

Minor bumps, narrative unchanged

Solteq's Q3 results fell short of our expectations due to the postponement of certain customer projects. Net sales were EUR 13.0m (Evli 13.5m) and EBIT EUR 0.3m (Evli 0.7m), with Q3 providing no other surprises. Solteq announced plans to implement a new structure during 2020, with two business segments, and their long-term financial targets. We retain our HOLD-rating with a TP of EUR 1.50.

Estimates miss from project postponements

Solteq's Q3 results fell short of our as well as company expectations. Revenue in Q3 grew 1.2% to EUR 13.0m (Evli 13.5m) and EBIT amounted to EUR 0.3m (Evli 0.7m). The third quarter was impacted by the postponement of certain customer projects to the fourth quarter, with the value of a single postponed order at more than EUR 0.3m. Aside from the impact of the postponed projects the Q3 results provided no surprises. Solteq noted a continued positive development of its order backlog.

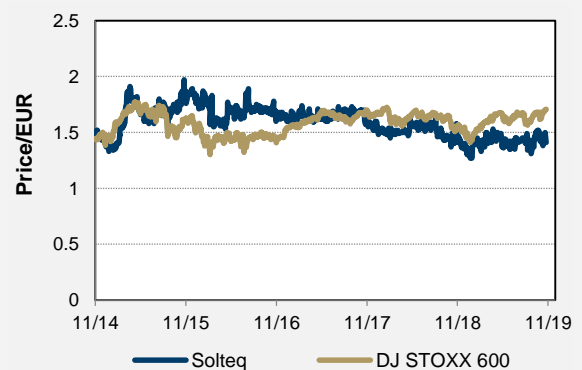
Plans to change segment structure during 2020

Solteq announced intentions to change its segment structure during 2020 into two business segments: Solteq Software and Solteq Digital. Solteq Software will focus on the company's own products and Solteq Digital on IT expert services. The long-term financial targets for Software/Digital are: minimum average annual revenue growth 20%/5% and minimum EBIT-margin 25%/8%. For some perspective, this could imply Group EBIT-margins well over 10% by 2022.

HOLD with a target price of EUR 1.50

We have lowered our 2019 net sales and EBIT estimates to EUR 58.3m (prev. 58.9m) and EUR 3.9m (prev. 4.4m), with only minor adjustments to our coming year estimates. Solteq as an investment case relies on the transition towards own software and related services and some positive signs were seen from order inflow during Q3, although not large enough to warrant changes to our views. With our estimates largely intact we retain our HOLD-rating and target price of EUR 1.50.

Rating



Share price, EUR (Last trading day's closing price) 1.41

Target price, EUR 1.5

Latest change in recommendation 27-Jun-19

Latest report on company 14-Oct-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 27

Free float, % 43.0

Exchange rate 0.000

Reuters code SOLTEQ.HE

Bloomberg code SOLTEQ.FH

Average daily volume, EURm -

Next interim report -

Web site www.solteq.com

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

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
2017	50.7	0.3	0.6%	-8.4	-0.08	-18.3	1.0	168.7	-30.2	0.00
2018	56.9	2.5	4.3%	0.4	0.02	69.9	1.0	22.0	1.8	0.00
2019E	58.3	3.9	6.6%	-1.0	0.08	17.3	1.0	14.8	-3.5	0.00
2020E	60.7	5.0	8.3%	0.2	0.13	11.0	0.9	11.4	0.6	0.04
2021E	62.9	5.4	8.5%	3.6	0.14	9.8	0.9	10.2	13.2	0.04
Market cap, EURm	27			Gearing 2019E, %	129.5			CAGR EPS 2018-21, %	98.0	
Net debt 2019E, EURm	30			Price/book 2019E	1.2			CAGR sales 2018-21, %	3.4	
Enterprise value, EURm	57			Dividend yield 2019E, %	0.0			ROE 2019E, %	7.0	
Total assets 2019E, EURm	77			Tax rate 2019E, %	18.4			ROCE 2019E, %	6.7	
Goodwill 2019E, EURm	40			Equity ratio 2019E, %	30.5			PEG, P/E 19/CAGR	0.8	

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/'19	Q4/'19E	2019E	2020E	2021E
Net sales	50.7	14.9	14.2	12.8	14.9	56.9	14.9	14.7	13.0	15.7	58.3	60.7	62.9
sales growth %	-19.6%	13.8%	5.7%	10.3%	19.2%	12.1%	0.2%	3.0%	1.2%	5.2%	2.4%	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	-1.4	-1.3	-5.0	-4.5	-4.7
Personnel expenses	-32.9	-8.8	-9.8	-8.6	-8.3	-35.6	-9.3	-9.4	-8.1	-9.5	-36.3	-37.9	-39.0
Other expenses	-9.2	-2.0	-2.0	-2.0	-4.9	-10.9	-2.2	-2.3	-2.2	-2.4	-9.1	-9.2	-9.5
EBITDA	2.4	1.9	0.6	1.1	1.1	4.8	2.5	1.5	1.3	2.5	7.8	9.1	9.7
D&A	-2.1	-0.6	-0.6	-0.6	-0.5	-2.3	-0.9	-1.0	-1.0	-1.0	-4.0	-4.1	-4.3
EBIT	0.3	1.3	0.0	0.5	0.6	2.5	1.5	0.6	0.3	1.5	3.9	5.0	5.4
EBIT margin	0.6 %	8.8 %	0.2 %	3.8 %	4.3 %	4.3 %	10.2 %	3.9 %	2.2 %	9.5 %	6.6 %	8.3 %	8.5 %
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	0.3	1.5	3.9	5.0	5.4
Adj. EBIT margin	4.1%	8.7%	1.1%	4.3%	7.5%	5.5%	10.3%	4.3%	2.2%	9.5%	6.8%	8.3%	8.5%

SOLTEQ PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		19E	20E	21E	19E	20E	21E	19E	20E	21E
Tieto	1900	9.0x	7.9x	7.6x	14.0x	12.3x	11.6x	14.0x	13.4x	12.9x
Atea	1264	10.2x	8.8x	8.1x	17.4x	13.7x	12.2x	21.5x	16.7x	14.7x
Knowit	328	9.0x	8.4x	7.8x	11.1x	10.2x	9.4x	14.6x	13.3x	12.2x
HiQ	249	9.7x	9.7x	9.1x	11.8x	11.6x	10.8x	16.0x	15.1x	14.0x
Bouvet	298	10.9x	10.0x	9.4x	13.8x	12.6x	11.6x	16.9x	15.5x	14.5x
Enea	337	11.5x	11.3x	10.4x	14.7x	15.1x	13.5x	21.5x	17.5x	16.1x
Gofore	104	11.2x	9.3x	8.2x	12.9x	10.6x	9.2x	18.1x	14.4x	12.5x
Digia	104	7.9x	7.0x	6.7x	12.0x	10.1x	9.4x	13.6x	11.7x	10.7x
Sili Solutions	56	8.0x	6.8x	6.0x	10.4x	8.2x	7.1x	12.1x	9.3x	8.1x
Vincit	62	11.5x	8.7x	7.9x	13.6x	9.9x	8.0x	20.6x	14.7x	11.7x
Innofactor	28	9.9x	9.5x	8.6x	24.7x	19.3x	14.2x	21.5x	17.1x	12.3x
Peer Group Average	430	9.9x	8.8x	8.2x	14.2x	12.1x	10.6x	17.3x	14.4x	12.7x
Peer Group Median	249	9.9x	8.8x	8.1x	13.6x	11.6x	10.8x	16.9x	14.7x	12.5x
Solteq (Evli est.)	27	7.3x	6.1x	5.3x	14.8x	11.5x	10.3x	17.3x	11.1x	9.8x

Solteq prem./disc. to peer median

-26% -31% -34% 9% -1% -5% 2% -25% -21%

Source Bloomberg, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	14.9	14.2	12.8	14.9	56.9	14.9	14.7	13.0	15.7	58.3	60.7	62.9
EBITDA	1.9	0.6	1.1	1.1	4.8	2.5	1.6	1.3	2.5	7.8	9.5	10.3
<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>10.0</i>	<i>15.9</i>	<i>13.4</i>	<i>15.6</i>	<i>16.4</i>
EBIT	1.3	0.0	0.5	0.6	2.5	1.5	0.6	0.3	1.5	3.9	5.0	5.4
<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>2.2</i>	<i>9.5</i>	<i>6.6</i>	<i>8.3</i>	<i>8.5</i>
Net financial items	-0.4	-0.4	-0.4	-0.6	-1.8	-0.5	-0.5	-0.5	-0.5	-1.9	-1.9	-1.9
Pre-tax profit	0.9	-0.3	0.1	0.0	0.6	1.1	0.1	-0.2	1.0	1.9	3.1	3.5
Tax	-0.2	0.0	-0.2	0.1	-0.3	-0.3	0.1	0.0	-0.2	-0.4	-0.6	-0.7
<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>16.1</i>	<i>20.0</i>	<i>18.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.7	-0.3	-0.1	0.1	0.4	0.8	0.1	-0.2	0.8	1.6	2.5	2.8
EPS	0.03	-0.02	-0.01	0.01	0.02	0.04	0.01	-0.01	0.04	0.08	0.13	0.14
EPS adjusted (diluted no. of shares)	0.03	-0.02	-0.01	0.01	0.02	0.04	0.01	-0.01	0.04	0.08	0.13	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.04
SALES, EURm												
Solteq	14.9	14.2	12.8	14.9	56.9	14.9	14.7	13.0	15.7	58.3	60.7	62.9
Total	14.9	14.2	12.8	14.9	56.9	14.9	14.7	13.0	15.7	58.3	60.7	62.9
SALES GROWTH, Y/Y %												
Solteq	13.6	5.7	10.3	19.2	12.1	0.4	3.0	1.2	5.2	2.5	4.2	3.5
Total	13.6	5.7	10.3	19.2	12.1	0.4	3.0	1.2	5.2	2.5	4.2	3.5
EBIT, EURm												
Solteq	1.3	0.0	0.5	0.6	2.5	1.5	0.6	0.3	1.5	3.9	5.0	5.4
Total	1.3	0.0	0.5	0.6	2.5	1.5	0.6	0.3	1.5	3.9	5.0	5.4
EBIT margin, %												
Solteq	8.8	0.2	3.8	4.3	4.3	10.2	3.9	2.2	9.5	6.6	8.3	8.5
Total	8.8	0.2	3.8	4.3	4.3	10.2	3.9	2.2	9.5	6.6	8.3	8.5

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	40.9	54.2	63.0	50.7	56.9	58.3	60.7	62.9
<i>Sales growth (%)</i>	<i>0.0</i>	<i>32.6</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>4.2</i>	<i>3.5</i>
EBITDA	3.8	3.1	8.4	2.4	4.8	7.8	9.5	10.3
<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>13.4</i>	<i>15.6</i>	<i>16.4</i>
Depreciation	-1.3	-1.8	-1.9	-2.1	-2.3	-2.2	-2.7	-3.1
EBITA	2.5	1.3	6.5	0.3	2.5	3.9	5.0	5.4
Goodwill amortization / writedown	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	1.3	6.4	0.3	2.5	3.9	5.0	5.4
<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>6.6</i>	<i>8.3</i>	<i>8.5</i>
Reported EBIT	2.5	1.3	6.4	0.3	2.5	3.9	5.0	5.4
<i>EBIT margin (reported) (%)</i>	<i>6.1</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>6.6</i>	<i>8.3</i>	<i>8.5</i>
Net financials	-0.2	-1.0	-1.7	-1.8	-1.8	-1.9	-1.9	-1.9
Pre-tax profit	2.3	0.3	4.7	-1.5	0.6	1.9	3.1	3.5
Taxes	-0.4	-0.2	-0.1	-0.1	-0.3	-0.4	-0.6	-0.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.9	0.1	4.6	-1.5	0.4	1.6	2.5	2.8
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	8	7	8	10	13	15	14
Goodwill	13	35	34	37	40	40	40	40
Right of use assets	0	0	0	0	6	6	7	7
Inventory	0	0	0	0	0	0	0	0
Receivables	5	18	12	15	12	12	13	13
Liquid funds	3	3	8	2	5	5	5	5
Total assets	25	64	61	61	74	77	80	80
Liabilities								
Shareholder's equity	12	15	20	20	22	23	26	28
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	6	6	7	7
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	4	28	26	26	28	29	28	25
Non-interest bearing current liabilities	8	18	14	14	17	17	18	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	25	64	61	61	74	77	80	80
CASH FLOW, EURm								
+ 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	7	-1	8	-2	8	6	7	8
- Capex	-18	-28	1	-6	-8	-7	-7	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-12	-29	9	-8	0	-1	0	4
+/- New issues/buybacks	10	4	0	3	1	0	0	0
- Paid dividend	0	0	0	-1	0	0	0	-1
+/- Other	4	25	-3	0	2	0	0	-3
Change in cash	3	0	6	-7	4	-1	0	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	30	28	28	25	27	27	27
Net debt (excl. convertibles)	26	17	24	29	30	30	27
Enterprise value	56	45	52	54	57	57	54
Sales	54	63	51	57	58	61	63
EBITDA	3	8	2	5	8	9	10
EBIT	1	6	0	2	4	5	5
Pre-tax	0	5	-1	1	2	3	3
Earnings	0	5	-2	0	2	2	3
Equity book value (excl. minorities)	15	20	20	22	23	26	28
Valuation multiples							
EV/sales	1.0	0.7	1.0	1.0	1.0	0.9	0.9
EV/EBITDA	18.2	5.4	21.8	11.4	7.3	6.1	5.3
EV/EBITA	43.4	7.0	168.7	22.0	14.8	11.4	10.2
EV/EBIT	43.4	7.1	168.7	22.0	14.8	11.4	10.2
EV/OCF	-94.8	5.8	-26.7	6.7	10.2	8.1	6.9
EV/FCFF	-2.1	4.6	-7.6	28.6	24.4	15.4	7.7
P/FCFE	-1.1	3.3	-3.3	56.6	-28.6	153.9	7.6
P/E	298.5	6.1	-18.3	69.9	17.3	11.0	9.8
P/B	2.0	1.4	1.4	1.1	1.2	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.6	6.2	5.5
Target EV/EBIT	0.0	0.0	0.0	0.0	15.3	11.7	10.5
Target EV/FCF	0.0	0.0	0.0	0.0	-62.3	333.8	15.7
Target P/B	0.0	0.0	0.0	0.0	1.2	1.1	1.0
Target P/E	0.0	0.0	0.0	0.0	18.4	11.7	10.4
Per share measures							
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	0.08	0.13	0.14
Operating cash flow per share	-0.03	0.45	-0.11	0.42	0.29	0.37	0.41
Free cash flow per share	-1.69	0.49	-0.46	0.02	-0.05	0.01	0.19
Book value per share	0.91	1.15	1.13	1.14	1.21	1.34	1.44
Dividend per share	0.00	0.05	0.00	0.00	0.00	0.04	0.04
Dividend payout ratio, %	0.0	19.1	0.0	0.0	0.0	30.0	30.0
Dividend yield, %	0.0	3.1	0.0	0.0	0.0	2.7	3.1
FCF yield, %	-95.0	30.4	-30.2	1.8	-3.5	0.6	13.2
Efficiency measures							
ROE	0.7	25.8	-7.4	1.7	7.0	10.0	10.4
ROCE	4.3	14.3	0.7	4.8	6.7	8.4	8.9
Financial ratios							
Inventories as % of sales	0.0	0.1	0.3	0.2	0.2	0.2	0.2
Receivables as % of sales	33.6	18.9	28.9	21.1	21.1	21.1	21.1
Non-interest bearing liabilities as % of sales	33.7	21.5	27.0	29.2	29.2	29.2	29.2
NWC/sales, %	-0.1	-2.5	2.2	-7.9	-7.9	-7.9	-7.9
Operative CAPEX/sales, %	51.7	-1.1	12.6	13.5	11.3	11.4	6.8
CAPEX/sales (incl. acquisitions), %	51.7	-1.1	12.6	13.5	11.3	11.4	6.8
FCFF/EBITDA	-8.7	1.2	-2.9	0.4	0.3	0.4	0.7
Net debt/EBITDA, book-weighted	8.4	2.1	10.2	6.2	3.9	3.2	2.6
Debt/equity, market-weighted	0.9	0.9	0.9	1.1	1.0	1.0	0.9
Equity ratio, book-weighted	24.0	33.2	33.3	29.3	30.5	32.4	35.0
Gearing, %	167.5	85.0	118.7	134.5	129.5	116.4	97.7

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	6.516	23.9%
Profiz Business Solution Oyj	2,051,997	2.893	10.6%
Elo Mutual Pension Insurance Company	2,000,000	2.820	10.4%
Saadetdin Ali	1,403,165	1.978	7.3%
Varma Mutual Pension Insurance Company	1,245,597	1.756	6.5%
Aalto Seppo Tapio	700,000	0.987	3.6%
Roininen Matti Juhani	450,000	0.635	2.3%
Väätäinen Olli Pekka	400,000	0.564	2.1%
Lamy Oy	225,000	0.317	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.254	0.9%
Ten largest	13,277,052	18.721	69%
Residual	6,029,475	8.502	31%
Total	19,306,527	27.222	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Olli Väätäinen

Karhumäentie 3, FI-01350

CFO: Kari Lehtosalo

Tel:

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

Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

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.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 30.10.2019, 8:45. This report has been published on 30.10.2019, 9:00.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

Selected portions of the report were provided to the company for fact checking purposes only.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

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

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

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
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



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