

# Telia

## Company report

10/25/2024



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This report is a summary translation of the report “Odotamme vielä näyttöjä tehostamistoimenpiteistä” published on 10/25/2024 at 8:55 am EEST

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# We still await evidence of efficiency measures

We reiterate our SEK 32 target price and Reduce recommendation for Telia's share. Operational figures were in line, with other earnings lines beating forecasts in Q3. As a result, we have kept our operating forecasts broadly unchanged but lowered our expectations for financial expenses. We expect the company to grow at or slightly below the guidance for this year and the next. The slightly decelerating revenue trend and past disappointments on the effectiveness of efficiency measures keep us somewhat cautious. However, the valuation picture for the stock (2024-25e P/E 18x and 15x) remains neutral.

## Operational figures were in line, with other earnings lines beating forecasts in Q3

Telia reported Q3 revenue down 1% at 21,749 MSEK. Revenue was slightly below our and the market's expectations. Comparable growth in service revenues slowed down and was +1.2% (Q2'24: 3.3%). Overall, therefore, the revenue growth trend has weakened once again after another better quarter, and the company expects a slightly reduced growth trend for the rest of the year and for H1'25. The adjusted EBITDA was at the level of the comparison period at 8,475 MSEK and slightly above our and the market's expectations. There were record low non-recurring expenses, practically none, and the reported result was therefore well above our expectations. Earnings development was slowed down by the decline in revenue but supported by efficiency measures. On the lower lines, financial expenses were lower than expected.

## Telia revised its earnings guidance upwards for 2024 and expects good earnings growth in 2025

Telia reiterated its service revenue guidance and expects it to grow by around 1-3% in 2024. The company also revised its EBITDA guidance upwards and expects it to grow by around 5% in 2024 (previously ~1-6%). In 2025, the company expects comparable service revenue growth of 2%, comparable EBITDA growth of at least 5% (H2'25 below 2% and above 4%), capital expenditure below 14 BNSEK and free cash flow of approximately 8 BNSEK. We believe that the guidance for this year and the next is realistic and in line with our forecasts. Revenue growth will be supported by growth in service revenue and TV&Media, while profitability will be driven by substantial cost savings of 2.6 BNSEK in Q4.

## Big picture of strategy unchanged and financial targets largely very realistic

In September, Telia held an investor day where it announced its refined strategy, new financial targets and how the targets will be achieved. As expected, there were no changes to the big picture of the strategy, only refinements to the priorities. The new targets are largely very realistic and within our forecasts, but the cash flow target is more ambitious.

## Next year's value already priced in, especially given the risk to earnings growth

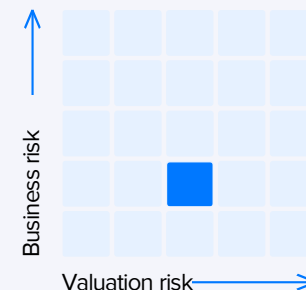
Telia's adjusted P/E and EV/EBIT multiples for 2024 are respectively 18x and 17x, just over 10% below Nordic peers and >10% above the peer group as a whole. The corresponding multiples for 2025 are 15x, or 14% below Nordic peers. Valuation is strained on 2024e multiples and already neutral on 2025e multiples. However, the 2025 multiples already reflect a much improved performance in our forecasts, although this still carries significant risk. The dividend yield (6%) partially limits the stock's downside, but it is not sustainable and thus does not act as a safety cushion. A positive view on Telia would require better consistent evidence of earnings growth without new headwinds.

## Recommendation

**Reduce**  
(was Reduce)

**SEK 32.00**  
(was SEK 32.00)

**Share price:**  
31.93



## Key figures

|                        | 2023   | 2024e  | 2025e  | 2026e  |
|------------------------|--------|--------|--------|--------|
| <b>Revenue</b>         | 88785  | 88900  | 90630  | 92840  |
| <b>growth-%</b>        | -2%    | 0%     | 2%     | 2%     |
| <b>EBITDA (adj.)</b>   | 30254  | 31459  | 32684  | 33279  |
| <b>EBITDA-% (adj.)</b> | 34.1 % | 35.4 % | 36.1 % | 35.8 % |
| <b>Net Income</b>      | -588   | 5153   | 7379   | 7478   |
| <b>EPS (adj.)</b>      | 1.31   | 1.80   | 2.08   | 2.13   |

|                         |       |       |       |       |
|-------------------------|-------|-------|-------|-------|
| <b>P/E (adj.)</b>       | 19.6  | 17.7  | 15.4  | 15.0  |
| <b>P/B</b>              | 1.9   | 2.3   | 2.3   | 2.4   |
| <b>Dividend yield-%</b> | 7.8 % | 6.3 % | 6.3 % | 6.4 % |
| <b>EV/EBIT (adj.)</b>   | 17.8  | 16.6  | 15.3  | 14.8  |
| <b>EV/EBITDA</b>        | 6.8   | 7.3   | 6.8   | 6.7   |
| <b>EV/S</b>             | 2.2   | 2.4   | 2.4   | 2.3   |

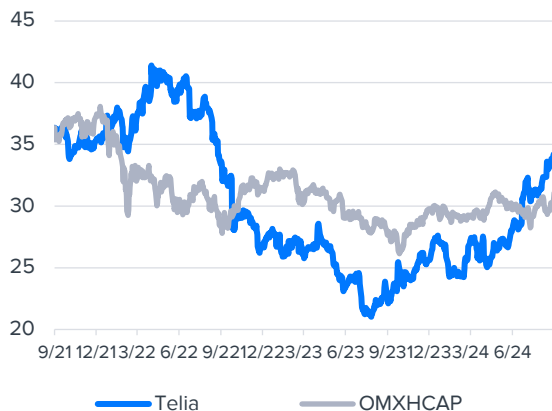
Source: Inderes

## Guidance

(Upgraded)

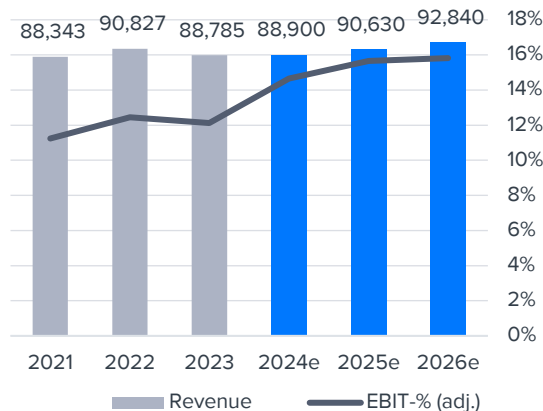
Telia expects service revenue to grow ~1-4% and EBITDA to grow ~5% in 2024. In addition, the company expects a structural cash flow of 7-8 BNSEK.

## Share price



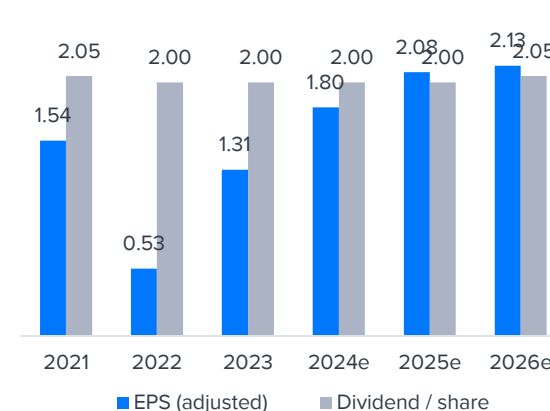
Source: Millstream Market Data AB

## 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 revenue and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- 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            | 2024e   | 2025e   | 2026e   |
|----------------------|---------|---------|---------|
| Share price          | 31.9    | 31.9    | 31.9    |
| Number of shares, MM | 3932    | 3932    | 3932    |
| Market cap           | 125552  | 125552  | 125552  |
| EV                   | 216325  | 217042  | 217626  |
| P/E (adj.)           | 17.7    | 15.4    | 15.0    |
| P/E                  | 24.4    | 17.0    | 16.8    |
| P/B                  | 2.3     | 2.3     | 2.4     |
| P/S                  | 1.4     | 1.4     | 1.4     |
| EV/Sales             | 2.4     | 2.4     | 2.3     |
| EV/EBITDA            | 7.3     | 6.8     | 6.7     |
| EV/EBIT (adj.)       | 16.6    | 15.3    | 14.8    |
| Payout ratio (%)     | 152.6 % | 106.6 % | 107.8 % |
| Dividend yield-%     | 6.3 %   | 6.3 %   | 6.4 %   |

Source: Inderes

# Operational figures were in line, with other earnings lines beating forecasts in Q3

## Revenue down and slightly below expectations in Q3

Telia reported Q3 revenue down 1% at 21,749 MSEK. The trend in revenue excluding exchange rate effects and M&A was +0.9%, slightly down from Q2 (1.5%). Revenue was slightly below our and the market's expectations. Comparable growth in service revenues slowed down and was +1.2% (Q2'24: 3.3%). Service revenue from the Telco operations grew at a slightly slower rate of 1.1%. TV and Media grew by 1%, slightly below our forecasts (+2%). Overall, therefore, the revenue growth trend has slowed again after another better quarter.

## Result in line with expectations operationally, but well above forecasts on lower lines

The adjusted EBITDA was at the level of the comparison period at 8,475 MSEK and slightly above our and the market's expectations. The adjusted EBITDA margin was 39.0%, above the 38.5% of the comparison period. There were record low non-recurring expenses, practically none, and the reported result was therefore well above our expectations.

Earnings development was slowed down by the decline in revenue but supported by efficiency measures. On the lower lines, financial expenses were lower than expected. This resulted in earnings per share from continuing operations of SEK 0.59, well above our and the market's expectations.

## Strategic big picture unchanged as expected and new financial targets largely very realistic

In September, Telia held an investor day where it announced its refined strategy, new financial targets and how the targets will be achieved. As expected, there were no changes to the big picture of the strategy, only refinements to the priorities. The new targets are largely very realistic and within our forecasts, but the cash flow target is more ambitious.

The strategic purpose is to "Reinvent better connected living". The priorities for implementing the strategy did change, however, and are now "Simplify, Innovate and Grow". The implementation of the new strategy has already partly started with a major cost-saving program announced by the company in early September.

Telia's new financial ambitions for 2025-27 are: 1) a like-for-like service revenue CAGR of 2%, 2) a like-for-like EBITDA CAGR of 4%, 3) capex, excluding licenses and spectrum fees, below 14 BNSEK per year and 4) free cash flow above 10 BNSEK in 2027. Growth will be driven by price increases, demand growth in various areas (e.g. critical communications), growth in the Swedish market, growth in mobile market share in Finland, growth in fixed broadband in Norway and growth in the Baltic countries. EBITDA growth will be driven by service revenue growth, the cost savings program to be implemented in H2'24, the earnings turnaround in Sweden, improved profitability especially in Finland and Lithuania, and a clear earnings turnaround in TV&Media. In our view, the growth target is very realistic. The profitability target is achievable through the extensive cost-saving program but needs to be further proven. The cash flow target is the most uncertain, as progress has been sluggish already for several years for a number of reasons.

| Estimates                   | Q3'23      | Q3'24      | Q3'24e  | Q3'24e    | Consensus |          | Difference (%)   | 2024e   |
|-----------------------------|------------|------------|---------|-----------|-----------|----------|------------------|---------|
| MSEK                        | Comparison | Actualized | Inderes | Consensus | Low       | High     | Act. vs. Inderes | Inderes |
| Revenue                     | 21997      | 21749      | 22192   | 22035     | 21733     | - 22554  | -2%              | 89226   |
| EBITDA (adj.)               | 8465       | 8475       | 8347    | 8386      | 7973      | - 8662   | 2%               | 31408   |
| EBIT (ass. comp. included)  | 3516       | 3892       | 3218    | 3498      | 2594      | - 3974   | 21%              | 10458   |
| PTP                         | 2383       | 3138       | 1908    | 2348      | 1390      | - 2772   | 64%              | 5816    |
| EPS (continuous operations) | 0.40       | 0.59       | 0.35    | 0.45      | 0.28      | - 0.55   | 70%              | 1.62    |
| Revenue growth-%            | -2.0 %     | -1.1 %     | 0.9 %   | 0.2 %     | -1.2 %    | - 2.5 %  | -2 pp            | 0.5 %   |
| EBITDA-% (adj.)             | 38.5 %     | 39.0 %     | 37.6 %  | 38.1 %    | 36.7 %    | - 38.4 % | 1.4 pp           | 35.2 %  |

Source: Inderes & Telia Company, 21 estimates (consensus)

# We revised our forecasts, in particular by lowering financial expenses

## Estimate revisions 2024e-2025e

- We lowered our revenue and operating profit forecasts slightly, driven by a weaker-than-expected near-term outlook.
- At the same time, we reduced financing costs by a relatively significant amount (and we expect the consensus to reduce them as well), which drove the lower earnings lines up.

## Guidance for 2024 and 2025

- According to Telia's guidance, service revenue will grow by low single digits (estimated at 1-3%) in 2024, which was in line with expectations. The company revised its EBITDA guidance upwards and expects it to grow at a rate of around 5% in 2024. Our forecasts are in line with the guidance (EBITDA growth of 4%).
- In 2025, the company expects comparable service revenue growth of 2%, comparable EBITDA growth of at least 5% (H2'25 below 2% and above 4%), capital expenditure below 14 BNSEK and free cash flow of approximately 8 BNSEK. Our forecasts are in line with the revenue guidance and marginally below the EBITDA guidance.

## Operational result drivers 2024-2025e:

- Service revenue growth driven by 5G and faster subscription sales.
- Continuing the good business trend in Sweden and a successful turnaround in Finland.
- TV and Media turnaround.
- Cost savings (2 BNSEK by 2025).
- Headwinds from higher interest rates. Wage inflation will fall to around 3% this year (previously 4-5%).
- Low attrition and price increases across the sector are supporting revenue and especially profitability.

| Estimate revisions                   | 2024e |       |          | 2025e |       |          | 2026e |       |          |
|--------------------------------------|-------|-------|----------|-------|-------|----------|-------|-------|----------|
|                                      | Old   | New   | Change % | Old   | New   | Change % | Old   | New   | Change % |
| MSEK                                 |       |       |          |       |       |          |       |       |          |
| Revenue                              | 89226 | 88900 | 0%       | 91682 | 90630 | -1%      | 93924 | 92840 | -1%      |
| EBITDA                               | 28968 | 29517 | 2%       | 33061 | 32684 | -1%      | 33981 | 33279 | -2%      |
| EBIT (exc. NRIs)                     | 12898 | 13020 | 1%       | 14562 | 14185 | -3%      | 15405 | 14687 | -5%      |
| EBIT                                 | 10458 | 11086 | 6%       | 13762 | 13385 | -3%      | 14505 | 13787 | -5%      |
| PTP                                  | 5816  | 7373  | 27%      | 9318  | 10045 | 8%       | 10047 | 10273 | 2%       |
| EPS (adj. discontinued op. included) | 1.62  | 1.80  | 11%      | 1.94  | 2.08  | 7%       | 2.09  | 2.13  | 2%       |
| DPS                                  | 2.00  | 2.00  | 0%       | 2.00  | 2.00  | 0%       | 2.05  | 2.05  | 0%       |

Source: Inderes

# Next year's value already priced in, especially given the risk to earnings growth

## 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. But now the income statement is relatively clean.

Looking at the big picture, we still see Telia's risk profile as moderate compared to the broader equity market, although the company's historical disappointments and TV&Media's early-stage turnaround keep it elevated. In 2022-23 and Q2'24, the Telco operations have made better progress than in years, although a slight slowdown is now on the cards. Telia's risk profile is clearly different from, e.g., Elisa, which has been able to reduce macro pressures much better through systematic energy and especially interest rate hedging and has developed solidly and predictably in operational terms.

We forecast Telia's adjusted P/E and EV/EBIT multiples for 2024e to be 18x and 17x, respectively. The multiples are just over 10% below the Nordic peers as well as just over 10% above the whole peer group. In absolute and relative terms, we see the valuation as tight, especially given the improved earnings level in the current year's forecasts, the numerous historical disappointments and the level of risk associated with earnings growth in the coming years. The multiples are in line with the company's own level of the last 5 years (19x and 18x). Considering the increased expected returns, the valuation is also challenging from this perspective. The corresponding ratios for 2025 are 15x as well as just over 10% below Nordic peers, which is already a

cautiously attractive level. However, we are not yet ready to rely on this, given the significant earnings growth it implies and the numerous disappointments in the company's history.

## Expected return is not quite enough yet

The expected return on Telia's share mainly consists of the dividend yield (6%), the sustainability of which is still questionable. We forecast earnings growth of ~3% in the coming years, with a high level of risk. In addition, the valuation of the share is tight. Thus, the expected return does not cover the COE requirement.

## DCF calculation

The DCF calculation supports our view on the share (SEK 32). The last 5+ years have been a roller coaster for Telia and there have been many disappointments. In addition, the overall business mix has changed significantly (Eurasia and masts divested, Danish operations sold and TV&Media acquired). These factors continue to undermine the predictability of long-term cash flows, although most quarters over the past year or so have gone as well as expected.

Our DCF model indicates a value of SEK 32.7 per share for Telia. The model assumes that the company's revenue growth will be about 2% in the medium term and 1.5% in the terminal. We expect the EBIT margin to be around 13-15% in 2024-2030 and 14% in the terminal. The adjusted EBIT % has averaged 14% over the last 5 years. However, the weight of the terminal assumption is still high in the valuation (62%).

With a predictable and stable business relative to the general market, we continue to use a low (7.0%) discount rate (WACC) compared to the market. The weight of the DCF still relies heavily on the terminal value, but also acts as one approach for Telia's valuation.

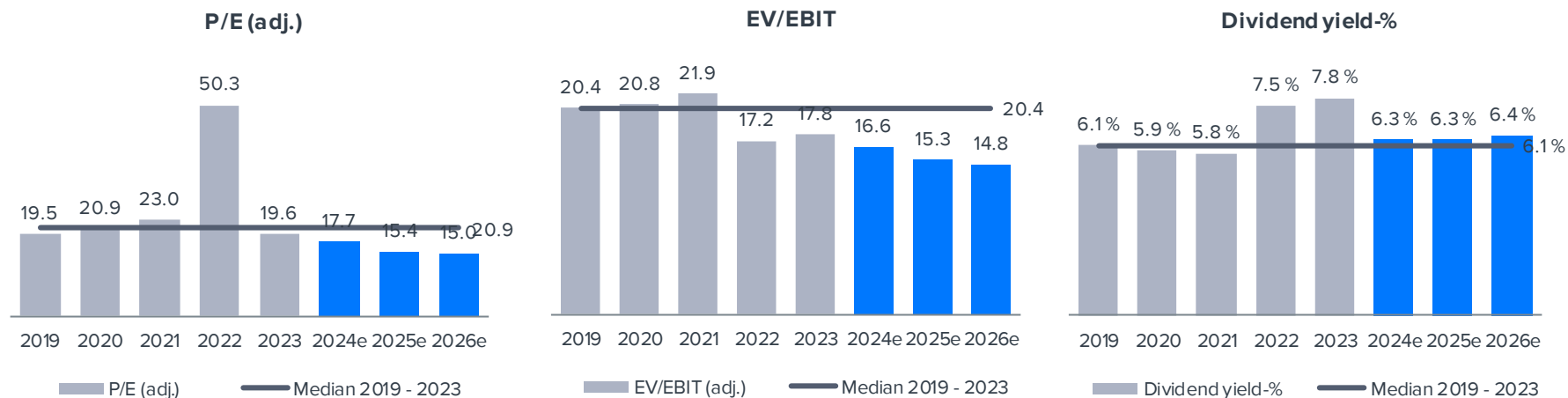
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| Market cap           | 125552  | 125552  | 125552  |
| EV                   | 216325  | 217042  | 217626  |
| P/E (adj.)           | 17.7    | 15.4    | 15.0    |
| P/E                  | 24.4    | 17.0    | 16.8    |
| P/B                  | 2.3     | 2.3     | 2.4     |
| P/S                  | 1.4     | 1.4     | 1.4     |
| EV/Sales             | 2.4     | 2.4     | 2.3     |
| EV/EBITDA            | 7.3     | 6.8     | 6.7     |
| EV/EBIT (adj.)       | 16.6    | 15.3    | 14.8    |
| Payout ratio (%)     | 152.6 % | 106.6 % | 107.8 % |
| Dividend yield-%     | 6.3 %   | 6.3 %   | 6.4 %   |

Source: Inderes

# Valuation table

| Valuation                  | 2019   | 2020   | 2021   | 2022   | 2023   | 2024e  | 2025e  | 2026e  | 2027e  |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Share price                | 40.3   | 34.0   | 35.4   | 26.7   | 25.7   | 31.9   | 31.9   | 31.9   | 31.9   |
| Number of shares, millions | 4172   | 4090   | 4090   | 4035   | 4035   | 3932   | 3932   | 3932   | 3932   |
| Market cap                 | 165535 | 138884 | 144793 | 104830 | 101173 | 125552 | 125552 | 125552 | 125552 |
| EV                         | 251625 | 223553 | 217034 | 194448 | 191731 | 216325 | 217042 | 217626 | 218050 |
| P/E (adj.)                 | 19.5   | 20.9   | 23.0   | 50.3   | 19.6   | 17.7   | 15.4   | 15.0   | 14.2   |
| P/E                        | 22.6   | neg.   | 12.6   | neg.   | neg.   | 24.4   | 17.0   | 16.8   | 16.0   |
| P/B                        | 1.8    | 2.2    | 1.8    | 1.6    | 1.9    | 2.3    | 2.3    | 2.4    | 2.9    |
| P/S                        | 1.9    | 1.6    | 1.6    | 1.2    | 1.1    | 1.4    | 1.4    | 1.4    | 1.3    |
| EV/Sales                   | 2.9    | 2.5    | 2.5    | 2.1    | 2.2    | 2.4    | 2.4    | 2.3    | 2.3    |
| EV/EBITDA                  | 8.4    | 7.4    | 6.2    | 6.6    | 6.8    | 7.3    | 6.8    | 6.7    | 6.6    |
| EV/EBIT (adj.)             | 20.4   | 20.8   | 21.9   | 17.2   | 17.8   | 16.6   | 15.3   | 14.8   | 14.0   |
| Payout ratio (%)           | 136%   | neg.   | 73%    | neg.   | neg.   | 153%   | 107%   | 108%   | 105%   |
| Dividend yield-%           | 6.1 %  | 5.9 %  | 5.8 %  | 7.5 %  | 7.8 %  | 6.3 %  | 6.3 %  | 6.4 %  | 6.6 %  |

Source: Inderes



# Peer group valuation

| Peer group valuation<br>Company         | Market cap<br>MEUR | EV<br>MEUR    | EV/EBIT     |             | EV/EBITDA   |             | EV/S        |             | P/E         |             | Dividend yield-% |            | P/B         |
|---|--------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|------------|-------------|
|   |                    |               | 2024e       | 2025e       | 2024e       | 2025e       | 2024e       | 2025e       | 2024e       | 2025e       | 2024e            | 2025e      | 2024e       |
| Tele2                                   | 7256               | 9877          | 18.7        | 17.7        | 9.6         | 9.2         | 3.8         | 3.7         | 20.5        | 18.1        | 6.0              | 6.2        | 3.9         |
| Elisa                                   | 8166               | 9552          | 19.0        | 18.1        | 12.3        | 11.8        | 4.3         | 4.2         | 20.6        | 19.5        | 4.8              | 4.9        | 6.2         |
| Telenor                                 | 15946              | 23677         | 14.6        | 14.2        | 7.8         | 7.7         | 3.5         | 3.4         | 15.5        | 16.0        | 6.9              | 7.0        | 2.9         |
| BT                                      | 17921              | 42641         | 10.8        | 10.9        | 4.4         | 4.4         | 1.7         | 1.7         | 7.9         | 8.2         | 5.0              | 5.3        | 1.0         |
| Proximus                                | 2373               | 6848          | 10.9        | 10.9        | 3.7         | 3.6         | 1.1         | 1.1         | 6.1         | 6.2         | 8.4              | 8.6        | 0.7         |
| Orange Belgium                          | 891                | 2990          | 19.6        | 18.7        | 5.7         | 5.5         | 1.5         | 1.5         | 18.8        | 14.0        |                  | 0.6        | 1.2         |
| Swisscom AG                             | 30368              | 38623         | 17.0        | 16.7        | 8.1         | 7.3         | 3.3         | 3.2         | 17.4        | 17.9        | 4.0              | 4.2        | 2.4         |
| Telekom Austria AG                      | 5887               | 8256          | 8.7         | 8.0         | 4.3         | 4.1         | 1.5         | 1.5         | 9.8         | 8.8         | 4.5              | 5.1        | 1.2         |
| Deutsche Telekom                        | 131792             | 297180        | 12.2        | 11.5        | 6.6         | 6.3         | 2.6         | 2.5         | 14.6        | 13.0        | 3.2              | 3.6        | 2.3         |
| Koninklijke KPN                         | 14440              | 20039         | 14.2        | 13.5        | 7.7         | 7.5         | 3.6         | 3.5         | 16.9        | 15.4        | 4.7              | 5.0        | 3.9         |
| <b>Telia (Inderes) MSEK</b>             | <b>125552</b>      | <b>216325</b> | <b>16.6</b> | <b>15.3</b> | <b>7.3</b>  | <b>6.8</b>  | <b>2.4</b>  | <b>2.4</b>  | <b>17.7</b> | <b>15.4</b> | <b>6.3</b>       | <b>6.3</b> | <b>2.3</b>  |
| <b>Median</b>                           |                    |               | <b>14.4</b> | <b>13.9</b> | <b>7.1</b>  | <b>6.8</b>  | <b>3.0</b>  | <b>2.9</b>  | <b>16.2</b> | <b>14.7</b> | <b>4.8</b>       | <b>5.0</b> | <b>2.3</b>  |
| <b>Diff-% to median</b>                 |                    |               | <b>15%</b>  | <b>10%</b>  | <b>3%</b>   | <b>0%</b>   | <b>-18%</b> | <b>-16%</b> | <b>9%</b>   | <b>4%</b>   | <b>32%</b>       | <b>25%</b> | <b>1%</b>   |
| <b>Median (Nordic)</b>                  |                    |               | <b>18.7</b> | <b>17.7</b> | <b>9.6</b>  | <b>9.2</b>  | <b>3.8</b>  | <b>3.7</b>  | <b>20.5</b> | <b>18.1</b> | <b>6.0</b>       | <b>6.2</b> | <b>3.9</b>  |
| <b>Difference-% vs. median (Nordic)</b> |                    |               | <b>-11%</b> | <b>-14%</b> | <b>-24%</b> | <b>-26%</b> | <b>-35%</b> | <b>-35%</b> | <b>-13%</b> | <b>-15%</b> | <b>5%</b>        | <b>1%</b>  | <b>-40%</b> |

Source: Refinitiv / Inderes



# Income statement

| Income statement                              | 2021         | 2022          | Q1'23        | Q2'23        | Q3'23        | Q4'23        | 2023         | Q1'24        | Q2'24        | Q3'24        | Q4'24e       | 2024e        | 2025e        | 2026e        | 2027e        |
|---|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                                | <b>88343</b> | <b>90827</b>  | <b>21755</b> | <b>21934</b> | <b>21997</b> | <b>23099</b> | <b>88785</b> | <b>21274</b> | <b>22380</b> | <b>21749</b> | <b>23497</b> | <b>88900</b> | <b>90630</b> | <b>92840</b> | <b>94951</b> |
| Sweden  | 34451        | 35112         | 8980         | 8983         | 8704         | 9202         | 35869        | 8798         | 8890         | 8655         | 9202         | 35544        | 35814        | 36637        | 37407        |
| Finland                                       | 14504        | 15190         | 3957         | 4134         | 4144         | 4310         | 16545        | 3910         | 4074         | 3928         | 4267         | 16180        | 16473        | 16835        | 17172        |
| Norway  | 13788        | 15022         | 3764         | 3618         | 3962         | 3769         | 15114        | 3608         | 3668         | 3750         | 3844         | 14871        | 15317        | 15746        | 16140        |
| Lithuania                                     | 4320         | 4784          | 1322         | 1305         | 1448         | 1440         | 5516         | 1337         | 1389         | 1395         | 1440         | 5562         | 5647         | 5816         | 5990         |
| Estonia                                       | 3331         | 3637          | 982          | 1017         | 1052         | 1094         | 4145         | 984          | 1023         | 1022         | 1083         | 4113         | 4196         | 4321         | 4451         |
| TV & Media + other businesses                 | 14370        | 13032         | 3151         | 3387         | 3107         | 3764         | 13410        | 3060         | 3749         | 3395         | 4152         | 14356        | 14946        | 15281        | 15624        |
| Eliminations and other                        | -1634.8      | -1248         | -401         | -510         | -422         | -481         | -1814        | -424         | -414         | -396         | -492         | -1726        | -1761        | -1796        | -1832        |
| <b>EBITDA</b>                                 | <b>35151</b> | <b>29417</b>  | <b>6333</b>  | <b>6994</b>  | <b>8327</b>  | <b>6737</b>  | <b>28392</b> | <b>6753</b>  | <b>7607</b>  | <b>8463</b>  | <b>6694</b>  | <b>29517</b> | <b>31884</b> | <b>32379</b> | <b>33195</b> |
| <b>EBITDA (adj.)</b>                          | <b>29861</b> | <b>30328</b>  | <b>6911</b>  | <b>7388</b>  | <b>8465</b>  | <b>7490</b>  | <b>30254</b> | <b>7144</b>  | <b>7856</b>  | <b>8465</b>  | <b>7994</b>  | <b>31459</b> | <b>32684</b> | <b>33279</b> | <b>34195</b> |
| Depreciation                                  | -20023.5     | -38936        | -4596        | -4909        | -4847        | -9166        | -23517       | -4506        | -4684        | -4581        | -4660        | -18431       | -18499       | -18592       | -18669       |
| <b>EBIT (excl. NRI)</b>                       | <b>9929</b>  | <b>11310</b>  | <b>2315</b>  | <b>2479</b>  | <b>3619</b>  | <b>2345</b>  | <b>10758</b> | <b>2638</b>  | <b>3172</b>  | <b>3876</b>  | <b>3334</b>  | <b>13020</b> | <b>14185</b> | <b>14687</b> | <b>15527</b> |
| <b>EBIT</b>                                   | <b>15127</b> | <b>-9519</b>  | <b>1738</b>  | <b>2085</b>  | <b>3481</b>  | <b>-2428</b> | <b>4875</b>  | <b>2247</b>  | <b>2923</b>  | <b>3882</b>  | <b>2034</b>  | <b>11086</b> | <b>13385</b> | <b>13787</b> | <b>14527</b> |
| Share of associated companies' profit or loss | 0.0          | 102           | 30           | 11           | 35           | 29           | 105          | 37           | 19           | 10           | 31           | 97           | 160          | 160          | 160          |
| Net financial items                           | -2634.0      | -3366         | -843         | -998         | -1133        | -901         | -3875        | -1261        | -940         | -754         | -855         | -3810        | -3500        | -3673        | -3913        |
| <b>PTP</b>                                    | <b>12597</b> | <b>-12783</b> | <b>925</b>   | <b>1098</b>  | <b>2383</b>  | <b>-3300</b> | <b>1105</b>  | <b>1023</b>  | <b>2002</b>  | <b>3138</b>  | <b>1210</b>  | <b>7373</b>  | <b>10045</b> | <b>10273</b> | <b>10774</b> |
| Taxes   | -937.0       | -1381         | -324         | -318         | -595         | 138          | -1099        | -277         | -400         | -626         | -242         | -1545        | -1977        | -2093        | -2197        |
| Minority interest                             | -156.0       | -474          | -135         | -155         | -170         | -134         | -594         | -160         | -168         | -187         | -160         | -675         | -689         | -702         | -716         |
| <b>Net earnings</b>                           | <b>11504</b> | <b>-14638</b> | <b>466</b>   | <b>625</b>   | <b>1618</b>  | <b>-3296</b> | <b>-588</b>  | <b>586</b>   | <b>1434</b>  | <b>2325</b>  | <b>808</b>   | <b>5153</b>  | <b>7379</b>  | <b>7478</b>  | <b>7860</b>  |
| <b>EPS (continuous operations)</b>            | <b>2.81</b>  | <b>-3.63</b>  | <b>0.12</b>  | <b>0.15</b>  | <b>0.40</b>  | <b>-0.82</b> | <b>-0.15</b> | <b>0.15</b>  | <b>0.36</b>  | <b>0.59</b>  | <b>0.21</b>  | <b>1.31</b>  | <b>1.88</b>  | <b>1.90</b>  | <b>2.00</b>  |

| Key figures                   | 2021   | 2022    | Q1'23   | Q2'23   | Q3'23  | Q4'23   | 2023   | Q1'24  | Q2'24  | Q3'24  | Q4'24e | 2024e  | 2025e  | 2026e  | 2027e  |
|-------------------------------|--------|---------|---------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Revenue growth-%</b>       | -1.0 % | 2.8 %   | -0.3 %  | -1.6 %  | -2.0 % | -4.8 %  | -2.2 % | -2.2 % | 2.0 %  | -1.1 % | 1.7 %  | 0.1 %  | 1.9 %  | 2.4 %  | 2.3 %  |
| <b>Adjusted EBIT growth-%</b> |        | 13.9 %  | -10.8 % | -17.3 % | 7.6 %  | -0.5 %  | -4.9 % | 13.9 % | 27.9 % | 7.1 %  | 42.2 % | 21.0 % | 8.9 %  | 3.5 %  | 5.7 %  |
| <b>EBITDA-% (adj.)</b>        | 39.8 % | 33.4 %  | 31.8 %  | 33.7 %  | 38.5 % | 32.4 %  | 34.1 % | 33.6 % | 35.1 % | 38.9 % | 34.0 % | 35.4 % | 36.1 % | 35.8 % | 36.0 % |
| <b>Adjusted EBIT-%</b>        | 11.2 % | 12.5 %  | 10.6 %  | 11.3 %  | 16.5 % | 10.2 %  | 12.1 % | 12.4 % | 14.2 % | 17.8 % | 14.2 % | 14.6 % | 15.7 % | 15.8 % | 16.4 % |
| <b>Net earnings-%</b>         | 13.0 % | -16.1 % | 2.1 %   | 2.8 %   | 7.4 %  | -14.3 % | -0.7 % | 2.8 %  | 6.4 %  | 10.7 % | 3.4 %  | 5.8 %  | 8.1 %  | 8.1 %  | 8.3 %  |

Source: Inderes

\*2023 continuous operations only

# Balance sheet

| Assets                     | 2022          | 2023          | 2024e         | 2025e         | 2026e         |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-current assets</b>  | <b>185090</b> | <b>172878</b> | <b>175085</b> | <b>175445</b> | <b>175806</b> |
| Goodwill                   | 74547         | 66020         | 66384         | 66384         | 66384         |
| Intangible assets          | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Tangible assets            | 91373         | 87004         | 87338         | 87698         | 88059         |
| Associated companies       | 8171          | 6742          | 8251          | 8251          | 8251          |
| Other investments          | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Other non-current assets   | 9928          | 11929         | 11929         | 11929         | 11929         |
| Deferred tax assets        | 1071          | 1183          | 1183          | 1183          | 1183          |
| <b>Current assets</b>      | <b>37703</b>  | <b>53590</b>  | <b>35387</b>  | <b>36020</b>  | <b>36829</b>  |
| Inventories                | 2918          | 2307          | 2310          | 2355          | 2412          |
| Other current assets       | 3022          | 2851          | 2851          | 2851          | 2851          |
| Receivables                | 24892         | 28476         | 24003         | 24470         | 25067         |
| Cash and equivalents       | 6871          | 19956         | 6223          | 6344          | 6499          |
| <b>Balance sheet total</b> | <b>222793</b> | <b>226468</b> | <b>210472</b> | <b>211466</b> | <b>212636</b> |

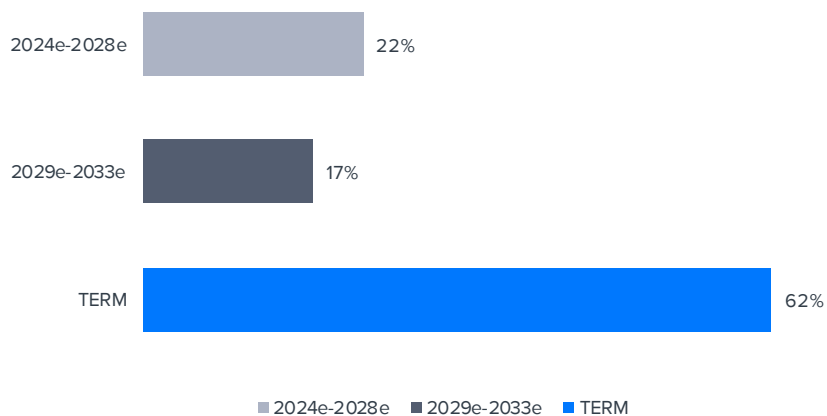
Source: Inderes

| Liabilities & equity           | 2022          | 2023          | 2024e         | 2025e         | 2026e         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Equity</b>                  | <b>67673</b>  | <b>56994</b>  | <b>57543</b>  | <b>57058</b>  | <b>56672</b>  |
| Share capital                  | 14961         | 14961         | 14961         | 14961         | 14961         |
| Retained earnings              | 39316         | 28545         | 29094         | 28609         | 28223         |
| Hybrid bonds                   | 9962          | 9962          | 9962          | 9962          | 9962          |
| Revaluation reserve            | 0             | 0             | 0             | 0             | 0             |
| Other equity                   | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Minorities                     | 3434          | 3526          | 3526          | 3526          | 3526          |
| <b>Non-current liabilities</b> | <b>112380</b> | <b>115316</b> | <b>110536</b> | <b>108798</b> | <b>111126</b> |
| Deferred tax liabilities       | 10514         | 9013          | 9013          | 9013          | 9013          |
| Provisions                     | 5022          | 5710          | 5710          | 5710          | 5710          |
| Interest bearing debt          | 83484         | 86657         | 81877         | 80139         | 82467         |
| Convertibles                   | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Other long term liabilities    | 13360         | 13936         | 13936         | 13936         | 13936         |
| <b>Current liabilities</b>     | <b>42741</b>  | <b>54158</b>  | <b>42393</b>  | <b>45609</b>  | <b>44838</b>  |
| Interest bearing debt          | 3309          | 14069         | 5331          | 7907          | 6318          |
| Payables                       | 35734         | 35920         | 32893         | 33533         | 34351         |
| Other current liabilities      | 3698          | 4169          | 4169          | 4169          | 4169          |
| <b>Balance sheet total</b>     | <b>222794</b> | <b>226468</b> | <b>210472</b> | <b>211466</b> | <b>212636</b> |

# DCF calculation

| DCF model                               | 2023         | 2024e         | 2025e        | 2026e        | 2027e        | 2028e        | 2029e        | 2030e        | 2031e        | 2032e        | 2033e        | TERM          |
|---|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Revenue growth-%                        | -2.2 %       | 0.1 %         | 1.9 %        | 2.4 %        | 2.3 %        | 2.0 %        | 2.0 %        | 2.0 %        | 2.0 %        | 2.0 %        | 1.5 %        | 1.5 %         |
| EBIT-%                                  | 5.5 %        | 12.5 %        | 14.8 %       | 14.8 %       | 15.3 %       | 15.0 %       | 15.0 %       | 15.0 %       | 15.0 %       | 15.0 %       | 15.0 %       | 15.0 %        |
| <b>EBIT (operating profit)</b>          | <b>4875</b>  | <b>11086</b>  | <b>13385</b> | <b>13787</b> | <b>14527</b> | <b>14528</b> | <b>14818</b> | <b>15114</b> | <b>15417</b> | <b>15725</b> | <b>15961</b> |               |
| + Depreciation                          | 23517        | 18431         | 18499        | 18592        | 18669        | 18749        | 18833        | 18919        | 19007        | 19367        | 19402        |               |
| - Paid taxes                            | -2712        | -1545         | -1977        | -2093        | -2197        | -2147        | -2225        | -2289        | -2354        | -2422        | -2482        |               |
| - Tax, financial expenses               | -806         | -865          | -725         | -787         | -837         | -888         | -871         | -869         | -867         | -864         | -853         |               |
| + Tax, financial income                 | 31           | 56            | 25           | 27           | 27           | 28           | 28           | 29           | 29           | 30           | 31           |               |
| - Change in working capital             | -2145        | 1443          | 128          | 164          | 156          | 141          | 143          | 146          | 149          | 152          | 116          |               |
| <b>Operating cash flow</b>              | <b>22760</b> | <b>28606</b>  | <b>29335</b> | <b>29689</b> | <b>30344</b> | <b>30410</b> | <b>30727</b> | <b>31051</b> | <b>31382</b> | <b>31989</b> | <b>32175</b> |               |
| + Change in other long-term liabilities | 1264         | 0             | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |               |
| - Gross CAPEX                           | -12622       | -19129        | -18859       | -18953       | -19048       | -19143       | -19239       | -19335       | -19432       | -19529       | -18010       |               |
| <b>Free operating cash flow</b>         | <b>11402</b> | <b>9477</b>   | <b>10476</b> | <b>10735</b> | <b>11296</b> | <b>11267</b> | <b>11488</b> | <b>11716</b> | <b>11950</b> | <b>12461</b> | <b>14166</b> |               |
| +/- Other                               | 891          | 3260          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |               |
| FCFF                                    | 12293        | 12737         | 10476        | 10735        | 11296        | 11267        | 11488        | 11716        | 11950        | 12461        | 14166        | 260952        |
| <b>Discounted FCFF</b>                  |              | <b>12580</b>  | <b>9669</b>  | <b>9260</b>  | <b>9105</b>  | <b>8486</b>  | <b>8086</b>  | <b>7706</b>  | <b>7345</b>  | <b>7157</b>  | <b>7604</b>  | <b>140075</b> |
| Sum of FCFF present value               |              | 227074        | 214494       | 204825       | 195565       | 186460       | 177974       | 169888       | 162182       | 154836       | 147679       | 140075        |
| <b>Enterprise value DCF</b>             |              | <b>227074</b> |              |              |              |              |              |              |              |              |              |               |
| - Interest bearing debt                 |              | -110688       |              |              |              |              |              |              |              |              |              |               |
| + Cash and cash equivalents             |              | 19956         |              |              |              |              |              |              |              |              |              |               |
| -Minorities                             |              | -3526         |              |              |              |              |              |              |              |              |              |               |
| -Dividend/capital return                |              | -7864         |              |              |              |              |              |              |              |              |              |               |
| <b>Equity value DCF</b>                 |              | <b>128652</b> |              |              |              |              |              |              |              |              |              |               |
| <b>Equity value DCF per share</b>       |              | <b>32.7</b>   |              |              |              |              |              |              |              |              |              |               |

## Cash flow distribution

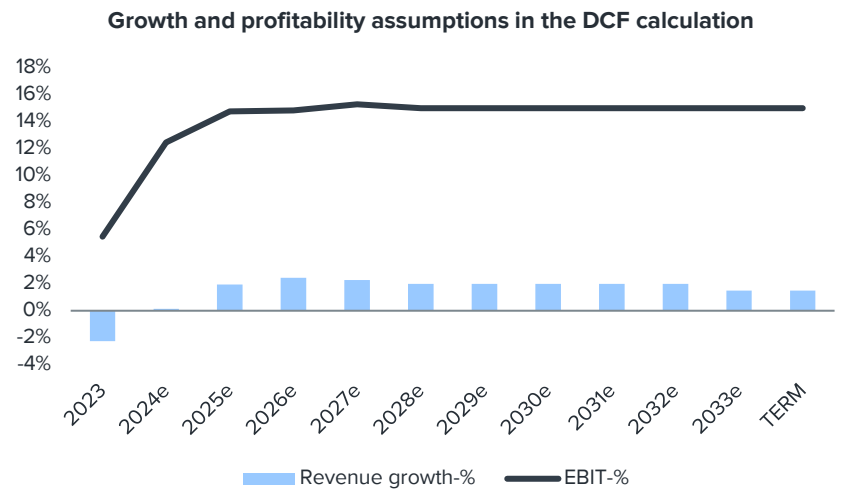
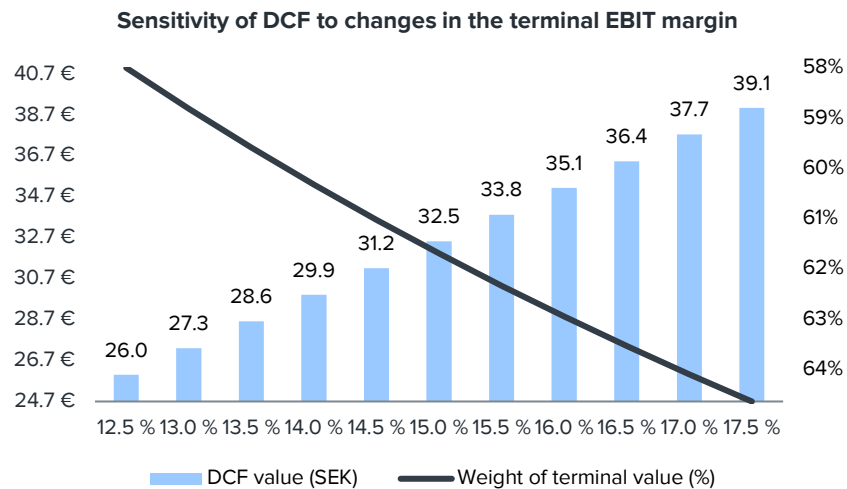
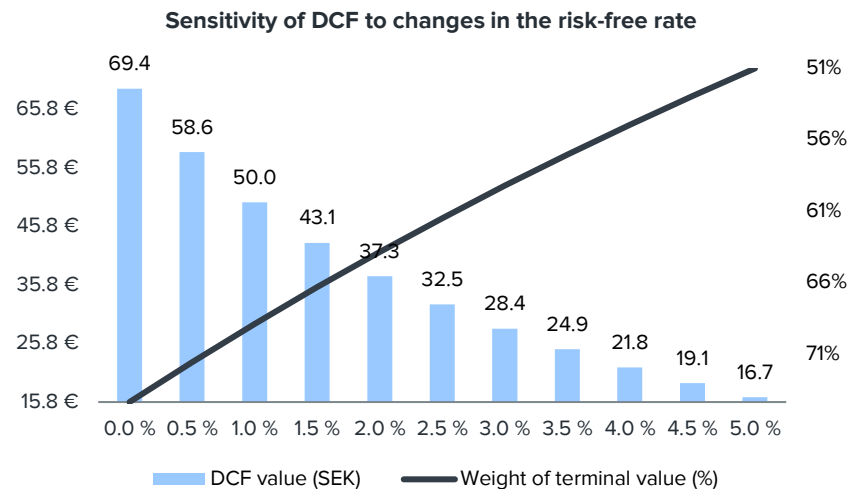
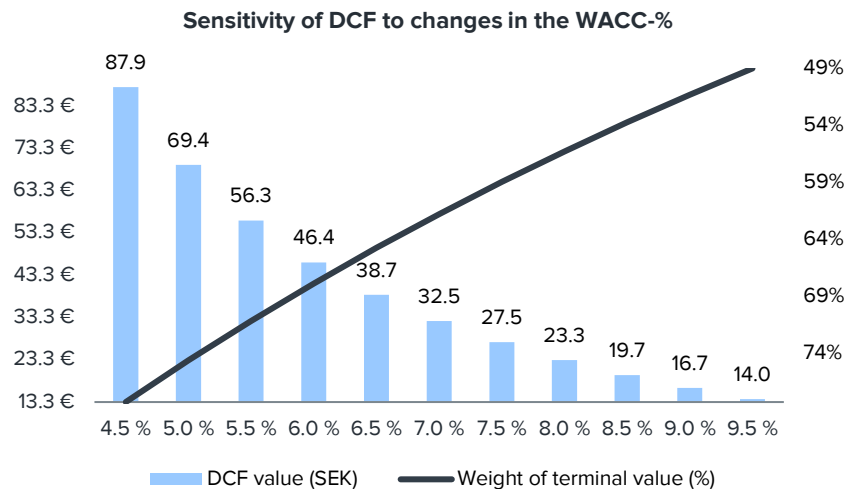


## WACC

|  |              |
|--|--------------|
| Tax-% (WACC)                                   | 20.0 %       |
| Target debt ratio (D/(D+E))                    | 20.0 %       |
| Cost of debt                                   | 4.0 %        |
| 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>7.0 %</b> |

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

| Income statement          | 2021   | 2022   | 2023   | 2024e         | 2025e         | Per share data           | 2021   | 2022    | 2023    | 2024e          | 2025e          |
|---------------------------|--------|--------|--------|---------------|---------------|--------------------------|--------|---------|---------|----------------|----------------|
| Revenue                   | 88343  | 90827  | 88785  | <b>88900</b>  | <b>90630</b>  | EPS (reported)           | 2.81   | -3.63   | -0.15   | <b>1.31</b>    | <b>1.88</b>    |
| EBITDA                    | 35151  | 29417  | 28392  | <b>29517</b>  | <b>31884</b>  | EPS (adj.)               | 1.54   | 0.53    | 1.31    | <b>1.80</b>    | <b>2.08</b>    |
| EBIT                      | 15127  | -9519  | 4875   | <b>11086</b>  | <b>13385</b>  | OCF / share              | 8.98   | 6.08    | 5.64    | <b>7.27</b>    | <b>7.46</b>    |
| PTP                       | 12597  | -12783 | 1105   | <b>7373</b>   | <b>10045</b>  | FCF / share              | 2.45   | -2.06   | 3.05    | <b>3.24</b>    | <b>2.66</b>    |
| Net Income                | 11680  | -14638 | 303    | <b>8413</b>   | <b>7379</b>   | Book value / share       | 19.74  | 15.92   | 13.25   | <b>13.74</b>   | <b>13.61</b>   |
| Extraordinary items       | 5199   | -20829 | -5883  | <b>-1934</b>  | <b>-800</b>   | Dividend / share         | 2.05   | 2.00    | 2.00    | <b>2.00</b>    | <b>2.00</b>    |
| Balance sheet             | 2021   | 2022   | 2023   | 2024e         | 2025e         | Growth and profitability | 2021   | 2022    | 2023    | 2024e          | 2025e          |
| Balance sheet total       | 237026 | 222793 | 226468 | <b>210472</b> | <b>211466</b> | Revenue growth-%         | -1%    | 3%      | -2%     | <b>0%</b>      | <b>2%</b>      |
| Equity capital            | 83543  | 67673  | 56994  | <b>57543</b>  | <b>57058</b>  | EBITDA growth-%          | -23%   | 2%      | 0%      | <b>4%</b>      | <b>4%</b>      |
| Goodwill                  | 89943  | 74547  | 66020  | <b>66384</b>  | <b>66384</b>  | EBIT (adj.) growth-%     | -8%    | 14%     | -5%     | <b>21%</b>     | <b>9%</b>      |
| Net debt                  | 62862  | 79922  | 80770  | <b>80985</b>  | <b>81702</b>  | EPS (adj.) growth-%      | -5%    | -66%    | 147%    | <b>37%</b>     | <b>15%</b>     |
| Cash flow                 | 2021   | 2022   | 2023   | 2024e         | 2025e         | EBITDA-%                 | 33.8 % | 33.4 %  | 34.1 %  | <b>35.4 %</b>  | <b>36.1 %</b>  |
| EBITDA                    | 35151  | 29417  | 28392  | <b>29517</b>  | <b>31884</b>  | EBIT (adj.)-%            | 11.2 % | 12.5 %  | 12.1 %  | <b>14.6 %</b>  | <b>15.7 %</b>  |
| Change in working capital | 2240   | -4416  | -2145  | <b>1443</b>   | <b>128</b>    | EBIT-%                   | 17.1 % | -10.5 % | 5.5 %   | <b>12.5 %</b>  | <b>14.8 %</b>  |
| Operating cash flow       | 36743  | 24541  | 22760  | <b>28606</b>  | <b>29335</b>  | ROE-%                    | 16.0 % | -20.2 % | -1.0 %  | <b>9.6 %</b>   | <b>13.7 %</b>  |
| CAPEX                     | -24079 | -25955 | -12622 | <b>-19129</b> | <b>-18859</b> | ROI-%                    | 9.9 %  | -5.8 %  | 3.3 %   | <b>7.6 %</b>   | <b>9.4 %</b>   |
| Free cash flow            | 10006  | -8306  | 12293  | <b>12737</b>  | <b>10476</b>  | Equity ratio             | 35.2 % | 30.4 %  | 25.2 %  | <b>27.3 %</b>  | <b>27.0 %</b>  |
| Valuation multiples       | 2021   | 2022   | 2023   | 2024e         | 2025e         | Gearing                  | 75.2 % | 118.1 % | 141.7 % | <b>140.7 %</b> | <b>143.2 %</b> |
| EV/S                      | 2.5    | 2.1    | 2.2    | <b>2.4</b>    | <b>2.4</b>    |                          |        |         |         |                |                |
| EV/EBITDA                 | 6.2    | 6.6    | 6.8    | <b>7.3</b>    | <b>6.8</b>    |                          |        |         |         |                |                |
| EV/EBIT (adj.)            | 21.9   | 17.2   | 17.8   | <b>16.6</b>   | <b>15.3</b>   |                          |        |         |         |                |                |
| P/E (adj.)                | 23.0   | 50.3   | 19.6   | <b>17.7</b>   | <b>15.4</b>   |                          |        |         |         |                |                |
| P/B                       | 1.8    | 1.6    | 1.9    | <b>2.3</b>    | <b>2.3</b>    |                          |        |         |         |                |                |
| Dividend-%                | 5.8 %  | 7.5 %  | 7.8 %  | <b>6.3 %</b>  | <b>6.3 %</b>  |                          |        |         |         |                |                |

Source: Inderes

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|            |  |
|------------|--|
| Buy        | The 12-month risk-adjusted expected shareholder return of the share is very attractive |
| Accumulate | The 12-month risk-adjusted expected shareholder return of the share is attractive      |
| Reduce     | The 12-month risk-adjusted expected shareholder return of the share is weak            |
| Sell       | The 12-month risk-adjusted expected shareholder return of the share is very weak       |

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## Recommendation history (>12 mo)

| Date       | Recommendation | Target   | Share price |
|------------|----------------|----------|-------------|
| 7/23/2018  | Accumulate     | 44.0 SEK | 39.1 SEK    |
| 10/22/2018 | Accumulate     | 45.0 SEK | 40.3 SEK    |
| 1/28/2019  | Accumulate     | 44.0 SEK | 39.8 SEK    |
| 3/27/2019  | Accumulate     | 44.0 SEK | 41.4 SEK    |
| 4/26/2019  | Accumulate     | 44.0 SEK | 40.8 SEK    |
| 7/18/2019  | Reduce         | 44.0 SEK | 42.9 SEK    |
| 10/18/2019 | Reduce         | 42.0 SEK | 41.7 SEK    |
| 1/14/2020  | Reduce         | 42.0 SEK | 40.6 SEK    |
| 1/30/2020  | Reduce         | 42.0 SEK | 41.8 SEK    |
| 3/19/2020  | Accumulate     | 39.0 SEK | 34.0 SEK    |
| 3/27/2020  | Accumulate     | 38.0 SEK | 35.0 SEK    |
| 4/23/2020  | Accumulate     | 38.0 SEK | 34.1 SEK    |
| 7/20/2020  | Accumulate     | 38.0 SEK | 36.3 SEK    |
| 10/22/2020 | Accumulate     | 38.0 SEK | 37.2 SEK    |
| 1/27/2021  | Accumulate     | 38.0 SEK | 36.6 SEK    |
| 2/1/2021   | Accumulate     | 40.0 SEK | 36.7 SEK    |
| 4/26/2021  | Accumulate     | 40.0 SEK | 35.1 SEK    |
| 7/22/2021  | Accumulate     | 40.0 SEK | 38.1 SEK    |
| 10/22/2021 | Accumulate     | 39.0 SEK | 35.6 SEK    |
| 1/31/2022  | Accumulate     | 39.0 SEK | 36.3 SEK    |
| 4/28/2022  | Reduce         | 41.0 SEK | 41.4 SEK    |
| 7/21/2022  | Accumulate     | 41.0 SEK | 37.2 SEK    |
| 10/24/2022 | Reduce         | 29.0 SEK | 28.3 SEK    |
| 1/27/2023  | Reduce         | 29.0 SEK | 26.7 SEK    |
| 4/27/2023  | Reduce         | 29.0 SEK | 28.0 SEK    |
| 7/21/2023  | Reduce         | 25.0 SEK | 24.5 SEK    |
| 10/5/2023  | Reduce         | 24.0 SEK | 22.6 SEK    |
| 10/20/2023 | Reduce         | 26.0 SEK | 25.4 SEK    |
| 1/29/2024  | Reduce         | 26.0 SEK | 26.9 SEK    |
| 4/26/2024  | Reduce         | 26.0 SEK | 25.9 SEK    |
| 7/19/2024  | Reduce         | 29.0 SEK | 30.6 SEK    |
| 9/27/2024  | Reduce         | 32.0 SEK | 33.8 SEK    |
| 10/25/2024 | Reduce         | 32.0 SEK | 31.9 SEK    |



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