

# Telia

## Company report

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# Headwinds are too strong

We lower Telia's target price to SEK 29 (previously 41) reflecting the estimate changes and increased COE. We also lower our recommendation to Reduce (previously Accumulate). Telia's Q3 operating figures were good and Telia returned to earnings growth. However, macro headwinds are strong and overshadow the good business trend. So, we expect modest earnings growth in coming years. The share's valuation (2023 P/E 18x and EV/EBIT 16x) has turned tight due to the price drop, lowered estimates and uncertainty. The stock exchange offers more attractive return/risk ratios elsewhere.

## Operationally Q3 was a good quarter

Telia reported that Q3 net sales had grown by 6% to SEK 22,456 million, which was above market expectations. Important service revenues have now shown signs of a return to growth for six quarters, although growth slowed down slightly (Q3 2.3%, Q2 2.4%). Comparable EBITDA increased by 1% year-on-year. In the big picture, business is moving in the right direction on many fronts, but macro headwinds are strong.

## Rise in energy prices and interest rates create a clear headwind

Earnings potential is especially limited by energy costs. The company now expects energy costs to be SEK 900 million higher in 2022 and another SEK 600 million higher in 2023. In addition, the rise in interest rates has affected financing costs that exceeded our and market expectations in Q3. Approximately half of the loan portfolio is fixed. Telia fights cost pressure with price hikes and efficiency measures. Price increases have been made in several product areas and markets, which in the short term does not compensate for the temporary cost spike. In the long term, once energy costs are normalized, the impact of price increases is emphasized. Efficiency measures progressed and by Q3, the company has achieved savings of 1 billion excluding energy cost increases (target 2 billion by 2023).

## The company lowered its guidance by the effect of the energy cost increases

The company lowered its guidance and expects adjusted EBITDA to be similar to last year, and excluding energy cost increases, is estimated to grow by low single digit in 2022. Thus, the guidance was lowered by the increase in energy costs. In addition, due to cost pressure, the company now expects that cash flow will not cover the minimum dividend (7.9 billion). However, the company maintained its dividend guidance unchanged. This is, naturally, not sustainable in the longer term, but considering the strong balance sheet, the dividend guidance can be implemented on a one-off basis. We clearly cut our earnings estimates for the next few years due to the weaker outlook. In addition, if the headwinds continue strengthening, there is downward pressure in the dividend policy. We now expect that net sales will grow by 3% in 2022-23 and that adjusted EBITDA and EPS will remain stable (+0.6% and 0.4%).

## Valuation and outlook speak for caution

Telia's risk profile is still moderate relative to the general stock market. However, the short-term risk level is higher and the valuation picture is tight. Telia's adjusted 2023 P/E and EV/EBIT ratios are 18x and 16x. The multiples are 23% above Nordic peers and very close to Elisa, where the risk profile is more moderate. The expected return consisting only of dividend yield (7%), does not reach the COE. We see a risk that the company will cut its dividends. DCF (SEK 32) indicates an upside to the current price, but we are not ready to rely on this in this uncertainty and with upward interest rate pressure. A positive view requires inflation to be better implemented in customer prices and this to drive earnings growth.

## Recommendation

### Reduce

(previous Accumulate)

### SEK 29.00

(previous SEK 41.00)

### Share price:

28.25



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	88343	90703	93259	95658
<b>growth-%</b>	-1%	3%	3%	3%
<b>EBITDA (adj.)</b>	29861	30056	30204	31424
<b>EBITDA % (adj.)</b>	33.8 %	33.1 %	32.4 %	32.9 %
<b>Net Income</b>	11504	5193	5352	6231
<b>EPS (adj.)</b>	1.54	1.50	1.55	1.80

<b>P/E (adj.)</b>	23.0	18.8	18.2	15.7
<b>P/B</b>	1.8	1.4	1.5	1.5
<b>Dividend yield-%</b>	5.8 %	7.3 %	7.4 %	7.5 %
<b>EV/EBIT (adj.)</b>	20.8	15.5	15.6	14.4
<b>EV/EBITDA</b>	5.9	6.0	6.1	6.0
<b>EV/S</b>	2.3	2.0	1.9	1.9

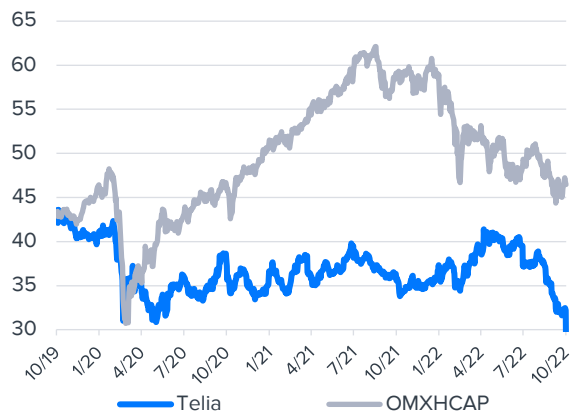
Source: Inderes

## Guidance

(Lowered)

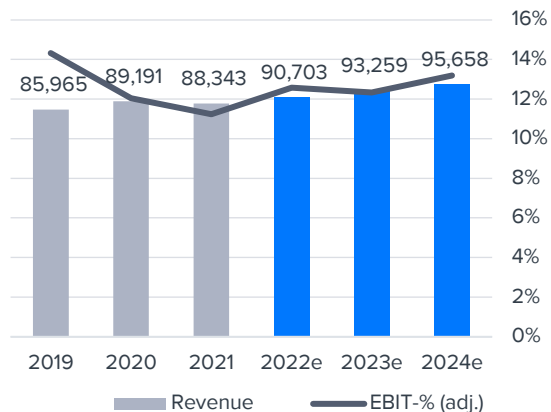
Telia expects service revenues to grow by low single digit in 2022. The company also expects adjusted EBITDA to be similar to last year, and excluding energy cost increases, it is estimated to grow by low single digit in 2022.

## Share price



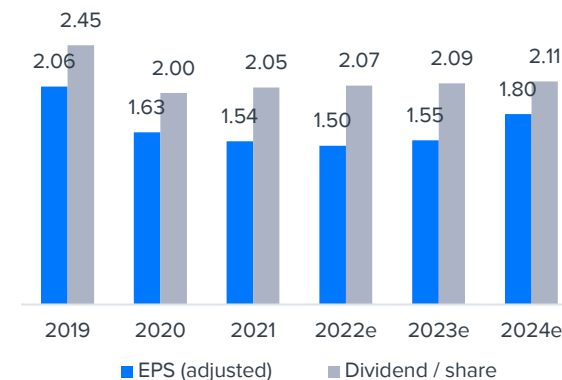
Source: Millstream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Continuing the turnaround of the Swedish business and a turnaround in Finland
- Earnings growth through growth in net sales and profitability improvement
- 5G opportunities
- Strong cash flow
- M&A
- Divestment of non-strategic operations



## Risk factors

- Upward pressure on the interest market
- Inflation continuing and increasing
- Tighter competition
- Realization of cost savings
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry

Valuation	2022e	2023e	2024e
Share price	28.3	28.3	28.3
Number of shares, million	3962	3962	3962
Market cap	111916	111916	111916
EV	177190	179812	181651
P/E (adj.)	18.8	18.2	15.7
P/E	21.5	20.9	18.0
P/FCF	13.6	12.8	11.8
P/B	1.4	1.5	1.5
P/S	1.2	1.2	1.2
EV/Sales	2.0	1.9	1.9
EV/EBITDA	6.0	6.1	6.0
EV/EBIT (adj.)	15.5	15.6	14.4
Payout ratio (%)	157.9 %	154.7 %	134.1 %
Dividend yield-%	7.3 %	7.4 %	7.5 %

Source: Inderes

# Q3 figures were good

## Net sales grew well and exceeded expectations

Telia reported that Q3 net sales had grown by 6% to SEK 22,456 million, which was above our and consensus expectations. The trend of net sales excluding exchange-rate effects and M&A, was slightly strengthened as adjusted for this growth was 2.7% (H1'22: 2.1-2.2%). Comparable growth in service revenues slowed down slightly and was 2.3% in Q2 (Q1'22 3.2 %, Q2 2.4%). Service revenues have now shown signs of a return to healthy growth for six quarters. The growth in service revenues is important to ensure that earnings growth is on a more solid base, and both Telia's strategic objectives and guidance reflect this.

## Earnings returned to growth as expected and exceeded our expectations

Adjusted EBITDA grew by 4% to SEK 8,070 million and was above our expectations and slightly below

market expectations. Thus, the adjusted EBITDA margin was 35.9% and slightly below the 36.4% of the comparison period: Comparable EBITDA increased by 1% year-on-year. Earnings potential was limited especially by energy costs, which were SEK 300 million higher in Q3 than in Q2, while in Q2 the company expected a total of SEK 120 million higher costs in H2. Excluding energy costs, the company achieved SEK 100 million (2%) cost savings in Q3, mainly from personnel cuts, and has thus achieved savings of 1 billion so far (target 2 billion by 2023). In addition, the rise in interest rates has affected financing costs that exceeded our and market expectations. Reported EPS was SEK 0.42 and slightly above 0.39 in the comparison period but below our and market expectations.

## Cash flow does not cover dividends, but with a healthy balance sheet it can be implemented on a one-off basis

Headwinds create cost pressure and the company now expects that operating cash flow and structural cash flow will be below the minimum dividend. However, the company maintained its dividend guidance unchanged. This is, naturally, not sustainable in the longer term, but considering the exceptional environment, we believe that this can be implemented on a one-off basis in view of the strong balance sheet. Telia's balance sheet is healthy and net debt/adjusted EBITDA was 2.1x at the end of Q3 and thus within the company's 2x-2.5x target.

However, in the medium term, the company's cash flow must cover the dividend or we find it likely that the company will be forced to lower its dividend policy.

Estimates MSEK / SEK	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	21271	22456	21863	22115	21613	- 22409	3%	90703
EBITDA (adj.)	7739	8070	7820	8129	7500	- 8308	3%	30098
EBITDA	7477	7871	7600	7918	7251	- 8170	4%	11403
EBIT (incl. associates)	2635	3188	2985	3142	1961	- 3410	7%	10650
PTP	1958	2404	2435	2457	1314	- 2825	-1%	7420
EPS	0.39	0.42	0.46	0.49	0.25	- 0.55	-9%	1.50
Revenue growth-%	-1.2 %	5.6 %	2.8 %	4.0 %	1.6 %	- 5.3 %	2.8 pp	2.7 %
EBITDA (adj.) -%	36.4 %	35.9 %	35.8 %	36.8 %	34.7 %	- 37.1 %	0.2 pp	33.2 %

Source: Inderes & Telia Company (consensus)

# We lowered our earnings estimates for the operator business exceptionally much

## Estimate changes 2022e-2023e

- With the long-standing good and broad growth base, we raised our net sales estimates slightly.
- However, with rising energy prices and interest rates, our earnings estimates fell clearly for 2022-23 and slightly less for 2024. Of the company's interest-bearing debts of about 90 billion one-half have fixed rates and half variable.
- We also cut our dividend estimates slightly, but kept them within the guidance thanks to the company's strong balance sheet. If the macro challenges become prolonged and more intense, we find it possible that the company will have to revise (cut) its dividend policy

## Operational result drivers 2022-2023e:

- Service revenues growth driven by 5G and faster subscription sales
- Continuing the turnaround of the Swedish business and a successful turnaround in Finland
- TV & Media recovering from COVID
- Cost savings (2 billion by 2023 and another 2 billion by 2025)
- Strong headwinds from rising energy prices and interest rates

## Objectives for the 2021-23 strategy period:

- Service revenues growth rate is a low single-digit number (estimate: 1-4%)
- Adjusted EBITDA growth rate is a low or medium single-digit number (estimate: at 1-7%)
- CAPEX without license fees and rights-of-use is expected to return to about 15% of net sales in 2023. In 2022, SEK 14-15 billion.

Estimate revisions	2022e		Change	2023e		Change	2024e		Change
	Old	New		Old	New		Old	New	
MSEK / SEK			%			%			%
Revenue	89938	90703	1%	91722	93259	2%	93861	95658	2%
EBITDA	30728	30098	-2%	31422	30204	-4%	31936	31424	-2%
EBIT (exc. NRIs)	12127	11403	-6%	12697	11499	-9%	13128	12623	-4%
EBIT	11332	10650	-6%	11797	10699	-9%	12428	11723	-6%
PTP	8603	7420	-14%	9745	7519	-23%	10269	8669	-16%
EPS (continuing operations)	1.78	1.50	-16%	2.03	1.55	-23%	2.08	1.80	-13%
DPS	2.10	2.07	-1%	2.15	2.09	-3%	2.25	2.11	-6%

Source: Inderes

# Valuation and outlook speak for caution

## Valuation multiples

Historically, it has been difficult to compare Telia with competitors with earnings multiples, because e.g., Telia's EBITDA does not show the income from minority holdings (they are reported in EBIT) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. Now, however, the income statement is relatively clean, excluding the minorities of masts sold in the last year.

In the bigger picture, we still find Telia's risk profile relative to the general stock market to be moderate, although in the short term the risk level is again elevated due to macro concerns. However, business is progressing better than in years. In terms of its risk profile Telia differs clearly from, e.g., Elisa who has been able to reduce the macro pressure clearly better by means of systematic energy and, in particular, interest rate hedging.

With the share price drop and lowered estimates Telia's adjusted P/E and EV/EBIT ratios for 2023e are 18x and 16x. The valuation multiples are 23% above the Nordic peers and very close to Elisa, where we find the risk profile to be more moderate. The multiples are slightly below the company's own level of the last 5 years (19x and 18x). Considering the company's headwinds from macro and the general market environment, we do not consider this to be enough to justify a positive view on the share.

## Expected return is tight

The expected return on Telia's share currently only relies on the dividend yield (7%), which also presents a

risk. Thus, the expected return does not cover the COE requirement. We raised the COE requirement from 6.5% to 7.7% due to the continued challenges and headwinds.

## DCF calculation

From a DCF viewpoint, a slightly higher valuation level than currently can be justified for Telia (SEK 32). However, the last 5 years have been a roller coaster for Telia and there have been many disappointments. In addition, the entire business has changed significantly (Eurasia divested and TV&Media acquired). These factors reduce predictability for long-term cash flows.

Our DCF model indicates a value of SEK 32.4 per share for Telia. The model assumes that the company's net sales growth will be about 2% in the medium term and 1.6% in the terminal. We expect the EBIT margin to be around 12-14% in 2022-2030 and 13% in the terminal. The adjusted EBIT % has averaged 14% over the last 5 years. The weight of the terminal assumption is, however, still very high in the valuation (61%).

With a highly predictable and stable business relative to the general market, we continue to use a low (6.7%) discount rate (WACC) compared to the market. We raised the WACC from 5.7% driven by the rise in the risk-free interest rate (now 2.5% previous 2.0%) and the COE requirement. The weight of the DCF relies heavily on the terminal value, but also acts as one approach for Telia's valuation. However, we do not believe that this alone is sufficient to justify a positive view.

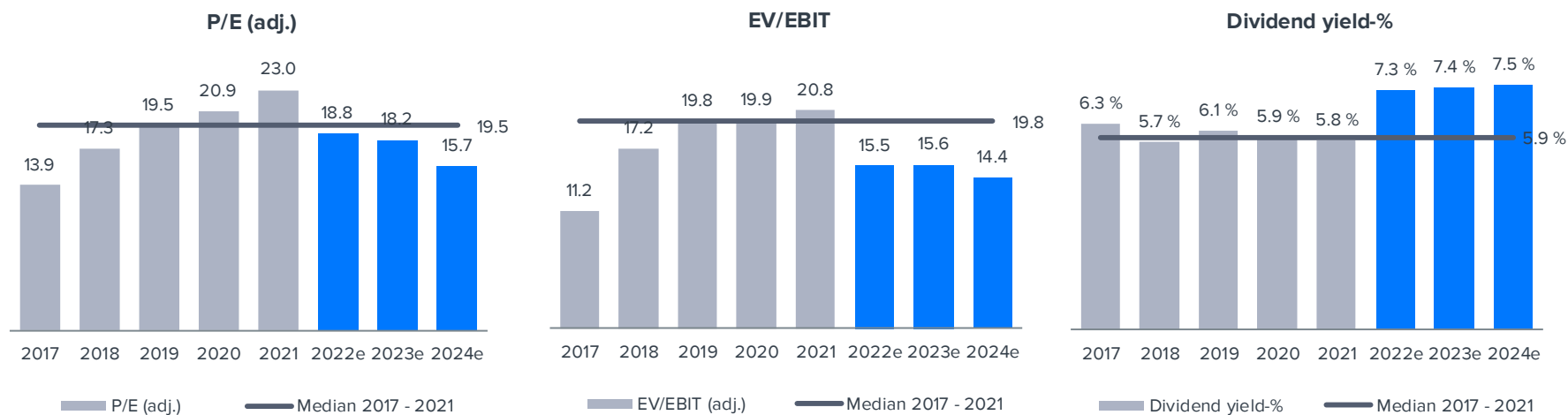
Valuation	2022e	2023e	2024e
Share price	28.3	28.3	28.3
Number of shares, million	3962	3962	3962
Market cap	11916	11916	11916
EV	177190	179812	181651
P/E (adj.)	18.8	18.2	15.7
P/E	21.5	20.9	18.0
P/FCF	13.6	12.8	11.8
P/B	1.4	1.5	1.5
P/S	1.2	1.2	1.2
EV/Sales	2.0	1.9	1.9
EV/EBITDA	6.0	6.1	6.0
EV/EBIT (adj.)	15.5	15.6	14.4
Payout ratio (%)	157.9 %	154.7 %	134.1 %
Dividend yield-%	7.3 %	7.4 %	7.5 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	36.6	41.2	40.3	34.0	35.4	28.3	28.3	28.3	28.3
Number of shares, millions	4330	4292	4172	4090	4090	3962	3962	3962	3962
Market cap	158264	174149	165535	138884	144793	111916	111916	111916	111916
EV	160035	223723	243678	213286	206767	177190	179812	181651	192944
P/E (adj.)	13.9	17.3	19.5	20.9	23.0	18.8	18.2	15.7	14.1
P/E	20.1	18.4	22.6	neg.	12.6	21.5	20.9	18.0	15.5
P/FCF	5.1	neg.	neg.	10.7	14.5	13.6	12.8	11.8	10.7
P/B	1.6	1.8	1.8	2.2	1.8	1.4	1.5	1.5	1.8
P/S	2.0	2.1	1.9	1.6	1.6	1.2	1.2	1.2	1.1
EV/Sales	2.0	2.7	2.8	2.4	2.3	2.0	1.9	1.9	2.0
EV/EBITDA	6.2	8.6	8.1	7.1	5.9	6.0	6.1	6.0	6.1
EV/EBIT (adj.)	11.2	17.2	19.8	19.9	20.8	15.5	15.6	14.4	14.1
Payout ratio (%)	126.4 %	104.2 %	135.5 %	neg.	72.9 %	157.9 %	154.7 %	134.1 %	117.0 %
Dividend yield-%	6.3 %	5.7 %	6.1 %	5.9 %	5.8 %	7.3 %	7.4 %	7.5 %	7.5 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Tele2	60495	91182	14.8	16.6	8.4	8.1	3.3	3.2	12.3	14.2	9.7	10.5	2.7
Elisa	86247	101317	19.7	18.9	12.5	12.1	4.3	4.2	20.2	19.5	4.6	4.8	6.1
Telenor	138025	273713	12.0	11.0	5.3	5.3	2.3	2.3	11.1	11.6	10.2	10.5	5.8
BT	154562	386386	9.8	9.2	4.1	3.9	1.5	1.5	6.3	5.9	6.2	6.3	1.0
Proximus	35741	71819	10.2	11.1	3.6	3.6	1.1	1.1	7.1	8.0	12.5	12.0	1.0
Orange Belgium	11940	15711	14.6	12.2	3.9	3.6	1.0	1.0	17.1	15.7	3.5	3.4	1.6
Swisscom AG	261526	360284	16.1	15.7	7.4	7.3	2.9	2.9	15.2	14.9	4.9	4.9	2.1
Telekom Austria AG	42013	69119	7.3	7.0	3.5	3.4	1.3	1.3	6.7	6.4	5.1	5.5	1.1
Deutsche Telekom	996397	2985047	15.6	13.2	6.4	6.0	2.3	2.3	11.6	10.6	3.9	4.2	2.1
Koninklijke KPN	123047	197611	15.7	15.4	7.1	7.0	3.4	3.3	16.0	14.6	5.2	5.6	3.7
<b>Telia (Inderes) MSEK</b>	<b>111916</b>	<b>177190</b>	<b>15.5</b>	<b>15.6</b>	<b>6.0</b>	<b>6.1</b>	<b>2.0</b>	<b>1.9</b>	<b>18.8</b>	<b>18.2</b>	<b>7.3</b>	<b>7.4</b>	<b>1.4</b>
Average			13.6	13.0	6.2	6.0	2.3	2.3	12.4	12.1	6.6	6.8	2.7
<b>Median</b>			<b>14.7</b>	<b>12.7</b>	<b>5.9</b>	<b>5.7</b>	<b>2.3</b>	<b>2.3</b>	<b>12.0</b>	<b>12.9</b>	<b>5.2</b>	<b>5.5</b>	<b>2.1</b>
<b>Diff-% to median</b>			<b>6%</b>	<b>24%</b>	<b>3%</b>	<b>8%</b>	<b>-16%</b>	<b>-14%</b>	<b>57%</b>	<b>41%</b>	<b>42%</b>	<b>34%</b>	<b>-30%</b>
<b>Median (Nordic)</b>			<b>14.8</b>	<b>16.6</b>	<b>8.4</b>	<b>8.1</b>	<b>3.3</b>	<b>3.2</b>	<b>12.3</b>	<b>14.2</b>	<b>9.7</b>	<b>10.5</b>	<b>5.8</b>
<b>Diff.-% to median (Nordic)</b>			<b>5%</b>	<b>-6%</b>	<b>-28%</b>	<b>-25%</b>	<b>-40%</b>	<b>-40%</b>	<b>53%</b>	<b>28%</b>	<b>-25%</b>	<b>-29%</b>	<b>-75%</b>

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



# Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>85965</b>	<b>89191</b>	<b>21814</b>	<b>21877</b>	<b>21271</b>	<b>23380</b>	<b>88343</b>	<b>21818</b>	<b>22293</b>	<b>22456</b>	<b>24137</b>	<b>90703</b>	<b>93259</b>	<b>95658</b>	<b>98088</b>
Sweden	34905	33740	8401	8492	8424	9133	34451	8548	8641	8698	9389	35276	36052	36881	37730
Finland	15969	15260	3542	3549	3612	3801	14504	3630	3655	3723	3896	14905	15297	15664	16009
Norway	14666	13373	3309	3343	3478	3658	13788	3649	3662	3859	3804	14975	15424	15887	16364
Denmark	5675	5464	1281	1242	1287	1403	5214	1275	1269	1371	1459	5375	5536	5647	5760
Lithuania	4045	4151	999	1052	1100	1169	4320	1113	1171	1203	1216	4703	4891	5037	5189
Estonia	3333	3321	778	826	836	891	3331	868	867	922	926	3584	3728	3839	3955
TV & Media + other operations	9641	16367	4049	3847	2835	3640	14370	3019	3334	2959	3768	13081	13550	13944	14350
Eliminations and others	-2267.8	-2485	-545	-475	-300	-316	-1635	-285	-307	-281	-322	-1195	-1219	-1243	-1268
<b>EBITDA</b>	<b>30017</b>	<b>30194</b>	<b>6778</b>	<b>14006</b>	<b>7477</b>	<b>6890</b>	<b>35151</b>	<b>7030</b>	<b>7499</b>	<b>7872</b>	<b>6903</b>	<b>29303</b>	<b>29404</b>	<b>30524</b>	<b>31811</b>
<b>EBITDA (adj)</b>	<b>31017</b>	<b>30702</b>	<b>7178</b>	<b>7654</b>	<b>7739</b>	<b>7290</b>	<b>29861</b>	<b>7202</b>	<b>7681</b>	<b>8071</b>	<b>7103</b>	<b>30056</b>	<b>30204</b>	<b>31424</b>	<b>32711</b>
Depreciation	-18863.0	-27861	-5007	-4999	-4871	-5146	-20023	-4607	-4686	-4706	-4654	-18653	-18705	-18801	-18801
<b>EBIT (excl. NRI)</b>	<b>12313</b>	<b>10735</b>	<b>2171</b>	<b>2671</b>	<b>2868</b>	<b>2218</b>	<b>9929</b>	<b>2595</b>	<b>2996</b>	<b>3364</b>	<b>2448</b>	<b>11403</b>	<b>11499</b>	<b>12623</b>	<b>13711</b>
<b>EBIT</b>	<b>11154</b>	<b>2333</b>	<b>1771</b>	<b>9007</b>	<b>2606</b>	<b>1744</b>	<b>15127</b>	<b>2423</b>	<b>2814</b>	<b>3165</b>	<b>2248</b>	<b>10650</b>	<b>10699</b>	<b>11723</b>	<b>13011</b>
Share of earnings in associates	0.0	-20080	24	23	29	28	104	14	18	23	40	95	160	160	160
Net financial items	-2938.0	-3318	-688	-678	-677	-591	-2634	-1030	-711	-784	-800	-3325	-3340	-3214	-3245
<b>PTP</b>	<b>9354</b>	<b>-21065</b>	<b>1106</b>	<b>8352</b>	<b>1958</b>	<b>1181</b>	<b>12597</b>	<b>1407</b>	<b>2121</b>	<b>2404</b>	<b>1488</b>	<b>7420</b>	<b>7519</b>	<b>8669</b>	<b>9926</b>
Taxes	-1753.0	-1412	-153	-452	-335	3	-937	-321	-437	-521	-298	-1577	-1504	-1761	-2022
Minority interest	-167.0	-156	-9	-37	-47	-63	-156	-157	-159	-174	-160	-650	-663	-676	-690
<b>Net earnings</b>	<b>7434</b>	<b>-22633</b>	<b>944</b>	<b>7863</b>	<b>1576</b>	<b>1121</b>	<b>11504</b>	<b>929</b>	<b>1525</b>	<b>1709</b>	<b>1031</b>	<b>5193</b>	<b>5352</b>	<b>6231</b>	<b>7215</b>
<b>EPS (adj. continuing operations )</b>	<b>2.06</b>	<b>1.63</b>	<b>0.33</b>	<b>0.37</b>	<b>0.45</b>	<b>0.39</b>	<b>1.54</b>	<b>0.28</b>	<b>0.43</b>	<b>0.48</b>	<b>0.31</b>	<b>1.50</b>	<b>1.55</b>	<b>1.80</b>	<b>2.00</b>
<b>EPS (reported)</b>	<b>1.78</b>	<b>-5.53</b>	<b>0.23</b>	<b>1.92</b>	<b>0.39</b>	<b>0.27</b>	<b>2.81</b>	<b>0.23</b>	<b>0.38</b>	<b>0.43</b>	<b>0.26</b>	<b>1.31</b>	<b>1.35</b>	<b>1.57</b>	<b>1.82</b>
<b>Key figures</b>	<b>2019</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Revenue growth-%</b>	2.9 %	3.8 %	-2.7 %	0.5 %	-1.2 %	-0.4 %	-1.0 %	0.0 %	1.9 %	5.6 %	3.2 %	2.7 %	2.8 %	2.6 %	2.5 %
<b>Adjusted EBIT growth-%</b>		-12.8 %	-4.3 %	1.6 %	-12.5 %	-13.3 %	-7.5 %	19.5 %	12.2 %	17.3 %	10.4 %	14.8 %	0.8 %	9.8 %	8.6 %
<b>EBITDA % (adj.)</b>	34.9 %	34.4 %	32.9 %	35.0 %	36.4 %	31.2 %	33.8 %	33.0 %	34.5 %	35.9 %	29.4 %	33.1 %	32.4 %	32.9 %	33.3 %

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>189667</b>	<b>194880</b>	<b>194927</b>	<b>194922</b>	<b>194921</b>
Goodwill	86521	89943	89943	89943	89943
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	85707	88226	88273	88268	88267
Associated companies	3445	4749	4749	4749	4749
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	12545	10660	10660	10660	10660
Deferred tax assets	1449	1302	1302	1302	1302
<b>Current assets</b>	<b>37015</b>	<b>42146</b>	<b>35939</b>	<b>36867</b>	<b>37738</b>
Inventories	1918	2040	2095	2154	2209
Other current assets	2706	3005	3005	3005	3005
Receivables	19301	22743	21769	22382	22958
Cash and equivalents	13090	14358	9070	9326	9566
<b>Balance sheet total</b>	<b>226682</b>	<b>237026</b>	<b>230865</b>	<b>231789</b>	<b>232658</b>

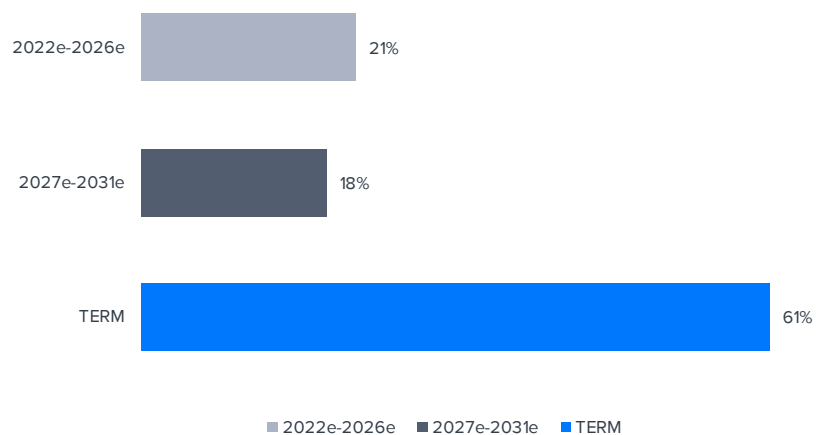
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>63954</b>	<b>83543</b>	<b>80353</b>	<b>77504</b>	<b>75456</b>
Share capital	14961	14961	14961	14961	14961
Retained earnings	37608	55503	52313	49464	47416
Hybrid bonds	10267	10267	10267	10267	10267
Revaluation reserve	0	0	0	0	0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	1118	2812	2812	2812	2812
<b>Non-current liabilities</b>	<b>122628</b>	<b>110464</b>	<b>104157</b>	<b>100852</b>	<b>102619</b>
Deferred tax liabilities	9845	10185	10185	10185	10185
Provisions	11787	7001	7001	7001	7001
Long term debt	84675	75005	68698	65393	67160
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	16321	18273	18273	18273	18273
<b>Current liabilities</b>	<b>40100</b>	<b>43019</b>	<b>46356</b>	<b>53432</b>	<b>54583</b>
Short term debt	5399	2215	6535	12716	13028
Payables	31376	32729	31746	32641	33480
Other current liabilities	3325	8075	8075	8075	8075
<b>Balance sheet total</b>	<b>226682</b>	<b>237026</b>	<b>230865</b>	<b>231789</b>	<b>232658</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	-1.0 %	2.7 %	2.8 %	2.6 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.6 %	1.6 %
EBIT-%	17.1%	11.7 %	11.5 %	12.3 %	13.3 %	14.0 %	14.0 %	14.0 %	14.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>15127</b>	<b>10650</b>	<b>10699</b>	<b>11723</b>	<b>13011</b>	<b>14007</b>	<b>14287</b>	<b>14573</b>	<b>14864</b>	<b>14079</b>	<b>14304</b>	
+ Depreciation	20023	18653	18705	18801	18801	18821	18856	18897	18941	18987	19036	
- Paid taxes	-450	-1577	-1504	-1761	-2022	-2178	-2233	-2392	-2495	-2333	-2380	
- Tax, financial expenses	-218	-766	-720	-705	-712	-763	-766	-668	-626	-625	-626	
+ Tax, financial income	21	50	38	39	40	41	42	43	44	44	45	
- Change in working capital	2240	-63	222	208	211	170	174	177	181	185	151	
<b>Operating cash flow</b>	<b>36743</b>	<b>26948</b>	<b>27440</b>	<b>28306</b>	<b>29329</b>	<b>30099</b>	<b>30360</b>	<b>30630</b>	<b>30909</b>	<b>30336</b>	<b>30530</b>	
+ Change in other long-term liabilities	-2834	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-24079	-18700	-18700	-18800	-18894	-18988	-19045	-19103	-19160	-19217	-19338	
<b>Free operating cash flow</b>	<b>9830</b>	<b>8248</b>	<b>8740</b>	<b>9506</b>	<b>10435</b>	<b>11110</b>	<b>11314</b>	<b>11528</b>	<b>11749</b>	<b>11119</b>	<b>11192</b>	
+/- Other	176	0	0	0	0	0	0	0	0	0	0	
FCFF	10006	8248	8740	9506	10435	11110	11314	11528	11749	11119	11192	221222
<b>Discounted FCFF</b>		<b>8149</b>	<b>8089</b>	<b>8243</b>	<b>8477</b>	<b>8456</b>	<b>8068</b>	<b>7701</b>	<b>7353</b>	<b>6519</b>	<b>6147</b>	<b>121514</b>
Sum of FCFF present value		198715	190567	182477	174234	165757	157301	149233	141533	134180	127661	121514
<b>Enterprise value DCF</b>		<b>198715</b>										
- Interesting bearing debt		-77220										
+ Cash and cash equivalents		14358										
-Minorities		-2812										
-Dividend/capital return		-8384										
<b>Equity value DCF</b>		<b>128357</b>										
<b>Equity value DCF per share</b>		<b>32.4</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>7.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.7 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	85965	89191	88343	<b>90703</b>	<b>93259</b>	EPS (reported)	1.78	-5.53	2.81	<b>1.31</b>	<b>1.35</b>
EBITDA	30017	30194	35151	<b>29303</b>	<b>29404</b>	EPS (adj.)	2.06	1.63	1.54	<b>1.50</b>	<b>1.55</b>
EBIT	11154	2333	15127	<b>10650</b>	<b>10699</b>	OCF / share	6.75	9.04	8.98	<b>6.80</b>	<b>6.93</b>
PTP	9354	-21065	12597	<b>7420</b>	<b>7519</b>	FCF / share	-4.46	3.18	2.45	<b>2.08</b>	<b>2.21</b>
Net Income	7093	-22912	11680	<b>5193</b>	<b>5352</b>	Book value / share	21.82	15.36	19.74	<b>19.57</b>	<b>18.85</b>
Extraordinary items	-1159	-8403	5199	<b>-753</b>	<b>-800</b>	Dividend / share	2.45	2.00	2.05	<b>2.07</b>	<b>2.09</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	264074	226682	237026	<b>230865</b>	<b>231789</b>	Revenue growth-%	3%	4%	-1%	<b>3%</b>	<b>3%</b>
Equity capital	92456	63954	83543	<b>80353</b>	<b>77504</b>	EBITDA growth-%	17%	-1%	-3%	<b>1%</b>	<b>0%</b>
Goodwill	101938	86521	89943	<b>89943</b>	<b>89943</b>	EBIT (adj.) growth-%	-5%	-13%	-8%	<b>15%</b>	<b>1%</b>
Net debt	80434	76984	62862	<b>66162</b>	<b>68784</b>	EPS (adj.) growth-%	-13%	-21%	-5%	<b>-3%</b>	<b>3%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	36.1%	34.4%	33.8%	<b>33.1%</b>	<b>32.4%</b>
EBITDA	30017	30194	35151	<b>29303</b>	<b>29404</b>	EBIT (adj.)-%	14.3%	12.0%	11.2%	<b>12.6%</b>	<b>12.3%</b>
Change in working capital	-573	10250	2240	<b>-63</b>	<b>222</b>	EBIT-%	13.0%	2.6%	17.1%	<b>11.7%</b>	<b>11.5%</b>
Operating cash flow	28150	36966	36743	<b>26948</b>	<b>27440</b>	ROE-%	7.9%	-29.4%	16.0%	<b>6.6%</b>	<b>7.0%</b>
CAPEX	-27530	-4961	-24079	<b>-18700</b>	<b>-18700</b>	ROI-%	7.2%	-10.5%	9.9%	<b>6.9%</b>	<b>7.1%</b>
Free cash flow	-18620	13009	10006	<b>8248</b>	<b>8740</b>	Equity ratio	35.0%	28.2%	35.2%	<b>34.8%</b>	<b>33.4%</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	87.0%	120.4%	75.2%	<b>82.3%</b>	<b>88.7%</b>
EV/S	2.8	2.4	2.3	<b>2.0</b>	<b>1.9</b>						
EV/EBITDA (adj.)	8.1	7.1	5.9	<b>6.0</b>	<b>6.1</b>						
EV/EBIT (adj.)	19.8	19.9	20.8	<b>15.5</b>	<b>15.6</b>						
P/E (adj.)	19.5	20.9	23.0	<b>18.8</b>	<b>18.2</b>						
P/E	1.8	2.2	1.8	<b>1.4</b>	<b>1.5</b>						
Dividend-%	6.1%	5.9%	5.8%	<b>7.3%</b>	<b>7.4%</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
23-07-18	Accumulate	44.00 SEK	39.06 SEK
22-10-18	Accumulate	45.00 SEK	40.30 SEK
28-01-19	Accumulate	44.00 SEK	39.78 SEK
27-03-19	Accumulate	44.00 SEK	41.43 SEK
26-04-19	Accumulate	44.00 SEK	40.80 SEK
18-07-19	Reduce	44.00 SEK	42.90 SEK
18-10-19	Reduce	42.00 SEK	41.65 SEK
14-01-20	Reduce	42.00 SEK	40.57 SEK
30-01-20	Reduce	42.00 SEK	41.83 SEK
19-03-20	Accumulate	39.00 SEK	34.04 SEK
27-03-20	Accumulate	38.00 SEK	35.00 SEK
23-04-20	Accumulate	38.00 SEK	34.05 SEK
20-07-20	Accumulate	38.00 SEK	36.27 SEK
22-10-20	Accumulate	38.00 SEK	37.20 SEK
27-01-21	Accumulate	38.00 SEK	36.56 SEK
01-02-21	Accumulate	40.00 SEK	36.70 SEK
26-04-21	Accumulate	40.00 SEK	35.07 SEK
22-07-21	Accumulate	40.00 SEK	38.15 SEK
22-10-21	Accumulate	39.00 SEK	35.58 SEK
31-01-22	Accumulate	39.00 SEK	36.30 SEK
28-04-22	Reduce	41.00 SEK	41.40 SEK
21-07-22	Accumulate	41.00 SEK	37.20 SEK
24-10-22	Reduce	29.00 SEK	28.25 SEK



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