

Profitability improving

Innofactor's profitability improved in Q1, aided primarily by the cost savings program from Q4/18 and a higher revenue per employee. Prerequisites for further improvements remain, as the personnel base has decreased while the order backlog remains at healthy levels. We retain our HOLD-rating with a target price of EUR 0.60 (0.45).

Improved profitability in Q1

Innofactor's profitability in Q1 improved in line with our expectations, with EBITDA amounting to EUR 0.9m, at a margin of 5.4%. Revenue fell slightly short of our expectations, affected partly by a smaller impact of the timing of Dynasty product sales than we had expected. Profitability was aided primarily by the restructuring efforts and cost savings done during Q4/18 but also by a higher revenue per employee (+9.2% y/y). The adoption of IFRS 16 had a EUR 0.3m positive impact on EBITDA.

Prerequisites for improving profitability in place

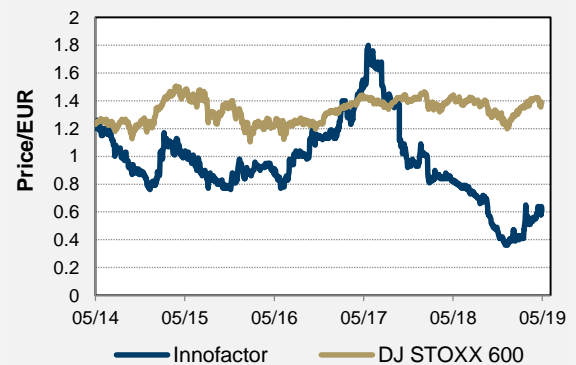
The level of impact on profitability of the cost savings efforts that were executed during Q4/18 was largely visible in Q1 figures. Focus will remain on improving profitability and further increases of the revenue per employee remains a key source for improvement in our view. The prerequisites certainly exist, as the number of personnel has decreased 10% y/y while the order backlog is up some 85% y/y. The positive development has still been largely attributable to operations in Finland, as challenges in both Denmark and Sweden have persisted and remain a key uncertainty. We have made only minor adjustments to our estimates post Q1, with our 2019 revenue and EBITDA estimates at EUR 64.0m and EUR 4.0m respectively.

HOLD with a target price of EUR 0.60 (0.45)

Innofactor trades at a 2019E EV/EBITDA of 9.5x, in line with peers. Given the challenges Innofactor has faced and an elevated level of uncertainty we would normally consider this quite a stretch. With signs of improving profitability and more attractive 2020E multiples we are however prepared to give Innofactor the benefit of the doubt and retain our HOLD-rating with a target price of EUR 0.60 (0.45).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 0.61
Target price, EUR 0.6

Latest change in recommendation 09-Oct-18
Latest report on company 06-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 22
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
Web site www.innofactor.fi

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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	0	0.5%	0	0.00	-386.6	0.6	3.4	123.6	0.00
2020E	66	2	2.7%	1	0.03	23.0	0.5	4.2	19.9	0.00
2021E	67	3	5.0%	3	0.06	9.8	0.5	4.2	9.9	0.00
Market cap, EURm	22		BV per share 2019E, EUR		0.6		CAGR EPS 2018-21, %		0.0	
Net debt 2019E, EURm	16		Price/book 2019E		1.0		CAGR sales 2018-21, %		2.1	
Enterprise value, EURm	38		Dividend yield 2019E, %		0.0		ROE 2019E, %		-0.3	
Total assets 2019E, EURm	57		Tax rate 2019E, %		63.8		ROCE 2019E, %		0.8	
Goodwill 2019E, EURm	26		Equity ratio 2019E, %		37.3		PEG, P/E 19/CAGR		0.0	

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
<i>sales growth %</i>	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	0.7	0.5	1.9	4.0	5.5	5.9
<i>EBITDA margin</i>	2.0%	2.1%	0.2%	-3.6%	-5.7%	-1.6%	5.4%	4.2%	3.6%	11.2%	6.2%	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	-0.2	-0.4	1.0	0.3	1.8	3.4
<i>EBIT margin</i>	1.4%	-2.2%	-3.7%	-8.6%	-10.7%	-6.1%	-0.5%	-0.4%	-0.5%	-0.4%	0.5%	2.7%	5.0%
Adj. EBIT (excl. acquisition depr.)	0.6	0.1	-0.1	-0.7	-1.2	-1.8	0.4	0.3	0.1	1.5	2.3	3.8	4.1
<i>Adj. EBIT margin</i>	0.9%	0.9%	-0.7%	-4.9%	-7.5%	-2.9%	2.6%	1.8%	0.8%	8.9%	3.7%	5.8%	6.0%

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBIT			EV/EBITDA			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1927	12.7x	11.7x	11.1x	8.2x	7.9x	7.7x	14.0x	13.3x	12.8x
Atea	1336	16.0x	13.5x	11.8x	9.8x	8.8x	8.0x	19.1x	16.0x	14.1x
Knowit	383	12.3x	11.5x	10.8x	10.5x	9.9x	9.4x	15.7x	14.6x	13.7x
HiQ	262	11.5x	10.7x	10.1x	9.9x	9.4x	9.0x	16.4x	15.1x	14.2x
Bouvet	324	13.1x	12.2x	11.0x	10.7x	10.0x	8.8x	18.2x	17.0x	15.4x
Enea	271	15.3x	14.2x	13.0x	12.3x	11.4x	11.0x	18.5x	16.8x	14.5x
Gofore	110	10.6x	9.2x	8.6x	9.4x	8.2x	7.8x	14.9x	12.9x	11.4x
Digia	81	10.3x	8.7x	8.0x	7.1x	6.1x	5.7x	11.7x	9.8x	8.9x
Sili Solutions	62	10.6x	8.3x	7.2x	8.3x	6.8x	6.1x	12.9x	10.1x	8.9x
Solteq	27	11.5x	10.8x	9.8x	6.4x	5.8x	5.4x	12.8x	10.8x	8.8x
Peer Group Average	478	12.4x	11.1x	10.1x	9.3x	8.4x	7.9x	15.4x	13.6x	12.3x
Peer Group Median	267	11.9x	11.1x	10.5x	9.6x	8.5x	7.9x	15.3x	13.9x	13.3x
Innofactor (Evli est.)	22	123.1x	19.8x	9.8x	9.5x	6.4x	5.7x	Neg.	22.9x	9.7x

Innofactor prem./disc. to peer median

>100% 78% -6% -1% -24% -28% - 64% -27%

Source Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.61 PV of Free Cash Flow	22 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	0.74 PV of Horizon value	25 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	20.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	0.8 Marketable securities	0 Minimum WACC, %	7.9 Equity beta coefficient	1.00
Minimum value	0.6 Debt - dividend	-21 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	52.8 Value of stock	27 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	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	0	2	3	4	4	4	4	4	4	4	4
<i>EBIT margin, %</i>	-6.1	0.5	2.7	5.0	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
+ 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	-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	3	54
= Discounted FCF (DFCF)		4	3	2	2	2	2	2	2	2	2	25
= DFCF min WACC		4	3	2	2	2	2	2	2	2	2	28
= DFCF max WACC		4	3	2	2	2	2	2	2	2	1	22

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	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>5.4</i>	<i>4.2</i>	<i>3.6</i>	<i>11.2</i>	<i>6.2</i>	<i>8.5</i>	<i>8.7</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>5.9</i>	<i>0.5</i>	<i>2.7</i>	<i>5.0</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	-1	-1
Pre-tax profit	0	-1	-1	-1	-4	0	0	-1	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>63.8</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	0.03	0.06
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	0.03	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	0	2	3
Total	0	-1	-1	-2	-4	0	0	0	1	0	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>-1.2</i>	<i>-2.8</i>	<i>5.9</i>	<i>0.5</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>-1.2</i>	<i>-2.8</i>	<i>5.9</i>	<i>0.5</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	-60	-60	-61
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>6.2</i>	<i>8.5</i>	<i>8.7</i>
Depreciation	-1	-1	-2	-3	-3	-4	-4	-2
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>2.7</i>	<i>5.0</i>
Net financials	0	-1	0	0	0	0	-1	-1
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	21	22	24
<i>% of sales</i>	<i>45</i>	<i>48</i>	<i>38</i>	<i>38</i>	<i>34</i>	<i>33</i>	<i>34</i>	<i>36</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	18	16	13
<i>% of sales</i>	<i>32</i>	<i>28</i>	<i>28</i>	<i>22</i>	<i>33</i>	<i>28</i>	<i>24</i>	<i>20</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	4	6	6
- Net financial items	0	-1	0	0	0	0	-1	-1
- 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	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	-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	22	22	22
Net debt	12	16	13	21	16	14	11
Enterprise value	44	54	47	34	38	36	33
Sales	44	60	66	63	64	66	67
EBITDA	4	5	1	-1	4	6	6
EBIT	3	2	-1	-4	0	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	21	22	24
Valuation multiples							
EV/sales	1.0	0.9	0.7	0.5	0.6	0.5	0.5
EV/EBITDA	12.0	11.2	36.2	-32.6	9.6	6.4	5.7
EV/EBITA	17.4	23.3	-32.4	-8.7	123.6	19.9	9.9
EV/EBIT	17.4	23.3	-32.4	-8.7	123.6	19.9	9.9
EV/operating cash flow	11.3	15.8	11.4	-61.1	5.9	6.8	6.4
EV/cash earnings	14.0	8.5	39.8	-36.7	10.5	7.6	7.0
P/E	26.0	25.8	-26.9	-4.1	-386.6	23.0	9.8
P/E excl. goodwill	26.0	25.8	-26.9	-4.1	-386.6	23.0	9.8
P/B	1.5	1.7	1.4	0.6	1.0	1.0	0.9
P/sales	0.7	0.6	0.5	0.2	0.3	0.3	0.3
P/CF	8.3	11.2	8.2	-23.7	3.4	4.2	4.2
Target EV/EBIT	0.0	0.0	0.0	0.0	122.4	19.7	9.8
Target P/E	0.0	0.0	0.0	0.0	-380.3	22.6	9.6
Target P/B	0.0	0.0	0.0	0.0	1.0	1.0	0.9
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	0.00	0.03	0.06
EPS excl. goodwill	0.04	0.04	-0.03	-0.09	0.00	0.03	0.06
Cash EPS	0.10	0.19	0.03	-0.03	0.10	0.13	0.13
Operating cash flow per share	0.12	0.10	0.12	-0.02	0.18	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	0.59	0.61	0.68
Book value excl. goodwill	0.05	-0.16	-0.05	-0.13	-0.13	-0.11	-0.05
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	-0.3	4.4	9.7
ROCE	7.6	6.4	-3.7	-9.5	0.8	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/EBITDA, book-weighted	3.1	3.3	10.2	-20.0	4.1	2.5	1.9
Debt/equity, market-weighted	0.4	0.4	0.4	1.6	0.8	0.7	0.6
Equity ratio, book-weighted	48.5	35.4	42.5	37.2	37.3	39.6	43.4
Gearing	0.54	0.70	0.54	0.97	0.76	0.62	0.46
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
EBIT per employee, EUR	6,218	3,946	-2,431	-7,040	564	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	4.707	21.3%
Ilmarinen Mutual Pension Insurance Company	1,800,000	1.098	5.0%
Tilman Tuomo Tapani	1,465,437	0.894	4.0%
Svalroma Invest AB	1,357,062	0.828	3.8%
Linturi Kaija and Risto	1,256,411	0.766	3.5%
Laiho Rami Tapani	1,255,159	0.766	3.5%
Ärje Matias Juhanpoika	882,065	0.538	2.4%
Mäki Antti Jussi	877,192	0.535	2.4%
Muukkonen Teemu Heikki	522,230	0.319	1.4%
Ingman Finance Oy Ab	500,000	0.305	1.4%
Ten largest	17,631,729	10.755	49%
Residual	18,556,496	11.319	51%
Total	36,188,225	22.075	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	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
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

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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 timer 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

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