

More uplift to be expected

Exel Composites posted Q3 results basically in line with our estimates. Wind energy continued to support volumes. Exel left FY '19 guidance unchanged, expecting revenue and adjusted operating profit to increase. We update our TP to EUR 5.5 (5.0) as we see further improvement in the cards. Our rating is still BUY.

No major surprises in terms of segmental performance

Exel Composites posted EUR 23.6m in Q3 revenue, a figure slightly below our EUR 24.7m estimate. Industrial Applications, a segment which includes telecommunications customers, continued soft as revenue declined by 10% y/y. We expected flat development. Other Applications reported EUR 4.8m Q3 revenue, a decent improvement y/y but not quite meeting our EUR 5.0m estimate. Construction & Infrastructure, driven by wind energy, improved by 11% y/y to EUR 10.9m and thus was basically in line with our expectations. The adjusted operating profit of EUR 1.7m was also in line with our expectations. Overall, the Q3 report didn't provide major surprises as key customer industries such as wind energy continued to support volumes.

We make relatively minor estimate changes

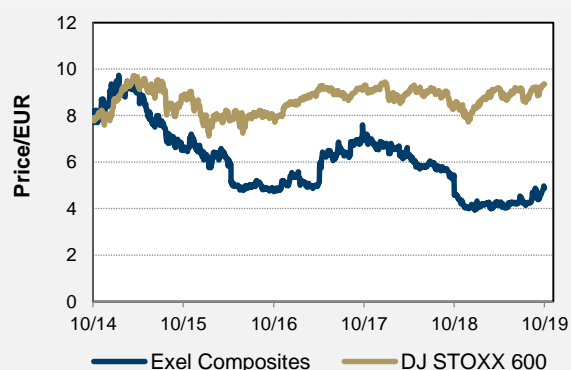
We make only minor updates to our revenue and profitability estimates. We have revised our Q4 revenue estimate slightly upwards due to the strong 10% increase in order intake. We continue to expect Exel to manage around 7.5% adjusted operating margins going forward. Exel says it expects to fully reach the targeted EUR 3m in annual cost savings in 2020.

We see further upside in the light of recent performance

We continue to expect Exel to post positive volume and profitability development going forward. Although we do not make major changes to our estimates, in the light of recent good performance we argue slightly higher valuation multiples are warranted. Our updated TP is EUR 5.5 (5.0), which would imply roughly 8x EV/EBITDA and 12x EV/EBIT (adj.) on our '19e estimates. On our '20e estimates the multiples would amount to some 6x EV/EBITDA and 10x EV/EBIT. Such valuation is still significantly below peer group median. Our rating remains BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 4.88

Target price, EUR 5.5

Latest change in recommendation -

Latest report on company 24-Jul-19

Research paid by issuer: YES

No. of shares outstanding, '000's 11,897

No. of shares fully diluted, '000's 11,897

Market cap, EURm 58

Free float, % 100.0

Exchange rate EUR/USD 1.10

Reuters code EXL1V.HE

Bloomberg code EXL1V FH

Average daily volume, EURm 0.1

Next interim report 18-Feb-20

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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
2017	86.3	6.1	7.1%	-0.5	0.35	18.6	1.0	14.2	-0.6	0.30
2018	96.6	2.2	2.3%	-11.4	0.03	119.0	0.8	34.5	-24.0	0.18
2019E	105.0	6.0	5.7%	1.8	0.31	15.7	0.8	14.5	3.1	0.20
2020E	112.5	8.5	7.6%	4.7	0.46	10.5	0.8	9.9	8.2	0.20
2021E	120.2	9.4	7.8%	4.1	0.52	9.4	0.7	8.8	7.1	0.25
Market cap, EURm			58	Gearing 2019E, %		105.0	CAGR EPS 2018-21, %			148.8
Net debt 2019E, EURm			29	Price/book 2019E		2.1	CAGR sales 2018-21, %			7.6
Enterprise value, EURm			87	Dividend yield 2019E, %		4.1	ROE 2019E, %			14.0
Total assets 2019E, EURm			83	Tax rate 2019E, %		28.8	ROCE 2019E, %			10.2
Goodwill 2019E, EURm			13	Equity ratio 2019E, %		32.8	PEG, P/E 19/CAGR			0.9

Estimates summary

Exel Composites	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19E	2019E	2020E	2021E
Industrial Applications	48.2	11.3	11.2	8.8	8.6	39.9	9.3	9.5	7.9	8.0	34.7	36.4	38.3
Construction & Infrastructure	21.3	5.6	8.6	9.8	12.9	36.9	11.3	10.9	10.9	14.3	47.4	52.2	57.5
Other Applications	16.7	4.7	5.4	4.6	5.2	19.9	6.5	6.0	4.8	5.5	22.8	23.7	24.4
Revenue	86.3	21.5	25.2	23.2	26.7	96.6	27.1	26.5	23.6	27.8	105.0	112.4	120.2
<i>change, %</i>	<i>18 %</i>	<i>6 %</i>	<i>9 %</i>	<i>13 %</i>	<i>19 %</i>	<i>12 %</i>	<i>26 %</i>	<i>5 %</i>	<i>2 %</i>	<i>4 %</i>	<i>9 %</i>	<i>7 %</i>	<i>7 %</i>
Adjusted EBIT	6.3	1.8	2.0	0.5	0.8	5.0	2.0	2.2	1.7	2.1	7.9	8.6	9.4
EBIT	6.1	1.6	1.3	0.5	-1.2	2.2	0.4	2.1	1.5				
<i>-margin, %</i>	<i>7.3 %</i>	<i>8.4 %</i>	<i>7.8 %</i>	<i>2.1 %</i>	<i>2.9 %</i>	<i>5.2 %</i>	<i>7.2 %</i>	<i>8.5 %</i>	<i>7.0 %</i>	<i>7.5 %</i>	<i>7.6 %</i>	<i>7.6 %</i>	<i>7.8 %</i>
<i>-margin (reported), %</i>	<i>7.0 %</i>	<i>7.4 %</i>	<i>5.2 %</i>	<i>2.0 %</i>	<i>-4.3 %</i>	<i>2.3 %</i>	<i>1.5 %</i>	<i>8.1 %</i>	<i>6.2 %</i>		<i>5.8 %</i>		

Source: Evli Research

EXEL COMPOSITES PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Gurit Holding	587	10.4x	9.8x	9.5x	14.2x	12.5x	12.2x	9.1 %	10.1 %	10.2 %
Hexagon Composites	575	23.0x	16.7x	12.8x	78.1x	29.6x	19.6x	2.7 %	6.0 %	7.7 %
Hexcel	5669	13.0x	12.1x	11.5x	17.4x	16.2x	15.4x	18.2 %	18.6 %	18.7 %
PolyOne	2252	11.3x	11.4x	10.6x	17.3x	15.9x	13.6x	7.2 %	8.2 %	9.2 %
SGL Carbon	511	8.0x	7.7x	7.5x	20.3x	20.3x	17.6x	4.3 %	4.2 %	4.7 %
TPI Composites	652	12.2x	6.7x	5.2x	68.4x	11.4x	7.8x	1.0 %	5.1 %	6.4 %
Peer Group Average	1708	13.0x	10.7x	9.5x	35.9x	17.7x	14.4x	7.1 %	8.7 %	9.5 %
Peer Group Median	620	11.8x	10.6x	10.1x	18.9x	16.0x	14.5x	5.8 %	7.1 %	8.5 %
Exel Composites (Evli est.)	58	7.4x	5.6x	5.6x	14.5x	9.9x	8.8x	5.7 %	7.6 %	7.8 %

Exel Composites prem./disc. to peer median

-37 % -47 % -45 % -23 % -38 % -39 % -1 % 8 % -8 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.88 PV of Free Cash Flow	47 Long-term growth, %	1.5 Risk-free interest rate, %	2.25
DCF share value	5.84 PV of Horizon value	53 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	19.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	6.5 Marketable securities	5 Minimum WACC, %	8.0 Equity beta coefficient	1.00
Minimum value	5.3 Debt - dividend	-35 Maximum WACC, %	9.0 Target debt ratio, %	10
Horizon value, %	53.1 Value of stock	69 Nr of shares, Mn	11.9 Effective tax rate, %	21

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	97	105	112	120	127	135	142	146	150	153	155	157
<i>Sales growth, %</i>	<i>11.9</i>	<i>8.7</i>	<i>7.1</i>	<i>6.9</i>	<i>6.0</i>	<i>6.0</i>	<i>5.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	2	6	9	9	9	9	10	10	10	11	11	11
<i>Operating income margin, %</i>	<i>2.3</i>	<i>5.7</i>	<i>7.6</i>	<i>7.8</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	6	6	7	5	6	6	6	6	6	5	5	
EBITDA	8	12	15	15	14	15	16	16	16	16	16	
- Paid taxes	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	-8	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	0
<i>NWC / Sales, %</i>	<i>16.1</i>	<i>16.2</i>	<i>16.3</i>	<i>16.4</i>	<i>16.5</i>	<i>16.5</i>	<i>16.5</i>	<i>16.6</i>	<i>16.6</i>	<i>16.6</i>	<i>16.6</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-9	-4	-4	-4	-4	-4	-5	-5	-5	-5	-5	-5
<i>opCAPEX / Sales, %</i>	<i>9.7</i>	<i>5.9</i>	<i>5.4</i>	<i>5.1</i>	<i>4.9</i>	<i>4.8</i>	<i>4.6</i>	<i>4.5</i>	<i>4.4</i>	<i>3.6</i>	<i>3.5</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	-11	4	7	6	6	7	7	8	8	7	8	112
= Discounted FCFF		4	6	5	5	5	5	5	5	4	4	53
= DFCF min WACC		4	6	5	5	5	5	5	5	4	4	60
= DFCF max WACC		4	6	5	5	5	5	5	4	4	4	48

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	21.5	25.3	23.1	26.7	96.6	27.1	26.5	23.6	27.8	105.0	112.5	120.2
EBITDA	2.5	2.2	1.8	1.2	7.7	1.8	3.4	2.9	3.6	11.7	15.1	14.8
<i>EBITDA margin (%)</i>	<i>11.6</i>	<i>8.7</i>	<i>7.8</i>	<i>4.5</i>	<i>8.0</i>	<i>6.6</i>	<i>13.0</i>	<i>12.1</i>	<i>12.9</i>	<i>11.1</i>	<i>13.4</i>	<i>12.3</i>
EBIT	1.6	1.3	0.5	-1.2	2.2	0.4	2.1	1.5	2.0	6.0	8.5	9.4
<i>EBIT margin (%)</i>	<i>7.4</i>	<i>5.1</i>	<i>2.2</i>	<i>-4.5</i>	<i>2.3</i>	<i>1.5</i>	<i>7.9</i>	<i>6.4</i>	<i>7.2</i>	<i>5.7</i>	<i>7.6</i>	<i>7.8</i>
Net financial items	-0.4	0.2	0.0	-0.3	-0.5	-0.2	-0.2	-0.2	-0.2	-0.8	-0.8	-0.7
Pre-tax profit	1.2	1.5	0.5	-1.5	1.7	0.2	1.9	1.3	1.8	5.2	7.8	8.7
Tax	-0.3	-0.5	-0.4	-0.1	-1.3	-0.6	-0.3	-0.3	-0.3	-1.5	-2.2	-2.5
<i>Tax rate (%)</i>	<i>25.0</i>	<i>33.3</i>	<i>80.0</i>	<i>-6.7</i>	<i>76.5</i>	<i>300.0</i>	<i>15.8</i>	<i>23.1</i>	<i>16.7</i>	<i>28.8</i>	<i>28.8</i>	<i>28.8</i>
Net profit	0.9	1.0	0.1	-1.6	0.4	-0.4	1.6	1.0	1.5	3.7	5.5	6.2
EPS	0.08	0.08	0.01	-0.13	0.03	-0.03	0.13	0.08	0.13	0.31	0.46	0.52
EPS adjusted (diluted no. of shares)	0.08	0.08	0.01	-0.13	0.03	-0.03	0.13	0.08	0.13	0.31	0.46	0.52
Dividend per share	0.00	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.20	0.20	0.25
SALES, EURm												
Exel Composites	21.5	25.3	23.1	26.7	96.6	27.1	26.5	23.6	27.8	105.0	112.5	120.2
Total	21.5	25.3	23.1	26.7	96.6	27.1	26.5	23.6	27.8	105.0	112.5	120.2
SALES GROWTH, Y/Y %												
Exel Composites	5.9	9.5	13.2	18.7	11.9	26.0	4.7	2.2	4.1	8.7	7.1	6.9
Total	5.9	9.5	13.2	18.7	11.9	26.0	4.7	2.2	4.1	8.7	7.1	6.9
EBIT, EURm												
Exel Composites	1.6	1.3	0.5	-1.2	2.2	0.4	2.1	1.5	2.0	6.0	8.5	9.4
Total	1.6	1.3	0.5	-1.2	2.2	0.4	2.1	1.5	2.0	6.0	8.5	9.4
EBIT margin, %												
Exel Composites	7.4	5.1	2.2	-4.5	2.3	1.5	7.9	6.4	7.2	5.7	7.6	7.8
Total	7.4	5.1	2.2	-4.5	2.3	1.5	7.9	6.4	7.2	5.7	7.6	7.8

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	79.3	80.2	73.1	86.3	96.6	105.0	112.5	120.2
<i>Sales growth (%)</i>	<i>14.4</i>	<i>1.1</i>	<i>-8.9</i>	<i>18.1</i>	<i>11.9</i>	<i>8.7</i>	<i>7.1</i>	<i>6.9</i>
EBITDA	12.5	7.3	3.8	9.3	7.7	11.7	15.1	14.8
<i>EBITDA margin (%)</i>	<i>15.8</i>	<i>9.1</i>	<i>5.2</i>	<i>10.8</i>	<i>8.0</i>	<i>11.1</i>	<i>13.4</i>	<i>12.3</i>
Depreciation	-3.1	-2.9	-3.2	-3.2	-5.5	-4.5	-5.2	-4.0
EBITA	9.4	4.4	0.6	6.1	2.2	6.0	8.5	9.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	9.4	4.4	0.6	6.1	2.2	6.0	8.5	9.4
<i>EBIT margin (%)</i>	<i>11.9</i>	<i>5.5</i>	<i>0.8</i>	<i>7.1</i>	<i>2.3</i>	<i>5.7</i>	<i>7.6</i>	<i>7.8</i>
Reported EBIT	8.9	4.0	-1.2	6.1	2.2	6.0	8.5	9.4
<i>EBIT margin (reported) (%)</i>	<i>11.2</i>	<i>5.0</i>	<i>-1.6</i>	<i>7.1</i>	<i>2.3</i>	<i>5.7</i>	<i>7.6</i>	<i>7.8</i>
Net financials	-0.4	-0.2	-0.1	-0.7	-0.5	-0.8	-0.8	-0.7
Pre-tax profit	9.0	4.2	0.5	5.4	1.7	5.2	7.8	8.7
Taxes	-2.8	-1.4	-0.2	-1.2	-1.3	-1.5	-2.2	-2.5
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.7	2.4	-1.4	4.2	0.4	3.7	5.5	6.2
Cash NRIs	-0.5	-0.4	-1.8	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	13	15	17	16	21	21	20	20
Goodwill	10	10	10	13	13	13	13	13
Right of use assets	0	0	0	0	5	5	6	6
Inventory	10	10	9	12	15	17	18	19
Receivables	11	12	10	15	20	22	23	25
Liquid funds	8	8	7	8	5	5	6	6
Total assets	52	54	54	64	79	83	86	90
Liabilities								
Shareholder's equity	30	31	27	29	26	27	30	34
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	3	5	6	6
Deferred taxes	1	1	1	0	0	0	0	0
Interest bearing debt	6	8	14	16	30	29	26	25
Non-interest bearing current liabilities	16	14	12	18	18	20	22	23
Other interest-free debt	0	1	1	0	2	2	2	2
Total liabilities	52	54	54	64	79	83	86	90
CASH FLOW, EURm								
+ EBITDA	13	7	4	9	8	12	15	15
- Net financial items	0	0	0	-1	0	-1	-1	-1
- Taxes	-2	-1	0	-2	-2	-1	-2	-2
- Increase in Net Working Capital	0	-3	1	-1	-8	-1	-1	-1
+/- Other	0	0	-2	0	0	0	0	0
= Cash flow from operations	10	3	3	6	-2	8	11	10
- Capex	-5	-4	-6	-6	-9	-6	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	5	-2	-3	0	-11	2	5	4
+/- New issues/buybacks	1	1	0	-1	0	0	0	0
- Paid dividend	0	-2	-3	-1	-4	-2	-2	-2
+/- Other	-7	3	5	3	12	1	-2	-1
Change in cash	-1	0	-1	0	-3	0	0	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	77	60	78	48	58	58	58
Net debt (excl. convertibles)	1	6	9	28	29	26	25
Enterprise value	78	66	87	76	87	84	83
Sales	80	73	86	97	105	112	120
EBITDA	7	4	9	8	12	15	15
EBIT	4	1	6	2	6	9	9
Pre-tax	4	1	5	2	5	8	9
Earnings	3	0	4	0	4	6	6
Equity book value (excl. minorities)	31	27	29	26	27	30	34
Valuation multiples							
EV/sales	1.0	0.9	1.0	0.8	0.8	0.8	0.7
EV/EBITDA	10.7	17.3	9.3	9.9	7.4	5.6	5.6
EV/EBITA	17.7	109.9	14.2	34.5	14.5	9.9	8.8
EV/EBIT	17.7	109.9	14.2	34.5	14.5	9.9	8.8
EV/OCF	28.7	24.3	15.8	-36.8	10.9	7.8	8.1
EV/FCFF	-50.9	-22.6	-67,116.9	-6.9	20.9	12.0	12.9
P/FCFE	-44.1	-20.1	-166.0	-4.2	32.7	12.3	14.1
P/E	27.3	164.3	18.6	119.0	15.7	10.5	9.4
P/B	2.5	2.2	2.7	1.8	2.1	1.9	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.0	6.1	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	15.7	10.7	9.6
Target EV/FCF	0.0	0.0	0.0	0.0	53.0	19.4	21.8
Target P/B	0.0	0.0	0.0	0.0	2.4	2.1	1.9
Target P/E	0.0	0.0	0.0	0.0	17.7	11.8	10.6
Per share measures							
Number of shares	11,897	11,897	11,897	11,897	11,897	11,897	11,897
Number of shares (diluted)	11,897	11,897	11,897	11,897	11,897	11,897	11,897
EPS	0.24	0.03	0.35	0.03	0.31	0.46	0.52
Operating cash flow per share	0.23	0.23	0.46	-0.17	0.67	0.91	0.86
Free cash flow per share	-0.15	-0.25	-0.04	-0.96	0.15	0.40	0.35
Book value per share	2.57	2.24	2.42	2.16	2.29	2.56	2.88
Dividend per share	0.22	0.10	0.30	0.18	0.20	0.20	0.25
Dividend payout ratio, %	92.5	327.2	85.0	535.4	64.3	43.0	48.3
Dividend yield, %	3.4	2.0	4.6	4.5	4.1	4.1	5.1
FCF yield, %	-2.3	-5.0	-0.6	-24.0	3.1	8.2	7.1
Efficiency measures							
ROE	9.4	1.3	15.2	1.5	14.0	19.2	19.0
ROCE	12.1	1.8	14.6	4.5	10.2	14.0	14.9
Financial ratios							
Inventories as % of sales	12.1	12.0	13.5	15.7	15.7	15.7	15.7
Receivables as % of sales	14.3	14.0	17.1	20.8	20.8	20.8	20.8
Non-interest bearing liabilities as % of sales	17.1	17.0	21.4	19.2	19.2	19.2	19.2
NWC/sales, %	9.3	9.0	9.3	16.1	16.2	16.3	16.4
Operative CAPEX/sales, %	5.6	7.8	6.9	9.7	5.9	5.4	5.1
CAPEX/sales (incl. acquisitions), %	5.6	7.8	6.9	9.7	5.9	5.4	5.1
FCFF/EBITDA	-0.2	-0.8	0.0	-1.4	0.4	0.5	0.4
Net debt/EBITDA, book-weighted	0.1	1.6	0.9	3.7	2.4	1.7	1.7
Debt/equity, market-weighted	0.1	0.2	0.2	0.6	0.5	0.5	0.4
Equity ratio, book-weighted	56.7	49.5	44.7	32.5	32.8	35.5	38.2
Gearing, %	2.0	23.3	30.3	109.9	105.0	86.4	71.8

COMPANY DESCRIPTION: Exel Composites manufactures composites profiles for various demanding, mainly industrial end-use, applications. Exel's customer base includes companies operating in industries such as wind energy, transportation and telecommunications. Exel Composites is one of the largest manufacturers of pultruded composites profiles globally and currently operates eight manufacturing plants on three continents.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Nordea Bank ABP (Nom. reg.)	2,112,452	10.309	17.8%
Skandinaviska Enskilda Banken AB (Nom. reg.)	842,947	4.114	7.1%
Sijoitusrahasto Taaleritehdas Mikro Markka	650,000	3.172	5.5%
OP-Finland Small Firms Fund	598,259	2.920	5.0%
Phoebus Fund	290,000	1.415	2.4%
Säästöpankki Pienyhtiöt	288,710	1.409	2.4%
Danske Invest Finnish Institutional Equity Fund	265,000	1.293	2.2%
Ilmarinen Mutual Pension Insurance Company	242,733	1.185	2.0%
Matti Suutarinen	231,821	1.131	1.9%
Nelimarkka Heikki Antero	230,495	1.125	1.9%
Ten largest	5,752,417	28.072	48%
Residual	6,144,426	29.985	52%
Total	11,896,843	58.057	100%

EARNINGS CALENDAR

February 18, 2020	FY 2019 Results
May 06, 2020	Q1 report
July 21, 2020	Q2 report
October 30, 2020	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Riku Kytömäki	Mäkituvantie 5 01510 Vantaa
CFO: Mikko Kettunen	Tel: +358 20 7541 200
IR: Noora Koikkalainen	

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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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. 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 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 timer per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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