NIBE Industrier B

Company report

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Inderes corporate customer

Signs of recovery but risk/reward is thin

NIBE's Q3 result was operationally slightly below our expectations, and we made small revisions to our short- and medium-term estimates. However, the company's outlook continues to show signs of a recovery in the destocking situation, but overall, the current year and at least the first half of next year will still be challenging. Eventually, demand at the manufacturer level will better correspond to underlying end consumer demand and the normalization of capacity utilization and the cost savings program should provide leverage for profitability improvements in the medium term. In our view, given the ongoing uncertainties in the operating environment, the stock is already sufficiently priced in for earnings growth (2025e P/E: 29x). As a result, we turn to a Reduce recommendation (prev. Accumulate) with a slightly lowered target price of SEK 52.0 (prev. SEK 53.0).

No major surprises in the Q3 report

NIBE's Q3 revenue fell by 13% year-on-year (including some 2% from acquisitions) to ~10.0 BNSEK, slightly below both our and consensus expectations. We had anticipated at least some sequential growth during the quarter, but revenue remained relatively flat due to ongoing destocking pressures. On the positive side, profitability (EBIT-%) exceeded both our and consensus forecasts, indicating that cost-saving measures are beginning to mitigate the impact of declining sales volumes. However, as revenue was below expectations, EBIT in absolute terms was relatively in line with our expectations and slightly higher than consensus, amounting to 0.9 BNSEK.

We have made some revisions to our estimates

While NIBE does not provide specific numerical guidance, this quarter being no exception, the company has largely reaffirmed its near-term market outlook as outlined in Q2. NIBE assesses that inventory adjustments in most distribution chains are largely complete. However, German distribution channels remain an exception, with inventory normalization expected to take a few more quarters. While there are emerging positive signs of a gradual market recovery, excess heat pump inventories persist, and declining interest rates are unlikely to significantly boost consumer purchasing power and confidence until the second half of next year. Considering these dynamics and a weaker-than-expected quarter in terms of revenue, we have adjusted our 2024-2026 revenue estimates downward by approximately 2%. We have largely maintained our profitability (EBIT-%) estimates, reflecting early signs that NIBE's cost-savings program is yielding results. Combined with increased volumes, this is expected to help the company gradually return to its historical EBIT margins of around 12-14%. However, given the slight downward revision in revenue expectations, our EBIT projections for 2024-2026 have been adjusted downward by approximately 2%.

High earnings growth already priced into the valuation

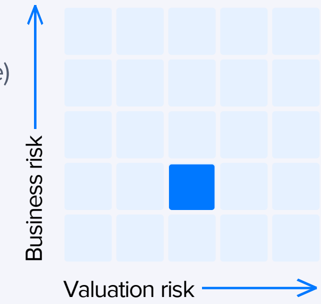
2024 appears to be a lost year, with earnings falling significantly short of their potential due to challenging market conditions. Looking ahead, if the market environment improves and our forecast earnings recovery materializes, the estimated 2025 valuation multiples (P/E: 29x and EV/EBIT: 22x) fall at the upper end of our acceptable range and exceed the company's historical long-term medians. The DCF is also not sufficiently higher than the current share price. Overall, we believe the stock is fairly priced for an earnings turnaround and that a larger upside for the stock would require a sharper turnaround in 2025-2026 than we already expect.

Recommendation

Reduce
(prev. Accumulate)

52.0 SEK
(prev. 53.0 SEK)

Share price:
50.1



Key indicators

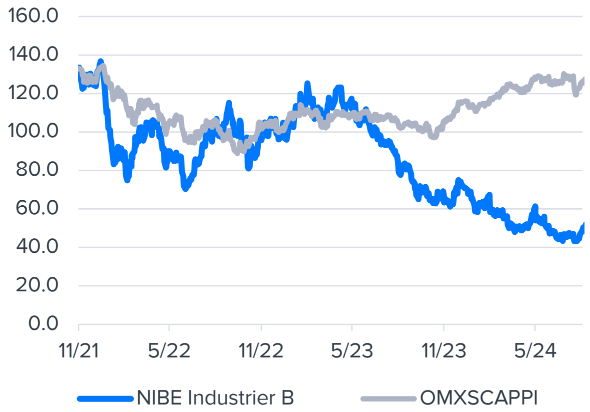
	2023	2024e	2025e	2026e
Revenue	46,649	40,581	43,918	48,369
growth-%	16%	-13%	8%	10%
EBIT adj.	7,069	3,151	5,211	5,949
EBIT-% adj.	15.2 %	7.8 %	11.9 %	12.3 %
Net Income	4,785	411	3,516	4,177
EPS (adj.)	2.42	0.65	1.74	2.07
P/E (adj.)	29.2	77.4	28.7	24.2
P/B	5.2	3.8	3.5	3.1
Dividend yield-%	0.9 %	0.7 %	1.1 %	1.6 %
EV/EBIT (adj.)	22.7	37.8	22.0	18.9
EV/EBITDA	18.2	29.1	15.8	13.8
EV/S	3.4	2.9	2.6	2.3

Source: Inderes

Guidance

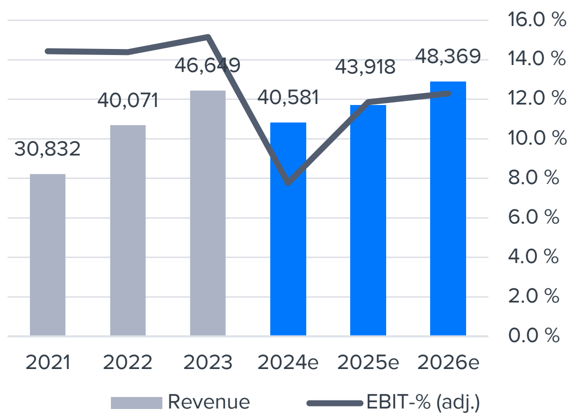
(NIBE does not provide guidance)

Share price



Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

- Strong market position and globally well-known brands
- Good long-term prospects for renewable energy-based systems
- Energy efficiency investments support growth
- Vertical and horizontal synergies create efficiency and reduce costs

Risk factors

- Declining new construction market and uncertainty regarding future heat pump subsidies
- Somewhat cyclical demand in Element business area
- Stabilizing energy prices
- Risks generated by acquisitions and/or expansion investments

Valuation	2024e	2025e	2026e
Share price	50.1	50.1	50.1
Number of shares, millions	2,016	2,016	2,016
Market cap	101,086	101,086	101,086
EV	118,999	114,753	112,162
P/E (adj.)	77.4	28.7	24.2
P/E	>100	28.7	24.2
P/B	3.8	3.5	3.1
P/S	2.5	2.3	2.1
EV/Sales	2.9	2.6	2.3
EV/EBITDA	29.1	15.8	13.8
EV/EBIT (adj.)	37.8	22.0	18.9
Payout ratio (%)	171.7 %	31.5 %	38.6 %
Dividend yield-%	0.7 %	1.1 %	1.6 %

Source: Inderes

Continued weak sales but cost-savings starting to kick in

The destocking situation persists

NIBE's Q3 revenue fell 13% year-on-year to approximately 10.0 BNSEK, slightly below both our and consensus forecasts. Adjusted for acquisitions (~2% to total growth), revenue declined by 15%. Organic revenue from Climate Solutions, the primary focus of market expectations, dropped 19% year-on-year to 6.5 BNSEK. We had anticipated at least some sequential growth during the quarter, but revenue remained relatively flat due to ongoing destocking pressures. A similar trend was observed in Stoves (Q3'24: 0.8 BNSEK) and Element (Q3'24: 2.7 BNSEK).

The European market remains sluggish, hampered by still high inventory levels in certain regions, weak consumer purchasing power, challenges in the new-build market, and persistently unfavorable gas-to-electricity price ratios. While inflation and interest rates are declining, their positive effects on consumer demand are delayed. Until inventory levels normalize, demand at the manufacturer level is unlikely to align with underlying end-consumer demand. In contrast, the North American market continues to show relative stability, benefiting from fewer inventory challenges compared to Europe and favorable US subsidy programs.

Cost-saving measures beginning to show results

NIBE's EBIT declined by 49% compared to strong figures from the previous year, dropping to 0.9 BNSEK and in line with our expectations but somewhat higher than consensus forecast. All business areas experienced a downturn in operating profit, due to a sharp decline in sales volumes, leading to lower capacity utilization. However, profitability (EBIT-%), particularly in Climate Solutions, exceeded both our and consensus forecasts, indicating that cost-saving measures are beginning to mitigate the impact of declining sales volumes. This was also visible through lower SG&A during the quarter. Adjusted EPS fell to SEK 0.22, below both our and consensus forecasts, mainly due to higher net financial costs than expected.

Inventory levels remain high

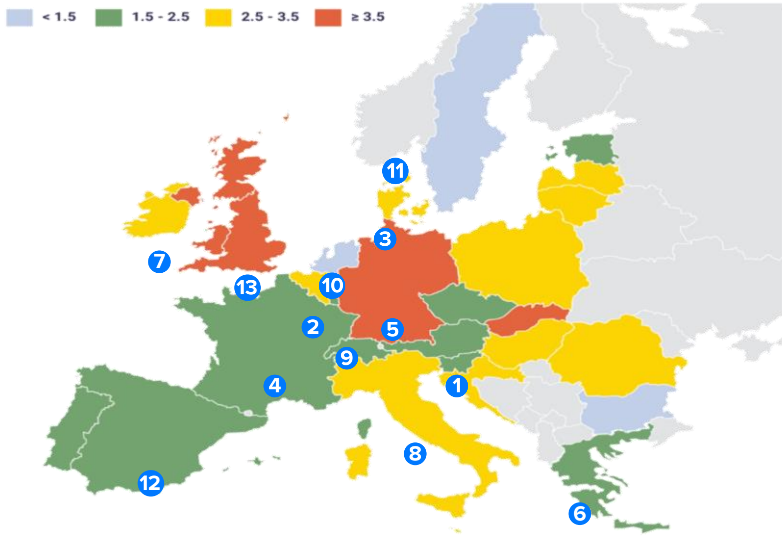
Despite the weak operating results, cash flow performance was relatively good, with operating cash flow reaching 1.2 BNSEK. NIBE reduced its inventory by 8% quarter-on-quarter, thus, the company currently holds 11.2 BNSEK in inventory. This is equivalent to approximately 28% of this year's revenue, which is still significantly higher than the pre-pandemic levels of 17-18%. Without a production ramp-up, elevated inventory levels are likely to continue exerting pressure on margins. As rolling profit declines, the net debt/EBITDA ratio rose to 3.5x (excluding one-offs) by the end of the period. Nonetheless, we believe that the ratio will strengthen going forward through better profitability and cash flows, though the likelihood of a significant acquisition in the near term appears low, in our view.

Estimates	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus			Difference (%)	2024e
MSEK / SEK	Comparison	Actualized	Inderes	Consensus	Low		High	Act. vs. inderes	Inderes
Revenue	11,514	9,967	10,660	10,403	9,908	-	11,043	-6%	40,581
EBIT (adj.)	1,861	912	904	873	752	-	994	1%	3,151
EBIT	1,779	912	904	873	752	-	994	1%	2,056
PTP	1,598	626	724	611	448	-	724	-13%	945
EPS (adj.)	0.64	0.22	0.28	0.27	0.22	-	0.30	-21%	0.65
Revenue growth-%	15.2 %	-13.4 %	-7.4 %	-9.6 %	-13.9 %	-	-4.1 %	-6 pp	-13.0 %
EBIT-%	16.2 %	9.2 %	8.5 %	8.4 %	7.6 %	-	9.0 %	0.7 pp	7.8 %

Source: Inderes & Bloomberg (consensus 08.11.24, 13 analysts) (consensus)

European heat pump market figures

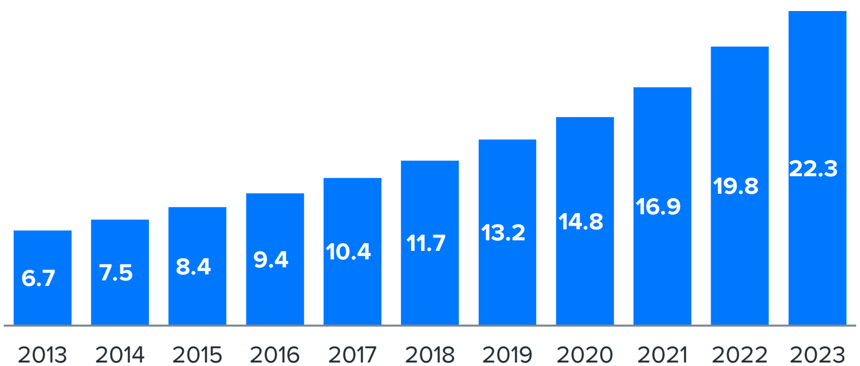
Electricity to gas price ratio[1]



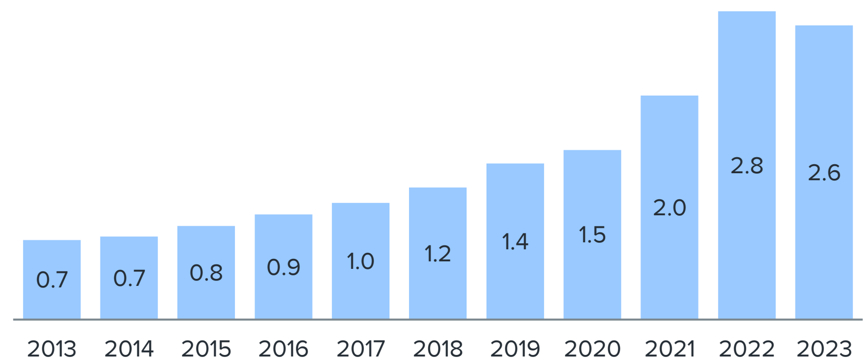
Current or announced bans on fossil fuel heating[2]

1. **Austria**: Oil: new homes banned since 2020. Gas: planned for new buildings from 2024.
2. **Belgium**: Oil: banned in all buildings in some regions. All buildings in Brussels from 2025.
3. **Denmark**: Fossil fuel boilers banned in district heating areas in new and existing buildings.
4. **France**: Oil: banned in all buildings since 2022. Gas: in new single-family buildings since 2022 & new multi-family houses from 2025.
5. **Germany:** New heating systems to use 65% or more renewable energy from 2024.
6. **Greece:** Oil boilers sales and installation banned in all buildings from 2025.
7. **Ireland:** Fossil fuel boiler ban planned for new non-residential buildings from 2024.
8. **Italy:** New buildings must use 60% renewables for heating since 2022.
9. **Luxembourg:** Building requirements make oil and gas impossible for new buildings since 2023.
10. **Netherlands:** Gas: banned in new buildings & planned in all from 2026.
11. **Norway:** Fossil fuel heating banned in new buildings. Oil banned in all buildings.
12. **Spain:** New buildings must use 70% renewables for domestic hot water and pool heating.
13. **UK:** England: fossil fuel boiler planned for new buildings from 2025. Scotland: Oil and gas planned for new buildings from 2024.

Heat pump stock in EU-21 (millions)[2]



Annual sales of heat pumps in EU-14 (millions)[4]



1 Source: Eurostat and EHPA, prices are for H2'22
2 Source: EHPA, Inderes
4 Source; EHPA, Inderes. Countries included: AT, BE, CH, DE, DK, ES, FI, FR, IT, NL, NO, PL, SE.

The outlook remains roughly the same

NIBE's short-term outlook remains largely unchanged

While NIBE does not provide specific numerical guidance, this quarter being no exception, the company has largely reaffirmed its near-term market outlook as outlined in Q2. NIBE assesses that inventory adjustments within most distribution chains are largely complete. However, German distribution channels remain an exception, with inventory normalization expected to take a few more quarters. This continuation of the Q2 outlook aligns with our expectations.

Revenue estimates adjusted slightly

There are emerging positive signs of a gradual market recovery. These include an increase in subsidy applications in Germany and the UK and distributor-level inventory reductions beginning to benefit manufacturers. In addition, favorable interest rate trends are likely to positively influence both general consumption and the production of new housing and renovations over time.

However, economic conditions in Europe remain sluggish. Excess heat pump inventories persist, and declining interest rates are unlikely to significantly boost consumer purchasing power and confidence until the second half of next year. As such, while the market shows signs of recovery, we believe the rebound will be gradual.

Considering these dynamics and a weaker-than-expected quarter in terms of revenue, we have adjusted our 2024-2026 revenue estimates downward by approximately 2%. Nevertheless, our long-term projections remain intact. We remain optimistic about NIBE's growth prospects, underpinned by increasing awareness of energy efficiency, government incentives for renewable energy, and the growing adoption of sustainable heating solutions.

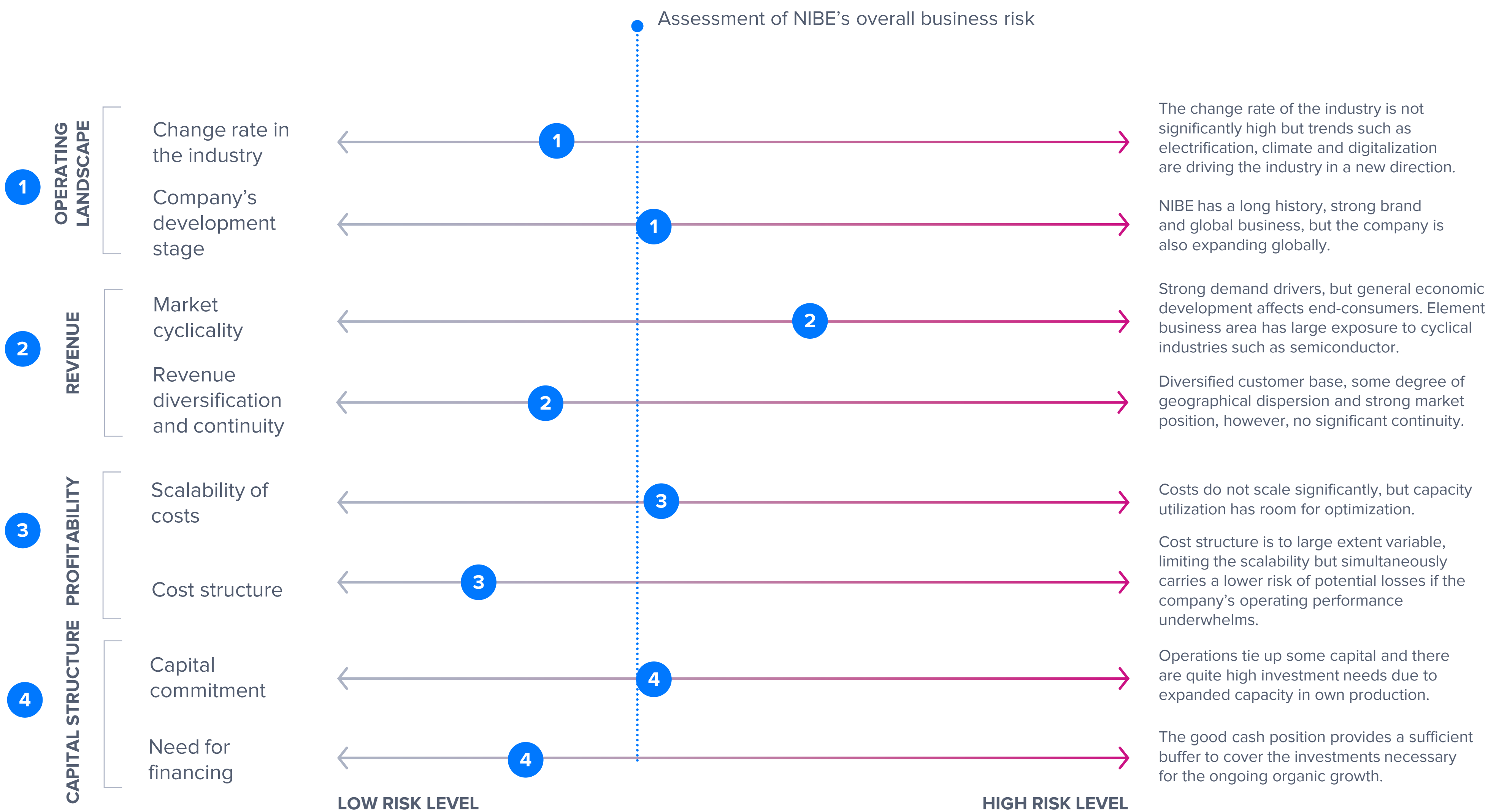
EBIT estimates revised in line with revenue

We have maintained our relatively optimistic profitability (EBIT-%) estimates, reflecting early signs that NIBE's cost-savings program is yielding results. Combined with increased volumes, this is expected to help the company gradually return to its historical EBIT margins of around 12-14%.However, given the slight downward revision in sales expectations, our EBIT projections for 2024-2026 have been adjusted downward by approximately 2%.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MSEK / SEK	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	41,415	40,581	-2%	44,826	43,918	-2%	49,367	48,369	-2%
EBITDA	4,212	4,086	-3%	7,465	7,281	-2%	8,254	8,140	-1%
EBIT (exc. NRIs)	3,248	3,151	-3%	5,395	5,211	-3%	6,070	5,949	-2%
EBIT	2,153	2,056	-5%	5,395	5,211	-3%	6,070	5,949	-2%
PTP	1,229	945	-23%	4,776	4,542	-5%	5,491	5,370	-2%
EPS (excl. NRIs)	0.81	0.65	-20%	1.86	1.74	-6%	2.12	2.07	-2%
DPS	0.35	0.35	0%	0.55	0.55	0%	0.80	0.80	0%

Source: Inderes

Risk profile of the business model



Source: Inderes

Thin expected return but long-term story remains attractive

Valuation multiples and estimate risks are high for the coming year

2024 appears to be a lost year, with earnings falling significantly short of their potential due to challenging market conditions. Looking ahead, if the market environment improves and our forecast earnings recovery materializes, the estimated 2025 valuation multiples (P/E: 29x and EV/EBIT: 22x) fall at the upper end of our acceptable range and exceed the company's historical long-term medians.

In our view, the stock already reflects high expectations for earnings growth, yet there are several risks associated with the anticipated recovery. These include persistently elevated inventory levels, weak economic development in especially Europe, and heightened geopolitical tensions. In addition, intensifying market competition could put pressure on pricing power over time. In our view, the market is currently relying heavily on interest rate cuts to revive consumer purchasing power. However, we believe that this will likely not be visible in the economy until at least the second half of next year. As a result, we consider 2025 valuation to be on the high side. From our perspective, more attractive valuation levels may only emerge when looking at 2026 multiples (2026e: P/E: 24x and EV/EBIT: 19x), even though these estimates hinge on substantial and still uncertain improvements in earnings.

Priced to a premium compared to peers

On a relative basis, NIBE is trading at a premium compared to peers at around 15-20% based on earnings multiples for 2025. We believe that this premium is justified given the company's good track record of profitable growth and high returns on capital. However, compared to its international heat pump peers (such as Carrier, Trane, Lennox, and Beijer Ref), NIBE is trading relatively in line with its peers based on 2025 earnings multiples. We believe this valuation is justified given the similar growth expectations and margin potential.

DCF value relatively in line with the share price

We also believe that the DCF model is a relevant valuation method for NIBE, given the availability of sufficient historical financial information, the stability of the industry, consistent growth and a relatively predictable business. Overall, the model expects NIBE to grow at a high single-digit rate in the medium term and at a mid-single-digit rate in the long term. From a DCF-based valuation perspective, therefore, one year of challenging figures does not affect the valuation too much. However, the value of our DCF model (SEK 52 per share) is not sufficiently higher than the current share price. Therefore, even in a DCF context, the current valuation does not provide a sufficient expected return.

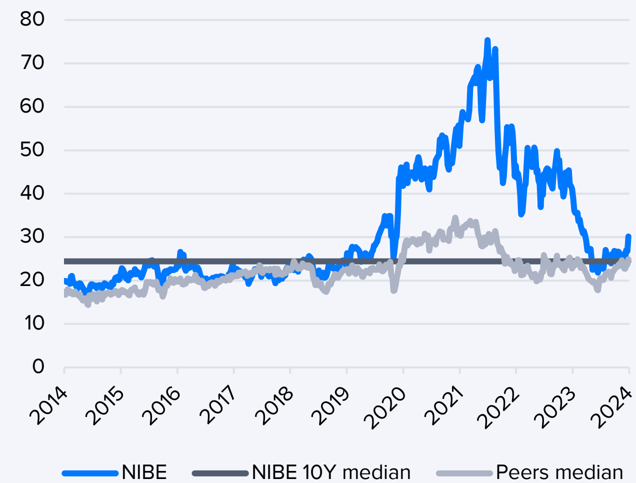
Thin expected returns at current valuations

We expect investors to receive an annual dividend yield of 1-2% over the next few years at the current share price, which leaves a thin dividend yield base. The earnings growth driver is turning in the right direction in Q1'25, but the starting level is low and the growth rate is unclear. The share is expensive on an actual earnings basis and in our view NIBE's expected return is lower than the required return. As a result, we turn to a Reduce recommendation (prev. Accumulate) with a slightly lower target price of SEK 52.0 (prev. SEK 53.0). Despite the current outlook, we continue to see NIBE as a promising long-term investment. Throughout its long history, NIBE has consistently created value and has proven itself in a variety of market scenarios.

Valuation	2024e	2025e	2026e
Share price	50.1	50.1	50.1
Number of shares, millions	2,016	2,016	2,016
Market cap	101,086	101,086	101,086
EV	118,999	114,753	112,162
P/E (adj.)	77.4	28.7	24.2
P/E	>100	28.7	24.2
P/B	3.8	3.5	3.1
P/S	2.5	2.3	2.1
EV/Sales	2.9	2.6	2.3
EV/EBITDA	29.1	15.8	13.8
EV/EBIT (adj.)	37.8	22.0	18.9
Payout ratio (%)	171.7 %	31.5 %	38.6 %
Dividend yield-%	0.7 %	1.1 %	1.6 %

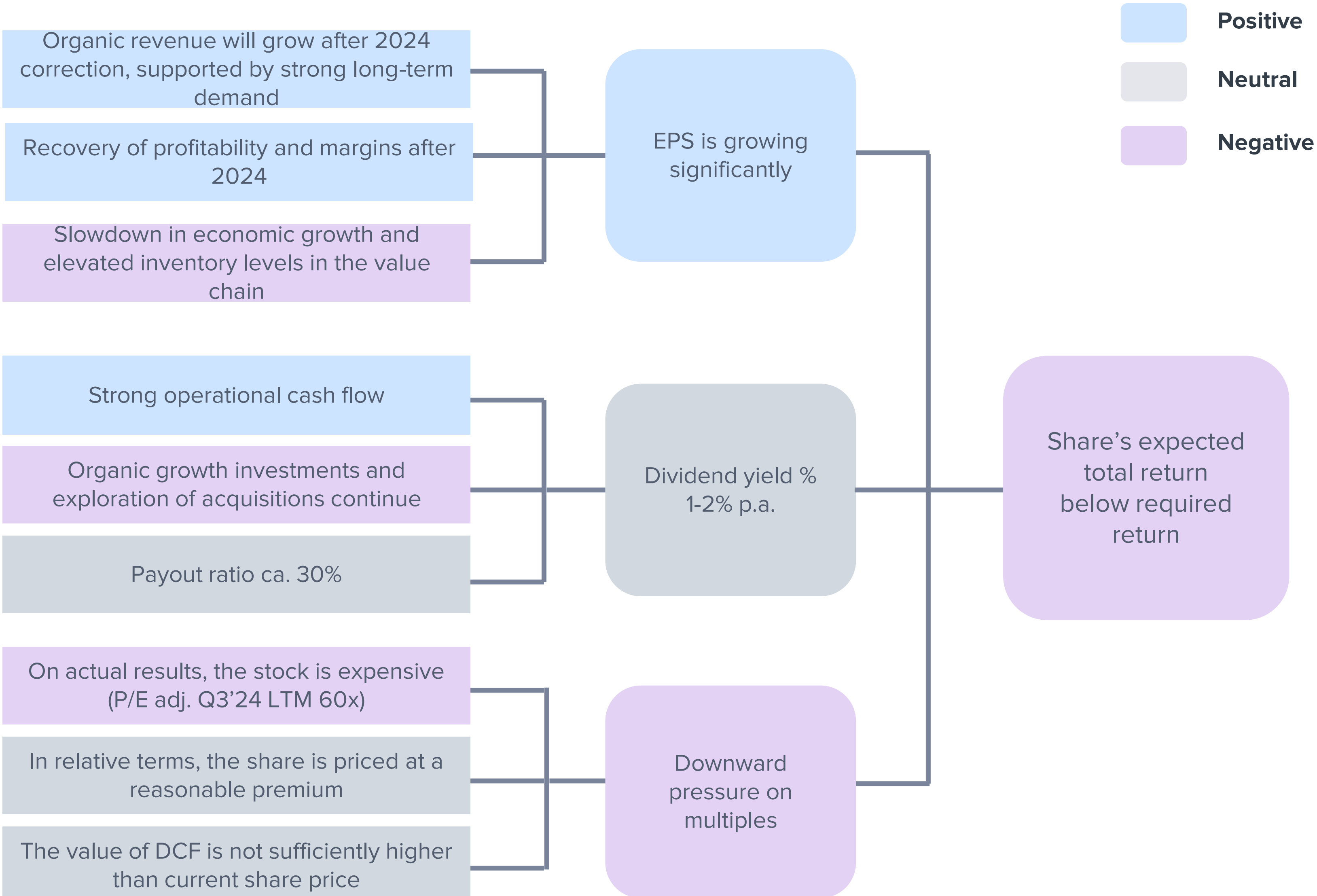
Source: Inderes

Historical trading multiples, P/E (NTM)



Source: Inderes & Bloomberg

TSR drivers Q2'24-2026e

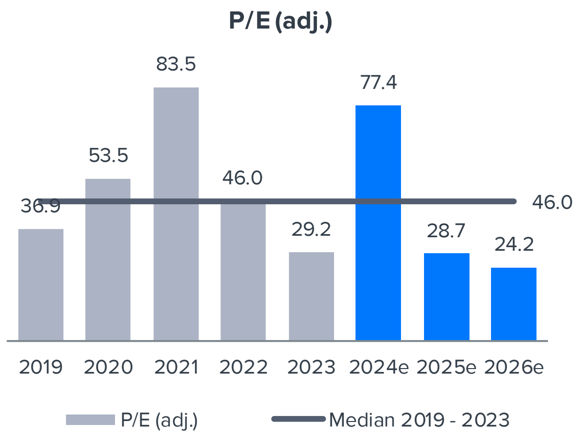


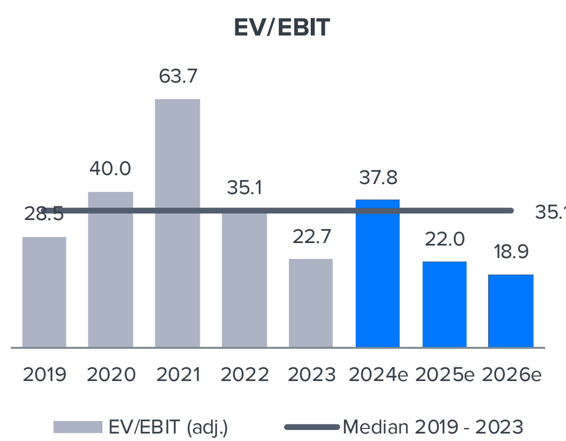
Source: Inderes

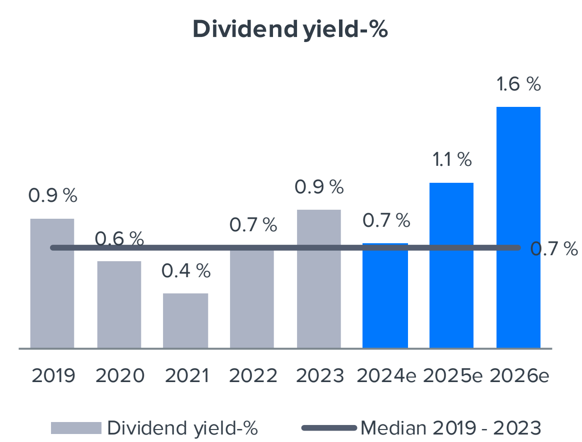
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	40.6	67.4	136.8	97.1	70.8	**50.1**	**50.1**	**50.1**	**50.1**
Number of shares, millions	2,016	2,016	2,016	2,016	2,016	**2,016**	**2,016**	**2,016**	**2,016**
Market cap	81,852	135,933	275,697	195,760	142,738	**101,086**	**101,086**	**101,086**	**101,086**
EV	88,114	142,293	283,549	202,352	160,174	**118,999**	**114,753**	**112,162**	**109,588**
P/E (adj.)	36.9	53.5	83.5	46.0	29.2	**77.4**	**28.7**	**24.2**	**21.8**
P/E	37.7	47.4	83.0	45.0	29.8	**>100**	**28.7**	**24.2**	**21.8**
P/B	4.7	7.7	12.9	7.0	5.2	**3.8**	**3.5**	**3.1**	**2.9**
P/S	3.2	5.0	8.9	4.9	3.1	**2.5**	**2.3**	**2.1**	**1.9**
EV/Sales	3.5	5.2	9.2	5.0	3.4	**2.9**	**2.6**	**2.3**	**2.1**
EV/EBITDA	21.6	27.8	49.2	27.1	18.2	**29.1**	**15.8**	**13.8**	**12.7**
EV/EBIT (adj.)	28.5	40.0	63.7	35.1	22.7	**37.8**	**22.0**	**18.9**	**16.9**
Payout ratio (%)	32.5 %	27.3 %	30.4 %	30.1 %	27.4 %	**171.7 %**	**31.5 %**	**38.6 %**	**30.0 %**
Dividend yield-%	0.9 %	0.6 %	0.4 %	0.7 %	0.9 %	**0.7 %**	**1.1 %**	**1.6 %**	**1.4 %**

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Kone	26,009	25,385	19.6	17.9	16.0	14.9	2.3	2.2	25.4	23.3	3.7	3.8	9.0
Assa Abloy	31,225	36,958	17.7	16.6	14.7	13.8	2.9	2.7	23.2	21.2	1.8	1.9	3.6
Hexagon	21,953	25,415	17.0	15.6	12.6	11.9	4.7	4.5	19.5	17.6	1.6	1.8	2.1
Beijer Ref	7,158	8,039	25.7	22.7	20.3	18.1	2.6	2.4	35.9	29.5	0.9	1.0	3.6
Tomra Systems	3,781	4,191	27.1	21.3	17.6	14.3	3.2	2.8	41.2	29.2	1.3	1.6	6.1
Thule Group	3,161	3,236	23.5	16.2	20.2	14.3	4.0	3.2	30.8	22.8	2.6	3.3	5.1
Munters Group	2,703	3,103	16.7	15.6	13.2	12.3	2.4	2.2	24.2	21.3	1.1	1.3	5.1
Trane Technologies	87,037	90,058	27.5	24.7	24.9	22.4	4.8	4.5	36.6	32.1	0.8	0.9	12.0
Carrier	63,474	73,446	23.2	20.3	18.1	16.7	3.3	3.3	28.8	24.6	1.0	1.1	5.0
Lennox International Inc	20,632	21,471	22.9	20.9	21.1	19.3	4.3	4.1	29.0	26.1	0.7	0.8	25.5
NIBE Industrier B (Inderes)	**8,737**	**10,285**	**37.8**	**22.0**	**29.1**	**15.8**	**2.9**	**2.6**	**77.4**	**28.7**	**0.7**	**1.1**	**3.8**
Average			**22.1**	**19.2**	**17.9**	**15.8**	**3.4**	**3.2**	**29.4**	**24.8**	**1.6**	**1.8**	**7.7**
Median			**23.1**	**19.1**	**17.8**	**14.6**	**3.2**	**3.0**	**28.9**	**24.0**	**1.2**	**1.5**	**5.1**
Diff-% to median			***64%***	***15%***	***64%***	***8%***	***-10%***	***-14%***	***168%***	***20%***	***-41%***	***-26%***	***-25%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**40,071**	**11,646**	**11,833**	**11,514**	**11,656**	**46,649**	**9,494**	**10,035**	**9,967**	**11,085**	**40,581**	**43,918**	**48,369**	**52,619**
Climate Solutions	26,076	7,736	8,122	7,839	7,676	31,373	5,834	6,516	6,502	7,100	25,952	28,762	31,782	34,801
Element	10,925	3,013	2,957	2,945	2,983	11,898	2,711	2,819	2,711	2,968	11,209	12,094	13,061	14,041
Stoves	4,011	1,250	1,086	1,096	1,326	4,758	1,052	802	847	1,127	3,828	4,160	4,493	4,830
Eliminations	-941	-353	-332	-366	-329	-1,380	-103	-102	-93	-111	-409	-1,098	-967	-1,052
EBITDA	**7,460**	**2,153**	**2,243**	**2,309**	**2,092**	**8,797**	**-76**	**1,210**	**1,383**	**1,569**	**4,086**	**7,281**	**8,140**	**8,657**
Depreciation	-1,597	-398	-396	-530	-500	-1,824	-503	-541	-471	-515	-2,030	-2,070	-2,191	-2,177
EBIT (excl. NRI)	**5,764**	**1,785**	**1,827**	**1,861**	**1,596**	**7,069**	**516**	**669**	**912**	**1,054**	**3,151**	**5,211**	**5,949**	**6,480**
EBIT	**5,863**	**1,755**	**1,847**	**1,779**	**1,592**	**6,973**	**-579**	**669**	**912**	**1,054**	**2,056**	**5,211**	**5,949**	**6,480**
Climate Solutions	4,338	1,353	1,538	1,484	1,221	5,596	-462	506	726	838	1,608	3,758	4,291	4,698
Element	1,123	280	243	235	184	942	-126	142	160	193	369	1,151	1,306	1,404
Stoves	551	165	101	99	168	533	27	-3	24	45	93	390	449	483
Eliminations	-149	-43	-35	-39	19	-98	-18	24	2	-22	-14	-88	-97	-105
Share of profits in assoc. compan.	21	0	0	0	0	0	0	0	0	20	20	21	21	22
Net financial items	-209	-101	-146	-181	-214	-642	-332	-273	-286	-240	-1,131	-690	-600	-550
PTP	**5,675**	**1,654**	**1,701**	**1,598**	**1,378**	**6,331**	**-911**	**396**	**626**	**834**	**945**	**4,542**	**5,370**	**5,952**
Taxes	-1,280	-380	-378	-378	-399	-1,535	50	-180	-193	-213	-536	-988	-1,155	-1,281
Minority interest	-44	-4	-4	-4	1	-11	4	3	0	-5	2	-38	-38	-38
Net earnings	**4,351**	**1,270**	**1,319**	**1,216**	**980**	**4,785**	**-857**	**219**	**433**	**616**	**411**	**3,516**	**4,177**	**4,633**
EPS (adj.)	**2.11**	**0.64**	**0.64**	**0.64**	**0.49**	**2.42**	**0.02**	**0.11**	**0.21**	**0.31**	**0.65**	**1.74**	**2.07**	**2.30**
EPS (rep.)	**2.16**	**0.63**	**0.65**	**0.60**	**0.49**	**2.37**	**-0.43**	**0.11**	**0.21**	**0.31**	**0.20**	**1.74**	**2.07**	**2.30**
											-73%	169%	19%	11%

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	30.0 %	33.1 %	22.5 %	15.2 %	-0.1 %	16.4 %	-18.5 %	-15.2 %	-13.4 %	-4.9 %	-13.0 %	8.2 %	10.1 %	8.8 %
Adjusted EBIT growth-%	29.5 %	68.7 %	36.2 %	26.7 %	-15.8 %	22.6 %	-71.1 %	-63.4 %	-51.0 %	-34.0 %	-55.4 %	65.4 %	14.2 %	8.9 %
EBITDA-%	18.6 %	18.5 %	19.0 %	20.1 %	17.9 %	18.9 %	-0.8 %	12.1 %	13.9 %	14.2 %	10.1 %	16.6 %	16.8 %	16.5 %
Adjusted EBIT-%	14.4 %	15.3 %	15.4 %	16.2 %	13.7 %	15.2 %	5.4 %	6.7 %	9.2 %	9.5 %	7.8 %	11.9 %	12.3 %	12.3 %
Net earnings-%	10.9 %	10.9 %	11.1 %	10.6 %	8.4 %	10.3 %	-9.0 %	2.2 %	4.3 %	5.6 %	1.0 %	8.0 %	8.6 %	8.8 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**31,842**	**43,906**	**43,931**	**43,971**	**43,945**
Goodwill	17,630	26,076	26,076	26,076	26,076
Intangible assets	4,938	4,938	4,713	4,573	4,695
Tangible assets	8,273	11,568	11,818	11,998	11,850
Associated companies	430	753	753	753	753
Other investments	31	31	31	31	31
Other non-current assets	192	192	192	192	192
Deferred tax assets	348	348	348	348	348
Current assets	**22,152**	**24,198**	**20,290**	**22,398**	**24,426**
Inventories	10,191	13,227	9,739	8,344	8,948
Other current assets	0	0	0	0	0
Receivables	7,144	6,688	6,899	7,466	8,223
Cash and equivalents	4,817	4,283	3,652	6,588	7,255
Balance sheet total	**53,994**	**68,104**	**64,221**	**66,369**	**68,372**

Source: Inderes

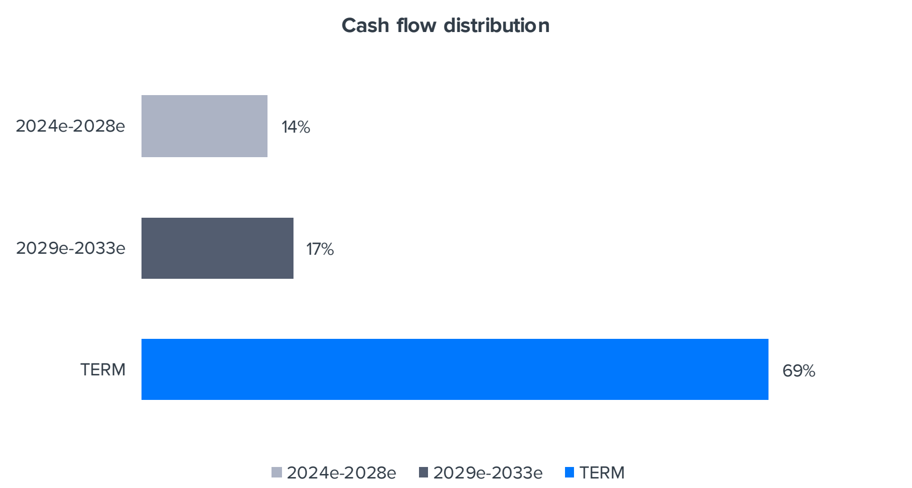
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**27,973**	**27,420**	**26,521**	**29,331**	**32,399**
Share capital	79	79	79	79	79
Retained earnings	19,286	22,760	21,861	24,671	27,739
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	8,570	4,543	4,543	4,543	4,543
Minorities	38	38	38	38	38
Non-current liabilities	**12,268**	**25,119**	**24,708**	**21,936**	**20,790**
Deferred tax liabilities	0	0	0	0	0
Provisions	2,787	2,787	2,787	2,787	2,787
Interest bearing debt	6,185	16,922	16,511	13,739	12,593
Convertibles	0	0	0	0	0
Other long term liabilities	3,296	5,410	5,410	5,410	5,410
Current liabilities	**13,753**	**15,565**	**12,993**	**15,101**	**15,182**
Interest bearing debt	4,958	4,599	5,283	6,757	5,992
Payables	8,795	10,966	7,710	8,344	9,190
Other current liabilities	0	0	0	0	0
Balance sheet total	**53,994**	**68,104**	**64,221**	**66,369**	**68,372**

DCF calculation

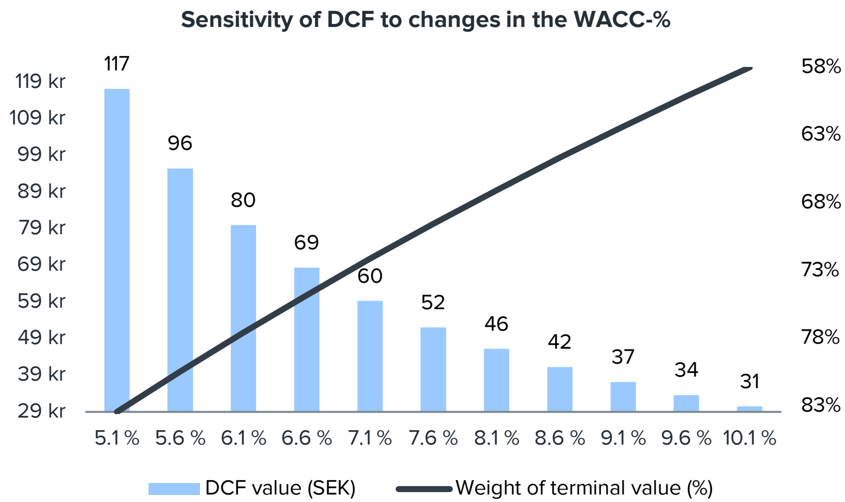
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	16.4 %	-13.0 %	8.2 %	10.1 %	8.8 %	8.0 %	7.5 %	7.0 %	6.0 %	4.5 %	2.5 %	2.5 %
EBIT-%	14.9 %	5.1 %	11.9 %	12.3 %	12.3 %	12.8 %	13.5 %	14.0 %	14.5 %	14.5 %	14.5 %	14.5 %
EBIT (operating profit)	**6,973**	**2,056**	**5,211**	**5,949**	**6,480**	**7,274**	**8,247**	**9,151**	**10,075**	**10,528**	**10,795**	
+ Depreciation	1,824	2,030	2,070	2,191	2,177	2,167	2,158	2,176	2,168	2,165	2,044	
- Paid taxes	-1,535	-536	-988	-1,155	-1,281	-1,485	-1,727	-1,934	-2,133	-2,231	-2,319	
- Tax, financial expenses	-156	-249	-151	-130	-119	-86	-54	-43	-43	-43	-13	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-409	21	1,462	-515	-438	-674	-682	-684	-628	-499	-294	
Operating cash flow	**6,697**	**3,322**	**7,604**	**6,340**	**6,819**	**7,197**	**7,942**	**8,667**	**9,439**	**9,920**	**10,213**	
+ Change in other long-term liabilities	2,114	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-13,565	-2,055	-2,110	-2,165	-2,195	-2,215	-2,240	-2,260	-2,280	-2,280	-2,045	
Free operating cash flow	**-4,754**	**1,267**	**5,494**	**4,175**	**4,624**	**4,982**	**5,702**	**6,407**	**7,159**	**7,640**	**8,168**	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-4,754	1,267	5,494	4,175	4,624	4,982	5,702	6,407	7,159	7,640	8,168	167,016
Discounted FCFF		**1,256**	**5,063**	**3,577**	**3,684**	**3,689**	**3,926**	**4,102**	**4,262**	**4,228**	**4,203**	**85,942**
Sum of FCFF present value		123,932	122,676	117,613	114,036	110,353	106,663	102,737	98,635	94,374	90,145	85,942
Enterprise value DCF		**123,932**										
- Interest bearing debt		-21,521										
+ Cash and cash equivalents		4,283										
-Minorities		-145										
-Dividend/capital return		-1,310										
Equity value DCF		**105,611**										
Equity value DCF per share		**52.4**										

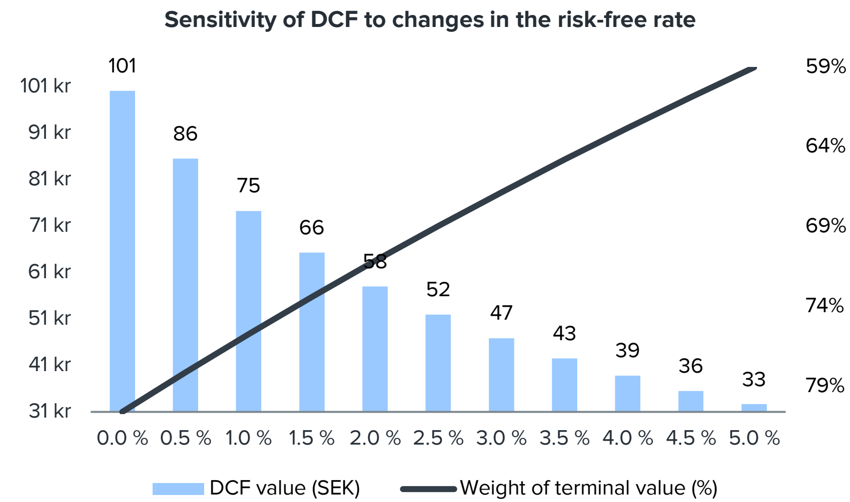
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	15.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**8.2 %**
Weighted average cost of capital (WACC)	**7.6 %**

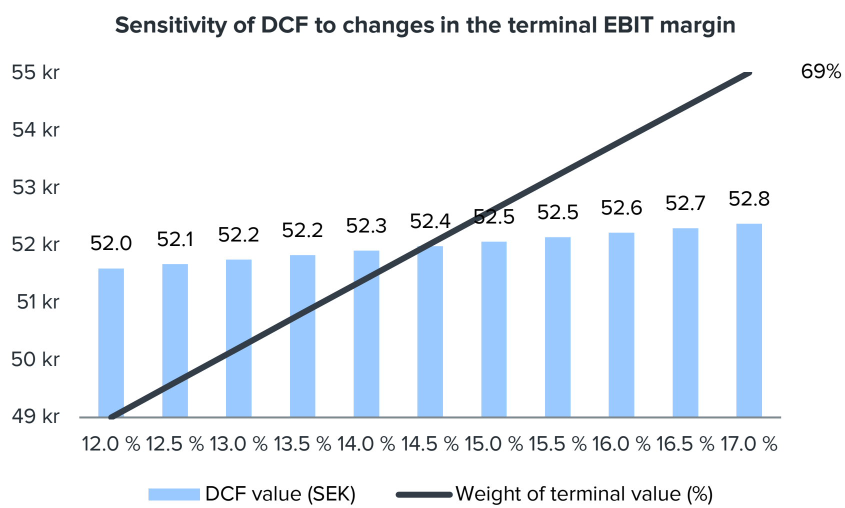
Source: Inderes

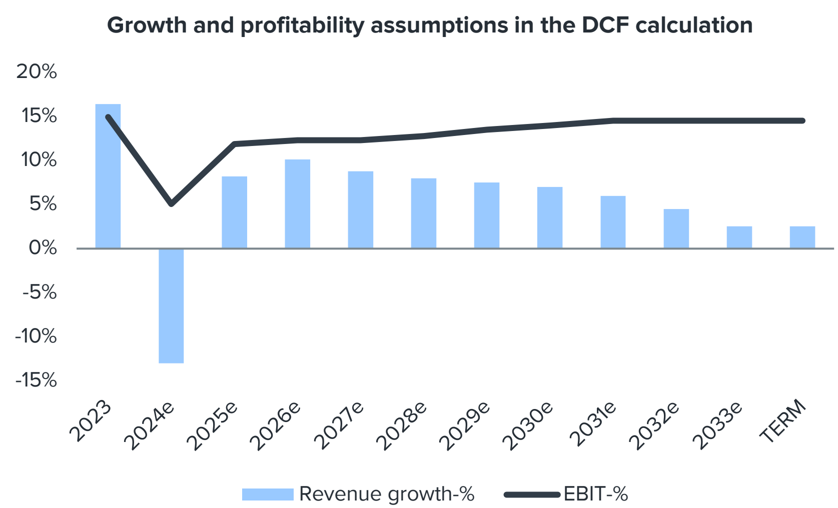


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	30,832	40,071	46,649	**40,581**	**43,918**
EBITDA	5,765	7,460	8,797	**4,086**	**7,281**
EBIT	4,468	5,863	6,973	**2,056**	**5,211**
PTP	4,318	5,675	6,331	**945**	**4,542**
Net Income	3,320	4,351	4,785	**411**	**3,516**
Extraordinary items	17	99	-96	**-1,095**	**0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	43,394	53,994	68,104	**64,221**	**66,369**
Equity capital	21,657	27,973	27,420	**26,521**	**29,331**
Goodwill	15,453	17,630	26,076	**26,076**	**26,076**
Net debt	5,036	6,326	17,238	**18,141**	**13,909**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	5,765	7,460	8,797	**4,086**	**7,281**
Change in working capital	-1,862	-3,180	-409	**21**	**1,462**
Operating cash flow	2,984	2,994	6,697	**3,322**	**7,604**
CAPEX	-3,515	-5,983	-13,565	**-2,055**	**-2,110**
Free cash flow	-257	-2,696	-4,754	**1,267**	**5,494**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	9.2	5.0	3.4	**2.9**	**2.6**
EV/EBITDA	49.2	27.1	18.2	**29.1**	**15.8**
EV/EBIT (adj.)	63.7	35.1	22.7	**37.8**	**22.0**
P/E (adj.)	83.5	46.0	29.2	**77.4**	**28.7**
P/B	12.9	7.0	5.2	**3.8**	**3.5**
Dividend-%	0.4 %	0.7 %	0.9 %	**0.7 %**	**1.1 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	1.65	2.16	2.37	**0.20**	**1.74**
EPS (adj.)	1.64	2.11	2.42	**0.65**	**1.74**
OCF / share	1.48	1.48	3.32	**1.65**	**3.77**
FCF / share	-0.13	-1.34	-2.36	**0.63**	**2.73**
Book value / share	10.63	13.86	13.58	**13.14**	**14.53**
Dividend / share	0.50	0.65	0.65	**0.35**	**0.55**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	14%	30%	16%	**-13%**	**8%**
EBITDA growth-%	13%	29%	18%	**-54%**	**78%**
EBIT (adj.) growth-%	25%	29%	23%	**-55%**	**65%**
EPS (adj.) growth-%	30%	29%	15%	**-73%**	**169%**
EBITDA-%	18.7 %	18.6 %	18.9 %	**10.1 %**	**16.6 %**
EBIT (adj.)-%	14.4 %	14.4 %	15.2 %	**7.8 %**	**11.9 %**
EBIT-%	14.5 %	14.6 %	14.9 %	**5.1 %**	**11.9 %**
ROE-%	17.0 %	17.6 %	17.3 %	**1.5 %**	**12.6 %**
ROI-%	15.1 %	16.7 %	15.8 %	**4.3 %**	**10.7 %**
Equity ratio	49.9 %	51.8 %	40.3 %	**41.3 %**	**44.2 %**
Gearing	23.3 %	22.6 %	62.9 %	**68.4 %**	**47.4 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2023-09-20	Reduce	74.1 kr	70.5 kr
2023-11-16	Reduce	62.0 kr	67.5 kr
2023-02-13	Reduce	59.0 kr	66.5 kr
2023-02-19	Reduce	56.0 kr	59.0 kr
2024-05-17	Reduce	55.0 kr	61.3 kr
2024-08-19	Accumulate	53.0 kr	47.8 kr
2024-11-18	Reduce	52.0 kr	50.1 kr

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