

Proven resilient results

Scanfil's Q2 clearly beat our estimates. The company's active plant network management should help secure good profitability in the coming years even if the pandemic will eventually begin to hurt business more. Our TP is now EUR 6.25 (5.25); we reiterate our BUY rating.

Communication and Energy & Automation up organically

Scanfil Q2 revenue was EUR 156m (up 9% y/y and of which two-thirds due to HASEC i.e. mostly Industrial). Communication posted a 49% revenue surge. Business jumped due to 5G networks but also e.g. camera surveillance systems. Energy & Automation grew by 15% as many accounts drove growth. Industrial top line grew by 17% mainly due to HASEC, yet also organically with e.g. KONE elevators. Medtec & Life Science was flat. Consumer Applications demand fell as the pandemic altered consumer behavior. The segment supplies e.g. TOMRA reverse vending machines and Scanfil says many accounts cut business sharply in Q2, leading to 26% y/y drop in revenue. Scanfil is however seeing signs of stabilizing demand for the segment. The EUR 10.2m in Q2 EBIT (vs our EUR 8.7m estimate) was more than satisfactory as Scanfil estimates the pandemic's effects' net cost was EUR 0.8m in H1. The pandemic notably elevated freight and safety costs. On the other hand, Scanfil also received state subsidies in compensation for shortened working hours.

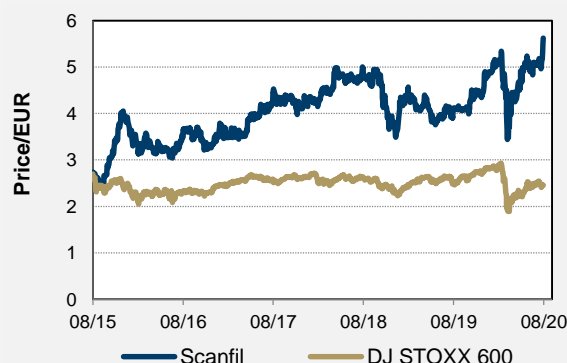
Fundamentally strong thanks to active plant management

We make minor estimate changes, mostly reflecting latest segment updates. We see FY '20 EBIT at EUR 40.4m. While FY guidance is likely to hold it's early to say much about next year. However, Scanfil's Hamburg plant closure will further help profitability going forward. Scanfil expects the decision to yield EUR 2.5m in annual cost savings since two other nearby plants are in a better position to serve the current Hamburg accounts. Scanfil also prunes its Chinese operations, having sold the Hangzhou plant (sheet metal mechanics) and thus focusing on Suzhou (electronics manufacturing and demanding integration).

In our opinion higher multiples are justified

The pandemic could begin to hurt volumes even if so far Scanfil's overall levels have not been impacted. Scanfil however remains valued at attractive levels, ca. 6.5x EV/EBITDA and 9.0x EV/EBIT on our FY '20 estimates. Our new TP is EUR 6.25 (5.25), rating BUY.

Rating BUY



Share price, EUR (Last trading day's closing price) 5.62

Target price, EUR 6.25

Latest change in recommendation	30-Oct-18
Latest report on company	27-Apr-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	63,895
No. of shares fully diluted, '000's	63,895
Market cap, EURm	359
Free float, %	-
Exchange rate	-
Reuters code	SCANFL.HE
Bloomberg code	SCANFL.FH
Average daily volume, EURm	0.1
Next interim report	27-Oct-20
Web site	www.scanfil.com/investors

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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
2018	563.0	37.8	6.7%	18.9	0.44	10.1	0.6	8.5	6.7	0.13
2019	579.4	39.4	6.8%	7.5	0.50	10.4	0.7	9.6	2.2	0.15
2020E	614.2	40.4	6.6%	39.6	0.51	11.0	0.6	9.1	11.0	0.17
2021E	641.8	43.3	6.8%	25.9	0.53	10.6	0.6	8.2	7.2	0.17
2022E	669.4	46.9	7.0%	27.2	0.55	10.2	0.5	7.2	7.6	0.18
Market cap, EURm	359			Gearing 2020E, %	5.2			CAGR EPS 2019-22, %	3.0	
Net debt 2020E, EURm	10			Price/book 2020E	1.9			CAGR sales 2019-22, %	4.9	
Enterprise value, EURm	369			Dividend yield 2020E, %	3.0			ROE 2020E, %	18.1	
Total assets 2020E, EURm	355			Tax rate 2020E, %	16.9			ROCE 2020E, %	17.5	
Goodwill 2020E, EURm	8			Equity ratio 2020E, %	54.2			PEG, P/E 20/CAGR	2.6	

Estimates and peer group multiples

Scanfil	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20e	Q4'20e	2020e	2021e	2022e	2023e
Revenue	563	130	143	152	155	579	144	156	156	158	614	642	669	698
<i>growth-%</i>	6.2 %	-6.9 %	-6.0 %	15.8 %	10.3 %	2.9 %	10.9 %	9.1 %	2.5 %	2.4 %	6.1 %	4.5 %	4.3 %	4.3 %
Communication	98	18	19	21	21	79	22	29	28	26	105	110	114	117
Consumer Applications	126	24	28	28	28	107	19	20	21	24	84	85	86	88
Energy & Automation	108	26	28	28	29	111	31	33	30	30	124	130	137	144
Industrial	135	36	42	49	47	173	46	49	50	48	193	202	213	223
Medtec & Life Science	98	27	26	26	29	108	27	25	27	30	109	114	120	126
EBITDA	47	10	13	16	14	54	12	14	15	15	56	59	63	66
<i>EBITDA margin</i>	8.4 %	7.7 %	9.4 %	10.6 %	9.0 %	9.2 %	8.6 %	9.0 %	9.3 %	9.5 %	9.1 %	9.2 %	9.4 %	9.4 %
EBIT	38	7	10	12	10	39	9	10	11	11	40	43	47	49
<i>EBIT margin</i>	6.7 %	5.2 %	7.2 %	7.9 %	6.5 %	6.8 %	6.0 %	6.5 %	6.8 %	7.0 %	6.6 %	6.8 %	7.0 %	7.0 %

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Benchmark Electronics	650				25.0x	17.2x	12.8x	2.1 %	1.9 %	2.4 %
Celestica	912	4.7x	4.1x	4.1x	7.9x	6.8x	6.5x	2.8 %	3.1 %	3.4 %
exceed Group	73									
HANZA Holding	47	6.2x	7.6x	4.6x	13.8x	21.3x	9.7x	3.2 %	1.8 %	3.7 %
Kitron	258	9.6x	9.3x	8.8x	13.5x	12.6x	11.8x	6.2 %	7.4 %	7.2 %
Lacroix	83	6.0x	6.5x	4.7x	10.0x	11.9x	7.4x	3.5 %	2.6 %	3.9 %
Neways Electronics Intl	97									
Plexus	1946	12.0x	11.1x	10.3x	16.4x	15.5x	13.9x	4.5 %	4.6 %	4.9 %
Sanmina	1724		5.3x		7.8x	7.4x		4.0 %	4.0 %	
SIIX	327	9.6x	8.0x	6.0x	19.2x	20.6x	13.1x	2.5 %	1.8 %	2.5 %
Valuetronics	155	3.9x	1.4x	1.4x	5.0x	1.8x	1.9x	8.0 %	7.6 %	7.6 %
Peer Group Average	570	7.4x	6.7x	5.7x	13.2x	12.8x	9.6x	4.1 %	3.9 %	4.4 %
Peer Group Median	258	6.2x	7.0x	4.7x	13.5x	12.6x	10.7x	3.5 %	3.1 %	3.8 %
Scanfil (Evli est.)	359	7.1x	6.6x	6.0x	9.6x	9.1x	8.2x	6.8 %	6.6 %	6.8 %

Scanfil prem./disc. to peer median

14 % -6 % 26 % -29 % -28 % -24 % 96 % 111 % 78 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	5.62 PV of Free Cash Flow	234 Long-term growth, %	1.5 Risk-free interest rate, %
DCF share value	6.92 PV of Horizon value	261 WACC, %	8.5 Market risk premium, %
Share price potential, %	23.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.5 Marketable securities	20 Minimum WACC, %	8.0 Equity beta coefficient
Minimum value	6.4 Debt - dividend	-73 Maximum WACC, %	9.0 Target debt ratio, %
Horizon value, %	52.7 Value of stock	442 Nr of shares, Mn	63.9 Effective tax rate, %

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	579	614	642	669	698	723	744	763	778	790	802	814
<i>Sales growth, %</i>	<i>2.9</i>	<i>6.0</i>	<i>4.5</i>	<i>4.3</i>	<i>4.3</i>	<i>3.5</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	39	40	43	47	49	51	52	53	54	55	56	57
<i>Operating income margin, %</i>	<i>6.8</i>	<i>6.6</i>	<i>6.8</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	14	16	16	16	17	17	18	18	19	19	20	
EBITDA	54	56	59	63	66	68	70	72	73	75	76	
- Paid taxes	-5	-7	-8	-11	-12	-12	-13	-13	-13	-13	-13	
- Change in NWC	-15	10	-5	-5	-5	-4	-4	-3	-3	-2	-2	
<i>NWC / Sales, %</i>	<i>19.7</i>	<i>16.9</i>	<i>16.9</i>	<i>16.9</i>	<i>16.9</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-18	-18	-18	-19	-19	-19	-20	-20	-21	-21	-22	
<i>opCAPEX / Sales, %</i>	<i>4.2</i>	<i>3.1</i>	<i>3.0</i>	<i>2.9</i>	<i>2.9</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</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	15	42	28	29	30	32	34	35	36	38	38	559
= Discounted FCFF		41	25	24	23	22	22	21	20	19	18	261
= DFCF min WACC		41	25	24	23	23	22	21	21	20	19	293
= DFCF max WACC		41	25	23	22	22	21	20	19	18	17	233

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	129.9	142.6	152.3	154.6	579.4	144.1	155.5	156.2	158.4	614.2	641.8	669.4
EBITDA	10.0	13.4	16.2	14.0	53.6	12.4	14.0	14.5	15.1	56.0	59.3	63.2
<i>EBITDA margin (%)</i>	<i>7.7</i>	<i>9.4</i>	<i>10.6</i>	<i>9.1</i>	<i>9.3</i>	<i>8.6</i>	<i>9.0</i>	<i>9.3</i>	<i>9.5</i>	<i>9.1</i>	<i>9.2</i>	<i>9.4</i>
EBIT	6.8	10.5	12.0	10.1	39.4	8.6	10.2	10.5	11.1	40.4	43.3	46.9
<i>EBIT margin (%)</i>	<i>5.2</i>	<i>7.4</i>	<i>7.9</i>	<i>6.5</i>	<i>6.8</i>	<i>6.0</i>	<i>6.6</i>	<i>6.7</i>	<i>7.0</i>	<i>6.6</i>	<i>6.8</i>	<i>7.0</i>
Net financial items	-0.8	0.4	-0.9	0.0	-1.3	0.1	-0.6	-0.4	-0.4	-1.3	-1.6	-0.5
Pre-tax profit	6.0	10.9	11.1	10.1	38.1	8.7	9.6	10.1	10.7	39.1	41.7	46.3
Tax	-1.2	-2.2	-2.3	-0.2	-5.9	-1.2	-1.4	-2.0	-2.0	-6.6	-8.0	-11.1
<i>Tax rate (%)</i>	<i>20.0</i>	<i>20.2</i>	<i>20.7</i>	<i>2.0</i>	<i>15.5</i>	<i>13.8</i>	<i>14.6</i>	<i>19.8</i>	<i>18.7</i>	<i>16.9</i>	<i>19.2</i>	<i>24.0</i>
Net profit	4.8	8.7	8.8	9.9	32.2	7.5	8.2	8.1	8.7	32.5	33.7	35.2
EPS	0.08	0.14	0.14	0.15	0.50	0.12	0.13	0.13	0.14	0.51	0.53	0.55
EPS adjusted (diluted no. of shares)	0.08	0.14	0.14	0.15	0.50	0.12	0.13	0.13	0.14	0.51	0.53	0.55
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.17	0.17	0.18
SALES, EURm												
Group	129.9	142.6	152.3	154.6	579.4	144.1	155.5	156.2	158.4	614.2	641.8	669.4
Total	129.9	142.6	152.3	154.6	579.4	144.1	155.5	156.2	158.4	614.2	641.8	669.4
SALES GROWTH, Y/Y %												
Group	-6.9	-6.0	15.8	10.3	2.9	10.9	9.0	2.6	2.5	6.0	4.5	4.3
Total	-6.9	-6.0	15.8	10.3	2.9	10.9	9.0	2.6	2.5	6.0	4.5	4.3
EBIT, EURm												
Group	6.8	10.5	12.0	10.1	39.4	8.6	10.2	10.5	11.1	40.4	43.3	46.9
Total	6.8	10.5	12.0	10.1	39.4	8.6	10.2	10.5	11.1	40.4	43.3	46.9
EBIT margin, %												
Group	5.2	7.4	7.9	6.5	6.8	6.0	6.6	6.7	7.0	6.6	6.8	7.0
Total	5.2	7.4	7.9	6.5	6.8	6.0	6.6	6.7	7.0	6.6	6.8	7.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	377.3	508.0	529.9	563.0	579.4	614.2	641.8	669.4
<i>Sales growth (%)</i>	<i>75.9</i>	<i>34.6</i>	<i>4.3</i>	<i>6.2</i>	<i>2.9</i>	<i>6.0</i>	<i>4.5</i>	<i>4.3</i>
EBITDA	30.4	33.3	40.0	47.2	53.6	56.0	59.3	63.2
<i>EBITDA margin (%)</i>	<i>8.1</i>	<i>6.5</i>	<i>7.5</i>	<i>8.4</i>	<i>9.3</i>	<i>9.1</i>	<i>9.2</i>	<i>9.4</i>
Depreciation	-10.8	-11.0	-8.7	-9.4	-14.2	-15.6	-16.0	-16.3
EBITA	19.6	22.3	31.3	37.8	39.4	40.4	43.3	46.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	19.6	22.3	31.3	37.8	39.4	40.4	43.3	46.9
<i>EBIT margin (%)</i>	<i>5.2</i>	<i>4.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>6.8</i>	<i>7.0</i>
Reported EBIT	14.0	7.2	31.3	37.8	39.4	40.4	43.3	46.9
<i>EBIT margin (reported) (%)</i>	<i>3.7</i>	<i>1.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>6.8</i>	<i>7.0</i>
Net financials	-0.2	-1.2	1.3	-1.7	-1.3	-1.3	-1.6	-0.5
Pre-tax profit	19.4	21.1	32.6	36.1	38.1	39.1	41.7	46.3
Taxes	-5.4	-6.0	-6.8	-8.3	-5.9	-6.6	-8.0	-11.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	8.4	0.0	25.8	27.8	32.2	32.5	33.7	35.2
Cash NRIs	-5.6	-15.1	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	68	57	62	64	68	70	72	74
Goodwill	11	11	10	10	8	8	8	8
Right of use assets	0	0	0	15	21	22	23	24
Inventory	91	85	101	96	102	104	109	114
Receivables	107	92	108	104	115	113	118	123
Liquid funds	22	20	21	28	20	31	32	45
Total assets	302	267	307	321	340	355	369	395
Liabilities								
Shareholder's equity	100	108	125	148	167	192	215	239
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	15	19	22	23	24
Deferred taxes	3	3	5	5	7	7	7	7
Interest bearing debt	88	60	61	52	44	18	4	0
Non-interest bearing current liabilities	105	88	113	99	96	107	112	117
Other interest-free debt	4	1	2	2	7	7	7	7
Total liabilities	302	267	307	321	340	355	369	395
CASH FLOW, EURm								
+ EBITDA	30	33	40	47	54	56	59	63
- Net financial items	2	-1	2	-2	-1	-1	-2	-1
- Taxes	-4	-5	-8	-7	-5	-7	-8	-11
- Increase in Net Working Capital	-8	-6	-6	-9	-15	10	-5	-5
+/- Other	-9	-5	-6	0	0	0	0	0
= Cash flow from operations	13	16	22	29	32	59	45	47
- Capex	-52	-5	-21	-10	-24	-19	-19	-20
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-39	10	2	19	8	40	26	27
+/- New issues/buybacks	1	13	-4	3	-6	3	0	0
- Paid dividend	-4	-5	-6	-7	-8	-10	-11	-11
+/- Other	45	-21	8	-7	-1	-22	-14	-3
Change in cash	3	-2	0	8	-8	10	1	13

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	223	272	281	336	359	359	359
Net debt (excl. convertibles)	40	41	39	43	10	-5	-21
Enterprise value	263	312	320	379	369	354	338
Sales	508	530	563	579	614	642	669
EBITDA	33	40	47	54	56	59	63
EBIT	22	31	38	39	40	43	47
Pre-tax	21	33	36	38	39	42	46
Earnings	15	26	28	32	33	34	35
Equity book value (excl. minorities)	108	125	148	167	192	215	239
Valuation multiples							
EV/sales	0.5	0.6	0.6	0.7	0.6	0.6	0.5
EV/EBITDA	7.9	7.8	6.8	7.1	6.6	6.0	5.3
EV/EBITA	11.8	10.0	8.5	9.6	9.1	8.2	7.2
EV/EBIT	11.8	10.0	8.5	9.6	9.1	8.2	7.2
EV/OCF	16.9	14.0	11.0	11.9	6.3	7.9	7.2
EV/FCFF	-120.1	29.5	15.5	25.7	8.8	12.6	11.8
P/FCFE	21.4	169.7	14.9	44.7	9.1	13.9	13.2
P/E	14.7	10.5	10.1	10.4	11.0	10.6	10.2
P/B	2.1	2.2	1.9	2.0	1.9	1.7	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.3	6.6	6.0
Target EV/EBIT	0.0	0.0	0.0	0.0	10.1	9.1	8.1
Target EV/FCF	0.0	0.0	0.0	0.0	10.3	15.2	13.9
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	12.3	11.8	11.3
Per share measures							
Number of shares	63,670	63,895	63,895	63,895	63,895	63,895	63,895
Number of shares (diluted)	63,670	63,895	63,895	63,895	63,895	63,895	63,895
EPS	0.24	0.40	0.44	0.50	0.51	0.53	0.55
Operating cash flow per share	0.24	0.35	0.45	0.50	0.92	0.70	0.73
Free cash flow per share	0.16	0.03	0.30	0.12	0.62	0.41	0.43
Book value per share	1.70	1.95	2.32	2.61	3.01	3.37	3.75
Dividend per share	0.09	0.11	0.13	0.15	0.17	0.17	0.18
Dividend payout ratio, %	37.9	27.2	29.9	29.8	33.0	33.0	33.0
Dividend yield, %	2.6	2.6	3.0	2.9	3.0	3.1	3.2
FCF yield, %	4.7	0.6	6.7	2.2	11.0	7.2	7.6
Efficiency measures							
ROE	14.5	22.2	20.4	20.4	18.1	16.6	15.5
ROCE	12.5	17.7	18.8	17.7	17.5	18.2	18.5
Financial ratios							
Inventories as % of sales	16.8	19.0	17.0	17.6	17.0	17.0	17.0
Receivables as % of sales	18.1	20.5	18.4	19.8	18.5	18.5	18.4
Non-interest bearing liabilities as % of sales	17.4	21.3	17.5	16.6	17.5	17.5	17.5
NWC/sales, %	17.2	17.7	17.5	19.7	16.9	16.9	16.9
Operative CAPEX/sales, %	1.0	3.9	1.8	4.2	3.1	3.0	2.9
CAPEX/sales (incl. acquisitions), %	1.0	3.9	1.8	4.2	3.1	3.0	2.9
FCFF/EBITDA	-0.1	0.3	0.4	0.3	0.7	0.5	0.5
Net debt/EBITDA, book-weighted	1.2	1.0	0.8	0.8	0.2	-0.1	-0.3
Debt/equity, market-weighted	0.3	0.2	0.2	0.1	0.1	0.0	0.0
Equity ratio, book-weighted	40.6	40.6	46.2	49.0	54.2	58.4	60.6
Gearing, %	36.9	32.7	26.0	25.6	5.2	-2.4	-8.9

COMPANY DESCRIPTION: Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with 11 sites located across three continents. The company focuses on producing industrial electronics for its customers, many of which are large global industrial original equipment manufacturers. In practice Northern Europe is by far Scanfil's most important market. Scanfil's strategy is based on a vertically integrated model with which the company aims to provide solutions to cover the entire supply chain during the whole life-cycle of a given customer product.

INVESTMENT CASE: In our view Scanfil is well-positioned to achieve its target 7% operating margin. We see upside to the current share price when customer product volumes continue to develop positively, helping to lift absolute operating profit. We expect Scanfil to achieve even more diversified customer portfolio; this would justify an increase in valuation multiples.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takanen Harri	9,913,146	55.712	15.5%
Takanen Jarkko	8,596,169	48.310	13.5%
Varikot Oy	7,606,442	42.748	11.9%
Takanen Jorma	6,129,305	34.447	9.6%
Tolonen Jonna	3,351,950	18.838	5.2%
Pöllä Reijo	3,328,745	18.708	5.2%
Laakkonen Mikko	2,531,187	14.225	4.0%
Takanen Martti	1,947,018	10.942	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	10.678	3.0%
Sijoitusrahasto Aktia Capital	1,528,000	8.587	2.4%
Ten largest	46,831,962	263.196	73%
Residual	17,063,477	95.897	27%
Total	63,895,439	359.092	100%

EARNINGS CALENDAR

October 27, 2020

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Yritystie 6, FI-85410 Sievi

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Tel: +358 8 48 82 111

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): Ilvonen

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