

CMD: Turning the tide

Solteq presented its new strategy in its CMD 2023 event, reiterating near-term challenges and setting forth steps to build a stronger Solteq in the long-term. We retain our HOLD-rating and adjust our TP to EUR 1.3 (1.2)

New strategy set

Solteq hosted its Capital Markets Day 2023 on January 18th, giving more insight into the recently set new strategy. Solteq had previously announced that it will operate under two new segments, Retail & Commerce and Utilities. Long-term growth and EBIT-% targets for the segments were set at 8%/8% and 15%/18% respectively. The company's primary focus in the near-term will be on profitability, while also seeking to return on a growth path.

Near-term softness, building for the long-term

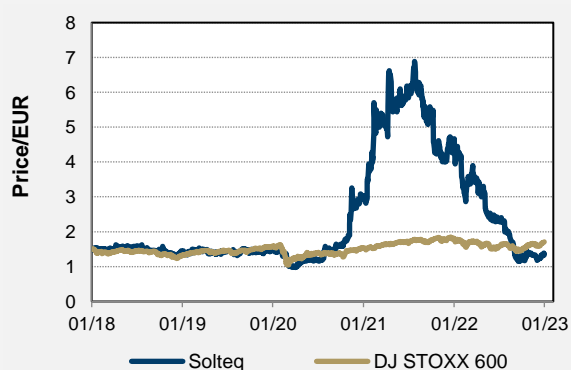
Solteq is heading into the new strategy period with a heavily renewed management team, including both new segments. For the short-term, Solteq reiterated the challenges faced in product development and macroeconomic headwinds. For the Utilities-segment, 2023 is expected to be a turn-around year, with ramp-up towards normalized operations and healthier financials towards H2/2023. In the Retail & Commerce-segment the growth ambitions in our view appear reasonable, although expectations in the near-term seem muted due to current headwinds. Newly appointed EVP Jesper Boye previously successfully headed Solteq's business in Denmark and we see potential in future pan-Nordic growth. In our view the key takeaway from the CMD was the confirmation of Solteq's own abilities and focus on near-term measures to build a much more capable Solteq towards the latter part of the strategy period.

HOLD with a TP of EUR 1.3 (1.2)

From a valuation perspective, the near-term remains subdued by challenges in the Utilities business. The significant upside potential in our view lies in the turnaround and tapping into the other Nordic countries, assuming the implementation of Datahub in Sweden. We adjust our TP to EUR 1.3 (1.2) due to a slight rebound in peer multiples, HOLD-rating intact.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.36

Target price, EUR 1.3

Latest change in recommendation 19-Sep-22

Latest report on company 28-Oct-22

Research paid by issuer: YES

No. of shares outstanding, '000's 19,397

No. of shares fully diluted, '000's 19,397

Market cap, EURm 26

Free float, % 43.0

Exchange rate 0.000

Reuters code SOLTEQ.HE

Bloomberg code SOLTEQ.FH

Average daily volume, EURm 0.01

Next interim report 16-Feb-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
2020	60.5	5.4	8.9%	5.5	0.10	27.3	1.3	15.1	10.2	0.15
2021	69.1	7.2	10.4%	4.3	0.21	21.9	1.7	16.3	4.7	0.10
2022E	68.9	-2.5	-3.6%	-3.9	-0.18	-7.4	0.8	-23.2	-15.0	0.00
2023E	72.3	4.2	5.8%	0.9	0.09	14.7	0.8	13.7	3.4	0.05
2024E	77.9	6.8	8.8%	2.3	0.20	6.7	0.7	8.2	8.9	0.10
Market cap, EURm	26		Gearing 2022E, %		141.4		CAGR EPS 2021-24, %		-1.6	
Net debt 2022E, EURm	32		Price/book 2022E		1.2		CAGR sales 2021-24, %		4.1	
Enterprise value, EURm	58		Dividend yield 2022E, %		0.0		ROE 2022E, %		-14.1	
Total assets 2022E, EURm	76		Tax rate 2022E, %		17.3		ROCE 2022E, %		-4.3	
Goodwill 2022E, EURm	46		Equity ratio 2022E, %		29.5		PEG, P/E 22/CAGR		0.0	

All the important disclosures can be found on the last pages of this report.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.36 PV of Free Cash Flow	44 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	4.05 PV of Horizon value	66 WACC, %	8.9 Market risk premium, %
Share price potential, %	197.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	4.5 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	3.6 Debt - dividend	-35 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	60.2 Value of stock	82 Nr of shares, Mn	19.4 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	69	69	72	78	82	86	90	95	99	104	106	108
<i>Sales growth, %</i>	<i>14.2</i>	<i>-0.2</i>	<i>4.9</i>	<i>7.7</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	7	-3	4	7	8	9	9	9	10	10	11	11
<i>Operating income margin, %</i>	<i>10.4</i>	<i>-3.6</i>	<i>5.8</i>	<i>8.8</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>
+ Depreciation+amort.	5	10	6	6	6	7	8	8	9	10	11	
EBITDA	12	7	10	12	15	16	17	18	19	20	21	
- Paid taxes	-2	0	-1	-1	-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>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-5	-5	-6	-6	-7	-7	-8	-9	-9	-10	
<i>opCAPEX / Sales, %</i>	<i>4.0</i>	<i>9.1</i>	<i>9.5</i>	<i>9.9</i>	<i>10.1</i>	<i>10.4</i>	<i>10.6</i>	<i>11.0</i>	<i>11.3</i>	<i>11.6</i>	<i>11.7</i>	
- Acquisitions	-3	-4	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	6	-1	4	6	7	8	8	8	9	9	9	141
= Discounted FCFF		-1	4	5	6	5	5	5	5	5	4	66
= DFCF min WACC		-1	4	5	6	6	5	5	5	5	5	74
= DFCF max WACC		-1	4	5	5	5	5	5	5	4	4	59

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	17.4	18.5	14.9	18.3	69.1	19.2	17.9	14.4	17.4	68.9	72.3	77.9
EBITDA	3.6	3.7	2.4	2.6	12.3	2.7	1.8	0.8	2.1	7.4	9.9	12.5
<i>EBITDA margin (%)</i>	<i>20.7</i>	<i>19.8</i>	<i>16.2</i>	<i>14.4</i>	<i>17.8</i>	<i>14.1</i>	<i>9.9</i>	<i>5.6</i>	<i>12.1</i>	<i>10.7</i>	<i>13.6</i>	<i>16.0</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.4	0.4	-5.0	0.7	-2.5	4.2	6.8
<i>EBIT margin (%)</i>	<i>12.8</i>	<i>13.4</i>	<i>7.6</i>	<i>7.2</i>	<i>10.4</i>	<i>7.2</i>	<i>2.3</i>	<i>-34.9</i>	<i>4.0</i>	<i>-3.6</i>	<i>5.8</i>	<i>8.8</i>
Net financial items	-0.4	-0.5	-0.4	-0.6	-1.9	-0.4	-0.5	-0.4	-0.5	-1.8	-1.9	-1.9
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	-0.1	-5.5	0.2	-4.3	2.2	4.9
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	0.0	1.0	0.0	0.7	-0.4	-1.0
<i>Tax rate (%)</i>	<i>20.8</i>	<i>21.6</i>	<i>28.1</i>	<i>18.2</i>	<i>21.7</i>	<i>22.1</i>	<i>8.0</i>	<i>18.5</i>	<i>20.0</i>	<i>17.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	1.6	0.5	0.6	4.1	0.8	-0.1	-4.4	0.2	-3.6	1.8	3.9
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.00	-0.23	0.01	-0.18	0.09	0.20
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.00	-0.23	0.01	-0.18	0.09	0.20
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.05	0.10
SALES, EURm												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	11.8	11.4	8.6	10.8	42.6	43.9	46.1
Solteq Software	6.2	6.6	5.4	6.6	24.8	7.4	6.5	5.7	6.6	26.3	28.4	31.8
Total	17.4	18.5	14.9	18.3	69.1	19.2	17.9	14.4	17.4	68.9	72.3	77.9
SALES GROWTH, Y/Y %												
<i>Solteq Digital</i>	<i>-1.4</i>	<i>13.0</i>	<i>4.3</i>	<i>10.3</i>	<i>6.5</i>	<i>5.6</i>	<i>-4.1</i>	<i>-9.6</i>	<i>-7.7</i>	<i>-3.8</i>	<i>3.0</i>	<i>5.0</i>
<i>Solteq Software</i>	<i>43.1</i>	<i>44.6</i>	<i>29.8</i>	<i>13.3</i>	<i>31.4</i>	<i>19.7</i>	<i>-0.9</i>	<i>6.6</i>	<i>0.3</i>	<i>6.2</i>	<i>8.0</i>	<i>12.0</i>
Total	10.9	22.6	12.2	11.4	14.2	10.7	-3.0	-3.7	-4.8	-0.2	4.9	7.7
EBIT, EURm												
Solteq	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Solteq Digital	1.3	1.9	0.9	1.5	5.6	1.5	1.3	0.1	0.7	3.7	4.9	5.1
Solteq Software	0.9	0.6	0.2	-0.2	1.6	-0.1	-0.9	-5.1	0.0	-6.2	-0.8	1.7
Total	2.2	2.5	1.1	1.3	7.2	1.4	0.4	-5.0	0.7	-2.5	4.2	6.8
EBIT margin, %												
<i>Solteq</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-24,000.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-6,000.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Solteq Digital</i>	<i>11.9</i>	<i>15.7</i>	<i>9.3</i>	<i>12.7</i>	<i>12.6</i>	<i>12.9</i>	<i>11.8</i>	<i>1.5</i>	<i>6.5</i>	<i>8.7</i>	<i>11.3</i>	<i>11.1</i>
<i>Solteq Software</i>	<i>14.6</i>	<i>9.3</i>	<i>4.6</i>	<i>-2.5</i>	<i>6.5</i>	<i>-1.5</i>	<i>-14.1</i>	<i>-89.8</i>	<i>0.0</i>	<i>-23.5</i>	<i>-2.7</i>	<i>5.3</i>
Total	12.8	13.4	7.6	7.2	10.4	7.2	2.3	-34.9	4.0	-3.6	5.8	8.8

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	68.9	72.3	77.9
<i>Sales growth (%)</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>14.2</i>	<i>-0.2</i>	<i>4.9</i>	<i>7.7</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	7.4	9.9	12.5
<i>EBITDA margin (%)</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>17.8</i>	<i>10.7</i>	<i>13.6</i>	<i>16.0</i>
Depreciation	-2.1	-2.3	-4.0	-5.0	-5.1	-9.9	-5.7	-5.6
EBITA	0.3	2.5	5.7	5.4	7.2	-2.5	4.2	6.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.3	2.5	5.7	5.4	7.2	-2.5	4.2	6.8
<i>EBIT margin (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>-3.6</i>	<i>5.8</i>	<i>8.8</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	-2.5	4.2	6.8
<i>EBIT margin (reported) (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>-3.6</i>	<i>5.8</i>	<i>8.8</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.8	-1.9	-1.9
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	-4.3	2.2	4.9
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	0.7	-0.4	-1.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.5	0.4	2.8	2.0	4.1	-3.6	1.8	3.9
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	8	10	11	12	13	9	10	12
Goodwill	37	40	39	39	42	46	46	46
Right of use assets	0	6	7	7	5	5	5	6
Inventory	0	0	0	0	0	0	0	0
Receivables	15	12	16	12	12	12	12	13
Liquid funds	2	5	4	5	4	4	4	4
Total assets	61	74	77	75	76	76	78	81
Liabilities								
Shareholder's equity	20	22	25	27	28	23	24	27
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	6	8	7	5	5	5	6
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	28	28	24	24	30	29	28
Non-interest bearing current liabilities	14	17	17	16	18	18	18	20
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	74	77	75	76	76	78	81
CASH FLOW, EURm								
+ EBITDA	2	5	10	10	12	7	10	12
- Net financial items	-2	-2	-2	-3	-2	-2	-2	-2
- Taxes	0	0	-1	-1	-1	1	0	-1
- Increase in Net Working Capital	-1	6	-1	0	1	0	0	0
+/- Other	-2	0	-2	-1	0	0	0	0
= Cash flow from operations	-2	8	4	6	10	6	8	10
- Capex	-1	-3	-7	-5	-3	-6	-7	-8
- Acquisitions	0	0	0	0	-3	-4	0	0
+ Divestments	0	0	0	4	0	0	0	0
= Free cash flow	-3	5	-3	6	4	-4	1	2
+/- New issues/buybacks	3	1	0	0	0	0	0	0
- Paid dividend	-1	0	0	0	-3	-2	0	-1
+/- Other	-5	-2	2	-4	-3	6	-1	-1
Change in cash	-7	4	-2	1	-1	0	0	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	25	29	54	91	26	26	26
Net debt (excl. convertibles)	29	32	26	26	32	31	29
Enterprise value	54	60	81	117	58	57	56
Sales	57	58	60	69	69	72	78
EBITDA	5	10	10	12	7	10	12
EBIT	2	6	5	7	-3	4	7
Pre-tax	1	4	3	5	-4	2	5
Earnings	0	3	2	4	-4	2	4
Equity book value (excl. minorities)	22	25	27	28	23	24	27
Valuation multiples							
EV/sales	1.0	1.0	1.3	1.7	0.8	0.8	0.7
EV/EBITDA	11.4	6.2	7.8	9.5	7.9	5.8	4.5
EV/EBITA	22.0	10.6	15.1	16.3	-23.2	13.7	8.2
EV/EBIT	22.0	10.6	15.1	16.3	-23.2	13.7	8.2
EV/OCF	6.8	14.6	12.8	11.7	9.2	7.4	5.6
EV/FCFF	14.0	59.8	9.1	21.2	-74.4	13.1	9.3
P/FCFE	5.3	-9.1	9.8	21.1	-6.7	29.7	11.3
P/E	69.9	27.1	27.3	21.9	-7.4	14.7	6.7
P/B	1.1	1.2	2.0	3.2	1.2	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.7	5.7	4.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-22.8	13.4	8.0
Target EV/FCF	0.0	0.0	0.0	0.0	-14.5	63.3	23.4
Target P/B	0.0	0.0	0.0	0.0	1.1	1.0	0.9
Target P/E	0.0	0.0	0.0	0.0	-7.1	14.1	6.4
Per share measures							
Number of shares	19,202	19,307	19,307	19,397	19,397	19,397	19,397
Number of shares (diluted)	19,202	19,307	19,307	19,397	19,397	19,397	19,397
EPS	0.02	0.15	0.10	0.21	-0.18	0.09	0.20
Operating cash flow per share	0.42	0.21	0.33	0.51	0.33	0.40	0.52
Free cash flow per share	0.24	-0.16	0.29	0.22	-0.20	0.05	0.12
Book value per share	1.14	1.27	1.37	1.44	1.16	1.25	1.41
Dividend per share	0.00	0.00	0.15	0.10	0.00	0.05	0.10
Dividend payout ratio, %	0.0	0.0	146.3	46.8	0.0	50.0	50.0
Dividend yield, %	0.0	0.0	5.4	2.1	0.0	3.4	7.5
FCF yield, %	18.8	-11.0	10.2	4.7	-15.0	3.4	8.9
Efficiency measures							
ROE	1.7	12.1	7.8	15.2	-14.1	7.6	15.3
ROCE	4.8	9.8	9.1	12.4	-4.3	7.2	11.4
Financial ratios							
Inventories as % of sales	0.2	0.3	0.1	0.3	0.3	0.3	0.3
Receivables as % of sales	21.1	26.8	19.1	17.0	17.0	17.0	17.0
Non-interest bearing liabilities as % of sales	29.2	28.6	26.8	25.5	25.5	25.5	25.5
NWC/sales, %	-7.9	-1.5	-7.5	-8.2	-8.2	-8.2	-8.2
Operative CAPEX/sales, %	5.8	12.5	8.0	4.0	9.1	9.5	9.9
CAPEX/sales (incl. acquisitions), %	5.8	12.5	8.0	-0.1	3.3	9.5	9.9
FCFF/EBITDA	0.8	0.1	0.9	0.4	-0.1	0.4	0.5
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	4.3	3.1	2.4
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	1.2	1.1	1.1
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	29.5	31.1	33.6
Gearing, %	134.5	128.5	99.9	92.6	141.4	127.4	107.9

COMPANY DESCRIPTION: Solteq is a Nordic software and IT-services provider specializing in digital business solutions. Solteq's strength has been in commerce related solutions with a focus on selected sectors, namely the retail and wholesale, industry, energy, and services sectors. Recent product development investments have focused on product development in the company's Utilities business and autonomous service robotics.

INVESTMENT CASE: Solteq's investment case revolves around the success of executing its strategy of shifting from its IT-services oriented past towards becoming a software house. Implied margin upside potential is considerable, with segment targets putting margins clearly in the double digits. Growth will increasingly need to be sought from abroad, as domestic growth potential is somewhat restricted within core competencies.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Profiz Business Solution Oyj	2,083,769	2.834	10.7%
Elo Mutual Pension Insurance Company	2,000,000	2.720	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	2.246	8.5%
Varma Mutual Pension Insurance Company	1,545,597	2.102	8.0%
Aktia Capital Mutual Fund	770,000	1.047	4.0%
Aalto Seppo Tapio	615,000	0.836	3.2%
Saadetdin Ali	602,216	0.819	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.680	2.6%
Incedo Oy	313,178	0.426	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	0.408	1.5%
Ten largest	10,381,053	14.118	54%
Residual	9,015,448	12.261	46%
Total	19,396,501	26.379	100%

EARNINGS CALENDAR

February 16, 2023	FY 2022 Results
May 04, 2023	Q1 report
August 23, 2023	Q2 report
October 26, 2023	Q3 report

OTHER EVENTS

March 29, 2023	AGM
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COMPANY MISCELLANEOUS

CEO: Aarne Aktan	Karhumäentie 3, FI-01350
CFO: Kari Lehtosalo	Tel:
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

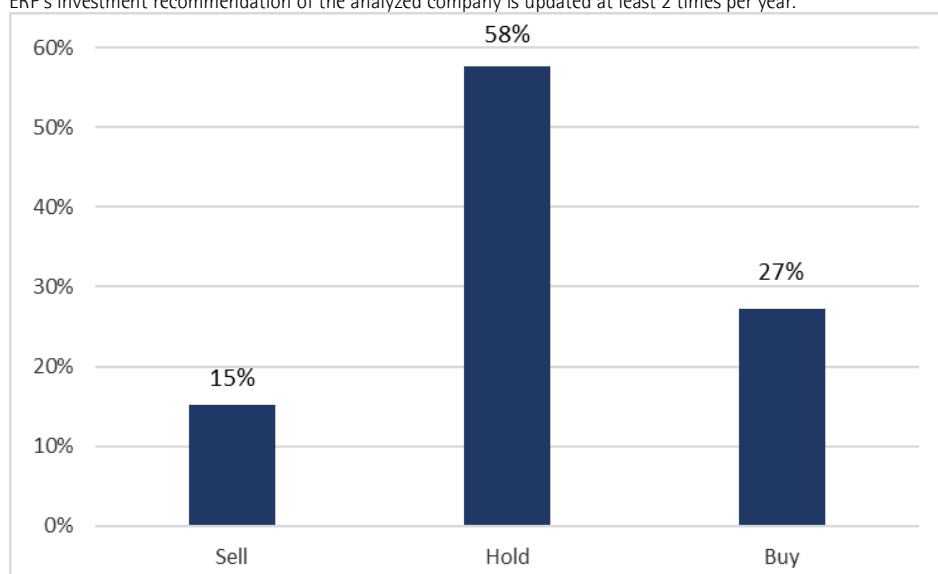
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Investment recommendations are defined as follows:

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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