

Margins set to stay high

Scanfil cut FY '23 guidance down a bit, but the news wasn't big and EBIT should stay above EUR 60m also next year.

Some softening in volume growth was long due

Scanfil made small cuts to its guidance ranges for the year. The revisions weren't large as revenue and EBIT midpoints declined by some respective 3% and 2%. The update undid the positive July revision; the current revenue midpoint lands a bit below the April upgrade while the EBIT midpoint is still 5% above where it was 6 months ago. In our view the update doesn't contain any substantial news as it was clear before the 30% underlying growth seen in Q2 figures (including 61% y/y organic growth for Energy & Cleantech) couldn't possibly be sustained for very long.

Growth a bit uncertain, but EBIT to remain above EUR 60m

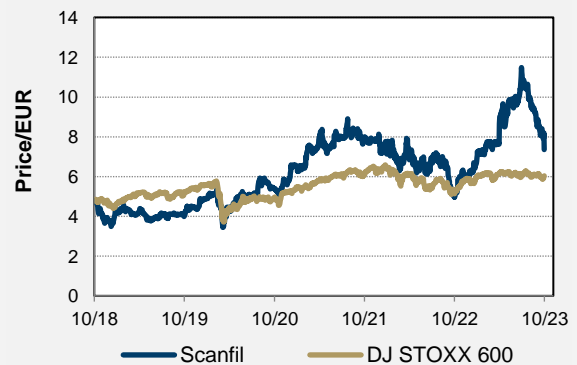
The guidance midpoints suggest Scanfil will reach 7.0% EBIT margin in H2'23; in our view the 7% margin assumption shouldn't be too sensitive to growth going forward, in other words Scanfil should be able to manage roughly such high margins even if top line declines slightly next year. We revise our revenue estimates down by EUR 30m for this year and EUR 60m for next. We don't make any meaningful changes to our EBIT margin estimates, but revise our absolute EBIT estimates down by around EUR 2-3m for this and coming years. In our view there's some elevated uncertainty around growth rates going forward after such a period of high demand, yet EBIT should remain above EUR 60m even in a softer demand environment.

Earnings multiples have again turned compelling

Scanfil traded above 10x EV/EBIT only a couple of months ago (then about 10% higher than peer multiples), however the multiple has now declined to around 7.5x on our FY '23 estimates. Meanwhile peer multiples haven't changed much and Scanfil is thus now valued at a double-digit discount. There's some variation in peer multiples but they mostly trade around 8.5-9.5x EV/EBIT on FY '23-24 estimates, and therefore Scanfil's 7.0x EV/EBIT (on our EUR 64.7m estimate for next year) likewise represents a meaningful discount. Scanfil may not be able to achieve EBIT margins significantly higher than 7% (already 30% above peers), yet profitability is unlikely to soften much below that level unless there'll be a dramatic top line decline. Our new TP is EUR 9.0 (11.5); our rating is now BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.36

Target price, EUR 9.0

Latest change in recommendation 12-Oct-23

Latest report on company 07-Aug-23

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 470

Free float, % 46.6

Exchange rate -

Reuters code SCANFL.HE

Bloomberg code SCANFL.FH

Average daily volume, EURm 0.2

Next interim report 27-Oct-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
2021	695.7	40.3	5.8%	-31.7	0.48	15.6	0.8	13.2	-6.7	0.19
2022	843.8	45.4	5.4%	-7.2	0.55	12.0	0.6	11.0	-1.7	0.21
2023E	915.5	64.5	7.0%	81.7	0.78	9.5	0.5	7.5	17.4	0.23
2024E	924.7	64.7	7.0%	42.6	0.76	9.7	0.5	7.0	9.1	0.25
2025E	952.4	67.6	7.1%	41.2	0.80	9.3	0.5	6.4	8.8	0.27
Market cap, EURm	470			Gearing 2023E, %	4.9			CAGR EPS 2022-25, %	13.2	
Net debt 2023E, EURm	13			Price/book 2023E	1.8			CAGR sales 2022-25, %	4.1	
Enterprise value, EURm	483			Dividend yield 2023E, %	3.1			ROE 2023E, %	20.3	
Total assets 2023E, EURm	495			Tax rate 2023E, %	22.1			ROCE 2023E, %	19.8	
Goodwill 2023E, EURm	8			Equity ratio 2023E, %	53.1			PEG, P/E 23/CAGR	10.0	

Estimates and valuation

Scanfil	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e
Revenue	595	696	197	213	212	222	844	225	243	219	229	915
<i>growth-%</i>	<i>2.8 %</i>	<i>16.9 %</i>	<i>20.4 %</i>	<i>23.2 %</i>	<i>26.3 %</i>	<i>16.0 %</i>	<i>21.3 %</i>	<i>14.1 %</i>	<i>14.3 %</i>	<i>3.3 %</i>	<i>2.9 %</i>	<i>8.5 %</i>
Advanced Consumer Applications	151	205	55	69	68	56	248	51	58	59	52	221
Automation & Safety	142	145	43	46	44	51	184	53	48	46	54	199
Connectivity	29	33	11	9	8	11	39	13	13	9	12	47
Energy & Cleantech	136	182	55	54	53	61	223	68	86	63	66	282
Medtech & Life Science	108	121	34	36	39	43	151	40	39	42	45	166
Discontinued	30	11	0	0	0	0	0	0	0	0	0	0
EBIT	39	40	10	10	12	13	45	15	18	16	16	65
<i>EBIT margin</i>	<i>6.6 %</i>	<i>5.8 %</i>	<i>5.2 %</i>	<i>4.8 %</i>	<i>5.4 %</i>	<i>6.0 %</i>	<i>5.4 %</i>	<i>6.7 %</i>	<i>7.2 %</i>	<i>7.2 %</i>	<i>7.1 %</i>	<i>7.0 %</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	829	8.2x	6.9x	6.1x	11.2x	9.8x	8.3x	3.6 %	4.1 %	4.5 %
Celestica	2928	3.9x	6.5x	6.2x	5.1x	8.6x	8.0x	4.9 %	5.3 %	5.4 %
TT Electronics	338	7.3x	6.2x	5.7x		8.1x	7.6x	-0.5 %	8.4 %	9.0 %
Hanza	242	7.7x			12.3x			5.6 %	8.0 %	8.2 %
Kitron	589	11.7x	8.4x	7.8x	15.8x	9.9x	9.2x	7.1 %	9.4 %	9.4 %
Lacroix Group	135	6.8x	6.3x	5.5x	13.6x	12.0x	9.6x	3.1 %	3.3 %	4.0 %
Flex Ltd	11333	6.8x	7.1x	6.4x	8.7x	9.1x	8.4x	4.7 %	5.0 %	5.3 %
Plexus	2467	12.8x	10.4x	9.4x	17.2x	13.9x	12.3x	4.8 %	5.0 %	5.3 %
Sanmina	2905	6.2x	5.3x		7.5x	5.9x		5.4 %	5.8 %	
SIIX	429	6.6x	5.6x	5.1x	12.3x	10.0x	9.0x	3.2 %	3.9 %	4.0 %
Valuetronics	150	1.4x	1.6x	1.5x	2.0x	2.3x	2.2x	6.5 %	5.7 %	5.8 %
Peer Group Average	2031	7.2x	6.4x	6.0x	10.6x	9.0x	8.3x	4.4 %	5.8 %	6.1 %
Peer Group Median	589	6.8x	6.4x	6.1x	11.7x	9.5x	8.4x	4.8 %	5.3 %	5.4 %
Scanfil (Evli est.)	470	8.0x	5.8x	5.4x	11.0x	7.5x	7.0x	5.4 %	7.0 %	7.0 %

Scanfil prem./disc. to peer median

17 % -9 % -12 % -6 % -21 % -16 % 13 % 32 % 30 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	7.36 PV of Free Cash Flow	381 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	11.45 PV of Horizon value	445 WACC, %	8.0 Market risk premium, %
Share price potential, %	55.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	12.5 Marketable securities	21 Minimum WACC, %	7.5 Equity beta coefficient
Minimum value	10.5 Debt - dividend	-115 Maximum WACC, %	8.5 Target debt ratio, %
Horizon value, %	53.8 Value of stock	731 Nr of shares, Mn	63.9 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	844	916	925	952	986	1,015	1,041	1,061	1,083	1,104	1,126	1,149
<i>Sales growth, %</i>	<i>21.3</i>	<i>8.5</i>	<i>1.0</i>	<i>3.0</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>	<i>2.0</i>
Operating income (EBIT)	45	65	65	68	68	71	73	74	76	77	79	80
<i>Operating income margin, %</i>	<i>5.4</i>	<i>7.0</i>	<i>7.0</i>	<i>7.1</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>
+ Depreciation+amort.	18	18	20	21	22	23	24	25	26	27	27	
EBITDA	63	83	85	89	90	94	97	99	102	104	106	
- Paid taxes	-7	-14	-16	-16	-16	-17	-17	-18	-18	-19	-19	
- Change in NWC	-39	50	-2	-5	-6	-5	-4	-4	-4	-4	-4	
<i>NWC / Sales, %</i>	<i>24.5</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.1</i>	<i>17.2</i>	<i>17.2</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-19	-24	-24	-25	-26	-26	-27	-28	-29	-29	-30	
<i>opCAPEX / Sales, %</i>	<i>2.5</i>	<i>4.0</i>	<i>2.6</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</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	-2	95	44	43	42	46	48	50	51	52	53	904
= Discounted FCFF		93	40	36	33	33	32	31	29	28	26	445
= DFCF min WACC		93	40	36	34	34	33	32	30	29	27	506
= DFCF max WACC		93	39	36	33	32	31	30	28	27	25	393

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	196.6	212.9	211.9	222.4	843.8	224.6	243.4	218.9	228.6	915.5	924.7	952.4
EBITDA	14.3	14.4	16.1	18.1	62.9	19.8	22.2	20.1	20.6	82.7	84.5	88.7
<i>EBITDA margin (%)</i>	<i>7.3</i>	<i>6.8</i>	<i>7.6</i>	<i>8.1</i>	<i>7.5</i>	<i>8.8</i>	<i>9.1</i>	<i>9.2</i>	<i>9.0</i>	<i>9.0</i>	<i>9.1</i>	<i>9.3</i>
EBIT	10.3	10.2	11.5	13.4	45.4	15.1	17.5	15.7	16.2	64.5	64.7	67.6
<i>EBIT margin (%)</i>	<i>5.2</i>	<i>4.8</i>	<i>5.4</i>	<i>6.0</i>	<i>5.4</i>	<i>6.7</i>	<i>7.2</i>	<i>7.2</i>	<i>7.1</i>	<i>7.0</i>	<i>7.0</i>	<i>7.1</i>
Net financial items	-1.0	-0.3	-1.7	-0.7	-3.7	-0.6	0.9	-0.7	-0.3	-0.7	-0.8	-0.8
Pre-tax profit	9.3	9.9	9.8	12.7	41.7	14.5	18.4	15.0	15.9	63.8	63.9	66.9
Tax	-1.3	-2.7	-0.4	-2.3	-6.7	-2.8	-3.9	-3.6	-3.8	-14.1	-15.3	-16.0
<i>Tax rate (%)</i>	<i>14.0</i>	<i>27.3</i>	<i>4.1</i>	<i>18.1</i>	<i>16.1</i>	<i>19.3</i>	<i>21.2</i>	<i>24.0</i>	<i>24.0</i>	<i>22.1</i>	<i>24.0</i>	<i>24.0</i>
Net profit	8.0	7.2	9.4	10.4	35.0	11.7	14.5	11.4	12.1	49.7	48.6	50.8
EPS	0.13	0.11	0.15	0.16	0.55	0.18	0.23	0.18	0.19	0.78	0.76	0.80
EPS adjusted (diluted no. of shares)	0.13	0.11	0.15	0.16	0.55	0.18	0.23	0.18	0.19	0.78	0.76	0.80
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.23	0.25	0.27
SALES, EURm												
Group	196.6	212.9	211.9	222.4	843.8	224.6	243.4	218.9	228.6	915.5	924.7	952.4
Total	196.6	212.9	211.9	222.4	843.8	224.6	243.4	218.9	228.6	915.5	924.7	952.4
SALES GROWTH, Y/Y %												
Group	20.4	23.1	26.3	16.0	21.3	14.2	14.3	3.3	2.8	8.5	1.0	3.0
Total	20.4	23.1	26.3	16.0	21.3	14.2	14.3	3.3	2.8	8.5	1.0	3.0
EBIT, EURm												
Group	10.3	10.2	11.5	13.4	45.4	15.1	17.5	15.7	16.2	64.5	64.7	67.6
Total	10.3	10.2	11.5	13.4	45.4	15.1	17.5	15.7	16.2	64.5	64.7	67.6
EBIT margin, %												
Group	5.2	4.8	5.4	6.0	5.4	6.7	7.2	7.2	7.1	7.0	7.0	7.1
Total	5.2	4.8	5.4	6.0	5.4	6.7	7.2	7.2	7.1	7.0	7.0	7.1

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	563.0	579.4	595.3	695.7	843.8	915.5	924.7	952.4
<i>Sales growth (%)</i>	<i>6.2</i>	<i>2.9</i>	<i>2.7</i>	<i>16.9</i>	<i>21.3</i>	<i>8.5</i>	<i>1.0</i>	<i>3.0</i>
EBITDA	47.2	53.6	55.2	55.7	62.9	82.7	84.5	88.7
<i>EBITDA margin (%)</i>	<i>8.4</i>	<i>9.3</i>	<i>9.3</i>	<i>8.0</i>	<i>7.5</i>	<i>9.0</i>	<i>9.1</i>	<i>9.3</i>
Depreciation	-9.4	-14.2	-16.1	-15.4	-17.5	-18.2	-19.8	-21.1
EBITA	37.8	39.4	39.1	40.3	45.4	64.5	64.7	67.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	37.8	39.4	39.1	40.3	45.4	64.5	64.7	67.6
<i>EBIT margin (%)</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>5.4</i>	<i>7.0</i>	<i>7.0</i>	<i>7.1</i>
Reported EBIT	37.8	39.4	39.1	40.3	45.4	64.5	64.7	67.6
<i>EBIT margin (reported) (%)</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>5.4</i>	<i>7.0</i>	<i>7.0</i>	<i>7.1</i>
Net financials	-1.7	-1.3	-2.6	-1.9	-3.7	-0.7	-0.8	-0.8
Pre-tax profit	36.1	38.1	36.5	38.4	41.7	63.8	63.9	66.9
Taxes	-8.3	-5.9	-4.9	-7.9	-6.7	-14.1	-15.3	-16.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	27.8	32.2	31.6	30.5	35.0	49.7	48.6	50.8
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	64	68	61	63	67	73	77	80
Goodwill	10	8	8	8	8	8	8	8
Right of use assets	15	21	18	22	24	37	37	38
Inventory	96	102	103	193	229	156	157	162
Receivables	104	115	116	153	169	169	171	176
Liquid funds	28	20	26	25	21	46	52	78
Total assets	321	340	339	474	526	495	509	550
Liabilities								
Shareholder's equity	148	167	183	207	227	263	297	332
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	15	19	16	20	20	37	37	38
Deferred taxes	5	7	6	5	5	5	5	5
Interest bearing debt	52	44	24	62	82	22	0	0
Non-interest bearing current liabilities	99	96	103	172	184	160	162	167
Other interest-free debt	2	7	7	6	8	8	8	8
Total liabilities	321	340	339	474	526	495	509	550
CASH FLOW, EURm								
+ EBITDA	47	54	55	56	63	83	85	89
- Net financial items	-2	-1	-3	-2	-4	-1	-1	-1
- Taxes	-7	-5	-7	-10	-7	-14	-15	-16
- Increase in Net Working Capital	-9	-15	5	-59	-39	50	-2	-5
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	29	32	50	-15	14	118	67	67
- Capex	-10	-24	-6	-17	-21	-36	-24	-26
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	19	8	44	-32	-7	82	43	41
+/- New issues/buybacks	3	-6	-6	5	-4	0	0	0
- Paid dividend	-7	-8	-10	-11	-12	-13	-15	-16
+/- Other	-7	-1	-23	37	19	-43	-22	1
Change in cash	8	-8	5	0	-4	25	6	26

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	336	417	477	420	470	470	470
Net debt (excl. convertibles)	43	15	57	81	13	-15	-40
Enterprise value	379	431	533	502	483	455	430
Sales	579	595	696	844	916	925	952
EBITDA	54	55	56	63	83	85	89
EBIT	39	39	40	45	65	65	68
Pre-tax	38	37	38	42	64	64	67
Earnings	32	32	31	35	50	49	51
Equity book value (excl. minorities)	167	183	207	227	263	297	332
Valuation multiples							
EV/sales	0.7	0.7	0.8	0.6	0.5	0.5	0.5
EV/EBITDA	7.1	7.8	9.6	8.0	5.8	5.4	4.8
EV/EBITA	9.6	11.0	13.2	11.0	7.5	7.0	6.4
EV/EBIT	9.6	11.0	13.2	11.0	7.5	7.0	6.4
EV/OCF	11.9	8.6	-36.3	36.6	4.1	6.8	6.4
EV/FCFF	25.7	10.0	-20.5	-239.5	5.1	10.4	10.0
P/FCFE	44.7	9.6	-15.0	-58.4	5.8	11.0	11.4
P/E	10.4	13.2	15.6	12.0	9.5	9.7	9.3
P/B	2.0	2.3	2.3	1.9	1.8	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.1	6.6	6.0
Target EV/EBIT	0.0	0.0	0.0	0.0	9.1	8.7	7.9
Target EV/FCF	0.0	0.0	0.0	0.0	7.2	13.1	13.0
Target P/B	0.0	0.0	0.0	0.0	2.2	1.9	1.7
Target P/E	0.0	0.0	0.0	0.0	11.6	11.8	11.3
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	0.50	0.49	0.48	0.55	0.78	0.76	0.80
Operating cash flow per share	0.50	0.78	-0.23	0.21	1.85	1.05	1.05
Free cash flow per share	0.12	0.68	-0.50	-0.11	1.28	0.67	0.64
Book value per share	2.61	2.86	3.25	3.55	4.11	4.64	5.19
Dividend per share	0.15	0.17	0.19	0.21	0.23	0.25	0.27
Dividend payout ratio, %	29.8	34.4	39.8	38.3	29.6	32.9	33.9
Dividend yield, %	2.9	2.6	2.5	3.2	3.1	3.4	3.7
FCF yield, %	2.2	10.4	-6.7	-1.7	17.4	9.1	8.8
Efficiency measures							
ROE	20.4	18.1	15.6	16.1	20.3	17.4	16.2
ROCE	17.7	17.3	15.7	14.7	19.8	19.8	19.2
Financial ratios							
Inventories as % of sales	17.6	17.4	27.8	27.2	17.0	17.0	17.0
Receivables as % of sales	19.8	19.4	22.0	20.0	18.4	18.4	18.4
Non-interest bearing liabilities as % of sales	16.6	17.3	24.8	21.8	17.5	17.5	17.5
NWC/sales, %	19.7	18.3	24.1	24.5	17.1	17.1	17.1
Operative CAPEX/sales, %	4.2	1.1	2.4	2.5	4.0	2.6	2.7
CAPEX/sales (incl. acquisitions), %	4.2	1.1	2.4	2.5	4.0	2.6	2.7
FCFF/EBITDA	0.3	0.8	-0.5	0.0	1.1	0.5	0.5
Net debt/EBITDA, book-weighted	0.8	0.3	1.0	1.3	0.2	-0.2	-0.5
Debt/equity, market-weighted	0.1	0.1	0.1	0.2	0.0	0.0	0.0
Equity ratio, book-weighted	49.0	53.9	43.8	43.1	53.1	58.3	60.3
Gearing, %	25.6	7.9	27.3	35.8	4.9	-5.1	-12.1

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	72.961	15.5%
Takanen Jarkko	8,596,169	63.268	13.5%
Varikot Oy	7,606,442	55.983	11.9%
Takanen Jorma	6,129,305	45.112	9.6%
Tolonen Jonna	3,351,950	24.670	5.2%
Pöllä Reijo	3,328,745	24.500	5.2%
Laakkonen Mikko	2,531,187	18.630	4.0%
Takanen Martti	1,947,018	14.330	3.0%
Sijoitusrahasto Aktia Capital	1,918,000	14.116	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	13.984	3.0%
Ten largest	47,221,962	347.554	74%
Residual	16,673,477	122.717	26%
Total	63,895,439	470.270	100%

EARNINGS CALENDAR

October 27, 2023

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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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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