

Upgrade to BUY

Consti posted good Q3 results, showing clearly positive profitability figures again after four consecutive weak quarters. Although some open risks still exist in older projects, the stricter bidding procedures, the new organizational structure and lack of new significant negative impact projects supports continued healthy profitability. Going forward the order backlog development will be of larger interest and the Q3 development has prompted us to expect sales declines in 2020.

Clear profitability improvement

Consti's Q3 saw profitability returning back on a healthier track, with EBIT of EUR 2.1m (Evli 2.2m). The improvement in profitability (Q3/18: -1.4m) was due to a clearly smaller impact of old projects in the discontinued housing repair unit, which however still did have an impact. Net sales growth was better than we have expected, growing 3.7% y/y to EUR 81.8m (Evli 79.5m). The order backlog development remained rather weak, amounting to EUR 206.8m in Q3, down -23.6% y/y. The decline has been affected by stricter bidding procedures, but also to some degree by a tie-up of resources in larger projects.

Order backlog development speaks for 2020 sales decline

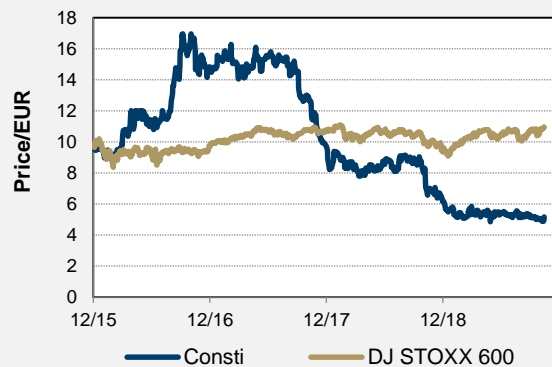
We have lowered our net sales estimates post-Q3, now expecting a sales decline in 2020 of ~5%. Our current estimate appears rather generous given the order backlog development. More clarity will be given by order intake during Q4/19-Q1/20, the quarters in which intake has typically been strongest. In our view the freeing up of resources, improved profitability and the progression of the organizational structure development speak for the potential for improving order intake. Our bottom-line estimates remain largely intact.

BUY (HOLD) with a TP of EUR 5.8 (5.4)

The signs of profitability improvement alleviate some of the uncertainty pressure, although risks still remain. Nonetheless, valuation still appears attractive and we raise our target price to EUR 5.8 (5.4) and upgrade to BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.16

Target price, EUR 5.8

Latest change in recommendation 28-Oct-19

Latest report on company 21-Oct-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 41

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 07-Feb-20

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 %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	300.2	-0.4	-0.1%	2.5	-0.14	-61.0	0.3	-207.0	3.9	0.00
2018	315.8	-2.1	-0.7%	-9.0	-0.30	-18.5	0.2	-31.3	-20.9	0.00
2019E	332.4	4.8	1.4%	2.8	0.34	15.1	0.2	12.7	7.0	0.17
2020E	316.0	10.5	3.3%	7.1	0.90	5.7	0.2	5.3	17.5	0.40
2021E	325.0	11.8	3.6%	8.3	1.06	4.9	0.2	4.3	20.5	0.53
Market cap, EURm			41	Gearing 2019E, %		59.3	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm			21	Price/book 2019E		1.6	CAGR sales 2018-21, %			1.0
Enterprise value, EURm			61	Dividend yield 2019E, %		3.3	ROE 2019E, %			10.8
Total assets 2019E, EURm			121	Tax rate 2019E, %		20.0	ROCE 2019E, %			9.4
Goodwill 2019E, EURm			49	Equity ratio 2019E, %		29.3	PEG, P/E 19/CAGR			0.3

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

BUY (HOLD) with a target price of EUR 5.8 (5.4)

Consti has been riddled with profitability issues due to the impact of weak margin projects and during the recent year by only a few significant projects. The Q3 results were in our view mainly positive, as the impact of weak margin projects was clearly smaller, and no new large project problems were reported, while some old projects still impacted on profitability and pose an open risk going forward. The order backlog development is becoming more worrying, although key for Consti is in our view still the profitability development and we see that margins should be able to absorb some sales declines if Consti is unable to boost order intake during late 2019 and early 2020. In our fundamentals still speak for Consti, with the renovation market set to grow at a steady pace going forward supported by the aging building stock. The expected slowdown in new building construction will also support Consti through the availability/quality and pricing power of firms in the underlying supply chains, although construction companies will likely seek to increase their exposure toward the renovation sector.

Consti still has on-going arbitration proceedings regarding the Hotel St. George -project, which pose a risk, with the counter-party having laid claims of EUR 11m (Consti's claims EUR 13m), with the deadline for delivery of the arbitral set at 31.12.2020. To account for the potential impact of a clearly negative outcome for Consti, we have estimated an EUR 7m negative cash flow impact, assuming a clearly counter-party favoured outcome, further adjusted for prepaid VAT refunds and legal expenses. On our estimates, this outcome would put the 2019-2021 average annual FCFF (excl. IFRS 16 leases) at EUR 7m (9.3m excl. claims) and therefrom inferred EV/FCFF multiple at 8.8x (6.6x excl. claims), which in our view is still not overly challenging. On our base estimates Consti also trades at a clear discount to peers on 2020 multiples, and although a clear discount is still warranted, the previously mentioned factors in our view justifies a higher valuation.

Construction companies	MCAP MEUR	EV/EBITDA		EV/EBIT		P/E		Div. yield	
		19E	20E	19E	20E	19E	20E	19E	20E
YIT	1142	11.4x	9.5x	14.1x	12.1x	12.3x	9.9x	5.5 %	5.7 %
SRV Yhtiöt	77	63.8x	19.2x		28.7x			0.0 %	1.2 %
Lehto Group	117		13.4x		17.8x		8.1x	0.0 %	3.9 %
Skanska	8134	10.1x	10.7x	14.1x	14.5x	15.0x	15.2x	3.2 %	3.4 %
NCC	1681	9.0x	7.5x	15.5x	11.6x	17.5x	12.3x	3.8 %	4.5 %
Peab	2268	9.1x	8.5x	12.9x	11.8x	11.6x	11.0x	5.3 %	5.5 %
JM	1627	11.4x	11.8x	11.3x	11.7x	11.9x	12.4x	4.7 %	4.7 %
Veidekke	1373	8.9x	7.9x	15.1x	12.6x	13.3x	11.6x	5.0 %	5.2 %
Peer Group Average	2052	17.7x	11.1x	13.8x	15.1x	13.6x	11.5x	3.4 %	4.3 %
Peer Group Median	1500	10.1x	10.1x	14.1x	12.4x	12.8x	11.6x	4.3 %	4.6 %
Consti (Evli est.)	41	7.2x	3.8x	12.7x	5.3x	15.1x	5.7x	3.3 %	7.8 %

Consti prem./disc. to peer median

-29% -6.2% -10% -5.7% 18% -51%

Source Bloomberg, Evli Research

Building installations and services companies	MCAP EUR	EV/EBITDA		EV/EBIT		P/E		Div. yield	
		19E	20E	19E	20E	19E	20E	19E	20E
Caverion	768	8.8x	6.8x	21.8x	12.6x	24.7x	13.9x	2.4 %	3.9 %
Bravida Holding	1749	11.6x	11.1x	14.7x	13.8x	19.5x	18.2x	2.3 %	2.6 %
MITIE Group	693	6.9x	6.7x	8.8x	8.4x	10.3x	9.4x	2.4 %	2.4 %
ISS	4347	9.2x	8.8x	13.9x	12.8x	13.2x	12.2x	4.6 %	4.7 %
Bilfinger	1281	8.3x	6.1x	15.9x	9.4x	18.2x	11.6x	3.5 %	3.9 %
Peer Group Average	1768	9.0x	7.9x	15.0x	11.4x	17.2x	13.1x	3.0 %	3.5 %
Peer Group Median	1281	8.8x	6.8x	14.7x	12.6x	18.2x	12.2x	2.4 %	3.9 %
Consti (Evli est.)	41	7.2x	3.8x	12.7x	5.3x	15.1x	5.7x	3.3 %	7.8 %

Consti prem./disc. to peer median

-19% -4.4% -1.4% -5.8% -1.7% -5.3%

Source Bloomberg, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	62.3	77.8	78.9	96.8	315.8	73.5	81.2	81.8	95.9	332.4	316.0	325.0
EBITDA	0.2	2.1	-1.0	-1.7	-0.5	0.5	1.0	3.0	4.0	8.5	14.5	15.6
<i>EBITDA margin (%)</i>	<i>0.3</i>	<i>2.7</i>	<i>-1.3</i>	<i>-1.8</i>	<i>-0.1</i>	<i>0.7</i>	<i>1.3</i>	<i>3.6</i>	<i>4.2</i>	<i>2.6</i>	<i>4.6</i>	<i>4.8</i>
EBIT	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.1	3.0	4.8	10.5	11.8
<i>EBIT margin (%)</i>	<i>-0.4</i>	<i>2.2</i>	<i>-1.8</i>	<i>-2.2</i>	<i>-0.7</i>	<i>-0.5</i>	<i>0.1</i>	<i>2.6</i>	<i>3.1</i>	<i>1.4</i>	<i>3.3</i>	<i>3.6</i>
Net financial items	-0.2	-0.2	-0.2	-0.2	-0.7	-0.2	-0.4	-0.3	-0.3	-1.2	-1.2	-0.9
Pre-tax profit	-0.4	1.5	-1.6	-2.3	-2.8	-0.6	-0.3	1.8	2.7	3.6	9.3	10.9
Tax	0.1	-0.3	0.3	0.4	0.5	0.1	0.1	-0.4	-0.5	-0.7	-1.9	-2.2
<i>Tax rate (%)</i>	<i>18.9</i>	<i>19.7</i>	<i>20.0</i>	<i>17.4</i>	<i>17.9</i>	<i>20.1</i>	<i>19.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-0.3	1.2	-1.3	-1.9	-2.3	-0.5	-0.3	1.4	2.1	2.7	7.1	8.3
EPS	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.18	0.26	0.34	0.90	1.06
EPS adjusted (diluted no. of shares)	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.18	0.26	0.34	0.90	1.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.40	0.53
SALES, EURm												
Housing Companies	17.9	25.1	28.9	32.4	104.3	28.3	27.7	30.4	32.9	119.2	120.0	126.0
Corporations	26.0	33.1	33.2	42.0	134.3	27.6	31.7	27.9	36.5	123.8	108.0	112.0
Public Sector	3.0	3.8	4.0	7.2	18.0	5.3	8.3	10.5	11.5	35.6	35.0	34.0
Building Technology	17.9	20.1	16.8	20.4	75.2	16.4	18.8	18.0	20.0	73.1	72.0	73.0
Elimination	-2.5	-4.5	-4.0	-5.1	-16.0	-4.1	-5.2	-5.0	-5.0	-19.3	-19.0	-20.0
Total	62.3	77.8	78.9	96.8	315.8	73.5	81.2	81.8	95.9	332.4	316.0	325.0
SALES GROWTH, Y/Y %												
<i>Housing Companies</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>58.6</i>	<i>10.2</i>	<i>4.9</i>	<i>1.5</i>	<i>14.3</i>	<i>0.6</i>	<i>5.0</i>
<i>Corporations</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.4</i>	<i>-4.3</i>	<i>-15.9</i>	<i>-13.0</i>	<i>-7.8</i>	<i>-12.7</i>	<i>3.7</i>
<i>Public Sector</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>75.1</i>	<i>116.8</i>	<i>161.4</i>	<i>60.8</i>	<i>97.6</i>	<i>-1.7</i>	<i>-2.9</i>
<i>Building Technology</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-8.4</i>	<i>-6.9</i>	<i>7.2</i>	<i>-1.8</i>	<i>-2.7</i>	<i>-1.6</i>	<i>1.4</i>
<i>Elimination</i>	<i>53.0</i>	<i>97.5</i>	<i>15.1</i>	<i>53.8</i>	<i>50.4</i>	<i>67.8</i>	<i>16.8</i>	<i>24.5</i>	<i>-2.7</i>	<i>20.3</i>	<i>-1.6</i>	<i>5.3</i>
<i>Group</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total	8.7	-1.3	1.4	12.1	5.2	18.0	4.4	3.7	-0.9	5.3	-4.9	2.8
EBIT, EURm												
Group	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.1	3.0	4.8	10.5	11.8
Total	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.1	3.0	4.8	10.5	11.8
EBIT margin, %												
Total	-0.4	2.2	-1.8	-2.2	-0.7	-0.5	0.1	2.6	3.1	1.4	3.3	3.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	215.9	256.2	261.5	300.2	315.8	332.4	316.0	325.0
<i>Sales growth (%)</i>	<i>25.6</i>	<i>18.6</i>	<i>2.1</i>	<i>14.8</i>	<i>5.2</i>	<i>5.3</i>	<i>-4.9</i>	<i>2.8</i>
EBITDA	9.8	12.6	13.1	1.7	-0.5	8.5	14.5	15.6
<i>EBITDA margin (%)</i>	<i>4.5</i>	<i>4.9</i>	<i>5.0</i>	<i>0.6</i>	<i>-0.1</i>	<i>2.6</i>	<i>4.6</i>	<i>4.8</i>
Depreciation	-2.0	-2.1	-2.1	-2.1	-1.7	-1.6	-1.7	-1.7
EBITA	7.8	10.5	10.9	-0.4	-2.1	4.8	10.5	11.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.8	10.5	10.9	-0.4	-2.1	4.8	10.5	11.8
<i>EBIT margin (%)</i>	<i>3.6</i>	<i>4.1</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.4</i>	<i>3.3</i>	<i>3.6</i>
Reported EBIT	7.8	8.4	10.9	-0.4	-2.1	4.8	10.5	11.8
<i>EBIT margin (reported) (%)</i>	<i>3.6</i>	<i>3.3</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.4</i>	<i>3.3</i>	<i>3.6</i>
Net financials	-5.2	-4.4	-0.9	-0.8	-0.7	-1.2	-1.2	-0.9
Pre-tax profit	2.6	6.2	10.1	-1.2	-2.8	3.6	9.3	10.9
Taxes	-0.6	-0.8	-2.1	0.1	0.5	-0.7	-1.9	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	2.0	3.3	8.0	-1.1	-2.3	2.7	7.1	8.3
Cash NRIs	0.0	-2.1	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	7	6	6	5	4	5	4	4
Goodwill	44	43	44	49	49	49	49	49
Right of use assets	0	0	0	0	4	4	4	4
Inventory	1	1	1	1	1	1	1	1
Receivables	35	36	39	36	53	56	53	55
Liquid funds	10	4	9	10	3	6	8	8
Total assets	96	91	98	101	115	121	119	121
Liabilities								
Shareholder's equity	1	25	30	25	23	26	32	37
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	3	3	3
Lease liabilities	0	0	0	0	4	4	4	4
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	55	21	21	22	23	20	16	11
Non-interest bearing current liabilities	40	43	46	52	62	65	62	63
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	96	91	98	101	115	121	119	121
CASH FLOW, EURm								
+ EBITDA	10	13	13	2	0	9	14	16
- Net financial items	-5	-4	-1	-1	-1	-1	-1	-1
- Taxes	0	-1	-2	0	0	0	-2	-2
- Increase in Net Working Capital	8	2	0	8	-7	0	0	0
+/- Other	0	-2	0	-1	0	0	0	0
= Cash flow from operations	12	7	11	8	-8	7	11	12
- Capex	-2	-1	-3	-1	-1	-4	-4	-4
- Acquisitions	0	0	0	-4	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	10	6	8	3	-9	3	7	8
+/- New issues/buybacks	0	21	0	1	0	0	0	0
- Paid dividend	0	0	-3	-4	0	0	-1	-3
+/- Other	0	-33	0	1	2	0	-4	-5
Change in cash	9	-6	5	0	-6	3	2	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	73	112	66	43	41	41	41
Net debt (excl. convertibles)	17	12	12	23	17	12	6
Enterprise value	91	125	78	67	61	55	50
Sales	256	262	300	316	332	316	325
EBITDA	13	13	2	0	9	14	16
EBIT	11	11	0	-2	5	11	12
Pre-tax	6	10	-1	-3	4	9	11
Earnings	5	8	-1	-2	3	7	8
Equity book value (excl. minorities)	25	30	25	23	26	32	37
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	-143.6	7.2	3.8	3.2
EV/EBITA	8.6	11.4	-207.0	-31.3	12.7	5.3	4.3
EV/EBIT	8.6	11.4	-207.0	-31.3	12.7	5.3	4.3
EV/OCF	13.0	11.5	10.0	-8.3	8.5	5.2	4.1
EV/FCFF	9.2	14.0	18.8	-9.2	9.9	5.5	4.4
P/FCFE	13.0	13.5	25.8	-4.8	14.3	5.7	4.9
P/E	13.6	14.1	-61.0	-18.5	15.1	5.7	4.9
P/B	3.0	3.8	2.6	1.8	1.6	1.3	1.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	4.2	3.5
Target EV/EBIT	0.0	0.0	0.0	0.0	13.8	5.8	4.7
Target EV/FCF	0.0	0.0	0.0	0.0	23.3	8.5	6.6
Target P/B	0.0	0.0	0.0	0.0	1.7	1.4	1.2
Target P/E	0.0	0.0	0.0	0.0	17.0	6.4	5.5
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	0.34	0.90	1.06
Operating cash flow per share	0.92	1.42	1.02	-1.02	0.91	1.36	1.57
Free cash flow per share	0.74	1.09	0.33	-1.15	0.36	0.90	1.06
Book value per share	3.22	3.89	3.32	2.98	3.32	4.05	4.71
Dividend per share	0.39	0.54	0.00	0.00	0.17	0.40	0.53
Dividend payout ratio, %	55.4	51.5	0.0	0.0	50.0	44.4	50.0
Dividend yield, %	4.1	3.7	0.0	0.0	3.3	7.8	10.3
FCF yield, %	7.7	7.4	3.9	-20.9	7.0	17.5	20.5
Efficiency measures							
ROE	42.8	29.5	-3.9	-9.6	10.8	24.5	24.1
ROCE	21.0	22.7	-0.6	-4.2	9.4	19.7	21.7
Financial ratios							
Inventories as % of sales	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Receivables as % of sales	14.2	14.7	12.1	16.8	16.8	16.8	16.8
Non-interest bearing liabilities as % of sales	16.9	17.5	17.3	19.5	19.5	19.5	19.5
NWC/sales, %	-2.5	-2.6	-5.0	-2.5	-2.5	-2.5	-2.5
Operative CAPEX/sales, %	0.5	1.0	0.5	0.3	1.3	1.1	1.2
CAPEX/sales (incl. acquisitions), %	0.5	1.0	-0.8	0.3	1.3	1.1	1.2
FCFF/EBITDA	0.8	0.7	2.4	15.5	0.7	0.7	0.7
Net debt/EBITDA, book-weighted	1.4	0.9	7.0	-50.5	2.0	0.8	0.4
Debt/equity, market-weighted	0.3	0.2	0.3	0.5	0.5	0.4	0.3
Equity ratio, book-weighted	31.4	34.8	28.8	24.4	29.3	29.3	33.1
Gearing, %	70.9	40.8	47.7	100.0	59.3	33.2	16.1

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	%
Evli Finnish Small Cap Fund	479,200	2.473	6.1%
Ilmarinen Mutual Pension Insurance Company	470,958	2.430	6.0%
Danske Invest Finnish Institutional Equity Fund	425,818	2.197	5.4%
Korkeela Esa Sakari	414,133	2.137	5.3%
Kivi Risto Juhani	377,937	1.950	4.8%
OP-Finland Small Firms Fund	307,977	1.589	3.9%
Kalervo Markku	298,692	1.541	3.8%
Korkeela Antti Petteri	276,894	1.429	3.5%
Riikantorppa Oy	241,680	1.247	3.1%
Wipunen varainhallinta Oy	200,000	1.032	2.5%
Ten largest	3,493,289	18.025	44%
Residual	4,364,978	22.523	56%
Total	7,858,267	40.549	100%

EARNINGS CALENDAR

February 07, 2020	FY 2019 Results
April 29, 2020	Q1 report
July 24, 2020	Q2 report
October 28, 2020	Q3 report

OTHER EVENTS

April 06, 2020	AGM
----------------	-----

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	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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 28.10.2019, 9:00. This report has been published on 28.10.2019, 9:30.

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.

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