

Seeking big leap in growth story

Etteplan announced a recommended cash offer for Swedish technology company Semcon. The transaction would strengthen the market position and appears favourable for shareholders of both companies. We adjust our TP to EUR 18 (16) and upgrade our rating to BUY (HOLD)

Cash offer for Swedish technology company Semcon

Etteplan announced a recommended cash offer of SEK 149 per Semcon's share, for a total value of approx. SEK 2,699m. The Board of Directors of Semcon has unanimously recommended that the shareholders of Semcon accept the offer. The offer is conditional among other things upon the offer being accepted to more than 90 percent and approval from the Swedish Competition Authority. Semcon is an international technology company with more than 2,000 employees and 2021 revenue of SEK 1,711.3m and operating profit of SEK 175.1m. The combined entity would on consensus estimates have a combined 2022e revenue of over EUR 500m and have a strong market position in particular in the Nordics. Synergy effects are estimated to amount to EUR 5m on an annual basis.

Financing secured, planning EUR 110-125m rights issue

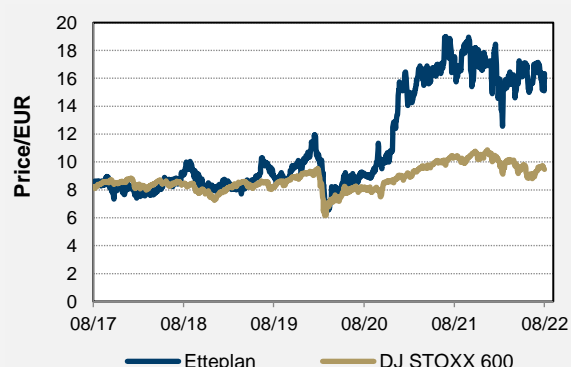
The completion of the offer is not subject to any financing condition and Etteplan is furthermore planning a rights issue of EUR 110-125m. Both the offer and rights issue appear to have good support from existing shareholders of Both Semcon and Etteplan. We see that the transaction would benefit both Etteplan as a company as well as shareholders.

BUY (HOLD) with a target price of EUR 18 (16)

Considering consensus estimates for Etteplan and Semcon along with valuation considerations and the impact of the transaction on net debt and nr. of shares, we see a potential of some 10-20% in the coming years depending on realization of synergy effects. Despite uncertainty, the offer appears favourable for shareholders and with the size and geographic presences of both companies and geographic presences the likelihood of regulatory obstacles appears limited. We adjust our TP to EUR 18 (16), rating upgraded to BUY (HOLD). Our estimates remain intact for now.

Rating

BUY



Share price, EUR (Last trading day's closing price) 16.35

Target price, EUR 18.0

Latest change in recommendation 24-Aug-22

Latest report on company 11-Aug-22

Research paid by issuer: YES

No. of shares outstanding, '000's 25,042

No. of shares fully diluted, '000's 25,042

Market cap, EURm 409

Free float, % 16.0

Exchange rate 0.000

Reuters code ETTE.HE

Bloomberg code ETTE FH

Average daily volume, EURm 0.07

Next interim report 31-Oct-22

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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
2020	259.7	22.4	8.6%	11.1	0.68	18.9	1.4	16.2	3.4	0.34
2021	300.1	25.8	8.6%	8.1	0.80	21.1	1.6	18.3	1.9	0.40
2022E	355.9	29.2	8.2%	5.6	0.90	18.1	1.3	15.8	1.4	0.45
2023E	377.8	33.4	8.8%	27.4	1.04	15.7	1.2	13.4	6.7	0.52
2024E	394.8	38.1	9.7%	30.7	1.20	13.6	1.1	11.2	7.5	0.60
Market cap, EURm		409	Gearing 2022E, %			47.1	CAGR EPS 2021-24, %			14.3
Net debt 2022E, EURm		53	Price/book 2022E			3.7	CAGR sales 2021-24, %			9.6
Enterprise value, EURm		462	Dividend yield 2022E, %			2.8	ROE 2022E, %			21.5
Total assets 2022E, EURm		288	Tax rate 2022E, %			19.5	ROCE 2022E, %			15.5
Goodwill 2022E, EURm		107	Equity ratio 2022E, %			38.7	PEG, P/E 22/CAGR			2.0

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

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	16.35 PV of Free Cash Flow	297 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	24.87 PV of Horizon value	385 WACC, %	8.3 Market risk premium, %
Share price potential, %	52.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	27.2 Marketable securities	30 Minimum WACC, %	7.8 Equity beta coefficient
Minimum value	22.9 Debt - dividend	-89 Maximum WACC, %	8.8 Target debt ratio, %
Horizon value, %	56.5 Value of stock	623 Nr of shares, Mn	25.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	300	356	378	395	405	415	425	436	447	458	467	476
<i>Sales growth, %</i>	<i>15.6</i>	<i>18.6</i>	<i>6.2</i>	<i>4.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	26	29	33	38	37	38	39	40	41	42	43	44
<i>Operating income margin, %</i>	<i>8.6</i>	<i>8.2</i>	<i>8.8</i>	<i>9.7</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>
+ Depreciation+amort.	18	20	21	20	20	20	20	20	21	21	22	
EBITDA	44	49	54	59	57	58	59	60	62	63	64	
- Paid taxes	-6	-6	-6	-7	-7	-7	-8	-8	-8	-8	-8	
- Change in NWC	-10	-2	-1	-1	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>2.6</i>	<i>2.7</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	
+ Change in other liabs	-7	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-2	0	-5	-5	-5	-5	-5	-5	-5	-6	-6	
<i>opCAPEX / Sales, %</i>	<i>4.0</i>	<i>3.9</i>	<i>4.9</i>	<i>4.9</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	
- Acquisitions	-7	-21	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= FCFF	11	21	42	46	45	45	46	47	48	49	50	811
= Discounted FCFF		20	38	38	34	32	30	28	27	25	24	385
= DFCF min WACC		20	38	38	35	33	31	29	28	26	25	436
= DFCF max WACC		20	38	37	34	31	29	28	26	24	23	341

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INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	73.0	75.0	66.9	85.3	300.1	89.6	89.3	78.1	99.0	355.9	377.8	394.8
EBITDA	11.0	11.1	9.2	12.4	43.6	12.6	11.8	10.6	13.9	48.9	54.0	58.5
<i>EBITDA margin (%)</i>	<i>15.1</i>	<i>14.8</i>	<i>13.7</i>	<i>14.5</i>	<i>14.5</i>	<i>14.0</i>	<i>13.2</i>	<i>13.6</i>	<i>14.1</i>	<i>13.7</i>	<i>14.3</i>	<i>14.8</i>
EBIT	6.6	6.7	4.7	7.8	25.8	7.6	6.8	5.7	9.0	29.2	33.4	38.1
<i>EBIT margin (%)</i>	<i>9.0</i>	<i>9.0</i>	<i>7.0</i>	<i>9.2</i>	<i>8.6</i>	<i>8.5</i>	<i>7.6</i>	<i>7.3</i>	<i>9.1</i>	<i>8.2</i>	<i>8.8</i>	<i>9.7</i>
Net financial items	-0.1	-0.4	-0.2	-0.2	-0.9	-0.3	0.0	-0.3	-0.3	-1.1	-1.0	-0.9
Pre-tax profit	6.5	6.3	4.5	7.7	24.9	7.3	6.8	5.4	8.7	28.1	32.3	37.3
Tax	-1.2	-1.4	-1.0	-1.3	-4.8	-1.5	-1.2	-1.1	-1.7	-5.5	-6.3	-7.3
<i>Tax rate (%)</i>	<i>17.9</i>	<i>22.1</i>	<i>21.9</i>	<i>16.9</i>	<i>19.4</i>	<i>20.5</i>	<i>17.4</i>	<i>20.0</i>	<i>20.0</i>	<i>19.5</i>	<i>19.5</i>	<i>19.5</i>
Net profit	5.3	4.9	3.5	6.4	20.1	5.8	5.6	4.3	6.9	22.6	26.0	30.0
EPS	0.21	0.20	0.14	0.25	0.80	0.23	0.22	0.17	0.28	0.90	1.04	1.20
EPS adjusted (diluted no. of shares)	0.21	0.20	0.14	0.25	0.80	0.23	0.22	0.17	0.28	0.90	1.04	1.20
Dividend per share	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.45	0.52	0.60
SALES, EURm												
Engineering Solutions	41.4	42.0	36.9	47.1	167.5	46.7	46.2	40.1	50.6	183.7	192.8	200.6
Software and Embedded Solutions	18.8	19.9	18.1	23.4	80.1	24.6	25.1	22.0	28.8	100.5	107.6	113.0
Technical Documentation Solutions	12.5	13.0	11.8	14.3	51.6	18.1	17.7	15.9	19.4	71.0	76.7	80.6
Other	0.2	0.2	0.1	0.4	0.9	0.2	0.2	0.2	0.2	0.7	0.7	0.7
Total	73.0	75.0	66.9	85.3	300.1	89.6	89.3	78.1	99.0	355.9	377.8	394.8
SALES GROWTH, Y/Y %												
<i>Engineering Solutions</i>	<i>0.2</i>	<i>17.0</i>	<i>19.0</i>	<i>16.0</i>	<i>12.5</i>	<i>12.8</i>	<i>10.0</i>	<i>8.6</i>	<i>7.5</i>	<i>9.7</i>	<i>5.0</i>	<i>4.0</i>
<i>Software and Embedded Solutions</i>	<i>10.9</i>	<i>30.3</i>	<i>30.9</i>	<i>32.2</i>	<i>25.8</i>	<i>30.8</i>	<i>26.5</i>	<i>21.7</i>	<i>23.2</i>	<i>25.5</i>	<i>7.0</i>	<i>5.0</i>
<i>Technical Documentation Solutions</i>	<i>-2.3</i>	<i>11.8</i>	<i>15.1</i>	<i>20.8</i>	<i>10.9</i>	<i>44.3</i>	<i>36.4</i>	<i>35.0</i>	<i>35.0</i>	<i>37.6</i>	<i>8.0</i>	<i>5.0</i>
<i>Other</i>	<i>15.9</i>	<i>43.8</i>	<i>-42.3</i>	<i>190.2</i>	<i>52.2</i>	<i>-7.9</i>	<i>9.2</i>	<i>86.0</i>	<i>-64.0</i>	<i>-23.0</i>	<i>0.0</i>	<i>0.0</i>
Total	2.3	19.3	21.1	21.3	15.6	22.8	18.9	16.9	16.1	18.6	6.2	4.5
EBIT, EURm												
Engineering Solutions	4.4	4.2	3.0	5.0	16.6	4.9	4.9	3.7	5.3	18.8	19.3	20.1
Software and Embedded Solutions	2.1	2.2	1.6	2.4	8.3	2.3	1.9	2.0	3.0	9.2	11.3	13.6
Technical Documentation Solutions	1.4	1.6	1.2	1.7	5.9	1.8	1.5	1.5	2.2	7.1	8.4	9.7
Other	-1.3	-1.2	-1.2	-1.3	-5.0	-1.5	-1.5	-1.5	-1.5	-5.9	-5.7	-5.2
Total	6.6	6.7	4.7	7.8	25.8	7.6	6.8	5.7	9.0	29.2	33.4	38.1
EBIT margin, %												
<i>Engineering Solutions</i>	<i>10.6</i>	<i>9.9</i>	<i>8.2</i>	<i>10.6</i>	<i>9.9</i>	<i>10.6</i>	<i>10.6</i>	<i>9.2</i>	<i>10.5</i>	<i>10.2</i>	<i>10.0</i>	<i>10.0</i>
<i>Software and Embedded Solutions</i>	<i>11.1</i>	<i>10.9</i>	<i>9.1</i>	<i>10.3</i>	<i>10.4</i>	<i>9.5</i>	<i>7.4</i>	<i>9.1</i>	<i>10.4</i>	<i>9.2</i>	<i>10.5</i>	<i>12.0</i>
<i>Technical Documentation Solutions</i>	<i>11.0</i>	<i>12.5</i>	<i>10.2</i>	<i>12.0</i>	<i>11.5</i>	<i>10.1</i>	<i>8.7</i>	<i>9.4</i>	<i>11.4</i>	<i>10.0</i>	<i>11.0</i>	<i>12.0</i>
<i>Other</i>	<i>-665.3</i>	<i>-676.1</i>	<i>-1,429.1</i>	<i>-288.7</i>	<i>-555.2</i>	<i>-846.3</i>	<i>-739.3</i>	<i>-925.0</i>	<i>-925.0</i>	<i>-851.6</i>	<i>-814.2</i>	<i>-742.4</i>
Total	9.0	9.0	7.0	9.2	8.6	8.5	7.6	7.3	9.1	8.2	8.8	9.7

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INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	214.6	236.4	262.7	259.7	300.1	355.9	377.8	394.8
<i>Sales growth (%)</i>	<i>16.7</i>	<i>10.1</i>	<i>11.1</i>	<i>-1.1</i>	<i>15.6</i>	<i>18.6</i>	<i>6.2</i>	<i>4.5</i>
EBITDA	20.8	26.0	37.5	40.4	43.6	48.9	54.0	58.5
<i>EBITDA margin (%)</i>	<i>9.7</i>	<i>11.0</i>	<i>14.3</i>	<i>15.6</i>	<i>14.5</i>	<i>13.7</i>	<i>14.3</i>	<i>14.8</i>
Depreciation	-5.3	-5.8	-14.7	-18.0	-17.8	-19.7	-20.6	-20.4
EBITA	15.5	20.2	22.8	22.4	25.8	29.2	33.4	38.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.5	20.2	22.8	22.4	25.8	29.2	33.4	38.1
<i>EBIT margin (%)</i>	<i>7.2</i>	<i>8.5</i>	<i>8.7</i>	<i>8.6</i>	<i>8.6</i>	<i>8.2</i>	<i>8.8</i>	<i>9.7</i>
Reported EBIT	15.5	20.2	22.8	22.4	25.8	29.2	33.4	38.1
<i>EBIT margin (reported) (%)</i>	<i>7.2</i>	<i>8.5</i>	<i>8.7</i>	<i>8.6</i>	<i>8.6</i>	<i>8.2</i>	<i>8.8</i>	<i>9.7</i>
Net financials	-0.7	-0.8	-0.9	-1.3	-0.9	-1.1	-1.0	-0.9
Pre-tax profit	14.7	19.4	21.9	21.1	24.9	28.1	32.3	37.3
Taxes	-3.2	-4.1	-4.5	-4.0	-4.8	-5.5	-6.3	-7.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	11.6	15.3	17.4	17.1	20.1	22.6	26.0	30.0
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, EURm								
Assets								
Fixed assets	22	26	30	29	32	29	25	23
Goodwill	59	65	79	84	92	107	107	107
Right of use assets	0	12	15	23	22	25	27	28
Inventory	0	0	0	0	0	0	0	0
Receivables	53	53	62	57	75	89	94	98
Liquid funds	10	16	16	24	30	36	38	40
Total assets	144	173	203	218	253	288	294	298
Liabilities								
Shareholder's equity	58	68	77	87	99	112	126	143
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	12	16	24	23	25	27	28
Deferred taxes	3	5	6	7	7	7	7	7
Interest bearing debt	35	36	41	40	56	63	48	31
Non-interest bearing current liabilities	46	48	61	57	66	78	83	86
Other interest-free debt	2	4	2	2	3	3	3	3
Total liabilities	144	173	203	218	253	288	294	298
CASH FLOW, EURm								
+ EBITDA	21	26	38	40	44	49	54	59
- Net financial items	-1	-1	-1	-1	-1	-1	-1	-1
- Taxes	-2	-4	-4	-5	-6	-5	-6	-7
- Increase in Net Working Capital	1	2	4	1	-10	-2	-1	-1
+/- Other	0	-1	-4	3	1	0	0	0
= Cash flow from operations	18	23	33	38	27	41	46	50
- Capex	-2	-2	-13	-21	-12	-14	-19	-19
- Acquisitions	-3	-8	-21	-6	-7	-21	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	13	13	-1	11	8	6	27	31
+/- New issues/buybacks	-2	0	-1	2	0	0	0	0
- Paid dividend	-4	-6	-7	-9	-8	-10	-11	-13
+/- Other	-1	-1	9	4	6	10	-14	-16
Change in cash	5	6	0	9	6	6	2	2

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KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	198	253	323	424	409	409	409
Net debt (excl. convertibles)	32	40	41	48	53	37	19
Enterprise value	231	294	364	472	462	446	428
Sales	236	263	260	300	356	378	395
EBITDA	26	38	40	44	49	54	59
EBIT	20	23	22	26	29	33	38
Pre-tax	19	22	21	25	28	32	37
Earnings	15	17	17	20	23	26	30
Equity book value (excl. minorities)	68	77	87	99	112	126	143
Valuation multiples							
EV/sales	1.0	1.1	1.4	1.6	1.3	1.2	1.1
EV/EBITDA	8.9	7.8	9.0	10.8	9.4	8.3	7.3
EV/EBITA	11.4	12.9	16.2	18.3	15.8	13.4	11.2
EV/EBIT	11.4	12.9	16.2	18.3	15.8	13.4	11.2
EV/OCF	10.0	8.9	9.6	17.4	11.4	9.7	8.6
EV/FCFF	16.9	27.3	11.5	41.1	22.1	10.6	9.4
P/FCFE	15.2	-247.0	29.2	52.6	73.4	15.0	13.4
P/E	13.0	15.6	18.9	21.1	18.1	15.7	13.6
P/B	2.9	3.3	3.7	4.3	3.7	3.2	2.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.3	9.0	8.0
Target EV/EBIT	0.0	0.0	0.0	0.0	17.2	14.6	12.3
Target EV/FCF	0.0	0.0	0.0	0.0	90.3	17.8	15.3
Target P/B	0.0	0.0	0.0	0.0	4.0	3.6	3.1
Target P/E	0.0	0.0	0.0	0.0	19.9	17.3	15.0
Per share measures							
Number of shares	24,963	24,963	24,963	25,083	25,042	25,042	25,042
Number of shares (diluted)	24,963	24,963	24,963	25,083	25,042	25,042	25,042
EPS	0.61	0.70	0.68	0.80	0.90	1.04	1.20
Operating cash flow per share	0.92	1.32	1.52	1.08	1.62	1.83	1.99
Free cash flow per share	0.52	-0.04	0.44	0.32	0.22	1.09	1.22
Book value per share	2.71	3.07	3.49	3.94	4.45	5.04	5.72
Dividend per share	0.30	0.35	0.34	0.40	0.45	0.52	0.60
Dividend payout ratio, %	49.0	50.2	49.6	49.9	50.0	50.0	50.0
Dividend yield, %	3.8	3.4	2.6	2.4	2.8	3.2	3.7
FCF yield, %	6.6	-0.4	3.4	1.9	1.4	6.7	7.5
Efficiency measures							
ROE	24.4	24.1	20.9	21.6	21.5	21.9	22.3
ROCE	19.3	18.3	15.7	15.7	15.5	16.6	18.9
Financial ratios							
Inventories as % of sales	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Receivables as % of sales	22.4	23.6	21.8	24.9	24.9	24.9	24.9
Non-interest bearing liabilities as % of sales	20.5	23.2	22.1	21.8	21.8	21.8	21.8
NWC/sales, %	1.3	-0.5	-0.9	2.6	2.7	2.8	2.8
Operative CAPEX/sales, %	0.7	4.9	8.1	4.0	3.9	4.9	4.9
CAPEX/sales (incl. acquisitions), %	-2.8	-3.1	5.9	1.7	-2.0	4.9	4.9
FCFF/EBITDA	0.5	0.3	0.8	0.3	0.4	0.8	0.8
Net debt/EBITDA, book-weighted	1.3	1.1	1.0	1.1	1.1	0.7	0.3
Debt/equity, market-weighted	0.2	0.2	0.1	0.1	0.2	0.1	0.1
Equity ratio, book-weighted	39.1	37.8	40.0	39.1	38.7	43.0	48.0
Gearing, %	48.1	52.6	46.6	48.7	47.1	28.9	13.2

Commercial Services & Supplies/Finland, August 24, 2022
Company update

COMPANY DESCRIPTION: Etteplan is a specialist in industrial equipment engineering, embedded systems and IoT and technical documentation solutions and services. The company is market leader in Finland and among the largest operators in the field in Sweden and one of the largest companies in Europe providing technical documentation solutions. Customers are leading global manufacturers of industrial equipment and machinery.

INVESTMENT CASE: Etteplan is in our view set to continue on a track of profitable growth. The comprehensive service offering and good market positioning provides organic growth opportunities while the company's M&A track record will see growth further boosted through acquisitions. Etteplan has achieved a solid level of relative profitability but some smaller challenges in Technical Documentation Solutions and Software and Embedded Solutions still remain. Bringing those service areas up to par and optimization of resources through an increase in Managed services and an increase in own software products could provide a further boost to margins.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ingman Group Oy Ab	16,661,384	272.414	66.5%
Oy Fincorp Ab	2,524,359	41.273	10.1%
Varma Mutual Pension Insurance Company	985,593	16.114	3.9%
Tuori Klaus	309,134	5.054	1.2%
Tuori Aino	308,275	5.040	1.2%
Ilmarinen Mutual Pension Insurance Company	288,311	4.714	1.2%
Elo Mutual Pension Insurance Company	209,662	3.428	0.8%
VAS Invest Oy	194,035	3.172	0.8%
Taaleri Mikro Markka fund	164,048	2.682	0.7%
Etteplan Oyj	159,046	2.600	0.6%
Ten largest	21,803,847	356.493	87%
Residual	3,237,900	52.940	13%
Total	25,041,747	409.433	100%

EARNINGS CALENDAR

October 31, 2022

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tekniikantie 4 D, 02150 Espoo

CFO: Helena Kukkonen

Tel: +358 1,0 3,070

IR: Outi Torniainen

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

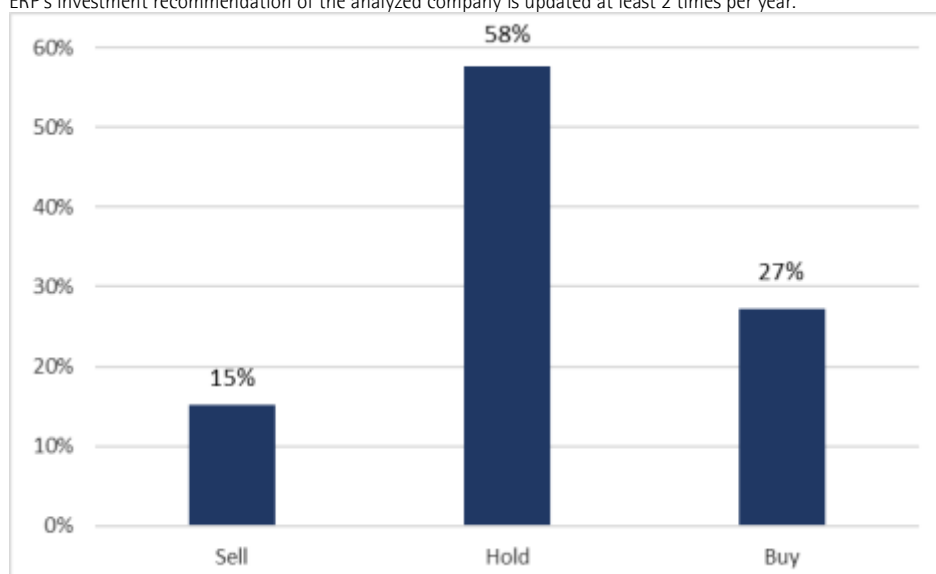
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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