Pihlajalinna

From the CEO

Annual General Meeting 2020

CEO Joni Aaltonen

15 April 2020

Pihlajalinna in brief

Finland's leading producer of social, healthcare and wellbeing services

Headquarters in Tampere, all taxes paid in Finland

Comprehensive service offering for the private and public sectors

5,815

employees in Finland

Outlook: most valued producer of municipal social and healthcare services

89%

Finnish-owned

Market leader in the complete outsourcing of social and healthcare services

Listed on the main list of the Helsinki Stock Exchange since June 2015

Pihlajalinna's services

Pihlajalinna serves individuals, businesses, insurance companies and public entities

Public social and healthcare services

Occupational healthcare services

Housing services for the elderly and special groups

Private clinics, specialised medical care and dental clinics

Physiotherapy and fitness centres

Responsible doctor services

Private clinics and hospitals

- Pihlajalinna’s network of private clinics has expanded to regional centres in 2018–2020
- Pihlajalinna brings together several operators under the same name, including the former Dextra medical centres, Koskiklinikka in Tampere, the Lääkärikeskus Ite medical centres in Kuopio and Joensuu as well as Kompassi medical centre in Seinäjoki
- Pihlajalinna currently has over 100 locations
- All private clinics and dental centres are certified by the ISO 9001 quality standard

Pihlajalinna's social and healthcare outsourcing

Outsourcing	Population
Jämsä	22,000
Mänttä-Vilppula and Juupajoki	13,000
Parkano and Kihniö	9,000
Kuusiokunnat and Soini	23,000
Laihia (housing services)	8,000
Kristiinankaupunki (partial outsourcing as of 1 January 2021)	6,600

Timeline 2019

22 Jan
Pihlajalinna acquires the Fit1 fitness centre chain

6 Feb
Pihlajalinna increases its ownership in Kolmostien Terveys

2 May
Pihlajalinna health application launched for use by municipal customers

6 May
Pirkanmaa hospital district and Pihlajalinna agree on a partnership

8 May
Heart Hospital and Pihlajalinna sign a letter of intent on cooperation

17 May
Pihlajalinna organises a Capital Markets Day

17 May
Pihlajalinna acquires the City of Raisio's occupational healthcare provider Aurinkoristeys

1 Jun
Pihlajalinna acquires Kouvolan Työterveys

3 Jun
Pihlajalinna signs a cooperation agreement with Pohjola Insurance

17 Jun
Pihlajalinna commences preparations for an efficiency improvement programme and launches cooperation negotiations

17 Jun
Pihlajalinna opens a private clinic in Vaasa

1 Aug
Pihlajalinna opens a private clinic in Rovaniemi

15 Aug
Cooperation negotiations are completed, efficiency improvement measures are initiated, Pihlajalinna appoints a new Management Team

22 Oct
The new Marjapihlaja care home opens in Laihia

1 Nov
Pihlajalinna opens a private clinic in the Sello shopping centre in Espoo

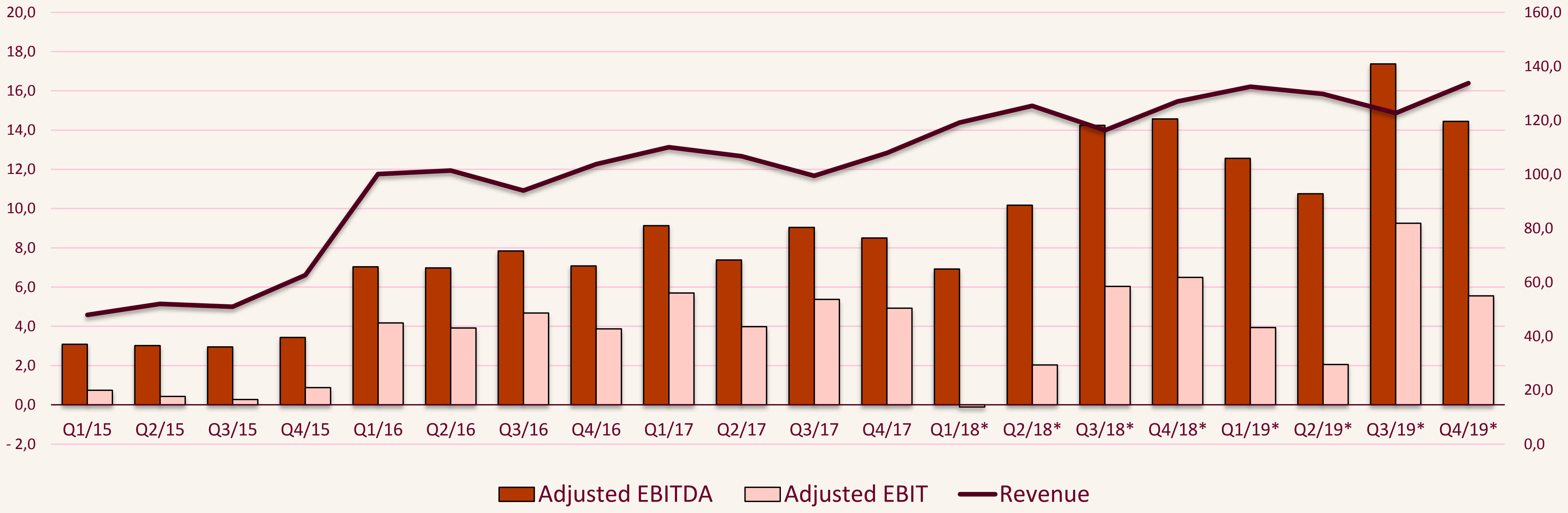
5 Nov
Mehiläinen announces a recommended cash tender offer for all shares in Pihlajalinna

31 Dec
Pihlajalinna increases its ownership in Kuusiolinna Terveys and Mäntänvuoren Terveys

Financial statements 2019

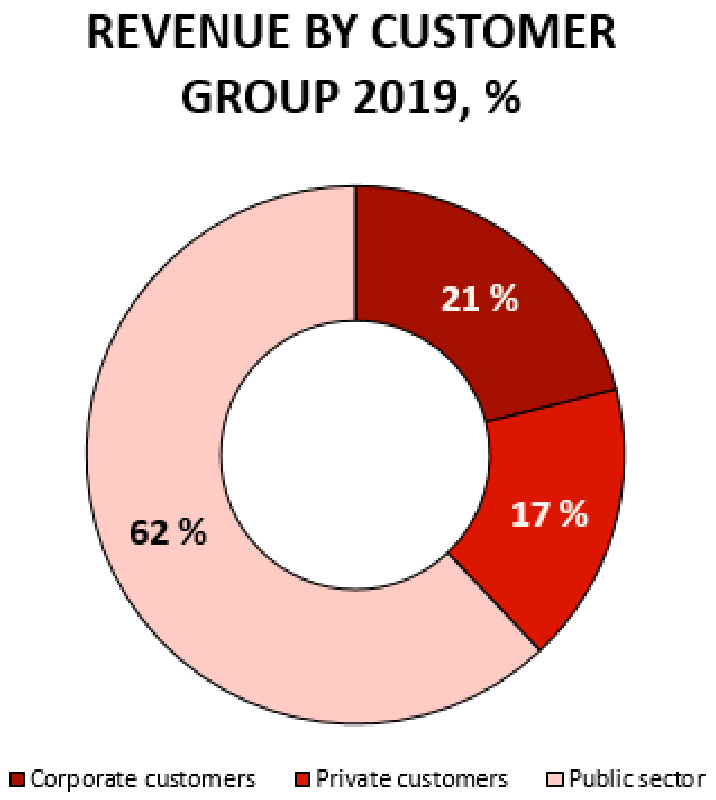
- Revenue amounted to EUR 518.6 (487.8) million – an increase of 6.3%
- Adjusted EBIT was EUR 20.8 (14.4) million / 4.0% (3.0%)
- Net debt / EBITDA 3.5 (3.9), objective less than 3%
- Adjusted EBITDA was EUR 55.1 (45.9) million
- Earnings per share (EPS) was EUR 0.15 (0.16)
- Mehiläinen announced a recommended cash tender offer for all shares in Pihlajalinna Plc on 5 November 2019
- Pihlajalinna adopted the new IFRS 16 Leases standard fully retrospectively on 1 January 2019. Restated comparable financial figures were published on 18 April 2019 for each reporting period in 2018.

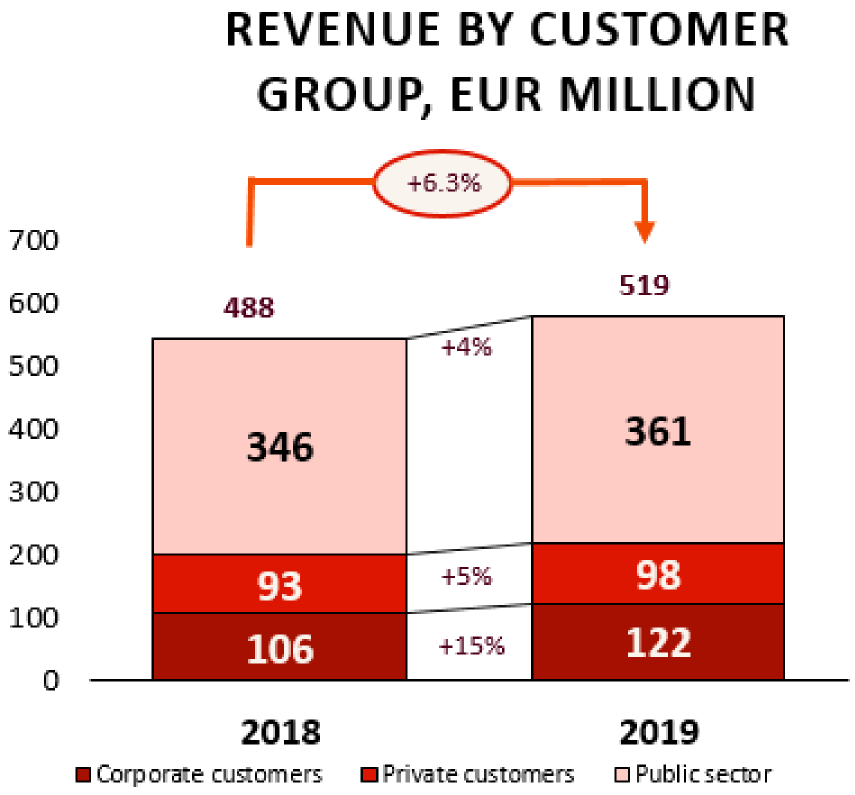
Development of profitability, EUR million



* Pihlajalinna adopted the new IFRS 16 Leases standard fully retrospectively on 1 January 2019. Restated comparable financial figures were published on 18 April 2019 for each reporting period in 2018.

Revenue by customer group 2019





Outlook for 2020

Because of the coronavirus pandemic, Pihlajalinna has temporarily withdrawn its outlook for 2020.

Pihlajalinna estimates that it will issue an updated outlook for 2020 later this year.

The impact of the coronavirus pandemic on business operations

- Pihlajalinna has temporarily closed all of its fitness centres to prevent the spreading of the coronavirus pandemic.
- The pandemic has also decreased the demand for non-urgent healthcare and oral health services.
- Fixed-price invoicing (such as social and healthcare services outsourcing) is related to a steady recognition of revenue as income. The coronavirus pandemic is also not expected to have a significant effect on the demand for housing services for the elderly or recruitment services.
- Demand for remote services has increased manifold compared to the beginning of the year.
- Adjustment measures have started for the entire personnel.

Assessing the financial impact of the coronavirus pandemic is challenging

- As the situation changes daily, it is hard to assess and predict the financial impact caused by the emergency laws issued by the Finnish Government and the duration of the coronavirus pandemic on Pihlajalinna's business operations.
- It is also difficult to comprehensively assess the financial impact because the pent-up demand for social services and healthcare as well as non-urgent care in wellness services is expected to increase once the situation goes back to normal.
- At the moment, it is difficult to assess the volume of services and workforce that the public sector will acquire from private companies.

Long-term financial objectives remain the same

- The trends and megatrends that accelerate the growth of Pihlajalinna’s business operations have not changed because of the coronavirus pandemic.
- The use of digital services and the structural changes in the production of social services and healthcare may even increase because of the coronavirus pandemic.
- Pihlajalinna’s long-term objectives — net debt remains less than 3 times EBITDA and operating profit (EBIT) over 7 per cent of revenue — are still the same.

Tender offer

- Mehiläinen Yhtiöt Oy launched a voluntary recommended cash tender offer for all shares in Pihlajalinna Plc
- The Board of Directors of Pihlajalinna has decided to recommend that the shareholders of Pihlajalinna accept the Tender Offer
- The offer price is EUR 16.00 in cash for each issued and outstanding share in Pihlajalinna
- Together, the companies can better serve the client organisations of municipalities, hospital districts and future counties as well as export Finnish social and healthcare expertise to the international market. Together, the companies have the opportunity to provide treatment and care of an even higher quality for the needs of an ageing Finland.

Schedule of the tender offer

- The tender offer was announced on 5 November 2019.
- The offer period continues until 10 July 2020.
- The European Commission referred the handling of the combination between the companies to the Finnish Competition and Consumer Authority (FCCA) on 28 January 2020.
- Mehiläinen Yhtiöt Oy submitted a formal merger control notification regarding the public tender offer to the FCCA on 10 February 2020.
- The FFCA completed the Phase I Investigation on 12 March 2020. The FCCA initiated the Phase II Investigation, which will end no later than 24 June 2020, unless the Finnish Market Court grants, upon application, an extension to the FCCA for investigating the case.
- Based on currently available information, the tender offeror expects to complete the tender offer towards the end of the second quarter of 2020 or at the latest during the third quarter of 2020.

Market review – The structural reform of healthcare and social services brings the focus on basic-level services and prevention

- In October 2019, the Finnish government provided additional information on the upcoming health and social services reform.
- The structural reform of health and social services will be based on 18 counties and five collaboration areas. The counties will be responsible for organising health and social services as well as rescue services. The structural reforms are based on the desire to ensure equal availability of services throughout Finland.
- According to the coalition agreement, counties will mainly produce the services as public services, and the private and third sector act as supplementary service producers.

Market review – Pihlajalinna's situation

- Pihlajalinna's view is that partnerships between the public sector and private corporations are a good solution for satisfying the growing demand.
- During the past decade, services provided by private operators have increased strongly in care services and specialised care services. This development has taken place without government guidance or decisions.
- Pihlajalinna's partnerships with municipalities have shown that the costs of public services can be reduced while making it faster to access care. There is a clear need for Pihlajalinna's service models in the current municipal sector in Finland. For example, ten municipalities in the Päijät-Häme region are planning to outsource health centre operations with a joint venture model.
- The situation in the private market remains unchanged. The occupational healthcare market is expected to grow as many public sector entities are interested in divesting the occupational healthcare providers they currently own.

Pihlajalinna's financial reporting in 2020

- Interim report January–March: Friday, 8 May 2020
- Half-year financial report January–June: Friday, 14 August 2020
- Interim report January–September: Wednesday, 4 November 2020

Thank you!