

Gofore – Initiate coverage with BUY

We initiate coverage of Gofore with a BUY rating and target price of EUR 9.2. We expect growth to continue strong in 2018-19E and profitability to remain at good levels.

Targeting above market growth rate in the IT-services sector

Gofore aims to grow faster than the company's target IT-services market. Gofore's long-term profitability target is to generate an EBITA-margin of 15%. We expect Gofore to have good possibilities to reach its profitability target during 2017E-2018E mainly supported by price increases and a good cost discipline due to a competitive personnel cost structure. Our EBITA-margin estimate for 2018E is 18.0 %. Historically, Gofore has grown faster than its main competitors and profitability has been above the competitor average in 2012-2016.

Recruitments in 2017 support good growth in 2018

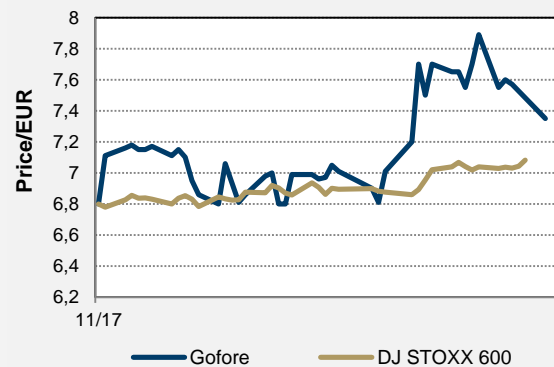
Gofore's personnel increased to 374 in 2017 from 196 in 2016. The increase came mostly from new recruitments and a smaller part from the acquisition of Leadin. The recruitments will support the continued growth in 2018E, with our sales growth estimates at 46.2 %. We also expect Gofore to continue expansion internationally, giving further support for continued good near-term growth. We expect sales growth to slow down going forward from 2018. The certain sector-wide difficulties in recruitments could put pressure on further slow-down of growth.

BUY with a target price of EUR 9.2

We initiate coverage of Gofore with a BUY-rating and target price of EUR 9.2. Our target price is based on our DCF-value and the peer multiples for 2018E. Gofore trades at a discount on earnings-based multiples for 2018E. Our target price values Gofore at 12.2x EV/EBIT 2018E.

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.35

Target price, EUR 9.2

Latest change in recommendation 23-Jan-18

Latest report on company 23-Jan-18

Research paid by issuer: YES

No. of shares outstanding, '000's 12,949

No. of shares fully diluted, '000's 12,949

Market cap, EURm 95

Free float, % -

Exchange rate EUR 1.000

Reuters code GOFORE.HE

Bloomberg code GOFORE FH

Average daily volume, EURm 0.01

Next interim report 15-Feb-18

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2015	12	2	12.5%	2	11.61	0.0	-0.2	0.0	-1.5	4.00
2016	19	3	14.1%	3	19.96	0.0	-0.2	0.0	-1.3	5.00
2017E	34	6	16.7%	4	0.26	27.9	2.5	32.9	15.0	0.08
2018E	50	8	16.9%	8	0.51	14.4	1.6	11.1	9.3	0.15
2019E	63	11	17.0%	11	0.65	11.2	1.1	10.5	6.7	0.26
Market cap, EURm			95	BV per share 2017E, EUR		1.4	CAGR EPS 2016-19, %			-68.0
Net debt 2017E, EURm			-10	Price/book 2017E		5.3	CAGR sales 2016-19, %			49.9
Enterprise value, EURm			85	Dividend yield 2017E, %		1.1	ROE 2017E, %			30.9
Total assets 2017E, EURm			28	Tax rate 2017E, %		20.5	ROCE 2017E, %			43.0
Goodwill 2017E, EURm			0	Equity ratio 2017E, %		63.0	PEG, P/E 17/CAGR			0.7

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

Investment summary

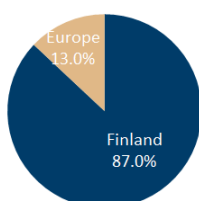
Strong track record – rapid growth while maintaining good profitability	Gofore is one of the fastest-growing IT-services companies in Finland focusing on digital design, services and consulting as well as software development. The net sales CAGR between 2012-2016 was 49.7% and during the same time period EBIT-margin improved from 11.5% to 14.0%. Gofore has a consultative and labor-intensive operating model for which the cornerstones are: competent personnel, strong company culture, and agile organizational structure.
Cost competitiveness supported by offices in Tampere and Jyväskylä	In our view, the company's cost competitiveness is good due to offices in Tampere and Jyväskylä (rep. over 60% of employees), where personnel expenses and competition for employees are lower compared to Helsinki. Gofore has also been successful in recruiting, which is important in the industry where competition for skilled employees is tough. Gofore's organization structure is lean, agile and competitive especially against large IT-generalists.
Leadin acquisition – platform for internationalization	As a result of the Leadin acquisition, Gofore now also operates in Germany and the UK. The acquisition improves Gofore's service design competences and strengthens the position in the private sector. Previously the company has been somewhat dependent on public sector customers. Gofore's technology competence and consulting skills combined with Leadin's business-oriented planning and user interface expertise will improve the company's competitiveness. Gofore recently expanded also to Spain.
Target market growing rapidly	Gofore's target market, the new digitalization services in Finland, is expected to grow by 15-25% annually, according to management. Gofore is targeting to grow faster than its Finnish target market. Gofore has estimated its target market size at approximately EUR 0.8-1.1 billion, representing roughly 15% of the total Finnish IT-market. Digitalization is one of the main market drivers in the IT-services sector. Private and public companies are increasing their investments in digitalization projects to renew services, improve productivity and reduce costs.
Guidance for FY2017: Sales in the range of 32.5-34.5 MEUR	In 2017, Gofore expects its reported net sales to be in the range of EUR 32.5-34.5 million. Based on preliminary reported figures the net sales for 2017 would be EUR 34 million. Reported EBITA is expected to be in the range of EUR 5.2-6.2 million.
Strong growth in 2017, profitability expected to continue same path	We expect FY2017 EBITA to improve to EUR 6.0 (2.6) million, representing an EBITA-margin of 17.6% (14.1%). We estimate profitability improvement to be supported by strong sales growth, price increases and good cost discipline due to a competitive personnel cost structure.
Growth expected to slow down	We expect Gofore to continue strong sales growth in 2018E, supported by recruitments in 2017. We expect sales growth of 46.2 % in 2018E, after which we expect to see sales growth slowing down. We do not expect larger profitability improvements due to intensifying competition for skilled employees in Finland, which could put pressure on personnel expenses. Increasing difficulties in recruitments, which concerns the sector in general, could also result in a further slow down in growth.
BUY with target price of EUR 9.2	We initiate coverage of Gofore with a BUY-rating and target price of EUR 9.2. Our target price is based on our DCF-value and the peer multiples for 2018E. Gofore trades at a discount on earnings-based multiples for 2018E. Our target price values Gofore at 12.2x EV/EBIT 2018E.
Main risks to investment case	The main risks to our investment case are: 1) failing to maintain key personnel and attract new skilled professionals, 2) increased competition dampening price level, 3) unsuccessful internationalization, 4) Higher personnel costs due to wage inflation and 5) Customer risk; five largest customers have accounted for some 42% of the sales.

Company in brief

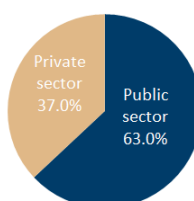
Rapidly growing IT-services company focusing on digitalization

Gofore, founded in 2002, is a Finland-based growth-seeking digitalization consulting and service company. The company's main market area is Finland but through its first acquisition, Leadin, Gofore also operates in Germany and the UK. The company also opened an office in Spain during Q4/2017. The company has six offices and 374 employees by the end of 2017. In Finland, Gofore's offices are located in Helsinki, Tampere and Jyväskylä. Outside Finland, the company has offices in Madrid, Munich, and Swansea. The company's services include the leading of digitalization changes in customer companies & public entities, design of user-oriented digital services, and building digital services and service architecture as well as maintenance. Gofore listed on the Nasdaq First North Helsinki exchange in 2017.

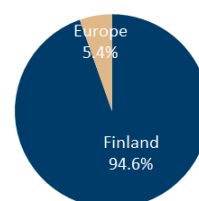
Net sales split



Customer split



Personnel by region



Source: Gofore pro forma 1-9/2017

From design to maintenance service offering

Gofore offers design, planning, building, implementing and maintenance of customers digital services and service architecture. Gofore helps organisations to keep up in the ever-changing environment and to capitalize on new business opportunities through digitalization. Gofore currently has over 150 customers in three countries (Finland, Germany and the UK). Operations in Spain are still in a start-up phase and to our understanding employees have mainly been working with existing projects in the other countries. Historically, Gofore has focused on public sector clients but as a result of the Leadin acquisition in May 2017 the company's customer portfolio is now also stronger in the private sector.

Gofore helps its customers at all stages of digital development

Gofore' services can be divided into four categories:

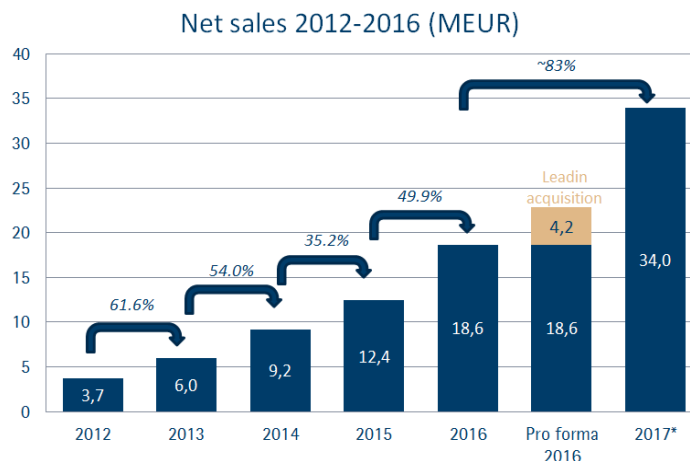
- 1) Leading digital transformation: Gofore helps its customers to renew their digital business strategies
- 2) Designing of digital services: Gofore offers technical development and design of new/renewed user- and business oriented digital services
- 3) Building phase: Gofore offers top-quality digital services, which include software development, user interface design, architecture consulting and project management
- 4) Cloud infrastructure: Service offering includes user and maintenance service on different cloud platforms, reselling cloud capacity, cloud consulting and training

Financial performance – strong track record

Strong growth coupled with good margins

Gofore has been able to grow rapidly while maintaining good profitability. Due to a labor-intensive and consultative nature of the business model, the revenue development follows closely the personnel growth. Net sales have increased from EUR 3.7 million in 2012 to EUR 18.6 million in 2016, with impressive annual growth rates. The net sales CAGR in between 2012-2016 was 49.7%. At the same time the number of personnel grew from 46 to 196. The company is targeting to achieve sales in the range of EUR 32.5-34.5 million in 2017. Gofore reports monthly revenue figures and preliminary sales figures indicate full year sales of EUR 34 million. To maintain the strong growth, Gofore

needs to succeed in recruiting new talents, further develop competences of existing employees and maintain the strong corporate culture.



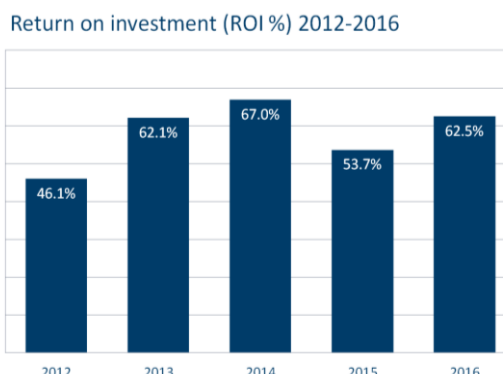
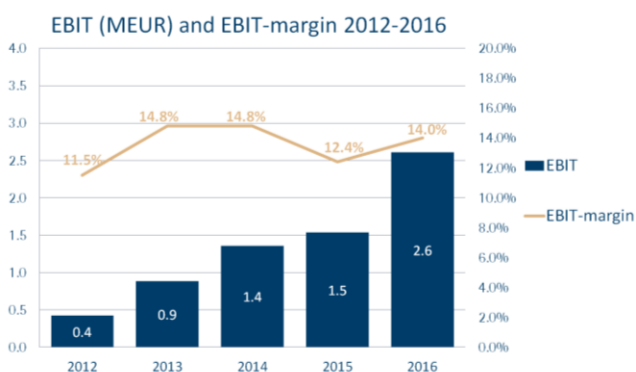
Source: Gofore, *based on preliminary, unaudited figures

Stable margins and high ROI

Historically, the company's profitability has developed favourably. Despite strong sales growth, Gofore has also been able to maintain relatively steady margins. This has been due to good cost discipline and ability to raise customer prices, according to management. The average EBIT-margin between 2012 and 2016 has been 13.5%, which in our view is a good level in the IT-services industry. Gofore's Return on Investment (ROI) has been at high levels and improved to 62.5% (53.7%) in 2016. Due to the consultative business model and healthy margins, Gofore is able to generate high returns.

Pro forma figures for 2016 and 2017 sales

Pro forma net sales 2016 amounted to EUR 22.8 million, including EUR 4.2 sales from Leadin. Pro forma 2016 EBIT-margin was 11.3%, which is lower than reported figures (14.1%) mainly due to higher depreciation & amortization and slightly weaker margins in Leadin. Net sales during 1-9/2017 were EUR 22.7 million, and sales for the last three months EUR 3.9m, EUR 4.1m, and EUR 3.2m respectively, placing the preliminary full year sales at EUR 34 million. Sales growth would be some 83 % from 2016 and 49 % on pro forma basis.



Source: Gofore

Profitability at good levels

The EBITA-margin improved to 17.7% (14.4%) and EBIT-margin increased to 16.9% (14.4%) in 1-9/2017. Pro forma EBITA-margin was 18.4% and pro forma EBIT-margin 16.7%. Profitability was supported by sales growth, price increases and good cost discipline. Gofore has not given profitability figures in its monthly reviews.

Guidance for 2017

In 2017, Gofore expects its reported net sales to be in the range of EUR 32.5-34.5 million. Reported EBITA is estimated to be in the range of EUR 5.2-6.2 million.

Cost structure – focus on personnel expenses

Personnel expenses majority of the cost base

The IT-services sector is a labour-intensive industry with personnel being a key asset. The majority of the companies' costs in the sector relate to personnel expenses. In 2016, personnel expenses represented 69% of the total cost base of Gofore. However, according to pro forma figures, the acquisition of Leadin has decreased the share of personnel expenses to 67% of the total cost base. Gofore's personnel cost base is competitive due to the offices in Tampere and Jyväskylä, where the company employs over 60% of its total personnel. Wages are lower in these cities compared to Helsinki, where the company has 34% of its employees. In 2016, personnel expenses increased (50.6%) in line with sales growth (49.9%). Several small and medium sized IT-services players have indicated in their press releases that they will increase the number of personnel significantly in 2017.

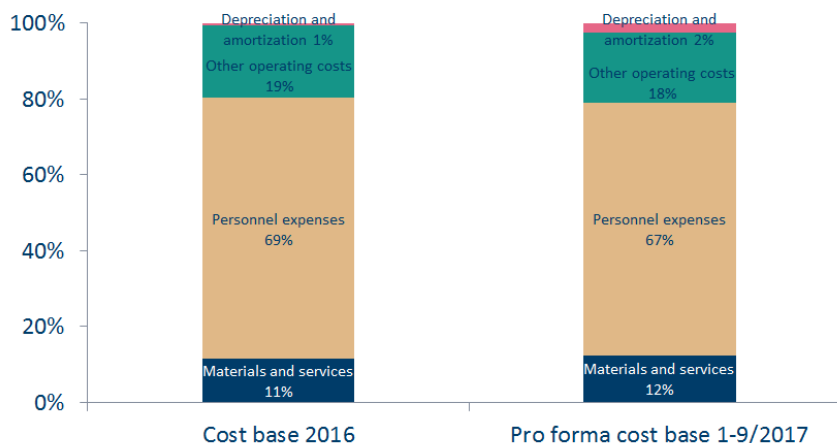
Other OPEX 19% of the total cost base

Materials and services represented 11% of the cost base in 2016 and 12% of the pro forma cost base 1-9/2017. Material & services expenses are mainly services that Gofore purchases from other companies in order to successfully complete customer projects. Other operating expenses were 19% of the cost base in 2016 but 18% of the pro forma 1-9/2017 cost base. Other operating expenses are mainly rents as the company has leased all of its office space.

A good cost control historically

As a staff-reliant IT-services provider with no sale of own products, the personnel expenses will naturally account for a large part of total costs also in the future. Changes in personnel costs will have a significant impact on margins. Historically, Gofore has been able to maintain a good cost control.

Gofore's cost base

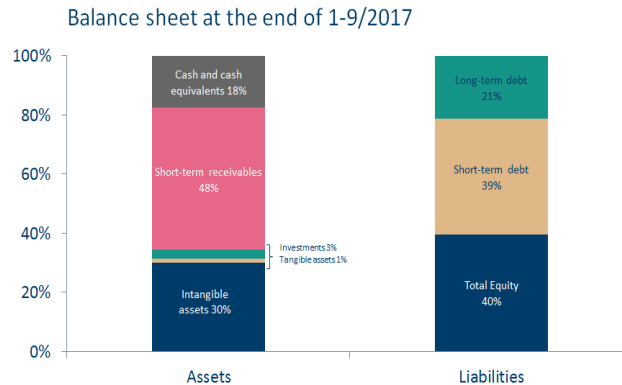
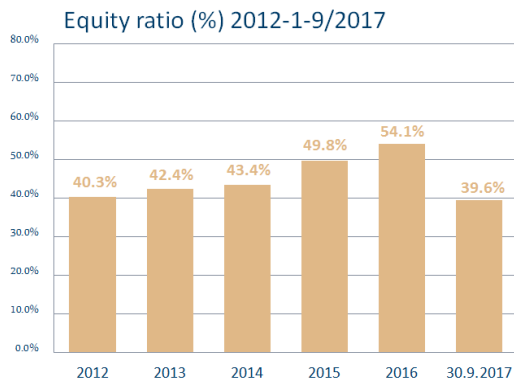


Source: Gofore

An asset-light balance sheet

Lower equity ratio after Leadin acquisition

Gofore's balance sheet is asset-light but due to the acquisition of Leadin, somewhat weaker than earlier. As a result of the acquisition, the equity ratio decreased from 54.1% at the end of the 2016 to 39.6% at the end of 1-9/2017. The company still has a relatively heavy cash position of EUR 3.3 million, representing 17% of the total balance sheet. We expect the proceeds from IPO in 11/2017 to increase the cash position to closer to 50 % of the balance sheet. Before the Leadin acquisition the company was debt free. Gofore now has long-term debt of EUR 3.9 million. However, due to the sizeable cash position net debt is at relatively low level.



Source: Gofore

Goodwill the main risk in the balance sheet

We consider the main risk in the balance sheet the relatively high goodwill. As a result of the Leadin acquisition, the company's goodwill increased to EUR 5.6 million, which represents 76% of the total equity. Due to Gofore's strong growth, the company's working capital has been at relatively high levels over the past couple of years. Gofore does not receive any significant advances in its projects. Since 2014, Gofore has leased all its fixed assets.

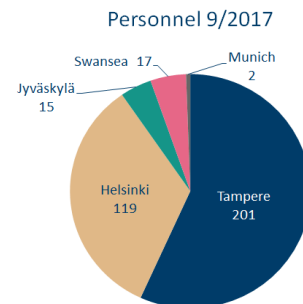
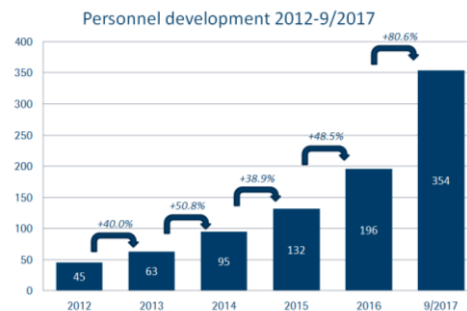
Personnel – active recruitment needed to maintain sales growth

Personnel the main "asset"

To attract, retain and train employees is crucial in order to succeed in the labour-intensive IT-services sector. Competent personnel can be seen as one of the key strengths of Gofore. The company also sees the strong company culture as one of the cornerstones of its operations.

Targeting to grow personnel also in '17

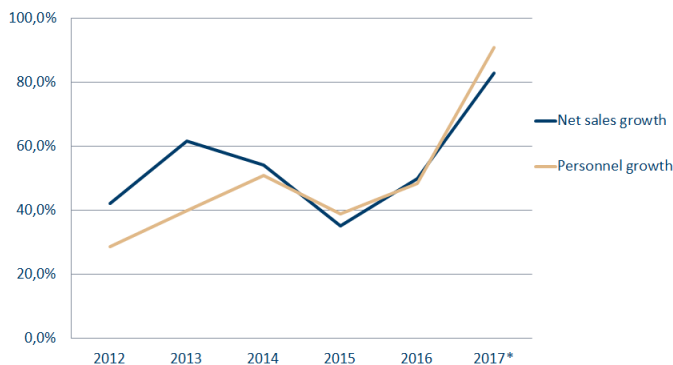
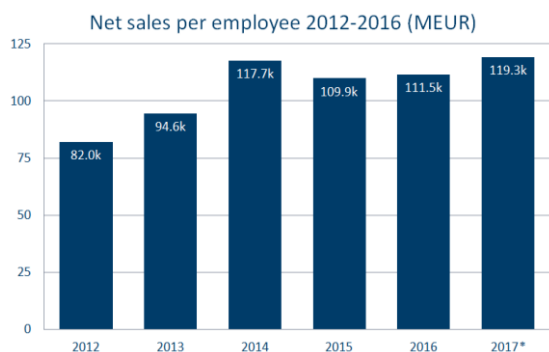
At the end of September 2017, Gofore had 354 employees in five locations. The company had 151 software designers, 61 software architects, 63 UX designers and researchers, 34 other experts and 45 employees in other tasks (data analysts, salespersons and administration). Gofore's target was to increase personnel to 380 employees by the end of 2017, nearly achieving the target with 374 employees at the end of 2017. Gofore has been able to hire management from inside the company, which highlights the strong company culture.



Source: Gofore

Almost 95% of the personnel in Finland

The majority of personnel is located in three offices (Tampere, Helsinki and Jyväskylä) in Finland. Gofore had 335 employees in Finland and 19 in Germany and the UK at the end of Q3/2017. The total employees by the end of 2017 was 374. Leadin's employees include researchers, business consultants, service and UI/UX designers, system and software architects, front-end developers as well as quality assurance experts. We find the new personnel from Leadin complementary and expect Gofore's new teams to be even more competitive.



Source: Gofore and Evli Research, *preliminary figures

High correlation between sales and personnel growth

Gofore's net sales per employee (average) ratio based on preliminary figures would appear to have improved in 2017 compared to the previous year. In 2017, Gofore's net sales/employee (average) ratio amounted to 119.3k. According to management, Gofore is able to familiarize new personnel rapidly, which supports the company's invoicing rate. There is a high correlation between sales and personnel growth due to Gofore's labour-intensive business model.

Personnel expenses grew in line with sales growth in '16


Personnel expenses amounted to EUR 11.1 million or 59.4% of net sales in 2016. Expenses grew in line with sales growth, up by 50.6%, while sales growth was 49.9%. According to Gofore, the average wage growth in recent years has been moderate. Wages among experienced professionals have grown but at the same time the company has recruited new employees with below company average wages. In our view, one of the company's strengths is successful and diverse recruiting as well as rapid familiarization of new employees into the organisation.

Respected employer in Finland and Europe

Gofore has performed extremely well in the Great Place to Work study. In 2017, Gofore was chosen as the best workplace in Finland in the category of medium sized companies. The company was also ranked as the second best company in the category for small & medium sized companies in Europe. The company targets to maintain the best workplace status by empowering and encouraging people to use their talents. With this approach, Gofore targets to ensure that every team is highly motivated to serve customers. The company has even highlighted in its vision that it wants to be recognised for its innovative company culture and as the best possible workplace.

Gofore's rankings in Great Place to Work study

Market area	Company size	2015	2016	2017
Finland	Medium	3.	3.	1.
Europe	Small & medium	26.	6.	2.



Source: Great Place to Work study 2017

Customers – public sector the largest customer segment

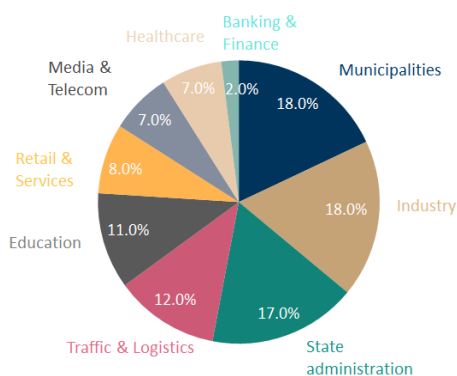
High share of public sector clients

Gofore has specialized in serving the public sector in digital transformation. Based on pro forma 1-9/2017, public sector customers accounted for 63% of the net sales. The private sector represented 37% of the net sales. In the public sector, Gofore has developed digital services for example for YLE (National public service broadcasting company), Trafi (Finnish Transport Safety Agency), Työterveyslaitos (Finnish Institute of Occupational Health) and Väestörekisterikeskus (Population Register Centre). According to management, the current government sourcing legislation is more flexible than before, enabling also small and medium sized companies to more easily participate in bidding processes.

Hit rate almost 60%

Among private customers, the main industry sectors are engineering industry, banking & finance, traffic & logistics, media & telecom and retail & services. Gofore's hit rate (the percentage of successes in sales to the number of attempts) has been almost 60% during first nine months in 2017, according to management.

Net sales by customer sector 1-9/2017



Customer portfolio



Source: Gofore

Targeting to expand industrial customer base

Through the acquisition of Leadin, Gofore's customer portfolio broadened to include more industrial customers. In Germany, the largest customer is technology company Voith, which is an important customer also on a Group level. According to Gofore, there are good possibilities to grow in Germany, especially in various industrial sectors. In the UK, Gofore operates in Swansea (university campus area), where it has both public and private sector customers. Gofore sees interesting growth opportunities especially in the UK public sector.

Pro forma 1-9'17 customer split

On pro forma basis in 1-9/2017, the five largest customers represented 42% of the net sales. Other customers share of net sales was 58%. Gofore currently has over 150 customers in three countries. In our view, the company's dependency on large customers is a risk.

Business model – labour-intensive, low risk model

Competitiveness based on skilled personnel	Gofore's business operations are based on delivery of digital solutions, services and consultancy for customers in the public and private sector. Employees are the key to maintaining the competitiveness in the fast-growing IT-services sector. Gofore has a strong company culture, which helps to maintain key personnel and attract new skilled employees. The business model is labour-intensive, which highlights the importance of HR operations.
Hourly based invoicing and price increases	The majority of the invoicing is based on hourly invoicing, which lowers the operative risk compared to project-driven models. Historically, Gofore has been able to raise customer prices faster than its personnel costs have increased. Gofore has a relatively high invoicing rate as almost all employees work in customer projects. Gofore is also able to familiarize new personnel quickly into its organisation, which supports the invoicing rate. The company also uses automation in its bidding processes to improve operational efficiency.
Teams key to success	Self-contained teams execute services and projects for customers. Typically, a team consist of 3-5 employees but for example in large projects for the public sector, teams can have some 20-30 employees from several offices. Gofore's versatile teams can offer service design, software development and planning, building, implementing as well as maintenance of customers digital services and service architecture. We see Gofore well-positioned to adapt to the changing needs of its customers.
Share of fixed priced projects relatively low	The Company also offers projects with fixed price and scheduled delivery. Often these projects are executed for the public sector clients. Fixed price projects carry more risk but can offer accelerated growth. The share of the fixed price project business is currently very low and the company is not planning to enlarge it due to higher operative risks.
Strong track record in Great Place to Work	Gofore is able to recruit and familiarize new personnel quickly into its organisation. Historically, personnel growth has translated into sales growth relatively rapidly. We see the organization as agile and the less hirarchical structure offers a competitive edge against especially the large IT-generalists. Decision-making is also quicker than in larger organisations. In our view, Gofore has a strong company culture, which lowers employee turnover and gives the company a better competitive position.
Cost competitiveness and price increases	In our view, Gofore's cost structure is very competitive in the Finnish IT-services sector. The company has offices in Tampere and Jyväskylä, where over 60% of the total personnel is located. Personnel expenses in these cities are lower compared to Helsinki, which supports Gofore's cost competitiveness against large IT-generalists as well as small and medium sized players.
Focus on the rapidly growing new digital services market	Gofore focuses on the new digital services market, where growth rates are clearly above the traditional IT-services market growth according to Gartner. However, there are several small and medium sized Finnish peers that are competing for the same market shares. Gofore operates mainly in the public sector market, where it has developed into a strong player. Gofore does not focus on a specific technology (e.g. Microsoft), which provides flexibility in operations.
Limited scalability, sales growth requires personnel recruitments	The share of recurring revenue (e.g. maintenance) is low, which lowers visibility of the top line. Due to the labor-intensive business model, scalability of the business is rather limited. In order to continue sales growth, Gofore needs to recruit new personnel as it is difficult to raise the sales per employee (average) ratio. It is key to find new talents and attract experienced professionals as competition for personnel is relatively tough in the IT-services sector.

Gofore – SWOT analysis

Strengths

- Competent personnel and ability to recruit new talents
- Agile and lean organization structure
- Offices outside Helsinki supporting cost structure
- Ability to raise customer prices

Weaknesses

- High exposure to public sector
- Limited scalability potential due to labor-intensive business model
- Less experienced IT-professionals against main competitors

Opportunities

- Strong growth of Finnish digitalization market
- Expansion to Western Europe
- New customer sectors through acquisition of Leadin

Threats

- Personnel costs increases/growth slowdowns due to competition for skilled employees
- Government's IT-budget constraints
- Unsuccessful expansion outside Finland

Source: Evli Research

Competitor analysis – several fast-growing peers in Finland

Large IT-generalists losing market share

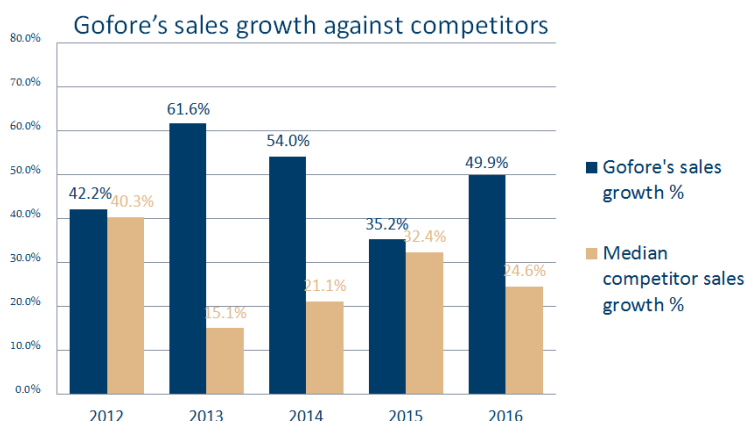
We see that the market structure of the Finnish IT-services sector is changing. Small and medium sized players are growing rapidly and recruiting actively. Large IT-generalists (Tieto, Accenture & CGI) still hold strong market positions in Finland but they are not as agile and innovative as the growing small & medium sized players. Hence, large IT-generalists have lost market share in the Finnish market. Some large and medium sized Nordic IT-services players are also present in the market but with low market shares.

Main competitors agile small and medium sized players

We have compared Gofore's financial performance against the company's main competitors (inc. listed and non-listed companies) in Finland. The main competitors include small & medium sized IT-services players Vincit, Nitor, Siili, Reaktor, Futurice and Solita. These players have grown relatively aggressively in the Finnish IT-market. All competitors operate in the digitalization market and the service offerings are close to each others.

Strong organic sales growth - Gofore has gained market share in the IT-services market

During the past five years, Gofore has every year grown faster than the median growth among its competitors. Gofore's net sales CAGR growth between 2012-2016 was 49.7%. Growth among small and medium sized IT-players has been fast – all main competitors have grown at double-digit rates during the last five years. The majority of the growth has been organic. Gofore's focus on IT-services related to digitalization has been the main contributor to growth. In addition, Gofore has increased its personnel relatively quickly, which has translated into sales growth. Gofore has not completed any acquisitions during 2012-2016.



Competitors: Vincit, Siili, Solita, Reaktor, Futurice and Nitor

Source: Asiakastieto

Good margin development

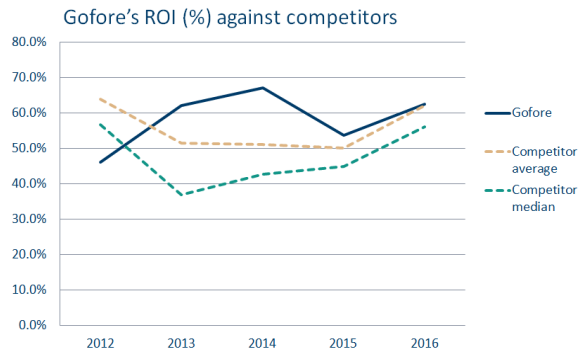
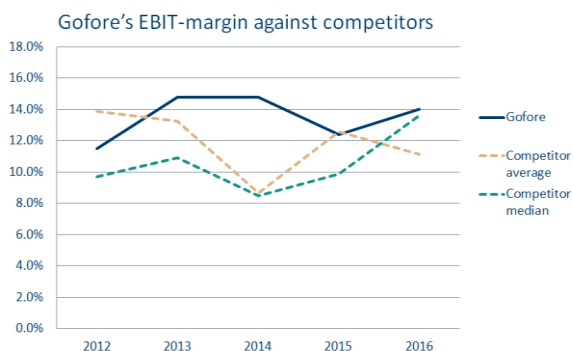
Profitability in the IT-services sector has been at a fairly high level in recent years. Gofore's historical profitability has been relatively stable but also at slightly higher levels than its competitors. Vincit, Nitor and Reaktor have had the highest EBIT-margins in the Finnish IT-services sector between 2012-2016. Especially Nitor and Reaktor have high focus on the Helsinki region, where customer prices are also higher. Only Siili and Solita have reported margins below 10% during recent years.

Profitability in line with sector

The average EBIT-margin in the sector has been 11.9%, while Gofore has been able to produce an average EBIT-margin of 13.5% during 2012-2016. In our view, Gofore's good profitability has been based on sales growth, good cost efficiency and effective service/project execution. Gofore has also been able to raise customer prices due to favourable demand in the IT-services sector.

Above average returns

Due to the asset-light business models, IT-services sector offers high returns. Average ROI % in the sector has been 55.8% in 2012-2016. Gofore's ROI % has been above the sector average during the last four years. Nitor and Reaktor have reported highest the returns as a result of strong margins.



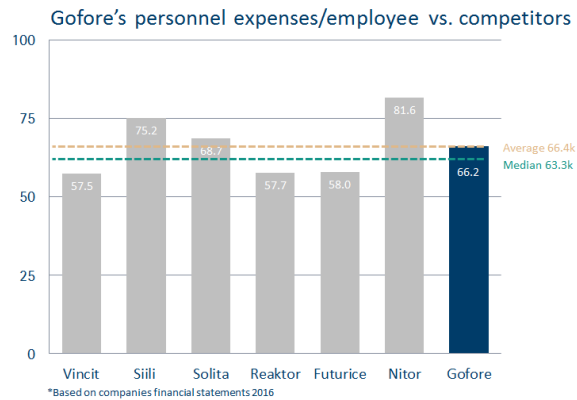
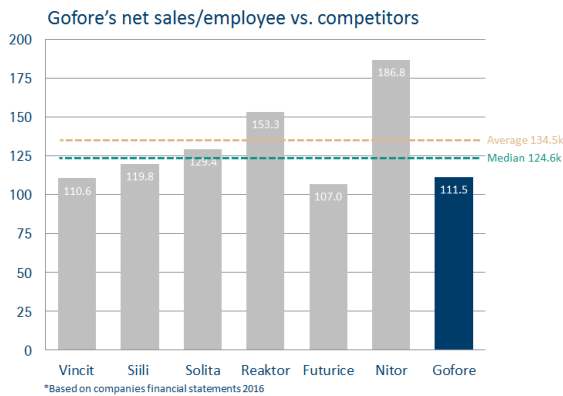
Competitors: Vincit, Siili, Solita, Reaktor, Futurice and Nitor
Source: Evli Research & Asiakastieto

Sales per employee below the sector average

We compared also the net sales/employee (average) and personnel expenses/employee (average) ratios in the Finnish IT-services sector. Gofore's net sales/employee (average) ratio amounted to 111.5k in 2016, which was below the sector average of 134.5k. Historically ('12-'16), Gofore's net sales/employee (average) ratio has been in the range of 80k-120k. The company increased its net sales/employee (average) ratio slightly in 2016. Nitor and Reaktor have the highest net sales/employee (average) ratios in the sector due to high focus on Helsinki and more experienced personnel.

Gofore's personnel expenses in line with competitor average

Personnel expenses constitute the vast majority of the costs among the IT-services players. Approximately half of all costs relate to personnel expenses. Gofore's personnel expenses/employee (average) ratio was slightly below the sector average at 66.2k in 2016. Due to subcontracting, personnel expenses vary between companies as subcontracting costs are usually not included in personnel expenses.



Source: Evli Research & Asiakastiето *Futurice's personnel based on Evli Research estimate

Lack of skilled employees

In 2017, several small and medium sized players in the sector have indicated in their press releases that they will grow the number of personnel due to strong demand in the Finnish IT-services market. Companies are especially interested in recruiting experienced IT-professionals, automation specialists and robotic professionals. Due to a shortage of skilled employees in the market, there is a risk that personnel expenses will increase in the coming years.

Moderate wage growth in the Finnish IT-sector

Historically, wage increases have been moderate in the Finnish IT-sector. According to TIVIA's statistics, men's average annual wage growth was 1.3% and women's 2.9%, respectively, in 2012-2015. According to the Collective Agreement in IT-services sector, wages are expected to remain stable in 2016-2017.

Gofore and its main competitors' offices in Finland



- Nitor and Reaktor have offices only in Helsinki
- Gofore, Solita, Vincit and Futurice employ app. 900 employees in Tampere
- Gofore has also an office in Jyväskylä, Central Finland
- Siili ja Solita have offices in Oulu, where there is large ICT-sector
- All players have an office in Helsinki

Lower personnel expenses outside the capital city region

In our view, Gofore's cost competitiveness is relatively good due to offices in Tampere and Jyväskylä. Of the total employees some 60 % have been employed in Tampere and Jyväskylä. In our estimate, wages are typically 10-20% lower in these cities compared to for example Helsinki. Furthermore, employee turnover is also lower outside Helsinki,

where competition for skilled personnel remains tough. Gofore also has relatively lean organization structure, which supports cost competitiveness against especially the large IT-services players (Tieto, CGI etc.).

Competitor summary	Solita	Siili	Reaktor	Vincit	Futurice	Nitor	Gofore
Net sales '16 (MEUR) (CAGR '12-'16)	58.2 (21.1%)	48.4 (30.6%)	53.2 (24.1%)	32.1 (57.0%)	29.9 (21.2%)	14.2 (20.6%)	18.6 (59.3%)
Profitability, EBIT-margin '16	5.0%	8.6%	14.1%	13.7%	13.6%	19.0%	14.0%
Personnel '16	450	404	347	290	~330	76	167
Geographical presence	Finland, Estonia, Sweden & Singapore	Finland, Germany, Poland & USA	Finland, USA, Netherlands, Japan & Dubai	Finland & USA	Finland, Sweden, Germany & UK	Finland, Sweden	Finland, Germany, UK & Spain
Recent M&A activity	Acquired, service design agency, Palmu (net sales ~7 MEUR) in 3/2017	Has acquired two companies in '17: 1) Stormbit (net sales 0.4 MEUR) 2) Omenia (net sales 3 MEUR)	Stake of roughly one third in Codemate (net sales 4 MEUR)	Acquired Xtopoly (USA) in 6/'17, Linja Design (FI) 10/'17, Avoltus (FI) 11/'17	-	-	Acquisition of service design company, Leadin (net sales 3.8 MEUR) in 4/'17
Private or Listed	Private	Listed on Nasdaq Helsinki	Private	Listed on Nasdaq First North Helsinki	Private	Private	Listed on Nasdaq First North Helsinki

Source: Company reports, Evli Research

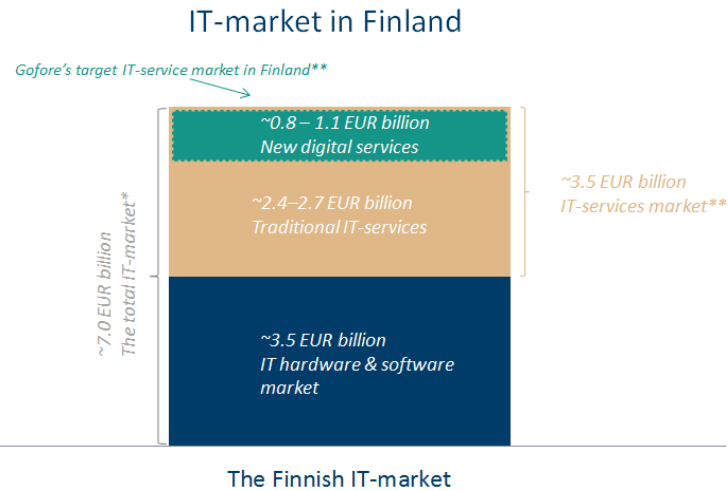
Market overview – new digital services market growing rapidly

IT-services market accounts for app. half of the total IT-market

According to Gartner, the size of the total Finnish IT-market in 2017 is expected to be EUR 7 billion, with a growth of 3.1% (Marketvisio). The IT-services market accounts for roughly 50% of the total IT-market in Finland. According to management, the Finnish IT-services market size is estimated to account for approximately EUR 3.5 billion, growing 4% in 2016. Growth is expected to continue also in 2017 and 2018 (Marketvisio). The development of the IT-services market is twofold, with traditional IT-services estimated to grow slowly or even decline and new services such as digitalization, cloud services, mobile solutions and Internet of Things (IoT) to grow rapidly.

Gofore's target market to grow by 15-25% annually

The Finnish IT-services market can be split into two: 1) Traditional IT-services 2) development of new digital services. Gofore focuses on the latter segment, which according to management is expected to grow by 15-25% annually. The new digital services market accounts for app. EUR 0.8 – 1.1 billion of which Gofore holds approximately a 2-3% share.



Source: *Gartner **Management estimates

Digitalization the main growth driver

The digital transformation is one of the key drivers in the Finnish IT-services market. Digital transformation means the integration of digital technology into all areas of public or private services. This results in fundamental changes to how companies operate and how they deliver value to customers. Digitalization offers customers the possibility to renew their services in order to grow and/or reduce costs by improved efficiency. Digitalization of services can also mean cost savings.

Cost savings and improved productivity

According to a digitalization survey conducted by PwC in 2016, public sector entities are mainly looking for cost savings and improved productivity through digitalization projects. Approximately 70% of companies and public entities use digitalization to improve efficiency of their core operations.

Improving customer experience through digitalization

In the private sector, companies are especially eager to improve customer experience of their products through digitalization projects. According to the PwC survey, digitalization of products typically include expansion of existing products, e.g. by adding smart sensors or communication devices that can be used with data analytics tools, as well as the creation of new digitized products, which focus on completely integrated solutions. PwC also highlights that leading industrial companies expand their offering by providing disruptive digital solutions such as complete, data-driven services and integrated platform solutions.

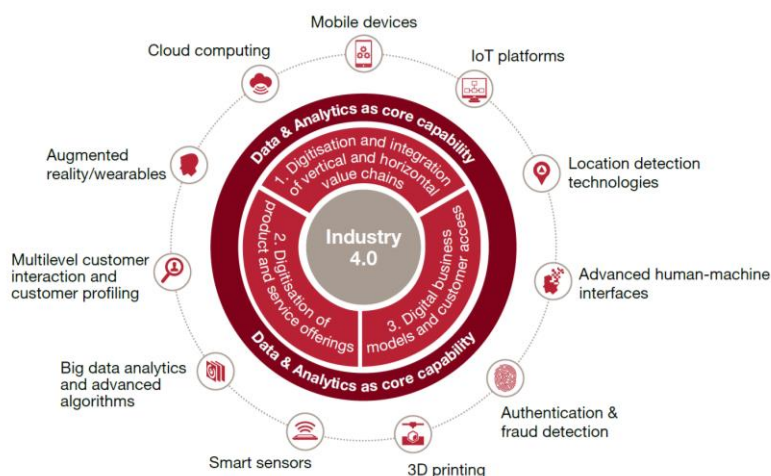
Several drivers in the industry sector

Predictive maintenance, automation, monitoring and customer experience management are the main digitalization drivers in the industrial sector. Industrial companies are eager to develop their mobile apps, e-commerce channels, customer service systems and other support systems. Digitalization of order processes and customer service has become increasingly important when industrial companies are targeting to improve their competitiveness. In addition, smart manufacturing initiatives often provide cost savings. Industrial companies are moving towards integrated planning and scheduling for manufacturing by combining data from sensors to ERP systems according to PwC. Real-time data offers the possibility to manufacture personalised products and react more quickly.

Focus also on people and culture

Often the biggest challenge in a digitalization project isn't the right technology but the lack of digital culture and skills in the customer organisation, according to PwC. While investing in right technologies is important, success is based on people-focused factors. Companies and public entities need to develop a digital culture and ensure that change is led effectively. Often a challenge is to find the right employees to put digitalization into place, which supports demand in the IT-services sector.

Industry 4.0 framework and contributing digital technologies



Source: PwC Digitalization survey 2016

Favorable market conditions expected to continue

We expect the market situation to remain favorable in the Finnish IT-services market. The market is growing and price competition in the sector is still moderate. The digitalization market is growing clearly faster than the overall IT-market, which supports Gofore's long-term outlook. In addition, Finnish Government has an on-going development programme in order to facilitate digitalization in the public sector. During 2017, economic conditions have improved further in Finland and the economy is expected to grow approximately 3.1 %, and 2.5 % in 2018, according to the Bank of Finland. This is expected to accelerate growth also in the IT-services market.

Strategy and financial targets

Targeting rapid, above the market growth

Gofore is targeting to grow rapidly both organically and inorganically. The target market, new digitalization services, is growing app. 15-25% annually according to management. Gofore is targeting to grow faster than the target market. The company also plans to increase its international business by expanding the customer base in selected countries. During the strategy period, the company will evaluate possible acquisition targets that can accelerate strategic growth. Gofore also plans to broaden its customer base especially in the private sector.

Ambitious financial targets

Gofore has set the following long-term financial targets:

- Growth: Gofore aims to grow faster than company's target IT-services market, which is expected to grow by 15-25% annually
- Profitability: EBITA-margin of 15%
- Dividend policy: Annual dividend at least 40% of the net profit. Following factors may have an impact on the dividend payment: Company's net profit, financial position, new growth initiatives, operative cash flow, the amount of net debt, necessity of debt reduction and other material factors considered by the Board of Directors.



Source: Gofore and Evli Research

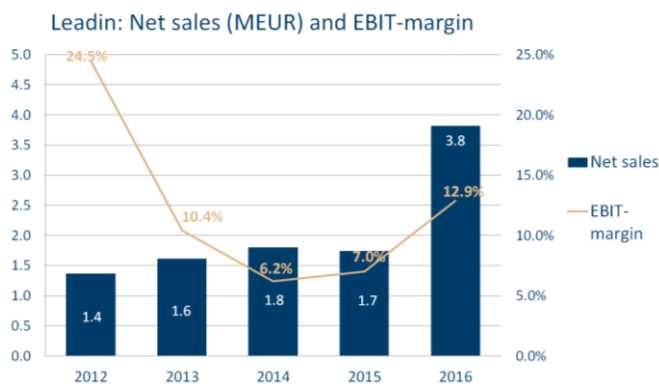
Acquisition of Leadin strengthens Gofore's competitiveness in service design

Acquisition of Leadin supports Gofore's internationalization plans

Gofore acquired service design company Leadin in May 2017. Gofore acquired all shares in Leadin from the major shareholder, BCM Consulting, and all other shares were exchanged for shares in Gofore. The acquisition price was not disclosed. Leadin's design competence, international business operations and complementary customer portfolio were the main reasons behind the acquisition.

Leadin - fast-growing services design expert

Leadin is an international expert in user experience planning and production, and service design. The company is targeting to create added value for its clients based on user insight. Leadin employs over 80 experts in Helsinki, Tampere, Jyväskylä, Munich and Swansea. In 2016, the company's net sales amounted to EUR 3.8 million. Finland represented around two-thirds and international markets one-third of the net sales. Leadin's net sales CAGR growth in between 2012-2016 was 29.2%. In 2016, Leadin's sales grew strongly due to good demand in Germany and the UK. Leadin's historical profitability has been somewhat volatile. The average EBIT-margin between 2012-2016 has been 12.2%. In 2016, profitability improved as a result of higher operational efficiency, good execution of projects and services and higher invoicing rates from larger orders.



Source: Leadin Oy, Leadin Helsinki Oy and Leadin Software Oy were merged into Leadin Oy 31.12.2015

Customer base increases especially in the private sector	Through the acquisition, Gofore has a more comprehensive service offering for both the public and private sector. Leadin's customer portfolio includes customers from engineering, banking, IT, manufacturing, service and public sectors. Gofore's state-of-the-art technology competence and ability to manage and steer large projects combined with Leadin's business-oriented planning and user interface expertise will improve the company's competitiveness.
Expansion into international markets	Leadin has operations in Germany and the UK, which enables Gofore to offer services outside Finland. Before the acquisition, Gofore operated only in Finland. Gofore can now offer complete end-to-end digital transformation from research, concept and design, to consultancy, development and support, for its customers.
Leadin's service production	Leadin's service production includes three stages: 1) Pre-production (users research, business design and concept design) 2) Production (UX design & SW development), and 3) Post-production (deployment, training, life-cycle management). In our view Leadin's business complements well the current offering of Gofore.
Integration costs of Leadin - no material impact on H2/2017	Through the acquisition of Leadin, Gofore has presence outside Finland and we expect that the company will start to expand its operations in Germany and the UK. Leadin's design competence will support Gofore's competitiveness in all market areas. However, Leadin is Gofore's first acquisition and some Leadin employees may find Gofore's organization culture too different from what they are used to. Integration costs of the acquisition are expected to be minimal and costs will not have any material impact on H2/2017 figures. According to Gofore's management, the integration of the Leadin has proceeded according to plan. Leadin has been reported under Gofore as of 1 June 2017.
Strong demand in Germany and the UK	Long-term demand for digitalisation services is expected to be strong in Germany and the UK, according to management. In Germany, Gofore already has one large customer, Voith, and demand especially in the industry sector is expected to be favorable. In the UK, demand is fuelled by public sector projects.

Increased M&A activity in the Finnish IT-services sector

High M&A activity especially among small and medium sized players	Due to strong market growth and challenges in recruitment of skilled employees, several IT-services players have increased their M&A activity in Finland, in our view. M&A activity has been high especially among small and medium sized IT-services companies. Companies are interested in mainly small targets that have specialized in specific IT-segments (for instance digitalization, service design, robotic & automation). Especially small service design companies have become part of medium sized IT-service players. It has also become more challenging to grow organically as it is an increasing challenge to find skilled employees.
IT-services players seek growth also from international markets	Small & medium sized IT-players have also increased their presence through acquisitions outside Finland. Companies have expanded their operations mainly to Sweden, where the IT-services market is considerably larger than in Finland. Some companies have also expanded their operations to Western Europe and USA.
Latest transactions in the market	During 2016-2017, Solita, Siili and Reaktor have been the most active in acquisitions. Digital business consultancy and digital services company Solita acquired Palmu, a service design agency, in March 2017. Palmu is Finland's largest and most experienced service design company. Together, the companies are aiming for nearly EUR 80 million in sales in 2017. Siili has acquired two IT-companies in the first half of 2017. In the first acquisition, the company acquired Stormbit, a 3D specialist and virtual solution provider (net sales 0.4 MEUR). The company also made another acquisition in May 2017, acquiring Omenia, a software automation specialist (net sales 3 MEUR). Reaktor acquired a stake of roughly one third in software development company Codemate (net sales 4 MEUR) in

June 2017. Vincit has acquired digital agency Xtopoly (US), service design company Linja design, and Avoltus.

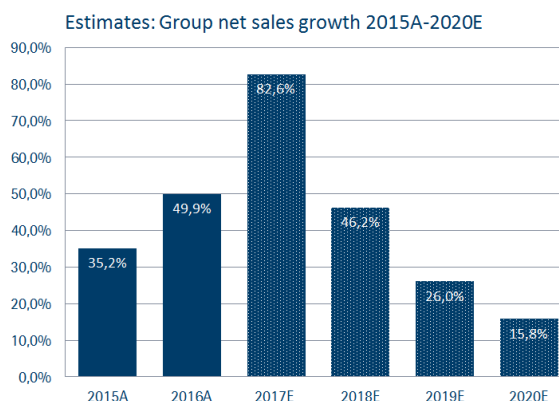
M&A activity expected to continue

We expect market consolidation to continue in the Finnish IT-services sector. We expect that large IT-generalists, that have challenges to grow, to become more interested in fast-growing small and medium sized players. We also expect medium sized players to continue their M&A activity to acquire new employees. We do not expect Gofore to be active in acquisitions in the short-term due to the relatively large acquisition of Leadin in 2017.

Estimates

Gofore's preliminary full year 2017 sales at EUR 34m

Based on Gofore's Q1-Q3/2017 and the monthly reviews FY2017 sales were EUR 34m. This would put 2017 sales growth at some 83 %. The FY2017 sales guidance is at EUR 32.5-34.5m. We estimate organic growth to have been some 64 %. We estimate that app. 95% of the net sales was generated from Finland and app. 5% from Europe.



Source: Evli Research

Our FY2017 EBITA estimate at 6.0 MEUR. vs. guidance range of 5.2-6.2 MEUR

We expect FY2017 EBITA to improve to EUR 6.0 million, representing an EBITA-margin of 17.6%. Gofore has guided that the EBITA is expected to be in the range of EUR 5.2-6.2 million in 2017.

Estimates for 2018E-2020E

Rapid sales growth expected to continue in '18E

Personnel growth in 2017E and the acquisition of Leadin will create a strong base for sales growth in 2018E. Gofore also has good possibilities to continue growth in Finland and abroad. In the long-term, we expect slight growth in the sales/employee ratio driven by higher customer prices and growth in the private sector both in Finland and Europe.

Strong personnel growth in '17E drives growth in '18E

Gofores personnel at the end of 2017 was 374. This represents an increase of nearly 91 % compared to 2016. Our Group net sales growth estimate for 2018E is at 46.2 % or EUR 49.7 million. We expect sales from Finland to generate app. 90 % and Europe app. 10 % of the sales, respectively.

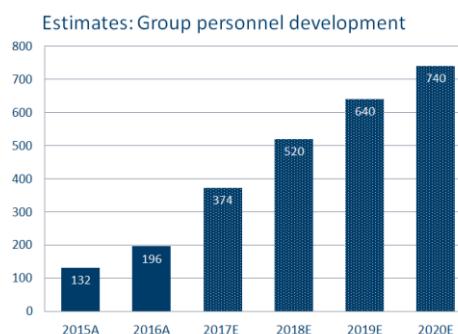
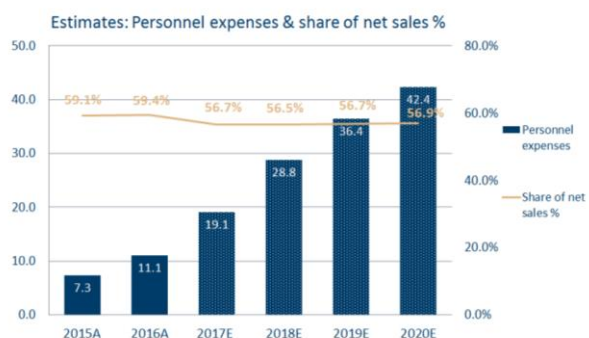
Slower personnel recruiting in '18E & '19E

We expect the relative growth in personnel to slow down in 2018E-2019E. Although the company has had a good track-record of new recruitments we see some pressure on recruitments from the industry overall, as the growth has had an effect on the availability of employees. We see that this will have some impact on sales growth in following years 2019E-2020E. We expect a slight increase in sales/employee for 2019E-2020E both in Finland and Europe. Sales growth is also expected to be more in line with

the target market growth in Finland. We expect Gofore to continue to expand its operations in Europe.

Sales growth expected to decelerate in '19 & '20

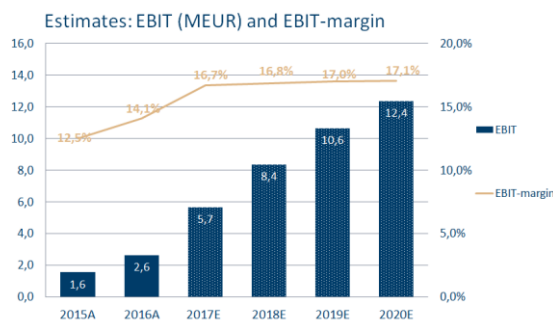
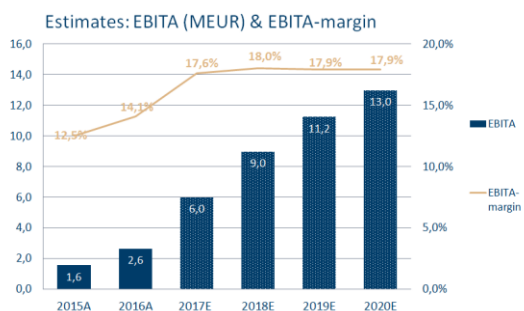
In our estimates, we expect Gofore's sales to grow by 26.0% and 15.8% in 2019E-2020E, respectively. We expect growth in Finland to be more in line with market growth due to slower recruiting and increasing competition. In Europe, we expect sales to grow strongly in Germany and the UK due to strong demand and personnel growth. According to our estimates the net sales/employee ratio is expected to be slightly higher in European operations compared to Finland as a result of higher prices.



Source: Evli Research

Profitability supported by competitive cost structure

With the slower top line growth, we see support for margins remaining at high levels. The company has a competitive cost structure due to offices in Tampere and Jyväskylä, where personnel expenses are lower compared to e.g. Helsinki. We expect Gofore to continue recruitments especially in Tampere, Jyväskylä and Swansea, where personnel expenses are close to Tampere's level. We expect the personnel expenses/net sales to remain below 2016 levels, which supports margin development. We also expect slightly lower share of other operating costs (mainly rents) due to synergies from the Leadin acquisition. We estimate that Gofore is able to continue price increases due to favorable demand in the IT-services sector and higher exposure to international markets. Our EBITA-margin estimates for 2018E-2020E are 18.0 %, 17.9 % and 17.9 %, respectively.



Source: Evli Research

Operating model (reported basis)	2014A	2015A	2016A	2017E	2018E	2019E	2020E
Net sales (Group)	9,2	12,4	18,6	34,0	49,7	62,6	72,5
<i>growth %</i>	54,0%	35,2%	49,9%	82,6%	46,2%	26,0%	15,8%
<i>Other income</i>	0,1	0,1	0,1	0,2	0,2	0,2	0,2
Materials and Services	-1,2	-1,4	-1,8	-3,5	-4,8	-6,0	-7,0
<i>of net sales %</i>	12,8%	11,5%	9,9%	10,3%	9,7%	9,6%	9,6%
Personnel expenses	-5,3	-7,3	-11,1	-19,2	-28,2	-35,6	-41,4
<i>growth %</i>		38,0%	50,6%	73,9%	46,5%	26,2%	16,2%
<i>of net sales %</i>	58,0%	59,1%	59,4%	56,6%	56,7%	56,8%	57,0%
Other operating costs	-1,3	-2,1	-3,1	-5,3	-7,8	-9,8	-11,2
<i>of net sales %</i>	14,5%	16,8%	16,6%	15,7%	15,7%	15,7%	15,5%
EBITDA	1,4	1,6	2,7	6,1	9,1	11,4	13,2
EBITDA-margin %	15,5%	12,9%	14,5%	18,0%	18,3%	18,2%	18,2%
Depreciation	0,0	-0,1	-0,1	-0,1	-0,1	-0,2	-0,2
Amortization	0,0	0,0	0,0	-0,3	-0,6	-0,6	-0,6
EBITA	1,4	1,6	2,6	6,0	9,0	11,2	13,0
EBITA-margin %	14,9%	12,5%	14,1%	17,6%	18,0%	17,9%	17,9%
EBIT	1,4	1,6	2,6	5,7	8,4	10,6	12,4
EBIT-margin %	14,9%	12,5%	14,1%	16,7%	16,8%	17,0%	17,1%
Personnel	95	132	196	374	520	640	740
Growth in personnel	N/A	38,9%	48,5%	90,8%	39,0%	23,1%	15,6%

Source: Evli Research

Valuation

BUY with target price of EUR 9.2

We initiate coverage of Gofore with a BUY-rating and target price of EUR 9.2. Our target price is based on our DCF-value and the peer multiples for 2018E. Gofore trades at a discount on earnings-based multiples for 2018E. Our target price values Gofore at 12.2x EV/EBIT 2018E.

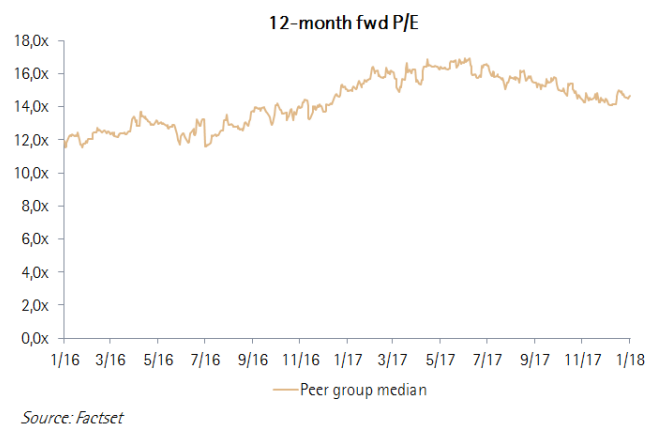
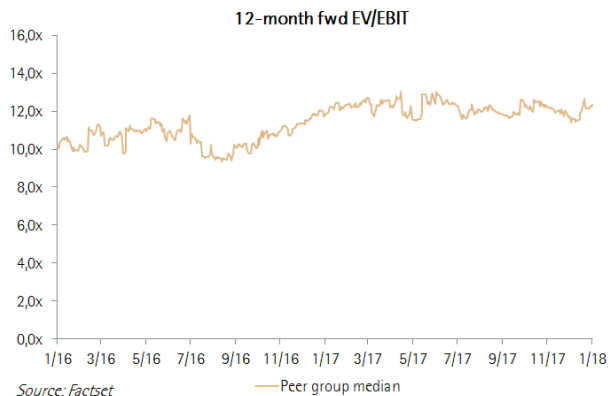
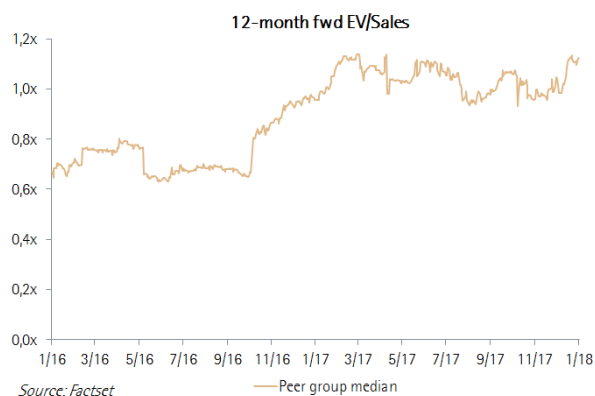
VALUATION	
	Implied value
DCF	10,0
Peer EV/EBIT '18	9,4
Peer EV/Sales '18	5,8
Peer P/E '18	8,4
Target price (EUR)	9,2

Source: Evli Research

Peer multiples

Our Nordic peer group for Gofore

Our peer group for Gofore consists of Nordic public IT-services companies listed in Finland, Sweden and Norway. We have compared the Finnish companies' valuation against Swedish and Norwegian players (other Nordic, in the table). Finnish companies include Tieto, Vincit, Innofactor, Siili Solutions and Solteq. Other Nordic companies include HiQ (SWE), Acando (SWE), Knowit (SWE) and Atea (NO).



Valuation multiples in the Nordic IT-services sector have risen during the 2017. However, market conditions are favourable and profits in the sector are expected to grow in 2017-2018. Including all peer group companies, median EV/Sales, EV/EBIT, and P/E multiples are at 1.2x, 12.6x, and 16.5x for 2018E, respectively.

GOFORE PEER GROUP	MCAP MEUR	EV/Sales			EV/EBIT			P/E		
		17E	18E	19E	17E	18E	19E	17E	18E	19E
Tieto	2114	1,5x	1,4x	1,4x	15,4x	14,3x	13,6x	17,3x	16,5x	15,7x
Siili Solutions	88	1,3x	1,2x	1,0x	15,1x	12,6x	11,3x	20,5x	17,4x	15,4x
Vincit Group	79	1,9x	1,4x	1,3x	16,7x	11,2x	9,4x	25,1x	14,3x	11,9x
Innofactor	37	0,8x	0,7x	0,7x	52,9x	13,3x	9,1x		17,4x	10,2x
Solteq	28	0,8x	0,7x	0,7x	34,4x	12,0x	10,8x	29,8x	13,5x	11,5x
HiQ	373	2,0x	1,9x	1,8x	16,6x	14,7x	13,6x	22,5x	19,7x	18,0x
Acando	333	1,4x	1,2x	1,2x	13,3x	11,9x	11,1x	17,7x	15,5x	14,4x
Knowit	326	1,2x	1,2x	1,1x	13,2x	11,7x	10,8x	16,3x	14,3x	13,1x
Atea	1302	0,4x	0,4x	0,4x	17,8x	14,4x	12,4x	21,6x	17,3x	14,7x
Peer Group Average	520	1,3x	1,1x	1,1x	21,7x	12,9x	11,3x	21,4x	16,2x	13,9x
Peer Group Median	326	1,3x	1,2x	1,1x	16,6x	12,6x	11,1x	21,0x	16,5x	14,4x
Gofore (Evli est.)	95	2,5x	1,6x	1,1x	15,0x	9,3x	6,7x	27,9x	14,4x	11,2x

Gofore prem./disc. to peer median

86 % 35 % 4 % -9 % -26 % -39 % 33 % -13 % -22 %

Source Bloomberg, Evli Research

GOFORE PEER GROUP	Sales 16A	Sales gr.		EBIT-%			Div. yield		
		17E	18E	17E	18E	19E	17E	18E	19E
Tieto	1493	3 %	4 %	9,6 %	10,0 %	10,1 %	4,6 %	4,9 %	5,1 %
Siili Solutions	48	25 %	17 %	8,9 %	9,2 %	9,1 %	3,6 %	4,4 %	5,6 %
Vincit Group	32	30 %	32 %	11,5 %	12,9 %	13,6 %	1,7 %	2,3 %	2,6 %
Innofactor	60	14 %	4 %	1,4 %	5,4 %	7,4 %		0,0 %	1,3 %
Solteq	63	4 %	12 %	2,3 %	5,9 %	6,3 %	4,0 %	3,4 %	4,0 %
HiQ	175	3 %	7 %	12,0 %	12,7 %	12,9 %	5,0 %	5,3 %	5,6 %
Acando	233	7 %	9 %	10,2 %	10,5 %	10,7 %	4,5 %	4,8 %	5,1 %
Knowit	256	8 %	7 %	9,4 %	10,0 %	10,2 %	3,0 %	3,6 %	4,2 %
Atea	3357	-1 %	5 %	2,4 %	2,9 %	3,2 %	5,6 %	5,8 %	6,0 %
Peer Group Average	635	10 %	11 %	7,5 %	8,8 %	9,3 %	4,0 %	3,8 %	4,4 %
Peer Group Median	175	7 %	7 %	9,4 %	10,0 %	10,1 %	4,3 %	4,4 %	5,1 %
Gofore (Evli est.)	19	83 %	46 %	16,7 %	16,9 %	17,0 %	1,1 %	2,1 %	3,6 %

Source Bloomberg, Evli Research

M&A valuation multiples

Increased M&A activity in the Nordic IT-services sector

M&A activity in the Nordic IT-services market has been fairly active over the last two years. Transactions have mainly focused on Finland and Sweden and the activity has been highest among small and medium sized companies. Among the most active, Siili and Solita, have strengthened their market position by acquiring small IT-specialists in Finland. Some small Finnish IT-players have also expanded their operations to Sweden through acquisition. Large IT-generalists (e.g. Tieto & CGI) have focused on acquiring mainly medium sized players from the Nordic market. However, it seems that acquirors mainly look for special competences or specific technologies to strengthen their offering rather than improving their market shares.

Date	Acquirer	Target	Market	Net sales	EBITDA	EBIT	Enterprise value (EV)	EV/Sales	EV/EBITDA	EV/EBIT
Nov-17	Columbus	iStone	Sweden	80,6	1,0		43.9-58.2	1-1.3	42.6-56.5	
Oct-17	Tieto	Avega Group	Sweden	45,2		4,0	57,0	1,3		14,2
Oct-17	Vincit	Linja Design	Finland	1,3		0,2	0.9-1.5	0.7-1.2		4.5-7.5
Aug-17	CGI	Affecto	Nordics	112,5	7,8	7,0	102,2	0,9	13,2	14,6
Jul-17	Digitalist Group	NodeOne Group	Sweden	3,9	0,3	0,3	4,4	1,1	15,3	15,5
Jun-17	Solteq	InPulse Works	Finland	4,9	0,3	0,2	3,5	0,7	10,8	16,3
May-17	Siili	Stormbit	Finland	0,4	0,0					
May-17	Siili	Omenia	Finland	1,9	0,3	0,3	2.1-3.4	1.1-1.8	7.7-12.5	7.9-12.8
Mar-17	HiQ	Presis AB	Sweden	1,7		neg.	0,9	0,5		
Mar-17	Solita	Palmu	Finland	7,6		1,3				
Dec-16	Affecto	Bigdatapump	Finland	3,4		0,6	3.5-6.5	1.0-1.9		5.6-10.4
Oct-16	Innofactor	Lumagate	Nordics	8,7	0,2	0,2	4.7-10.5	0.5-1.2	20.0-44.7	24.6-55
Oct-16	Nixu	Safeside Solutions	Sweden	2,4			2,2	0,9		
Oct-16	Solteq	Aponsa	Sweden	2,2	0,1	0,1	1,1	0,5	16,4	17,9
Sep-16	Tieto	Emric	Nordics	19,5			31,3	1,6		
Aug-16	HiQ	Great Apes	Finland	1,3		0,3				
Jun-16	Nixu	Bitsec	Sweden	2,5		0,1	2,3	0,9		21,6
Mar-16	IFS	MainioT	Finland	5,0			7.4-8.0	1.5-1.6		
Feb-16	Solita	HMV Yhtiöt	Finland	2,0						
Dec-15	Vincit	Javerdel	Finland	12,6		-0,3				
Dec-15	Innofactor	Cinteros	Sweden	11,4	1,0	0,9	2.7-8.0	0.2-0.7	2.8-8.3	2.8-8.4
Dec-15	Tieto	Smilehouse	Finland	10,3	1,1	1,1				
Jul-15	Solteq	Descom	Finland	35,2	2,6	2,3	26,0	0,7	10,0	11,3
Jun-15	Tieto	Software Innovation	Norway	41,0	5,3	5,1	70,2	1,7	13,2	13,7
		average		17,4	1,7	1,4	20,2	1,0	17,6	14,3
		median		4,9	0,6	0,3	5,0	1,0	13,2	13,9

Source: Factset & companies' press releases

Average EV/Sales multiple in transactions between 2015 and 2017 has been 1.0x. Earnings-based M&A multiples are higher compared to valuation multiples of listed IT-services companies. During 2015-2017, median M&A multiples in the sector have been EV/EBITDA at 13.2x and EV/EBIT at 13.9x. In some of the acquisitions, there has been earn-outs where the seller will obtain additional compensation in the future if certain financial targets are achieved. We expect market consolidation to continue in the Nordic countries as large IT-generalists become more interested in fast-growing small and medium sized players. Hence, M&A valuation multiples are likely to increase from current levels.

Risk factors

Main risks to investment case

The main risks to our investment case are:

1) **Failing to maintain key personnel and attract new skilled professionals.**

Competition for skilled employees is increasing in the IT-services sector. Especially experienced IT-professionals, automation specialists and robotic professionals are on the recruiting list of many companies. Several small and medium sized companies have indicated that they will increase personnel in 2017 due to strong demand in the market. Some IT-services players have acquired small companies to get new employees as it has become more difficult to find right employees.

2) **Increased competition dampening price level.** Due to strong growth expectations in the new digitalization market, competition is likely to intensify. The current price level is healthy but when market growth decelerates, price competition may increase in the sector. Typically price competition is tougher in the public sector, which is Gofore's main market.

3) **Unsuccessful internationalization.** We expect Gofore to grow its personnel aggressively in Europe. However, the ability to recruit employees outside Finland is somewhat uncertain as the company has previously operated only in Finland. Unsuccessful recruitments outside Finland is in our view a risk.

4) **Higher personnel costs due to wage inflation.** Despite moderate historical wage inflation, we consider strong market growth and a lack of experienced employees may potentially increase wage competition in the IT-services market.

5) **Customer risk.** Gofore's five largest customers have accounted for some 42% of the company's net sales, which we consider a risk.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.35 PV of Free Cash Flow	53 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	10.03 PV of Horizon value	65 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	36.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	10.8 Marketable securities	14 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	9.4 Debt - dividend	-4 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	55.2 Value of stock	120 Nr of shares, Mn	12.9 Effective tax rate, %	20

DCF valuation, EURm	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	Horizon
Net sales	19	34	50	63	73	80	85	90	92	95	97	100
<i>Sales growth, %</i>	<i>49.9</i>	<i>82.8</i>	<i>46.1</i>	<i>26.0</i>	<i>15.8</i>	<i>10.0</i>	<i>7.0</i>	<i>5.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	3	6	8	11	12	12	12	12	11	10	11	11
<i>EBIT margin, %</i>	<i>14.1</i>	<i>16.7</i>	<i>16.9</i>	<i>17.0</i>	<i>17.1</i>	<i>15.0</i>	<i>14.0</i>	<i>13.0</i>	<i>12.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>
+ Depreciation+amort.	0	0	1	1	1	1	1	1	1	0	1	
- Income taxes	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	0	-2	1	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-0.6</i>	<i>5.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-1	-6	0	0	0	0	-1	-1	-1	-1	0	-1
<i>Investments / Sales, %</i>	<i>3.6</i>	<i>17.5</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>	<i>0.5</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	2	-3	8	9	10	10	10	10	9	8	9	138
= Discounted FCF (DFCF)		-3	8	7	8	7	6	6	5	4	4	65
= DFCF min WACC		-3	8	7	8	7	7	6	5	4	4	73
= DFCF max WACC		-3	8	7	8	7	6	6	5	4	4	57

INTERIM FIGURES

EVLI ESTIMATES, EURm	2016Q1	2016Q2	2016Q3	2016Q4	2016	2017Q1	2017Q2	2017Q3	2017Q4E	2017E	2018E	2019E
Net sales	0	9	4	6	19	0	14	8	11	34	50	63
EBITDA	0	1	1	1	3	0	3	2	2	6	9	11
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>14.2</i>	<i>16.4</i>	<i>13.8</i>	<i>14.6</i>	<i>0.0</i>	<i>18.1</i>	<i>18.1</i>	<i>18.0</i>	<i>18.1</i>	<i>18.4</i>	<i>18.3</i>
EBIT	0	1	1	1	3	0	3	1	2	6	8	11
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>13.8</i>	<i>15.6</i>	<i>13.4</i>	<i>14.1</i>	<i>0.0</i>	<i>17.4</i>	<i>15.9</i>	<i>16.4</i>	<i>16.7</i>	<i>16.9</i>	<i>17.0</i>
Net financial items	0	0	0	0	0	0	0	0	-1	-1	0	0
Pre-tax profit	0	1	1	1	3	0	2	1	1	4	8	11
Tax	0	0	0	0	-1	0	0	0	0	-1	-2	-2
<i>Tax rate (%)</i>	<i>0.0</i>	<i>38.6</i>	<i>-13.7</i>	<i>20.0</i>	<i>20.0</i>	<i>0.0</i>	<i>17.5</i>	<i>25.4</i>	<i>23.0</i>	<i>20.5</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0	1	1	1	2	0	2	1	1	3	7	8
EPS	0.00	6.96	7.09	5.91	19.96	0.00	0.16	0.07	0.04	0.26	0.51	0.65
EPS adjusted (diluted no. of shares)	0.00	6.96	7.09	5.91	19.96	0.00	0.16	0.07	0.04	0.26	0.51	0.65
Dividend per share	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.08	0.15	0.26
SALES, EURm												
Group	0	9	4	6	19	0	14	8	11	34	50	63
Total	0	9	4	6	19	0	14	8	11	34	50	63
SALES GROWTH, Y/Y %												
Group	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-54.1</i>	<i>49.9</i>	<i>0.0</i>	<i>65.5</i>	<i>97.6</i>	<i>98.2</i>	<i>82.8</i>	<i>46.1</i>	<i>26.0</i>
Total	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-54.1</i>	<i>49.9</i>	<i>0.0</i>	<i>65.5</i>	<i>97.6</i>	<i>98.2</i>	<i>82.8</i>	<i>46.1</i>	<i>26.0</i>
EBIT, EURm												
Group	0	1	1	1	3	0	3	1	2	6	8	11
Total	0	1	1	1	3	0	3	1	2	6	8	11
EBIT margin, %												
Group	<i>0.0</i>	<i>13.8</i>	<i>15.6</i>	<i>13.4</i>	<i>14.1</i>	<i>0.0</i>	<i>17.4</i>	<i>15.9</i>	<i>16.4</i>	<i>16.7</i>	<i>16.9</i>	<i>17.0</i>
Total	<i>0.0</i>	<i>13.8</i>	<i>15.6</i>	<i>13.4</i>	<i>14.1</i>	<i>0.0</i>	<i>17.4</i>	<i>15.9</i>	<i>16.4</i>	<i>16.7</i>	<i>16.9</i>	<i>17.0</i>

INCOME STATEMENT, EURm	2012	2013	2014	2015	2016	2017E	2018E	2019E
Sales	4	6	9	12	19	34	50	63
<i>Sales growth (%)</i>	<i>42.2</i>	<i>61.6</i>	<i>54.0</i>	<i>35.2</i>	<i>49.9</i>	<i>82.8</i>	<i>46.1</i>	<i>26.0</i>
Costs	-3	-5	-8	-11	-16	-28	-41	-51
Reported EBITDA	0	1	1	2	3	6	9	11
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>12.6</i>	<i>15.5</i>	<i>15.5</i>	<i>12.9</i>	<i>14.6</i>	<i>18.1</i>	<i>18.4</i>	<i>18.3</i>
Depreciation	0	0	0	0	0	0	-1	-1
EBITA	0	1	1	2	3	6	8	11
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	0	1	1	2	3	6	8	11
<i>EBIT margin (%)</i>	<i>11.6</i>	<i>14.8</i>	<i>14.9</i>	<i>12.5</i>	<i>14.1</i>	<i>16.7</i>	<i>16.9</i>	<i>17.0</i>
Net financials	0	0	0	0	0	-1	0	0
Pre-tax profit	0	1	1	2	3	4	8	11
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	-1	-1	-2	-2
Minority shares	0	0	0	0	0	0	0	0
Net profit	0	1	1	1	2	3	7	8
BALANCE SHEET, EURm								
Assets								
Fixed assets	0	0	0	0	1	6	6	5
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>4</i>	<i>18</i>	<i>12</i>	<i>9</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	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>
Receivables	0	0	2	3	3	8	10	13
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>21</i>	<i>21</i>	<i>18</i>	<i>24</i>	<i>20</i>	<i>20</i>
Liquid funds	0	0	2	2	4	14	18	23
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>21</i>	<i>20</i>	<i>19</i>	<i>41</i>	<i>37</i>	<i>37</i>
Total assets	0	0	4	5	8	28	34	41
Liabilities								
Equity	0	0	2	3	4	18	23	30
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>19</i>	<i>20</i>	<i>22</i>	<i>53</i>	<i>47</i>	<i>48</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	0	0	0	0	0	4	2	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>13</i>	<i>3</i>	<i>0</i>
Non-interest bearing current liabilities	0	0	2	2	3	6	9	11
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>22</i>	<i>20</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>
Other interest free debt	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>
Total liabilities	0	0	4	5	8	28	34	41
CASH FLOW, EURm								
+ EBITDA	0	1	1	2	3	6	9	11
- Net financial items	0	0	0	0	0	-1	0	0
- Taxes	0	0	0	0	-1	-1	-2	-2
- Increase in Net Working Capital	0	0	0	0	0	-2	1	0
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	0	1	1	1	2	2	8	9
- Capex	0	0	0	0	-1	-6	0	0
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	0	1	1	1	2	-4	8	9
+/- Change in interest-bearing debt	0	0	0	0	0	4	-3	-2
+/- New issues/buybacks	0	0	0	0	0	10	0	0
- Paid dividend	0	0	0	0	0	-1	-1	-2
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	0	0	2	1	1	10	4	5

KEY FIGURES	2013	2014	2015	2016	2017E	2018E	2019E
M-cap	0	0	0	0	95	95	95
Net debt	0	-2	-2	-4	-10	-17	-23
Enterprise value	0	-2	-2	-4	85	78	72
Sales	6	9	12	19	34	50	63
EBITDA	1	1	2	3	6	9	11
EBIT	1	1	2	3	6	8	11
Pre-tax	1	1	2	3	4	8	11
Earnings	1	1	1	2	3	7	8
Book value	0	2	3	4	18	23	30
Valuation multiples							
EV/sales	0.0	-0.2	-0.2	-0.2	2.5	1.6	1.1
EV/EBITDA	0.0	-1.2	-1.4	-1.3	13.9	8.6	6.3
EV/EBITA	0.0	-1.2	-1.5	-1.3	15.0	9.3	6.7
EV/EBIT	0.0	-1.2	-1.5	-1.3	15.0	9.3	6.7
EV/operating cash flow	0.0	-1.3	-2.1	-1.5	29.5	9.2	7.9
EV/cash earnings	0.0	-1.5	-1.8	-1.6	22.1	10.7	7.7
P/E	0.0	0.0	0.0	0.0	27.9	14.4	11.2
P/E excl. goodwill	0.0	0.0	0.0	0.0	27.9	14.4	11.2
P/B	0.0	0.0	0.0	0.0	5.3	4.1	3.2
P/sales	0.0	0.0	0.0	0.0	2.8	1.9	1.5
P/CF	0.0	0.0	0.0	0.0	32.9	11.1	10.5
Target EV/EBIT	0.0	0.0	0.0	0.0	19.3	12.2	9.0
Target P/E	0.0	0.0	0.0	0.0	35.0	18.0	14.0
Target P/B	0.0	0.0	0.0	0.0	6.7	5.1	4.0
Per share measures							
Number of shares	0	106	106	106	12,949	12,949	12,949
Number of shares (diluted)	0	106	106	106	12,949	12,949	12,949
EPS	0.00	10.34	11.61	19.96	0.26	0.51	0.65
EPS excl. goodwill	0.00	10.34	11.61	19.96	0.26	0.51	0.65
Cash EPS	0.00	10.81	12.13	20.75	0.30	0.57	0.72
Operating cash flow per share	0.00	12.09	10.21	22.47	0.22	0.66	0.70
Capital employed per share	0.00	0.41	2.17	5.80	0.63	0.52	0.50
Book value per share	0.00	16.46	23.75	39.36	1.38	1.81	2.32
Book value excl. goodwill	0.00	16.46	23.75	39.36	1.38	1.81	2.32
Dividend per share	0.00	4.00	4.00	5.00	0.08	0.15	0.26
Dividend payout ratio, %	0.0	38.7	34.4	25.1	30.0	30.0	40.0
Dividend yield, %	0.0	0.0	0.0	0.0	1.1	2.1	3.6
Efficiency measures							
ROE	0.0	0.0	57.7	63.3	30.9	31.9	31.7
ROCE	0.0	140.2	66.9	76.1	43.0	35.5	38.6
Financial ratios							
Capex/sales, %	0.8	2.5	0.2	3.6	17.5	0.6	0.6
Capex/depreciation excl. goodwill,%	100.0	453.8	51.8	792.5	1,285.2	41.9	47.1
Net debt/EBITDA, book-weighted	0.0	-1.2	-1.4	-1.3	-1.6	-1.8	-2.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	0.0	43.4	49.3	54.3	63.0	68.6	72.4
Gearing	0.00	-0.98	-0.91	-0.85	-0.54	-0.72	-0.78
Number of employees, average	63	95	132	196	374	520	640
Sales per employee, EUR	94,613	96,651	94,075	94,981	90,981	95,614	97,885
EBIT per employee, EUR	13,963	14,419	11,755	13,394	15,187	16,154	16,631

COMPANY DESCRIPTION: Gofore is an international growth-seeking digitalisation services company. The company helps customers to succeed at all stages of digital development. Gofore offers design, planning, building, implementing and maintenance of customers digital services and service architecture. Gofore was founded in 2002.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kärki Timur Juhana	1,875,000	13.781	14.5%
Venola Mika Petteri	1,770,000	13.009	13.7%
Lammi Jani Markus	1,770,000	13.009	13.7%
Varjus Mika	1,770,000	13.009	13.7%
Ilmarinen Mutual Pension Insurance Company	871,801	6.408	6.7%
Varma Mutual Pension Insurance Company	517,952	3.807	4.0%
Saadetdin Ali	408,936	3.006	3.2%
Kallio Sami Juhani	245,511	1.805	1.9%
Nylund Mikael	245,025	1.801	1.9%
Virtanen Juha Laakso	243,269	1.788	1.9%
Ten largest	9,717,494	71.424	75%
Residual	3,231,306	23.750	25%
Total	12,948,800	95.174	100%

EARNINGS CALENDAR

February 15, 2018 FY 2017 Results
August 15, 2018 Q2 report

OTHER EVENTS

March 27, 2018 AGM

COMPANY MISCELLANEOUS

CEO: Timur Kärki Kalevantie 2, 33100 Tampere
CFO: Petteri Venola Tel:
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	Balancesheet 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)	$\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$	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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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

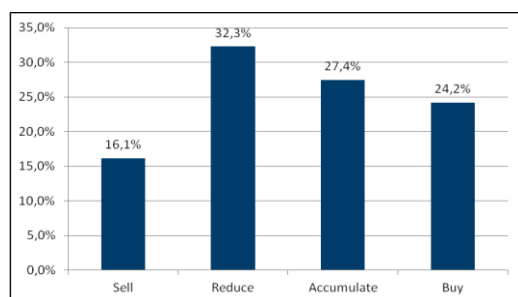
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

<http://research.evli.com>

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 in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 22nd of February 2017. If recommendation is not given, it is not mentioned here.

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

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