

Potential continues to realize

Top line drove EBIT as higher outsourcing costs remained a drag on relative profitability. Corporate and private volumes were still below pre-pandemic levels, meaning business normalization is set to support further gains.

Adj. EBIT gained EUR 1.3m y/y despite outsourcing costs

Revenue grew 13% y/y in Q3; the EUR 141m figure topped the EUR 136m/138m Evli/cons. estimates. Public sector revenue grew 18%, more than estimated. Corporate and private customer revenues were a bit soft relative to estimates; the former was up 11% y/y while the latter was down 5%. Adj. EBIT improved to EUR 10.0m vs the EUR 10.6m/9.0m Evli/cons. estimates despite the mix being tilted more towards the public sector than expected while the outsourcing EBIT margin declined by 330bps y/y to 3.5% (higher service care requirements raised costs). We also gather Pihlajalinna is making progress on this front to receive better compensation in the future. Q3 adj. EBIT margin improved only by 10bps y/y to 7.1% due to the outsourcing cost drag; going forward there should be good scope for meaningful improvement as private volumes continue to improve and Pihlajalinna gets more compensation for outsourcing costs.

Organic improvement in addition to the Pohjola acquisition

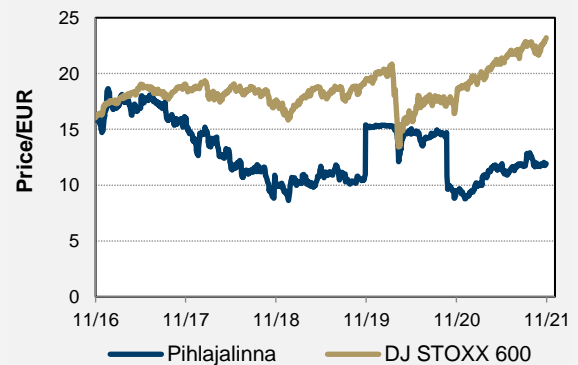
Q3 is the most profitable quarter and the EUR 11.8m in Covid-19 services revenue was an additional help. We believe Covid-19 revenue will decline a bit q/q in Q4 but should still reach a meaningful level. Pihlajalinna continues to make additions to its facility network but capex levels are to remain modest while focus is more towards digital services. The Pohjola Hospital acquisition is set to close early next year and Pihlajalinna will provide an update on financial targets near the completion. Pihlajalinna expects to realize sizable cost synergies while insurance co-operation drives volumes. The target's revenue fell in part due to the pandemic, but size was also diminished because of the decision to divest occupational health activities.

Good earnings as well as multiple expansion potential

We make minor estimate revisions. Our FY '21 EBIT estimate stands almost unchanged at EUR 32.1m. Valuation is undemanding relative to peers in the short-term (8x EV/EBITDA and 16x EV/EBIT on our FY '21 estimates) while margin potential underpins further upside. Our TP is EUR 14.0 (13.5); rating is BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 11.92

Target price, EUR 14.0

Latest change in	22-Feb-21
Latest report on company	01-Nov-21
Research paid by issuer:	YES
No. of shares outstanding,	22,584
No. of shares fully diluted,	22,584
Market cap, EURm	269
Free float, %	80.1
Exchange rate	-
Reuters code	PIHLIS.HE
Bloomberg code	PIHLIS FH
Average daily volume, EURm	0.2
Next interim report	18-Feb-22
Web site	http://investors.pihlajalinna.fi/

Analyst Joonas Ilvonen
 E-mail joonas.ilvonen@evli.com
 Telephone +358 44 430 9071

BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	518.7	20.9	4.0%	12.8	0.61	24.9	1.1	26.6	3.7	0.00
2020	508.8	20.8	4.1%	0.5	0.50	18.6	0.8	20.0	0.2	0.20
2021E	577.0	32.1	5.6%	-39.2	0.99	12.0	0.9	16.2	-14.6	0.35
2022E	665.4	38.2	5.7%	70.6	1.18	10.1	0.7	11.9	26.2	0.41
2023E	685.3	39.7	5.8%	22.7	1.21	9.9	0.6	11.1	8.4	0.42
Market cap, EURm	269		Gearing 2021E, %	179.6		CAGR EPS 2020-23, %		33.9		
Net debt 2021E, EURm	239		Price/book 2021E	2.1		CAGR sales 2020-23, %		10.4		
Enterprise value, EURm	519		Dividend yield 2021E, %	2.9		ROE 2021E, %		18.9		
Total assets 2021E, EURm	444		Tax rate 2021E, %	19.8		ROCE 2021E, %		8.9		
Goodwill 2021E, EURm	174		Equity ratio 2021E, %	29.9		PEG, P/E 21/CAGR		1.4		

Estimates and peer group valuation

Net sales	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21E	2021E
Corporate Customers	82.6	103.7	122.1	31.6	26.5	28.0	36.1	122.2	35.4	34.7	31.2	40.3	141.5
of which insurance companies	26.6	25.2	27.6	8.3	6.6	6.7	8.6	30.2	8.5	7.9	7.7	9.5	33.6
of which other corporates	56.0	78.5	94.5	23.5	19.9	21.3	27.5	92.2	26.9	26.8	23.5	30.8	108.0
Private Customers	67.9	92.1	97.8	23.5	15.1	19.9	22.0	80.5	21.1	21.7	18.9	26.4	88.1
Public sector customers	330.5	349.7	360.6	93.9	89.0	91.3	97.5	371.7	101.7	104.6	108.1	105.2	419.6
Total	424.0	487.8	518.6	133.0	114.7	124.0	137.2	508.9	139.9	142.5	140.7	153.9	577.0
Net sales growth													
Corporate Customers	-	25.5%	17.3%	1.3%	-12.4%	3.7%	13.2%	0.1%	12.0%	30.8%	11.4%	11.5%	15.8%
Private Customers	-	35.6%	6.5%	-11.0%	-40.9%	-5.7%	-11.6%	-17.7%	-10.2%	43.7%	-5.0%	20.0%	9.4%
Public sector customers	-	5.8%	3.2%	4.6%	-0.7%	1.4%	5.2%	3.1%	8.3%	17.5%	18.4%	7.9%	12.9%
Total	6.2%	15.0%	6.3%	0.4%	-11.6%	1.0%	2.6%	-1.9%	5.2%	24.2%	13.5%	12.2%	13.4%
Adj. EBITDA (group)	34.0	45.9	55.2	12.7	9.0	17.2	15.7	54.6	15.2	15.2	18.8	17.7	66.9
Adj. EBITDA-margin (group)	8.0%	9.4%	10.6%	9.5%	7.8%	13.9%	11.4%	10.7%	10.9%	10.2%	14.2%	11.5%	11.6%

Source: Pihlajalinna, Evli Research

PIHLAJALINNA PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		21	22	23	21	22	23	21	22	23
Ambea AB	624	9.5x	8.6x	8.0x	20.4x	17.4x	15.3x	6.7 %	7.4 %	8.0 %
Attendo AB	596	8.8x	7.5x	6.8x	25.3x	18.2x	14.6x	5.9 %	7.7 %	9.1 %
CareTech	834	11.0x	10.3x	9.1x	13.3x	12.8x	11.4x	17.0 %	16.7 %	17.6 %
GHP Specialty Care	178	10.0x	10.2x	8.8x	21.1x	22.8x	18.1x	6.3 %	5.4 %	6.2 %
Humana	356	8.4x	7.7x	7.4x	15.6x	13.9x	13.5x	6.0 %	6.3 %	6.3 %
Korian	3139	10.5x	9.3x	8.7x	27.3x	21.9x	20.2x	9.0 %	10.4 %	10.5 %
LNA Sante	488	10.0x	8.9x	8.2x	20.7x	17.7x	16.0x	9.8 %	10.5 %	10.7 %
Mediclinic International	2925	9.8x	8.7x	8.2x	17.8x	14.7x	13.3x	8.6 %	10.0 %	10.7 %
Orpea	6142	15.8x	14.1x	13.1x	32.0x	27.5x	25.2x	12.3 %	13.2 %	13.5 %
Spire Healthcare Group	1141	10.6x	9.2x	8.6x	21.7x	16.9x	15.1x	8.6 %	10.5 %	11.2 %
Terveystalo	1467	10.1x	9.7x	9.3x	18.2x	17.8x	16.4x	9.8 %	9.5 %	9.9 %
Peer Group Average	1626	10.4x	9.5x	8.7x	21.2x	18.3x	16.3x	9.1 %	9.8 %	10.3 %
Peer Group Median	834	10.0x	9.2x	8.6x	20.7x	17.7x	15.3x	8.6 %	10.0 %	10.5 %
Pihlajalinna (Evli est.)	269	7.8x	6.1x	5.5x	16.2x	11.9x	11.1x	5.6 %	5.7 %	5.8 %

Pihlajalinna prem./disc. to peer median

-22 % -34 % -36 % -22 % -33 % -28 % -36 % -43 % -45 %

Source FactSet, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	133.0	114.7	123.9	137.2	508.8	139.9	142.6	140.6	153.9	577.0	665.4	685.3
EBITDA	12.7	9.0	17.2	15.7	54.6	15.2	15.2	18.8	17.7	66.9	74.7	79.6
<i>EBITDA margin (%)</i>	<i>9.5</i>	<i>7.8</i>	<i>13.9</i>	<i>11.4</i>	<i>10.7</i>	<i>10.9</i>	<i>10.7</i>	<i>13.4</i>	<i>11.5</i>	<i>11.6</i>	<i>11.2</i>	<i>11.6</i>
EBIT	4.2	0.6	8.7	7.3	20.8	6.7	6.5	10.0	8.9	32.1	38.2	39.7
<i>EBIT margin (%)</i>	<i>3.2</i>	<i>0.5</i>	<i>7.0</i>	<i>5.3</i>	<i>4.1</i>	<i>4.8</i>	<i>4.6</i>	<i>7.1</i>	<i>5.8</i>	<i>5.6</i>	<i>5.7</i>	<i>5.8</i>
Net financial items	-1.4	-1.0	-1.0	-1.0	-4.4	-0.9	-1.0	-0.8	-1.1	-4.2	-5.0	-5.7
Pre-tax profit	2.8	-0.4	7.7	6.3	16.4	5.8	5.5	9.2	7.8	27.9	33.2	34.1
Tax	-0.6	0.1	-1.5	-2.8	-4.8	-1.1	-1.2	-1.6	-1.6	-5.5	-6.6	-6.8
<i>Tax rate (%)</i>	<i>21.4</i>	<i>25.0</i>	<i>19.5</i>	<i>44.4</i>	<i>29.3</i>	<i>19.0</i>	<i>21.8</i>	<i>17.4</i>	<i>20.0</i>	<i>19.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	0.0	5.4	3.9	11.4	4.6	4.5	7.7	6.1	22.4	26.6	27.3
EPS	0.09	0.00	0.24	0.17	0.50	0.20	0.20	0.34	0.27	0.99	1.18	1.21
EPS adjusted (diluted no. of shares)	0.09	0.00	0.24	0.17	0.50	0.20	0.20	0.34	0.27	0.99	1.18	1.21
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.35	0.41	0.42
SALES, EURm												
Corporate Customers	32.9	27.8	30.7	36.1	127.5	35.4	34.8	28.8	40.3	139.3	209.2	215.5
Private Customers	23.5	14.7	19.5	22.0	79.7	21.1	22.1	18.9	26.4	88.5	103.5	106.6
Public sector customers	92.6	88.1	88.9	97.5	367.1	101.7	104.2	110.4	105.2	421.5	427.1	439.9
Eliminations	-16.0	-15.9	-15.2	-18.4	-65.5	-18.3	-18.5	-17.5	-18.0	-72.3	-74.4	-76.7
Total	133.0	114.7	123.9	137.2	508.8	139.9	142.6	140.6	153.9	577.0	665.4	685.3
SALES GROWTH, Y/Y %												
<i>Corporate Customers</i>	<i>4.1</i>	<i>-8.1</i>	<i>13.7</i>	<i>10.1</i>	<i>4.8</i>	<i>7.6</i>	<i>25.2</i>	<i>-6.2</i>	<i>11.5</i>	<i>9.2</i>	<i>50.2</i>	<i>3.0</i>
<i>Private Customers</i>	<i>-11.3</i>	<i>-42.5</i>	<i>-7.6</i>	<i>-11.6</i>	<i>-18.7</i>	<i>-10.2</i>	<i>50.3</i>	<i>-3.1</i>	<i>20.0</i>	<i>11.0</i>	<i>17.0</i>	<i>3.0</i>
<i>Public sector customers</i>	<i>3.7</i>	<i>-1.7</i>	<i>-1.2</i>	<i>6.1</i>	<i>1.7</i>	<i>9.8</i>	<i>18.3</i>	<i>24.2</i>	<i>7.9</i>	<i>14.8</i>	<i>1.3</i>	<i>3.0</i>
<i>Eliminations</i>	<i>7.4</i>	<i>1.3</i>	<i>-1.0</i>	<i>16.5</i>	<i>6.1</i>	<i>14.4</i>	<i>16.4</i>	<i>14.8</i>	<i>-2.2</i>	<i>10.3</i>	<i>3.0</i>	<i>3.0</i>
Total	0.4	-11.6	0.9	2.5	-1.9	5.2	24.3	13.5	12.2	13.4	15.3	3.0
EBIT, EURm												
Group	4.2	0.6	8.7	7.3	20.8	6.7	6.5	10.0	8.9	32.1	38.2	39.7
Total	4.2	0.6	8.7	7.3	20.8	6.7	6.5	10.0	8.9	32.1	38.2	39.7
EBIT margin, %												
<i>Total</i>	<i>3.2</i>	<i>0.5</i>	<i>7.0</i>	<i>5.3</i>	<i>4.1</i>	<i>4.8</i>	<i>4.6</i>	<i>7.1</i>	<i>5.8</i>	<i>5.6</i>	<i>5.7</i>	<i>5.8</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	399.1	424.0	487.8	518.7	508.8	577.0	665.4	685.3
<i>Sales growth (%)</i>	<i>87.0</i>	<i>6.2</i>	<i>15.0</i>	<i>6.3</i>	<i>-1.9</i>	<i>13.4</i>	<i>15.3</i>	<i>3.0</i>
EBITDA	29.4	34.3	45.9	55.1	54.6	66.9	74.7	79.6
<i>EBITDA margin (%)</i>	<i>7.4</i>	<i>8.1</i>	<i>9.4</i>	<i>10.6</i>	<i>10.7</i>	<i>11.6</i>	<i>11.2</i>	<i>11.6</i>
Depreciation	-12.8	-14.2	-31.5	-34.2	-33.8	-34.8	-36.5	-39.8
EBITA	16.6	20.1	14.4	20.9	20.8	32.1	38.2	39.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	16.6	20.1	14.4	20.9	20.8	32.1	38.2	39.7
<i>EBIT margin (%)</i>	<i>4.2</i>	<i>4.7</i>	<i>3.0</i>	<i>4.0</i>	<i>4.1</i>	<i>5.6</i>	<i>5.7</i>	<i>5.8</i>
Reported EBIT	15.1	19.2	13.8	10.2	18.2	32.1	38.2	39.7
<i>EBIT margin (reported) (%)</i>	<i>3.8</i>	<i>4.5</i>	<i>2.8</i>	<i>2.0</i>	<i>3.6</i>	<i>5.6</i>	<i>5.7</i>	<i>5.8</i>
Net financials	-1.2	-1.4	-3.8	-4.0	-4.4	-4.2	-5.0	-5.7
Pre-tax profit	15.4	18.7	10.6	16.9	16.4	27.9	33.2	34.1
Taxes	-3.0	-3.4	-2.7	-1.9	-4.8	-5.5	-6.6	-6.8
Minority shares	-2.7	-4.6	-3.3	-1.1	-0.2	0.1	0.1	0.1
Net profit	8.2	9.8	4.0	3.2	8.8	22.4	26.6	27.3
Cash NRIs	-1.5	-0.9	-0.6	-10.7	-2.6	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	67	83	68	74	66	67	68	67
Goodwill	92	104	170	174	174	174	174	174
Right of use assets	0	0	116	108	103	113	131	138
Inventory	2	2	3	2	3	3	3	3
Receivables	27	25	40	47	78	54	55	57
Liquid funds	28	37	36	27	13	29	33	34
Total assets	218	254	437	438	442	444	470	479
Liabilities								
Shareholder's equity	98	100	121	101	110	128	146	164
Minority interest	3	6	9	5	5	5	5	5
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	119	114	114	113	131	138
Deferred taxes	6	6	6	6	6	6	6	6
Interest bearing debt	52	77	99	107	94	155	78	58
Non-interest bearing current liabilities	55	62	80	102	109	35	100	103
Other interest-free debt	3	3	3	2	3	3	3	3
Total liabilities	217	254	437	438	442	444	470	479
CASH FLOW, EURm								
+ EBITDA	29	34	46	55	55	67	75	80
- Net financial items	-1	-1	-4	-4	-4	-4	-5	-6
- Taxes	-2	-5	-5	-4	-4	-6	-7	-7
- Increase in Net Working Capital	8	7	2	14	-23	-50	63	1
+/- Other	-1	0	-11	-12	-3	0	0	0
= Cash flow from operations	32	35	27	49	21	7	127	68
- Capex	-5	-10	-23	-36	-20	-46	-56	-46
- Acquisitions	-22	-17	-79	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	6	8	-74	13	1	-39	71	23
+/- New issues/buybacks	-1	-2	24	-25	0	0	0	0
- Paid dividend	0	-3	-3	-2	0	-5	-8	-9
+/- Other	7	7	53	5	-14	59	-58	-12
Change in cash	12	10	-1	-9	-14	16	4	1

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	275	195	346	212	269	269	269
Net debt (excl. convertibles)	40	181	194	195	239	176	162
Enterprise value	325	391	557	417	519	455	440
Sales	424	488	519	509	577	665	685
EBITDA	34	46	55	55	67	75	80
EBIT	20	14	21	21	32	38	40
Pre-tax	19	11	17	16	28	33	34
Earnings	11	5	14	11	22	27	27
Equity book value (excl. minorities)	100	121	101	110	128	146	164
Valuation multiples							
EV/sales	0.8	0.8	1.1	0.8	0.9	0.7	0.6
EV/EBITDA	9.5	8.5	10.1	7.6	7.8	6.1	5.5
EV/EBITA	16.2	27.1	26.6	20.0	16.2	11.9	11.1
EV/EBIT	16.2	27.1	26.6	20.0	16.2	11.9	11.1
EV/OCF	9.3	14.3	11.3	20.3	75.9	3.6	6.4
EV/FCFF	19.3	-11.7	20.3	33.3	-52.7	4.1	8.0
P/FCFE	35.7	-2.6	27.0	424.3	-6.9	3.8	11.8
P/E	25.7	42.4	24.9	18.6	12.0	10.1	9.9
P/B	2.7	1.6	3.4	1.9	2.1	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.4	6.7	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	17.4	13.0	12.2
Target EV/FCF	0.0	0.0	0.0	0.0	-14.3	7.0	21.3
Target P/B	0.0	0.0	0.0	0.0	2.5	2.2	1.9
Target P/E	0.0	0.0	0.0	0.0	14.1	11.9	11.6
Per share measures							
Number of shares	20,613	22,620	22,620	22,618	22,584	22,584	22,584
Number of shares (diluted)	20,613	22,620	22,620	22,618	22,584	22,584	22,584
EPS	0.52	0.20	0.61	0.50	0.99	1.18	1.21
Operating cash flow per share	1.69	1.21	2.17	0.91	0.30	5.61	3.03
Free cash flow per share	0.37	-3.29	0.57	0.02	-1.73	3.13	1.01
Book value per share	4.87	5.36	4.47	4.85	5.65	6.48	7.28
Dividend per share	0.16	0.10	0.00	0.20	0.35	0.41	0.42
Dividend payout ratio, %	30.8	49.2	0.0	39.7	35.0	35.0	35.0
Dividend yield, %	1.2	1.2	0.0	2.1	2.9	3.5	3.6
FCF yield, %	2.8	-38.2	3.7	0.2	-14.6	26.2	8.4
Efficiency measures							
ROE	10.8	4.2	12.5	10.8	18.9	19.4	17.6
ROCE	12.2	5.4	6.2	6.4	8.9	10.0	10.9
Financial ratios							
Inventories as % of sales	0.5	0.5	0.4	0.7	0.5	0.5	0.5
Receivables as % of sales	5.9	8.2	9.1	15.3	9.3	8.3	8.3
Non-interest bearing liabilities as % of sales	14.6	16.3	19.7	21.5	6.0	15.0	15.0
NWC/sales, %	-8.4	-8.0	-10.2	-6.0	3.5	-6.5	-6.5
Operative CAPEX/sales, %	2.4	4.6	7.0	3.9	8.0	8.4	6.7
CAPEX/sales (incl. acquisitions), %	-1.6	-11.6	7.0	3.9	8.0	8.4	6.7
FCFF/EBITDA	0.5	-0.7	0.5	0.2	-0.1	1.5	0.7
Net debt/EBITDA, book-weighted	1.2	3.9	3.5	3.6	3.6	2.4	2.0
Debt/equity, market-weighted	0.3	0.5	0.3	0.4	0.6	0.3	0.2
Equity ratio, book-weighted	41.8	29.8	24.2	26.0	29.9	32.2	35.4
Gearing, %	37.3	138.7	182.9	169.5	179.6	115.9	95.7

COMPANY DESCRIPTION: Pihlajalinna is the 3rd largest private social welfare and healthcare service provider in Finland offering a wide selection of services to private individuals, businesses, insurance companies and public sector entities, such as municipalities and joint municipal authorities. In its private clinics and hospitals Pihlajalinna provides general practitioner services, specialized care, emergency and on-call services, a wide range of surgical services, occupational healthcare and dental care. Pihlajalinna is the market leader in complete social and healthcare outsourcings in Finland.

INVESTMENT CASE: The demand for private social and healthcare services is growing due to ageing population and increasing pressure on public healthcare spending, offering Pihlajalinna growth opportunities in primary care as well as in specialized care. Profitability improvement stems from increased volumes and better utilization rate of the clinics.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lähiapiola Keskinäinen Vakuutusyhtiö	3,481,641	41.501	15.4%
Mww Yhtiö Oy	2,309,010	27.523	10.2%
Fennia Mutual Insurance Company	1,998,965	23.828	8.9%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,893,985	22.576	8.4%
Elo Pension Company	1,267,161	15.105	5.6%
Niemistö Leena Katriina	704,687	8.400	3.1%
Ilmarinen Mutual Pension Insurance Company	628,431	7.491	2.8%
Fondita Nordic Micro Cap	470,000	5.602	2.1%
OP-Finland Small Firms Fund	446,050	5.317	2.0%
Fennia Life Insurance Company Ltd	321,643	3.834	1.4%
Ten largest	13,521,573	161.177	60%
Residual	9,062,814	108.029	40%
Total	22,584,387	269.206	100%

EARNINGS CALENDAR

February 18, 2022	FY 2021 Results
May 05, 2022	Q1 report
August 12, 2022	Q2 report
November 04, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Joni Aaltonen	Kehräsaari B, 33200 Tampere
CFO: Tarja Rantala	Tel:
IR: Marko Savolainen	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

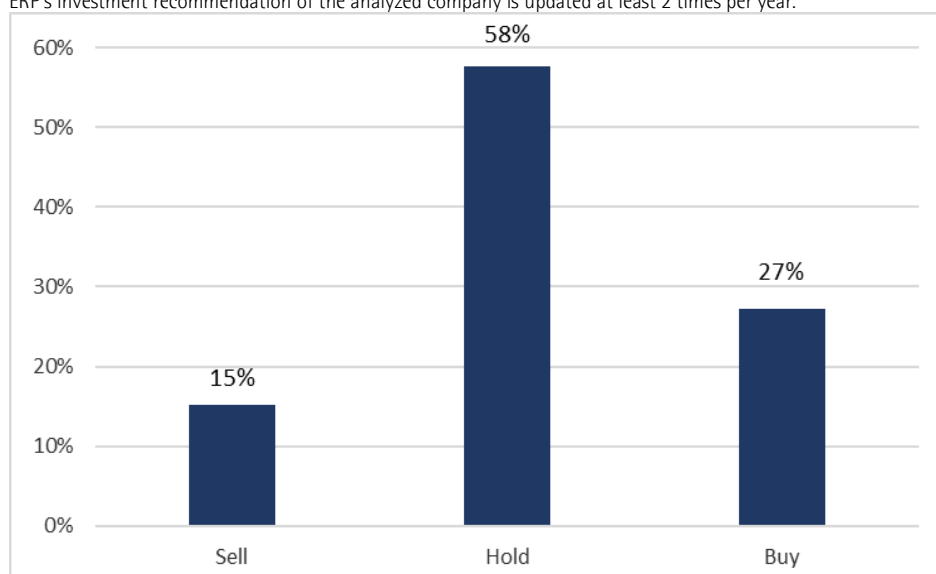
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Investment recommendations are defined as follows:

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 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
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EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001