

# Telia

## Company report

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This report is a summary translation of the report "Strategia etenee, mutta arvostuskuva on muuttunut" published on 04/28/2022 at 09:10 am.

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# Strategy is progressing, but valuation picture has changed

We raise Telia's target price to SEK 41.0 (was 39.0) reflecting estimate revisions. At the same time, we lower our recommendation to Decrease (was Accumulate) as a result of the share price going up. In Q1, Telia's operational performance was good on a broad front, which increases our confidence in the strategy's efficiency and the earnings turnaround continuing. We forecast moderate earnings growth over the next few years with a stronger growth base. Additionally, strong balance sheet offers strategic room for maneuver. The main risk is related to the implementation of the strategy and, in particular, the realization of cost savings. The valuation of the share has become neutral as a result of the share price going up, but at the same time a strong dividend yield of 5% limits the downside.

## Operational rows exceeded expectations

Telia reported that Q1 net sales were at the level of the comparison period at SEK 21,818 million, which exceeded the consensus estimates. Comparable net sales continued to grow by 2.1%. Comparable service revenues growth continued to accelerate and was 3.2% in Q1, indicating a return to faster to growth this year. Adjusted EBITDA was at the level of the comparison period and above market expectations. Adjusted EBITDA in the Core Telco business grew by 4.6%.

## Implementation of the strategy is progressing, still room for improvement in cost savings

Telia's strategy is being implemented on several fronts and is becoming more visible in the figures, although there is still much to in terms of the cost base. In terms of growth in service revenues, which is important for a more robust earnings growth, a clear return to growth has been seen over the past year. The company has continued to take several measures to improve the cost base, but due to headwinds they have only brought savings of EUR 0.5 billion, compared to the target of EUR 2 billion by 2023. In Q1, cost savings were made in legacy IT platforms and operational costs decreased by 3%.

## Telia's balance sheet has strengthened and gives room for strategy implementation

At the end of Q1, the company's net debt/EBITDA ratio was 2.1x and is at the bottom of the company's 2.0-2.5x target range, which gives ample room for further implementation of the strategy. The company expects the deal on the Swedish masts to be completed already in Q2 (previously Q3) and specified that it will distribute the 5.4 billion profit from the sale of the masts to the owners through purchase of own shares.

## We expect Telia to achieve moderate earnings growth in the coming years

As expected, Telia reiterated its guidance and estimates that service revenues and adjusted comparable EBITDA will grow by low single digit in 2022. We adjusted our estimates slightly upwards with the better-than-expected Q1 report. We forecast a 4% increase in comparable net sales and adjusted EBITDA in 2022 (reported +2%). In 2022-24, we expect the result to increase by 3% and the dividend yield to be 5%. Our estimates don't yet include the purchase of own shares, which corresponds to a one-off 'return' of ~3%.

## Valuation picture has become neutral with the higher share price

We see Telia's risk profile as moderate in relation to the general stock market. As the strategy progresses, confidence in earnings growth has increased, despite the small headwinds. Adjusted P/E and EV/EBIT multiples for 2022e are 22x and 19x. The multiples are 11% below the Nordic peers and 22% above the whole peer group. In our view, the valuation of the share is in absolute terms tense, given the challenges with cost savings and the upward pressure on the interest market. The expected return (5%) and DCF (SEK 41) also favor a respite. Dividend yield (5%), however, limits the downside.

## Recommendation

### Reduce

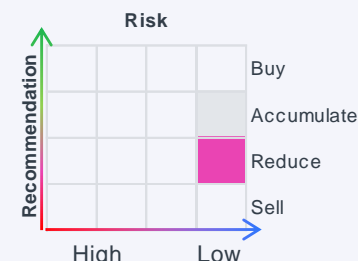
(previous Accumulate)

### SEK 41.00

(previous SEK 39.00)

### Share price:

41.40



## Key figures

	2021	2022e	2023e	2024e
<b>Net sales</b>	88343	89717	91488	93621
<b>growth-%</b>	-1%	2%	2%	2%
<b>EBITDA (adj.)</b>	29861	30540	31359	31898
<b>EBITDA-% (adj.)</b>	33.8 %	34.0 %	34.3 %	34.1 %
<b>Net Income</b>	11504	6587	7509	7946
<b>EPS (adj.)</b>	1.54	1.84	2.06	2.11

<b>P/E (adj.)</b>	23.0	22.5	20.1	19.6
<b>P/B</b>	1.8	2.1	2.2	2.2
<b>Dividend yield-%</b>	5.8 %	5.1 %	5.2 %	5.4 %
<b>EV/EBIT (adj.)</b>	20.8	19.3	18.4	17.8
<b>EV/EBITDA</b>	5.9	7.8	7.6	7.5
<b>EV/S</b>	2.3	2.6	2.5	2.5

Source: Inderes

## Guidance

(Unchanged)

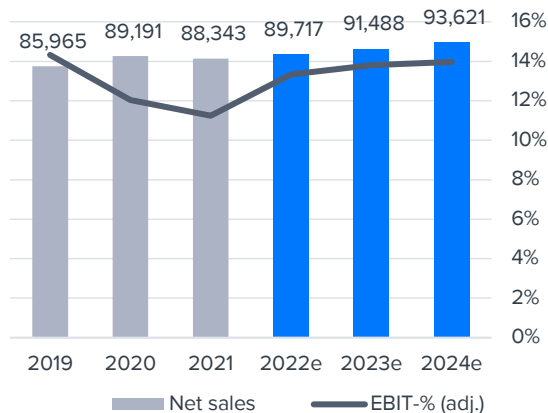
Telia estimates that service revenues and adjusted comparable EBITDA will grow by low single digit in 2022.

## Share price



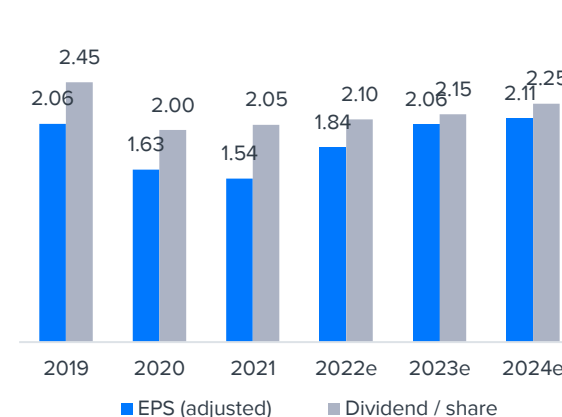
Source: Thomson Reuters

## Net sales and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Continuing the turnaround of the Swedish business and a turnaround in Finland
- Earnings growth through growth in net sales and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- Divestment of non-strategic operations



## Risk factors

- Tighter competition
- Realization of cost savings
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry
- Failure in the Bonnier integration

Valuation	2022e	2023e	2024e
Share price	41.4	41.4	41.4
Number of shares, millions	4090	4090	4090
Market cap	169311	169311	169311
EV	231567	232425	233031
P/E (adj.)	22.5	20.1	19.6
P/E	25.7	22.5	21.3
P/FCF	16.3	17.8	16.8
P/B	2.1	2.2	2.2
P/S	1.9	1.9	1.8
EV/Sales	2.6	2.5	2.5
EV/EBITDA	7.8	7.6	7.5
EV/EBIT (adj.)	19.3	18.4	17.8
Payout ratio (%)	130.4 %	117.1 %	115.8 %
Dividend yield-%	5.1 %	5.2 %	5.4 %

Source: Inderes

# Operational rows exceeded expectations

## Organic net sales grew and exceeded expectations

Telia reported that Q1 net sales were at the level of the comparison period at SEK 21,818 million, which exceeded both our and the consensus estimates. The trend of net sales excluding exchange-rate effects and M&A continued on the growth track and grew by 2.1% (Q4'21: 3.3%). Comparable growth in service revenues continued to accelerate and was 3.2% in Q1 (Q4'21 2.9%). Service revenues grew in all markets, now also in Finland. Service revenues have now shown signs of a return to faster growth for four quarters. The growth in service revenues is important to ensure that earnings growth is on a more solid base, and both Telia's strategic objectives and guidance reflect this. The development of Finland's business has been stabilized and Telia expects Finland to turn around in H2'22.

## Earnings also exceeded expectations, but investments limit the potential

When monitoring Telia, the adjusted EBITDA best describes the operational earnings level when the other rows contain one-off and non-operational items. The company commented that the strategy and structural IT savings are progressing (80 SEK million in Q1). However, investments mainly in sports content still limit profitability. The adjusted EBITDA was at the level of the comparison period at SEK 7,202 million and above our and market expectations. Comparable EBITDA also remained at the level of the comparison period. Adjusted EBITDA in the Core Telco business (excluding TV & Media) grew by 4.6%. Earnings potential was limited by TV & Media's major content investments, which we estimate to have been SEK 450 million. Adjusted EBITDA margin was at the level of the comparison period at 33%.

Financial costs were clearly higher than our and market expectations. Thus, the reported EPS were SEK 0.23 and below our and market expectations.

## Telia buys its own shares with the profits from the masts

The company expects the deal on the Swedish masts to be completed in Q2, whereas it previously expected the transaction to be completed in Q3. The company expects to record a profit of SEK 5.4 billion from this. The company has already said that it will distribute the profits back to the shareholders and now announced that this will take place through purchase of own shares. At the end of Q1 and before the sale of the masts, the company's net debt/EBITDA ratio was 2.1x. The level is at the bottom of the company's 2.0-2.5x target range, which gives ample room for further implementation of the strategy.

Estimates	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MSEK / SEK								
Net sales	21814	21818	21000	21568	20857	- 21969	4%	88322
EBITDA (adj.)	7178	7202	7010	7048	6853	- 7532	3%	30304
EBITDA	6778	7030	6924	6879	6573	- 7282	2%	11097
EBIT (incl. minorities)	1795	2437	2110	2072	1552	- 2471	15%	10097
PTP	1106	1407	1585	1494	981	- 1829	-11%	8157
EPS	0.24	0.23	0.31	0.27	0.17	- 0.34	-26%	1.83
Net sales growth-%	-2.7 %	0.0 %	-3.7 %	-1.1 %	-4.4 %	- 0.7 %	3.8 pp	0.0 %
EBITDA (adj.) -%	32.9 %	33.0 %	33.4 %	32.7 %	32.9 %	- 34.3 %	-0.4 pp	34.3 %

Source: Inderes & Telia Company (consensus)

# We slightly raised our estimates

## Estimate changes 2022e-2023e

- We raised our net sales estimates slightly due to the better-than-expected development of net sales and trends
- We also specified the expectations of other rows.
- Forecasts don't include profits from the sale of the masts. The operational forecasts of the masts are still consolidated in Telia.

## Operational result drivers 2022-2023e:

- Service revenues growth driven by 5G and faster subscription sales
- Continuing the turnaround of the Swedish business and a successful turnaround in Finland
- TV & Media recovering from COVID
- Cost savings

## Objectives for the 2021-23 strategy period:

- Service revenues growth rate is a low single-digit number (estimate: 1-4%)
- Adjusted EBITDA growth rate is a low or medium single-digit number (estimate: at 1-7%)
- CAPEX without license fees and rights-of-use is expected to return to about 15% of net sales in 2023. In 2022, SEK 14-15 billion.

Estimate revisions MSEK / SEK	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
	Old	New	%	Old	New	%	Old	New	%
Net sales	88322	89717	2%	90056	91488	2%	92158	93621	2%
EBITDA	30359	30618	1%	31287	31359	0%	32057	31898	0%
EBIT (exc. NRIs)	11153	11971	7%	12187	12628	4%	12957	13085	1%
EBIT	10153	11049	9%	11187	11728	5%	12257	12385	1%
PTP	8213	8503	4%	9187	9745	6%	10151	10302	1%
EPS (continuous operations)	1.84	1.84	0%	2.00	2.06	3%	2.12	2.11	0%
DPS	2.10	2.10	0%	2.15	2.15	0%	2.25	2.25	0%

Source: Inderes

# Valuation picture has become neutral with the higher share price

## Valuation multiples

It has been difficult to compare Telia with competitors with earnings multiples, because for example, Telia's EBITDA doesn't show the income of minority shareholdings (they are reported in operating profit) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. Since 2021, in particular, minority shareholdings decreased due to the Turkcell sale, and with the divestments in Eurasia there won't be discontinued operations after Q1'21. Thus, the comparability of the adjusted EV/EBIT multiple will considerably improve from 2022 onward.

## Valuation is quite tense

In the big picture, we see Telia's risk profile as moderate in relation to the general stock market. Confidence in growth has improved thanks to the realistic growth and profitability drivers that were presented and the progress of the strategy on several fronts, although there are also headwinds. Adjusted P/E and EV/EBIT multiples for 2022e are 22x and 19x. The multiples are 11% below the Nordic peers and 22% above the whole peer group. In our view, the valuation of the share is tense in absolute and relative terms, when challenges with cost savings, upward pressure in the interest market and the numerous disappointments in the company's history are considered.

## The expected return doesn't cover the required return

The expected return on Telia's share comes currently from 3% earnings growth, a moderate downside in multiples and mainly from a dividend yield of 5%. The expected return (~5%) isn't sufficient to have a positive view of the share. Dividend yield (5%), however, limits the downside.

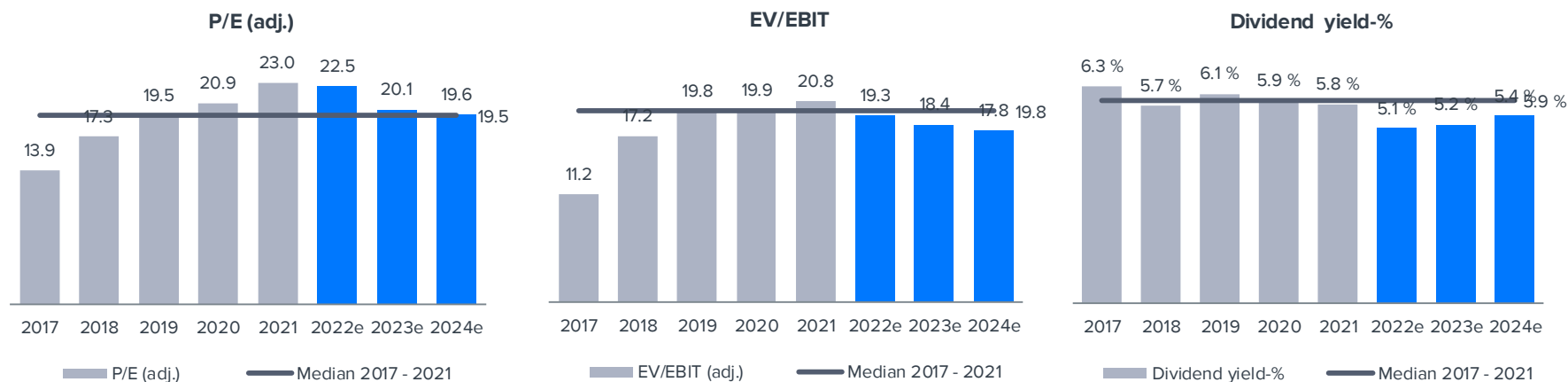
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P/E	25.7	22.5	21.3
P/FCF	16.3	17.8	16.8
P/B	2.1	2.2	2.2
P/S	1.9	1.9	1.8
EV/Sales	2.6	2.5	2.5
EV/EBITDA	7.8	7.6	7.5
EV/EBIT (adj.)	19.3	18.4	17.8
Payout ratio (%)	130.4 %	117.1 %	115.8 %
Dividend yield-%	5.1 %	5.2 %	5.4 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	36.6	41.2	40.3	34.0	35.4	41.4	41.4	41.4	41.4
Number of shares, millions	4330	4292	4172	4090	4090	4090	4090	4090	4090
Market cap	158264	174149	165535	138884	144793	169311	169311	169311	169311
EV	160035	223723	243678	213286	206767	231567	232425	233031	244238
P/E (adj.)	13.9	17.3	19.5	20.9	23.0	22.5	20.1	19.6	19.1
P/E	20.1	18.4	22.6	neg.	12.6	25.7	22.5	21.3	20.8
P/FCF	5.1	neg.	neg.	10.7	14.5	16.3	17.8	16.8	16.4
P/B	1.6	1.8	1.8	2.2	1.8	2.1	2.2	2.2	2.6
P/S	2.0	2.1	1.9	1.6	1.6	1.9	1.9	1.8	1.8
EV/Sales	2.0	2.7	2.8	2.4	2.3	2.6	2.5	2.5	2.6
EV/EBITDA	6.2	8.6	8.1	7.1	5.9	7.8	7.6	7.5	7.7
EV/EBIT (adj.)	11.2	17.2	19.8	19.9	20.8	19.3	18.4	17.8	18.0
Payout ratio (%)	126.4 %	104.2 %	135.5 %	neg.	72.9 %	130.4 %	117.1 %	115.8 %	118.0 %
Dividend yield-%	6.3 %	5.7 %	6.1 %	5.9 %	5.8 %	5.1 %	5.2 %	5.4 %	5.7 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Elisa	56.32	9406	10590	23.0	22.0	14.5	14.0	5.1	5.0	24.5	23.6	3.8	4.0	7.2
Tele2	152.15	10165	12209	22.4	22.1	11.5	11.0	4.7	4.6	24.2	23.4	5.4	6.2	4.5
Telenor	132.90	19132	31508	13.2	12.6	6.4	6.2	2.8	2.8	16.1	14.9	7.4	7.7	7.3
BT	181.40	21759	43650	11.9	11.2	4.9	4.8	1.8	1.8	9.0	8.5	4.3	4.3	1.4
Proximus	16.30	5739	8712	14.2	14.7	4.8	4.8	1.5	1.5	12.2	12.8	7.1	7.3	1.8
Orange Belgium	19.04	1119	1481	16.1	14.6	4.0	3.7	1.1	1.0	19.0	16.2	3.2	3.2	1.7
Swisscom	561.00	28568	35749	18.4	18.1	8.3	8.3	3.3	3.3	19.2	18.9	3.9	3.9	2.5
Telecom Austria	6.90	4584	7331	9.1	8.7	4.2	4.1	1.5	1.5	8.5	7.9	4.4	4.7	1.3
Deutsche Telecom	17.55	86321	259469	16.5	14.0	6.3	6.0	2.3	2.3	12.9	11.3	4.0	4.3	2.0
KPN	3.30	13756	20268	19.3	18.2	8.1	7.9	3.8	3.8	21.1	18.8	4.3	4.5	4.5
<b>Telia (Inderes) MSEK</b>	<b>41.40</b>	<b>169311</b>	<b>231567</b>	<b>19.3</b>	<b>18.4</b>	<b>7.8</b>	<b>7.6</b>	<b>2.6</b>	<b>2.5</b>	<b>22.5</b>	<b>20.1</b>	<b>5.1</b>	<b>5.2</b>	<b>2.1</b>
Average				16.4	15.6	7.3	7.1	2.8	2.8	16.7	15.6	4.8	5.0	3.4
<b>Median</b>				<b>16.3</b>	<b>14.6</b>	<b>6.3</b>	<b>6.1</b>	<b>2.6</b>	<b>2.5</b>	<b>17.6</b>	<b>15.5</b>	<b>4.3</b>	<b>4.4</b>	<b>2.2</b>
<i>Diff-% to median</i>				<b>19%</b>	<b>26%</b>	<b>24%</b>	<b>25%</b>	<b>0%</b>	<b>0%</b>	<b>28%</b>	<b>30%</b>	<b>19%</b>	<b>17%</b>	<b>-5%</b>
<b>Median (Nordic)</b>				<b>22.4</b>	<b>22.0</b>	<b>11.5</b>	<b>11.0</b>	<b>4.7</b>	<b>4.6</b>	<b>24.2</b>	<b>23.4</b>	<b>5.4</b>	<b>6.2</b>	<b>7.2</b>
<i>Diff-% median (Nordic)</i>				<b>-14%</b>	<b>-16%</b>	<b>-32%</b>	<b>-30%</b>	<b>-45%</b>	<b>-45%</b>	<b>-7%</b>	<b>-14%</b>	<b>-6%</b>	<b>-16%</b>	<b>-70%</b>

Source: Thomson Reuters / Inderes.

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



# Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Net sales</b>	<b>85965</b>	<b>89191</b>	<b>21814</b>	<b>21877</b>	<b>21271</b>	<b>23380</b>	<b>88343</b>	<b>21818</b>	<b>22143</b>	<b>21835</b>	<b>23922</b>	<b>89717</b>	<b>91488</b>	<b>93621</b>	<b>95494</b>
Sweden	34905	33740	8401	8492	8424	9133	34451	8548	8662	8593	9270	35073	35599	36454	37183
Finland	15969	15260	3542	3549	3612	3801	14504	3630	3584	3648	3877	14739	15034	15395	15703
Norway	14666	13373	3309	3343	3478	3658	13788	3649	3577	3652	3768	14646	15085	15447	15756
Denmark	5675	5464	1281	1242	1287	1403	5214	1275	1242	1287	1417	5222	5326	5454	5563
Lithuania	4045	4151	999	1052	1100	1169	4320	1113	1126	1155	1204	4597	4781	4896	4993
Estonia	3333	3321	778	826	836	891	3331	868	843	853	909	3472	3611	3684	3757
TV & Media + other operations	9641	16367	4049	3847	2835	3640	14370	3019	3346	2954	3798	13118	13224	13489	13758
Eliminations and other	-2267.8	-2485	-545	-475	-300	-316	-1635	-285	-237	-306	-322	-1150	-1173	-1197	-1221
<b>EBITDA</b>	<b>30017</b>	<b>30194</b>	<b>6778</b>	<b>14006</b>	<b>7477</b>	<b>6890</b>	<b>35151</b>	<b>7030</b>	<b>7155</b>	<b>7603</b>	<b>7831</b>	<b>29618</b>	<b>30459</b>	<b>31198</b>	<b>31650</b>
<b>EBITDA (adj.)</b>	<b>31017</b>	<b>30702</b>	<b>7178</b>	<b>7654</b>	<b>7739</b>	<b>7290</b>	<b>29861</b>	<b>7202</b>	<b>7405</b>	<b>7853</b>	<b>8081</b>	<b>30540</b>	<b>31359</b>	<b>31898</b>	<b>32350</b>
Depreciation	-18863.0	-27861	-5007	-4999	-4871	-5146	-20023	-4607	-4654	-4654	-4654	-18570	-18732	-18813	-18810
<b>EBIT (excl. NRI)</b>	<b>12313</b>	<b>10735</b>	<b>2171</b>	<b>2671</b>	<b>2868</b>	<b>2218</b>	<b>9929</b>	<b>2595</b>	<b>2751</b>	<b>3198</b>	<b>3427</b>	<b>11971</b>	<b>12628</b>	<b>13085</b>	<b>13540</b>
<b>EBIT</b>	<b>11154</b>	<b>2333</b>	<b>1771</b>	<b>9007</b>	<b>2606</b>	<b>1744</b>	<b>15127</b>	<b>2423</b>	<b>2501</b>	<b>2948</b>	<b>3177</b>	<b>11049</b>	<b>11728</b>	<b>12385</b>	<b>12840</b>
Share of minorities' results	0.0	-20080	24	23	29	28	104	14	40	40	40	134	160	160	160
Net financial items	-2938.0	-3318	-688	-678	-677	-591	-2634	-1030	-550	-550	-550	-2680	-2143	-2242	-2440
<b>PTP</b>	<b>9354</b>	<b>-21065</b>	<b>1106</b>	<b>8352</b>	<b>1958</b>	<b>1181</b>	<b>12597</b>	<b>1407</b>	<b>1991</b>	<b>2438</b>	<b>2667</b>	<b>8503</b>	<b>9745</b>	<b>10302</b>	<b>10560</b>
Taxes	-1753.0	-1412	-153	-452	-335	3	-937	-321	-378	-463	-507	-1669	-1984	-2099	-2153
Minority interest	-167.0	-156	-9	-37	-47	-63	-156	-157	-30	-30	-30	-247	-252	-257	-262
<b>Net earnings</b>	<b>7434</b>	<b>-22633</b>	<b>944</b>	<b>7863</b>	<b>1576</b>	<b>1121</b>	<b>11504</b>	<b>929</b>	<b>1583</b>	<b>1945</b>	<b>2130</b>	<b>6587</b>	<b>7509</b>	<b>7946</b>	<b>8145</b>
<b>EPS (adj. continuous operations)</b>	<b>2.06</b>	<b>1.63</b>	<b>0.33</b>	<b>0.37</b>	<b>0.45</b>	<b>0.39</b>	<b>1.54</b>	<b>0.27</b>	<b>0.45</b>	<b>0.54</b>	<b>0.58</b>	<b>1.84</b>	<b>2.06</b>	<b>2.11</b>	<b>2.16</b>
<b>EPS (reported)</b>	<b>1.78</b>	<b>-5.53</b>	<b>0.23</b>	<b>1.92</b>	<b>0.39</b>	<b>0.27</b>	<b>2.81</b>	<b>0.23</b>	<b>0.39</b>	<b>0.48</b>	<b>0.52</b>	<b>1.61</b>	<b>1.84</b>	<b>1.94</b>	<b>1.99</b>
<b>Key figures</b>	<b>2019</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22e</b>	<b>Q3'22e</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Net sales growth-%</b>	2.9 %	3.8 %	-2.7 %	0.5 %	-1.2 %	-0.4 %	-1.0 %	0.0 %	1.2 %	2.6 %	2.3 %	1.6 %	2.0 %	2.3 %	2.0 %
<b>Adjusted EBIT growth-%</b>		-12.8 %	-4.3 %	1.6 %	-12.5 %	-13.3 %	-7.5 %	19.5 %	3.0 %	11.5 %	54.5 %	20.6 %	5.5 %	3.6 %	3.5 %
<b>EBITDA-% (adj.)</b>	34.9 %	34.4 %	32.9 %	35.0 %	36.4 %	31.2 %	33.8 %	33.0 %	33.4 %	36.0 %	33.8 %	34.0 %	34.3 %	34.1 %	33.9 %

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>189667</b>	<b>194880</b>	<b>195010</b>	<b>194979</b>	<b>194966</b>
Goodwill	86521	89943	89943	89943	89943
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	85707	88226	88356	88325	88312
Associated companies	3445	4749	4749	4749	4749
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	12545	10660	10660	10660	10660
Deferred tax assets	1449	1302	1302	1302	1302
<b>Current assets</b>	<b>37015</b>	<b>42146</b>	<b>33786</b>	<b>34394</b>	<b>35126</b>
Inventories	1918	2040	2072	2113	2162
Other current assets	2706	3005	3005	3005	3005
Receivables	19301	22743	19738	20127	20597
Cash and equivalents	13090	14358	8972	9149	9362
<b>Balance sheet total</b>	<b>226682</b>	<b>237026</b>	<b>228797</b>	<b>229373</b>	<b>230091</b>

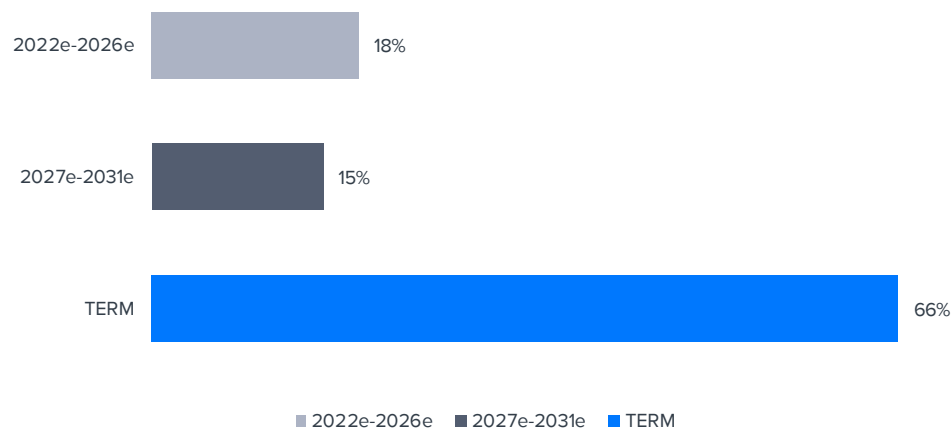
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>63954</b>	<b>83543</b>	<b>81746</b>	<b>80666</b>	<b>79820</b>
Share capital	14961	14961	14961	14961	14961
Retained earnings	37608	55503	53706	52626	51780
Hybrid bonds	10267	10267	10267	10267	10267
Revaluation reserve	0	0	0	0	0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	1118	2812	2812	2812	2812
<b>Non-current liabilities</b>	<b>122628</b>	<b>110464</b>	<b>101507</b>	<b>96638</b>	<b>97334</b>
Deferred tax liabilities	9845	10185	10185	10185	10185
Provisions	11787	7001	7001	7001	7001
Long term debt	84675	75005	66048	61179	61875
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	16321	18273	18273	18273	18273
<b>Current liabilities</b>	<b>40100</b>	<b>43019</b>	<b>45543</b>	<b>52069</b>	<b>52938</b>
Short term debt	5399	2215	6067	11973	12096
Payables	31376	32729	31401	32021	32767
Other current liabilities	3325	8075	8075	8075	8075
<b>Balance sheet total</b>	<b>226682</b>	<b>237026</b>	<b>228797</b>	<b>229373</b>	<b>230091</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>15127</b>	<b>11049</b>	<b>11728</b>	<b>12385</b>	<b>12840</b>	<b>13636</b>	<b>13909</b>	<b>14187</b>	<b>14471</b>	<b>13706</b>	<b>13926</b>	
+ Depreciation	20023	18570	18732	18813	18810	18828	18862	18901	18944	18990	19039	
- Paid taxes	-450	-1669	-1984	-2099	-2153	-2276	-2335	-2406	-2478	-2331	-2387	
- Tax, financial expenses	-218	-581	-481	-502	-544	-587	-585	-573	-560	-550	-540	
+ Tax, financial income	21	47	38	38	39	40	41	42	42	43	44	
- Change in working capital	2240	1646	189	228	200	204	208	212	217	221	180	
<b>Operating cash flow</b>	<b>36743</b>	<b>29060</b>	<b>28221</b>	<b>28862</b>	<b>29193</b>	<b>29846</b>	<b>30101</b>	<b>30364</b>	<b>30637</b>	<b>30080</b>	<b>30262</b>	
+ Change in other long-term liabilities	-2834	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-24079	-18700	-18700	-18800	-18894	-18988	-19045	-19103	-19160	-19217	-19315	
<b>Free operating cash flow</b>	<b>9830</b>	<b>10360</b>	<b>9521</b>	<b>10062</b>	<b>10299</b>	<b>10858</b>	<b>11055</b>	<b>11262</b>	<b>11477</b>	<b>10863</b>	<b>10947</b>	
+/- Other	176	0	0	0	0	0	0	0	0	0	0	
FCFF	10006	10360	9521	10062	10299	10858	11055	11262	11477	10863	10947	271934
<b>Discounted FCFF</b>		<b>9980</b>	<b>8678</b>	<b>8677</b>	<b>8403</b>	<b>8382</b>	<b>8075</b>	<b>7783</b>	<b>7505</b>	<b>6721</b>	<b>6408</b>	<b>159188</b>
Sum of FCFF present value		239800	229820	221142	212465	204062	195680	187605	179822	172317	165596	159188
<b>Enterprise value DCF</b>		<b>239800</b>										
- Interesting bearing debt		-77220										
+ Cash and cash equivalents		14358										
-Minorities		-2812										
-Dividend/capital return		-8384										
<b>Equity value DCF</b>		<b>169442</b>										
<b>Equity value DCF per share</b>		<b>41.4</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	0.95
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>6.5 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>5.7 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	85965	89191	88343	<b>89717</b>	<b>91488</b>	EPS (reported)	1.78	-5.53	2.81	<b>1.61</b>	<b>1.84</b>
EBITDA	30017	30194	35151	<b>29618</b>	<b>30459</b>	EPS (adj.)	2.06	1.63	1.54	<b>1.84</b>	<b>2.06</b>
EBIT	11154	2333	15127	<b>11049</b>	<b>11728</b>	OCF / share	6.75	9.04	8.98	<b>7.11</b>	<b>6.90</b>
PTP	9354	-21065	12597	<b>8503</b>	<b>9745</b>	FCF / share	-4.46	3.18	2.45	<b>2.53</b>	<b>2.33</b>
Net Income	7093	-22912	11680	<b>6587</b>	<b>7509</b>	Book value / share	21.82	15.36	19.74	<b>19.30</b>	<b>19.04</b>
Extraordinary items	-1159	-8403	5199	<b>-922</b>	<b>-900</b>	Dividend / share	2.45	2.00	2.05	<b>2.10</b>	<b>2.15</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	264074	226682	237026	<b>228797</b>	<b>229373</b>	Revenue growth-%	3%	4%	-1%	<b>2%</b>	<b>2%</b>
Equity capital	92456	63954	83543	<b>81746</b>	<b>80666</b>	EBITDA growth-%	17%	-1%	-3%	<b>2%</b>	<b>3%</b>
Goodwill	101938	86521	89943	<b>89943</b>	<b>89943</b>	EBIT (adj.) growth-%	-5%	-13%	-8%	<b>21%</b>	<b>5%</b>
Net debt	80434	76984	62862	<b>63144</b>	<b>64003</b>	EPS (adj.) growth-%	-13%	-21%	-5%	<b>19%</b>	<b>12%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	36.1 %	34.4 %	33.8 %	<b>34.0 %</b>	<b>34.3 %</b>
EBITDA	30017	30194	35151	<b>29618</b>	<b>30459</b>	EBIT (adj.)-%	14.3 %	12.0 %	11.2 %	<b>13.3 %</b>	<b>13.8 %</b>
Change in working capital	-573	10250	2240	<b>1646</b>	<b>189</b>	EBIT-%	13.0 %	2.6 %	17.1 %	<b>12.3 %</b>	<b>12.8 %</b>
Operating cash flow	28150	36966	36743	<b>29060</b>	<b>28221</b>	ROE-%	7.9 %	-29.4 %	16.0 %	<b>8.3 %</b>	<b>9.6 %</b>
CAPEX	-27530	-4961	-24079	<b>-18700</b>	<b>-18700</b>	ROI-%	7.2 %	-10.5 %	9.9 %	<b>7.3 %</b>	<b>7.8 %</b>
Free cash flow	-18620	13009	10006	<b>10360</b>	<b>9521</b>	Equity ratio	35.0 %	28.2 %	35.2 %	<b>35.7 %</b>	<b>35.2 %</b>
						Gearing	87.0 %	120.4 %	75.2 %	<b>77.2 %</b>	<b>79.3 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	2.8	2.4	2.3	<b>2.6</b>	<b>2.5</b>						
EV/EBITDA (adj.)	8.1	7.1	5.9	<b>7.8</b>	<b>7.6</b>						
EV/EBIT (adj.)	19.8	19.9	20.8	<b>19.3</b>	<b>18.4</b>						
P/E (adj.)	19.5	20.9	23.0	<b>22.5</b>	<b>20.1</b>						
P/E	1.8	2.2	1.8	<b>2.1</b>	<b>2.2</b>						
Dividend-%	6.1 %	5.9 %	5.8 %	<b>5.1 %</b>	<b>5.2 %</b>						

Source: Inderes

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Buy The 12-month risk-adjusted expected shareholder

return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

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 price	Share price
#####	Accumulate	42.00 €	37.98 €
1/29/2018	Accumulate	42.00 €	38.53 €
4/3/2018	Accumulate	42.00 €	39.21 €
4/23/2018	Accumulate	44.00 €	41.29 €
6/5/2018	Accumulate	44.00 €	41.91 €
7/23/2018	Accumulate	44.00 €	39.06 €
#####	Accumulate	45.00 €	40.30 €
1/28/2019	Accumulate	44.00 €	39.78 €
3/27/2019	Accumulate	44.00 €	41.43 €
4/26/2019	Accumulate	44.00 €	40.80 €
7/18/2019	Reduce	44.00 €	42.90 €
10/18/2019	Reduce	42.00 €	41.65 €
1/14/2020	Reduce	42.00 €	40.57 €
1/30/2020	Reduce	42.00 €	41.83 €
3/19/2020	Accumulate	39.00 €	34.04 €
#####	Accumulate	38.00 €	35.00 €
#####	Accumulate	38.00 €	34.05 €
#####	Accumulate	38.00 €	36.27 €
#####	Accumulate	38.00 €	37.20 €
1/27/2021	Accumulate	38.00 €	36.56 €
2/1/2021	Accumulate	40.00 €	36.70 €
4/26/2021	Accumulate	40.00 €	35.07 €
7/22/2021	Accumulate	40.00 €	38.15 €
#####	Accumulate	39.00 €	35.58 €
1/31/2022	Accumulate	39.00 €	36.30 €
#####	Reduce	41.00 €	41.40 €



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