

## Expecting slight revenue growth in Q3

Pihlajalinna reports its Q3 result on next Wednesday, 4<sup>th</sup> of November. As the coronavirus situation is prolonging, we have slightly cut our estimates. We keep our rating "HOLD" with TP of EUR 9.5 (11.0) ahead of the result.

### Expecting revenue growth of 1.8% y/y in Q3E

The coronavirus situation eased in the beginning of the summer but in the late summer the infection waves started to increase again, and the situation has gotten worse during the autumn. Therefore, we have slightly cut our estimates. We expect that the pent-up demand has continued to release during Q3 but on the other hand people have spent more time at home and in summer houses which might have an impact on demand. We expect Q3E revenue to grow by 1.8% y/y to EUR 125.0m (prev. estimate of EUR 127.5m) and adj. EBIT of EUR 8.4m (prev. estimate of EUR 9.9m).

### Returned to see Pihlajalinna as an independent company

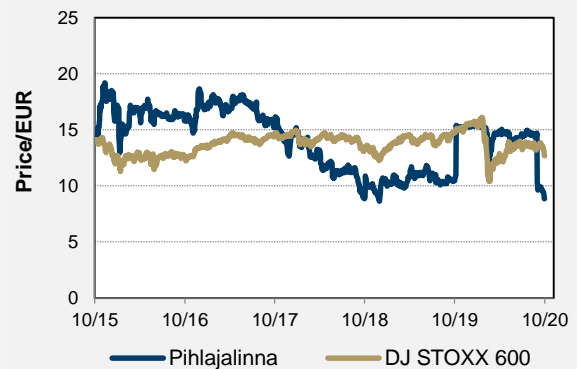
The Finnish Competition and Consumer Authority (FCCA) has proposed the market court to prohibit the merger between Mehiläinen and Pihlajalinna. According to the FCCA, the merger would significantly impede effective competition in the Finnish health services market as there would be only two nationwide healthcare companies (Mehiläinen and Terveystalo) in the market post-merger. Thus, we see that the likelihood of the acquisition being completed has decreased significantly and therefore we have returned to see Pihlajalinna as an independent service provider also in the future. We also note that the political uncertainties in Finland have increased.

### "HOLD" with TP of EUR 9.5 (11.0)

We have cut our 20E-21E revenue expectation by ~1% and our adj. EBIT expectation by ~10-11%. We expect 20E revenue to decline by 1.2% y/y (EUR 512m) and adj. EBIT of EUR 19.8m. On our estimates, the company trades at 20E-21E EV/EBIT multiple of 20.3x and 13.2x, which translates into 1-20% discount compared to the peers. We keep our rating "HOLD" with TP of EUR 9.5 (11.0) ahead of the Q3 result.

## Rating

HOLD



Share price, EUR (Last trading day's closing price) **8.86**

Target price, EUR **9.5**

Latest change in rating 11-May-20

Latest report on company 01-Oct-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 200

Free float, % 79.0

Exchange rate -

Reuters code PIHLIS.HE

Bloomberg code PIHLIS FH

Average daily volume, EURm na.

Next interim report 04-Nov-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 |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 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                    | 512.3         | 19.8         | 3.9%                    | 0.4         | 0.41       | 21.8       | 0.8                   | 20.3           | 0.2            | 0.13       |
| 2021E                    | 552.5         | 29.5         | 5.3%                    | 14.2        | 0.75       | 11.9       | 0.7                   | 13.2           | 7.1            | 0.25       |
| 2022E                    | 569.1         | 37.0         | 6.5%                    | 22.1        | 1.04       | 8.5        | 0.7                   | 10.1           | 11.0           | 0.34       |
| Market cap, EURm         |               | 200          | Gearing 2020E, %        |             |            | 169.3      | CAGR EPS 2019-22, %   |                |                | 30.2       |
| Net debt 2020E, EURm     |               | 194          | Price/book 2020E        |             |            | 1.8        | CAGR sales 2019-22, % |                |                | 3.1        |
| Enterprise value, EURm   |               | 403          | Dividend yield 2020E, % |             |            | 1.5        | ROE 2020E, %          |                |                | 8.7        |
| Total assets 2020E, EURm |               | 427          | Tax rate 2020E, %       |             |            | 20.1       | ROCE 2020E, %         |                |                | 5.9        |
| Goodwill 2020E, EURm     |               | 174          | Equity ratio 2020E, %   |             |            | 26.8       | PEG, P/E 20/CAGR      |                |                | 0.8        |

## Estimates

|                                   | 2017         | 2018         | Q1'19        | Q2'19        | Q3'19        | Q4'19        | 2019         | Q1'20        | Q2'20         | Q3'20E       | Q4'20E       | 2020E        |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| <b>Net sales</b>                  |              |              |              |              |              |              |              |              |               |              |              |              |
| Corporate Customers               | 82.6         | 103.7        | 31.6         | 30.3         | 27.0         | 32.8         | 121.7        | 32.9         | 27.8          | 28.5         | 34.7         | 123.9        |
| of which insurance companies      | 26.6         | 25.2         | 7.1          | 6.7          | 5.9          | 7.9          | 27.6         | 8.3          | 6.6           | 7.2          | 9.3          | 31.4         |
| of which other corporates         | 56.0         | 78.5         | 24.5         | 23.6         | 21.1         | 24.9         | 94.1         | 24.6         | 21.2          | 21.3         | 25.4         | 92.5         |
| 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          | 90.6         | 93.7         | 365.1        |
| <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>114.7</b>  | <b>125.0</b> | <b>139.7</b> | <b>512.3</b> |
| <b>Net sales growth</b>           |              |              |              |              |              |              |              |              |               |              |              |              |
| Corporate Customers               | -            | 25.5%        | 20.6%        | 19.6%        | 18.4%        | 11.6%        | 17.3%        | 4.1%         | -8.1%         | 5.6%         | 5.8%         | 1.9%         |
| 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%         | 0.7%         | 2.0%         | 1.2%         |
| <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>-11.6%</b> | <b>1.8%</b>  | <b>4.4%</b>  | <b>-1.2%</b> |
| <b>Adj. EBITDA (group)</b>        | 34.0         | 45.9         | 12.6         | 10.8         | 17.4         | 14.4         | 55.2         | 12.7         | 9.0           | 17.3         | 15.4         | 54.3         |
| <b>Adj. EBITDA-margin (group)</b> | 8.0%         | 9.4%         | 9.5%         | 8.3%         | 14.2%        | 10.8%        | 10.6%        | 9.5%         | 7.8%          | 13.8%        | 11.0%        | 10.6%        |

Source: Pihlajalinna, Evli Research

## Valuation

| PIHLAJALINNA PEER GROUP                             | Security identifier | MCAP<br>Local FX | EV/EBITDA    |              |              | EV/EBIT      |              |              | P/E          |              |              |
|---|---------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   |                     |                  | 20           | 21           | 22           | 20           | 21           | 22           | 20           | 21           | 22           |
| Ambea AB  | AMBEA-SE            | 4618             | 7.9x         | 6.9x         | 6.2x         | 17.0x        | 14.3x        | 12.2x        | 10.8x        | 9.0x         | 7.9x         |
| Attendo AB  | ATT-SE              | 6478             | 9.3x         | 8.2x         | 7.2x         |              | 21.7x        | 17.4x        | 71.9x        | 23.8x        | 15.3x        |
| CareTech Holdings PLC                               | CTH-GB              | 516              | 9.4x         | 8.4x         | 7.6x         | 11.6x        | 10.2x        | 9.1x         | 11.1x        | 9.5x         | 8.5x         |
| Fresenius SE & Co. KGaA                             | FRE-DE              | 17409            | 5.6x         | 5.0x         | 4.5x         | 8.7x         | 7.7x         | 6.9x         | 9.8x         | 8.7x         | 8.1x         |
| Georgia Healthcare Group Plc                        | GHG-GB              |                  |              |              |              |              |              |              |              |              |              |
| GHP Specialty Care AB                               | GHP-SE              | 1405             | 7.8x         | 8.0x         | 7.4x         | 15.1x        | 16.4x        | 15.1x        | 21.3x        | 24.1x        | 22.2x        |
| Humana AB   | HUM-SE              | 2848             | 7.8x         | 7.1x         | 6.5x         | 14.2x        | 12.4x        | 11.2x        | 11.9x        | 10.0x        | 8.9x         |
| Korian SA   | KORI-FR             | 2560             | 9.4x         | 7.8x         | 7.1x         | 26.0x        | 19.0x        | 17.2x        | 36.5x        | 16.9x        | 13.4x        |
| LNA Sante SA  | LNA-FR              | 426              | 10.2x        | 9.2x         | 8.9x         | 22.6x        | 18.4x        | 17.4x        | 26.2x        | 16.2x        | 14.4x        |
| Mediclinic International Plc                        | MDC-GB              | 2080             | 10.0x        | 7.8x         | 7.1x         | 20.6x        | 13.3x        | 11.9x        | 23.9x        | 11.7x        | 10.2x        |
| Orpea SA  | ORP-FR              | 5553             | 15.2x        | 13.1x        | 11.7x        | 33.3x        | 26.8x        | 23.6x        | 34.4x        | 22.6x        | 19.8x        |
| RHON-KLINIKUM AG                                    | RHK-DE              | 1102             |              |              |              |              |              |              | 63.3x        | 38.3x        |              |
| Spire Healthcare Group PLC                          | SPI-GB              | 477              | 11.8x        | 8.4x         | 5.4x         | 41.6x        | 16.5x        | 10.3x        |              | 55.7x        | 30.0x        |
| Terveystalo Oy Class A                              | TTALO-FI            | 1241             | 11.3x        | 9.2x         | 8.0x         | 27.8x        | 17.9x        | 14.4x        | 27.2x        | 18.1x        | 15.0x        |
| <b>Peer Group Median</b>                            |                     | <b>3714</b>      | <b>9.4x</b>  | <b>8.1x</b>  | <b>7.2x</b>  | <b>20.6x</b> | <b>16.5x</b> | <b>13.3x</b> | <b>25.0x</b> | <b>16.9x</b> | <b>13.9x</b> |
| <b>Peer Group Average</b>                           |                     | <b>2080</b>      | <b>9.6x</b>  | <b>8.3x</b>  | <b>7.3x</b>  | <b>21.7x</b> | <b>16.2x</b> | <b>13.9x</b> | <b>29.0x</b> | <b>20.4x</b> | <b>14.5x</b> |
| <b>Pihlajalinna (Evli est.)</b>                     |                     | <b>200</b>       | <b>7.4x</b>  | <b>5.9x</b>  | <b>5.1x</b>  | <b>20.3x</b> | <b>13.2x</b> | <b>10.1x</b> | <b>21.8x</b> | <b>11.9x</b> | <b>8.5x</b>  |
| <i>Pihlajalinna premium/discount to peer median</i> |                     |                  | <i>-21 %</i> | <i>-27 %</i> | <i>-29 %</i> | <i>-1 %</i>  | <i>-20 %</i> | <i>-24 %</i> | <i>-13 %</i> | <i>-30 %</i> | <i>-39 %</i> |

## 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        | 125.0        | 139.7        | 512.3        | 552.5        | 569.1        |
| EBITDA                               | 12.5         | 10.9         | 17.4         | 14.3         | 55.1         | 12.7         | 9.0          | 17.3         | 15.4         | 54.3         | 66.3         | 73.2         |
| <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>13.8</i>  | <i>11.0</i>  | <i>10.6</i>  | <i>12.0</i>  | <i>12.9</i>  |
| EBIT                                 | 3.9          | 2.1          | 9.3          | 5.6          | 20.9         | 4.2          | 0.6          | 8.4          | 6.6          | 19.8         | 29.5         | 37.0         |
| <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>6.8</i>   | <i>4.7</i>   | <i>3.9</i>   | <i>5.3</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         | 7.1          | 5.3          | 14.9         | 24.5         | 33.0         |
| Tax                                  | -0.7         | -0.3         | -0.3         | -0.6         | -1.9         | -0.6         | 0.1          | -1.4         | -1.1         | -3.0         | -4.9         | -6.6         |
| <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          | 4.5          | 2.6          | 9.2          | 16.8         | 23.6         |
| EPS                                  | 0.08         | 0.00         | 0.29         | 0.11         | 0.47         | 0.09         | 0.00         | 0.20         | 0.11         | 0.41         | 0.75         | 1.04         |
| EPS adjusted (diluted no. of shares) | 0.08         | 0.00         | 0.29         | 0.11         | 0.47         | 0.09         | 0.00         | 0.20         | 0.11         | 0.41         | 0.75         | 1.04         |
| Dividend per share                   | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.13         | 0.25         | 0.34         |
| <b>SALES, EURm</b>                   |              |              |              |              |              |              |              |              |              |              |              |              |
| Corporate Customers                  | 31.6         | 30.3         | 27.0         | 32.8         | 121.7        | 32.9         | 27.8         | 28.5         | 34.7         | 123.9        | 141.6        | 145.8        |
| 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         | 90.6         | 93.7         | 365.1        | 378.4        | 389.7        |
| 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        |
| <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>114.7</b> | <b>125.0</b> | <b>139.7</b> | <b>512.3</b> | <b>552.5</b> | <b>569.1</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>-8.1</i>  | <i>5.6</i>   | <i>5.8</i>   | <i>1.9</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>-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>0.7</i>   | <i>2.0</i>   | <i>1.2</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>   |
| <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>-11.6</b> | <b>1.8</b>   | <b>4.4</b>   | <b>-1.2</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          | 0.6          | 8.4          | 6.6          | 19.8         | 29.5         | 37.0         |
| <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>0.6</b>   | <b>8.4</b>   | <b>6.6</b>   | <b>19.8</b>  | <b>29.5</b>  | <b>37.0</b>  |
| <b>EBIT margin, %</b>                |              |              |              |              |              |              |              |              |              |              |              |              |
| <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>6.8</i>   | <i>4.7</i>   | <i>3.9</i>   | <i>5.3</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       | 512.3       | 552.5       | 569.1       |
| <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>-1.2</i> | <i>7.8</i>  | <i>3.0</i>  |
| EBITDA                                   | 12.7        | 29.4        | 34.3       | 45.9        | 55.1        | 54.3        | 66.3        | 73.2        |
| <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>10.6</i> | <i>12.0</i> | <i>12.9</i> |
| Depreciation                             | -8.0        | -12.8       | -14.2      | -31.5       | -34.2       | -34.5       | -36.8       | -36.2       |
| EBITA                                    | 4.7         | 16.6        | 20.1       | 14.4        | 20.9        | 19.8        | 29.5        | 37.0        |
| 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        | 19.8        | 29.5        | 37.0        |
| <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>3.9</i>  | <i>5.3</i>  | <i>6.5</i>  |
| Reported EBIT                            | 3.9         | 15.1        | 19.2       | 13.8        | 10.2        | 18.9        | 29.5        | 37.0        |
| <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>3.7</i>  | <i>5.3</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        | 14.9        | 24.5        | 33.0        |
| Taxes                                    | -0.1        | -3.0        | -3.4       | -2.7        | -1.9        | -3.0        | -4.9        | -6.6        |
| 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         | 8.3         | 16.8        | 23.6        |
| 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         |
| <b>BALANCE SHEET, EURm</b>               |             |             |            |             |             |             |             |             |
| 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         | 108         | 116         | 120         |
| 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         | 427         | 439         | 444         |
| Liabilities                              |             |             |            |             |             |             |             |             |
| Shareholder's equity                     | 92          | 98          | 100        | 121         | 101         | 109         | 123         | 141         |
| 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         | 108         | 116         | 120         |
| Deferred taxes                           | 5           | 6           | 6          | 6           | 6           | 6           | 6           | 6           |
| Interest bearing debt                    | 42          | 52          | 77         | 99          | 107         | 122         | 105         | 86          |
| Non-interest bearing current liabilities | 42          | 55          | 62         | 80          | 102         | 74          | 80          | 83          |
| Other interest-free debt                 | 3           | 3           | 3          | 3           | 2           | 2           | 2           | 2           |
| Total liabilities                        | 185         | 217         | 254        | 437         | 438         | 427         | 439         | 444         |
| <b>CASH FLOW, EURm</b>                   |             |             |            |             |             |             |             |             |
| + EBITDA                                 | 13          | 29          | 34         | 46          | 55          | 54          | 66          | 73          |
| - Net financial items                    | -2          | -1          | -1         | -4          | -4          | -5          | -5          | -4          |
| - Taxes                                  | 0           | -2          | -5         | -5          | -4          | -3          | -5          | -7          |
| - Increase in Net Working Capital        | 9           | 8           | 7          | 2           | 14          | -13         | 3           | 1           |
| +/- Other                                | -2          | -1          | 0          | -11         | -15         | -4          | -3          | -3          |
| = Cash flow from operations              | 18          | 32          | 35         | 27          | 46          | 30          | 57          | 61          |
| - Capex                                  | -48         | -5          | -10        | -23         | -36         | -30         | -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          | 0           | 14          | 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           | 8           | -8          | -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    | 200     | 200    | 200    |
| Net debt (excl. convertibles)                  | 25     | 40     | 181    | 194    | 194     | 183    | 166    |
| Enterprise value                               | 416    | 325    | 391    | 557    | 403     | 391    | 373    |
| Sales  | 399    | 424    | 488    | 519    | 512     | 552    | 569    |
| EBITDA   | 29     | 34     | 46     | 55     | 54      | 66     | 73     |
| EBIT   | 17     | 20     | 14     | 21     | 20      | 29     | 37     |
| Pre-tax  | 15     | 19     | 11     | 17     | 15      | 24     | 33     |
| Earnings                                       | 10     | 11     | 5      | 11     | 9       | 17     | 24     |
| Equity book value (excl. minorities)           | 98     | 100    | 121    | 101    | 109     | 123    | 141    |
| <b>Valuation multiples</b>                     |        |        |        |        |         |        |        |
| EV/sales                                       | 1.0    | 0.8    | 0.8    | 1.1    | 0.8     | 0.7    | 0.7    |
| EV/EBITDA                                      | 14.2   | 9.5    | 8.5    | 10.1   | 7.4     | 5.9    | 5.1    |
| EV/EBITA                                       | 25.1   | 16.2   | 27.1   | 26.6   | 20.3    | 13.2   | 10.1   |
| EV/EBIT  | 25.1   | 16.2   | 27.1   | 26.6   | 20.3    | 13.2   | 10.1   |
| EV/OCF   | 12.9   | 9.3    | 14.3   | 12.1   | 13.3    | 6.9    | 6.1    |
| EV/FCFF  | 66.9   | 19.3   | -11.7  | 20.3   | 18.4    | 8.4    | 7.4    |
| P/FCFE   | 67.8   | 35.7   | -2.6   | 36.0   | 491.9   | 14.1   | 9.1    |
| P/E  | 39.1   | 25.7   | 42.4   | 32.3   | 21.8    | 11.9   | 8.5    |
| P/B  | 3.9    | 2.7    | 1.6    | 3.4    | 1.8     | 1.6    | 1.4    |
| Target EV/EBITDA                               | 0.0    | 0.0    | 0.0    | 0.0    | 7.6     | 6.1    | 5.3    |
| Target EV/EBIT                                 | 0.0    | 0.0    | 0.0    | 0.0    | 20.9    | 13.6   | 10.4   |
| Target EV/FCF                                  | 0.0    | 0.0    | 0.0    | 0.0    | 1,016.1 | 28.3   | 17.5   |
| Target P/B                                     | 0.0    | 0.0    | 0.0    | 0.0    | 2.0     | 1.7    | 1.5    |
| Target P/E                                     | 0.0    | 0.0    | 0.0    | 0.0    | 23.4    | 12.7   | 9.1    |
| <b>Per share measures</b>                      |        |        |        |        |         |        |        |
| 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   | 0.41    | 0.75   | 1.04   |
| Operating cash flow per share                  | 1.57   | 1.69   | 1.21   | 2.03   | 1.34    | 2.52   | 2.71   |
| Free cash flow per share                       | 0.27   | 0.37   | -3.29  | 0.42   | 0.02    | 0.63   | 0.98   |
| Book value per share                           | 4.74   | 4.87   | 5.36   | 4.47   | 4.85    | 5.46   | 6.26   |
| Dividend per share                             | 0.15   | 0.16   | 0.10   | 0.00   | 0.13    | 0.25   | 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    | 1.5     | 2.8    | 3.9    |
| FCF yield, %                                   | 1.5    | 2.8    | -38.2  | 2.8    | 0.2     | 7.1    | 11.0   |
| <b>Efficiency measures</b>                     |        |        |        |        |         |        |        |
| ROE  | 10.2   | 10.8   | 4.2    | 9.6    | 8.7     | 14.5   | 17.8   |
| ROCE   | 11.7   | 12.2   | 5.4    | 6.2    | 5.9     | 8.5    | 10.5   |
| <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    | 5.8     | 7.7    | 6.9    |
| CAPEX/sales (incl. acquisitions), %            | -4.1   | -1.6   | -11.6  | 7.0    | 5.8     | 7.7    | 6.9    |
| 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    | 3.6     | 2.8    | 2.3    |
| Debt/equity, market-weighted                   | 0.1    | 0.3    | 0.5    | 0.3    | 0.6     | 0.5    | 0.4    |
| Equity ratio, book-weighted                    | 46.4   | 41.8   | 29.8   | 24.2   | 26.8    | 29.2   | 33.0   |
| Gearing, %                                     | 24.3   | 37.3   | 138.7  | 182.9  | 169.3   | 142.4  | 113.5  |

**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  | 30.847  | 15.4% |
| Mww Yhtiö Oy                               | 2,309,010  | 20.458  | 10.2% |
| Fennia Mutual Insurance Company            | 1,998,965  | 17.711  | 8.9%  |
| Tapiola Keskinäinen Henkivakuutusyhtiö     | 1,891,385  | 16.758  | 8.4%  |
| Elo Pension Company                        | 1,267,161  | 11.227  | 5.6%  |
| Niemistö Leena Katriina                    | 703,475    | 6.233   | 3.1%  |
| Ilmarinen Mutual Pension Insurance Company | 490,000    | 4.341   | 2.2%  |
| Fondita Nordic Micro Cap                   | 470,000    | 4.164   | 2.1%  |
| Fennia Life Insurance Company Ltd          | 266,128    | 2.358   | 1.2%  |
| Sijoitusrahasto Taaleritehdas Mikro Markka | 260,000    | 2.304   | 1.2%  |
| Ten largest                                | 13,137,765 | 116.401 | 58%   |
| Residual                                   | 9,434,971  | 83.594  | 42%   |
| Total                                      | 22,572,736 | 199.994 | 100%  |

#### EARNINGS CALENDAR

November 04, 2020

Q3 report

#### COMPANY MISCELLANEOUS

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

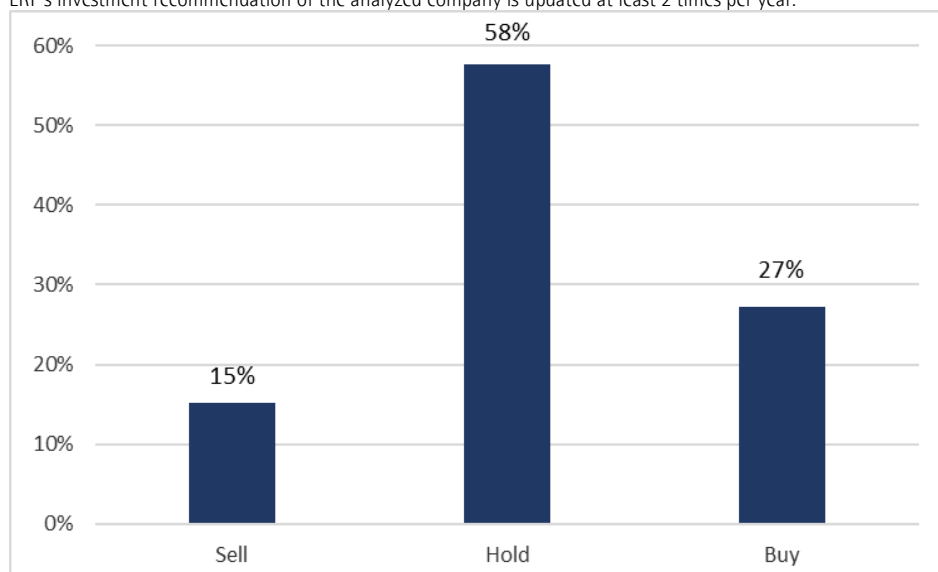
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Investment recommendations are defined as follows:

| 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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