

Stora Enso

Company report

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This report is a summary translation of the report "Riski piilee markkinan täydellisyydessä" published on 04/29/2022 at 08:45 am.

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Risk lies in the market situation being perfect

We reiterate our Reduce recommendation for Stora Enso but raise our target price to EUR 18.00 (previously EUR 17.00), reflecting positive forecast changes. Stora Enso's short-term market situation is strong and robust earnings growth seems to continue this year. However, the risk of approaching a cyclical earnings peak is still too great in our view, and we also estimate that the market is also becoming increasingly nervous about that. Thus, we don't see purchases worth the risks at this stage, even though the valuation multiples for the current year are very low and there is a reasonable probability that Stora Enso will raise its guidance for the current year.

Another fierce result in the red-hot market

Stora Enso's net sales increased by 23% (+ 29% excluding Paper) in Q1, driven by a very favorable pricing situation. In contrast, the trend in volumes was already twofold. Stora Enso's adjusted EBIT increased by 54% from the good level of the comparison period to a quarterly record of EUR 503 million for the current shape of the company. The operational result beat our and consensus forecasts by about 15%. The main driver of the beat was strong pricing with the increase in costs being also more moderate than estimated. At division level, the only weak link was the small Packaging Solutions, while all other industrial units (including Paper that was struggling last year) secured strong numbers in a favorable market.

Favorable market situation has been going on longer than expected and we raised our short-term forecasts

In the Q1 report, Stora Enso reconfirmed its current year's guidance for adjusted EBIT being at roughly the same level as last year (2021: Adj. EBIT 1,528 MEUR). Reconfirmation of the guidance at this stage of the year was in line with our expectations, but thanks to the excellent Q1 numbers and the recent favorable news stream in the sector, the guidance starts to seem cautious. Stora Enso appears to be supported by the very strong demand and especially pricing situation in several product groups for longer than we had anticipated. The company's capacity has also been fully sold out. Despite the protracted period of tailwinds, we continue to be very skeptical about the sustainability of sky-high raw material prices of sawn wood, pulp and corrugated packaging (as well as certain inputs for production), when the elimination of supply constraints from various global reasons will loosen the market and/or the slowdown in the global economy will take the sharpest edge off demand. After the Q1 report, we raised our adjusted EBIT forecast for Stora Enso by about 17% for this year and about 5-7% for the next few years. We expect Stora Enso's adjusted EBIT to increase by 15% to EUR 1.8 billion this year, which means that in practice our forecast is already expecting the company to raise its guidance. In the coming years, however, we predict that the earnings level will calm down to a range of EUR 1.3-1.4 billion. The main driver for this is the normalization of pricing, which, in our estimate, the stable volume growth and calming of certain cost spikes can't fully compensate for.

Expected return around required return

Stora Enso's adjusted P/E multiples for 2022 and 2023 based on our estimates are 11x and 14x, while the corresponding EV/EBITDA multiples are 7x and 9x. With the multiples for this year, the share is cheap. Instead of valuation, investors' risks focus on the sustainability of the current earnings level. However, the multiples for 2023 are at the level of the company's 5-year median. In our opinion, the valuation of the share, the leveling-out earnings growth after H1 and the dividend yield of about 4% don't constitute an expected return that supports risk taking at this stage. Therefore, we look for a better place to buy in Stora Enso, despite the ongoing earnings celebrations, rather than taking the risk of buying at the top of the cycle without a safety margin.

Recommendation

Reduce

(previous Reduce)

EUR 18.00

(previous EUR 17.00)

Share price:

EUR 17.85



Key figures

	2021	2022e	2023e	2024e
Revenue	10164	11301	10711	10759
growth-%	19%	11%	-5%	0%
EBIT adj.	1528	1815	1367	1313
EBIT-% adj.	15.0 %	16.1 %	12.8 %	12.2 %
Net Income	1266	1247	979	937
EPS (adj.)	1.56	1.69	1.24	1.19
P/E (adj.)	10.3	10.5	14.4	15.0
P/B	1.2	1.3	1.3	1.3
Dividend yield-%	3.5 %	3.6 %	3.9 %	4.2 %
EV/EBIT (adj.)	9.8	9.2	12.3	12.8
EV/EBITDA	6.6	7.0	8.5	8.8
EV/S	1.5	1.5	1.6	1.6

Source: Inderes

Guidance

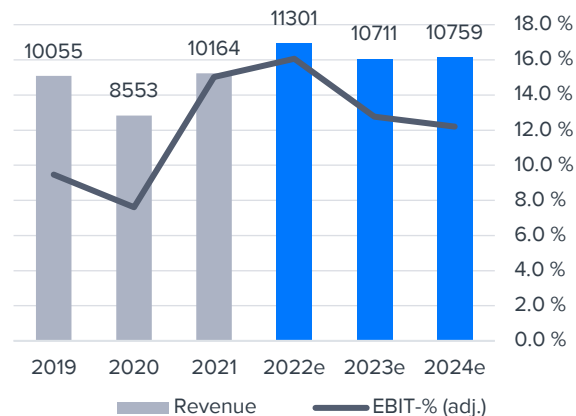
(Unchanged)

Stora Enso's full-year 2022 operational EBIT is estimated to be approximately in line with the full year operational EBIT for 2021 (EUR 1,528 million).

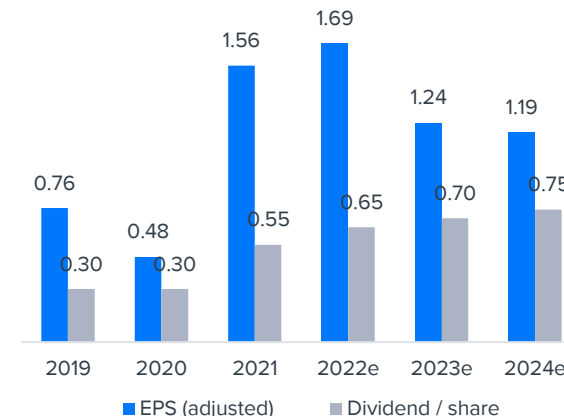
Share price



Revenue and EBIT %



EPS and dividend



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
- Poor outlook for the paper business
- Pulp price risk
- Currency exchange rate risks

Valuation	2022e	2023e	2024e
Share price	17.8	17.8	17.8
Number of shares, millions	788.6	788.6	788.6
Market cap	14073	14073	14073
EV	16753	16817	16838
P/E (adj.)	10.5	14.4	15.0
P/E	11.3	14.4	15.0
P/FCF	12.7	13.7	13.7
P/B	1.3	1.3	1.3
P/S	1.2	1.3	1.3
EV/Sales	1.5	1.6	1.6
EV/EBITDA	7.0	8.5	8.8
EV/EBIT (adj.)	9.2	12.3	12.8
Payout ratio (%)	41.1%	56.4%	63.1%
Dividend yield-%	3.6%	3.9%	4.2%

Source: Inderes

Price increases visible in the result

Exceptionally strong growth in net sales continued

In Q1, Stora Enso's net sales grew by 23% to EUR 2,798 million, which exceeded both our and consensus estimates. The growth was almost entirely generated through price increases. Of the divisions, Wood Products and Paper exceeded our expectations quite clearly (+12-14%), while Packaging Solutions remained somewhat below our expectations (-13%), even though the segment reached record Q1 net sales despite the negative effects of Russian operations. In terms of volumes, Q1 was somewhat twofold, as pulp and corrugated board volumes decreased, while board and wood product volumes increased.

Operational profitability at record level

Stora Enso's adjusted EBIT increased by 54% to EUR 503 million in Q1, significantly exceeding our and consensus forecasts. This was also the company's

best operational result for about 20 years (Q1'22 adj. EBIT: 18.0% vs. Q1'21: 14.4%). At division level, Packaging Materials once again brought together an excellent and slightly better-than-expected result in a seasonally good quarter, as sales prices increased more than variable costs. Wood Products, still driven by good demand for sawn wood and high prices, had also a strong performance (Q1'22 ROOC-%: 68% vs. target > 20%) and the unit was well above our forecasts and benchmarks. The operational performance of Forest remained stable.

However, due to the rise in pulp prices, most improvement was seen in Biomaterials, which continued strong earnings growth, and Paper, which became clearly profitable through historically high price increases. Paper exceeded our forecast clearly, while Biomaterials was a little short of our forecasts (-5%).

Cash flow reasonably well in line with the result

In the lower rows, the reported results of Stora Enso were hurt by write-downs (not included in forecasts) related to the units sold in Russia, whose impact on the big picture, however, remained small. Financial expenses and taxes were on somewhat normal levels and in line with our estimates. Thus, the EPS ultimately increased to EUR 0.37. Due to the write-downs, this was slightly below our and consensus forecasts. Operational cash flow amounted to EUR 408 million and was thus well above the comparison period (Q1'21: 185 MEUR), which was also a good accomplishment in view of the normal seasonal factors related to operations (i.e. Q1 is typically ties working capital) and inflation. The company's balance sheet is also very strong, as the net debt/EBITDA ratio fell to 1.1x, which is in the company's comfort zone (Target: less than 2x vs. Q1'21: 2.3x), although investment will continue.

Estimates MEUR / EUR	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	2276	2798	2787	2709	2479	- 2844	0%	11301
EBIT (adj.)	327	503	434	435	382	- 480	16%	1815
EBIT	161	394	434	401	433	- 495	-9%	1706
PTP	125	374	399	401	342	- 462	-6%	1579
EPS (reported)	0.18	0.37	0.41	0.41	0.37	- 0.46	-9%	1.58
Revenue growth-%	3.1%	22.9%	22.5%	19.0%	8.9%	- 24.9%	0.5 pp	11.2%
EBIT-% (adj.)	14.4%	18.0%	15.6%	16.0%	15.4%	- 16.9%	2.4 pp	16.1%

Source: Inderes & Vara (consensus)

Our forecasts practically expect Stora Enso to raise its guidance this year

Estimate changes 2022e-2024e

- In the Q1 report, Stora Enso reconfirmed its current year's guidance for adjusted EBIT being at roughly the same level as last year (2021: Adj. EBIT 1,528 MEUR). Reconfirmation of the guidance at this stage of the year was in line with our expectations, but thanks to the excellent Q1 numbers and the recent favorable news stream in the sector, the guidance starts to seem cautious.
- Due to the continuing problems with supply, we raised our estimates for the average price of pulp and sawn timber, especially for 2022, which significantly increased the forecasts for Biomaterials and particularly Wood Products. Biomaterials forecasts also received support from currency exchange rates in the short term.
- Due to the extremely strong and in the short-term under-supplied packaging board market, we also raised our forecasts for Packaging Materials for the coming years
- Forecasts for Paper also increased significantly with the strong Q1 margins improving confidence in the unit.
- Forecasts for Packaging Solutions fell clearly due to production being stopped in Russia
- We didn't make any other essential adjustments to our forecasts for Forest.

Operational result drivers 2022e-2024e:

- We expect Packaging Materials to make a top result in the tight markets this year, but as the competition intensifies in the coming years, we expect the unit's performance to calm down slightly
- We expect that the result of Biomaterials will gradually fall from the peak levels that will be achieved in 2022, as we estimate that pulp prices will fall due to the normalization of supply (incl. supply chains) and new production capacity.
- We estimate that next year Wood Products' earnings will turn downward from the very high level, as we expect the currently unsustainably high margins to fall as prices normalize in 2023-2024, when there's enough supply and the strongest demand will level out as economic growth slows.
- We expect the savings and price increases to produce a substantial earnings improvement in 2022-2023 for Paper, despite inflation. However, the diminished unit won't naturally reach historical earnings level.
- We expect Forest to continue with strong and stable earnings.

Estimate revisions MEUR / EUR	2022e			2023e			2024e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	10571	11301	7%	10301	10711	4%	10394	10759	4%
EBIT (exc. NRIs)	1546	1815	17%	1276	1367	7%	1256	1313	5%
EBIT	1546	1706	10%	1276	1367	7%	1256	1313	5%
PTP	1403	1579	13%	1145	1236	8%	1127	1184	5%
EPS (excl. NRIs)	1.42	1.69	19%	1.15	1.24	8%	1.13	1.19	5%
DPS	0.60	0.65	8%	0.65	0.70	8%	0.70	0.75	7%

Source: Inderes

Our view doesn't just rely on this year

Valuation factors are at the right level

Stora Enso's adjusted P/E multiples for 2021 and 2023 based on our estimates are 11x and 14x, while the corresponding EV/EBITDA multiples are ca. 7x and 9x. With the multiples for this year, the share is cheap. Instead of valuation, investors' risks focus on the sustainability of the current earnings level. Stora Enso's multiples for the coming years will again be at medium-term average levels (zero interest period). Although the quality of the company's earnings has in principle improved (i.e. lower Paper's share of earnings), we consider the valuation quite neutral. Of course, the slight increase in the company's acceptable value balances this out. With the 5-year average realized result, Stora Enso's P/E would be 18x, which reflects the cyclical risk, although the company's profile has certainly changed for the better in the last five years.

In relative terms, Stora Enso has been priced in line with the peer group when 2022-2023 as a whole is considered. Therefore, the relative valuation supports our view of reasonable share pricing. Our DCF model, based on our longer-term forecasts, is also only slightly above the share price at about EUR 19. Thus, neither the relative valuation nor the DCF model suggest that the share is clearly mis-priced.

We believe that the valuation is reasonable

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

Stora Enso's result has increased to an excellent level. We still estimate that the company's earnings trend will collide

with hard benchmarks at H2'22 or at the latest next year if the historically high raw material price levels for pulp, sawn timber and corrugated board are not sustainable and the cost level remains high in line with our expectations. We don't consider the multiples sufficiently low when reflected to the already visible reversal of this earnings growth driver (i.e. we don't believe that there is upside potential without maintaining the historically high earnings level in a sustainable manner). Thus, we believe that the 12-month expected return remains at the level of the required return. In addition, reviewing the schedule of the battery material project removed one short-term share price driver and market focus in Stora Enso is largely on the sustainability of the cycle.

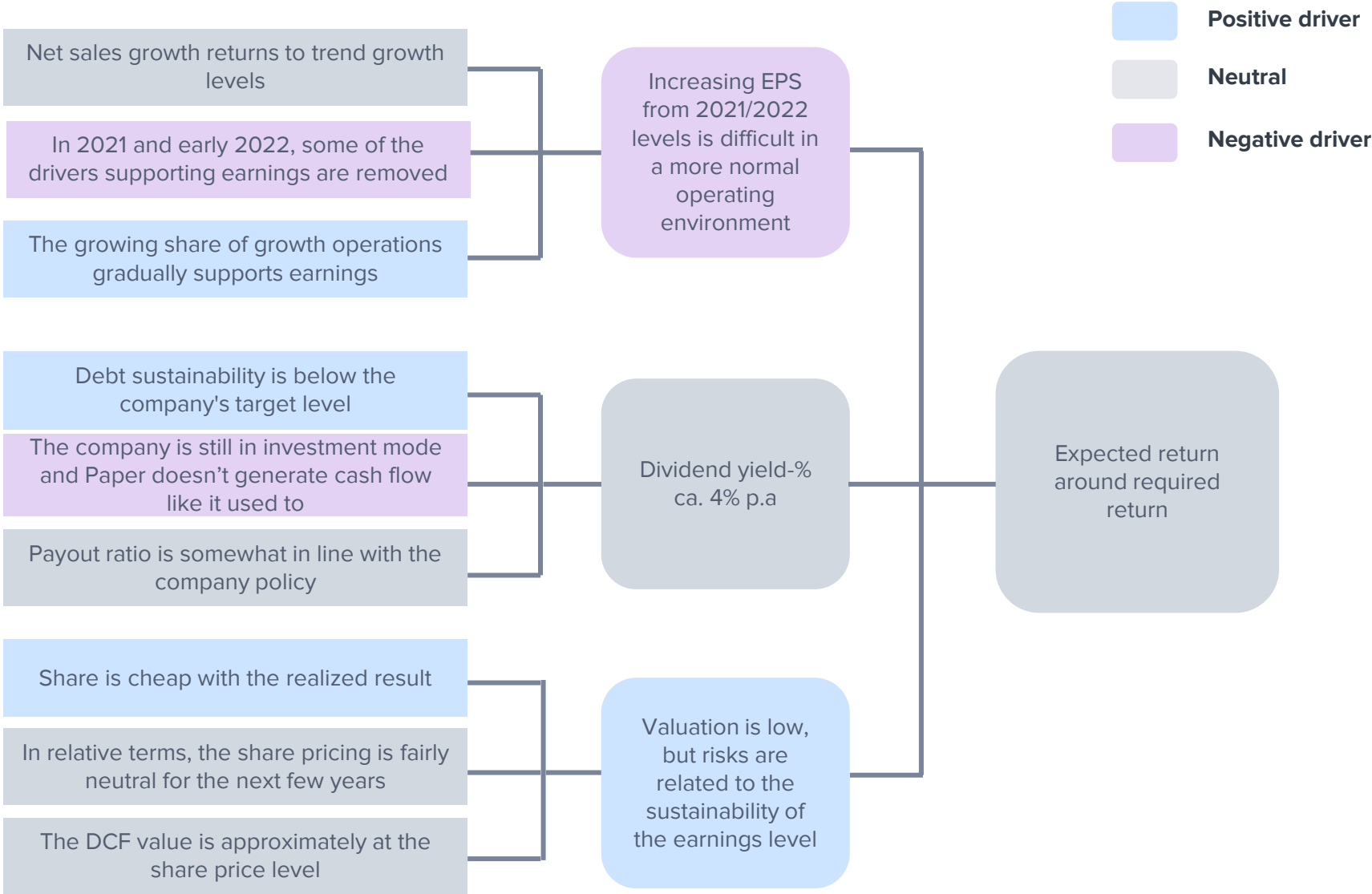
Written-up balance sheet keeps the return on capital under control

Stora Enso's P/B multiple is below its medium-term median level at 1.3x (2021 ACT.). 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 year and the cash flow rate is even significantly lower. Thus, even in relation to the low risk of forest assets, we don't consider the balance sheet value favorable and that the present value of forest assets includes the assumption that the zero-interest rate environment will continue for a long time. In addition, the company's return on investment target of over 13% for industrial businesses hasn't been an easy target for the company over time, although the company is clearly in a much higher position in the current market situation. Thus, the balance sheet, which has been grown with write-ups and consequently the chronically limited return on capital will, in our opinion, make the acceptable valuation premium in relation to the balance sheet value too small.

Valuation	2022e	2023e	2024e
Share price	17.8	17.8	17.8
Number of shares, millions	788.6	788.6	788.6
Market cap	14073	14073	14073
EV	16753	16817	16838
P/E (adj.)	10.5	14.4	15.0
P/E	11.3	14.4	15.0
P/FCF	12.7	13.7	13.7
P/B	1.3	1.3	1.3
P/S	1.2	1.3	1.3
EV/Sales	1.5	1.6	1.6
EV/EBITDA	7.0	8.5	8.8
EV/EBIT (adj.)	9.2	12.3	12.8
Payout ratio (%)	41.1 %	56.4 %	63.1 %
Dividend yield-%	3.6 %	3.9 %	4.2 %

Source: Inderes

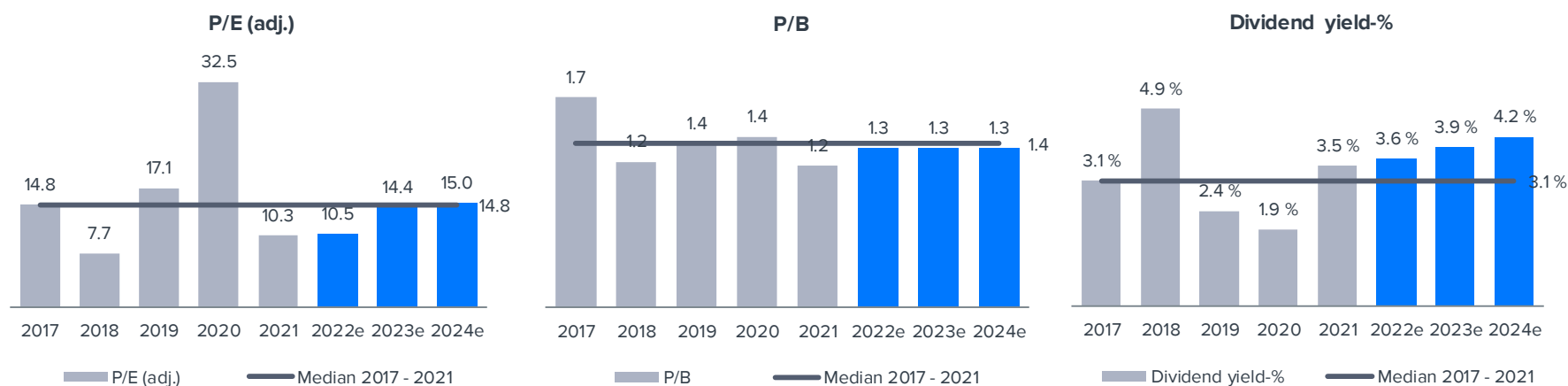
EPS drivers 2022e-2024e



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	13.20	10.01	12.97	15.65	16.14	17.85	17.85	17.85	17.85
Number of shares, millions	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6	788.6
Market cap	10410	8075	10057	12386	12465	14073	14073	14073	14073
EV	12896	10310	13351	15453	14902	16753	16817	16838	16878
P/E (adj.)	14.8	7.7	17.1	32.5	10.3	10.5	14.4	15.0	15.0
P/E	16.7	7.8	11.6	19.7	10.1	11.3	14.4	15.0	15.0
P/FCF	10.6	10.4	neg.	22.5	43.6	12.7	13.7	13.7	13.4
P/B	1.7	1.2	1.4	1.4	1.2	1.3	1.3	1.3	1.3
P/S	1.0	0.8	1.0	1.4	1.2	1.2	1.3	1.3	1.3
EV/Sales	1.3	1.0	1.3	1.8	1.5	1.5	1.6	1.6	1.5
EV/EBITDA	9.1	5.5	7.0	10.6	6.6	7.0	8.5	8.8	8.6
EV/EBIT (adj.)	12.8	7.8	14.0	23.7	9.8	9.2	12.3	12.8	12.4
Payout ratio (%)	51.7 %	38.9 %	26.9 %	37.8 %	34.3 %	41.1 %	56.4 %	63.1 %	63.2 %
Dividend yield-%	3.1 %	4.9 %	2.4 %	1.9 %	3.5 %	3.6 %	3.9 %	4.2 %	4.2 %

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	47.36	16821	20648	9.7	8.8	6.4	6.0	1.0	1.0	10.5	10.1	4.0	4.2	1.9
Sappi	5599.00	1875	3677	6.8	8.1	4.4	4.7	0.6	0.6	5.1	7.1	2.4	2.8	0.9
DS Smith	328.50	5297	7274	10.8	9.3	6.8	6.0	0.9	0.8	10.9	9.4	4.6	5.1	1.2
Metsä Board	9.62	3450	3493	8.1	8.3	6.5	6.6	1.3	1.3	11.4	12.0	4.5	4.5	1.7
Holmen	575.20	8701	8963	19.7	23.7	15.2	17.5	4.2	4.3	25.0	30.6	1.7	1.6	1.8
Billerud	151.40	2990	3294	10.3	10.3	6.4	6.3	1.1	1.1	10.9	11.4	3.2	3.1	1.4
Mayr-Melnhof	169.40	3386	4477	13.5	13.3	8.8	8.5	1.1	1.2	15.5	14.1	2.3	2.6	1.9
UPM	33.49	17861	19438	12.5	11.4	9.4	8.5	1.7	1.5	15.4	13.5	4.1	4.4	1.6
Suzano	50.60	13055	25366	8.1	10.9	5.4	6.5	2.9	3.3	7.2	13.5	2.8	2.0	3.1
Smurfit Kappa	39.50	10242	13076	9.9	9.3	6.7	6.3	1.1	1.1	11.5	10.9	3.6	3.8	1.9
Stora Enso (Inderes)	17.85	14073	16753	9.2	12.3	7.0	8.5	1.5	1.6	10.5	14.4	3.6	3.9	1.3
Average				11.5	12.4	8.2	8.6	2.1	2.1	13.0	14.5	3.2	3.3	1.7
Median				10.1	9.8	6.6	6.4	1.2	1.2	11.1	11.7	3.4	3.4	1.7
Diff-% to median				-8%	25%	6%	33%	23%	29%	-5%	23%	8%	14%	-22%

Source: Thomson Reuters / 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
Revenue	8553	2276	2592	2577	2719	10164	2798	3014	2778	2711	11301	10711	10759	10941
Packaging Materials	3115	862	987	987	1062	3898	1132	1183	1135	1101	4550	4315	4316	4412
Packaging Solutions	594	159	170	180	214	723	191	191	193	194	768	715	717	738
Biomaterials	1193	355	453	426	494	1728	442	558	503	454	1957	1683	1629	1641
Wood Products	1386	382	477	503	510	1872	573	565	478	463	2079	1876	1991	2057
Paper	1979	428	445	441	389	1703	416	429	409	386	1639	1427	1361	1294
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
Internal sales	-2688	-732	-790	-809	-832	-3163	-818	-850	-800	-780	-3248	-3000	-3000	-3000
EBITDA	1531	410	337	522	996	2265	598	699	572	515	2384	1971	1922	1966
Depreciation	-609	-249	-155	-136	-157	-697	-204	-157	-158	-159	-678	-604	-609	-600
EBIT (excl. NRI)	651	327	365	409	427	1528	503	542	414	356	1815	1367	1313	1367
EBIT	922	161	182	386	839	1568	394	542	414	356	1706	1367	1313	1367
Packaging Materials	403	127	144	152	133	556	196	175	145	126	642	605	586	630
Packaging Solutions	34	4	3	7	12	26	1	4	7	8	20	30	39	43
Biomaterials	9	65	145	118	167	495	117	186	132	106	541	302	261	260
Wood Products	114	52	100	123	89	364	118	119	68	60	365	203	201	209
Paper	-38	-34	-49	-31	-10	-124	36	26	20	23	106	87	82	77
Forest	164	123	47	49	48	267	49	45	48	46	187	187	192	194
Other	-35	-11	-16	-3	-18	-48	-14	-13	-6	-12	-45	-47	-47	-47
Internal 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	-184
PTP	773	125	152	349	793	1419	375	506	379	319	1579	1236	1184	1183
Taxes	-156	20	56	-50	-177	-151	-88	-101	-76	-64	-329	-247	-237	-237
Minority interest	9	-1	-3	2	0	-2	2	-1	-2	-3	-4	-10	-10	-10
Net earnings	626	144	205	301	616	1266	289	404	301	253	1247	979	937	936
EPS (adj.)	0.48	0.35	0.42	0.41	0.39	1.56	0.48	0.51	0.38	0.32	1.69	1.24	1.19	1.19
EPS (rep.)	0.79	0.18	0.26	0.38	0.78	1.61	0.37	0.51	0.38	0.32	1.58	1.24	1.19	1.19

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-14.9 %	3.1 %	22.6 %	24.0 %	26.3 %	18.8 %	22.9 %	16.3 %	7.8 %	-0.3 %	11.2 %	-5.2 %	0.5 %	1.7 %
Adjusted EBIT growth-%	-31.7 %	81.7 %	105.1 %	133.7 %	261.9 %	134.7 %	53.7 %	48.5 %	1.3 %	-16.6 %	18.8 %	-24.7 %	-3.9 %	4.1 %
EBITDA-%	17.9 %	18.0 %	13.0 %	20.3 %	36.6 %	22.3 %	21.4 %	23.2 %	20.6 %	19.0 %	21.1 %	18.4 %	17.9 %	18.0 %
Adjusted EBIT-%	7.6 %	14.4 %	14.1 %	15.9 %	15.7 %	15.0 %	18.0 %	18.0 %	14.9 %	13.1 %	16.1 %	12.8 %	12.2 %	12.5 %
Net earnings-%	7.3 %	6.3 %	7.9 %	11.7 %	22.7 %	12.5 %	10.3 %	13.4 %	10.9 %	9.3 %	11.0 %	9.1 %	8.7 %	8.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13276	14517	14565	14613	14631
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
Current assets	4155	4509	4768	4364	4276
Inventories	1270	1478	1616	1532	1539
Other current assets	79.5	101	101	101	101
Receivables	1145	1449	1582	1446	1453
Cash and equivalents	1661	1481	1469	1285	1184
Balance sheet total	17431	19026	19333	18977	18906

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	8794	10666	10666	10666	10666
Share capital	1423	1423	1423	1423	1423
Retained earnings	6387	7416	8229	8695	9081
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	1029	563	178
Minorities	-16.0	-16.0	-16.0	-16.0	-16.0
Non-current liabilities	5742	5195	5217	5121	5057
Deferred tax liabilities	1332	1430	1430	1430	1430
Provisions	102	91.0	91.0	91.0	91.0
Long term debt	3822	3313	3336	3240	3176
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	486	361	360	360	360
Current liabilities	2895	3165	3450	3189	3183
Short term debt	928	624	834	810	794
Payables	1837	2339	2486	2249	2259
Other current liabilities	130	202	130	130	130
Balance sheet total	17431	19026	19333	18977	18906

DCF calculation

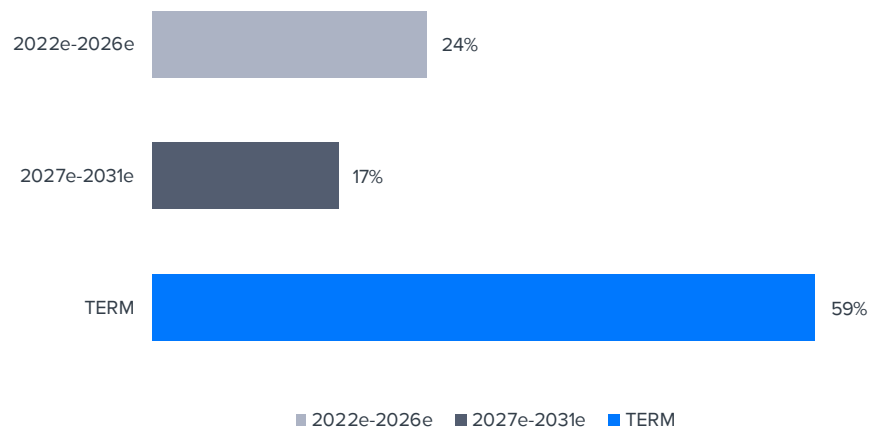
DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	1568	1706	1367	1313	1367	1346	1322	1325	1328	1362	1389	
+ Depreciation	697	678	604	609	600	591	584	577	570	576	581	
- Paid taxes	-79	-370	-247	-237	-237	-236	-230	-230	-230	-236	-241	
- Tax, financial expenses	-16	-27	-26	-26	-37	-34	-34	-35	-36	-37	-37	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	40	-196	-16	-3	-12	-19	-19	-20	-20	-21	-17	
Operating cash flow	2210	1792	1681	1656	1681	1649	1622	1618	1613	1645	1675	
+ 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	-589	
Free operating cash flow	286	1106	1029	1029	1054	1022	995	991	986	1018	1086	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	286	1106	1029	1029	1054	1022	995	991	986	1018	1086	20880
Discounted FCFF		1055	915	853	813	735	667	619	574	552	549	10557
Sum of FCFF present value		17888	16834	15919	15066	14253	13518	12851	12232	11658	11106	10557
Enterprise value DCF		17888										
- Interesting bearing debt		-3937										
+ Cash and cash equivalents		1481										
- Minorities		21										
- Dividend/capital return		-434										
Equity value DCF		15020										
Equity value DCF per share		19.0										

Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.4
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	8.5 %
Weighted average cost of capital (WACC)	7.3 %

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	11301	10711	EPS (reported)	1.12	0.79	1.61	1.58	1.24
EBITDA	1902	1531	2265	2384	1971	EPS (adj.)	0.76	0.48	1.56	1.69	1.24
EBIT	1305	922	1568	1706	1367	OCF / share	3.44	1.97	2.80	2.27	2.13
PTP	1137	773	1419	1579	1236	FCF / share	-1.58	0.70	0.36	1.40	1.31
Net Income	880	626	1266	1247	979	Book value / share	9.42	11.17	13.54	13.54	13.54
Extraordinary items	352	271	40	-109	0	Dividend / share	0.30	0.30	0.55	0.65	0.70
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	15053	17431	19026	19333	18977	Revenue growth-%	-4%	-15%	19%	11%	-5%
Equity capital	7422	8794	10666	10666	10666	EBITDA growth-%	2%	-20%	48%	5%	-17%
Goodwill	302	281	282	282	282	EBIT (adj.) growth-%	-28%	-32%	135%	19%	-25%
Net debt	3304	3089	2456	2701	2765	EPS (adj.) growth-%	-41%	-36%	225%	8%	-27%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	18.9 %	17.9 %	22.3 %	21.1 %	18.4 %
EBITDA	1902	1531	2265	2384	1971	EBIT (adj.)-%	9.5 %	7.6 %	15.0 %	16.1 %	12.8 %
Change in working capital	316	206	40	-196	-16	EBIT-%	13.0 %	10.8 %	15.4 %	15.1 %	12.8 %
Operating cash flow	2711	1552	2210	1792	1681	ROE-%	12.4 %	7.7 %	13.0 %	11.7 %	9.2 %
CAPEX	-4827	-2331	-1788	-685	-652	ROI-%	12.0 %	7.4 %	11.2 %	11.6 %	9.3 %
Free cash flow	-1245	552	286	1106	1029	Equity ratio	49.3 %	50.5 %	56.1 %	55.2 %	56.2 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	44.5 %	35.1 %	23.0 %	25.3 %	25.9 %
EV/S	1.3	1.8	1.5	1.5	1.6						
EV/EBITDA (adj.)	7.0	10.6	6.6	7.0	8.5						
EV/EBIT (adj.)	14.0	23.7	9.8	9.2	12.3						
P/E (adj.)	17.1	32.5	10.3	10.5	14.4						
P/B	1.4	1.4	1.2	1.3	1.3						
Dividend-%	2.4 %	1.9 %	3.5 %	3.6 %	3.9 %						

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
12/28/2018	Accumulate	11.50 €	10.12 €
10/30/2019	Reduce	11.50 €	11.80 €
1/30/2020	Reduce	11.50 €	11.76 €
3/24/2020	Accumulate	8.50 €	7.36 €
4/16/2020	Reduce	9.50 €	9.90 €
4/22/2020	Reduce	9.50 €	10.06 €
6/24/2020	Reduce	10.50 €	11.19 €
7/22/2020	Reduce	10.50 €	11.25 €
9/24/2020	Reduce	13.00 €	13.64 €
10/20/2020	Reduce	13.00 €	13.67 €
11/12/2020	Reduce	13.00 €	13.73 €
2/1/2021	Reduce	14.00 €	15.00 €
3/24/2021	Reduce	15.00 €	16.15 €
4/26/2021	Reduce	15.50 €	16.68 €
7/22/2021	Reduce	15.50 €	16.04 €
10/21/2021	Reduce	15.50 €	14.65 €
1/31/2022	Reduce	17.00 €	17.50 €
4/29/2022	Reduce	18.00 €	17.85 €



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