

On track despite the pandemic

Innofactor posted solid Q2 profitability figures, with EBITDA at EUR 2.1m (Evli 1.1m) for a 12.3% EBITDA-margin. We assume a slightly weaker H2 due to the coronavirus pandemic, but progress made supports the long-term case. Our 2020-2022 EBITDA estimates are up some 20% post-Q2. We raise our TP to EUR 1.35 (0.95) with our BUY-rating intact.

Delivered a positive earnings surprise

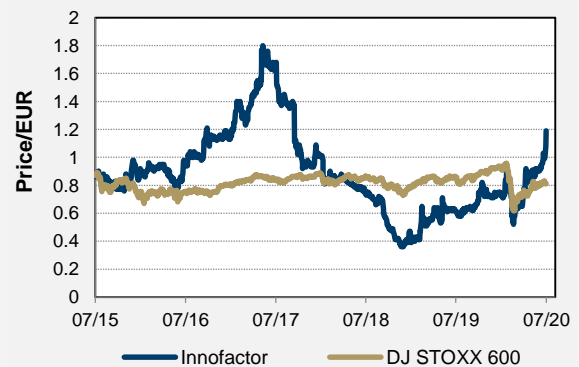
Innofactor delivered a pleasant surprise in second quarter profitability figures, with EBITDA of EUR 2.1m clearly topping our estimates (Evli EUR 1.1m). Net sales grew 0.6% y/y to EUR 16.8m (Evli 16.6m). Net sales in the other Nordic countries developed somewhat unfavourably due to the coronavirus pandemic, resulting in negative EBITDA figures for their part, while Finland continued strong. The impact of the pandemic was still not as large as the company had anticipated. The order backlog continued y/y and q/q growth, up to EUR 56.9m (Q2/19: 44.2m).

Profitability development on a solid track

We have raised our 2020E EBITDA estimate to EUR 7.2m (prev. EUR 5.9m) and our 2021-2022E estimates by ~20%. We expect some margin decline in H2 compared to H1 due to the pandemic given slower sales development, although cost base reductions due to travel restrictions should ease some of the pressure. Our sales growth assumptions in 2021-2022 remain modest (avg. 3.5% p.a.) given the company target (~20% p.a.), with limited signs of more rapid pick-up in growth. Innofactor acquired the remaining ~55% of shares in Arc Technology and with the improved cash flows we expect likely further M&A activity to boost growth.

BUY with a target price of EUR 1.35 (0.95)

Innofactor's share price has rallied some 40% since our previous update in May but on our revised estimates and peer multiples we still see upside in valuation. On our revised estimates we adjust our target price to EUR 1.35 (0.95), for an implied 2020 EV/EBITDA of 8.7x and retain our BUY-rating.

Rating BUY


Share price, EUR (Last trading day's closing price)	1.19
Target price, EUR	1.35

Latest change in recommendation	06-Jun-19
Latest report on company	06-May-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	37,388
No. of shares fully diluted, '000's	37,388
Market cap, EURm	44
Free float, %	47.0
Exchange rate EUR	0.000
Reuters code	IFA1V.HE
Bloomberg code	IFA1V.FH
Average daily volume, EURm	0.04
Next interim report	27-Oct-20
Web site	www.innofactor.com

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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	63.1	-3.9	-6.1%	-1.7	-0.09	-4.1	0.5	-8.7	-13.2	0.00
2019	64.2	0.8	1.2%	4.4	0.01	64.6	0.7	53.8	16.3	0.00
2020E	65.2	2.7	4.1%	3.4	0.05	15.6	0.9	21.1	7.6	0.00
2021E	67.8	4.7	6.9%	3.6	0.09	13.6	0.8	11.4	8.1	0.00
2022E	69.8	5.7	8.2%	4.0	0.11	10.7	0.7	8.7	8.9	0.03
Market cap, EURm	44			Gearing 2020E, %	51.8			CAGR EPS 2019-22, %	115.3	
Net debt 2020E, EURm	13			Price/book 2020E	1.8			CAGR sales 2019-22, %	2.9	
Enterprise value, EURm	57			Dividend yield 2020E, %	0.0			ROE 2020E, %	8.6	
Total assets 2020E, EURm	60			Tax rate 2020E, %	-15.4			ROCE 2020E, %	6.7	
Goodwill 2020E, EURm	26			Equity ratio 2020E, %	40.5			PEG, P/E 20/CAGR	1.7	

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

Innofactor	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Net sales	63.1	16.1	16.7	14.0	17.4	64.2	17.2	16.8	13.8	17.5	65.2	67.8	69.8
sales growth %	-3.8%	-2.0%	-2.1%	1.4%	9.7%	1.7%	6.2%	0.6%	-1.2%	0.4%	1.6%	4.0%	3.0%
EBITDA	-1.1	0.9	1.1	1.5	1.6	5.1	2.0	2.1	1.3	1.9	7.2	7.9	8.5
EBITDA margin	-1.7%	5.4%	6.8%	11.0%	8.9%	7.9%	11.4%	12.3%	9.4%	10.8%	11.1%	11.6%	12.1%
Acquisition related depreciation	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-0.5	-0.5	-0.5	-0.5	-1.9	-0.7	0.0
EBIT	-3.9	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.2	0.8	2.7	4.7	5.7
EBIT margin	-6.1%	-0.6%	0.9%	1.8%	2.8%	1.2%	4.8%	5.3%	1.4%	4.6%	4.1%	6.9%	8.2%
Adj. EBIT (excl. acquisition depr.)	-1.8	0.4	0.7	0.8	1.0	2.8	1.3	1.4	0.7	1.3	4.6	5.4	5.7
Adj. EBIT margin	-2.9%	2.6%	4.0%	5.4%	5.7%	4.4%	7.5%	8.1%	4.9%	7.3%	7.0%	8.0%	8.2%

Source: Innofactor, Evli Research estimates

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVERY	3008	8.2x	7.0x	7.0x	11.1x	9.7x	9.7x	12.8x	11.4x	11.4x
Atea	1089	8.8x	7.6x	7.6x	15.9x	12.5x	12.5x	21.3x	16.1x	16.1x
Knowit	347	9.4x	8.0x	8.0x	11.6x	9.8x	9.8x	15.9x	14.0x	14.0x
HiQ International	289	12.2x	10.8x	10.8x	15.0x	13.0x	13.0x	20.9x	17.8x	17.8x
Bouvet	516	16.6x	13.7x	13.7x	22.2x	17.6x	17.6x	28.9x	23.0x	23.0x
Enea	366	14.3x	11.6x	11.6x	20.5x	16.9x	16.9x	22.2x	19.1x	19.1x
Gofore	112							14.3x	13.5x	13.5x
Digia	140	9.5x	9.0x	9.0x	14.0x	12.5x	12.5x	15.7x	14.2x	14.2x
Sili Solutions	63	6.5x	6.7x	6.7x	13.5x	9.0x	9.0x	11.9x	11.7x	11.7x
Solteq	23	6.7x	5.6x	5.6x	19.3x	14.2x	14.2x	159.4x	20.4x	20.4x
Peer Group Average	595	10.2x	8.9x	8.9x	15.9x	12.8x	12.8x	32.3x	16.1x	16.1x
Peer Group Median	318	9.4x	8.0x	8.0x	15.0x	12.5x	12.5x	18.4x	15.1x	15.1x
Innofactor (Evli est.)	44	7.8x	6.7x	5.8x	20.9x	11.2x	8.6x	15.4x	13.4x	10.6x
Innofactor prem./disc. to peer median		-17%	-16%	-28%	40%	-10%	-32%	-16%	-11%	-30%
Innofactor adj.* (Evli est.)	44	7.8x	6.7x	5.8x	12.3x	9.8x	8.6x	12.5x	11.5x	10.6x
Innofactor prem./disc. to peer median		-17%	-16%	-28%	-18%	-22%	-32%	-32%	-24%	-30%

Source FactSet, Evli Research. *Excl. purchase price amortization

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.19 PV of Free Cash Flow	45 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	2.31 PV of Horizon value	58 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	94.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	2.6 Marketable securities	1 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	2.1 Debt - dividend	-17 Maximum WACC, %	8.4 Target debt ratio, %	30
Horizon value, %	56.5 Value of stock	86 Nr of shares, Mn	37.4 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	64	65	68	70	72	73	75	77	79	81	83	84
<i>Sales growth, %</i>	<i>1.7</i>	<i>1.6</i>	<i>4.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	1	3	5	6	5	5	5	5	6	6	6	6
<i>Operating income margin, %</i>	<i>1.2</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	4	5	3	3	3	3	3	3	3	3	3	3
EBITDA	5	7	8	8	8	8	8	9	9	9	9	9
- Paid taxes	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
- Change in NWC	2	1	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>-2.9</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>	<i>-4.1</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-1	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
<i>opCAPEX / Sales, %</i>	<i>2.8</i>	<i>6.1</i>	<i>4.4</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>	<i>4.4</i>
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	6	6	6	6	6	6	6	6	7	7	7	118
= Discounted FCFF		6	5	5	5	4	4	4	4	4	3	58
= DFCF min WACC		6	5	5	5	4	4	4	4	4	3	66
= DFCF max WACC		6	5	5	4	4	4	4	4	3	3	51

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	16.1	16.7	14.0	17.4	64.2	17.2	16.8	13.8	17.5	65.2	67.8	69.8
EBITDA	0.9	1.1	1.5	1.6	5.1	2.0	2.1	1.3	1.9	7.2	7.9	8.5
<i>EBITDA margin (%)</i>	<i>5.4</i>	<i>6.8</i>	<i>11.0</i>	<i>8.9</i>	<i>7.9</i>	<i>11.4</i>	<i>12.3</i>	<i>9.4</i>	<i>10.8</i>	<i>11.1</i>	<i>11.6</i>	<i>12.1</i>
EBIT	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.2	0.8	2.7	4.7	5.7
<i>EBIT margin (%)</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>1.4</i>	<i>4.6</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>
Net financial items	-0.1	-0.3	-0.2	-0.2	-0.8	-0.9	0.3	-0.2	-0.2	-1.0	-0.6	-0.4
Pre-tax profit	-0.2	-0.1	0.0	0.3	0.0	-0.1	1.2	0.0	0.6	1.7	4.1	5.3
Tax	0.1	0.1	0.1	0.1	0.4	0.3	0.1	0.0	-0.1	0.3	-0.9	-1.1
<i>Tax rate (%)</i>	<i>55.3</i>	<i>102.9</i>	<i>-219.5</i>	<i>-37.4</i>	<i>-3,690.9</i>	<i>263.7</i>	<i>-6.5</i>	<i>21.0</i>	<i>21.0</i>	<i>-15.4</i>	<i>21.0</i>	<i>21.0</i>
Net profit	-0.1	0.0	0.1	0.4	0.4	0.2	1.3	0.0	0.5	2.0	3.3	4.2
EPS	0.00	0.00	0.00	0.01	0.01	0.01	0.03	0.00	0.01	0.05	0.09	0.11
EPS adjusted (diluted no. of shares)	0.00	0.00	0.00	0.01	0.01	0.03	0.03	0.00	0.01	0.08	0.09	0.11
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
SALES, EURm												
Innofactor	16.1	16.7	14.0	17.4	64.2	17.2	16.8	13.8	17.5	65.2	67.8	69.8
Total	16.1	16.7	14.0	17.4	64.2	17.2	16.8	13.8	17.5	65.2	67.8	69.8
SALES GROWTH, Y/Y %												
<i>Innofactor</i>	<i>-2.0</i>	<i>-2.1</i>	<i>1.4</i>	<i>9.7</i>	<i>1.7</i>	<i>6.2</i>	<i>0.6</i>	<i>-1.2</i>	<i>0.4</i>	<i>1.6</i>	<i>4.0</i>	<i>3.0</i>
<i>Total</i>	<i>-2.0</i>	<i>-2.1</i>	<i>1.4</i>	<i>9.7</i>	<i>1.7</i>	<i>6.2</i>	<i>0.6</i>	<i>-1.2</i>	<i>0.4</i>	<i>1.6</i>	<i>4.0</i>	<i>3.0</i>
EBIT, EURm												
Innofactor	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.2	0.8	2.7	4.7	5.7
Total	-0.1	0.2	0.3	0.5	0.8	0.8	0.9	0.2	0.8	2.7	4.7	5.7
EBIT margin, %												
<i>Innofactor</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>1.4</i>	<i>4.6</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>
<i>Total</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.8</i>	<i>2.8</i>	<i>1.2</i>	<i>4.8</i>	<i>5.3</i>	<i>1.4</i>	<i>4.6</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	44.5	59.6	65.7	63.1	64.2	65.2	67.8	69.8
<i>Sales growth (%)</i>	<i>1.4</i>	<i>34.1</i>	<i>10.1</i>	<i>-3.8</i>	<i>1.7</i>	<i>1.6</i>	<i>4.0</i>	<i>3.0</i>
EBITDA	3.7	4.8	1.3	-1.1	5.1	7.2	7.9	8.5
<i>EBITDA margin (%)</i>	<i>8.3</i>	<i>8.1</i>	<i>2.0</i>	<i>-1.7</i>	<i>7.9</i>	<i>11.1</i>	<i>11.6</i>	<i>12.1</i>
Depreciation	-1.2	-2.5	-2.8	-2.8	-4.3	-4.5	-3.2	-2.8
EBITA	2.5	2.3	-1.5	-3.9	0.8	2.7	4.7	5.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	2.3	-1.5	-3.9	0.8	2.7	4.7	5.7
<i>EBIT margin (%)</i>	<i>5.7</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>
Reported EBIT	2.5	2.3	-1.5	-3.9	0.8	2.7	4.7	5.7
<i>EBIT margin (reported) (%)</i>	<i>5.7</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>4.1</i>	<i>6.9</i>	<i>8.2</i>
Net financials	-0.6	-0.4	-0.1	0.1	-0.8	-1.0	-0.6	-0.4
Pre-tax profit	1.9	1.9	-1.6	-3.8	0.0	1.7	4.1	5.3
Taxes	-0.4	-0.4	0.3	0.6	0.4	0.3	-0.9	-1.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.3	1.5	-1.3	-3.2	0.4	2.0	3.3	4.2
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	10	8	7	4	3	3	3
Goodwill	20	28	26	26	26	26	26	26
Right of use assets	0	0	0	5	5	5	5	5
Inventory	0	0	0	0	0	0	0	0
Receivables	13	19	17	13	14	14	15	15
Liquid funds	1	1	1	0	1	5	5	6
Total assets	44	64	58	57	56	60	60	61
Liabilities								
Shareholder's equity	21	23	25	21	22	24	27	32
Minority interest	0	0	0	0	0	0	0	0
Convertibles	3	0	0	0	0	0	0	0
Lease liabilities	0	0	0	5	5	5	5	5
Deferred taxes	1	2	2	1	1	1	1	1
Interest bearing debt	9	17	14	15	12	13	9	5
Non-interest bearing current liabilities	9	22	17	14	16	17	18	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	44	64	58	57	56	60	60	61
CASH FLOW, EURm								
+ EBITDA	4	5	1	-1	5	7	8	8
- Net financial items	0	0	0	0	-1	-1	-1	0
- Taxes	0	2	0	0	0	0	-1	-1
- Increase in Net Working Capital	1	-1	2	1	2	1	0	0
+/- Other	-1	-2	1	-1	0	0	0	0
= Cash flow from operations	3	3	4	-1	6	7	7	7
- Capex	0	-1	-2	-1	-2	-4	-3	-3
- Acquisitions	-2	-6	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	-4	2	-2	4	3	4	4
+/- New issues/buybacks	1	0	4	0	0	0	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	-2	5	-6	1	-4	1	-3	-4
Change in cash	0	0	0	-1	1	4	0	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	38	34	13	27	44	44	44
Net debt (excl. convertibles)	16	13	20	16	13	9	5
Enterprise value	54	47	33	43	57	53	49
Sales	60	66	63	64	65	68	70
EBITDA	5	1	-1	5	7	8	8
EBIT	2	-1	-4	1	3	5	6
Pre-tax	2	-2	-4	0	2	4	5
Earnings	1	-1	-3	0	2	3	4
Equity book value (excl. minorities)	23	25	21	22	24	27	32
Valuation multiples							
EV/sales	0.9	0.7	0.5	0.7	0.9	0.8	0.7
EV/EBITDA	11.2	36.2	-30.4	8.4	7.9	6.8	5.8
EV/EBITA	23.3	-32.4	-8.7	53.8	21.1	11.4	8.7
EV/EBIT	23.3	-32.4	-8.7	53.8	21.1	11.4	8.7
EV/OCF	17.4	11.4	-57.7	6.9	7.8	8.1	7.1
EV/FCFF	-17.6	17.1	-17.9	6.9	8.9	8.8	7.7
P/FCFE	-9.1	13.7	-7.6	6.1	13.1	12.4	11.2
P/E	25.8	-26.9	-4.1	64.6	15.6	13.6	10.7
P/B	1.7	1.4	0.6	1.2	1.8	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.7	7.5	6.5
Target EV/EBIT	0.0	0.0	0.0	0.0	23.3	12.6	9.7
Target EV/FCF	0.0	0.0	0.0	0.0	18.6	16.5	13.9
Target P/B	0.0	0.0	0.0	0.0	2.1	1.8	1.6
Target P/E	0.0	0.0	0.0	0.0	17.7	15.4	12.1
Per share measures							
Number of shares	33,454	36,188	36,188	37,388	37,388	37,388	37,388
Number of shares (diluted)	33,454	36,188	36,188	37,388	37,388	37,388	37,388
EPS	0.04	-0.03	-0.09	0.01	0.05	0.09	0.11
Operating cash flow per share	0.09	0.12	-0.02	0.17	0.20	0.18	0.19
Free cash flow per share	-0.13	0.07	-0.05	0.12	0.09	0.10	0.11
Book value per share	0.67	0.68	0.59	0.59	0.65	0.73	0.84
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	25.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	2.3
FCF yield, %	-10.9	7.3	-13.2	16.3	7.6	8.1	8.9
Efficiency measures							
ROE	6.8	-5.3	-13.8	1.9	8.6	12.7	14.1
ROCE	6.4	-3.7	-9.6	2.0	6.7	11.2	13.6
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	32.5	25.6	20.9	21.9	21.9	21.9	21.9
Non-interest bearing liabilities as % of sales	37.2	26.6	22.1	24.8	26.0	26.0	26.0
NWC/sales, %	-4.6	-1.0	-1.2	-2.9	-4.1	-4.1	-4.1
Operative CAPEX/sales, %	1.4	2.6	1.8	2.8	6.1	4.4	4.3
CAPEX/sales (incl. acquisitions), %	-9.4	2.6	1.8	2.8	6.1	4.4	4.3
FCFF/EBITDA	-0.6	2.1	1.7	1.2	0.9	0.8	0.8
Net debt/EBITDA, book-weighted	3.3	10.2	-18.6	3.1	1.7	1.1	0.6
Debt/equity, market-weighted	0.4	0.4	1.2	0.4	0.3	0.2	0.1
Equity ratio, book-weighted	35.4	42.5	37.3	39.7	40.5	45.5	51.7
Gearing, %	70.2	53.8	96.1	71.8	51.8	32.5	15.6

COMPANY DESCRIPTION: Innofactor provides software products and solutions to commercial, public sector, and membership-based organizations in the Nordic countries. It specializes in Microsoft-based cloud solutions and digital transformation. Innofactor has operations in Finland, Sweden, Denmark, and Norway.

INVESTMENT CASE: Innofactor has been showing recovery from a few years of subpar performance, caused primarily by integration issues relating to its pan-Nordic platform. Focus in the near-term should still remain on actions to improve margins and sorting out challenges relating to international operations. Good traction for Microsoft's enterprise solutions supports growth outlook going forward.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ensio Sami	7,880,237	9.377	21.1%
Ilmarinen Mutual Pension Insurance Company	1,800,000	2.142	4.8%
Jyrki Hallikainen	1,471,009	1.751	3.9%
Laiho Rami Tapani	1,262,159	1.502	3.4%
Linturi Kaija and Risto	1,256,411	1.495	3.4%
Tilman Tuomo Tapani	900,397	1.071	2.4%
Ärje Matias Juhanpoika	882,065	1.050	2.4%
Mäki Antti Jussi	847,192	1.008	2.3%
Saarelainen Mika Pekka	678,649	0.808	1.8%
Muukkonen Teemu Heikki	501,468	0.597	1.3%
Ten largest	17,479,587	20.801	47%
Residual	19,908,638	23.691	53%
Total	37,388,225	44.492	100%

EARNINGS CALENDAR	
October 27, 2020	Q3 report
OTHER EVENTS	
March 31, 2020	AGM

COMPANY MISCELLANEOUS	
CEO: Sami Ensio	Keilaranta 9, FI-02150 Espoo
CFO: Markku Puolanne	Tel: +358 (0)10 272 9000
IR:	

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

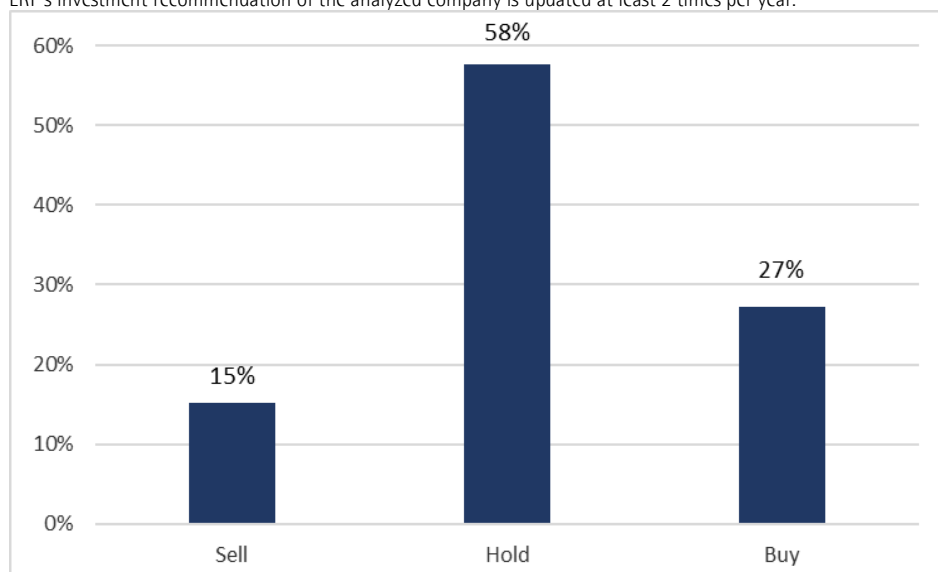
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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