

Moving on from recent challenges

Innofactor's Q4 fell well short of our expectations as the company saw challenges relating to organizational changes and employee turnover. We have lowered our 2022 estimates and our TP to EUR 1.6 (2.1), BUY-rating intact.

Challenging last quarter of 2021

Innofactor's Q4 results fell well short of our estimates, as the company faced challenges with the organizational changes in Finland and employee turnover. Net sales amounted to EUR 17.5m (Evli EUR 18.6m), declining 4% y/y but in comparable terms on par with Q4/20. EBITDA was EUR 1.7m (EUR 2.6m Evli), falling from the Q4/20 adj. EBITDA level of EUR 2.6m. Profitability was effectively down solely due to the challenges noted, although EBIT included larger one-off amortizations. The order backlog was at EUR 72.8m, up 20.6% y/y.

Poised to improve but some concerns remain

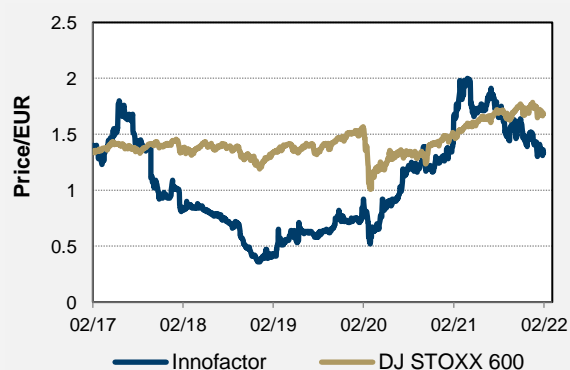
Innofactor expects its revenue in 2022 to increase from 2021 while EBITDA is expected to increase from EUR 7.5m, which would have been 2021 EBITDA without proceeds from the Prime business divestment. We have lowered our estimates for 2022, now expecting net sales of EUR 69.0m (prev. EUR 70.1m) and EBITDA of EUR 8.1m (prev. 9.5m). The organizational changes were started during Q3 and should impact to a clearly lesser extent going forward and the employee turnover appears to have peaked in Q3, which led to a spillover in Q4. The situation was more towards the normal in Q4 and the headcount began to grow, but the recruitment market has however been challenging for a while and we see this as a continued concern. Fundamentally Innofactor is in our view in a good position to post improved profitability figures in 2022, with all countries also having posted clearly positive EBITDA figures in Q4.

BUY-rating with a target price of EUR 1.6 (2.1)

On our revised estimates and some uncertainty going into 2022 we cut our TP to EUR 1.6 (2.1), valuing Innofactor at approx. 17x 2022 P/E. We see reasonable potential for higher than estimated profitability with the good order backlog levels should challenges not persist. We retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price)	1.33
Target price, EUR	1.6

Latest change in recommendation	04-Jun-19
Latest report on company	27-Oct-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	50
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	26-Apr-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
2020	66.2	2.5	3.8%	3.5	0.05	27.2	0.9	24.1	7.4	0.04
2021	66.4	6.5	9.8%	7.0	0.12	13.2	1.0	10.3	11.8	0.08
2022E	69.0	5.1	7.4%	2.4	0.09	14.5	0.8	11.4	4.8	0.06
2023E	71.1	6.0	8.5%	3.8	0.11	11.9	0.8	9.4	7.6	0.07
2024E	72.8	6.6	9.0%	4.5	0.12	10.6	0.8	8.4	9.0	0.08
Market cap, EURm	50		Gearing 2022E, %	32.7		CAGR EPS 2021-24, %		1.2		
Net debt 2022E, EURm	8		Price/book 2022E	1.9		CAGR sales 2021-24, %		3.1		
Enterprise value, EURm	58		Dividend yield 2022E, %	4.5		ROE 2022E, %		13.4		
Total assets 2022E, EURm	53		Tax rate 2022E, %	20.0		ROCE 2022E, %		14.3		
Goodwill 2022E, EURm	26		Equity ratio 2022E, %	49.0		PEG, P/E 22/CAGR		1.2		

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

INNOFACTOR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
TietoEVRY	3043	7.6x	7.4x	7.0x	11.2x	10.7x	9.9x	11.5x	11.0x	10.1x
Atea	1458	11.8x	8.5x	7.8x	18.9x	12.9x	11.5x	17.6x	16.4x	14.6x
Knowit	822	14.3x	10.2x	9.2x	19.7x	15.3x	13.4x	20.2x	20.0x	18.2x
Bouvet	719	19.5x	16.8x	15.3x	22.7x	19.4x	17.5x	27.1x	25.4x	23.2x
Enea	411	17.0x	11.1x	10.1x	27.9x	16.5x	15.2x	17.8x	17.2x	15.1x
Gofore	365	19.8x	17.0x	15.5x	28.2x	22.7x	19.9x	34.8x	28.4x	25.3x
Digia	191	9.2x	9.2x	8.6x	13.9x	13.6x	12.2x	15.0x	15.4x	13.8x
Siiili Solutions	92	8.6x	6.4x	5.9x	14.0x	9.8x	8.5x	13.2x	10.2x	9.0x
Solteq	76	9.5x	6.8x	6.0x	14.9x	10.3x	8.7x	18.7x	11.8x	9.4x
Peer Group Average	798	13.0x	10.4x	9.5x	19.1x	14.6x	13.0x	19.6x	17.3x	15.4x
Peer Group Median	411	11.8x	9.2x	8.6x	18.9x	13.6x	12.2x	17.8x	16.4x	14.6x
Innofactor (Evli est.)	50	6.7x	7.2x	6.2x	10.3x	11.4x	9.3x	13.2x	14.4x	11.9x
<i>Innofactor prem./disc. to peer median</i>		<i>-44 %</i>	<i>-22 %</i>	<i>-28 %</i>	<i>-45 %</i>	<i>-16 %</i>	<i>-23 %</i>	<i>-26 %</i>	<i>-12 %</i>	<i>-19 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.33 PV of Free Cash Flow	51 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.13 PV of Horizon value	74 WACC, %	7.9 Market risk premium, %
Share price potential, %	135.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.5 Marketable securities	2 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	2.9 Debt - dividend	-10 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	58.8 Value of stock	117 Nr of shares, Mn	37.4 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	66	69	71	73	75	77	78	80	82	84	86	88
<i>Sales growth, %</i>	<i>0.3</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>2.5</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	7	5	6	7	7	7	7	7	7	8	8	8
<i>Operating income margin, %</i>	<i>9.8</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>
+ Depreciation+amort.	4	3	3	3	3	4	4	4	4	4	4	
EBITDA	10	8	9	10	10	10	11	11	11	11	12	
- Paid taxes	0	-2	-1	-1	-1	-1	-1	-2	-2	-2	-2	
- Change in NWC	-1	0	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</i>	<i>-1.2</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>2.0</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</i>	<i>4.8</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	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	9	5	7	7	8	8	8	8	8	9	9	155
= Discounted FCFF		5	6	6	6	5	5	5	5	4	4	74
= DFCF min WACC		5	6	6	6	6	5	5	5	5	4	84
= DFCF max WACC		5	6	6	6	5	5	5	5	4	4	65

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	17.8	17.3	13.7	17.5	66.4	17.7	18.0	14.9	18.4	69.0	71.1	72.8
EBITDA	4.7	2.1	1.7	1.7	10.1	1.8	2.2	1.9	2.4	8.1	9.0	9.8
<i>EBITDA margin (%)</i>	<i>26.2</i>	<i>12.1</i>	<i>12.3</i>	<i>9.5</i>	<i>15.2</i>	<i>9.9</i>	<i>11.9</i>	<i>12.4</i>	<i>12.8</i>	<i>11.7</i>	<i>12.7</i>	<i>13.5</i>
EBIT	3.8	1.3	0.9	0.5	6.5	1.0	1.4	1.1	1.6	5.1	6.0	6.6
<i>EBIT margin (%)</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>3.0</i>	<i>9.8</i>	<i>5.6</i>	<i>7.8</i>	<i>7.4</i>	<i>8.7</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>
Net financial items	-0.5	0.0	-0.2	-0.2	-0.8	-0.2	-0.2	-0.2	-0.2	-0.8	-0.8	-0.6
Pre-tax profit	3.4	1.3	0.8	0.3	5.7	0.8	1.2	0.9	1.4	4.3	5.3	5.9
Tax	-0.7	-0.3	-0.2	0.0	-1.2	-0.2	-0.2	-0.2	-0.3	-0.9	-1.1	-1.2
<i>Tax rate (%)</i>	<i>21.5</i>	<i>23.1</i>	<i>23.1</i>	<i>10.0</i>	<i>21.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	2.6	1.0	0.6	0.3	4.5	0.6	1.0	0.7	1.1	3.4	4.2	4.7
EPS	0.07	0.03	0.02	0.01	0.12	0.02	0.03	0.02	0.03	0.09	0.11	0.12
EPS adjusted (diluted no. of shares)	0.07	0.03	0.02	0.01	0.12	0.02	0.03	0.02	0.03	0.09	0.11	0.12
Dividend per share	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.06	0.07	0.08
SALES, EURm												
Innofactor	17.8	17.3	13.7	17.5	66.4	17.7	18.0	14.9	18.4	69.0	71.1	72.8
Total	17.8	17.3	13.7	17.5	66.4	17.7	18.0	14.9	18.4	69.0	71.1	72.8
SALES GROWTH, Y/Y %												
<i>Innofactor</i>	<i>3.8</i>	<i>3.2</i>	<i>-2.0</i>	<i>-4.0</i>	<i>0.3</i>	<i>-0.6</i>	<i>4.1</i>	<i>8.4</i>	<i>5.0</i>	<i>4.0</i>	<i>3.0</i>	<i>2.5</i>
<i>Total</i>	<i>3.8</i>	<i>3.2</i>	<i>-2.0</i>	<i>-4.0</i>	<i>0.3</i>	<i>-0.6</i>	<i>4.1</i>	<i>8.4</i>	<i>5.0</i>	<i>4.0</i>	<i>3.0</i>	<i>2.5</i>
EBIT, EURm												
Innofactor	3.8	1.3	0.9	0.5	6.5	1.0	1.4	1.1	1.6	5.1	6.0	6.6
Total	3.8	1.3	0.9	0.5	6.5	1.0	1.4	1.1	1.6	5.1	6.0	6.6
EBIT margin, %												
<i>Innofactor</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>3.0</i>	<i>9.8</i>	<i>5.6</i>	<i>7.8</i>	<i>7.4</i>	<i>8.7</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>
<i>Total</i>	<i>21.4</i>	<i>7.4</i>	<i>6.7</i>	<i>3.0</i>	<i>9.8</i>	<i>5.6</i>	<i>7.8</i>	<i>7.4</i>	<i>8.7</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	65.7	63.1	64.2	66.2	66.4	69.0	71.1	72.8
<i>Sales growth (%)</i>	<i>10.1</i>	<i>-3.8</i>	<i>1.7</i>	<i>3.1</i>	<i>0.3</i>	<i>4.0</i>	<i>3.0</i>	<i>2.5</i>
EBITDA	1.3	-1.1	5.1	7.2	10.1	8.1	9.0	9.8
<i>EBITDA margin (%)</i>	<i>2.0</i>	<i>-1.7</i>	<i>7.9</i>	<i>10.8</i>	<i>15.2</i>	<i>11.7</i>	<i>12.7</i>	<i>13.5</i>
Depreciation	-2.8	-2.8	-4.3	-4.7	-3.6	-3.0	-3.0	-3.3
EBITA	-1.5	-3.9	0.8	2.5	6.5	5.1	6.0	6.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-1.5	-3.9	0.8	2.5	6.5	5.1	6.0	6.6
<i>EBIT margin (%)</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>9.8</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>
Reported EBIT	-1.5	-3.9	0.8	2.5	6.5	5.1	6.0	6.6
<i>EBIT margin (reported) (%)</i>	<i>-2.2</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>9.8</i>	<i>7.4</i>	<i>8.5</i>	<i>9.0</i>
Net financials	-0.1	0.1	-0.8	-0.5	-0.8	-0.8	-0.8	-0.6
Pre-tax profit	-1.6	-3.8	0.0	2.1	5.7	4.3	5.3	5.9
Taxes	0.3	0.6	0.4	-0.3	-1.2	-0.9	-1.1	-1.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.3	-3.2	0.4	1.8	4.5	3.4	4.2	4.7
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	8	7	4	2	1	1	2	2
Goodwill	26	26	26	27	26	26	26	26
Right of use assets	0	5	5	4	3	3	3	3
Inventory	0	0	0	0	0	0	0	0
Receivables	17	13	14	14	14	14	14	15
Liquid funds	1	0	1	3	2	2	2	2
Total assets	58	57	56	57	51	53	54	54
Liabilities								
Shareholder's equity	25	21	22	23	25	26	28	30
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	5	5	4	3	3	3	3
Deferred taxes	2	1	1	2	1	1	1	1
Interest bearing debt	14	15	12	11	7	7	6	4
Non-interest bearing current liabilities	17	14	16	16	14	15	15	16
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	58	57	56	57	51	53	54	54
CASH FLOW, EURm								
+ EBITDA	1	-1	5	7	10	8	9	10
- Net financial items	0	0	-1	0	-1	-1	-1	-1
- Taxes	0	0	0	0	0	-2	-1	-1
- Increase in Net Working Capital	2	1	2	-1	-1	0	0	0
+/- Other	1	-1	0	-1	0	0	0	0
= Cash flow from operations	4	-1	6	5	8	6	7	8
- Capex	-2	-1	-2	-1	-1	-3	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	2	-2	4	4	7	2	4	4
+/- New issues/buybacks	4	0	0	0	-1	0	0	0
- Paid dividend	0	0	0	0	-1	-3	-2	-3
+/- Other	-6	1	-4	-1	-6	1	-1	-2
Change in cash	0	-1	1	2	-1	0	0	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	13	27	48	59	50	50	50
Net debt (excl. convertibles)	20	16	12	8	8	7	5
Enterprise value	33	43	60	67	58	57	55
Sales	63	64	66	66	69	71	73
EBITDA	-1	5	7	10	8	9	10
EBIT	-4	1	3	7	5	6	7
Pre-tax	-4	0	2	6	4	5	6
Earnings	-3	0	2	5	3	4	5
Equity book value (excl. minorities)	21	22	23	25	26	28	30
Valuation multiples							
EV/sales	0.5	0.7	0.9	1.0	0.8	0.8	0.8
EV/EBITDA	-30.4	8.4	8.4	6.7	7.2	6.3	5.6
EV/EBITA	-8.7	53.8	24.1	10.3	11.4	9.4	8.4
EV/EBIT	-8.7	53.8	24.1	10.3	11.4	9.4	8.4
EV/OCF	-57.7	6.9	12.0	8.0	10.2	7.9	6.9
EV/FCFF	-17.9	6.9	11.3	7.5	10.9	8.4	7.4
P/FCFE	-7.6	6.1	13.5	8.5	20.9	13.2	11.2
P/E	-4.1	64.6	27.2	13.2	14.5	11.9	10.6
P/B	0.6	1.2	2.0	2.3	1.9	1.8	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.4	7.4	6.6
Target EV/EBIT	0.0	0.0	0.0	0.0	13.4	11.1	9.9
Target EV/FCF	0.0	0.0	0.0	0.0	28.7	17.7	14.6
Target P/B	0.0	0.0	0.0	0.0	2.3	2.2	2.0
Target P/E	0.0	0.0	0.0	0.0	17.4	14.4	12.8
Per share measures							
Number of shares	36,188	37,388	37,388	37,388	37,388	37,388	37,388
Number of shares (diluted)	36,188	37,388	37,388	37,388	37,388	37,388	37,388
EPS	-0.09	0.01	0.05	0.12	0.09	0.11	0.12
Operating cash flow per share	-0.02	0.17	0.13	0.22	0.15	0.19	0.21
Free cash flow per share	-0.05	0.12	0.09	0.19	0.06	0.10	0.12
Book value per share	0.59	0.59	0.63	0.68	0.69	0.74	0.80
Dividend per share	0.00	0.00	0.04	0.08	0.06	0.07	0.08
Dividend payout ratio, %	0.0	0.0	84.9	66.4	65.0	65.0	65.0
Dividend yield, %	0.0	0.0	3.1	6.0	4.5	5.4	6.1
FCF yield, %	-13.2	16.3	7.4	11.8	4.8	7.6	9.0
Efficiency measures							
ROE	-13.8	1.9	7.7	18.4	13.4	15.5	16.2
ROCE	-9.6	2.0	6.4	17.6	14.3	16.5	17.7
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	20.9	21.9	21.4	20.4	20.4	20.4	20.4
Non-interest bearing liabilities as % of sales	22.1	24.8	24.1	21.6	21.6	21.6	21.6
NWC/sales, %	-1.2	-2.9	-2.7	-1.2	-1.2	-1.2	-1.2
Operative CAPEX/sales, %	1.8	2.8	2.2	2.0	4.8	4.8	4.8
CAPEX/sales (incl. acquisitions), %	1.8	2.8	2.2	2.0	4.8	4.8	4.8
FCFF/EBITDA	1.7	1.2	0.7	0.9	0.7	0.7	0.8
Net debt/EBITDA, book-weighted	-18.6	3.1	1.7	0.8	1.0	0.8	0.5
Debt/equity, market-weighted	1.2	0.4	0.2	0.1	0.1	0.1	0.1
Equity ratio, book-weighted	37.3	39.7	41.4	49.8	49.0	51.8	54.8
Gearing, %	96.1	71.8	52.6	30.9	32.7	24.9	17.4

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	10.489	21.1%
Ilmarinen Mutual Pension Insurance Company	1,800,000	2.394	4.8%
Linturi Kaija and Risto	1,256,411	1.671	3.4%
Laiho Rami Tapani	1,155,316	1.537	3.1%
Ärje Matias Juhanoika	854,253	1.136	2.3%
Innofactor Oyj	800,000	1.064	2.1%
Mäki Antti Jussi	613,725	0.816	1.6%
Tilman Tuomo Tapani	563,538	0.750	1.5%
Hellen Stefan Andreas	486,000	0.646	1.3%
Ingman Finance	450,000	0.599	1.2%
Ten largest	15,865,385	21.101	42%
Residual	21,522,840	28.625	58%
Total	37,388,225	49.726	100%

EARNINGS CALENDAR

April 26, 2022	Q1 report
July 21, 2022	Q2 report
October 25, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

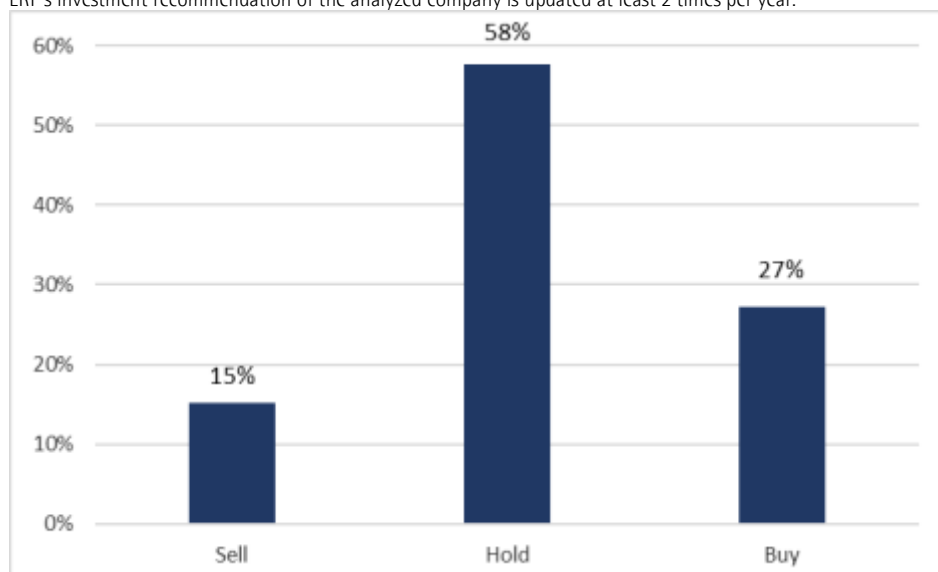
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Investment recommendations are defined as follows:

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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