

Guidance revision from weaker Q3

Gofore released its Q3 business review on October 11th and revised its guidance for FY2019 net sales, expected to be in between EUR 64–67m (prev. EUR 67–72m). Q3 was burdened by lower sales in July and August, with net sales growth of 16% y/y, and the EBITA-margin as a result lower than in the comparison period (Q3/19: 9.2%, Q3/18: 13.3%). The near-term demand outlook has improved while uncertainty going forward still remains at elevated levels. We retain our HOLD-rating and target price of EUR 8.0.

Weaker Q3 sales and lowered sales guidance

Gofore's group net sales in Q3 amounted to EUR 13.3m, up 16 % y/y. Demand during July and August was affected by a delay in project deliveries, as some already signed projects did not pick-up as expected. The lower billing rate saw profitability fall from previous year levels, with a Q3/19 EBITA-margin of 9.2% (Q3/18: 13.3%). Gofore also noted that its UK business sales have decreased considerably during the year, possibly due to uncertainty related to Brexit, and the UK business being clearly loss-making. Gofore further revised its FY2019 net sales guidance to EUR 64–67m (prev. 67–72m) based on the weaker Q3 figures.

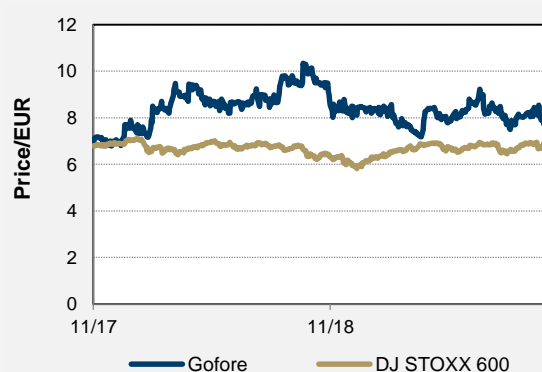
Demand recovery to aid end of year figures

We have revised our 2019 sales and EBITA-margin estimates to EUR 65.3m (prev. 67.8m) and 12.6% (prev. 13.6%) based on the Q3/19 figures. The revised guidance range indicates growth of some 18–40% during Q4/19, with the upper range corresponding to monthly levels seen during H1/19. The near-term demand outlook has improved compared with the earlier part of Q3/19, while the volatility in demand seen during 2019 keeps the uncertainty regarding the coming years development at higher levels.

HOLD with a target price of EUR 8.0

On our estimates valuation remains slightly above peers. Gofore continues to be among the top performers based on sales growth and profitability while the increased demand uncertainty remains a cautionary factor. With valuation in our view still quite fair, we retain our HOLD rating and target price of EUR 8.0.

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 7.72

Target price, EUR 8.0

Latest change in recommendation 20-Feb-19

Latest report on company 14-Oct-19

Research paid by issuer: YES

No. of shares outstanding, '000's 14,013

No. of shares fully diluted, '000's 14,013

Market cap, EURm 108

Free float, % -

Exchange rate EUR 1.000

Reuters code GOFORE.HE

Bloomberg code GOFORE FH

Average daily volume, EURm 0.05

Next interim report

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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
2017	34.0	5.4	15.8%	-4.6	0.26	27.3	2.4	15.5	-5.1	0.15
2018	50.6	6.1	12.0%	6.2	0.36	23.4	2.0	16.7	5.6	0.19
2019E	65.3	6.3	9.7%	-6.5	0.33	23.5	1.5	15.9	-6.0	0.20
2020E	73.1	7.9	10.8%	7.4	0.42	18.5	1.3	12.2	6.9	0.21
2021E	78.9	8.9	11.2%	8.4	0.48	16.2	1.1	10.2	7.7	0.24
Market cap, EURm			108	Gearing 2019E, %		-23.7	CAGR EPS 2018-21, %			9.7
Net debt 2019E, EURm			-7	Price/book 2019E		3.5	CAGR sales 2018-21, %			16.0
Enterprise value, EURm			101	Dividend yield 2019E, %		2.6	ROE 2019E, %			17.3
Total assets 2019E, EURm			48	Tax rate 2019E, %		20.1	ROCE 2019E, %			19.9
Goodwill 2019E, EURm			19	Equity ratio 2019E, %		64.7	PEG, P/E 19/CAGR			1.3

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

Gofore	2017	H1/'18	H2/'18	2018	H1/'19	H2/'19E	2019E	2020E	2021E
Net sales	34.0	24.7	25.9	50.6	33.5	31.8	65.3	73.1	78.9
sales growth %	82.4%	71.8%	32.2%	49.0%	35.5%	22.8%	29.0%	12.0%	8.0%
Other income	0.3	0.2	0.0	0.2	0.0	0.1	0.1	0.1	0.1
Materials and services	-4.2	-3.8	-4.1	-7.9	-4.7	-4.1	-8.8	-10.6	-11.4
Personnel expenses	-18.9	-13.3	-14.2	-27.6	-18.6	-19.1	-37.6	-40.4	-43.4
Other op. expenses	-5.4	-3.9	-4.5	-8.3	-5.2	-5.3	-10.6	-12.1	-13.1
EBITDA	5.8	3.9	3.1	7.0	5.0	3.3	8.4	10.1	11.1
EBITDA-%	17.1%	15.9%	11.8%	13.8%	15.1%	10.5%	12.9%	13.8%	14.1%
EBITA	5.7	3.8	3.0	6.8	5.0	3.3	8.2	9.9	10.9
EBITA-%	16.8%	15.5%	11.5%	13.4%	14.8%	10.2%	12.6%	13.5%	13.8%
EBIT	5.4	3.5	2.6	6.1	4.1	2.2	6.3	7.9	8.9
EBIT-%	15.8%	14.3%	9.9%	12.1%	12.3%	7.0%	9.7%	10.8%	11.2%

GOFORE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1845	9.6x	8.5x	8.2x	14.5x	12.8x	12.0x	13.5x	13.0x	12.5x
Sili Solutions	59	8.4x	7.1x	6.3x	11.0x	8.6x	7.5x	12.8x	9.9x	8.7x
Vincit	54	12.8x	8.2x	6.9x	15.9x	9.4x	7.0x	30.1x	14.1x	10.3x
Innofactor	24	9.1x	8.7x	7.9x	22.9x	21.4x	17.2x	18.5x	14.7x	10.6x
Solteq	27	6.4x	5.7x	5.4x	11.6x	10.3x	9.5x	12.7x	10.4x	8.8x
HiQ International	244	9.5x	9.6x	9.1x	11.4x	11.3x	10.6x	15.6x	14.4x	13.6x
Knowit	325	9.0x	8.4x	7.9x	11.2x	10.2x	9.5x	13.9x	12.7x	11.8x
Atea	1346	9.8x	8.6x	7.9x	16.5x	13.2x	11.7x	20.7x	16.6x	14.6x
Peer Group Average	491	9.3x	8.1x	7.4x	14.4x	12.2x	10.6x	17.2x	13.2x	11.3x
Peer Group Median	151	9.3x	8.5x	7.9x	13.1x	10.8x	10.1x	14.7x	13.6x	11.2x
Gofore (Evli est.)	108	12.0x	9.5x	8.2x	15.9x	12.2x	10.2x	23.5x	18.5x	16.2x
Gofore prem./disc. to peer median		29%	13%	4%	22%	13%	1%	59%	37%	45%
Gofore (Evli est. adj.)*	108	12.0x	9.5x	8.2x	12.3x	9.7x	8.3x	16.6x	13.8x	12.5x

Source Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.72 PV of Free Cash Flow	48 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	8.00 PV of Horizon value	58 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	3.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.6 Marketable securities	13 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	7.5 Debt - dividend	-7 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	54.8 Value of stock	112 Nr of shares, Mn	14.0 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	51	65	73	79	84	89	91	94	97	100	102	105
<i>Sales growth, %</i>	<i>49.0</i>	<i>29.0</i>	<i>12.0</i>	<i>8.0</i>	<i>7.0</i>	<i>5.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	6	6	8	9	10	11	11	10	11	11	11	12
<i>Operating income margin, %</i>	<i>12.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>	<i>12.0</i>	<i>12.0</i>	<i>12.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>
+ Depreciation+amort.	1	2	2	2	2	2	2	2	2	2	2	0
EBITDA	7	8	10	11	12	13	13	13	13	13	13	12
- Paid taxes	-2	-2	-2	-2	-2	-3	-3	-2	-3	-2	-2	-2
- Change in NWC	0	0	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>7.0</i>	<i>6.1</i>	<i>5.8</i>	<i>5.6</i>	<i>5.4</i>	<i>5.3</i>	<i>5.3</i>	<i>5.2</i>	<i>5.1</i>	<i>5.1</i>	<i>5.1</i>	<i>5.0</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	0	-13	0	0	0	0	0	0	0	0	0	-2
<i>opCAPEX / Sales, %</i>	<i>-0.4</i>	<i>19.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>1.5</i>
- Acquisitions	-2	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	2	0	0	0	0	0	0	0	0	0	0	0
= FCFF	6	-6	8	8	9	10	10	10	10	10	8	126
= Discounted FCFF		-6	7	7	7	7	7	6	5	5	4	58
= DFCF min WACC		-6	7	7	7	7	7	6	6	5	4	65
= DFCF max WACC		-6	7	7	7	7	6	6	5	5	3	51

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	0.0	24.7	0.0	25.9	50.6	0.0	33.5	0.0	31.8	65.3	73.1	78.9
EBITDA	0.0	4.0	0.0	3.1	7.0	0.0	5.1	0.0	3.3	8.4	10.1	11.1
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>16.0</i>	<i>0.0</i>	<i>11.9</i>	<i>13.9</i>	<i>0.0</i>	<i>15.2</i>	<i>0.0</i>	<i>10.5</i>	<i>12.9</i>	<i>13.8</i>	<i>14.1</i>
EBIT	0.0	3.5	0.0	2.6	6.1	0.0	4.1	0.0	2.2	6.3	7.9	8.9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>14.3</i>	<i>0.0</i>	<i>9.9</i>	<i>12.0</i>	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>7.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Pre-tax profit	0.0	3.5	0.0	2.5	6.1	0.0	4.1	0.0	2.2	6.2	7.8	8.8
Tax	0.0	-0.8	0.0	-0.6	-1.4	0.0	-1.0	0.0	-0.6	-1.6	-2.0	-2.2
<i>Tax rate (%)</i>	<i>0.0</i>	<i>20.7</i>	<i>0.0</i>	<i>18.8</i>	<i>19.9</i>	<i>20.0</i>	<i>20.1</i>	<i>20.0</i>	<i>20.0</i>	<i>20.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	2.8	0.0	2.0	4.7	0.0	3.1	0.0	1.5	4.6	5.8	6.7
EPS	0.00	0.21	0.00	0.15	0.36	0.00	0.22	0.00	0.11	0.33	0.42	0.48
EPS adjusted (diluted no. of shares)	0.00	0.21	0.00	0.15	0.36	0.00	0.22	0.00	0.11	0.33	0.42	0.48
Dividend per share	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00	0.20	0.21	0.24
SALES, EURm												
Group	0.0	24.7	0.0	25.9	50.6	0.0	33.5	0.0	31.8	65.3	73.1	78.9
Total	0.0	24.7	0.0	25.9	50.6	0.0	33.5	0.0	31.8	65.3	73.1	78.9
SALES GROWTH, Y/Y %												
Group	<i>0.0</i>	<i>71.8</i>	<i>0.0</i>	<i>32.2</i>	<i>49.0</i>	<i>0.0</i>	<i>35.5</i>	<i>0.0</i>	<i>22.8</i>	<i>29.0</i>	<i>12.0</i>	<i>8.0</i>
Total	<i>0.0</i>	<i>71.8</i>	<i>0.0</i>	<i>32.2</i>	<i>49.0</i>	<i>0.0</i>	<i>35.5</i>	<i>0.0</i>	<i>22.8</i>	<i>29.0</i>	<i>12.0</i>	<i>8.0</i>
EBIT, EURm												
Group	0.0	3.5	0.0	2.6	6.1	0.0	4.1	0.0	2.2	6.3	7.9	8.9
Total	0.0	3.5	0.0	2.6	6.1	0.0	4.1	0.0	2.2	6.3	7.9	8.9
EBIT margin, %												
Group	<i>0.0</i>	<i>14.3</i>	<i>0.0</i>	<i>9.9</i>	<i>12.0</i>	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>7.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>
Total	<i>0.0</i>	<i>14.3</i>	<i>0.0</i>	<i>9.9</i>	<i>12.0</i>	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>7.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	9.2	12.4	18.6	34.0	50.6	65.3	73.1	78.9
<i>Sales growth (%)</i>	<i>54.0</i>	<i>35.2</i>	<i>49.9</i>	<i>82.4</i>	<i>49.0</i>	<i>29.0</i>	<i>12.0</i>	<i>8.0</i>
EBITDA	1.4	1.6	2.7	5.8	7.0	8.4	10.1	11.1
<i>EBITDA margin (%)</i>	<i>15.5</i>	<i>12.9</i>	<i>14.6</i>	<i>17.1</i>	<i>13.9</i>	<i>12.9</i>	<i>13.8</i>	<i>14.1</i>
Depreciation	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
EBITA	1.4	1.6	2.6	5.7	6.8	8.2	9.9	10.9
Goodwill amortization / writedown	0.0	0.0	0.0	-0.3	-0.7	-1.9	-2.0	-2.0
EBIT	1.4	1.6	2.6	5.4	6.1	6.3	7.9	8.9
<i>EBIT margin (%)</i>	<i>14.9</i>	<i>12.5</i>	<i>14.1</i>	<i>15.8</i>	<i>12.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>
Reported EBIT	1.4	1.6	2.6	6.5	6.1	6.3	7.9	8.9
<i>EBIT margin (reported) (%)</i>	<i>14.9</i>	<i>12.5</i>	<i>14.1</i>	<i>19.1</i>	<i>12.0</i>	<i>9.7</i>	<i>10.8</i>	<i>11.2</i>
Net financials	0.0	0.0	0.0	-1.2	0.0	-0.1	-0.1	0.0
Pre-tax profit	1.4	1.5	2.6	4.2	6.1	6.2	7.8	8.8
Taxes	-0.3	-0.3	-0.5	-0.9	-1.4	-1.6	-2.0	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.1	1.2	2.1	4.5	4.7	4.6	5.8	6.7
Cash NRIs	0.0	0.0	0.0	1.1	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	0	0	1	1	1	1	1	1
Goodwill	0	0	0	5	9	19	17	15
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	2	3	3	10	12	15	16	17
Liquid funds	2	2	4	13	13	14	15	17
Total assets	4	5	8	29	35	48	50	51
Liabilities								
Shareholder's equity	2	3	4	18	22	31	34	38
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	0	0	0	5	4	6	3	0
Non-interest bearing current liabilities	2	2	3	7	8	11	12	13
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	4	5	8	29	35	48	50	51
CASH FLOW, EURm								
+ EBITDA	1	2	3	6	7	8	10	11
- Net financial items	0	0	0	-1	0	0	0	0
- Taxes	0	0	-1	-1	-2	-2	-2	-2
- Increase in Net Working Capital	0	0	0	-4	0	0	0	0
+/- Other	0	0	0	-1	2	0	0	0
= Cash flow from operations	1	1	2	0	8	6	8	9
- Capex	0	0	-1	0	0	-13	0	0
- Acquisitions	0	0	0	-5	-2	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	1	2	-5	6	-6	7	8
+/- New issues/buybacks	1	0	0	10	1	7	0	0
- Paid dividend	0	0	0	-1	-2	-2	-3	-3
+/- Other	0	0	0	4	-5	2	-3	-3
Change in cash	2	1	1	9	1	0	2	2

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	0	0	91	111	108	108	108
Net debt (excl. convertibles)	-2	-4	-8	-9	-7	-12	-17
Enterprise value	-2	-4	83	102	101	96	91
Sales	12	19	34	51	65	73	79
EBITDA	2	3	6	7	8	10	11
EBIT	2	3	5	6	6	8	9
Pre-tax	2	3	4	6	6	8	9
Earnings	1	2	3	5	5	6	7
Equity book value (excl. minorities)	3	4	18	22	31	34	38
Valuation multiples							
EV/sales	-0.2	-0.2	2.4	2.0	1.5	1.3	1.1
EV/EBITDA	-1.4	-1.3	14.3	14.4	12.0	9.5	8.2
EV/EBITA	-1.5	-1.3	14.6	15.0	12.3	9.7	8.3
EV/EBIT	-1.5	-1.3	15.5	16.7	15.9	12.2	10.2
EV/OCF	-2.2	-1.5	-268.6	13.0	16.1	12.3	10.4
EV/FCFF	-2.2	-2.1	-32.5	16.3	-15.8	12.8	10.8
P/FCFE	0.0	0.0	-19.6	17.8	-16.7	14.5	12.9
P/E	0.0	0.0	27.3	23.4	23.5	18.5	16.2
P/B	0.0	0.0	5.1	5.0	3.5	3.2	2.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	12.4	9.9	8.5
Target EV/EBIT	0.0	0.0	0.0	0.0	16.5	12.7	10.7
Target EV/FCF	0.0	0.0	0.0	0.0	-16.2	13.4	11.3
Target P/B	0.0	0.0	0.0	0.0	3.6	3.3	2.9
Target P/E	0.0	0.0	0.0	0.0	24.3	19.2	16.8
Per share measures							
Number of shares	10,560	10,560	12,949	13,117	14,013	14,013	14,013
Number of shares (diluted)	10,560	10,560	12,949	13,117	14,013	14,013	14,013
EPS	0.12	0.20	0.26	0.36	0.33	0.42	0.48
Operating cash flow per share	0.10	0.23	-0.02	0.60	0.45	0.56	0.62
Free cash flow per share	0.10	0.16	-0.36	0.47	-0.46	0.53	0.60
Book value per share	0.24	0.39	1.37	1.68	2.23	2.45	2.72
Dividend per share	0.04	0.05	0.15	0.19	0.20	0.21	0.24
Dividend payout ratio, %	34.4	25.1	58.5	52.7	60.8	50.0	50.0
Dividend yield, %	0.0	0.0	2.1	2.2	2.6	2.7	3.1
FCF yield, %	0.0	0.0	-5.1	5.6	-6.0	6.9	7.7
Efficiency measures							
ROE	57.7	63.3	30.2	23.8	17.3	17.8	18.4
ROCE	66.9	76.1	40.0	25.0	19.9	21.0	23.4
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	20.6	17.8	30.0	23.5	22.6	22.2	22.0
Non-interest bearing liabilities as % of sales	19.9	18.4	19.7	16.4	16.4	16.4	16.4
NWC/sales, %	0.6	-0.6	10.3	7.0	6.1	5.8	5.6
Operative CAPEX/sales, %	0.2	3.6	-1.2	-0.4	19.5	0.5	0.5
CAPEX/sales (incl. acquisitions), %	0.2	3.6	-15.2	-4.0	19.5	0.5	0.5
FCFF/EBITDA	0.7	0.6	-0.4	0.9	-0.8	0.7	0.8
Net debt/EBITDA, book-weighted	-1.4	-1.3	-1.4	-1.3	-0.9	-1.2	-1.6
Debt/equity, market-weighted	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Equity ratio, book-weighted	49.3	54.3	60.8	63.7	64.7	69.1	74.6
Gearing, %	-90.6	-85.0	-44.2	-41.9	-23.7	-35.1	-45.9

COMPANY DESCRIPTION: Gofore is an international growth-seeking digitalisation services company. The company helps customers to succeed at all stages of digital development. Gofore offers design, planning, building, implementing and maintenance of customers digital services and service architecture. Gofore was founded in 2002.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kärki Timur Juhana	1,875,000	14.475	13.4%
Venola Mika Petteri	1,770,000	13.664	12.6%
Varjus Mika	1,770,000	13.664	12.6%
Lammi Jani Markus	1,570,000	12.120	11.2%
Ilmarinen Mutual Pension Insurance Company	871,801	6.730	6.2%
Karjalainen Mika Juhani	596,484	4.605	4.3%
Evli Finland Small Cap Fund	535,505	4.134	3.8%
Varma Mutual Pension Insurance Company	517,952	3.999	3.7%
Saadetdin Ali	408,936	3.157	2.9%
SEB Finland Small Cap Fund	282,000	2.177	2.0%
Ten largest	10,197,678	78.726	73%
Residual	3,815,124	29.453	27%
Total	14,012,802	108.179	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Timur Kärki

Kalevantie 2, 33100 Tampere

CFO: Petteri Venola

Tel:

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

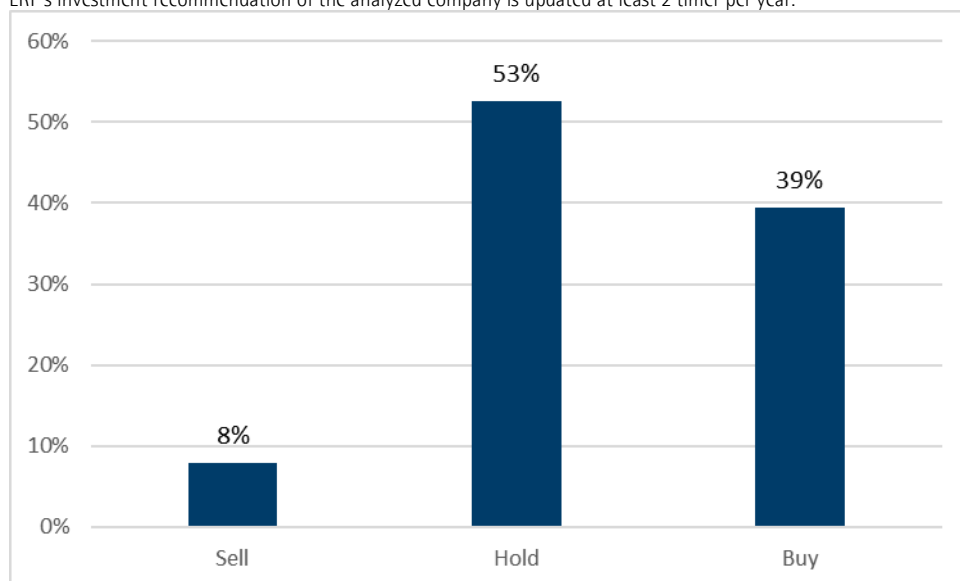
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Investment recommendations are defined as follows:

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

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 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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