

Kone

Company report

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Erkki Vesola
+358 50 549 5512
erkki.vesola@inderes.fi

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Right direction, but a bumpy road

KONE's Q2 figures were inconsistent. The order intake fell more than expected, but net sales, and especially profitability, surprised positively. KONE specified its 2023 guidance upward. Our estimate changes are minor but positive. After the share price drop, KONE's share starts to approach a neutral valuation. However, we stick to a cautious position on the share and reiterate our Reduce recommendation and our target price of EUR 47.50.

Q2 figures were tolerable as a whole

KONE's order intake in Q2 (-13 % y-o-y) was clearly below both our and the consensus estimate (-6...-7% y-o-y). New equipment orders cause concern, which, in total, decreased by more than -10% y-o-y even in comparable exchange rates. Orders from China decreased by an estimated -27 % y-o-y and KONE continued to lose market share in new equipment sales there. The bright spot was modernization orders, which grew clearly. The Group's net sales growth (+16% y-o-y at comparable rates) exceeded expectations as modernization continued to grow strongly. Geographically, net sales growth was steady across the board. China also saw growth, but the underlying reason was the impact of COVID shutdowns in the comparison period Q2'22. In addition, KONE stated that the Chinese market, which had still looked positive in February-April, stalled in May and this was reflected in the real estate market and consumer confidence. In Q2, the adjusted EBIT margin (11.7%) was better than expected. This was due to improved pricing of deliveries, lower material costs and the operational leverage. However, accelerated wage inflation slowed down the margin improvement.

Hopes for better, but the terrain is difficult

KONE specified its 2023 guidance. The company now expects its sales growth at comparable exchange rates for 2023 to be 3-6% and the adjusted EBIT margin to be 11.0-12.0%. The pre-report consensus expected net sales to increase by +1% y-o-y and the adjusted EBIT margin to be 11.2%. Comments on the market outlook for 2023 have weakened both in China, EMEA and North America in terms of new equipment sales. However, the market for both maintenance and modernization is expected to grow in all regions. KONE raised its estimate of the benefit from reduced component costs to +100 MEUR in 2023, emphasized its strong operational leverage, the fact that orders with better margins are entering delivery stages, and the positive margin effect of these factors. However, profitability is still depressed by weak new equipment markets and wage inflation. Our estimate changes are minor but on the positive side.

Valuation approaches neutral

After the share price drop, KONE's share starts to approach a neutral valuation. However, we do not see clear growth drivers in the share until confidence in 2024 earnings growth strengthens, and this is likely to happen only with positive news concerning new equipment market. The expected total return of KONE's share is slightly positive with 2024 P/E and EV/EBIT ratios at 8-11% which is a bit above our 7% required return. Based on this, the risk-adjusted expected return for the share is leaning to the attractive side. The 2024 EV/EBIT ratio (15x) is 5% below the median of peers and on average 9% below the ratios of the closest competitors Otis and Schindler. However, KONE's greater dependence on the Chinese market than its competitors raises the company's risk profile compared to the above-mentioned companies. There is a smallish +9% upside to the DCF value.

Recommendation

Reduce

(previous Reduce)

EUR 47.50

(previous EUR 47.50)

Share price:

45.47



Key figures

	2022	2023e	2024e	2025e
Revenue	10907	11371	11972	12402
growth-%	4%	4%	5%	4%
EBIT adj.	1076.6	1301.5	1505.0	1612.1
EBIT-% adj.	9.9 %	11.4 %	12.6 %	13.0 %
Net Income	774.5	903.6	1135.4	1241.3
EPS (adj.)	1.59	1.98	2.23	2.40

P/E (adj.)	30.5	22.9	20.3	18.9
P/B	8.8	8.3	7.7	7.0
Dividend yield-%	3.6 %	3.8 %	4.0 %	4.1 %
EV/EBIT (adj.)	22.1	17.3	14.8	13.6
EV/EBITDA	18.4	15.7	12.7	11.6
EV/S	2.2	2.0	1.9	1.8

Source: Inderes

Guidance

(Adjusted)

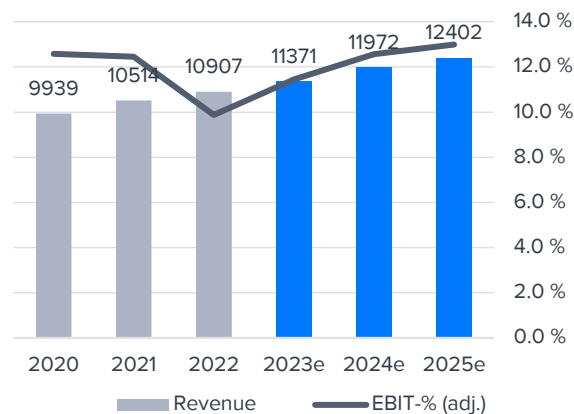
KONE expects its sales growth at comparable exchange rates for 2023 to be in the range of 3–6%. The adjusted EBIT margin is expected to be in the range of 11.0–12.0%.

Share price



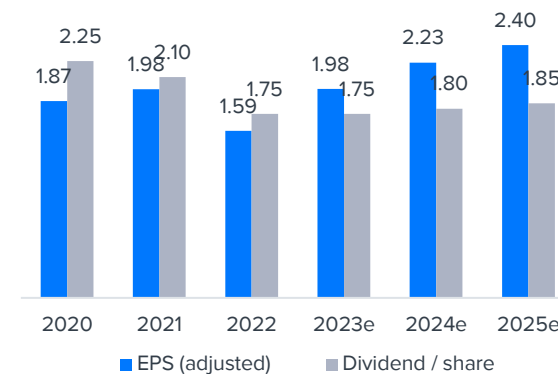
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Demand recovery in the new equipment market
- Growth in the maintenance markets in China and other Asian countries
- Renewed operating model will start supporting margins
- Rise of new digital services



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	45.5	45.5	45.5
Number of shares, millions	517.1	517.1	517.1
Market cap	23512	23512	23512
EV	22474	22242	21971
P/E (adj.)	22.9	20.3	18.9
P/E	26.0	20.7	18.9
P/FCF	31.8	20.8	19.9
P/B	8.3	7.7	7.0
P/S	2.1	2.0	1.9
EV/Sales	2.0	1.9	1.8
EV/EBITDA	15.7	12.7	11.6
EV/EBIT (adj.)	17.3	14.8	13.6
Payout ratio (%)	100.0 %	81.9 %	77.0 %
Dividend yield-%	3.8 %	4.0 %	4.1 %

Source: Inderes

Q2 figures were tolerable as a whole

Inconsistent Q2 figures

KONE's Q2 figures were inconsistent. The order intake fell more than expected, but net sales, and especially profitability, surprised positively.

Chinese orders continued to plummet

KONE's Q2 order intake (2,576 MEUR; -13% y-o-y) was clearly below both our and the consensus estimate (-6...-7% y-o-y). New equipment orders cause concern, which, in total, decreased by more than -10% y-o-y even in comparable exchange rates. Orders from China decreased by an estimated -27 % y-o-y and KONE continued to lose market share in new equipment sales there. Elsewhere in the world, orders decreased by 3% y-o-y. The bright spot was modernization orders that grew clearly (+5...+10% y-o-y). The margins on orders received by the Group improved compared to Q2'22 due to reduced raw

material costs in China and improved pricing elsewhere. However, compared to Q1'23, the margin on orders was stable.

Brisk growth in net sales

The Group's net sales growth (+16% y-o-y at comparable rates) exceeded expectations as modernization continued to grow strongly (+25% y-o-y). Geographically, net sales growth was steady across the board. China also saw growth, but the underlying reason was the impact of COVID shutdowns in the comparison period Q2'22. In addition, KONE stated that the Chinese market, which had still looked positive in February-April, stalled in May and this was reflected in the real estate market and consumer confidence. A positive point in China has been the completion of unfinished housing, which was expected already in connection with the Q1 report.

Margins give reason for contentment

In Q2, the adjusted EBIT margin (11.7%) was better than expected. According to KONE, this was due to improved pricing of deliveries, lower material costs and the operational leverage. However, accelerated wage inflation slowed down the margin improvement.

Net financial income and the Group tax rate were in line with expectations. Adjusted EPS was EUR 0.05-0.07 above expectations.

Estimates	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	2555	2836	2807	2742	2612	- 2859	1%	11110
EBIT (adj.)	209	332	312	297	272	- 329	7%	1244
EBIT	189	283	282	273	212	- 310	1%	1141
PTP	180	285	284	278	216	- 498	0%	1152
EPS (adj.)	0.30	0.53	0.48	0.46	0.41	- 0.51	10%	1.89
EPS (reported)	0.26	0.43	0.42	0.40	0.32	- 0.47	2%	1.69
Revenue growth-%	-9.1 %	11.0 %	9.9 %	7.3 %	2.2 %	- 11.9 %	1.1 pp	4.3 %
EBIT-% (adj.)	8.2 %	11.7 %	11.1 %	10.8 %	10.4 %	- 11.5 %	0.6 pp	11.2 %

Source: Inderes & Vara Research (consensus)

Hopes for better, but the terrain is difficult

The guidance was raised

KONE specified its 2023 guidance upward. The company's market outlook comments weakened slightly, but at the same time KONE talked a lot about its positive profitability drivers.

New guidance exceeds consensus

KONE specified its 2023 guidance. The company now expects 2023 net sales to grow by 3–6% y-o-y at comparable exchange rates (previously to be “somewhat above” y-o-y). The adjusted EBIT margin is estimated to be 11.0-12.0% (previously “expected to start to recover” in 2023). The pre-report consensus expected net sales to increase by +1% y-o-y and the adjusted EBIT margin to be 11.2%.

The market image of new equipment sales has deteriorated

The market outlook comments for 2023 have weakened in terms of new equipment sales. New equipment sales in China are now estimated to fall by 10-15% y-o-y while the previous estimate was “nearly -10%”. KONE considers improvement in property developers’ access to financing and consumer confidence critical for the recovery of the Chinese real estate markets. The new equipment market in EMEA is now also expected to decline “clearly” (-5...-10%), compared to the previous estimate of “a little” (0%...-5%). The North American new equipment market is now projected to fall “significantly” (>10%y-o-y), compared to a previous estimate of “slightly”. However, the market for both maintenance and modernization is expected to grow in all regions.

Profitability drivers are pointing in the right direction

KONE has raised its estimate on the benefits from lower component costs to EUR +100 million in 2023 (previously “some tens of millions”) and more than half of this will be seen in H2'23. KONE also emphasized its strong operational leverage, the fact that orders with better margins are entering delivery stages and the positive margin effect of these factors. Profitability is, however, still depressed by weak new equipment markets in China, Europe and North America, as well as wage inflation.

Estimates fine-tuned upward

Our estimate changes are minor but positive. The changes in 2023 are based on the strong Q2 report and new guidance. Previously, we already expected a relatively strong EBIT growth in 2024-2025 (CAGR = 11%) as construction starts to recover globally and KONE benefits fully from its new operating model.

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Toteutunut	%	Old	New	%	Old	New	%
Revenue	1110	11371	2%	11698	11972	2%	12118	12402	2%
EBIT (exc. NRIs)	1244	1302	5%	1488	1505	1%	1593	1612	1%
EBIT	1141	1179	3%	1468	1485	1%	1593	1612	1%
PTP	1152	1186	3%	1478	1491	1%	1608	1625	1%
EPS (excl. NRIs)	1.89	1.98	5%	2.21	2.23	1%	2.37	2.40	1%
DPS	1.75	1.75	0%	1.80	1.80	0%	1.85	1.85	0%

Source: Inderes

Valuation approaches neutral

Valuation is approaching neutral, but we remain cautious

KONE's share valuation is still rich. Expected earnings growth is quite fast and the company's EV/EBIT ratio will fall below 15x in 2024. However, the problem is the uncertainty about the timing and pace of recovery in the new equipment market in China, Europe and North America. If these expectations are disappointed, it could lead to even stricter price competition and either to new margin pressure or loss of market share for KONE. We are, however, confident about KONE's positive view on the maintenance and modernization markets.

After the share price drop, KONE's share starts to approach a neutral valuation. However, we do not see clear growth drivers in the share until confidence in 2024 earnings growth strengthens, and this is likely to happen only with positive news concerning new equipment market. However, we stick to a cautious position on the share at this stage and reiterate our Reduce recommendation and EUR 47.50 target price.

The risk-adjusted expected return turns positive

The total expected return on KONE's share (upside potential in the share price based on earnings growth and expected change in valuation multiple plus dividend yield) with 2024 P/E and EV/EBIT ratios is 8-11% which is a bit above our required return of around 7%. Based on this, the risk-adjusted expected return for the share is leaning to the attractive side.

Multiple-based valuation at a slight discount

As KONE has about EUR 640 billion in net assets, the EV/EBIT ratio is better suited than the P/E to assess peer group pricing. The 2024 EV/EBIT ratio (15x) is 5%

below the median of peers and on average 9% below the ratios of the closest competitors Otis and Schindler. However, KONE's greater dependence on the Chinese market than its competitors raises the company's risk profile compared to the above-mentioned companies.

Little potential in DCF value

Our DCF model indicates a value of around EUR 50 for KONE's share indicating a 9% upside. The parameters of the model are always subject to considerable uncertainty and a reasonably low upside is not sufficient to compensate for this.

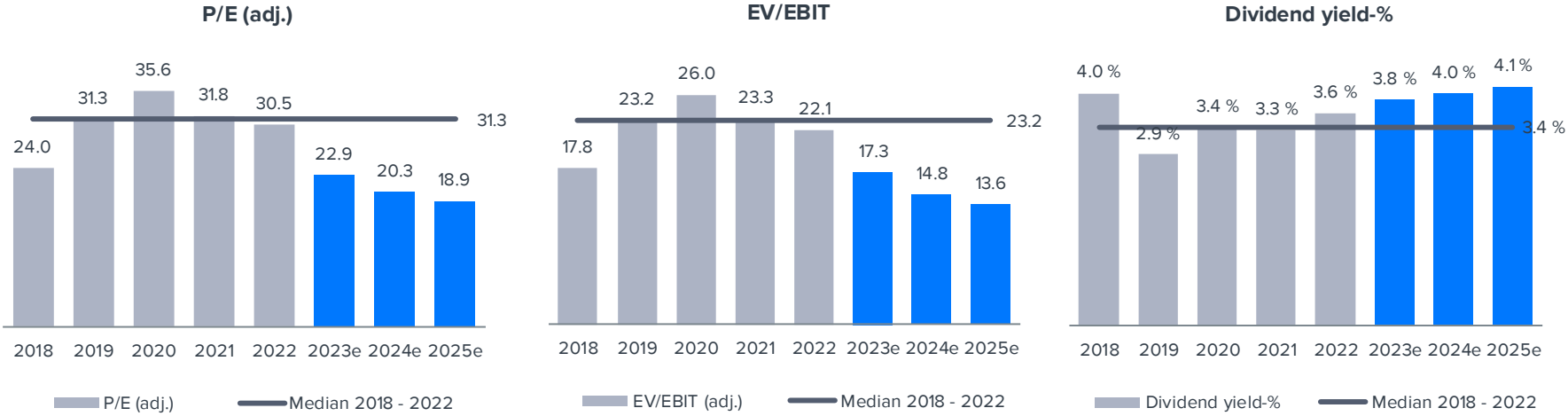
Valuation	2023e	2024e	2025e
Share price	45.5	45.5	45.5
Number of shares, millions	517.1	517.1	517.1
Market cap	23512	23512	23512
EV	22474	22242	21971
P/E (adj.)	22.9	20.3	18.9
P/E	26.0	20.7	18.9
P/FCF	31.8	20.8	19.9
P/B	8.3	7.7	7.0
P/S	2.1	2.0	1.9
EV/Sales	2.0	1.9	1.8
EV/EBITDA	15.7	12.7	11.6
EV/EBIT (adj.)	17.3	14.8	13.6
Payout ratio (%)	100.0 %	81.9 %	77.0 %
Dividend yield-%	3.8 %	4.0 %	4.1 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	41.6	58.3	66.5	63.0	48.3	45.5	45.5	45.5	45.5
Number of shares, millions	516.1	518.4	518.4	518.0	517.1	517.1	517.1	517.1	517.1
Market cap	21489	30212	34452	32652	24975	23512	23512	23512	23512
EV	19758	28677	32555	30555	23780	22474	22242	21971	21605
P/E (adj.)	24.0	31.3	35.6	31.8	30.5	22.9	20.3	18.9	17.7
P/E	25.6	32.4	36.7	32.2	32.2	26.0	20.7	18.9	17.7
P/FCF	28.7	43.8	25.5	26.9	>100	31.8	20.8	19.9	18.1
P/B	7.0	9.5	10.9	10.3	8.8	8.3	7.7	7.0	6.3
P/S	2.4	3.0	3.5	3.1	2.3	2.1	2.0	1.9	1.8
EV/Sales	2.2	2.9	3.3	2.9	2.2	2.0	1.9	1.8	1.7
EV/EBITDA	17.0	20.0	22.4	19.8	18.4	15.7	12.7	11.6	10.7
EV/EBIT (adj.)	17.8	23.2	26.0	23.3	22.1	17.3	14.8	13.6	12.6
Payout ratio (%)	101.1%	94.5 %	124.1%	107.1%	116.7 %	100.0 %	81.9 %	77.0 %	90.0 %
Dividend yield-%	4.0 %	2.9 %	3.4 %	3.3 %	3.6 %	3.8 %	4.0 %	4.1 %	5.1 %

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
Schindler Holding AG	22277	19894	16.6	14.9	12.9	11.9	1.7	1.6	25.1	22.5	2.3	2.4	4.9
Assa Abloy AB	24633	27059	14.5	13.1	12.1	11.0	2.2	2.1	19.5	17.8	2.1	2.2	3.0
Koninklijke Philips NV	19000	26081	16.9	14.6	9.6	8.6	1.4	1.4	17.4	14.2	4.4	4.5	1.5
Otis Worldwide Corp	32528	37765	18.9	17.6	17.5	16.3	3.0	2.9	25.3	22.9	1.5	1.7	
Ingersoll Rand Inc	23755	25263	19.1	18.1	16.8	15.6	4.3	4.0	24.1	22.1	0.1	0.2	2.7
Johnson Controls International PLC	42590	51299	17.0	15.6	13.7	12.6	2.1	2.0	19.4	17.1	2.0	2.2	2.8
Gree Electric Appliances Inc of Zhuhai	26148	20810	5.8	5.4	4.9	4.5	0.8	0.8	7.8	7.1	6.7	7.2	1.8
Dover Corp	18761	21623	15.0	14.1	12.9	12.1	2.8	2.6	16.7	15.3	1.4	1.4	4.2
Honeywell International Inc	121994	133236	18.2	16.8	16.0	14.9	4.0	3.8	22.4	20.3	2.0	2.1	8.0
Lennox International Inc	10603	12051	18.2	16.9	16.3	15.1	2.8	2.8	21.8	19.9	1.2	1.3	145.1
Melco International Development Ltd	1335	9475	50.7	16.6	10.2	7.3	2.7	2.2		50.3			
Kone (Inderes)	23512	22474	17.3	14.8	15.7	12.7	2.0	1.9	22.9	20.3	3.8	4.0	8.3
Average			19.2	14.9	13.0	11.8	2.5	2.4	20.0	20.9	2.4	2.5	19.3
Median			17.0	15.6	12.9	12.1	2.7	2.2	20.6	19.9	2.0	2.2	3.0
Diff-% to median			2%	-5%	22%	5%	-27%	-14%	11%	2%	94%	83%	176%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	10514	10907	2557	2836	2885	3094	11371	11972	12402	12870
Group	10514	10907	2557	2836	2885	3094	11371	11972	12402	12870
EBITDA	1539	1291	303	347	351	435	1436	1755	1893	2012
Depreciation	-244.0	-259.3	-64.6	-64.0	-64.0	-64.0	-256.6	-270.3	-281.2	-300.5
EBIT (excl. NRI)	1310	1077	242	332	337	391	1302	1505	1612	1712
EBIT	1295	1031	238	283	287	371	1179	1485	1612	1712
Group	1295	1031	238	283	287	371	1179	1485	1612	1712
Net financial items	25.5	-2.7	2.8	1.5	1.5	1.5	7.3	5.8	13.1	23.3
PTP	1321	1029	241	285	288	372	1186	1491	1625	1735
Taxes	-298.1	-244.0	-55.5	-62.8	-66.3	-85.6	-270.2	-339.6	-370.2	-395.2
Minority interest	-8.5	-10.0	-2.0	1.2	-4.5	-7.3	-12.6	-15.8	-13.7	-13.4
Net earnings	1014	775	184	223	218	279	904	1135	1241	1326
EPS (adj.)	1.983	1.586	0.362	0.526	0.518	0.579	1.984	2.234	2.401	2.565
EPS (rep.)	1.958	1.498	0.355	0.431	0.421	0.540	1.747	2.196	2.401	2.565

Key figures	2021	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	5.8 %	3.7 %	4.7 %	11.0 %	-3.8 %	6.3 %	4.3 %	5.3 %	3.6 %	3.8 %
Adjusted EBIT growth-%	4.7 %	-17.8 %	23.1 %	58.6 %	10.2 %	7.0 %	20.9 %	15.6 %	7.1 %	6.2 %
EBITDA-%	14.6 %	11.8 %	11.8 %	12.2 %	12.2 %	14.0 %	12.6 %	14.7 %	15.3 %	15.6 %
Adjusted EBIT-%	12.5 %	9.9 %	9.5 %	11.7 %	11.7 %	12.6 %	11.4 %	12.6 %	13.0 %	13.3 %
Net earnings-%	9.6 %	7.1 %	7.2 %	7.9 %	7.5 %	9.0 %	7.9 %	9.5 %	10.0 %	10.3 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	2915	2899	2958	2996	3063
Goodwill	1405	1415	1415	1415	1415
Intangible assets	217	208	205	205	247
Tangible assets	737	717	779	816	842
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	147	124	124	124	124
Other non-current assets	22.9	10.0	10.0	10.0	10.0
Deferred tax assets	386	425	425	425	425
Current assets	6805	6191	6148	6473	6705
Inventories	718	844	796	838	868
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3202	3377	3298	3472	3597
Cash and equivalents	2885	1970	2054	2163	2241
Balance sheet total	9720	9090	9106	9468	9768

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	3199	2867	2866	3098	3410
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2549	2184	2184	2416	2727
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	559	586	586	586	586
Minorities	25.0	29.9	29.9	29.9	29.9
Non-current liabilities	1000	949	1150	1068	933
Deferred tax liabilities	218	214	214	214	214
Provisions	152	177	177	177	177
Long term debt	435	418	618	536	401
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	194	140	140	140	140
Current liabilities	5521	5275	5090	5303	5426
Short term debt	117	116	172	149	111
Payables	5405	5159	4918	5154	5314
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9720	9090	9106	9468	9768

DCF calculation

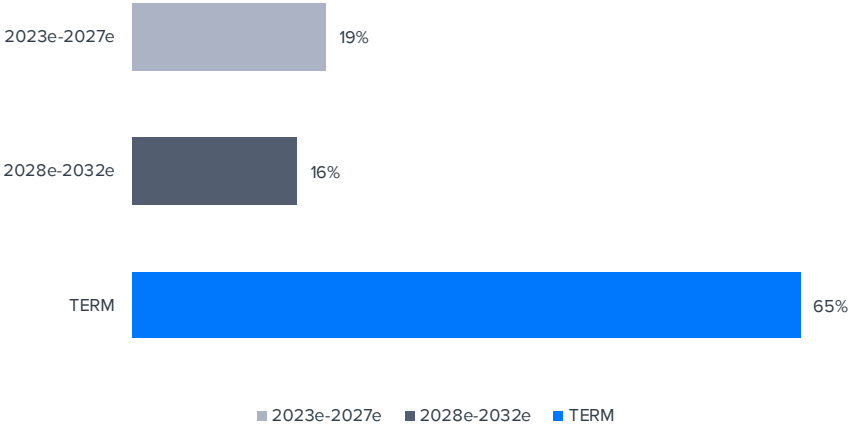
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	3.7 %	4.3 %	5.3 %	3.6 %	3.8 %	3.8 %	3.7 %	3.7 %	3.7 %	3.7 %	2.5 %	2.5 %
EBIT-%	9.5 %	10.4 %	12.4 %	13.0 %	13.3 %	13.0 %	12.7 %	12.4 %	11.5 %	11.5 %	11.5 %	11.5 %
EBIT (operating profit)	1031	1179	1485	1612	1712	1736	1759	1782	1714	1777	1822	
+ Depreciation	259	257	270	281	301	310	319	329	339	350	361	
- Paid taxes	-286.7	-270.2	-339.6	-370.2	-395.2	-402.4	-408.5	-414.3	-399.1	-414.0	-425.1	
- Tax, financial expenses	-13.6	-8.9	-9.7	-8.5	-6.6	-5.3	-5.1	-4.9	-5.1	-5.3	-4.7	
+ Tax, financial income	12.9	10.5	11.0	11.5	11.9	12.4	12.8	13.3	13.8	14.3	14.8	
- Change in working capital	-546.8	-113.4	19.6	5.5	6.3	5.5	4.5	3.6	2.5	1.4	21.8	
Operating cash flow	456	1054	1437	1532	1629	1655	1682	1708	1665	1724	1789	
+ Change in other long-term liabilities	-29.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-204.3	-315.3	-308.2	-348.2	-332.9	-343.7	-354.8	-366.2	-377.8	-389.7	-396.1	
Free operating cash flow	223	739	1128	1183	1296	1312	1327	1342	1287	1334	1393	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	223	739	1128	1183	1296	1312	1327	1342	1287	1334	1393	31112
Discounted FCFF		716	1022	1001	1023	967	914	863	773	748	729	16287
Sum of FCFF present value		25043	24327	23305	22304	21281	20314	19400	18537	17765	17017	16287
Enterprise value DCF		25043										
- Interest bearing debt		-175.9										
+ Cash and cash equivalents		1970										
-Minorities		-247.9										
-Dividend/capital return		-903.8										
Equity value DCF		25708										
Equity value DCF per share		49.7										

WACC

Tax-% (WACC)	23.5 %
Target debt ratio (D/(D+E))	3.0 %
Cost of debt	2.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	7.3 %
Weighted average cost of capital (WACC)	7.1 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	9938.5	10514.1	10906.7	11371.2	11971.8	EPS (reported)	1.81	1.96	1.50	1.75	2.20
EBITDA	1451.9	1539.3	1290.5	1435.7	1755.3	EPS (adj.)	1.87	1.98	1.59	1.98	2.23
EBIT	1212.9	1295.3	1031.2	1179.1	1485.0	OCF / share	2.80	3.01	0.88	2.04	2.78
PTP	1224.3	1320.8	1028.5	1186.4	1490.8	FCF / share	2.61	2.34	0.43	1.43	2.18
Net Income	939.3	1014.2	774.5	903.6	1135.4	Book value / share	6.12	6.13	5.49	5.49	5.93
Extraordinary items	-37.6	-14.5	-45.4	-122.4	-20.0	Dividend / share	2.25	2.10	1.75	1.75	1.80
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	8792.0	9720.4	9090.4	9105.6	9468.2	Revenue growth-%	0%	6%	4%	4%	5%
Equity capital	3197.2	3199.2	2866.5	2866.3	3097.9	EBITDA growth-%	1%	6%	-16%	11%	22%
Goodwill	1327.0	1405.2	1414.7	1414.7	1414.7	EBIT (adj.) growth-%	1%	5%	-18%	21%	16%
Net debt	-2120.8	-2332.9	-1436.5	-1264.3	-1477.6	EPS (adj.) growth-%	0%	6%	-20%	25%	13%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	14.6 %	14.6 %	11.8 %	12.6 %	14.7 %
EBITDA	1451.9	1539.3	1290.5	1435.7	1755.3	EBIT (adj.)-%	12.6 %	12.5 %	9.9 %	11.4 %	12.6 %
Change in working capital	314.2	358.7	-546.8	-113.4	19.6	EBIT-%	12.2 %	12.3 %	9.5 %	10.4 %	12.4 %
Operating cash flow	1453.9	1557.7	456.4	1053.8	1436.7	ROE-%	29.6 %	31.9 %	25.8 %	31.9 %	38.5 %
CAPEX	-144.0	-349.3	-204.3	-315.3	-308.2	ROI-%	33.7 %	36.1 %	30.4 %	34.7 %	41.2 %
Free cash flow	1351.8	1213.1	222.9	738.5	1128.5	Equity ratio	45.5 %	41.2 %	40.7 %	41.2 %	43.1 %
						Gearing	-66.3 %	-72.9 %	-50.1 %	-44.1 %	-47.7 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	3.3	2.9	2.2	2.0	1.9						
EV/EBITDA (adj.)	22.4	19.8	18.4	15.7	12.7						
EV/EBIT (adj.)	26.0	23.3	22.1	17.3	14.8						
P/E (adj.)	35.6	31.8	30.5	22.9	20.3						
P/B	10.9	10.3	8.8	8.3	7.7						
Dividend-%	3.4 %	3.3 %	3.6 %	3.8 %	4.0 %						

Source: Inderes

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

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

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Recommendation history (>12 mo)

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



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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

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