

Some uncertainty heading into 2020

Etteplan's Q4 results were below expectations, driven by the impact of the industrial strike in Finland. The guidance for 2020 EBIT was softer than expected, with some caution being taken due to the unpredictability in the impact of the coronavirus. Demand outlook comments were nonetheless slightly positive based on early 2020 development. We have slightly lowered our 2020 estimates to account for a likely weaker Q1. We retain our HOLD-rating with an ex-div TP of EUR 10.2.

Clear negative impact of industrial strike

Etteplan's Q4 results were below expectations. Revenue amounted to EUR 71.8m (EUR 72.1m/72.7m Evli/cons.), with 14.2% growth y/y (1.4% organic excl. FX), driven by the mid-2019 acquisitions. EBIT amounted to EUR 5.6m (EUR 6.1m/6.3m Evli/cons.) and EBIT excl. NRI's to EUR 5.1m. Profitability was below comparison period figures in all service areas, driven mainly by the impact of the industrial strike in Finland in December. Challenges in certain projects also affected profitability of the Software and Embedded Solutions service area. The BoD's dividend proposal is EUR 0.35 per share (EUR 0.36 Evli/cons.)

Coronavirus prompts EBIT guidance cautiousness

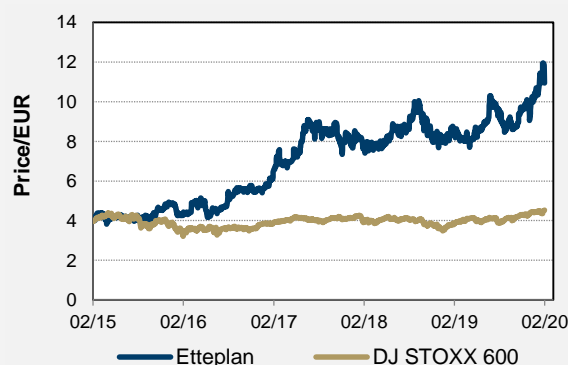
Etteplan expects revenue to grow clearly in 2020 and EBIT to be at the same level or improve compared to 2019. The EBIT guidance was softer than expected, reflective of a more cautious approach due to uncertainty related to the coronavirus. Comments on general demand outlook were slightly more positive, with signs of pick-up following slightly decreased political uncertainty. We have lowered our 2020 EBIT estimate by some 7%, expecting a weaker Q1 due to the coronavirus.

HOLD with an ex-div target price of EUR 10.2

On our revised estimates and slightly increased caution due to the coronavirus uncertainty we adjust our target price to EUR 10.2 ex-div and retain our HOLD-rating, valuing Etteplan at 14x 2020 P/E.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 10.95

Target price, EUR 10.2

Latest change in recommendation 08-Aug-19

Latest report on company 06-Feb-20

Research paid by issuer: YES

No. of shares outstanding, '000's 24,963

No. of shares fully diluted, '000's 24,963

Market cap, EURm 273

Free float, % 16.0

Exchange rate 0.000

Reuters code ETTE.HE

Bloomberg code ETTE FH

Average daily volume, EURm 0.07

Next interim report 05-May-20

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BUY HOLD SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | FCF EURm | EPS EUR | P/E (x) | EV/Sales (x) | EV/EBIT (x) | FCF yield % | DPS EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2018 | 236.4 | 20.2 | 8.5% | 13.0 | 0.61 | 13.0 | 1.0 | 11.4 | 6.6 | 0.30 |
| 2019 | 262.7 | 22.8 | 8.7% | -1.0 | 0.70 | 15.6 | 1.1 | 12.9 | -0.4 | 0.35 |
| 2020E | 288.0 | 23.7 | 8.2% | 15.6 | 0.72 | 15.1 | 1.1 | 12.9 | 5.7 | 0.36 |
| 2021E | 305.7 | 26.8 | 8.8% | 17.6 | 0.83 | 13.2 | 1.0 | 11.1 | 6.5 | 0.41 |
| 2022E | 320.8 | 28.7 | 9.0% | 19.7 | 0.89 | 12.3 | 0.9 | 10.0 | 7.2 | 0.45 |
| Market cap, EURm | | | 273 | Gearing 2020E, % | | | 38.9 | CAGR EPS 2019-22, % | | 11.0 |
| Net debt 2020E, EURm | | | 33 | Price/book 2020E | | | 3.2 | CAGR sales 2019-22, % | | 6.9 |
| Enterprise value, EURm | | | 307 | Dividend yield 2020E, % | | | 3.3 | ROE 2020E, % | | 22.2 |
| Total assets 2020E, EURm | | | 213 | Tax rate 2020E, % | | | 20.7 | ROCE 2020E, % | | 17.6 |
| Goodwill 2020E, EURm | | | 79 | Equity ratio 2020E, % | | | 40.5 | PEG, P/E 20/CAGR | | 2.4 |

All the important disclosures can be found on the last pages of this report.

| Etteplan | 2018 | Q1/'19 | Q2/'19 | Q3/'19 | Q4/'19 | 2019 | Q1/'20E | Q2/'20E | Q3/'20E | Q4/'20E | 2020E | 2021E | 2022E |
|--|-------------|---------------|---------------|---------------|---------------|-------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|
| Net sales | 236.4 | 65.4 | 64.2 | 61.5 | 71.6 | 262.7 | 68.4 | 75.7 | 65.0 | 78.9 | 288.0 | 305.7 | 320.8 |
| sales growth % | 10.1% | 11.0% | 3.5% | 17.1% | 14.0% | 11.1% | 4.5% | 17.9% | 5.7% | 10.2% | 9.6% | 6.1% | 5.0% |
| EBITA | 22.6 | 6.4 | 6.5 | 6.6 | 6.4 | 25.9 | 6.0 | 7.6 | 5.9 | 8.0 | 27.5 | 30.0 | 31.9 |
| EBITA margin | 9.5% | 9.8% | 10.1% | 10.7% | 8.9% | 9.9% | 8.7% | 10.0% | 9.1% | 10.2% | 9.6% | 9.8% | 10.0% |
| EBIT | 20.8 | 5.8 | 5.8 | 5.7 | 5.6 | 22.8 | 5.0 | 6.6 | 5.0 | 7.1 | 23.7 | 26.8 | 28.7 |
| EBIT margin | 8.8% | 8.8% | 9.0% | 9.3% | 7.8% | 8.7% | 7.3% | 8.8% | 7.7% | 9.0% | 8.2% | 8.8% | 9.0% |
| EBIT (excl. NRIs) | 20.5 | 6.0 | 5.8 | 4.9 | 5.1 | 21.7 | 5.0 | 6.6 | 5.0 | 7.1 | 23.7 | 26.8 | 28.7 |
| -margin | 8.7% | 9.1% | 9.0% | 8.0% | 7.1% | 8.3% | 7.3% | 8.8% | 7.7% | 9.0% | 8.2% | 8.8% | 9.0% |
| Engineering Solutions | 2018 | Q1/'19 | Q2/'19 | Q3/'19 | Q4/'19 | 2019 | Q1/'20E | Q2/'20E | Q3/'20E | Q4/'20E | 2020E | 2021E | 2022E |
| Net sales | 132.1 | 35.6 | 35.3 | 35.3 | 40.8 | 147.0 | 39.2 | 43.0 | 35.9 | 44.4 | 162.5 | 170.6 | 177.4 |
| sales growth % | 9.3% | 5.8% | 0.8% | 22.5% | 18.1% | 11.3% | 10.0% | 22.0% | 1.7% | 8.6% | 10.5% | 5.0% | 4.0% |
| EBITA | 13.0 | 3.7 | 3.8 | 3.4 | 3.6 | 14.5 | 3.5 | 4.4 | 3.3 | 4.5 | 15.8 | 16.7 | 17.6 |
| EBITA margin | 9.8% | 10.3% | 10.9% | 9.6% | 8.7% | 9.8% | 8.8% | 10.3% | 9.3% | 10.2% | 9.7% | 9.8% | 9.9% |
| Software and Embedded Solutions | 2018 | Q1/'19 | Q2/'19 | Q3/'19 | Q4/'19 | 2019 | Q1/'20E | Q2/'20E | Q3/'20E | Q4/'20E | 2020E | 2021E | 2022E |
| Net sales | 60.0 | 17.3 | 17.1 | 15.4 | 17.7 | 67.5 | 17.0 | 19.3 | 16.8 | 20.1 | 73.2 | 79.1 | 84.6 |
| sales growth % | 15.5% | 22.8% | 8.5% | 12.9% | 6.9% | 12.4% | -1.5% | 12.9% | 8.9% | 13.7% | 8.5% | 8.0% | 7.0% |
| EBITA | 5.8 | 1.7 | 1.6 | 1.6 | 1.4 | 6.3 | 1.6 | 1.9 | 1.6 | 2.1 | 7.1 | 8.1 | 8.8 |
| EBITA margin | 9.7% | 9.8% | 9.3% | 10.1% | 8.0% | 9.3% | 9.1% | 9.7% | 9.4% | 10.5% | 9.7% | 10.3% | 10.4% |
| Technical Documentation Solutions | 2018 | Q1/'19 | Q2/'19 | Q3/'19 | Q4/'19 | 2019 | Q1/'20E | Q2/'20E | Q3/'20E | Q4/'20E | 2020E | 2021E | 2022E |
| Net sales | 44.3 | 12.5 | 11.8 | 10.7 | 13.1 | 48.2 | 12.2 | 13.3 | 12.4 | 14.4 | 52.3 | 56.0 | 58.8 |
| sales growth % | 6.0% | 11.6% | 5.1% | 5.8% | 11.8% | 8.8% | -2.7% | 12.6% | 15.4% | 10.4% | 8.5% | 7.0% | 5.0% |
| EBITA | 3.7 | 1.2 | 1.0 | 0.8 | 0.9 | 4.1 | 0.9 | 1.3 | 1.0 | 1.4 | 4.7 | 5.2 | 5.6 |
| EBITA margin | 8.3% | 9.9% | 8.8% | 7.8% | 6.8% | 8.5% | 7.7% | 9.5% | 8.5% | 9.7% | 8.9% | 9.2% | 9.5% |

| ETTEPLAN PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | P/E | | |
|----------------------|--------------|-----------|-------|-------|---------|-------|-------|-------|-------|-------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| SWECO | 4181 | 18.6x | 17.0x | 16.0x | 27.0x | 23.6x | 22.0x | 31.4x | 27.3x | 25.3x |
| AF Poyry | 2669 | 12.8x | 12.2x | 11.4x | 18.7x | 17.0x | 15.4x | 20.2x | 18.6x | 17.0x |
| Semcon | 120 | 6.4x | 6.4x | 5.7x | 8.5x | 8.4x | 7.3x | 11.7x | 11.0x | 9.4x |
| Alten | 3780 | 13.8x | 12.7x | 11.9x | 15.6x | 14.3x | 13.4x | 20.4x | 18.6x | 17.4x |
| Altran Technologies | 3727 | 10.8x | 10.0x | 9.3x | 14.3x | 12.9x | 11.8x | 17.2x | 15.0x | 13.6x |
| Bertrandt | 534 | 7.2x | 6.2x | 5.5x | 11.4x | 10.1x | 8.7x | 14.4x | 12.9x | 10.9x |
| AKKA Technologies | 1146 | 10.9x | 8.8x | 8.0x | 14.1x | 11.0x | 9.8x | 14.1x | 12.0x | 10.5x |
| HiQ International | 271 | 10.9x | 10.3x | 9.7x | 13.6x | 12.4x | 11.6x | 16.8x | 16.1x | 15.1x |
| TietoEVRY | 3690 | 8.5x | 5.3x | 4.9x | 12.8x | 7.3x | 6.7x | 17.5x | 14.8x | 13.3x |
| Multiconsult | 198 | 9.6x | 7.5x | 6.7x | 21.7x | 13.3x | 11.2x | 26.0x | 13.8x | 10.8x |
| Peer Group Average | 1872 | 10.9x | 9.6x | 8.9x | 15.8x | 13.0x | 11.8x | 19.0x | 16.0x | 14.3x |
| Peer Group Median | 1146 | 10.8x | 9.4x | 8.7x | 14.2x | 12.6x | 11.4x | 17.3x | 14.9x | 13.5x |
| Etteplan (Evli est.) | 273 | 7.8x | 7.8x | 6.8x | 12.9x | 12.9x | 11.1x | 15.6x | 15.1x | 13.2x |

Etteplan prem./disc. to peer median

-28% -17% -22% -9% 2% -3% -10% 1% -2%

Source FactSet, Evli Research

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1E | 2020Q2E | 2020Q3E | 2020Q4E | 2020E | 2021E | 2022E |
|--|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Net sales | 65.4 | 64.2 | 61.4 | 71.6 | 262.7 | 68.4 | 75.7 | 65.0 | 78.9 | 288.0 | 305.7 | 320.8 |
| EBITDA | 8.9 | 9.1 | 9.5 | 9.9 | 37.5 | 8.9 | 10.5 | 8.9 | 11.0 | 39.3 | 43.9 | 46.9 |
| <i>EBITDA margin (%)</i> | <i>13.7</i> | <i>14.2</i> | <i>15.5</i> | <i>13.8</i> | <i>14.3</i> | <i>13.0</i> | <i>13.9</i> | <i>13.7</i> | <i>13.9</i> | <i>13.7</i> | <i>14.4</i> | <i>14.6</i> |
| EBIT | 5.8 | 5.8 | 5.7 | 5.6 | 22.8 | 5.0 | 6.6 | 5.0 | 7.1 | 23.7 | 26.8 | 28.7 |
| <i>EBIT margin (%)</i> | <i>8.8</i> | <i>9.0</i> | <i>9.3</i> | <i>7.8</i> | <i>8.7</i> | <i>7.3</i> | <i>8.8</i> | <i>7.7</i> | <i>9.0</i> | <i>8.2</i> | <i>8.8</i> | <i>9.0</i> |
| Net financial items | -0.2 | -0.1 | -0.2 | -0.4 | -0.9 | -0.2 | -0.2 | -0.2 | -0.2 | -0.9 | -0.8 | -0.7 |
| Pre-tax profit | 5.6 | 5.7 | 5.5 | 5.1 | 21.9 | 4.8 | 6.4 | 4.8 | 6.9 | 22.8 | 26.0 | 28.1 |
| Tax | -1.3 | -1.2 | -0.9 | -1.2 | -4.5 | -1.0 | -1.3 | -1.0 | -1.4 | -4.7 | -5.4 | -5.8 |
| <i>Tax rate (%)</i> | <i>23.4</i> | <i>20.3</i> | <i>15.7</i> | <i>23.6</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> | <i>20.7</i> |
| Net profit | 4.3 | 4.5 | 4.7 | 3.9 | 17.4 | 3.8 | 5.1 | 3.8 | 5.4 | 18.1 | 20.6 | 22.3 |
| EPS | 0.17 | 0.18 | 0.19 | 0.16 | 0.70 | 0.15 | 0.20 | 0.15 | 0.22 | 0.72 | 0.83 | 0.89 |
| EPS adjusted (diluted no. of shares) | 0.18 | 0.18 | 0.16 | 0.14 | 0.65 | 0.15 | 0.20 | 0.15 | 0.22 | 0.72 | 0.83 | 0.89 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.35 | 0.00 | 0.00 | 0.00 | 0.00 | 0.36 | 0.41 | 0.45 |
| SALES, EURm | | | | | | | | | | | | |
| Engineering Solutions | 35.6 | 35.3 | 35.3 | 40.8 | 147.0 | 39.2 | 43.0 | 35.9 | 44.4 | 162.5 | 170.6 | 177.4 |
| Software and Embedded Solutions | 17.3 | 17.1 | 15.4 | 17.7 | 67.5 | 17.0 | 19.3 | 16.8 | 20.1 | 73.2 | 79.1 | 84.6 |
| Technical Documentation Solutions | 12.5 | 11.8 | 10.7 | 13.1 | 48.1 | 12.2 | 13.3 | 12.4 | 14.4 | 52.3 | 56.0 | 58.8 |
| Total | 65.4 | 64.2 | 61.4 | 71.6 | 262.7 | 68.4 | 75.7 | 65.0 | 78.9 | 288.0 | 305.7 | 320.8 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Engineering Solutions</i> | <i>5.8</i> | <i>0.8</i> | <i>22.5</i> | <i>18.1</i> | <i>11.3</i> | <i>10.0</i> | <i>22.0</i> | <i>1.7</i> | <i>8.6</i> | <i>10.5</i> | <i>5.0</i> | <i>4.0</i> |
| <i>Software and Embedded Solutions</i> | <i>22.8</i> | <i>8.5</i> | <i>12.9</i> | <i>6.9</i> | <i>12.4</i> | <i>-1.5</i> | <i>12.9</i> | <i>8.9</i> | <i>13.7</i> | <i>8.5</i> | <i>8.0</i> | <i>7.0</i> |
| <i>Technical Documentation Solutions</i> | <i>11.6</i> | <i>5.1</i> | <i>5.8</i> | <i>11.8</i> | <i>8.7</i> | <i>-2.7</i> | <i>12.6</i> | <i>15.4</i> | <i>10.4</i> | <i>8.7</i> | <i>7.0</i> | <i>5.0</i> |
| Total | 11.0 | 3.5 | 16.8 | 14.0 | 11.1 | 4.5 | 17.9 | 5.9 | 10.2 | 9.7 | 6.1 | 5.0 |
| EBIT, EURm | | | | | | | | | | | | |
| Engineering Solutions | 3.7 | 3.8 | 3.4 | 3.6 | 14.5 | 3.5 | 4.4 | 3.3 | 4.5 | 15.8 | 16.7 | 17.6 |
| Software and Embedded Solutions | 1.7 | 1.6 | 1.6 | 1.4 | 6.3 | 1.6 | 1.9 | 1.6 | 2.1 | 7.1 | 8.1 | 8.8 |
| Technical Documentation Solutions | 1.2 | 1.0 | 0.8 | 0.9 | 4.0 | 0.9 | 1.3 | 1.0 | 1.4 | 4.7 | 5.2 | 5.6 |
| Other | -0.9 | -0.7 | -0.1 | -0.3 | -1.9 | -0.9 | -0.9 | -0.9 | -0.9 | -3.8 | -3.2 | -3.2 |
| Total | 5.8 | 5.8 | 5.7 | 5.6 | 22.8 | 5.0 | 6.6 | 5.0 | 7.1 | 23.7 | 26.8 | 28.7 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Engineering Solutions</i> | <i>10.3</i> | <i>10.9</i> | <i>9.6</i> | <i>8.7</i> | <i>9.8</i> | <i>8.8</i> | <i>10.3</i> | <i>9.3</i> | <i>10.2</i> | <i>9.7</i> | <i>9.8</i> | <i>9.9</i> |
| <i>Software and Embedded Solutions</i> | <i>9.8</i> | <i>9.3</i> | <i>10.1</i> | <i>8.0</i> | <i>9.3</i> | <i>9.1</i> | <i>9.7</i> | <i>9.4</i> | <i>10.5</i> | <i>9.7</i> | <i>10.3</i> | <i>10.4</i> |
| <i>Technical Documentation Solutions</i> | <i>9.9</i> | <i>8.8</i> | <i>7.8</i> | <i>6.8</i> | <i>8.3</i> | <i>7.7</i> | <i>9.5</i> | <i>8.5</i> | <i>9.7</i> | <i>8.9</i> | <i>9.2</i> | <i>9.5</i> |
| Total | 8.8 | 9.0 | 9.3 | 7.8 | 8.7 | 7.3 | 8.8 | 7.7 | 9.0 | 8.2 | 8.8 | 9.0 |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 141.2 | 183.9 | 214.6 | 236.4 | 262.7 | 288.0 | 305.7 | 320.8 |
| <i>Sales growth (%)</i> | <i>7.0</i> | <i>30.3</i> | <i>16.7</i> | <i>10.1</i> | <i>11.1</i> | <i>9.7</i> | <i>6.1</i> | <i>5.0</i> |
| EBITDA | 11.7 | 15.0 | 20.8 | 26.0 | 37.5 | 39.3 | 43.9 | 46.9 |
| <i>EBITDA margin (%)</i> | <i>8.3</i> | <i>8.1</i> | <i>9.7</i> | <i>11.0</i> | <i>14.3</i> | <i>13.7</i> | <i>14.4</i> | <i>14.6</i> |
| Depreciation | -3.1 | -4.8 | -5.3 | -5.8 | -14.7 | -15.6 | -17.1 | -18.1 |
| EBITA | 8.6 | 10.1 | 15.5 | 20.2 | 22.8 | 23.7 | 26.8 | 28.7 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 8.6 | 10.1 | 15.5 | 20.2 | 22.8 | 23.7 | 26.8 | 28.7 |
| <i>EBIT margin (%)</i> | <i>6.1</i> | <i>5.5</i> | <i>7.2</i> | <i>8.5</i> | <i>8.7</i> | <i>8.2</i> | <i>8.8</i> | <i>9.0</i> |
| Reported EBIT | 8.6 | 10.1 | 15.5 | 20.2 | 22.8 | 23.7 | 26.8 | 28.7 |
| <i>EBIT margin (reported) (%)</i> | <i>6.1</i> | <i>5.5</i> | <i>7.2</i> | <i>8.5</i> | <i>8.7</i> | <i>8.2</i> | <i>8.8</i> | <i>9.0</i> |
| Net financials | -0.7 | -0.7 | -0.7 | -0.8 | -0.9 | -0.9 | -0.8 | -0.7 |
| Pre-tax profit | 7.9 | 9.4 | 14.7 | 19.4 | 21.9 | 22.8 | 26.0 | 28.1 |
| Taxes | -1.7 | -1.8 | -3.2 | -4.1 | -4.5 | -4.7 | -5.4 | -5.8 |
| Minority shares | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 6.1 | 7.4 | 11.6 | 15.3 | 17.4 | 18.1 | 20.6 | 22.3 |
| Cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 12 | 22 | 22 | 26 | 30 | 33 | 35 | 37 |
| Goodwill | 43 | 58 | 59 | 65 | 79 | 79 | 79 | 79 |
| Right of use assets | 0 | 0 | 0 | 12 | 15 | 16 | 17 | 18 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 28 | 49 | 53 | 53 | 62 | 66 | 70 | 74 |
| Liquid funds | 9 | 5 | 10 | 16 | 16 | 17 | 18 | 19 |
| Total assets | 93 | 134 | 144 | 173 | 203 | 213 | 221 | 228 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 35 | 53 | 58 | 68 | 77 | 86 | 98 | 110 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 12 | 16 | 16 | 17 | 18 |
| Deferred taxes | 2 | 3 | 3 | 5 | 6 | 6 | 6 | 6 |
| Interest bearing debt | 23 | 34 | 35 | 36 | 41 | 35 | 26 | 17 |
| Non-interest bearing current liabilities | 32 | 43 | 46 | 48 | 61 | 67 | 71 | 74 |
| Other interest-free debt | 1 | 2 | 2 | 4 | 2 | 2 | 2 | 2 |
| Total liabilities | 93 | 134 | 144 | 173 | 203 | 213 | 221 | 228 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 12 | 15 | 21 | 26 | 38 | 39 | 44 | 47 |
| - Net financial items | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| - Taxes | -1 | -3 | -2 | -4 | -4 | -5 | -5 | -6 |
| - Increase in Net Working Capital | -1 | -1 | 1 | 2 | 4 | 1 | 0 | 0 |
| +/- Other | 0 | -5 | 0 | -1 | -4 | 0 | 0 | 0 |
| = Cash flow from operations | 9 | 6 | 18 | 23 | 33 | 35 | 38 | 40 |
| - Capex | -2 | -2 | -2 | -2 | -13 | -10 | -12 | -21 |
| - Acquisitions | -2 | -22 | -3 | -8 | -21 | -10 | -8 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | 6 | -18 | 13 | 13 | -1 | 16 | 18 | 20 |
| +/- New issues/buybacks | 3 | 14 | -2 | 0 | -1 | 0 | 0 | 0 |
| - Paid dividend | -3 | -3 | -4 | -6 | -7 | -9 | -9 | -10 |
| +/- Other | 1 | 4 | -1 | -1 | 9 | -6 | -8 | -8 |
| Change in cash | 6 | -4 | 5 | 6 | 0 | 1 | 1 | 1 |

Commercial Services & Supplies/Finland, February 12, 2020
Company update

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 138 | 193 | 198 | 253 | 273 | 273 | 273 |
| Net debt (excl. convertibles) | 29 | 25 | 32 | 40 | 33 | 25 | 15 |
| Enterprise value | 168 | 218 | 231 | 294 | 307 | 298 | 289 |
| Sales | 184 | 215 | 236 | 263 | 288 | 306 | 321 |
| EBITDA | 15 | 21 | 26 | 38 | 39 | 44 | 47 |
| EBIT | 10 | 15 | 20 | 23 | 24 | 27 | 29 |
| Pre-tax | 9 | 15 | 19 | 22 | 23 | 26 | 28 |
| Earnings | 7 | 12 | 15 | 17 | 18 | 21 | 22 |
| Equity book value (excl. minorities) | 53 | 58 | 68 | 77 | 86 | 98 | 110 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.0 | 0.9 |
| EV/EBITDA | 11.2 | 10.5 | 8.9 | 7.8 | 7.8 | 6.8 | 6.2 |
| EV/EBITA | 16.6 | 14.1 | 11.4 | 12.9 | 12.9 | 11.1 | 10.0 |
| EV/EBIT | 16.6 | 14.1 | 11.4 | 12.9 | 12.9 | 11.1 | 10.0 |
| EV/OCF | 29.7 | 11.9 | 10.0 | 8.9 | 8.7 | 7.9 | 7.2 |
| EV/FCFF | -46.0 | 18.2 | 16.9 | 27.3 | 11.5 | 10.2 | 9.2 |
| P/FCFE | -7.5 | 14.8 | 15.2 | -247.0 | 17.5 | 15.5 | 13.9 |
| P/E | 18.6 | 16.6 | 13.0 | 15.6 | 15.1 | 13.2 | 12.3 |
| P/B | 2.6 | 3.3 | 2.9 | 3.3 | 3.2 | 2.8 | 2.5 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 7.3 | 6.4 | 5.8 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 12.1 | 10.4 | 9.4 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 18.4 | 15.8 | 13.7 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 | 2.6 | 2.3 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 14.1 | 12.3 | 11.4 |
| Per share measures | | | | | | | |
| Number of shares | 24,771 | 24,771 | 24,963 | 24,963 | 24,963 | 24,963 | 24,963 |
| Number of shares (diluted) | 24,771 | 24,771 | 24,963 | 24,963 | 24,963 | 24,963 | 24,963 |
| EPS | 0.30 | 0.47 | 0.61 | 0.70 | 0.72 | 0.83 | 0.89 |
| Operating cash flow per share | 0.23 | 0.74 | 0.92 | 1.32 | 1.41 | 1.51 | 1.62 |
| Free cash flow per share | -0.75 | 0.53 | 0.52 | -0.04 | 0.63 | 0.71 | 0.79 |
| Book value per share | 2.12 | 2.34 | 2.71 | 3.07 | 3.45 | 3.91 | 4.39 |
| Dividend per share | 0.16 | 0.23 | 0.30 | 0.35 | 0.36 | 0.41 | 0.45 |
| Dividend payout ratio, % | 53.3 | 49.2 | 49.0 | 50.2 | 50.0 | 50.0 | 50.0 |
| Dividend yield, % | 2.9 | 3.0 | 3.8 | 3.2 | 3.3 | 3.8 | 4.1 |
| FCF yield, % | -13.4 | 6.8 | 6.6 | -0.4 | 5.7 | 6.5 | 7.2 |
| Efficiency measures | | | | | | | |
| ROE | 17.1 | 21.0 | 24.4 | 24.1 | 22.2 | 22.5 | 21.5 |
| ROCE | 14.0 | 17.2 | 19.3 | 18.3 | 17.6 | 19.3 | 20.2 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Receivables as % of sales | 26.7 | 24.5 | 22.4 | 23.6 | 23.0 | 23.0 | 23.0 |
| Non-interest bearing liabilities as % of sales | 23.1 | 21.3 | 20.5 | 23.2 | 23.2 | 23.2 | 23.2 |
| NWC/sales, % | 3.2 | 2.5 | 1.3 | -0.5 | -0.9 | -0.9 | -0.9 |
| Operative CAPEX/sales, % | 1.0 | 1.0 | 0.7 | 4.9 | 3.3 | 4.0 | 6.4 |
| CAPEX/sales (incl. acquisitions), % | -11.1 | -0.5 | -2.8 | -3.1 | -0.2 | 1.3 | 6.4 |
| FCFF/EBITDA | -0.2 | 0.6 | 0.5 | 0.3 | 0.7 | 0.7 | 0.7 |
| Net debt/EBITDA, book-weighted | 2.0 | 1.2 | 1.3 | 1.1 | 0.9 | 0.6 | 0.3 |
| Debt/equity, market-weighted | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Equity ratio, book-weighted | 39.2 | 40.1 | 39.1 | 37.8 | 40.5 | 44.2 | 48.1 |
| Gearing, % | 55.7 | 43.0 | 48.1 | 52.6 | 38.9 | 25.5 | 14.1 |

COMPANY DESCRIPTION: Etteplan is a specialist in industrial equipment engineering, embedded systems and IoT and technical documentation solutions and services. The company is market leader in Finland and among the largest operators in the field in Sweden and one of the largest companies in Europe providing technical documentation solutions. Customers are leading global manufacturers of industrial equipment and machinery.

INVESTMENT CASE: Etteplan is in our view set to continue on a track of profitable growth. The comprehensive service offering and good market positioning provides organic growth opportunities while the company's M&A track record will see growth further boosted through acquisitions. Etteplan has achieved a solid level of relative profitability and further improvement appears challenging, although optimization of resources through an increase in Managed services could further boost margins.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|---------|-------|
| Ingman Group Oy Ab | 16,500,000 | 180.675 | 66.1% |
| Oy Fincorp Ab | 2,499,000 | 27.364 | 10.0% |
| Varma Mutual Pension Insurance Company | 985,593 | 10.792 | 3.9% |
| Tuori Klaus | 402,134 | 4.403 | 1.6% |
| VAS Invest Oy | 370,494 | 4.057 | 1.5% |
| Taaleri Mikro Markka fund | 339,048 | 3.713 | 1.4% |
| SEB Gyllenberg Finland Small Cap Fund | 335,611 | 3.675 | 1.3% |
| Tuori Aino Mirjami | 308,275 | 3.376 | 1.2% |
| Etteplan Oyj | 156,203 | 1.710 | 0.6% |
| Näkki Juha | 104,947 | 1.149 | 0.4% |
| Ten largest | 22,001,305 | 240.914 | 88% |
| Residual | 2,962,003 | 32.434 | 12% |
| Total | 24,963,308 | 273.348 | 100% |

| EARNINGS CALENDAR | |
|-------------------|-----------|
| May 05, 2020 | Q1 report |
| August 11, 2020 | Q2 report |
| October 29, 2020 | Q3 report |
| OTHER EVENTS | |
| April 02, 2020 | AGM |

| COMPANY MISCELLANEOUS | |
|-----------------------|-------------------------------|
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| CFO: Per-Anders Gådin | Tel: +358 1,0 3,070 |
| IR: Outi Torniainen | |

DEFINITIONS

| | | | |
|-----------------------|--|---------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | DPS | Dividend for the financial period per share |
| Market cap | Price per share * Number of shares | OCF (Operating cash flow) | EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | FCF (Free cash flow) | Operating cash flow – operative CAPEX – acquisitions + divestments |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | FCF yield, % | $\frac{\text{Free cash flow}}{\text{Market cap}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$ | Operative CAPEX/sales | $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Net working capital | Current assets – current liabilities |
| Net debt | Interest bearing debt – financial assets | Capital employed/Share | $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$ |
| Total assets | Balance sheet total | Gearing | $\frac{\text{Net debt}}{\text{Equity}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

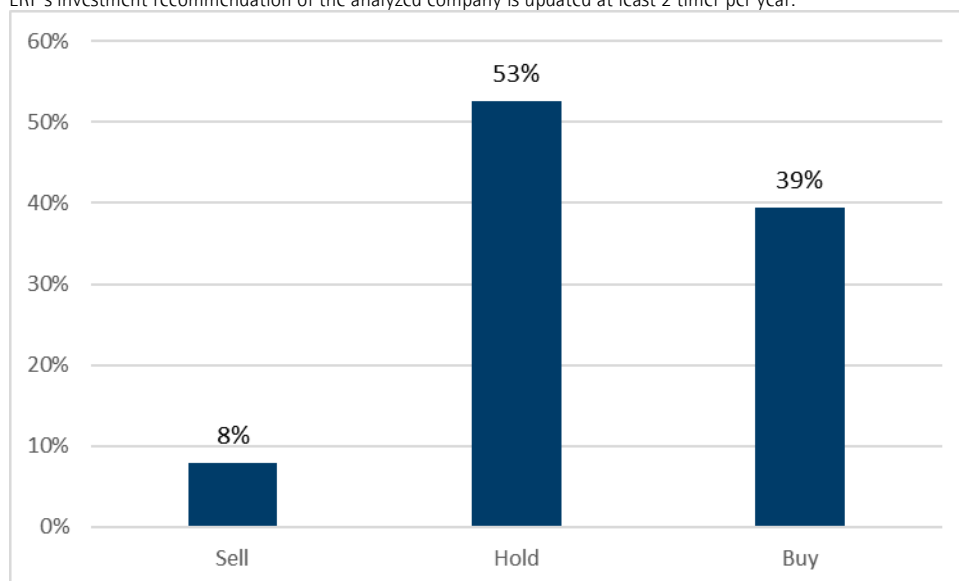
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Investment recommendations are defined as follows:

| Target price compared to share price | Recommendation |
|--------------------------------------|----------------|
| < -10 % | SELL |
| -10 – (+10) % | HOLD |
| > 10 % | BUY |

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Name(s) of the analyst(s): Salokivi

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