

# Stora Enso

## Company report

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**Antti Viljakainen**  
+358 44 591 2216  
antti.viljakainen@inderes.fi

This report is a summary translation of the report "Sykliriski kummittelee, vaikka ohjeistus nousi" published on 6/14/2022 at 8:15 am

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# Cyclical risk haunts even though guidance increased

We reiterate our Reduce recommendation for Stora Enso but revise our target price to EUR 17.00 (prev. EUR 18.00) reflecting our increased required return due to higher financial risks and interest rates. Stora Enso issued a positive earnings revision yesterday for the current year, but the expected revision did not change estimates much. We feel the risk of Stora Enso's cyclical earnings peak approaching is significant, which we believe the market is increasingly nervous about as economic growth slows down and inflation wreaks havoc. Thus, we do not see purchases worth the risk at the moment, even if the company's valuation is not unreasonable.

## Stora Enso issued an expected positive earnings revision yesterday

Stora Enso raised its guidance for full year 2022 operational EBIT and the company now expects higher full year 2022 operational EBIT than in 2021 (previous operational EBIT approximately in line with the full year 2021). Last year Stora Enso's operational EBIT was EUR 1,528 million. According to Stora Enso, strong underlying demand and commercial momentum has continued across all six divisions and geographies, and visibility and predictability for the full year have improved. All divisions still have full order books and market balances have continued to be tight in many product groups. Q2 started with high selling prices, which have helped mitigate inflationary pressures. We did not find the earnings revision surprising at all, as our estimates after [the Q1 report](#) already expected the company to generate 19% earnings growth and thus an earnings revision. Consensus estimates were also similar. The expected guidance increase did not inspire investors either as Stora Enso's share ended up in a 2 % drop yesterday in a market characterized by cyclical risks and inflation threats

## Estimate changes are relatively small

Despite the prolonged period of tailwinds supporting Stora Enso, we continue to be very skeptical about the sustainability of currently sky-high raw material prices of sawn wood, pulp and corrugated packaging (and certain inputs), when the elimination of supply constraints from various reasons will loosen the market and/or the global economy and inflation will dull the sharpest edge off demand. We still expect that these factors will be reflected in the company's figures in the fall or at latest in winter, given the recent fall in economic growth estimates and the eventually expected demand burden of high inflation. We raised Stora Enso's adjusted EBIT estimate by about 4 % for this year after the earnings revision, but our estimates for the next few years remained practically unchanged. We expect Stora Enso's adjusted EBIT to increase by 24% this year to EUR 1.9 billion, which is in line with the company's new guidance. In the coming years we expect that the performance will calm down to a range of EUR 1.3-1.4 billion. The main driver for this is the normalization of sales prices that have risen to historically high levels throughout the portfolio, which we feel the slight volume growth and settling down of certain cost spikes cannot fully compensate for.

## We find expected return to be roughly in line with required return

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 9x and 13x, while the corresponding EV/EBITDA ratios are 6x and 8x. The share price is low with 2022 multiples, but due to increasing cyclical risks, this is not a sufficient incentive right now. The 2023 multiples are, in turn, close to the company's 5-year median. The valuation of the share, the approaching turnaround in the earnings trend and the dividend yield of some 4% do not, in our opinion exceed the slightly increased required return.

## Recommendation

### Reduce

(previous Reduce)

### 17.00 EUR

(previous EUR 18.00)

### Share price:

16.17 EUR



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	10164	11406	10613	10584
<b>growth-%</b>	19%	12%	-7%	0%
<b>EBIT adj.</b>	1528	1894	1352	1320
<b>EBIT-% adj.</b>	15.0 %	16.6 %	12.7 %	12.5 %
<b>Net Income</b>	1266	1266	967	943
<b>EPS (adj.)</b>	1.56	1.77	1.23	1.20

<b>P/E (adj.)</b>	10.3	9.1	13.2	13.5
<b>P/B</b>	1.2	1.2	1.2	1.2
<b>Dividend yield-%</b>	3.5 %	4.0 %	4.3 %	4.6 %
<b>EV/EBIT (adj.)</b>	9.8	8.2	11.5	11.7
<b>EV/EBITDA</b>	6.6	6.4	7.9	8.0
<b>EV/S</b>	1.5	1.4	1.5	1.5

Source: Inderes

## Guidance

(Improved)

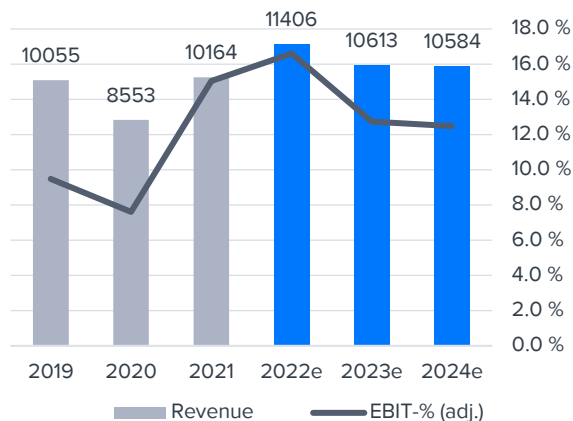
Stora Enso estimates that the previous full year 2022 operational EBIT guidance will be exceeded. Hence, the Company changes its full year 2022 operational EBIT guidance to be higher than the full-year 2021 of EUR 1,528 million.

## Share price



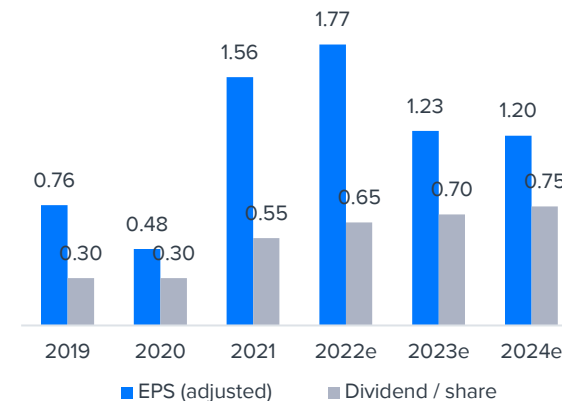
Source: Refinitiv

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



### Value drivers

- Good long-term prospects for packaging businesses and strong market position
- Product mix gradually improving with new products
- Realizing the potential of investments
- Improved cost-efficiency through the cost savings program



### Risk factors

- Somewhat cyclical demand in several product groups
- Tighter competition
- Weak outlook for the paper business
- Pulp price risk
- Foreign exchange rate risks

Valuation	2022e	2023e	2024e
Share price	16.2	16.2	16.2
Number of shares, millions	788.6	788.6	788.6
Market cap	12752	12752	12752
EV	15441	15492	15507
P/E (adj.)	9.1	13.2	13.5
P/E	10.1	13.2	13.5
P/FCF	11.4	12.4	12.3
P/B	1.2	1.2	1.2
P/S	1.1	1.2	1.2
EV/Sales	1.4	1.5	1.5
EV/EBITDA	6.4	7.9	8.0
EV/EBIT (adj.)	8.2	11.5	11.7
Payout ratio (%)	40.5 %	57.1 %	62.7 %
Dividend yield-%	4.0 %	4.3 %	4.6 %

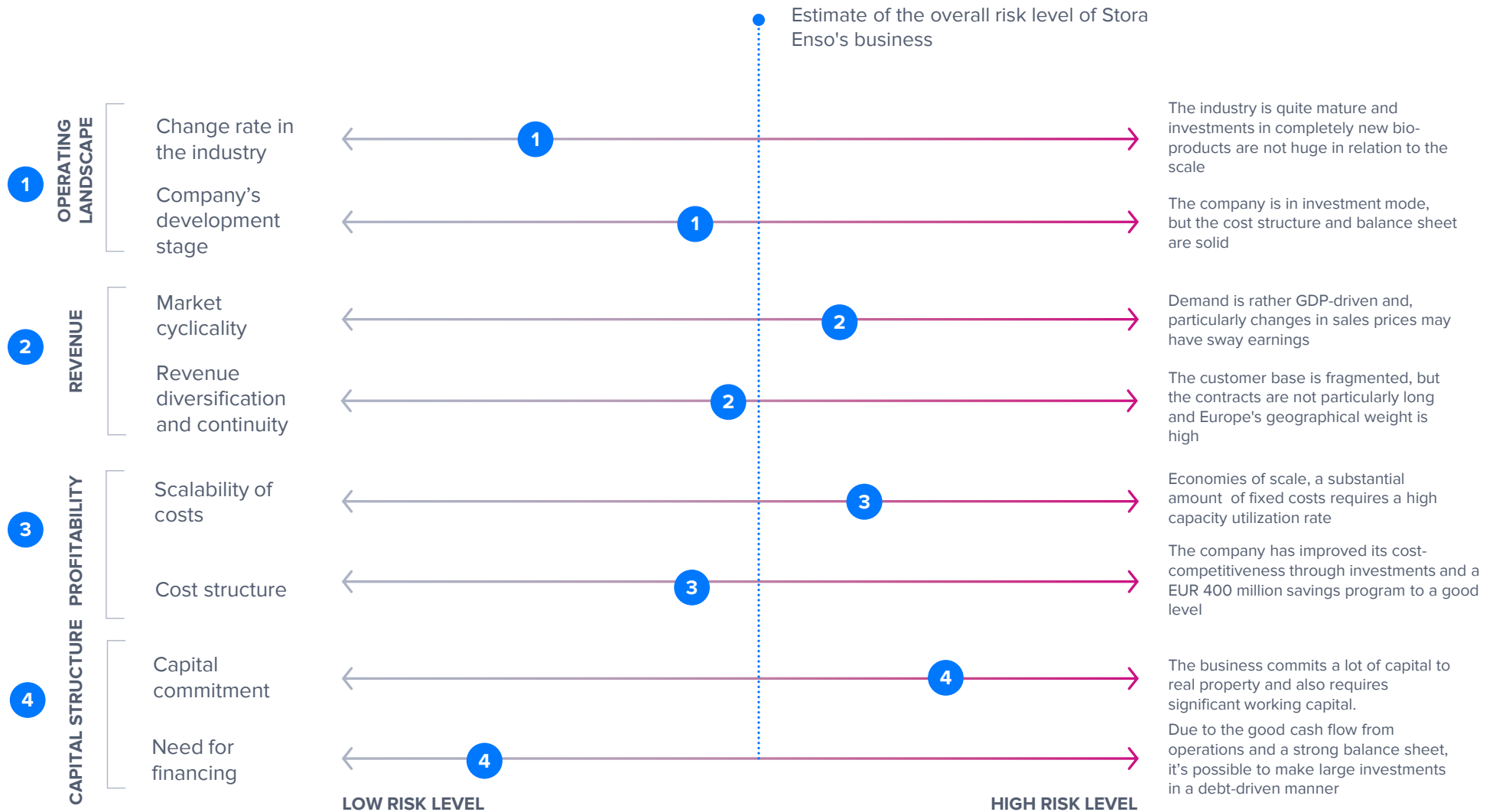
Source: Inderes

## Expected earnings revision did not result in estimate revisions

Estimate revisions MEUR / EUR	2022e			2023e			2024e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	11301	11406	1 %	10711	10613	-1 %	10759	10584	-2 %
EBIT (exc. NRIs)	1815	1894	4 %	1367	1352	-1 %	1313	1320	1 %
EBIT	1706	1730	1 %	1367	1352	-1 %	1313	1320	1 %
PTP	1579	1603	1 %	1236	1221	-1 %	1184	1191	1 %
EPS (excl. NRIs)	1.69	1.77	5 %	1.24	1.23	-1 %	1.19	1.20	1 %
DPS	0.65	0.65	0 %	0.70	0.70	0 %	0.75	0.75	0 %

Source: Inderes

# Risk profile of the business model



# Valuation does not yet motivate risk taking

## Valuation multiples are at the right level

Stora Enso's adjusted P/E ratios for 2022 and 2023 based on our estimates are 9x and 13x, while the corresponding EV/EBITDA ratios are around 6x and 8x. With 2022 multiples the share is cheap. Instead of valuation, investors' risks focus on the sustainability of the earnings level. Stora Enso's multiples for the next years are, in turn, at medium-term average levels. We feel that this is a neutral starting point considering higher interest rate expectations than of recent years, as the lower share of Paper has improved the quality of the company's result. The probable elimination of Paper from the figures will also increase the valuation, as we expect the mills to be sold with lower multiples than the Group. However, this will be neutralized by a small increase in the company's acceptable value. With the 5-year average realized result, Stora Enso's P/E would be 16x, which reminds of the small cyclical risk still attached to share, although the company's profile has certainly improved in the last five years.

When looking at 2022-2023 as a whole, we feel that Stora Enso has, in relative terms, been priced in line with the peer group. Our DCF model, based on our longer-term estimates, is also only slightly above the share price at good EUR 17. Therefore, the relative valuation or the DCF do not indicate a clear pricing error in the share.

## We find the valuation reasonable

We expect investors to receive an annual dividend of about 4% over the next few years for the current share price. Thus, a reasonable dividend is expected to support the expected return and we believe the company will be able to increase its dividend in coming years. However, the expected return would require some backup from earnings growth or upside potential in the multiples.

We still expect that the company's earnings trend will face tough benchmarks in Q4 or in 2023 at the latest if the historically high raw material prices for pulp, sawn timber and corrugated board are not sustainable and the cost level remains high in line with our expectations. We do not consider the multiples sufficiently low when reflected to the already visible reversal of this earnings growth driver (i.e. we do not believe that there is upside in the valuation without sustainably maintaining the historically high earnings level). Thus, we believe that the 12-month expected return remains at the level of the required return. In addition, revising the schedule of the battery material project removed a short-term share price driver and market focus in Stora Enso is on the sustainability of the cycle.

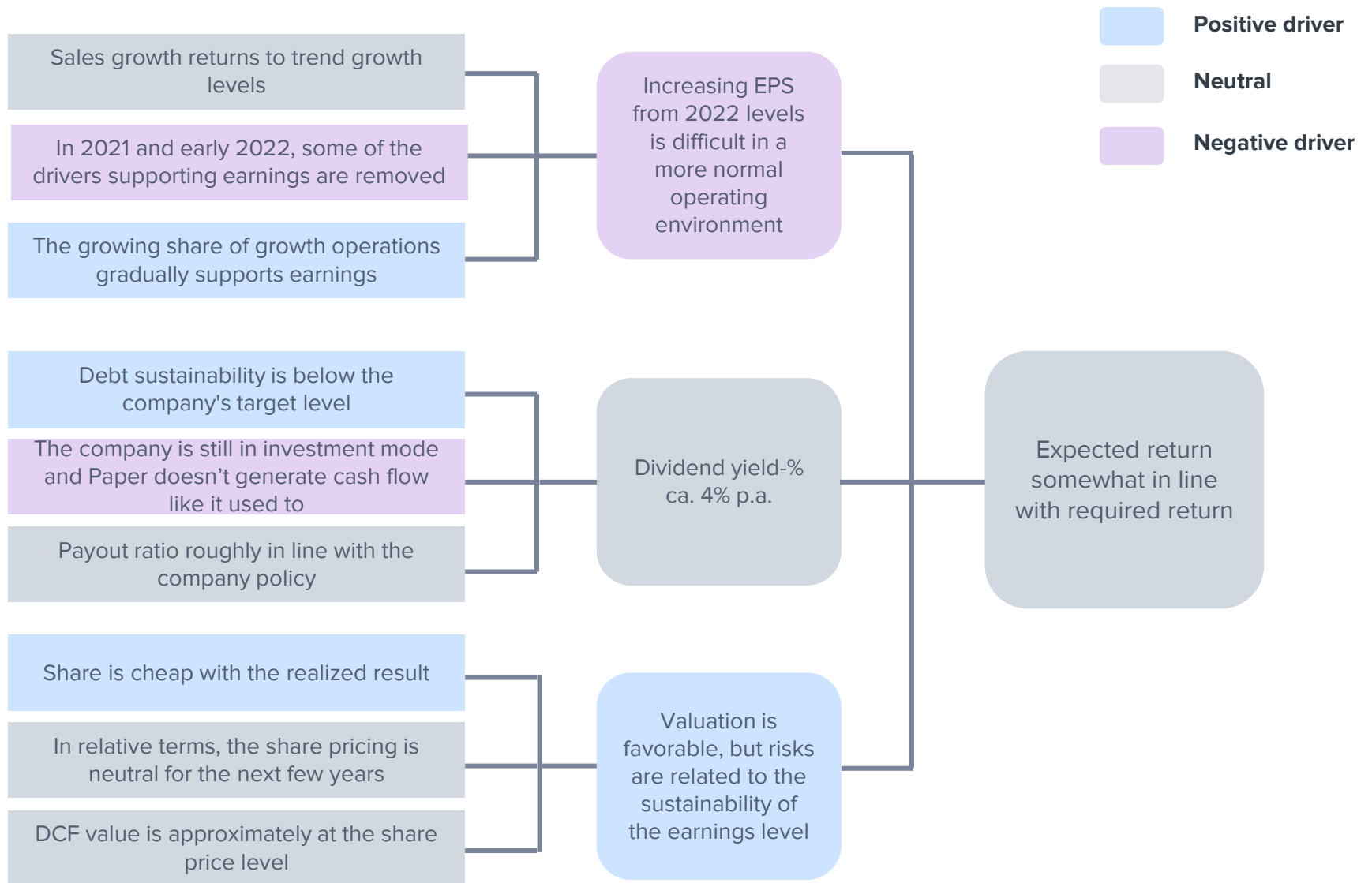
## Written-up balance sheet keeps return on capital under control

Stora Enso's P/B ratio is below its medium-term median level at 1.2x (2021 TOT). According to our estimates, the balance sheet that has grown through forest asset write-ups stabilizes the company's long-term return on capital to a lower level than before. The ROCE-% of the Forest division is now about 3% for the balance sheet value that has been written up heavily in recent years and the cash flow rate is significantly lower so even relative to the low risk of forest assets, we don't consider the balance sheet value favorable (cf. US 10-year bond rate is above 3%). Also, Stora Enso's ROI target of over 13% for industrial businesses has not been an easy target for the company over time. Thus, the balance sheet, which has been bolstered with write-ups and consequently the chronically limited ROIC will, in our opinion, make the acceptable valuation premium relative to the balance sheet value of equity small.

Valuation	2022e	2023e	2024e
Share price	16.2	16.2	16.2
Number of shares, millions	788.6	788.6	788.6
Market cap	12752	12752	12752
EV	15441	15492	15507
P/E (adj.)	9.1	13.2	13.5
P/E	10.1	13.2	13.5
P/FCF	11.4	12.4	12.3
P/B	1.2	1.2	1.2
P/S	1.1	1.2	1.2
EV/Sales	1.4	1.5	1.5
EV/EBITDA	6.4	7.9	8.0
EV/EBIT (adj.)	8.2	11.5	11.7
Payout ratio (%)	40.5 %	57.1 %	62.7 %
Dividend yield-%	4.0 %	4.3 %	4.6 %

Source: Inderes

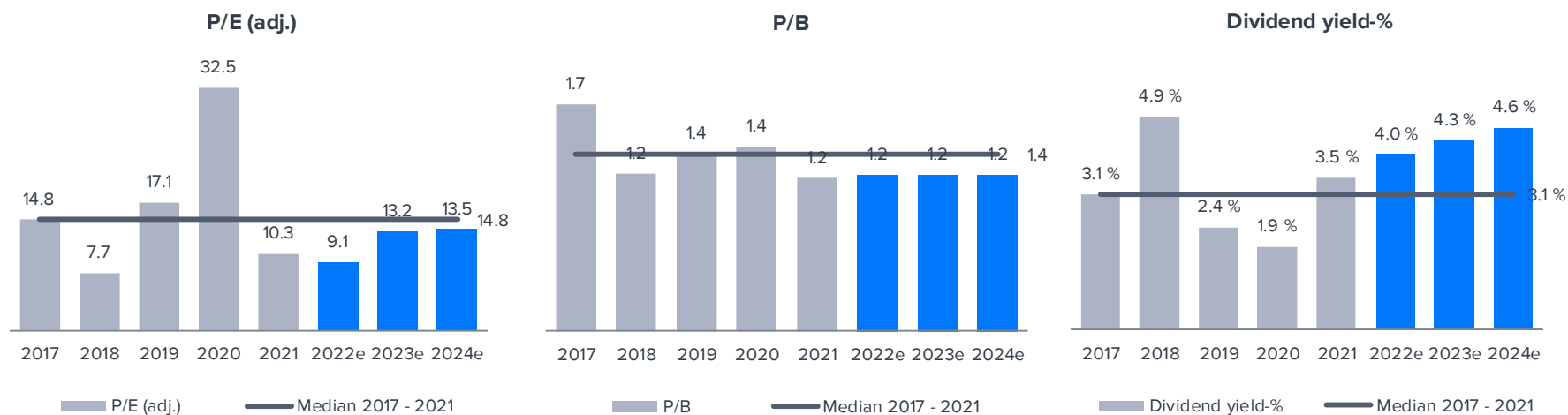
# TSR drivers 2022e-2024e



# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	13.20	10.01	12.97	15.65	16.14	<b>16.17</b>	<b>16.17</b>	<b>16.17</b>	<b>16.17</b>
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	<b>788.6</b>	<b>788.6</b>	<b>788.6</b>	<b>788.6</b>
Market cap	10410	8075	10057	12386	12465	<b>12752</b>	<b>12752</b>	<b>12752</b>	<b>12752</b>
EV	12896	10310	13351	15453	14902	<b>15441</b>	<b>15492</b>	<b>15507</b>	<b>15546</b>
P/E (adj.)	14.8	7.7	17.1	32.5	10.3	<b>9.1</b>	<b>13.2</b>	<b>13.5</b>	<b>13.1</b>
P/E	16.7	7.8	11.6	19.7	10.1	<b>10.1</b>	<b>13.2</b>	<b>13.5</b>	<b>13.1</b>
P/FCF	10.6	10.4	neg.	22.5	43.6	<b>11.4</b>	<b>12.4</b>	<b>12.3</b>	<b>12.0</b>
P/B	1.7	1.2	1.4	1.4	1.2	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
P/S	1.0	0.8	1.0	1.4	1.2	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
EV/Sales	1.3	1.0	1.3	1.8	1.5	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>
EV/EBITDA	9.1	5.5	7.0	10.6	6.6	<b>6.4</b>	<b>7.9</b>	<b>8.0</b>	<b>7.9</b>
EV/EBIT (adj.)	12.8	7.8	14.0	23.7	9.8	<b>8.2</b>	<b>11.5</b>	<b>11.7</b>	<b>11.3</b>
Payout ratio (%)	51.7 %	38.9 %	26.9 %	37.8 %	34.3 %	<b>40.5 %</b>	<b>57.1 %</b>	<b>62.7 %</b>	<b>60.7 %</b>
Dividend yield-%	3.1 %	4.9 %	2.4 %	1.9 %	3.5 %	<b>4.0 %</b>	<b>4.3 %</b>	<b>4.6 %</b>	<b>4.6 %</b>

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	
International Paper	43.72	15861	19992	9.9	8.9	6.7	6.1	1.0	1.0	9.7	9.5	4.1	4.4	1.8
Sappi	5440.00	1946	3651	4.6	6.8	3.3	4.2	0.5	0.5	3.4	7.3	0.2	5.3	0.8
DS Smith	288.20	4669	6626	11.4	9.6	7.0	6.0	0.9	0.8	9.7	8.3	5.2	5.6	1.1
Metsä Board	8.81	3257	3285	6.7	8.1	5.5	6.4	1.3	1.3	9.4	11.4	5.3	5.1	1.6
Holmen	467.90	7343	7651	14.6	19.4	11.8	14.7	3.7	3.9	17.4	22.9	2.2	2.0	1.5
Billerud	116.65	2829	3668	7.5	8.2	5.2	5.4	1.0	0.9	7.4	8.1	3.8	3.8	1.1
Mayr-Melnhof	151.60	3157	4245	12.2	11.9	8.2	7.9	1.1	1.1	13.0	11.8	2.6	2.9	1.7
UPM	31.22	17321	18898	12.6	11.3	9.5	8.5	1.7	1.6	14.3	13.0	4.2	4.5	1.5
Suzano	50.96	13639	24250	7.2	10.3	5.0	6.3	2.8	3.1	5.7	12.2	3.1	1.9	2.8
Smurfit Kappa	33.65	9122	12034	9.1	8.6	6.2	5.9	1.0	0.9	9.8	9.4	4.1	4.3	1.7
<b>Stora Enso (Inderes)</b>	<b>16.17</b>	<b>12752</b>	<b>15441</b>	<b>8.2</b>	<b>11.5</b>	<b>6.4</b>	<b>7.9</b>	<b>1.4</b>	<b>1.5</b>	<b>9.1</b>	<b>13.2</b>	<b>4.0</b>	<b>4.3</b>	<b>1.2</b>
<b>Average</b>				<b>9.8</b>	<b>10.9</b>	<b>7.2</b>	<b>7.7</b>	<b>1.9</b>	<b>1.9</b>	<b>10.3</b>	<b>12.2</b>	<b>3.5</b>	<b>3.9</b>	<b>1.6</b>
<b>Median</b>				<b>9.5</b>	<b>9.3</b>	<b>6.4</b>	<b>6.2</b>	<b>1.1</b>	<b>1.1</b>	<b>9.7</b>	<b>10.5</b>	<b>3.9</b>	<b>4.3</b>	<b>1.5</b>
<b>Diff-% to median</b>				<b>-14%</b>	<b>24%</b>	<b>-1%</b>	<b>27%</b>	<b>25%</b>	<b>32%</b>	<b>-6%</b>	<b>26%</b>	<b>2%</b>	<b>0%</b>	<b>-23%</b>

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

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>8553</b>	<b>2276</b>	<b>2592</b>	<b>2577</b>	<b>2719</b>	<b>10164</b>	<b>2798</b>	<b>3064</b>	<b>2808</b>	<b>2737</b>	<b>11406</b>	<b>10613</b>	<b>10584</b>	<b>10756</b>
Packaging Materials	3115	862	987	987	1062	3898	1132	1193	1135	1101	4560	4324	4325	4421
Packaging Solutions	594	159	170	180	214	723	191	191	187	188	757	541	520	535
Biomaterials	1193	355	453	426	494	1728	442	569	527	479	2017	1706	1629	1641
Wood Products	1386	382	477	503	510	1872	573	579	478	463	2092	1856	1970	2034
Paper	1979	428	445	441	389	1703	416	444	440	412	1712	1491	1393	1325
Forest	2046	582	586	546	597	2311	626	657	601	633	2518	2595	2647	2699
Other	928	240	264	303	285	1092	236	280	260	260	1036	1100	1100	1100
Intra-Group sales	-2688	-732	-790	-809	-832	-3163	-818	-850	-820	-800	-3288	-3000	-3000	-3000
<b>EBITDA</b>	<b>1531</b>	<b>410</b>	<b>337</b>	<b>522</b>	<b>996</b>	<b>2265</b>	<b>598</b>	<b>671</b>	<b>609</b>	<b>529</b>	<b>2408</b>	<b>1956</b>	<b>1929</b>	<b>1973</b>
Depreciation	-609	-249	-155	-136	-157	-697	-204	-157	-158	-159	-678	-604	-609	-600
<b>EBIT (excl. NRI)</b>	<b>651</b>	<b>327</b>	<b>365</b>	<b>409</b>	<b>427</b>	<b>1528</b>	<b>503</b>	<b>569</b>	<b>451</b>	<b>370</b>	<b>1894</b>	<b>1352</b>	<b>1320</b>	<b>1373</b>
<b>EBIT</b>	<b>922</b>	<b>161</b>	<b>182</b>	<b>386</b>	<b>839</b>	<b>1568</b>	<b>394</b>	<b>514</b>	<b>451</b>	<b>370</b>	<b>1730</b>	<b>1352</b>	<b>1320</b>	<b>1373</b>
Packaging Materials	403	127	144	152	133	556	196	177	145	126	644	607	588	632
Packaging Solutions	34	4	3	7	12	26	1	2	5	6	14	26	44	47
Biomaterials	9	65	145	118	167	495	117	201	152	125	596	303	265	264
Wood Products	114	52	100	123	89	364	118	122	68	60	368	182	196	204
Paper	-38	-34	-49	-31	-10	-124	36	35	39	20	130	93	85	80
Forest	164	123	47	49	48	267	49	45	48	46	187	187	190	192
Other	-35	-11	-16	-3	-18	-48	-14	-13	-6	-12	-45	-47	-47	-47
Intra-Group sales	0	1	0	1	-2	0	0	0	0	0	0	0	0	0
Net financial items	-150	-36	-30	-37	-46	-149	-19	-36	-35	-37	-127	-131	-129	-143
<b>PTP</b>	<b>773</b>	<b>125</b>	<b>152</b>	<b>349</b>	<b>793</b>	<b>1419</b>	<b>375</b>	<b>478</b>	<b>416</b>	<b>333</b>	<b>1603</b>	<b>1221</b>	<b>1191</b>	<b>1230</b>
Taxes	-156	20	56	-50	-177	-151	-88	-96	-83	-67	-334	-244	-238	-246
Minority interest	9	-1	-3	2	0	-2	2	-1	-2	-3	-4	-10	-10	-10
<b>Net earnings</b>	<b>626</b>	<b>144</b>	<b>205</b>	<b>301</b>	<b>616</b>	<b>1266</b>	<b>289</b>	<b>382</b>	<b>331</b>	<b>264</b>	<b>1266</b>	<b>967</b>	<b>943</b>	<b>974</b>
<b>EPS (adj.)</b>	<b>0.48</b>	<b>0.35</b>	<b>0.42</b>	<b>0.41</b>	<b>0.39</b>	<b>1.56</b>	<b>0.48</b>	<b>0.54</b>	<b>0.42</b>	<b>0.34</b>	<b>1.77</b>	<b>1.23</b>	<b>1.20</b>	<b>1.23</b>
<b>EPS (rep.)</b>	<b>0.79</b>	<b>0.18</b>	<b>0.26</b>	<b>0.38</b>	<b>0.78</b>	<b>1.61</b>	<b>0.37</b>	<b>0.48</b>	<b>0.42</b>	<b>0.34</b>	<b>1.60</b>	<b>1.23</b>	<b>1.20</b>	<b>1.23</b>
<b>Key figures</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>Revenue growth-%</b>	-14.9 %	3.1 %	22.6 %	24.0 %	26.3 %	18.8 %	22.9 %	18.2 %	8.9 %	0.7 %	12.2 %	-7.0 %	-0.3 %	1.6 %
<b>Adjusted EBIT growth-%</b>	-31.7 %	81.7 %	105.1 %	133.7 %	261.9 %	134.7 %	53.7 %	56.0 %	10.3 %	-13.2 %	23.9 %	-28.6 %	-2.3 %	4.0 %
<b>EBITDA-%</b>	17.9 %	18.0 %	13.0 %	20.3 %	36.6 %	22.3 %	21.4 %	21.9 %	21.7 %	19.3 %	21.1 %	18.4 %	18.2 %	18.3 %
<b>Adjusted EBIT-%</b>	7.6 %	14.4 %	14.1 %	15.9 %	15.7 %	15.0 %	18.0 %	18.6 %	16.1 %	13.5 %	16.6 %	12.7 %	12.5 %	12.8 %
<b>Net earnings-%</b>	7.3 %	6.3 %	7.9 %	11.7 %	22.7 %	12.5 %	10.3 %	12.5 %	11.8 %	9.7 %	11.1 %	9.1 %	8.9 %	9.1 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>13276</b>	<b>14517</b>	<b>14565</b>	<b>14613</b>	<b>14631</b>
Goodwill	281	282	282	282	282
Intangible assets	134	124	126	128	130
Tangible assets	7464	5501	5493	5539	5555
Associated companies	456	580	580	580	580
Other investments	4667	7665	7665	7665	7665
Other non-current assets	157	222	235	235	235
Deferred tax assets	117	143	184	184	184
<b>Current assets</b>	<b>4155</b>	<b>4509</b>	<b>4812</b>	<b>4325</b>	<b>4207</b>
Inventories	1270	1478	1631	1518	1513
Other current assets	79.5	101	101	101	101
Receivables	1145	1449	1597	1433	1429
Cash and equivalents	1661	1481	1483	1274	1164
<b>Balance sheet total</b>	<b>17431</b>	<b>19026</b>	<b>19377</b>	<b>18938</b>	<b>18838</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>8794</b>	<b>10666</b>	<b>10666</b>	<b>10666</b>	<b>10666</b>
Share capital	1423	1423	1423	1423	1423
Retained earnings	6387	7416	8248	8702	9093
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	1000	1843	1011	557	166
Minorities	-16.0	-16.0	-16.0	-16.0	-16.0
<b>Non-current liabilities</b>	<b>5742</b>	<b>5195</b>	<b>5233</b>	<b>5107</b>	<b>5032</b>
Deferred tax liabilities	1332	1430	1430	1430	1430
Provisions	102	91.0	91.0	91.0	91.0
Long term debt	3822	3313	3352	3226	3151
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	486	361	360	360	360
<b>Current liabilities</b>	<b>2895</b>	<b>3165</b>	<b>3477</b>	<b>3165</b>	<b>3140</b>
Short term debt	928	624	838	806	788
Payables	1837	2339	2509	2229	2223
Other current liabilities	130	202	130	130	130
<b>Balance sheet total</b>	<b>17431</b>	<b>19026</b>	<b>19377</b>	<b>18938</b>	<b>18838</b>

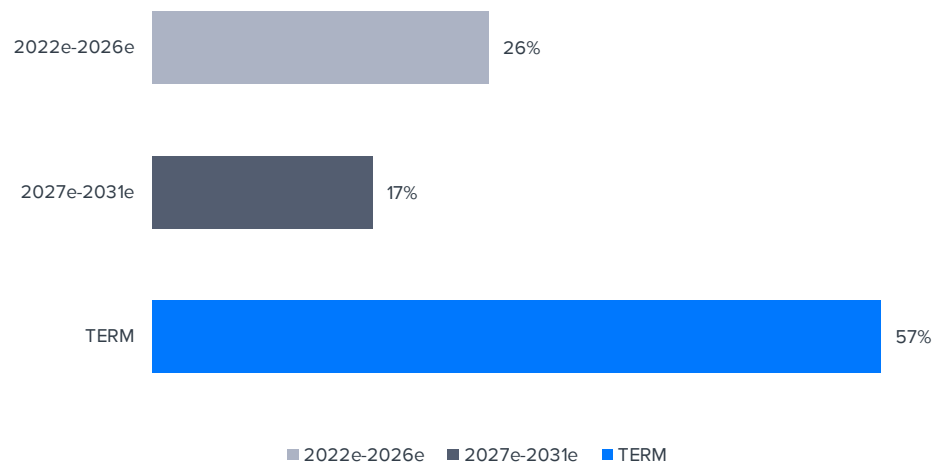
# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>1568</b>	<b>1730</b>	<b>1352</b>	<b>1320</b>	<b>1373</b>	<b>1323</b>	<b>1300</b>	<b>1303</b>	<b>1306</b>	<b>1339</b>	<b>1365</b>	
+ Depreciation	697	678	604	609	600	591	584	577	570	576	581	
- Paid taxes	-79	-375	-244	-238	-246	-236	-230	-230	-230	-236	-241	
- Tax, financial expenses	-16	-27	-26	-26	-29	-29	-30	-31	-31	-32	-33	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	40	-203	-3	2	-12	-18	-19	-19	-20	-20	-17	
<b>Operating cash flow</b>	<b>2210</b>	<b>1804</b>	<b>1682</b>	<b>1667</b>	<b>1686</b>	<b>1632</b>	<b>1605</b>	<b>1600</b>	<b>1595</b>	<b>1626</b>	<b>1656</b>	
+ Change in other long-term liabilities	-136	-1	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-1788	-685	-652	-627	-627	-627	-627	-627	-627	-627	-587	
<b>Free operating cash flow</b>	<b>286</b>	<b>1118</b>	<b>1030</b>	<b>1040</b>	<b>1059</b>	<b>1005</b>	<b>978</b>	<b>973</b>	<b>968</b>	<b>999</b>	<b>1069</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	286	1118	1030	1040	1059	1005	978	973	968	999	1069	19230
<b>Discounted FCFF</b>		<b>1074</b>	<b>919</b>	<b>862</b>	<b>815</b>	<b>718</b>	<b>649</b>	<b>600</b>	<b>554</b>	<b>531</b>	<b>528</b>	<b>9497</b>
Sum of FCFF present value		16746	15672	14753	13892	13077	12359	11710	11110	10556	10024	9497
<b>Enterprise value DCF</b>		<b>16746</b>										
- Interesting bearing debt		-3937										
+ Cash and cash equivalents		1481										
- Minorities		19										
- Dividend/capital return		-434										
<b>Equity value DCF</b>		<b>13875</b>										
<b>Equity value DCF per share</b>		<b>17.6</b>										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.5
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>8.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.7 %</b>

Source: Inderes

Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	10055	8553	10164	<b>11406</b>	<b>10613</b>	EPS (reported)	1.12	0.79	1.61	<b>1.60</b>	<b>1.23</b>
EBITDA	1902	1531	2265	<b>2408</b>	<b>1956</b>	EPS (adj.)	0.76	0.48	1.56	<b>1.77</b>	<b>1.23</b>
EBIT	1305	922	1568	<b>1730</b>	<b>1352</b>	OCF / share	3.44	1.97	2.80	<b>2.29</b>	<b>2.13</b>
PTP	1137	773	1419	<b>1603</b>	<b>1221</b>	FCF / share	-1.58	0.70	0.36	<b>1.42</b>	<b>1.31</b>
Net Income	880	626	1266	<b>1266</b>	<b>967</b>	Book value / share	9.42	11.17	13.54	<b>13.54</b>	<b>13.54</b>
Extraordinary items	352	271	40	<b>-164</b>	<b>0</b>	Dividend / share	0.30	0.30	0.55	<b>0.65</b>	<b>0.70</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	15053	17431	19026	<b>19377</b>	<b>18938</b>	Revenue growth-%	-4%	-15%	19%	<b>12%</b>	<b>-7%</b>
Equity capital	7422	8794	10666	<b>10666</b>	<b>10666</b>	EBITDA growth-%	2%	-20%	48%	<b>6%</b>	<b>-19%</b>
Goodwill	302	281	282	<b>282</b>	<b>282</b>	EBIT (adj.) growth-%	-28%	-32%	135%	<b>24%</b>	<b>-29%</b>
Net debt	3304	3089	2456	<b>2708</b>	<b>2758</b>	EPS (adj.) growth-%	-41%	-36%	225%	<b>13%</b>	<b>-31%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	18.9 %	17.9 %	22.3 %	<b>21.1 %</b>	<b>18.4 %</b>
EBITDA	1902	1531	2265	<b>2408</b>	<b>1956</b>	EBIT (adj.)-%	9.5 %	7.6 %	15.0 %	<b>16.6 %</b>	<b>12.7 %</b>
Change in working capital	316	206	40	<b>-203</b>	<b>-3</b>	EBIT-%	13.0 %	10.8 %	15.4 %	<b>15.2 %</b>	<b>12.7 %</b>
Operating cash flow	2711	1552	2210	<b>1804</b>	<b>1682</b>	ROE-%	12.4 %	7.7 %	13.0 %	<b>11.8 %</b>	<b>9.1 %</b>
CAPEX	-4827	-2331	-1788	<b>-685</b>	<b>-652</b>	ROI-%	12.0 %	7.4 %	11.2 %	<b>11.8 %</b>	<b>9.2 %</b>
Free cash flow	-1245	552	286	<b>1118</b>	<b>1030</b>	Equity ratio	49.3 %	50.5 %	56.1 %	<b>55.0 %</b>	<b>56.3 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	44.5 %	35.1 %	23.0 %	<b>25.4 %</b>	<b>25.9 %</b>
EV/S	1.3	1.8	1.5	<b>1.4</b>	<b>1.5</b>						
EV/EBITDA (adj.)	7.0	10.6	6.6	<b>6.4</b>	<b>7.9</b>						
EV/EBIT (adj.)	14.0	23.7	9.8	<b>8.2</b>	<b>11.5</b>						
P/E (adj.)	17.1	32.5	10.3	<b>9.1</b>	<b>13.2</b>						
P/B	1.4	1.4	1.2	<b>1.2</b>	<b>1.2</b>						
Dividend-%	2.4 %	1.9 %	3.5 %	<b>4.0 %</b>	<b>4.3 %</b>						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
28-12-18	Accumulate	11.50 €	10.12 €
30-10-19	Reduce	11.50 €	11.80 €
30-01-20	Reduce	11.50 €	11.76 €
24-03-20	Accumulate	8.50 €	7.36 €
16-04-20	Reduce	9.50 €	9.90 €
22-04-20	Reduce	9.50 €	10.06 €
24-06-20	Reduce	10.50 €	11.19 €
22-07-20	Reduce	10.50 €	11.25 €
24-09-20	Reduce	13.00 €	13.64 €
20-10-20	Reduce	13.00 €	13.67 €
12-11-20	Reduce	13.00 €	13.73 €
01-02-21	Reduce	14.00 €	15.00 €
24-03-21	Reduce	15.00 €	16.15 €
26-04-21	Reduce	15.50 €	16.68 €
22-07-21	Reduce	15.50 €	16.04 €
21-10-21	Reduce	15.50 €	14.65 €
31-01-22	Reduce	17.00 €	17.50 €
29-04-22	Reduce	18.00 €	17.85 €
14-06-22	Reduce	17.00 €	16.18 €



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