

## Showing promising progress

Solteq's Q2 results were slightly better than our expectations, with net sales at EUR 14.7m (Evli 14.4m) and EBIT at EUR 0.6m (Evli 0.5m). The report mostly implied business as usual, with encouraging comments on order intake development. We have made minor estimates revisions, now expecting a 2019 EBIT-margin of 7.4% (prev. 6.8%). We raise our target price to EUR 1.5 (1.4) and retain our HOLD-rating.

### Q2 slightly better than expected

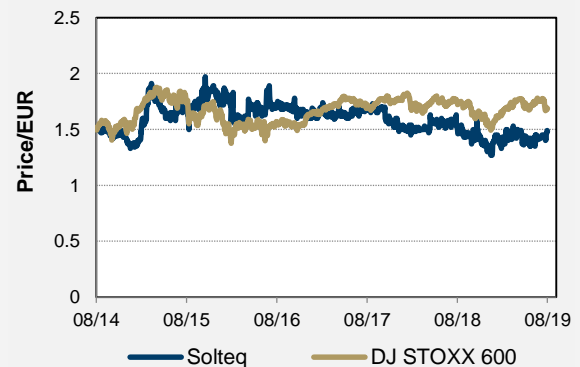
Solteq posted Q2 results slightly better than our expectations. Net sales amounted to EUR 14.7m vs. our estimate of EUR 14.4m. Growth picked up slightly in Q2, at 3.0% y/y, with the revenue of the international subsidiaries having grown significantly. The order intake has according to the company continued to develop positively and was larger than in the comparison period. Q2 EBIT amounted to EUR 0.6 vs. our estimate of EUR 0.5m. Product development investments grew to EUR 1.1m (0.6m), with the co's full year estimate still at EUR 3.5m.

### Slight upwards revisions of our estimates

We have made only minor adjustments to our estimates post-Q2. We expect sales in 2019 to grow 3.5% to EUR 58.9m, supported by a favourable order intake development and expect continued solid growth internationally. We expect the operating profit margin in 2019 to improve to 7.4% (prev. est. 6.8%) from 4.3% in 2018, driven by the actions taken to improve operational efficiency during 2018. Solteq has guided for its operating profit in 2019 to grow clearly compared to 2018.

### HOLD with a target price of EUR 1.5 (1.4)

On 2019 peer multiples valuation still appears reasonably fair. Although we are not yet prepared to fully emphasize 2020 multiples, with the good progress so far during the year and our slightly raised estimates we raise our target price to EUR 1.5 (1.4) and retain our HOLD-rating.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 1.48

 Target price, EUR 1.5

 Latest change in recommendation 27-Jun-19

 Latest report on company 27-Jun-19

 Research paid by issuer: YES

 No. of shares outstanding, '000's 19,307

 No. of shares fully diluted, '000's 19,307

 Market cap, EURm 29

 Free float, % 43.0

 Exchange rate 0.000

 Reuters code SOLTEQ.HE

 Bloomberg code SOLTEQ.FH

 Average daily volume, EURm -

 Next interim report 29-Oct-19

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## 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	51	0	0.6%	-1	-0.08	-18.3	1.0	-239.0	168.7	0.00
2018	57	2	4.3%	1	0.02	69.9	1.0	2.6	22.0	0.00
2019E	59	4	7.4%	2	0.10	14.3	1.0	3.8	12.9	0.03
2020E	61	5	8.4%	3	0.14	10.5	0.9	3.5	10.5	0.04
2021E	64	6	8.7%	4	0.16	9.3	0.8	3.3	9.4	0.05
Market cap, EURm			29	BV per share 2019E, EUR		1.2	CAGR EPS 2018-21, %		104.5	
Net debt 2019E, EURm			27	Price/book 2019E		1.2	CAGR sales 2018-21, %		3.8	
Enterprise value, EURm			56	Dividend yield 2019E, %		2.1	ROE 2019E, %		8.8	
Total assets 2019E, EURm			74	Tax rate 2019E, %		18.4	ROCE 2019E, %		7.7	
Goodwill 2019E, EURm			40	Equity ratio 2019E, %		32.0	PEG, P/E 19/CAGR		0.9	

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

Solteq	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Net sales	50.7	14.9	14.2	12.8	14.9	56.9	14.9	14.7	13.5	15.8	58.9	61.4	63.5
sales growth %	-19.6%	13.8%	5.7%	10.3%	19.2%	12.1%	0.2%	3.0%	5.2%	5.8%	3.5%	4.2%	3.5%
Other income	0.1	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-6.3	-2.1	-1.7	-1.2	-1.1	-6.1	-0.9	-1.4	-1.0	-1.3	-4.6	-4.5	-4.7
Personnel expenses	-32.9	-8.8	-9.8	-8.6	-8.3	-35.6	-9.3	-9.4	-8.9	-9.6	-37.2	-38.4	-39.5
Other expenses	-9.2	-2.0	-2.0	-2.0	-4.9	-10.9	-2.2	-2.3	-2.0	-2.4	-8.9	-9.2	-9.5
EBITDA	2.4	1.9	0.6	1.1	1.1	4.8	2.5	1.5	1.6	2.5	8.1	9.3	9.8
D&A	-2.1	-0.6	-0.6	-0.6	-0.5	-2.3	-0.9	-1.0	-0.9	-0.9	-3.8	-4.1	-4.3
EBIT	0.3	1.3	0.0	0.5	0.6	2.5	1.5	0.6	0.7	1.6	4.4	5.2	5.5
EBIT margin	0.6 %	8.8 %	0.2 %	3.8 %	4.3 %	4.3 %	10.2 %	3.9 %	5.0 %	10.0 %	7.4 %	8.4 %	8.7 %
Adjustment items	1.8	0.0	0.1	0.1	0.5	0.7	0.0	0.1	0.0	0.0	0.1	0.0	0.0
Adjusted EBIT	2.1	1.3	0.2	0.6	1.1	3.1	1.5	0.6	0.7	1.6	4.4	5.2	5.5
Adj. EBIT margin	4.1%	8.7%	1.1%	4.3%	7.5%	5.5%	10.3%	4.3%	5.0%	10.0%	7.5%	8.4%	8.7%

SOLTEQ PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1660	8.4x	8.0x	7.8x	12.5x	11.6x	11.1x	12.4x	11.9x	11.4x
Atea	1268	9.3x	8.1x	7.4x	15.4x	12.6x	11.1x	20.0x	15.8x	13.9x
Knowit	338	9.2x	8.5x	8.0x	11.3x	10.4x	9.6x	14.1x	12.9x	12.0x
HiQ	261	10.1x	10.1x	9.6x	11.9x	11.9x	11.2x	16.4x	15.2x	14.4x
Bouvet	297	10.2x	9.5x	8.9x	12.8x	11.9x	11.1x	16.3x	15.2x	14.3x
Enea	277	11.0x	11.1x	10.3x	13.5x	13.1x	11.9x	16.8x	16.0x	14.0x
Gofore	111	9.7x	8.6x	7.7x	10.9x	9.6x	8.5x	15.3x	13.5x	12.0x
Digia	97	8.2x	7.2x	6.7x	12.0x	10.4x	9.5x	13.4x	11.4x	10.4x
Silli Solutions	60	8.0x						12.5x		
Vincit	53	7.4x	6.2x	5.6x	8.2x	6.6x	5.8x	12.5x	9.5x	8.3x
Innofactor	22	8.7x	8.3x	7.6x	21.9x	20.5x	16.5x	17.1x	13.3x	9.6x
Peer Group Average	404	9.1x	8.6x	8.0x	13.0x	11.9x	10.6x	15.2x	13.5x	12.0x
Peer Group Median	261	9.2x	8.4x	7.7x	12.2x	11.8x	11.1x	15.3x	13.4x	12.0x
Solteq (Evli est.)	29	6.9x	6.0x	5.4x	12.9x	10.5x	9.4x	14.3x	10.5x	9.3x

Solteq prem./disc. to peer median

-25% -29% -30% 5% -11% -15% -7% -21% -22%

Source Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.48 PV of Free Cash Flow	29 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.68 PV of Horizon value	33 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	13.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	1.9 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	1.5 Debt - dividend	-35 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	53.8 Value of stock	32 Nr of shares, Mn	19.3 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	57	59	61	64	66	68	70	73	75	78	80	81
<i>Sales growth, %</i>	<i>12.1</i>	<i>3.6</i>	<i>4.2</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	2	4	5	6	5	5	6	6	6	6	6	6
<i>EBIT margin, %</i>	<i>4.3</i>	<i>7.4</i>	<i>8.4</i>	<i>8.7</i>	<i>8.2</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>
+ Depreciation+amort.	2	4	4	4	4	4	5	5	5	5	5	
- Income taxes	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	
- Change in NWC	6	0	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	<i>-7.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-14	-4	-4	-4	-5	-5	-5	-5	-5	-5	-5	-6
<i>Investments / Sales, %</i>	<i>24.7</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>	<i>6.8</i>	<i>6.8</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-5	3	4	4	4	4	4	4	5	5	5	74
= Discounted FCF (DFCF)		3	3	3	3	3	3	3	2	2	2	33
= DFCF min WACC		3	4	3	3	3	3	3	3	2	2	37
= DFCF max WACC		3	3	3	3	3	3	3	2	2	2	30

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	15	14	13	15	57	15	15	14	16	59	61	64
EBITDA	2	1	1	1	5	2	2	2	3	8	9	10
<i>EBITDA margin (%)</i>	<i>12.9</i>	<i>4.4</i>	<i>8.3</i>	<i>7.7</i>	<i>8.4</i>	<i>16.4</i>	<i>10.7</i>	<i>11.9</i>	<i>15.8</i>	<i>13.8</i>	<i>14.8</i>	<i>15.1</i>
EBIT	1	0	0	1	2	2	1	1	2	4	5	6
<i>EBIT margin (%)</i>	<i>8.8</i>	<i>0.2</i>	<i>3.8</i>	<i>4.3</i>	<i>4.3</i>	<i>10.2</i>	<i>3.9</i>	<i>5.0</i>	<i>10.0</i>	<i>7.4</i>	<i>8.4</i>	<i>8.7</i>
Net financial items	0	0	0	-1	-2	0	-1	0	0	-2	-2	-2
Pre-tax profit	1	0	0	0	1	1	0	0	1	2	3	4
Tax	0	0	0	0	0	0	0	0	0	0	-1	-1
<i>Tax rate (%)</i>	<i>26.6</i>	<i>9.5</i>	<i>312.0</i>	<i>-233.3</i>	<i>44.5</i>	<i>23.7</i>	<i>-106.3</i>	<i>20.0</i>	<i>20.0</i>	<i>18.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1	0	0	0	0	1	0	0	1	2	3	3
EPS	0.03	-0.02	-0.01	0.01	0.02	0.04	0.01	0.01	0.05	0.10	0.14	0.16
EPS adjusted (diluted no. of shares)	0.03	-0.02	-0.01	0.01	0.02	0.04	0.01	0.01	0.05	0.10	0.14	0.16
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.04	0.05
<b>SALES, EURm</b>												
Solteq	15	14	13	15	57	15	15	14	16	59	61	64
Total	15	14	13	15	57	15	15	14	16	59	61	64
<b>SALES GROWTH, Y/Y %</b>												
Solteq	<i>13.6</i>	<i>5.7</i>	<i>10.3</i>	<i>19.2</i>	<i>12.1</i>	<i>0.4</i>	<i>3.0</i>	<i>5.2</i>	<i>5.8</i>	<i>3.6</i>	<i>4.2</i>	<i>3.5</i>
Total	<i>13.6</i>	<i>5.7</i>	<i>10.3</i>	<i>19.2</i>	<i>12.1</i>	<i>0.4</i>	<i>3.0</i>	<i>5.2</i>	<i>5.8</i>	<i>3.6</i>	<i>4.2</i>	<i>3.5</i>
<b>EBIT, EURm</b>												
Solteq	1	0	0	1	2	2	1	1	2	4	5	6
Total	1	0	0	1	2	2	1	1	2	4	5	6
<b>EBIT margin, %</b>												
Solteq	<i>8.8</i>	<i>0.2</i>	<i>3.8</i>	<i>4.3</i>	<i>4.3</i>	<i>10.2</i>	<i>3.9</i>	<i>5.0</i>	<i>10.0</i>	<i>7.4</i>	<i>8.4</i>	<i>8.7</i>
Total	<i>8.8</i>	<i>0.2</i>	<i>3.8</i>	<i>4.3</i>	<i>4.3</i>	<i>10.2</i>	<i>3.9</i>	<i>5.0</i>	<i>10.0</i>	<i>7.4</i>	<i>8.4</i>	<i>8.7</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	41	54	63	51	57	59	61	64
<i>Sales growth (%)</i>	<i>1,022,400.0</i>	<i>32.6</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>3.6</i>	<i>4.2</i>	<i>3.5</i>
Costs	-37	-51	-55	-48	-52	-51	-52	-54
Reported EBITDA	4	3	8	2	5	8	9	10
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>9.3</i>	<i>5.7</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>13.8</i>	<i>14.8</i>	<i>15.1</i>
Depreciation	-1	-2	-2	-2	-2	-4	-4	-4
EBITA	3	1	7	0	2	4	5	6
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	3	1	6	0	2	4	5	6
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>7.4</i>	<i>8.4</i>	<i>8.7</i>
Net financials	0	-1	-2	-2	-2	-2	-2	-2
Pre-tax profit	2	0	5	-1	1	2	3	4
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	-1	-1
Minority shares	0	0	0	0	0	0	0	0
Net profit	2	0	5	-2	0	2	3	3
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	4	8	7	8	16	17	17	18
<i>% of sales</i>	<i>11</i>	<i>15</i>	<i>11</i>	<i>16</i>	<i>29</i>	<i>28</i>	<i>28</i>	<i>28</i>
Goodwill	13	35	34	37	40	40	40	40
<i>% of sales</i>	<i>31</i>	<i>65</i>	<i>53</i>	<i>73</i>	<i>71</i>	<i>69</i>	<i>66</i>	<i>64</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	5	18	12	15	12	12	13	13
<i>% of sales</i>	<i>13</i>	<i>34</i>	<i>19</i>	<i>29</i>	<i>21</i>	<i>21</i>	<i>21</i>	<i>21</i>
Liquid funds	3	3	8	2	5	5	5	5
<i>% of sales</i>	<i>6</i>	<i>5</i>	<i>13</i>	<i>3</i>	<i>9</i>	<i>8</i>	<i>8</i>	<i>8</i>
Total assets	25	64	61	61	74	74	76	77
Liabilities								
Equity	12	15	20	20	22	24	26	28
<i>% of sales</i>	<i>29</i>	<i>28</i>	<i>32</i>	<i>40</i>	<i>38</i>	<i>40</i>	<i>42</i>	<i>44</i>
Deferred taxes	1	1	1	1	1	1	1	1
<i>% of sales</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Interest bearing debt	4	28	26	26	35	32	30	29
<i>% of sales</i>	<i>11</i>	<i>52</i>	<i>41</i>	<i>51</i>	<i>61</i>	<i>55</i>	<i>50</i>	<i>45</i>
Non-interest bearing current liabilities	8	18	14	14	17	17	18	19
<i>% of sales</i>	<i>20</i>	<i>34</i>	<i>22</i>	<i>27</i>	<i>29</i>	<i>29</i>	<i>29</i>	<i>29</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	25	64	61	61	74	74	76	77
<b>CASH FLOW, EURm</b>								
+ EBITDA	4	3	8	2	5	8	9	10
- Net financial items	0	-1	-2	-2	-2	-2	-2	-2
- Taxes	0	0	0	0	0	0	-1	-1
- Increase in Net Working Capital	3	-3	2	-3	6	0	0	0
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	6	-1	8	-2	8	6	7	7
- Capex	-18	-28	1	-6	-14	-4	-4	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-12	-29	9	-9	-6	2	3	3
+/- Change in interest-bearing debt	4	24	-3	0	9	-2	-2	-2
+/- New issues/buybacks	10	4	0	3	1	0	0	0
- Paid dividend	0	0	0	-1	0	0	-1	-1
+/- Change in loan receivables	0	1	0	0	0	0	0	0
Change in cash	2	0	6	-7	4	-1	0	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	30	28	28	25	29	29	29
Net debt	26	17	24	29	27	26	24
Enterprise value	56	45	52	54	56	54	52
Sales	54	63	51	57	59	61	64
EBITDA	3	8	2	5	8	9	10
EBIT	1	6	0	2	4	5	6
Pre-tax	0	5	-1	1	2	3	4
Earnings	0	5	-2	0	2	3	3
Book value	15	20	20	22	24	26	28
<b>Valuation multiples</b>							
EV/sales	1.0	0.7	1.0	1.0	1.0	0.9	0.8
EV/EBITDA	18.2	5.4	21.8	11.4	6.9	6.0	5.4
EV/EBITA	43.4	7.0	168.7	22.0	12.9	10.5	9.4
EV/EBIT	43.4	7.1	168.7	22.0	12.9	10.5	9.4
EV/operating cash flow	283.7	4.8	-449.0	5.7	7.5	6.6	6.0
EV/cash earnings	23.4	7.2	71.3	21.9	9.7	8.2	7.3
P/E	298.5	6.1	-18.3	69.9	14.3	10.5	9.3
P/E excl. goodwill	298.5	6.0	-18.3	69.9	14.3	10.5	9.3
P/B	2.0	1.4	1.4	1.1	1.2	1.1	1.0
P/sales	0.6	0.4	0.5	0.4	0.5	0.5	0.4
P/CF	152.9	3.0	-239.0	2.6	3.8	3.5	3.3
Target EV/EBIT	0.0	0.0	0.0	0.0	12.7	10.4	9.3
Target P/E	0.0	0.0	0.0	0.0	14.0	10.3	9.1
Target P/B	0.0	0.0	0.0	0.0	1.2	1.1	1.0
<b>Per share measures</b>							
Number of shares	16,937	17,639	18,197	19,202	19,307	19,307	19,307
Number of shares (diluted)	16,937	17,639	18,197	19,202	19,307	19,307	19,307
EPS	0.01	0.26	-0.08	0.02	0.10	0.14	0.16
EPS excl. goodwill	0.01	0.26	-0.08	0.02	0.10	0.14	0.16
Cash EPS	0.14	0.36	0.04	0.13	0.30	0.34	0.37
Operating cash flow per share	0.01	0.54	-0.01	0.50	0.39	0.43	0.45
Capital employed per share	2.43	2.13	2.46	2.66	2.66	2.67	2.68
Book value per share	0.91	1.15	1.13	1.14	1.23	1.34	1.46
Book value excl. goodwill	-1.17	-0.75	-0.90	-0.97	-0.86	-0.75	-0.64
Dividend per share	0.00	0.05	0.00	0.00	0.03	0.04	0.05
Dividend payout ratio, %	0.0	19.1	0.0	0.0	30.0	30.0	30.0
Dividend yield, %	0.0	3.1	0.0	0.0	2.1	2.8	3.2
<b>Efficiency measures</b>							
ROE	0.7	25.8	-7.4	1.7	8.8	10.9	11.4
ROCE	4.3	14.3	0.7	4.8	7.7	9.2	9.7
<b>Financial ratios</b>							
Capex/sales, %	51.7	-1.1	12.6	24.7	7.0	7.0	7.0
Capex/depreciation excl. goodwill,%	309.3	50.1	145.6	457.9	108.8	110.4	108.6
Net debt/EBITDA, book-weighted	8.4	2.1	10.2	6.2	3.4	2.8	2.5
Debt/equity, market-weighted	0.9	0.9	0.9	1.4	1.1	1.1	1.0
Equity ratio, book-weighted	24.0	33.2	33.3	29.3	32.0	34.3	36.8
Gearing	1.67	0.85	1.19	1.34	1.15	0.99	0.83
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

**COMPANY DESCRIPTION:** Solteq is a Nordic software and IT-services provider specializing in digital business solutions. Solteq's strength has been in commerce related solutions with a focus on selected sectors, namely the retail and wholesale, industry, energy, and services sectors.

**INVESTMENT CASE:**

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sentica Buyout III Ky	4,621,244	6.839	23.9%
Profiz Business Solution Oyj	2,051,997	3.037	10.6%
Elo Mutual Pension Insurance Company	2,000,000	2.960	10.4%
Saadetdin Ali	1,403,165	2.077	7.3%
Varma Mutual Pension Insurance Company	1,245,597	1.843	6.5%
Aalto Seppo Tapio	700,000	1.036	3.6%
Roininen Matti Juhani	450,000	0.666	2.3%
Väätäinen Olli Pekka	400,000	0.592	2.1%
Lamy Oy	225,000	0.333	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.266	0.9%
Ten largest	13,277,052	19.650	69%
Residual	6,029,475	8.924	31%
Total	19,306,527	28.574	100%

**EARNINGS CALENDAR**

October 29, 2019

Q3 report

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

CEO: Olli Väätäinen

Karhumäentie 3, FI-01350

CFO: Martti Nurminen

Tel:

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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