

Nokia

Company report

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Improved performance not fully reflected in the valuation

Nokia's Q1 result was strong and generally the company's comments dispelled at least our previous concerns about earnings development this year, which had grown due to the Russian invasion of Ukraine. In particular, the rate of the turnaround of Mobile Networks in Q1 was a positive surprise and Nokia's significant investments in improving the unit's competitiveness in the last 18 months are now delivering results. Overall, Nokia's share valuation is moderate and provides a good expected return for the next few years as the strategy progresses. However, in the short term, the generally sour stock market sentiment can hold back the upside potential in the multiples. Thus, we raise our target price for Nokia to EUR 5.4 (previously EUR 5.2) and lower our recommendation to Accumulate (previously Buy).

Strong start for the year

Nokia's Q1 result exceeded expectations, as comparable operating profit increased against expectations from a strong comparison period to EUR 583 million (Q1'21: 551 MEUR). Especially, the improved competitiveness of Mobile Networks was strongly reflected in the profitability of the unit despite supply chain challenges and cost inflation. Growth in constant currency (1%) was still modest in the early part of the year, which was partly due to timing factors related to Nokia Technologies (-17%), when contracts that have run out at the turn of the year haven't been renewed yet. However, Nokia was confident that new contracts will be made, and net sales will be recognized retrospectively. The growth outlook for Mobile Networks is also picking up toward the end of the year, with good market demand and a gradual decrease in supply chain challenges.

Concerns about earnings growth this year dispelled

As expected, Nokia reconfirmed its outlook for this year, but due to exchange rate effects, the net sales range was increased to EUR 22.9-24.1 billion (previously EUR 22.6-23.8 billion). As regards profitability, comparable operating profit of 11-13.5% is expected. Nokia commented that the increase in its own operational efficiency and net sales growth, which is accelerating toward the end of the year, will compensate for the cost inflation pressure on margins this year. According to the company, increased prices can also be passed on to customer prices reasonably well. Nokia has so far survived the component shortage quite well and, according to the company, there are signs of the situation getting better in H2. In general, Nokia's comments dispelled at least our previous concerns about this year's earnings development. Reflecting this, we raised our forecast for 2022, but the forecasts for the coming years remained largely unchanged. We now expect Nokia's net sales to grow by 5% to EUR 23.3 billion this year and comparable operating profit to be 12.3%. In 2023-2024, we forecast that profitability improves to 13.0-13.2%.

Valuation is low, but the current sentiment creates challenges for multiples recovering

The valuation of Nokia's share already seems moderate in our forecast which expects moderate earnings growth this year (adj. P/E 13x and EV/EBIT 7.5x). With 2023 multiples the valuation (adj. P/E 12x and EV/EBIT 6.5x) already looks very low. The expected return on the share is also very good through our sum of the parts calculation as Nokia's strategy continues on the right path in the next few years. At the same time, however, it's worth remembering that in the long term the stable growth outlook of Nokia's target market and thus limited earnings growth potential limit the acceptable valuation multiples of the share. Recently, the relative attractiveness of Nokia's low multiples has also diminished as stocks have gone down on a broad front. Ericsson is an example from the same sector, as the company is struggling with its own challenges and is valued at just about 6x EV/EBIT.

Recommendation

Accumulate

(previous Buy)

EUR 5.40

(previous EUR 5.20)

Share price:

4.66



Key figures

	2021	2022e	2023e	2024e
Revenue	22,202	23,322	23,924	24,497
growth-%	2%	5%	3%	2%
EBIT adj.	2,775	2,862	3,106	3,231
EBIT-% adj.	12.5 %	12.3 %	13.0 %	13.2 %
Net Income	1,632	1,523	1,851	2,064
EPS (adj.)	0.37	0.37	0.40	0.42

P/E (adj.)	15.3	12.7	11.6	11.1
P/B	1.8	1.4	1.3	1.3
Dividend yield-%	1.4 %	2.6 %	3.8 %	4.7 %
EV/EBIT (adj.)	9.9	7.5	6.5	5.7
EV/EBITDA	8.5	6.6	5.5	4.8
EV/S	1.2	0.9	0.8	0.8

Source: Inderes

Guidance

(Unchanged)

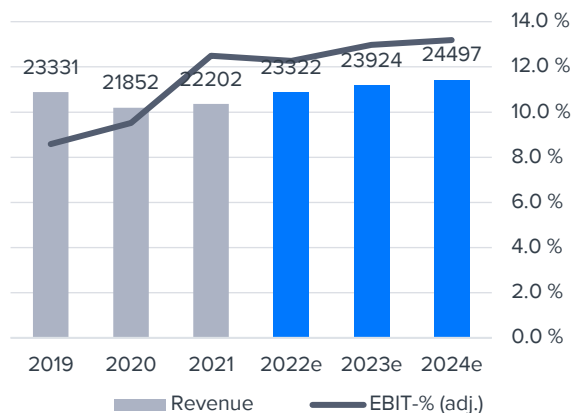
2022: Net sales EUR 22.9-24.1 billion and comparable operating profit 11.0-13.5%

Share price



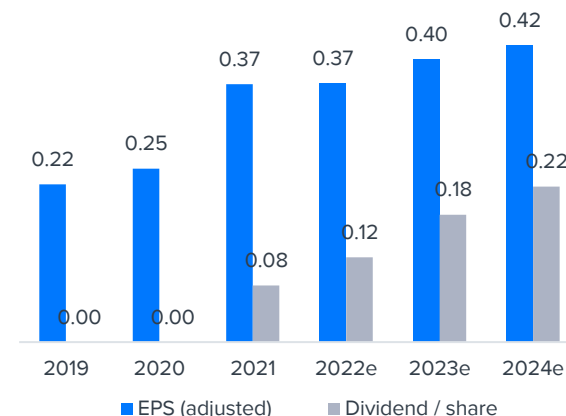
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Transforming from a turnaround company into a profitable growth company
- Technology cycle of the market offers a positive boost
- Huawei sanctions open up opportunities
- Nokia has several well developing product areas
- Strategic value of Nokia's technologies
- Predictable and growing cash flows of Nokia Technologies
- Possible structural arrangements



Risk factors

- Fierce competitive pressure on the market and price erosion
- Global component shortage
- Unexpected decelerations on the progressing turnaround journey

Valuation	2022e	2023e	2024e
Share price	4.66	4.66	4.66
Number of shares, millions	5589.7	5549.7	5549.7
Market cap	26042	26042	26042
EV	21390	20096	18420
P/E (adj.)	12.7	11.6	11.1
P/E	16.6	14.0	12.5
P/FCF	22.2	14.4	9.2
P/B	1.4	1.3	1.3
P/S	1.1	1.1	1.1
EV/Sales	0.9	0.8	0.8
EV/EBITDA	6.6	5.5	4.8
EV/EBIT (adj.)	7.5	6.5	5.7
Payout ratio (%)	43%	54%	59%
Dividend yield-%	2.6 %	3.8 %	4.7 %

Source: Inderes

Strong start for the year 1/2

Net sales grew slightly more than expected

Nokia's Q1 net sales increased by 5% (by 1% in constant currency) to EUR 5.3 billion, while consensus expected a growth of 3.6%. As expected, growth in constant currency was more rapid in Network Infrastructure (9%) and Cloud and Network Services (5%), driven by strong demand for Fixed and Submarine Networks and 5G Core Networks. Net sales of Mobile Networks fell by 4% in constant currency but reported net sales were stable as we had expected. In Nokia Technologies, net sales decreased by 17%, while certain contracts that ended at the end of 2021 hadn't been renewed yet.

Result exceeded expectations

Nokia's comparable operating profit in Q1 was EUR 583 million (Q1'21: EUR 551 million), which clearly exceeded our (EUR 479 million) and consensus (EUR 519 million) estimates. Thus, the comparable operating profit margin (10.9%) remained at the level of the strong comparison period, despite all uncertainties.

In particular, the net sales beat came from Mobile Networks, where Nokia's strategy measures and investments to improve competitiveness are now delivering results. The earnings turnaround of Cloud and Network Services also progressed well in the early part of the year. As expected, the result deteriorated in the Other segment year-on-year (Q1'22: -23 MEUR vs. Q1'21: 22 MEUR), where a year ago Nokia's Venture Fund investment income supported the result exceptionally much. In Nokia Technologies, the timing factors related to net sales were also visible in the result, which weakened year-on-year. Network Infrastructure made a strong result again, although Nokia has increased its R&D efforts to promote its technology leadership.

As expected, a one-off amount of EUR 104 million was recorded for Nokia's exit from Russia, which weighed down the reported result. Nokia's free cash flow (EUR 326 million) was positive in Q1, although the company prepared for the component shortage by increasing its inventories by ca. EUR 200 million. At the same time, net cash increased to EUR 4.9 billion.

Turnaround of Mobile Networks is progressing well

In Mobile Networks, Q1 net sales decreased by 4% in constant currency but reported net sales (Q1'22: EUR 2,268 million) were stable as we expected. According to Nokia, the market demand outlook is good, and the company revised its estimate of market growth in 2022 up by a percentage point to 4%.

In the early part of the year, supply chain challenges and availability of components slowed down the unit's development when the strong order backlog couldn't be fully delivered. For example, the COVID lockdowns in China have closed production lines and hindered deliveries. Despite the tough component situation, Nokia's comments seemed confident about Mobile Networks turning to growth later in the year. The efforts made over the last 18 months to improve competitiveness and a good market pull will help in this. The company also commented that it had recently won market shares, which is an encouraging sign of improved competitiveness.

Estimates MEUR / EUR	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	5076	5346	5203	5258	5109	- 5489	3%	23322
EBIT (adj.)	551	583	479	519	401	- 633	22%	2862
EBIT	431	354	259	354	155	- 484	37%	2213
PTP	372	256	211	309	105	- 442	22%	1969
EPS (adj.)	0.07	0.07	0.06	0.07	0.05	- 0.08	22%	0.37
EPS (reported)	0.05	0.04	0.03	0.04	0.01	- 0.06	30%	0.28
Revenue growth-%	3.3 %	5.3 %	2.5 %	3.6 %	0.7 %	- 8.1 %	2.8 pp	5.0 %
EBIT-% (adj.)	10.9 %	10.9 %	9.2 %	9.9 %	7.8 %	- 11.5 %	1.7 pp	12.3 %

Source: Inderes & Infront (consensus)

Strong start for the year 2/2

Profitability of Mobile Networks exceeded expectations in Q1, as the adjusted operating profit margin improved to 7.5% (Q1'21: 3.4%) despite all uncertainties. Since Q3'20, Nokia has increased its investment in the development of Mobile Networks by ca. EUR 300 million annually, which is now generating results. Despite the component shortage and cost inflation, the unit's gross margin improved by 6.6 percentage points year-on-year. One of the key factors behind this has been the increase in the share of more cost-effective system-on-chip based ReefShark products in 5G deliveries. The share of these increased in Q1 to 82% and Nokia is in schedule to increase the share to 100% by the end of this year. In addition to improving product competitiveness, the strategic shift toward higher value-added services in the service business has helped to improve gross margins.

The growth of Enterprise networks (-7%) that have strong growth potential this decade (2021: 7% of Nokia's net sales) didn't meet Nokia's expectations in Q1. According to the company, the order backlog is very strong, but supply chain challenges have caused delays in deliveries. However, the strong order backlog should lead the business to a growth path in the future. Nokia now has 450 customers in Private networks, which means an increase of 30 from the beginning of 2022.

Network Infrastructure continued to go fast

Network Infrastructure continued to develop strongly, as net sales grew by 9% over the already strong comparison period. The unit's comparable operating profit (9.9%) was also at a good level. Nokia wins market shares thanks to a highly competitive product

portfolio, and the demand outlook is generally positive. Operators have a continuous need to invest in network infrastructure, for example due to the growth of remote working, and this was reflected in a 29% increase in Fixed Networks in Q1. The growth is very strong, as the unit already grew by 49% in constant currency in the comparison period.

The early part of the year was also strong for Submarine Networks, where net sales grew by 25% with the order backlog being at a very good level. In Optical Networks, availability of components hindered the development of net sales (-13%), but the situation is expected to become better toward the end of the year. This year, Nokia will continue to invest in Network Infrastructure to strengthen its product leadership.

Cloud and Network Services are moving in the right direction

The turnaround of Cloud and Network Services progressed well early in the year and the unit reached a comparable operating profit of 2.7% in Q1 (Q1'21: -3.0%). The profitability improvement is driven by growth and the improvement in Nokia's own operational efficiency. Last year, Nokia carried out a big clean-up on its product and service offering, and the results are now gradually starting to be visible. Investments in growth areas selected by Nokia (43% of net sales in 2021) have started to bear fruit and the unit's Q1 net sales increased by 5% in constant currency. Growth was supported by good demand in 5G Core Networks and wireless campus networks. In the big picture, the unit is still in investment phase this year and the operating profit (4-7%) is expected to remain at a relatively modest level. Thanks to

software-oriented nature of the business, the margins of the unit still have a clear improvement potential if the volumes can be properly grown in the coming years.

Nokia Technologies had a soft start for the year

The Nokia Technologies segment's year started off weakly with net sales dropping by 17% in Q1. However, this is largely due to timing factors, as certain contracts that ended at the end of 2021 haven't been renewed yet. In addition, one customer left the mobile market, terminating its license agreement.

In the big picture, the stable net sales outlook of the unit is unchanged at an annual level (EUR 1.4-1.5 billion) and payments are expected retroactively from ongoing license negotiations. Their timing will naturally depend on when the contracts will be made, so at the quarterly level the unit can see swaying this year. Nokia commented that it considers its patent portfolio very valuable, and contract negotiations are conducted in peace, and the company plays the long game to get the best outcome.

Unchanged outlook anticipates an accelerated growth toward the end of the year

Concerns about earnings growth this year dispelled

As expected, Nokia reconfirmed its outlook for this year, but due to exchange rate effects, the net sales range was increased to EUR 22.9-24.1 billion (previously EUR 22.6-23.8 billion). As regards profitability, comparable operating profit of 11-13.5% is expected. For comparable operating profit, the underlying assumptions for the different business groups are:

- Mobile Networks 6.5-9.5% (2021: 7.9%)
- Network Infrastructure 9.5-12.5% (2021: 10.2%)
- Cloud and Network Services 4.0-7.0% (2021: 5.4%)
- Nokia Technologies > 75% (2021: 79%)

Nokia commented that the increase in its own operational efficiency and net sales growth, which is accelerating toward the end of the year, will compensate for the cost inflation pressure on margins this year. According to the company, the increased prices can also be reasonably passed on to customer prices and cost inflation is naturally considered in the pricing of new deals. As far as component shortage is concerned, Nokia has so far survived quite well and in its Q1 conference call the company commented that it sees signs of improvement in H2. Generally, the company's comments dispelled at least our previous concerns about earnings development this year, which had grown due to the Russian invasion of Ukraine. Reflecting this, we raised our forecast for the current year, but the forecasts for the coming years remained largely unchanged.

We now expect Nokia's net sales to grow by 5% to EUR 23.3 billion this year and comparable operating profit to be 12.3%. Our operating profit margin forecast for 2023-2024 (13.0-13.2%) is still below Nokia's long-term (3-5 year) target of over 14%.

Estimate revisions MEUR / EUR	2022e		Change %	2023e		Change %	2024e		Change %
	Old	New		Old	New		Old	New	
Revenue	22896	23322	2%	23496	23924	2%	24054	24497	2%
EBITDA	3102	3265	5%	3624	3658	1%	3826	3818	0%
EBIT (exc. NRIs)	2706	2862	6%	3068	3106	1%	3236	3231	0%
EBIT	2066	2213	7%	2568	2606	1%	2886	2881	0%
PTP	1871	1969	5%	2373	2411	2%	2691	2686	0%
EPS (excl. NRIs)	0.35	0.37	5%	0.40	0.40	1%	0.42	0.42	0%
DPS	0.12	0.12	0%	0.18	0.18	0%	0.22	0.22	0%

Source: Inderes

Sum of the parts calculation

Based on the sum of the parts, the share has upside potential when the turnaround progresses

We approach Nokia's valuation partly through a sum of the parts calculation, as the company can be divided into four independent operations corresponding to the current unit structure. Based on our 2023 forecasts, we have evaluated each unit separately to illustrate the share's potential as the company's earnings turnaround continues in line with our expectations. In addition, we have considered the cash flow impact of restructuring, the net cash flow, the dividends we forecast for 2022-2023, and the estimated present value of other businesses and group expenses. We reflect the sum of the parts value that's generated if our forecasts are realized to the current share price to estimate the expected return on the share.

We value Nokia Technologies that generates a stable cash flow with an 8.5-10.5x EV/EBIT multiple, which gives the unit the value of EUR 9.7-12.0 billion. The segment's growth outlook is modest, but the predictability of cash flows supports value.

We value well-performing Network Infrastructure with an 8.0-10.0x EV/EBIT multiple. The value of the unit is thus EUR 7.9-9.9 billion.

We value Cloud and Network Services that's still quite low in profitability with a 7-9x EV/EBIT multiple, making the unit worth EUR 1.9-2.5 billion.

For Mobile Networks, we have accepted a 7.5-9.5x EV/EBIT multiple, making the unit worth EUR 7.1-9.0 billion. Our 2023 forecast for the unit now expects an operating profit margin of 9.2%. If the unit were to reach its long-term profitability target (>10%), there would be upside potential in the value.

With these assumptions, the sum of the parts in 2023 will be EUR 33 billion (EUR 6.0 per share), with the range of EUR 29-38 billion (EUR 5.2-6.8 per share). Therefore, if our forecasts materialize and considering the dividends we forecast in the coming years, in a neutral scenario, Nokia's share would offer a very good return of about 19% annually for the next two years. Thus, we can see that the return/risk ratio of Nokia's share is still solid.

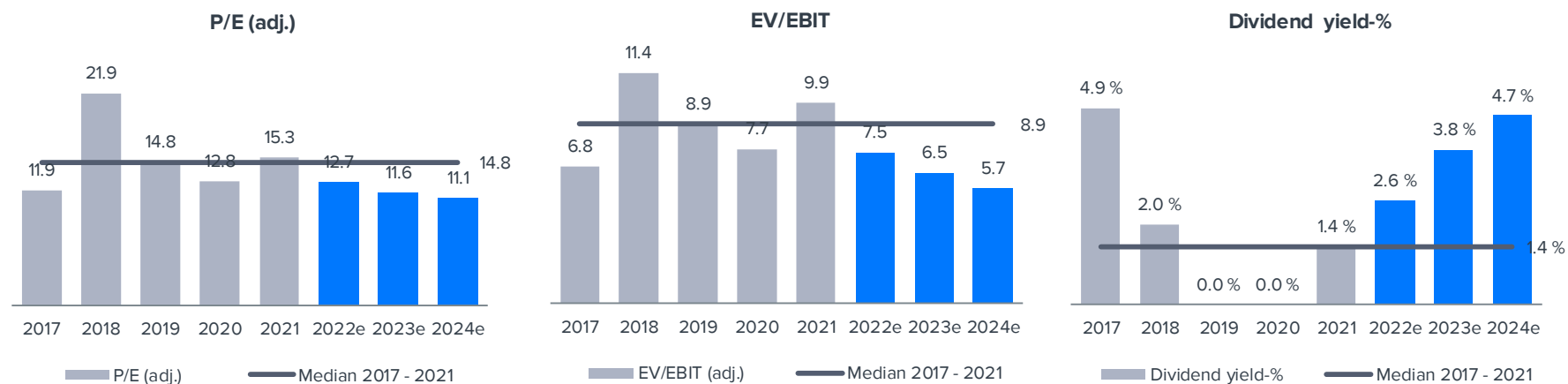
Sum of the parts in 2023

Nokia Technologies	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.1	1.1	1.1
X valuation multiple	8.5	9.5	10.5
EV	9.7	10.8	12.0
<i>Per share (EUR)</i>	<i>1.7</i>	<i>2.0</i>	<i>2.2</i>
Network Infrastructure	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.0	1.0	1.0
X valuation multiple	8.0	9.0	10.0
EV	7.9	8.9	9.9
<i>Per share (EUR)</i>	<i>1.4</i>	<i>1.6</i>	<i>1.8</i>
Cloud and Network services	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	0.3	0.3	0.3
X valuation multiple	7.0	8.0	9.0
EV	1.9	2.2	2.5
<i>Per share (EUR)</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>
Mobile Networks	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	0.9	0.9	0.9
X valuation multiple	7.5	8.5	9.5
EV	7.1	8.1	9.0
<i>Per share (EUR)</i>	<i>1.3</i>	<i>1.5</i>	<i>1.6</i>
Total	Pessimistic	Neutral	Optimistic
Aggregate EV	26.7	30.0	33.4
Other operating and group costs (NPV)	-3.0	-2.0	-1.0
Net cash and investments 2023e	6.0	6.0	6.0
Costs for restructuring	-1.0	-0.8	-0.5
Sum of the parts total	29	33	38
<i>Per share (EUR)</i>	<i>5.2</i>	<i>6.0</i>	<i>6.8</i>
<i>Return (incl. dividends)</i>	<i>15%</i>	<i>33%</i>	<i>51%</i>
<i>Annual return (incl. dividends)</i>	<i>9%</i>	<i>19%</i>	<i>28%</i>

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.89	5.03	3.30	3.15	5.57	4.66	4.66	4.66	4.66
Number of shares, millions	5650	5593	5606	5617	5629	5590	5550	5550	5550
Market cap	21778	28133	18476	17701	31378	26042	26042	26042	26042
EV	17568	24912	17799	15938	27543	21390	20096	18420	16908
P/E (adj.)	11.9	21.9	14.8	12.8	15.3	12.7	11.6	11.1	10.8
P/E	neg.	neg.	>100	neg.	19.3	16.6	14.0	12.5	11.8
P/FCF	8.6	neg.	neg.	11.1	neg.	22.2	14.4	9.2	9.0
P/B	1.3	1.8	1.2	1.4	1.8	1.4	1.3	1.3	1.2
P/S	0.9	1.2	0.8	0.8	1.4	1.1	1.1	1.1	1.0
EV/Sales	0.8	1.1	0.8	0.7	1.2	0.9	0.8	0.8	0.7
EV/EBITDA	10.1	17.9	8.3	7.9	8.5	6.6	5.5	4.8	4.3
EV/EBIT (adj.)	6.8	11.4	8.9	7.7	9.9	7.5	6.5	5.7	5.1
Payout ratio (%)	neg.	neg.	0.0 %	0.0 %	27.7 %	42.9 %	54.0 %	59.2 %	65.8 %
Dividend yield-%	4.9 %	2.0 %	0.0 %	0.0 %	1.4 %	2.6 %	3.8 %	4.7 %	5.5 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Qualcomm	143.8	144252	148459	9.3	8.8	8.7	8.3	3.6	3.3	11.0	10.3	2.7	2.8	9.3
Ciena	55.6	7888	7411	12.7	10.4	10.8	9.1	1.9	1.8	18.2	14.5			2.9
Cisco	49.8	194071	184926	11.1	10.3	9.9	9.6	3.7	3.5	14.3	13.3	1.5	1.5	4.9
Juniper Networks	32.2	9749	10073	12.8	11.2	10.1	9.5	2.1	2.0	16.3	14.0	0.8	0.9	2.4
Motorola	219.9	34289	37924	17.5	15.6	15.2	13.9	4.6	4.3	21.9	19.5	3.1	3.3	83.1
ZTE	16.4	15122	15504	11.7	10.6	8.0	7.6	0.8	0.7	8.0	7.1	0.3	0.5	1.1
InterDigital	57.4	1650	1166	12.3	9.1			3.0	2.9	24.8	17.6			
Ericsson	79.0	25983	21865	6.3	5.8	5.3	4.9	0.9	0.9	10.6	9.6	2.7	2.9	2.2
Amdocs	80.6	9476	9304	12.3	11.5	10.0	9.4	2.2	2.0	15.4	13.7	1.5	1.6	2.8
CommScope	6.1	1203	10873	11.3	9.5	9.7	8.2	1.3	1.3	4.0	2.8			1.0
Oracle	74.9	188983	241574	13.2	12.6	11.9	11.3	6.0	5.7	15.7	14.2	1.2	1.3	
NEC Corporation	5050	10165	14038	14.8	11.5	6.6	5.9	0.6	0.6	18.1	13.3	101.8	113.2	1.0
Viavi	14.4	3140	3176	11.8	11.3	10.4	9.9	2.6	2.5	15.6	15.1			3.5
Nokia (Inderes)	4.66	26042	21390	7.5	6.5	6.6	5.5	0.9	0.8	12.7	11.6	2.6	3.8	1.4
Average				12.1	10.6	9.7	9.0	2.6	2.4	14.9	12.7	12.8	14.2	10.4
Median				12.3	10.6	9.9	9.3	2.2	2.0	15.6	13.7	1.5	1.6	2.8
Diff-% to median				-39%	-39%	-34%	-41%	-58%	-59%	-19%	-15%	70%	138%	-50%

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

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue	21852	5076	5313	5399	6414	22202	5348	5556	5703	6716	23322	23924	24497
Mobile Networks	10397	2262	2380	2315	2760	9717	2268	2428	2431	2927	10053	10304	10510
Network Infrastructure	6736	1727	1778	1915	2254	7674	1974	1956	2049	2367	8346	8596	8854
Nokia Technologies	1402	365	401	367	369	1502	306	361	385	368	1420	1427	1434
Cloud and Network Services	3087	674	703	748	964	3089	736	759	785	1003	3283	3382	3483
Other	269	57	62	64	74	257	76	60	60	60	256	250	250
One-off items/non-IFRS adjustments	-39	-10	-11	-10	-7	-37	-12	-8	-8	-8	-36	-35	-35
EBITDA	2017	702	758	777	1017	3253	628	748	848	1042	3265	3658	3818
Depreciation	-1132	-271	-273	-274	-277	-1095	-274	-259	-260	-260	-1052	-1052	-937
EBIT (excl. NRI)	2081	551	683	633	909	2775	583	629	728	922	2862	3106	3231
EBIT	885	431	485	503	740	2158	354	489	588	782	2213	2606	2881
Mobile Networks	818	76	250	169	270	765	171	204	221	293	889	948	998
Network Infrastructure	457	187	162	187	248	784	195	196	215	272	878	989	1018
Nokia Technologies	1123	286	332	286	282	1185	220	267	316	302	1105	1142	1148
Cloud and Network Services	-67	-20	10	30	146	166	20	23	38	130	211	277	317
Other	-251	22	-70	-39	-38	-125	-23	-60	-62	-75	-220	-250	-250
One-off items / non-IFRS adjustments	-1196	-120	-198	-131	-168	-617	-229	-140	-140	-140	-649	-500	-350
Net financial items	-164	-56	-68	-50	-68	-241	-72	-50	-50	-50	-222	-200	-200
PTP	743	372	416	447	692	1926	256	441	539	733	1969	2411	2686
Taxes	-3255	-99	-67	-96	-11	-272	-79	-101	-108	-147	-435	-553	-617
Minority interest	-7	-3	-7	-9	-4	-22	-7	-2	-2	-2	-12	-6	-6
Net earnings	-2523	263	342	343	676	1623	212	338	430	585	1565	1851	2064
EPS (adj.)	0.25	0.07	0.09	0.08	0.13	0.37	0.07	0.08	0.10	0.12	0.37	0.40	0.42
EPS (rep.)	-0.45	0.05	0.06	0.06	0.12	0.29	0.04	0.06	0.08	0.10	0.28	0.33	0.37

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue growth-%	-6.3 %	3.3 %	4.3 %	2.0 %	-2.1 %	1.6 %	5.4 %	4.6 %	5.6 %	4.7 %	5.0 %	2.6 %	2.4 %
Adjusted EBIT growth-%	3.8 %	368.9 %	61.0 %	30.4 %	-13.8 %	33.4 %	5.8 %	-7.8 %	15.0 %	1.5 %	3.1 %	8.5 %	4.0 %
EBITDA-%	9.2 %	13.8 %	14.3 %	14.4 %	15.9 %	14.7 %	11.7 %	13.5 %	14.9 %	15.5 %	14.0 %	15.3 %	15.6 %
Adjusted EBIT-%	9.5 %	10.9 %	12.8 %	11.7 %	14.2 %	12.5 %	10.9 %	11.3 %	12.8 %	13.7 %	12.3 %	13.0 %	13.2 %
Net earnings-%	-11.5 %	5.2 %	6.4 %	6.4 %	10.5 %	7.3 %	4.0 %	6.1 %	7.5 %	8.7 %	6.7 %	7.7 %	8.4 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	19307	21250	20831	20144	19464
Goodwill	5074	5431	5431	5431	5431
Intangible assets	3284	2418	2059	1704	1345
Tangible assets	2588	2808	2748	2588	2467
Associated companies	233	243	243	243	243
Other investments	745	758	758	758	758
Other non-current assets	5561	8320	8320	8320	8320
Deferred tax assets	1822	1272	1272	1100	900
Current assets	18215	19597	19777	20336	20749
Inventories	2242	2392	2565	2632	2597
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7698	7601	8116	8374	8598
Cash and equivalents	8275	9604	9096	9330	9554
Balance sheet total	36191	40049	39827	39762	39638

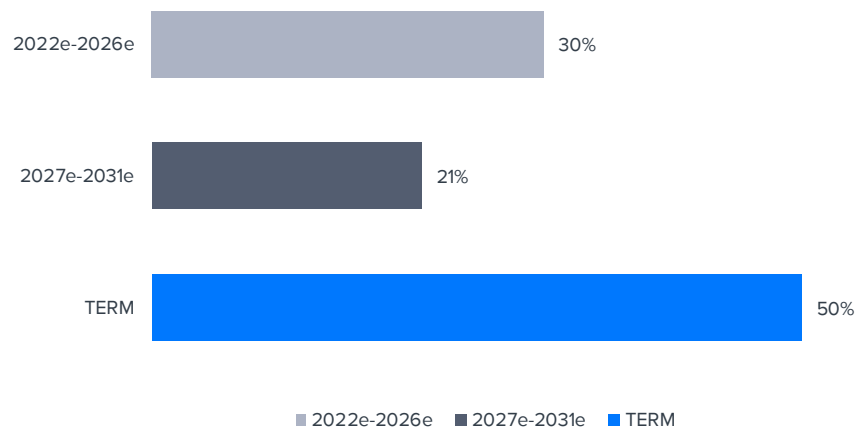
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	12545	17462	18576	19757	20822
Share capital	246	246	246	246	246
Retained earnings	-4143	-2537	-1423	-242	823
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1910	4219	4219	4219	4219
Other equity	14452	15432	15432	15432	15432
Minorities	80	102	102	102	102
Non-current liabilities	12681	11410	9429	8641	7557
Deferred tax liabilities	260	282	282	282	282
Provisions	1532	1569	1569	1569	1569
Long term debt	5736	5361	3480	2692	1608
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5153	4198	4098	4098	4098
Current liabilities	10965	11177	11821	11363	11260
Short term debt	750	301	860	597	236
Payables	10215	10876	10961	10766	11024
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	36191	40049	39827	39762	39638

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	2158	2213	2606	2881	3050	3054	2986	2913	2836	2893	2657	
+ Depreciation	1095	1052	1052	937	912	647	634	623	616	611	607	
- Paid taxes	300	-435	-381	-417	-456	-514	-627	-609	-590	-704	-645	
- Tax, financial expenses	-34	-48	-46	-46	-46	-19	-20	-20	-20	-20	-20	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	608	-603	-519	68	22	22	-29	-30	-31	-32	-60	
Operating cash flow	4127	2179	2711	3423	3482	3191	2944	2879	2813	2749	2540	
+ Change in other long-term liabilities	-918	-100	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-4111	-650	-600	-600	-600	-600	-600	-600	-600	-600	-610	
Free operating cash flow	-902	1429	2111	2823	2882	2591	2344	2279	2213	2149	1930	
+/- Other	-9	-258	-300	0	0	0	0	0	0	0	0	
FCFF	-911	1171	1811	2823	2882	2591	2344	2279	2213	2149	1930	30995
Discounted FCFF		1113	1597	2308	2186	1822	1529	1379	1242	1118	932	14962
Sum of FCFF present value		30188	29075	27478	25170	22984	21162	19633	18254	17012	15894	14962
Enterprise value DCF		30188										
- Interesting bearing debt		-5662										
+ Cash and cash equivalents		9604										
-Minorities		-144										
-Dividend/capital return		0										
Equity value DCF		34027										
Equity value DCF per share		6.1										

Cash flow distribution



Wacc	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	2.5 %
Equity Beta	1.35
Market risk premium	4.80%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	8.5 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	23331	21852	22202	23322	23924	EPS (reported)	0.00	-0.45	0.29	0.28	0.33
EBITDA	2146	2017	3253	3265	3658	EPS (adj.)	0.22	0.25	0.37	0.37	0.40
EBIT	486	885	2158	2213	2606	OCF / share	0.12	0.38	0.73	0.39	0.49
PTP	157	743	1926	1969	2411	FCF / share	-0.42	0.28	-0.16	0.21	0.33
Net Income	9	-2523	1623	1565	1851	Book value / share	2.73	2.22	3.08	3.31	3.54
Extraordinary items	-1518	-1196	-617	-649	-500	Dividend / share	0.00	0.00	0.08	0.12	0.18
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	39128	36191	40049	39827	39762	Revenue growth-%	3%	-6%	2%	5%	3%
Equity capital	15401	12545	17462	18576	19757	EBITDA growth-%	54%	-6%	61%	0%	12%
Goodwill	5527	5074	5431	5431	5431	EBIT (adj.) growth-%	-8%	4%	33%	3%	9%
Net debt	-700	-1789	-3942	-4755	-6041	EPS (adj.) growth-%	-3%	10%	49%	0%	9%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	9.2 %	9.2 %	14.7 %	14.0 %	15.3 %
EBITDA	2146	2017	3253	3265	3658	EBIT (adj.)-%	8.6 %	9.5 %	12.5 %	12.3 %	13.0 %
Change in working capital	-1055	225	608	-603	-519	EBIT-%	2.1 %	4.0 %	9.7 %	9.5 %	10.9 %
Operating cash flow	694	2118	4127	2179	2711	ROE-%	0.1 %	-18.2 %	10.9 %	8.7 %	9.7 %
CAPEX	-2496	-22	-4111	-650	-600	ROI-%	2.5 %	4.6 %	10.3 %	9.5 %	11.4 %
Free cash flow	-2347	1599	-911	1171	1811	Equity ratio	39.4 %	34.7 %	43.6 %	46.6 %	49.7 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-4.5 %	-14.3 %	-22.6 %	-25.6 %	-30.6 %
EV/S	0.8	0.7	1.2	0.9	0.8						
EV/EBITDA (adj.)	8.3	7.9	8.5	6.6	5.5						
EV/EBIT (adj.)	8.9	7.7	9.9	7.5	6.5						
P/E (adj.)	14.8	12.8	15.3	12.7	11.6						
P/E	1.2	1.4	1.8	1.4	1.3						
Dividend-%	0.0 %	0.0 %	1.4 %	2.6 %	3.8 %						

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10/26/2018	Accumulate	5.40 €	4.86 €
2/1/2019	Accumulate	5.80 €	5.51 €
4/26/2019	Accumulate	5.40 €	4.70 €
7/26/2019	Accumulate	5.50 €	4.97 €
10/25/2019	Reduce	3.60 €	3.62 €
12/17/2019	Accumulate	3.60 €	3.26 €
2/7/2020	Reduce	3.60 €	3.70 €
4/8/2020	Reduce	3.00 €	2.95 €
5/1/2020	Reduce	3.20 €	3.32 €
8/1/2020	Reduce	4.00 €	4.06 €
9/28/2020	Accumulate	3.60 €	3.24 €
10/30/2020	Buy	3.40 €	2.81 €
12/17/2020	Accumulate	3.50 €	3.27 €
2/1/2021	Reduce	3.50 €	3.96 €
2/5/2021	Reduce	3.60 €	3.70 €
3/11/2021	Accumulate	3.60 €	3.40 €
3/19/2021	Accumulate	3.60 €	3.37 €
4/30/2021	Accumulate	4.50 €	3.87 €
7/14/2021	Accumulate	5.40 €	4.99 €
	Analyst changed		
7/29/2021	Accumulate	5.80 €	5.18 €
10/29/2021	Accumulate	5.90 €	5.02 €
1/12/2022	Accumulate	6.20 €	5.44 €
2/4/2022	Accumulate	6.00 €	5.17 €
3/8/2022	Buy	5.20 €	4.33 €
4/29/2022	Accumulate	5.40 €	4.66 €



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