CONSTI

Construction & Engineering/Finland, July 29, 2019
Spot comment

Earnings visibility still an issue

Consti's Q2 results were slightly weaker than expected, as the EBIT of EUR 0.1m fell below our estimates (Evli 0.6m), further impacted by an individual building purpose modification project. The order backlog development raises some concerns for near-term sales growth, but our eyes are still on profitability improvements.

Project burden still visible in profitability

Consti's Q2 results fell slightly short of our expectations. Profitability was as expected further burdened by the impact of an individual building purpose modification project, but EBIT in Q2 was still weaker than anticipated, at EUR 0.1m (Evli EUR 0.6m). The revenue of EUR 81.2m was in line with our estimates (Evli EUR 81.3m), aided by the completion of certain larger projects. The order backlog of EUR 227m was down 20.8% y/y due to the high sales and lower orders received.

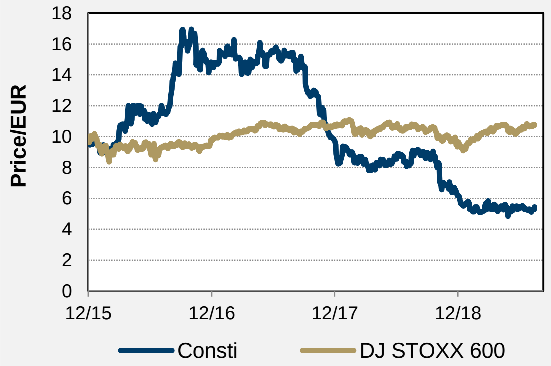
Order backlog raises some concerns for sales growth

We have made slight revisions to our estimates, mainly to near-term net sales estimates. Consti's order backlog and orders received development has in our view been relatively meager during H1/19, which coupled with the continued sales growth during H1 opens up some concern for sales development in 2020. We have lowered our 2019-2021E sales CAGR estimate to 1%, with essentially flat growth in 2020. Due to the past profitability challenges we do not however see sales growth as a primary concern and see that Consti's near-term focus will remain on improving profitability. We expect a notable increase in profitability during H2/19, as the project that burdened H1 is expected to be completed and expect 2019 EBIT of EUR 5.2m.

HOLD with a TP of EUR 5.80

Consti trades below peers, in particular on 2020 estimates when earnings are expected to rebound. Although profitability according to Consti has remained at good levels, when excluding the profitability burdening large projects, we see that weak visibility in the underlying profitability still warrants caution and retain our HOLD-rating with a target price of EUR 5.80.

Rating: HOLD



Share price, EUR (Last trading day's closing price)	5.44
Target price, EUR	5.8
Latest change in recommendation	29-Mar-19
Latest report on company	19-Jul-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	7,858
No. of shares fully diluted, '000's	7,858
Market cap, EURm	43
Free float, %	64.5
Exchange rate EUR	1.000
Reuters code	CONSTI.HE
Bloomberg code	CONSTI FH
Average daily volume, EURm	0.05
Next interim report	25-Oct-19
Web site	www.consti.fi

Analyst	Jerker Salokivi
E-mail	jerker.salokivi@evli.com
Telephone	+358 9 4766 9149

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	300	0	-0.1%	-1	-0.14	-61.0	0.3	7.7	-207.0	0.00
2018	316	-2	-0.7%	-3	-0.30	-18.5	0.2	-5.9	-31.4	0.00
2019E	330	5	1.6%	4	0.37	14.6	0.2	4.8	12.5	0.25
2020E	332	11	3.4%	10	0.96	5.7	0.2	3.2	5.3	0.40
2021E	337	12	3.6%	11	1.09	5.0	0.2	3.0	4.4	0.55

Market cap, EURm	43	BV per share 2019E, EUR	3.1	CAGR EPS 2018-21, %	0.0
Net debt 2019E, EURm	22	Price/book 2019E	1.8	CAGR sales 2018-21, %	2.2
Enterprise value, EURm	65	Dividend yield 2019E, %	4.6	ROE 2019E, %	12.3
Total assets 2019E, EURm	115	Tax rate 2019E, %	20.0	ROCE 2019E, %	10.2
Goodwill 2019E, EURm	49	Equity ratio 2019E, %	25.5	PEG, P/E 19/CAGR	0.3

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

Consti	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Housing Companies		17.9	25.1	28.9	32.4	104.3	28.3	27.7	27.5	31.4	114.9	118.0	122.0
Corporations		26.0	33.1	33.2	42.0	134.3	27.6	31.7	33.0	42.0	134.4	132.0	130.0
Public Sector		3.0	3.8	4.0	7.2	18.0	5.3	8.3	7.0	7.0	27.6	28.5	31.0
Building Technology		17.9	20.1	16.8	20.4	75.2	16.4	18.8	17.0	20.5	72.6	73.0	74.0
Eliminations		-2.5	-4.5	-4.0	-5.1	-16.1	-4.1	-5.2	-5.0	-5.0	-19.3	-20.0	-20.0
Net sales	**300.2**	**62.3**	**77.8**	**78.9**	**96.8**	**315.8**	**73.5**	**81.2**	**79.5**	**95.9**	**330.1**	**331.5**	**337.0**
change, %	*14.8%*	*8.7%*	*-1.3%*	*1.4%*	*12.1%*	*5.2%*	*18.0%*	*4.4%*	*0.7%*	*-0.9%*	*4.5%*	*0.4%*	*1.7%*
Operating profit	**-0.4**	**-0.2**	**1.7**	**-1.4**	**-2.2**	**-2.2**	**-0.4**	**0.1**	**2.5**	**3.0**	**5.2**	**11.2**	**12.3**
-margin, %	*-0.1%*	*-0.4%*	*2.1%*	*-1.8%*	*-2.3%*	*-0.7%*	*-0.5%*	*0.1%*	*3.1%*	*3.1%*	*1.6%*	*3.4%*	*3.6%*

Construction companies	MCAP MEUR	EV/EBITDA 19E	EV/EBITDA 20E	EV/EBIT 19E	EV/EBIT 20E	P/E 19E	P/E 20E	Div. yield 19E	Div. yield 20E
YIT	1114	10.9x	9.4x	14.5x	11.8x	12.2x	9.7x	5.6 %	5.9 %
SRV Yhtiöt	93	25.8x	19.1x	51.0x	27.7x		30.9x	0.8 %	3.0 %
Lehto Group	136	6.8x	5.1x	8.2x	5.9x	7.7x	5.5x	5.3 %	9.0 %
Skanska	7257	9.6x	9.8x	12.6x	12.6x	14.0x	13.7x	3.7 %	4.0 %
NCC	1635	8.1x	6.8x	14.1x	10.4x	16.8x	11.7x	3.9 %	4.7 %
Peab	2346	9.2x	8.7x	12.7x	12.0x	11.7x	11.3x	5.1 %	5.3 %
JM	1668	11.7x	11.7x	11.6x	11.6x	12.2x	12.9x	4.5 %	4.6 %
Veidekke	1104	7.1x	6.3x	12.2x	10.3x	10.6x	9.2x	6.5 %	6.7 %
Peer Group Average	1919	**11.1x**	**9.6x**	**17.1x**	**12.8x**	**12.2x**	**13.1x**	**4.4 %**	**5.4 %**
Peer Group Median	1375	**9.4x**	**9.1x**	**12.7x**	**11.7x**	**12.2x**	**11.5x**	**4.8 %**	**5.0 %**
Consti (Evli est.)	**43**	**7.2x**	**3.9x**	**12.5x**	**5.3x**	**14.6x**	**5.7x**	**4.6 %**	**7.4 %**
Consti prem./disc. to peer median		*-23%*	*-57%*	*-2%*	*-55%*	*19%*	*-51%*		

Source Bloomberg, Evli Research

Building installations and services companies	MCAP EUR	EV/EBITDA 19E	EV/EBITDA 20E	EV/EBIT 19E	EV/EBIT 20E	P/E 19E	P/E 20E	Div. yield 19E	Div. yield 20E
Caverion	840	9.0x	7.3x	20.6x	13.4x	26.4x	15.1x	2.3 %	3.6 %
Bravida Holding	1578	10.8x	10.3x	13.1x	12.4x	17.3x	16.2x	2.7 %	3.0 %
MITIE Group	664	6.5x	6.2x	8.3x	7.8x	9.4x	8.6x	2.4 %	2.4 %
ISS	4835	8.6x	8.2x	12.3x	11.5x	14.3x	13.3x	4.2 %	4.2 %
Bilfinger	1136	7.2x	5.3x	13.4x	8.2x	15.4x	9.7x	4.0 %	4.5 %
Peer Group Average	1811	**8.4x**	**7.5x**	**13.6x**	**10.7x**	**16.6x**	**12.6x**	**3.1 %**	**3.5 %**
Peer Group Median	1136	**8.6x**	**7.3x**	**13.1x**	**11.5x**	**15.4x**	**13.3x**	**2.7 %**	**3.6 %**
Consti (Evli est.)	**43**	**7.2x**	**3.9x**	**12.5x**	**5.3x**	**14.6x**	**5.7x**	**4.6 %**	**7.4 %**
Consti prem./disc. to peer median		*-17%*	*-47%*	*-5%*	*-54%*	*-5%*	*-57%*		

Source Bloomberg, Evli Research

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	5.44	PV of Free Cash Flow	67	Long-term growth, %	1.2	Risk-free interest rate, %	2.25
DCF share value	14.13	PV of Horizon value	68	WACC, %	8.6	Market risk premium, %	5.8
Share price potential, %	159.8	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	3.3
Maximum value	15.4	Marketable securities	3	Minimum WACC, %	8.1	Equity beta coefficient	1.15
Minimum value	13.1	Debt - dividend	-27	Maximum WACC, %	9.1	Target debt ratio, %	30
Horizon value, %	50.2	Value of stock	111	Nr of shares, Mn	7.9	Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	316	330	332	337	344	349	354	359	365	370	375	379
Sales growth, %	*5.2*	*4.5*	*0.4*	*1.7*	*2.0*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.2*	*1.2*
Operating income (EBIT)	-2	5	11	12	14	14	14	14	15	15	13	13
EBIT margin, %	*-0.7*	*1.6*	*3.4*	*3.6*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*3.5*	*3.5*
+ Depreciation+amort.	2	4	4	4	4	4	4	5	5	5	5	
- Income taxes	0	-1	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	-7	1	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	*-2.5*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	*-2.7*	
+ Change in other liabs	1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-5	-4	-4	-4	-4	-4	-5	-5	-5	-5	-5	-5
Investments / Sales, %	*1.6*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-11	4	9	10	11	11	11	12	12	12	11	147
= Discounted FCF (DFCF)		4	8	8	8	8	7	7	6	6	5	68

= DFCF min WACC		4	8	8	8	8	7	7	7	6	5	76
= DFCF max WACC		4	8	8	8	8	7	7	6	6	5	61

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	62	78	79	97	316	73	81	80	96	330	332	337
EBITDA	0	2	-1	-2	0	0	1	4	4	9	15	17
EBITDA margin (%)	*0.3*	*2.7*	*-1.3*	*-1.8*	*-0.1*	*0.7*	*1.3*	*4.4*	*4.2*	*2.7*	*4.7*	*4.9*
EBIT	0	2	-1	-2	-2	0	0	3	3	5	11	12
EBIT margin (%)	*-0.4*	*2.2*	*-1.8*	*-2.2*	*-0.7*	*-0.5*	*0.1*	*3.1*	*3.1*	*1.6*	*3.4*	*3.6*
Net financial items	0	0	0	0	-1	0	0	0	0	-1	-1	-1
Pre-tax profit	0	2	-2	-2	-3	-1	0	2	3	4	10	11
Tax	0	0	0	0	1	0	0	0	-1	-1	-2	-2
Tax rate (%)	*18.9*	*19.7*	*20.0*	*17.4*	*17.9*	*20.1*	*19.6*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*
Net profit	0	1	-1	-2	-2	0	0	2	2	3	8	9
EPS	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.21	0.26	0.37	0.96	1.09
EPS adjusted (diluted no. of shares)	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.21	0.26	0.37	0.96	1.09
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.40	0.55
SALES, EURm												
Housing Companies	18	25	29	32	104	28	28	28	31	115	118	122
Corporations	26	33	33	42	134	28	32	33	42	134	132	130
Public Sector	3	4	4	7	18	5	8	7	7	28	29	31
Building Technology	18	20	17	20	75	16	19	17	21	73	73	74
Elimination	-2	-4	-4	-5	-16	-4	-5	-5	-5	-19	-20	-20
Total	62	78	79	97	316	73	81	80	96	330	332	337
SALES GROWTH, Y/Y %												
Housing Companies	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*58.6*	*10.2*	*-5.0*	*-3.2*	*10.1*	*2.7*	*3.4*
Corporations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*6.4*	*-4.3*	*-0.5*	*0.1*	*0.1*	*-1.8*	*-1.5*
Public Sector	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*75.1*	*116.8*	*73.6*	*-2.1*	*52.9*	*3.4*	*8.8*
Building Technology	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*-8.4*	*-6.9*	*1.3*	*0.7*	*-3.4*	*0.5*	*1.4*
Elimination	*53.0*	*97.5*	*15.1*	*53.8*	*50.4*	*67.8*	*16.8*	*25.1*	*-2.7*	*20.4*	*3.5*	*0.0*
Group	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total	*8.7*	*-1.3*	*1.4*	*12.1*	*5.2*	*18.0*	*4.4*	*0.7*	*-0.9*	*4.5*	*0.4*	*1.7*
EBIT, EURm												
Group	0	2	-1	-2	-2	0	0	3	3	5	11	12
Total	0	2	-1	-2	-2	0	0	3	3	5	11	12
EBIT margin, %												
Total	*-0.4*	*2.2*	*-1.8*	*-2.2*	*-0.7*	*-0.5*	*0.1*	*3.1*	*3.1*	*1.6*	*3.4*	*3.6*

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	216	256	262	300	316	330	332	337
Sales growth (%)	*25.6*	*18.6*	*2.1*	*14.8*	*5.2*	*4.5*	*0.4*	*1.7*
Costs	-206	-244	-248	-298	-316	-321	-316	-320
Reported EBITDA	10	13	13	2	0	9	15	17
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*4.5*	*4.9*	*5.0*	*0.6*	*-0.1*	*2.7*	*4.7*	*4.9*
Depreciation	-2	-2	-2	-2	-2	-4	-4	-4
EBITA	8	11	11	0	-2	5	11	12
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	8	11	11	0	-2	5	11	12
EBIT margin (%)	*3.6*	*4.1*	*4.2*	*-0.1*	*-0.7*	*1.6*	*3.4*	*3.6*
Net financials	-5	-4	-1	-1	-1	-1	-1	-1
Pre-tax profit	3	6	10	-1	-3	4	10	11
Extraordinary items	0	-2	0	0	0	0	0	0
Taxes	-1	-1	-2	0	1	-1	-2	-2
Minority shares	0	0	0	0	0	0	0	0
Net profit	2	3	8	-1	-2	3	8	9
BALANCE SHEET, EURm								
Assets								
Fixed assets	7	6	6	5	8	9	9	9
% of sales	*3*	*2*	*2*	*2*	*3*	*3*	*3*	*3*
Goodwill	44	43	44	49	49	49	49	49
% of sales	*20*	*17*	*17*	*16*	*15*	*15*	*15*	*14*
Inventory	1	1	1	1	1	1	1	1
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Receivables	35	36	39	36	53	50	50	51
% of sales	*16*	*14*	*15*	*12*	*17*	*15*	*15*	*15*
Liquid funds	10	4	9	10	3	7	10	10
% of sales	*5*	*2*	*4*	*3*	*1*	*2*	*3*	*3*
Total assets	96	91	98	101	115	115	119	120
Liabilities								
Equity	1	25	30	25	23	24	30	35
% of sales	*0*	*10*	*11*	*8*	*7*	*7*	*9*	*10*
Deferred taxes	0	0	0	0	0	0	0	0
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Interest bearing debt	55	21	21	22	27	29	27	21
% of sales	*25*	*8*	*8*	*7*	*8*	*9*	*8*	*6*
Non-interest bearing current liabilities	40	43	46	52	62	59	59	60
% of sales	*18*	*17*	*18*	*17*	*20*	*18*	*18*	*18*
Other interest free debt	0	0	0	0	0	0	0	0
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total liabilities	96	91	98	101	115	115	119	120
CASH FLOW, EURm								
+ EBITDA	10	13	13	2	0	9	15	17
- Net financial items	-5	-4	-1	-1	-1	-1	-1	-1
- Taxes	0	-1	-2	0	0	-1	-2	-2
- Increase in Net Working Capital	8	2	0	8	-7	1	0	0
+/- Other	0	-2	0	-1	1	0	0	0
= Cash flow from operations	12	7	11	9	-7	8	12	13
- Capex	-2	-1	-3	-1	-5	-4	-4	-4
- Acquisitions	0	0	0	-4	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	9	6	8	3	-13	3	8	9
+/- Change in interest-bearing debt	-1	-33	0	0	5	2	-2	-5
+/- New issues/buybacks	0	21	0	1	0	-2	0	0
- Paid dividend	0	0	-3	-4	0	0	-2	-3
+/- Change in loan receivables	1	0	0	1	1	0	0	0
Change in cash	9	-6	5	1	-6	3	3	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	73	112	66	43	43	43	43
Net debt	17	12	12	24	22	17	11
Enterprise value	91	125	78	67	65	60	54
Sales	256	262	300	316	330	332	337
EBITDA	13	13	2	0	9	15	17
EBIT	11	11	0	-2	5	11	12
Pre-tax	6	10	-1	-3	4	10	11
Earnings	5	8	-1	-2	3	8	9
Book value	25	30	25	23	24	30	35
Valuation multiples							
EV/sales	0.4	0.5	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	7.2	9.5	45.3	-144.0	7.2	3.9	3.3
EV/EBITA	8.6	11.4	-207.0	-31.4	12.5	5.3	4.4
EV/EBIT	8.6	11.4	-207.0	-31.4	12.5	5.3	4.4
EV/operating cash flow	7.0	10.8	9.1	-9.1	7.3	4.5	3.8
EV/cash earnings	12.4	11.9	273.3	-54.9	9.2	4.9	4.1
P/E	13.6	14.1	-61.0	-18.5	14.6	5.7	5.0
P/E excl. goodwill	13.6	14.1	-61.0	-18.5	14.6	5.7	5.0
P/B	3.0	3.8	2.6	1.8	1.8	1.4	1.2
P/sales	0.3	0.4	0.2	0.1	0.1	0.1	0.1
P/CF	5.7	9.7	7.7	-5.9	4.8	3.2	3.0
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*13.0*	*5.6*	*4.6*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*15.6*	*6.1*	*5.3*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*1.9*	*1.5*	*1.3*
Per share measures							
Number of shares	7,615	7,621	7,621	7,858	7,858	7,858	7,858
Number of shares (diluted)	7,615	7,621	7,621	7,858	7,858	7,858	7,858
EPS	0.70	1.05	-0.14	-0.30	0.37	0.96	1.09
EPS excl. goodwill	0.70	1.05	-0.14	-0.30	0.37	0.96	1.09
Cash EPS	0.96	1.38	0.04	-0.15	0.90	1.54	1.68
Operating cash flow per share	1.69	1.52	1.12	-0.93	1.14	1.68	1.81
Capital employed per share	5.51	5.48	4.90	5.98	5.91	5.90	5.89
Book value per share	3.22	3.89	3.32	2.98	3.06	3.77	4.46
Book value excl. goodwill	-2.49	-1.90	-3.06	-3.21	-3.12	-2.41	-1.72
Dividend per share	0.39	0.54	0.00	0.00	0.25	0.40	0.55
Dividend payout ratio, %	55.4	51.5	0.0	0.0	67.1	41.7	50.0
Dividend yield, %	4.1	3.7	0.0	0.0	4.6	7.4	10.0
Efficiency measures							
ROE	42.8	29.5	-3.9	-9.6	12.3	28.1	26.5
ROCE	21.0	22.7	-0.6	-4.2	10.2	20.6	22.0
Financial ratios							
Capex/sales, %	0.5	1.0	1.7	1.6	1.3	1.3	1.3
Capex/depreciation excl. goodwill,%	66.0	87.6	36.4	302.9	110.0	100.4	101.7
Net debt/EBITDA, book-weighted	1.4	0.9	7.0	-50.8	2.5	1.1	0.7
Debt/equity, market-weighted	0.3	0.2	0.3	0.6	0.7	0.6	0.5
Equity ratio, book-weighted	31.4	34.8	28.8	24.4	25.5	24.9	29.2
Gearing	0.71	0.41	0.48	1.01	0.93	0.57	0.32
Number of employees, average	890	935	1,079	1,046	1,077	1,088	1,099
Sales per employee, EUR	287,810	279,704	278,222	301,876	306,396	304,644	306,633
EBIT per employee, EUR	11,819	11,708	-347	-2,032	4,847	10,293	11,192

COMPANY DESCRIPTION: Consti, listed on the Helsinki stock exchange in 2015, is one of the leading renovation and technical service companies in Finland. Consti has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential and non-residential properties. Consti was established in 2008 to meet the growing need for repair and construction work.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ilmarinen Mutual Pension Insurance Company	482,301	2.624	6.1%
Evli Finnish Small Cap Fund	479,200	2.607	6.1%
Danske Invest Finnish Institutional Equity Fund	425,818	2.316	5.4%
Korkeela Esa Sakari	414,133	2.253	5.3%
Kivi Risto Juhani	377,937	2.056	4.8%
OP-Finland Small Firms Fund	307,977	1.675	3.9%
Kalervo Markku	298,692	1.625	3.8%
Korkeela Antti Petteri	276,894	1.506	3.5%
Riikantorppa Oy	218,688	1.190	2.8%
Wipunen varainhallinta Oy	200,000	1.088	2.5%
Ten largest	3,481,640	18.940	44%
Residual	4,376,627	23.809	56%
Total	7,858,267	42.749	100%

EARNINGS CALENDAR	
October 25, 2019	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
CEO: Esa Korkeela	Hopeatie 2, 6. krs, 00440 Helsinki, Finland
CFO: Joni Sorsanen	Tel: +358 10 288 6000
IR: Ismo Heikkilä	

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

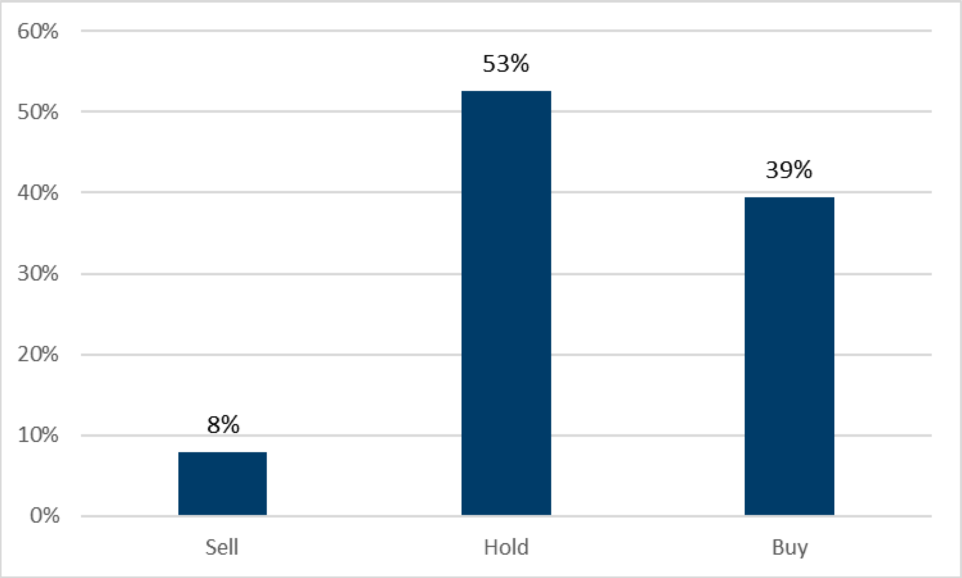
Important Disclosures

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 https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3

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): 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 29.7.2019, 7:45. This report has been published on 29.7.2019, 8:05.

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.

This report has been disclosed to the company prior to its dissemination. The company has not made any amendments to its contents. 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.

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 9130
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120

ETFs and Derivatives

Tobias Björk (Head)	+358 9 4766 9130
Joachim Dannberg	+358 9 4766 9123
Kimmo Lilja	+358 9 4766 9130
Sami Järvinen	+358 9 4766 9110

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

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