

## Getting ready for the FCCA's decision

Pihlajalinna's Q1 revenue amounted to EUR 133m (+0.4% y/y) vs. our EUR 135m. Adj. EBIT was EUR 4.2m vs. our EUR 5.2m. The tender offer by Mehiläinen is currently being under review of the FCCA and the final decision should be ready at the end of Q2 or latest in Q3. We keep our TP of EUR 16.0 and downgrade our rating to "HOLD" ("BUY").

### Non-urgent and oral healthcare took hit from COVID-19

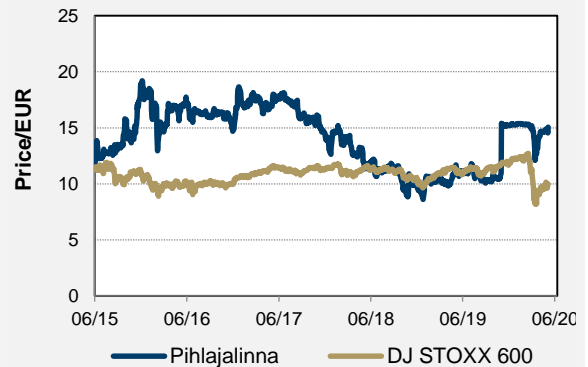
Pihlajalinna's Jan-March result was rather good even though it slightly missed our expectations. Q1 revenue increased by 0.4% y/y to EUR 133m (EUR 135m/133m Evli/cons). Adj. EBIT landed at EUR 4.2m (EUR 5.2m/4.4m Evli/cons). According to the management, revenue and profitability developed as expected during the first months of the year but the coronavirus and the emergency laws that came into force in mid-March had a negative impact on the company's business. Negative impacts were especially seen on the demand of non-urgent healthcare and oral healthcare. Fitness centers were also closed at the end of March. The decreased customer flows reduced the invoicing by approx. EUR 3.3m.

### Demand should start slowly to recover

We expect the coronavirus had the most negative impacts on Pihlajalinna's business in April due to the movement restrictions but the demand should start slowly to recover as the government is starting to ease the restrictions. Also, the management of Pihlajalinna indicated that some signs of recovering demand have already been seen. During these unexceptional times, complete outsourcings and other fixed-price invoicing have supported the company as the profitability of these kinds of contracts normally remains stable, even during times of lower demand. Also, the coronavirus should not have significant impacts on the demand of housing services for the elderly or recruitment services. Thus, more than half of the business operations are expected to remain stable during this time. The outlook for H2 still remains blurry as the visibility around the situation is very weak. Therefore, guidance for 20E was not given at this point.

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

We have cut our 20E adj. EBIT estimate by ~20% while making only minor adjustments to our revenue expectation. We expect 20E revenue of EUR 517m (-0.3% y/y) and adj. EBIT of EUR 21.6m (3% y/y). The tender offer by Mehiläinen is currently being under review of the FCCA (in the phase two investigation). The investigation process should be completed at the end of Q2 or latest during Q3. We keep our TP at the tender offer price of EUR 16 and downgrade our rating to "HOLD" (prev. "BUY").

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price) 15.05

Target price, EUR 16.0

Latest change in rating 30-Mar-20

Latest report on company 30-Mar-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 340

Free float, % 79.0

Exchange rate 0.000

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na

Next interim report 14-Aug-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	517.0	21.6	4.2%	2.3	0.44	34.0	1.1	25.3	0.7	0.15
2021E	557.2	33.2	6.0%	16.4	0.86	17.5	1.0	16.1	4.8	0.28
2022E	573.9	37.3	6.5%	21.7	1.04	14.5	0.9	13.8	6.4	0.34
Market cap, EURm	340			Gearing 2020E, %	165.7			CAGR EPS 2019-22, %	30.0	
Net debt 2020E, EURm	192			Price/book 2020E	3.1			CAGR sales 2019-22, %	3.4	
Enterprise value, EURm	548			Dividend yield 2020E, %	1.0			ROE 2020E, %	9.5	
Total assets 2020E, EURm	428			Tax rate 2020E, %	20.1			ROCE 2020E, %	6.4	
Goodwill 2020E, EURm	174			Equity ratio 2020E, %	27.0			PEG, P/E 20/CAGR	1.4	

## Estimates

Net sales	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20E	Q3'20E	Q4'20E	2020E
Corporate Customers	82.6	103.7	31.6	30.3	27.0	32.8	121.7	32.9	25.6	30.1	36.5	125.1
of which insurance companies	26.6	25.2	7.1	6.7	5.9	7.9	27.6	8.3	6.2	7.4	9.4	31.4
of which other corporates	56.0	78.5	24.5	23.6	21.1	24.9	94.1	24.6	19.4	22.7	27.1	93.8
Private Customers	67.9	92.1	26.5	25.6	21.1	24.9	98.1	23.5	11.5	23.2	27.4	85.6
Public sector customers	330.5	349.7	89.3	89.6	90.0	91.9	360.8	92.6	91.0	92.3	94.2	370.1
<b>Total</b>	<b>424.0</b>	<b>487.8</b>	<b>132.5</b>	<b>129.7</b>	<b>122.7</b>	<b>133.8</b>	<b>518.6</b>	<b>133.0</b>	<b>112.1</b>	<b>129.9</b>	<b>142.0</b>	<b>517.0</b>
<b>Net sales growth</b>												
Corporate Customers	-	25.5%	20.6%	19.6%	18.4%	11.6%	17.3%	4.1%	-15.3%	11.5%	11.4%	2.9%
Private Customers	-	35.6%	19.4%	5.1%	0.5%	1.2%	6.5%	-11.3%	-55.0%	10.0%	10.0%	-12.7%
Public sector customers	-	5.8%	4.9%	-0.8%	5.0%	3.7%	3.2%	3.7%	1.6%	2.6%	2.5%	2.6%
<b>Total</b>	<b>6.2%</b>	<b>15.0%</b>	<b>11.1%</b>	<b>3.5%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>6.3%</b>	<b>0.4%</b>	<b>-13.6%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>-0.3%</b>
<b>Adj. EBITDA (group)</b>	34.0	45.9	12.6	10.8	17.4	14.4	55.2	12.7	9.0	19.0	16.3	57.0
<b>Adj. EBITDA-margin (group)</b>	8.0%	9.4%	9.5%	8.3%	14.2%	10.8%	10.6%	9.5%	8.0%	14.6%	11.5%	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	5052	8.0x	6.7x	6.1x	18.3x	13.8x	12.1x	11.5x	8.7x	7.5x
Attendo AB	ATT-SE	6600	10.9x	9.5x	8.5x	30.7x	22.3x	18.2x	45.9x	21.9x	15.0x
CareTech Holdings PLC	CTH-GB	458	9.2x	8.3x	7.1x	11.5x	10.0x	8.4x	10.3x	8.8x	7.4x
Fresenius SE & Co. KGaA	FRE-DE	22191	6.3x	5.7x	5.2x	9.7x	8.5x	7.6x	12.1x	10.8x	10.0x
Georgia Healthcare Group Plc	GHG-GB	104	4.0x	3.3x	2.8x	5.4x	4.4x	3.6x	6.5x	5.2x	4.4x
GHP Specialty Care AB	GHP-SE	992	7.7x	6.1x	5.9x	25.9x	13.4x	11.9x	23.9x	15.0x	15.7x
Humana AB	HUM-SE	2500	8.5x	7.7x	8.3x	14.1x	12.4x	12.5x	10.3x	8.8x	8.6x
Korian SA	KORI-FR	2499	7.9x	7.5x	7.7x	20.5x	17.3x	18.2x	20.9x	14.5x	12.9x
LNA Sante SA	LNA-FR	394	9.7x	10.9x	10.3x	19.6x	17.8x	18.0x	18.4x	15.1x	13.4x
Mediclinic International Plc	MDC-GB	1858	7.6x	6.3x		12.6x	9.7x		10.8x	8.2x	6.8x
Orpea SA	ORP-FR	6444	21.2x	20.5x	28.5x	31.9x	27.0x	25.4x	30.5x	23.1x	21.4x
RHON-KLINIKUM AG	RHK-DE	1218	12.1x	10.8x	11.8x	74.0x	43.4x	37.0x	76.9x	52.5x	45.5x
Spire Healthcare Group PLC	SPI-GB	386	5.4x	5.5x	5.7x	10.5x	9.4x	9.3x	18.0x	11.4x	14.0x
Terveystalo Oy Class A	TTALO-FI	1105	10.6x	8.3x	7.2x	27.4x	15.5x	12.6x	27.1x	16.0x	13.7x
<b>Peer Group Median</b>		<b>3804</b>	<b>8.2x</b>	<b>7.6x</b>	<b>7.2x</b>	<b>18.9x</b>	<b>13.6x</b>	<b>12.5x</b>	<b>18.2x</b>	<b>13.0x</b>	<b>13.2x</b>
<b>Peer Group Average</b>		<b>1538</b>	<b>9.2x</b>	<b>8.4x</b>	<b>8.9x</b>	<b>22.3x</b>	<b>16.1x</b>	<b>15.0x</b>	<b>23.1x</b>	<b>15.7x</b>	<b>14.0x</b>
<b>Pihlajalinna (Evli est.)</b>		<b>347</b>	<b>9.6x</b>	<b>7.6x</b>	<b>7.0x</b>	<b>25.3x</b>	<b>16.1x</b>	<b>13.8x</b>	<b>34.0x</b>	<b>17.5x</b>	<b>14.5x</b>

Pihlajalinna premium/discount to peer median  
Source: Factset, Evli Research

17 % 1 % -3 % 34 % 18 % 11 % 87 % 35 % 10 %

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E	
Net sales	132.5	129.7	122.7	133.8	518.7	133.0	112.1	129.9	142.0	517.0	557.2	573.9	
EBITDA	12.5	10.9	17.4	14.3	55.1	12.7	9.0	19.0	16.4	57.1	69.7	73.4	
<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>8.0</i>	<i>14.6</i>	<i>11.5</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	0.0	10.0	7.4	21.6	33.2	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>0.0</i>	<i>7.7</i>	<i>5.2</i>	<i>4.2</i>	<i>6.0</i>	<i>6.5</i>	
Net financial items	-1.0	-1.0	-1.0	-1.0	-4.0	-1.4	-1.3	-1.3	-1.3	-5.3	-5.0	-4.0	
Pre-tax profit	2.9	1.1	8.3	4.6	16.9	2.8	-1.3	8.7	6.0	16.3	28.2	33.3	
Tax	-0.7	-0.3	-0.3	-0.6	-1.9	-0.6	0.3	-1.7	-1.2	-3.3	-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>21.8</i>	<i>20.1</i>	<i>19.8</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	-1.0	5.8	3.1	10.0	19.5	23.5	
EPS	0.08	0.00	0.29	0.11	0.47	0.09	-0.04	0.25	0.14	0.44	0.86	1.04	
EPS adjusted (diluted no. of shares)	0.08	0.00	0.29	0.11	0.47	0.09	-0.04	0.25	0.14	0.44	0.86	1.04	
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.28	0.34	
<b>SALES, EURm</b>													
Corporate Customers	31.6	30.3	27.0	32.8	121.7	32.9	25.6	30.1	36.5	125.1	143.0	147.3	
Private Customers	26.5	25.6	21.1	24.9	98.1	23.5	11.5	23.2	27.4	85.6	95.9	98.7	
Public sector customers	89.3	89.6	90.0	91.9	360.8	92.6	91.0	92.3	94.2	370.1	383.5	395.0	
Eliminations	-14.9	-15.7	-15.4	-15.8	-61.8	-16.0	-16.0	-15.7	-16.2	-63.9	-65.2	-67.1	
<b>Total</b>	<b>132.5</b>	<b>129.7</b>	<b>122.7</b>	<b>133.8</b>	<b>518.7</b>	<b>133.0</b>	<b>112.1</b>	<b>129.9</b>	<b>142.0</b>	<b>517.0</b>	<b>557.2</b>	<b>573.9</b>	
<b>SALES GROWTH, Y/Y %</b>													
<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>-15.3</i>	<i>11.5</i>	<i>11.4</i>	<i>2.9</i>	<i>14.3</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>-55.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-12.7</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>1.6</i>	<i>2.6</i>	<i>2.5</i>	<i>2.6</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>2.0</i>	<i>2.0</i>	<i>2.3</i>	<i>3.4</i>	<i>2.0</i>	<i>3.0</i>	
<b>Total</b>	<b>11.2</b>	<b>3.5</b>	<b>5.5</b>	<b>5.4</b>	<b>6.3</b>	<b>0.4</b>	<b>-13.6</b>	<b>5.9</b>	<b>6.1</b>	<b>-0.3</b>	<b>7.8</b>	<b>3.0</b>	
<b>EBIT, EURm</b>													
Group	3.9	2.1	9.3	5.6	20.9	4.2	0.0	10.0	7.4	21.6	33.2	37.3	
<b>Total</b>	<b>3.9</b>	<b>2.1</b>	<b>9.3</b>	<b>5.6</b>	<b>20.9</b>	<b>4.2</b>	<b>0.0</b>	<b>10.0</b>	<b>7.4</b>	<b>21.6</b>	<b>33.2</b>	<b>37.3</b>	
<b>EBIT margin, %</b>													
Group						17,760.0							
<b>Total</b>	<b>2.9</b>	<b>1.6</b>	<b>7.6</b>	<b>4.2</b>	<b>4.0</b>	<b>3.2</b>	<b>0.0</b>	<b>7.7</b>	<b>5.2</b>	<b>4.2</b>	<b>6.0</b>	<b>6.5</b>	

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	213.4	399.1	424.0	487.8	518.7	517.0	557.2	573.9
<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	57.1	69.7	73.4
<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	-35.5	-36.5	-36.1
EBITA	4.7	16.6	20.1	14.4	20.9	21.6	33.2	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	21.6	33.2	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>4.2</i>	<i>6.0</i>	<i>6.5</i>
Reported EBIT	3.9	15.1	19.2	13.8	10.2	21.2	33.2	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>6.0</i>	<i>6.5</i>
Net financials	-2.3	-1.2	-1.4	-3.8	-4.0	-5.3	-5.0	-4.0
Pre-tax profit	2.4	15.4	18.7	10.6	16.9	16.3	28.2	33.3
Taxes	-0.1	-3.0	-3.4	-2.7	-1.9	-3.3	-5.6	-6.7
Minority shares	-0.8	-2.7	-4.6	-3.3	-4.3	-3.0	-3.1	-3.1
Net profit	0.7	8.2	9.8	4.0	0.0	9.6	19.5	23.5
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	-0.4	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	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	428	440	445
<b>Liabilities</b>								
Shareholder's equity	92	98	100	121	101	111	127	144
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	119	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	428	440	445
<b>CASH FLOW, EURm</b>								
+ EBITDA	13	29	34	46	55	57	70	73
- Net financial items	-2	-1	-1	-4	-4	-5	-5	-4
- Taxes	0	-2	-5	-5	-4	-3	-6	-7
- Increase in Net Working Capital	9	8	7	2	14	-12	3	1
+/- Other	-2	-1	0	-11	-15	-3	-3	-3
= Cash flow from operations	18	32	35	27	46	33	59	61
- 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	16	22
+/- New issues/buybacks	82	-1	-2	24	-22	0	0	0
- Paid dividend	0	0	-3	-3	-2	0	-3	-6
+/- Other	-48	7	7	53	5	7	-10	-14
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	340	340	340
Net debt (excl. convertibles)	25	40	181	194	192	179	163
Enterprise value	416	325	391	557	548	533	516
Sales	399	424	488	519	517	557	574
EBITDA	29	34	46	55	57	70	73
EBIT	17	20	14	21	22	33	37
Pre-tax	15	19	11	17	16	28	33
Earnings	10	11	5	11	10	19	24
Equity book value (excl. minorities)	98	100	121	101	111	127	144
<b>Valuation multiples</b>							
EV/sales	1.0	0.8	0.8	1.1	1.1	1.0	0.9
EV/EBITDA	14.2	9.5	8.5	10.1	9.6	7.6	7.0
EV/EBITA	25.1	16.2	27.1	26.6	25.3	16.1	13.8
EV/EBIT	25.1	16.2	27.1	26.6	25.3	16.1	13.8
EV/OCF	12.9	9.3	14.3	12.1	16.5	9.0	8.5
EV/FCFF	66.9	19.3	-11.7	20.3	21.4	10.8	10.3
P/FCFE	67.8	35.7	-2.6	36.0	148.0	20.8	15.7
P/E	39.1	25.7	42.4	32.3	34.0	17.5	14.5
P/B	3.9	2.7	1.6	3.4	3.1	2.7	2.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.8	7.8	7.2
Target EV/EBIT	0.0	0.0	0.0	0.0	25.9	16.5	14.2
Target EV/FCF	0.0	0.0	0.0	0.0	242.9	33.4	24.4
Target P/B	0.0	0.0	0.0	0.0	3.3	2.9	2.5
Target P/E	0.0	0.0	0.0	0.0	36.2	18.6	15.4
<b>Per share measures</b>							
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	0.44	0.86	1.04
Operating cash flow per share	1.57	1.69	1.21	2.03	1.47	2.62	2.69
Free cash flow per share	0.27	0.37	-3.29	0.42	0.10	0.72	0.96
Book value per share	4.74	4.87	5.36	4.47	4.89	5.61	6.37
Dividend per share	0.15	0.16	0.10	0.00	0.15	0.28	0.34
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	1.0	1.9	2.3
FCF yield, %	1.5	2.8	-38.2	2.8	0.7	4.8	6.4
<b>Efficiency measures</b>							
ROE	10.2	10.8	4.2	9.6	9.5	16.4	17.4
ROCE	11.7	12.2	5.4	6.2	6.4	9.6	10.6
<b>Financial ratios</b>							
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	0.4	0.3	0.2
Equity ratio, book-weighted	46.4	41.8	29.8	24.2	27.0	30.0	33.5
Gearing, %	24.3	37.3	138.7	182.9	165.7	135.5	109.7

**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	%
LähiTapiola Keskinäinen Vakuutusyhtiö	3,481,641	52.399	15.4%
Mww Yhtiö Oy	2,309,010	34.751	10.2%
Fennia Mutual Insurance Company	1,998,965	30.084	8.8%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,385	28.465	8.4%
Elo Pension Company	1,267,161	19.071	5.6%
Niemistö Leena Katriina	703,475	10.587	3.1%
Ilmarinen Mutual Pension Insurance Company	490,000	7.375	2.2%
Fondita Nordic Micro Cap	470,000	7.073	2.1%
Fennia Life Insurance Company Ltd	265,528	3.996	1.2%
Fondita 2000+ Sijoitusrahasto	213,586	3.214	0.9%
Ten largest	13,090,751	197.016	58%
Residual	9,529,384	143.417	42%
Total	22,620,135	340.433	100%

#### EARNINGS CALENDAR

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

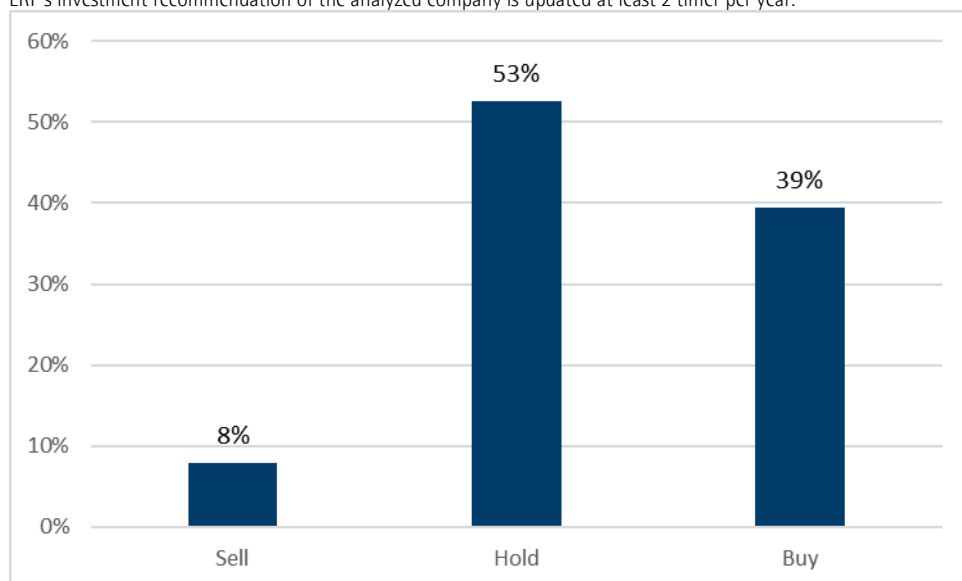
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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