

Profitability below expectations

Gofore's EBIT in H2 amounted to EUR 2.6m, falling below our estimate of EUR 3.8m due to among other things a lower billing rate and increase in subcontracting. Gofore expects net sales in 2019 between EUR 71-79m. The dividend proposal is at EUR 0.19 per share (Evli 0.18).

- Gofore H2 net sales amounted to EUR 25.9m, with sales growth in H2 at 32.2% compared to H2/17 figures. The company's international business net sales amounted to EUR 5.7m, corresponding to 11.3% of total net sales.
- EBIT in H2 was EUR 2.6m, falling below our estimates (Evli EUR 3.8m), at an EBIT-margin of 9.9%. Profitability was affected by a somewhat lower billing rate during the autumn and integration of acquired companies along with an increase in subcontracting and volume of low-margin cloud capacity.
- **Guidance:** Gofore expects net sales in 2019 between EUR 71-79m. The guidance before the acquisition of Silver Planet was EUR 65-73m.
- **Dividend:** Gofore's BoD proposes a dividend of EUR 0.19 per share (Evli 0.18).
- The number of personnel at the end of the period was 495 (2017: 374).

| Rating | | | | + BUY |
|---|--------|------|-------|--------------------------|
| H2/18 | Actual | Evli | H2/17 | |
| Net sales | 25.9* | | 19.6 | |
| EBIT | 2.6 | 3.8 | 2.9 | |
| EPS | 0.15 | 0.23 | 0.11 | |
| DPS | 0.19 | 0.18 | 0.15 | |
| Deviation | Actual | Evli | H2/17 | |
| Net sales | | | 32% | |
| EBIT | | -32% | -9% | |
| EPS | | -35% | 36% | |
| DPS | | 6% | 27% | |
| <i>*Pre-announced</i> | | | | |
| Share price, EUR (Last trading day's closing price) | | | | 8.57 |
| Target price, EUR | | | | 9.8 |
| Latest change in recommendation | | | | 22-Nov-18 |
| Latest report on company | | | | 22-Nov-18 |
| Research paid by issuer: | | | | YES |
| No. of shares outstanding, '000's | | | | 13,109 |
| No. of shares fully diluted, '000's | | | | 13,109 |
| Market cap, EURm | | | | 112 |
| Free float, % | | | | - |
| Exchange rate EUR | | | | 1.000 |
| Reuters code | | | | GOFORE.HE |
| Bloomberg code | | | | GOFORE FH |
| Average daily volume, EURm | | | | 0.01 |
| Next interim report | | | | 19-Feb-19 |
| Web site | | | | www.gofore.com |
| Analyst | | | | Jerker Salokivi |
| E-mail | | | | jerker.salokivi@evli.com |
| Telephone | | | | +358 9 4766 9149 |

+ BUY + HOLD - SELL

PRE-REPORT 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 |
|--------------------------|---------------|--------------|-------------------------|--------------------|------------|------------|-----------------------|-------------|----------------|------------|
| 2016 | 19 | 3 | 14.1% | 3 | 19.96 | 0.0 | -0.2 | 0.0 | -1.3 | 5.00 |
| 2017 | 34 | 5 | 15.8% | 4 | 0.26 | 27.3 | 2.4 | 83.4 | 15.5 | 0.15 |
| 2018E | 51 | 7 | 14.4% | 7 | 0.44 | 19.4 | 1.9 | 11.3 | 13.1 | 0.18 |
| 2019E | 68 | 10 | 14.5% | 10 | 0.59 | 14.5 | 1.4 | 12.9 | 9.3 | 0.24 |
| 2020E | 78 | 12 | 14.7% | 12 | 0.70 | 12.2 | 1.1 | 11.0 | 7.4 | 0.28 |
| Market cap, EURm | 112 | | BV per share 2018E, EUR | | 1.7 | | CAGR EPS 2017-20, % | | 39.9 | |
| Net debt 2018E, EURm | -15 | | Price/book 2018E | | 5.2 | | CAGR sales 2017-20, % | | 32.0 | |
| Enterprise value, EURm | 97 | | Dividend yield 2018E, % | | 2.1 | | ROE 2018E, % | | 29.3 | |
| Total assets 2018E, EURm | 35 | | Tax rate 2018E, % | | 21.2 | | ROCE 2018E, % | | 30.9 | |
| Goodwill 2018E, EURm | 0 | | Equity ratio 2018E, % | | 61.2 | | PEG, P/E 18/CAGR | | 1.0 | |

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

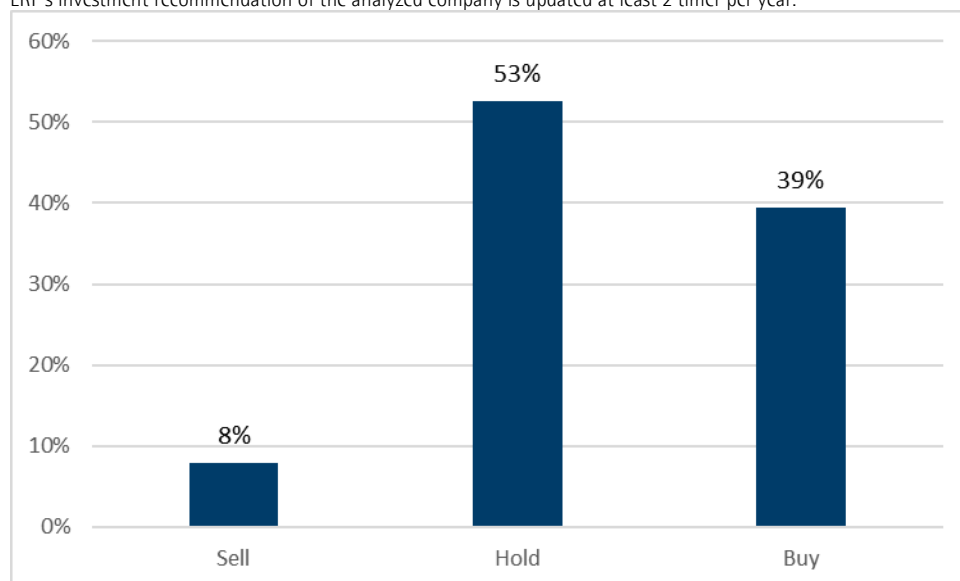
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Investment recommendations are defined as follows:

| 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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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9130
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120

ETFs and Derivatives

Tobias Björk (Head) +358 9 4766 9130
Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130
Sami Järvinen +358 9 4766 9110

Structured Investments

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

Equity Research

Joonas Häyhä +358 9 4766 9662
Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC

Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail
firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Kungsgatan 27, P.O. Box 16354
SE-111 56 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001