

Steeper earnings accretion ahead

Scanfil's Q4 report didn't provide any big surprises as figures were slightly above estimates, while the guidance and long-term targets were pretty much as expected.

High growth due to volumes and component inflation

The EUR 192m Q4 revenue, up 24.5% y/y, topped the EUR 183m/185m Evli/cons. estimates by a fair margin. The EUR 14.4m in spot purchases were spread even between the five segments, relative to their sizes. Energy & Cleantech grew the most also in Q4. It was known before that Q4 would fall short of Scanfil's EBIT potential as component issues and infections limited productivity, but the EUR 10.2m adj. EBIT was a bit above the EUR 9.7m/9.6m Evli/cons. estimates. The Q4 issues are by their nature temporary; in our view Scanfil's guidance and comments suggest the situation is improving, or at least has stabilized.

Performance is set to improve this year and beyond

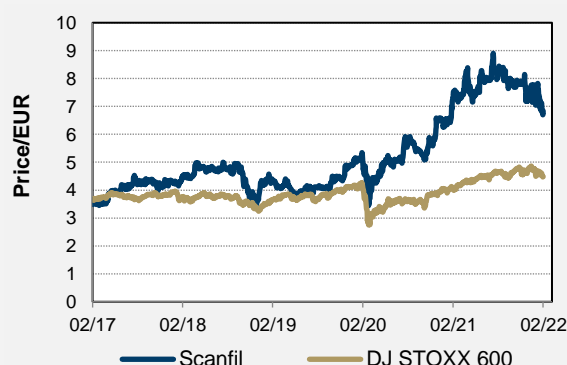
All the segments grew last year. We expect Energy & Cleantech to contribute most growth this year as the segment benefits from many megatrends and includes customers such as TOMRA. Inventories grew EUR 90m last year due to high demand but also in response to the component challenges. Scanfil suggests spot purchases may be lower again in H2'22; we estimate margin improvement throughout the year. Scanfil mentioned possible expansion in Asia beyond China, and this would be likely in countries such as India, Vietnam, and Malaysia. In our view such an expansion would be more likely through M&A than greenfield. Scanfil has recently announced expansions to its plants in the US and Germany, and hence capex will be a bit above 2% of revenue this year. An expansion to the Suzhou plant might also follow.

Multiples have declined, favorable outlook is much intact

We make only marginal estimate revisions. Scanfil is valued 6.0-7.5x EV/EBITDA and 8.0-9.5x EV/EBIT on our FY '22-23 estimates. In our view the medium to long-term demand and earnings outlook hasn't changed much in the past 3-6 months, while valuation has declined by 15-20% (peer valuations have declined by roughly similar percentages). Scanfil's multiples are now well in line with peers, but in our view a premium can be justified by the fact that Scanfil's EBIT outlook remains somewhat higher than that of a typical peer. We revise our TP to EUR 8 (9) as the sector's valuations have declined, but our rating remains BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 6.84

Target price, EUR 8.0

Latest change in recommendation 14-Oct-21

Latest report on company 13-Dec-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 437

Free float, % 46.6

Exchange rate -

Reuters code SCANFL.HE

Bloomberg code SCANFL.FH

Average daily volume, EURm 0.1

Next interim report 22-Apr-22

Web site www.scanfil.com/investors

Analyst Joonas Ilvonen

E-mail joonas.ilvonen@evli.com

Telephone +358 44 430 9071

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
2020	595.3	39.1	6.6%	43.5	0.49	13.2	0.7	11.0	10.4	0.17
2021	695.7	40.3	5.8%	-31.7	0.48	15.6	0.8	13.2	-6.7	0.19
2022E	740.7	45.7	6.2%	68.3	0.54	12.8	0.6	9.6	15.6	0.20
2023E	784.8	53.0	6.8%	32.9	0.62	11.0	0.5	7.9	7.5	0.21
2024E	824.0	57.7	7.0%	36.5	0.68	10.1	0.5	6.8	8.3	0.22
Market cap, EURm	437			Gearing 2022E, %		0.1		CAGR EPS 2021-24, %		12.5
Net debt 2022E, EURm	0			Price/book 2022E		1.9		CAGR sales 2021-24, %		5.8
Enterprise value, EURm	437			Dividend yield 2022E, %		2.9		ROE 2022E, %		15.7
Total assets 2022E, EURm	409			Tax rate 2022E, %		24.0		ROCE 2022E, %		16.4
Goodwill 2022E, EURm	8			Equity ratio 2022E, %		56.2		PEG, P/E 22/CAGR		1.3

Estimates and peer group multiples

Scanfil	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e
Revenue	595	163	173	168	192	696	170	186	183	202	741	785
<i>growth-%</i>	<i>2.8 %</i>	<i>13.4 %</i>	<i>11.1 %</i>	<i>18.4 %</i>	<i>24.4 %</i>	<i>16.9 %</i>	<i>4.1 %</i>	<i>7.5 %</i>	<i>9.2 %</i>	<i>5.2 %</i>	<i>6.5 %</i>	<i>6.0 %</i>
Advanced Consumer Applications	151	43	53	55	53	205	46	55	58	57	216	231
Automation & Safety	142	35	37	33	41	145	37	39	37	42	155	162
Connectivity	29	8	7	7	10	33	9	9	9	11	38	40
Energy & Cleantech	136	40	45	44	53	182	46	51	49	56	201	215
Medtech & Life Science	108	29	29	29	34	121	33	32	31	36	131	138
Discontinued	30	9	2	0	0	11	0	0	0	0	0	0
EBIT	39	10	11	10	10	40	9	11	12	13	46	53
<i>EBIT margin</i>	<i>6.6 %</i>	<i>6.1 %</i>	<i>6.1 %</i>	<i>5.7 %</i>	<i>5.3 %</i>	<i>5.8 %</i>	<i>5.4 %</i>	<i>6.1 %</i>	<i>6.5 %</i>	<i>6.6 %</i>	<i>6.2 %</i>	<i>6.8 %</i>

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		21	22	23	21	22	23	21	22	23
Benchmark Electronics	794				13.5x	11.6x	10.1x	3.0 %	3.1 %	3.4 %
Celestica	1359	5.4x	5.1x	4.7x	7.7x	7.1x	6.5x	4.2 %	4.4 %	4.5 %
TT Electronics	457	10.6x	7.8x	6.8x	17.8x	11.4x	9.4x	6.4 %	8.2 %	9.5 %
HANZA Holding	133	11.8x	6.8x	6.3x	21.0x	11.5x	10.4x	5.2 %	6.1 %	6.4 %
Kitron	392	14.7x	8.0x	7.1x	20.9x	10.8x	9.2x	6.5 %	7.1 %	7.5 %
Lacroix Group	199							3.5 %	4.2 %	4.7 %
Flex Ltd	7083	7.2x	6.3x	6.1x	10.3x	8.9x	8.7x	4.4 %	4.6 %	4.5 %
Plexus	2028	12.6x	11.3x	9.3x	17.3x	16.2x	12.6x	5.0 %	4.4 %	5.1 %
Sanmina	2240	5.9x	5.3x		7.5x	6.8x		4.9 %	5.0 %	
SIIX	403	8.7x	6.2x	5.2x	19.4x	11.8x	9.4x	2.2 %	3.3 %	3.7 %
Valuetronics	149	2.2x	1.8x	1.4x	3.0x	2.7x	2.1x	7.0 %	6.6 %	7.7 %
Peer Group Average	1385	8.8x	6.5x	5.8x	13.8x	9.9x	8.7x	4.7 %	5.2 %	5.7 %
Peer Group Median	457	8.7x	6.3x	6.2x	15.4x	11.1x	9.4x	4.9 %	4.6 %	4.9 %
Scanfil (Evli est.)	437	9.6x	7.3x	6.1x	13.2x	9.6x	7.9x	5.8 %	6.2 %	6.8 %

Scanfil prem./disc. to peer median
10 % 16 % -1 % -14 % -14 % -16 % 17 % 36 % 37 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	6.84 PV of Free Cash Flow	311 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	9.95 PV of Horizon value	382 WACC, %	8.0 Market risk premium, %
Share price potential, %	45.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	10.9 Marketable securities	25 Minimum WACC, %	7.5 Equity beta coefficient
Minimum value	9.1 Debt - dividend	-82 Maximum WACC, %	8.5 Target debt ratio, %
Horizon value, %	55.1 Value of stock	636 Nr of shares, Mn	63.9 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	696	741	785	824	857	887	914	936	955	974	994	1,014
<i>Sales growth, %</i>	<i>16.9</i>	<i>6.5</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>	<i>2.0</i>
Operating income (EBIT)	40	46	53	58	60	62	64	66	67	68	70	71
<i>Operating income margin, %</i>	<i>5.8</i>	<i>6.2</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.	15	14	15	14	14	13	13	13	14	14	14	
EBITDA	56	60	68	72	74	76	77	79	80	82	84	
- Paid taxes	-10	-11	-13	-14	-14	-15	-15	-16	-16	-16	-17	
- Change in NWC	-59	40	-8	-7	-6	-5	-5	-4	-3	-3	-3	
<i>NWC / Sales, %</i>	<i>24.1</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-13	-19	-13	-13	-13	-14	-14	-14	-15	-15	-16	
<i>opCAPEX / Sales, %</i>	<i>2.4</i>	<i>2.7</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>	<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	-26	70	35	38	40	42	43	45	46	47	48	815
= Discounted FCFF		66	30	31	30	29	28	26	25	24	22	382
= DFCF min WACC		66	30	31	30	29	28	27	26	25	24	436
= DFCF max WACC		66	30	30	29	28	27	26	24	23	21	337

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	163.3	172.9	167.8	191.7	695.7	170.0	185.8	183.2	201.7	740.7	784.8	824.0
EBITDA	13.8	14.4	13.2	14.3	55.7	12.7	14.8	15.4	16.8	59.6	68.1	71.9
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>8.3</i>	<i>7.9</i>	<i>7.5</i>	<i>8.0</i>	<i>7.5</i>	<i>8.0</i>	<i>8.4</i>	<i>8.3</i>	<i>8.1</i>	<i>8.7</i>	<i>8.7</i>
EBIT	10.0	10.6	9.4	10.3	40.3	9.2	11.3	11.9	13.3	45.7	53.0	57.7
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>6.1</i>	<i>5.6</i>	<i>5.4</i>	<i>5.8</i>	<i>5.4</i>	<i>6.1</i>	<i>6.5</i>	<i>6.6</i>	<i>6.2</i>	<i>6.8</i>	<i>7.0</i>
Net financial items	-0.7	-0.1	-0.9	-0.2	-1.9	-0.2	-0.2	-0.2	-0.2	-0.7	-0.6	-0.5
Pre-tax profit	9.3	10.5	8.5	10.1	38.4	9.0	11.1	11.7	13.1	45.0	52.4	57.2
Tax	-1.7	-1.8	-3.5	-0.9	-7.9	-2.2	-2.7	-2.8	-3.2	-10.8	-12.6	-13.7
<i>Tax rate (%)</i>	<i>18.3</i>	<i>17.1</i>	<i>41.2</i>	<i>8.9</i>	<i>20.6</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>
Net profit	7.6	8.7	5.0	9.2	30.5	6.9	8.5	8.9	10.0	34.2	39.8	43.4
EPS	0.12	0.14	0.08	0.14	0.48	0.11	0.13	0.14	0.16	0.54	0.62	0.68
EPS adjusted (diluted no. of shares)	0.12	0.14	0.08	0.14	0.48	0.11	0.13	0.14	0.16	0.54	0.62	0.68
Dividend per share	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00	0.20	0.21	0.22
SALES, EURm												
Group	163.3	172.9	167.8	191.7	695.7	170.0	185.8	183.2	201.7	740.7	784.8	824.0
Total	163.3	172.9	167.8	191.7	695.7	170.0	185.8	183.2	201.7	740.7	784.8	824.0
SALES GROWTH, Y/Y %												
Group	13.3	11.2	18.4	24.5	16.9	4.1	7.5	9.2	5.2	6.5	6.0	5.0
Total	13.3	11.2	18.4	24.5	16.9	4.1	7.5	9.2	5.2	6.5	6.0	5.0
EBIT, EURm												
Group	10.0	10.6	9.4	10.3	40.3	9.2	11.3	11.9	13.3	45.7	53.0	57.7
Total	10.0	10.6	9.4	10.3	40.3	9.2	11.3	11.9	13.3	45.7	53.0	57.7
EBIT margin, %												
Group	6.1	6.1	5.6	5.4	5.8	5.4	6.1	6.5	6.6	6.2	6.8	7.0
Total	6.1	6.1	5.6	5.4	5.8	5.4	6.1	6.5	6.6	6.2	6.8	7.0

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	529.9	563.0	579.4	595.3	695.7	740.7	784.8	824.0
<i>Sales growth (%)</i>	<i>4.3</i>	<i>6.2</i>	<i>2.9</i>	<i>2.7</i>	<i>16.9</i>	<i>6.5</i>	<i>6.0</i>	<i>5.0</i>
EBITDA	40.0	47.2	53.6	55.2	55.7	59.6	68.1	71.9
<i>EBITDA margin (%)</i>	<i>7.5</i>	<i>8.4</i>	<i>9.3</i>	<i>9.3</i>	<i>8.0</i>	<i>8.1</i>	<i>8.7</i>	<i>8.7</i>
Depreciation	-8.7	-9.4	-14.2	-16.1	-15.4	-13.9	-15.1	-14.2
EBITA	31.3	37.8	39.4	39.1	40.3	45.7	53.0	57.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	31.3	37.8	39.4	39.1	40.3	45.7	53.0	57.7
<i>EBIT margin (%)</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>6.2</i>	<i>6.8</i>	<i>7.0</i>
Reported EBIT	31.3	37.8	39.4	39.1	40.3	45.7	53.0	57.7
<i>EBIT margin (reported) (%)</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>6.2</i>	<i>6.8</i>	<i>7.0</i>
Net financials	1.3	-1.7	-1.3	-2.6	-1.9	-0.7	-0.6	-0.5
Pre-tax profit	32.6	36.1	38.1	36.5	38.4	45.0	52.4	57.2
Taxes	-6.8	-8.3	-5.9	-4.9	-7.9	-10.8	-12.6	-13.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	25.8	27.8	32.2	31.6	30.5	34.2	39.8	43.4
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	62	64	68	61	63	68	66	65
Goodwill	10	10	8	8	8	8	8	8
Right of use assets	0	15	21	18	22	24	25	26
Inventory	101	96	102	103	193	126	133	140
Receivables	108	104	115	116	153	137	145	152
Liquid funds	21	28	20	26	25	37	45	69
Total assets	307	321	340	339	474	409	431	469
Liabilities								
Shareholder's equity	125	148	167	183	207	229	256	287
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	15	19	16	20	24	25	26
Deferred taxes	5	5	7	6	5	5	5	5
Interest bearing debt	61	52	44	24	62	14	0	0
Non-interest bearing current liabilities	113	99	96	103	172	130	137	144
Other interest-free debt	2	2	7	7	6	6	6	6
Total liabilities	307	321	340	339	474	409	431	469
CASH FLOW, EURm								
+ EBITDA	40	47	54	55	56	60	68	72
- Net financial items	2	-2	-1	-3	-2	-1	-1	-1
- Taxes	-8	-7	-5	-7	-10	-11	-13	-14
- Increase in Net Working Capital	-6	-9	-15	5	-59	40	-8	-7
+/- Other	-6	0	0	0	0	0	0	0
= Cash flow from operations	22	29	32	50	-15	89	47	51
- Capex	-21	-10	-24	-6	-17	-20	-14	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	2	19	8	44	-32	68	33	36
+/- New issues/buybacks	-4	3	-6	-6	5	0	0	0
- Paid dividend	-6	-7	-8	-10	-11	-12	-13	-13
+/- Other	8	-7	-1	-23	37	-44	-12	1
Change in cash	0	8	-8	5	0	12	8	24

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	281	336	417	477	437	437	437
Net debt (excl. convertibles)	39	43	15	57	0	-20	-43
Enterprise value	320	379	431	533	437	417	394
Sales	563	579	595	696	741	785	824
EBITDA	47	54	55	56	60	68	72
EBIT	38	39	39	40	46	53	58
Pre-tax	36	38	37	38	45	52	57
Earnings	28	32	32	31	34	40	43
Equity book value (excl. minorities)	148	167	183	207	229	256	287
Valuation multiples							
EV/sales	0.6	0.7	0.7	0.8	0.6	0.5	0.5
EV/EBITDA	6.8	7.1	7.8	9.6	7.3	6.1	5.5
EV/EBITA	8.5	9.6	11.0	13.2	9.6	7.9	6.8
EV/EBIT	8.5	9.6	11.0	13.2	9.6	7.9	6.8
EV/OCF	11.0	11.9	8.6	-36.3	4.9	8.8	7.8
EV/FCFF	15.5	25.7	10.0	-20.5	6.2	12.0	10.3
P/FCFE	14.9	44.7	9.6	-15.0	6.4	13.3	12.0
P/E	10.1	10.4	13.2	15.6	12.8	11.0	10.1
P/B	1.9	2.0	2.3	2.3	1.9	1.7	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.6	7.2	6.5
Target EV/EBIT	0.0	0.0	0.0	0.0	11.2	9.3	8.1
Target EV/FCF	0.0	0.0	0.0	0.0	7.5	14.9	12.8
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	14.9	12.8	11.8
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	0.44	0.50	0.49	0.48	0.54	0.62	0.68
Operating cash flow per share	0.45	0.50	0.78	-0.23	1.39	0.74	0.80
Free cash flow per share	0.30	0.12	0.68	-0.50	1.07	0.52	0.57
Book value per share	2.32	2.61	2.86	3.25	3.59	4.01	4.48
Dividend per share	0.13	0.15	0.17	0.19	0.20	0.21	0.22
Dividend payout ratio, %	29.9	29.8	34.4	39.8	37.4	33.7	33.0
Dividend yield, %	3.0	2.9	2.6	2.8	2.9	3.1	3.3
FCF yield, %	6.7	2.2	10.4	-6.7	15.6	7.5	8.3
Efficiency measures							
ROE	20.4	20.4	18.1	15.6	15.7	16.4	16.0
ROCE	18.8	17.7	17.3	15.7	16.4	19.3	19.4
Financial ratios							
Inventories as % of sales	17.0	17.6	17.4	27.8	17.0	17.0	17.0
Receivables as % of sales	18.4	19.8	19.4	22.0	18.5	18.5	18.5
Non-interest bearing liabilities as % of sales	17.5	16.6	17.3	24.8	17.5	17.5	17.5
NWC/sales, %	17.5	19.7	18.3	24.1	17.2	17.2	17.2
Operative CAPEX/sales, %	1.8	4.2	1.1	2.4	2.7	1.8	1.7
CAPEX/sales (incl. acquisitions), %	1.8	4.2	1.1	2.4	2.7	1.8	1.7
FCFF/EBITDA	0.4	0.3	0.8	-0.5	1.2	0.5	0.5
Net debt/EBITDA, book-weighted	0.8	0.8	0.3	1.0	0.0	-0.3	-0.6
Debt/equity, market-weighted	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Equity ratio, book-weighted	46.2	49.0	53.9	43.8	56.2	59.5	61.1
Gearing, %	26.0	25.6	7.9	27.3	0.1	-7.7	-15.0

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	67.806	15.5%
Takanen Jarkko	8,596,169	58.798	13.5%
Varikot Oy	7,606,442	52.028	11.9%
Takanen Jorma	6,129,305	41.924	9.6%
Tolonen Jonna	3,351,950	22.927	5.2%
Pöllä Reijo	3,328,745	22.769	5.2%
Laakkonen Mikko	2,531,187	17.313	4.0%
Takanen Martti	1,947,018	13.318	3.0%
Sijoitusrahasto Aktia Capital	1,918,000	13.119	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	12.996	3.0%
Ten largest	47,221,962	322.998	74%
Residual	16,673,477	114.047	26%
Total	63,895,439	437.045	100%

EARNINGS CALENDAR

April 22, 2022	Q1 report
August 05, 2022	Q2 report
October 26, 2022	Q3 report

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

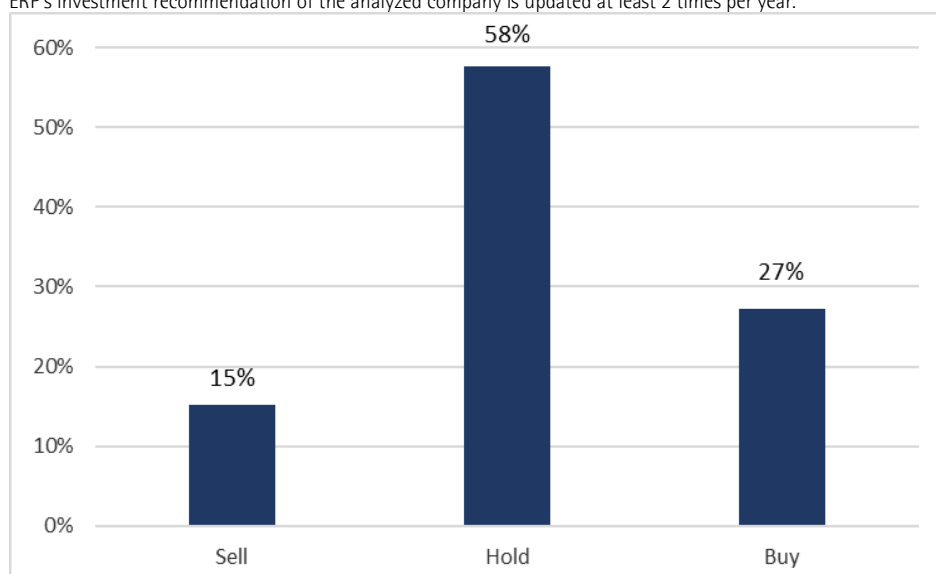
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Investment recommendations are defined as follows:

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

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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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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
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EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001