

Profitability took a big hit

Pihlajalinna's Q4 report was a clear disappointment in terms of profitability even after the guidance downgrade late last year. The culprits for low profitability have been discussed many times, but their adverse impacts on Q4 bottom line were clearly larger than estimated.

- Q4 revenue grew by 21.8% y/y to EUR 188.4m vs the EUR 177.8m/179.1m Evli/consensus estimates. Organic growth was 7.4% and would have been 12.1% without Covid-19 services. Corporate customers amounted to EUR 65.1m, compared to the EUR 59.0m/58.6m Evli/consensus estimates. Private customers were EUR 28.3m vs the EUR 26.3m/26.9m Evli/consensus estimates, while Public sector customers totaled EUR 113.9m vs the EUR 112.4m/112.2m Evli/consensus estimates.
- Covid-19 services revenue was EUR 2.8m, down by EUR 7.3m y/y.
- Adjusted EBITDA amounted to EUR 12.0m, compared to the EUR 17.5m/18.5m Evli/consensus estimates. Adjusted EBITA was EUR 2.2m vs our EUR 9.0m estimate, while adjusted EBIT was EUR 0.1m vs the EUR 7.0m/7.0m Evli/consensus estimates. Employee benefit expenses were exceptionally high in Q4.
- The BoD proposes no dividend distribution for the year vs the EUR 0.25/0.24 Evli/consensus estimates.
- Pihlajalinna guides revenue to increase (EUR 690.5m in 2022) and adjusted EBITA to improve (EUR 26.7m in 2022) in FY '23.

Rating				BUY
Q4'22	Actual	Evli	Year ago	Q3'22
Revenue	188.4	177.8	154.7	165.2
Adj. EBITDA	12.0	17.5	14.9	18.9
Adj. EBIT	0.1	7.0	6.0	7.3
Deviation	Actual	Evli	Year ago	Q3'22
Revenue		6 %	22 %	14 %
Adj. EBITDA		-31 %	-19 %	-37 %
Adj. EBIT		-99 %	-98 %	-99 %
Share price, EUR (Last trading day's closing price)				9.00
Target price, EUR				10.0
Latest change in				22-Feb-21
Latest report on company				10-Feb-23
Research paid by issuer:				YES
No. of shares outstanding,				22,584
No. of shares fully diluted,				22,584
Market cap, EURm				203
Free float, %				80.1
Exchange rate				-
Reuters code				PIHLIS.HE
Bloomberg code				PIHLIS FH
Average daily volume, EURm				0.1
Next interim report				17-Feb-23
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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
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	679.9	25.5	3.8%	-137.3	0.92	9.8	0.8	21.6	-67.5	0.25
2023E	700.9	36.1	5.2%	36.9	0.97	9.3	0.7	14.3	18.1	0.35
2024E	722.2	42.2	5.8%	44.7	1.21	7.5	0.7	11.4	22.0	0.42
Market cap, EURm	203		BV per share 2022E, EUR		248.0	CAGR EPS 2021-24, %		10.2		
Net debt 2022E, EURm	339		Price/book 2022E		1.5	CAGR sales 2021-24, %		7.7		
Enterprise value, EURm	550		Dividend yield 2022E, %		2.8	ROE 2022E, %		16.7		
Total assets 2022E, EURm	622		Tax rate 2022E, %		-17.7	ROCE 2022E, %		6.1		
Goodwill 2022E, EURm	189		Equity ratio 2022E, %		22.0	PEG, P/E 22/CAGR		0.7		

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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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