

# Kontron AG

Austria | Technology | MCap EUR 1,234m

7 July 2023

UPDATE



## The acquisition machine gets rolling; PT up; Reiterate to BUY

### What's it all about?

Kontron announced its second acquisition this week by signing an agreement to acquire 100% of the shares of Comlab AG, a Swiss specialist in data communication repeaters for railways. Once again, we believe that Kontron has been able to make a bargain purchase, as Comlab - with revenues of EUR 20m - is likely to operate below scale, resulting in only break-even profitability. Therefore, we believe that this acquisition will create shareholder value while expanding Kontron's market presence, strengthening its product portfolio, and further increasing its IoT footprint. We therefore reiterate our BUY rating with a slightly higher PT of EUR 32.00 (before: EUR 31.00).

**BUY** (BUY)

Target price	EUR 32.00 (31.00)
Current price	EUR 19.04
Up/downside	68.1%



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Austria | Technology | MCap EUR 1,234m | EV EUR 1,049m

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## The acquisition machine gets rolling; PT up; Reiterate to BUY

**2nd acquisition this week** Earlier this week, Kontron announced the acquisition of Telit Cinterion's Cellular Automotive Module Unit. Now Kontron has signed an agreement to acquire 100% of the shares of Comlab AG, a Swiss specialist in data communication repeaters for railways. This strategic acquisition marks Kontron's entry into a new market segment, which we believe offers significant growth opportunities.

**About the target:** Comlab is one of the leading full-service providers in the field of radio frequency technology. Its core competencies include broadcast, in-house radio and communication systems for railway and road tunnels, buildings, blanket coverage for outdoor or remote applications and security solutions. Comlab is thus active in a niche market for data communications that requires strong engineering skills and is mainly targeted at the fast-growing rail transport industry. Comlab generated sales of EUR 20m in 2022 and is close to break-even. The acquisition includes all of Comlab's shares, giving Kontron full control of the business.

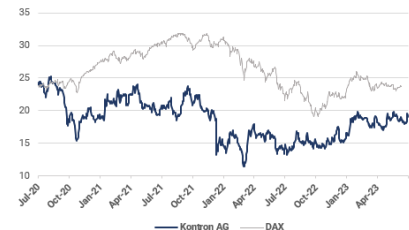
**Another bargain purchase** Given the low profitability, we expect Kontron to have paid a similarly low multiple as in the acquisition of Telit Cinterion's Cellular Automotive Module Unit. Therefore, a 0.3-0.4x EV/sales multiple (eAR) would translate into a purchase price of EUR 6-8m, making this effectively another bargain purchase.

**Deal rationale** Although small in size, this transaction has several important implications for Kontron, including:

- **Market Expansion:** With the acquisition of Comlab AG, Kontron gains access to a market in which it is not currently present. This expansion into the rail transportation segment offers Kontron significant growth prospects as the industry continues to experience rapid development amid massive investment programs to renew and maintain the existing rail network. *-continued-*

Kontron AG	2020	2021	2022	2023E	2024E	2025E
Sales	1,255	1,003	1,096	1,236	1,420	1,491
<i>Growth yoy</i>	11.7%	-20.1%	9.3%	12.7%	14.9%	5.0%
EBITDA	130	90	70	123	148	164
EBIT	69	40	-2	85	99	110
Net profit	56	48	232	69	79	91
Net debt (net cash)	44	65	-203	-498	-546	-595
Net debt/EBITDA	0.3x	0.7x	-2.9x	-4.1x	-3.7x	-3.6x
EPS reported	0.84	0.74	3.59	1.07	1.21	1.41
DPS	0.30	0.35	1.00	0.48	0.55	0.63
<i>Dividend yield</i>	1.6%	1.8%	5.3%	2.5%	2.9%	3.3%
Gross profit margin	37.7%	37.8%	35.8%	36.2%	36.3%	36.4%
EBITDA margin	10.4%	9.0%	6.4%	9.9%	10.4%	11.0%
EBIT margin	5.5%	4.0%	-0.2%	6.9%	6.9%	7.4%
ROCE	8.3%	4.6%	-0.2%	8.2%	9.9%	10.4%
EV/Sales	1.0x	1.3x	1.0x	0.6x	0.5x	0.4x
EV/EBITDA	10.0x	14.7x	15.0x	6.2x	4.8x	4.1x
EV/EBIT	19.0x	33.0x	-520.1x	8.9x	7.2x	6.1x
PER	22.6x	25.6x	5.3x	17.8x	15.7x	13.5x

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

**High/low 52 weeks** 20.08 / 13.04  
**Price/Book Ratio** 1.9x

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

### Changes in estimates

		Sales	EBIT	EPS
<b>2023E</b>	old	1,236	85	1.07
	Δ	0.0%	0.0%	0.0%
<b>2024E</b>	old	1,395	97	1.20
	Δ	1.8%	1.2%	1.4%
<b>2025E</b>	old	1,464	107	1.37
	Δ	1.8%	2.4%	2.6%

### Key share data

Number of shares: (in m pcs) 64.83  
Book value per share: (in EUR) 9.78  
Ø trading volume: (12 months) 77,655

### Major shareholders

Ennoconn Corporation 27.6%  
Kontron Management 7.0%  
Amiral Gestion 5.4%  
Free Float 54.6%

### 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.

- **Strengthened Product Portfolio:** In addition, Comlab AG's specialized expertise in data communication repeaters complements Kontron's existing product portfolio. By integrating Comlab AG's solutions, Kontron will be able to offer its customers a more comprehensive range of products and services.
- **Synergies and Acquisition Multiple:** The acquisition of Comlab AG is based on favorable acquisition multiples, indicating an attractive valuation and value creation for Kontron. The company expects to realize synergies through operational efficiencies and the complementary strengths of the two companies. These synergies should therefore contribute to an improved financial performance and thus to an increase in shareholder value. Kontron has set ambitious targets for '24E with revenues of EUR 25m and a net profit of approximately EUR 2m. These targets reflect Kontron's confidence in the growth potential of the acquired business and its ability to effectively leverage synergies.

**Conclusion** Kontron AG's acquisition of Comlab AG is a strategic move that expands the company's market presence, strengthens its product portfolio and further expands its IoT footprint. In addition, the deal positions Kontron to capture opportunities in the fast-growing rail transportation segment and offers the potential for favorable financial performance. It is also in line with Kontron's acquisition strategy, where Kontron is targeting game-changing acquisitions in '23 and '24 with a total sales volume of EUR 250-700m. With slightly adjusted estimates and taking into account the valuation effect of both acquisitions together, we reiterate our BUY rating with a new PT of EUR 32.00 (old EUR 31.00).

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

P&L data	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Sales	306.5	313.2	428.1	247.0	331.0	262.4	255.7	277.7
yoy growth in %	14.1%	5.2%	2.3%	-16.0%	8.0%	-16.2%	-40.3%	12.4%
Gross profit	60.3	90.4	108.5	89.3	67.6	97.3	81.4	107.3
Gross margin in %	19.7%	28.8%	25.3%	36.2%	20.4%	37.1%	31.8%	38.7%
EBITDA	21.6	23.0	30.8	23.7	25.9	21.3	-7.2	29.6
EBITDA margin in %	7.1%	7.3%	7.2%	9.6%	7.8%	8.1%	-2.8%	10.7%
EBIT	5.4	7.4	14.5	12.0	10.4	8.5	-40.2	20.6
EBIT margin in %	1.8%	2.4%	3.4%	4.9%	3.1%	3.2%	-15.7%	7.4%
EBT	3.4	5.2	13.0	10.1	8.8	6.7	-42.7	20.2
taxes paid	-1.1	-2.1	4.1	0.6	1.0	0.9	-2.0	3.6
tax rate in %	-33.7%	-40.6%	31.9%	5.5%	10.8%	13.3%	4.6%	17.9%
net profit	10.4	10.2	17.6	11.6	12.8	8.3	199.7	16.6
yoy growth in %	2.9%	-13.8%	-27.2%	14.8%	23.0%	-18.0%	1,035.7%	43.1%
<b>EPS</b>	<b>0.16</b>	<b>0.16</b>	<b>0.28</b>	<b>0.16</b>	<b>0.20</b>	<b>0.13</b>	<b>3.10</b>	<b>0.26</b>

Source: Company data; AlsterResearch

# Investment case in six charts

## Business units and end markets

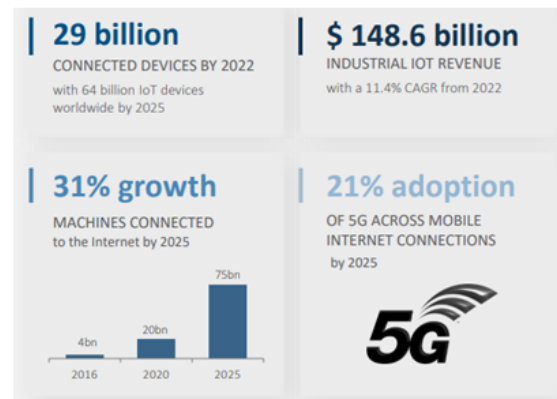


## Guidance

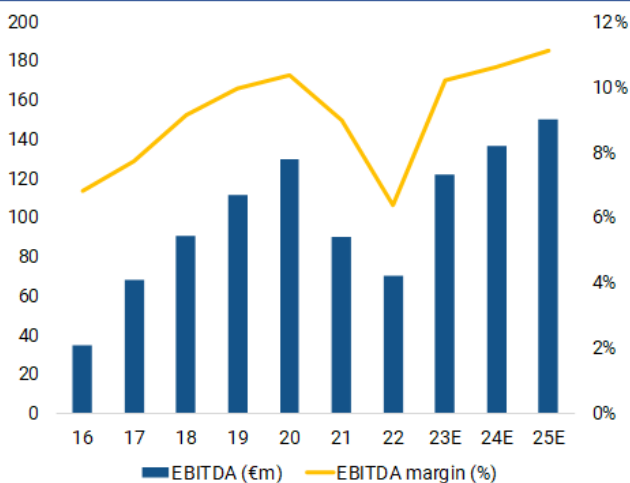
Guidance 2023/ Outlook Agenda 2025	2023E	2025E
Revenues	EUR 1,200m	EUR 2,000m
EBITDA	11%	13%
Net Profit	>60m	140m

Best available estimation at beginning of 2023 before consolidation has been finalized.

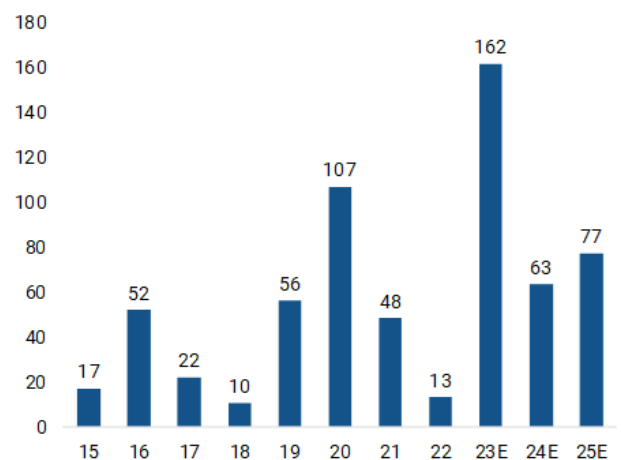
## The IoT market



## EBITDA and margins on an upwards trend



## 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 31.96 per share**:

**Top-line growth:** We expect Kontron AG to grow revenues at a CAGR of 4.9% between 2023E and 2030E. The long-term growth rate is set at 2.0%.

**ROCE.** Returns on capital are developing from 8.2% in 2023E to 9.4% in 2030E.

**WACC.** Starting point is a historical equity beta of 1.00. Unlevering and correcting for mean reversion yields an asset beta of 0.96. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 9.9%. 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 7.9%.

DCF (EURm) (except per share data and beta)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT	75	87	96	97	98	99	104	109	
Depreciation & amortization	38	49	54	59	63	66	69	72	
Change in working capital	118	6	5	3	3	3	3	3	
Chg. in long-term provisions	80	13	5	3	3	3	4	4	
Capex	-58	-67	-70	-72	-74	-77	-79	-81	
Cash flow	253	88	90	90	92	95	101	106	1,844
Present value	244	79	75	69	66	63	62	60	1,046
WACC	8.0%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%

DCF per share derived from	
Total present value	1,763
Mid-year adj. total present value	1,832
Net debt / cash at start of year	-203
Financial assets	55
Provisions and off b/s debt	17
Equity value	2,072
No. of shares outstanding	64.8
<b>Discounted cash flow / share upside/(downside)</b>	<b>31.96 / 67.9%</b>

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2023E-2030E)	4.9%
Terminal value growth (2030E - infinity)	2.0%
Terminal year ROCE	9.4%
Terminal year WACC	7.9%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25%
Equity beta	1.00
Unlevered beta (industry or company)	0.96
Target debt / equity	0.5
Relevered beta	1.32
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	9.9%

<b>Share price</b>	<b>19.04</b>
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Sensitivity analysis DCF								
Change in WACC (%-points)		Long term growth					Share of present value	
		1.0%	1.5%	2.0%	2.5%	3.0%	2023E-2026E	2027E-2030E terminal value
2.0%		24.4	25.0	25.7	26.5	27.4	26.4%	
1.0%		26.5	27.4	28.4	29.5	30.8	14.2%	
0.0%		29.4	30.6	<b>32.0</b>	33.6	35.6		59.3%
-1.0%		33.2	34.9	37.0	39.6	42.9		
-2.0%		38.6	41.3	44.8	49.2	55.3		

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 28.49 per share based on 2023E and EUR 37.10 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
<b>EBITDA</b>	<b>123</b>	<b>148</b>	<b>164</b>	<b>169</b>	<b>174</b>
- Maintenance capex	24	36	44	50	56
- Minorities	-1	-1	-1	-1	-1
- tax expenses	10	12	13	14	14
<b>= Adjusted FCF</b>	<b>89</b>	<b>101</b>	<b>108</b>	<b>106</b>	<b>105</b>
<b>Actual Market Cap</b>	<b>1,234</b>	<b>1,234</b>	<b>1,234</b>	<b>1,234</b>	<b>1,234</b>
+ Net debt (cash)	-498	-546	-595	-637	-682
+ Pension provisions	21	24	25	26	27
+ Off B/S financing	0	0	0	0	0
- Financial assets	30	30	30	30	30
- Acc. dividend payments	65	96	132	173	214
<i>EV Reconciliations</i>	-572	-648	-731	-814	-899
<b>= Actual EV'</b>	<b>663</b>	<b>586</b>	<b>503</b>	<b>421</b>	<b>335</b>
<b>Adjusted FCF yield</b>	<b>13.5%</b>	<b>17.2%</b>	<b>21.4%</b>	<b>25.2%</b>	<b>31.5%</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>1,275</b>	<b>1,439</b>	<b>1,538</b>	<b>1,514</b>	<b>1,506</b>
- <i>EV Reconciliations</i>	-572	-648	-731	-814	-899
<b>Fair Market Cap</b>	<b>1,847</b>	<b>2,087</b>	<b>2,269</b>	<b>2,327</b>	<b>2,405</b>
No. of shares (million)	65	65	65	65	65
<b>Fair value per share in EUR</b>	<b>28.49</b>	<b>32.19</b>	<b>35.00</b>	<b>35.90</b>	<b>37.10</b>
<b>Premium (-) / discount (+)</b>	<b>49.6%</b>	<b>69.1%</b>	<b>83.8%</b>	<b>88.6%</b>	<b>94.9%</b>

Sensitivity analysis FV						
	5.0%	36	41	44	45	46
<b>Adjusted hurdle rate</b>	6.0%	32	36	39	40	41
	<b>7.0%</b>	<b>28</b>	<b>32</b>	<b>35</b>	<b>36</b>	<b>37</b>
	8.0%	26	29	32	33	34
	9.0%	24	27	30	31	32

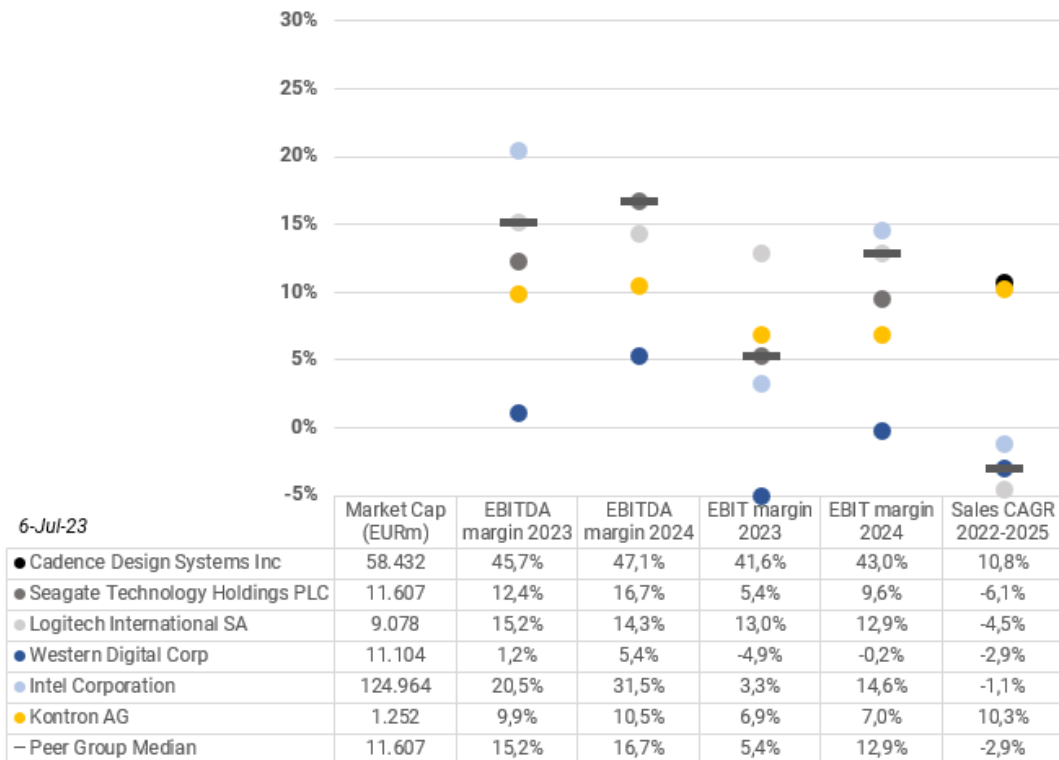
Source: Company data; AlsterResearch

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 below. As of 7 July 2023 the median market cap of the peer group was EUR 11,607m, compared to EUR 1,234m 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

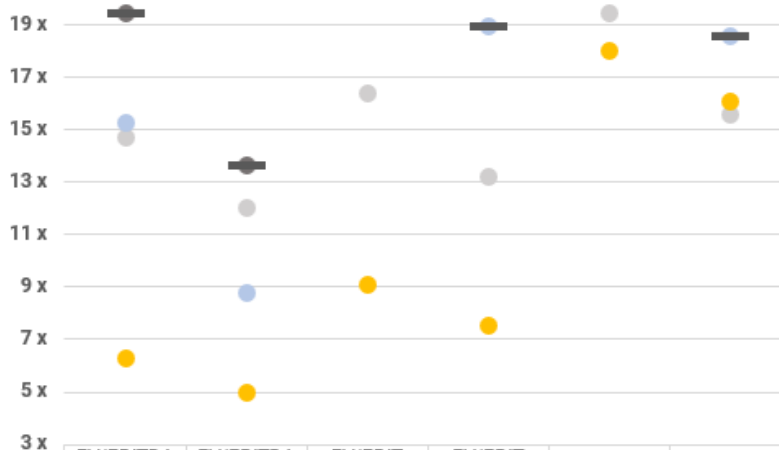


Source: Sentio, AlsterResearch



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 22.24 to EUR 55.99.**

**Peer Group – Multiples and valuation**



30-Jun-23

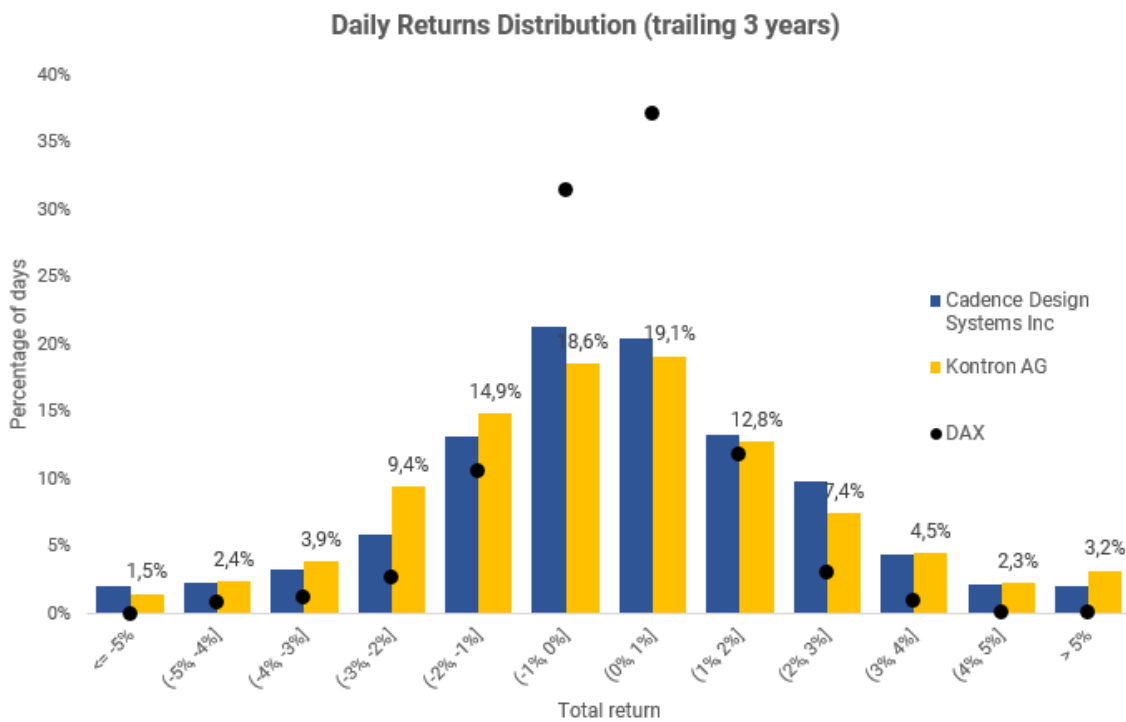
	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2023	EV/EBIT 2024	P/E 2023	P/E 2024
● Cadence Design Systems Inc	34,1x	29,9x	37,5x	32,8x	46,3x	40,5x
● Seagate Technology Holdings PLC	19,5x	13,7x	44,7x	23,8x	412,5x	26,2x
● Logitech International SA	14,8x	12,0x	16,4x	13,2x	19,5x	15,6x
● Western Digital Corp	127,6x	26,1x	-29,7x	-805,5x	-10,5x	-23,6x
● Intel Corporation	15,3x	8,8x	95,6x	19,0x	82,1x	18,6x
● Kontron AG	6,3x	5,0x	9,1x	7,5x	18,0x	16,1x
– Peer Group Median	19,5x	13,7x	37,5x	19,0x	46,3x	18,6x
Fair Value (EUR)	44,22	38,25	56,51	35,81	49,58	22,31

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. Dec 2021 with a share price decline of -29.3%. The best day was 16. Jan 2023 when the share price increased by 10.2%.

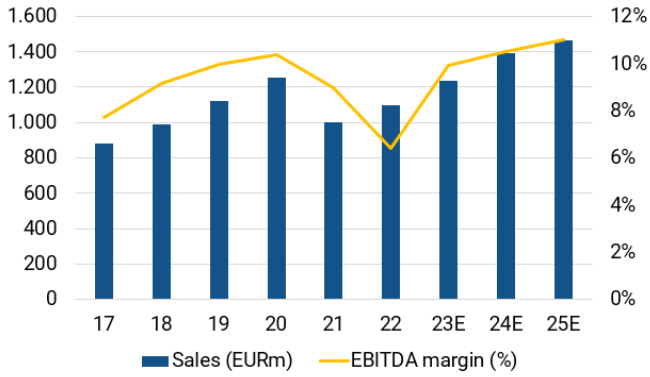
## Risk – Daily Returns Distribution (trailing 3 years)



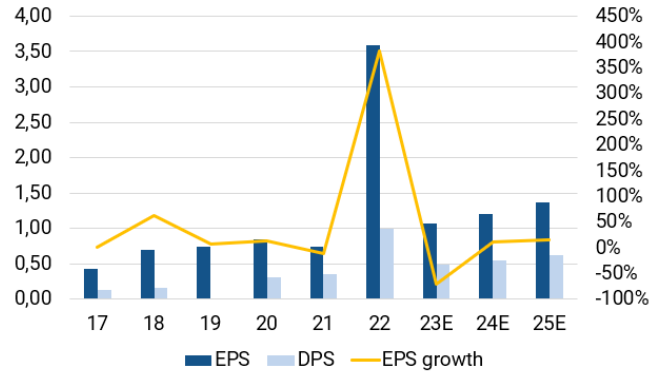
Source: Sentieo, AlsterResearch

# Financials in six charts

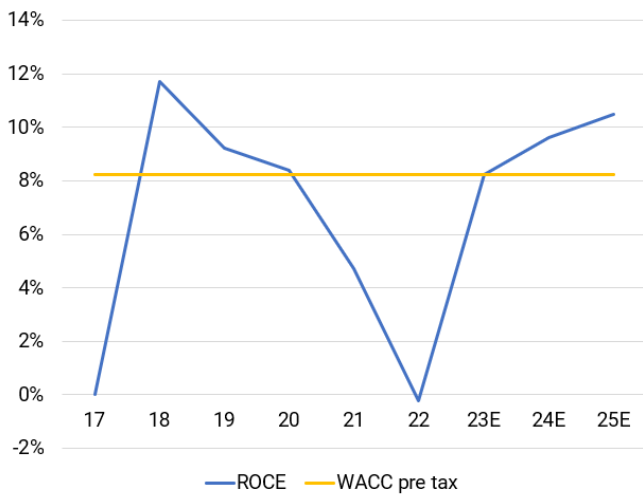
**Sales vs. EBITDA margin development**



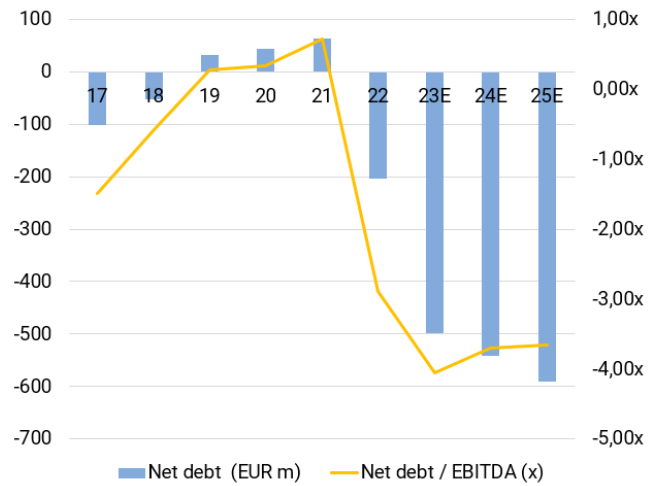
**EPS, DPS in EUR & yoy EPS growth**



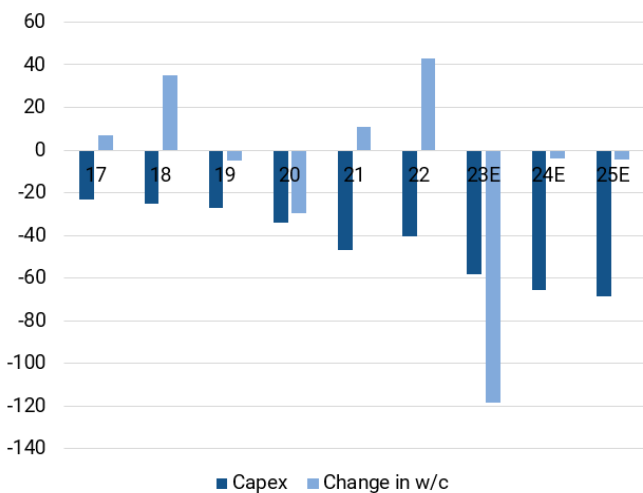
**ROCE vs. WACC (pre tax)**



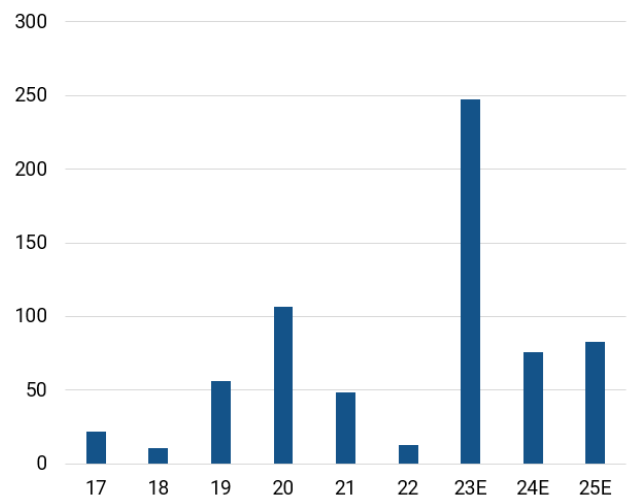
**Net debt and net debt/EBITDA**



**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
<b>Net sales</b>	<b>1,255</b>	<b>1,003</b>	<b>1,096</b>	<b>1,236</b>	<b>1,420</b>	<b>1,491</b>
Sales growth	11.7%	-20.1%	9.3%	12.7%	14.9%	5.0%
Change in finished goods and work-in-process	18	21	23	0	0	0
<b>Total sales</b>	<b>1,272</b>	<b>1,024</b>	<b>1,119</b>	<b>1,236</b>	<b>1,420</b>	<b>1,491</b>
Material expenses	799	645	727	788	904	948
<b>Gross profit</b>	<b>473</b>	<b>379</b>	<b>393</b>	<b>448</b>	<b>515</b>	<b>543</b>
Other operating income	9	15	20	19	21	22
Personnel expenses	273	238	259	263	300	307
Other operating expenses	79	66	84	80	89	94
<b>EBITDA</b>	<b>130</b>	<b>90</b>	<b>70</b>	<b>123</b>	<b>148</b>	<b>164</b>
Depreciation	31	25	24	24	36	44
EBITA	99	65	46	99	112	120
Amortisation of goodwill and intangible assets	31	25	48	14	13	11
<b>EBIT</b>	<b>69</b>	<b>40</b>	<b>-2</b>	<b>85</b>	<b>99</b>	<b>110</b>
Financial result	-8	-8	-9	-6	-9	-6
Recurring pretax income from continuing operations	61	32	-11	79	90	104
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	61	32	-11	79	90	104
Taxes	6	2	2	10	12	13
Net income from continuing operations	55	30	-13	69	78	90
Result from discontinued operations (net of tax)	0	19	245	0	0	0
<b>Net income</b>	<b>55</b>	<b>49</b>	<b>232</b>	<b>69</b>	<b>78</b>	<b>90</b>
Minority interest	1	-1	1	1	1	1
Net profit (reported)	56	48	232	69	79	91
Average number of shares	66.00	64.96	64.83	64.83	64.83	64.83
<b>EPS reported</b>	<b>0.84</b>	<b>0.74</b>	<b>3.59</b>	<b>1.07</b>	<b>1.21</b>	<b>1.41</b>

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

Source: Company data; AlsterResearch

Balance sheet (EURm)	2020	2021	2022	2023E	2024E	2025E
<b>Intangible assets (excl. Goodwill)</b>	<b>103</b>	<b>104</b>	<b>72</b>	<b>69</b>	<b>56</b>	<b>45</b>
Goodwill	199	208	189	189	189	189
Property, plant and equipment	135	133	95	144	175	201
Financial assets	69	74	55	30	30	30
<b>FIXED ASSETS</b>	<b>506</b>	<b>519</b>	<b>412</b>	<b>433</b>	<b>450</b>	<b>466</b>
Inventories	160	187	193	153	176	184
Accounts receivable	228	265	202	237	272	286
Other current assets	25	26	30	30	30	30
Liquid assets	286	308	565	668	616	665
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	43	47	39	37	50	52
<b>CURRENT ASSETS</b>	<b>741</b>	<b>833</b>	<b>1,029</b>	<b>1,125</b>	<b>1,144</b>	<b>1,217</b>
<b>TOTAL ASSETS</b>	<b>1,247</b>	<b>1,352</b>	<b>1,441</b>	<b>1,557</b>	<b>1,594</b>	<b>1,683</b>
<b>SHAREHOLDERS EQUITY</b>	<b>404</b>	<b>419</b>	<b>634</b>	<b>775</b>	<b>821</b>	<b>876</b>
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	25
Other provisions	68	49	16	68	78	82
<b>Non-current liabilities</b>	<b>354</b>	<b>348</b>	<b>253</b>	<b>189</b>	<b>102</b>	<b>107</b>
short-term liabilities to banks	66	95	143	70	70	70
Accounts payable	210	270	226	250	287	301
Advance payments received on orders	72	87	79	77	88	92
Other liabilities (incl. from lease and rental contracts)	86	76	64	148	170	179
Deferred taxes	13	13	6	6	6	6
Deferred income	37	40	35	41	47	49
<b>Current liabilities</b>	<b>483</b>	<b>581</b>	<b>553</b>	<b>592</b>	<b>668</b>	<b>697</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>1,247</b>	<b>1,352</b>	<b>1,441</b>	<b>1,557</b>	<b>1,594</b>	<b>1,683</b>

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
<b>Intangible assets (excl. Goodwill)</b>	<b>8%</b>	<b>8%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>
Goodwill	16%	15%	13%	12%	12%	11%
Property, plant and equipment	11%	10%	7%	9%	11%	12%
Financial assets	5%	5%	4%	2%	2%	2%
<b>FIXED ASSETS</b>	<b>41%</b>	<b>38%</b>	<b>29%</b>	<b>28%</b>	<b>28%</b>	<b>28%</b>
Inventories	13%	14%	13%	10%	11%	11%
Accounts receivable	18%	20%	14%	15%	17%	17%
Other current assets	2%	2%	2%	2%	2%	2%
Liquid assets	23%	23%	39%	43%	39%	39%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	3%	2%	3%	3%
<b>CURRENT ASSETS</b>	<b>59%</b>	<b>62%</b>	<b>71%</b>	<b>72%</b>	<b>72%</b>	<b>72%</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>32%</b>	<b>31%</b>	<b>44%</b>	<b>50%</b>	<b>52%</b>	<b>52%</b>
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	21%	21%	15%	6%	0%	0%
Provisions for pensions and similar obligations	2%	2%	1%	1%	2%	2%
Other provisions	5%	4%	1%	4%	5%	5%
<b>Non-current liabilities</b>	<b>28%</b>	<b>26%</b>	<b>18%</b>	<b>12%</b>	<b>6%</b>	<b>6%</b>
short-term liabilities to banks	5%	7%	10%	4%	4%	4%
Accounts payable	17%	20%	16%	16%	18%	18%
Advance payments received on orders	6%	6%	5%	5%	6%	5%
Other liabilities (incl. from lease and rental contracts)	7%	6%	4%	10%	11%	11%
Deferred taxes	1%	1%	0%	0%	0%	0%
Deferred income	3%	3%	2%	3%	3%	3%
<b>Current liabilities</b>	<b>39%</b>	<b>43%</b>	<b>38%</b>	<b>38%</b>	<b>42%</b>	<b>41%</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; AlsterResearch

Cash flow statement (EURm)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	61	54	245	69	78	90
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	80	13	5
Cash flow from operations before changes in w/c	111	106	96	187	140	150
Increase/decrease in inventory	9	-26	-18	39	-23	-9
Increase/decrease in accounts receivable	47	-41	-23	-35	-35	-14
Increase/decrease in accounts payable	-2	69	24	24	37	14
Increase/decrease in other w/c positions	-24	-13	-26	90	27	13
Increase/decrease in working capital	30	-11	-43	118	6	5
<b>Cash flow from operating activities</b>	<b>141</b>	<b>95</b>	<b>54</b>	<b>305</b>	<b>146</b>	<b>154</b>
CAPEX	-34	-47	-40	-58	-67	-70
Payments for acquisitions	-41	-16	-22	0	0	0
Financial investments	-3	-7	203	-25	0	0
Income from asset disposals	1	4	3	137	0	0
<b>Cash flow from investing activities</b>	<b>-77</b>	<b>-66</b>	<b>144</b>	<b>54</b>	<b>-67</b>	<b>-70</b>
Cash flow before financing	64	29	197	360	80	84
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	-31	-35
Others	-14	-9	-12	0	0	0
Effects of exchange rate changes on cash	-8	4	0	0	0	0
<b>Cash flow from financing activities</b>	<b>-74</b>	<b>-16</b>	<b>-90</b>	<b>-257</b>	<b>-131</b>	<b>-35</b>
Increase/decrease in liquid assets	-10	13	107	103	-52	49
<b>Liquid assets at end of period</b>	<b>255</b>	<b>268</b>	<b>438</b>	<b>540</b>	<b>489</b>	<b>537</b>

Source: Company data; AlsterResearch

Regional sales split (EURm)	2020	2021	2022	2023E	2024E	2025E
Domestic	103	106	103	116	133	139
Europe (ex domestic)	785	604	644	727	835	876
The Americas	122	96	110	124	142	149
Asia	42	62	80	90	104	109
Rest of World	204	134	159	179	206	216
<b>Total sales</b>	<b>1,255</b>	<b>1,003</b>	<b>1,096</b>	<b>1,236</b>	<b>1,420</b>	<b>1,491</b>

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%
<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; AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
<b>Per share data</b>						
Earnings per share reported	0.84	0.74	3.59	1.07	1.21	1.41
Cash flow per share	2.13	1.47	0.83	4.34	1.70	1.70
Book value per share	6.12	6.44	9.78	11.95	12.67	13.52
Dividend per share	0.30	0.35	1.00	0.48	0.55	0.63
<b>Valuation</b>						
P/E	22.6x	25.6x	5.3x	17.8x	15.7x	13.5x
P/CF	8.9x	13.0x	23.0x	4.4x	11.2x	11.2x
P/BV	3.1x	3.0x	1.9x	1.6x	1.5x	1.4x
Dividend yield (%)	1.6%	1.8%	5.3%	2.5%	2.9%	3.3%
FCF yield (%)	11.2%	7.7%	4.3%	22.8%	8.9%	8.9%
EV/Sales	1.0x	1.3x	1.0x	0.6x	0.5x	0.4x
EV/EBITDA	10.0x	14.7x	15.0x	6.2x	4.8x	4.1x
EV/EBIT	19.0x	33.0x	-520.1x	8.9x	7.2x	6.1x
<b>Income statement (EURm)</b>						
Sales	1,255	1,003	1,096	1,236	1,420	1,491
yoy chg in %	11.7%	-20.1%	9.3%	12.7%	14.9%	5.0%
Gross profit	473	379	393	448	515	543
Gross margin in %	37.7%	37.8%	35.8%	36.2%	36.3%	36.4%
EBITDA	130	90	70	123	148	164
EBITDA margin in %	10.4%	9.0%	6.4%	9.9%	10.4%	11.0%
EBIT	69	40	-2	85	99	110
EBIT margin in %	5.5%	4.0%	-0.2%	6.9%	6.9%	7.4%
Net profit	56	48	232	69	79	91
<b>Cash flow statement (EURm)</b>						
CF from operations	141	95	54	305	146	154
Capex	-34	-47	-40	-58	-67	-70
Maintenance Capex	0	0	0	24	36	44
Free cash flow	107	48	13	247	80	84
<b>Balance sheet (EURm)</b>						
Intangible assets	302	312	262	258	245	234
Tangible assets	135	133	95	144	175	201
Shareholders' equity	404	419	634	775	821	876
Pension provisions	22	21	17	21	24	25
Liabilities and provisions	420	443	395	259	172	177
Net financial debt	44	65	-203	-498	-546	-595
w/c requirements	106	96	90	63	73	77
<b>Ratios</b>						
ROE	13.5%	11.7%	36.6%	8.9%	9.5%	10.3%
ROCE	8.3%	4.6%	-0.2%	8.2%	9.9%	10.4%
Net gearing	10.9%	15.4%	-32.0%	-64.2%	-66.5%	-67.9%
Net debt / EBITDA	0.3x	0.7x	-2.9x	-4.1x	-3.7x	-3.6x

Source: Company data; AlsterResearch



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