

New drill results from Pampalo

Endomines reported high-grade drill results significantly below the current production level. Even though the result is based on a single drill hole, it confirms the continuation of the deposit to the depth. We have not made changes to our production estimates, yet we increase the possible Pampalo Life of Mine in our option model. We increase our TP to EUR 6.5 (5.4), HOLD-rating intact.

High-grade drill results from Pampalo

Endomines is currently extracting ore from the 755-815 level and have inferred resources (Pampalo deep) at the 815-875 level. The new drill hole intersected 6.0m grading 9.2g/t gold at the 1050 level, roughly 175-235m below the 815-875 level. The company has historically been able to produce approximately 20k ounces of gold per 50 meters at the Pampalo underground mine.

Probability of extending Pampalo Life of Mine increases

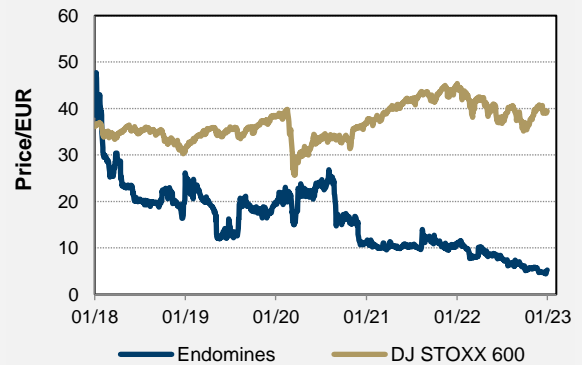
The results are based on a single drill hole and further drilling is needed to determine the economic feasibility of the mining area. Even though it is too early to determine if the company is able to economically extract the ore, the result confirms the continuation of the deposit. The gold was found in a location where the company expected, which shows that the mineralization continues according to the company's previous expectations.

HOLD with a target price of EUR 6.5 (5.4)

We have not made changes to our production estimates based on the published results. Our valuation for the company's Pampalo mine is based on DCF which considers the ore reserves and resources between the 755-815 and 815-875 levels. The rest of the value is derived from a real option model which considers the possibility of Pampalo LoM increase. We have made adjustment to the real option model regarding the possible scale of the LoM increase. As a result of the changes to the model and the favorable gold price development, we increase our target price to EUR 6.5 (5.4), HOLD-rating intact.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 6.02

Target price, EUR 6.5

Latest change in recommendation 12-Nov-21

Latest report on company 22-Dec-22

Research paid by issuer: YES

No. of shares outstanding, '000's 9,280

No. of shares fully diluted, '000's 9,280

Market cap, EURm 56

Free float, % 86.3

Exchange rate EUR 1.000

Reuters code ENDOM.HE

Bloomberg code ENDOM FH

Average daily volume, EURm 0.2

Next interim report

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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	1.3	-18.0	-1,410.0%	-9.9	-5.84	-1.8	38.5	-2.7	-28.2	0.00
2021	0.5	-25.1	-5,102.0%	-16.6	-4.73	-2.1	144.2	-2.8	-29.4	0.00
2022E	13.7	-11.0	-80.0%	-11.1	-0.82	-7.4	4.4	-5.5	-19.9	0.00
2023E	17.9	-1.5	-8.3%	-3.6	-0.28	-21.7	3.6	-42.8	-6.5	0.00
2024E	17.6	-1.5	-8.5%	0.7	-0.27	-22.5	3.6	-42.3	1.2	0.00
Market cap, EURm	56		Gearing 2022E, %	9.5		CAGR EPS 2021-24, %	-61.6			
Net debt 2022E, EURm	4		Price/book 2022E	1.3		CAGR sales 2021-24, %	229.2			
Enterprise value, EURm	60		Dividend yield 2022E, %	0.0		ROE 2022E, %	-20.4			
Total assets 2022E, EURm	63		Tax rate 2022E, %	-0.6		ROCE 2022E, %	-8.5			
Goodwill 2022E, EURm	0		Equity ratio 2022E, %	70.2		PEG, P/E 22/CAGR	0.1			

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

Table 1: Sum of the parts valuation, in EUR m

	Evli est.	Gold spot	Estimate basis
US assets	49	51	In-situ & purchase price analysis
Pampalo	17	20	DCF LOM 2 years, 23k ounces produced + LOM increase option value
Karelian gold line	6	8	Real option value for Karelian gold line satellite deposits
Overhead	(11)	(11)	Discounted overhead costs
Net cash	(5)	(5)	Net cash 9/2022 adj. with proceedings from the offering
Total	57	64	
Per share	6.1	6.9	
Long-term gold price (USD/Oz)	1 750		Evli
Spot price (USD/oz)		1 830	
Shares (m)	9.3	9.3	

Source: Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	0.0	0.0	0.0	0.5	0.5	0.0	5.6	0.0	8.1	13.7	17.9	17.6
EBITDA	0.0	-4.0	0.0	-7.6	-11.6	0.0	-3.6	0.0	0.6	-3.0	2.1	2.0
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>-44,843.4</i>	<i>0.0</i>	<i>-1,563.2</i>	<i>-2,362.0</i>	<i>0.0</i>	<i>-64.4</i>	<i>0.0</i>	<i>7.5</i>	<i>-22.0</i>	<i>11.5</i>	<i>11.4</i>
EBIT	0.0	-9.4	0.0	-15.7	-25.1	0.0	-10.2	0.0	-0.8	-11.0	-1.5	-1.5
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>-3,206.1</i>	<i>-5,102.0</i>	<i>0.0</i>	<i>-181.2</i>	<i>0.0</i>	<i>-9.5</i>	<i>-80.0</i>	<i>-8.3</i>	<i>-8.5</i>
		<i>106,266.6</i>										
Net financial items	0.0	-2.5	0.0	0.9	-1.6	0.0	5.1	0.0	-1.6	3.5	-1.1	-1.0
Pre-tax profit	0.0	-11.9	0.0	-14.8	-26.7	0.0	-5.1	0.0	-2.4	-7.5	-2.6	-2.5
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.3</i>	<i>0.0</i>	<i>-0.8</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-0.6</i>
Net profit	0.0	-11.9	0.0	-14.8	-26.7	0.0	-5.1	0.0	-2.4	-7.6	-2.6	-2.5
EPS	0.00	-2.11	0.00	-2.61	-4.73	0.00	-0.55	0.00	-0.26	-0.82	-0.28	-0.27
EPS adjusted (diluted no. of shares)	0.00	-2.11	0.00	-2.61	-4.73	0.00	-0.55	0.00	-0.26	-0.82	-0.28	-0.27
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, EURm												
Endomines	0.0	0.0	0.0	0.5	0.5	0.0	5.6	0.0	8.1	13.7	17.9	17.6
Total	0.0	0.0	0.0	0.5	0.5	0.0	5.6	0.0	8.1	13.7	17.9	17.6
SALES GROWTH, Y/Y %												
<i>Endomines</i>	<i>-100.0</i>	<i>-98.6</i>	<i>-104.5</i>	<i>514.6</i>	<i>-61.4</i>	<i>0.0</i>	<i>57,631.8</i>	<i>-101.0</i>	<i>1,546.9</i>	<i>2,692.2</i>	<i>30.3</i>	<i>-2.0</i>
<i>Total</i>	<i>-99.6</i>	<i>-98.7</i>	<i>-103.3</i>	<i>511.3</i>	<i>-61.4</i>	<i>0.0</i>	<i>63,489.6</i>	<i>-114.6</i>	<i>1,556.0</i>	<i>2,692.2</i>	<i>30.3</i>	<i>-2.0</i>
EBIT, EURm												
Endomines	0.0	-9.4	0.0	-15.7	-25.1	0.0	-10.2	0.0	-0.8	-11.0	-1.5	-1.5
Total	0.0	-9.4	0.0	-15.7	-25.1	0.0	-10.2	0.0	-0.8	-11.0	-1.5	-1.5
EBIT margin, %												
<i>Endomines</i>	<i>0.0</i>	<i>-96,477.5</i>	<i>0.0</i>	<i>-3,188.5</i>	<i>-5,102.0</i>	<i>0.0</i>	<i>-181.2</i>	<i>0.0</i>	<i>-9.5</i>	<i>-80.0</i>	<i>-8.3</i>	<i>-8.5</i>
<i>Total</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>-3,206.1</i>	<i>-5,102.0</i>	<i>0.0</i>	<i>-181.2</i>	<i>0.0</i>	<i>-9.5</i>	<i>-80.0</i>	<i>-8.3</i>	<i>-8.5</i>
		<i>106,266.6</i>										

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	12.7	10.1	0.5	1.3	0.5	13.7	17.9	17.6
<i>Sales growth (%)</i>	<i>18.8</i>	<i>-20.5</i>	<i>-94.6</i>	<i>134.3</i>	<i>-61.4</i>	<i>2,692.2</i>	<i>30.3</i>	<i>-2.0</i>
EBITDA	-0.6	-0.5	-4.6	-10.5	-11.6	-3.0	2.1	2.0
<i>EBITDA margin (%)</i>	<i>-4.7</i>	<i>-5.3</i>	<i>-841.1</i>	<i>-824.5</i>	<i>-2,362.0</i>	<i>-22.0</i>	<i>11.5</i>	<i>11.4</i>
Depreciation	-6.1	-4.2	-0.3	-7.5	-13.5	-8.0	-3.6	-3.5
EBITA	-6.7	-4.7	-4.9	-18.0	-25.1	-11.0	-1.5	-1.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-6.7	-4.7	-4.9	-18.0	-25.1	-11.0	-1.5	-1.5
<i>EBIT margin (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-80.0</i>	<i>-8.3</i>	<i>-8.5</i>
Reported EBIT	-6.7	-4.7	-4.9	-18.0	-25.1	-11.0	-1.5	-1.5
<i>EBIT margin (reported) (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-80.0</i>	<i>-8.3</i>	<i>-8.5</i>
Net financials	-0.5	1.1	-0.7	-1.2	-1.6	3.5	-1.1	-1.0
Pre-tax profit	-7.2	-3.6	-5.6	-19.2	-26.7	-7.5	-2.6	-2.5
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-7.2	-3.6	-5.6	-19.2	-26.7	-7.6	-2.6	-2.5
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	13	47	55	57	51	48	47	44
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	1	4	6	6
Receivables	1	0	0	0	2	4	6	6
Liquid funds	2	2	2	1	1	6	4	1
Total assets	16	49	56	58	55	63	62	56
Liabilities								
Shareholder's equity	5	25	32	33	30	44	41	39
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	17	17	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	9	4	4	15	16	10	11	8
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	3	4	3	10	9	9	9	9
Total liabilities	16	49	56	58	55	63	62	56
CASH FLOW, EURm								
+ EBITDA	-1	-1	-5	-11	-12	-3	2	2
- Net financial items	0	1	-1	-1	-2	3	-1	-1
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	1	1	-1	0	0	-7	-3	0
+/- Other	0	-2	-2	4	1	0	0	0
= Cash flow from operations	0	-1	-7	-7	-12	-6	-2	1
- Capex	-1	-10	-8	-3	-5	-5	-2	-1
- Acquisitions	0	-6	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-1	-16	-15	-10	-17	-11	-4	1
+/- New issues/buybacks	0	24	13	20	24	21	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	0	-7	2	-11	-7	-6	1	-3
Change in cash	-1	0	0	0	0	5	-2	-2

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	21	42	35	57	56	56	56
Net debt (excl. convertibles)	2	3	14	14	4	8	7
Enterprise value	40	62	49	71	60	64	63
Sales	10	1	1	0	14	18	18
EBITDA	-1	-5	-11	-12	-3	2	2
EBIT	-5	-5	-18	-25	-11	-1	-1
Pre-tax	-4	-6	-19	-27	-8	-3	-2
Earnings	-4	-6	-19	-27	-8	-3	-2
Equity book value (excl. minorities)	25	32	33	30	44	41	39
Valuation multiples							
EV/sales	3.9	113.7	38.5	144.2	4.4	3.6	3.6
EV/EBITDA	-74.4	-13.5	-4.7	-6.1	-19.8	30.8	31.5
EV/EBITA	-8.4	-12.6	-2.7	-2.8	-5.5	-42.8	-42.3
EV/EBIT	-8.4	-12.6	-2.7	-2.8	-5.5	-42.8	-42.3
EV/OCF	-53.5	-8.3	-6.7	-6.1	-9.5	-37.9	51.5
EV/FCFF	-2.3	-4.3	-5.7	-4.7	-4.1	-25.1	37.7
P/FCFE	0.0	-0.1	-0.1	-0.1	-5.0	-15.5	82.3
P/E	-5.7	-7.5	-1.8	-2.1	-7.4	-21.7	-22.5
P/B	0.8	1.3	1.1	1.9	1.3	1.3	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	-21.3	33.0	33.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-5.9	-45.8	-45.3
Target EV/FCF	0.0	0.0	0.0	0.0	-5.8	-18.9	99.4
Target P/B	0.0	0.0	0.0	0.0	1.4	1.5	1.5
Target P/E	0.0	0.0	0.0	0.0	-8.0	-23.5	-24.3
Per share measures							
Number of shares	879	1,999	3,283	5,645	9,280	9,280	9,280
Number of shares (diluted)	879	1,999	3,283	5,645	9,280	9,280	9,280
EPS	-4.12	-2.82	-5.84	-4.73	-0.82	-0.28	-0.27
Operating cash flow per share	-0.84	-3.73	-2.23	-2.07	-0.68	-0.18	0.13
Free cash flow per share	-18.47	-7.53	-3.01	-2.95	-1.20	-0.39	0.07
Book value per share	28.15	16.03	10.03	5.34	4.75	4.47	4.20
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield, %	-79.0	-35.6	-28.2	-29.4	-19.9	-6.5	1.2
Efficiency measures							
ROE	-24.7	-19.9	-59.0	-84.6	-20.4	-6.0	-6.2
ROCE	49.2	-10.0	-35.5	-53.4	-8.5	-2.8	-3.0
Financial ratios							
Inventories as % of sales	1.7	0.6	19.2	162.0	32.0	32.0	32.0
Receivables as % of sales	3.7	23.2	25.9	360.9	32.0	32.0	32.0
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-21.1	-315.3	-466.5	-1,062.8	10.5	22.9	22.1
Operative CAPEX/sales, %	96.4	1,422.9	198.5	1,001.1	35.3	10.8	3.1
CAPEX/sales (incl. acquisitions), %	39.2	1,422.9	198.5	1,001.1	35.3	10.8	3.1
FCFF/EBITDA	32.5	3.1	0.8	1.3	4.9	-1.2	0.8
Net debt/EBITDA, book-weighted	-4.7	-0.6	-1.3	-1.2	-1.4	3.8	3.6
Debt/equity, market-weighted	0.2	0.1	0.4	0.3	0.2	0.2	0.1
Equity ratio, book-weighted	84.0	86.7	56.5	54.8	70.2	67.4	69.6
Gearing, %	6.0	6.0	43.1	47.9	9.5	18.8	18.2

COMPANY DESCRIPTION: Endomines engages in exploration, mining, and extraction of gold deposits. Its sites are found in Eastern Finland along the Karelian Gold line and in Idaho, USA. The company was founded in 2005 and is headquartered in Stockholm, Sweden. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

INVESTMENT CASE: Endomines new strategy focuses on development of the company's Finnish assets, the US assets are developed through partnership models. The company has proceeded well with reinitiating production at the Pampalo site, Endomines produced 3 478 ounces of gold during H1 2022. The company's focus in the near term is on Pampalo underground and East open pit production and on gold exploration activities in Karelian gold line.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Joensuun Kauppa ja Kone	812,610	4.892	8.8%
Clearstream Banking S.A.	786,438	4.734	8.5%
Northern Trust Global Services	734,688	4.423	7.9%
Nordea Bank Abp (Publ)	410,585	2.472	4.4%
Skandinaviska Enskilda Banken	323,536	1.948	3.5%
Evli Plc	260,109	1.566	2.8%
Mariatorp Oy	200,000	1.204	2.2%
Wipunen Varainhallinta Oy	200,000	1.204	2.2%
K22 Finance Oy	127,592	0.768	1.4%
Aktia Bank Abp	103,251	0.622	1.1%
Ten largest	3,958,808	23.832	43%
Residual	5,321,151	32.033	57%
Total	9,279,959	55.865	100%

EARNINGS CALENDAR

February 15, 2023

FY 2022 Results

August 17, 2023

Q2 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Kari Vyhtinen

Ahventie 4 A, FI-02170 Espoo

CFO: Mikko Sopanen

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

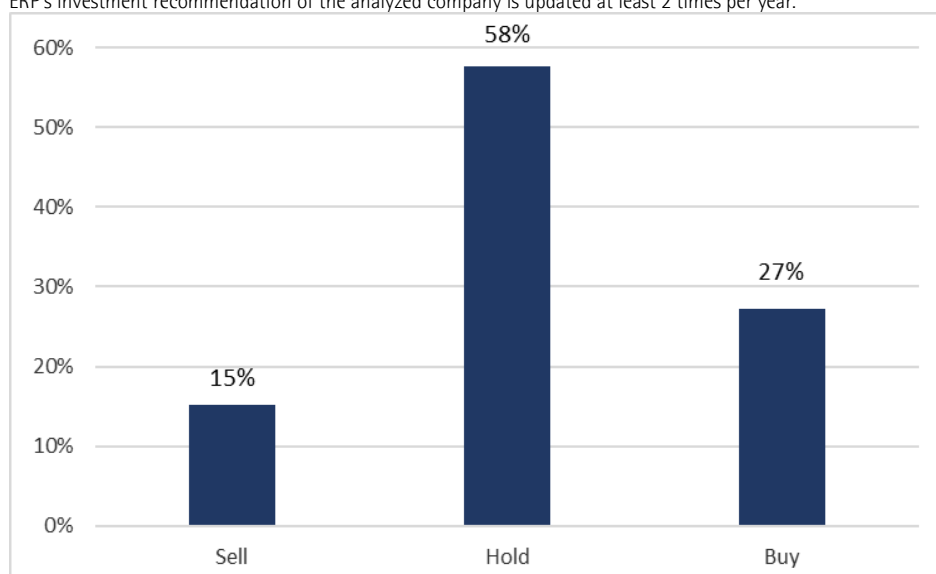
Important Disclosures

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Target price compared to share price	Recommendation
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-10 – (+10) %	HOLD
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Name(s) of the analyst(s): Jortikka

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