

## Outsourcing costs burdened EBIT

Pihlajalinna's Q4 revenue grew as expected but profitability fell short of estimates due to the increased costs within total outsourcing arrangements.

- Q4 revenue grew by 12.8% y/y to EUR 154.7m, compared to the EUR 156.4m/152.1m Evli/consensus estimates. Private customer revenue was EUR 23.3m vs the EUR 26.4m/24.2m Evli/consensus estimates, while corporate customers contributed EUR 38.8m vs the EUR 40.8m/37.3m Evli/consensus estimates. Public sector customers were EUR 111.3m, compared to the EUR 107.2m/108.9m Evli/consensus estimates.
- Covid-19 services amounted to EUR 10.1m.
- Adjusted EBITDA landed at EUR 14.9m vs the EUR 18.0m/17.5m Evli/consensus estimates. Adjusted EBIT was EUR 6.0m, compared to the EUR 9.2m/8.8m Evli/consensus estimates. Higher costs within total outsourcing arrangements weighed down profitability. Negotiations concerning cost compensation had not produced desired outcomes by the end of the year. Pihlajalinna continues to negotiate with certain municipal clients.
- Pihlajalinna expects FY '22 revenue to increase substantially and adjusted EBITA to stay level. The integration of Pohjola Hospital means H1'22 profitability will be below that of the previous year. The acquisition will increase revenue by at least EUR 50m in FY '22. Covid-19 services revenue is expected to decline.
- The BoD proposes EUR 0.30 per share dividend to be distributed, compared to the EUR 0.35/0.31 Evli/consensus estimates.

**Rating** 🇺🇸 BUY

Q4'21	Actual	Evli	Year ago	Q3'21
Revenue	154.7	156.4	137.2	140.6
Adj. EBITDA	14.9	18.0	15.8	18.8
Adj. EBIT	6.0	9.2	7.3	10.0

Deviation	Actual	Evli	Year ago	Q3'21
Revenue		-1 %	13 %	10 %
Adj. EBITDA		-17 %	-6 %	-21 %
Adj. EBIT		-35 %	-18 %	-40 %

 Share price, EUR (Last trading day's closing price) 12.80

 Target price, EUR 14.0

Latest change in	22-Feb-21
Latest report on company	10-Feb-22
Research paid by issuer:	YES
No. of shares outstanding,	22,584
No. of shares fully diluted,	22,584
Market cap, EURm	289
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	<a href="http://investors.pihlajalinna.fi/">http://investors.pihlajalinna.fi/</a>

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🇺🇸 BUY 🟡 HOLD 🇺🇸 SELL

### PRE-REPORT 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	579.5	32.4	5.6%	-39.5	1.00	12.8	0.9	16.7	-13.7	0.35
2022E	663.9	36.7	5.5%	70.2	1.12	11.4	0.7	13.0	24.3	0.39
2023E	683.8	40.3	5.9%	23.2	1.23	10.4	0.7	11.4	8.0	0.43

Market cap, EURm	289	BV per share 2021E, EUR	179.5	CAGR EPS 2020-23, %	34.6
Net debt 2021E, EURm	239	Price/book 2021E	2.3	CAGR sales 2020-23, %	10.4
Enterprise value, EURm	540	Dividend yield 2021E, %	2.7	ROE 2021E, %	19.1
Total assets 2021E, EURm	445	Tax rate 2021E, %	19.8	ROCE 2021E, %	8.9
Goodwill 2021E, EURm	174	Equity ratio 2021E, %	29.9	PEG, P/E 21/CAGR	1.6

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

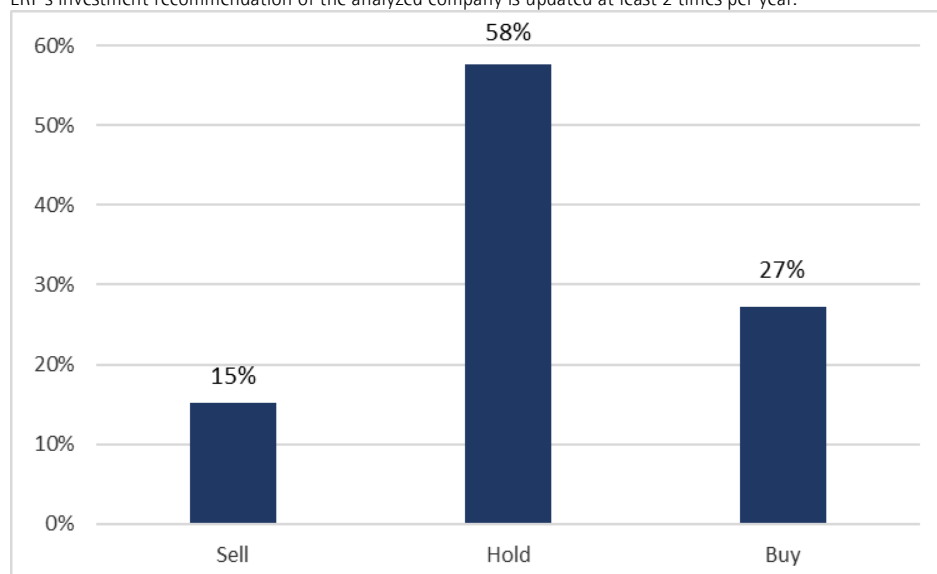
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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February 18, 2022

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