

## Tender offer from Mehiläinen

Mehiläinen and Pihlajalinna have on 5th of November 2019 entered into a combination agreement pursuant to which Mehiläinen will make a voluntary recommended public cash tender offer for all issued and outstanding shares in Pihlajalinna. The offer price is EUR 16.00 in cash for each issued and outstanding share in Pihlajalinna, valuing the company's total equity at EUR ~362m. The offer price represents a premium of ~46%. The non-conflicted members of the board of directors of Pihlajalinna have unanimously decided to recommend that the shareholders of Pihlajalinna accept the tender offer.

- Q3 revenue was EUR 122.7m vs. EUR 123.0m/121.5m Evli/consensus estimates. Revenue grew by 5.5% y/y. Organic growth was 3.7% y/y.
- Q3 adj. EBITDA was EUR 17.4m (14.2% margin) vs. EUR 15.7m/11.4m Evli/cons estimates. Adj. EBITDA increased by 21.9% y/y.
- Q3 adj. EBIT was EUR 9.3m (7.5% margin) vs. EUR 6.8m/3.8m Evli/cons estimates. Profitability improved due to the efficiency improvement program which was launched in June but was also supported by revenue growth.
- Outlook for 2019E remains unchanged: Pihlajalinna's consolidated revenue is expected to increase from 2018. Adj. EBIT is expected to improve clearly compared to 2018.

**Rating** + BUY

Pihlajalinna Q3'19	Actual	Evli	Cons.*	Year ago
Net Sales	122.7	123.0	121.5	116.3
Adj. EBITDA	17.4	15.7	11.4	14.2
Adj. EBIT	9.3	6.8	3.8	6.0
Adj. EBITDA-margin	14.2 %	12.8 %	9.4 %	12.3 %
Adj. EBIT-margin	7.5 %	5.5 %	3.1 %	5.2 %

*\*Bloomberg (4-5 estimates mean)*

Share price, EUR (Last trading day's closing price)	10.96
Target price, EUR	12.0
Latest change in rating	01-Nov-18
Latest report on company	30-Oct-19
Research paid by issuer:	YES
No. of shares outstanding,	22,620
No. of shares fully diluted,	22,620
Market cap, EURm	241
Free float, %	57.0
Exchange rate	0.000
Reuters code	PIHLIS.HE
Bloomberg code	PIHLIS FH
Average daily volume, EURm	na.
Next interim report	05-Nov-19
Web site	<a href="http://investors.pihlajalinna.fi/">http://investors.pihlajalinna.fi/</a>
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+ BUY o HOLD - SELL

### PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	424.0	20.1	4.7%	-9.5	0.52	25.7	0.8	16.2	-3.5	0.16
2018	487.8	14.4	3.0%	-48.0	0.20	42.4	0.8	27.1	-24.6	0.10
2019E	518.0	20.5	4.0%	2.1	0.49	21.8	0.8	21.4	0.9	0.16
2020E	533.6	34.0	6.4%	12.3	0.94	11.4	0.8	12.6	5.1	0.31
2021E	546.9	36.6	6.7%	24.7	1.03	10.3	0.7	11.2	10.3	0.34

Market cap, EURm	241	BV per share 2019E, EUR	129.8	CAGR EPS 2018-21, %	71.8
Net debt 2019E, EURm	181	Price/book 2019E	1.9	CAGR sales 2018-21, %	3.9
Enterprise value, EURm	439	Dividend yield 2019E, %	1.5	ROE 2019E, %	8.8
Total assets 2019E, EURm	441	Tax rate 2019E, %	21.3	ROCE 2019E, %	5.8
Goodwill 2019E, EURm	170	Equity ratio 2019E, %	31.6	PEG, P/E 19/CAGR	0.7

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

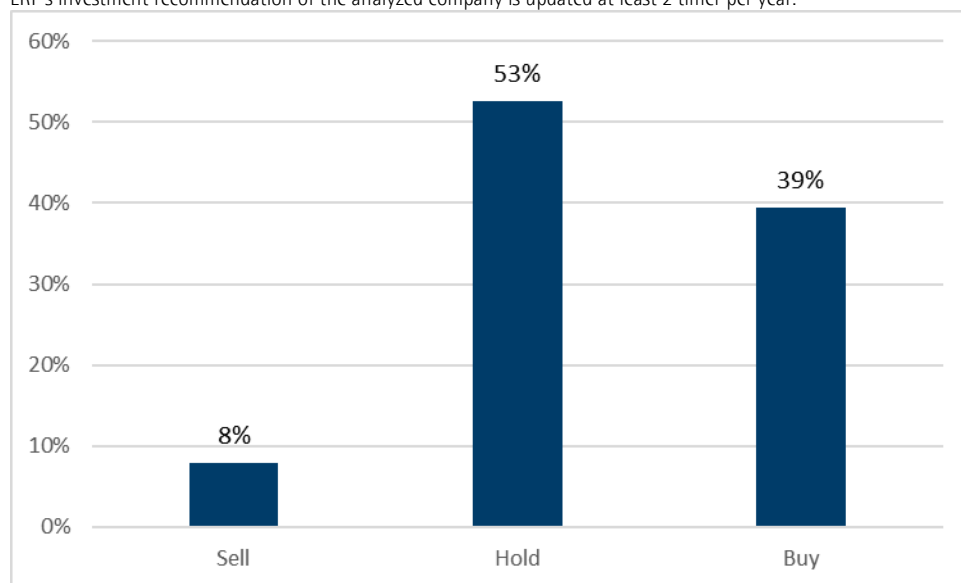
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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