

# Wärtsilä

## Company report

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# Relying on services through the storm

Wärtsilä's Q3 figures landed on both sides of forecasts and the revised guidance cautious. Supported by a strong Energy business, we have slightly increased our net sales estimates for 2022-2024, but cut our margin expectations. Wärtsilä's share is still attractively priced by the valuation metrics we use. We maintain our Buy recommendation and our target price of EUR 8.00 on the stock.

## Many new orders in Q3, but results were sluggish

Wärtsilä's Q3 order intake clearly exceeded both our and consensus forecasts. Of the business areas, Energy was the most positive surprise once again (+65% y/y vs consensus +25% y/y). Marine orders also grew by +16% year-on-year, although there were large differences between the business units. The group's order book of EUR 6,229 million is about a year long and the largest since the beginning of 2009. Wärtsilä's net sales growth of +30% year-on-year exceeded estimates of +20% and was supported by around 8 percentage points by exchange rates. However, the adjusted operating result margin (5.7%) was below our and consensus forecasts. Profitability was burdened by cost inflation, a decline in the share of services turnover, an increase in the share of electricity storage systems, which are still loss-making, and a deterioration in Voyage's profitability. The reported result was also burdened by a one-off charge of EUR -72 million for the shutdown of production in Trieste.

## Estimate changes remain relatively marginal

Wärtsilä does not expect Q4'22 order intake to reach the record strong Q4'21 level. However, order intake for the full year 2022 is expected to grow year-on-year. Despite the difficult macro environment, Wärtsilä continues to see positive demand signals: In the Marine business, good demand from shipyards for passenger and gas carriers continues, and Wärtsilä is not concerned about a drop in orders for container ships. However, Wärtsilä is most confident in the Energy business, where 70% of orders were for regulating power and where the strong growth in electricity storage systems continues. The group's service businesses are also active: Marine primarily in the cruise, offshore and LNG sectors, and Energy in areas such as modernization and contract-based services. Wärtsilä's profitability challenges will continue for some time. At the end of Q1'22, the Group had an order book of just over EUR 1,200 million to be delivered in 2023, priced before rapid cost inflation. We expect this low-margin order book to be mostly delivered in H1'23. Other challenges arise from the equipment-driven net sales mix in the near term and the growing share of Energy's net sales from the still loss-making electricity storage systems business. We have raised our net sales estimates for 2022-2024 by 5-7%, as our expectations for Energy and in particular the electricity storage systems market have strengthened. However, this will lead to a weaker net sales mix in the coming years. However, we believe that a strong services business will ensure Wärtsilä's continued profitability in the future, and our adjusted EBIT margin estimate for 2022-2023 is 7.6-8.2%.

## Valuation favorable in all ways

The total expected return of Wärtsilä's share is roughly 19% year-on-year with 2023, which is clearly above the 9% COE requirement. Thus, the share's risk-adjusted expected return is very attractive. The P/E and EV/EBIT ratios for 2023 are 21-28% below the median of the peers and significantly below the share's own historical ratios. Multiple-based pricing is very low as whole. Our DCF model indicates an upside potential of over 80% for the share.

## Recommendation

**Buy**

(previous Buy)

**EUR 8.00**

(previous EUR 8.00)

**Share price:**

6.76



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	4778	5852	6232	6643
<b>growth-%</b>	4%	22%	7%	7%
<b>EBIT adj.</b>	357	369	472	544
<b>EBIT-% adj.</b>	7.5 %	6.3 %	7.6 %	8.2 %
<b>Net Income</b>	193	-21	309	379
<b>EPS (adj.)</b>	0.40	0.50	0.52	0.64

<b>P/E (adj.)</b>	31.0	13.5	12.9	10.6
<b>P/B</b>	3.2	1.9	1.8	1.7
<b>Dividend yield-%</b>	1.9 %	5.2 %	5.9 %	7.6 %
<b>EV/EBIT (adj.)</b>	22.5	13.3	10.4	8.9
<b>EV/EBITDA</b>	16.9	16.5	8.0	7.1
<b>EV/S</b>	1.7	0.8	0.8	0.7

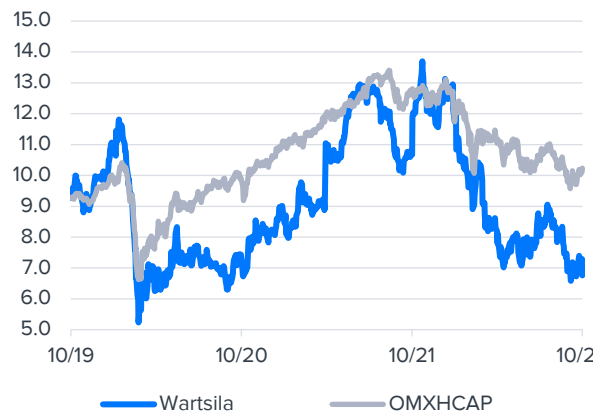
Source: Inderes

## Guidance

(New guidance)

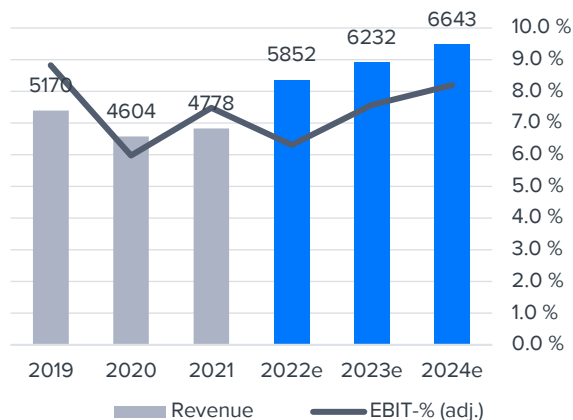
Wärtsilä expects the demand environment in Q4'22 to be weaker to that of Q4'21. For 2022 as a whole, demand is expected to be slightly higher than in 2021.

## Share price



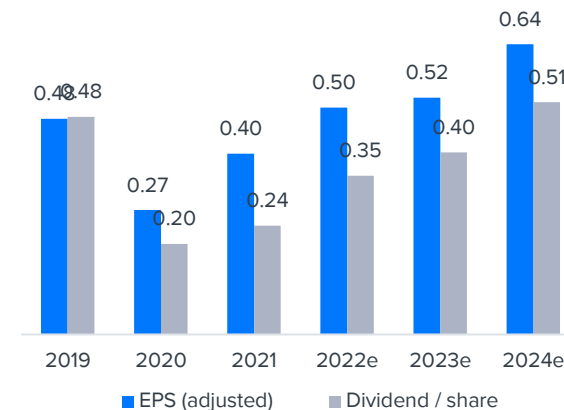
Source: Millstream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Strong position in selected segments
- Growing role of special-purpose vessels and automation in marine operations
- Extensive installed equipment portfolio and significant share of services business
- Proven good and predictable performance over the cycle



## Risk factors

- Cyclical nature of shipbuilding
- Uncertainty about the winning renewable energy production forms
- Energy's deliveries focusing on storage solutions depress margins

Valuation	2022e	2023e	2024e
Share price	6.76	6.76	6.76
Number of shares, millions	591.7	591.7	591.7
Market cap	4001	4001	4001
EV	4916	4892	4866
P/E (adj.)	13.5	12.9	10.6
P/E	neg.	12.9	10.6
P/FCF	neg.	16.5	13.9
P/B	1.9	1.8	1.7
P/S	0.7	0.6	0.6
EV/Sales	0.8	0.8	0.7
EV/EBITDA	16.5	8.0	7.1
EV/EBIT (adj.)	13.3	10.4	8.9
Payout ratio (%)	neg.	76.9%	80.0%
Dividend yield-%	5.2%	5.9%	7.6%

Source: Inderes

# Many new orders in Q3, but results were sluggish

## Q3 numbers both sides of expectations

Wärtsilä's Q3 figures were either above (orders and net sales) or below consensus (adjusted EBIT margin). The result was mainly impacted by a weaker sales mix and cost inflation. The reported figures included a large one-off item related to the closure of the Trieste plant.

## Energy's orders are growing briskly

Wärtsilä's Q3 order intake (1,616 MEUR; +36% y/y) clearly exceeded both its own (+15% y/y) and the consensus forecast (+19% y/y). Of the business areas, Energy was the most positive surprise once again (+65% y/y vs consensus +25% y/y). In terms of MWh, orders for electricity storage systems declined by -29% year-on-year with the comparison period being very strong. In contrast, orders for systems in euros increased by +14% year-on-year. This was explained

by an increase in prices (MEUR/MWh) of around 60% year-on-year, i.e., the market has clearly adapted to the commodity-driven price increase. Marine orders grew by +16% year-on-year, although there were large differences between the business units. The group's order book of EUR 6,229 million is about a year long and the largest since the beginning of 2009.

## Deliveries on track

Group net sales growth of +30% year-on-year exceeded forecasts of +20%. Exchange rates supported the growth by around 8 percentage points. Energy was again the fastest growing sector (+43% y/y). The group's good growth figures show that the availability of components has not been a major issue.

## Familiar factors behind profitability pressures

The adjusted relative profitability of the different businesses landed on both sides of consensus expectations (Marine Power and Marine Systems above and Voyage and Energy below expectations). However, the group's adjusted operating result margin (5.7%) was below our and consensus forecasts. In line with expectations, profitability was burdened by cost inflation, a decline in the share of services turnover (Q3'22: 46% vs. Q3'21: 53%), the increasing share of still loss-making electricity storage systems (already 43% of Energy's equipment turnover in Q3'22) and the deteriorating profitability of Voyage. The reported result was also burdened by a one-off item of EUR -72 million for the shutdown of production in Trieste, which we hadn't considered yet, and the consensus only partially.

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	1103	1433	1322	1329	1228	- 1393	8%	5852
EBIT (adj.)	87	82	89	95	84	- 110	-8%	363
EBIT	76	10	89	59	-1	- 109	-88%	52.0
PTP	75	8	86	56	-5	- 104	-91%	42.0
EPS (adj.)	0.10	0.12	0.10	0.13	0.10	- 0.15	16%	0.47
EPS (reported)	0.08	0.00	0.10	0.07	-0.01	- 0.13	-100%	0.09
Revenue growth-%	10.9 %	29.9 %	19.8 %	20.5 %	11.3 %	- 26.3 %	10.1 pp	22.5 %
EBIT-% (adj.)	7.9 %	5.7 %	6.7 %	7.1 %	6.8 %	- 7.9 %	-1 pp	6.2 %

Source: Inderes & Vara Research (consensus)

# Estimate changes remain relatively marginal

## Finetuning estimates

Wärtsilä's guidance was cautious. Supported by a strong Energy business, we have slightly increased our net sales estimates for 2022-2024, but cut our margin expectations.

## Weaker Q4 than last year

In its prospects, Wärtsilä commented that the demand environment in Q4'22 will be weaker than in Q4'21. Order intake is therefore not expected to reach the level of the record strong Q4'21. However, order intake for the full year 2022 is expected to grow year-on-year.

## Good activity in Wärtsilä's target market

Despite the difficult macro environment, Wärtsilä continues to see positive demand signals: In the Marine business, good demand from shipyards for

passenger and gas carriers continues, and Wärtsilä is not concerned about a drop in orders for container ships. 30% of Marine's orders in Q3 were for vessels using fuels other than diesel. However, Wärtsilä is most confident in the Energy business, where 70% of orders were for regulating power and where the strong growth in electricity storage systems continues. The Group's service business operations are also active: Marine primarily in the cruise, offshore and LNG sectors, and Energy in areas such as modernization and contract-based services.

## Still a burden on profitability

Wärtsilä's profitability challenges will continue for some time. At the end of Q1'22, the Group had an order backlog of just over EUR 1,200 million to be delivered in 2023, priced before rapid cost inflation. We expect this low-margin backlog to be mostly delivered in H1'23. Other challenges arise from high

gas price inflation in energy-intensive components (forging and castings), the equipment-driven net sales mix in the near term and the growing share of Energy's net sales from still loss-making electricity storage system deliveries.

## Margin expectations slightly down

We have raised our net sales estimates for 2022-2024 by 5-7%, as our expectations for Energy and in particular the electricity storage systems market have strengthened. On the other hand, this will lead to a weaker revenue mix in the coming years, especially as we are more cautious about the timing of the break-even point in the warehouse business. However, we believe that a strong services business will secure Wärtsilä's profitability also in the coming years (adjusted EBIT margin of 7.6-8.2% for 2022-2023).

Estimate revisions	2022e		Change	2023e		Change	2024e		Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Revenue	5588	5852	5%	5921	6232	5%	6180	6643	7%
EBIT (exc. NRIs)	363	369	2%	480	472	-2%	577	544	-6%
EBIT	140	52.0	-63%	480	472	-2%	577	544	-6%
PTP	133	42.0	-68%	472	464	-2%	569	522	-8%
EPS (excl. NRIs)	0.47	0.50	7%	0.54	0.52	-3%	0.71	0.64	-9%
DPS	0.33	0.35	7%	0.41	0.40	-3%	0.57	0.51	-9%

Source: Inderes

# Valuation favorable in all ways

## The stock is cheap and services offer earnings safety

Wärtsilä's business is in a transition phase related to the energy transformation, the progress of which is being slowed down by the macroeconomic gloom. We believe the worst profitability pressures will ease after H1'23 as the company has largely delivered on its old low-margin order book. Possible positive price drivers in the near term include significant new orders for electricity storage systems and early indications of improved profitability of the business through volume growth. In the short term, the investor is protected by Wärtsilä's services business, which we estimate will contribute up to 80-90% of the group's adjusted operating result in the coming years.

Wärtsilä's share is still attractively priced by the valuation metrics we use. Despite our moderate estimate cuts, we maintain our Buy recommendation and our target price of EUR 8.00 on the stock.

## The risk-adjusted return is handsome

The total expected return of Wärtsilä's share (upside in the share price determined by earnings growth and change in valuation multiple plus dividend yield) is roughly 19% year-on-year, which clearly exceeds the 9% COE requirement. Thus, the share's risk-adjusted expected return is very attractive.

## Multiples clearly below peers

The 2023 P/E and EV/EBIT ratios (13x and 10x) of the share are 21-28% below the median of the peers and well below the share's own historical ratios. Multiple-based pricing is very low as whole.

## DCF potential is stunning

Our DCF model indicates an upside potential of over 80% for the share. Although there is always significant uncertainty in the model parameters, the safety margin is very wide.

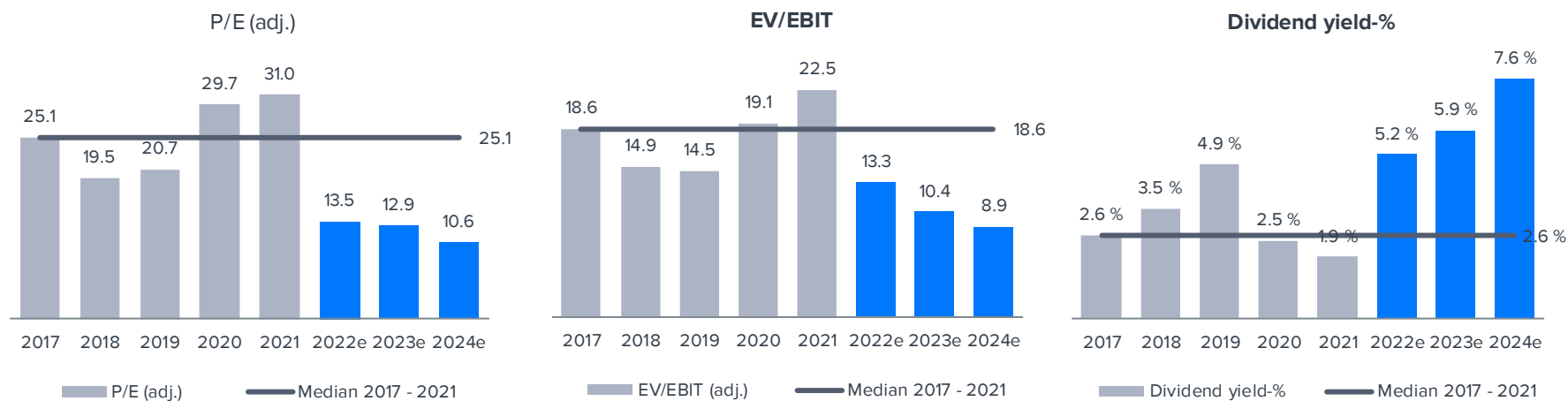
Valuation	2022e	2023e	2024e
Share price	6.76	6.76	6.76
Number of shares, millions	591.7	591.7	591.7
Market cap	4001	4001	4001
EV	4916	4892	4866
P/E (adj.)	13.5	12.9	10.6
P/E	neg.	12.9	10.6
P/FCF	neg.	16.5	13.9
P/B	1.9	1.8	1.7
P/S	0.7	0.6	0.6
EV/Sales	0.8	0.8	0.7
EV/EBITDA	16.5	8.0	7.1
EV/EBIT (adj.)	13.3	10.4	8.9
Payout ratio (%)	neg.	76.9 %	80.0 %
Dividend yield-%	5.2 %	5.9 %	7.6 %

Source: Inderes

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	17.5	13.9	9.85	8.15	12.4	6.76	6.76	6.76	6.76
Number of shares, millions	591.7	591.7	591.7	591.7	591.7	591.7	591.7	591.7	591.7
Market cap	10375	8225	5828	4823	7314	4001	4001	4001	4001
EV	10721	8608	6601	5255	8022	4916	4892	4866	4811
P/E (adj.)	25.1	19.5	20.7	29.7	31.0	13.5	12.9	10.6	8.5
P/E	27.7	21.3	27.0	36.0	37.9	neg.	12.9	10.6	8.5
P/FCF	38.3	32.8	neg.	6.9	neg.	neg.	16.5	13.9	10.5
P/B	4.4	3.4	2.4	2.2	3.2	1.9	1.8	1.7	1.6
P/S	2.1	1.6	1.1	1.0	1.5	0.7	0.6	0.6	0.6
EV/Sales	2.2	1.7	1.3	1.1	1.7	0.8	0.8	0.7	0.7
EV/EBITDA	15.5	12.8	12.2	12.9	16.9	16.5	8.0	7.1	5.9
EV/EBIT (adj.)	18.6	14.9	14.5	19.1	22.5	13.3	10.4	8.9	7.2
Payout ratio (%)	72.6 %	73.5 %	131.5 %	88.3 %	73.6 %	neg.	76.9 %	80.0 %	90.0 %
Dividend yield-%	2.6 %	3.5 %	4.9 %	2.5 %	1.9 %	5.2 %	5.9 %	7.6 %	10.6 %

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Metso Outotec Corp	6307	6856	11.9	9.4	9.7	7.8	1.3	1.2	14.0	11.9	3.7	4.4	2.6
Kone Oyj	20514	19144	17.4	15.2	14.2	12.7	1.7	1.7	23.4	20.4	4.6	4.8	6.7
Konecranes Abp	1764	2465	9.6	7.6	6.9	5.7	0.7	0.7	9.8	7.9	5.6	6.0	1.3
Siemens Energy AG	8197	5518		8.2	4.3	2.8	0.2	0.2	41.8	15.3	1.6	2.4	0.5
Abb Ltd	54402	58634	15.2	13.7	12.4	11.3	2.0	1.9	18.9	16.8	3.2	3.3	4.2
Alfa Laval AB	10844	11698	17.1	14.3	13.5	11.6	2.6	2.3	21.9	18.2	2.2	2.5	3.6
Alstom SA	7253	9154	16.8	14.5	8.3	7.8	0.6	0.6	18.7	12.3	1.7	1.9	0.8
Caterpillar Inc	102169	133507	16.7	14.8	13.2	12.1	2.3	2.2	15.2	13.8	2.4	2.6	6.6
General Electric Co	81383	95263	15.7	10.9	10.5	8.4	1.3	1.2	27.9	16.4	0.4	0.4	2.3
Rolls-Royce Holdings PLC	7040	12912	23.8	15.2	8.3	7.0	1.0	0.9	60.4	19.7		0.5	
Woodward Inc	5367	6041	26.0	19.7	16.0	13.5	2.5	2.3	33.1	24.7	0.8	0.9	2.0
<b>Wartsila (Inderes)</b>	<b>4001</b>	<b>4916</b>	<b>13.3</b>	<b>10.4</b>	<b>16.5</b>	<b>8.0</b>	<b>0.8</b>	<b>0.8</b>	<b>13.5</b>	<b>12.9</b>	<b>5.2</b>	<b>5.9</b>	<b>1.9</b>
<b>Average</b>			<b>17.0</b>	<b>13.0</b>	<b>10.7</b>	<b>9.1</b>	<b>1.5</b>	<b>1.4</b>	<b>25.9</b>	<b>16.1</b>	<b>2.6</b>	<b>2.7</b>	<b>3.1</b>
<b>Median</b>			<b>16.7</b>	<b>14.3</b>	<b>10.5</b>	<b>8.4</b>	<b>1.3</b>	<b>1.2</b>	<b>21.9</b>	<b>16.4</b>	<b>2.3</b>	<b>2.5</b>	<b>2.4</b>
<b>Diff-% to median</b>			<b>-20%</b>	<b>-28%</b>	<b>57%</b>	<b>-4%</b>	<b>-36%</b>	<b>-36%</b>	<b>-38%</b>	<b>-21%</b>	<b>123%</b>	<b>135%</b>	<b>-22%</b>

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



# Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>4604</b>	<b>4778</b>	<b>1231</b>	<b>1408</b>	<b>1433</b>	<b>1780</b>	<b>5852</b>	<b>6232</b>	<b>6643</b>	<b>7057</b>
Marine Power	1748	1863	455	503	463	615	2036	2303	2354	2446
Marine Systems	808	654	163	185	184	235	767	663	696	733
Voyage	248	279	60	58	61	87	266	315	334	361
Energy	1620	1861	535	633	696	804	2668	2876	3188	3449
Portfolio Business	181	121	18	28	30	39	115	75	71	67
<b>EBITDA</b>	<b>408</b>	<b>476</b>	<b>-25</b>	<b>109</b>	<b>61</b>	<b>153</b>	<b>298</b>	<b>613</b>	<b>690</b>	<b>819</b>
Depreciation	-174	-162	-122	-34	-51	-39	-246	-141	-146	-152
<b>EBIT (excl. NRI)</b>	<b>275</b>	<b>357</b>	<b>65</b>	<b>86</b>	<b>81</b>	<b>137</b>	<b>369</b>	<b>472</b>	<b>544</b>	<b>668</b>
<b>EBIT</b>	<b>234</b>	<b>314</b>	<b>-147</b>	<b>75</b>	<b>10</b>	<b>114</b>	<b>52</b>	<b>472</b>	<b>544</b>	<b>668</b>
Marine Power	134	180	-35	47	-25	69	56	229	252	280
Marine Systems	81	47	5	11	18	17	51	54	62	69
Voyage	-42	-39	-134	-24	-16	-7	-181	-3	5	14
Energy	91	134	20	41	34	55	150	191	222	301
Portfolio Business	-29	-9	-3	0	-1	3	-1	2	3	3
	-1	1	0	0	0	-23	-23	0	0	0
Net financial items	-43	-18	0	-2	-3	-5	-10	-8	-22	-23
<b>PTP</b>	<b>191</b>	<b>296</b>	<b>-147</b>	<b>73</b>	<b>8</b>	<b>109</b>	<b>42</b>	<b>464</b>	<b>522</b>	<b>645</b>
Taxes	-58	-103	5	-21	-4	-36	-56	-148	-136	-168
Minority interest	1	0	-1	-1	-4	-1	-7	-7	-7	-7
<b>Net earnings</b>	<b>134</b>	<b>193</b>	<b>-143</b>	<b>51</b>	<b>0</b>	<b>72</b>	<b>-21</b>	<b>309</b>	<b>379</b>	<b>470</b>
<b>EPS (adj.)</b>	<b>0.27</b>	<b>0.40</b>	<b>0.12</b>	<b>0.10</b>	<b>0.12</b>	<b>0.16</b>	<b>0.50</b>	<b>0.52</b>	<b>0.64</b>	<b>0.79</b>
<b>EPS (rep.)</b>	<b>0.23</b>	<b>0.33</b>	<b>-0.24</b>	<b>0.09</b>	<b>0.00</b>	<b>0.12</b>	<b>-0.04</b>	<b>0.52</b>	<b>0.64</b>	<b>0.79</b>

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-10.9%	3.8%	30.1%	24.4%	29.9%	11.4%	22.5%	6.5%	6.6%	6.2%
<b>Adjusted EBIT growth-%</b>	-39.7%	29.8%	57.2%	21.7%	-6.4%	-13.5%	3.4%	27.9%	15.3%	22.8%
<b>EBITDA-%</b>	8.9%	10.0%	-2.0%	7.7%	4.3%	8.6%	5.1%	9.8%	10.4%	11.6%
<b>Adjusted EBIT-%</b>	6.0%	7.5%	5.3%	6.1%	5.7%	7.7%	6.3%	7.6%	8.2%	9.5%
<b>Net earnings-%</b>	2.9%	4.0%	-11.6%	3.6%	0.0%	4.0%	-0.4%	5.0%	5.7%	6.7%

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>2427</b>	<b>2539</b>	<b>2476</b>	<b>2485</b>	<b>2521</b>
Goodwill	1325	1374	1299	1299	1299
Intangible assets	391	401	360	363	375
Tangible assets	444	504	530	535	560
Associated companies	23	27	28	28	28
Other investments	19	18	19	19	19
Other non-current assets	42	48	39	39	39
Deferred tax assets	183	167	201	201	201
<b>Current assets</b>	<b>3805</b>	<b>3984</b>	<b>4111</b>	<b>4375</b>	<b>4663</b>
Inventories	1192	1185	1358	1446	1541
Other current assets	99	2	3	0	0
Receivables	1595	1833	2224	2368	2524
Cash and equivalents	919	964	527	561	598
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6587</b>	<b>6860</b>	<b>7184</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>2187</b>	<b>2259</b>	<b>2096</b>	<b>2198</b>	<b>2339</b>
Share capital	336	336	336	336	336
Retained earnings	2030	2105	1942	2044	2185
Hybrid bonds	0	0	0	0	0
Revaluation reserve	61	61	61	61	61
Other equity	-251	-251	-251	-251	-251
Minorities	11	8	8	8	8
<b>Non-current liabilities</b>	<b>1720</b>	<b>1936</b>	<b>1748</b>	<b>1757</b>	<b>1766</b>
Deferred tax liabilities	76.0	66.0	62.0	62.0	62.0
Provisions	324	324	324	324	324
Long term debt	1129	1325	1141	1150	1159
Convertibles	0	0	0	0	0
Other long term liabilities	191	221	221	221	221
<b>Current liabilities</b>	<b>2325</b>	<b>2328</b>	<b>2743</b>	<b>2905</b>	<b>3079</b>
Short term debt	198	321	285	287	289
Payables	2059	2007	2458	2617	2790
Other current liabilities	68	0	0	0	0
<b>Balance sheet total</b>	<b>6232</b>	<b>6523</b>	<b>6587</b>	<b>6860</b>	<b>7184</b>

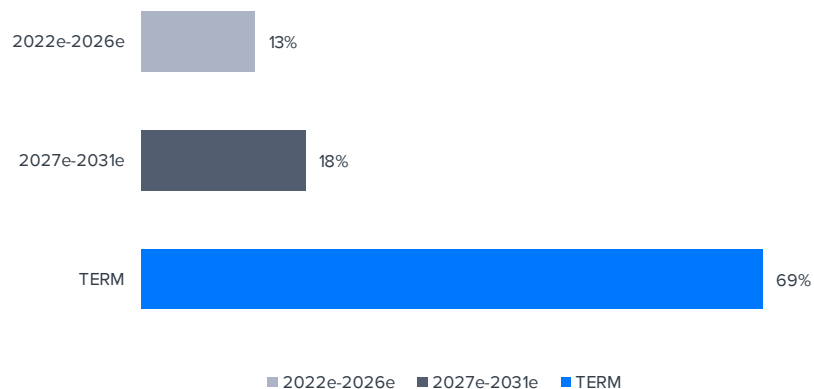
# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	3.8 %	22.5 %	6.5 %	6.6 %	6.2 %	5.6 %	5.0 %	4.4 %	3.7 %	3.1 %	2.5 %	2.5 %
EBIT-%	6.6 %	0.9 %	7.6 %	8.2 %	9.5 %	10.0 %	9.8 %	9.6 %	9.4 %	9.0 %	9.0 %	9.0 %
<b>EBIT (operating profit)</b>	<b>314</b>	<b>52.0</b>	<b>472</b>	<b>544</b>	<b>668</b>	<b>745</b>	<b>767</b>	<b>784</b>	<b>796</b>	<b>786</b>	<b>806</b>	
+ Depreciation	162	246	141	146	152	157	162	166	169	170	173	
- Paid taxes	-97	-94	-148	-136	-168	-188	-193	-196	-199	-195	-200	
- Tax, financial expenses	-8	-4	-4	-8	-8	-8	-9	-10	-11	-12	-13	
+ Tax, financial income	2	1	2	2	2	2	2	3	3	3	3	
- Change in working capital	-254	-113	-70	-79	-80	-76	-71	-66	-59	-51	-42	
<b>Operating cash flow</b>	<b>118</b>	<b>88</b>	<b>393</b>	<b>469</b>	<b>566</b>	<b>633</b>	<b>658</b>	<b>680</b>	<b>699</b>	<b>702</b>	<b>728</b>	
+ Change in other long-term liabilities	30	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-286	-148	-150	-182	-186	-186	-185	-182	-178	-189	-200	
<b>Free operating cash flow</b>	<b>-138</b>	<b>-60</b>	<b>243</b>	<b>287</b>	<b>381</b>	<b>447</b>	<b>473</b>	<b>498</b>	<b>521</b>	<b>512</b>	<b>528</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-138	-60	243	287	381	447	473	498	521	512	528	11078
<b>Discounted FCFF</b>		<b>-59</b>	<b>223</b>	<b>246</b>	<b>303</b>	<b>332</b>	<b>327</b>	<b>321</b>	<b>312</b>	<b>286</b>	<b>274</b>	<b>5760</b>
Sum of FCFF present value		8326	8385	8162	7916	7612	7281	6954	6633	6321	6035	5760
<b>Enterprise value DCF</b>		<b>8326</b>										
- Interesting bearing debt		-1647										
+ Cash and cash equivalents		964										
-Minorities		-15										
-Dividend/capital return		-142										
<b>Equity value DCF</b>		<b>7486</b>										
<b>Equity value DCF per share</b>		<b>12.7</b>										

Wacc	
Tax-% (WACC)	26.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.4 %</b>

Source: Inderes

Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	5170.0	4604.0	4778.0	<b>5851.7</b>	<b>6232.0</b>	EPS (reported)	0.37	0.23	0.33	<b>-0.04</b>	<b>0.52</b>
EBITDA	541.0	408.0	476.0	<b>298.0</b>	<b>613.1</b>	EPS (adj.)	0.48	0.27	0.40	<b>0.50</b>	<b>0.52</b>
EBIT	361.0	234.0	314.0	<b>52.0</b>	<b>471.9</b>	OCF / share	0.26	1.30	0.20	<b>0.15</b>	<b>0.66</b>
PTP	314.0	191.0	296.0	<b>42.0</b>	<b>464.1</b>	FCF / share	-0.26	1.18	-0.23	<b>-0.10</b>	<b>0.41</b>
Net Income	216.0	134.0	193.0	<b>-21.0</b>	<b>309.3</b>	Book value / share	4.05	3.68	3.80	<b>3.53</b>	<b>3.70</b>
Extraordinary items	-95.0	-41.0	-43.0	<b>-317.0</b>	<b>0.0</b>	Dividend / share	0.48	0.20	0.24	<b>0.35</b>	<b>0.40</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	6398.0	6232.0	6523.0	<b>6586.9</b>	<b>6859.5</b>	Revenue growth-%	0%	-11%	4%	<b>22%</b>	<b>7%</b>
Equity capital	2409.0	2187.0	2258.7	<b>2095.6</b>	<b>2197.7</b>	EBITDA growth-%	-20%	-25%	17%	<b>-37%</b>	<b>106%</b>
Goodwill	1380.0	1325.0	1374.0	<b>1299.0</b>	<b>1299.0</b>	EBIT (adj.) growth-%	-21%	-40%	30%	<b>3%</b>	<b>28%</b>
Net debt	738.0	408.0	682.6	<b>899.9</b>	<b>876.5</b>	EPS (adj.) growth-%	-33%	-42%	45%	<b>25%</b>	<b>4%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	10.5 %	8.9 %	10.0 %	<b>5.1 %</b>	<b>9.8 %</b>
EBITDA	541.0	408.0	476.0	<b>298.0</b>	<b>613.1</b>	EBIT (adj.)-%	8.8 %	6.0 %	7.5 %	<b>6.3 %</b>	<b>7.6 %</b>
Change in working capital	-235.0	469.0	-254.2	<b>-113.3</b>	<b>-70.0</b>	EBIT-%	7.0 %	5.1 %	6.6 %	<b>0.9 %</b>	<b>7.6 %</b>
Operating cash flow	152.5	770.9	118.5	<b>88.1</b>	<b>392.7</b>	ROE-%	9.0 %	5.9 %	8.7 %	<b>-1.0 %</b>	<b>14.5 %</b>
CAPEX	-329.0	-73.0	-286.0	<b>-148.0</b>	<b>-149.8</b>	ROI-%	11.2 %	6.7 %	8.4 %	<b>1.5 %</b>	<b>13.4 %</b>
Free cash flow	-155.5	695.9	-137.5	<b>-59.9</b>	<b>242.9</b>	Equity ratio	41.4 %	37.8 %	37.5 %	<b>35.1 %</b>	<b>35.4 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	30.6 %	18.7 %	30.2 %	<b>42.9 %</b>	<b>39.9 %</b>
EV/S	1.3	1.1	1.7	<b>0.8</b>	<b>0.8</b>						
EV/EBITDA (adj.)	12.2	12.9	16.9	<b>16.5</b>	<b>8.0</b>						
EV/EBIT (adj.)	14.5	19.1	22.5	<b>13.3</b>	<b>10.4</b>						
P/E (adj.)	20.7	29.7	31.0	<b>13.5</b>	<b>12.9</b>						
P/E	2.4	2.2	3.2	<b>1.9</b>	<b>1.8</b>						
Dividend-%	4.9 %	2.5 %	1.9 %	<b>5.2 %</b>	<b>5.9 %</b>						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10/28/2019	Reduce	9.00 €	9.27 €
11/27/2019	Accumulate	10.00 €	9.08 €
1/20/2020	Accumulate	12.00 €	10.83 €
1/31/2020	Accumulate	12.50 €	11.45 €
3/26/2020	Accumulate	7.50 €	6.78 €
4/22/2020	Accumulate	7.00 €	6.36 €
7/20/2020	Accumulate	8.00 €	7.51 €
10/26/2020	Accumulate	8.00 €	7.44 €
1/21/2021	Reduce	9.40 €	9.01 €
1/29/2021	Reduce	8.70 €	8.11 €
4/23/2021	Reduce	10.00 €	10.31 €
7/21/2021	Reduce	12.00 €	12.35 €
10/27/2021	Accumulate	12.60 €	11.88 €
11/19/2021	Accumulate	14.00 €	13.16 €
1/31/2022	Accumulate	13.00 €	10.84 €
3/30/2022	Accumulate	11.50 €	9.11 €
4/21/2022	Accumulate	10.60 €	8.41 €
4/29/2022	Accumulate	9.50 €	7.75 €
7/22/2022	Accumulate	9.50 €	8.58 €
10/3/2022	Buy	8.00 €	6.58 €
10/26/2022	Buy	8.00 €	6.76 €



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