

## Back on track in Q1

Gofore released its business review for March 2020 and first quarter figures, with net sales up 12.8% in Q1 and profitability at high levels, with the adj. EBITA-% at 17.3%. We have slightly lowered our estimates due to the Coronavirus pandemic but currently expect only a limited impact in particular due to the comparatively large exposure to the public sector. With our lowered estimates we adjust our TP to EUR 7.8 (8.2), HOLD-rating intact.

### Profitability in Q1 back at solid levels

Gofore released its business review for March 2020 and first quarter figures. Net sales in Q1 grew 12.8% to EUR 18.8m. The adjusted EBITA amounted to a solid EUR 3.3m, at a margin of 17.3% (Q1/19: 17.2%). EBITA amounted to EUR 2.5m, affected by non-recurring costs and provisions relating to the divestment of the UK business. Gofore's profitability figures were clearly positive given the challenges faced during the latter half of 2019.

### Currently expect a rather limited impact of the pandemic

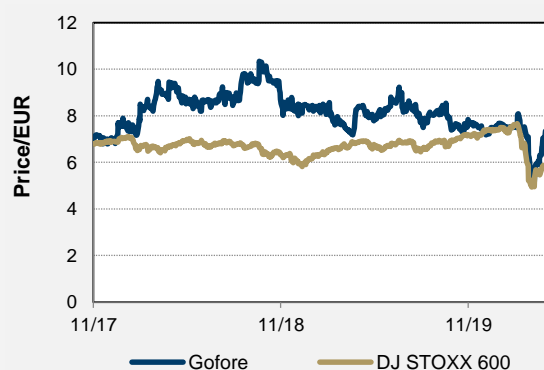
We have lowered our 2020 sales growth and EBITA estimates by 3pp and 12.5% respectively. The adjustments relate mainly to the estimated impact of the Coronavirus pandemic. We currently do not expect a major impact due to the comparatively large public sector exposure. We assume some challenges in sales of new projects due to customer investment caution, which we expect to show during H2/2020 as a slightly lower billing rate and thus lower sales and profitability. So far, the effects of the pandemic have been limited to employees shifting to working remotely and March sales figures were at a solid level.

### HOLD with a target price of EUR 7.8 (8.2)

Current circumstances relating to the pandemic do not suggest a significant negative impact on Gofore's operations, but a further prolongation would without a doubt have an adverse effect. On our revised estimates we lower our target price to EUR 7.8 (8.2) and retain our HOLD-rating.

### Rating

HOLD



Share price, EUR (Last trading day's closing price) 7.34

Target price, EUR 7.8

Latest change in recommendation 20-Feb-19

Latest report on company 20-Feb-20

Research paid by issuer: YES

No. of shares outstanding, '000's 14,013

No. of shares fully diluted, '000's 14,013

Market cap, EURm 103

Free float, % 0.0

Exchange rate EUR 1.000

Reuters code GOFORE.HE

Bloomberg code GOFORE FH

Average daily volume, EURm 0.04

Next interim report 14-Aug-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
2018	50.6	6.1	12.0%	5.8	0.36	23.4	2.0	16.3	5.2	0.19
2019	64.1	6.1	9.5%	6.4	0.32	23.7	1.4	14.6	6.1	0.23
2020E	68.4	6.1	8.9%	6.4	0.31	23.8	1.2	13.8	6.2	0.25
2021E	73.8	8.3	11.3%	8.3	0.44	16.6	1.1	9.5	8.1	0.28
2022E	79.0	9.0	11.4%	8.9	0.49	15.1	0.9	8.2	8.6	0.30
Market cap, EURm			103	Gearing 2020E, %		-58.3	CAGR EPS 2019-22, %			15.3
Net debt 2020E, EURm			-19	Price/book 2020E		3.2	CAGR sales 2019-22, %			7.2
Enterprise value, EURm			84	Dividend yield 2020E, %		3.4	ROE 2020E, %			13.5
Total assets 2020E, EURm			51	Tax rate 2020E, %		20.1	ROCE 2020E, %			16.3
Goodwill 2020E, EURm			16	Equity ratio 2020E, %		64.2	PEG, P/E 20/CAGR			1.2

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

Gofore	2018	H1/'19	H2/'19	2019	H1/'20E	H2/'20E	2020E	2021E	2022E
Net sales	50.6	33.5	30.6	64.1	36.2	32.2	68.4	73.8	79.0
<i>sales growth %</i>	49.0%	35.5%	18.2%	26.7%	8.1%	5.2%	6.7%	8.0%	7.0%
Other income	0.2	0.0	0.3	0.3	0.1	0.1	0.2	0.2	0.2
Materials and services	-7.9	-4.7	-4.0	-8.7	-4.9	-4.3	-9.2	-10.2	-10.9
Personnel expenses	-27.6	-18.6	-18.1	-36.7	-20.2	-18.7	-38.9	-41.3	-44.2
Other op. expenses	-8.3	-5.2	-5.6	-10.8	-6.6	-5.6	-12.2	-12.0	-12.9
EB ITA	6.8	5.0	3.0	8.0	4.5	3.6	8.1	10.3	11.0
<i>EBITA-%</i>	13.4%	14.8%	10.0%	12.5%	12.4%	11.1%	11.8%	14.0%	14.0%
Adj. EB ITA				8.0	5.3	3.6	8.4	10.3	11.0
<i>Adj. EBITA-%</i>				12.5%	14.6%	11.1%	12.3%	14.0%	14.0%
EB IT	6.1	4.1	2.0	6.1	3.5	2.6	6.1	8.3	9.0
<i>EBIT-%</i>	12.1%	12.3%	6.5%	9.5%	9.6%	8.0%	8.9%	11.3%	11.4%

GOFORE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVRY	2490	6.5x	5.6x	5.6x	8.7x	7.8x	7.8x	11.0x	9.8x	9.8x
Sili Solutions	56	7.6x	5.9x	5.9x	11.8x	8.0x	8.0x	15.9x	10.2x	10.2x
Vincit	43	11.0x	7.3x	7.3x	14.5x	8.6x	8.6x	21.7x	12.1x	12.1x
Innofactor	26	7.7x	7.2x	7.2x	18.5x	12.8x	12.8x	19.3x	11.9x	11.9x
Solteq	19	7.7x	6.0x	6.0x	27.4x	14.8x	14.8x		18.0x	18.0x
HiQ International	197	10.5x	8.1x	8.1x	12.5x	9.3x	9.3x	18.2x	13.2x	13.2x
Knowit	255	7.5x	6.7x	6.7x	8.0x	7.4x	7.4x	12.6x	11.0x	11.0x
Atea	913	7.3x	6.3x	6.3x	12.1x	9.8x	9.8x	15.6x	12.4x	12.4x
Peer Group Average	500	8.2x	6.7x	6.7x	14.2x	9.8x	9.8x	16.3x	12.3x	12.3x
Peer Group Median	127	7.6x	6.5x	6.5x	12.3x	9.0x	9.0x	15.9x	12.0x	12.0x
Gofore (Evli est.)	103	10.2x	7.5x	6.6x	13.8x	9.5x	8.2x	23.8x	16.6x	15.1x
<i>Gofore prem./disc. to peer median</i>		33%	15%	1%	12%	6%	-8%	49%	38%	26%
Gofore (Evli est. adj.)*	103	10.2x	7.5x	6.6x	10.4x	7.7x	6.7x	16.3x	12.6x	11.7x

Source FactSet, Evli Research. \*FAS goodwill amortization adj.

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	0.0	33.5	0.0	30.6	64.1	0.0	36.2	0.0	32.2	68.4	73.8	79.0
EBITDA	0.0	5.1	0.0	3.2	8.2	0.0	4.6	0.0	3.7	8.3	10.5	11.3
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>15.1</i>	<i>0.0</i>	<i>10.3</i>	<i>12.8</i>	<i>0.0</i>	<i>12.7</i>	<i>0.0</i>	<i>11.4</i>	<i>12.1</i>	<i>14.3</i>	<i>14.3</i>
EBIT	0.0	4.1	0.0	2.0	6.1	0.0	3.5	0.0	2.6	6.1	8.3	9.0
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>6.5</i>	<i>9.5</i>	<i>0.0</i>	<i>9.6</i>	<i>0.0</i>	<i>8.0</i>	<i>8.9</i>	<i>11.3</i>	<i>11.4</i>
Net financial items	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Pre-tax profit	0.0	4.1	0.0	2.0	6.0	0.0	3.4	0.0	2.5	5.9	8.2	9.0
Tax	0.0	-1.0	0.0	-0.6	-1.6	0.0	-0.9	0.0	-0.7	-1.6	-2.0	-2.2
<i>Tax rate (%)</i>	<i>0.0</i>	<i>20.1</i>	<i>0.0</i>	<i>19.8</i>	<i>20.0</i>	<i>0.0</i>	<i>20.0</i>	<i>0.0</i>	<i>20.0</i>	<i>20.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	3.1	0.0	1.4	4.4	0.0	2.5	0.0	1.8	4.3	6.2	6.8
EPS	0.00	0.22	0.00	0.10	0.32	0.00	0.18	0.00	0.13	0.31	0.44	0.49
EPS adjusted (diluted no. of shares)	0.00	0.22	0.00	0.10	0.32	0.00	0.18	0.00	0.13	0.31	0.44	0.49
Dividend per share	0.00	0.00	0.00	0.00	0.23	0.00	0.00	0.00	0.00	0.25	0.28	0.30
<b>SALES, EURm</b>												
Group	0.0	33.5	0.0	30.6	64.1	0.0	36.2	0.0	32.2	68.4	73.8	79.0
Total	0.0	33.5	0.0	30.6	64.1	0.0	36.2	0.0	32.2	68.4	73.8	79.0
<b>SALES GROWTH, Y/Y %</b>												
Group	<i>0.0</i>	<i>35.5</i>	<i>0.0</i>	<i>18.2</i>	<i>26.7</i>	<i>0.0</i>	<i>8.1</i>	<i>0.0</i>	<i>5.2</i>	<i>6.7</i>	<i>8.0</i>	<i>7.0</i>
Total	<i>0.0</i>	<i>35.5</i>	<i>0.0</i>	<i>18.2</i>	<i>26.7</i>	<i>0.0</i>	<i>8.1</i>	<i>0.0</i>	<i>5.2</i>	<i>6.7</i>	<i>8.0</i>	<i>7.0</i>
<b>EBIT, EURm</b>												
Group	0.0	4.1	0.0	2.0	6.1	0.0	3.5	0.0	2.6	6.1	8.3	9.0
Total	0.0	4.1	0.0	2.0	6.1	0.0	3.5	0.0	2.6	6.1	8.3	9.0
<b>EBIT margin, %</b>												
Group	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>6.5</i>	<i>9.5</i>	<i>0.0</i>	<i>9.6</i>	<i>0.0</i>	<i>8.0</i>	<i>8.9</i>	<i>11.3</i>	<i>11.4</i>
Total	<i>0.0</i>	<i>12.3</i>	<i>0.0</i>	<i>6.5</i>	<i>9.5</i>	<i>0.0</i>	<i>9.6</i>	<i>0.0</i>	<i>8.0</i>	<i>8.9</i>	<i>11.3</i>	<i>11.4</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	12.4	18.6	34.0	50.6	64.1	68.4	73.8	79.0
<i>Sales growth (%)</i>	<i>35.2</i>	<i>49.9</i>	<i>82.4</i>	<i>49.0</i>	<i>26.7</i>	<i>6.7</i>	<i>8.0</i>	<i>7.0</i>
EBITDA	1.6	2.7	5.8	7.0	8.2	8.3	10.5	11.3
<i>EBITDA margin (%)</i>	<i>12.9</i>	<i>14.6</i>	<i>17.1</i>	<i>13.9</i>	<i>12.8</i>	<i>12.1</i>	<i>14.3</i>	<i>14.3</i>
Depreciation	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3
EBITA	1.6	2.6	5.7	6.8	8.0	8.1	10.3	11.0
Goodwill amortization / writedown	0.0	0.0	-0.3	-0.7	-1.9	-2.0	-2.0	-2.0
EBIT	1.6	2.6	5.4	6.1	6.1	6.1	8.3	9.0
<i>EBIT margin (%)</i>	<i>12.5</i>	<i>14.1</i>	<i>15.8</i>	<i>12.0</i>	<i>9.5</i>	<i>8.9</i>	<i>11.3</i>	<i>11.4</i>
Reported EBIT	1.6	2.6	6.5	6.1	6.1	6.1	8.3	9.0
<i>EBIT margin (reported) (%)</i>	<i>12.5</i>	<i>14.1</i>	<i>19.1</i>	<i>12.0</i>	<i>9.5</i>	<i>8.9</i>	<i>11.3</i>	<i>11.4</i>
Net financials	0.0	0.0	-1.2	0.0	-0.1	-0.1	-0.1	0.0
Pre-tax profit	1.5	2.6	4.2	6.1	6.0	5.9	8.2	9.0
Taxes	-0.3	-0.5	-0.9	-1.4	-1.6	-1.6	-2.0	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.2	2.1	4.5	4.7	4.4	4.3	6.2	6.8
Cash NRIs	0.0	0.0	1.1	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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	0	1	1	1	1	1	1	1
Goodwill	0	0	5	9	18	16	14	12
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	3	3	10	10	10	10	11	12
Liquid funds	2	4	13	15	22	23	25	29
Total assets	5	8	29	35	50	51	52	54
<b>Liabilities</b>								
Shareholder's equity	3	4	18	22	31	33	35	38
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	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	5	4	6	4	1	0
Non-interest bearing current liabilities	2	3	7	8	13	14	15	16
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	5	8	29	35	50	51	52	54
<b>CASH FLOW, EURm</b>								
+ EBITDA	2	3	6	7	8	8	11	11
- Net financial items	0	0	-1	0	0	0	0	0
- Taxes	0	0	-1	-2	-2	-2	-2	-2
- Increase in Net Working Capital	0	0	-3	2	4	0	0	0
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	1	2	1	8	11	7	9	9
- Capex	0	0	0	0	0	0	0	0
- Acquisitions	0	0	-5	-2	-4	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	2	-5	6	6	6	8	9
+/- New issues/buybacks	0	0	10	1	7	0	0	0
- Paid dividend	0	0	-1	-2	-2	-3	-4	-4
+/- Other	0	0	4	-3	-5	-2	-3	-1
Change in cash	1	1	9	3	6	1	2	4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	0	91	111	105	103	103	103
Net debt (excl. convertibles)	-4	-8	-11	-16	-19	-24	-29
Enterprise value	-4	83	100	89	84	79	74
Sales	19	34	51	64	68	74	79
EBITDA	3	6	7	8	8	11	11
EBIT	3	5	6	6	6	8	9
Pre-tax	3	4	6	6	6	8	9
Earnings	2	3	5	4	4	6	7
Equity book value (excl. minorities)	4	18	22	31	33	35	38
<b>Valuation multiples</b>							
EV/sales	-0.2	2.4	2.0	1.4	1.2	1.1	0.9
EV/EBITDA	-1.3	14.3	14.2	10.9	10.2	7.5	6.6
EV/EBITA	-1.3	14.6	14.7	11.1	10.4	7.7	6.7
EV/EBIT	-1.3	15.5	16.3	14.6	13.8	9.5	8.2
EV/OCF	-1.6	133.7	12.7	8.4	12.4	9.1	7.9
EV/FCFF	-2.4	123.3	37.0	13.7	13.0	9.5	8.3
P/FCFE	0.0	-20.0	19.1	16.4	16.2	12.4	11.6
P/E	0.0	27.3	23.4	23.7	23.8	16.6	15.1
P/B	0.0	5.1	5.0	3.3	3.2	2.9	2.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.9	8.1	7.1
Target EV/EBIT	0.0	0.0	0.0	0.0	14.9	10.3	8.9
Target EV/FCF	0.0	0.0	0.0	0.0	14.2	10.3	9.1
Target P/B	0.0	0.0	0.0	0.0	3.4	3.1	2.9
Target P/E	0.0	0.0	0.0	0.0	25.3	17.7	16.1
<b>Per share measures</b>							
Number of shares	10,560	12,949	13,117	14,013	14,013	14,013	14,013
Number of shares (diluted)	10,560	12,949	13,117	14,013	14,013	14,013	14,013
EPS	0.20	0.26	0.36	0.32	0.31	0.44	0.49
Operating cash flow per share	0.20	0.05	0.60	0.76	0.48	0.62	0.67
Free cash flow per share	0.19	-0.35	0.44	0.46	0.45	0.59	0.63
Book value per share	0.39	1.37	1.68	2.24	2.32	2.51	2.72
Dividend per share	0.05	0.15	0.19	0.23	0.25	0.28	0.30
Dividend payout ratio, %	25.1	58.5	52.7	72.5	80.9	63.5	61.7
Dividend yield, %	0.0	2.1	2.2	3.1	3.4	3.8	4.1
FCF yield, %	0.0	-5.0	5.2	6.1	6.2	8.1	8.6
<b>Efficiency measures</b>							
ROE	63.3	30.2	23.8	16.6	13.5	18.2	18.6
ROCE	76.1	40.0	25.0	19.2	16.3	22.6	24.1
<b>Financial ratios</b>							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	17.8	30.0	19.5	15.0	15.0	15.0	15.0
Non-interest bearing liabilities as % of sales	18.4	19.7	16.4	20.2	20.2	20.2	20.2
NWC/sales, %	-0.6	10.3	3.1	-5.3	-5.3	-5.3	-5.3
Operative CAPEX/sales, %	0.9	1.2	0.4	0.5	0.6	0.6	0.6
CAPEX/sales (incl. acquisitions), %	0.9	-12.7	-3.2	-5.5	0.6	0.6	0.6
FCFF/EBITDA	0.5	0.1	0.4	0.8	0.8	0.8	0.8
Net debt/EBITDA, book-weighted	-1.3	-1.4	-1.6	-1.9	-2.3	-2.3	-2.5
Debt/equity, market-weighted	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Equity ratio, book-weighted	54.3	60.8	63.7	62.4	64.2	68.3	70.5
Gearing, %	-85.0	-44.2	-51.0	-50.4	-58.3	-67.4	-75.4

**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:** Gofore achieved fifteen consecutive years of profitable growth in 2019. The prospects for continued growth remains good following a good domestic demand situation and recent M&A activity as well as potential for picking up growth internationally. A continued good demand situation should in turn translate into higher billing rates and healthy Group margins.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kärki Timur Juhana	1,875,000	13.762	13.4%
Venola Mika Petteri	1,770,000	12.992	12.6%
Varjus Mika	1,770,000	12.992	12.6%
Lammi Jani Markus	1,570,000	11.524	11.2%
Ilmarinen Mutual Pension Insurance Company	871,801	6.399	6.2%
Karjalainen Mika Juhani	597,262	4.384	4.3%
Evli Finland Small Cap Fund	560,000	4.110	4.0%
Varma Mutual Pension Insurance Company	517,952	3.802	3.7%
Saadetdin Ali	408,936	3.002	2.9%
Nylund Tor Mikael	245,025	1.798	1.7%
Ten largest	10,185,976	74.765	73%
Residual	3,826,826	28.089	27%
Total	14,012,802	102.854	100%

#### EARNINGS CALENDAR

August 14, 2020

Q2 report

#### OTHER EVENTS

April 08, 2020

AGM

#### COMPANY MISCELLANEOUS

CEO: Mikael Nylund

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## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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Investment recommendations are defined as follows:

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

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

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

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