

Kone

Company report

1/24/2024



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This report is a summary translation of the report “Käännettä odottavan aika on pitkä” published on 1/24/2024 at 7:50 am EET.

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Still waiting for a turnaround

The main uncertainties in KONE's Q4 report to be published on Friday relate to order intake, market comments and the 2024 guidance. We have made minor cuts to our forecasts for 2023-2025 based on exchange rate movements. Using valuation metrics and price drivers, KONE's share is still fully valued. We reiterate our Reduce recommendation and EUR 42.00 target price.

Q4 figures unlikely to show major deviations from forecasts

KONE will publish its Q4 report on Friday, January 26, at 8:30 am EET. Our expectation for the change in Q4 order intake is +1% year-on-year against a consensus forecast of -3%. The modest growth we expect is based on a weak comparison figure. In addition, we believe KONE has been supported by market share gains in China (similar to Q3) and the Indian market. Overall, however, the market has remained sluggish, and housing starts in China, for example, fell by -32% year-on-year in Q4'23. For the full year 2023, KONE has guided for comparable revenue growth of 3-6% year-on-year. In our own forecast, the comparable change in Q4 revenue is -2% and +4% for the full year 2023, which is within KONE's guidance range. KONE has also guided for an adjusted EBIT margin of 11.0-12.0% for the full year 2023. Our own forecast for Q4 is 12.9% and the consensus forecast 13.1%, with full-year 2023 projections of 11.4-11.5%, unsurprisingly around the mid-point of the guidance range. Margins have been supported by lower material prices and an improvement in the gross margin of the order book. Pressure has come from wage inflation. Due to the lower revenue forecast, our EPS expectations (adj. EUR 0.52) is well below consensus (EUR 0.58). Our estimate for the dividend proposal for 2023 is EUR 1.75 (consensus: EUR 1.80), which implies an adjusted dividend payout ratio of 100% and a very good yield of 4.1%.

Expectations for 2024 are moderate

KONE's main foreign currencies, the Chinese renminbi and the US dollar, showed a 5-7% year-on-year depreciation against the euro in Q4'23. These currencies have further weakened in 2024. We have therefore refined our forecast model and cut our revenue and operating result forecasts for 2023-2025 by around 3-5%. KONE's guidance for 2024 should be at least at the level of the consensus forecast to avoid a share price decline. Consensus expectation for the reported year-on-year change in revenue is $\pm 0\%$ (Inderes: 4%) and an adjusted EBIT margin of 12.2% (Inderes: 12.1%). KONE's long order book provides visibility to 2024, but the recovery in Chinese housing construction remains a question mark amid low consumer confidence and strong fears of further price declines. Meanwhile, the 2024 volume growth projections for residential construction in Europe and commercial and office construction in the US are weak (-3% y/y and 3% y/y respectively). Our expectation for KONE's 2024 order intake growth is only 1% year-on-year and the consensus is even weaker at -3%.

Valuation remains full

The expected total return of KONE's share is slightly positive with 2024 P/E and EV/EBIT ratios at 3-4% which is below our 7% required return. Based on this, the risk-adjusted expected return for the share is not attractive. The 2024 EV/EBIT ratio (15x) is 5% above the median of peers and on average 3% below the ratios of the closest competitors Otis and Schindler, meaning the multiples are roughly in line. Our DCF model indicates an upside of around 11% for KONE's share. The potential is quite modest, and we do not yet see the drivers for its realization.

Recommendation

Reduce
(previous Reduce)

EUR 42.00
(previous EUR 42.00)

Share price:
43.14



Key figures

	2022	2023e	2024e	2025e
Revenue	10907	10871	11284	11800
growth-%	4%	0%	4%	5%
EBIT adj.	1076.6	1241.0	1363.7	1455.2
EBIT-% adj.	9.9 %	11.4 %	12.1 %	12.3 %
Net Income	774.5	906.5	1043.7	1124.4
EPS (adj.)	1.59	1.88	2.02	2.17

P/E (adj.)	30.5	22.9	21.4	19.8
P/B	8.8	7.9	7.5	7.0
Dividend yield-%	3.6 %	4.1 %	4.2 %	4.2 %
EV/EBIT (adj.)	22.1	17.1	15.5	14.4
EV/EBITDA	18.4	14.8	12.9	12.1
EV/S	2.2	2.0	1.9	1.8

Source: Inderes

Guidance

(Unchanged)

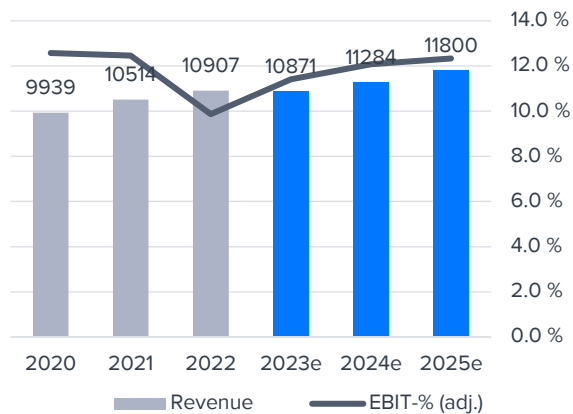
KONE expects its sales growth at comparable exchange rates for 2023 to be in the range of 3–6%. The adjusted EBIT margin is expected to be in the range of 11.0–12.0%.

Share price



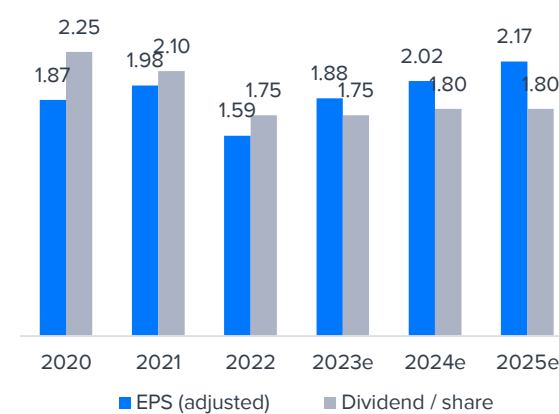
Source: Millstream Market Data AB

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	43.1	43.1	43.1
Number of shares, millions	517.2	517.2	517.2
Market cap	22314	22314	22314
EV	21253	21121	20974
P/E (adj.)	22.9	21.4	19.8
P/E	24.6	21.4	19.8
P/B	7.9	7.5	7.0
P/S	2.1	2.0	1.9
EV/Sales	2.0	1.9	1.8
EV/EBITDA	14.8	12.9	12.1
EV/EBIT (adj.)	17.1	15.5	14.4
Payout ratio (%)	99.7 %	89.1%	82.7 %
Dividend yield-%	4.1%	4.2 %	4.2 %

Source: Inderes

Q4 figures unlikely to show major deviations from forecasts

Our expectations are below consensus

Our Q4'23 forecast is below consensus, but still in line with KONE's guidance. The market has remained challenging.

KONE may have fared less badly in China than its competitors

KONE will publish its Q4 report on Friday, January 26, at 8:30 am EET. Our expectation for Q4 order intake is 1,964 MEUR (1% y/y) against a consensus forecast of 1,878 MEUR (-3% y/y). The modest growth we expect is based on a weak comparison figure. In addition, we believe KONE has been supported by market share gains in China (similar to Q3) and the Indian market. Overall, however, the market has remained sluggish: Housing starts in China fell by 32% year-on-year in Q4'23, but on the other hand the number of housing completions increased by 20%

year-on-year. Volume growth in housing construction is projected to be low throughout 2023 in both Europe (-3% y/y) and the US (+1% y/y).

We are comfortably within the guidance range

For the full year 2023, KONE has guided for comparable revenue growth of 3-6% year-on-year. Our forecast for reported revenue in Q4'23 (2,728 MEUR; -6% y/y) is slightly below consensus (2,857 MEUR; -2% y/y). In our own forecast, the comparable change in Q4 revenue is -2% and +4% for the full year 2023, which is within KONE's guidance range. KONE has also guided for an adjusted EBIT margin of 11.0-12.0% for the full year 2023. Our own forecast for Q4 is 12.9% and the consensus forecast 13.1%, with full-year 2023 projections of 11.4-11.5%, unsurprisingly around the mid-point of the guidance range. Margins have been supported by lower material prices (while

own prices have been increased) and an improvement in the gross margin of the order book. In turn, wage inflation has caused pressure. Due to the lower revenue forecast, our EPS expectation (adj. EUR 0.52) is well below consensus (EUR 0.58). Our estimate for the dividend proposal for 2023 is EUR 1.75 (consensus: EUR 1.80), which implies an adjusted dividend payout ratio of 100% and a very good yield of 4.1%.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue		2912	2728	2857	2682	- 3229	10871
EBIT (adj.)		365	351	373	351	- 406	1241
EBIT		367	336	357	336	- 391	1174
PTP		364	339	359	338	- 398	1185
EPS (adj.)		0.52	0.52	0.58	0.52	- 0.66	1.88
EPS (reported)		0.53	0.49	0.53	0.48	- 0.61	1.75
DPS		1.75	1.75	1.80	1.75	- 1.90	1.75
Revenue growth-%		5.2 %	-6.3 %	-1.9 %	-7.9 %	- 10.9 %	-0.3 %
EBIT-% (adj.)		12.5 %	12.9 %	13.1 %	13.1 %	- 12.6 %	11.4 %

Source: Inderes & Vara Research (consensus)

Expectations for 2024 are moderate

Exchange rate changes triggered forecast changes

Exchange rate movements have led us to cut our forecasts for 2023-2025. However, KONE's margins are supported by a number of positive factors.

Expectations for the actual business remain unchanged

In Q4'23, KONE's main currencies in terms of exchange rate risk, the Chinese renminbi (ca. 26% of revenue in 2022) and the US dollar (ca. 19%) were respectively around 7% and 5% weaker against the euro than a year before. These currencies have further weakened in 2024. We have therefore revised our forecast model and cut our revenue and operating result forecasts for 2023-2025 by around 3-5%. These are purely translation risk related changes and our expectations of the market or business volumes, and other drivers have not

changed.

Positive 2024 guidance needed

KONE's guidance for 2024 should be at least at the level of the consensus forecast to avoid a share price decline. Consensus expectation for the reported year-on-year change in revenue is $\pm 0\%$ (Inderes: 4%) and an adjusted EBIT margin of 12.2% (Inderes: 12.1%). KONE's order book of around 11 months (Q3'23) provides visibility to 2024. However, the recovery of housing construction in China remains a question mark amid low consumer confidence and widespread fears that house prices will continue to fall. Meanwhile, the volume change forecast for European residential construction in 2024 is -3% year-on-year and for US commercial and office construction +3% year-on-year (sources: Euroconstruct and Ed Zarenski). We expect the group's 2024 order intake to grow by +1% year-on-

year (consensus: -3% y/y)

Positive momentum in the margins in 2024

In KONE's December analyst call, the following factors were identified as supporting the 2024 margins: 1) KONE has increased its own prices at a rate of 2-3%; 2) about one third of wage inflation can be compensated by productivity and efficiency improvements; 3) order book gross margin is still increasing; 4) savings from lower material prices will still accrue in 2024; and 5) the 100 MEUR savings from the new operating model should be fully realized in 2024. Taking all these factors together, KONE's reported EBIT margin would increase by roughly 1 percentage point in 2024, other factors remaining unchanged. This is broadly in line with our and consensus expectations (+0.7 pp).

Estimate revisions	2023e		Change	2024e		Change	2025e		Change	
	MEUR / EUR	Old		New	Old		New	Old		New
Revenue		11372	10871	-4%	11819	11284	-5%	12213	11800	-3%
EBITDA		1494	1439	-4%	1697	1634	-4%	1789	1728	-3%
EBIT (exc. NRIs)		1285	1241	-3%	1427	1364	-4%	1511	1455	-4%
EBIT		1228	1174	-4%	1427	1364	-4%	1511	1455	-4%
PTP		1239	1185	-4%	1433	1367	-5%	1527	1467	-4%
EPS (excl. NRIs)		1.94	1.88	-3%	2.12	2.02	-5%	2.26	2.17	-4%
DPS		1.75	1.75	0%	1.80	1.80	0%	1.80	1.80	0%

Source: Inderes

Valuation remains full

Valuation is on the heavy side and drivers are missing

KONE's share remains fully priced with the metrics we use (e.g. total return model, peer valuation). The situation is the same as three months ago, i.e. investors are still in no hurry to jump on board KONE and have time to wait for signals of an improvement in the Chinese market or possible new openings in India. However, we think it is quite clear that even if there are positive signals from the demand outlook for both markets, competition will remain fierce as these markets are important for all major elevator companies. In addition, as the new equipment markets in Europe and North America will remain sluggish in the near future, KONE's growth and performance will continue to be largely dependent on maintenance and modernization. In these markets, however, changes are so slow that they are unlikely to provide a significant positive driver for KONE's share price. We therefore maintain our Reduce recommendation on the stock ahead of the Q4 report. As our forecast cuts were entirely FX-driven, we also maintain our target price at EUR 42.00.

Expected total return below the expected return

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 3-4% which is below our required return of around 7%. Based on this, the risk-adjusted expected return for the share is not attractive.

Multiple valuation is in line

As KONE has about EUR 800 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% above the median of peers and on average 3% below the ratios of the closest competitors Otis and Schindler. However, KONE's greater dependence on the Chinese market than its competitors (ca. 25% vs. 15-17%) is currently raising the company's relative risk profile.

Modest potential in DCF value

Our DCF model indicates a EUR 48 value for KONE's share to which the upside is 11%. The potential is quite modest, and we do not yet see the drivers for its realization.

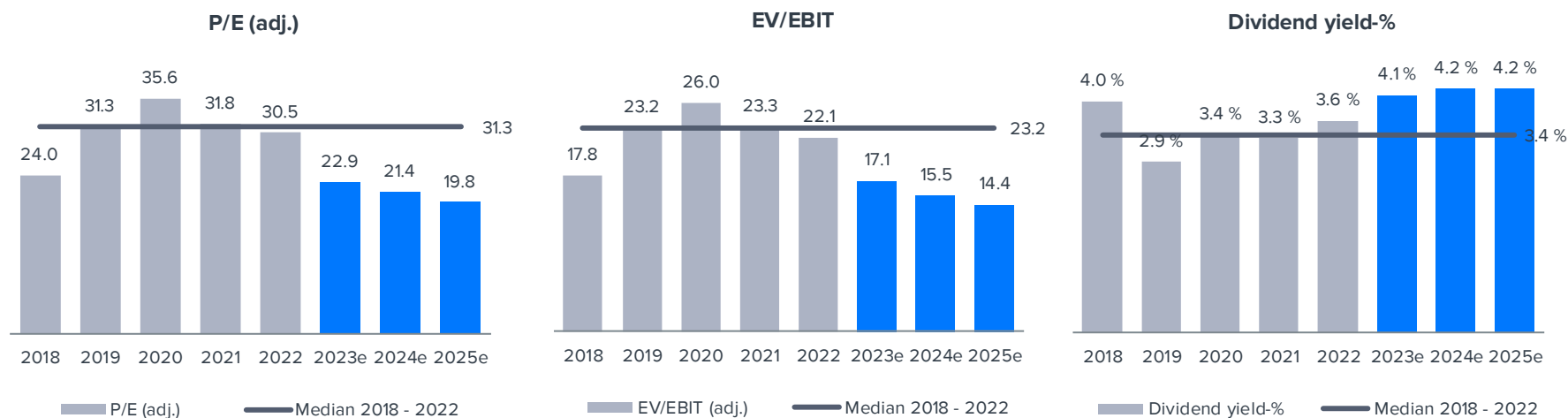
Valuation	2023e	2024e	2025e
Share price	43.1	43.1	43.1
Number of shares, millions	517.2	517.2	517.2
Market cap	22314	22314	22314
EV	21253	21121	20974
P/E (adj.)	22.9	21.4	19.8
P/E	24.6	21.4	19.8
P/B	7.9	7.5	7.0
P/S	2.1	2.0	1.9
EV/Sales	2.0	1.9	1.8
EV/EBITDA	14.8	12.9	12.1
EV/EBIT (adj.)	17.1	15.5	14.4
Payout ratio (%)	99.7 %	89.1 %	82.7 %
Dividend yield-%	4.1 %	4.2 %	4.2 %

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	43.1	43.1	43.1	43.1
Number of shares, millions	516.1	518.4	518.4	518.0	517.1	517.2	517.2	517.2	517.2
Market cap	21489	30212	34452	32652	24975	22314	22314	22314	22314
EV	19758	28677	32555	30555	23780	21253	21121	20974	20733
P/E (adj.)	24.0	31.3	35.6	31.8	30.5	22.9	21.4	19.8	18.9
P/E	25.6	32.4	36.7	32.2	32.2	24.6	21.4	19.8	18.9
P/B	7.0	9.5	10.9	10.3	8.8	7.9	7.5	7.0	6.5
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	14.8	12.9	12.1	11.4
EV/EBIT (adj.)	17.8	23.2	26.0	23.3	22.1	17.1	15.5	14.4	13.6
Payout ratio (%)	101.1%	94.5%	124.1%	107.1%	116.7%	99.7%	89.1%	82.7%	90.0%
Dividend yield-%	4.0%	2.9%	3.4%	3.3%	3.6%	4.1%	4.2%	4.2%	4.8%

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Schindler Holding AG	22602	20091	15.7	14.6	12.5	11.8	1.7	1.7	23.7	22.1	2.3	2.4	4.6
Assa Abloy AB	28275	34207	17.4	16.3	14.5	13.5	2.8	2.6	22.6	20.4	1.8	1.9	3.3
Koninklijke Philips NV	19714	26720	15.4	14.7	9.3	8.9	1.5	1.4	16.9	15.2	4.1	4.1	1.5
Otis Worldwide Corp	33061	38362	18.5	17.3	17.1	16.2	3.0	2.9	25.0	22.8	1.5	1.7	
Ingersoll Rand Inc	29503	30913	23.7	21.3	19.1	17.8	4.9	4.7	27.7	25.0	0.1	0.1	3.3
Johnson Controls International PLC	34369	42734	14.2	13.3	11.4	10.5	1.7	1.7	15.5	15.0	2.5	2.7	2.2
Gree Electric Appliances Inc of Zhuhai	23721	15415	4.2	3.9	3.5	3.3	0.6	0.6	6.8	6.3	7.5	7.7	1.7
Dover Corp	19078	21712	15.2	14.4	13.0	12.3	2.8	2.7	16.9	16.0	1.4	1.4	4.6
Honeywell International Inc	121749	133096	17.7	16.4	15.4	14.4	3.9	3.7	22.0	20.2	2.1	2.2	7.6
Lennox International Inc	14843	16075	21.6	19.0	19.3	17.3	3.6	3.4	25.5	22.9	1.0	1.0	59.1
Melco International Development Ltd	855	7585	35.3	14.4	8.7	6.3	2.2	1.8		400.0	0.2	0.2	1.8
Kone (Inderes)	22314	21253	17.1	15.5	14.8	12.9	2.0	1.9	22.9	21.4	4.1	4.2	7.9
Average			18.1	15.0	13.1	12.0	2.6	2.5	20.2	53.3	2.2	2.3	9.0
Median			17.4	14.7	13.0	12.3	2.8	2.6	22.3	20.4	1.8	1.9	3.3
Diff-% to median			-1%	5%	14%	5%	-29%	-29%	3%	5%	125%	116%	137%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue	10514	10907	2557	2836	2750	2728	10871	2438	2884	2887	3076	11284	11800	12246
Group	10514	10907	2557	2836	2750	2728	10871	2438	2884	2887	3076	11284	11800	12246
EBITDA	1539	1291	303	347	385	404	1439	317	423	425	469	1634	1728	1816
Depreciation	-244.0	-259.3	-64.6	-64.0	-68.5	-68.5	-265.6	-67.6	-67.6	-67.6	-67.6	-270.3	-272.3	-293.6
EBIT (excl. NRI)	1310	1077	242	332	316	351	1241	249	356	357	402	1364	1455	1523
EBIT	1295	1031	238	283	316	336	1174	249	356	357	402	1364	1455	1523
Group	1295	1031	238	283	316	336	1174	249	356	357	402	1364	1455	1523
Net financial items	25.5	-2.7	2.8	1.5	3.3	3.3	10.9	0.9	0.9	0.9	0.9	3.5	12.2	17.0
PTP	1321	1029	241	285	320	339	1185	250	357	358	403	1367	1467	1540
Taxes	-298.1	-244.0	-55.5	-62.8	-71.9	-78.0	-268.2	-57.1	-81.4	-81.7	-91.9	-312.0	-332.2	-348.6
Minority interest	-8.5	-10.0	-2.0	1.2	-2.1	-7.1	-10.0	-1.0	-2.0	-5.0	-3.5	-11.5	-10.7	-10.5
Net earnings	1014	775	184	223	246	254	906	192	273	271	307	1044	1124	1181
EPS (adj.)	1.983	1.586	0.362	0.526	0.474	0.521	1.882	0.371	0.528	0.524	0.594	2.018	2.174	2.282
EPS (rep.)	1.958	1.498	0.355	0.431	0.475	0.491	1.753	0.371	0.528	0.524	0.594	2.018	2.174	2.282
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue growth-%	5.8 %	3.7 %	4.7 %	11.0 %	-8.3 %	-6.3 %	-0.3 %	-4.7 %	1.7 %	5.0 %	12.7 %	3.8 %	4.6 %	3.8 %
Adjusted EBIT growth-%	4.7 %	-17.8 %	23.1 %	58.6 %	3.3 %	-3.8 %	15.3 %	3.0 %	7.2 %	13.0 %	14.4 %	9.9 %	6.7 %	4.6 %
EBITDA-%	14.6 %	11.8 %	11.8 %	12.2 %	14.0 %	14.8 %	13.2 %	13.0 %	14.7 %	14.7 %	15.3 %	14.5 %	14.6 %	14.8 %
Adjusted EBIT-%	12.5 %	9.9 %	9.5 %	11.7 %	11.5 %	12.9 %	11.4 %	10.2 %	12.3 %	12.4 %	13.1 %	12.1 %	12.3 %	12.4 %
Net earnings-%	9.6 %	7.1 %	7.2 %	7.9 %	8.9 %	9.3 %	8.3 %	7.9 %	9.5 %	9.4 %	10.0 %	9.2 %	9.5 %	9.6 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	2915	2899	2951	2977	3051
Goodwill	1405	1415	1415	1415	1415
Intangible assets	217	208	205	205	247
Tangible assets	737	717	760	786	818
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	147	124	97.4	97.4	97.4
Other non-current assets	22.9	10.0	12.9	12.9	12.9
Deferred tax assets	386	425	461	461	461
Current assets	6805	6191	5877	6101	6380
Inventories	718	844	761	790	826
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3202	3377	3152	3272	3422
Cash and equivalents	2885	1970	1964	2039	2132
Balance sheet total	9720	9090	8828	9078	9430

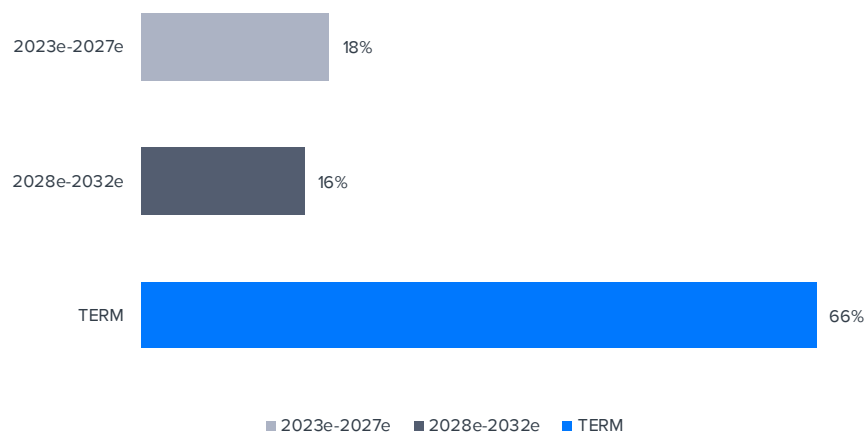
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	3199	2867	2869	3009	3203
Share capital	66.2	66.2	66.2	66.2	66.2
Retained earnings	2549	2184	2187	2327	2521
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	1107	1071	1039
Deferred tax liabilities	218	214	233	233	233
Provisions	152	177	214	214	214
Interest bearing debt	435	418	540	504	472
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	194	140	121	121	121
Current liabilities	5521	5275	4852	4998	5187
Interest bearing debt	117	116	150	140	131
Payables	5405	5159	4702	4858	5056
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9720	9090	8828	9078	9430

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	3.7 %	-0.3 %	3.8 %	4.6 %	3.8 %	3.8 %	3.7 %	3.7 %	3.7 %	3.7 %	2.5 %	2.5 %
EBIT-%	9.5 %	10.8 %	12.1 %	12.3 %	12.4 %	12.3 %	12.1 %	11.9 %	11.5 %	11.5 %	11.5 %	11.5 %
EBIT (operating profit)	1031	1174	1364	1455	1523	1559	1595	1632	1631	1691	1734	
+ Depreciation	259	266	270	272	294	302	312	321	331	342	352	
- Paid taxes	-286.7	-285.1	-312.0	-332.2	-348.6	-357.8	-366.7	-375.6	-375.9	-390.1	-400.6	
- Tax, financial expenses	-13.6	-7.8	-9.7	-8.1	-7.4	-6.8	-6.6	-6.4	-6.4	-6.4	-5.9	
+ Tax, financial income	12.9	10.2	10.5	10.8	11.3	11.7	12.2	12.6	13.1	13.6	14.0	
- Change in working capital	-546.8	-149.6	7.4	12.8	6.1	5.2	4.4	3.4	2.4	1.3	20.8	
Operating cash flow	456	1007	1330	1411	1478	1514	1550	1587	1596	1652	1714	
+ Change in other long-term liabilities	-29.2	17.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-204.3	-281.8	-296.2	-346.1	-325.3	-336.0	-346.9	-358.0	-369.4	-381.0	-387.3	
Free operating cash flow	223	743	1034	1065	1152	1178	1203	1229	1226	1271	1327	
+/- 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	743	1034	1065	1152	1178	1203	1229	1226	1271	1327	29637
Discounted FCFF		746	970	932	942	899	858	819	762	738	720	16069
Sum of FCFF present value		24456	23710	22740	21807	20865	19966	19108	18289	17527	16789	16069
Enterprise value DCF		24456										
- Interest bearing debt		-533.9										
+ Cash and cash equivalents		1970										
-Minorities		-235.0										
-Dividend/capital return		-903.8										
Equity value DCF		24775										
Equity value DCF per share		47.9										

Cash flow distribution



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

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	9938.5	10514.1	10906.7	10870.7	11284.0	EPS (reported)	1.81	1.96	1.50	1.75	2.02
EBITDA	1451.9	1539.3	1290.5	1439.4	1634.0	EPS (adj.)	1.87	1.98	1.59	1.88	2.02
EBIT	1212.9	1295.3	1031.2	1173.8	1363.7	OCF / share	2.80	3.01	0.88	1.95	2.57
PTP	1224.3	1320.8	1028.5	1184.7	1367.2	FCF / share	2.61	2.34	0.43	1.44	2.00
Net Income	939.3	1014.2	774.5	906.5	1043.7	Book value / share	6.12	6.13	5.49	5.49	5.76
Extraordinary items	-37.6	-14.5	-45.4	-67.2	0.0	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	8828.2	9077.5	Revenue growth-%	0%	6%	4%	0%	4%
Equity capital	3197.2	3199.2	2866.5	2869.2	3008.8	EBITDA growth-%	1%	6%	-16%	12%	14%
Goodwill	1327.0	1405.2	1414.7	1414.7	1414.7	EBIT (adj.) growth-%	1%	5%	-18%	15%	10%
Net debt	-2120.8	-2332.9	-1436.5	-1273.7	-1394.9	EPS (adj.) growth-%	0%	6%	-20%	19%	7%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	14.6 %	14.6 %	11.8 %	13.2 %	14.5 %
EBITDA	1451.9	1539.3	1290.5	1439.4	1634.0	EBIT (adj.)-%	12.6 %	12.5 %	9.9 %	11.4 %	12.1 %
Change in working capital	314.2	358.7	-546.8	-149.6	7.4	EBIT-%	12.2 %	12.3 %	9.5 %	10.8 %	12.1 %
Operating cash flow	1453.9	1557.7	456.4	1007.1	1330.2	ROE-%	29.6 %	31.9 %	25.8 %	31.9 %	35.9 %
CAPEX	-144.0	-349.3	-204.3	-281.8	-296.2	ROI-%	33.7 %	36.1 %	30.4 %	35.0 %	39.1 %
Free cash flow	1351.8	1213.1	222.9	742.6	1034.1	Equity ratio	45.5 %	41.2 %	40.7 %	43.0 %	44.3 %
						Gearing	-66.3 %	-72.9 %	-50.1 %	-44.4 %	-46.4 %
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	14.8	12.9						
EV/EBIT (adj.)	26.0	23.3	22.1	17.1	15.5						
P/E (adj.)	35.6	31.8	30.5	22.9	21.4						
P/B	10.9	10.3	8.8	7.9	7.5						
Dividend-%	3.4 %	3.3 %	3.6 %	4.1 %	4.2 %						

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
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 €
10/26/2023	Reduce	42.00 €	39.50 €
1/24/2024	Reduce	42.00 €	43.14 €



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