

Starting to prove its worth

Innofactor posted solid Q4 figures and is well set to continue top- and bottom-line growth in 2023e. We retain our BUY-rating with a target price of EUR 1.5 (1.25).

Good figures posted in Q4

Innofactor reported Q4 results in line with our expectations. Revenue grew 17.1% y/y (12.7% organically) to EUR 20.5m (Evl EUR 20.5m) while EBITDA and EBIT amounted to EUR 2.6m (Evl EUR 2.7m) and 1.8m (Evl EUR 1.9m) respectively. The order backlog stood at EUR 75.8m, up 4.1% y/y. Innofactor's BoD proposes a distribution of EUR 0.06 per share as repayment of capital (Evl EUR 0.06). Innofactor's 2023 guidance was not a surprise, expecting net sales to increase from 2022 (EUR 77.1m) and EBITDA to increase from 2022 (EUR 7.8m). Q4 figures were solid, considering also the EUR 0.4m deduction made in Q4 revenue due to uncertainty in receivables of a single project, without which the reported EBITDA -margin of 12.7% would have been boosted by some 1.5%p.

Expecting top- and bottom-line growth in 2023

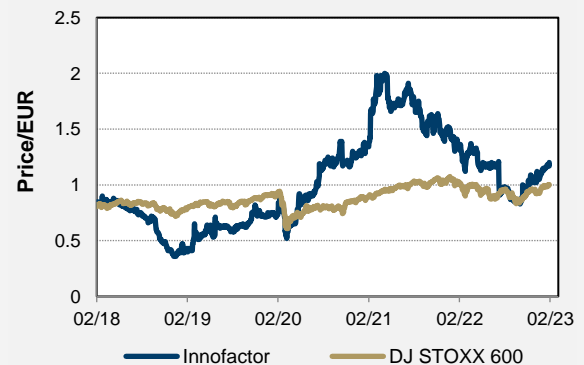
On our largely unchanged estimates, we expect revenue growth of 6.4% in 2023, driven by the weak comparison H1 and a continued modest growth outlook. Innofactor has not noted any demand issues but the prevailing economic uncertainty in our view is nonetheless not to be disregarded. We expect EBITDA to improve to EUR 9.7m (2022: 7.8m) supported by the improved operational efficiency after H1/22 challenges, topline growth and improved sales mix, with the SaaS+license share of revenue up 3%p by year-end. The deduced revenue in Q4 can still materialize in 2023, providing some further potential improvement to figures.

BUY with a target price of EUR 1.5 (1.25)

Current valuation levels in our view price in a flat earnings development at best, with implied 2022 P/E of ~13x, still clearly below peer 2022 and 2023e multiples. Some caution is however warranted, with Innofactor now having posted only two solid quarters after challenges before that. We adjust our TP to EUR 1.5 (1.25) and retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 1.20

Target price, EUR 1.5

Latest change in recommendation 04-Jun-19

Latest report on company 26-Oct-22

Research paid by issuer: YES

No. of shares outstanding, '000's 36,048

No. of shares fully diluted, '000's 36,048

Market cap, EURm 43

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-Apr-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
2021	66.4	6.5	9.8%	7.2	0.12	13.2	1.0	10.3	12.1	0.08
2022	71.1	4.8	6.7%	-0.9	0.09	11.5	0.7	10.6	-2.4	0.06
2023E	75.7	6.4	8.5%	3.0	0.13	9.4	0.7	8.6	6.9	0.08
2024E	79.5	7.2	9.0%	4.6	0.14	8.3	0.7	7.4	10.7	0.09
2025E	82.7	7.4	9.0%	5.0	0.15	7.9	0.6	6.9	11.5	0.10
Market cap, EURm	43			Gearing 2023E, %	42.6			CAGR EPS 2022-25, %	18.5	
Net debt 2023E, EURm	12			Price/book 2023E	1.6			CAGR sales 2022-25, %	5.1	
Enterprise value, EURm	55			Dividend yield 2023E, %	6.9			ROE 2023E, %	17.7	
Total assets 2023E, EURm	59			Tax rate 2023E, %	20.7			ROCE 2023E, %	16.0	
Goodwill 2023E, EURm	27			Equity ratio 2023E, %	46.5			PEG, P/E 23/CAGR	1.3	

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	3427	8.2x	8.4x	8.1x	11.8x	11.8x	11.2x	12.7x	12.3x	11.5x
Atea	1226	8.4x	8.0x	7.4x	12.8x	12.1x	11.0x	16.0x	14.7x	13.1x
Knowit	566	8.5x	9.0x	8.4x	12.6x	14.1x	11.9x	15.2x	17.5x	14.5x
Bouvet	567	13.5x	12.8x	11.8x	16.3x	15.5x	14.0x	21.3x	20.2x	18.3x
Enea	191	7.4x	8.0x	7.5x	17.5x	19.4x	16.4x	11.2x	18.6x	15.6x
Gofore	381							24.1x	20.4x	17.2x
Digia	171	8.1x	7.8x	7.3x	12.5x	11.6x	10.6x	14.4x	12.5x	11.7x
Sili Solutions	132	7.1x	6.4x	5.7x	9.5x	8.4x	7.4x	15.0x	12.1x	10.5x
Solteq	33	7.7x	6.7x	5.7x		16.1x	10.4x		20.1x	9.7x
Peer Group Average	744	8.6x	8.4x	7.8x	13.3x	13.6x	11.6x	16.2x	16.5x	13.6x
Peer Group Median	381	8.1x	8.0x	7.4x	12.6x	13.1x	11.1x	15.1x	17.5x	13.1x
Innofactor (Evli est.)	43	6.5x	5.7x	5.1x	10.6x	8.6x	7.4x	11.5x	9.4x	8.3x
<i>Innofactor prem./disc. to peer median</i>		<i>-21 %</i>	<i>-29 %</i>	<i>-31 %</i>	<i>-16 %</i>	<i>-35 %</i>	<i>-33 %</i>	<i>-24 %</i>	<i>-46 %</i>	<i>-36 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.20 PV of Free Cash Flow	54 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.31 PV of Horizon value	78 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	175.5 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	-14 Maximum WACC, %	8.4 Target debt ratio, %	30
Horizon value, %	59.0 Value of stock	119 Nr of shares, Mn	36.0 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	71	76	79	83	85	87	89	91	94	96	98	100
<i>Sales growth, %</i>	<i>7.2</i>	<i>6.4</i>	<i>5.0</i>	<i>4.0</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)	5	6	7	7	8	8	8	8	8	9	9	9
<i>Operating income margin, %</i>	<i>6.7</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>	<i>9.0</i>
+ Depreciation+amort.	3	3	3	3	4	4	4	4	4	4	4	4
EBITDA	8	10	10	11	11	12	12	12	13	13	13	
- Paid taxes	0	-3	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
- Change in NWC	-1	0	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
<i>opCAPEX / Sales, %</i>	<i>6.8</i>	<i>4.5</i>	<i>4.9</i>	<i>4.9</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	-3	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	4	5	7	8	8	8	8	9	9	9	9	164
= Discounted FCFF		5	6	6	6	6	5	5	5	5	4	78
= DFCF min WACC		5	6	6	6	6	6	5	5	5	5	89
= DFCF max WACC		5	6	6	6	6	5	5	5	5	4	68

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	17.0	16.9	16.7	20.5	71.1	18.3	18.4	17.0	22.0	75.7	79.5	82.7
EBITDA	2.0	1.4	1.8	2.6	7.8	2.2	2.2	1.9	3.3	9.7	10.4	10.9
<i>EBITDA margin (%)</i>	<i>12.0</i>	<i>8.1</i>	<i>10.7</i>	<i>12.7</i>	<i>11.0</i>	<i>12.2</i>	<i>12.1</i>	<i>11.3</i>	<i>15.1</i>	<i>12.8</i>	<i>13.1</i>	<i>13.2</i>
EBIT	1.3	0.7	1.0	1.8	4.8	1.4	1.4	1.1	2.5	6.4	7.2	7.4
<i>EBIT margin (%)</i>	<i>7.8</i>	<i>3.9</i>	<i>5.7</i>	<i>8.8</i>	<i>6.7</i>	<i>7.7</i>	<i>7.6</i>	<i>6.5</i>	<i>11.4</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>
Net financial items	-0.2	0.0	-0.2	-0.1	-0.6	-0.1	-0.1	-0.1	-0.1	-0.6	-0.6	-0.5
Pre-tax profit	1.1	0.6	0.8	1.7	4.2	1.3	1.3	1.0	2.4	5.8	6.6	7.0
Tax	-0.3	-0.1	-0.2	-0.3	-0.9	-0.3	-0.3	-0.3	-0.3	-1.2	-1.4	-1.5
<i>Tax rate (%)</i>	<i>23.2</i>	<i>14.4</i>	<i>21.1</i>	<i>20.9</i>	<i>20.5</i>	<i>24.0</i>	<i>24.0</i>	<i>31.6</i>	<i>12.8</i>	<i>20.7</i>	<i>21.0</i>	<i>21.0</i>
Net profit	0.8	0.5	0.6	1.3	3.3	1.0	1.0	0.7	2.1	4.6	5.2	5.5
EPS	0.02	0.02	0.02	0.04	0.09	0.03	0.03	0.02	0.06	0.13	0.14	0.15
EPS adjusted (diluted no. of shares)	0.02	0.02	0.02	0.04	0.09	0.03	0.03	0.02	0.06	0.13	0.14	0.15
Dividend per share	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.08	0.09	0.10
SALES, EURm												
Innofactor	17.0	16.9	16.7	20.5	71.1	18.3	18.4	17.0	22.0	75.7	79.5	82.7
Total	17.0	16.9	16.7	20.5	71.1	18.3	18.4	17.0	22.0	75.7	79.5	82.7
SALES GROWTH, Y/Y %												
<i>Innofactor</i>	<i>-4.7</i>	<i>-2.0</i>	<i>21.5</i>	<i>17.1</i>	<i>7.2</i>	<i>7.9</i>	<i>8.6</i>	<i>1.9</i>	<i>7.1</i>	<i>6.4</i>	<i>5.0</i>	<i>4.0</i>
<i>Total</i>	<i>-4.7</i>	<i>-2.0</i>	<i>21.5</i>	<i>17.1</i>	<i>7.2</i>	<i>7.9</i>	<i>8.6</i>	<i>1.9</i>	<i>7.1</i>	<i>6.4</i>	<i>5.0</i>	<i>4.0</i>
EBIT, EURm												
Innofactor	1.3	0.7	1.0	1.8	4.8	1.4	1.4	1.1	2.5	6.4	7.2	7.4
Total	1.3	0.7	1.0	1.8	4.8	1.4	1.4	1.1	2.5	6.4	7.2	7.4
EBIT margin, %												
<i>Innofactor</i>	<i>7.8</i>	<i>3.9</i>	<i>5.7</i>	<i>8.8</i>	<i>6.7</i>	<i>7.7</i>	<i>7.6</i>	<i>6.5</i>	<i>11.4</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>
<i>Total</i>	<i>7.8</i>	<i>3.9</i>	<i>5.7</i>	<i>8.8</i>	<i>6.7</i>	<i>7.7</i>	<i>7.6</i>	<i>6.5</i>	<i>11.4</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	63.1	64.2	66.2	66.4	71.1	75.7	79.5	82.7
<i>Sales growth (%)</i>	-3.8	1.7	3.1	0.3	7.2	6.4	5.0	4.0
EBITDA	-1.1	5.1	7.2	10.1	7.8	9.7	10.4	10.9
<i>EBITDA margin (%)</i>	-1.7	7.9	10.8	15.2	11.0	12.8	13.1	13.2
Depreciation	-2.8	-4.3	-4.7	-3.6	-3.1	-3.3	-3.3	-3.5
EBITA	-3.9	0.8	2.5	6.5	4.8	6.4	7.2	7.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-3.9	0.8	2.5	6.5	4.8	6.4	7.2	7.4
<i>EBIT margin (%)</i>	-6.1	1.2	3.8	9.8	6.7	8.5	9.0	9.0
Reported EBIT	-3.9	0.8	2.5	6.5	4.8	6.4	7.2	7.4
<i>EBIT margin (reported) (%)</i>	-6.1	1.2	3.8	9.8	6.7	8.5	9.0	9.0
Net financials	0.1	-0.8	-0.5	-0.8	-0.6	-0.6	-0.6	-0.5
Pre-tax profit	-3.8	0.0	2.1	5.7	4.2	5.8	6.6	7.0
Taxes	0.6	0.4	-0.3	-1.2	-0.9	-1.2	-1.4	-1.5
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-3.2	0.4	1.8	4.5	3.3	4.6	5.2	5.5
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	7	4	2	1	3	4	4	5
Goodwill	26	26	27	26	27	27	27	27
Right of use assets	5	5	4	3	5	5	5	5
Inventory	0	0	0	0	0	0	0	0
Receivables	13	14	14	14	15	16	16	17
Liquid funds	0	1	3	2	2	2	2	2
Total assets	57	56	57	51	56	59	60	61
Liabilities								
Shareholder's equity	21	22	23	25	25	27	29	32
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	5	5	4	3	5	5	5	5
Deferred taxes	1	1	2	1	2	2	2	2
Interest bearing debt	15	12	11	7	9	9	7	6
Non-interest bearing current liabilities	14	16	16	14	15	16	17	17
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	57	56	57	51	56	59	60	61
CASH FLOW, EURm								
+ EBITDA	-1	5	7	10	8	10	10	11
- Net financial items	0	-1	0	-1	-1	-1	-1	0
- Taxes	0	0	0	0	0	-3	-1	-1
- Increase in Net Working Capital	1	2	-1	-1	-1	0	0	0
+/- Other	-1	0	-1	0	0	0	0	0
= Cash flow from operations	-1	6	5	9	7	6	9	9
- Capex	-1	-2	-1	-2	-5	-3	-4	-4
- Acquisitions	0	0	0	0	-3	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-2	4	4	7	-1	3	5	5
+/- New issues/buybacks	0	0	0	-1	-1	0	0	0
- Paid dividend	0	0	0	-1	-3	-2	-3	-3
+/- Other	1	-4	-1	-6	5	-1	-2	-1
Change in cash	-1	1	2	-1	0	0	0	0

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	27	48	59	38	43	43	43
Net debt (excl. convertibles)	16	12	8	12	12	10	8
Enterprise value	43	60	67	50	55	53	52
Sales	64	66	66	71	76	79	83
EBITDA	5	7	10	8	10	10	11
EBIT	1	3	7	5	6	7	7
Pre-tax	0	2	6	4	6	7	7
Earnings	0	2	5	3	5	5	5
Equity book value (excl. minorities)	22	23	25	25	27	29	32
Valuation multiples							
EV/sales	0.7	0.9	1.0	0.7	0.7	0.7	0.6
EV/EBITDA	8.4	8.4	6.7	6.5	5.7	5.1	4.7
EV/EBITA	53.8	24.1	10.3	10.6	8.6	7.4	6.9
EV/EBIT	53.8	24.1	10.3	10.6	8.6	7.4	6.9
EV/OCF	6.9	12.0	7.6	7.5	8.6	6.3	5.7
EV/FCFF	6.9	11.3	7.6	14.1	10.3	7.3	6.7
P/FCFE	6.1	13.5	8.3	-41.0	14.5	9.4	8.7
P/E	64.6	27.2	13.2	11.5	9.4	8.3	7.9
P/B	1.2	2.0	2.3	1.5	1.6	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.8	6.1	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	10.3	9.0	8.4
Target EV/FCF	0.0	0.0	0.0	0.0	22.1	13.9	12.6
Target P/B	0.0	0.0	0.0	0.0	2.0	1.8	1.7
Target P/E	0.0	0.0	0.0	0.0	11.8	10.4	9.8
Per share measures							
Number of shares	37,388	37,388	37,388	36,223	36,048	36,048	36,048
Number of shares (diluted)	37,388	37,388	37,388	36,223	36,048	36,048	36,048
EPS	0.01	0.05	0.12	0.09	0.13	0.14	0.15
Operating cash flow per share	0.17	0.13	0.24	0.19	0.18	0.24	0.25
Free cash flow per share	0.12	0.09	0.19	-0.03	0.08	0.13	0.14
Book value per share	0.59	0.63	0.68	0.68	0.76	0.82	0.88
Dividend per share	0.00	0.04	0.08	0.06	0.08	0.09	0.10
Dividend payout ratio, %	0.0	84.9	66.4	65.5	65.0	65.0	65.0
Dividend yield, %	0.0	3.1	5.0	5.0	6.9	7.8	8.3
FCF yield, %	16.3	7.4	12.1	-2.4	6.9	10.7	11.5
Efficiency measures							
ROE	1.9	7.7	18.4	13.2	17.7	18.4	18.0
ROCE	2.0	6.4	17.6	12.8	16.0	17.3	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	21.9	21.4	20.4	20.5	20.5	20.5	20.5
Non-interest bearing liabilities as % of sales	24.8	24.1	21.6	20.8	20.8	20.8	20.8
NWC/sales, %	-2.9	-2.7	-1.2	-0.3	-0.3	-0.3	-0.3
Operative CAPEX/sales, %	2.8	2.2	2.5	6.8	4.5	4.9	4.9
CAPEX/sales (incl. acquisitions), %	2.8	2.2	2.5	2.8	4.5	4.9	4.9
FCFF/EBITDA	1.2	0.7	0.9	0.5	0.6	0.7	0.7
Net debt/EBITDA, book-weighted	3.1	1.7	0.8	1.6	1.2	1.0	0.8
Debt/equity, market-weighted	0.4	0.2	0.1	0.2	0.2	0.2	0.1
Equity ratio, book-weighted	39.7	41.4	49.8	44.4	46.5	49.1	51.5
Gearing, %	71.8	52.6	30.9	50.0	42.6	33.9	26.6

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 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	9.475	21.9%
Ilmarinen Mutual Pension Insurance Company	1,800,000	2.160	5.0%
Innofactor Oyj	1,339,936	1.608	3.7%
Linturi Kaija and Risto	1,256,411	1.508	3.5%
Ärje Matias Juhanpoika	854,253	1.025	2.4%
Laiho Rami Tapani	849,246	1.019	2.4%
Mäki Antti Jussi	613,725	0.736	1.7%
Tilman Tuomo Tapani	538,538	0.646	1.5%
Hellen Stefan Andreas	486,000	0.583	1.3%
Ingman Finance	450,000	0.540	1.2%
Ten largest	16,083,882	19.301	45%
Residual	19,964,407	23.957	55%
Total	36,048,289	43.258	100%

EARNINGS CALENDAR

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

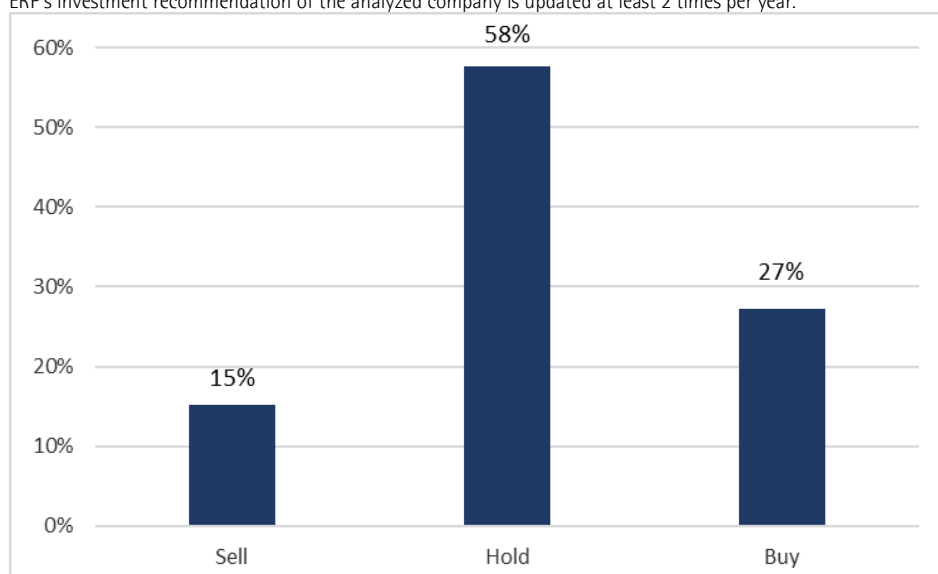
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Investment recommendations are defined as follows:

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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