

# NIBE Industrier B

Company report

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# Risks cast a shadow over potential rewards

We reiterate NIBE's Reduce recommendation with a lowered target price of SEK 62.0 (prev. 74.1) per share. Following the market development since we initiated coverage of NIBE (20.9), along with the somewhat weaker Q3 report than we expected, we have lowered our estimates and hold a more cautious view when it comes to the short-term outlook. With the current shift to higher interest and the challenges NIBE faces in maintaining historical earnings growth rates, we feel that the share valuation is in the higher end of our acceptable valuation range (2024e: P/E 26x). Thus, we stay on the sidelines waiting for the risk/return ratio to strengthen.

## Revenue and earnings development lower than our expectations in Q3

NIBE's revenue increased by 15% reaching SEK 11,514 million in Q3, below both our and consensus forecast. The organic growth of 9% was fueled by increased deliveries from the Climate Solutions business area's strong order backlog, though we anticipated Q3 deliveries to be higher. Despite a sizable order backlog in Stoves, the business experienced a setback with a -7% organic growth in Q3. We believe that this is attributed to prolonged delivery times for new orders, coupled with reduced demand stemming from weakened consumer demand and economic downturn. While Element performed as expected, showing relatively flat organic growth, we foresee a potential uptick in the coming quarters. This expectation is based on the anticipated growth in demand for sustainability-linked products and a rebound in the semiconductor industry.

EBIT, below both our and consensus estimates, demonstrated a 21% increase, reaching SEK 1,779 million. This surge was primarily attributed to volume growth in Climate Solutions and enhanced efficiency resulting from solid capacity utilization. However, Element and Stoves faced a decline in profitability, primarily due to lower sales volumes and the impact of an ambitious investment program geared towards future capacity and improved efficiency.

## We adjusted our estimates due to an expected slowdown in the near term

NIBE expresses confidence in sustained annual growth for Climate Solutions, except for possibly a few quarters. While we uphold our belief in long-term energy efficiency demand drivers, recent market developments and a weaker than expected Q3 report led us to adopt a more cautious short-term outlook. The influence of rising interest rates and economic uncertainty on residential refurbishment and new construction markets is expected to impact both Climate Solutions and Stoves in the short term. Consequently, we have revised down our organic growth estimates, though Element's projections remain unchanged. Adjustments in volume forecasts have prompted a 7-15% reduction in adjusted EBIT forecasts for 2023-2025.

## Risks still higher than reward

Our assessment of NIBE's earnings multiples for 2024 still appears relatively high. The company's projected 2024 P/E ratio of approximately 26x and EV/EBIT of around 20x exceed the 10-year medians, raising concerns given the current uncertainties and interest rate environment. While we recognize NIBE as a promising long-term investment, backed by a consistent track record of value creation, we are cautious amid uncertainties in European demand. In the short term, factors like a more favorable correlation between electricity and gas prices are seen as potential triggers, but we remain unconvinced that the risks currently justify the potential rewards.

## Recommendation

### Reduce

(previous Reduce)

### 62.0 SEK

(previous 74.1 SEK)

### Share price:

67.5



## Key indicators

	2022	2023e	2024e	2025e
<b>Revenue</b>	40,071	47,515	51,026	54,041
<b>growth-%</b>	30%	19%	7%	6%
<b>EBIT adj.</b>	5,764	7,332	7,510	8,135
<b>EBIT-% adj.</b>	14.4 %	15.4 %	14.7 %	15.1 %
<b>Net Income</b>	4,351	5,082	5,267	6,016
<b>EPS (adj.)</b>	2.11	2.57	2.61	2.98
<b>P/E (adj.)</b>	46.0	26.3	25.9	22.6
<b>P/B</b>	7.0	4.3	3.8	3.4
<b>Dividend yield-%</b>	0.7 %	1.1 %	1.2 %	1.4 %
<b>EV/EBIT (adj.)</b>	35.1	20.3	19.4	17.5
<b>EV/EBITDA</b>	27.1	16.6	15.2	14.0
<b>EV/S</b>	5.0	3.1	2.9	2.6

Source: Inderes

## Guidance

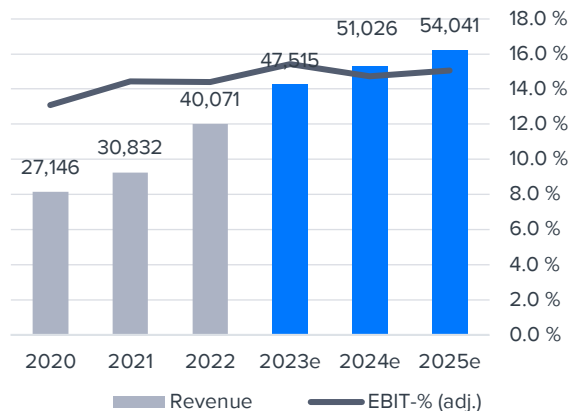
(NIBE provides no guidance)

### Share price



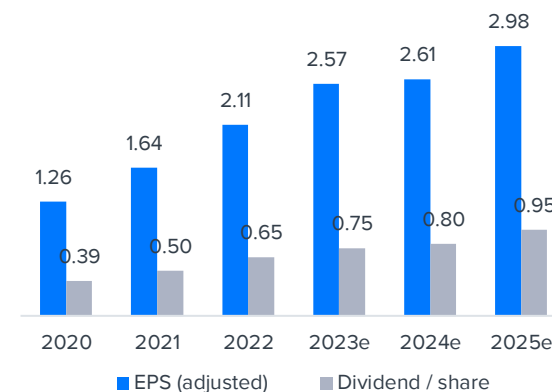
Source: Millistream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes

### Value drivers

- Strong market position and globally well-known brands
- Good long-term prospects for renewable energy-based systems
- Energy efficiency investments support growth
- Vertical and horizontal synergies create efficiency and reduce costs

### Risk factors

- Declining new construction market and uncertainty regarding future heat pump subsidies
- Somewhat cyclical demand in Element business area
- Stabilizing energy prices
- Risks generated by acquisitions and/or expansion investments

Valuation	2023e	2024e	2025e
Share price	67.5	67.5	67.5
Number of shares, millions	2,016	2,016	2,016
Market cap	136,165	136,165	136,165
EV	149,159	145,993	142,109
P/E (adj.)	26.3	25.9	22.6
P/E	26.8	25.9	22.6
P/B	4.3	3.8	3.4
P/S	2.9	2.7	2.5
EV/Sales	3.1	2.9	2.6
EV/EBITDA	16.6	15.2	14.0
EV/EBIT (adj.)	20.3	19.4	17.5
Payout ratio (%)	29.8 %	30.6 %	31.8 %
Dividend yield-%	1.1 %	1.2 %	1.4 %

Source: Inderes

# Weakening organic growth but still strong margins

## Strong order backlog held up sales somewhat

NIBE's Q3 total net sales increased 15% year-on-year to SEK 11,514 million, below both our and consensus forecast. The positive influence of acquisitions on net sales was notable, yet organic growth was at 9%. Stoves (Q3'23: SEK 1,096 million) faced a setback with a -7% growth, and Climate Solutions (Q3'23: SEK 7,839 million), despite a promising +17%, didn't meet our expectations. On the flip side, Element (Q3'23: 2,945, 0%) performed quite as anticipated.

The surge in Climate Solutions sales can be attributed to a robust order backlog and the gradual normalization of delivery times. Unfortunately, the same cannot be said for Stoves and Element, as weakened consumer demand and the economic downturn hurt their sales.

## Still delivering high profitability

NIBE's EBIT increased by 21% to SEK 1,779 million,

which was lower than our estimates. Profitability (EBIT-%) increased to 15.5% mainly due to volume growth in Climate Solutions (18.9%) and increased efficiency supported by good capacity utilization. However, Element (8.0%) and Stoves (9.0%) saw a dip in profitability due to decreased demand, leading to adjusted production. In the lower rows of the income statement EPS increased to SEK 0.60 per share (0.55), which was also lower than our estimates. The uptick in net financial costs was a result of the rising interest rates.

In terms of cash flow (SEK 163 million in operating cash flow), we feel the report was not particularly strong, especially considering the usual Q3 seasonality. Working capital remained tied up, whereas it typically starts to be released in H2. Increased investments in production facilities posed a challenge for converting operating cash flow into free cash flow. Yet, we see this as good capital allocation,

recognizing that growth in the manufacturing sector comes with its costs. Additionally, in a market where competitors are heavily investing in expanding heat pump production, NIBE's commitment to capacity growth is a strategic move to stay competitive.

## Slowdown in a long-term growth market

The prevailing sentiment suggests a potential slowdown in the growth of heat pumps in the upcoming years, attributed to lower electricity prices, a slowdown in the new built market and higher interest rates. NIBE, Although not giving any forecast for Q4 or 2024, claims that with the exception of one or a few quarters Climate Solutions will deliver good and sustained annual growth in the foreseeable future. While we maintain our belief in the energy efficiency demand drivers supporting the industry in the long run, we hold a more cautious view when it comes to the short-term outlook.

Estimates	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	9,999	11,514	12,464	11,911	11,330	12,799	-8%	47,515
EBIT (adj.)	1,469	1,831	1,977			-	-7%	7,332
EBIT	1,465	1,779	1,977	1,817	1,680	1,977	-10%	7,240
PTP	1,451	1,598	1,877	1,690	1,535	1,916	-15%	6,612
EPS (adj.)	0.55	0.63	0.71	0.66	0.60	0.73	-11%	2.57
Revenue growth-%	27.8 %	15.2 %	24.7 %	19.1 %	13.3 %	28.0 %	-9.5 pp	18.6 %
EBIT-%	14.7 %	15.5 %	15.9 %			-	-0.4 pp	15.4 %

Source: Inderes, Bloomberg (consensus 10.11.23, 11 analysts)

# Lowered estimates and more cautious about short-term outlook

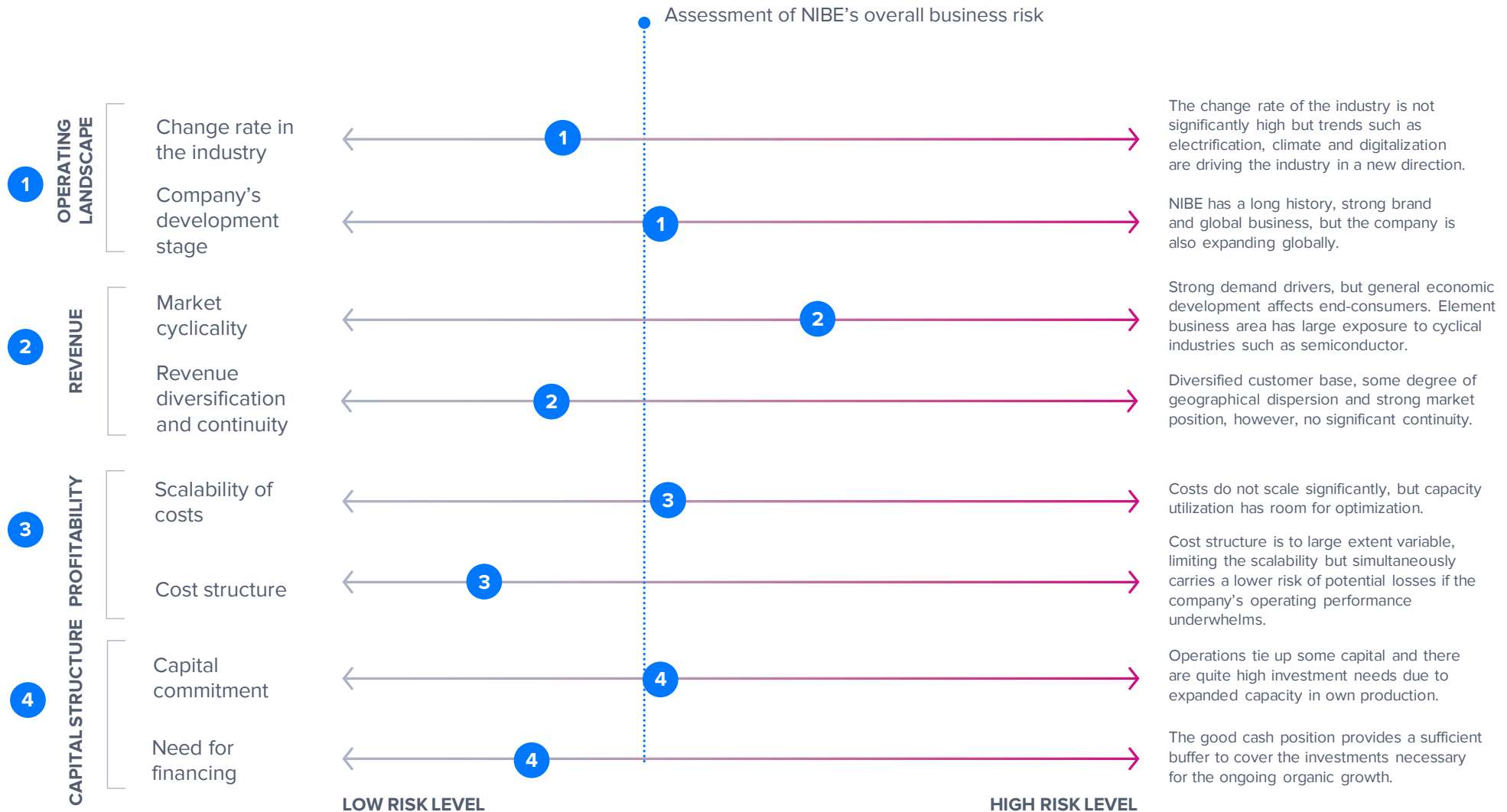
## Estimate changes 2023e-2025e

- We lowered our revenue estimate in Climate Solutions, because the heat pump market is slowing down, and we anticipate the full impact in the first half of 2024. However, the growth in the fourth quarter of 2023 is expected to only slow down, thanks to a robust order backlog. For Stoves in 2024, we've lowered our estimates for organic sales due to a sluggish economy and lower consumer demand. However, we have maintained our estimates for organic growth in the Element business area.
- Because of the adjustments we made to the volume forecast for Climate Solutions and Stoves our annualized adjusted EBIT forecasts for 2023-2025 have been reduced by 7-15%.
- While our assessment of the company's long-term growth potential remains largely unchanged, the tight heat pump market and growing competition have increased the risk factor for our long-term assumptions. As a result, we have made a slight adjustment, decreasing our long-term earnings potential.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	49,682	47,515	-4%	56,130	51,026	-9%	61,209	54,041	-12%
EBITDA	9,490	8,974	-5%	10,741	9,575	-11%	11,785	10,117	-14%
EBIT (exc. NRIs)	7,886	7,332	-7%	8,676	7,510	-13%	9,574	8,135	-15%
EBIT	7,876	7,240	-8%	8,676	7,510	-13%	9,574	8,135	-15%
PTP	7,449	6,612	-11%	8,257	6,810	-18%	9,195	7,756	-16%
EPS (excl. NRIs)	2.86	2.57	-10%	3.10	2.62	-16%	3.54	2.98	-16%
DPS	0.85	0.75	-12%	1.00	0.80	-20%	1.15	0.95	-17%

Source: Inderes

# Risk profile of the business model



# Still no sufficient risk/return

## Multiples are in the higher range

With our estimates, NIBE's P/E ratios for 2023 and 2024 are around 26x, while the corresponding EV/EBIT ratios are some 20x. Earnings-based valuation is slightly higher than the company's historical median. Considering our lower earnings growth estimates for the next year we think the multiples are stretched.

While NIBE has demonstrated strong performance over the past 5-10 years, thanks to successful acquisitions and organic growth, it is essential to recognize the impact of the low-interest-rate environment during that period. With the current shift to higher interest rates and the challenges of maintaining historical earnings growth, we believe that a valuation at the lower end of our acceptable range (EV/EBIT 16x-21x and P/E 22x-26x) is justified. It is noteworthy that we have adjusted our valuation range from the initiation report, taking into account the changing market conditions and a more conservative estimate of earnings growth.

## Peer valuation and DCF model in line with the share price

Compared to peers, NIBE is currently priced at a premium which we, considering NIBE's high profitability and robust earnings growth, believe is justified.

We also believe the DCF model is a relevant valuation method for NIBE, given the availability of sufficient historical financial information, stability in the industry, consistent growth, and a relatively predictable business. However, the suitability of the model is somewhat lowered due to the company's growth

driven by acquisitions. Our organic growth-based estimates may not provide the most accurate reflection of the company's valuation, because we believe NIBE will generate value through acquisitions also in the future.

Additionally, a significant portion of the cash flow (70%) is attributed to the terminal period, indicating that a substantial portion of the value will be generated in the future. However, our DCF model (SEK 62 per share) is lower than the current share price. Therefore, even in the context of DCF, the current valuation doesn't bring any sufficient expected return.

## Expected return is still too thin

We expect investors to receive an annual dividend of about 1-2% over the next few years for the current share price. Thus, the dividend doesn't offer clear support or a baseline for expected return. While earnings growth remains a positive driver for the coming years, we foresee downward pressure on multiples (Q3'23 LTM P/E 26), resulting in thin expected return and an unsatisfactory risk/return ratio for investors. As a result, we reiterate our Reduce recommendation with a lowered target price of SEK 62.0 SEK (prev. SEK 74.1).

Despite the current outlook, we still view NIBE as a promising long-term investment. With a track record of consistent value creation throughout its extensive history, NIBE has demonstrated success across various market scenarios. However, we advise potential investors to exercise patience, awaiting more attractive buying opportunities within NIBE's enduring growth narrative.

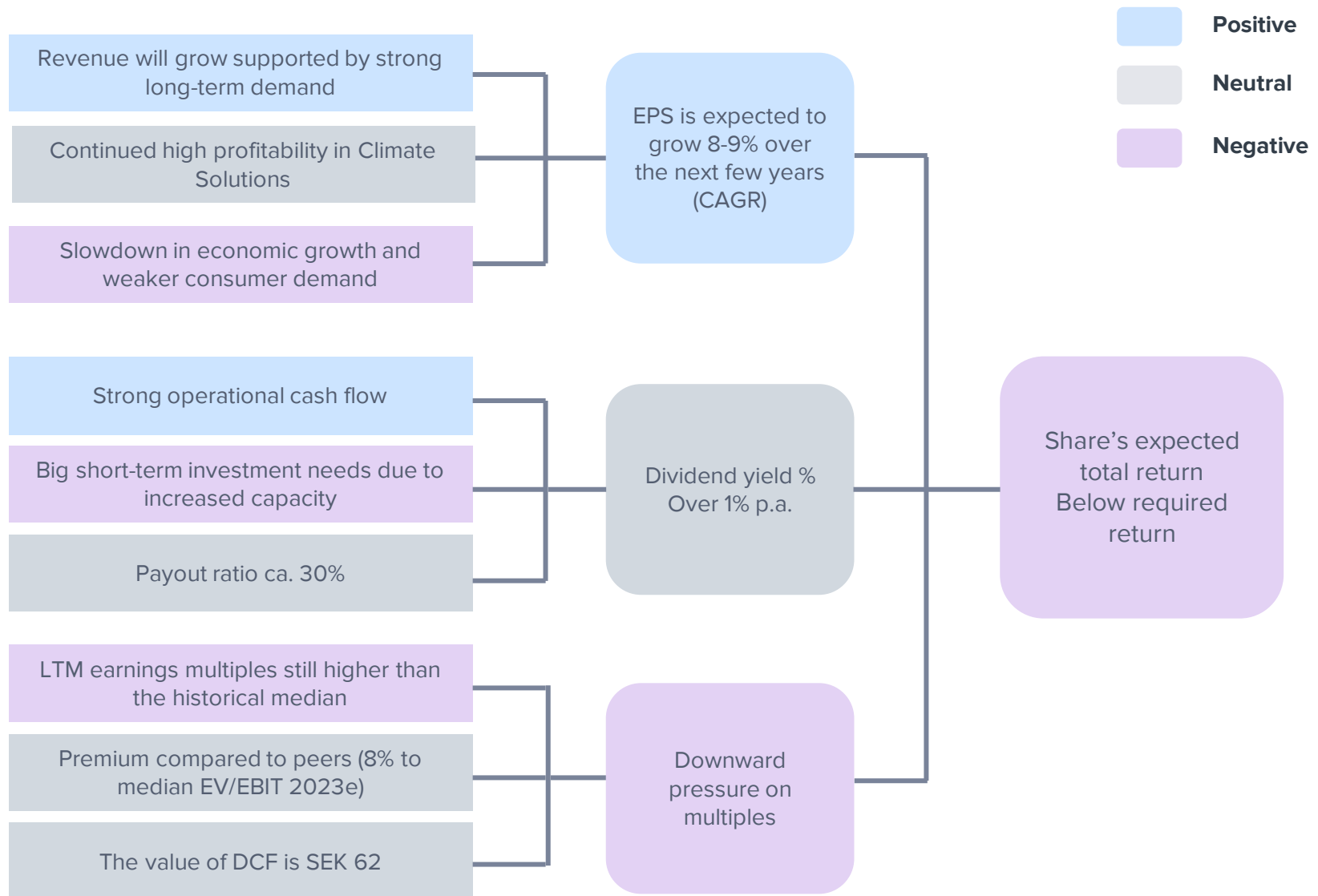
Valuation	2023e	2024e	2025e
Share price	67.5	67.5	67.5
Number of shares, millions	2,016	2,016	2,016
Market cap	136,165	136,165	136,165
EV	149,159	145,993	142,109
P/E (adj.)	26.3	25.9	22.6
P/E	26.8	25.9	22.6
P/B	4.3	3.8	3.4
P/S	2.9	2.7	2.5
EV/Sales	3.1	2.9	2.6
EV/EBITDA	16.6	15.2	14.0
EV/EBIT (adj.)	20.3	19.4	17.5
Payout ratio (%)	29.8 %	30.6 %	31.8 %
Dividend yield-%	1.1 %	1.2 %	1.4 %

Source: Inderes

### Historical trading multiples, EV/EBIT (NTM)



# TSR drivers 2023e-2026e

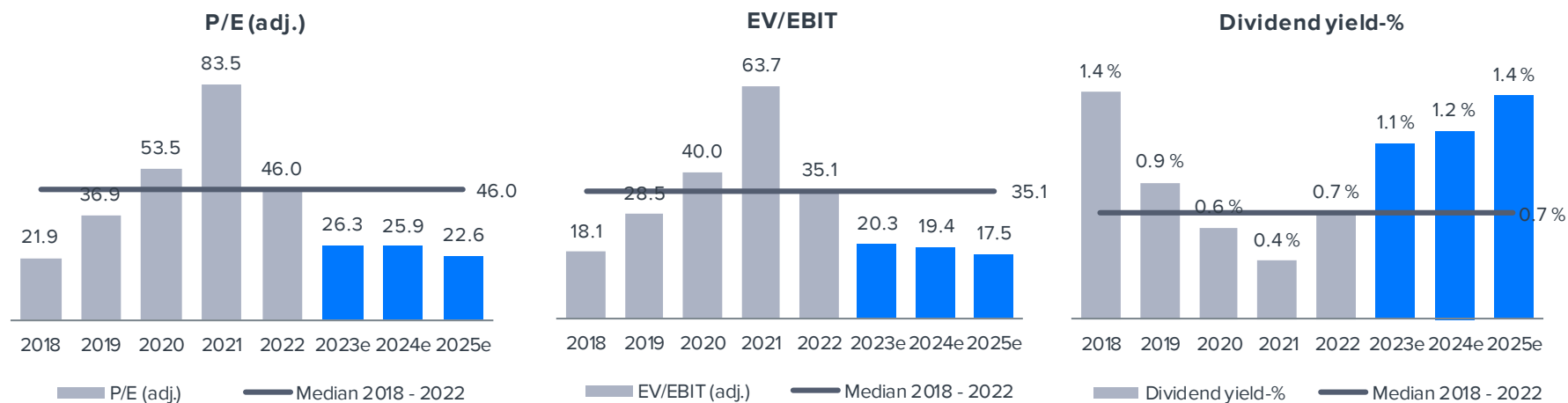




# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	22.7	40.6	67.4	136.8	97.1	67.5	67.5	67.5	67.5
Number of shares, millions	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016
Market cap	45,825	81,852	135,933	275,697	195,760	136,165	136,165	136,165	136,165
EV	51,504	88,114	142,293	283,549	202,352	149,159	145,993	142,109	137,716
P/E (adj.)	21.9	36.9	53.5	83.5	46.0	26.3	25.9	22.6	20.7
P/E	22.1	37.7	47.4	83.0	45.0	26.8	25.9	22.6	20.7
P/B	3.0	4.7	7.7	12.9	7.0	4.3	3.8	3.4	3.1
P/S	2.0	3.2	5.0	8.9	4.9	2.9	2.7	2.5	2.4
EV/Sales	2.3	3.5	5.2	9.2	5.0	3.1	2.9	2.6	2.4
EV/EBITDA	14.6	21.6	27.8	49.2	27.1	16.6	15.2	14.0	12.8
EV/EBIT (adj.)	18.1	28.5	40.0	63.7	35.1	20.3	19.4	17.5	15.6
Payout ratio (%)	31.6 %	32.5 %	27.3 %	30.4 %	30.1 %	29.8 %	30.6 %	31.8 %	32.2 %
Dividend yield-%	1.4 %	0.9 %	0.6 %	0.4 %	0.7 %	1.1 %	1.2 %	1.4 %	1.6 %

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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Kone	22,266	21,396	17.5	15.7	14.4	13.2	1.9	1.9	22.9	20.7	4.3	4.5	7.6
Assa Abloy	24,498	30,352	15.5	14.3	13.0	12.0	2.5	2.3	19.7	17.6	2.1	2.2	2.9
Hexagon	23,388	27,240	18.3	16.6	14.2	12.8	5.0	4.7	20.4	18.7	1.8	2.2	2.3
Beijer Ref	5,476	6,251	22.0	20.3	17.5	16.1	2.2	2.1	29.4	26.5	1.1	1.3	2.8
Tomra Systems	2,553	2,934	24.7	21.2	14.4	13.1	2.4	2.4	34.4	27.8	1.6	1.9	4.3
Thule Group	2,613	2,771	20.4	17.0	17.6	15.0	3.4	3.2	26.1	21.6	2.9	3.5	4.3
Munters Group	2,339	2,701	18.3	14.5	14.6	11.7	2.2	1.9	24.6	18.4	1.0	1.3	4.4
Trane Technologies	48,273	51,945	19.7	18.2	17.7	16.4	3.2	3.0	25.4	22.8	1.2	1.3	7.8
Carrier	40,887	45,685	15.2	14.0	13.2	12.1	2.2	2.1	19.5	18.3	1.4	1.5	5.2
Lennox International Inc	13,281	14,519	19.2	17.2	17.3	15.7	3.2	3.0	22.8	20.6	1.1	1.1	66.8
<b>NIBE Industrier B (Inderes)</b>	<b>11,678</b>	<b>12,792</b>	<b>20.3</b>	<b>19.4</b>	<b>16.6</b>	<b>15.2</b>	<b>3.1</b>	<b>2.9</b>	<b>26.3</b>	<b>25.9</b>	<b>1.1</b>	<b>1.2</b>	<b>4.3</b>
<b>Average</b>			<b>19.1</b>	<b>16.9</b>	<b>15.4</b>	<b>13.8</b>	<b>2.8</b>	<b>2.7</b>	<b>24.5</b>	<b>21.3</b>	<b>1.8</b>	<b>2.1</b>	<b>10.8</b>
<b>Median</b>			<b>18.8</b>	<b>16.8</b>	<b>14.5</b>	<b>13.2</b>	<b>2.5</b>	<b>2.4</b>	<b>23.8</b>	<b>20.6</b>	<b>1.5</b>	<b>1.7</b>	<b>4.4</b>
<b>Diff-% to median</b>			<b>8%</b>	<b>16%</b>	<b>15%</b>	<b>16%</b>	<b>28%</b>	<b>21%</b>	<b>11%</b>	<b>25%</b>	<b>-25%</b>	<b>-30%</b>	<b>-1%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>30,832</b>	<b>8,749</b>	<b>9,656</b>	<b>9,999</b>	<b>11,667</b>	<b>40,071</b>	<b>11,646</b>	<b>11,833</b>	<b>11,514</b>	<b>12,522</b>	<b>47,515</b>	<b>51,026</b>	<b>54,041</b>	<b>57,572</b>
Climate Solutions	20,127	5,583	6,367	6,344	7,782	26,076	7,736	8,122	7,839	8,580	32,277	35,300	37,594	40,226
Element	8,422	2,474	2,672	2,842	2,937	10,925	3,013	2,957	2,945	2,974	11,889	12,594	13,350	14,218
Stoves	3,051	900	830	1,042	1,239	4,011	1,250	1,086	1,096	1,318	4,750	4,663	4,826	4,971
Eliminations	-768	-208	-213	-229	-291	-941	-353	-332	-366	-351	-1,402	-1,531	-1,729	-1,842
<b>EBITDA</b>	<b>5,765</b>	<b>1,340</b>	<b>1,968</b>	<b>1,865</b>	<b>2,287</b>	<b>7,460</b>	<b>2,153</b>	<b>2,243</b>	<b>2,309</b>	<b>2,269</b>	<b>8,974</b>	<b>9,575</b>	<b>10,117</b>	<b>10,791</b>
Depreciation	-1,297	-399	-399	-400	-399	-1,597	-398	-396	-530	-410	-1,734	-2,065	-1,983	-1,966
<b>EBIT (excl. NRI)</b>	<b>4,451</b>	<b>1,058</b>	<b>1,341</b>	<b>1,469</b>	<b>1,896</b>	<b>5,764</b>	<b>1,785</b>	<b>1,827</b>	<b>1,861</b>	<b>1,859</b>	<b>7,332</b>	<b>7,510</b>	<b>8,135</b>	<b>8,826</b>
<b>EBIT</b>	<b>4,468</b>	<b>941</b>	<b>1,569</b>	<b>1,465</b>	<b>1,888</b>	<b>5,863</b>	<b>1,755</b>	<b>1,847</b>	<b>1,779</b>	<b>1,859</b>	<b>7,240</b>	<b>7,510</b>	<b>8,135</b>	<b>8,826</b>
Climate Solutions	3,238	612	1,204	1,022	1,500	4,338	1,353	1,538	1,484	1,562	5,937	6,214	6,654	7,120
Element	876	250	299	325	249	1,123	280	243	235	244	1,002	1,128	1,268	1,422
Stoves	413	103	95	137	216	551	165	101	99	116	481	423	483	572
Eliminations	-59	-24	-29	-19	-77	-149	-43	-35	-39	-63	-180	-255	-270	-288
Share of profits in assoc. compan.	-8	0	0	0	21	21	0	0	0	20	20	20	21	21
Net financial items	-142	-35	-22	-14	-138	-209	-101	-146	-181	-220	-648	-720	-400	-375
<b>PTP</b>	<b>4,318</b>	<b>906</b>	<b>1,547</b>	<b>1,451</b>	<b>1,771</b>	<b>5,675</b>	<b>1,654</b>	<b>1,701</b>	<b>1,598</b>	<b>1,659</b>	<b>6,612</b>	<b>6,810</b>	<b>7,756</b>	<b>8,472</b>
Taxes	-940	-226	-310	-343	-401	-1,280	-380	-378	-378	-378	-1,514	-1,505	-1,702	-1,859
Minority interest	-58	-18	-21	-4	-1	-44	-4	-4	-4	-4	-16	-19	-38	-38
<b>Net earnings</b>	<b>3,320</b>	<b>662</b>	<b>1,216</b>	<b>1,104</b>	<b>1,369</b>	<b>4,351</b>	<b>1,270</b>	<b>1,319</b>	<b>1,216</b>	<b>1,277</b>	<b>5,082</b>	<b>5,286</b>	<b>6,016</b>	<b>6,575</b>
<b>EPS (adj.)</b>	<b>1.64</b>	<b>0.39</b>	<b>0.49</b>	<b>0.55</b>	<b>0.68</b>	<b>2.11</b>	<b>0.64</b>	<b>0.64</b>	<b>0.64</b>	<b>0.63</b>	<b>2.57</b>	<b>2.62</b>	<b>2.98</b>	<b>3.26</b>
<b>EPS (rep.)</b>	<b>1.65</b>	<b>0.33</b>	<b>0.60</b>	<b>0.55</b>	<b>0.68</b>	<b>2.16</b>	<b>0.63</b>	<b>0.65</b>	<b>0.60</b>	<b>0.63</b>	<b>2.52</b>	<b>2.62</b>	<b>2.98</b>	<b>3.26</b>

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue growth-%</b>	13.6 %	28.1 %	24.0 %	27.8 %	39.1 %	30.0 %	33.1 %	22.5 %	15.2 %	7.3 %	18.6 %	7.4 %	5.9 %	6.5 %
<b>Adjusted EBIT growth-%</b>	25.1 %	27.2 %	9.6 %	21.7 %	59.6 %	29.5 %	68.7 %	36.2 %	26.7 %	-2.0 %	27.2 %	2.4 %	8.3 %	8.5 %
<b>EBITDA-%</b>	18.7 %	15.3 %	20.4 %	18.7 %	19.6 %	18.6 %	18.5 %	19.0 %	20.1 %	18.1 %	18.9 %	18.8 %	18.7 %	18.7 %
<b>Adjusted EBIT-%</b>	14.4 %	12.1 %	13.9 %	14.7 %	16.3 %	14.4 %	15.3 %	15.4 %	16.2 %	14.8 %	15.4 %	14.7 %	15.1 %	15.3 %
<b>Net earnings-%</b>	10.8 %	7.6 %	12.6 %	11.0 %	11.7 %	10.9 %	10.9 %	11.1 %	10.6 %	10.2 %	10.7 %	10.4 %	11.1 %	11.4 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>27,123</b>	<b>31,842</b>	<b>44,058</b>	<b>44,218</b>	<b>44,435</b>
Goodwill	15,453	17,630	27,130	27,130	27,130
Intangible assets	4,910	4,938	4,883	4,868	4,879
Tangible assets	6,131	8,273	11,044	11,219	11,426
Associated companies	56	430	430	430	430
Other investments	45	31	31	31	31
Other non-current assets	139	192	192	192	192
Deferred tax assets	389	348	348	348	348
<b>Current assets</b>	<b>16,271</b>	<b>22,152</b>	<b>25,547</b>	<b>24,237</b>	<b>28,642</b>
Inventories	6,584	10,191	10,453	10,971	11,349
Other current assets	0	0	0	0	0
Receivables	4,941	7,144	8,078	8,674	9,187
Cash and equivalents	4,746	4,817	7,016	4,592	8,106
<b>Balance sheet total</b>	<b>43,394</b>	<b>53,994</b>	<b>69,605</b>	<b>68,455</b>	<b>73,077</b>

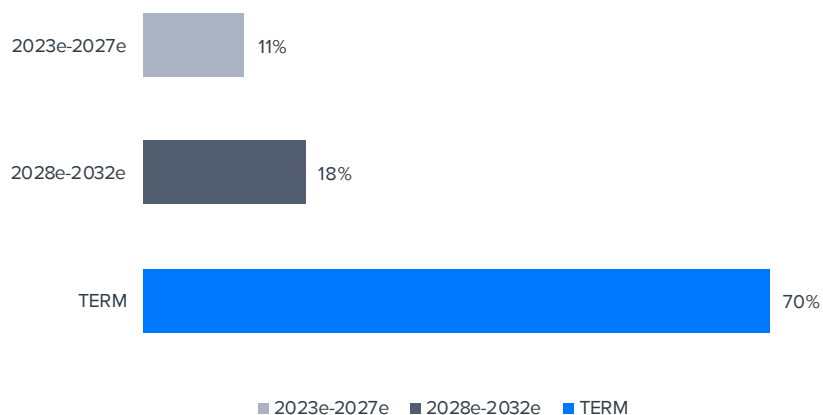
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>21,657</b>	<b>27,973</b>	<b>31,744</b>	<b>35,500</b>	<b>39,903</b>
Share capital	79	79	79	79	79
Retained earnings	15,587	19,286	23,057	26,813	31,216
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	5,772	8,570	8,570	8,570	8,570
Minorities	219	38	38	38	38
<b>Non-current liabilities</b>	<b>12,757</b>	<b>12,268</b>	<b>24,167</b>	<b>20,125</b>	<b>18,635</b>
Deferred tax liabilities	0	0	0	0	0
Provisions	3,012	2,787	2,787	2,787	2,787
Interest bearing debt	6,967	6,185	15,544	11,502	10,012
Convertibles	0	0	0	0	0
Other long term liabilities	2,778	3,296	5,836	5,836	5,836
<b>Current liabilities</b>	<b>8,980</b>	<b>13,753</b>	<b>13,694</b>	<b>12,831</b>	<b>14,540</b>
Interest bearing debt	2,815	4,958	4,666	3,136	4,272
Payables	6,165	8,795	9,028	9,695	10,268
Other current liabilities	0	0	0	0	0
<b>Balance sheet total</b>	<b>43,394</b>	<b>53,994</b>	<b>69,605</b>	<b>68,455</b>	<b>73,077</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	30.0 %	18.6 %	7.4 %	5.9 %	6.5 %	6.5 %	6.0 %	5.8 %	5.2 %	4.5 %	2.5 %	2.5 %
EBIT-%	14.6 %	15.2 %	14.7 %	15.1 %	15.3 %	15.3 %	15.3 %	15.3 %	15.3 %	15.3 %	15.2 %	15.2 %
<b>EBIT (operating profit)</b>	<b>5,863</b>	<b>7,240</b>	<b>7,510</b>	<b>8,135</b>	<b>8,826</b>	<b>9,381</b>	<b>9,944</b>	<b>10,521</b>	<b>11,068</b>	<b>11,566</b>	<b>11,808</b>	
+ Depreciation	1,597	1,734	2,065	1,983	1,966	1,945	1,909	1,849	1,850	1,814	1,709	
- Paid taxes	-1,239	-1,514	-1,505	-1,702	-1,859	-2,003	-2,160	-2,301	-2,422	-2,531	-2,585	
- Tax, financial expenses	-47	-149	-160	-88	-83	-61	-28	-13	-13	-13	-13	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-3,180	-963	-447	-318	-95	-367	-319	-297	-228	-521	-302	
<b>Operating cash flow</b>	<b>2,994</b>	<b>6,348</b>	<b>7,463</b>	<b>8,010</b>	<b>8,754</b>	<b>8,895</b>	<b>9,347</b>	<b>9,758</b>	<b>10,255</b>	<b>10,315</b>	<b>10,618</b>	
+ Change in other long-term liabilities	293	2,540	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-5,983	-13,950	-2,225	-2,200	-2,150	-2,100	-2,050	-2,000	-2,000	-2,000	-1,750	
<b>Free operating cash flow</b>	<b>-2,696</b>	<b>-5,062</b>	<b>5,238</b>	<b>5,810</b>	<b>6,604</b>	<b>6,795</b>	<b>7,297</b>	<b>7,758</b>	<b>8,255</b>	<b>8,315</b>	<b>8,868</b>	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	-2,696	-5,062	5,238	5,810	6,604	6,795	7,297	7,758	8,255	8,315	8,868	179,808
<b>Discounted FCFF</b>		<b>-5,015</b>	<b>4,825</b>	<b>4,976</b>	<b>5,259</b>	<b>5,031</b>	<b>5,023</b>	<b>4,965</b>	<b>4,912</b>	<b>4,600</b>	<b>4,561</b>	<b>92,487</b>
Sum of FCFF present value		131,623	136,638	131,813	126,837	121,578	116,548	111,525	106,560	101,649	97,049	92,487
<b>Enterprise value DCF</b>		<b>131,623</b>										
- Interest bearing debt		-11,143										
+ Cash and cash equivalents		4,817										
-Minorities		-163										
-Dividend/capital return		-1,310										
<b>Equity value DCF</b>		<b>124,187</b>										
<b>Equity value DCF per share</b>		<b>61.6</b>										

Cash flow distribution



## WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.6 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	27,146	30,832	40,071	47,515	51,026	EPS (reported)	1.42	1.65	2.16	2.52	2.61
EBITDA	5,117	5,765	7,460	8,974	9,575	EPS (adj.)	1.26	1.64	2.11	2.57	2.61
EBIT	3,880	4,468	5,863	7,240	7,510	OCF / share	2.65	1.48	1.48	3.15	3.70
PTP	3,658	4,318	5,675	6,612	6,810	FCF / share	1.79	-0.13	-1.34	-2.51	2.60
Net Income	2,866	3,320	4,351	5,082	5,267	Book value / share	8.72	10.63	13.86	15.73	17.59
Extraordinary items	323	17	99	-92	0	Dividend / share	1.55	0.50	0.65	0.75	0.80
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	38,337	43,394	53,994	69,605	68,455	Revenue growth-%	7%	14%	30%	19%	7%
Equity capital	17,737	21,657	27,973	31,744	35,500	EBITDA growth-%	26%	13%	29%	20%	7%
Goodwill	14,218	15,453	17,630	27,130	27,130	EBIT (adj.) growth-%	15%	25%	29%	27%	2%
Net debt	5,208	5,036	6,326	13,194	10,046	EPS (adj.) growth-%	14%	30%	29%	22%	2%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	18.8 %	18.7 %	18.6 %	18.9 %	18.8 %
EBITDA	5,117	5,765	7,460	8,974	9,575	EBIT (adj.)-%	13.1 %	14.4 %	14.4 %	15.4 %	14.7 %
Change in working capital	1,093	-1,862	-3,180	-963	-447	EBIT-%	14.3 %	14.5 %	14.6 %	15.2 %	14.7 %
Operating cash flow	5,337	2,984	2,994	6,348	7,463	ROE-%	16.3 %	17.0 %	17.6 %	17.0 %	15.7 %
CAPEX	-1,826	-3,515	-5,983	-13,950	-2,225	ROI-%	14.1 %	15.1 %	16.7 %	15.9 %	14.8 %
Free cash flow	3,603	-257	-2,696	-5,062	5,238	Equity ratio	46.3 %	49.9 %	51.8 %	45.6 %	51.9 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	29.4 %	23.3 %	22.6 %	41.6 %	28.3 %
EV/S	5.2	9.2	5.0	3.1	2.9						
EV/EBITDA (adj.)	27.8	49.2	27.1	16.6	15.2						
EV/EBIT (adj.)	40.0	63.7	35.1	20.3	19.4						
P/E (adj.)	53.5	83.5	46.0	26.3	25.9						
P/B	7.7	12.9	7.0	4.3	3.8						
Dividend-%	0.6 %	0.4 %	0.7 %	1.1 %	1.2 %						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2023-09-20	Reduce	74.1 kr	70.5 kr
2023-11-16	Reduce	62.0 kr	67.5 kr



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