

## Profitability and pipeline in focus

Pihlajalinna will report its Q4 earnings on Feb 15th. Profitability development and news flow regarding the new contract pipeline are of interest, as before. Our rating and target price ("Buy", TP EUR 12) are unchanged ahead of Q4.

### Company lost two small contracts during Q4

Kymijoen Työterveys, which Pihlajalinna acquired in early 2018, lost two customer contracts (Kouvola and Kotka) in Q4, following tendering processes. Contracts were transferred to Terveystalo from start of 2019. Personnel of Kymijoen Työterveys was given protection against dismissal for two years. Pihlajalinna plans to utilize the resulting personnel surplus in other undersupplied regions as well as in its other private service provision within the region. Management has estimated that the revenue impact of the two lost contracts is about EUR -2m in total annually. We assume the negative earnings impact at EUR 1m+ for 2019E.

### Terveyspalvelu Verso acquired in Q4

Pihlajalinna executed on its altered expansion plan by acquiring Terveyspalvelu Verso, which produces occupational healthcare services at 17 clinics in Northern Savo region. Price tag was not disclosed. Transaction was completed at the end of Q4.

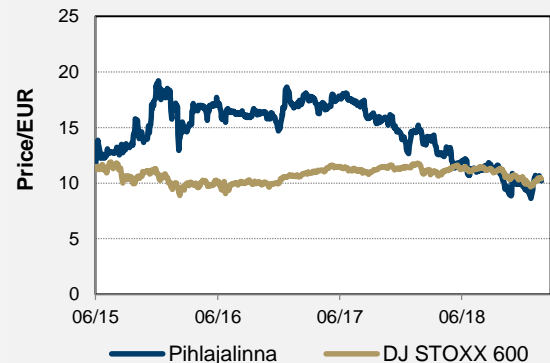
### We expect profitability to improve in Q4

Pihlajalinna's profitability and organic growth showed signs of turning to better in Q3, supported by a streamlined cost structure and the drop of insurance revenue leveling out. We expect cost savings to continue supporting profitability and foresee adj. EBITDA margin improving y/y in Q4.

### Rating and TP unchanged ahead of Q4

We expect Q4 revenue of EUR 127m (growth 18%) and adj. EBITDA of EUR 10.9m (margin 8.6%) vs. EUR 8.5m (margin 7.9%) last year. We expect a dividend to be cut to EUR 0.08 vs. EUR 0.16 last year, due to higher leverage and lower earnings in 2018E. Our rating and target price ("Buy", TP EUR 12) are unchanged ahead of Q4.

Rating + BUY



Share price, EUR (Last trading day's closing price) 10.20

Target price, EUR 12.0

Latest change in recommendation 02-Nov-18

Latest report on company 02-Nov-18

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 231

Free float, % 66.0

Exchange rate 0.000

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na.

Next interim report 15-Feb-19

Web site <http://investors.pihlajalinna.fi/>

Analyst Joonas Häyhä

E-mail [joonas.hayha@evli.com](mailto:joonas.hayha@evli.com)

Telephone +358 9 4766 9662

+ BUY   + HOLD   - SELL

## 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	488	14	2.8%	11	0.26	39.7	0.7	7.2	25.0	0.08	
2019E	510	17	3.4%	14	0.46	22.3	0.6	6.7	18.5	0.15	
2020E	520	23	4.4%	20	0.65	15.6	0.6	6.3	13.4	0.22	
Market cap, EURm	231			BV per share 2018E, EUR			4.5	CAGR EPS 2017-20, %			8.0
Net debt 2018E, EURm	97			Price/book 2018E			2.3	CAGR sales 2017-20, %			7.1
Enterprise value, EURm	339			Dividend yield 2018E, %			0.8	ROE 2018E, %			5.7
Total assets 2018E, EURm	319			Tax rate 2018E, %			24.0	ROCE 2018E, %			6.5
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.

## Estimates

Net sales	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18e	2018E	2019E	2020E
Corporate Customers	22.4	20.9	18.2	21.1	82.6	26.2	25.3	22.8	26.3	100.6	107.1	109.3
of which insurance companies	7.8	6.9	5.4	6.5	26.6	6.6	6.6	5.3	6.5	25.0	25.0	25.5
of which other corporates	14.6	14.0	12.8	14.6	56.0	19.6	18.7	17.5	19.8	75.6	82.1	83.8
Private Customers	19.0	18.0	13.6	17.3	67.9	22.2	24.3	21.0	24.0	91.5	97.3	99.3
Public sector customers	83.0	82.2	80.8	84.5	330.5	85.1	90.3	85.7	91.7	352.8	363.9	371.1
<b>Total</b>	<b>110.0</b>	<b>106.6</b>	<b>99.4</b>	<b>108.0</b>	<b>424.0</b>	<b>119.3</b>	<b>125.3</b>	<b>116.3</b>	<b>127.1</b>	<b>488.0</b>	<b>510.3</b>	<b>520.5</b>
<b>Net sales growth</b>												
Corporate Customers	-	-	-	-	-	17.0%	21.1%	25.3%	24.6%	21.8%	6.5%	2.0%
Private Customers	-	-	-	-	-	16.8%	35.0%	54.4%	38.7%	34.8%	6.4%	2.0%
Public sector customers	-	-	-	-	-	2.5%	9.9%	6.1%	8.5%	6.7%	3.1%	2.0%
<b>Total</b>	<b>10.0%</b>	<b>5.1%</b>	<b>5.7%</b>	<b>4.1%</b>	<b>6.2%</b>	<b>8.5%</b>	<b>17.5%</b>	<b>17.0%</b>	<b>17.7%</b>	<b>15.1%</b>	<b>4.6%</b>	<b>2.0%</b>
Adj. EBITDA (group)	9.1	7.4	9.0	8.5	34.0	3.9	6.6	10.7	10.9	32.1	36.2	40.6
Adj. EBITDA-margin (group)	8.3%	6.9%	9.1%	7.9%	8.0%	3.3%	5.3%	9.2%	8.6%	6.6%	7.1%	7.8%

Source: Pihlajalinn, Evli Research

## Valuation

PIHLAJALINNA PEER GROUP	Security identifier	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E
		18	19	20	18	19	20	18	19	20
Ambea AB	AMBEA-SE	13.6x	10.7x	8.2x	18.5x	16.0x	10.5x	15.2x	12.7x	10.8x
Attendo AB	ATT-SE	14.5x	11.6x	9.9x	21.9x	16.1x	13.3x	19.5x	17.8x	15.0x
Cambian Group Plc	CMBN-GB									
Capio AB	CAPIO-SE									
CareTech Holdings PLC	CTH-GB	11.8x	9.7x	8.3x	13.9x	11.7x	9.8x	9.7x	9.2x	7.7x
Fresenius SE & Co. KGaA	FRE-DE	6.3x	6.3x	5.8x	8.1x	8.3x	7.7x	13.5x	13.0x	12.3x
Georgia Healthcare Group Plc	GHG-GB	8.9x	8.4x	6.8x	11.8x	10.5x	8.2x	28.8x	19.5x	14.1x
GHP Specialty Care AB	GHP-SE	11.7x	10.4x	8.9x	16.9x	14.7x	12.9x	23.9x	18.8x	19.3x
Humana AB	HUM-SE	9.7x	9.4x	8.5x	11.4x	11.0x	9.9x	14.1x	12.6x	11.6x
Korian SA	KORI-FR	10.9x	10.2x	9.4x	17.1x	15.7x	14.2x	24.8x	20.8x	17.9x
LNA Sante SA	LNA-FR	11.0x	10.8x	9.6x	13.3x	12.8x	11.2x	17.5x	15.6x	13.2x
Mediclinic International Plc	MDC-GB	8.2x	7.5x	6.8x	12.9x	11.1x	9.9x	11.7x	10.4x	9.0x
Orpea SA	ORP-FR	17.1x	15.7x	14.7x	23.7x	21.8x	20.3x	25.3x	22.5x	20.2x
RHON-KLINIKUM AG	RHK-DE	11.8x	11.8x	11.0x	22.5x	23.4x	24.2x	37.1x	35.9x	34.9x
Spire Healthcare Group PLC	SPI-GB	7.2x	7.2x	6.5x	16.8x	16.4x	14.0x	18.9x	15.7x	13.0x
Terveystalo Oy Class A	TTALO-FI	12.5x	10.3x	9.3x	19.9x	16.1x	14.7x	17.8x	14.5x	14.4x
Peer Group Median		11.4x	10.2x	8.7x	16.8x	15.2x	12.1x	18.4x	15.6x	13.7x
Peer Group Average		11.1x	10.0x	8.8x	16.3x	14.7x	12.9x	19.8x	17.1x	15.2x
Pihlajalinn (Evli est.)		10.6x	8.9x	7.5x	25.0x	18.5x	13.4x	39.7x	22.3x	15.6x
Pihlajalinn premium/discount to peer median		-7%	-13%	-14%	48%	22%	11%	116%	43%	14%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	10.20 PV of Free Cash Flow	108 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	15.66 PV of Horizon value	304 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	53.6 Unconsolidated equity	-11 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	18.1 Marketable securities	34 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	13.7 Debt - dividend	-132 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	73.8 Value of stock	358 Nr of shares, Mn	22.6 Effective tax rate, %	25

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	424	488	510	520	536	552	569	586	603	621	637	653
<i>Sales growth, %</i>	6.2	15.0	4.6	2.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.5
Operating income (EBIT)	20	14	17	23	27	28	28	29	30	31	32	33
<i>EBIT margin, %</i>	4.7	2.8	3.4	4.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
+ Depreciation+amort.	14	19	19	18	17	17	16	16	16	16	17	17
- Income taxes	-4	-3	-3	-5	-5	-6	-6	-6	-6	-6	-6	-6
- Change in NWC	8	3	2	1	1	1	1	1	1	1	1	1
<i>NWC/Sales, %</i>	-8.4	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Capital Expenditure	-41	-82	-13	-13	-14	-15	-16	-17	-18	-18	-19	-19
<i>Investments/Sales, %</i>	9.7	16.7	2.5	2.5	2.6	2.7	2.8	2.9	3.0	2.9	3.0	3.0
- Other items	-1	-1	0	0	0	0	0	0	0	0	0	0
= Unlevered Free CF (FCF)	-4	-50	22	24	26	25	25	24	24	25	25	557
= Discounted FCF (DFCF)		-50	20	21	21	19	18	16	15	15	13	304
= DFCF min WACC		-50	20	21	21	20	18	17	15	15	14	356
= DFCF max WACC		-50	20	21	21	19	17	16	15	14	13	262

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3	2018Q4E	2018E	2019E	2020E
Net sales	110	107	99	108	424	119	125	116	127	488	510	520
EBITDA	9	7	9	9	34	4	7	11	11	32	36	41
EBITDA margin (%)	8.4	6.9	9.2	8.0	8.1	3.3	5.3	9.1	8.6	6.6	7.1	7.8
EBIT	6	4	5	5	20	0	2	6	6	14	17	23
EBIT margin (%)	5.2	3.8	5.4	4.6	4.7	-0.3	1.5	5.1	4.8	2.8	3.4	4.4
Net financial items	0	0	0	0	-1	-1	-1	-1	-1	-3	-3	-3
Pre-tax profit	5	4	5	5	19	-1	1	5	6	11	14	20
Tax	-1	-1	-1	-1	-3	0	0	-1	-1	-3	-3	-4
Tax rate (%)	18.9	19.4	22.4	13.0	18.5	0.0	23.1	23.5	20.3	24.0	20.0	20.0
Net profit	4	2	2	3	11	-2	1	2	4	6	10	15
EPS	0.18	0.11	0.09	0.14	0.52	-0.07	0.05	0.10	0.18	0.26	0.46	0.65
EPS adjusted (diluted no. of shares)	0.18	0.11	0.09	0.14	0.52	-0.07	0.05	0.10	0.18	0.26	0.46	0.65
Dividend per share	0.00	0.00	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.08	0.15	0.22
<b>SALES, EURm</b>												
Corporate Customers	22	21	18	21	83	26	25	25	26	103	107	109
Private Customers	19	18	14	17	68	22	24	21	24	91	97	99
Public sector customers	83	82	81	85	331	85	90	84	92	351	364	371
Eliminations	-14	-14	-13	-15	-57	-14	-15	-13	-15	-57	-58	-59
Total	110	107	99	108	424	119	125	116	127	488	510	520
<b>SALES GROWTH, Y/Y %</b>												
Corporate Customers	0.0	0.0	0.0	0.0	0.0	17.0	21.1	35.7	24.6	24.1	4.5	2.0
Private Customers	0.0	0.0	0.0	0.0	0.0	16.8	35.0	53.7	38.7	34.6	6.5	2.0
Public sector customers	0.0	0.0	0.0	0.0	0.0	2.5	9.9	3.6	8.5	6.1	3.7	2.0
Eliminations	0.0	0.0	0.0	0.0	0.0	-1.4	0.7	0.0	0.0	-0.2	2.0	2.0
Private Clinics and Specialised Care	-100.0	-100.0	-100.0	-100.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary and Social Care	-100.0	-100.0	-100.0	-100.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unallocated & Eliminations	-100.0	-100.0	-100.0	-100.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	10.0	5.1	5.7	4.1	6.2	8.5	17.5	16.8	17.7	15.0	4.6	2.0
<b>EBIT, EURm</b>												
Group	6	4	5	5	20	0	2	6	6	14	17	23
Total	6	4	5	5	20	0	2	6	6	14	17	23
<b>EBIT margin, %</b>												
Total	5.2	3.8	5.4	4.6	4.7	-0.3	1.5	5.1	4.8	2.8	3.4	4.4

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	104	149	213	399	424	488	510	520
<i>Sales growth (%)</i>	120.8	42.6	43.3	87.0	6.2	15.0	4.6	2.0
Costs	-92	-135	-201	-370	-390	-456	-474	-480
Reported EBITDA	12	14	13	29	34	32	36	41
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	11.6	9.3	6.0	7.4	8.1	6.6	7.1	7.8
Depreciation	-4	-6	-8	-13	-14	-18	-19	-18
EBITA	8	8	5	17	20	14	17	23
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	8	8	5	17	20	14	17	23
<i>EBIT margin (%)</i>	7.3	5.4	2.2	4.2	4.7	2.8	3.4	4.4
Net financials	-2	-3	-2	-1	-1	-3	-3	-3
Pre-tax profit	6	5	2	15	19	11	14	20
Extraordinary items	0	-2	-1	-1	-1	-1	0	0
Taxes	-1	-1	0	-3	-3	-3	-3	-4
Minority shares	0	0	-1	-3	-5	-3	-1	-1
Net profit	5	1	1	8	10	5	10	15
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	34	47	69	67	83	146	141	136
<i>% of sales</i>	32	31	32	17	20	30	28	26
Goodwill	47	56	76	92	104	104	104	104
<i>% of sales</i>	45	38	36	23	25	21	20	20
Inventory	1	1	2	2	2	2	3	3
<i>% of sales</i>	1	1	1	1	1	1	1	1
Receivables	13	14	20	27	25	30	32	32
<i>% of sales</i>	12	10	9	7	6	6	6	6
Liquid funds	11	11	15	28	37	34	36	36
<i>% of sales</i>	11	7	7	7	9	7	7	7
Total assets	106	131	185	218	254	319	317	313
Liabilities								
Equity	38	10	93	101	106	108	116	128
<i>% of sales</i>	37	7	44	25	25	22	23	25
Deferred taxes	4	4	5	6	6	6	6	6
<i>% of sales</i>	3	3	2	1	1	1	1	1
Interest bearing debt	42	88	42	52	77	132	117	101
<i>% of sales</i>	40	59	20	13	18	27	23	19
Non-interest bearing current liabilities	22	27	42	55	62	71	74	75
<i>% of sales</i>	21	18	20	14	15	15	15	15
Other interest free debt	1	1	3	3	3	3	3	3
<i>% of sales</i>	1	1	1	1	1	1	1	1
Total liabilities	106	131	185	217	254	319	317	313
<b>CASH FLOW, EURm</b>								
+ EBITDA	12	14	13	29	34	32	36	41
- Net financial items	-2	-3	-2	-1	-1	-3	-3	-3
- Taxes	-2	-1	0	-2	-4	-3	-3	-4
- Increase in Net Working Capital	4	4	9	7	8	3	2	1
+/- Other	0	-2	-2	-4	-5	-3	-1	-1
= Cash flow from operations	13	11	19	30	37	30	32	35
- Capex	-7	-28	-48	-27	-41	-20	-13	-13
- Acquisitions	0	0	0	0	0	-62	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	5	-17	-29	3	-4	-52	19	22
+/- Change in interest-bearing debt	-6	46	-46	10	25	55	-14	-16
+/- New issues/buybacks	4	-29	82	-1	-2	0	0	0
- Paid dividend	0	0	0	0	-3	-3	-2	-3
+/- Change in loan receivables	1	0	1	1	0	0	0	0
Change in cash	5	0	8	13	15	0	3	2

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	0	256	380	275	231	231	231
Net debt	77	27	25	40	97	81	64
Enterprise value	77	286	416	325	339	323	304
Sales	149	213	399	424	488	510	520
EBITDA	14	13	29	34	32	36	41
EBIT	8	5	17	20	14	17	23
Pre-tax	5	2	15	19	11	14	20
Earnings	4	2	10	11	6	10	15
Book value	9	92	98	100	102	111	122
<b>Valuation multiples</b>							
EV/sales	0.5	1.3	1.0	0.8	0.7	0.6	0.6
EV/EBITDA	5.6	22.5	14.2	9.5	10.6	8.9	7.5
EV/EBITA	9.6	60.8	25.1	16.2	25.0	18.5	13.4
EV/EBIT	9.6	60.8	25.1	16.2	25.0	18.5	13.4
EV/operating cash flow	4.8	13.4	12.3	8.5	10.5	9.3	8.3
EV/cash earnings	7.7	28.6	15.8	11.2	12.6	10.6	9.0
P/E	0.0	170.5	39.1	25.7	39.7	22.3	15.6
P/E excl. goodwill	0.0	170.5	39.1	25.7	39.7	22.3	15.6
P/B	0.0	2.8	3.9	2.7	2.3	2.1	1.9
P/sales	0.0	1.2	1.0	0.6	0.5	0.5	0.4
P/CF	0.0	12.0	11.2	7.2	7.2	6.7	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	27.5	20.5	15.0
Target P/E	0.0	0.0	0.0	0.0	46.7	26.3	18.3
Target P/B	0.0	0.0	0.0	0.0	2.7	2.5	2.2
<b>Per share measures</b>							
Number of shares	13,399	20,613	20,613	20,613	22,620	22,620	22,620
Number of shares (diluted)	13,399	20,613	20,613	20,613	22,620	22,620	22,620
EPS	0.26	0.07	0.47	0.52	0.26	0.46	0.65
EPS excl. goodwill	0.26	0.07	0.47	0.52	0.26	0.46	0.65
Cash EPS	0.75	0.49	1.28	1.40	1.19	1.34	1.50
Operating cash flow per share	1.21	1.03	1.64	1.86	1.43	1.53	1.63
Capital employed per share	6.52	5.68	5.95	6.91	8.94	8.60	8.35
Book value per share	0.70	4.47	4.74	4.87	4.52	4.89	5.39
Book value excl. goodwill	-3.50	0.78	0.26	-0.17	-0.07	0.30	0.80
Dividend per share	0.00	0.00	0.15	0.16	0.08	0.15	0.22
Dividend payout ratio, %	0.0	0.0	31.9	30.8	33.0	33.0	33.0
Dividend yield, %	0.0	0.0	0.8	1.2	0.8	1.5	2.1
<b>Efficiency measures</b>							
ROE	15.1	3.0	10.2	10.8	5.7	9.7	12.7
ROCE	9.0	4.0	11.7	12.2	6.5	7.4	9.9
<b>Financial ratios</b>							
Capex/sales, %	18.9	22.3	6.8	9.7	16.7	2.5	2.5
Capex/depreciation excl. goodwill, %	329.0	346.6	85.2	209.2	441.6	69.3	72.6
Net debt/EBITDA, book-weighted	5.6	2.1	0.8	1.2	3.0	2.2	1.6
Debt/equity, market-weighted	0.0	0.2	0.1	0.3	0.6	0.5	0.4
Equity ratio, book-weighted	7.9	50.5	46.4	41.8	33.8	36.7	40.8
Gearing	7.42	0.28	0.24	0.37	0.90	0.70	0.50
Number of employees, average	1,619	2,503	3,526	3,879	3,879	3,879	3,879
Sales per employee, EUR	91,970	85,258	113,188	109,307	125,754	131,544	134,175
EBIT per employee, EUR	4,941	1,878	4,708	5,182	3,506	4,502	5,851

## COMPANY DESCRIPTION:

## INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lähtapiola Keskinäinen Vakuutusyhtiö	3,481,641	35.513	15.4%
Mww Yhtiö Oy	2,309,010	23.552	10.2%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,892,203	19.300	8.4%
Elo Pension Company	1,267,161	12.925	5.6%
Niemistö Leena Katriina	703,475	7.175	3.1%
Fondita Nordic Micro Cap	605,000	6.171	2.7%
Fennia Mutual Insurance Company	530,000	5.406	2.3%
Ilmarinen Mutual Pension Insurance Company	490,000	4.998	2.2%
Nordea Pro Finland Fund	473,418	4.829	2.1%
Evli Finnish Small Cap Fund	390,531	3.983	1.7%
Ten largest	12,142,439	123.853	54%
Residual	10,477,696	106.872	46%
Total	22,620,135	230.725	100%

## EARNINGS CALENDAR

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Joni Aaltonen  
CFO: Ville Lehtonen  
IR: Siri Markula

Kehräsaari B, 33200 Tampere  
Tel:

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year



## Important Disclosures

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

<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

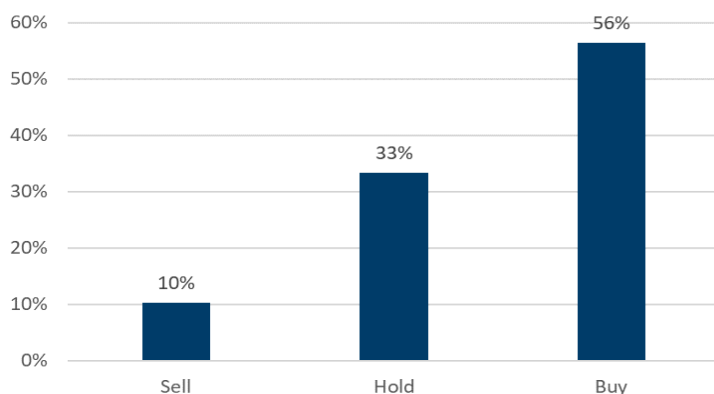
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

<http://research.evli.com>

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 in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [29.1.2018, 8:00]. This report has been published on [29.1.2018, 9:10].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson Et Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information****SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115  
 Lauri Ahokanto +358 9 4766 9117  
 Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9130  
 Pasi Väisänen +358 9 4766 9120  
 Antti Kässi +358 9 4766 9120

**ETFs and Derivatives**

Tobias Björk (Head) +358 9 4766 9130  
 Joachim Dannberg +358 9 4766 9123  
 Kimmo Lilja +358 9 4766 9130  
 Sami Järvinen +358 9 4766 9110

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
 Aki Lakkisto +358 9 4766 9123

**Equity Research**

Joonas Häyhä +358 9 4766 9662  
 Jonas Forslund +358 9 4766 9314  
 Joonas Ilvonen +358 44 430 9071  
 Jerker Salokivi +358 9 4766 9149

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
 Markku Reinikainen +358 9 4766 9669

**EVLI BANK PLC**

Aleksanterinkatu 19 A  
 P.O. Box 1081  
 FIN-00101 Helsinki, FINLAND  
 Phone +358 9 476 690  
 Fax +358 9 634 382  
 Internet www.evli.com  
 E-mail  
 firstname.lastname@evli.com

**EVLI BANK PLC,  
 STOCKHOLMSFILIAL**  
 Kungsgatan 27, P.O. Box 16354  
 SE-111 56 Stockholm  
 Sverige  
 stockholm@evli.com  
 Tel +46 (0)8 407 8000  
 Fax +46 (0)8 407 8001