

Uncertainty in volume recovery

Fellow Finance's H1 figures were somewhat below our expectations and EBIT barely fell in the red. Volume recovery prospects in 2020 appear rather meager and growth ambitions should pick up during H2 to put things back on track in 2021. We retain our HOLD-rating and TP of EUR 2.5.

EBIT barely in the red

Fellow Finance reported H1 figures somewhat below our expectations. Revenue amounted to EUR 5.8m (Evli 6.3m), declining 20% y/y, and EBIT to EUR -0.1m (Evli 0.3m). Facilitated loan volumes and commissions income declined around 37% y/y respectively, while increases in interest yield income mitigated some of the revenue impact. The uncertainty caused by the coronavirus was clearly visible in loan volumes after March, dropping average volume levels to approx. EUR 9m per month during 4-6/2020 compared with approx. EUR 14.5m during 1-3/2020.

2020 to be a challenging year

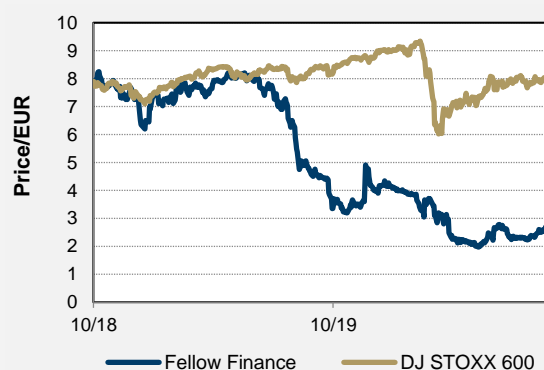
Investor's demand has according to Fellow Finance seen recovery in recent months. The temporary regulation on maximum interest rates on consumer loans in Finland, valid during 1.7-31.12.2020, should have a negligible impact on volumes as Fellow Finance is compensating investors with the difference to the actual interest rate but will result in some additional costs during H2. We currently expect loan volumes to rebound to an EUR 11m per month average level in Q4. Although possible, with the current more challenging environment we do not see Fellow Finance achieving the pre-corona volume levels during 2020. We still expect notable improvements in 2021, assuming an ease in temporary regulations and renewed focus on growth drivers.

HOLD with a target price of EUR 2.5

Our estimates have been slightly lowered post-H1 given the below expectations figures and continued dim outlook for volume recovery. Near-term multiples on our estimates remain unattractive but longer-term growth potential still remains. We retain our HOLD-rating and target price of EUR 2.5.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 2.70

Target price, EUR 2.5

Latest change in recommendation 19-Aug-19

Latest report on company 06-Apr-20

Research paid by issuer: YES

No. of shares outstanding, '000's 7,174

No. of shares fully diluted, '000's 7,174

Market cap, EURm 19

Free float, % -

Exchange rate 0.000

Reuters code FELLOW.HE

Bloomberg code FELLOW HE

Average daily volume, EURm 0.07

Next interim report -

Web site www.fellowfinance.com

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

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	12.0	3.4	28.3%	0.6	0.12	55.1	4.6	16.1	1.2	0.04
2019	14.2	1.6	11.6%	-0.8	-0.01	-349.3	3.2	28.0	-2.9	0.00
2020E	11.2	0.1	0.9%	3.1	-0.17	-15.6	2.9	316.8	16.2	0.00
2021E	15.3	1.6	10.5%	-1.5	0.03	100.1	2.2	21.4	-7.7	0.00
2022E	18.7	3.3	17.4%	-0.3	0.20	13.8	1.8	10.6	-1.7	0.06
Market cap, EURm			19	Gearing 2020E, %		100.8	CAGR EPS 2019-22, %			0.0
Net debt 2020E, EURm			13	Price/book 2020E		1.5	CAGR sales 2019-22, %			9.7
Enterprise value, EURm			33	Dividend yield 2020E, %		0.0	ROE 2020E, %			-9.0
Total assets 2020E, EURm			30	Tax rate 2020E, %		8.5	ROCE 2020E, %			0.3
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		44.6	PEG, P/E 20/CAGR			0.0

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

Fellow Finance	2018	H1/'19	H2/'19	2019	H1/'20	H2/'20E	2020E	2021E	2022E
Net sales	12.0	7.2	7.0	14.2	5.8	5.4	11.2	15.3	18.7
<i>sales growth, %</i>	38%	30%	10%	19%	-20%	-23%	-21%	36%	22%
Fee income	9.0	5.3	4.7	10.0	3.3	2.9	6.3	10.2	13.5
Interest income	3.0	1.9	2.2	4.2	2.5	2.5	5.0	5.1	5.2
Facilitated loans	172	109	92	201	69	60	129	200	265
<i>change, %</i>	74%	43%	-4%	17%	-37%	-35%	-36%	55%	33%
Expenses									
Materials and services	-3.8	-2.3	-2.0	-4.3	-1.4	-1.3	-2.7	-4.2	-5.6
<i>as % of facilitated loans</i>	2.2%	2.1%	2.1%	2.1%	2.0%	2.1%	2.1%	2.1%	2.1%
Personnel expenses	-1.7	-1.0	-1.8	-2.9	-1.1	-1.1	-2.2	-3.0	-3.5
Other op. expenses	-2.7	-2.3	-2.6	-5.0	-3.1	-2.7	-5.8	-6.0	-6.0
D&A	-0.4	-0.2	-0.2	-0.4	-0.2	-0.2	-0.5	-0.5	-0.4
EBIT	3.4	1.4	0.3	1.6	-0.1	0.2	0.1	1.6	3.3
<i>EBIT margin</i>	28.1%	19.0%	3.9%	11.6%	-0.9%	2.8%	0.9%	10.5%	17.4%
Adj. EBIT	3.5	1.4	1.0	2.3	-0.1	0.2	0.1	1.6	3.3
<i>Adj. EBIT margin</i>	29.5%	19.0%	14.0%	16.5%	-0.9%	2.8%	0.9%	10.5%	17.4%

Source: Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.70 PV of Free Cash Flow	21 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	4.03 PV of Horizon value	25 WACC, %	11.5 Market risk premium, %	5.8
Share price potential, %	49.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	4.5 Marketable securities	4 Minimum WACC, %	11.0 Equity beta coefficient	1.40
Minimum value	3.7 Debt - dividend	-20 Maximum WACC, %	12.0 Target debt ratio, %	20
Horizon value, %	54.4 Value of stock	29 Nr of shares, Mn	7.2 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	14	11	15	19	24	30	33	35	37	39	40	40
<i>Sales growth, %</i>	<i>18.3</i>	<i>-20.8</i>	<i>36.0</i>	<i>22.3</i>	<i>30.0</i>	<i>25.0</i>	<i>10.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	2	0	2	3	6	7	8	8	8	9	9	9
<i>Operating income margin, %</i>	<i>11.6</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>	<i>23.0</i>
+ Depreciation+amort.	0	0	0	1	1	1	1	1	1	1	1	1
EBITDA	2	1	2	4	6	8	9	9	10	10	10	
- Paid taxes	-1	0	0	-1	-1	-1	-2	-2	-2	-2	-2	
- Change in NWC	0	-1	-1	-1	-3	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>50.6</i>	<i>69.3</i>	<i>60.0</i>	<i>56.9</i>	<i>56.9</i>	<i>49.3</i>	<i>47.4</i>	<i>47.4</i>	<i>47.4</i>	<i>47.4</i>	<i>48.6</i>	
+ Change in other liabs	-7	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	5	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>opCAPEX / Sales, %</i>	<i>4.6</i>	<i>-40.1</i>	<i>4.5</i>	<i>4.2</i>	<i>4.4</i>	<i>4.2</i>	<i>3.8</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>3.5</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	-7	4	0	1	1	4	5	6	6	6	6	69
= Discounted FCFF		4	0	1	1	2	3	3	3	2	2	25
= DFCF min WACC		4	0	1	1	3	3	3	3	3	2	27
= DFCF max WACC		4	0	1	1	2	3	3	3	2	2	23

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	0.0	7.2	0.0	7.0	14.2	0.0	5.8	0.0	5.4	11.2	15.3	18.7
EBITDA	0.0	1.6	0.0	0.5	2.1	0.0	0.2	0.0	0.4	0.6	2.0	3.8
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>21.7</i>	<i>1,673.0</i>	<i>6.9</i>	<i>14.5</i>	<i>0.0</i>	<i>2.7</i>	<i>0.0</i>	<i>7.0</i>	<i>5.3</i>	<i>13.0</i>	<i>20.2</i>
EBIT	0.0	1.4	0.0	0.3	1.6	0.0	-0.1	0.0	0.2	0.1	1.6	3.3
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>19.0</i>	<i>0.0</i>	<i>3.9</i>	<i>11.6</i>	<i>0.0</i>	<i>-0.9</i>	<i>0.0</i>	<i>2.8</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>
Net financial items	0.0	-0.7	0.0	-0.8	-1.5	0.0	-0.7	0.0	-0.8	-1.5	-1.4	-1.5
Pre-tax profit	0.0	0.6	0.0	-0.5	0.1	0.0	-0.7	0.0	-0.6	-1.4	0.2	1.8
Tax	0.0	-0.2	0.0	0.0	-0.2	0.0	0.0	0.0	0.1	0.1	0.0	-0.4
<i>Tax rate (%)</i>	<i>0.0</i>	<i>34.3</i>	<i>0.0</i>	<i>4.6</i>	<i>176.3</i>	<i>0.0</i>	<i>-1.8</i>	<i>0.0</i>	<i>20.0</i>	<i>8.5</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	0.4	0.0	-0.5	-0.1	0.0	-0.7	0.0	-0.5	-1.2	0.2	1.4
EPS	0.00	0.06	0.00	-0.07	-0.01	0.00	-0.10	0.00	-0.07	-0.17	0.03	0.20
EPS adjusted (diluted no. of shares)	0.00	0.06	0.00	-0.07	-0.01	0.00	-0.10	0.00	-0.07	-0.17	0.03	0.20
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06
SALES, EURm												
Fellow Finance	0.0	7.2	0.0	7.0	14.2	0.0	5.8	0.0	5.4	11.2	15.3	18.7
Total	0.0	7.2	0.0	7.0	14.2	0.0	5.8	0.0	5.4	11.2	15.3	18.7
SALES GROWTH, Y/Y %												
<i>Fellow Finance</i>	<i>0.0</i>	<i>29.6</i>	<i>0.0</i>	<i>8.4</i>	<i>18.3</i>	<i>0.0</i>	<i>-19.8</i>	<i>0.0</i>	<i>-21.8</i>	<i>-20.8</i>	<i>36.0</i>	<i>22.3</i>
<i>Total</i>	<i>0.0</i>	<i>29.6</i>	<i>0.0</i>	<i>8.4</i>	<i>18.3</i>	<i>0.0</i>	<i>-19.7</i>	<i>0.0</i>	<i>-21.8</i>	<i>-20.8</i>	<i>36.0</i>	<i>22.3</i>
EBIT, EURm												
Fellow Finance	0.0	1.4	0.0	0.3	1.6	0.0	-0.1	0.0	0.2	0.1	1.6	3.3
Total	0.0	1.4	0.0	0.3	1.6	0.0	-0.1	0.0	0.2	0.1	1.6	3.3
EBIT margin, %												
<i>Fellow Finance</i>	<i>0.0</i>	<i>19.0</i>	<i>0.0</i>	<i>3.9</i>	<i>11.6</i>	<i>0.0</i>	<i>-0.9</i>	<i>0.0</i>	<i>2.8</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>
<i>Total</i>	<i>0.0</i>	<i>19.0</i>	<i>0.0</i>	<i>3.9</i>	<i>11.6</i>	<i>0.0</i>	<i>-0.9</i>	<i>0.0</i>	<i>2.8</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	4.0	5.6	8.7	12.0	14.2	11.2	15.3	18.7
<i>Sales growth (%)</i>	<i>0.0</i>	<i>39.6</i>	<i>55.0</i>	<i>38.5</i>	<i>18.3</i>	<i>-20.8</i>	<i>36.0</i>	<i>22.3</i>
EBITDA	1.6	1.3	2.9	3.8	2.1	0.6	2.0	3.8
<i>EBITDA margin (%)</i>	<i>40.7</i>	<i>22.5</i>	<i>33.1</i>	<i>31.9</i>	<i>14.5</i>	<i>5.3</i>	<i>13.0</i>	<i>20.2</i>
Depreciation	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.4	-0.5
EBITA	1.3	0.9	2.5	3.4	1.6	0.1	1.6	3.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.3	0.9	2.5	3.4	1.6	0.1	1.6	3.3
<i>EBIT margin (%)</i>	<i>32.2</i>	<i>16.4</i>	<i>28.8</i>	<i>28.3</i>	<i>11.6</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>
Reported EBIT	1.3	0.9	2.5	3.4	1.6	0.1	1.6	3.3
<i>EBIT margin (reported) (%)</i>	<i>32.2</i>	<i>16.4</i>	<i>28.8</i>	<i>28.3</i>	<i>11.6</i>	<i>0.9</i>	<i>10.5</i>	<i>17.4</i>
Net financials	-1.3	-0.8	-1.3	-2.3	-1.5	-1.5	-1.4	-1.5
Pre-tax profit	0.0	0.1	1.2	1.1	0.1	-1.4	0.2	1.8
Taxes	-0.1	-0.1	-0.1	-0.3	-0.2	0.1	0.0	-0.4
Minority shares	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-0.3	0.1	1.1	0.8	-0.1	-1.2	0.2	1.4
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	11	10	14	17	24	19	19	19
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	3	5	6	7	8	9	10	12
Liquid funds	2	2	2	9	4	2	3	4
Total assets	16	17	22	32	36	30	33	35
Liabilities								
Shareholder's equity	3	3	4	15	14	13	13	15
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	11	13	17	17	20	16	18	19
Non-interest bearing current liabilities	2	1	1	1	1	1	1	1
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	16	17	22	32	36	30	33	35
CASH FLOW, EURm								
+ EBITDA	2	1	3	4	2	1	2	4
- Net financial items	-1	-1	-1	-2	-2	-1	-1	-1
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	-2	-1	1	0	0	-1	-1	-1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	-2	-1	2	1	0	-1	-1	0
- Capex	-11	0	0	-1	-1	5	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-13	-1	2	1	-1	3	-1	0
+/- New issues/buybacks	3	0	0	10	0	0	0	0
- Paid dividend	0	0	0	-1	0	0	0	0
+/- Other	11	2	-2	-3	-4	-5	2	1
Change in cash	2	1	0	7	-5	-2	1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	0	0	46	30	19	19	19
Net debt (excl. convertibles)	11	15	8	17	13	15	15
Enterprise value	11	15	55	46	33	34	35
Sales	6	9	12	14	11	15	19
EBITDA	1	3	4	2	1	2	4
EBIT	1	2	3	2	0	2	3
Pre-tax	0	1	1	0	-1	0	2
Earnings	0	1	1	0	-1	0	1
Equity book value (excl. minorities)	3	4	15	14	13	13	15
Valuation multiples							
EV/sales	2.0	1.7	4.6	3.2	2.9	2.2	1.8
EV/EBITDA	8.8	5.2	14.3	22.4	55.3	17.2	9.1
EV/EBITA	12.1	5.9	16.1	28.0	316.8	21.4	10.6
EV/EBIT	12.1	5.9	16.1	28.0	316.8	21.4	10.6
EV/OCF	-13.8	7.0	41.5	-228.4	-24.0	-42.5	76.1
EV/FCFF	-34.5	-5.0	-65.4	-6.6	7.3	-84.4	39.8
P/FCFE	0.0	0.0	81.8	-34.9	6.2	-13.0	-59.5
P/E	0.0	0.0	55.1	-349.3	-15.6	100.1	13.8
P/B	0.0	0.0	3.2	2.0	1.5	1.4	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	52.9	16.5	8.8
Target EV/EBIT	0.0	0.0	0.0	0.0	302.9	20.5	10.2
Target EV/FCF	0.0	0.0	0.0	0.0	10.0	-22.0	-101.7
Target P/B	0.0	0.0	0.0	0.0	1.4	1.3	1.2
Target P/E	0.0	0.0	0.0	0.0	-14.4	92.7	12.8
Per share measures							
Number of shares	5,818	5,818	7,129	7,129	7,174	7,174	7,174
Number of shares (diluted)	5,818	5,818	7,129	7,129	7,174	7,174	7,174
EPS	0.01	0.19	0.12	-0.01	-0.17	0.03	0.20
Operating cash flow per share	-0.14	0.36	0.18	-0.03	-0.19	-0.11	0.06
Free cash flow per share	-0.17	0.34	0.08	-0.12	0.44	-0.21	-0.05
Book value per share	0.53	0.72	2.04	2.03	1.85	1.87	2.07
Dividend per share	0.00	0.09	0.04	0.00	0.00	0.00	0.06
Dividend payout ratio, %	0.0	47.2	33.9	0.0	0.0	0.0	30.0
Dividend yield, %	0.0	0.0	0.6	0.0	0.0	0.0	2.2
FCF yield, %	0.0	0.0	1.2	-2.9	16.2	-7.7	-1.7
Efficiency measures							
ROE	2.4	29.8	9.0	-0.6	-9.0	1.4	9.9
ROCE	6.0	13.4	13.0	5.0	0.3	5.3	10.0
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	93.6	71.3	58.4	58.3	77.0	67.7	64.7
Non-interest bearing liabilities as % of sales	12.1	13.5	6.9	7.7	7.7	7.7	7.7
NWC/sales, %	81.5	57.8	51.5	50.6	69.3	60.0	56.9
Operative CAPEX/sales, %	3.0	1.9	6.3	4.6	-40.1	4.5	4.2
CAPEX/sales (incl. acquisitions), %	3.0	1.9	6.3	4.6	-40.1	4.5	4.2
FCFF/EBITDA	-0.3	-1.0	-0.2	-3.4	7.6	-0.2	0.2
Net debt/EBITDA, book-weighted	8.8	5.2	2.2	8.0	22.6	7.5	4.0
Debt/equity, market-weighted	0.0	0.0	0.4	0.7	0.8	0.9	1.0
Equity ratio, book-weighted	18.1	19.1	44.8	40.2	44.6	41.3	42.2
Gearing, %	358.8	354.2	57.4	114.0	100.8	110.4	102.2

COMPANY DESCRIPTION: Fellow Finance operates a lending platform for debt-based consumer and business financing. The company operates in Finland, Sweden, Germany, Poland, and Denmark. The company began its operations in 2014 and listed on the Nasdaq First North Finland -marketplace in 2018. Over EUR 600m worth of loans have been intermediated through the company's platform since inception.

INVESTMENT CASE: The alternative finance markets in Europe have been growing rapidly and Fellow Finance should seek to capitalize on the growth. A key for success in our view lies in expansion abroad given the limited size and competition in the domestic market, with the international operations still in ramp-up. The scalability of its technology offers solid margin potential although growth investments will have a significant impact on margins in the coming years.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Taaleri Oyj	1,847,163	4.987	25.7%
Margin Investments Oy	836,721	2.259	11.7%
TN Ventures Oy	830,843	2.243	11.6%
Oy T&T Nordcap Ab	656,436	1.772	9.2%
OP-Finland Micro Cap	298,174	0.805	4.2%
OP-Finland Small Cap	269,711	0.728	3.8%
Avensis Capital Oy	182,000	0.491	2.5%
Fennia Life Insurance Company	151,174	0.408	2.1%
Säästöpankki Small Cap mutual fund	128,841	0.348	1.8%
Syrjänen Eva	84,698	0.229	1.2%
Ten largest	5,285,761	14.272	74%
Residual	1,887,864	5.097	26%
Total	7,173,625	19.369	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Nyholm

Pursimiehenkatu 4 A, FIN-00150 Helsinki

CFO: Niko Stark

Tel: 0203, 80,101

IR:

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

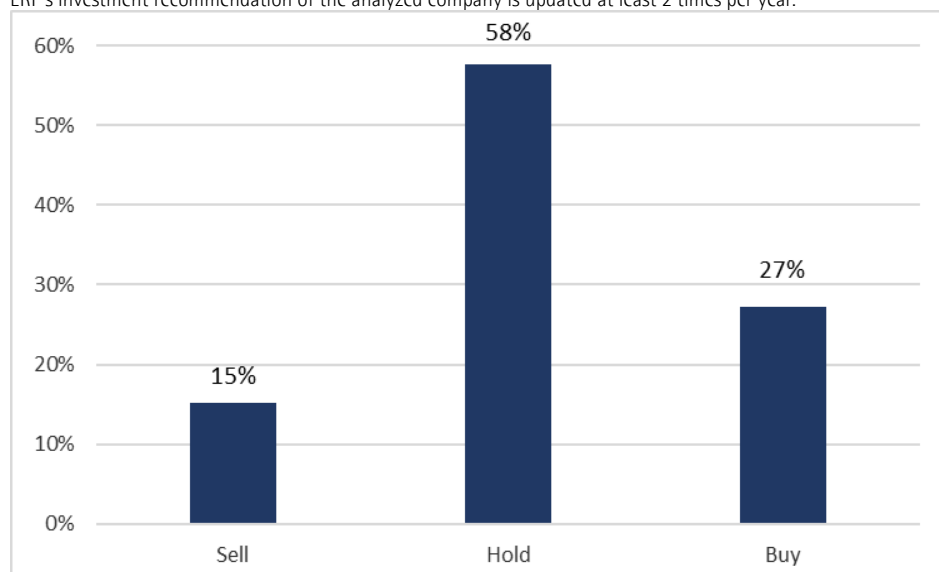
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

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.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 31.8.2020, 8:00. This report has been published on 31.8.2020, 8:15.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Evli Corporate Finance has managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP may pursue an assignment from the issuer(s) of the financial instruments mentioned in the recommendation or this report. These assignments may have a limited economic or financial impact on ERP and/or Evli. Under such assignments ERP may perform services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson Et Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001