

Showing much needed improvement

Innofactor showed promising progress in Q3, boding well for 2023, and now needs to provide further signs of sustained performance given recent challenges. We retain our target price of EUR 1.25 and BUY-rating intact.

Clear growth boost in Q3

Innofactor reported better than expected results. Growth clearly picked up a notch, 21.5% y/y (13.4% organic), with net sales of EUR 16.7m (Evli 14.9m). Growth was aided by improved invoicing rates following actions implemented after the weaker H1. Profitability came in line with our expectations, with EBITDA of EUR 1.8m (Evli EUR 1.9m). Relative profitability was in our view slightly soft but still at good levels. Subcontracting expenses increased y/y and the improvement in invoicing was gradual throughout the quarter, with September having been strong according to the company. The order backlog was up 7.3% y/y.

Potential for 2023 but too early to get overly excited

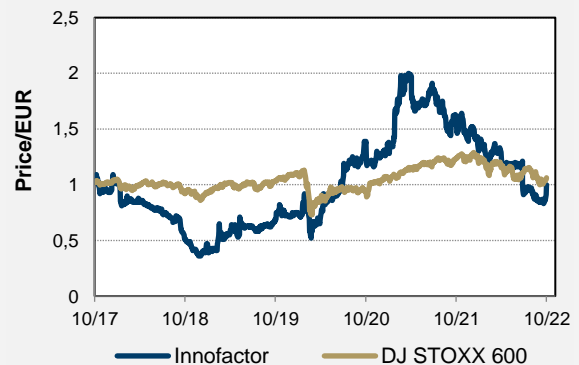
The achieved sales growth in Q3 along with the gradually improved invoicing rate provides very good support for the end of the year and confidence for Q4 appears to be strong. With the demand situation looking unchanged and should the achieved efficiency be sustained, Innofactor is set for notable earnings improvement potential heading into 2023. The sustainability of the higher operative performance remains a key concern given recent challenges, and further proof is warranted. We currently estimate a ~2% increase in the EBITDA-margin in 2023 should the late-Q3 performance be sustained in the near future, although H1/22 was soft, and the potential is bigger than that.

BUY with a target price of EUR 1.25

Innofactor currently trades below peers. In our view this is not fully unjustified given the sub-par performance during 2022. We, however, still see that the shown improvement signs and potential still supports valuation upside. We retain our target price of EUR 1.25, valuing Innofactor near the peer median, and our BUY-rating intact. We note that peer multiples have come down recently and in absolute terms, the implied 2023 target P/E of ~10.5x is not overly challenging.

Rating

BUY



Share price, EUR (Last trading day's closing price) 1.00
 Target price, EUR 1.25

Latest change in recommendation 04-Jun-19
 Latest report on company 22-Jul-22
 Research paid by issuer: YES
 No. of shares outstanding, '000's 36,647
 No. of shares fully diluted, '000's 36,647
 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 09-Feb-23
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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	71.1	4.8	6.8%	-3.9	0.09	10.9	0.7	10.6	-10.6	0.06
2023E	75.4	6.2	8.2%	4.1	0.12	8.6	0.7	8.0	11.2	0.08
2024E	77.2	6.6	8.6%	4.6	0.13	7.8	0.6	7.2	12.6	0.08
Market cap, EURm	37		Gearing 2022E, %	57.2		CAGR EPS 2021-24, %		2.2		
Net debt 2022E, EURm	15		Price/book 2022E	1.4		CAGR sales 2021-24, %		5.2		
Enterprise value, EURm	51		Dividend yield 2022E, %	5.9		ROE 2022E, %		13.1		
Total assets 2022E, EURm	59		Tax rate 2022E, %	20.2		ROCE 2022E, %		12.5		
Goodwill 2022E, EURm	30		Equity ratio 2022E, %	43.3		PEG, P/E 22/CAGR		0.7		

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	2870	7.9x	7.3x	6.9x	11.0x	10.0x	9.5x	10.9x	10.1x	9.5x
Atea	1212	8.2x	7.6x	7.0x	12.6x	11.5x	10.3x	14.8x	13.9x	12.1x
Knowit	500	8.0x	7.2x	7.1x	11.5x	10.4x	9.4x	11.4x	10.9x	9.9x
Bouvet	522	11.9x	10.9x	9.8x	14.2x	12.8x	11.3x	18.3x	16.6x	14.6x
Enea	150	7.5x	7.0x	6.5x	16.7x	15.2x	12.6x	12.6x	15.2x	12.7x
Gofore	326							20.8x	18.2x	15.9x
Digia	165	8.3x	7.0x	6.7x	12.1x	9.9x	9.3x	13.2x	10.9x	10.3x
Sili Solutions	119	6.3x	5.7x	5.3x	9.1x	7.9x	7.1x	12.6x	10.7x	9.7x
Solteq	26	6.5x	5.0x	4.5x	44.0x	9.7x	8.1x		8.3x	6.1x
Peer Group Average	655	8.1x	7.2x	6.7x	16.4x	10.9x	9.7x	14.3x	12.8x	11.2x
Peer Group Median	326	8.0x	7.1x	6.8x	12.4x	10.2x	9.5x	12.9x	10.9x	10.3x
Innofactor (Evli est.)	36	6.5x	5.1x	4.6x	10.5x	7.9x	7.1x	10.8x	8.5x	7.7x
<i>Innofactor prem./disc. to peer median</i>		<i>-18 %</i>	<i>-28 %</i>	<i>-32 %</i>	<i>-15 %</i>	<i>-22 %</i>	<i>-25 %</i>	<i>-16 %</i>	<i>-22 %</i>	<i>-26 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.00 PV of Free Cash Flow	51 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.33 PV of Horizon value	82 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	233.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.7 Marketable securities	2 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	3.0 Debt - dividend	-13 Maximum WACC, %	8.4 Target debt ratio, %	30
Horizon value, %	61.6 Value of stock	122 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	71	75	77	79	81	83	85	87	90	91	93
<i>Sales growth, %</i>	<i>0.3</i>	<i>7.1</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	8	8	8	8	8
<i>Operating income margin, %</i>	<i>9.8</i>	<i>6.8</i>	<i>8.2</i>	<i>8.6</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	4	4	4	4	4	4	4	4	4
EBITDA	10	8	10	10	11	11	11	12	12	12	12	
- Paid taxes	0	-2	-1	-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>-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>13.4</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	-1	7	8	8	8	9	9	9	9	9	164
= Discounted FCFF		-1	7	7	6	6	6	5	5	5	5	82
= DFCF min WACC		-1	7	7	7	6	6	6	5	5	5	93
= DFCF max WACC		-1	7	7	6	6	6	5	5	5	5	72

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	17.8	17.3	13.7	17.5	66.4	17.0	16.9	16.7	20.5	71.1	75.4	77.2
EBITDA	4.7	2.1	1.7	1.7	10.1	2.0	1.4	1.8	2.7	7.8	9.6	10.2
<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>10.7</i>	<i>12.9</i>	<i>11.0</i>	<i>12.7</i>	<i>13.2</i>
EBIT	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.0	1.9	4.8	6.2	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>5.7</i>	<i>9.3</i>	<i>6.8</i>	<i>8.2</i>	<i>8.6</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	0.8	1.7	4.2	5.4	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>21.1</i>	<i>20.0</i>	<i>20.2</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	0.6	1.4	3.4	4.3	4.7
EPS	0.07	0.03	0.02	0.01	0.12	0.02	0.01	0.02	0.04	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	0.04	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	16.7	20.5	71.1	75.4	77.2
Total	17.8	17.3	13.7	17.5	66.4	17.0	16.9	16.7	20.5	71.1	75.4	77.2
SALES GROWTH, Y/Y %												
Innofactor	3.8	3.2	-2.0	-4.0	0.3	-4.7	-2.0	21.5	16.9	7.1	6.0	2.5
Total	3.8	3.2	-2.0	-4.0	0.3	-4.7	-2.0	21.5	16.9	7.1	6.0	2.5
EBIT, EURm												
Innofactor	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.0	1.9	4.8	6.2	6.6
Total	3.8	1.3	0.9	0.5	6.5	1.3	0.7	1.0	1.9	4.8	6.2	6.6
EBIT margin, %												
Innofactor	21.4	7.4	6.7	3.0	9.8	7.8	3.9	5.7	9.3	6.8	8.2	8.6
Total	21.4	7.4	6.7	3.0	9.8	7.8	3.9	5.7	9.3	6.8	8.2	8.6

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	65.7	63.1	64.2	66.2	66.4	71.1	75.4	77.2
<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>7.1</i>	<i>6.0</i>	<i>2.5</i>
EBITDA	1.3	-1.1	5.1	7.2	10.1	7.8	9.6	10.2
<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>11.0</i>	<i>12.7</i>	<i>13.2</i>
Depreciation	-2.8	-2.8	-4.3	-4.7	-3.6	-3.0	-3.4	-3.6
EBITA	-1.5	-3.9	0.8	2.5	6.5	4.8	6.2	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	4.8	6.2	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>6.8</i>	<i>8.2</i>	<i>8.6</i>
Reported EBIT	-1.5	-3.9	0.8	2.5	6.5	4.8	6.2	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>6.8</i>	<i>8.2</i>	<i>8.6</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	4.2	5.4	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	3.4	4.3	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	4	4
Inventory	0	0	0	0	0	0	0	0
Receivables	17	13	14	14	14	14	15	16
Liquid funds	1	0	1	3	2	2	2	2
Total assets	58	57	56	57	51	59	61	61
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	4	4
Deferred taxes	2	1	1	2	1	1	1	1
Interest bearing debt	14	15	12	11	7	13	11	10
Non-interest bearing current liabilities	17	14	16	16	14	15	16	17
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	58	57	56	57	51	59	61	61
CASH FLOW, EURm								
+ EBITDA	1	-1	5	7	10	8	10	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	8	8
- Capex	-2	-1	-2	-1	-1	-10	-4	-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	51	49	48
Sales	63	64	66	66	71	75	77
EBITDA	-1	5	7	10	8	10	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	0.7	0.7	0.6
EV/EBITDA	-30.4	8.4	8.4	6.7	6.5	5.2	4.7
EV/EBITA	-8.7	53.8	24.1	10.3	10.6	8.0	7.2
EV/EBIT	-8.7	53.8	24.1	10.3	10.6	8.0	7.2
EV/OCF	-57.7	6.9	12.0	8.0	9.1	6.4	5.7
EV/FCFF	-17.9	6.9	11.3	7.5	-54.1	6.8	6.1
P/FCFE	-7.6	6.1	13.5	8.5	-9.4	8.9	7.9
P/E	-4.1	64.6	27.2	13.2	10.9	8.6	7.8
P/B	0.6	1.2	2.0	2.3	1.4	1.3	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.7	6.1	5.6
Target EV/EBIT	0.0	0.0	0.0	0.0	12.5	9.5	8.5
Target EV/FCF	0.0	0.0	0.0	0.0	-15.6	14.2	12.3
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	13.7	10.7	9.7
Per share measures							
Number of shares	36,188	37,388	37,388	37,388	36,647	36,647	36,647
Number of shares (diluted)	36,188	37,388	37,388	37,388	36,647	36,647	36,647
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	0.23
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	5.9	7.6	8.3
FCF yield, %	-13.2	16.3	7.4	11.8	-10.6	11.2	12.6
Efficiency measures							
ROE	-13.8	1.9	7.7	18.4	13.1	15.9	16.3
ROCE	-9.6	2.0	6.4	17.6	12.5	14.5	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	13.4	4.8	4.8
CAPEX/sales (incl. acquisitions), %	1.8	2.8	2.2	2.0	13.4	4.8	4.8
FCFF/EBITDA	1.7	1.2	0.7	0.9	-0.1	0.8	0.8
Net debt/EBITDA, book-weighted	-18.6	3.1	1.7	0.8	1.9	1.3	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	43.3	45.9	48.7
Gearing, %	96.1	71.8	52.6	30.9	57.2	46.0	36.8

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 history of 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	7.896	21.5%
Ilmarinen Mutual Pension Insurance Company	1,800,000	1.800	4.9%
Linturi Kaija and Risto	1,256,411	1.256	3.4%
Laiho Rami Tapani	1,123,010	1.123	3.1%
Ärje Matias Juhanoika	854,253	0.854	2.3%
Innofactor Oyj	741,410	0.741	2.0%
Mäki Antti Jussi	613,725	0.614	1.7%
Tilman Tuomo Tapani	563,538	0.564	1.5%
Hellen Stefan Andreas	486,000	0.486	1.3%
Ingman Finance	450,000	0.450	1.2%
Ten largest	15,784,120	15.784	43%
Residual	20,863,105	20.863	57%
Total	36,647,225	36.647	100%

EARNINGS CALENDAR

February 09, 2023	FY 2022 Results
April 25, 2023	Q1 report
July 20, 2023	Q2 report
October 24, 2023	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

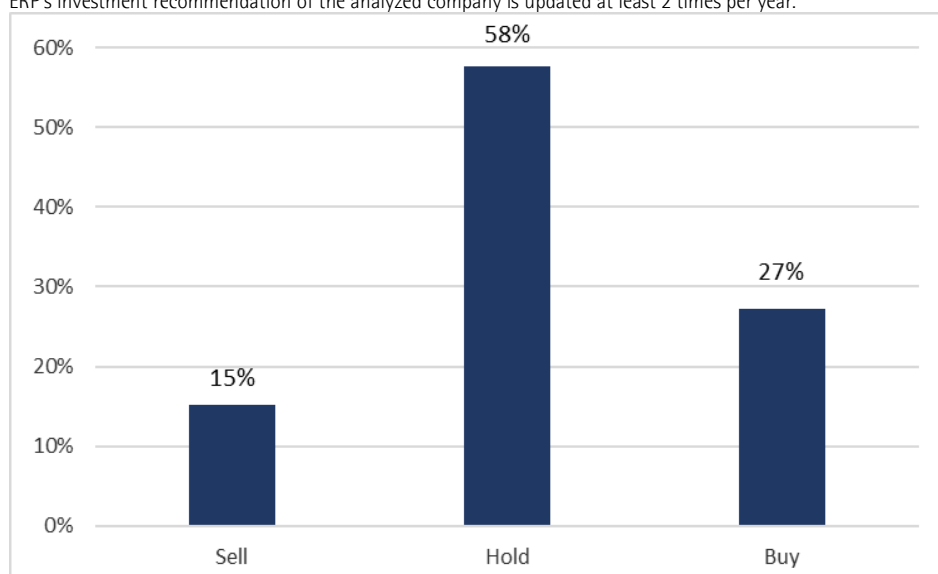
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Investment recommendations are defined as follows:

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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