

Software house journey setback

Solteq withdrew its guidance for 2020 due to the prevailing uncertainty caused by the Coronavirus pandemic. Customer deliveries within core business areas have so far remained unaffected but we expect to see some weakness within smaller project deliveries. Ramping up sales of newly developed own products will likely also prove to be more challenging. We expect a 6.5% decline in revenue in 2020. We retain our HOLD-rating with a TP of EUR 0.95 (1.40).

Guidance withdrawn due to Coronavirus uncertainty

Solteq withdrew its guidance for 2020 for the time being due to the prevailing uncertainty caused by the Coronavirus pandemic. Customer deliveries with core business areas, with typically larger contracts and longer customer relationships, have so far continued without interruption. We expect the implications of the Coronavirus pandemic going forward to act as a driver for digitalization, partly due to movement restrictions and increasing online demand. In the near term we nonetheless expect revenue to be affected, mainly from smaller project deliveries. We also expect a more challenging ramp up of some of newer software products, some of which had already shown a promising start.

Expect a 6.5% sales decline in 2020

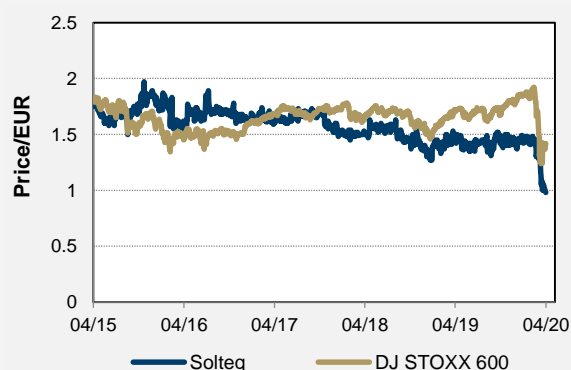
We have lowered our 2020 sales growth estimate to -6.5% (-1.4%) and EBIT to EUR 2.1m (3.5m). We currently expect to see clear margin and sales growth picking up in 2021 but note the high estimates uncertainty due to the Coronavirus outbreak. An additional uncertainty element is caused by the high leverage and interest expenses. Solteq informed of intentions to consider initiating a written procedure to extend its outstanding EUR 24.5m notes by 12 months, that were to mature July 1st, 2020.

HOLD with a TP of EUR 0.95 (1.40)

Solteq's cash flows were set to improve in the near-term due to lower investments and improved operational profitability. Although Solteq should be able to show relative resilience, the increased uncertainty amid the company's ambitions to change track towards a software focus is clearly suboptimal and we adjust our TP to EUR 0.95 (1.40), retaining our HOLD-rating.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 0.98

Target price, EUR 0.95

Latest change in recommendation 27-Jun-19

Latest report on company 28-Feb-20

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 19

Free float, % 43.0

Exchange rate 0.000

Reuters code SOLTEQ.HE

Bloomberg code SOLTEQ.FH

Average daily volume, EURm 0.01

Next interim report 30-Apr-20

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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
2018	56.9	2.5	4.3%	4.7	0.02	69.9	1.0	22.0	18.8	0.00
2019	58.3	5.7	9.8%	-3.2	0.15	27.1	1.0	10.6	-11.0	0.00
2020E	54.5	2.1	3.8%	0.2	0.00	560.5	0.9	24.4	1.3	0.03
2021E	57.1	3.5	6.1%	1.2	0.06	15.6	0.9	14.1	6.1	0.03
2022E	59.1	4.1	6.9%	2.2	0.09	11.0	0.8	11.8	11.5	0.04
Market cap, EURm	19			Gearing 2020E, %	127.4			CAGR EPS 2019-22, %	17.4	
Net debt 2020E, EURm	31			Price/book 2020E	0.8			CAGR sales 2019-22, %	0.5	
Enterprise value, EURm	50			Dividend yield 2020E, %	3.1			ROE 2020E, %	0.1	
Total assets 2020E, EURm	75			Tax rate 2020E, %	20.0			ROCE 2020E, %	3.5	
Goodwill 2020E, EURm	39			Equity ratio 2020E, %	32.6			PEG, P/E 20/CAGR	1.8	

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

Solteq	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Net sales	56.9	14.9	14.7	13.0	15.7	58.3	14.4	13.4	11.9	14.8	54.5	57.1	59.1
sales growth %	12.1%	0.2%	3.0%	1.2%	5.2%	2.5%	-3.7%	-8.5%	-8.2%	-6.0%	-6.5%	4.8%	3.5%
Other income	0.5	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-6.1	-0.9	-1.4	-1.4	-1.7	-5.4	-1.1	-1.2	-1.2	-1.5	-4.9	-5.0	-5.1
Personnel expenses	-35.6	-9.3	-9.4	-8.1	-9.9	-36.8	-9.2	-8.8	-7.5	-9.3	-34.8	-35.4	-36.3
Other expenses	-10.9	-2.2	-2.3	-2.2	-2.3	-9.0	-2.2	-2.0	-2.0	-2.1	-8.3	-8.4	-8.7
EBITDA	4.8	2.5	1.5	1.3	4.4	9.7	1.9	1.4	1.3	2.0	6.5	8.3	9.1
D&A	-2.3	-0.9	-1.0	-1.0	-1.1	-4.0	-1.1	-1.1	-1.1	-1.2	-4.5	-4.8	-5.0
EBIT	2.5	1.5	0.6	0.3	3.3	5.7	0.8	0.3	0.2	0.8	2.1	3.5	4.1
EBIT margin	4.3 %	10.2 %	3.9 %	2.2 %	21.1 %	9.8 %	5.5%	2.2%	1.3%	5.5%	3.8 %	6.1 %	6.9 %
Adjustment items	0.7	0.0	0.1	0.0	-2.2	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	3.1	1.5	0.6	0.3	1.1	3.5	0.8	0.3	0.2	0.8	2.1	3.5	4.1
Adj. EBIT margin	5.5%	10.3%	4.3%	2.2%	6.9%	6.1%	5.5%	2.2%	1.3%	5.5%	3.8%	6.1%	6.9%

SOLTEQ PEER GROUP	MCAP MEUR	EV/EBITDA			EV/Sales			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVRY	2317	6.1x	5.3x	5.3x	1.2x	1.1x	1.1x	9.8x	8.9x	8.9x
Atea	850	6.9x	6.1x	6.1x	0.2x	0.2x	0.2x	15.6x	12.4x	12.4x
Knowit	234	6.9x	6.2x	6.2x	0.7x	0.7x	0.7x	11.6x	10.1x	10.1x
HiQ International	190	7.7x	7.2x	7.2x	1.1x	1.0x	1.0x	12.5x	11.7x	11.7x
Bouvet	328	10.2x	9.3x	9.3x	1.4x	1.3x	1.3x	17.5x	15.8x	15.8x
Enea	258	9.5x	8.6x	8.6x	3.0x	2.6x	2.6x	14.7x	14.0x	14.0x
Gofore	89				1.0x	0.8x	0.8x	13.3x	11.5x	11.5x
Digia	124	8.2x	7.8x	7.8x	1.0x	0.9x	0.9x	13.6x	12.4x	12.4x
Sili Solutions	54	7.3x	5.7x	5.7x	0.6x	0.5x	0.5x	15.3x	9.9x	9.9x
Vincit	39	10.1x	6.7x	6.7x	0.7x	0.7x	0.7x	20.0x	11.1x	11.1x
Innofactor	24	7.4x	6.9x	6.9x	0.6x	0.5x	0.5x	18.0x	11.1x	11.1x
Peer Group Average	410	8.0x	7.0x	7.0x	1.0x	0.9x	0.9x	14.7x	11.7x	11.7x
Peer Group Median	190	7.6x	6.8x	6.8x	1.0x	0.8x	0.8x	14.7x	11.5x	11.5x
Solteq (Evli est.)	19	7.7x	6.0x	5.3x	0.9x	0.9x	0.8x	560.5x	15.6x	11.0x

Solteq prem./disc. to peer median

2% -12% -22% -4% 3% -4% >100% 36% -4%

Source FactSet, Evli Research

HOLD with a target price of
 EUR 0.95 (1.40)

On current EV/EBITDA and EV/sales multiples Solteq trades in line with peers while P/E multiples are clearly challenging due to the high interest expenses. We note that our peer group consists largely of Nordic IT services-oriented providers and Solteq's higher weight on software products should essentially warrant slightly higher valuation multiples. The peer multiples may however not necessarily yet be fully reflective of the lower valuation environment caused by the Coronavirus pandemic. Solteq's multiples are in our view currently not particularly attractive given the uncertainty but the somewhat more resilient business gives added support and upside potential from Solteq's story of gearing towards becoming a software provider is still intact, although the pace will slow down. We adjust our target price to EUR 0.95 (1.40), reflective of our lowered estimates and increased uncertainty and retain our HOLD-rating.

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	14.9	14.7	13.0	15.7	58.3	14.4	13.4	11.9	14.8	54.5	57.1	59.1
EBITDA	2.5	1.6	1.3	4.4	9.7	1.9	1.4	1.3	2.0	6.5	8.3	9.1
<i>EBITDA margin (%)</i>	<i>16.4</i>	<i>10.7</i>	<i>10.0</i>	<i>27.9</i>	<i>16.7</i>	<i>13.0</i>	<i>10.4</i>	<i>10.7</i>	<i>13.4</i>	<i>12.0</i>	<i>14.6</i>	<i>15.4</i>
EBIT	1.5	0.6	0.3	3.3	5.7	0.8	0.3	0.2	0.8	2.1	3.5	4.1
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>3.9</i>	<i>2.2</i>	<i>21.2</i>	<i>9.8</i>	<i>5.5</i>	<i>2.2</i>	<i>1.3</i>	<i>5.5</i>	<i>3.8</i>	<i>6.1</i>	<i>6.9</i>
Net financial items	-0.5	-0.5	-0.5	-0.6	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-1.9
Pre-tax profit	1.1	0.1	-0.2	2.8	3.7	0.3	-0.2	-0.4	0.3	0.0	1.5	2.2
Tax	-0.3	0.1	0.0	-0.7	-0.9	-0.1	0.0	0.1	-0.1	0.0	-0.3	-0.4
<i>Tax rate (%)</i>	<i>23.7</i>	<i>-106.3</i>	<i>16.1</i>	<i>26.2</i>	<i>23.8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	0.1	-0.2	2.0	2.8	0.2	-0.2	-0.3	0.2	0.0	1.2	1.7
EPS	0.04	0.01	-0.01	0.11	0.15	0.01	-0.01	-0.01	0.01	0.00	0.06	0.09
EPS adjusted (diluted no. of shares)	0.04	0.01	-0.01	0.02	0.06	0.01	-0.01	-0.01	0.01	0.00	0.06	0.09
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.03	0.04
SALES, EURm												
Solteq	14.9	14.7	13.0	15.7	58.3	14.4	13.4	11.9	14.8	54.5	57.1	59.1
Total	14.9	14.7	13.0	15.7	58.3	14.4	13.4	11.9	14.8	54.5	57.1	59.1
SALES GROWTH, Y/Y %												
Solteq	0.4	3.0	1.2	5.2	2.5	-3.7	-8.5	-8.2	-6.0	-6.5	4.8	3.5
Total	0.4	3.0	1.2	5.2	2.5	-3.7	-8.5	-8.2	-6.0	-6.5	4.8	3.5
EBIT, EURm												
Solteq	1.5	0.6	0.3	3.3	5.7	0.8	0.3	0.2	0.8	2.1	3.5	4.1
Total	1.5	0.6	0.3	3.3	5.7	0.8	0.3	0.2	0.8	2.1	3.5	4.1
EBIT margin, %												
Solteq	10.2	3.9	2.2	21.2	9.8	5.5	2.2	1.3	5.5	3.8	6.1	6.9
Total	10.2	3.9	2.2	21.2	9.8	5.5	2.2	1.3	5.5	3.8	6.1	6.9

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	54.2	63.0	50.7	56.9	58.3	54.5	57.1	59.1
<i>Sales growth (%)</i>	<i>32.6</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>-6.5</i>	<i>4.8</i>	<i>3.5</i>
EBITDA	3.1	8.4	2.4	4.8	9.7	6.5	8.3	9.1
<i>EBITDA margin (%)</i>	<i>5.7</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>12.0</i>	<i>14.6</i>	<i>15.4</i>
Depreciation	-1.8	-1.9	-2.1	-2.3	-4.0	-4.5	-4.8	-5.0
EBITA	1.3	6.5	0.3	2.5	5.7	2.1	3.5	4.1
Goodwill amortization / writedown	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.3	6.4	0.3	2.5	5.7	2.1	3.5	4.1
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>3.8</i>	<i>6.1</i>	<i>6.9</i>
Reported EBIT	1.3	6.4	0.3	2.5	5.7	2.1	3.5	4.1
<i>EBIT margin (reported) (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>3.8</i>	<i>6.1</i>	<i>6.9</i>
Net financials	-1.0	-1.7	-1.8	-1.8	-2.0	-2.0	-2.0	-1.9
Pre-tax profit	0.3	4.7	-1.5	0.6	3.7	0.0	1.5	2.2
Taxes	-0.2	-0.1	-0.1	-0.3	-0.9	0.0	-0.3	-0.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.1	4.6	-1.5	0.4	2.8	0.0	1.2	1.7
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	8	7	8	10	11	12	11	11
Goodwill	35	34	37	40	39	39	39	39
Right of use assets	0	0	0	6	7	7	7	7
Inventory	0	0	0	0	0	0	0	0
Receivables	18	12	15	12	16	15	15	16
Liquid funds	3	8	2	5	4	3	4	4
Total assets	64	61	61	74	77	75	76	77
Liabilities								
Shareholder's equity	15	20	20	22	25	25	25	26
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	6	8	7	7	7
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	26	26	28	28	28	27	25
Non-interest bearing current liabilities	18	14	14	17	17	16	16	17
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	64	61	61	74	77	75	76	77
CASH FLOW, EURm								
+ EBITDA	3	8	2	5	10	7	8	9
- Net financial items	-1	-2	-2	-2	-2	-2	-2	-2
- Taxes	0	0	0	0	-1	0	0	0
- Increase in Net Working Capital	-3	3	-1	6	-1	0	0	0
+/- Other	0	-5	-2	0	-2	0	0	0
= Cash flow from operations	-1	4	-2	8	4	4	6	7
- Capex	-28	-1	-1	-3	-7	-4	-5	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-29	3	-3	5	-3	0	1	2
+/- New issues/buybacks	4	0	3	1	0	0	0	0
- Paid dividend	0	0	-1	0	0	0	-1	-1
+/- Other	25	3	-5	-2	2	0	0	-1
Change in cash	0	6	-7	4	-2	0	0	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	28	28	25	29	19	19	19
Net debt (excl. convertibles)	17	24	29	32	31	31	29
Enterprise value	45	52	54	60	50	50	48
Sales	63	51	57	58	54	57	59
EBITDA	8	2	5	10	7	8	9
EBIT	6	0	2	6	2	4	4
Pre-tax	5	-1	1	4	0	2	2
Earnings	5	-2	0	3	0	1	2
Equity book value (excl. minorities)	20	20	22	25	25	25	26
Valuation multiples							
EV/sales	0.7	1.0	1.0	1.0	0.9	0.9	0.8
EV/EBITDA	5.4	21.8	11.4	6.2	7.7	6.0	5.3
EV/EBITA	7.0	168.7	22.0	10.6	24.4	14.1	11.8
EV/EBIT	7.1	168.7	22.0	10.6	24.4	14.1	11.8
EV/OCF	11.6	-25.1	6.8	14.6	11.3	8.2	7.1
EV/FCFF	4.2	-14.0	14.0	59.8	16.2	10.6	8.5
P/FCFE	9.3	-8.8	5.3	-9.1	79.9	16.4	8.7
P/E	6.1	-18.3	69.9	27.1	560.5	15.6	11.0
P/B	1.4	1.4	1.1	1.2	0.8	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.6	5.9	5.2
Target EV/EBIT	0.0	0.0	0.0	0.0	24.1	14.0	11.6
Target EV/FCF	0.0	0.0	0.0	0.0	209.6	42.5	21.8
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.7
Target P/E	0.0	0.0	0.0	0.0	543.3	15.1	10.7
Per share measures							
Number of shares	17,639	18,197	19,202	19,307	19,307	19,307	19,307
Number of shares (diluted)	17,639	18,197	19,202	19,307	19,307	19,307	19,307
EPS	0.26	-0.08	0.02	0.15	0.00	0.06	0.09
Operating cash flow per share	0.22	-0.11	0.42	0.21	0.23	0.31	0.35
Free cash flow per share	0.17	-0.17	0.24	-0.16	0.01	0.06	0.11
Book value per share	1.15	1.13	1.14	1.27	1.27	1.31	1.36
Dividend per share	0.05	0.00	0.00	0.00	0.03	0.03	0.04
Dividend payout ratio, %	19.1	0.0	0.0	0.0	1,715.7	50.0	50.0
Dividend yield, %	3.1	0.0	0.0	0.0	3.1	3.2	4.6
FCF yield, %	10.8	-11.4	18.8	-11.0	1.3	6.1	11.5
Efficiency measures							
ROE	25.8	-7.4	1.7	12.1	0.1	4.9	6.7
ROCE	14.3	0.7	4.8	9.8	3.5	5.9	6.9
Financial ratios							
Inventories as % of sales	0.1	0.3	0.2	0.3	0.3	0.3	0.3
Receivables as % of sales	18.9	28.9	21.1	26.8	26.8	26.8	26.8
Non-interest bearing liabilities as % of sales	21.5	27.0	29.2	28.6	28.6	28.6	28.6
NWC/sales, %	-2.5	2.2	-7.9	-1.5	-1.5	-1.5	-1.5
Operative CAPEX/sales, %	1.4	2.1	5.8	12.5	7.7	8.6	7.7
CAPEX/sales (incl. acquisitions), %	1.4	2.1	5.8	12.5	7.7	8.6	7.7
FCFF/EBITDA	1.3	-1.6	0.8	0.1	0.5	0.6	0.6
Net debt/EBITDA, book-weighted	2.1	10.2	6.2	3.2	4.8	3.7	3.2
Debt/equity, market-weighted	0.9	0.9	1.1	1.0	1.5	1.4	1.3
Equity ratio, book-weighted	33.2	33.3	29.3	31.9	32.6	33.0	34.3
Gearing, %	85.0	118.7	134.5	128.5	127.4	121.9	110.8

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. Recent product development investments have focused on autonomous service robotics.

INVESTMENT CASE: Solteq's investment case revolves around the success of executing its strategy of shifting from its IT-services oriented past towards becoming a software house. Implied margin upside potential is considerable, with segment targets putting margins clearly in the double digits. Growth will need to be sought from abroad, as domestic growth potential is more restricted.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sentica Buyout III Ky	4,621,244	4.529	23.9%
Profiz Business Solution Oyj	2,051,997	2.011	10.6%
Elo Mutual Pension Insurance Company	2,000,000	1.960	10.4%
Saadetdin Ali	1,403,165	1.375	7.3%
Varma Mutual Pension Insurance Company	1,245,597	1.221	6.5%
Aalto Seppo Tapio	700,000	0.686	3.6%
Roininen Matti Juhani	450,000	0.441	2.3%
Väätäinen Olli Pekka	400,000	0.392	2.1%
Lamy Oy	225,000	0.221	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.176	0.9%
Ten largest	13,277,052	13.012	69%
Residual	6,029,475	5.909	31%
Total	19,306,527	18.920	100%

EARNINGS CALENDAR

April 30, 2020	Q1 report
August 13, 2020	Q2 report
October 29, 2020	Q3 report

OTHER EVENTS

April 01, 2020	AGM
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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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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

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