

Earnings are to improve

Scanfil's profitability is set to improve over the course of the year despite the still tight component market situation.

Profitability should improve throughout this year

Scanfil's Q1 revenue grew by 20% y/y to EUR 197m, compared to the EUR 170/179m Evli/cons. estimates, and was up by 10% y/y excluding the EUR 17m in transitory spot purchases; inflation added around 2-3% to top line, hence volume growth amounted to about 7%. Growth stemmed widely from all the five segments, including also new customer accounts within Advanced Consumer Applications (kitchen machines for professional as well as consumer use). The EUR 10.3m EBIT was a bit above the EUR 9.2m/9.7m Evli/cons. estimates and the 5.3% margin wasn't a surprise. The margin would have been 5.7% without the spot purchases, a decent figure but still well short of the 7% long-term potential as component availability issues persisted.

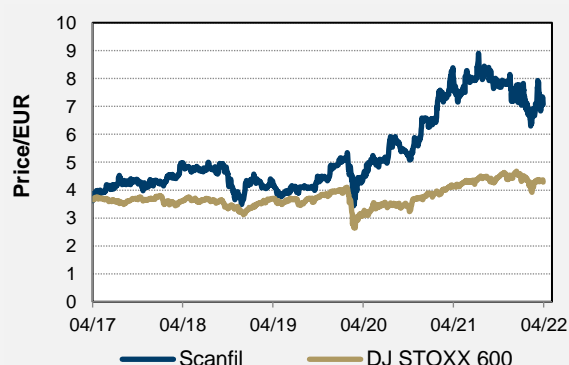
M&A unlikely short-term as organic execution claims focus

Components will remain scarce at least until Q4, however Scanfil's guidance and comments imply there will be meaningful profitability improvement throughout this year. Inflation isn't a major issue for Scanfil, and neither is the war likely to have any direct impact. The Chinese virus situation is probably the most significant short-term risk as it could lead to local production halts, but so far this hasn't happened for Scanfil. Chinese demand also remains strong. Scanfil's inventory levels are still elevated as the company tries to manage high customer demand and limited component availability. We estimate Scanfil to touch EUR 800m top line already this year. Inorganic growth doesn't now seem to be that high on the agenda, but M&A could happen in North America or Asia within the next 3-5 years.

Earnings growth is likely to continue next year as well

Scanfil's valuation, 7.5x EV/EBITDA and 10x EV/EBIT on our FY '22 estimates, isn't too demanding. We expect EBIT margin to remain a bit modest 5.8% this year as component issues persist, however we see the margin improving to above 6% in H2'22. We estimate 6.4% margin for FY '23, and hence we expect Scanfil to reach an above EUR 50m EBIT next year as we see growth continuing at an above 5% annual rate from late '22 onwards. FY '23 multiples are therefore only around 6.5x EV/EBITDA and 8x EV/EBIT on our estimates. We retain our EUR 8 TP and BUY rating.

Rating

+ BUY


Share price, EUR (Last trading day's closing price) 7.06

Target price, EUR 8.0

Latest change in recommendation	14-Oct-21
Latest report on company	23-Feb-22
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	451
Free float, %	46.6
Exchange rate	-
Reuters code	SCANFL.HE
Bloomberg code	SCANFL.FH
Average daily volume, EURm	0.1
Next interim report	05-Aug-22
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
2020	595.3	39.1	6.6%	43.5	0.49	13.2	0.7	11.0	10.4	0.17
2021	695.7	40.3	5.8%	-31.7	0.48	15.6	0.8	13.2	-6.7	0.19
2022E	796.8	46.5	5.8%	57.1	0.55	12.8	0.6	9.9	12.7	0.20
2023E	840.4	53.8	6.4%	33.9	0.63	11.2	0.5	8.2	7.5	0.21
2024E	882.4	60.9	6.9%	38.5	0.72	9.8	0.5	6.8	8.5	0.24
Market cap, EURm	451			Gearing 2022E, %	5.0			CAGR EPS 2021-24, %	14.5	
Net debt 2022E, EURm	12			Price/book 2022E	2.0			CAGR sales 2021-24, %	8.2	
Enterprise value, EURm	463			Dividend yield 2022E, %	2.8			ROE 2022E, %	16.0	
Total assets 2022E, EURm	433			Tax rate 2022E, %	21.9			ROCE 2022E, %	16.3	
Goodwill 2022E, EURm	8			Equity ratio 2022E, %	53.2			PEG, P/E 22/CAGR	1.1	

Estimates and peer group multiples

Scanfil	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e
Revenue	595	163	173	168	192	696	197	202	193	206	797	840
<i>growth-%</i>	<i>2.8 %</i>	<i>13.4 %</i>	<i>11.1 %</i>	<i>18.4 %</i>	<i>24.4 %</i>	<i>16.9 %</i>	<i>20.4 %</i>	<i>16.7 %</i>	<i>14.8 %</i>	<i>7.4 %</i>	<i>14.6 %</i>	<i>5.5 %</i>
Advanced Consumer Applications	151	43	53	55	53	205	55	65	63	59	241	258
Automation & Safety	142	35	37	33	41	145	43	42	41	44	169	174
Connectivity	29	8	7	7	10	33	11	9	9	11	40	42
Energy & Cleantech	136	40	45	44	53	182	55	54	49	56	214	227
Medtech & Life Science	108	29	29	29	34	121	34	32	31	36	133	140
Discontinued	30	9	2	0	0	11	0	0	0	0	0	0
EBIT	39	10	11	10	10	40	10	11	12	13	47	54
<i>EBIT margin</i>	<i>6.6 %</i>	<i>6.1 %</i>	<i>6.1 %</i>	<i>5.7 %</i>	<i>5.3 %</i>	<i>5.8 %</i>	<i>5.2 %</i>	<i>5.6 %</i>	<i>6.1 %</i>	<i>6.4 %</i>	<i>5.8 %</i>	<i>6.4 %</i>

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
Benchmark Electronics	787				11.1x	9.7x		3.1 %	3.4 %	
Celestica	1285	4.6x	4.3x		6.5x	6.0x		4.3 %	4.4 %	
TT Electronics	424	7.9x	6.8x	6.4x	11.1x	9.1x	8.3x	8.0 %	9.3 %	9.8 %
HANZA Holding	154	7.5x	6.8x	6.4x	12.6x	11.4x	10.7x	5.9 %	6.1 %	6.3 %
Kitron	423	7.9x	6.9x	6.2x	10.6x	9.0x	8.1x	7.1 %	7.4 %	7.5 %
Lacroix Group	186	7.0x	5.9x	5.3x	11.9x	9.7x	8.4x	4.1 %	4.8 %	5.2 %
Flex Ltd	7469	6.1x	5.8x		8.7x	8.3x		4.6 %	4.6 %	
Plexus	2048	10.9x	9.0x		15.7x	12.2x		4.4 %	5.1 %	
Sanmina	2372	5.4x			6.9x			5.0 %		
SIIX	339	5.9x	5.0x	4.5x	11.2x	9.0x	7.5x	3.3 %	3.7 %	4.2 %
Valuetronics	158									
Peer Group Average	1422	7.0x	6.3x	5.8x	10.6x	9.4x	8.6x	5.0 %	5.4 %	6.6 %
Peer Group Median	424	7.0x	6.4x	6.2x	11.1x	9.1x	8.3x	4.5 %	4.8 %	6.3 %
Scanfil (Evli est.)	451	7.6x	6.4x	5.5x	9.9x	8.2x	6.8x	5.8 %	6.4 %	6.9 %

Scanfil prem./disc. to peer median

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.06 PV of Free Cash Flow	323 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	10.66 PV of Horizon value	415 WACC, %	8.0 Market risk premium, %	5.8
Share price potential, %	51.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	11.7 Marketable securities	25 Minimum WACC, %	7.5 Equity beta coefficient	1.00
Minimum value	9.8 Debt - dividend	-82 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	56.2 Value of stock	681 Nr of shares, Mn	63.9 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	696	797	840	882	918	950	978	1,003	1,023	1,043	1,064	1,085
<i>Sales growth, %</i>	<i>16.9</i>	<i>14.5</i>	<i>5.5</i>	<i>5.0</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	40	47	54	61	64	66	68	70	72	73	74	76
<i>Operating income margin, %</i>	<i>5.8</i>	<i>5.8</i>	<i>6.4</i>	<i>6.9</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.	15	14	15	14	14	14	13	13	14	14	14	
EBITDA	56	61	69	75	78	80	82	84	85	87	89	
- Paid taxes	-10	-10	-13	-15	-15	-16	-16	-17	-17	-18	-18	
- Change in NWC	-59	31	-8	-7	-6	-6	-5	-4	-4	-4	-4	
<i>NWC / Sales, %</i>	<i>24.1</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.2</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	<i>17.3</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-13	-20	-13	-13	-13	-14	-14	-14	-15	-15	-16	
<i>opCAPEX / Sales, %</i>	<i>2.4</i>	<i>2.9</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</i>	<i>1.5</i>	<i>1.5</i>	<i>1.5</i>	<i>1.5</i>	<i>1.5</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	-26	62	36	40	43	45	46	48	50	51	51	875
= Discounted FCFF		58	32	33	32	31	30	29	28	26	24	415
= DFCF min WACC		59	32	33	33	32	31	30	29	27	26	474
= DFCF max WACC		58	31	32	32	31	29	28	27	25	23	366

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	163.3	172.9	167.8	191.7	695.7	196.6	201.7	192.6	205.9	796.8	840.4	882.4
EBITDA	13.8	14.4	13.2	14.3	55.7	14.3	14.8	15.2	16.7	61.0	69.3	75.4
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>8.3</i>	<i>7.9</i>	<i>7.5</i>	<i>8.0</i>	<i>7.3</i>	<i>7.3</i>	<i>7.9</i>	<i>8.1</i>	<i>7.6</i>	<i>8.2</i>	<i>8.5</i>
EBIT	10.0	10.6	9.4	10.3	40.3	10.3	11.3	11.7	13.2	46.5	53.8	60.9
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>6.1</i>	<i>5.6</i>	<i>5.4</i>	<i>5.8</i>	<i>5.2</i>	<i>5.6</i>	<i>6.1</i>	<i>6.4</i>	<i>5.8</i>	<i>6.4</i>	<i>6.9</i>
Net financial items	-0.7	-0.1	-0.9	-0.2	-1.9	-1.0	-0.2	-0.2	-0.2	-1.5	-0.8	-0.6
Pre-tax profit	9.3	10.5	8.5	10.1	38.4	9.3	11.1	11.5	13.0	45.0	52.9	60.3
Tax	-1.7	-1.8	-3.5	-0.9	-7.9	-1.3	-2.7	-2.8	-3.1	-9.9	-12.7	-14.5
<i>Tax rate (%)</i>	<i>18.3</i>	<i>17.1</i>	<i>41.2</i>	<i>8.9</i>	<i>20.6</i>	<i>14.0</i>	<i>24.0</i>	<i>24.0</i>	<i>24.0</i>	<i>21.9</i>	<i>24.0</i>	<i>24.0</i>
Net profit	7.6	8.7	5.0	9.2	30.5	8.0	8.5	8.8	9.9	35.1	40.2	45.8
EPS	0.12	0.14	0.08	0.14	0.48	0.13	0.13	0.14	0.15	0.55	0.63	0.72
EPS adjusted (diluted no. of shares)	0.12	0.14	0.08	0.14	0.48	0.13	0.13	0.14	0.15	0.55	0.63	0.72
Dividend per share	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00	0.20	0.21	0.24
SALES, EURm												
Group	163.3	172.9	167.8	191.7	695.7	196.6	201.7	192.6	205.9	796.8	840.4	882.4
Total	163.3	172.9	167.8	191.7	695.7	196.6	201.7	192.6	205.9	796.8	840.4	882.4
SALES GROWTH, Y/Y %												
Group	13.3	11.2	18.4	24.5	16.9	20.4	16.7	14.8	7.4	14.5	5.5	5.0
Total	13.3	11.2	18.4	24.5	16.9	20.4	16.7	14.8	7.4	14.5	5.5	5.0
EBIT, EURm												
Group	10.0	10.6	9.4	10.3	40.3	10.3	11.3	11.7	13.2	46.5	53.8	60.9
Total	10.0	10.6	9.4	10.3	40.3	10.3	11.3	11.7	13.2	46.5	53.8	60.9
EBIT margin, %												
Group	6.1	6.1	5.6	5.4	5.8	5.2	5.6	6.1	6.4	5.8	6.4	6.9
Total	6.1	6.1	5.6	5.4	5.8	5.2	5.6	6.1	6.4	5.8	6.4	6.9

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	529.9	563.0	579.4	595.3	695.7	796.8	840.4	882.4
<i>Sales growth (%)</i>	<i>4.3</i>	<i>6.2</i>	<i>2.9</i>	<i>2.7</i>	<i>16.9</i>	<i>14.5</i>	<i>5.5</i>	<i>5.0</i>
EBITDA	40.0	47.2	53.6	55.2	55.7	61.0	69.3	75.4
<i>EBITDA margin (%)</i>	<i>7.5</i>	<i>8.4</i>	<i>9.3</i>	<i>9.3</i>	<i>8.0</i>	<i>7.6</i>	<i>8.2</i>	<i>8.5</i>
Depreciation	-8.7	-9.4	-14.2	-16.1	-15.4	-14.5	-15.5	-14.5
EBITA	31.3	37.8	39.4	39.1	40.3	46.5	53.8	60.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	31.3	37.8	39.4	39.1	40.3	46.5	53.8	60.9
<i>EBIT margin (%)</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>5.8</i>	<i>6.4</i>	<i>6.9</i>
Reported EBIT	31.3	37.8	39.4	39.1	40.3	46.5	53.8	60.9
<i>EBIT margin (reported) (%)</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>5.8</i>	<i>6.4</i>	<i>6.9</i>
Net financials	1.3	-1.7	-1.3	-2.6	-1.9	-1.5	-0.8	-0.6
Pre-tax profit	32.6	36.1	38.1	36.5	38.4	45.0	52.9	60.3
Taxes	-6.8	-8.3	-5.9	-4.9	-7.9	-9.9	-12.7	-14.5
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	25.8	27.8	32.2	31.6	30.5	35.1	40.2	45.8
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	62	64	68	61	63	69	66	65
Goodwill	10	10	8	8	8	8	8	8
Right of use assets	0	15	21	18	22	25	27	28
Inventory	101	96	102	103	193	135	143	150
Receivables	108	104	115	116	153	147	155	163
Liquid funds	21	28	20	26	25	40	42	63
Total assets	307	321	340	339	474	433	450	485
Liabilities								
Shareholder's equity	125	148	167	183	207	230	258	290
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	15	19	16	20	25	27	28
Deferred taxes	5	5	7	6	5	5	5	5
Interest bearing debt	61	52	44	24	62	26	6	0
Non-interest bearing current liabilities	113	99	96	103	172	139	147	154
Other interest-free debt	2	2	7	7	6	6	6	6
Total liabilities	307	321	340	339	474	433	450	485
CASH FLOW, EURm								
+ EBITDA	40	47	54	55	56	61	69	75
- Net financial items	2	-2	-1	-3	-2	-2	-1	-1
- Taxes	-8	-7	-5	-7	-10	-10	-13	-14
- Increase in Net Working Capital	-6	-9	-15	5	-59	31	-8	-7
+/- Other	-6	0	0	0	0	0	0	0
= Cash flow from operations	22	29	32	50	-15	80	48	53
- Capex	-21	-10	-24	-6	-17	-23	-14	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	2	19	8	44	-32	57	34	38
+/- New issues/buybacks	-4	3	-6	-6	5	0	0	0
- Paid dividend	-6	-7	-8	-10	-11	-12	-13	-13
+/- Other	8	-7	-1	-23	37	-30	-19	-4
Change in cash	0	8	-8	5	0	15	2	21

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	281	336	417	477	451	451	451
Net debt (excl. convertibles)	39	43	15	57	12	-10	-35
Enterprise value	320	379	431	533	463	441	416
Sales	563	579	595	696	797	840	882
EBITDA	47	54	55	56	61	69	75
EBIT	38	39	39	40	47	54	61
Pre-tax	36	38	37	38	45	53	60
Earnings	28	32	32	31	35	40	46
Equity book value (excl. minorities)	148	167	183	207	230	258	290
Valuation multiples							
EV/sales	0.6	0.7	0.7	0.8	0.6	0.5	0.5
EV/EBITDA	6.8	7.1	7.8	9.6	7.6	6.4	5.5
EV/EBITA	8.5	9.6	11.0	13.2	9.9	8.2	6.8
EV/EBIT	8.5	9.6	11.0	13.2	9.9	8.2	6.8
EV/OCF	11.0	11.9	8.6	-36.3	5.8	9.2	7.9
EV/FCFF	15.5	25.7	10.0	-20.5	7.5	12.3	10.3
P/FCFE	14.9	44.7	9.6	-15.0	7.9	13.3	11.7
P/E	10.1	10.4	13.2	15.6	12.8	11.2	9.8
P/B	1.9	2.0	2.3	2.3	2.0	1.7	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.6	7.2	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	11.2	9.3	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	9.1	14.8	12.4
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	14.6	12.7	11.2
Per share measures							
Number of shares	63,895	63,895	63,895	63,895	63,895	63,895	63,895
Number of shares (diluted)	63,895	63,895	63,895	63,895	63,895	63,895	63,895
EPS	0.44	0.50	0.49	0.48	0.55	0.63	0.72
Operating cash flow per share	0.45	0.50	0.78	-0.23	1.26	0.75	0.83
Free cash flow per share	0.30	0.12	0.68	-0.50	0.89	0.53	0.60
Book value per share	2.32	2.61	2.86	3.25	3.61	4.04	4.54
Dividend per share	0.13	0.15	0.17	0.19	0.20	0.21	0.24
Dividend payout ratio, %	29.9	29.8	34.4	39.8	36.4	33.3	33.0
Dividend yield, %	3.0	2.9	2.6	2.7	2.8	3.0	3.4
FCF yield, %	6.7	2.2	10.4	-6.7	12.7	7.5	8.5
Efficiency measures							
ROE	20.4	20.4	18.1	15.6	16.0	16.5	16.7
ROCE	18.8	17.7	17.3	15.7	16.3	18.8	20.0
Financial ratios							
Inventories as % of sales	17.0	17.6	17.4	27.8	17.0	17.0	17.0
Receivables as % of sales	18.4	19.8	19.4	22.0	18.5	18.5	18.4
Non-interest bearing liabilities as % of sales	17.5	16.6	17.3	24.8	17.5	17.5	17.5
NWC/sales, %	17.5	19.7	18.3	24.1	17.2	17.2	17.2
Operative CAPEX/sales, %	1.8	4.2	1.1	2.4	2.9	1.7	1.6
CAPEX/sales (incl. acquisitions), %	1.8	4.2	1.1	2.4	2.9	1.7	1.6
FCFF/EBITDA	0.4	0.3	0.8	-0.5	1.0	0.5	0.5
Net debt/EBITDA, book-weighted	0.8	0.8	0.3	1.0	0.2	-0.1	-0.5
Debt/equity, market-weighted	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Equity ratio, book-weighted	46.2	49.0	53.9	43.8	53.2	57.4	59.8
Gearing, %	26.0	25.6	7.9	27.3	5.0	-3.7	-11.9

COMPANY DESCRIPTION: Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with nine 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	69.987	15.5%
Takanen Jarkko	8,596,169	60.689	13.5%
Varikot Oy	7,606,442	53.701	11.9%
Takanen Jorma	6,129,305	43.273	9.6%
Tolonen Jonna	3,351,950	23.665	5.2%
Pöllä Reijo	3,328,745	23.501	5.2%
Laakkonen Mikko	2,531,187	17.870	4.0%
Takanen Martti	1,947,018	13.746	3.0%
Sijoitusrahasto Aktia Capital	1,918,000	13.541	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	13.414	3.0%
Ten largest	47,221,962	333.387	74%
Residual	16,673,477	117.715	26%
Total	63,895,439	451.102	100%

EARNINGS CALENDAR

August 05, 2022	Q2 report
October 26, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Petteri Jokitalo	Yritystie 6, FI-85410 Sievi
CFO: Kai Valo	Tel: +358 8 48 82 111
IR: Pasi Hiedanpää	

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

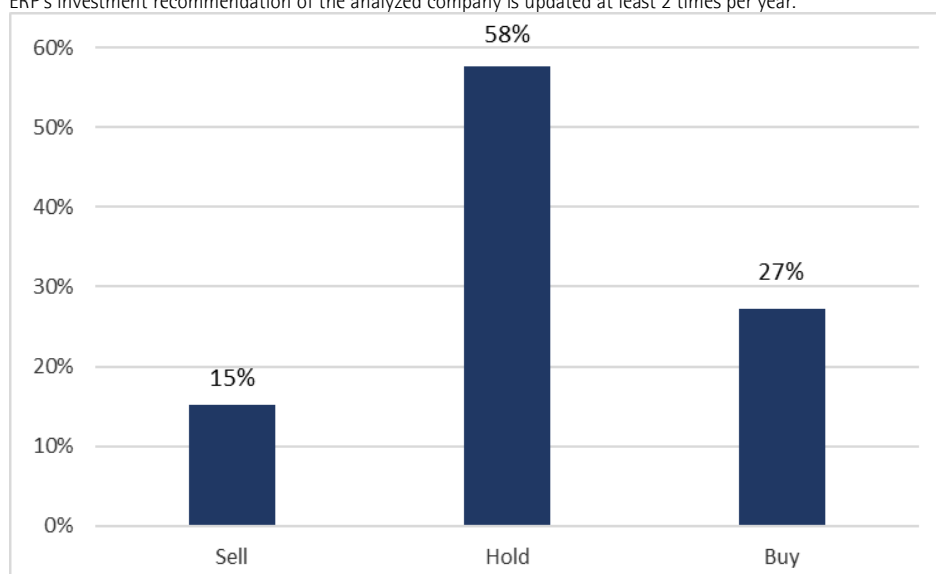
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Investment recommendations are defined as follows:

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): Ilvonen

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