

Miss on earnings, guidance weakness

Fellow Finance's H2/2019 results fell short of our expectations. Revenue was as per co's previous guidance EUR 7.0m, while EBIT and adj. EBIT amounted to EUR 0.3m and EUR 1.0m respectively (Evli EUR 1.0m/1.0m). Fellow Finance's BoD proposes that no dividend be paid for 2019 (Evli EUR 0.04 per share). Fellow Finance expects turnover to grow in 2020 while growth efforts are expected to decrease the operating profit compared to 2019.

- Revenue in H2 amounted to EUR 7.0m (EUR 6.4m in H2/18), in line with our estimates (Evli EUR 7.0m, pre-announced). Growth in H2 amounted to 9.1%.
- Fellow Finance facilitated loans during H2 for a total of EUR 92m (EUR 96m in H2/18).
- Adj. EBIT in H2 amounted to EUR 1.0m (EUR 1.7m in H2/18), in line with our estimates (Evli EUR 1.0m). EBIT amounted to EUR 0.3m (Evli EUR 1.0m).
- Adj. EPS in H2 amounted to EUR 0.01 per share (EUR 0.14 in H2/18), below our estimate of EUR 0.04. EPS amounted to EUR -0.07 (Evli EUR 0.04)
- **Guidance:** In 2020, turnover is expected to grow, and the company's growth efforts are expected to decrease operating profit compared to 2019. The guidance implies weaker figures than we had expected, as we have estimated minor growth in 2020 but EBIT of EUR 2.1m. New guidance implies EBIT of less than EUR 1.6m.
- **Dividend proposal:** The BoD proposes that no dividend be paid for 2019 (Evli EUR 0.04).
- During H2 new services and market openings were prepared and a subsidiary established in Estonia.

Rating 🟡 HOLD

H2/19	Actual	Evli	H2/18
Revenue	7.0	7.0	6.4
Adj. EBIT	1.0	1.0	1.7
Adj. EPS	0.01	0.04	0.14
DPS	0.00	0.04	0.04
Deviation	Actual	Evli	H2/18
Revenue		0%	9%
Adj. EBIT		-3%	-42%
Adj. EPS		-73%	-93%
DPS		-100%	-100%

Share price, EUR(Last trading day's closing price) 3.86
Target price, EUR 4.2
Latest change in recommendation 19-Aug-19
Latest report on company 11-Feb-19
Research paid by issuer: YES
No. of shares outstanding, '000's 7,129
No. of shares fully diluted, '000's 7,129
Market cap, EURm 28
Free float, % 0.0
Exchange rate 0.000
Reuters code FELLOW.HE
Bloomberg code FELLOW HE
Average daily volume, EURm 0.07
Next interim report 14-Feb-20
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+ BUY + HOLD - SELL

PRE-REPORT 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	8.7	2.5	28.8%	2.0	0.19	0.0	1.7	5.9	0.0	0.09
2018	12.0	3.4	28.3%	0.6	0.12	55.1	4.6	16.1	1.2	0.04
2019E	14.3	2.4	16.9%	-5.1	0.10	40.1	2.9	17.2	-18.7	0.04
2020E	15.1	2.1	13.8%	-0.5	0.08	50.6	2.8	20.2	-1.7	0.05
2021E	19.3	3.3	17.1%	0.0	0.21	18.6	2.2	12.8	-0.1	0.06
Market cap, EURm	28		BV per share 2019E, EUR		92.1		CAGR EPS 2018-21, %		20.7	
Net debt 2019E, EURm	14		Price/book 2019E		1.8		CAGR sales 2018-21, %		17.2	
Enterprise value, EURm	41		Dividend yield 2019E, %		1.0		ROE 2019E, %		4.7	
Total assets 2019E, EURm	37		Tax rate 2019E, %		29.4		ROCE 2019E, %		7.1	
Goodwill 2019E, EURm	0		Equity ratio 2019E, %		40.1		PEG, P/E 19/CAGR		0.6	

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

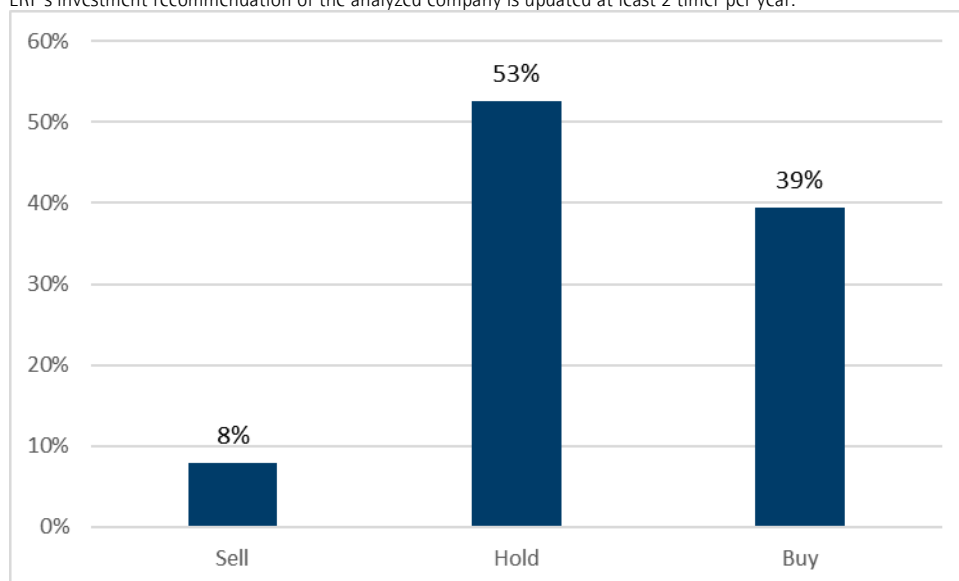
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Investment recommendations are defined as follows:

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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February 14, 2020

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