

## Market tailwind persists

Endomines will publish H1/24 figures on Thursday 15<sup>th</sup> of August. Our focus is on the profitability and cash flow of the Pampalo operation as production growth coupled with high gold prices supported sales growth during H1.

### Strong gold market continues to support

Endomines produced 7,019 ounces of gold during the first half of the fiscal year. Production during the second quarter missed our estimates yet we expect that production will grow at a considerably faster rate during the second half. Gold price has stayed at 2300-2400 USD/oz level during the start of the second half which incentivizes production growth further. Furthermore, the company reported that during July, it generated 858 ounces in two weeks, corresponding to an annual rate of 22,300 ounces. The production rate surpasses the company's medium-term operational target rate of 20,000 ounces by the end of 2024. We now model annual production of 15,922 ounces for 2024E with growth of 24% y/y. We estimate net sales of EUR 31.0m and EBIT of EUR 7.0m for FY24E. We model some gold concentrate sales slippage from H2/23 for H1/24 which should increase net sales slightly.

### Exploration results showing future potential

Since our latest company report in May, Endomines has reported several new exploration results from the Karelian Gold Line. The company's exploration efforts during the first half have focused on the Southern part of the Karelian Gold Line. The spring exploration campaign confirmed Kuittila's mineralization extending deeper, and high-grade results near the surface were reported at Korvilansuo. We remain optimistic of the company's emphasis on the Southern Gold Line cluster. Developing and permitting one larger deposit is more cost and time efficient when compared to managing multiple smaller satellite deposits.

### HOLD with a TP of EUR 7.5 (prev. EUR 6.5)

Endomines' valuation is beginning to look elevated as the share price has surged nearly 30% since our recommendation upgrade in May. With the net positive changes to our estimates regarding 2024-2027E gold price level and FX, we increase our TP to EUR 7.5 while keeping rating at HOLD.



🟢 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
2022	13.5	-14.7	-108.9%	-8.0	-1.87	-2.7	4.0	-3.6	-17.1	0.00
2023	19.7	-3.0	-15.2%	-10.7	-0.55	-12.3	4.1	-26.8	-16.3	0.00
2024E	31.0	7.0	22.5%	1.6	0.47	17.9	3.1	13.7	2.0	0.00
2025E	36.4	11.0	30.3%	5.7	0.92	9.1	2.5	8.1	7.0	0.46
2026E	39.8	11.7	29.5%	4.7	0.84	10.0	2.2	7.6	5.8	0.42

Market cap, EURm	82	Gearing 2024E, %	-13.0	CAGR EPS 2023-26, %	0.0
Net debt 2024E, EURm	13	Price/book 2024E	2.2	CAGR sales 2023-26, %	26.4
Enterprise value, EURm	95	Dividend yield 2024E, %	0.0	ROE 2024E, %	13.2
Total assets 2024E, EURm	70	Tax rate 2024E, %	0.0	ROCE 2024E, %	13.2
Goodwill 2024E, EURm	0	Equity ratio 2024E, %	82.6	PEG, P/E 24/CAGR	0.9

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

Table 1: Estimate summary

Endomines (EURm)	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24	2024E	2025E	2026E
Gold production (Oz)	8 601	6 753	6 037	12 790	7 019	8 903	15 922	19 668	22 299
Net sales	13.5	10.7	9.0	19.7	13.3	17.8	31.0	36.4	39.8
<i>sales growth %</i>	>100%	91%	14%	46%	24%	98%	58%	17%	9%
Pampalo EBITDA	0.6	2.4	0.9	3.3	5.2	8.0	13.2	16.2	16.9
Group EBITDA	-6.4	0.4	-1.0	-0.7	3.3	6.1	9.4	13.2	13.9
<i>EBITDA margin</i>	-47%	4%	-11%	-3%	25%	34%	30%	36%	35%
EBIT	-14.7	-0.8	-2.2	-3.0	2.1	4.9	7.0	11.0	11.7
<i>EBIT margin</i>	-109%	-7%	-24%	-15%	16%	28%	22%	30%	29%
<b>Assumptions</b>	<b>2022</b>	<b>H1/'23</b>	<b>H2/'23</b>	<b>2023</b>	<b>H1/'24</b>	<b>H2/'24</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Gold price USD/Oz	1798	1934	1950	1942	2205	2409	2307	2260	2200
Gold price EUR/Oz	1681	1774	1805	1790	2045	2220	2133	2055	1982
EUR/USD	1.07	1.09	1.08	1.09	1.08	1.08	1.08	1.10	1.11

Source: Endomines, Evli Research

Table 2: SOTP model

	Evli est.	Spot	Estimate basis
US asset portfolio	34	41	Evli est. based on average of different valuation methods, Spot est. based on historic purchase price
Pampalo	45	55	DCF based on reserves & M+I resources Pampalo OP & UG + Hosko
Karelian gold line	26	45	Real option value for the Southern Gold Line + other satellites
Overhead	(11)	(11)	Discounted overhead costs
Net cash (debt)	(3)	(3)	2024E adjusted for theoretical conversion + accrued interest
<b>Fair Value</b>	<b>91</b>	<b>127</b>	
Long-term gold price (USD/oz)	2 000		Evli est.
Spot price (USD/oz)		2 450	
Diluted shares outstanding (m)	12.2	12.2	Incl. theoretical conversion of notes available for conversion during FY 2024
Fair value per share	7.5	10.3	

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1E	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	0.0	10.7	0.0	9.0	19.7	0.0	13.3	0.0	17.8	31.0	36.4	39.8
EBITDA	0.0	0.4	0.0	-1.0	-0.6	0.0	3.3	0.0	6.1	9.4	13.4	11.7
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>3.7</i>	<i>0.0</i>	<i>-11.1</i>	<i>-3.0</i>	<i>0.0</i>	<i>24.8</i>	<i>0.0</i>	<i>34.3</i>	<i>30.2</i>	<i>36.9</i>	<i>29.5</i>
EBIT	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.1	0.0	4.9	7.0	11.0	11.7
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>15.7</i>	<i>0.0</i>	<i>27.5</i>	<i>22.5</i>	<i>30.3</i>	<i>29.5</i>
Net financial items	0.0	-1.1	0.0	-1.2	-2.3	0.0	-1.2	0.0	-1.2	-2.4	-2.0	-2.3
Pre-tax profit	0.0	-1.9	0.0	-3.4	-5.3	0.0	0.9	0.0	3.7	4.6	9.0	9.5
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Tax rate (%)</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>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Net profit	0.0	-1.9	0.0	-3.4	-5.3	0.0	0.9	0.0	3.7	4.6	9.0	9.5
EPS	0.00	-0.19	0.00	-0.35	-0.55	0.00	0.09	0.00	0.38	0.47	0.92	0.84
EPS adjusted (diluted no. of shares)	0.00	-0.19	0.00	-0.35	-0.55	0.00	0.09	0.00	0.38	0.47	0.92	0.84
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.46	0.42
<b>SALES, EURm</b>												
Endomines	0.0	10.7	0.0	9.0	19.7	0.0	13.3	0.0	17.8	31.0	36.4	39.8
Total	0.0	10.7	0.0	9.0	19.7	0.0	13.3	0.0	17.8	31.0	36.4	39.8
<b>SALES GROWTH, Y/Y %</b>												
Endomines	<i>0.0</i>	<i>89.7</i>	<i>-100.0</i>	<i>-33.3</i>	<i>45.9</i>	<i>0.0</i>	<i>23.9</i>	<i>0.0</i>	<i>97.7</i>	<i>57.6</i>	<i>17.2</i>	<i>9.4</i>
Total	<i>0.0</i>	<i>89.7</i>	<i>-100.0</i>	<i>-33.3</i>	<i>45.9</i>	<i>0.0</i>	<i>23.9</i>	<i>0.0</i>	<i>97.7</i>	<i>57.6</i>	<i>17.2</i>	<i>9.4</i>
<b>EBIT, EURm</b>												
Endomines	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.1	0.0	4.9	7.0	11.0	11.7
Total	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.1	0.0	4.9	7.0	11.0	11.7
<b>EBIT margin, %</b>												
Endomines	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>15.7</i>	<i>0.0</i>	<i>27.5</i>	<i>22.5</i>	<i>30.3</i>	<i>29.5</i>
Total	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>15.7</i>	<i>0.0</i>	<i>27.5</i>	<i>22.5</i>	<i>30.3</i>	<i>29.5</i>

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	0.5	1.3	0.5	13.5	19.7	31.0	36.4	39.8
<i>Sales growth (%)</i>	<i>-94.6</i>	<i>134.3</i>	<i>-61.4</i>	<i>2,643.4</i>	<i>45.9</i>	<i>57.6</i>	<i>17.2</i>	<i>9.4</i>
EBITDA	-4.6	-10.5	-11.6	-6.4	-0.6	9.4	13.4	11.7
<i>EBITDA margin (%)</i>	<i>-841.1</i>	<i>-824.5</i>	<i>-2,362.0</i>	<i>-47.1</i>	<i>-3.0</i>	<i>30.2</i>	<i>36.9</i>	<i>29.5</i>
Depreciation	-0.3	-7.5	-13.5	-8.3	-2.4	-2.4	-2.4	0.0
EBITA	-4.9	-18.0	-25.1	-14.7	-3.0	7.0	11.0	11.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	7.0	11.0	11.7
<i>EBIT margin (%)</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-108.9</i>	<i>-15.2</i>	<i>22.5</i>	<i>30.3</i>	<i>29.5</i>
Reported EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	7.0	11.0	11.7
<i>EBIT margin (reported) (%)</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-108.9</i>	<i>-15.2</i>	<i>22.5</i>	<i>30.3</i>	<i>29.5</i>
Net financials	-0.7	-1.2	-1.6	-2.7	-2.3	-2.4	-2.0	-2.3
Pre-tax profit	-5.6	-19.2	-26.7	-17.4	-5.3	4.6	9.0	9.5
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-5.6	-19.2	-26.7	-17.5	-5.3	4.6	9.0	9.5
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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	55	57	51	49	55	58	61	65
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	1	0	0	1	1	1
Receivables	0	0	2	2	2	3	4	4
Liquid funds	2	1	1	4	1	7	13	7
Total assets	56	58	55	55	59	70	79	77
Liabilities								
Shareholder's equity	32	33	30	36	32	37	46	51
Minority interest	0	0	0	0	0	0	0	0
Convertibles	17	0	0	0	16	21	21	14
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	4	15	16	11	0	0	0	0
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	3	10	9	9	11	12	12	12
Total liabilities	56	58	55	55	59	70	79	77
<b>CASH FLOW, EURm</b>								
+ EBITDA	-5	-11	-12	-6	-1	9	13	12
- Net financial items	-1	-1	-2	-3	-2	-2	-2	-2
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	-1	0	0	3	1	0	-1	0
+/- Other	-2	4	1	2	0	0	0	0
= Cash flow from operations	-7	-7	-12	-4	-2	7	11	9
- Capex	-8	-3	-5	-4	-9	-6	-5	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-15	-10	-17	-8	-11	2	6	5
+/- New issues/buybacks	13	20	24	23	2	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-5
+/- Other	2	-11	-7	-13	6	5	0	-7
Change in cash	0	0	0	3	-2	6	6	-7

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	35	57	47	66	82	82	82
Net debt (excl. convertibles)	14	14	7	-1	-7	-13	-7
Enterprise value	49	71	54	81	95	90	89
Sales	1	0	14	20	31	36	40
EBITDA	-11	-12	-6	-1	9	13	12
EBIT	-18	-25	-15	-3	7	11	12
Pre-tax	-19	-27	-17	-5	5	9	9
Earnings	-19	-27	-17	-5	5	9	9
Equity book value (excl. minorities)	33	30	36	32	37	46	51
<b>Valuation multiples</b>							
EV/sales	38.5	144.2	4.0	4.1	3.1	2.5	2.2
EV/EBITDA	-4.7	-6.1	-8.4	-134.2	10.2	6.7	7.6
EV/EBITA	-2.7	-2.8	-3.6	-26.8	13.7	8.1	7.6
EV/EBIT	-2.7	-2.8	-3.6	-26.8	13.7	8.1	7.6
EV/OCF	-6.7	-6.1	-13.1	-42.6	13.3	8.3	9.9
EV/FCFF	-5.7	-4.7	-10.2	-10.8	23.7	11.6	12.8
P/FCFE	-0.1	-0.1	-5.9	-6.1	50.6	14.3	20.0
P/E	-1.8	-2.1	-2.7	-12.3	17.9	9.1	10.0
P/B	1.1	1.9	1.3	2.0	2.2	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.2	6.0	7.8
Target EV/EBIT	0.0	0.0	0.0	0.0	12.4	7.4	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	53.4	14.1	19.4
Target P/B	0.0	0.0	0.0	0.0	2.0	1.6	1.7
Target P/E	0.0	0.0	0.0	0.0	16.0	8.2	8.9
<b>Per share measures</b>							
Number of shares	3,283	5,645	9,370	9,795	9,795	9,795	11,293
Number of shares (diluted)	3,283	5,645	9,370	9,795	9,795	9,795	11,293
EPS	-5.84	-4.73	-1.87	-0.55	0.47	0.92	0.84
Operating cash flow per share	-2.23	-2.07	-0.44	-0.19	0.73	1.10	0.80
Free cash flow per share	-3.01	-2.95	-0.85	-1.09	0.17	0.59	0.42
Book value per share	10.03	5.34	3.83	3.30	3.76	4.68	4.50
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.46	0.42
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	5.5	5.0
FCF yield, %	-28.2	-29.4	-17.1	-16.3	2.0	7.0	5.8
<b>Efficiency measures</b>							
ROE	-59.0	-84.6	-52.9	-15.7	13.2	21.8	19.6
ROCE	-35.5	-53.4	-31.9	-6.3	13.2	17.7	17.8
<b>Financial ratios</b>							
Inventories as % of sales	19.2	162.0	3.0	2.0	2.0	2.0	2.0
Receivables as % of sales	25.9	360.9	14.8	10.4	10.4	10.4	10.4
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-466.5	-1,062.8	-30.4	-26.1	-17.2	-12.9	-10.7
Operative CAPEX/sales, %	198.5	1,001.1	28.9	44.7	17.9	13.7	10.8
CAPEX/sales (incl. acquisitions), %	198.5	1,001.1	28.9	44.7	17.9	13.7	10.8
FCFF/EBITDA	0.8	1.3	0.8	12.4	0.4	0.6	0.6
Net debt/EBITDA, book-weighted	-1.3	-1.2	-1.1	2.0	-0.8	-1.0	-0.6
Debt/equity, market-weighted	0.4	0.3	0.2	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	56.5	54.8	65.4	82.2	82.6	84.6	84.3
Gearing, %	43.1	47.9	18.9	-2.5	-13.0	-19.9	-10.3

**COMPANY DESCRIPTION:** Endomines engages in exploration, mining, and extraction of gold deposits. Its sites are found in Eastern Finland along the Karelian Gold line and in Idaho and Montana, USA. The company was founded in 2005 and is headquartered in Espoo, Finland. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

**INVESTMENT CASE:** Endomines new strategy focuses on development of the company's Finnish assets, the US assets are developed through partnership models. The company has proceeded well with reinitiating production at the Pampalo site, Endomines produced 12 790 ounces of gold during 2023. The company's focus in the near term is on Pampalo underground, East open pit and Hosko production and on gold exploration activities in Karelian gold line.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Joensuun Kauppa ja Kone Oy	2,176,726	18.241	22.2%
Mariatorp OY	920,000	7.710	9.4%
Wipunen varainhallinta Oy	910,000	7.626	9.3%
K22 Finance Oy	389,987	3.268	4.0%
Taloustieto Incrementum Oy	316,376	2.651	3.2%
Kakkonen Kari Heikki Ilmari	295,204	2.474	3.0%
Vakuutusosakeyhtiö Henki-Fennia	239,907	2.010	2.4%
Eyemaker's Finland Oy	177,560	1.488	1.8%
Hietamoor Oy	172,110	1.442	1.8%
Ehnrrooth Helene Margareta	150,000	1.257	1.5%
Ten largest	5,747,870	48.167	59%
Residual	4,047,469	33.918	41%
Total	9,795,339	82.085	100%

**EARNINGS CALENDAR**

August 15, 2024

Q2 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Kari Vyhtinen

Ahventie 4 A, FI-02170 Espoo

CFO: Minni Lempinen

Tel:

IR: Riikka Niemi

## 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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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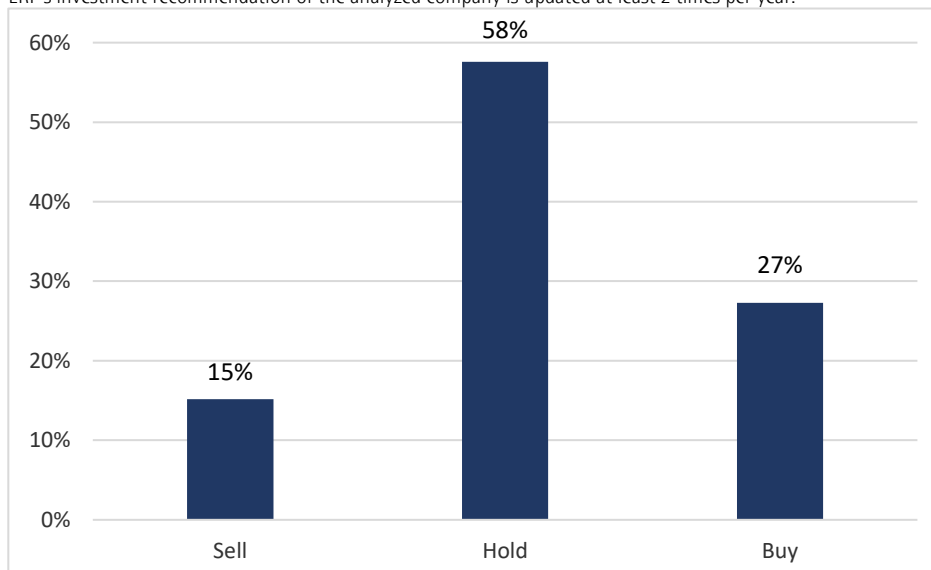
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Jortikka

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