do not believe that the group-level earnings-based valuation gives a good overall picture of the valuation of the stock. For the same reason, we believe that the peer group of the Oil Products segment is a poor measure of group-level valuation. Thus, we use our sum of the parts calculation and cash flow model as our main valuation indicators.

Sum of the parts as a valuation indicator

In the sum of the parts calculation, we determine the value of Oil Products using the multiples of peers with a 20% premium that is based on its excellent operational efficiency and strong competitiveness. We use the multiples of the retail trade sector for Marketing & Services and consider the earnings of the Others segment and net debt. Examined this way, Renewable Products is valued at around 17x EV/EBIT ratio with 2023 estimates, representing almost 90% of the company's value.

We find the acceptable valuation multiple for Renewable Products to be higher than average in the context of Nasdaq Helsinki, considering proven excellent operational performance and earnings

growth through high ROE investments.

In addition to the shock resistance of the business, the high valuation multiple is naturally supported by an extraordinarily strong market position in a market with a good long-term growth outlook. We feel that the current valuation level of the segment remains high, but with the long-term earnings growth we forecast, it will fall to a clearly lower level. In our view, the earnings growth-boosted expected return is above the required return, although we believe that the downside valuation margin slightly hurts the expected return. Thus, we estimate that the total expected return from the combination of these and dividends rises well into double digits, which is an attractive level relative to the elevated required return.

DCF model well above the current share price

The value of the stock, as indicated by our cash flow model, has fallen as a result of the fall in estimates and the rise in WACC, to EUR 44.9, but with a significant upside margin. In the DCF model, 58% of the value consists of the terminal value, which we consider a justified level considering the long-term earnings growth outlook for Renewable Products. However, we still believe that the elevated terminal value increases the level of risk, and we do not believe that an investor can ignore the risks associated with the long-term margin level of Renewable Products.

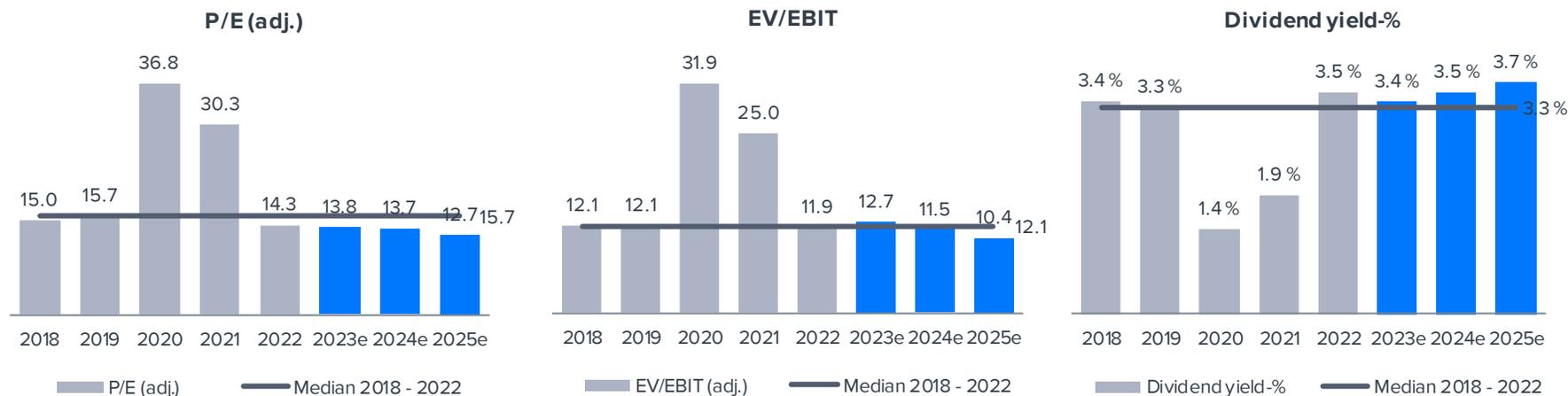
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EV/Sales	1.3	1.1	1.1
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EV/EBIT (adj.)	12.7	11.5	10.4
Payout ratio (%)	68.8 %	48.4 %	46.7 %
Dividend yield-%	3.4 %	3.5 %	3.7 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	22.5	31.0	59.16	43.36	43.02	32.57	32.57	32.57	32.57
Number of shares, millions	767	768	768	768	768	768	768	768	768
Market cap	17233	23814	45425	33299	33043	25016	25016	25016	25016
EV	17244	23651	45212	33494	34407	27037	26606	25609	24048
P/E (adj.)	15.0	15.7	36.8	30.3	14.3	13.8	13.7	12.7	10.6
P/E	22.1	13.3	63.8	18.8	17.5	20.4	13.7	12.7	10.6
P/B	3.7	4.0	7.7	4.8	4.0	3.0	2.7	2.4	2.1
P/S	1.2	1.5	3.9	2.2	1.3	1.2	1.1	1.0	1.0
EV/Sales	1.2	1.5	3.8	2.2	1.3	1.3	1.1	1.1	0.9
EV/EBITDA	10.5	8.7	30.0	12.8	11.3	11.6	8.4	7.6	6.4
EV/EBIT (adj.)	12.1	12.1	31.9	25.0	11.9	12.7	11.5	10.4	8.3
Payout ratio (%)	75%	44%	86%	36%	62%	69%	48%	47%	45%
Dividend yield-%	3.4 %	3.3 %	1.4 %	1.9 %	3.5 %	3.4 %	3.5 %	3.7 %	4.2 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Total SA	134557	160522	4.8	5.1	3.4	3.8	0.7	0.7	5.9	6.4	5.3	5.6	1.2
ENI SPA	45879	60155	4.5	4.7	2.9	2.9	0.6	0.6	5.5	5.8	6.8	7.0	0.8
Koc Holding AS	10130	16395	3.1	2.8	2.9	2.5	0.5	0.4	5.0	4.7	2.4	2.9	1.5
TURKIYE PETROL RAFINERILERI AS	6029	5665	3.9	5.6	3.7	5.0	0.3	0.3	5.6	7.0	14.0	11.7	2.3
MOL PLC	5986	7406	3.7	4.0	2.5	2.4	0.3	0.3	5.3	4.3	10.0	7.1	0.6
EQUINOR ASA	82567	69287	1.9	1.9	1.6	1.6	0.7	0.7	7.9	7.5	11.2	7.2	1.8
VALERO ENERGY CORP	41231	48360	5.0	8.0	4.0	5.8	0.4	0.4	6	9.6	3.2	3.3	1.7
SARAS SPA	1244	834	2.0	6.2	1.3	2.5	0.1	0.1	4.6	12.3	9.4	5.6	1.0
HELLENIC PETROLEUM SA	2415	4146	5.8	8.5	4.1	5.2	0.4	0.4	5.2	7.7	7.2	6.2	0.8
POLSKI KONCERN NAFTOWY ORLEN SA	18348	15761	1.9	2.7	1.4	1.8	0.2	0.2	2.8	4.6	6.9	6.5	0.5
MOTOR OIL HELLAS CORINTH REFINERIES SA	2575	4204	5.5	8.8	4.0	5.6	0.3	0.4	4.7	7.3	6.8	6.4	1.1
Neste (Inderes)	25016	27037	12.7	11.5	11.6	8.4	1.3	1.1	13.8	13.7	3.4	3.5	3.0
Average			3.8	5.3	2.9	3.6	0.4	0.4	5.3	7.0	7.6	6.3	1.2
Median			3.9	5.1	2.9	2.9	0.4	0.4	5.3	7.0	6.9	6.4	1.1
Diff-% to median			227%	125%	304%	184%	264%	222%	163%	95%	-51%	-45%	169%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	15148	5523	7039	6583	6562	25707	5298	5351	5211	5345	21206	23630	24093	25605
Oil Products	7810	3019	4043	3877	3657	14596	3174	2919	2914	2813	11819	10455	10560	10560
Renewable Products	5895	2176	2729	2403	2597	9905	1842	2164	2013	2398	8416	11385	12018	13450
Marketing & Services	3803	1229	1481	1604	1562	5876	1290	1189	1250	1100	4829	4250	3995	4000
Other	170	35	38	37	37	147	31	30	35	35	131	140	145	145
Eliminations	-2530	-937	-1251	-1338	-1290	-4816	-1039	-951	-1000	-1000	-3990	-2600	-2625	-2550
EBITDA	2607	915	927	456	749	3047	463	523	686	651	2322	3186	3358	3770
Depreciation	-584	-153	-158	-167	-161	-638	-178	-211	-213	-213	-815	-875	-891	-879
EBIT (excl. NRI)	1342	424	927	813	734	2898	652	573	473	438	2135	2312	2467	2891
EBIT	2023	762	769	289	589	2409	285	312	473	438	1507	2312	2467	2891
Oil Products	71	64	456	475	377	1372	304	171	157	88	719	322	339	378
Renewable Products	1238	358	472	303	347	1480	344	376	301	344	1366	1945	2083	2468
Marketing & Services	74	25	18	41	13	97	16	21	25	16	78	85	85	85
Other	-35	-13	-22	-7	-8	-50	-10	1	-10	-10	-29	-40	-40	-40
Eliminations	-6	0	-6	1	4	-1	-3	4	0	0	1	0	0	0
Changes in fair value	681	328	-148	-524	-145	-489	-367	-261	0	0	-628	0	0	0
Net financial items	-61	-27	-20	-59	-26	-131	-9	-17	-25	-25	-76	-112	-85	-47
PTP	1962	735	750	231	563	2278	276	295	448	413	1431	2200	2382	2844
Taxes	-188	-96	-151	-92	-49	-388	-38	-36	-67	-62	-203	-374	-405	-483
Minority interest	-2	-1	1	-3	0	-3	0	0	0	0	0	-2	-2	-2
Net earnings	1771	638	599	136	514	1887	238	259	380	351	1228	1824	1975	2359
EPS (adj.)	1.43	0.39	0.97	0.79	0.86	3.02	0.72	0.68	0.50	0.46	2.35	2.37	2.57	3.07
EPS (rep.)	2.31	0.83	0.78	0.18	0.67	2.46	0.31	0.34	0.50	0.46	1.60	2.37	2.57	3.07

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	28.9 %	76.3 %	132.9 %	63.5 %	32.1 %	69.7 %	-4.1 %	-24.0 %	-20.8 %	-18.5 %	-17.5 %	11.4 %	2.0 %	6.3 %
Adjusted EBIT growth-%	-5.2 %	40.6 %	285.0 %	121.2 %	69.8 %	115.9 %	53.8 %	-38.2 %	-41.9 %	-40.3 %	-26.3 %	8.3 %	6.7 %	17.2 %
EBITDA-%	17.2 %	16.6 %	13.2 %	6.9 %	11.4 %	11.9 %	8.7 %	9.8 %	13.2 %	12.2 %	11.0 %	13.5 %	13.9 %	14.7 %
Adjusted EBIT-%	8.9 %	7.7 %	13.2 %	12.3 %	11.2 %	11.3 %	12.3 %	10.7 %	9.1 %	8.2 %	10.1 %	9.8 %	10.2 %	11.3 %
Net earnings-%	11.7 %	11.6 %	8.5 %	2.1 %	7.8 %	7.3 %	4.5 %	4.8 %	7.3 %	6.6 %	5.8 %	7.7 %	8.2 %	9.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	5893	7414	8459	8820	8863
Goodwill	0	0	0	0	0
Intangible assets	516	570	580	590	600
Tangible assets	5152	6570	7605	7956	7989
Associated companies	60	63	63	63	63
Other investments	59	49	49	49	49
Other non-current assets	63	103	103	103	103
Deferred tax assets	45	59	59	59	59
Current assets	6524	7503	6407	6928	7056
Inventories	2618	3648	3181	3450	3518
Other current assets	648	406	406	406	406
Receivables	1677	2178	1802	2009	2048
Cash and equivalents	1581	1271	1018	1063	1084
Balance sheet total	12417	14917	14866	15747	15919

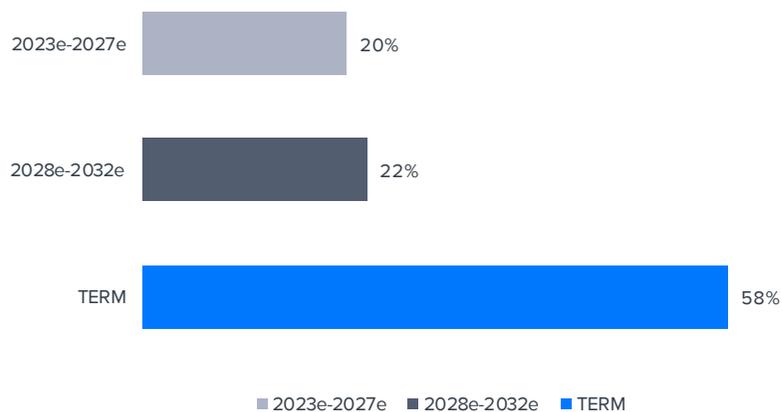
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	6985	8327	8388	9367	10458
Share capital	40	40	40	40	40
Retained earnings	6941	8282	8343	9322	10413
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	4	5	5	5	5
Non-current liabilities	2087	2674	3133	2750	1775
Deferred tax liabilities	309	336	336	336	336
Provisions	210	200	200	200	200
Long term debt	1378	1964	2423	2040	1065
Convertibles	0	0	0	0	0
Other long term liabilities	190	174	174	174	174
Current liabilities	3345	3916	3345	3631	3686
Short term debt	379	651	600	600	600
Payables	2761	3022	2502	2788	2843
Other current liabilities	205	243	243	243	243
Balance sheet total	12417	14917	14866	15747	15919

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	69.7 %	-17.5 %	11.4 %	2.0 %	6.3 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	9.4 %	7.1 %	9.8 %	10.2 %	11.3 %	12.5 %	13.0 %	13.0 %	12.0 %	12.0 %	12.0 %	12.0 %
EBIT (operating profit)	2409	1507	2312	2467	2891	3281	3497	3585	3392	3476	3546	
+ Depreciation	638	815	875	891	879	830	795	685	676	648	644	
- Paid taxes	-375	-203	-374	-405	-483	-550	-587	-602	-570	-584	-702	
- Tax, financial expenses	-23	-11	-19	-15	-8	-8	-8	-8	-8	-8	-10	
+ Tax, financial income	0	0	0	0	0	1	1	1	1	2	2	
- Change in working capital	-990	323	-189	-52	-171	-72	-74	-76	-78	-80	-65	
Operating cash flow	1660	2431	2604	2886	3108	3481	3624	3584	3414	3454	3415	
+ Change in other long-term liabilities	-26	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-2142	-1860	-1235	-935	-585	-585	-585	-600	-605	-605	-671	
Free operating cash flow	-507.8	571	1369	1951	2523	2896	3039	2984	2809	2849	2744	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-507.8	571	1369	1951	2523	2896	3039	2984	2809	2849	2744	44518
Discounted FCFF		552	1222	1608	1920	2035	1972	1789	1555	1456	1295	21013
Sum of FCFF present value		36416	35864	34642	33034	31114	29079	27107	25319	23764	22308	21013
Enterprise value DCF		36416										
- Interest bearing debt		-2615										
+ Cash and cash equivalents		1271										
-Minorities		-15										
-Dividend/capital return		-1167										
Equity value DCF		33890										
Equity value DCF per share		44.9										

Cash flow distribution



WACC

Tax-% (WACC)	15.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.3 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	11752	15148	25707	21206	23630	EPS (reported)	0.93	2.31	2.46	1.60	2.37
EBITDA	1508	2607	3047	2322	3186	EPS (adj.)	1.61	1.43	3.02	2.35	2.37
EBIT	828	2023	2409	1507	2312	OCF / share	2.42	2.40	2.16	3.17	3.39
PTP	787	1962	2278	1431	2200	FCF / share	1.11	0.46	-0.66	0.74	1.78
Net Income	712	1771	1887	1228	1824	Book value / share	7.72	9.09	10.83	10.91	12.19
Extraordinary items	-588	681	-489	-628	0	Dividend / share	0.80	0.82	1.52	1.10	1.15
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	9815	12417	14917	14866	15747	Revenue growth-%	-26%	29%	70%	-18%	11%
Equity capital	5929	6985	8327	8388	9367	EBITDA growth-%	-45%	73%	17%	-24%	37%
Goodwill	0	0	0	0	0	EBIT (adj.) growth-%	-28%	-5%	116%	-26%	8%
Net debt	-244	176	1344	2005	1576	EPS (adj.) growth-%	-19%	-11%	110%	-22%	1%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	12.8 %	17.2 %	11.9 %	11.0 %	13.5 %
EBITDA	1508	2607	3047	2322	3186	EBIT (adj.)-%	12.0 %	8.9 %	11.3 %	10.1 %	9.8 %
Change in working capital	453	-650	-990	323	-189	EBIT-%	7.0 %	13.4 %	9.4 %	7.1 %	9.8 %
Operating cash flow	1856	1840	1660	2431	2604	ROE-%	12.0 %	27.5 %	24.7 %	14.7 %	20.6 %
CAPEX	-1144	-1518	-2142	-1860	-1235	ROI-%	11.5 %	25.3 %	24.5 %	13.5 %	19.8 %
Free cash flow	852	356	-508	571	1369	Equity ratio	60.4 %	56.6 %	56.3 %	56.4 %	59.5 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-4.1 %	2.5 %	16.1 %	23.9 %	16.8 %
EV/S	3.8	2.2	1.3	1.3	1.1						
EV/EBITDA (adj.)	30.0	12.8	11.3	11.6	8.4						
EV/EBIT (adj.)	31.9	25.0	11.9	12.7	11.5						
P/E (adj.)	36.8	30.3	14.3	13.8	13.7						
P/B	7.7	4.8	4.0	3.0	2.7						
Dividend-%	1.4 %	1.9 %	3.5 %	3.4 %	3.5 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/28/2021	Reduce	50.00 €	52.18 €
10/28/2021	Reduce	50.00 €	48.94 €
12/27/2021	Accumulate	50.00 €	43.71 €
2/11/2022	Accumulate	44.00 €	38.43 €
3/3/2022	Buy	44.00 €	36.07 €
5/2/2022	Accumulate	44.00 €	41.20 €
6/21/2022	Reduce	44.00 €	43.06 €
7/29/2022	Reduce	46.00 €	48.68 €
10/25/2022	Reduce	48.00 €	47.10 €
10/28/2022	Reduce	48.00 €	45.46 €
2/9/2023	Reduce	50.00 €	47.50 €
4/24/2023	Accumulate	48.00 €	43.77 €
5/2/2023	Accumulate	48.00 €	43.94 €
7/28/2023	Accumulate	39.00 €	32.57 €



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