

## New phase of journey to start soon

Fellow Finance's H2 result fell short of our estimates due to larger than anticipated merger related expenses declines in interest income. Fellow Finance will soon enter a new phase, with the merger anticipated to be carried out on April 2<sup>nd</sup>.

### H2 burdened by merger related non-recurring items

Fellow Finance's H2 results fell short of our estimates, as interest income declined more than expected, causing a slight y/y revenue decline to EUR 5.2m (Evli EUR 5.8m). Fee income grew some 35% on a 59% increase in brokered financing. EBIT amounted to EUR -1.4m (Evli EUR -0.5m), with non-recurring items relating to the intended merger larger than expected along with an increase in personnel expenses. Fellow Finance's BoD proposed that no dividend be distributed, and the company gave no guidance due to the merger.

### Still sub-par but showing promising signs

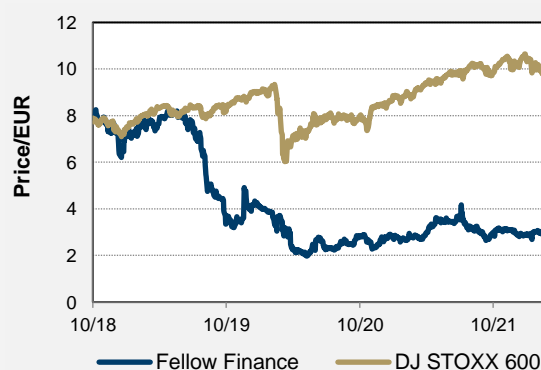
In its current form Fellow Finance as a company is showing quite notable signs of improvement. The growth in brokered financing during 2021 is now also starting to show as revenue growth and the anticipated lower levels of interest income are to a larger extent offset by a decline in impairment losses and interest income from external debt, reducing the impact on profitability. We have still substantially lowered our estimates for 2022, anticipating some further non-recurring expenses and the increase in personnel expenses along with the lower interest income levels to impact on profitability. Fellow Finance anticipates formalizing the merger with the company carrying on Evli Bank's banking operations on April 2<sup>nd</sup>, 2022. We continue to see the transaction in favourable light due to the potential in profitability gains from moving towards balance sheet lending.

### BUY with a target price of EUR 3.3 (3.5)

Fellow Finance's current valuation level is challenging and relies upon the potential benefits from the merger. The implied current valuation of Fellow Bank of near EUR 50m would indicate a P/B of below 1.5x. We lower our target price to EUR 3.3 (3.5) and retain our BUY-rating

**Rating**

BUY


 Share price, EUR (Last trading day's closing price) **2.99**

 Target price, EUR **3.3**

Latest change in recommendation	03-May-21
Latest report on company	09-Dec-21
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	21
Free float, %	0.0
Exchange rate	0.000
Reuters code	FELLOW.HE
Bloomberg code	FELLOW HE
Average daily volume, EURm	0.07
Next interim report	25-Aug-22
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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
2020	11.1	0.6	5.5%	7.1	-0.12	-23.6	2.8	51.2	34.3	0.00
2021	10.7	-0.9	-8.2%	4.7	-0.22	-13.0	2.4	-29.3	23.2	0.00
2022E	11.4	0.1	0.5%	-1.8	-0.06	-48.9	2.5	546.5	-8.3	0.00
2023E	13.2	1.4	10.8%	-2.3	0.07	40.0	2.3	21.6	-10.5	0.02
2024E	14.3	1.9	13.3%	0.1	0.12	25.6	2.2	16.2	0.3	0.04
Market cap, EURm	21		Gearing 2022E, %	61.4		CAGR EPS 2021-24, %		0.0		0.0
Net debt 2022E, EURm	7		Price/book 2022E	1.9		CAGR sales 2021-24, %		10.1		10.1
Enterprise value, EURm	28		Dividend yield 2022E, %	0.0		ROE 2022E, %		-3.8		-3.8
Total assets 2022E, EURm	24		Tax rate 2022E, %	20.0		ROCE 2022E, %		0.2		0.2
Goodwill 2022E, EURm	0		Equity ratio 2022E, %	47.0		PEG, P/E 22/CAGR		0.0		0.0

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

Fellow Finance	2020	H1/'21	H2/'21	2021	H1/'22E	H2/'22E	2022E	2023E	2024E
<b>Net sales</b>	<b>11.1</b>	<b>5.5</b>	<b>5.2</b>	<b>10.7</b>	<b>5.4</b>	<b>6.0</b>	<b>11.4</b>	<b>13.2</b>	<b>14.3</b>
<i>sales growth, %</i>	<i>-22 %</i>	<i>-5 %</i>	<i>-1 %</i>	<i>-3 %</i>	<i>-2.1%</i>	<i>16.3%</i>	<i>6.8%</i>	<i>15.3%</i>	<i>8.3%</i>
Fee income	6.4	3.5	4.0	7.4	4.3	4.8	9.1	10.6	11.6
Interest income	4.7	2.0	1.2	3.2	1.1	1.2	2.3	2.6	2.7
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Intermediated loan volume</b>	<b>131</b>	<b>73</b>	<b>142</b>	<b>215</b>	<b>138</b>	<b>156</b>	<b>294</b>	<b>330</b>	<b>350</b>
<i>change, %</i>	<i>-35 %</i>	<i>57 %</i>	<i>69 %</i>	<i>64 %</i>	<i>89.8%</i>	<i>9.6%</i>	<i>36.7%</i>	<i>12.2%</i>	<i>6.1%</i>
<b>Expenses</b>									
Materials and services	-2.3	-1.2	-1.7	-2.9	-1.8	-2.0	-3.8	-4.3	-4.6
<i>% of intermed. loan vol.</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.2%</i>	<i>1.4%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.3%</i>
Personnel expenses	-2.2	-1.5	-1.7	-3.2	-1.8	-1.8	-3.6	-3.8	-4.0
Other op. expenses	-5.3	-2.0	-2.9	-4.9	-2.0	-1.5	-3.5	-3.2	-3.3
D&A	-0.4	-0.3	-0.2	-0.5	-0.2	-0.2	-0.4	-0.4	-0.5
<b>EBIT</b>	<b>0.9</b>	<b>0.6</b>	<b>-1.4</b>	<b>-0.9</b>	<b>-0.4</b>	<b>0.5</b>	<b>0.1</b>	<b>1.4</b>	<b>1.9</b>
<i>EBIT margin</i>	<i>8.0%</i>	<i>10.2%</i>	<i>-27.7%</i>	<i>-8.2%</i>	<i>-8.1%</i>	<i>8.1%</i>	<i>0.8%</i>	<i>10.8%</i>	<i>13.3%</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.99 PV of Free Cash Flow	5 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.08 PV of Horizon value	8 WACC, %	11.5 Market risk premium, %	5.8
Share price potential, %	-64.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	1.2 Marketable securities	3 Minimum WACC, %	11.0 Equity beta coefficient	1.40
Minimum value	0.9 Debt - dividend	-9 Maximum WACC, %	12.0 Target debt ratio, %	20
Horizon value, %	63.3 Value of stock	8 Nr of shares, Mn	7.2 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	11	11	13	14	15	16	17	18	19	20	20	20
<i>Sales growth, %</i>	-3.5	6.8	15.3	8.3	7.5	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	-1	0	1	2	2	3	3	3	3	4	4	4
<i>Operating income margin, %</i>	-8.2	0.5	10.8	13.3	15.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
+ Depreciation+amort.	0	0	0	1	1	1	1	1	1	1	1	1
EBITDA	0	0	2	2	3	3	4	4	4	4	4	4
- Paid taxes	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1
- Change in NWC	0	-1	-3	-1	-1	-1	-1	-1	-1	-1	-1	-1
<i>NWC / Sales, %</i>	74.4	79.5	88.7	86.2	84.4	84.4	84.4	84.4	84.4	84.4	86.7	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	6	-1	-1	-1	0	0	0	-1	-1	-1	-1	-1
<i>opCAPEX / Sales, %</i>	-61.5	5.8	5.3	4.9	1.7	3.9	3.9	3.9	3.9	3.9	3.6	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	5	-1	-2	1	2	2	2	2	2	2	2	24
= Discounted FCFF		-1	-1	1	1	1	1	1	1	1	1	8
= DFCF min WACC		-1	-1	1	1	1	1	1	1	1	1	9
= DFCF max WACC		-1	-1	1	1	1	1	1	1	1	1	7

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	0.0	5.5	0.0	5.2	10.7	0.0	5.4	0.0	6.0	11.4	13.2	14.3
EBITDA	0.0	0.8	0.0	-1.2	-0.4	0.0	-0.2	0.0	0.7	0.5	1.9	2.4
<i>EBITDA margin (%)</i>	<i>688.0</i>	<i>14.9</i>	<i>688.0</i>	<i>-23.5</i>	<i>-3.6</i>	<i>0.0</i>	<i>-4.0</i>	<i>0.0</i>	<i>11.7</i>	<i>4.3</i>	<i>14.5</i>	<i>17.2</i>
EBIT	0.0	0.6	0.0	-1.4	-0.9	0.0	-0.4	0.0	0.5	0.1	1.4	1.9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>10.3</i>	<i>0.0</i>	<i>-27.7</i>	<i>-8.2</i>	<i>0.0</i>	<i>-8.1</i>	<i>0.0</i>	<i>8.1</i>	<i>0.5</i>	<i>10.8</i>	<i>13.3</i>
Net financial items	0.0	-0.5	0.0	-0.1	-0.6	0.0	-0.3	0.0	-0.3	-0.6	-0.8	-0.9
Pre-tax profit	0.0	0.1	0.0	-1.6	-1.5	0.0	-0.7	0.0	0.2	-0.5	0.7	1.0
Tax	0.0	-0.1	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.1	-0.1	-0.2
<i>Tax rate (%)</i>	<i>0.0</i>	<i>124.3</i>	<i>0.0</i>	<i>2.3</i>	<i>-6.9</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	0.0	0.0	0.0	-1.5	-1.6	0.0	-0.6	0.0	0.2	-0.4	0.5	0.8
EPS	0.00	0.00	0.00	-0.21	-0.22	0.00	-0.08	0.00	0.02	-0.06	0.07	0.12
EPS adjusted (diluted no. of shares)	0.00	0.00	0.00	-0.21	-0.22	0.00	-0.08	0.00	0.02	-0.06	0.07	0.12
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.04
<b>SALES, EURm</b>												
Fellow Finance	0.0	5.5	0.0	5.2	10.7	0.0	5.4	0.0	6.0	11.4	13.2	14.3
Total	0.0	5.5	0.0	5.2	10.7	0.0	5.4	0.0	6.0	11.4	13.2	14.3
<b>SALES GROWTH, Y/Y %</b>												
Fellow Finance	<i>0.0</i>	<i>-5.4</i>	<i>0.0</i>	<i>-1.4</i>	<i>-3.5</i>	<i>0.0</i>	<i>-2.1</i>	<i>0.0</i>	<i>16.3</i>	<i>6.8</i>	<i>15.3</i>	<i>8.3</i>
Total	<i>0.0</i>	<i>-5.4</i>	<i>0.0</i>	<i>-1.4</i>	<i>-3.5</i>	<i>0.0</i>	<i>-2.1</i>	<i>0.0</i>	<i>16.3</i>	<i>6.8</i>	<i>15.3</i>	<i>8.3</i>
<b>EBIT, EURm</b>												
Fellow Finance	0.0	0.6	0.0	-1.4	-0.9	0.0	-0.4	0.0	0.5	0.1	1.4	1.9
Total	0.0	0.6	0.0	-1.4	-0.9	0.0	-0.4	0.0	0.5	0.1	1.4	1.9
<b>EBIT margin, %</b>												
Fellow Finance	<i>0.0</i>	<i>10.2</i>	<i>0.0</i>	<i>-27.7</i>	<i>-8.2</i>	<i>0.0</i>	<i>-8.1</i>	<i>0.0</i>	<i>8.1</i>	<i>0.5</i>	<i>10.8</i>	<i>13.3</i>
Total	<i>0.0</i>	<i>10.3</i>	<i>0.0</i>	<i>-27.7</i>	<i>-8.2</i>	<i>0.0</i>	<i>-8.1</i>	<i>0.0</i>	<i>8.1</i>	<i>0.5</i>	<i>10.8</i>	<i>13.3</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	8.7	12.0	14.2	11.1	10.7	11.4	13.2	14.3
<i>Sales growth (%)</i>	<i>55.0</i>	<i>38.5</i>	<i>18.3</i>	<i>-22.0</i>	<i>-3.5</i>	<i>6.8</i>	<i>15.3</i>	<i>8.3</i>
EBITDA	2.9	3.8	2.1	1.1	-0.4	0.5	1.9	2.4
<i>EBITDA margin (%)</i>	<i>33.1</i>	<i>31.9</i>	<i>14.5</i>	<i>9.5</i>	<i>-3.6</i>	<i>4.3</i>	<i>14.5</i>	<i>17.2</i>
Depreciation	-0.4	-0.4	-0.4	-0.5	-0.5	-0.4	-0.5	-0.5
EBITA	2.5	3.4	1.6	0.6	-0.9	0.1	1.4	1.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	3.4	1.6	0.6	-0.9	0.1	1.4	1.9
<i>EBIT margin (%)</i>	<i>28.8</i>	<i>28.3</i>	<i>11.6</i>	<i>5.5</i>	<i>-8.2</i>	<i>0.5</i>	<i>10.8</i>	<i>13.3</i>
Reported EBIT	2.5	3.4	1.6	0.6	-0.9	0.1	1.4	1.9
<i>EBIT margin (reported) (%)</i>	<i>28.8</i>	<i>28.3</i>	<i>11.6</i>	<i>5.5</i>	<i>-8.2</i>	<i>0.5</i>	<i>10.8</i>	<i>13.3</i>
Net financials	-1.3	-2.3	-1.5	-1.2	-0.6	-0.6	-0.8	-0.9
Pre-tax profit	1.2	1.1	0.1	-0.6	-1.5	-0.5	0.7	1.0
Taxes	-0.1	-0.3	-0.2	-0.3	-0.1	0.1	-0.1	-0.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.1	0.8	-0.1	-0.9	-1.6	-0.4	0.5	0.8
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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	14	17	24	15	8	8	8	8
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	6	7	8	8	10	11	14	15
Liquid funds	2	9	4	4	3	4	4	5
Total assets	22	32	36	28	22	24	28	29
Liabilities								
Shareholder's equity	4	15	14	13	12	11	12	13
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	17	17	20	14	8	10	13	14
Non-interest bearing current liabilities	1	1	1	1	2	2	2	3
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	22	32	36	28	22	24	28	29
<b>CASH FLOW, EURm</b>								
+ EBITDA	3	4	2	1	0	0	2	2
- Net financial items	-1	-2	-2	-1	-1	-1	-1	-1
- Taxes	0	0	0	-1	0	0	0	0
- Increase in Net Working Capital	1	0	0	0	0	-1	-3	-1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	2	1	0	-2	-2	-1	-2	1
- Capex	0	-1	-1	9	7	-1	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	2	1	-1	7	5	-2	-2	0
+/- New issues/buybacks	0	10	0	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	0	0	0
+/- Other	-2	-3	-4	-7	-5	2	3	0
Change in cash	0	7	-5	0	0	0	1	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	46	30	21	20	21	21	21
Net debt (excl. convertibles)	8	17	10	5	7	9	9
Enterprise value	55	46	31	26	28	31	31
Sales	12	14	11	11	11	13	14
EBITDA	4	2	1	0	0	2	2
EBIT	3	2	1	-1	0	1	2
Pre-tax	1	0	-1	-1	-1	1	1
Earnings	1	0	-1	-2	0	1	1
Equity book value (excl. minorities)	15	14	13	12	11	12	13
<b>Valuation multiples</b>							
EV/sales	4.6	3.2	2.8	2.4	2.5	2.3	2.2
EV/EBITDA	14.3	22.4	29.4	-65.9	57.8	16.0	12.6
EV/EBITA	16.1	28.0	52.1	-29.3	546.5	21.6	16.2
EV/EBIT	16.1	28.0	51.2	-29.3	546.5	21.6	16.2
EV/OCF	41.5	-228.4	-20.6	-13.9	-25.3	-19.6	39.9
EV/FCFF	-65.4	-6.6	3.8	4.9	-23.9	-20.2	34.3
P/FCFE	81.8	-34.9	2.9	4.3	-12.0	-9.5	301.9
P/E	55.1	-349.3	-23.6	-13.0	-48.9	40.0	25.6
P/B	3.2	2.0	1.6	1.7	1.9	1.8	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	62.3	17.2	13.5
Target EV/EBIT	0.0	0.0	0.0	0.0	589.3	23.2	17.4
Target EV/FCF	0.0	0.0	0.0	0.0	-17.2	-14.6	464.4
Target P/B	0.0	0.0	0.0	0.0	2.1	2.0	1.9
Target P/E	0.0	0.0	0.0	0.0	-54.0	44.2	28.2
<b>Per share measures</b>							
Number of shares	7,129	7,129	7,174	7,174	7,174	7,174	7,174
Number of shares (diluted)	7,129	7,129	7,174	7,174	7,174	7,174	7,174
EPS	0.12	-0.01	-0.12	-0.22	-0.06	0.07	0.12
Operating cash flow per share	0.18	-0.03	-0.21	-0.26	-0.16	-0.22	0.11
Free cash flow per share	0.08	-0.12	0.99	0.66	-0.25	-0.31	0.01
Book value per share	2.04	2.03	1.84	1.64	1.58	1.66	1.75
Dividend per share	0.04	0.00	0.00	0.00	0.00	0.02	0.04
Dividend payout ratio, %	33.9	0.0	0.0	0.0	0.0	30.0	30.0
Dividend yield, %	0.6	0.0	0.0	0.0	0.0	0.7	1.2
FCF yield, %	1.2	-2.9	34.3	23.2	-8.3	-10.5	0.3
<b>Efficiency measures</b>							
ROE	9.0	-0.6	-6.4	-12.6	-3.8	4.6	6.9
ROCE	13.0	5.0	1.9	-3.7	0.2	6.0	7.3
<b>Financial ratios</b>							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	58.4	58.3	76.5	92.3	97.4	106.6	104.1
Non-interest bearing liabilities as % of sales	6.9	7.7	8.3	17.9	17.9	17.9	17.9
NWC/sales, %	51.5	50.6	68.3	74.4	79.5	88.7	86.2
Operative CAPEX/sales, %	6.3	4.6	-78.0	-61.5	5.8	5.3	4.9
CAPEX/sales (incl. acquisitions), %	6.3	4.6	-78.0	-61.5	5.8	5.3	4.9
FCFF/EBITDA	-0.2	-3.4	7.7	-13.6	-2.4	-0.8	0.4
Net debt/EBITDA, book-weighted	2.2	8.0	9.6	-13.4	14.2	4.8	3.8
Debt/equity, market-weighted	0.4	0.7	0.7	0.4	0.5	0.6	0.6
Equity ratio, book-weighted	44.8	40.2	46.7	52.6	47.0	42.7	43.1
Gearing, %	57.4	114.0	76.8	44.0	61.4	77.6	74.2

**COMPANY DESCRIPTION:** Fellow Finance operates a lending platform for debt-based consumer and business financing. The company operates in Finland, Sweden, Germany, Poland, Denmark and the Czech Republic. The company began its operations in 2014 and listed on the Nasdaq First North Finland -marketplace in 2018. Over EUR 900m 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	5.523	25.7%
TN Ventures Oy	830,843	2.484	11.6%
Oy T&T Nordcap Ab	656,436	1.963	9.2%
OP-Finland Micro Cap	298,174	0.892	4.2%
OP-Finland Small Cap	269,711	0.806	3.8%
Avensis Capital Oy	165,000	0.493	2.3%
Rausanne Oy	150,000	0.448	2.1%
Fennia Life Insurance Company	146,318	0.437	2.0%
DB-Manager Oy	117,456	0.351	1.6%
Uusitalo Rauno	113,992	0.341	1.6%
Ten largest	4,595,093	13.739	64%
Residual	2,578,532	7.710	36%
Total	7,173,625	21.449	100%

EARNINGS CALENDAR	
August 25, 2022	Q2 report
<b>OTHER EVENTS</b>	
April 02, 2021	AGM

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



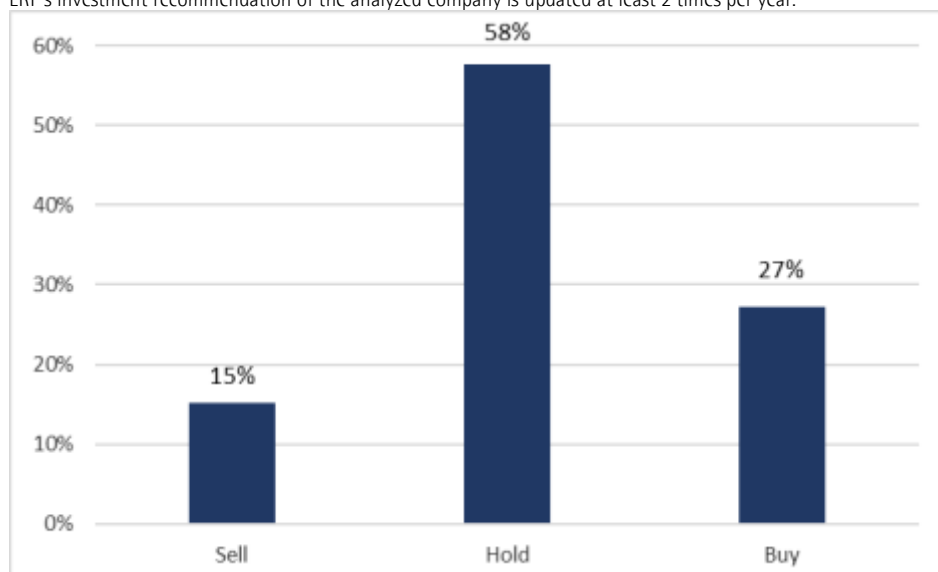
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Investment recommendations are defined as follows:

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

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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

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