

## Profitability expected to increase in Q1

Pihlajalinna will report its Q1 earnings on May 3rd. As before, profitability and new contract pipeline are of interest but also comments on the failure of SOTE reform and its impacts. Our estimates reflect the IFRS 16 changes. We keep our rating "BUY" with target price of EUR 12.0 ahead of Q1.

### No major pipeline changes in Q1

Pihlajalinna expects its profitability and organic growth to increase in 2019E. The company will continue its expansion especially into regional capitals in 2019E-2020E. However, the failure of SOTE reform keeps the pipeline uncertain as municipalities' eagerness to strike new contracts is impacted by SOTE. Provision of occupational healthcare services for Stora Enso started in Jan 2019 (we estimate value at EUR ~4m).

### Acquisition of fitness centers continued in Q1

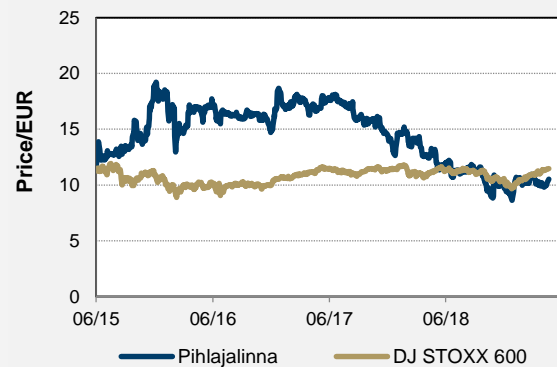
Pihlajalinna has expanded its services into wellbeing and preventative occupational healthcare. The company bought Forever fitness center chain in Feb 2018. The acquisition of Leaf Arena in Turku further expanded Pihlajalinna's wellbeing services and the first Forever LITE fitness center was opened in Tampere in late 2018. Following the strategy, Pihlajalinna acquired FIT1 fitness chain in Q1'19, adding five new fitness centers to its portfolio.

### Retaining "Buy" with TP of EUR 12 ahead of Q1

Pihlajalinna published its restated financials for 2018 with IFRS 16 changes. Right-of-use assets increased by EUR 86.7m and interest-bearing debt by EUR 88m. We have updated our model to be in line with the restated figures but kept the underlying estimates unchanged. We expect Q1 revenue of EUR 126m and adj. EBITDA of EUR 13 (10.1 % margin). We expect profitability to increase in 2019E from last year's weaker results caused by high start-up costs, transfer and M&A fees as well as high public specialized care costs. Our rating and target price ("Buy", TP EUR 12) are unchanged ahead of Q1.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 10.52

Target price, EUR 12.0

Latest change in rating 01-Nov-18

Latest report on company 25-Feb-19

Research paid by issuer: Yes

No. of shares outstanding, 22,620

No. of shares fully diluted, 22,620

Market cap, EURm 238

Free float, % 57.0

Exchange rate 0.000

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na.

Next interim report 03-May-19

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

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## 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
2017	424	20	4.7%	19	0.52	25.7	0.8	7.2	16.2	0.16
2018	488	14	2.9%	10	0.19	46.4	0.8	4.4	27.9	0.10
2019E	515	24	4.7%	20	0.63	16.7	0.8	4.3	17.3	0.21
2020E	525	23	4.5%	19	0.58	18.0	0.7	3.8	16.1	0.19
2021E	541	30	5.5%	26	0.84	12.6	0.6	3.8	11.4	0.28
Market cap, EURm	238			BV per share 2019E, EUR	5.9			CAGR EPS 2018-21, %	65.3	
Net debt 2019E, EURm	164			Price/book 2019E	1.8			CAGR sales 2018-21, %	3.5	
Enterprise value, EURm	418			Dividend yield 2019E, %	2.0			ROE 2019E, %	11.2	
Total assets 2019E, EURm	427			Tax rate 2019E, %	20.0			ROCE 2019E, %	7.0	
Goodwill 2019E, EURm	170			Equity ratio 2019E, %	33.4			PEG, P/E 19/CAGR	1.3	

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

Estimates

Net sales	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018E	Q1'19E	Q2'19E	Q3'19E	Q4'19E	2019E	2020E
Corporate Customers	82,6	26,2	25,3	22,8	29,4	103,7	28,1	27,2	24,7	31,4	111,3	113,5
of which insurance companies	26,6	6,6	6,6	5,3	6,7	25,2	6,6	6,6	5,3	6,7	25,2	25,7
of which other corporates	56,0	19,6	18,7	17,5	22,7	78,5	21,5	20,6	19,4	24,7	86,1	87,8
Private Customers	67,9	22,2	24,3	21,0	24,6	92,1	23,1	25,3	21,9	25,6	95,9	97,9
Public sector customers	330,5	85,1	90,3	85,7	88,6	349,7	89,3	94,6	89,9	92,9	366,7	374,0
<b>Total</b>	<b>424,0</b>	<b>119,3</b>	<b>125,3</b>	<b>116,3</b>	<b>126,9</b>	<b>487,8</b>	<b>126,1</b>	<b>132,2</b>	<b>123,0</b>	<b>133,8</b>	<b>515,1</b>	<b>525,4</b>
<b>Net sales growth</b>												
Corporate Customers	-	17,0%	21,1%	25,3%	39,3%	25,5%	7,2%	7,4%	8,1%	6,6%	7,3%	2,0%
Private Customers	-	16,8%	35,0%	54,4%	42,2%	35,6%	4,3%	4,1%	4,4%	4,0%	4,2%	2,0%
Public sector customers	-	2,5%	9,9%	6,1%	4,9%	5,8%	4,9%	4,8%	4,9%	4,8%	4,9%	2,0%
<b>Total</b>	<b>6,2%</b>	<b>8,5%</b>	<b>17,5%</b>	<b>17,0%</b>	<b>17,5%</b>	<b>15,0%</b>	<b>5,7%</b>	<b>5,5%</b>	<b>5,8%</b>	<b>5,4%</b>	<b>5,6%</b>	<b>2,0%</b>
<b>Adj. EBITDA (group)</b>	34,0	6,9	10,2	14,2	14,6	45,9	12,7	13,1	15,7	16,7	58,3	60,4
<b>Adj. EBITDA-margin (group)</b>	8,0%	5,8%	8,1%	12,2%	11,5%	9,4%	10,1%	9,9%	12,8%	12,5%	11,3%	11,5%

Source: Pihlajalinna, Evli Research

Valuation

Our estimates reflect the IFRS 16 changes. It is notable that the peer multiples might not reflect the changes of IFRS 16 yet which makes the comparison challenging.

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	4881	9,1x	7,2x	6,1x	15,4x	10,5x	8,6x	10,5x	9,1x	8,0x
Attendo AB	ATT-SE	7625	9,4x	8,0x	7,0x	18,1x	14,5x	12,2x	21,0x	15,2x	12,6x
Cambian Group Plc	CMBN-GB										
Capio AB	CAPIO-SE										
CareTech Holdings PLC	CTH-GB	359	9,2x	7,9x	7,2x	10,9x	9,2x	8,4x	9,1x	7,6x	6,7x
Fresenius SE & Co. KGaA	FRE-DE	27973	6,8x	6,5x	5,8x	9,2x	8,7x	8,0x	14,8x	14,0x	12,6x
Georgia Healthcare Group Plc	GHG-GB	117	7,7x	6,2x	5,1x	9,7x	7,6x	6,2x	16,8x	12,3x	10,0x
GHP Specialty Care AB	GHP-SE	946	8,6x	7,7x	5,9x	14,7x	13,1x	12,0x	19,5x	17,4x	18,2x
Humana AB	HUM-SE	3066	9,3x	8,1x	7,3x	12,4x	10,5x	9,4x	11,3x	9,6x	8,7x
Korian SA	KORI-FR	2852	10,9x	10,0x	9,2x	16,6x	15,0x	13,6x	21,0x	17,6x	15,2x
LNA Sante SA	LNA-FR	442	11,4x	10,4x	10,0x	13,7x	12,3x	11,5x	18,4x	15,9x	14,5x
Mediclinic International Plc	MDC-GB	2595	8,2x	7,4x	6,4x	12,3x	11,0x	9,0x	12,6x	11,0x	8,7x
Orpea SA	ORP-FR	6772	17,8x	16,7x	15,8x	24,9x	23,3x	22,1x	26,5x	23,8x	22,6x
RHON-KLINIKUM AG	RHK-DE	1747	13,9x	13,3x	14,1x	30,8x	29,2x	32,6x	42,4x	39,4x	41,0x
Spire Healthcare Group PLC	SPI-GB	521	8,2x	7,5x	8,0x	18,3x	15,6x	16,8x	22,9x	17,2x	14,6x
Terveystalo Oy Class A	TTALO-FI	1137	10,0x	9,2x	8,7x	18,6x	16,4x	14,6x	17,3x	15,7x	14,9x
<b>Peer Group Median</b>		<b>4585</b>	<b>9,3x</b>	<b>8,0x</b>	<b>7,2x</b>	<b>15,1x</b>	<b>12,7x</b>	<b>11,8x</b>	<b>17,8x</b>	<b>15,4x</b>	<b>13,6x</b>
<b>Peer Group Average</b>		<b>2171</b>	<b>10,0x</b>	<b>9,0x</b>	<b>8,3x</b>	<b>16,1x</b>	<b>14,1x</b>	<b>13,2x</b>	<b>18,9x</b>	<b>16,1x</b>	<b>14,9x</b>
<b>Pihlajalinna (Evli est.)</b>		<b>238</b>	<b>7,2x</b>	<b>5,8x</b>	<b>5,1x</b>	<b>17,3x</b>	<b>16,1x</b>	<b>11,4x</b>	<b>16,7x</b>	<b>18,0x</b>	<b>12,6x</b>
<i>Pihlajalinna premium/discount to peer median</i>			<i>-23 %</i>	<i>-28 %</i>	<i>-30 %</i>	<i>15 %</i>	<i>27 %</i>	<i>-3 %</i>	<i>-6 %</i>	<i>17 %</i>	<i>-7 %</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	10.52 PV of Free Cash Flow	253 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	14.64 PV of Horizon value	275 WACC, %	7.0 Market risk premium, %
Share price potential, %	39.1 Unconsolidated equity	-16 Spread, %	0.5 Debt risk premium, %
Maximum value	16.8 Marketable securities	36 Minimum WACC, %	6.5 Equity beta coefficient
Minimum value	12.8 Debt - dividend	-217 Maximum WACC, %	7.5 Target debt ratio, %
Horizon value, %	52.1 Value of stock	331 Nr of shares, Mn	22.6 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	488	515	525	541	557	574	591	609	627	646	659	672
<i>Sales growth, %</i>	<i>15.0</i>	<i>5.6</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	14	24	23	30	31	32	33	33	35	32	33	34
<i>EBIT margin, %</i>	<i>2.9</i>	<i>4.7</i>	<i>4.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.5</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
+ Depreciation+amort.	32	34	42	37	31	26	22	20	19	18	18	
- Income taxes	-5	-5	-5	-6	-6	-6	-7	-7	-7	-6	-7	
- Change in NWC	3	2	1	1	1	1	1	1	1	2	1	
<i>NWC / Sales, %</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	<i>-8.0</i>	
+ Change in other liabs	-1	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-202	-31	-13	-14	-15	-16	-17	-18	-18	-18	-19	-19
<i>Investments / Sales, %</i>	<i>41.3</i>	<i>6.1</i>	<i>2.5</i>	<i>2.6</i>	<i>2.7</i>	<i>2.8</i>	<i>2.9</i>	<i>3.0</i>	<i>2.9</i>	<i>2.8</i>	<i>2.9</i>	<i>2.9</i>
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-159	24	49	48	42	36	32	30	30	27	26	532
= Discounted FCF (DFCF)		23	44	40	33	26	22	19	18	15	14	275
= DFCF min WACC		23	44	40	33	27	23	20	18	16	14	320
= DFCF max WACC		23	43	39	32	26	21	19	17	14	13	239

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	119	125	116	127	488	126	132	123	134	515	525	541
EBITDA	7	10	14	15	46	13	13	16	17	58	66	67
<i>EBITDA margin (%)</i>	<i>5.6</i>	<i>8.1</i>	<i>12.1</i>	<i>11.6</i>	<i>9.3</i>	<i>10.1</i>	<i>9.9</i>	<i>12.8</i>	<i>12.5</i>	<i>11.3</i>	<i>12.5</i>	<i>12.3</i>
EBIT	0	2	6	7	14	5	5	7	8	24	23	30
<i>EBIT margin (%)</i>	<i>-0.3</i>	<i>1.5</i>	<i>5.1</i>	<i>5.1</i>	<i>2.9</i>	<i>3.6</i>	<i>3.5</i>	<i>5.7</i>	<i>6.0</i>	<i>4.7</i>	<i>4.5</i>	<i>5.5</i>
Net financial items	-1	-1	-1	-1	-4	-1	-1	-1	-1	-4	-5	-4
Pre-tax profit	-1	1	5	5	10	4	4	6	7	20	19	26
Tax	0	0	-1	-1	-3	-1	-1	-1	-1	-4	-4	-5
<i>Tax rate (%)</i>	<i>0.0</i>	<i>27.3</i>	<i>22.0</i>	<i>24.1</i>	<i>26.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-2	1	2	3	4	2	3	5	5	14	13	19
EPS	-0.08	0.04	0.10	0.13	0.19	0.08	0.11	0.20	0.23	0.63	0.58	0.84
EPS adjusted (diluted no. of shares)	-0.08	0.04	0.10	0.13	0.19	0.08	0.11	0.20	0.23	0.63	0.58	0.84
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.21	0.19	0.28
<b>SALES, EURm</b>												
Corporate Customers	26	25	25	29	106	28	27	25	31	111	113	117
Private Customers	22	24	21	25	92	23	25	22	26	96	98	101
Public sector customers	85	90	84	89	348	89	95	90	93	367	374	385
Eliminations	-14	-15	-13	-16	-58	-14	-15	-13	-16	-59	-60	-62
<b>Total</b>	<b>119</b>	<b>125</b>	<b>116</b>	<b>127</b>	<b>488</b>	<b>126</b>	<b>132</b>	<b>123</b>	<b>134</b>	<b>515</b>	<b>525</b>	<b>541</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Corporate Customers</i>	<i>17.0</i>	<i>21.1</i>	<i>36.3</i>	<i>39.3</i>	<i>28.0</i>	<i>7.2</i>	<i>7.4</i>	<i>-0.6</i>	<i>6.6</i>	<i>5.3</i>	<i>2.0</i>	<i>3.0</i>
<i>Private Customers</i>	<i>16.8</i>	<i>35.0</i>	<i>53.7</i>	<i>42.2</i>	<i>35.5</i>	<i>4.3</i>	<i>4.1</i>	<i>4.9</i>	<i>4.0</i>	<i>4.3</i>	<i>2.0</i>	<i>3.0</i>
<i>Public sector customers</i>	<i>2.5</i>	<i>9.9</i>	<i>3.6</i>	<i>4.9</i>	<i>5.2</i>	<i>4.9</i>	<i>4.8</i>	<i>7.4</i>	<i>4.8</i>	<i>5.5</i>	<i>2.0</i>	<i>3.0</i>
<i>Eliminations</i>	<i>-0.7</i>	<i>0.7</i>	<i>-0.8</i>	<i>4.7</i>	<i>1.1</i>	<i>1.3</i>	<i>2.0</i>	<i>2.8</i>	<i>2.7</i>	<i>2.2</i>	<i>2.0</i>	<i>3.0</i>
<b>Total</b>	<b>8.4</b>	<b>17.5</b>	<b>17.0</b>	<b>17.6</b>	<b>15.0</b>	<b>5.8</b>	<b>5.5</b>	<b>5.8</b>	<b>5.4</b>	<b>5.6</b>	<b>2.0</b>	<b>3.0</b>
<b>EBIT, EURm</b>												
Group	0	2	6	7	14	5	5	7	8	24	23	30
<b>Total</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>14</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>24</b>	<b>23</b>	<b>30</b>
<b>EBIT margin, %</b>												
<i>Total</i>	<i>-0.3</i>	<i>1.5</i>	<i>5.1</i>	<i>5.1</i>	<i>2.9</i>	<i>3.6</i>	<i>3.5</i>	<i>5.7</i>	<i>6.0</i>	<i>4.7</i>	<i>4.5</i>	<i>5.5</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	149	213	399	424	488	515	525	541
<i>Sales growth (%)</i>	<i>42.6</i>	<i>43.3</i>	<i>87.0</i>	<i>6.2</i>	<i>15.0</i>	<i>5.6</i>	<i>2.0</i>	<i>3.0</i>
Costs	-135	-201	-370	-390	-442	-457	-460	-474
Reported EBITDA	14	13	29	34	46	58	66	67
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>9.3</i>	<i>6.0</i>	<i>7.4</i>	<i>8.1</i>	<i>9.3</i>	<i>11.3</i>	<i>12.5</i>	<i>12.3</i>
Depreciation	-6	-8	-13	-14	-32	-34	-42	-37
EBITA	8	5	17	20	14	24	23	30
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	8	5	17	20	14	24	23	30
<i>EBIT margin (%)</i>	<i>5.4</i>	<i>2.2</i>	<i>4.2</i>	<i>4.7</i>	<i>2.9</i>	<i>4.7</i>	<i>4.5</i>	<i>5.5</i>
Net financials	-3	-2	-1	-1	-4	-4	-5	-4
Pre-tax profit	5	2	15	19	10	20	19	26
Extraordinary items	-2	-1	-1	-1	-1	0	0	0
Taxes	-1	0	-3	-3	-3	-4	-4	-5
Minority shares	0	-1	-3	-5	-3	-2	-2	-2
Net profit	1	1	8	10	4	14	13	19
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	47	69	67	83	184	181	152	129
<i>% of sales</i>	<i>31</i>	<i>32</i>	<i>17</i>	<i>20</i>	<i>38</i>	<i>35</i>	<i>29</i>	<i>24</i>
Goodwill	56	76	92	104	170	170	170	170
<i>% of sales</i>	<i>38</i>	<i>36</i>	<i>23</i>	<i>25</i>	<i>35</i>	<i>33</i>	<i>32</i>	<i>31</i>
Inventory	1	2	2	2	3	3	3	3
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Receivables	14	20	27	25	40	33	33	34
<i>% of sales</i>	<i>10</i>	<i>9</i>	<i>7</i>	<i>6</i>	<i>8</i>	<i>6</i>	<i>6</i>	<i>6</i>
Liquid funds	11	15	28	37	36	36	37	38
<i>% of sales</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>9</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>
Total assets	131	185	218	254	437	427	399	378
Liabilities								
Equity	10	93	101	106	130	142	151	165
<i>% of sales</i>	<i>7</i>	<i>44</i>	<i>25</i>	<i>25</i>	<i>27</i>	<i>28</i>	<i>29</i>	<i>31</i>
Deferred taxes	4	5	6	6	6	6	6	6
<i>% of sales</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Interest bearing debt	88	42	52	77	217	200	162	124
<i>% of sales</i>	<i>59</i>	<i>20</i>	<i>13</i>	<i>18</i>	<i>45</i>	<i>39</i>	<i>31</i>	<i>23</i>
Non-interest bearing current liabilities	27	42	55	62	80	75	76	78
<i>% of sales</i>	<i>18</i>	<i>20</i>	<i>14</i>	<i>15</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>15</i>
Other interest free debt	1	3	3	3	3	3	3	3
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Total liabilities	131	185	217	254	437	427	399	378
<b>CASH FLOW, EURm</b>								
+ EBITDA	14	13	29	34	46	58	66	67
- Net financial items	-3	-2	-1	-1	-4	-4	-5	-4
- Taxes	-1	0	-2	-4	-4	-4	-4	-5
- Increase in Net Working Capital	4	9	7	8	3	2	1	1
+/- Other	-2	-2	-4	-5	-4	-2	-2	-2
= Cash flow from operations	11	19	30	37	42	53	58	59
- Capex	-28	-48	-27	-41	-122	-31	-13	-14
- Acquisitions	0	0	0	0	-79	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-17	-29	3	-4	-160	21	45	45
+/- Change in interest-bearing debt	46	-46	10	25	141	-17	-38	-38
+/- New issues/buybacks	-29	82	-1	-2	24	0	0	0
- Paid dividend	0	0	0	-3	-3	-2	-5	-4
+/- Change in loan receivables	0	1	1	0	-1	0	0	0
Change in cash	0	8	13	15	1	1	3	3

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	256	380	275	195	238	238	238
Net debt	27	25	40	181	164	125	86
Enterprise value	286	416	325	391	418	379	338
Sales	213	399	424	488	515	525	541
EBITDA	13	29	34	46	58	66	67
EBIT	5	17	20	14	24	23	30
Pre-tax	2	15	19	10	20	19	26
Earnings	2	10	11	4	14	13	19
Book value	92	98	100	121	133	142	156
<b>Valuation multiples</b>							
EV/sales	1.3	1.0	0.8	0.8	0.8	0.7	0.6
EV/EBITDA	22.5	14.2	9.5	8.6	7.2	5.8	5.1
EV/EBITA	60.8	25.1	16.2	27.9	17.3	16.1	11.4
EV/EBIT	60.8	25.1	16.2	27.9	17.3	16.1	11.4
EV/operating cash flow	13.4	12.3	8.5	8.9	7.5	6.1	5.5
EV/cash earnings	28.6	15.8	11.2	10.3	8.3	6.6	5.8
P/E	170.5	39.1	25.7	46.4	16.7	18.0	12.6
P/E excl. goodwill	170.5	39.1	25.7	46.4	16.7	18.0	12.6
P/B	2.8	3.9	2.7	1.6	1.8	1.7	1.5
P/sales	1.2	1.0	0.6	0.4	0.5	0.5	0.4
P/CF	12.0	11.2	7.2	4.4	4.3	3.8	3.8
Target EV/EBIT	0.0	0.0	0.0	0.0	18.4	17.3	12.3
Target P/E	0.0	0.0	0.0	0.0	19.1	20.5	14.3
Target P/B	0.0	0.0	0.0	0.0	2.0	1.9	1.7
<b>Per share measures</b>							
Number of shares	20,613	20,613	20,613	22,620	22,620	22,620	22,620
Number of shares (diluted)	20,613	20,613	20,613	22,620	22,620	22,620	22,620
EPS	0.07	0.47	0.52	0.19	0.63	0.58	0.84
EPS excl. goodwill	0.07	0.47	0.52	0.19	0.63	0.58	0.84
Cash EPS	0.49	1.28	1.40	1.67	2.22	2.54	2.56
Operating cash flow per share	1.03	1.64	1.86	1.94	2.46	2.74	2.74
Capital employed per share	5.68	5.95	6.91	13.76	13.53	12.20	11.13
Book value per share	4.47	4.74	4.87	5.36	5.89	6.26	6.91
Book value excl. goodwill	0.78	0.26	-0.17	-2.15	-1.62	-1.25	-0.60
Dividend per share	0.00	0.15	0.16	0.10	0.21	0.19	0.28
Dividend payout ratio, %	0.0	31.9	30.8	53.9	33.0	33.0	33.0
Dividend yield, %	0.0	0.8	1.2	1.0	2.0	1.8	2.6
<b>Efficiency measures</b>							
ROE	3.0	10.2	10.8	3.8	11.2	9.6	12.7
ROCE	4.0	11.7	12.2	5.3	7.0	7.2	9.9
<b>Financial ratios</b>							
Capex/sales, %	22.3	6.8	9.7	41.3	6.1	2.5	2.6
Capex/depreciation excl. goodwill,%	346.6	85.2	209.2	429.1	92.1	30.7	37.9
Net debt/EBITDA, book-weighted	2.1	0.8	1.2	4.0	2.8	1.9	1.3
Debt/equity, market-weighted	0.2	0.1	0.3	1.1	0.8	0.7	0.5
Equity ratio, book-weighted	50.5	46.4	41.8	29.8	33.4	37.8	43.8
Gearing	0.28	0.24	0.37	1.39	1.15	0.83	0.52
Number of employees, average	2,503	3,526	3,879	3,879	3,879	3,879	3,879
Sales per employee, EUR	85,258	113,188	109,307	125,754	132,780	135,435	139,498
EBIT per employee, EUR	1,878	4,708	5,182	3,609	6,236	6,057	7,672

## COMPANY DESCRIPTION:

## INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lähitapiola Keskinäinen Vakuutusyhtiö	3,481,641	36.627	15.4%
Mww Yhtiö Oy	2,309,010	24.291	10.2%
Fennia Mutual Insurance Company	1,998,965	21.029	8.8%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,865	19.902	8.4%
Elo Pension Company	1,267,161	13.331	5.6%
Niemistö Leena Katriina	703,475	7.401	3.1%
Fondita Nordic Micro Cap	550,000	5.786	2.4%
Ilmarinen Mutual Pension Insurance Company	490,000	5.155	2.2%
Fennia Life Insurance Company Ltd	270,759	2.848	1.2%
Nordea Pro Finland Fund	241,920	2.545	1.1%
Ten largest	13,204,796	138.914	58%
Residual	9,415,339	99.049	42%
Total	22,620,135	237.964	100%

## EARNINGS CALENDAR

May 03, 2019	Q1 report
August 15, 2019	Q2 report
November 05, 2019	Q3 report

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Joni Aaltonen	Kehräsaari B, 33200 Tampere
CFO: Ville Lehtonen	Tel:
IR: Taina Erkkilä	

## 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



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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%

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

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