

Rheinmetall AG

Germany | Industrial Goods & Services | MCap EUR 31,789m

17 January 2025

UPDATE



Is the defense super cycle done by 2030? No! PT up, BUY

What's it all about?

Is the Defense Supercycle Ending by 2030? This question frequently arises in meetings with investors, reflecting concerns about long-term growth. Current consensus estimates a P/E of 13 for 2027, despite Rheinmetall's robust growth potential extending well beyond that year. The company is uniquely positioned to benefit from a structural shift in defense spending, driven by NATO standards that will take decades to meet. For instance, the European need for 155mm artillery shells far outstrips current production capabilities, with a conservative estimate of EUR 108bn required to meet just 30 days of ammunition stock. At Rheinmetall's planned production capacity of 1.1m shells per year by 2027, fulfilling this demand would take more than 30 years, underscoring the company's critical role in addressing this persistent gap. Beyond artillery, Rheinmetall's growth is supported by undervalued opportunities in air defense systems and battlefield digitalization. With an order backlog exceeding six times its 2024 revenues, market leadership, and increasing production capacity, Rheinmetall is well-positioned for sustained growth. We reiterate our BUY rating and raise our price target to EUR 800.00 (previously EUR 750.00), reflecting stronger post-2030 revenue expectations.

BUY (BUY)

Target price	EUR 800.00 (750.00)
Current price	EUR 686.00
Up/downside	16.6%



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Rheinmetall AG

Germany | Industrial Goods & Services | MCap EUR 31,789m | EV EUR 33,218m

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Is the defense super cycle done by 2030? No! PT up, BUY

How Long Can the Defense Cycle Last? Contrary to the perception that the current defense spending surge is merely a short supercycle ending by 2030, this view underestimates the structural shift in defense needs. According to the Kiel Institute, restocking to meet NATO standards would take well beyond 2050 for all segments.

Case Study: 155mm Artillery Shells. Rheinmetall is one of the few producers of 155mm artillery shells. Most current stocks and orders are directed to Ukraine. A single 155mm shell costs EUR 3,000–5,800 with EUR 4,000 as a reasonable average. NATO standards require 30 days' worth of ammunition stock for the ~4,000 artillery systems across Europe. Assuming 300 shots per system daily in an easy calculation:

$$4,000 \text{ systems} \times 300 \text{ shots/day} \times 30 \text{ days} \times \text{EUR } 4,000 = \text{EUR } 108 \text{bn}$$

Even with Rheinmetall's planned capacity increase to 1.1m shells per year by 2027, Europe would need over 1.2m shells daily in a conflict scenario, challenging the notion of a post-2030 decline. For 2027, we estimate Rheinmetall's artillery and weapons segment alone will contribute EUR 6.5 bn with 67% of the segments revenues coming from the 155mm shots. This also leads to adjusting our long-term revenues up.

Demand across all segments. Another undervalued revenue stream is Rheinmetall's Skynex system, priced at ~EUR 73m per unit. Italy's order of four units underscores growing demand for air defense, though it barely covers the country's needs. With interest from ESSI nations, Rheinmetall could deliver over 700 systems. Additionally, the market overlooks its digitalization potential, bolstered by several acquisitions like Blackned GmbH and projects such as the EUR 7.5m TAWAN for which positive news should come in 2025.

Conclusion Unlike the market's view of a temporary supercycle, we see structurally secured revenues extending well beyond 2030. The company's leadership position in Europe, coupled with increasing production capacity and diversified offerings, minimizes downside risks. We reiterate our BUY rating and raise our price target to EUR 800.00 (previously EUR 750.00), with strong support from rising defense budgets and a political shift.

Rheinmetall AG	2021	2022	2023	2024E	2025E	2026E
Sales	5,658	6,410	7,176	10,054	12,738	16,215
<i>Growth yoy</i>	-3.7%	13.3%	12.0%	40.1%	26.7%	27.3%
EBITDA	859	981	1,205	1,800	2,637	3,292
EBIT	608	731	897	1,400	2,181	2,792
Net profit	291	469	535	949	1,489	1,838
Net debt (net cash)	-614	-83	867	271	-472	-1,543
Net debt/EBITDA	-0.7x	-0.1x	0.7x	0.2x	-0.2x	-0.5x
EPS reported	6.72	10.82	12.07	20.47	32.13	39.67
DPS	3.30	4.30	5.70	7.57	11.89	14.68
<i>Dividend yield</i>	0.5%	0.6%	0.8%	1.1%	1.7%	2.1%
Gross profit margin	53.6%	52.7%	54.9%	49.4%	50.7%	50.3%
EBITDA margin	15.2%	15.3%	16.8%	17.9%	20.7%	20.3%
EBIT margin	10.7%	11.4%	12.5%	13.9%	17.1%	17.2%
ROCE	13.3%	15.2%	14.0%	18.7%	24.0%	25.8%
EV/EBITDA	37.2x	32.8x	27.6x	18.2x	12.2x	9.6x
EV/EBIT	52.5x	44.0x	37.0x	23.5x	14.8x	11.3x
PER	102.0x	63.4x	59.4x	33.5x	21.4x	17.3x
FCF yield	2.3%	0.6%	2.3%	4.5%	4.9%	6.8%

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 687.40 / 306.20
Price/Book Ratio 9.6x

Ticker / Symbols

ISIN DE0007030009
WKN 703000
Bloomberg RHM:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	10,054	1,400	20.47
	Δ	0.0%	0.0%	0.0%
2025E	old	12,738	2,181	32.13
	Δ	0.0%	0.0%	0.0%
2026E	old	16,215	2,792	39.67
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 46.34
Book value per share: (in EUR) 71.56
Ø trading vol.: (12 months) 306,895

Major shareholders

Société Générale 10.9%
BlackRock 5.4%
FMR 4.9%
Free Float 65.8%

Company description

Rheinmetall AG is a leading German defense and automotive technology company, specializing in military vehicles, weapons, ammunition, and electronic solutions. With a strong presence in NATO countries and expanding operations in the U.S., Rheinmetall is well-positioned to benefit from increased global defense spending, particularly in Europe.

The following table displays the quarterly performance of **Rheinmetall AG**.

P&L data	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Sales	2,321.0	1,363.0	1,498.0	1,758.0	2,558.0	1,581.0	2,234.0	2,453.0
yoy growth in %	27.7%	7.7%	6.4%	24.2%	10.2%	16.0%	49.1%	39.5%
Gross profit	580.0	239.0	280.0	350.0	714.0	302.0	477.0	302.0
Gross margin in %	25.0%	17.5%	18.7%	19.9%	27.9%	19.1%	21.4%	12.3%
EBITDA	489.0	152.0	182.0	251.0	569.0	207.0	330.0	385.0
EBITDA margin in %	21.1%	11.2%	12.1%	14.3%	22.2%	13.1%	14.8%	15.7%
EBIT	425.0	89.0	119.0	172.0	466.0	116.0	239.0	270.0
EBIT margin in %	18.3%	6.5%	7.9%	9.8%	18.2%	7.3%	10.7%	11.0%
EBT	418.0	80.0	107.0	139.0	431.0	87.0	211.0	247.0
taxes paid	108.0	20.0	31.0	36.0	98.0	31.0	56.0	74.0
tax rate in %	25.8%	25.0%	29.0%	25.9%	22.7%	35.6%	26.5%	30.0%
net profit	292.0	53.0	55.0	100.0	374.0	49.0	134.0	173.0
yoy growth in %	37.7%	12.8%	5.8%	38.9%	28.1%	-7.5%	143.6%	73.0%
EPS	6.61	1.29	1.29	2.35	7.44	1.11	1.43	3.60

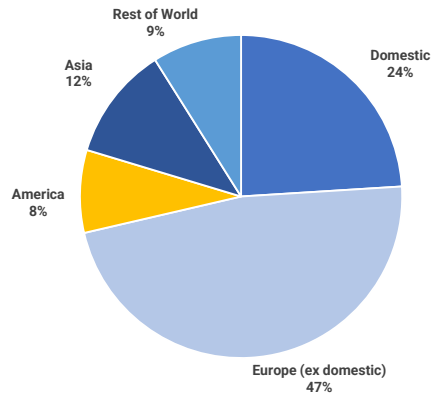
Source: Company data; mwb research

Investment case in six charts

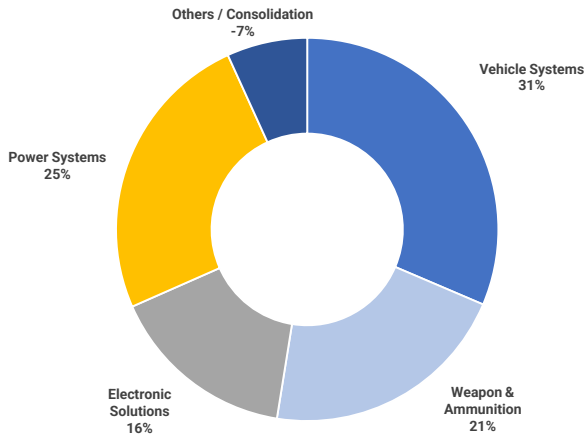
Products & Services



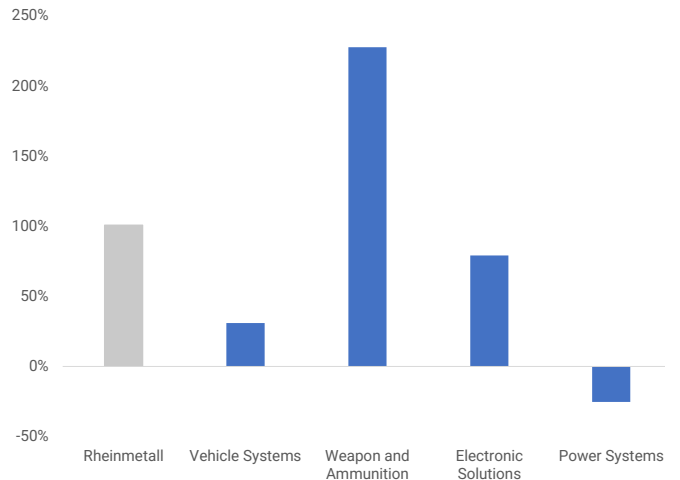
Regional sales split in %



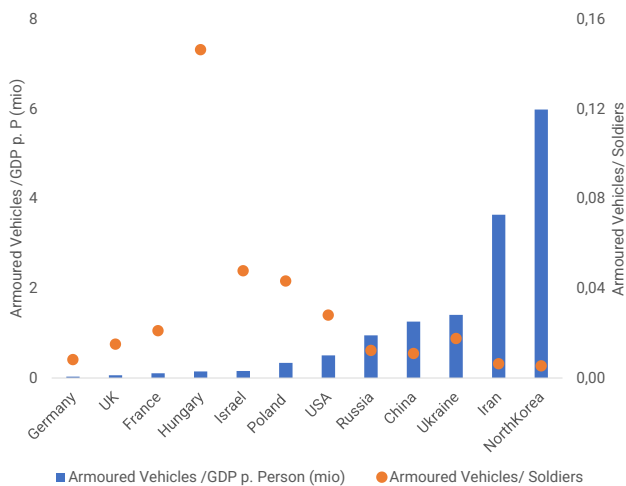
Segmental breakdown in %



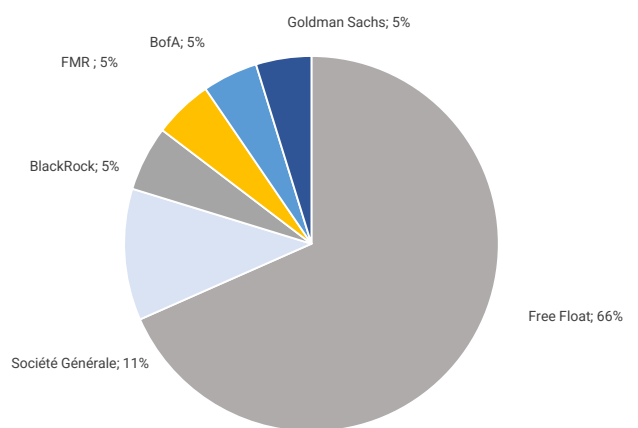
Q2 2024 Order Growth yoy



Armoured fighting vehicle shortage in NATO states



Major Shareholders



Source: Company data; mwb research

SWOT analysis

Strengths

- **Diverse Product Range:** Rheinmetall offers a wide array of products, from tanks to ammunition.
- **Advanced Technology:** The Lynx is among the most advanced IFV in the world.
- **Management Commitment:** Management consistently purchases shares, showing strong confidence, unlike U.S. defence companies where executives are selling.
- **U.S. Market Expansion:** Rheinmetall is increasing its market share in the U.S., the largest defence market globally.
- **NATO Presence:** The company operates in nearly every NATO country.
- **Secure Revenue Streams:** A German government report indicates that it will take until 2031 to replenish ammunition stockpiles to meet NATO's 30-day readiness goal, ensuring steady revenue. Other NATO countries face similar issues.

Weaknesses

- **Foreign Investment Restrictions:** Acquisitions of over 10% by foreign investors require government approval, potentially limiting investments and demand for shares.
- **Export Restrictions:** Limitations on exports impact revenue and market share.
- **Government Dependency:** Heavy reliance on government defence budgets exposes Rheinmetall to risks from potential debt crises, particularly in France and the U.S., though the risk is lower in Germany.
- **Dividend Strategy:** A payout of 35-40% in dividends may limit funds for strategic acquisitions, such as acquiring Hensoldt for radar capabilities.

Opportunities

- **Global Arms Race:** Ongoing conflicts and military build-ups in Russia, China, and the Middle East are driving NATO nations to invest more in their ammunition and military resources.
- **NATO and EU Defence Spending:** NATO countries aim to meet the 2% defence spending target, benefiting Rheinmetall. Unlike the U.S., which may decrease spending, Rheinmetall's primary revenue comes from the EU, which is increasing defence budgets.
- **Underinvestment in EU Defence:** The EU defence sector is recovering from years of underinvestment, creating significant growth opportunities for Rheinmetall.
- **German Election Impact:** The upcoming German election could lead to significant increases in defence spending, particularly if the CDU wins, potentially raising the special fund to EUR 300 bn. However, this scenario is highly unlikely as it requires a two-thirds majority, which current polls suggest may be challenging but it shows their ambitions.
- **Dependency on Chinese Parts:** Rheinmetall relies on Chinese-sourced linters for ammunition production, a critical component with a fragile supply chain. However, the company plans to establish its own linter production, becoming the only supplier in Europe.
- **Ammunition Longevity:** Ammunition has a lifespan of ~15-20 years, after which it should be replaced, ensuring recurring revenue.
- **New NATO Production Sites:** Several new production sites in NATO countries are expected to open, enhancing Rheinmetall's manufacturing capabilities.
- **Lynx IFV (XM30 Platform):** The XM30 platform, featuring the Lynx IFV, is in phase 3/4 of 5 in the U.S. competition, with only General Dynamics Land Systems remaining as a competitor. The decision for this EUR 41 bn contract for 4,000 infantry fighting vehicles is expected in Q2 2027.

- **U.S. Expansion:** Rheinmetall's acquisition of Loc Performance enhances its position in the U.S. and makes it a participant in the CTT (Common Tactical Truck) program, which has a potential contract volume of EUR 14.55 bn for 40,000 HX trucks.
- **Potential Strategic Investment by the State:** The German government, which already holds a strategic stake in Hensoldt, may consider a similar investment in Rheinmetall, especially if the political landscape changes in 2025.

Threats

- **German Special Fund Depletion:** Germany's special defence fund ("Sondervermögen") is expected to be exhausted by 2028, with much of it allocated to Rheinmetall orders. Without an increase, the government may struggle to meet future payments. The government has stated that costs will be "considered in a timely and needs-based manner," but this will require significant budget increases.
- **Debt and Household Crisis:** High debt levels in countries like France and the U.S. could lead to reduced defence spending, especially if economic conditions force budget cuts. A potential downgrade by rating agencies could exacerbate this risk.
- **Shift Away from Tanks:** Recent conflicts suggest that tanks are no longer the decisive factor in warfare. Air defence systems and cruise missiles have become more critical, with competitors like Arrow 3 (IAI, Boeing), Patriot System (Raytheon), and IRIS-T (Diehl Defence, Hensoldt) leading in these areas.
- **China Stops Nitrocellulose Exports:** China has ceased exporting nitrocellulose, a critical component in weapons manufacturing. However, Rheinmetall has mitigated this risk by establishing its own production capabilities.
- **U.S. Defence Programs:** U.S. defence manufacturers gain competitive advantages through programs like the Foreign Military Sales (FMS) program. Similar incentives in other countries further challenge foreign suppliers like Rheinmetall. To mitigate this risk, Rheinmetall is taking acquisitions in the U.S. (e.g. Lock Performance) to be able to produce there.
- **Military Cycle Outlook:** The military spending cycle could peak by 2030 unless Rheinmetall secures major U.S. contracts.

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 364.68 per share based on 2024E and EUR 987.01 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	1,800	2,637	3,292	4,092	4,480
- Maintenance capex	238	305	354	408	527
- Minorities	71	112	138	177	190
- tax expenses	305	478	713	886	952
= Adjusted FCF	1,186	1,741	2,087	2,620	2,812
Actual Market Cap	29,881	29,881	29,881	29,881	29,881
+ Net debt (cash)	271	-472	-1,543	-2,670	-3,700
+ Pension provisions	764	955	1,200	1,443	1,580
+ Off b/s financing	0	0	0	0	0
- Financial assets	734	734	734	734	734
- Acc. dividend payments	264	615	1,166	1,846	2,714
<i>EV Reconciliations</i>	37	-866	-2,243	-3,807	-5,568
= Actual EV'	29,919	29,016	27,639	26,074	24,313
Adjusted FCF yield	4.0%	6.0%	7.6%	10.1%	11.6%
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	16,936	24,872	29,816	37,435	40,170
- <i>EV Reconciliations</i>	37	-866	-2,243	-3,807	-5,568
Fair Market Cap	16,899	25,737	32,059	41,242	45,738
No. of shares (million)	46	46	46	46	46
Fair value per share in EUR	364.68	555.40	691.83	890.00	987.01
Premium (-) / discount (+)	-46.8%	-19.0%	0.8%	29.7%	43.9%

Sensitivity analysis fair value					
	5.0%	6.0%	7.0%	8.0%	9.0%
Adjusted hurdle rate	511	426	365	319	283
	770	645	555	488	436
	949	799	692	611	549
	1,213	1,025	890	789	710
	1,334	1,131	987	879	794

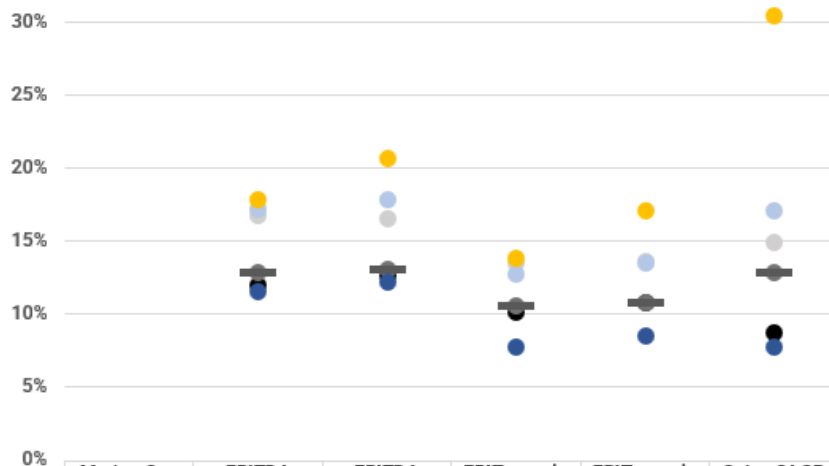
Source: Company data; mwb research

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 **Rheinmetall 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 Rheinmetall AG consists of the stocks displayed in the graphs below. As of 17 January 2025 the median market cap of the peer group was EUR 18,655m, compared to EUR 31,789m for Rheinmetall AG. In the period under review, the peer group was less profitable than Rheinmetall AG. The expectations for sales growth are lower for the peer group than for Rheinmetall AG.

Peer Group – Key data



17-Jan-25

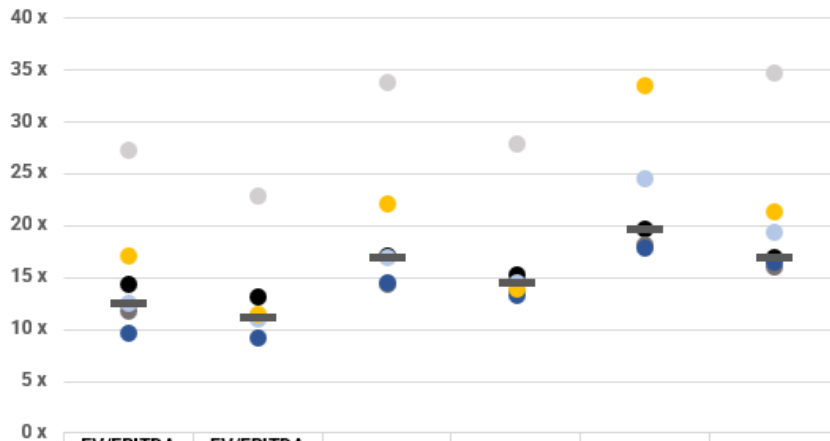
	Market Cap (EURm)	EBITDA margin 2024	EBITDA margin 2025	EBIT margin 2024	EBIT margin 2025	Sales CAGR 2023-2026
● General Dynamics Corporation	71.763	12,1%	12,7%	10,2%	10,9%	8,8%
● BAE Systems plc	43.349	12,9%	13,1%	10,7%	10,9%	12,9%
● Kongsberg Gruppen ASA	18.655	16,8%	16,6%	13,6%	13,7%	15,0%
● Leonardo SpA	16.402	11,6%	12,2%	7,8%	8,5%	7,8%
● HENSOLDT AG	4.225	17,3%	17,9%	12,8%	13,6%	17,1%
● Rheinmetall AG	29.881	17,9%	20,7%	13,9%	17,1%	30,5%
– Peer Group Median	18.655	12,9%	13,1%	10,7%	10,9%	12,9%

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 Rheinmetall AG results in a range of fair values from EUR 403.23 to EUR 662.85.

Peer Group – Multiples and valuation



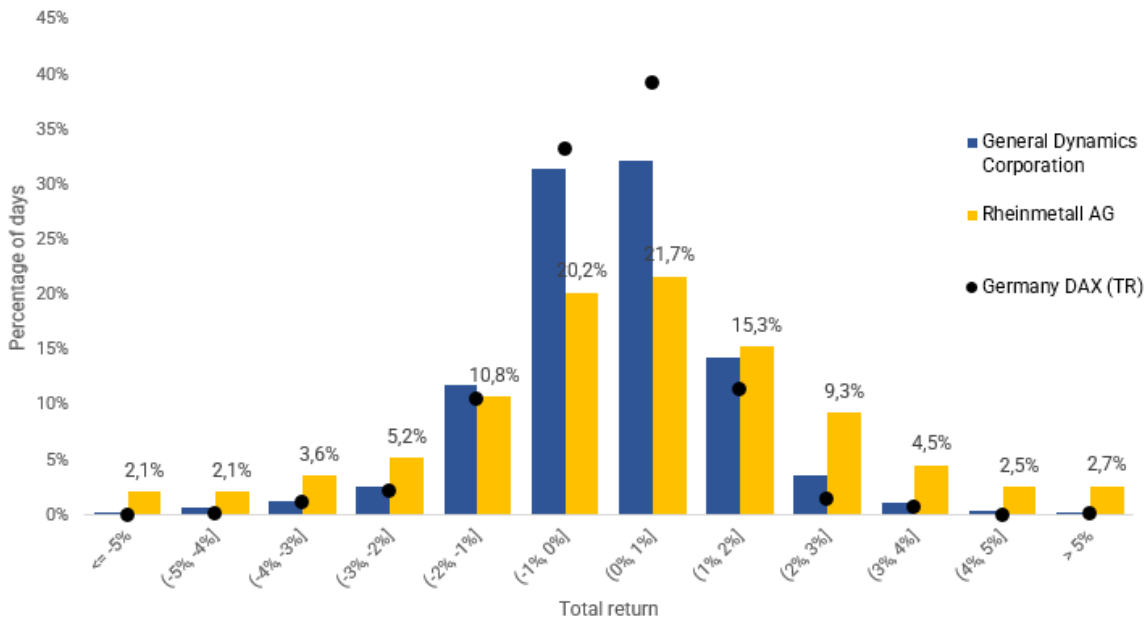
17-Jan-25	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● General Dynamics Corporation	14,4x	13,2x	17,1x	15,3x	19,7x	17,0x
● BAE Systems plc	11,9x	11,3x	14,4x	13,6x	18,2x	16,1x
● Kongsberg Gruppen ASA	27,3x	22,9x	33,8x	27,9x	41,4x	34,8x
● Leonardo SpA	9,7x	9,3x	14,5x	13,3x	17,9x	16,6x
● HENSOLDT AG	12,5x	11,1x	17,0x	14,6x	24,6x	19,5x
● Rheinmetall AG	17,2x	11,5x	22,1x	13,9x	33,5x	21,4x
– Peer Group Median	12,5x	11,3x	17,0x	14,6x	19,7x	17,0x
Fair Value (EUR)	464,13	620,36	490,90	662,85	403,23	544,58

Source: FactSet, mwb research

Risk

The chart displays the **distribution of daily returns of Rheinmetall AG** over the last 3 years, compared to the same distribution for General Dynamics Corporation. 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 Rheinmetall AG, the worst day during the past 3 years was 05/08/2022 with a share price decline of -11.8%. The best day was 28/02/2022 when the share price increased by 24.8%.

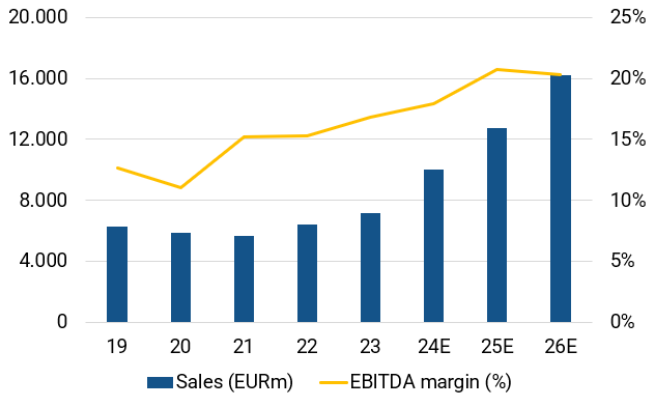
Risk – Daily Returns Distribution (trailing 3 years)



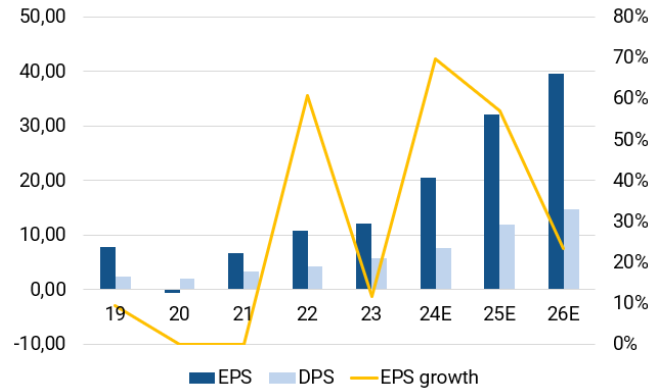
Source: FactSet, mwb research

Financials in six charts

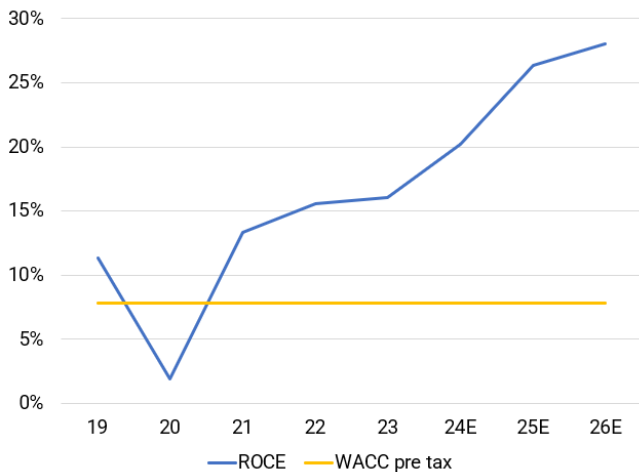
Sales vs. EBITDA margin development



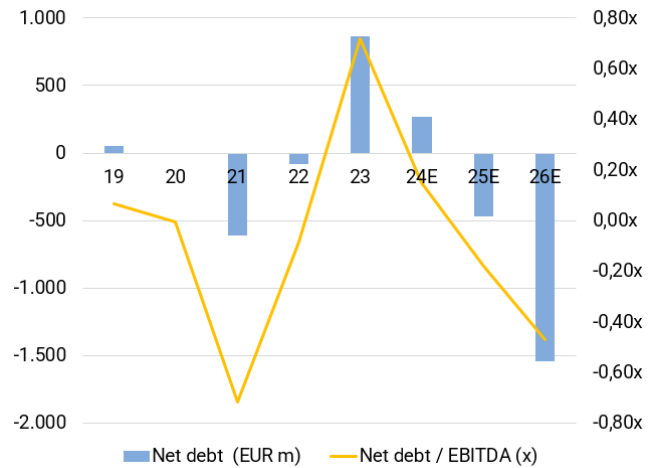
EPS, DPS in EUR & yoy EPS growth



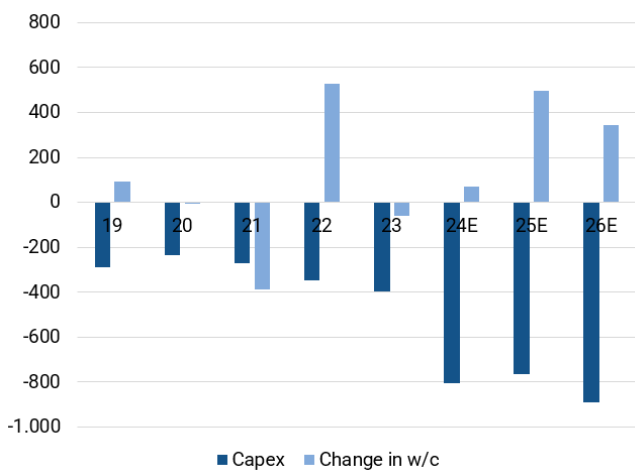
ROCE vs. WACC (pre tax)



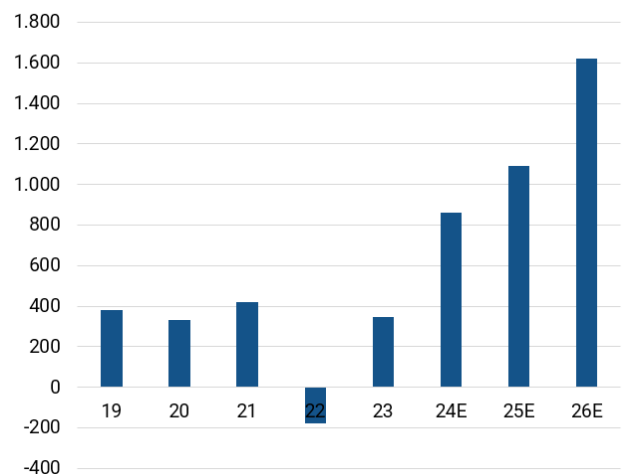
Net debt and net debt/EBITDA



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	5,658	6,410	7,176	10,054	12,738	16,215
Sales growth	-3.7%	13.3%	12.0%	40.1%	26.7%	27.3%
Cost of sales	0	0	0	0	0	0
Gross profit	3,030	3,380	3,937	4,966	6,458	8,156
SG&A expenses	0	0	0	0	0	0
Research and development	0	0	0	0	0	0
Other operating expenses (income)	656	768	889	1,025	1,299	1,654
EBITDA	859	981	1,205	1,800	2,637	3,292
Depreciation	212	203	221	238	305	354
EBITA	647	778	984	1,562	2,331	2,938
Amortisation of goodwill and intangible assets	39	47	87	162	150	146
EBIT	608	731	897	1,400	2,181	2,792
Financial result	-27	-20	-82	-75	-102	-103
Recurring pretax income from continuing operations	581	711	815	1,325	2,079	2,689
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	581	711	815	1,325	2,079	2,689
Taxes	150	183	185	305	478	713
Net income from continuing operations	431	528	630	1,020	1,601	1,977
Result from discontinued operations (net of tax)	-100	8	-44	0	0	0
Net income	331	536	586	1,020	1,601	1,977
Minority interest	-41	-66	-51	-71	-112	-138
Net profit (reported)	291	469	535	949	1,489	1,838
Average number of shares	43.28	43.36	46.34	46.34	46.34	46.34
EPS reported	6.72	10.82	12.07	20.47	32.13	39.67

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Sales	100%	100%	100%	100%	100%	100%
Cost of sales	0%	0%	0%	0%	0%	0%
Gross profit	54%	53%	55%	49%	51%	50%
SG&A expenses	0%	0%	0%	0%	0%	0%
Research and development	0%	0%	0%	0%	0%	0%
Other operating expenses (income)	12%	12%	12%	10%	10%	10%
EBITDA	15%	15%	17%	18%	21%	20%
Depreciation	4%	3%	3%	2%	2%	2%
EBITA	11%	12%	14%	16%	18%	18%
Amortisation of goodwill and intangible assets	1%	1%	1%	2%	1%	1%
EBIT	11%	11%	13%	14%	17%	17%
Financial result	-0%	-0%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	10%	11%	11%	13%	16%	17%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	10%	11%	11%	13%	16%	17%
Taxes	3%	3%	3%	3%	4%	4%
Net income from continuing operations	8%	8%	9%	10%	13%	12%
Result from discontinued operations (net of tax)	-2%	0%	-1%	0%	0%	0%
Net income	6%	8%	8%	10%	13%	12%
Minority interest	-1%	-1%	-1%	-1%	-1%	-1%
Net profit (reported)	5%	7%	7%	9%	12%	11%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	287	338	952	791	768	784
Goodwill	481	483	1,125	1,225	1,225	1,225
Property, plant and equipment	1,270	1,346	1,641	2,107	2,438	2,814
Financial assets	568	619	734	734	734	734
FIXED ASSETS	2,606	2,786	4,452	4,856	5,165	5,557
Inventories	1,651	1,976	3,244	3,424	4,053	4,936
Accounts receivable	1,175	1,571	2,034	2,617	3,280	4,132
Other current assets	621	611	767	767	767	767
Liquid assets	1,535	1,054	1,046	1,642	2,458	3,449
Deferred taxes	147	98	164	164	164	164
Deferred charges and prepaid expenses	0	0	0	0	0	0
CURRENT ASSETS	5,129	5,310	7,255	8,614	10,723	13,447
TOTAL ASSETS	7,735	8,096	11,707	13,470	15,888	19,004
SHAREHOLDERS EQUITY	2,418	2,812	3,316	4,072	5,322	6,748
MINORITY INTEREST	203	271	327	327	327	327
Long-term debt	706	517	1,503	1,503	1,423	1,423
Provisions for pensions and similar obligations	773	484	562	764	955	1,200
Other provisions	255	261	281	394	499	635
Non-current liabilities	1,734	1,262	2,346	2,661	2,877	3,258
short-term liabilities to banks	215	454	410	410	563	483
Accounts payable	809	931	1,222	1,569	1,850	2,243
Advance payments received on orders	1,111	1,127	2,594	2,614	2,675	3,081
Other liabilities (incl. from lease and rental contracts)	1,158	1,172	1,384	1,709	2,165	2,757
Deferred taxes	87	67	108	108	108	108
Deferred income	0	0	0	0	0	0
Current liabilities	3,380	3,751	5,718	6,410	7,362	8,672
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	7,735	8,096	11,707	13,470	15,888	19,004

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	4%	4%	8%	6%	5%	4%
Goodwill	6%	6%	10%	9%	8%	6%
Property, plant and equipment	16%	17%	14%	16%	15%	15%
Financial assets	7%	8%	6%	5%	5%	4%
FIXED ASSETS	34%	34%	38%	36%	33%	29%
Inventories	21%	24%	28%	25%	26%	26%
Accounts receivable	15%	19%	17%	19%	21%	22%
Other current assets	8%	8%	7%	6%	5%	4%
Liquid assets	20%	13%	9%	12%	15%	18%
Deferred taxes	2%	1%	1%	1%	1%	1%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	66%	66%	62%	64%	67%	71%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	31%	35%	28%	30%	33%	36%
MINORITY INTEREST	3%	3%	3%	2%	2%	2%
Long-term debt	9%	6%	13%	11%	9%	7%
Provisions for pensions and similar obligations	10%	6%	5%	6%	6%	6%
Other provisions	3%	3%	2%	3%	3%	3%
Non-current liabilities	22%	16%	20%	20%	18%	17%
short-term liabilities to banks	3%	6%	4%	3%	4%	3%
Accounts payable	10%	11%	10%	12%	12%	12%
Advance payments received on orders	14%	14%	22%	19%	17%	16%
Other liabilities (incl. from lease and rental contracts)	15%	14%	12%	13%	14%	15%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	44%	46%	49%	48%	46%	46%
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	331	536	586	1,020	1,601	1,977
Depreciation of fixed assets (incl. leases)	215	204	221	238	305	354
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	39	45	87	162	150	146
Others	-285	-81	-209	315	296	381
Cash flow from operations before changes in w/c	300	704	685	1,735	2,353	2,857
Increase/decrease in inventory	-78	-325	-1,268	-180	-629	-882
Increase/decrease in accounts receivable	19	-396	-463	-583	-664	-851
Increase/decrease in accounts payable	109	122	291	347	281	393
Increase/decrease in other w/c positions	340	69	1,498	345	517	997
Increase/decrease in working capital	390	-530	58	-70	-495	-343
Cash flow from operating activities	690	174	743	1,664	1,858	2,514
CAPEX	-271	-349	-398	-804	-764	-892
Payments for acquisitions	0	0	0	0	0	0
Financial investments	-195	-204	-779	0	0	0
Income from asset disposals	4	19	2	0	0	0
Cash flow from investing activities	-462	-534	-1,175	-804	-764	-892
Cash flow before financing	228	-360	-432	860	1,094	1,622
Increase/decrease in debt position	-110	17	915	0	73	-80
Purchase of own shares	0	0	0	0	0	0
Capital measures	0	1	21	0	0	0
Dividends paid	-87	-143	-187	-264	-351	-551
Others	-9	-7	7	0	0	0
Effects of exchange rate changes on cash	4	1	-9	0	0	0
Cash flow from financing activities	-202	-131	747	-264	-278	-631
Increase/decrease in liquid assets	26	-491	315	596	816	991
Liquid assets at end of period	1,039	545	850	1,446	2,262	3,253

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	1,931	1,890	1,723	2,363	2,815	3,324
Europe (ex domestic)	1,745	2,280	3,399	4,836	6,178	8,027
The Americas	462	580	594	955	1,720	2,676
Asia	1,040	1,048	817	1,126	1,401	1,638
Rest of World	480	612	643	774	624	551
Total sales	5,658	6,410	7,176	10,054	12,738	16,215

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	34.1%	29.5%	24.0%	23.5%	22.1%	20.5%
Europe (ex domestic)	30.8%	35.6%	47.4%	48.1%	48.5%	49.5%
The Americas	8.2%	9.0%	8.3%	9.5%	13.5%	16.5%
Asia	18.4%	16.3%	11.4%	11.2%	11.0%	10.1%
Rest of World	8.5%	9.5%	9.0%	7.7%	4.9%	3.4%
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	6.72	10.82	11.55	20.47	32.13	39.67
Cash flow per share	15.94	4.01	16.03	30.78	33.51	46.61
Book value per share	55.87	64.85	71.56	87.87	114.84	145.61
Dividend per share	3.30	4.30	5.70	7.57	11.89	14.68
Valuation						
P/E	102.0x	63.4x	59.4x	33.5x	21.4x	17.3x
P/CF	43.0x	170.9x	42.8x	22.3x	20.5x	14.7x
P/BV	12.3x	10.6x	9.6x	7.8x	6.0x	4.7x
Dividend yield (%)	0.5%	0.6%	0.8%	1.1%	1.7%	2.1%
FCF yield (%)	2.3%	0.6%	2.3%	4.5%	4.9%	6.8%
EV/Sales	5.6x	5.0x	4.6x	3.3x	2.5x	1.9x
EV/EBITDA	37.2x	32.8x	27.6x	18.2x	12.2x	9.6x
EV/EBIT	52.5x	44.0x	37.0x	23.5x	14.8x	11.3x
Income statement (EURm)						
Sales	5,658	6,410	7,176	10,054	12,738	16,215
yoy chg in %	-3.7%	13.3%	12.0%	40.1%	26.7%	27.3%
Gross profit	3,030	3,380	3,937	4,966	6,458	8,156
Gross margin in %	53.6%	52.7%	54.9%	49.4%	50.7%	50.3%
EBITDA	859	981	1,205	1,800	2,637	3,292
EBITDA margin in %	15.2%	15.3%	16.8%	17.9%	20.7%	20.3%
EBIT	608	731	897	1,400	2,181	2,792
EBIT margin in %	10.7%	11.4%	12.5%	13.9%	17.1%	17.2%
Net profit	291	469	535	949	1,489	1,838
Cash flow statement (EURm)						
CF from operations	690	174	743	1,664	1,858	2,514
Capex	-271	-349	-398	-804	-764	-892
Maintenance Capex	0	0	0	238	305	354
Free cash flow	419	-175	345	860	1,094	1,622
Balance sheet (EURm)						
Intangible assets	768	821	2,077	2,016	1,993	2,009
Tangible assets	1,270	1,346	1,641	2,107	2,438	2,814
Shareholders' equity	2,418	2,812	3,316	4,072	5,322	6,748
Pension provisions	773	484	562	764	955	1,200
Liabilities and provisions	1,949	1,716	2,756	3,071	3,440	3,741
Net financial debt	-614	-83	867	271	-472	-1,543
w/c requirements	906	1,489	1,462	1,858	2,808	3,743
Ratios						
ROE	13.7%	19.1%	17.7%	25.1%	30.1%	29.3%
ROCE	13.3%	15.2%	14.0%	18.7%	24.0%	25.8%
Net gearing	-25.4%	-3.0%	26.1%	6.7%	-8.9%	-22.9%
Net debt / EBITDA	-0.7x	-0.1x	0.7x	0.2x	-0.2x	-0.5x

Source: Company data; mwb research

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