

Clearly shifting strategic focus

Endomines saw good development on the production front in Finland in H1. The updated strategy adds more emphasis on production in Finland while the US operations are planned to be run through partnership models. We lower our TP to SEK 1.7 (2.2), HOLD-rating intact.

Operative H1 figures quite in line with expectations

Endomines reported H1 operative figures well in line with our estimates. Pampalo gold production amounted to 3,478 oz vs our estimate of 3,622 oz. Revenue amounted to SEK 59.1m (Evli SEK 60.4m) while EBITDA amounted to SEK -38.0m (Evli SEK -36.6m). EBIT of SEK -107.1m came below our estimate (SEK -73.6m) due to amortizations of Friday assets. EBITDA of Pampalo operations turned positive in Q2, at SEK 7.7m. Endomines expects production in H2/2022 to increase by 30-70% compared with H1, putting the full year estimate at roughly 8,000-9,400 oz (Evli updated estimate 8,847 oz). No production is expected from Friday in H2.

Strategy focusing on Finland and partnerships in the US

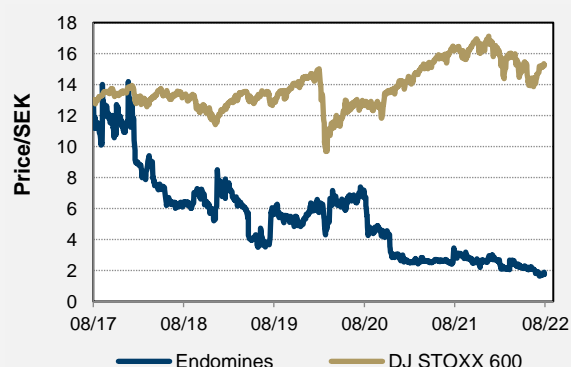
Endomines updated its strategy, with focus on Pampalo and development and exploration along the Karelian Gold Line. Focus in the US will be on partnership models, meaning that Endomines will not operate any assets by itself. We expect production to rely on Pampalo in the near-term, with potential to bring Hosko and/or Rämepuro to production in H2/2023, not yet included in our estimates. A significant amount of resources will be used for exploration along the Karelian Gold Line and the further funding in the near-term remains on the agenda. The new strategy brings further uncertainty to the future of the US assets but given the company's resources and funding needs the logic is sound.

HOLD with a target price of SEK 1.7 (2.2)

With the new focus and corresponding changes to our SOTP-model, having lowered the implied value of Friday and revisions to gold price estimates due to recent volatility and changing interest environment, we adjust our TP to SEK 1.7 (2.2). Our HOLD-rating remains intact.

Rating

■ HOLD



Share price, SEK (Last trading day's closing price) 1.74

Target price, SEK 1.7

Latest change in recommendation 11-Nov-21

Latest report on company 14-Jun-22

Research paid by issuer: YES

No. of shares outstanding, '000's 265,198

No. of shares fully diluted, '000's 265,198

Market cap, SEKm 461

Free float, % -

Exchange rate EUR/SEK 10.150

Reuters code ENDO.ST

Bloomberg code ENDO SS

Average daily volume, SEKm 0.2

Next interim report 16-Feb-23

Web site endomines.com/investors

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales SEKm	EBIT SEKm	EBIT %	FCF SEKm	EPS SEK	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS SEK
2020	13.1	-184.7	-1,410.0%	-103.5	-1.50	-1.9	38.8	-2.8	-28.2	0.00
2021	5.0	-255.1	-5,102.0%	-168.8	-1.20	-2.1	144.4	-2.8	-29.4	0.00
2022E	150.4	-125.8	-83.7%	-92.3	-0.30	-5.7	4.2	-5.0	-20.0	0.00
2023E	198.3	-28.5	-14.4%	19.8	0.06	26.8	3.1	-21.3	4.3	0.00
2024E	123.9	-49.9	-40.2%	50.1	-0.06	-30.5	4.5	-11.1	10.8	0.00
Market cap, SEKm		461	Gearing 2022E, %			53.6	CAGR EPS 2021-24, %			-63.8
Net debt 2022E, SEKm		164	Price/book 2022E			1.5	CAGR sales 2021-24, %			191.6
Enterprise value, SEKm		625	Dividend yield 2022E, %			0.0	ROE 2022E, %			-26.2
Total assets 2022E, SEKm		588	Tax rate 2022E, %			-0.1	ROCE 2022E, %			-26.1
Goodwill 2022E, SEKm		0	Equity ratio 2022E, %			52.1	PEG, P/E 22/CAGR			0.1

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

Endomines (SEKm)	2020	H1/'21	H2/'21	2021	H1/'22	H2/'22E	2022E	2023E	2024E
Net sales	13.1	0.1	4.9	6.7	59.1	91.3	150.4	198.3	123.9
sales growth %	>100%	-10.4%	88.5%	-48.9%	>100%	>100%	>100%	32 %	-38 %
EBITDA	-108.0	-40.3	-77.9	-118.2	-38.0	9.3	-28.7	13.3	-9.4
EBIT	-184.7	-95.5	-159.8	-255.1	-107.1	-18.7	-125.8	-28.5	-49.9
EBIT margin	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	-83.7%	-14.4%	-40.2%
Gold production (Oz)	538	0	460	460	3,478	5,369	8,847	11,667	7,292
Finland	2020	H1/'21	H2/'21	2021	H1/'22	H2/'22E	2022E	2023E	2024E
Net sales	5.5	0.0	0.0	0.0	59.1	91.3	150.4	198.3	123.9
Gold production (Oz)	0	0	0	0	3,478	5,369	8847	11667	7292
United States	2020	H1/'21	H2/'21	2021	H1/'22	H2/'22E	2022E	2023E	2024E
Net sales	7.6	0.0	4.9	6.7	0.0	0.0	0.0	0.0	0.0
Gold production (Oz)	538	0	460	460	0	0	0	0	0
Assumptions	2020	H1/'21	H2/'21	2021	H1/'22	H2/'22E	2022E	2023E	2024E
Gold price USD/Oz	1769	1805	1792	1799	1874	1800	1837	1800	1800
Gold price EUR/Oz	1552	1499	1543	1521	1712	1782	1747	1782	1782
USD/SEK	9.20	8.41	8.76	8.89	9.59	10.38	9.98	10.38	10.38
EUR/SEK	10.49	10.14	10.16	10.13	10.48	10.48	10.48	10.48	10.48
EUR/USD	1.14	1.20	1.16	1.14	1.10	1.01	1.05	1.01	1.01

Source: Endomines, Evli Research

Valuation	Evli est. MSEK	Spot MSEK	Estimate basis
US assets	585	560	Purchase price and in-situ value analysis
Pampalo	80	76	DCF LOM 2.5y, ~28,000oz concentrate produced + other assets
Karelia other	76	74	In-situ value for assets. Exploration ~200USD/m
Corporate/other	-100	-100	DCF estimate based on current Finnish assets production potential
Net cash (debt)	-158	-158	H1/2022
Total	483	452	
Per share	1.8	1.7	
Long-term gold price (USD/Oz)	1800		Evli
Spot price (USD/Oz)		1760	
Shares (m)	265.2	265.2	H1/2022

INTERIM FIGURES

EVLI ESTIMATES, SEKm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	0.0	0.1	0.0	4.9	5.0	0.0	59.1	0.0	91.3	150.4	198.3	123.9
EBITDA	0.0	-40.3	0.0	-77.8	-118.1	0.0	-38.1	0.0	9.3	-28.8	13.3	-9.4
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>-40,707.1</i>	<i>0.0</i>	<i>-1,588.1</i>	<i>-2,362.0</i>	<i>0.0</i>	<i>-64.4</i>	<i>0.0</i>	<i>10.1</i>	<i>-19.2</i>	<i>6.7</i>	<i>-7.6</i>
EBIT	0.0	-95.5	0.0	-159.6	-255.1	0.0	-107.1	0.0	-18.7	-125.8	-28.5	-49.9
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-96,464.6</i>	<i>0.0</i>	<i>-3,257.8</i>	<i>-5,102.0</i>	<i>0.0</i>	<i>-181.2</i>	<i>0.0</i>	<i>-20.5</i>	<i>-83.7</i>	<i>-14.4</i>	<i>-40.2</i>
Net financial items	0.0	-25.4	0.0	9.4	-16.0	0.0	55.3	0.0	-10.0	45.3	45.7	34.8
Pre-tax profit	0.0	-120.9	0.0	-150.2	-271.1	0.0	-51.8	0.0	-28.7	-80.6	17.2	-15.1
Tax	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	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>-0.1</i>	<i>-0.1</i>	<i>-0.1</i>	<i>-0.1</i>
Net profit	0.0	-120.9	0.0	-150.3	-271.2	0.0	-51.9	0.0	-28.8	-80.7	17.2	-15.1
EPS	0.00	-0.54	0.00	-0.67	-1.20	0.00	-0.20	0.00	-0.11	-0.30	0.06	-0.06
EPS adjusted (diluted no. of shares)	0.00	-0.54	0.00	-0.67	-1.20	0.00	-0.20	0.00	-0.11	-0.30	0.06	-0.06
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	0.00
SALES, SEKm												
Endomines	0.0	0.1	0.0	4.9	5.0	0.0	59.1	0.0	91.3	150.4	198.3	123.9
Total	0.0	0.1	0.0	4.9	5.0	0.0	59.1	0.0	91.3	150.4	198.3	123.9
SALES GROWTH, Y/Y %												
Endomines	-100.0	-98.7	-100.0	600.0	-61.8	0.0	59,059.2	0.0	1,762.3	2,907.0	31.9	-37.5
Total	-100.0	-98.7	-99.9	599.9	-61.8	0.0	59,597.0	0.0	1,762.7	2,907.0	31.9	-37.5
EBIT, SEKm												
Endomines	0.0	-95.5	0.0	-159.6	-255.1	0.0	-107.1	0.0	-18.7	-125.8	-28.5	-49.9
Total	0.0	-95.5	0.0	-159.6	-255.1	0.0	-107.1	0.0	-18.7	-125.8	-28.5	-49.9
EBIT margin, %												
Endomines	0.0	-95,595.6	0.0	-3,257.2	-5,102.0	0.0	-181.2	0.0	-20.5	-83.7	-14.4	-40.2
Total	0.0	-96,464.6	0.0	-3,257.8	-5,102.0	0.0	-181.2	0.0	-20.5	-83.7	-14.4	-40.2

INCOME STATEMENT, SEKm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	122.2	104.0	5.8	13.1	5.0	150.4	198.3	123.9
<i>Sales growth (%)</i>	<i>21.0</i>	<i>-14.9</i>	<i>-94.4</i>	<i>125.9</i>	<i>-61.8</i>	<i>2,907.0</i>	<i>31.9</i>	<i>-37.5</i>
EBITDA	-5.7	-5.5	-48.8	-108.0	-118.1	-28.8	13.3	-9.4
<i>EBITDA margin (%)</i>	<i>-4.7</i>	<i>-5.3</i>	<i>-841.1</i>	<i>-824.5</i>	<i>-2,362.0</i>	<i>-19.2</i>	<i>6.7</i>	<i>-7.6</i>
Depreciation	-59.1	-43.0	-3.6	-76.7	-137.0	-97.0	-41.8	-40.4
EBITA	-64.8	-48.5	-52.4	-184.7	-255.1	-125.8	-28.5	-49.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-64.8	-48.5	-52.4	-184.7	-255.1	-125.8	-28.5	-49.9
<i>EBIT margin (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-83.7</i>	<i>-14.4</i>	<i>-40.2</i>
Reported EBIT	-64.8	-48.5	-52.4	-184.7	-255.1	-125.8	-28.5	-49.9
<i>EBIT margin (reported) (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-83.7</i>	<i>-14.4</i>	<i>-40.2</i>
Net financials	-4.5	11.0	-7.7	-12.3	-16.0	45.3	45.7	34.8
Pre-tax profit	-69.3	-37.5	-60.1	-197.0	-271.1	-80.6	17.2	-15.1
Taxes	0.0	0.1	0.0	0.1	-0.1	-0.1	0.0	0.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-69.3	-37.4	-60.1	-196.9	-271.2	-80.7	17.2	-15.1
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
BALANCE SHEET, SEKm								
Assets								
Fixed assets	130	476	573	568	527	505	483	448
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	2	2	0	2	8	30	40	25
Receivables	12	4	1	3	18	30	40	25
Liquid funds	16	19	16	11	12	23	20	9
Total assets	161	501	590	585	566	588	582	506
Liabilities								
Shareholder's equity	45	252	336	331	310	306	323	308
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	169	175	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	84	44	46	154	161	187	164	103
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	32	36	32	100	95	95	95	95
Total liabilities	161	501	590	585	566	588	582	506
CASH FLOW, SEKm								
+ EBITDA	-6	-5	-49	-108	-118	-29	13	-9
- Net financial items	-4	11	-8	-12	-16	45	46	35
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	9	8	-5	4	3	-34	-19	30
+/- Other	2	-22	-17	40	13	0	0	0
= Cash flow from operations	1	-8	-79	-77	-119	-17	40	55
- Capex	-14	-100	-82	-27	-50	-75	-20	-5
- Acquisitions	0	-59	0	0	0	0	0	0
+ Divestments	0	0	2	0	0	0	0	0
= Free cash flow	-13	-167	-159	-103	-169	-92	20	50
+/- New issues/buybacks	0	244	144	192	250	77	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	-1	-74	12	-93	-81	26	-23	-61
Change in cash	-14	3	-3	-4	1	10	-3	-11

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	211	448	366	574	461	461	461
Net debt (excl. convertibles)	25	30	143	148	164	144	94
Enterprise value	405	654	509	722	625	606	556
Sales	104	6	13	5	150	198	124
EBITDA	-5	-49	-108	-118	-29	13	-9
EBIT	-48	-52	-185	-255	-126	-28	-50
Pre-tax	-37	-60	-197	-271	-81	17	-15
Earnings	-37	-60	-197	-271	-81	17	-15
Equity book value (excl. minorities)	252	336	331	310	306	323	308
Valuation multiples							
EV/sales	3.9	112.7	38.8	144.4	4.2	3.1	4.5
EV/EBITDA	-73.7	-13.4	-4.7	-6.1	-21.7	45.6	-58.9
EV/EBITA	-8.4	-12.5	-2.8	-2.8	-5.0	-21.3	-11.1
EV/EBIT	-8.4	-12.5	-2.8	-2.8	-5.0	-21.3	-11.1
EV/OCF	-53.2	-8.3	-6.6	-6.1	-36.1	15.2	10.1
EV/FCFF	-2.3	-4.3	-5.6	-4.7	-4.5	-23.4	36.4
P/FCFE	-1.3	-2.8	-3.5	-3.4	-5.0	23.3	9.2
P/E	-5.6	-7.5	-1.9	-2.1	-5.7	26.8	-30.5
P/B	0.8	1.3	1.1	1.8	1.5	1.4	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	-21.3	44.8	-57.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.9	-20.9	-10.9
Target EV/FCF	0.0	0.0	0.0	0.0	-6.7	30.0	10.9
Target P/B	0.0	0.0	0.0	0.0	1.5	1.4	1.5
Target P/E	0.0	0.0	0.0	0.0	-5.6	26.2	-29.8
Per share measures							
Number of shares	35,148	79,957	131,305	225,794	265,198	265,198	265,198
Number of shares (diluted)	35,148	79,957	131,305	225,794	265,198	265,198	265,198
EPS	-1.06	-0.75	-1.50	-1.20	-0.30	0.06	-0.06
Operating cash flow per share	-0.22	-0.99	-0.59	-0.53	-0.07	0.15	0.21
Free cash flow per share	-4.74	-1.99	-0.79	-0.75	-0.35	0.07	0.19
Book value per share	7.16	4.20	2.52	1.37	1.15	1.22	1.16
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield, %	-79.0	-35.6	-28.2	-29.4	-20.0	4.3	10.8
Efficiency measures							
ROE	-25.2	-20.5	-59.1	-84.6	-26.2	5.5	-4.8
ROCE	-9.9	-10.3	-35.5	-53.4	-26.1	-5.8	-11.1
Financial ratios							
Inventories as % of sales	1.7	0.6	18.8	163.9	20.0	20.0	20.0
Receivables as % of sales	3.6	22.8	25.4	365.3	20.0	20.0	20.0
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-20.8	-310.5	-456.7	-1,075.6	-13.4	-0.5	-24.7
Operative CAPEX/sales, %	95.9	1,414.7	202.8	9,99.7	49.9	10.1	4.0
CAPEX/sales (incl. acquisitions), %	39.0	1,414.7	202.8	9,99.7	49.9	10.1	4.0
FCFF/EBITDA	32.3	3.1	0.8	1.3	4.8	-1.9	-1.6
Net debt/EBITDA, book-weighted	-4.6	-0.6	-1.3	-1.3	-5.7	10.8	-10.0
Debt/equity, market-weighted	0.2	0.1	0.4	0.3	0.4	0.4	0.2
Equity ratio, book-weighted	84.0	86.7	56.5	54.8	52.1	55.5	60.9
Gearing, %	6.0	6.0	43.1	47.9	53.6	44.6	30.5

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, USA. The company was founded in 2005 and is headquartered in Stockholm, Sweden. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

INVESTMENT CASE: The ramp-up of operations at the Friday-mine has been burdened by challenges and mining operations were recently halted due to ore irregularities and a need to conduct underground drilling for mine planning purposes. The company has proceeded with reinitiating production at its Pampalo site, with good progress having been made during H1/22. Supportive development in gold prices offer additional potential for increased revenue.

OWNERSHIP STRUCTURE	SHARES	SEKm	%
Joensuun Kauppa ja Kone	32,484,393	56.523	12.2%
Clearstream Banking S.A.	31,459,741	54.740	11.9%
Northern Trust Global Services	29,387,519	51.134	11.1%
Nordea Bank Abp (Publ)	16,423,415	28.577	6.2%
Skandinaviska Enskilda Banken	13,732,627	23.895	5.2%
Evli Plc	11,217,814	19.519	4.2%
Mariatorp Oy	8,000,000	13.920	3.0%
Wipunen Varainhallinta Oy	8,000,000	13.920	3.0%
K22 Finance Oy	5,103,669	8.880	1.9%
Aktia Bank Abp	4,130,050	7.186	1.6%
Ten largest	159,939,228	278.294	60%
Residual	105,259,150	183.151	40%
Total	265,198,378	461.445	100%

EARNINGS CALENDAR

February 16, 2023

Q4 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Kari Vyhtinen

Ahventie 4 A, FI-02170 Espoo

CFO: Mikko Sopanen

Tel:

IR:

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

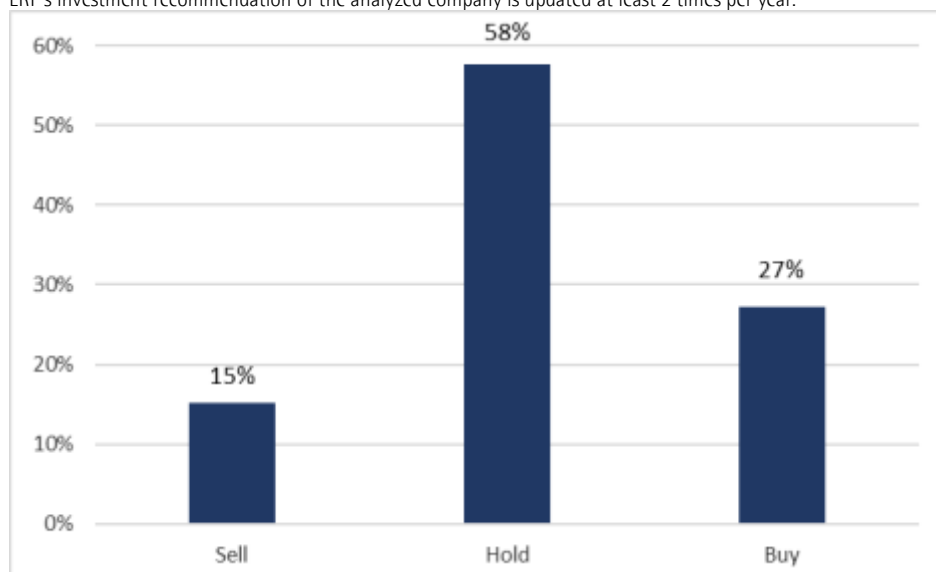
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Investment recommendations are defined as follows:

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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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123
Ari Laine +358 9 4766 9115
Kimmo Lilja +358 9 4766 9130

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

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Arttu Heikura +358 40 082 8098
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205



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