

Neste

Company report

11/11/2024



Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

This report is a summary translation of the report “Tuotannollisia haasteita kasaantuu” published on 11/11/2024 at 7:57 am EET

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Production challenges are piling up

Neste lowered its sales volume guidance for Renewable Products on Friday, as an unexpected production outage at the Rotterdam refinery will reduce production and thus sales volumes. To reflect this, we have lowered our near-term estimates for the coming quarters. The valuation of the stock is quite low, provided that Renewable Products' performance recovers to at least satisfactory levels over the next few years. Given the back-loaded nature of the expected return in the coming years and the difficulty in predicting an improvement in the market outlook for Renewable Products, we do not take a stronger view on the stock despite its significant medium-term potential. We reiterate our Accumulate recommendation and lower our target price to EUR 15.5 (was EUR 17.5).

Fire at Rotterdam refinery cuts sales volumes

On Friday, Neste downgraded its sales volume forecast for Renewable Products following a fire at the old line in Rotterdam and the resulting production shutdown. The company has started an investigation into the incident and repair work will begin as soon as possible. It is therefore uncertain at this stage how long the production outage will ultimately last. However, an indicative estimate can be derived from the new sales volume forecast, which has been reduced by 200 ktons, as this is approximately one and a half months of production from the line. Neste now guides the sales volume of Renewable Products to increase to about 3.7 Mt (+/-5%) in 2024 (previously about 3.9 Mt). Renewable Products' full-year 2024 avg. comparable sales margin is expected to be in the range of USD 360-480/ton (unchanged).

Operational challenges have piled up recently

Neste's historically good operational performance has taken a hit recently, as its production has suffered a series of setbacks. This raises concerns about a decline in operational performance, but on the other hand, it is difficult to draw major conclusions from the challenges faced mainly on individual refinery lines. The production shutdown comes at a bad time, as production capacity is now constrained by lower inventories due to maintenance shutdowns. Recently, the European market for renewable diesel in particular has strengthened, increasing the impact of lost sales volumes on earnings. In any case, the current year will be a lousy one for the company, and the presumably short production interruption will not change the overall picture. From an investor's point of view, the key issue remains the timeframe in which the supply/demand situation in the market for Renewable Products will stabilize and the level of the sales margin for Renewable Products in the long run. We have not made any forecast changes in this regard, but we did cut our projections for Q4'24 and Q1'25 slightly as a result of the production outage. As a result, our comparable EBITA estimate for 2024-2025 decreased by 5-2%.

Valuation is quite low as result recovers

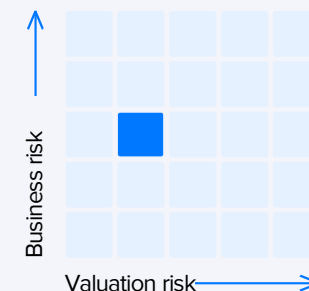
The valuation of the stock is quite high (EV/EBIT >40x) given the weak current-year result. However, in the medium term, the valuation falls to quite attractive levels (2026e P/E 7x and EV/EBIT 7x), as we expect Renewable Products' result to improve significantly in the coming years, driven by volume growth from new capacity and a recovery in sales margins. The oversupply situation in the market makes it very challenging to accurately assess its recovery, but we do not expect this to happen to any significant extent before 2025. Thus, the expected return over the next few years is back-loaded, and we believe that this argues in favor of spreading purchases over time.

Recommendation

Accumulate
(was Accumulate)

EUR 15.50
(was EUR 17.50)

Share price:
12.83



Key figures

| | 2023 | 2024e | 2025e | 2026e |
|--------------------|--------|-------|-------|-------|
| Revenue | 22926 | 20590 | 23830 | 27525 |
| growth-% | -11% | -10% | 16% | 16% |
| EBIT adj. | 2592 | 344 | 979 | 1867 |
| EBIT-% adj. | 11.3 % | 1.7 % | 4.1 % | 6.8 % |
| Net Income | 1433 | 2 | 712 | 1484 |
| EPS (adj.) | 2.88 | 0.27 | 0.93 | 1.93 |

| | | | | |
|-------------------------|-------|-------|-------|-------|
| P/E (adj.) | 11.2 | 48.1 | 13.8 | 6.6 |
| P/B | 2.9 | 1.3 | 1.2 | 1.0 |
| Dividend yield-% | 3.7 % | 0.0 % | 3.1 % | 4.7 % |
| EV/EBIT (adj.) | 10.5 | 40.3 | 13.5 | 6.5 |
| EV/EBITDA | 10.7 | 12.7 | 6.7 | 4.2 |
| EV/S | 1.2 | 0.7 | 0.6 | 0.4 |

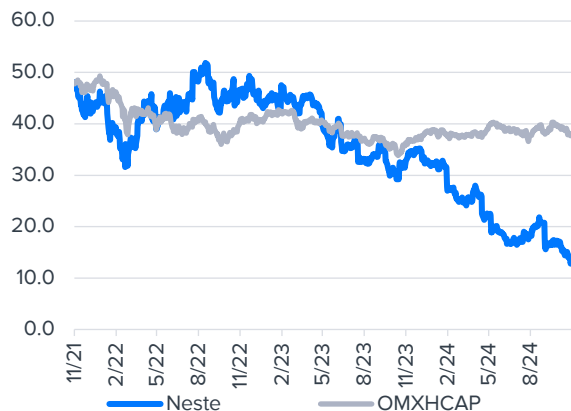
Source: Inderes

Guidance

(Downgraded)

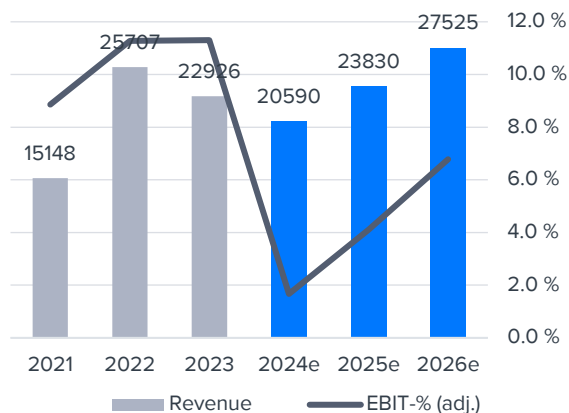
Sales volumes of Renewable Products are expected to reach around 3.7 Mt (+/-5%) in 2024, with a sales margin of USD 360-480/ton. Total sales volumes and refining margins for Oil Products are expected to be lower in 2024 than in 2023.

Share price



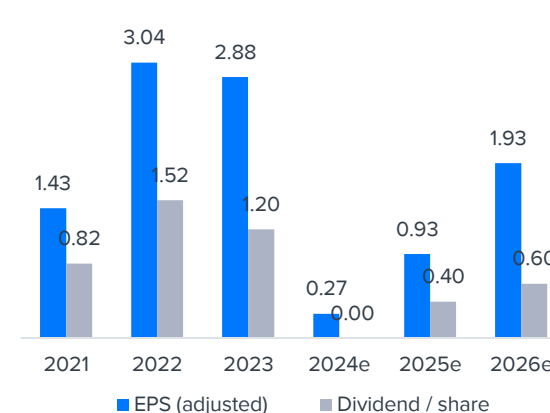
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong market position in all businesses
- Value creation potential of growth investments in Renewable Products' production capacity
- New product applications of Renewable Products in air traffic and chemicals
- The long-term growth outlook for the Renewable Products market, which we expect will restore a healthy margin for the segment



Risk factors

- Risks related to oversupply in Renewable Products
- Long-term sales margin level for Renewable Products
- Weak long-term demand picture for oil-based fuels
- Regulatory risks (+/-)

| Valuation | 2024e | 2025e | 2026e |
|----------------------------|-------|--------|--------|
| Share price | 12.83 | 12.83 | 12.83 |
| Number of shares, millions | 768.2 | 768.2 | 768.2 |
| Market cap | 9856 | 9856 | 9856 |
| EV | 13831 | 13251 | 12179 |
| P/E (adj.) | 48.1 | 13.8 | 6.6 |
| P/E | >100 | 13.8 | 6.6 |
| P/B | 1.3 | 1.2 | 1.0 |
| P/S | 0.5 | 0.4 | 0.4 |
| EV/Sales | 0.7 | 0.6 | 0.4 |
| EV/EBITDA | 12.7 | 6.7 | 4.2 |
| EV/EBIT (adj.) | 40.3 | 13.5 | 6.5 |
| Payout ratio (%) | 0.0 % | 43.2 % | 31.1 % |
| Dividend yield-% | 0.0 % | 3.1 % | 4.7 % |

Source: Inderes

We trimmed our short-term estimates

Estimate revisions 2024e-2026e

- We cut our forecast for Q4 sales of Renewable Products to 894 ktons
- We also made small downward revisions to our estimate of the total refining margin for Oil Products, as the product margin for gasoline in particular has recently fallen sharply to a very low level.
- At this stage, it is not possible to estimate exactly how long it will take to repair the damage caused by the fire and thus restore production, but we have nevertheless slightly trimmed our forecast for Q1'25 sales volumes, putting pressure on our forecast for 2025
- Due to the only recently operational Singapore refinery and the maintenance shutdowns of H2 in Singapore and Rotterdam, Neste's ability to compensate for the production outage from inventories is limited.

Operational result drivers 2024-2026e:

- Our forecast for the current year's sales volume of Renewable Products was lowered to 3.7 Mt
- We expect the Singapore line, brought to full flight altitude, and volume growth from the Martinez joint venture to increase Renewables sales volumes to 4.4 Mt in 2025 and further to 5.6 Mt in 2026
- In our projections, the ongoing investment in Rotterdam will further increase sales volumes of Renewable Products to 6.1 Mt in 2027
- In addition to sales volume growth, the recovery of the Renewable Products' sales margin to USD 480/ton in 2025 will boost the segment's turnaround
- However, we expect stronger earnings growth still in 2026, when, in addition to a marked increase in sales volumes, we forecast sales margins to recover to around USD 550/ton

| Estimate revisions | 2024e | 2024e | Change | 2025e | 2025e | Change | 2026e | 2026e | Change |
|--------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR | Old | New | % | Old | New | % | Old | New | % |
| Revenue | 20878 | 20590 | -1% | 24084 | 23830 | -1% | 27525 | 27525 | 0% |
| EBITDA | 1153 | 1088 | -6% | 2028 | 1978 | -2% | 2880 | 2880 | 0% |
| EBIT (exc. NRIs) | 409 | 344 | -16% | 1030 | 979 | -5% | 1867 | 1867 | 0% |
| EBIT | 186 | 121 | -35% | 1030 | 979 | -5% | 1867 | 1867 | 0% |
| PTP | 67.6 | 2.6 | -96% | 891 | 840 | -6% | 1750 | 1748 | 0% |
| EPS (excl. NRIs) | 0.34 | 0.27 | -21% | 0.98 | 0.93 | -6% | 1.93 | 1.93 | 0% |
| DPS | 0.00 | 0.00 | | 0.40 | 0.40 | 0% | 0.60 | 0.60 | 0% |

Source: Inderes

Valuation is quite low as result recovers

Absolute valuation multiples

We forecast an adjusted P/E ratio of 48x and a corresponding EV/EBIT ratio of 40x for Neste this year. These valuation multiples are obviously very high, due to the weakened performance resulting from the decline in the sales margin of Renewable Products. In addition, the segment's profitability will be constrained by rather subdued sales volumes for the full year 2024, again reflecting the slower than expected ramp-up of the new line in Singapore and the production stoppages caused by both expected and unexpected production shutdowns. The major turnaround in Porvoo has also dampened the current year's result for Oil Products, although the full-year results are somewhat offset by the still exceptionally high total refining margin of Q1'24. In any case, the current year's earnings level for Neste will remain rather bleak and we do not believe that it reflects the company's earnings level in the longer term.

Reflecting in particular our projected earnings growth in Renewable Products, the valuation multiples for the next few years will first fall to quite reasonable levels in 2025, with a P/E ratio of 14x next year and a corresponding EV/EBIT ratio of just under 14x. But even then, our forecast for Renewable Products shows a result that is still below its potential and thus the corresponding valuation multiples for 2026 continue to fall to 7x. These are rather low figures, and we think it is quite indicative of the current valuation that our earnings forecasts for Renewable Products alone for 2026 and 2027 have EV/EBIT multiples of around 8.5x and 6.5x, respectively.

In fact, if we look at absolute valuation multiples, the current valuation is quite low compared to the longer-term projections for Renewable Products, without

assigning any value to the other businesses. Thus, by valuing Renewable Products at a reasonable multiple of 12x on our 2026 forecast, we get a range of roughly 20% annual expected return for the current share price. This is an attractive level, so the current price level could prove to be a very attractive buying opportunity in the medium term. However, our risk appetite is limited by the uncertainty surrounding market stabilization and, on the other hand, by the at least somewhat elevated risks. In a scenario of our forecasts where the Renewable Products' result does not recover to a large extent until 2026, the expected return is also quite back-loaded and better buying opportunities may arise along the way.

DCF model well above the current share price

The revised share value indicated by our DCF model is EUR 23.7, which offers a hefty upside. However, the feasibility of applying the cash flow model is undermined by the fact that Neste has announced that it will transform the Porvoo refinery into a renewable and circular solutions refining hub in the 2030s. The company has estimated the value of this investment at around 2.5 BNEUR. At the same time, recent assumptions about the market for Renewable Products have proven to be overly optimistic, and we also believe that the current market imbalance will be at least partially reflected in this investment plan, which we estimate could still shift significantly. Thus, in the medium term, it is very difficult to make clear assumptions with the cash flow model about the timing of the investments in the Porvoo conversion and also about the end of Oil Products refining. Therefore, we do not base our view on this model at the moment.

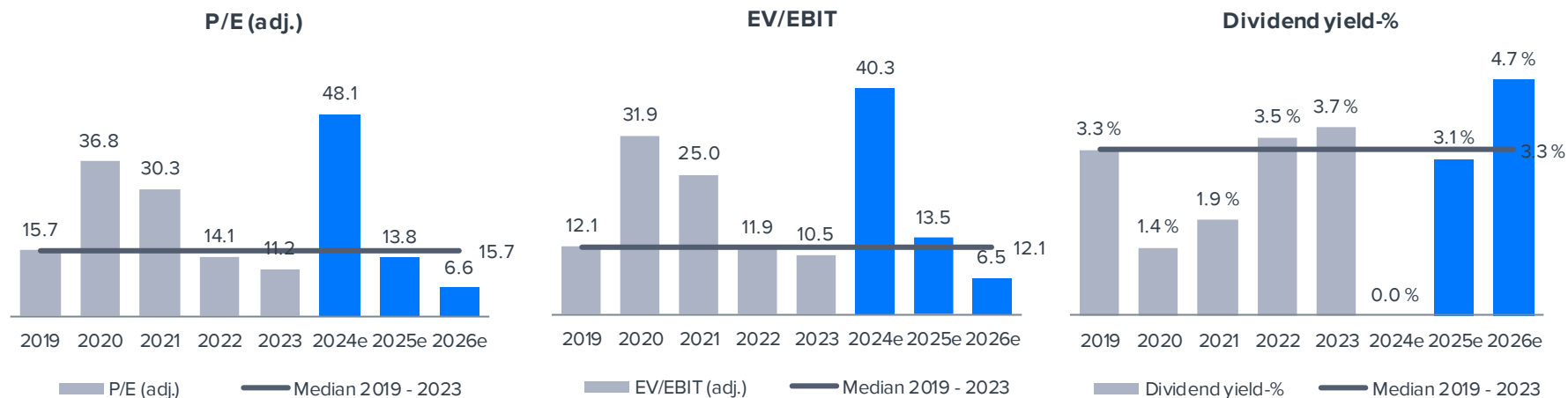
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| Share price | 12.83 | 12.83 | 12.83 |
| Number of shares, millions | 768.2 | 768.2 | 768.2 |
| Market cap | 9856 | 9856 | 9856 |
| EV | 13831 | 13251 | 12179 |
| P/E (adj.) | 48.1 | 13.8 | 6.6 |
| P/E | >100 | 13.8 | 6.6 |
| P/B | 1.3 | 1.2 | 1.0 |
| P/S | 0.5 | 0.4 | 0.4 |
| EV/Sales | 0.7 | 0.6 | 0.4 |
| EV/EBITDA | 12.7 | 6.7 | 4.2 |
| EV/EBIT (adj.) | 40.3 | 13.5 | 6.5 |
| Payout ratio (%) | 0.0 % | 43.2 % | 31.1 % |
| Dividend yield-% | 0.0 % | 3.1 % | 4.7 % |

Source: Inderes

Valuation table

| Valuation | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e | 2027e |
|----------------------------|-------|-------|-------|-------|-------|----------------|--------------|--------------|--------------|
| Share price | 31.0 | 59.2 | 43.36 | 43.02 | 32.21 | 12.83 | 12.83 | 12.83 | 12.83 |
| Number of shares, millions | 768 | 768 | 768 | 768 | 768 | 768 | 768 | 768 | 768 |
| Market cap | 23814 | 45425 | 33299 | 33043 | 24744 | 9856 | 9856 | 9856 | 9856 |
| EV | 23651 | 45212 | 33494 | 34407 | 27237 | 13831 | 13251 | 12179 | 10610 |
| P/E (adj.) | 15.7 | 36.8 | 30.3 | 14.1 | 11.2 | 48.1 | 13.8 | 6.6 | 6.0 |
| P/E | 13.3 | 63.8 | 18.8 | 17.5 | 17.3 | >100 | 13.8 | 6.6 | 6.0 |
| P/B | 4.0 | 7.7 | 4.8 | 4.0 | 2.9 | 1.3 | 1.2 | 1.0 | 0.9 |
| P/S | 1.5 | 3.9 | 2.2 | 1.3 | 1.1 | 0.5 | 0.4 | 0.4 | 0.3 |
| EV/Sales | 1.5 | 3.8 | 2.2 | 1.3 | 1.2 | 0.7 | 0.6 | 0.4 | 0.4 |
| EV/EBITDA | 8.7 | 30.0 | 12.8 | 11.3 | 10.7 | 12.7 | 6.7 | 4.2 | 3.4 |
| EV/EBIT (adj.) | 12.1 | 31.9 | 25.0 | 11.9 | 10.5 | 40.3 | 13.5 | 6.5 | 5.2 |
| Payout ratio (%) | 44% | 86% | 36% | 62% | 64% | 0% | 43% | 31% | 33% |
| Dividend yield-% | 3.3 % | 1.4 % | 1.9 % | 3.5 % | 3.7 % | 0.0 % | 3.1 % | 4.7 % | 5.5 % |

Source: Inderes



Peer group valuation

| Peer group valuation | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|--|-------------|--------------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|------------------|-------------|------------|
| Company | MEUR | MEUR | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e |
| Total SA | 136284 | 163677 | 6.3 | 6.4 | 4.3 | 4.3 | 0.8 | 0.8 | 7.6 | 7.5 | 5.6 | 6.0 | 1.2 |
| ENI SPA | 45753 | 65641 | 6.0 | 6.5 | 3.5 | 3.7 | 0.7 | 0.8 | 7.7 | 7.5 | 7.2 | 7.5 | 0.9 |
| Koc Holding AS | 11763 | 22521 | 3.7 | 2.6 | 3.1 | 2.2 | 0.4 | 0.3 | 5.7 | 4.1 | 4.5 | 5.5 | 0.6 |
| TURKIYE PETROL RAFINERILERI AS | 7660 | 6053 | 4.8 | 4.9 | 3.9 | 3.8 | 0.3 | 0.3 | 9.2 | 7.1 | 12.0 | 9.7 | 1.1 |
| MOL PLC | 5318 | 8771 | 5.2 | 5.8 | 3.1 | 3.3 | 0.4 | 0.4 | 4.1 | 4.6 | 9.0 | 9.3 | 0.5 |
| EQUINOR ASA | 59223 | 57524 | 2.1 | 2.2 | 1.6 | 1.6 | 0.6 | 0.7 | 6.9 | 7.2 | 11.4 | 6.9 | 1.5 |
| VALERO ENERGY CORP | 40258 | 47459 | 13.4 | 11.5 | 7.8 | 7.2 | 0.4 | 0.4 | 16 | 14.1 | 3.1 | 3.2 | 1.7 |
| HELLENIC PETROLEUM SA | 2080 | 3946 | 6.8 | 9.8 | 4.3 | 5.1 | 0.3 | 0.3 | 7.2 | 7.9 | 9.1 | 6.7 | 0.8 |
| POLSKI KONCERN NAFTOWY ORLEN SA | 14111 | 16813 | 4.0 | 3.6 | 2.2 | 2.0 | 0.2 | 0.3 | 5.4 | 4.7 | 8.0 | 8.3 | 0.4 |
| MOTOR OIL HELLAS CORINTH REFINERIES SA | 2191 | 3841 | 5.1 | 7.7 | 3.9 | 5.1 | 0.3 | 0.3 | 6.7 | 6.8 | 7.7 | 7.8 | 0.8 |
| Neste (Inderes) | 9856 | 13831 | 40.3 | 13.5 | 12.7 | 6.7 | 0.7 | 0.6 | 48.1 | 13.8 | 0.0 | 3.1 | 1.3 |
| Average | | | 5.7 | 6.1 | 3.8 | 3.8 | 0.4 | 0.5 | 7.6 | 7.1 | 7.8 | 7.1 | 0.9 |
| Median | | | 5.2 | 6.1 | 3.7 | 3.7 | 0.4 | 0.4 | 7.0 | 7.2 | 7.9 | 7.2 | 0.9 |
| Diff-% to median | | | 679% | 123% | 246% | 80% | 77% | 50% | 583% | 94% | -100% | -56% | 54% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|-------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 25707 | 5298 | 5351 | 5973 | 6304 | 22926 | 4801 | 4642 | 5624 | 5523 | 20590 | 23830 | 27525 | 28168 |
| Oil Products | 14596 | 3174 | 2919 | 3442 | 3750 | 13285 | 2669 | 2436 | 3400 | 3600 | 12105 | 14411 | 14520 | 14190 |
| Renewable Products | 9905 | 1842 | 2164 | 2197 | 2263 | 8466 | 1766 | 1852 | 1823 | 1698 | 7139 | 8253 | 12135 | 13158 |
| Marketing & Services | 5876 | 1290 | 1189 | 1315 | 1375 | 5168 | 1234 | 1165 | 1180 | 1200 | 4779 | 4800 | 4850 | 4900 |
| Other | 147 | 31 | 30 | 17 | 23 | 100 | 18 | 24 | 44 | 25 | 111 | 115 | 120 | 120 |
| Eliminations | -4816 | -1039 | -951 | -997 | -1107 | -4094 | -887 | -834 | -822 | -1000 | -3543 | -3750 | -4100 | -4200 |
| EBITDA | 3047 | 463 | 523 | 889 | 673 | 2548 | 442 | 119 | 301 | 227 | 1088 | 1978 | 2880 | 3086 |
| Depreciation | -638 | -178 | -211 | -220 | -257 | -866 | -242 | -237 | -247 | -241 | -967 | -998 | -1013 | -1044 |
| EBIT (excl. NRI) | 2898 | 652 | 573 | 826 | 540 | 2592 | 309 | 3 | 47 | -14 | 344 | 979 | 1867 | 2042 |
| EBIT | 2409 | 285 | 312 | 669 | 415 | 1682 | 200 | -119 | 54 | -14 | 121 | 979 | 1867 | 2042 |
| Oil Products | 1372 | 304 | 171 | 409 | 243 | 1127 | 203 | -9 | 54 | 43 | 292 | 359 | 400 | 374 |
| Renewable Products | 1480 | 344 | 376 | 420 | 286 | 1426 | 94 | 5 | -37 | -63 | -1 | 590 | 1432 | 1640 |
| Marketing & Services | 97 | 16 | 21 | 35 | 13 | 85 | 16 | 16 | 24 | 16 | 72 | 76 | 80 | 76 |
| Other | -50 | -10 | 1 | -31 | -8 | -48 | -4 | -13 | 0 | -11 | -28 | -46 | -45 | -48 |
| Eliminations | -1 | -3 | 4 | -6 | 7 | 2 | 0 | 4 | 5 | 0 | 9 | 0 | 0 | 0 |
| Changes in fair value | -489 | -367 | -261 | -157 | -125 | -910 | -109 | -121 | 7 | 0 | -223 | 0 | 0 | 0 |
| Net financial items | -131 | -9 | -17 | -51 | -9 | -86 | -11 | -50 | -27 | -30 | -118 | -140 | -119 | -104 |
| PTP | 2278 | 276 | 295 | 619 | 406 | 1596 | 189 | -169 | 27 | -44 | 3 | 840 | 1748 | 1938 |
| Taxes | -388 | -38 | -36 | -80 | -6 | -160 | -27 | 24 | -4 | 6 | -1 | -126 | -262 | -291 |
| Minority interest | -3 | 0 | 0 | -3 | 0 | -3 | 0 | 0 | 0 | 0 | 0 | -2 | -2 | -2 |
| Net earnings | 1887 | 238 | 259 | 536 | 400 | 1433 | 162 | -144 | 23 | -38 | 1.8 | 712 | 1484 | 1645 |
| EPS (adj.) | 3.04 | 0.72 | 0.63 | 0.88 | 0.66 | 2.88 | 0.33 | -0.03 | 0.02 | -0.05 | 0.27 | 0.93 | 1.93 | 2.14 |
| EPS (rep.) | 2.46 | 0.31 | 0.34 | 0.70 | 0.52 | 1.86 | 0.21 | -0.19 | 0.03 | -0.05 | 0.00 | 0.93 | 1.93 | 2.14 |

| Key figures | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|-------------------------------|---------|--------|---------|--------|---------|---------|---------|---------|---------|----------|---------|---------|--------|--------|
| Revenue growth-% | 69.7 % | -4.1 % | -24.0 % | -9.3 % | -3.9 % | -10.8 % | -9.4 % | -13.2 % | -5.8 % | -12.4 % | -10.2 % | 15.7 % | 15.5 % | 2.3 % |
| Adjusted EBIT growth-% | 115.9 % | 53.8 % | -38.2 % | 1.6 % | -26.3 % | -10.6 % | -52.6 % | -99.6 % | -94.4 % | -102.7 % | -86.7 % | 185.0 % | 90.6 % | 9.4 % |
| EBITDA-% | 11.9 % | 8.7 % | 9.8 % | 14.9 % | 10.7 % | 11.1 % | 9.2 % | 2.6 % | 5.3 % | 4.1 % | 5.3 % | 8.3 % | 10.5 % | 11.0 % |
| Adjusted EBIT-% | 11.3 % | 12.3 % | 10.7 % | 13.8 % | 8.6 % | 11.3 % | 6.4 % | 0.1 % | 0.8 % | -0.3 % | 1.7 % | 4.1 % | 6.8 % | 7.2 % |
| Net earnings-% | 7.3 % | 4.5 % | 4.8 % | 9.0 % | 6.3 % | 6.2 % | 3.4 % | -3.1 % | 0.4 % | -0.7 % | 0.0 % | 3.0 % | 5.4 % | 5.8 % |

Source: Inderes

Balance sheet

| Assets | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Non-current assets | 7414 | 8858 | 9401 | 9462 | 9135 |
| Goodwill | 0 | 496 | 496 | 496 | 496 |
| Intangible assets | 570 | 185 | 195 | 205 | 215 |
| Tangible assets | 6570 | 7786 | 8319 | 8370 | 8033 |
| Associated companies | 63 | 58 | 58 | 58 | 58 |
| Other investments | 49 | 54 | 54 | 54 | 54 |
| Other non-current assets | 103 | 152 | 152 | 152 | 152 |
| Deferred tax assets | 59 | 127 | 127 | 127 | 127 |
| Current assets | 7503 | 7125 | 6345 | 6943 | 7978 |
| Inventories | 3648 | 3366 | 3294 | 3574 | 4129 |
| Other current assets | 406 | 271 | 271 | 271 | 271 |
| Receivables | 2178 | 1913 | 1853 | 2026 | 2340 |
| Cash and equivalents | 1271 | 1575 | 927 | 1072 | 1239 |
| Balance sheet total | 14917 | 15983 | 15746 | 16406 | 17113 |

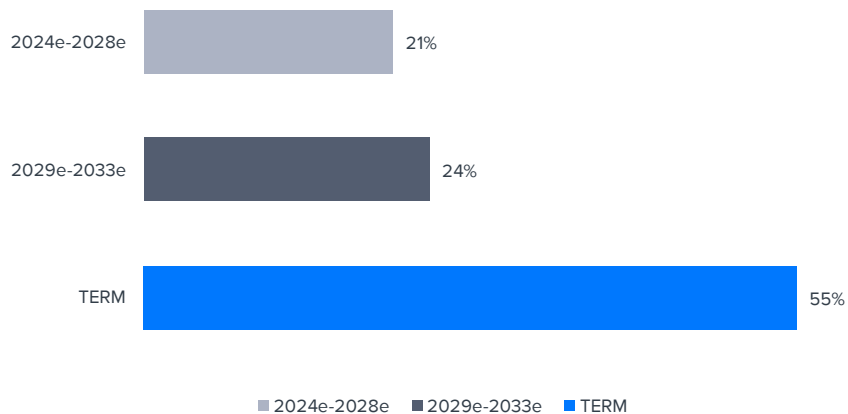
Source: Inderes

| Liabilities & equity | 2022 | 2023 | 2024e | 2025e | 2026e |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Equity | 8327 | 8463 | 7543 | 8255 | 9431 |
| Share capital | 40 | 40 | 40 | 40 | 40 |
| Retained earnings | 8282 | 8423 | 7503 | 8215 | 9391 |
| Hybrid bonds | 0 | 0 | 0 | 0 | 0 |
| Revaluation reserve | 0 | 0 | 0 | 0 | 0 |
| Other equity | 0 | 0 | 0 | 0 | 0 |
| Minorities | 5 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 2674 | 4132 | 5046 | 4612 | 3706 |
| Deferred tax liabilities | 336 | 317 | 317 | 317 | 317 |
| Provisions | 200 | 187 | 187 | 187 | 187 |
| Interest bearing debt | 1964 | 3487 | 4401 | 3967 | 3061 |
| Convertibles | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 174 | 141 | 141 | 141 | 141 |
| Current liabilities | 3916 | 3388 | 3157 | 3539 | 3975 |
| Interest bearing debt | 651 | 581 | 500 | 500 | 500 |
| Payables | 3022 | 2580 | 2430 | 2812 | 3248 |
| Other current liabilities | 243 | 227 | 227 | 227 | 227 |
| Balance sheet total | 14917 | 15983 | 15746 | 16406 | 17113 |

DCF calculation

| DCF model | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | TERM |
|---|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Revenue growth-% | -10.8 % | -10.2 % | 15.7 % | 15.5 % | 2.3 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % |
| EBIT-% | 7.3 % | 0.6 % | 4.1 % | 6.8 % | 7.2 % | 7.5 % | 7.5 % | 7.5 % | 7.5 % | 7.5 % | 7.5 % | 7.5 % |
| EBIT (operating profit) | 1682 | 121 | 979 | 1867 | 2042 | 2155 | 2198 | 2242 | 2287 | 2332 | 2379 | |
| + Depreciation | 866 | 967 | 998 | 1013 | 1044 | 983 | 787 | 696 | 618 | 616 | 615 | |
| - Paid taxes | -247 | -1 | -126 | -262 | -291 | -308 | -315 | -321 | -328 | -335 | -457 | |
| - Tax, financial expenses | -9 | -18 | -21 | -18 | -16 | -16 | -16 | -16 | -16 | -16 | -21 | |
| + Tax, financial income | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 2 | |
| - Change in working capital | 224 | -19 | -70 | -432 | -75 | -66 | -67 | -69 | -70 | -71 | -73 | |
| Operating cash flow | 2516 | 1051 | 1761 | 2168 | 2705 | 2749 | 2588 | 2533 | 2492 | 2528 | 2445 | |
| + Change in other long-term liabilities | -46 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Gross CAPEX | -2247 | -1510 | -1060 | -685 | -585 | -585 | -600 | -605 | -605 | -605 | -649 | |
| Free operating cash flow | 223 | -459 | 701 | 1483 | 2120 | 2164 | 1988 | 1928 | 1887 | 1923 | 1796 | |
| +/- Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| FCFF | 223 | -459 | 701 | 1483 | 2120 | 2164 | 1988 | 1928 | 1887 | 1923 | 1796 | 26099 |
| Discounted FCFF | | -454 | 635 | 1232 | 1616 | 1514 | 1275 | 1135 | 1018 | 952 | 816 | 11853 |
| Sum of FCFF present value | | 21593 | 22047 | 21412 | 20179 | 18563 | 17050 | 15774 | 14639 | 13621 | 12669 | 11853 |
| Enterprise value DCF | | 21593 | | | | | | | | | | |
| - Interest bearing debt | | -4068 | | | | | | | | | | |
| + Cash and cash equivalents | | 1575 | | | | | | | | | | |
| -Minorities | | 0 | | | | | | | | | | |
| -Dividend/capital return | | -922 | | | | | | | | | | |
| Equity value DCF | | 18178 | | | | | | | | | | |
| Equity value DCF per share | | 23.7 | | | | | | | | | | |

Cash flow distribution



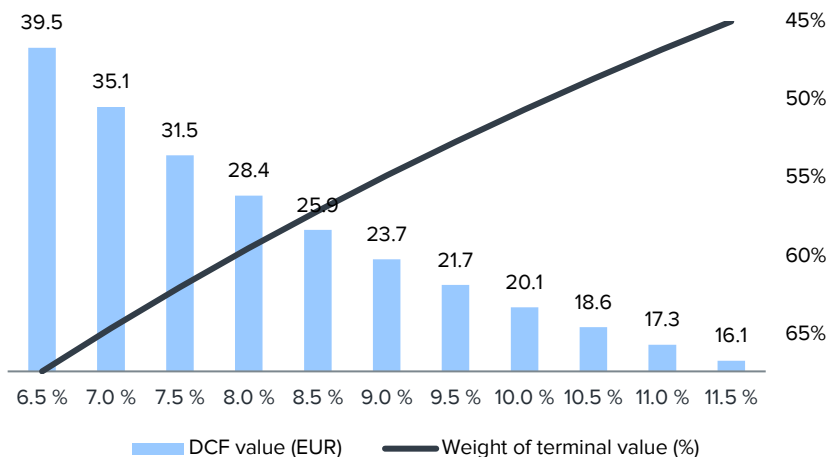
WACC

| | |
|--|--------------|
| Tax-% (WACC) | 15.0 % |
| Target debt ratio (D/(D+E)) | 15.0 % |
| Cost of debt | 5.0 % |
| Equity Beta | 1.55 |
| Market risk premium | 4.75% |
| Liquidity premium | 0.00% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 9.9 % |
| Weighted average cost of capital (WACC) | 9.0 % |

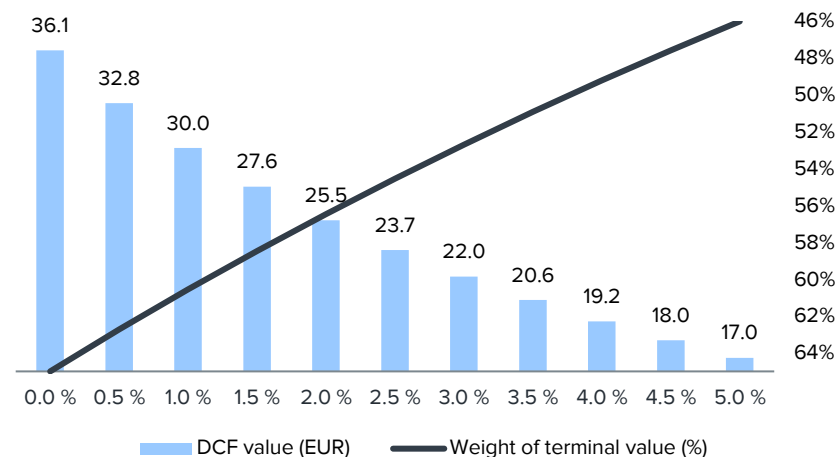
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

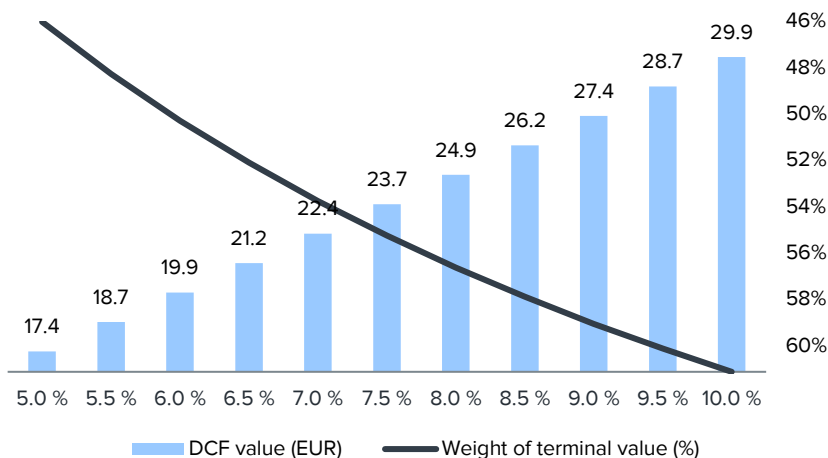
Sensitivity of DCF to changes in the WACC-%



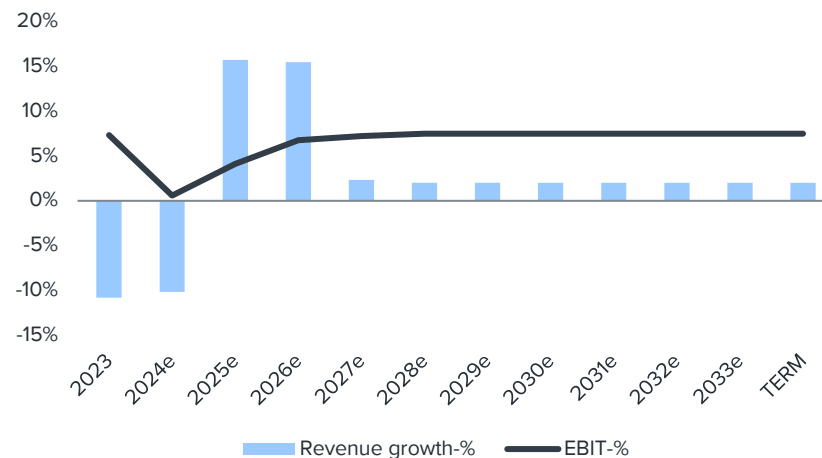
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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 | 15148 | 25707 | 22926 | 20590 | 23830 | EPS (reported) | 2.31 | 2.46 | 1.86 | 0.00 | 0.93 |
| EBITDA | 2607 | 3047 | 2548 | 1088 | 1978 | EPS (adj.) | 1.43 | 3.04 | 2.88 | 0.27 | 0.93 |
| EBIT | 2023 | 2409 | 1682 | 121 | 979 | OCF / share | 2.40 | 2.16 | 3.28 | 1.37 | 2.29 |
| PTP | 1962 | 2278 | 1596 | 3 | 840 | FCF / share | 0.46 | -0.66 | 0.29 | -0.60 | 0.91 |
| Net Income | 1771 | 1887 | 1433 | 2 | 712 | Book value / share | 9.09 | 10.83 | 11.02 | 9.82 | 10.75 |
| Extraordinary items | 681 | -489 | -910 | -223 | 0 | Dividend / share | 0.82 | 1.52 | 1.20 | 0.00 | 0.40 |
| Balance sheet | 2021 | 2022 | 2023 | 2024e | 2025e | Growth and profitability | 2021 | 2022 | 2023 | 2024e | 2025e |
| Balance sheet total | 12417 | 14917 | 15983 | 15746 | 16406 | Revenue growth-% | 29% | 70% | -11% | -10% | 16% |
| Equity capital | 6985 | 8327 | 8463 | 7543 | 8255 | EBITDA growth-% | 73% | 17% | -16% | -57% | 82% |
| Goodwill | 0 | 0 | 496 | 496 | 496 | EBIT (adj.) growth-% | -5% | 116% | -11% | -87% | 185% |
| Net debt | 176 | 1344 | 2493 | 3975 | 3395 | EPS (adj.) growth-% | -11% | 112% | -5% | -91% | 248% |
| Cash flow | 2021 | 2022 | 2023 | 2024e | 2025e | EBITDA-% | 17.2 % | 11.9 % | 11.1 % | 5.3 % | 8.3 % |
| EBITDA | 2607 | 3047 | 2548 | 1088 | 1978 | EBIT (adj.)-% | 8.9 % | 11.3 % | 11.3 % | 1.7 % | 4.1 % |
| Change in working capital | -650 | -990 | 224 | -19 | -70 | EBIT-% | 13.4 % | 9.4 % | 7.3 % | 0.6 % | 4.1 % |
| Operating cash flow | 1840 | 1660 | 2516 | 1051 | 1761 | ROE-% | 27.5 % | 24.7 % | 17.1 % | 0.0 % | 9.0 % |
| CAPEX | -1518 | -2142 | -2247 | -1510 | -1060 | ROI-% | 25.3 % | 24.5 % | 14.3 % | 1.0 % | 7.8 % |
| Free cash flow | 356 | -508 | 223 | -459 | 701 | Equity ratio | 56.6 % | 56.3 % | 53.0 % | 47.9 % | 50.3 % |
| | | | | | | Gearing | 2.5 % | 16.1% | 29.5 % | 52.7 % | 41.1 % |
| Valuation multiples | 2021 | 2022 | 2023 | 2024e | 2025e | | | | | | |
| EV/S | 2.2 | 1.3 | 1.2 | 0.7 | 0.6 | | | | | | |
| EV/EBITDA | 12.8 | 11.3 | 10.7 | 12.7 | 6.7 | | | | | | |
| EV/EBIT (adj.) | 25.0 | 11.9 | 10.5 | 40.3 | 13.5 | | | | | | |
| P/E (adj.) | 30.3 | 14.1 | 11.2 | 48.1 | 13.8 | | | | | | |
| P/B | 4.8 | 4.0 | 2.9 | 1.3 | 1.2 | | | | | | |
| Dividend-% | 1.9 % | 3.5 % | 3.7 % | 0.0 % | 3.1 % | | | | | | |

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 |
|------------|----------------|---------|-------------|
| 6/21/2022 | Reduce | 44.00 € | 43.06 € |
| 7/29/2022 | Reduce | 46.00 € | 48.68 € |
| 10/25/2022 | Reduce | 48.00 € | 47.10 € |
| 10/28/2022 | Reduce | 48.00 € | 45.46 € |
| 2/9/2023 | Reduce | 50.00 € | 47.50 € |
| 4/24/2023 | Accumulate | 48.00 € | 43.77 € |
| 5/2/2023 | Accumulate | 48.00 € | 43.94 € |
| 7/28/2023 | Accumulate | 39.00 € | 32.57 € |
| 10/27/2023 | Accumulate | 37.00 € | 31.90 € |
| 2/9/2024 | Osta | 35.00 € | 27.74 € |
| 4/25/2024 | Buy | 30.00 € | 22.49 € |
| 5/15/2024 | Accumulate | 21.50 € | 18.88 € |
| 7/26/2024 | Accumulate | 21.00 € | 18.12 € |
| 9/12/2024 | Accumulate | 19.00 € | 16.06 € |
| 10/25/2024 | Accumulate | 17.50 € | 14.39 € |
| 11/11/2024 | Accumulate | 15.50 € | 12.83 € |



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Itämerentori 2

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