

Upgrade to BUY

Fellow Finance's H2 revenue and EBIT amounted to EUR 6.4m (Evli 6.7m) and EUR 1.7m (Evli 1.7m) respectively. Fellow Finance expects revenue in 2019 to grow over 30% and the adjusted operating profit to grow compared to 2018. Consumer loans in Finland still accounted for the majority loan volume but international operations and business financing saw growth picking up. We upgrade to BUY (HOLD) with a TP of EUR 9.0 (8.0).

Revenue grew 38.2% and adj. EBIT 41.7% in 2018

Fellow Finance's H2 revenue and EBIT amounted to EUR 6.4m (Evli 6.7m) and EUR 1.7m (Evli 1.7m) respectively. Full year revenue growth amounted to 38.2% and fee income growth to 50.1%. Fellow Finance estimates revenue in 2019 to grow over 30% and the adjusted operating profit (2018: EUR 3.5m) to grow compared to 2018. Focus in 2019 will be on continuing the expansion in Europe and broadening the product offering to investors. Fellow Finance expanded its services to Denmark during early 2019. In absolute terms growth in 2018 still derived mainly from Finland but growth was also solid in particular in Germany, where the company's services only kicked off properly in the latter half of 2018. Growth in business financing has also been good, with the relative share of loan volume at 27%.

Expect continued solid growth and margins

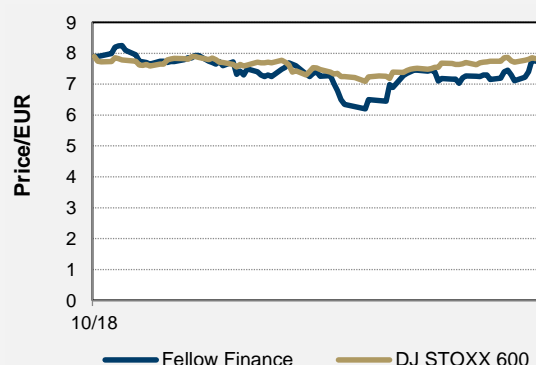
We have made only slight adjustments to our near-term estimates. We expect sales of EUR 16.5m in 2019, with growth of 38%, and adjusted EBIT of EUR 4.5m. We expect relative profitability to be slightly below 2018 levels driven by rapid expansion of services to new markets and ramp-up of existing ones but above the long-term strategic goal of 25%.

BUY (HOLD) with a TP of EUR 9.0 (8.0)

On 2019E figures valuation appears challenging but with signs of pick-up in international operations and a good outlook for business financing we are prepared to emphasize 2020E peer multiples. We value Fellow Finance at 16.4x 2020E P/E, closer to the payment processing and financing platform peers, for a target price of EUR 9.0 (8.0) and upgrade to BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.75

Target price, EUR 9.0

Latest change in recommendation 15-Feb-19

Latest report on company 15-Feb-19

Research paid by issuer: YES

No. of shares outstanding, '000's 7,129

No. of shares fully diluted, '000's 7,129

Market cap, EURm 55

Free float, % 0.0

Exchange rate 0.000

Reuters code FELLOW.HE

Bloomberg code FELLOW HE

Average daily volume, EURm 0.0

Next interim report 23-Aug-19

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	9	2	28.8%	1	0.19	0.0	1.7	0.0	5.9	0.09
2018	12	3	28.3%	1	0.12	55.1	4.3	9.5	15.2	0.04
2019E	16	4	27.1%	3	0.34	22.6	3.6	17.2	13.4	0.10
2020E	23	6	26.4%	5	0.55	14.1	2.5	12.5	9.4	0.16
2021E	33	9	26.9%	8	0.92	8.5	1.6	8.0	6.0	0.27
Market cap, EURm			55	BV per share 2019E, EUR		2.3	CAGR EPS 2018-21, %		98.1	
Net debt 2019E, EURm			4	Price/book 2019E		3.3	CAGR sales 2018-21, %		40.8	
Enterprise value, EURm			59	Dividend yield 2019E, %		1.3	ROE 2019E, %		15.6	
Total assets 2019E, EURm			34	Tax rate 2019E, %		20.0	ROCE 2019E, %		15.4	
Goodwill 2019E, EURm			0	Equity ratio 2019E, %		48.5	PEG, P/E 19/CAGR		0.4	

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

Fellow Finance	2017	H1/'18	H2/'18E	2018E	H1/'19E	H2/'19E	2019E	2020E	2021E
Net sales	8.7	5.6	6.4	12.0	7.6	8.9	16.5	23.1	33.5
<i>sales growth, %</i>	55%	43%	34%	38%	36%	39%	38%	40%	45%
Fee income	6.0	4.1	4.8	9.0	6.1	7.3	13.4	19.8	30.0
Interest income	2.7	1.4	1.5	3.0	1.5	1.6	3.1	3.3	3.5
Facilitated loans	99	76	96	172	122	145	267	400	620
<i>change, %</i>	120%	74%	74%	74%	61%	51%	55%	50%	55%
Expenses									
Materials and services	-3.0	-1.8	-1.9	-3.8	-2.8	-3.4	-6.2	-9.5	-15.0
<i>as % of facilitated loans</i>	3.0%	2.4%	2.0%	2.2%	2.3%	2.3%	2.3%	2.4%	2.4%
Personnel expenses	-1.0	-0.7	-1.0	-1.7	-1.0	-1.2	-2.2	-3.0	-4.0
Other op. expenses	-1.8	-1.2	-1.5	-2.7	-1.5	-1.7	-3.2	-4.0	-5.0
D&A	-0.4	-0.2	-0.2	-0.4	-0.2	-0.2	-0.4	-0.5	-0.5
EBIT	2.5	1.7	1.7	3.4	2.1	2.4	4.5	6.1	9.0
<i>EBIT margin</i>	28.8%	29.9%	26.4%	28.1%	27.6%	26.6%	27.1%	26.4%	26.9%

Source: Evli Research

PAYMENT PROCESSING & FINANCING PLATFORMS	Ticker	MCAP EUR	P/E		P/Sales		Sales gr.		Net income margin	
			19E	20E	19E	20E	19E	20E	19E	20E
Green Dot	GDOT US	3475	20.6x	17.6x	3.4x	3.1x	10%	10%	17%	
Total System Services	TSS US	14943	19.0x	16.7x	4.0x	3.7x	8%	8%	21%	23%
WEX	WEX US	6566	19.2x	16.6x	4.6x	4.2x	10%	10%	25%	26%
GreenSky	GSKY US	1733	14.9x	11.5x	3.7x	3.0x	28%	24%	26%	
PayPal Holdings	PYPL US	98566	32.9x	27.2x	6.2x	5.3x	21%	18%	19%	19%
Mastercard	MA US	200439	29.3x	24.7x	13.5x	11.9x	17%	13%	47%	48%
Visa	V US	254607	26.1x	22.5x	12.3x	11.1x	15%	9%	54%	55%
Worldpay	WP US	24208	19.0x	16.2x	6.4x	5.8x	9%	10%	36%	36%
LendingTree	TREE US	3526	40.1x	32.4x	3.9x	3.3x	32%	17%	12%	16%
Fidelity Natl Info Svcs	FIS US	30993	15.8x	14.1x	4.2x	4.0x	4%	4%	28%	30%
Peer Group Average		67562	23.7x	20.0x	6.2x	5.5x	15%	12%	29%	32%
Peer Group Median		14943	19.9x	17.2x	4.4x	4.1x	12%	10%	26%	28%

LENDING PLATFORMS	Ticker	MCAP EUR	P/E		P/Sales		Sales gr.		Net income margin	
			19E	20E	19E	20E	19E	20E	19E	20E
On Deck Capital	ONDK US	401	12.9x	10.5x	1.0x	0.9x	19%	11%	9%	9%
LendingClub	LC US	1342	18.9x	12.7x	1.9x	1.7x	15%	14%	14%	
Funding Circle Holdings	FCH GB	1316			5.9x	4.2x	43%	41%	-6%	4%
Peer Group Average		872	15.9x	11.6x	2.9x	2.2x	26%	22%	6%	6%
Peer Group Median		872	15.9x	11.6x	1.9x	1.7x	19%	14%	9%	6%

Source: Bloomberg

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.75 PV of Free Cash Flow	55 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	13.55 PV of Horizon value	47 WACC, %	11.5 Market risk premium, %	5.8
Share price potential, %	74.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	14.4 Marketable securities	9 Minimum WACC, %	11.0 Equity beta coefficient	1.40
Minimum value	12.8 Debt - dividend	-14 Maximum WACC, %	12.0 Target debt ratio, %	20
Horizon value, %	46.4 Value of stock	97 Nr of shares, Mn	7.1 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	12	16	23	33	49	70	88	97	102	107	109	111
<i>Sales growth, %</i>	<i>38.5</i>	<i>37.1</i>	<i>40.4</i>	<i>45.0</i>	<i>45.0</i>	<i>45.0</i>	<i>25.0</i>	<i>10.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	3	4	6	9	13	19	22	19	16	17	17	18
<i>EBIT margin, %</i>	<i>28.3</i>	<i>27.1</i>	<i>26.4</i>	<i>26.9</i>	<i>26.7</i>	<i>27.0</i>	<i>25.0</i>	<i>20.0</i>	<i>16.0</i>	<i>16.0</i>	<i>16.0</i>	<i>16.0</i>
+ Depreciation+amort.	0	0	0	1	1	1	2	2	2	2	3	
- Income taxes	-1	-1	-1	-2	-3	-4	-4	-4	-3	-3	-3	
- Change in NWC	2	-1	-1	-1	-1	-1	2	1	0	0	-1	
<i>NWC / Sales, %</i>	<i>26.3</i>	<i>24.0</i>	<i>20.8</i>	<i>16.7</i>	<i>13.1</i>	<i>9.8</i>	<i>5.2</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.8</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-3	-1	-1	-1	-2	-3	-3	-3	-3	-3	-3	-3
<i>Investments / Sales, %</i>	<i>26.3</i>	<i>4.5</i>	<i>3.6</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>	<i>3.2</i>	<i>2.7</i>	<i>2.6</i>	<i>2.6</i>	<i>2.4</i>	<i>2.4</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	2	2	4	6	9	13	19	15	12	13	13	139
= Discounted FCF (DFCF)		2	3	4	6	8	10	7	5	5	4	47
= DFCF min WACC		2	3	4	6	8	10	8	5	5	5	52
= DFCF max WACC		2	3	4	6	8	10	7	5	5	4	43

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	0	6	0	6	12	0	8	0	9	16	23	33
EBITDA	0	2	0	2	4	0	2	0	3	5	6	10
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>33.3</i>	<i>0.0</i>	<i>30.6</i>	<i>31.9</i>	<i>1,673.0</i>	<i>30.3</i>	<i>1,673.0</i>	<i>28.8</i>	<i>29.7</i>	<i>28.1</i>	<i>28.5</i>
EBIT	0	2	0	2	3	0	2	0	2	4	6	9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>30.0</i>	<i>0.0</i>	<i>26.9</i>	<i>28.3</i>	<i>0.0</i>	<i>27.6</i>	<i>0.0</i>	<i>26.6</i>	<i>27.1</i>	<i>26.4</i>	<i>26.9</i>
Net financial items	0	-1	0	-2	-2	0	-1	0	-1	-1	-1	-1
Pre-tax profit	0	1	0	0	1	0	1	0	2	3	5	8
Tax	0	0	0	0	0	0	0	0	0	-1	-1	-2
<i>Tax rate (%)</i>	<i>0.0</i>	<i>21.8</i>	<i>0.0</i>	<i>39.8</i>	<i>23.3</i>	<i>0.0</i>	<i>20.0</i>	<i>0.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0	1	0	0	1	0	1	0	1	2	4	7
EPS	0.00	0.11	0.00	0.01	0.12	0.00	0.16	0.00	0.19	0.34	0.55	0.92
EPS adjusted (diluted no. of shares)	0.00	0.11	0.00	0.01	0.12	0.00	0.16	0.00	0.19	0.34	0.55	0.92
Dividend per share	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.10	0.16	0.27
SALES, EURm												
Fellow Finance	0	6	0	6	12	0	8	0	9	16	23	33
Total	0	6	0	6	12	0	8	0	9	16	23	33
SALES GROWTH, Y/Y %												
<i>Fellow Finance</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-25.9</i>	<i>38.5</i>	<i>0.0</i>	<i>36.1</i>	<i>0.0</i>	<i>37.9</i>	<i>37.1</i>	<i>40.4</i>	<i>45.0</i>
<i>Total</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-26.0</i>	<i>38.5</i>	<i>0.0</i>	<i>36.2</i>	<i>0.0</i>	<i>37.9</i>	<i>37.1</i>	<i>40.4</i>	<i>45.0</i>
EBIT, EURm												
Fellow Finance	0	2	0	2	3	0	2	0	2	4	6	9
Total	0	2	0	2	3	0	2	0	2	4	6	9
EBIT margin, %												
<i>Fellow Finance</i>	<i>0.0</i>	<i>30.0</i>	<i>0.0</i>	<i>26.9</i>	<i>28.3</i>	<i>0.0</i>	<i>27.6</i>	<i>0.0</i>	<i>26.6</i>	<i>27.1</i>	<i>26.4</i>	<i>26.9</i>
<i>Total</i>	<i>0.0</i>	<i>30.0</i>	<i>0.0</i>	<i>26.9</i>	<i>28.3</i>	<i>0.0</i>	<i>27.6</i>	<i>0.0</i>	<i>26.6</i>	<i>27.1</i>	<i>26.4</i>	<i>26.9</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	0	4	6	9	12	16	23	33
<i>Sales growth (%)</i>	<i>0.0</i>	<i>100,025.0</i>	<i>39.6</i>	<i>55.0</i>	<i>38.5</i>	<i>37.1</i>	<i>40.4</i>	<i>45.0</i>
Costs	0	-2	-4	-6	-8	-12	-17	-24
Reported EBITDA	0	2	1	3	4	5	6	10
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>40.7</i>	<i>22.5</i>	<i>33.1</i>	<i>31.9</i>	<i>29.7</i>	<i>28.1</i>	<i>28.5</i>
Depreciation	0	0	0	0	0	0	0	-1
EBITA	0	1	1	2	3	4	6	9
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	0	1	1	2	3	4	6	9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>32.2</i>	<i>16.4</i>	<i>28.8</i>	<i>28.3</i>	<i>27.1</i>	<i>26.4</i>	<i>26.9</i>
Net financials	0	-1	-1	-1	-2	-1	-1	-1
Pre-tax profit	0	0	0	1	1	3	5	8
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	-1	-1	-2
Minority shares	0	0	0	0	0	0	0	0
Net profit	0	0	0	1	1	2	4	7
BALANCE SHEET, EURm								
Assets								
Fixed assets	0	11	10	14	17	17	17	18
<i>% of sales</i>	<i>0</i>	<i>264</i>	<i>171</i>	<i>160</i>	<i>139</i>	<i>103</i>	<i>75</i>	<i>54</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Receivables	0	3	5	6	7	9	12	16
<i>% of sales</i>	<i>0</i>	<i>82</i>	<i>94</i>	<i>71</i>	<i>58</i>	<i>56</i>	<i>53</i>	<i>49</i>
Liquid funds	0	2	2	2	9	8	8	7
<i>% of sales</i>	<i>0</i>	<i>39</i>	<i>40</i>	<i>20</i>	<i>72</i>	<i>50</i>	<i>35</i>	<i>20</i>
Total assets	0	16	17	22	32	34	38	41
Liabilities								
Equity	0	3	3	4	15	17	20	25
<i>% of sales</i>	<i>0</i>	<i>76</i>	<i>55</i>	<i>48</i>	<i>121</i>	<i>101</i>	<i>86</i>	<i>75</i>
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	0	11	13	17	14	12	10	5
<i>% of sales</i>	<i>0</i>	<i>276</i>	<i>238</i>	<i>191</i>	<i>117</i>	<i>76</i>	<i>45</i>	<i>16</i>
Non-interest bearing current liabilities	0	2	1	1	4	5	7	11
<i>% of sales</i>	<i>0</i>	<i>38</i>	<i>12</i>	<i>13</i>	<i>32</i>	<i>32</i>	<i>32</i>	<i>32</i>
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	0	16	17	22	32	34	38	41
CASH FLOW, EURm								
+ EBITDA	0	2	1	3	4	5	6	10
- Net financial items	0	-1	-1	-1	-2	-1	-1	-1
- Taxes	0	0	0	0	0	-1	-1	-2
- Increase in Net Working Capital	0	-2	-3	0	2	-1	-1	-1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	0	-2	-2	1	3	2	3	6
- Capex	0	-11	1	-5	-3	-1	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	0	-13	-2	-4	0	1	3	5
+/- Change in interest-bearing debt	0	11	2	3	-3	-2	-2	-5
+/- New issues/buybacks	0	3	0	0	10	0	0	0
- Paid dividend	0	0	0	0	-1	0	-1	-1
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	0	2	1	0	7	0	0	-1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	0	0	46	55	55	55
Net debt	9	11	15	5	4	2	-1
Enterprise value	9	11	15	52	59	58	54
Sales	4	6	9	12	16	23	33
EBITDA	2	1	3	4	5	6	10
EBIT	1	1	2	3	4	6	9
Pre-tax	0	0	1	1	3	5	8
Earnings	0	0	1	1	2	4	7
Book value	3	3	4	15	17	20	25
Valuation multiples							
EV/sales	2.4	2.0	1.7	4.3	3.6	2.5	1.6
EV/EBITDA	5.8	8.8	5.2	13.5	12.2	8.9	5.6
EV/EBITA	7.3	12.1	5.9	15.2	13.4	9.4	6.0
EV/EBIT	7.3	12.1	5.9	15.2	13.4	9.4	6.0
EV/operating cash flow	-17.2	-6.4	6.9	10.6	18.6	13.1	7.7
EV/cash earnings	43.0	26.9	10.1	40.9	20.7	13.4	7.6
P/E	0.0	0.0	0.0	55.1	22.6	14.1	8.5
P/E excl. goodwill	0.0	0.0	0.0	55.1	22.6	14.1	8.5
P/B	0.0	0.0	0.0	3.2	3.3	2.8	2.2
P/sales	0.0	0.0	0.0	3.9	3.4	2.4	1.6
P/CF	0.0	0.0	0.0	9.5	17.2	12.5	8.0
Target EV/EBIT	0.0	0.0	0.0	0.0	15.4	10.9	7.0
Target P/E	0.0	0.0	0.0	0.0	26.3	16.4	9.8
Target P/B	0.0	0.0	0.0	0.0	3.8	3.2	2.5
Per share measures							
Number of shares	5,818	5,818	5,818	7,129	7,129	7,129	7,129
Number of shares (diluted)	5,818	5,818	5,818	7,129	7,129	7,129	7,129
EPS	-0.04	0.01	0.19	0.12	0.34	0.55	0.92
EPS excl. goodwill	-0.04	0.01	0.19	0.12	0.34	0.55	0.92
Cash EPS	0.04	0.07	0.25	0.18	0.40	0.60	0.99
Operating cash flow per share	-0.09	-0.30	0.37	0.68	0.45	0.62	0.97
Capital employed per share	2.15	2.44	3.26	2.78	2.93	3.12	3.33
Book value per share	0.52	0.53	0.72	2.04	2.34	2.79	3.54
Book value excl. goodwill	0.50	0.52	0.71	2.03	2.34	2.78	3.53
Dividend per share	0.00	0.00	0.09	0.04	0.10	0.16	0.27
Dividend payout ratio, %	0.0	0.0	47.2	33.9	30.0	30.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.5	1.3	2.1	3.5
Efficiency measures							
ROE	0.0	2.4	29.8	9.0	15.6	21.4	29.0
ROCE	18.3	6.0	13.4	13.8	15.4	20.5	29.6
Financial ratios							
Capex/sales, %	275.0	-12.7	54.0	26.3	4.5	3.6	3.7
Capex/depreciation excl. goodwill,%	3,216.9	-202.9	1,257.8	751.5	169.4	216.5	229.6
Net debt/EBITDA, book-weighted	5.8	8.8	5.2	1.4	0.9	0.4	-0.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.3	0.2	0.2	0.1
Equity ratio, book-weighted	19.4	18.1	19.1	44.8	48.5	52.6	61.3
Gearing	3.13	3.59	3.54	0.37	0.25	0.12	-0.06
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Fellow Finance Oyj operates a lending platform for debt-based consumer and business financing. The company operates in Finland, Sweden, Germany, and Poland. The company began its operations in 2014 and listed on the Nasdaq First North Finland -marketplace in 2018.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Taaleri Oyj	1,847,163	14,316	25.9%
Margin Investments Oy	830,843	6,439	11.7%
TN Ventures Oy	830,843	6,439	11.7%
Oy T&T Nordcap Ab	646,436	5,010	9.1%
Avensis Capital Oy	277,266	2,149	3.9%
OP-Finland Micro Cap	140,060	1,085	2.0%
Fennia Life Insurance Company	134,949	1,046	1.9%
OP-Finland Small Cap	130,000	1,008	1.8%
Säästöpankki Small Cap mutual fund	129,366	1,003	1.8%
Varma Mutual Pension Insurance Company	100,980	0,783	1.4%
Ten largest	5,067,906	39,276	71%
Residual	2,060,719	15,971	29%
Total	7,128,625	55,247	100%

EARNINGS CALENDAR

August 23, 2019

Q2 report

OTHER EVENTS

April 03, 2019

AGM

COMPANY MISCELLANEOUS

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Pursimiehenkatu 4 A, FIN-00150 Helsinki

CFO: Pasi Rantamäki

Tel: 0203, 80,101

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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