

Innofactor

Company report

04/27/2022 08:00



Joni Grönqvist
+358 40 515 3113
joni.gronqvist@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Vahvempi näkemys vaatisi lisää näyttöjä” published on 04/27/2022 at 08:00 am.

**inde
res.**

Stronger view would require more track-record

We reiterate our Accumulate recommendation for Innofactor but lower our target price to EUR 1.45 (previously EUR 1.5) reflecting our estimate cuts. Net sales fell and remained slightly below expectations, but the result was in line with expectations. A positive highlight of the report was that after a long while the number of personnel turned to growth. Personnel development together with a good order backlog provides a good basis for returning to a sustainable growth path and to positive profitability development. With good cash flow and a strengthened balance sheet, the company has much room for maneuver in implementing its strategy and acquisitions. With our estimates the share's valuation image is still attractive in our view (2022e EV/EBIT 9x).

Net sales decreased, but the number of personnel started to grow

Q1 net sales decreased by 5% to EUR 17.0 million and were slightly below our estimates. Organically, net sales decreased by 2%. Geographically, net sales grew in Denmark and Norway in Q1, but in Finland and Sweden they fell, which was affected by a COVID-caused increase in sick absences. In Q1, comparable EBITDA grew by 3% to EUR 2.0 million representing 12% of net sales. Low billing rates continue to limit earnings and profitability. Therefore, organic net sales growth will scale well to profitability when realized. Order backlog growth slowed down to 4% in Q1 (2021: >20%), but the company received several orders right at the beginning of Q2, which will support net sales development in the future.

Strong balance sheet gives room for maneuver in the implementation of the strategy and acquisitions

The strengthened balance sheet (Q1 equity ratio 52%) and the strong cash flow (2.7 MEUR) give room for maneuver in the implementation of the strategy and M&A. In addition, the strong balance sheet decreases the risk profile associated with the share. In our estimate, the company doesn't have major operational investment needs, but investments are chiefly related to the ramp-up of cybersecurity. However, the company has already said that it had become more active on the M&A front. We expect that the company primarily seeks acquisition targets abroad to strengthen these markets to reach similar economies of scale as in Finland and stronger synergies on a Nordic level.

We forecast good earnings growth in the coming years

Innofactor estimates that 2022 net sales and adjusted EBITDA will increase from 2021. With the slightly softer Q1 report than expected, we have marginally decreased (2-3%) the forecasts for the coming years. We forecast Innofactor's net sales to grow by 1% to EUR 67 million in 2022 and to be slightly above the lower end of the guidance range. In addition, we expect the adjusted EBITDA to improve to EUR 8.0 million (11.9% of net sales) from EUR 7.5 million year-on-year. We expect net sales to grow at a 3-4% rate and EBITDA margin to rise to 12.8% in 2024. Thus, we expect adjusted EBITDA to grow by an average of 12% between 2021 and 2024.

Valuation picture is attractive

In our view, the positioning of Innofactor's valuation is climbing out of the turnaround company category and becoming an earnings grower. With our estimates, Innofactor's P/E and EV/EBIT ratios for 2022 are 13x and 9x or 9% below domestic peers. The corresponding ratios for 2023 are 10x and 8x or 19% below the peers. With 2022 multiples, the valuation isn't high in absolute terms and is neutral in relative terms. If the company reaches our forecasts for the next few years, the annual expected return will rise to an attractive 15% level. However, external and internal uncertainties associated with the earnings improvement keep our view still relatively cautious.

Recommendation

Accumulate

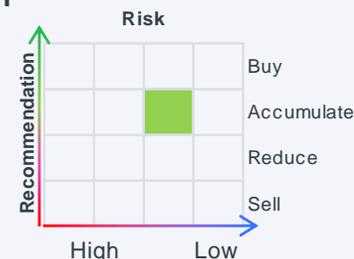
(previous Accumulate)

EUR 1.45

(previous EUR 1.50)

Share price:

1.24



Key figures

	2021	2022e	2023e	2024e
Net sales	66	67	70	72
growth-%	0%	1%	4%	3%
EBITDA	10.1	8.0	8.6	9.2
EBITDA-%	15.2 %	11.9 %	12.2 %	12.8 %
Net Income	4.5	3.5	4.5	4.9
EPS (adj.)	0.06	0.10	0.12	0.13
P/E (adj.)	24.3	13.0	10.1	9.4
P/B	2.2	1.7	1.6	1.5
Dividend yield-%	5.3 %	4.8 %	5.6 %	6.5 %
EV/EBIT (adj.)	13.9	9.2	7.5	6.3
EV/EBITDA	6.1	5.9	5.1	4.3
EV/S	0.9	0.7	0.6	0.5

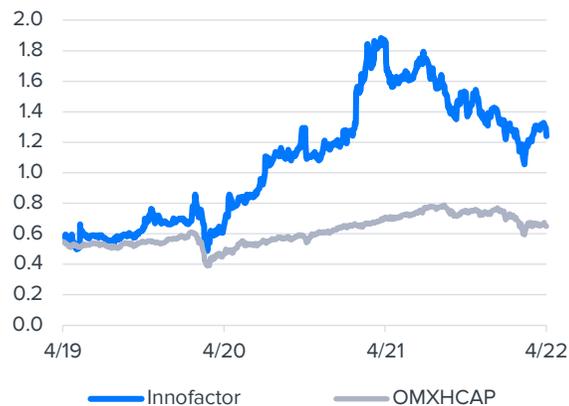
Source: Inderes

Guidance

(Unchanged)

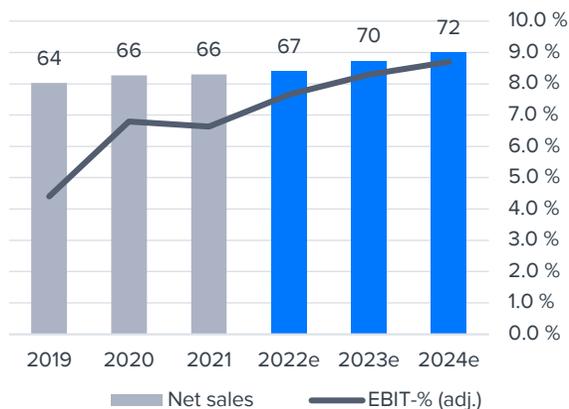
Innofactor's net sales and adjusted operating margin (EBITDA) in 2022 are estimated to increase from the year before (2021: 66.4 MEUR and 7.5 MEUR).

Share price



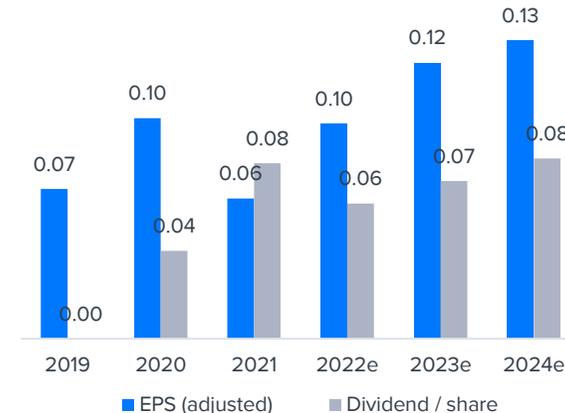
Source: Thomson Reuters

Net sales and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth and profitability improvement in Sweden, Norway and Denmark
- Turnaround continuing and strengthening
- Returning investor confidence
- Organic and acquisition-driven growth
- Increasing share of continuous business and own product business



Risk factors

- Effects of the COVID pandemic can be stronger than expected
- Failure in strengthening international business
- Delay in building a Nordic organization
- Internationalization and acquisitions raise the risk level
- Weakening of Microsoft's position

Valuation	2022e	2023e	2024e
Share price	1.24	1.24	1.24
Number of shares, millions	36.6	36.6	36.6
Market cap	45	45	45
EV	47	44	40
P/E (adj.)	13.0	10.1	9.4
P/E	13.0	10.1	9.4
P/FCF	7.2	7.6	6.9
P/B	1.7	1.6	1.5
P/S	0.7	0.6	0.6
EV/Sales	0.7	0.6	0.5
EV/EBITDA	5.9	5.1	4.3
EV/EBIT (adj.)	9.2	7.5	6.3
Payout ratio (%)	62.8 %	57.1 %	60.3 %
Dividend yield-%	4.8 %	5.6 %	6.5 %

Source: Inderes

Estimates and estimate revisions

Estimates MEUR / EUR	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Net sales	17.8	17.0	18.1				-6%	67.2
EBITDA	4.7	2.0	2.0				1%	8.0
EBIT (adj.)	1.3	1.3	1.3				-3%	5.1
EBIT	3.8	1.3	1.3				2%	5.1
EPS (adj.)	0.00	0.02	0.03				-12%	0.10
EPS (reported)	0.07	0.02	0.02				-6%	0.10
Net sales growth-%	3.8 %	-4.5 %	1.6 %				-6.1 pp	1.3 %
EBITDA-%	26.2 %	11.8 %	11.0 %				0.8 pp	11.9 %

Source: Inderes

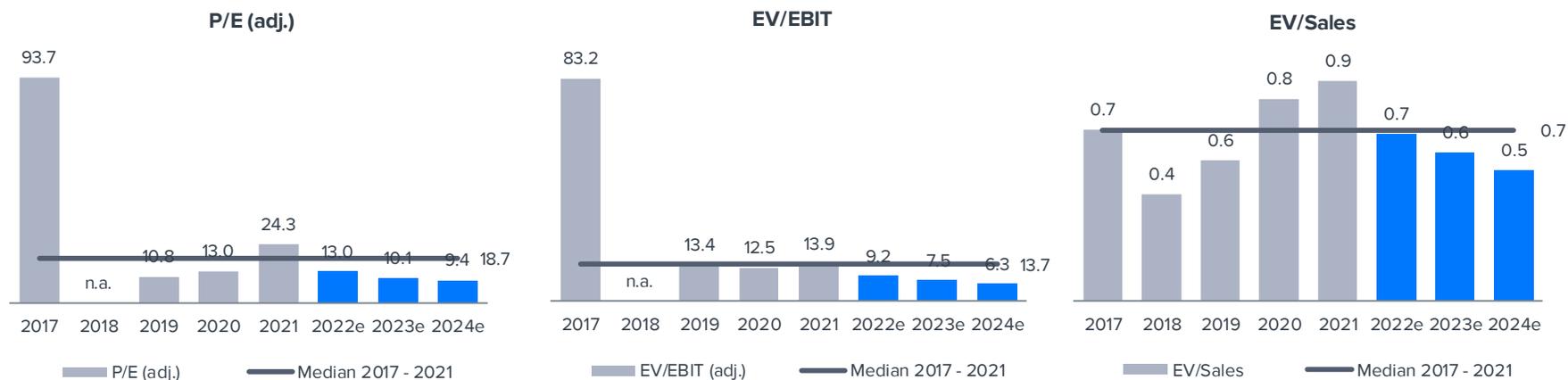
Estimate revisions MEUR / EUR	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	68.9	67.2	-2%	71.6	69.9	-2%	73.8	72.0	-2%
EBITDA	8.0	8.0	-1%	8.8	8.6	-3%	9.2	9.2	0%
EBIT (exc. NRIs)	5.4	5.1	-5%	5.9	5.8	-2%	6.4	6.3	-2%
EBIT	5.3	5.1	-3%	5.9	5.8	-2%	6.4	6.3	-2%
PTP	4.7	4.4	-6%	5.8	5.6	-3%	6.3	6.1	-3%
EPS (excl. NRIs)	0.11	0.10	-10%	0.13	0.12	-3%	0.14	0.13	-3%
DPS	0.06	0.06	0%	0.07	0.07	0%	0.08	0.08	0%

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	0.94	0.36	0.72	1.28	1.52	1.24	1.24	1.24	1.24
Number of shares, millions	37.2	37.2	36.8	38.4	38.4	36.6	36.6	36.6	36.6
Market cap	34	13	27	48	57	45	45	45	45
EV	47	28	38	56	61	47	44	40	36
P/E (adj.)	93.7	n.a.	10.8	13.0	24.3	13.0	10.1	9.4	8.7
P/E	neg.	neg.	63.3	27.8	12.9	13.0	10.1	9.4	8.7
P/FCF	neg.	neg.	2.7	13.7	8.2	7.2	7.6	6.9	6.8
P/B	1.3	0.6	1.2	2.0	2.2	1.7	1.6	1.5	1.4
P/S	0.5	0.2	0.4	0.7	0.9	0.7	0.6	0.6	0.6
EV/Sales	0.7	0.4	0.6	0.8	0.9	0.7	0.6	0.5	0.5
EV/EBITDA	36.1	neg.	7.4	7.8	6.1	5.9	5.1	4.3	3.9
EV/EBIT (adj.)	83.2	n.a.	13.4	12.5	13.9	9.2	7.5	6.3	5.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %	84.9 %	66.4 %	62.8 %	57.1 %	60.3 %	50.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	3.1 %	5.3 %	4.8 %	5.6 %	6.5 %	5.7 %

Source: Inderes



Peer group valuation

Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Bilot*	5.04	29	23	14.5	8.6	13.2	8.1	0.7	0.6	19.7	13.0	2.0	2.6
Digia*	7.15	191	197	10.9	9.6	8.9	7.9	1.2	1.1	13.0	12.1	2.8	3.2
Gofore*	23.85	367	341	16.9	14.8	15.6	13.2	2.4	2.1	22.1	20.0	1.5	1.7
Loihde*	15.35	92	54	12.3	9.4	5.3	6.9	0.5	0.4	21.4	18.9	1.3	1.6
Nixu*	6.48	48	53	142.9	20.3	28.1	13.2	0.9	0.8		26.5		
Silli*	14.00	98	113	10.3	9.1	8.2	7.3	1.0	0.9	12.6	11.4	2.9	3.6
Solteq*	3.10	60	78	10.1	7.4	5.9	4.7	1.0	0.9	12.9	8.9	4.8	5.8
Vincit*	5.73	70	59	7.4	5.9	6.9	5.6	0.8	0.7	11.2	9.4	3.8	4.2
Netum*	4.21	49	48	11.6	10.2	11.0	9.8	1.7	1.5	14.9	13.6	2.9	3.1
Bouvet		760	714	18.6	16.3	15.6	13.9	2.3	2.0	25.1	21.9	3.5	4.0
ENEA	186.20	409	455	16.0	12.9	10.5	9.1	4.3	4.0	18.8	15.6		
KnowIT	298.00	807	797	17.8	15.0	11.1	9.9	1.4	1.3	20.6	17.8	2.4	2.6
Innofactor (Inderes)	1.24	45	47	9.2	7.5	5.9	5.1	0.7	0.6	13.0	10.1	4.8	5.6
Average				22.9	11.3	11.3	8.9	1.5	1.3	16.8	15.2	3.1	3.5
Median Nordic companies				12.3	9.6	10.5	8.1	1.1	1.1	16.8	13.6	2.9	3.2
<i>Diff-% to median</i>				-26%	-22%	-44%	-38%	-38%	-42%	-23%	-26%	70%	75%
Median Finnish companies				11.2	9.2	8.6	7.6	1.0	0.9	13.0	12.6	2.9	3.2
<i>Diff-% to median</i>				-18%	-19%	-31%	-33%	-32%	-30%	0%	-19%	70%	75%

Source: Thomson Reuters / *Inderes' adjusted estimate.

NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Net sales	64.2	66.2	17.8	17.3	13.7	17.6	66.4	17.0	17.7	14.2	18.4	67.2	69.9	72.0
EBITDA	5.1	7.2	4.7	2.1	1.7	1.7	10.1	2.0	2.0	1.6	2.3	8.0	8.6	9.2
Depreciation	-4.3	-4.7	-0.8	-0.8	-0.8	-1.1	-3.6	-0.7	-0.7	-0.7	-0.7	-2.8	-2.7	-3.0
EBIT (excl. NRI)	2.8	4.5	1.3	1.4	1.1	0.6	4.4	1.3	1.3	0.9	1.6	5.1	5.8	6.3
EBIT	0.8	2.5	3.8	1.3	0.9	0.5	6.5	1.3	1.3	0.9	1.6	5.1	5.8	6.3
Net financial items	-0.8	-0.5	-0.5	0.0	-0.2	-0.2	-0.8	-0.2	-0.2	-0.2	-0.2	-0.7	-0.2	-0.2
PTP	0.0	2.1	3.4	1.3	0.8	0.3	5.7	1.1	1.2	0.7	1.4	4.4	5.6	6.1
Taxes	0.4	-0.3	-0.7	-0.3	-0.2	0.0	-1.2	-0.3	-0.2	-0.1	-0.3	-0.9	-1.1	-1.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	0.4	1.8	2.6	1.0	0.6	0.3	4.5	0.8	0.9	0.6	1.1	3.5	4.5	4.9
EPS (adj.)	0.07	0.10	0.00	0.03	0.02	0.01	0.06	0.02	0.03	0.02	0.03	0.10	0.12	0.13
EPS (rep.)	0.01	0.05	0.07	0.03	0.02	0.01	0.12	0.02	0.03	0.02	0.03	0.10	0.12	0.13
Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Net sales growth-%	1.7 %	3.1 %	3.8 %	3.2 %	-2.2 %	-3.8 %	0.3 %	-4.7 %	2.4 %	3.5 %	4.6 %	1.3 %	4.0 %	3.0 %
Adjusted EBIT growth-%		59.2 %	3%	6%	21%	-39%	-2%	-2%	-6%	-14%	169%	17%	13%	8.0 %
EBITDA-%	7.9 %	10.8 %	26.2 %	12.1 %	12.4 %	9.4 %	15.2 %	12.0 %	11.4 %	11.3 %	12.5 %	11.9 %	12.2 %	12.8 %
Adjusted EBIT-%	4.4 %	6.8 %	7.6 %	8.2 %	7.7 %	3.4 %	6.6 %	7.8 %	7.5 %	6.4 %	8.7 %	7.7 %	8.3 %	8.7 %
Net earnings-%	0.6 %	2.7 %	14.8 %	5.7 %	4.3 %	1.7 %	6.8 %	5.0 %	5.3 %	4.1 %	6.2 %	5.2 %	6.4 %	6.7 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	39.6	35.7	34.5	33.2	31.6
Goodwill	26.5	26.4	26.4	26.4	26.4
Intangible assets	2.1	0.6	0.6	0.4	0.2
Tangible assets	4.3	3.7	3.4	3.5	3.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.1	0.1	0.1	0.1
Deferred tax assets	6.4	4.8	3.9	2.8	1.5
Current assets	17.0	15.4	19.4	23.6	28.0
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	13.9	13.4	14.1	14.7	15.1
Cash and equivalents	3.1	2.0	5.3	8.9	12.8
Balance sheet total	56.6	51.1	53.9	56.8	59.6

Source: Inderes

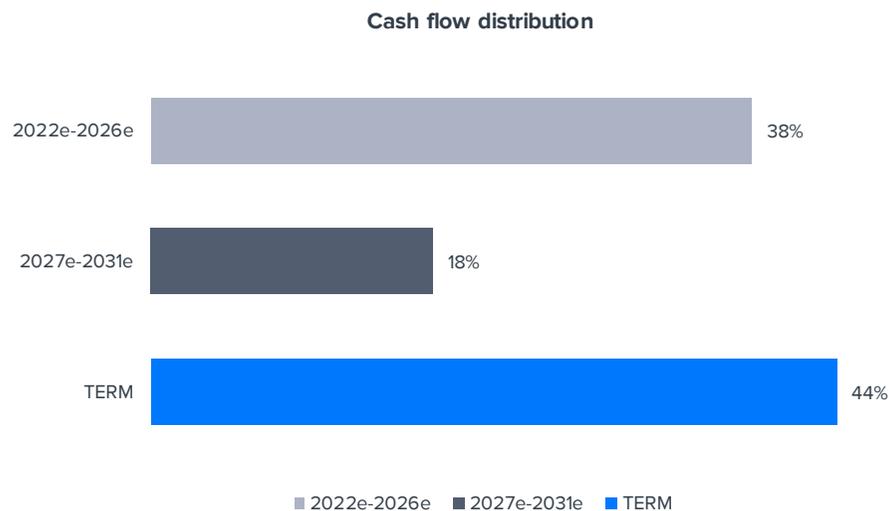
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	23.4	25.5	26.0	28.3	30.6
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	0.4	3.1	3.6	5.9	8.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.1	0.1	0.1	0.1	0.1
Other equity	20.9	20.2	20.2	20.2	20.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	12.9	7.8	8.6	8.6	8.6
Deferred tax liabilities	1.8	1.5	1.5	1.5	1.5
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	8.9	4.7	5.5	5.5	5.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.2	1.7	1.7	1.7	1.7
Current liabilities	20.2	17.8	19.2	19.9	20.4
Short term debt	2.5	1.9	1.5	1.5	1.5
Payables	16.0	14.3	16.1	16.8	17.3
Other current liabilities	1.7	1.6	1.6	1.6	1.6
Balance sheet total	56.6	51.1	53.9	56.8	59.6

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	6.5	5.1	5.8	6.3	6.7	6.5	6.2	5.6	5.7	5.9	6.0	
+ Depreciation	3.6	2.8	2.7	3.0	2.6	2.8	2.7	2.8	2.8	2.7	2.9	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	-1.2	-1.2	-1.2	-1.3	
- Tax, financial expenses	-0.2	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.2	1.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
Operating cash flow	8.7	8.9	8.6	9.3	9.4	9.3	7.7	7.3	7.4	7.4	7.7	
+ Change in other long-term liabilities	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.3	-2.5	-2.6	-2.6	-2.7	-2.8	-2.8	-2.9	-2.9	-2.9	-3.2	
Free operating cash flow	6.9	6.3	6.0	6.6	6.7	6.6	4.9	4.5	4.5	4.5	4.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.9	6.3	6.0	6.6	6.7	6.6	4.9	4.5	4.5	4.5	4.5	66.2
Discounted FCFF		6.0	5.2	5.3	4.9	4.5	3.1	2.6	2.3	2.2	2.0	29.5
Sum of FCFF present value		67.5	61.5	56.3	51.0	46.1	41.6	38.6	36.0	33.7	31.5	29.5
Enterprise value DCF		67.5										
- Interesting bearing debt		-6.6										
+ Cash and cash equivalents		2.0										
-Minorities		0.0										
-Dividend/capital return		-3.0										
Equity value DCF		59.9										
Equity value DCF per share		1.64										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	0.50%
Risk free interest rate	2.0 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.7 %

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	64.2	66.2	66.4	67.2	69.9	EPS (reported)	0.01	0.05	0.12	0.10	0.12
EBITDA	5.1	7.2	10.1	8.0	8.6	EPS (adj.)	0.07	0.10	0.06	0.10	0.12
EBIT	0.8	2.5	6.5	5.1	5.8	OCF / share	0.22	0.17	0.23	0.24	0.23
PTP	0.0	2.1	5.7	4.4	5.6	FCF / share	0.27	0.09	0.18	0.17	0.16
Net Income	0.4	1.8	4.5	3.5	4.5	Book value / share	0.60	0.61	0.66	0.71	0.77
Extraordinary items	-2.0	-2.0	2.1	0.0	0.0	Dividend / share	0.00	0.04	0.08	0.06	0.07
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	55.7	56.6	51.1	53.9	56.8	Revenue growth-%	2%	3%	0%	1%	4%
Equity capital	22.1	23.4	25.5	26.0	28.3	EBITDA growth-%	n.a.	n.a.	41%	-21%	7%
Goodwill	26.0	26.5	26.4	26.4	26.4	EBIT (adj.) growth-%	n.a.	n.a.	-2%	17%	13%
Net debt	11.1	8.4	4.6	1.7	-1.9	EPS (adj.) growth-%	n.a.	n.a.	-36%	54%	28%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	7.9 %	10.8 %	15.2 %	11.9 %	12.2 %
EBITDA	5.1	7.2	10.1	8.0	8.6	EBIT (adj.)-%	4.4 %	6.8 %	6.6 %	7.7 %	8.3 %
Change in working capital	3.2	-0.3	-1.2	1.1	0.1	EBIT-%	1.2 %	3.8 %	9.8 %	7.7 %	8.3 %
Operating cash flow	8.1	6.7	8.7	8.9	8.6	ROE-%	1.9 %	7.7 %	18.4 %	13.6 %	16.5 %
CAPEX	-7.0	-2.2	-1.3	-2.5	-2.6	ROI-%	2.3 %	7.3 %	19.6 %	15.9 %	17.2 %
Free cash flow	9.8	3.5	6.9	6.3	6.0	Equity ratio	39.7 %	41.4 %	49.9 %	48.2 %	49.8 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	49.9 %	35.7 %	18.0 %	6.7 %	-6.8 %
EV/S	0.6	0.8	0.9	0.7	0.6						
EV/EBITDA (adj.)	7.4	7.8	6.1	5.9	5.1						
EV/EBIT (adj.)	13.4	12.5	13.9	9.2	7.5						
P/E (adj.)	10.8	13.0	24.3	13.0	10.1						
P/E	1.2	2.0	2.2	1.7	1.6						
Dividend-%	0.0 %	3.1 %	5.3 %	4.8 %	5.6 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
6/15/2018	Reduce	0.80 €	0.79 €
7/25/2018	Reduce	0.77 €	0.76 €
10/9/2018	Reduce	0.63 €	0.63 €
10/31/2018	Reduce	0.52 €	0.50 €
1/28/2019	Sell	0.35 €	0.40 €
3/6/2019	Reduce	0.45 €	0.47 €
5/15/2019	Reduce	0.58 €	0.60 €
6/5/2019	Reduce	0.68 €	0.71 €
7/24/2019	Accumulate	0.68 €	0.63 €
10/30/2019	Accumulate	0.80 €	0.75 €
2/26/2020	Accumulate	0.90 €	0.78 €
4/1/2020	Reduce	0.68 €	0.66 €
5/5/2020	Accumulate	0.90 €	0.84 €
6/23/2020	Accumulate	0.95 €	0.90 €
6/24/2020	Accumulate	1.30 €	1.19 €
10/28/2020	Accumulate	1.40 €	1.28 €
2/19/2021	Buy	1.80 €	1.43 €
4/28/2021	Reduce	2.00 €	1.97 €
6/10/2021	Accumulate	2.00 €	1.72 €
7/23/2021	Accumulate	2.00 €	1.86 €
10/27/2021	Accumulate	1.80 €	1.59 €
2/18/2022	Accumulate	1.50 €	1.33 €
4/27/2022	Accumulate	1.45 €	1.24 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Petri Kajaani
2017, 2019, 2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020



Olli Koponen
2020

**Research belongs
to everyone.**