

Minor bumps on the ramp-up road

Endomines commenced mining operations at the Friday-mine. Equipment delivery delays have put production ramp-up slightly behind schedule. Production of gold concentrate at the Friday-mine in 2019 is estimated at 5,000–8,000oz. The leasing rights to the Unity mine were acquired, which we expect to be the next area of focus in Idaho along with the adjacent Rescue property. Endomines commenced the sale of a EUR 5m bond, which we expect to cover near-term needs but anticipate a need for additional financing.

Friday gold production 5,000–8,000oz in 2019

Endomines' gold production in Q4 amounted to 27.9kg (98.7kg), impacted by the suspension of mining operations at Pampalo. Revenue and EBITDA in Q4 amounted to SEK 7.9m (Evli 5.4m) and SEK -6.1m (Evli -6.4m) respectively. Mining operations at the Friday-mine have commenced but production has seen slightly behind schedule due to delays in equipment deliveries at the processing plant. The project's capex estimate was revised to USD 9.5-10m (prev. 7.7m) due to cost overruns. Production of gold concentrate in 2019 is estimated at 5,000-8,000oz.

Acquired additional assets, seeking to secure financing

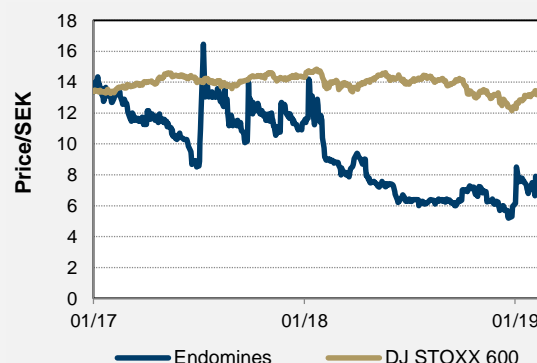
Endomines acquired leasing rights to the Unity mine adjacent to its Rescue property. We expect the company's development operations during 2019 to focus on Unity/Rescue along with Friday. We have shifted our production estimates as we view any significant production figures (apart from Friday) to be achieved during 2020 unlikely. Endomines commenced the sale of an up to EUR 5m bond with associated warrants (strike price EUR 0.90). Although the financing covers at least the near-term investment needs we expect Endomines to need additional financing to develop additional assets.

BUY with a target price of SEK 8.0 (7.2)

The gold price saw favourable development during H2/2018, returning to above 1,300USD/oz levels, driven by the increased market uncertainty. Our revised estimates put our NAVPS at SEK 8.5. We retain our BUY-rating with a target price of SEK 8.0 (7.2).

Rating

+ BUY



Share price, SEK (Last trading day's closing price) 7.20

Target price, SEK 8.0

Latest change in recommendation 22-Mar-18

Latest report on company 15-Feb-19

Research paid by issuer: YES

No. of shares outstanding, '000's 41,736

No. of shares fully diluted, '000's 41,736

Market cap, SEKm 255

Free float, % -

Exchange rate 0.000

Reuters code ENDO.ST

Bloomberg code ENDO SS

Average daily volume, SEKm 0.381

Next interim report 08-May-19

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+ BUY □ HOLD - SELL

KEY FIGURES

	Sales SEKm	EBIT SEKm	EBIT %	Ptx profit SEKm	EPS SEK	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS SEK
2017	122	-65	-53.0%	-69	-4.53	-1.8	1.6	33.5	-3.0	0.00
2018	104	-48	-46.6%	-37	-1.06	-5.6	3.9	31.6	-8.4	0.00
2019E	69	-28	-41.1%	-43	-1.03	-7.0	6.8	91.4	-16.5	0.00
2020E	91	-23	-25.1%	-37	-0.72	-10.1	6.0	17.3	-23.9	0.00
2021E	310	49	15.9%	37	0.62	11.7	1.9	3.2	11.6	0.25
Market cap, SEKm		255		BV per share 2019E, SEK		7.0	CAGR EPS 2018-21, %			0.0
Net debt 2019E, SEKm		214		Price/book 2019E		0.9	CAGR sales 2018-21, %			43.8
Enterprise value, SEKm		469		Dividend yield 2019E, %		0.0	ROE 2019E, %			-15.7
Total assets 2019E, SEKm		557		Tax rate 2019E, %		0.0	ROCE 2019E, %			-5.8
Goodwill 2019E, SEKm		0		Equity ratio 2019E, %		52.7	PEG, P/E 19/CAGR			0.0

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

Share price valuation	Evli est.
NAV	MSEK
Assets	621
Exploration	40
Corporate/other	-147
Net cash (debt)	-214
Total	300
Per share	8.5
Target price (0,95x NAVPS)	8.1
LT gold price	1300
Spot price	1312
Shares (m)	35.4

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	7.20 PV of Free Cash Flow	528 Long-term growth, %	-29.2 Risk-free interest rate, %
DCF share value	8.00 PV of Horizon value	0 WACC, %	8.7 Market risk premium, %
Share price potential, %	11.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	8.6 Marketable securities	19 Minimum WACC, %	8.2 Equity beta coefficient
Minimum value	7.5 Debt - dividend	-213 Maximum WACC, %	9.2 Target debt ratio, %
Horizon value, %	0.0 Value of stock	334 Nr of shares, Mn	41.7 Effective tax rate, %

DCF valuation, SEKm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	104	69	91	310	559	637	617	610	527	512	362	0
Sales growth, %	-14.9	-33.7	32.3	239.2	80.5	13.9	-3.1	-1.1	-13.7	-2.9	-29.2	0.0
Operating income (EBIT)	-48	-28	-23	49	208	188	147	142	111	98	14	0
EBIT margin, %	-46.6	-41.1	-25.1	15.9	37.3	29.5	23.8	23.2	21.0	19.3	3.9	0.0
+ Depreciation+amort.	43	30	40	83	109	110	110	113	96	96	100	
- Income taxes	0	0	5	-10	-44	-39	-31	-30	-23	-21	-3	
- Change in NWC	12	2	-2	-14	-17	-5	1	0	6	1	10	
NWC / Sales, %	-20.8	-33.8	-23.2	-2.1	1.8	2.4	2.2	2.2	1.5	1.3	-0.9	
+ Change in other liabs	1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-389	-93	-168	-123	-106	-43	-41	-42	-36	-36	-30	0
Investments / Sales, %	373.8	134.8	184.0	39.7	19.0	6.8	6.6	6.9	6.8	7.0	8.3	0.0
- Other items	0	0	-5	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-381	-90	-153	-15	151	210	186	184	153	139	92	0
= Discounted FCF (DFCF)		-83	-131	-12	109	140	114	104	80	66	40	0
= DFCF min WACC		-84	-132	-12	111	143	117	107	82	69	42	0
= DFCF max WACC		-83	-130	-12	107	137	111	101	77	64	39	0

INTERIM FIGURES

EVLI ESTIMATES, SEKm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	29	42	24	8	104	8	18	22	21	69	91	310
EBITDA	-9	9	1	-6	-5	-4	1	2	2	2	17	133
<i>EBITDA margin (%)</i>	<i>-29.1</i>	<i>20.3</i>	<i>2.4</i>	<i>-73.4</i>	<i>-5.3</i>	<i>-47.9</i>	<i>5.4</i>	<i>11.4</i>	<i>9.6</i>	<i>2.4</i>	<i>18.9</i>	<i>42.8</i>
EBIT	-20	-3	-11	-14	-48	-11	-7	-5	-6	-28	-23	49
<i>EBIT margin (%)</i>	<i>-67.7</i>	<i>-7.6</i>	<i>-46.1</i>	<i>-171.1</i>	<i>-46.6</i>	<i>-141.1</i>	<i>-35.4</i>	<i>-22.9</i>	<i>-26.6</i>	<i>-41.1</i>	<i>-25.1</i>	<i>15.9</i>
Net financial items	22	-2	-5	-4	11	-2	-4	-4	-4	-14	-14	-12
Pre-tax profit	2	-5	-16	-18	-37	-14	-11	-9	-10	-43	-37	37
Tax	0	0	0	0	0	0	0	0	0	0	8	-8
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.6</i>	<i>0.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	2	-5	-16	-18	-37	-14	-11	-9	-10	-43	-34	29
EPS	0.05	-0.15	-0.46	-0.51	-1.06	-0.33	-0.25	-0.22	-0.23	-1.03	-0.72	0.62
EPS adjusted (diluted no. of shares)	0.05	-0.15	-0.46	-0.51	-1.06	-0.33	-0.25	-0.22	-0.23	-1.03	-0.72	0.62
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
SALES, SEKm												
Endomines	29	42	24	8	104	8	18	22	21	69	91	310
Total	29	42	24	8	104	8	18	22	21	69	91	310
SALES GROWTH, Y/Y %												
Endomines	3.2	21.6	-12.1	-73.7	-14.9	-72.6	-56.3	-10.0	149.9	-33.7	32.3	239.2
Total	3.2	21.6	-12.1	-73.7	-14.9	-72.6	-56.3	-10.0	149.9	-33.7	32.3	239.2
EBIT, SEKm												
Endomines	-20	-3	-11	-14	-48	-11	-7	-5	-6	-28	-23	49
Total	-20	-3	-11	-14	-48	-11	-7	-5	-6	-28	-23	49
EBIT margin, %												
Endomines	-67.7	-7.6	-46.1	-171.1	-46.6	-141.1	-35.4	-22.9	-26.6	-41.1	-25.1	15.9
Total	-67.7	-7.6	-46.1	-171.1	-46.6	-141.1	-35.4	-22.9	-26.6	-41.1	-25.1	15.9

INCOME STATEMENT, SEKm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	172	113	101	122	104	69	91	310
<i>Sales growth (%)</i>	<i>5.3</i>	<i>-34.3</i>	<i>-10.5</i>	<i>21.0</i>	<i>-14.9</i>	<i>-33.7</i>	<i>32.3</i>	<i>239.2</i>
Costs	-172	-181	-109	-128	-110	-67	-74	-177
Reported EBITDA	0	-68	-8	-6	-5	2	17	133
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>-0.1</i>	<i>-60.0</i>	<i>-7.6</i>	<i>-4.7</i>	<i>-5.3</i>	<i>2.4</i>	<i>18.9</i>	<i>42.8</i>
Depreciation	-45	-85	-95	-59	-43	-30	-40	-83
EBITA	-45	-153	-103	-65	-48	-28	-23	49
Goodwill amortization / writedown	0	-4	0	0	0	0	0	0
Reported EBIT	-45	-157	-103	-65	-48	-28	-23	49
<i>EBIT margin (%)</i>	<i>-26.2</i>	<i>-138.6</i>	<i>-102.1</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-41.1</i>	<i>-25.1</i>	<i>15.9</i>
Net financials	2	-6	-2	-4	11	-14	-14	-12
Pre-tax profit	-43	-163	-105	-69	-37	-43	-37	37
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	8	-2	-20	0	0	0	8	-8
Minority shares	0	0	0	0	0	0	0	0
Net profit	-35	-165	-125	-69	-37	-43	-34	29
BALANCE SHEET, SEKm								
Assets								
Fixed assets	282	221	171	130	476	539	667	707
<i>% of sales</i>	<i>164</i>	<i>195</i>	<i>169</i>	<i>107</i>	<i>458</i>	<i>782</i>	<i>731</i>	<i>228</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	5	2	1	2	2	1	3	9
<i>% of sales</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>3</i>	<i>3</i>
Receivables	29	12	21	12	4	3	3	11
<i>% of sales</i>	<i>17</i>	<i>10</i>	<i>21</i>	<i>10</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>4</i>
Liquid funds	114	20	29	16	19	14	14	46
<i>% of sales</i>	<i>66</i>	<i>18</i>	<i>29</i>	<i>13</i>	<i>18</i>	<i>20</i>	<i>15</i>	<i>15</i>
Total assets	459	274	222	161	501	557	687	774
Liabilities								
Equity	318	169	115	45	252	293	344	373
<i>% of sales</i>	<i>185</i>	<i>149</i>	<i>113</i>	<i>37</i>	<i>242</i>	<i>425</i>	<i>376</i>	<i>121</i>
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	65	83	84	84	213	228	307	365
<i>% of sales</i>	<i>38</i>	<i>74</i>	<i>83</i>	<i>68</i>	<i>205</i>	<i>330</i>	<i>336</i>	<i>118</i>
Non-interest bearing current liabilities	30	14	0	0	0	0	0	0
<i>% of sales</i>	<i>18</i>	<i>12</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other interest free debt	45	8	24	32	36	36	36	36
<i>% of sales</i>	<i>26</i>	<i>7</i>	<i>24</i>	<i>26</i>	<i>35</i>	<i>52</i>	<i>40</i>	<i>12</i>
Total liabilities	459	274	222	161	501	557	687	774
CASH FLOW, SEKm								
+ EBITDA	0	-68	-8	-6	-5	2	17	133
- Net financial items	2	-6	-2	-4	11	-14	-14	-12
- Taxes	-4	6	-1	0	0	0	8	-8
- Increase in Net Working Capital	29	-23	-2	9	12	2	-2	-14
+/- Other	-17	19	0	0	0	0	-5	0
= Cash flow from operations	10	-71	-12	-1	18	-11	4	98
- Capex	-39	-28	-46	-19	-389	-93	-168	-123
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	0	-126	-77	-19	-371	-104	-164	-25
+/- Change in interest-bearing debt	-1	18	0	0	129	15	80	57
+/- New issues/buybacks	85	16	71	0	244	85	85	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Change in loan receivables	-4	-11	-4	6	1	0	0	0
Change in cash	80	-103	-10	-14	3	-5	0	33

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	55	192	126	211	255	255	255
Net debt	63	54	68	194	214	293	318
Enterprise value	118	246	194	405	469	548	573
Sales	113	101	122	104	69	91	310
EBITDA	-68	-8	-6	-5	2	17	133
EBIT	-157	-103	-65	-48	-28	-23	49
Pre-tax	-163	-105	-69	-37	-43	-37	37
Earnings	-165	-125	-69	-37	-43	-34	29
Book value	169	115	45	252	293	344	373
Valuation multiples							
EV/sales	1.0	2.4	1.6	3.9	6.8	6.0	1.9
EV/EBITDA	-1.7	-32.0	-34.0	-73.7	287.1	31.7	4.3
EV/EBITA	-0.8	-2.4	-3.0	-8.4	-16.5	-23.9	11.6
EV/EBIT	-0.8	-2.4	-3.0	-8.4	-16.5	-23.9	11.6
EV/operating cash flow	-1.7	-21.0	51.5	60.6	142.5	27.5	5.3
EV/cash earnings	-1.8	-24.7	-19.0	72.7	-36.4	49.7	5.1
P/E	-0.3	-1.5	-1.8	-5.6	-7.0	-10.1	11.7
P/E excl. goodwill	-0.3	-1.5	-1.8	-5.6	-7.0	-10.1	11.7
P/B	0.3	1.7	2.8	0.8	0.9	0.7	0.7
P/sales	0.5	1.9	1.0	2.0	4.4	3.8	1.1
P/CF	-0.8	-16.3	33.5	31.6	91.4	17.3	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-19.3	-29.5	14.2
Target P/E	0.0	0.0	0.0	0.0	-7.8	-11.2	13.0
Target P/B	0.0	0.0	0.0	0.0	1.1	1.1	1.0
Per share measures							
Number of shares	8,991	15,280	15,280	35,148	41,736	47,775	47,775
Number of shares (diluted)	8,991	15,280	15,280	35,148	41,736	47,775	47,775
EPS	-18.35	-8.18	-4.53	-1.06	-1.03	-0.72	0.62
EPS excl. goodwill	-17.91	-8.18	-4.53	-1.06	-1.03	-0.72	0.62
Cash EPS	-7.50	-0.65	-0.67	0.16	-0.31	0.23	2.36
Operating cash flow per share	-7.93	-0.77	0.25	0.19	0.08	0.42	2.26
Capital employed per share	25.81	11.04	7.40	12.68	12.15	13.34	14.47
Book value per share	18.75	7.50	2.97	7.16	7.03	7.19	7.81
Book value excl. goodwill	18.75	7.50	2.97	7.16	7.03	7.19	7.81
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.25
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	40.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	3.4
Efficiency measures							
ROE	-67.8	-88.3	-86.6	-25.2	-15.7	-10.7	8.2
ROCE	-49.3	-45.8	-39.6	-9.9	-5.8	-3.9	7.1
Financial ratios							
Capex/sales, %	24.4	45.2	15.2	373.8	134.8	184.0	39.7
Capex/depreciation excl. goodwill,%	27.8	47.9	31.5	905.3	310.0	418.0	147.6
Net debt/EBITDA, book-weighted	-0.9	-7.0	-11.9	-35.3	131.0	17.0	2.4
Debt/equity, market-weighted	1.5	0.4	0.7	1.0	0.9	1.2	1.4
Equity ratio, book-weighted	61.6	51.6	28.3	50.2	52.7	50.0	48.2
Gearing	0.38	0.47	1.49	0.77	0.73	0.85	0.85
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, SEK	0	0	0	0	0	0	0
EBIT per employee, SEK	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Endomines AB engages in exploration, mining, and extraction of gold deposits. Its site is found in Eastern Finland along the Karelian Gold line. The company was founded on October 20, 2005 and is headquartered in Stockholm, Sweden.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	SEKm	%
Handelsbanken Finland Standard Client A/C	7,683,000	46.930	18.4%
Nordea Bank Abp	4,856,383	29.664	11.6%
Joensuun Kauppa ja Kone	3,832,808	23.412	9.2%
Aktia Bank Abp	1,030,000	6.291	2.5%
Ålandsbanken Ab	742,685	4.537	1.8%
Försäkringbolaget Avanza Pension	627,120	3.831	1.5%
Lago Kapital	586,574	3.583	1.4%
WIP Hakkapeliitat Sijoitusrahasto	360,000	2.199	0.9%
Oy Q&A Consulting Ab	350,000	2.138	0.8%
Skandinaviska Enskilda Banken	338,000	2.065	0.8%
Ten largest	20,406,570	124.648	49%
Residual	21,329,450	130.286	51%
Total	41,736,020	254.934	100%

EARNINGS CALENDAR

May 08, 2019	Q1 report
August 16, 2019	Q2 report
November 07, 2019	Q3 report

OTHER EVENTS

May 09, 2019	AGM
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COMPANY MISCELLANEOUS

CEO: Saila Miettinen-Lähde	Birger Jarlsgatan 41 A 3 fl., SE-11145 Stockholm
CFO: Marcus Ahlström	Tel: +46 8 611 66 45
IR:	

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

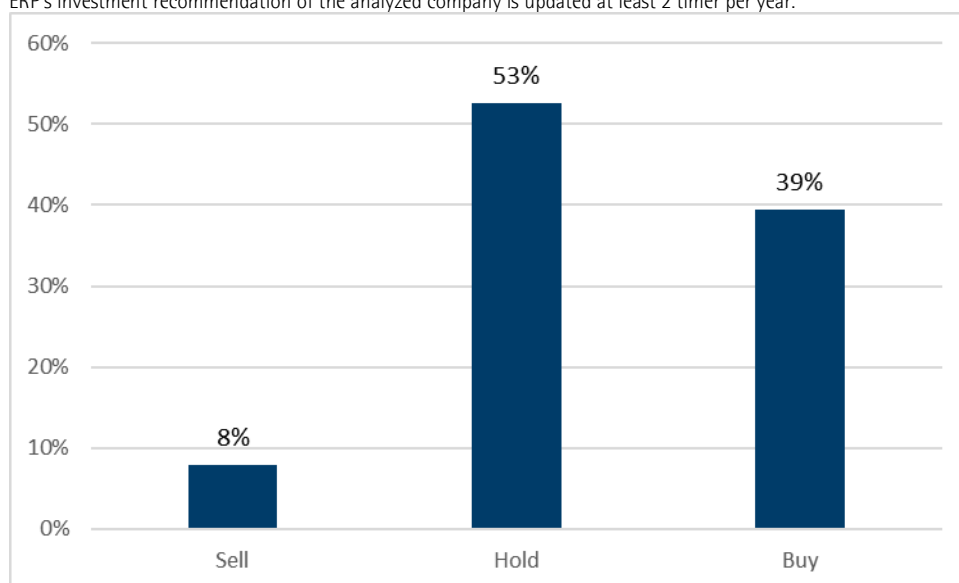
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Investment recommendations are defined as follows:

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

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

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