

Need to start delivering

Innofactor's Q2 results were weaker than anticipated to a weakened billing rate and individual project delivery challenges. Improvement is needed during H2 to achieve the FY '22 guidance. Near-term operational capabilities are still of some concern, but the potential is still quite solid. We adjust our TP to EUR 1.25 (1.6), BUY-rating intact.

Top-line and bottom-line figures short of our estimates

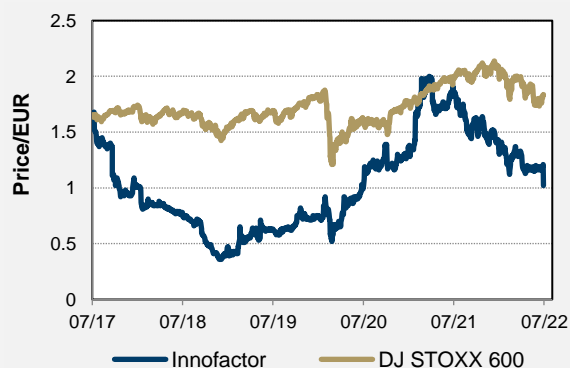
Innofactor's Q2 results fell short of our expectations. A weakened billing rate and challenges relating to individual project deliveries resulted in a slight y/y decline in revenue to EUR 16.9m (Evli EUR 17.7m). As a result, the operating profit also fell to EUR 0.7m (Evli EUR 1.4m) for a rather meager operating profit margin of 3.9%. The order backlog remained at a good level of EUR 77.2m, up 6.1% y/y. During the quarter, Innofactor acquired Invenco Ltd, a company specializing in data and analytics, with some 50 employees and EUR 6m in annual revenue.

Improvement needed during H2

Following the weaker first half of the year, on our revised estimates, we expect Innofactor to be able to beat its guidance with a slim margin essentially thanks to the acquisition of Invenco. EBITDA-margins should return to ~12% during H2, a level that under current circumstances could be seen as a normal level for Innofactor. Despite the implied one-off nature of the project delivery challenges we are slightly concerned for the operational delivery capabilities and the revenue trend in relation to the order backlog growth. Still, the potential is still quite solid and with the acquisition of Invenco and a normal profitability EPS would on our estimates grow 30% y/y in 2023.

BUY with a target price of EUR 1.25 (1.60)

With our revised estimates and continued operational uncertainty, as well as declines in peer multiples, we adjust our target to EUR 1.25 (EUR 1.60). Our TP values Innofactor at a slight discount to peers. Upside potential is provided by the profitability improvement potential. We retain our BUY-rating.

Rating BUY


Share price, EUR (Last trading day's closing price)	1.02
Target price, EUR	1.25

Latest change in recommendation	04-Jun-19
Latest report on company	27-Apr-22
Research paid by issuer:	YES
No. of shares outstanding, '000's	36,588
No. of shares fully diluted, '000's	36,588
Market cap, EURm	37
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	25-Oct-22
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	
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	67.9	4.7	6.9%	-3.9	0.09	11.5	0.8	11.1	-10.5	0.06	
2023E	72.0	6.1	8.5%	4.1	0.12	8.8	0.7	8.2	11.0	0.08	
2024E	73.8	6.6	9.0%	4.6	0.13	7.9	0.7	7.3	12.4	0.08	
Market cap, EURm			37	Gearing 2022E, %			57.5	CAGR EPS 2021-24, %			2.2
Net debt 2022E, EURm			15	Price/book 2022E			1.5	CAGR sales 2021-24, %			3.6
Enterprise value, EURm			52	Dividend yield 2022E, %			5.6	ROE 2022E, %			12.7
Total assets 2022E, EURm			59	Tax rate 2022E, %			20.0	ROCE 2022E, %			12.1
Goodwill 2022E, EURm			30	Equity ratio 2022E, %			43.8	PEG, P/E 22/CAGR			0.8

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		
		22	23	24	22	23	24	22	23	24
TietoEVRY	2934	7.7x	7.1x	6.8x	11.5x	10.2x	9.5x	11.0x	10.2x	9.5x
Atea	1242	8.5x	7.7x	6.9x	12.9x	11.4x	10.1x	14.6x	13.0x	11.2x
Knowit	770	10.4x	9.5x	9.3x	14.5x	12.9x	11.9x	15.9x	14.7x	13.6x
Bouvet	640	13.6x	12.4x	11.2x	16.2x	14.7x	12.9x	21.9x	19.8x	17.4x
Enea	180	8.0x	7.0x	6.4x	17.5x	14.1x	11.9x	11.8x	15.4x	13.0x
Gofore	353	14.7x	12.7x	11.5x	19.9x	16.7x	14.7x	23.2x	20.2x	18.1x
Digia	197	8.8x	8.1x	8.0x	12.2x	11.4x	10.6x	14.9x	13.7x	12.8x
Sili Solutions	114	6.3x	5.7x	5.3x	8.9x	7.8x	7.0x	10.5x	9.2x	8.3x
Solteq	45	6.0x	5.2x	4.5x	11.1x	8.8x	7.2x	12.0x	9.2x	7.0x
Peer Group Average	719	9.3x	8.4x	7.8x	13.9x	12.0x	10.7x	15.1x	13.9x	12.3x
Peer Group Median	353	8.5x	7.7x	6.9x	12.9x	11.4x	10.6x	14.6x	13.7x	12.8x
Innofactor (Evli est.)	37	6.8x	5.3x	4.8x	11.1x	8.2x	7.3x	11.5x	8.8x	7.9x
<i>Innofactor prem./disc. to peer median</i>		<i>-20 %</i>	<i>-31 %</i>	<i>-31 %</i>	<i>-14 %</i>	<i>-28 %</i>	<i>-32 %</i>	<i>-21 %</i>	<i>-36 %</i>	<i>-38 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.02 PV of Free Cash Flow	48 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.09 PV of Horizon value	76 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	202.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.4 Marketable securities	2 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	2.8 Debt - dividend	-13 Maximum WACC, %	8.4 Target debt ratio, %	30
Horizon value, %	61.6 Value of stock	113 Nr of shares, Mn	36.6 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	66	68	72	74	76	78	79	81	83	86	87	89
<i>Sales growth, %</i>	<i>0.3</i>	<i>2.3</i>	<i>6.0</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	8	8	8	8
<i>Operating income margin, %</i>	<i>9.8</i>	<i>6.9</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	4
EBITDA	10	8	9	10	10	11	11	11	11	12	12	
- Paid taxes	0	-2	-1	-1	-1	-1	-2	-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	-7	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>opCAPEX / Sales, %</i>	<i>2.0</i>	<i>13.7</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>4.7</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	-1	7	8	8	8	8	8	9	9	9	156
= Discounted FCFF		-1	6	6	6	6	5	5	5	5	4	76
= DFCF min WACC		-1	6	6	6	6	6	5	5	5	5	87
= DFCF max WACC		-1	6	6	6	6	5	5	5	4	4	67

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	17.8	17.3	13.7	17.5	66.4	17.0	16.9	14.9	19.1	67.9	72.0	73.8
EBITDA	4.7	2.1	1.7	1.7	10.1	2.0	1.4	1.9	2.4	7.6	9.4	10.0
<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>12.0</i>	<i>8.1</i>	<i>12.4</i>	<i>12.3</i>	<i>11.2</i>	<i>13.0</i>	<i>13.6</i>
EBIT	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.1	1.6	4.7	6.1	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>7.8</i>	<i>3.9</i>	<i>7.4</i>	<i>8.4</i>	<i>6.9</i>	<i>8.5</i>	<i>9.0</i>
Net financial items	-0.5	0.0	-0.2	-0.2	-0.8	-0.2	0.0	-0.2	-0.2	-0.6	-0.8	-0.7
Pre-tax profit	3.4	1.3	0.8	0.3	5.7	1.1	0.6	0.9	1.4	4.0	5.3	6.0
Tax	-0.7	-0.3	-0.2	0.0	-1.2	-0.3	-0.1	-0.2	-0.3	-0.8	-1.1	-1.3
<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>23.2</i>	<i>14.4</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	0.8	0.5	0.7	1.1	3.2	4.2	4.7
EPS	0.07	0.03	0.02	0.01	0.12	0.02	0.01	0.02	0.03	0.09	0.12	0.13
EPS adjusted (diluted no. of shares)	0.07	0.03	0.02	0.01	0.12	0.02	0.01	0.02	0.03	0.09	0.12	0.13
Dividend per share	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.06	0.08	0.08
SALES, EURm												
Innofactor	17.8	17.3	13.7	17.5	66.4	17.0	16.9	14.9	19.1	67.9	72.0	73.8
Total	17.8	17.3	13.7	17.5	66.4	17.0	16.9	14.9	19.1	67.9	72.0	73.8
SALES GROWTH, Y/Y %												
Innofactor	3.8	3.2	-2.0	-4.0	0.3	-4.7	-2.0	8.4	9.0	2.3	6.0	2.5
Total	3.8	3.2	-2.0	-4.0	0.3	-4.7	-2.0	8.4	9.0	2.3	6.0	2.5
EBIT, EURm												
Innofactor	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.1	1.6	4.7	6.1	6.6
Total	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.1	1.6	4.7	6.1	6.6
EBIT margin, %												
Innofactor	21.4	7.4	6.7	3.0	9.8	7.8	3.9	7.4	8.4	6.9	8.5	9.0
Total	21.4	7.4	6.7	3.0	9.8	7.8	3.9	7.4	8.4	6.9	8.5	9.0

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	65.7	63.1	64.2	66.2	66.4	67.9	72.0	73.8
<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>2.3</i>	<i>6.0</i>	<i>2.5</i>
EBITDA	1.3	-1.1	5.1	7.2	10.1	7.6	9.4	10.0
<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>11.2</i>	<i>13.0</i>	<i>13.6</i>
Depreciation	-2.8	-2.8	-4.3	-4.7	-3.6	-2.9	-3.3	-3.4
EBITA	-1.5	-3.9	0.8	2.5	6.5	4.7	6.1	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	4.7	6.1	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>6.9</i>	<i>8.5</i>	<i>9.0</i>
Reported EBIT	-1.5	-3.9	0.8	2.5	6.5	4.7	6.1	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>6.9</i>	<i>8.5</i>	<i>9.0</i>
Net financials	-0.1	0.1	-0.8	-0.5	-0.8	-0.6	-0.8	-0.7
Pre-tax profit	-1.6	-3.8	0.0	2.1	5.7	4.0	5.3	6.0
Taxes	0.3	0.6	0.4	-0.3	-1.2	-0.8	-1.1	-1.3
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	3.2	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	4	4	4
Goodwill	26	26	26	27	26	30	30	30
Right of use assets	0	5	5	4	3	3	3	4
Inventory	0	0	0	0	0	0	0	0
Receivables	17	13	14	14	14	14	15	15
Liquid funds	1	0	1	3	2	2	2	2
Total assets	58	57	56	57	51	59	60	60
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	4
Deferred taxes	2	1	1	2	1	1	1	1
Interest bearing debt	14	15	12	11	7	14	11	10
Non-interest bearing current liabilities	17	14	16	16	14	15	16	16
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	58	57	56	57	51	59	60	60
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	5	8	8
- Capex	-2	-1	-2	-1	-1	-9	-3	-4
- 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	-4	4	5
+/- 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	7	-2	-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	37	37	37
Net debt (excl. convertibles)	20	16	12	8	15	13	11
Enterprise value	33	43	60	67	52	50	48
Sales	63	64	66	66	68	72	74
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	0.7	0.7
EV/EBITDA	-30.4	8.4	8.4	6.7	6.8	5.3	4.8
EV/EBITA	-8.7	53.8	24.1	10.3	11.1	8.2	7.3
EV/EBIT	-8.7	53.8	24.1	10.3	11.1	8.2	7.3
EV/OCF	-57.7	6.9	12.0	8.0	9.6	6.6	5.9
EV/FCFF	-17.9	6.9	11.3	7.5	-44.9	7.1	6.3
P/FCFE	-7.6	6.1	13.5	8.5	-9.5	9.1	8.1
P/E	-4.1	64.6	27.2	13.2	11.5	8.8	7.9
P/B	0.6	1.2	2.0	2.3	1.5	1.3	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.9	6.2	5.6
Target EV/EBIT	0.0	0.0	0.0	0.0	12.9	9.6	8.5
Target EV/FCF	0.0	0.0	0.0	0.0	-15.5	14.3	12.2
Target P/B	0.0	0.0	0.0	0.0	1.8	1.6	1.5
Target P/E	0.0	0.0	0.0	0.0	14.1	10.8	9.7
Per share measures							
Number of shares	36,188	37,388	37,388	37,388	36,588	36,588	36,588
Number of shares (diluted)	36,188	37,388	37,388	37,388	36,588	36,588	36,588
EPS	-0.09	0.01	0.05	0.12	0.09	0.12	0.13
Operating cash flow per share	-0.02	0.17	0.13	0.22	0.15	0.21	0.22
Free cash flow per share	-0.05	0.12	0.09	0.19	-0.11	0.11	0.13
Book value per share	0.59	0.59	0.63	0.68	0.70	0.76	0.81
Dividend per share	0.00	0.00	0.04	0.08	0.06	0.08	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	5.0	5.6	7.4	8.2
FCF yield, %	-13.2	16.3	7.4	11.8	-10.5	11.0	12.4
Efficiency measures							
ROE	-13.8	1.9	7.7	18.4	12.7	15.8	16.4
ROCE	-9.6	2.0	6.4	17.6	12.1	14.4	15.5
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	13.7	4.8	4.8
CAPEX/sales (incl. acquisitions), %	1.8	2.8	2.2	2.0	13.7	4.8	4.8
FCFF/EBITDA	1.7	1.2	0.7	0.9	-0.2	0.8	0.8
Net debt/EBITDA, book-weighted	-18.6	3.1	1.7	0.8	1.9	1.4	1.1
Debt/equity, market-weighted	1.2	0.4	0.2	0.1	0.4	0.3	0.3
Equity ratio, book-weighted	37.3	39.7	41.4	49.8	43.8	46.5	49.4
Gearing, %	96.1	71.8	52.6	30.9	57.5	46.0	36.6

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 promising performance after 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 and capitalizing on its good order backlog. Good traction for Microsoft's enterprise solutions supports growth outlook going forward.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ensio Sami	7,895,773	8.054	21.6%
Ilmarinen Mutual Pension Insurance Company	1,800,000	1.836	4.9%
Linturi Kaija and Risto	1,256,411	1.282	3.4%
Laiho Rami Tapani	1,155,316	1.178	3.2%
Ärje Matias Juhanoika	854,253	0.871	2.3%
Innofactor Oyj	741,410	0.756	2.0%
Mäki Antti Jussi	613,725	0.626	1.7%
Tilman Tuomo Tapani	563,538	0.575	1.5%
Hellen Stefan Andreas	486,000	0.496	1.3%
Ingman Finance	450,000	0.459	1.2%
Ten largest	15,816,426	16.133	43%
Residual	20,771,799	21.187	57%
Total	36,588,225	37.320	100%

EARNINGS CALENDAR

October 25, 2022

Q3 report

OTHER EVENTS

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

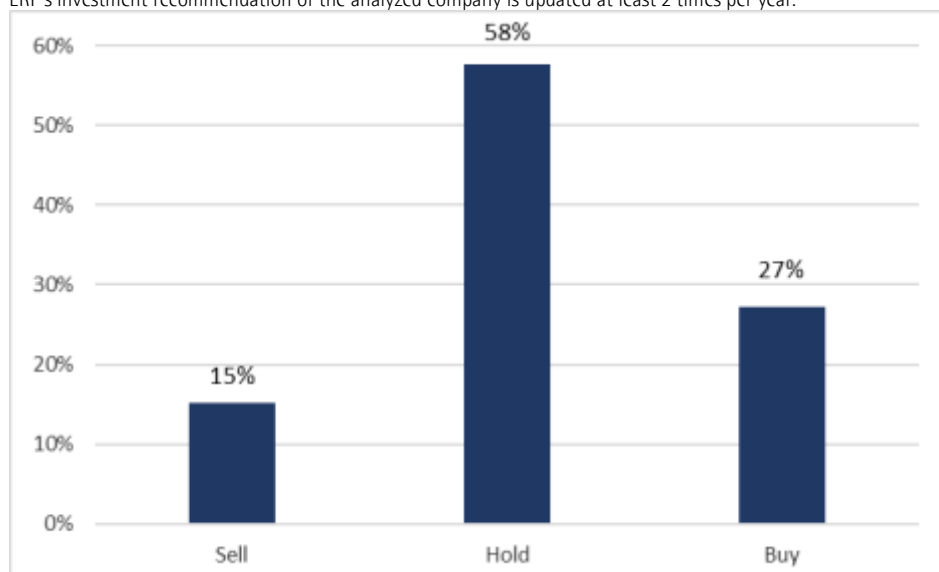
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Investment recommendations are defined as follows:

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

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



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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