

Hexagon AB

Company report

10/28/2024 7:06 CET



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Spin-off could simplify company structure

Cyclical headwinds continued in Q3, and a material recovery might not yet take place in Q4. We estimate growth to rebound in 2025-26 as the relatively low comparison figures and lower interest-rates increasingly supporting industrial activity. Hexagon has enjoyed fast-growing SaaS revenue throughout the macroeconomic downturn of 2024, which could be further highlighted by the company's plan to potentially spin-off some of these businesses. We reiterate our Accumulate rating with an unchanged target price of SEK 115.

Cyclical elements burdened growth despite continued increase in recurring revenue

Organic revenue growth in Q3 was -2% against tough comparison figures. Cyclical downturn in industries such as automotive and construction hurt especially hardware sales. Total sales growth was -4% in Q3 partly depressed by FX-changes. Sales were 4/2% below our/consensus estimates. Weaker-than-expected revenue was also reflected in adjusted EBIT, which was 6/3% below our/consensus estimates. Revenue quality continued to improve since recurring revenue growth was around 7% y/y, driven by SaaS. The improved revenue mix contributed to a significant increase in gross margin (67.1%, up 1.6pp y/y) and also supported adjusted EBIT, together with continued efficiency gains from the rationalization program. The rationalization program has now been concluded and according to Hexagon, it has achieved run-rate annual savings of 172 MEUR exceeding the target of 160-170 MEUR. We cut our 2025-26 adjusted EBIT estimates by 2-3% on account of the weakish Q3 report.

Innovation and market recovery to boost earnings growth by 2025-26

Hexagon's forward-looking commentary did not bode well for an instant recovery in the company's cyclical end markets, such as construction or manufacturing, which means that Q4 is likely to be another low-growth quarter. The management, however, highlighted the new products and features the company is launching in 2024 that could strengthen Hexagon's position by 2025 as the market presumably recovers. We expect the lowered rate of increase to gradually boost demand for industrial investment from 2025 onwards, helping organic growth to improve to 6% in 2025-26 from the relatively low starting point of 2024 (long-term average has been 5%). The improvement in growth should give a boost to profitability as well, and we anticipate that adjusted EBIT will grow by 7-8% in 2025-26.

Plan to divest ALI division could allow more focused strategic development in the long term

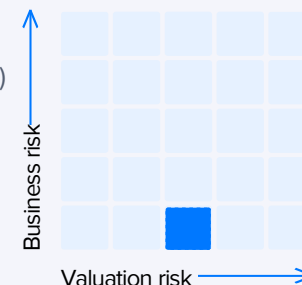
Hexagon announced a plan to potentially spin off certain fast-growing, highly profitable, software-focused parts of the group into a new entity that could be listed in either the US or Sweden. According to the company, the separation would support the long-term strategic development of the two entities. Hexagon would be left with range of businesses including sensors and software used for reality capture and 3D data utilization, whereas the new entity would focus on efficiency-improving software tools for the design and management of mainly industrial facilities. Using a straightforward sum-of-the-parts calculation utilizing the valuation multiples of key peers, we calculate that the immediate valuation impact to Hexagon caused by the separation would be rather insignificant (+4% to the current share price). Value could be created over the long term, however, if the two companies can achieve better earnings growth separately through a better strategic focus. Hexagon currently trades at an adjusted EV/EBIT of 18x for 2024e and 16x for 2025e. We consider 18x to be a fair valuation multiple for this diversified, value-creating high-quality technology company. The estimated earnings growth of 7-8% for 2025-26 together with a 1.5% dividend yield results in an annual return of 9%. which we argue is attractive enough given the low business risk profile.

Recommendation

Accumulate
(prev. Accumulate)

115,00 SEK
(prev. 115,00 SEK)

Share price:
105,35



Key indicators

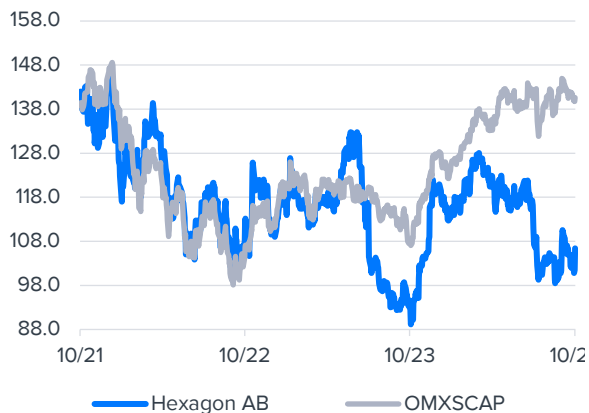
	2023	2024e	2025e	2026e
Revenue	5435.2	5406.6	5713.2	6063.1
growth-%	5%	-1%	6%	6%
EBIT adj.	1596.7	1596.4	1726.8	1851.4
EBIT-% adj.	29.4 %	29.5 %	30.2 %	30.5 %
Net Income	858.9	1011.8	1133.6	1274.5
EPS (adj.)	0.43	0.43	0.47	0.52
P/E (adj.)	21.1	21.6	19.5	17.8
P/B	2.4	2.3	2.2	2.0
Dividend yield-%	1.4 %	1.5 %	1.6 %	1.7 %
EV/EBIT (adj.)	17.5	17.5	15.8	14.3
EV/EBITDA	15.7	14.1	12.8	11.3
EV/S	5.2	5.2	4.8	4.4

Source: Inderes

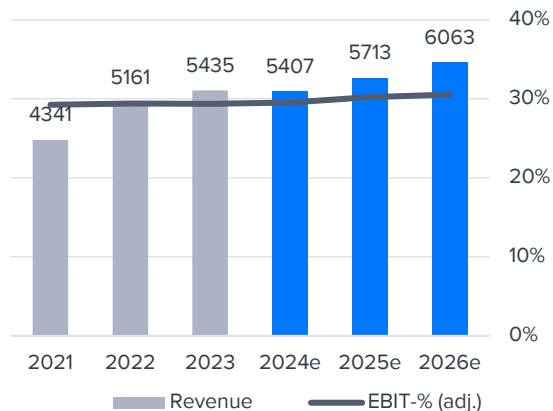
Guidance

(No guidance)

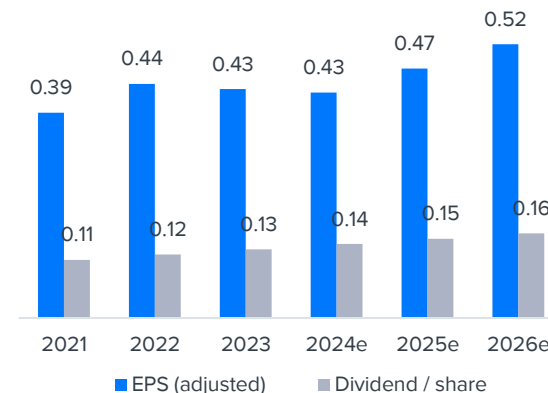
Share price



Net sales and operating earnings-%



Earnings per share and dividend



Value drivers

- Strong market position in core technologies
- The need to utilize data more efficiently in various industries adds demand for Hexagon's solutions over the 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	9.21	9.21	9.21
Number of shares, million	2684.3	2684.3	2684.3
Market cap	24719	24719	24719
EV	27990	27281	26423
P/E (adj.)	21.6	19.5	17.8
P/E	24.4	21.8	19.4
P/B	2.3	2.2	2.0
P/S	4.6	4.3	4.1
EV/Sales	5.2	4.8	4.4
EV/EBITDA	14.1	12.8	11.3
EV/EBIT (adj.)	17.5	15.8	14.3
Payout ratio (%)	37.1 %	35.5 %	33.7 %
Dividend yield-%	1.5 %	1.6 %	1.7 %

Source: Inderes

Q3: Soft growth, improved gross margin

Broad-based softness in sales growth

Hexagon's sales in Q3 ended up 4% below our estimates and 2% below consensus. Organic growth was -2% compared to our estimate of 0%. Currency changes had some 1% negative impact to revenue growth.

The company cited challenging market conditions in various key industries as a reason for the weak growth in Q3. We had expected cyclical weakness especially in hardware-sales given the weak demand in the construction and automotive industries that affect to Geosystems and Manufacturing Intelligence, respectively. However, the actual demand was even slightly lower than expected across all the divisions. Recurring revenue growth continued solid at 7% y/y and amounted to 43.4% of total sales in Q3. Tough comparison figures from Q3'23 partially burdened the relative growth, particularly in Manufacturing Intelligence and Autonomous Solutions divisions.

Improving margins and cost savings supported profitability

Adjusted EBIT came in at 377 MEUR, some 6% below our estimate and 3% below consensus (Q3'23: 393 MEUR). Hexagon managed to maintain a steady adjusted EBIT-margin at 29.0% y/y, despite negative growth and a negative FX impact of 16 MEUR to adjusted EBIT. The divestment of the non-core hardware-business in early 2024 and the growth in software sales helped to improve the gross margin by 1.6pp (we expected an improvement of 0.5pp). Hexagon concluded its cost-rationalization program that was kicked off in mid-2023. According to the company, the program has achieved run-rate annual savings of 172 MEUR, slightly exceeding the targeted level of 160-170 MEUR.

Net debt declining gradually

Hexagon's net debt was at 3.65 BNEUR at the end of September compared to 3.59 BNEUR at the end of June. Net debt to EBITDA ratio was 1.7x. Cash conversion in Q3 was seasonally low around 70% even if improving y/y (Q3'23: 64%). The company seems confident to achieve the targeted level of cash conversion at 80-90% for the full year 2024.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	1350	1300	1356	1329			-4%	5407
Gross margin	65.5 %	67.1 %	67.1 %				0 pp	66.8 %
EBIT (adj.)	393	377	400	388			-6%	1596
EBIT	147	334	359	345			-7%	1429
EPS (reported)	0.09	0.09	0.10	0.09			-8%	0.38
Revenue growth-%	2.5 %	-3.7 %	0.5 %	-1.5 %			-4.2 pp	-0.5 %
EBIT-% (adj.)	29.1 %	29.0 %	29.5 %	29.2 %			-0.5 pp	29.5 %

Source: Inderes & Hexagon (consensus includes 20 estimates)

Organic growth per division

	Q1 24	Q2 24	Q3 24e	Q3 24
Group	3%	0%	0%	-2%
Manufacturing Intelligence	5%	0%	-1%	-2%
Asset Lifetime Intelligence	2%	9%	9%	6%
Geosystems	-2%	-5%	0%	-5%
Autonomous Solutions	8%	-2%	-8%	-12%
Safety, Infrastructure and Geospatial	5%	6%	5%	2%

Source: Inderes estimates and company actuals

Earnings outlook slightly affected by Q3 report

Cyclical recovery projected for 2025

- Hexagon does not provide numerical guidance. We revise down our estimates followed by the weaker-than-expected actualized growth in Q3.
- We cut our 2024-26 sales projections by 1-2% and adjusted EBIT projections by 2-3%.
- We are modeling 2% organic growth for Q4, mainly due to easier comparison figures y/y. For 2025, we have estimated organic growth of 6%, assuming a recovery in demand due to lower interest rates and improved economic activity.
- The quality of the business mix has continued to improve even in the difficult market cycle (recurring revenue growth 7% year-to-date). Once the cyclical components recover, earnings growth could be boosted materially.
- Gross margin has been on a clearly improving trend in the previous years and also in 2024. Our current estimates assume a pause in margin expansion in 2025, in light of the estimated recovery in hardware sales, which have lower margins compared to software.

Outlook per division

- **Manufacturing Intelligence:** Weakness in the European automotive industry as well as strong comparison figures of China have burdened sales lately. Our estimates assume an improvement in industrial demand in 2025 due to declining interest rates.
- **Asset Lifecycle Intelligence:** Customers have been a bit cautious lately. A strong product offering and new features are likely to support future growth.
- **Geosystems:** Dependent on the construction sector, which could gradually recover driven by lower interest rates. Solid development in software sales even in a cyclical downturn.
- **Autonomous Solutions:** Solid outlook in mining and aerospace & defense. Agricultural demand is weak. Tough comparison figures from 2023 have burdened relative growth recently, but this should no longer affect growth in 2025.
- **Safety, Infrastructure and Geospatial:** Mixed development between the segments. A new software platform likely to support growth going forward.

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	5487	5407	-1%	5843	5713	-2%	6180	6063	-2%
EBITDA	2012	1984	-1%	2203	2139	-3%	2374	2334	-2%
EBIT (exc. NRIs)	1634	1596	-2%	1772	1727	-3%	1889	1851	-2%
EBIT	1464	1429	-2%	1614	1559	-3%	1751	1706	-3%
PTP	1295	1260	-3%	1474	1419	-4%	1636	1591	-3%
EPS (excl. NRIs)	0.44	0.43	-3%	0.49	0.47	-3%	0.53	0.52	-2%
DPS	0.14	0.14	0%	0.15	0.15	0%	0.16	0.16	0%

Source: Inderes

Spin-off plan could yield two companies with more coherent structures

Hexagon evaluates spinning off certain high-growth software businesses

- Hexagon announced simultaneously with the Q3 report that it is evaluating the potential separation of its Asset Lifecycle Intelligence (ALI) business, together with certain other units, by way of a spin-off. Hexagon is also evaluating listing options for the new separate entity in the US and Sweden.
- The company's management argued that the two proposed entities would require different strategic focus to develop them further, which would be better achieved by separating them. A spin-off would be a tax-efficient way to implement the separation. Hexagon's current shareholders would receive shares in the new company in proportion to their existing ownership at the time of the spin-off.
- We believe that the growth profile of the new demerged company would be stronger than the current group average. Moreover, the perceived business quality would be higher given the high share of recurring revenue (SaaS especially).
- The complex and diverse structure of Hexagon may have recently weighed on the company's accepted valuation in the market. Therefore, the split could in theory act as a minor valuation trigger, even if the transaction is unlikely to provide material support to the earnings outlook in the next few years.
- Using rough valuation multiples from key peers, we estimate that the separation could somewhat elevate the combined valuation of the two companies, but any material appreciation would require successful long-term value creation beyond current expectations. Our back-of-the-envelope valuation for the two companies would result in a total EV of 29.2 BNEUR, or a share price of 110.6 SEK, with only 4% upside to the current share price*.

New company ("NewCo")

- The new entity would include the current Asset Lifecycle Intelligence division and certain other closely related businesses such as Bricsys CAD software business (currently in Geosystems), ETQ quality and compliance management software business as well as Utilities & Infrastructure business (currently in Safety, Infrastructure and Geospatial).
- NewCo businesses would include efficiency-improving planning and management software, which have little common with Hexagon's sensor business. Sales would comprise of software and services with high share of recurring revenue.
- Sales of 980 MEUR and an adjusted EBIT margin of 35% in the 12 months ending September 30, 2024 (before the admin costs required to be a separate listed entity). Adjusted EBIT represents some 22% of the current group total.
- 5,000 employees
- We estimate long-term organic growth outlook of roughly 5-10%
- **Estimated enterprise value of 8.2 BNEUR*** assuming fair adjusted EV/EBIT of 24x. Multiples for pure-software peers like Ansys, Autodesk and Dassault Systems range between 20-28x for 2025e.

Hexagon (without ALI and carved out businesses)

- After spinning off the New company, Hexagon would consist of a range of businesses that help various industries to measure and automate their operations with its hardware and software offerings. Measuring, positioning and utilizing 3D data are in the core of this company.
- The remaining business combination has achieved sales of 4,408 MEUR and an adjusted EBIT margin of 28% in the 12 months ended September 30, 2024.
- 19,600 employees.
- We estimate a medium-term organic growth outlook of roughly 3-5%.
- **Estimated enterprise value of 21.0 BNEUR*** assuming EV/EBIT of 17x. Key peer Trimble trades at EV/EBIT 17x 2025e.

*Estimated EV is calculated based on actual earnings in 12 months ended on 30 Sept, 2024. Further earnings growth before the spin-off or additional admin costs caused by separation are likely to impact the accepted valuation in the market.

Recovery in growth expected to boost the share

Investment profile: Diversified value-creator

Hexagon is a highly profitable technology company with solid medium-term 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 already show signs of maturity 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 (>40%) partially mitigates the cyclicality. 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.

Improving earnings growth likely to drive up valuation in 2025

We expect Hexagon's earnings growth to remain rather low in 2024 due to cyclical headwinds, although it should slightly improve towards the end of the year due to easier comparison figures. Earnings growth should however accelerate in 2025-26, driven by the cyclical recovery, successfully executed efficiency program and continuing growth in recurring revenue. Based on our estimates, the adjusted

EV/EBIT is 18x for 2024 and 16x for 2025 (reported EV/EBIT 20x and 18x), which we consider high in a general context, but rather attractive for a diversified and growing high-tech company like Hexagon.

We consider a fair valuation multiple for Hexagon to be an adjusted EV/EBIT of 18x or a reported EV/EBIT of 20x, meaning that there will be upside in valuation once the estimated growth for 2025 materializes. Hexagon's historical median reported EV/EBIT level has been 20x. While valuation levels have generally suffered from higher interest rates and increased macroeconomic uncertainty, we note that the quality of Hexagon's business has improved as the proportion of software and other recurring revenues has increased.

We maintain positive recommendation

With a fair value adjusted EV/EBIT multiple of 18x, we calculate that the share value could grow to EUR 12.1 (including cumulative dividends), assuming an average adj. EBIT growth of 8% p.a. in 2025-26. This would yield an annual return of 9% per share slightly exceeding the required rate of return. Our base case assumes an adjusted EBIT % of 30.5% by 2026, which is more conservative than Hexagon's financial targets, targeting an adjusted EBIT margin including PPA of 30% (equivalent to an adjusted EBIT margin of 31.3% in our calculations).

We believe that the major cyclical disappointments could ease up in early 2025 amid lowered interest rates. The proposed break-up of Hexagon to two different listed entities could act as a catalyst for valuation in the short term and facilitate a more focused strategic development of the two companies over the long term.

Valuation (EUR)	2024e	2025e	2026e
Share price	9.21	9.21	9.21
Number of shares, million	2684.3	2684.3	2684.3
Market cap	24719	24719	24719
EV	27990	27281	26423
P/E (adj.)	21.6	19.5	17.8
P/E	24.4	21.8	19.4
P/B	2.3	2.2	2.0
P/S	4.6	4.3	4.1
EV/Sales	5.2	4.8	4.4
EV/EBITDA	14.1	12.8	11.3
EV/EBIT (adj.)	17.5	15.8	14.3
Payout ratio (%)	37.1 %	35.5 %	33.7 %
Dividend yield-%	1.5 %	1.6 %	1.7 %

Source: Inderes

Valuation scenarios¹

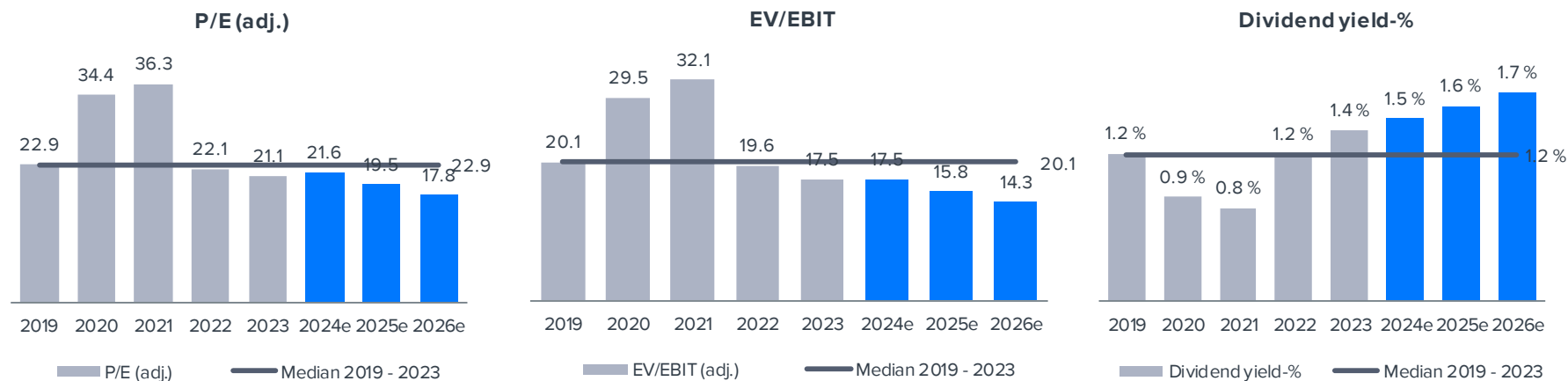
2026 estimates, MEUR	Base case	Adj. EBIT (inc. PPA): 30% scenario
Sales	6,063	6,063
Adj. EBIT-%	30.5 %	31.3 %
Adj. EBIT	1,851	1,898
Adj. EV/EBIT	18x	18x
EV	33,325	34,160
Net debt	1,639	1,639
Market cap	31,686	32,521
Share price 2026, EUR	11.8	12.1
Dividends 23-25e, EUR	0.29	0.29
Total, EUR	12.1	12.4
Current share price, SEK	105	105
Return per year	9.5 %	10.4 %

1) Hexagon targets adjusted EBIT (inc. PPA) of >30% by 2026 which would correspond to adj. EBIT of >31.3% with estimated PPA of 1.3% 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	9.21	9.21	9.21	9.21
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	24719	24719	24719	24719
EV	20552	29732	40703	29747	27992	27990	27281	26423	25514
P/E (adj.)	22.9	34.4	36.3	22.1	21.1	21.6	19.5	17.8	16.9
P/E	26.3	44.4	45.7	26.1	28.5	24.4	21.8	19.4	18.1
P/B	3.0	4.6	4.4	2.7	2.4	2.3	2.2	2.0	1.9
P/S	4.7	7.3	8.8	5.1	4.5	4.6	4.3	4.1	3.9
EV/Sales	5.3	7.9	9.4	5.8	5.2	5.2	4.8	4.4	4.0
EV/EBITDA	16.1	22.5	25.6	17.0	15.7	14.1	12.8	11.3	10.4
EV/EBIT (adj.)	20.1	29.5	32.1	19.6	17.5	17.5	15.8	14.3	13.0
Payout ratio (%)	32.4 %	38.6 %	37.1 %	32.0 %	40.6 %	37.1 %	35.5 %	33.7 %	33.5 %
Dividend yield-%	1.2 %	0.9 %	0.8 %	1.2 %	1.4 %	1.5 %	1.6 %	1.7 %	1.8 %

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
Ansys	26009	25671	26.0	23.9	23.7	21.9	11.2	10.3	32.6	30.0			9.2
Autodesk	56902	57280	32.5	28.6	30.0	27.1	11.3	10.1	38.2	34.6			37.9
Dassault Systemes	43298	42244	21.8	20.7	19.6	17.6	6.7	6.2	25.3	23.4	0.8	0.9	5.0
Faro Technologies	317	291	17.7	12.5	10.5	8.8	0.9	0.9	29.3	19.5	5.7	5.7	
Nikon	3806	3540		1.0	8.1	7.8	0.8	0.8	21.7	21.2	2.8	3.0	1.0
Renishaw	2839	2583	18.9	16.7	14.9	13.1	3.1	3.0	22.8	20.7	2.3	2.5	2.6
Topcon	1020	1413			10.4	8.7	1.1	1.0	54.0	20.3	2.7	3.0	1.6
Trimble	13697	14480	17.4	16.9	15.9	15.3	4.3	4.2	22.0	20.1			2.8
Hexagon AB (Inderes)	24719	27990	19.6	17.5	14.1	12.8	5.2	4.8	28.8	24.4	1.5	1.6	2.3
Average			22.4	17.2	16.6	15.0	4.9	4.6	30.7	23.7	2.9	3.0	8.6
Median			20.4	16.9	15.4	14.2	3.7	3.6	27.3	21.0	2.7	3.0	2.8
Diff-% to median			-4%	4%	-8%	-10%	39%	33%	5%	17%	-44%	-46%	-16%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	4341	5161	1285	1365	1350	1435	5435	1300	1353	1300	1454	5407	5713	6063	6376
Manufacturing Intelligence	2201	2537	477	498	487	552	2013	478	484	464	539	1964	2059	2182	2291
Asset Lifecycle Intelligence	2146	2639	191	186	198	208	782	192	203	208	224	827	893	955	1013
Geosystems	-6.3	-15.0	390	425	389	399	1603	377	406	373	393	1548	1610	1698	1783
Autonomous Solutions	0.0	0.0	125	139	157	150	571	136	141	135	166	578	635	686	721
Safety, Infrastructure & Geospatial	0.0	0.0	103	115	120	126	464	117	120	120	131	487	512	537	564
Group adjustments	0.0	0.0	0.7	1.8	-1.0	0.7	2.2	0.4	0.0	1.0	1.5	3	5	4	4
EBITDA	1589	1754	447	475	292	565	1779	471	497	475	542	1984	2139	2334	2456
Depreciation	-578.9	-467.0	-119.0	-124.6	-144.7	-174.7	-563.0	-134.8	-136.6	-140.5	-143.1	-555	-580	-628	-628
EBIT (excl. NRI)	1270	1518	371	394	393	438	1597	377	400	377	444	1596	1727	1851	1955
EBIT	1010	1287	328	350	147	391	1216	336	361	334	399	1429	1559	1706	1828
Manufacturing Intelligence	685	787	120	129	124	159	531	125	129	118	151	524	560	602	637
Asset Lifecycle Intelligence	609	755	68.3	62.1	73.5	79.3	283	66.5	70.5	72.5	85.9	295	325	350	373
Geosystems	-284.0	-254.9	128	139	123	121	510	118	131	122	119	489	522	554	581
Autonomous Solutions	0.0	0.0	41.3	48.1	54.0	50.2	194	47.7	52.6	45.8	56.5	203	227	246	260
Safety, Infrastructure & Geospatial	0.0	0.0	18.4	21.7	26.6	37.3	104	24.3	23.8	24.6	39.9	113	121	128	135
Group adjustments	0.0	0.0	-46.6	-49.6	-253.5	-56.2	-406	-44.9	-46.5	-48.3	-54.0	-194	-195	-175	-158
Net financial items	-26.2	-38.7	-26.8	-36.2	-43.0	-49.3	-155	-42.7	-42.1	-44.2	-40.0	-169	-140	-115	-100
PTP	984	1248	302	314	104	341	1061	293	318	290	359	1260	1419	1591	1728
Taxes	-173.6	-228.9	-54.3	-56.6	-16.6	-61.4	-189	-52.8	-57.3	-52.2	-72.1	-234	-270	-299	-346
Minority interest	-8.4	-11.5	-2.9	-3.7	-3.6	-2.7	-13	-2.6	-3.1	-2.8	-5.7	-14	-16	-17	-19
Net earnings	802	1008	244	254	83.6	277	859	238	258	235	281	1012	1134	1275	1363
EPS (adj.)	0.39	0.44	0.10	0.11	0.10	0.12	0.43	0.10	0.11	0.10	0.12	0.43	0.47	0.52	0.55
EPS (rep.)	0.31	0.37	0.09	0.09	0.03	0.10	0.32	0.09	0.10	0.09	0.10	0.38	0.42	0.47	0.51

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	15.3 %	18.9 %	10.8 %	6.4 %	2.5 %	2.4 %	5.3 %	1.2 %	-0.8 %	-3.7 %	1.3 %	-0.5 %	5.7 %	6.1 %	5.2 %
Adjusted EBIT growth-%		19.5 %	10.8 %	4.1 %	1.8 %	4.9 %	5.2 %	1.4 %	1.4 %	-4.2 %	1.2 %	0.0 %	8.2 %	7.2 %	5.6 %
EBITDA-%	36.6 %	34.0 %	34.8 %	34.8 %	21.6 %	39.4 %	32.7 %	36.2 %	36.7 %	36.5 %	37.3 %	36.7 %	37.4 %	38.5 %	38.5 %
Adjusted EBIT-%	29.2 %	29.4 %	#####	28.9 %	29.1 %	30.5 %	29.4 %	29.0 %	29.5 %	29.0 %	30.5 %	29.5 %	30.2 %	30.5 %	30.7 %
Net earnings-%	18.5 %	19.5 %	19.0 %	18.6 %	6.2 %	19.3 %	15.8 %	18.3 %	19.1 %	18.1 %	19.3 %	18.7 %	19.8 %	21.0 %	21.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	13833	14132	14327	14379	14395
Goodwill	9600	9931	9948	9948	9948
Intangible assets	3206	3063	3219	3271	3287
Tangible assets	791	801	801	801	801
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	115	158	160	160	160
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	122	179	200	200	200
Current assets	2644	2752	2799	2905	3027
Inventories	577	585	611	634	661
Other current assets	173	200	220	220	220
Receivables	1407	1420	1319	1365	1419
Cash and equivalents	486	547	649	686	728
Balance sheet total	16477	16884	17126	17284	17422

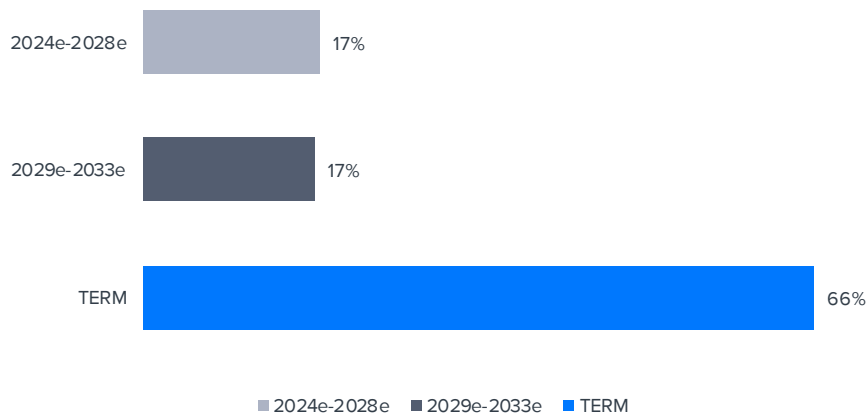
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	9865	10046	10709	11467	12339
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	663	1421	2293
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
Non-current liabilities	3945	3753	3490	3002	2409
Deferred tax liabilities	582	580	560	560	560
Provisions	63.4	65.0	20.0	20.0	20.0
Interest bearing debt	3178	2984	2810	2322	1729
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	122	124	100.0	100.0	100.0
Current liabilities	2667	3085	2928	2815	2675
Interest bearing debt	696	1100	1035	856	637
Payables	1971	1985	1892	1960	2037
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	16477	16884	17126	17284	17422

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.3 %	-0.5 %	5.7 %	6.1 %	5.2 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.8 %	2.8 %
EBIT-%	22.4 %	26.4 %	27.3 %	28.1 %	28.7 %	29.1 %	29.4 %	30.7 %	30.7 %	26.0 %	26.0 %	26.0 %
EBIT (operating profit)	1216	1429	1559	1706	1828	1946	2070	2266	2379	2115	2175	
+ Depreciation	563	555	580	628	628	646	654	643	661	676	685	
- Paid taxes	-248	-275	-270	-299	-346	-381	-412	-453	-476	-423	-435	
- Tax, financial expenses	-26.8	-30.8	-26.6	-21.6	-20.0	-8.0	-2.0	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	-37.7	-2.1	-2.4	-2.2	4.5	5.0	5.6	6.3	7.0	-0.5	
Operating cash flow	1471	1641	1840	2011	2088	2208	2315	2462	2571	2375	2425	
+ Change in other long-term liabilities	4.1	-69.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-804	-730	-632	-645	-656	-667	-678	-689	-700	-700	-697	
Free operating cash flow	670	841	1209	1366	1433	1541	1637	1773	1870	1675	1728	
+/- 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	841	1209	1366	1433	1541	1637	1773	1870	1675	1728	39306
Discounted FCFF		831	1112	1171	1143	1146	1133	1143	1123	937	901	20484
Sum of FCFF present value		31125	30294	29182	28011	26867	25722	24588	23445	22322	21384	20484
Enterprise value DCF		31125										
- Interest bearing debt		-4083.4										
+ Cash and cash equivalents		547										
-Minorities		-74.6										
-Dividend/capital return		-349.0										
Equity value DCF		27165										
Equity value DCF per share		10.1										
Equity value DCF per share (SEK)		115.8										

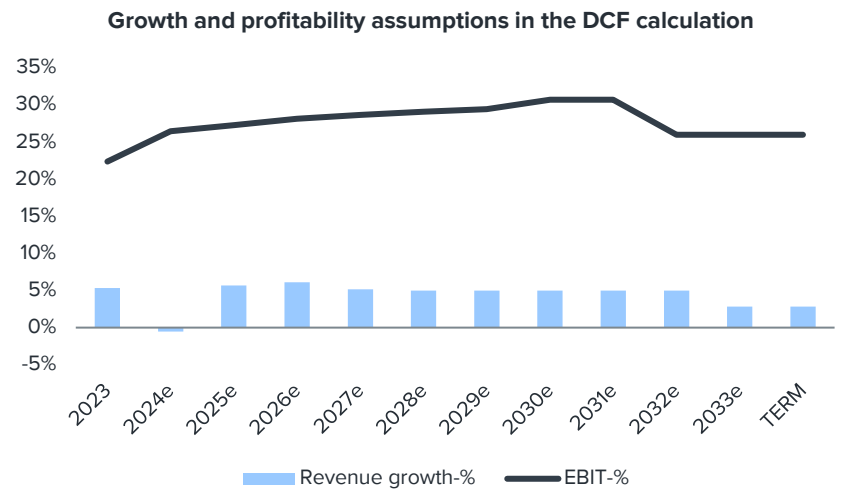
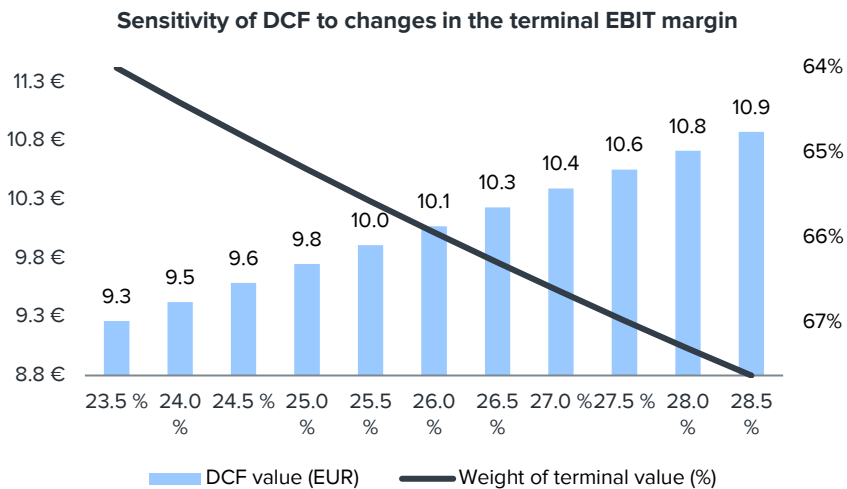
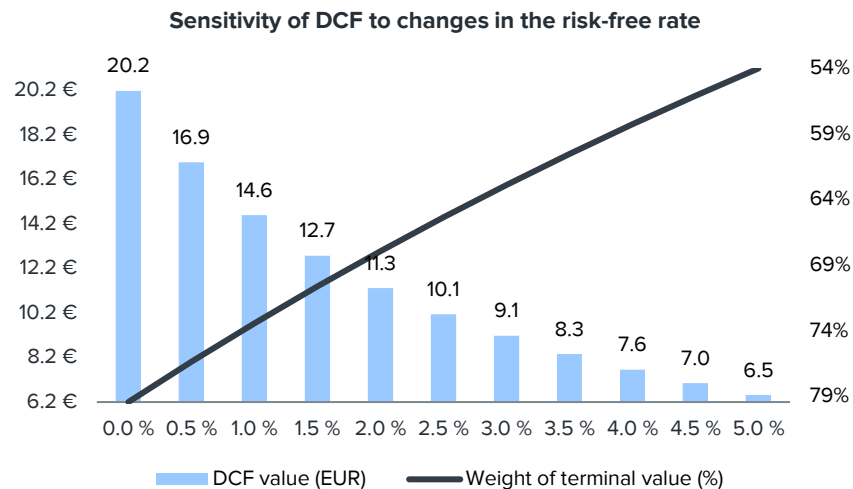
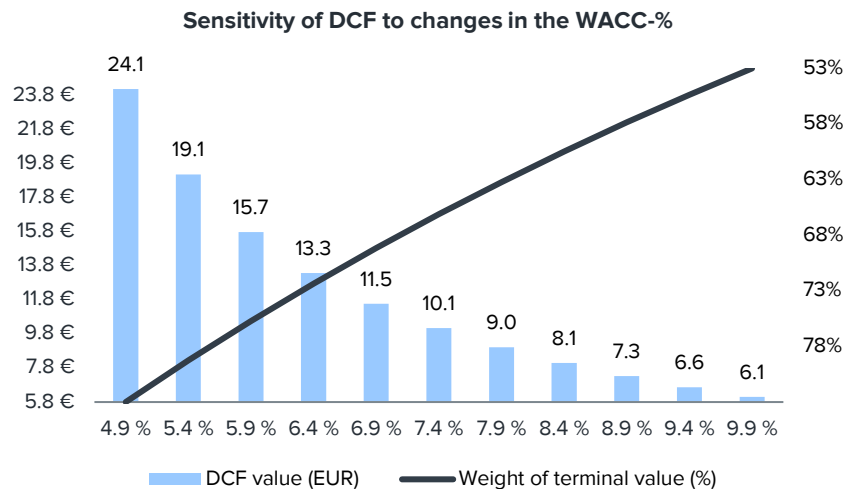
Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	3.0 %
Equity Beta	1.21
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.2 %
Weighted average cost of capital (WACC)	7.4 %

DCF sensitivity calculations and key assumptions in graphs



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	4341	5161	5435	5407	5713	EPS (reported)	0.31	0.37	0.32	0.38	0.42
EBITDA	1589	1754	1779	1984	2139	EPS (adj.)	0.39	0.44	0.43	0.43	0.47
EBIT	1010	1287	1216	1429	1559	OCF / share	0.54	0.56	0.55	0.61	0.69
PTP	984	1248	1061	1260	1419	FCF / share	-0.85	-0.36	0.25	0.31	0.45
Net Income	802	1008	859	1012	1134	Book value / share	3.36	3.65	3.73	3.98	4.26
Extraordinary items	-260	-231	-381	-167	-168	Dividend / share	0.11	0.12	0.13	0.14	0.15
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	14095	16477	16884	17126	17284	Revenue growth-%	15%	19%	5%	-1%	6%
Equity capital	8765	9865	10046	10709	11467	EBITDA growth-%	20%	10%	1%	12%	8%
Goodwill	8206	9600	9931	9948	9948	EBIT (adj.) growth-%	26%	20%	5%	0%	8%
Net debt	2466	3388	3536	3196	2492	EPS (adj.) growth-%	25%	14%	-2%	-2%	11%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	36.6 %	34.0 %	32.7 %	36.7 %	37.4 %
EBITDA	1589	1754	1779	1984	2139	EBIT (adj.)-%	29.2 %	29.4 %	29.4 %	29.5 %	30.2 %
Change in working capital	-14	-96	-34	-38	-2	EBIT-%	23.3 %	24.9 %	22.4 %	26.4 %	27.3 %
Operating cash flow	1411	1509	1471	1641	1840	ROE-%	10.9 %	10.9 %	8.7 %	9.8 %	10.3 %
CAPEX	-3589	-2461	-804	-730	-632	ROI-%	9.9 %	10.1 %	8.7 %	10.0 %	10.7 %
Free cash flow	-2199	-971	670	841	1209	Equity ratio	62.2 %	59.9 %	59.5 %	62.5 %	66.3 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	28.1 %	34.3 %	35.2 %	29.8 %	21.7 %
EV/S	9.4	5.8	5.2	5.2	4.8						
EV/EBITDA	25.6	17.0	15.7	14.1	12.8						
EV/EBIT (adj.)	32.1	19.6	17.5	17.5	15.8						
P/E (adj.)	36.3	22.1	21.1	21.6	19.5						
P/B	4.4	2.7	2.4	2.3	2.2						
Dividend-%	0.8 %	1.2 %	1.4 %	1.5 %	1.6 %						

Source: Inderes

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Date	Recommendation	Target	Share price
11/24/2023	Reduce	102.00 kr	104.00 kr
2/2/2024	Reduce	106.00 kr	118.10 kr
4/29/2024	Reduce	110.00 kr	120.20 kr
7/28/2024	Accumulate	115.00 kr	107.25 kr
10/25/2024	Accumulate	115.00 kr	106.40 kr



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