

Towards profitability improvement

Pihlajalinna will report its Q3 earnings on next week's Tuesday, 5th of November. Our interest is on how the execution of the efficiency improvement program is going and what are the impacts for Q3. We have increased our revenue and earnings estimates by 1–2%, resulting from the cooperation agreement with Pohjola Insurance. We keep our rating "BUY" with TP of EUR 12 ahead of Q3.

Changes in service network

Pihlajalinna has faced efficiency problems especially with the new clinics which has impacted negatively on the company's profitability. In order to improve profitability, the company launched an efficiency improvement program in H1 that aims to achieve annual cost savings of EUR 17m. The planned cost savings are expected to be realized during 2020. As a result of the efficiency improvement program the company informed that it will merge units but closures of some of the loss-making clinics are also possible. We have already seen some actions taken during Q3 as the company has announced changes (mergers and unit closures) to its service network at least in Eastern and Southwest Finland.

Cooperation agreement with Pohjola Insurance

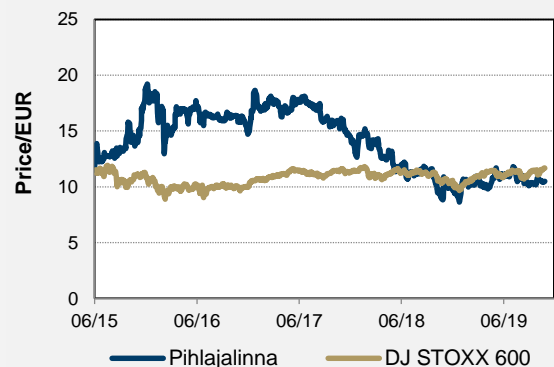
Pihlajalinna and Pohjola Insurance signed a cooperation agreement in early September which is a continuation to the successful pilot project that took place during the summer. The company estimates that the turnover from the contract could be some EUR 5–10m per annum, which means 1–2% increase in revenue. As a result of the agreement we have increased our revenue and earnings estimates by 1–2% for 2020E–2021E.

We retain "BUY" with TP of EUR 12

We expect Q3'19E revenue to grow by 5.8% to EUR 123m (cons. of EUR 122m) driven by new clinics and fitness centers. We expect adj. EBIT of EUR 6.8m (cons. of EUR 5.4m) resulting in EBIT margin of 5.6%. We expect profitability to improve from last year as some of the costs savings are expected to be shown already in Q3'19. We keep our rating "BUY" with TP of EUR 12.

Rating

BUY



Share price, EUR (Last trading day's closing price) 10.50

Target price, EUR 12.0

Latest change in rating 02-Nov-18

Latest report on company 16-Aug-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 PHLIS.HE

Bloomberg code PHLIS FH

Average daily volume, EURm na.

Next interim report 05-Nov-19

 Web site <http://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
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	21.5	0.8	21.2	0.9	0.16
2020E	533.6	34.0	6.4%	12.3	0.94	11.2	0.8	12.5	5.2	0.31
2021E	546.9	36.6	6.7%	24.7	1.03	10.2	0.7	11.1	10.4	0.34
Market cap, EURm		238	Gearing 2019E, %			129.8	CAGR EPS 2018-21, %			71.8
Net debt 2019E, EURm		181	Price/book 2019E			1.8	CAGR sales 2018-21, %			3.9
Enterprise value, EURm		435	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.

Estimates

Net sales	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018E	Q1'19	Q2'19	Q3'19E	Q4'19E	2019E	2020E
Corporate Customers	82.6	26.2	25.3	22.8	29.4	103.7	31.6	30.3	27.2	33.1	122.1	131.7
of which insurance companies	26.6	6.6	6.6	5.3	6.7	25.2	7.1	6.7	7.3	7.9	29.0	36.8
of which other corporates	56.0	19.6	18.7	17.5	22.7	78.5	24.5	23.6	19.9	25.2	93.1	95.0
Private Customers	67.9	22.2	24.3	21.0	24.6	92.1	26.5	25.6	22.0	25.4	99.5	99.5
Public sector customers	330.5	85.1	90.3	85.7	88.6	349.7	89.3	89.6	87.5	90.3	356.6	363.8
Total	424.0	119.3	125.3	116.3	126.9	487.8	132.5	129.7	123.0	132.7	518.0	533.6
Net sales growth												
Corporate Customers	-	17.0%	21.1%	25.3%	39.3%	25.5%	20.6%	19.6%	19.1%	12.4%	17.7%	7.9%
Private Customers	-	16.8%	35.0%	54.4%	42.2%	35.6%	19.4%	5.1%	4.9%	3.2%	8.0%	0.0%
Public sector customers	-	2.5%	9.9%	6.1%	4.9%	5.8%	4.9%	-0.8%	2.1%	1.9%	2.0%	2.0%
Total	6.2%	8.5%	17.5%	17.0%	17.5%	15.0%	11.1%	3.5%	5.8%	4.6%	6.2%	3.0%
Adj. EBITDA (group)	34.0	6.9	10.2	14.2	14.6	45.9	12.6	10.8	15.7	16.6	55.7	66.2
Adj. EBITDA-margin (group)	8.0%	5.8%	8.1%	12.2%	11.5%	9.4%	9.5%	8.3%	12.8%	12.5%	10.8%	12.4%

Source: Pihlajalinna, Evli Research

Valuation

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	6822	10,6x	8,4x	7,5x	23,0x	17,1x	14,6x	14,8x	12,8x	10,9x
Attendo AB	ATT-SE	7838	11,3x	10,3x	9,3x	32,0x	28,5x	23,2x	55,1x	36,3x	23,6x
CareTech Holdings PLC	CTH-GB	428	10,1x	8,8x	7,9x	12,2x	10,4x	9,4x	11,1x	9,2x	8,0x
Fresenius SE & Co. KGaA	FRE-DE	25307	6,6x	6,0x	5,5x	9,6x	8,7x	7,9x	13,8x	12,9x	12,0x
Georgia Healthcare Group Plc	GHG-GB	107	7,7x	6,4x	5,2x	10,0x	7,9x	6,4x	19,3x	13,2x	10,2x
GHP Specialty Care AB	GHP-SE	1212	8,5x	7,4x	6,5x	18,4x	14,7x	13,0x	27,3x	22,2x	19,7x
Humana AB	HUM-SE	3114	9,1x	7,8x	7,2x	16,4x	13,6x	12,5x	14,2x	11,3x	10,4x
Korian SA	KORI-FR	3127	12,4x	11,5x	11,4x	18,8x	17,2x	16,9x	23,0x	19,5x	16,7x
LNA Sante SA	LNA-FR	454	11,4x	10,3x	9,2x	15,4x	13,8x	12,6x	19,1x	16,6x	14,6x
Mediclinic International Plc	MDC-GB	2760	8,5x	7,9x	7,4x	13,2x	12,2x	11,2x	14,5x	13,1x	11,5x
Orpea SA	ORP-FR	6845	19,4x	17,9x	16,8x	26,6x	24,6x	23,1x	27,4x	24,3x	21,8x
RHON-KLINIKUM AG	RHK-DE	1257	10,3x	9,9x	9,5x	26,9x	25,3x	23,6x	40,1x	36,9x	34,2x
Spire Healthcare Group PLC	SPI-GB	473	7,4x	6,8x	6,7x	15,4x	13,8x	13,3x	23,2x	18,1x	14,0x
Terveystalo Oy Class A	TTALO-FI	1239	10,9x	9,9x	9,1x	19,7x	17,3x	15,8x	22,7x	19,4x	16,7x
Peer Group Median		4410	10,2x	8,6x	7,7x	17,4x	14,3x	13,1x	21,0x	17,3x	14,3x
Peer Group Average		2009	10,3x	9,2x	8,5x	18,4x	16,1x	14,5x	23,3x	19,0x	16,0x
Pihlajalinna (Evli est.)		238	7,8x	6,4x	5,7x	21,2x	12,5x	11,1x	21,5x	11,2x	10,2x
<i>Pihlajalinna premium/discount to peer median</i>			<i>-23 %</i>	<i>-25 %</i>	<i>-26 %</i>	<i>22 %</i>	<i>-13 %</i>	<i>-16 %</i>	<i>2 %</i>	<i>-35 %</i>	<i>-29 %</i>

Source: Factset, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	119.2	125.3	116.3	127.0	487.8	132.5	129.7	123.0	132.7	518.0	533.6	546.9
EBITDA	6.9	10.1	13.8	15.1	45.9	12.5	10.8	15.7	16.6	55.7	66.2	70.9
<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>12.8</i>	<i>12.5</i>	<i>10.7</i>	<i>12.4</i>	<i>13.0</i>
EBIT	-0.1	2.0	5.6	6.9	14.4	3.9	2.1	6.8	7.7	20.5	34.0	36.6
<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>5.6</i>	<i>5.8</i>	<i>4.0</i>	<i>6.4</i>	<i>6.7</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	5.8	6.7	16.5	29.0	31.6
Tax	0.0	-0.3	-1.1	-1.3	-2.7	-0.7	-0.3	-1.2	-1.3	-3.5	-5.8	-6.3
<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>20.0</i>	<i>20.0</i>	<i>21.3</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	4.4	5.0	11.1	21.2	23.3
EPS	-0.08	0.04	0.08	0.15	0.20	0.08	-0.01	0.19	0.22	0.49	0.94	1.03
EPS adjusted (diluted no. of shares)	-0.08	0.04	0.08	0.15	0.20	0.08	-0.01	0.19	0.22	0.49	0.94	1.03
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.16	0.31	0.34
SALES, EURm												
Corporate Customers	27.7	23.8	24.8	29.4	105.7	31.6	30.3	27.2	33.1	122.1	131.7	135.0
Private Customers	22.2	24.3	20.9	24.6	92.0	26.5	25.6	22.0	25.4	99.5	99.5	101.9
Public sector customers	83.5	91.9	83.7	88.6	347.7	89.3	89.6	87.5	90.3	356.6	363.8	372.9
Eliminations	-14.2	-14.7	-13.1	-15.6	-57.6	-14.9	-15.7	-13.6	-16.0	-60.2	-61.4	-62.9
Total	119.2	125.3	116.3	127.0	487.8	132.5	129.7	123.0	132.7	518.0	533.6	546.9
SALES GROWTH, Y/Y %												
<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>9.5</i>	<i>12.4</i>	<i>15.5</i>	<i>7.9</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>5.4</i>	<i>3.2</i>	<i>8.1</i>	<i>0.0</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>4.5</i>	<i>1.9</i>	<i>2.6</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>3.8</i>	<i>2.7</i>	<i>4.5</i>	<i>2.0</i>	<i>2.5</i>
Total	8.4	17.5	17.0	17.6	15.0	11.2	3.5	5.8	4.5	6.2	3.0	2.5
EBIT, EURm												
Group	-0.1	2.0	5.6	6.9	14.4	3.9	2.1	6.8	7.7	20.5	34.0	36.6
Total	-0.1	2.0	5.6	6.9	14.4	3.9	2.1	6.8	7.7	20.5	34.0	36.6
EBIT margin, %												
<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>5.6</i>	<i>5.8</i>	<i>4.0</i>	<i>6.4</i>	<i>6.7</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	148.9	213.4	399.1	424.0	487.8	518.0	533.6	546.9
<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>6.2</i>	<i>3.0</i>	<i>2.5</i>
EBITDA	13.8	12.7	29.4	34.3	45.9	55.7	66.2	70.9
<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>10.7</i>	<i>12.4</i>	<i>13.0</i>
Depreciation	-5.8	-8.0	-12.8	-14.2	-31.5	-20.4	-19.0	-20.4
EBITA	8.0	4.7	16.6	20.1	14.4	20.5	34.0	36.6
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	20.5	34.0	36.6
<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>4.0</i>	<i>6.4</i>	<i>6.7</i>
Reported EBIT	5.9	3.9	15.1	19.2	13.8	20.5	34.0	36.6
<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>4.0</i>	<i>6.4</i>	<i>6.7</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	16.5	29.0	31.6
Taxes	-1.0	-0.1	-3.0	-3.4	-2.7	-3.5	-5.8	-6.3
Minority shares	-0.4	-0.8	-2.7	-4.6	-3.3	-1.9	-2.0	-2.0
Net profit	1.4	0.7	8.2	9.8	4.0	11.1	21.2	23.3
Cash NRIs	-2.1	-0.8	-1.5	-0.9	-0.6	0.0	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	47	69	67	83	68	79	83	80
Goodwill	56	76	92	104	170	170	170	170
Right of use assets	0	0	0	0	116	117	123	126
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	37	38
Total assets	131	185	218	254	437	441	454	455
Liabilities								
Shareholder's equity	9	92	98	100	121	130	148	164
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	117	123	126
Deferred taxes	4	5	6	6	6	6	6	6
Interest bearing debt	88	42	52	77	99	100	87	67
Non-interest bearing current liabilities	27	42	55	62	80	75	77	79
Other interest-free debt	1	3	3	3	3	3	3	3
Total liabilities	131	185	217	254	437	441	454	455
CASH FLOW, EURm								
+ EBITDA	14	13	29	34	46	56	66	71
- Net financial items	-3	-2	-1	-1	-4	-4	-5	-5
- Taxes	-1	0	-2	-4	-4	-4	-6	-6
- Increase in Net Working Capital	4	9	7	8	3	3	1	1
+/- Other	-2	-2	-4	-5	-4	-2	-2	-2
= Cash flow from operations	11	18	29	32	38	49	55	59
- Capex	-28	-48	-27	-41	-6	-47	-42	-34
- Acquisitions	0	0	0	0	-79	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-17	-30	2	-9	-48	2	12	25
+/- New issues/buybacks	-29	82	-1	-2	24	0	0	0
- Paid dividend	0	0	0	-3	-3	-2	-4	-7
+/- Other	46	-48	11	24	27	0	-8	-17
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	238	238	238
Net debt (excl. convertibles)	27	25	40	181	181	172	154
Enterprise value	286	416	325	391	435	425	405
Sales	213	399	424	488	518	534	547
EBITDA	13	29	34	46	56	66	71
EBIT	5	17	20	14	20	34	37
Pre-tax	2	15	19	11	16	29	32
Earnings	2	10	11	5	11	21	23
Equity book value (excl. minorities)	92	98	100	121	130	148	164
Valuation multiples							
EV/sales	1.3	1.0	0.8	0.8	0.8	0.8	0.7
EV/EBITDA	22.5	14.2	9.5	8.5	7.8	6.4	5.7
EV/EBITA	60.8	25.1	16.2	27.1	21.2	12.5	11.1
EV/EBIT	60.8	25.1	16.2	27.1	21.2	12.5	11.1
EV/OCF	16.3	14.5	10.2	10.4	8.9	7.8	6.9
EV/FCFF	-11.0	69.1	-80.9	-9.2	19.4	11.3	8.5
P/FCFE	-8.5	237.3	-28.9	-4.1	113.9	19.3	9.6
P/E	170.5	39.1	25.7	42.4	21.5	11.2	10.2
P/B	2.8	3.9	2.7	1.6	1.8	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.3	6.8	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	22.5	13.3	11.9
Target EV/FCF	0.0	0.0	0.0	0.0	221.3	36.8	17.6
Target P/B	0.0	0.0	0.0	0.0	2.1	1.8	1.7
Target P/E	0.0	0.0	0.0	0.0	24.5	12.8	11.6
Per share measures							
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	0.49	0.94	1.03
Operating cash flow per share	0.85	1.39	1.54	1.66	2.16	2.42	2.59
Free cash flow per share	-1.46	0.08	-0.46	-2.12	0.09	0.54	1.09
Book value per share	4.47	4.74	4.87	5.36	5.75	6.53	7.25
Dividend per share	0.00	0.15	0.16	0.10	0.16	0.31	0.34
Dividend payout ratio, %	0.0	31.9	30.8	49.2	33.0	33.0	33.0
Dividend yield, %	0.0	0.8	1.2	1.2	1.5	3.0	3.2
FCF yield, %	-11.8	0.4	-3.5	-24.6	0.9	5.2	10.4
Efficiency measures							
ROE	3.0	10.2	10.8	4.2	8.8	15.3	15.0
ROCE	4.0	11.7	12.2	5.4	5.8	9.4	10.0
Financial ratios							
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	6.8	9.7	1.3	9.0	7.9	6.2
CAPEX/sales (incl. acquisitions), %	22.3	6.8	9.7	-15.0	9.0	7.9	6.2
FCFF/EBITDA	-2.0	0.2	-0.1	-0.9	0.4	0.6	0.7
Net debt/EBITDA, book-weighted	2.1	0.8	1.2	3.9	3.2	2.6	2.2
Debt/equity, market-weighted	0.2	0.1	0.3	0.5	0.4	0.4	0.3
Equity ratio, book-weighted	50.5	46.4	41.8	29.8	31.6	34.6	38.1
Gearing, %	28.4	24.3	37.3	138.7	129.8	109.7	89.1

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lähitapiola Keskinäinen Vakuutusyhtiö	3,481,641	36.557	15.4%
Mww Yhtiö Oy	2,309,010	24.245	10.2%
Fennia Mutual Insurance Company	1,998,965	20.989	8.8%
Tapiola Keskinäinen Henkivakuutusyhtiö	1,891,385	19.860	8.4%
Elo Pension Company	1,267,161	13.305	5.6%
Niemistö Leena Katriina	703,475	7.386	3.1%
Fondita Nordic Micro Cap	540,000	5.670	2.4%
Ilmarinen Mutual Pension Insurance Company	490,000	5.145	2.2%
Fennia Life Insurance Company Ltd	270,179	2.837	1.2%
Nordea Fennia Fund	258,421	2.713	1.1%
Ten largest	13,210,237	138.707	58%
Residual	9,409,898	98.804	42%
Total	22,620,135	237.511	100%

EARNINGS CALENDAR	
November 05, 2019	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Joni Aaltonen	Kehräsaari B, 33200 Tampere
CFO: Tarja Rantala	
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.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. 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 [30.10.2019, 8:45]. This report has been published on [30.10.2019, 9:20].

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