

# RECORD YEAR, STRONG PLATFORM FOR GROWTH

CEO Yrjö Närhinen  
CFO Ilkka Laurila



# 2018 HIGHLIGHTS

**Fifth year of robust growth**

**Broad scale development across operations**

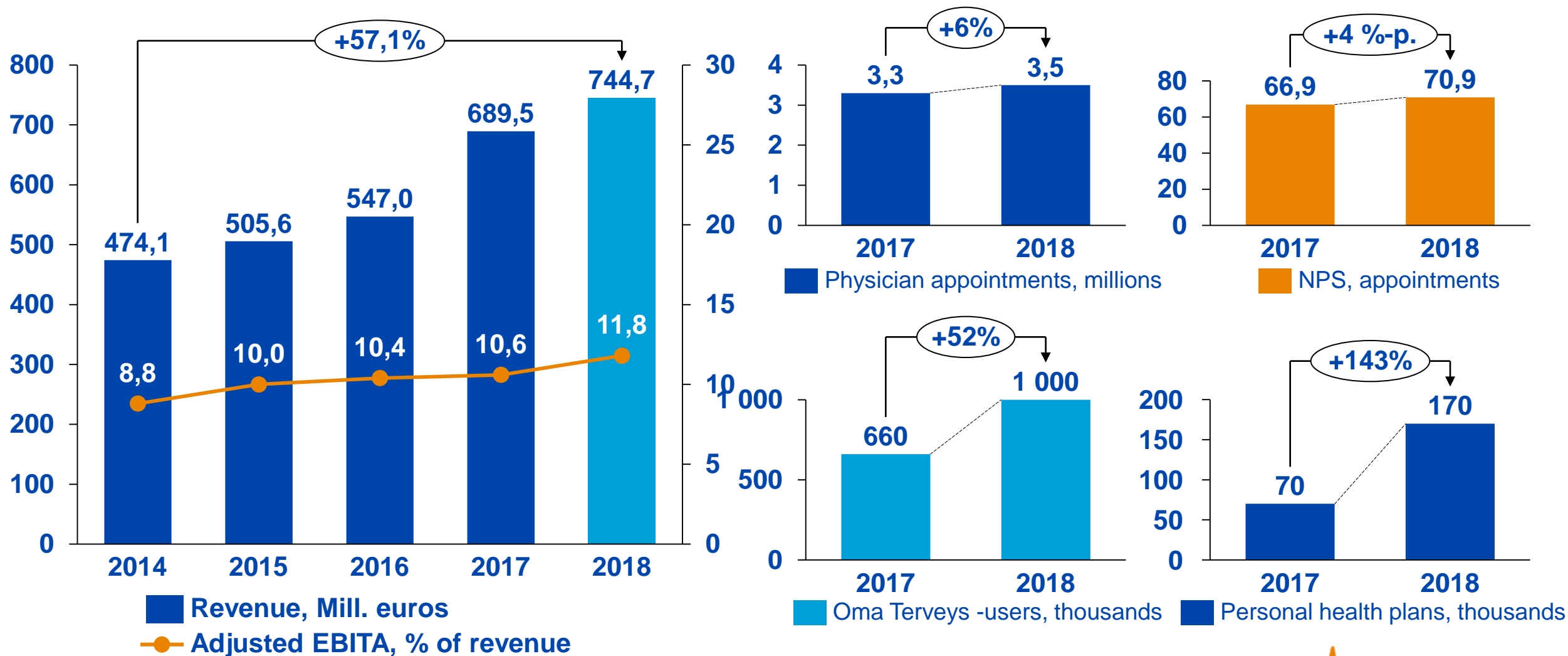
**Further investments in digital services**

**Preventive and well-being services grew at a record pace**

**Double digit growth in public health care services**



# Strong performance in all areas





# Satisfied customers and professionals

Appointments

NPS 71 %

Hospital services

NPS 91 %

93 %

of employees are  
satisfied with  
Terveystalo as  
a place of work

## The most desired employer

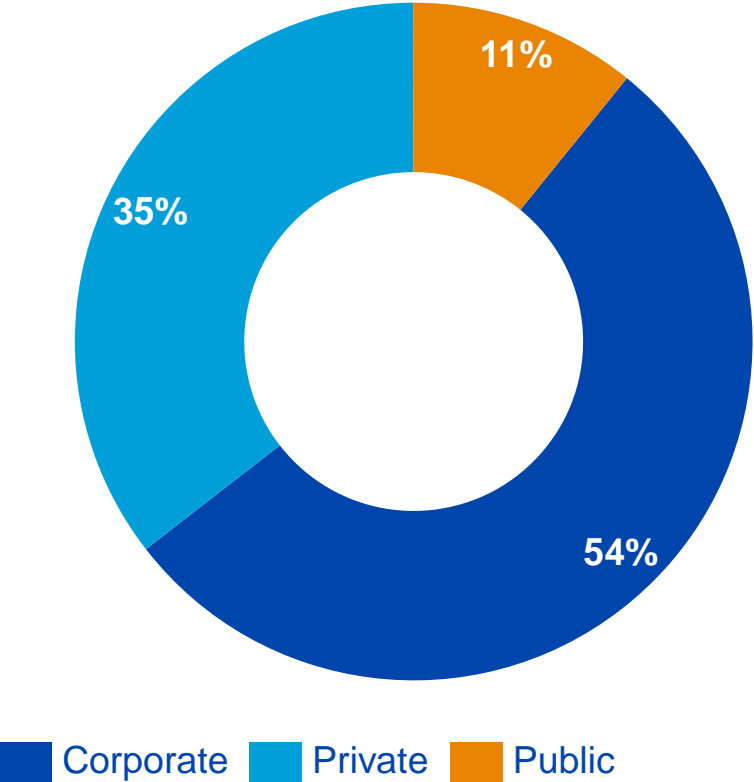


# Quality care produced in a responsible manner

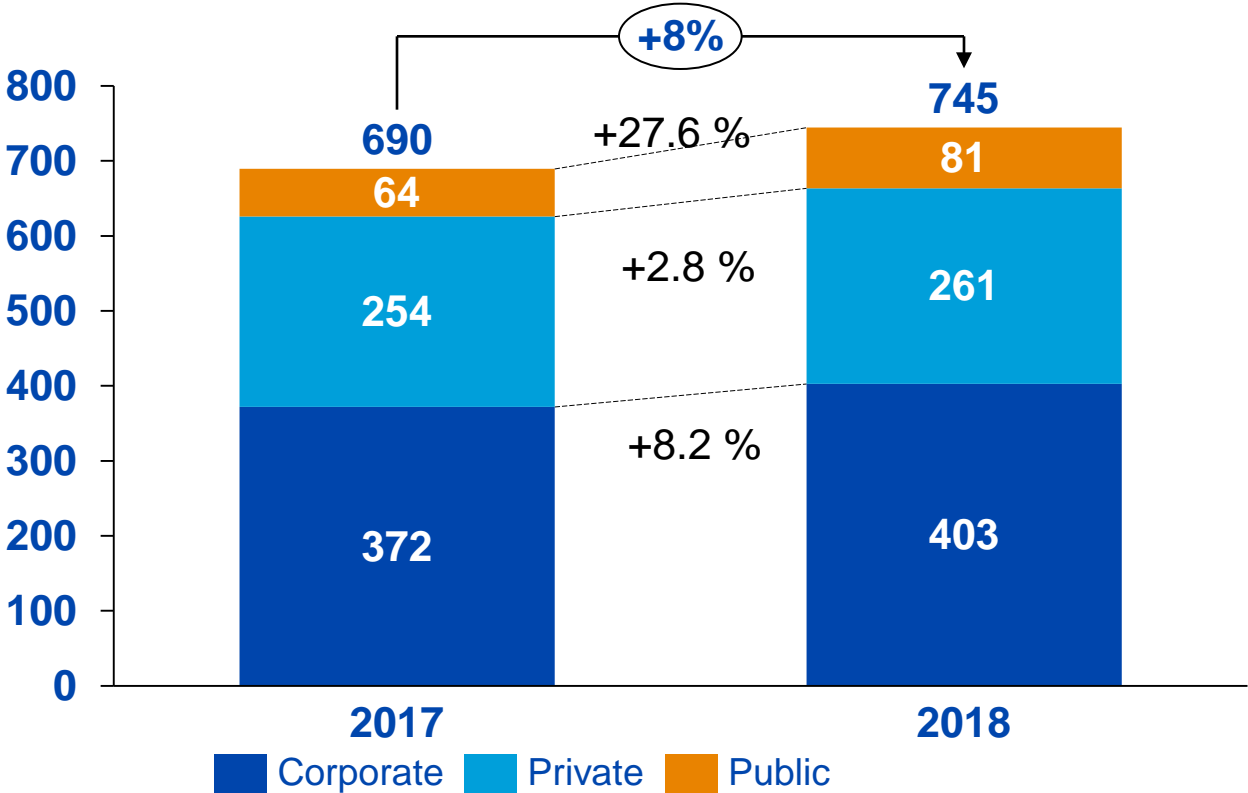


# 2018 Growth in all customer groups

2018 revenue per customer group, %



2018 revenue per customer group, M€





# Strong profitability

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- **Adjusted EBITDA\***  
EUR 108.9 mill. (92.4)
- **Adjusted EBITA %\***  
11.8% of revenue (10.6%)
- **Net profit**  
EUR 68.7 mill. (7.2)
- **EPS** 0.54 euros (0.06), equity  
repayment proposal 0.20 euros (0.06)



## Market review

- Steady demand in the corporate and private customer groups.
- Increased clinic and hospital capacity in private health care has created intense competition, especially in Finland's major cities, with the exception of the Helsinki metropolitan area.
- Significant capacity growth has stalled, however, and the demand for Terveystalo's services has remained strong.
- The Government proposal on the health care and social welfare reform is still being reviewed by the Constitutional Law Committee.
- If the health care and social welfare reform is delayed, demand in public outsourcings is expected to grow.
- Should the reform move forward it would enable private service providers to offer publicly funded health center services basically similar to the current services.



# Outlook

- Employment and consumer confidence remain at a high level.
- If the health care and social welfare reform is delayed, demand in public outsourcings is expected to grow.
- Should the reform move forward it would enable private service providers to offer publicly funded health center services basically similar to the current services.
- Corporate customers keep up a steady demand, and the relative share of preventive services is increasing.
- Private customer demand remains likewise at a steady level but new capacity on the market decreases Terveystalo's revenue growth. This capacity growth has reached its peak, however.



# FINANCIAL PERFORMANCE

CFO Ilkka Laurila

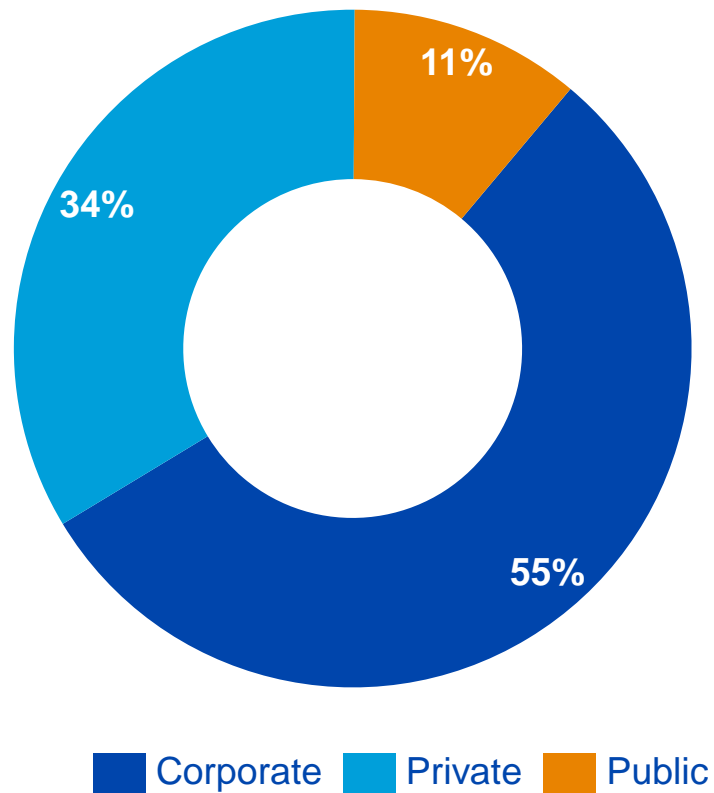


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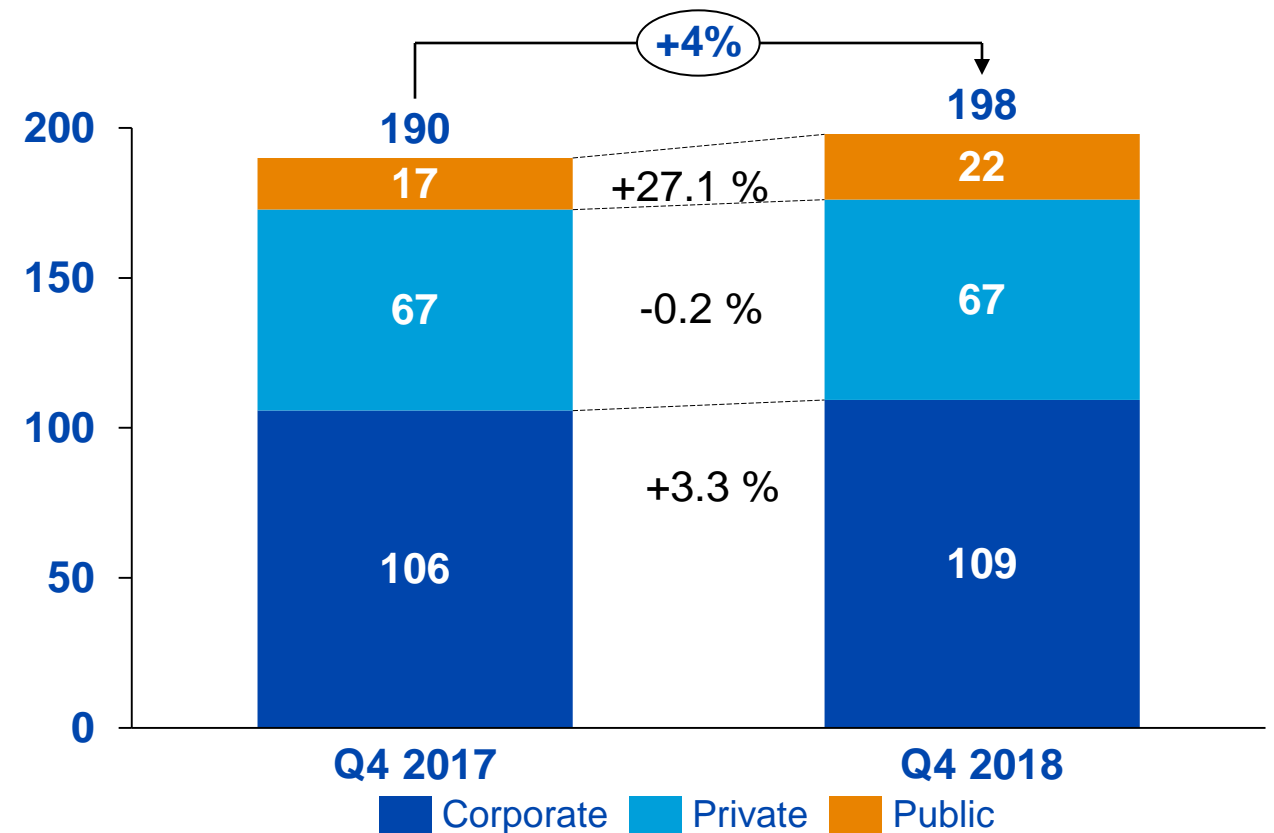


# Q4: revenue +4.2%

Q4 revenue per customer group, %



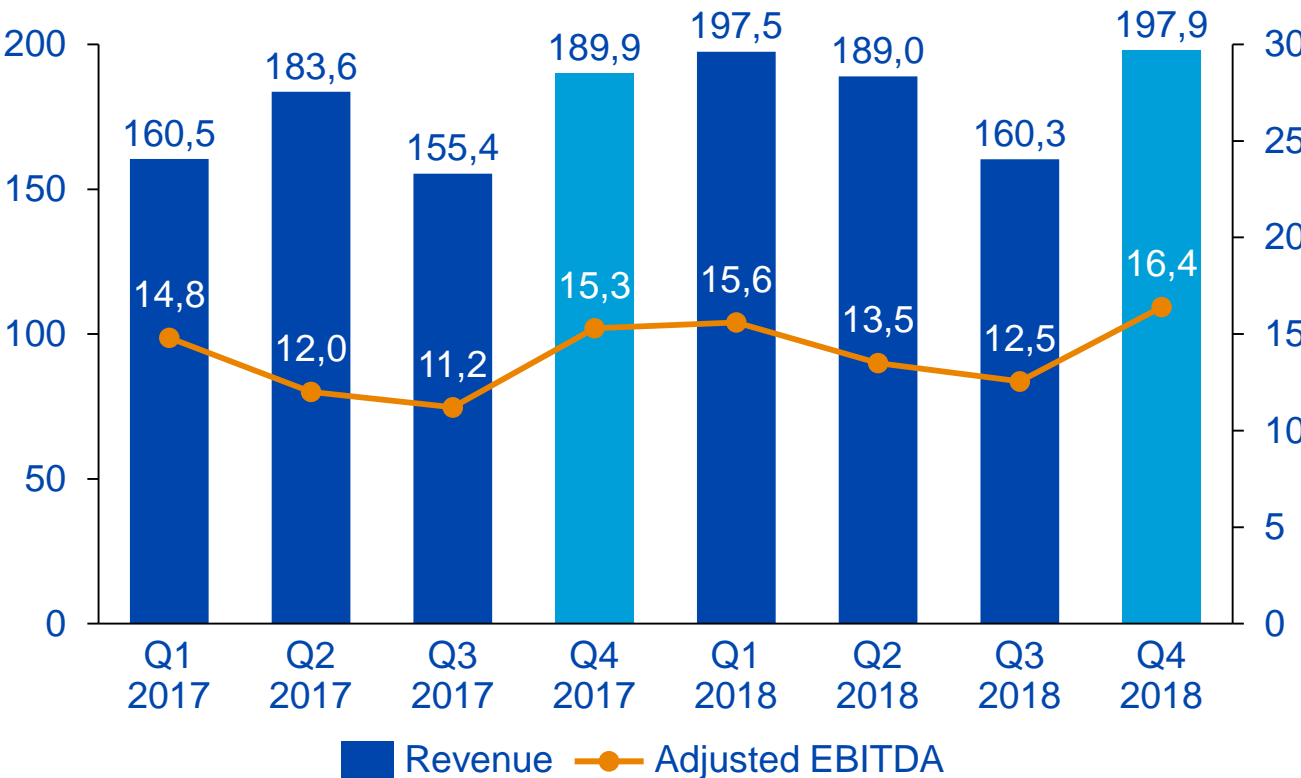
Q4 revenue per customer group, M€



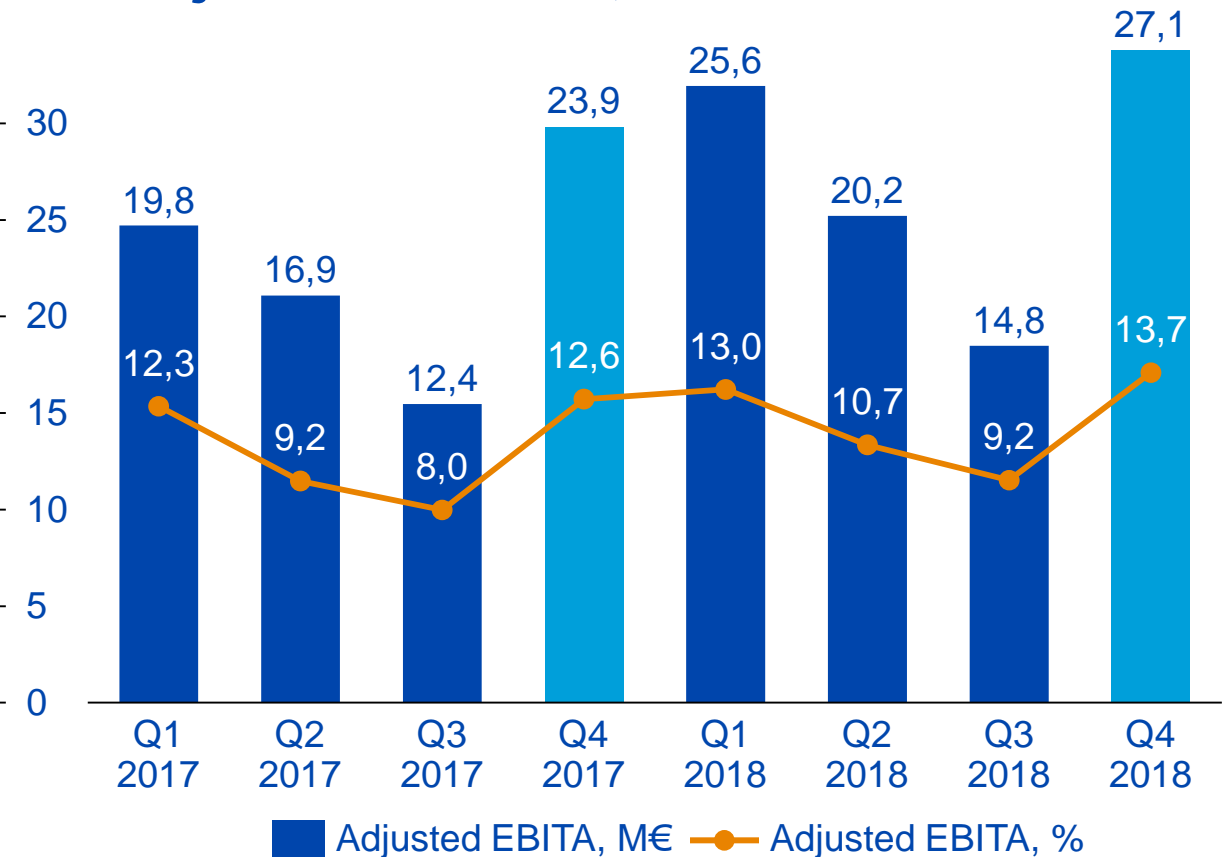


# Profitability improved in every quarter y-o-y

## Revenue, adjusted EBITDA\*, %



## Adjusted EBITA\*, M€ and %



\* alternative KPI



# Operating leverage is reflected in underlying margin performance

M€	10-12/2018	10-12/2017	Change, %	2018	2017	Change, %
Revenue	197.9	189.9	4.2	744.7	689.5	8.0
Other operating income	0.7	0.5	34.8	18.2	2.1	> 200.0
Materials and services	-93.5	-89.1	5.0	-351.3	-324.3	8.3
Employee benefit expenses	-50.9	-48.1	5.8	-197.1	-189.5	4.0
Other operating expenses	-27.5	-28.4	-3.1	-97.9	-109.6	-10.7
EBITDA	26.6	24.8	7.2	116.6	68.2	70.9
Adjustments*	5.9	4.3		-7.7	24.1	
Adjusted EBITDA	32.5	29.1	11.9	108.9	92.4	17.9
EBIT	16.1	14.0	14.7	75.4	28.2	167.6

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.



# Attendo's health care operations acquisition impact is reflected in the balance sheet

m€	31.12.2018	31.12.2017
<b>ASSETS</b>		
Property, plant and equipment	83.6	92.1
Goodwill	768.7	583.3
Other intangible assets	167.7	109.2
Other assets	105.4	84.7
Cash and cash equivalents	36.9	33.0
<b>TOTAL ASSETS</b>	<b>1 162.3</b>	<b>902.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>TOTAL EQUITY</b>	<b>511.8</b>	<b>457.3</b>
Interest bearing liabilities	450.1	289.4
Other liabilities	200.4	155.6
<b>TOTAL LIABILITIES</b>	<b>650.5</b>	<b>445.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 162.3</b>	<b>902.3</b>

- Total assets of the Group amounted to 1,162.3 M€ (902.3). The growth was mainly attributable to the allocation of the purchase price to intangible assets in connection with the Attendo acquisition and the goodwill generated by the acquisition.
- Equity attributable to owners of the parent company totaled EUR 511.7 (457.2) million. The growth was mainly attributable to items related the sales of subsidiaries and to improved profitability.
- Gearing at the end of the review period was 80.8 (56.1) percent, and net interest-bearing debt amounted to EUR 413.3 (256.4) million. The impact of the Finnish health care operations of Attendo acquired at the end of December are included in the balance sheet, including the long-term loan of EUR 160 million and the short-term loan of EUR 10 million drawn for financing of the purchase price.

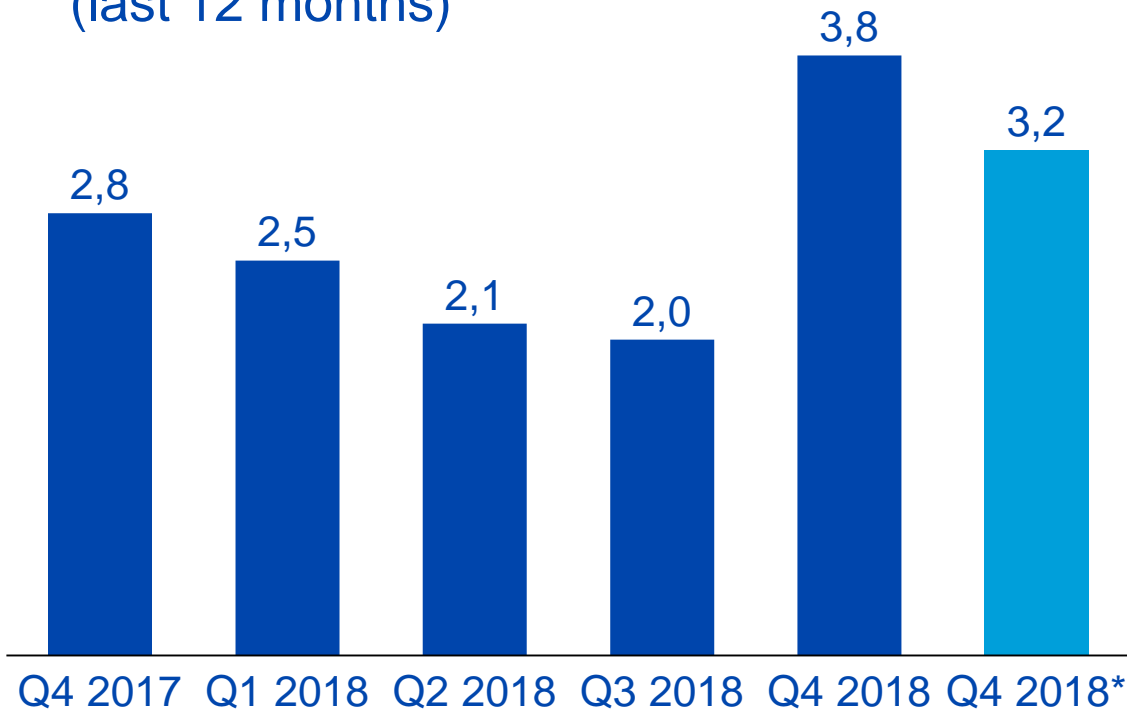




# Financing of the Attendo acquisition increased net debt, operational efficiency is reflected in the negative net working capital

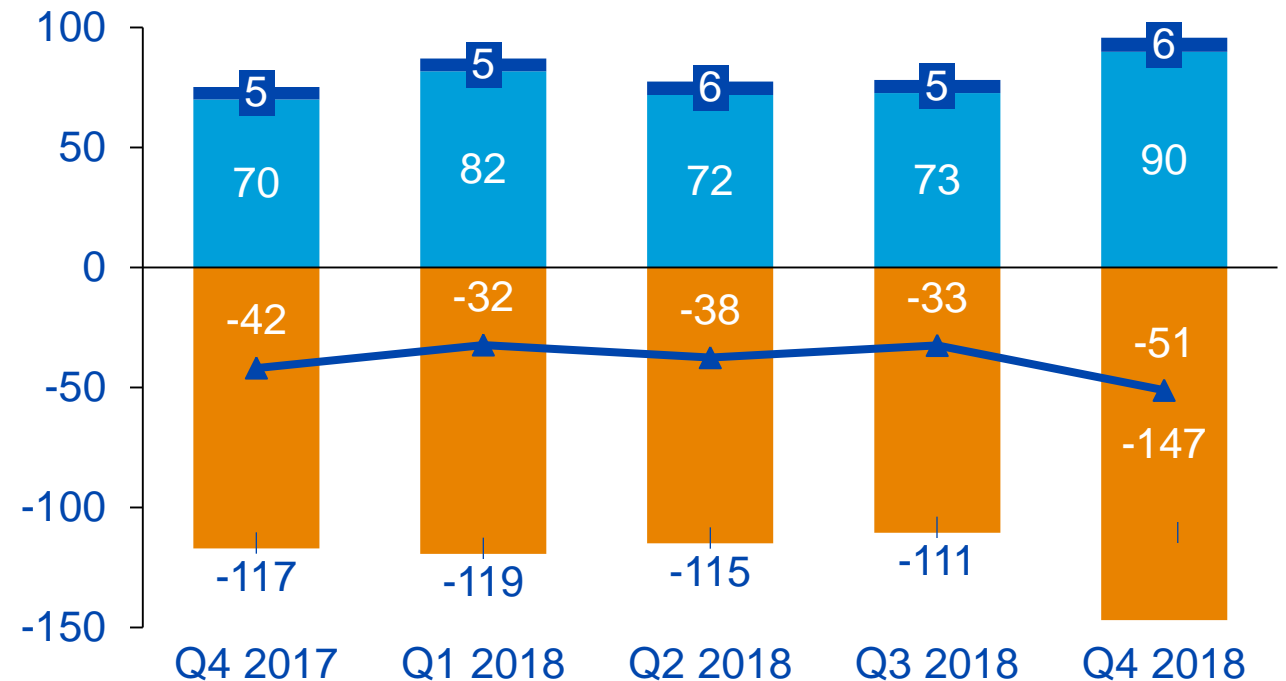
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Net debt/ adjusted EBITDA  
(last 12 months)



\*Q4: Based on the illustrative aggregated financial information, implied net debt to LTM EBITDA

Net working capital

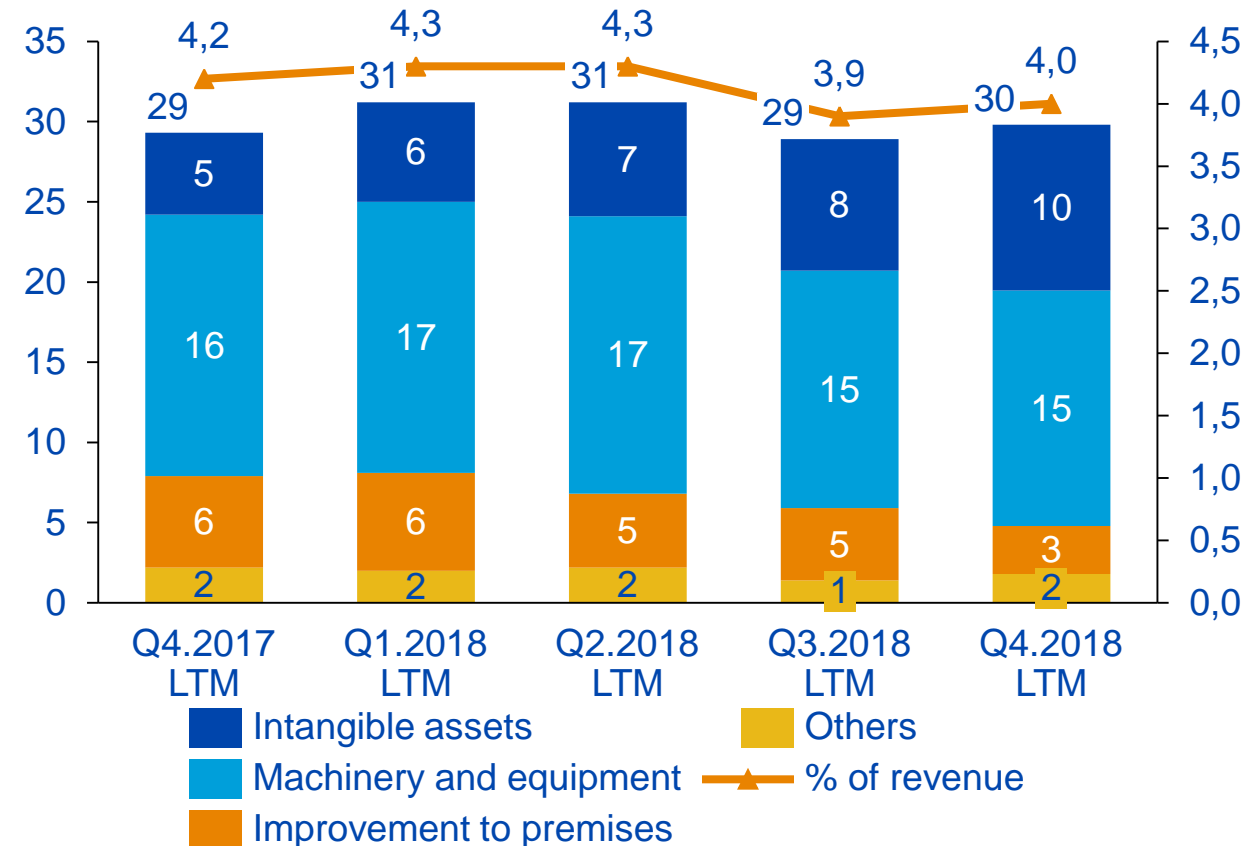


■ Inventories  
■ Trade and other receivables  
■ Trade and other payables  
—▲— Net working capital

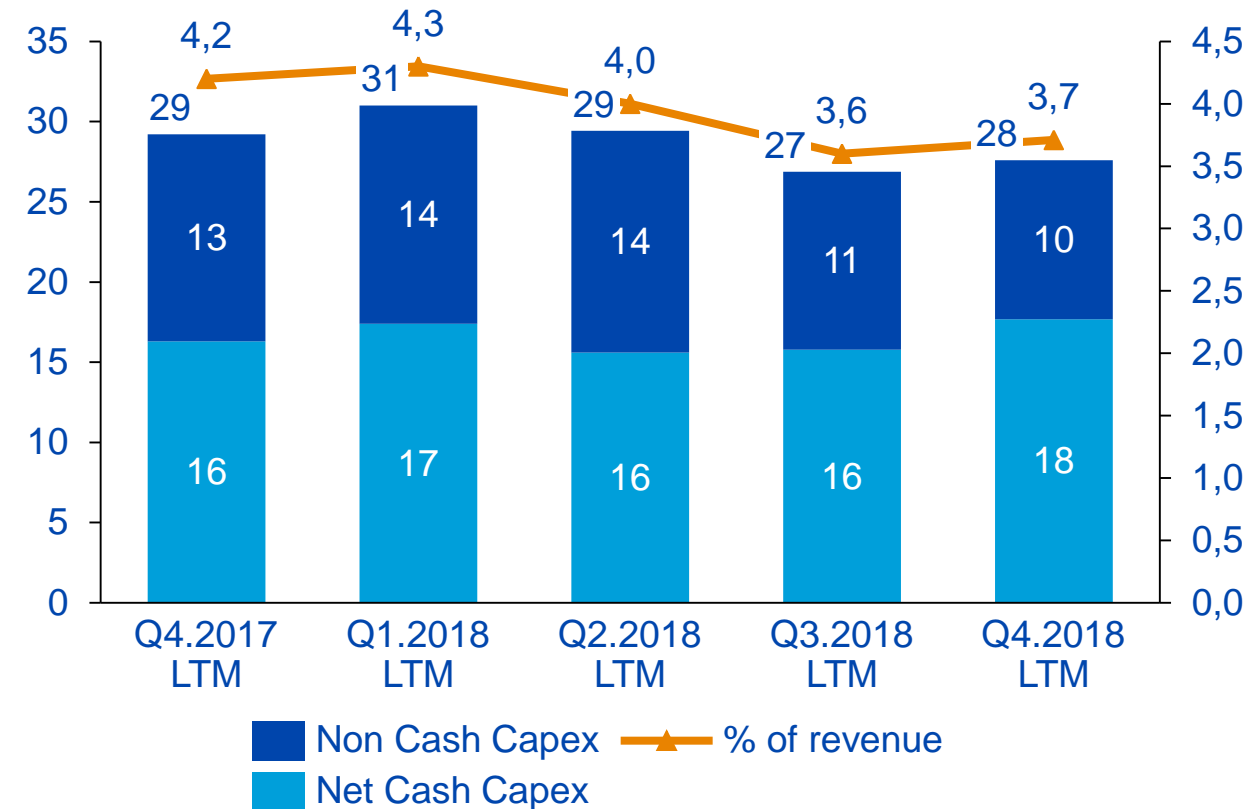


# Investments (Excluding M&A)

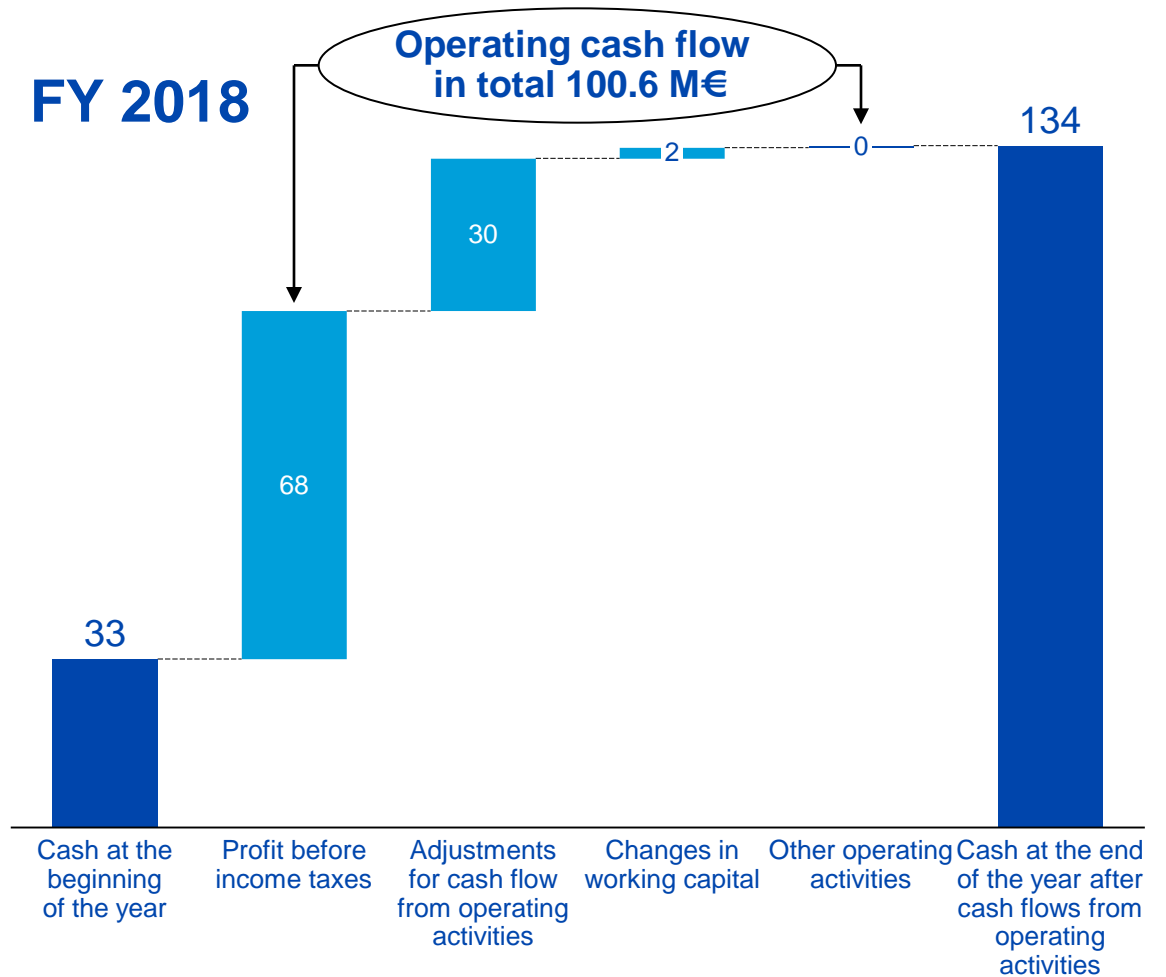
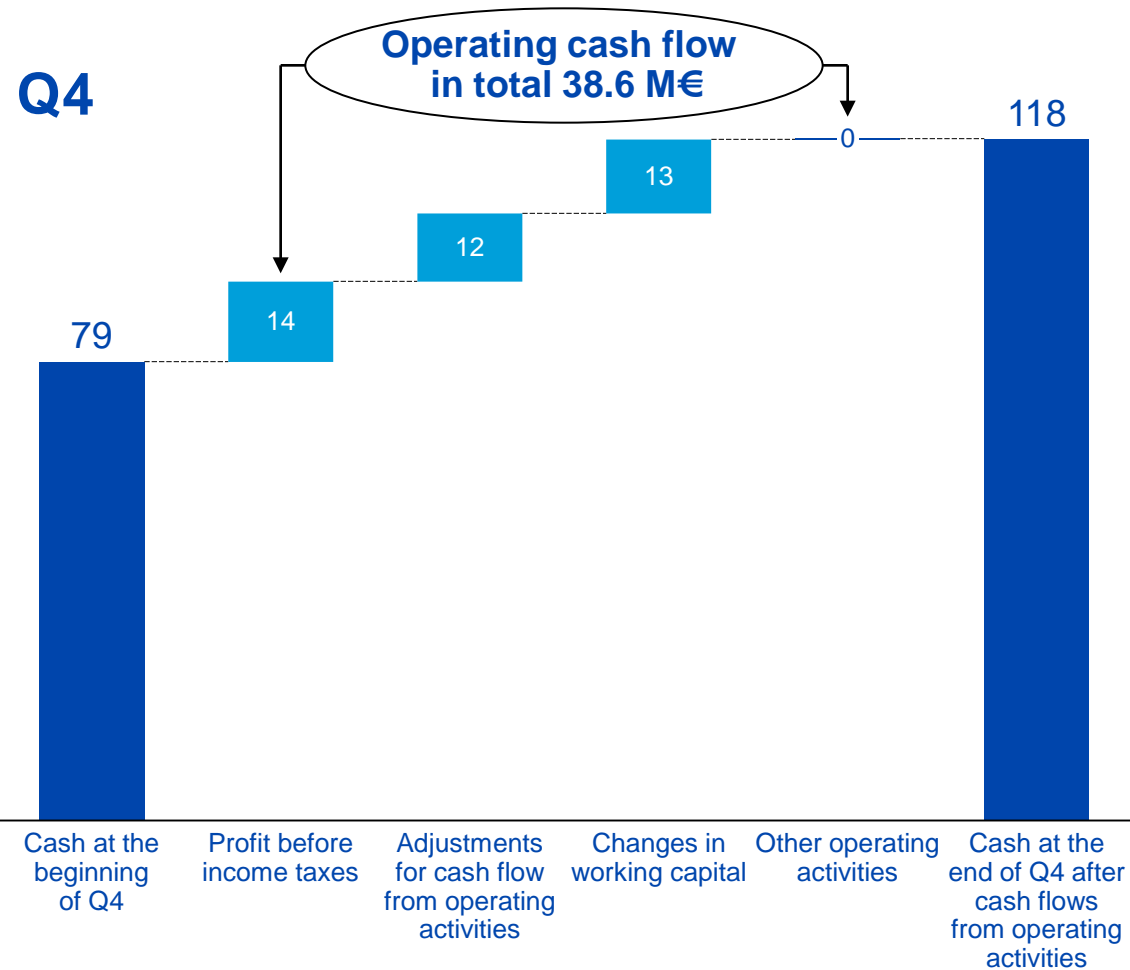
## Gross capex, M€ and %- of revenue



## Net capex, M€ and %- of revenue



# Strong operating cash flow





# IFRS 16 Leases – the impact of standard for financial year 2019

- Terveystalo has decided to apply the IFRS 16 using the modified retrospective approach.
- At this moment the estimated preliminary value of the discounted lease liability to be recognized at 1.1.2019 is EUR 202.5 million and the value of right of use asset is respectively EUR 202.5 million based on the lease contracts that are classified under the general requirements of IFRS 16 standard.
- According to the estimated preliminary calculations for financial year 1.1.-31.12.2019 EBITDA will increase EUR 40 million, EBITA will increase EUR 1.2 million and the effect to net profit after recognizing the IFRS 16 financing expenses and deferred taxes will be EUR – 1.8 million.

Consolidated statement of income			Consolidated statement of financial position		
	2018 *	2019		2018 *	2019
EBITDA	Lease expense -40 meur	+ Lease expense 40 meur EBITDA +40 meur	Assets		Right of use Lease Asset 202.5 meur
EBITA	-40 meur	- Depreciations 38.7meur EBITA +1.2 meur	Liabilities		Lease Liability 202.5 meur
Net profit	-40 meur	- Interest expenses and def.taxes 3.0 meur Net profit -1.8 meur		OFF- Balance sheet Operating lease commitments	

\* Year 2018 has been demonstrated according to IAS 17 standard, IFRS 16 has replaced the IAS 17 standard from 1.1.2019.



# Financial reporting in 2019 and upcoming IR events

## Financial reporting and AGM 2019

- Annual Report 2018 on week 9, 2019
- AGM on Thursday, April 4,
- Interim report for January–March 2019 on Thursday, May 9, 2019
- Half-Year Report for January–June 2019 on Thursday, August 8, 2019
- Interim report for January–September 2019 on Thursday, October 31, 2019

## Conferences and seminars

- Morgan Stanley European MedTech & Services Conference  
March 5, 2019, London
- Carnegie Nordic Healthcare Seminar  
March 6, 2019, Stockholm



## Q & A



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## 10. Intangible assets: Attendo acquisition had a significant impact on goodwill and customer relationships

2018	Goodwill	Customer relationships	Trademarks	Other intangible assets and advances paid	Total
EUR Mill.					
<b>Acquisition cost 1 Jan 2018</b>	651.3	83.8	82.9	30.0	848.0
Business combination	185.4	65.7	-	2.3	253.4
Additions	-	-	-	10.3	10.3
Reclassifications	-	-	-	-0.0	-0.0
<b>Acquisition cost 31 Dec 2018</b>	836.7	149.5	82.9	42.7	1,111.7
<b>Accumulated amortisations and impairment losses 1 Jan 2018</b>	-68.0	-51.3	-16.9	-19.3	-155.5
Amortisation for the reporting period	-	-10.8	-4.1	-5.0	-19.9
<b>Accumulated amortisations and impairment losses 31 Dec 2018</b>	-68.0	-62.1	-21.0	-24.4	-175.4
<b>Carrying amount 1 Jan 2018</b>	583.3	32.5	66.0	10.7	692.5
<b>Carrying amount 31 Dec 2018</b>	768.7	87.4	61.9	18.4	936.4

2017	Goodwill	Customer relationships	Trademarks	Other intangible assets and advances paid	Total
EUR Mill.					
<b>Acquisition cost 1 Jan 2017</b>	517.1	74.5	83.0	23.7	698.4
Business combination	134.1	9.3	-	1.5	145.0
Additions	-	-	-	5.1	5.1
Disposals	-	-	-0.1	-0.3	-0.5
<b>Acquisition cost 31 Dec 2017</b>	651.3	83.8	82.9	30.0	848.0
<b>Accumulated amortisations and impairment losses 1 Jan 2017</b>	-68.0	-40.9	-12.7	-13.8	-135.3
Amortisation for the reporting period	-	-10.4	-4.2	-5.1	-19.8
Impairment losses	-	-	-	-0.4	-0.4
<b>Accumulated amortisations and impairment losses 31 Dec 2017</b>	-68.0	-51.3	-16.9	-19.3	-155.5
<b>Carrying amount 1 Jan 2017</b>	449.1	33.6	70.3	10.0	563.0
<b>Carrying amount 31 Dec 2017</b>	583.3	32.5	66.0	10.7	692.5

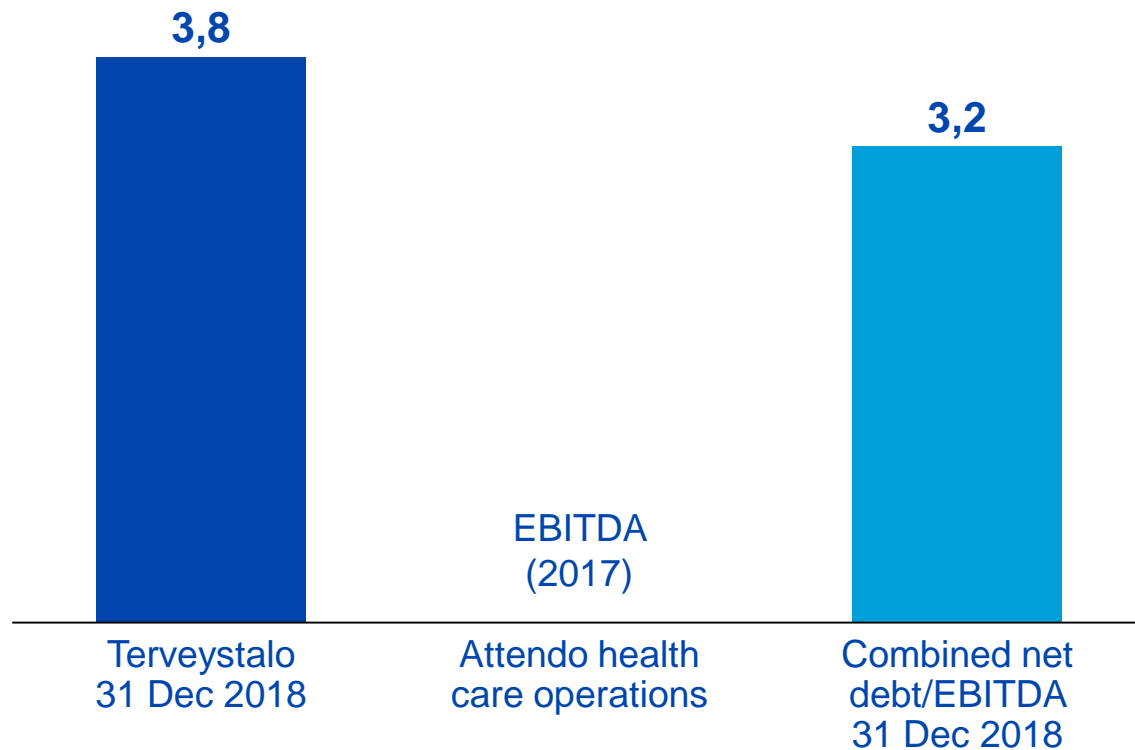
## Taxes

- Unused tax losses amounting to EUR 77.6 million have been used during the financial year, resulting in EUR 15.5 million in income tax expenses due to decrease of deferred tax assets.
- Deferred tax assets are recognized from unused tax losses to the extent that is probable that future taxable profits will be available against which the losses can be used. Unused tax losses amount to EUR 11.4 (89.0) million, of which deferred tax assets has been fully recognized in consequence of concluded tax audit.
- **Please note:** Depreciations related to Customer relationships and trademarks are not tax deductible





# Attendo impact on leverage



- The long-term and short-term loan raised to finance the acquisition increased the reported net debt, while Attendo's EBITDA is not included in the reported figure.
- Based on the illustrative aggregated financial information, Terveystalo would have had a preliminary aggregated net debt of **EUR 413.3 million** with implied **net debt to LTM EBITDA of 3.2x as of 31 Dec 2018** excluding synergies.

*The aggregated combined financial information is for illustrative purposes only. The aggregated combined financial information is based on a hypothetical situation and should not be viewed as pro forma financial information as purchase price allocation, transaction costs and differences in accounting principles have not been taken into account.*



# Key figures

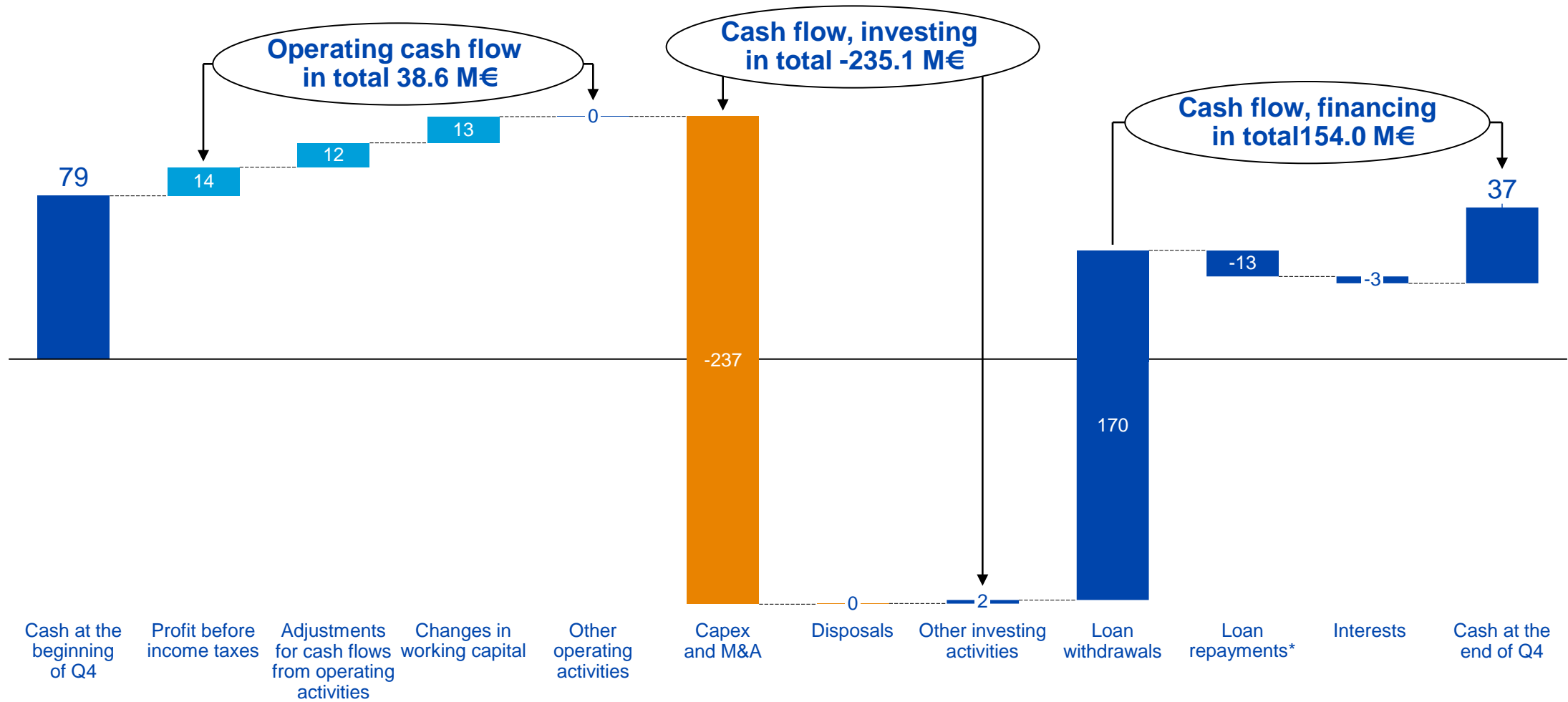
EUR million	10-12/ 2018	10-12/ 2017	Change, %	2018	2017	Change, %
Revenue	197.9	189.9	4.2	744.7	689.5	8.0
Adjusted EBITDA*	32.5	29.1	11.9	108.9	92.4	17.9
Adjusted EBITDA, % *	16.4	15.3	-	14.6	13.4	-
EBITDA*	26.6	24.8	7.2	116.6	68.2	70.9
EBITDA, % *	13.4	13.1	-	15.7	9.9	-
Adjusted EBITA*	27.1	23.9	13.6	87.7	73.0	20.3
Adjusted EBITA, % *	13.7	12.6	-	11.8	10.6	-
EBIT	16.1	14.0	14.7	75.4	28.2	167.6
Net profit	10.1	6.1	65.4	68.7	7.2	> 200.0
Net debt				413.3	256.4	61.2
Net debt/adjusted EBITDA (last 12 months) *	-	-	-	3.8	2.8	-
Return on equity (ROE), %*	-	-	-	14.2	2.1	-
Equity ratio, % *	-	-	-	44.1	50.7	-
Gearing, %*	-	-	-	80.8	56.1	-
Earnings per share**	0.08	0.05	-	0.54	0.06	-
Operating cash flow	38.6	37.5	2.7	100.6	70.0	43.7
Personnel (end of period)	-	-	-	6,018	4,265	
Private practitioners (end of period)	-	-	-	4,877	4,431	
Working days	62	62	-	251	251	-

\* Alternative performance measure. Additional information in note 14.

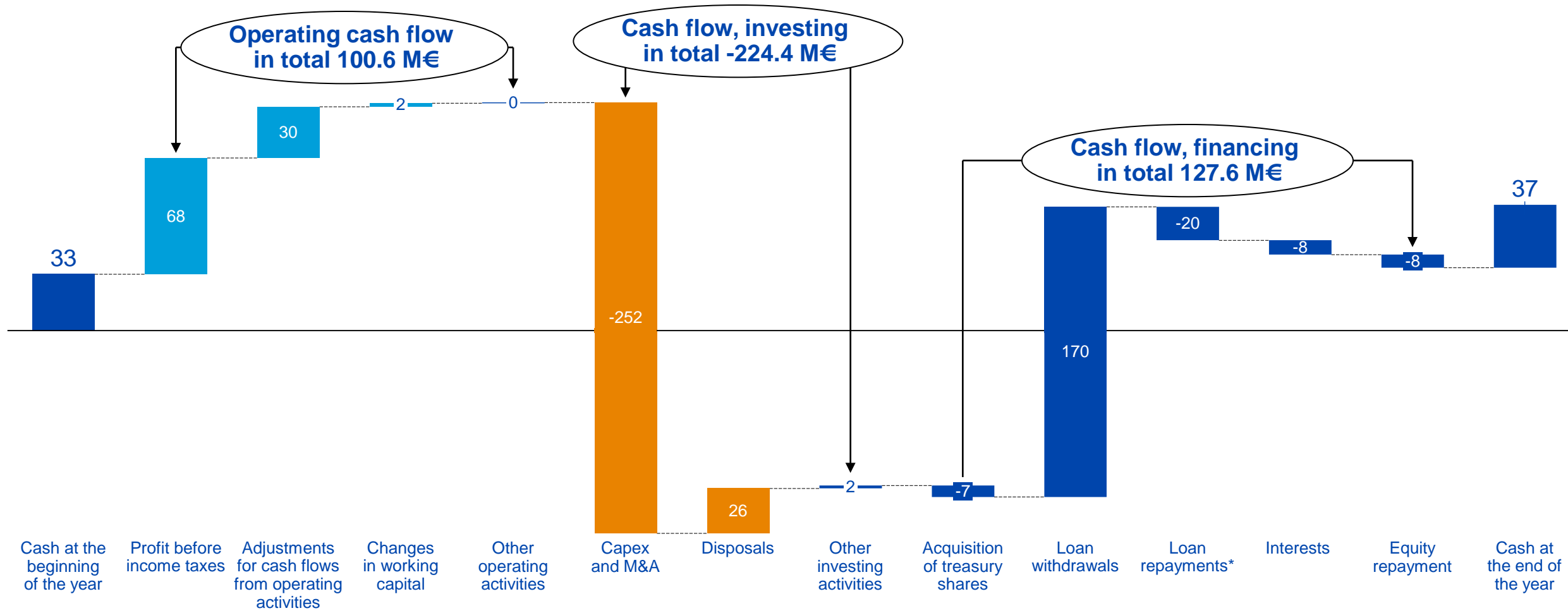
\*\* The effects of share conversion and share split have been taken into account in the weighted average number of shares. in the comparative period.

Diacor is included in the consolidated figures for the comparison period for the balance sheet and personnel as of March 31, 2017. Attendos Finnish health care operations are included in the consolidated figures for the balance sheet and personnel as of 31 December 2018.

# Q4 Cash flow



# 2018 Cash flow



# Working days 2017-2019

Working days	1	2	3	4	5	6	7	8	9	10	11	12	FY
<b>2019</b>	22	20	21	20	21	19	23	22	21	23	21	18	251
<b>2018</b>	22	20	21	20	21	20	22	23	20	23	22	17	251
<b>2017</b>	21	20	23	18	21	21	21	23	21	22	22	18	251

- 2019 has the same number of working days as in 2018 and 2017
- Q2/2019 has one working day less and Q3/2019 one working day more vs. 2018

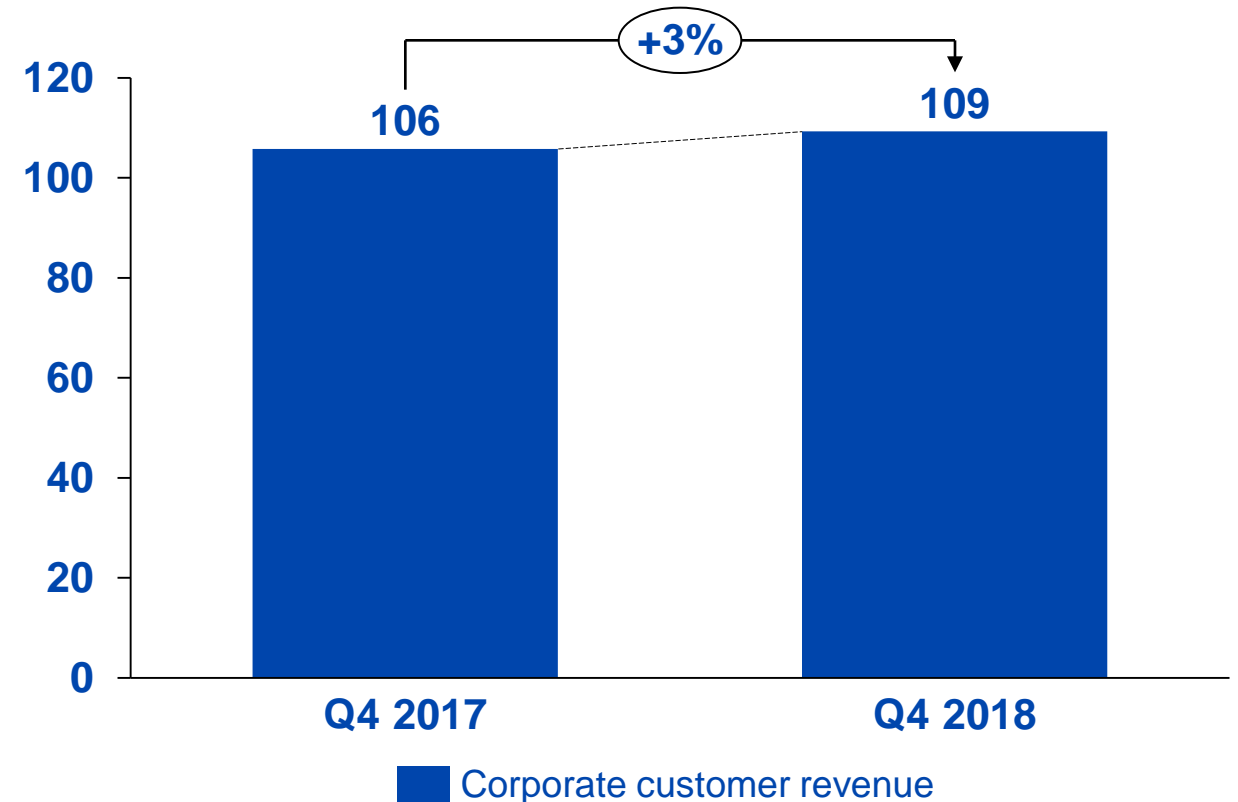




# Corporate customers: Growth in preventive and well-being services

- Revenue from corporate customers grew by 3.3 %
- Sales of preventive and well-being services developed favorably.
- The number of OH end customers was flat.
- Growth in preventive services is supported, for example, by Oma Suunnitelma, personal health plan.
- Demand for digital services increased substantially.

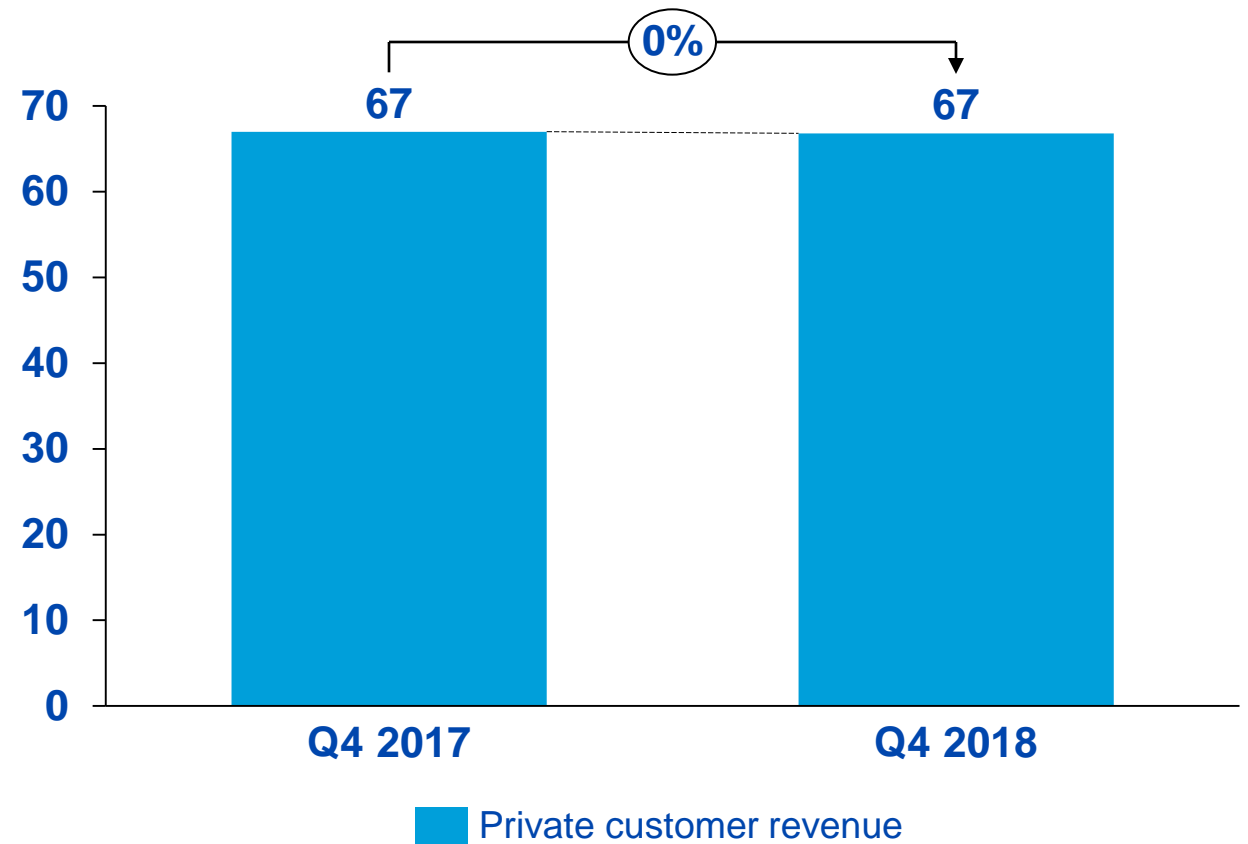
## Q4 Revenue development



# Revenue from private customers flat y-o-y

- Revenue for Q4 was flat y-o-y.
- Stable demand, improved patient steering and increased number of appointments offered by other professionals compensated for lower number of physician appointments.
- Growth in market capacity still had an impact on revenue.
- Strong demand for well-being and digital services.

## Q4 Revenue development



# Strong growth in revenue from public sector customers

- Q4 witnessed a strong growth in revenue from public customers, revenue grew by 27.1%.
- The increase in revenue was particularly supported by new outsourcing contracts in Lumijoki and Tervola, and specialized care outsourcing at Iisalmi Hospital.
- Revenue from service sales and municipal occupational health services was flat y-o-y.
- Terveystalo is participating in freedom of choice pilots in Ylä-Savo (Iisalmi, Sonkajärvi, Vieremä, Kiuruvesi), Central Uusimaa (Hyvinkää, Järvenpää, Mäntsälä), Hämeenlinna, Jyväskylä, Lahti and Kuopio. The number of freedom of choice experiments and the revenue derived from them increased substantially year-on-year.

## Q4 Revenue development

