

CMD notes

Pihlajalinna hosted the 2019 CMD last Friday. The focus of the event was on increased health and social care costs, cooperation of private and public sectors as well as the digitalization of health care. Pihlajalinna did not make any changes to its '19E guidance nor its long-term financial targets. We maintain our rating "Buy" with TP of EUR 13.

Need of new solutions for arranging services

The finances of Finnish municipalities have continued to deteriorate and municipalities are forced to find new solutions to balance their increased health and social care costs. Cooperation with private sector is no longer purely voluntary. As Pihlajalinna stated in Q1, municipalities' activity has increased after the failure of the SOTE reform, despite of the restriction law.

New opportunities on occupational healthcare

Pihlajalinna has been able to use its network to expand services across the country. The company sees opportunities in expanding its occupational healthcare network as municipalities and other public sector entities are interested in divesting the occupational healthcare providers they currently own. The company targets to expand in basic-level specialized care and non-urgent specialized care as the public sector has made cuts in operations and centralized specialized care in fewer units.

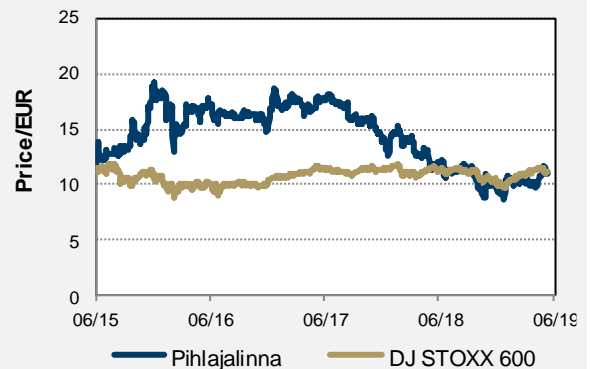
Focusing on profitability improvements in 2019E

Pihlajalinna's plan is to improve its profitability by organic growth, increasing cross-selling, and by addressing profitability issues in the new medical service centers. Pihlajalinna will also improve its customer service experience by bringing new digital solutions to the market, which will also be a significant profitability driver in the future.

Guidance for 2019E intact

Pihlajalinna reiterated its guidance for 2019E; to increase its revenue and EBIT in 2019E from 2018 levels. The company did not make changes to its long-term targets and expects EBIT % of 7% in long-term. We keep our estimates intact. We maintain our rating "Buy" with TP of EUR 13.

Rating + BUY



Share price, EUR (Last trading day's closing price)	11.08
Target price, EUR	13.0
Latest change in rating	01-Nov-18
Latest report on company	06-May-19
Research paid by issuer:	Yes
No. of shares outstanding,	22,620
No. of shares fully diluted,	22,620
Market cap, EURm	251
Free float, %	57.0
Exchange rate	0.000
Reuters code	PIHLIS.HE
Bloomberg code	PIHLIS FH
Average daily volume, EURm	na.
Next interim report	15-Aug-19
Web site	http://investors.pihlajalinna.fi/
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+ BUY ◻ HOLD ◻ SELL

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
2017	424	20	4.7%	19	0.52	25.7	0.8	7.2	16.2	0.16
2018	488	14	2.9%	10	0.19	46.4	0.8	4.4	27.9	0.10
2019E	525	24	4.5%	20	0.64	17.4	0.8	4.4	18.0	0.21
2020E	535	25	4.6%	20	0.66	16.9	0.7	4.0	16.4	0.22
2021E	549	29	5.2%	25	0.82	13.5	0.6	4.1	12.3	0.27
Market cap, EURm	251			BV per share 2019E, EUR	5.9			CAGR EPS 2018-21, %	64.3	
Net debt 2019E, EURm	162			Price/book 2019E	1.9			CAGR sales 2018-21, %	4.0	
Enterprise value, EURm	430			Dividend yield 2019E, %	1.9			ROE 2019E, %	11.3	
Total assets 2019E, EURm	428			Tax rate 2019E, %	20.6			ROCE 2019E, %	6.9	
Goodwill 2019E, EURm	170			Equity ratio 2019E, %	33.4			PEG, P/E 19/CAGR	1.5	

Estimates

Net sales	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018E	Q1'19E	Q2'19E	Q3'19E	Q4'19E	2019E	2020E
Corporate Customers	82,6	26,2	25,3	22,8	29,4	103,7	31,6	27,8	26,5	31,9	117,8	120,1
of which insurance companies	26,6	6,6	6,6	5,3	6,7	25,2	7,1	7,1	7,1	7,1	28,4	29,0
of which other corporates	56,0	19,6	18,7	17,5	22,7	78,5	24,5	20,7	19,4	24,8	89,4	91,2
Private Customers	67,9	22,2	24,3	21,0	24,6	92,1	26,5	25,3	22,0	25,7	99,5	101,5
Public sector customers	330,5	85,1	90,3	85,7	88,6	349,7	89,3	94,6	89,9	92,9	366,7	374,0
Total	424,0	119,3	125,3	116,3	126,9	487,8	132,5	132,8	125,0	134,4	524,7	535,2
Net sales growth												
Corporate Customers	-	17,0%	21,1%	25,3%	39,3%	25,5%	20,6%	9,8%	16,4%	8,4%	13,6%	2,0%
Private Customers	-	16,8%	35,0%	54,4%	42,2%	35,6%	19,4%	4,1%	4,9%	4,5%	8,1%	2,0%
Public sector customers	-	2,5%	9,9%	6,1%	4,9%	5,8%	4,9%	4,8%	4,9%	4,8%	4,9%	2,0%
Total	6,2%	8,5%	17,5%	17,0%	17,5%	15,0%	11,1%	6,0%	7,5%	5,9%	7,6%	2,0%
Adj. EBITDA (group)	34,0	6,9	10,2	14,2	14,6	45,9	12,6	13,1	16,0	16,8	58,6	61,5
Adj. EBITDA-margin (group)	8,0%	5,8%	8,1%	12,2%	11,5%	9,4%	9,5%	9,9%	12,8%	12,5%	11,2%	11,5%

Source: Pihlajalinna, Evli Research

Valuation

On our estimates, Pihlajalinna trades at 7.3x and 5.9x EV/EBITDA multiples in 2019E-2020E, which translates into 26% and 29% discount compared to the peer group.

PIHLAJALINNA PEER GROUP	Security identifier	MCAP Local FX	EV/EBITDA			EV/EBIT			P/E		
			19	20	21	19	20	21	19	20	21
Ambea AB	AMBEA-SE	4582	9,9x	8,1x	7,3x	22,6x	16,0x	14,0x	10,2x	9,0x	8,0x
Attendo AB	ATT-SE	8164	9,0x	8,2x	7,5x	20,5x	17,7x	15,6x	21,6x	16,4x	13,4x
Cambian Group Plc	CMBN-GB										
Capio AB	CAPIO-SE										
CareTech Holdings PLC	CTH-GB	392	9,7x	8,3x	7,6x	11,8x	9,9x	8,6x	10,2x	8,4x	7,3x
Fresenius SE & Co. KGaA	FRE-DE	27081	6,9x	6,2x	5,5x	9,6x	8,7x	7,9x	14,5x	13,6x	12,6x
Georgia Healthcare Group Plc	GHG-GB	134	8,6x	7,2x	5,9x	10,9x	8,7x	7,2x	19,8x	14,6x	11,5x
GHP Specialty Care AB	GHP-SE	901	6,7x	6,0x	5,6x	14,1x	12,5x	11,5x	19,7x	17,0x	17,4x
Humana AB	HUM-SE	2976	11,1x	9,8x	8,9x	14,4x	12,5x	11,3x	10,9x	9,7x	8,8x
Korian SA	KORI-FR	2957	11,1x	10,2x	9,4x	16,9x	15,3x	13,8x	21,7x	18,3x	15,8x
LNA Sante SA	LNA-FR	431	11,5x	10,7x	9,9x	13,5x	12,5x	11,6x	17,9x	16,2x	14,4x
Mediclinic International Plc	MDC-GB	2511	8,3x	7,6x	6,5x	12,3x	11,1x	8,6x	12,7x	11,1x	8,9x
Orpea SA	ORP-FR	6601	17,5x	16,4x	15,4x	24,6x	23,0x	21,6x	26,1x	23,3x	21,2x
RHON-KLINIKUM AG	RHK-DE	1710	13,9x	13,2x	13,3x	30,1x	28,0x	31,1x	43,7x	39,2x	41,0x
Spire Healthcare Group PLC	SPI-GB	485	8,1x	7,4x	7,6x	17,9x	15,6x	15,8x	23,5x	17,6x	14,3x
Terveystalo Oy Class A	TTALO-FI	1169	10,4x	9,5x	8,7x	20,2x	17,7x	15,1x	18,3x	16,2x	15,0x
Peer Group Median		4529	9,8x	8,3x	7,6x	15,6x	13,9x	12,7x	19,0x	16,2x	13,9x
Peer Group Average		2111	10,2x	9,2x	8,5x	17,1x	14,9x	13,8x	19,3x	16,5x	15,0x
Pihlajalinna (Evli est.)		251	7,3x	5,9x	5,2x	18,1x	16,4x	11,6x	17,4x	18,5x	12,9x
<i>Pihlajalinna premium/discount to peer median</i>			<i>-26 %</i>	<i>-29 %</i>	<i>-32 %</i>	<i>16 %</i>	<i>18 %</i>	<i>-9 %</i>	<i>-9 %</i>	<i>14 %</i>	<i>-7 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	11.08 PV of Free Cash Flow	255 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	14.82 PV of Horizon value	280 WACC, %	7.0 Market risk premium, %
Share price potential, %	33.7 Unconsolidated equity	-17 Spread, %	0.5 Debt risk premium, %
Maximum value	17.0 Marketable securities	36 Minimum WACC, %	6.5 Equity beta coefficient
Minimum value	13.0 Debt - dividend	-219 Maximum WACC, %	7.5 Target debt ratio, %
Horizon value, %	52.3 Value of stock	335 Nr of shares, Mn	22.6 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	488	525	535	549	565	582	599	617	636	655	668	682
<i>Sales growth, %</i>	<i>15.0</i>	<i>7.6</i>	<i>2.0</i>	<i>2.5</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	14	24	25	29	29	32	33	34	35	33	33	34
<i>EBIT margin, %</i>	<i>2.9</i>	<i>4.5</i>	<i>4.6</i>	<i>5.2</i>	<i>5.2</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
+ Depreciation+amort.	32	35	42	37	31	25	22	20	19	18	18	
- Income taxes	-5	-5	-5	-6	-6	-6	-7	-7	-7	-7	-7	
- Change in NWC	3	3	1	1	1	1	1	1	1	2	1	
<i>NWC / Sales, %</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	
+ Change in other liabs	-1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-202	-32	-13	-14	-15	-16	-17	-18	-18	-18	-19	-19
<i>Investments / Sales, %</i>	<i>41.3</i>	<i>6.0</i>	<i>2.4</i>	<i>2.5</i>	<i>2.7</i>	<i>2.7</i>	<i>2.8</i>	<i>2.9</i>	<i>2.8</i>	<i>2.7</i>	<i>2.8</i>	<i>2.8</i>
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-159	25	50	47	41	36	33	30	30	27	27	539
= Discounted FCF (DFCF)		24	45	39	32	27	22	19	18	15	14	280
= DFCF min WACC		24	45	40	33	27	23	20	19	16	14	326
= DFCF max WACC		24	44	39	32	26	22	19	17	15	13	244

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	119	125	116	127	488	133	133	125	134	525	535	549
EBITDA	7	10	14	15	46	13	13	16	17	58	67	65
<i>EBITDA margin (%)</i>	<i>5.6</i>	<i>8.1</i>	<i>12.1</i>	<i>11.6</i>	<i>9.3</i>	<i>9.4</i>	<i>9.9</i>	<i>12.8</i>	<i>12.5</i>	<i>11.1</i>	<i>12.5</i>	<i>11.9</i>
EBIT	0	2	6	7	14	4	5	7	8	24	25	29
<i>EBIT margin (%)</i>	<i>-0.3</i>	<i>1.5</i>	<i>5.1</i>	<i>5.1</i>	<i>2.9</i>	<i>2.9</i>	<i>3.4</i>	<i>5.8</i>	<i>6.0</i>	<i>4.5</i>	<i>4.6</i>	<i>5.2</i>
Net financial items	-1	-1	-1	-1	-4	-1	-1	-1	-1	-4	-4	-4
Pre-tax profit	-1	1	5	5	10	3	4	6	7	20	20	25
Tax	0	0	-1	-1	-3	-1	-1	-1	-1	-4	-4	-5
<i>Tax rate (%)</i>	<i>0.0</i>	<i>27.3</i>	<i>22.0</i>	<i>24.1</i>	<i>26.5</i>	<i>24.1</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-2	1	2	3	4	2	3	5	5	14	15	19
EPS	-0.08	0.04	0.10	0.13	0.19	0.08	0.11	0.21	0.24	0.64	0.66	0.82
EPS adjusted (diluted no. of shares)	-0.08	0.04	0.10	0.13	0.19	0.08	0.11	0.21	0.24	0.64	0.66	0.82
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.21	0.22	0.27
SALES, EURm												
Corporate Customers	28	24	25	29	106	32	28	27	32	118	120	123
Private Customers	22	24	21	25	92	27	25	22	26	100	102	104
Public sector customers	84	92	84	89	348	89	95	90	93	367	374	383
Eliminations	-14	-15	-13	-16	-58	-15	-15	-13	-16	-59	-60	-62
Total	119	125	116	127	488	133	133	125	134	525	535	549
SALES GROWTH, Y/Y %												
<i>Corporate Customers</i>	<i>23.7</i>	<i>13.9</i>	<i>36.3</i>	<i>39.3</i>	<i>28.0</i>	<i>14.1</i>	<i>16.7</i>	<i>7.0</i>	<i>8.4</i>	<i>11.4</i>	<i>2.0</i>	<i>2.5</i>
<i>Private Customers</i>	<i>16.8</i>	<i>35.0</i>	<i>53.7</i>	<i>42.2</i>	<i>35.5</i>	<i>19.4</i>	<i>4.1</i>	<i>5.4</i>	<i>4.5</i>	<i>8.2</i>	<i>2.0</i>	<i>2.5</i>
<i>Public sector customers</i>	<i>0.6</i>	<i>11.8</i>	<i>3.6</i>	<i>4.9</i>	<i>5.2</i>	<i>6.9</i>	<i>2.9</i>	<i>7.4</i>	<i>4.8</i>	<i>5.5</i>	<i>2.0</i>	<i>2.5</i>
<i>Eliminations</i>	<i>-1.4</i>	<i>1.4</i>	<i>-0.8</i>	<i>4.7</i>	<i>1.1</i>	<i>4.9</i>	<i>1.3</i>	<i>2.8</i>	<i>2.7</i>	<i>2.9</i>	<i>2.0</i>	<i>2.5</i>
Total	8.4	17.5	17.0	17.6	15.0	11.2	6.0	7.5	5.9	7.6	2.0	2.5
EBIT, EURm												
Group	0	2	6	7	14	4	5	7	8	24	25	29
Total	0	2	6	7	14	4	5	7	8	24	25	29
EBIT margin, %												
<i>Total</i>	<i>-0.3</i>	<i>1.5</i>	<i>5.1</i>	<i>5.1</i>	<i>2.9</i>	<i>2.9</i>	<i>3.4</i>	<i>5.8</i>	<i>6.0</i>	<i>4.5</i>	<i>4.6</i>	<i>5.2</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	149	213	399	424	488	525	535	549
<i>Sales growth (%)</i>	<i>42.6</i>	<i>43.3</i>	<i>87.0</i>	<i>6.2</i>	<i>15.0</i>	<i>7.6</i>	<i>2.0</i>	<i>2.5</i>
Costs	-135	-201	-370	-390	-442	-466	-468	-483
Reported EBITDA	14	13	29	34	46	58	67	65
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>9.3</i>	<i>6.0</i>	<i>7.4</i>	<i>8.1</i>	<i>9.3</i>	<i>11.1</i>	<i>12.5</i>	<i>11.9</i>
Depreciation	-6	-8	-13	-14	-32	-35	-42	-37
EBITA	8	5	17	20	14	24	25	29
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	8	5	17	20	14	24	25	29
<i>EBIT margin (%)</i>	<i>5.4</i>	<i>2.2</i>	<i>4.2</i>	<i>4.7</i>	<i>2.9</i>	<i>4.5</i>	<i>4.6</i>	<i>5.2</i>
Net financials	-3	-2	-1	-1	-4	-4	-4	-4
Pre-tax profit	5	2	15	19	10	20	20	25
Extraordinary items	-2	-1	-1	-1	-1	0	0	0
Taxes	-1	0	-3	-3	-3	-4	-4	-5
Minority shares	0	-1	-3	-5	-3	-1	-1	-1
Net profit	1	1	8	10	4	14	15	19
BALANCE SHEET, EURm								
Assets								
Fixed assets	47	69	67	83	184	181	152	129
<i>% of sales</i>	<i>31</i>	<i>32</i>	<i>17</i>	<i>20</i>	<i>38</i>	<i>35</i>	<i>28</i>	<i>24</i>
Goodwill	56	76	92	104	170	170	170	170
<i>% of sales</i>	<i>38</i>	<i>36</i>	<i>23</i>	<i>25</i>	<i>35</i>	<i>32</i>	<i>32</i>	<i>31</i>
Inventory	1	2	2	2	3	3	3	3
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Receivables	14	20	27	25	40	33	34	35
<i>% of sales</i>	<i>10</i>	<i>9</i>	<i>7</i>	<i>6</i>	<i>8</i>	<i>6</i>	<i>6</i>	<i>6</i>
Liquid funds	11	15	28	37	36	37	37	38
<i>% of sales</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>9</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>
Total assets	131	185	218	254	437	428	400	379
Liabilities								
Equity	10	93	101	106	130	143	153	166
<i>% of sales</i>	<i>7</i>	<i>44</i>	<i>25</i>	<i>25</i>	<i>27</i>	<i>27</i>	<i>29</i>	<i>30</i>
Deferred taxes	4	5	6	6	6	6	6	6
<i>% of sales</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Interest bearing debt	88	42	52	77	217	199	160	123
<i>% of sales</i>	<i>59</i>	<i>20</i>	<i>13</i>	<i>18</i>	<i>45</i>	<i>38</i>	<i>30</i>	<i>22</i>
Non-interest bearing current liabilities	27	42	55	62	80	76	78	80
<i>% of sales</i>	<i>18</i>	<i>20</i>	<i>14</i>	<i>15</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>15</i>
Other interest free debt	1	3	3	3	3	3	3	3
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Total liabilities	131	185	217	254	437	428	400	379
CASH FLOW, EURm								
+ EBITDA	14	13	29	34	46	58	67	65
- Net financial items	-3	-2	-1	-1	-4	-4	-4	-4
- Taxes	-1	0	-2	-4	-4	-4	-4	-5
- Increase in Net Working Capital	4	9	7	8	3	3	1	1
+/- Other	-2	-2	-4	-5	-4	-1	-1	-1
= Cash flow from operations	11	19	30	37	42	53	59	58
- Capex	-28	-48	-27	-41	-122	-32	-13	-14
- Acquisitions	0	0	0	0	-79	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-17	-29	3	-4	-160	22	46	44
+/- Change in interest-bearing debt	46	-46	10	25	141	-18	-39	-37
+/- New issues/buybacks	-29	82	-1	-2	24	0	0	0
- Paid dividend	0	0	0	-3	-3	-2	-5	-5
+/- Change in loan receivables	0	1	1	0	-1	0	0	0
Change in cash	0	8	13	15	1	2	2	2

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	256	380	275	195	251	251	251
Net debt	27	25	40	181	162	122	84
Enterprise value	286	416	325	391	430	389	350
Sales	213	399	424	488	525	535	549
EBITDA	13	29	34	46	58	67	65
EBIT	5	17	20	14	24	25	29
Pre-tax	2	15	19	10	20	20	25
Earnings	2	10	11	4	14	15	19
Book value	92	98	100	121	133	143	157
Valuation multiples							
EV/sales	1.3	1.0	0.8	0.8	0.8	0.7	0.6
EV/EBITDA	22.5	14.2	9.5	8.6	7.4	5.8	5.4
EV/EBITA	60.8	25.1	16.2	27.9	18.0	15.7	12.3
EV/EBIT	60.8	25.1	16.2	27.9	18.0	15.7	12.3
EV/operating cash flow	13.4	12.3	8.5	8.9	7.6	6.2	5.8
EV/cash earnings	28.6	15.8	11.2	10.3	8.5	6.7	6.2
P/E	170.5	39.1	25.7	46.4	17.4	16.9	13.5
P/E excl. goodwill	170.5	39.1	25.7	46.4	17.4	16.9	13.5
P/B	2.8	3.9	2.7	1.6	1.9	1.7	1.6
P/sales	1.2	1.0	0.6	0.4	0.5	0.5	0.5
P/CF	12.0	11.2	7.2	4.4	4.4	4.0	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	19.5	17.2	13.6
Target P/E	0.0	0.0	0.0	0.0	20.4	19.8	15.8
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.9
Per share measures							
Number of shares	20,613	20,613	20,613	22,620	22,620	22,620	22,620
Number of shares (diluted)	20,613	20,613	20,613	22,620	22,620	22,620	22,620
EPS	0.07	0.47	0.52	0.19	0.64	0.66	0.82
EPS excl. goodwill	0.07	0.47	0.52	0.19	0.64	0.66	0.82
Cash EPS	0.49	1.28	1.40	1.67	2.23	2.58	2.51
Operating cash flow per share	1.03	1.64	1.86	1.94	2.50	2.78	2.68
Capital employed per share	5.68	5.95	6.91	13.76	13.48	12.16	11.10
Book value per share	4.47	4.74	4.87	5.36	5.90	6.34	6.95
Book value excl. goodwill	0.78	0.26	-0.17	-2.15	-1.61	-1.17	-0.56
Dividend per share	0.00	0.15	0.16	0.10	0.21	0.22	0.27
Dividend payout ratio, %	0.0	31.9	30.8	53.9	33.0	33.0	33.0
Dividend yield, %	0.0	0.8	1.2	1.2	1.9	2.0	2.5
Efficiency measures							
ROE	3.0	10.2	10.8	3.8	11.3	10.7	12.4
ROCE	4.0	11.7	12.2	5.3	6.9	7.6	9.5
Financial ratios							
Capex/sales, %	22.3	6.8	9.7	41.3	6.0	2.4	2.5
Capex/depreciation excl. goodwill,%	346.6	85.2	209.2	429.1	91.2	30.8	37.7
Net debt/EBITDA, book-weighted	2.1	0.8	1.2	4.0	2.8	1.8	1.3
Debt/equity, market-weighted	0.2	0.1	0.3	1.1	0.8	0.6	0.5
Equity ratio, book-weighted	50.5	46.4	41.8	29.8	33.4	38.2	44.0
Gearing	0.28	0.24	0.37	1.39	1.14	0.80	0.51
Number of employees, average	2,503	3,526	3,879	3,879	3,879	3,879	3,879
Sales per employee, EUR	85,258	113,188	109,307	125,754	135,273	137,978	141,428
EBIT per employee, EUR	1,878	4,708	5,182	3,609	6,149	6,376	7,354

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lähitapiola Keskinäinen Vakuutusyhtiö	3,481,641	38.577	15.4%
Mww Yhtiö Oy	2,309,010	25.584	10.2%
Fennia Mutual Insurance Company	1,998,965	22.149	8.8%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,865	20.962	8.4%
Elo Pension Company	1,267,161	14.040	5.6%
Niemistö Leena Katriina	703,475	7.795	3.1%
Fondita Nordic Micro Cap	550,000	6.094	2.4%
Ilmarinen Mutual Pension Insurance Company	490,000	5.429	2.2%
Fennia Life Insurance Company Ltd	270,759	3.000	1.2%
Nordea Pro Finland Fund	241,920	2.680	1.1%
Ten largest	13,204,796	146.309	58%
Residual	9,415,339	104.322	42%
Total	22,620,135	250.631	100%

EARNINGS CALENDAR

August 15, 2019

Q2 report

November 05, 2019

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Joni Aaltonen

Kehräsaari B, 33200 Tampere

CFO: Ville Lehtonen

Tel:

IR: Taina Erkkilä

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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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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Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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Name(s) of the analyst(s): Rissanen

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