Kalmar

Initiation of coverage

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Inderes corporate customer

This report is a summary translation of the report “Edullisesti toimialan ykkösen kyytiin” published on 7/1/2024 at 10:04 pm EEST

Cheaply on board the industry leader

We initiate coverage of Kalmar with a Buy recommendation and a target price of EUR 36.0. The growth of Kalmar's target market is accelerating, supported by strong megatrends like the need to reduce emissions and electrification, as well as the change in the logistics environment. Kalmar is one of the leading players in the market, and its good earnings predictability and solid balance sheet lower the risk profile. We find the stock's valuation highly attractive.

Reasonable market growth supported by megatrends expected in the coming years

The market for heavy material handling equipment like straddle and shuttle carriers, reachstackers, terminal tractors and forklift trucks is global. It is divided between many customer industries, such as ports and terminals, heavy logistics, manufacturing and distribution. The equipment market is expected to grow by nearly 5% p.a. in 2024-2028, and growth is accelerated by the need to reduce emissions and the electrification of the equipment fleet, changes in logistics chains, increased productivity and safety requirements, and labor shortages. Kalmar's response to these challenges is an all-electric product offering, connectivity, software and analytics solutions, and autonomous and user-assisted solutions. The core of the service market, almost equal in size to the new equipment market, is traditional spare parts and maintenance services. As electric equipment that requires less maintenance becomes more common, this market will grow slightly slower than the new equipment market, i.e. by just under +4% p.a. in 2024-2028. However, electrification and digitalization enable new services and service models.

The strategy allows for market share accumulation

In addition to the product innovations mentioned above, Kalmar's strategic focus is on growth in services by improving its position in its own extensive installed equipment base by offering new digital solutions and expanding in demanding maintenance and value-added services for electric equipment. The third focus area of the strategy is to improve operational and strategic performance through operational programs. Kalmar's revenue growth target for 2024-2028 (+5% p.a.) is at market level, although we believe the company has prerequisites to increase its market share by utilizing the strong electric product offering in equipment sales and improving the position in the maintenance and other services of its own installed equipment base.

Kalmar's growth is expected to start in 2025

After Kalmar's weak order intake in 2023, the 2024 revenue will decrease and our forecast is -15% y/y. However, the accelerating growth of the entire market and the moderate increase in Kalmar's market share will boost the revenue growth rate to +7% p.a. in 2025-2027. We estimate that the comparable EBIT margin of 2024 will fall to 11.5% from 13.0% in 2023, but will rise to 13.7% with volumes and efficiency programs in 2027, which is quite close to the strategic target of 15% in 2028. EPS growth in 2025-2027 is a nice +12% p.a.

The stock's valuation level is very attractive

The valuation of Kalmar's stock is attractive with all indicators. The expected total return clearly exceeds the required return, the valuation discount to the peers is approximately -10...-30%, and the upside in the DCF is considerable. Possible positive share price drivers include news about electrification in heavy material handling progressing fast and related new orders from Kalmar, as well as additional information on the progress of the performance programs.

Recommendation

Buy
(previous)

EUR 36.00
(previous EUR)

Share price:
26.40

Key figures

	2023	2024e	2025e	2026e
Revenue	2050	1742	1818	1949
growth-%	5%	-15%	4%	7%
EBIT adj.	254.7	203.5	224.1	254.7
EBIT-% adj.	12.4 %	11.7 %	12.3 %	13.1 %
Net Income	193.8	126.1	162.8	188.1
EPS (adj.)	3.17	2.42	2.53	2.92
P/E (adj.)	n.a.	10.9	10.4	9.0
P/B	n.a.	2.8	2.4	2.1
Dividend yield-%	n.a.	3.8 %	4.9 %	5.5 %
EV/EBIT (adj.)	n.a.	8.7	7.6	6.4
EV/EBITDA	n.a.	7.9	6.1	5.2
EV/S	n.a.	1.0	0.9	0.8

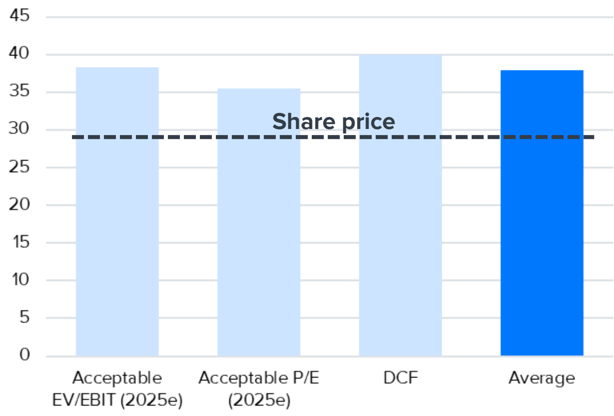
Source: Inderes

Guidance

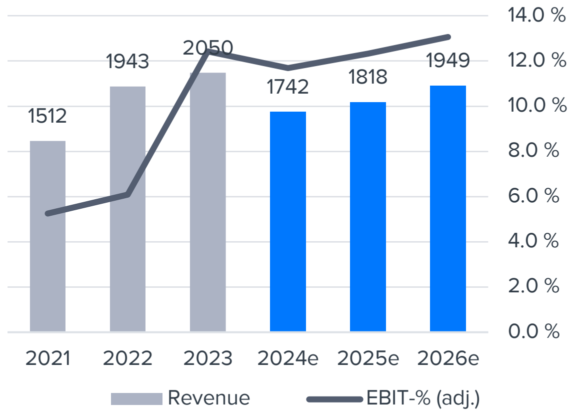
(New guidance)

Kalmar's comparable operating profit margin as a standalone company is estimated to be above 11% in 2024.

Valuation vs. share price, EUR

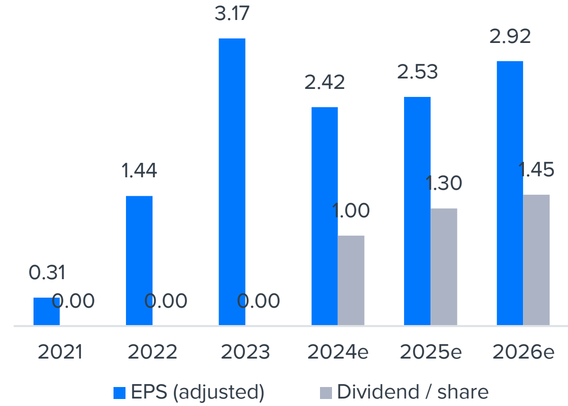


Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Accelerating container transport growth from H2'24 onwards
- Progress in equipment electrification and automation of container handling
- Growth of service business through more efficient utilization of the installed equipment base and digitalization

Risk factors

- General cyclicality of equipment demand
- Increasing geopolitical tensions
- Intensified price competition, particularly from Chinese players
- Electrification and automation will not progress at the expected pace

Valuation	2024e	2025e	2026e
Share price	26.4	26.4	26.4
Number of shares, millions	64.3	64.3	64.3
Market cap	1698	1698	1698
EV	1774	1697	1626
P/E (adj.)	10.9	10.4	9.0
P/E	13.5	10.4	9.0
P/B	2.8	2.4	2.1
P/S	1.0	0.9	0.9
EV/Sales	1.0	0.9	0.8
EV/EBITDA	7.9	6.1	5.2
EV/EBIT (adj.)	8.7	7.6	6.4
Payout ratio (%)	50.9 %	51.3 %	49.5 %
Dividend yield-%	3.8 %	4.9 %	5.5 %

Source: Inderes

Contents

Kalmar in brief

Kalmar offers a wide range of heavy material handling equipment and services for ports, terminals, distribution centers, manufacturing industries and heavy logistics needs. The operations are global and Kalmar is the leading company in many segments. Service businesses accounted for 28% of revenue in 2023. The long-term demand drivers for equipment are robust and the expansive installed equipment base increases the potential in both replacement demand and new services.

1997
Partek Oyj acquires Sisu Terminal Systems and the majority of Kalmar Industries AB

2005-2024
Kalmar operates as part of Cargotec Corporation

20%
Global market share in the equipment target market in 2023

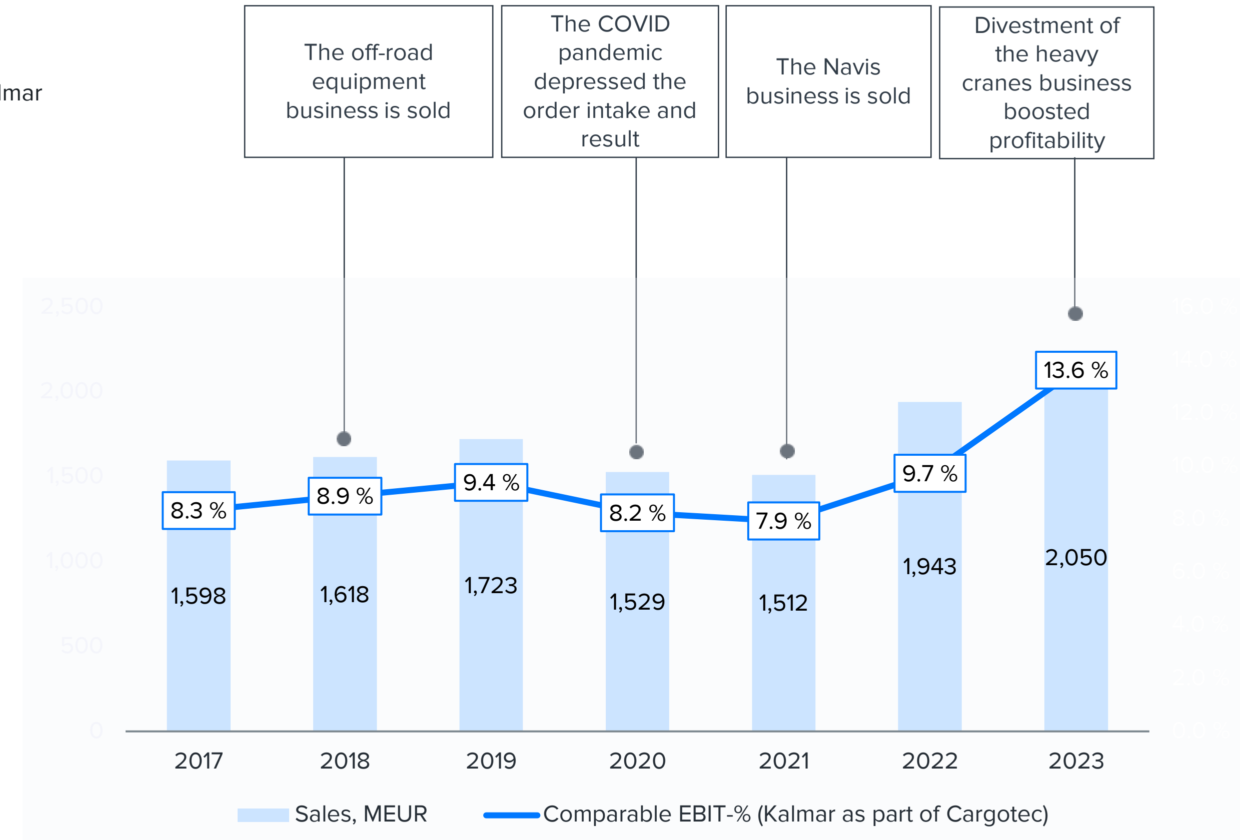
€2,050 million **(+5% vs. 2022; +8% y/y pro forma)**
Revenue 2023

€255 million **(12.4% of revenue)**
Pro forma revenue 2023

4,991
Personnel 12/2023 (carve-out)

Main products

Straddle carriers | **Reachstackers** | **Forklift trucks** | **Terminal tractors** | **Container spreaders**



Company description 1/2

A long and meandering history

Kalmar's roots in Finland date back to the 1940s, when the first transport carrier for industrial use was completed at Valtion Metallitehtaat's (later Valmet) machine shop in Tampere. In the 1950s, Valmet, e.g., delivered 500 lumber shuttle carriers to the Soviet Union as part of the war indemnity, and the first versions of the straddle carriers were introduced in the 1970s. The Swedish Kalmar Industries was born from heavy forklift truck manufacturing, which began in 1959 in the Ljungbytruck company. After several ownership and name changes, ABB acquired Kalmar Last Maskin Verkstad in 1990 and the name was changed to Kalmar Industries. Deliveries of reachstackers had already started in 1986. Kalmar Industries was listed on the Stockholm stock exchange in 1994.

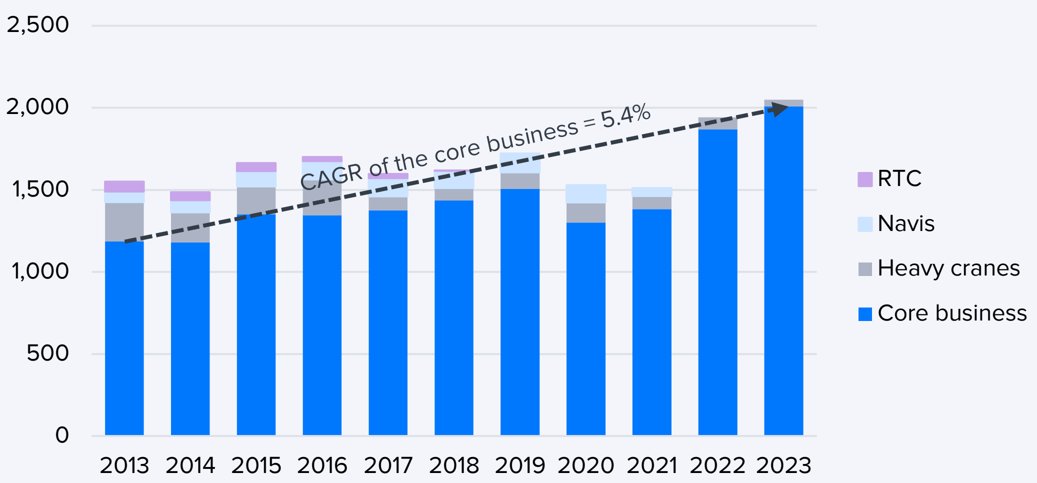
As part of Cargotec, the Kalmar business area began to take shape in 1997, when Partek Oyj acquired Oy Sisu Ab from the State of Finland, whose business included, e.g., heavy material handling equipment, heavy forklift trucks and terminal tractors. In 1994, Sisu had acquired Valmet's material handling business. Shortly after the Sisu acquisition in 1997, Partek acquired a majority stake in Kalmar Industries AB and Sisu Terminal Systems was merged with Kalmar Industries. At the time of the merger, the annual revenues of both Kalmar Industries and Sisu Terminal Systems was in the same size class of approximately €250-270 million. In 2000, Kalmar Industries became a wholly owned subsidiary of Partek and its stock was delisted. Since KONE Plc acquired Partek in 2002 and split into KONE and Cargotec in 2005, Kalmar has been part of Cargotec Corporation.

Several structural arrangements in history

Under Cargotec's ownership, Kalmar's most significant M&A transactions have been:

- 2006: Acquisition of Kalmar's dealer Catracom (Belgium). The revenue of the target was around €70 million.
- 2011: Acquisition of terminal ERP systems (TOS) supplier Navis. The revenue of the target was around €50 million.
- 2018: Divestment of the off-road material handling equipment business (Kalmar Rough Terrain Center; RTC).
- 2020: Divestment of a 49% holding in the Chinese joint venture Rainbow-Cargotec Industries Co., Ltd.

Impact of divestments on revenue, € million



Discontinued vs. core businesses

Company description 2/2

- 2021: Divestment of Navis. The company's revenue in 2020 totaled €107 million.
- 2022: Transfer of the intellectual property rights of heavy cranes to RCI. Kalmar undertook to handle agreed deliveries and binding offers. The revenue from heavy cranes for Kalmar was €75 million in 2022 and €41 million in 2023. The order backlog at the end of 2023 was only €3 million.
- 2023: Divestment of the log stacker business and selling of product rights to Toijala Works, which had previously manufactured reachstackers for Kalmar as a subcontractor.

Global leader in heavy material handling equipment

After the structural changes, Kalmar has profiled as a technology company supplying and servicing heavy material handling equipment (reachstackers, terminal tractors, forklift trucks, container spreaders and straddle carriers), serving numerous customer industries globally. With the exception of light forklift trucks, Kalmar is among the world's top three manufacturers in all of its product areas. Strong growth trends in the industry include the electrification and automation of equipment and the digitalization of services.

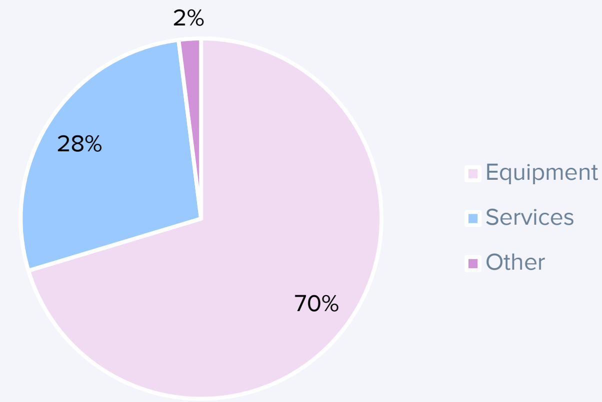
Kalmar has a total of 43 subsidiaries located on all continents. There are employees in 32 countries. The most important countries are the US, Malaysia, Sweden, China, Finland, Poland, Spain, India and the Netherlands.

The production of Kalmar's products relies heavily on subcontracting and the company has focused on final assembly and testing in its manufacturing operations. However, the Malaysian factory also has own small-scale component manufacturing. There are four manufacturing units and they are located in Poland, the US, China and Malaysia.

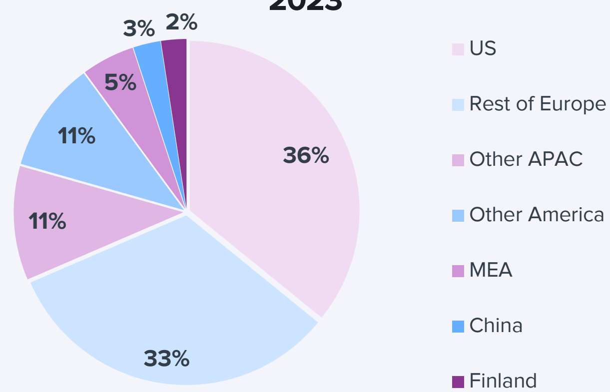
Wide range of services

Kalmar's aftermarket services accounted for 28% of revenue in 2023. Services include wear and spare parts services, maintenance services and related life cycle services, modernization and retrofitting services, digital and remote services, consulting and training, as well as rental services and sales services for second-hand equipment. Kalmar's equipment base of 65,000 installed machines forms the basis for the service offering. Of these machines, 13,000 (20%) are connected to the Internet, enabling digital services. Kalmar's service organization includes, e.g., 1,300 service technicians and more than 120 servicing points worldwide.

Revenue by business area 2023



Geographical revenue distribution 2023



Source: Kalmar, Cargotec Annual Report 2023 (geographical allocation)

Business model for new equipment 1/3

Heavily subcontracted manufacturing

Kalmar's business model in new equipment is based on 1) strong subcontracting, 2) in-house manufacturing focused mainly on product development, testing and final assembly, and 3) an extensive distribution network.

Kalmar's own manufacturing units are:

- Stargard, Poland (straddle carriers, reachstackers, empty container handlers, forklift trucks, terminal tractors)
- Shanghai, China (reachstackers, empty container handlers, forklift trucks terminal tractors)
- Ipoh, Malaysia (Bromma container spreaders)
- Ottawa (Kansas), US (terminal tractors)

The company has thousands of subcontractors and we estimate that approximately 70% of the products' direct manufacturing costs come from subcontracted parts and components. Our assessment is based on the share announced by Hiab, which operates with a similar manufacturing concept. Kalmar justifies the high outsourcing rate by the fact that due to the numerous product variations offered to customers in different product categories, the production volumes of individual product versions are generally low and the production of own components would not be very cost-effective. The main subcontracted components are engines, transmission parts, cooling components, cabs and cab accessories, hydraulics, electronics (both low and high voltage), heavy steel structures, medium-heavy and light steel devices and parts (e.g. booms and masts, castings and forged products), axles and tires, gears and hoists, fasteners and springs, as well as crude steel. Component procurement is distributed among many suppliers, and the 10 largest suppliers account for only 35% of total procurements. Kalmar has some individual product dependencies, e.g., in batteries and engines, but the aim is to have several alternative suppliers in all key components.

Other functions, such as logistics and real estate services, are outsourced. Of its own factories, the Stargard (Poland) plant is owned by Kalmar, and elsewhere it operates in rental premises.

A few focus areas in product development

Due to the advancement of automation, electrification and digitalization, R&D plays a central role in an industry that is constantly changing. Kalmar's main R&D units are located in Tampere, Finland and Ljungby, Sweden.

Kalmar's factories

Factory network

City/country	Products
Stargard, Poland	Straddle carriers, reachstackers, empty container handlers, forklift trucks, terminal tractors
Shanghai, China	Reachstackers, forklift trucks, terminal tractors
Ipoh. Malaysia	Container spreaders
Ottawa, United States	Terminal tractors

Business model for new equipment 2/3

Product development is also carried out in Ottawa (USA) and Malaysia. Last year, Kalmar's R&D expenses amounted to €54 million or 2.6% of revenue. In recent years, the share of sales of R&D expenditure has been in a good middle class. It has been higher than, e.g., for Konecranes, Metso and Valmet, but on the other hand, lower than for Wärtsilä and Ponsse. Kalmar does not normally capitalize R&D expenses but records them directly as an expense.

R&D cooperation is carried out with other companies and universities. Kalmar's patent portfolio is extensive: The company has some 30 patent families and nearly 200 patents. In recent years, R&D has clearly focused on the electrification of the product portfolio and now all main product groups, apart from empty container handling equipment, offer an all-electric version. An electric version of empty container handling equipment will also be launched in H2'24. In 2023, about a quarter of Kalmar's R&D expenses were related to electrification. Other focus areas include developing AI-based predictive maintenance, emission-free technologies and automation. An example of the latter is the cooperation with the American Forterra announced in March 2024, to develop an autonomous terminal tractor solution.

Product range focuses on mobile equipment

Kalmar's current product range focuses on mobile heavy material handling equipment (reachstackers, container spreaders, forklift trucks and terminal tractors) and, of the current product range, only straddle and shuttle carriers are outside this category, i.e. horizontal transport equipment. Kalmar divested its heavy cranes, i.e. harbor cranes (STS), rail-mounted gantry cranes (RMG), rubber-tired gantry cranes (RTG) and automatic stacking cranes (ASC) in 2022, due to low operating volumes and weak profitability. On the other hand, Kalmar acquired the product rights for electric terminal tractors from Lonestar Specialty Vehicles in 2023, reflecting the strong investment already noted above in all-electric equipment.

Instead of Kalmar's previous port focus, the current product portfolio is profiled to meet the needs of versatile customer industries, which reduces risks and is also easier to electrify. We believe the product range in mobile equipment is the most comprehensive on the market. The graph below contains key information about the main products.

Kalmar's main products

	Reachstacker	Empty container handler	Straddle carrier	Forklift truck	Terminal tractor
					
Lifting capacity, tn	14-130	7-10	60	5-85	–
Lifting/stacking height, containers	3-8	3-8	3-4	–	–
Power, kW(h)	–	–	–	–	112-224
Models, number	8	8	4	61	6
Typical customers	Ports and terminals, heavy logistics	Ports and terminals, heavy logistics	Ports and terminals	Manufacturing industries, ports and terminals, heavy logistics	Distribution centers, heavy logistics, ports and terminals

Business model for new equipment 3/3

Dealers play a key role in distribution

Kalmar's distribution takes place both through its own subsidiaries (43 in 32 countries) and through external dealers. In total, Kalmar has sales in more than 120 countries, with about 40% of sales coming from dealers. In relative terms, the role of dealers is most important in selling terminal tractors in the US.

Kalmar monitors the operations of its sales companies through the local contribution margin. When calculating the local contribution margin, sales companies acquire the products at the internal transfer price, and the difference between the selling price and the sales company's own costs determines the added value. Sales companies have not been closed, so their operations appear to meet the requirements of the Group.

Dealers are typically versatile machine sellers and do not exclusively sell Kalmar products. Some of the dealers also carry out maintenance work, while all of Kalmar's own sales companies also offer maintenance. Dealers' inventories typically comprise more volume products (like terminal tractors), while more specialized trucks are hardly stored. Kalmar offers its dealers training, occasionally participates in their sales campaigns and helps dealers gain more visibility. According to Kalmar, dealer retention has been good, which is a sign of Kalmar's satisfaction with their operations.

Thousands of customers in different industries

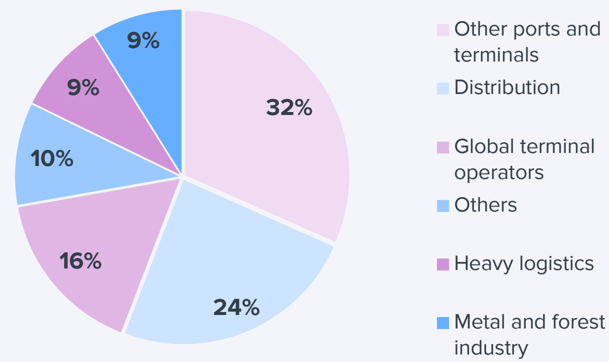
Kalmar's largest customer industries are global terminal operators (estimated share of Kalmar's revenue in its present form 16% in 2021), other ports and terminals (32%), heavy logistics (9%), distribution (24%), forest and metal industries (9%) and others (10%). According to a study by KPMG in 2024, ports and terminals accounted for 35% of the total market in 2023, heavy logistics for 24%, distribution for 18% and manufacturing for 23%. On this basis, Kalmar's dependence on revenue from ports and terminals is clearly higher than the market average and, on the other hand, its dependence on heavy logistics is clearly lower. We estimate that these industry dependencies reflect both the equipment and service markets. Overall, we do not see any significant deviation in the risk profile of Kalmar's equipment sales from the entire market.

Kalmar's individual customer exposures are small. In 2023, the ten largest customers accounted for less than 25% of revenue and no customer's share exceeded 10%. Based on these figures, we conclude that Kalmar has thousands of customers. In 2023, Kalmar's customer satisfaction rate was 81% and the company has not lost any of its 20 largest customers since 2016. Also based on this, customer loyalty is high and customer risks are low.

The business model has many strengths

The high outsourcing rate of manufacturing is justified when the annual volumes of many products are low. This reduces the capital intensity of operations and provides flexibility to costs, although it may burden margins in a favorable economic cycle. A significant part of the factory network is located in countries with lower cost levels, which is positive. Maintaining a fairly large network of sales companies increases costs but may be necessary to ensure adequate customer knowledge and customer communication.

Kalmar's revenue by customer group



*) Estimate by Kalmar's management, 2021 figures, Kalmar excl. heavy cranes and Navis

Source: Cargotec investor presentation Q1 2024

Business model of services 1/2

An extensive service offering

The services Kalmar offers to customers consist of six entities:

1. Wear and spare parts services;
2. Maintenance work;
3. Modernization and retrofitting;
4. Digital and remote services;
5. Consulting and training and
6. Used equipment services.

Kalmar has not disclosed the distribution of its service revenue between the service offering. A reasonable indication comes from KPMG's estimate that 54% of the global €6.0 bn service market was maintenance, 37% was wear and spare parts and the remaining 9% was other services in 2023. Traditionally, wear and spare part sales has better margins in the engineering sector than maintenance which involves personnel work but Kalmar has not commented on the margin structure of its services.

Kalmar estimates that 40-45% of maintenance services are carried out by customers themselves, mainly in large ports and distribution centers with extensive fleets and 24/7 service operations. The starting point for growing Kalmar's own service operations is strong: The company has an active global installed base of 65,000 machines, of which only 20% is connected to the Internet so far. The company also has a network of 1,300 service technicians in more than 35 countries.

Kalmar seeks growth in its services business mainly in three ways:

- **Increasing market share in its own equipment base maintenance**. In spare parts, this share used to be low (25% in 2021), partly due to Kalmar's lack of focus on the spare parts market. With active measures, the situation is improving (29% share in Q1'24) and efforts are being made to continue this trend. Means include developing of Kalmar's online spare part store (MyParts). In 2023, some 50% of spare parts sales came through MyParts.

- Another priority area is **digital solutions** to improve the safety and productivity of equipment. One example is the Kalmar Insight platform, which provides the driver and customer with information on equipment utilization rates and its individual movements to monitor efficiency, driver- and site-specific data, consumption and emissions, predicted maintenance needs, etc. The customer can connect with all digital solutions through one portal (MyKalmar). Digital solutions work as part of Kalmar's service packages that are described below.

Kalmar's service packages

Program/content	Maintenance planning	Preventive mainte-nance	Proactive mainte-nance	Repair mainte-nance	Proactive spare parts	Repairing spare parts	Lubrica-tion	MyKalmar	Kalmar insight	Tire mainte-nance	Battery mainte-nance
Essential Care	●	●			●		●	●	○		
Complete Care	●	●	●	●	●	●	●	●	○	○	○
On Demand Care	Freely chosen										

● Included in the service package
○ Optional

Source: Kalmar

Business model of services 2/2

With the help of digital solutions, Kalmar can clearly increase the number of contract-based services. Already at Cargotec's 2022 CMD, the number of contracts was estimated to be over 3,700, so the potential is significant.

- Kalmar intends to utilize **the growth potential offered by the electrification** of the equipment in service. Although electric equipment requires less maintenance than conventional equipment, maintenance is more demanding and requires both more expensive parts and higher training, which is reflected in pricing. There are also additional service options available in electric equipment for battery replacement and charging services.

The business model still needs to be adjusted

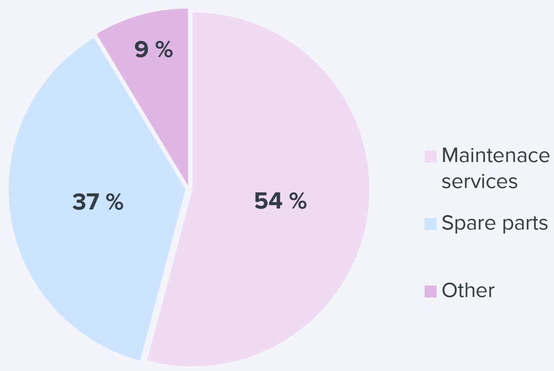
Kalmar's business model for services is typical for engineering companies, especially as the importance of remote maintenance and monitoring grows. However, the company's share of the spare parts maintenance of its own equipment base is still low. This indicates at least previous shortcomings in the targets and/or operations of the spare parts business, but also significant potential. Even though the spare parts focus has been sharpened, Kalmar needs to provide more evidence of its successes.

Both digital solutions and the electrification of equipment have significant growth potential in services as long as Kalmar's sales strategy and arguments are in place. There is hardly any problem with the service products themselves, and equipment becoming more complex is likely to benefit Kalmar.

Growth pillars of Kalmar's service revenue

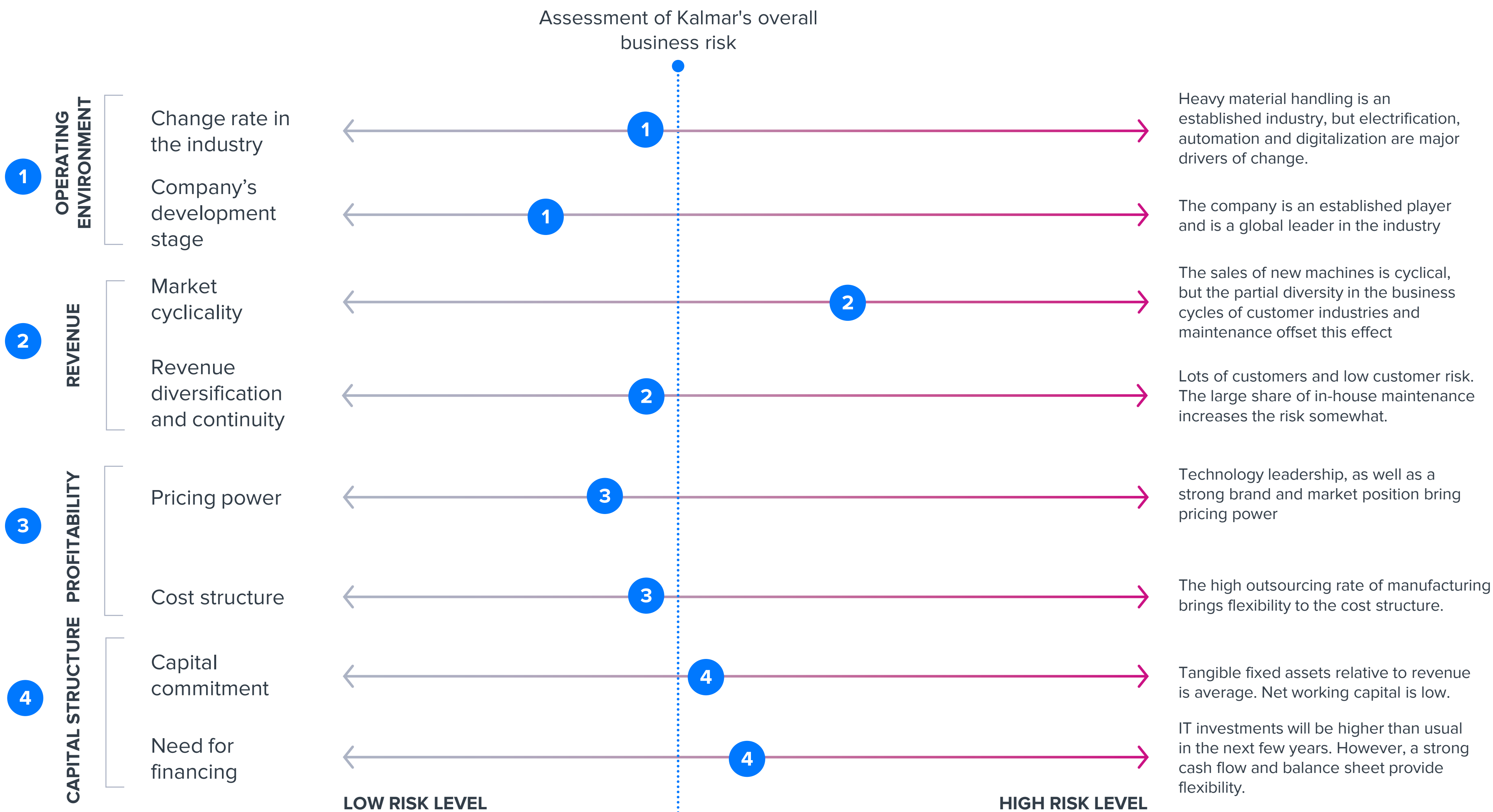
- Growth in spare parts services for own equipment base
- Growth in digital services (MyKalmar portal)
- Growth in the maintenance of electronic equipment

Distribution of the service market, 2023



Source: Kalmar, KPMG

Risk profile of the business model



Source: Inderes

Strategy and financial targets 1/3

Key strategic drivers

Growth of the global equipment market — **5% p.a. 2024-2028**

Growth of the global service market — **4% p.a. 2024-2028**

Customer challenges

- Reducing emissions and electrification
- Increased productivity requirements
- Increased safety requirements
- Lack of skilled labor

Strategic focus areas

1. Investing in **sustainable innovation**
- Emission-free and electric equipment
- Driver-assisted and autonomous equipment
- Connectivity solutions to optimize customer operations, productivity and safety and minimizing emissions

2. Growing the **service business**
- Growth in maintenance of the own installed equipment base
- Digital solutions to improve equipment productivity and safety (MyKalmar platform)
- Utilizing growth opportunities in demanding maintenance of electric equipment and their added value services

3. Developing business **excellence**
- Commercial excellence program
- Operational excellence program

Targets until 2028

5% p.a.
Revenue growth over the cycle

15%
Comparable EBIT-%

>25%
ROIC

Source: Kalmar

Strategy and financial targets 2/3

	1	2	3
Kalmar's strategic priorities	Investing in **sustainable innovation**	Growing the **service business**	Developing **business excellence**
Background	• The need to minimize emissions • The need to increase productivity • The need to reduce life-cycle costs • The need to improve safety • Lack of skilled labor	• More efficient utilization of a large installed equipment base as a growth and productivity driver • The need to increase the share of recurring business in service sales • Increasing life cycle value through customer partnerships and smart service provision	• The need to improve productivity and cash flow to secure growth, product development, investments and profit sharing
Actions	• Expanding and extending the all-electric offering and expanding it to all product categories • Further development of connectivity, software, analytics and AI solutions. These enable customers to optimize their operations, improve productivity and safety, as well as minimize emissions and inefficiencies. • Development of autonomous and user-assisted solutions. These enable customers to reduce their labor supply problems.	• Increasing market share in spare parts sales through further development of the own online store (MyKalmar) • Increasing number of connected equipment enables tailor-made remote services and the development and offering of new proactive features • More demanding maintenance of electric equipment increases the capture rate • Additional services are provided for electric equipment, such as charging and battery replacement services	• Portfolio optimization (e.g. abandoning heavy cranes), which has mostly been implemented at this stage • Commercial excellence program (e.g. pricing management, product cost optimization) • Operational excellence program (e.g. supply chain harmonization, further streamlining of processes)
Inderes' comment	• The strategy solves key customer problems and Kalmar's strong position in all-electric equipment provides a good basis for the implementation	• A large base of installed equipment provides ingredients for growth • Lower maintenance need of electric equipment reduces the growth potential • Increasing market share in spare parts for the equipment base is well underway, but there is no guarantee that this increase will continue	• Kalmar's independence gives more leeway to implement the above-mentioned programs • A more detailed description of the programsis still missing

Source: Kalmar, Inderes' estimates

Strategy and financial targets 3/3

Sights for financial figures set to 2028

Kalmar's published financial targets by 2028 are:

- Annual revenue growth of 5% over the cycle;
- 15% comparable EBIT margin;
- >25 % ROCE;
- Net debt/EBITDA <2x;
- Payout ratio 30-50%

In addition, Kalmar has set a target for compliance with the Science-Based Targets Initiative (SBTi) with a commitment of 1.5 °C.

We find the financial targets realistic

The historical 5.4% annual growth (CAGR) of Kalmar's core business in 2014-2023 reflects that the set growth target is fully realistic. In our view, the term "over the cycle" refers to average growth. The target is nominal, so it is likely to include an inflation component, the scale of which Kalmar does not publicly estimate.

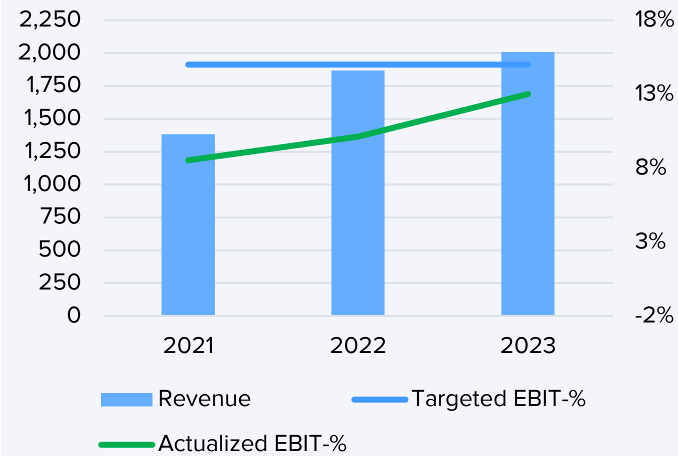
In assessing the target of a comparable EBIT margin of 15%, almost the only comparable figure available is the 13.0% outcome in 2023 In this figure, the revenue and EBIT figures of heavy cranes (€20.5 million and €-6.7 million respectively) have been eliminated from the adjusted EBIT figure of Cargotec's segment reporting (€279.4 million; margin 13.6%) and an allocated part of the group expenses (€-24.7 million) has been added. Considering the impact of operational leverage and Kalmar's performance programs, the set EBIT margin target can be considered realistic.

Similar problems arise in assessing Kalmar's >25% ROCE target as in historical carve-out figures, the Group's external financing is not usually allocated to Kalmar and the amount of equity is not comparable either. However, the prospectus's unaudited ROCE figures for 2021-2023 (30.4%; 12.4% and 24.4%) indicate that the target is sensible. E.g., Metso can be used as a benchmark for the target. In 2023, Metso's EBIT margin was 14.9% and ROCE 22.3%, although the company has significantly more intangible assets than Kalmar, relative to balance sheet.

Kalmar's pro forma/carve-out-based net debt/EBITDA ratio was only 0.5x on March 31, 2024 (€145/287 million). Based on these figures, Kalmar could increase its indebtedness by up to some €430 million within the set target, so there is plenty of leeway. The target of a 30-50% payout ratio is very typical considering Kalmar's industry and development phase.

We will discuss the financial targets relative to the development we expect in the estimates section of the report.

Actual profitability*) vs. targeted level



*) Comparable excluding Navis and heavy cranes

Source: Kalmar

Kalmar's target market 1/5

Several demand indicators in the target markets

Heavy material handling is a global industry that is divided into several customer industries and this also applies to the corresponding equipment and service markets. As a result, there is no single indicator for Kalmar's target market, but it has to be compiled from several sources. Possible indicators to describe the activity of different target customer groups are:

- Ports and terminals: Global container traffic statistics and forecasts (e.g. Drewry);
- Heavy logistics: Construction statistics and forecasts;
- Distribution: Private consumption statistics and forecasts;
- Manufacturing industry: Statistics and forecasts of industrial production volumes

It should be noted that apart from global container traffic, these indicators should be monitored by country or at least by sub-region to form an overall picture of the demand for heavy material handling equipment and related services. It is equally important to note that demand from customer industries is interdependent, as customers often operate in different parts of the same logistics chain. As new heavy material handling equipment is investment goods, the interest rate also has a significant impact on demand. It goes without saying that inflation affects the monetary value of the equipment and services market.

As demand drivers for heavy material handling equipment and related services are very diverse, global GDP development can be considered a long-term base level for Kalmar's target market growth. However, in the short term, demand for new equipment is more cyclical than changes in GDP.

Many market trends accelerate growth

In addition to GDP development, growth in Kalmar's target market is accelerated by the following market trends:

- **The need to reduce emissions** and the related **electrification of the equipment base**. Emissions reduction is driven by regulation, customers' own requirements and civic organizations. All-electric equipment is currently the primary solution in the pursuit of emission reductions. Furthermore, although the acquisition cost of electric equipment is higher than conventional equipment, the life cycle costs of electric equipment are becoming cheaper than for conventional equipment. Although electric equipment is not expected to shorten the replacement cycle of conventional equipment, the on average 30-50% higher acquisition cost of the equipment increases the value of the market. The need for service and spare parts for electric equipment is approximately 30% lower than for conventional equipment, but the complexity of the equipment places higher demand on both spare parts and services, and this is expected to favor OEMs like Kalmar. As already stated, electrification also offers opportunities for new services like charging services and battery replacement and recycling services.

Growth is accelerated by demand drivers

- The need to reduce emissions
- Electrification of the equipment base
- Decentralization/localization of logistics chains
- Increased productivity requirements
- Increased safety requirements
- Lack of skilled labor

Source: Kalmar, KPMG

Kalmar's target market 2/5

- **Changing logistics environment.** The COVID pandemic and increased geopolitical tensions in recent years are driving logistic chains toward more localized and decentralized models, increasing the demand for heavy material handling equipment in certain categories. Other significant trends include the effect of increasing e-commerce on demand for cargo handling solutions in the distribution sector and the increased popularity of rail transport (instead of heavy road transport), e.g., in the EU, which increases the need for intermodal terminals and heavy material handling equipment.

- **Increased productivity and safety requirements.** These are met with digital fleet management and control systems that minimize disruptions in operations, e.g., thanks to proactive maintenance. Productivity and safety are also driven by increasing automation, which minimizes personnel costs and reduces the possibility of human error.

- **Labor shortage, especially in developed countries.** This is expected to drive investments toward both user-assisted and fully automated solutions. The shortage of skilled service installers, in turn, creates additional potential for OEM equipment suppliers to replace in-house maintenance concepts.

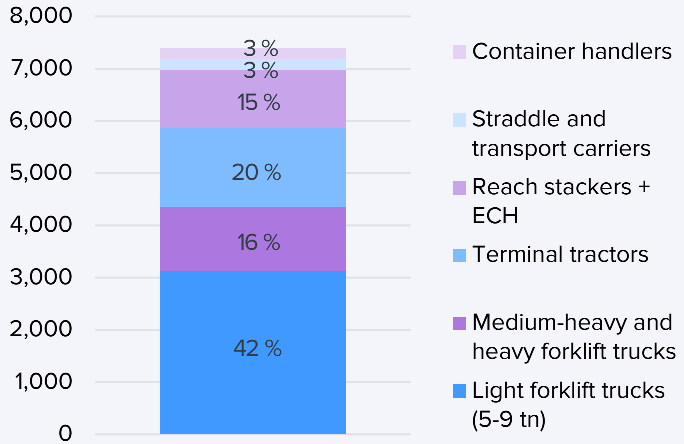
The size of the equipment market is over €7 bn

We have used KPMG's market research (2024) presented in Kalmar's prospectus to analyze the target market. KPMG estimated the size of the equipment market to be €7.4 bn last year. The estimate is over €3 bn higher than the €4.1 bn presented in the previously published material by Cargotec/Kalmar. This difference is due to light forklift trucks being included in KPMG's review.

According to KPMG's assessment, light forklift trucks formed by far the largest segment in the equipment market in 2023 with a share of 42%. The share of medium-heavy and heavy forklift trucks was 16%, terminal tractors 20%, and reach stackers and empty container handlers (ECH) 15%. The share of straddle carriers and shuttle carriers, as well as container handlers each represented some 3% of the market.

The table below shows the price ranges we estimate for Kalmar's various main products. These estimates relate to conventional (diesel-driven) equipment.

Market for heavy material handling equipment by type of equipment 2023, € million



*) ECH = empty container handling equipment

Source: KPMG; Inderes' estimates

Estimated typical sales prices of equipment

Product	Price range € 1,000/unit *)
Container handlers	50-150
Light forklift trucks (5-9 tn)	30-100
Medium-heavy and heavy forklift trucks	50-150
Terminal tractors	50-120
Reachstackers + ECH	200-500
Straddle carriers and transport carriers	400-1200

*) Inderes' estimate

Kalmar's target market 3/5

We estimate that electric equipment typically costs 30-50% but sometimes up to 100% more than conventional equipment.

It is typical for the equipment market that the market for equipment with lower unit prices (such as light forklift trucks) is larger both in terms of unit numbers and overall value than the market for equipment with higher unit prices. In line with this, we estimate that the market for light forklift trucks of around €3.1 bn (2023) consists of 40,000-50,000 trucks, while, e.g., the €1.1 bn market for reach stackers and empty container handlers (ECH), traded an estimated 2,000-2,500 equipment last year.

Ports and terminals are the main customer group

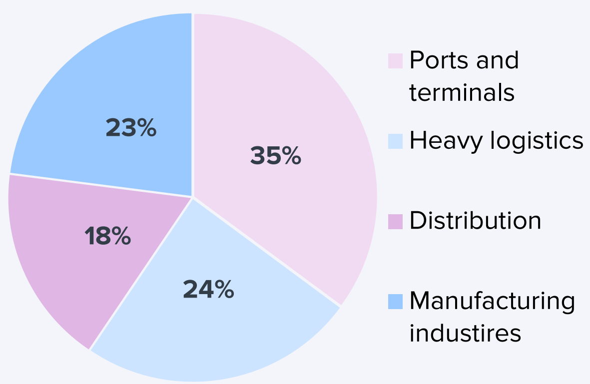
According to KPMG's assessment, ports and terminals was still the main customer group for heavy material handling equipment in 2023, with a share of 35%. The remaining 65% of the market is fairly evenly distributed between heavy logistics (e.g. transport of structures and large machinery), distribution and manufacturing industries (e.g. forestry and metal industries). As already stated, there are numerous demand drivers for heavy material handling equipment and the industry is not too dependent on any customer segment.

Comparing the distribution of the entire market by customer group to Kalmar's corresponding allocation (see page 8), Kalmar's dependence on ports and terminals (48% in total) is clearly higher than for the entire market. However, Kalmar has, in recent years, emphasized that its dependence on global port and terminal operators has decreased and that the focus has shifted to smaller port operators (about 80% of all) and inland terminals with lower risks. Kalmar's dependence on heavy logistics as a customer group (9%) is clearly lower than in the market as a whole. In other respects, differences in dependencies are clearly smaller.

The market is America-driven

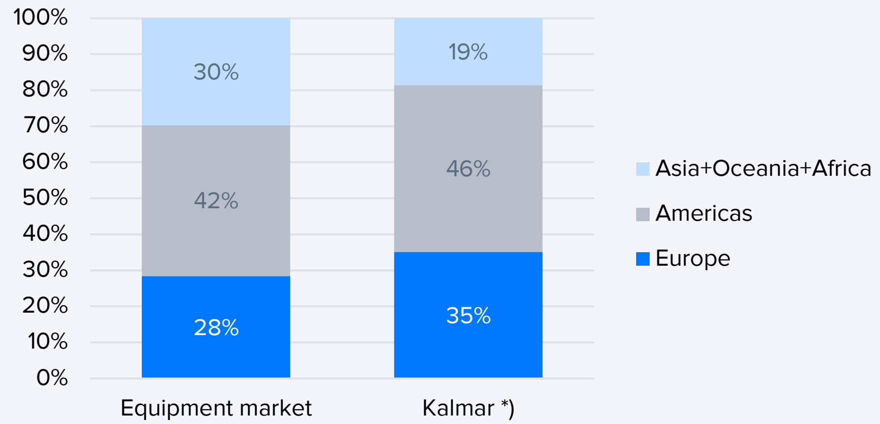
The geographical market for heavy material handling equipment is fairly evenly distributed, although the share of the Americas is surprisingly strong. Kalmar has not provided a geographical distribution of pure equipment revenue but we feel the geographical distribution of Kalmar's total revenue provides a fairly good approximation of this. The share of the Americas is also emphasized for Kalmar, while Asia seems to offer good growth potential.

Heavy material handling equipment market by customer group 2023



Source: KPMG

Geographical breakdown of the heavy material handling equipment market and Kalmar's revenue 2023



*) Kalmar Group (pf); Source: KPMG, Cargotec's Annual Report 2023

Kalmar's target market 4/5

Equipment market forecasts 2024-2028

KPMG's market forecast for 2024-2028 expects the entire heavy material handling equipment market to grow by +4.7% p.a. Of the various product groups, only the straddle and shuttle carrier market is expected to grow much faster than the other groups (+8% p.a.), while the growth of the other product groups is expected to be +4...+5% p.a. Therefore, no significant changes in the share of different equipment types in the overall market are expected compared to 2023 (see page 17).

Growth focuses on 2026-2028

The graph below shows the unusually strong fluctuation in equipment demand caused by the COVID pandemic in 2020-2021 (the 2020 crash and rapid growth in 2021). In 2022-2023, the fluctuations were caused by the Russian invasion of Ukraine, global supply chain disruptions, and increased inflation and interest rates. However, KPMG expects demand to normalize in 2024-2025 and the macro-level trends outlined above will start to take effect from 2026 onwards. KPMG has not presented its market forecasts for 2024-2027 in the published part of the report, but based on the above, we have estimated equipment market growth to be +0.7% p.a. in 2024-2025 and +7.4% p.a. in 2026-2028

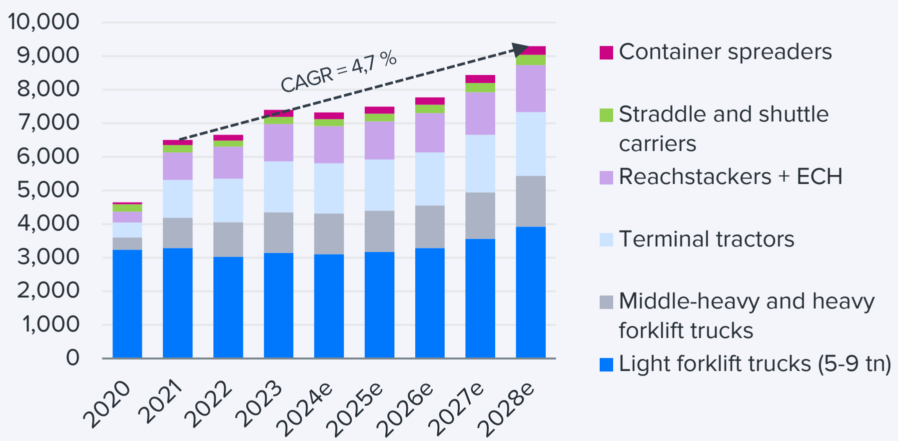
Electrification is progressing quickly

In KPMG's forecast, sales of all-electric equipment are expected to grow by as much as +28% p.a. in 2024-2028 and their share of the overall market will rise from 15% in 2023 to 41% in 2028 We have already discussed the demand drivers for electric equipment. The market for equipment using other driving forces is expected to decline by -3% p.a. in 2024-2028

Replacement demand balances equipment sales

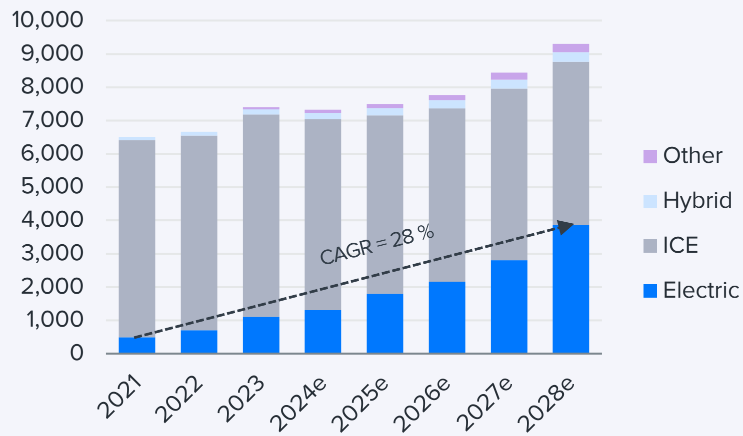
In its previous material, Kalmar has emphasized the importance of replacement demand as a driver of the equipment market. According to Kalmar, the technical or commercial lifecycle of the equipment is typically 8-10 years for carriers and 8 years for lighter equipment. In 2022-2023, Kalmar estimated the replacement demand market to be €2.5 bn, corresponding to some 60% of the equipment market (excl. light forklift trucks). Kalmar also expects the replacement demand market to double over the next 10 years (corresponding growth = +7% p.a.). In the forecasts of the KPMG report, replacement demand is not presented as a separate component and modeling would be quite challenging.

Heavy material handling equipment market 2020-2028e, € million



Source: KPMG; Inderes' estimates (2024e-2027e)

Equipment market by driving force 2021-2028e, € million



Source: KPMG; Inderes' estimates (2021-2022, 2024e-2027e)

Kalmar's target market 5/5

Based on historical delivery volumes of Kalmar and other players, replacement demand will in any case be a key driver in equipment demand. Furthermore, if equipment utilization rates remain as high as predicted, replacement purchases cannot be postponed very much, so we see replacement demand stabilizing the equipment market while increasing the credibility of KPMG's growth forecast.

The service market is nearly the size of the equipment market

The service market for heavy material handling equipment consists largely of the same elements as Kalmar's service business model described above. Services include wear and spare parts, maintenance and maintenance contracts, repair services, life-cycle services, as well as consulting, training and short-term rental services.

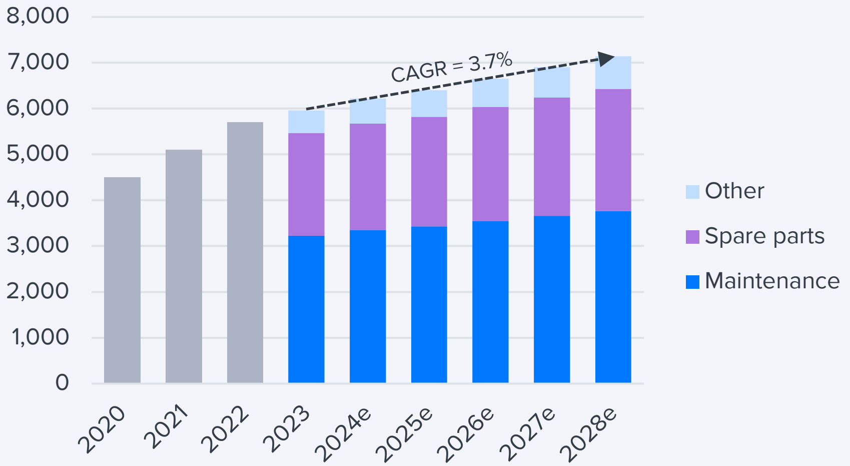
KPMG estimated the size of the service market as €6.0 bn in 2023. This corresponds to good 80% of the equipment market and 45% of the combined market. Approximately 90% of the service market consisted of maintenance and spare parts services, while the rest consisted of repairs, upgrades and digital services. Kalmar estimates that 40-45% of the services are handled by customers themselves. This is most common in large ports, terminals and distribution centers where the fleet is significant and 24/7 services are available.

The service market is expected to change with new services and service models enabled by electrification and digitalization. Examples include providing real-time and remotely readable data on equipment use, performance and condition, and on the other hand automation enabled by remote monitoring.

Service market grows more slowly than the equipment market

KPMG expects the service market to grow by 3.7% p.a. in 2024-2028 to €7.1 bn The published material does not explain the components of growth in more detail, but digital services (under "others" in the graph) are expected to grow by some +9% p.a. as the number of connected devices and automation increases. Based on this, maintenance and spare parts services are only expected to grow by good +3% p.a. We believe that KPMG has considered the growing share of all-electric equipment and the resulting reduced maintenance needs in its estimates, but the published material does not address this in more detail.

Service markets 2020-2028e, € million



Source: KPMG; Inderes' estimates (breakdown for 2024e-2028e)

Competition 1/3

A rather fragmented competitive landscape

The competitive situation of **heavy material handling equipment** varies both by product category and by region. Of the global competitors, some compete with Kalmar in only one product category, while others have offering in more than one category. The strength of the companies' market positions also varies from region to region, and Chinese players such as ZPMC and Sany are naturally strongest in their home markets. Many competitors also have product offerings related to heavy material handling in categories where Kalmar is no longer present. Examples include port cranes (STS), rail-mounted gantry cranes (RMG) and rubber-tired gantry cranes (RTG) offered by Konecranes and ZPMC. The table below summarizes Kalmar's main competitors by product area. We believe Kalmar's product offering in horizontal and mobile equipment is the most extensive on the market.

In services, the competitive situation depends on the service category and the market is more fragmented than in equipment. In maintenance services and repairs, the role of smaller local companies is emphasized. In addition, an estimated 40-45% of the service market is carried out in-house, i.e. by the companies using the equipment, as stated above. The situation is gradually changing with digitalization, as local maintenance companies or even large heavy material handling equipment customers do not have the prerequisites or interest in developing and producing these services.

Kalmar is profiled in the upper segment

Price competition for heavy material handling equipment is tight in all product groups, but this is especially emphasized in small forklift trucks. Kalmar is profiled in the upper segment of the product offering and its prices are estimated to be +10...+20% higher than for competitors on average. Kalmar emphasizes, however, that products and services are a whole that customers are willing to pay for and Kalmar's arguments about lower life cycle costs have been well received.

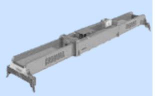
The final pricing is also influenced by the distribution route, the form and the size of the deal. Products with lower unit prices, such as terminal tractors, are generally sold at standard prices, which can be subject to dealer- or customer-specific discounts. On the other hand, straddle carriers, for example, are usually sold through competitive tendering. In practice, however, the competitive tendering depends on the size of the order in euros and not on the unit price of the equipment being sold. For example, an order for two straddle carriers may not be subject to competitive tendering, but for 20 straddle carriers, the situation is different.

The main competitors in Kalmar's product categories

	Straddle carriers	Container spreaders	Reachstackers	Light forklift trucks	Heavy forklift trucks	Terminal tractors
Kalmar	●	●	●	●	●	●
Konecranes	●				●	
Hyster-Yale			●	●	●	
Terberg						●
TICO						●
Taylor			●	●	●	
Sany			●		●	●
ZPMC	●	●	●			
Kion				●		
Mitsubishi				●		

Source: Kalmar, the companies

Competition 2/3 Kalmar's market position

Category	Market size, € million	Kalmar's market share *)	Kalmar's market position	Main competitors
Straddle carriers 	300-500	~35 %	#1	KONECRANES, ZPMC
Reachstackers + ECH 	900-1100	~30 %	#1...#3	KONECRANES, HYSTER-YALE MATERIALS HANDLING, SANY
Terminal tractors 	1300-1500	~30 %	#1	TERBERG SPECIAL VEHICLES, TICO TERMINAL TRACTORS
Medium-heavy and heavy forklift trucks 	1,100-1,200	~20 %	#2...#3	KONECRANES, HYSTER-YALE MATERIALS HANDLING, TAYLOR INTERNATIONAL
Light forklift trucks 	3,100	~1 %	n.a.	HYSTER, KION GROUP, MITSUBISHI FORKLIFT TRUCKS
Container spreaders 	200-300	~35 %	#1	ZPMC, RAM SPREADERS
Services	6000	~10 %	n.a.	• In-house • Local maintenance / repair companies • Other eqpt / component manufacturers
Total	**13,000-14,000**	**~15 %**	n.a.	

*) Inderes' estimate

Source: KPMG, Kalmar, Inderes' estimates

Competition 3/3

Kalmar's market position is mainly very strong

Kalmar has not commented on its market share in its recent releases except with the mention in the prospectus of a 29% market share in spare parts for its own equipment base. In older material presented in 2022, Kalmar estimated its global market share in equipment and projects to be 20-30% (market size: €6 bn) and 6% in services (market size: €8 bn). However, these figures still included the heavy cranes business and market.

Based on the figures shown in the table on the previous page, Kalmar's market position is very strong (20-35%) in all other product categories except for light forklift trucks. In the entire equipment market in which Kalmar has an offering, we estimate the share to have been approximately 20% in 2023. The share in services is also significant in the free market (i.e. excluding in-house services) or good 15%. Based on available data (Kalmar carve-out revenue 2020-2023) and estimates (KPMG's report), Kalmar's market share dipped slightly in 2021, but has been at the levels indicated above in 2022-2023.

Kalmar's strengths and weaknesses in the competition

We believe Kalmar's strengths and opportunities in the competition are:

+ The reputation and strong brand make Kalmar a potential bidder involved in almost all major equipment projects;

+ Already a wide range of all-electric products ahead of competitors;

+ A comprehensive service offering and network provide customers with additional security in keeping equipment running hours high;

+ Remote and other digital services, as well as automation offering, respond to customers' challenges in improving productivity and safety and also in labor shortages;

+ Progressive electrification, digitalization and automation, and thus increasingly complex equipment, improve Kalmar's competitive position relative to local maintenance companies and in-house service.

We believe Kalmar's weaknesses and threats in the competition are:

- The impression of an expensive supplier can deter some potential customers;

- In particular, the market behavior of Chinese competitors may surprise negatively, e.g., as a result of increased government subsidies;

- The electrification and digitalization of the industry may not proceed at the expected pace, allowing competitors to catch up with Kalmar's current lead.

Kalmar's competitive position

Strengths and opportunities:

+ Reputation and strong brand

+ The all-electric product offering ahead of competitors

+ Comprehensive service offering and network

+ Advanced remote and other digital services

+ The increasing complexity of the equipment favors OEMs in services at the expense of small maintenance companies and in-house maintenance

Weaknesses and threats:

- The impression of an expensive supplier

- The behavior of Chinese competitors is uncertain

- The electrification and digitalization of the industry may not proceed at the expected pace

Source: Inderes' estimates

Financial position 1/3

Growth has been fairly steady

Kalmar's core business has grown well, with an average growth of +5.4% p.a. in 2014-2023 (see p. 4). The trend has also been fairly stable, as revenue has fallen by more than -1% p.a. only in 2020 (-14%) due to the COVID pandemic. Naturally, acquisitions have also contributed to growth, but their significance has been limited. Calculating organic growth adjusted for all M&A transactions would be very laborious as some acquisitions and integrations took place a long time ago.

The fixed cost structure is light

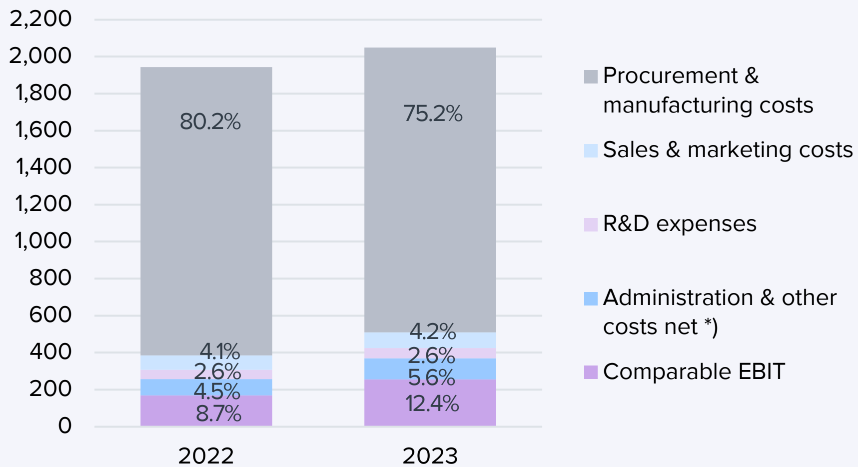
The analysis of Kalmar's historical cost structure is complicated by numerous non-recurring items and the fact that the income statement for 2021-2023 adjusted for Navis and heavy cranes, has not been presented line by line. On the other hand, Navis was divested already in 2021 and the share of heavy cranes in Kalmar's revenue decreased from 4% in 2022 to 2% in 2023. Thus, the cost structure in 2023 already gives a reasonably good picture of the cost structure of Kalmar in its current form.

Kalmar's comparable gross margin was 24.8% in 2023, which showed a clear improvement from 19.8% in 2022. The gross margin in 2022 was still depressed by component shortage, other logistical problems and an imbalance between component prices and own pricing. These problems were largely remedied during 2023. We have estimated that about 70% of the direct manufacturing costs of products come from subcontracted parts and components.

The revenue shares of other items in Kalmar's activity-based income statement were reasonably stable in 2022-2023. Sales and marketing expenses accounted for 4.1...4.2%, R&D expenses for 2.6% and administrative expenses for 6.0...6.4% of revenue. Kalmar's other operating income and other expenses have almost 100% equal items under the heading "other income related to customer financing" and "other expenses related to customer financing", which are netted at EBIT level, but represent approximately 1.4% of revenue in their individual income/expense lines.

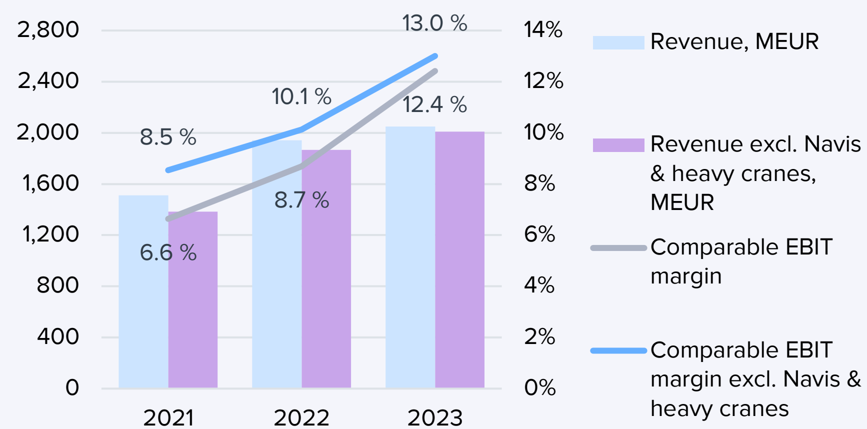
In a cost-specific examination, Kalmar's personnel expenses represented 15.4...15.6% of revenue in 2022-2023. The number is low compared to, e.g., Konecranes (30...32%), Metso (20%) and Wartsila (23...24%) and indicates the high outsourcing rate in manufacturing and the lightness of the own global organization. The share of depreciation in Kalmar's revenue (2.7...2.8%) is quite typical in the engineering industry.

Revenue distribution between costs and result, € million



*) Incl. Other operating income and expenses; Source: Kalmar

Impact of Navis and heavy cranes divestment



Financial position 2/3

Regression indicates a low level of risk

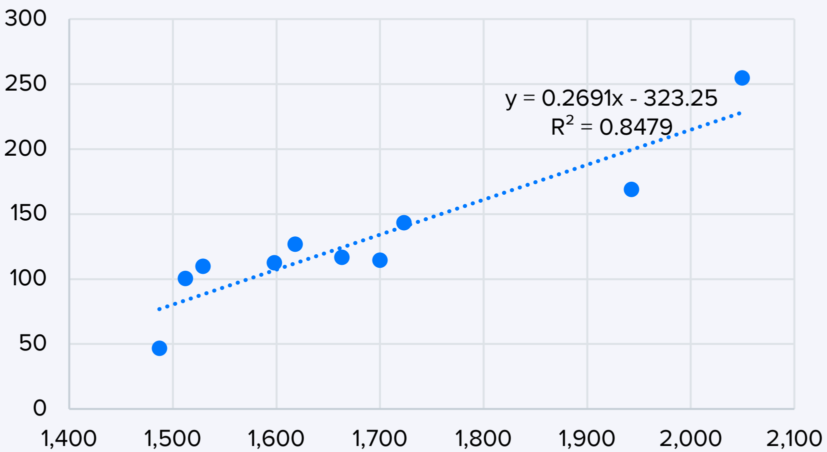
We have estimated Kalmar's risk level by regression of revenue and adjusted EBIT over the 10-year period 2014-2023. To simulate the current situation, we have subtracted the estimated Group expenses from the EBITs for 2014-2020, which have been obtained by allocating Cargotec's Group expenses in proportion to Kalmar's revenue share. The allocated Group expenses for 2021-2023 are shown in the prospectus.

The result of the regression is shown below. The high coefficient of determination of 85% (R^2) indicates a strong correlation between relative profitability and volume of operations, which makes sense. The high coefficient of determination supports the view that profitability is reasonably predictable. In the relevant revenue range of €1,900...2,200 million, the operational leverage, i.e. the ratio of the relative change in EBIT to the relative change in revenue, is the average of the engineering industry (2.3x...3.0x), indicating reasonable cost flexibility.

Assessment of profitability drivers for the business needs more information

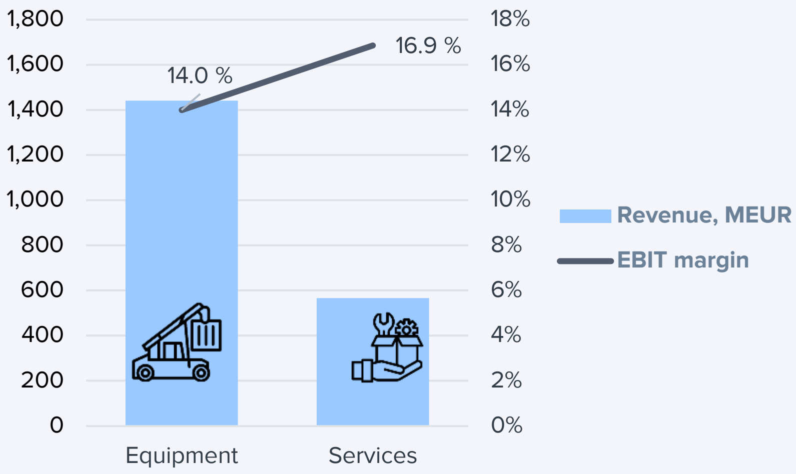
According to Kalmar's prospectus, the EBIT margin for the company's equipment business was 14.0% and the EBIT margin for the services business was 16.9% in 2023. The margin for the equipment business is unusually high. In addition, the difference in the profitability of the businesses is surprisingly small, and if headquarter expenses of close to €25 million were allocated to the businesses on a 50/50 basis (which we believe is a fair assumption), the corresponding margins would be 13.1% and 14.7%, reducing the difference even further. An explanation for the small difference in relative profitability could be found, e.g., in cost allocation from the site network. However, the prospectus offers little support for business profitability analysis, as historical data is only available for 2023 and Q1'24. A more detailed analysis thus depends fully on information that will become available later.

Regression of revenue and adjusted EBIT 2014-2023



Source: Cargotec, Kalmar

Profitability of equipment and services businesses 2023



Financial position 3/3

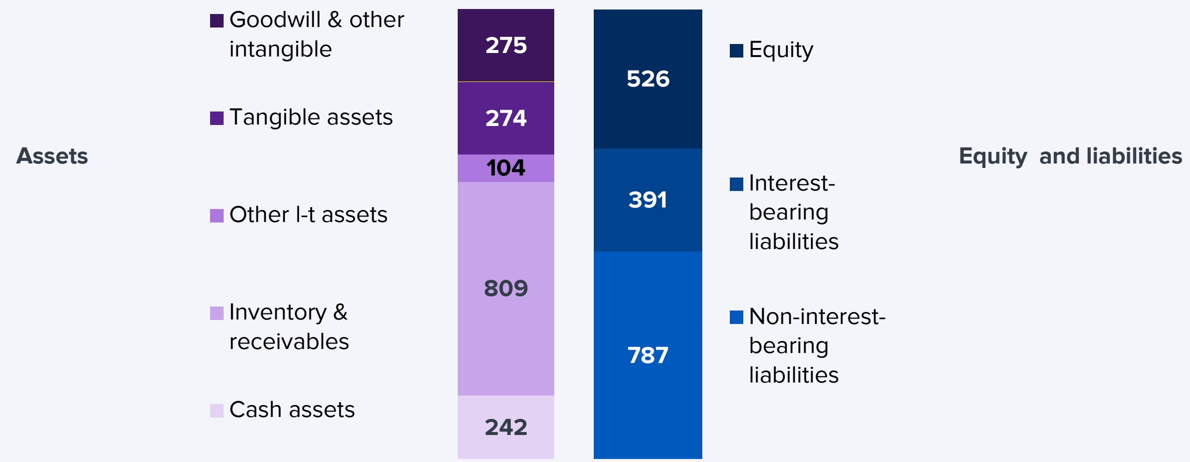
Opening balance sheet is in good condition

In connection with the demerger, Kalmar's equity will consist of the sum of the transferred share capital (€20 million), the reserve for invested unrestricted equity (€174 million) and retained earnings (€449 million), minus translation differences of €-117 million. The above-mentioned figures are pro forma figures as of March 31, 2024 based on the prospectus.

Kalmar's opening balance sheet looks strong enough. Based on figures from March 31, 2024, the equity ratio is not very high (31%), but the more important net gearing is very reasonable (28%) and the already discussed net debt/EBITDA ratio (0.5x) allows for a fair amount of additional debt. Of the balance sheet indicators, intangible assets/revenue, and tangible assets/revenue (both 13% at the end of 2023) are average for domestic listed engineering companies. Net working capital/revenue at the end of last year was low (4%) compared to e.g. Konecranes (9%) or Metso (18%).

Kalmar's operating cash flow is structurally strong. The cash flow ratio (cash flow from operating activities vs. EBITDA) was 74...95% in 2022-2023. Considering the good predictability of profitability, the balance sheet that is in good shape and reasonable investment needs, as well as a positive cash flow profile, we do not believe that Kalmar's balance sheet position or financing will cause problems for the company in the foreseeable future.

Pro forma balance sheet March 31, 2024, € million



Source: Kalmar

Estimates 1/4

Background assumptions of revenue estimate

Our forecast for Kalmar's revenue development is based on the following assumptions:

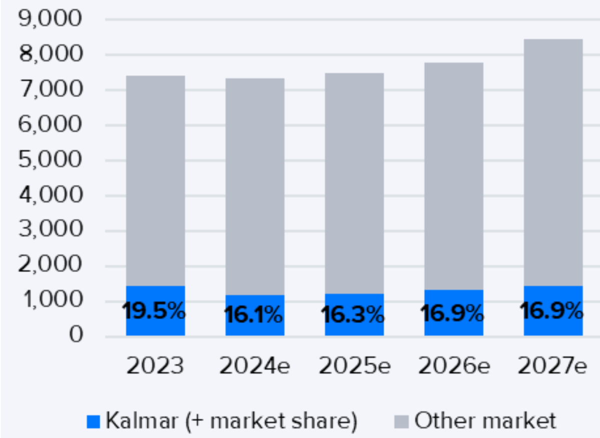
- Both the equipment and services markets will develop in line with KPMG's estimates presented on pages 19-20 and our forecasts. The equipment market development is still slow in 2024 (-1.0% y/y), but will accelerate clearly in 2025-2027 (CAGR = +4.8%). During 2024-2027, the market for straddle and shuttle carriers will grow faster than the rest of the equipment market (CAGR = +6.9%). For other types of equipment, the increase is around +3.2...+3.3% p.a.
- The forecasted development of the services market is fairly steady (2024-2027 CAGR = +3.7%). The slower overall growth than in the equipment market is explained by the increasing share of all-electric equipment and the lower need for maintenance.
- We expect Kalmar's equipment sales in 2024 to fall clearly (-18% y/y), as the order intake in 2023 was clearly below revenue and the market share will dip as a result. After that, we expect equipment revenue to grow faster than the rest of the market in 2025-2027 (CAGR = +6.5% vs. +4.8%): The key driver for restoring equipment market share from around 16% in 2024 to around 17% in 2027 is Kalmar's very competitive position in all-electric equipment. Thus, the expected growth is fast, as mentioned above.
- We estimate that Kalmar's service revenue will grow on average by +4.8% p.a. in 2024-2027, with overall market growth being slower than this (+3.7% p.a.). Our expectation of Kalmar's growth is based on heavy investment in the service business in line with the strategy. We expect the conversion rate of spare part purchases to the own equipment base to increase from 29% in 2023 to 35% in 2027. In addition, service growth is driven by the increase in the number of connected equipment (2024e-2027e + 9% p.a. vs. 2019-2023 actualized + 9% p.a.) and growth in the maintenance contract portfolio (2024e-2027e +9% p.a. vs. 2019-2023 actualized +7% p.a.).
- Kalmar's revenue follows the order intake so that the revenue-weighted average delivery time is 7 months for equipment and 3 months for services.
- As a combination of these factors, our revenue growth expectation for Kalmar is +0.7% p.a. in 2024-2027 and +6.6% p.a. in 2025-2027. Inflation impacts our forecasts by some +2% p.a.

Background assumptions of profitability estimate

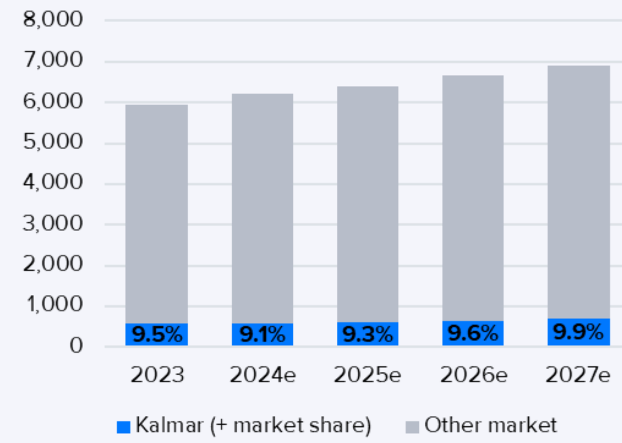
Our estimate for the profitability development in 2024-2027 is based on the following assumptions:

- The sales mix is stable. In 2024-2027, equipment sales accounted for 67...68% of revenue and services accounted for 32...33%. However, the change from 2023 (equipment 70%; services 28%) is significant.
- We expect the Group's gross margin to decrease from 24.8% in 2023 to 23.9% in 2024 as volumes decrease, and then turn to growth with volumes and especially improving sales mix in services (higher value-added services) and return to 24.8% in 2027. However, at this stage we do not consider the effect of Kalmar's commercial excellence and operational excellence due to the lack of information.

Kalmar and equipment market, MEUR



Kalmar and the service market, MEUR



Source: Kalmar, KPMG, Inderes' estimates

Estimates 2/4

- The share of sales and marketing expenses of revenue is 4.2...4.7% in our forecasts (2023 actualized 4.2%) and share of R&D expenses 2.7...2.9% (2023 actualized 2.6%). Administrative expenses account for 4.7...5.1% of revenue, compared with administrative expenses including Group administration in 2021-2023 (6.0...7.5% of revenue). For 2024, the situation is blurred by the mutual transitional management service contract between Kalmar and Cargotec, which lasts up to 7 months after the implementation date, i.e. from June 30,, 2024. The final amount and content of administrative costs are a significant uncertainty factor in our forecast.
- The contribution of the associated company Bruks Siwertell AB to the operating result is +8.0...+9.5 MEUR
- The operational leverage measured from comparable EBIT in 2024-2027 is very high (4.7x), in an abnormal starting point. In contrast, the leverage is reasonable (2.0x) in 2025-2027. This figure can be compared to 2.3x...3.0x presented earlier (p. 20).
- The interest rate on Kalmar's interest-bearing liabilities (including lease liabilities) is 3.5% over the forecast period. This figure is in line with interest rates calculated on average balances in the prospectus (lease liabilities >4 %; other interest-bearing liabilities approximately 2.5...3.0 %). Other financial expenses, like commission on the credit line and hedging costs, are on average 0.3% of revenue in our forecast.
- The group tax rate is 24.7% in 2024 and 23.0% in 2025-2027.

Investments, cash flow and dividends

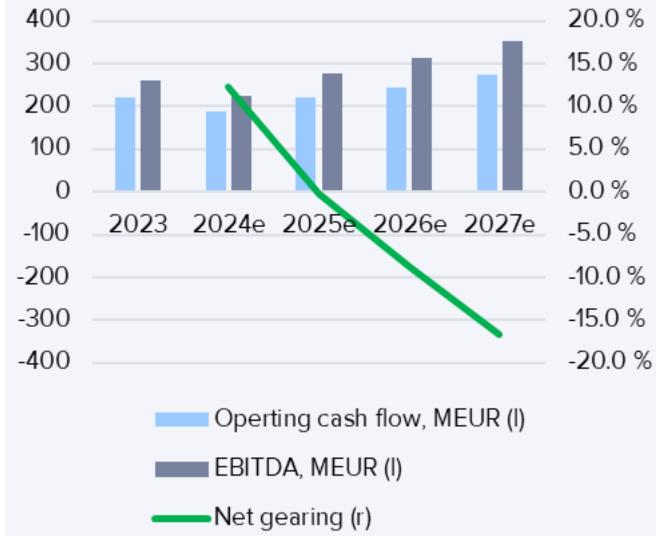
Kalmar does not have any significant abnormal investment needs and, in principle, investments are expected to slightly exceed the depreciation level. An exception is the SAP ERP update, which is to be completed before the general support ends by the end of 202 We estimate the amount of these investments to be 2 MEUR in 2025, 3 MEUR in 2026 and 1 MEUR in 2027. Kalmar has not disclosed the investment required for the SAP update, so it is just a rough estimate. At Kalmar Group level, computational gross investments in 2024 are 56 MEUR and 69...88 MEUR in 2025-2027, corresponding to 3.0...3.8% of revenue. During the same period, investments are cumulatively 26% higher than depreciation. However, thanks to improving profitability and moderately increasing net working capital, cash flow after investments remain clearly positive throughout the period (+32 133...+185 MEUR p.a.).

In 2024-2027, we expect a payout ratio of 50... 51%, which is in line with the official dividend policy (30-50%). The company could afford to distribute much more dividends, as with our forecasts the company's net gearing falls to a low level of -17% in 2027. So there is a clear safety margin to the company's target net debt/EBITDA ratio of <2x.

Estimates for 2024

The development of Kalmar's order intake in both 2023 (-18% y/y) and Q1'24 (-15% y/y) indicate a clear revenue drop in 2024, and our forecast is a -13% y/y comparable drop. The decrease focuses on equipment revenue (-18% y/y) while service revenue remains roughly unchanged (-1% y/y). On the other hand, we expect that the order intake will turn to a

Cash flow and gearing



Source: Kalmar, Inderes' estimates

Estimates 3/4

+3.5% y/y growth in 2024 (equipment +2.4% y/y; services +6.1% y/y).

Kalmar's Q1'24 revenue decreased comparatively by -9% y/y and a comparable EBIT margin of 12.2% was a good performance considering this.

Kalmar's guidance is that as a standalone company, its EBIT margin is >11% in 2024. The corresponding margin for 2023 excluding Navis and heavy forklift trucks was 13.0 %, so there is a good safety margin, especially considering that the comparable EBIT margin for Q1'24 improved from 12.0% in Q1'23. In addition, Kalmar is still running a cost-saving program that started in October 2023 and has since grown from 20 MEUR to 30 MEUR, the original target of which had been largely achieved by the end of Q1'24. If we estimate that the original savings program improved Kalmar's Q1'24 result by +5 MEUR, the program would generate +25 MEUR in Q2-Q4'24. However, we do not know how much (if any) of this program overlaps with the excellence programs mentioned earlier.

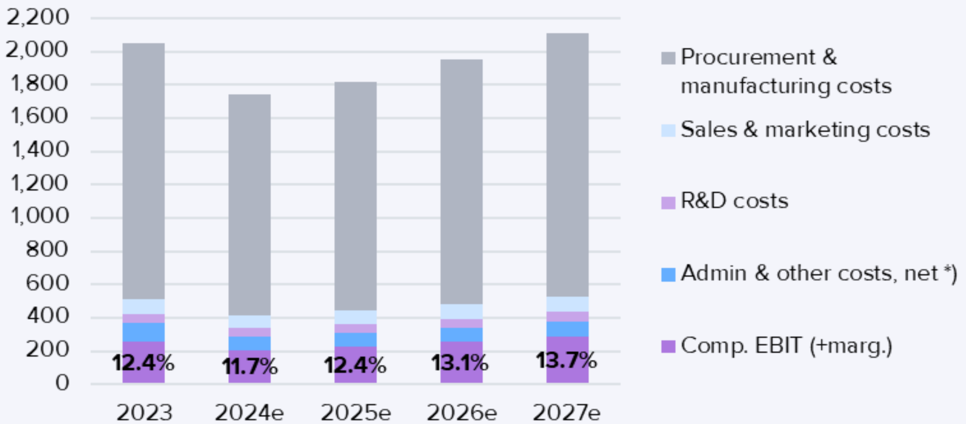
Our 2024 EBIT estimate is 203 MEUR (margin 11.7%) while the comparable figure in 2023 without heavy cranes was 261 MEUR (margin 13.0 %). As described above, we expect Kalmar's gross margin to fall to 23.9% from 24.8% in 2023 with volumes. On the other hand, we estimate that administrative costs will fall clearly from the comparison period. However, this involves considerable uncertainty, as we already explained.

In our forecast, net financial expenses are slightly positive (+1.3 MEUR) and the group tax rate is 24.7%. We expect EPS adjusted for non-recurring items to be EUR 2.42 (2023: EUR 3.17). Our dividend forecast for series A and B shares is EUR 1.00 and EUR 0.99, indicating a payout ratio of 51% of the reported EPS.

Estimates for 2025-2027

As previously described, our expectation for Kalmar's average revenue growth in 2025-2027 is +6.6% p.a. KPMG's market growth forecast for the same period is around +4.2 % p.a. We expect Kalmar's market share to increase as the company's position is strong in the fast-growing electric equipment market and as significant investments in the service business in line with the company's strategy generate results. Over the entire cycle, i.e. in 2019-2027, we expected comparable revenue growth of +4.3% p.a.

Revenue distribution between costs and result 2023-2027e, MEUR



Source: Kalmar, Inderes' estimates

Estimates 4/4

We expect a fairly steady increase in Kalmar's comparable EBIT margin (2025e: 12.3 %; 2026e: 13.1 % and 2027e: 13.7%) supported by operational leverage and efficiency programs. The margin we forecast will in 2027 still be quite far from the Group's target level of 15% in 2028. The possibility of positive forecast changes is mainly related to better-than-expected market development and specification of the content and impact of the excellence programs.

We expect adjusted EPS to be EUR 2.53 in 2025, EUR 2.92 in 2026 and EUR 3.36 in 2027. Thus, the growth rate of EPS in 2025-2027 is strong at 12% (CAGR).

Long term forecast

After the actual forecast period, we expect decelerating revenue growth for Kalmar from +7.2% p.a. (2028e) to +2.5 % p.a. (2033e), which is the same as terminal growth. For reasons of prudence and as competition intensifies while the track record is still lacking, the expected comparable EBIT margin will fall from 12.9 % in 2028 to 9.5 % in 2033, which is also the terminal level. Although the expected EBIT margin will fall clearly after the explicit forecast period, it should be noted that in the terminal the ROI/ROCE is still 19.1%, i.e. considerably high.

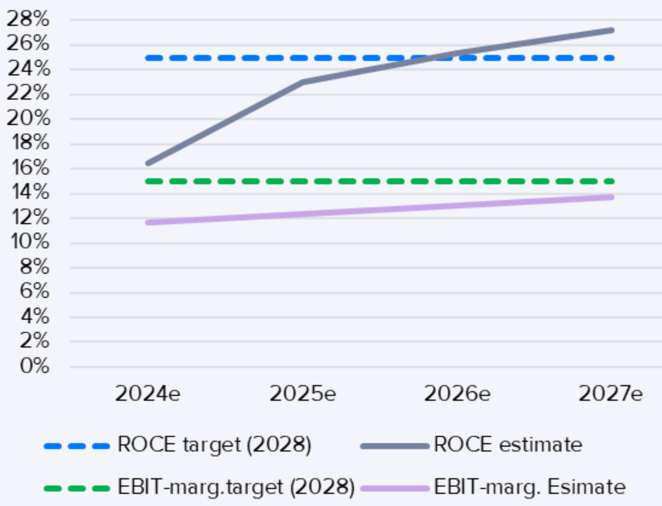
Forecasts relative to the company's targets

Kalmar's target revenue growth of 5% over the cycle is not achieved in our forecast, as the average revenue growth in 2024-2033 is "only" +3.2% p.a. However, this is based on the demanding starting level in 2023, and thus the average revenue growth in 2025-2033 is in line with the target in our forecast (+5.4% p.a.). We already discussed how our EBIT margin estimate compares to the 15% target level.

Kalmar's ROCE is equivalent to our own model's ROI calculation. The 25% return target set by the company will be achieved in our forecast in 2026-2028 (25.2...27.2%) and in other forecast years after 2024, ROCE exceeds 19 %. In the long term, the ROCE reduction is caused by the accumulation of cash, which could of course be corrected by a more generous dividend distribution. If our forecasts materialize, Kalmar's ROCE will be excellent in any case, even if the target is not fully reached.

We estimate that Kalmar will be net debt-free already from 2025 onwards, so the net debt/EBITDA target of <2x is met throughout the forecast period.

Targets vs. forecasts



Source: Kalmar, Inderes' estimates

Income statement

Income statement	2022	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**1943**	**2050**	**439**	**424**	**438**	**440**	**1742**	**1818**	**1949**	**2108**
Kalmar	1943	2050	439	424	438	440	1742	1818	1949	2108
EBITDA	**171**	**297**	**61.2**	**41.1**	**58.1**	**62.8**	**223**	**279**	**313**	**353**
Depreciation	-52.3	-57.1	-15.4	-13.7	-13.7	-13.7	-56.5	-54.5	-58.5	-63.8
EBIT (excl. NRI)	**118**	**255**	**53.9**	**47.4**	**53.0**	**49.1**	**203**	**224**	**255**	**289**
EBIT	**118**	**240**	**45.8**	**27.4**	**44.4**	**49.1**	**167**	**224**	**255**	**289**
Kalmar	118	240	45.8	27.4	44.4	49.1	167	224	255	289
Net financial items	-0.8	1.3	1.9	-0.2	-0.2	-0.2	1.3	-12.6	-10.4	-8.6
PTP	**118**	**242**	**47.7**	**27.2**	**44.3**	**48.9**	**168**	**211**	**244**	**281**
Taxes	-24.9	-47.7	-14.3	-6.3	-10.2	-11.3	-42.0	-48.6	-56.2	-64.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**92.6**	**194**	**33.4**	**20.9**	**34.1**	**37.7**	**126**	**163**	**188**	**216**
EPS (adj.)	**1.44**	**3.17**	**0.62**	**0.57**	**0.64**	**0.59**	**2.42**	**2.53**	**2.92**	**3.36**
EPS (rep.)	**1.44**	**3.00**	**0.52**	**0.33**	**0.53**	**0.59**	**1.96**	**2.53**	**2.92**	**3.36**

Key figures	2022	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	28.5 %	5.5 %	-9.5 %	-23.1 %	-12.9 %	-13.6 %	-15.0 %	4.4 %	7.2 %	8.2 %
Adjusted EBIT growth-%	48.8 %	115.3 %	-4.3 %	-33.8 %	-20.2 %	-18.5 %	-20.1 %	10.1 %	13.7 %	13.6 %
EBITDA-%	8.8 %	14.5 %	13.9 %	9.7 %	13.3 %	14.3 %	12.8 %	15.3 %	16.1 %	16.7 %
Adjusted EBIT-%	6.1 %	12.4 %	12.3 %	11.2 %	12.1 %	11.2 %	11.7 %	12.3 %	13.1 %	13.7 %
Net earnings-%	4.8 %	9.5 %	7.6 %	4.9 %	7.8 %	8.6 %	7.2 %	9.0 %	9.7 %	10.3 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**636**	**646**	**643**	**658**	**680**
Goodwill	268	260	259	259	259
Intangible assets	11.2	6.9	5.9	8.1	9.9
Tangible assets	257	273	276	288	309
Associated companies	39.3	48.8	47.1	47.1	47.1
Other investments	4.5	0.1	0.2	0.2	0.2
Other non-current assets	3.5	2.5	1.6	1.6	1.6
Deferred tax assets	52.3	54.4	54.2	54.2	54.2
Current assets	**1266**	**1190**	**1021**	**1047**	**1103**
Inventories	503	461	418	436	468
Other current assets	25.6	20.2	10.9	10.9	10.9
Receivables	377	336	296	309	331
Cash and equivalents	360	372	296	291	292
Balance sheet total	**1905**	**1846**	**1675**	**1716**	**1793**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**853**	**818**	**615**	**714**	**819**
Share capital	0.0	0.0	20.0	20.0	20.0
Retained earnings	0.0	0.0	538	637	742
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	853	818	57.0	57.0	57.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**181**	**243**	**424**	**363**	**311**
Deferred tax liabilities	12.8	9.9	11.7	11.7	11.7
Provisions	4.0	3.2	2.9	2.9	2.9
Interest bearing debt	58.0	114	294	232	180
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	106	116	116	116	116
Current liabilities	**871**	**785**	**635**	**639**	**664**
Interest bearing debt	113	141	77.9	57.3	40.1
Payables	758	644	557	582	624
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**1905**	**1846**	**1675**	**1716**	**1793**

Valuation and recommendation 1/3

Basis of the valuation

We examine the valuation of Kalmar's stock from three perspectives: 1) earnings-based valuation multiples (especially P/E, EV/EBITDA and EV/EBIT) and their relation to the peer group; 2) the stock's total return model, which considers earnings growth, the relative valuation level and the dividend yield; and 3) the DCF model. We believe that Kalmar's stock is priced primarily on an earnings basis. However, based on the indications of all three methods, we try to form an overall picture of the stock's fair value on which we base our investment view.

Positive and negative value drivers

In our view, the following factors support the value of Kalmar's stock:

+ **Growth market supported by megatrends.** In addition to the growth in global cargo handling volumes, the growth of Kalmar's target market is supported by strong megatrends like the need to reduce emissions and the electrification of the equipment fleet, the diversification of logistics chains, and increasing productivity and safety requirements.

+ **Strong market position and opportunities to further improve it.** In its key product segments, Kalmar is among the world's three largest players. The company's strong offering in the fastest growing segment, i.e. electric equipment, provides a good opportunity to further increase its market share in equipment sales. In services, faster growth than the market is supported by the opportunities offered by a large installed and connected equipment base, both in maintenance and new service offering. Progressing digitalization and the complexity of electric equipment helps Kalmar to displace small maintenance companies and in-house maintenance whose resources or interest are insufficient for more demanding maintenance and new services.

+ **Relative profitability improves.** We expect Kalmar's adjusted EBIT margin to increase in 2025-2027 thanks to operational leverage and the company's efficiency and performance programs.

+ **The company's risk profile is quite low.** The regression analysis indicates that the predictability of Kalmar's result is good. In addition, the opening balance sheet and cash flow expectations are strong. These factors lower Kalmar's risk profile and investor's required return.

According to our view, the following factors depress Ponsse's share value:

– **The basic demand for heavy material handling equipment is quite cyclical.** Although the purchase prices of some equipment is relatively low and demand is accumulated from several industries, equipment demand is cyclical as is typical for investment goods and its fluctuation is stronger than for general economic cycles.

– **Threat of intensified price competition, particularly from Chinese players.** The competitive situation in equipment sales is tight from the outset. In addition, the pricing behavior of Chinese competitors in particular may be unpredictable in a situation of subdued domestic demand. Tight price competition maintains a constant profitability pressure.

Valuation	2024e	2025e	2026e
Share price	26.4	26.4	26.4
Number of shares, millions	64.3	64.3	64.3
Market cap	1698	1698	1698
EV	1774	1697	1626
P/E (adj.)	10.9	10.4	9.0
P/E	13.5	10.4	9.0
P/B	2.8	2.4	2.1
P/S	1.0	0.9	0.9
EV/Sales	1.0	0.9	0.8
EV/EBITDA	7.9	6.1	5.2
EV/EBIT (adj.)	8.7	7.6	6.4
Payout ratio (%)	50.9 %	51.3 %	49.5 %
Dividend yield-%	3.8 %	4.9 %	5.5 %

Source: Inderes

Valuation and recommendation 2/3

- **There is still a lot of uncertainty in some profitability factors.** These factors include, in particular, the amount of administrative expenses when Kalmar is an independent player and the final impact and timing of the company's commercial excellence and operational excellence programs.
- **No certainty about the stock's liquidity.** In 2023, the 40% liquidity of Cargotec's stock was slightly below the median level of 47% among large domestic engineering companies (other companies KONE, Konecranes, Metso, Valmet and Wärtsilä). After a partial demerger, the same liquidity is not necessarily reached and the company's two share series may weaken the interest of some institutional investors.

Peer group valuation and Kalmar's acceptable valuation multiples

Several of Kalmar's main direct competitors are listed (incl. Konecranes, Hyster-Yale, Kion, ZPMC and Sany). Clearly under half of the revenue of all of these companiescome from businesses that compete directly with Kalmar, but demand drivers are often the same like industrial production, distribution and construction. However, due to the rather poor overall suitability, we exclude Sany from the peer group. The other peer group we have chosen includes domestic engineering companies Metso and naturally Cargotec, and foreign players Jungheinrich, a German in-house logistics and forklift supplier, Manitou, a French reacher and loader manufacturer, Columbus McKinnon, an American crane, hoist and conveyor manufacturer, and Tadano, a Japanese crane manufacturer.

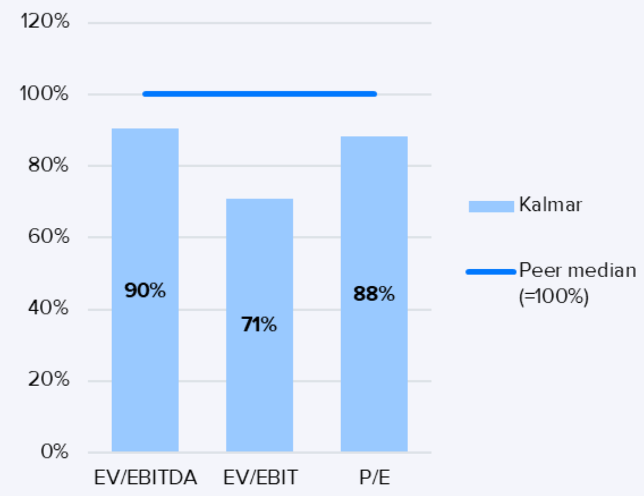
We emphasize 2025 in our valuation analysis of the peer group. Since the peers are almost across the board clearly more indebted than Kalmar, we feel the EV/EBIT ratio is more suitable for comparison than P/E. On the other hand, we consider EV/EBIT a better indicator than EV/EBITDA in a capital-intensive industry. In addition, e.g., the visibility of R&D expenses in EBITDA may vary substantially between companies.

The median EV/EBIT for the peer group for 2025 is 11x whereas for Kalmar it is 8x. The resulting valuation discount is -29%. For comparison, we can conclude that measured with EV/EBITDA Kalmar's stock is discounted at -10% to the peers and with the P/E ratio the valuation discount is -12%. We rely on the EV/EBIT when assessing the peer group valuation as it is most suitable and conclude that Kalmar's stock is cheap compared to the peers. Considering Kalmar's expected earnings growth rate, good ROI, low risk profile and the above-mentioned reservations related to the various multiples, we consider Kalmar's acceptable EV/EBIT ratio to be 10x-12x, EV/EBITDA ratio to be 8x-10x and P/E ratio to be 13x-15x with 2025 forecasts.

The total expected return is impressive

According to our calculation based on EV/EBIT ratios, the total expected return on Kalmar's stock (the upside potential based on earnings growth and the expected change in 2024-2025 valuation multiplier plus dividend yield) is around +23...+24 % p.a. The return comprises a +19...+20% share price potential p.a. and a dividend yield of some +4 %. We have estimated an acceptable EV/EBIT ratio of 10x for 2025, which is at the bottom of the acceptable multiple range presented above. The total expected return on the stock is clearly above the required return on equity of 10%, resulting in a very attractive risk-adjusted expected return.

Indexed valuation multiples, 2025e



Source: Kalmar, Inderes' estimates

Valuation and recommendation 3/3

DCF model indicates big upside potential

The DCF model discounts estimated future free cash flows (including the terminal assumption) to the present moment and current net debt is subtracted from this value. The weakness of the model is its sensitivity to the terminal growth and profitability estimates so the result should be interpreted with caution.

The discount rate we use in the DCF model, i.e. the weighted average cost of capital (WACC), is 9.0% and is raised by the 0.50% liquidity premium of the stock as the beta is 1.40. The cost of equity is 9.7%. Both figures are based on a 2.5 % risk-free interest and a 4.75% market risk premium.

The DCF model indicates a EUR 40 value for Kalmar's share to which there is an upside of some +50%. Although there are significant risks related to the parameters of the DCF model, we believe there is a considerable upside. A more detailed calculation can be found in the appendices.

Investment view

Based on our forecasts and the valuation multiples we accept for the company for the next few years, as well as the DCF, we now estimate that the fair value of Kalmar's stock is EUR 34-40 per share. We give the stock a Buy recommendation and set the target price in the middle of the range at EUR 36.0. At the target price, the 2025 EV/EBIT ratio of the stock is at the median level of the peer group.

The key reasons for our positive investment view are:

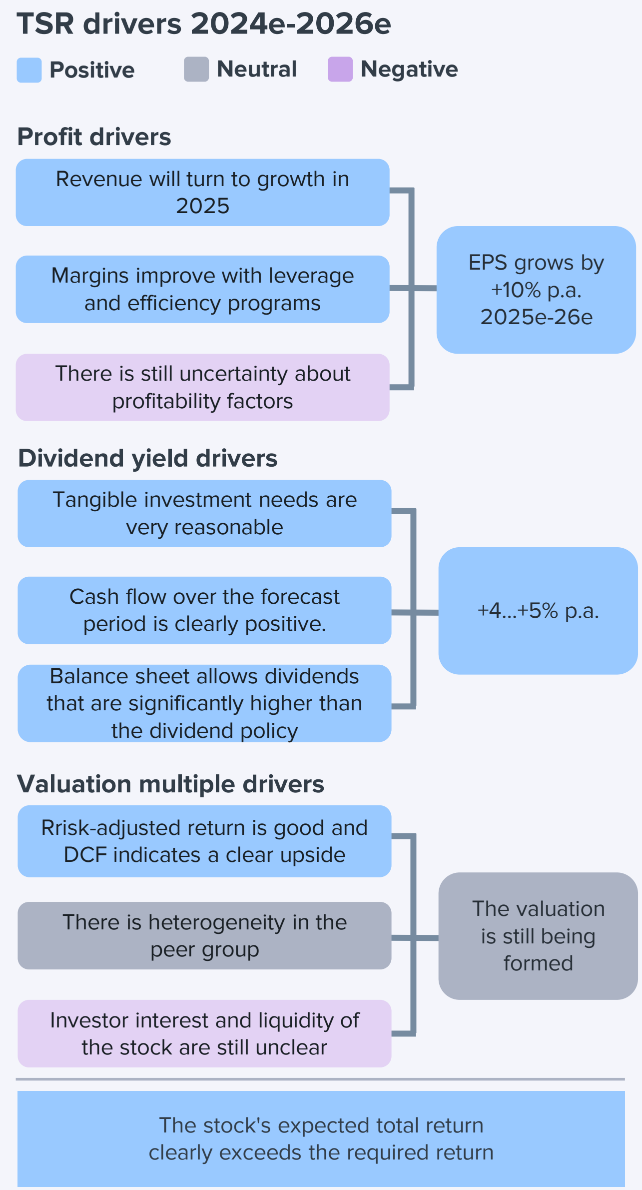
1) Kalmar's **growth outlook after 2025 is good,** with the target market growing well in both equipment and services. In addition to the growth in global heavy material handling volumes, growth is driven by the need for emission reduction and related electrification of equipment, diversification of logistics chains and increased productivity and safety requirements.

2) Kalmar is well-positioned **to increase its market share**, which is based on the company's strong offering in the fastest-growing segment of all-electric devices, as well as a determined drive to increase the conversion rate of wear and spare parts based on the large installed equipment base and offering of new digital services. A very small share of the market share's growth potential has been discounted to our forecasts.

3) Kalmar has the prerequisites for **significant margin improvement** in the coming years, based on volume growth and operational leverage. as well as the company's efficiency programs. Historically, the predictability of the company's result has been high.

4) The **valuation** of the stock is **very attractive** with the indicators we use .

Possible positive price drivers include news of the rapid progress of electrification in heavy material handling and related new orders from Kalmar, signs of continued increase in conversion rates in wear and spare parts, and more detailed information on the objectives and content of performance programs and progress in their implementation.



Investment profile

1. Very strong market position; #1 in the world in many segments

2. Good preconditions to utilize and also manage the electrification and automation of the industry

3. Significant growth opportunities in services

4. The market for new equipment is quite cyclical

5. Intensifying price competition in different products and regions is highly possible

Potential

- Accelerating container transport growth from H2'24 onwards
- Progress in electrification of the equipment base and automation of heavy material handling
- Growth of service business through more efficient utilization of the installed equipment base and digitalization
- Improved profitability through, e.g., performance programs

Risks

- General cyclicality of equipment demand
- Intensified price competition, particularly from Chinese players
- Electrification and automation will not progress at the expected pace

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**
Cargotec	4850	4763	12.0	11.1	9.8	9.4	1.2	1.1	15.6	13.9	2.4	2.6	2.9
Konecranes	4195	4525	9.8	9.1	8.0	7.5	1.1	1.1	13.5	12.4	2.9	3.2	2.4
Metso	8194	9010	11.0	10.2	9.3	8.7	1.7	1.6	14.7	13.1	3.8	4.1	2.9
Hyster-Yale	1138	1539	6.5	6.3	5.4	6.0	0.4	0.4	8.4	7.5			
Jungheinrich	3160	5572	12.3	11.3	6.1	5.8	1.0	1.0	10.1	9.1	2.6	2.8	1.3
Manitou BF	825	1242	6.4	6.1	4.7	4.5	0.4	0.4	6.0	6.1	6.3	6.6	0.8
Kion Group	5106	10873	13.3	11.4	5.9	5.4	0.9	0.9	11.1	9.1	2.5	3.2	0.8
Columbus McKinnon	930	1318	11.4	11.5	8.3	8.2	1.4	1.4	11.7	11.2	23.7	0.8	1.1
ZPMC	1815	5778			11.9	9.1	1.2	1.1	21.4	13.7			1.1
Tadano Ltd	851	847			5.4	5.3	0.5	0.5	14.7	12.5	1.8	2.3	0.8
Kalmar (Inderes)	**1889**	**1965**	**9.7**	**8.4**	**8.8**	**6.8**	**1.1**	**1.0**	**12.2**	**11.6**	**3.4**	**4.4**	**3.1**
Average			**10.4**	**9.6**	**7.5**	**7.0**	**1.0**	**0.9**	**12.7**	**10.9**	**5.7**	**3.2**	**1.6**
Median			**11.2**	**10.7**	**7.1**	**6.7**	**1.1**	**1.0**	**12.6**	**11.8**	**2.7**	**3.0**	**1.1**
Diff-% to median			***-14%***	***-21%***	***25%***	***1%***	***6%***	***-2%***	***-3%***	***-2%***	***25%***	***47%***	***172%***

Source: Refinitiv / Inderes

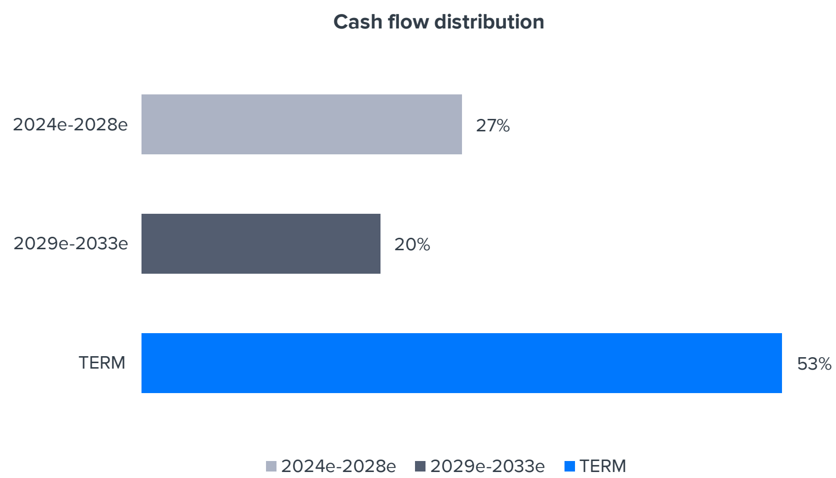
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.5 %	-15.0 %	4.4 %	7.2 %	8.2 %	7.2 %	6.3 %	5.3 %	4.4 %	3.4 %	2.5 %	2.5 %
EBIT-%	11.7 %	9.6 %	12.3 %	13.1 %	13.7 %	12.9 %	12.0 %	11.2 %	10.3 %	9.5 %	9.5 %	9.5 %
EBIT (operating profit)	**240**	**167**	**224**	**255**	**289**	**291**	**289**	**283**	**273**	**259**	**266**	
+ Depreciation	57.1	56.5	54.5	58.5	63.8	67.4	70.7	75.2	79.2	82.6	85.4	
- Paid taxes	-52.7	-40.0	-48.6	-56.2	-64.6	-65.2	-64.9	-63.5	-61.2	-58.0	-59.3	
- Tax, financial expenses	-0.8	-0.5	-3.9	-3.4	-3.1	-3.0	-3.1	-3.2	-3.3	-3.3	-3.4	
+ Tax, financial income	1.1	0.8	1.0	1.0	1.1	1.3	1.5	1.6	1.7	1.7	1.6	
- Change in working capital	-25.2	5.5	-6.9	-11.8	-14.3	-13.7	-12.7	-11.5	-9.9	-8.1	-6.0	
Operating cash flow	**220**	**189**	**220**	**243**	**272**	**278**	**281**	**282**	**279**	**274**	**284**	
+ Change in other long-term liabilities	9.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-63.0	-56.1	-68.9	-81.1	-87.8	-90.3	-93.6	-95.8	-97.0	-97.1	-96.2	
Free operating cash flow	**166**	**133**	**151**	**162**	**184**	**188**	**187**	**186**	**182**	**177**	**188**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	166	133	151	162	184	188	187	186	182	177	188	2955
Discounted FCFF		**127**	**133**	**131**	**137**	**128**	**117**	**106**	**95.9**	**85.4**	**83.1**	**1309**
Sum of FCFF present value		2451	2324	2191	2060	1923	1796	1679	1573	1477	1392	1309

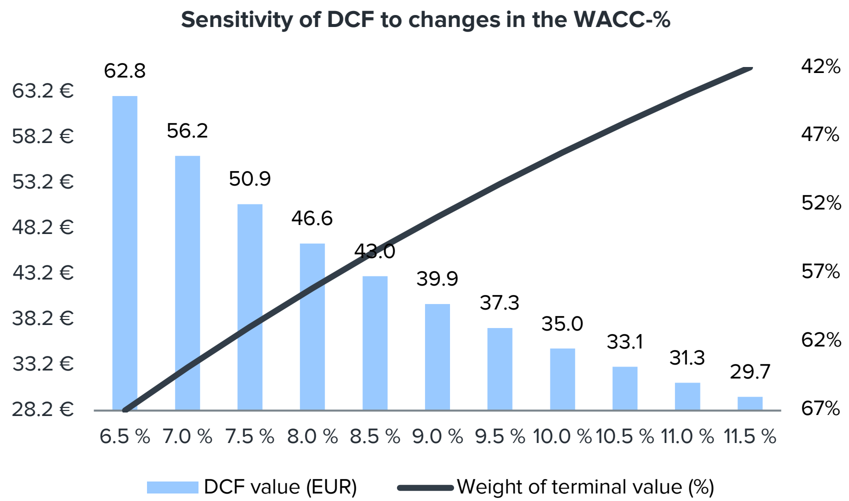
Enterprise value DCF	**2451**
- Interest bearing debt	-255
+ Cash and cash equivalents	372
-Minorities	0.0
-Dividend/capital return	0.0
Equity value DCF	**2569**
Equity value DCF per share	**39.9**

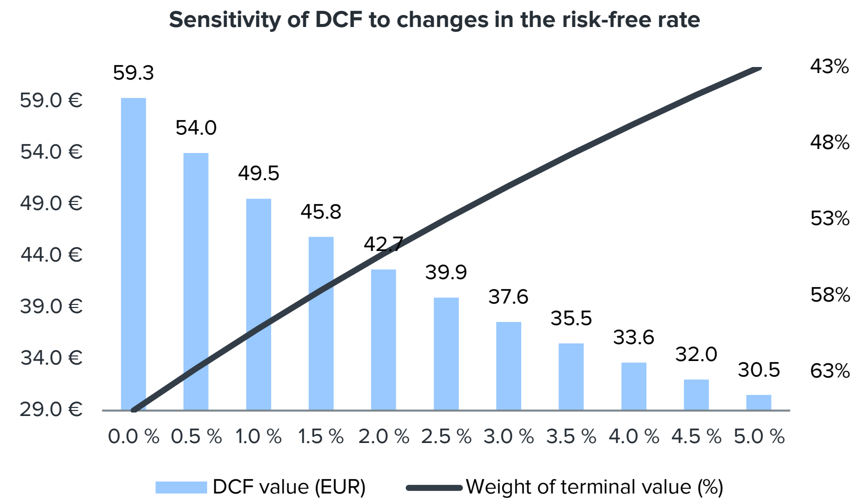
WACC	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	3.5 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	0.50%
Risk free interest rate	2.5 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**9.0 %**

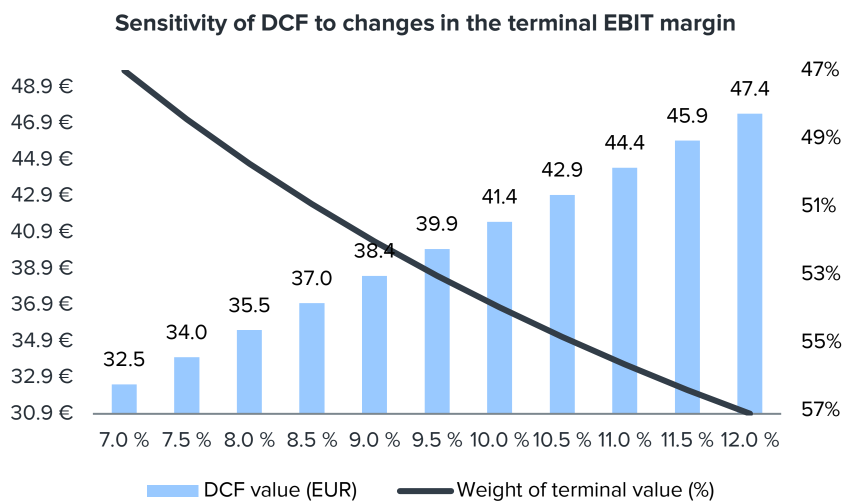
Source: Inderes

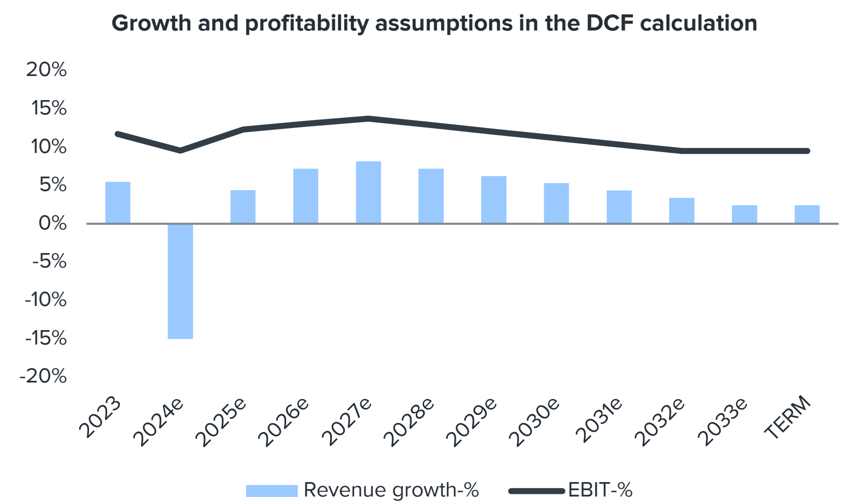


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

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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	Share price
7/1/2024	Buy	36.00 €	26.40 €

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