Pihlajalinna
KOKO SUOMEN LÄÄKÄRIKESKUS

Interim report Q1/2021

Joni Aaltonen, CEO
7 May 2021

Q1/2021: Revenue increased and profitability improved

- Revenue amounted to EUR 139.9 (133.0) million – an increase of 5.2%
- Adjusted EBITDA was EUR 15.2 (12.7) million – an increase of 20.2%
- Adjusted EBIT was EUR 6.7 (4.2) million – an increase of 58.7%
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 0.7 (0.9) million on operating profit
- Earnings per share (EPS) was EUR 0.20 (0.06)
- Although the demand for healthcare services is returning to normal, the customer volumes of Pihlajalinna's private clinics were approximately 13 per cent lower than in the comparison period.
- COVID-19 testing volumes increased by 65 per cent compared to the previous quarter. Remote services represented 39 per cent of all consultations.
- Revenue from surgical operations increased.
- Pihlajalinna won a public bidding competition for the sale of Työterveys Virta Oy's entire share capital and occupational healthcare services. Pihlajalinna's position in North Ostrobothnia will strengthen significantly due to the acquisition. The transaction was completed on 1 April 2021.

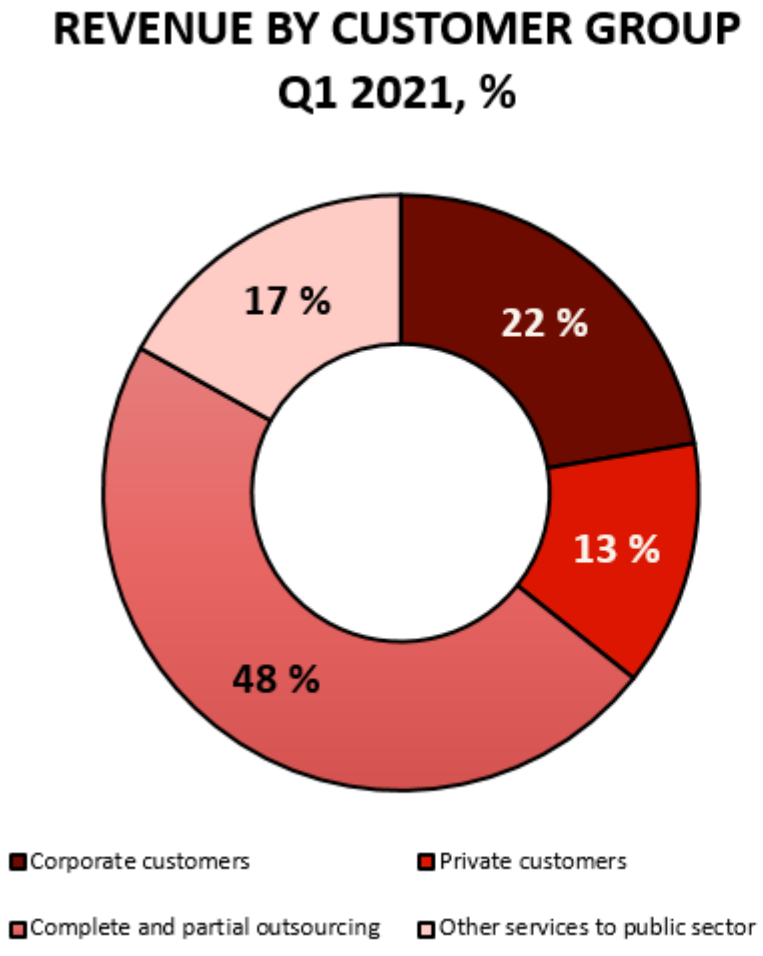
Pihlajalinna

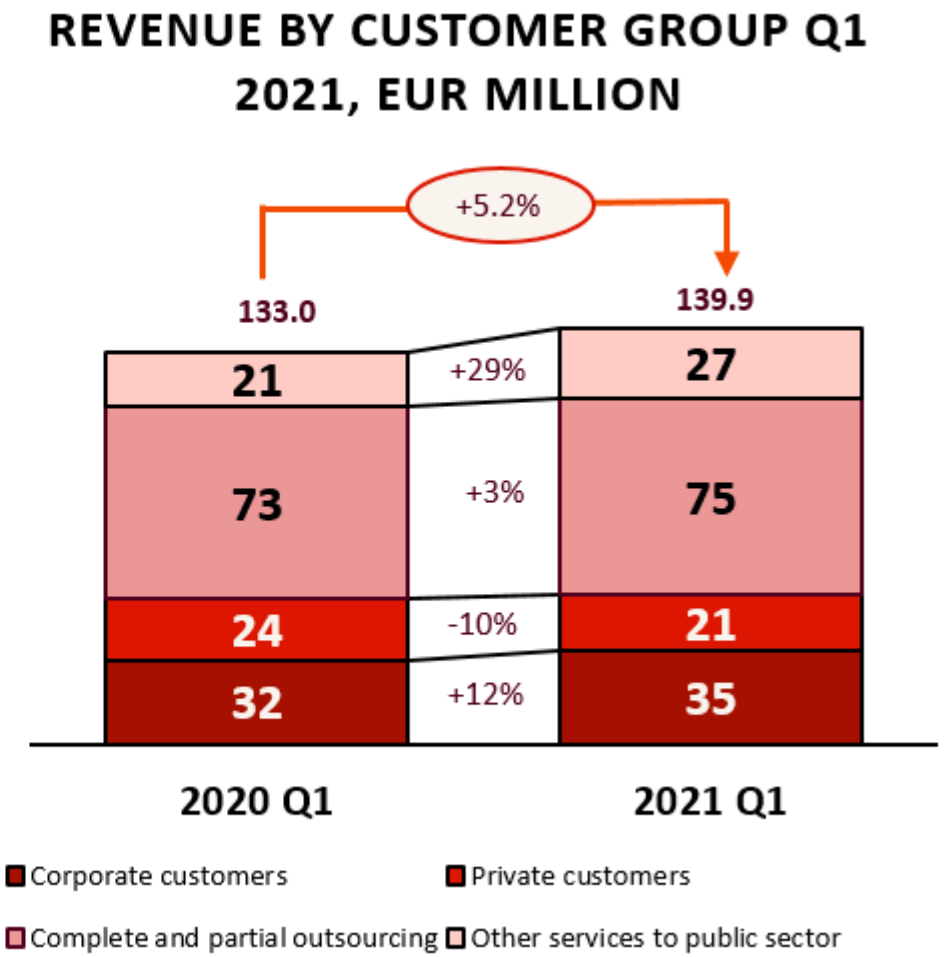
Q1/2021: Main points by customer group

EUR million	1–3/2021	1–3/2020	change	change %	2020
Corporate customers	35.4	31.6	3.7	11.8	124.0
of which insurance company customers	8.5	8.3	0.1	1.8	29.8
Private customers	21.1	23.5	-2.4	-10.1	79.8
Public sector	101.7	93.9	7.9	8.4	370.5
of which complete outsourcing	74.9	73.0	1.9	2.7	287.9
of which staffing	6.5	5.6	0.8	14.3	22.9
of which occupational healthcare and other services	20.3	15.2	5.1	33.8	59.7
Intra-Group sales	-18.3	-16.0	-2.3		-65.6
Total consolidated revenue	**139.9**	**133.0**	**6.9**	**5.2**	**508.7**

- **Corporate customers: +11.8%.** Sales to insurance company customers increased by EUR 0.1 million, or 1.8 per cent. In the corporate customer group, COVID-19 testing increased revenue by EUR 2.8 million. Revenue from surgical operations increased. The customer volumes of Pihlajalinna's private clinics were 11 per cent lower than in the comparison period.
- **Private sector: –10.1%.** The decline in customer volumes caused by the COVID-19 epidemic reduced the revenue of fitness centres by 35 per cent, or EUR 1.6 million. In the private customer group, COVID-19 testing increased revenue by EUR 0.5 million. Revenue from surgical operations increased. The customer volumes of Pihlajalinna's private clinics were 20 per cent lower than in the comparison period.
- **Public sector: +8.4%.** COVID-19 testing as a partner to the public sector increased revenue by EUR 4.7 million. The start of the partial outsourcing agreement in Kristiinankaupunki on 1 January 2021 increased revenue by EUR 1.3 million. Revenue from staffing services and remote services increased. The customer volumes of occupational healthcare visits in Pihlajalinna's private clinics were 7 per cent lower than in the comparison period. The COVID-19-related costs, such as COVID-19 testing, of complete outsourcing agreements for social and healthcare services do not increase Pihlajalinna's revenue, as they are treated as cost compensation under the agreements.

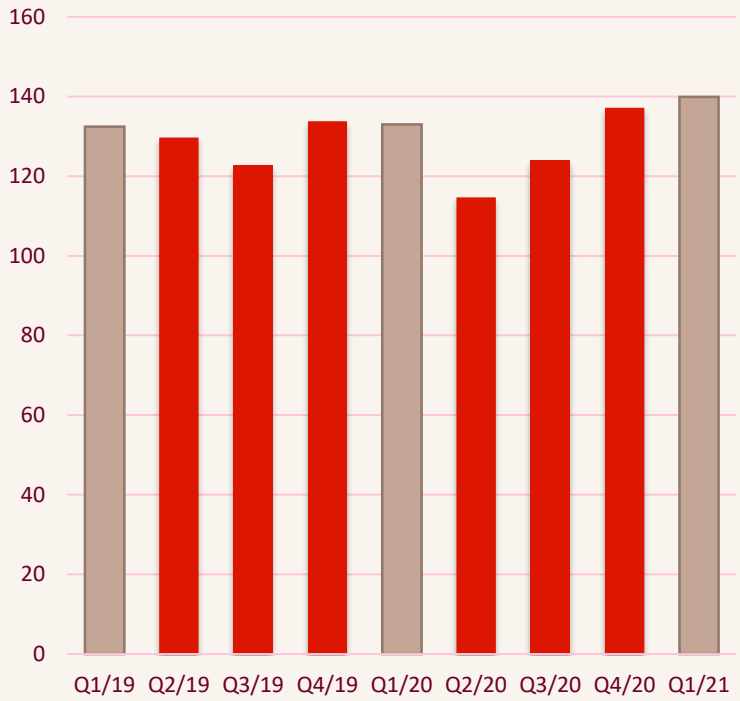
Revenue by customer group Q1/2021



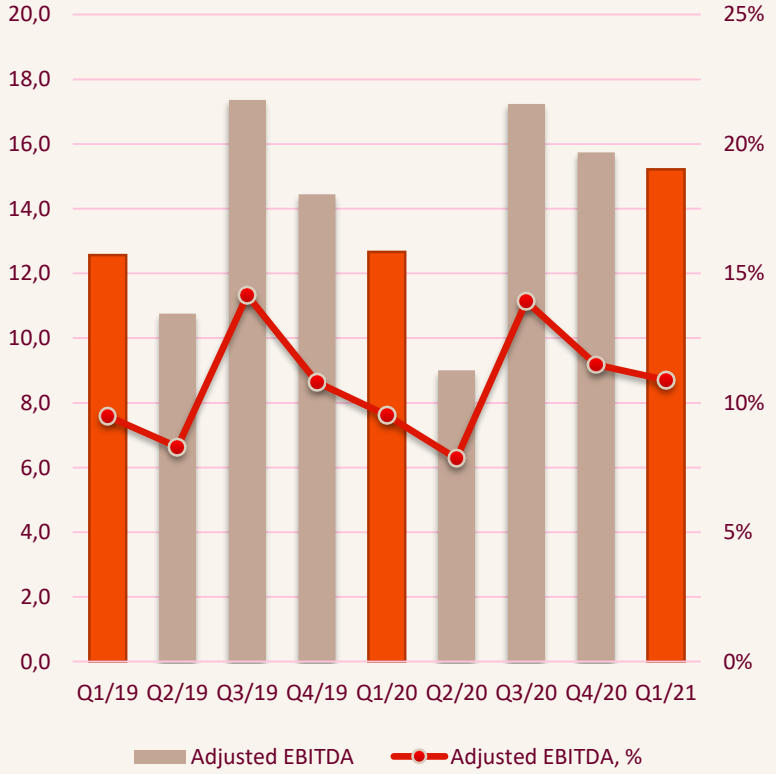


Consolidated Revenue and profitability, EUR million

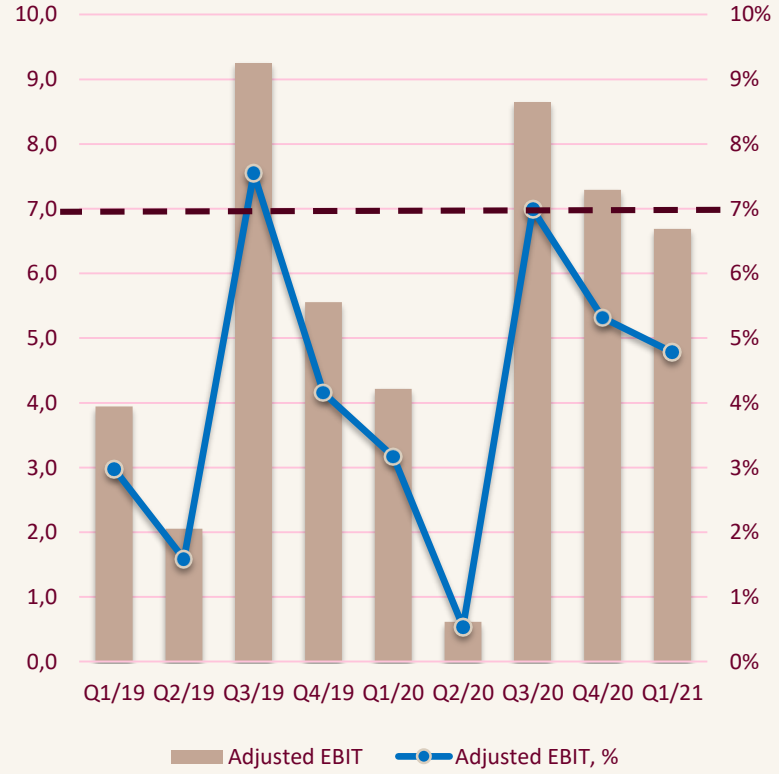
Revenue



Adjusted EBITDA

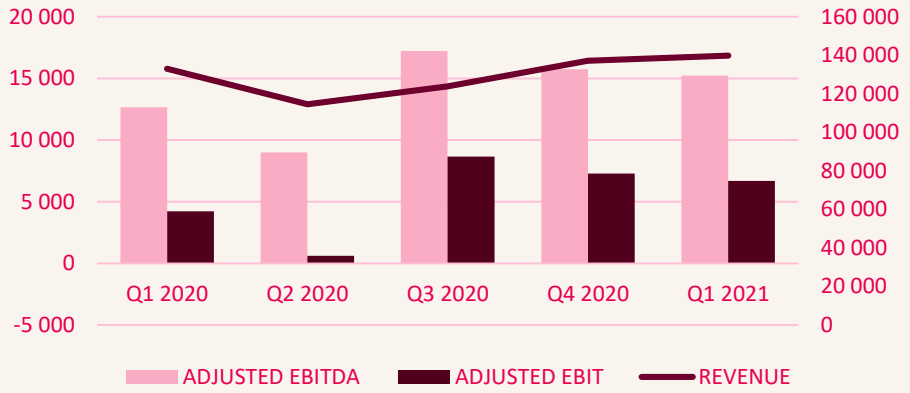


Adjusted EBIT

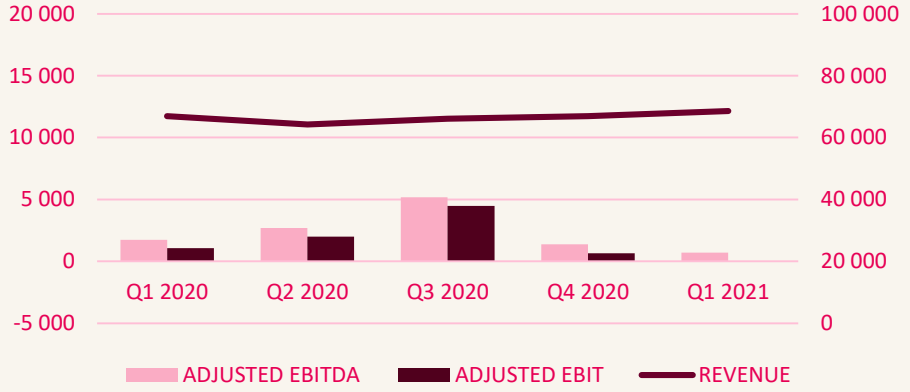


The structure of business operations and profitability

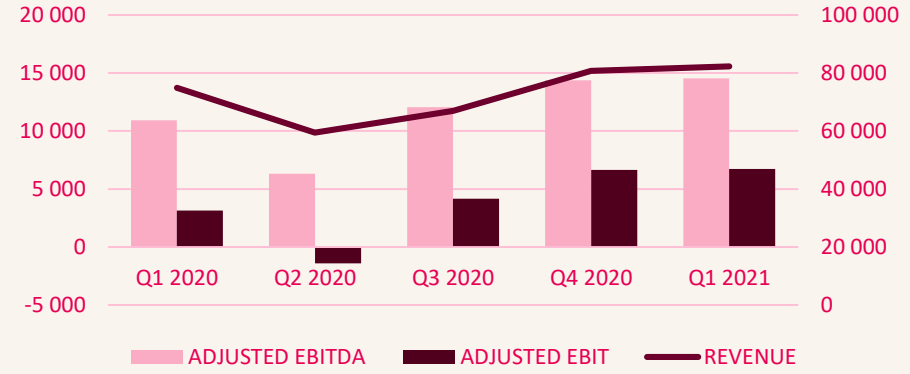
Pihlajalinna Group	Q1 2021	Q1 2020	2020	2019
Revenue, EUR million	139.9	133.0	508.7	518.6
Adjusted EBITDA, EUR million	15.2	12.7	54.6	55.1
Adjusted EBITDA, %	10.9	9.5	10.7	10.6
Adjusted operating profit (EBIT), EUR million	6.7	4.2	20.8	20.8
Adjusted operating profit, %	4.8	3.2	4.1	4.0
Profit before tax (EBT), EUR million	5.6	2.0	13.8	6.3



Complete outsourcing, eliminated	Q1 2021	Q1 2020	2020	2019
Revenue, EUR million	68.6	67.0	264.2	262.4
Adjusted EBITDA, EUR million	0.7	1.7	11.0	17.5
Adjusted EBITDA, %	1.0	2.6	4.2	6.7
Adjusted operating profit (EBIT), EUR million	0.0	1.1	8.2	15.1
Adjusted operating profit, %	-0.1	1.6	3.1	5.8
Profit before tax (EBT), EUR million	-0.1	1.0	8.1	12.8



Group excluding complete outsourcing	Q1 2021	Q1 2020	2020	2019
Revenue, EUR million	82.3	74.9	282.0	290.8
Adjusted EBITDA, EUR million	14.5	10.9	43.7	37.6
Adjusted EBITDA, %	17.6	14.6	15.5	12.9
Adjusted operating profit (EBIT), EUR million	6.7	3.1	12.6	5.7
Adjusted operating profit, %	8.2	4.2	4.5	2.0
Profit before tax (EBT), EUR million	6.6	0.9	6.6	3.9

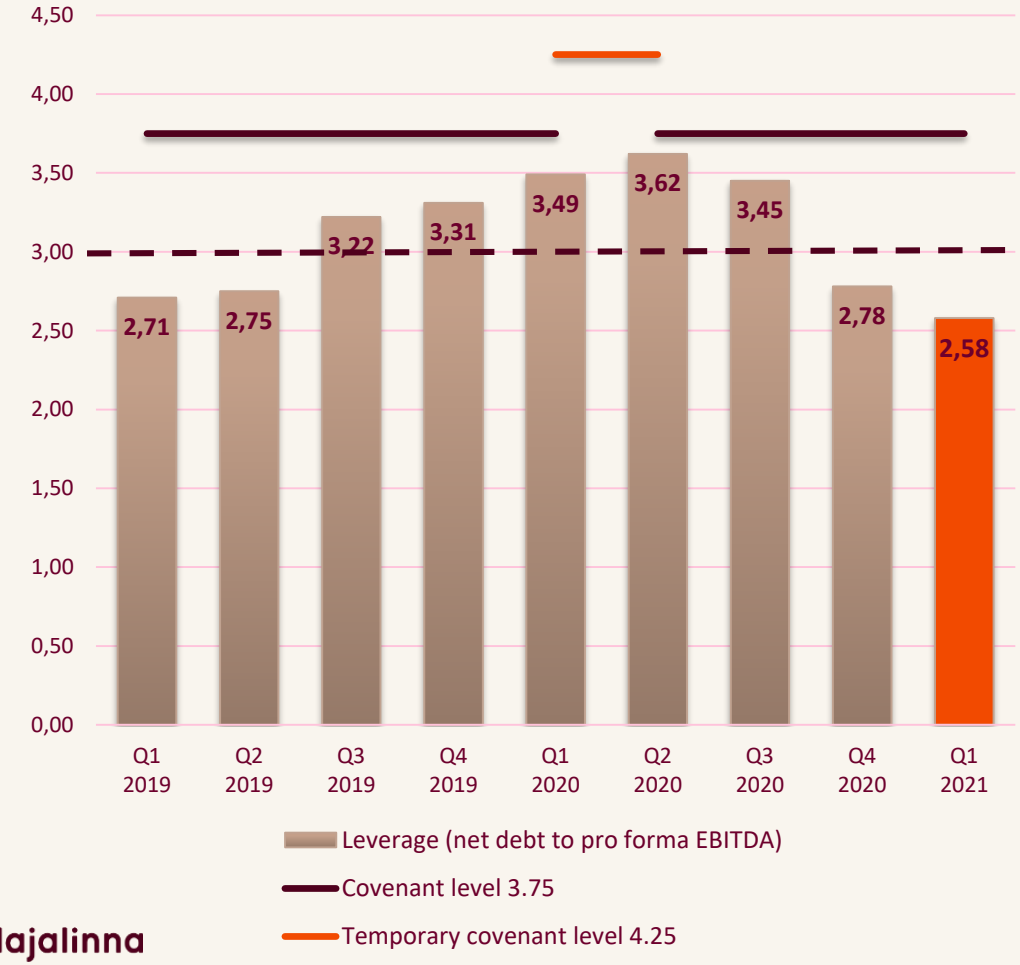


Pihlajalinna

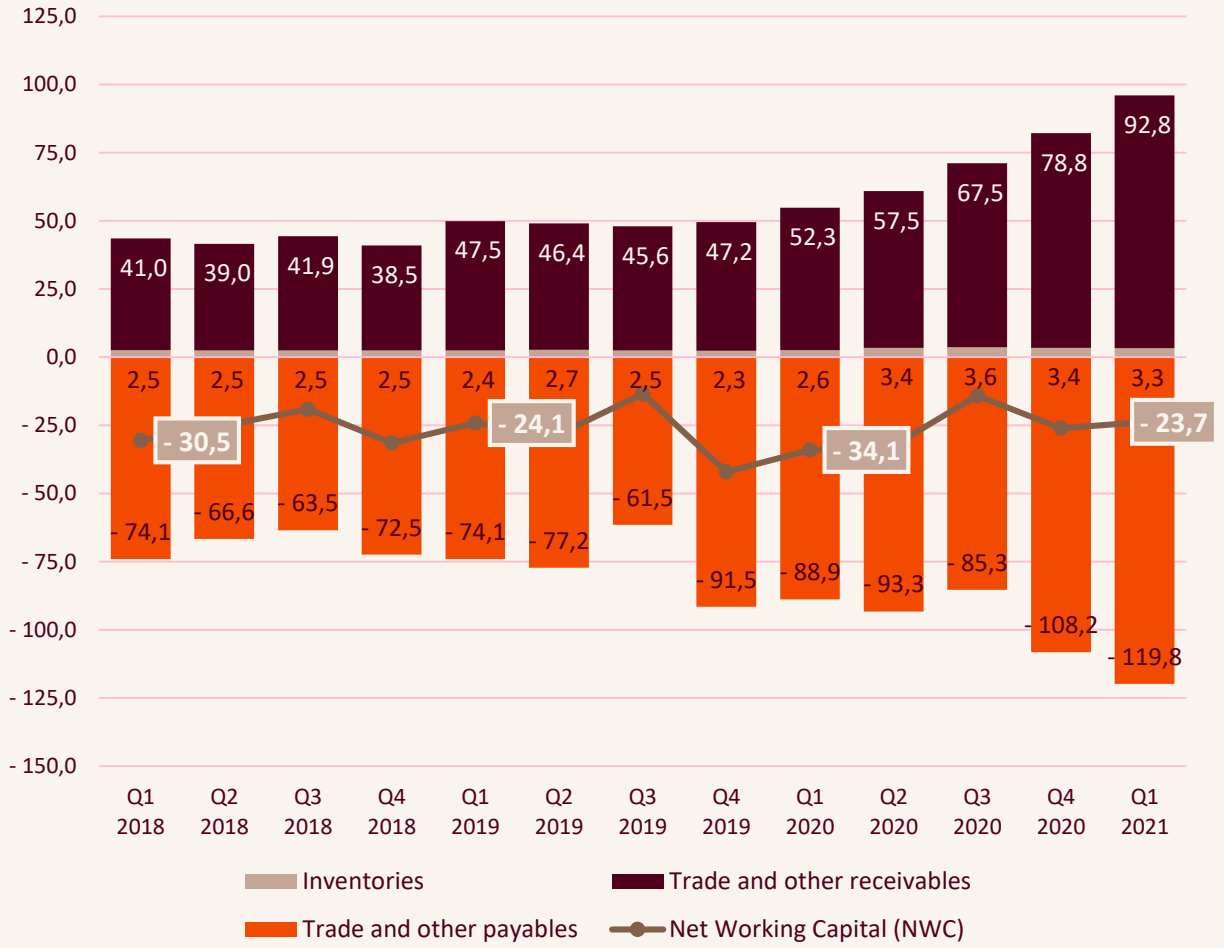
* Intra-Group dividend EUR 10.4 million

Indebtedness and Net Working Capital, EUR million

Leverage according to financing arrangement (frozen GAAP)



Net Working Capital, FAS



Outlook for 2021

It is still hard to assess and predict the financial impacts of the duration of the COVID-19 situation. National or regional restrictions aimed at mitigating the COVID-19 epidemic and potential delays in COVID-19 vaccinations may have a negative impact on consumer demand. At the same time, extensive COVID-19 testing, vaccinations, working through the queues in the public sector and the release of other pent-up demand help compensate for the decline in consumer demand.

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

Pihlajalinna's strategy 2021–2023

Mission

We help Finns to live a better life

Vision

We bring wellbeing to everyone

Values

Ethics, energy, open-mindedness

Strategic priorities

1. The renewal of private services

Pihlajalinna will strengthen its multichannel services and business in the private sector through new service concepts and digital innovation.

2. Cooperation in social and healthcare services

Pihlajalinna will engage in close cooperation with the future wellbeing services counties and build a strong market position in public healthcare.

3. The strengthening of digitalization

Pihlajalinna has a strong focus on digitalisation in the development of personnel, the customer experience and operational performance.

Objectives

- Pihlajalinna offers the most attractive and diverse range of services.
- Pihlajalinna is the number one choice of consumers and professionals.
- Pihlajalinna’s services are easy to access and available without a delay.
- Pihlajalinna ensures profitable growth

Long-term targets

OPERATING PROFIT (EBIT)
OVER 7%
of revenue

NET DEBT
UNDER 3x
EBITDA

Performance indicators

The achievement of goals will be measured by, for example

- financial indicators
- the volume growth of appointments and operations available for customers
- the Net Promoter Score (NPS) measurements of the customer experience and employee experience

COVID-19 testing Q1/2021

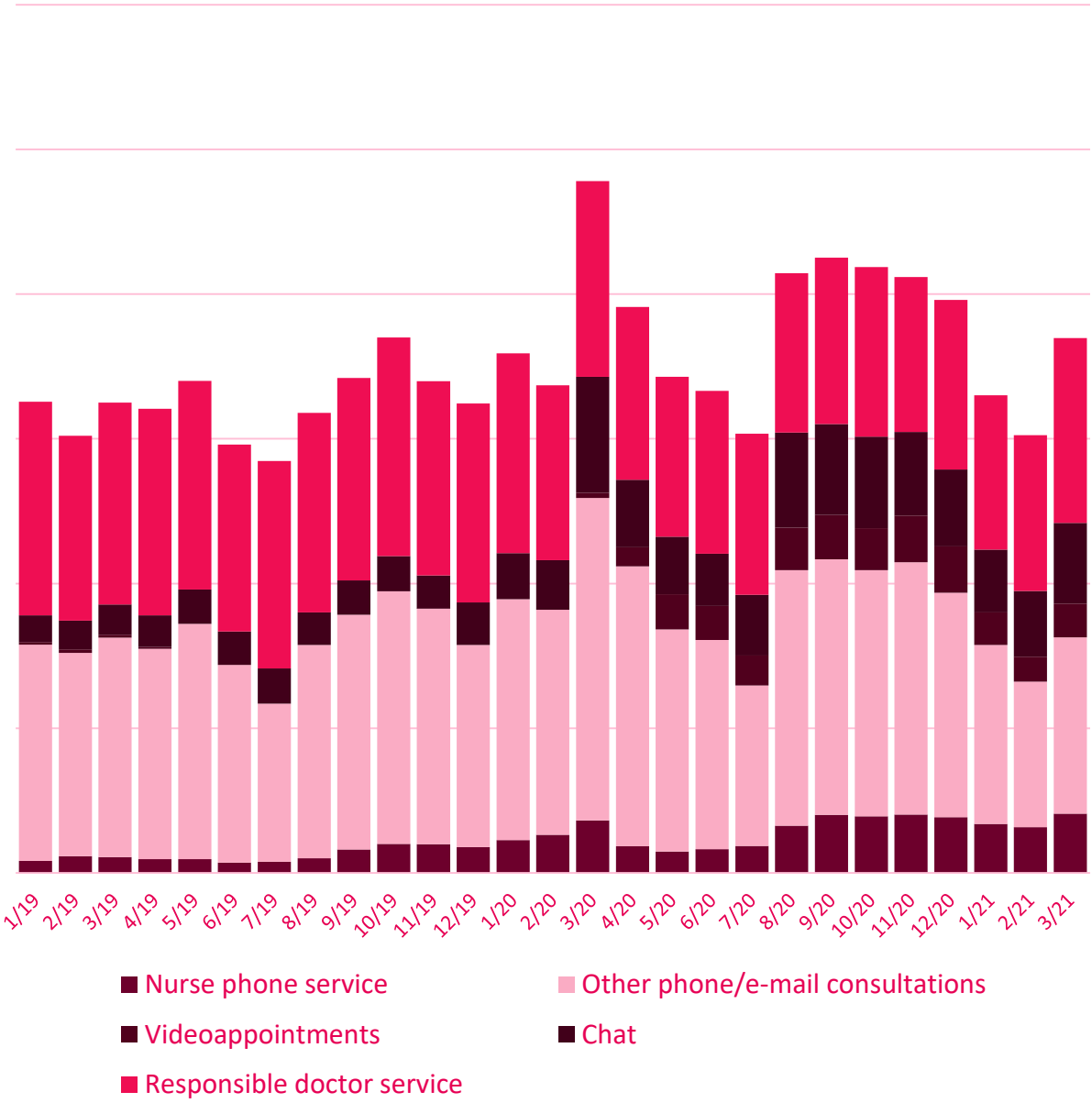
- In the first quarter of 2021, COVID-19 testing volumes increased by 65 per cent compared to the previous quarter.
- In addition to its own testing stations, Pihlajalinna provides sampling services for e.g. municipal customers and HUS.
- COVID-19 testing increased the revenue in the first quarter of 2021 by EUR 8.2 million.

Pihlajalinna

* Excluding complete outsourcings

Pihlajalinna's remote services Q1/2021

- Customers' service consumption habits changed quickly due to the COVID-19 epidemic. Pihlajalinna's preparedness to deliver extensive remote services proved to be good.
- Revenue from Pihlajalinna's chat and video appointments increased by EUR 0.7 million in the first quarter.
- Some 39 per cent of all customer appointments took place via remote services during the quarter.*
- We have launched a low-threshold mental health service called Mielen huoli in our remote channels.
- The remote services complement the public services of the joint ventures owned by Pihlajalinna together with the municipalities.



Pihlajalinna

* Excluding complete outsourcings

Successful renewal of sales strategy in the public sector

- In the public sector, we have transitioned from the outsourcing market to the service sales market, in which the impact of the planned reform of social, healthcare and rescue services is low.
- The most significant agreements signed in the beginning of the year are
  - 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
  - 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 the City of Helsinki
  - remote doctor consultations for the City of Helsinki.
- We also won the competitive bidding processes for healthcare services for the municipality of Hailuoto and specialist services for the City of Seinäjoki.

230 000 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, including Työterveys Virta in the Oulu region, which became part of Pihlajalinna Group at the beginning of April.
- The agreements signed in the first quarter will see the number of private persons within the scope of Pihlajalinna's occupational healthcare services increase to approximately 230,000.

Cooperation with NONNA Group

- In March, Pihlajalinna announced an investment in NONNA Group, a developer and provider of modern housing solutions.
- NONNA Group is preparing to introduce a completely new service concept to the market and we believe it will achieve a significant market share as the population ages.
- There is no overlap between our services. Instead, there are synergies between our businesses. For example, the companies could engage in joint city block projects in the future to combine diverse types of housing and services. Pihlajalinna’s role would also be to provide the necessary healthcare services for the residents.

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 EMR system for dental care and ERP system for fitness centres will be replaced.

The operating environment

- Under the proposal submitted by the Finnish Government to the Parliament in December 2020, the responsibility for the organisation of healthcare, social welfare and rescue services would be 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 effective from 1 January 2023. The drafting of the reform has continued in spring 2021 with committee work and an assessment of the legislation pertaining to the re-form of healthcare and social services.
- In April, the Government submitted the SOTE100 legislative package to the Parliament for review. The Ministry of Finance is also requesting comments regarding the criteria for the allocation of funding related to the establishment of the wellbeing services counties stipulated by the reform of healthcare and social services and the start of their operations. The commenting period will end on 1 June 2021.
- If the reform of social, healthcare and rescue services is implemented, the focus will shift largely to public services. 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.
- At present, the private sector in wellbeing services produces more than 25 per cent of social and healthcare services and employs more than 127,000 professionals.

The operating environment

- Assessing the changes in the operating environment arising from the COVID-19 epidemic remains difficult. In the first months of 2021, the deterioration of the epidemiological situation again brought stricter restrictions and recommendations. Having peaked in mid-March, the incidence of COVID-19 began to decline substantially in April.
- The distribution of COVID-19 vaccines is managed by Finnish municipalities, many of which want to cooperate with occupational healthcare providers. Pihlajalinna, for example, has vaccinated a large number of social services and healthcare personnel across Finland. Other employer organisations have also shown an interest in purchasing COVID-19 vaccination services from private sector service providers.
- The COVID-19 epidemic has led to a further increase in queues for treatment. Approximately 8,000 people are currently waiting for access to treatment having waited longer than the times stipulated by the legislative provisions concerning the care guarantee. In February 2021, a total of 28,417 people had waited for specialised care for more than three months.
- The interim economic forecast published by the Bank of Finland on 19 March 2021 notes that the economic recovery after the COVID-19 epidemic was bolstered by the better-than-expected economic development in the latter half of 2020. According to the interim forecast, the economic growth outlook has improved slightly from the previous forecast. The forecast is based on the assumption that the increasing vaccination coverage will make it possible to reopen society.

Pihlajalinna’s financial reporting in 2021

- Half-year financial report January–June: Friday, 13 August 2021
- Interim report January–September: Thursday, 4 November 2021

Thank you!

KOKO SUOMEN LÄÄKÄRIKESKUS