

Outlook is valued well enough

Scanfil's Q2 top line was close to estimates while EBIT didn't quite reach expected levels. We make only minor estimate revisions. Our rating is now HOLD (BUY).

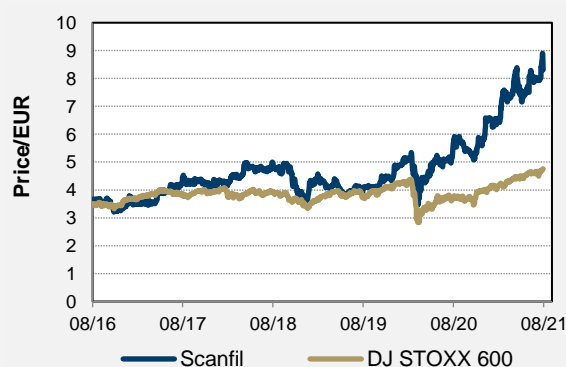
Some softness in Q2 EBIT margin, but nothing major to flag Q2 revenue, incl. transitory invoicing, grew 11% y/y to EUR 173m. The figure was EUR 166m excl. the component-related items and can be compared to the EUR 165m/169m Evli/cons. estimates. Automation & Safety top line remained flat while both Advanced Consumer Applications and Energy & Cleantech grew by more than 30%. Advanced Consumer Applications had account ramp-ups and high demand persisted for familiar favorably positioned customers. Energy & Cleantech performed strong even without big ramp-ups as the customers' markets expand, and we believe Scanfil has gained share within attractive accounts like TOMRA. Component availability challenges remain, but the shortage situation didn't have any big negative effect on Q2 performance; the situation may now be improving or at least isn't worsening. The EUR 10.6m Q2 EBIT was a tad soft compared to the EUR 10.9m/11.1m Evli/cons. estimates. In our view the Hamburg plant closure costs explain a large part of the shortfall.

Our FY '21 estimates remain close to the guidance midpoint

We make only very small revisions to our estimates. In our view cost inflation is not an issue for Scanfil, while component availability is for now a challenge for pretty much all EMS companies. Scanfil will host its first ever CMD in September and we wouldn't be surprised to see an upgrade to the current organic growth target. We now see Scanfil is headed for the EUR 700m figure a year in advance. Scanfil can top the 7% EBIT margin target at least on a quarterly level, but we would view any upgrade to this target ambitious because growth in the EMS business often doesn't scale that much in terms of relative profitability. This is one of the major factors that limit valuation.

We view current valuation picture neutral

Scanfil is now valued ca. 9x EV/EBITDA and 12x EV/EBIT on our FY '21 estimates. We believe growth continues to drive absolute earnings up in the coming years and so the multiples should be down to around 8x and 11x already next year. The valuation represents a premium relative to peers, but in our opinion is warranted. We retain our EUR 9.0 TP; rating now HOLD (BUY).

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 8.30

 Target price, EUR 9.0

 Latest change in recommendation 09-Aug-21

 Latest report on company 14-Jun-21

 Research paid by issuer: YES

 No. of shares outstanding, '000's 63,895

 No. of shares fully diluted, '000's 63,895

 Market cap, EURm 530

 Free float, % 46.6

 Exchange rate -

 Reuters code SCANFL.HE

 Bloomberg code SCANFL.FH

 Average daily volume, EURm 0.1

 Next interim report 26-Oct-21

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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
2019	579.4	39.4	6.8%	7.5	0.50	10.4	0.7	9.6	2.2	0.15
2020	595.3	39.1	6.6%	43.5	0.49	13.2	0.7	11.0	10.4	0.17
2021E	657.5	42.9	6.5%	33.0	0.52	15.9	0.8	12.2	6.2	0.18
2022E	695.9	47.3	6.8%	29.5	0.56	14.9	0.7	10.7	5.6	0.19
2023E	732.9	51.3	7.0%	31.6	0.61	13.7	0.7	9.5	6.0	0.20
Market cap, EURm	530			Gearing 2021E, %	-3.7			CAGR EPS 2020-23, %	7.0	
Net debt 2021E, EURm	-8			Price/book 2021E	2.6			CAGR sales 2020-23, %	7.2	
Enterprise value, EURm	523			Dividend yield 2021E, %	2.2			ROE 2021E, %	17.1	
Total assets 2021E, EURm	359			Tax rate 2021E, %	19.4			ROCE 2021E, %	18.9	
Goodwill 2021E, EURm	8			Equity ratio 2021E, %	57.2			PEG, P/E 21/CAGR	2.3	

Estimates and peer group multiples

Scanfil	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e
Revenue	144	156	142	154	595	163	173	157	164	658	696	733
<i>growth-%</i>	10.9 %	9.1 %	-7.0 %	-0.4 %	2.8 %	13.4 %	11.1 %	10.8 %	6.7 %	10.4 %	5.8 %	5.3 %
Advanced Consumer Applications	31	40	39	41	151	43	53	45	47	188	201	211
Automation & Safety	38	37	34	34	142	35	37	37	37	145	152	158
Connectivity	7	8	7	6	29	8	7	8	7	30	32	33
Energy & Cleantech	34	34	30	37	136	40	45	39	42	166	186	199
Medtech & Life Science	27	25	26	30	108	29	29	29	32	118	125	131
Discontinued	6	12	6	5	30	9	2	0	0	11	0	0
EBIT	9	10	10	10	39	10	11	11	12	43	47	51
<i>EBIT margin</i>	6.0 %	6.5 %	7.0 %	6.8 %	6.6 %	6.1 %	6.1 %	6.9 %	7.0 %	6.5 %	6.8 %	7.0 %

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Benchmark Electronics	807				16.1x	13.6x	11.9x	2.5 %	2.7 %	3.0 %
Celestica	941	3.8x	3.7x	3.5x	5.8x	5.7x	5.1x	3.5 %	3.8 %	3.9 %
TT Electronics	575	10.0x	11.1x	9.7x	15.8x	17.8x	13.8x	6.3 %	6.9 %	8.5 %
HANZA Holding	98	5.3x	6.1x	5.5x	19.9x	11.4x	9.4x	2.0 %	5.1 %	5.7 %
Kitron	338	9.6x	10.7x	9.6x	12.8x	14.3x	12.5x	7.9 %	7.2 %	7.5 %
Lacroix Group	184	6.9x	6.0x	5.2x	12.3x	9.6x	8.2x	3.4 %	4.1 %	4.5 %
Flex Ltd	7386	7.2x	6.9x	6.4x	11.2x	9.5x	8.8x	4.0 %	4.4 %	4.6 %
Plexus	2149	10.3x	10.2x	9.4x	14.3x	13.9x	12.5x	4.8 %	5.3 %	5.3 %
Sanmina	2135		5.2x	4.9x	6.9x	6.9x	6.4x	4.4 %	5.0 %	5.1 %
SIIX	511	9.9x	6.5x	5.7x	23.3x	11.9x	9.9x	2.5 %	3.3 %	3.8 %
Valuetronics	157	1.3x	1.4x	1.4x	1.6x	2.0x	2.1x	8.8 %	8.0 %	7.6 %
Peer Group Average	1389	7.1x	6.8x	6.1x	12.7x	10.6x	9.1x	4.6 %	5.1 %	5.4 %
Peer Group Median	575	7.2x	6.3x	5.6x	12.8x	11.4x	9.4x	4.0 %	5.0 %	5.1 %
Scanfil (Evli est.)	530	7.8x	8.9x	8.2x	11.0x	12.2x	10.7x	6.6 %	6.5 %	6.8 %
<i>Scanfil prem./disc. to peer median</i>		9 %	42 %	47 %	-14 %	7 %	14 %	63 %	30 %	33 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.30 PV of Free Cash Flow	260 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	9.32 PV of Horizon value	361 WACC, %	8.0 Market risk premium, %	5.8
Share price potential, %	12.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	10.2 Marketable securities	26 Minimum WACC, %	7.5 Equity beta coefficient	1.00
Minimum value	8.6 Debt - dividend	-51 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	58.2 Value of stock	596 Nr of shares, Mn	63.9 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	595	658	696	733	770	800	828	853	875	892	910	928
<i>Sales growth, %</i>	<i>2.7</i>	<i>10.4</i>	<i>5.8</i>	<i>5.3</i>	<i>5.0</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	39	43	47	51	54	56	58	60	61	62	64	65
<i>Operating income margin, %</i>	<i>6.6</i>	<i>6.5</i>	<i>6.8</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	16	16	14	13	13	12	12	13	13	13	13	
EBITDA	55	59	61	64	67	68	70	72	74	75	77	
- Paid taxes	-8	-8	-11	-12	-13	-13	-14	-14	-15	-15	-15	
- Change in NWC	5	-1	-7	-6	-6	-5	-5	-4	-4	-3	-3	
<i>NWC / Sales, %</i>	<i>18.3</i>	<i>16.8</i>	<i>16.9</i>	<i>16.9</i>	<i>16.9</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-9	-12	-12	-13	-13	-13	-13	-14	-14	-14	-15	
<i>opCAPEX / Sales, %</i>	<i>1.1</i>	<i>2.2</i>	<i>1.9</i>	<i>1.9</i>	<i>1.8</i>	<i>1.8</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	43	36	31	33	34	37	38	40	41	43	44	745
= Discounted FCFF		35	28	28	26	26	25	24	23	23	21	361
= DFCF min WACC		35	28	28	27	27	26	25	24	23	22	412
= DFCF max WACC		35	28	27	26	26	25	24	23	22	20	319

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	144.1	155.5	141.7	154.0	595.3	163.3	172.9	156.9	164.4	657.5	695.9	732.9
EBITDA	12.4	14.0	13.6	15.2	55.2	13.8	14.4	14.8	15.5	58.5	61.4	64.4
<i>EBITDA margin (%)</i>	<i>8.6</i>	<i>9.0</i>	<i>9.6</i>	<i>9.9</i>	<i>9.3</i>	<i>8.5</i>	<i>8.3</i>	<i>9.4</i>	<i>9.4</i>	<i>8.9</i>	<i>8.8</i>	<i>8.8</i>
EBIT	8.6	10.2	9.9	10.4	39.1	10.0	10.6	10.8	11.5	42.9	47.3	51.3
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>6.6</i>	<i>7.0</i>	<i>6.8</i>	<i>6.6</i>	<i>6.1</i>	<i>6.1</i>	<i>6.9</i>	<i>7.0</i>	<i>6.5</i>	<i>6.8</i>	<i>7.0</i>
Net financial items	0.1	-0.6	-0.8	-1.3	-2.6	-0.7	-0.1	-0.4	-0.4	-1.6	-0.5	-0.4
Pre-tax profit	8.7	9.6	9.1	9.1	36.5	9.3	10.5	10.4	11.1	41.3	46.9	50.9
Tax	-1.2	-1.4	-2.4	0.1	-4.9	-1.7	-1.8	-2.2	-2.3	-8.0	-11.2	-12.2
<i>Tax rate (%)</i>	<i>13.8</i>	<i>14.6</i>	<i>26.4</i>	<i>-1.1</i>	<i>13.4</i>	<i>18.3</i>	<i>17.1</i>	<i>21.0</i>	<i>21.0</i>	<i>19.4</i>	<i>24.0</i>	<i>24.0</i>
Net profit	7.5	8.2	6.7	9.2	31.6	7.6	8.7	8.2	8.8	33.3	35.6	38.7
EPS	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.13	0.14	0.52	0.56	0.61
EPS adjusted (diluted no. of shares)	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.13	0.14	0.52	0.56	0.61
Dividend per share	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.18	0.19	0.20
SALES, EURm												
Group	144.1	155.5	141.7	154.0	595.3	163.3	172.9	156.9	164.4	657.5	695.9	732.9
Total	144.1	155.5	141.7	154.0	595.3	163.3	172.9	156.9	164.4	657.5	695.9	732.9
SALES GROWTH, Y/Y %												
Group	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	10.7	6.8	10.4	5.8	5.3
Total	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	10.7	6.8	10.4	5.8	5.3
EBIT, EURm												
Group	8.6	10.2	9.9	10.4	39.1	10.0	10.6	10.8	11.5	42.9	47.3	51.3
Total	8.6	10.2	9.9	10.4	39.1	10.0	10.6	10.8	11.5	42.9	47.3	51.3
EBIT margin, %												
Group	6.0	6.6	7.0	6.8	6.6	6.1	6.1	6.9	7.0	6.5	6.8	7.0
Total	6.0	6.6	7.0	6.8	6.6	6.1	6.1	6.9	7.0	6.5	6.8	7.0

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	508.0	529.9	563.0	579.4	595.3	657.5	695.9	732.9
<i>Sales growth (%)</i>	<i>34.6</i>	<i>4.3</i>	<i>6.2</i>	<i>2.9</i>	<i>2.7</i>	<i>10.4</i>	<i>5.8</i>	<i>5.3</i>
EBITDA	33.3	40.0	47.2	53.6	55.2	58.5	61.4	64.4
<i>EBITDA margin (%)</i>	<i>6.5</i>	<i>7.5</i>	<i>8.4</i>	<i>9.3</i>	<i>9.3</i>	<i>8.9</i>	<i>8.8</i>	<i>8.8</i>
Depreciation	-11.0	-8.7	-9.4	-14.2	-16.1	-15.6	-14.1	-13.1
EBITA	22.3	31.3	37.8	39.4	39.1	42.9	47.3	51.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	22.3	31.3	37.8	39.4	39.1	42.9	47.3	51.3
<i>EBIT margin (%)</i>	<i>4.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>6.5</i>	<i>6.8</i>	<i>7.0</i>
Reported EBIT	7.2	31.3	37.8	39.4	39.1	42.9	47.3	51.3
<i>EBIT margin (reported) (%)</i>	<i>1.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>6.5</i>	<i>6.8</i>	<i>7.0</i>
Net financials	-1.2	1.3	-1.7	-1.3	-2.6	-1.6	-0.5	-0.4
Pre-tax profit	21.1	32.6	36.1	38.1	36.5	41.3	46.9	50.9
Taxes	-6.0	-6.8	-8.3	-5.9	-4.9	-8.0	-11.2	-12.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	25.8	27.8	32.2	31.6	33.3	35.6	38.7
Cash NRIs	-15.1	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	57	62	64	68	61	58	56	56
Goodwill	11	10	10	8	8	8	8	8
Right of use assets	0	0	15	21	18	20	21	22
Inventory	85	101	96	102	103	112	118	125
Receivables	92	108	104	115	116	121	128	134
Liquid funds	20	21	28	20	26	33	47	67
Total assets	267	307	321	340	339	359	385	420
Liabilities								
Shareholder's equity	108	125	148	167	183	205	229	256
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	15	19	16	20	21	22
Deferred taxes	3	5	5	7	6	6	6	6
Interest bearing debt	60	61	52	44	24	5	0	0
Non-interest bearing current liabilities	88	113	99	96	103	115	122	128
Other interest-free debt	1	2	2	7	7	7	7	7
Total liabilities	267	307	321	340	339	359	385	420
CASH FLOW, EURm								
+ EBITDA	33	40	47	54	55	59	61	64
- Net financial items	-1	2	-2	-1	-3	-2	0	0
- Taxes	-5	-8	-7	-5	-7	-8	-11	-12
- Increase in Net Working Capital	-6	-6	-9	-15	5	-1	-7	-6
+/- Other	-5	-6	0	0	0	0	0	0
= Cash flow from operations	16	22	29	32	50	47	43	45
- Capex	-5	-21	-10	-24	-6	-14	-13	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	10	2	19	8	44	33	30	32
+/- New issues/buybacks	13	-4	3	-6	-6	0	0	0
- Paid dividend	-5	-6	-7	-8	-10	-11	-12	-12
+/- Other	-21	8	-7	-1	-23	-15	-4	1
Change in cash	-2	0	8	-8	5	7	14	21

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	272	281	336	417	530	530	530
Net debt (excl. convertibles)	41	39	43	15	-8	-26	-45
Enterprise value	312	320	379	431	523	505	485
Sales	530	563	579	595	658	696	733
EBITDA	40	47	54	55	59	61	64
EBIT	31	38	39	39	43	47	51
Pre-tax	33	36	38	37	41	47	51
Earnings	26	28	32	32	33	36	39
Equity book value (excl. minorities)	125	148	167	183	205	229	256
Valuation multiples							
EV/sales	0.6	0.6	0.7	0.7	0.8	0.7	0.7
EV/EBITDA	7.8	6.8	7.1	7.8	8.9	8.2	7.5
EV/EBITA	10.0	8.5	9.6	11.0	12.2	10.7	9.5
EV/EBIT	10.0	8.5	9.6	11.0	12.2	10.7	9.5
EV/OCF	14.0	11.0	11.9	8.6	11.0	11.8	10.7
EV/FCFF	29.5	15.5	25.7	10.0	14.4	16.3	14.7
P/FCFE	169.7	14.9	44.7	9.6	16.1	18.0	16.8
P/E	10.5	10.1	10.4	13.2	15.9	14.9	13.7
P/B	2.2	1.9	2.0	2.3	2.6	2.3	2.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.7	9.0	8.2
Target EV/EBIT	0.0	0.0	0.0	0.0	13.2	11.6	10.3
Target EV/FCF	0.0	0.0	0.0	0.0	17.2	18.6	16.7
Target P/B	0.0	0.0	0.0	0.0	2.8	2.5	2.2
Target P/E	0.0	0.0	0.0	0.0	17.3	16.1	14.9
Per share measures							
Number of shares	63,895	63,895	63,895	63,895	63,895	63,895	63,895
Number of shares (diluted)	63,895	63,895	63,895	63,895	63,895	63,895	63,895
EPS	0.40	0.44	0.50	0.49	0.52	0.56	0.61
Operating cash flow per share	0.35	0.45	0.50	0.78	0.74	0.67	0.71
Free cash flow per share	0.03	0.30	0.12	0.68	0.52	0.46	0.50
Book value per share	1.95	2.32	2.61	2.86	3.21	3.59	4.01
Dividend per share	0.11	0.13	0.15	0.17	0.18	0.19	0.20
Dividend payout ratio, %	27.2	29.9	29.8	34.4	34.6	34.1	33.1
Dividend yield, %	2.6	3.0	2.9	2.6	2.2	2.3	2.4
FCF yield, %	0.6	6.7	2.2	10.4	6.2	5.6	6.0
Efficiency measures							
ROE	22.2	20.4	20.4	18.1	17.1	16.4	15.9
ROCE	17.7	18.8	17.7	17.3	18.9	19.7	19.4
Financial ratios							
Inventories as % of sales	19.0	17.0	17.6	17.4	17.0	17.0	17.0
Receivables as % of sales	20.5	18.4	19.8	19.4	18.4	18.3	18.3
Non-interest bearing liabilities as % of sales	21.3	17.5	16.6	17.3	17.5	17.5	17.5
NWC/sales, %	17.7	17.5	19.7	18.3	16.8	16.9	16.9
Operative CAPEX/sales, %	3.9	1.8	4.2	1.1	2.2	1.9	1.9
CAPEX/sales (incl. acquisitions), %	3.9	1.8	4.2	1.1	2.2	1.9	1.9
FCFF/EBITDA	0.3	0.4	0.3	0.8	0.6	0.5	0.5
Net debt/EBITDA, book-weighted	1.0	0.8	0.8	0.3	-0.1	-0.4	-0.7
Debt/equity, market-weighted	0.2	0.2	0.1	0.1	0.0	0.0	0.0
Equity ratio, book-weighted	40.6	46.2	49.0	53.9	57.2	59.5	61.0
Gearing, %	32.7	26.0	25.6	7.9	-3.7	-11.2	-17.7

COMPANY DESCRIPTION: Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with nine sites located across three continents. The company focuses on producing industrial electronics for its customers, many of which are large global industrial original equipment manufacturers. In practice Northern Europe is by far Scanfil's most important market. Scanfil's strategy is based on a vertically integrated model with which the company aims to provide solutions to cover the entire supply chain during the whole life-cycle of a given customer product.

INVESTMENT CASE: In our view Scanfil is well-positioned to achieve its target 7% operating margin. We see upside to the current share price when customer product volumes continue to develop positively, helping to lift absolute operating profit. We expect Scanfil to achieve even more diversified customer portfolio; this would justify an increase in valuation multiples.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takanen Harri	9,913,146	82.279	15.5%
Takanen Jarkko	8,596,169	71.348	13.5%
Varikot Oy	7,606,442	63.133	11.9%
Takanen Jorma	6,129,305	50.873	9.6%
Tolonen Jonna	3,351,950	27.821	5.2%
Pöllä Reijo	3,328,745	27.629	5.2%
Laakkonen Mikko	2,531,187	21.009	4.0%
Takanen Martti	1,947,018	16.160	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	15.770	3.0%
Sijoitusrahasto Aktia Capital	1,688,000	14.010	2.6%
Ten largest	46,991,962	390.033	74%
Residual	16,903,477	140.299	26%
Total	63,895,439	530.332	100%

EARNINGS CALENDAR	
October 26, 2021	Q3 report
OTHER EVENTS	
September 14, 2021	CMD

COMPANY MISCELLANEOUS	
CEO: Petteri Jokitalo	Yritystie 6, FI-85410 Sievi
CFO: Kai Valo	Tel: +358 8 48 82 111
IR: Pasi Hiedanpää	

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 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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