

Performance is unlikely to falter

Scanfil's Q3 EBIT faced some headwinds, but Q4 EBIT is set to improve and outlook for FY '22 doesn't seem bad either.

We expect the Q3 margin softness will prove temporary

Scanfil's Q3 revenue grew by 18.5% y/y and amounted to EUR 167.8m vs the EUR 165.5m/171.2m Evli/cons. estimates. The growth was for the most part attributable to Advanced Consumer Applications and Energy & Cleantech segments, while Medtech & Life Science continued to grow at a 12% y/y pace. Advanced Consumer Applications had to make many spot components purchases and excluding all such transitory items top line grew by 10.2% y/y. Component availability issues limited Scanfil's ability to meet customer demand and the challenges also hurt relative profitability. We understand the component scarcity situation limited profitability to the tune of EUR 1.0-1.5m. Q3 EBIT amounted to EUR 9.5m (5.7% margin), compared to the EUR 10.8m/10.9m Evli/cons. estimates. The challenging component situation will not fade away for quite some time, however Scanfil's comments indicate there should be no major earnings drag going forward.

Spot purchases' margin dilution is likely to be transient

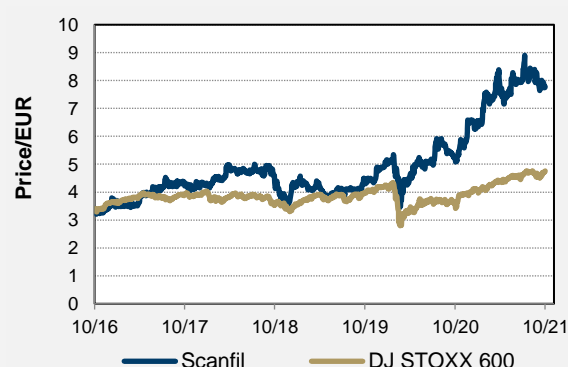
Inventories increased by 63% y/y and 24% q/q as Scanfil wanted to secure necessary components to meet strong customer demand. This had a negative impact on cash flow, but Scanfil sees the situation is under control and inventories should not grow much more from here on. The new normal, in terms of component availability challenges, might mean revenue streams related to component spot sourcing will begin to generate adequate margins already during the next few quarters.

In our view earnings growth is set to continue next year

We expect Scanfil's Q4 EBIT to improve q/q and y/y; our EUR 12.5m estimate translates to a very good 6.9% margin. The company's comments on customer demand and component pricing dynamics suggest favorable outlook for next year's earnings. We expect organic growth to continue in FY '22 at a 7% pace; we see Scanfil reaching a 6.6% EBIT margin then, which would translate to EUR 48.5m in EBIT. The Hamburg restructuring also supports earnings growth going forward. Scanfil is valued 7.8-8.6x EV/EBITDA and 10.1-11.7x EV/EBIT on our FY '21-22 estimates. We retain our EUR 9 TP and BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.78

Target price, EUR 9.0

Latest change in recommendation 14-Oct-21

Latest report on company 14-Oct-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 497

Free float, % 46.6

Exchange rate -

Reuters code SCANFL.HE

Bloomberg code SCANFL.FH

Average daily volume, EURm 0.1

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
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	685.7	42.5	6.2%	23.9	0.48	16.1	0.7	11.7	4.8	0.18
2022E	734.3	48.5	6.6%	21.1	0.57	13.7	0.7	10.1	4.3	0.19
2023E	778.3	53.7	6.9%	33.6	0.63	12.3	0.6	8.7	6.8	0.20
Market cap, EURm	497			Gearing 2021E, %	0.7			CAGR EPS 2020-23, %	8.5	
Net debt 2021E, EURm	1			Price/book 2021E	2.5			CAGR sales 2020-23, %	9.3	
Enterprise value, EURm	499			Dividend yield 2021E, %	2.3			ROE 2021E, %	16.0	
Total assets 2021E, EURm	372			Tax rate 2021E, %	23.6			ROCE 2021E, %	18.4	
Goodwill 2021E, EURm	8			Equity ratio 2021E, %	54.6			PEG, P/E 21/CAGR	1.4	

Estimates and peer group multiples

Scanfil	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e
Revenue	144	156	142	154	595	163	173	168	182	686	734	778
<i>growth-%</i>	10.9 %	9.1 %	-7.0 %	-0.4 %	2.8 %	13.4 %	11.1 %	18.4 %	17.9 %	15.2 %	7.1 %	6.0 %
Advanced Consumer Applications	31	40	39	41	151	43	53	55	54	206	224	240
Automation & Safety	38	37	34	34	142	35	37	33	39	143	150	156
Connectivity	7	8	7	6	29	8	7	7	8	31	33	35
Energy & Cleantech	34	34	30	37	136	40	45	44	47	176	199	212
Medtech & Life Science	27	25	26	30	108	29	29	29	33	120	128	135
Discontinued	6	12	6	5	30	9	2	0	0	11	0	0
EBIT	9	10	10	10	39	10	11	10	13	43	48	54
<i>EBIT margin</i>	6.0 %	6.5 %	7.0 %	6.8 %	6.6 %	6.1 %	6.1 %	5.7 %	6.9 %	6.2 %	6.6 %	6.9 %

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Benchmark Electronics	787				16.1x	13.1x	11.5x	2.5 %	2.8 %	3.0 %
Celestica	1105	3.8x	4.2x	3.7x	5.8x	6.2x	5.3x	3.5 %	3.9 %	4.2 %
TT Electronics	536	10.0x	10.2x	8.9x	15.8x	16.6x	12.9x	6.3 %	6.9 %	8.5 %
HANZA Holding	119	5.3x	6.9x	6.3x	19.9x	12.9x	10.6x	2.0 %	5.1 %	5.7 %
Kitron	333	9.6x	11.0x	9.5x	12.8x	15.1x	12.5x	7.9 %	7.0 %	7.5 %
Lacroix Group	176	6.9x			12.3x			3.4 %	3.4 %	4.0 %
Flex Ltd	7883	7.2x	7.2x	6.6x	11.2x	9.9x	9.1x	4.0 %	4.4 %	4.6 %
Plexus	2317	10.3x	10.9x	10.0x	14.3x	14.9x	13.2x	4.8 %	5.3 %	5.4 %
Sanmina	2167		5.2x	4.9x	6.9x	6.9x	6.4x	4.4 %	5.0 %	5.1 %
SIIX	446	9.9x	6.1x	5.3x	23.3x	11.1x	9.3x	2.5 %	3.3 %	3.8 %
Valuetronics	164	1.3x			1.6x			8.8 %		
Peer Group Average	1458	7.1x	7.7x	6.9x	12.7x	11.8x	10.1x	4.6 %	4.7 %	5.2 %
Peer Group Median	536	7.2x	7.0x	6.4x	12.8x	12.9x	10.6x	4.0 %	4.7 %	4.8 %
Scanfil (Evli est.)	497	7.8x	8.6x	7.8x	11.0x	11.7x	10.1x	6.6 %	6.2 %	6.6 %
<i>Scanfil prem./disc. to peer median</i>		9 %	22 %	22 %	-14 %	-9 %	-5 %	63 %	31 %	36 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.78 PV of Free Cash Flow	264 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	9.86 PV of Horizon value	391 WACC, %	8.0 Market risk premium, %	5.8
Share price potential, %	26.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	10.8 Marketable securities	26 Minimum WACC, %	7.5 Equity beta coefficient	1.00
Minimum value	9.1 Debt - dividend	-51 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	59.7 Value of stock	630 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	686	734	778	817	850	880	906	929	947	966	986
<i>Sales growth, %</i>	<i>2.7</i>	<i>15.2</i>	<i>7.1</i>	<i>6.0</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	48	54	57	59	62	63	65	66	68	69
<i>Operating income margin, %</i>	<i>6.6</i>	<i>6.2</i>	<i>6.6</i>	<i>6.9</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	15	14	15	14	14	13	13	13	13	14	14
EBITDA	55	58	62	69	71	73	75	77	78	80	81	
- Paid taxes	-8	-10	-12	-13	-14	-14	-15	-15	-16	-16	-16	
- Change in NWC	5	-6	-9	-8	-7	-6	-5	-5	-4	-3	-3	
<i>NWC / Sales, %</i>	<i>18.3</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>	<i>17.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-9	-13	-19	-13	-13	-14	-14	-14	-14	-15	-15	
<i>opCAPEX / Sales, %</i>	<i>1.1</i>	<i>2.3</i>	<i>2.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</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	28	23	35	38	40	41	43	44	46	47	793
= Discounted FCFF		28	21	30	29	29	28	27	26	24	23	391
= DFCF min WACC		28	21	30	30	29	28	27	26	25	24	446
= DFCF max WACC		28	21	30	29	28	27	26	25	24	22	346

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	144.1	155.5	141.7	154.0	595.3	163.3	172.9	167.8	181.7	685.7	734.3	778.3
EBITDA	12.4	14.0	13.6	15.2	55.2	13.8	14.4	13.2	16.5	57.9	62.4	69.0
<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>7.9</i>	<i>9.1</i>	<i>8.4</i>	<i>8.5</i>	<i>8.9</i>
EBIT	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	12.5	42.5	48.5	53.7
<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>5.6</i>	<i>6.9</i>	<i>6.2</i>	<i>6.6</i>	<i>6.9</i>
Net financial items	0.1	-0.6	-0.8	-1.3	-2.6	-0.7	-0.1	-0.9	-0.4	-2.1	-0.6	-0.5
Pre-tax profit	8.7	9.6	9.1	9.1	36.5	9.3	10.5	8.5	12.1	40.4	47.8	53.2
Tax	-1.2	-1.4	-2.4	0.1	-4.9	-1.7	-1.8	-3.5	-2.5	-9.5	-11.5	-12.8
<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>41.2</i>	<i>21.0</i>	<i>23.6</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	5.0	9.6	30.9	36.3	40.4
EPS	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.08	0.15	0.48	0.57	0.63
EPS adjusted (diluted no. of shares)	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.08	0.15	0.48	0.57	0.63
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	167.8	181.7	685.7	734.3	778.3
Total	144.1	155.5	141.7	154.0	595.3	163.3	172.9	167.8	181.7	685.7	734.3	778.3
SALES GROWTH, Y/Y %												
Group	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	18.4	18.0	15.2	7.1	6.0
Total	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	18.4	18.0	15.2	7.1	6.0
EBIT, EURm												
Group	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	12.5	42.5	48.5	53.7
Total	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	12.5	42.5	48.5	53.7
EBIT margin, %												
Group	6.0	6.6	7.0	6.8	6.6	6.1	6.1	5.6	6.9	6.2	6.6	6.9
Total	6.0	6.6	7.0	6.8	6.6	6.1	6.1	5.6	6.9	6.2	6.6	6.9

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	508.0	529.9	563.0	579.4	595.3	685.7	734.3	778.3
<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>15.2</i>	<i>7.1</i>	<i>6.0</i>
EBITDA	33.3	40.0	47.2	53.6	55.2	57.9	62.4	69.0
<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>8.4</i>	<i>8.5</i>	<i>8.9</i>
Depreciation	-11.0	-8.7	-9.4	-14.2	-16.1	-15.4	-13.9	-15.3
EBITA	22.3	31.3	37.8	39.4	39.1	42.5	48.5	53.7
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	42.5	48.5	53.7
<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>6.2</i>	<i>6.6</i>	<i>6.9</i>
Reported EBIT	7.2	31.3	37.8	39.4	39.1	42.5	48.5	53.7
<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>6.2</i>	<i>6.6</i>	<i>6.9</i>
Net financials	-1.2	1.3	-1.7	-1.3	-2.6	-2.1	-0.6	-0.5
Pre-tax profit	21.1	32.6	36.1	38.1	36.5	40.4	47.8	53.2
Taxes	-6.0	-6.8	-8.3	-5.9	-4.9	-9.5	-11.5	-12.8
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	30.9	36.3	40.4
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	59	64	62
Goodwill	11	10	10	8	8	8	8	8
Right of use assets	0	0	15	21	18	21	22	24
Inventory	85	101	96	102	103	117	125	132
Receivables	92	108	104	115	116	126	135	142
Liquid funds	20	21	28	20	26	34	37	53
Total assets	267	307	321	340	339	372	398	429
Liabilities								
Shareholder's equity	108	125	148	167	183	203	228	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	21	22	24
Deferred taxes	3	5	5	7	6	6	6	6
Interest bearing debt	60	61	52	44	24	15	6	0
Non-interest bearing current liabilities	88	113	99	96	103	120	129	136
Other interest-free debt	1	2	2	7	7	7	7	7
Total liabilities	267	307	321	340	339	372	398	429
CASH FLOW, EURm								
+ EBITDA	33	40	47	54	55	58	62	69
- Net financial items	-1	2	-2	-1	-3	-2	-1	-1
- Taxes	-5	-8	-7	-5	-7	-10	-11	-13
- Increase in Net Working Capital	-6	-6	-9	-15	5	-6	-9	-8
+/- Other	-5	-6	0	0	0	0	0	0
= Cash flow from operations	16	22	29	32	50	40	42	48
- Capex	-5	-21	-10	-24	-6	-16	-21	-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	24	21	34
+/- 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	-5	-7	-5
Change in cash	-2	0	8	-8	5	8	2	17

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	272	281	336	417	497	497	497
Net debt (excl. convertibles)	41	39	43	15	1	-8	-30
Enterprise value	312	320	379	431	499	489	467
Sales	530	563	579	595	686	734	778
EBITDA	40	47	54	55	58	62	69
EBIT	31	38	39	39	43	48	54
Pre-tax	33	36	38	37	40	48	53
Earnings	26	28	32	32	31	36	40
Equity book value (excl. minorities)	125	148	167	183	203	228	256
Valuation multiples							
EV/sales	0.6	0.6	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	7.8	6.8	7.1	7.8	8.6	7.8	6.8
EV/EBITA	10.0	8.5	9.6	11.0	11.7	10.1	8.7
EV/EBIT	10.0	8.5	9.6	11.0	11.7	10.1	8.7
EV/OCF	14.0	11.0	11.9	8.6	12.5	11.7	9.7
EV/FCFF	29.5	15.5	25.7	10.0	17.6	21.2	13.2
P/FCFE	169.7	14.9	44.7	9.6	20.8	23.5	14.8
P/E	10.5	10.1	10.4	13.2	16.1	13.7	12.3
P/B	2.2	1.9	2.0	2.3	2.5	2.2	1.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.0	9.1	7.9
Target EV/EBIT	0.0	0.0	0.0	0.0	13.6	11.7	10.2
Target EV/FCF	0.0	0.0	0.0	0.0	24.1	26.8	16.2
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	18.6	15.8	14.2
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	0.48	0.57	0.63
Operating cash flow per share	0.35	0.45	0.50	0.78	0.62	0.65	0.75
Free cash flow per share	0.03	0.30	0.12	0.68	0.37	0.33	0.53
Book value per share	1.95	2.32	2.61	2.86	3.18	3.56	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	37.3	33.4	31.6
Dividend yield, %	2.6	3.0	2.9	2.6	2.3	2.4	2.6
FCF yield, %	0.6	6.7	2.2	10.4	4.8	4.3	6.8
Efficiency measures							
ROE	22.2	20.4	20.4	18.1	16.0	16.9	16.7
ROCE	17.7	18.8	17.7	17.3	18.4	19.6	20.0
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	16.9	16.9	16.9
Operative CAPEX/sales, %	3.9	1.8	4.2	1.1	2.3	2.8	1.8
CAPEX/sales (incl. acquisitions), %	3.9	1.8	4.2	1.1	2.3	2.8	1.8
FCFF/EBITDA	0.3	0.4	0.3	0.8	0.5	0.4	0.5
Net debt/EBITDA, book-weighted	1.0	0.8	0.8	0.3	0.0	-0.1	-0.4
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	54.6	57.2	59.7
Gearing, %	32.7	26.0	25.6	7.9	0.7	-3.6	-11.6

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	77.124	15.5%
Takanen Jarkko	8,596,169	66.878	13.5%
Varikot Oy	7,606,442	59.178	11.9%
Takanen Jorma	6,129,305	47.686	9.6%
Tolonen Jonna	3,351,950	26.078	5.2%
Pöllä Reijo	3,328,745	25.898	5.2%
Laakkonen Mikko	2,531,187	19.693	4.0%
Takanen Martti	1,947,018	15.148	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	14.782	3.0%
Sijoitusrahasto Aktia Capital	1,688,000	13.133	2.6%
Ten largest	46,991,962	365.597	74%
Residual	16,903,477	131.509	26%
Total	63,895,439	497.107	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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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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