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Dollar General Corp. (NYSE: DG): Buy, TP: $97 (+38%), (5y TP $123, 13.2% IRR)

Key Financial Data

Share price	70.72	ADV (3m, in mm)	2.92
Nb. Of Shares	275	Short Interest	2.4%
Market Cap.	19,462	52w H/L	96.88/66.50
+ Debt	3,212		
- Cash	188	Dividend Yield	1.50%
Enterprise Value	22,486	LTM EV/EBITDA	9.2
		LTM EV/EBIT	10.9
Debt/Capital	14.3%	LTM P/E	16.0

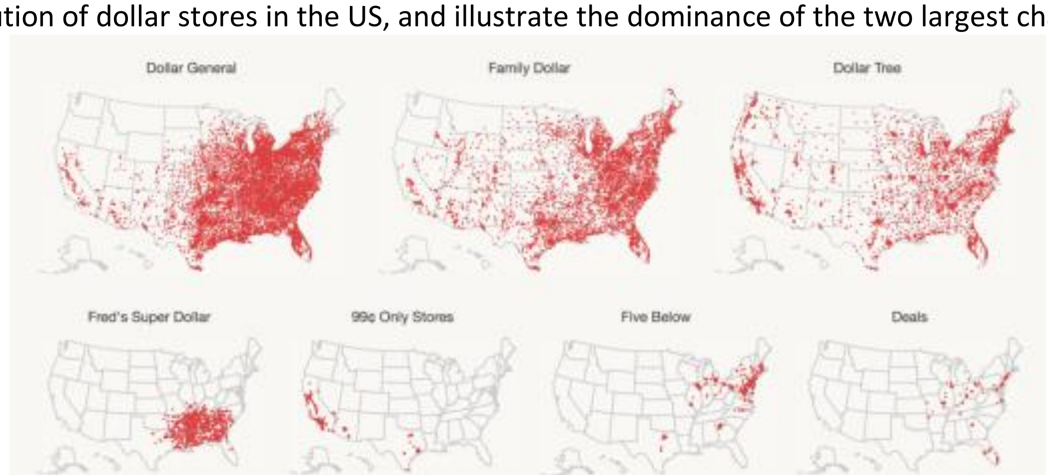
Investment case summary

Dollar General broke with the growing share price trend since the $21 per share IPO in 2009 when it disappointed investors with weak same store sales in Q2'16 and fell from approximately $95 per share to $70 per share. Investors remain concerned and Dollar General still trades near its 12month low, but the main reasons for the slowdown in same store sales, food price deflation and food stamp reductions are transitory in nature. This has created an opportunity where investors can buy a franchise that can double its footprint over the next decade with growth coming at a high incremental ROIC at only 16x trailing 12-month PE, compared to S&P500 at 24.4x PE and thus at a 35% discount. The key parts of the investment proposal are summarized below.

- Dollar General is a leader in a highly profitable duopoly.
- Dollar General is protected by a wide moat resulting in high ROICs.
- The addressable market suggests that Dollar General can double the number of stores and this market opportunity should provide enough leeway for profitable growth.
- Valuation is cheap, and investors get a comfortable margin of safety by investing at the current share price.

Industry – Effective duopoly between Dollar General and Dollar Tree

The dollar store market is dominated by Dollar General and Dollar Tree, the latter merged with Family Dollar in 2016. Both Dollar General and Dollar Tree operate about 13,000 stores, while the other dollar stores have less than 1,000 stores each. The map below from retail.com shows the distribution of dollar stores in the US, and illustrate the dominance of the two largest chains.



Source: http://www.retale.com/info/dollar-stores/

The dollar chains are differentiated from the larger chains mainly through the size of the stores, and the importance of pursuing a niche strategy became even clearer with Wal-Mart's unsuccessful attempt to penetrate the industry through its Wal-Mart Express brand. Wal-Mart Express ultimately failed, and Wal-Mart eventually withdrew from the market in 2016 and sold some of the store locations to Dollar General. Furthermore, the possible disruption from online-retailers such as Amazon seems unlikely, since the stores are generally located in rural areas and the average bill is just over $10 per person. These factors will ensure that distribution from online retailers will remain wildly unprofitable, and effectively hinder the competition from companies such as Amazon in most of Dollar General's footprint.

The dollar store market can therefore largely be considered in isolation from most of the rest of the retail and convenience store market. The table below shows the ROIC of the companies in the dollar store market with the exception of Five Below that has a somewhat different product offering than the other stores.

ROIC	2013	2014	2015	2016	2017
Dollar General	14%	14%	13%	15%	15%
Dollar Tree	32.40%	31.30%	30.30%	10.80%	9.10%
Family Dollar	21.60%	15.20%	11.80%		
99c Only	3.80%	NA	3.20%	-2.30%	-2.90%
Fred's	5.60%	5.40%	-6.50%	-1.20%	-7.30%

Source: CapitalIQ

From the table above it is clear that the smaller companies in the industry are significantly less profitable than the larger companies. Dollar General's ROIC is also negatively affected by KKR's acquisition of the company that was accounted for as a reverse takeover resulting in the creation of $4.3bn of goodwill on the balance sheet. This goodwill that is completely unrelated to the growth of the business, effectively makes up half of the $8.6bn of invested capital as of 2017, so **Dollar General's real ROIC is in reality twice as high as the table above suggests, i.e. in the 30%-range over the past 5 years**. Furthermore, in the 2004-2006 period, before KKR's acquisition, Dollar General's ROIC was about 5% higher than that of Dollar Tree.

With the merger between Dollar Tree and Family Dollar, the dollar store market is essentially a duopoly with two highly profitable players, while the remaining companies are destroying capital. The evidence from Dollar General and Dollar Trees dominant market share, high profitability and failed entry by arguably the world's most successful retail company suggest there are strong barriers to entry at play, and that future growth may be highly profitable. The below sections lay out many of Dollar Generals competitive advantages

Competitive advantages lay the fundament for a high return business

Dollar General has a wide moat arising from its competitive advantages. Dollar General's main competitive advantages are listed below.

- **Economies of scale**: Dollar General enjoys local economies of scale and is continuously densifying its network of stores. Dollar General is also adding more distribution centers as it grows which result in a more efficient and cheaper distribution. With a denser and denser network of stores, the barrier to entry becomes even stronger. Additionally, the scale advantage is very specific to Dollar General's niche Dollar Store strategy. Wal-Mart couldn't replicate the economics of Dollar General by leveraging its adjacent retail concept, it is therefore doubtful that other traditional retailers are able to do so.

- **Customer captivity**: Customers typically have few options. 70% of Dollar General's stores are located in towns with less than 20.000 inhabitants and the areas are typically not wealthy. The number of convenience store options is therefore limited.
- **Bargaining power with suppliers**: While it is difficult for gain a significant competitive supplier advantage for retailers, Dollar General is hitting above its weight due to the low number of SKUs. Dollar General only carries about 10.000 SKUs, compared to a Walmart Discount store with about 120,000 SKUs. With a centralized procurement system, Dollar General is therefore one of the largest customers of its vendors and the discounts it receives thereby ensures competitive pricing.
- **Threat from substitution**: Online sales is the biggest challenge for traditional retailers. However, with most stores located in rural locations, relatively poor customers, and an average bill of just over $10, the threat from Amazon and other online retailers is limited.

These competitive advantages explain the high ROICs observed in the table in the previous section. We noticed that correcting for the goodwill that arose in the reverse acquisition in 2008 the ROIC the last five years have been in the 30% range. An inspection of the cumulative sources and uses of capital at Dollar General over the past 20 years also shed some light into the ROIC level of the business. The table below shows the 20-year history and the post 2009-IPO history of the sources and uses of capital. The table shows the efficiency with which Dollar General have invested to grow the business and the return on these investments. From these number it appears as if the return on incremental invested capital (ROIIC) has been about 35% over the past 20 years, and if anything, the return has increased over time, since the post-IPO ROIIC seems to be higher than the long-term mean. There are clearly uncertainties in these calculations, but the calculated ROIIC is consistent with the approximately 30% adjusted ROIC we have observed over the past five years.

	1997-2017	**Post IPO 2009-2017**	**Formula**
Cumulative net income	$9,558	$7,302	A
Dividends & buybacks	$9,697	$4,663	B
Retained earnings	$(139)	$2,639	C=A-B
Net debt BoP	$37	$4,242	D
Net debt EoP	$3,024	$3,024	E
Capital invested	$2,848	$1,420	F=C+E-D
Change in revenue during period	$19,852	$12,491	G
Inv.mt. per dollar chg. in revenue	$0.14	$0.11	H=G/F
Investment	$1.00	$1.00	I
Revenue	$6.97	$8.80	J=I/H
Operating margin	8.00%	8.00%	K
Tax	36.00%	36.00%	L
NOPAT	$0.36	$0.45	M=J*K*(1-L)
ROIIC	**35.69%**	**45.04%**	N=M/100

During Dollar General's Q4'16 presentation, management mentioned that "new stores overall are yielding returns of approximately 20%". These investments will likely make up about 35% of overall 35% capex, while other growth-related capex, such as distribution center investments, make up another 35-40%. These other cost reducing investments, cost savings that are expensed, and investments into same store sales, can all explain how the 20% new store ROIC adds up to a 30% consolidated ROIC.

With strong barriers to entry, and headwinds that are only transitory, I see few reasons why Dollar General's ROIC should decrease materially over the long-term. An important question therefore arises; how far can Dollar General drive this profitable growth, and at what point will Dollar General's concept reach saturation?

Growth opportunity – Potential to double the business

On August 13, 2016 Dollar General opened its 13,000th store in Birmingham Alabama. Alabama is one of Americas poorest states, with the per capita GDP and household income being in the bottom 10% of the 50 states, and as such a market where the dollar stores have been very successful. The table to the left below shows the number of dollar stores per 100.000 inhabitants for different levels of median household income (Median income as of 2014, total number of Dollar General, Dollar Tree, Family Dollar, Fred's, and 99c Only stores).

Median household income	Nb. of states	Stores/100k
$ 35,000 $ 40,000	3	21.82
$ 40,000 $ 45,000	11	13.60
$ 45,000 $ 50,000	13	8.81
$ 50,000 $ 55,000	7	6.82
$ 55,000 $ 60,000	6	5.40
$ 60,000 $ 65,000	4	5.76
$ 65,000 $ 75,000	5	3.30

Total median household income growth until 2014 from the years listed below

	2010	2009	2007	2000
Mean	1.0%	-1.5%	-1.8%	4.0%
Median	1.3%	-1.4%	1.4%	4.2%

Unsurprisingly, the table shows that dollar stores are more popular in states with a low median household income. However, the table to the right shows the development of the US median household income until 2014 from 2010, 2009, 2007, and 2000, and from these numbers it is clear that the income for most American families has only increased marginally in nominal terms over the past 15 years, and flat to declining since before the financial crisis. One can argue that this is part of a long-term trend of losses of well-paying American jobs, and there is a risk that this will development will continue into the future. At any rate, the market for dollar stores is not likely to disappear.

Forbes reported in early 2016 that the four largest dollar chains, Dollar General, Dollar Tree, Family Dollar, and 99 Cents Only had aggregate sales on $42bn in 2015, of this $28.6bn came from groceries sales. This compares to total groceries sales of $1.0tr according to the article, so the four largest dollar chains currently command less than 3% of the total market. As a reference, Wal-Mart had $482bn in total revenues in 2015. The dollar stores have taken market share quickly over the past years and it is important to assess the market opportunity for these players.

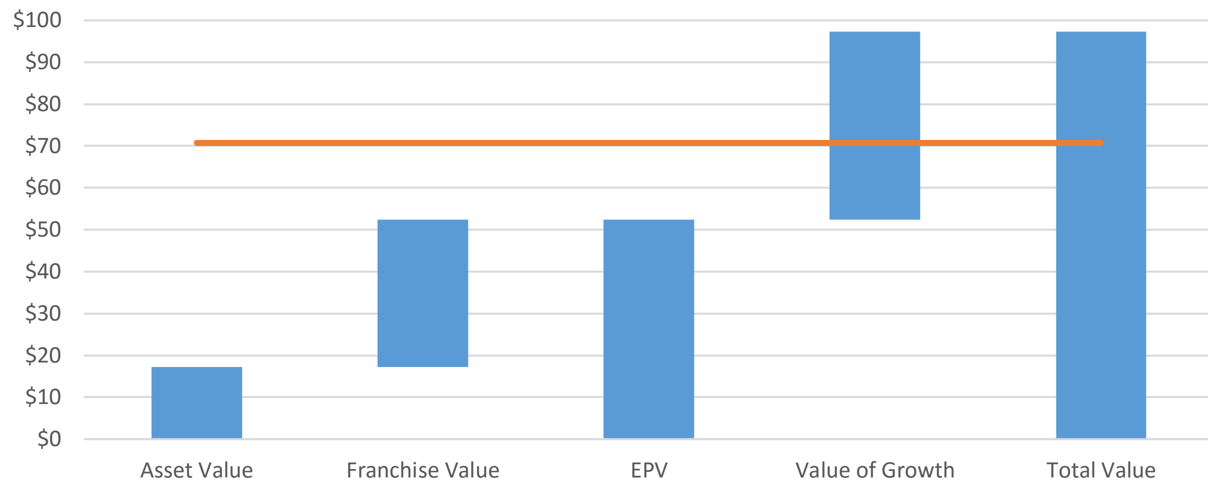
At Dollar General's investor day on March 24, 2016, Dollar General stated that it sees the potential for approximately 13,000 new stores. At that point Dollar General had 12,483 open stores, and together with the 13,000 new store opportunity it also guided for a potential annual 6-8% square foot growth. Furthermore, the vision for store growth opportunities have risen with time, in 2009 Dollar General saw the potential for 12,000 new stores, and in the mean-time Dollar General has opened more than 4,000 new stores, such as the market opportunity effectively has increased by 5,000 since 2009. During the investor day in March 2016, Dollar General also provided a case study on a typical target city, which had 17 stores in 2015 with a target of reaching 22 by 2020. It can be backed out that the city had approximately 43,000 households, or 107,000 residents with 2.5 persons/household. In Dollar General's case study, Dollar General therefore currently has approximately 2,500 households/store with an aim to densify to 2,000 households/store by 2020. Using the National League of Cities' 2007 statistics of the number of cities within different population brackets, I calculate the total addressable market in the US for the two scenarios. I have excluded cities with populations above the target city's population since Dollar General primarily focuses on smaller cities and towns, although this is arguably a potential market too. Similarly, municipalities that are too small (below 2,500 inhabitants are excluded). Assuming 2,500 households per store results in ~20,500 stores, and with 2,000 households per store the total addressable market increases to 25,500. This last estimate happens to be similar to Dollar General's long-term target of 12,483 + ~13,000 = 25,500 stores.

	Population of US Municipal Governments between						Total
High	199,999	99,999	49,999	24,999	9,999	4,999	
Low	100,000	50,000	25,000	10,000	5,000	2,500	
Average	150,000	75,000	37,500	17,500	7,500	3,750	
Nb. of municipalities	159	422	680	1,505	1,654	2,098	
Addressable market, 2500 households/store	3,816	5,064	4,080	4,214	1,985	1,259	20,417
Addressable market, 2000 households/store	4,770	6,330	5,100	5,267	2,481	1,573	25,521

While the popularity of dollar stores varies with the income level and regional preferences, these estimates seems reasonable and give confidence in management targets. Should Dollar General continue to attract slightly more than 50% of dollar stores revenues, a doubling of the scope of the business would imply that dollar stores will reach a 5-6% market share of the domestic grocery market. I have assumed that this growth will be relatively stable at 6% store expansion growth per year for the next decade, at which point Dollar General should have about 25,500 stores.

Valuation

I value Dollar General through an asset value, earnings power value, and a total value framework, and get to a fair share price of $97 per share 38% above the current share price. I have assigned a return threshold for Dollar General of 8%, and with the current level of capital return and conservative assumptions for growth, I get to a current total return of 10.6%, reflecting a comfortable margin of safety. This valuation is also supported by a DCF-valuation, with a 1-year forward target price of $94. The DCF valuation also yields a 5-year price target of $123 per share, or a 13.2% IRR over the investment period.



Asset value of Dollar General

We calculate the asset value of Dollar General by taking the book value of equity, subtract goodwill, and add an adjustment value for PPE and other intangibles. From this calculation we get to a reproduction value of Dollar General of $4.7bn, or $17.17 per share.

Asset value	
BV of equity	5,406
- Goodwill	(4,339)
+ adj. of PPE	2,500
+ Intangibles	1,157
Total value	**4,725**
Share count	275
Fair share price	**17.17**

Value of intangibles.

Cost of replacing employees. Harvard Business Review article by Wayne F. Cascio (https://hbr.org/2006/12/the-high-cost-of-low-wages). Replacement cost of employees in skilled and semi-skilled jobs is often 1.5-2.5x salary. Author has assumed 60% of annual salary for Costco. We are more conservative and assume 30% of an assumed average salary of $25,000 per year and 121,000 employees. That gives a total replacement value of employees of 907m.

Furthermore. We assume the brand value is equal to 3x yearly advertising, or $250m. The total value of intangibles is thus about $1,157m

Adjustment of PPE

Dollar General guides for $700m in total capital expenditures for FY2018, of which 15-20% is supposed to be maintenance capex. 35-40% of capex will go to special projects, and 45% of capex should go to new stores, relocations and remodels. I will include relocations and remodels under maintenance capex, and based on an estimated cost of opening a new store of $250,000 and 1,000 new stores in FY2018, that leaves about 10% of total capex to relocations and remodeling. Thus, 25-30% of FY2018 capex are maintenance capex, or $175-$210m. This compares to D&A estimate of approximately $400m in FY2018 ($380 in FY2017), so it appears as if Dollar General is over-depreciating PPE by about $200m per year. The reproduction value of the assets is not very relevant for the valuation of Dollar General due to the growth aspect of the business, so we simply estimate that Dollar General's PPE is worth $2.5bn more than the balance sheet value (Excess D&A/WACC, 200/8%).

Earnings Power Value of Dollar General

The table below shows the calculation of Dollar General's earnings power value. I have used the FY2017 revenue, and an operating margin that is about 0.5 percentage point lower than the average operating margin since the IPO in 2009. The excess D&A expense of approximately $200m was elaborated on in the replacement value section. Based on the calculations and assumptions below, we get to a fair share price of $52.40 per share.

Earnings Power Value	
Revenues	22,000
Operating margin	9.00%
EBIT	1,980
Excess D&A	200
Adj. EBIT	2,180
Tax	36.00%
Earnings power	1,395
WACC	8.00%
EPV	**17,440**
Net debt	3,024
Fair m.cap	14,416
Share count	275
Fair share price	**52.40**

The EPV value is as suspected well above the asset value, and with Dollar Generals moat, high ROIC and growth prospects, the value of growth should ultimately determine the value of the business.

Value of growth – Total value

Dollar General has profitably grown its business over the past two decades. Over the 20-year period from 1997 to 2017 operating income grew on average by 12.7% per year, and since the last peak in operating income in 2006, operating income has grown at a 10.9% CAGR. From the table in the competitive advantage section it is also clear that this growth has come at a high ROIC. We can therefore study what return shareholders can expect in the years to come. The table below shows the component of the return to shareholders, and with relatively conservative assumptions, the total return sums up to 10.6%. This is well above our hurdle rate for Dollar General of 8%, and the share price could rise to $97 per share to match this hurdle rate. I believe 8% is a conservative assumption for the WACC of Dollar General, based on the risk profile of the business and the current yield of Dollar General's 10-year corporate debt of approximately 3.5%. The components of the total return are explained below the table.

Value of Growth		
Share price	70.72	
Shares	275	
M.cap	19,455	
Net debt	3,024	
EV	**22,479**	
Cash return	1,035	4.6%
SSS growth	=3.5%-1%-1%	1.5%
Other growth	=6%-1.5%	4.5%
Growth		**10.6%**
Return threshold for DG		8.00%
EV Upside		32.57%
Fair EV		29,799
Net debt		3,024
Fair m.cap		26,775
Share count		275
Fair share price		**97.33**

Cash return: Counting share buybacks, dividends, and change in net debt in 2016 we get to a total return to shareholders and creditors of $1,035m. This is 4.6% of Dollar General's enterprise value.

SSS growth: Same store sales growth is related to GDP. Assuming a 3.5% GDP growth, we give a 1% discount for the consumer goods market, and another 1% for the target customers who are low earners. This takes us to 1.5%. Dollar General's same store sales have historically been significantly higher than this, much due to investments into improved stores (more coolers etc.). Food price deflation and reductions in the SNAP (food-stamp) programs have lowered same store sales recently, but over the longer term I expect same store sales growth to rebound.

Other Growth: Related to the expansion of the store network, and investment into cost-cutting initiatives such as IT and distribution. Since 1997, operating income has grown at a 12.7% CAGR, and since the previous peak in operating income in 2006 the growth has been 10.9%. Part of this growth has come from margin expansion, which suggests that Dollar Generals competitive position has strengthened since 2006. I have assumed total growth of 6%, of which 1.5% comes from same store sales. The remaining 4.5% growth can be thought of in different ways.

- 6% store growth, where new stores have a productivity of about 80% of existing stores. This adds up to 4.8% topline growth, and I assume margins similar to the rest of the business. This leaves a margin of safety for the margin contribution of the growth investments into other parts of the business. Such growth investments represent 35-40% of total expected 2017 capex, more than what goes into store expansion. A 4.5% other growth assumption therefore seems conservative.
- Dollar General has grown profitably at approximately 30% ROIIC over the past decades. Management has guided for $700m in capex in 2017, and based on management's comments I estimate that between 60% and 70% of this is growth capex. I assume that

the return on incremental capital is somewhere between the 20% management claims is the ROIC of new stores and the historical 30% ROIC of the business. This result in a NOPAT growth of somewhere between 6% and 11%, and also include same store growth. The table below shows the calculations.

	Low	Mid	High
2016 NOPAT	1,325	1,325	1,325
Estimated Total Capex	700	700	700
% Growth Capex	60%	65%	70%
Growth Capex	420	455	490
NOPAT Reinvmt. in Growth	32%	34%	37%
ROIIC	20%	25%	30%
NOPAT Growth	**6.3%**	**8.6%**	**11.1%**

Alternative valuation

I also value Dollar General with a traditional DCF valuation. Forecasts and calculations can be found in the appendix. The assumed franchise growth is the same as discussed earlier and I have forecasted growth out to 2027 to account for store expansion up to 25,500 stores, and then assumed 1.5% terminal growth rate. Based on the DCF I get to a fair share price 1y forward of $94 per share. Also, according to the DCF, a fair share price 5 years forward is $123 per share, or 13.2% IRR when including dividends. The latter valuation represents a 15x PE multiple in 2022, in-line with today's multiple and arguably low for a business of Dollar General's quality.

Risks

Store growth: My assumptions for the potential addressable market may be overly optimistic, and Dollar General may fail to expand at a high ROIC.

Food price deflation: Food price deflation or stagnation slows same store sales growth, and has contributed to disappointing same store sales numbers in 2016.

SNAP cut-backs: About 45m Americans receive benefits through the Supplemental Nutrition Assistance Program. In 2016 between 0.5m and 1m people were cut off of this program, and these low-income earners are typically customers of discount stores such as Dollar General. Further cut-backs in the program have been announced, and this will constitute a headwind for Dollar General in the years to come.

Management

CEO Todd Vasos joined Dollar General in December 2008 as Executive Vice President, Division President and Chief Merchandising Officer, while Dollar General was still under KKR's ownership. He was promoted to COO in 2013 and finally was promoted to CEO in June 2015. He owns approximately $4m worth of Dollar General stock and long-term equity incentives makes up 72% of his total compensation package.

I have limited information to judge the quality of management, but I am of the impression that management will be able to execute well in the future.

Appendix – Forecasts.

	2013	2014	2015	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	17,504	18,910	20,369	21,986	23,002	24,450	25,991	27,628	29,368	31,219	33,186	35,277	37,499	39,861	42,373
Revenue growth		*8.0%*	*7.7%*	*7.9%*	*4.6%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*
Gross profit	5,436	5,803	6,306	6,783	6,900	7,335	7,927	8,427	8,957	9,522	10,122	10,759	11,437	12,158	12,924
Gross profit margin	*31.1%*	*30.7%*	*31.0%*	*30.9%*	*30.0%*	*30.0%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*
EBITDA	2,079	2,126	2,299	2,444	2,361	2,533	2,832	3,018	3,215	3,424	3,644	3,877	4,125	4,387	4,666
EBITDA margin	*11.9%*	*11.2%*	*11.3%*	*11.1%*	*10.3%*	*10.4%*	*10.9%*	*10.9%*	*10.9%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*
EBIT	1,746	1,783	1,946	2,064	1,955	2,078	2,339	2,487	2,643	2,810	2,987	3,175	3,375	3,588	3,814
EBIT margin	*10.0%*	*9.4%*	*9.6%*	*9.4%*	*8.5%*	*8.5%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Net Income	1,025	1,065	1,165	1,251	1,187	1,261	1,422	1,510	1,605	1,705	1,812	1,927	2,049	2,179	2,318
Net Income margin	*5.9%*	*5.6%*	*5.7%*	*5.7%*	*5.2%*	*5.2%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*
EPS	3.17	3.49	3.95	4.43	4.31	4.71	5.52	6.08	6.70	7.40	8.15	8.96	9.83	10.76	11.75
EPS growth		*10.1%*	*13.2%*	*12.3%*	*-2.8%*	*9.3%*	*17.2%*	*10.1%*	*10.3%*	*10.4%*	*10.2%*	*9.9%*	*9.7%*	*9.4%*	*9.2%*
Stores b.o.p	10,506	11,132	11,789	12,483	13,320	14,320	15,179	16,090	17,055	18,078	19,163	20,313	21,532	22,824	24,193
Net store openings	626	657	694	837	1,000	859	911	965	1,023	1,085	1,150	1,219	1,292	1,369	1,452
New stores growth	6.0%	5.9%	5.9%	6.7%	7.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Stores e.o.p.	11,132	11,789	12,483	13,320	14,320	15,179	16,090	17,055	18,078	19,163	20,313	21,532	22,824	24,193	25,645
Same store sales		2.8%	2.8%	0.9%	0.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
FCF	675	941	873	1,044	851	987	1,153	1,215	1,295	1,380	1,469	1,563	1,663	1,769	1,882
Dividend	-	-	258	281	297	314	330	330	330	330	330	330	330	330	330
Share repurchases	620	800	1,300	990	450	1,000	1,000	1,000	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total debt	2,819	2,741	2,971	3,212	3,461	3,735	4,034	4,333	4,632	4,931	5,230	5,529	5,828	6,127	6,426
Cash	506	580	158	188	539	486	608	791	856	1,004	1,241	1,573	2,005	2,543	3,194
Diluted shares	323.9	305.7	295.2	282.2	275.5	267.8	257.7	248.5	239.4	230.4	222.3	214.9	208.4	202.5	197.2
Share price	56.32	67.06	75.06	74.07	70.72	70.72	70.72	70.72	70.72	70.72	70.72	70.72	70.72	70.72	70.72
Market capitalization	18,239	20,499	22,159	20,903	19,486	18,939	18,222	17,576	16,934	16,294	15,718	15,200	14,735	14,319	13,946
Net debt	2,313	2,161	2,813	3,024	2,922	3,249	3,426	3,541	3,776	3,927	3,988	3,955	3,822	3,583	3,231
Enterprise value	20,553	22,660	24,971	23,927	22,408	22,188	21,648	21,118	20,710	20,220	19,706	19,155	18,558	17,902	17,177
P/E	17.79	19.24	19.02	16.71	16.42	15.02	12.81	11.64	10.55	9.56	8.67	7.89	7.19	6.57	6.02
EV/EBITDA	9.89	10.66	10.86	9.79	9.49	8.76	7.64	7.00	6.44	5.91	5.41	4.94	4.50	4.08	3.68
FCF-yield	3.7%	4.6%	3.9%	5.0%	4.4%	5.2%	6.3%	6.9%	7.7%	8.5%	9.3%	10.3%	11.3%	12.4%	13.5%
RoE	19.0%	18.7%	21.7%	23.1%	20.2%	21.5%	23.7%	24.3%	25.4%	26.1%	26.4%	26.4%	26.1%	25.5%	24.8%
ROCE	13.6%	13.5%	14.9%	14.5%	13.4%	13.9%	14.9%	15.1%	15.4%	15.7%	15.8%	15.9%	15.8%	15.7%	15.5%

Appendix – DCF valuation.

DCF - Valuation	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Terminal
NOPAT	1,117	1,141	1,246	1,251	1,330	1,497	1,591	1,692	1,798	1,912	2,032	2,160	2,296	2,441	2,441
D&A	333	342	352	405	454	493	532	572	614	657	702	750	800	853	853
CAPEX	(538)	(374)	(505)	(700)	(685)	(728)	(774)	(822)	(874)	(929)	(988)	(1,050)	(1,116)	(1,186)	(823)
Change in NWC	(104)	(109)	(185)	(78)	(81)	(71)	(90)	(96)	(102)	(108)	(115)	(123)	(130)	(139)	(139)
FCF	**807**	**1,001**	**909**	**878**	**1,019**	**1,191**	**1,259**	**1,345**	**1,436**	**1,531**	**1,631**	**1,737**	**1,850**	**1,968**	**2,331**
Discount factor				0.95	0.88	0.82	0.76	0.70	0.65	0.61	0.56	0.52	0.49	0.45	0.45
PV				**834**	**898**	**974**	**956**	**948**	**939**	**929**	**919**	**908**	**897**	**886**	**16,798**
Discount factor, 2022									0.95	0.88	0.82	0.76	0.70	0.65	0.65
PV in 2022									**1,364**	**1,350**	**1,335**	**1,319**	**1,303**	**1,287**	**24,396**

	Current	2022
Fair EV	26,888	32,354
Net debt	3,024	3,776
Fair market cap	23,864	28,578
Nb. Of shares	275	232
Fair price	**86.71**	**122.99**
Current price	70.72	70.72
Upside/downside	23%	74%
1y/5y forward	94.09	122.99
Exit P/E multiple	17.05	15.08
IRR - ex. Div	33.04%	11.70%
Current Div-yield	1.50%	1.50%
IRR - incl. dividend	**34.54%**	**13.20%**

Assumptions	
CoE	8.5%
CoD	4.0%
Tax	36.0%
W_eq	87.4%
W_debt	12.6%
WACC	7.7%
Terminal growth	1.5%