MEDICAL CENTER FOR ALL OF FINLAND

PIHLAJALINNA Q3/2023

CEO Tuomas Hyyryläinen
CFO Tarja Rantala

3 November 2023

Q3/2023

- Organic revenue growth strong (+8.7%)
- Profitability and financial position strengthened as planned despite retrospective costs of demanding spesialised care
- Number of practitioners increasing
- Insurance company collaboration is growing – a new three-year agreement with Fennia
- Pihlajalinna specifieds the outlook for 2023

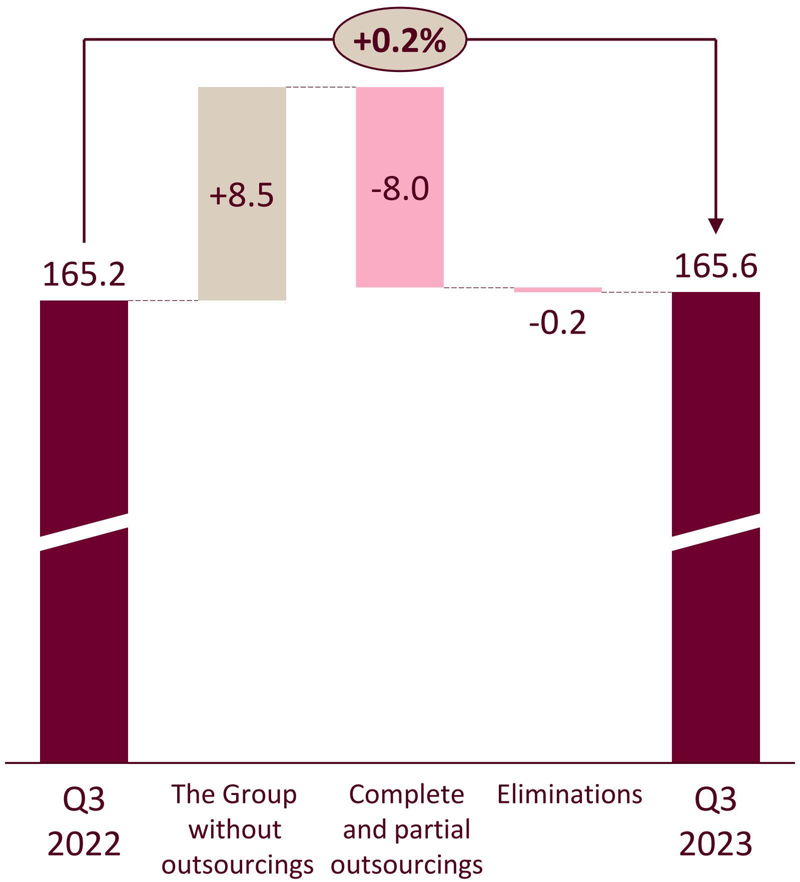
GROWTH OF REVENUE CONTINUED, PROFITABILITY AND FINANCIAL POSITION IMPROVED AS PLANNED

Q3/2023 Key figures, MEUR

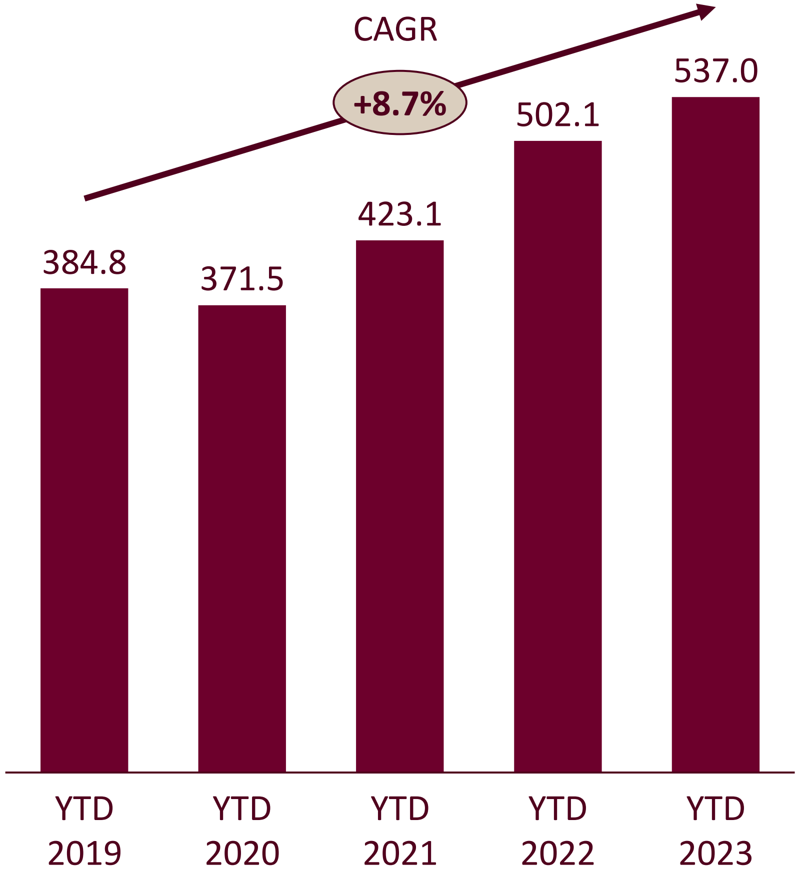
	Q3 2023	Q3 2022	change-%	1-9/2023	1-9/2022	change-%
REVENUE	165.6	165.2	0.2	537.0	502.1	7.0
EBITDA	20.1	18.1	11.2	60.8	42.9	41.7
Adjusted EBITDA	20.5	18.9	8.7	59.9	52.2	14.8
Adjusted EBITA	9.6	9.4	2.2	27.9	24.4	14.1
Earnings per share (EPS), EUR	0.13	0.14	-7.7	0.44	0.45	-2.7
Cash flow from operating activities	6.6	6.7	-0.8	52.9	42.4	24.6
Interest-bearing financial liabilities excluding IFRS 16				155.3	182.2	-14.8
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16				3.5x	4.0x	-12.2
Practitioners at the end of the period				2,202	1,891	16.4

SERVICE DEMAND CONTINUED STRONG – ORGANIC* GROWTH OF REVENUE 8.7%

Revenue change Q3
MEUR



Revenue development January-September (YTD)
MEUR

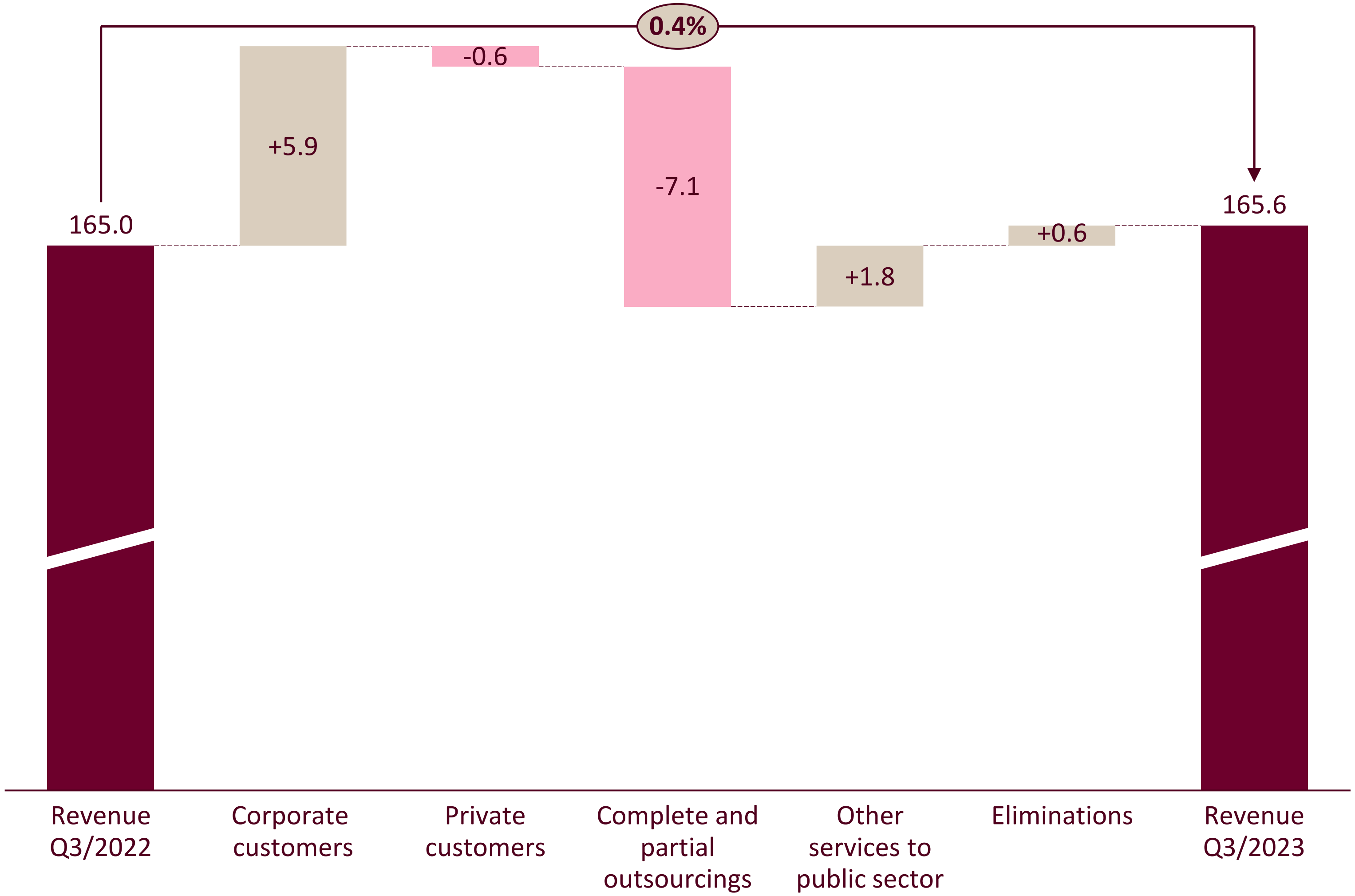


- The revenue of private clinics increased especially in insurance company clients and occupational healthcare services
- The divestment of dental care services and reduction in COVID-19 services and in the cost liability of demanding specialised care decreased consolidated revenue by MEUR 16.1

* Without COVID-19 services and the decrease in the cost liability of demanding specialised care

SALES TO INSURANCE COMPANIES ARE GROWING – THE TRANSFER OF COST LIABILITY FOR DEMANDING SPECIALISED CARE DECREASED REVENUE

Revenue by customer groups Q3/2023, MEUR



CORPORATE CUSTOMERS, 32% OF TOTAL REVENUE

- Revenue MEUR 58.7 (52.3)
- Sales to insurance company customers increased by MEUR 6,3
- Organic growth MEUR 5,5

PRIVATE CUSTOMERS, 13%

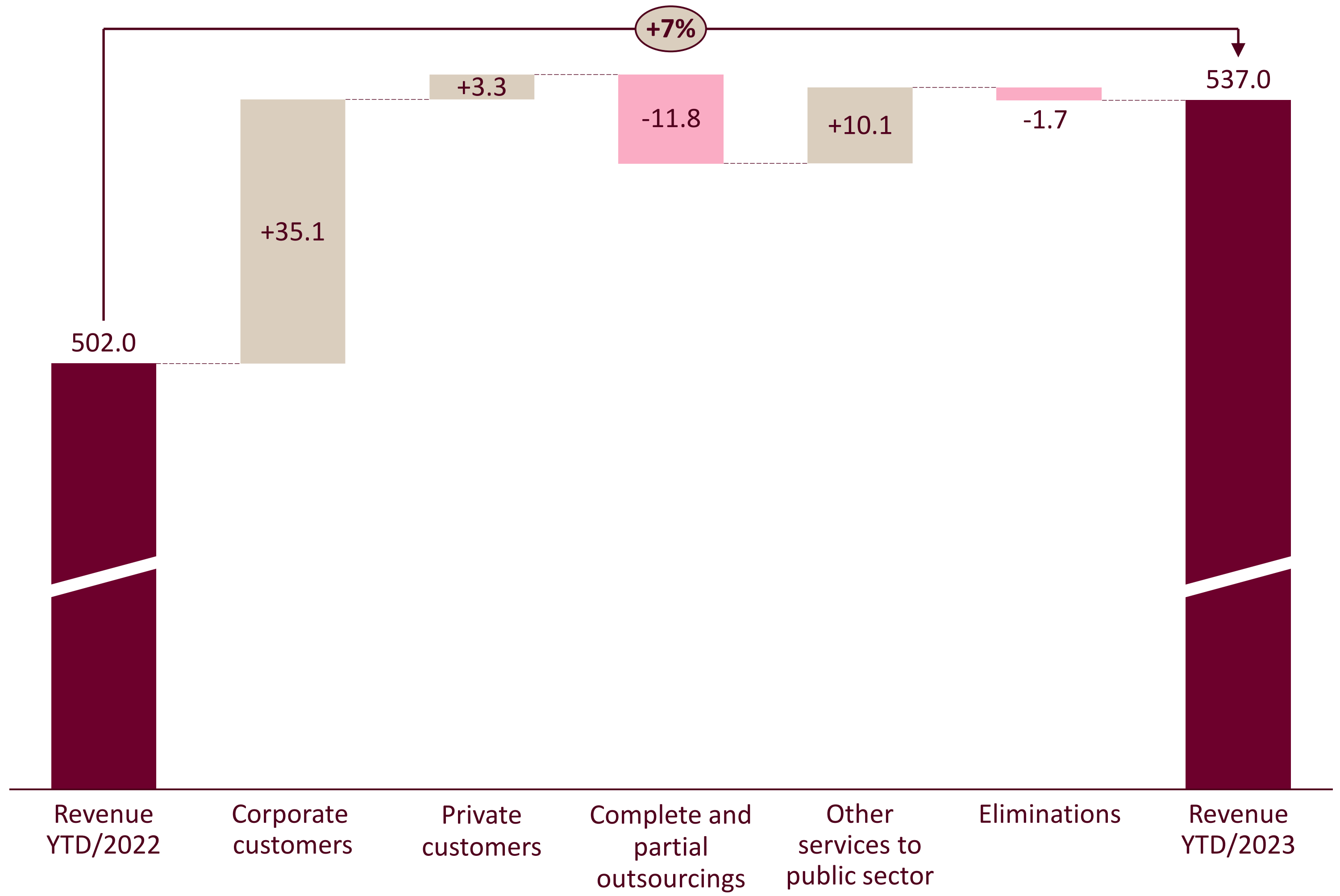
- Revenue MEUR 23.3 (23.9)
- Divestment of dental care services decreased revenue by MEUR -3.0
- Organic growth MEUR 1.9

PUBLIC SECTOR, 45%, OF WHICH
COMPLETE AND PARTIAL OUTSOURCINGS, 37%

- Revenue MEUR 101.1 (106.0)
- Share of complete and partial outsourcings MEUR 68.3 (75.4)
- The removal of demanding specialised care in Pirkanmaa and Central Finland reduced revenue by MEUR -10.3, the decrease is compensated by annual price adjustments

REVENUE GROWS IN CORPORATE CUSTOMERS IN LINE WITH THE STRATEGY – INCREASE IN SALES TO INSURANCE COMPANIES OVER 40%

Revenue by customer groups January-September 2023, MEUR



CORPORATE CUSTOMERS, 33% OF TOTAL REVENUE

- Revenue MEUR 195.2 (160.1)
- Sales to insurance company customers increased by MEUR 28.0
- Organic growth MEUR 28.0

PRIVATE CUSTOMERS, 13%

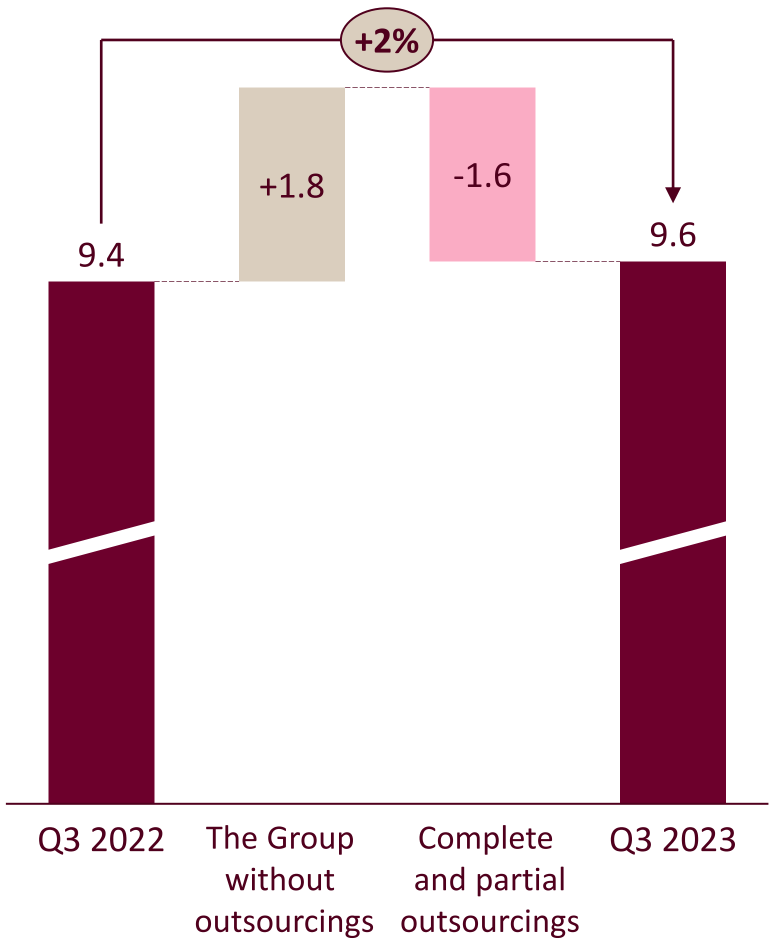
- Revenue MEUR 78.2 (74.9)
- Divestment of dental care services decreased revenue by MEUR -6.6
- Organic growth MEUR 5.3

PUBLIC SECTOR, 54%, COMPLETE AND PARTIAL OUTSOURCINGS, 36%

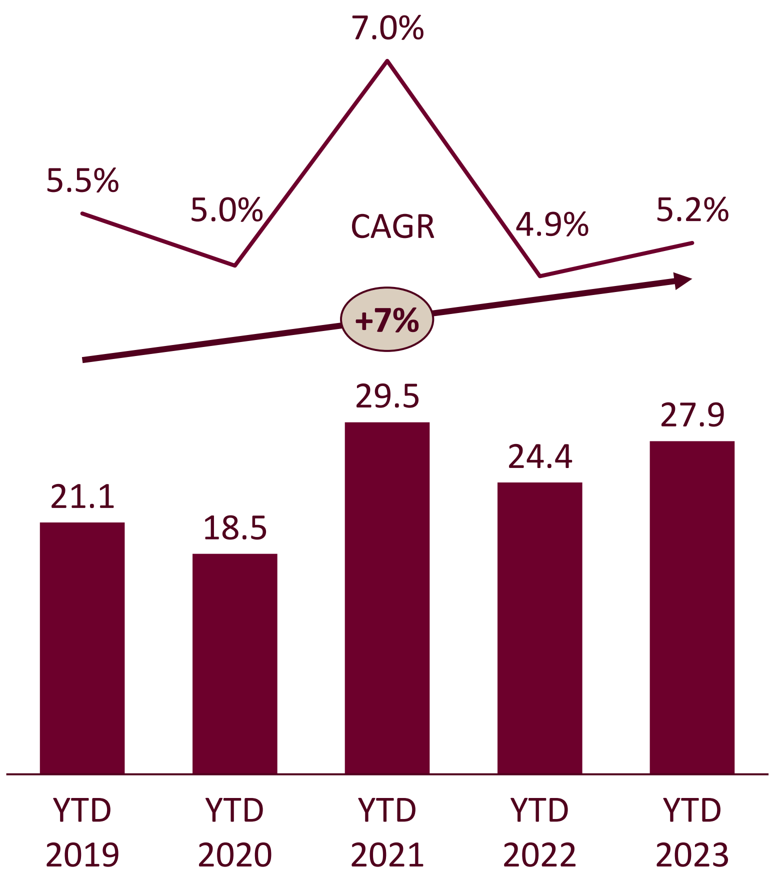
- Revenue MEUR 320.0 (321.6)
- Share of complete and partial outsourcings MEUR 214.9 (226.3)
- The removal of demanding specialised care in Pirkanmaa and Central Finland reduced revenue by MEUR -21.8, the decrease is compensated by annual price adjustments

EFFICIENCY MEASURES AND IMPROVED UTILISATION RATES OF PRIVATE CLINICS IMPROVED PROFITABILITY – RETROSPECTIVE COSTS OF DEMANDING SPECIALISED CARE AFFECTED PROFITABILITY NEGATIVELY

Adjusted EBITA change Q3
MEUR



Adjusted EBITA development January-September (YTD)
MEUR, %

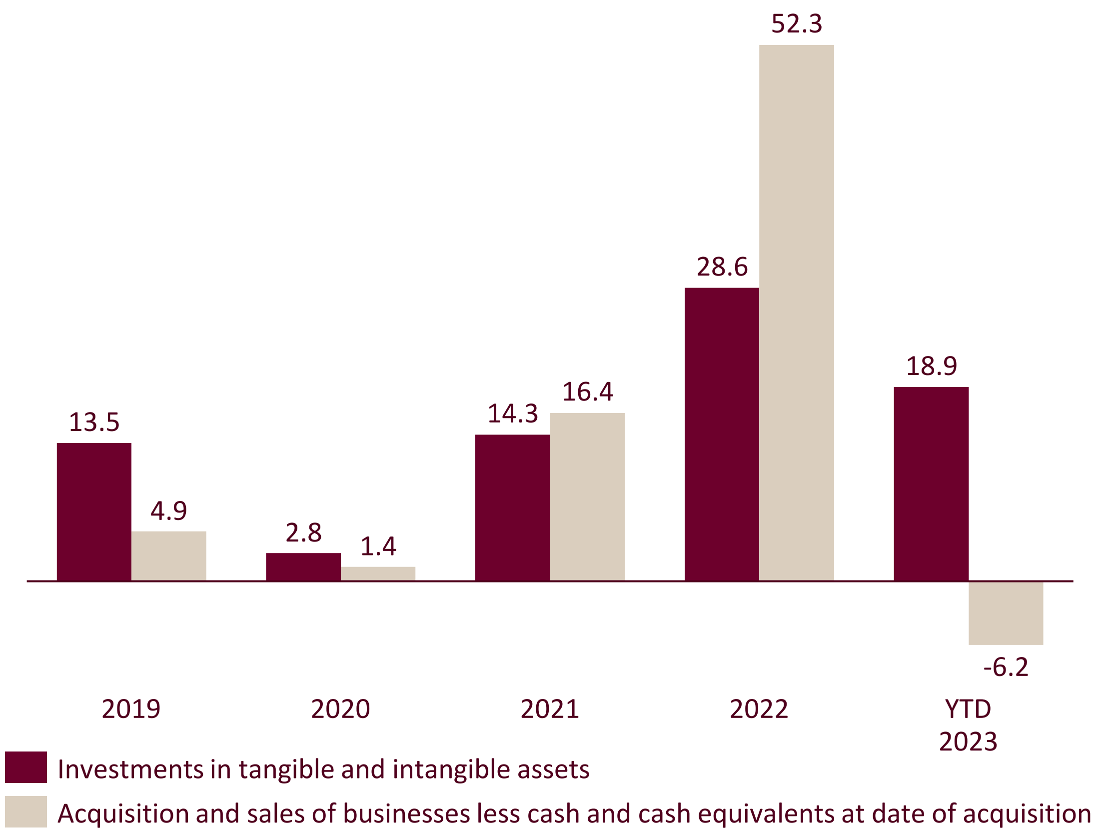


- Medical center utilisation rates improved
- In 2022 initiated efficiency measures in public services improved profitability
- Profitability in the quarter was negatively affected by retrospective costs of demanding specialised care in the wellbeing services county of Central Finland

LEASE LIABILITIES INCREASE INTEREST-BEARING NET DEBT CONSIDERABLY, THE DEBT RATIO DECREASES AS PLANNED

Net cash flow from investments*

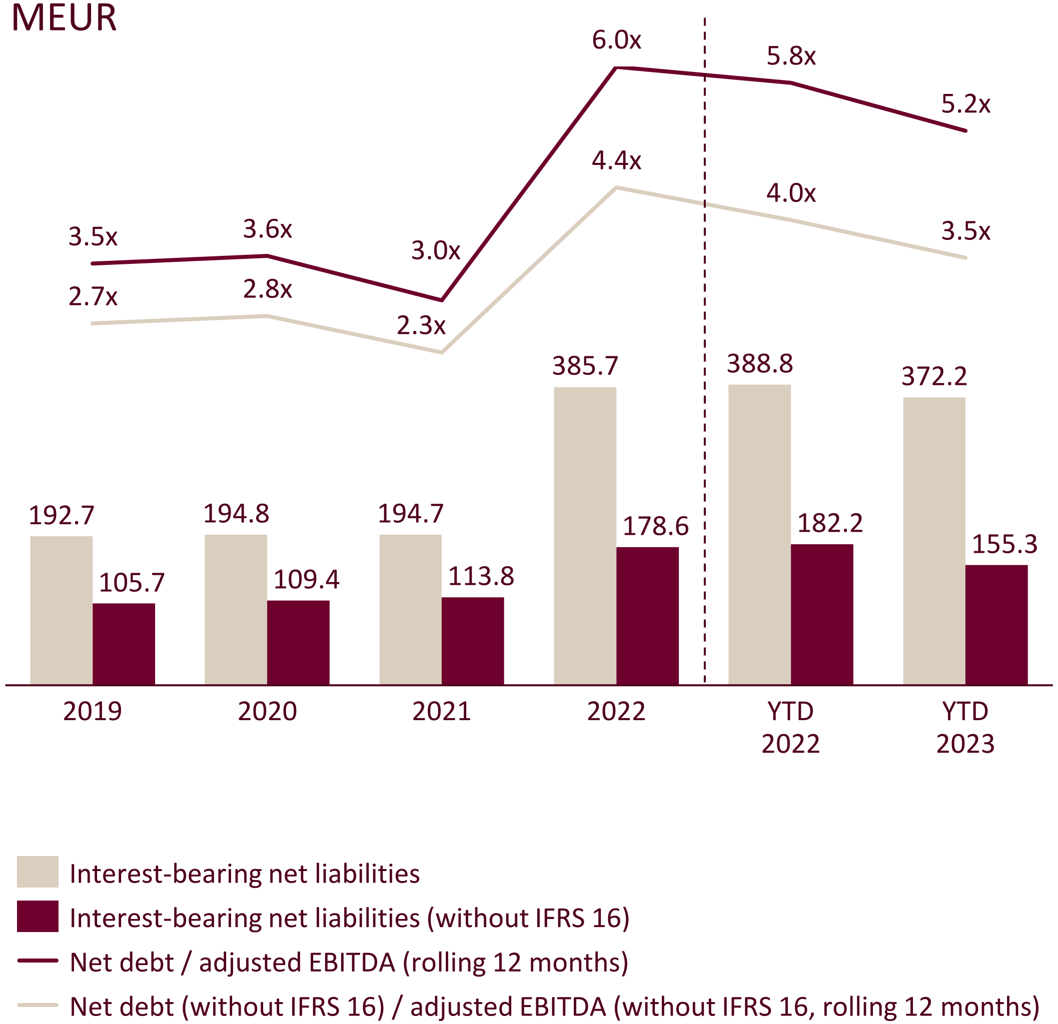
MEUR



*Extraction from certain lines of the group's cash flow statement of investments' net cash flow

Interest-bearing net debt

MEUR



THE MEASURES TO STRENGTHEN PROFITABILITY AND FINANCIAL POSITION, PROMOTING MEASURES IDENTIFIED DURING Q3

ALLOCATION OF WORK AND KEY COMPETENCIES

About MEUR 4.5 yearly cost savings through change negotiations
Management development and systematic monitoring

REDUCING SICKNESS-RELATED ABSENCES

Strategic project of work ability management
Sickness-related absences Q3/2023 5.6% (6.6%)

THE NETWORK OF PRIVATE CLINICS

Further optimising the use of facilities and merging clinics
Continuing the evaluation of the branch network
Approx. MEUR 0.5 annual cost savings from the discontinued facilities

THE PRICES INCREASE OF SERVICES

Responding to cost inflation by adjusting prices, as wage inflation still accelerates in 2023 and 2024 as a result of collective bargaining

BUSINESS AND ORGANISATIONAL STRUCTURE

Simplifying business operations, e.g., the sale of dental care services
Simplifying the operating model
Continuing integrations of the acquired companies

EFFICIENCY IMPROVEMENTS IN PUBLIC SERVICES

Efficiency improvement programs of complete outsourcing services
Adaptation of services to equal service offering
Transferring the cost liabilities for demanding specialised care to wellbeing service counties

STRENGTHENING PROFITABILITY AND FINANCIAL POSITION

The effects will be seen gradually from the first quarter of 2023

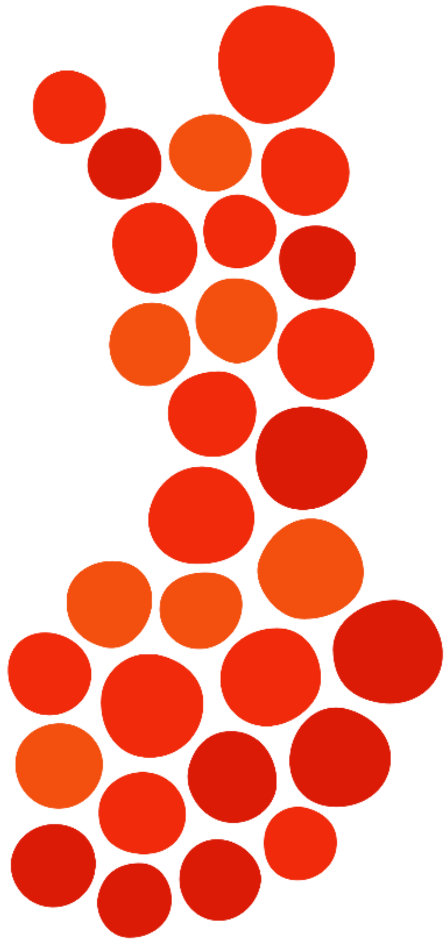
OPERATING ENVIRONMENT

DEMAND FOR HEALTH SERVICES HAS CONTINUED STRONG

- The size of the Finnish healthcare market is estimated to be about EUR 15 billion, of which approx. 75% is funded and produced by the public sector.
- The use of private healthcare services has remained well above the previous year (Nordea Consumption Indicator 10/2023).
- The demand of private medical expense insurances is increasing, with some 1.3 million people already covered by private medical expense insurance in Finland
    - 460,000 children
    - 555,000 adults and
    - 280,000 insured through companies

ACTIVATION OF THE NEW GOVERNMENT PROGRAM OF FINLAND

- The Finnish government's measures to shorten the queues for treatment are progressing, and we estimate that they will increase the demand for private health services.
- Nearly 178,000 patients are waiting for access to non-urgent specialised care – 17% have been waiting for more than 6 months.
- On 22 September 2023, STM announced that Kela reimbursements for private medical appointments will increase significantly at the beginning of 2024.
- The activation of the use of service vouchers and other purchase services can be seen in wellbeing counties, e.g. the wellbeing services county of Western Uusimaa announced on 28 Aug 2023 that it will allocate EUR 800,000 to service vouchers for 2023, and HUS announced on 11 Sep 2023 that it will take further steps to reduce the queues, in particular, for artificial joint, back surgery and neurosurgery.



THE SERVICE STRUCTURES OF WELLBEING COUNTIES SPECIFIED

Pihlajalinna’s complete outsourcing agreements in three wellbeing counties

PIRKANMAA
Strong structural reforms, costs are cut by MEUR 43. Pihlajalinna’s contracts until 2030

- The total outsourcing of Pihlajalinna, Kolmostien Terveys and Mäntänvuoren Terveys, will continue until the end of the contract period 2030
- The cost liability for demanding specialized care was transferred to the wellbeing county on 1 January 2023

CENTRAL FINLAND
The service strategy and the integration of operations are progressing. Pihlajalinna’s contract until 2025

- The overall outsourcing of Pihlajalinna in Jämsä continues according to the contract until the end of 2025
- The wellbeing county is applying for an extension of the operation of Jokilaakso hospital until at least the end of 2025
- The phased transfer of services will start in certain parts already in H1/2024
- The cost liability for demanding specialised care was transferred to the wellbeing county on 1 July 2023

SOUTH OSTROBOTHNIA
Forming a service strategy in progress. Pihlajalinna’s contract until 2025

- On 30 October 2023, the regional council of the wellbeing services county of South Ostrobothnia decided to terminate the outsourcing agreement with Pihlajalinna until the end of 2025
- The outsourcing agreement was originally valid until 2030
- The cost liability for demanding specialised care will remain with the service provider
- The county council’s decision is not legally binding

PIHLAJALINNA’S OUTLOOK FOR 2023 SPECIFIED

In 2023, Pihlajalinna will focus on improving its profitability and financial position.

- The Group expects the consolidated revenue to increase from the previous year’s level (MEUR 690.5 in 2022).
- The Group expects the adjusted EBITA to improve from the previous year’s level to EUR 34-37 million (EUR 26.7 million in 2022).
- As a result of the establishment of wellbeing services counties, Pihlajalinna aims to finalise the negotiations related to open receivables with the previous contract parties Jämsä, Parkano andMänttä-Vilppula cities. The outcome of the negotiations may affect 2023 earnings per share.
- The Group continues measures to strengthen its financial position. Change negotiations that were concluded in March 2023 and efficiency improvement program are expected to improve Pihlajalinna’s profitability. Price increases are expected to compensate the effects of cost inflation.

Slowed economic growth, weakened consumer confidence and rising market interest rates may affect Pihlajalinna’s service demand and financial performance more than expected.

SUMMARY

- Demand for private health services is strong, driven by insurance company sales – organic revenue continued to grow
- The increase in the number of practitioners strengthened the supply
- Profitability and financial position strengthened as planned
- Pihlajalinna specifieds the outlook for 2023

Q&A

Thank you!

Upcoming events

- Financial Statements 2023:
  Wednesday, 14 February 2024
- Interim Report January-March:
  Friday, 3 May 2024
- Half-year Interim Report January–June
  Friday, 9 August 2024
- Interim Report January-September:
  Thursday, 7 November 2024

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