

Sampo

Company report

06/18/2024 8:15 EEST



Kasper Mellas
+358 45 6717 150
kasper.mellas@inderes.fi

This report is a summary translation of the report "Pattitilanteeseen saadaan vihdoinkin ratkaisu" published on 6/18/2024 at 8:16 am EEST

**inde
res.**

The stalemate is finally resolved

Sampo announced on Monday that it has signed the long-awaited merger agreement with Topdanmark, which will increase its holding in the company to 100% from the previous 48.9%. In practice, Sampo acquires Topdanmark and merges its P&C insurance business into If. We consider the merger likely to be approved, so we have included its estimated impact in our forecasts. Although we are positive about the arrangement, its significance in the Group's value remains moderate. We revise our target price to EUR 40 (was EUR 39) and reiterate our Reduce recommendation as the stock's valuation is neutral.

The rationale for the merger can be found in synergies

The merger strengthens Sampo's position as the leading P&C insurance provider in the Nordic countries and enables significant cost synergies, e.g., in IT systems, as Topdanmark's P&C insurance business is integrated into If's Nordic organization. At the same time, the stalemate in Topdanmark's ownership is finally resolved and the focus can shift to the continuous development of the Group's P&C insurance operations. Sampo also announced an 800 MEUR share buyback program to reduce the dilution effect on its share capital from the increase in the number of shares resulting from the combination. The combination is planned to be carried out through a share exchange, where Topdanmark's value per share is DKK 366.38, which means a premium of some 27% on Friday's closing price. The P/E ratio, which considers non-recurring costs in the acquisition price, will thus be around 14x with 2025 earnings forecasts. This level can be considered justified from the perspective of Sampo's shareholders, as we accept a P/E ratio of 15-17x for Sampo.

The potential of the merger will become visible in earnings with a delay

Our EPS forecasts for the next few years have decreased slightly as a result of the growing number of shares. The synergy benefits of the merger only become visible with a delay, so our long-term earnings forecasts have risen correspondingly. As a whole, our view on Sampo's performance has remained almost unchanged and we estimate that the company's normal earnings under the current structure is around EUR 2.4-2.6 per share. The level should be growing steadily, driven by operating profit growth but larger level adjustments should not be expected given the current excellent performance of the businesses.

The stock is correctly priced

In our valuation, our focus is particularly on the dividend model, as the investment needs of the business are low and Sampo can distribute most of its earnings to its shareholders. The acquisition of the remaining share of Topdanmark did not change the valuation picture materially, as even if the offered price can be justified by cost synergies alone, the positive impact of the arrangement on the Group's scale is quite limited, as If's weight is still dominating. In addition, a substantial part of the synergy potential will be paid as a premium to Topdanmark shareholders. Our view of Sampo's value has remained almost unchanged, but the acquisition of Topdanmark's minority interests had a small positive impact on this. Sampo's value is supported by its low investment rate and moderate risk level. In a mature industry, growth opportunities are limited, which lowers the acceptable valuation level. As a whole, we consider the stock to be correctly priced and believe that a better expected return would require faster earnings growth than we expect, now that significant new acquisitions are quite unlikely after the acquisition of the remaining shares in Topdanmark.

Recommendation

Reduce

(previous Reduce)

EUR 40.00

(previous EUR 39.00)

Share price:

38.81



Key figures

	2023	2024e	2025e	2026e
PTP	1481	1675	1672	1763
growth-%	-23%	13%	0%	5%
Net Income	1323	1241	1304	1375
EPS (adj.)	2.60	2.40	2.56	2.55
Dividend / share	1.80	2.00	2.10	2.10

P/E (adj.)	15.2	16.2	15.2	15.2
P/B	2.7	2.8	2.7	2.6
Dividend yield-%	4.5 %	5.2 %	5.3 %	5.3 %
Payout ratio (%)	69%	83%	82%	82%

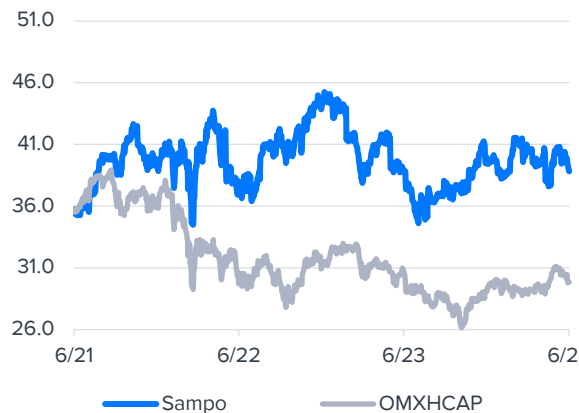
Source: Inderes

Guidance

(Unchanged)

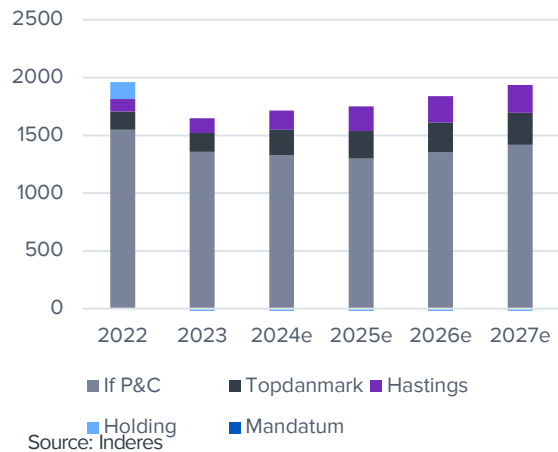
With the first quarter results, Sampo has revised its outlook for the group combined ratio for 2024 and expects the full-year combined ratio to be 83-85%.

Share price



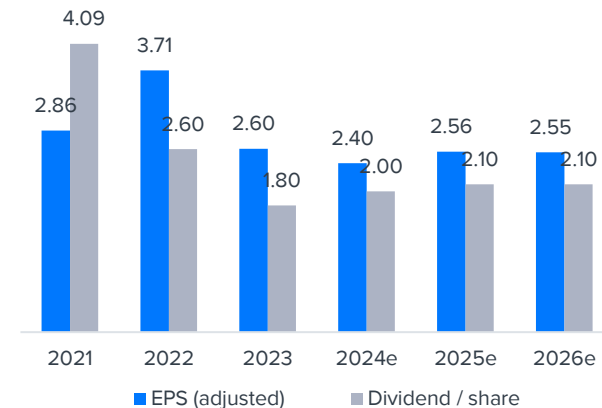
Source: Millistream Market Data AB

Sampo's PTP breakdown (MEUR)



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Profitable growth in insurance activities
- Capital released from non-core business activities
- Higher interest rates would improve investment income
- Topdanmark acquisition
- Other M&A transactions



Risk factors

- Rising interest rates could weaken underwriting results and depress insurance companies' acceptable multiples
- Tightening competition in the Nordic insurance market

Valuation	2024e	2025e	2026e
Share price	38.8	38.8	38.8
Number of shares, millions	549.0	538.5	538.5
Market cap	21298	21298	21298
P/E (adj.)	16.2	15.2	15.2
P/E	17.2	16.0	15.2
P/B	2.8	2.7	2.6
Payout ratio (%)	88.4 %	86.7 %	82.2 %
Dividend yield-%	5.2 %	5.3 %	5.3 %

Source: Inderes

Integration is based on synergies

The estimated synergy potential is high

In the arrangement, the shareholders of Topdanmark will receive 1.25 new Sampo A shares for each share in Topdanmark. Topdanmark's EPS will thus be DKK 366.38 and the value of the entire share capital will be 33 BNDKK, which means a premium of about 27% on Friday's closing price. This corresponded roughly to our own estimate of the amount of the premium in connection with a possible bid.

Based on the 2025 consensus forecasts, the transaction's P/E is 22.2x, which is a fairly high level. However, Sampo's management expects synergies of approximately 95 MEUR from the merger, considering which the P/E ratio would fall to 13x. Non-recurring integration costs are estimated to be around 150 MEUR, and considering this as part of the purchase price, the P/E ratio is around 14x. Thus, the price can be considered reasonable from the perspective of Sampo's shareholders, as we consider a P/E of 15-17x to be acceptable for Sampo. However, in the Group's size class, the impact of the arrangement on shareholder value is small, only a few percent based on our estimate.

At first glance, the synergy potential seems somewhat higher than our estimates and corresponds to our outline of a positive scenario. The main sources of synergy are costs (65 MEUR), the

most significant of which are related to the standardization of IT systems (~40% of cost synergies). Sampo expects the rest of the synergy potential (30 MEUR) to be achieved through higher returns, e.g., through better pricing and better utilization of digital sales channels. Synergies are expected to be realized gradually by 2028.

New share buybacks are also expected

At the same time, Sampo announced a share buyback program of 800 MEUR, which will reduce the dilution effect of the increase in the number of shares resulting from the combination on its share capital. Part of the funds can be used to redeem the minority interests in Topdanmark. Contrary to our understanding, the merger will not tighten Sampo's solvency position, which means that share buybacks can be carried out in addition to the merger.

Regarding solvency, Sampo estimates that after the merger and the share buyback program, its Solvency II level will be approximately 171%, which is in line with the Group's target level (150-190%). The measures for optimizing the use of the balance sheet are still in progress with the exit from PE investments, which, according to the company's previous estimates, should release some 500 MEUR of balance sheet capital to be used, e.g., for share buybacks.

Thus Sampo raised its estimate of capital that can be distributed to shareholders announced at the CMD. The previous estimate in March was 4.0 BNEUR, which was now raised to 4.5 BNEUR. We have added a new share buyback program of approximately 500 MEUR to our forecasts for 2026, which means that our profit distribution forecasts are in line with the company's new target level.

The investment story took another step forward

The benefits of the arrangement are clear

We consider the arrangement justified, as it enables generous synergies and strengthens Sampo's position, especially in the Danish market, where If is too small for the time being. The arrangement did not come as a complete surprise to us, as we had expected Sampo to acquire the remaining shares in Topdanmark at some point.

Although Sampo previously owned 49.6% of the voting rights in Topdanmark, the change brought about by the merger is significant. This is because If and Topdanmark can be developed together in the future, making it possible to utilize the stronger market position of the new entity in Denmark. In the past, this was not possible when the companies were operating separately and were in practice competitors. In addition, the digital capabilities of a

clearly larger If and the significant cost synergies enabled by the merger can be utilized in Denmark. The rationale for the merger has been clear from the beginning, and the only issue has been the price.

After the planned merger, the Group's investment story is also very clear, as there are practically no sensible and significant M&A targets in the Nordic P&C insurance market. In the future, Sampo will focus solely on P&C insurance, in line with its strategy, where its competitive position is very strong, especially in the Nordic countries. This is evidenced by the high historical return on equity of Sampo's and Topdanmark's insurance businesses.

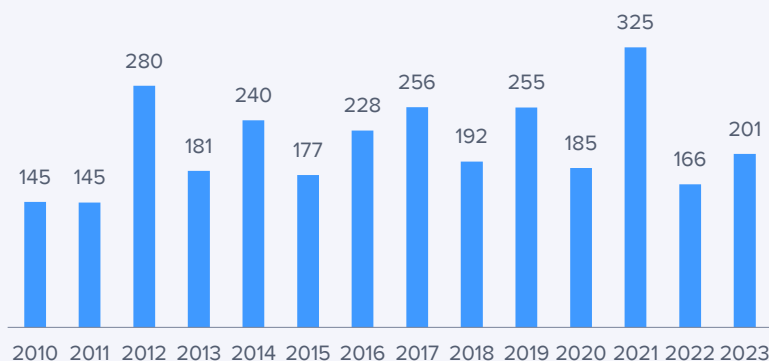
Completion of the arrangement requires that Sampo obtains at least 90% of Topdanmark's outstanding shares and that Sampo's shareholders accept the share consideration to be given. At this stage, we

consider it likely that the merger will be completed, as the offered consideration is good and the boards of both companies recommend approving it. The offer period is expected to start in July/August and the completion of the offer is expected to take place in September 2024.

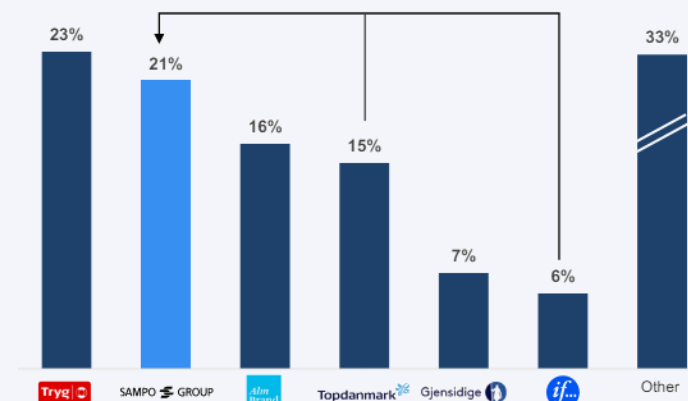
No significant change in reporting

The effects on the income statement are moderate, as Topdanmark has already been consolidated into Sampo's Group figures. However, the minority owners' profit share will fall away in the future, and the Group's number of shares increases as a counterweight. The merger has no direct impact on insurance revenue, although Sampo expects the arrangement to bring sales synergies.

Profit before tax of Topdanmark's P&C insurance business (MEUR)



Market shares of P&C insurance in Denmark



The potential of the merger will become visible in earnings with a delay

Estimate changes:

- We have added the increase in the number of shares caused by the merger to our forecasts. The assumption is that Sampo will receive a 100% stake by Q4.
- Based on the company's assessment, synergies from the merger will only be visible in full from 2028 onwards and will thus gradually support the result. Consequently, our EPS forecast for the next few years decreased as the number of shares increased. In addition, our reported result forecast includes non-recurring costs of 150 MEUR related to the merger, which are provisionally scheduled for 2024-2025 in our forecasts.
- We have included the total synergy estimate of 95 MEUR in If's figures, although these concern both companies. We assume that the segments will be combined in reporting at some point, This is irrelevant for Group level forecasts.
- Our dividend forecast has also increased from 2026 onwards, as the entire result of Topdanmark will be available for distribution as dividends by the parent company in the future.
- We made no changes to our growth estimates for insurance revenue.
- In the longer term, our earnings forecasts have increased due to synergies and the elimination of the profit share of Topdanmark's minority shareholders.

Operational earnings drivers:

- Our view on Sampo's performance has remained unchanged and we estimate that the company's normal earnings under the current structure is about EUR 2.4-2.6 per share EPS should grow steadily from this level, driven by operating profit growth and share buybacks, but larger level adjustments should not be expected given the current excellent performance of the businesses.
- A key risk to earnings development is the changing competitive situation, as price competition would inevitably hit the sector's profitability. However, we are more optimistic than before about the market's pricing discipline, as there has been no material deterioration in profitability, even with rising interest rates. But in the big picture we believe the sector has entered a period of permanently lower combined ratios and a return to the levels of a decade ago is not to be expected.
- The result of investment activities will continue to have an impact on the short-term result, but in the longer term this effect will level off. The return outlook for Sampo's investment portfolio focusing on fixed income investments has clearly improved as interest rates have risen, which will support earnings in the coming years.

Estimate revisions	2024	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	8250	8336	1%	8791	8800	0%	9094	9122	0%
EBIT (exc. NRIs)	1696	1750	3%	1731	1747	1%	1728	1763	2%
PTP	1696	1675	-1%	1731	1672	-3%	1728	1763	2%
EPS (excl. NRIs)	2.48	2.40	-3%	2.58	2.56	-1%	2.57	2.55	-1%
DPS	2.00	2.00	0%	2.10	2.10	0%	1.90	2.10	11%

Source: Inderes

The valuation is not attractive enough yet

The acquisition of the remainder of Topdanmark did not change the key assumptions of Sampo's valuation. Although the offered price can be justified by cost synergies alone, the positive impact of the arrangement on the Group scale is quite limited, as If's weight is still dominating. In addition, a substantial part of the synergy potential will be paid as a premium to Topdanmark shareholders. However, from the perspective of Sampo's P&C insurance business, the most important thing is to merge If's and Topdanmark's businesses. This will improve the scale and efficiency of P&C insurance activities in Denmark, as If is currently too small a player in the market. As a whole, the merger will not be an immediate success if completed, but it still provides a good basis for maintaining strong profitability and moderate earnings growth, especially in the longer term.

We have estimated Sampo's fair value through relative and absolute valuation and a dividend model. In our analysis our focus is particularly on the dividend model, as the investment needs of the business are low and the company is able to distribute most of its earnings to its shareholders.

Our view of Sampo's value has remained almost unchanged, but the acquisition of Topdanmark's minority interests had a small positive impact on this. We raise our target price to EUR 40.0 (was 39.0).

Dividend model (DDM)

Our DDM model indicates a value of some EUR 41 per share for Sampo (was EUR 40). In the calculation, we have considered the current surplus capital on the balance sheet, which will be released in the next few years, e.g., in connection with the exit from PE investments. The group value still relies heavily on If, which accounts for more than 85% of the value in our

calculations. We note that our dividend model assumes future distributions through dividends, but in reality this is likely to be a combination of dividends and share buybacks. If shares are acquired at approximately fair value, the effect is the same.

Drivers for higher than the current sum of the parts would be:

- Higher-than-expected synergies from the Topdanmark transaction
- More successful PE exits than expected
- Stronger than expected organic earnings growth in P&C insurance operations.

Potential growth areas for If are SME insurance and personal insurance. In addition, Hastings' efficient operating model offers the potential to gain market share in the UK. In terms of earnings growth, however, we do not see a realistic path to significant earnings growth, which the company's current targets also indicate. Therefore, it is difficult for us to see Sampo's value increasing significantly from the current level.

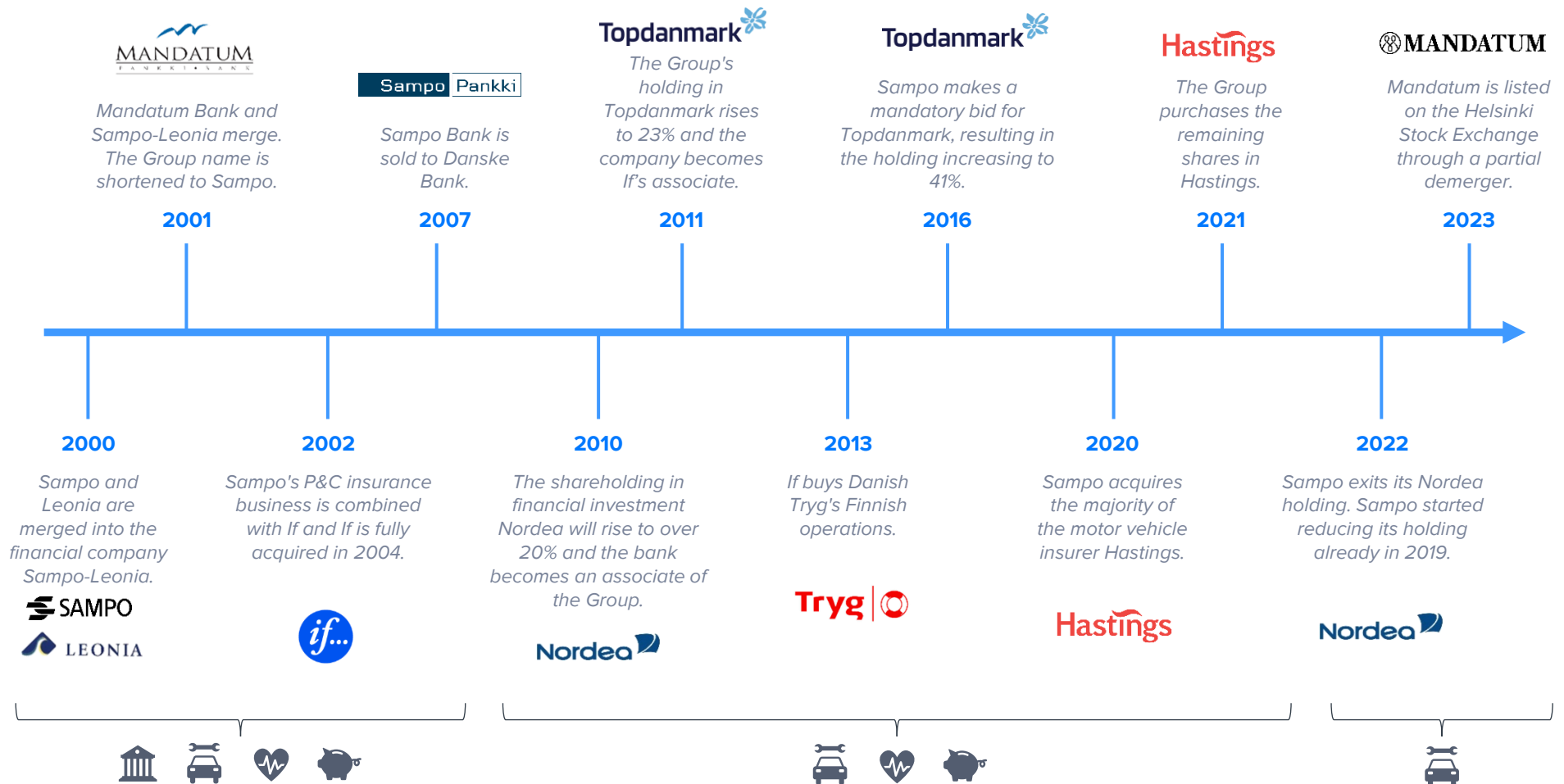
Earnings-based valuation of the share is neutral

P/E multiples for the next few years are approximately 16x and the corresponding dividend yields are 5% (including additional dividends in 2024-2025). The levels are in line with the main Nordic insurer peers. The valuation is still not particularly cheap, but that is justified given the high quality of Sampo's businesses. Sampo's multiple-based value is supported by its low investment rate and moderate risk level. In a mature industry, growth opportunities are limited, which lowers the acceptable multiples. It is difficult for us to see a substantial upside in the valuation from the current level.

Valuation	2024e	2025e	2026e
Share price	38.8	38.8	38.8
Number of shares, millions	549.0	538.5	538.5
Market cap	21298	21298	21298
P/E (adj.)	16.2	15.2	15.2
P/E	17.2	16.0	15.2
P/B	2.8	2.7	2.6
Payout ratio (%)	88.4 %	86.7 %	82.2 %
Dividend yield-%	5.2 %	5.3 %	5.3 %

Source: Inderes

M&A transactions – Journey from a financial conglomerate to a P&C insurer



THE GROUP'S OPERATIONAL BUSINESSES



Banking



P&C insurance



Life Insurance

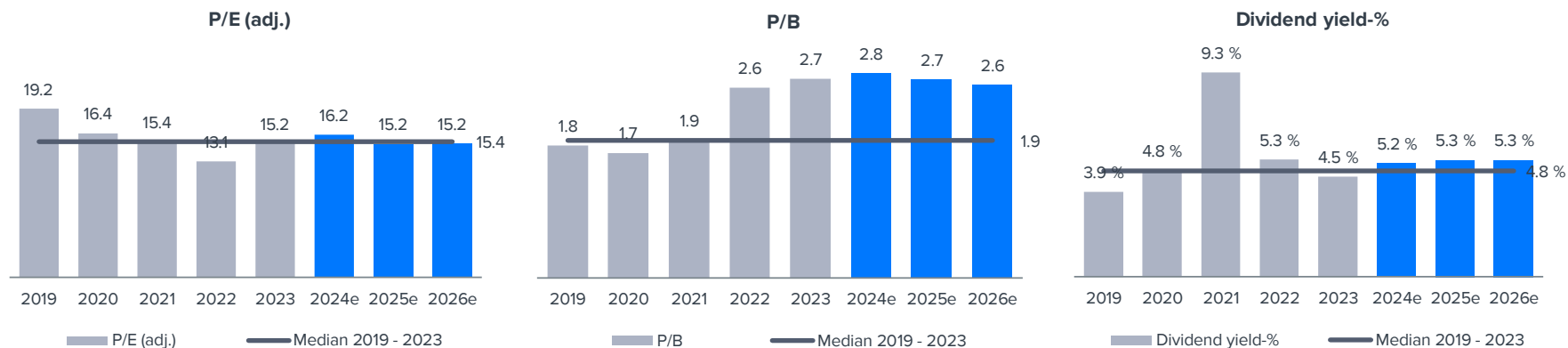


Asset management

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	38.9	35.3	44.1	48.8	39.6	38.8	38.8	38.8	38.8
Number of shares, millions	556.6	556.6	554.3	530.3	508.0	549.0	538.5	538.5	538.5
Market cap	21609	19593	24109	25108	19876	21298	21298	21298	21298
P/E (adj.)	19.2	16.4	15.4	13.1	15.2	16.2	15.2	15.2	14.4
P/E	19.2	>100	9.5	12.3	15.2	17.2	16.0	15.2	14.4
P/B	1.8	1.7	1.9	2.6	2.7	2.8	2.7	2.6	2.5
Payout ratio (%)	73.7 %	2484.5 %	87.3 %	63.5 %	68.3 %	88.4 %	86.7 %	82.2 %	81.6 %
Dividend yield-%	3.9 %	4.8 %	9.3 %	5.3 %	4.5 %	5.2 %	5.3 %	5.3 %	5.6 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B
		2024e	2025e	2024e	2025e	2024e
Tryg	11823	16.3	14.9	5.7	6.0	2.4
Gjensidige	8265	17.1	14.9	5.1	5.4	3.9
Topdanmark	3494	18.8	17.6	4.9	5.4	4.8
ALM	2758	13.4	12.1	4.9	8.6	1.5
Storebrand	4243	11.2	11.6	4.4	4.7	1.6
Admiral	9261	16.9	14.9	5.3	6.0	7.1
Direct Line	2997	14.2	8.3	6.8	9.2	1.2
Zurich Insurance Group	72496	13.6	12.4	5.8	6.2	3.0
Allianz	99379	10.1	9.2	5.9	6.3	1.7
Assicurazioni Generali	35447	9.1	8.4	6.1	6.5	1.1
Sampo (Inderes)	21298	16.2	15.2	5.2	5.3	2.8
Average		14.1	12.4	5.5	6.4	2.8
Median		13.9	12.3	5.5	6.1	2.0
Diff-% to median		17%	23%	-6%	-13%	38%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Premiums written	7267	1799	1820	1881	2035	7535	2020	2070	2114	2133	8336	8800	9122	9425
If P&C	5024	1235	1231	1264	1266	4996	1290	1305	1326	1329	5250	5408	5570	5737
Topdanmark	1255	318	317	321	332	1288	361	379	379	379	1497	1581	1632	1664
Hastings	988	246	272	296	437	1251	369	386	409	425	1589	1811	1920	2024
Mandatum	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
EBIT (excl. NRI)	1786	359	363	390	369	1481	465	405	406	474	1750	1747	1763	1860
EBIT	1924	359	363	390	369	1481	465	405	406	399	1675	1672	1763	1860
If P&C	1550	337	320	332	369	1358	356	326	324	320	1326	1299	1355	1418
Topdanmark	157	63	42	38	19	162	63	53	53	52	222	238	258	277
Hastings	107	10	17	43	59	129	26	44	47	50	167	212	227	241
Holding	146	-45	-15	-21	-79	-160	20	-19	-19	-23	-40	-78	-76	-76
Mandatum	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTP	1924	359	363	390	369	1481	465	405	406	399	1675	1672	1763	1860
Taxes	-384	-91	-81	-79	-88	-339	-96	-89	-89	-88	-362	-368	-388	-409
Minority interest	-114	-26	-18	-17	-9	-70	-26	-23	-23	0	-72	0	0	0
Net earnings	2107	271	306	363	383	1323	343	293	294	311	1241	1304	1375	1451
EPS (adj.)	3.71	0.53	0.61	0.72	0.76	2.64	0.68	0.53	0.54	0.70	2.40	2.56	2.55	2.69
EPS (rep.)	3.97	0.53	0.61	0.72	0.76	2.60	0.68	0.53	0.54	0.57	2.26	2.42	2.55	2.69

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	19463	19727	19765	19803	19841
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	3322	3637	3672	3707	3742
Tangible assets	329	318	321	324	327
Associated companies	11.7	12.0	12.0	12.0	12.0
Other investments	15789	15757	15757	15757	15757
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	11.0	3.0	3.0	3.0	3.0
Current assets	19749	4497	4968	5200	5361
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	15617	800	800	800	800
Receivables	1820	2282	2084	2200	2281
Cash and equivalents	2312	1415	2084	2200	2281
Balance sheet total	39212	24224	24733	25003	25202

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	10178	7687	8025	8232	8477
Share capital	98.0	98.0	98.0	98.0	98.0
Retained earnings	8482	6378	6716	6923	7168
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1038	787	787	787	787
Minorities	560	424	424	424	424
Non-current liabilities	14484	15197	15368	15432	15385
Deferred tax liabilities	506	567	567	567	567
Provisions	6.0	0.0	0.0	0.0	0.0
Interest bearing debt	3087	2914	3085	3149	3102
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	10885	11716	11716	11716	11716
Current liabilities	14550	1340	1340	1340	1340
Interest bearing debt	0.0	0.0	0.0	0.0	0.0
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	14550	1340	1340	1340	1340
Balance sheet total	39212	24224	24733	25003	25202

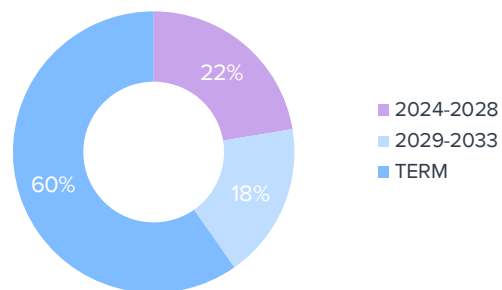
DDM calculation

DDM valuation (MEUR)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Sampo's result	1241	1304	1375	1451	1387	1415	1443	1472	1502	1532	1532
Dividend distributed by Sampo	1098	1130	1130	1184	1249	1273	1299	1325	1351	1378	25623
-Payout ratio-%	88%	87%	82%	82%	90%	90%	90%	90%	90%	90%	
Sampo's dividend growth-%	21.5 %	3.0 %	0.0 %	4.8 %	5.4 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
Discount rate	1056	1012	941	917	900	854	810	769	730	692	12870
Cumulative discount rate	21551	20495	19484	18542	17625	16725	15871	15061	14292	13563	12870
Capital surplus on balance sheet (MEUR)	800										
Equity value (MEUR)	22351										
Per share EUR	40.7										

Cost of equity

Risk-free interest	2.5%
Market risk premium	4.8%
Company Beta	1.05
Liquidity premium	0.0%
Cost fo equity	7.5%

Cash flow breakdown by period



Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Premiums written	9746	7267	7535	8336	8800	EPS (reported)	4.63	3.97	2.60	2.26	2.42
PTP	3172	1924	1481	1675	1672	EPS (adj.)	2.86	3.71	2.60	2.40	2.56
Net profit	2568	2107	1323	1241	1304	Dividend / share	4.10	2.60	1.80	2.00	2.10
Extraordinary items	982	138	0	-75	-75	Book value / share	23.1	18.1	14.3	13.8	14.5
Balance sheet	2021	2022	2023	2024e	2025e	If key ratios	2021	2022	2023	2024e	2025e
Balance sheet total	61061	39212	24224	24733	25003	Premiums written	4772	5024	4996	5250	5408
Equity capital	13464	10178	7687	8025	8232	Growth in premiums written, %	6.0 %	5.3 %	-0.6 %	5.1 %	3.0 %
ROE-%	21.2 %	18.8 %	15.7 %	16.7 %	16.9 %	Investment income	174	278	871	650	600
						Combined ratio-%	81.3 %	86.6 %	83.1 %	84.0 %	82.8 %
						Risk ratio-%	59.9 %	65.0 %	61.9 %	63.0 %	62.0 %
						Cost ratio-%	21.4 %	21.6 %	21.2 %	21.0 %	20.8 %

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.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/17/2020	Buy	30.00 €	23.83 €
4/30/2020	Buy	34.00 €	30.85 €
5/7/2020	Accumulate	33.00 €	30.40 €
6/16/2020	Buy	34.00 €	30.40 €
8/6/2020	Buy	35.00 €	30.30 €
10/9/2020	Buy	38.00 €	35.20 €
11/5/2020	Buy	38.00 €	34.14 €
1/20/2021	Buy	38.00 €	35.28 €
2/12/2021	Buy	41.00 €	36.04 €
2/25/2021	Buy	41.00 €	36.95 €
4/7/2021	Buy	43.00 €	39.23 €
5/6/2021	Buy	44.00 €	39.85 €
8/5/2021	Buy	45.00 €	42.39 €
9/24/2021	Buy	46.00 €	43.35 €
11/4/2021	Accumulate	48.00 €	46.73 €
12/9/2021	Accumulate	48.00 €	44.09 €
2/10/2022	Accumulate	49.00 €	45.35 €
5/5/2022	Accumulate	48.00 €	45.85 €
5/23/2022	Accumulate	44.00 €	41.76 €
8/4/2022	Accumulate	46.00 €	43.71 €
10/27/2022	Reduce	46.00 €	46.67 €
11/3/2022	Reduce	46.00 €	44.32 €
2/13/2023	Reduce	46.00 €	45.50 €
5/11/2023	Reduce	47.00 €	46.15 €
6/14/2023	Reduce	44.00 €	43.08 €
8/10/2023	Accumulate	44.00 €	40.35 €
10/2/2023	Accumulate	39.00 €	40.98 €
11/9/2023	Reduce	39.00 €	38.94 €
2/9/2024	Reduce	40.00 €	39.50 €
5/8/2024	Reduce	39.00 €	37.66 €
6/18/2024	Reduce	40.00 €	38.81 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

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



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**