



Pihlajalinna
KOKO SUOMEN LÄÄKÄRIKESKUS

Half year financial report H1/2021

Joni Aaltonen, CEO
13 August 2021

Q2/2021: Revenue increased, profitability improved substantially

- Revenue amounted to EUR 142.5 (114.7) million – an increase of EUR 27.9 million, or 24.3 per cent
- **Adjusted EBITDA was EUR 15.2 (9.0) million – an increase of 68.7 per cent**
- **Adjusted EBIT was EUR 6.5 (0.6) million – an increase of 950.8 per cent**
- **IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.5 (0.8) million on operating profit**
- Earnings per share (EPS) was EUR 0.20 (-0.03)
- COVID-19 services revenue amounted to EUR 8.1 million, or 5.7 per cent of the revenue for the quarter.
- Appointments at Pihlajalinna's private clinics grew by approximately 33 per cent year-on-year, with remote services representing 41 per cent of all appointments (excluding municipal outsourcings).
- The transaction of Työterveys Virta Oy was completed on 1 April 2021. The acquisition increased revenue by EUR 3.7 million, or 3.3 per cent.
- Pihlajalinna will acquire Pohjola Hospital Ltd. In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance. The acquisition will be implemented after the FCCA's approval, and its estimated time of completion is at the turn of year 2021–2022.
- The service hours of Pihlajalinna's customer service and Nurse Telephone Service were extended to 24/7 in May. In addition, Pihlajalinna Health Application's remote consultation now serves customers around the clock.



Q2/2021: Revenue increased, profitability improved substantially

- Revenue amounted to EUR 142.5 (114.7) million – an increase of EUR 27.9 million, or 24.3 per cent
- **Adjusted EBITDA excluding IFRS 3 costs was EUR 15.9 (9.1) million – an increase of 75.3 per cent**
- **Adjusted EBIT excluding IFRS 3 costs and PPA-amortisation was EUR 7.9 (1.4) million – an increase of 459.3 per cent**
- Earnings per share (EPS) was EUR 0.20 (-0.03)
- COVID-19 services revenue amounted to EUR 8.1 million, or 5.7 per cent of the revenue for the quarter.
- Appointments at Pihlajalinna's private clinics grew by approximately 33 per cent year-on-year, with remote services representing 41 per cent of all appointments (excluding municipal outsourcings).
- The transaction of Työterveys Virta Oy was completed on 1 April 2021. The acquisition increased revenue by EUR 3.7 million, or 3.3 per cent.
- Pihlajalinna will acquire Pohjola Hospital Ltd. In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance. The acquisition will be implemented after the FCCA's approval, and its estimated time of completion is at the turn of year 2021–2022.
- The service hours of Pihlajalinna's customer service and Nurse Telephone Service were extended to 24/7 in May. In addition, Pihlajalinna Health Application's remote consultation now serves customers around the clock.



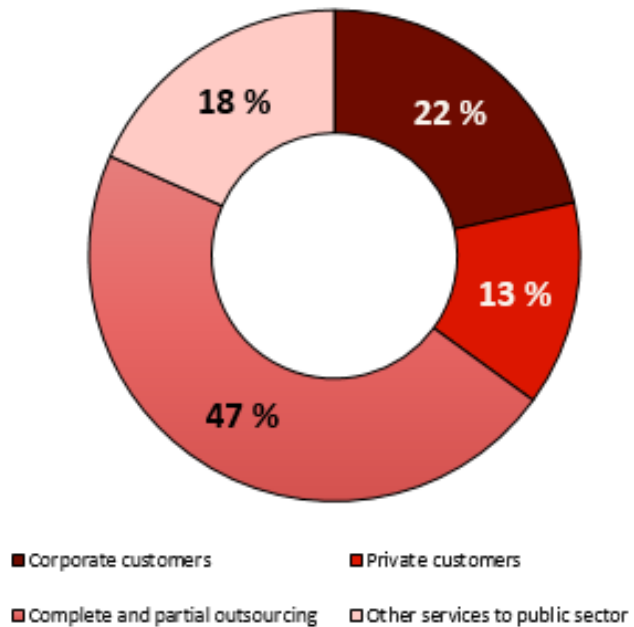
Q2/2021: Main points by customer group

EUR million	4–6/2021	4–6/2020	change	change %	2020
Corporate customers	34.7	26.5	8.1	30.7%	123.8
of which insurance company customers	7.9	6.6	1.3	19.4%	29.8
Private customers	21.7	15.1	6.6	44.1%	80.4
Public sector	104.6	89.0	15.6	17.5%	370.0
of which complete outsourcing	75.1	70.0	5.0	7.2%	287.9
of which staffing	6.8	5.9	0.9	15.7%	22.9
of which occupational healthcare and other services	22.7	13.1	9.6	73.8%	59.2
Intra-Group sales	-18.4	-15.9	-2.5	15.8%	-65.6
Total consolidated revenue	142.5	114.7	27.9	24.3%	508.7

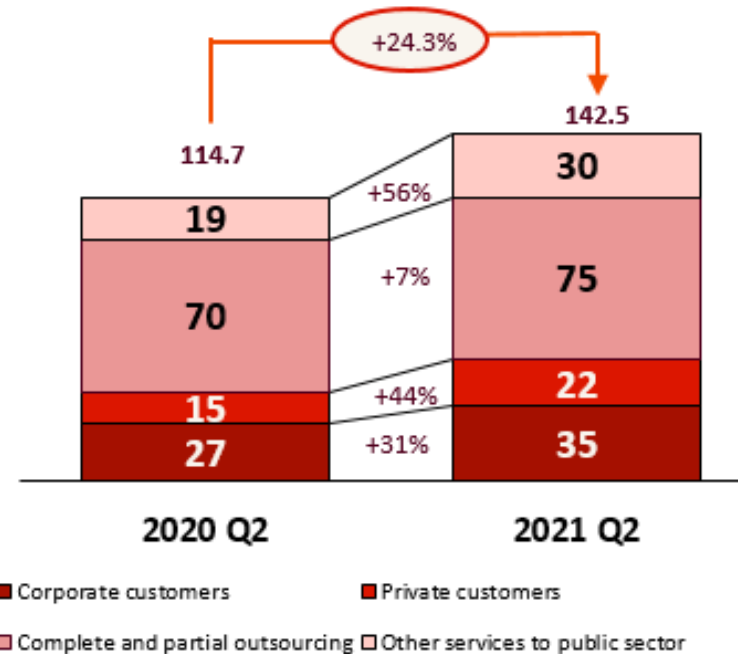
- **Corporate customers: +30.7%.** Sales to insurance company customers increased by EUR 1.3 million, or 19.4 per cent. In the corporate customer group, COVID-19 services increased revenue by EUR 1.8 million. Appointments at Pihlajalinna's private clinics increased by 23 per cent year-on-year and were almost on a par with 2019.
- **Private sector: +44.1%.** Revenue from fitness centres increased by EUR 2.2 million in spite of the COVID-19 closure in April. In the private customer group, COVID-19 services increased revenue by EUR 0.5 million. Appointments at Pihlajalinna's private clinics increased by 18 per cent year-on-year but were still 24 per cent lower than in 2019 still due to COVID-19 epidemic.
- **Public sector: +17.5%.** COVID-19 services to the public sector increased revenue by EUR 5.9 million. The partial outsourcing agreement with Kristiinankaupunki and the index adjustments to complete outsourcing agreements increased revenue by a total of EUR 4.3 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 3.4 million. Appointments at Pihlajalinna's private clinics increased by 101 per cent year-on-year and were 77 per cent higher than in 2019. Without the acquisition of Työterveys Virta, appointments would have increased by 29 per cent year-on-year and by 14 per cent compared to 2019.

Revenue by customer group Q2/2021

REVENUE BY CUSTOMER GROUP
Q2 2021, %

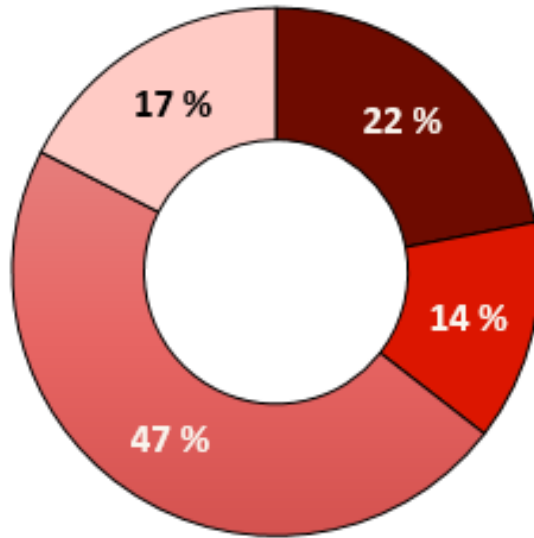


REVENUE BY CUSTOMER GROUP Q2
2021, EUR MILLION



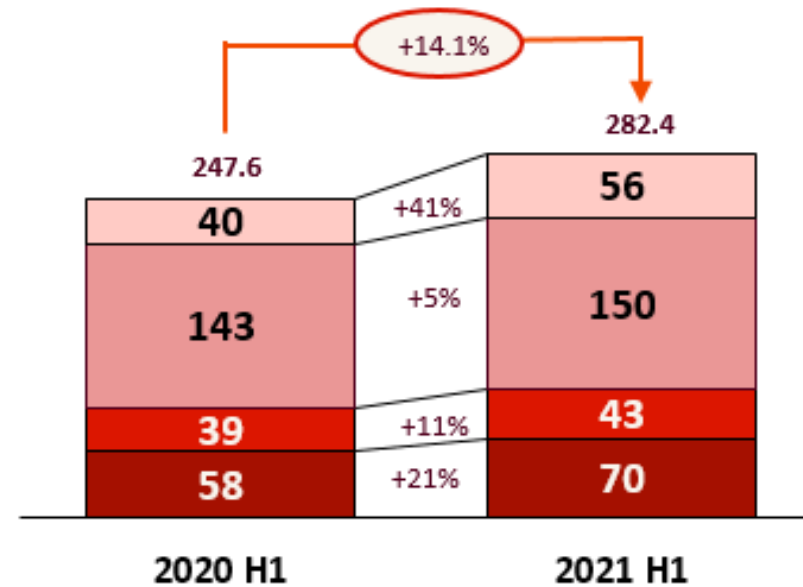
Revenue by customer group H1/2021

REVENUE BY CUSTOMER GROUP
H1 2021, %



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

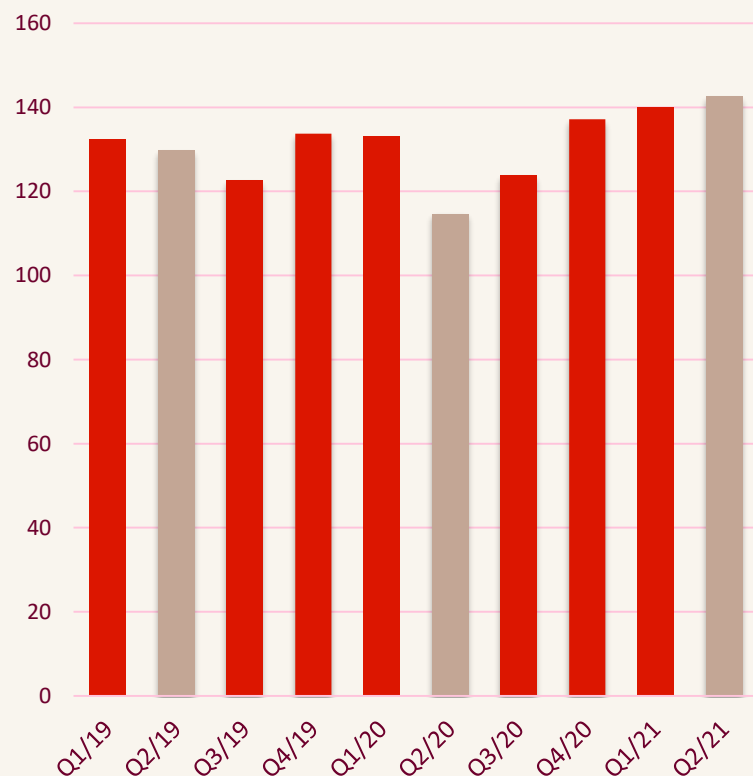
REVENUE BY CUSTOMER GROUP H1
2021, EUR MILLION



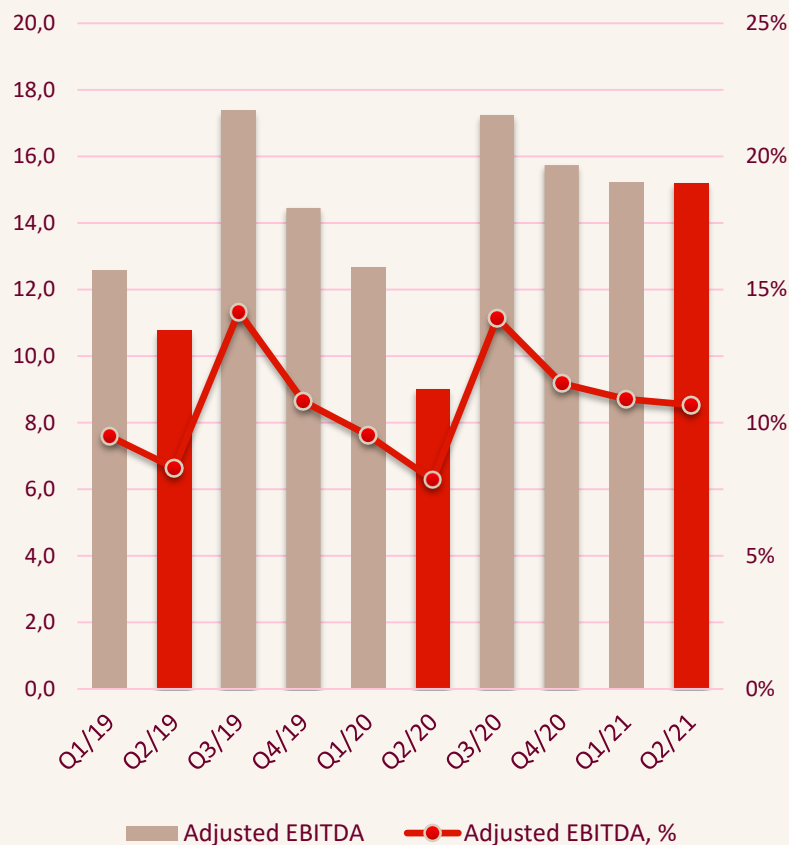
■ Corporate customers ■ Private customers
■ Complete and partial outsourcing ■ Other services to public sector

Consolidated Revenue and profitability, EUR million

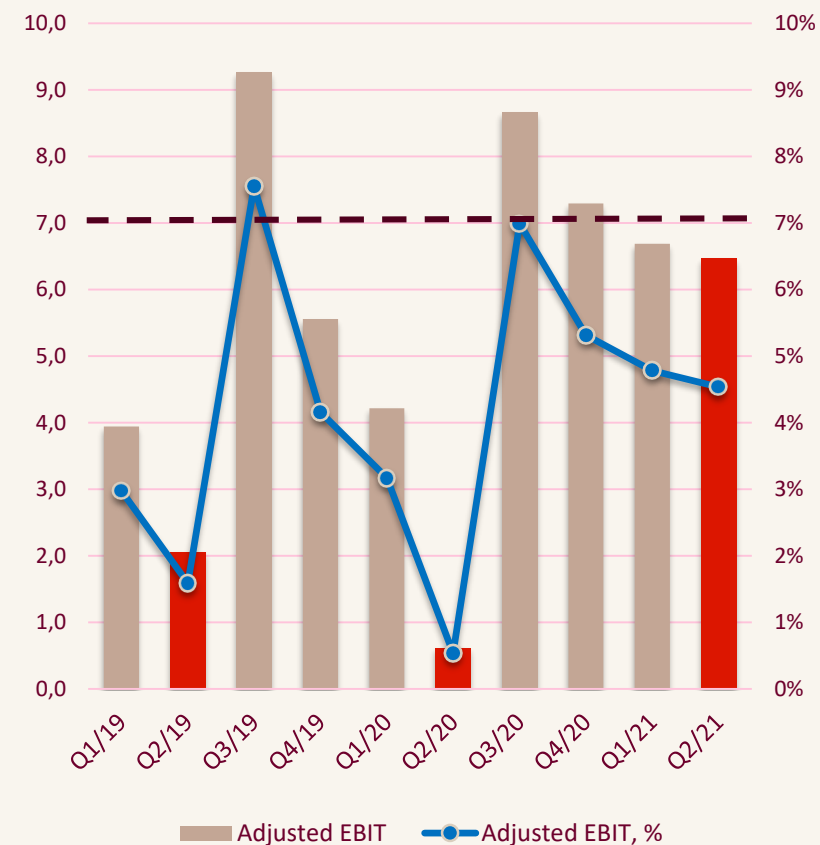
Revenue



Adjusted EBITDA

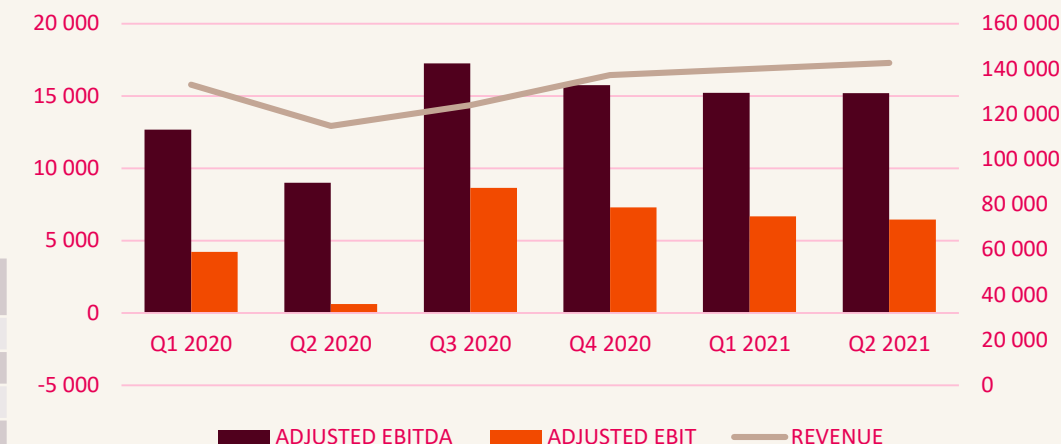


Adjusted EBIT

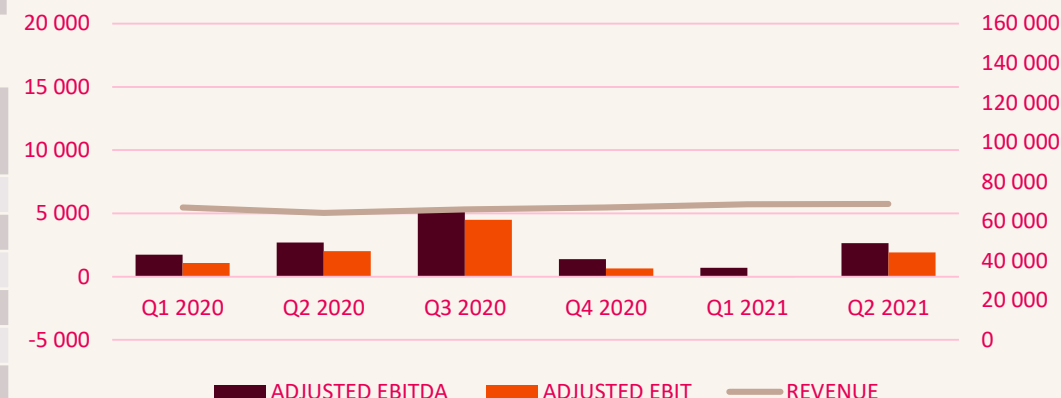


The structure of business operations and profitability

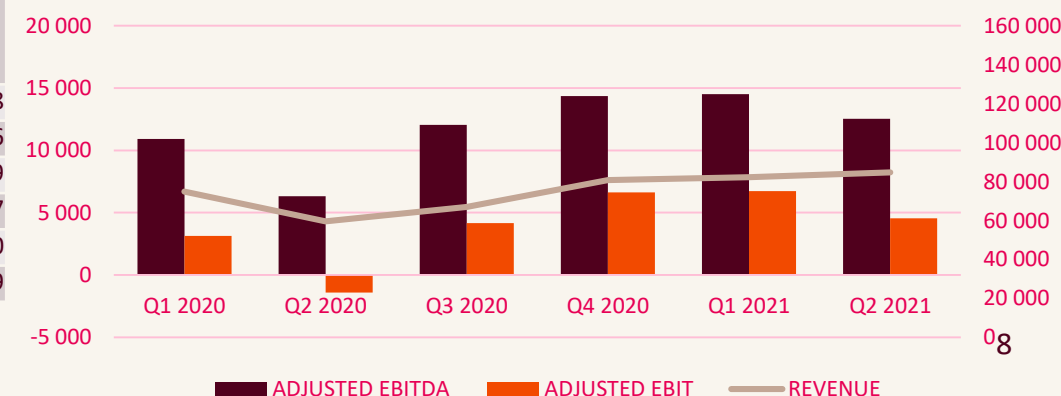
Pihlajalinna Group	H1 2021	H1 2020	2020	2019
Revenue, EUR million	282.4	247.6	508.7	518.6
Adjusted EBITDA, EUR million	30.4	21.7	54.6	55.1
Adjusted EBITDA, %	10.8	8.8	10.7	10.6
Adjusted operating profit (EBIT), EUR million	13.2	4.8	20.8	20.8
Adjusted operating profit, %	4.7	2.0	4.1	4.0
Profit before tax (EBT), EUR million	11.4	1.1	13.8	6.3



Complete and partial outsourcing, eliminated	H1 2021	H1 2020	2020	2019
Revenue, EUR million	137.4	131.2	264.2	262.4
Adjusted EBITDA, EUR million	3.4	4.4	11.0	17.5
Adjusted EBITDA, %	2.4	3.4	4.2	6.7
Adjusted operating profit (EBIT), EUR million	1.9	3.1	8.2	15.1
Adjusted operating profit, %	1.4	2.3	3.1	5.8
Profit before tax (EBT), EUR million	1.7	3.0	8.1	12.8

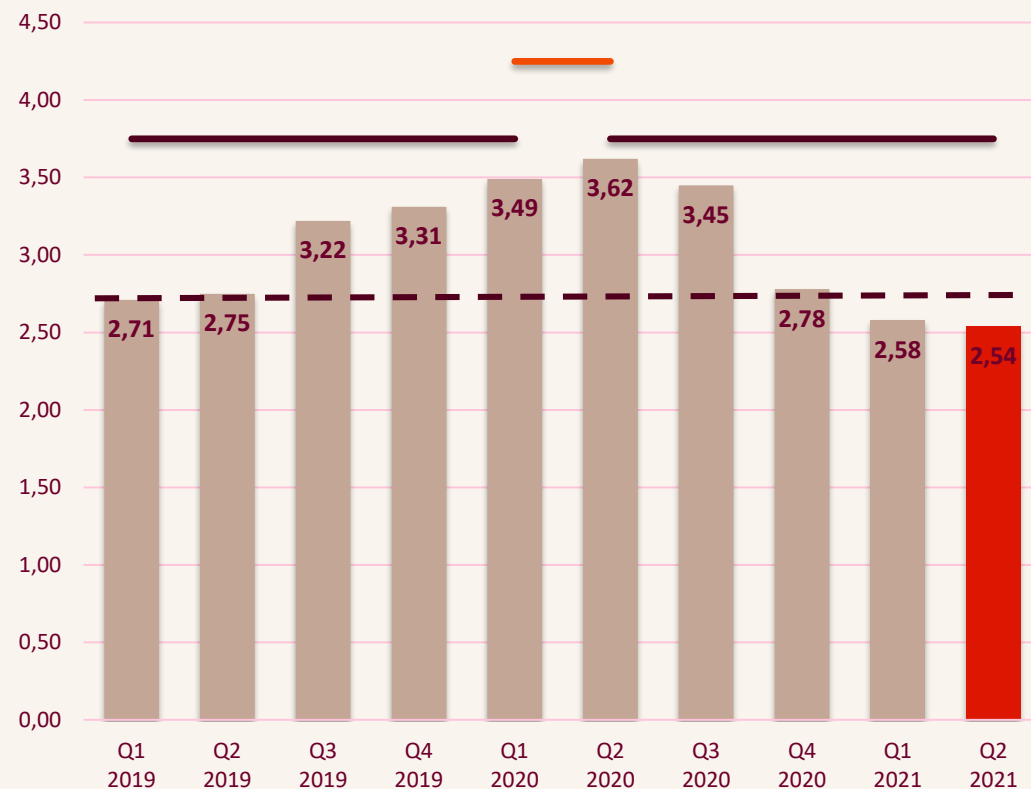


Group excluding complete and partial outsourcing	H1 2021	H1 2020	2020	2019
Revenue, EUR million	167.1	134.4	282.0	290.8
Adjusted EBITDA, EUR million	27.1	17.2	43.7	37.6
Adjusted EBITDA, %	16.2	12.8	15.5	12.9
Adjusted operating profit (EBIT), EUR million	11.3	1.7	12.6	5.7
Adjusted operating profit, %	6.7	1.3	4.5	2.0
Profit before tax (EBT), EUR million	10.5	-1.9	6.6	3.9



Indebtedness and Net Working Capital, EUR million

Leverage according to financing arrangement
(frozen GAAP)

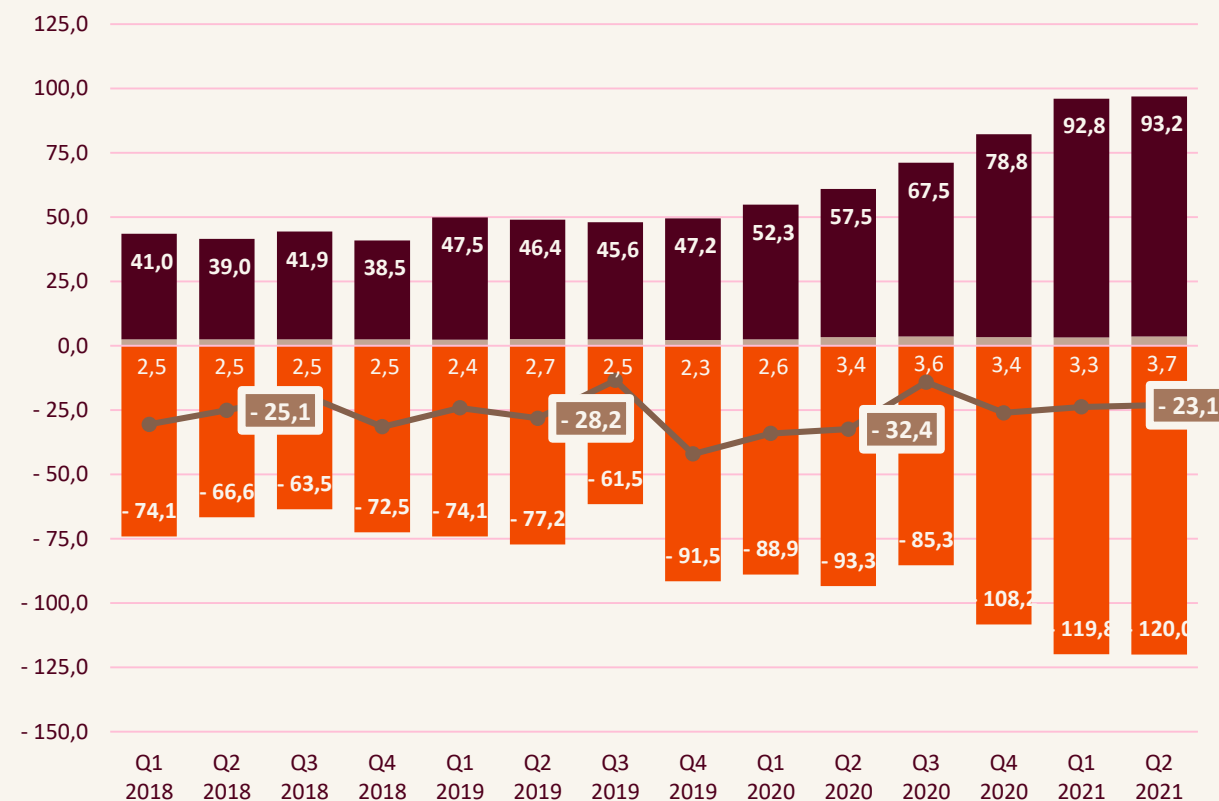


■ Leverage (net debt to pro forma EBITDA)

— Covenant level 3.75

— Temporary covenant level 4.25

Net Working Capital, FAS



■ Inventories

■ Trade and other receivables

■ Trade and other payables

— Net Working Capital (NWC)

Pihlajalinna acquires Pohjola Hospital Ltd

- Pihlajalinna has agreed to acquire the entire share capital of Pohjola Hospital Ltd from Pohjola Insurance Ltd.
- The net debt-free purchase price, paid in cash, is EUR 31.8 million.
- In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance.
- The acquisition of Pohjola Hospital will strengthen Pihlajalinna's competitiveness in both the public and private health services market.
- The Finnish Competition and Consumer Authority will be notified of the business acquisition arrangement. The acquisition will be implemented after the Finnish Competition and Consumer Authority's approval, and its estimated time of completion is at the turn of year 2021–2022.

Pihlajalinna





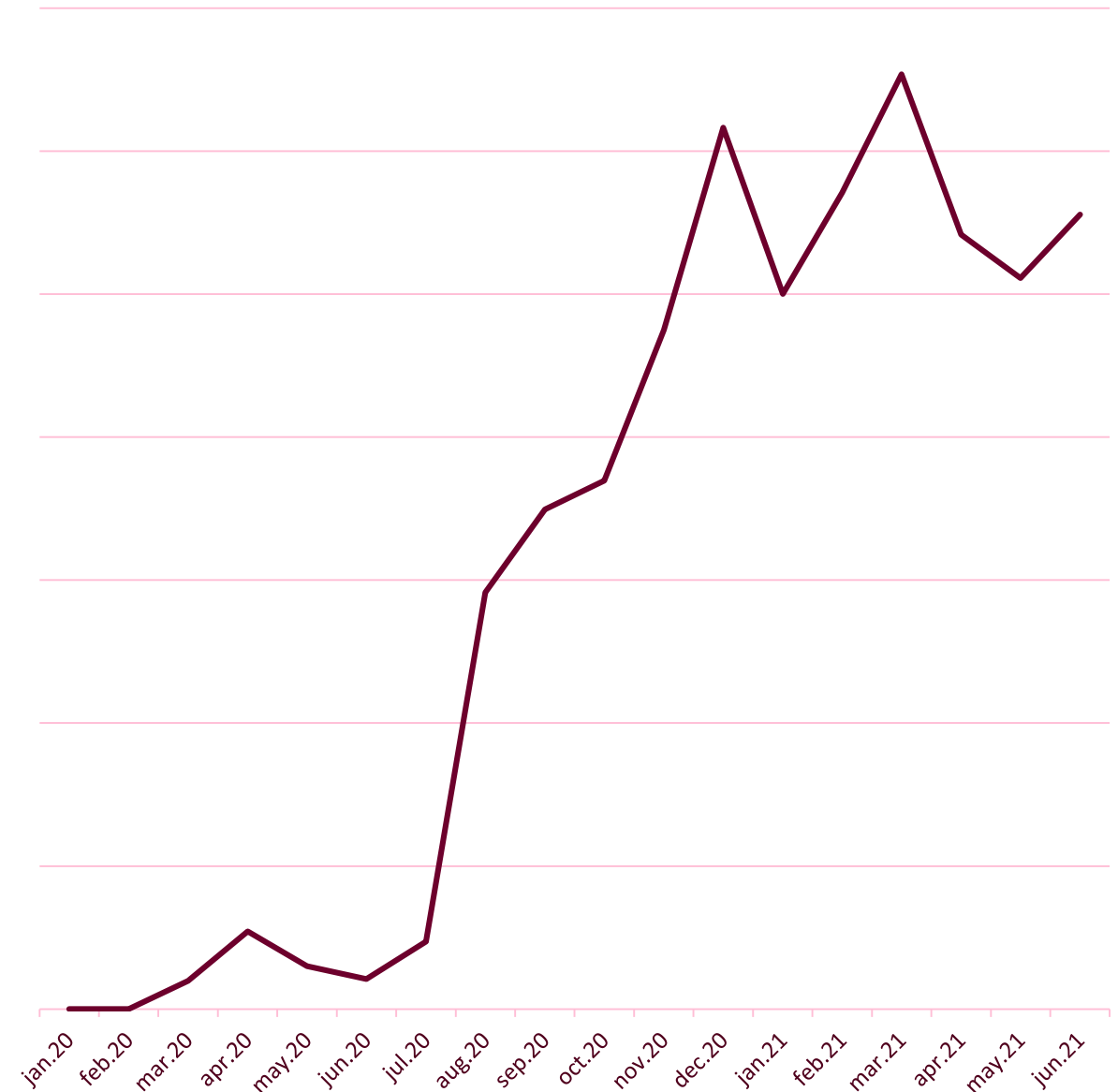
Pihlajalinna's outlook for 2021 unchanged

Pihlajalinna's consolidated revenue is expected to increase clearly and adjusted EBIT is expected to improve clearly compared to 2020.

The acquisition of Pohjola Hospital does not have an impact on Pihlajalinna's outlook for the year 2021. The Finnish Competition and Consumer Authority (FCCA) will be notified of the transaction. The acquisition will be implemented after the FCCA's approval, and its estimated time of completion is at the turn of year 2021–2022.

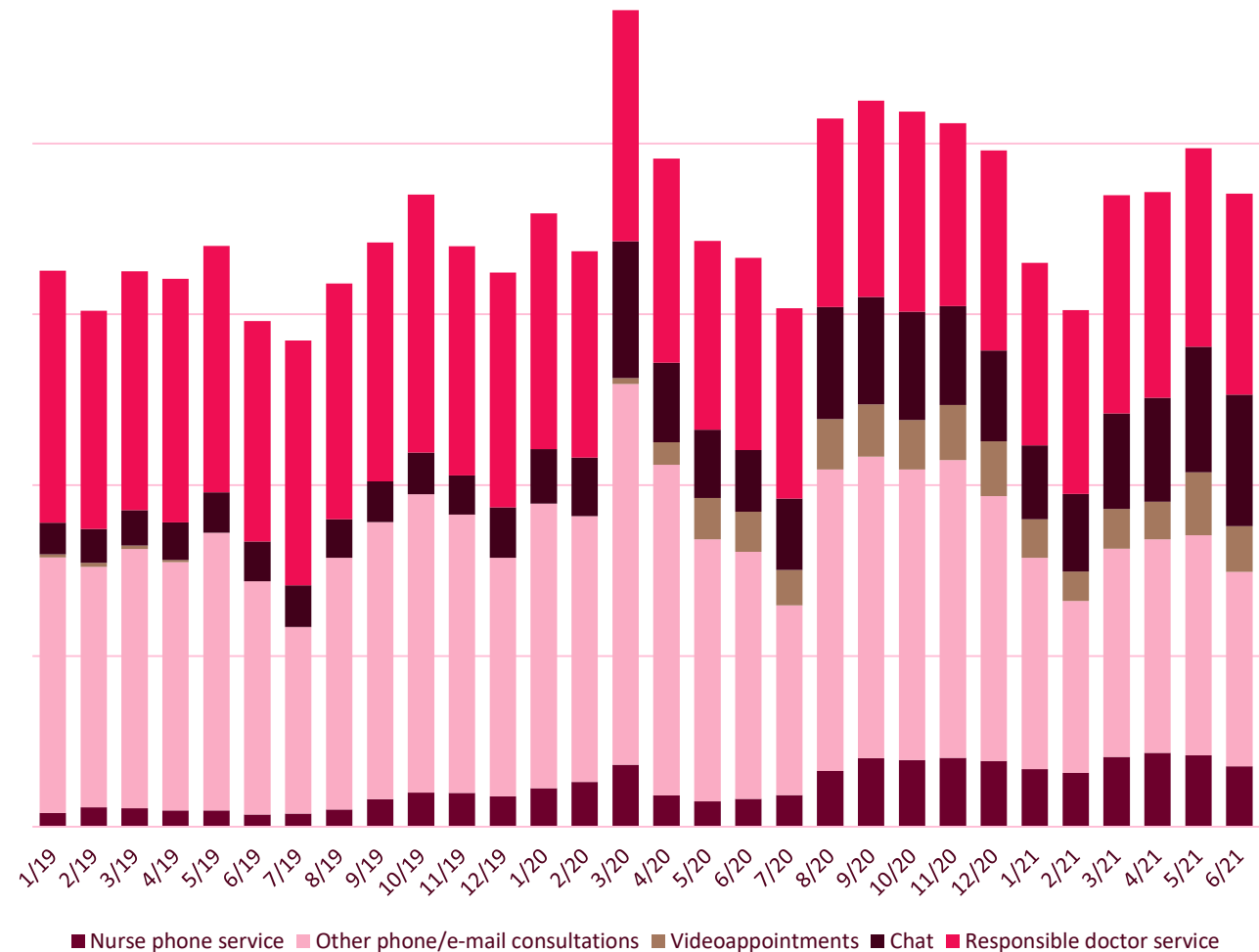
COVID-19 services Q2/2021

- COVID-19 services include COVID-19 testing, sample collection, vaccination and other potential services directly related to managing the COVID-19 epidemic.
- COVID-19 services revenue amounted to EUR 8.1 million, or 5.7 per cent of the revenue for the quarter.
- The most significant new service sales agreements included the extension of the COVID-19 sampling agreement with HUS, COVID-19 testing services for the City of Oulu, health advisory services for the ports of Helsinki, staffing services concerning COVID-19 vaccination personnel in the Turku region and for the City of Helsinki.



Pihlajalinna's remote services Q1/2021

- The COVID-19 epidemic has caused rapid changes in consumer behaviour and, for example, guided service users to digital channels.
- Pihlajalinna's preparedness to deliver extensive remote services proved to be good.
- Some 41 per cent of all appointments* at Pihlajalinna took place in digital channels during the second quarter.
- The remote services complement the public services of the joint ventures owned by Pihlajalinna together with the municipalities.



The new sales strategy is reflected in growth in revenue

- The renewal of the sales strategy is now reflected in concrete growth in revenue.
- We shifted the focus of public sector sales from the outsourcing market to the service sales market, which will only be affected to a minor extent by the planned reform of health and social services.
- The most significant new service sales agreements signed during the first half of the year included
 - extension of the COVID-19 sampling agreement with HUS
 - COVID-19 testing services for the City of Oulu
 - health advisory services for the Ports of Helsinki
 - telephone services and the assessment of the need for treatment for the City of Vantaa
 - staffing services concerning COVID-19 vaccination personnel in the Turku region and for the City of Helsinki
 - remote doctor consultations for the City of Helsinki
 - healthcare services for the municipality of Hailuoto
 - medical specialist services for the City of Seinäjoki.



240 000 persons within the scope of occupational healthcare services

- Occupational healthcare continues to grow and service demand has been strong in spite of the COVID-19 epidemic.
- The key drivers of growth include digital services and competitive pricing as well as successful acquisitions.
- The number of people within the scope of Pihlajalinna's occupational healthcare services was approximately 240,000 at the end of the review period.
- During the summer we have signed new multi-year agreement on occupational healthcare services for example with UPM.





Digital Health Solutions

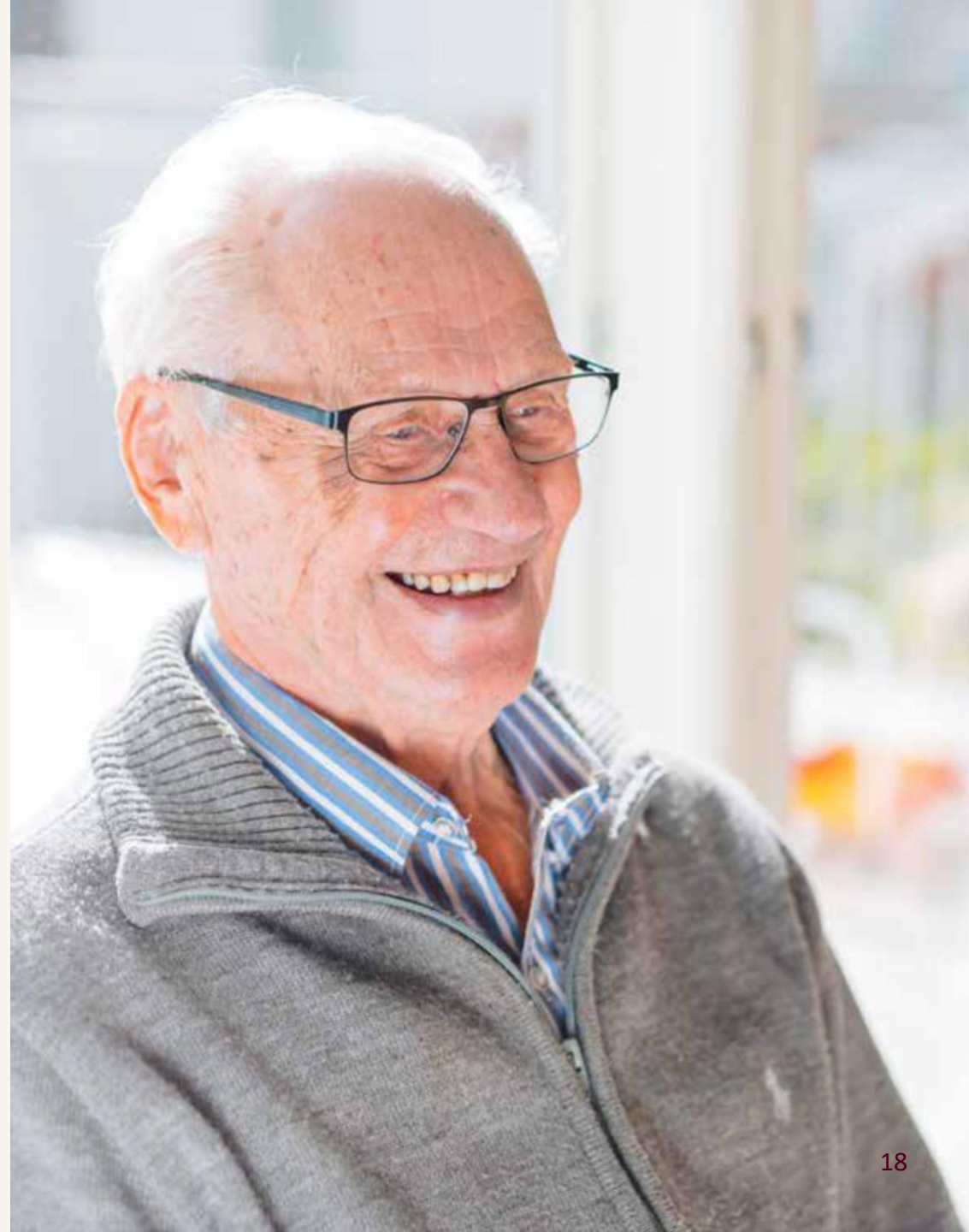
- Our digital services were strengthened further in June when we added “Digiterveys” to our service offering.
- Pihlajalinna acquired a stake in Digital Health Solutions Ltd and agreed on the future acquisition of the company’s entire share capital from its current owners. The acquisition involves extensive cooperation with the company and its main shareholders.
- The “Digiterveys” service concept has been developed to support the wellbeing of the employees of companies and groups in various ways. It helps organisations look after individuals in times of change.
- The service concept is based on research and scientific data and it was developed by Pekko Vehviläinen, DSc (Technology), and Exercise Physiologist Minna Tervo, PhD (Sport Sciences). Vehviläinen and Tervo will continue to work on the development of the service concept after the transaction.

Digital development in 2021

- During the financial year 2021, the Group will develop preventive operating models that will be conceptualised to create service packages that combine wellbeing and healthcare on Pihlajalinna's website and health application.
- We launched a low-threshold mental health service called Mielen huoli, in our remote service channels. In the beginning of summer, our range of services will include exercise referral, which will strengthen the cross-selling of healthcare and wellbeing services.
- The personalisation of services will be developed through the targeted offering of Pihlajalinna's and its partners' services.
- Opportunities for remote consultations will be expanded and harmonised.
- The range of partnership-based services and analytics offered to occupational healthcare customers via the Occupational Healthcare Portal will be developed and expanded.
- Situational awareness of the care chain will be developed for insurance customers.
- A professionals' mobile application will be developed for Pihlajalinna's employees and practitioners to enable them to carry out their duties efficiently and flexibly when they work remotely.
- The ERP system of fitness centres and the Group's procure-to-pay system will be replaced.
- In dental care, a new patient data system was fully deployed in May 2021.

The operating environment

- On 29 June 2021, the President of the Republic of Finland confirmed the legislation on reforming healthcare, social welfare and rescue services. The reforms will see the responsibility for the organisation of healthcare, social welfare and rescue services transferred from municipalities to 21 wellbeing services counties, the City of Helsinki and partially to the joint county authority for the Hospital District of Helsinki.
- As a result of the reform of healthcare, social welfare and rescue services, the focus of services funded by tax revenue will shift to services provided by the public sector. The aim is to create equal services, speed up access to care and strengthen the proactive approach in healthcare.
- Even if public sector services are complemented by private sector services in the future, private operators in the field of social and healthcare services have expressed criticisms regarding the Government proposal. One of these criticisms is that, if implemented, the restriction on the use of purchased services would reduce public sector decision-makers' ability to control the rising costs of social and healthcare services. Rising costs may also lead to increased inequality if the wellbeing services counties end up in a situation where they are forced to downscale their services and concentrate service provision in larger municipalities.
- In the initial stages of the reforms, the funding of the wellbeing services counties will primarily consist of central government funding. The counties will receive funding based on needs criteria, which include, for example, population size, age structure, sickness rate, bilingualism and population growth.
- It is difficult to anticipate the impacts of the reforms and there are significant differences between the assessments of various parties. The Finnish Association of Private Care Providers, which represents private healthcare companies and organisations, expects that the reforms will weaken the ability of the wellbeing services counties to use companies and organisations to provide care for their residents.



The operating environment

- The number of voluntary medical expenses insurance policies has increased by more than 50 per cent between 2009 and 2020. Approximately 1.25 million Finns currently have voluntary medical expenses insurance.
- In spite of the progress made with COVID-19 vaccinations, the global pandemic has not yet been over-come. The number of COVID-19 infections began to increase again in Finland during the summer. According to the COVID-19 vaccination monitoring of the Finnish Institute for Health and Welfare, 66.2 per cent of the population had received the first dose and 35.1 per cent had received the second dose in Finland by 1 August 2021.
- The distribution of COVID-19 vaccines is managed by Finnish municipalities. Pihlajalinna, for example, has vaccinated a large number of social services and healthcare personnel across Finland. Employer organisations have shown an interest in purchasing COVID-19 vaccination services from private sector service providers.
- In the public sector, queues for treatment have increased in general due to COVID-19. In April 2021, approximately 4,300 people had waited for access to primary care for more than three months. At the end of April, a total of 26,709 people had waited for specialised care for more than three months.
- According to the interim economic forecast published by the Bank of Finland on 15 June 2021, the Finnish economy will be boosted by export demand and household consumption. The Finnish economy is expected to grow by 2.9 per cent in 2021, with the fastest growth taking place in the latter part of the year, with economic growth of 3.0 per cent expected in 2022. The interim forecast underscores that the development of the epidemiological situation continues to create significant uncertainty in the forecast.



Pihlajalinna's financial reporting in 2021

- Interim report January–September: Thursday, 4 November 2021

Thank you!

