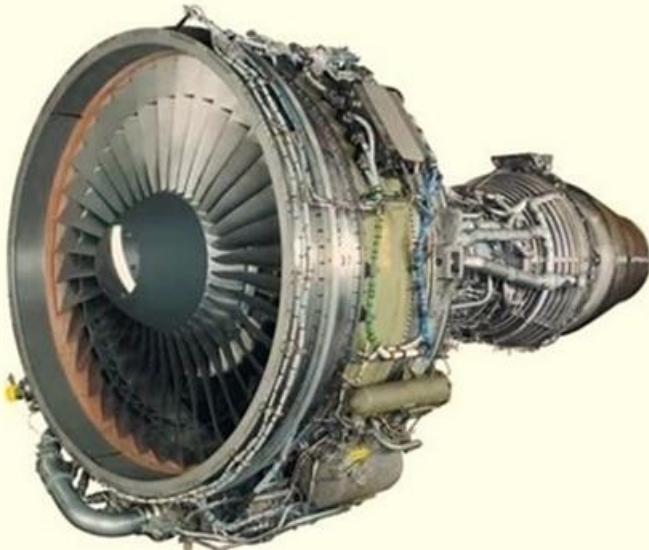


MTU Aero Engines AG

Germany | Industrial Goods & Services | MCap EUR 13,965m

2 August 2024

UPDATE



Q2: Adj. EBIT surprises positively, revenues a slight miss. BUY

What's it all about?

MTU reported an impressive set of numbers in Q2 2024. Although revenue growth of 12% yoy to EUR 1.8bn slightly missed consensus by 1%, adj. EBIT beat both mwb est. and consensus by a wide 13%-14%. Adj. EBIT grew 31% yoy, with the margin improving 210bps yoy to 14.4%, bolstered by a favorable revenue mix in the engine business, lower material intensity in Geared Turbofan MRO, and recovering spare parts sales. Notably, organic revenue growth in the spare parts business was in the mid-single-digit % range (in USD) in H1 (vs -5% yoy in Q1). MTU's order backlog was strong at EUR 25.2bn at end-Q2. Given good business progress so far and gradually easing supply situation, management maintained its FY 24 revenue guidance at EUR 7.3bn-EUR 7.5bn, while it slightly increased its adj. EBIT margin outlook to c.13% from over 12% earlier. We continue to hold a constructive view on MTU, as its long-term growth prospects remain strong, supported by a solid commercial aircraft backlog and strong MRO and aftermarket demand. We raise our estimates and reiterate our BUY rating, with a revised price target of EUR 290.00 (old: EUR 278.00).

BUY (BUY)

Target price	EUR 290.00 (278.00)
Current price	EUR 260.10
Up/downside	11.5%

 ResearchHub



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MTU Aero Engines AG

Germany | Industrial Goods & Services | MCap EUR 13,965m | EV EUR 14,738m

BUY (BUY)

Target price
Current price
Up/downside

EUR 290.00 (278.00)
EUR 260.10
11.5%

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Q2: Adj. EBIT surprises positively, revenues a slight miss. BUY

An impressive set of results in Q2 2024, guidance updated. MTU's Q2 2024 numbers were better than expected on its strong engine business and a recovery in spare parts sales. As anticipated, adjusted (adj.) revenue growth accelerated in Q2 vs Q1, although the top line missed consensus and mwb est. by 1% and 3%, respectively. However, positive surprise came from adj. EBIT (+31% yoy), which surpassed consensus and mwb est. by 13%-14% on an improving mix. Given solid progress so far in 2024, management reiterated its revenue target of EUR 7.3bn-EUR 7.5bn for the full year, led by growth across segments, while it increased its adj. EBIT margin guidance to c.13% vs over 12% earlier. It maintained that adj. net income will grow in line with adj. EBIT and FCF will grow to low triple digits EURm.

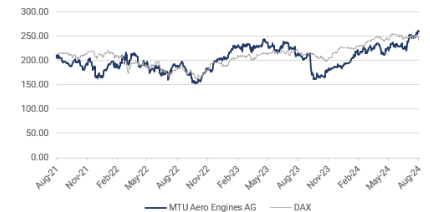
Broad-based revenue growth in Q2. Adj. revenue growth accelerated to 12% yoy to EUR 1.8bn (vs +8% yoy in Q1), led by both the OEM (a 15% beat vs mwb est.) and commercial MRO businesses (but a 7% miss). The top line grew by 14% yoy to EUR 470m in the commercial OEM segment on good traction in Geared Turbofan and business jet engines, in addition to a revival in spare parts sales. The OEM military segment's revenues increased 18% yoy to EUR 148m, led by the EJ200 engine for the Eurofighter. Commercial MRO's revenues grew 10% yoy to EUR 1.2bn, on incremental maintenance business for GE90/GENx engines and healthy engine leasing business.

Adj. EBIT grows disproportionately. Adj. EBIT increased 31% yoy to EUR 252m (+16% qoq) and overall margins improved 210bps yoy to 14.4%. MRO reported strong adj. EBIT of EUR 95m, up 32% yoy (margin: +130bps yoy to 8.1%), as did the OEM business (+30% yoy to EUR 157m; margin: +3.0ppt yoy to 25.5%), which saw a good recovery on an improved revenue mix and higher sales of spare parts.

Maintain BUY. MTU is optimistic about the improvement in the supply chain situation in H2 and a further revival in the spares business. Even if aircraft deliveries in FY24 fall slightly short of original expectations, MTU's long-term growth prospects are underpinned by a strong commercial aircraft order book, skewed towards narrow bodies and strong MRO and aftermarket demand. We raise our estimates and reiterate our BUY rating, with a revised price target of EUR 290.00 (old: EUR 278.00).

MTU Aero Engines AG	2021	2022	2023	2024E	2025E	2026E
Sales	4,188	5,330	5,363	7,455	8,088	8,675
Growth yoy	5.3%	27.3%	0.6%	39.0%	8.5%	7.2%
EBITDA	699	812	179	1,308	1,424	1,545
EBIT	355	508	-161	953	1,047	1,145
Net profit	222	331	-102	667	743	815
Net debt (net cash)	605	388	60	-166	-424	-780
Net debt/EBITDA	0.9x	0.5x	0.3x	-0.1x	-0.3x	-0.5x
EPS reported	4.16	6.20	-1.90	12.42	13.84	15.18
DPS	2.10	3.20	2.00	2.48	3.46	4.55
Dividend yield	0.8%	1.2%	0.8%	1.0%	1.3%	1.8%
Gross profit margin	13.3%	15.3%	1.5%	17.5%	18.0%	18.0%
EBITDA margin	16.7%	15.2%	3.3%	17.5%	17.6%	17.8%
EBIT margin	8.5%	9.5%	-3.0%	12.8%	13.0%	13.2%
ROCE	6.7%	9.1%	-3.0%	12.9%	14.6%	15.2%
EV/EBITDA	22.1x	18.5x	82.3x	11.3x	10.2x	9.3x
EV/EBIT	43.6x	29.6x	-91.5x	15.5x	13.9x	12.5x
PER	62.5x	41.9x	-136.9x	20.9x	18.8x	17.1x
FCF yield	4.1%	5.2%	5.6%	2.9%	3.4%	4.5%

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 279.10 / 158.20
Price/Book Ratio 4.9x

Ticker / Symbols

ISIN DE000A0D9PT0
WKN A0D9PT
Bloomberg MTX:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	7,401	910	11.90
	Δ	0.7%	4.8%	4.4%
2025E	old	7,956	1,010	13.33
	Δ	1.7%	3.7%	3.8%
2026E	old	8,513	1,124	14.89
	Δ	1.9%	1.9%	1.9%

Key share data

Number of shares: (in m pcs) 53.69
Book value per share: (in EUR) 53.32
Ø trading vol.: (12 months) 177,166

Major shareholders

BlackRock Investment Man 9.2%
Capital International Lt 6.5%
Capital Research & Manag 4.8%
BlackRock Fund Advisors 3.6%
The Vanguard Group, Inc. 3.5%
DWS Investment GmbH 3.1%
Free Float 69.3%

Company description

MTU Aero Engines AG is a Germany-based manufacturer of aircraft engines. The Company operates through two segments: the commercial and military engine business (OEM) and commercial maintenance business (MRO).

The following table displays the quarterly performance of **MTU Aero Engines AG**.

P&L data	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Sales	1,349.0	1,513.0	1,544.0	1,549.0	1,517.0	1,711.0	1,675.0	1,740.0
yoy growth in %	34.4%	28.2%	30.8%	20.2%	12.5%	13.1%	8.5%	12.3%
Gross profit	234.0	270.0	273.0	247.0	234.0	321.0	285.0	310.0
Gross margin in %	17.3%	17.8%	17.7%	15.9%	15.4%	18.8%	17.0%	17.8%
EBITDA	220.0	255.0	278.0	259.0	274.0	344.0	275.0	321.0
EBITDA margin in %	16.3%	16.9%	18.0%	16.7%	18.1%	20.1%	16.4%	18.4%
EBIT	147.0	177.0	202.0	193.0	192.0	249.0	188.0	232.0
EBIT margin in %	10.9%	11.7%	13.1%	12.5%	12.7%	14.6%	11.2%	13.3%
EBT	133.0	163.0	191.0	171.0	152.0	236.0	176.0	222.0
taxes paid	41.0	42.0	57.0	49.0	14.0	21.0	50.0	61.0
tax rate in %	30.8%	25.8%	29.8%	28.7%	9.2%	8.9%	28.4%	27.5%
net profit	92.0	121.0	134.0	121.0	138.0	215.0	126.0	162.0
yoy growth in %	5.7%	255.9%	152.8%	83.3%	50.0%	77.7%	-6.0%	33.9%
EPS	1.74	2.23	2.47	2.28	2.56	3.96	2.35	2.96

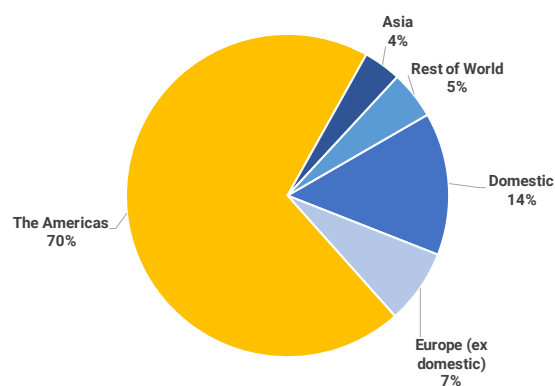
Source: Company data; mwb research

Investment case in six charts

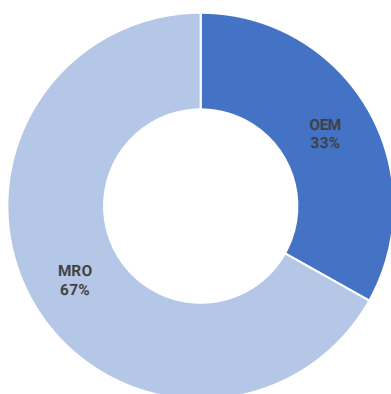
Products & Services



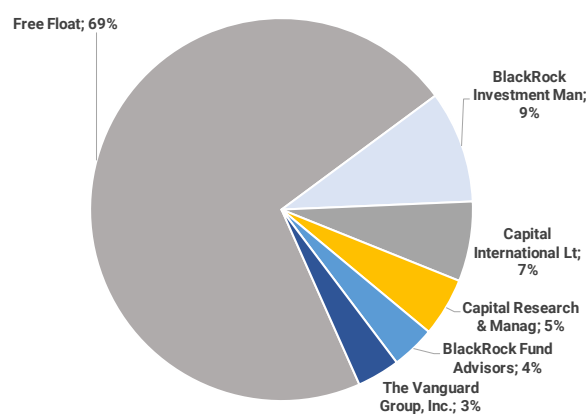
Regional sales split in %



Segmental breakdown in %

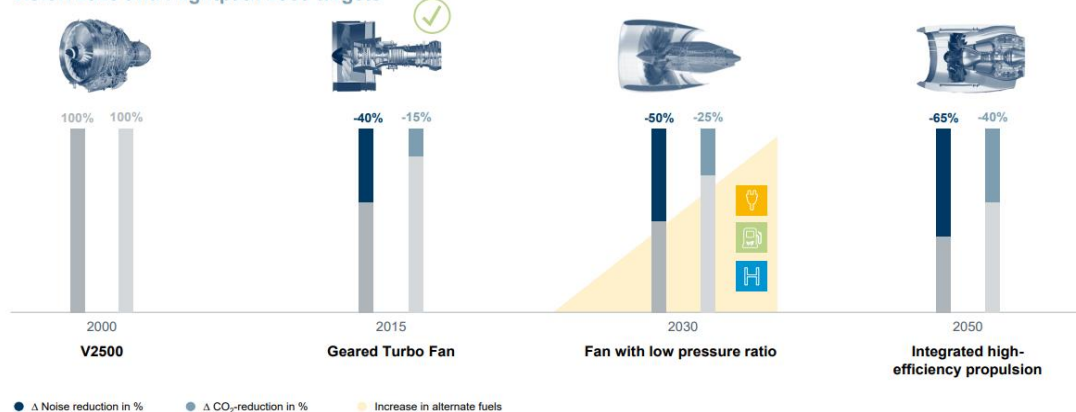


Shareholders



Clean Technology Roadmap

Vision 2020 and Flightpath 2050 targets



Source: Company data; mwb research

SWOT analysis

Strengths

- Strong technology portfolio in critical engine components
- Market leader as independent engine MRO provider
- High share of recurring revenues in MRO
- Profitable throughout the cycle
- Early mover in future engine concepts (e.g. geared turbofan)

Weaknesses

- FX exposure
- Complex relationship to engine OEMs: they are risk- and revenue-sharing partners in the OEM business and competitors in MRO business
- Cyclical -> high capital costs (high cost of equity, low gearing)

Opportunities

- Exposure to narrow-body and freight aircraft make MTU an early beneficiary of the post-Covid recovery
- Secular growth of air traffic
- Strengthening of USD

Threats

- Price of Brent crude, renewed travel restrictions and trade conflicts could dampen air traffic recovery
- Increasing competition in MRO from low-cost bases
- Chinese jet engine programs (long-term)
- tighter regulatory regime(s) in aviation: aviation and kerosene taxes, environmental restrictions on greenhouse gas emissions and noise pollution, ban on short haul traffic

Valuation

DCF Model

The DCF model results in a **fair value of EUR 290.25 per share**:

Top-line growth: We expect MTU Aero Engines AG to grow revenues at a CAGR of 4.2% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 12.9% in 2024E to 13.5% in 2031E.

WACC. Starting point is a historical equity beta of 0.93. Unlevering and correcting for mean reversion yields an asset beta of 0.87. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 7.9%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25% and target debt/equity of 0.2 this results in a long-term WACC of 7.3%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	701	770	842	869	861	901	862	883	
Depreciation & amortization	355	376	400	423	433	443	454	464	
Change in working capital	-1,389	-136	-50	-24	-23	-15	-20	-20	
Chg. in long-term provisions	1,119	-145	-153	-204	44	40	38	39	
Capex	-432	-461	-486	-448	-461	-473	-485	-496	
Cash flow	354	404	553	616	854	895	850	870	16,823
Present value	344	366	467	485	627	613	543	518	9,994
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	7.2%	7.2%	7.2%	7.3%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	13,956	Planning horizon avg. revenue growth (2024E-2031E)	4.2%
Mid-year adj. total present value	14,454	Terminal value growth (2031E - infinity)	2.0%
Net debt / cash at start of year	60	Terminal year ROCE	13.5%
Financial assets	1,903	Terminal year WACC	7.3%
Provisions and off b/s debt	713		
Equity value	15,584		
No. of shares outstanding	53.7		
Discounted cash flow / share		Terminal WACC derived from	
upside/(downside)	290.25 11.6%	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	25%
		Equity beta	0.93
		Unlevered beta (industry or company)	0.87
		Target debt / equity	0.2
		Relevered beta	0.99
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	7.9%
Share price			
	260.10		

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%	199.5	207.0	215.4	225.2	236.4	2024E-2027E	11.9%
	1.0%	224.7	235.0	246.9	260.8	277.4	2028E-2031E	16.5%
	0.0%	257.9	272.7	290.2	311.4	337.6	terminal value	71.6%
	-1.0%	303.9	326.3	354.0	389.0	434.7		
	-2.0%	371.4	408.4	456.7	522.4	617.0		

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 212.17 per share based on 2024E and EUR 293.78 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
EBITDA	1,308	1,424	1,545	1,605	1,604
- Maintenance capex	355	376	400	423	433
- Minorities	14	15	17	17	17
- tax expenses	227	253	277	287	286
= Adjusted FCF	713	780	851	877	868
Actual Market Cap	14,000	14,000	14,000	14,000	14,000
+ Net debt (cash)	-166	-424	-780	-1,145	-1,699
+ Pension provisions	969	1,051	1,128	1,164	1,199
+ Off b/s financing	0	0	0	0	0
- Financial assets	1,903	1,903	1,903	1,903	1,903
- Acc. dividend payments	107	241	426	671	967
<i>EV Reconciliations</i>	-1,207	-1,516	-1,982	-2,555	-3,370
= Actual EV'	12,793	12,484	12,018	11,445	10,630
Adjusted FCF yield	5.6%	6.2%	7.1%	7.7%	8.2%
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	10,185	11,137	12,161	12,531	12,404
- <i>EV Reconciliations</i>	-1,207	-1,516	-1,982	-2,555	-3,370
Fair Market Cap	11,392	12,653	14,143	15,086	15,774
No. of shares (million)	54	54	54	54	54
Fair value per share in EUR	212.17	235.66	263.41	280.97	293.78
Premium (-) / discount (+)	-18.4%	-9.4%	1.3%	8.0%	13.0%

Sensitivity analysis fair value					
Adjusted hurdle rate	5.0%	288	319	354	374
	6.0%	244	270	301	320
	7.0%	212	236	263	281
	8.0%	188	210	235	252
	9.0%	170	190	213	229

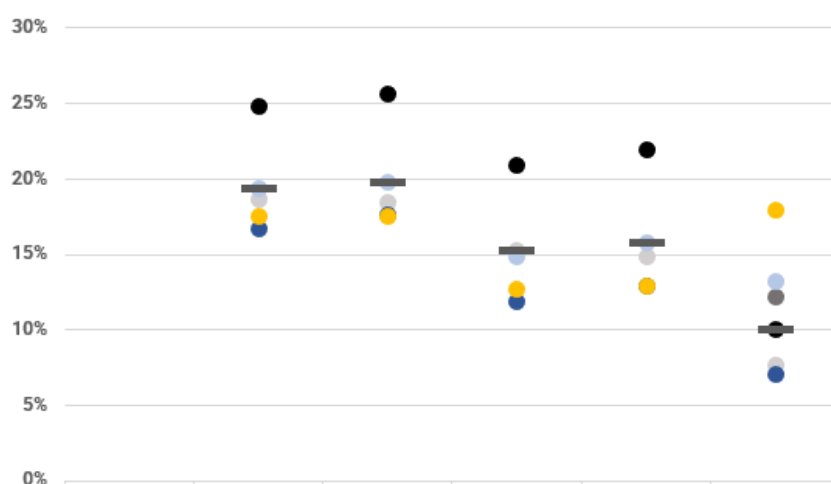
Source: Company data; mwb research

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 **MTU Aero Engines 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 MTU Aero Engines AG consists of the stocks displayed in the graphs below. As of 2 August 2024 the median market cap of the peer group was EUR 47,985m, compared to EUR 13,965m for MTU Aero Engines AG. In the period under review, the peer group was more profitable than MTU Aero Engines AG. The expectations for sales growth are lower for the peer group than for MTU Aero Engines AG.

Peer Group – Key data



2-Aug-24

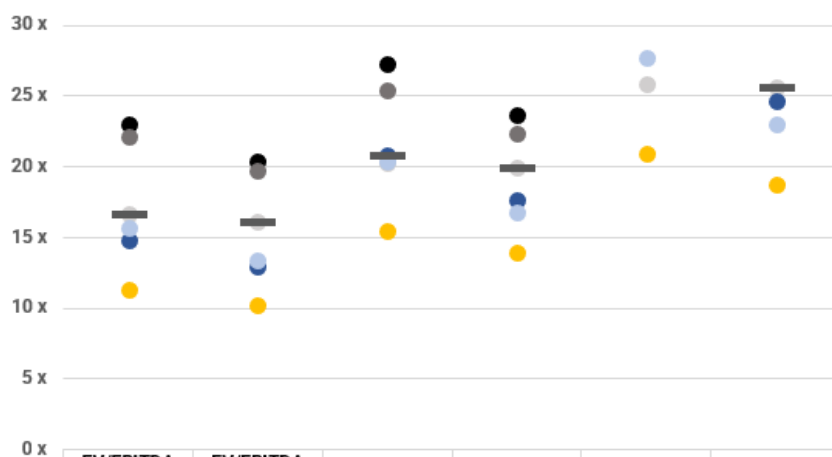
	Market Cap (EURm)	EBITDA margin 2024	EBITDA margin 2025	EBIT margin 2024	EBIT margin 2025	Sales CAGR 2023-2026
● Howmet Aerospace Inc.	35,878	24.8%	25.6%	20.9%	22.0%	10.1%
● TransDigm Group Incorporated	65,747	52.2%	52.4%	45.4%	46.3%	12.3%
● Woodward, Inc.	8,744	18.7%	18.5%	15.4%	14.9%	7.7%
● Rolls-Royce Holdings plc	47,985	16.7%	17.7%	11.9%	13.0%	7.1%
● Safran SA	82,846	19.4%	19.8%	14.9%	15.8%	13.3%
● MTU Aero Engines AG	14,000	17.5%	17.6%	12.8%	13.0%	18.0%
— Peer Group Median	47,985	19.4%	19.8%	15.4%	15.8%	10.1%

Source: FactSet, 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 MTU Aero Engines AG results in a range of fair values from EUR 354.54 to EUR 412.36.

Peer Group – Multiples and valuation



2-Aug-24

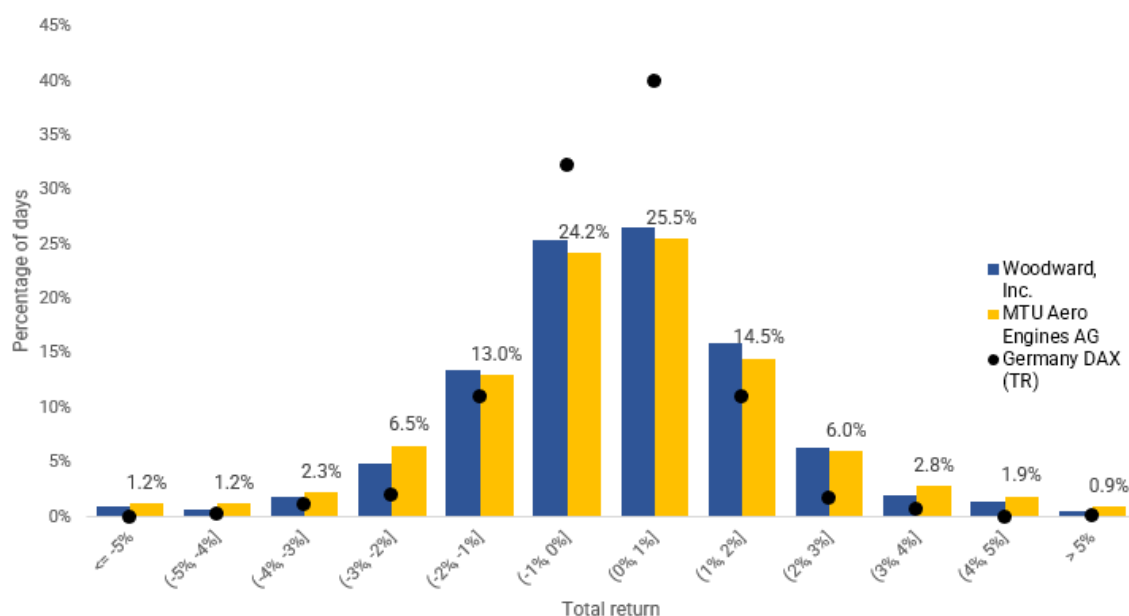
	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● Howmet Aerospace Inc.	23.0x	20.4x	27.3x	23.7x	37.6x	31.1x
● TransDigm Group Incorporated	22.2x	19.7x	25.5x	22.3x	38.2x	32.0x
● Woodward, Inc.	16.7x	16.1x	20.3x	20.0x	25.9x	25.6x
● Rolls-Royce Holdings plc	14.9x	13.0x	20.8x	17.7x	30.1x	24.7x
● Safran SA	15.7x	13.4x	20.4x	16.8x	27.8x	23.0x
● MTU Aero Engines AG	11.3x	10.3x	15.5x	14.0x	20.9x	18.8x
— Peer Group Median	16.7x	16.1x	20.8x	20.0x	30.1x	25.6x
Fair Value (EUR)	391.56	412.36	354.94	374.82	374.46	354.54

Source: FactSet, mwb research

Risk

The chart displays the **distribution of daily returns of MTU Aero Engines AG** over the last 3 years, compared to the same distribution for Woodward, Inc.. We have also included the distribution for the index Germany DAX (TR). 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 MTU Aero Engines AG, the worst day during the past 3 years was 11/09/2023 with a share price decline of -12.1%. The best day was 25/02/2022 when the share price increased by 7.7%.

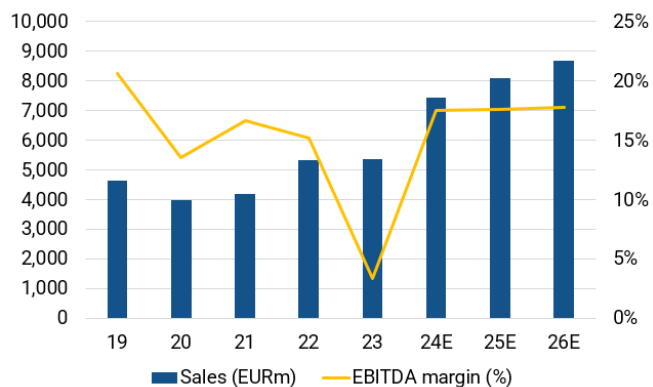
Risk – Daily Returns Distribution (trailing 3 years)



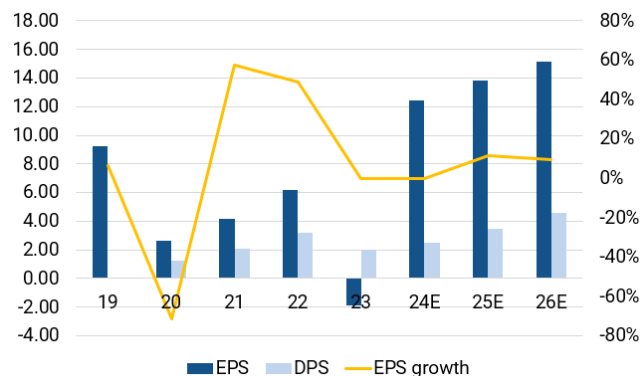
Source: FactSet, mwb research

Financials in six charts

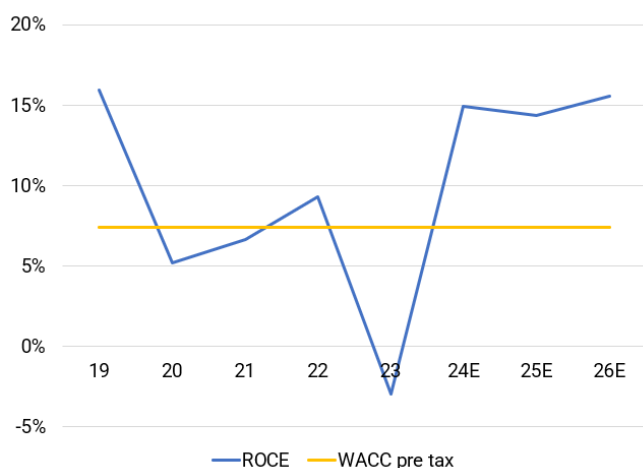
Sales vs. EBITDA margin development



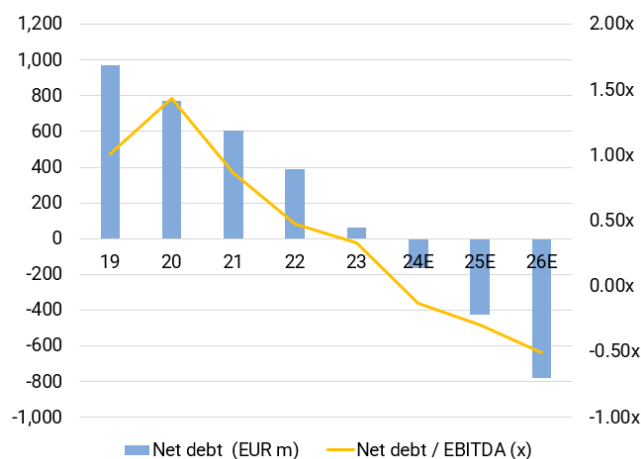
EPS, DPS in EUR & yoy EPS growth



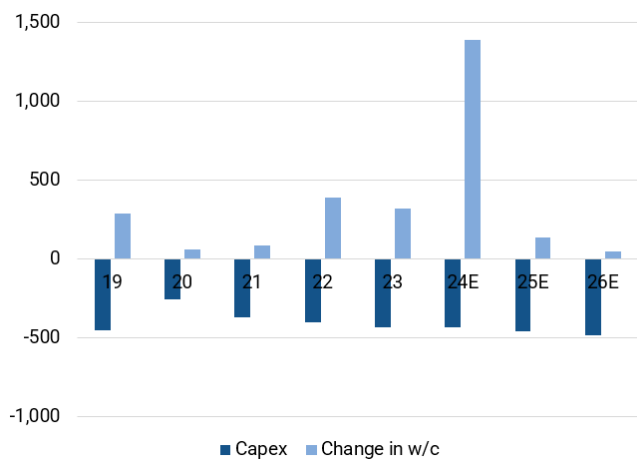
ROCE vs. WACC (pre tax)



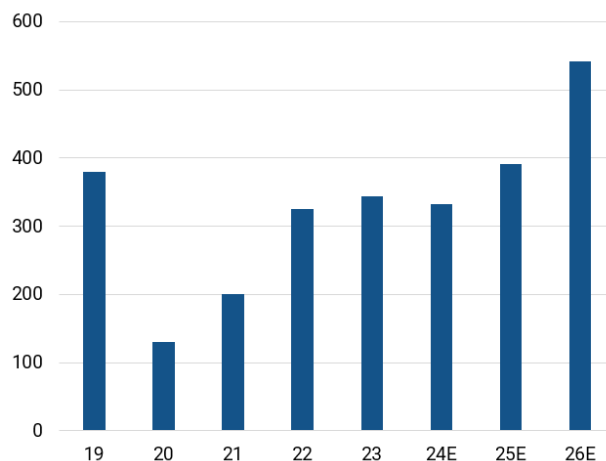
Net debt and net debt/EBITDA



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
Sales	4,188	5,330	5,363	7,455	8,088	8,675
Sales growth	5.3%	27.3%	0.6%	39.0%	8.5%	7.2%
Cost of sales	3,632	4,514	5,285	6,150	6,632	7,113
Gross profit	556	816	78	1,305	1,456	1,561
SG&A expenses	183	211	207	335	344	347
Research and development	81	104	112	134	146	156
Other operating expenses (income)	-70	-15	-88	-119	-81	-87
EBITDA	699	812	179	1,308	1,424	1,545
Depreciation	7	8	8	330	353	377
EBITA	434	565	-103	978	1,071	1,168
Amortisation of goodwill and intangible assets	79	57	58	24	24	23
EBIT	355	508	-161	953	1,047	1,145
Financial result	-40	-45	-44	-46	-37	-36
Recurring pretax income from continuing operations	315	463	-205	908	1,011	1,109
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	315	463	-205	908	1,011	1,109
Taxes	84	130	-108	227	253	277
Net income from continuing operations	231	333	-97	681	758	831
Result from discontinued operations (net of tax)	0	0	0	0	0	0
Net income	231	333	-97	681	758	831
Minority interest	-9	-2	-5	-14	-15	-17
Net profit (reported)	222	331	-102	667	743	815
Average number of shares	53.33	53.37	53.69	53.69	53.69	53.69
EPS reported	4.16	6.20	-1.90	12.42	13.84	15.18

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Sales	100%	100%	100%	100%	100%	100%
Cost of sales	87%	85%	99%	83%	82%	82%
Gross profit	13%	15%	1%	18%	18%	18%
SG&A expenses	4%	4%	4%	5%	4%	4%
Research and development	2%	2%	2%	2%	2%	2%
Other operating expenses (income)	-2%	-0%	-2%	-2%	-1%	-1%
EBITDA	17%	15%	3%	18%	18%	18%
Depreciation	0%	0%	0%	4%	4%	4%
EBITA	10%	11%	-2%	13%	13%	13%
Amortisation of goodwill and intangible assets	2%	1%	1%	0%	0%	0%
EBIT	8%	10%	-3%	13%	13%	13%
Financial result	-1%	-1%	-1%	-1%	-0%	-0%
Recurring pretax income from continuing operations	8%	9%	-4%	12%	12%	13%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	8%	9%	-4%	12%	12%	13%
Taxes	2%	2%	-2%	3%	3%	3%
Net income from continuing operations	6%	6%	-2%	9%	9%	10%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	6%	6%	-2%	9%	9%	10%
Minority interest	-0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	5%	6%	-2%	9%	9%	9%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	1,729	1,673	814	790	766	743
Goodwill	386	386	386	386	386	386
Property, plant and equipment	1,251	1,384	1,501	1,603	1,711	1,821
Financial assets	678	703	1,903	1,903	1,903	1,903
FIXED ASSETS	4,044	4,146	4,604	4,682	4,766	4,853
Inventories	1,380	1,514	1,629	1,837	1,999	2,144
Accounts receivable	1,854	2,247	2,258	3,166	3,435	3,684
Other current assets	90	56	87	87	87	87
Liquid assets	886	1,233	1,539	2,057	1,624	1,880
Deferred taxes	0	34	0	0	0	0
Deferred charges and prepaid expenses	50	0	87	112	121	130
CURRENT ASSETS	4,260	5,084	5,600	7,258	7,265	7,925
TOTAL ASSETS	8,304	9,230	10,204	11,939	12,032	12,777
SHAREHOLDERS EQUITY	2,681	3,035	2,863	3,436	4,061	4,707
MINORITY INTEREST	79	72	70	70	70	70
Long-term debt	1,338	1,477	1,397	1,676	1,100	1,000
Provisions for pensions and similar obligations	905	661	713	969	1,051	1,128
Other provisions	182	205	148	1,011	783	554
Non-current liabilities	2,425	2,343	2,258	3,656	2,935	2,681
short-term liabilities to banks	153	144	202	215	100	100
Accounts payable	165	284	325	388	418	448
Advance payments received on orders	692	708	735	969	1,051	1,128
Other liabilities (incl. from lease and rental contracts)	2,013	2,503	3,611	3,056	3,235	3,470
Deferred taxes	3	0	0	0	0	0
Deferred income	93	141	140	149	162	173
Current liabilities	3,119	3,780	5,013	4,777	4,966	5,319
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	8,304	9,230	10,204	11,939	12,032	12,777

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	21%	18%	8%	7%	6%	6%
Goodwill	5%	4%	4%	3%	3%	3%
Property, plant and equipment	15%	15%	15%	13%	14%	14%
Financial assets	8%	8%	19%	16%	16%	15%
FIXED ASSETS	49%	45%	45%	39%	40%	38%
Inventories	17%	16%	16%	15%	17%	17%
Accounts receivable	22%	24%	22%	27%	29%	29%
Other current assets	1%	1%	1%	1%	1%	1%
Liquid assets	11%	13%	15%	17%	13%	15%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	0%	1%	1%	1%	1%
CURRENT ASSETS	51%	55%	55%	61%	60%	62%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	32%	33%	28%	29%	34%	37%
MINORITY INTEREST	1%	1%	1%	1%	1%	1%
Long-term debt	16%	16%	14%	14%	9%	8%
Provisions for pensions and similar obligations	11%	7%	7%	8%	9%	9%
Other provisions	2%	2%	1%	8%	7%	4%
Non-current liabilities	29%	25%	22%	31%	24%	21%
short-term liabilities to banks	2%	2%	2%	2%	1%	1%
Accounts payable	2%	3%	3%	3%	3%	4%
Advance payments received on orders	8%	8%	7%	8%	9%	9%
Other liabilities (incl. from lease and rental contracts)	24%	27%	35%	26%	27%	27%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	1%	2%	1%	1%	1%	1%
Current liabilities	38%	41%	49%	40%	41%	42%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	231	333	-97	681	758	831
Depreciation of fixed assets (incl. leases)	265	247	282	330	353	377
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	24	24	23
Others	157	536	910	1,119	-145	-153
Cash flow from operations before changes in w/c	653	1,116	1,095	2,154	989	1,078
Increase/decrease in inventory	0	0	0	-208	-162	-145
Increase/decrease in accounts receivable	0	0	0	-908	-269	-249
Increase/decrease in accounts payable	0	0	0	63	30	30
Increase/decrease in other w/c positions	-86	-388	-318	-336	264	314
Increase/decrease in working capital	-86	-388	-318	-1,389	-136	-50
Cash flow from operating activities	567	728	777	765	852	1,028
CAPEX	-367	-402	-433	-432	-461	-486
Payments for acquisitions	0	0	0	0	0	0
Financial investments	-31	-28	-17	0	0	0
Income from asset disposals	21	16	30	0	0	0
Cash flow from investing activities	-377	-414	-420	-432	-461	-486
Cash flow before financing	190	314	357	333	391	542
Increase/decrease in debt position	-164	-64	-74	292	-691	-100
Purchase of own shares	0	0	0	0	0	0
Capital measures	23	0	0	0	0	0
Dividends paid	-80	-124	-174	-107	-133	-186
Others	-24	-36	-46	0	0	0
Effects of exchange rate changes on cash	3	-3	-3	0	0	0
Cash flow from financing activities	-242	-227	-297	185	-824	-286
Increase/decrease in liquid assets	-52	87	60	518	-433	256
Liquid assets at end of period	722	823	883	1,401	968	1,224

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	586	616	762	1,059	1,149	1,233
Europe (ex domestic)	281	266	397	552	599	642
The Americas	2,744	3,015	3,716	5,165	5,604	6,011
Asia	231	166	201	279	303	325
Rest of World	136	124	255	354	385	412
Total sales	4,188	5,330	5,363	7,455	8,088	8,675

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	14.0%	11.6%	14.2%	14.2%	14.2%	14.2%
Europe (ex domestic)	6.7%	5.0%	7.4%	7.4%	7.4%	7.4%
The Americas	65.5%	56.6%	69.3%	69.3%	69.3%	69.3%
Asia	5.5%	3.1%	3.7%	3.7%	3.7%	3.7%
Rest of World	3.2%	2.3%	4.8%	4.8%	4.8%	4.8%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	4.16	6.20	-1.90	12.42	13.84	15.18
Cash flow per share	10.63	13.64	14.47	7.65	8.87	11.70
Book value per share	50.28	56.87	53.32	64.00	75.63	87.66
Dividend per share	2.10	3.20	2.00	2.48	3.46	4.55
Valuation						
P/E	62.5x	41.9x	-136.9x	20.9x	18.8x	17.1x
P/CF	24.5x	19.1x	18.0x	34.0x	29.3x	22.2x
P/BV	5.2x	4.6x	4.9x	4.1x	3.4x	3.0x
Dividend yield (%)	0.8%	1.2%	0.8%	1.0%	1.3%	1.8%
FCF yield (%)	4.1%	5.2%	5.6%	2.9%	3.4%	4.5%
EV/Sales	3.7x	2.8x	2.7x	2.0x	1.8x	1.6x
EV/EBITDA	22.1x	18.5x	82.3x	11.3x	10.2x	9.3x
EV/EBIT	43.6x	29.6x	-91.5x	15.5x	13.9x	12.5x
Income statement (EURm)						
Sales	4,188	5,330	5,363	7,455	8,088	8,675
yoy chg in %	5.3%	27.3%	0.6%	39.0%	8.5%	7.2%
Gross profit	556	816	78	1,305	1,456	1,561
Gross margin in %	13.3%	15.3%	1.5%	17.5%	18.0%	18.0%
EBITDA	699	812	179	1,308	1,424	1,545
EBITDA margin in %	16.7%	15.2%	3.3%	17.5%	17.6%	17.8%
EBIT	355	508	-161	953	1,047	1,145
EBIT margin in %	8.5%	9.5%	-3.0%	12.8%	13.0%	13.2%
Net profit	222	331	-102	667	743	815
Cash flow statement (EURm)						
CF from operations	567	728	777	765	852	1,028
Capex	-367	-402	-433	-432	-461	-486
Maintenance Capex	0	0	0	355	376	400
Free cash flow	200	326	344	333	391	542
Balance sheet (EURm)						
Intangible assets	2,115	2,059	1,200	1,176	1,152	1,129
Tangible assets	1,251	1,384	1,501	1,603	1,711	1,821
Shareholders' equity	2,681	3,035	2,863	3,436	4,061	4,707
Pension provisions	905	661	713	969	1,051	1,128
Liabilities and provisions	2,578	2,487	2,460	3,871	3,035	2,781
Net financial debt	605	388	60	-166	-424	-780
w/c requirements	2,377	2,769	2,827	3,646	3,964	4,252
Ratios						
ROE	8.6%	11.0%	-3.4%	19.8%	18.7%	17.7%
ROCE	6.7%	9.1%	-3.0%	12.9%	14.6%	15.2%
Net gearing	22.6%	12.8%	2.1%	-4.8%	-10.4%	-16.6%
Net debt / EBITDA	0.9x	0.5x	0.3x	-0.1x	-0.3x	-0.5x

Source: Company data; mwb research

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