

Progress coupled with challenges

Administer reported better H1 results than we had expected. With on-going uncertainties and challenges we have somewhat dimmed our coming year expectations and lower our TP to EUR 3.6 (4.0), BUY-rating intact.

H1 results better than anticipated

Administer reported better H1 results than we had anticipated. Net sales in H1 amounted to EUR 23.9m (EUR 21.9m in H1/21) (Evli EUR 21.9m) and grew 20.5% y/y driven by acquisitions. Net sales were burdened by the impacts of general economic uncertainty on customer activity as well as by the customer losses in Adner in 2021. EBITDA amounted to EUR 1.0m (Evli EUR 0.5m), at a margin of 4.2%. Profitability was burdened by higher than anticipated overlapping costs for the old and new system stemming from Administer's subsidiary Adner's system reform.

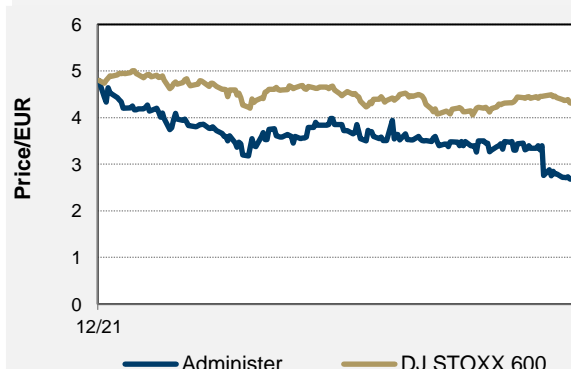
Somewhat dimmed expectations for coming years

Administer remained on track on its inorganic growth strategy, with five acquisitions announced/completed YTD (2022 target 5-10). Investments are being made into technology and strengthening the organization as part of the strategy. Administer lowered its guidance on August 12th, expecting net sales of EUR 47-49m and an EBITDA-margin of 5-7%. Our estimates remain at the midpoint of the guidance ranges. We have somewhat lowered our 2023 expectations, still expecting rapid, largely inorganic growth. We expect profitability to improve because of a lower impact of Adner's system reform and small overall improvements. With the current uncertainties we expect a more normalized run-rate level of profitability in 2023, while further profitability improvements through Administer's strategy and acquisition synergies appears more distant.

BUY-rating with a target price of EUR 3.6 (4.0)

Administer currently trades clearly below peers. We have and continue to see a clear discount as warranted given recent year challenges and rather low profitability. Current valuation levels (0.6x 2022e EV/sales), however, suggest little to no improvement potential. With somewhat lowered expectations for coming years, we adjust our TP to EUR 3.6 (4.0), BUY-rating intact.

Rating + BUY



Share price, EUR (Last trading day's closing price) 2.60
Target price, EUR 3.6

Latest change in recommendation 04-Mar-22
Latest report on company 15-Aug-22
Research paid by issuer: YES
No. of shares outstanding, '000's 14,329
No. of shares fully diluted, '000's 14,329
Market cap, EURm 37
Free float, % -
Exchange rate 0.000
Reuters code ADMIN.HE
Bloomberg code ADMIN FH
Average daily volume, EURm -
Next interim report -
Web site administergroup.com

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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
2020	43.7	2.9	6.6%	2.2	0.20	0.0	0.1	1.9	0.0	0.00
2021	41.9	0.1	0.1%	-10.1	-0.13	-33.2	1.2	959.9	-16.9	0.00
2022E	48.3	-0.1	-0.2%	1.8	-0.03	-100.5	0.6	-290.4	4.9	0.00
2023E	59.4	2.8	4.8%	4.0	0.12	22.1	0.4	8.0	10.8	0.08
2024E	72.6	7.9	10.8%	8.3	0.39	6.6	0.2	2.0	22.2	0.17
Market cap, EURm			37	Gearing 2022E, %		-33.0	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm			-11	Price/book 2022E		1.2	CAGR sales 2021-24, %			20.1
Enterprise value, EURm			27	Dividend yield 2022E, %		0.0	ROE 2022E, %			-1.2
Total assets 2022E, EURm			47	Tax rate 2022E, %		4.0	ROCE 2022E, %			-0.3
Goodwill 2022E, EURm			21	Equity ratio 2022E, %		67.9	PEG, P/E 22/CAGR			0.0

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

Administer	2020	H1/21	H2/21	2021	H1/22E	H2/22E	2022E	2023E	2024E
Net sales	43.7	19.8	22.1	41.9	23.9	24.4	48.3	59.4	72.6
<i>sales growth %</i>	-3.5%	-11.2%	3.5%	-4.0%	20.4%	10.6%	15.2%	23.0%	22.2%
Other operating income	0.1	0.0	0.1	0.2	0.0	0.1	0.1	0.1	0.1
Materials and services	-5.4	-2.3	-3.3	-5.6	-3.5	-3.7	-7.2	-8.3	-8.7
Personnel expenses	-27.9	-14.1	-14.1	-28.2	-15.9	-16.2	-32.1	-38.3	-45.7
Other expenses	-6.1	-2.8	-3.2	-6.0	-3.6	-2.6	-6.2	-6.8	-6.9
Results of affiliates	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1
EBITDA	4.4	0.6	1.7	2.3	1.0	1.9	2.9	6.1	11.5
<i>EBITDA-margin</i>	<i>10.2%</i>	<i>3.0%</i>	<i>7.5%</i>	<i>5.4%</i>	<i>4.2%</i>	<i>7.9%</i>	<i>6.1%</i>	<i>10.3%</i>	<i>15.8%</i>
Depreciation	-0.6	-0.4	-0.4	-0.7	-0.5	-0.5	-0.9	-1.0	-1.1
EBITA	3.9	0.2	1.3	1.5	0.5	1.5	2.0	5.1	10.4
<i>EBITA-margin</i>	<i>8.8%</i>	<i>1.2%</i>	<i>5.7%</i>	<i>3.6%</i>	<i>2.2%</i>	<i>6.0%</i>	<i>4.2%</i>	<i>8.7%</i>	<i>14.3%</i>
Goodwill amortization	-1.0	-0.5	-1.0	-1.5	-1.0	-1.1	-2.1	-2.3	-2.5
EBIT	2.9	-0.3	0.3	0.1	-0.5	0.4	-0.1	2.8	7.9
<i>EBIT-margin</i>	<i>6.6%</i>	<i>-1.3%</i>	<i>1.4%</i>	<i>0.1%</i>	<i>-2.1%</i>	<i>1.7%</i>	<i>-0.2%</i>	<i>4.8%</i>	<i>10.8%</i>

Source: Administer, Evli Research estimates.

	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
Talenom	486							37.1x	29.9x	23.8x
Aallon Group	39							13.4x	13.1x	11.8x
Enento Group	595	12.4x	11.7x	10.4x	19.0x	17.2x	14.6x	22.3x	19.7x	16.3x
Admicom	289	19.7x	17.4x	15.2x	23.1x	20.0x	17.2x	29.6x	25.3x	21.6x
Heeros	20	9.5x	8.2x	6.8x		56.0x	20.3x	80.5x	28.8x	18.0x
Zalaris	56	9.1x	6.2x	5.5x	22.9x	12.8x	8.7x	20.9x	12.8x	8.4x
Fortnox	2710	48.7x	35.2x	26.5x	61.1x	42.2x	31.0x	80.7x	55.6x	40.4x
Peer Group Average	599	13.9x	12.4x	10.8x	21.1x	31.1x	17.4x	36.6x	23.4x	18.3x
Peer Group Median	289	12.4x	11.7x	10.4x	21.1x	20.0x	17.2x	29.6x	25.3x	18.0x

Source FactSet, Evli Research

	Sales 21	Sales			Sales gr.			EV/Sales		
		22	23	24	22	23	24	22	23	24
Talenom	83	104	122	139	26.2%	17.1%	13.9%	5.0x	4.3x	3.6x
Aallon Group		29	30	31		3.4%	3.3%	1.3x	1.2x	
Enento Group	164	169	177	186	3.3%	4.7%	5.2%	4.3x	4.0x	3.8x
Admicom	25	32	37	41	27.7%	15.1%	12.0%	9.0x	7.7x	6.6x
Heeros	9	11	13	14	23.7%	11.2%	10.4%	1.9x	1.6x	
Zalaris	76	86	95	106	13.3%	10.8%	10.7%	1.0x	0.9x	0.8x
Fortnox	88	120	160	208	35.6%	33.9%	30.1%	22.5x	16.6x	12.5x
Peer Group Average	70	69	76	82	20.2%	10.3%	9.0%	4.3x	3.8x	4.7x
Peer Group Median	54	32	37	41	24.9%	11.2%	10.4%	4.3x	4.0x	3.8x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.60 PV of Free Cash Flow	93 Long-term growth, %	1.5 Risk-free interest rate, %	2.50
DCF share value	25.02 PV of Horizon value	256 WACC, %	5.8 Market risk premium, %	4.8
Share price potential, %	862.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.5
Maximum value	28.4 Marketable securities	13 Minimum WACC, %	5.3 Equity beta coefficient	1.00
Minimum value	22.3 Debt - dividend	-4 Maximum WACC, %	6.3 Target debt ratio, %	40
Horizon value, %	73.3 Value of stock	359 Nr of shares, Mn	14.3 Effective tax rate, %	26

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	42	48	59	73	80	88	92	97	102	107	108	110
<i>Sales growth, %</i>	-4.0	15.2	23.0	22.2	10.0	10.0	5.0	5.0	5.0	5.0	1.5	1.5
Operating income (EBIT)	0	0	3	8	14	16	17	17	18	19	20	20
<i>Operating income margin, %</i>	0.1	-0.2	4.8	10.8	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
+ Depreciation+amort.	2	3	3	4	4	4	5	5	5	5	5	6
EBITDA	2	3	6	11	18	20	21	22	24	25	25	
- Paid taxes	0	0	-1	-2	-3	-4	-4	-4	-4	-5	-5	
- Change in NWC	2	1	1	1	1	1	0	0	0	0	0	
<i>NWC / Sales, %</i>	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-12	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	29.3	2.9	3.3	3.0	2.4	2.4	2.1	2.2	2.2	2.1	1.9	
- 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	-8	2	4	8	14	15	16	17	17	18	19	435
= Discounted FCFF		2	4	7	11	12	12	12	11	11	11	256
= DFCF min WACC		2	4	7	12	12	12	12	12	12	11	303
= DFCF max WACC		2	4	7	11	12	11	11	11	11	10	220

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	0.0	19.8	0.0	22.1	41.9	0.0	23.9	0.0	24.4	48.3	59.4	72.6
EBITDA	0.0	0.6	0.0	1.6	2.3	0.0	1.0	0.0	1.9	2.9	6.1	11.5
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>3.0</i>	<i>3,900.0</i>	<i>7.3</i>	<i>5.4</i>	<i>0.0</i>	<i>4.2</i>	<i>0.0</i>	<i>7.9</i>	<i>6.1</i>	<i>10.3</i>	<i>15.8</i>
EBIT	0.0	-0.3	0.0	0.3	0.1	0.0	-0.5	0.0	0.4	-0.1	2.8	7.9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-1.3</i>	<i>0.0</i>	<i>1.4</i>	<i>0.1</i>	<i>0.0</i>	<i>-2.1</i>	<i>0.0</i>	<i>1.7</i>	<i>-0.2</i>	<i>4.8</i>	<i>10.8</i>
Net financial items	0.0	-0.1	0.0	-1.7	-1.8	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2
Pre-tax profit	0.0	-0.4	0.0	-1.4	-1.7	0.0	-0.6	0.0	0.3	-0.3	2.7	7.7
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-1.0	-2.0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>32.5</i>	<i>0.0</i>	<i>2.9</i>	<i>-9.6</i>	<i>0.0</i>	<i>3.9</i>	<i>0.0</i>	<i>4.1</i>	<i>4.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	-0.5	0.0	-1.3	-1.8	0.0	-0.6	0.0	0.2	-0.4	1.7	5.7
EPS	0.00	-0.04	0.00	-0.09	-0.13	0.00	-0.04	0.00	0.02	-0.03	0.12	0.39
EPS adjusted (diluted no. of shares)	0.00	-0.04	0.00	-0.09	-0.13	0.00	-0.04	0.00	0.02	-0.03	0.12	0.39
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.17
SALES, EURm												
Administer	0.0	19.8	0.0	22.1	41.9	0.0	23.9	0.0	24.4	48.3	59.4	72.6
Total	0.0	19.8	0.0	22.1	41.9	0.0	23.9	0.0	24.4	48.3	59.4	72.6
SALES GROWTH, Y/Y %												
Administer	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-49.4</i>	<i>-4.0</i>	<i>0.0</i>	<i>20.7</i>	<i>0.0</i>	<i>10.3</i>	<i>15.2</i>	<i>23.0</i>	<i>22.2</i>
Total	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-49.4</i>	<i>-4.0</i>	<i>0.0</i>	<i>20.7</i>	<i>0.0</i>	<i>10.3</i>	<i>15.2</i>	<i>23.0</i>	<i>22.2</i>
EBIT, EURm												
Administer	0.0	-0.3	0.0	0.3	0.1	0.0	-0.5	0.0	0.4	-0.1	2.8	7.9
Total	0.0	-0.3	0.0	0.3	0.1	0.0	-0.5	0.0	0.4	-0.1	2.8	7.9
EBIT margin, %												
Administer	<i>0.0</i>	<i>-1.3</i>	<i>0.0</i>	<i>1.4</i>	<i>0.1</i>	<i>0.0</i>	<i>-2.1</i>	<i>0.0</i>	<i>1.7</i>	<i>-0.2</i>	<i>4.8</i>	<i>10.8</i>
Total	<i>0.0</i>	<i>-1.3</i>	<i>0.0</i>	<i>1.4</i>	<i>0.1</i>	<i>0.0</i>	<i>-2.1</i>	<i>0.0</i>	<i>1.7</i>	<i>-0.2</i>	<i>4.8</i>	<i>10.8</i>

Commercial Services & Supplies/Finland, September 1, 2022
Company update

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	20.2	37.0	45.3	43.7	41.9	48.3	59.4	72.6
<i>Sales growth (%)</i>	<i>0.0</i>	<i>82.7</i>	<i>22.5</i>	<i>-3.5</i>	<i>-4.0</i>	<i>15.2</i>	<i>23.0</i>	<i>22.2</i>
EBITDA	1.4	1.9	3.0	4.4	2.3	2.9	6.1	11.5
<i>EBITDA margin (%)</i>	<i>6.8</i>	<i>5.1</i>	<i>6.5</i>	<i>10.2</i>	<i>5.4</i>	<i>6.1</i>	<i>10.3</i>	<i>15.8</i>
Depreciation	-0.3	-1.1	-1.1	-0.6	-0.7	-0.9	-1.0	-1.1
EBITA	1.0	0.8	1.9	3.8	1.5	2.0	5.1	10.4
Goodwill amortization / writedown	-0.2	-0.3	-1.0	-1.0	-1.5	-2.1	-2.3	-2.5
EBIT	0.8	0.5	0.9	2.9	0.1	-0.1	2.8	7.9
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>1.3</i>	<i>1.9</i>	<i>6.6</i>	<i>0.1</i>	<i>-0.2</i>	<i>4.8</i>	<i>10.8</i>
Reported EBIT	0.8	0.5	0.9	2.9	0.1	-0.1	2.8	7.9
<i>EBIT margin (reported) (%)</i>	<i>3.9</i>	<i>1.3</i>	<i>1.9</i>	<i>6.6</i>	<i>0.1</i>	<i>-0.2</i>	<i>4.8</i>	<i>10.8</i>
Net financials	0.0	-0.2	-0.3	-0.3	-1.8	-0.2	-0.2	-0.2
Pre-tax profit	0.8	0.2	0.6	2.6	-1.7	-0.3	2.7	7.7
Taxes	-0.2	-0.2	-0.1	-0.6	0.0	-0.1	-1.0	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.5	0.0	0.4	2.0	-1.8	-0.4	1.7	5.7
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	2	3	3	3	4	5	6	7
Goodwill	2	13	15	14	23	21	19	16
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	3	8	8	7	7	8	9	12
Liquid funds	3	1	1	1	13	14	18	25
Total assets	10	25	26	25	47	47	52	59
Liabilities								
Shareholder's equity	2	7	7	9	32	32	34	38
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	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	10	8	6	4	3	3	3
Non-interest bearing current liabilities	5	9	10	9	11	12	15	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	10	25	26	25	47	47	52	59
CASH FLOW, EURm								
+ EBITDA	1	2	3	4	2	3	6	11
- Net financial items	0	0	0	0	-2	0	0	0
- Taxes	0	0	0	-1	0	0	-1	-2
- Increase in Net Working Capital	2	-2	1	0	2	1	1	1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	3	0	4	4	2	3	6	10
- Capex	-5	-13	-4	-1	-12	-1	-2	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-1	-13	0	2	-10	2	4	8
+/- New issues/buybacks	1	5	0	0	25	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-1
+/- Other	3	7	-1	-2	-2	-1	0	0
Change in cash	3	-1	-1	0	12	0	4	7

Commercial Services & Supplies/Finland, September 1, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	0	0	0	60	37	37	37
Net debt (excl. convertibles)	8	8	6	-9	-11	-15	-22
Enterprise value	8	8	6	51	27	23	16
Sales	37	45	44	42	48	59	73
EBITDA	2	3	4	2	3	6	11
EBIT	0	1	3	0	0	3	8
Pre-tax	0	1	3	-2	0	3	8
Earnings	0	0	2	-2	0	2	6
Equity book value (excl. minorities)	7	7	9	32	32	34	38
Valuation multiples							
EV/sales	0.2	0.2	0.1	1.2	0.6	0.4	0.2
EV/EBITDA	4.4	2.6	1.2	22.6	9.1	3.7	1.4
EV/EBITA	10.5	4.1	1.4	33.8	13.3	4.4	1.5
EV/EBIT	17.5	8.7	1.9	959.9	-290.4	8.0	2.0
EV/OCF	-84.9	1.9	1.6	23.3	8.2	3.8	1.5
EV/FCFF	-0.6	11.2	2.2	-6.1	13.2	5.4	1.9
P/FCFE	0.0	0.0	0.0	-5.9	20.4	9.2	4.5
P/E	0.0	0.0	0.0	-33.2	-100.5	22.1	6.6
P/B	0.0	0.0	0.0	1.8	1.2	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.0	6.0	2.6
Target EV/EBIT	0.0	0.0	0.0	0.0	-446.1	13.0	3.8
Target EV/FCF	0.0	0.0	0.0	0.0	22.4	9.2	3.6
Target P/B	0.0	0.0	0.0	0.0	1.6	1.5	1.4
Target P/E	0.0	0.0	0.0	0.0	-139.1	30.7	9.1
Per share measures							
Number of shares	9,480	9,620	9,620	14,194	14,329	14,329	14,329
Number of shares (diluted)	9,480	9,620	9,620	14,194	14,329	14,329	14,329
EPS	0.00	0.04	0.20	-0.13	-0.03	0.12	0.39
Operating cash flow per share	-0.01	0.42	0.37	0.15	0.23	0.42	0.73
Free cash flow per share	-1.40	0.05	0.23	-0.71	0.13	0.28	0.58
Book value per share	0.71	0.78	0.99	2.28	2.23	2.35	2.66
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.08	0.17
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	71.0	43.3
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	3.2	6.6
FCF yield, %	0.0	0.0	0.0	-16.9	4.9	10.8	22.2
Efficiency measures							
ROE	-0.1	6.1	23.1	-8.6	-1.2	5.1	15.8
ROCE	4.6	5.4	18.2	0.2	-0.3	7.9	20.2
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	21.6	17.0	15.3	15.9	15.9	15.9	15.9
Non-interest bearing liabilities as % of sales	23.0	21.5	20.0	25.1	25.1	25.1	25.1
NWC/sales, %	-1.5	-4.5	-4.8	-9.2	-9.2	-9.2	-9.2
Operative CAPEX/sales, %	35.7	7.8	3.1	29.3	2.9	3.3	3.0
CAPEX/sales (incl. acquisitions), %	35.7	7.8	3.1	29.3	2.9	3.3	3.0
FCFF/EBITDA	-7.1	0.2	0.6	-3.7	0.7	0.7	0.7
Net debt/EBITDA, book-weighted	4.4	2.6	1.2	-3.9	-3.6	-2.4	-1.9
Debt/equity, market-weighted	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Equity ratio, book-weighted	26.9	29.2	38.4	68.5	67.9	65.3	64.2
Gearing, %	121.9	101.8	58.3	-27.2	-33.0	-43.4	-56.9

Commercial Services & Supplies/Finland, September 1, 2022
Company update

COMPANY DESCRIPTION: Administer is one of the leading providers of financial management and HR & payroll services in Finland. Founded in 1985, the company has grown rapidly in recent years through acquisitions and today employs around 600 employees. In-house developed technology has played an important role and the company is looking to further leverage its know-how to develop the industry. The company completed its IPO in December 2021.

INVESTMENT CASE: Administer has set out rather ambitious targets, seeking to achieve revenue of EUR 84m and an EBITDA-margin of 24% in 2024. The company has yet to show the required growth and profitability figures to achieve the targets, but consolidation in the fragmented and non-cyclical industry provides ample opportunities for growth. Profitability improvement relies upon synergies from acquisitions as well as internal operational efficiency, further to be improved by pick-up in growth.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Aho Peter	6,880,980	17.891	48.0%
Ilmarinen Mutual Pension Insurance Company	1,250,000	3.250	8.7%
Sijoitus Oy MC Invest Ab	1,205,508	3.134	8.4%
Varma Mutual Pension Insurance Company	337,093	0.876	2.4%
Elo Mutual Pension Insurance Company	308,642	0.802	2.2%
Oy Fincorp Ab	291,298	0.757	2.0%
Herranen Kimmo	231,700	0.602	1.6%
Emceläiset Oy	162,840	0.423	1.1%
Husu Päivi Marianna	156,243	0.406	1.1%
Rausanne Oy	125,885	0.327	0.9%
Ten largest	10,950,189	28.470	76%
Residual	3,379,225	8.786	24%
Total	14,329,414	37.256	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Peter Aho
CFO: Johan Idman
IR:

Itämerenkatu 5, FIN-00180 Helsinki
Tel:

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

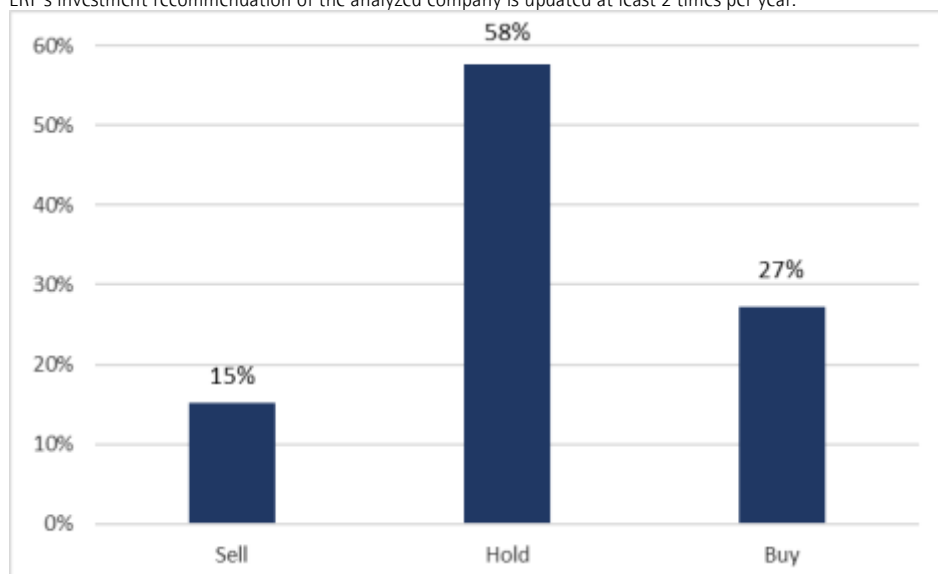
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Investment recommendations are defined as follows:

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): Salokivi

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