

# Hexagon

## Company report

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# Low risk, low reward

Q4 earnings provided a small positive surprise. Earnings will most likely continue to improve in 2024-25, but the pace of growth is likely to slow after a strong cycle in 2021-23. Organic growth will be weighed down by weak construction at least in H1 2024. The expensive valuation leaves little upside for the stock, even if the ongoing rationalization program brings profitability to targeted levels. We reiterate our Reduce recommendation and raise our price target to SEK 106 (from 102) based on modest estimate revisions.

## Profitability and cash conversion were the highlights of Q4 report

Hexagon's Q4 report was mainly positive with strong profitability, although slowing growth in Geosystems was a slight disappointment. Revenue grew 2% year-on-year to 1,435 MEUR, including 5% organic growth and a significant negative currency impact. Revenue landed at 1% below our and consensus estimates, mainly due to weak construction-related demand, which weighed on growth in Geosystems. Adjusted EBIT was 438 MEUR (30.6% of revenue Q4'22: 29.8%), 1% above our and consensus estimates. Adjusted EPS were 0.118 EUR, beating our and consensus estimates by 5%. The profitability improvement was driven by an increase in gross margin (66.5%, Q4'22: 66.2%), which beat our estimate by 0.5 percentage points. Cash conversion was strong at 103%, which may partly explain the positive share price reaction (share was up 3.6% on Thursday) after a weak cash conversion of 64% in Q3. The proposed dividend of EUR 0.13 was also slightly higher than our and the consensus estimate of EUR 0.12.

## Rather good visibility to 2024 earnings growth

Hexagon expects weak construction-related growth to continue in H1'2024, but the lower comparative figures may help to achieve better growth in the second half. In most other segments, the growth outlook is solid, driven by innovation and favorable market trends. We forecast 5% organic growth for the group in 2024, although our estimate for Geosystems is only 2%. Hexagon commented positively on its cost efficiency program, saying that it has already achieved an annualized run rate of 95 MEUR by the end of 2023. The company is on track to fully achieve total savings of 160-170 MEUR by 2025. We have slightly increased our estimates based on the Q4 report and the well-advanced efficiency program. We increased our net sales estimates for 2025-26 by 1-2% and our adjusted EBIT estimates for 2024-26 by 1-3%. We now expect adjusted EBIT growth of 7-8% in 2024-25.

## Hard to see material upside in the valuation

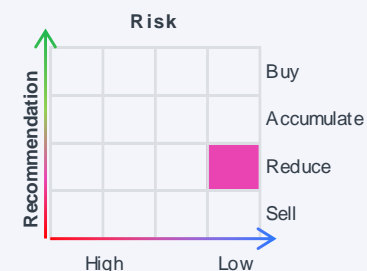
Hexagon is a diversified high-quality technology company that creates value over the long term, but the current high valuation levels don't allow enough upside for an investor, we argue. Hexagon's current forward-looking reported EV/EBIT (2024e) is 20x, which is in line with the company's 10-year median. However, rising interest rates are depressing accepted valuation levels, so one could argue that trading at the median of the past decade could be considered fair to slightly expensive. Looking at Hexagon's peer group, we find software-only peers trading at roughly 10-year averages, while some hardware-exposed peers are trading at significant discounts due to cyclical concerns. Even if Hexagon achieves its profitability target of 30% adj. EBIT (inc. PPA), we believe the upside is very limited. Our DCF yields a fair value of SEK 106 per share assuming 5.3% revenue growth and an adjusted EBIT margin of 29-31% for 2026-30, together with a WACC of 7.5%.

## Recommendation

**Reduce**  
(previous Reduce)

**106 SEK**  
(previous 102)

**Share price:**  
118.1



## Key indicators

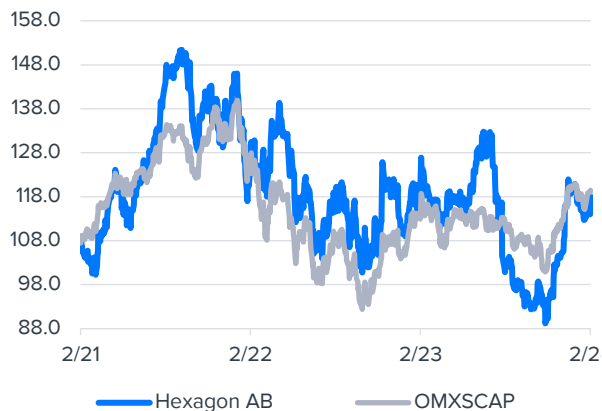
	2023	2024e	2025e	2026e
<b>Revenue</b>	5435.2	5714.0	6055.9	6411.7
<b>growth-%</b>	5%	5%	6%	6%
<b>EBIT adj.</b>	1596.7	1701.3	1828.2	1950.0
<b>EBIT-% adj.</b>	29.4 %	29.8 %	30.2 %	30.4 %
<b>Net Income</b>	858.9	1134.6	1264.3	1381.7
<b>EPS (adj.)</b>	0.43	0.46	0.50	0.54
<b>P/E (adj.)</b>	21.1	22.8	20.8	19.3
<b>P/B</b>	2.4	2.6	2.4	2.2
<b>Dividend yield-%</b>	1.4 %	1.3 %	1.4 %	1.5 %
<b>EV/EBIT (adj.)</b>	17.6	18.2	16.5	15.0
<b>EV/EBITDA</b>	15.8	14.5	13.0	11.7
<b>EV/S</b>	5.2	5.4	5.0	4.5

Source: Inderes

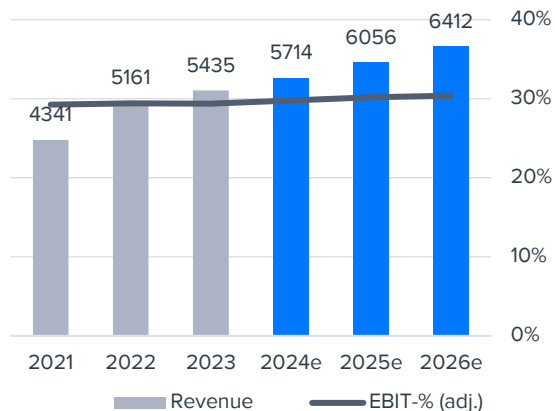
## Guidance

(No guidance)

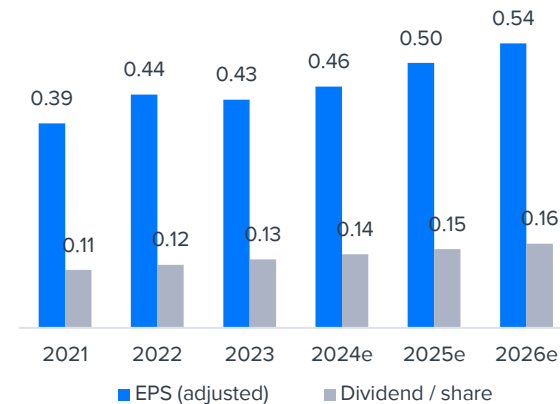
## Share price



## Net sales and operating earnings-%



## Earnings per share and dividend



## Value drivers

- Strong market position in core technologies
- Need to utilise data more efficiently in various industries adds demand for Hexagon's solutions over medium-term
- Focus on margin-additive growth and increasing the share of recurring revenue
- Solid track-record of creating value through acquisitions



## Risk factors

- Cyclical demand in hardware sales and certain software products
- M&A strategy partially dependent on strong valuation multiples of Hexagon's share
- Execution risk in M&A
- Gradually saturating end-markets in certain segments

Valuation (EUR)	2024e	2025e	2026e
Share price	10.5	10.5	10.5
Number of shares, millions	2684.3	2684.3	2684.3
Market cap	28054	28054	28054
EV	30939	30094	29161
P/E (adj.)	22.8	20.8	19.3
P/E	24.7	22.2	20.3
P/B	2.6	2.4	2.2
P/S	4.9	4.6	4.4
EV/Sales	5.4	5.0	4.5
EV/EBITDA	14.5	13.0	11.7
EV/EBIT (adj.)	18.2	16.5	15.0
Payout ratio (%)	33.1%	31.8%	31.1%
Dividend yield-%	1.3%	1.4%	1.5%

Source: Inderes

# Q4 earnings exceeded expectations

## Weak construction sector burdened sales growth

Hexagon's Q4 revenue of 1,435 MEUR were 1% below our and consensus estimates. Organic growth in Geospatial Enterprise Solutions (GES) missed our estimates by 2 percentage points (organic growth 2%, estimate 4%). The lower-than-expected growth in GES was mainly driven by the largest division, Geosystems, which is suffering from weak sentiment in the construction industry. Demand for construction-related products declined, while other product areas such as mining and reality capture solutions grew at double-digit rates. SIG sales declined slightly less than expected as a result of the deliberate termination of low-value customer contracts in early 2023. Autonomy and Positioning grew 11% organically, driven by precision agriculture, but growth was below our estimate. Industrial Enterprise Solutions grew 7% organically, in line with our

estimates. Within IES, Manufacturing Intelligence grew slightly above our estimate, supported by strong growth in automated inspection solutions. SaaS-driven growth in Asset Lifetime Intelligence was slightly below our estimate.

## Strong profitability and cash flow

Hexagon achieved an adjusted EBIT of 438 MEUR (1% above estimates), representing a margin of 30.6% of revenue (Q4'22: 29.8%). The profitability improvement was driven by growth in high-margin software sales (gross margin exceeded our estimate by 0.5pp) and cost savings but was negatively impacted by currency movements. The currency impact on EBIT was -25 MEUR, in line with our estimate. Hexagon also had a strong cash conversion of 103% in Q4. Adjusted EPS was EUR 0.12, 5% above our estimate. The proposed dividend

of EUR 0.13 per share was above our and the consensus estimate of EUR 0.12.

## Cost savings program progressing well

The company also stated that it remains on track to achieve the target of 160-170 MEUR savings from its rationalization program, which is to be fully realized from 2025. Hexagon already benefited from around 20 MEUR of efficiency gains in Q4. By the end of 2023, a run rate of 95 MEUR annualized savings has been achieved. The program was launched in mid-2023.

Estimates	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus	Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	1402	1435	1451	1455			5451
Gross margin	66.2 %	66.5 %	66.0 %				
EBIT (adj.)	418	438	432	432		1 %	1591
EBIT	374	391	378	387		3 %	1204
EPS (adj.)	0.12	0.12	0.11			5 %	0.43
EPS (reported)	0.11	0.10	0.10	0.10		7 %	0.31
DPS	0.12	0.13	0.12	0.12		8 %	0.12
Revenue growth-%	8.0 %	2.3 %	3.5 %	3.8 %		-1.2 pp	5.6 %
EBIT-% (adj.)	29.8 %	30.6 %	29.8 %	29.7 %		0.8 pp	29.2 %

Source: Inderes & Hexagon (consensus)

# Solid growth outlook for 2024

## We made modest increases to our estimates

- Hexagon does not have a specific guidance for 2024, but according to its financial targets, it aims for organic growth of 5-7% per year. We interpret management's commentary to mean that this target is realistic for 2024 as well, despite some cyclical headwinds, e.g., in the construction market segment.
- The Geosystems division has a somewhat weaker growth outlook for 2024 as demand in the construction market has deteriorated, especially in Europe. Hexagon's management estimates that growth could be subdued in H1, but lower comparison figures for surveying and construction-related products could help improve Geosystems' organic growth in H2. Divisions other than Geosystems have favorable growth prospects through 2024.
- We left our 2024 revenue estimates largely unchanged but increased our 2025-26 sales estimates by 1-2%. We also increased 2024-26 adjusted EBIT by 1-3%.
- Hexagon is targeting adjusted EBIT (including PPA) of over 30% of revenue by 2026 (2023: 27.2%). Our current estimate for the adjusted EBIT margin (including PPA) in 2026 is 29.1%. The margin improvement is driven by increasing gross margin (improving sales mix) and fixed cost efficiencies from the ongoing rationalization program.
- Hexagon will change its reporting structure as of Q1 2024. It will no longer report on two business segments (Geospatial Enterprise Solutions and Industrial Enterprise Solutions). Instead, it will report on divisions (Manufacturing Intelligence, Asset Lifetime Intelligence, Geosystems, Autonomous Solutions and Safety, Infrastructure & Geospatial). There's one minor change in the divisional structure - Mining Solutions will be moved from Geosystems to Autonomous Solutions.

Estimate revisions	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
MEUR / EUR									
Revenue	5725	5714	0%	6018	6056	1%	6314	6412	2%
EBITDA	2036	2132	5%	2205	2310	5%	2353	2488	6%
EBIT (exc. NRIs)	1686	1701	1%	1799	1828	2%	1895	1950	3%
EBIT	1486	1581	6%	1611	1720	7%	1729	1864	8%
PTP	1346	1418	5%	1491	1580	6%	1629	1749	7%
EPS (excl. NRIs)	0.46	0.46	0%	0.50	0.50	1%	0.53	0.54	2%
DPS	0.13	0.14	8%	0.15	0.15	0%	0.16	0.16	0%

Source: Inderes

# Detailed estimates

Group, MEUR	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>Net operating sales</b>	<b>3761</b>	<b>3908</b>	<b>3771</b>	<b>4347</b>	<b>5176</b>	<b>5440</b>	<b>5714</b>	<b>6056</b>	<b>6412</b>
-Growth y/y	8 %	4 %	-4 %	15 %	19 %	5 %	5 %	6 %	6 %
-of which organic	8 %	-1 %	-4 %	12 %	8 %	7 %	5 %	6 %	6 %
-of which FX	-3 %	2 %	-2 %	-1 %	6 %	-4 %	0 %	0 %	0 %
-of which structural	4 %	3 %	3 %	5 %	5 %	2 %	1 %	0 %	0 %
Gross margin (%)	62.1 %	62.8 %	63.6 %	64.6 %	65.4 %	66.1 %	66.3 %	66.4 %	66.5 %
Fixed costs (excluding adjustments)	-1357	-1430	-1385	-1535	-1857	-1996	-2077	-2193	-2314
-Growth y/y	10 %	5 %	-3 %	11 %	21 %	7 %	4 %	6 %	6 %
<b>Adjusted EBIT</b>	<b>978</b>	<b>1024</b>	<b>1010</b>	<b>1270</b>	<b>1518</b>	<b>1597</b>	<b>1701</b>	<b>1828</b>	<b>1950</b>
-of net operating sales	26.0 %	26.2 %	26.8 %	29.2 %	29.3 %	29.4 %	29.8 %	30.2 %	30.4 %
FX-impact on adj. EBIT					98	-81	-26		
EBIT-% change y/y if adjusting for FX-impact					0.6 pp	0.7 pp	0.9 pp		
<b>Divisions</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Manufacturing Intelligence</b>									
Sales					1902	2013	2072	2176	2284
Organic growth	9 %	-5 %	-9 %	15 %	10 %	9 %	5 %	5 %	5 %
Adj. EBIT-%					25.9 %	26.4 %	26.9 %	27.2 %	27.4 %
<b>Asset Lifetime Intelligence</b>									
Sales					728	782	848	916	989
Organic growth	7 %	8 %	-3 %	1 %	7 %	9 %	9 %	8 %	8 %
Adj. EBIT-%					35.8 %	36.2 %	36.6 %	36.9 %	37.2 %
<b>Geosystems</b>									
Sales					1585	1603	1649	1732	1818
Organic growth	11 %	2 %	-4 %	19 %	7 %	9 %	2 %	5 %	5 %
Adj. EBIT-%					32.8 %	31.8 %	32.0 %	32.5 %	32.5 %
<b>Autonomous Solutions</b>									
Sales					476	571	628	684	739
Organic growth	18 %	2 %	2 %	8 %	13 %	9 %	10 %	9 %	8 %
Adj. EBIT-%					33.1 %	33.9 %	34.3 %	34.6 %	35.0 %
<b>Safety, Infrastructure &amp; Geospatial</b>									
Sales					476	464	509	540	572
Organic growth	-6 %	-3 %	13 %	-3 %	3 %	9 %	7 %	6 %	6 %
Adj. EBIT-%					22.8 %	22.4 %	22.9 %	23.2 %	23.5 %

Source: Inderes

# Inderes estimates versus consensus

EURm	Inderes		Consensus		Difference	
	2024e	2025e	2024e	2025e	2024e	2025e
<b>Revenue</b>	5 714	6 056	5 754	6 149	-1 %	-2 %
<b>EBITDA</b>	2 132	2 309	2 118	2 339	1 %	-1 %
<b>EBIT</b>	1 581	1 719	1 550	1 739	2 %	-1 %
<b>Adjusted EBIT</b>	1 701	1 827	1 729	1 898	-2 %	-4 %
<b>EPS (EUR)</b>	0.42	0.47	0.42	0.48	1 %	-2 %
<b>DPS (EUR)</b>	0.14	0.15	0.14	0.15	0 %	0 %

Source: Company-collected consensus (collected before Q4 report) and Inderes estimates

# Low-risk investment with limited upside

## Investment profile: Diversified value-creator

Hexagon is a highly profitable technology company with solid organic growth prospects. The company continues to invest in growth, particularly in high gross margin areas. The company's addressable markets also have significant barriers to entry, which helps maintain profitability. Hexagon operates in several market segments that, on average, have solid growth prospects supported by megatrends, but certain segments may be showing signs of maturation and slowing growth. Hexagon's business is cyclical due to its exposure to the construction, automotive and other manufacturing industries, but the increasing share of recurring revenues (currently ~40%) partially mitigates the cyclical nature. The company's ROI is relatively low due to the high amount of goodwill on the balance sheet, which would almost certainly improve if the company focused on purely organic investments. The company's M&A strategy has created value in the past, and acquisitions should continue to support growth in the future, although we don't include any future deals in our estimates. Overall, we find Hexagon to be a clear value creator and well positioned for global megatrends.

## Solid growth outlook justifies the current valuation

We expect Hexagon's earnings to continue to improve in 2024-25, even if macroeconomic conditions are not favorable. Earnings growth will be supported by organic innovation and good growth in the recently acquired software businesses, both of which will increase gross margins. The efficiency program is also expected to restrain the growth of fixed costs, even if ordinary depreciation will increase. There's some uncertainty around organic growth in 2024 due to the cyclical downturn in some customer segments, but overall visibility on top line

development is quite good. We estimate the adjusted EV/EBIT to decline from 18x in 2023 to 16.5x in 2025 (reported EV/EBIT from 20x to 18x).

## We see little upside even if profitability improves

Hexagon's current forward-looking multiple (reported EV/EBIT 2024e: 20x) is in line with its historical median, which we consider to be close to fair. A significant rise in interest rates has led to a decline in accepted multiples in the equity markets. At the same time, we believe that Hexagon's growth profile has slightly improved due to high investments in innovation in recent years. We believe that these two market trends are somewhat offsetting each other, which is why we believe that historical valuation multiples are fair today. One of its closest peers, Trimble, currently trades at 16x EV/EBIT, a discount of about 10% to historical multiples. It is also even more exposed to the construction industry than Hexagon.

Even if we assume that Hexagon reaches its profitability target by 2026, our scenario calculations would suggest an annual return of 8.9% (for 3 years from now), which does not significantly exceed the required return on equity of 8.4%.

Our DCF suggests a fair value of SEK 106 per share. We have used a growth assumption of 5-6% for the next 10 years, and we have assumed that the adjusted EBIT% will improve by 1pp by 2026 compared to 2023 and decline to 25% in the terminal period. We assume a rather low WACC of 7.5%, which we consider fair given the company's low risk level.

We reiterate our Reduce recommendation and increase the PT to SEK 106 (previously SEK 102), driven by improved profitability and subsequent estimate revisions.

Valuation (EUR)	2024e	2025e	2026e
Share price	10,5	10,5	10,5
Number of shares, millions	2684,3	2684,3	2684,3
Market cap	28054	28054	28054
EV	30939	30094	29161
P/E (adj.)	22,8	20,8	19,3
P/E	24,7	22,2	20,3
P/B	2,6	2,4	2,2
P/S	4,9	4,6	4,4
EV/Sales	5,4	5,0	4,5
EV/EBITDA	14,5	13,0	11,7
EV/EBIT (adj.)	18,2	16,5	15,0
Payout ratio (%)	33,1%	31,8%	31,1%
Dividend yield-%	1,3%	1,4%	1,5%

Source: Inderes

## Valuation scenarios<sup>1</sup>

2026 estimates, MEUR	Base case	Adj. EBIT (inc. PPA): 30% scenario
Sales	6 412	6 412
Adj. EBIT-%	30,4%	31,3%
Adj. EBIT	1 950	2 007
Adj. EV/EBIT	18x	18x
EV	35 101	36 123
Net debt	1 036	1 036
Market cap	34 065	35 088
Share price 2026, EUR	12,7	13,1
Dividends 23-25e, EUR	0,42	0,42
Total, EUR	13,1	13,5
Current share price, SEK	118	118
Return per year	7,8%	8,9%

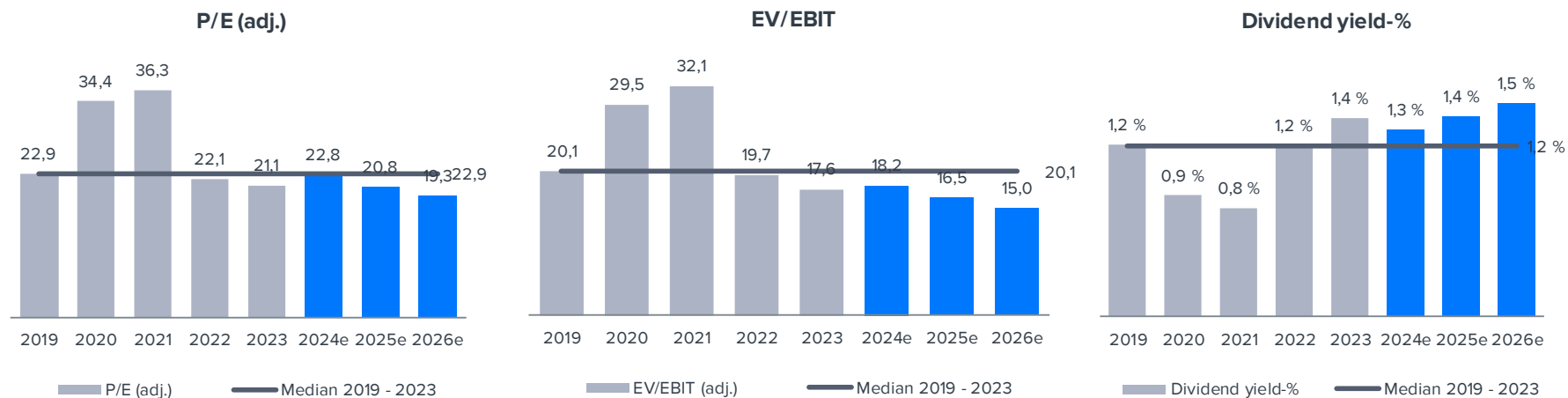
1) Hexagon targets adjusted EBIT (inc. PPA) of >30% by 2026 which would correspond to adj. EBIT of >31.8% with estimated PPA of 1.8% of sales by 2026.



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7,19	10,7	14,1	9,79	9,13	10,5	10,5	10,5	10,5
Number of shares, millions	2572,8	2568,3	2599,3	2689,7	2684,3	2684,3	2684,3	2684,3	2684,3
Market cap	18494	27415	38095	26345	24506	28054	28054	28054	28054
EV	20552	29732	40703	29825	28121	30939	30094	29161	28262
P/E (adj.)	22,9	34,4	36,3	22,1	21,1	22,8	20,8	19,3	20,0
P/E	26,3	44,4	45,7	26,1	28,5	24,7	22,2	20,3	20,0
P/B	3,0	4,6	4,4	2,7	2,4	2,6	2,4	2,2	2,1
P/S	4,7	7,3	8,8	5,1	4,5	4,9	4,6	4,4	4,2
EV/Sales	5,3	7,9	9,4	5,8	5,2	5,4	5,0	4,5	4,2
EV/EBITDA	16,1	22,5	25,6	17,0	15,8	14,5	13,0	11,7	11,3
EV/EBIT (adj.)	20,1	29,5	32,1	19,7	17,6	18,2	16,5	15,0	15,1
Payout ratio (%)	32,4 %	38,6 %	37,1 %	32,0 %	40,6 %	33,1 %	31,8 %	31,1 %	32,5 %
Dividend yield-%	1,2 %	0,9 %	0,8 %	1,2 %	1,4 %	1,3 %	1,4 %	1,5 %	1,6 %

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
Ansys	26232	26337	27,7	25,0	25,3	23,3	11,5	10,6	34,3	30,9			4,7
Autodesk	49983	50286	28,7	26,2	26,5	24,3	10,0	9,1	33,9	31,2			33,7
Dassault Systemes	64464	64086	33,0	29,6	27,6	25,0	9,9	9,1	37,1	33,4	0,6	0,6	7,0
Faro Technologies	395	388	22,7	14,1	15,0	10,7	1,1	1,1	37,4	20,4	4,4	4,4	
Nikon	3359	3041			6,6	6,0	0,7	0,7	18,2	15,1	3,3	3,5	0,8
Renishaw	2990	2757	18,0	16,4	15,2	12,8	3,5	3,3	24,7	21,0	2,2	2,5	2,7
Topcon	1167	1512			11,0	7,9	1,1	1,0	35,0	15,5	2,5	2,7	1,8
Trimble	11648	14259	16,2	15,2	15,4	13,7	4,0	3,8	18,7	17,0			2,6
<b>Hexagon AB (Inderes)</b>	<b>28054</b>	<b>30939</b>	<b>19,6</b>	<b>17,5</b>	<b>14,5</b>	<b>13,0</b>	<b>5,4</b>	<b>5,0</b>	<b>32,7</b>	<b>24,7</b>	<b>1,3</b>	<b>1,4</b>	<b>2,6</b>
<b>Average</b>			<b>24,4</b>	<b>21,1</b>	<b>17,8</b>	<b>15,4</b>	<b>5,2</b>	<b>4,8</b>	<b>29,9</b>	<b>23,1</b>	<b>2,6</b>	<b>2,8</b>	<b>7,6</b>
<b>Median</b>			<b>25,2</b>	<b>20,7</b>	<b>15,3</b>	<b>13,2</b>	<b>3,8</b>	<b>3,6</b>	<b>34,1</b>	<b>20,7</b>	<b>2,5</b>	<b>2,7</b>	<b>2,7</b>
<b>Diff-% to median</b>			<b>-22 %</b>	<b>-16 %</b>	<b>-5 %</b>	<b>-2 %</b>	<b>44 %</b>	<b>39 %</b>	<b>-4 %</b>	<b>20 %</b>	<b>-46 %</b>	<b>-47 %</b>	<b>-5 %</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>4341</b>	<b>5161</b>	<b>1285</b>	<b>1365</b>	<b>1350</b>	<b>1435</b>	<b>5435</b>	<b>1339</b>	<b>1425</b>	<b>1429</b>	<b>1522</b>	<b>5714</b>	<b>6056</b>	<b>6412</b>	<b>6732</b>
Manufacturing Intelligence	2201	2537	477	498	487	552	2013	484	513	506	570	2072	2176	2284	2398
Asset Lifecycle Intelligence	2146	2639	191	186	198	208	782	204	202	216	225	848	916	989	1038
Geosystems	-6,3	-15,0	390	425	389	399	1603	386	432	410	421	1649	1732	1818	1909
Autonomous Solutions	0,0	0,0	125	139	157	150	571	141	150	166	171	628	684	739	776
Safety, Infrastructure & Geospatial	0,0	0,0	103	115	120	126	464	122	126	129	132	509	540	572	601
Group adjustments	0,0	0,0	0,7	1,8	-1,0	0,7	2,2	2,0	2,0	2,0	2,0	8,0	9,0	9,0	9,4
<b>EBITDA</b>	<b>1589</b>	<b>1754</b>	<b>447</b>	<b>475</b>	<b>292</b>	<b>565</b>	<b>1779</b>	<b>496</b>	<b>524</b>	<b>530</b>	<b>582</b>	<b>2132</b>	<b>2310</b>	<b>2488</b>	<b>2501</b>
Depreciation	-578,9	-467,0	-119,0	-124,6	-144,7	-174,7	-563,0	-135,0	-137,0	-139,0	-140,0	-551,0	-589,4	-624,1	-624,1
<b>EBIT (excl. NRI)</b>	<b>1270</b>	<b>1518</b>	<b>371</b>	<b>394</b>	<b>393</b>	<b>438</b>	<b>1597</b>	<b>391</b>	<b>417</b>	<b>421</b>	<b>472</b>	<b>1701</b>	<b>1828</b>	<b>1950</b>	<b>1876</b>
<b>EBIT</b>	<b>1010</b>	<b>1287</b>	<b>328</b>	<b>350</b>	<b>147</b>	<b>391</b>	<b>1216</b>	<b>361</b>	<b>387</b>	<b>391</b>	<b>442</b>	<b>1581</b>	<b>1720</b>	<b>1864</b>	<b>1876</b>
Manufacturing Intelligence	685	787	120	129	124	159	531	124	135	131	167	557	592	626	669
Asset Lifecycle Intelligence	609	755	68,3	62,1	73,5	79,3	283	74,0	68,3	81,3	87,0	310	338	368	289
Geosystems	-284,0	-254,9	128	139	123	121	510	127	142	130	129	528	563	591	532
Net financial items	-26,2	-38,7	-26,8	-36,2	-43,0	-49,3	-155,3	-39,0	-40,0	-42,0	-42,0	-163,0	-140,0	-115,0	-100,0
<b>PTP</b>	<b>984</b>	<b>1248</b>	<b>302</b>	<b>314</b>	<b>104</b>	<b>341</b>	<b>1061</b>	<b>322</b>	<b>347</b>	<b>349</b>	<b>400</b>	<b>1418</b>	<b>1580</b>	<b>1749</b>	<b>1776</b>
Taxes	-173,6	-228,9	-54,3	-56,6	-16,6	-61,4	-188,9	-61,2	-65,9	-66,4	-76,0	-269,5	-300,2	-349,7	-355,3
Minority interest	-8,4	-11,5	-2,9	-3,7	-3,6	-2,7	-12,9	-3,0	-3,9	-3,8	-3,5	-14,2	-15,6	-17,2	-18,9
<b>Net earnings</b>	<b>802</b>	<b>1008</b>	<b>244</b>	<b>254</b>	<b>83,6</b>	<b>277</b>	<b>859</b>	<b>258</b>	<b>277</b>	<b>279</b>	<b>321</b>	<b>1135</b>	<b>1264</b>	<b>1382</b>	<b>1402</b>
<b>EPS (adj.)</b>	<b>0,39</b>	<b>0,44</b>	<b>0,10</b>	<b>0,11</b>	<b>0,10</b>	<b>0,12</b>	<b>0,43</b>	<b>0,10</b>	<b>0,11</b>	<b>0,11</b>	<b>0,13</b>	<b>0,46</b>	<b>0,50</b>	<b>0,54</b>	<b>0,52</b>
<b>EPS (rep.)</b>	<b>0,31</b>	<b>0,37</b>	<b>0,09</b>	<b>0,09</b>	<b>0,03</b>	<b>0,10</b>	<b>0,32</b>	<b>0,10</b>	<b>0,10</b>	<b>0,10</b>	<b>0,12</b>	<b>0,42</b>	<b>0,47</b>	<b>0,51</b>	<b>0,52</b>

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue growth-%</b>	15,3 %	18,9 %	10,8 %	6,4 %	2,5 %	2,4 %	5,3 %	4,2 %	4,4 %	5,8 %	6,0 %	5,1 %	6,0 %	5,9 %	5,0 %
<b>Adjusted EBIT growth-%</b>		19,5 %	10,8 %	4,1 %	1,8 %	4,9 %	5,2 %	5,3 %	5,7 %	7,2 %	7,7 %	6,6 %	7,5 %	6,7 %	-3,8 %
<b>EBITDA-%</b>	36,6 %	34,0 %	34,8 %	34,8 %	21,6 %	39,4 %	32,7 %	37,0 %	36,8 %	37,1 %	38,3 %	37,3 %	38,1 %	38,8 %	37,1 %
<b>Adjusted EBIT-%</b>	29,2 %	29,4 %	28,9 %	28,9 %	29,1 %	30,5 %	29,4 %	29,2 %	29,2 %	29,5 %	31,0 %	29,8 %	30,2 %	30,4 %	27,9 %
<b>Net earnings-%</b>	18,5 %	19,5 %	19,0 %	18,6 %	6,2 %	19,3 %	15,8 %	19,3 %	19,4 %	19,5 %	21,1 %	19,9 %	20,9 %	21,6 %	20,8 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>13833</b>	<b>14132</b>	<b>14123</b>	<b>14170</b>	<b>14219</b>
Goodwill	9600	9931	9931	9931	9931
Intangible assets	3206	3063	3112	3159	3208
Tangible assets	791	801	801	801	801
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	115	158	130	130	130
Other non-current assets	0,0	0,0	0,0	0,0	0,0
Deferred tax assets	122	179	150	150	150
<b>Current assets</b>	<b>2644</b>	<b>2752</b>	<b>2971</b>	<b>3094</b>	<b>3219</b>
Inventories	577	585	615	639	664
Other current assets	173	200	200	200	200
Receivables	1407	1420	1470	1528	1586
Cash and equivalents	486	547	686	727	769
<b>Balance sheet total</b>	<b>16477</b>	<b>16884</b>	<b>17094</b>	<b>17264</b>	<b>17438</b>

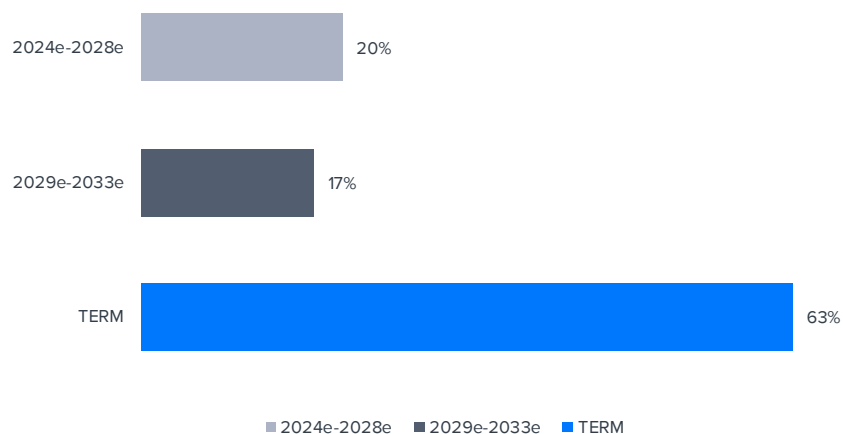
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>9865</b>	<b>10046</b>	<b>10832</b>	<b>11720</b>	<b>12699</b>
Share capital	0,0	0,0	0,0	0,0	0,0
Retained earnings	0,0	0,0	786	1674	2653
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	9830	10014	10014	10014	10014
Minorities	34,4	32,2	32,2	32,2	32,2
<b>Non-current liabilities</b>	<b>3945</b>	<b>3753</b>	<b>3288</b>	<b>2705</b>	<b>2058</b>
Deferred tax liabilities	582	580	580	580	580
Provisions	63,4	65,0	35,0	35,0	35,0
Interest bearing debt	3178	2984	2548	1965	1319
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	122	124	124	124	124
<b>Current liabilities</b>	<b>2667</b>	<b>3085</b>	<b>2975</b>	<b>2839</b>	<b>2680</b>
Interest bearing debt	696	1100	939	724	486
Payables	1971	1985	2035	2115	2194
Other current liabilities	0,0	0,0	0,0	0,0	0,0
<b>Balance sheet total</b>	<b>16477</b>	<b>16884</b>	<b>17094</b>	<b>17264</b>	<b>17438</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5,3 %	5,1%	6,0 %	5,9 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	2,8 %	2,8 %
EBIT-%	22,4 %	27,7 %	28,4 %	29,1%	27,9 %	29,8 %	30,1%	31,1%	25,0 %	25,0 %	25,0 %	25,0 %
<b>EBIT (operating profit)</b>	<b>1216</b>	<b>1581</b>	<b>1720</b>	<b>1864</b>	<b>1876</b>	<b>2104</b>	<b>2232</b>	<b>2425</b>	<b>2045</b>	<b>2147</b>	<b>2206</b>	
+ Depreciation	563	551	589	624	624	665	696	712	755	780	796	
- Paid taxes	-248	-240	-300	-350	-355	-417	-446	-485	-409	-429	-441	
- Tax, financial expenses	-26,8	-31,0	-26,6	-23,0	-20,0	-3,8	0,0	0,0	0,0	0,0	0,0	
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	-33,9	-29,6	-3,0	-3,1	3,9	11,5	12,8	14,2	15,7	17,3	0,5	
<b>Operating cash flow</b>	<b>1471</b>	<b>1832</b>	<b>1980</b>	<b>2112</b>	<b>2129</b>	<b>2360</b>	<b>2495</b>	<b>2667</b>	<b>2407</b>	<b>2516</b>	<b>2561</b>	
+ Change in other long-term liabilities	4,1	-30,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-804	-572	-636	-673	-707	-742	-779	-818	-818	-818	-810	
<b>Free operating cash flow</b>	<b>670</b>	<b>1230</b>	<b>1344</b>	<b>1439</b>	<b>1422</b>	<b>1618</b>	<b>1716</b>	<b>1849</b>	<b>1589</b>	<b>1697</b>	<b>1751</b>	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	670	1230	1344	1439	1422	1618	1716	1849	1589	1697	1751	37620
<b>Discounted FCFF</b>		<b>1151</b>	<b>1169</b>	<b>1164</b>	<b>1070</b>	<b>1132</b>	<b>1117</b>	<b>1119</b>	<b>894</b>	<b>888</b>	<b>852</b>	<b>18312</b>
Sum of FCFF present value		28870	27719	26550	25386	24315	23183	22066	20947	20053	19165	18312
<b>Enterprise value DCF</b>		<b>28870</b>										
- Interest bearing debt		-4083,4										
+ Cash and cash equivalents		547										
-Minorities		-83,6										
-Dividend/capital return		0,0										
<b>Equity value DCF</b>		<b>25250</b>										
<b>Equity value DCF per share</b>		<b>9,4</b>										
<b>Equity value DCF per share (SEK)</b>		<b>106,3</b>										
<b>WACC</b>												
Tax-% (WACC)		20,0 %										
Target debt ratio (D/(D+E))		15,0 %										
Cost of debt		3,0 %										
Equity Beta		1,25										
Market risk premium		4,75 %										
Liquidity premium		0,00 %										
Risk free interest rate		2,5 %										
<b>Cost of equity</b>		<b>8,4 %</b>										
<b>Weighted average cost of capital (WACC)</b>		<b>7,5 %</b>										

Cash flow distribution



# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	4341	5161	5435	<b>5714</b>	<b>6056</b>	EPS (reported)	0,31	0,37	0,32	<b>0,42</b>	<b>0,47</b>
EBITDA	1589	1754	1779	<b>2132</b>	<b>2310</b>	EPS (adj.)	0,39	0,44	0,43	<b>0,46</b>	<b>0,50</b>
EBIT	1010	1287	1216	<b>1581</b>	<b>1720</b>	OCF / share	0,54	0,56	0,55	<b>0,68</b>	<b>0,74</b>
PTP	984	1248	1061	<b>1418</b>	<b>1580</b>	FCF / share	-0,85	-0,36	0,25	<b>0,46</b>	<b>0,50</b>
Net Income	802	1008	859	<b>1135</b>	<b>1264</b>	Book value / share	3,36	3,65	3,73	<b>4,02</b>	<b>4,35</b>
Extraordinary items	-260	-231	-381	<b>-120</b>	<b>-108</b>	Dividend / share	0,11	0,12	0,13	<b>0,14</b>	<b>0,15</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	14095	16477	16884	<b>17094</b>	<b>17264</b>	Revenue growth-%	15 %	19 %	5 %	<b>5 %</b>	<b>6 %</b>
Equity capital	8765	9865	10046	<b>10832</b>	<b>11720</b>	EBITDA growth-%	20 %	10 %	1 %	<b>20 %</b>	<b>8 %</b>
Goodwill	8206	9600	9931	<b>9931</b>	<b>9931</b>	EBIT (adj.) growth-%	26 %	20 %	5 %	<b>7 %</b>	<b>7 %</b>
Net debt	2466	3388	3536	<b>2802</b>	<b>1963</b>	EPS (adj.) growth-%	25 %	14 %	-2 %	<b>6 %</b>	<b>10 %</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	36,6 %	34,0 %	32,7 %	<b>37,3 %</b>	<b>38,1 %</b>
EBITDA	1589	1754	1779	<b>2132</b>	<b>2310</b>	EBIT (adj.)-%	29,2 %	29,4 %	29,4 %	<b>29,8 %</b>	<b>30,2 %</b>
Change in working capital	-14	-96	-34	<b>-30</b>	<b>-3</b>	EBIT-%	23,3 %	24,9 %	22,4 %	<b>27,7 %</b>	<b>28,4 %</b>
Operating cash flow	1411	1509	1471	<b>1832</b>	<b>1980</b>	ROE-%	10,9 %	10,9 %	8,7 %	<b>10,9 %</b>	<b>11,2 %</b>
CAPEX	-3589	-2461	-804	<b>-572</b>	<b>-636</b>	ROI-%	9,9 %	10,1 %	8,7 %	<b>11,1 %</b>	<b>12,0 %</b>
Free cash flow	-2199	-971	670	<b>1230</b>	<b>1344</b>	Equity ratio	62,2 %	59,9 %	59,5 %	<b>63,4 %</b>	<b>67,9 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	28,1 %	34,3 %	35,2 %	<b>25,9 %</b>	<b>16,7 %</b>
EV/S	9,4	5,8	5,2	<b>5,4</b>	<b>5,0</b>						
EV/EBITDA (adj.)	25,6	17,0	15,8	<b>14,5</b>	<b>13,0</b>						
EV/EBIT (adj.)	32,1	19,7	17,6	<b>18,2</b>	<b>16,5</b>						
P/E (adj.)	36,3	22,1	21,1	<b>22,8</b>	<b>20,8</b>						
P/B	4,4	2,7	2,4	<b>2,6</b>	<b>2,4</b>						
Dividend-%	0,8 %	1,2 %	1,4 %	<b>1,3 %</b>	<b>1,4 %</b>						

Source: Inderes

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Date	Recommendation	Target	Share price
11/24/2023	Reduce	102.0 SEK	104.0 SEK
02/02/2024	Reduce	106.0 SEK	118,1 SEK



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