

## Good going, at least for now

Innofactor posted good Q3 results, in line with our estimates. The market situation continues to be challenging and remains the key concern going forward. We retain our BUY-rating with a target price of EUR 1.4 (1.5).

### Good Q3 results, in line with our estimates

Innofactor reported Q3 results that were quite in line with our estimates and the best third quarter in terms of revenue and EBITDA in the company's history. Revenue grew 8.0% organically to EUR 18.0m (Evli EUR 18.1m) and EBITDA amounted to EUR 2.0m (Evli EUR 1.8m). Innofactor noted continued intense price competition, although the weighted average prices of new contracts increased slightly from the exceptionally tough second quarter in terms of price competition. New sales in Q3 were below target levels and no new significant tender offers were won. As a result, the order backlog declined by 7.6% y/y to EUR 71.4m.

### Market situation remains key concern

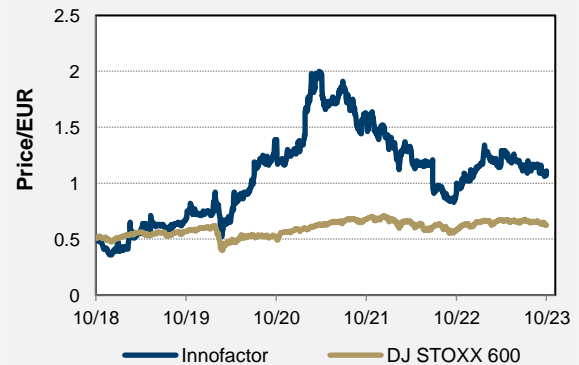
Innofactor's financial development in the short-term remains well on track, but the market situation remains a concern for 2024. We expect to see some stabilization after the more recent period of high price competition but for the demand to remain weaker. We have lowered our sales estimates for 2024, expecting only slight growth. New sales, however, need to pick up in Q4 for the growth to continue. We have also slightly lowered our expectations for profitability in 2024 with the expected slower growth. Operatively, Innofactor still has room for margin improvement as EBITDA in the other Nordic countries, accounting for 28% of sales YTD, was mostly on the negative side. The market situation is, however, unlikely to alleviate the situation in the short-term.

### BUY with a target price of EUR 1.4 (1.5)

Innofactor's valuation remains at a clear discount to peers despite good growth and improved profitability YTD. 2023e P/E of ~10x on the current share price is also not challenging. We retain our BUY-rating but adjust our target price to EUR 1.4 (1.5) on softer 2024e expectations.

## Rating

+ BUY



Share price, EUR (Last trading day's closing price)	1.11
Target price, EUR	1.4

Latest change in recommendation	04-Jun-19
Latest report on company	21-Jul-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	08-Feb-24
Web site	www.innofactor.com

Analyst	Jerker Salokivi
E-mail	jerker.salokivi@evli.com
Telephone	+358 9 4766 9149

+ 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	80.4	6.0	7.5%	2.1	0.11	9.8	0.7	8.8	5.2	0.07
2024E	82.0	6.6	8.0%	4.3	0.13	8.4	0.6	7.8	10.7	0.09
2025E	85.3	7.7	9.0%	5.2	0.16	7.0	0.6	6.4	12.9	0.10
Market cap, EURm	40			Gearing 2023E, %	46.6			CAGR EPS 2022-25, %	19.9	
Net debt 2023E, EURm	12			Price/book 2023E	1.5			CAGR sales 2022-25, %	6.3	
Enterprise value, EURm	53			Dividend yield 2023E, %	6.6			ROE 2023E, %	16.0	
Total assets 2023E, EURm	60			Tax rate 2023E, %	25.1			ROCE 2023E, %	14.9	
Goodwill 2023E, EURm	27			Equity ratio 2023E, %	44.6			PEG, P/E 23/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		
		23	24	25	23	24	25	23	24	25
TietoEVRY	2399	6.9x	6.4x	6.2x	9.8x	9.1x	8.4x	9.8x	9.0x	8.3x
Atea	1070	7.2x	6.7x	6.1x	10.9x	9.9x	8.9x	14.3x	12.9x	11.2x
Knowit	281	6.4x	5.8x	5.2x	11.9x	9.8x	8.2x	13.9x	10.8x	8.6x
Bouvet	471	11.2x	10.4x	9.7x	13.8x	12.9x	11.8x	17.9x	16.8x	15.3x
Enea	70	4.8x	4.0x	3.7x		12.0x	10.2x		11.0x	9.3x
Gofore	337	10.7x	9.7x	8.3x	14.1x	12.4x	10.2x	17.2x	15.3x	13.4x
Digia	140	7.3x	6.3x	5.9x	10.9x	9.3x	8.4x	12.0x	10.1x	9.0x
Sili Solutions	75	6.3x	5.7x	5.9x	11.1x	9.3x	9.7x	12.5x	10.3x	10.7x
Solteq	14	3.7x	3.7x	4.2x					32.6x	8.0x
Peer Group Average	540	<b>7.2x</b>	<b>6.5x</b>	<b>6.1x</b>	<b>11.8x</b>	<b>10.6x</b>	<b>9.5x</b>	<b>14.0x</b>	<b>14.3x</b>	<b>10.4x</b>
Peer Group Median	281	<b>6.9x</b>	<b>6.3x</b>	<b>5.9x</b>	<b>11.1x</b>	<b>9.9x</b>	<b>9.3x</b>	<b>13.9x</b>	<b>11.0x</b>	<b>9.3x</b>
Innofactor (Evli est.)	<b>40</b>	<b>5.8x</b>	<b>5.2x</b>	<b>4.4x</b>	<b>8.8x</b>	<b>7.8x</b>	<b>6.4x</b>	<b>9.8x</b>	<b>8.4x</b>	<b>7.0x</b>
<i>Innofactor prem./disc. to peer median</i>		<i>-16 %</i>	<i>-18 %</i>	<i>-25 %</i>	<i>-21 %</i>	<i>-21 %</i>	<i>-31 %</i>	<i>-30 %</i>	<i>-24 %</i>	<i>-24 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.11 PV of Free Cash Flow	57 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.46 PV of Horizon value	84 WACC, %	7.9 Market risk premium, %
Share price potential, %	211.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.8 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	126 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	80	82	85	87	90	92	94	97	99	101	103
<i>Sales growth, %</i>	<i>7.2</i>	<i>13.1</i>	<i>2.0</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	8	8	9	9	9	9
<i>Operating income margin, %</i>	<i>6.7</i>	<i>7.5</i>	<i>8.0</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	9	10	11	12	12	12	12	13	13	13	
- Paid taxes	0	-3	-1	-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>4.6</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>	<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	8	9	9	9	9	10	167
= Discounted FCFF		4	6	7	6	6	6	6	5	5	5	84
= DFCF min WACC		5	6	7	7	6	6	6	5	5	5	95
= DFCF max WACC		4	6	7	6	6	6	5	5	5	5	74

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3	2023Q4E	2023E	2024E	2025E
Net sales	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.0	22.1	80.4	82.0	85.3
EBITDA	2.0	1.4	1.8	2.6	7.8	2.5	1.8	2.0	2.9	9.1	9.8	11.1
<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>10.9</i>	<i>13.0</i>	<i>11.3</i>	<i>12.0</i>	<i>13.0</i>
EBIT	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.2	2.1	6.0	6.6	7.7
<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>6.7</i>	<i>9.5</i>	<i>7.5</i>	<i>8.0</i>	<i>9.0</i>
Net financial items	-0.2	0.0	-0.2	-0.1	-0.6	-0.4	-0.2	0.2	-0.1	-0.5	-0.5	-0.4
Pre-tax profit	1.1	0.6	0.8	1.7	4.2	1.3	0.8	1.4	2.0	5.5	6.1	7.3
Tax	-0.3	-0.1	-0.2	-0.3	-0.9	-0.3	-0.4	-0.4	-0.4	-1.4	-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>25.4</i>	<i>20.0</i>	<i>25.1</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	1.1	1.6	4.1	4.8	5.7
EPS	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.03	0.04	0.11	0.13	0.16
EPS adjusted (diluted no. of shares)	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.03	0.04	0.11	0.13	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
<b>SALES, EURm</b>												
Innofactor	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.0	22.1	80.4	82.0	85.3
Total	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.0	22.1	80.4	82.0	85.3
<b>SALES GROWTH, Y/Y %</b>												
<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>8.0</i>	<i>7.6</i>	<i>13.1</i>	<i>2.0</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>8.0</i>	<i>7.6</i>	<i>13.1</i>	<i>2.0</i>	<i>4.0</i>
<b>EBIT, EURm</b>												
Innofactor	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.2	2.1	6.0	6.6	7.7
Total	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.2	2.1	6.0	6.6	7.7
<b>EBIT margin, %</b>												
<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>6.7</i>	<i>9.5</i>	<i>7.5</i>	<i>8.0</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>8.5</i>	<i>4.9</i>	<i>6.7</i>	<i>9.5</i>	<i>7.5</i>	<i>8.0</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	80.4	82.0	85.3
<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>13.1</i>	<i>2.0</i>	<i>4.0</i>
EBITDA	-1.1	5.1	7.2	10.1	7.8	9.1	9.8	11.1
<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>11.3</i>	<i>12.0</i>	<i>13.0</i>
Depreciation	-2.8	-4.3	-4.7	-3.6	-3.1	-3.1	-3.3	-3.4
EBITA	-3.9	0.8	2.5	6.5	4.8	6.0	6.6	7.7
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	6.0	6.6	7.7
<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>7.5</i>	<i>8.0</i>	<i>9.0</i>
Reported EBIT	-3.9	0.8	2.5	6.5	4.8	6.0	6.6	7.7
<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>7.5</i>	<i>8.0</i>	<i>9.0</i>
Net financials	0.1	-0.8	-0.5	-0.8	-0.6	-0.5	-0.5	-0.4
Pre-tax profit	-3.8	0.0	2.1	5.7	4.2	5.5	6.1	7.3
Taxes	0.6	0.4	-0.3	-1.2	-0.9	-1.4	-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	4.1	4.8	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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	61	62
<b>Liabilities</b>								
Shareholder's equity	21	22	23	25	25	27	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	17	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	57	56	57	51	56	60	61	62
<b>CASH FLOW, EURm</b>								
+ EBITDA	-1	5	7	10	8	9	10	11
- Net financial items	0	-1	0	-1	-1	-1	0	0
- 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	6	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	-3	-3
+/- Other	1	-4	-1	-6	5	0	-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	12	11	9
Enterprise value	43	60	67	50	53	51	49
Sales	64	66	66	71	80	82	85
EBITDA	5	7	10	8	9	10	11
EBIT	1	3	7	5	6	7	8
Pre-tax	0	2	6	4	6	6	7
Earnings	0	2	5	3	4	5	6
Equity book value (excl. minorities)	22	23	25	25	27	29	31
<b>Valuation multiples</b>							
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	5.8	5.2	4.4
EV/EBITA	53.8	24.1	10.3	10.6	8.8	7.8	6.4
EV/EBIT	53.8	24.1	10.3	10.6	8.8	7.8	6.4
EV/OCF	6.9	12.0	7.6	7.5	9.2	6.3	5.3
EV/FCFF	6.9	11.3	7.6	14.1	11.6	7.4	6.2
P/FCFE	6.1	13.5	8.3	-53.1	19.2	9.3	7.7
P/E	64.6	27.2	13.2	11.5	9.8	8.4	7.0
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	7.0	6.3	5.4
Target EV/EBIT	0.0	0.0	0.0	0.0	10.6	9.4	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	30.1	14.3	11.4
Target P/B	0.0	0.0	0.0	0.0	1.9	1.8	1.6
Target P/E	0.0	0.0	0.0	0.0	12.3	10.6	8.9
<b>Per share measures</b>							
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	0.11	0.13	0.16
Operating cash flow per share	0.17	0.13	0.24	0.19	0.16	0.22	0.25
Free cash flow per share	0.12	0.09	0.19	-0.02	0.06	0.12	0.14
Book value per share	0.59	0.63	0.68	0.68	0.74	0.79	0.87
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	6.6	7.7	9.2
FCF yield, %	16.3	7.4	12.1	-1.9	5.2	10.7	12.9
<b>Efficiency measures</b>							
ROE	1.9	7.7	18.4	13.2	16.0	17.3	19.0
ROCE	2.0	6.4	17.6	12.8	14.9	15.7	18.2
<b>Financial ratios</b>							
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	4.6	4.6
CAPEX/sales (incl. acquisitions), %	2.8	2.2	2.5	2.5	4.5	4.6	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	1.1	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	44.6	47.4	50.6
Gearing, %	71.8	52.6	30.9	50.0	46.6	37.5	27.7

**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%
Mäki Antti Jussi	500,000	0.555	1.4%
Hellen Stefan Andreas	486,000	0.539	1.3%
Laiho Rami Tapani	485,983	0.539	1.3%
Ingman Finance Oy Ab	450,000	0.499	1.2%
Muukkonen Teemu Heikki	410,357	0.455	1.1%
Tilman Tuomo Tapani	385,538	0.428	1.1%
Mandatum Life Insurance Company Ltd	253,366	0.281	0.7%
Ten largest	13,953,052	15.488	38%
Residual	22,390,639	24.854	62%
Total	36,343,691	40.341	100%

EARNINGS CALENDAR	
February 08, 2024	FY 2023 Results
April 23, 2024	Q1 report
July 18, 2024	Q2 report
October 22, 2024	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



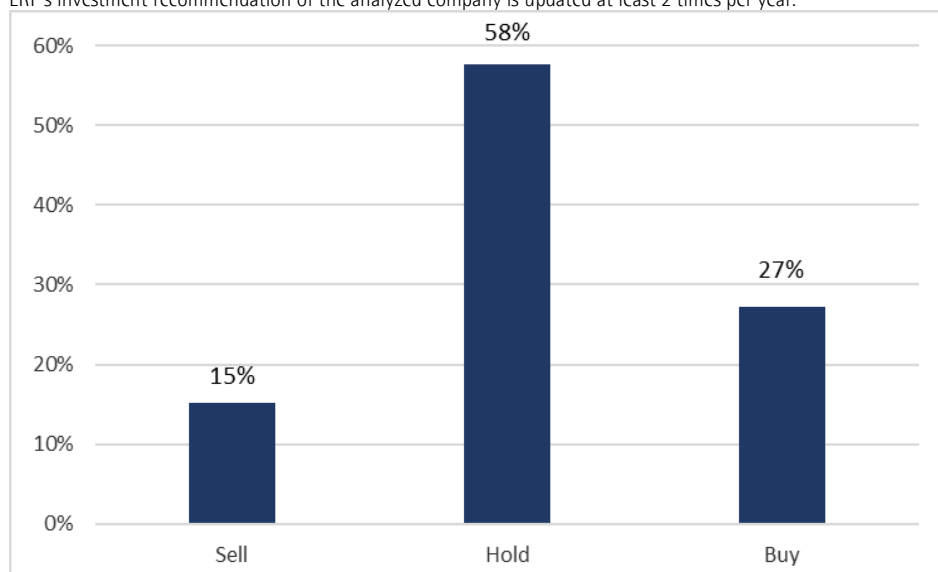
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Investment recommendations are defined as follows:

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

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Name(s) of the analyst(s): Salokivi

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**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123  
Ari Laine +358 9 4766 9115  
Kimmo Lilja +358 9 4766 9130

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Arttu Heikura +358 40 082 8098  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205



**EVLI PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Internet [www.evli.com](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000