mwb research

Rheinmetall AG

Germany | Industrial Goods & Services | MCap EUR 59,316m

18 March 2025

UPDATE

German EUR 200bn defense special fund; PT Up; BUY

BUY (BUY)

Target price (1,990.00)	**EUR 2,000.00**
Current price	EUR 1,368.00
Up/downside	46.2%

ResearchHub

SCAN ME

What's it all about?

Germany is set to approve a EUR 200bn defense fund today, securing military procurement until 2035 (mwb est.) by filling the EUR 19.8bn (2024) annual equipment gap. Rheinmetall has already secured ~50% of the initial EUR 100bn fund, with a strong chance to capture a similar share of future allocations. As Europe consolidates its defense industry and modernizes its military fleets, demand for Rheinmetall's tanks, ammunition, and drones is accelerating. With a strong order pipeline, the company is poised for tech-like growth in an industry typically known for stability. The market has yet to reflect this upside, and we raise our PT to EUR 2,000 (prev. EUR 1,990), maintaining our BUY rating since the likelihood is very high that the German lawmakers will vote for the bill today that would unlock 200bn debt-financed defense spending.

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Germany | Industrial Goods & Services | MCap EUR 59,316m | EV EUR 61,082m

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German EUR 200bn defense special fund; PT Up; BUY

Germany's EUR 200bn Defense Fund: Final Vote: Today, the Bundestag holds its final debate on the EUR 200bn defense fund, crucial for sustaining military spending beyond 2027. The SPD and CDU/CSU plan to loosen the debt brake, allowing defense outlays to exceed 1% of GDP (~EUR 44bn). As the initial special fund runs out post-2027, new financing is needed. A two-thirds majority is required, with FDP and Greens' support key - the Greens have already signaled approval to secure the two-thirds majority needed. This EUR 200bn defense fund is separate from the EUR 500bn infrastructure package, which funds civilian projects only.

Rising Equipment Share: Germany's EUR 200bn defense fund will bridge the ~EUR 19.8bn annual equipment funding gap, securing military procurement until 2035 (mwb est.). With personnel & administrative costs (48% of the 2024 budget) expected to remain flat due to slow recruitment, the share of equipment spending will rise. Therefore Germany meets NATO's 20% equipment spending guideline, and it will take decades to rebuilding military stockpiles.

Rheinmetall´s share: Rheinmetall has secured ~50% of Germany's initial EUR 100bn special fund (mwb est.), exceeding prior estimates of 30-40%. Given its market leadership and production capacity, we expect it to capture at least 50% of the next fund, translating into EUR 100bn+ in potential orders - a transformational leap from its current EUR 10bn revenue. With Europe pushing for defense consolidation, Rheinmetall is cementing its dominance as the region's top contractor. Efforts to standardize military hardware, including reducing Europe's 11 main battle tank models, should boost demand for its next-gen tanks (Panther and Lynx) - widely seen as the most advanced. Strong demand for ammunition, drones, and armored vehicles adds further upside. Rheinmetall's 9% CapEx ratio signals aggressive expansion to capture the bulk of upcoming orders. As other EU nations ramp up spending, an order tsunami is likely in the next two years.

Conclusion: Rheinmetall's growth is unprecedented, with EUR 100bn+ in potential orders and rising EU defense spending. The market hasn't priced in this tech-like expansion, making it a rare long-term winner. We raise our PT to EUR 2,000 (prev. EUR 1,990) as the bill is likely to pass and keep our BUY rating - the rearmament wave is just starting.

Rheinmetall AG	2022	2023	2024	2025E	2026E	2027E
Sales	6,410	7,176	9,751	12,355	16,172	20,959
Growth yoy	13.3%	12.0%	35.9%	26.7%	30.9%	29.6%
EBITDA	981	1,205	1,748	2,681	3,461	4,590
EBIT	731	897	1,345	2,121	2,809	3,871
Net profit	469	535	718	1,407	1,849	2,578
Net debt (net cash)	-83	867	1,239	468	-784	-2,663
Net debt/EBITDA	-0.1x	0.7x	0.7x	0.2x	-0.2x	-0.6x
EPS reported	10.82	12.07	16.51	32.45	42.65	59.45
DPS	4.30	5.70	8.10	12.01	15.78	22.00
Dividend yield	0.3%	0.4%	0.6%	0.9%	1.2%	1.6%
Gross profit margin	52.7%	54.9%	51.9%	51.7%	51.4%	51.9%
EBITDA margin	15.3%	16.8%	17.9%	21.7%	21.4%	21.9%
EBIT margin	11.4%	12.5%	13.8%	17.2%	17.4%	18.5%
ROCE	15.2%	14.0%	17.3%	23.8%	26.2%	29.0%
EV/EBITDA	60.9x	50.4x	34.9x	22.6x	17.3x	12.7x
EV/EBIT	81.7x	67.7x	45.4x	28.6x	21.3x	15.0x
PER	126.5x	118.5x	82.6x	42.2x	32.1x	23.0x
FCF yield	0.3%	1.2%	2.9%	3.5%	4.2%	5.2%

Source: Company data, mwb research

Source: Company data, mwb research

High/low 52 weeks	1,406.50 / 437.50
Price/Book Ratio	14.6x

Ticker / Symbols

ISIN	DE0007030009
WKN	703000
Bloomberg	RHM:GR

Changes in estimates

		Sales	EBIT	EPS
2025E	old	12,355	2,121	32.45
	Δ	0.0%	0.0%	0.0%
2026E	old	16,172	2,809	42.65
	Δ	0.0%	0.0%	0.0%
2027e	old	20,959	3,871	59.45
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs)	43.36
Book value per share: (in EUR)	93.40
Ø trading vol.: (12 months)	341,001

Major shareholders

Fidelity	4.3%
The Vanguard Group	3.5%
Wellington Management	3.0%
Free Float	83.7%

Company description

Rheinmetall AG is a leading German defense company specializing in military vehicle systems, weapons and ammunition, electronic solutions, and power systems. With a strong footprint in NATO countries and expanding operations in the U.S., Rheinmetall is well-positioned to capitalize on rising global defense expenditures, particularly in Europe.

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

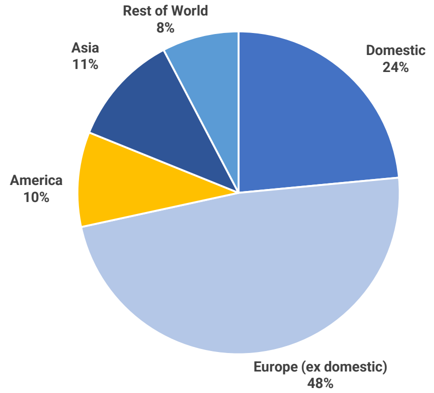
P&L data	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Sales	1,363.0	1,498.0	1,758.0	2,558.0	1,581.0	2,234.0	2,453.0	3,483.0
yoy growth in %	7.7%	6.4%	24.2%	10.2%	16.0%	49.1%	39.5%	36.2%
Gross profit	239.0	280.0	350.0	714.0	302.0	477.0	302.0	3,978.0
Gross margin in %	17.5%	18.7%	19.9%	27.9%	19.1%	21.4%	12.3%	114.2%
EBITDA	152.0	182.0	251.0	569.0	207.0	330.0	385.0	826.0
EBITDA margin in %	11.2%	12.1%	14.3%	22.2%	13.1%	14.8%	15.7%	23.7%
EBIT	89.0	119.0	172.0	466.0	116.0	239.0	270.0	720.0
EBIT margin in %	6.5%	7.9%	9.8%	18.2%	7.3%	10.7%	11.0%	20.7%
EBT	80.0	107.0	139.0	431.0	87.0	211.0	247.0	684.0
taxes paid	20.0	31.0	36.0	98.0	31.0	56.0	74.0	172.0
tax rate in %	25.0%	29.0%	25.9%	22.7%	35.6%	26.5%	30.0%	25.1%
net profit	53.0	55.0	100.0	374.0	49.0	134.0	173.0	453.0
yoy growth in %	12.8%	5.8%	38.9%	28.1%	-7.5%	143.6%	73.0%	21.1%
EPS	**1.29**	**1.29**	**2.35**	**7.44**	**1.11**	**1.43**	**3.60**	**10.38**

Source: Company data; mwb research

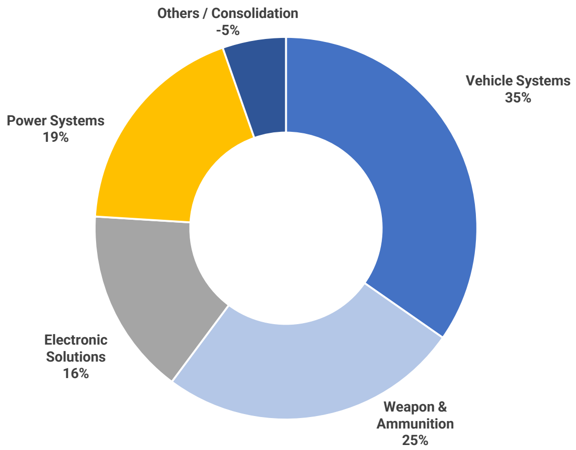
Investment case in six charts

Products & Services

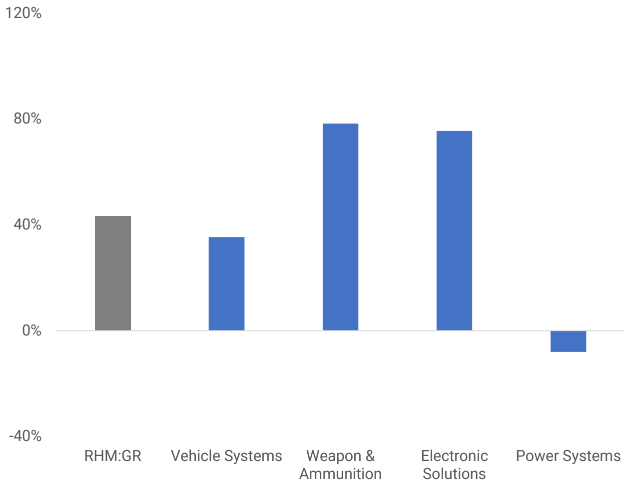
Regional sales split in %



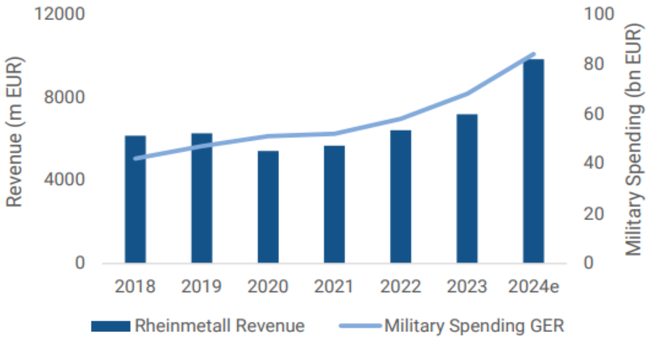
Segmental breakdown in %



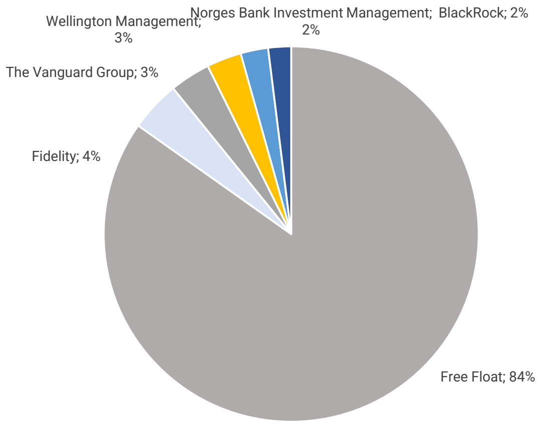
FY 2024 Order Growth yoy



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.

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 200 bn.
- **Ammunition Longevity:** Ammunition has a lifespan of ~15-20 years, after which it should be replacement, ensuring recurring revenue.
- **New NATO Production Sites:** Several new production sites in NATO countries are expected to open, enhancing Rheinmetall's manufacturing capabilities.
- **XM30 Platform:** The XM30 platform, 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

- **Debt and Household Crisis:** High debt levels in the NATO 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.
- **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. Loc Performance) to be able to produce there.
- **Military Cycle Outlook:** The military spending cycle could peak by 2035 unless Rheinmetall secures major U.S. contracts.

Valuation

DCF Model

The DCF model results in a **fair value of EUR 2,004.68 per share**:

Top-line growth: We expect Rheinmetall AG to grow revenues at a CAGR of 22.2% between 2025E and 2032E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 23.8% in 2025E to 31.9% in 2032E.

WACC. Starting point is a historical equity beta of 1.12. Unlevering and correcting for mean reversion yields an asset beta of 0.95. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 8.9%. With pre-tax cost of borrowing at 5.0%, a tax rate of 26% and target debt/equity of 0.3 this results in a long-term WACC of 7.7%.

DCF (EURm) (except per share data and beta)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal value
NOPAT	1,485	1,925	2,670	3,425	4,107	5,015	6,083	7,003	
Depreciation & amortization	560	652	719	825	1,033	1,135	1,264	1,431	
Change in working capital	-255	-156	-401	-573	-532	-318	-287	-179	
Chg. in long-term provisions	540	420	521	602	564	640	744	730	
Capex	-1,235	-1,132	-1,048	-1,316	-1,568	-1,816	-2,141	-2,460	
Cash flow	1,095	1,709	2,461	2,963	3,605	4,656	5,663	6,525	116,265
Present value	1,032	1,497	2,002	2,238	2,529	3,033	3,425	3,665	65,125
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%

DCF per share derived from	
Total present value	84,547
Mid-year adj. total present value	87,737
Net debt / cash at start of year	1,239
Financial assets	952
Provisions and off b/s debt	527
Equity value	86,923
No. of shares outstanding	43.4
Discounted cash flow / share	**2,004.68**
upside/(downside)	**46.5%**
Share price	**1,368.00**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2025E-2032E)	22.2%
Terminal value growth (2032E - infinity)	2.0%
Terminal year ROCE	31.9%
Terminal year WACC	7.7%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	26%
Equity beta	1.12
Unlevered beta (industry or company)	0.95
Target debt / equity	0.3
Relevered beta	1.16
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	8.9%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	1,294.3	1,352.7	1,418.8	1,494.0	1,580.4
1.0%	1,496.1	1,575.7	1,667.2	1,773.4	1,898.2
0.0%	1,759.6	1,872.1	2,004.3	2,161.8	2,352.5
-1.0%	2,118.4	2,285.5	2,487.9	2,738.2	3,055.7
-2.0%	2,632.0	2,897.6	3,234.5	3,675.9	4,279.2

Share of present value	
2025E-2028E	8.0%
2029E-2032E	15.0%
terminal value	77.0%

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 579.39 per share based on 2025E and EUR 1,663.12 per share on 2029E 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	2025E	2026E	2027E	2028E	2029E
EBITDA	**2,681**	**3,461**	**4,590**	**5,791**	**6,992**
- Maintenance capex	305	432	510	616	814
- Minorities	106	139	194	250	302
- tax expenses	505	717	974	1,256	1,514
= Adjusted FCF	**1,765**	**2,172**	**2,912**	**3,669**	**4,362**
Actual Market Cap	**60,601**	**60,601**	**60,601**	**60,601**	**60,601**
+ Net debt (cash)	468	-784	-2,663	-4,822	-7,398
+ Pension provisions	927	1,197	1,530	1,922	2,289
+ Off b/s financing	0	0	0	0	0
- Financial assets	952	952	952	952	952
- Acc. dividend payments	351	872	1,556	2,510	3,740
EV Reconciliations	91	-1,411	-3,641	-6,362	-9,802
= Actual EV'	**60,693**	**59,190**	**56,960**	**54,239**	**50,799**
Adjusted FCF yield	**2.9%**	**3.7%**	**5.1%**	**6.8%**	**8.6%**
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	**25,214**	**31,032**	**41,596**	**52,417**	**62,311**
- EV Reconciliations	91	-1,411	-3,641	-6,362	-9,802
Fair Market Cap	**25,122**	**32,444**	**45,237**	**58,779**	**72,113**
No. of shares (million)	43	43	43	43	43
Fair value per share in EUR	**579.39**	**748.24**	**1,043.28**	**1,355.61**	**1,663.12**
Premium (-) / discount (+)	**-57.6%**	**-45.3%**	**-23.7%**	**-0.9%**	**21.6%**

Sensitivity analysis fair value						
Adjusted hurdle rate	5.0%	812	1,035	1,427	1,839	2,238
	6.0%	676	868	1,203	1,557	1,903
	7.0%	**579**	**748**	**1,043**	**1,356**	**1,663**
	8.0%	507	659	923	1,204	1,483
	9.0%	450	589	830	1,087	1,344

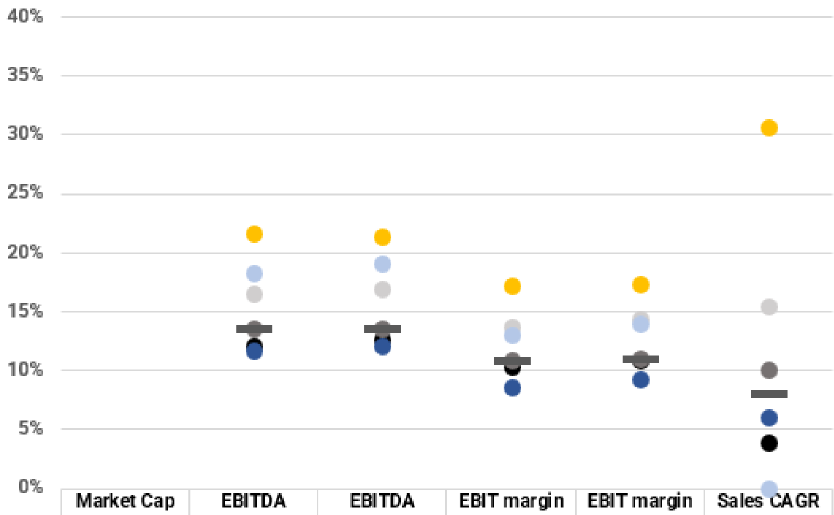
Source: Company data; mwb research

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 18 March 2025 the median market cap of the peer group was EUR 27,000m, compared to EUR 59,316m 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



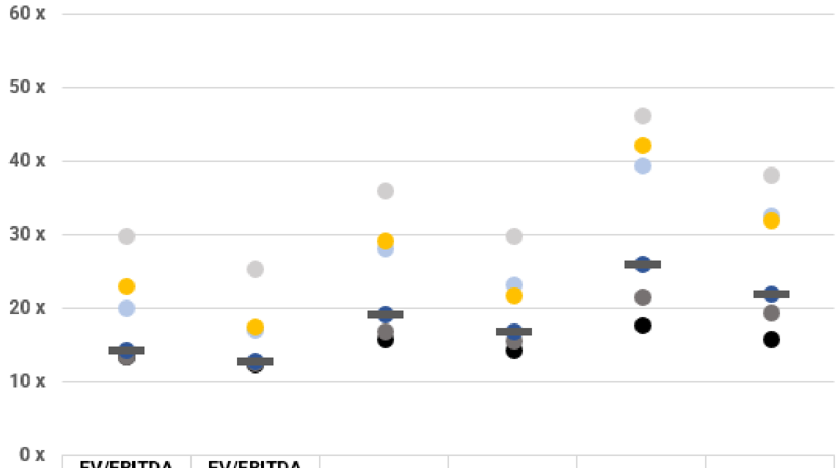
18-Mar-25	Market Cap (EURm)	EBITDA margin 2025	EBITDA margin 2026	EBIT margin 2025	EBIT margin 2026	Sales CAGR 2024-2027
● General Dynamics Corporation	65.643	12,1%	12,6%	10,3%	10,9%	3,9%
● BAE Systems plc	58.488	13,6%	13,6%	10,9%	11,0%	10,1%
● Kongsberg Gruppen ASA	25.588	16,6%	16,9%	13,8%	14,4%	15,5%
● Leonardo SpA	27.000	11,7%	12,1%	8,7%	9,3%	6,1%
● HENSOLDT AG	8.570	18,3%	19,1%	13,1%	14,0%	0,0%
● Rheinmetall AG	60.601	21,7%	21,4%	17,2%	17,4%	30,6%
– Peer Group Median	27.000	13,6%	13,6%	10,9%	11,0%	8,1%

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 2025, EV/EBITDA 2026, EV/EBIT 2025, EV/EBIT 2026, P/E 2025 and P/E 2026.

Applying these to Rheinmetall AG results in a range of fair values from EUR 848.76 to EUR 1,068.99.

Peer Group – Multiples and valuation



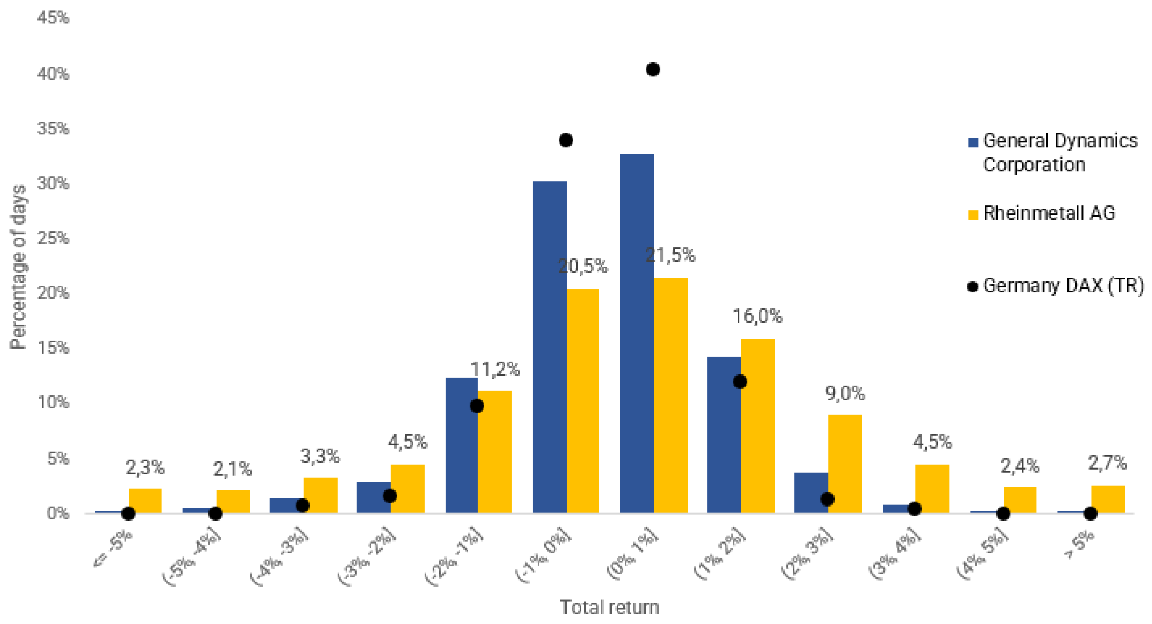
18-Mar-25	EV/EBITDA 2025	EV/EBITDA 2026	EV/EBIT 2025	EV/EBIT 2026	P/E 2025	P/E 2026
● General Dynamics Corporation	13,5x	12,5x	15,9x	14,5x	17,8x	15,8x
● BAE Systems plc	13,6x	12,7x	17,0x	15,7x	21,6x	19,4x
● Kongsberg Gruppen ASA	29,9x	25,5x	36,1x	30,0x	46,4x	38,3x
● Leonardo SpA	14,4x	13,0x	19,3x	17,0x	26,2x	22,0x
● HENSOLDT AG	20,1x	17,1x	28,1x	23,4x	39,5x	32,6x
● Rheinmetall AG	23,1x	17,6x	29,2x	21,7x	42,2x	32,1x
– Peer Group Median	14,4x	13,0x	19,3x	17,0x	26,2x	22,0x
Fair Value (EUR)	855,59	1003,53	913,36	1068,99	848,76	939,09

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 17/02/2025 when the share price increased by 14.0%.

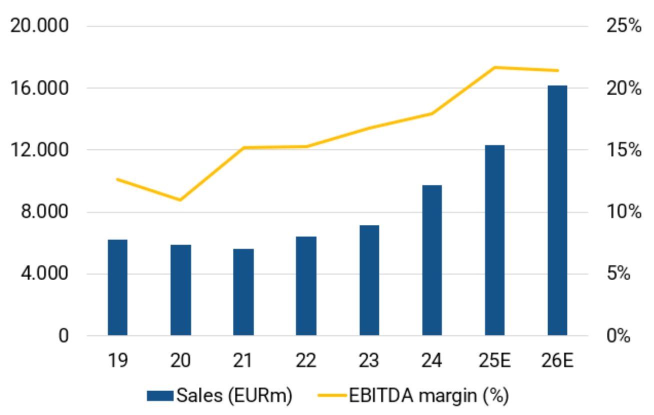
Risk – Daily Returns Distribution (trailing 3 years)



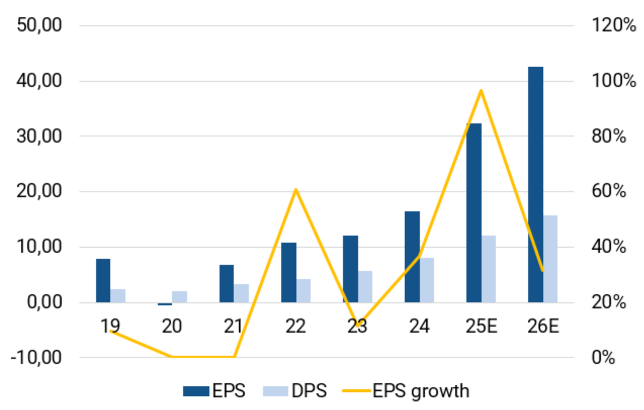
Source: FactSet, mwb research

Financials in six charts

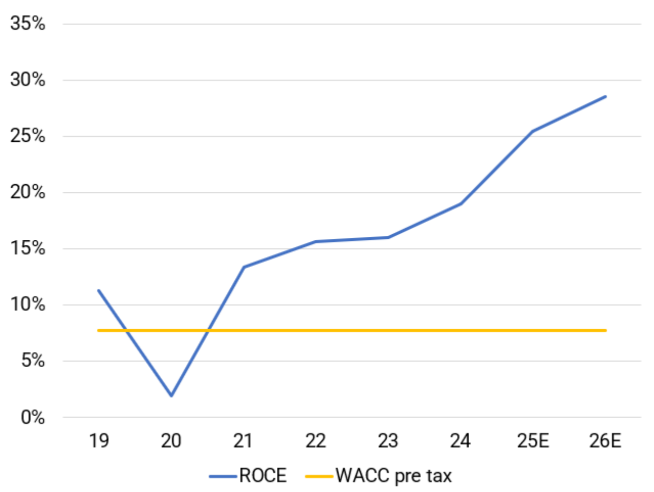
Sales vs. EBITDA margin development



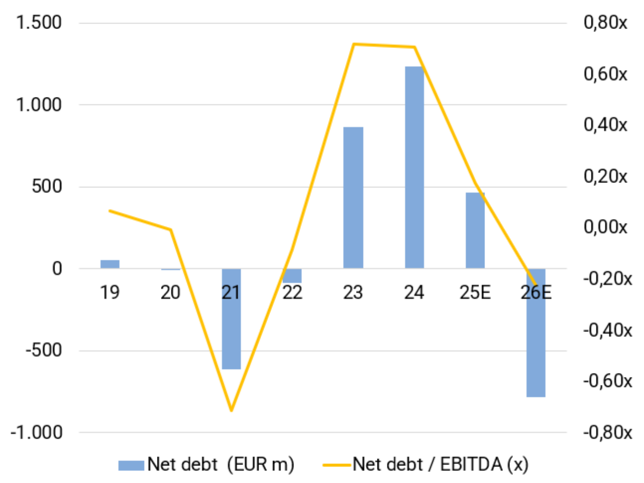
EPS, DPS in EUR & yoy EPS growth



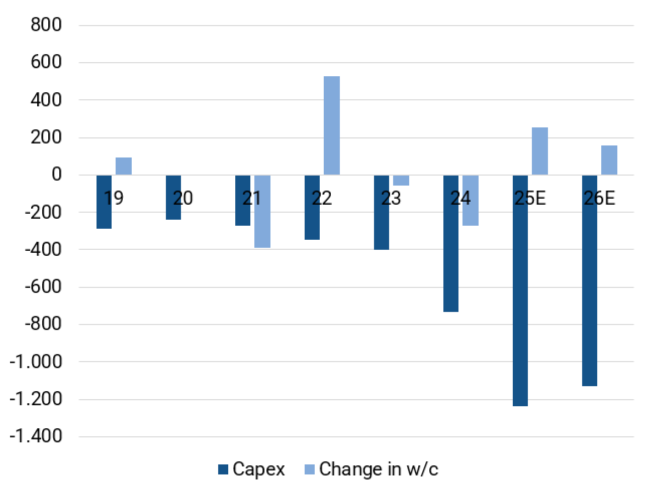
ROCE vs. WACC (pre tax)



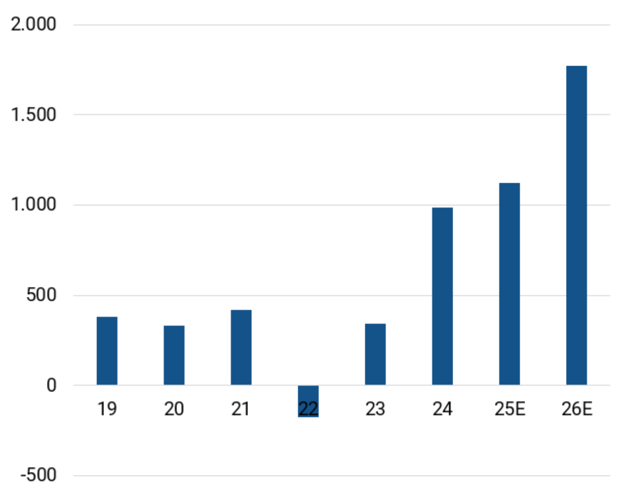
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

mwb research

Financials

Profit and loss (EURm)	2022	2023	2024	2025E	2026E	2027E
Net sales	**6,410**	**7,176**	**9,751**	**12,355**	**16,172**	**20,959**
Sales growth	13.3%	12.0%	35.9%	26.7%	30.9%	29.6%
Change in finished goods and work-in-process	153	696	167	148	129	252
Total sales	**6,563**	**7,872**	**9,918**	**12,503**	**16,301**	**21,211**
Material expenses	3,183	3,935	4,859	6,115	7,989	10,333
Gross profit	**3,380**	**3,937**	**5,059**	**6,387**	**8,312**	**10,878**
Other operating income	205	204	182	395	518	671
Personnel expenses	1,836	2,047	2,373	2,842	3,720	4,821
Other operating expenses	768	889	1,120	1,260	1,650	2,138
EBITDA	**981**	**1,205**	**1,748**	**2,681**	**3,461**	**4,590**
Depreciation	203	221	254	317	432	510
EBITA	778	984	1,494	2,364	3,028	4,080
Amortisation of goodwill and intangible assets	47	87	149	242	220	209
EBIT	**731**	**897**	**1,345**	**2,121**	**2,809**	**3,871**
Financial result	-20	-82	-116	-102	-103	-125
Recurring pretax income from continuing operations	711	815	1,229	2,019	2,706	3,746
Extraordinary income/loss	0	0	0	-1	0	0
Earnings before taxes	711	815	1,229	2,018	2,706	3,746
Taxes	183	185	333	505	717	974
Net income from continuing operations	528	630	896	1,514	1,989	2,772
Result from discontinued operations (net of tax)	8	-44	-87	-1	0	0
Net income	**536**	**586**	**809**	**1,513**	**1,989**	**2,772**
Minority interest	-66	-51	-91	-106	-139	-194
Net profit (reported)	469	535	718	1,407	1,849	2,578
Average number of shares	43.36	46.34	43.36	43.36	43.36	43.36
EPS reported	**10.82**	**12.07**	**16.51**	**32.45**	**42.65**	**59.45**

Profit and loss (common size)	2022	2023	2024	2025E	2026E	2027E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	2%	10%	2%	1%	1%	1%
Total sales	**102%**	**110%**	**102%**	**101%**	**101%**	**101%**
Material expenses	50%	55%	50%	50%	49%	49%
Gross profit	**53%**	**55%**	**52%**	**52%**	**51%**	**52%**
Other operating income	3%	3%	2%	3%	3%	3%
Personnel expenses	29%	29%	24%	23%	23%	23%
Other operating expenses	12%	12%	11%	10%	10%	10%
EBITDA	**15%**	**17%**	**18%**	**22%**	**21%**	**22%**
Depreciation	3%	3%	3%	3%	3%	2%
EBITA	12%	14%	15%	19%	19%	19%
Amortisation of goodwill and intangible assets	1%	1%	2%	2%	1%	1%
EBIT	**11%**	**13%**	**14%**	**17%**	**17%**	**18%**
Financial result	-0%	-1%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	11%	11%	13%	16%	17%	18%
Extraordinary income/loss	0%	0%	0%	-0%	0%	0%
Earnings before taxes	11%	11%	13%	16%	17%	18%
Taxes	3%	3%	3%	4%	4%	5%
Net income from continuing operations	8%	9%	9%	12%	12%	13%
Result from discontinued operations (net of tax)	0%	-1%	-1%	-0%	0%	0%
Net income	**8%**	**8%**	**8%**	**12%**	**12%**	**13%**
Minority interest	-1%	-1%	-1%	-1%	-1%	-1%
Net profit (reported)	**7%**	**7%**	**7%**	**11%**	**11%**	**12%**

Source: Company data; mwb research

Balance sheet (EURm)	2022	2023	2024	2025E	2026E	2027E
Intangible assets (exl. Goodwill)	**338**	**952**	**1,376**	**1,157**	**1,099**	**1,100**
Goodwill	483	1,125	1,426	1,426	1,426	1,426
Property, plant and equipment	1,346	1,641	2,187	2,982	3,520	3,848
Financial assets	619	734	952	952	952	952
FIXED ASSETS	**2,786**	**4,452**	**5,941**	**6,517**	**6,997**	**7,326**
Inventories	1,976	3,244	3,989	3,854	4,815	6,200
Accounts receivable	1,571	2,034	1,959	2,572	3,323	4,249
Other current assets	611	767	1,099	1,099	1,099	1,099
Liquid assets	1,054	1,046	1,184	1,518	2,690	4,589
Deferred taxes	98	164	172	172	172	172
Deferred charges and prepaid expenses	0	0	0	0	0	0
CURRENT ASSETS	**5,310**	**7,255**	**8,403**	**9,215**	**12,100**	**16,309**
TOTAL ASSETS	**8,096**	**11,707**	**14,344**	**15,732**	**19,096**	**23,634**
SHAREHOLDERS EQUITY	**2,812**	**3,316**	**4,050**	**5,112**	**6,580**	**8,667**
MINORITY INTEREST	271	327	414	414	414	414
Long-term debt	517	1,503	1,871	1,423	1,423	753
Provisions for pensions and similar obligations	484	562	527	927	1,197	1,530
Other provisions	261	281	343	484	633	821
Non-current liabilities	**1,262**	**2,346**	**2,741**	**2,833**	**3,253**	**3,104**
short-term liabilities to banks	454	410	552	563	483	1,173
Accounts payable	931	1,222	1,151	1,759	2,189	2,689
Advance payments received on orders	1,127	2,594	3,866	2,594	3,073	3,668
Other liabilities (incl. from lease and rental contracts)	1,172	1,384	1,214	2,100	2,749	3,563
Deferred taxes	67	108	356	356	356	356
Deferred income	0	0	0	0	0	0
Current liabilities	**3,751**	**5,718**	**7,139**	**7,373**	**8,850**	**11,449**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**8,096**	**11,707**	**14,344**	**15,732**	**19,096**	**23,634**

Balance sheet (common size)	2022	2023	2024	2025E	2026E	2027E
Intangible assets (excl. Goodwill)	**4%**	**8%**	**10%**	**7%**	**6%**	**5%**
Goodwill	6%	10%	10%	9%	7%	6%
Property, plant and equipment	17%	14%	15%	19%	18%	16%
Financial assets	8%	6%	7%	6%	5%	4%
FIXED ASSETS	**34%**	**38%**	**41%**	**41%**	**37%**	**31%**
Inventories	24%	28%	28%	24%	25%	26%
Accounts receivable	19%	17%	14%	16%	17%	18%
Other current assets	8%	7%	8%	7%	6%	5%
Liquid assets	13%	9%	8%	10%	14%	19%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	**66%**	**62%**	**59%**	**59%**	**63%**	**69%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**35%**	**28%**	**28%**	**32%**	**34%**	**37%**
MINORITY INTEREST	3%	3%	3%	3%	2%	2%
Long-term debt	6%	13%	13%	9%	7%	3%
Provisions for pensions and similar obligations	6%	5%	4%	6%	6%	6%
Other provisions	3%	2%	2%	3%	3%	3%
Non-current liabilities	**16%**	**20%**	**19%**	**18%**	**17%**	**13%**
short-term liabilities to banks	6%	4%	4%	4%	3%	5%
Accounts payable	11%	10%	8%	11%	11%	11%
Advance payments received on orders	14%	22%	27%	16%	16%	16%
Other liabilities (incl. from lease and rental contracts)	14%	12%	8%	13%	14%	15%
Deferred taxes	1%	1%	2%	2%	2%	2%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	**46%**	**49%**	**50%**	**47%**	**46%**	**48%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; mwb research

Cash flow statement (EURm)	2022	2023	2024	2025E	2026E	2027E
Net profit/loss	536	586	809	1,513	1,989	2,772
Depreciation of fixed assets (incl. leases)	204	221	254	317	432	510
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	45	87	149	242	220	209
Others	-81	-209	239	540	420	521
Cash flow from operations before changes in w/c	704	685	1,451	2,613	3,060	4,012
Increase/decrease in inventory	-325	-1,268	-745	135	-962	-1,384
Increase/decrease in accounts receivable	-396	-463	75	-613	-751	-926
Increase/decrease in accounts payable	122	291	-71	608	430	501
Increase/decrease in other w/c positions	69	1,498	1,010	-385	1,127	1,409
Increase/decrease in working capital	-530	58	269	-255	-156	-401
Cash flow from operating activities	**174**	**743**	**1,720**	**2,358**	**2,905**	**3,611**
CAPEX	-349	-398	-732	-1,235	-1,132	-1,048
Payments for acquisitions	0	0	0	0	0	0
Financial investments	-204	-779	-509	0	0	0
Income from asset disposals	19	2	69	0	0	0
Cash flow from investing activities	**-534**	**-1,175**	**-1,172**	**-1,235**	**-1,132**	**-1,048**
Cash flow before financing	-360	-432	548	1,122	1,773	2,563
Increase/decrease in debt position	17	915	20	-437	-80	20
Purchase of own shares	0	0	0	0	0	0
Capital measures	1	21	0	0	0	0
Dividends paid	-143	-187	-248	-351	-521	-684
Others	-7	7	-7	0	0	0
Effects of exchange rate changes on cash	1	-9	-2	0	0	0
Cash flow from financing activities	**-131**	**747**	**-237**	**-788**	**-601**	**-664**
Increase/decrease in liquid assets	-491	315	311	334	1,172	1,899
Liquid assets at end of period	**545**	**873**	**1,184**	**1,518**	**2,690**	**4,589**

Source: Company data; mwb research

Regional sales split (EURm)	2022	2023	2024	2025E	2026E	2027E
Domestic	1,890	1,723	2,291	2,730	3,315	4,297
Europe (ex domestic)	2,280	3,399	4,690	5,992	8,005	10,375
The Americas	580	594	926	1,668	2,668	3,458
Asia	1,048	817	1,092	1,359	1,633	2,117
Rest of World	612	643	751	605	550	713
Total sales	**6,410**	**7,176**	**9,751**	**12,355**	**16,172**	**20,959**

Regional sales split (common size)	2022	2023	2024	2025E	2026E	2027E
Domestic	29.5%	24.0%	23.5%	22.1%	20.5%	20.5%
Europe (ex domestic)	35.6%	47.4%	48.1%	48.5%	49.5%	49.5%
The Americas	9.0%	8.3%	9.5%	13.5%	16.5%	16.5%
Asia	16.3%	11.4%	11.2%	11.0%	10.1%	10.1%
Rest of World	9.5%	9.0%	7.7%	4.9%	3.4%	3.4%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; mwb research

Ratios	2022	2023	2024	2025E	2026E	2027E
Per share data						
Earnings per share reported	10.82	11.55	16.56	32.45	42.65	59.45
Cash flow per share	4.01	16.03	39.67	47.33	57.02	71.50
Book value per share	64.85	71.56	93.40	117.89	151.74	199.89
Dividend per share	4.30	5.70	8.10	12.01	15.78	22.00
Valuation						
P/E	126.5x	118.5x	82.6x	42.2x	32.1x	23.0x
P/CF	340.9x	85.3x	34.5x	28.9x	24.0x	19.1x
P/BV	21.1x	19.1x	14.6x	11.6x	9.0x	6.8x
Dividend yield (%)	0.3%	0.4%	0.6%	0.9%	1.2%	1.6%
FCF yield (%)	0.3%	1.2%	2.9%	3.5%	4.2%	5.2%
EV/Sales	9.3x	8.5x	6.3x	4.9x	3.7x	2.8x
EV/EBITDA	60.9x	50.4x	34.9x	22.6x	17.3x	12.7x
EV/EBIT	81.7x	67.7x	45.4x	28.6x	21.3x	15.0x
Income statement (EURm)						
Sales	6,410	7,176	9,751	12,355	16,172	20,959
yoy chg in %	13.3%	12.0%	35.9%	26.7%	30.9%	29.6%
Gross profit	3,380	3,937	5,059	6,387	8,312	10,878
Gross margin in %	52.7%	54.9%	51.9%	51.7%	51.4%	51.9%
EBITDA	981	1,205	1,748	2,681	3,461	4,590
EBITDA margin in %	15.3%	16.8%	17.9%	21.7%	21.4%	21.9%
EBIT	731	897	1,345	2,121	2,809	3,871
EBIT margin in %	11.4%	12.5%	13.8%	17.2%	17.4%	18.5%
Net profit	469	535	718	1,407	1,849	2,578
Cash flow statement (EURm)						
CF from operations	174	743	1,720	2,358	2,905	3,611
Capex	-349	-398	-732	-1,235	-1,132	-1,048
Maintenance Capex	0	0	0	305	432	510
Free cash flow	-175	345	988	1,122	1,773	2,563
Balance sheet (EURm)						
Intangible assets	821	2,077	2,802	2,583	2,525	2,526
Tangible assets	1,346	1,641	2,187	2,982	3,520	3,848
Shareholders' equity	2,812	3,316	4,050	5,112	6,580	8,667
Pension provisions	484	562	527	927	1,197	1,530
Liabilities and provisions	1,716	2,756	3,293	3,396	3,736	4,277
Net financial debt	-83	867	1,239	468	-784	-2,663
w/c requirements	1,489	1,462	931	2,072	2,877	4,092
Ratios						
ROE	19.1%	17.7%	20.0%	29.6%	30.2%	32.0%
ROCE	15.2%	14.0%	17.3%	23.8%	26.2%	29.0%
Net gearing	-3.0%	26.1%	30.6%	9.2%	-11.9%	-30.7%
Net debt / EBITDA	-0.1x	0.7x	0.7x	0.2x	-0.2x	-0.6x

Source: Company data; mwb research

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