

Fortum

Company report

11/11/2022



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This report is a summary translation of the report “Suunta on oikea ja arvostus matala” published on 11/11/2022 at 08:05 am.

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The direction is right, the valuation low

We reiterate our Accumulate recommendation and raise our target price to EUR 16.5 (was EUR 14.5) for Fortum. The Q3 result exceeded our expectations and the rapid increase in hedging prices for 2023 supported our earnings estimates. In the big picture, the report confirmed that the company's liquidity position and balance sheet structure are in order after the finalization of the Uniper arrangement. A more persistent problem is Russia, which is depressing acceptable valuation and complicating debt market activity. We still consider the risk/return ratio of the stock attractive at the current low valuation.

Hydropower showed its strength in Q3

Fortum's comparable operating profit in Q3 was EUR 421 million, exceeding our estimate (MEUR 314) by a clear margin. This was driven by a very strong performance in the Generation segment and better-than-expected performances in the City Solutions and Russia segments. The Generation segment achieved a comparable operating profit of EUR 375 million thanks to very successful physical optimization. In practice, hydropower showed its strength when the company was able to take advantage of sharply fluctuating electricity prices by timing its own production to "peaks". The Russia segment was the smallest part of the profit-surplus, as it was still supported by a strong ruble and good operational efficiency.

Balance sheet should be in order soon

Fortum published its consolidated balance sheet excluding Uniper for Q3, which was largely in line with expectations. The balance sheet, which has shrunk by EUR 200 billion, is already in tolerable shape. Moreover, the repayment of Uniper's EUR 4.0 billion shareholder loan and EUR 0.5 billion purchase price will bring net financial debt down to a very moderate level. Simultaneously, the already significantly eased liquidity situation is practically removed from the risk list. Before that, the buffer is provided by the extremely expensive EUR 2.35 billion bridge financing of the Finnish state. At the turn of the year, Fortum's balance sheet should be in good shape, even though it will probably still have some EUR 3.3 billion of business in Russia. However, the payment of dividends may still be limited in the short term by the scarcity of distributable assets of the parent company.

Earnings outlook for the coming years is very good

Hedging prices in the Generation segment had increased faster than we had anticipated, especially for 2023. About 65% of wholesale electricity sales for 2023 at €49/MWh, compared to €37/MWh at the end of Q2. By contrast, the figures now published for 2024 (40% for € 38/MWh) fell short of market expectations. We have raised our earnings estimates for 2023 by around 10% due to higher-than-expected hedging prices and electricity futures remaining high. The estimates were also supported by the better-than-expected performance of other segments in Q3. Otherwise, the big picture for the coming years remained broadly unchanged.

Valuation continues to attract

Fortum's 2023e P/E is only around 7x, with next year's result expected to be exceptionally good (EPS forecast EUR 2.12). However, normalized EPS are likely to be closer to EUR 1.2-1.5, which would mean a P/E of around 10-12x, which we think is also attractive in the longer term. Although Russia will continue to weigh on Fortum for a long time, we believe the risk/reward ratio of the stock is good if the Uniper deal goes through. Although the Uniper adventure was a disaster, in a favorable market environment, the worst bubbles can be fixed quickly, at least if energy policies (windfall taxes etc.) don't make the situation significantly more difficult.

Recommendation

Accumulate

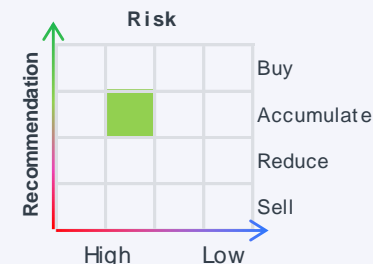
(previous Accumulate)

EUR 16.50

(previous EUR 14.50)

Share price:

EUR 14.38



Key figures

	2021	2022e	2023e	2024e
Revenue	6422	8820	9543	9305
growth-%	-87%	37%	8%	-2%
EBIT adj.	1429	1730	2683	2038
EBIT-% adj.	22.3 %	19.6 %	28.1 %	21.9 %
Net Income	3985	2053	1881	1379
EPS (adj.)	-2.43	-2.45	2.12	1.55

P/E (adj.)	neg.	neg.	6.8	9.3
P/B	2.0	1.9	1.5	1.5
Dividend yield-%	4.2 %	2.6 %	7.9 %	7.9 %
EV/EBIT (adj.)	22.9	9.1	5.0	6.2
EV/EBITDA	6.7	5.1	4.1	4.9
EV/S	5.1	1.8	1.4	1.4

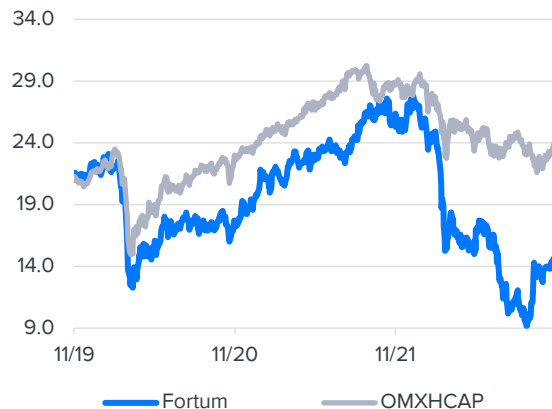
Source: Inderes

Guidance

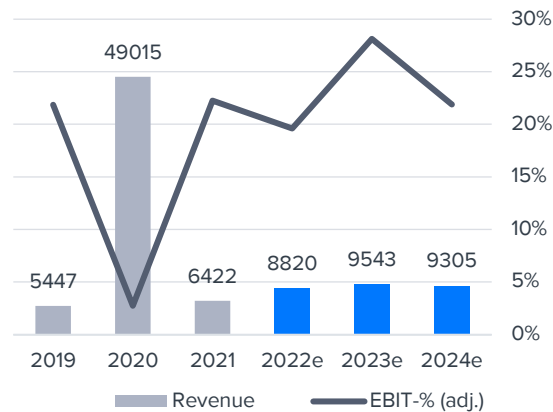
(New guidance)

Generation segment's Nordic generation hedges: approximately 80% at EUR 49 per MWh for the remainder of 2022, approximately 65% at EUR 49 per MWh for 2023, and approximately 40% at EUR 38 per MWh for 2024.

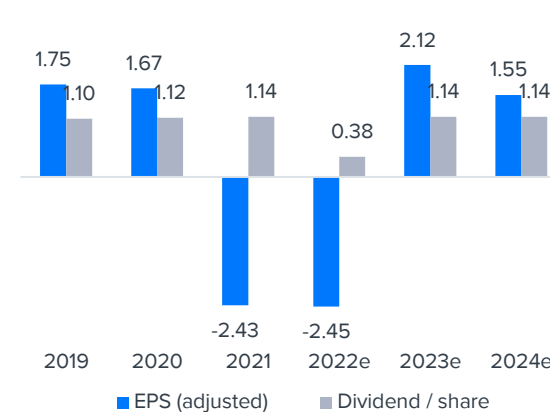
Share price



Revenue and EBIT %



EPS and dividend



Value drivers

- Successful exit from Uniper and Russia
- Improved investment profile and lower risk profile as the situation becomes clearer
- Very high electricity prices enables wild earnings levels if they persist
- Improving operational efficiency
- Successful investments and divestments in accordance with the strategy



Risk factors

- Completing the nationalization of Uniper
- Write-down risks associated with Russian business, which may also result in balance sheet problems
- Possible windfall taxes and developments in energy policy
- A drop in electricity prices would ultimately be reflected in the result, despite hedging
- Unfavorable regulatory developments in the Nordic countries, Europe or Russia

Valuation	2022e	2023e	2024e
Share price	14.4	14.4	14.4
Number of shares, million:	888.3	888.3	888.3
Market cap	12774	12774	12774
EV	15803	13381	12655
P/E (adj.)	neg.	6.8	9.3
P/E	neg.	6.8	9.3
P/FCF	2.2	4.3	6.5
P/B	1.9	1.5	1.5
P/S	1.4	1.3	1.4
EV/Sales	1.8	1.4	1.4
EV/EBITDA	5.1	4.1	4.9
EV/EBIT (adj.)	9.1	5.0	6.2
Payout ratio (%)	neg.	53.8 %	73.5 %
Dividend yield-%	2.6 %	7.9 %	7.9 %

Source: Inderes

Hydropower showed its strength

Operationally strong performance

Fortum's operating profit in Q3 clearly exceeded our expectations, with a comparable operating profit of EUR 421 million, exceeding our estimate (MEUR 314). This was driven by a very strong performance in the Generation segment and better-than-expected performances in the City Solutions and Russia segments.

Fortum's Generation segment achieved a comparable operating profit of EUR 375 million and exceeded our estimate (MEUR ~340). Despite the high hedging ratio, the Generation segment managed to achieve an average wholesale price of €63.9/MWh (Q3'21: €43.7/MWh) in line with our forecast (€63/MWh). The high electricity price achieved was due not only to the exceptionally high electricity prices but also to excellent physical optimization.

In practice, hydropower showed its strength when the company was able to take advantage of sharply fluctuating electricity prices by timing its own production to "highest peaks". As a result, hydropower delivered an excellent result, even though production volumes were, as we expected,

significantly lower than in the comparison period due to the reduction in inflow and water resources. Nuclear power production was stable, but slightly above our forecast.

Earnings also from outside Generation

The City Solutions segment made EUR -16 million in Q3 (Q3'21: -21 MEUR) comparable operating result in a seasonally weak period. The loss was smaller than expected and decreased clearly year-on-year, mainly thanks by higher electricity and heat prices and divestments. The segment's sales of heat and electricity decreased year-on-year mainly due to the sale of the Oslo Varme district heating company. In Q3, the Consumer Solutions segment made a comparable operating profit of EUR 17 million (Q3'21: 13 MEUR), which was slightly below our forecast. The earnings improvement was mainly driven by improved margins on electricity and gas sales, although the impact was somewhat offset by cost inflation.

The Russia segment achieved a comparable operating profit of EUR 67 million in Q3 (Q3'21: 45 MEUR), mainly driven by the strengthening of the ruble and higher electricity prices. Our forecast was

only EUR 26 million. The divestment process of the Russian businesses is still ongoing and in the current situation very little weight is given to the segment's result.

A lot of burdens gone with Uniper

Fortum's reported EPS were EUR 6.86 (Q3'21: EUR -0.81), which exceeded our estimate of EUR 5.84. This figure is distorted by the transfer of Uniper to discontinued operations, and the effect of deconsolidation ended up being around EUR +5.5 billion for the owners of the parent company. We estimate this item to be around EUR 5.0 billion, based on the unloading of the EUR -5 billion equity "contribution" from Uniper's at the end of Q2. Those interested can find more detailed calculations in the notes to Fortum's interim report, but we won't go into the details here.

At this stage, the significantly more relevant comparable EPS from continuing operations were EUR 0.31 (Q3'21: EUR 0.19), which is a solid performance. The new entity has made Q1-Q3'22 total comparable EPS of EUR 1.50, which better reflects Fortum's current operational performance.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	1296	2152	1640				31%	8820
Comparable EBITDA	385	561	458				22%	2289
Comparable EBIT	243	421	314				34%	1730
EBIT (reported)	3000	917	439				109%	2534
EPS (reported)	-0.82	6.86	5.84				17%	-1.55
Revenue growth-%	-	66%	26.6 %				39.5 pp	37.3 %
Comp. EBIT growth-%	18.8 %	42.6 %	26.8 %				15.8 pp	28.7 %

Source: Inderes

Balance sheet should be in order soon

Balance sheet without Uniper was largely as expected

The highlight of the report was the balance sheet without Uniper, which was published for the first time. The group's balance sheet total decreased by around EUR 200 billion, excluding Uniper, to EUR 31.7 billion at the end of Q3. We expected even a much larger reduction, but the balance sheet is still inflated by significant hedging and collateral requirements, but the size is now very reasonable.

With EUR 6.5 billion of equity in the consolidated balance sheet, Fortum has a reasonable buffer also against possible new write-downs in Russia, as long as the cash flow from other business operations remains healthy. At the end of Q3, the value of Fortum's Russian operations on its balance sheet was ca. EUR 3.3 billion, according to the company. The value is highly questionable in the current geopolitical situation, although the Russian business is doing well on paper and as such the power plants certainly have value.

Net financial liabilities amounted to EUR 5.9 million, which was at the level we expected. However, this still includes the EUR 4 billion shareholder loan from Uniper, which should be repaid by the end of the year once the Uniper arrangement is confirmed. Adjusted for this, net financial debt stood at EUR 1.9 billion at the end of Q3, which corresponds to a ratio of net financial debt to EBITDA from continuing operations of only 0.8x. In addition, there will be another EUR 500 million from Uniper shares and a presumably strong cash flow from Q4 (both operational and collateral release). Thus, at the end of the year, the net financial debt may be negligible. The big variable is Russia, which could still surprise negatively.

Plenty of liquidity when Uniper is let go

At the end of Q3, Fortum had EUR 3.6 billion in liquid assets and EUR 2.0 billion in undrawn stand-by credit lines through the Finnish government's very expensive bridge financing. In fact, liquidity has improved dramatically since the constant rise in collateral requirements threatened to eat away at the company's reserves. More resources have now been freed up as price rises in the derivatives market have calmed down and hedging has increasingly shifted to bilateral contracts. At the moment we don't see liquidity as a problem, and at the latest after the repatriation of the receivables from Uniper the situation will be good. At least EUR 4.5 billion (shareholder loan and purchase price) would then enter the coffers. Before then, there's cause for wariness if something strange happens in the electricity market.

State bridge financing comes with a price

With the Uniper transaction and the sale of the Russian businesses still pending, the company has weak access to debt markets. This is why Solidium's (Finnish State) EUR 2.35 billion bridge financing facility plays an important role in securing liquidity in all situations, according to the company. This bridge financing is very expensive (around 14% interest rate) and the terms of the loan included a free share issue to Solidium (1% of the share capital), subject to approval by the Extraordinary General Meeting (November 23). The company's CEO commented on the loan and the proposal to the AGM and said the financing solution was the best possible for the company's situation.

In our view, the high interest rate and the 1% dilution make the arrangement very expensive for the company and other shareholders. However, for a company of Fortum's size it doesn't sway the overall

picture. According to the company, the loan may no longer be withdrawable if the general meeting doesn't approve the share issue (a 2/3 majority is required). So far, we have not accounted for the possible dilution in Fortum's share volume.

The shape of the parent company will be revealed in the annual report

Fortum didn't disclose the parent company's equity in Q3, but reiterated that the loss from the divestment of Uniper will reduce the equity of the parent company Fortum Plc. However, Fortum has estimated that it will remain at a sufficient level and there is no need for additional equity financing. In 2021, the parent company had equity of EUR 11.6 billion, after which it has paid EUR 1.0 billion in dividends and made a loss of almost EUR 6 billion on Uniper. However, much more could have happened in the parent company's balance sheet during the financial year, but on this basis alone, the parent company's equity would be around EUR 4.6 billion. If this were the case, the remaining more than 3 billion would be share capital, which isn't a distributable asset.

In terms of a possible dividend payment, the main constraint may be the distributable assets on the parent company's balance sheet now that the company's liquidity position has strengthened. A lot can happen before the annual report, and we expect Fortum to pay a small dividend at the end of the financial year (estimate EUR 0.38/share, or 1/3 of the 2021 dividend). For the next few years, we think the dividend outlook is currently good. We stress that, for example, the effects of the Uniper transaction on the parent company's equity aren't straightforward given the complexity of the group structure. Therefore, the facts about the parent company's balance sheet will presumably only be available in connection with the annual report.

Earnings outlook for the coming years is very good

Hedging prices rose sharply, but the 2024 price level disappointed the market

Fortum does not provide financial guidance, but in practice the outlook is formed by the hedging levels and prices of the Generation segment. At the end of Q3, around 80% of wholesale electricity sales for the rest of 2022 were hedged at €49/MWh, around 65% for 2023 at €49/MWh and around 40% for 2024 at €38/MWh. Hedging prices for 2023 had risen even faster than expected, given that at the end of Q2, 60% was still at €37/MWh. This supported Generation's earnings estimates for next year.

By contrast, the 2024 hedging price was low and, in our view, a disappointment for the market, which expected it to be more reflective of the recent significantly higher futures prices. However, Fortum has been building the 2024 hedging since 2022, and a sizable part of this has been done at significantly lower prices. However, compared to our own estimates, 2024 was also roughly expected and didn't cause any major estimate changes in the Generation segment.

The benefit from high futures prices has been partly limited by the weak liquidity situation on the Nasdaq commodity exchange, which was of course foreseeable. Fortum has therefore reduced its hedging positions on the commodity exchange and increased the share of bilateral contracts with its customers. This also reduces collateral requirements and frees up capital. However, it's essential that Fortum was able to carry out hedging in a relatively normal way, which was previously a source of uncertainty.

The company also updated its previously canceled investment outlook and expects investments in continuing operations excluding acquisitions to be around EUR 550 million in 2022 (including annual maintenance investments). The required level of investment is slightly lower than we anticipated, which supported the cash flow estimates. In our estimates, we use a projection of EUR 700 million for the coming years (was 750 MEUR), because the company will be looking for growth once the Uniper mess is sorted out.

Estimates adjusted upwards

Based on the Q3 report, we have raised our earnings estimates for the current and next year by around 10%. Of course, the 2022 estimates was also affected by the higher-than-expected Q3 result. There were major revisions to the reported figures, but we don't consider these to be of major importance. Our estimates for 2023 were raised by slightly higher hedging levels than expected, while electricity futures for 2023 have remained high. Our revenue estimates for 2024 were raised, but our estimates for earnings are practically unchanged.

After reviewing the balance sheet and liquidity, we expect the company to pay a moderate dividend on 2022 earnings and a dividend on 2023 earnings already at last year's level (EUR 1.14). However, this year's dividend payment could be blocked by the parent company's distributable assets or by new, more serious disturbances in the electricity market. From now on, dividend payments will also be affected by the availability of debt financing, which is partly dependent on the sale of Russian businesses.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
	Old	New	%	Old	New	%	Old	New	%
MEUR / EUR									
Revenue	8204	8820	8%	8671	9543	10%	8449	9305	10%
EBITDA	2481	3093	25%	3002	3259	9%	2606	2585	-1%
EBIT (exc. NRIs)	1607	1730	8%	2430	2683	10%	2038	2038	0%
EBIT	1914	2534	32%	2430	2683	10%	2038	2038	0%
PTP	2103	2593	23%	2170	2423	12%	1831	1783	-3%
EPS (excl. NRIs)	-2.92	-2.45	16%	1.87	2.12	13%	1.57	1.55	-1%
DPS	0.00	0.38	-	0.50	1.14	128%	0.75	1.14	52%

Source: Inderes

Valuation continues to attract

The core is valuable now and in the future

The value of Fortum's core business has been clear throughout the crisis. The current market value of the company's Nordic hydro and nuclear assets of around EUR 12.8 billion is still extremely low. Following the completion of the Uniper transaction, we estimate that the liquidity position is good, even under exceptional circumstances, and the balance sheet is largely in order - although any further write-downs in Russia could further weaken it. Fortum's Generation segment alone is expected to generate over EUR 2 billion in operating profits in the coming years thanks to exceptionally high electricity prices, which will significantly strengthen the balance sheet in the short term.

However, the sector is priced very moderately, which is understandable as Europe wrestles with the energy crisis. In addition, Fortum is still burdened by the Russia segment, which is included in our estimates. We expect the segment's profit to be on a downward curve, and in 2023 it will account for only around 10% of operating profit. No one is likely to place significant value on the business, so conservatively this would raise the multiples by 10%, and there may be a 1% dilution ahead. Fortum's risk profile is also generally elevated until it has normal access to debt markets.

The share is cheap with the result of the next few years

Fortum has the preconditions to generate an excellent result next year thanks to the high electricity price. Therefore, the 2023e P/E is only about 7x, which is actually confusingly low. However, 2023 performance (EPS estimate EUR 2.12) is not sustainable, and the normalized EPS is likely to be closer to EUR 1.2-1.5. That would put the P/E in the 10-

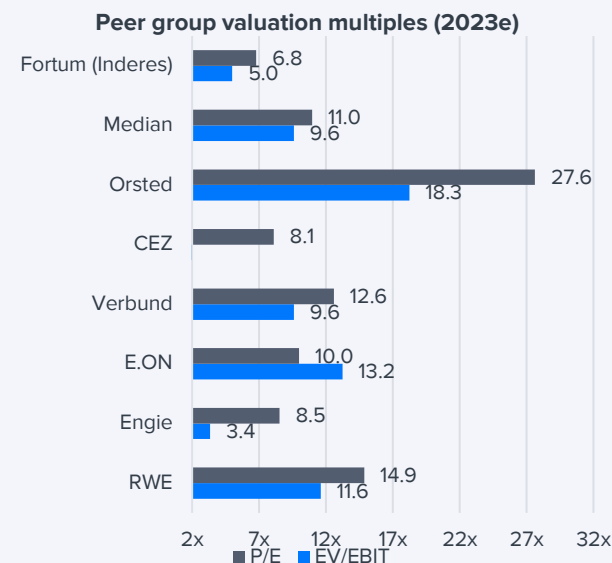
12x range, which we think is a very attractive level in the longer term. Although there are still risks, we believe Fortum's risk/return ratio is currently good. Even though Uniper was a disaster, in a favorable market environment, the worst damage can be remedied rather quickly. If Fortum were able to return to both the debt market and as a dividend payer, the company's risk profile would fall further. Following this, we believe the new profile of the company would support a significantly higher valuation, but this will take time and possibly an exit from Russia.

There are still risks

Although the Uniper mess seems to be resolved and we are confident that the arrangement will be completed during the rest of the year, nothing is certain until the money is in the account. The previous Uniper stabilization package changed quickly when the downhill steepened. The bigger problem, however, is the exit from Russia, which in this market environment seems to be very difficult, even at reasonable prices. In addition, there are significant risks associated with regulation of the whole sector and the energy policy throughout Europe. In exceptional circumstances, the desire to 'repair' market activity is obvious, but the impact may ultimately be negative for all. Taxation of excessive profits with 'windfall taxes' is politically attractive, which is why we find this risk significant, even though the debate in Finland has not been particularly aggressive so far. In addition, an obvious risk for Fortum's earnings development is the longer-term sustainability of very high electricity prices, which may be hampered by challenges on the futures market. Price formation may not be reliable if volumes are diverted away from the official marketplace.

Valuation	2022e	2023e	2024e
Share price	14.4	14.4	14.4
Number of shares, million:	888.3	888.3	888.3
Market cap	12774	12774	12774
EV	15803	13381	12655
P/E (adj.)	neg.	6.8	9.3
P/E	neg.	6.8	9.3
P/FCF	2.2	4.3	6.5
P/B	1.9	1.5	1.5
P/S	1.4	1.3	1.4
EV/Sales	1.8	1.4	1.4
EV/EBITDA	5.1	4.1	4.9
EV/EBIT (adj.)	9.1	5.0	6.2
Payout ratio (%)	neg.	53.8 %	73.5 %
Dividend yield-%	2.6 %	7.9 %	7.9 %

Source: Inderes

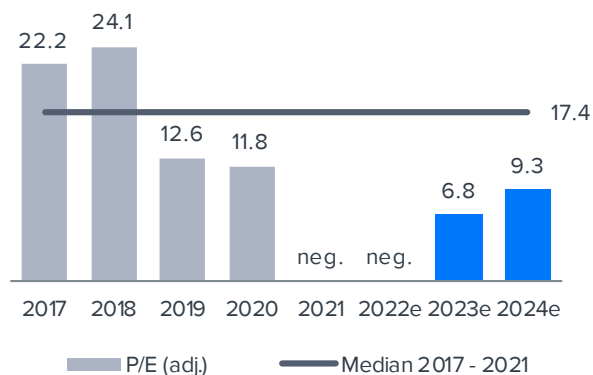


Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	16.5	19.1	22.0	19.7	27.0	14.4	14.4	14.4	14.4
Number of shares, millions	888.4	888.4	888.3	888.4	888.3	888.3	888.3	888.3	888.3
Market cap	14658	16968	19542	17501	23975	12774	12774	12774	12774
EV	13955	16805	18665	25567	32676	15803	13381	12655	12028
P/E (adj.)	22.2	24.1	12.6	11.8	neg.	neg.	6.8	9.3	10.0
P/E	16.9	20.1	13.2	9.6	32.4	neg.	6.8	9.3	10.0
P/FCF	neg.	10.0	46.5	neg.	25.8	2.2	4.3	6.5	7.1
P/B	1.1	1.4	1.5	1.4	2.0	1.9	1.5	1.5	1.4
P/S	3.2	3.2	3.6	0.4	3.7	1.4	1.3	1.4	1.4
EV/Sales	3.1	3.2	3.4	0.5	5.1	1.8	1.4	1.4	1.3
EV/EBITDA	8.6	10.0	11.0	9.5	6.7	5.1	4.1	4.9	5.0
EV/EBIT (adj.)	16.9	17.0	15.7	19.0	22.9	9.1	5.0	6.2	6.6
Payout ratio (%)	112.8 %	115.9 %	66.0 %	54.6 %	137.0 %	neg.	53.8 %	73.5 %	79.3 %
Dividend yield-%	6.7 %	5.8 %	5.0 %	5.7 %	4.2 %	2.6 %	7.9 %	7.9 %	7.9 %

Source: Inderes

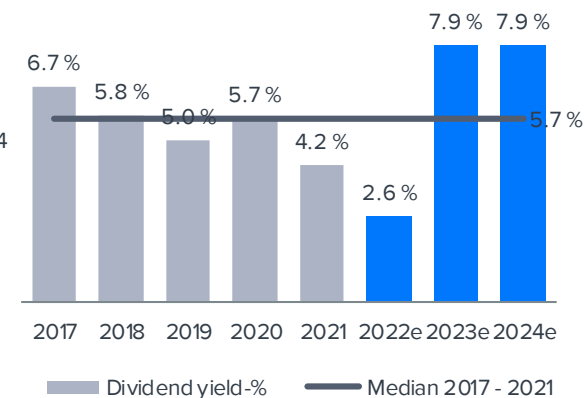
P/E (adj.)



P/B



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
RWE	26684	34821	8.9	11.6	6.3	7.5	10.1	14.9	2.3	2.4	1.5
Engie	32565	24055	3.0	3.4	1.9	2.0	7.5	8.5	8.5	7.9	0.9
E.ON	22911	59662	12.8	13.2	7.8	8.0	9.4	10.0	5.8	6.1	1.8
Verbund	28210	33375	13.3	9.6	10.8	8.0	17.3	12.6	4.2	4.3	4.1
EDF	46250	42794	5.4	7.0	2.8	2.4		11.9	2.3	4.5	0.9
CEZ	18531						7.6	8.1	8.3	9.1	2.3
Enel	48993	86176	7.4	6.8	4.5	4.2	9.1	8.3	8.2	8.7	1.5
Uniper	1133	10569					12.4				0.8
Orsted	36313	38223	13.4	18.3	9.6	11.0	17.8	27.6	2.1	2.3	3.5
Fortum (Inderes)	12774	15803	9.1	5.0	5.1	4.1	neg.	6.8	2.6	7.9	1.9
Average			9.2	10.0	6.2	7.0	11.3	12.7	5.2	5.7	1.9
Median			8.9	9.6	6.3	7.7	9.4	11.0	5.0	5.3	1.5
Diff-% to median			3%	-48%	-19%	-47%		-38%	-48%	51%	29%

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

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	49015	1721	1234	1296	2171	6422	2162	1754	2152	2752	8820	9543	9305	9220
<i>Generation</i>	2006	669	570	677	953	2869	701	715	894	1022	3332	4526	3993	3684
<i>City Solutions</i>	1075	418	256	202	426	1302	390	229	254	436	1309	1380	1409	1439
<i>Consumer Solutions</i>	1267	661	424	485	1052	2622	1168	856	1094	1256	4374	4004	4090	4178
<i>Russia</i>	929	264	182	193	267	906	223	218	261	322	1024	989	990	990
<i>Uniper</i>	44514	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other</i>	140	34	36	33	35	138	35	34	34	36	139	137	141	144
<i>Eliminations</i>	-916	-325	-234	-294	-562	-1415	-355	-298	-385	-320	-1358	-1494	-1318	-1216
EBITDA	2689	675	394	3142	702	4913	386	901	1058	748	3093	3259	2585	2384
Depreciation	-1090	-145	-146	-142	-154	-587	-140	-134	-141	-144	-559	-576	-547	-557
EBIT (excl. NRI)	1344	459	207	243	520	1429	388	318	420	604	1730	2683	2038	1828
EBIT	1599	530	248	3000	548	4326	246	767	917	604	2534	2683	2038	1828
<i>Generation</i>	722	268	190	237	428	1123	275	300	375	441	1391	2335	1702	1498
<i>City Solutions</i>	47	86	-4	-20	73	135	48	-36	-16	62	58	68	62	66
<i>Consumer Solutions</i>	90	36	19	13	-16	52	35	21	17	31	104	140	147	150
<i>Russia</i>	251	100	37	45	79	261	61	57	67	100	285	259	247	234
<i>Uniper</i>	363	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Other</i>	-129	-31	-35	-32	-44	-142	-31	-24	-23	-30	-108	-120	-120	-120
<i>Items affecting comparability</i>	255	71	41	2757	28	2897	-142	449	497	0	804	0	0	0
<i>Share of associates' profit or loss</i>	656	80	60	7	21	168	-215	-79	-39	25	-308	20	20	20
Net financial items	-56	-42	-47	-46	-26	-161	59	499	-141	-50	367	-280	-275	-194
PTP	2199	568	261	2961	543	4333	90	1187	737	579	2593	2423	1783	1654
Taxes	-344	-91	-46	-73	-115	-325	-104	-150	-137	-130	-521	-517	-379	-351
Minority interest	-32	-15	-1	4	-11	-23	-7	2	1	-15	-19	-25	-26	-26
Net earnings	1823	1092	-474	-721	842	739	-2222	-5686	6099	434	-1375	1881	1379	1277
EPS (adj.)	1.67	1.15	-0.58	-3.92	0.92	-2.43	-2.34	-6.91	6.31	0.49	-2.45	2.12	1.55	1.44
EPS (rep.)	2.05	1.23	-0.53	-0.81	0.95	0.83	-2.50	-6.40	6.87	0.49	-1.55	2.12	1.55	1.44

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	35604	49399	14922	15046	15199
Goodwill	1069	1021	248	248	248
Intangible assets	1739	1146	646	646	646
Tangible assets	19367	19049	8290	8414	8567
Associated companies	2912	2461	1586	1586	1586
Other investments	7959	6477	0.0	0.0	0.0
Other non-current assets	2402	17096	3308	3308	3308
Deferred tax assets	156	2149	844	844	844
Current assets	22206	100262	15489	14283	12630
Inventories	1396	2275	309	334	326
Other current assets	8998	65500	6360	5360	4860
Receivables	9504	24895	1764	1909	1861
Cash and equivalents	2308	7592	7056	6680	5583
Balance sheet total	57810	149661	30411	29329	27829

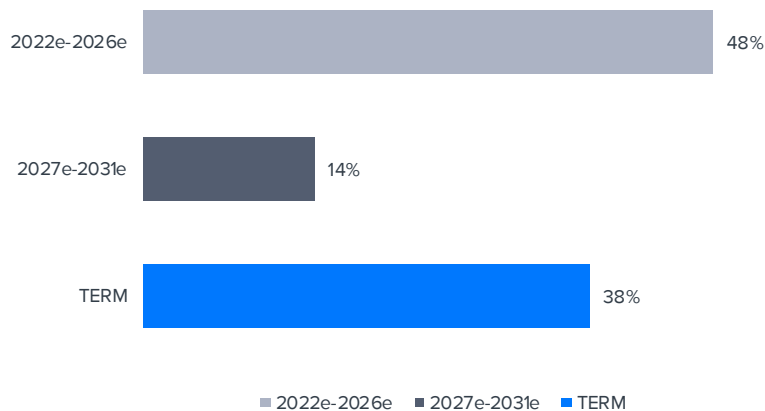
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	15577	13665	6797	8341	8707
Share capital	3046	3046	3046	3046	3046
Retained earnings	10149	10062	7674	9218	9584
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	-242.0	-977.0	-4000.0	-4000.0	-4000.0
Minorities	2624	1534	77.0	77.0	77.0
Non-current liabilities	22356	38070	10596	9762	8583
Deferred tax liabilities	952	827	514	514	514
Provisions	8098	10298	1070	1070	1070
Long term debt	8785	8701	7762	6928	5749
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4521	18244	1250	1250	1250
Current liabilities	19877	97926	13017	11226	10539
Short term debt	1877	8519	3762	1826	1187
Payables	9525	17462	1764	1909	1861
Other current liabilities	8475	71945	7491	7491	7491
Balance sheet total	57810	149661	30411	29329	27829

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	-86.9 %	37.3 %	8.2 %	-2.5 %	-0.9 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	67.4 %	28.7 %	28.1 %	21.9 %	19.8 %	19.5 %	19.5 %	19.0 %	19.0 %	18.0 %	18.0 %	18.0 %
EBIT (operating profit)	4326	2534	2683	2038	1828	1816	1834	1805	1823	1744	1762	
+ Depreciation	587	559	576	547	557	523	533	543	553	562	570	
- Paid taxes	-2443	471	-517	-379	-351	-352	-356	-349	-353	-336	-348	
- Tax, financial expenses	-14	66	-60	-59	-42	-39	-39	-39	-39	-39	-39	
+ Tax, financial income	2	0	0	0	0	0	0	0	0	0	8	
- Change in working capital	-1365	4085	975	508	503	-3	-3	-3	-3	-3	-3	
Operating cash flow	1092	3715	3657	2655	2495	1945	1970	1957	1980	1927	1950	
+ Change in other long-term liabilities	15923	-26222	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-12840	31738	-700	-700	-700	-706	-707	-707	-707	-707	-722	
Free operating cash flow	4175	9231	2957	1955	1795	1239	1263	1250	1274	1221	1228	
+/- Other	-3246	-3428	0	0	0	0	0	0	0	0	0	
FCFF	929	5803	2957	1955	1795	1239	1263	1250	1274	1221	1228	19013
Discounted FCFF		5746	2722	1674	1429	917	869	800	758	675	632	9784
Sum of FCFF present value		26005	20260	17537	15864	14435	13518	12649	11849	11091	10415	9784
Enterprise value DCF		26005										
- Interesting bearing debt		-17220										
+ Cash and cash equivalents		7592										
+ Associated companies		1586										
- Minorities		-146										
- Dividend/capital return		-1013										
Equity value DCF		16804										
Equity value DCF per share		18.9										
Wacc												
Tax-% (WACC)		22.0 %										
Target debt ratio (D/(D+E))		32.0 %										
Cost of debt		4.0 %										
Equity Beta		1.50										
Market risk premium		4.75%										
Liquidity premium		0.00%										
Risk free interest rate		2.5 %										
Cost of equity		9.6 %										
Weighted average cost of capital (WACC)		7.5 %										

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	5447	49015	6422	8820	9543	EPS (reported)	1.67	2.05	0.83	-1.55	2.12
EBITDA	1693	2689	4913	3093	3259	EPS (adj.)	1.75	1.67	-2.43	-2.45	2.12
EBIT	1118	1599	4326	2534	2683	OCF / share	1.51	1.75	1.23	4.18	4.12
PTP	1728	2199	4333	2593	2423	FCF / share	0.47	-8.69	1.05	6.53	3.33
Net Income	1482	1823	739	-1375	1881	Book value / share	14.62	14.58	13.66	7.57	9.30
Extraordinary items	-72	255	2897	804	0	Dividend / share	1.10	1.12	1.14	0.38	1.14
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	23364	57810	149661	30411	29329	Revenue growth-%	4%	800%	-87%	37%	8%
Equity capital	13235	15577	13665	6797	8341	EBITDA growth-%	1%	59%	83%	-37%	5%
Goodwill	612	1069	1021	248	248	EBIT (adj.) growth-%	21%	13%	6%	21%	55%
Net debt	5255	8354	9628	4469	2074	EPS (adj.) growth-%	120%	-4%	-245%	1%	-186%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	31.1 %	5.5 %	76.5 %	35.1 %	34.1 %
EBITDA	1693	2689	4913	3093	3259	EBIT (adj.)-%	21.8 %	2.7 %	22.3 %	19.6 %	28.1 %
Change in working capital	-240	-785	-1365	4085	975	EBIT-%	20.5 %	3.3 %	67.4 %	28.7 %	28.1 %
Operating cash flow	1340	1556	1092	3715	3657	ROE-%	11.9 %	14.1 %	5.9 %	-14.6 %	25.1 %
CAPEX	-617	-20567	-12840	31738	-700	ROI-%	9.9 %	10.3 %	15.8 %	9.0 %	15.3 %
Free cash flow	420	-7721	929	5803	2957	Equity ratio	56.6 %	26.9 %	9.1 %	22.4 %	28.4 %
						Gearing	39.7 %	53.6 %	70.5 %	65.7 %	24.9 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	3.4	0.5	5.1	1.8	1.4						
EV/EBITDA (adj.)	11.0	9.5	6.7	5.1	4.1						
EV/EBIT (adj.)	15.7	19.0	22.9	9.1	5.0						
P/E (adj.)	12.6	11.8	neg.	neg.	6.8						
P/E	1.5	1.4	2.0	1.9	1.5						
Dividend-%	5.0 %	5.7 %	4.2 %	2.6 %	7.9 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
3/17/2020	Buy	15.00 €	13.31 €
4/27/2020	Buy	17.00 €	14.86 €
5/18/2020	Buy	17.50 €	14.92 €
7/21/2020	Buy	20.00 €	17.84 €
8/20/2020	Buy	20.00 €	17.02 €
11/18/2020	Buy	20.00 €	17.63 €
12/4/2020	Buy	20.00 €	18.30 €
2/15/2021	Accumulate	22.50 €	21.97 €
5/14/2021	Accumulate	24.00 €	22.74 €
8/18/2021	Accumulate	26.50 €	24.49 €
11/15/2021	Reduce	25.00 €	25.30 €
2/28/2022	Reduce	19.00 €	19.47 €
3/7/2022	Accumulate	16.00 €	15.26 €
4/27/2022	Reduce	16.00 €	15.63 €
5/13/2022	Reduce	16.00 €	15.31 €
6/21/2022	Accumulate	18.00 €	16.31 €
7/25/2022	Accumulate	13.00 €	11.36 €
8/18/2022	Reduce	11.00 €	11.41 €
8/23/2022	Reduce	11.00 €	10.47 €
8/26/2022	Reduce	11.00 €	10.32 €
9/22/2022	Accumulate	14.50 €	13.25 €
10/13/2022	Accumulate	14.50 €	12.73 €
11/11/2022	Accumulate	16.50 €	14.38 €



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