TIKKURILA

Chemicals/Finland, February 14, 2019
Spot comment

Upgraded to "Hold"

Tikkurila's organic growth outlook appears challenging also in 2019E, but with full EUR 30m cost savings kicking in and more favorable balance between raw material prices and price increase the earnings turnaround is set to continue. With more moderate valuation and the worst appearing to be behind, we upgrade to "Hold" ("Sell") with an ex-div TP of EUR 12.5 (13.0).

Raw material picture now a bit better

Price development of TiO2 seems to have turned during H2'18 for the better, at least for now. Additionally oil price declined towards the end of 2018, bringing some relief to oil-related raw material prices. At the same time price increases, which lagged raw material inflation throughout 2018, will support margins in 2019E. These support trust for further margin improvement in 2019E.

Organic growth outlook still looks tough, especially in West

The unfavorable change in distribution in Sweden (customers increasingly turn to big boxes) and in the customer mix (price-sensitive professional and B2B customers increasing importance) is likely to continue, keeping the price/mix picture tough, especially for SBU West. At the same time, the planned ~50% SKU reduction could hurt volumes in the short-term in our view. While Tikkurila does not at present see notable signs of demand softening due to softening macro and slowing construction, we think the organic growth outlook still looks challenging, especially in West. This is also implied by flat revenue guidance for 2019E.

Upgraded to "Hold" ("Sell"), ex-div TP of EUR 12.5 (13.0)

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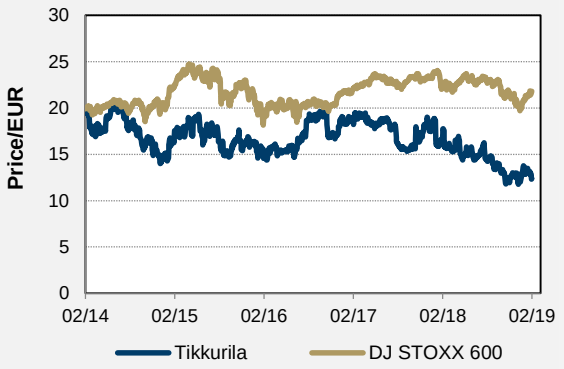
Rating HOLD



Share price, EUR (Last trading day's closing price)	12.40
Target price, EUR	12.5
Latest change in recommendation	14-Feb-19
Latest report on company	8-Aug-18
Research paid by issuer:	No
No. of shares outstanding, '000's	44,108
No. of shares fully diluted, '000's	44,108
Market cap, EURm	547
Free float, %	80.0
Exchange rate EUR/RUB	75.000
Reuters code	TIK1V.HE
Bloomberg code	TIK1V FH
Average daily volume, EURm	na.
Next interim report	-
Web site	www.tikkurilagroup.com

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BUY HOLD SELL

KEY FIGURES

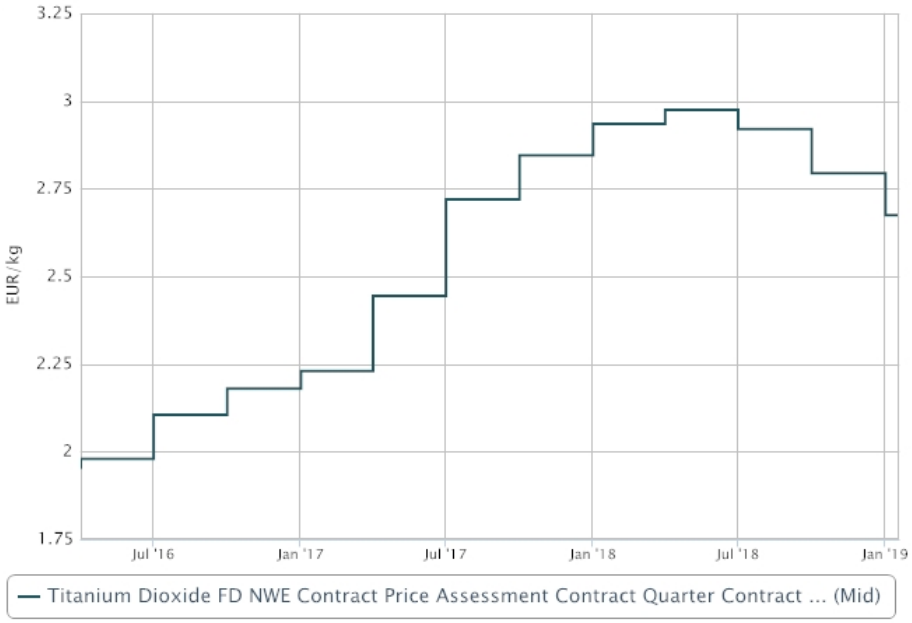
	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	582	29	4.9%	26	0.46	39.1	1.5	46.9	30.4	0.80
2018	562	39	6.9%	33	0.61	19.8	1.1	11.7	16.5	0.33
2019E	559	46	8.3%	40	0.71	17.5	1.2	8.3	13.9	0.50
2020E	561	51	9.1%	46	0.82	15.2	1.1	8.6	12.6	0.60
2021E	576	55	9.6%	51	0.90	13.8	1.1	8.3	11.3	0.70

Market cap, EURm	547	BV per share 2019E, EUR	3.8	CAGR EPS 2018-21, %		14.0
Net debt 2019E, EURm	99	Price/book 2019E	3.3	CAGR sales 2018-21, %		0.9
Enterprise value, EURm	646	Dividend yield 2019E, %	4.0	ROE 2019E, %		19.7
Total assets 2019E, EURm	417	Tax rate 2019E, %	22.0	ROCE 2019E, %		15.9
Goodwill 2019E, EURm	70	Equity ratio 2019E, %	40.0	PEG, P/E 19/CAGR		1.8

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

Tio2 price in Europe

Price development of TiO2 seems to have turned at least for now.



Source: ICIS

Valuation

Note: EV-based comparisons are currently challenging to carry out, as peer multiples may not yet reflect the impact of IFRS 16. We have accounted for IFRS 16 in our estimates for Tikkurila – the company estimates that the carrying amounts of lease liabilities and right-of-use assets arising from IFRS 16 will be about EUR 25m.

TIKKURILA PEER GROUP	MCAP local FX	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	P/E 19	P/E 20	P/E 21	P/B 19	P/B 20	P/B 21
Akzo Nobel N.V.	17403	12.8x	11.4x	11.6x	15.4x	13.5x	13.9x	25.2x	19.8x	16.7x	2.9x	2.9x	2.0x
PPG Industries, Inc.	25881	11.5x	10.5x	9.4x	14.2x	12.9x	11.5x	17.2x	15.6x	13.8x	5.1x	4.6x	3.9x
Sherwin-Williams Company	40633	15.0x	13.4x	12.4x	16.9x	15.1x	14.0x	20.5x	17.9x	16.3x	9.1x	7.4x	6.3x
RPM International Inc.	7585	11.3x	9.4x	8.1x	13.5x	10.6x	8.5x	16.9x	13.1x	11.7x	4.2x	3.7x	2.6x
Peer Group Median		**12.2x**	**11.0x**	**10.5x**	**14.8x**	**13.2x**	**12.7x**	**18.9x**	**16.7x**	**15.1x**	**4.7x**	**4.1x**	**3.2x**
Peer Group Average		**12.6x**	**11.2x**	**10.3x**	**15.0x**	**13.0x**	**12.0x**	**20.0x**	**16.6x**	**14.6x**	**5.3x**	**4.6x**	**3.7x**
Tikkurila (Evli est)		**9.1x**	**8.5x**	**7.8x**	**13.9x**	**12.6x**	**11.3x**	**17.5x**	**15.2x**	**13.8x**	**3.3x**	**3.0x**	**2.8x**
Suominen discount/premium to peer group median		*-25%*	*-22%*	*-25%*	*-6%*	*-4%*	*-11%*	*-7%*	*-9%*	*-9%*	*-30%*	*-27%*	*-13%*

TIKKURILA PEER GROUP	Ticker	Div yield 19	Div yield 20	Div yield 21	EBIT-% 19	EBIT-% 20	EBIT-% 21	ROCE-% 19	ROCE-% 20	ROCE-% 21	ROE-% 19	ROE-% 20	ROE-% 21
Akzo Nobel N.V.	AKZA-NL	2.7%	2.9%	3.7%	11.0%	12.4%	12.7%	11.7%	14.2%	15.0%	11.6%	14.5%	12.2%
PPG Industries, Inc.	PPG-US	1.8%	1.9%	2.1%	13.3%	13.8%	14.5%	16.6%	16.9%	17.8%	29.5%	29.4%	28.1%
Sherwin-Williams Company	SHW-US	1.0%	1.2%	1.4%	15.7%	16.6%	16.6%	19.3%	20.3%	20.7%	44.4%	41.5%	38.8%
RPM International Inc.	RPM-US	2.5%	2.7%	2.5%	11.9%	14.2%	15.3%	17.6%	20.1%		25.0%	28.3%	22.1%
Peer Group Median		**2.1%**	**2.3%**	**2.3%**	**12.6%**	**14.0%**	**14.9%**	**17.1 %**	**18.5 %**	**17.8 %**	**27.2%**	**28.9%**	**25.1%**
Peer Group Average		**2.0%**	**2.2%**	**2.4%**	**13.0%**	**14.2%**	**14.7%**	**16.3 %**	**17.9 %**	**17.8 %**	**27.6%**	**28.4%**	**25.3%**
Tikkurila (Evli est)	SUY1V-FI	**4.0%**	**4.8%**	**5.6%**	**8.3%**	**9.1%**	**9.6%**	**15.9 %**	**17.3 %**	**18.5 %**	**19.7%**	**20.7%**	**21.2%**

Source: Factset, Evli Research

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VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	12.40	PV of Free Cash Flow	285	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	14.30	PV of Horizon value	456	WACC, %	7.0	Market risk premium, %	5.8
Share price potential, %	15.3	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	3.3
Maximum value	16.1	Marketable securities	36	Minimum WACC, %	6.5	Equity beta coefficient	0.95
Minimum value	12.8	Debt - dividend	-146	Maximum WACC, %	7.5	Target debt ratio, %	20
Horizon value, %	61.5	Value of stock	631	Nr of shares, Mn	44.1	Effective tax rate, %	25

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	562	559	561	576	592	604	616	628	641	654	667	680
Sales growth, %	*-3.6*	*-0.4*	*0.4*	*2.7*	*2.7*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Operating income (EBIT)	39	46	51	55	57	57	59	60	58	59	60	61
EBIT margin, %	*6.9*	*8.3*	*9.1*	*9.6*	*9.6*	*9.5*	*9.5*	*9.5*	*9.0*	*9.0*	*9.0*	*9.0*
+ Depreciation+amort.	22	24	24	25	24	23	23	23	23	24	24	
- Income taxes	-7	-10	-11	-12	-13	-13	-13	-13	-13	-13	-13	
- Change in NWC	2	5	0	-2	-2	-2	-2	-2	-2	-2	-2	
NWC / Sales, %	*15.4*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-12	-35	-35	-20	-22	-23	-23	-24	-24	-24	-25	-25
Investments / Sales, %	*2.1*	*6.3*	*6.2*	*3.5*	*3.7*	*3.8*	*3.7*	*3.8*	*3.7*	*3.7*	*3.7*	*3.7*
- Other items	-22	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	21	31	29	46	44	43	44	44	42	44	44	889
= Discounted FCF (DFCF)		29	25	38	34	31	30	28	25	24	22	456

= DFCF min WACC		29	26	38	34	32	30	28	26	25	23	531
= DFCF max WACC		29	25	37	33	30	29	27	24	23	21	396

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INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	130	174	152	106	562	126	173	154	106	559	561	576
EBITDA	8	26	26	1	60	11	30	27	2	71	75	80
EBITDA margin (%)	*6.1*	*14.9*	*16.8*	*0.9*	*10.8*	*9.1*	*17.4*	*17.6*	*2.0*	*12.7*	*13.4*	*13.9*
EBIT	4	22	19	-5	39	5	24	21	-4	46	51	55
EBIT margin (%)	*2.8*	*12.4*	*12.6*	*-5.2*	*6.9*	*4.2*	*13.9*	*13.7*	*-3.8*	*8.3*	*9.1*	*9.6*
Net financial items	-1	-2	-1	-1	-5	-2	-2	-2	-2	-6	-5	-4
Pre-tax profit	2	20	18	-7	33	4	22	19	-6	40	46	51
Tax	-1	-4	-3	2	-6	-1	-5	-4	1	-9	-10	-11
Tax rate (%)	*34.8*	*20.8*	*17.4*	*22.1*	*19.7*	*22.0*	*22.0*	*22.0*	*22.0*	*22.0*	*22.0*	*22.0*
Net profit	2	16	15	-5	27	3	18	15	-4	31	36	40
EPS	0.04	0.36	0.34	-0.12	0.61	0.07	0.40	0.34	-0.10	0.71	0.82	0.90
EPS adjusted (diluted no. of shares)	0.04	0.36	0.34	-0.12	0.61	0.07	0.40	0.34	-0.10	0.71	0.82	0.90
Dividend per share	0.00	0.00	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.50	0.60	0.70
SALES, EURm												
East	30	59	54	38	180	29	61	58	40	188	198	206
West	101	115	98	68	381	96	112	96	66	371	364	371
Total	130	174	152	106	562	126	173	154	106	559	561	576
SALES GROWTH, Y/Y %												
East	*-22.3*	*-10.0*	*-6.8*	*-8.1*	*-11.0*	*-1.0*	*4.0*	*6.6*	*6.3*	*4.4*	*5.0*	*4.0*
West	*1.5*	*-2.5*	*-3.7*	*10.8*	*0.4*	*-4.0*	*-2.3*	*-2.0*	*-2.4*	*-2.7*	*-2.0*	*2.0*
Total	*-5.1*	*-5.1*	*-4.9*	*3.2*	*-3.6*	*-3.3*	*-0.2*	*1.1*	*0.7*	*-0.4*	*0.4*	*2.7*
EBIT, EURm												
East	-3	7	6	0	10	-1	8	7	1	15	18	20
West	7	16	14	-3	35	8	17	15	-4	36	38	41
Group	-1	-1	-1	-2	-6	-1	-1	-1	-1	-5	-5	-5
Total	4	22	19	-5	39	5	24	21	-4	46	51	55
EBIT margin, %												
East	*-9.1*	*11.6*	*10.7*	*0.0*	*5.5*	*-4.0*	*13.0*	*12.0*	*3.0*	*7.9*	*9.0*	*9.5*
West	*7.3*	*14.1*	*14.6*	*-4.9*	*9.1*	*8.0*	*15.5*	*16.0*	*-6.0*	*9.8*	*10.5*	*11.0*
Total	*2.8*	*12.4*	*12.6*	*-5.2*	*6.9*	*4.2*	*13.9*	*13.7*	*-3.8*	*8.3*	*9.1*	*9.6*

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INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	619	584	572	582	562	559	561	576
Sales growth (%)	*-5.3*	*-5.6*	*-2.1*	*1.8*	*-3.6*	*-0.4*	*0.4*	*2.7*
Costs	-533	-508	-501	-533	-501	-488	-486	-496
Reported EBITDA	85	76	71	49	60	71	75	80
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*13.8*	*13.0*	*12.4*	*8.4*	*10.8*	*12.7*	*13.4*	*13.9*
Depreciation	-21	-17	-17	-20	-22	-24	-24	-25
EBITA	64	59	54	29	39	46	51	55
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	64	59	54	29	39	46	51	55
EBIT margin (%)	*10.4*	*10.1*	*9.5*	*4.9*	*6.9*	*8.3*	*9.1*	*9.6*
Net financials	0	-9	4	-3	-5	-6	-5	-4
Pre-tax profit	64	50	58	26	33	40	46	51
Extraordinary items	0	3	-1	-9	-12	0	0	0
Taxes	-15	-11	-13	-6	-6	-9	-10	-11
Minority shares	0	0	0	0	0	0	0	0
Net profit	48	41	45	11	15	31	36	40
BALANCE SHEET, EURm								
Assets								
Fixed assets	117	114	127	117	127	138	148	143
% of sales	*19*	*19*	*22*	*20*	*23*	*25*	*26*	*25*
Goodwill	72	72	72	72	70	70	70	70
% of sales	*12*	*12*	*13*	*12*	*12*	*12*	*12*	*12*
Inventory	74	78	80	96	79	75	76	78
% of sales	*12*	*13*	*14*	*16*	*14*	*14*	*14*	*14*
Receivables	93	94	105	118	106	103	104	106
% of sales	*15*	*16*	*18*	*20*	*19*	*18*	*18*	*18*
Liquid funds	26	17	19	17	36	22	22	23
% of sales	*4*	*3*	*3*	*3*	*6*	*4*	*4*	*4*
Total assets	390	381	410	428	425	417	428	428
Liabilities								
Equity	193	195	209	180	150	167	181	194
% of sales	*31*	*33*	*36*	*31*	*27*	*30*	*32*	*34*
Deferred taxes	8	7	6	5	4	4	4	4
% of sales	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Interest bearing debt	73	63	77	107	146	122	119	104
% of sales	*12*	*11*	*13*	*18*	*26*	*22*	*21*	*18*
Non-interest bearing current liabilities	87	90	92	107	96	95	95	98
% of sales	*14*	*15*	*16*	*18*	*17*	*17*	*17*	*17*
Other interest free debt	28	26	26	29	28	28	28	28
% of sales	*5*	*4*	*5*	*5*	*5*	*5*	*5*	*5*
Total liabilities	390	381	410	428	425	417	428	428
CASH FLOW, EURm								
+ EBITDA	85	76	71	49	60	71	75	80
- Net financial items	0	-9	4	-3	-5	-6	-5	-4
- Taxes	-15	-11	-14	-13	-6	-9	-10	-11
- Increase in Net Working Capital	2	-3	-11	-14	2	5	0	-2
+/- Other	0	3	-1	-3	-5	0	0	0
= Cash flow from operations	71	56	51	17	45	61	60	62
- Capex	-9	-13	-31	-16	-13	-35	-35	-20
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	1	1	0	0	0
= Net cash flow	62	42	20	3	33	26	25	42
+/- Change in interest-bearing debt	-5	-10	14	30	39	-24	-3	-15
+/- New issues/buybacks	-28	-4	4	-4	-9	0	0	0
- Paid dividend	-35	-35	-35	-35	-35	-15	-22	-26
+/- Change in loan receivables	2	-2	0	0	0	0	0	0
Change in cash	-4	-9	3	-7	29	-13	0	1

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KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	711	830	786	530	547	547	547
Net debt	46	59	90	111	99	96	80
Enterprise value	757	888	876	640	646	643	627
Sales	584	572	582	562	559	561	576
EBITDA	76	71	49	60	71	75	80
EBIT	59	54	29	39	46	51	55
Pre-tax	50	58	26	33	40	46	51
Earnings	39	45	20	27	31	36	40
Book value	195	209	180	150	167	181	194
Valuation multiples							
EV/sales	1.3	1.6	1.5	1.1	1.2	1.1	1.1
EV/EBITDA	9.9	12.5	17.8	10.6	9.1	8.5	7.8
EV/EBITA	12.9	16.4	30.4	16.5	13.9	12.6	11.3
EV/EBIT	12.9	16.4	30.4	16.5	13.9	12.6	11.3
EV/operating cash flow	12.7	19.0	52.3	14.1	9.8	10.1	9.5
EV/cash earnings	13.6	14.6	22.8	13.5	11.6	10.6	9.7
P/E	18.4	18.3	39.1	19.8	17.5	15.2	13.8
P/E excl. goodwill	18.4	18.3	39.1	19.8	17.5	15.2	13.8
P/B	3.6	4.0	4.4	3.5	3.3	3.0	2.8
P/sales	1.2	1.5	1.3	0.9	1.0	1.0	0.9
P/CF	12.0	17.7	46.9	11.7	8.3	8.6	8.3
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*14.0*	*12.7*	*11.4*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*17.7*	*15.3*	*13.9*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*3.3*	*3.1*	*2.8*
Per share measures							
Number of shares	44,108	44,108	44,108	44,108	44,108	44,108	44,108
Number of shares (diluted)	44,108	44,108	44,108	44,108	44,108	44,108	44,108
EPS	0.88	1.03	0.46	0.61	0.71	0.82	0.90
EPS excl. goodwill	0.88	1.03	0.46	0.61	0.71	0.82	0.90
Cash EPS	1.27	1.38	0.87	1.07	1.26	1.37	1.46
Operating cash flow per share	1.35	1.06	0.38	1.03	1.49	1.45	1.49
Capital employed per share	5.45	6.04	6.10	5.90	6.03	6.27	6.21
Book value per share	4.42	4.73	4.07	3.40	3.78	4.10	4.40
Book value excl. goodwill	2.79	3.09	2.44	1.82	2.20	2.51	2.81
Dividend per share	0.80	0.80	0.80	0.33	0.50	0.60	0.70
Dividend payout ratio, %	91.3	77.7	175.6	54.3	70.7	73.5	77.8
Dividend yield, %	5.0	4.3	4.5	2.7	4.0	4.8	5.6
Efficiency measures							
ROE	20.0	22.5	10.4	16.3	19.7	20.7	21.2
ROCE	22.6	20.0	10.1	13.4	15.9	17.3	18.5
Financial ratios							
Capex/sales, %	2.3	5.3	2.4	2.1	6.3	6.2	3.5
Capex/depreciation excl. goodwill,%	80.9	180.8	71.1	65.7	143.4	143.1	80.5
Net debt/EBITDA, book-weighted	0.6	0.8	1.8	1.8	1.4	1.3	1.0
Debt/equity, market-weighted	0.1	0.1	0.1	0.3	0.2	0.2	0.2
Equity ratio, book-weighted	51.1	50.8	42.0	35.3	40.0	42.2	45.3
Gearing	0.24	0.28	0.50	0.74	0.60	0.53	0.41
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

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Chemicals/Finland, February 14, 2019
Spot comment

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Oras Invest Oy	7,969,552	98.822	18.1%
Varma Mutual Pension Insurance Company	2,493,525	30.920	5.7%
Mandatum Life Insurance Company Ltd.	1,615,079	20.027	3.7%
Ilmarinen Mutual Pension Insurance Company	1,145,465	14.204	2.6%
Kaleva Mutual Insurance Company	650,000	8.060	1.5%
ODIN Finland	522,494	6.479	1.2%
The State Pension Fund	507,000	6.287	1.1%
Nordea Nordic Small Cap Fund	315,312	3.910	0.7%
Paasikivi Pekka	195,241	2.421	0.4%
VISIO Allocator Fund	137,695	1.707	0.3%
Ten largest	15,551,363	192.837	35%
Residual	28,556,889	354.105	65%
Total	44,108,252	546.942	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Elisa Markula
CFO: Jukka Havia
IR: Minna Avellan

Kuninkaalantie 1, FI-01301 Vantaa
Tel: +358 9 ,857, 71

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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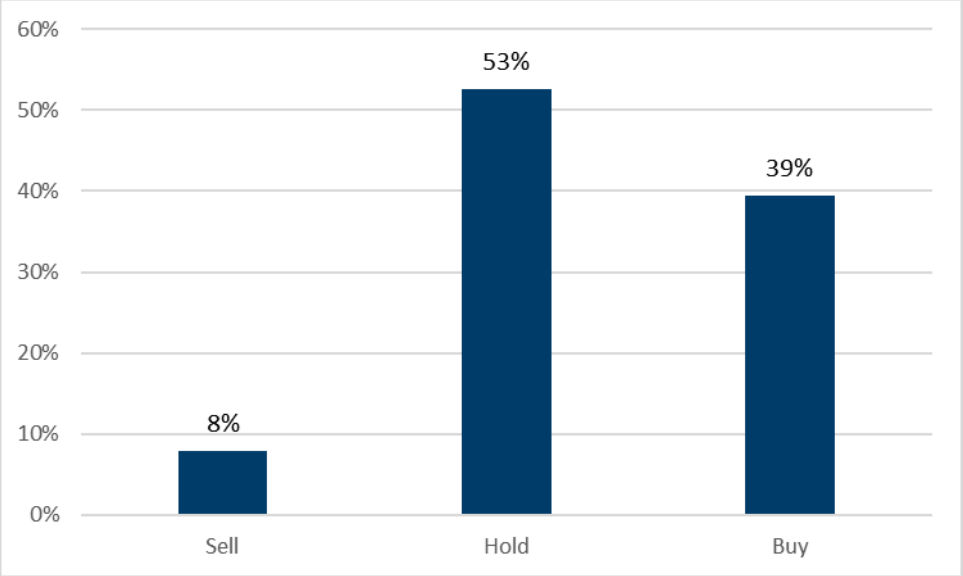
Investment recommendations are defined as follows:

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.



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): Häyhä

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