

Ups and downs

Innofactor saw some challenges in Q2 but still reported rather decent results. Increased price competition remains a short-term threat, but financially, we expect improvements towards the end of the year.

Some challenges in Q2

Innofactor reported rather decent results despite margins falling short of our estimates. Net sales amounted to EUR 20.1m (Evli EUR 19.4m), growing by 18.6% y/y and 11.1% organically. EBITDA amounted to EUR 1.8m (Evli EUR 2.3m). Q2 was affected by Easter and other weekday holidays and usage of flexi leaves around these. Onboarding of a notable number of new employees also reduced invoicing rates during April-May, while Innofactor in June achieved its highest single-month billing rate since going public. Exchange rates also had a significant negative impact. The order backlog remained on previous year levels, at EUR 77.3m, with the price competition for public sector tenders having increased significantly during the quarter.

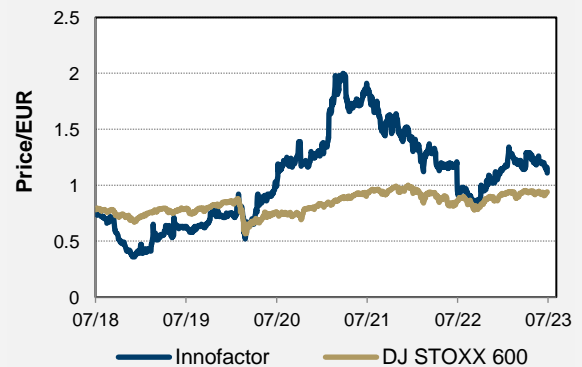
Expect improvements towards the end of the year

The increased price competition causes some concerns for the remainder of the year. Although the prices in public tenders appear unsustainable and will likely rebound, we expect competition to still remain tough. The backlog supports growth for now, but new sales will need to pick up for Innofactor to remain on a more rapid growth track. The more recent development of billing rates is encouraging and along with the recent recruitments and reduced employee turnover providing support for margin improvement. In terms of financial figures, we expect Q3 to likely still be a bit more challenging but Q4 to be notably better. We have made only smaller adjustments to our estimates for 2023e, mainly due to Q2 figures.

BUY with a target price of EUR 1.5 (1.6)

With the slight headwinds seen, as well as the minor downward adjustments to our estimates, we lower our target price to EUR 1.5 (1.6) but retain our BUY-rating. Although valuation is currently rather fair on our 2023 estimates, we see valuation remaining favourable due to the margin improvement potential.

Rating BUY



Share price, EUR (Last trading day's closing price)	1.11
Target price, EUR	1.5

Latest change in recommendation	04-Jun-19
Latest report on company	26-Apr-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	36,344
No. of shares fully diluted, '000's	36,344
Market cap, EURm	40
Free float, %	47.0
Exchange rate EUR	0.000
Reuters code	IFA1V.HE
Bloomberg code	IFA1V.FH
Average daily volume, EURm	0.02
Next interim report	24-Oct-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%	-0.7	0.09	11.5	0.7	10.6	-1.9	0.06
2023E	80.8	5.9	7.3%	1.8	0.10	10.6	0.7	9.0	4.4	0.07
2024E	84.9	7.2	8.5%	4.4	0.14	8.0	0.6	7.1	10.8	0.09
2025E	88.3	7.9	9.0%	5.2	0.16	7.1	0.6	6.2	12.8	0.10
Market cap, EURm	40 Gearing 2023E, %			48.3 CAGR EPS 2022-25, %			19.6			
Net debt 2023E, EURm	13 Price/book 2023E			1.5 CAGR sales 2022-25, %			7.5			
Enterprise value, EURm	53 Dividend yield 2023E, %			6.1 ROE 2023E, %			14.9			
Total assets 2023E, EURm	60 Tax rate 2023E, %			24.0 ROCE 2023E, %			14.6			
Goodwill 2023E, EURm	27 Equity ratio 2023E, %			44.0 PEG, P/E 23/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		
		23	24	25	23	24	25	23	24	25
TietoEVRY	2903	7.4x	7.0x	6.8x	10.5x	10.0x	9.3x	10.7x	10.0x	9.4x
Atea	1348	8.0x	7.3x	6.7x	12.0x	10.8x	9.7x	15.9x	14.2x	12.5x
Knowit	347	7.0x	6.3x	5.8x	12.6x	10.5x	9.0x	14.7x	11.7x	9.8x
Bouvet	559							19.9x	17.3x	15.7x
Enea	86	5.7x	4.8x	4.4x		14.3x	12.2x		13.2x	11.1x
Gofore	333	10.7x	9.2x	8.0x	13.9x	11.6x	9.6x	16.9x	14.4x	12.7x
Digia	158	7.3x	6.7x	6.3x	10.7x	9.5x	8.7x	12.1x	10.6x	9.8x
Siiili Solutions	103	5.2x	4.5x	4.4x	8.0x	6.5x	6.3x	12.5x	10.1x	9.9x
Solteq	22	5.5x	5.9x	5.4x		21.5x	11.6x	12.2x	24.3x	7.7x
Peer Group Average	651	7.1x	6.5x	6.0x	11.3x	11.8x	9.5x	14.4x	14.0x	11.0x
Peer Group Median	333	7.1x	6.5x	6.1x	11.3x	10.7x	9.5x	13.6x	13.2x	9.9x
Innofactor (Evli est.)	47	6.0x	5.3x	4.9x	8.9x	7.6x	7.1x	10.2x	8.8x	8.3x
<i>Innofactor prem./disc. to peer median</i>		<i>-15 %</i>	<i>-18 %</i>	<i>-19 %</i>	<i>-22 %</i>	<i>-29 %</i>	<i>-25 %</i>	<i>-25 %</i>	<i>-33 %</i>	<i>-15 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.11 PV of Free Cash Flow	58 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.52 PV of Horizon value	85 WACC, %	7.9 Market risk premium, %
Share price potential, %	216.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.9 Marketable securities	2 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	3.2 Debt - dividend	-17 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	59.6 Value of stock	128 Nr of shares, Mn	36.3 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	71	81	85	88	90	93	95	97	100	102	104	106
<i>Sales growth, %</i>	<i>7.2</i>	<i>13.6</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	8	8	8	9	9	9	9	9	10
<i>Operating income margin, %</i>	<i>6.7</i>	<i>7.3</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.	3	3	3	4	4	4	4	4	4	4	4	
EBITDA	8	9	11	11	12	12	13	13	13	14	14	
- Paid taxes	0	-3	-2	-2	-2	-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>-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	
- Operative CAPEX	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	<i>6.5</i>	<i>4.5</i>	<i>4.7</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	<i>4.6</i>	
- Acquisitions	-3	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	4	5	7	8	8	9	9	9	9	10	10	173
= Discounted FCFF		4	7	7	7	6	6	6	5	5	5	85
= DFCF min WACC		4	7	7	7	6	6	6	6	5	5	97
= DFCF max WACC		4	7	7	6	6	6	5	5	5	5	75

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.1	22.4	80.8	84.9	88.3
EBITDA	2.0	1.4	1.8	2.6	7.8	2.5	1.8	1.8	3.0	9.0	10.5	11.5
<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>12.3</i>	<i>8.8</i>	<i>9.8</i>	<i>13.3</i>	<i>11.1</i>	<i>12.4</i>	<i>13.0</i>
EBIT	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.0	2.2	5.9	7.2	7.9
<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>8.5</i>	<i>4.9</i>	<i>5.5</i>	<i>9.8</i>	<i>7.3</i>	<i>8.5</i>	<i>9.0</i>
Net financial items	-0.2	0.0	-0.2	-0.1	-0.6	-0.4	-0.2	-0.1	-0.1	-0.9	-0.8	-0.7
Pre-tax profit	1.1	0.6	0.8	1.7	4.2	1.3	0.8	0.9	2.1	5.0	6.4	7.2
Tax	-0.3	-0.1	-0.2	-0.3	-0.9	-0.3	-0.4	-0.2	-0.4	-1.2	-1.3	-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>20.9</i>	<i>43.5</i>	<i>20.0</i>	<i>20.0</i>	<i>24.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	0.8	0.5	0.6	1.3	3.3	1.0	0.5	0.7	1.6	3.8	5.0	5.7
EPS	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.02	0.05	0.10	0.14	0.16
EPS adjusted (diluted no. of shares)	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.02	0.05	0.10	0.14	0.16
Dividend per share	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.07	0.09	0.10
SALES, EURm												
Innofactor	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.1	22.4	80.8	84.9	88.3
Total	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.1	22.4	80.8	84.9	88.3
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>19.2</i>	<i>18.6</i>	<i>8.5</i>	<i>9.1</i>	<i>13.6</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>19.2</i>	<i>18.6</i>	<i>8.5</i>	<i>9.1</i>	<i>13.6</i>	<i>5.0</i>	<i>4.0</i>
EBIT, EURm												
Innofactor	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.0	2.2	5.9	7.2	7.9
Total	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.0	2.2	5.9	7.2	7.9
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>8.5</i>	<i>4.9</i>	<i>5.5</i>	<i>9.8</i>	<i>7.3</i>	<i>8.5</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>8.5</i>	<i>4.9</i>	<i>5.5</i>	<i>9.8</i>	<i>7.3</i>	<i>8.5</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	80.8	84.9	88.3
<i>Sales growth (%)</i>	<i>-3.8</i>	<i>1.7</i>	<i>3.1</i>	<i>0.3</i>	<i>7.2</i>	<i>13.6</i>	<i>5.0</i>	<i>4.0</i>
EBITDA	-1.1	5.1	7.2	10.1	7.8	9.0	10.5	11.5
<i>EBITDA margin (%)</i>	<i>-1.7</i>	<i>7.9</i>	<i>10.8</i>	<i>15.2</i>	<i>11.0</i>	<i>11.1</i>	<i>12.4</i>	<i>13.0</i>
Depreciation	-2.8	-4.3	-4.7	-3.6	-3.1	-3.1	-3.3	-3.5
EBITA	-3.9	0.8	2.5	6.5	4.8	5.9	7.2	7.9
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	5.9	7.2	7.9
<i>EBIT margin (%)</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>9.8</i>	<i>6.7</i>	<i>7.3</i>	<i>8.5</i>	<i>9.0</i>
Reported EBIT	-3.9	0.8	2.5	6.5	4.8	5.9	7.2	7.9
<i>EBIT margin (reported) (%)</i>	<i>-6.1</i>	<i>1.2</i>	<i>3.8</i>	<i>9.8</i>	<i>6.7</i>	<i>7.3</i>	<i>8.5</i>	<i>9.0</i>
Net financials	0.1	-0.8	-0.5	-0.8	-0.6	-0.9	-0.8	-0.7
Pre-tax profit	-3.8	0.0	2.1	5.7	4.2	5.0	6.4	7.2
Taxes	0.6	0.4	-0.3	-1.2	-0.9	-1.2	-1.3	-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	3.8	5.0	5.7
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	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	17	17	18
Liquid funds	0	1	3	2	2	2	2	2
Total assets	57	56	57	51	56	60	62	63
Liabilities								
Shareholder's equity	21	22	23	25	25	26	29	31
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	10	8	6
Non-interest bearing current liabilities	14	16	16	14	15	17	18	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	57	56	57	51	56	60	62	63
CASH FLOW, EURm								
+ EBITDA	-1	5	7	10	8	9	11	11
- Net financial items	0	-1	0	-1	-1	-1	-1	-1
- Taxes	0	0	0	0	0	-3	-1	-2
- 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	5	8	9
- Capex	-1	-2	-1	-2	-5	-4	-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	2	4	5
+/- New issues/buybacks	0	0	0	-1	-1	0	0	0
- Paid dividend	0	0	0	-1	-3	-2	-2	-3
+/- Other	1	-4	-1	-6	5	1	-2	-2
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	40	40	40
Net debt (excl. convertibles)	16	12	8	12	13	11	9
Enterprise value	43	60	67	50	53	51	49
Sales	64	66	66	71	81	85	88
EBITDA	5	7	10	8	9	11	11
EBIT	1	3	7	5	6	7	8
Pre-tax	0	2	6	4	5	6	7
Earnings	0	2	5	3	4	5	6
Equity book value (excl. minorities)	22	23	25	25	26	29	31
Valuation multiples							
EV/sales	0.7	0.9	1.0	0.7	0.7	0.6	0.6
EV/EBITDA	8.4	8.4	6.7	6.5	5.9	4.9	4.3
EV/EBITA	53.8	24.1	10.3	10.6	9.0	7.1	6.2
EV/EBIT	53.8	24.1	10.3	10.6	9.0	7.1	6.2
EV/OCF	6.9	12.0	7.6	7.5	9.8	6.1	5.3
EV/FCFF	6.9	11.3	7.6	14.1	11.7	6.9	6.1
P/FCFE	6.1	13.5	8.3	-53.1	22.5	9.2	7.8
P/E	64.6	27.2	13.2	11.5	10.6	8.0	7.1
P/B	1.2	2.0	2.3	1.5	1.5	1.4	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.5	6.2	5.5
Target EV/EBIT	0.0	0.0	0.0	0.0	11.4	9.1	8.0
Target EV/FCF	0.0	0.0	0.0	0.0	37.6	14.9	12.3
Target P/B	0.0	0.0	0.0	0.0	2.1	1.9	1.7
Target P/E	0.0	0.0	0.0	0.0	14.3	10.8	9.6
Per share measures							
Number of shares	37,388	37,388	37,388	36,223	36,344	36,344	36,344
Number of shares (diluted)	37,388	37,388	37,388	36,223	36,344	36,344	36,344
EPS	0.01	0.05	0.12	0.09	0.10	0.14	0.16
Operating cash flow per share	0.17	0.13	0.24	0.19	0.15	0.23	0.25
Free cash flow per share	0.12	0.09	0.19	-0.02	0.05	0.12	0.14
Book value per share	0.59	0.63	0.68	0.68	0.73	0.80	0.86
Dividend per share	0.00	0.04	0.08	0.06	0.07	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	5.7	6.1	8.1	9.2
FCF yield, %	16.3	7.4	12.1	-1.9	4.4	10.8	12.8
Efficiency measures							
ROE	1.9	7.7	18.4	13.2	14.9	18.2	18.9
ROCE	2.0	6.4	17.6	12.8	14.6	17.2	18.7
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	6.5	4.5	4.7	4.6
CAPEX/sales (incl. acquisitions), %	2.8	2.2	2.5	2.5	4.5	4.7	4.6
FCFF/EBITDA	1.2	0.7	0.9	0.5	0.5	0.7	0.7
Net debt/EBITDA, book-weighted	3.1	1.7	0.8	1.6	1.4	1.0	0.8
Debt/equity, market-weighted	0.4	0.2	0.1	0.2	0.3	0.2	0.2
Equity ratio, book-weighted	39.7	41.4	49.8	44.4	44.0	47.0	49.8
Gearing, %	71.8	52.6	30.9	50.0	48.3	37.5	28.7

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	7,925,397	8.797	21.8%
Ilmarinen Mutual Pension Insurance Company	1,800,000	1.998	5.0%
Linturi Kaija and Risto	1,256,411	1.395	3.5%
Laiho Rami Tapani	674,783	0.749	1.9%
Mäki Antti Jussi	613,725	0.681	1.7%
Hellen Stefan Andreas	486,000	0.539	1.3%
Tilman Tuomo Tapani	451,538	0.501	1.2%
Ingman Finance Oy Ab	450,000	0.499	1.2%
Muukkonen Teemu Heikki	410,358	0.455	1.1%
Mandatam Life Insurance Company Ltd	249,129	0.277	0.7%
Ten largest	14,317,341	15.892	39%
Residual	22,026,350	24.449	61%
Total	36,343,691	40.341	100%

EARNINGS CALENDAR

October 24, 2023

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

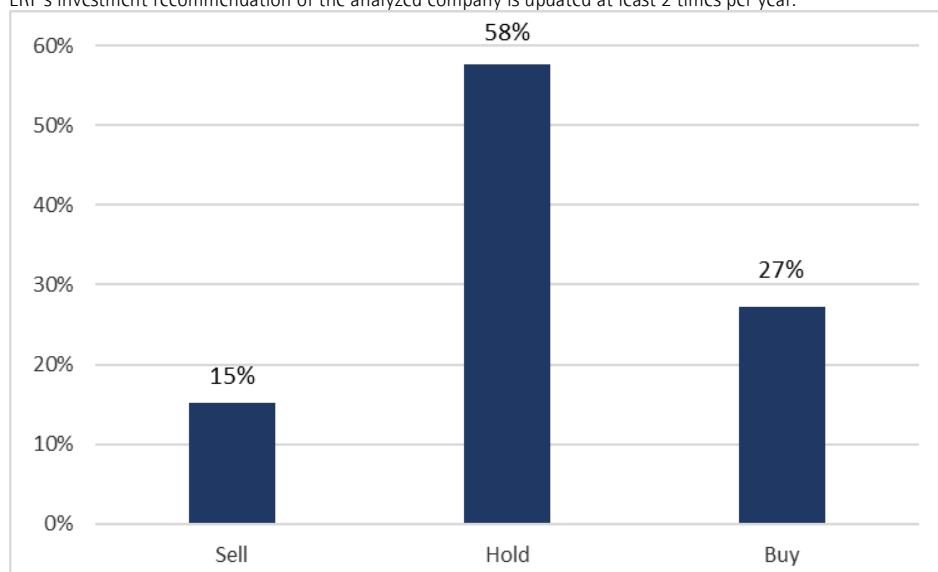
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Investment recommendations are defined as follows:

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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