

Upgrade to BUY

Innofactor revised its guidance for EBITDA, expecting EBITDA in 2019 in between EUR 4–6m, compared to EUR –1.0m in 2018. The sales guidance remains intact, with sales expected to increase from 2018 (EUR 63.1m). Our revised EBITDA estimate for 2019 is EUR 4.6m (prev. EUR 4.0m). With the alleviated earnings uncertainty and our slightly revised estimates we raise our rating to BUY (HOLD) with a target price of EUR 0.80 (0.60).

2019 EBITDA guidance range EUR 4–6m

Innofactor revised its guidance for EBITDA while keeping the sales guidance intact. Under the new guidance Innofactor expects sales to increase from 2018 (EUR 63.1m) and EBITDA to be in between EUR 4–6m (prev. increase from 2018), compared to EUR –1.0m in 2018. To our understanding the revised guidance was not triggered by any extraordinary items but instead mainly due to increased visibility into the full year development.

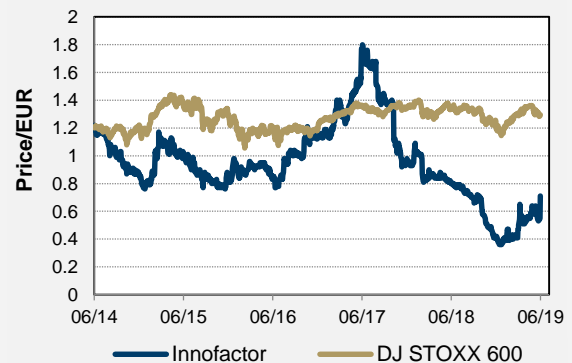
Our 2019 EBITDA estimate at EUR 4.6m

Based on Q1 figures and historical development, with Q4 typically being strong, the mid-range of the guidance would certainly be achievable. The upper range of the guidance appears challenging but would, when considering the impact of IFRS 16 changes, imply similar EBITDA levels as Innofactor has achieved pre-2017. Innofactor's Q1 showed promising development but with two weaker years behind we opt to stay more on the cautious side of the guidance range and adjust our 2019 EBITDA estimate to EUR 4.6m (prev. 4.0m).

BUY (HOLD) with a target price of EUR 0.80 (0.60)

On 2019E EV/EBITDA valuation is only slightly below peers. As the guidance range offers increased visibility into 2019 development we shift some more focus on 2020E multiples. On the 2020E multiples valuation looks more attractive, in particular when considering the PPA adjusted multiples. We upgrade to BUY (HOLD) with a target price of EUR 0.80 (0.60).

Rating + BUY



Share price, EUR (Last trading day's closing price)	0.71
Target price, EUR	0.8
Latest change in recommendation	05-Jun-19
Latest report on company	20-May-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	26
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	23-Jul-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	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	64	1	1.4%	0	0.01	61.6	0.6	3.6	45.5	0.00
2020E	66	2	2.7%	1	0.03	26.4	0.6	4.9	21.6	0.00
2021E	67	3	5.0%	3	0.06	11.3	0.5	4.9	10.8	0.00
Market cap, EURm				26	BV per share 2019E, EUR		0.6	CAGR EPS 2018-21, %		0.0
Net debt 2019E, EURm				16	Price/book 2019E		1.2	CAGR sales 2018-21, %		2.1
Enterprise value, EURm				41	Dividend yield 2019E, %		0.0	ROE 2019E, %		1.9
Total assets 2019E, EURm				57	Tax rate 2019E, %		5.7	ROCE 2019E, %		2.2
Goodwill 2019E, EURm				26	Equity ratio 2019E, %		38.2	PEG, P/E 19/CAGR		0.7

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

Innofactor	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Net sales	65.7	16.5	17.0	13.8	15.9	63.1	16.1	16.8	14.1	17.0	64.0	65.6	67.3
sales growth %	10.1%	-4.5%	-0.8%	-2.5%	-7.3%	-3.8%	-2.0%	-1.2%	2.2%	7.0%	1.4%	2.5%	2.5%
EBITDA	1.3	0.3	0.0	-0.5	-0.9	-1.0	0.9	1.0	0.7	2.0	4.6	5.5	5.9
EBITDA margin	2.0%	2.1%	0.2%	-3.6%	-5.7%	-1.6%	5.4%	6.0%	5.0%	11.8%	7.2%	8.5%	8.7%
Acquisition related depreciation	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-0.7
EBIT	-1.5	-0.4	-0.6	-1.2	-1.7	-3.9	-0.1	0.1	-0.2	1.1	0.9	1.8	3.4
EBIT margin	1.4%	-2.2%	-3.7%	-8.6%	-10.7%	-6.1%	-0.5%	-0.4%	-0.5%	-0.4%	1.4%	2.7%	5.0%
Adj. EBIT (excl. acquisition depr.)	0.6	0.1	-0.1	-0.7	-1.2	-1.8	0.4	0.6	0.3	1.6	2.9	3.8	4.1
Adj. EBIT margin	0.9%	0.9%	-0.7%	-4.9%	-7.5%	-2.9%	2.6%	3.6%	2.2%	9.5%	4.6%	5.8%	6.0%

Source: Evli Research estimates

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBIT			EV/EBITDA			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1868	12.3x	11.3x	10.8x	8.0x	7.7x	7.5x	13.5x	12.9x	12.4x
Atea	1331	16.0x	13.4x	11.7x	9.7x	8.7x	7.9x	19.2x	16.1x	14.0x
Knowit	370	11.8x	11.0x	10.4x	10.1x	9.5x	9.0x	14.9x	13.9x	13.1x
HiQ	257	11.1x	10.3x	9.8x	9.6x	9.1x	8.6x	15.9x	14.7x	13.8x
Bouvet	306	13.4x	12.5x	11.3x	11.0x	10.3x	9.1x	17.2x	16.0x	14.5x
Enea	261	14.4x	13.7x	12.6x	11.3x	10.6x	9.9x	16.6x	15.6x	13.7x
Gofore	112	10.9x	9.4x	8.8x	9.7x	8.5x	8.0x	15.3x	13.2x	11.7x
Digia	80	10.2x	8.6x	7.9x	7.1x	6.1x	5.6x	11.5x	9.7x	8.8x
Sii Solutions	60	10.3x	8.1x	7.1x	8.1x	6.7x	5.9x	12.6x	9.9x	8.7x
Solteq	27	11.5x	10.8x	9.8x	6.4x	5.8x	5.4x	12.9x	10.9x	8.9x
Peer Group Average	467	12.2x	10.9x	10.0x	9.1x	8.3x	7.7x	15.0x	13.3x	11.9x
Peer Group Median	259	11.6x	10.9x	10.1x	9.6x	8.6x	8.0x	15.1x	13.5x	12.7x
Innofactor (Evli est.)	26	45.5x	21.6x	10.8x	9.0x	7.0x	6.2x	61.6x	26.4x	11.3x
Innofactor prem./disc. to peer median		>100%	98%	7%	-6%	-18%	-22%	>100%	95%	-11%
Innofactor adj.* (Evli est.)	26	14.1x	10.2x	9.0x	9.0x	7.0x	6.2x	12.6x	10.0x	9.1x
Innofactor prem./disc. to peer median		21%	-6%	-11%	-6%	-18%	-22%	-17%	-26%	-29%

Source Bloomberg, Evli Research. *Excl. Purchase price amortizations

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.71 PV of Free Cash Flow	23 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.79 PV of Horizon value	26 WACC, %	8.4 Market risk premium, %
Share price potential, %	11.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	0.9 Marketable securities	0 Minimum WACC, %	7.9 Equity beta coefficient
Minimum value	0.7 Debt - dividend	-21 Maximum WACC, %	8.9 Target debt ratio, %
Horizon value, %	52.7 Value of stock	29 Nr of shares, Mn	36.2 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	63	64	66	67	69	71	72	74	76	78	80	81
<i>Sales growth, %</i>	-3.8	1.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.0	2.0
Operating income (EBIT)	-4	1	2	3	4	4	4	4	4	4	4	4
<i>EBIT margin, %</i>	-6.1	1.4	2.7	5.0	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5
+ Depreciation+amort.	3	4	4	2	2	2	2	2	2	3	3	
- Income taxes	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	
- Change in NWC	0	2	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	2.8	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	5	3	3	3	3	3	3	3	3	4	56
= Discounted FCF (DFCF)		5	3	2	2	2	2	2	2	2	2	26
= DFCF min WACC		5	3	2	2	2	2	2	2	2	2	29
= DFCF max WACC		5	3	2	2	2	2	2	2	2	2	23

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	16	17	14	16	63	16	17	14	17	64	66	67
EBITDA	0	0	0	-1	-1	1	1	1	2	5	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>5.4</i>	<i>6.0</i>	<i>5.0</i>	<i>11.8</i>	<i>7.2</i>	<i>8.5</i>	<i>8.7</i>
EBIT	0	-1	-1	-2	-4	0	0	0	1	1	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>0.6</i>	<i>-1.4</i>	<i>6.5</i>	<i>1.4</i>	<i>2.7</i>	<i>5.0</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	-1	0
Pre-tax profit	0	-1	-1	-1	-4	0	0	0	1	0	1	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>55.3</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>5.7</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	0.00	-0.01	0.02	0.01	0.03	0.06
EPS adjusted (diluted no. of shares)	-0.01	-0.02	-0.03	-0.03	-0.09	0.00	0.00	-0.01	0.02	0.01	0.03	0.06
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
SALES, EURm												
Innofactor	16	17	14	16	63	16	17	14	17	64	66	67
Total	16	17	14	16	63	16	17	14	17	64	66	67
SALES GROWTH, Y/Y %												
<i>Innofactor</i>	<i>-4.5</i>	<i>-0.8</i>	<i>-2.5</i>	<i>-7.3</i>	<i>-3.8</i>	<i>-2.0</i>	<i>-1.2</i>	<i>2.2</i>	<i>7.0</i>	<i>1.4</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>-2.0</i>	<i>-1.2</i>	<i>2.2</i>	<i>7.0</i>	<i>1.4</i>	<i>2.5</i>	<i>2.5</i>
EBIT, EURm												
Innofactor	0	-1	-1	-2	-4	0	0	0	1	1	2	3
Total	0	-1	-1	-2	-4	0	0	0	1	1	2	3
EBIT margin, %												
<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>0.6</i>	<i>-1.4</i>	<i>6.5</i>	<i>1.4</i>	<i>2.7</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>0.6</i>	<i>-1.4</i>	<i>6.5</i>	<i>1.4</i>	<i>2.7</i>	<i>5.0</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	44	44	60	66	63	64	66	67
<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>1.4</i>	<i>2.5</i>	<i>2.5</i>
Costs	-40	-41	-55	-64	-64	-59	-60	-61
Reported EBITDA	4	4	5	1	-1	5	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>7.2</i>	<i>8.5</i>	<i>8.7</i>
Depreciation	-1	-1	-2	-3	-3	-4	-4	-2
EBITDA	2	3	2	-1	-4	1	2	3
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	2	3	2	-1	-4	1	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>1.4</i>	<i>2.7</i>	<i>5.0</i>
Net financials	0	-1	0	0	0	0	-1	0
Pre-tax profit	2	2	2	-2	-4	0	1	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	4	10	8	12	10	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>13</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>41</i>	<i>40</i>	<i>39</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	13	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	57	56	56
Liabilities								
Equity	20	21	23	25	21	22	23	25
<i>% of sales</i>	<i>45</i>	<i>48</i>	<i>38</i>	<i>38</i>	<i>34</i>	<i>34</i>	<i>35</i>	<i>37</i>
Deferred taxes	1	1	2	2	1	1	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>2</i>
Interest bearing debt	14	12	17	14	21	17	15	13
<i>% of sales</i>	<i>32</i>	<i>28</i>	<i>28</i>	<i>22</i>	<i>33</i>	<i>27</i>	<i>23</i>	<i>19</i>
Non-interest bearing current liabilities	13	9	22	17	14	17	17	17
<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	57	56	56
CASH FLOW, EURm								
+ EBITDA	4	4	5	1	-1	5	6	6
- Net financial items	0	-1	0	0	0	0	-1	0
- Taxes	0	0	2	0	0	0	0	-1
- Increase in Net Working Capital	-1	1	-1	2	0	2	0	0
+/- Other	0	0	-2	1	0	0	0	0
= Cash flow from operations	2	4	3	4	-1	7	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	5	3	3
+/- Change in interest-bearing debt	-1	-1	4	-2	7	-3	-2	-2
+/- New issues/buybacks	2	1	0	4	0	0	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	26	26	26
Net debt	12	16	13	21	16	13	11
Enterprise value	44	54	47	34	41	39	36
Sales	44	60	66	63	64	66	67
EB ITDA	4	5	1	-1	5	6	6
EB IT	3	2	-1	-4	1	2	3
Pre-tax	2	2	-2	-4	0	1	3
Earnings	1	1	-1	-3	0	1	2
Book value	21	23	25	21	22	23	25
Valuation multiples							
EV/sales	1.0	0.9	0.7	0.5	0.6	0.6	0.5
EV/EB ITDA	12.0	11.2	36.2	-32.6	9.0	7.0	6.2
EV/EB ITA	17.4	23.3	-32.4	-8.7	45.5	21.6	10.8
EV/EB IT	17.4	23.3	-32.4	-8.7	45.5	21.6	10.8
EV/operating cash flow	11.3	15.8	11.4	-61.1	5.9	7.4	6.9
EV/cash earnings	14.0	8.5	39.8	-36.7	10.1	8.2	7.6
P/E	26.0	25.8	-26.9	-4.1	61.6	26.4	11.3
P/E excl. goodwill	26.0	25.8	-26.9	-4.1	61.6	26.4	11.3
P/B	1.5	1.7	1.4	0.6	1.2	1.1	1.0
P/sales	0.7	0.6	0.5	0.2	0.4	0.4	0.4
P/CF	8.3	11.2	8.2	-23.7	3.6	4.9	4.9
Target EV/EB IT	0.0	0.0	0.0	0.0	49.1	23.4	11.8
Target P/E	0.0	0.0	0.0	0.0	69.4	29.8	12.7
Target P/B	0.0	0.0	0.0	0.0	1.3	1.3	1.2
Per share measures							
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	0.01	0.03	0.06
EPS excl. goodwill	0.04	0.04	-0.03	-0.09	0.01	0.03	0.06
Cash EPS	0.10	0.19	0.03	-0.03	0.11	0.13	0.13
Operating cash flow per share	0.12	0.10	0.12	-0.02	0.19	0.15	0.14
Capital employed per share	0.98	1.14	1.05	1.16	1.04	0.99	0.98
Book value per share	0.64	0.67	0.68	0.59	0.60	0.63	0.69
Book value excl. goodwill	0.05	-0.16	-0.05	-0.13	-0.12	-0.09	-0.03
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
Efficiency measures							
ROE	6.2	6.8	-5.3	-13.8	1.9	4.4	9.5
ROCE	7.6	6.4	-3.7	-9.5	2.2	4.7	8.9
Financial ratios							
Capex/sales, %	4.9	12.3	2.6	9.7	2.8	3.4	3.4
Capex/depreciation excl. goodwill, %	185.9	-31.5	107.6	225.9	48.8	60.2	92.7
Net debt/EB ITDA, book-weighted	3.1	3.3	10.2	-20.0	3.4	2.4	1.8
Debt/equity, market-weighted	0.4	0.4	0.4	1.6	0.7	0.6	0.5
Equity ratio, book-weighted	48.5	35.4	42.5	37.2	38.2	40.4	44.3
Gearing	0.54	0.70	0.54	0.97	0.73	0.58	0.43
Number of employees, average	409	591	601	550	550	550	550
Sales per employee, EUR	108,685	100,873	109,261	114,807	116,412	119,322	122,305
EB IT per employee, EUR	6,218	3,946	-2,431	-7,040	1,655	3,273	6,115

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	5.478	21.3%
Ilmarinen Mutual Pension Insurance Company	1,800,000	1.278	5.0%
Tilman Tuomo Tapani	1,465,437	1.040	4.0%
Svalroma Invest AB	1,357,062	0.964	3.8%
Linturi Kaija and Risto	1,256,411	0.892	3.5%
Laiho Rami Tapani	1,255,159	0.891	3.5%
Ärje Matias Juhanpoika	882,065	0.626	2.4%
Mäki Antti Jussi	877,192	0.623	2.4%
Muukkonen Teemu Heikki	522,230	0.371	1.4%
Ingman Finance Oy Ab	500,000	0.355	1.4%
Ten largest	17,631,729	12.519	49%
Residual	18,556,496	13.175	51%
Total	36,188,225	25.694	100%

EARNINGS CALENDAR

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	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Dividend, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	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

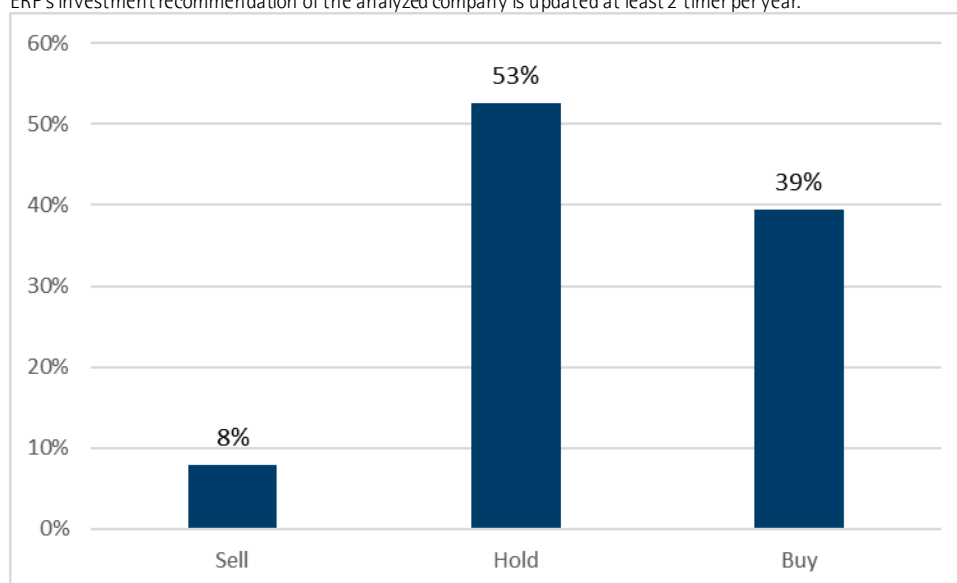
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Investment recommendations are defined as follows:

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

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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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