

Kontron AG

Austria | Technology | MCap EUR 1,504m

19 January 2024

UPDATE



Acquiring Katek accomplishes Kontron's '22 M&A strategy; BUY

What's it all about?

Kontron has agreed to acquire a 60% stake in Katek SE, a European electronics company specializing in solar energy and e-mobility, for approx. EUR 217m. The deal is set to be completed by March '24, with Kontron planning a mandatory bid for the remaining shares thereafter. The acquisition aligns with Kontron's strategy to expand its product portfolio, integrating Katek's expertise in renewable energy solutions. The move is expected to enhance Kontron's IoT capabilities and contribute to mid-term gross margin expansion by approx. 5pp. Despite the deal being considered only slightly value accretive (pre-synergies), the consensus price target for Katek suggests its fundamental value considerably surpasses the acquisition cost. Following the transaction, Kontron has raised its FY24 outlook, anticipating consolidated sales of at least EUR 1.9bn and a net profit of around EUR 100m. The acquisition represents the final stage of Kontron's M&A strategy, initiated in '22. We maintain our BUY rating with unchanged PT of EUR 34.00, representing a potential upside of c. 50%.

BUY (BUY)

Target price	EUR 34.00 (34.00)
Current price	EUR 23.20
Up/downside	46.6%

 **ResearchHub** 



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Kontron AG

Austria | Technology | MCap EUR 1,504m | EV EUR 1,318m

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Acquiring Katek accomplishes Kontron's '22 M&A strategy; BUY

Acquisition of Katek. Kontron yesterday announced that it has agreed to acquire a majority stake (c. 60%) in stock listed Katek SE by signing an agreement with main shareholder PRIMEPULSE (investment vehicle of former Cancom CEO, Klaus Weinmann). Subject to the conditions precedent (antitrust law), the transaction is expected to be completed by March 2024, followed by a mandatory bid to acquire the remaining shares of Katek. Kontron agrees to pay EUR 15.00 per share reflecting a premium of 18% vs. Katek's previous close price. This values Katek at an equity value of c. EUR 217m. This announcement is therefore the largest transaction in the company's history and is expected to contribute significantly to the Group's growth and the expansion of its position as a leading IoT provider.

The target: Katek is a leading European electronics company offering high-quality electronics and products in the fields of solar energy and e-mobility. With more than 3,200 employees, Katek expects sales of more than EUR 800m (eCons) in FY23. Over the last five years, the company grew with a CAGR of 37% (both org. and external) with consensus expectations forecasting another 12% org. CAGR growth in the years to come. The company has operations in Europe, Asia and North America and EBITDA margins (according to consensus estimates) are seen between 5-7%. Besides others, control electronics for photovoltaic systems and the rapidly growing area of intelligent charging solutions for electric vehicles are an important part of Katek's product range.

Rationale: In our view, the rationale for acquiring Katek should be found in Kontron expanding its product portfolio with smart solutions for renewable energies and other industries. In addition, Katek's products are set to be upgraded with Kontron's software expertise and IoT connectivity ultimately leading to mid-term gross margins expansion by around 5pp. Additional synergy effects are seen both from the complementary product portfolio and the global market coverage. *-continued-*



Source: Company data, AlsterResearch

High/low 52 weeks 23.26 / 16.64
Price/Book Ratio 2.4x

Ticker / Symbols

ISIN AT0000A0E9W5
WKN A0X9EJ
Bloomberg KTN:GR

Changes in estimates

		Sales	EBIT	EPS
2023E	old	1,236	92	1.17
	Δ	0.0%	0.0%	0.0%
2024E	old	1,440	109	1.36
	Δ	0.0%	0.0%	0.0%
2025E	old	1,540	120	1.54
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 64.83
Book value per share: (in EUR) 9.78
Ø trading volume: (12 months) 114,296

Major shareholders

Ennoconn Corporation 27.5%
Kontron Management 6.8%
Amiral Gestion 4.4%
Free Float 56.0%

Company description

Kontron AG (formerly S&T AG) is a supplier of information technology (IT) solutions, specializing in Industry 4.0, embedded computer systems and Internet of Things (IoT) technology. Germany, Austria, Switzerland, France, Eastern Europe and North America are its core markets.

Kontron AG	2020	2021*	2022	2023E	2024E	2025E
Sales	1,255	1,003	1,096	1,236	1,440	1,540
<i>Growth yoy</i>	11.7%	-20.1%	9.3%	12.7%	16.5%	7.0%
EBITDA	130	90	70	130	158	174
EBIT	69	40	-2	92	109	120
Net profit	56	48	232	76	88	100
Net debt (net cash)	44	65	-203	-269	-297	-340
Net debt/EBITDA	0.3x	0.7x	-2.9x	-2.1x	-1.9x	-2.0x
EPS reported	0.84	0.74	3.59	1.17	1.36	1.54
DPS	0.30	0.35	1.00	0.53	0.61	0.69
<i>Dividend yield</i>	1.3%	1.5%	4.3%	2.3%	2.6%	3.0%
Gross profit margin	37.7%	37.8%	35.8%	36.2%	36.3%	36.4%
EBITDA margin	10.4%	9.0%	6.4%	10.5%	11.0%	11.3%
EBIT margin	5.5%	4.0%	-0.2%	7.5%	7.6%	7.8%
ROCE	8.3%	4.6%	-0.2%	9.3%	11.5%	11.8%
EV/Sales	1.3x	1.6x	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	12.1x	17.7x	18.8x	9.7x	7.8x	6.8x
EV/EBIT	22.9x	39.7x	-653.9x	13.6x	11.3x	10.0x
PER	27.5x	31.2x	6.5x	19.8x	17.1x	15.1x

Source: Company data, AlsterResearch; as of 2021 adj. for continued operation

Valuation. If acquired in full, Kontron is expected to pay for the shares EUR 217m and an EV (i.e. incl. net debt) of c. EUR 360m. Kontron will finance the acquisition using its own cash with the flipside being that Kontron is terminating its share buyback program prematurely. However, with a one year forward EV/EBITDA multiple of 6.6x, Kontron acquires Katek at a similarly attractive multiple as its own valuation (EV/EBITDA 24E: 7.8x, eAR). Hence, from a valuation perspective (pre synergies), we see this acquisition as slightly value accretive. The consensus price target for Katek of EUR 26.40 however suggests that the fundamental value is seen significantly above the take-out price, underlying the attractiveness of this deal.

Guidance raised. Depending on the closing of this transaction, Kontron is raising its outlook for FY24. Including the acquired Katek business, Kontron now expects consolidated sales of at least EUR 1.9bn (depending on the date of consolidation) and net profit of around EUR 100m (previously EUR 1.4bn / net income of more than EUR 87m). **Action:** For the time being, we keep our model unchanged until all relevant anti-trust clearances have been obtained and until we have more visibility in terms of timing.

Conclusion: The planned acquisition of Katek marks the final stage of Kontron's M&A strategy announced in 2022 following the sale of the IT division. While Katek seem to be a good fit into the Kontron Group, currently suppressed multiples allow Kontron to acquire Katek at a favorable price. Compared to Kontron's own valuation we see this deal slightly value accretive with potential upside coming from reaping additional synergies. Hence, we reiterate our BUY recommendation with an unchanged PT of EUR 34.00, offering a handsome upside potential of almost 50%. **Note:** According to the latest filings, Grosso Tec, an investment vehicle of CEO Hannes Niederhauser also holds a 4.3% stake in Katek. Assuming that Grosso Tec will tender its shares, this would already provide Kontron with access to c. 64% of the outstanding shares in Katek.

The following table shows the consensus estimates (2 analysts) for **Katek SE**:

Katek	2023E	2024E	2025E
Sales	798	895	998
yoy growth in %		12,2%	11,5%
EBITDA	41	54	73
EBITDA margin	5,1%	6,0%	7,3%
EBIT	16	27	45
EPS	0,37	0,96	1,86
# of shares	14,4 m		
Market Cap	216,69	@	15,00
net debt	141,00		
EV	357,69		
EV/EBITDA	8,7x	6,6x	4,9x
EV/EBIT	22,4x	13,2x	7,9x

Source: marketscreener.com

The following table displays the quarterly performance of **Kontron AG**:

P&L data	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Sales	428.1	247.0	245.6	262.4	255.7	277.7	283.2	300.0
yoy growth in %	2.3%	-16.0%	-19.9%	-16.2%	-40.3%	12.4%	15.3%	14.4%
Gross profit	108.5	89.3	92.9	97.3	81.4	107.3	115.0	118.2
Gross margin in %	25.3%	36.2%	37.8%	37.1%	31.8%	38.7%	40.6%	39.4%
EBITDA	30.8	23.7	24.8	20.9	-7.2	29.6	31.3	34.9
EBITDA margin in %	7.2%	9.6%	10.1%	8.0%	-2.8%	10.7%	11.1%	11.6%
EBIT	14.5	12.0	12.5	8.1	-40.2	20.6	22.2	25.0
EBIT margin in %	3.4%	4.9%	5.1%	3.1%	-15.7%	7.4%	7.8%	8.3%
EBT	13.0	10.1	10.4	6.3	-42.7	20.2	19.8	22.3
taxes paid	4.1	0.6	1.5	0.9	-2.0	3.6	2.3	3.4
tax rate in %	31.9%	5.5%	14.7%	14.0%	4.6%	17.9%	11.8%	15.1%
net profit	17.6	11.6	12.8	8.3	199.7	16.6	19.0	19.1
yoy growth in %	-27.2%	14.8%	23.0%	-18.0%	1,035.7%	43.1%	48.6%	128.8%
EPS	0.28	0.16	0.20	0.13	3.10	0.26	0.56	0.30

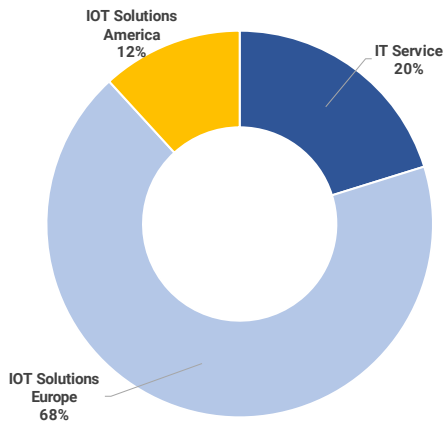
Source: Company data; AlsterResearch

Investment case in six charts

Business units and end markets



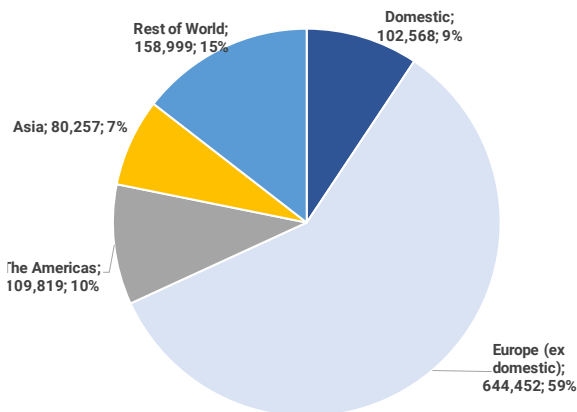
Segmental breakdown in %



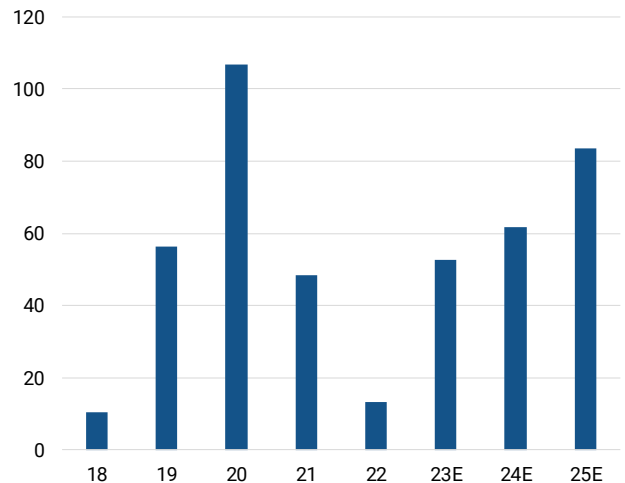
Guidance

New Guidance 2023 & Outlook 2025			
(in EUR million)	2023E old	2023E new	2025E*
Revenue	1,200m	1,200m	2,000m
EBITDA margin (in %)	11%	>11%	13%
Net Profit	>66m	>72m	140m

Regional sales



FCF to strengthen going forward



Source: Company data; AlsterResearch

SWOT analysis

Strengths

- Strong and strategic partnership with Foxconn
- Offers comprehensive suite of solutions in IT Service business
- Strong presence in DACH and EE countries
- Has diversified clients and is present in multiple geographies, minimizing concentration risk

Weaknesses

- A large part of revenue accrues from IT Services segment, which is a low-margin business and has low pricing power
- Lacks a scalable platform
- Avionics, one of its target IoT markets, is witnessing a rough phase due to travel restrictions

Opportunities

- Has a strong presence in medical and transport segments of IoT market, which are expected to grow well
- Has sufficient liquidity and balance sheet strength to undertake acquisitions in current market where valuations are attractive
- Margin expansion, as focus shifts to higher margin IoT segment and proprietary products
- Expanding presence in China, one of the fastest-growing IoT markets

Threats

- A relatively small player in the IoT market and could be hard pressed to defend its turf if a larger player enters its segment
- Dependent on Asia for hardware manufacturing and China for raw material. Geopolitical tension in the area could impair its supply chain
- Aggressive acquisitions could drag company's prospects if not properly synergized

Valuation

DCF Model

The DCF model results in a **fair value of EUR 33.68 per share**:

Top-line growth: We expect Kontron AG to grow revenues at a CAGR of 6.6% between 2023E and 2030E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 9.3% in 2023E to 12.0% in 2030E.

WACC. Starting point is a historical equity beta of 1.05. Unlevering and correcting for mean reversion yields an asset beta of 1.00. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 10.3%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25% and target debt/equity of 0.5 this results in a long-term WACC of 8.1%.

DCF (EURm) (except per share data and beta)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT	81	96	105	109	114	120	130	136	
Depreciation & amortization	38	49	55	59	62	65	67	69	
Change in working capital	-9	-14	-4	-3	-3	-3	-3	-2	
Chg. in long-term provisions	6	7	3	2	3	3	3	2	
Capex	-58	-68	-69	-70	-71	-73	-75	-73	
Cash flow	59	70	90	98	104	111	122	131	2,204
Present value	59	65	77	78	77	76	77	77	1,284
WACC	8.2%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	1,869	Planning horizon avg. revenue growth (2023E-2030E)	6.6%
Mid-year adj. total present value	1,943	Terminal value growth (2030E - infinity)	2.0%
Net debt / cash at start of year	-203	Terminal year ROCE	12.0%
Financial assets	55	Terminal year WACC	8.1%
Provisions and off b/s debt	17		
Equity value	2,184	Terminal WACC derived from	
No. of shares outstanding	64.8	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	25%
		Equity beta	1.05
		Unlevered beta (industry or company)	1.00
		Target debt / equity	0.5
		Relevered beta	1.38
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	10.3%
Discounted cash flow / share upside/(downside)	33.68 45.2%		
Share price	23.20		

Sensitivity analysis DCF		Long term growth					Share of present value	
		1.0%	1.5%	2.0%	2.5%	3.0%		
Change in WACC (%-points)	2.0%	24.7	25.5	26.4	27.3	28.4	2023E-2026E	14.9%
	1.0%	27.3	28.3	29.5	30.8	32.4	2027E-2030E	16.4%
	0.0%	30.6	32.0	33.7	35.6	38.0	terminal value	68.7%
	-1.0%	35.0	37.1	39.5	42.5	46.3		
	-2.0%	41.2	44.3	48.3	53.3	59.9		

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 26.78 per share based on 2023E and EUR 37.55 per share on 2027E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2023E	2024E	2025E	2026E	2027E
EBITDA	130	158	174	183	192
- Maintenance capex	24	36	44	50	55
- Minorities	-1	-1	-1	-1	-1
- tax expenses	11	13	15	15	16
= Adjusted FCF	96	110	116	118	122
Actual Market Cap	1,504	1,504	1,504	1,504	1,504
+ Net debt (cash)	-269	-297	-340	-387	-439
+ Pension provisions	21	24	26	27	29
+ Off B/S financing	0	0	0	0	0
- Financial assets	55	55	55	55	55
- Acc. dividend payments	65	99	139	184	230
<i>EV Reconciliations</i>	-368	-426	-508	-598	-695
= Actual EV'	1,136	1,078	996	906	809
Adjusted FCF yield	8.4%	10.2%	11.7%	13.0%	15.0%
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	1,368	1,574	1,662	1,688	1,740
- <i>EV Reconciliations</i>	-368	-426	-508	-598	-695
Fair Market Cap	1,736	2,000	2,170	2,286	2,434
No. of shares (million)	65	65	65	65	65
Fair value per share in EUR	26.78	30.84	33.47	35.26	37.55
Premium (-) / discount (+)	15.4%	32.9%	44.3%	52.0%	61.9%

Sensitivity analysis FV						
	5.0%	35	41	44	46	48
Adjusted hurdle rate	6.0%	30	35	38	40	42
	7.0%	27	31	33	35	38
	8.0%	24	28	30	32	34
	9.0%	22	25	28	29	32

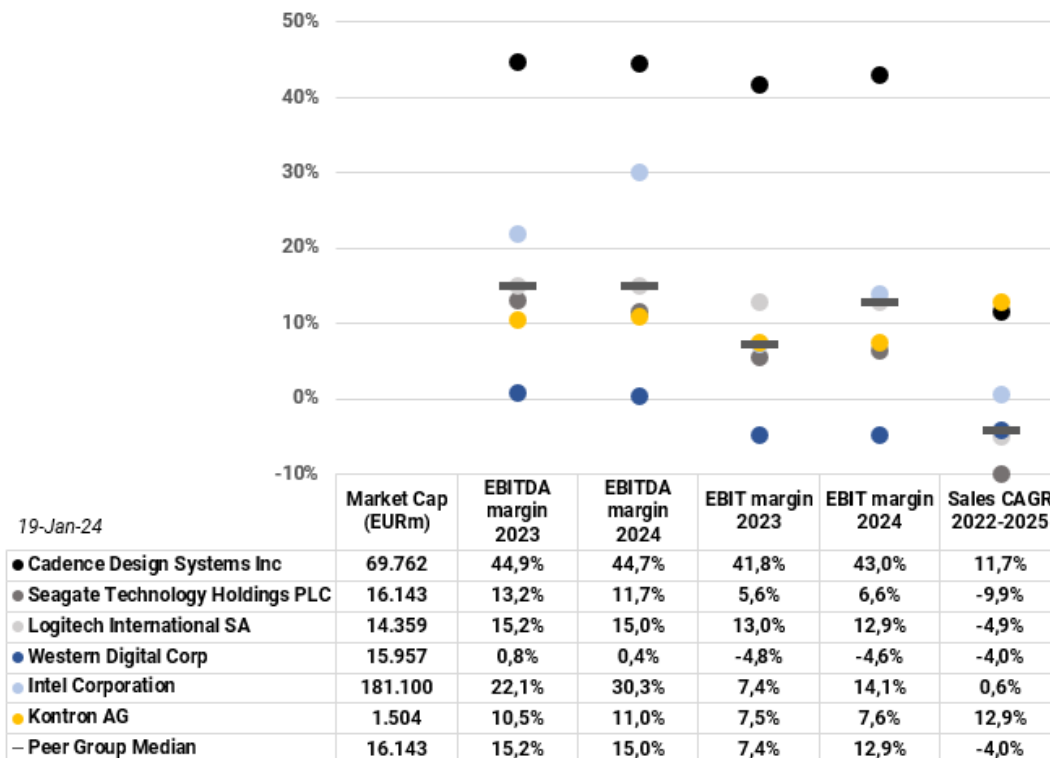
Source: Company data; AlsterResearch

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **Kontron AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of Kontron AG consists of the stocks displayed in the graph below. As of 19 January 2024 the median market cap of the peer group was EUR 16,143m, compared to EUR 1,504m for Kontron AG. In the period under review, the peer group was more profitable than Kontron AG. The expectations for sales growth are lower for the peer group than for Kontron AG.

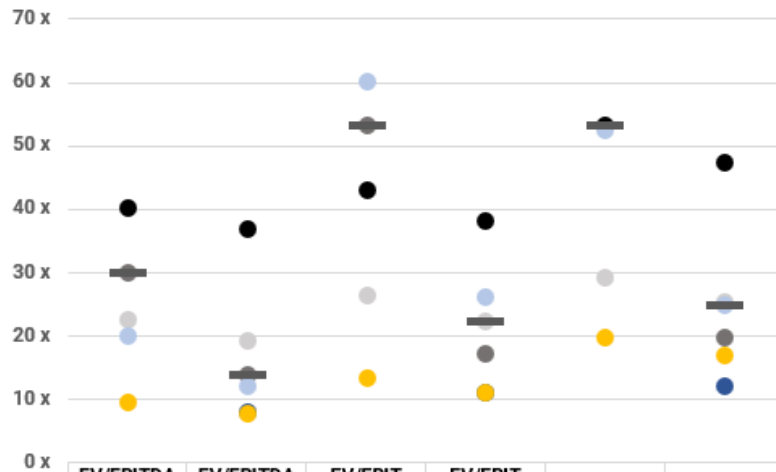
Peer Group – Key data



Source: Sentieo, AlsterResearch

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2023, EV/EBITDA 2024, EV/EBIT 2023, EV/EBIT 2024, P/E 2023 and P/E 2024. **Applying these to Kontron AG, results in a range of fair values from EUR 34.08 to EUR 79.83.**

Peer Group – Multiples and valuation



19-Jan-24

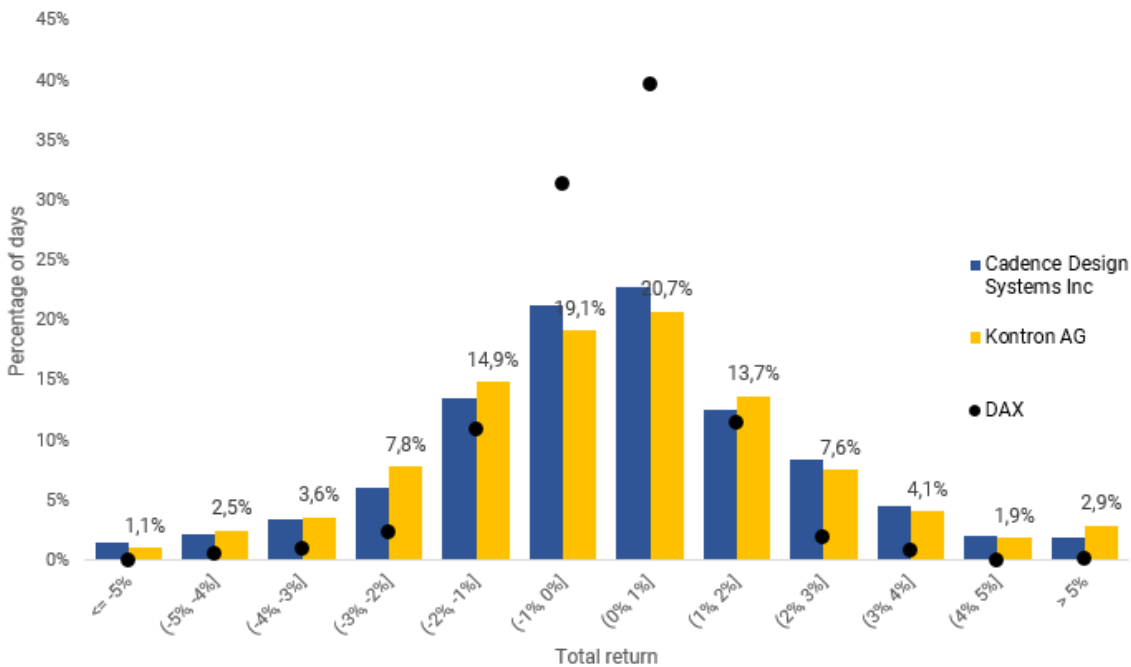
	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2023	EV/EBIT 2024	P/E 2023	P/E 2024
● Cadence Design Systems Inc	40,2x	36,9x	43,2x	38,3x	53,3x	47,4x
● Seagate Technology Holdings PLC	30,0x	14,0x	53,3x	17,3x	270,9x	19,8x
● Logitech International SA	22,7x	19,5x	26,4x	22,5x	29,4x	25,4x
● Western Digital Corp	463,7x	8,0x	9999,0x	11,2x	9999,0x	12,1x
● Intel Corporation	20,1x	12,2x	60,2x	26,2x	52,7x	25,1x
● Kontron AG	9,7x	7,8x	13,6x	11,3x	19,8x	17,1x
– Peer Group Median	30,0x	14,0x	53,3x	22,5x	53,3x	25,1x
Fair Value (EUR)	64,13	37,96	79,83	41,71	62,48	34,08

Source: Sentieo, AlsterResearch

Risk

The chart displays the **distribution of daily returns of Kontron AG** over the last 3 years, compared to the same distribution for Cadence Design Systems Inc. We have also included the distribution for the index DAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For Kontron AG, the worst day during the past 3 years was 16/12/2021 with a share price decline of -29.3%. The best day was 16/01/2023 when the share price increased by 10.2%.

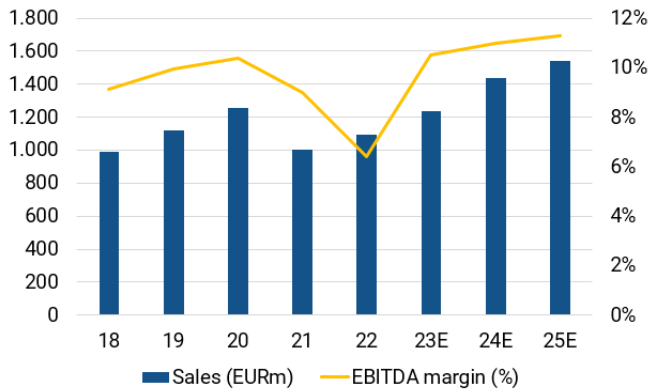
Risk – Daily Returns Distribution (trailing 3 years)



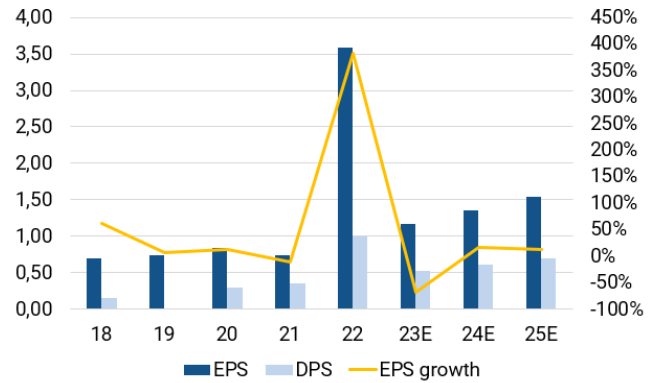
Source: Sentieo, AlsterResearch

Financials in six charts

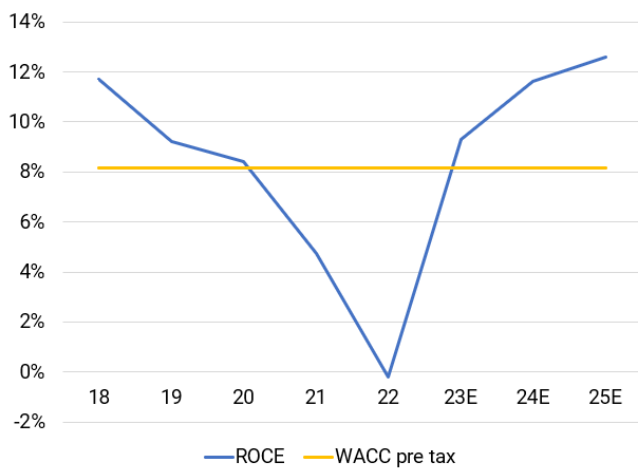
Sales vs. EBITDA margin development



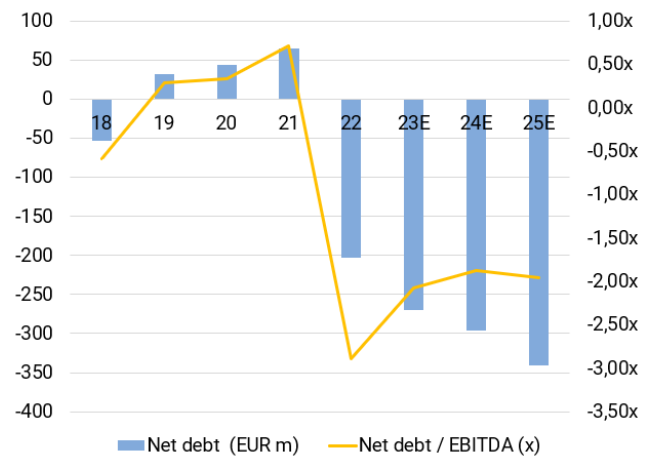
EPS, DPS in EUR & yoy EPS growth



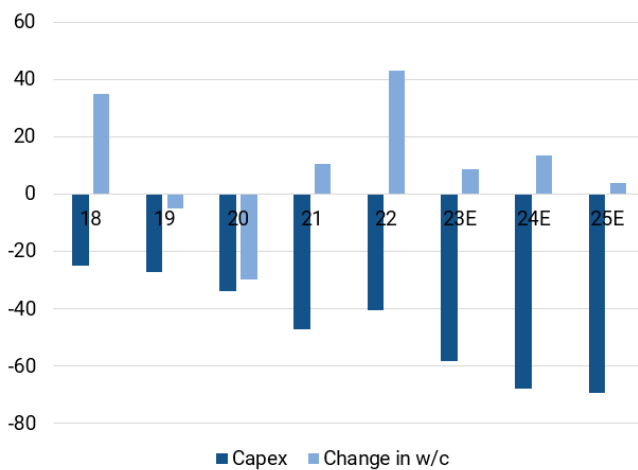
ROCE vs. WACC (pre tax)



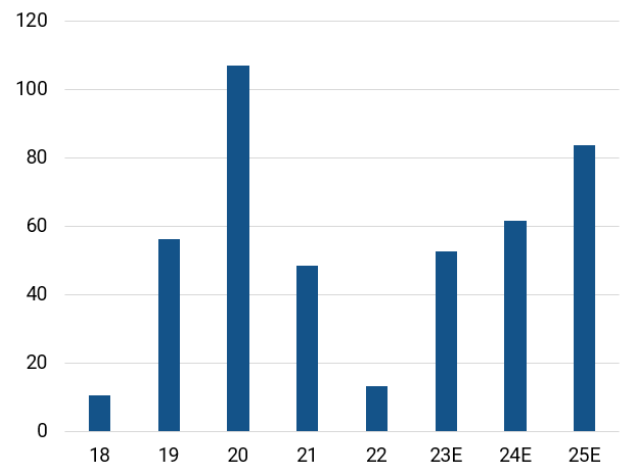
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; AlsterResearch

Financials

Profit and loss (EURm)	2020	2021	2022	2023E	2024E	2025E
Net sales	1,255	1,003	1,096	1,236	1,440	1,540
Sales growth	11.7%	-20.1%	9.3%	12.7%	16.5%	7.0%
Change in finished goods and work-in-process	18	21	23	0	0	0
Total sales	1,272	1,024	1,119	1,236	1,440	1,540
Material expenses	799	645	727	788	917	980
Gross profit	473	379	393	448	523	561
Other operating income	9	15	20	22	26	28
Personnel expenses	273	238	259	260	299	317
Other operating expenses	79	66	84	80	91	97
EBITDA	130	90	70	130	158	174
Depreciation	31	25	24	24	36	44
EBITA	99	65	46	106	122	130
Amortisation of goodwill and intangible assets	31	25	48	14	13	11
EBIT	69	40	-2	92	109	120
Financial result	-8	-8	-9	-6	-9	-6
Recurring pretax income from continuing operations	61	32	-11	86	100	114
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	61	32	-11	86	100	114
Taxes	6	2	2	11	13	15
Net income from continuing operations	55	30	-13	75	87	99
Result from discontinued operations (net of tax)	0	19	245	0	0	0
Net income	55	49	232	75	87	99
Minority interest	1	-1	1	1	1	1
Net profit (reported)	56	48	232	76	88	100
Average number of shares	66.00	64.96	64.83	64.83	64.83	64.83
EPS reported	0.84	0.74	3.59	1.17	1.36	1.54

Profit and loss (common size)	2020	2021	2022	2023E	2024E	2025E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	1%	2%	2%	0%	0%	0%
Total sales	101%	102%	102%	100%	100%	100%
Material expenses	64%	64%	66%	64%	64%	64%
Gross profit	38%	38%	36%	36%	36%	36%
Other operating income	1%	1%	2%	2%	2%	2%
Personnel expenses	22%	24%	24%	21%	21%	21%
Other operating expenses	6%	7%	8%	7%	6%	6%
EBITDA	10%	9%	6%	11%	11%	11%
Depreciation	2%	2%	2%	2%	3%	3%
EBITA	8%	7%	4%	9%	8%	8%
Amortisation of goodwill and intangible assets	2%	3%	4%	1%	1%	1%
EBIT	5%	4%	-0%	7%	8%	8%
Financial result	-1%	-1%	-1%	-0%	-1%	-0%
Recurring pretax income from continuing operations	5%	3%	-1%	7%	7%	7%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	5%	3%	-1%	7%	7%	7%
Taxes	0%	0%	0%	1%	1%	1%
Net income from continuing operations	4%	3%	-1%	6%	6%	6%
Result from discontinued operations (net of tax)	0%	2%	22%	0%	0%	0%
Net income	4%	5%	21%	6%	6%	6%
Minority interest	0%	-0%	0%	0%	0%	0%
Net profit (reported)	4%	5%	21%	6%	6%	6%

Source: Company data; AlsterResearch

Balance sheet (EURm)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (exl. Goodwill)	103	104	72	69	56	45
Goodwill	199	208	189	189	189	189
Property, plant and equipment	135	133	95	144	176	201
Financial assets	69	74	55	55	55	55
FIXED ASSETS	506	519	412	457	476	490
Inventories	160	187	193	205	239	255
Accounts receivable	228	265	202	237	276	295
Other current assets	25	26	30	30	30	30
Liquid assets	286	308	565	439	367	410
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	43	47	39	37	50	54
CURRENT ASSETS	741	833	1,029	948	962	1,045
TOTAL ASSETS	1,247	1,352	1,441	1,405	1,437	1,535
SHAREHOLDERS EQUITY	404	419	634	781	834	893
MINORITY INTEREST	5	5	2	2	2	2
Long-term debt	264	277	220	100	0	0
Provisions for pensions and similar obligations	22	21	17	21	24	26
Other provisions	68	49	16	19	22	23
Non-current liabilities	354	348	253	140	46	49
short-term liabilities to banks	66	95	143	70	70	70
Accounts payable	210	270	226	250	291	311
Advance payments received on orders	72	87	79	75	88	94
Other liabilities (incl. from lease and rental contracts)	86	76	64	74	86	92
Deferred taxes	13	13	6	6	6	6
Deferred income	37	40	35	41	48	51
Current liabilities	483	581	553	516	589	624
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,247	1,352	1,441	1,439	1,471	1,569

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (excl. Goodwill)	8%	8%	5%	5%	4%	3%
Goodwill	16%	15%	13%	13%	13%	12%
Property, plant and equipment	11%	10%	7%	10%	12%	13%
Financial assets	5%	5%	4%	4%	4%	4%
FIXED ASSETS	41%	38%	29%	33%	33%	32%
Inventories	13%	14%	13%	15%	17%	17%
Accounts receivable	18%	20%	14%	17%	19%	19%
Other current assets	2%	2%	2%	2%	2%	2%
Liquid assets	23%	23%	39%	31%	26%	27%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	3%	3%	4%	4%
CURRENT ASSETS	59%	62%	71%	67%	67%	68%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	32%	31%	44%	56%	58%	58%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	21%	21%	15%	7%	0%	0%
Provisions for pensions and similar obligations	2%	2%	1%	1%	2%	2%
Other provisions	5%	4%	1%	1%	2%	2%
Non-current liabilities	28%	26%	18%	10%	3%	3%
short-term liabilities to banks	5%	7%	10%	5%	5%	5%
Accounts payable	17%	20%	16%	18%	20%	20%
Advance payments received on orders	6%	6%	5%	5%	6%	6%
Other liabilities (incl. from lease and rental contracts)	7%	6%	4%	5%	6%	6%
Deferred taxes	1%	1%	0%	0%	0%	0%
Deferred income	3%	3%	2%	3%	3%	3%
Current liabilities	39%	43%	38%	37%	41%	41%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	102%	102%	102%

Source: Company data; AlsterResearch

Cash flow statement (EURm)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	61	54	245	75	87	99
Depreciation of fixed assets (incl. leases)	61	64	24	24	36	44
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	48	14	13	11
Others	-11	-12	-221	6	7	3
Cash flow from operations before changes in w/c	111	106	96	119	143	157
Increase/decrease in inventory	9	-26	-18	-12	-34	-16
Increase/decrease in accounts receivable	47	-41	-23	-35	-39	-19
Increase/decrease in accounts payable	-2	69	24	24	41	20
Increase/decrease in other w/c positions	-24	-13	-26	14	18	12
Increase/decrease in working capital	30	-11	-43	-9	-14	-4
Cash flow from operating activities	141	95	54	111	129	153
CAPEX	-34	-47	-40	-58	-68	-69
Payments for acquisitions	-41	-16	-22	-58	0	0
Financial investments	-3	-7	203	0	0	0
Income from asset disposals	1	4	3	137	0	0
Cash flow from investing activities	-77	-66	144	21	-68	-69
Cash flow before financing	64	29	197	131	62	83
Increase/decrease in debt position	-41	29	-57	-192	-100	0
Purchase of own shares	-12	-21	0	0	0	0
Capital measures	1	0	0	0	0	0
Dividends paid	0	-20	-22	-65	-34	-40
Others	-14	-9	-12	0	0	0
Effects of exchange rate changes on cash	-8	4	0	0	0	0
Cash flow from financing activities	-74	-16	-90	-257	-134	-40
Increase/decrease in liquid assets	-10	13	107	-126	-73	44
Liquid assets at end of period	255	268	438	312	240	284

Source: Company data; AlsterResearch

Regional sales split (EURm)	2020	2021	2022	2023E	2024E	2025E
Domestic	103	106	103	116	135	144
Europe (ex domestic)	785	604	644	727	846	906
The Americas	122	96	110	124	144	154
Asia	42	62	80	90	105	113
Rest of World	204	134	159	179	209	223
Total sales	1,255	1,003	1,096	1,236	1,440	1,540

Regional sales split (common size)	2020	2021	2022	2023E	2024E	2025E
Domestic	8.2%	10.5%	9.4%	9.4%	9.4%	9.4%
Europe (ex domestic)	62.5%	60.3%	58.8%	58.8%	58.8%	58.8%
The Americas	9.7%	9.6%	10.0%	10.0%	10.0%	10.0%
Asia	3.3%	6.2%	7.3%	7.3%	7.3%	7.3%
Rest of World	16.2%	13.4%	14.5%	14.5%	14.5%	14.5%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
Per share data						
Earnings per share reported	0.84	0.74	3.59	1.17	1.36	1.54
Cash flow per share	2.13	1.47	0.83	1.34	1.44	1.68
Book value per share	6.12	6.44	9.78	12.05	12.87	13.78
Dividend per share	0.30	0.35	1.00	0.53	0.61	0.69
Valuation						
P/E	27.5x	31.2x	6.5x	19.8x	17.1x	15.1x
P/CF	10.9x	15.8x	28.1x	17.3x	16.1x	13.8x
P/BV	3.8x	3.6x	2.4x	1.9x	1.8x	1.7x
Dividend yield (%)	1.3%	1.5%	4.3%	2.3%	2.6%	3.0%
FCF yield (%)	9.2%	6.3%	3.6%	5.8%	6.2%	7.2%
EV/Sales	1.3x	1.6x	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	12.1x	17.7x	18.8x	9.7x	7.8x	6.8x
EV/EBIT	22.9x	39.7x	-653.9x	13.6x	11.3x	10.0x
Income statement (EURm)						
Sales	1,255	1,003	1,096	1,236	1,440	1,540
yoy chg in %	11.7%	-20.1%	9.3%	12.7%	16.5%	7.0%
Gross profit	473	379	393	448	523	561
Gross margin in %	37.7%	37.8%	35.8%	36.2%	36.3%	36.4%
EBITDA	130	90	70	130	158	174
EBITDA margin in %	10.4%	9.0%	6.4%	10.5%	11.0%	11.3%
EBIT	69	40	-2	92	109	120
EBIT margin in %	5.5%	4.0%	-0.2%	7.5%	7.6%	7.8%
Net profit	56	48	232	76	88	100
Cash flow statement (EURm)						
CF from operations	141	95	54	111	129	153
Capex	-34	-47	-40	-58	-68	-69
Maintenance Capex	0	0	0	24	36	44
Free cash flow	107	48	13	53	62	83
Balance sheet (EURm)						
Intangible assets	302	312	262	258	245	234
Tangible assets	135	133	95	144	176	201
Shareholders' equity	404	419	634	781	834	893
Pension provisions	22	21	17	21	24	26
Liabilities and provisions	420	443	395	210	116	119
Net financial debt	44	65	-203	-269	-297	-340
w/c requirements	106	96	90	116	136	145
Ratios						
ROE	13.5%	11.7%	36.6%	9.6%	10.5%	11.1%
ROCE	8.3%	4.6%	-0.2%	9.3%	11.5%	11.8%
Net gearing	10.9%	15.4%	-32.0%	-34.5%	-35.6%	-38.1%
Net debt / EBITDA	0.3x	0.7x	-2.9x	-2.1x	-1.9x	-2.0x

Source: Company data; AlsterResearch

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