

## Profitability beats

Pihlajalinna's revenue is in line, but profitability improved more than expected. Organic growth also now turned positive and was +1.1%, after being negative in H1. Guidance for 2018E is intact.

- Revenue was EUR 116m vs. EUR 117m/116m Evli/cons estimates. Revenue grew by 17.0% y/y, of which 15.9% was due to M&A, implying organic growth of +1.1%. Organic growth was -1.8% in H1.
- Adj. EBITDA was EUR 10.7m (9.2% margin) vs. EUR 9.6m/9.7m (8.2%/8.4%) Evli/cons estimates. Adj. EBITDA improved by EUR 1.7m y/y, of which EUR 1.6m came from M&A. Profitability was hurt by EUR -0.8m start-up costs related to new clinics, while we had incorporated EUR -0.6m. Profitability excl. the clinics' impact thus improved more than we expected, supported by profitability improvements in occupational healthcare and higher volumes of diagnostics.
- Guidance for 2018E is intact: Revenue will increase clearly from 2017 level (2017A: EUR 424m) especially due to M&A transactions. Adjusted EBIT is expected to fall short of the 2017 level (2017A: EUR 20m).

### Rating 🟡 HOLD

Pihlajalinna Q3'18	Actual	Evli	Cons.*	Year ago
Net sales	116.3	117.0	116.0	99.4
Adj. EBITDA	10.7	9.6	9.7	9.1
Adj. EBITDA-margin	9.2 %	8.2 %	8.4 %	9.2 %
Adj. EBIT	5.9	4.8	5.2	5.4
Adj. EBIT-margin	5.1 %	4.1 %	4.5 %	5.4 %
EPS (reported)	0.11	0.14	0.14	0.08

\*Bloomberg (5 estimate mean)

Share price, EUR (Last trading day's closing price)	8.99
Target price, EUR	12.0
Latest change in	04-May-18
Latest report on company	17-Aug-18
Research paid by issuer:	Yes
No. of shares outstanding,	22,620
No. of shares fully diluted,	22,620
Market cap, EURm	203
Free float, %	68.0
Exchange rate	0.000
Reuters code	PIHLIS.HE
Bloomberg code	PIHLIS FH
Average daily volume, EURm	na.
Next interim report	09-Nov-17
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🟢 BUY 🟡 HOLD 🔴 SELL

### PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	399	17	4.2%	15	0.47	39.1	1.0	11.2	25.1	0.15
2017	424	20	4.7%	19	0.52	25.7	0.8	7.2	16.2	0.16
2018E	487	12	2.4%	10	0.27	32.8	0.6	6.5	26.0	0.09
2019E	502	18	3.5%	15	0.47	19.1	0.6	5.9	16.6	0.16
2020E	512	23	4.4%	20	0.66	13.7	0.5	5.5	12.2	0.22
Market cap, EURm	203		BV per share 2018E, EUR		4.5		CAGR EPS 2017-20, %		8.1	
Net debt 2018E, EURm	98		Price/book 2018E		2.0		CAGR sales 2017-20, %		6.5	
Enterprise value, EURm	310		Dividend yield 2018E, %		1.0		ROE 2018E, %		6.1	
Total assets 2018E, EURm	320		Tax rate 2018E, %		22.9		ROCE 2018E, %		5.7	
Goodwill 2018E, EURm	104		Equity ratio 2018E, %		33.8		PEG, P/E 18/CAGR		0.8	

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

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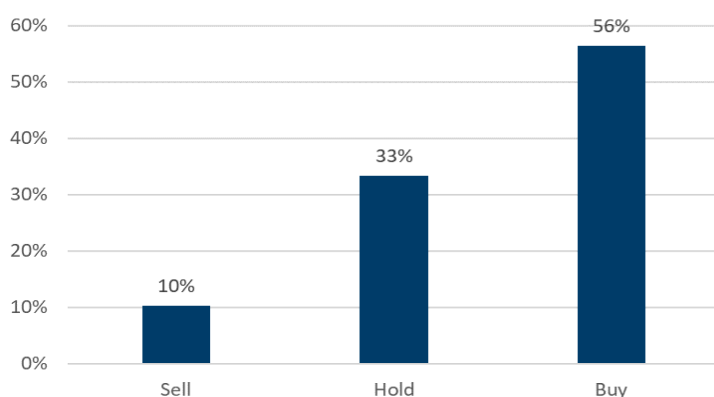
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Investment recommendations are defined as follows:

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

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## Name(s) of the analyst(s): Häyhä

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