



PIHLAJALINNA

Interim Report Q1/2023

Interim CEO Mikko Wirén
28 April 2023



Organic growth and efficiency improvement measures improved profitability

- financial position strengthened

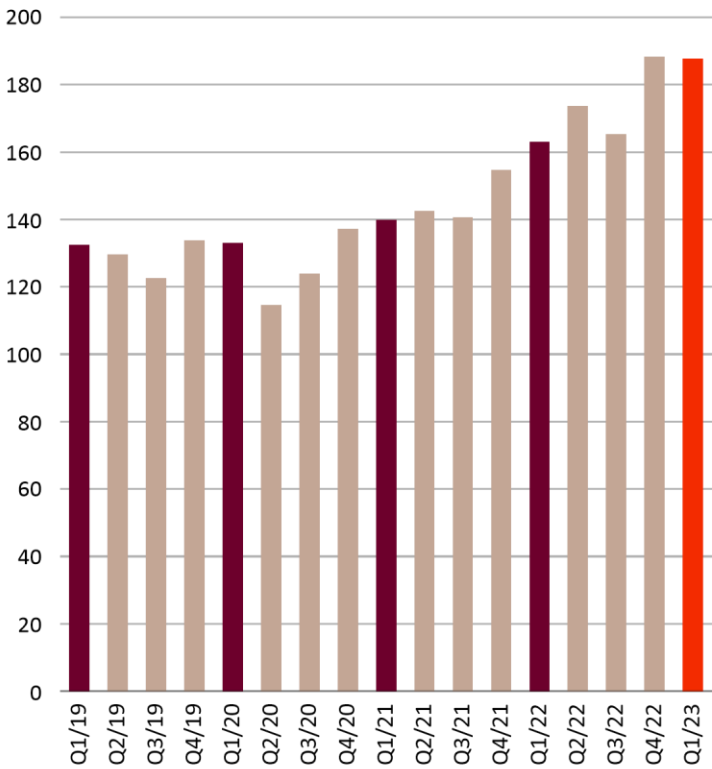
- Revenue amounted to MEUR 187.8 (163.1), an increase of MEUR 24.7 (15.1%)
- Organic growth of private healthcare services +24%, total MEUR 21.1, excluding the decline of MEUR 8 in COVID-19 services
 - Customer volumes of private clinics increased 36%, +23% without M&A transactions
- Remote services represented 38% of all appointments
- Adjusted EBITDA MEUR 21.4 (16.5), +30%
- Adjusted EBITA MEUR 11.0 (7.8), +41.4%
- The sale of the private dental care services to Hammas Hohde was completed on 31 March 2023.
- On 27 March 2023, Pihlajalinna issued a MEUR 20 hybrid bond, which ensures that the Group has leeway in executing its strategy and stabilising its financial position.



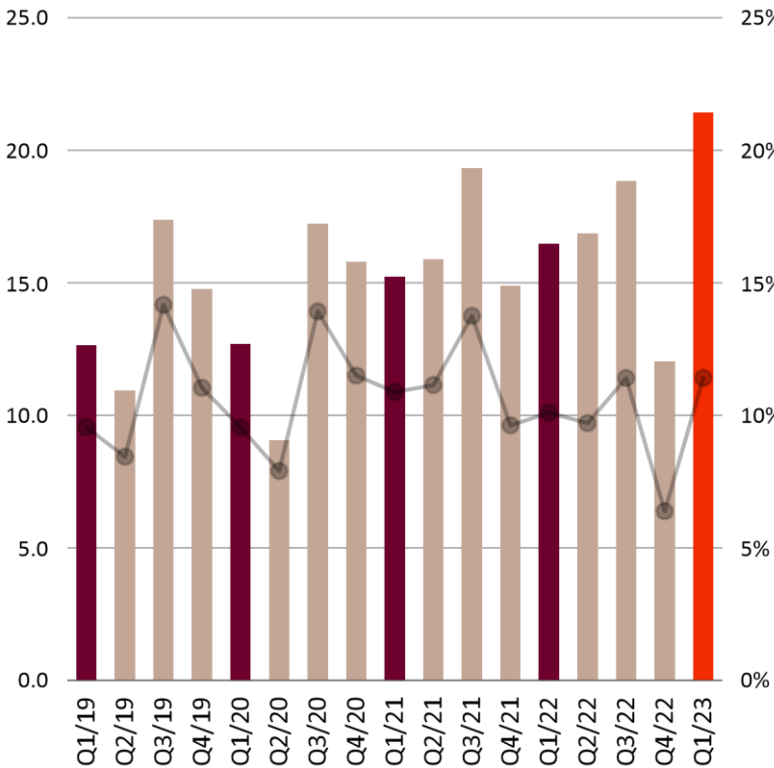
CONSOLIDATED REVENUE AND PROFITABILITY

MEUR

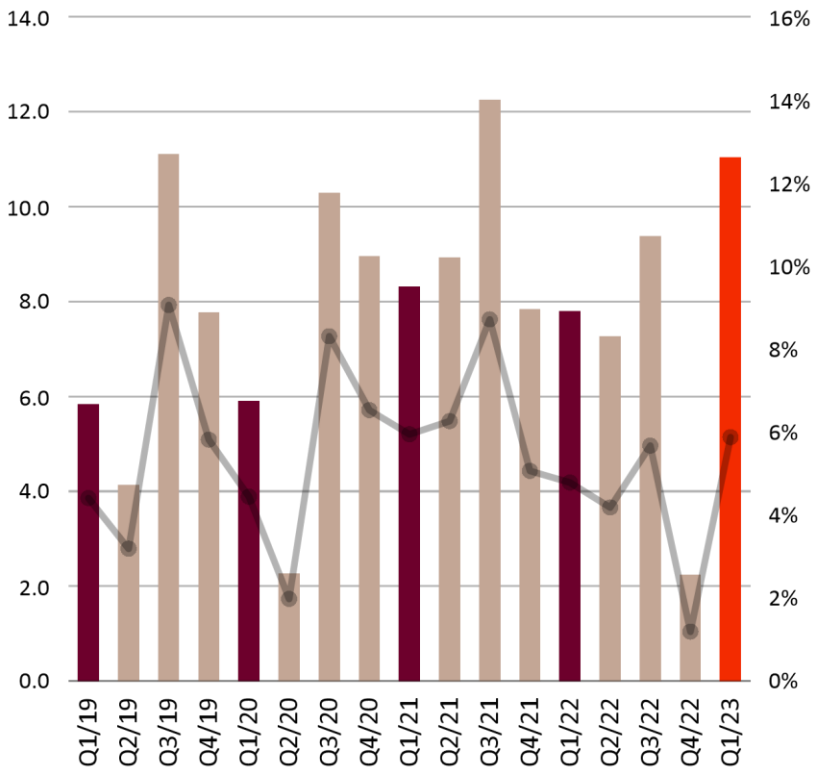
Revenue



Adjusted EBITDA



Adjusted EBITA



ORGANIC GROWTH, EFFICIENCY PROGRAM AND ACHIEVED SYNERGIES IMPROVED PROFITABILITY

	Q1 2023	Q1 2022	change-%	2022
REVENUE	187.8	163.1	15.1	690.5
Other operating income	4.8	1.7	174.1	4.9
Materials	-8.2	-7.0	16.5	-30.3
Services	-58.7	-57.2	2.7	-236.9
Employee benefit expenses	-82.9	-73.2	13.3	-296.6
Premises expenses	-3.5	-3.3	6.5	-14.3
ICT expenses	-6.8	-6.3	7.3	-26.2
Sales and marketing expenses	-1.7	-1.4	21.2	-6.4
Other operating expenses	-7.8	-7.2	7.9	-30.3
EBITDA	23.0	9.3	148.5	54.4
EBITDA adjustments	-1.6	7.2	-122.2	9.8
Adjusted EBITDA	21.4	16.5	30.0	64.2
Property, plant and equipment depreciation and amortisation	-10.6	-8.7	21.7	-37.8
EBITA	12.5	0.6	2016.3	16.6
Depreciation adjustments	0.2	0.0	0.0	0.3
Adjusted EBITA	11.0	7.8	41.4	26.7

Q1/2023 BY CUSTOMER GROUPS

Corporate customers

- **Revenue MEUR 70, +36%**
- The revenue of COVID-19 services decreased MEUR 3.8
- The customer volumes of Pihlajalinna's private clinics increased 41%
- Without the effect of M&A transactions, the customer volumes would have increased by 28%
- Sales to insurance company customers increased MEUR 15.9, +78.2%

Private customers

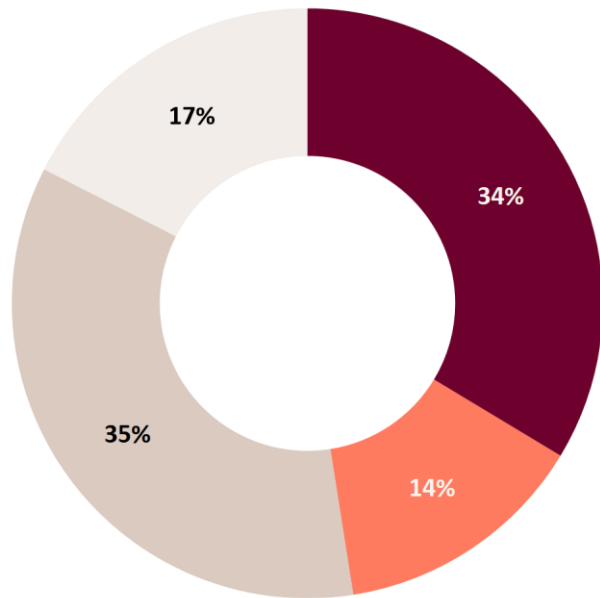
- **Revenue MEUR 29, +22%**
- The revenue of COVID-19 services decreased MEUR 0.9
- The customer volumes of Pihlajalinna's private clinics increased 26%
- Without the effect of M&A transactions, the customer volumes would have increased by 11%

Public sector

- **Revenue MEUR 109, +2%**
- The revenue of COVID-19 services decreased MEUR 3.4
- The preliminary agreement concluded with representatives of the Wellbeing Services County of Pirkanmaa on transferring the cost liability of demanding specialised care away from the company de-creased revenue by MEUR -5.7
- The customer volumes of Pihlajalinna's private clinics increased 33%
- Without the effect of M&A transactions, the customer volumes would have increased by 19%

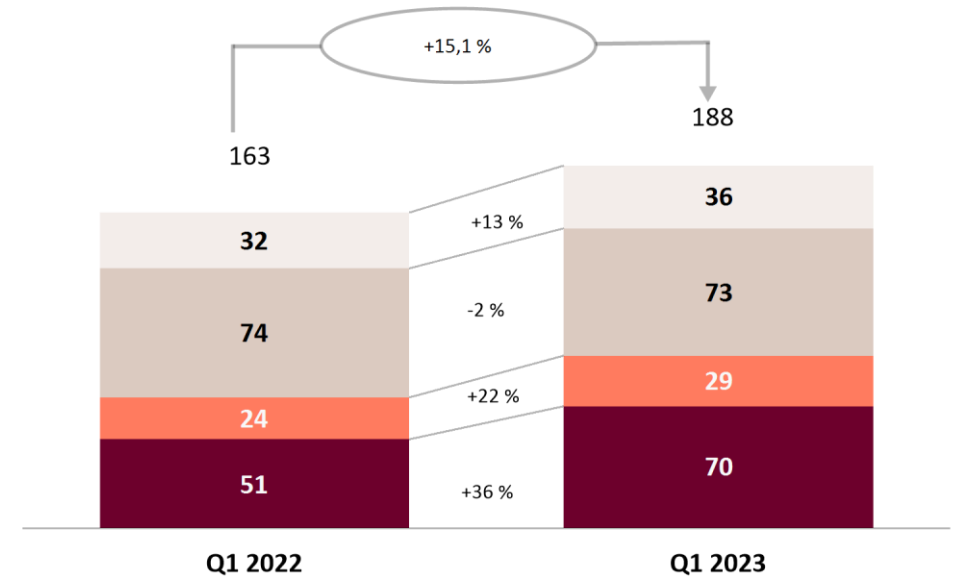
REVENUE BY CUSTOMER GROUP, Q1/2023

REVENUE BY CUSTOMER GROUP Q1 2023, %



■ Corporate customers ■ Private customers ■ Complete and partial outsourcing ■ Other services to public sector

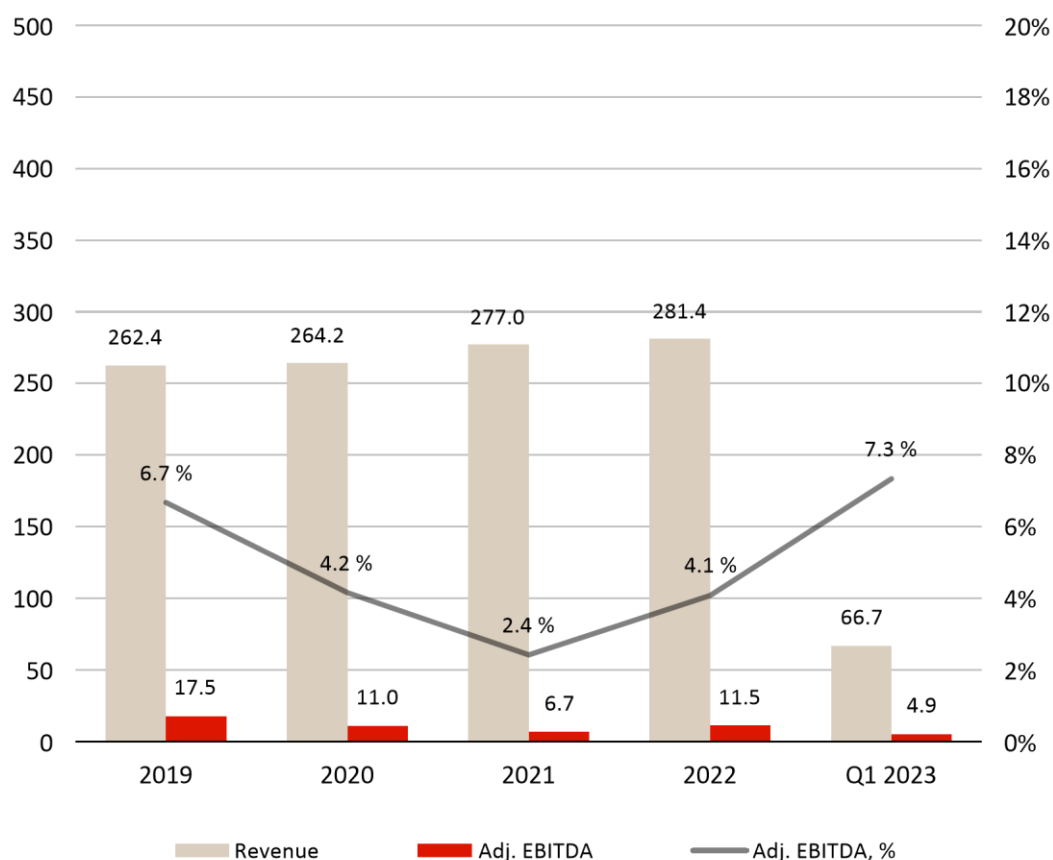
REVENUE BY CUSTOMER GROUP, EUR MILLION



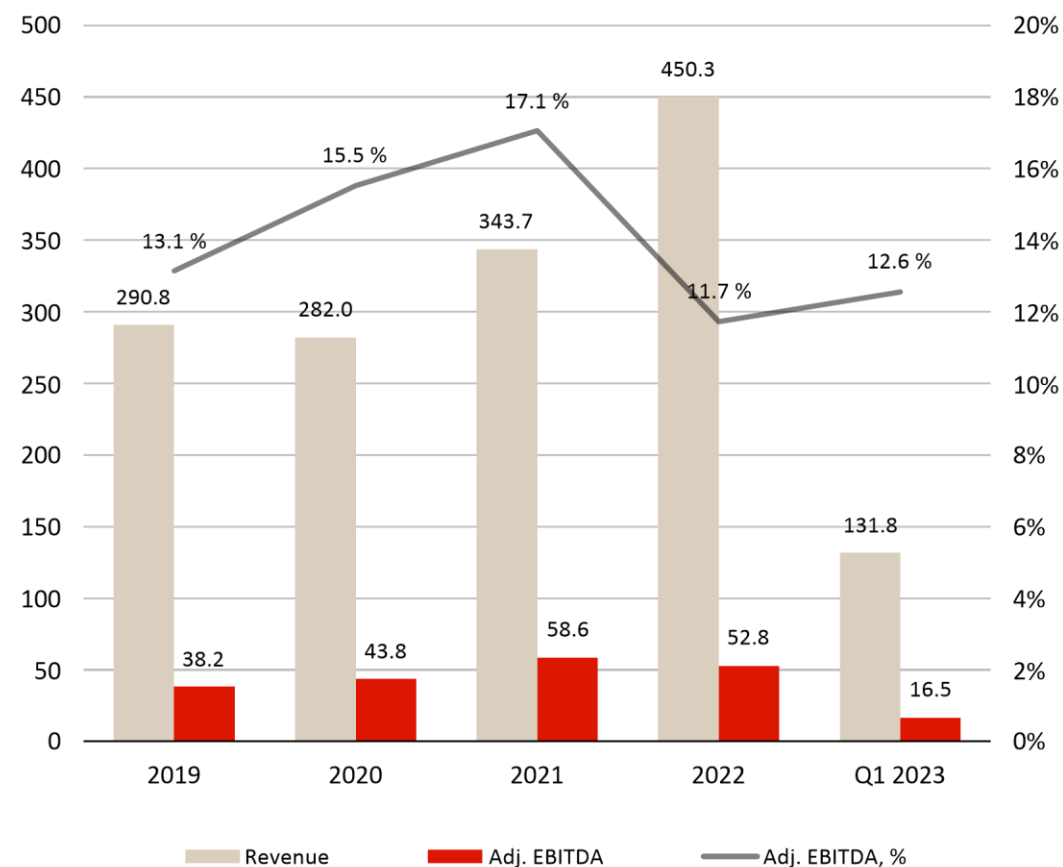
■ Corporate customers ■ Private customers ■ Complete and partial outsourcing ■ Other services to public sector

BUSINESS STRUCTURE AND PROFITABILITY, ADJUSTED EBITDA

Complete and partial outsourcing,
eliminated EUR million

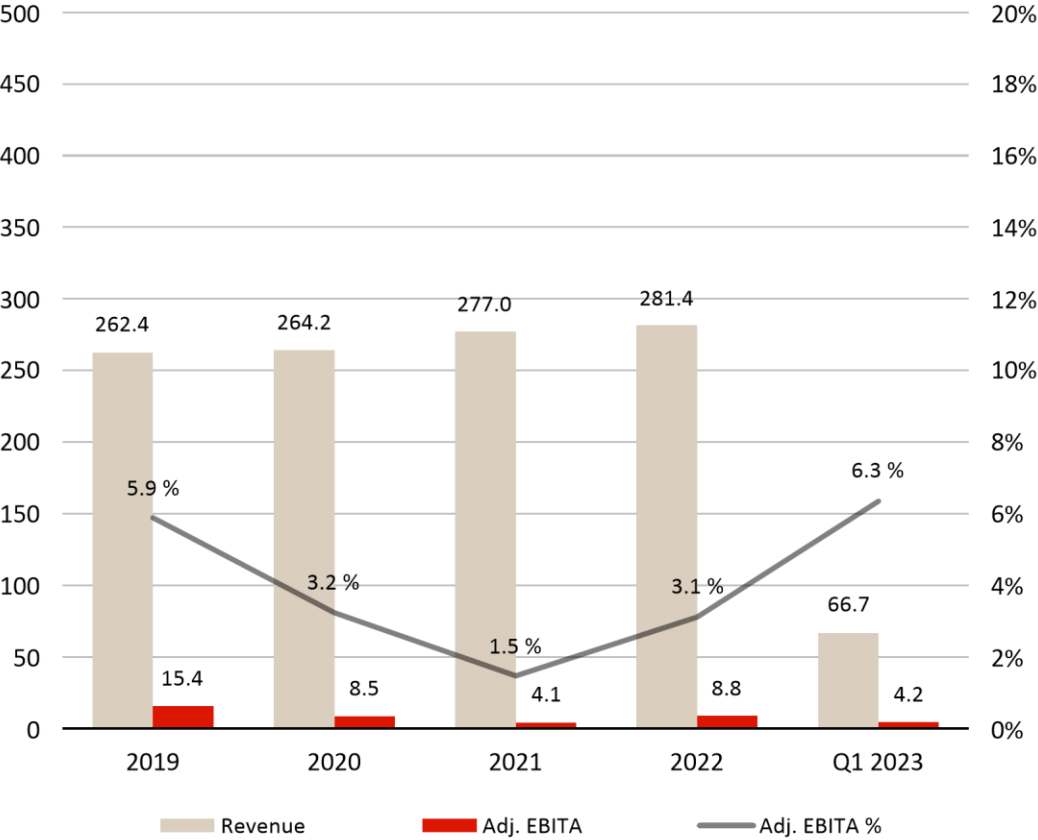


Group excluding complete and partial
outsourcing, eliminated EUR million

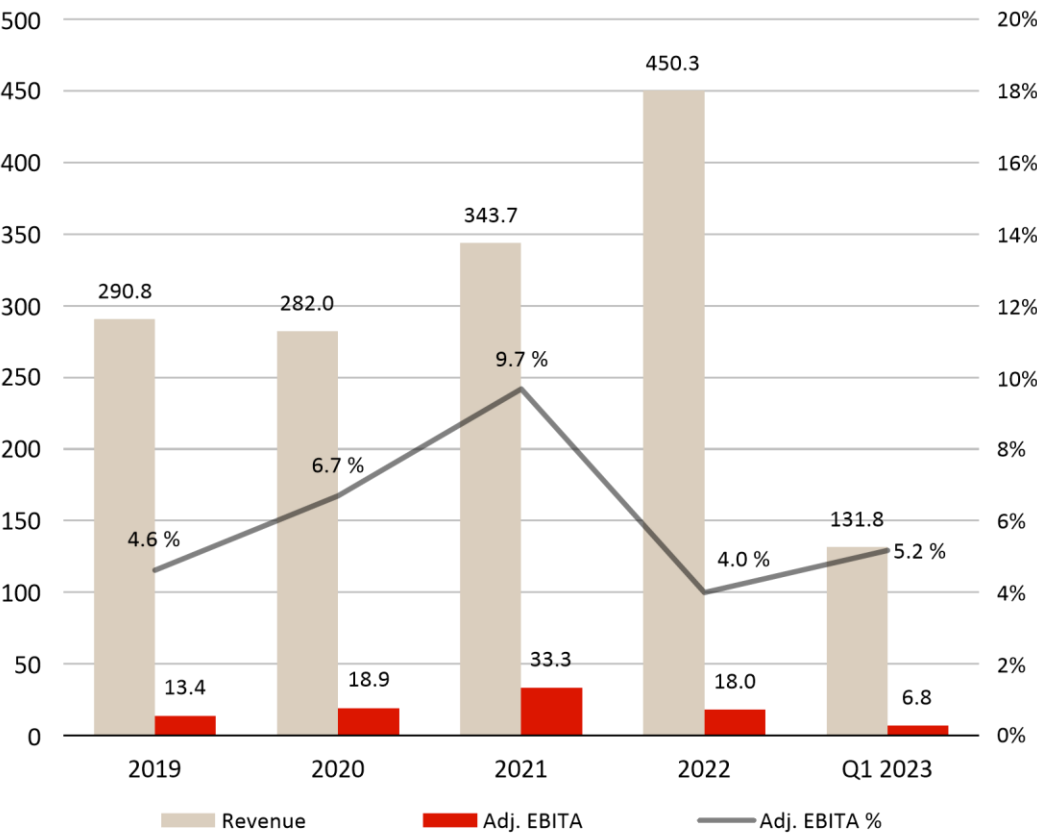


BUSINESS STRUCTURE AND PROFITABILITY, ADJUSTED EBITA

Complete and partial outsourcing,
eliminated EUR million



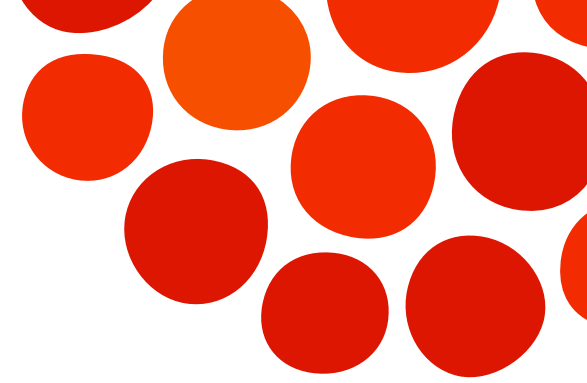
Group excluding complete and partial
outsourcing, eliminated EUR million



BUSINESS STRUCTURE AND PROFITABILITY

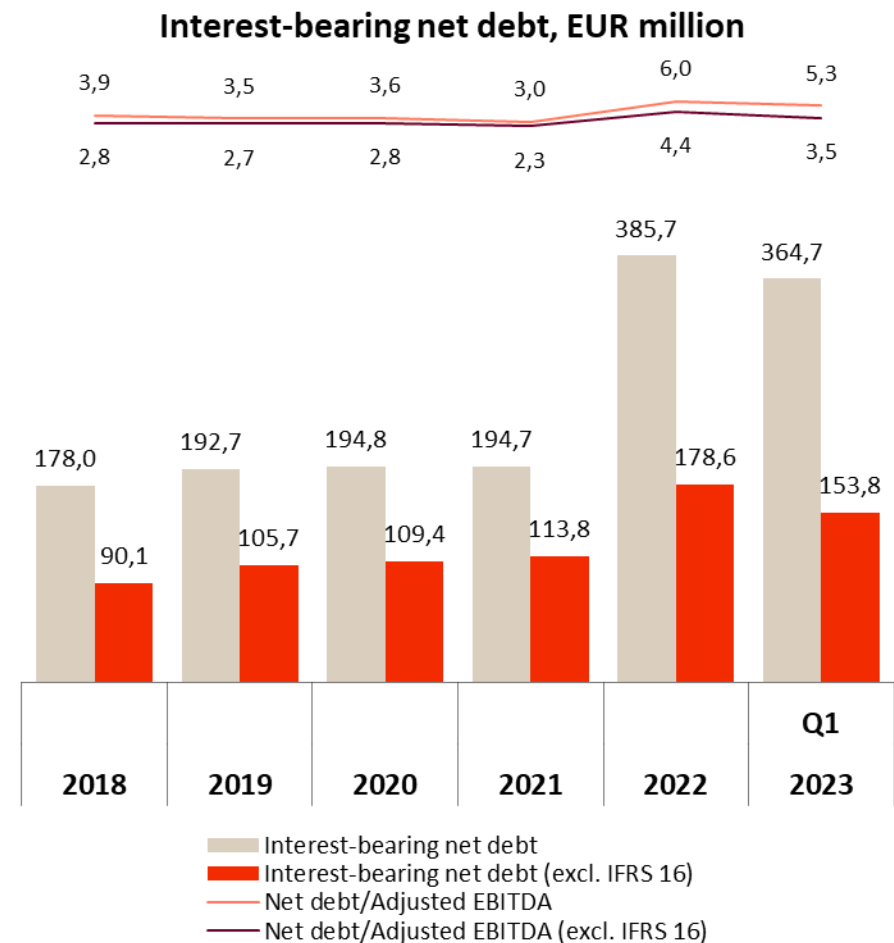
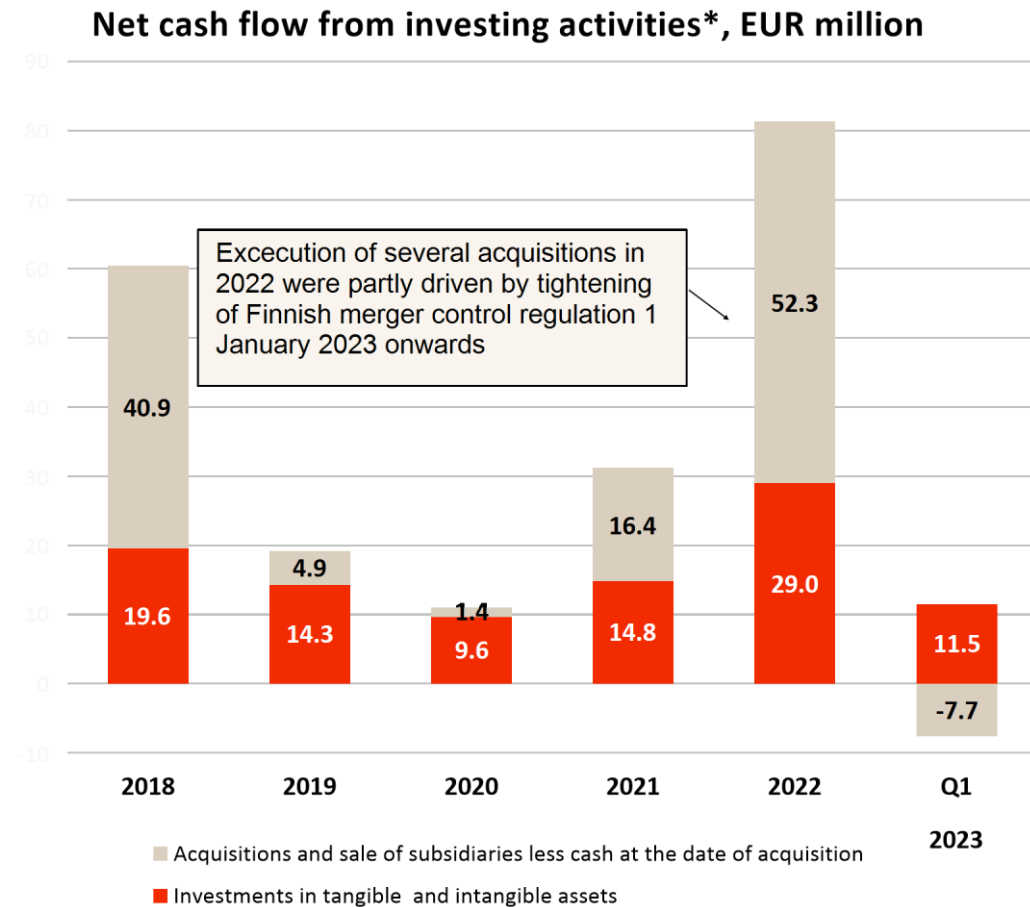
Complete and partial outsourcing, eliminated	Q1 2023	Q1 2022	change-%	2022	2021
Revenue, EUR million	66.7	68.3	-2.4	281.4	277.0
Adjusted EBITDA, EUR million	4.9	2.3	112.6	11.5	6.7
Adjusted EBITDA, %	7.3	3.4	117.7	4.1	2.4
Adjusted EBITA, EUR million	4.2	1.6	161.4	8.8	4.1
Adjusted EBITA, %	6.3	2.4	167.7	3.1	1.5

Group excluding complete and partial outsourcing, eliminated	Q1 2023	Q1 2022	change-%	2022	2021
Revenue, EUR million	131.8	105.1	25.3	450.3	343.7
Adjusted EBITDA, EUR million	16.5	14.2	16.7	52.8	58.6
Adjusted EBITDA, %	12.6	13.5	-6.9	11.7	17.1
Adjusted EBITA, EUR million	6.8	6.2	10.2	18.0	33.3
Adjusted EBITA, %	5.2	5.9	-12.1	4.0	9.7



INVESTMENTS AND FINANCING

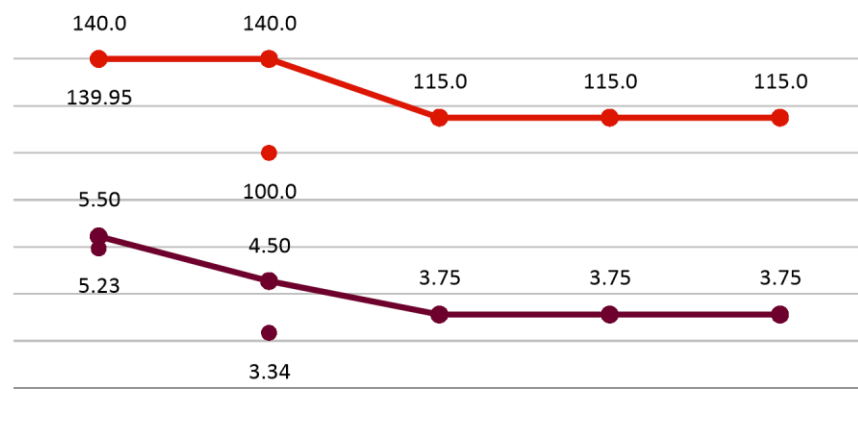
INCREASED INDEBTEDNESS DUE TO 2022 ACQUISITIONS AND INVESTMENTS IN NETWORK OF OPERATING LOCATIONS



CALCULATION OF COVENANTS ACCORDING TO SFA (FROZEN GAAP, AGREED EXCEPTIONAL ITEMS)

Financial covenants

The financial covenants of the original SFA were taken into the use at the end of April.



Q4 2022	Q1	Q2	Q3	Q4
	2023			

- Covenant: Gearing Ratio (x)
- Covenant: Leverage Ratio (x)
- Reported: Gearing Ratio (x)
- Reported: Leverage Ratio (x)

Reported Leverage (x) and Gearing (%) according to SFA

1000 eur	Q4 2022	Q1 2023
Group pro forma LTM EBITDA*	30,469	42,945
Agreed Exceptional Items LTM	3,694	3,056
(i) all fees, costs, transfer taxes & expences (M&A)		
(ii) Restructuring Costs		
(iii) Cloud Computing		
pro forma LTM EBITDA	34,163	46,001
Borrowings*	193,619	170,651
less contingent consideration	-1,907	-1,759
TOTAL DEBT	191,711	168,892
Group Cash	-13,128	-15,107
TOTAL NET DEBT	178,584	153,785
TOTAL NET DEBT TO EBITDA	5,23x **	3,34x
= LEVERAGE RATIO covenant level	5,50x	4,50x
Consolidated Equity*	127,602	153,059
TOTAL NET DEBT TO CONSOLIDATED EQUITY	139.95% **	100%
= GEARING RATIO covenant level	140%	140%

* Frozen GAAP (without IFRS 16 lease liabilities, including lease agreements considered as lease financials before the introduction of the IFRS 16 standard)

**If the hybrid capital securities had already been launched in Q4 2022, Leverage would have been 4.66x and Gearing 108.1%

KEY FIGURES

	1–3/2023 3 months	1–3/2022 3 months	change %	2022
Revenue, EUR million	187.8	163.1	15.1	690.5
Adjusted EBITDA, EUR million	21.4	16.5	30.0	64.2
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	11.0	7.8	41.4	26.7
Earnings per share (EPS), EUR	0.24	0.23	4.0	0.42
Gearing, %	247.2	288.4	-14.3	313.8
Interest-bearing net debt, EUR million	364.7	359.6	1.4	385.7
Net debt/adjusted EBITDA, 12 months	5.3	5.4	-2.3	6.0
Cash flow from operating activities, EUR million	18.9	15.5	21.9	64.9
Gearing, excluding IFRS 16, %	100.5	117.4	-14.4	140.0
Interest-bearing net debt excluding IFRS 16, EUR million	153.8	149.9	2.6	178.6
Net debt/adjusted EBITDA, excluding IFRS 16, 12 months	3.5	3.1	15.2	4.4

**WE WILL CONTINUE
WITH OUR STRATEGY,
DETERMINEDLY
TOWARDS THE
GOALS SET**



OVERVIEW OF THE OPERATING ENVIRONMENT

The Market

- The size of the Finnish healthcare market is estimated to be about BEUR 15, of which approximately 75 per cent is funded and produced by the public sector
- Strong outlook: the ageing of the population, the development of digital services, strong trend of health and wellness and the growth of private medical expenses insurances

Queues for treatment

- Queues for treatment growing: over 160,000 patients waiting for access to non-urgent specialised care at the end of 2022, the amount of patients waiting for more than 6 months nearly doubled
- The legislation concerning the care guarantee will change in September 2023: patients must receive access to care within 14 days, within seven days starting from November 2024

Workforce

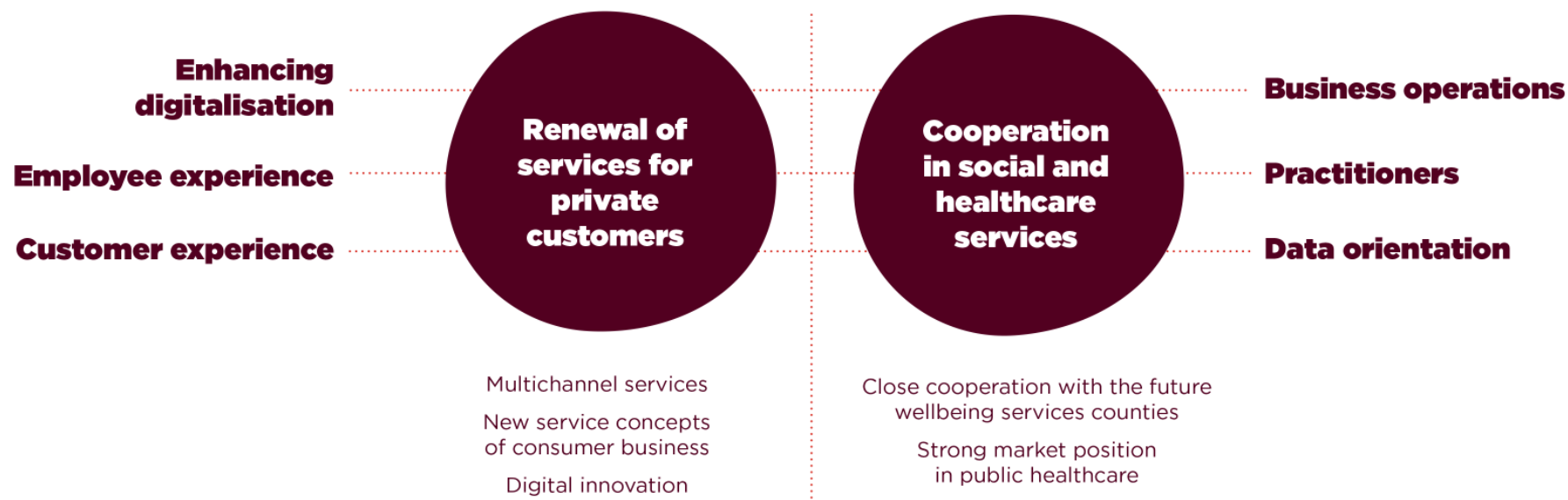
- One of the greatest challenges facing Finnish society is the shortage of labour in the social and healthcare sector
- The negotiations for the final wage increases of the two-year collective agreements that entered into force in 2022 (TPTES and SOSTES) are still ongoing. The collective agreement in SOSTES will terminate on 30 April 2023.

Economics

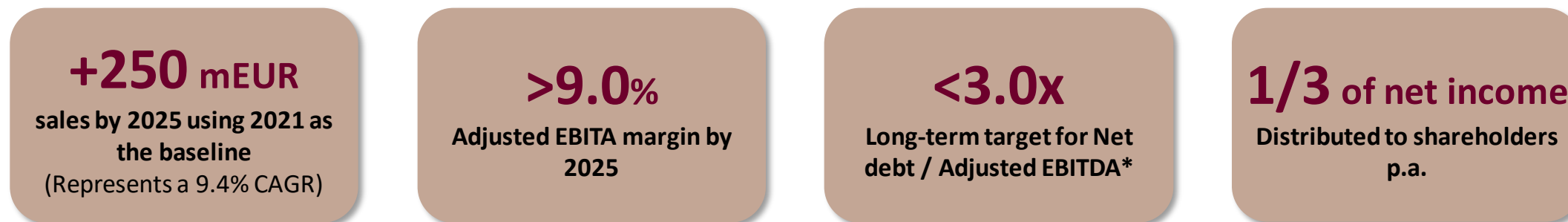
- Economic growth has slowed, inflation has accelerated and market interest rates have risen.
- The economy will contract by 0.2% in 2023, inflation of 4.6% is projected for 2023 (7.1% in 2022)
- The general uncertainty has weakened consumers' purchasing power and reduced investments, consumer confidence is at a weak level

PIHLAJALINNA'S FINANCIAL TARGETS AND STRATEGY 2021–2025

Strategic priorities

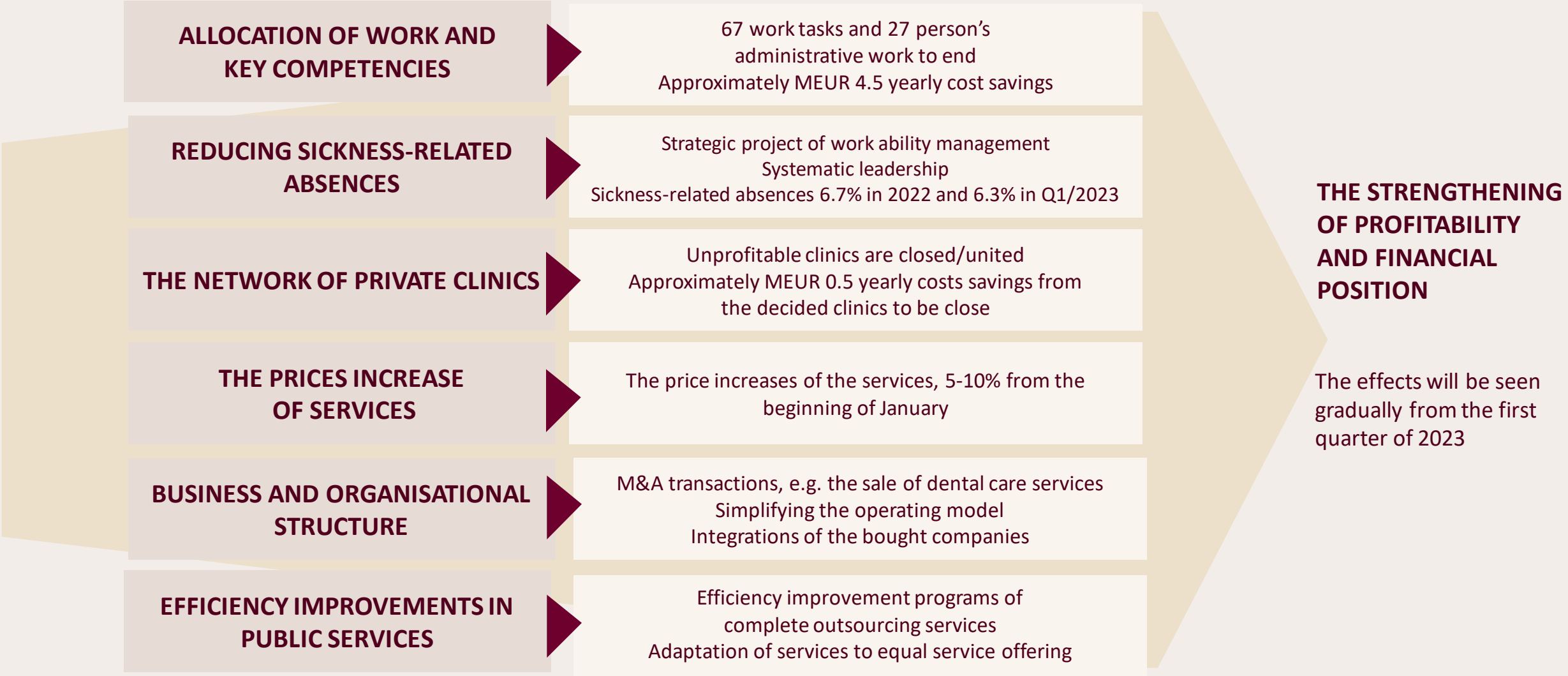


Financial targets



*In the beginning of strategy period due to Pohjola Hospital acquisition the Net debt / Adjusted EBITDA stands close to 5x.

THE MEASURES TO STRENGTHEN PROFITABILITY AND FINANCIAL POSITION



TUOMAS HYYRYLÄINEN APPOINTED CEO OF PIHLAJALINNA

- Tuomas Hyyryläinen will join Pihlajalinna from Fiskars Group where he has been working since 2018 as EVP Business Area Crea and since 2019 as member of Group's management team.
- Before this, he worked in various roles publicly listed Finnish companies Neste, F-Secure and Nokia.
- The solid experience and ability to lead company's transformation and to create the most attractive unified working culture in the field.
- Hyyryläinen will start in his new position on a date to be confirmed later but by 1 November at the latest.



PIHLAJALINNA'S OUTLOOK FOR 2023 REMAINED UNCHANGED

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 (EUR 690.5 million in 2022).
- The Group expects the adjusted operating profit before the amortisation and impairment of in-tangible assets (EBITA) to increase from the previous year's level (EUR 26.7 million in 2022).
- The Group has initiated several measures to strengthen its financial position. Change negotiations that were concluded in March 2023 and efficiency improvement programmes in complete outsourcing agreements are expected to improve profitability in all the Group's operations. The increased service prices are expected to compensate the effects of the inflation.

The outlook for 2023 involves uncertainty related to the high inflation in the euro area, the development of costs in general and the development of wages in particular. The impacts of the wellbeing services counties starting their operations, and COVID-19, on the social and healthcare sector also remain uncertain. Slowed economic growth, weakened consumer confidence and rising market interest rates may affect the Pihlajalinna service demand and financial results more than expected.



SUMMARY



1

Revenue continued its growth by 15.1%, total MEUR 187.8
Organic growth of private clinics continued strong:
+24%, total MEUR 21.1, when taking into account COVID-19
services, which decreased by MEUR 8

2

Profitability improved
Adjusted EBITDA increased 30% amounting to MEUR 21.4
Adjusted EBITA increased 41.4% amounting to MEUR 11

3

The investment in organic growth continues - the focus has shifted
to systematic management, the effectiveness of the services produced for
customers and the well-being of the personnel.

4

Measures to strengthen profitability and financial position continue.

Q&A



Thank You!

Upcoming events

- Half Year Financial Report January–June: Friday, 11 August 2023
- Interim Report January–September: Friday, 3 November 2023

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