

# Kontron AG

Austria | Technology | MCap EUR 1,302m

4 July 2024

UPDATE



## New major wall box order; est. / PT up, BUY confirmed

### What's it all about?

Kontron has announced a new major order for its smart charging systems for EVs with an order volume of EUR 120m. Kontron will develop and manufacture smart wall boxes for the European and Chinese markets. The new order marks the second major order since the acquisition of Katek and its subsidiary eSystems. Kontron's strategic focus on IoT solutions in areas like smart trains, solar systems, eMobility, aerospace, and smart factories is paying off. The back-to-back major orders for smart wall boxes secured in 2024, totaling over EUR 320m, indicate strong market demand and Kontron's ability to capitalize on it. We upgrade our estimates and reiterate our BUY rating with a new price target of EUR 35.00 (old: EUR 34.00).

**BUY** (BUY)

<b>Target price</b>	<b>EUR 35.00</b> (34.00)
Current price	EUR 19.87
Up/downside	76.1%

 ResearchHub 



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Austria | Technology | MCap EUR 1,302m | EV EUR 1,243m

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## New major wall box order; est. / PT up, BUY confirmed

**New order for smart wall boxes:** Kontron has announced a new major order for its smart charging systems for EVs from “a leading German automobile manufacturer”. Kontron will develop and manufacture smart wall boxes for the European and Chinese markets. The order consists of the development and delivery of a new generation of intelligent, fully networked charging systems. Series production will commence in Q3 2024 and run until 2028. The order has a volume of EUR 120m.

**Leveraging on eSystems’ technology:** The development of these fully networked charging solutions will leverage the expertise of eSystems, a subsidiary acquired through the recent Katek merger. eSystems’ proven “ghostONE” platform offers next level smart charging features, such as dynamic tariff integration and renewable energy integration.

**Back-to-back major orders.** The new order marks the second major order since the acquisition of Katek. In May, Kontron announced that it has been approved to supply smart charging stations for electric vehicles to one of the world’s largest car manufacturers, with series production set to begin in July 2024. The initial phase of this contract is valued at a minimum of EUR 200m.

**Maintain BUY.** Kontron’s strategic focus on IoT solutions in areas like smart trains, solar systems, eMobility, aerospace, and smart factories is paying off. The back-to-back major orders for smart wall boxes secured in 2024, totaling over EUR 320m, indicate strong market demand and Kontron’s ability to capitalize on it. We continue to believe that the market has not yet accurately priced Kontron as an IoT company and the immense synergy potential from recent purchases, which is reflected in a discount to peers. Following the new order, we upgrade our estimates. We reiterate our BUY rating with an upgraded price target of EUR 35.00 (old: EUR 34.00).



Source: Company data, mwb research

**High/low 52 weeks** 23.32 / 17.14  
**Price/Book Ratio** 2.2x

**Ticker / Symbols**  
ISIN AT0000A0E9W5  
WKN A0X9EJ  
Bloomberg KTN:GR

### Changes in estimates

		Sales	EBIT	EPS
2024E	old	1,900	120	1.46
	Δ	0.8%	1.1%	1.1%
2025E	old	2,033	148	1.86
	Δ	1.7%	2.9%	3.0%
2026E	old	2,135	166	2.10
	Δ	2.7%	4.2%	4.3%

### Key share data

Number of shares: (in m pcs) 65.51  
Book value per share: (in EUR) 9.19  
Ø trading vol.: (12 months) 0

### Major shareholders

Ennoconn Corporation 27.5%  
Kontron Management 4.9%  
Naneva B.V. 5.3%  
Free Float 59.0%

### 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	2021	2022	2023	2024E	2025E	2026E
Sales	1,003	1,064	1,226	1,915	2,068	2,192
Growth yoy	-20.1%	6.1%	15.3%	56.2%	8.0%	6.0%
EBITDA	90	70	126	163	265	283
EBIT	40	-2	86	121	152	173
Net profit	48	243	78	97	126	143
Net debt (net cash)	65	-203	-83	168	68	-36
Net debt/EBITDA	0.7x	-2.9x	-0.7x	1.0x	0.3x	-0.1x
EPS reported	0.74	3.76	1.19	1.48	1.92	2.19
DPS	0.35	1.00	0.50	0.67	0.86	0.99
Dividend yield	1.8%	5.0%	2.5%	3.4%	4.3%	5.0%
Gross profit margin	37.8%	36.9%	40.0%	37.0%	40.0%	40.0%
EBITDA margin	9.0%	6.6%	10.3%	8.5%	12.8%	12.9%
EBIT margin	4.0%	-0.2%	7.1%	6.3%	7.3%	7.9%
ROCE	4.6%	-0.2%	9.5%	12.3%	15.7%	18.1%
EV/Sales	1.4x	1.0x	1.0x	0.8x	0.7x	0.6x
EV/EBITDA	15.4x	15.9x	9.9x	9.2x	5.3x	4.6x
EV/EBIT	34.6x	-553.6x	14.4x	12.4x	9.2x	7.5x
PER	26.7x	5.3x	16.7x	13.4x	10.4x	9.1x

Source: Company data, mwb research

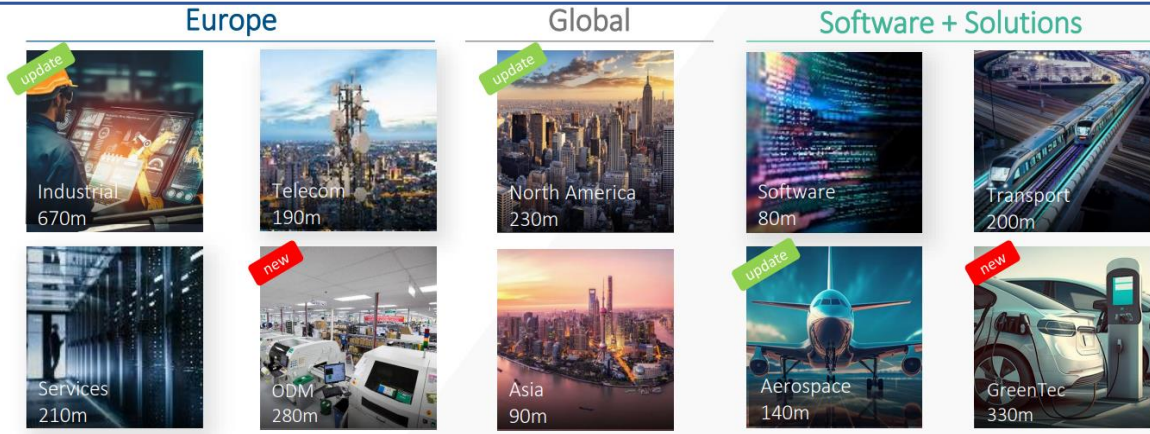
The following table displays the quarterly performance of **Kontron AG**:

P&L data	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Sales	245.6	262.4	341.1	277.7	283.2	300.0	365.0	356.1
yoy growth in %	-19.9%	-16.2%	-20.3%	12.4%	15.3%	14.4%	7.0%	28.2%
Gross profit	92.9	97.3	102.3	112.0	120.2	124.3	134.4	155.0
Gross margin in %	37.8%	37.1%	30.0%	40.3%	42.5%	41.4%	36.8%	43.5%
EBITDA	24.8	20.9	7.3	29.6	31.3	34.9	30.2	35.4
EBITDA margin in %	10.1%	8.0%	2.1%	10.7%	11.1%	11.6%	8.3%	9.9%
EBIT	12.5	8.1	-34.7	20.6	22.2	25.0	18.6	22.0
EBIT margin in %	5.1%	3.1%	-10.2%	7.4%	7.8%	8.3%	5.1%	6.2%
EBT	10.4	6.3	-37.5	20.2	19.8	22.3	16.9	18.8
taxes paid	1.5	0.9	-0.8	3.6	2.3	3.4	-5.8	2.1
tax rate in %	14.7%	14.0%	2.1%	17.9%	11.8%	15.1%	-34.1%	11.3%
net profit	12.8	8.3	199.7	16.6	19.0	19.0	23.1	16.3
yoy growth in %	23.0%	-18.0%	1,035.7%	43.1%	48.6%	127.5%	-88.4%	-1.7%
<b>EPS</b>	<b>0.20</b>	<b>0.13</b>	<b>3.14</b>	<b>0.26</b>	<b>0.30</b>	<b>0.30</b>	<b>0.37</b>	<b>0.26</b>

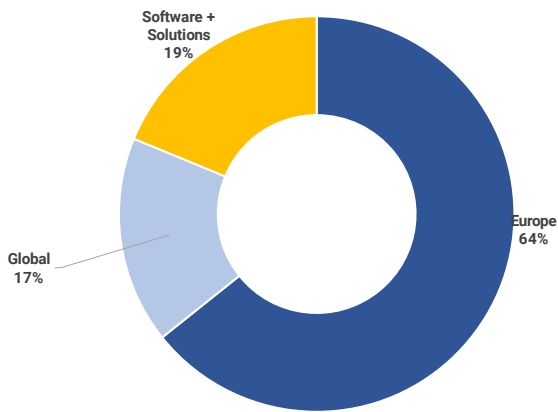
Source: Company data; mwb research

# Investment case in six charts

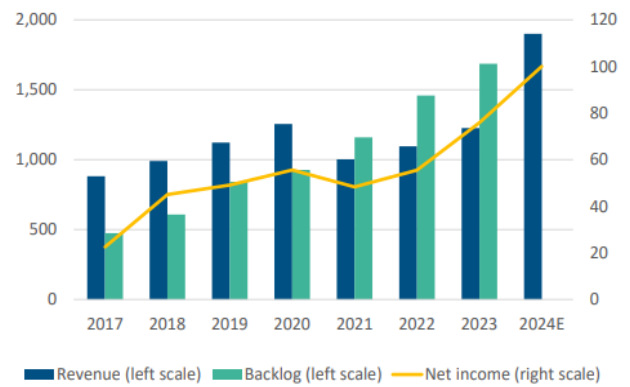
## Business units and end markets



## Segmental breakdown in %

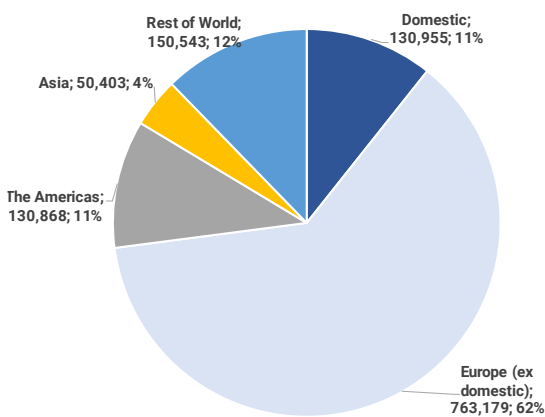


## Guidance

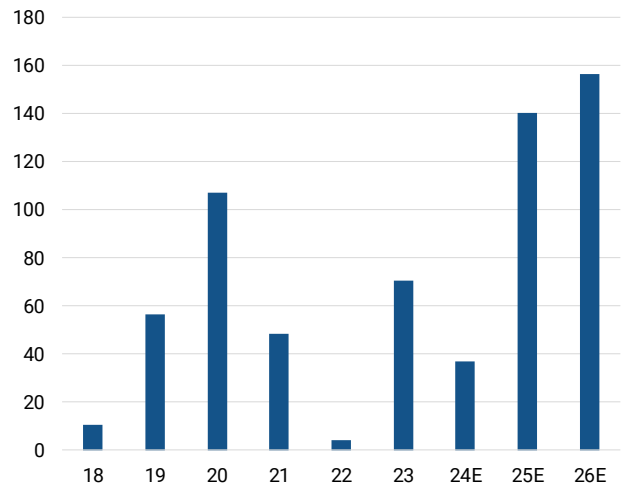


Agenda 2025: EUR 2bn in sales and EUR 140m in net income

## Regional sales



## FCF to strengthen going forward



Source: Company data, mwb research

# 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 35.32 per share**:

**Top-line growth:** We expect Kontron AG to grow revenues at a CAGR of 3.8% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

**ROCE.** Returns on capital are developing from 12.3% in 2024E to 14.8% in 2031E.

**WACC.** Starting point is a historical equity beta of 1.05. Unlevering and correcting for mean reversion yields an asset beta of 1.08. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 10.9%. 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 8.5%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	102	128	146	153	158	163	167	169	
Depreciation & amortization	42	113	110	108	106	104	103	101	
Change in working capital	-18	-9	-5	-2	-3	-3	-2	-2	
Chg. in long-term provisions	18	5	4	2	2	2	2	2	
Capex	-90	-93	-94	-95	-95	-96	-93	-95	
Cash flow	55	144	161	166	168	171	177	175	2,741
Present value	53	127	131	124	116	109	104	95	1,485
WACC	8.7%	8.7%	8.6%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	2,344	Planning horizon avg. revenue growth (2024E-2031E)	3.8%
Mid-year adj. total present value	2,443	Terminal value growth (2031E - infinity)	2.0%
Net debt / cash at start of year	167	Terminal year ROCE	14.8%
Financial assets	63	Terminal year WACC	8.5%
Provisions and off b/s debt	24		
Equity value	2,314	Terminal WACC derived from	
No. of shares outstanding	65.5	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	25%
		Equity beta	1.05
		Unlevered beta (industry or company)	1.08
		Target debt / equity	0.5
		Relevered beta	1.49
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	10.9%

Discounted cash flow / share	
Discounted cash flow / share	35.32
upside/(downside)	77.8%

Share price	
Share price	19.87

Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%		
2.0%	25.0	25.8	26.8	27.8	29.1	2024E-2027E	18.6%
1.0%	28.1	29.2	30.5	31.9	33.6	2028E-2031E	18.1%
0.0%	32.0	33.5	35.3	37.4	39.9	terminal value	63.3%
-1.0%	37.1	39.3	41.9	45.0	48.9		
-2.0%	44.1	47.4	51.4	56.5	62.9		

Source: mwb research



## 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 24.45 per share based on 2024E and EUR 46.04 per share on 2028E 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	2024E	2025E	2026E	2027E	2028E
<b>EBITDA</b>	<b>163</b>	<b>265</b>	<b>283</b>	<b>289</b>	<b>293</b>
- Maintenance capex	25	86	88	89	91
- Minorities	3	4	4	5	5
- tax expenses	15	19	22	23	24
<b>= Adjusted FCF</b>	<b>119</b>	<b>155</b>	<b>168</b>	<b>172</b>	<b>174</b>
<b>Actual Market Cap</b>	<b>1,302</b>	<b>1,302</b>	<b>1,302</b>	<b>1,302</b>	<b>1,302</b>
+ Net debt (cash)	167	66	-40	-143	-246
+ Pension provisions	33	35	37	38	40
+ Off B/S financing	0	0	0	0	0
- Financial assets	63	63	63	63	63
- Acc. dividend payments	33	76	133	198	265
<i>EV Reconciliations</i>	104	-38	-199	-366	-535
<b>= Actual EV'</b>	<b>1,406</b>	<b>1,263</b>	<b>1,103</b>	<b>936</b>	<b>767</b>
<b>Adjusted FCF yield</b>	<b>8.5%</b>	<b>12.3%</b>	<b>15.3%</b>	<b>18.4%</b>	<b>22.6%</b>
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%
<b>Fair EV</b>	<b>1,706</b>	<b>2,217</b>	<b>2,406</b>	<b>2,455</b>	<b>2,481</b>
- <i>EV Reconciliations</i>	104	-38	-199	-366	-535
<b>Fair Market Cap</b>	<b>1,602</b>	<b>2,256</b>	<b>2,606</b>	<b>2,821</b>	<b>3,016</b>
No. of shares (million)	66	66	66	66	66
<b>Fair value per share in EUR</b>	<b>24.45</b>	<b>34.43</b>	<b>39.77</b>	<b>43.06</b>	<b>46.04</b>
<b>Premium (-) / discount (+)</b>	<b>23.1%</b>	<b>73.3%</b>	<b>100.2%</b>	<b>116.7%</b>	<b>131.7%</b>

Sensitivity analysis FV						
<b>Adjusted hurdle rate</b>	5.0%	35	48	54	58	61
	6.0%	29	40	46	49	52
	<b>7.0%</b>	<b>24</b>	<b>34</b>	<b>40</b>	<b>43</b>	<b>46</b>
	8.0%	21	30	35	38	41
	9.0%	19	27	32	35	38

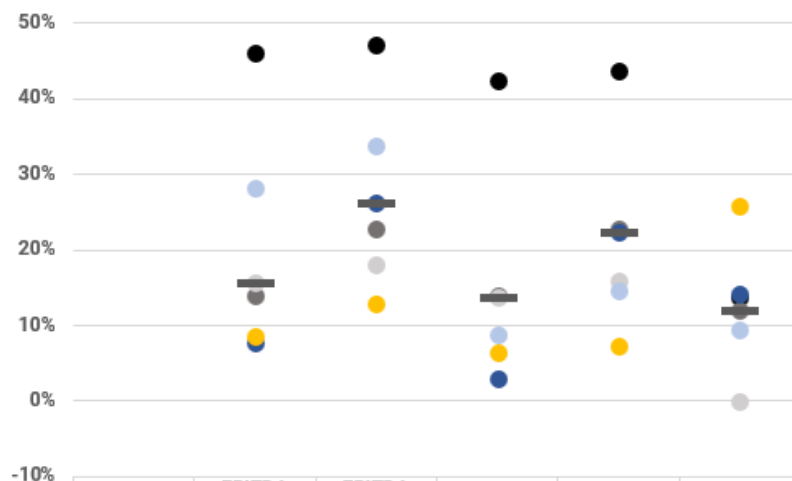
Source: Company data; mwb research

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 chart below. As of 4 July 2024 the median market cap of the peer group was EUR 23,736m, compared to EUR 1,302m 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



4-Jul-24	Market Cap (EURm)	EBITDA margin 2024	EBITDA margin 2025	EBIT margin 2024	EBIT margin 2025	Sales CAGR 2023-2026
● Cadence Design Systems Inc	80,375	46.0%	47.2%	42.4%	43.8%	13.7%
● Seagate Technology Holdings PLC	20,170	14.0%	22.9%	14.0%	22.8%	12.1%
● Logitech International SA	15,447	15.6%	18.1%	13.7%	16.0%	0.0%
● Western Digital Corp	23,736	7.6%	26.3%	3.1%	22.3%	14.1%
● Intel Corp	123,182	28.1%	33.8%	8.9%	14.6%	9.3%
● Kontron AG	1,302	8.5%	12.8%	6.3%	7.3%	25.9%
– Peer Group Median	23,736	15.6%	26.3%	13.7%	22.3%	12.1%

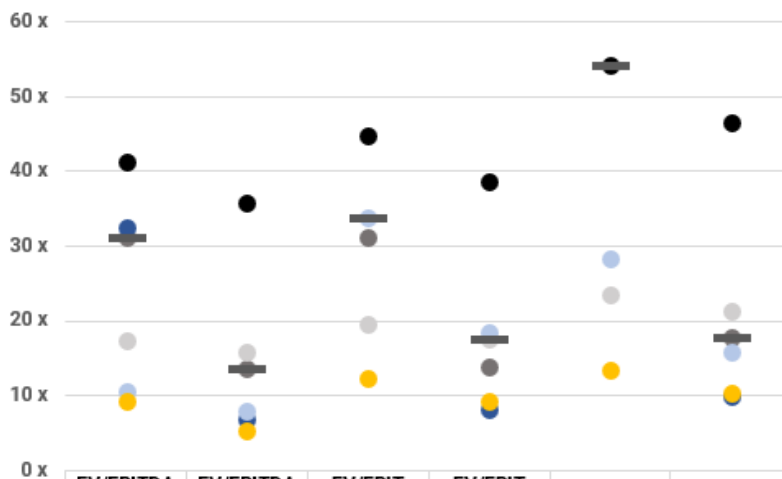
Source: AlphaSense, mwb research



Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

**Applying these to Kontron AG results in a range of fair values from EUR 34.09 to EUR 80.35.**

**Peer Group – Multiples and valuation**



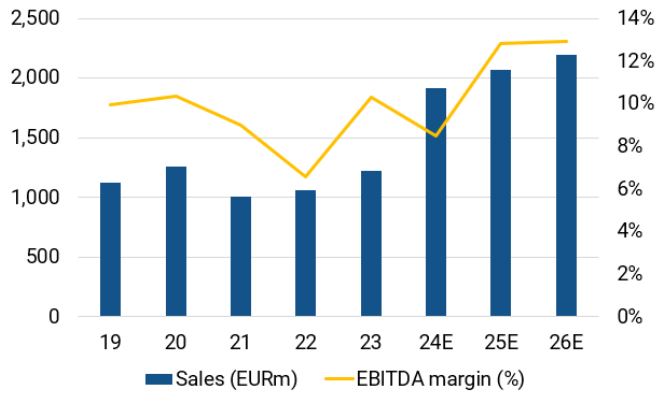
4-Jul-24

	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● Cadence Design Systems Inc	41.3x	35.8x	44.8x	38.6x	54.2x	46.5x
● Seagate Technology Holdings PLC	31.2x	13.8x	31.2x	13.8x	114.0x	17.8x
● Logitech International SA	17.3x	15.8x	19.6x	17.7x	23.5x	21.3x
● Western Digital Corp	32.6x	6.9x	80.9x	8.1x	9999.0x	10.0x
● Intel Corp	10.7x	8.0x	33.9x	18.4x	28.4x	15.9x
● Kontron AG	9.2x	5.3x	12.4x	9.2x	13.4x	10.4x
– Peer Group Median	31.2x	13.8x	33.9x	17.7x	54.2x	17.8x
Fair Value (EUR)	74.47	52.62	59.64	37.91	80.35	34.09

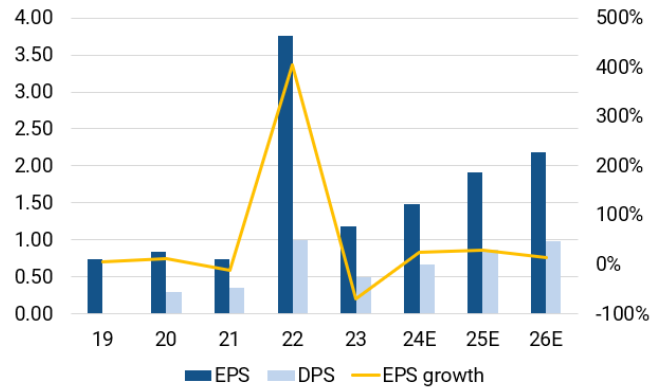
Source: AlphaSense, mwb research

# Financials in six charts

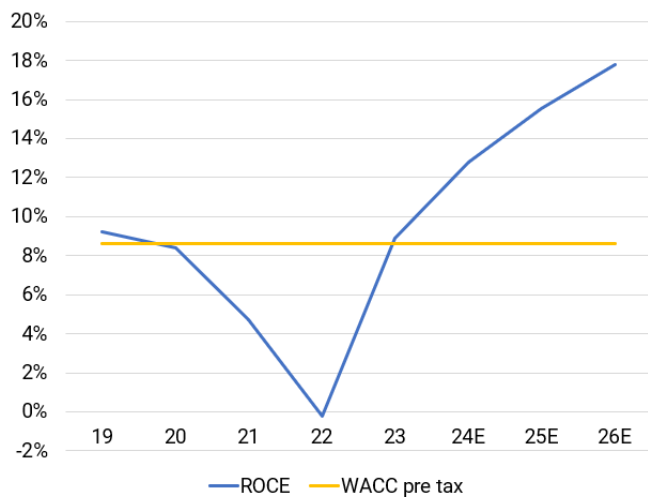
**Sales vs. EBITDA margin development**



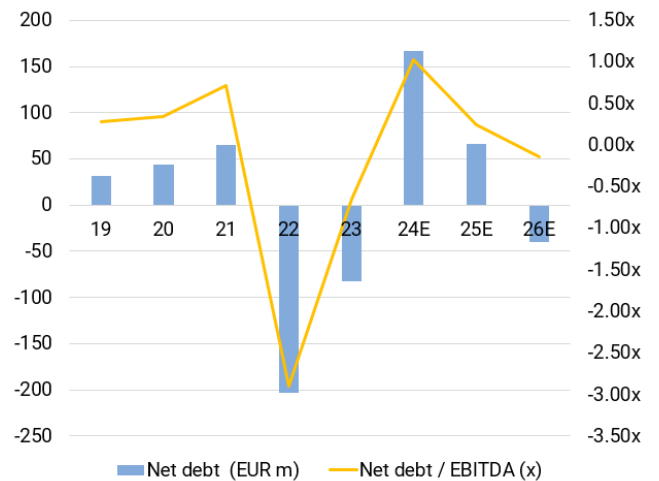
**EPS, DPS in EUR & yoy EPS growth**



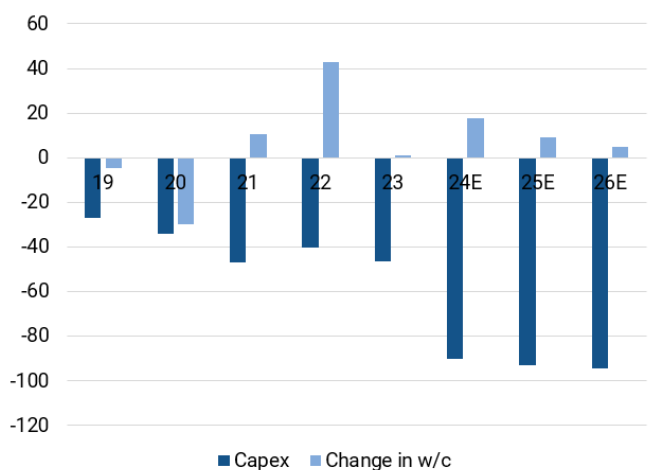
**ROCE vs. WACC (pre tax)**



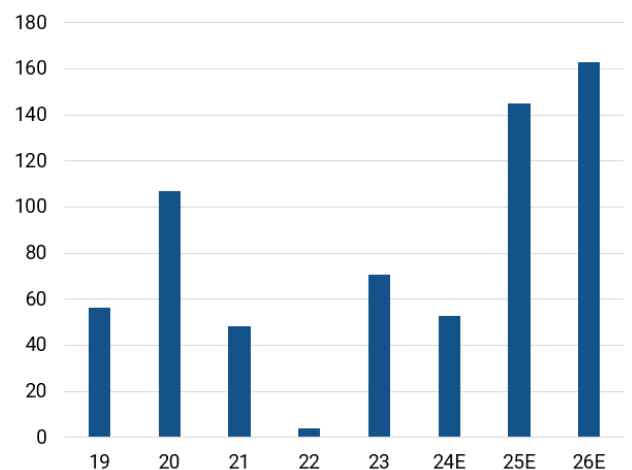
**Net debt and net debt/EBITDA**



**Capex & chgn in w/c requirements in EURm**



**Free Cash Flow in EURm**



Source: Company data; mwb research

## Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
<b>Net sales</b>	<b>1,003</b>	<b>1,064</b>	<b>1,226</b>	<b>1,915</b>	<b>2,068</b>	<b>2,192</b>
Sales growth	-20.1%	6.1%	15.3%	56.2%	8.0%	6.0%
Change in finished goods and work-in-process	21	23	25	19	21	22
<b>Total sales</b>	<b>1,024</b>	<b>1,087</b>	<b>1,251</b>	<b>1,934</b>	<b>2,089</b>	<b>2,214</b>
Material expenses	645	694	760	1,226	1,262	1,337
<b>Gross profit</b>	<b>379</b>	<b>393</b>	<b>491</b>	<b>709</b>	<b>827</b>	<b>877</b>
Other operating income	15	20	15	34	37	39
Personnel expenses	238	259	292	446	463	489
Other operating expenses	66	84	89	134	137	145
<b>EBITDA</b>	<b>90</b>	<b>70</b>	<b>126</b>	<b>163</b>	<b>265</b>	<b>283</b>
Depreciation	25	24	24	25	86	88
EBITA	65	46	102	137	178	195
Amortisation of goodwill and intangible assets	25	48	15	16	27	22
<b>EBIT</b>	<b>40</b>	<b>-2</b>	<b>86</b>	<b>121</b>	<b>152</b>	<b>173</b>
Financial result	-8	-9	-7	-6	-3	-3
Recurring pretax income from continuing operations	32	-11	79	115	149	170
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	32	-11	79	115	149	170
Taxes	2	2	4	15	19	22
Net income from continuing operations	30	-13	76	100	130	148
Result from discontinued operations (net of tax)	19	256	3	0	0	0
<b>Net income</b>	<b>49</b>	<b>243</b>	<b>78</b>	<b>100</b>	<b>130</b>	<b>148</b>
Minority interest	-1	1	-0	-3	-4	-4
Net profit (reported)	48	243	78	97	126	143
Average number of shares	64.96	64.83	65.51	65.51	65.51	65.51
<b>EPS reported</b>	<b>0.74</b>	<b>3.76</b>	<b>1.19</b>	<b>1.48</b>	<b>1.92</b>	<b>2.19</b>

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
<b>Net sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Change in finished goods and work-in-process	2%	2%	2%	1%	1%	1%
<b>Total sales</b>	<b>102%</b>	<b>102%</b>	<b>102%</b>	<b>101%</b>	<b>101%</b>	<b>101%</b>
Material expenses	64%	65%	62%	64%	61%	61%
<b>Gross profit</b>	<b>38%</b>	<b>37%</b>	<b>40%</b>	<b>37%</b>	<b>40%</b>	<b>40%</b>
Other operating income	1%	2%	1%	2%	2%	2%
Personnel expenses	24%	24%	24%	23%	22%	22%
Other operating expenses	7%	8%	7%	7%	7%	7%
<b>EBITDA</b>	<b>9%</b>	<b>7%</b>	<b>10%</b>	<b>9%</b>	<b>13%</b>	<b>13%</b>
Depreciation	2%	2%	2%	1%	4%	4%
EBITA	7%	4%	8%	7%	9%	9%
Amortisation of goodwill and intangible assets	3%	5%	1%	1%	1%	1%
<b>EBIT</b>	<b>4%</b>	<b>-0%</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>
Financial result	-1%	-1%	-1%	-0%	-0%	-0%
Recurring pretax income from continuing operations	3%	-1%	6%	6%	7%	8%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	3%	-1%	6%	6%	7%	8%
Taxes	0%	0%	0%	1%	1%	1%
Net income from continuing operations	3%	-1%	6%	5%	6%	7%
Result from discontinued operations (net of tax)	2%	24%	0%	0%	0%	0%
<b>Net income</b>	<b>5%</b>	<b>23%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>
Minority interest	-0%	0%	-0%	-0%	-0%	-0%
<b>Net profit (reported)</b>	<b>5%</b>	<b>23%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
<b>Intangible assets (exl. Goodwill)</b>	<b>104</b>	<b>72</b>	<b>102</b>	<b>156</b>	<b>130</b>	<b>107</b>
Goodwill	208	189	217	217	217	217
Property, plant and equipment	133	95	110	375	382	388
Financial assets	74	55	63	63	63	63
<b>FIXED ASSETS</b>	<b>519</b>	<b>412</b>	<b>493</b>	<b>811</b>	<b>791</b>	<b>775</b>
Inventories	187	193	229	319	328	348
Accounts receivable	265	202	252	367	397	420
Other current assets	26	30	26	26	26	26
Liquid assets	308	565	346	83	84	90
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	47	39	26	67	72	77
<b>CURRENT ASSETS</b>	<b>833</b>	<b>1,029</b>	<b>878</b>	<b>862</b>	<b>907</b>	<b>961</b>
<b>TOTAL ASSETS</b>	<b>1,352</b>	<b>1,441</b>	<b>1,371</b>	<b>1,672</b>	<b>1,698</b>	<b>1,737</b>
<b>SHAREHOLDERS EQUITY</b>	<b>419</b>	<b>634</b>	<b>602</b>	<b>669</b>	<b>755</b>	<b>846</b>
MINORITY INTEREST	5	2	2	2	2	2
Long-term debt	277	220	93	0	0	0
Provisions for pensions and similar obligations	21	17	24	33	35	37
Other provisions	49	16	19	29	31	33
<b>Non-current liabilities</b>	<b>348</b>	<b>253</b>	<b>136</b>	<b>61</b>	<b>66</b>	<b>70</b>
short-term liabilities to banks	95	143	170	250	150	50
Accounts payable	270	226	273	390	401	425
Advance payments received on orders	87	79	70	117	126	134
Other liabilities (incl. from lease and rental contracts)	76	64	76	115	124	132
Deferred taxes	13	6	5	5	5	5
Deferred income	40	35	36	63	68	72
<b>Current liabilities</b>	<b>581</b>	<b>553</b>	<b>631</b>	<b>940</b>	<b>875</b>	<b>818</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>1,352</b>	<b>1,441</b>	<b>1,371</b>	<b>1,672</b>	<b>1,698</b>	<b>1,737</b>

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
<b>Intangible assets (excl. Goodwill)</b>	<b>8%</b>	<b>5%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	<b>6%</b>
Goodwill	15%	13%	16%	13%	13%	12%
Property, plant and equipment	10%	7%	8%	22%	22%	22%
Financial assets	5%	4%	5%	4%	4%	4%
<b>FIXED ASSETS</b>	<b>38%</b>	<b>29%</b>	<b>36%</b>	<b>48%</b>	<b>47%</b>	<b>45%</b>
Inventories	14%	13%	17%	19%	19%	20%
Accounts receivable	20%	14%	18%	22%	23%	24%
Other current assets	2%	2%	2%	2%	2%	1%
Liquid assets	23%	39%	25%	5%	5%	5%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	2%	4%	4%	4%
<b>CURRENT ASSETS</b>	<b>62%</b>	<b>71%</b>	<b>64%</b>	<b>52%</b>	<b>53%</b>	<b>55%</b>
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>31%</b>	<b>44%</b>	<b>44%</b>	<b>40%</b>	<b>44%</b>	<b>49%</b>
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	21%	15%	7%	0%	0%	0%
Provisions for pensions and similar obligations	2%	1%	2%	2%	2%	2%
Other provisions	4%	1%	1%	2%	2%	2%
<b>Non-current liabilities</b>	<b>26%</b>	<b>18%</b>	<b>10%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
short-term liabilities to banks	7%	10%	12%	15%	9%	3%
Accounts payable	20%	16%	20%	23%	24%	24%
Advance payments received on orders	6%	5%	5%	7%	7%	8%
Other liabilities (incl. from lease and rental contracts)	6%	4%	6%	7%	7%	8%
Deferred taxes	1%	0%	0%	0%	0%	0%
Deferred income	3%	2%	3%	4%	4%	4%
<b>Current liabilities</b>	<b>43%</b>	<b>38%</b>	<b>46%</b>	<b>56%</b>	<b>52%</b>	<b>47%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	54	245	82	100	130	148
Depreciation of fixed assets (incl. leases)	64	24	24	25	86	88
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	48	15	16	27	22
Others	-12	-230	-3	18	5	4
Cash flow from operations before changes in w/c	106	88	118	160	247	262
Increase/decrease in inventory	-26	-18	-15	-90	-9	-20
Increase/decrease in accounts receivable	-41	-23	-17	-116	-29	-24
Increase/decrease in accounts payable	69	24	19	116	11	24
Increase/decrease in other w/c positions	-13	-26	13	72	18	15
Increase/decrease in working capital	-11	-43	-1	-18	-9	-5
<b>Cash flow from operating activities</b>	<b>95</b>	<b>44</b>	<b>117</b>	<b>143</b>	<b>238</b>	<b>257</b>
CAPEX	-47	-40	-46	-90	-93	-94
Payments for acquisitions	-16	-22	-53	-270	0	0
Financial investments	-7	203	121	0	0	0
Income from asset disposals	4	3	5	0	0	0
<b>Cash flow from investing activities</b>	<b>-66</b>	<b>144</b>	<b>26</b>	<b>-360</b>	<b>-93</b>	<b>-94</b>
Cash flow before financing	29	188	143	-217	145	163
Increase/decrease in debt position	29	-57	-73	-13	-100	-100
Purchase of own shares	-21	0	-46	0	0	0
Capital measures	0	0	6	0	0	0
Dividends paid	-20	-22	-63	-33	-44	-57
Others	-9	-12	-14	0	0	0
Effects of exchange rate changes on cash	4	0	-3	0	0	0
<b>Cash flow from financing activities</b>	<b>-16</b>	<b>-90</b>	<b>-193</b>	<b>-46</b>	<b>-144</b>	<b>-157</b>
Increase/decrease in liquid assets	13	98	-51	-263	1	6
<b>Liquid assets at end of period</b>	<b>268</b>	<b>366</b>	<b>315</b>	<b>52</b>	<b>53</b>	<b>59</b>

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	106	103	131	205	221	234
Europe (ex domestic)	604	618	763	1,192	1,288	1,365
The Americas	96	110	131	204	221	234
Asia	62	67	50	79	85	90
Rest of World	134	167	151	235	254	269
<b>Total sales</b>	<b>1,003</b>	<b>1,064</b>	<b>1,226</b>	<b>1,915</b>	<b>2,068</b>	<b>2,192</b>

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	10.5%	9.6%	10.7%	10.7%	10.7%	10.7%
Europe (ex domestic)	60.3%	58.1%	62.3%	62.3%	62.3%	62.3%
The Americas	9.6%	10.3%	10.7%	10.7%	10.7%	10.7%
Asia	6.2%	6.3%	4.1%	4.1%	4.1%	4.1%
Rest of World	13.4%	15.7%	12.3%	12.3%	12.3%	12.3%
<b>Total sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
<b>Per share data</b>						
Earnings per share reported	0.74	3.76	1.19	1.48	1.92	2.19
Cash flow per share	1.47	0.69	1.78	1.79	2.32	2.58
Book value per share	6.44	9.78	9.19	10.20	11.46	12.79
Dividend per share	0.35	1.00	0.50	0.67	0.86	0.99
<b>Valuation</b>						
P/E	26.7x	5.3x	16.7x	13.4x	10.4x	9.1x
P/CF	13.5x	29.0x	11.1x	11.1x	8.6x	7.7x
P/BV	3.1x	2.0x	2.2x	1.9x	1.7x	1.6x
Dividend yield (%)	1.8%	5.0%	2.5%	3.4%	4.3%	5.0%
FCF yield (%)	7.4%	3.5%	9.0%	9.0%	11.7%	13.0%
EV/Sales	1.4x	1.0x	1.0x	0.8x	0.7x	0.6x
EV/EBITDA	15.4x	15.9x	9.9x	9.2x	5.3x	4.6x
EV/EBIT	34.6x	-553.6x	14.4x	12.4x	9.2x	7.5x
<b>Income statement (EURm)</b>						
Sales	1,003	1,064	1,226	1,915	2,068	2,192
yoy chg in %	-20.1%	6.1%	15.3%	56.2%	8.0%	6.0%
Gross profit	379	393	491	709	827	877
Gross margin in %	37.8%	36.9%	40.0%	37.0%	40.0%	40.0%
EBITDA	90	70	126	163	265	283
EBITDA margin in %	9.0%	6.6%	10.3%	8.5%	12.8%	12.9%
EBIT	40	-2	86	121	152	173
EBIT margin in %	4.0%	-0.2%	7.1%	6.3%	7.3%	7.9%
Net profit	48	243	78	97	126	143
<b>Cash flow statement (EURm)</b>						
CF from operations	95	44	117	143	238	257
Capex	-47	-40	-46	-90	-93	-94
Maintenance Capex	0	0	0	25	86	88
Free cash flow	48	4	71	53	145	163
<b>Balance sheet (EURm)</b>						
Intangible assets	312	262	319	373	346	324
Tangible assets	133	95	110	375	382	388
Shareholders' equity	419	634	602	669	755	846
Pension provisions	21	17	24	33	35	37
Liabilities and provisions	443	395	306	311	215	118
Net financial debt	65	-203	-83	168	68	-36
w/c requirements	96	90	138	179	195	204
<b>Ratios</b>						
ROE	11.7%	38.3%	13.0%	15.0%	17.3%	17.7%
ROCE	4.6%	-0.2%	9.5%	12.3%	15.7%	18.1%
Net gearing	15.4%	-32.0%	-13.8%	25.1%	9.0%	-4.3%
Net debt / EBITDA	0.7x	-2.9x	-0.7x	1.0x	0.3x	-0.1x

Source: Company data; mwb research

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