

## Some challenges with growth

Innofactor's Q3 profitability remained at good levels but growth was not quite as good as expected due to organizational restructuring causing a sales dip in Finland. Recruitments pose some concerns for future growth but all in all the Q3 report did not change much.

### Some weakness in sales but profitability remained good

Innofactor reported its Q3 results, which fell slightly short of our expectations. Revenue declined 2.0% y/y but grew 3.0% organically to EUR 13.7m (Evli 14.5m). Revenue growth was affected by organizational restructuring in Finland, which led to a slight dip in domestic sales. EBITDA and EBIT amounted to EUR 1.7m (Evli 1.8m) and EUR 0.9m (Evli EUR 1.0m) respectively, with all other countries except Sweden showing positive EBITDA. With no significant new orders, the order backlog growth halted q/q, but was still up 24% y/y at EUR 72.0m. Innofactor reiterated its guidance, expecting revenue and EBITDA to increase compared to 2020. The Q3 report was in our view slightly more on the negative side, as although profitability remained on good levels the slower sales growth and lower headcount (-9.0% y/y) adds some pressure to growth expectations going forward.

### Expect modest growth, new recruitments a slight concern

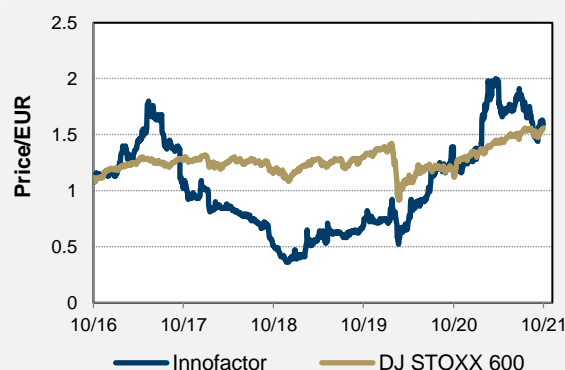
We have made some minor downward tweaks to our estimates but overall no notable changes. We expect growth of 1.9% and some 5-6% organically (excl. Prime divestment) in 2021. We expect EBITDA (excl. NRI's) to improve to EUR 8.3m (2020: 7.2m), at a sound margin of around 12%. Our growth estimates for 2022-2023 remain quite low, at 4% and 3% respectively, given the company's 20% long-term growth target. The lower headcount in Q3 and the noted challenges in the recruitment market raises some additional concerns for growth and is something that we will be monitoring during the coming quarters.

### BUY with a target price of EUR 2.1 (2.2)

With the slight additional pressure on growth we adjust our TP to EUR 2.1 (2.2) and retain our BUY-rating. Our target price values Innofactor at approx. 19x 2021e adj. P/E.

Rating

BUY



Share price, EUR (Last trading day's closing price) 1.59

Target price, EUR 2.1

Latest change in recommendation 05-Jun-19

Latest report on company 23-Jul-21

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 59

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 17-Feb-22

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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
2019	64.2	0.8	1.2%	4.4	0.01	64.6	0.7	53.8	16.3	0.00
2020	66.2	2.5	3.8%	3.5	0.05	27.2	0.9	24.1	7.4	0.04
2021E	67.4	7.8	11.6%	7.6	0.15	10.8	1.0	8.4	12.8	0.06
2022E	70.1	6.7	9.5%	3.9	0.13	12.2	0.9	9.6	6.5	0.07
2023E	72.2	6.9	9.5%	5.0	0.14	11.5	0.9	9.0	8.5	0.07
Market cap, EURm	59		Gearing 2021E, %	22.7		CAGR EPS 2020-23, %		43.0		
Net debt 2021E, EURm	6		Price/book 2021E	2.2		CAGR sales 2020-23, %		3.0		
Enterprise value, EURm	66		Dividend yield 2021E, %	3.8		ROE 2021E, %		21.6		
Total assets 2021E, EURm	56		Tax rate 2021E, %	21.8		ROCE 2021E, %		20.4		
Goodwill 2021E, EURm	27		Equity ratio 2021E, %	49.4		PEG, P/E 21/CAGR		-11.0		

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

Innofactor	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21E	Q2/'21	Q3/'21	Q4/'21E	2021E	2022E	2023E
Net sales	64.2	17.2	16.8	14.0	18.3	66.2	17.8	17.3	13.7	18.6	67.4	70.1	72.2
<i>sales growth %</i>	1.7%	6.2%	0.6%	0.3%	4.7%	3.1%	3.8%	3.2%	-2.0%	1.9%	1.9%	4.0%	3.0%
EBITDA	5.1	2.0	2.0	1.6	1.6	7.2	4.7	2.0	1.7	2.6	10.9	9.5	9.8
<i>EBITDA margin</i>	7.9%	11.4%	11.9%	11.6%	8.7%	10.8%	26.2%	11.7%	12.1%	13.7%	16.2%	13.5%	13.5%
Acquisition related depreciation	-2.0	-0.5	-0.5	-0.5	-0.5	-1.9	-0.1	-0.1	-0.1	-0.1	-0.5	0.0	0.0
EBIT	0.8	0.8	0.9	0.4	0.4	2.5	3.8	1.3	0.9	1.8	7.8	6.7	6.9
<i>EBIT margin</i>	1.2%	4.8%	5.3%	2.8%	2.2%	3.8%	21.4%	7.4%	6.7%	9.7%	11.6%	9.5%	9.5%
Adj. EBIT (excl. NRI's and acq. depr.)	2.8	1.3	1.4	0.9	0.9	4.4	1.3	1.4	1.0	1.9	5.7	6.7	6.9
<i>Adj. EBIT margin</i>	4.4%	7.5%	8.1%	6.2%	4.8%	6.6%	7.6%	8.2%	7.5%	10.2%	8.4%	9.5%	9.5%

Source: Innofactor, Evli Research estimates

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.59 PV of Free Cash Flow	60 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.34 PV of Horizon value	79 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	109.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.7 Marketable securities	3 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	3.1 Debt - dividend	-17 Maximum WACC, %	8.4 Target debt ratio, %	30
Horizon value, %	56.8 Value of stock	125 Nr of shares, Mn	37.4 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	66	67	70	72	74	76	78	80	82	84	85	87
<i>Sales growth, %</i>	<i>3.1</i>	<i>1.9</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)	3	8	7	7	7	7	7	8	8	8	8	8
<i>Operating income margin, %</i>	<i>3.8</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>
+ Depreciation+amort.	5	3	3	3	3	3	3	3	3	3	3	
EBITDA	7	11	9	10	10	10	11	11	11	11	12	
- Paid taxes	0	0	-2	-1	-1	-2	-2	-2	-2	-2	-2	
- Change in NWC	-1	0	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>opCAPEX / Sales, %</i>	<i>2.2</i>	<i>4.2</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>4.2</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	5	10	7	8	8	8	8	8	9	9	9	158
= Discounted FCFF		10	6	6	6	6	6	5	5	5	5	79
= DFCF min WACC		10	6	7	6	6	6	5	5	5	5	90
= DFCF max WACC		10	6	6	6	6	5	5	5	5	4	70

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	17.2	16.8	14.0	18.3	66.2	17.8	17.3	13.7	18.6	67.4	70.1	72.2
EBITDA	2.0	2.0	1.6	1.6	7.2	4.7	2.1	1.7	2.6	11.0	9.5	9.8
<i>EBITDA margin (%)</i>	<i>11.4</i>	<i>11.9</i>	<i>11.6</i>	<i>8.7</i>	<i>10.8</i>	<i>26.2</i>	<i>12.1</i>	<i>12.3</i>	<i>13.7</i>	<i>16.3</i>	<i>13.5</i>	<i>13.5</i>
EBIT	0.8	0.9	0.4	0.4	2.5	3.8	1.3	0.9	1.8	7.8	6.7	6.9
<i>EBIT margin (%)</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>2.2</i>	<i>3.8</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>9.7</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>
Net financial items	-0.9	0.3	-0.4	0.5	-0.5	-0.5	0.0	-0.2	-0.1	-0.7	-0.5	-0.3
Pre-tax profit	-0.1	1.2	0.0	1.0	2.1	3.4	1.3	0.8	1.7	7.0	6.2	6.5
Tax	0.3	0.1	0.0	-0.7	-0.3	-0.7	-0.3	-0.2	-0.3	-1.5	-1.3	-1.4
<i>Tax rate (%)</i>	<i>263.7</i>	<i>-6.5</i>	<i>0.0</i>	<i>72.9</i>	<i>14.0</i>	<i>21.5</i>	<i>23.1</i>	<i>23.1</i>	<i>21.0</i>	<i>21.8</i>	<i>21.0</i>	<i>21.0</i>
Net profit	0.2	1.3	0.0	0.3	1.8	2.6	1.0	0.6	1.3	5.5	4.9	5.2
EPS	0.01	0.03	0.00	0.01	0.05	0.07	0.03	0.02	0.03	0.15	0.13	0.14
EPS adjusted (diluted no. of shares)	0.03	0.02	0.01	0.01	0.05	0.07	0.03	0.02	0.03	0.15	0.13	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.06	0.07	0.07
<b>SALES, EURm</b>												
Innofactor	17.2	16.8	14.0	18.3	66.2	17.8	17.3	13.7	18.6	67.4	70.1	72.2
Total	17.2	16.8	14.0	18.3	66.2	17.8	17.3	13.7	18.6	67.4	70.1	72.2
<b>SALES GROWTH, Y/Y %</b>												
<i>Innofactor</i>	<i>6.2</i>	<i>0.6</i>	<i>0.3</i>	<i>4.7</i>	<i>3.1</i>	<i>3.8</i>	<i>3.2</i>	<i>-2.0</i>	<i>1.9</i>	<i>1.9</i>	<i>4.0</i>	<i>3.0</i>
<i>Total</i>	<i>6.2</i>	<i>0.6</i>	<i>0.3</i>	<i>4.7</i>	<i>3.1</i>	<i>3.8</i>	<i>3.2</i>	<i>-2.0</i>	<i>1.9</i>	<i>1.9</i>	<i>4.0</i>	<i>3.0</i>
<b>EBIT, EURm</b>												
Innofactor	0.8	0.9	0.4	0.4	2.5	3.8	1.3	0.9	1.8	7.8	6.7	6.9
Total	0.8	0.9	0.4	0.4	2.5	3.8	1.3	0.9	1.8	7.8	6.7	6.9
<b>EBIT margin, %</b>												
<i>Innofactor</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>2.2</i>	<i>3.8</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>9.7</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>
<i>Total</i>	<i>4.8</i>	<i>5.3</i>	<i>2.8</i>	<i>2.2</i>	<i>3.8</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>9.7</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	59.6	65.7	63.1	64.2	66.2	67.4	70.1	72.2
<i>Sales growth (%)</i>	<i>34.1</i>	<i>10.1</i>	<i>-3.8</i>	<i>1.7</i>	<i>3.1</i>	<i>1.9</i>	<i>4.0</i>	<i>3.0</i>
EBITDA	4.8	1.3	-1.1	5.1	7.2	11.0	9.5	9.8
<i>EBITDA margin (%)</i>	<i>8.1</i>	<i>2.0</i>	<i>-1.7</i>	<i>7.9</i>	<i>10.8</i>	<i>16.3</i>	<i>13.5</i>	<i>13.5</i>
Depreciation	-2.5	-2.8	-2.8	-4.3	-4.7	-3.2	-2.8	-2.9
EBITA	2.3	-1.5	-3.9	0.8	2.5	7.8	6.7	6.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.3	-1.5	-3.9	0.8	2.5	7.8	6.7	6.9
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>
Reported EBIT	2.3	-1.5	-3.9	0.8	2.5	7.8	6.7	6.9
<i>EBIT margin (reported) (%)</i>	<i>3.9</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>11.6</i>	<i>9.5</i>	<i>9.5</i>
Net financials	-0.4	-0.1	0.1	-0.8	-0.5	-0.7	-0.5	-0.3
Pre-tax profit	1.9	-1.6	-3.8	0.0	2.1	7.0	6.2	6.5
Taxes	-0.4	0.3	0.6	0.4	-0.3	-1.5	-1.3	-1.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.5	-1.3	-3.2	0.4	1.8	5.5	4.9	5.2
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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	10	8	7	4	2	2	2	2
Goodwill	28	26	26	26	27	27	27	27
Right of use assets	0	0	5	5	4	4	4	4
Inventory	0	0	0	0	0	0	0	0
Receivables	19	17	13	14	14	14	15	15
Liquid funds	1	1	0	1	3	4	2	3
Total assets	64	58	57	56	57	56	56	57
Liabilities								
Shareholder's equity	23	25	21	22	23	27	30	33
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	5	5	4	4	4	4
Deferred taxes	2	2	1	1	2	2	2	2
Interest bearing debt	17	14	15	12	11	6	3	0
Non-interest bearing current liabilities	22	17	14	16	16	16	17	17
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	64	58	57	56	57	56	56	57
<b>CASH FLOW, EURm</b>								
+ EBITDA	5	1	-1	5	7	11	9	10
- Net financial items	0	0	0	-1	0	-1	-1	0
- Taxes	2	0	0	0	0	0	-2	-1
- Increase in Net Working Capital	-1	2	1	2	-1	0	0	0
+/- Other	-2	1	-1	0	-1	0	0	0
= Cash flow from operations	3	4	-1	6	5	10	7	8
- Capex	-1	-2	-1	-2	-1	-3	-3	-3
- Acquisitions	-6	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-4	2	-2	4	4	8	4	5
+/- New issues/buybacks	0	4	0	0	0	0	0	0
- Paid dividend	0	0	0	0	0	-1	-2	-2
+/- Other	5	-6	1	-4	-1	-5	-3	-3
Change in cash	0	0	-1	1	2	1	-1	0

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	34	13	27	48	59	59	59
Net debt (excl. convertibles)	13	20	16	12	6	5	2
Enterprise value	47	33	43	60	66	64	61
Sales	66	63	64	66	67	70	72
EBITDA	1	-1	5	7	11	9	10
EBIT	-1	-4	1	3	8	7	7
Pre-tax	-2	-4	0	2	7	6	7
Earnings	-1	-3	0	2	6	5	5
Equity book value (excl. minorities)	25	21	22	23	27	30	33
<b>Valuation multiples</b>							
EV/sales	0.7	0.5	0.7	0.9	1.0	0.9	0.9
EV/EBITDA	36.2	-30.4	8.4	8.4	6.0	6.8	6.3
EV/EBITA	-32.4	-8.7	53.8	24.1	8.4	9.6	9.0
EV/EBIT	-32.4	-8.7	53.8	24.1	8.4	9.6	9.0
EV/OCF	11.4	-57.7	6.9	12.0	6.3	9.3	7.6
EV/FCFF	17.1	-17.9	6.9	11.3	6.4	9.8	8.0
P/FCFE	13.7	-7.6	6.1	13.5	7.8	15.4	11.8
P/E	-26.9	-4.1	64.6	27.2	10.8	12.2	11.5
P/B	1.4	0.6	1.2	2.0	2.2	2.0	1.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.7	8.8	8.2
Target EV/EBIT	0.0	0.0	0.0	0.0	10.9	12.5	11.7
Target EV/FCF	0.0	0.0	0.0	0.0	11.1	21.6	16.0
Target P/B	0.0	0.0	0.0	0.0	2.9	2.6	2.4
Target P/E	0.0	0.0	0.0	0.0	14.3	16.1	15.2
<b>Per share measures</b>							
Number of shares	36,188	36,188	37,388	37,388	37,388	37,388	37,388
Number of shares (diluted)	36,188	36,188	37,388	37,388	37,388	37,388	37,388
EPS	-0.03	-0.09	0.01	0.05	0.15	0.13	0.14
Operating cash flow per share	0.12	-0.02	0.17	0.13	0.28	0.18	0.22
Free cash flow per share	0.07	-0.05	0.12	0.09	0.20	0.10	0.13
Book value per share	0.68	0.59	0.59	0.63	0.73	0.80	0.88
Dividend per share	0.00	0.00	0.00	0.04	0.06	0.07	0.07
Dividend payout ratio, %	0.0	0.0	0.0	84.9	40.7	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	3.1	3.8	4.1	4.3
FCF yield, %	7.3	-13.2	16.3	7.4	12.8	6.5	8.5
<b>Efficiency measures</b>							
ROE	-5.3	-13.8	1.9	7.7	21.6	16.9	16.4
ROCE	-3.7	-9.6	2.0	6.4	20.4	17.8	18.4
<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	25.6	20.9	21.9	21.4	21.4	21.4	21.4
Non-interest bearing liabilities as % of sales	26.6	22.1	24.8	24.1	24.1	24.1	24.1
NWC/sales, %	-1.0	-1.2	-2.9	-2.7	-2.7	-2.7	-2.7
Operative CAPEX/sales, %	2.6	1.8	2.8	2.2	4.2	4.3	4.3
CAPEX/sales (incl. acquisitions), %	2.6	1.8	2.8	2.2	4.2	4.3	4.3
FCFF/EBITDA	2.1	1.7	1.2	0.7	0.9	0.7	0.8
Net debt/EBITDA, book-weighted	10.2	-18.6	3.1	1.7	0.6	0.5	0.2
Debt/equity, market-weighted	0.4	1.2	0.4	0.2	0.1	0.0	0.0
Equity ratio, book-weighted	42.5	37.3	39.7	41.4	49.4	53.8	58.0
Gearing, %	53.8	96.1	71.8	52.6	22.7	15.4	6.1

**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	7,886,142	12.539	21.1%
Ilmarinen Mutual Pension Insurance Company	1,800,000	2.862	4.8%
Linturi Kaija and Risto	1,256,411	1.998	3.4%
Laiho Rami Tapani	1,158,694	1.842	3.1%
Jyrki Hallikainen	1,000,000	1.590	2.7%
Ärje Matias Juhanpoika	868,641	1.381	2.3%
Mäki Antti Jussi	613,725	0.976	1.6%
Tilman Tuomo Tapani	563,538	0.896	1.5%
Hellen Stefan Andreas	486,000	0.773	1.3%
Ingman Finance	450,000	0.716	1.2%
Ten largest	16,083,151	25.572	43%
Residual	21,305,074	33.875	57%
Total	37,388,225	59.447	100%

**EARNINGS CALENDAR**

October 28, 2021

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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



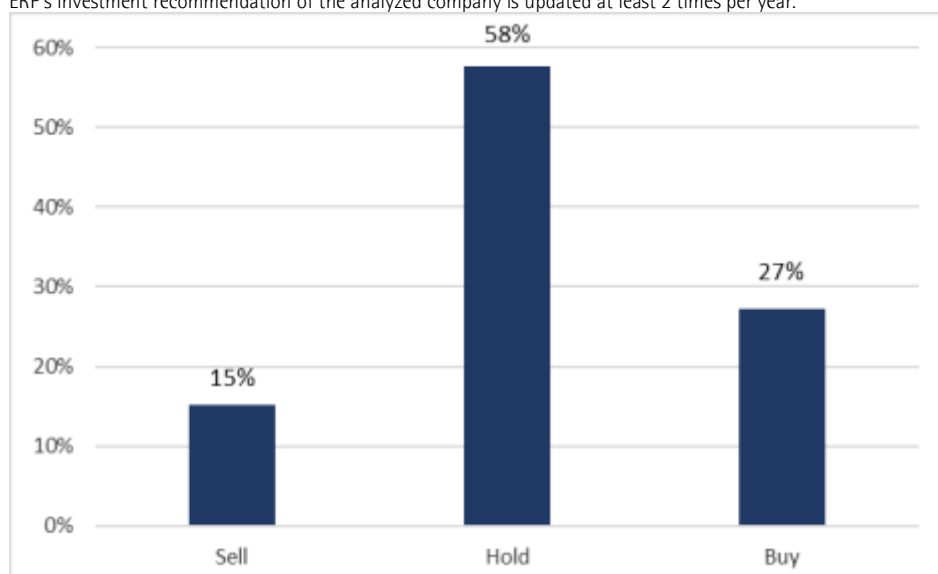
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Investment recommendations are defined as follows:

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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