

Little surprises

Pihlajalinna's Q4 revenue and adj. EBITDA were close to both our and consensus estimates. Profitability improved y/y, but looks to be largely explained by service provider refunds, which have involved a lot of fluctuation historically. Organic growth remained positive (+1.3%) from Q3. Dividend proposal is EUR 0.10 per share, marginally better than expected. Guidance for 2019E looks to be largely reflected in consensus: revenue is to improve while adj. EBIT is to improve clearly. Overall, the Q4 report looks just fine.

- Revenue was EUR 127m vs. EUR 127m/125m Evli/cons estimates. Revenue grew by 17.6% y/y, of which 16.3% was due to M&A. This implies organic growth of +1.3%. Organic growth was similar to Q3 (+1.1%).
- Adj. EBITDA was EUR 11.1m (8.7% margin) vs. EUR 10.9m/11.2m (8.6%/8.9%) Evli/cons estimates. Adj. EBITDA improved by EUR 2.6m y/y, of which EUR 2.4m looks to be explained by service provider refunds from hospital districts for public sector specialized care cost accruals. Volumes and profitability of clinic and surgical operations were lower y/y, due to the competitive situation and patient guidance by insurance companies. New clinics still had a negative EBITDA contribution (as expected), but this now lower than in previous quarters at EUR -0.4m in Q4.
- Dividend is EUR 0.10 per share vs. EUR 0.08 Evli and EUR 0.09 consensus.
- Guidance for 2019E looks to be largely reflected in consensus: Revenue will increase and adj. EBIT will improve clearly.

Rating + BUY

Pihlajalinna Q4'18	Actual	Evli	Cons.*	Year ago
Net sales	127.0	127.1	125.4	108.0
Adj. EBITDA	11.1	10.9	11.2	8.5
Adj. EBITDA-margin	8.7 %	8.6 %	8.9 %	7.9 %
Adj. EBIT	6.5	6.1	6.2	5.0
Adj. EBIT-margin	5.1 %	4.8 %	4.9 %	4.6 %
EPS (reported)	0.12	0.18	0.16	0.13
DPS	0.10	0.08	0.09	0.16

**Bloomberg (5 estimate mean)*

Share price, EUR (Last trading day's closing price) 10.26

Target price, EUR 12.0

Latest change in	01-Nov-18
Latest report on company	29-Jan-19
Research paid by issuer:	Yes
No. of shares outstanding,	22,620
No. of shares fully diluted,	22,620
Market cap, EURm	232
Free float, %	66.0
Exchange rate	0.000
Reuters code	PIHLIS.HE
Bloomberg code	PIHLIS FH
Average daily volume, EURm	na.
Next interim report	-
Web site	http://investors.pihlajalinna.fi/

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+ BUY + HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	399	17	4.2%	15	0.47	39.1	1.0	11.2	25.1	0.15
2017	424	20	4.7%	19	0.52	25.7	0.8	7.2	16.2	0.16
2018E	488	14	2.8%	11	0.26	39.9	0.7	7.2	25.1	0.08
2019E	510	17	3.4%	14	0.46	22.5	0.6	6.7	18.5	0.15
2020E	520	23	4.4%	20	0.65	15.7	0.6	6.3	13.5	0.22

Market cap, EURm	232	BV per share 2018E, EUR	4.5	CAGR EPS 2017-20, %	8.0
Net debt 2018E, EURm	97	Price/book 2018E	2.3	CAGR sales 2017-20, %	7.1
Enterprise value, EURm	341	Dividend yield 2018E, %	0.8	ROE 2018E, %	5.7
Total assets 2018E, EURm	319	Tax rate 2018E, %	24.0	ROCE 2018E, %	6.5
Goodwill 2018E, EURm	104	Equity ratio 2018E, %	33.8	PEG, P/E 18/CAGR	0.9

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

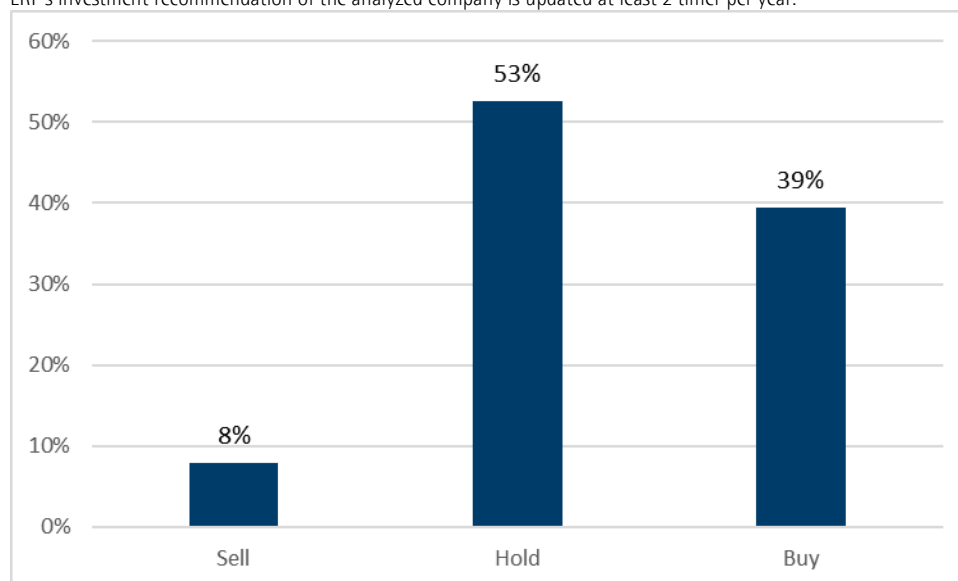
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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