

Neste

Company report

05/15/2024 22:05



Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

This report is a summary translation of the report “Vastatuuli ei hellitä” published on 5/15/2024 at 10:05 pm EEST

inde
res.

The headwind won't ease

On Tuesday, Neste lowered the guidance for Renewable Products' 2024 sales margin reflecting especially the weakness in the market caused by increased supply. We cut both our short- and medium-term forecasts driven by a fall in the sales margin. We feel the valuation of the stock is quite reasonable with clearly more conservative sales margin forecasts. We believe this supports a positive view even though no quick relief is in sight for the difficult market situation. We lower our recommendation to Accumulate (was Buy) and our target price to EUR 21.5 (was EUR 30.0) driven by forecast changes.

Sales margins for Renewable Products under pressure

On Tuesday, Neste lowered the guidance for Renewable Products' 2024 sales margin, and now the company expects it to be 480-650 \$/ton in 2024, compared to the previous 600-800 \$/ton. The sales margin is now depressed by the weak market situation, as supply growth, particularly in North America, is faster than demand growth. This has resulted, e.g., in the prices of bio tickets and biofuels that affect Nester's sales margins decreasing clearly. Another challenge is that the the price of fossil diesel fuel typically used in the pricing of Renewable Diesel has been under pressure and, on the other hand, the raw material prices for Renewable Products have not decreased. Thus, the pressure on sales prices reduces the sales margin of Renewable Products when the cost side is not flexible. At the same time, growth in sustainable aviation fuel (SAF) sales volumes does not particularly support the 2024 sales margin as raising sales volumes takes time.

The more cautious margin forecast decreased our earnings forecasts clearly

We cut our sales margin for Renewable Products for 2024 to approximately USD 530/ton for the whole year. We still expect a higher sales margin for the second half of the year due to the increase in SAF sales volumes, but especially driven by the recent market weakness, our Q2 forecast decreased to a level of 450 \$/ton which is clearly below the Q1 level. Considering this, our 2024 comparable EBITDA forecast decreased by approximately 20% to just under 2 BNEUR. We also included a much more conservative assumption in our medium-term forecasts for the sales margin of Renewable Products, as the sales margin forecast for 2025-2027 fell to 550 \$/ton. Reflecting these forecast changes, our EBITDA forecasts for the coming years also decreased by nearly 20% on Group level.

We feel that current pricing paints a rather pessimistic longer-term outlook

With our updated forecasts, based on the subdued 2024 result, Renewable Products are priced in our sum of the parts calculation with a high 25x EV/EBIT ratio Driven by growth in sales volumes, however, we expect strong earnings growth in 2025-2027e from the low starting level of this year, which in our papers more than compensates for the decrease in the acceptable valuation. Continued weakness of the sales margin outlook can offer even better places to buy the stock in the short term. However, we feel the current share price already prices an overly pessimistic outlook for the sales margin of Renewable Products in the longer term, because the expected growth in demand for the current decade requires significant investments. The low margin, on the other hand, cuts the expected return of investments, which means they may at least shift.

Recommendation

Accumulate
(previous Buy)

EUR 21.50
(previous EUR 30.00)

Share price:
18.88



Key figures

	2023	2024e	2025e	2026e
Revenue	22926	19287	23056	24695
growth-%	-11%	-16%	20%	7%
EBIT adj.	2592	1003	1578	1915
EBIT-% adj.	11.3 %	5.2 %	6.8 %	7.8 %
Net Income	1433	694	1248	1538
EPS (adj.)	2.88	1.02	1.62	2.00

P/E (adj.)	11.2	18.5	11.6	9.4
P/B	2.9	1.8	1.6	1.4
Dividend yield-%	3.7 %	3.2 %	3.4 %	3.7 %
EV/EBIT (adj.)	10.5	17.4	10.7	8.3
EV/EBITDA	10.7	9.4	6.6	5.4
EV/S	1.2	0.9	0.7	0.6

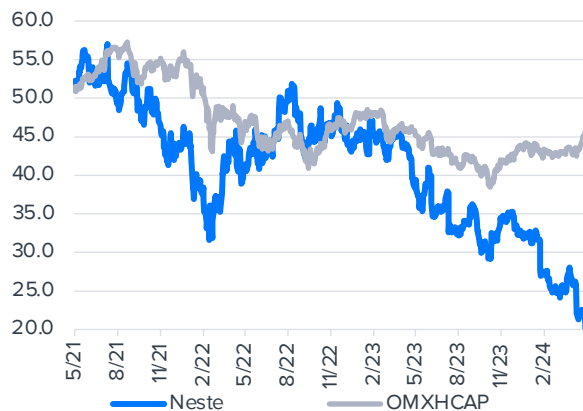
Source: Inderes

Guidance

(Downgraded)

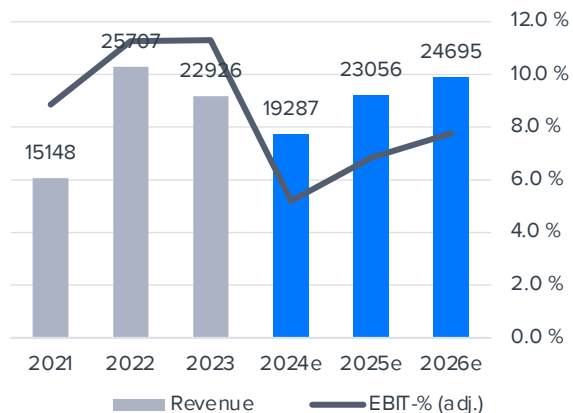
Sales volumes of Renewable Products are expected to reach around 4.4 Mt (+/- 10%) in 2024, with a sales margin of 480-650 \$/ton. Total sales volumes and refining margins for Oil Products are expected to be lower in 2024 than in 2023.

Share price



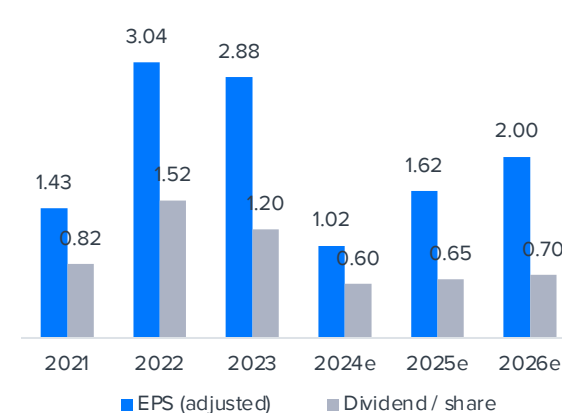
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong market position in all businesses
- Value creation potential of growth investments in Renewable Products' production capacity
- New product applications of Renewable Products in air traffic and chemicals
- Good long-term growth prospects for the Renewable Products market



Risk factors

- Tightening competition for Renewable Products
- Long-term sales margin level for Renewable Products
- Weak long-term demand picture for oil-based fuels
- Regulatory risks (+/-)

Valuation	2024e	2025e	2026e
Share price	18.88	18.88	18.88
Number of shares, millions	768.2	768.2	768.2
Market cap	14504	14504	14504
EV	17423	16968	15802
P/E (adj.)	18.5	11.6	9.4
P/E	20.9	11.6	9.4
P/B	1.8	1.6	1.4
P/S	0.8	0.6	0.6
EV/Sales	0.9	0.7	0.6
EV/EBITDA	9.4	6.6	5.4
EV/EBIT (adj.)	17.4	10.7	8.3
Payout ratio (%)	66.4 %	40.0 %	35.0 %
Dividend yield-%	3.2 %	3.4 %	3.7 %

Source: Inderes

A more cautious sales margin forecast depressed earnings forecasts

The sales margin guidance for Renewable Products was cut

On Tuesday, Neste lowered the guidance for Renewable Products' 2024 sales margin, and now the company expects it to be 480-650 \$/ton in 2024, compared to the previous 600-800 \$/ton. In other respects, the guidance remained unchanged, as sales volumes of the segment are expected to remain at 4.4 Mt (+/- 10%) and SAF sales volumes are expected to be 0.5-1.0 Mt. Correspondingly, sales volumes of Oil Products are expected to decrease and refining margins to decline from the previous year.

We believe the implementation of the investment to increase capacity flexibility in Rotterdam (i.e. enabling SAF refining in addition to renewable diesel) has been delayed to Q3 (was Q2). In practice, this cuts the sales potential of SAF in 2024, which we

estimate will remain at the bottom end of the 0.5-1 Mton guidance range. As SAF's sales margin is higher than that of renewable diesel, this volume loss cuts the full-year margin outlook, which Neste has assumed to be stronger in H2 thanks to an increase in SAF sales volumes.

The market is weak, forecasts cut

We expect SAF volumes to grow at some point, but especially in the short term, the sales margin is depressed by the changed supply and demand balance especially in North America, due to the increased capacity of renewable diesel. As a result, prices of bio tickets and biofuel products have fallen. The fall in the price of conventional diesel has also caused headwind, which affects the pricing of Renewables. All in all, the market with historically limited supply now suffers from oversupply, which is reflected in the margins of the players stalling. We

have updated our sales margin forecast for the current year to 530 \$/ton (was ~650 \$/ton), which cut our full-year comparable EBITDA forecast by 20% to 1,968 MEUR.

We have also cut our average sales margin forecast for the medium term to 550 \$/ton (was 680 \$/ton), when we took a more cautious view of the medium-term margin assumptions for Renewable Diesel. In the medium term, there are many variables, ranging from numerous regulations governing demand to the growth outlook for investment, i.e. supply. With the current forecast, we in practice expect the margin for renewable diesel for road transport to remain weak in the medium term, but the overall margin forecast is supported by the higher margin for SAF.

Estimate revisions MEUR / EUR	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	19733	19287	-2%	23782	23056	-3%	25541	24695	-3%
EBITDA	2351	1859	-21%	3105	2577	-17%	3586	2919	-19%
EBIT (exc. NRIs)	1495	1003	-33%	2106	1578	-25%	2582	1915	-26%
EBIT	1386	894	-36%	2106	1578	-25%	2582	1915	-26%
PTP	1300	808	-38%	2003	1470	-27%	2479	1812	-27%
EPS (excl. NRIs)	1.57	1.02	-35%	2.21	1.62	-27%	2.74	2.00	-27%
DPS	1.25	0.60	-52%	1.30	0.65	-50%	1.33	0.70	-47%

Source: Inderes

Pessimism is in the air

Neste's different businesses have very different medium- and long-term outlooks as renewable products replace fossil fuels that are approaching the end of their life cycle. Hence, we consider the levels of valuation justified for them to be very different. For the same reason, we feel the majority of the peers in the Oil Products segment form a poor indicator for Group-level valuation as renewable products often hold a smaller weight in the result generation of large players. Thus, we use our sum-of-the-parts calculation as the main measure of valuation.

Sum of the parts as a valuation indicator

In the sum-of-the-parts calculation, we determine the value of Oil Products at 5x EV/EBIT ratio. The reason for the low multiple is that the business is nearing the end of its life cycle. For Marketing & Service, we use the EV/EBIT ratio of 12x and consider the earnings of the Others segment and net debt. Examined this way, with our clearly lower 2024 estimates Renewable Products are valued at an EV/EBIT ratio of some 25x.

Naturally, there is considerable downside in the 2024 valuation multiple for Renewables. In the past, we have considered the acceptable valuation multiple for Renewable Products to be higher than average relative to Nasdaq Helsinki based on its higher-than-average return on capital and, on the other hand, the growth outlook that guides its value creation. With our lower forecasts, the value creation of the business is naturally slower which puts pressure on the valuation, If we assume that the justified valuation multiple to be, e.g., 12x EV/EBIT, the downside in the valuation creates a significant negative driver for the expected

return of the next few years. Simultaneously, however, our updated forecasts expect the EBIT of Renewable Products to almost triple (2024-2027e). Thus, earnings growth forms a greater driver for the expected return than the decreased valuation and in our papers turns the expected return attractive. This means that achieving a good expected return with the current valuation is not hampered by the sales margin being clearly below the level of recent history (2019-2023 average ~750 \$/ton) in the medium term. Although we consider margins below historical levels likely in the long run, we believe that the margin in our current forecasts is even somewhat conservative. This is based on the fact that we expect the level of the current sales margin to cut investment willingness among producers of renewable products. Postponing/canceling investments would, in turn, tighten the market, as in light of current data the demand growth outlook is still good in the long term It is therefore possible that, if the sales margin is weak for a long time, the supply and demand balance will shift to undersupply.

We find the risk/reward ratio good, but it could be better

We feel the current stock pricing provides a good risk/reward ratio for the medium term. However, we estimate that the margin outlook acts as a stock driver, especially in the short term, which in the current market burdened by oversupply can also mean that better places to buy lie ahead.

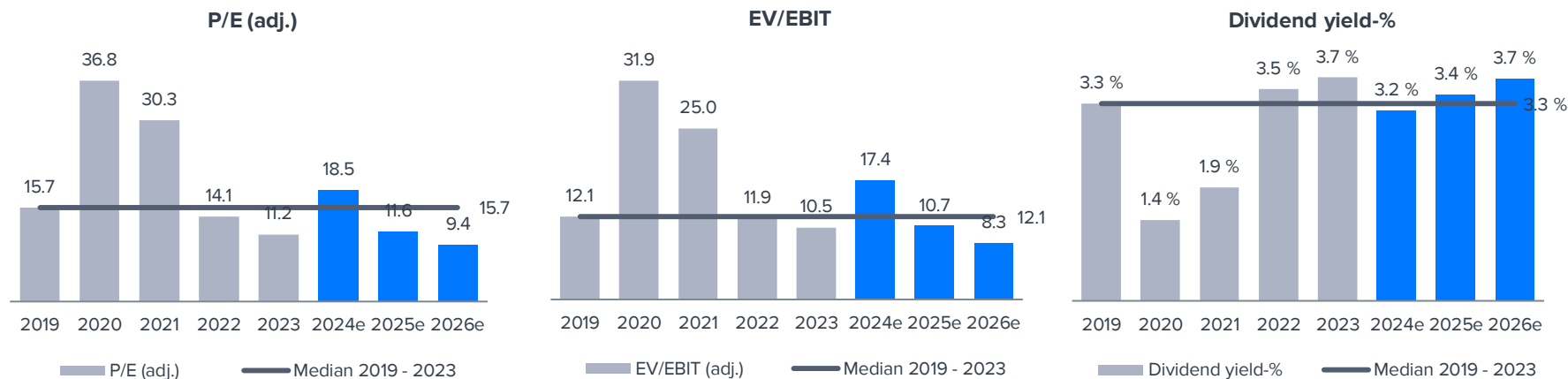
Valuation	2024e	2025e	2026e
Share price	18.88	18.88	18.88
Number of shares, millions	768.2	768.2	768.2
Market cap	14504	14504	14504
EV	17423	16968	15802
P/E (adj.)	18.5	11.6	9.4
P/E	20.9	11.6	9.4
P/B	1.8	1.6	1.4
P/S	0.8	0.6	0.6
EV/Sales	0.9	0.7	0.6
EV/EBITDA	9.4	6.6	5.4
EV/EBIT (adj.)	17.4	10.7	8.3
Payout ratio (%)	66.4 %	40.0 %	35.0 %
Dividend yield-%	3.2 %	3.4 %	3.7 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	31.0	59.2	43.36	43.02	32.21	18.88	18.88	18.88	18.88
Number of shares, millions	768	768	768	768	768	768	768	768	768
Market cap	23814	45425	33299	33043	24744	14504	14504	14504	14504
EV	23651	45212	33494	34407	27237	17423	16968	15802	14262
P/E (adj.)	15.7	36.8	30.3	14.1	11.2	18.5	11.6	9.4	8.5
P/E	13.3	63.8	18.8	17.5	17.3	20.9	11.6	9.4	8.5
P/B	4.0	7.7	4.8	4.0	2.9	1.8	1.6	1.4	1.3
P/S	1.5	3.9	2.2	1.3	1.1	0.8	0.6	0.6	0.6
EV/Sales	1.5	3.8	2.2	1.3	1.2	0.9	0.7	0.6	0.6
EV/EBITDA	8.7	30.0	12.8	11.3	10.7	9.4	6.6	5.4	4.5
EV/EBIT (adj.)	12.1	31.9	25.0	11.9	10.5	17.4	10.7	8.3	6.8
Payout ratio (%)	44%	86%	36%	62%	64%	66%	40%	35%	33%
Dividend yield-%	3.3 %	1.4 %	1.9 %	3.5 %	3.7 %	3.2 %	3.4 %	3.7 %	3.8 %

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
Total SA	163069	187802	6.3	6.5	4.4	4.6	0.9	0.9	8.0	7.9	4.6	4.9	1.4
ENI SPA	49845	70535	5.9	6.1	3.6	3.7	0.8	0.8	7.1	7.0	6.5	6.8	0.9
Koc Holding AS	17894	26966	4.3	3.0	3.6	2.6	0.4	0.4	7.3	5.8	2.7	3.5	0.9
TURKIYE PETROL RAFINERILERI AS	10127	8390	5.5	7.8	4.1	4.9	0.3	0.3	7.4	7.7	12.0	6.4	2.4
MOL PLC	6468	9139	5.1	5.7	3.1	3.3	0.4	0.4	4.6	5.2	7.6	7.4	0.6
EQUINOR ASA	79293	70526	2.4	2.5	1.9	1.9	0.7	0.8	8.4	8.1	8.7	5.7	1.8
VALERO ENERGY CORP	47101	54597	7.8	9.2	5.6	6.5	0.4	0.5	9	10.6	2.8	2.8	1.8
SARAS SPA	1683	1475	5.1	10.1	3.0	4.2	0.1	0.1	9.3	16.2	5.1	2.9	1.2
HELLENIC PETROLEUM SA	2650	4557	7.0	8.8	4.6	5.2	0.4	0.4	5.6	7.2	7.4	6.5	0.8
POLSKI KONCERN NAFTOWY ORLEN SA	18775	21082	3.8	4.1	2.8	2.5	0.3	0.3	8.3	6.1	6.2	6.4	0.5
MOTOR OIL HELLAS CORINTH REFINERIES SA	3053	4667	6.1	8.1	4.6	5.7	0.4	0.4	5.5	7.6	5.8	5.7	1.0
Neste (Inderes)	14504	17423	17.4	10.7	9.4	6.6	0.9	0.7	18.5	11.6	3.2	3.4	1.8
Average			5.4	6.5	3.8	4.1	0.5	0.5	7.3	8.1	6.3	5.4	1.2
Median			5.5	6.5	3.6	4.2	0.4	0.4	7.4	7.6	6.2	5.7	1.0
Diff-% to median			215%	64%	159%	56%	115%	89%	150%	54%	-48%	-40%	80%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	25707	5298	5351	5973	6304	22926	4801	3414	5433	5639	19287	23056	24695	25333
Oil Products	14596	3174	2919	3442	3750	13285	2669	1125	2625	2813	9232	12540	12540	12255
Renewable Products	9905	1842	2164	2197	2263	8466	1766	2114	2483	2602	8965	10406	12135	13158
Marketing & Services	5876	1290	1189	1315	1375	5168	1234	1150	1300	1200	4884	3995	4000	4000
Other	147	31	30	17	23	100	18	25	25	25	93.3	115	120	120
Eliminations	-4816	-1039	-951	-997	-1107	-4094	-887	-1000	-1000	-1000	-3887	-4000	-4100	-4200
EBITDA	3047	463	523	889	673	2548	442	253	559	605	1859	2577	2919	3142
Depreciation	-638	-178	-211	-220	-257	-866	-242	-241	-241	-241	-965	-999	-1004	-1036
EBIT (excl. NRI)	2898	652	573	826	540	2592	309	12	318	364	1003	1578	1915	2106
EBIT	2409	285	312	669	415	1682	200	12	318	364	894	1578	1915	2106
Oil Products	1372	304	171	409	243	1127	203	-25	84	102	364	329	378	359
Renewable Products	1480	344	376	420	286	1426	94	32	230	257	612	1220	1497	1710
Marketing & Services	97	16	21	35	13	85	16	16	16	16	64	75	85	85
Other	-50	-10	1	-31	-8	-48	-4	-11	-11	-11	-37	-46	-45	-48
Eliminations	-1	-3	4	-6	7	2	0	0	0	0	0	0	0	0
Changes in fair value	-489	-367	-261	-157	-125	-910	-109	0	0	0	-109	0	0	0
Net financial items	-131	-9	-17	-51	-9	-86	-11	-15	-45	-15	-86	-108	-103	-102
PTP	2278	276	295	619	406	1596	189	-3	273	349	808	1470	1812	2004
Taxes	-388	-38	-36	-80	-6	-160	-27	0	-38	-49	-114	-221	-272	-301
Minority interest	-3	0	0	-3	0	-3	0	0	0	0	0	-2	-2	-2
Net earnings	1887	238	259	536	400	1433	162	-2.8	235	300	694	1248	1538	1701
EPS (adj.)	3.04	0.72	0.63	0.88	0.66	2.88	0.33	0.00	0.31	0.39	1.02	1.62	2.00	2.21
EPS (rep.)	2.46	0.31	0.34	0.70	0.52	1.86	0.21	0.00	0.31	0.39	0.90	1.62	2.00	2.21

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	69.7 %	-4.1 %	-24.0 %	-9.3 %	-3.9 %	-10.8 %	-9.4 %	-36.2 %	-9.0 %	-10.5 %	-15.9 %	19.5 %	7.1 %	2.6 %
Adjusted EBIT growth-%	115.9 %	53.8 %	-38.2 %	1.6 %	-26.3 %	-10.6 %	-52.6 %	-97.9 %	-61.5 %	-32.7 %	-61.3 %	57.4 %	21.3 %	10.0 %
EBITDA-%	11.9 %	8.7 %	9.8 %	14.9 %	10.7 %	11.1 %	9.2 %	7.4 %	10.3 %	10.7 %	9.6 %	11.2 %	11.8 %	12.4 %
Adjusted EBIT-%	11.3 %	12.3 %	10.7 %	13.8 %	8.6 %	11.3 %	6.4 %	0.3 %	5.9 %	6.5 %	5.2 %	6.8 %	7.8 %	8.3 %
Net earnings-%	7.3 %	4.5 %	4.8 %	9.0 %	6.3 %	6.2 %	3.4 %	-0.1 %	4.3 %	5.3 %	3.6 %	5.4 %	6.2 %	6.7 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	7414	8858	9403	9389	9070
Goodwill	0	496	496	496	496
Intangible assets	570	185	195	205	215
Tangible assets	6570	7786	8321	8297	7968
Associated companies	63	58	58	58	58
Other investments	49	54	54	54	54
Other non-current assets	103	152	152	152	152
Deferred tax assets	59	127	127	127	127
Current assets	7503	7125	5768	6727	8276
Inventories	3648	3366	2990	3458	3704
Other current assets	406	271	271	271	271
Receivables	2178	1913	1639	1960	2099
Cash and equivalents	1271	1575	868	1038	2202
Balance sheet total	14917	15983	15171	16116	17346

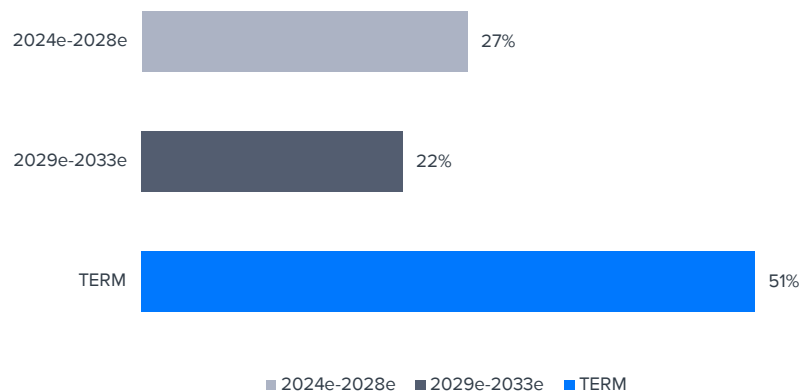
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	8327	8463	8235	9022	10060
Share capital	40	40	40	40	40
Retained earnings	8282	8423	8195	8982	10020
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	5	0	0	0	0
Non-current liabilities	2674	4132	3933	3647	3645
Deferred tax liabilities	336	317	317	317	317
Provisions	200	187	187	187	187
Interest bearing debt	1964	3487	3288	3002	3000
Convertibles	0	0	0	0	0
Other long term liabilities	174	141	141	141	141
Current liabilities	3916	3388	3003	3448	3641
Interest bearing debt	651	581	500	500	500
Payables	3022	2580	2276	2721	2914
Other current liabilities	243	227	227	227	227
Balance sheet total	14917	15983	15171	16116	17346

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-10.8 %	-15.9 %	19.5 %	7.1 %	2.6 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	7.3 %	4.6 %	6.8 %	7.8 %	8.3 %	8.0 %	8.0 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %
EBIT (operating profit)	1682	894	1578	1915	2106	2077	2129	2046	2097	2150	2193	
+ Depreciation	866	965	999	1004	1036	976	782	692	615	613	612	
- Paid taxes	-247	-114	-221	-272	-301	-297	-304	-292	-300	-308	-419	
- Tax, financial expenses	-9	-12	-16	-16	-16	-16	-16	-16	-16	-16	-21	
+ Tax, financial income	0	0	0	0	0	1	1	1	1	1	2	
- Change in working capital	224	346	-345	-192	-75	-74	-76	-78	-80	-82	-67	
Operating cash flow	2516	2079	1996	2440	2751	2668	2516	2353	2317	2359	2299	
+ Change in other long-term liabilities	-46	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-2247	-1510	-985	-685	-585	-585	-600	-605	-605	-605	-646	
Free operating cash flow	223	569	1011	1755	2166	2083	1916	1748	1712	1754	1653	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	223	569	1011	1755	2166	2083	1916	1748	1712	1754	1653	24722
Discounted FCFF		539	881	1405	1594	1408	1190	998	899	846	732	10956
Sum of FCFF present value		21449	20909	20029	18623	17030	15621	14431	13433	12534	11688	10956
Enterprise value DCF		21449										
- Interest bearing debt		-4068										
+ Cash and cash equivalents		1575										
-Minorities		0										
-Dividend/capital return		-922										
Equity value DCF		18034										
Equity value DCF per share		23.5										

Cash flow distribution

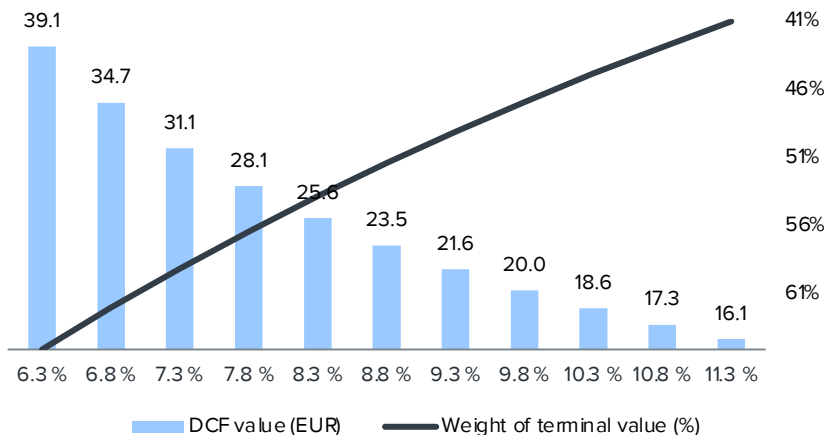


WACC	
Tax-% (WACC)	15.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	5.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.6 %
Weighted average cost of capital (WACC)	8.8 %

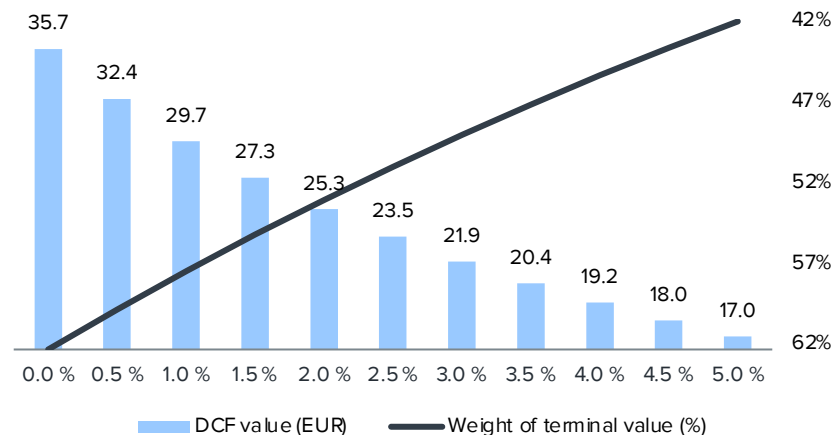
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

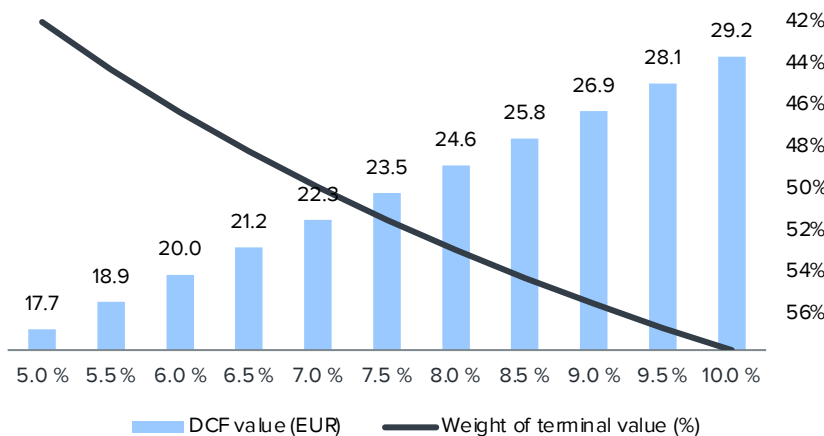
Sensitivity of DCF to changes in the WACC-%



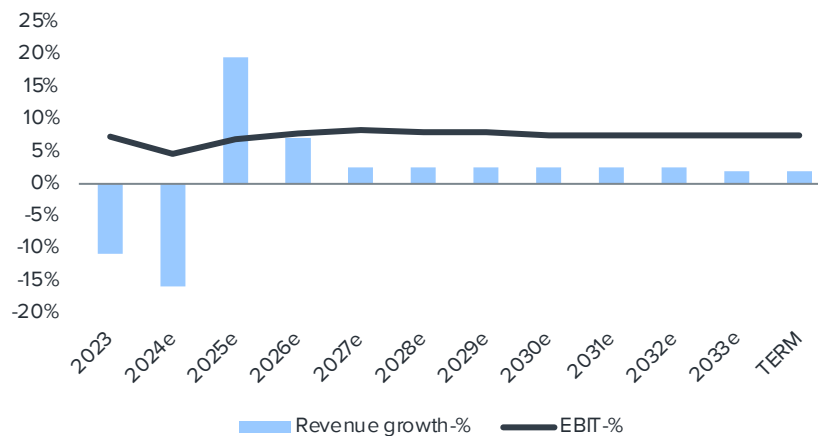
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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	Per share data	2021	2022	2023	2024e	2025e
Revenue	15148	25707	22926	19287	23056	EPS (reported)	2.31	2.46	1.86	0.90	1.62
EBITDA	2607	3047	2548	1859	2577	EPS (adj.)	1.43	3.04	2.88	1.02	1.62
EBIT	2023	2409	1682	894	1578	OCF / share	2.40	2.16	3.28	2.71	2.60
PTP	1962	2278	1596	808	1470	FCF / share	0.46	-0.66	0.29	0.74	1.32
Net Income	1771	1887	1433	694	1248	Book value / share	9.09	10.83	11.02	10.72	11.74
Extraordinary items	681	-489	-910	-109	0	Dividend / share	0.82	1.52	1.20	0.60	0.65
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	12417	14917	15983	15171	16116	Revenue growth-%	29%	70%	-11%	-16%	20%
Equity capital	6985	8327	8463	8235	9022	EBITDA growth-%	73%	17%	-16%	-27%	39%
Goodwill	0	0	496	496	496	EBIT (adj.) growth-%	-5%	116%	-11%	-61%	57%
Net debt	176	1344	2493	2920	2464	EPS (adj.) growth-%	-11%	112%	-5%	-65%	59%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	17.2 %	11.9 %	11.1 %	9.6 %	11.2 %
EBITDA	2607	3047	2548	1859	2577	EBIT (adj.)-%	8.9 %	11.3 %	11.3 %	5.2 %	6.8 %
Change in working capital	-650	-990	224	346	-345	EBIT-%	13.4 %	9.4 %	7.3 %	4.6 %	6.8 %
Operating cash flow	1840	1660	2516	2079	1996	ROE-%	27.5 %	24.7 %	17.1 %	8.3 %	14.5 %
CAPEX	-1518	-2142	-2247	-1510	-985	ROI-%	25.3 %	24.5 %	14.3 %	7.3 %	12.9 %
Free cash flow	356	-508	223	569	1011	Equity ratio	56.6 %	56.3 %	53.0 %	54.3 %	56.0 %
						Gearing	2.5 %	16.1 %	29.5 %	35.5 %	27.3 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.2	1.3	1.2	0.9	0.7						
EV/EBITDA (adj.)	12.8	11.3	10.7	9.4	6.6						
EV/EBIT (adj.)	25.0	11.9	10.5	17.4	10.7						
P/E (adj.)	30.3	14.1	11.2	18.5	11.6						
P/B	4.8	4.0	2.9	1.8	1.6						
Dividend-%	1.9 %	3.5 %	3.7 %	3.2 %	3.4 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/21/2022	Reduce	44.00 €	43.06 €
7/29/2022	Reduce	46.00 €	48.68 €
10/25/2022	Reduce	48.00 €	47.10 €
10/28/2022	Reduce	48.00 €	45.46 €
2/9/2023	Reduce	50.00 €	47.50 €
4/24/2023	Accumulate	48.00 €	43.77 €
5/2/2023	Accumulate	48.00 €	43.94 €
7/28/2023	Accumulate	39.00 €	32.57 €
10/27/2023	Accumulate	37.00 €	31.90 €
2/9/2024	Osta	35.00 €	27.74 €
4/25/2024	Buy	30.00 €	22.49 €
5/15/2024	Accumulate	21.50 €	18.88 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viikainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**