

Growth in production and resources

Endomines releases its H2/24 results on 13th of February. Despite experiencing some production issues in the fourth quarter, we estimate that net sales growth has led to improved profitability for Pampalo. We increase our TP to EUR 8.3 while revise recommendation to REDUCE (prev. HOLD) to match the updated ratings methodology (see page 3).

Some production hiccups in Q4, preparing financing package

Endomines produced 14,304 ounces of gold in 2024, slightly more than we estimated after the profit warning related to production issues in November (Evli est. 14 110 ounces). In January, the company announced that it is beginning to prepare a financing package of around EUR 10m. The purpose of the financing is to enable the execution of the company's growth strategy that is to be updated during the spring 2025. The EUR 10m financing consists of convertible loans worth of EUR 2.3m and of the remaining approx. EUR 8m where the form of financing is yet to be decided.

Riding the golden wave

In 2024, gold continued its strong run, with the price increasing by over 25%, marking its best performance in 14 years. Gold is now trading above the 2850 USD/oz mark, at all time high levels. With the strong performance, the consensus gold price estimates have increased for the coming years. We have also revised our gold price forecasts upwards. With the production of 14,304 ounces and high gold market prices in Q4, we expect net sales of EUR 28.6m for FY 2024. Due to increased volume and strong market prices, we project an EBITDA of EUR 5.5m. We model similar overhead costs for H2 compared to H1 while we estimate a touch higher production cost for Pampalo. For 2025, we continue to model production of over 18,200 ounces (growth of 27% y/y) and net sales of EUR 42.4m (growth of 48% y/y). We expect some production growth for Pampalo yet the largest growth in volumes is expected to materialize from Hosko. With the production growth and our updated estimates for market parameters, we estimate EBITDA of EUR 13.7m for 2025E with a margin of 32%. Endomines has typically updated its resources in connection with H2 report. We expect the total KGL resource base (incl. Pampalo) to contain somewhere around 500k ounces of gold with the largest increase in resources in the Southern Gold Line.

REDUCE (prev. HOLD) with a TP of EUR 8.3

After positive adjustments to our estimates, the value of Pampalo and the Karelian gold line increases in our SOTP. In line with the SOTP, we increase TP to EUR 8.3 (prev. EUR 7.7). We revise our recommendation to REDUCE (prev. HOLD, see page 3).

Rating Reduce



Share price, EUR (Last trading day's closing price)	8.50
Target price, EUR	8.3
Latest change in recommendation	05-Feb-25
Latest report on company	28-Nov-24
Research paid by issuer:	YES
No. of shares outstanding, '000's	10 830
No. of shares fully diluted, '000's	10 830
Market cap, EURm	92
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 + ACCUMULATE - REDUCE - - 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	28.6	2.1	7.5%	0.3	-0.01	-1597.9	3.7	49.7	0.4%	
2025E	42.4	9.4	22.2%	5.0	0.68	12.4	2.4	10.8	5.4%	
2026E	44.8	9.7	21.7%	5.8	0.66	12.9	2.1	9.8	6.3%	

Market cap, EURm	92	Gearing 2024E, %	2.5 %	CAGR EPS 2023-26, %	0.0 %
Net debt 2024E, EURm	15	Price/book 2024E	2.9	CAGR Sales 2023-26, %	31.5 %
Enterprise value, EURm	107	Dividend yield 2024E, %	0.0 %	ROE 2024E, %	-0.2 %
Total assets 2024E, EURm	62	Tax rate 2024E, %	0.0 %	ROCE 2024E, %	4.4 %
Goodwill 2024E, EURm	0	Equity ratio 2024E, %	73.9 %	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	7 285	14 304	18 227	20 495
Net sales	13.5	10.7	9.0	19.7	13.1	15.4	28.6	42.4	44.8
<i>sales growth %</i>	<i>>100%</i>	<i>91%</i>	<i>14%</i>	<i>46%</i>	<i>23%</i>	<i>72%</i>	<i>45%</i>	<i>48%</i>	<i>6%</i>
Pampalo EBITDA	0.6	2.4	0.9	3.3	4.0	5.5	9.5	17.6	16.4
Group EBITDA	-6.4	0.4	-1.0	-0.7	1.9	3.6	5.5	13.7	13.7
<i>EBITDA margin</i>	<i>-47%</i>	<i>4%</i>	<i>-11%</i>	<i>-3%</i>	<i>14%</i>	<i>24%</i>	<i>19%</i>	<i>32%</i>	<i>31%</i>
EBIT	-14.7	-0.8	-2.2	-3.0	0.1	2.0	2.1	9.4	9.7
<i>EBIT margin</i>	<i>-109%</i>	<i>-7%</i>	<i>-24%</i>	<i>-15%</i>	<i>1%</i>	<i>13%</i>	<i>7%</i>	<i>22%</i>	<i>22%</i>
Assumptions	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24	2024E	2025E	2026E
Gold price USD/Oz	1798	1934	1950	1942	2205	2567	2386	2687	2600
Gold price EUR/Oz	1681	1774	1805	1790	2045	2383	2214	2583	2430
EUR/USD	1.07	1.09	1.08	1.09	1.08	1.08	1.08	1.04	1.07

Source: Endomines, Evli Research

Table 2: Sum-of-the-parts model

	Evli est.	Spot	Estimate basis
US asset portfolio	33	41	Evli est. based on average of different valuation methods, Spot est. based on historic purchase price
Pampalo	53	68	DCF based on reserves & M+I resources Pampalo OP & UG + Hosko
Karelian gold line	41	55	Real option value for the Southern Gold Line + other satellites
Overhead	(16)	(16)	Discounted overhead costs
Net cash (debt)	(1)	(1)	2025E adjusted for theoretical conversion + accrued interest
Fair Value	110	146	
Long-term gold price (USD/oz)	2 500		Evli est.
Spot price (USD/oz)		2 850	
Diluted shares outstanding (m)	13.4	13.4	Incl. theoretical conversion of notes available for conversion during FY 2025
Fair value per share	8.3	11.0	

We have amended our rating methodology since the previous update of the stock. Please see the updated and previous methodologies below.

NEW

Target price compared to share price

- < -10%
- 10 – 0%
- 0 – (+10)%
- > 10%

- Recommendation
- SELL
 - REDUCE
 - ACCUMULATE
 - BUY

OLD

Target price compared to share price

- < -10%
- 10 – (+10)%
- > 10%

- Recommendation
- SELL
 - HOLD
 - BUY

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	15.4	28.6	42.4	44.8
EBITDA		0.4		-1.0	-0.6		1.9		3.6	5.5	13.7	14.0
<i>EBITDA margin (%)</i>		3.7%		-11.1%	-3.1%		14.5%		23.6%	19.4%	32.4%	31.3%
EBIT		-0.8		-2.2	-3.0		0.1		2.0	2.1	9.4	9.7
<i>EBIT margin (%)</i>		-7.5%		-24.5%	-15.2%		0.8%		13.2%	7.5%	22.2%	21.7%
Net financial items		-1.1		-1.2	-2.3		-1.1		-1.1	-2.2	-2.0	-1.6
Pre-tax profit		-1.9		-3.4	-5.3		-1.0		0.9	-0.1	7.4	8.1
Tax												
<i>Tax rate (%)</i>												
Net profit		-1.9		-3.4	-5.3		-1.0		0.9	-0.1	7.4	8.1
EPS		-0.19		-0.35	-0.55		-0.09		0.09	-0.01	0.68	0.66
EPS adj. (diluted)		-0.19		-0.35	-0.55		-0.09		0.09	-0.01	0.68	0.66
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		15.4	28.6	42.4	44.8
Total	0.0	10.7	0.0	9.0	19.7	0.0	13.1	0.0	15.4	28.6	42.4	44.8
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%		71.7%	45.1%	48.3%	5.8%
Total		89.7%	-100.0%	-33.3%	45.9%		22.7%		71.7%	45.1%	48.3%	5.8%
EBIT, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		-0.8		-2.2	-3.0		0.1		2.0	2.1	9.4	9.7
Total		-0.8		-2.2	-3.0		0.1		2.0	2.1	9.4	9.7
EBIT margin %	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Endomines		-7.5%		-24.4%	-15.2%		0.8%		13.2%	7.5%	22.2%	21.7%
Total		-7.5%		-24.5%	-15.2%		0.8%		13.2%	7.5%	22.2%	21.7%

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	0.5	1.3	0.5	13.5	19.7	28.6	42.4	44.8
<i>Sales growth (%)</i>	-94.6%	134.3%	-61.5%	2 643.4%	45.9%	45.1%	48.3%	5.8%
EBITDA	-4.6	-10.5	-11.6	-6.4	-0.6	5.5	13.7	14.0
<i>EBITDA margin (%)</i>	-841.1%	-824.5%	-2	-47.1%	-3.1%	19.4%	32.4%	31.3%
			362.0%					
Depreciation	-0.3	-7.5	-13.5	-8.3	-2.4	-3.4	-4.3	-4.3
EBITA	-4.9	-18.0	-25.1	-14.7	-3.0	2.1	9.4	9.7
Goodwill amortization / writedown								
EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	2.1	9.4	9.7
<i>EBIT margin (%)</i>	-903.5%	-1 410.0%	-5	-108.9%	-15.2%	7.5%	22.2%	21.7%
			102.0%					
Reported EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	2.1	9.4	9.7
<i>EBIT margin (reported) (%)</i>	-903.5%	-1 410.0%	-5	-108.9%	-15.2%	7.5%	22.2%	21.7%
			102.0%					
Net financials	-0.7	-1.2	-1.6	-2.7	-2.3	-2.2	-2.0	-1.6
Pre-tax profit	-5.6	-19.2	-26.7	-17.4	-5.3	-0.1	7.4	8.1
Taxes		0.0	0.0	0.0				
Minority shares								
Net profit	-5.6	-19.2	-26.7	-17.5	-5.3	-0.1	7.4	8.1
Cash NRIs								
Non-cash NRIs								
BALANCE SHEET, EURm								
Assets								
Fixed assets	55	57	51	49	55	55	56	58
Goodwill								
Right of use assets								
Inventory	0	0	1	0	0	1	1	1
Receivables	0	0	2	2	2	3	4	5
Liquid funds	2	1	1	4	1	3	6	5
Total assets	56	58	55	55	59	62	67	69
Liabilities								
Shareholders' equity	32	33	30	36	32	32	40	48
Minority interest								
Convertibles	17				16	13	16	9
Lease liabilities								
Deferred taxes								
Interest bearing debt	4	15	16	11		4		
Non-interest bearing current liabilities								
Other interest-free debt	3	10	9	9	11	12	12	12
Total liabilities	56	58	55	55	59	62	67	69
CASH FLOW, EURm								
+ EBITDA	-5	-11	-12	-6	-1	6	14	14
- 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	0	-2	0
+/- Other	-2	4	1	2				
= Cash flow from operations	-7	-7	-12	-4	-2	4	10	12
- Capex	-8	-3	-5	-4	-9	-4	-5	-6
- Acquisitions								
+ Divestments	0							
= Free cash flow	-15	-10	-17	-8	-11	0	5	6
+/- New issues/buybacks	13	20	24	23	2			
- Paid dividend								
+/- Other	2	-11	-7	-13	6	1	-2	-7
Change in cash	0	0	0	3	-3	2	3	-1

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	35	57	47	66	92	92	92
Net debt (excl. convertibles)	14	14	7	-1	1	-6	-5
Enterprise value	49	71	54	81	107	102	96
Sales	1	0	14	20	29	42	45
EBITDA	-11	-12	-6	-1	6	14	14
EBIT	-18	-25	-15	-3	2	9	10
Pre-tax	-19	-27	-17	-5	0	7	8
Earnings	-19	-27	-17	-5	0	7	8
Equity book value (excl. minorities)	33	30	36	32	32	40	48

Valuation multiple	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	38.5	144.2	4.0	4.1	3.7	2.4	2.1
EV/EBITDA	-4.7	-6.1	-8.4	-134.2	19.2	7.4	6.8
EV/EBITA	-2.7	-2.8	-3.6	-26.8	49.7	10.8	9.8
EV/EBIT	-2.7	-2.8	-3.6	-26.8	49.7	10.8	9.8
EV/OCF	-6.7	-6.1	-13.1	-42.6	27.8	10.1	7.9
EV/FCF	-5.7	-4.7	-10.2	-10.8	42.0	14.5	12.9
P/FCFR	-0.1	-0.1	-5.9	-6.1	272.5	18.4	18.0
P/E	-1.8	-2.1	-2.7	-12.3	-1597.9	12.4	12.9
P/BV	1.1	1.9	1.3	2.0	2.9	2.3	1.9
Target EV/EBITDA					18.8	7.3	7.5
Target EV/EBIT					48.7	10.6	10.9
Target EV/FCFF					309.1	19.9	18.2
Target P/BV					2.8	2.3	2.1
Target P/E, diluted	-2.6	-3.0	-8.0	-14.5	-1560.3	12.1	12.6

Per share measures	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares (million)	3.28	5.64	9.37	9.80	10.83	10.85	12.31
Number of shares (diluted, million)	3.28	5.64	9.37	9.80	10.83	10.85	12.31
EPS	-5.84	-4.73	-1.87	-0.55	-0.01	0.68	0.66
Operating cash flow per share	-2.23	-2.07	-0.44	-0.19	0.35	0.92	0.98
Free cash flow per share	-3.01	-2.95	-0.85	-1.09	0.03	0.46	0.47
Book value per share	10.03	5.34	3.83	3.30	2.98	3.66	3.88
Dividend per share							
Dividend payout ratio, %							
Dividend yield, %							
FCF yield, %	-28.2%	-29.4%	-17.1%	-16.3%	0.4%	5.4%	6.3%

Efficiency measures	2020	2021	2022	2023	2024E	2025E	2026E
ROE	-59.1%	-84.6%	-52.9%	-15.7%	-0.2%	20.7%	18.6%
ROCE	-35.5%	-53.4%	-31.9%	-6.3%	4.4%	18.0%	17.4%

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%	-19.8%	-9.3%	-8.1%
Operative CAPEX/Sales, %	198.5%	1001.1%	28.9%	44.7%	12.3%	11.8%	14.1%
CAPEX/sales (incl. acquisitions), %	198.5%	1001.1%	28.9%	44.7%	12.3%	11.8%	14.1%
FCFF/EBITDA	0.8	1.3	0.8	12.4	0.5	0.5	0.5
Net Debt/EBITDA, book-weighted	-1.3	-1.2	-1.1	2.0	0.2	-0.5	-0.4
Debt/equity, market-weighted	0.4	0.3	0.2		0.0		
Equity ratio, book-weighted	0.6	0.5	0.7	0.8	0.7	0.8	0.8
Gearing, %	43.1%	47.9%	18.9%	-2.5%	2.5%	-11.2%	-9.2%

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	18.901	20.5 %
Wipunen varainhallinta Oy	950 000	8.075	8.8 %
Mariatorp OY	925 000	7.863	8.5 %
K22 Finance Oy	389 987	3.315	3.6 %
Taloustieto Incrementum Oy	311 278	2.646	2.9 %
Kakkonen Kari Heikki Ilmari	305 704	2.598	2.8 %
Vakuutusosakeyhtiö Henki–Fennia	239 907	2.039	2.2 %
Eyemaker's Finland Oy	177 560	1.509	1.6 %
Hietamoor Oy	172 110	1.463	1.6 %
Ehrnrooth Helene Margareta	150 000	1.275	1.4 %
Ten largest	5 845 243	49.685	54.0 %
Residual	4 984 786	42.371	46.0 %
Total	10 830 029	92.055	100%

EARNINGS CALENDAR

February 13, 2025

FY 2024 Results

OTHER EVENTS

COMPANY MISCELLANEOUS

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

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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

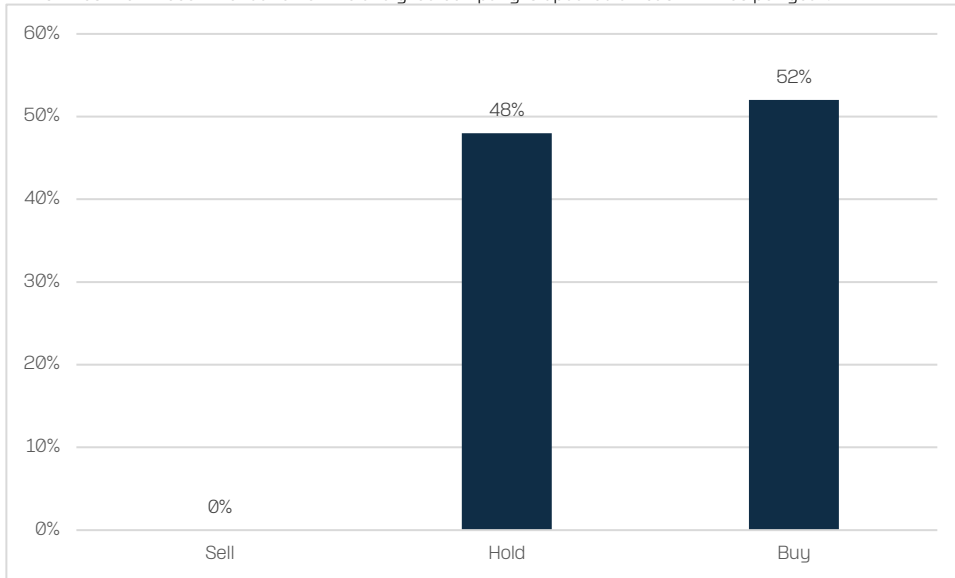
Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. 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. The valuation assumptions used are sensitive to changes and can significantly affect fair values. A change of a single percentage point in any used assumption could affect fair values by more than +/-20%. 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 - 0 %	RECUDE
0 - (+10) %	ACCUMULATE
> 10 %	BUY

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