

Terveystalo Q2/2021 results: Strong growth in revenue and profit compared to lockdown-influenced reference period

August 12, 2021

CEO Ville Iho

CFO Ilkka Laurila

Terveystalo

Revenue and profitability increased also compared to Q2/19, Q2/20 was a weak quarter due to Covid lockdown

+32%

revenue increased
to EUR 275m

REVENUE GROWTH
CONTINUED,
Q2/20 WAS WEAK DUE TO
COVID LOCKDOWNS

Revenue increased
6.5% vs. Q2/19

EUR 29,5_m

Adj. EBITA

STRONG GROWTH IN
PROFITABILITY, EBITA MORE
THAN TRIPLED

Adj. EBITA grew
14%

vs. Q2/19

EBITA margin was **10.7%**

246,000

DIGITAL APPOINTMENTS
DURING Q2/21

Growth in digital
channels continued
+68% vs.
Q2/20.

>112,000

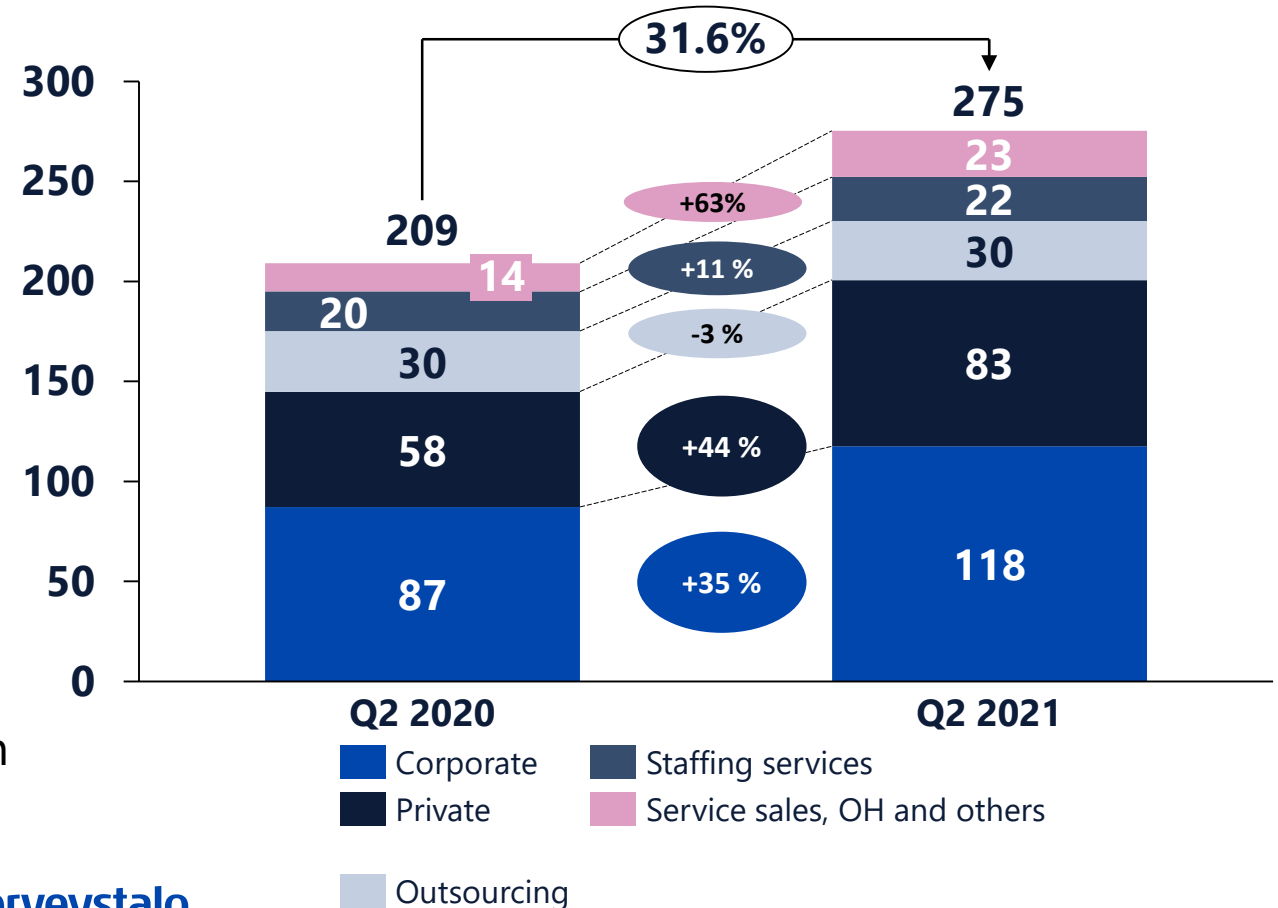
COVID-19 TESTS
DURING Q2/21

Demand for Covid-19
tests continued at
somewhat higher level
than expected

Revenue increased 32%, demand continued to pick up

- Revenue increased in all three main customer groups also compared to Q2/19
 - Outsourcing revenue decreased due to expired contracts at the year-end
- Demand for well-being services remained strong: revenue increased by 41%
- The number of digital appointments grew by 68% to 246,000 (146,000) appointments
- Appointments associated with various infections remained at low level
- Demand for specialist appointments continued to pick up
- Booking rates for appointments increased
- 61 business days in Q2/2021, + 1 day compared with 60 in Q2/20 (60 in Q2/19)

Q2/21 revenue by payer group, M€



Feelgood acquisition proceeds according to expectations: Terveystalo now owns >97%, Feelgood delisted and compulsory redemption process started



Two industry leading platforms complement each other in terms of people, culture, competences, service offering and geographical network.



Combining two leading occupational healthcare providers in the Nordics provides significant potential for value creation



Brings benefits to stakeholders of both companies; customers, employees, private practitioners and shareholders



Contracted customer base of 1.5 million offers opportunities to scale our digital services

Terveystalo

Next: Integration, value creation and synergies

Stronger service platform and larger customer base create opportunities for growth acceleration



Delisting

Sharing best practices

Procurement & IT

New services and leveraging our digital platform

- Integration costs and delisting fee are estimated to be 5.1 MSEK
- Transaction costs estimated to be 12.6 MSEK

**Cost synergies
12.2 MSEK**

**Further value creation
potential
from
strategic synergies
in longer term**

We are making progress with our growth strategy implementation

Market and share growth



The smartest platform in the industry

Opportunity: increase conversion, profit per visit, higher output from limited resources, increase visits and grow in verticals

We invest in: “the Engine room”, Focus Centers of Excellence, pricing intelligence

Grow share of wallet



The customer's health partner

Opportunity: Expand to new markets with new products, increase share of wallet

We invest in: Customer relationship and engagement

Continued M&A



Selective M&A

Opportunity: Further strengthen our capabilities, scale and service scope + enter new markets

We invest in: Scale, scalable competencies, adjacencies and specialties

Development of digital platform shows in results, ISO 13485 certificate awarded for our software development

+18 %

vs. H1/20

**Growth in visits to
terveystalo.com**

Investments in usability, Google visibility, and marketing optimization have increased visits y-o-y

+27 %

vs. H1/20

**Growth in conversion rate of
web bookings**

Improvement in web booking user experience is reflected in higher conversion rate vs. last year

+24 %

vs. H1/20

**Growth in self-service rate
(bookings)**

Clear y-o-y increase in self-service rates

Corresponding changes Q2/21 vs. Q2/20: 33%, 32%, 31%

ISO 13485 quality system certificate awarded to Terveystalo as the first health service provider in Finland.

- ISO 13485 certification enables the development of intelligent software for healthcare to support, e.g. diagnosis and treatment decisions.
- The clinical validation and evaluation required by the quality system ensures customer value-add comes first in the software development.
- An important tool and a significant competitive advantage also as we expand into new markets.

Our new Children's Terveystalo concept well received

- Children's Terveystalo was launched in May to provide families with more holistic care in a child-friendly manner.
- Remote appointments are a key element of the Children's Terveystalo service package.
- The concept well received by families: Sales of our children's services increased significantly in the second quarter.
- The concept will be expanded to 13 new units in the autumn, in addition to the 5 launch units.

Our aim is to accelerate growth and to further strengthen our leadership position in the consumer business



Terveystalo - Nightingale

New subscription based well-being service to be launched in the autumn

Holistic well-being measurement

Regular measurements with Nightingale's technology give information about customer's health and encourage lifestyle change. Guidance to interpret the results and recommendations for further actions.



Digital lifestyle coaching package

A set of digital lifestyle coaching and research-based tools to increase customer's own well-being.



We are building health partnership between our customers and Terveystalo.

There is strong demand in the publicly funded markets also under the new SOTE model

SOTE reform approved

- The Government's proposal on the reform of social and healthcare services was approved by the Parliament at the end of June.
- The responsibility for the organization of social and healthcare services will be transferred to the 21 well-being services counties to be established and the City of Helsinki.

Impacts on Terveystalo

- Some of Terveystalo's outsourcing agreements for public services will need to be renegotiated
 - The new contractual terms will enter into force at the beginning of 2026 at the latest.
- There will be restrictions on the subcontracting practices for public services produced as outsourced services
 - > These will not have a significant impact

Service models will adapt to the new legislation and high-quality supply will continue to find demand.

Outlook

Outlook – The next 6 months vs. last 6 months

Market environment	<ul style="list-style-type: none">• The market environment is normalizing, but predicting demand continues to be challenging in the short term.• Demand for COVID-19 related services is expected to remain active during the second half of the year.• Demand for healthcare services in general is expected to grow clearly year-on-year.
Corporate customers	<ul style="list-style-type: none">• Demand for preventive and statutory occupational health services is expected to develop favorably.• The recovery of demand for acute and non-urgent medical care is uncertain, owing to a reduction in general morbidity and the measures to restrict the pandemic.• Significant changes in the employment rate may be reflected in the underlying demand.
Private customers	<ul style="list-style-type: none">• Overall demand is expected to develop positively and grow substantially year-on-year.• However, there may be considerable differences between specialties and geographical areas in the short term because of variation in general morbidity and pandemic-related area-specific restrictive measures.• Demand for remote services is expected to increase further.• Significant changes in consumer confidence may be reflected in the underlying demand.
Public sector	<ul style="list-style-type: none">• Demand from the public sector is expected to remain strong in occupational health, service sales, and staffing services.• Revenue from the outsourcing business is expected to remain stable.

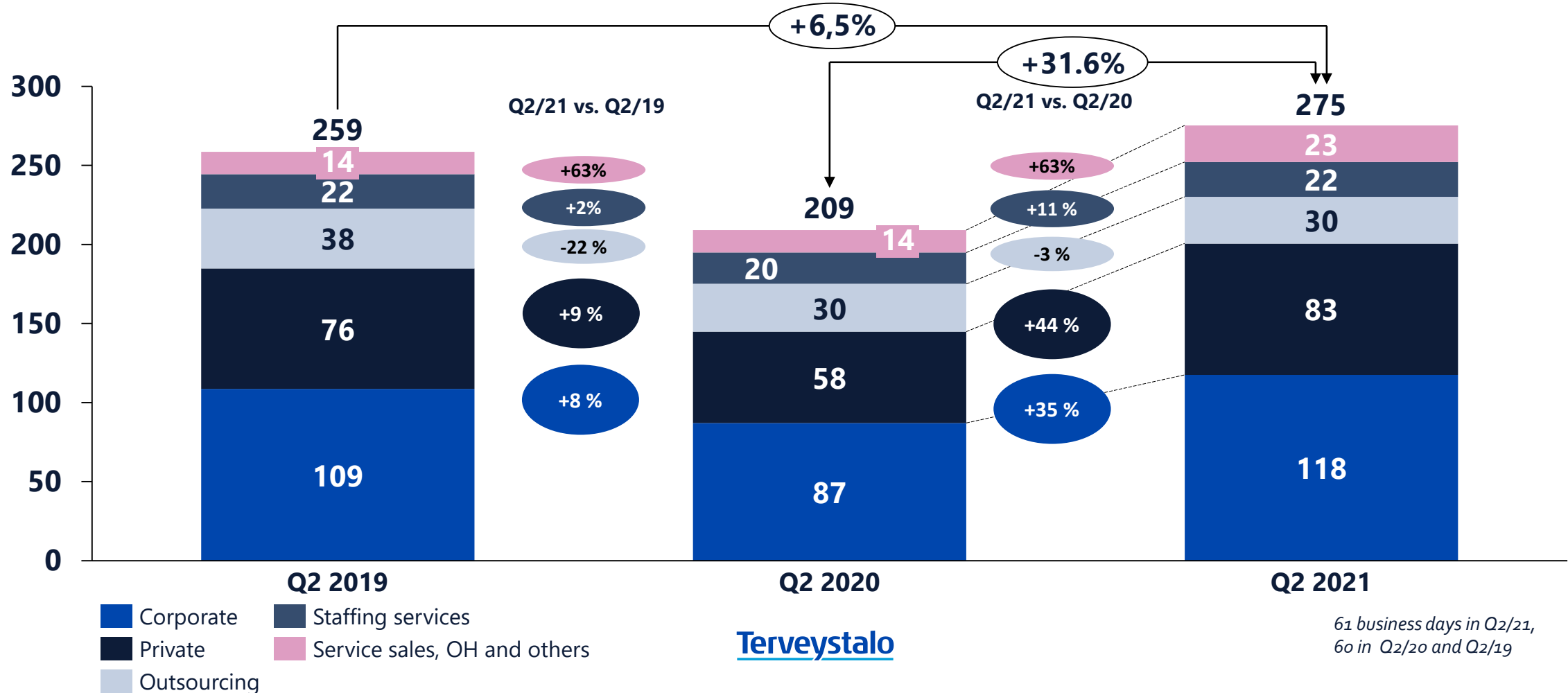
Ilkka Laurila, CFO

Financial performance

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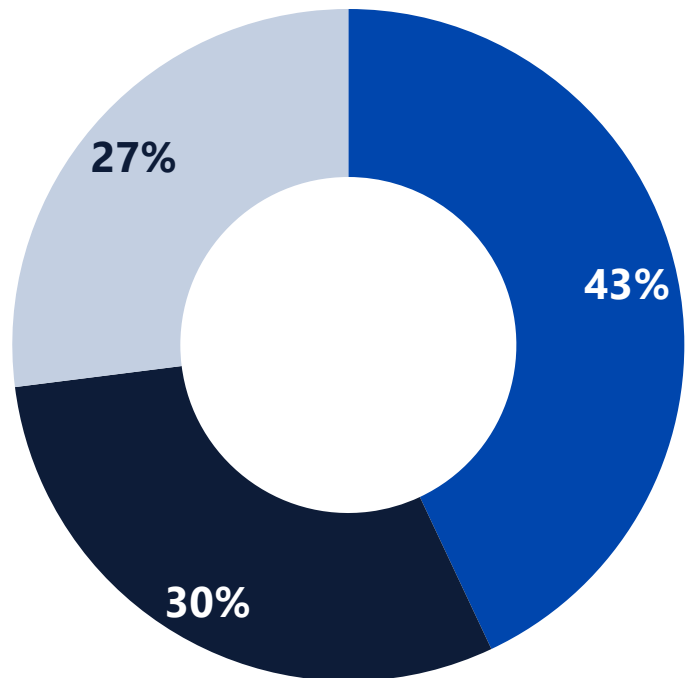
Q2/21 revenue increased also compared to Q2/19

Q2/21 revenue by payer group compared to Q2/19 ja Q2/20, M€



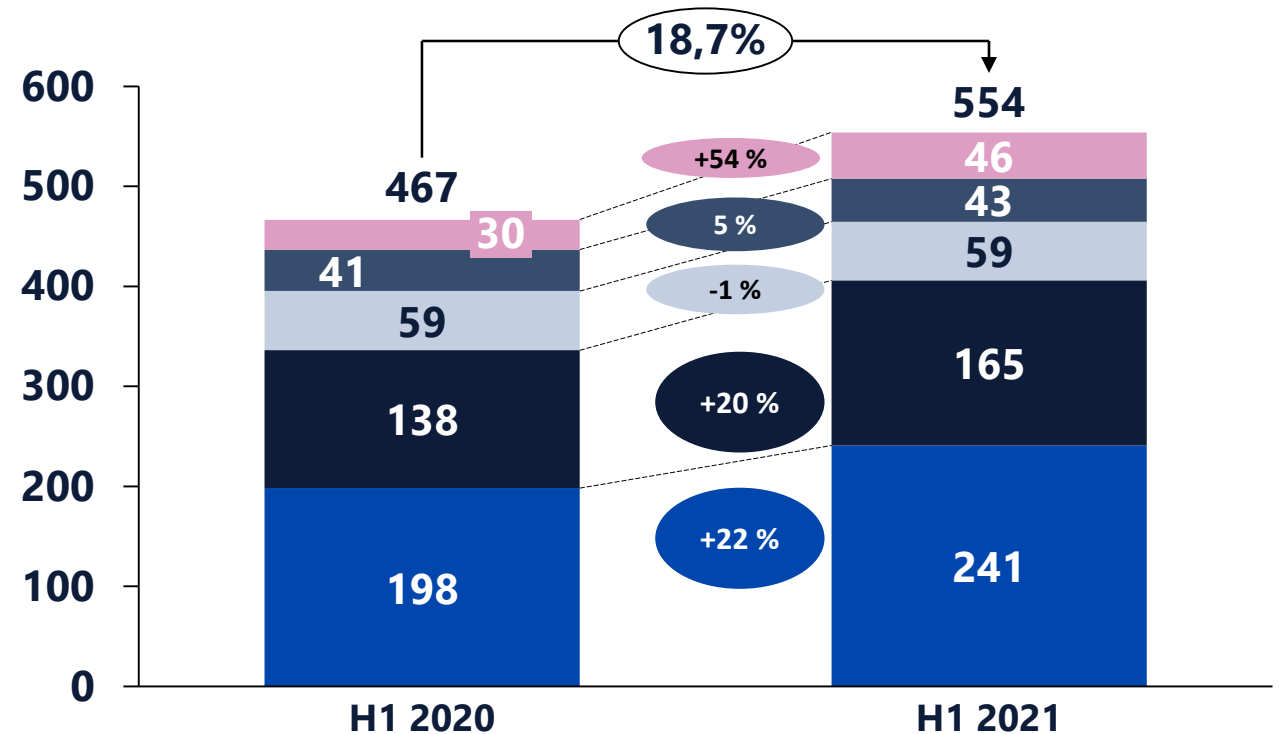
H1/21 revenue grew 19% vs. Q2/21 and 5% vs. Q2/19

H1/21 revenue by payer group, %



Corporate Public
Private

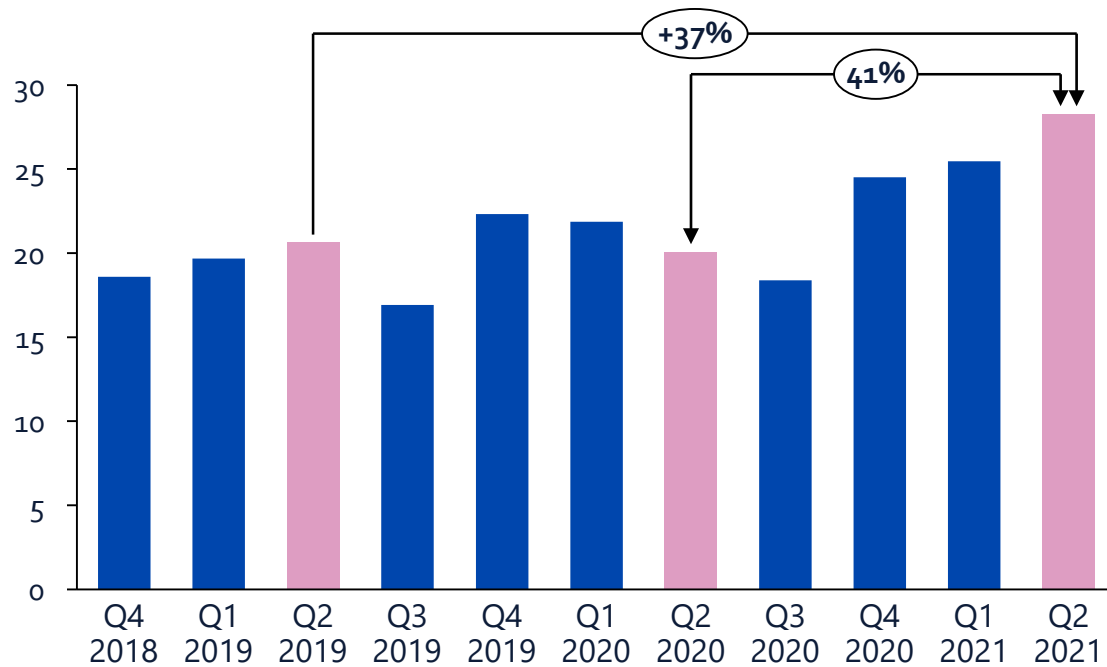
H1/21 revenue by payer group, M€



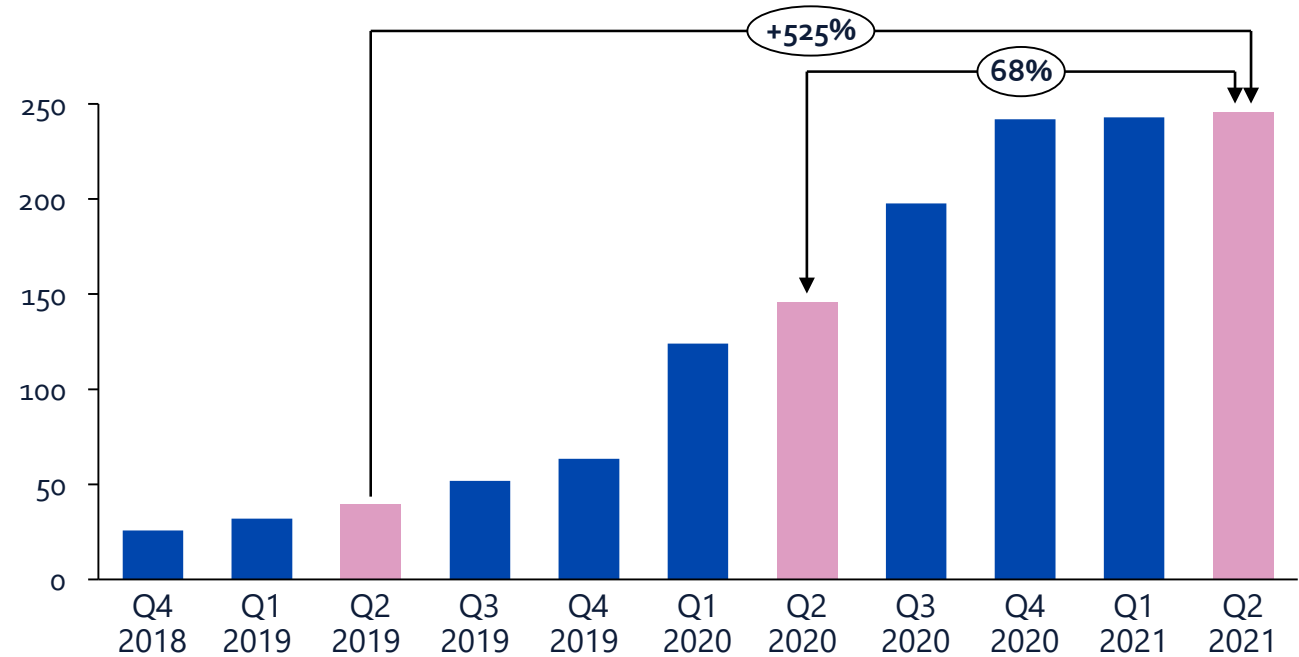
Corporate Staffing services
Private Service sales, OH and others
Outsourcing

Strong trend in wellbeing and digital visits continues

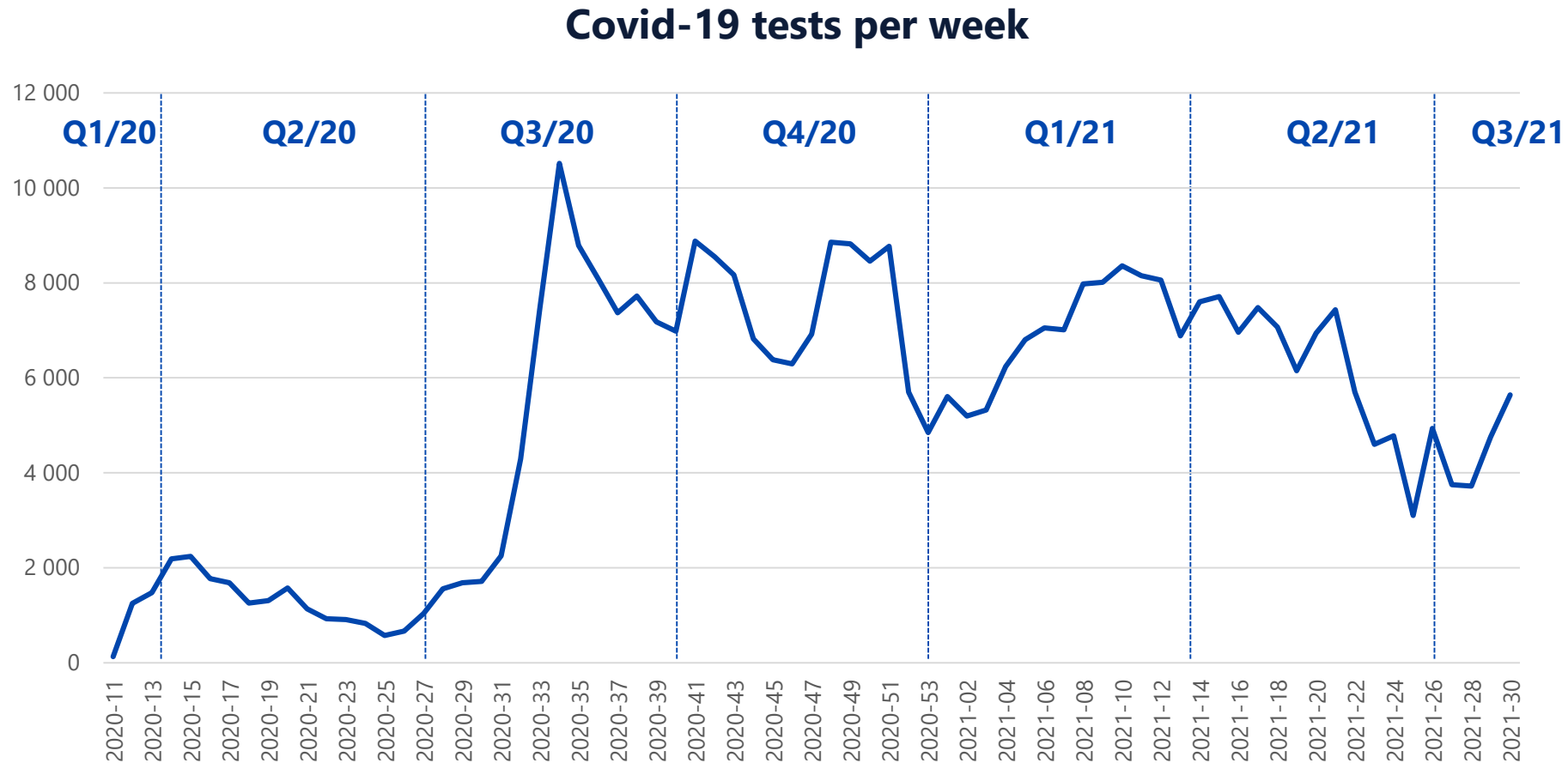
WELLBEING SALES, M€



DIGITAL VISITS, THOUSANDS



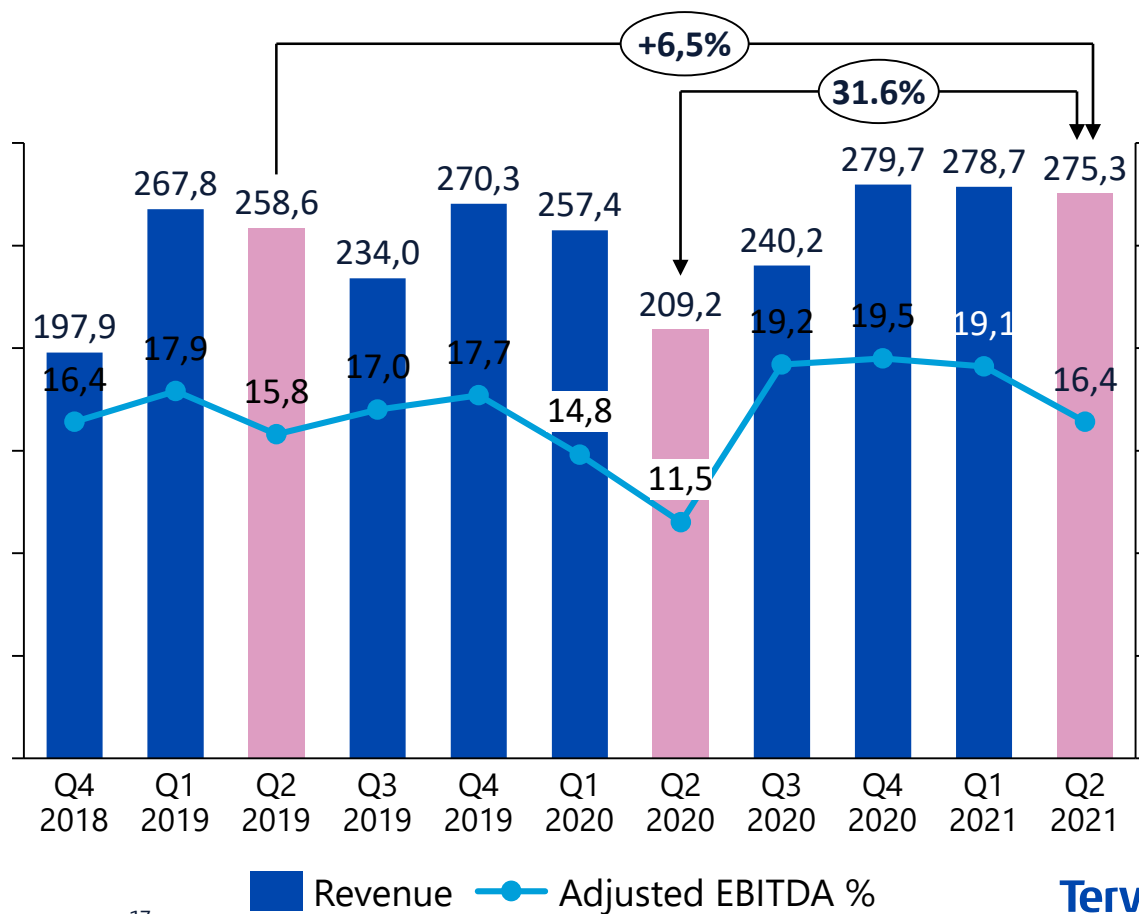
Amount of Covid-tests decreased ~8% vs. Q1, testing expected to remain active in H2



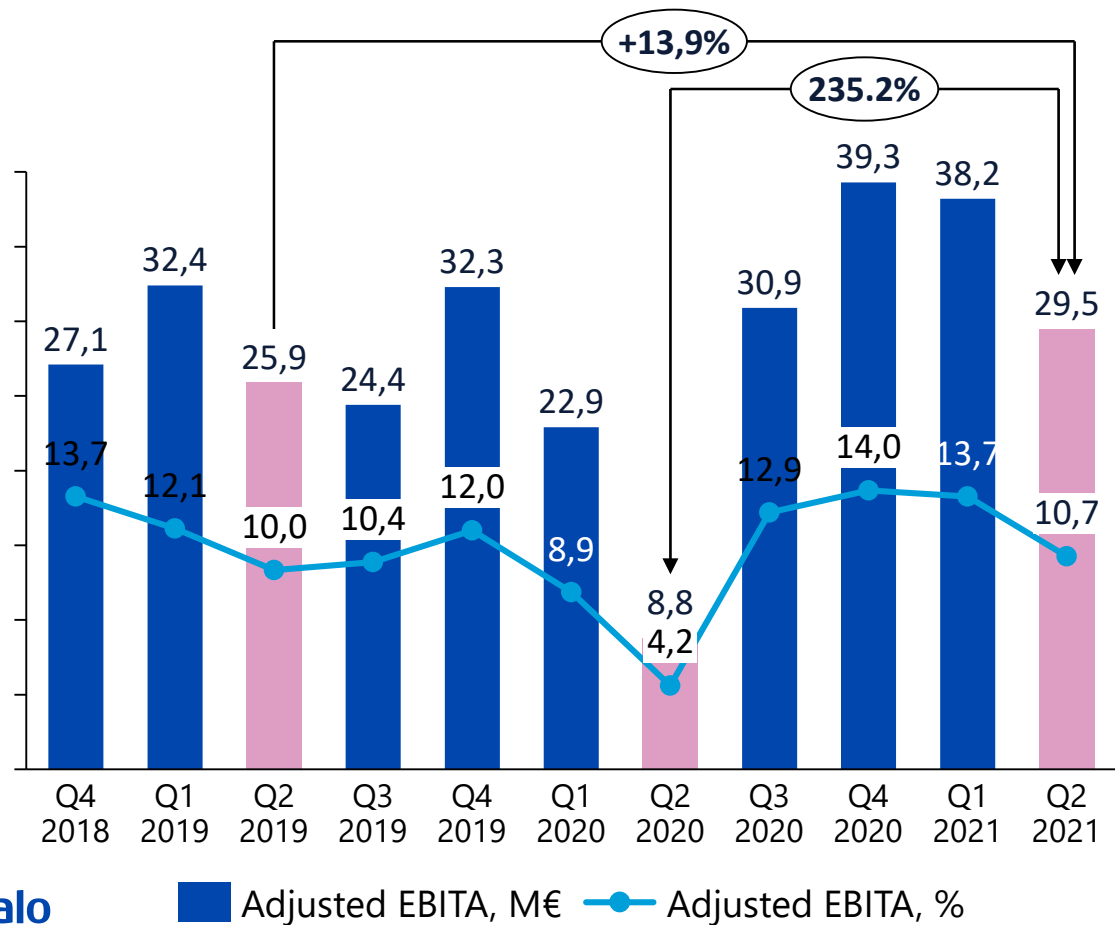
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Profitability improved clearly from Q2/20, EBITA grew 14% vs. Q2/19

REVENUE MEUR, ADJUSTED EBITDA * ** %



ADJUSTED EBITA* ** MEUR AND %



* Alternative key figure

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

Investments in digital services increased IT costs, COVID-19 related services increased personnel costs

M€	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	2020
Revenue	275,3	209,2	31,6	554,0	466,5	18,7	986,4
Other operating income	0,6	0,5	18,5	1,1	1,4	-22,4	2,7
Purchase of materials	-8,4	-9,3	-10,0	-17,1	-18,5	-7,4	-35,5
Change in inventories	-0,3	2,1	-113,5	-0,3	2,5	-110,2	1,3
External services	-112,0	-89,4	25,3	-223,3	-200,5	11,4	-413,4
Employee benefit expenses	-89,5	-72,3	23,8	-176,2	-155,1	13,7	-310,2
Rents. leases and premises	-4,3	-4,7	-9,9	-8,0	-8,7	-8,7	-16,3
IT expenses	-7,2	-6,0	19,9	-14,2	-12,3	14,8	-25,2
Other operating expenses	-10,0	-6,8	48,8	-18,6	-16,2	14,4	-31,5
EBITDA	44,2	23,2	90,6	97,4	59,1	64,9	158,3
Adjustments*	0,8	0,8	-2,8	1,0	3,1	-67,7	4,5
Adjusted EBITDA	45,0	24,0	87,8	98,3	62,2	58,2	162,8
EBIT	22,8	0,5	>200,0	55,0	13,5	>200,0	67,2

Variable costs

Semi-fixed costs. scalable on a unit level

Fixed costs. scalable on a group level

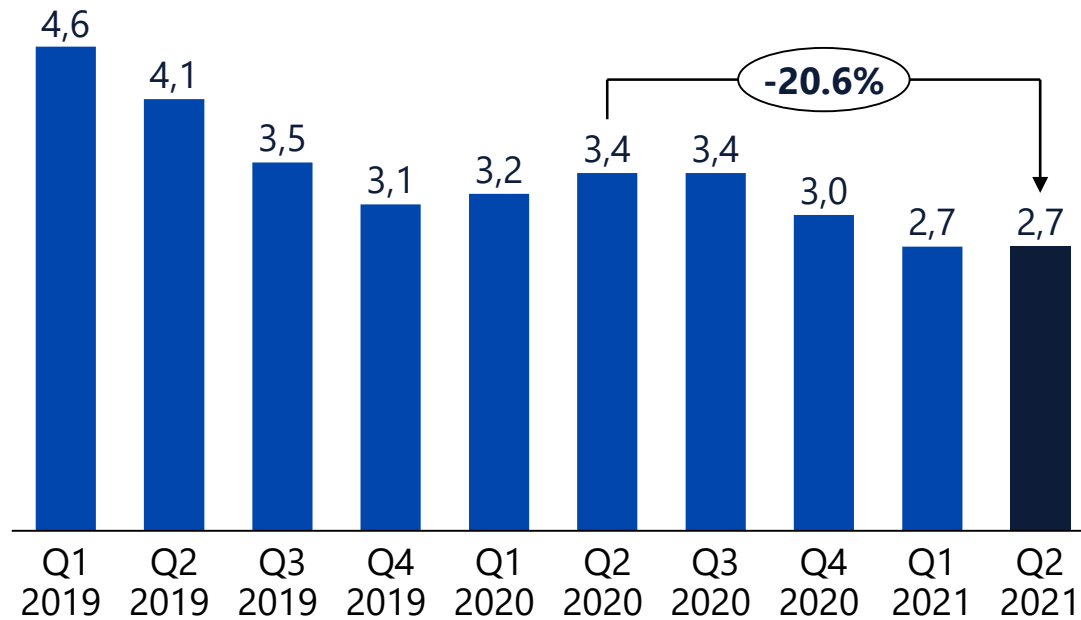
Feelgood has been consolidated since the end of June 2021

m€	30.06.2021	30.06.2020	31.12.2020
ASSETS			
Property, plant and equipment	69,5	69,3	67,6
Right of use assets	176,5	180,1	172,4
Goodwill	833,1	779,7	781,8
Other intangible assets	168,4	155,4	152,2
Other assets	137,3	99,0	110,1
Cash and cash equivalents	34,2	90,2	77,1
TOTAL ASSETS	1 419,0	1 373,6	1 361,0
EQUITY AND LIABILITIES			
TOTAL EQUITY	608,6	532,5	571,4
Interest bearing liabilities	381,7	414	389,5
Other liabilities	182,2	185,7	178,5
Lease liabilities	246,5	224,9	221,7
TOTAL LIABILITIES	810,4	841,1	789,6
TOTAL EQUITY AND LIABILITIES	1 419,0	1 373,6	1 361,0

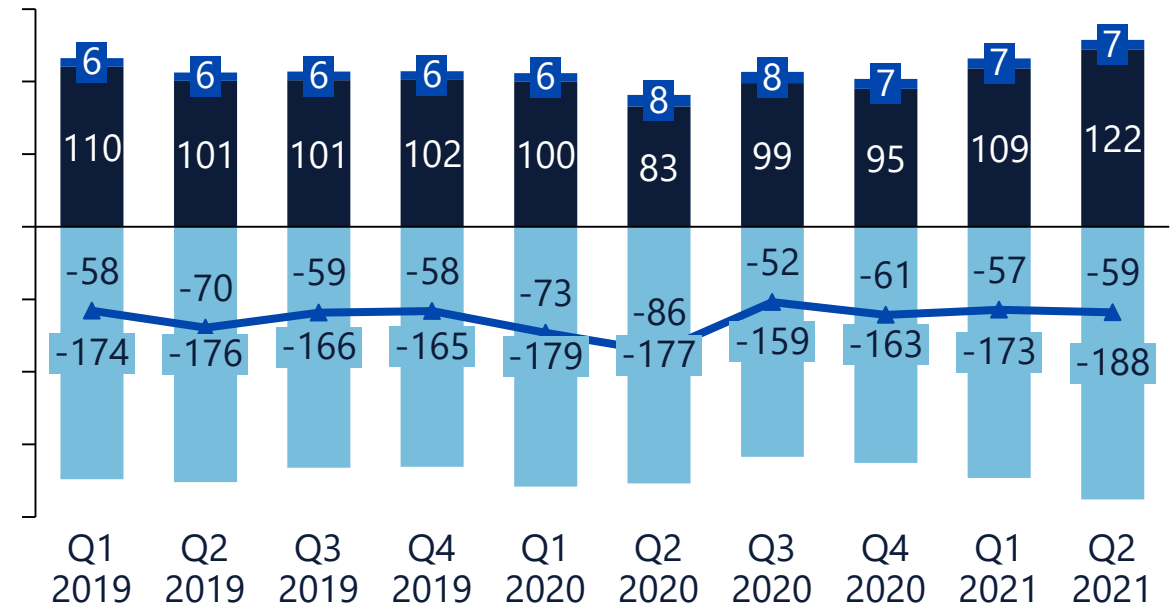
- Cash and cash equivalents EUR 34.2 (90.2) million
- Total assets EUR 1,419.0 (1,373.6) million
- Equity attributable to owners of the parent company EUR 595.8 (532.5) million
 - The increase was due to an increase in retained earnings
- The dividend of EUR 0.13 per share, totaling EUR 16.5 million, was paid on April 7, 2021
- Net debt EUR 529.4 (509.5) million
 - Excl. IFRS 16 impact EUR 347.2 (323.8)
- Net debt / adjusted EBITDA 2.7 (3.4)
 - Excl. IFRS 16 impact EUR 2.3 (3.1)
- A new short-term financing agreement of EUR 70 million, under which EUR 45 million was drawn down during the review period

Indebtedness below target

**NET DEBT/ADJUSTED EBITDA
(LAST 12 MONTHS)***



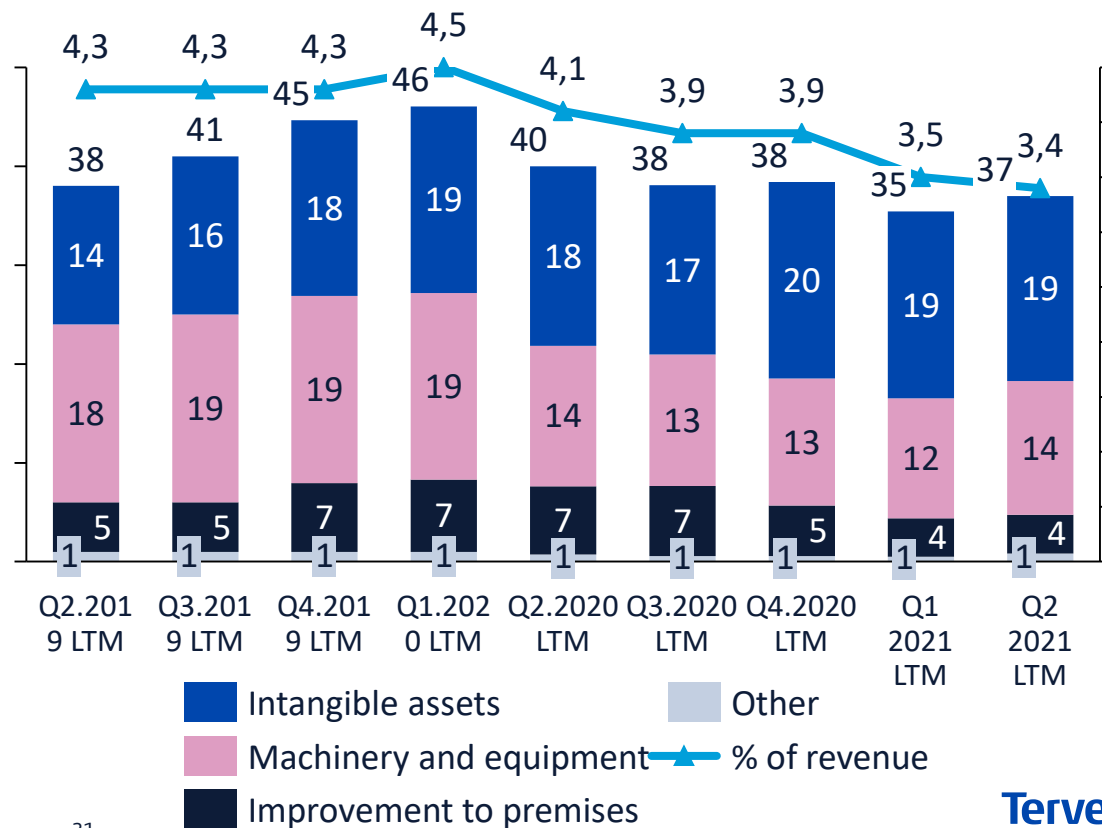
**OPERATIONAL EFFICIENCY IS REFLECTED IN THE
NEGATIVE NET WORKING CAPITAL**



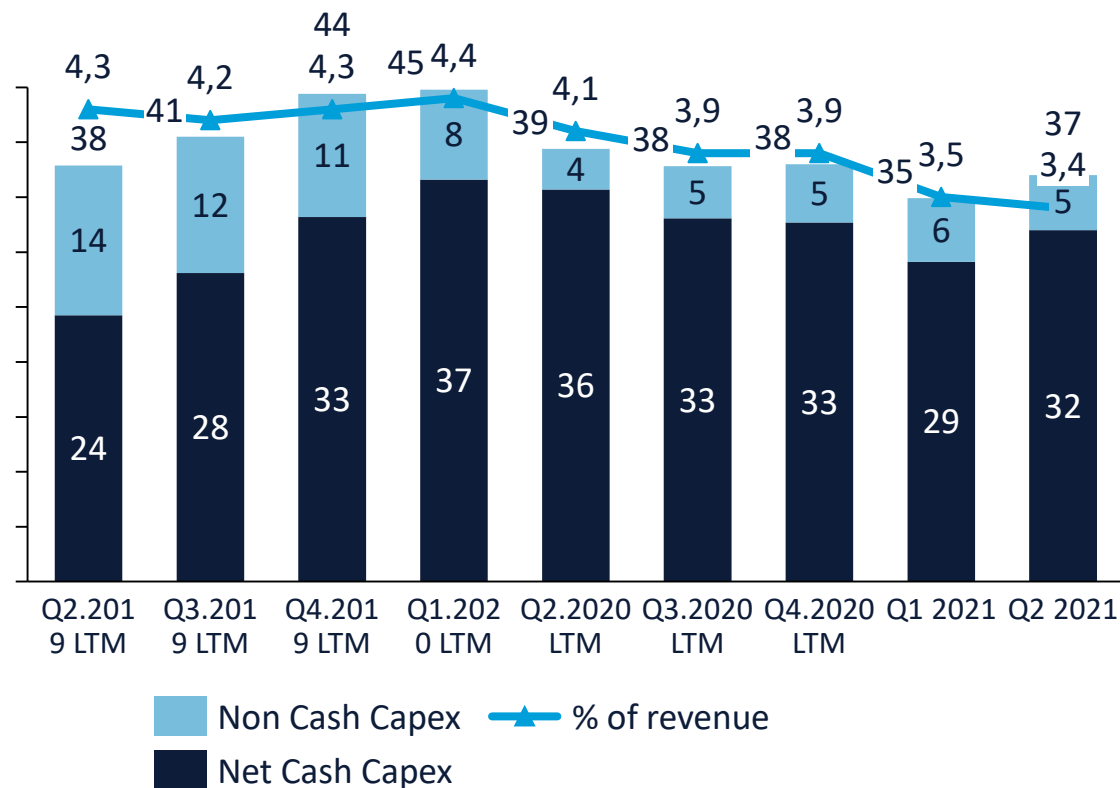
■ Inventories
 ■ Trade and other receivables
 ▲ Net working capital

The shares of intangible and tangible investments remained at the same level as during Q2/20 (excluding M&A)

GROSS CAPEX, MEUR AND %- OF REVENUE



NET CAPEX, MEUR AND %- OF REVENUE



IR calendar in 2021



- 16 Aug: Investor meeting with OP
- 23-24 Sep: Roadshow London-Paris with Carnegie
- 28 Oct: Interim report for January-September 2021
- 29 Oct: Virtual Roadshow with Kepler Cheuvreux
- 2 Nov: Investor meeting with Danske
- 16 Nov: Jeffries London Healthcare conference

Q & A





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Key figures

Terveystalo Group, EUR million	4-6/ 2021	4-6/ 2020	Change, %	1-6/ 2021	1-6/ 2020	Change, %	2020
Revenue	275.3	209.2	31.6	554.0	466.5	18.7	986.4
Adjusted EBITDA * 1)	45.0	24.0	87.8	98.3	62.2	58.2	162.8
Adjusted EBITDA, % * 1)	16.4	11.5	-	17.8	13.3	-	16.5
EBITDA 1)	44.2	23.2	90.6	97.4	59.1	64.9	158.3
EBITDA, % 1)	16.0	11.1	-	17.6	12.7	-	16.1
Adjusted earnings before interest. taxes and amortization (EBITA) * 1)	29.5	8.8	>200.0	67.7	31.7	113.3	101.9
Adjusted EBITA, % * 1)	10.7	4.2	-	12.2	6.8	-	10.3
EBITA 1)	28.7	8.0	>200.0	66.7	28.6	133.1	97.4
EBITA, % 1)	10.4	3.8	-	12.0	6.1	-	9.9
Adjusted EBIT * 1)	23.6	1.3	>200.0	56.0	16.6	>200.0	71.6
Adjusted EBIT, % * 1)	8.6	0.6	-	10.1	3.6	-	7.3
EBIT	22.8	0.5	>200.0	55.0	13.5	>200.0	67.2
EBIT, %	8.3	0.2	-	9.9	2.9	-	6.8
Return on equity (ROE), % 1)	-	-	-	13.3	6.3	-	8.2
Equity ratio, % 1)	-	-	-	42.9	38.8	-	42.1
Earnings per share (EUR)	0.13	-0.01	>200.0	0.32	0.06	>200.0	0.36
Net debt	-	-	-	529.4	509.5	3.9	490.9
Gearing, % 1)	-	-	-	87.0	95.7	-	85.9
Net debt/adjusted EBITDA (last 12 months) 1)	-	-	-	2.7	3.4	-	3.0
Total assets	-	-	-	1,419.0	1,373.6	3.3	1,361.0
Adjusted EBITDA (last 12 months), excluding IFRS 16*1)	-	-	-	153.8	104.9	46.6	118.0
Net debt, excluding IFRS 16	-	-	-	347.2	323.8	7.2	312.4
Adjusted net debt/adjusted EBITDA (last 12 months), excluding IFRS 16*1)	-	-	-	2.3	3.1	-	2.6
Average personnel in person-years	-	-	-	5,365	5,000	7.3	4,900
Personnel (end of period)	-	-	-	8,750	8,079	8.3	8,253
Private practitioners (end of period)	-	-	-	5,128	5,203	-1.4	5,057
Responsibility							
Quality index ²⁾				94.8	94.5	0.3	94.2
Net Promoter Score (NPS), appointments				83.4	82.8	0.7	82.8
Employee Net Promoter Score (eNPS)				18	19	-5.3	18
Mixed waste intensity ³⁾				6.21	5.06	22.6	6.00

*) 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 separately from the IFRS figures and they should not be considered to replace the IFRS figures.

2) The quality index consists of seven effectiveness indicators that describe the clinical and experienced quality, access to care, and the proportion of preventive care.

3) Amount of mixed waste (metric tons) relative to total revenue (100 million)

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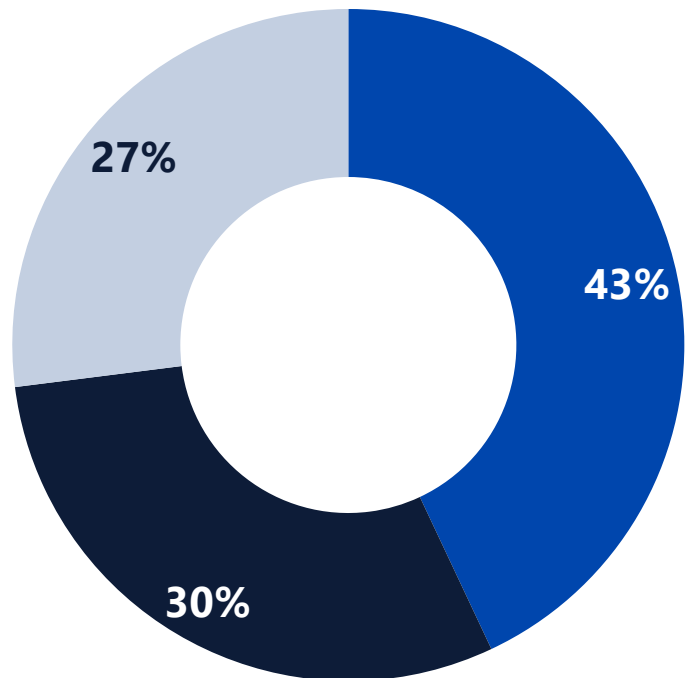
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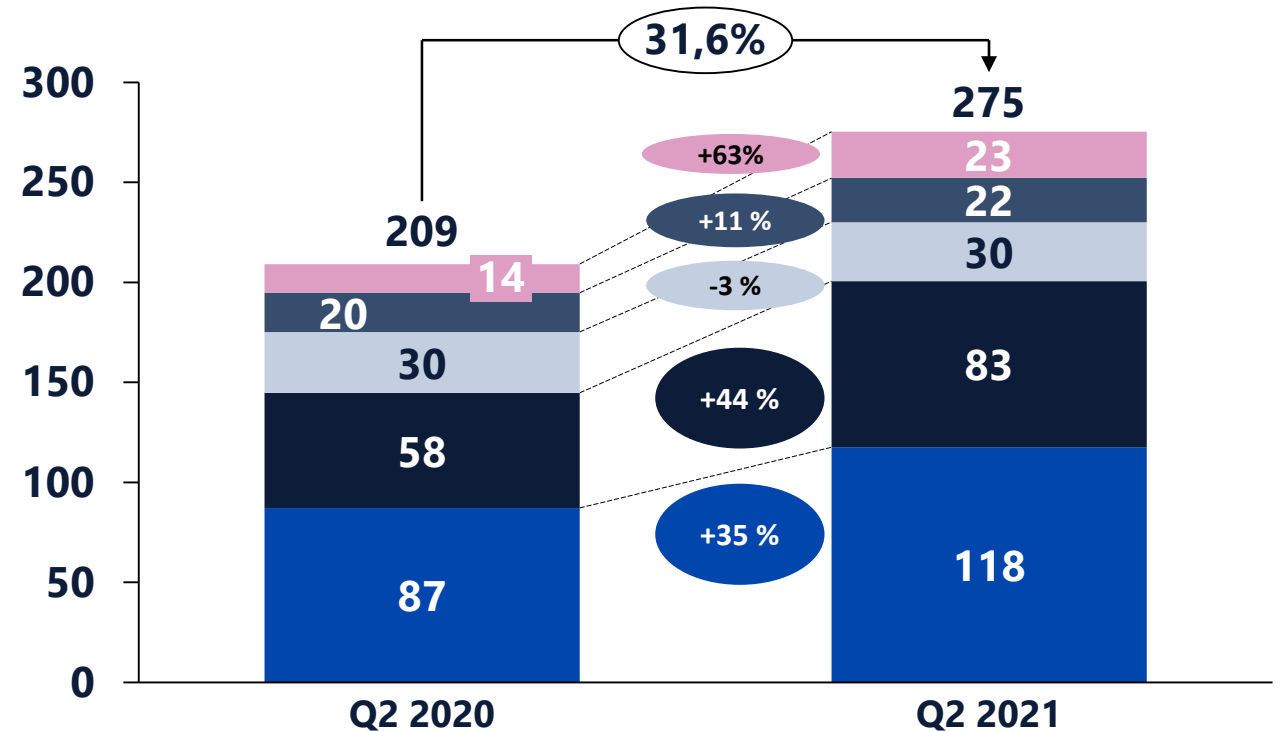
Q2/21 revenue by payor group

Q2/21 revenue by payor group, %



Corporate Public
Private

Q2/21 revenue by payor group, M€



Corporate Staffing services
Private Service sales, OH and others
Outsourcing