

# Tietoevry

## Company report

10/28/2022



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This report is a summary translation of the report “Vahvaa kasvua, mutta inflaatiosta vastatuulta” published on 10/28/2022 at 08:00 am.

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# Strong growth, but headwinds from inflation

We lower our target price for Tietoevry to EUR 28 (was 31.0) reflecting the estimate changes and the increased required return. We also lower our recommendation to Accumulate (was Buy). The big picture was already known due to the Q3 preliminary data and organic growth was very strong, while profitability was slightly soft. The company also revised its guidance last week, indicating better growth with slightly lower profitability. We expect Tietoevry to deliver moderate earnings growth in the coming years, constrained by inflation and price competition. In our view, Tietoevry's expected return (>10%) is good, but not superior enough to justify a Buy recommendation. In addition, a good risk/return ratio is now also available in the rest of the IT services sector and other listed companies.

## Growth and profit slightly exceeded our expectations

Preliminary data already showed strong organic growth of 8%, which is a strong performance for Tietoevry given the headwinds of the war in Ukraine. With the preliminary data, Tietoevry's EBITA was known and stood at 14.2% in Q3, below our and the market's forecasts of 14.6%-14.7%. However, the operating profit adjusted for one-off items in Q3 was EUR 98 million (Q3'21: 94 MEUR) and in line with our forecasts (97-98 MEUR).

## Inflation headwinds are offset by price increases and efficiency measures

Inflation is creating more headwinds than before in energy and material and service costs, which have risen sharply. The company has hedged the main part of the annual costs of around EUR 10 million, but the impact will be partly passed through already in Q4. The company has raised prices in various businesses, which will gradually start to support revenue and offset inflationary pressures. In addition, price competition in the Transform and Connect businesses continues to create headwinds, which the company is combating with ongoing new efficiency programs and by off-shoring work.

## Tietoevry revised its guidance already before the Q3 report

Tietoevry raised its revenue guidance again last week (also in the Q2 report) and expects organic growth to be 5-6% (was 3-5%) for 2022. At the same time, the company lowered its guidance for adjusted EBITA to 12.8-13.1% (was 13.1-13.6%). We lowered our earnings estimates for the coming years, driven by inflationary pressures of just under 10% and continued fierce price competition in the Connect and Transform businesses. We expect the company to grow organically by 5.6% and achieve an EBITA margin of 12.8% in 2022. In the big picture, the company is constantly investing, raising prices and improving efficiency to support development. However, the effects of these are slowed down by inflation. Inflation will create more headwinds than usual next year, and we expect only modest earnings growth.

## The expected return on the stock (>10%) is good, but not superior

The demand fundamentals in Tietoevry and the sector are strong, the company's outlook is satisfactory, and the business risk profile is still lower than many Nordic peers. With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 10x and 9x or > 40% below peers. We feel that the absolute and relative valuation of the share is attractive. The expected return on the stock also rises to an attractive level of >10% on the back of ~5% earnings growth and a 6% dividend yield alone. In our view, the stock is chronically undervalued and hasn't yet been unwound by strong growth or the divestment of the Banking business. The drivers to unwind the undervaluation are still there, in our view, but the tightening market situation is putting headwinds to this. In addition, our DCF calculation (EUR 32) indicates a clearly higher value than currently.

## Recommendation

**Accumulate**  
(previous Buy)

**EUR 28.00**  
(previous EUR 31.00)

**Share price:**  
24.34



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	2823	2946	3061	3173
<b>growth-%</b>	1%	4%	4%	4%
<b>EBIT adj.</b>	368	376	388	407
<b>EBIT-% adj.</b>	13.0 %	12.8 %	12.7 %	12.8 %
<b>Net Income</b>	292	182	215	233
<b>EPS (adj.)</b>	2.20	2.35	2.42	2.58

<b>P/E (adj.)</b>	12.5	10.4	10.1	9.4
<b>P/B</b>	1.8	1.6	1.6	1.5
<b>Dividend yield-%</b>	5.1 %	5.8 %	6.2 %	6.4 %
<b>EV/EBIT (adj.)</b>	10.6	9.4	8.9	8.3
<b>EV/EBITDA</b>	7.1	8.4	7.5	6.8
<b>EV/S</b>	1.4	1.2	1.1	1.1

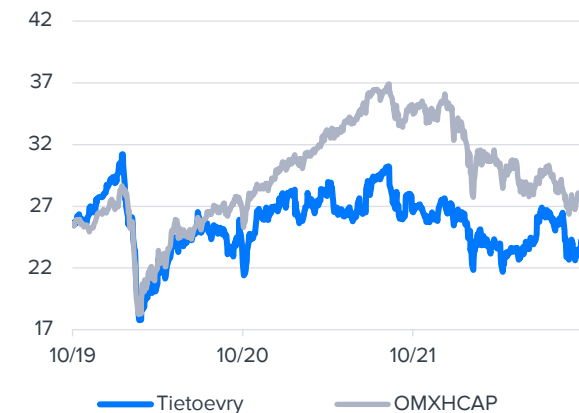
Source: Inderes

## Guidance

(Adjusted)

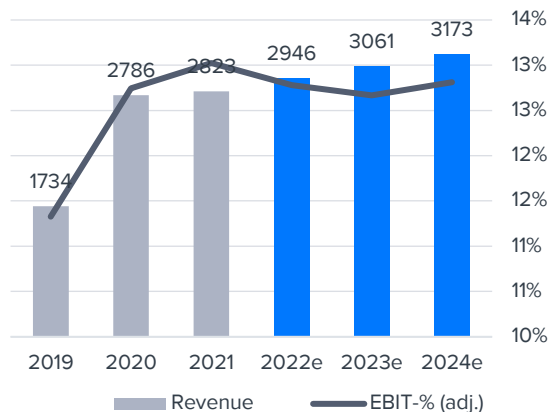
Tietoevry expects organic growth of 5-6% and adjusted EBITA of 12.8-13.1%.

## Share price



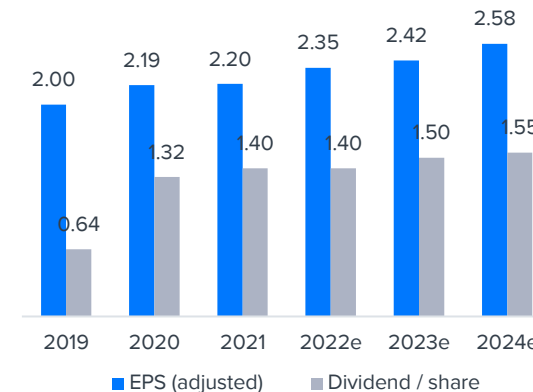
Source: Millistream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Increase in the share of highly profitable software product business
- Growing share of new modern IT services
- New synergies from the Tietoevry integration
- Acquisitions and divestments of non-strategic businesses
- Business separation



## Risk factors

- Decline in competitive position among large customers
- Continuous transformation creates a constant need for restructuring
- Tietoevry's massive integration failing/dragging on
- Accelerating wage inflation, high employee turnover and a failure in talent competition

Valuation	2022e	2023e	2024e
Share price	24.3	24.3	24.3
Number of shares, millions	118.4	118.4	118.4
Market cap	2882	2882	2882
EV	3543	3459	3358
P/E (adj.)	10.4	10.1	9.4
P/E	15.9	13.4	12.4
P/FCF	13.7	10.7	9.8
P/B	1.6	1.6	1.5
P/S	1.0	0.9	0.9
EV/Sales	1.2	1.1	1.1
EV/EBITDA	8.4	7.5	6.8
EV/EBIT (adj.)	9.4	8.9	8.3
Payout ratio (%)	91.2 %	82.7 %	78.9 %
Dividend yield-%	5.8 %	6.2 %	6.4 %

Source: Inderes

# No major surprises due to preliminary data, results slightly above expectations

## Strong organic growth in Q3 was already known thanks to preliminary data

Preliminary data already showed strong organic growth of 8%, which is a strong performance for Tietoevry given the headwinds of the war in Ukraine. Tietoevry's reported Q3 revenue increased by 7% to EUR 690 million and exceeded our and consensus pre-preliminary data expectations of EUR 667 million. Growth was driven by strong performance in cloud computing and software products, especially in Tietoevry Create (19%), Tietoevry Care (11%) and Tietoevry Banking (9%). Growth was again slowed by Tietoevry Transform and Connect (1% and -2%). Overall, the growth is very positive, as historically Tietoevry has had challenges to grow organically and earnings growth has relied more heavily on efficiencies, which isn't sustainable. Thus, through stronger growth, the business is on a healthier

footing. The company expects growth to remain strong in Q4 and customer price increases to be gradually reflected in the figures.

## Q3 profitability slightly below expectations, but results in line with expectations

With the preliminary data, Tietoevry's EBITA was known and stood at 14.2% in Q3, below our and the market's forecasts of 14.6%-14.7%. In Q3, EBIT adjusted for non-recurring items was EUR 98 million (Q3'21: 94 MEUR) and in line with our forecasts (97-98 MEUR). We estimate that the result was still constrained by high inflation (not just wage inflation) and high employee turnover. Efficiency measures started to bear fruit in Q3 in the Tietoevry Banking and Tietoevry Connect areas. In addition, the measures initiated in Tietoevry Transform during the summer are expected to accelerate the improvement

in Q4 results. EPS adjusted for one-off items were EUR 0.63, slightly above our expectations and those of the market (0.60-0.61). In the big picture, Tietoevry is continuously investing and improving efficiency to support future developments and is now also implementing stronger price increases. The headwinds from the synergies achieved and the ongoing efficiency measures will be counteracted by wage inflation in particular.

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	648	690	667	667	652	- 678	4%	2946
EBIT (adj.)	94	98	97	98	88	- 103	1%	376
EBIT	72	78	76	79	66	- 90	3%	255
PTP	65	75	70	71	59	- 90	8%	233
EPS (adj.)	0.55	0.63	0.61	0.60	0.53	- 0.64	4%	2.35
EPS (reported)	0.41	0.50	0.46	0.46	0.39	- 0.60	8%	1.54
Revenue growth-%	0.7 %	6.5 %	2.9 %	2.9 %	0.6 %	- 4.6 %	3.7 pp	4.3 %
EBIT-% (adj.)	14.5 %	14.2 %	14.6 %	14.7 %	13.4 %	- 15.2 %	-0.4 pp	12.8 %

Source: Inderes & Vara Research (consensus)

# We lowered estimates under the weight of inflation

## Last week, Tietoevry reiterated its revised guidance

Tietoevry raised its revenue guidance again last week (also in the Q2 report) and expects organic growth to be 5-6% (was 3-5%) for 2022. At the same time, the company lowered its guidance for adjusted EBITA to 12.8-13.1% (was 13.1-13.6%).

## Revenue-driven profit growth

We lowered our earnings estimates, driven by inflationary pressures and continued fierce price competition in the Connect and Transform businesses.

We estimate that Tietoevry's revenue will grow by 4.3% to EUR 2,946 million in 2022. Organic revenue growth we estimate to be 5.6%. During the last four quarters, the company has shown that it can grow also organically (3-8%), which makes the base for

earnings growth stronger.

We estimate that the adjusted EBITA will total EUR 376 million and profitability will decrease to 12.8% (2021: 13.0%). The profitability is supported by synergies and efficiency measures (e.g. the old Cloud & Infra). However, these are slowed down by wage inflation (4% in 2022), price competition and continued product development investments (4-5% of revenue).

The company has said it will continuously investigate possible new cost synergies and efficiency measures. As in the past, we expect the need for restructuring to continue in the future, driven by changes in employee skills and the demand for services, as well as changes in technologies. Instead of revenue synergies, the company focuses in the new 'independent' strategy on the development of

independent business areas.

In 2023 and 2024, we forecast revenue to grow by 4% annually and the adjusted EBITA margin to remain at just under 13%. Profitability is supported by investments, price increases and efficiency measures. Profitability burdened by inflation, employee turnover and price competition

Estimate revisions MEUR / EUR	2022e		Change %	2023e		Change %	2024e		Change %
	Old	New		Old	New		Old	New	
Revenue	2910	2946	1%	3015	3061	2%	3122	3173	2%
EBITDA	428	420	-2%	492	461	-6%	520	491	-6%
EBIT (exc. NRIs)	381	376	-1%	409	388	-5%	435	407	-7%
EBIT	259	255	-1%	319	297	-7%	343	315	-8%
PTP	233	233	0%	301	272	-10%	327	294	-10%
EPS (excl. NRIs)	2.36	2.35	0%	2.61	2.42	-7%	2.80	2.58	-8%
DPS	1.40	1.40	0%	1.50	1.50	0%	1.55	1.55	0%

Source: Inderes

# The expected return on the share is good

## Peer group

Demand fundamentals for Tietoevry and the sector have strengthened, and the company's outlook has improved over the past good 12 months. Now, however, inflation is putting up a stronger headwind than before. We have used Finnish, Nordic and global peers in Tietoevry's peer group. We consider the median of this peer group to be a good yardstick for Tietoevry's valuation level. We base the relative valuation on the company's size, competitive position, and scalability, continuity and know-how of the expert portfolio, as well as geographical diversification and predictable business. We have also considered the 'constant' restructuring costs, which are higher for Tietoevry than its peers. In future, Tietoevry expects restructuring costs to be 1-2% of revenue (2022: ~2.0%), representing up to good 10% of the operating result. As the company shows strengthening economies of scale and competitive advantages, a slight premium can be accepted for the share compared to the sector valuation.

## Valuation multiples

With our estimates, Tietoevry's P/E and EV/EBIT ratios for 2022 are 10x and 9x or > 40% below peers. We feel that the absolute and relative valuation of the share is still attractive. The company adjusts good 10% more costs from its result than its Finnish peers and considering this the share is still attractively priced. In addition, dividend yield provides a good baseline return.

In our view, dismantling the long-standing undervaluation can be triggered by the continuation of organic growth, which in history has been challenging and the current 3-5% level can be considered good for Tietoevry, which also reflects how healthy the business is. In addition, the new

strategy and segment structure allow new and higher efficiency as the segments have their own stronger focus. Third, the planned separation of the business, which would clarify the structure and allow the Banking business to achieve better growth and profitability. The company has for a longer time communicated that it is active on the M&A front, which can mean acquisitions, smaller divestments or a new divestment (or separation) of a whole segment. This could further strengthen (acquisitions) or clarify the structure (divestments) and reduce the undervaluation. The drivers to unwind the undervaluation are still there, in our view, but the tightening market situation is putting headwinds to this.

## Components of the expected return for the share

We examine the expected return for Tietoevry's share based on earnings growth, dividend yield and the accepted valuation level. We estimate that the company is positioned for ~5% annual earnings growth in 2023-24 (relative to 2022 levels), mainly driven by revenue growth. With our growing dividend estimates and average 80% payout ratio the dividend yield is around 6%. Strong cash flow continuously strengthens the balance sheet and provides good preconditions for high distribution of profits and inorganic growth.

In our view, there is currently room for upside in the share's valuation multiples, but inflation is putting headwinds in the way of the undervaluation unwinding. Thus, the expected return on the stock, consisting solely of dividend yield and earnings growth, is >10%. This is an attractive level, especially given the company's low risk profile.

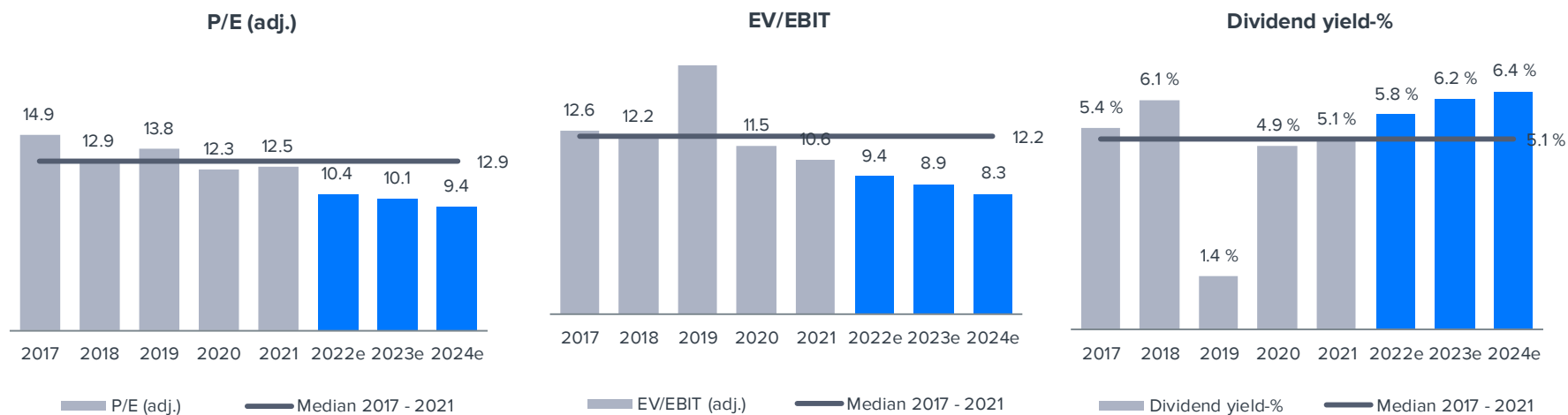
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EV	3543	3459	3358
P/E (adj.)	10.4	10.1	9.4
P/E	15.9	13.4	12.4
P/FCF	13.7	10.7	9.8
P/B	1.6	1.6	1.5
P/S	1.0	0.9	0.9
EV/Sales	1.2	1.1	1.1
EV/EBITDA	8.4	7.5	6.8
EV/EBIT (adj.)	9.4	8.9	8.3
Payout ratio (%)	91.2 %	82.7 %	78.9 %
Dividend yield-%	5.8 %	6.2 %	6.4 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	26.0	23.6	27.7	26.9	27.5	24.3	24.3	24.3	24.3
Number of shares, millions	74.1	73.8	67.9	118.4	118.4	118.4	118.4	118.4	118.4
Market cap	1925	1741	3283	3181	3254	2882	2882	2882	2882
EV	2086	2045	4067	4097	3900	3543	3459	3358	3246
P/E (adj.)	14.9	12.9	13.8	12.3	12.5	10.4	10.1	9.4	8.8
P/E	17.9	14.1	23.8	33.7	11.2	15.9	13.4	12.4	11.4
P/FCF	24.1	neg.	neg.	82.9	8.4	13.7	10.7	9.8	9.3
P/B	4.1	3.6	1.9	2.0	1.8	1.6	1.6	1.5	1.5
P/S	1.2	1.1	1.9	1.1	1.2	1.0	0.9	0.9	0.9
EV/Sales	1.4	1.3	2.3	1.5	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	11.0	9.8	17.7	12.7	7.1	8.4	7.5	6.8	6.3
EV/EBIT (adj.)	12.6	12.2	20.7	11.5	10.6	9.4	8.9	8.3	7.5
Payout ratio (%)	96.3 %	86.9 %	59.5 %	165.4 %	56.9 %	91.2 %	82.7 %	78.9 %	74.9 %
Dividend yield-%	5.4 %	6.1 %	1.4 %	4.9 %	5.1 %	5.8 %	6.2 %	6.4 %	6.6 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Digia*	170	190	10.8	8.1	8.8	6.8	1.1	1.0	11.5	9.4	3.2	3.6
Digital Workforce*	34	21					0.8	0.8				
Gofore*	350	336	16.4	13.3	15.1	12.2	2.3	1.9	21.1	17.6	1.5	1.8
Loihde*	65	31	9.7	12.5	3.5	7.5	0.3	0.2	39.5	28.2	3.3	3.5
Innofactor*	35	45	9.4	8.1	5.8	5.1	0.6	0.5	10.4	9.2	5.3	6.3
Netum Group*	44	44	11.2	9.0	10.4	8.9	1.4	1.2	14.9	11.9	3.9	4.5
Nixu*	44	48	31.9	11.9	14.9	8.6	0.8	0.7	62.3	16.0		
Silli Solutions*	120	116	9.4	7.9	7.5	6.5	1.0	0.8	14.1	11.8	1.7	2.0
Solteq*	23	53	30.3	13.8	7.9	5.5	0.8	0.7	27.5	15.8		4.2
Vincit*	73	64	11.4	7.0	14.9	6.4	0.8	0.6	13.4	10.7	2.3	5.4
Witted Megacorp*	64	56	147.7	29.3		28.4	1.0	0.7	626.3	43.4		
Bouvet	533	559	15.6	14.1	12.9	11.9	1.9	1.7	19.2	17.4	4.8	5.3
Enea	155	190	17.0	13.7	7.4	6.6	2.2	2.2	17.0	18.4		
Knowit	491	568	11.6	10.5	7.9	7.2	0.9	0.9	11.3	10.9	3.7	4.1
Netcompany Group	1775	2075	19.0	15.8	14.9	12.6	2.8	2.6	21.2	17.2	0.7	1.1
Wipro	25328	23425	13.9	14.2	11.5	11.6	2.5	2.1	17.3	18.5	1.4	2.2
Tata Consultancy	139177	134051	23.1	20.7	21.2	19.0	5.9	5.0	30.7	27.4	1.6	2.4
Atos SE	1151	4082	25.0	27.6	4.7	4.6	0.4	0.4	9.1	5.2		6.5
Capgemini SE	30005	34890	13.5	12.3	10.3	9.5	1.6	1.5	16.7	14.9	1.6	1.8
IBM	121477	162513	16.7	14.8	11.1	10.4	2.7	2.7	14.8	14.0	4.9	5.1
Accenture	185295	178131	19.1	18.2	15.6	15.1	2.9	2.8	26.2	24.6	1.4	1.5
<b>Tietoenvy (Inderes)</b>	<b>2882</b>	<b>3543</b>	<b>9.4</b>	<b>8.9</b>	<b>8.4</b>	<b>7.5</b>	<b>1.2</b>	<b>1.1</b>	<b>10.4</b>	<b>10.1</b>	<b>5.8</b>	<b>6.2</b>
<b>Average</b>			<b>23.1</b>	<b>14.1</b>	<b>10.8</b>	<b>10.2</b>	<b>1.7</b>	<b>1.5</b>	<b>51.2</b>	<b>17.1</b>	<b>2.7</b>	<b>3.6</b>
<b>Median (all)</b>			<b>16.0</b>	<b>13.5</b>	<b>10.4</b>	<b>8.7</b>	<b>1.1</b>	<b>1.0</b>	<b>17.1</b>	<b>15.9</b>	<b>2.3</b>	<b>3.6</b>
<i>Diff-% to median</i>			<i>-41%</i>	<i>-34%</i>	<i>-19%</i>	<i>-14%</i>	<i>7%</i>	<i>18%</i>	<i>-40%</i>	<i>-37%</i>	<i>156%</i>	<i>70%</i>
<b>Median (Finnish companies)</b>			<b>11.2</b>	<b>9.0</b>	<b>8.8</b>	<b>6.8</b>	<b>0.8</b>	<b>0.8</b>	<b>14.9</b>	<b>11.9</b>	<b>3.2</b>	<b>3.9</b>
<i>Diff-% to median</i>			<i>-16%</i>	<i>-1%</i>	<i>-4%</i>	<i>10%</i>	<i>48%</i>	<i>50%</i>	<i>-30%</i>	<i>-16%</i>	<i>83%</i>	<i>58%</i>
<b>Median (international companies)</b>			<b>17.0</b>	<b>14.8</b>	<b>11.3</b>	<b>11.6</b>	<b>2.2</b>	<b>2.1</b>	<b>17.3</b>	<b>17.4</b>	<b>1.6</b>	<b>2.4</b>
<i>Diff-% to median</i>			<i>-45%</i>	<i>-40%</i>	<i>-25%</i>	<i>-35%</i>	<i>-45%</i>	<i>-47%</i>	<i>-40%</i>	<i>-42%</i>	<i>265%</i>	<i>159%</i>

Source: Refinitiv / \*Inderes' adj. estimate. 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
<b>Revenue</b>	<b>2786</b>	<b>712</b>	<b>722</b>	<b>648</b>	<b>742</b>	<b>2823</b>	<b>731</b>	<b>739</b>	<b>690</b>	<b>785</b>	<b>2946</b>	<b>3061</b>	<b>3173</b>	<b>3280</b>
Tietoevry Create	662	188	188	172	207	756	218	210	203	243	874	958	1025	1086
Tietoevry Banking	932	114	120	112	130	476	125	132	123	143	524	562	593	622
Tietoevry Care	501	54.4	61.5	48.9	57.1	222	56.6	58.3	53.6	62.8	231	246	258	266
Tietoevry Industry	419	82.9	78.5	67.4	74.6	303	71.0	68.3	64.1	70.9	274	267	278	289
Tietoevry Transform	142	121	119	105	122	468	121	119	106	122	468	468	468	468
Eliminations	131	-76	-77	-73	-83	-309	-85	-79	-69	-83	-316	-316	-325	-337
<b>EBITDA</b>	<b>323</b>	<b>101</b>	<b>182</b>	<b>114</b>	<b>155</b>	<b>552</b>	<b>88</b>	<b>81</b>	<b>118</b>	<b>133</b>	<b>420</b>	<b>461</b>	<b>491</b>	<b>512</b>
Depreciation	-175.8	-44	-43	-42	-42	-170	-42	-42	-40	-41	-165	-164	-176	-175
<b>EBIT (excl. NRI)</b>	<b>355</b>	<b>82</b>	<b>88</b>	<b>94</b>	<b>103</b>	<b>368</b>	<b>85</b>	<b>79</b>	<b>98</b>	<b>115</b>	<b>376</b>	<b>388</b>	<b>407</b>	<b>431</b>
<b>EBIT</b>	<b>147</b>	<b>57</b>	<b>140</b>	<b>72</b>	<b>113</b>	<b>382</b>	<b>46</b>	<b>40</b>	<b>78</b>	<b>92</b>	<b>255</b>	<b>297</b>	<b>315</b>	<b>337</b>
Group and one-off items	0.0	-25	51	-22	10	14	-39	-39	-20	-23	-121	-91	-92	-94
Net financial items	-24.3	-8	-6	-8	-6	-28	-4	-9	-2	-6	-22	-25	-20	-17
<b>PTP</b>	<b>122</b>	<b>48</b>	<b>134</b>	<b>65</b>	<b>107</b>	<b>354</b>	<b>42</b>	<b>31</b>	<b>75</b>	<b>86</b>	<b>233</b>	<b>272</b>	<b>294</b>	<b>320</b>
Taxes	-27.9	-11	-16	-16	-18	-62	-9	-9	-16	-18	-51	-57	-62	-67
<b>Net earnings</b>	<b>94.5</b>	<b>37</b>	<b>118</b>	<b>48</b>	<b>89</b>	<b>292</b>	<b>33</b>	<b>22</b>	<b>59</b>	<b>68</b>	<b>182</b>	<b>215</b>	<b>233</b>	<b>253</b>
<b>EPS (adj.)</b>	<b>2.19</b>	<b>0.48</b>	<b>0.52</b>	<b>0.55</b>	<b>0.64</b>	<b>2.20</b>	<b>0.54</b>	<b>0.45</b>	<b>0.64</b>	<b>0.73</b>	<b>2.35</b>	<b>2.42</b>	<b>2.58</b>	<b>2.76</b>
<b>EPS (rep.)</b>	<b>0.80</b>	<b>0.31</b>	<b>0.99</b>	<b>0.41</b>	<b>0.75</b>	<b>2.46</b>	<b>0.28</b>	<b>0.18</b>	<b>0.50</b>	<b>0.57</b>	<b>1.54</b>	<b>1.81</b>	<b>1.96</b>	<b>2.14</b>
<b>Key figures</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>	60.7 %	-4.4 %	5.1 %	0.7 %	4.2 %	1.3 %	2.7 %	2.4 %	6.5 %	5.8 %	4.3 %	3.9 %	3.6 %	3.4 %
<b>Adjusted EBIT growth-%</b>	80.8 %	5.1 %	9.8 %	4.3 %	-3.0 %	3.6 %	3.0 %	-10.5 %	4.2 %	11.2 %	2.4 %	3.0 %	4.8 %	6.0 %
<b>EBITDA-%</b>	11.6 %	14.1 %	25.3 %	17.6 %	20.9 %	19.6 %	12.1 %	11.0 %	17.0 %	16.9 %	14.3 %	15.1 %	15.5 %	15.6 %
<b>Adjusted EBIT-%</b>	12.7 %	11.5 %	12.2 %	14.5 %	13.9 %	13.0 %	11.6 %	10.7 %	14.2 %	14.6 %	12.8 %	12.7 %	12.8 %	13.1 %
<b>Net earnings-%</b>	3.4 %	5.2 %	16.3 %	7.4 %	12.0 %	10.3 %	4.5 %	3.0 %	8.6 %	8.6 %	6.2 %	7.0 %	7.3 %	7.7 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>2793</b>	<b>2713</b>	<b>2673</b>	<b>2643</b>	<b>2602</b>
Goodwill	1974	1944	1944	1944	1944
Intangible assets	385	388	344	300	257
Tangible assets	329	280	291	304	306
Associated companies	19.7	16.7	16.7	16.7	16.7
Other investments	13.4	17.0	10.0	10.0	10.0
Other non-current assets	24.7	38.1	38.1	38.1	38.1
Deferred tax assets	46.9	29.9	29.9	29.9	29.9
<b>Current assets</b>	<b>812</b>	<b>874</b>	<b>742</b>	<b>799</b>	<b>785</b>
Inventories	4.9	7.2	0.0	0.0	0.0
Other current assets	35.9	23.3	23.3	23.3	23.3
Receivables	519	520	560	582	603
Cash and equivalents	252	324	159	194	159
<b>Balance sheet total</b>	<b>3605</b>	<b>3587</b>	<b>3416</b>	<b>3442</b>	<b>3387</b>

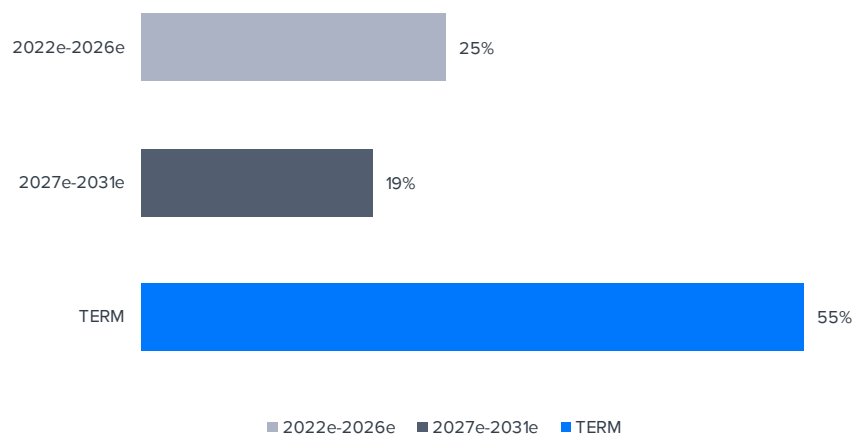
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>1626</b>	<b>1821</b>	<b>1795</b>	<b>1844</b>	<b>1899</b>
Share capital	119	118	75.8	75.8	75.8
Retained earnings	304	500	516	565	620
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	1204	1204	1204	1204	1204
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>1204</b>	<b>999</b>	<b>883</b>	<b>833</b>	<b>583</b>
Deferred tax liabilities	25.3	27.6	27.6	27.6	27.6
Provisions	48.8	22.4	22.4	22.4	22.4
Long term debt	1057	876	760	710	460
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	72.5	73.4	73.4	73.4	73.4
<b>Current liabilities</b>	<b>775</b>	<b>767</b>	<b>737</b>	<b>764</b>	<b>905</b>
Short term debt	112	94.0	60.0	60.0	175
Payables	588	673	677	704	730
Other current liabilities	75.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>3605</b>	<b>3587</b>	<b>3416</b>	<b>3442</b>	<b>3387</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	1.3 %	4.3 %	3.9 %	3.6 %	3.4 %	2.8 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	13.5 %	8.7 %	9.7 %	9.9 %	10.3 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
<b>EBIT (operating profit)</b>	<b>382</b>	<b>255</b>	<b>297</b>	<b>315</b>	<b>337</b>	<b>337</b>	<b>346</b>	<b>354</b>	<b>363</b>	<b>372</b>	<b>378</b>	
+ Depreciation	170	165	164	176	175	166	161	155	150	148	148	
- Paid taxes	-42.9	-51.4	-57.1	-61.8	-67.2	-68.0	-70.3	-72.7	-75.1	-77.5	-79.2	
- Tax, financial expenses	-5.2	-5.1	-5.4	-4.4	-3.7	-3.0	-2.4	-1.9	-1.3	-0.8	-0.3	
+ Tax, financial income	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
- Change in working capital	19.2	-28.2	4.6	4.5	4.3	3.7	3.4	3.5	3.5	3.6	2.2	
<b>Operating cash flow</b>	<b>523</b>	<b>336</b>	<b>403</b>	<b>429</b>	<b>445</b>	<b>436</b>	<b>438</b>	<b>438</b>	<b>440</b>	<b>445</b>	<b>448</b>	
+ Change in other long-term liabilities	-25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-110.5	-125.0	-133.5	-135.0	-136.5	-138.0	-139.6	-141.2	-142.7	-144.4	-156.2	
<b>Free operating cash flow</b>	<b>387</b>	<b>211</b>	<b>270</b>	<b>294</b>	<b>309</b>	<b>298</b>	<b>298</b>	<b>297</b>	<b>297</b>	<b>301</b>	<b>292</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	387	211	270	294	309	298	298	297	297	301	292	4949
<b>Discounted FCFF</b>		<b>208</b>	<b>248</b>	<b>251</b>	<b>245</b>	<b>220</b>	<b>205</b>	<b>190</b>	<b>177</b>	<b>167</b>	<b>151</b>	<b>2551</b>
Sum of FCFF present value		4614	4406	4158	3907	3661	3441	3236	3046	2869	2702	2551
<b>Enterprise value DCF</b>		<b>4614</b>										
- Interesting bearing debt		-969.6										
+ Cash and cash equivalents		324										
-Minorities		0.0										
-Dividend/capital return		-165.8										
<b>Equity value DCF</b>		<b>3802</b>										
<b>Equity value DCF per share</b>		<b>32.1</b>										

Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.5 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	1734.2	2786.4	2823.3	2945.7	3061.3	EPS (reported)	1.16	0.80	2.46	1.54	1.81
EBITDA	230.2	322.5	552.0	420.0	461.0	EPS (adj.)	2.00	2.19	2.20	2.35	2.42
EBIT	124.2	146.7	382.0	255.3	297.0	OCF / share	5.83	1.93	4.42	2.83	3.41
PTP	101.2	122.4	353.8	233.3	272.0	FCF / share	-23.02	0.32	3.27	1.78	2.28
Net Income	79.1	94.5	291.6	181.8	214.9	Book value / share	24.83	13.73	15.38	15.16	15.57
Extraordinary items	-72.2	-208.4	14.3	-121.1	-90.7	Dividend / share	0.64	1.32	1.40	1.40	1.50
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	3833.7	3604.8	3587.3	3415.8	3441.5	Revenue growth-%	8%	61%	1%	4%	4%
Equity capital	1687.1	1626.2	1821.1	1794.9	1844.0	EBITDA growth-%	10%	40%	71%	-24%	10%
Goodwill	2023.1	1974.4	1943.7	1943.7	1943.7	EBIT (adj.) growth-%	17%	81%	4%	2%	3%
Net debt	783.9	916.3	645.8	660.5	576.3	EPS (adj.) growth-%	10%	9%	1%	7%	3%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	13.3 %	11.6 %	19.6 %	14.3 %	15.1 %
EBITDA	230.2	322.5	552.0	420.0	461.0	EBIT (adj.)-%	11.3 %	12.7 %	13.0 %	12.8 %	12.7 %
Change in working capital	237.5	-67.0	19.2	-28.2	4.6	EBIT-%	7.2 %	5.3 %	13.5 %	8.7 %	9.7 %
Operating cash flow	396.0	228.7	523.4	335.5	403.2	ROE-%	7.3 %	5.7 %	16.9 %	10.1 %	11.8 %
CAPEX	-2261.6	14.0	-110.5	-125.0	-133.5	ROI-%	6.9 %	5.4 %	13.7 %	9.5 %	11.4 %
Free cash flow	-1563.8	38.4	387.4	210.5	269.8	Equity ratio	44.0 %	45.1 %	50.8 %	52.5 %	53.6 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	46.5 %	56.3 %	35.5 %	36.8 %	31.3 %
EV/S	2.3	1.5	1.4	1.2	1.1						
EV/EBITDA (adj.)	17.7	12.7	7.1	8.4	7.5						
EV/EBIT (adj.)	20.7	11.5	10.6	9.4	8.9						
P/E (adj.)	13.8	12.3	12.5	10.4	10.1						
P/E	1.9	2.0	1.8	1.6	1.6						
Dividend-%	1.4 %	4.9 %	5.1 %	5.8 %	6.2 %						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
7/24/2017	Reduce	27.00 €	26.99 €
10/25/2017	Reduce	27.00 €	27.21 €
2/6/2018	Reduce	28.00 €	27.98 €
4/26/2018	Reduce	29.00 €	29.86 €
7/23/2018	Accumulate	28.00 €	25.96 €
10/25/2018	Reduce	27.00 €	26.30 €
11/29/2018	Reduce	27.00 €	25.70 €
2/7/2019	Reduce	27.00 €	26.70 €
4/26/2019	Reduce	27.00 €	27.50 €
7/22/2019	Accumulate	26.00 €	23.10 €
10/25/2019	Reduce	26.00 €	25.92 €
12/11/2019	Reduce	27.00 €	26.86 €
2/17/2020	Reduce	29.00 €	30.30 €
3/30/2020	Accumulate	21.00 €	18.69 €
4/29/2020	Accumulate	25.00 €	21.94 €
7/27/2020	Accumulate	28.00 €	26.24 €
10/21/2020	Buy	30.00 €	25.90 €
10/28/2020	Buy	30.00 €	22.66 €
2/18/2021	Buy	30.00 €	26.34 €
4/30/2021	Buy	34.00 €	28.98 €
7/21/2021	Buy	34.00 €	28.36 €
10/27/2021	Buy	34.00 €	26.94 €
2/18/2022	Buy	32.00 €	25.70 €
5/6/2022	Buy	31.00 €	22.72 €
7/25/2022	Buy	31.00 €	26.14 €
10/28/2022	Accumulate	28.00 €	24.34 €



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