

Looking forward to H2 improvement

Pihlajalinna reports Q2 results on Fri, Aug 12. Q2 earnings will remain modest due to the integration process and a couple of other cost issues highlighted in the Q1 report.

Q1 results were better than expected despite many burdens
Pihlajalinna's Q1 results delivered a positive surprise as both revenue and EBIT topped estimates. Organic growth amounted to 7%, driven by corporate customers where the Pohjola Hospital acquisition was an additional help to top line. The integration process went clearly better than expected over the first few months while outsourcing profitability also improved. Surgical operations performed better than the company expected in Q1. There were a few factors in Q1, in addition to the integration process, which limited profitability and are likely to do so at least to some extent also in Q2. High levels of sick leaves (+50%) due to the pandemic led to exceptionally high employee costs as Pihlajalinna had to resort to substitutes. Meanwhile Covid-19 services revenue continues to decline and is no more very profitable. Pihlajalinna is at the same time scaling up capacity in anticipation of near future demand, all of which means Q2 profitability will remain modest relative to long-term potential.

Focus rests on improvement over the course of H2

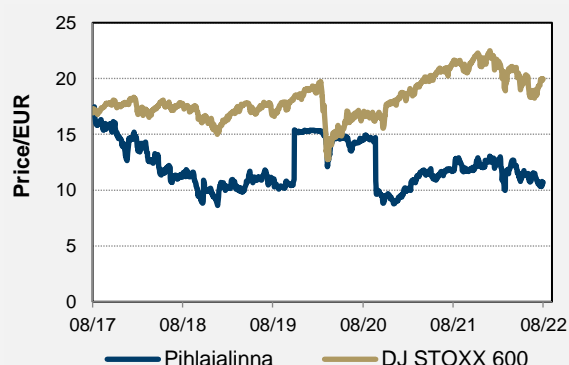
We make only marginal estimate revisions ahead of the report. We expect flat profitability q/q, at EUR 7.9m in terms of adj. EBITA, or down by EUR 1.0m y/y. We estimate top line growth to have increased to 19% y/y as Q2 was the first quarter in which Pohjola Hospital was included from the beginning. The report will update on the integration process; the acquisition reached positive results in two months, and progress has likely continued over the summer. The report may also provide an update on certain outsourcing restructuring negotiations. We do not view the FY '22 guidance for flat adj. EBITA challenging and, although there are many moving parts, we consider a guidance upgrade likely during or after Q3.

Valuation not demanding considering the margin upside

Pihlajalinna's valuation is still not too challenging as the earnings multiples are well below peers' (by some 20%) while profitability margins only begin to catch up. Peer multiples have however faced headwinds in the past three months and hence we adjust our TP to EUR 13 (14). We retain our BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 10.68

Target price, EUR 13.0

Latest change in 22-Feb-21

Latest report on company 06-May-22

Research paid by issuer: YES

No. of shares outstanding, 22,584

No. of shares fully diluted, 22,584

Market cap, EURm 241

Free float, % 80.1

Exchange rate -

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm 0.1

Next interim report 12-Aug-22

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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
2020	508.7	20.9	4.1%	0.6	0.51	18.4	0.8	20.0	0.3	0.20
2021	577.8	30.3	5.2%	33.8	0.90	14.0	0.9	16.3	11.8	0.30
2022E	674.6	30.7	4.6%	-9.5	1.08	9.9	0.7	15.0	-4.0	0.38
2023E	699.9	42.5	6.1%	25.4	1.18	9.0	0.6	10.4	10.5	0.41
2024E	723.1	45.0	6.2%	32.6	1.29	8.3	0.6	9.3	13.5	0.45
Market cap, EURm	241		Gearing 2022E, %		150.5		CAGR EPS 2021-24, %		12.6	
Net debt 2022E, EURm	211		Price/book 2022E		1.8		CAGR sales 2021-24, %		7.8	
Enterprise value, EURm	461		Dividend yield 2022E, %		3.5		ROE 2022E, %		19.3	
Total assets 2022E, EURm	496		Tax rate 2022E, %		-3.9		ROCE 2022E, %		8.7	
Goodwill 2022E, EURm	189		Equity ratio 2022E, %		28.2		PEG, P/E 22/CAGR		1.3	

Estimates and peer group valuation

Net sales	2020	2021	Q1'22	Q2'22E	Q3'22E	Q4'22E	2022E
Corporate Customers	120.7	137.6	49.3	52.7	49.0	57.8	208.8
of which insurance companies	31.4	34.8	20.4	26.7	25.9	26.8	99.8
of which other corporates	89.3	102.8	28.9	26.0	23.1	31.0	109.0
Private Customers	81.1	85.5	22.8	22.4	21.4	24.5	91.0
Public sector customers	372.4	427.7	109.2	113.0	113.5	113.5	449.2
Total	508.7	577.8	163.1	169.5	166.2	175.9	674.7
Net sales growth							
Corporate Customers	-1.1%	14.6%	42.1%	52.0%	57.0%	49.0%	51.7%
Private Customers	-17.1%	5.6%	6.5%	3.0%	13.0%	5.0%	6.4%
Public sector customers	3.3%	14.5%	7.0%	8.0%	5.0%	2.0%	5.0%
Total	-1.9%	13.5%	16.6%	18.9%	18.2%	13.7%	16.8%
Adj. EBITA (group)	27.5	37.3	7.8	7.9	12.2	10.9	38.8
Adj. EBITA-margin (group)	5.4%	6.5%	4.8%	4.7%	7.3%	6.2%	5.8%

Source: Pihlajalinna, Evli Research

PIHLAJALINNA PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
Ambea AB	446	7.5x	7.0x	6.6x	17.5x	15.4x	14.3x	7.0 %	7.7 %	8.1 %
Attendo AB	369	8.3x	6.6x	6.0x	28.1x	15.9x	13.4x	4.5 %	7.2 %	8.0 %
CareTech Holdings	1002									
Fresenius SE	13666	7.4x	6.8x	6.2x	12.3x	10.8x	9.7x	10.3 %	11.2 %	11.9 %
Humana	224	7.2x	6.4x	6.0x	14.0x	11.3x	10.4x	5.4 %	6.2 %	6.5 %
Korian	1598	8.7x	8.0x	7.4x	22.5x	20.1x	18.5x	9.1 %	9.5 %	9.7 %
LNA Sante	345	8.2x	7.6x	6.9x	17.2x	15.9x	13.8x	9.2 %	9.2 %	9.8 %
Mediclinic International	4354	10.3x	9.6x	9.1x	17.4x	15.9x	14.8x	9.8 %	10.4 %	10.7 %
Orpea	1600							9.9 %	10.3 %	10.3 %
Spire Healthcare Group	1166	10.4x	9.2x	8.5x	17.8x	14.6x	12.9x	9.8 %	11.3 %	12.2 %
Terveystalo	1143	8.6x	7.8x	7.3x	16.9x	14.5x	12.8x	7.9 %	8.8 %	9.6 %
Peer Group Average	2356	8.5x	7.7x	7.1x	18.2x	14.9x	13.4x	8.3 %	9.2 %	9.7 %
Peer Group Median	1143	8.3x	7.6x	6.9x	17.4x	15.4x	13.4x	9.1 %	9.4 %	9.7 %
Pihlajalinna (Evli est.)	241	7.0x	5.1x	4.9x	15.0x	10.4x	9.3x	4.6 %	6.1 %	6.2 %
Pihlajalinna prem./disc. to peer median		-15 %	-33 %	-29 %	-14 %	-33 %	-30 %	-50 %	-35 %	-36 %

Source FactSet, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	139.9	142.6	140.6	154.7	577.8	163.0	169.5	166.2	175.9	674.6	699.9	723.1
EBITDA	15.2	15.9	19.3	14.9	65.3	16.4	16.4	20.6	19.3	65.7	86.7	86.4
<i>EBITDA margin (%)</i>	<i>10.9</i>	<i>11.2</i>	<i>13.7</i>	<i>9.6</i>	<i>11.3</i>	<i>10.1</i>	<i>9.7</i>	<i>12.4</i>	<i>11.0</i>	<i>9.7</i>	<i>12.4</i>	<i>12.0</i>
EBIT	6.7	7.2	10.5	5.9	30.3	5.9	5.9	10.1	8.8	30.7	42.5	45.0
<i>EBIT margin (%)</i>	<i>4.8</i>	<i>5.0</i>	<i>7.5</i>	<i>3.8</i>	<i>5.2</i>	<i>3.6</i>	<i>3.5</i>	<i>6.1</i>	<i>5.0</i>	<i>4.6</i>	<i>6.1</i>	<i>6.2</i>
Net financial items	-0.9	-1.0	-0.8	-1.1	-3.8	-1.5	-1.2	-1.2	-1.2	-5.3	-6.6	-6.1
Pre-tax profit	5.8	6.2	9.7	4.8	26.5	4.4	4.7	8.9	7.6	25.4	35.9	38.9
Tax	-1.1	-1.2	-1.6	-1.2	-5.1	5.2	-0.9	-1.8	-1.5	1.0	-7.2	-7.8
<i>Tax rate (%)</i>	<i>19.0</i>	<i>19.4</i>	<i>16.5</i>	<i>25.0</i>	<i>19.2</i>	<i>-118.2</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>-3.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	4.6	5.2	8.1	2.5	20.4	6.9	4.0	7.3	6.3	24.4	26.7	29.1
EPS	0.20	0.23	0.36	0.11	0.90	0.31	0.18	0.32	0.28	1.08	1.18	1.29
EPS adjusted (diluted no. of shares)	0.20	0.23	0.36	0.11	0.90	0.31	0.18	0.32	0.28	1.08	1.18	1.29
Dividend per share	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.38	0.41	0.45
SALES, EURm												
Corporate Customers	34.7	35.5	28.8	38.6	137.6	49.3	52.7	49.0	57.8	208.8	219.2	228.0
Private Customers	21.4	21.8	18.9	23.4	85.5	22.8	22.4	21.4	24.5	91.0	94.6	97.5
Public sector customers	102.1	103.8	110.4	111.4	427.7	109.2	113.0	113.5	113.5	449.2	462.7	476.6
Eliminations	-18.3	-18.5	-17.5	-18.7	-73.0	-18.3	-18.5	-17.6	-19.9	-74.3	-76.5	-78.8
Total	139.9	142.6	140.6	154.7	577.8	163.0	169.5	166.2	175.9	674.6	699.9	723.1
SALES GROWTH, Y/Y %												
<i>Corporate Customers</i>	<i>5.5</i>	<i>27.7</i>	<i>-6.2</i>	<i>31.7</i>	<i>14.0</i>	<i>42.1</i>	<i>48.4</i>	<i>70.1</i>	<i>49.8</i>	<i>51.7</i>	<i>5.0</i>	<i>4.0</i>
<i>Private Customers</i>	<i>-8.9</i>	<i>48.3</i>	<i>-3.1</i>	<i>0.0</i>	<i>5.4</i>	<i>6.5</i>	<i>2.5</i>	<i>13.0</i>	<i>4.6</i>	<i>6.4</i>	<i>4.0</i>	<i>3.0</i>
<i>Public sector customers</i>	<i>10.3</i>	<i>17.8</i>	<i>24.2</i>	<i>8.4</i>	<i>14.8</i>	<i>7.0</i>	<i>8.8</i>	<i>2.8</i>	<i>1.9</i>	<i>5.0</i>	<i>3.0</i>	<i>3.0</i>
<i>Eliminations</i>	<i>14.4</i>	<i>16.4</i>	<i>14.8</i>	<i>1.6</i>	<i>11.4</i>	<i>0.0</i>	<i>-0.1</i>	<i>0.6</i>	<i>6.6</i>	<i>1.8</i>	<i>3.0</i>	<i>3.0</i>
Total	5.2	24.3	13.5	12.8	13.6	16.5	18.9	18.2	13.7	16.8	3.8	3.3
EBIT, EURm												
Group	6.7	7.2	10.5	5.9	30.3	5.9	5.9	10.1	8.8	30.7	42.5	45.0
Total	6.7	7.2	10.5	5.9	30.3	5.9	5.9	10.1	8.8	30.7	42.5	45.0
EBIT margin, %												
<i>Total</i>	<i>4.8</i>	<i>5.0</i>	<i>7.5</i>	<i>3.8</i>	<i>5.2</i>	<i>3.6</i>	<i>3.5</i>	<i>6.1</i>	<i>5.0</i>	<i>4.6</i>	<i>6.1</i>	<i>6.2</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	424.0	487.8	518.7	508.7	577.8	674.6	699.9	723.1
<i>Sales growth (%)</i>	<i>6.2</i>	<i>15.0</i>	<i>6.3</i>	<i>-1.9</i>	<i>13.6</i>	<i>16.8</i>	<i>3.8</i>	<i>3.3</i>
EBITDA	34.3	45.9	55.1	54.7	65.3	65.7	86.7	86.4
<i>EBITDA margin (%)</i>	<i>8.1</i>	<i>9.4</i>	<i>10.6</i>	<i>10.8</i>	<i>11.3</i>	<i>9.7</i>	<i>12.4</i>	<i>12.0</i>
Depreciation	-14.2	-31.5	-34.2	-33.8	-35.0	-35.0	-44.2	-41.4
EBITA	20.1	14.4	20.9	20.9	30.3	30.7	42.5	45.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	20.1	14.4	20.9	20.9	30.3	30.7	42.5	45.0
<i>EBIT margin (%)</i>	<i>4.7</i>	<i>3.0</i>	<i>4.0</i>	<i>4.1</i>	<i>5.2</i>	<i>4.6</i>	<i>6.1</i>	<i>6.2</i>
Reported EBIT	19.2	13.8	10.2	18.3	30.3	30.7	42.5	45.0
<i>EBIT margin (reported) (%)</i>	<i>4.5</i>	<i>2.8</i>	<i>2.0</i>	<i>3.6</i>	<i>5.2</i>	<i>4.6</i>	<i>6.1</i>	<i>6.2</i>
Net financials	-1.4	-3.8	-4.0	-4.4	-3.8	-5.3	-6.6	-6.1
Pre-tax profit	18.7	10.6	16.9	16.5	26.5	25.4	35.9	38.9
Taxes	-3.4	-2.7	-1.9	-4.8	-5.1	1.0	-7.2	-7.8
Minority shares	-4.6	-3.3	-1.1	-0.2	-1.0	-1.9	-2.0	-2.0
Net profit	9.8	4.0	3.2	8.9	20.4	24.4	26.7	29.1
Cash NRIs	-0.9	-0.6	-10.7	-2.6	0.0	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	83	68	74	66	67	78	72	67
Goodwill	104	170	174	174	189	189	189	189
Right of use assets	0	116	108	103	96	133	141	145
Inventory	2	3	2	3	4	3	3	4
Receivables	25	40	47	78	93	54	56	58
Liquid funds	37	36	27	13	4	34	35	36
Total assets	254	437	438	442	457	496	503	504
Liabilities								
Shareholder's equity	100	121	101	110	117	135	153	173
Minority interest	6	9	5	5	5	5	5	5
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	119	114	114	106	133	141	145
Deferred taxes	6	6	6	6	6	6	6	6
Interest bearing debt	77	99	107	94	93	112	88	62
Non-interest bearing current liabilities	62	80	102	109	125	101	105	108
Other interest-free debt	3	3	2	3	4	4	4	4
Total liabilities	254	437	438	442	457	496	503	504
CASH FLOW, EURm								
+ EBITDA	34	46	55	55	65	66	87	86
- Net financial items	-1	-4	-4	-4	-4	-5	-7	-6
- Taxes	-5	-5	-4	-4	-5	1	-7	-8
- Increase in Net Working Capital	7	2	14	-23	2	14	2	2
+/- Other	0	-11	-12	-3	-1	-2	-2	-2
= Cash flow from operations	35	27	49	21	57	74	73	72
- Capex	-10	-23	-36	-20	-24	-51	-47	-39
- Acquisitions	-17	-79	0	0	0	-32	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	8	-74	13	1	34	-10	25	33
+/- New issues/buybacks	-2	24	-25	0	-8	0	0	0
- Paid dividend	-3	-3	-2	0	-5	-7	-9	-9
+/- Other	7	53	5	-14	-30	46	-16	-22
Change in cash	10	-1	-9	-14	-9	29	1	1

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	195	346	212	285	241	241	241
Net debt (excl. convertibles)	181	194	195	195	211	194	171
Enterprise value	391	557	417	493	461	444	419
Sales	488	519	509	578	675	700	723
EBITDA	46	55	55	65	66	87	86
EBIT	14	21	21	30	31	43	45
Pre-tax	11	17	17	27	25	36	39
Earnings	5	14	12	20	24	27	29
Equity book value (excl. minorities)	121	101	110	117	135	153	173
Valuation multiples							
EV/sales	0.8	1.1	0.8	0.9	0.7	0.6	0.6
EV/EBITDA	8.5	10.1	7.6	7.5	7.0	5.1	4.9
EV/EBITA	27.1	26.6	20.0	16.3	15.0	10.4	9.3
EV/EBIT	27.1	26.6	20.0	16.3	15.0	10.4	9.3
EV/OCF	14.3	11.3	20.2	8.6	6.2	6.1	5.8
EV/FCFF	-11.7	20.3	33.0	10.7	9.0	7.2	6.6
P/FCFE	-2.6	27.0	353.6	8.4	-25.3	9.5	7.4
P/E	42.4	24.9	18.4	14.0	9.9	9.0	8.3
P/B	1.6	3.4	1.9	2.4	1.8	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	5.7	5.4
Target EV/EBIT	0.0	0.0	0.0	0.0	16.6	11.6	10.4
Target EV/FCF	0.0	0.0	0.0	0.0	-53.5	19.4	14.4
Target P/B	0.0	0.0	0.0	0.0	2.2	1.9	1.7
Target P/E	0.0	0.0	0.0	0.0	12.0	11.0	10.1
Per share measures							
Number of shares	22,620	22,620	22,618	22,584	22,584	22,584	22,584
Number of shares (diluted)	22,620	22,620	22,618	22,584	22,584	22,584	22,584
EPS	0.20	0.61	0.51	0.90	1.08	1.18	1.29
Operating cash flow per share	1.21	2.17	0.91	2.54	3.27	3.21	3.19
Free cash flow per share	-3.29	0.57	0.03	1.50	-0.42	1.13	1.44
Book value per share	5.36	4.47	4.85	5.20	5.98	6.78	7.66
Dividend per share	0.10	0.00	0.20	0.30	0.38	0.41	0.45
Dividend payout ratio, %	49.2	0.0	39.3	33.2	35.0	35.0	35.0
Dividend yield, %	1.2	0.0	2.1	2.4	3.5	3.9	4.2
FCF yield, %	-38.2	3.7	0.3	11.8	-4.0	10.5	13.5
Efficiency measures							
ROE	4.2	12.5	10.9	18.0	19.3	18.5	17.8
ROCE	5.4	6.2	6.4	9.4	8.7	11.0	11.6
Financial ratios							
Inventories as % of sales	0.5	0.4	0.7	0.6	0.5	0.5	0.5
Receivables as % of sales	8.2	9.1	15.3	16.0	8.1	8.1	8.1
Non-interest bearing liabilities as % of sales	16.3	19.7	21.5	21.7	15.0	15.0	15.0
NWC/sales, %	-8.0	-10.2	-6.0	-5.6	-6.9	-6.9	-6.9
Operative CAPEX/sales, %	4.6	7.0	3.9	4.1	7.6	6.7	5.5
CAPEX/sales (incl. acquisitions), %	-11.6	7.0	3.9	4.1	2.9	6.7	5.5
FCFF/EBITDA	-0.7	0.5	0.2	0.7	0.8	0.7	0.7
Net debt/EBITDA, book-weighted	3.9	3.5	3.6	3.0	3.2	2.2	2.0
Debt/equity, market-weighted	0.5	0.3	0.4	0.3	0.5	0.4	0.3
Equity ratio, book-weighted	29.8	24.2	26.0	26.8	28.2	31.5	35.4
Gearing, %	138.7	182.9	169.5	158.8	150.5	122.5	95.9

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	37.184	15.4%
Mww Yhtiö Oy	2,309,010	24.660	10.2%
Fennia Mutual Insurance Company	1,998,965	21.349	8.9%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,893,985	20.228	8.4%
Elo Pension Company	1,267,161	13.533	5.6%
Niemistö Leena Katriina	704,687	7.526	3.1%
Ilmarinen Mutual Pension Insurance Company	628,431	6.712	2.8%
Fondita Nordic Micro Cap	470,000	5.020	2.1%
Fennia Life Insurance Company Ltd	322,443	3.444	1.4%
OP-Finland Small Firms Fund	305,644	3.264	1.4%
Ten largest	13,381,967	142.919	59%
Residual	9,202,420	98.282	41%
Total	22,584,387	241.201	100%

EARNINGS CALENDAR

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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Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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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