

Eager to see what the future holds

Innofactor reported good results in the quarter expected to be most hit by negative impact of the pandemic. The outlook for 2021 remains positive but we have yet to see signs of the next clear steps of growth pick-up and margin improvement. Valuation still remains attractive and we adjust our TP to EUR 1.45 (1.35) and retain our BUY-rating.

Good results in the by COVID-19 impact weakened quarter

Innofactor reported slightly better Q3 results than we had expected in the due to the coronavirus pandemic more challenging quarter. Net sales grew 0.3% y/y to EUR 14.0m (Evli 13.8m), with the negative impacts of the pandemic lowering sales per employee by 1.6%. EBITDA amounted to EUR 1.6m (Evli EUR 1.3m), with slightly negative figures in the other Nordic countries due to lower sales. The negative impacts of the pandemic were in line with company expectations. Weaker demand has mainly been seen among commercial customers. The order backlog amounted to EUR 58.2m, up 9.4% y/y.

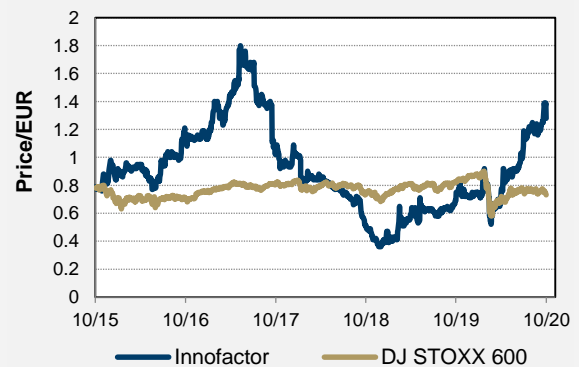
Awaiting signs of faster growth and earnings improvement

Innofactor expects net sales and EBITDA in 2020 to increase from 2019, with our estimates now at EUR 65.5m (2019: EUR 64.2m) and EUR 7.7m (2019: EUR 5.1m) respectively, with the latter estimate up slightly post Q3 following better than expected relative profitability. The outlook for 2021 remains positive but we still expect only a modest growth of 4.0% and minor EBITDA-% improvement (11.7% ->12.0%). Challenges continue to relate mainly to performance in the other Nordic countries and any notable signs of improvement are yet to be seen. M&A activity continues to appear likely in the coming years, with the company committed to its 20% annual growth and 20% EBITDA-% target, but it is too early to account for such.

BUY with a target price of EUR 1.45 (1.35)

On peer multiples Innofactor continues to trade at a clear discount. We also expect Innofactor to initiate dividend payments in 2020. Non-cash items (mainly PPA) affecting earnings will still keep dividend yields rather low (2020e: 2.3%). We raise our TP to EUR 1.45 (1.35) and retain our BUY-rating.

Rating BUY



Share price, EUR (Last trading day's closing price) 1.28

Target price, EUR 1.45

Latest change in recommendation 06-Jun-19

Latest report on company 29-Jul-20

Research paid by issuer: YE

No. of shares outstanding, '000's 37,388

No. of shares fully diluted, '000's 37,388

Market cap, EURm 48

Free float, % 47.0

Exchange rate EUR 0.000

Reuters code IFA1V.HE

Bloomberg code IFA1V.FH

Average daily volume, EURm 0.04

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
2018	63.1	-3.9	-6.1%	-1.7	-0.09	-4.1	0.5	-8.7	-13.2	0.00
2019	64.2	0.8	1.2%	4.4	0.01	64.6	0.7	53.8	16.3	0.00
2020E	65.5	3.1	4.7%	4.8	0.06	18.2	0.9	19.0	10.0	0.03
2021E	68.1	5.2	7.6%	3.9	0.09	13.5	0.8	10.8	8.1	0.05
2022E	70.2	6.1	8.7%	4.0	0.12	11.0	0.8	8.8	8.4	0.06
Market cap, EURm	48			Gearing 2020E, %	45.6			CAGR EPS 2019-22, %	118.5	
Net debt 2020E, EURm	11			Price/book 2020E	2.0			CAGR sales 2019-22, %	3.0	
Enterprise value, EURm	59			Dividend yield 2020E, %	2.3			ROE 2020E, %	9.3	
Total assets 2020E, EURm	58			Tax rate 2020E, %	-12.0			ROCE 2020E, %	7.8	
Goodwill 2020E, EURm	26			Equity ratio 2020E, %	41.8			PEG, P/E 20/CAGR	1.0	

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

Innofactor	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Net sales	63.1	16.1	16.7	14.0	17.4	64.2	17.2	16.8	14.0	17.6	65.5	68.1	70.2
sales growth %	-3.8%	-2.0%	-2.1%	1.4%	9.7%	1.7%	6.2%	0.6%	0.3%	1.0%	2.0%	4.0%	3.0%
EBITDA	-1.1	0.9	1.1	1.5	1.6	5.1	2.0	2.1	1.6	2.1	7.7	8.2	8.5
EBITDA margin	-1.7%	5.4%	6.8%	11.0%	8.9%	7.9%	11.4%	12.3%	11.1%	11.9%	11.7%	12.0%	12.1%
Acquisition related depreciation	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-0.5	-0.5	-0.5	-0.5	-1.9	-0.7	0.0
EBIT	-3.9	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.4	1.0	3.1	5.2	6.1
EBIT margin	-6.1%	-0.6%	0.9%	1.8%	2.8%	1.2%	4.8%	5.3%	2.8%	5.7%	4.7%	7.6%	8.7%
Adj. EBIT (excl. acquisition depr.)	-1.8	0.4	0.7	0.8	1.0	2.8	1.3	1.4	0.9	1.5	5.0	5.9	6.1
Adj. EBIT margin	-2.9%	2.6%	4.0%	5.4%	5.7%	4.4%	7.5%	8.1%	6.2%	8.4%	7.6%	8.7%	8.7%

Source: Innofactor, Evli Research estimates

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVRY	2684	8.1x	7.1x	6.9x	12.5x	10.0x	9.4x	12.6x	10.2x	9.3x
Atea	1155	9.4x	8.3x	7.7x	16.7x	13.7x	12.3x	21.9x	17.7x	15.6x
Knowit	473	11.9x	10.5x	9.6x	15.2x	13.1x	11.8x	20.0x	17.7x	16.4x
HiQ International	391	16.3x	14.6x	13.5x	20.3x	17.7x	16.2x	28.0x	24.5x	22.3x
Bouvet	588	16.7x	15.2x	13.7x	20.9x	19.0x	16.9x	27.8x	25.3x	22.7x
Enea	355	12.4x	10.1x	8.8x	18.0x	14.5x	11.9x	20.7x	17.3x	14.0x
Gofore	195	18.2x	16.3x	14.0x	20.6x	19.0x	16.9x	29.3x	24.8x	22.2x
Digia	180	11.1x	10.6x	9.6x	16.7x	15.2x	13.4x	19.0x	18.8x	16.7x
Sili Solutions	82							18.0x		
Solteq	31	6.0x	6.0x	5.9x	12.3x	12.3x	12.9x	24.8x	16.1x	13.4x
Peer Group Average	613	12.2x	11.0x	10.0x	17.0x	15.0x	13.5x	22.2x	19.2x	16.9x
Peer Group Median	373	11.9x	10.5x	9.6x	16.7x	14.5x	12.9x	21.3x	17.7x	16.4x
Innofactor (Evli est.)	48	7.7x	6.9x	6.3x	19.0x	10.8x	8.8x	18.2x	13.5x	11.0x
Innofactor prem./disc. to peer median		-36%	-34%	-34%	14%	-26%	-32%	-15%	-24%	-33%
Innofactor adj.* (Evli est.)	48	7.7x	6.9x	6.3x	11.8x	9.5x	8.8x	13.0x	11.7x	11.0x
Innofactor prem./disc. to peer median		-36%	-34%	-34%	-29%	-34%	-32%	-39%	-34%	-33%

Source Bloomberg, Evli Research. *Excl. purchase price amortization

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.28 PV of Free Cash Flow	51 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	2.71 PV of Horizon value	67 WACC, %	7.9 Market risk premium, %
Share price potential, %	111.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.0 Marketable securities	1 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	2.5 Debt - dividend	-17 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	56.8 Value of stock	101 Nr of shares, Mn	37.4 Effective tax rate, %

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	64	66	68	70	72	74	76	77	79	81	83	85
<i>Sales growth, %</i>	<i>1.7</i>	<i>2.0</i>	<i>4.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	1	3	5	6	6	6	6	6	7	7	7	7
<i>Operating income margin, %</i>	<i>1.2</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>
+ Depreciation+amort.	4	5	3	2	3	3	3	3	3	3	3	3
EBITDA	5	8	8	9	8	9	9	9	9	10	10	
- Paid taxes	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
- Change in NWC	2	1	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>-2.9</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
<i>opCAPEX / Sales, %</i>	<i>2.8</i>	<i>4.2</i>	<i>4.1</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>
- 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	6	8	6	7	7	7	7	7	7	7	8	133
= Discounted FCFF		8	6	6	5	5	5	4	4	4	4	67
= DFCF min WACC		8	6	6	5	5	5	5	4	4	4	76
= DFCF max WACC		8	6	6	5	5	5	4	4	4	4	59

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	16.1	16.7	14.0	17.4	64.2	17.2	16.8	14.0	17.6	65.5	68.1	70.2
EBITDA	0.9	1.1	1.5	1.6	5.1	2.0	2.1	1.6	2.1	7.7	8.2	8.5
<i>EBITDA margin (%)</i>	<i>5.4</i>	<i>6.8</i>	<i>11.0</i>	<i>8.9</i>	<i>7.9</i>	<i>11.4</i>	<i>12.3</i>	<i>11.1</i>	<i>11.9</i>	<i>11.7</i>	<i>12.0</i>	<i>12.1</i>
EBIT	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.4	1.0	3.1	5.2	6.1
<i>EBIT margin (%)</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>5.7</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>
Net financial items	-0.1	-0.3	-0.2	-0.2	-0.8	-0.9	0.3	-0.4	-0.2	-1.2	-0.7	-0.6
Pre-tax profit	-0.2	-0.1	0.0	0.3	0.0	-0.1	1.2	0.0	0.8	1.9	4.5	5.5
Tax	0.1	0.1	0.1	0.1	0.4	0.3	0.1	0.0	-0.2	0.2	-0.9	-1.2
<i>Tax rate (%)</i>	<i>55.3</i>	<i>102.9</i>	<i>-219.5</i>	<i>-37.4</i>	<i>-3,690.9</i>	<i>263.7</i>	<i>-6.5</i>	<i>0.0</i>	<i>21.0</i>	<i>-12.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	-0.1	0.0	0.1	0.4	0.4	0.2	1.3	0.0	0.7	2.2	3.5	4.4
EPS	0.00	0.00	0.00	0.01	0.01	0.01	0.03	0.00	0.02	0.06	0.09	0.12
EPS adjusted (diluted no. of shares)	0.00	0.00	0.00	0.01	0.01	0.03	0.02	0.01	0.02	0.07	0.09	0.12
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.05	0.06
SALES, EURm												
Innofactor	16.1	16.7	14.0	17.4	64.2	17.2	16.8	14.0	17.6	65.5	68.1	70.2
Total	16.1	16.7	14.0	17.4	64.2	17.2	16.8	14.0	17.6	65.5	68.1	70.2
SALES GROWTH, Y/Y %												
<i>Innofactor</i>	<i>-2.0</i>	<i>-2.1</i>	<i>1.4</i>	<i>9.7</i>	<i>1.7</i>	<i>6.2</i>	<i>0.6</i>	<i>0.3</i>	<i>1.0</i>	<i>2.0</i>	<i>4.0</i>	<i>3.0</i>
<i>Total</i>	<i>-2.0</i>	<i>-2.1</i>	<i>1.4</i>	<i>9.7</i>	<i>1.7</i>	<i>6.2</i>	<i>0.6</i>	<i>0.3</i>	<i>1.0</i>	<i>2.0</i>	<i>4.0</i>	<i>3.0</i>
EBIT, EURm												
Innofactor	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.4	1.0	3.1	5.2	6.1
Total	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.4	1.0	3.1	5.2	6.1
EBIT margin, %												
<i>Innofactor</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>5.7</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>
<i>Total</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>5.7</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	44.5	59.6	65.7	63.1	64.2	65.5	68.1	70.2
<i>Sales growth (%)</i>	<i>1.4</i>	<i>34.1</i>	<i>10.1</i>	<i>-3.8</i>	<i>1.7</i>	<i>2.0</i>	<i>4.0</i>	<i>3.0</i>
EBITDA	3.7	4.8	1.3	-1.1	5.1	7.7	8.2	8.5
<i>EBITDA margin (%)</i>	<i>8.3</i>	<i>8.1</i>	<i>2.0</i>	<i>-1.7</i>	<i>7.9</i>	<i>11.7</i>	<i>12.0</i>	<i>12.1</i>
Depreciation	-1.2	-2.5	-2.8	-2.8	-4.3	-4.6	-3.0	-2.4
EBITA	2.5	2.3	-1.5	-3.9	0.8	3.1	5.2	6.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	2.3	-1.5	-3.9	0.8	3.1	5.2	6.1
<i>EBIT margin (%)</i>	<i>5.7</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>
Reported EBIT	2.5	2.3	-1.5	-3.9	0.8	3.1	5.2	6.1
<i>EBIT margin (reported) (%)</i>	<i>5.7</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>4.7</i>	<i>7.6</i>	<i>8.7</i>
Net financials	-0.6	-0.4	-0.1	0.1	-0.8	-1.2	-0.7	-0.6
Pre-tax profit	1.9	1.9	-1.6	-3.8	0.0	1.9	4.5	5.5
Taxes	-0.4	-0.4	0.3	0.6	0.4	0.2	-0.9	-1.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.3	1.5	-1.3	-3.2	0.4	2.2	3.5	4.4
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	10	8	7	4	2	2	2
Goodwill	20	28	26	26	26	26	26	26
Right of use assets	0	0	0	5	5	5	5	5
Inventory	0	0	0	0	0	0	0	0
Receivables	13	19	17	13	14	14	15	15
Liquid funds	1	1	1	0	1	5	8	4
Total assets	44	64	58	57	56	58	61	59
Liabilities								
Shareholder's equity	21	23	25	21	22	24	27	29
Minority interest	0	0	0	0	0	0	0	0
Convertibles	3	0	0	0	0	0	0	0
Lease liabilities	0	0	0	5	5	5	5	5
Deferred taxes	1	2	2	1	1	1	1	1
Interest bearing debt	9	17	14	15	12	11	11	5
Non-interest bearing current liabilities	9	22	17	14	16	17	18	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	44	64	58	57	56	58	61	59
CASH FLOW, EURm								
+ EBITDA	4	5	1	-1	5	8	8	9
- Net financial items	0	0	0	0	-1	-1	-1	-1
- Taxes	0	2	0	0	0	0	-1	-1
- Increase in Net Working Capital	1	-1	2	1	2	1	0	0
+/- Other	-1	-2	1	-1	0	0	0	0
= Cash flow from operations	3	3	4	-1	6	8	7	7
- Capex	0	-1	-2	-1	-2	-3	-3	-3
- Acquisitions	-2	-6	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	-4	2	-2	4	5	4	4
+/- New issues/buybacks	1	0	4	0	0	0	0	0
- Paid dividend	0	0	0	0	0	0	-1	-2
+/- Other	-2	5	-6	1	-4	-1	0	-6
Change in cash	0	0	0	-1	1	4	3	-4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	38	34	13	27	48	48	48
Net debt (excl. convertibles)	16	13	20	16	11	8	6
Enterprise value	54	47	33	43	59	56	54
Sales	60	66	63	64	66	68	70
EBITDA	5	1	-1	5	8	8	9
EBIT	2	-1	-4	1	3	5	6
Pre-tax	2	-2	-4	0	2	4	6
Earnings	1	-1	-3	0	2	4	4
Equity book value (excl. minorities)	23	25	21	22	24	27	29
Valuation multiples							
EV/sales	0.9	0.7	0.5	0.7	0.9	0.8	0.8
EV/EBITDA	11.2	36.2	-30.4	8.4	7.7	6.9	6.3
EV/EBITA	23.3	-32.4	-8.7	53.8	19.0	10.8	8.8
EV/EBIT	23.3	-32.4	-8.7	53.8	19.0	10.8	8.8
EV/OCF	17.4	11.4	-57.7	6.9	7.8	8.5	7.9
EV/FCFF	-17.6	17.1	-17.9	6.9	7.4	8.7	8.2
P/FCFE	-9.1	13.7	-7.6	6.1	10.0	12.4	11.9
P/E	25.8	-26.9	-4.1	64.6	18.2	13.5	11.0
P/B	1.7	1.4	0.6	1.2	2.0	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.5	7.6	7.1
Target EV/EBIT	0.0	0.0	0.0	0.0	21.1	12.0	9.9
Target EV/FCF	0.0	0.0	0.0	0.0	13.6	16.2	14.9
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	20.6	15.3	12.5
Per share measures							
Number of shares	33,454	36,188	36,188	37,388	37,388	37,388	37,388
Number of shares (diluted)	33,454	36,188	36,188	37,388	37,388	37,388	37,388
EPS	0.04	-0.03	-0.09	0.01	0.06	0.09	0.12
Operating cash flow per share	0.09	0.12	-0.02	0.17	0.20	0.18	0.18
Free cash flow per share	-0.13	0.07	-0.05	0.12	0.13	0.10	0.11
Book value per share	0.67	0.68	0.59	0.59	0.65	0.72	0.78
Dividend per share	0.00	0.00	0.00	0.00	0.03	0.05	0.06
Dividend payout ratio, %	0.0	0.0	0.0	0.0	50.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	2.3	3.7	4.5
FCF yield, %	-10.9	7.3	-13.2	16.3	10.0	8.1	8.4
Efficiency measures							
ROE	6.8	-5.3	-13.8	1.9	9.3	13.9	15.5
ROCE	6.4	-3.7	-9.6	2.0	7.8	12.5	14.8
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	32.5	25.6	20.9	21.9	21.9	21.9	21.9
Non-interest bearing liabilities as % of sales	37.2	26.6	22.1	24.8	26.0	26.0	26.0
NWC/sales, %	-4.6	-1.0	-1.2	-2.9	-4.1	-4.1	-4.1
Operative CAPEX/sales, %	1.4	2.6	1.8	2.8	4.2	4.1	4.0
CAPEX/sales (incl. acquisitions), %	-9.4	2.6	1.8	2.8	4.2	4.1	4.0
FCFF/EBITDA	-0.6	2.1	1.7	1.2	1.0	0.8	0.8
Net debt/EBITDA, book-weighted	3.3	10.2	-18.6	3.1	1.4	1.0	0.7
Debt/equity, market-weighted	0.4	0.4	1.2	0.4	0.2	0.2	0.1
Equity ratio, book-weighted	35.4	42.5	37.3	39.7	41.8	43.6	50.0
Gearing, %	70.2	53.8	96.1	71.8	45.6	31.0	20.6

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. Innofactor has operations in Finland, Sweden, Denmark, and Norway.

INVESTMENT CASE: Innofactor has been showing recovery from a few years of subpar performance, caused primarily by integration issues relating to its pan-Nordic platform. Focus in the near-term should still remain on actions to improve margins and sorting out challenges relating to international operations. Good traction for Microsoft's enterprise solutions supports growth outlook going forward.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ensio Sami	7,880,237	10.087	21.1%
Ilmarinen Mutual Pension Insurance Company	1,800,000	2.304	4.8%
Jyrki Hallikainen	1,471,009	1.883	3.9%
Linturi Kaija and Risto	1,256,411	1.608	3.4%
Laiho Rami Tapani	1,195,594	1.530	3.2%
Ärje Matias Juhanpoika	882,065	1.129	2.4%
Mäki Antti Jussi	821,972	1.052	2.2%
Tilman Tuomo Tapani	763,397	0.977	2.0%
Saarelainen Mika Pekka	631,993	0.809	1.7%
Ingman Finance	500,000	0.640	1.3%
Ten largest	17,202,678	22.019	46%
Residual	20,185,547	25.838	54%
Total	37,388,225	47.857	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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CFO: Markku Puolanne

Tel: +358 (0)10 272 9000

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

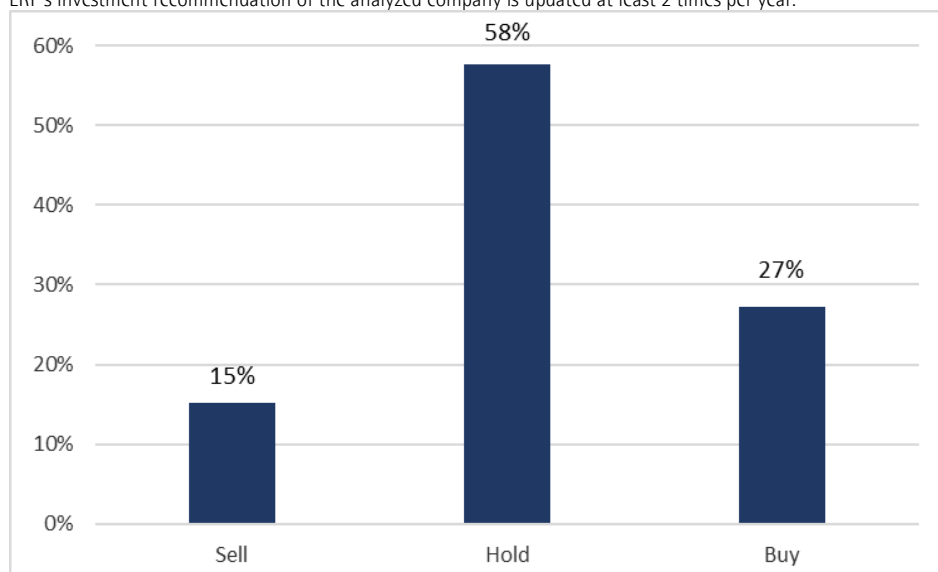
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Investment recommendations are defined as follows:

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

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Name(s) of the analyst(s): Salokivi

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