



Company
12345678

VALUE REPORT



Suomen Asiakastieto Oy

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Company's basic information

Company's name:

Company

Business ID:

12345678

Reference industry applied in this report:

Business and other management consultancy activities,
Industry code: 70220

Date of most recent published financial statements:

31.12.2015

Financial statements table:

14, based on expense categories (company)

Date of valuation:

8.11.2016

Valuation

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Value of the capital stock based on Asiakastieto's forecasts

2 228 305 €

Substance value and yield value

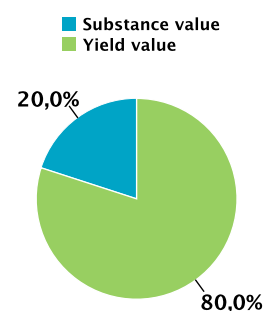
Substance value of the balance sheet in

the most recent financial statement

Company's yield value from 2 016 onwards

Value of the company's capital stock

448 000 €
1 780 305 €
2 228 305 €



Asiakastieto's valuation model forecasts the future profit potential for the company. According to this forecast, the yield value forms 80 % of the entire value of the company's capital stock. The average of the reference industry is 23 %, so the company's ability to generate economic added value is higher than the average in the industry.

Valuation coefficients

P/E: Capital stock value / Net result

(Median in the industry 5,9)

18,3

The observation ratio (so-called Price-per-Earnings) indicates the company's value compared to its latest net result.

P/B: Capital stock value / Balance sheet book value

(Median in the industry 1,2)

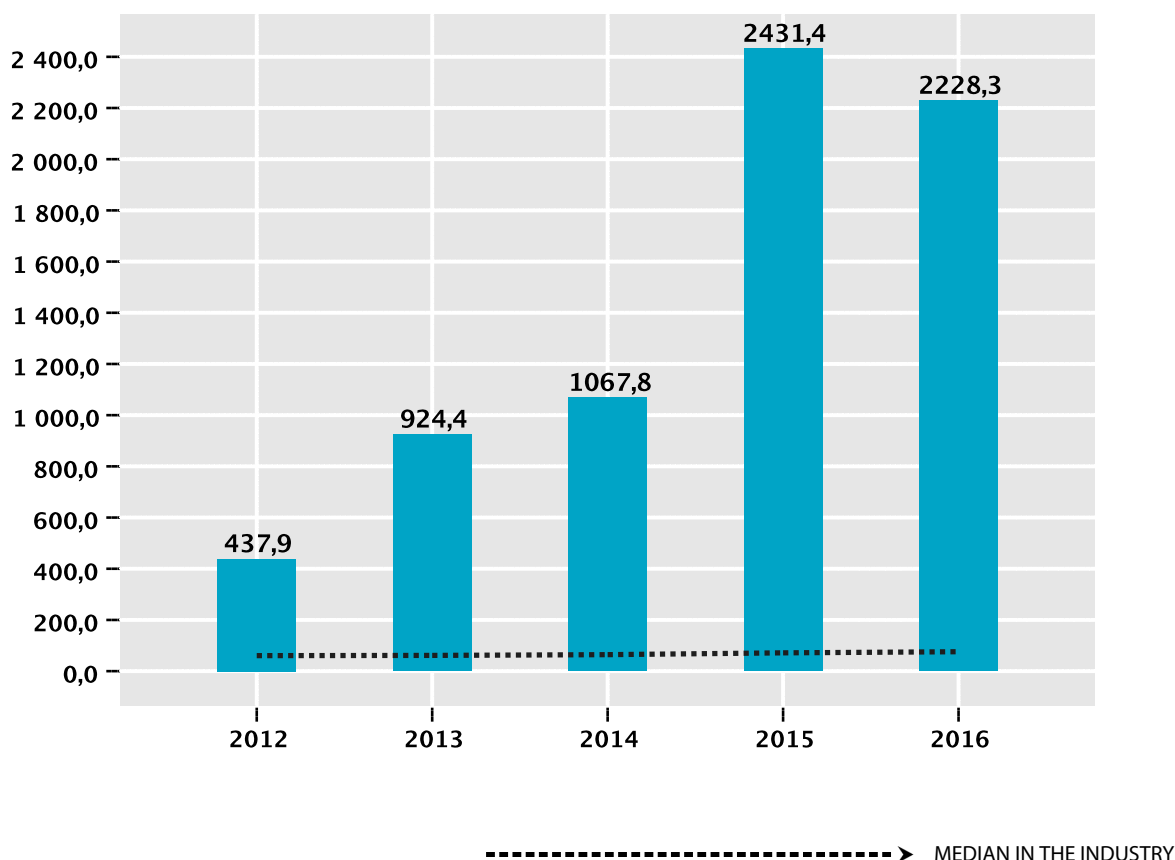
5,0

The observation ratio (so-called Price-to-Book) indicates the value of the company's capital stock compared to its balance sheet book value.

Historical value development of the capital stock

When determining the value using Asiakastieto's own forecasts, it is also possible to model the historical development of the value retroactively. Based on annual valuations, the company's value has developed as follows:

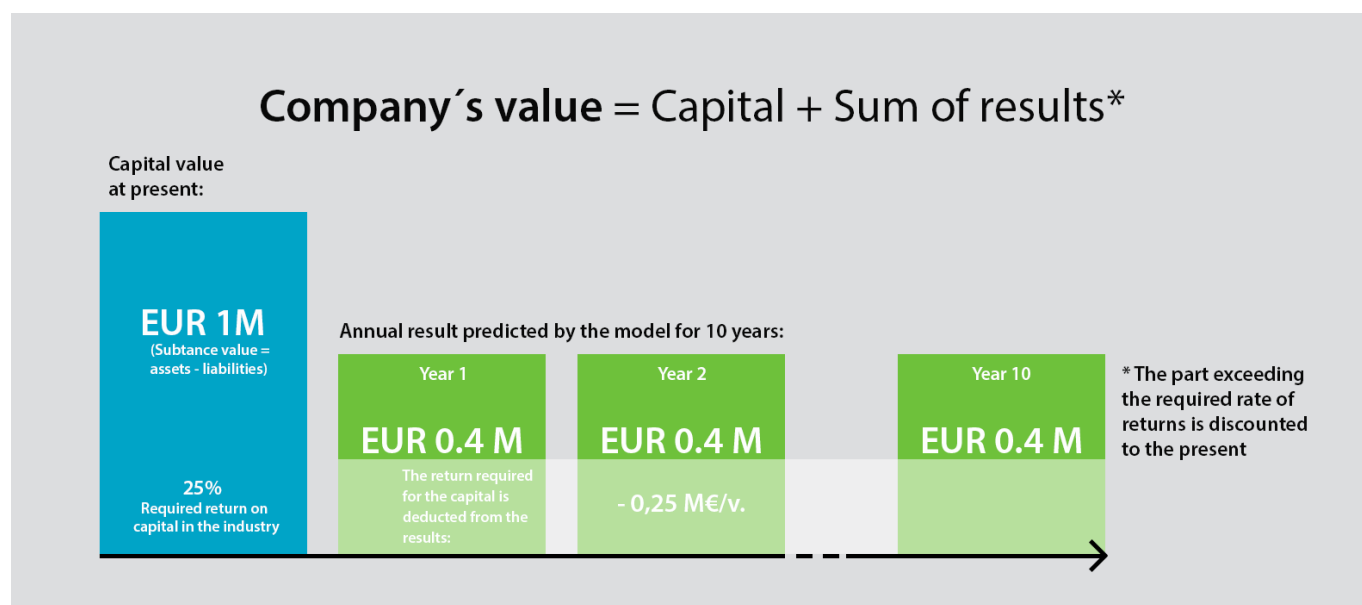
Company's value development 2012 – 2016 (t €)



Asiakastieto's valuation model in brief

Asiakastieto's valuation model is based on the so-called model of economic added value. In the model, the company's capital stock value is obtained by calculating the sum of two elements: 1) substance value of the balance sheet at the moment of valuation, 2) predicted added value estimated for the capital from the moment of valuation onwards, i.e. yield value.

The example below is for a company that has a substance value of EUR 1 M at the time of valuation and a net result of EUR 0.4 M for the following ten years from the valuation.



The substance tied up to the balance sheet always has a required rate of return – the higher the risk of the business activity, the higher the required rate of return. In our example, the required return on equity is 25%. This means that a net result of EUR 0.25 M must be accrued to the substance value each year in order for the company to be even worth its balance substance. If the annual net proceeds are below EUR 0.25 M, the value of the company's capital stock is lower than the substance value of the balance sheet. Such companies should not continue their business operations but should instead realize their balance sheet. If, by contrast, the net proceeds exceed EUR 0.25 M, the company is said to generate economic added value to its balance sheet. Thus, the value of the company's capital stock is the substance value added with the net proceeds exceeding the required rate of return, i.e. added value. In our example, the net result of EUR 0.4 M exceeds the required rate of return for the substance value by EUR 0.15 M annually.

The additional proceeds accumulating in the coming years are discounted to the present moment by the percentage of the required return on equity. Asiakastieto's valuation model forecasts the company's net results for the next 10 years, beginning from the most recent financial statements. In the example, the current value of EUR 0.15 M accumulating over ten successive years, calculated by a capital cost of 25%, is approximately EUR 0.34 M in total. Thus the value of the capital stock of the example company is EUR 1 M + EUR 0.34 M = EUR 1.34 M.

The comparison of Asiakastieto's model and other valuation models is found in the attachments to this report.

Value development

Irrespective of the model, valuation is sensitive to the estimates used for forecasting the future growth and profitability as well as the risk of business activities. Even when well founded, these estimates can always be questioned. This is why the valuation is presented as a sensitivity table in relation to the predicted growth percent and profitability, instead of as one individual figure:

Profitability / Net sales -%	The average growth percentage of net sales over 10 years						
	10 %	12 %	14 %	16 %	18 %	20 %	22 %
4 %	1596777	1749595	1921637	2115206	2332855	2577408	2851988
6 %	1623446	1779516	1955218	2152906	2375186	2624942	2905364
8 %	1650116	1809436	1988799	2190606	2417516	2672476	2958740
10 %	1676785	1839357	2022381	2228305	2459847	2720009	3012116
12 %	1703454	1869278	2055962	2266005	2502177	2767543	3065492
14 %	1730123	1899199	2089543	2303705	2544508	2815077	3118868
16 %	1756793	1929119	2123124	2341404	2586838	2862611	3172243

The sensitivity table shows that the value of EUR 2 228 305 determined for the capital stock is based on the forecast of an average annual net sales growth of 16,4 % in 2016–2025 as well as a net result level of 10,4 %, assuming that the annual required return on equity is 5,7 %. If the starting value of the net result is not positive, the net result used for calculations in the table is obtained by multiplying the percentage unit of the table by the average net sales. If the starting value is positive, the starting level has been changed by a maximum of 6% in the calculations.

Required return on equity	The average growth percentage of net sales over 10 years						
	10 %	12 %	14 %	16 %	18 %	20 %	22 %
0 %	3036095	3349134	3701425	4097662	4543045	5043329	5604877
2 %	2483777	2735139	3018027	3336212	3693870	4095626	4546590
4 %	2038055	2240139	2467594	2723457	3011092	3334222	3696962
6 %	1676785	1839357	2022381	2228305	2459847	2720009	3012116
8 %	1382729	1513513	1660803	1826579	2013036	2222605	2457972
10 %	1142402	1247533	1365994	1499391	1649500	1818289	2007937
12 %	945208	1029574	1124710	1231917	1352635	1488461	1641161

The table shows the impact of the required return on equity and of the growth rate of turnover on the value of the company's capital stock. The table assumes the net result percent to be 10,4 %.

More information on the determination of the required return on equity is provided in the attachments to this report.

Asiakastieto's forecast

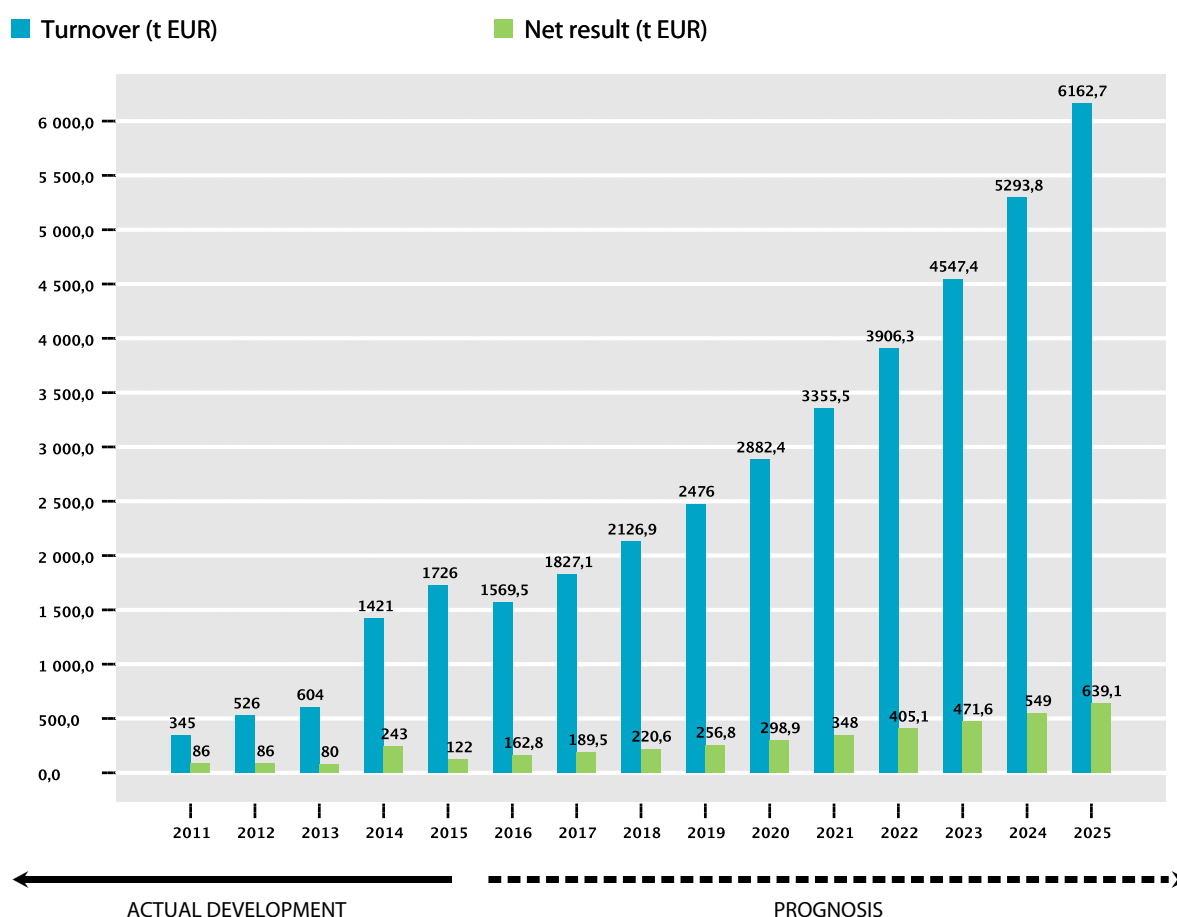
Asiakastieto's valuation model is based on:

- 1) The economic forecasts derived from the company's 2–5 most recent financial statements in a consecutive time period (turnover growth and net result percentage),
- 2) The substance value of the company's most recent adopted balance sheet, and
- 3) The company's risk assessment, which is calculated from Asiakastieto's material on Finnish companies. Based on the risk assessment, the model derives the company's required return on equity.

The value of EUR 2 228 305 of the company's capital stock is based on the following assumptions regarding the company's turnover and profitability during the next 10 years:

- The estimated starting level for the net result from the year 2 016 on is EUR 139 813.
- The net result and turnover are estimated to grow 16,4 % on average over the ten-year forecast period.
- The substance value of the most recent adopted financial statements is EUR 448 000.

In addition, Asiakastieto's valuation model estimates the company's required return on equity to be 5,7 %. The average required return on equity of the reference industry is 6,9% according to Asiakastieto's model.



Asiakastieto's forecast is based on registered public financial statements, risk assessment and reference data of an extensive company set. The financial statements used in Asiakastieto's model have not been adjusted. It is possible that the subscriber of the Value Report has a view of economic forecasts or the substance value of the balance sheet of the latest financial statements that is different from Asiakastieto's model.

Value of the capital stock based on the so-called tax authority model

718 444 €

The tax authority has its own method for determining the company's value. The tax authority considers the company's market value to be the sum corresponding to the average of the substance value and yield value calculated based on the profit and loss account.

	2013	2014	2015	AVERAGE
Net result (t €)	80,0	243,0	122,0	148,3
Yield value with a required rate of return of 15% (t €)				988,7
				AT THE MOMENT OF VALUATION
Substance value of the balance sheet (t €)				448,0
Average of the yield value and balance sheet substance value (t €)				718,4

NOTE: Asiakastieto cannot provide an assessment of the company's value binding the tax authority, it can only apply the formula the tax authority has reported. Making a valuation approved by the tax authority always requires a consultation with the tax authority.

Value of the capital stock based on the so-called tax authority model

Company's valuation according to the tax authority model The tax authority considers the current value of the company to be the sum equivalent to the average of the substance value and yield value calculated based on the the profit and loss account. The substance value is calculated in the same way as in Asiakastieto's model: the substance value is the difference between the company's assets and liabilities. The tax authority's method of calculating the yield value differs significantly from Asiakastieto's model: the tax authority calculates the yield value by dividing the average of the three latest years by the return requirement, which in the tax authority model as a general rule is 15%.

Example: If the company's substance value is EUR 100,000 at the moment of valuation and its average net result in the three most recent financial years is EUR 30,000/year, the company's value according to the tax authority model is calculated as follows:

Value of capital stock = $(100\,000\text{ €} + (30\,000\text{ €} / 0,15))/2 = 150\,000\text{ €}$.

Additional information on the tax authority model and its application:

www.vero.fi

Financial statements analysis

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Verbal financial statements analysis

The financial statement analysis is based on the financial statement data of Company in the accounting period as at 31.12.2015. The analysis also utilizes the data of the accounting periods 2010-2014. The auditor's report has not been available.

Industry comparison: The comparison includes 8540 companies in the industry class 70220 (Business and other management consultancy activities) from the period 2015. The risk of bankruptcy in the line is 0,2 %, and the risk of payment defaults 3,6 %. The risk of payment defaults is close to the median level for all companies.

Volume: The turnover of Company is medium-sized (1,7 mill EUR) in relation to all active companies. In its line, the company is clearly larger than average (43 tEUR). The turnover increased in the latest accounting period (21,5 %). In the line, the turnover decreased in the previous period. The company's turnover has developed in a more positive way than in the line. The development of the company's turnover has been exceptionally fast in the long term.

Profitability: The operating margin of the company (9,3 %) is satisfactory, proportioned to the line (median 8,9 %). Also the operating result in % (9,3 %) is satisfactory, compared with the line (6,3 %). The central ratio for profitability, return on investment, is very good (31,7 %). This is clearly better than the average in the line (median 4,2 %), and indicates really good possibilities for operation. If, instead of the return on investment, the return on assets is calculated, taking also into account interest-free loans, the return ratio is 25,3 %. The return on assets is clearly lower than the return on investment, due to the large amount of interest-free loans. The return is very good, in relation to the line of business (3,6%).

Liquidity: The liquidity is good, measured by current ratio (2,8) , which is about equal to the average in the line (median 2,0). The sales receivable turnover of the company is long (96 days) compared with the line (35 days).

Solvency: The solvency of Company is very good, measured by equity ratio (56,7 %). The median of the equity ratio in the line is 66,7%. The company's net gearing is 0,0, which can be considered very good. The relative indebtedness is 19,8%, which is satisfactory compared with the median in the line (25,0%). According to the capital structure ratios, the company's debt burden is very low.

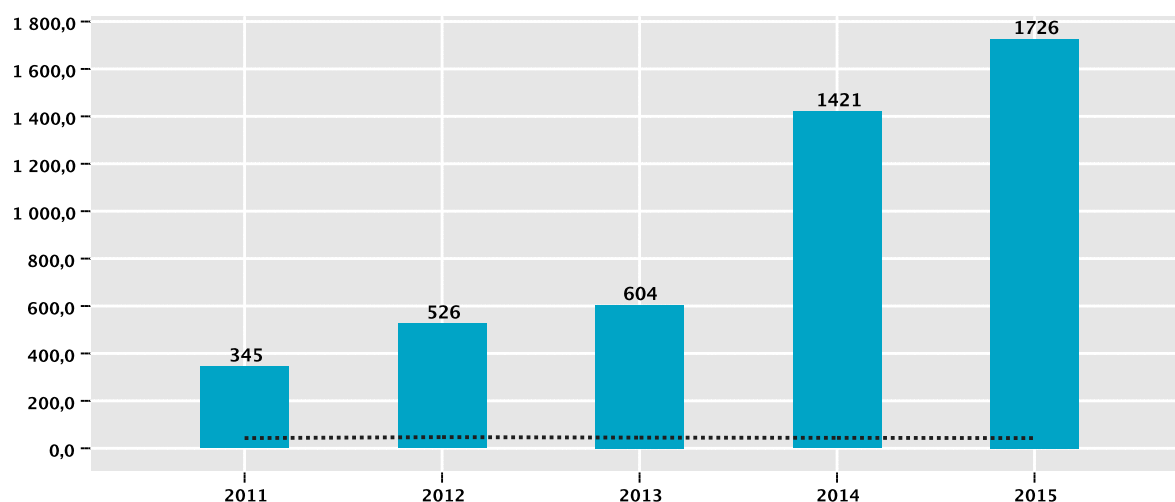
Summary and remarks: The company's profitability, liquidity and solvency are all good or very good. This renders really good possibilities for a successful continuation of operation. With respect to the line, the company's preconditions for activities (profitability, liquidity and solvency) are good.

The verbal interpretation of the financial statements analysis has been produced programmatically from unadjusted financial statements.

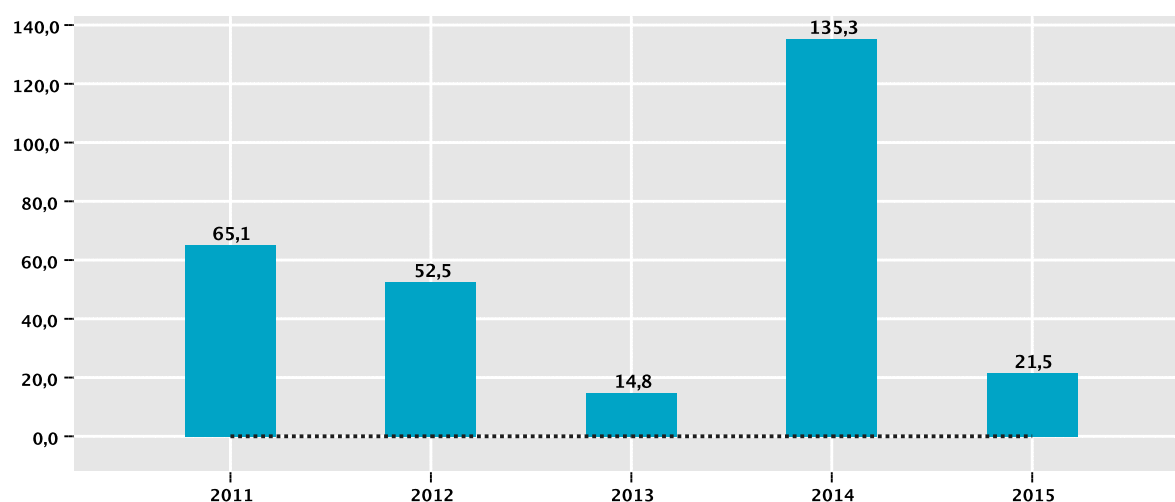
Economic development

Turnover (t €)

-----> MEDIAN IN THE INDUSTRY

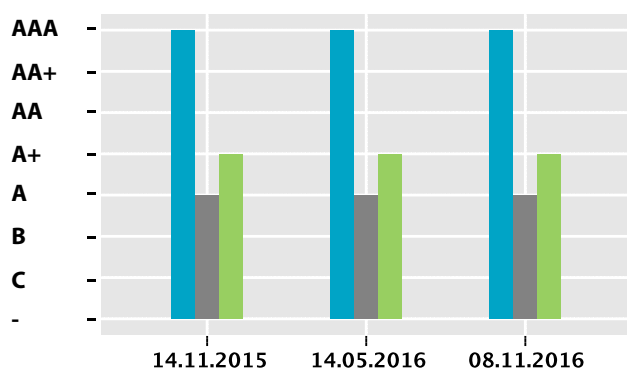


Change in turnover %



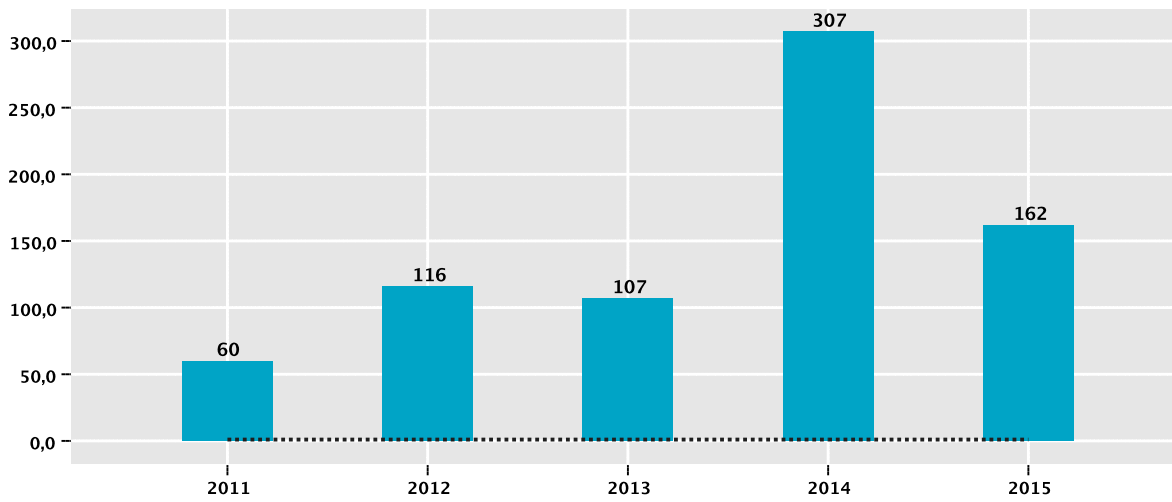
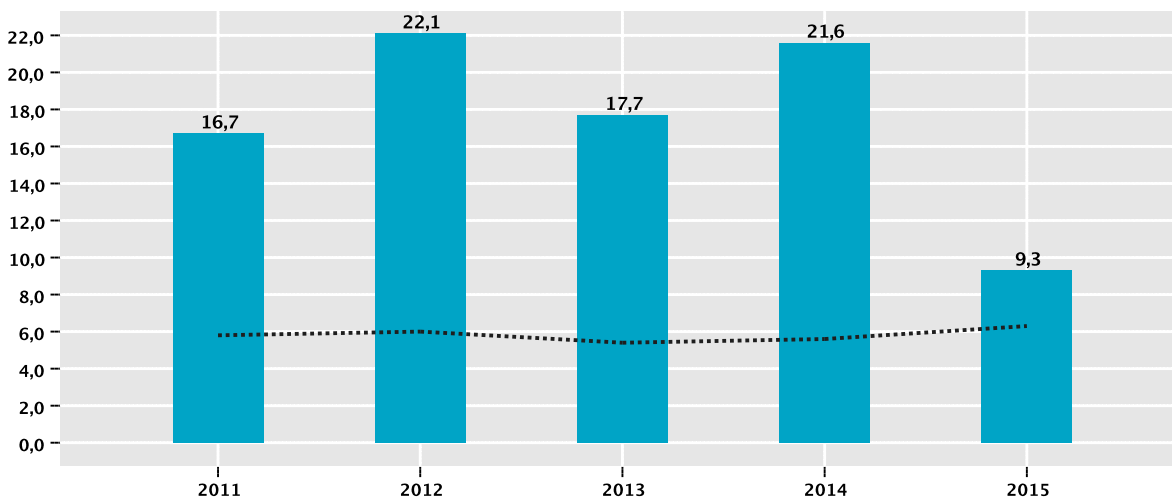
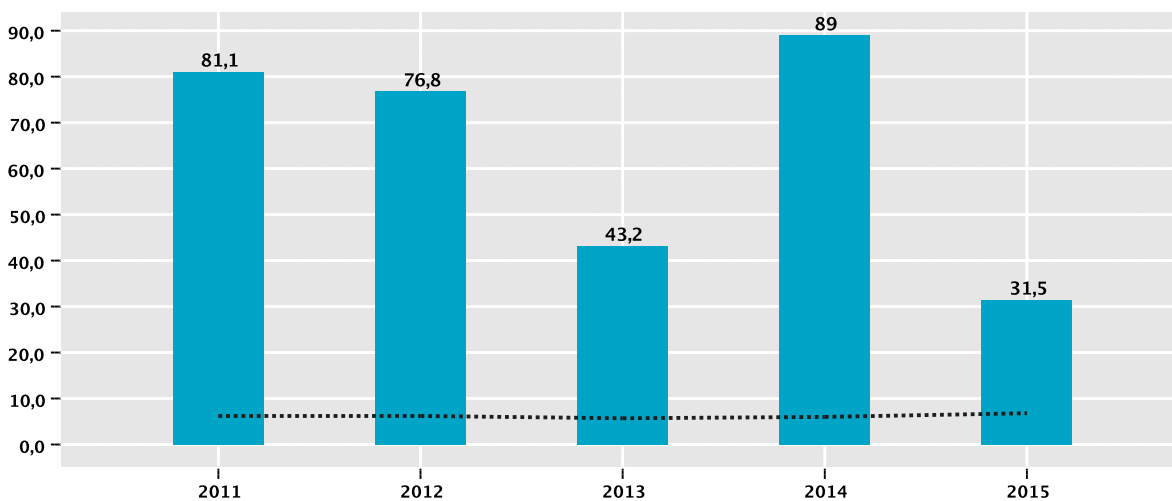
Asiakastieto's Rating Alfa

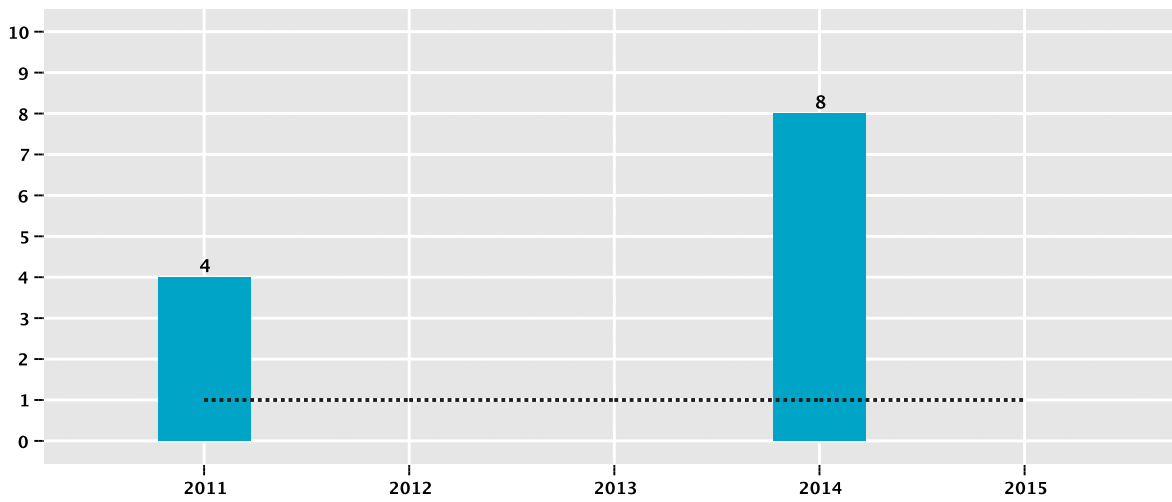
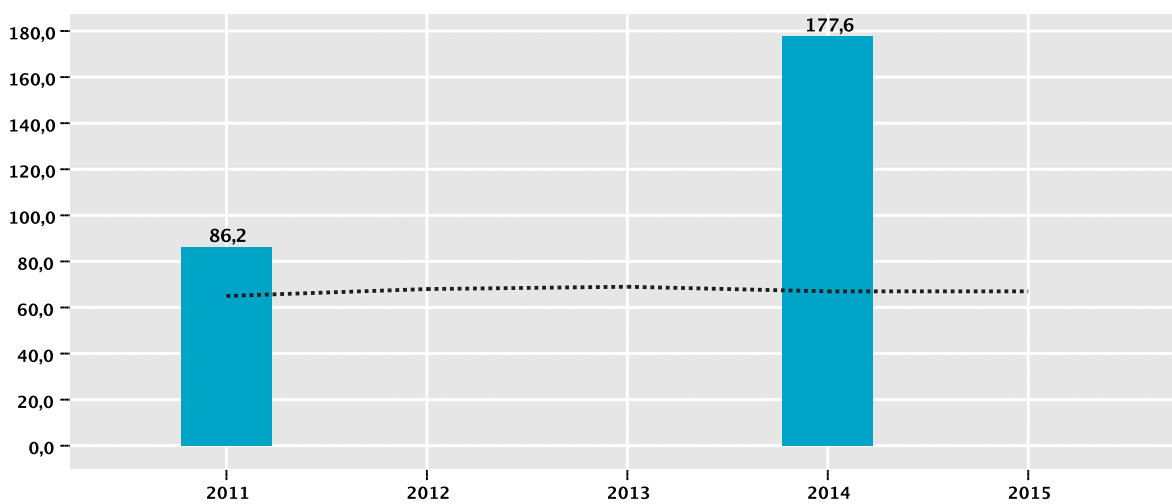
■ Company ■ Industry ■ All companies

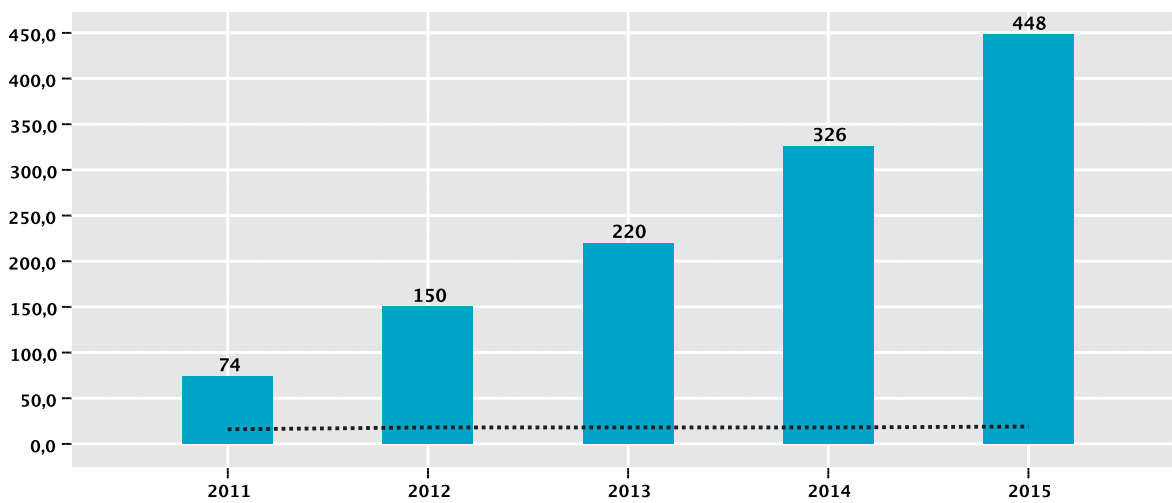
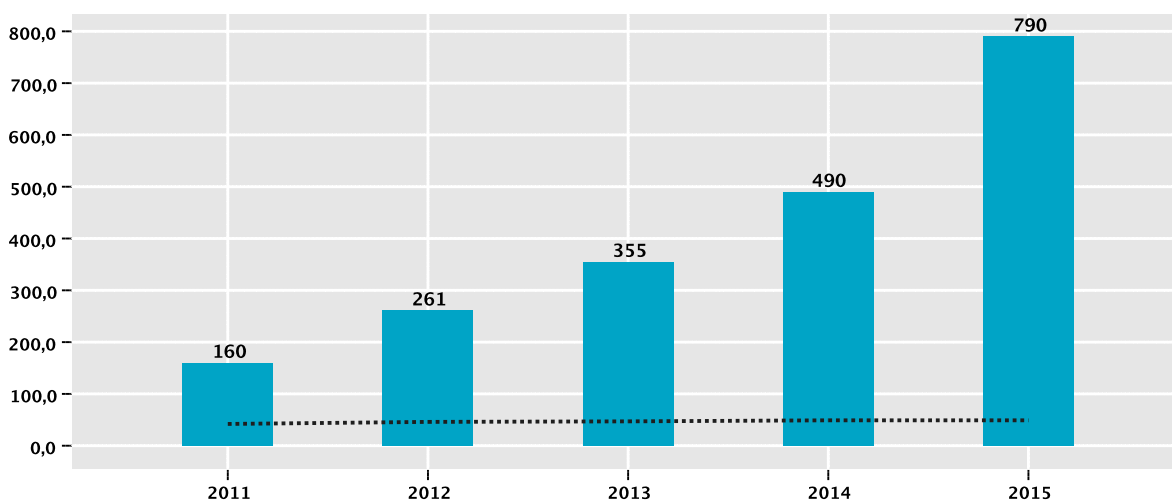
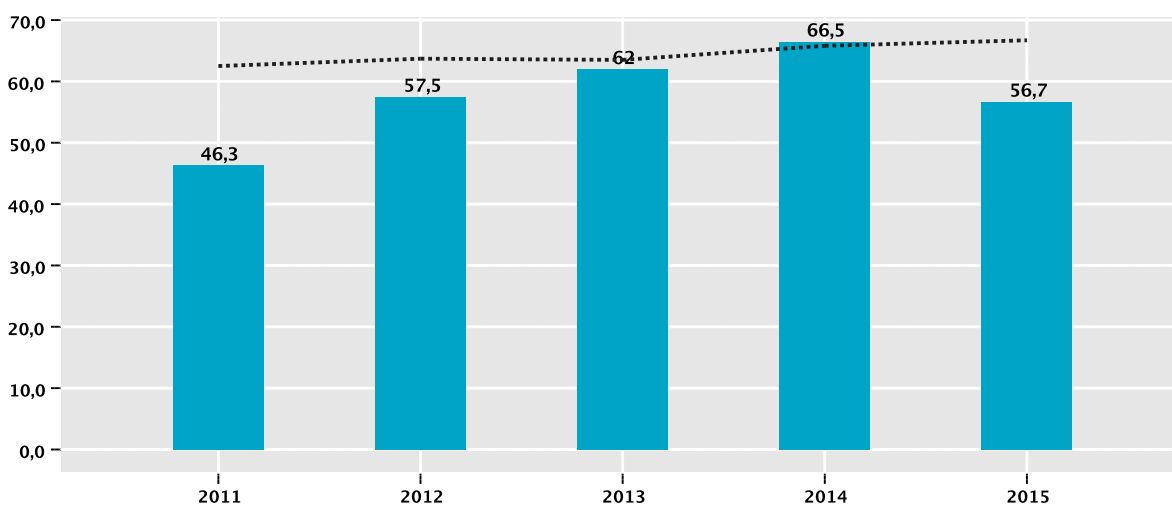


Rating distribution in the line

Class		pcs	%
excellent	AAA	324	2
good+	AA+	2 260	12
good	AA	2 498	13
satisfactory+	A+	5 470	28
satisfactory	A	5 807	30
passable	B	1 235	6
poor	C	1 840	9
Total		19 434	

Operating profit (t €)**Operating profit %****Return on equity %**

Number of personnel in the company**Turnover per person (t €)**

Shareholders' equity (t €)**Balance sheet total (t €)****Equity ratio %**

Key ratios

The key ratios indicating the company's volume, profitability, liquidity, solvency and working capital are calculated based on the company's official unadjusted financial statements data according to the recommendations of the Committee for Corporate Analysis (YTN). The key ratios are shown for the financial years for which the profit and loss account and balance sheet data are available (at most five financial years). The formulas used to calculate the key ratios are found at the end of this report.

Fiscal year	2011	2012	2013	2014	2015
VOLUME					
Turnover t€		526,0	604,0	1 421,0	1 726,0
Change in turnover in %	65,1	52,5	14,8	135,3	21,5
Turnover/person t€				177,6	
Added value, in t€/person				103,5	
PROFITABILITY					
Operating margin (EBITDA) in %	16,7	22,1	17,7	21,6	9,3
Operating result (EBIT) in %	16,7	22,1	17,7	21,6	9,3
Net result in %	11,9	16,3	13,2	17,1	7,0
Return on investment in %	54,5	68,0	42,0	89,9	31,7
Return on total assets in %	43,2	54,6	34,7	72,9	25,3
Return on equity in %		76,8	43,2	89,0	31,5
Net result t€		86,0	80,0	243,0	122,0
LIQUIDITY					
Quick ratio	2,1	2,4	2,6	2,9	2,8
Current ratio	2,1	2,4	2,6	2,9	2,8
SOLVENCY					
Equity ratio in %	46,3	57,5	62,0	66,5	56,7
Net gearing	-0,4	-0,6	0,4	0,2	0,0
Relative indebtedness in %	25,2	21,3	22,5	11,5	19,8
WORKING CAPITAL					
Working capital ratio in %	19,7	17,7	34,8	17,0	19,9
Inventories/turnover in %					
Sales receivable turnover in days	80	74	147	68	96
Accounts payable turnover in days	112	46	80	34	71

Profit and loss account (t €)

Fiscal year	2011	2012	2013	2014	2015	2015 (%)
TURNOVER	345,0	526,0	604,0	1 421,0	1 726,0	100 %
Change in finished goods and work-in-progress inventories						
Production for own use						
Other operating income	15,0				20,0	1,2 %
Materials and services						
Materials, supplies and goods						
Purchases during the fiscal period	-5,0	-35,0	-1,0	-3,0	-4,0	0,2 %
Change in raw material inventories						
Outsourced services	-21,0	-69,0	-155,0	-246,0	-557,0	32,3 %
Personnel expenses						
Salaries and wages	-134,0	-125,0	-137,0	-459,0	-491,0	28,4 %
Social security expenses						
Pension expenses	-24,0	-20,0	-32,0	-46,0	-75,0	4,3 %
Other social security expenses	-6,0	-4,0	-7,0	-16,0	-21,0	1,2 %
Depreciation and reductions in value						
Depreciation according to plan						
Reductions in value of fixed and other non-current assets						
Exceptional reductions in value of current assets						
Other operating expenses	-110,0	-157,0	-167,0	-344,0	-436,0	25,3 %
OPERATING RESULT	60,0	116,0	107,0	307,0	162,0	9,4 %
Financial income and expenses						
Income on investments in group companies						
Income on investments in associated companies						
Income on investments in other fixed assets						
Other interest and financial income	0	0	0	0	0	
Reductions in value of investments held as non-current assets						
Reductions in value of investments held as current assets						
Interest and other financial expenses	-1,0	0	-1,0	-4,0	-9,0	0,5 %
RESULT BEFORE EXTRAORDINARY ITEMS	59,0	115,0	106,0	304,0	153,0	8,9 %
Extraordinary items						
Extraordinary income						
Extraordinary expenses						
RESULT BEFORE CLOSING ENTRIES AND TAXES	60,0	115,0	106,0	304,0	153,0	8,9 %
Closing entries						
Change in depreciation difference						
Change in voluntary provisions						
Income taxes	-16,0	-29,0	-26,0	-61,0	-31,0	1,8 %
Other direct taxes						
Change in deferred tax liability						
RESULT FOR THE FISCAL PERIOD	44,0	86,0	80,0	242,0	122,0	7,1 %

Balance sheet (t €)

ASSETS	2011	2012	2013	2014	2015	2015 (%)
FIXED AND OTHER NON-CURRENT ASSETS						
INTANGIBLE ASSETS						
Start-up expenses						
Research expenses						
Development expenses						
Intangible rights						
Goodwill						
Other capitalised expenses						
Advances paid						
TANGIBLE ASSETS						
Land and water areas						
Buildings and constructions						
Machinery and equipment						
Other tangible assets						
Advances paid and fixed assets under construction						
INVESTMENTS						
Shares/Similar rights of ownership in group companies					40,0	5,1 %
Receivables from group companies						
Shares/Similar rights of ownership in associated companies						
Receivables from associated companies						
Shares/Similar rights of ownership in other companies						
Other receivables						
Own shares/similar rights of ownership						

FINANCIAL STATEMENTS ANALYSIS

ASSETS	2011	2012	2013	2014	2015	2015 (%)
CURRENT ASSETS						
INVENTORIES AND WORK-IN-PROGRESS						
Materials and supplies						
Work-in-progress						
Finished goods						
Other inventories						
Advances paid						
RECEIVABLES						
LONG TERM RECEIVABLES						
Trade receivables	76,0					
Receivables from group companies						
Receivables from associated companies						
Loan receivables						
Imputed tax receivables						
Other receivables			11,0	11,0	11,0	1,4 %
Unpaid shares/similar rights of ownership						
Prepaid expenses and accrued income	1,0					
SHORT TERM RECEIVABLES						
Trade receivables	76,0	106,0	244,0	264,0	452,0	57,2 %
Receivables from group companies			4,0	4,0	116,0	14,7 %
Receivables from associated companies						
Loan receivables						
Imputed tax receivables						
Other receivables		1,0	1,0	2,0	4,0	0,5 %
Unpaid shares/similar rights of ownership						
Prepaid expenses and accrued income	1,0		96,0	209,0		
FINANCIAL ASSETS						
Shares/Similar rights of ownership in group companies						
Own shares/similar rights of ownership						
Other shares/similar rights of ownership						
Other securities						
Cash in hand and at banks	84,0	154,0			168,0	21,3 %
BALANCE SHEET TOTAL	160,0	261,0	355,0	490,0	790,0	100 %

FINANCIAL STATEMENTS ANALYSIS

SHAREHOLDERS' EQUITY AND LIABILITIES	2011	2012	2013	2014	2015	2015 (%)
SHAREHOLDERS' EQUITY						
Share capital, subscribed capital of a co-operative or other capital	4,0	4,0	4,0	4,0	4,0	0,5 %
Share premium						
Revaluation reserve						
Fair value reserve						
OTHER RESERVES						
Treasury stock or reserve fund of any other capital						
Contingency reserve						
Reserves according to the articles of association or bylaws						
Other reserves						
Retained earnings (losses)	26,0	60,0	136,0	80,0	322,0	40,8 %
Result for the fiscal period	44,0	86,0	80,0	242,0	122,0	15,4 %
Capital loans						
ACCUMULATED CLOSING ENTRIES						
Depreciation difference						
Voluntary provisions						
COMPULSORY PROVISIONS						
Pension provision						
Tax provision						
Other compulsory provisions						

FINANCIAL STATEMENTS ANALYSIS

SHAREHOLDERS' EQUITY AND LIABILITIES	2011	2012	2013	2014	2015	2015 (%)
LIABILITIES						
LONG TERM LIABILITIES						
Bonds and notes						
Convertible bonds						
Capital loans						
Loans from financial institutions	9,0	2,0	2,0		80,0	10,1 %
Loans from pension institutions						
Advances received						
Trade payables	8,0					
Bills of exchange payable						
Loans from and other liabilities to group companies						
Loans from and other liabilities to associated companies						
Deferred tax liability						
Other loans and liabilities	33,0					
Deferred income and accrued expenses	26,0					
SHORT TERM LIABILITIES						
Bonds and notes						
Convertible bonds						
Capital loans						
Loans from financial institutions	9,0	9,0	12,0	23,0	64,0	8,1 %
Loans from pension institutions						
Advances received						
Trade payables	8,0	13,0	34,0	23,0	109,0	13,8 %
Bills of exchange payable						
Loans from and other liabilities to group companies						
Loans from and other liabilities to associated companies						
Other loans and liabilities	33,0	52,0	64,0	38,0	43,0	5,4 %
Deferred income and accrued expenses	26,0	36,0	24,0	79,0	46,0	5,8 %
BALANCE SHEET TOTAL	160,0	261,0	355,0	490,0	790,0	100 %

Attachments

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Calculation formulas for key ratios

KEY RATIOS REPRESENTING EFFICIENCY AND GROWTH

Turnover

Indicates the amount of sales proceeds generated by the company's operations. Discounts granted and sales-based direct taxes are deducted from the sales proceeds, the result being the turnover shown here.

Change in turnover %

The key ratio indicates the increase or decrease in turnover compared to the previous financial year, i.e. it can be deduced from the key ratio value whether the company's operation has expanded or reduced in the latest financial year. The key ratio is used in an industry-specific manner as the indicator of volume development. The key ratio is converted to correspond to 12 months, if the financial year deviates from this.

Calculation formula:

$$\frac{\text{turnover of the financial period} - \text{turnover of the previous financial period}}{\text{turnover of the previous financial period}} \times 100$$

Turnover/person

The key ratio indicates the amount of turnover generated per one employee. It is used in an industry-specific manner as an indicator of efficiency.

Calculation formula:

$$\frac{\text{turnover (12 mo)}}{\text{average number of personnel in the financial period}}$$

Added value/person

Added value is used for measuring the total added value produced for the company's products or services. Added value/person indicates the added value per one employee during the financial year. When necessary, the values used are converted to correspond to 12 months.

Calculation formula:

$$\frac{\text{operating margin} + \text{personnel expenses}}{\text{average number of personnel}}$$

Gross profit

If the financial statements have been prepared in the shortened form, the gross profit is shown in the key ratios. This is the first item to be shown in the shortened profit and loss account. The item is formed so that the following items are added to or deducted from the turnover: Increase/decrease in finished goods and work-in-progress inventories, Production for own use, Other operating income, Purchases during the financial year, Change in inventories, and Outsourced services. After the gross result, the shortened profit and loss account continues normally for the personnel expenses in accordance with the financial statements as stated in the Accounting Act.

Gross result/person

The key ratio indicates the amount of gross result per one employee and it is presented when the profit and loss account has been prepared in the so-called shortened form. The key ratio is used industry-specifically as an indicator of efficiency. This key ratio is displayed only if the profit and loss account has been prepared in the shortened form.

Calculation formula:

$$\frac{\text{gross result (12 mo)}}{\text{average number of personnel in the financial year}}$$

Change in gross result %

The key ratio indicates the change in gross result compared to previous year; i.e. it can be deduced from the value of the key ratio whether the company's operations have expanded or tailed off. The key ratio is displayed when the profit and loss account has been drawn up in the so-called shortened form. The key ratio is used industry-specifically as an indicator for the volume of operations and partly also for the development of profitability.

Calculation formula:

$$\frac{\text{gross result for the financial year} - \text{gross result for the previous financial year}}{\text{gross result for the previous financial year}} \times 100$$

KEY RATIOS REPRESENTING PROFITABILITY

Operating margin, %

The key ratio indicates the result of the company's business operations before depreciation and financial items. The value of the key ratio has to be compared with that of companies in the same industry. The operating margin is calculated from the financial statements in the following way: Depreciation according to plan, Reductions in value of fixed and other non-current assets, and Exceptional reductions in value of current assets are added to the result for business operations.

Calculation formula:

$$\frac{\text{operating margin}}{\text{operating income in total}} \times 100$$

Guideline values:

Trade and commerce 2–10%
Services 5–15%
Industry 10–25%

Trading profit, %

The key ratio indicates the result of the company's business operations before financial items. The ratio is used as the operating margin in % to measure the success of the company's business activities, but it takes better into account the differences between lines of business.

Calculation formula:

$$\frac{\text{result for business operations}}{\text{operating income in total}} \times 100$$

Guideline values:

over 10% = good
5–10% = satisfactory
under 5% = poor

Net result, %

The net result is calculated from the financial statements by subtracting taxes for the financial year from the item Result before extraordinary items and taxes. The net result indicates the profitability of the company's actual operations. The net result in % indicates the relation of the net result to the operating income (turnover + other operating income).

Calculation formula:

$$\frac{\text{net result}}{\text{operating income in total}} \times 100$$

Return on investment, %

This key ratio measures the relative profitability, i.e. return that has been obtained for the invested capital demanding interest or other profit. The return on investment is a ratio independent of lines of business.

Calculation formula:

$$\frac{\text{result before extraordinary items + costs of liabilities (12 mo)}}{([\text{balance sheet total of the most recent balance sheet} - \text{non-interest bearing liabilities}] + [\text{balance sheet total of the previous balance sheet} - \text{non-interest bearing liabilities}]) / 2} \times 100$$

Guideline values:

over 15% = good
9–15% = satisfactory
0–9% = passable
under 0% = poor

Return on assets, %

The ratio measures the company's ability to generate profits compared to the total capital tied up in the business operations. The ratio is more useful than the Return on investment in %, especially in cases in which it is impossible to clarify the division between the interest-bearing and the non-interest-bearing external capital.

Calculation formula:

$$\frac{\text{result before extraordinary items + costs of liabilities (12 mo)}}{(\text{balance sheet total of the newest balance sheet} + \text{balance sheet total of the previous balance sheet}) / 2} \times 100$$

If the company's accounting period deviates from the norm, the return percent has been converted to correspond to 12 months by dividing the numerator of the ratio by the length of the accounting period in months and by multiplying the figure by twelve. If the equity is negative (equity ratio is negative), the balance sheet totals in the nominator are at least equal to the liabilities. If there is only one accounting period, the nominator comprises only the balance sheet total of the newest accounting period.

Guideline values:

over 10% = good
5–10% = satisfactory
under 5% = poor

Return on equity %

The ratio indicates the company's ability to look after the capital invested in the company by its owners. The figure indicates how much yield has accumulated on the equity during the financial year. The company's equity values are partially historical and do not necessarily describe the equity tied up in the company. In order to obtain a more accurate picture of the equity yield, the capital in the balance sheet should be valued in terms of fair value, which is difficult in practice. Small equities can sometimes lead to high equity yields even though the euro-denominated result is quite small. In addition to this figure, it is also good to examine the euro denominated level of the company's net result.

Calculation formula:

$$\frac{\text{Net result (12 mo)}}{\text{Average equity}} \times 100$$

KEY RATIOS REPRESENTING LIQUIDITY

Quick ratio

The ratio measures the company's possibility to settle its short-term debts with current financial assets. The annual development of the company's financial position can be monitored using this ratio. The saleability and liquidity of the current financial assets have to be taken into account when interpreting the ratio.

Calculation formula:

current financial assets

short-term liabilities – advances received

Guideline values:

over 1,0 = good

0,5–1,0 = satisfactory

under 0,5 = poor

Current ratio

The key ratio measures the company's possibility to settle its short-term debts with current financial assets and inventories. The annual development of the company's financial position can be monitored using the ratio. The saleability and liquidity of the current financial assets have to be taken into account when interpreting the ratio.

Calculation formula:

current financial assets + inventories

short-term liabilities

Guideline values:

over 2,0 = good

1,0–2,0 = satisfactory

under 1,0 = poor

Asiakastieto's Rating Alfa

Rating Alfa is an interpreted summary of a company's creditworthiness and the factors determining it. The rating presented by an international seven-step letter scale (AAA – C) is a reliable assessment of the company's repayment ability and thereby the cost to be set to the company's capital. The rating is obtained in real time based on Asiakastieto's database. The calculation models are monitored and updated at regular intervals so that they conform to the cyclical fluctuations and other changes occurring in economy.

KEY RATIOS REPRESENTING SOLVENCY

Equity ratio %

This ratio measures the company's solvency by comparing the shareholders' equity to the balance sheet total, i.e. it indicates how much equity the company has in relation to its total capital. The ratio is independent of the line of business, and the saleability of the property items in the balance sheet have an influence on its interpretation.

Calculation formula:

$$\frac{\text{equity + appropriations}}{\text{balance sheet total - advances received}} \times 100$$

Guideline values:

over 40% = good

20–40% = satisfactory

under 20% = poor

Net gearing

The ratio measures the company's financial structure, i.e. the relation between interest-bearing debts and equity. The ratio is independent of the line of business.

Calculation formula:

$$\frac{\text{interest-bearing liabilities - cash and marketable securities}}{\text{equity}}$$

Guideline values:

If the value of the ratio is under one (1), it can be considered good.

Relative indebtedness, %

The key ratio indicates the amount of liabilities in the financial statements in relation to turnover.

Calculation formula:

$$\frac{\text{long and short-term liabilities + provisions - advances received (short and long-term)}}{\text{turnover (12 mo)}} \times 100$$

Guideline values:

under 40% = good

40–80% = satisfactory

over 80% = poor

KEY RATIOS REPRESENTING WORKING CAPITAL

Working capital, %

The level of working capital tells how much financing is tied up in the ongoing business of the company. The working capital percentage indicates the amount of said financing in relation to turnover and produces a view of the financing needs a possible expansion will cause.

Calculation formula:

$$\frac{\text{working capital (= inventories + trade receivables short-term - trade payables (short-term) - advances received (short-term))}}{\text{turnover (12 mo)}} \times 100$$

Inventories/turnover, %

The key ratio indicates the amount of inventories in the financial statements in relation to turnover.

Calculation formula:

$$\frac{\text{inventories without advance payments (= materials and supplies + work in progress + finished products/goods + other inventories)}}{\text{turnover (12 kk)}} \times 100$$

Collection period of trade receivables (days)

The key ratio shows the time the sales income remains as receivables in the balance sheet, before the actual funds are received by the company.

Calculation formula:

$$\frac{\text{trade payables from short-term liabilities} \times 365}{\text{purchases during the financial year + outsourced services (12 mo)}}$$

Payment period of trade payables (days)

The key ratio indicates to what extent on average the company has used the payment times offered by its suppliers.

Calculation formula:

$$\frac{\text{trade receivables} \times 365}{\text{turnover (12 mo)}}$$

KEY RATIOS REPRESENTING VALUE

Substance value of the balance sheet

The substance value is calculated from the most recent financial statements (assets deducted by liabilities, i.e. the euro amount of liabilities is deducted from the balance sheet total) at the moment of valuation. The substance value is made up of equity-related items; such as equity, other reserves, results from the financial periods and accumulation of transfers from the financial statements. Subordinated loans, regulated provisions and minority interest are not viewed as part of the company's substance value. The difference between equity and substance value is that equity includes minority interest.

Calculation formula:

Assets
- Liabilities

Yield value

The yield value measures the company's ability to produce yield on the substance value tied to the company that exceeds its cost. The yield value is the sum of the added value discounted annually over a ten-year period. The individual annual added value is the predicted net result from which the euro amount of the return requirement of the substance value tied to the company has been deducted.

Calculation formula:

$$\frac{\text{Net result (€) – required substance yield (€) year 1}}{1 + \text{discount interest \%}} + \frac{\text{Net result (€) – required substance yield (€) year 2}}{(1 + \text{discount interest \%})^2} + \dots + \frac{\text{Net result (€) – required substance yield (€) year 3}}{(1 + \text{discount interest \%})^3} + \dots + \frac{\text{Net result (€) – required substance yield (€) year 10}}{(1 + \text{discount interest \%})^{10}}$$

P/E figure

The observation ratio (so-called Price-per-Earnings) indicates the company's value compared to its latest net result.

Calculation formula:

$$\frac{\text{Value of capital stock}}{\text{Net result}}$$

P/B figure

The observation ratio (so-called Price-to-Book) indicates the value of the company's capital stock compared to its balance sheet book value.

Calculation formula:

$$\frac{\text{Value of capital stock}}{\text{Balance sheet book value}}$$

Required return on equity %

Required rate on equity in %

This financial-theoretical key ratio is based on the expected future return relating to the company's success. The key ratio is not directly shown in the financial statements data. The future returns of the company always contain uncertainty, for which the investors require a risk premium. The required return on equity is formed by the Capital Asset Pricing Model (CAPM), according to the theory indicating that expected returns of companies with a risk must be higher than the return of a risk-free investment subject so that investors avoiding risk would consent to holding them. Asiakastieto has an exceptionally extensive database on financial statements of Finnish companies. Asiakastieto calculates the risk of an individual company using four components: business risk (fluctuation of net result), financial risk (solvency), operational risk (gearing), and risk of inability to pay (company's credit rating). An average is calculated of these four key ratios, which portrays the riskiness of the company's returns. The risk figures are standardized in relation to all other companies with financial statements so that the average risk coefficient of the company (the so-called beta coefficient) is 1. Correspondingly, the risk coefficient of a company with low risk susceptibility is 0.5 and that with high risk susceptibility 2.5.

Calculation formula:

Risk-free interest+
company-specific risk coefficient * market risk premium

Net result

The net result is generally considered to be the value of the company's business operations. In practice, it is the amount of the result that remains available to the company's owners and is usually used as the basis for profit-sharing decision. The net result does not include extraordinary items and appropriations from the financial statements, so it is not necessarily equal to the profit or loss on the last line of the financial statements. The net result indicates the profitability of the company's actual operations. The net result in % indicates the relation of the net result to the operating income (turnover + other operating income).

Calculation formula:

Profit(loss) before appropriations and taxes
– taxes for the financial year
– income taxes
– other direct taxes

Asiakastieto's valuation model

A company's value can be calculated in several different ways, and the different methods also produce end results different from one another. In company acquisitions, it is common to apply several valuation methods. Asiakastieto's valuation model is based on the EVA model (Economic added value). The most popular method is probably the DCF model, in which the company's future free cash flows are discounted to the moment of valuation. Another common model is the so-called market coefficient model, in which the company's value is determined by prices paid for comparable companies.

In the EVA and DCF models, the return accruing in the future is converted into a present-time value. This is called discounting. Discounting can answer the question of what the value is today of the expectation that a company will make a profit of 1000 euros after a year. Depending on the risk level of the company's business, a different cost i.e. discount interest is calculated for the expectation time of the company's future cash flows. This interest is the same as the required return on capital tied up to the company. If, for example, the required return on capital of a company is 10%, the profit of 1000 euros the company has made after exactly a year is worth 909.1 euros today ($\text{EUR } 1000 / 1.1 = 909.1$). If a bigger risk is associated with the returns of a second company so that its required rate of return is 20%, the profit of 1000 euros made by the company after a year is today $\text{EUR } 1000 / 1.2 = 833.3$ euros. The more risky the company's return of the same size is, the lower its current value, because a higher discount rate is applied when determining it

Asiakastieto's EVA model

In the EVA model, the value of the company's capital stock is obtained by adding together two elements: 1) the balance sheet substance value (assets deducted by liabilities) at the moment of valuation, and 2) predicted added value, assessed to the capital from the valuation moment on, i.e. yield value. An example of the calculation of the value of capital stock by the Economic added value model is found at the beginning of this report.

In Asiakastieto's EVA model, the financial added value accruing in the future is discounted. In the model, the added value is calculated from the yield to be paid to the company's equity, i.e. from the company's net result.

A substance tied up to the balance sheet always has a required rate of return – the greater the risk of the business, the higher the required rate of return. In the example, the company's required rate on equity is 25%. This means that a net result of EUR 0.224 M must be accrued to the substance value each year in order for the company to be at least worth its balance sheet substance. If the annual net result is less than EUR 0.25 M, the value of the company's capital stock is lower than the balance sheet substance value. Such companies should not continue their business operations, but should instead realize their balance sheet. If the net proceeds exceed EUR 0.25 M, the company is said to generate economic added value to its balance sheet and the company's value is larger than the substance value of its balance sheet. The current value for added value is obtained by discounting these values to the present moment by the cost of equity, which in our example is 25%. The cost of equity is company-specific, and it reflects the estimated risk of the company's business in relation to all other companies.

The company's annual added value is the predicted net result for the year, from which the required rate of return for the substance value is deducted. Thus, the value of the company's capital stock is the substance value, to which the sum of the yearly discounted added value for the period of next ten years is added.

Asiakastieto's valuation model forecasts the company's net results for the next 10 years, beginning from the most recent financial statements. Calculating longer periods than this is not well founded, because the value of added value far from the future draws near to zero. If it is predicted that the company will generate an added value of, for example, 1000 euros after 10 years, and the company's required rate on equity is 25%, the current value of this added value is only $\text{EUR } 1000 / (1.25)^{10} =$ approx. EUR 107. This is why the forecast period of 10 years is sufficient to estimate the value on such a level that the uncertainties relating to the forecast of more than 10 years can grow even bigger than the benefits brought on by the extension of the forecast period.

Asiakastieto has chosen the EVA model as its primary valuation method for several reasons. First of all, the data required for the model is most likely to be available in Asiakastieto's database, which contains the published financial statements of Finnish companies. Secondly, Asiakastieto has tested different financial-statements-based valuation methods against the market values of Finnish listed companies and noticed that its own EVA model correlates best with the companies' market values. Thirdly, the EVA model often provides the subscriber of the report with the most data they have not seen before. Because especially in situations of corporate acquisitions several different valuation methods are applied, with the EVA model being usually the least known of the described methods, the subscriber of Asiakastieto's report is often given a new angle from which to examine the company's value.

Different methods produce different values, and ultimately, the value of the company is the amount the purchaser is willing to pay and for which the seller is willing to sell. For this reason, no method produces an absolutely "correct" value, but rather provides one well-founded opinion on the value of the company.

Asiakastieto's financial forecasts

In its valuations, Asiakastieto uses official financial statements disclosed by companies. Asiakastieto's model automatically generates a 10-year financial forecast based on historical financial statements data from 2–5 years, with the forecast forming the basis for the valuation.

If the official financial statements contain errors or do not otherwise provide a full description of the company's financial situation, the inaccuracies also have an impact on the forecast generated by Asiakastieto and thus on the final valuation result. A typical inaccuracy contained in the historical data with SME companies is, for example, that the director has not paid him- or herself market-based wages and because of this, the business operations in the profit and loss account show a higher profitability and the final valuation result is higher than what would have been obtained by adjusting the wage income. Another typical inaccuracy is that some property items in the balance sheet, such as real estate or machines owned by the company, are in the balance sheet with a value lower than their current value. Such a valuation inaccuracy in the balance sheet may lead to deviations in either direction in the EVA model: in proportion to too high or too low a value.

It is difficult to fully automatically adjust the financial statements. This is why Asiakastieto considers it better to use the financial statements that are fully unadjusted.

Asiakastieto's forecast model calculates assumptions related to turnover growth and profitability. The report shows this as a forecast for 10 years, making it possible for a user of the report who knows the company to assess the realism of the forecasts and the impact of adjustments made in their mind on the value. Because of this, the valuation results are also shown as a sensitivity table, in which it is possible to assess the company's value by changing growth and profitability assumptions.

Calculation of the discount interest used

As is the case with the estimated forecasts, also the discount interest used in the discounting of added value has an impact on the final result of valuation.

The most significant changing factor in the calculation of discount interest is the specification of the beta coefficient. The beta coefficient depicts the company's risk in proportion to the riskiness of the entire Finnish company base. Asiakastieto has an exceptionally extensive database of financial statements of Finnish companies. Asiakastieto calculates the beta coefficient of an individual company from four components, i.e. the so-called fundamental beta: business risk (fluctuation of net result), financial risk (solvency), operational risk (gearing), and risk of inability to pay (company's credit rating). An average is calculated of these four fundamental betas, which is the company's beta value. In the whole company mass, all fundamental beta values are scaled between 0.5 and 2.5 so that the median beta of the whole Finnish company mass is 1, which thus reflects the average risk.

Suomen Asiakastieto Oy's liability

The data in the report are based on Suomen Asiakastieto Oy's database, which is an extensive and up-to-date company database containing the most recent financial data of all companies with Business IDs. Suomen Asiakastieto Oy cannot guarantee the completeness or correctness of the report, and does thus not assume any responsibility for direct or indirect damages incurred due to the content or use of the report.

Notes

Do not rely on luck. Rely on information.

Managing a company without exact and up-to-date data is difficult and can lead to serious miscalculations. With Asiakastieto's Corporate Reports, you can identify your own position, find the keys to the development of your business and keep an eye on your competitors. The product family of corporate reports consists of two reports of different extents, which you can use to view a selected company or set of companies. The reports are assembled by Asiakastieto, always using the most recent background data available and processed into easy-to-read and informative tables and graphs. You will receive the analysis for your use as a distinct written report.

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