

Headwind from many directions

The FCCA has proposed the market court to prohibit the merger between Mehiläinen and Pihlajalinna. We now see the likelihood of the transaction being completed significantly lower. The political landscape is also changing. We keep our rating "HOLD" with new TP of EUR 11.0 (16.0).

FCCA proposes to prohibit the merger

The Finnish Competition and Consumer Authority (FCCA) has proposed the market court to prohibit the merger between Mehiläinen and Pihlajalinna. According to the FCCA, the merger would significantly impede effective competition in the Finnish health services market as there would be only two nationwide healthcare companies (Mehiläinen and Terveystalo) in the market post-merger. Hence, the Finnish healthcare market would become even more concentrated post-merger and the merger would create competition concerns and the proposed remedies are not sufficient to address the identified competition concerns (Mehiläinen submitted two remedies proposals). According to the FCCA, the merger is also likely to lead to price increases. The combined market share of the companies would have been ~7% of the total healthcare and social services market. The market court has to issue its decision within three months (latest on 29th of December).

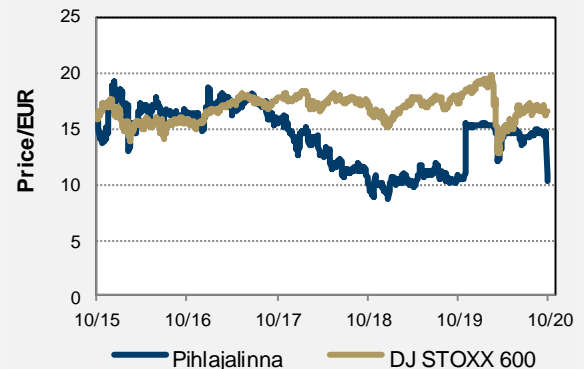
The probability of the acquisition being completed has dropped

The result of the investigation came as a surprise to the parties involved and to us as well. It is possible that the FCCA's methodology to assess the market size has varied from the methodology used by the companies (e.g. public vs. private sector). Anyhow, we see that the likelihood of the acquisition being completed has decreased significantly thus we return to see Pihlajalinna as an independent service provider also in the future. During the process, Pihlajalinna has continued to develop its business as usual. The company has for instance developed its digital services and other medical services. Additionally, the company has a strong background of cooperating with municipalities. Due to the economic difficulties, the public sector has sought more efficient ways to produce effective services (e.g. by outsourcings) which has benefited the private sector. The political interests have however shifted more towards the public side meaning that the landscape has become more negative towards private social and healthcare service providers.

"HOLD" with TP of EUR 11.0

We have not made changes to our estimates but we see that the probability of transaction being completed is significantly lower. On our estimates, the company trades at 20E-21E EV/EBIT multiple of 19.5x and 12.9x which translates into 15-30% discount compared to the peers. We keep our rating "HOLD" with a new TP of EUR 11.0 (16.0).

Rating



Share price, EUR (Last trading day's closing price) 10.35

Target price, EUR 11.0

Latest change in rating 11-May-20

Latest report on company 17-Aug-20

Research paid by issuer: YES

No. of shares outstanding, '000's 22,573

No. of shares fully diluted, '000's 22,573

Market cap, EURm 234

Free float, % 79.0

Exchange rate -

Reuters code PHLIS.HE

Bloomberg code PHLIS FH

Average daily volume, EURm -

Next interim report 04-Nov-20

Web site investors.pihlajalinna.fi

Analyst Anna-Liisa Rissanen

E-mail annaliisa.rissanen@evli.com

Telephone +358401579919

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	517.2	22.3	4.3%	1.8	0.50	20.8	0.8	19.5	0.8	0.16
2021E	557.7	32.8	5.9%	16.8	0.86	12.0	0.8	12.9	7.2	0.28
2022E	574.5	37.3	6.5%	22.3	1.06	9.8	0.7	10.8	9.6	0.35
Market cap, EURm	234			Gearing 2020E, %	165.2			CAGR EPS 2019-22, %	30.7	
Net debt 2020E, EURm	192			Price/book 2020E	2.1			CAGR sales 2019-22, %	3.5	
Enterprise value, EURm	436			Dividend yield 2020E, %	1.6			ROE 2020E, %	10.5	
Total assets 2020E, EURm	429			Tax rate 2020E, %	20.1			ROCE 2020E, %	6.6	
Goodwill 2020E, EURm	174			Equity ratio 2020E, %	27.1			PEG, P/E 20/CAGR	1.0	

Estimates

Net sales	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20E	Q4'20E	2020E
Corporate Customers	82.6	103.7	31.6	30.3	27.0	32.8	121.7	32.9	27.8	29.3	36.5	126.6
of which insurance companies	26.6	25.2	7.1	6.7	5.9	7.9	27.6	8.3	6.6	7.3	9.4	31.6
of which other corporates	56.0	78.5	24.5	23.6	21.1	24.9	94.1	24.6	21.2	22.0	27.1	95.0
Private Customers	67.9	92.1	26.5	25.6	21.1	24.9	98.1	23.5	14.7	21.5	27.4	87.1
Public sector customers	330.5	349.7	89.3	89.6	90.0	91.9	360.8	92.6	88.1	92.3	94.2	367.2
Total	424.0	487.8	132.5	129.7	122.7	133.8	518.6	133.0	114.7	127.5	142.0	517.2
Net sales growth												
Corporate Customers	-	25.5%	20.6%	19.6%	18.4%	11.6%	17.3%	4.1%	-8.1%	8.7%	11.4%	4.1%
Private Customers	-	35.6%	19.4%	5.1%	0.5%	1.2%	6.5%	-11.3%	-42.5%	2.0%	10.0%	-11.2%
Public sector customers	-	5.8%	4.9%	-0.8%	5.0%	3.7%	3.2%	3.7%	-1.7%	2.6%	2.5%	1.8%
Total		6.2%	15.0%	11.1%	3.5%	5.5%	6.3%	0.4%	-11.6%	3.9%	6.2%	-0.3%
Adj. EBITDA (group)	34.0	45.9	12.6	10.8	17.4	14.4	55.2	12.7	9.0	18.7	16.5	56.9
Adj. EBITDA-margin (group)	8.0%	9.4%	9.5%	8.3%	14.2%	10.8%	10.6%	9.5%	7.8%	14.7%	11.6%	11.0%

Source: Pihlajalinna, Evli Research

Valuation

PIHLAJALINNA PEER GROUP	Security identifier	MCAP Local FX	EV/EBITDA			EV/EBIT			P/E		
			20	21	22	20	21	22	20	21	22
Ambea AB	AMBEA-SE	5713	8.6x	7.4x	6.6x	19.6x	15.3x	13.3x	13.7x	10.5x	9.4x
Attendo AB	ATT-SE	7859	9.8x	8.5x	7.7x		22.4x	18.5x	71.3x	27.3x	18.5x
CareTech Holdings PLC	CTH-GB	487	9.1x	8.3x	7.6x	11.5x	10.4x	9.3x	10.8x	9.4x	8.3x
Fresenius SE & Co. KGaA	FRE-DE	21426	6.2x	5.5x	4.9x	9.5x	8.4x	7.5x	11.9x	10.6x	9.9x
Georgia Healthcare Group Plc	GHG-GB	94									
GHP Specialty Care AB	GHP-SE	1475	10.0x	8.7x	8.2x	23.3x	18.4x	17.2x	35.0x	26.3x	26.3x
Humana AB	HUM-SE	3066	8.0x	7.4x	6.8x	14.6x	13.1x	11.8x	12.6x	11.0x	9.8x
Korian SA	KORI-FR	2482	9.2x	8.1x	7.9x	24.8x	19.4x	19.2x	28.4x	16.1x	14.0x
LNA Sante SA	LNA-FR	458	10.4x	9.4x	8.4x	22.9x	18.8x	16.6x	27.4x	17.8x	16.6x
Mediclinic International Plc	MDC-GB	2096	10.9x	8.0x	7.3x	20.9x	13.6x	11.9x	29.4x	12.0x	10.3x
Orpea SA	ORP-FR	6267	15.9x	13.9x	12.4x	34.8x	28.2x	24.8x	38.0x	25.6x	22.3x
RHON-KLINIKUM AG	RHK-DE	1086							62.4x	37.7x	
Spire Healthcare Group PLC	SPI-GB	381	10.9x	8.7x	5.9x	35.7x	19.1x	11.5x			30.7x
Terveystalo Oy Class A	TTALO-FI	1301	12.3x	9.6x	8.4x	32.3x	18.7x	15.3x	33.0x	19.0x	16.0x
Peer Group Median		3931	9.9x	8.4x	7.6x	22.9x	18.6x	14.3x	28.9x	16.9x	15.0x
Peer Group Average		1786	10.1x	8.6x	7.7x	22.7x	17.2x	14.7x	31.2x	18.6x	16.0x
Pihlajalinna (Evli est.)		234	7.7x	6.1x	5.5x	19.5x	12.9x	10.8x	20.8x	12.0x	9.8x

Pihlajalinna premium/discount to peer median

-23 % -28 % -28 % -15 % -31 % -24 % -28 % -29 % -35 %

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	132.5	129.7	122.7	133.8	518.7	133.0	114.7	127.5	142.0	517.2	557.7	574.5
EBITDA	12.5	10.9	17.4	14.3	55.1	12.7	9.0	18.7	16.5	56.9	69.7	73.7
<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>9.5</i>	<i>7.8</i>	<i>14.7</i>	<i>11.6</i>	<i>11.0</i>	<i>12.5</i>	<i>12.8</i>
EBIT	3.9	2.1	9.3	5.6	20.9	4.2	0.6	9.9	7.6	22.3	32.8	37.3
<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>3.2</i>	<i>0.5</i>	<i>7.8</i>	<i>5.4</i>	<i>4.3</i>	<i>5.9</i>	<i>6.5</i>
Net financial items	-1.0	-1.0	-1.0	-1.0	-4.0	-1.4	-1.0	-1.3	-1.2	-4.9	-5.0	-4.0
Pre-tax profit	2.9	1.1	8.3	4.6	16.9	2.8	-0.4	8.6	6.4	17.4	27.8	33.3
Tax	-0.7	-0.3	-0.3	-0.6	-1.9	-0.6	0.1	-1.7	-1.3	-3.5	-5.6	-6.7
<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>21.4</i>	<i>25.0</i>	<i>20.0</i>	<i>20.0</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	2.1	0.0	5.7	3.4	11.2	19.4	23.9
EPS	0.08	0.00	0.29	0.11	0.47	0.09	0.00	0.25	0.15	0.50	0.86	1.06
EPS adjusted (diluted no. of shares)	0.08	0.00	0.29	0.11	0.47	0.09	0.00	0.25	0.15	0.50	0.86	1.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.28	0.35
SALES, EURm												
Corporate Customers	31.6	30.3	27.0	32.8	121.7	32.9	27.8	29.3	36.5	126.6	144.6	149.0
Private Customers	26.5	25.6	21.1	24.9	98.1	23.5	14.7	21.5	27.4	87.1	97.6	100.5
Public sector customers	89.3	89.6	90.0	91.9	360.8	92.6	88.1	92.3	94.2	367.2	380.6	392.0
Eliminations	-14.9	-15.7	-15.4	-15.8	-61.8	-16.0	-15.9	-15.7	-16.2	-63.8	-65.0	-67.0
Total	132.5	129.7	122.7	133.8	518.7	133.0	114.7	127.5	142.0	517.2	557.7	574.5
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>4.1</i>	<i>-8.1</i>	<i>8.7</i>	<i>11.4</i>	<i>4.1</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>-11.3</i>	<i>-42.5</i>	<i>2.0</i>	<i>10.0</i>	<i>-11.2</i>	<i>12.0</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>3.7</i>	<i>-1.7</i>	<i>2.6</i>	<i>2.5</i>	<i>1.8</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>7.4</i>	<i>1.3</i>	<i>2.0</i>	<i>2.3</i>	<i>3.2</i>	<i>2.0</i>	<i>3.0</i>
Total	11.2	3.5	5.5	5.4	6.3	0.4	-11.6	3.9	6.1	-0.3	7.8	3.0
EBIT, EURm												
Group	3.9	2.1	9.3	5.6	20.9	4.2	0.6	9.9	7.6	22.3	32.8	37.3
Total	3.9	2.1	9.3	5.6	20.9	4.2	0.6	9.9	7.6	22.3	32.8	37.3
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>3.2</i>	<i>0.5</i>	<i>7.8</i>	<i>5.4</i>	<i>4.3</i>	<i>5.9</i>	<i>6.5</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	213.4	399.1	424.0	487.8	518.7	517.2	557.7	574.5
<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>-0.3</i>	<i>7.8</i>	<i>3.0</i>
EBITDA	12.7	29.4	34.3	45.9	55.1	56.9	69.7	73.7
<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>11.0</i>	<i>12.5</i>	<i>12.8</i>
Depreciation	-8.0	-12.8	-14.2	-31.5	-34.2	-34.5	-37.0	-36.4
EBITA	4.7	16.6	20.1	14.4	20.9	22.3	32.8	37.3
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	22.3	32.8	37.3
<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>4.3</i>	<i>5.9</i>	<i>6.5</i>
Reported EBIT	3.9	15.1	19.2	13.8	10.2	21.4	32.8	37.3
<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>4.1</i>	<i>5.9</i>	<i>6.5</i>
Net financials	-2.3	-1.2	-1.4	-3.8	-4.0	-4.9	-5.0	-4.0
Pre-tax profit	2.4	15.4	18.7	10.6	16.9	17.4	27.8	33.3
Taxes	-0.1	-3.0	-3.4	-2.7	-1.9	-3.5	-5.6	-6.7
Minority shares	-0.8	-2.7	-4.6	-3.3	-4.3	-2.7	-2.8	-2.8
Net profit	0.7	8.2	9.8	4.0	0.0	10.3	19.4	23.9
Cash NRIs	-0.8	-1.5	-0.9	-0.6	-10.7	-0.9	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	70	68	67
Goodwill	76	92	104	170	174	174	174	174
Right of use assets	0	0	0	116	108	109	117	121
Inventory	2	2	2	3	2	3	3	3
Receivables	20	27	25	40	47	32	34	35
Liquid funds	15	28	37	36	27	36	39	40
Total assets	185	218	254	437	438	429	440	446
Liabilities								
Shareholder's equity	92	98	100	121	101	111	127	145
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	117	121
Deferred taxes	5	6	6	6	6	6	6	6
Interest bearing debt	42	52	77	99	107	120	101	83
Non-interest bearing current liabilities	42	55	62	80	102	75	81	83
Other interest-free debt	3	3	3	3	2	2	2	2
Total liabilities	185	217	254	437	438	429	440	446
CASH FLOW, EURm								
+ EBITDA	13	29	34	46	55	57	70	74
- 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	-4	-3	-3
= Cash flow from operations	18	32	35	27	46	33	60	62
- Capex	-48	-5	-10	-23	-36	-31	-43	-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	2	17	22
+/- New issues/buybacks	82	-1	-2	24	-22	0	0	0
- Paid dividend	0	0	-3	-3	-2	0	-4	-6
+/- Other	-48	7	7	53	5	7	-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	234	234	234
Net debt (excl. convertibles)	25	40	181	194	192	179	163
Enterprise value	416	325	391	557	436	422	405
Sales	399	424	488	519	517	558	574
EBITDA	29	34	46	55	57	70	74
EBIT	17	20	14	21	22	33	37
Pre-tax	15	19	11	17	17	28	33
Earnings	10	11	5	11	11	19	24
Equity book value (excl. minorities)	98	100	121	101	111	127	145
Valuation multiples							
EV/sales	1.0	0.8	0.8	1.1	0.8	0.8	0.7
EV/EBITDA	14.2	9.5	8.5	10.1	7.7	6.1	5.5
EV/EBITA	25.1	16.2	27.1	26.6	19.5	12.9	10.8
EV/EBIT	25.1	16.2	27.1	26.6	19.5	12.9	10.8
EV/OCF	12.9	9.3	14.3	12.1	13.4	7.1	6.6
EV/FCFF	66.9	19.3	-11.7	20.3	18.0	8.5	8.0
P/FCFE	67.8	35.7	-2.6	36.0	129.4	13.9	10.5
P/E	39.1	25.7	42.4	32.3	20.8	12.0	9.8
P/B	3.9	2.7	1.6	3.4	2.1	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	6.2	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	19.9	13.2	11.2
Target EV/FCF	0.0	0.0	0.0	0.0	246.7	25.8	18.7
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.7
Target P/E	0.0	0.0	0.0	0.0	22.2	12.8	10.4
Per share measures							
Number of shares	20,613	20,613	22,620	22,620	22,573	22,573	22,573
Number of shares (diluted)	20,613	20,613	22,620	22,620	22,573	22,573	22,573
EPS	0.47	0.52	0.20	0.47	0.50	0.86	1.06
Operating cash flow per share	1.57	1.69	1.21	2.03	1.44	2.64	2.73
Free cash flow per share	0.27	0.37	-3.29	0.42	0.08	0.74	0.99
Book value per share	4.74	4.87	5.36	4.47	4.94	5.63	6.41
Dividend per share	0.15	0.16	0.10	0.00	0.16	0.28	0.35
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	1.6	2.7	3.4
FCF yield, %	1.5	2.8	-38.2	2.8	0.8	7.2	9.6
Efficiency measures							
ROE	10.2	10.8	4.2	9.6	10.5	16.3	17.6
ROCE	11.7	12.2	5.4	6.2	6.6	9.4	10.6
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	6.0	7.7	6.8
CAPEX/sales (incl. acquisitions), %	-4.1	-1.6	-11.6	7.0	6.0	7.7	6.8
FCFF/EBITDA	0.2	0.5	-0.7	0.5	0.4	0.7	0.7
Net debt/EBITDA, book-weighted	0.8	1.2	3.9	3.5	3.4	2.6	2.2
Debt/equity, market-weighted	0.1	0.3	0.5	0.3	0.5	0.4	0.4
Equity ratio, book-weighted	46.4	41.8	29.8	24.2	27.1	30.0	33.6
Gearing, %	24.3	37.3	138.7	182.9	165.2	135.6	109.2

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	36.035	15.4%
Mww Yhtiö Oy	2,309,010	23.898	10.2%
Fennia Mutual Insurance Company	1,998,965	20.689	8.9%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,385	19.576	8.4%
Elo Pension Company	1,267,161	13.115	5.6%
Niemistö Leena Katriina	703,475	7.281	3.1%
Ilmarinen Mutual Pension Insurance Company	490,000	5.071	2.2%
Fondita Nordic Micro Cap	470,000	4.865	2.1%
Fennia Life Insurance Company Ltd	266,128	2.754	1.2%
Sijoitusrahasto Taaleritehdas Mikro Markka	260,000	2.691	1.2%
Ten largest	13,137,765	135.976	58%
Residual	9,434,971	97.652	42%
Total	22,572,736	233.628	100%

EARNINGS CALENDAR

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

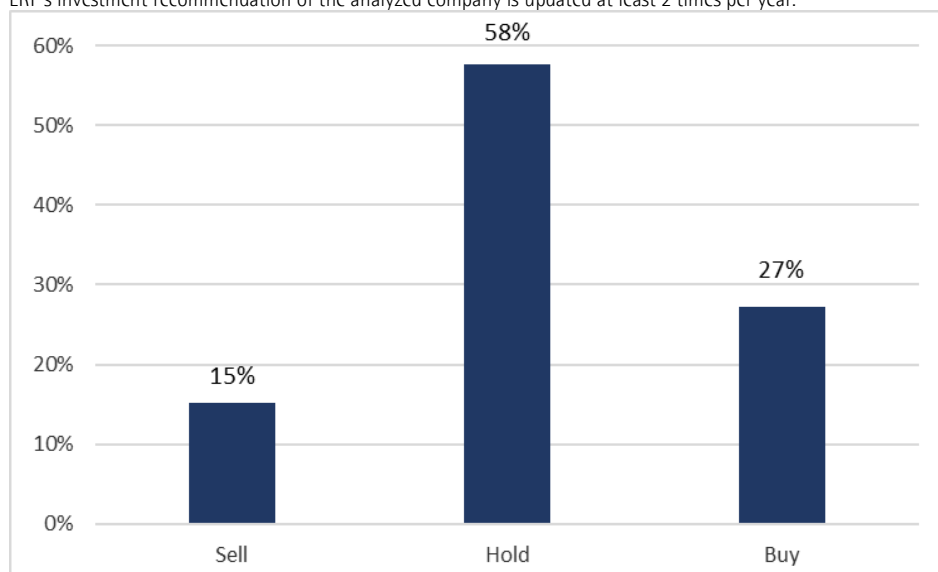
Important Disclosures

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 [Analysts' recommendations and ratings revisions](#).

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.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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 [01.10.2020, 08:00]. This report has been published on [01.10.2020, 09:20].

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 or liquidity providing services. months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the. 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 or other services 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 & 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 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

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

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

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**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001