

## Profitability in focus

Pihlajalinna reports its Q4 result on 14<sup>th</sup> of Feb. We expect Q4 sales of EUR 133.6m (5.2% y/y) and adj. EBIT of EUR 7.8m, resulting in adj. EBIT margin of 5.8%. We have kept our estimates intact ahead of Q4 and retain our rating "HOLD" with TP of EUR 16.0.

### Expecting further profitability improvements in Q4

Pihlajalinna implemented its efficiency improvement program last summer, targeting annual cost savings of EUR 17m and indicated that already some EUR 5m savings could be seen in H2'19. In Q3, we saw improvement in profitability as adj. EBIT rose by ~60% y/y. Expansion particularly into regional capitals continued in '19 as multiple new clinics were opened, boosting revenue growth. We expect Q4 revenue growth of 5.2% y/y (133.6m), driven by new clinics and adj. EBIT of EUR 7.8m (~13% y/y), resulting in adj. EBIT margin of 5.8%.

### Increased ownership in municipal joint-stock companies

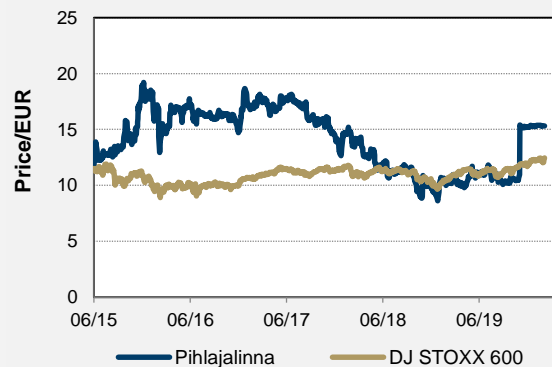
In late Q4, Pihlajalinna increased its ownership in its municipal joint-stock companies Kuusiolinna Terveys and Mäntänvuoren Terveys. After the transactions, Pihlajalinna's ownership in Kuusiolinna Terveys is 89% (51%) and in Mäntänvuoren Terveys 91% (81%). Pihlajalinna pays EUR 16.3m for the shares of Kuusiolinna Terveys and EUR 2m for the shares of Mäntänvuoren Terveys. The transactions have no impact on our revenue or profitability estimates. In our view, the increase in ownership is positive as the joint-stock companies represent a significant part of Pihlajalinna's revenue and profit (the combined revenue of Kuusiolinna Terveys and Mäntänvuoren Terveys represented some 29% of total '18 revenue) and due to the transactions, the share of non-controlling interest decreases, increasing earnings attributable to the owners of the parent company. We expect '20E revenue growth of 3.3% (536m), driven by new clinic openings and adj. EBIT improvement of ~53% (EUR 35.1m). Mehiläinen's cash tender offer of Pihlajalinna's shares is currently ongoing and being reviewed in FCCA.

### "HOLD" with TP of EUR 16 intact

With our estimates intact, we expect 19E revenue of EUR 518.5m (6.3% y/y) and adj. EBIT of 23.0 (~60% y/y), resulting in adj. EBIT margin of 4.4%. We expect a dividend of EUR 0.15 (cons. EUR 0.14) for '19. Our share price is in line with the tender offer price of EUR 16.0. We keep our rating "HOLD" with TP of EUR 16.

## Rating

HOLD



Share price, EUR (Last trading day's closing price) 15.30

Target price, EUR 16.0

Latest change in rating 06-Nov-19

Latest report on company 06-Nov-19

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 346

Free float, % 57.0

Exchange rate 0.000

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na.

Next interim report 14-Feb-20

Web site [investors.pihlajalinna.fi/](http://investors.pihlajalinna.fi/)

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BUY HOLD SELL

## KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>%               | FCF<br>EURm | EPS<br>EUR | P/E<br>(x) | EV/Sales<br>(x)       | EV/EBIT<br>(x) | FCF yield<br>% | DPS<br>EUR |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2017                     | 424.0         | 20.1         | 4.7%                    | 7.7         | 0.52       | 25.7       | 0.8                   | 16.2           | 2.8            | 0.16       |
| 2018                     | 487.8         | 14.4         | 3.0%                    | -74.5       | 0.20       | 42.4       | 0.8                   | 27.1           | -38.2          | 0.10       |
| 2019E                    | 518.5         | 23.0         | 4.4%                    | 1.7         | 0.59       | 25.9       | 1.1                   | 24.0           | 0.5            | 0.15       |
| 2020E                    | 535.8         | 35.1         | 6.5%                    | 15.6        | 0.93       | 16.5       | 1.0                   | 15.3           | 4.5            | 0.22       |
| 2021E                    | 549.2         | 37.3         | 6.8%                    | 25.0        | 1.01       | 15.2       | 0.9                   | 13.8           | 7.2            | 0.27       |
| Market cap, EURm         |               | 346          | Gearing 2019E, %        |             |            | 135.5      | CAGR EPS 2018-21, %   |                |                | 70.4       |
| Net debt 2019E, EURm     |               | 181          | Price/book 2019E        |             |            | 2.8        | CAGR sales 2018-21, % |                |                | 4.0        |
| Enterprise value, EURm   |               | 553          | Dividend yield 2019E, % |             |            | 1.0        | ROE 2019E, %          |                |                | 10.9       |
| Total assets 2019E, EURm |               | 436          | Tax rate 2019E, %       |             |            | 14.0       | ROCE 2019E, %         |                |                | 6.6        |
| Goodwill 2019E, EURm     |               | 170          | Equity ratio 2019E, %   |             |            | 30.7       | PEG, P/E 19/CAGR      |                |                | 1.1        |

## Estimates

| Net sales                    | 2017         | Q1'18        | Q2'18        | Q3'18        | Q4'18        | 2018E        | Q1'19        | Q2'19        | Q3'19        | Q4'19E       | 2019E        | 2020E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Corporate Customers          | 82.6         | 26.2         | 25.3         | 22.8         | 29.4         | 103.7        | 31.6         | 30.3         | 27.0         | 33.1         | 121.9        | 131.2        |
| of which insurance companies | 26.6         | 6.6          | 6.6          | 5.3          | 6.7          | 25.2         | 7.1          | 6.7          | 5.9          | 7.9          | 27.6         | 35.0         |
| of which other corporates    | 56.0         | 19.6         | 18.7         | 17.5         | 22.7         | 78.5         | 24.5         | 23.6         | 21.1         | 25.2         | 94.4         | 96.2         |
| Private Customers            | 67.9         | 22.2         | 24.3         | 21.0         | 24.6         | 92.1         | 26.5         | 25.6         | 21.1         | 25.4         | 98.5         | 100.5        |
| Public sector customers      | 330.5        | 85.1         | 90.3         | 85.7         | 88.6         | 349.7        | 89.3         | 89.6         | 90.0         | 91.2         | 360.1        | 367.3        |
| <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>132.5</b> | <b>129.7</b> | <b>122.7</b> | <b>133.6</b> | <b>518.5</b> | <b>535.8</b> |
| <b>Net sales growth</b>      |              |              |              |              |              |              |              |              |              |              |              |              |
| Corporate Customers          | -            | 17.0%        | 21.1%        | 25.3%        | 39.3%        | 25.5%        | 20.6%        | 19.6%        | 18.4%        | 12.4%        | 17.6%        | 7.6%         |
| Private Customers            | -            | 16.8%        | 35.0%        | 54.4%        | 42.2%        | 35.6%        | 19.4%        | 5.1%         | 0.5%         | 3.2%         | 7.0%         | 2.0%         |
| Public sector customers      | -            | 2.5%         | 9.9%         | 6.1%         | 4.9%         | 5.8%         | 4.9%         | -0.8%        | 5.0%         | 2.9%         | 3.0%         | 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>11.1%</b> | <b>3.5%</b>  | <b>5.5%</b>  | <b>5.3%</b>  | <b>6.3%</b>  | <b>3.3%</b>  |
| Adj. EBITDA (group)          | 34.0         | 6.9          | 10.2         | 14.2         | 14.6         | 45.9         | 12.6         | 10.8         | 17.4         | 16.7         | 57.5         | 70.2         |
| Adj. EBITDA-margin (group)   | 8.0%         | 5.8%         | 8.1%         | 12.2%        | 11.5%        | 9.4%         | 9.5%         | 8.3%         | 14.2%        | 12.5%        | 11.1%        | 13.1%        |

Source: Pihlajalinna, Evli Research

## Valuation

| PIHLAJALINNA PEER GROUP                             | Security identifier | MCAP<br>Local FX | EV/EBITDA    |             |             | EV/EBIT      |              |              | P/E          |              |              |
|---|---------------------|------------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   |                     |                  | 19           | 20          | 21          | 19           | 20           | 21           | 19           | 20           | 21           |
| Ambea AB  | AMBEA-SE            | 7447             | 10.8x        | 8.3x        | 7.4x        | 25.1x        | 17.8x        | 15.0x        | 16.2x        | 14.2x        | 11.8x        |
| Attendo AB  | ATT-SE              | 8712             | 10.3x        | 9.4x        | 8.4x        | 32.6x        | 29.1x        | 22.9x        | 59.4x        | 42.5x        | 25.6x        |
| CareTech Holdings PLC                               | CTH-GB              | 542              | 10.9x        | 10.2x       | 9.2x        | 14.1x        | 12.6x        | 10.9x        | 12.9x        | 12.1x        | 10.3x        |
| Fresenius SE & Co. KGaA                             | FRE-DE              | 26531            | 6.8x         | 6.3x        | 5.7x        | 10.2x        | 9.1x         | 8.2x         | 14.6x        | 13.8x        | 12.7x        |
| Georgia Healthcare Group Plc                        | GHG-GB              | 137              | 5.3x         | 4.5x        | 3.7x        | 7.4x         | 5.9x         | 4.7x         | 12.9x        | 8.6x         | 6.8x         |
| GHP Specialty Care AB                               | GHP-SE              | 1256             | 8.8x         | 7.4x        | 6.7x        | 19.7x        | 15.2x        | 13.4x        | 26.9x        | 21.3x        | 20.4x        |
| Humana AB   | HUM-SE              | 3369             | 9.3x         | 7.9x        | 7.3x        | 16.1x        | 13.8x        | 12.7x        | 13.6x        | 11.9x        | 11.0x        |
| Korian SA   | KORI-FR             | 3565             | 11.8x        | 11.0x       | 10.1x       | 18.1x        | 16.8x        | 15.3x        | 25.6x        | 21.8x        | 18.8x        |
| LNA Sante SA  | LNA-FR              | 467              | 12.4x        | 11.5x       | 9.9x        | 16.7x        | 15.5x        | 13.8x        | 18.5x        | 17.1x        | 15.1x        |
| Mediclinic International Plc                        | MDC-GB              | 2816             | 9.2x         | 8.2x        | 7.7x        | 14.4x        | 12.7x        | 11.7x        | 14.7x        | 13.3x        | 11.8x        |
| Orpea SA  | ORP-FR              | 7787             | 18.8x        | 18.0x       | 17.8x       | 27.4x        | 26.1x        | 24.5x        | 30.9x        | 27.4x        | 24.6x        |
| RHON-KLINIKUM AG                                    | RHK-DE              | 1095             | 9.9x         | 10.1x       | 8.9x        | 29.9x        | 37.2x        | 27.7x        | 44.6x        | 55.8x        | 41.2x        |
| Spire Healthcare Group PLC                          | SPI-GB              | 518              | 7.7x         | 7.5x        | 7.7x        | 17.1x        | 14.6x        | 14.2x        | 24.7x        | 19.9x        | 16.1x        |
| Terveystalo Oy Class A                              | TTALO-FI            | 1540             | 11.2x        | 10.8x       | 10.0x       | 21.7x        | 20.3x        | 17.6x        | 25.8x        | 22.6x        | 19.6x        |
| <b>Peer Group Median</b>                            |                     | <b>4733</b>      | <b>10.1x</b> | <b>8.9x</b> | <b>8.0x</b> | <b>17.6x</b> | <b>15.4x</b> | <b>14.0x</b> | <b>21.6x</b> | <b>18.5x</b> | <b>15.6x</b> |
| <b>Peer Group Average</b>                           |                     | <b>2036</b>      | <b>10.2x</b> | <b>9.4x</b> | <b>8.6x</b> | <b>19.3x</b> | <b>17.6x</b> | <b>15.2x</b> | <b>24.4x</b> | <b>21.6x</b> | <b>17.6x</b> |
| <b>Pihlajalinna (Evli est.)</b>                     |                     | <b>347</b>       | <b>9.6x</b>  | <b>7.7x</b> | <b>7.0x</b> | <b>24.0x</b> | <b>15.3x</b> | <b>13.8x</b> | <b>25.9x</b> | <b>16.5x</b> | <b>15.2x</b> |
| <i>Pihlajalinna premium/discount to peer median</i> |                     |                  | -4 %         | -13 %       | -14 %       | 37 %         | 0 %          | -2 %         | 20 %         | -11 %        | -2 %         |

Source: Factset, Evli Research

## INTERIM FIGURES

| EVLI ESTIMATES, EURm                 | 2018Q1       | 2018Q2       | 2018Q3       | 2018Q4       | 2018         | 2019Q1       | 2019Q2       | 2019Q3       | 2019Q4E      | 2019E        | 2020E        | 2021E        |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales                            | 119.2        | 125.3        | 116.3        | 127.0        | 487.8        | 132.5        | 129.7        | 122.7        | 133.6        | 518.5        | 535.8        | 549.2        |
| EBITDA                               | 6.9          | 10.1         | 13.8         | 15.1         | 45.9         | 12.5         | 10.8         | 17.4         | 16.7         | 57.4         | 70.2         | 74.1         |
| <i>EBITDA margin (%)</i>             | <i>5.8</i>   | <i>8.1</i>   | <i>11.9</i>  | <i>11.9</i>  | <i>9.4</i>   | <i>9.4</i>   | <i>8.4</i>   | <i>14.2</i>  | <i>12.5</i>  | <i>11.1</i>  | <i>13.1</i>  | <i>13.5</i>  |
| EBIT                                 | -0.1         | 2.0          | 5.6          | 6.9          | 14.4         | 3.9          | 2.1          | 9.3          | 7.8          | 23.0         | 35.1         | 37.3         |
| <i>EBIT margin (%)</i>               | <i>-0.1</i>  | <i>1.6</i>   | <i>4.8</i>   | <i>5.4</i>   | <i>3.0</i>   | <i>2.9</i>   | <i>1.6</i>   | <i>7.6</i>   | <i>5.8</i>   | <i>4.4</i>   | <i>6.5</i>   | <i>6.8</i>   |
| Net financial items                  | -1.0         | -0.8         | -0.9         | -1.1         | -3.8         | -1.0         | -1.0         | -1.0         | -1.0         | -4.0         | -5.0         | -5.0         |
| Pre-tax profit                       | -1.1         | 1.2          | 4.7          | 5.8          | 10.6         | 2.9          | 1.1          | 8.3          | 6.8          | 19.0         | 30.1         | 32.3         |
| Tax                                  | 0.0          | -0.3         | -1.1         | -1.3         | -2.7         | -0.7         | -0.3         | -0.3         | -1.4         | -2.7         | -6.0         | -6.5         |
| <i>Tax rate (%)</i>                  | <i>0.0</i>   | <i>25.0</i>  | <i>23.4</i>  | <i>22.4</i>  | <i>25.5</i>  | <i>24.1</i>  | <i>28.6</i>  | <i>3.6</i>   | <i>20.0</i>  | <i>14.0</i>  | <i>20.0</i>  | <i>20.0</i>  |
| Net profit                           | -1.7         | 1.0          | 1.9          | 3.4          | 4.6          | 1.8          | -0.1         | 6.6          | 5.1          | 13.4         | 21.0         | 22.7         |
| EPS                                  | -0.08        | 0.04         | 0.08         | 0.15         | 0.20         | 0.08         | -0.01        | 0.29         | 0.23         | 0.59         | 0.93         | 1.01         |
| EPS adjusted (diluted no. of shares) | -0.08        | 0.04         | 0.08         | 0.15         | 0.20         | 0.08         | -0.01        | 0.29         | 0.23         | 0.59         | 0.93         | 1.01         |
| Dividend per share                   | 0.00         | 0.00         | 0.00         | 0.00         | 0.10         | 0.00         | 0.00         | 0.00         | 0.00         | 0.15         | 0.22         | 0.27         |
| <b>SALES, EURm</b>                   |              |              |              |              |              |              |              |              |              |              |              |              |
| Corporate Customers                  | 27.7         | 23.8         | 24.8         | 29.4         | 105.7        | 31.6         | 30.3         | 27.0         | 33.1         | 121.9        | 131.2        | 134.5        |
| Private Customers                    | 22.2         | 24.3         | 20.9         | 24.6         | 92.0         | 26.5         | 25.6         | 21.1         | 25.4         | 98.5         | 100.5        | 103.0        |
| Public sector customers              | 83.5         | 91.9         | 83.7         | 88.6         | 347.7        | 89.3         | 89.6         | 90.0         | 91.2         | 360.1        | 367.3        | 376.5        |
| Eliminations                         | -14.2        | -14.7        | -13.1        | -15.6        | -57.6        | -14.9        | -15.7        | -15.4        | -16.0        | -62.0        | -63.3        | -64.8        |
| <b>Total</b>                         | <b>119.2</b> | <b>125.3</b> | <b>116.3</b> | <b>127.0</b> | <b>487.8</b> | <b>132.5</b> | <b>129.7</b> | <b>122.7</b> | <b>133.6</b> | <b>518.5</b> | <b>535.8</b> | <b>549.2</b> |
| <b>SALES GROWTH, Y/Y %</b>           |              |              |              |              |              |              |              |              |              |              |              |              |
| <i>Corporate Customers</i>           | <i>23.7</i>  | <i>13.9</i>  | <i>36.3</i>  | <i>39.3</i>  | <i>28.0</i>  | <i>14.1</i>  | <i>27.1</i>  | <i>8.9</i>   | <i>12.4</i>  | <i>15.3</i>  | <i>7.6</i>   | <i>2.5</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>19.4</i>  | <i>5.1</i>   | <i>1.0</i>   | <i>3.2</i>   | <i>7.1</i>   | <i>2.0</i>   | <i>2.5</i>   |
| <i>Public sector customers</i>       | <i>0.6</i>   | <i>11.8</i>  | <i>3.6</i>   | <i>4.9</i>   | <i>5.2</i>   | <i>6.9</i>   | <i>-2.5</i>  | <i>7.5</i>   | <i>2.9</i>   | <i>3.6</i>   | <i>2.0</i>   | <i>2.5</i>   |
| <i>Eliminations</i>                  | <i>-1.4</i>  | <i>1.4</i>   | <i>-0.8</i>  | <i>4.7</i>   | <i>1.1</i>   | <i>4.9</i>   | <i>6.8</i>   | <i>17.6</i>  | <i>2.7</i>   | <i>7.7</i>   | <i>2.0</i>   | <i>2.5</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>11.2</b>  | <b>3.5</b>   | <b>5.5</b>   | <b>5.2</b>   | <b>6.3</b>   | <b>3.3</b>   | <b>2.5</b>   |
| <b>EBIT, EURm</b>                    |              |              |              |              |              |              |              |              |              |              |              |              |
| Group                                | -0.1         | 2.0          | 5.6          | 6.9          | 14.4         | 3.9          | 2.1          | 9.3          | 7.8          | 23.0         | 35.1         | 37.3         |
| <b>Total</b>                         | <b>-0.1</b>  | <b>2.0</b>   | <b>5.6</b>   | <b>6.9</b>   | <b>14.4</b>  | <b>3.9</b>   | <b>2.1</b>   | <b>9.3</b>   | <b>7.8</b>   | <b>23.0</b>  | <b>35.1</b>  | <b>37.3</b>  |
| <b>EBIT margin, %</b>                |              |              |              |              |              |              |              |              |              |              |              |              |
| <i>Total</i>                         | <i>-0.1</i>  | <i>1.6</i>   | <i>4.8</i>   | <i>5.4</i>   | <i>3.0</i>   | <i>2.9</i>   | <i>1.6</i>   | <i>7.6</i>   | <i>5.8</i>   | <i>4.4</i>   | <i>6.5</i>   | <i>6.8</i>   |

| INCOME STATEMENT, EURm                   | 2014        | 2015        | 2016        | 2017       | 2018        | 2019E       | 2020E       | 2021E       |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| Sales                                    | 148.9       | 213.4       | 399.1       | 424.0      | 487.8       | 518.5       | 535.8       | 549.2       |
| <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>6.3</i>  | <i>3.3</i>  | <i>2.5</i>  |
| EBITDA                                   | 13.8        | 12.7        | 29.4        | 34.3       | 45.9        | 57.4        | 70.2        | 74.1        |
| <i>EBITDA margin (%)</i>                 | <i>9.3</i>  | <i>6.0</i>  | <i>7.4</i>  | <i>8.1</i> | <i>9.4</i>  | <i>11.1</i> | <i>13.1</i> | <i>13.5</i> |
| Depreciation                             | -5.8        | -8.0        | -12.8       | -14.2      | -31.5       | -34.4       | -35.1       | -36.7       |
| EBITA                                    | 8.0         | 4.7         | 16.6        | 20.1       | 14.4        | 23.0        | 35.1        | 37.3        |
| Goodwill amortization / writedown        | 0.0         | 0.0         | 0.0         | 0.0        | 0.0         | 0.0         | 0.0         | 0.0         |
| EBIT                                     | 8.0         | 4.7         | 16.6        | 20.1       | 14.4        | 23.0        | 35.1        | 37.3        |
| <i>EBIT margin (%)</i>                   | <i>5.4</i>  | <i>2.2</i>  | <i>4.2</i>  | <i>4.7</i> | <i>3.0</i>  | <i>4.4</i>  | <i>6.5</i>  | <i>6.8</i>  |
| Reported EBIT                            | 5.9         | 3.9         | 15.1        | 19.2       | 13.8        | 15.1        | 35.1        | 37.3        |
| <i>EBIT margin (reported) (%)</i>        | <i>4.0</i>  | <i>1.8</i>  | <i>3.8</i>  | <i>4.5</i> | <i>2.8</i>  | <i>2.9</i>  | <i>6.5</i>  | <i>6.8</i>  |
| Net financials                           | -3.1        | -2.3        | -1.2        | -1.4       | -3.8        | -4.0        | -5.0        | -5.0        |
| Pre-tax profit                           | 4.9         | 2.4         | 15.4        | 18.7       | 10.6        | 19.0        | 30.1        | 32.3        |
| Taxes                                    | -1.0        | -0.1        | -3.0        | -3.4       | -2.7        | -2.7        | -6.0        | -6.5        |
| Minority shares                          | -0.4        | -0.8        | -2.7        | -4.6       | -3.3        | -3.0        | -3.1        | -3.1        |
| Net profit                               | 1.4         | 0.7         | 8.2         | 9.8        | 4.0         | 5.5         | 21.0        | 22.7        |
| Cash NRIs                                | -2.1        | -0.8        | -1.5        | -0.9       | -0.6        | -7.9        | 0.0         | 0.0         |
| Non-cash NRIs                            | 0.0         | 0.0         | 0.0         | 0.0        | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>BALANCE SHEET, EURm</b>               |             |             |             |            |             |             |             |             |
| <b>Assets</b>                            |             |             |             |            |             |             |             |             |
| Fixed assets                             | 47          | 69          | 67          | 83         | 68          | 82          | 85          | 81          |
| Goodwill                                 | 56          | 76          | 92          | 104        | 170         | 170         | 170         | 170         |
| Right of use assets                      | 0           | 0           | 0           | 0          | 116         | 109         | 113         | 115         |
| Inventory                                | 1           | 2           | 2           | 2          | 3           | 3           | 3           | 3           |
| Receivables                              | 14          | 20          | 27          | 25         | 40          | 33          | 34          | 35          |
| Liquid funds                             | 11          | 15          | 28          | 37         | 36          | 36          | 38          | 38          |
| Total assets                             | 131         | 185         | 218         | 254        | 437         | 436         | 445         | 446         |
| <b>Liabilities</b>                       |             |             |             |            |             |             |             |             |
| Shareholder's equity                     | 9           | 92          | 98          | 100        | 121         | 124         | 142         | 160         |
| Minority interest                        | 1           | 1           | 3           | 6          | 9           | 9           | 9           | 9           |
| Convertibles                             | 0           | 0           | 0           | 0          | 0           | 0           | 0           | 0           |
| Lease liabilities                        | 0           | 0           | 0           | 0          | 119         | 109         | 113         | 115         |
| Deferred taxes                           | 4           | 5           | 6           | 6          | 6           | 6           | 6           | 6           |
| Interest bearing debt                    | 88          | 42          | 52          | 77         | 99          | 109         | 94          | 72          |
| Non-interest bearing current liabilities | 27          | 42          | 55          | 62         | 80          | 75          | 78          | 80          |
| Other interest-free debt                 | 1           | 3           | 3           | 3          | 3           | 3           | 3           | 3           |
| Total liabilities                        | 131         | 185         | 217         | 254        | 437         | 436         | 445         | 446         |
| <b>CASH FLOW, EURm</b>                   |             |             |             |            |             |             |             |             |
| + EBITDA                                 | 14          | 13          | 29          | 34         | 46          | 57          | 70          | 74          |
| - Net financial items                    | -3          | -2          | -1          | -1         | -4          | -4          | -5          | -5          |
| - Taxes                                  | -1          | 0           | -2          | -5         | -5          | -3          | -6          | -6          |
| - Increase in Net Working Capital        | 4           | 9           | 8           | 7          | 2           | 3           | 1           | 1           |
| +/- Other                                | -2          | -2          | -1          | 0          | -11         | -11         | -3          | -3          |
| = Cash flow from operations              | 11          | 18          | 32          | 35         | 27          | 42          | 57          | 61          |
| - Capex                                  | -28         | -48         | -5          | -10        | -23         | -41         | -42         | -36         |
| - Acquisitions                           | 0           | 0           | -22         | -17        | -79         | 0           | 0           | 0           |
| + Divestments                            | 0           | 0           | 0           | 0          | 0           | 0           | 0           | 0           |
| = Free cash flow                         | -17         | -30         | 6           | 8          | -74         | 2           | 16          | 25          |
| +/- New issues/buybacks                  | -29         | 82          | -1          | -2         | 24          | 0           | 0           | 0           |
| - Paid dividend                          | 0           | 0           | 0           | -3         | -3          | -2          | -3          | -5          |
| +/- Other                                | 46          | -48         | 7           | 7          | 53          | 0           | -11         | -19         |
| Change in cash                           | 0           | 4           | 12          | 10         | -1          | 0           | 1           | 1           |

| KEY FIGURES                                    | 2015   | 2016   | 2017   | 2018   | 2019E  | 2020E  | 2021E  |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap  | 256    | 380    | 275    | 195    | 346    | 346    | 346    |
| Net debt (excl. convertibles)                  | 27     | 25     | 40     | 181    | 181    | 169    | 149    |
| Enterprise value                               | 286    | 416    | 325    | 391    | 553    | 538    | 515    |
| Sales  | 213    | 399    | 424    | 488    | 519    | 536    | 549    |
| EBITDA   | 13     | 29     | 34     | 46     | 57     | 70     | 74     |
| EBIT   | 5      | 17     | 20     | 14     | 23     | 35     | 37     |
| Pre-tax  | 2      | 15     | 19     | 11     | 19     | 30     | 32     |
| Earnings                                       | 2      | 10     | 11     | 5      | 13     | 21     | 23     |
| Equity book value (excl. minorities)           | 92     | 98     | 100    | 121    | 124    | 142    | 160    |
| <b>Valuation multiples</b>                     |        |        |        |        |        |        |        |
| EV/sales                                       | 1.3    | 1.0    | 0.8    | 0.8    | 1.1    | 1.0    | 0.9    |
| EV/EBITDA                                      | 22.5   | 14.2   | 9.5    | 8.5    | 9.6    | 7.7    | 7.0    |
| EV/EBITA                                       | 60.8   | 25.1   | 16.2   | 27.1   | 24.0   | 15.3   | 13.8   |
| EV/EBIT  | 60.8   | 25.1   | 16.2   | 27.1   | 24.0   | 15.3   | 13.8   |
| EV/OCF   | 16.3   | 12.9   | 9.3    | 14.3   | 13.0   | 9.4    | 8.5    |
| EV/FCFF  | -11.0  | 66.9   | 19.3   | -11.7  | 31.6   | 12.9   | 10.2   |
| P/FCFE   | -8.5   | 67.8   | 35.7   | -2.6   | 208.7  | 22.2   | 13.9   |
| P/E  | 170.5  | 39.1   | 25.7   | 42.4   | 25.9   | 16.5   | 15.2   |
| P/B  | 2.8    | 3.9    | 2.7    | 1.6    | 2.8    | 2.4    | 2.2    |
| Target EV/EBITDA                               | 0.0    | 0.0    | 0.0    | 0.0    | 9.6    | 7.7    | 7.0    |
| Target EV/EBIT                                 | 0.0    | 0.0    | 0.0    | 0.0    | 24.0   | 15.4   | 13.9   |
| Target EV/FCF                                  | 0.0    | 0.0    | 0.0    | 0.0    | 333.1  | 34.6   | 20.8   |
| Target P/B                                     | 0.0    | 0.0    | 0.0    | 0.0    | 2.9    | 2.5    | 2.3    |
| Target P/E                                     | 0.0    | 0.0    | 0.0    | 0.0    | 27.1   | 17.2   | 15.9   |
| <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   | 0.20   | 0.59   | 0.93   | 1.01   |
| Operating cash flow per share                  | 0.85   | 1.57   | 1.69   | 1.21   | 1.88   | 2.54   | 2.68   |
| Free cash flow per share                       | -1.46  | 0.27   | 0.37   | -3.29  | 0.07   | 0.69   | 1.10   |
| Book value per share                           | 4.47   | 4.74   | 4.87   | 5.36   | 5.50   | 6.28   | 7.06   |
| Dividend per share                             | 0.00   | 0.15   | 0.16   | 0.10   | 0.15   | 0.22   | 0.27   |
| Dividend payout ratio, %                       | 0.0    | 31.9   | 30.8   | 49.2   | 25.4   | 23.7   | 26.8   |
| Dividend yield, %                              | 0.0    | 0.8    | 1.2    | 1.2    | 1.0    | 1.4    | 1.8    |
| FCF yield, %                                   | -11.8  | 1.5    | 2.8    | -38.2  | 0.5    | 4.5    | 7.2    |
| <b>Efficiency measures</b>                     |        |        |        |        |        |        |        |
| ROE  | 3.0    | 10.2   | 10.8   | 4.2    | 10.9   | 15.8   | 15.1   |
| ROCE   | 4.0    | 11.7   | 12.2   | 5.4    | 6.6    | 9.9    | 10.5   |
| <b>Financial ratios</b>                        |        |        |        |        |        |        |        |
| Inventories as % of sales                      | 0.8    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    |
| Receivables as % of sales                      | 9.4    | 6.7    | 5.9    | 8.2    | 6.3    | 6.3    | 6.3    |
| Non-interest bearing liabilities as % of sales | 19.7   | 13.8   | 14.6   | 16.3   | 14.5   | 14.5   | 14.5   |
| NWC/sales, %                                   | -9.8   | -6.9   | -8.4   | -8.0   | -8.0   | -8.0   | -8.0   |
| Operative CAPEX/sales, %                       | 22.3   | 1.3    | 2.4    | 4.6    | 7.9    | 7.8    | 6.5    |
| CAPEX/sales (incl. acquisitions), %            | 22.3   | -4.1   | -1.6   | -11.6  | 7.9    | 7.8    | 6.5    |
| FCFF/EBITDA                                    | -2.0   | 0.2    | 0.5    | -0.7   | 0.3    | 0.6    | 0.7    |
| Net debt/EBITDA, book-weighted                 | 2.1    | 0.8    | 1.2    | 3.9    | 3.2    | 2.4    | 2.0    |
| Debt/equity, market-weighted                   | 0.2    | 0.1    | 0.3    | 0.5    | 0.3    | 0.3    | 0.2    |
| Equity ratio, book-weighted                    | 50.5   | 46.4   | 41.8   | 29.8   | 30.7   | 34.0   | 37.9   |
| Gearing, %                                     | 28.4   | 24.3   | 37.3   | 138.7  | 135.5  | 111.7  | 88.1   |

**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  | 53.269  | 15.4% |
| Mww Yhtiö Oy                               | 2,309,010  | 35.328  | 10.2% |
| Fennia Mutual Insurance Company            | 1,998,965  | 30.584  | 8.8%  |
| Tapiola Keskinäinen Henkivakuutusyhtiö     | 1,891,385  | 28.938  | 8.4%  |
| Elo Pension Company                        | 1,267,161  | 19.388  | 5.6%  |
| Niemistö Leena Katriina                    | 703,475    | 10.763  | 3.1%  |
| Fondita Nordic Micro Cap                   | 540,000    | 8.262   | 2.4%  |
| Ilmarinen Mutual Pension Insurance Company | 490,000    | 7.497   | 2.2%  |
| Fennia Life Insurance Company Ltd          | 270,179    | 4.134   | 1.2%  |
| Nordea Fennia Fund                         | 258,421    | 3.954   | 1.1%  |
| Ten largest                                | 13,210,237 | 202.117 | 58%   |
| Residual                                   | 9,409,898  | 143.971 | 42%   |
| Total                                      | 22,620,135 | 346.088 | 100%  |

**EARNINGS CALENDAR**

|                   |                 |
|-------------------|-----------------|
| February 14, 2020 | FY 2019 Results |
| May 08, 2020      | Q1 report       |
| 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, %                | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$        |                           |   |

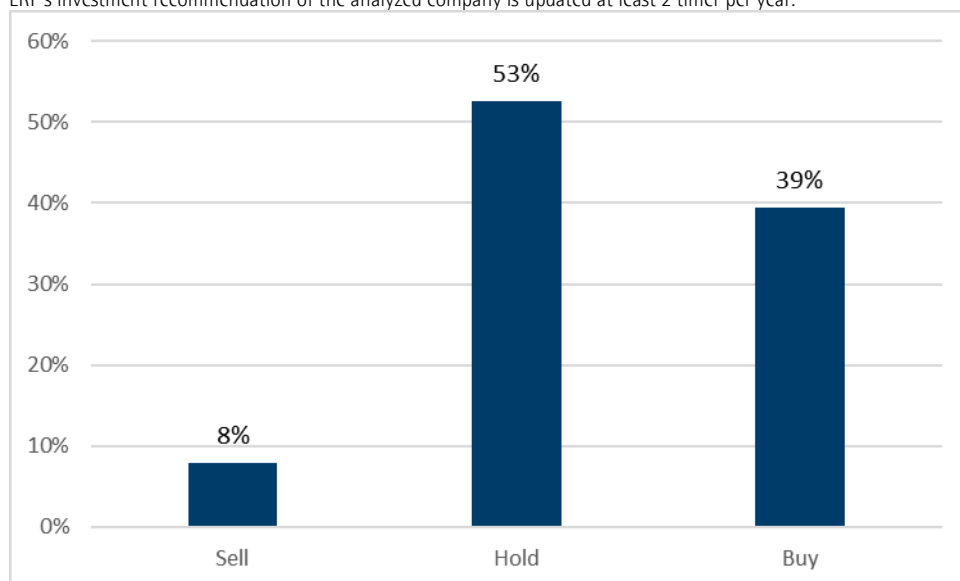
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Investment recommendations are defined as follows:

| 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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