

Terveystalo Q3 2020: Revenue increased and profitability improved in the third quarter

CEO Ville Iho
CFO Ilkka Laurila

Terveystalo

Q3 in brief

Topline returned to growth thanks to strong sales to private and corporate customers

Rapidly changing demand conditions continued - The focus of service production was shifted particularly toward testing and digital services

Profitability showed a substantial year-on-year improvement, thanks to strict cost control and adjustment measures

More than 75,000 COVID-19 tests were conducted during Q3, the demand for testing has remained high throughout the fall

**Demand has increasingly shifted toward digital services:
In the corporate customer group, 15 percent of all visits to clinics are digital appointments**

COVID-19 impact on revenue

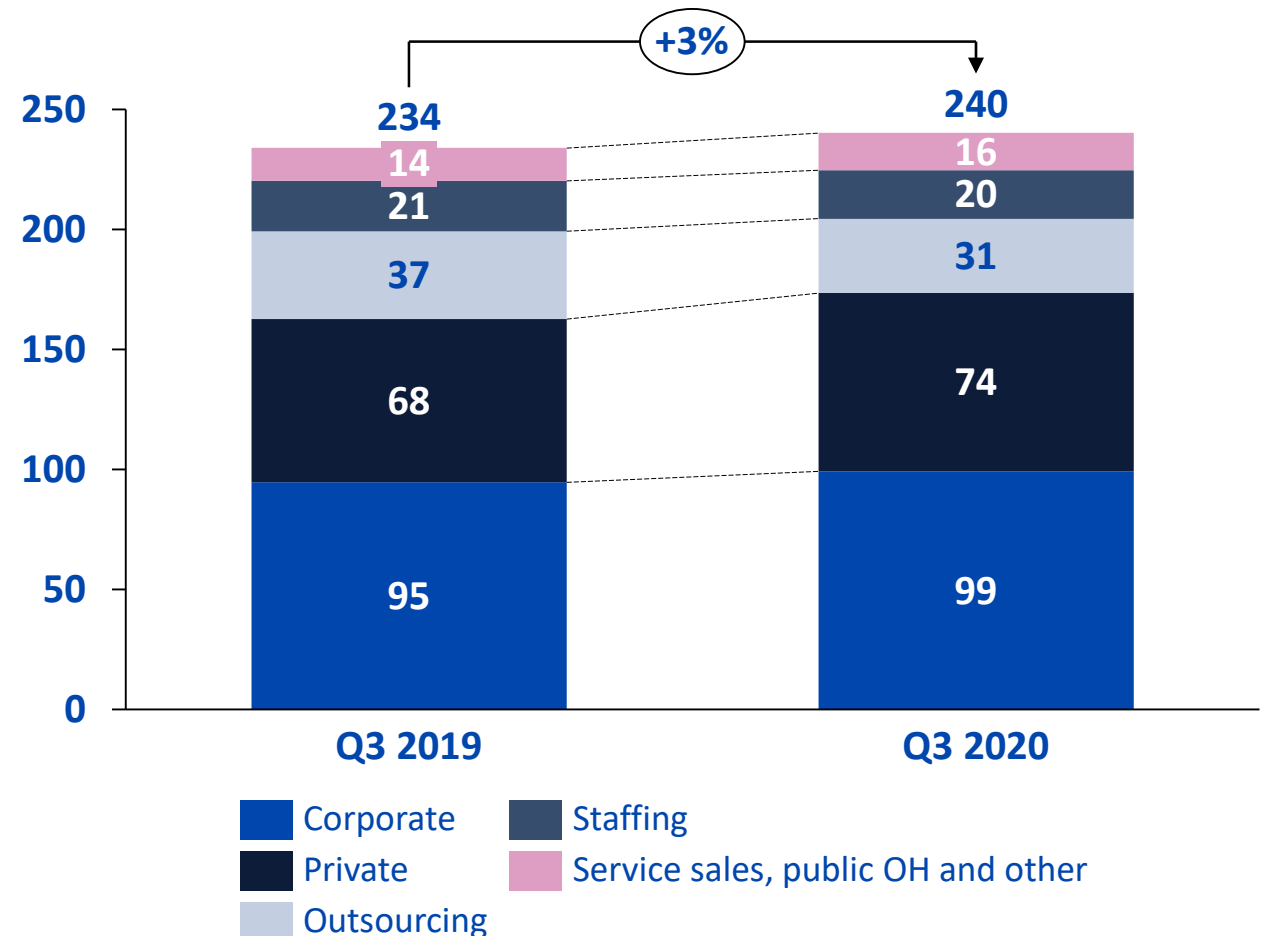
- The duration and magnitude of the effects will strongly depend on the evolution of the epidemic situation and its effects on consumer behavior and employment
- A diverse customer base and range of services together with good preparedness of the organization enable scaling according to demand

	Q1	Q2	Q3
Payor group	Initial impact	Significant impact	Partial recovery
Corp	<ul style="list-style-type: none"> • Demand for non-urgent medical care, preventive services declined at the end of Q1. • Demand for remote services increased significantly. 	<ul style="list-style-type: none"> • Revenue -19.8% y-o-y. All operations had to be heavily adapted to the epidemic situation, containment measures and demand. • The use of remote services multiplied. • Restrictive measures were gradually lifted in May-June and demand recovered as expected. 	<ul style="list-style-type: none"> • Revenue +4.9% y-o-y. Preventive services flat y-o-y, acute illness related appointments well below. Wellbeing services are growing, demand for Covid-19 tests is strong. • Significant changes in employment may be reflected in underlying demand.
Private	<ul style="list-style-type: none"> • Demand for non-emergency medical care and oral health services in particular declined at the end of Q1. • Demand for remote services increased significantly. 	<ul style="list-style-type: none"> • Revenue -24.3% y-o-y. Demand for GP, specialist and oral health services decreased significantly, especially in April-May. • The use of remote services multiplied. • Restrictive measures were gradually lifted in May-June and demand recovered as expected. 	<ul style="list-style-type: none"> • Revenue +9.2% y-o-y. Demand for services broadly turned to growth, with acute illness related appointments still below the comparison period. • Significant changes in employment and consumer confidence may be reflected in underlying demand.
Public	<ul style="list-style-type: none"> • Personnel availability for staffing services declined due to restrictions on the movement at the end of Q1. 	<ul style="list-style-type: none"> • Staffing revenue -8.7%. Challenges in personnel availability, demand for specialist care and oral health declined due to constraints. • Service sales, public OH etc. revenue +0.1% y-o-y. • The use of remote services multiplied. 	<ul style="list-style-type: none"> • Staffing revenue -3.8% y-o-y • Service sales, occupational health, etc. revenue +13.6% y-o-y. • Stable demand expected to continue in occupational health, service sales, and staffing services.

Q3 revenue returned to growth

- Q3 revenue increased y-o-y due to strong sales from private and corporate customers.
- Public revenue declined primarily due to the expiration of outsourcing contracts at the turn of the year
- Over 75,000 Covid-19 tests were conducted in total.
- Despite the pandemic, Terveystalo's competitiveness was reflected in the good development of insurance company sales, strong demand for wellbeing services and multiplied demand for remote receptions.
- The number of remote appointments almost quadrupled to about 198,000 visits
- Acquisitions and the number of working days did not have a material effect on revenue for the period. There were 66 working days in the quarter (66)

Q3 revenue by payor group, M€



COVID-19 impact on business

	Q1	Q2	H2
Regulatory actions	<ul style="list-style-type: none"> • Extensive restrictions on movement and assembly • Limitations of non-emergency oral health care and non-emergency ENT surgery • Restrictions on service provision for risk groups. recommendations for postponing other non-emergency treatment • Restrictions on free movement prevent non-residents from working in Finnish healthcare. 	<ul style="list-style-type: none"> • Restrictions on the movement and assembly of people were in full force from 13 March to 14 May 2020. • Emergency Powers Act in force 17.3. - 16.6.2020. • Restrictions were gradually lifted in May-June. • Covid-19 test and antibody test eligible for Kela reimbursement. 	<ul style="list-style-type: none"> • Regional recommendations according to the pandemic situation, no restrictions on service production. • The recommendation for extensive remote work is in place.
Risks	<ul style="list-style-type: none"> • The Emergency Powers Act and other regulation of exceptional circumstances entitle the public sector to intervene in the production of services and the use of resources in the private sector • Availability challenges increase procurement costs of protective gear needed in service production. 	<ul style="list-style-type: none"> • The Emergency Powers Act and other regulation of exceptional circumstances entitle the public sector to intervene in the production of services and the use of resources in the private sector. • Availability challenges increase procurement costs of protective gear. 	<ul style="list-style-type: none"> • The development of the pandemic is difficult to predict, worsening of the situation is possible.
Mitigation	<ul style="list-style-type: none"> • Strong scaling of service capability in remote appointments and testing • 32 cohort units for the reception of respiratory symptom patients • The group-wide co-operative negotiations launched on 22 March. 	<ul style="list-style-type: none"> • Cost adjustment measures: service purchases were frozen, investment needs were reassessed, compensation recruitments were frozen and staff were temporarily laid off. 	<ul style="list-style-type: none"> • The focus of service production has shifted especially to covid-19 testing and digital services, the demand for which has multiplied since the beginning of the year. • Readiness to continue adjustment measures if demand weakens.

We successfully improved the performance of our platform in Q3

+27%

**PROFITABILITY IMPROVED
THANKS TO COST DISCIPLINE**

Q3 Adjusted EBITA increased by 26.5% to EUR 30.9 million (24.4) and was 12.9% (10.4) of revenue

NPS 80

**CUSTOMER SATISFACTION
HAS REMAINED AT A
RECORD-HIGH LEVEL**

Net promoter score in appointments was 80.5

75,000

**COVID-19 TESTS
CONDUCTED**

We quickly responded to growing demand by quintupling our testing capacity over a period of a two weeks.

We responded quickly to demand by scaling up services and creating new ones

Good things come to those who won't wait.

We have added 400% more testing capacity, so that you can get your results quickly and effortlessly.



Terveystalo
Get better.

Fast lane for COVID-19 testing:

- 1 Download our Oma Terveys application.
- 2 Open the chat and ask for doctor's referral to get tested.
- 3 Book your test appointment through the application.
- 4 Get your results in the application within 1.5 days after the test.



FINNAIR | **Terveystalo** EN

Are you a non-Finnish resident or for another reason unable to use the online service and go through the required strong identification? Please call us to 030 633 9530*

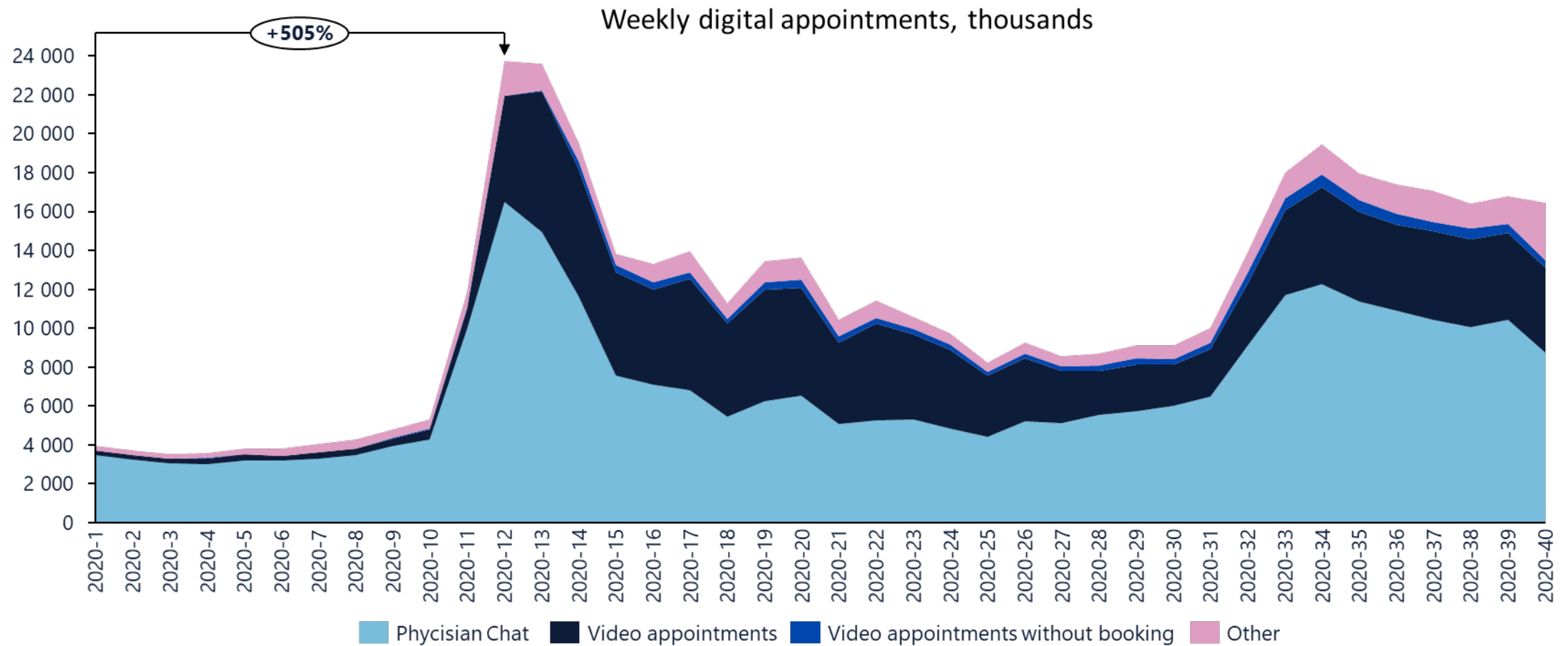
Safe travel during coronavirus

Please choose the service you need below

We will assist you in getting a certificate of a negative Covid-19 PCR test result in a timely manner. As travel requirements may change, please note that it is always the traveller's responsibility to check the requirements in the destination. Price €236,50 per person incl. a digital certificate (€224,75 for Finnair Plus Platinum Lumo, Platinum and Gold members). If you need an original printed paper certificate, additional €10 is charged upon its pick-up.

Book Covid-19 test + Certificate →

Digital channels are growing in popularity



The exceptional circumstances
created by COVID-19
are not over –
We continue to emphasize agility
and responsiveness in managing
our business



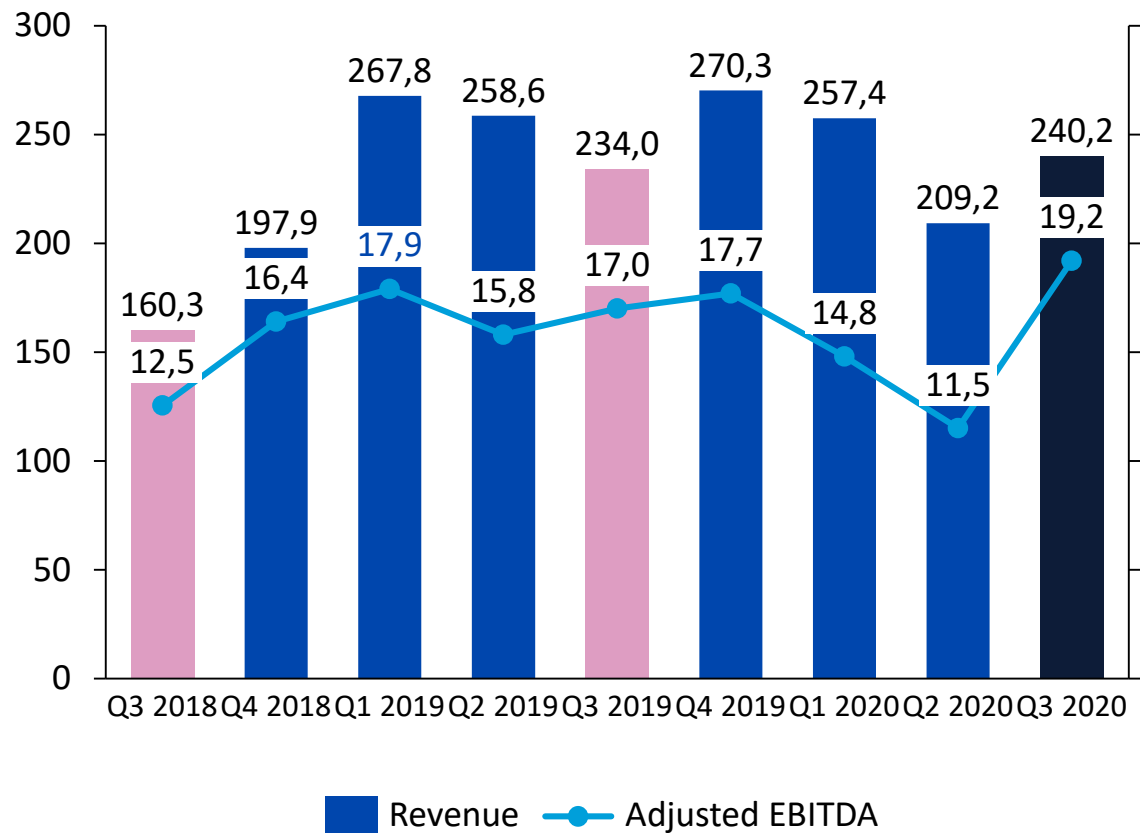
Ilkka Laurila, CFO

Financial performance

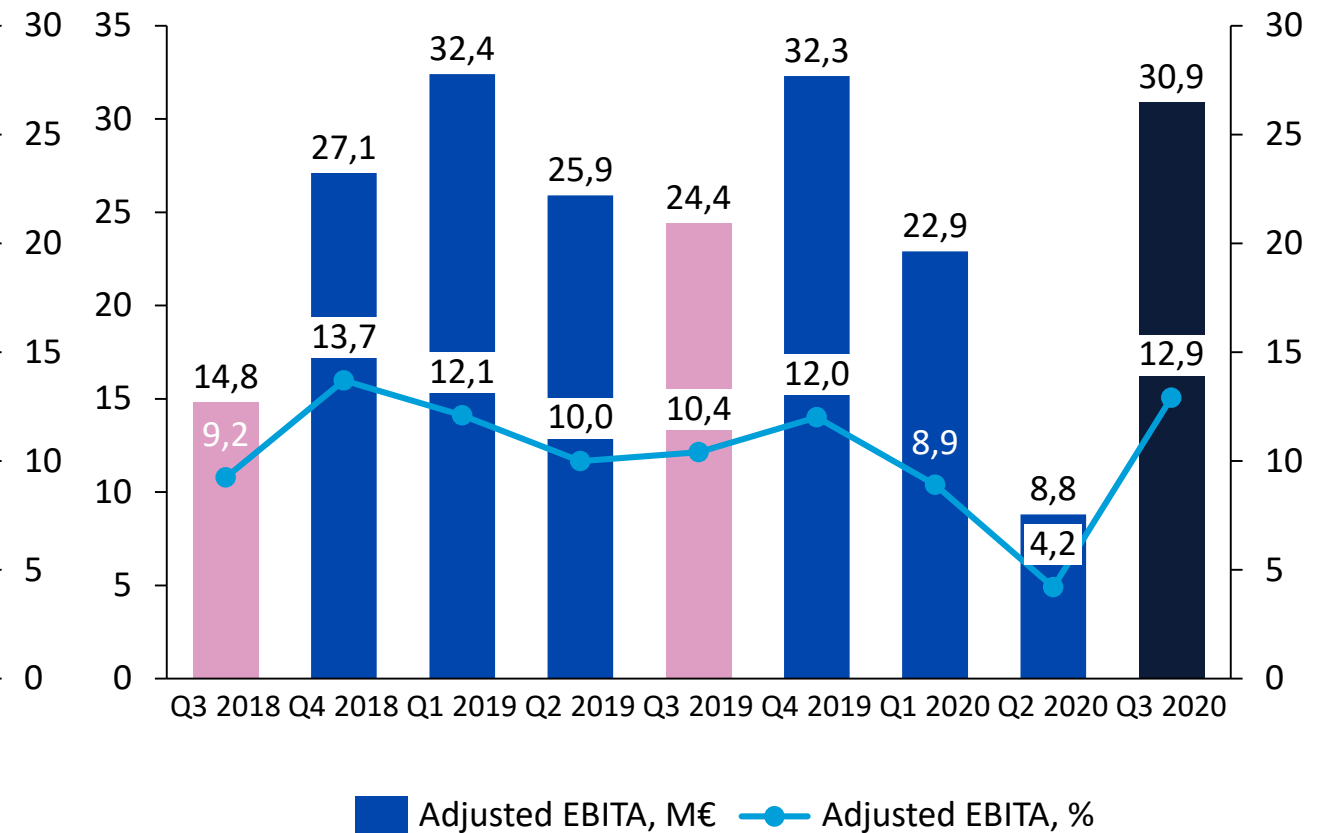
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Revenue returned to growth, profitability improved

Revenue. Adjusted EBITDA * **. %



Adjusted EBITA* **. M€ and %



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* Alternative key figure
 ** The figures include the effect of IFRS 16 from 2019 onwards

Investments in digital services increased IT costs, PPE procurement increases costs of materials

M€	4-9/2020	4-9/2019	Change. %	1-9/2020	1-9/2019	Change. %	2019
Revenue	240.2	234.0	2.6	706.7	760.4	-7.1	1 030.7
Other operating income	0.5	0.6	-12.2	2.0	1.4	44.1	2.1
Purchase of materials	-7.4	-6.9	8.3	-25.9	-23.1	12.3	-32.0
Change in inventories	-0.2	0.3	-185.5	2.3	0.2	>200.0	-0.3
External services	-100.5	-100.7	-0.2	-301.0	-327.3	-8.0	-440.6
Employee benefit expenses	-70.6	-70.8	-0.3	-225.6	-232.5	-3.0	-314.3
Rents. leases and premises	-3.7	-4.2	-11.0	-12.5	-12.0	4.2	-16.0
IT expenses	-6.0	-5.5	9.3	-18.4	-15.3	20.4	-21.1
Other operating expenses	-6.7	-8.3	-18.8	-22.9	-27.5	-16.5	-37.3
EBITDA	45.5	38.6	18.0	104.6	124.4	-15.9	171.2
Adjustments*	0.6	1.2		3.7	4.1		5.1
Adjusted EBITDA	46.1	39.8	15.8	108.3	128.5	-15.8	176.3
EBIT	22.9	16.1	42.2	36.4	57.6	-36.9	81.4

Variable costs

Semi-fixed costs. scalable on a unit level

Fixed costs. scalable on a group level

*Adjustments are material items outside the ordinary course of business and these relate to acquisition related expenses, restructuring related expenses, gain /losses on sale of assets (net), strategic projects and other items affecting comparability.

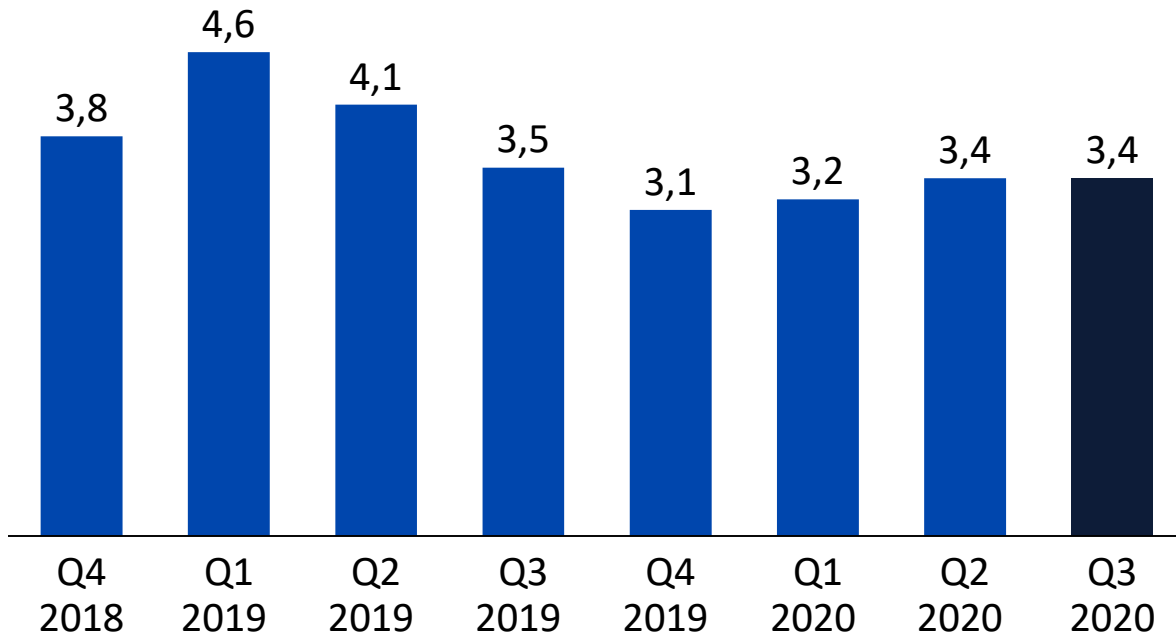
Liquidity at a good level

m€	30.9.2020	30.9.2020	31.12.2019
ASSETS			
Property, plant and equipment	68.5	68.6	69.5
Right of use assets	172.3	192.6	193.2
Goodwill	780.0	781.7	779.2
Other intangible assets	150.9	158.8	161.9
Other assets	114.5	114.7	114.9
Cash and cash equivalents	64.8	42.4	40.6
TOTAL ASSETS	1 351.0	1 358.8	1 359.3
EQUITY AND LIABILITIES			
TOTAL EQUITY	548.9	524.9	541.2
Interest bearing liabilities	414.7	412.8	390.8
Other liabilities	178.1	197.1	198.0
Lease liabilities	209.3	224.0	229.2
TOTAL LIABILITIES	802.3	833.9	818.0
TOTAL EQUITY AND LIABILITIES	1 351.0	1 358.8	1 359.3

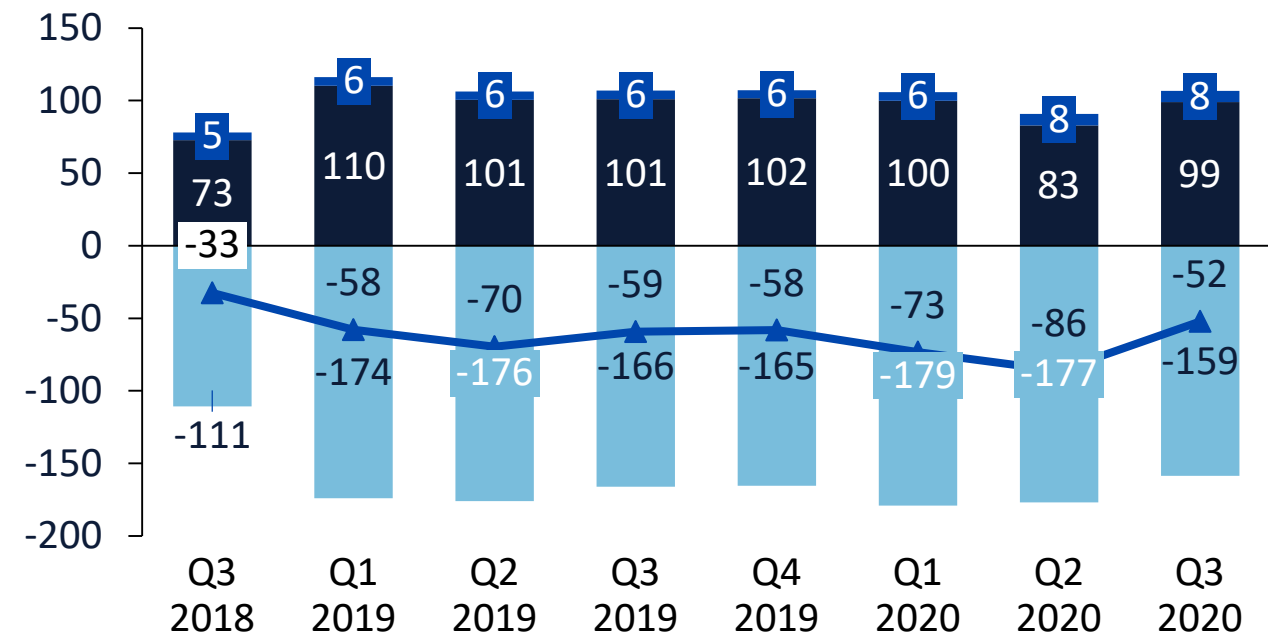
- Cash and cash equivalents EUR 64.8 mill. (42.4).
- Total assets EUR 1,351.0 mill. (1,358.8).
- Equity attributable to owners of the parent company was EUR 548.9 (524.8) mill. The increase was due to an increase in retained earnings.
- Net debt EUR 528.0 mill. (567.5).
- Net debt / adjusted EBITDA was 3.4 (3.5). The company discusses actively with the banks and the covenant requirements can be reassessed if necessary.

Indebtedness below target

Net debt/adjusted EBITDA
(last 12 months)*



Operational efficiency is reflected in the
negative net working capital



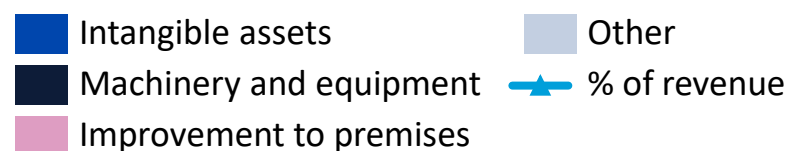
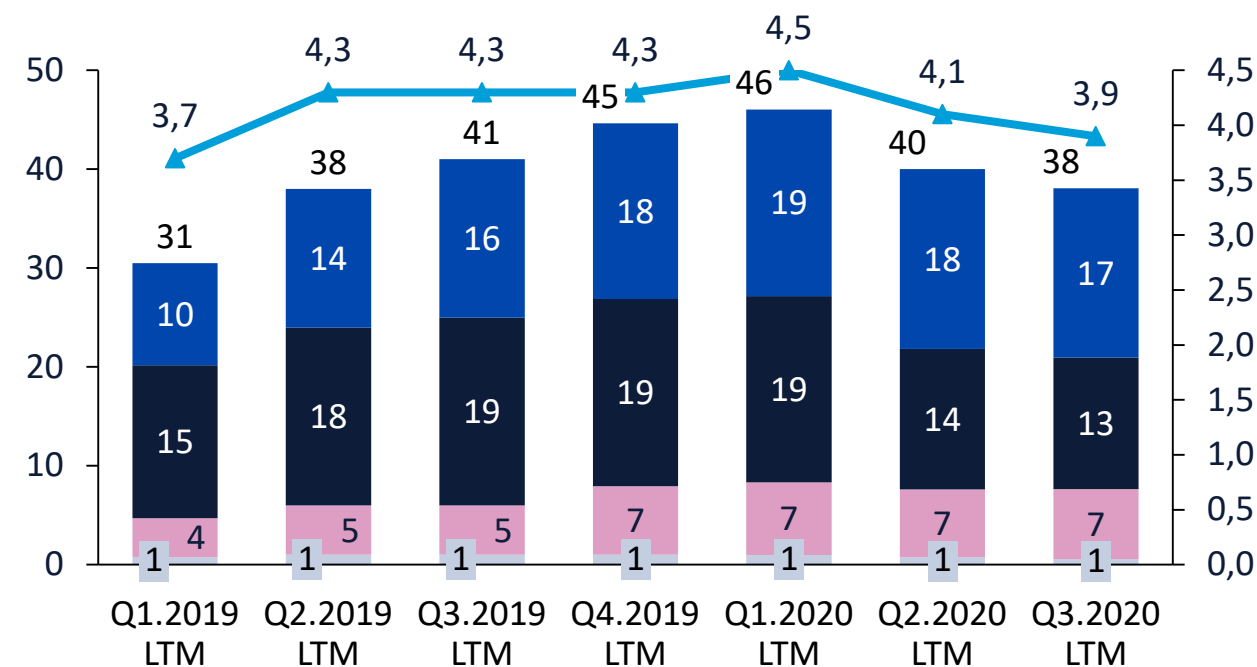
*Figures include the effect of IFRS 16 from 2019 onwards.

Inventories
Trade and other receivables
Trade and other payables
Net working capital

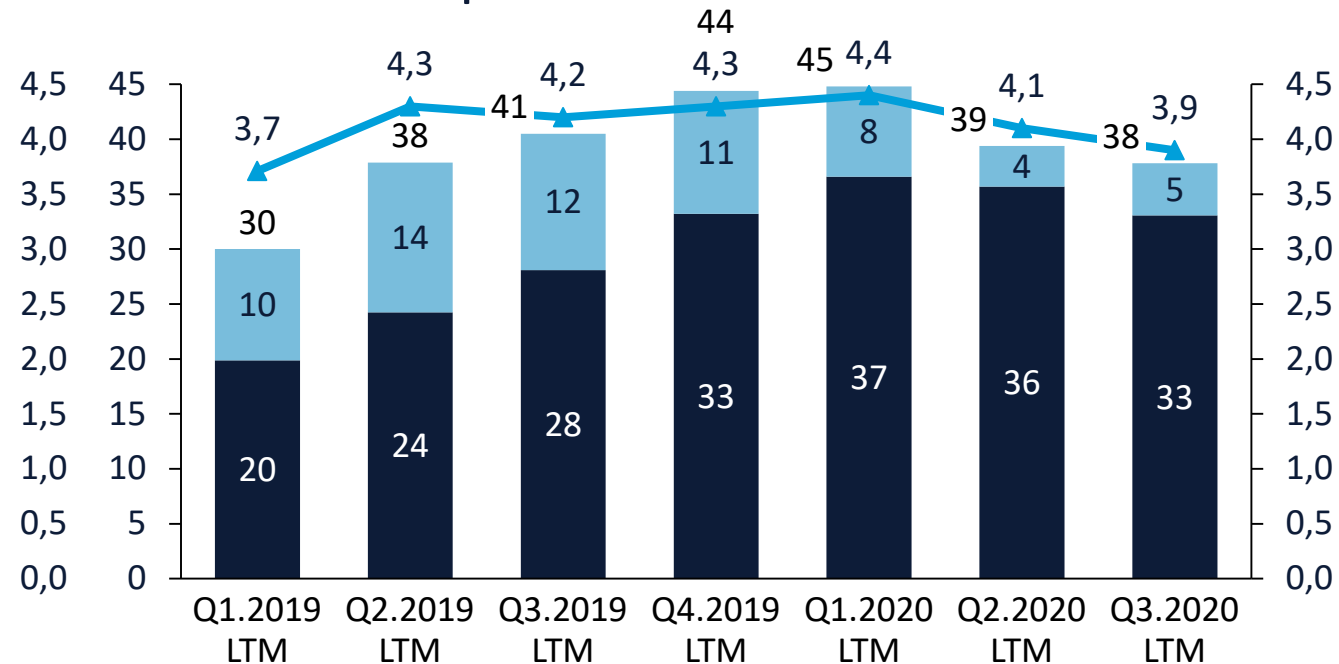
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The share of intangible investments continue to grow (excluding M&A)

Gross capex. M€ and %- of revenue



Net capex. M€ and %- of revenue



Financial calendar and AGM in 2021



- Financial Statements Bulletin 2020 on Thursday, 11 February 2021
- Annual Report 2020 on week 7, 2021
- Interim report for January-March 2021 on Thursday, 29 April 2021
- Half-Year Report for January-June 2021 on Friday, 16 July 2021
- Interim report for January-September 2021 on Thursday, 28 October 2021

Annual General Meeting of Terveystalo Plc will be held on Thursday, 25 March 2021 in Helsinki.

Q & A

Thank you.

Outlook

- In the short term, the market environment is still uncertain because of the changes in consumer behavior resulting from the COVID-19 pandemic, and predicting demand is challenging in the short term. Demand for tests increased strongly in the third quarter of the year and is expected to remain high in the acute phase of the pandemic. Overall demand for healthcare services can return to normal only if new significant restrictive measures can be avoided.
- Demand from corporate customers for preventive and statutory occupational health services has returned to normal. The recovery of demand for acute and non-urgent medical care is uncertain as the pandemic continues. Demand for coronavirus tests is expected to remain high in the acute phase of the pandemic. Demand for remote services will increase considerably. Significant changes in the employment rate may be reflected in the underlying demand.
- Overall demand from private customers is expected to remain normal, providing that, in particular, major restrictions to free movement can be avoided. Demand for acute and non-urgent medical care has returned to normal. However, as the pandemic continues, the future development of demand involves a certain degree of uncertainty. Demand for remote services will increase considerably. Significant changes in consumer confidence may be reflected in the underlying demand.
- Stable demand from the public sector is expected to continue in occupational health, service sales, and staffing services. Revenue from outsourcing business will fall significantly following the expiry of outsourcing contracts.



Key Figures

Terveystalo Group. EUR million	7–9/ 2020	7–9/ 2019	Change. %	1–9/ 2020	1–9/ 2019	Change. %	2019
Revenue	240.2	234.0	2.6	706.7	760.4	-7.1	1 030.7
Adjusted EBITDA * 1)	46.1	39.8	15.8	108.3	128.5	-15.8	176.3
Adjusted EBITDA. % * 1)	19.2	17.0	-	15.3	16.9	-	17.1
EBITDA 1)	45.5	38.6	18.0	104.6	124.4	-15.9	171.2
EBITDA. % 1)	19.0	16.5	-	14.8	16.4	-	16.6
Adjusted earnings before interest. taxes and amortization (EBITA) * 1)	30.9	24.4	26.5	62.6	82.7	-24.3	115.1
Adjusted EBITA. % *1)	12.9	10.4	-	8.9	10.9	-	11.2
EBITA 1)	30.3	23.2	30.7	58.9	78.6	-25.1	110.0
EBITA. % 1)	12.6	9.9	-	8.3	10.3	-	10.7
Adjusted EBIT * 1)	23.4	17.3	35.5	40.1	61.7	-35.1	86.5
Adjusted EBIT. % * 1)	9.7	7.4	-	5.7	8.1	-	8.4
EBIT	22.9	16.1	42.2	36.4	57.6	-36.9	81.4
EBIT. %	9.5	6.9	-	5.1	7.6	-	7.9
Return on equity (ROE). % 1)	-	-	-	7.2	9.3	-	10.3
Equity ratio. % 1)	-	-	-	40.7	38.7	-	39.9
Earnings per share (EUR)	0.13	0.08	-	0.18	0.30	-	0.43
Gearing. % 1)	-	-	-	96.2	108.1	-	101.3
Net debt/adjusted EBITDA (last 12 months) 1) 2)	-	-	-	3.4	3.5	-	3.1

*) Adjustments are material items outside the ordinary course of business, associated with acquisition-related expenses, restructuring-related expenses, gain on sale of assets, strategic projects, and other items affecting comparability.

1) Alternative performance measure. In addition to the IFRS figures, Terveystalo presents additional, alternative performance indicators which the company monitors internally and which provide the company management, investors, stock market analysts, and other stakeholders with important additional information concerning the company's financial performance, financial position, and cash flows. These performance indicators should not be reviewed separate from the IFRS figures and they should not be considered to replace the IFRS figures.

2) The reference period includes only nine months of Attendo Health Services' result.

Key Figures

Terveystalo Group. EUR million	7–9/ 2020	7–9/ 2019	Change. %	1–9/ 2020	1–9/ 2019	Change. %	2019
Average personnel in person-years	–	–	–	5,023	4,861	3.3	4,943
Personnel (end of period)	–	–	–	8,226	7,262	13.3	8,685
Private practitioners (end of period)	–	–	–	5,210	5,082	2.5	5,068
Net Promoter Score (NPS), appointments	–	–	–	80.5	72.4	–	72.5
Employee Net Promoter Score (eNPS) ³⁾	–	–	–	19	29	–	9
Mixed waste intensity ³⁾	–	–	–	4.91	5.02	–	4.85

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2) The reference period includes only nine months of Attendo Health Services' result.

3) eNPS is measured every six months; the reported figure is the result of the latest measurement in spring 2020. Amount of mixed waste (metric tons) relative to total revenue (100 million)

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Kohti parempaa.

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