

## Still warrants caution

Innofactor's Q4 earnings release did not in our view bring any major surprises and the results were only slightly below our estimates. Significant evidence of a turnaround remains to be seen, although the guidance and order backlog give some support for improving figures in 2019. We retain our HOLD-rating with a target price of EUR 0.45 (0.40).

### Signs of improvements seen, evidence still lacking

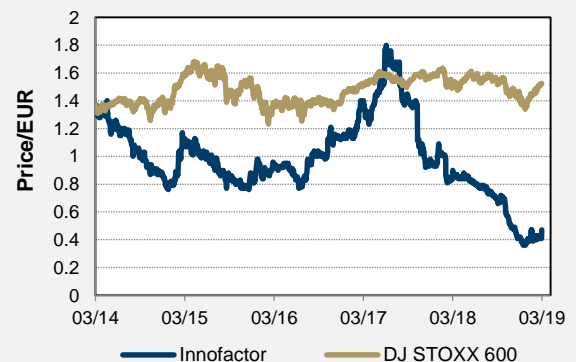
Innofactor's Q4 results were slightly below our estimates, with revenue and EBITDA at EUR 15.9m (Evli 16.4m) and EUR -0.9m (Evli -0.7m), and due to the profit warning issued in January did not bring any major surprises. In our view the results still did not show solid evidence of a major turnaround. The guidance given was at least at this point still vague, with net sales and EBITDA in 2019 expected to increase from 2018 levels, which given the 2018 results should clearly be viewed as a minimum requirement. A positive sign for 2019 was the order backlog, which was reported for the first time, standing at around EUR 32m, up some 40% y/y.

### Estimates intact apart from IFRS 16 adjustments

Our estimates remain largely intact post Q4, apart from IFRS 16 revisions to EBITDA of approx. EUR 1m. We continue to expect Innofactor to reach a barely positive EBIT in 2019. We expect profitability improvements mainly from a higher billing rate, supported by the order backlog and a smaller headcount. Sale of Dynasty product family updates are expected to support early 2019 but we expect overall stronger profitability during H2. Although potential for larger profitability improvements exists we still remain cautious due to the weak track during previous years and operations in Denmark continue to cause headaches.

### HOLD with a target price of EUR 0.45 (0.40)

With IFRS 16 adjustment causing possible comparability issues with EV/EBITDA multiples we adjust EV/EBIT multiples for purchase price amortizations to arrive at 2019E and 2020E multiples of 12.5x and 6.7x respectively, compared to peer median multiples of 10.9x and 10.0x. We retain our HOLD-rating with a target price of EUR 0.45 (0.40).

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price)	0.47
Target price, EUR	0.45

Latest change in recommendation	09-Oct-18
Latest report on company	6-Mar-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	36,188
No. of shares fully diluted, '000's	36,188
Market cap, EURm	17
Free float, %	54.0
Exchange rate EUR	0.000
Reuters code	IFA1V.HE
Bloomberg code	IFA1V.FH
Average daily volume, EURm	0.03
Next interim report	14-May-19
Web site	www.innofactor.fi

Analyst	Jerker Salokivi
E-mail	jerker.salokivi@evli.com
Telephone	+358 9 4766 9149

🟢 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	66	-1	-2.2%	-2	-0.03	-26.9	0.7	8.2	-32.4	0.00
2018	63	-4	-6.1%	-4	-0.09	-4.1	0.5	-23.7	-8.7	0.00
2019E	65	0	0.5%	0	0.00	-118.8	0.5	2.0	101.8	0.00
2020E	67	2	3.3%	2	0.04	12.5	0.4	3.0	12.5	0.00
2021E	68	3	5.0%	3	0.07	7.1	0.4	2.9	7.1	0.00
Market cap, EURm				17	BV per share 2019E, EUR		0.6	CAGR EPS 2018-21, %		0.0
Net debt 2019E, EURm				14	Price/book 2019E		0.8	CAGR sales 2018-21, %		2.6
Enterprise value, EURm				31	Dividend yield 2019E, %		0.0	ROE 2019E, %		-0.7
Total assets 2019E, EURm				56	Tax rate 2019E, %		21.0	ROCE 2019E, %		0.8
Goodwill 2019E, EURm				26	Equity ratio 2019E, %		40.0	PEG, P/E 19/CAGR		0.0

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

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBIT			EV/EBITDA			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1991	13.2x	12.3x	11.8x	9.5x	9.0x	8.8x	14.6x	14.0x	13.4x
Atea	1357	13.8x	11.7x	10.1x	9.5x	8.5x	7.7x	17.4x	15.0x	12.9x
Knowit	331	9.9x	9.3x	9.1x	8.9x	8.4x	8.0x	13.4x	12.5x	12.4x
HiQ	321	14.0x	13.0x	12.0x	12.9x	12.0x	11.3x	18.9x	17.5x	16.2x
Bouvet	257	10.7x	10.1x	10.1x	9.5x	9.0x	9.0x	14.9x	14.1x	14.3x
Enea	271	15.9x	14.0x	12.9x	13.2x	11.8x	11.0x	18.8x	16.1x	14.3x
Gofore	102	10.3x	8.4x	7.5x	9.1x	7.6x	6.8x	15.6x	12.8x	11.2x
Digia	72	9.4x	7.9x	7.3x	7.3x	6.2x	5.9x	10.8x	8.8x	7.7x
Sili Solutions	64	11.0x	8.6x	7.5x	8.6x	7.1x	6.3x	13.4x	10.5x	9.2x
Solteq	28	10.9x	9.9x	9.3x						
Peer Group Average	479	<b>11.9x</b>	<b>10.5x</b>	<b>9.8x</b>	<b>9.8x</b>	<b>8.8x</b>	<b>8.3x</b>	<b>15.3x</b>	<b>13.5x</b>	<b>12.4x</b>
Peer Group Median	264	<b>10.9x</b>	<b>10.0x</b>	<b>9.7x</b>	<b>9.5x</b>	<b>8.5x</b>	<b>8.0x</b>	<b>14.9x</b>	<b>14.0x</b>	<b>12.9x</b>
Innofactor (Evli est.)	<b>17</b>	<b>101.8x</b>	<b>12.5x</b>	<b>7.1x</b>	<b>7.8x</b>	<b>4.8x</b>	<b>4.1x</b>	<b>Neg.</b>	<b>12.5x</b>	<b>7.1x</b>

*Innofactor prem./disc. to peer median* >100% 25% -26% -18% -43% -49% - -10% -45%

*Source Bloomberg, Evli Research*

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.47 PV of Free Cash Flow	25 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	0.77 PV of Horizon value	24 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	63.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	0.9 Marketable securities	0 Minimum WACC, %	7.9 Equity beta coefficient	1.00
Minimum value	0.7 Debt - dividend	-21 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	48.7 Value of stock	28 Nr of shares, Mn	36.2 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	63	65	67	68	70	72	73	75	77	79	81	82
<i>Sales growth, %</i>	-3.8	2.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.0	2.0
Operating income (EBIT)	-4	0	2	3	3	4	4	4	4	4	4	4
<i>EBIT margin, %</i>	-6.1	0.5	3.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
+ Depreciation+amort.	3	4	3	3	2	2	2	2	3	3	3	
- Income taxes	0	2	0	0	0	0	-1	-1	-1	-1	-1	
- Change in NWC	0	3	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-1.2	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-6	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3	-3
<i>Investments / Sales, %</i>	9.7	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-7	6	3	3	3	3	3	3	3	3	3	52
= Discounted FCF (DFCF)		6	3	3	2	2	2	2	2	2	1	24
= DFCF min WACC		6	3	3	3	2	2	2	2	2	2	27
= DFCF max WACC		6	3	3	2	2	2	2	2	1	1	21

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	16	17	14	16	63	17	17	14	17	65	67	68
EBITDA	0	0	0	-1	-1	1	1	1	2	4	6	6
<i>EBITDA margin (%)</i>	<i>2.1</i>	<i>0.2</i>	<i>-3.6</i>	<i>-5.7</i>	<i>-1.6</i>	<i>4.7</i>	<i>4.2</i>	<i>3.6</i>	<i>11.5</i>	<i>6.1</i>	<i>8.5</i>	<i>8.8</i>
EBIT	0	-1	-1	-2	-4	0	0	0	1	0	2	3
<i>EBIT margin (%)</i>	<i>-2.2</i>	<i>-3.7</i>	<i>-8.6</i>	<i>-10.7</i>	<i>-6.1</i>	<i>-0.6</i>	<i>-1.2</i>	<i>-2.8</i>	<i>6.0</i>	<i>0.5</i>	<i>3.3</i>	<i>5.0</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	-1	-1	-1	-4	0	0	-1	1	0	2	3
Tax	0	0	0	0	1	0	0	0	0	0	0	-1
<i>Tax rate (%)</i>	<i>19.9</i>	<i>20.1</i>	<i>20.0</i>	<i>9.7</i>	<i>16.4</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	0	-1	-1	-1	-3	0	0	0	1	0	1	2
EPS	-0.01	-0.02	-0.03	-0.03	-0.09	0.00	-0.01	-0.01	0.02	0.00	0.04	0.07
EPS adjusted (diluted no. of shares)	-0.01	-0.02	-0.03	-0.03	-0.09	0.00	-0.01	-0.01	0.02	0.00	0.04	0.07
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	0.00
<b>SALES, EURm</b>												
Innofactor	16	17	14	16	63	17	17	14	17	65	67	68
Total	16	17	14	16	63	17	17	14	17	65	67	68
<b>SALES GROWTH, Y/Y %</b>												
<i>Innofactor</i>	<i>-4.5</i>	<i>-0.8</i>	<i>-2.5</i>	<i>-7.3</i>	<i>-3.8</i>	<i>3.8</i>	<i>0.5</i>	<i>2.2</i>	<i>4.9</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
<i>Total</i>	<i>-4.5</i>	<i>-0.8</i>	<i>-2.5</i>	<i>-7.3</i>	<i>-3.8</i>	<i>3.8</i>	<i>0.5</i>	<i>2.2</i>	<i>4.9</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
<b>EBIT, EURm</b>												
Innofactor	0	-1	-1	-2	-4	0	0	0	1	0	2	3
Total	0	-1	-1	-2	-4	0	0	0	1	0	2	3
<b>EBIT margin, %</b>												
<i>Innofactor</i>	<i>-2.2</i>	<i>-3.7</i>	<i>-8.6</i>	<i>-10.7</i>	<i>-6.1</i>	<i>-0.6</i>	<i>-1.2</i>	<i>-2.8</i>	<i>6.0</i>	<i>0.5</i>	<i>3.3</i>	<i>5.0</i>
<i>Total</i>	<i>-2.2</i>	<i>-3.7</i>	<i>-8.6</i>	<i>-10.7</i>	<i>-6.1</i>	<i>-0.6</i>	<i>-1.2</i>	<i>-2.8</i>	<i>6.0</i>	<i>0.5</i>	<i>3.3</i>	<i>5.0</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	44	44	60	66	63	65	67	68
<i>Sales growth (%)</i>	<i>34.1</i>	<i>1.4</i>	<i>34.1</i>	<i>10.1</i>	<i>-3.8</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
Costs	-40	-41	-55	-64	-64	-61	-61	-62
Reported EBITDA	4	4	5	1	-1	4	6	6
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>8.7</i>	<i>8.3</i>	<i>8.1</i>	<i>2.0</i>	<i>-1.6</i>	<i>6.1</i>	<i>8.5</i>	<i>8.8</i>
Depreciation	-1	-1	-2	-3	-3	-4	-3	-3
EBITA	2	3	2	-1	-4	0	2	3
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	2	3	2	-1	-4	0	2	3
<i>EBIT margin (%)</i>	<i>5.5</i>	<i>5.7</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>0.5</i>	<i>3.3</i>	<i>5.0</i>
Net financials	0	-1	0	0	0	0	0	0
Pre-tax profit	2	2	2	-2	-4	0	2	3
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	1	0	0	-1
Minority shares	0	0	0	0	0	0	0	0
Net profit	1	1	1	-1	-3	0	1	2
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	4	4	10	8	12	11	9	9
<i>% of sales</i>	<i>9</i>	<i>8</i>	<i>16</i>	<i>13</i>	<i>19</i>	<i>16</i>	<i>14</i>	<i>13</i>
Goodwill	20	20	28	26	26	26	26	26
<i>% of sales</i>	<i>45</i>	<i>44</i>	<i>46</i>	<i>40</i>	<i>41</i>	<i>40</i>	<i>39</i>	<i>38</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	16	13	19	17	13	14	14	14
<i>% of sales</i>	<i>36</i>	<i>30</i>	<i>33</i>	<i>26</i>	<i>21</i>	<i>21</i>	<i>21</i>	<i>21</i>
Liquid funds	1	1	1	1	0	2	2	2
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>3</i>	<i>3</i>	<i>3</i>
Total assets	48	44	64	58	57	56	55	54
Liabilities								
Equity	20	21	23	25	21	22	24	26
<i>% of sales</i>	<i>45</i>	<i>48</i>	<i>38</i>	<i>38</i>	<i>34</i>	<i>34</i>	<i>36</i>	<i>38</i>
Deferred taxes	1	1	2	2	1	2	1	1
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>1</i>
Interest bearing debt	14	12	17	14	21	15	13	9
<i>% of sales</i>	<i>32</i>	<i>28</i>	<i>28</i>	<i>22</i>	<i>33</i>	<i>23</i>	<i>19</i>	<i>14</i>
Non-interest bearing current liabilities	13	9	22	17	14	17	17	18
<i>% of sales</i>	<i>31</i>	<i>21</i>	<i>37</i>	<i>27</i>	<i>22</i>	<i>26</i>	<i>26</i>	<i>26</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	48	44	64	58	57	56	55	54
<b>CASH FLOW, EURm</b>								
+ EBITDA	4	4	5	1	-1	4	6	6
- Net financial items	0	-1	0	0	0	0	0	0
- Taxes	0	0	2	0	0	2	0	0
- Increase in Net Working Capital	-1	1	-1	2	0	3	0	0
+/- Other	0	0	-2	1	0	0	0	0
= Cash flow from operations	2	4	3	4	-1	6	5	5
- Capex	-1	0	-1	-2	-6	-2	-2	-2
- Acquisitions	0	-2	-6	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	2	2	-4	2	-6	4	3	3
+/- Change in interest-bearing debt	-1	-1	4	-2	7	-6	-3	-3
+/- New issues/buybacks	2	1	0	4	0	1	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Change in loan receivables	0	0	1	2	0	0	0	0
Change in cash	2	1	1	5	0	-1	0	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	33	38	34	13	17	17	17
Net debt	12	16	13	21	14	11	7
Enterprise value	44	54	47	34	31	28	24
Sales	44	60	66	63	65	67	68
EBITDA	4	5	1	-1	4	6	6
EBIT	3	2	-1	-4	0	2	3
Pre-tax	2	2	-2	-4	0	2	3
Earnings	1	1	-1	-3	0	1	2
Book value	21	23	25	21	22	24	26
<b>Valuation multiples</b>							
EV/sales	1.0	0.9	0.7	0.5	0.5	0.4	0.4
EV/EBITDA	12.0	11.2	36.2	-32.6	7.8	4.8	4.1
EV/EBITA	17.4	23.3	-32.4	-8.7	101.8	12.5	7.1
EV/EBIT	17.4	23.3	-32.4	-8.7	101.8	12.5	7.1
EV/operating cash flow	11.3	15.8	11.4	-61.1	3.6	4.9	4.2
EV/cash earnings	14.0	8.5	39.8	-36.7	5.5	5.3	4.5
P/E	26.0	25.8	-26.9	-4.1	-118.8	12.5	7.1
P/E excl. goodwill	26.0	25.8	-26.9	-4.1	-118.8	12.5	7.1
P/B	1.5	1.7	1.4	0.6	0.8	0.7	0.7
P/sales	0.7	0.6	0.5	0.2	0.3	0.3	0.2
P/CF	8.3	11.2	8.2	-23.7	2.0	3.0	2.9
Target EV/EBIT	0.0	0.0	0.0	0.0	99.4	12.2	6.9
Target P/E	0.0	0.0	0.0	0.0	-113.8	12.0	6.8
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.6
<b>Per share measures</b>							
Number of shares	33,454	33,454	36,188	36,188	36,188	36,188	36,188
Number of shares (diluted)	33,454	33,454	36,188	36,188	36,188	36,188	36,188
EPS	0.04	0.04	-0.03	-0.09	0.00	0.04	0.07
EPS excl. goodwill	0.04	0.04	-0.03	-0.09	0.00	0.04	0.07
Cash EPS	0.10	0.19	0.03	-0.03	0.15	0.14	0.15
Operating cash flow per share	0.12	0.10	0.12	-0.02	0.23	0.16	0.16
Capital employed per share	0.98	1.14	1.05	1.16	0.99	0.95	0.92
Book value per share	0.64	0.67	0.68	0.59	0.62	0.65	0.72
Book value excl. goodwill	0.05	-0.16	-0.05	-0.13	-0.10	-0.07	0.00
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Efficiency measures</b>							
ROE	6.2	6.8	-5.3	-13.8	-0.7	5.9	9.6
ROCE	7.6	6.4	-3.7	-9.5	0.8	6.0	9.5
<b>Financial ratios</b>							
Capex/sales, %	4.9	12.3	2.6	9.7	3.4	3.4	3.4
Capex/depreciation excl. goodwill,%	185.9	-31.5	107.6	225.9	60.4	64.8	89.7
Net debt/EBITDA, book-weighted	3.1	3.3	10.2	-20.0	3.4	1.9	1.2
Debt/equity, market-weighted	0.4	0.4	0.4	1.6	0.9	0.7	0.6
Equity ratio, book-weighted	48.5	35.4	42.5	37.2	40.0	43.3	48.2
Gearing	0.54	0.70	0.54	0.97	0.61	0.44	0.28
Number of employees, average	409	591	601	550	550	550	550
Sales per employee, EUR	108,685	100,873	109,261	114,807	118,084	121,036	124,062
EBIT per employee, EUR	6,218	3,946	-2,431	-7,040	546	4,000	6,203

**COMPANY DESCRIPTION:** InnoFactor provides software products and solutions to commercial, public sector, and membership-based organizations in the Nordic countries. It specializes in Microsoft-based cloud solutions and digital transformation.

**INVESTMENT CASE:**

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ensio Sami	7,716,173	3.627	21.3%
Ilmarinen Mutual Pension Insurance Company	1,800,000	0.846	5.0%
Tilman Tuomo Tapani	1,465,437	0.689	4.0%
Svalroma Invest AB	1,357,062	0.638	3.8%
Linturi Kaija and Risto	1,256,411	0.591	3.5%
Laiho Rami Tapani	1,255,159	0.590	3.5%
Ärje Matias Juhanpoika	882,065	0.415	2.4%
Mäki Antti Jussi	877,192	0.412	2.4%
Muukkonen Teemu Heikki	522,230	0.245	1.4%
Ingman Finance Oy Ab	500,000	0.235	1.4%
Ten largest	17,631,729	8.287	49%
Residual	18,556,496	8.722	51%
Total	36,188,225	17.008	100%

**EARNINGS CALENDAR**

May 14, 2019	Q1 report
July 23, 2019	Q2 report
October 29, 2019	Q3 report

**OTHER EVENTS**

April 02, 2019	AGM
----------------	-----

**COMPANY MISCELLANEOUS**

CEO: Sami Ensio	Keilaranta 9, FI-02150 Espoo
CFO: Marko Lehtonen	Tel: +358 (0)10 272 9000
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



**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 <https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3>

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

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 6.3.2019, 9:00. This report has been published on 6.3.2019, 9:30.

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.

Neither ERP nor any company within the Evli Group have 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 9130  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120

**ETFs and Derivatives**

Tobias Björk (Head) +358 9 4766 9130  
Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130  
Sami Järvinen +358 9 4766 9110

**Structured Investments**

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

**Equity Research**

Joonas Häyhä +358 9 4766 9662  
Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149

**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](http://www.evli.com)  
E-mail  
[firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Kungsgatan 27, P.O. Box 16354  
SE-111 56 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001