

Production hiccups in Pampalo

Endomines released a profit warning due to lower-than-expected production volume growth in Q4 driven by issues in both Pampalo OP and UG mines. We still estimate strong revenue growth in 2024E helped by the robust gold market.

Issues in both OP and UG production in Pampalo

Previously Endomines expected that gold production will increase by 15–35% compared to last year (2023 production 12 790 ounces, implied guidance roughly 14 700 – 17 300 ounces). Now due to slower than expected production in Q4, the company expects that production will grow 8–15% compared to 2023 (implied production guidance roughly 13 800 – 14 700 ounces). Therefore, the production guidance middle drops some 11%. The reasons behind the lowering of the production guidance are defects in the production equipment in the open pit mine and rock mechanical challenges encountered in the underground mine. According to our understanding, the rock mechanical challenges in the UG mine are related to the northern ore lense, where the ore is associated with talc. The company has previously managed to compensate for lost volumes due to rock mechanical issues related to the northern lense with production from the open pit. The current challenges in the underground mine, coupled with defects in the production equipment in the open pit, resulted in the profit warning.

Production estimate revisions

Due to changes in production guidance, we have revised our production estimate for 2024E downwards to 14,110 ounces, reflecting an estimated production growth of 10.3% y/y. Following adjustments in volume estimates and modifications to our market parameters for Q4, we now project net sales of EUR 27.6m for 2024E (prev. EUR 31.0m), indicating a 40% y/y growth driven by the robust gold market. We have also adjusted our production cost estimates upwards due to the production hiccups. Consequently, we now forecast EBITDA of EUR 4.9m for FY 2024E (prev. EUR 6.8m). Although we view the current production issues as temporary, we've slightly lowered our production estimates for 2025. We continue to expect volume growth supported by additional production from Hosko.

HOLD with a TP of EUR 7.7 (prev. EUR 8.1)

Due to a negative adjustment in Pampalo's value in our SOTP model, we lower our TP to EUR 7.7 (prev. EUR 8.1). We consider the present production disruptions to be largely temporary; however, we have adjusted our future production estimates also to reflect a more conservative outlook.

Rating Hold



Share price, EUR (Last trading day's closing price)	7.36
Target price, EUR	7.7
Latest change in recommendation	28-May-24
Latest report on company	3-Oct-24
Research paid by issuer:	YES
No. of shares outstanding, '000's	9 787
No. of shares fully diluted, '000's	9 787
Market cap, EURm	72
Free float, %	42.9 %
Exchange rate	1.0
Reuters code	PAMPALO.HE
Bloomberg code	PAMPALO FH
Average daily volume, EURm	
Next interim report	13-Feb-25
Web site	endomines.com/en/for-investors/
Analyst	Atte Jortikka
E-mail	atte.jortikka@evli.com
Telephone	+358 400 543 725

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%	
2023	19.7	-3.0	-15.2%	-10.7	-0.55	-12.3	4.1	-26.8	-16.3%	
2024E	27.6	1.5	5.6%	-0.2	-0.07	-108.3	3.1	56.7	-0.2%	
2025E	38.3	8.7	22.8%	3.6	0.69	10.7	2.2	9.6	5.0%	
2026E	39.9	7.6	18.9%	2.8	0.48	15.2	2.0	10.7	3.9%	
Market cap, EURm		72	Gearing 2024E, %			-10.9 %	CAGR EPS 2023-26, %			0.0 %
Net debt 2024E, EURm		15	Price/book 2024E			2.3	CAGR Sales 2023-26, %			26.5 %
Enterprise value, EURm		87	Dividend yield 2024E, %			0.0 %	ROE 2024E, %			-2.1 %
Total assets 2024E, EURm		64	Tax rate 2024E, %			0.0 %	ROCE 2024E, %			3.1 %
Goodwill 2024E, EURm		0	Equity ratio 2024E, %			81.2 %	PEG, P/E 24/CAGR			0.0

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	6 038	12 790	7 019	7 091	14 110	18 227	20 495
Net sales	13.5	10.7	9.0	19.7	13.1	14.5	27.6	38.3	39.9
<i>sales growth %</i>	<i>>100%</i>	<i>91%</i>	<i>14%</i>	<i>46%</i>	<i>23%</i>	<i>61%</i>	<i>40%</i>	<i>39%</i>	<i>4%</i>
Pampalo EBITDA	0.6	2.4	0.9	3.3	4.0	4.9	8.9	14.6	13.8
Group EBITDA	-6.4	0.4	-1.0	-0.7	1.9	3.0	4.9	11.9	11.1
<i>EBITDA margin</i>	<i>-47%</i>	<i>4%</i>	<i>-11%</i>	<i>-3%</i>	<i>14%</i>	<i>21%</i>	<i>18%</i>	<i>31%</i>	<i>28%</i>
EBIT	-14.7	-0.8	-2.2	-3.0	0.1	1.4	1.5	8.7	7.6
<i>EBIT margin</i>	<i>-109%</i>	<i>-7%</i>	<i>-24%</i>	<i>-15%</i>	<i>1%</i>	<i>10%</i>	<i>6%</i>	<i>23%</i>	<i>19%</i>
Assumptions	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24	2024E	2025E	2026E
Gold price USD/Oz	1798	1934	1950	1942	2205	2527	2366	2569	2400
Gold price EUR/Oz	1681	1774	1805	1790	2045	2288	2167	2335	2162
EUR/USD	1.07	1.09	1.08	1.09	1.08	1.10	1.09	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	44	57	DCF based on reserves & M+I resources Pampalo OP & UG + Hosko
Karelian gold line	33	50	Real option value for the Southern Gold Line + other satellites
Overhead	(12)	(12)	Discounted overhead costs
Net cash (debt)	(5)	(5)	2024E adjusted for theoretical conversion + accrued interest
Fair Value	94	131	
Long-term gold price (USD/oz)	2 300		Evli est.
Spot price (USD/oz)		2 650	
Diluted shares outstanding (m)	12.3	12.3	Incl. theoretical conversion of notes available for conversion during FY 2024
Fair value per share	7.7	10.6	

Source: Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	0.0	10.7	0.0	9.0	19.7	0.0	13.1	0.0	14.5	27.6	38.3	39.9
EBITDA		0.4		-1.0	-0.6		1.9		3.0	4.9	11.9	11.1
<i>EBITDA margin (%)</i>		3.7%		-11.1%	-3.1%		14.5%		20.9%	17.8%	31.1%	27.7%
EBIT		-0.8		-2.2	-3.0		0.1		1.4	1.5	8.7	7.6
<i>EBIT margin (%)</i>		-7.5%		-24.5%	-15.2%		0.8%		9.9%	5.6%	22.8%	18.9%
Net financial items		-1.1		-1.2	-2.3		-1.1		-1.1	-2.2	-2.0	-2.1
Pre-tax profit		-1.9		-3.4	-5.3		-1.0		0.3	-0.7	6.7	5.5
Tax												
<i>Tax rate (%)</i>												
Net profit		-1.9		-3.4	-5.3		-1.0		0.3	-0.7	6.7	5.5
EPS		-0.19		-0.35	-0.55		-0.10		0.03	-0.07	0.69	0.48
EPS adj. (diluted)		-0.19		-0.35	-0.55		-0.10		0.03	-0.07	0.69	0.48
Dividend per share												
SALES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		10.7		9.0	19.7		13.1		14.5	27.6	38.3	39.9
Total	0.0	10.7	0.0	9.0	19.7	0.0	13.1	0.0	14.5	27.6	38.3	39.9
SALES GROWTH, Y/Y%	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		89.7%	-100.0%	-33.3%	45.9%		22.7%		61.2%	40.3%	38.6%	4.1%
Total		89.7%	-100.0%	-33.3%	45.9%		22.7%		61.2%	40.3%	38.6%	4.1%
EBIT, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		-0.8		-2.2	-3.0		0.1		1.4	1.5	8.7	7.6
Total		-0.8		-2.2	-3.0		0.1		1.4	1.5	8.7	7.6
EBIT margin %	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		-7.5%		-24.4%	-15.2%		0.8%		9.9%	5.6%	22.8%	18.9%
Total		-7.5%		-24.5%	-15.2%		0.8%		9.9%	5.6%	22.8%	18.9%

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	0.5	1.3	0.5	13.5	19.7	27.6	38.3	39.9
<i>Sales growth (%)</i>	-94.6%	134.3%	-61.5%	2 643.4%	45.9%	40.3%	38.6%	4.1%
EBITDA	-4.6	-10.5	-11.6	-6.4	-0.6	4.9	11.9	11.1
<i>EBITDA margin (%)</i>	-841.1%	-824.5%	-2	-47.1%	-3.1%	17.8%	31.1%	27.7%
			362.0%					
Depreciation	-0.3	-7.5	-13.5	-8.3	-2.4	-3.4	-3.2	-3.5
EBITA	-4.9	-18.0	-25.1	-14.7	-3.0	1.5	8.7	7.6
Goodwill amortization / writedown								
EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	1.5	8.7	7.6
<i>EBIT margin (%)</i>	-903.5%	-1 410.0%	-5	-108.9%	-15.2%	5.6%	22.8%	18.9%
			102.0%					
Reported EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	1.5	8.7	7.6
<i>EBIT margin (reported) (%)</i>	-903.5%	-1 410.0%	-5	-108.9%	-15.2%	5.6%	22.8%	18.9%
			102.0%					
Net financials	-0.7	-1.2	-1.6	-2.7	-2.3	-2.2	-2.0	-2.1
Pre-tax profit	-5.6	-19.2	-26.7	-17.4	-5.3	-0.7	6.7	5.5
Taxes		0.0	0.0	0.0				
Minority shares								
Net profit	-5.6	-19.2	-26.7	-17.5	-5.3	-0.7	6.7	5.5
Cash NRIs								
Non-cash NRIs								
BALANCE SHEET, EURm								
Assets								
Fixed assets	55	57	51	49	55	55	57	60
Goodwill								
Right of use assets								
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	6	9	5
Total assets	56	58	55	55	59	64	71	70
Liabilities								
Shareholders' equity	32	33	30	36	32	32	38	44
Minority interest								
Convertible	17				16	21	21	14
Lease liabilities								
Deferred taxes								
Interest bearing debt	4	15	16	11				
Non-interest bearing current liabilities								
Other interest-free debt	3	10	9	9	11	12	12	12
Total liabilities	56	58	55	55	59	64	71	70
CASH FLOW, EURm								
+ EBITDA	-5	-11	-12	-6	-1	5	12	11
- Net financial items	-1	-1	-2	-3	-2	-2	-2	-2
- Taxes		0	0	0				
- Increase in Net Working Capital	-1	0	0	3	1	1	-1	0
+/- Other	-2	4	1	2				
= Cash flow from operations	-7	-7	-12	-4	-2	3	9	8
- Capex	-8	-3	-5	-4	-9	-4	-5	-6
- Acquisitions								
+ Divestments	0							
= Free cash flow	-15	-10	-17	-8	-11	0	4	3
+/- New issues/buybacks	13	20	24	23	2			
- Paid dividend								
+/- Other	2	-11	-7	-13	6	5		-7
Change in cash	0	0	0	3	-3	4	4	-4

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	35	57	47	66	72	72	72
Net debt (excl. convertibles)	14	14	7	-1	-6	-9	-5
Enterprise value	49	71	54	81	87	83	81
Sales	1	0	14	20	28	38	40
EBITDA	-11	-12	-6	-1	5	12	11
EBIT	-18	-25	-15	-3	2	9	8
Pre-tax	-19	-27	-17	-5	-1	7	5
Earnings	-19	-27	-17	-5	-1	7	5
Equity book value (excl. minorities)	33	30	36	32	32	38	44

Valuation multiple	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	38.5	144.2	4.0	4.1	3.1	2.2	2.0
EV/EBITDA	-4.7	-6.1	-8.4	-134.2	17.6	7.0	7.5
EV/EBITA	-2.7	-2.8	-3.6	-26.8	56.7	9.6	10.7
EV/EBIT	-2.7	-2.8	-3.6	-26.8	56.7	9.6	10.7
EV/OCF	-6.7	-6.1	-13.1	-42.6	26.0	9.7	9.5
EV/FCF	-5.7	-4.7	-10.2	-10.8	42.5	14.9	16.6
P/FCFR	-0.1	-0.1	-5.9	-6.1	-472.2	20.1	30.0
P/E	-1.8	-2.1	-2.7	-12.3	-108.3	10.7	15.2
P/BV	1.1	1.9	1.3	2.0	2.3	1.9	1.6
Target EV/EBITDA					18.3	7.3	8.9
Target EV/EBIT					58.9	10.0	12.7
Target EV/FCFF					-592.3	24.2	34.4
Target P/BV					2.4	2.0	2.0
Target P/E, diluted	-2.6	-3.0	-8.0	-14.5	-113.3	11.2	15.9

Per share measures	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares (million)	3.28	5.64	9.37	9.80	9.79	9.79	11.35
Number of shares (diluted, million)	3.28	5.64	9.37	9.80	9.79	9.79	11.35
EPS	-5.84	-4.73	-1.87	-0.55	-0.07	0.69	0.48
Operating cash flow per share	-2.23	-2.07	-0.44	-0.19	0.34	0.88	0.75
Free cash flow per share	-3.01	-2.95	-0.85	-1.09	-0.02	0.37	0.25
Book value per share	10.03	5.34	3.83	3.30	3.23	3.92	3.86
Dividend per share							
Dividend payout ratio, %							
Dividend yield, %							
FCF yield, %	-28.2%	-29.4%	-17.1%	-16.3%	-0.2%	5.0%	3.9%

Efficiency measures	2020	2021	2022	2023	2024E	2025E	2026E
ROE	-59.1%	-84.6%	-52.9%	-15.7%	-2.1%	19.2%	13.3%
ROCE	-35.5%	-53.4%	-31.9%	-6.3%	3.1%	15.7%	12.9%

Financial ratios	2020	2021	2022	2023	2024E	2025E	2026E
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-int. bearing liabilities as % of sales							
NWC/sales, %	-466.5%	-1062.8%	-30.4%	-26.1%	-20.8%	-11.6%	-10.6%
Operative CAPEX/Sales, %	198.5%	1001.1%	28.9%	44.7%	12.7%	13.1%	14.3%
CAPEX/sales (incl. acquisitions), %	198.5%	1001.1%	28.9%	44.7%	12.7%	13.1%	14.3%
FCFF/EBITDA	0.8	1.3	0.8	12.4	0.4	0.5	0.5
Net Debt/EBITDA, book-weighted	-1.3	-1.2	-1.1	2.0	-1.2	-0.8	-0.5
Debt/equity, market-weighted	0.4	0.3	0.2				
Equity ratio, book-weighted	0.6	0.5	0.7	0.8	0.8	0.8	0.8
Gearing, %	43.1%	47.9%	18.9%	-2.5%	-10.9%	-15.7%	-9.1%

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	2 223 697	16.366	22.7 %
Wipunen varainhallinta Oy	950 000	6.992	9.7 %
Mariatorp OY	925 000	6.808	9.5 %
K22 Finance Oy	389 987	2.870	4.0 %
Taloustieto Incrementum Oy	311 278	2.291	3.2 %
Kakkonen Kari Heikki Ilmari	305 704	2.250	3.1 %
Vakuutusosakeyhtiö Henki–Fennia	239 907	1.766	2.5 %
Eyemaker's Finland Oy	177 560	1.307	1.8 %
Hietamoor Oy	172 110	1.267	1.8 %
Ehrnrooth Helene Margareta	150 000	1.104	1.5 %
Ten largest	5 845 243	43.021	59.7 %
Residual	3 942 096	29.014	40.3 %
Total	9 787 339	72.035	100%

EARNINGS CALENDAR

February 13, 2025

FY 2024 Results

OTHER EVENTS

COMPANY MISCELLANEOUS

OEO: Kari Vyhtinen
CFO: Minni Lempinen
IR: Anni Turpeinen

Ahventie 4 A, FI-02170 Espoo
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 $\frac{\text{Price per share}}{\text{Shareholder's equity} + \text{taxed provisions per share}}$	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 rate per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	

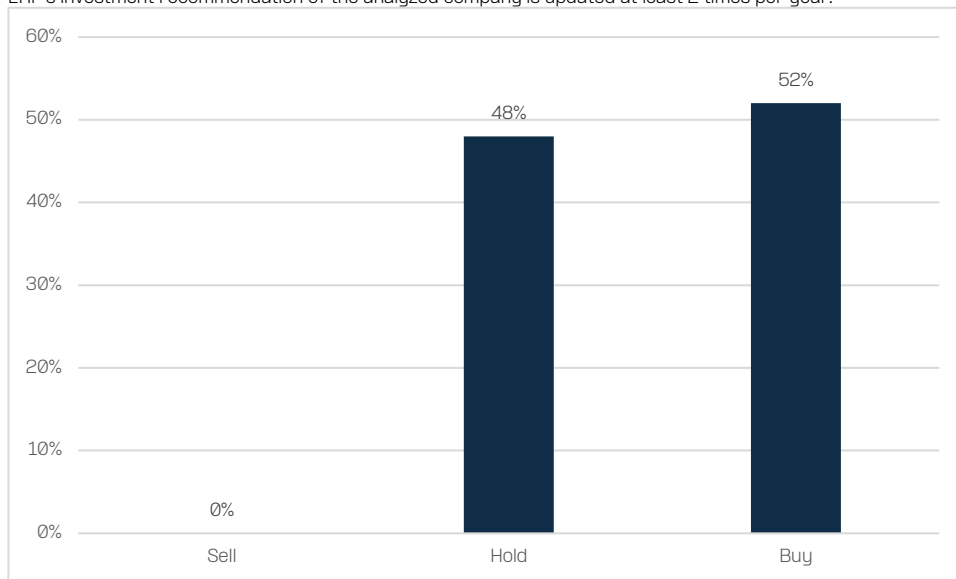
Important Disclosures

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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 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage on the 23rd of October, 2024. If recommendation is not given, it is not mentioned here.

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

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales & Trading**

Joachim Dannberg (head) +358 9 4766 9123
Aleksi Jalava +358 9 4766 9123
Pasi Väisänen +358 9 4766 9123

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205

Equity Research

Jerker Salokivi (head) +358 9 4766 9149
Joonas Ilvonen +358 44 430 9071
Atte Jortikka +358 40 054 3725
Atte Pitkälampi +358 44 047 6597

EVLI

EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000