

20E guidance withdrawn

Pihlajalinna withdrew its 20E guidance as it is challenging to assess and predict the total impacts of the coronavirus. Half of the operations are expected to remain stable but the demand for non-urgent health care and oral health services has declined. We expect 20E revenue to remain at the same level as in '19 (EUR 519m) and adj. EBIT of EUR 27m (28% y/y). However, there are significant uncertainties with our short-term estimates. Our rating is now "BUY" ("HOLD") with TP of EUR 16.

20E guidance temporarily withdrawn

Pihlajalinna withdrew its guidance for 20E as it is challenging to predict the total financial and operational impacts caused by COVID-19 and the given emergency laws. A new guidance will be given at a later point, when the total impacts can be more reliably assessed. According to the company, during the first months of the year, turnover and profitability have developed as expected. Based on the previous guidance given in February, Pihlajalinna expected turnover and adj. EBIT to improve from the previous year.

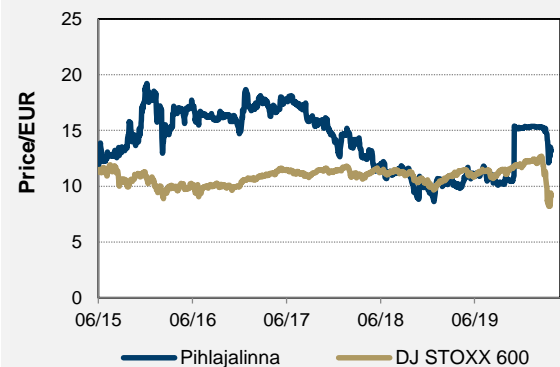
Non-urgent and oral health services hampered by COVID-19

According to the company, comprehensive outsourcing in the context of the social welfare and healthcare reform and other fixed-price invoicing is related to a steady recognition of income over time. Profitability of these kinds of contracts normally remains stable, even during periods of low demand. Demand for housing services for the elderly and recruitment services is not expected to be affected by the situation. Therefore, more than half of the business operations are expected to remain stable. Also, demand for remote services has increased. Pihlajalinna's fitness centers have been temporarily closed since late March and the demand for non-urgent healthcare and oral health services has decreased due to the coronavirus. We expect the demand for these services to increase after the situation, which should partly compensate this period of low demand.

"BUY" ("HOLD") with TP of EUR 16

We have decreased our 20E turnover expectation by ~3% and adj. EBIT expectation by ~24%. We now expect 20E turnover to remain at the same level as in '19 (EUR 519m) and adj. EBIT of EUR 27m (28% y/y). Adj. EBIT is expected to improve due to the cost savings resulting from the efficiency improvement program that was launched last summer. However, we note that there are significant uncertainties especially with our short-term estimates. The tender offer by Mehiläinen is currently being under review of the FCCA. As expected, the FCCA initiated the phase two investigation, meaning that the process will be completed at the end of Q2'20E or latest during Q3'20E. We keep our TP at the tender offer price of EUR 16 and upgrade our rating to "BUY" ("HOLD").

Rating BUY



Share price, EUR (Last trading day's closing price) 13.14

Target price, EUR 16.0

Latest change in rating 30-Mar-20

Latest report on company 17-Feb-20

Research paid by issuer: YES

No. of shares outstanding, '000's 22,620

No. of shares fully diluted, '000's 22,620

Market cap, EURm 297

Free float, % 57.0

Exchange rate -

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na.

Next interim report 08-May-20

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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
2018	487.8	14.4	3.0%	-74.5	0.20	42.4	0.8	27.1	-38.2	0.10
2019	518.7	20.9	4.0%	9.6	0.47	32.3	1.1	26.6	2.8	0.00
2020E	519.4	26.8	5.2%	4.7	0.56	23.3	1.0	18.6	1.6	0.19
2021E	562.5	37.0	6.6%	17.4	0.92	14.3	0.9	13.1	5.9	0.30
2022E	579.4	40.6	7.0%	22.6	1.08	12.2	0.8	11.5	7.6	0.36
Market cap, EURm			297	Gearing 2020E, %		159.3	CAGR EPS 2019-22, %			31.5
Net debt 2020E, EURm			189	Price/book 2020E		2.6	CAGR sales 2019-22, %			3.8
Enterprise value, EURm			500	Dividend yield 2020E, %		1.4	ROE 2020E, %			11.9
Total assets 2020E, EURm			429	Tax rate 2020E, %		20.1	ROCE 2020E, %			8.0
Goodwill 2020E, EURm			174	Equity ratio 2020E, %		27.7	PEG, P/E 20/CAGR			2.1

Estimates

Net sales	2017	2018E	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E
Corporate Customers	82.6	103.7	31.6	30.3	27.0	32.8	121.7	33.5	23.2	32.5	36.5	125.7
of which insurance companies	26.6	25.2	7.1	6.7	5.9	7.9	27.6	8.0	5.2	7.7	9.4	30.4
of which other corporates	56.0	78.5	24.5	23.6	21.1	24.9	94.1	25.5	18.0	24.8	27.1	95.4
Private Customers	67.9	92.1	26.5	25.6	21.1	24.9	98.1	25.2	10.2	24.1	28.1	87.6
Public sector customers	330.5	349.7	89.3	89.6	90.0	91.9	360.8	91.6	91.0	92.3	94.2	369.1
Total	424.0	487.8	132.5	129.7	122.7	133.8	518.6	135.1	108.4	133.2	142.7	519.4
Net sales growth												
Corporate Customers	-	25.5%	20.6%	19.6%	18.4%	11.6%	17.3%	6.0%	-23.3%	20.4%	11.4%	3.3%
Private Customers	-	35.6%	19.4%	5.1%	0.5%	1.2%	6.5%	-5.0%	-60.0%	14.0%	13.0%	-10.7%
Public sector customers	-	5.8%	4.9%	-0.8%	5.0%	3.7%	3.2%	2.6%	1.6%	2.6%	2.5%	2.3%
Total	6.2%	15.0%	11.1%	3.5%	5.5%	5.4%	6.3%	1.9%	-16.4%	8.5%	6.7%	0.1%
Adj. EBITDA (group)	34.0	45.9	12.6	10.8	17.4	14.4	55.2	14.2	9.8	21.0	17.8	62.8
Adj. EBITDA-margin (group)	8.0%	9.4%	9.5%	8.3%	14.2%	10.8%	10.6%	10.5%	9.0%	15.8%	12.5%	12.1%

Source: Pihlajalinna, Evli Research

Valuation

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	4007	11.2x	7.1x	6.0x	24.4x	14.8x	11.9x	8.9x	8.2x	6.6x
Attendo AB	ATT-SE	6558	12.1x	10.2x	8.9x	33.4x	27.7x	21.3x	37.6x	32.8x	19.1x
CareTech Holdings PLC	CTH-GB	415	10.9x	8.7x	7.8x	14.1x	10.8x	9.5x	9.3x	9.3x	8.0x
Fresenius SE & Co. KGaA	FRE-DE	19130	7.4x	5.8x	5.2x	11.0x	8.7x	7.6x	10.3x	10.4x	9.2x
Georgia Healthcare Group Plc	GHG-GB	101	5.6x	4.0x	3.3x	7.7x	5.1x	4.0x	7.2x	6.3x	4.9x
GHP Specialty Care AB	GHP-SE	860	10.9x	6.1x	5.4x	26.1x	12.8x	11.4x	23.6x	16.4x	13.1x
Humana AB	HUM-SE	1945	9.7x	6.7x	6.2x	17.8x	12.1x	11.1x	8.4x	7.4x	6.8x
Korian SA	KORI-FR	2378	11.1x	8.6x	8.4x	20.9x	16.1x	15.5x	18.5x	16.1x	13.4x
LNA Sante SA	LNA-FR	362	12.4x	10.0x	8.2x	16.2x	13.3x	12.0x	14.4x	13.3x	11.9x
Mediclinic International Plc	MDC-GB	2194	9.6x	7.0x	6.6x	14.8x	10.8x	9.8x	11.2x	10.2x	8.8x
Orpea SA	ORP-FR	5873	18.9x	15.5x	14.3x	26.9x	22.5x	20.2x	23.6x	21.5x	19.4x
RHON-KLINIKUM AG	RHK-DE	1192	9.8x	11.8x	10.5x	24.8x	71.9x	42.1x	47.3x	75.2x	51.3x
Spire Healthcare Group PLC	SPI-GB	295	7.6x	5.7x	4.9x	11.0x	12.0x	9.5x	29.6x	13.2x	8.8x
Terveystalo Oy Class A	TTALO-FI	1031	11.1x	8.7x	7.6x	22.5x	17.3x	13.6x	18.3x	18.2x	14.1x
Peer Group Median		3442	10.9x	7.8x	7.1x	19.4x	13.0x	11.6x	16.3x	13.2x	10.5x
Peer Group Average		1568	10.6x	8.3x	7.4x	19.4x	18.3x	14.2x	19.2x	18.5x	14.0x
Pihlajalinna (Evli est.)		347	10.1x	8.0x	6.6x	26.6x	18.6x	13.1x	32.3x	23.3x	14.3x

Pihlajalinna premium/discount to peer median

-7 % 1 % -7 % 38 % 43 % 13 % 98 % 76 % 36 %

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	132.5	129.7	122.7	133.8	518.7	135.1	108.4	133.2	142.7	519.4	562.5	579.4
EBITDA	12.5	10.9	17.4	14.3	55.1	14.2	9.8	21.0	17.8	62.8	73.7	76.9
<i>EBITDA margin (%)</i>	<i>9.4</i>	<i>8.4</i>	<i>14.2</i>	<i>10.7</i>	<i>10.6</i>	<i>10.5</i>	<i>9.0</i>	<i>15.8</i>	<i>12.5</i>	<i>12.1</i>	<i>13.1</i>	<i>13.3</i>
EBIT	3.9	2.1	9.3	5.6	20.9	5.2	0.8	12.0	8.8	26.8	37.0	40.6
<i>EBIT margin (%)</i>	<i>2.9</i>	<i>1.6</i>	<i>7.6</i>	<i>4.2</i>	<i>4.0</i>	<i>3.8</i>	<i>0.7</i>	<i>9.0</i>	<i>6.2</i>	<i>5.2</i>	<i>6.6</i>	<i>7.0</i>
Net financial items	-1.0	-1.0	-1.0	-1.0	-4.0	-1.2	-1.2	-1.2	-1.2	-5.0	-5.0	-4.0
Pre-tax profit	2.9	1.1	8.3	4.6	16.9	3.9	-0.5	10.8	7.6	21.8	32.0	36.6
Tax	-0.7	-0.3	-0.3	-0.6	-1.9	-0.8	0.0	-2.1	-1.5	-4.4	-6.4	-7.3
<i>Tax rate (%)</i>	<i>24.1</i>	<i>27.3</i>	<i>3.6</i>	<i>13.0</i>	<i>11.2</i>	<i>20.3</i>	<i>0.0</i>	<i>19.3</i>	<i>19.7</i>	<i>20.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.8	-0.1	6.6	2.4	10.7	2.7	-0.6	6.5	4.1	12.8	20.8	24.4
EPS	0.08	0.00	0.29	0.11	0.47	0.12	-0.03	0.29	0.18	0.56	0.92	1.08
EPS adjusted (diluted no. of shares)	0.08	0.00	0.29	0.11	0.47	0.12	-0.03	0.29	0.18	0.56	0.92	1.08
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.30	0.36
SALES, EURm												
Corporate Customers	31.6	30.3	27.0	32.8	121.7	33.5	23.2	32.5	36.5	125.7	143.6	147.9
Private Customers	26.5	25.6	21.1	24.9	98.1	25.2	10.2	24.1	28.1	87.6	100.7	103.7
Public sector customers	89.3	89.6	90.0	91.9	360.8	91.6	91.0	92.3	94.2	369.1	382.5	394.0
Eliminations	-14.9	-15.7	-15.4	-15.8	-61.8	-15.2	-16.0	-15.7	-16.2	-63.1	-64.3	-66.3
Total	132.5	129.7	122.7	133.8	518.7	135.1	108.4	133.2	142.7	519.4	562.5	579.4
SALES GROWTH, Y/Y %												
<i>Corporate Customers</i>	<i>14.1</i>	<i>27.1</i>	<i>8.9</i>	<i>11.6</i>	<i>15.1</i>	<i>6.0</i>	<i>-23.3</i>	<i>20.4</i>	<i>11.4</i>	<i>3.3</i>	<i>14.2</i>	<i>3.0</i>
<i>Private Customers</i>	<i>19.4</i>	<i>5.1</i>	<i>1.0</i>	<i>1.2</i>	<i>6.6</i>	<i>-5.0</i>	<i>-60.0</i>	<i>14.0</i>	<i>13.0</i>	<i>-10.7</i>	<i>15.0</i>	<i>3.0</i>
<i>Public sector customers</i>	<i>6.9</i>	<i>-2.5</i>	<i>7.5</i>	<i>3.7</i>	<i>3.8</i>	<i>2.6</i>	<i>1.6</i>	<i>2.6</i>	<i>2.5</i>	<i>2.3</i>	<i>3.6</i>	<i>3.0</i>
<i>Eliminations</i>	<i>4.9</i>	<i>6.8</i>	<i>17.6</i>	<i>1.3</i>	<i>7.3</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.3</i>	<i>2.1</i>	<i>2.0</i>	<i>3.0</i>
Total	11.2	3.5	5.5	5.4	6.3	1.9	-16.4	8.5	6.7	0.1	8.3	3.0
EBIT, EURm												
Group	3.9	2.1	9.3	5.6	20.9	5.2	0.8	12.0	8.8	26.8	37.0	40.6
Total	3.9	2.1	9.3	5.6	20.9	5.2	0.8	12.0	8.8	26.8	37.0	40.6
EBIT margin, %												
<i>Total</i>	<i>2.9</i>	<i>1.6</i>	<i>7.6</i>	<i>4.2</i>	<i>4.0</i>	<i>3.8</i>	<i>0.7</i>	<i>9.0</i>	<i>6.2</i>	<i>5.2</i>	<i>6.6</i>	<i>7.0</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	213.4	399.1	424.0	487.8	518.7	519.4	562.5	579.4
<i>Sales growth (%)</i>	<i>43.3</i>	<i>87.0</i>	<i>6.2</i>	<i>15.0</i>	<i>6.3</i>	<i>0.1</i>	<i>8.3</i>	<i>3.0</i>
EBITDA	12.7	29.4	34.3	45.9	55.1	62.8	73.7	76.9
<i>EBITDA margin (%)</i>	<i>6.0</i>	<i>7.4</i>	<i>8.1</i>	<i>9.4</i>	<i>10.6</i>	<i>12.1</i>	<i>13.1</i>	<i>13.3</i>
Depreciation	-8.0	-12.8	-14.2	-31.5	-34.2	-36.0	-36.7	-36.4
EBITA	4.7	16.6	20.1	14.4	20.9	26.8	37.0	40.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.7	16.6	20.1	14.4	20.9	26.8	37.0	40.6
<i>EBIT margin (%)</i>	<i>2.2</i>	<i>4.2</i>	<i>4.7</i>	<i>3.0</i>	<i>4.0</i>	<i>5.2</i>	<i>6.6</i>	<i>7.0</i>
Reported EBIT	3.9	15.1	19.2	13.8	10.2	26.8	37.0	40.6
<i>EBIT margin (reported) (%)</i>	<i>1.8</i>	<i>3.8</i>	<i>4.5</i>	<i>2.8</i>	<i>2.0</i>	<i>5.2</i>	<i>6.6</i>	<i>7.0</i>
Net financials	-2.3	-1.2	-1.4	-3.8	-4.0	-5.0	-5.0	-4.0
Pre-tax profit	2.4	15.4	18.7	10.6	16.9	21.8	32.0	36.6
Taxes	-0.1	-3.0	-3.4	-2.7	-1.9	-4.4	-6.4	-7.3
Minority shares	-0.8	-2.7	-4.6	-3.3	-4.3	-4.7	-4.8	-4.9
Net profit	0.7	8.2	9.8	4.0	0.0	12.8	20.8	24.4
Cash NRIs	-0.8	-1.5	-0.9	-0.6	-10.7	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	69	67	83	68	74	69	67	67
Goodwill	76	92	104	170	174	174	174	174
Right of use assets	0	0	0	116	108	109	118	122
Inventory	2	2	2	3	2	3	3	3
Receivables	20	27	25	40	47	32	35	36
Liquid funds	15	28	37	36	27	36	39	41
Total assets	185	218	254	437	438	429	442	447
Liabilities								
Shareholder's equity	92	98	100	121	101	114	130	148
Minority interest	1	3	6	9	5	5	5	5
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	119	114	109	118	122
Deferred taxes	5	6	6	6	6	6	6	6
Interest bearing debt	42	52	77	99	107	117	97	79
Non-interest bearing current liabilities	42	55	62	80	102	75	82	84
Other interest-free debt	3	3	3	3	2	2	2	2
Total liabilities	185	217	254	437	438	429	442	447
CASH FLOW, EURm								
+ EBITDA	13	29	34	46	55	63	74	77
- Net financial items	-2	-1	-1	-4	-4	-5	-5	-4
- Taxes	0	-2	-5	-5	-4	-4	-6	-7
- Increase in Net Working Capital	9	8	7	2	14	-12	3	1
+/- Other	-2	-1	0	-11	-15	-5	-5	-5
= Cash flow from operations	18	32	35	27	46	37	61	62
- Capex	-48	-5	-10	-23	-36	-32	-44	-39
- Acquisitions	0	-22	-17	-79	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-30	6	8	-74	10	5	17	23
+/- New issues/buybacks	82	-1	-2	24	-22	0	0	0
- Paid dividend	0	0	-3	-3	-2	0	-4	-7
+/- Other	-48	7	7	53	5	5	-10	-15
Change in cash	4	12	10	-1	-9	9	3	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	380	275	195	346	297	297	297
Net debt (excl. convertibles)	25	40	181	194	189	176	160
Enterprise value	416	325	391	557	500	485	468
Sales	399	424	488	519	519	563	579
EBITDA	29	34	46	55	63	74	77
EBIT	17	20	14	21	27	37	41
Pre-tax	15	19	11	17	22	32	37
Earnings	10	11	5	11	13	21	24
Equity book value (excl. minorities)	98	100	121	101	114	130	148
Valuation multiples							
EV/sales	1.0	0.8	0.8	1.1	1.0	0.9	0.8
EV/EBITDA	14.2	9.5	8.5	10.1	8.0	6.6	6.1
EV/EBITA	25.1	16.2	27.1	26.6	18.6	13.1	11.5
EV/EBIT	25.1	16.2	27.1	26.6	18.6	13.1	11.5
EV/OCF	12.9	9.3	14.3	12.1	13.6	8.0	7.5
EV/FCFF	66.9	19.3	-11.7	20.3	16.4	9.2	8.8
P/FCFE	67.8	35.7	-2.6	36.0	62.9	17.0	13.1
P/E	39.1	25.7	42.4	32.3	23.3	14.3	12.2
P/B	3.9	2.7	1.6	3.4	2.6	2.3	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.9	7.4	6.9
Target EV/EBIT	0.0	0.0	0.0	0.0	20.7	14.7	13.0
Target EV/FCF	0.0	0.0	0.0	0.0	117.8	31.1	23.3
Target P/B	0.0	0.0	0.0	0.0	3.2	2.8	2.4
Target P/E	0.0	0.0	0.0	0.0	28.4	17.4	14.9
Per share measures							
Number of shares	20,613	20,613	22,620	22,620	22,620	22,620	22,620
Number of shares (diluted)	20,613	20,613	22,620	22,620	22,620	22,620	22,620
EPS	0.47	0.52	0.20	0.47	0.56	0.92	1.08
Operating cash flow per share	1.57	1.69	1.21	2.03	1.62	2.69	2.74
Free cash flow per share	0.27	0.37	-3.29	0.42	0.21	0.77	1.00
Book value per share	4.74	4.87	5.36	4.47	5.03	5.77	6.54
Dividend per share	0.15	0.16	0.10	0.00	0.19	0.30	0.36
Dividend payout ratio, %	31.9	30.8	49.2	0.0	33.0	33.0	33.0
Dividend yield, %	0.8	1.2	1.2	0.0	1.4	2.3	2.7
FCF yield, %	1.5	2.8	-38.2	2.8	1.6	5.9	7.6
Efficiency measures							
ROE	10.2	10.8	4.2	9.6	11.9	17.0	17.5
ROCE	11.7	12.2	5.4	6.2	8.0	10.6	11.5
Financial ratios							
Inventories as % of sales	0.5	0.5	0.5	0.4	0.5	0.5	0.5
Receivables as % of sales	6.7	5.9	8.2	9.1	6.2	6.2	6.2
Non-interest bearing liabilities as % of sales	13.8	14.6	16.3	19.7	14.5	14.5	14.5
NWC/sales, %	-6.9	-8.4	-8.0	-10.2	-7.9	-7.9	-7.9
Operative CAPEX/sales, %	1.3	2.4	4.6	7.0	6.2	7.7	6.8
CAPEX/sales (incl. acquisitions), %	-4.1	-1.6	-11.6	7.0	6.2	7.7	6.8
FCFF/EBITDA	0.2	0.5	-0.7	0.5	0.5	0.7	0.7
Net debt/EBITDA, book-weighted	0.8	1.2	3.9	3.5	3.0	2.4	2.1
Debt/equity, market-weighted	0.1	0.3	0.5	0.3	0.4	0.3	0.3
Equity ratio, book-weighted	46.4	41.8	29.8	24.2	27.7	30.7	34.2
Gearing, %	24.3	37.3	138.7	182.9	159.3	130.1	104.9

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	45.749	15.4%
Mww Yhtiö Oy	2,309,010	30.340	10.2%
Fennia Mutual Insurance Company	1,998,965	26.266	8.8%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,385	24.853	8.4%
Elo Pension Company	1,267,161	16.650	5.6%
Niemistö Leena Katriina	703,475	9.244	3.1%
Ilmarinen Mutual Pension Insurance Company	490,000	6.439	2.2%
Fondita Nordic Micro Cap	470,000	6.176	2.1%
Fennia Life Insurance Company Ltd	273,099	3.589	1.2%
Sijoitusrahasto Taaleritehdas Mikro Markka	220,000	2.891	1.0%
Ten largest	13,104,736	172.196	58%
Residual	9,515,399	125.032	42%
Total	22,620,135	297.229	100%

EARNINGS CALENDAR

May 08, 2020	Q1 report
August 14, 2020	Q2 report
November 04, 2020	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

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

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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