

# A STRONG POSITION IN PRIVATE HEALTHCARE BOOSTS GROWTH

## TERVEYSTALO Q4 AND FULL YEAR 2017 RESULT

CEO Yrjö Närhinen

CFO Ilkka Laurila



terveystalo.com  
#terveystalo

# Terveystalo in 2017

**Revenue**  
EUR 689.5 million (+26.1%)

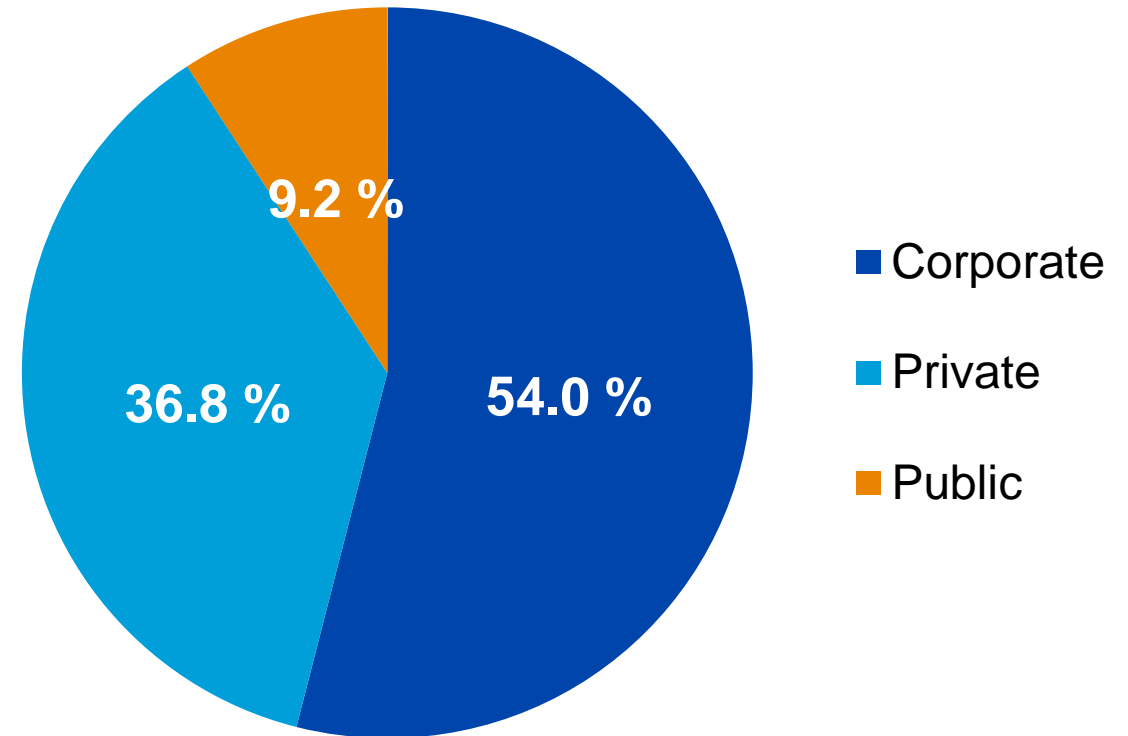
~9,000 healthcare professionals  
(+25.8%)

1.2 million  
individual customers (+20%)

3.3 million  
doctor visits (+22%)

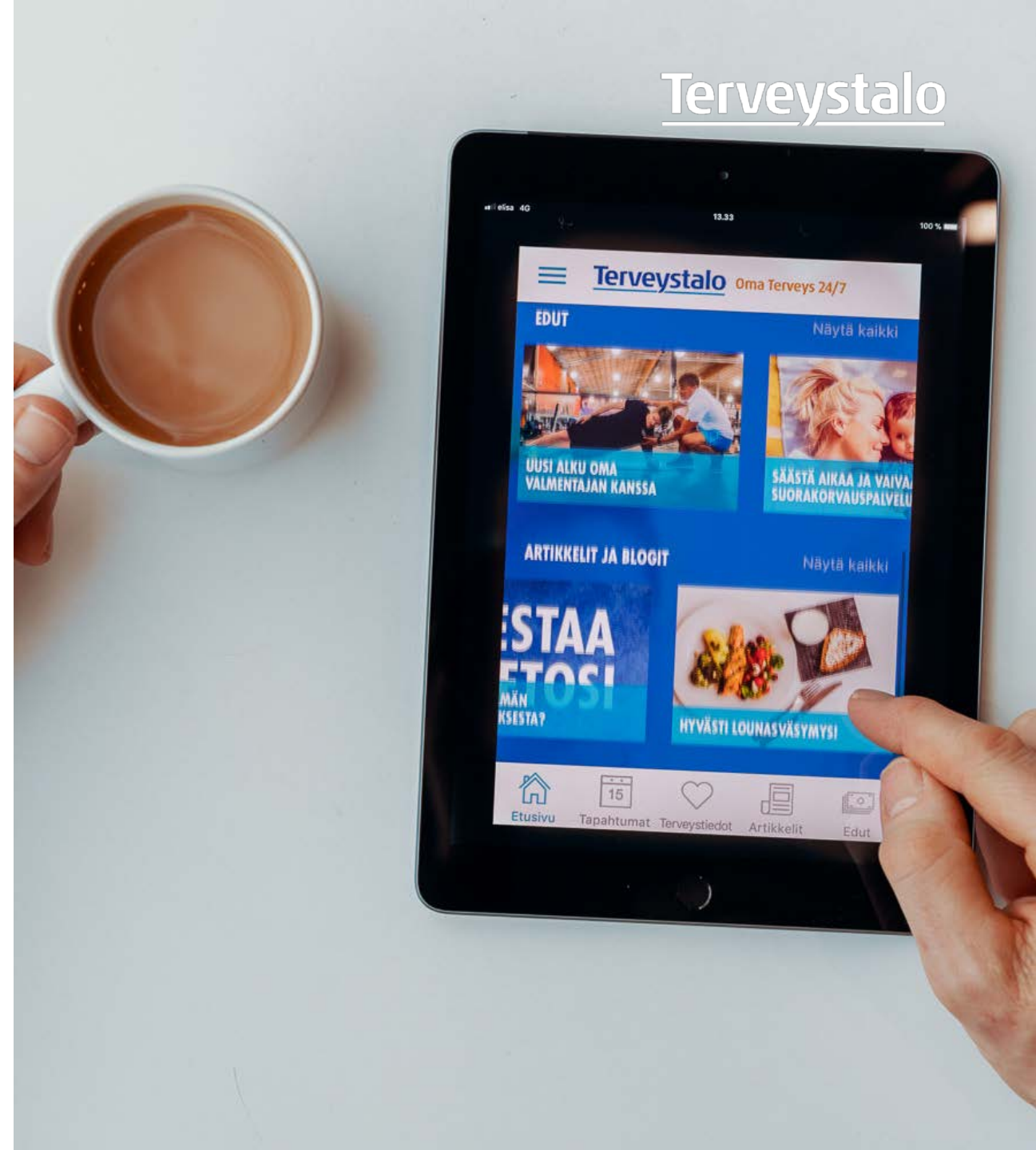
~600,000 Oma Terveys personal health  
portal users (+25%)

## Revenue by customer group



# 2017 Highlights

- **Acquisitions and organic growth boosted revenue and market share**
  - Growth in all customer groups
- **Increased operational efficiency and successful, timely integrations improved profitability**
  - The IPO and the costs associated with acquisitions affect the comparability y-o-y
- **The IPO strengthened the balance sheet**
- **Healthy economy in Finland is boosting growth**
- **Sote will change the market**
  - Investments in new opportunities and digitalization continue
  - Our strategic focus on health care remains



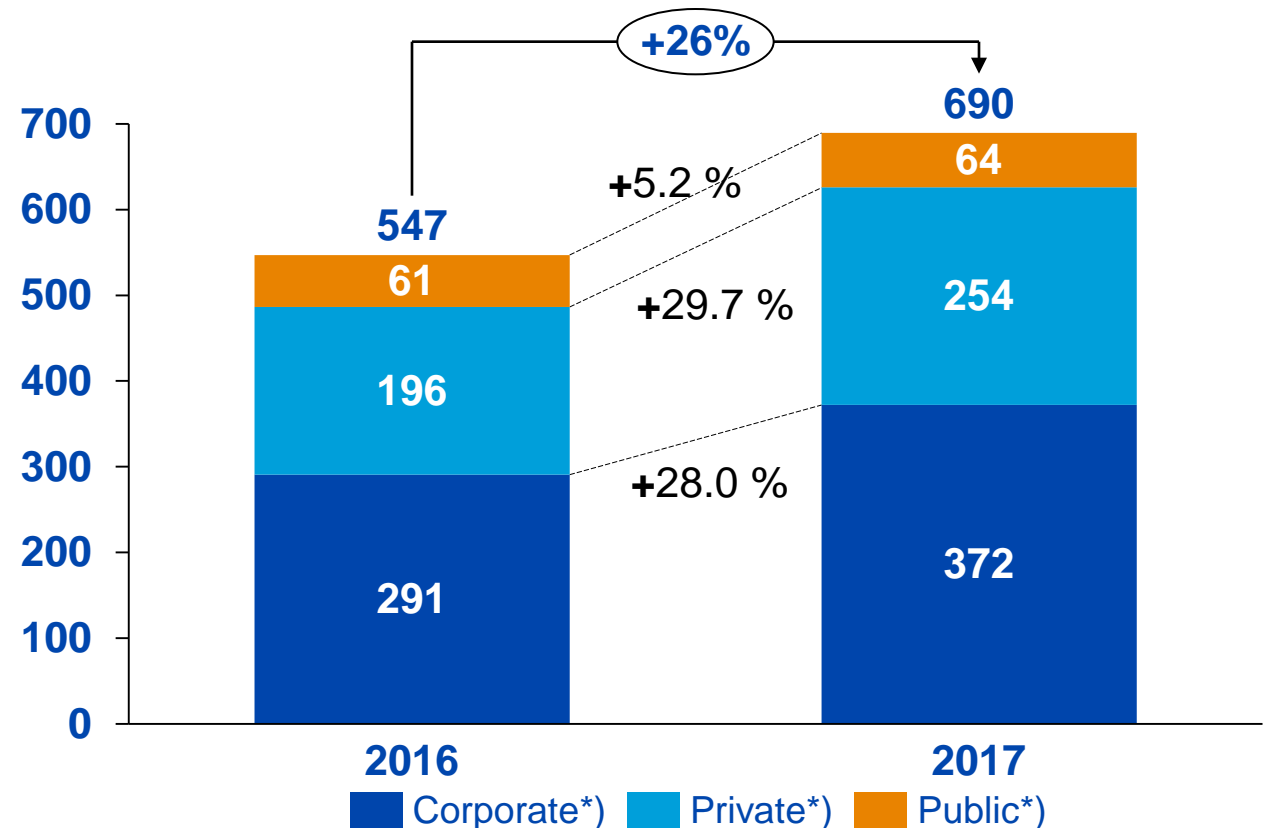
# Acquisitions and organic growth boosted revenue growth

## Growth in all customer groups

Revenue growth driven by acquisitions and supportive market fundamentals:

- **Corporate:** Growth driven by the acquisitions, new OH customers, sales mix improvement and growing demand of preventive occupational healthcare services
- **Private:** Growth driven by the acquisitions, organic growth and expansion of Dental network
- **Public:** Organic growth largely driven by new occupational healthcare outsourcing contracts.

2017 revenue by customer group, M€





## Increased operational efficiency and successful, timely integrations improved profitability

- Adjusted EBITDA\* grew by 26.7 per cent to EUR 92.4 million (13.4% of revenue)
- Adjusted EBITA\* grew by 28.5 per cent to EUR 73.0 million (10.6% of revenue)
- Adjusted net profit\*\* grew by 45 per cent to EUR 44.0 million
- EPS was EUR 0.06
- The IPO and the costs associated with acquisitions affect the comparability y-o-y
- The IPO strengthened the balance sheet; The net debt/adjusted EBITDA ratio decreased to 2.8

\*Alternative performance measure. Additional information in note 12 and 13.

\*\*Finance costs related to the previous bank loans had been amortized to the loan period using the effective interest rate method. As part of the IPO, these costs have been expensed

The effects of share conversion and share split have been taken into account in the weighted average number of shares. Comparative figures have been adjusted accordingly.





# Market review

- The recovering Finnish economy, improved employment rate, and increased consumer confidence all contributed to strong demand in corporate and private customer groups in the review period.
- Sote reform progresses, framework established; According to the Government's proposal, freedom of choice would apply to primary healthcare. The Parliament of Finland aims to consider the healthcare and social welfare reform laws during the spring.
- Successful acquisitions and good operational performance enabled Terveystalo's growth in terms of both market share and revenue.



# Equity repayment proposal

- The Board of Directors proposes to the Annual General Meeting that an equity repayment of EUR 0.06 per share totaling EUR 7.7 million be distributed from the invested non-restricted equity reserve for 2017. (corresponding to an annual yield\* of approximately 3 per cent as per the period post listing.)
- No material changes have taken place in the company's financial position since the end of the financial year. The liquidity of the company is good and the proposed allocation of funds, in the view of the Board of Directors, does not endanger the company's solvency.

*\* Listed in Nasdaq Helsinki Main list 13 October 2018 (83 days). Closing share price 29 December 2017 EUR 8.90*

# Outlook for 2018

- The continuing improvement of the domestic economy supports corporate and private customer business.
- Healthcare and social welfare reform will change the environment for all healthcare companies and create new opportunities, especially for those who invest in meeting the new needs created by the reform.
- Terveystalo expects its markets to continue to develop favorably.





# FINANCIALS

CFO Ilkka Laurila

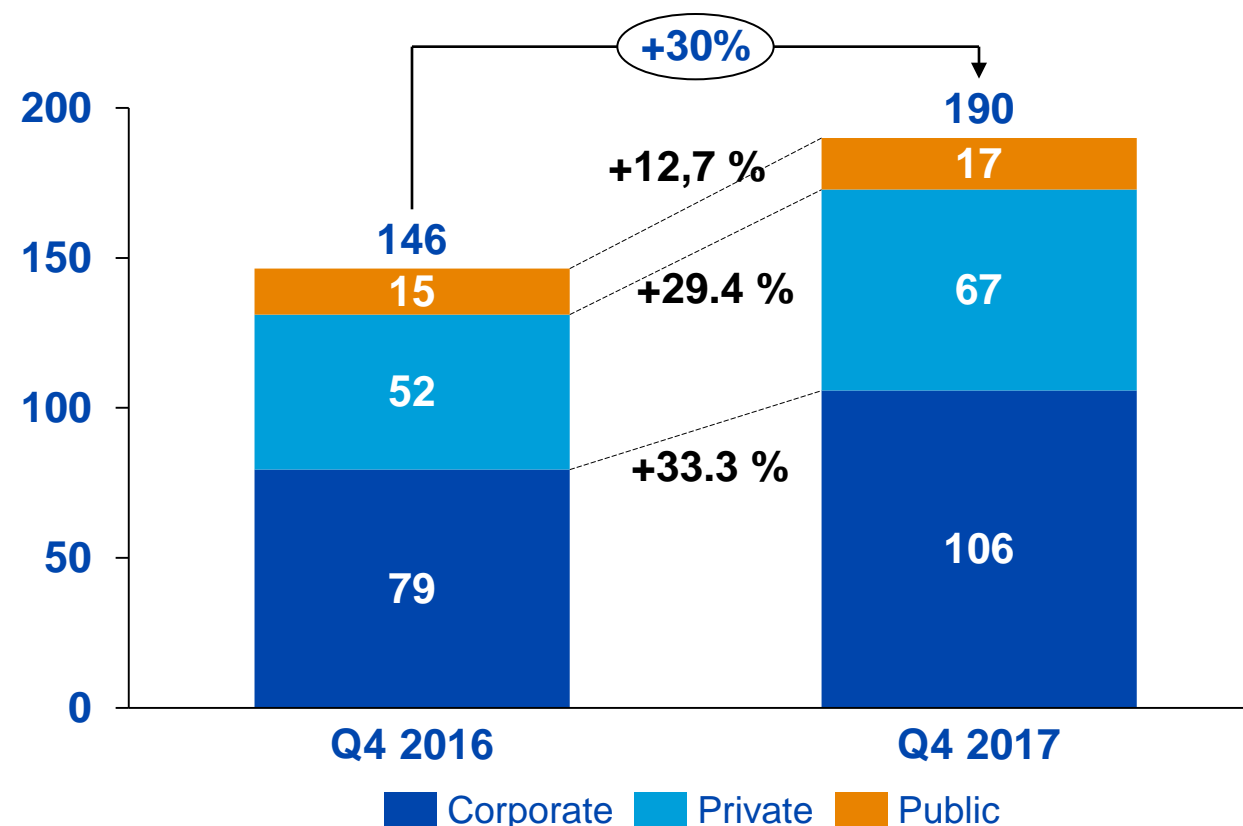


# Q4 Highlights

Revenue growth strongest in corporate accounts, very strong EBITDA development

- Revenue grew 29.7 per cent to 189.9 Million euros (146.4)
- Adjusted EBITDA\* grew by 39.2 per cent to 29.1 Million euros (20.9)
- Adjusted EBITA\* grew by 42.7 per cent to 23.9 Million euros (16.7) (12.6 per cent Adjusted EBITA margin)

Q4 revenue by customer group, M€



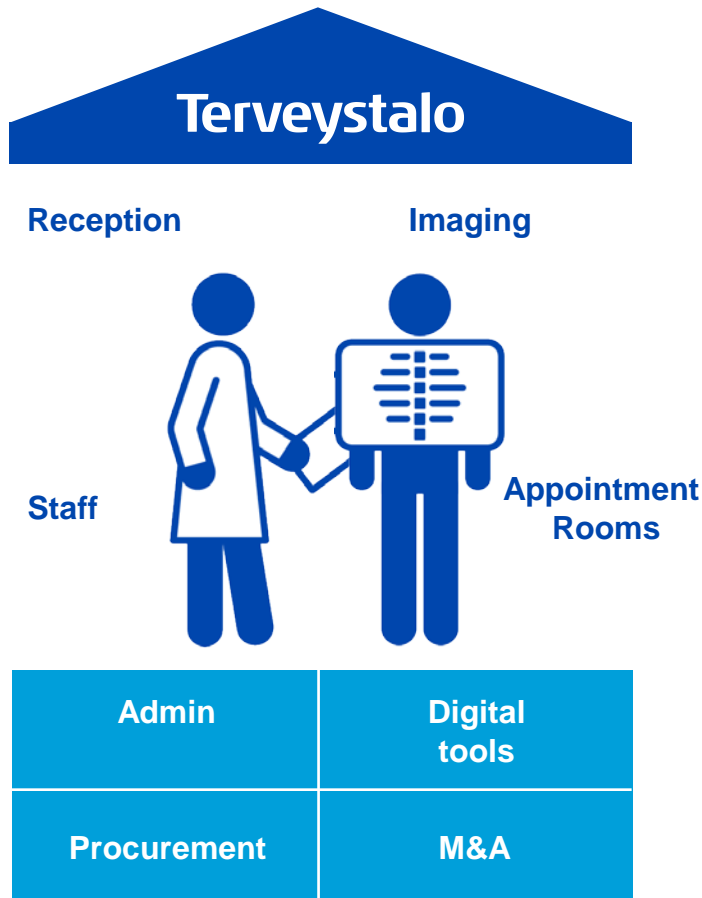
# Very strong EBITDA development

M€	10-12/2017	10-12/2016	Change	2017	2016	Change
<b>Revenue</b>	<b>189.9</b>	<b>146.4</b>	<b>29.7 %</b>	<b>689.5</b>	<b>547.0</b>	<b>26.1 %</b>
Other operating income	0.5	5.3	-90.8 %	2.1	7.1	-70.4 %
Materials and services	-89.1	-69.7	27.8 %	-324.3	-259.3	25.0 %
Employee benefit expenses	-48.1	-40.3	19.4 %	-189.5	-155.5	21.8 %
Other operating expenses	-28.4	-19.4	46.2 %	-109.6	-70.4	55.7 %
<b>EBITDA</b>	<b>24.8</b>	<b>22.4</b>	<b>10.9 %</b>	<b>68.2</b>	<b>68.9</b>	<b>-0.9 %</b>
Adjustments (*)	4.3	-1.5		24.1	4.0	
<b>Adjusted EBITDA</b>	<b>29.1</b>	<b>20.9</b>	<b>39.2 %</b>	<b>92.4</b>	<b>72.9</b>	<b>26.7 %</b>
Operating profit	14.0	12.1	16.2 %	28.2	29.6	-4.8 %

■ Variable costs     
 ■ Semi-fixed costs     
 ■ Fixed costs

*\*) 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 including the IPO, new business operations, and other items affecting comparability. Adjustments totaled EUR 4.3 (-1.5) million in October–December and EUR 24.1 (4.0) million for the full year 2017.*

# Capacity in existing infrastructure and large proportion of fixed and semi-fixed costs create significant scale benefits



Variable costs

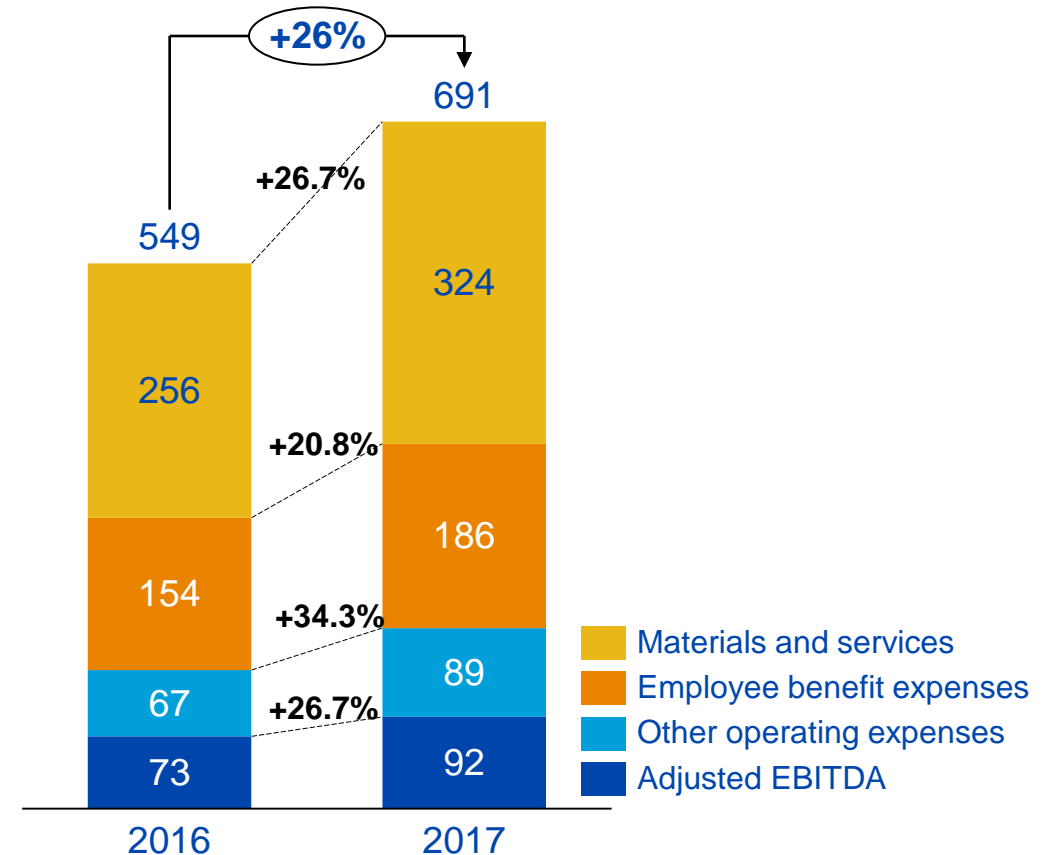


Semi-fixed costs



Fixed costs

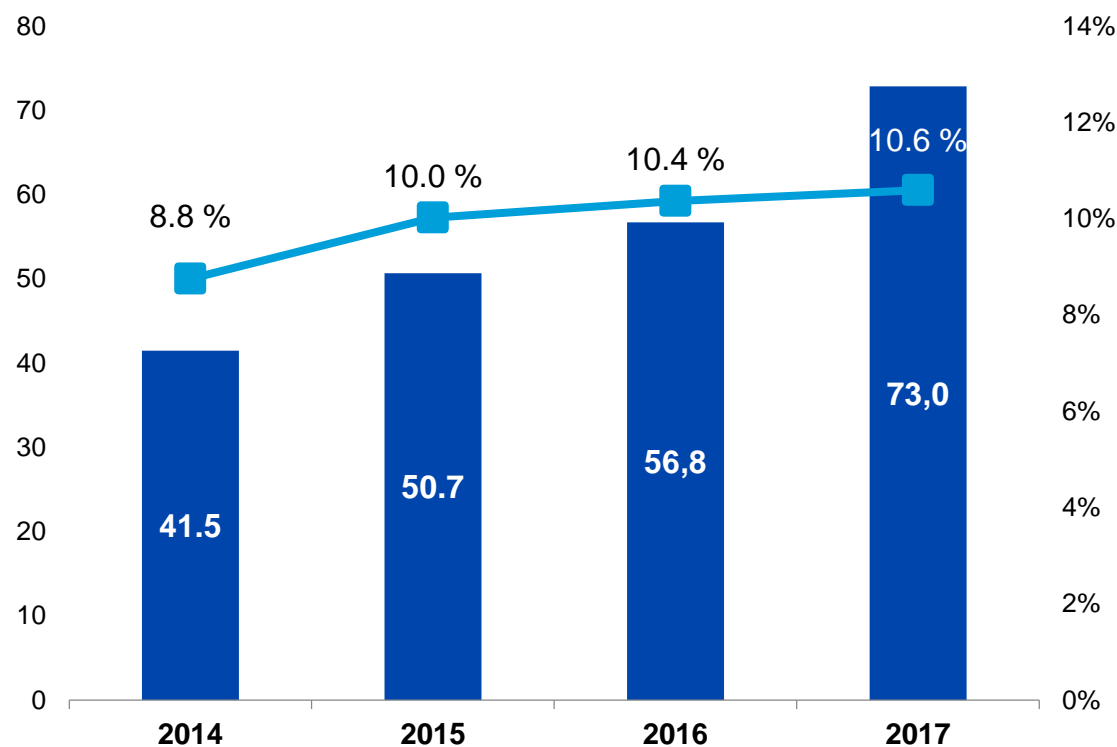
Adjusted operating costs, share of revenue, M€



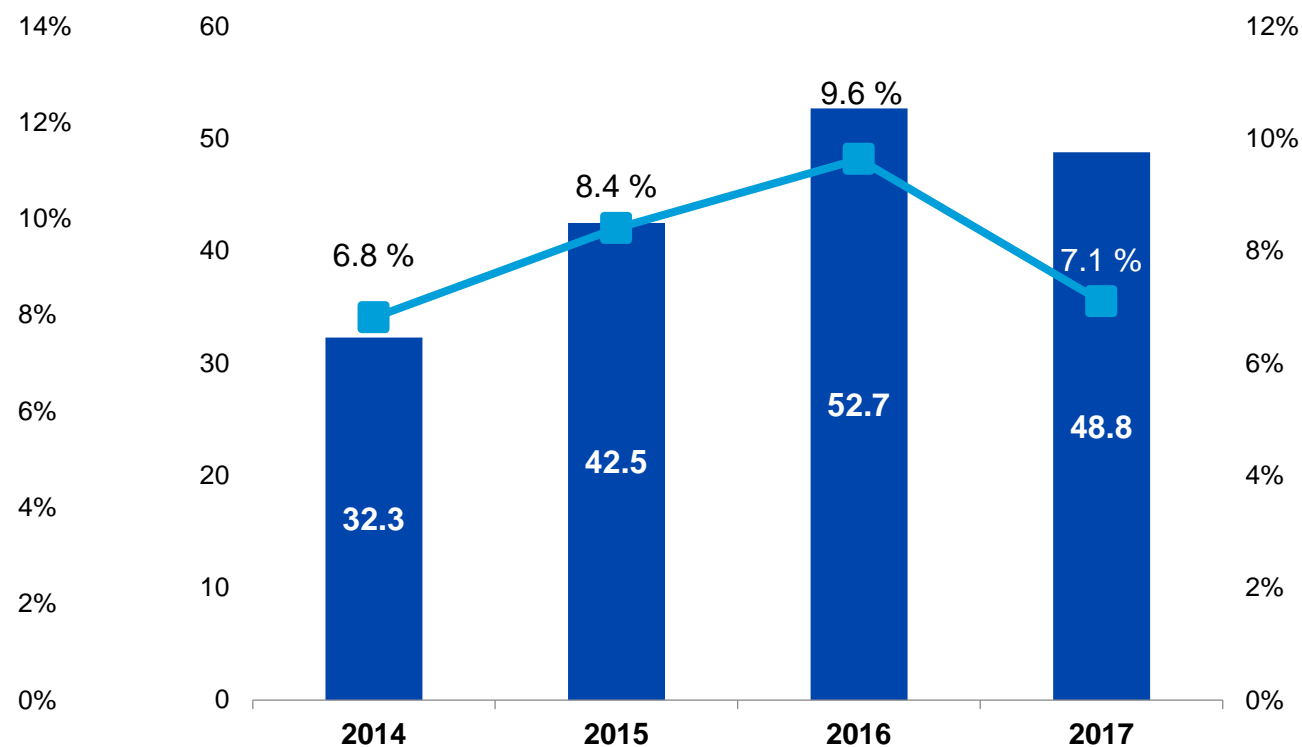


# Profitability stable, synergies realized according to plan

## Adjusted EBITA, M€ and %



## EBITA, M€ and %



# Balance sheet: Equity strengthened, net debt decreased

In millions of euro	31.12.2017	31.12.2016
<b>ASSETS</b>		
Property, plant and equipment	92.1	65.5
Goodwill	583.3	449.1
Other intangible assets	109.2	113.9
Other assets	117.7	105.6
<b>TOTAL ASSETS</b>	<b>902.3</b>	<b>734.1</b>
<b>EQUITY AND LIABILITIES</b>		
<b>TOTAL EQUITY</b>	<b>457.3</b>	<b>232.3</b>
Interest bearing liabilities	289.4	347.2
Other liabilities	155.6	154.6
<b>TOTAL LIABILITIES</b>	<b>445.0</b>	<b>501.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>902.3</b>	<b>734.1</b>

- Total assets amounted to EUR 902.3 million (734.1) on 31 December 2017.
- The increase of EUR 168.2 million was mainly attributable to the acquisitions of Diacor Terveyspalvelut Group and Porin Lääkäritalo Group, for which a total goodwill of EUR 132.5 million was recognized.
- In the refinancing done in connection to the IPO, Terveystalo withdraw new long-term loans amounting to EUR 257.0 million and repaid old loans amounting to EUR 337.9 million.
- The IPO raised EUR 100.0 million in gross assets. In addition, EUR 93.9 million investment in the unrestricted equity reserve of Terveystalo was made in relation to the acquisition of Diacor.

# Positive net working capital development - Improved operational efficiency

	In millions of euro	10-12/2017	10-12/2016	2017	2016
	Cash at the beginning	5.7	4.2	39.1	16.6
	Profit before income taxes	4.4	7.1	3.9	9.5
<b>Cash flows from operating activities</b>	Adjustments for non-cash and financial items	20.6	11.6	64.2	57.2
	Changes in working capital	12.3	22.5	2.3	-1.5
	Other operating activities	0.3	-0.4	-0.5	-0.5
	<b>Net cash from operating activities</b>	<b>37.5</b>	<b>40.8</b>	<b>70.0</b>	<b>64.7</b>
	Capex and M&A	-29.7	-5.1	-97.7	-17.4
<b>Cash flows from Investing activities</b>	Disposals	-	6.2	0.1	8.8
	Other investing activities	0.0	0.0	-5.1	-0.3
	<b>Net cash from investing activities</b>	<b>-29.7</b>	<b>1.1</b>	<b>-102.7</b>	<b>-9.0</b>
	Proceeds from loans	257.0	10.0	317.8	25.4
<b>Cash flows from financing activities</b>	Loan repayments	-342.6	-9.6	-376.5	-29
	Interests and other items	-19.9	-7.2	-39.8	-29.6
	Share Issue and Equity investment without consideration in the invested non-restricted equity reserve	125.0	-	125.0	-
	<b>Net cash from financing activities</b>	<b>19.5</b>	<b>-7.0</b>	<b>26.5</b>	<b>-33.2</b>
	<b>Net change in cash and cash equivalents</b>	<b>27.3</b>	<b>34.9</b>	<b>-6.1</b>	<b>22.5</b>
	Cash at the end	33.0	39.1	33.0	39.1

# Key Figures

<b>Terveystalo Group, In millions of euro</b>	<b>10-12/2017</b>	<b>10-12/2016</b>	<b>Change, %</b>	<b>1-12/2017</b>	<b>1-12/2016</b>	<b>Change, %</b>
Revenue	189.9	146.4	29.7	689.5	547.0	26.1
Adjusted EBITDA (*)	29.1	20.9	39.2	92.4	72.9	26.7
Adjusted EBITDA margin (%) (*)	15.3	14.3	1,1%-p	13.4	13.3	0,1 %-p
Adjusted EBITA (*)	23.9	16.7	42.7	73.0	56.8	28.5
Adjusted EBITA margin (%) (*)	12.6	11.4	1,2%-p	10.6	10.4	0,2 %-p
Net profit (Adj.) (*) (***)	18.2	10.0	82.1	44.0	30.3	45.0
Net profit	6.1	7.6	-19.9	7.2	12.7	-43.2
Net debt	-	-	-	256.4	308.1	-16.8
Net debt / Adjusted EBITDA (LTM) (*)	-	-	-	2.8	4.2	-34.3
Return on equity (ROE), % (*)	-	-	-	2.1	5.6	-3,5 %-p
Equity ratio, % (*)	-	-	-	50.7	31.7	19,1 %-p
Gearing, % (*)	-	-	-	56.1	132.6	-76,6 %-p
Earnings per share (**)	0.05	0.06	-	0.06	0.11	-
Operating cash flow	37.5	40.8	-7.9	70.0	64.7	8.3
Personnel (end of period)	-	-	-	4,265	3,463	23.2
Private practitioners (end of period)	-	-	-	4,431	3,448	28.5

\*) Alternative performance measure. Additional information in note 12 and 13.

(\*\*) The effects of share conversion and share split have been taken into account in the weighted average number of shares. Comparative figures have been adjusted accordingly.

(\*\*\*) Finance costs related to the previous bank loans had been amortized to the loan period using the effective interest rate method. As part of the IPO, these costs have been expensed.



**WE DEVELOP QUALITY AND  
CUSTOMER EXPERIENCE  
THROUGH DIGITALISATION**



# Digitalization and consumer behavior change the healthcare market

2015

Same service for all

Place and time-bound

Symptom focused

Passive

Limited resources



2020

Targeted service

Holistic

Digital

Proactive

Partner network



→ The customer is responsible for his / her own health

→ Knowledge-based support for customer well-being

**CUSTOMER EXPERIENCE  
AND  
QUALITY MANAGEMENT  
ARE  
AT THE CORE  
OF  
OUR STRATEGY**



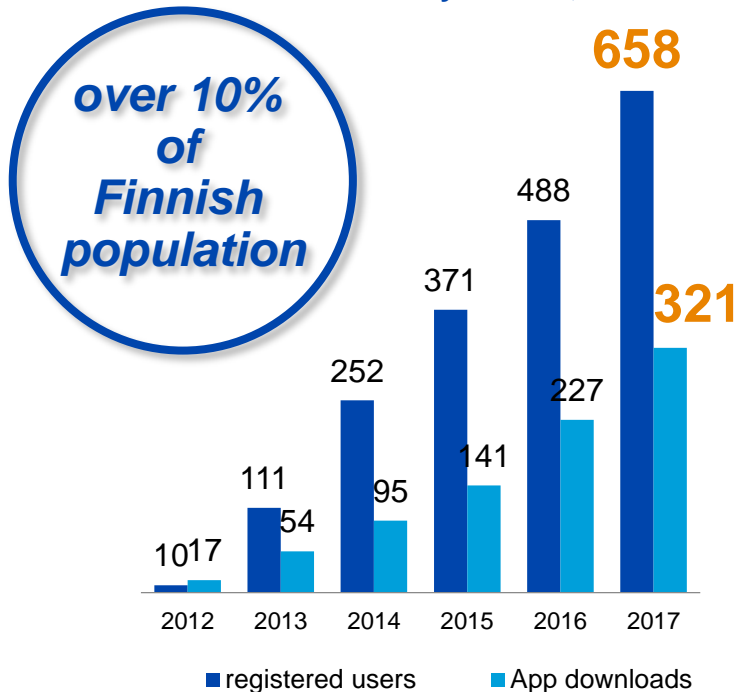
**Superior service experience**

# Use of Digital Services grows rapidly –

Terveystalo is one of the largest providers of on-demand health care services in the world

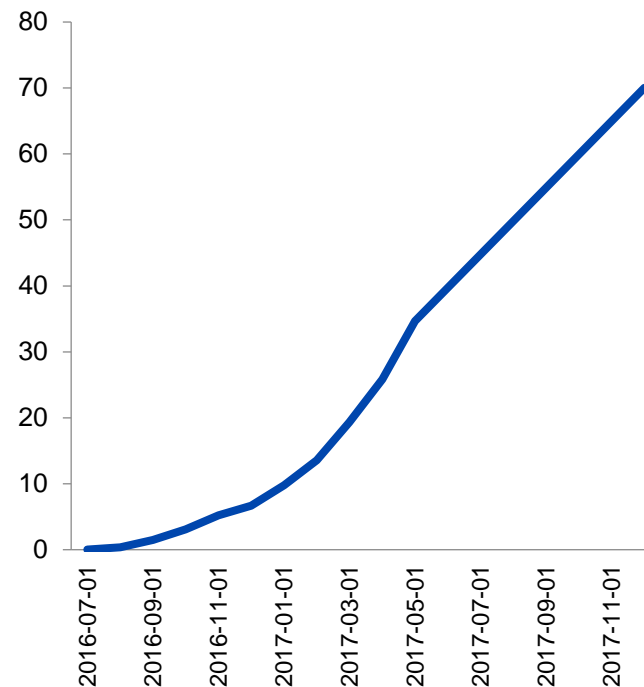
600 000 personal health portal users

Oma Terveys users, thousands



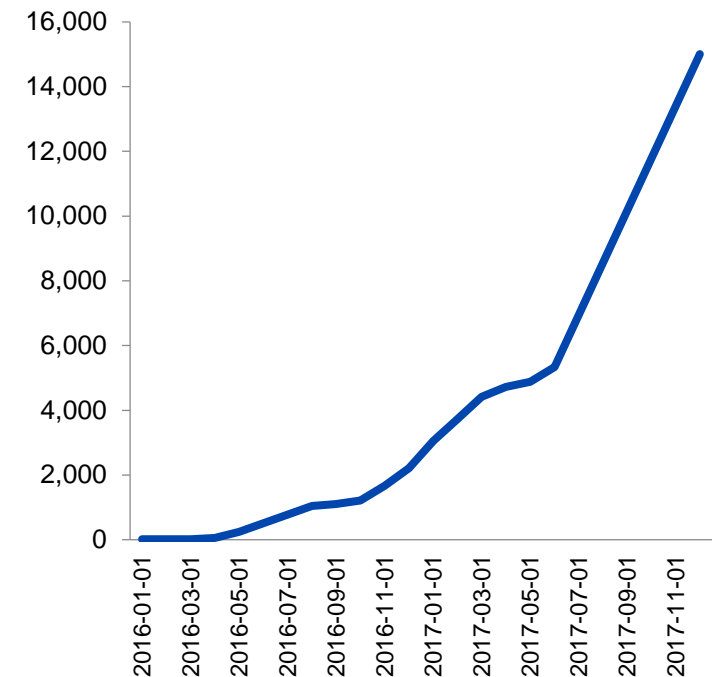
70 000 personal health plans

Personal health plans, thousands



15 000 Chat visits

Video and Chat visits





# We want to improve comparability, transparency, and quality in the healthcare sector

**Terveystalo plays a significant role in ensuring the availability of Finnish health services:**

- 1.2 million individual customers,
- 180 clinics,
- 700 000 occupational healthcare end customers, 30% of Finland's working age population and
- 3.3 million doctor visits in 2017

Terveystalo Quality and Sustainability Book 2017 will be published in April 2018.



# Terveystalo

Thank you



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