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# **Terveystalo - Leading Nordic platform for health and wellbeing**

Capital Markets Day 2 September 2020

# Introducing today's speakers



**Ville Iho**

M.Sc. (engineering), President and CEO since December 2019. Prior to joining the company, various executive roles in transport & aviation including COO, Deputy CEO, and acting CEO at Finnair.



**Eeva Nyberg-Oksanen**

Ph.D., Applied mathematics. joined Terveystalo in 2016. Prior to being appointed Director, Strategy & PMO, various roles at the company including Director, Laboratory diagnostics and new solutions and Head of Operations



**Petri Bono**

M.D., Ph.D., Chief Medical Officer since 2019. Prior to joining the company, various leadership positions in the field, including Chief Medical Officer, Helsinki University Hospital and Adjunct Professor (cancer biology) at University of Helsinki.

# Introducing today's speakers



**Niki Kotilainen**

M.Sc. (engineering), joined Terveystalo in 2015. Prior to being appointed Director, Operations, various roles at the company including Director Business Transformation and PMO. Professional background from BCG.



**Nora Härme**

MSc (Econ), Director of Pricing at Terveystalo since 2020. 15 years of experience from revenue management & pricing in transportation and management consulting



**Ilkka Laurila**

MSc (Econ), MSc (Forestry), joined Terveystalo in 2012. Prior to being appointed CFO, various roles at the company; Head of Treasury & Finance and Head of Procurement. Professional background from managerial positions at EY.

# Agenda

12:00–12:40

**Covid-19 is a transformation test for healthcare**, Petri Bono, Chief Medical Officer & Ville Iho, President and CEO

## Get better

12:40–13:20 **healthcare for all with a scalable platform for growth**, Ville Iho, President and CEO

13:20–14:00 **solutions with the smartest platform in the industry**, Niki Kotilainen, Director, Operations & Nora Härme, Director, Pricing

14:00–14:20 Coffee break

14:20–15:00 **for life with Terveystalo as your health partner**, Eeva Nyberg-Oksanen, Director, Strategy & PMO

15:00–15:40 **profitability - The profitability leader in the Nordic region in private health services**, Ilkka Laurila, CFO

15:40–16:00 **Summary** - conclusions and closing words, Ville Iho, President and CEO

# **Covid-19 is a transformation test for healthcare**

Ville Iho, President and CEO & Petri Bono, Chief Medical Officer

# 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.



## 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.



# Covid-19 has accelerated the long-term trend of ever-increasing focus on health and wellbeing

- Google searches for health and related subjects increase exponentially
- Wearables and apps gain traction
- Mental Health a serious concern
- Digital health surges

Covid-19 is above all a health crisis for Finns. The importance of health and well-being has clearly increased during the pandemic.

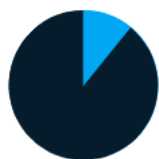




# ...and caused a massive acceleration in digital transformation

## 1 Consumer

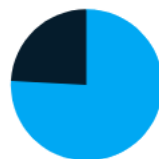
Shift from:



**11%**

use of telehealth in 2019

To:



**76%**

now interested in using telehealth going forward

While the surge in telehealth has been driven by the immediate goal to avoid exposure to COVID-19, with more than 70 percent of in-person visits cancelled,<sup>1</sup> 76 percent of survey respondents indicated they were highly or moderately likely to use telehealth going forward,<sup>2</sup> and 74 percent of telehealth users reported high satisfaction.<sup>3</sup>

## 2 Provider

Health systems, independent practices, behavioral health providers, and others rapidly scaled telehealth offerings to fill the gap between need and cancelled in-person care, and are reporting

**50–175x**

the number of telehealth visits pre-COVID.<sup>4</sup>

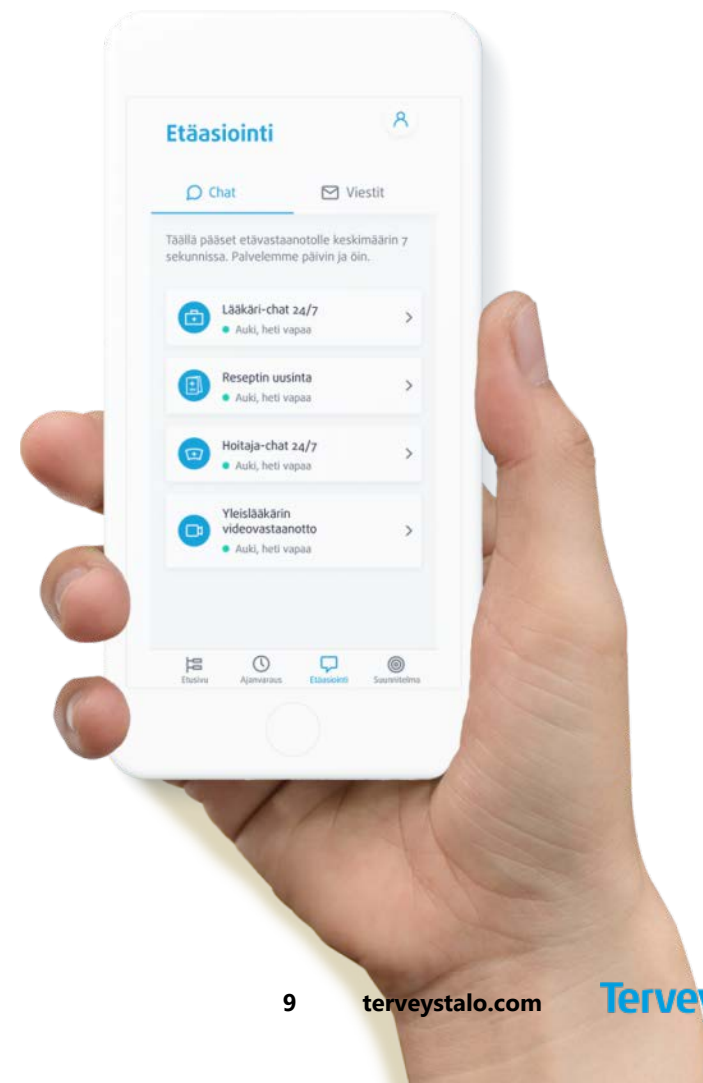


In addition, **57%**

of providers view telehealth more favorably than they did before COVID-19 and

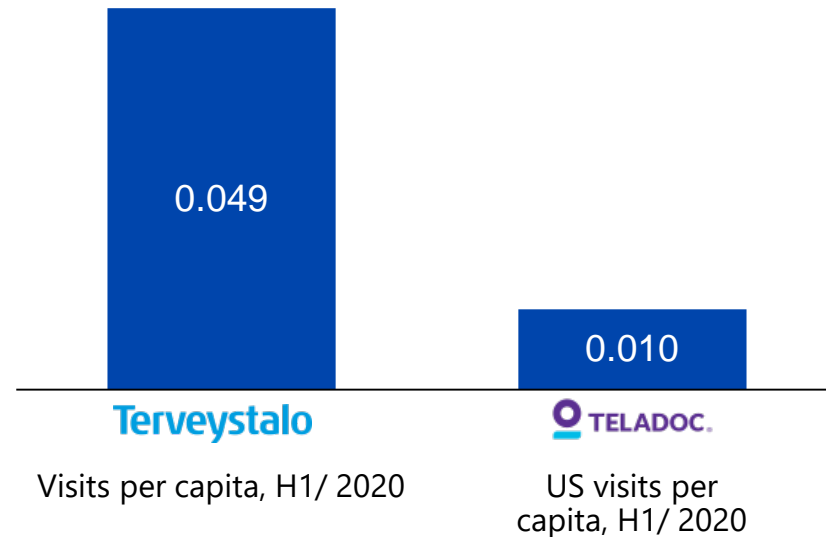
**64%**

are more comfortable using it.<sup>5</sup>

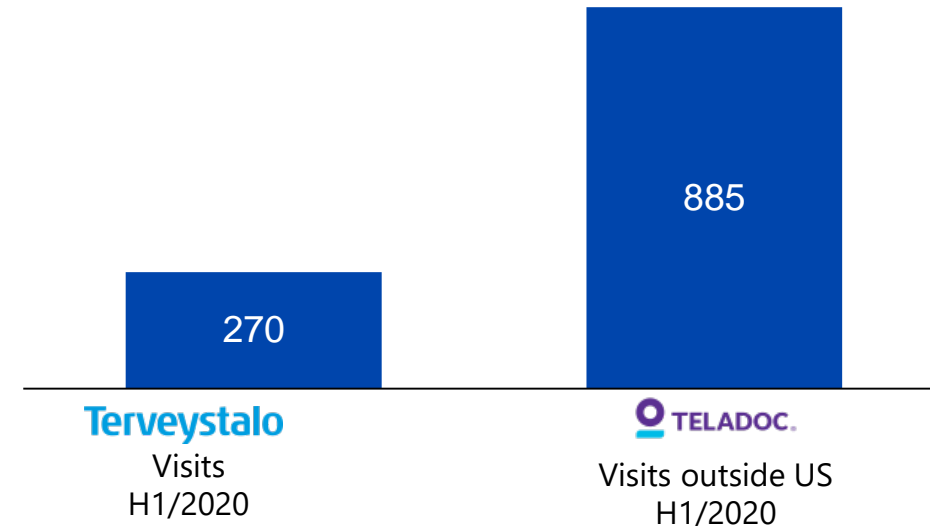


# Despite our small home market, we are already a large player in digital health

**Digital visits per capita,  
home market**



**Digital visits,  
thousand**



**Market value,  
€Bn**

€1.32Bn

€16.94Bn

# Best value for the customer is often a hybrid of physical and digital services



Digital care often happens episodically

Seamless hybrid service model is required to integrate digital health to end-to-end care paths and holistic view of the patient



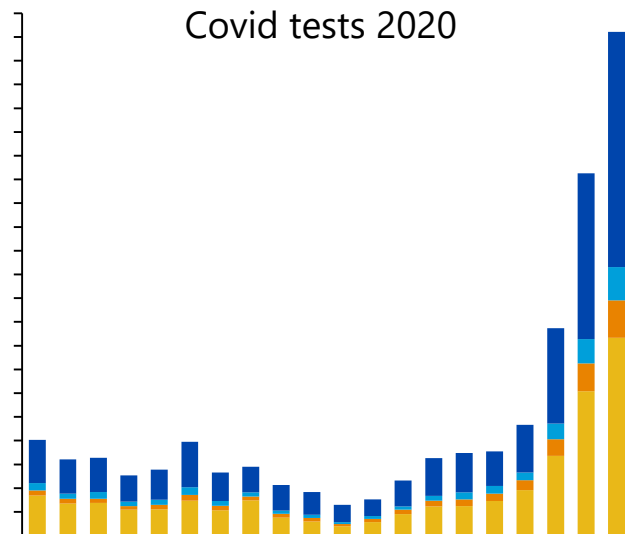
Petri Bono, Chief Medical Officer

# Our platform passed the Covid-19 transformation test

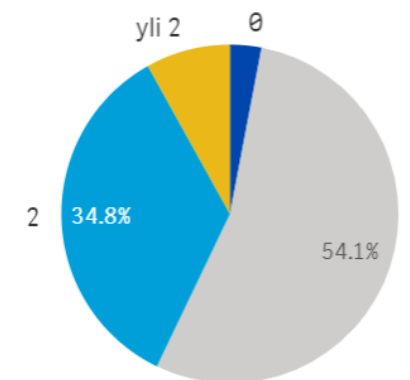
# Terveystalo has performed more than 70,000 Covid-19 tests: Care path fully digitalized

We publish daily data on the implementation of tests and diagnoses at <https://avoinraportointi.terveystalo.com/korona/>

	Koronan virusos... testi	Koronan vasta- ainetesti
<b>Lähetteet</b>	67994	4815
<b>Otetut näytteet</b>	60824	4017
<b>Analysoidut näytteet</b>	59826	3922
<b>Positiiviset tulokset</b>	650	211
<b>Positiivisten osuus</b>	1,1%	5,4%



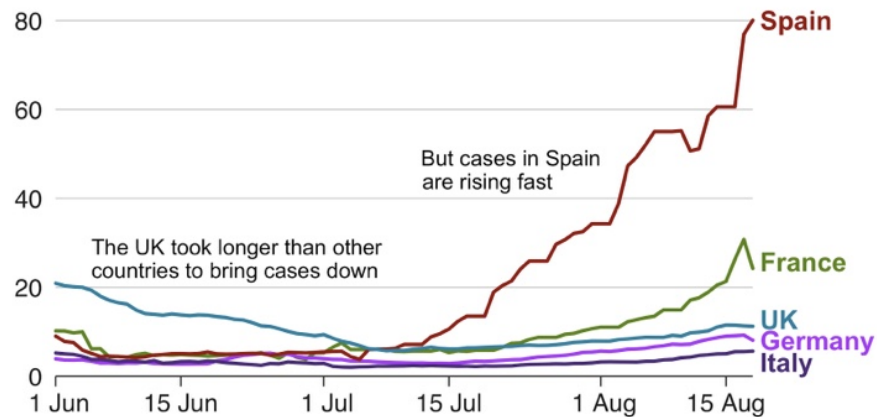
**PÄIVIÄ NÄYTTEENOTOSTA TULOKSEEN**  
(molemmat testit)



# A true 2nd wave or a 2nd wave only in Covid-19 testing?

## Coronavirus cases increasing in European countries in recent weeks

Total cases per 100,000 people by week up to 18 August

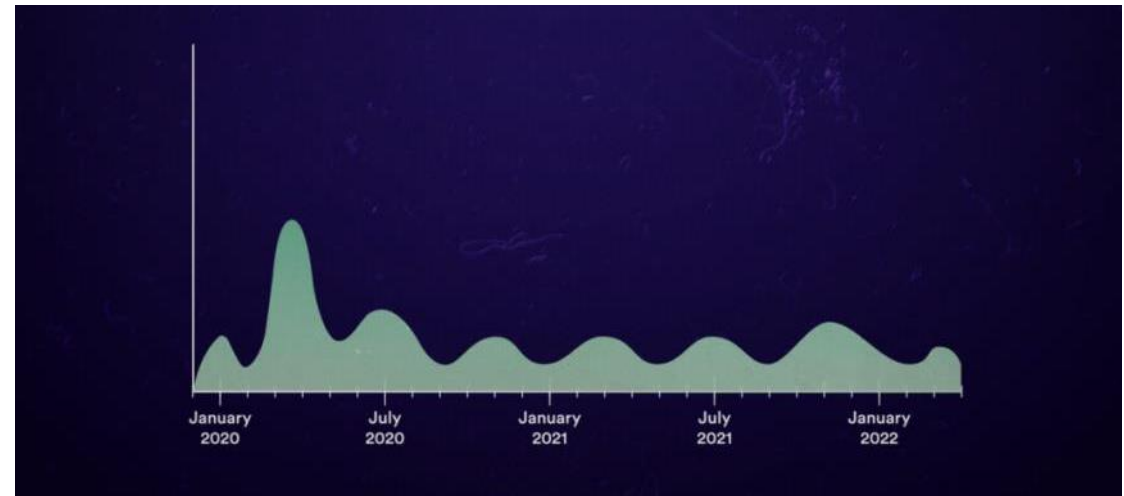


Note: Countries do not always release figures every day, which may explain some of the sharp changes in the trendlines

Source: ECDC, data to 18 Aug

BBC

## The future of Covid-19?



Source: Moore K et al, University of Minnesota, Cidrap 2020

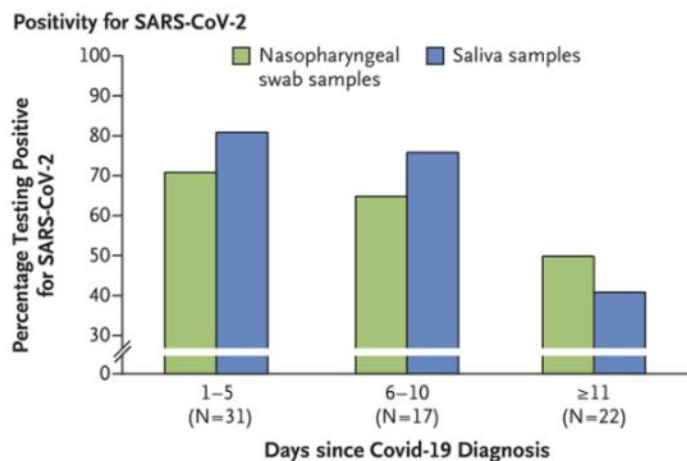


# We are ready for evolving test modalities

## Covid-19 Briefing

AUGUST 29, 2020

Updates on the Covid-19 pandemic from the *New England Journal of Medicine*, NEJM Journal Watch, NEJM Catalyst, and other trusted sources



MedTech

**Abbott to ship millions of \$5, card-sized coronavirus tests offering 'digital health passes'**

by Conor Hale | Aug 27, 2020 9:25am

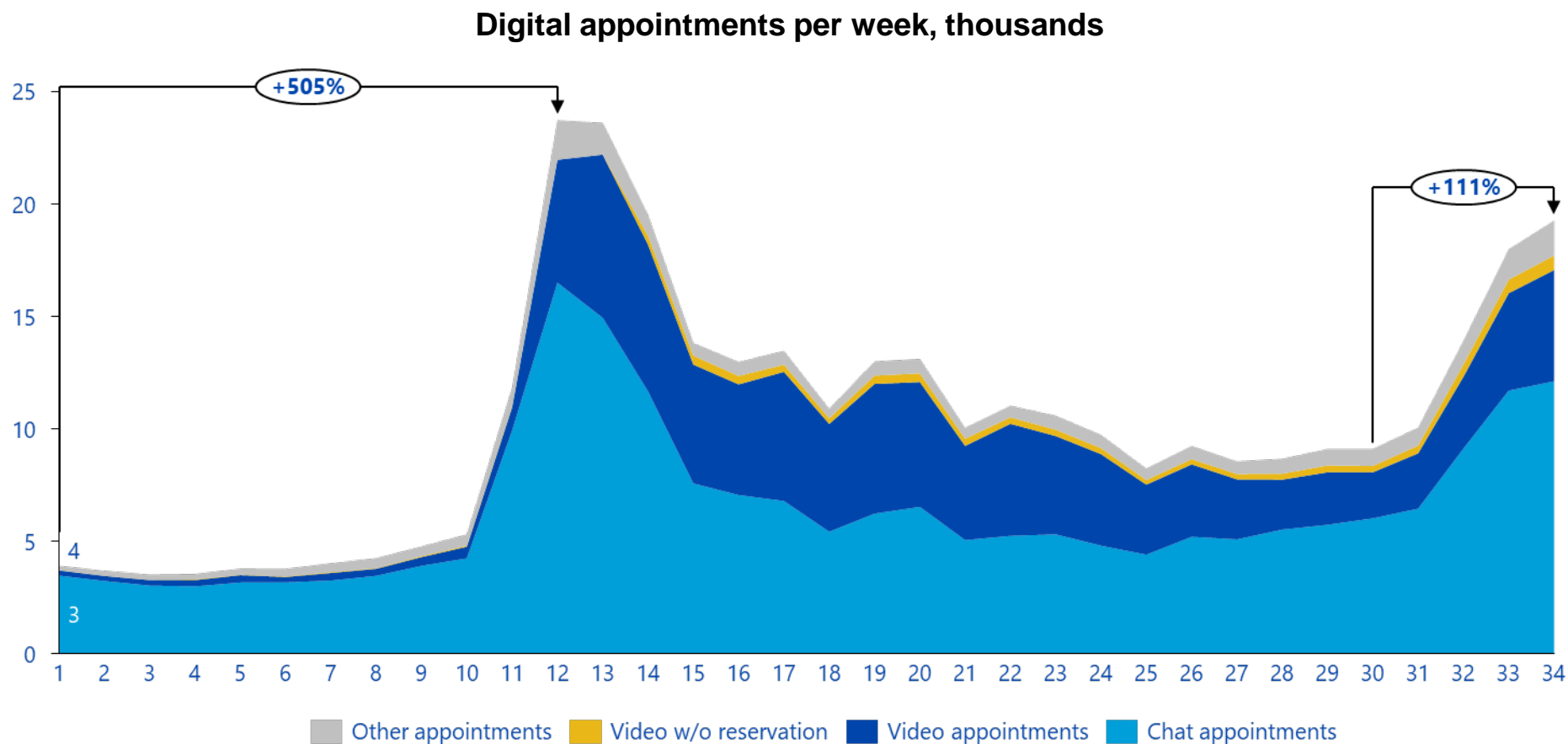


Abbott's test will be available with a prescription and performed by healthcare professionals including school nurses, medical assistants, pharmacists and employer occupational health specialists. (Abbott)





# We successfully ramped up our digital appointments to meet the new demand



<https://avoinraportointi.terveystalo.com>



# **Efficient and effective care with Terveystalo platform**

# Value based healthcare improves outcomes and reduces costs



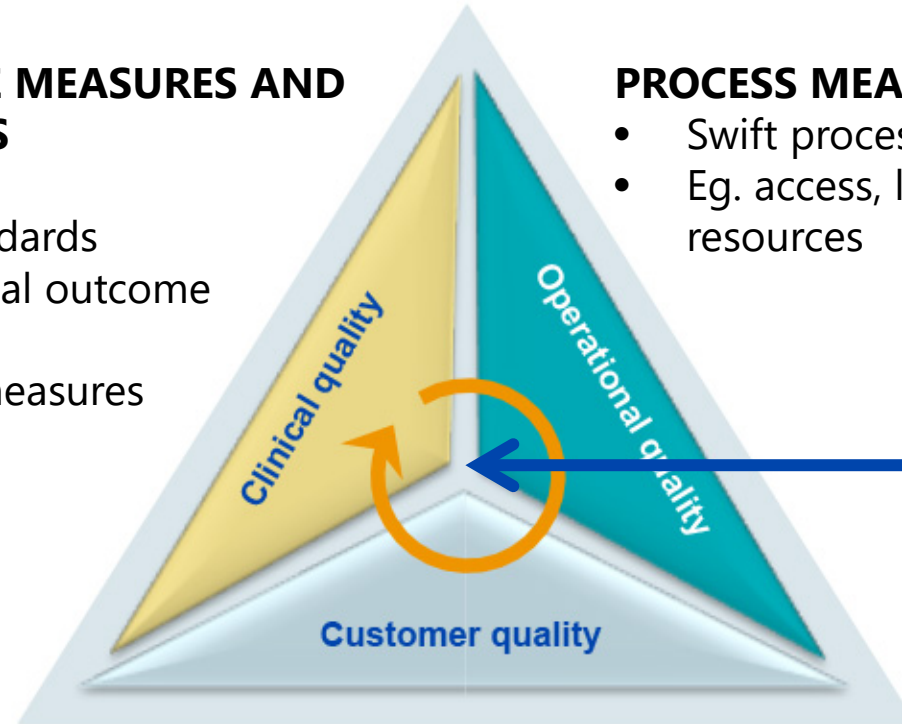
# Terveystalo follows international best practices to measure outcomes

## CLINICAL OUTCOME MEASURES AND QUALITY MEASURES

- ICHOM
- International standards
- Comparable clinical outcome measures
- Evidence based measures

## PROCESS MEASURES

- Swift processes
- Eg. access, lead-time, errors, use of resources



**Improved clinician experience**

## CUSTOMER REPORTED OUTCOME AND EXPERIENCE MEASURES

- PROMS & PREMS
- NPS

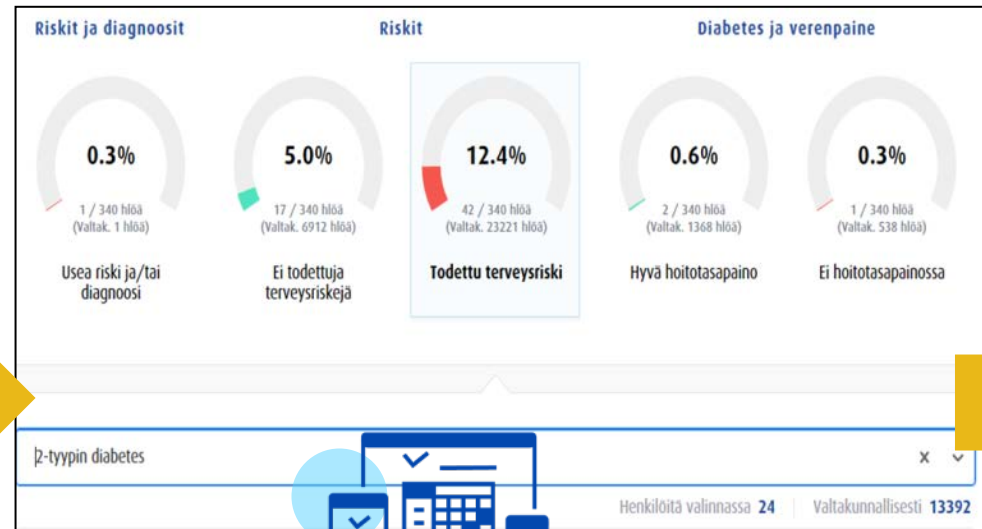
# AI already in use for detecting individuals at risk



In every appointment, data is collected into EMR



Validated questionnaires and self assessments & measurements are also collected.



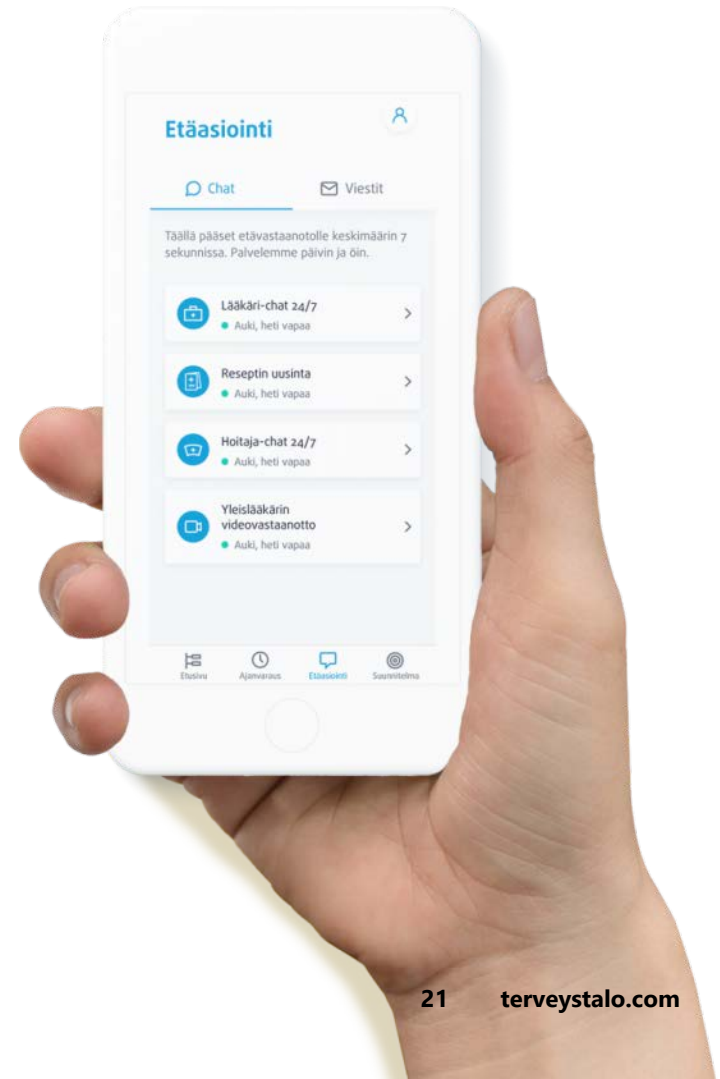
AI combines and analyzes the data with over 100 algorithms and serves it to HCP: risk patients are detected and contacted



Digital care plans (OmaSuunnitelma) are created to patients in risk of diabetes. OmaSuunnitelma is visible to patient via Terveystalo's OmaTerveys app

# Award-winning Oma Terveys mobile app

- Completely revamped user experience developed in collaboration with our customers
- Digital appointment access in ~7 seconds:
  - Referral to the laboratory
  - Chat and video appointments
- Symptoms testing
- Communication with your own nurse and doctor
- Health information always with you
- Easily visualized laboratory results
- Revised Health Plan: My Plan
- Personal reminders about your own health



# Cost savings and effective care with Terveystalo mental health care paths

## Corporate customer No. 1

Sick leave due to mental disorders decreased by

**-12.6%**

~4,000 employees (expert field)

Short-term psychotherapy in active use

Depression or anxiety the most common cause of referrals

## Corporate customer No. 2

**-35%**

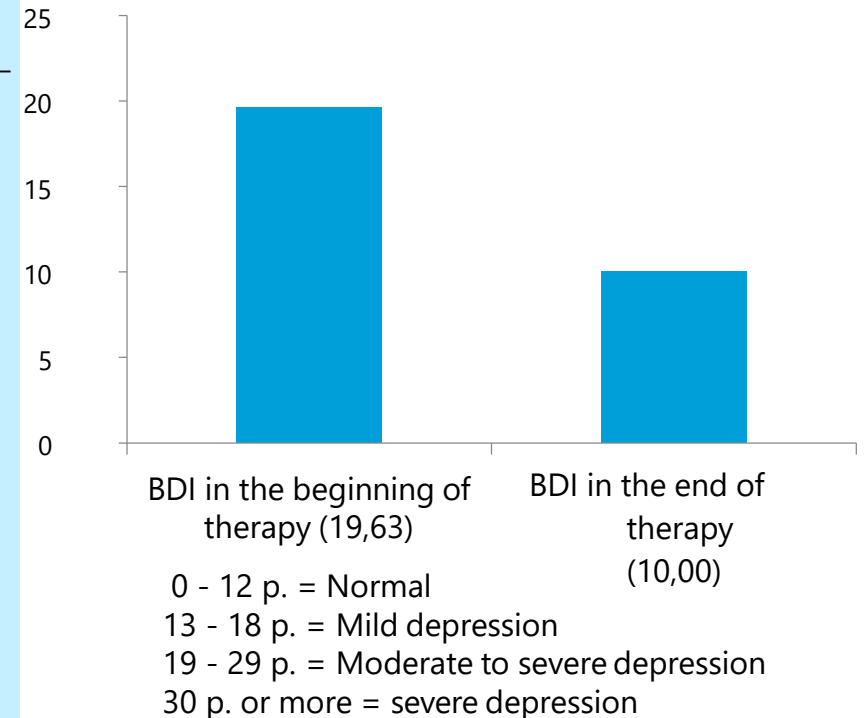
**Mental health related absences per employee**

**-31%**

**Total number of sick leave days due to mental health reasons**

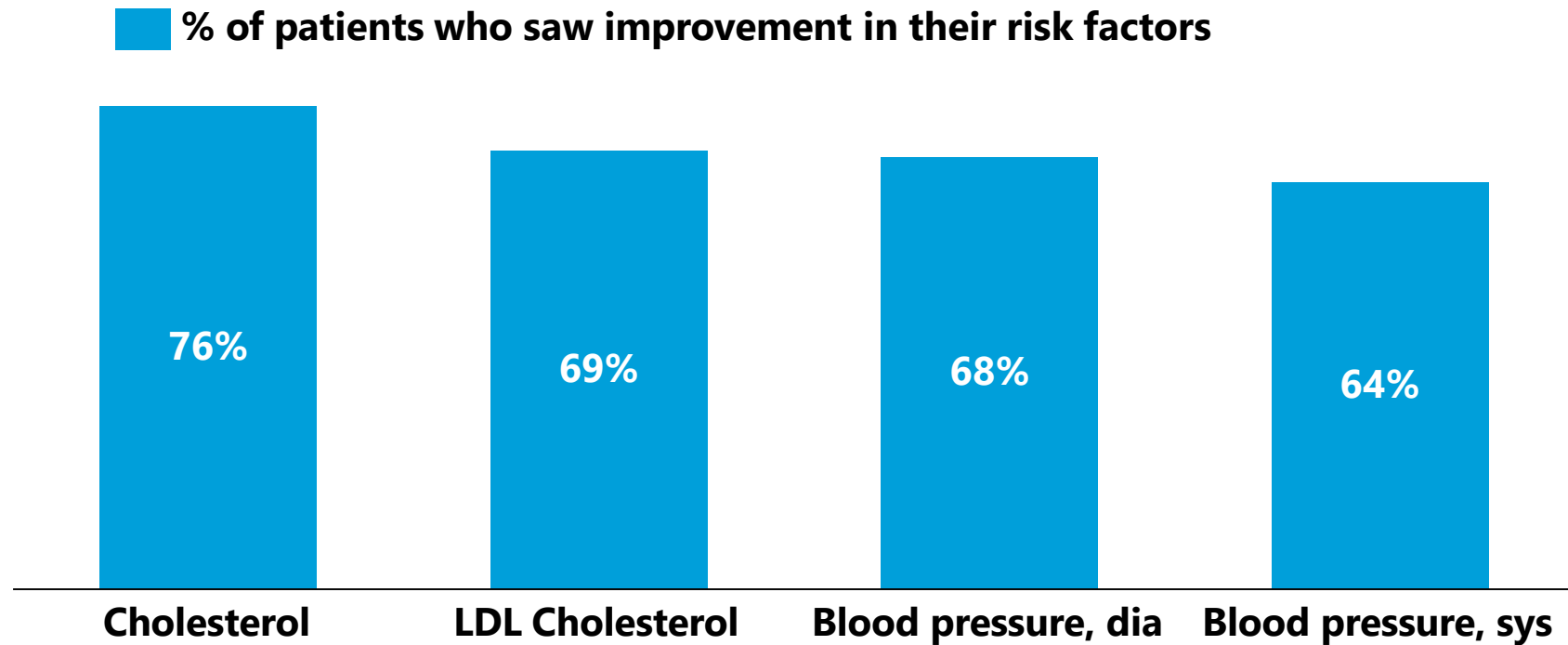
~2,000 employees, Cost savings from the reduction of mental health related sick leave EUR 187,950 (€ 350 / day) during 1-7 2019

## BDI depression survey results at normal level post therapy





# Improved outcomes with personal health plans (Oma Suunnitelma): A proof of concept



Individuals, who had a personal health plan (OmaSuunnitelma, OS) made aimed at lowering cholesterol

The analysis was performed on individuals with available lipid values before and after the OS period

Individuals, who had a personal health plan (OmaSuunnitelma, OS) made aimed at decreasing blood pressure

Analysis was performed on individuals who had an RR value labeled in EMR before and after the OS period

# Get better healthcare with scalable platform for growth

## **Health systems need to adapt and respond to myriad of pressures**

- Covid19 has resulted in a health care provider crisis that is likely to persist into new normal.

## **Shifting sites of care across the continuum will be required**

- Covid-19 crisis will catalyze lasting shifts in care delivery, particularly toward digital care as patients move to new channels.
- Providers with high-quality sites across care continuum and digital channels are well positioned.

## **Terveystalo is well prepared to take advantage of the transformation**

- Terveystalo has the capability and digital platform as well as excellent ability to solve any bottlenecks of supply.

**Q&A**

**Terveystalo**

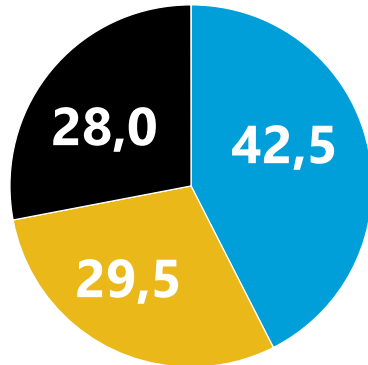
Get better.

# Get better healthcare for all with an integrated platform model

Ville Iho, President and CEO

# Terveystalo today is the leading healthcare platform in Finland with well balanced business

**H1 2020 Revenue**  
by payor group, %



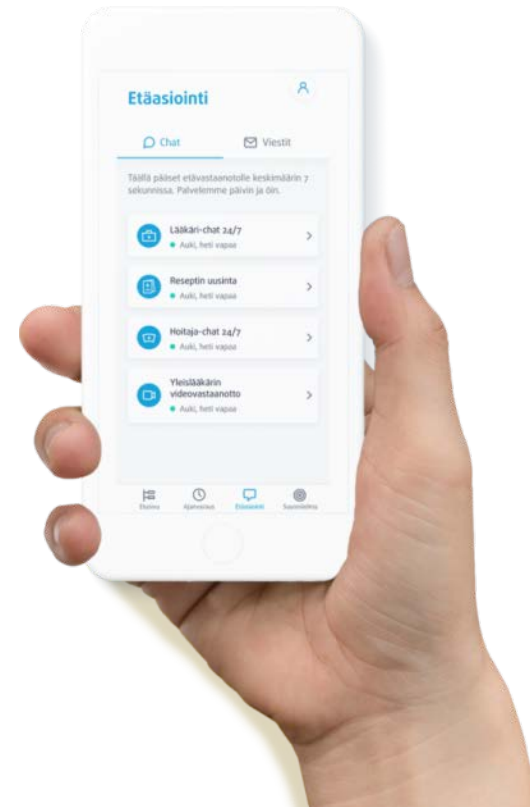
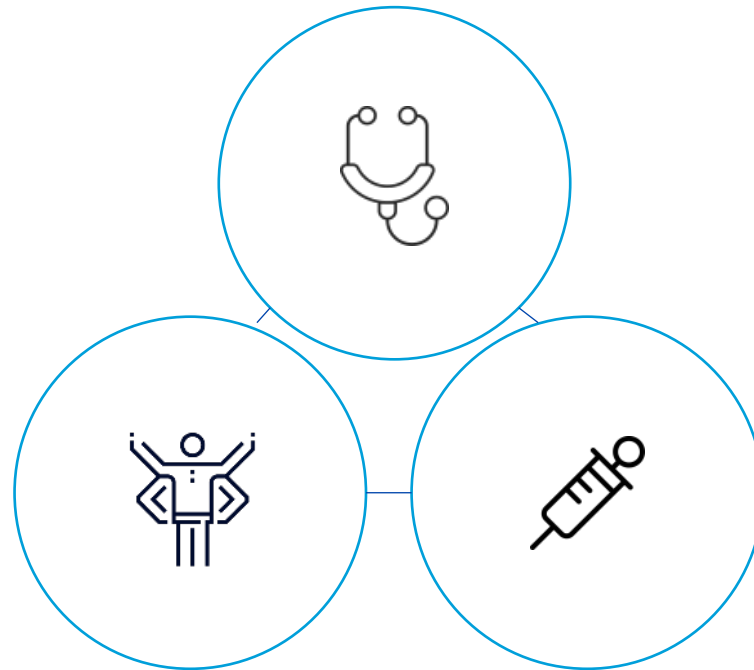
■ Corporate ■ Private ■ Public

**1,031**  
EUR Mill. in Revenue

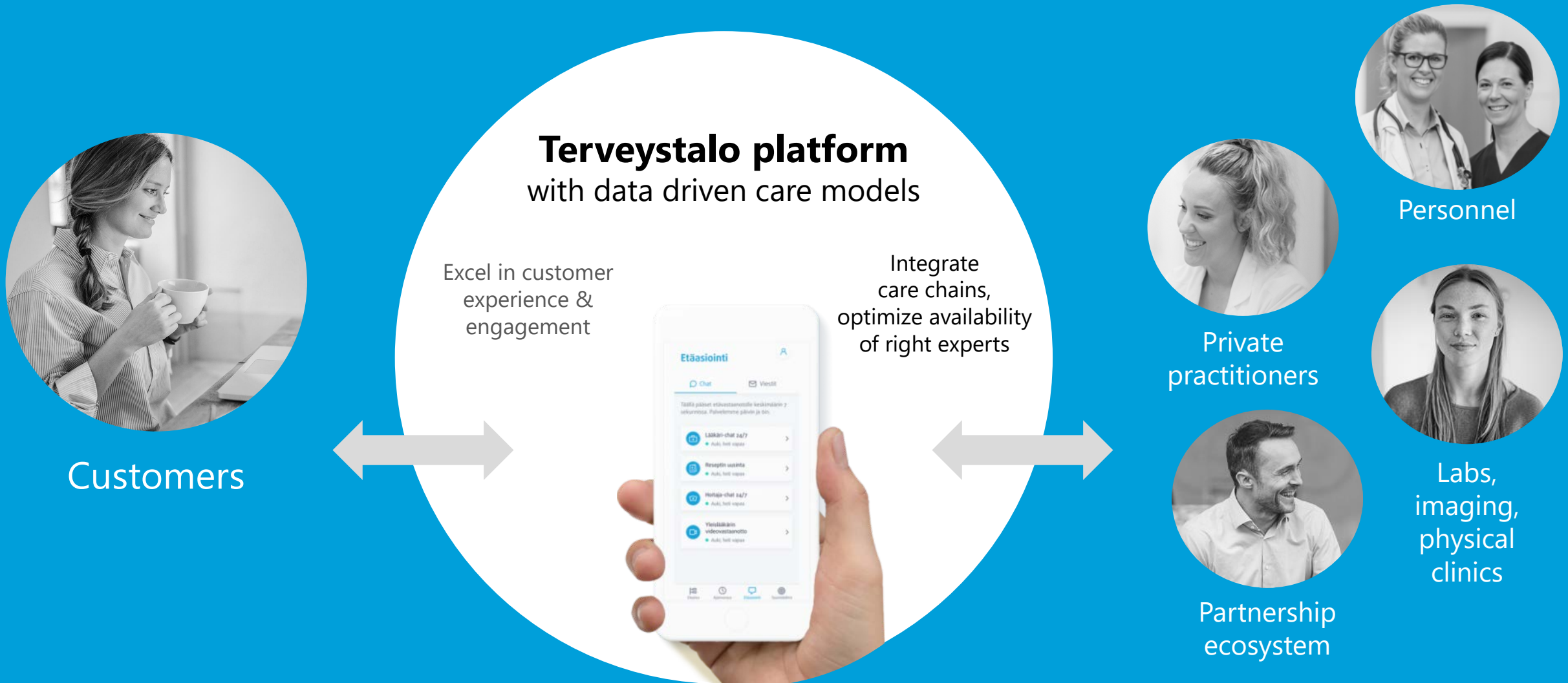
**11.2%**  
Adjusted EBITA margin

**300**  
Clinics across Finland

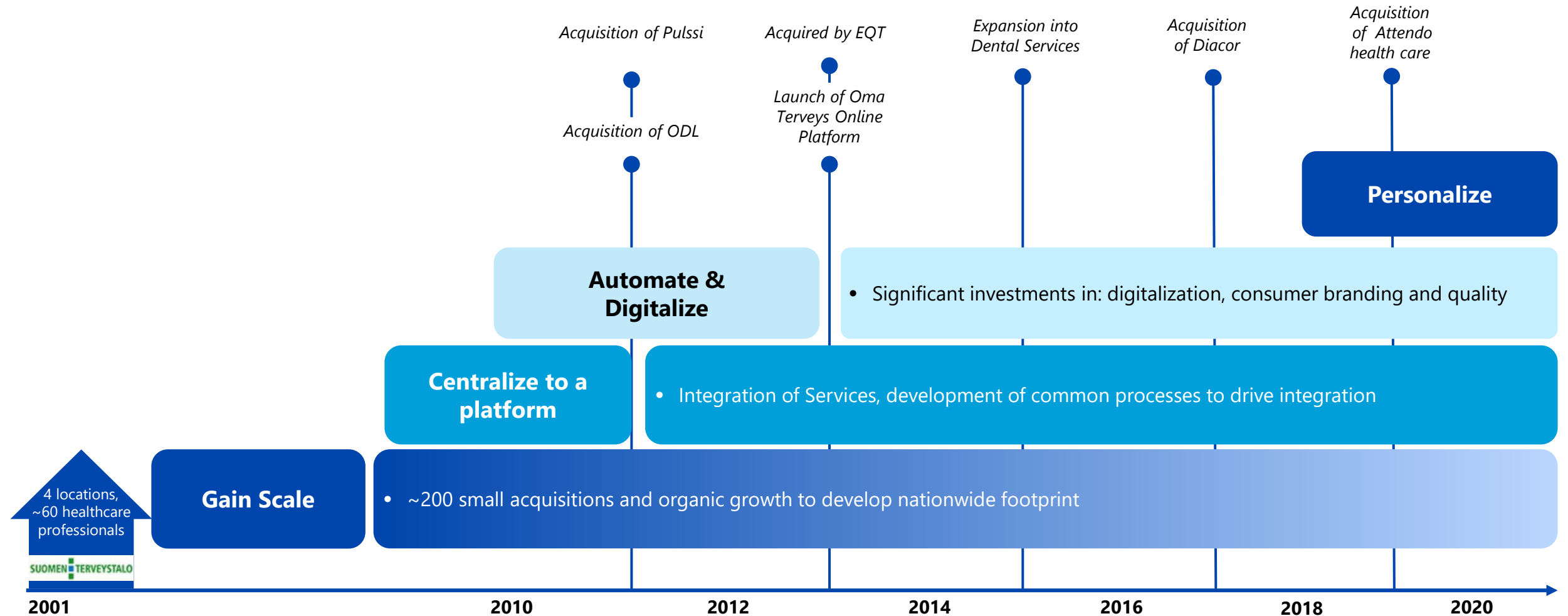
## Integrated care chains



# Terveystalo's platform business model matches customers with private practitioners and integrates episodes into effective care chains



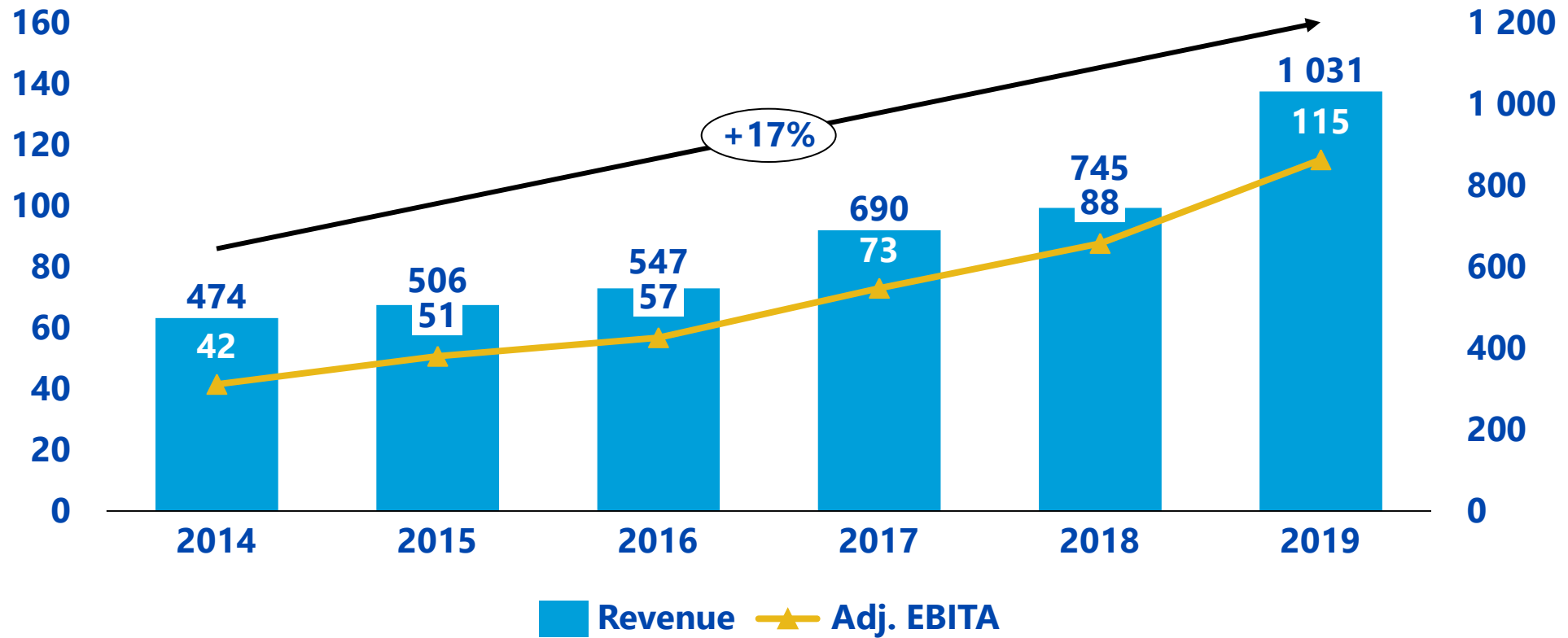
# Our platform works: ~200 acquisition targets successfully integrated





# We have grown profitably

with industry leading margins: 23% pa. Adj. EBITA growth between '14-'19



# We have grown organically ~3 times faster than the market and 8 times faster overall

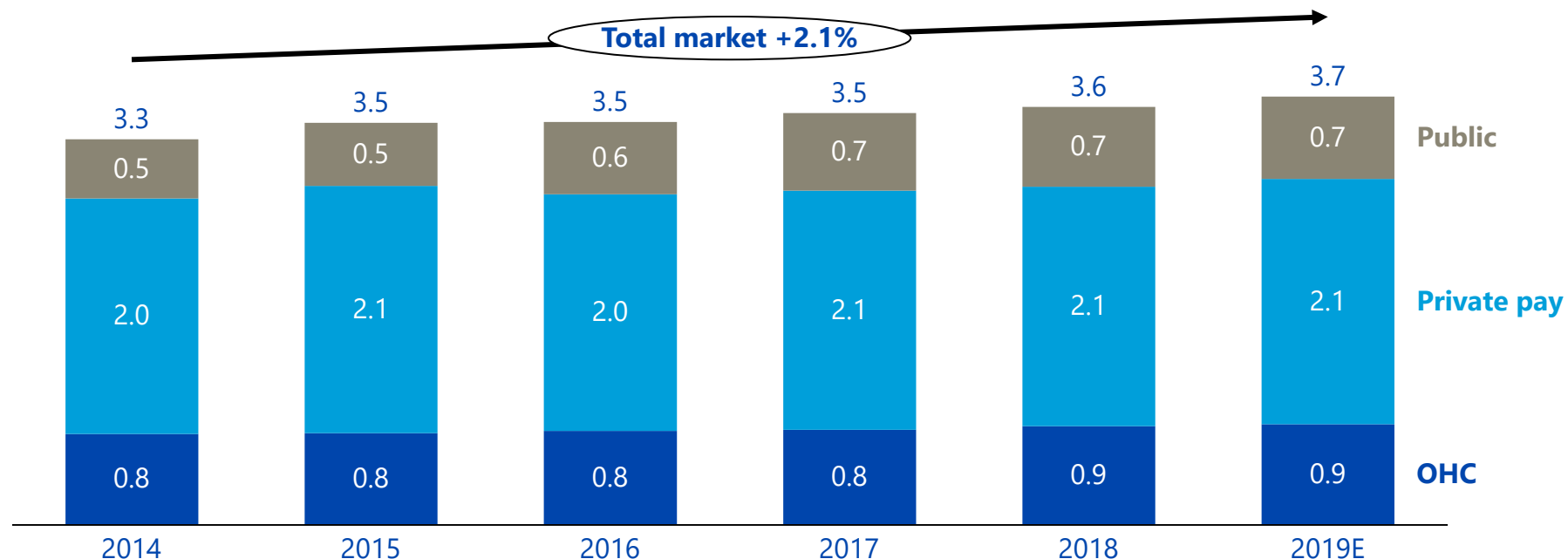
**Terveystalo CAGR  
2014-2019**

**17%**

**Terveystalo CAGR  
w/o large M&A  
2014-2019<sup>1)</sup>**

**5.6%**

**Terveystalo's traditional addressable market 2010-2019E, €bn**



1) Hammas-Pulssi, Seinäjoen Lääkäritalo, Porin Lääkäritalo, Diacor, Attendo Terveyspalvelut  
Source: Terveystalo annual reports, National Institute for Health and Welfare, KELA, FSA, Statistics Finland, expert interviews

# ...while improving the performance of our platform

**+9%**

## **Delivering on synergies**

Projected cost synergies exceeded by 9% on average in acquisitions post IPO\*

**NPS 83**

## **High customer satisfaction**

Net Promoter Score at all time high

NPS appointments rose to new record of 83 during H1 2020

**7 sec  
24/7**

## **Improving access to care**

GP Chat 24/7 with an average waiting time of 7 seconds

Digital, low-threshold mental health services

Digital specialist services

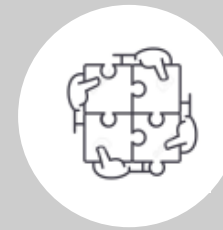
\* Comparing budgeted expected cost synergies with realized cost synergies for large healthcare acquisitions 2017-2019;

# Profitable growth has been based on two key value drivers of our platform: operating leverage and ability to cross sell



## **Operating leverage is a key driver of profitability improvement**

Terveystalo's business has significant operating leverage  
With fee for service model, new sales, particularly new organic volume, tend to support margin development



## **Ability to cross sell and grow in value adding services across the care chain**

Large contracted customer base of ~700,000 end users offers a captive audience to whom additional, value adding services can be offered

# Our platform is built for private business but we can leverage it also for the public market

## Terveystalo platform

## Public outsourcing & staffing

### Operating model

- Market leader with ~EUR 800 Mill. sales
- Terveystalo clinics and 24/7 digital platform, fee for service -model, scalable
- Corporate, Private and Public service sales

- Market #1-3 with ~EUR 200 Mill. sales
- Public clinics and equipment, capitation/fixed fee

### Capabilities

- 1) The smartest platform in the industry
- 2) The customer's health partner

Contract portfolio management, cost efficiency, recruitment

### Growth

Organic growth, bolt-on M&A, strategic M&A

Opportunity: Long queues in public, aging population

### Margin potential

High with operating leverage as a key profitability driver

High-medium-low

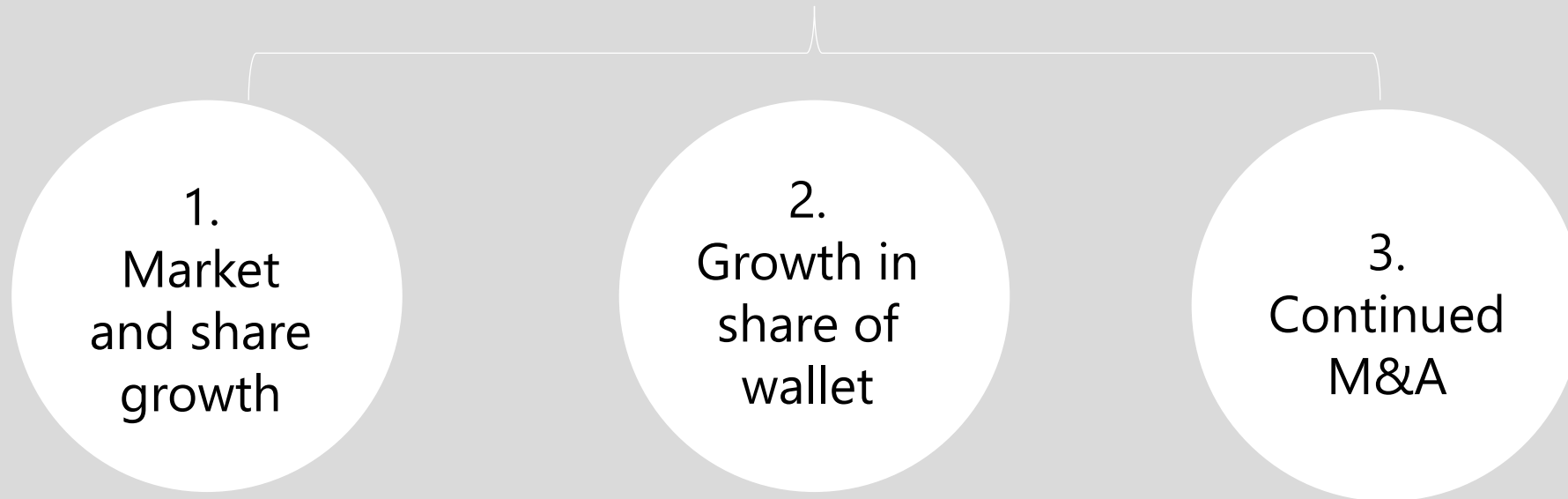
### Investment requirements

Moderate with digitalization as a key driver

Low

# There are further opportunities for growth

## Three sources of future growth












**Next phase**

Terveystalo



# Digital will continue to transform health care and enable new solutions but also increase expectations

## Healthcare trends

 Customer centric digital services	 The empowered consumer	 The distrustful consumer	 Holistic health and wellbeing	 Longer lives and chronic diseases	 Depleting resources	 Changing employee expectations
<ul style="list-style-type: none"> <li>• Growing preference of digital channels               <ul style="list-style-type: none"> <li>➢ <b>Role of proactive and preventative care enforced</b></li> <li>➢ <b>More frequent interactions</b></li> <li>➢ <b>Service chain transformation digital diagnosis &amp; diagnostics, only then to a doctor</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Customers increasingly own their data and select their own services               <ul style="list-style-type: none"> <li>➢ <b>Customer experience and digital personalization</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• New type of competitors (from start-ups to tech giants)               <ul style="list-style-type: none"> <li>➢ <b>Competitive advantage from data and quality metrics</b></li> <li>➢ <b>Digital platforms as a source of competitive advantage.</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increasing interest in own health</li> <li>• Nutrition trends</li> <li>• Wearables and biohacking</li> <li>• Meditation &amp; yoga</li> <li>• Exercising gaining popularity               <ul style="list-style-type: none"> <li>➢ <b>Increasing demand for preventive care and wellbeing offering</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increasing need for cost-effective population management               <ul style="list-style-type: none"> <li>➢ <b>Monetization models change. E.g., From fee for service to subscription based services</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Lack of professional resources               <ul style="list-style-type: none"> <li>➢ <b>Role of nurses and other professionals increasing</b></li> <li>➢ <b>Efficiency will be value driver</b></li> <li>➢ <b>Ability to attract professionals is key</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increased popularity of flexible, self-directed forms of work that allow better work-life balance</li> <li>• More widespread desire for work with a purpose and opportunities for impact</li> </ul>

# Terveystalo's platform business model matches customers with private practitioners and integrates episodes into effective care chains



# Growing platform for health and wellbeing

## 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", 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

# **Get better healthcare with scalable platform for growth**

**Strong track record of profitable growth consistently beating rest of the market**

**Asset light platform model with operating leverage and massive amount of customer data supporting profitability**

**Updated strategy to distill the full commercial and operational potential out of the platform**

**Q&A**

**Terveystalo**

Get better.

# **Get better solutions with the smartest platform in the industry**

Niki Kotilainen, Director, Operations & Nora Härme, Director, Pricing

# Get better solutions with the smartest platform in the industry: Key takeaways

**Terveystalo has industry leading efficiency and operative margins**

- 11% EBITA margin in 2019, target 12-13%

**Several market trends are influencing our operational model**

- Customers are requiring new types of services (and contract) that also requires new types of pricing and operating models ...
- ... hence we are developing a smarter platform that meets the customer demand in scalable way also going forward

**Smart platform drives growth, profitability, customer satisfaction and engagement**

- By doing this in smart way, we can maintain our industry leading margins while improving customer satisfaction and increasing our share of wallet



# Market trends influencing our operative model

Selected healthcare trends and implications for Terveystalo's daily operations

1. **Corporates look for cost discipline** → creates demand for new types of services (target pricing, fixed pricing, service vouchers, value-based pricing, ...) and hence, new operative models
2. **Shortage of health care professionals** → need for smarter use of resources
3. **Customers are increasingly expecting more from digital services** → our digital channels need to meet the standards of other, more advanced, industries

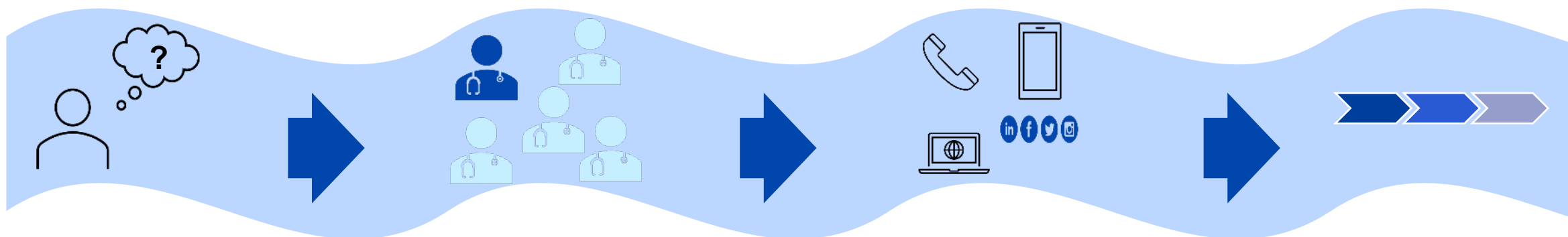
How to continue to win in this business environment?





# The objective: To offer the most relevant and convenient service for the customer

... regardless of time, place and channel, from the beginning to the end of the integrated care chain



*Smart scheduling directs the customer to the right service, even if the customer does not know what service or expertise is required to solve the problem.*

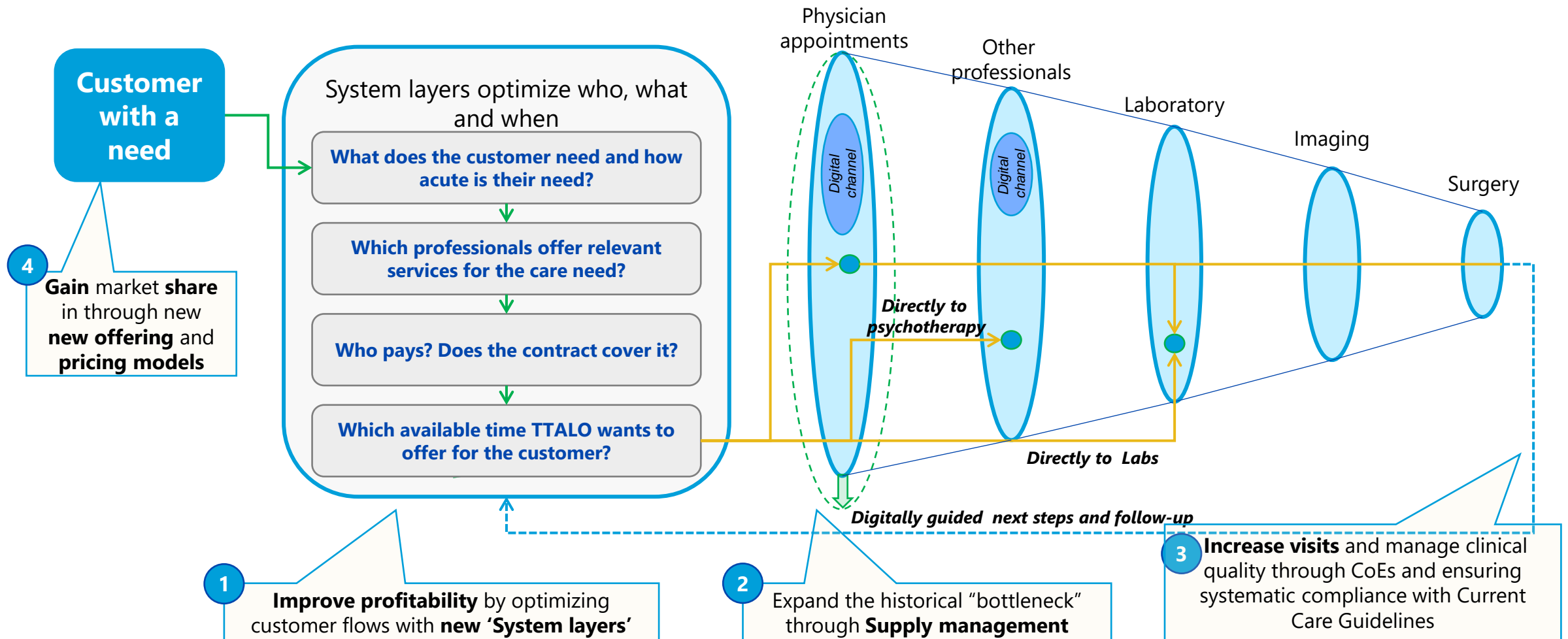
*The client is referred directly to the right expert in a time that meets their expectations.*

*The customer is directed to their preferred service channel.*

*The client feels that her treatment is planned and they is able to follow its progress.*



# Our solution: the smartest platform in the industry that meets customer expectations in a scalable way





# System layers optimize the customer flows

System layers optimize who, what and when

**What does the customer need and how acute is their need?**



**Which professionals offer relevant services for the care need?**



**Who pays? Does the contract cover it?**



**Which available time TTALO wants to offer for the customer?**

## Key actions for Terveystalo

- ✓ Build care need (self)assessment capabilities (incl. call center, chat bot, AI-based)
- ✓ Acquire / partner with relevant providers (ref. Evalua and Etsimo) to speed up development
- ✓ Restructure "physician database" to integrate with booking process
- ✓ Update background information of each healthcare professional (i.e., who has which capabilities).
- ✓ Implement renewed CRM
- ✓ Structuralize contracts to support booking process automation
- ✓ Build revenue management capabilities and differentiate service levels based on customer priority and price



# Smart use of capabilities ensure resources for growth

1. Utilize technology in order to minimize the need of human work
2. Allocate scarce resources in an optimal way
3. Build smart resourcing systems and models
4. **Defend position as the 1. place for professionals to work**
5. Develop a proactive approach to resourcing to ensure a long-term sufficiency of professionals for growth

Smart use of  
capabilities

Winning and  
keeping  
talented  
professionals





# Care guidelines and Centers of Excellence drive care chains and visits

## Care Guidelines

- **National Current Care Guidelines** are independent, evidence-based clinical practice guidelines.
  - *for example a type II diabetic is expected to do ~5 different lab test annually as well as several different check-ups (e.g., dentist, eye doctor, etc.) to control his/her disease*
- **Business potential** in our most common diagnoses (like lower back pain and depression) alone is EUR 30-100 Mill. annually if private practitioners would follow these guidelines more rigorously.
- **To achieve this**, we continue our successful work in implementing Care Guidelines to our vast field of specialties and update our IT systems to support the process.

## Centers of Excellence

**CoEs consist of** physical centers and virtual components that manage care paths and provide treatment by a community of professionals who adhere to Terveystalo standards and have access to research infrastructure

### **Centers of Excellence, such as Musculoskeletal and Mental Health hold significant growth potential:**

- Musculoskeletal: Approximately EUR 1 Bn. market, estimated to grow ~6% p.a.. Terveystalo has <10% market share
- Mental Health: Approximately EUR 1 Bn. market, estimated to grow >8% p.a. + Covid-19 impact. Terveystalo has <5% market share



Occupational  
healthcare



Musculoskeletal



Mental Health



Ophthalmology



TBCR

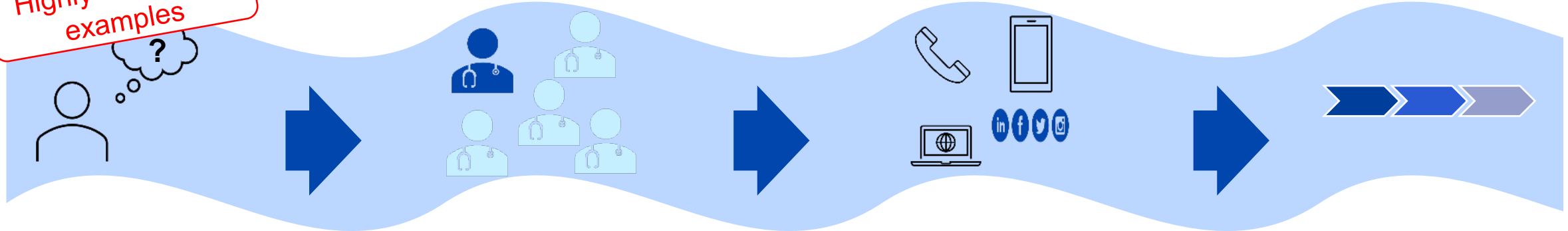


Gastrocenter



# Smartest platform -> Better customer experience and operational efficiency

Highly illustrative examples



## 25-40M€ potential in higher booking conversion%

Assuming 2-3%-point higher conversion in annual 10M contacts to call center and online booking @125€ sales per booking

## >20M€ potential in bypassing bottlenecks and prioritizing "premium customers"

In 2019, we had 2.4M appointments during a time with over 93% booking rate in that specialty during that day in that unit. Growth potential assumes three actions:

- Steering 30% more customers to nurses, esp. during busy hours (~10M€ pot.)
- Optimizing who get which time, with ~10M€ EBITA potential, e.g., by preferring private pay customers with 22€ more per visit due to service fee
- Improving background information about healthcare professionals → assuming 10% of professionals would get 5% more sales → 5M€

## 10-15M€ potential in improving output per healthcare professional work hour

Typically one doctor can see ~20 patients per day (@20 min visits). However, through digital tools, such as doctor chat, one can serve even up to hundred patients per day.

Assuming ~6% increase in productivity (25% productivity increase for 25% of 3.7M doctor visits that are done via chat) with 50€ per visit

## 30-100M€ potential in more systematically managing care compliance

Case example: 0.8% of our depression and anxiety patients received a referral to psychotherapy in 2019. Our stated goal is 10% which is 12x current status.. These referrals typically has ~10 visits to psychotherapist ...

... just with 75,000 depression diagnoses (ref. F32-F34 in ICD10), we could theoretically generate 75,000 more visits by referring 10% of patients to 10x psychotherapy...

→ Replying this logic to the most common diagnoses could yield up to 30-100M€ growth



1

Nora Härme

# Improving profitability and driving growth with pricing



# Revenue management & pricing as a core competence

Revenue management & pricing is considered a core competence in industries with:

- **perishable inventory**
- **restricted capacity**
- **fluctuating demand from various customer segments**
- **customer segments with differing needs & willingness to pay**
- **intense competition**

**Healthcare shares many of the above features**





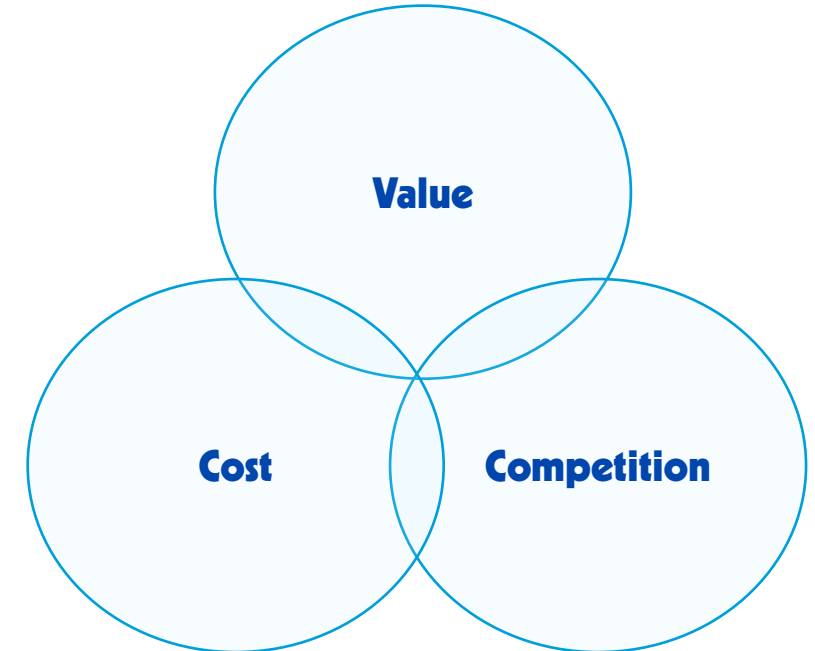
# Smart application in healthcare has upside potential for both the customer and the company

## Pricing is fundamentally about perceived value

- Foundation of all pricing decisions is a solid grip of cost drivers & competition
- Advancing towards value-based pricing requires a deep understanding of different customer segments and their needs - and a clear value proposition

## Collaboration of Service design & Pricing is key

- Design service offerings with clear value propositions, meeting the needs of different customer segments with price points to match their willingness to pay
- Value-based selling focuses on communicating value, not features



# Best practices from branded air fares can be applied to OHC offerings

**Lappeenranta to Berlin Brandenburg**

15:00 → 16:15 | Duration 2h 15m | Flight no. FR 2735 | Type Direct | Value fare 24,99 €

The selected fare type applies to all passengers for all flights

Fare Type	Description	Price Difference
<b>Value</b> Travel light	1 Small Bag only Must fit under the seat (40cm x 20cm x 25cm)	Continue with Value fare
<b>Regular</b> Great for short trips	Priority & 2 Cabin Bags Board first, 10kg Cabin Bag and 1 Small Bag Reserved Seat Specific rows available	20,85 € more per person on this flight
<b>Plus</b> Includes 20kg Check-in Bag	1 Small Bag Must fit under the seat (40cm x 20cm x 25cm) Reserved Seat Specific rows available 20kg Check-in Bag Drop bag at check-in desk Free check-in at the airport Up to 40 minutes before your flight	33,00 € more per person on this flight
<b>Flexi Plus</b> If you need flexibility	Priority & 2 Cabin Bags Board first, 10kg Cabin Bag and 1 Small Bag Reserve any seat Including extra legroom seats Free check-in at the airport Up to 40 minutes before your flight Flexible tickets Option to change your flight dates	67,85 € more per person on this flight

**Airlines offer a range of fare types to choose from, with different benefits, features and price points**



## OCCUPATIONAL HEALTH PACKAGES CHARGED ACCORDING TO USE

Even at the highest service level, you only pay for what you need. All services are charged according to use. If you only use statutory occupational health services, you will not accrue additional charges. See the comparison below for more details about the contents of each package.

SOPIVA	SUJUVA	TUOTTAVA	VERRATON
A good level of services supporting work ability and GP-level medical care at a reasonable cost.	A good level of services supporting work ability and GP-level medical care with specialist consultations.	A wide range of services supporting work ability and comprehensive specialist-level medical care and experts.	A wide range of services supporting work ability and the best possible specialist-level medical care.
<a href="#">Request a quote</a>	<a href="#">Request a quote</a>	<a href="#">Request a quote</a>	<a href="#">Request a quote</a>


## Potential to enhance Terveystalo's OHC offering by

- Clear descriptions focusing on benefits (vs features)
- Range of price points
- Introduction of packages with fixed monthly fees to attract new customer segments

# New pricing models advance the development of health partnerships

Auto-renewing subscriptions reduce hassle and increase ridership in commuter traffic

## Prices

 Auto-renewing subscription tickets  
The ticket is valid all the time on the HSL app. It is charged to your payment card every 30 days.  
[Read more](#)

Auto-renewing saver subscription **NEW**  
You commit for a year (12 payments).

€53.00 / 30 days

[Open the app](#)

Auto-renewing subscription (30 days)  
You can cancel your subscription at any time.

€59.70 / 30 days

[Open the app](#)

amazon prime



Prime (monthly) ☒  
**CDN\$ 7.99/month**

Prime (annual) ☐  
**CDN\$ 79.00/year**  
Equivalent to CDN\$ 6.58/month

**BEST VALUE**

Amazon Prime - fast, free delivery, exclusive shopping deals & entertainment



Potential to leverage our wide health & wellbeing offering and existing large OHC customer base to create a

## new loyalty-enhancing health partnership model

Service fees + discounts on wellbeing services, e.g.



= partnership model with subscription

# Making pricing into a true core competence for Terveystalo

## **Ensure operative efficiency**

- Increase transparency into pricing data
- Manage price lists, discount structures, transactional pricing
- Clear roles and responsibilities

## **Strategic approach to pricing development**

- Incorporate pricing into service design processes
- New pricing models
- Strengthening pricing-related skills and capabilities, tools and systems



# Get better solutions with the smartest platform in the industry: Key takeaways

**Terveystalo has industry leading efficiency and operative margins**

- 11% EBITA margin in 2019, target 12-13%

**Several market trends are influencing our operational model**

- We are developing a smarter platform that meets the customer demand in scalable way also going forward

**Smart platform drives growth, profitability, customer satisfaction and engagement**

- By doing this in smart way, we can maintain our industry leading margins while improving customer satisfaction and increasing our share of wallet

**Q&A**

**Terveystalo**

Get better.

# **Get better for life with Terveystalo as your health partner**

Eeva Nyberg-Oksanen, Director, Strategy & PMO



The opportunity: Trend of

# Health and wellbeing





# Wellbeing market is polarized but the demand for services grows

## 50% Finnish working-age people have some lifestyle disease or are at risk of developing one

- 75 % of 30+ year old Finns are overweight
- 10 % have diabetes and 50% high blood pressure
- 33 % suffer from temporary sleep problems
- 20 % have a substance abuse problem
- 10 % have had back problems during the last year
- Rise of mental health problems (50% experience mental health problems during their life), 5-7 % are depressed

**Reactive, scope of Terveystalo's current wellbeing services**

## Some are becoming more and more interested and aware of their overall health and wellbeing

- Healthy nutrition trends (e.g. Ketogenic diet, plant-based, non-dairy options)
- Wearables & biohacking: 27% (2018) owns a wearable (<5% in 2013)
- Popularity of meditation & yoga (low-barrier channels for preventive services, e.g. Headspace)
- No of exercising people increasing (e.g. no of fitness clubs, popularity of training at home)

**Proactive, low-entry services**



# Our offering consists of preventive care and wellbeing



## Large pool of wellbeing professionals

*Physiotherapy*

*Work ability coaching*

*Psychologists,  
psychotherapists*

*Massage*

*Nutritional therapy*

*Sleep coaching*

OLO pharmacy



## Digital mental wellbeing services

### Mielen Chat

- 24/7 chat with a nurse in Oma Terveys
- Quick access and forwards to Mielen Sparri

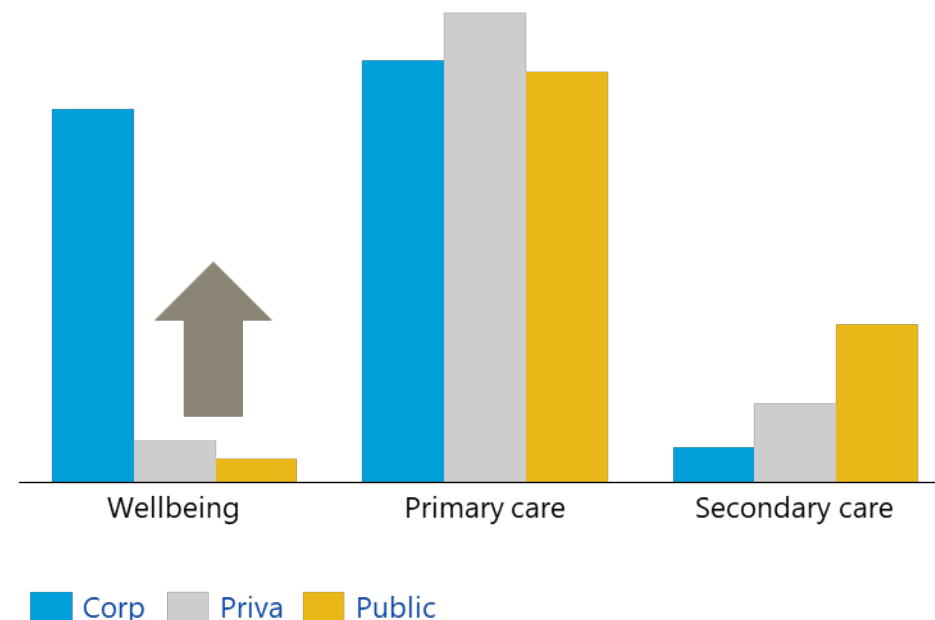
### Mielen Sparri

- Up to 5 video meetings with the same mental wellbeing professional
- Preventative and goal-oriented program, rather than treatment, Mielen sparri is active support
- A way of enhancing and strengthening stress management or other life skills



# Monetizing proactive and holistic care requires comprehensive wellbeing offering

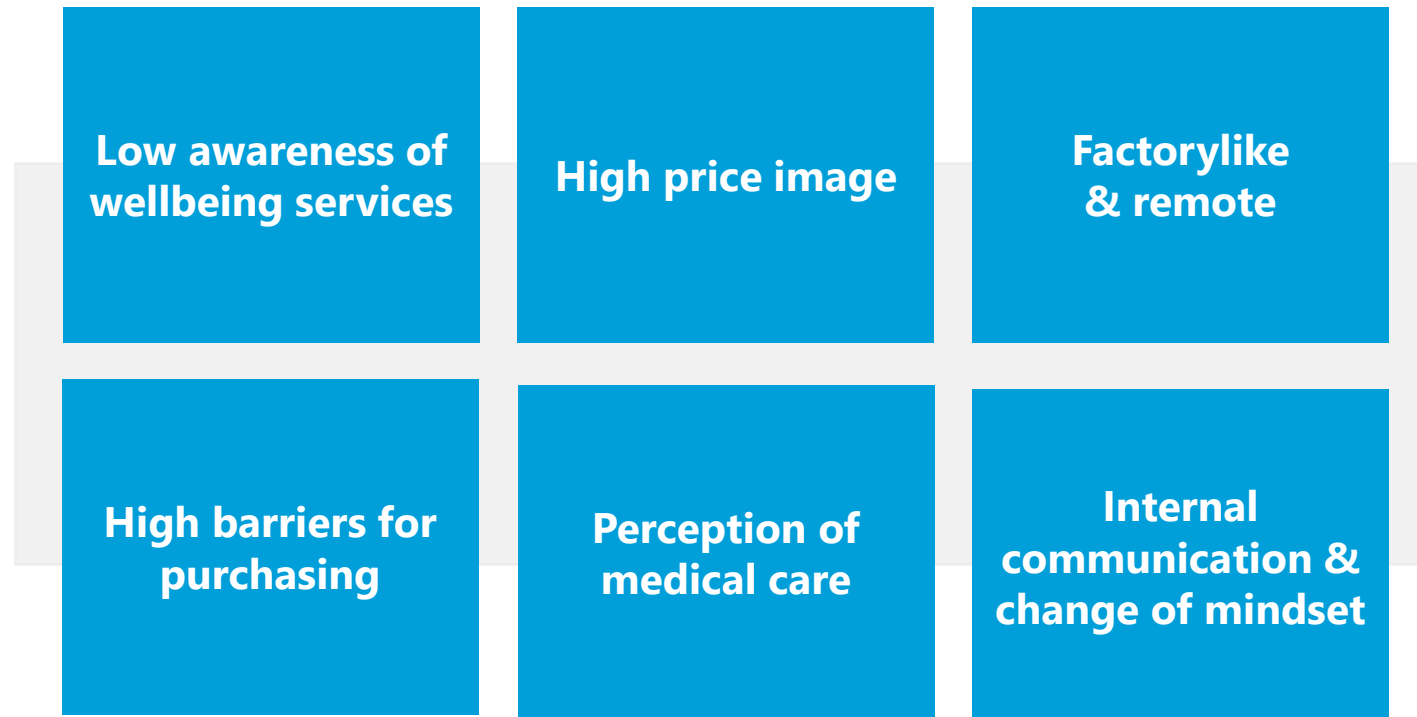
- Preventive care is already at the core of Terveystalo's occupational health business
  - Existing tools to collect data, identify individuals at risk, and a large selection of professionals to help people to proactively take care of their health and wellbeing
- We have unique capabilities in preventive care, but **need to scale these service models to consumers in a way that motivates these customer groups**



*Total sales allocated to corporate, private & public.  
Sales of different services per these segments*



# Issues to be solved in order to engage private wellbeing customers



*Source: Consumer interviews, spring 2019.*



# With digital engagement we provide a foundation for a continuous health journey



## Expanding digital platform to reach new customers

We will increase our presence in new digital touchpoints with relevant content and free, entry level services.



## Personalizing services based on comprehensive data

We will actively gather data from various sources with the customers permission to enrich the view of customer needs and personalize services based on this rich information.



## Solving the bottlenecks of supply

By proactively reacting to customer needs, demand – supply balance becomes more manageable.

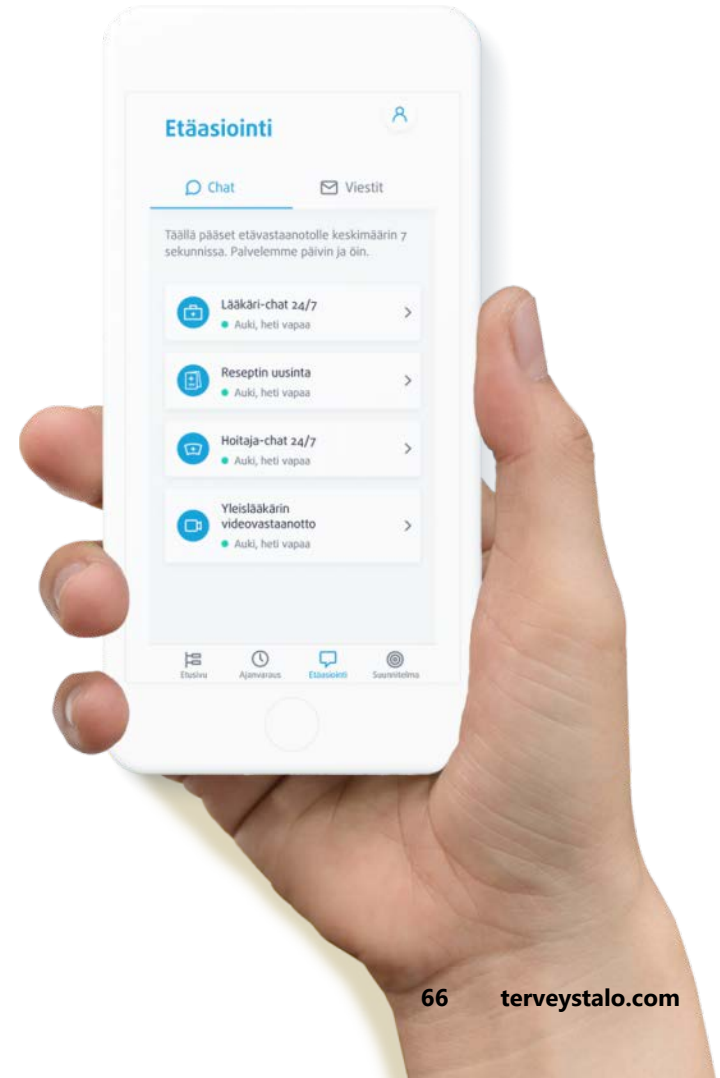


# App users spend >100% more on their health already today

1. Digital health is linked to higher customer engagement and overall use of services and better health outcomes
2. Active Oma Terveys app users spend > 100% more than an average customer on their health

**Terveystalo currently has ~210,000 active Oma Terveys app users**

Active users = have downloaded the app and use it

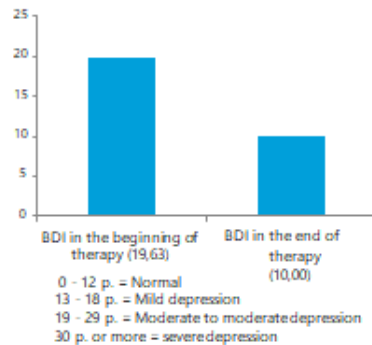




# We have already delivered excellent results in proactive care with OHC customers

## Cost savings and effective care with Terveystalo mental health care paths

BDI depression survey results at normal level post therapy



### Corporate customer No. 1

Sick leave due to mental disorders decreased by

**-12.6%**

~4,000 employees (expert field)  
Short-term psychotherapy in active use  
Depression or anxiety the most common cause of referrals

### Corporate customer No. 2

-35%

Mental health related absences per employee

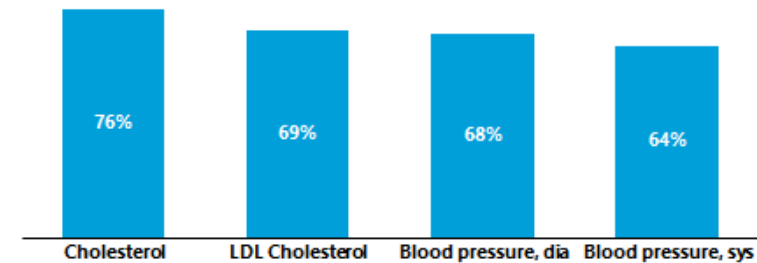
-31%

Total number of sick leave days due to mental health reasons

~2,000 employees, Cost savings from the reduction of mental health related sick leave EUR 187,950 (€ 350 / day) during 1-7 2019

## Improved outcomes with personal health plans (Oma Suunnitelma): A proof of concept

% of patients who saw improvement in their risk factors



Individuals, who had a personal health plan (OmaSuunnitelma, OS) made aimed at lowering cholesterol  
The analysis was performed on individuals with available lipid values before and after the OS period

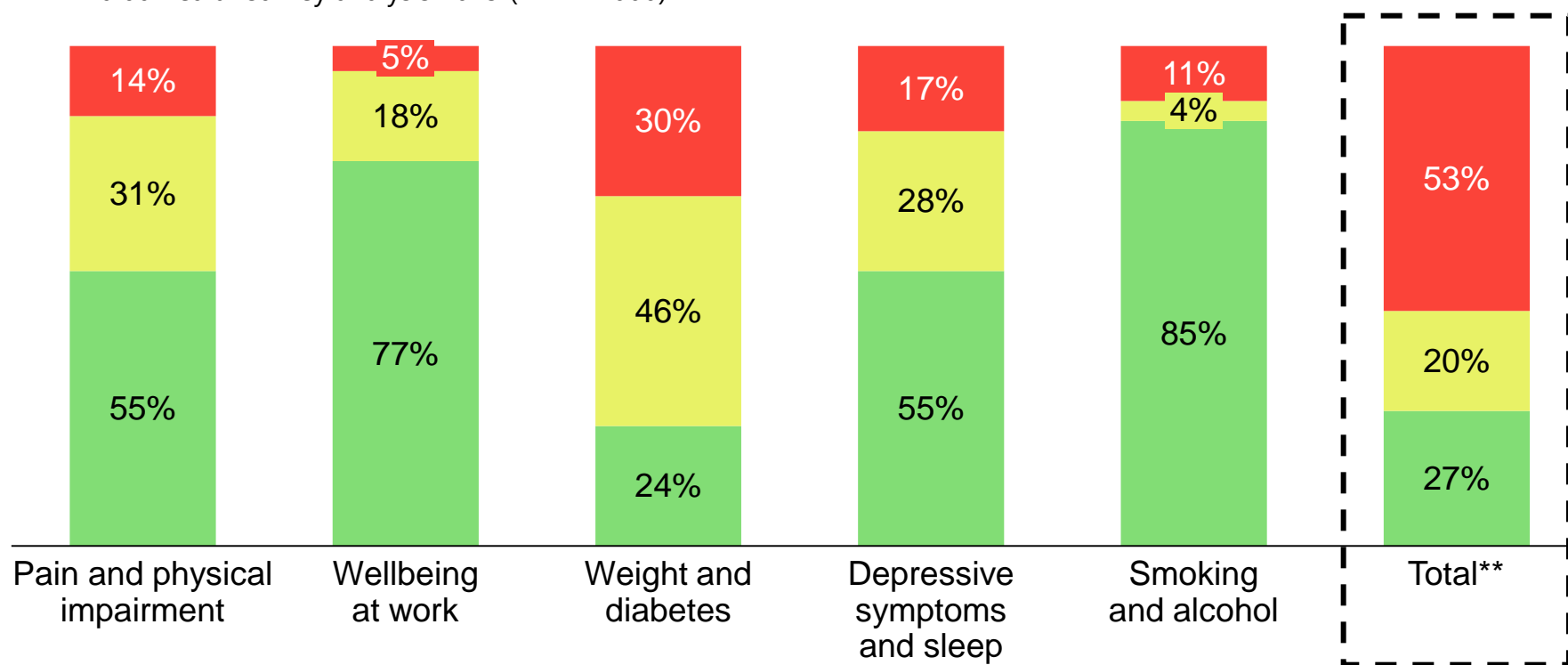
Individuals, who had a personal health plan (OmaSuunnitelma, OS) made aimed at decreasing blood pressure  
Analysis was performed on individuals who had an BP value labeled in EMR before and after the OS period



# There is still significant, unrealized potential within our core wellbeing services

## People categorized as “greens”, “yellows” and “reds” based on identified risk factors

Evalua health survey analysis 2019 (N = 22 000)\*



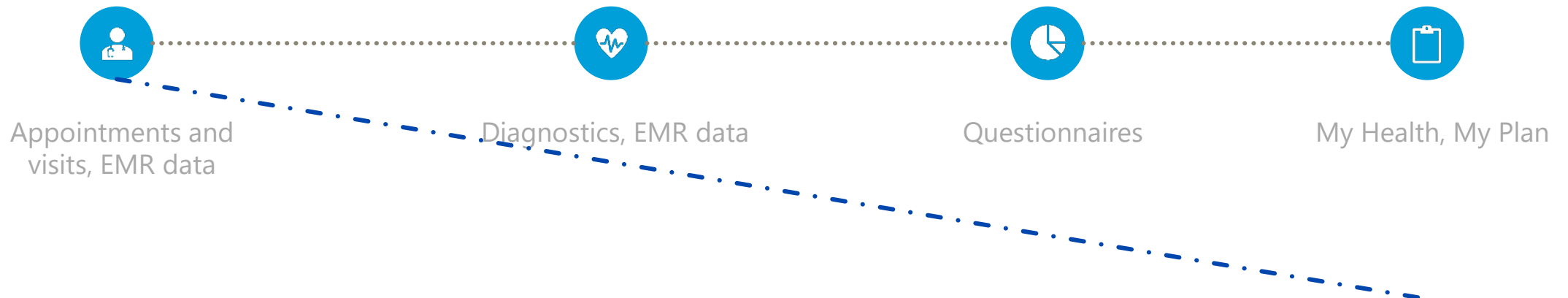
**53% of the working age population has at least one significant risk factor for their health**



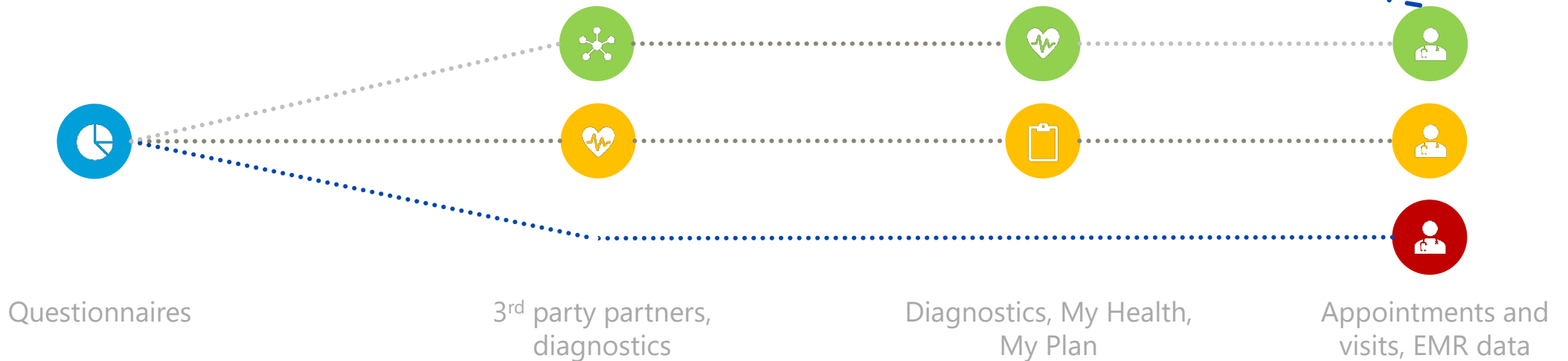


# Data is the engine of personalization

## Current model

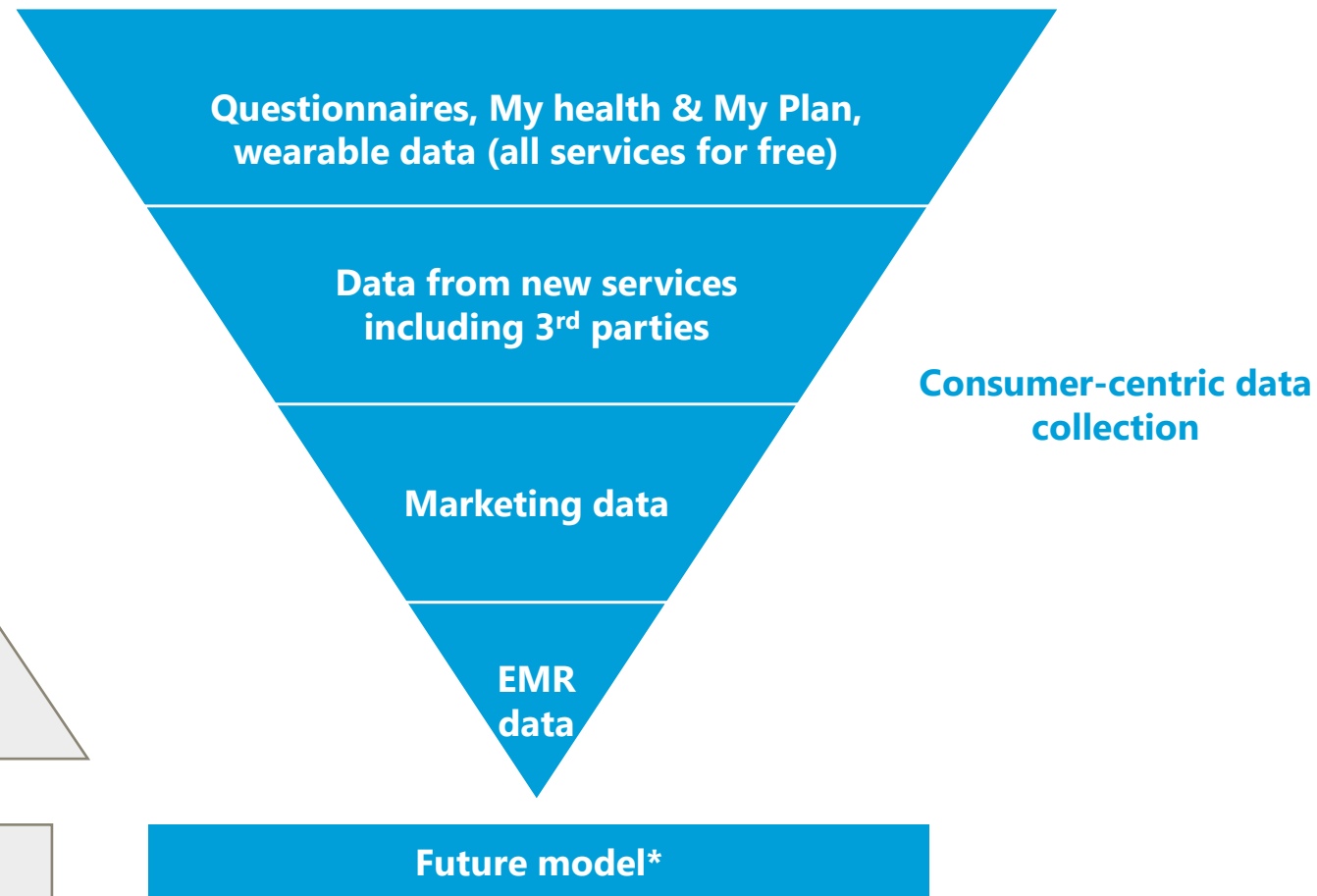
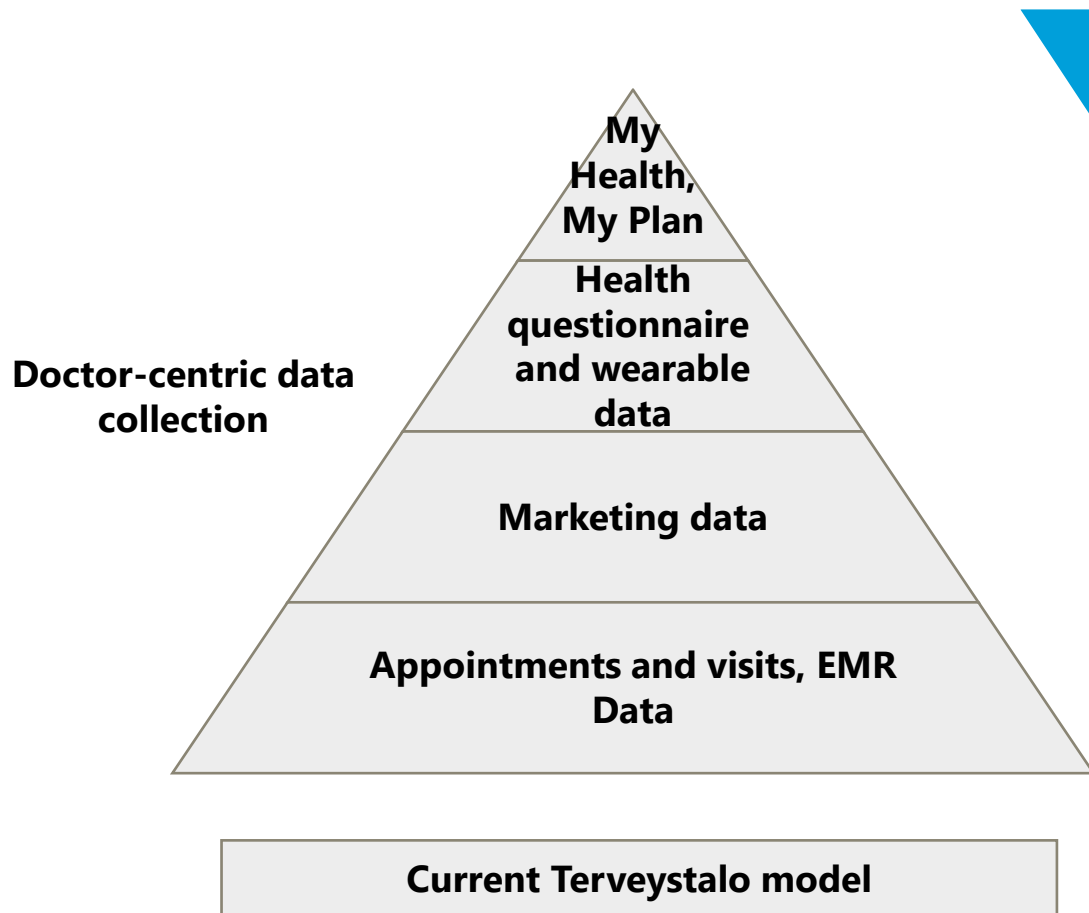


## Future model





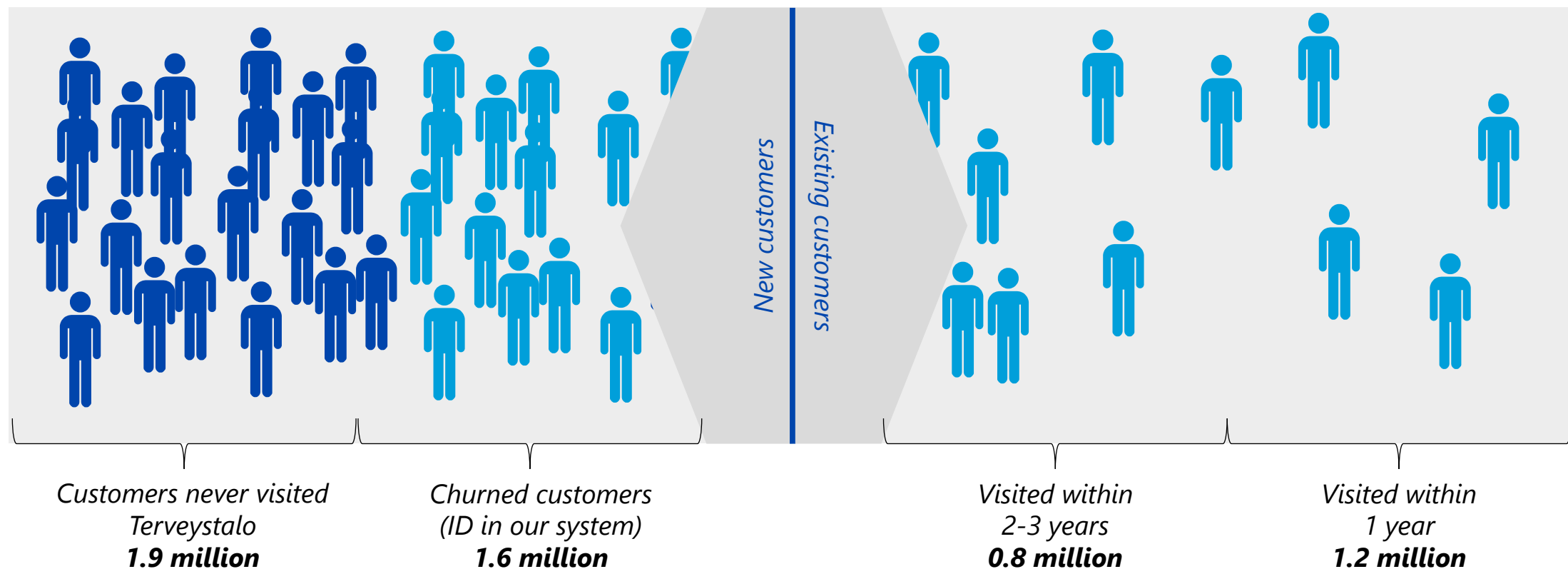
# Data is the engine of personalization



*\*) The size of EMR (Electronic Medical Record) data stays the same, but in the future it will be our smallest data set*



# We can activate our customer base to increase the share of wallet



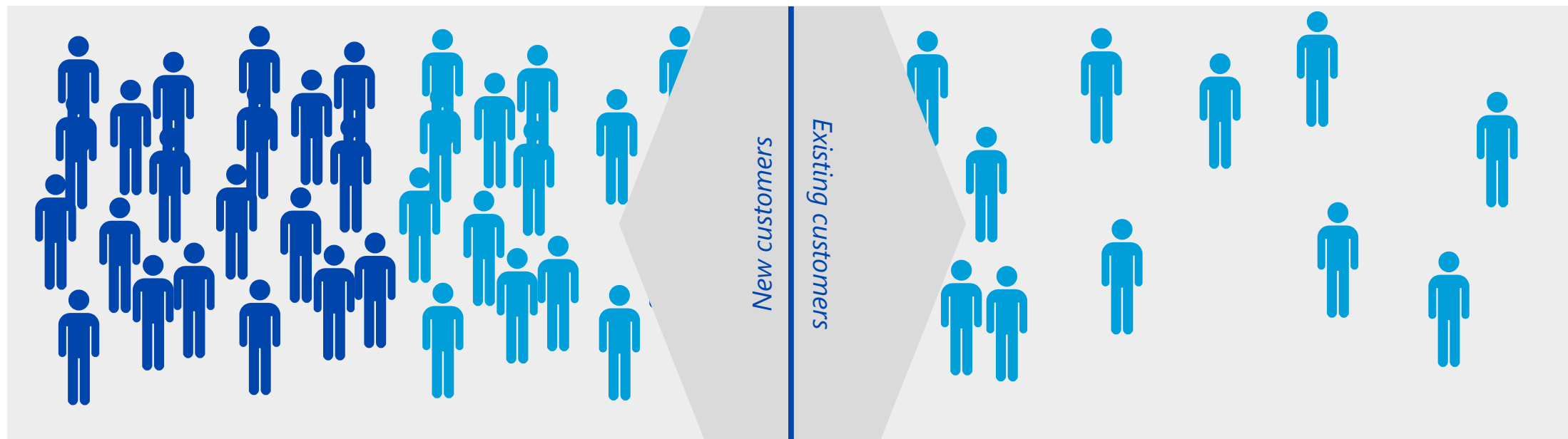
Example: +10% new customers with 50%  
av. spend -> MEUR 40 potential

New services  
MEUR ~50

Example: Terveystalo network revenue  
~MEUR 800 & 1.2 mill. customers.  
Increasing av. spend by 10% -> MEUR 80 potential



# Lowering the entry barrier with new business models backed by digital



## Free services

*Free content & advice, light surveys...*

## Low-entry services

*self-diagnostics, referral-free laboratory, validated surveys...*

## Fee-for-service

*Interventions taking place mainly in digital channels*

## Subscription

*Incentives for sustained, preventive health*



# We change the industry standards by taking a proactive role in promoting customer health

01



## We assist people in staying healthy

We will foster continuous dialogue between Terveystalo and its customers to better understand the unique needs and preferences of individuals, and target our holistic wellbeing services accordingly.

02



## We make our services accessible to everyone

We want to harness our science based, high-quality health information for all customers and create low-threshold scalable services

03



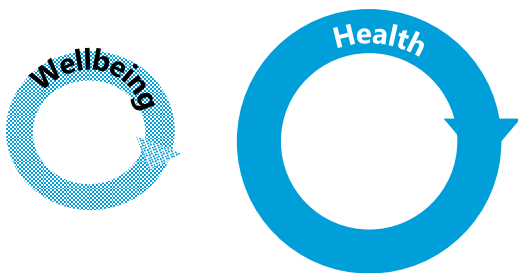
## We ensure continuity of care

The customer typically uses our services when they already have a symptom, illness or diagnosis: We help them identify the need in a timely manner and take responsibility for the continuity of treatment.



# A platform is a winning one, when the customer has an active part in it

## TERVEYSTALO 2020

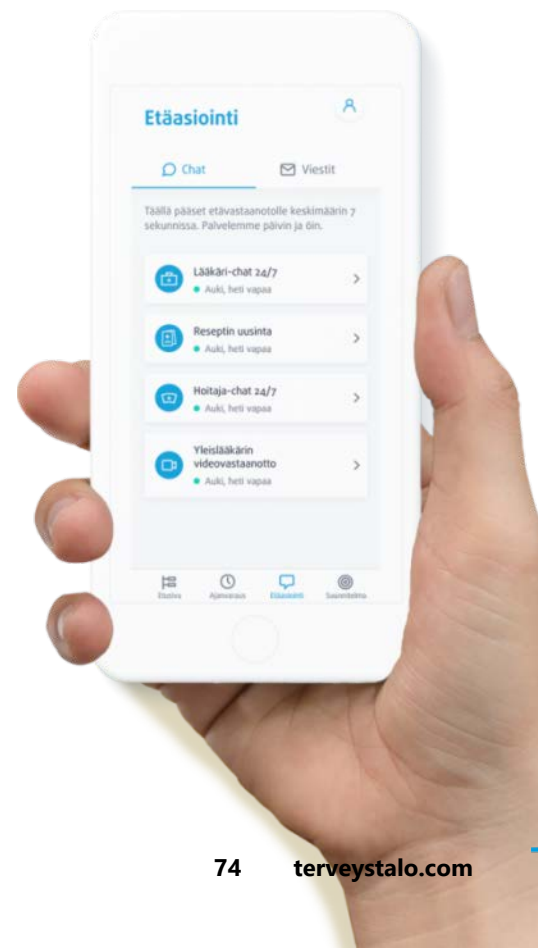


*Focus on traditional market, treating people with health issues. Low market growth. Wellbeing offering for some customer segments.*

## TERVEYSTALO 2025: Empowering lifelong health and wellbeing



*Customers have an active role in defining their health goals and preferences – Terveystalo tailors health & wellbeing journey to individual needs and offers an attractive selection of services to reach these goals.*



# Get better for life with Terveystalo as your health partner

**There is still significant, unrealized potential within our wellbeing business**

- We already have a wide offering of preventive and wellbeing services to OH customers that can be commercialized and packaged for private consumers in addition to new, scalable, entry level wellbeing services

**Digital engagement model is the basis for rich data, active dialogue & new touchpoints**

- Data is the engine of personalization
- Actively collected non EMR data as core element of our customer 360 view

**We take a proactive role in promoting holistic health & wellbeing**

- Ensuring continuity of care, assisting people in staying healthy with an active dialogue and personalized offering, and making our services accessible to everyone

**Q&A**

**Terveystalo**

Get better.



# **Get better EBITA - The profitability leader in the Nordic region in private health services**

Ilkka Laurila, CFO

# Our updated financial targets

## Since IPO

### Growth

revenue growth of 6-8%

### Profitability

Adjusted EBITA 12-13% of revenue

### Indebtedness

Leverage ratio not to exceed 3.0

### Dividend

dividend at least 30% of net profit

## 2020 onwards

### Growth

revenue growth at least 5% annually

### Profitability

Adjusted EBITA 12-13% of revenue

### Indebtedness

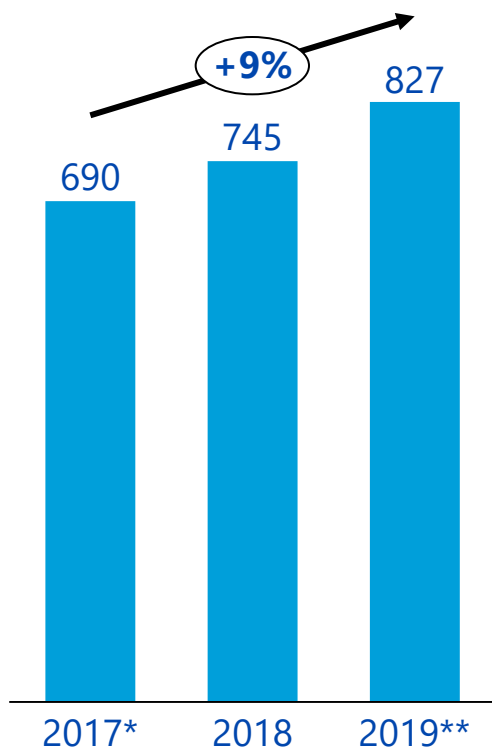
Leverage ratio not to exceed 3.5

### Dividend

dividend at least 40% of net profit

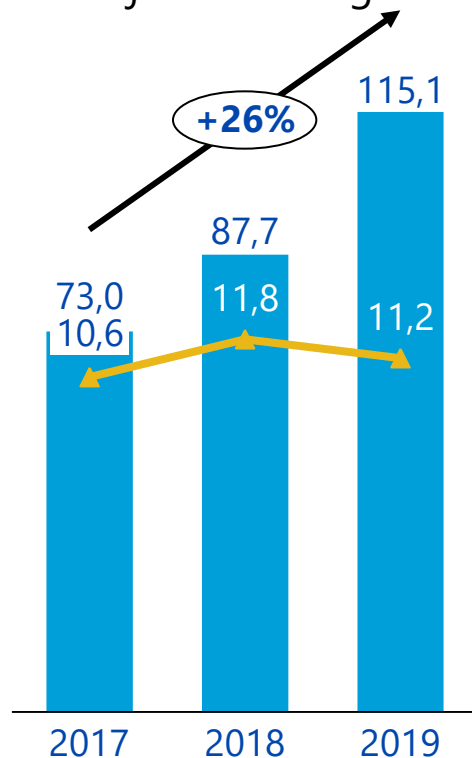
# We have delivered on our financial targets

Target: 6-8% revenue growth



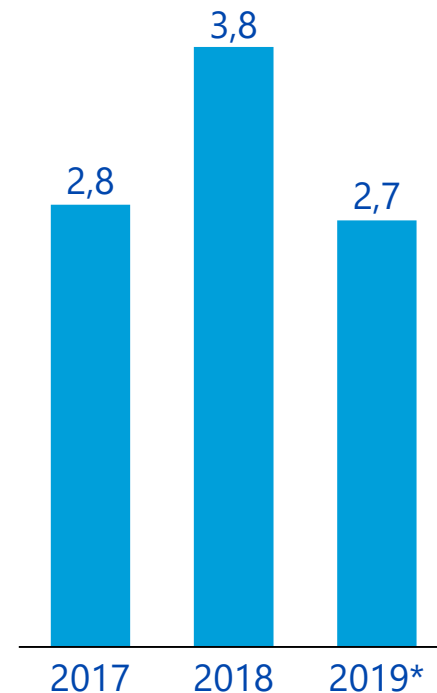
\*Includes 9 months of Diacor  
\*\*Excl. Attendo

Target: 12-13% Adj. EBITA margin



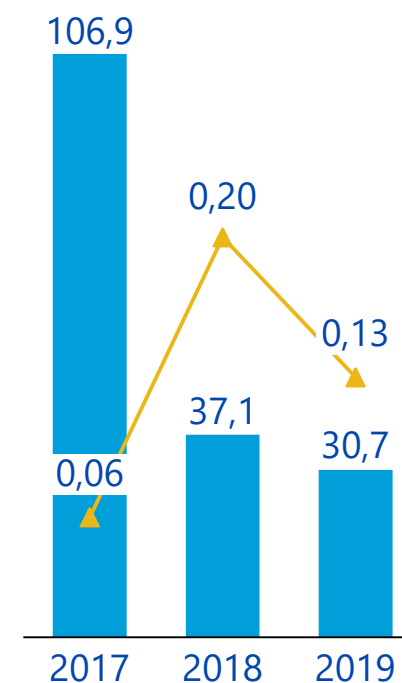
Adj. EBITA, M€  
▲ % of revenue

Target: Net debt/ Adj. EBITDA not to exceed 3,0



Net debt/Adj. EBITDA  
\*Comparable, before IFRS 16

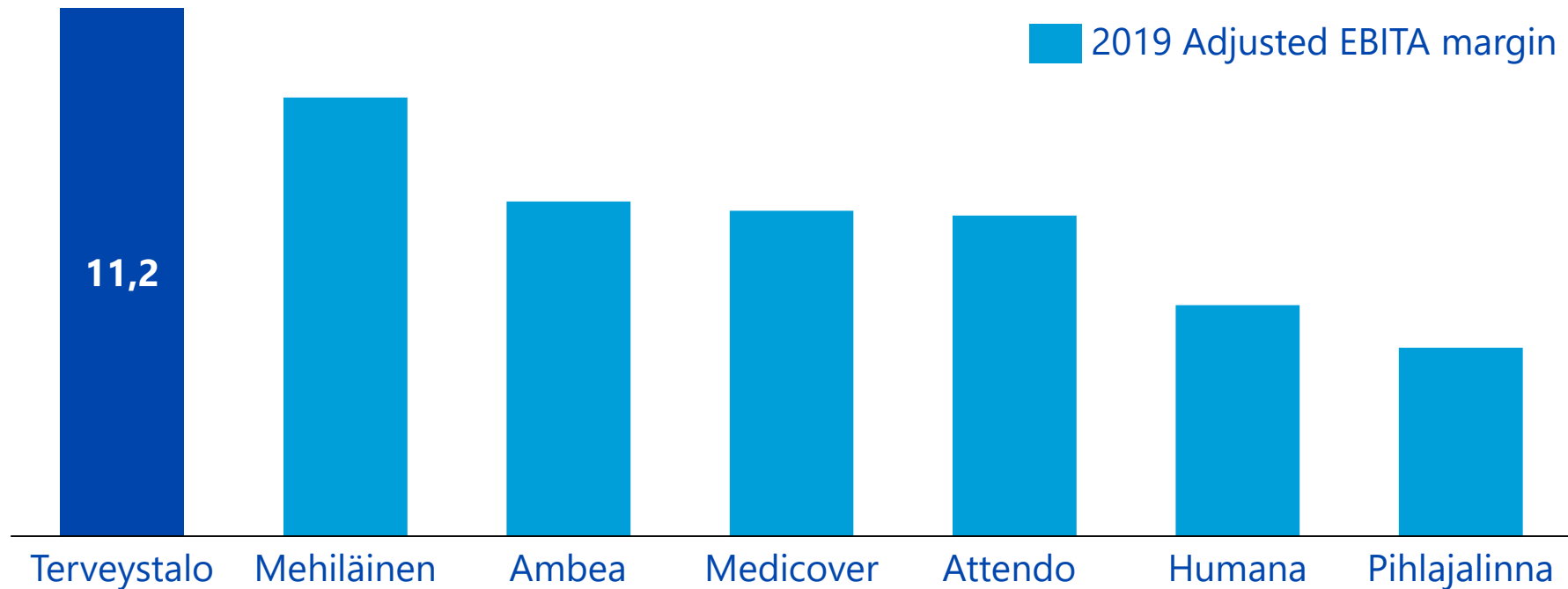
Target: at least 30% of net profit distributed



Dividend, % of net profit  
▲ Dividend, euros

# ...And kept our industry leading margins

despite lower margin Attendo health care business



Source: Company Annual reports 2019



# Our strategic target: The profitability leader in the Nordic region in private health services

**AT LEAST 5% REVENUE GROWTH AND 12-13% ADJUSTED EBITA**

## The smartest platform in the industry

- Grow share:
- Improve conversion, increase profit per visit, increase capacity & productivity, increase visits

## The customer's health partner

- Grow market and share of wallet:
- New markets, new services, higher engagement

## Selective M&A

- Scale and competencies
- Market share especially in agencies
- Growth in new services and markets

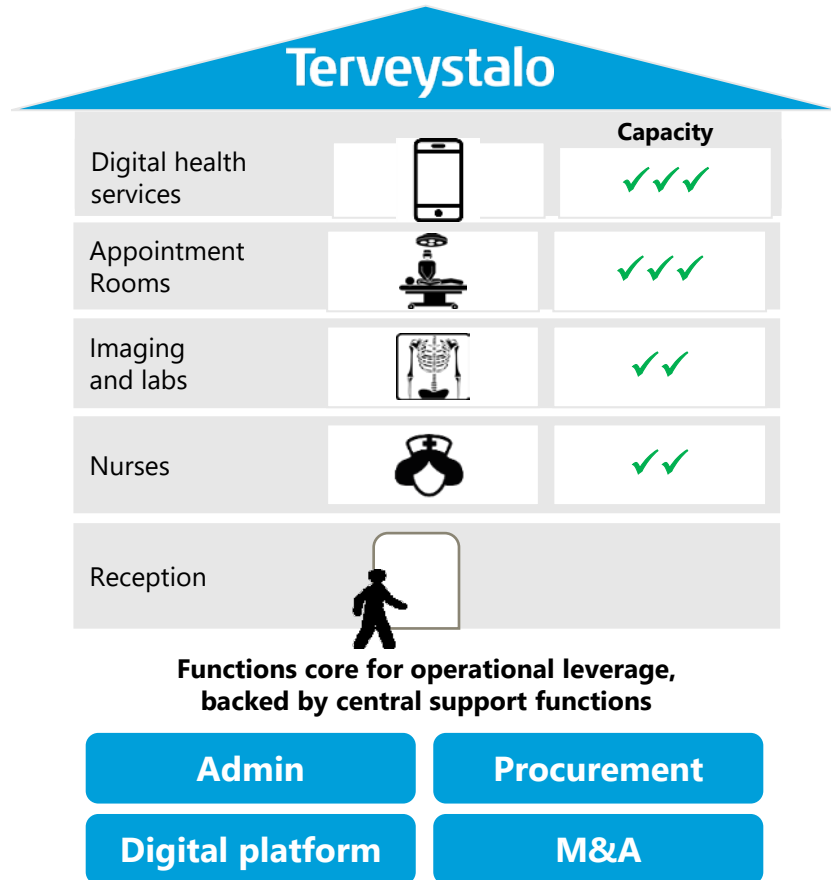
## Operating leverage

- Scalable infrastructure in physical and digital network
- High level and competencies in centralized functions

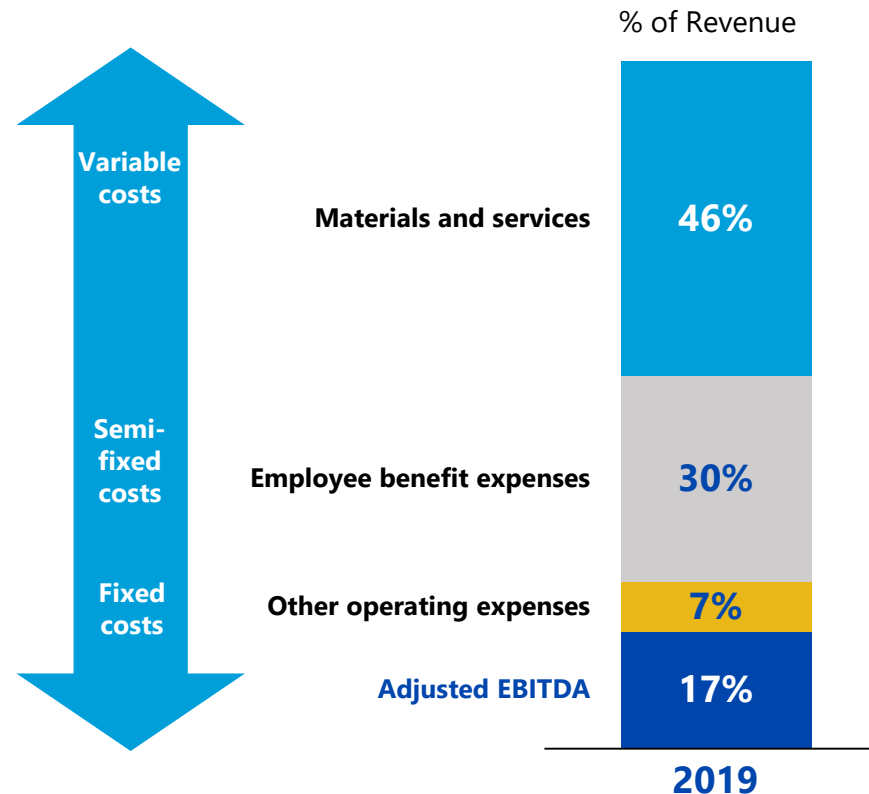
**GROWTH, DIFFERENTIATION, CUSTOMER SATISFACTION, QUALITY & PRODUCTIVITY**

# Operating leverage continues to drive profitability

Existing infrastructure with significant capacity



Significant Share of Fixed Costs



**Key driver of profitability improvement**

Terveystalo's business has significant operating leverage

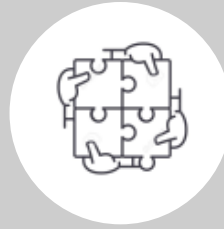
In fee-for-service model, new sales, particularly new organic volume and synergistic M&A, tend to support margin development

# Continued selective M&A in three categories



## **Strengthening scalable capabilities**

**Internationally scalable**  
capabilities that support our strategy delivery, e.g. Evalua



## **Growing market share in adjacencies**

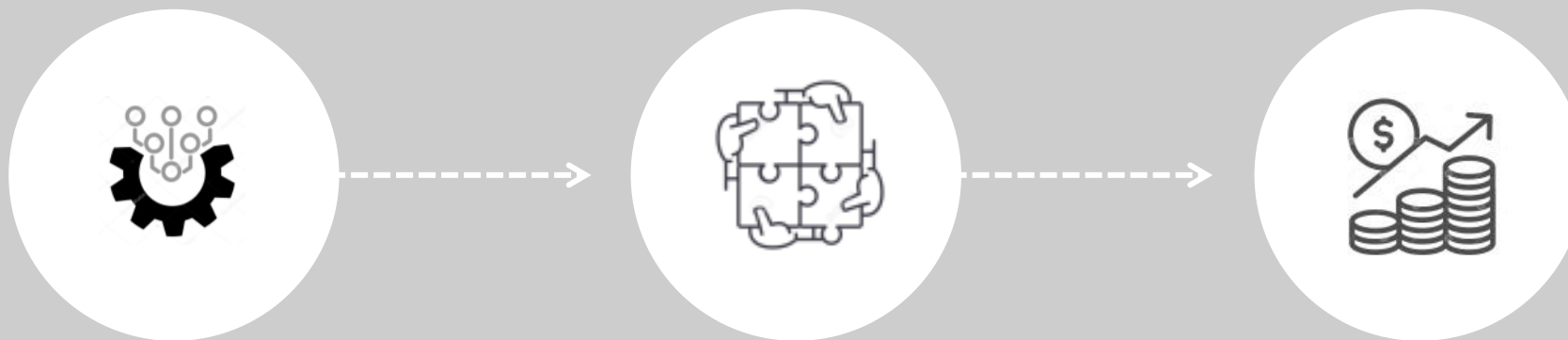
**Cost synergies & scale**  
Segments where we have a small market share, such as dental, physio, mental health



## **Growth in specialties**

**Growth in new services**  
Niche players in specialized fields  
Expanding the markets

# Strong track record in accelerating growth and creating value through M&A in our platform



**Projected cost synergies exceeded by 9% in healthcare acquisitions,<sup>(1)</sup>  
significantly reducing pre-synergy acquisition multiples<sup>(2)</sup>  
from ~13x EBITDA to post ~6x EBITDA**

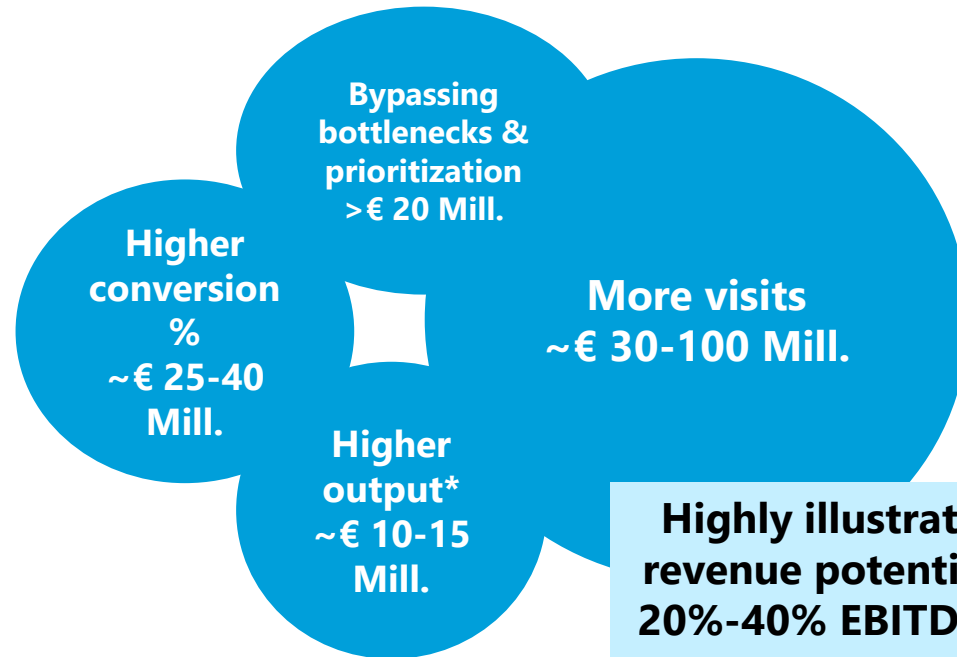
1) Comparing budgeted expected cost synergies with realized cost synergies for large healthcare acquisitions 2017-2019; 2) Median LTM acquisition multiples for large healthcare acquisitions between 2017-2019, including Attendo Healthcare services, Työsyke, Työkunto, Diacor and Porin Lääkäritalo



# Strategic growth drivers for our platform



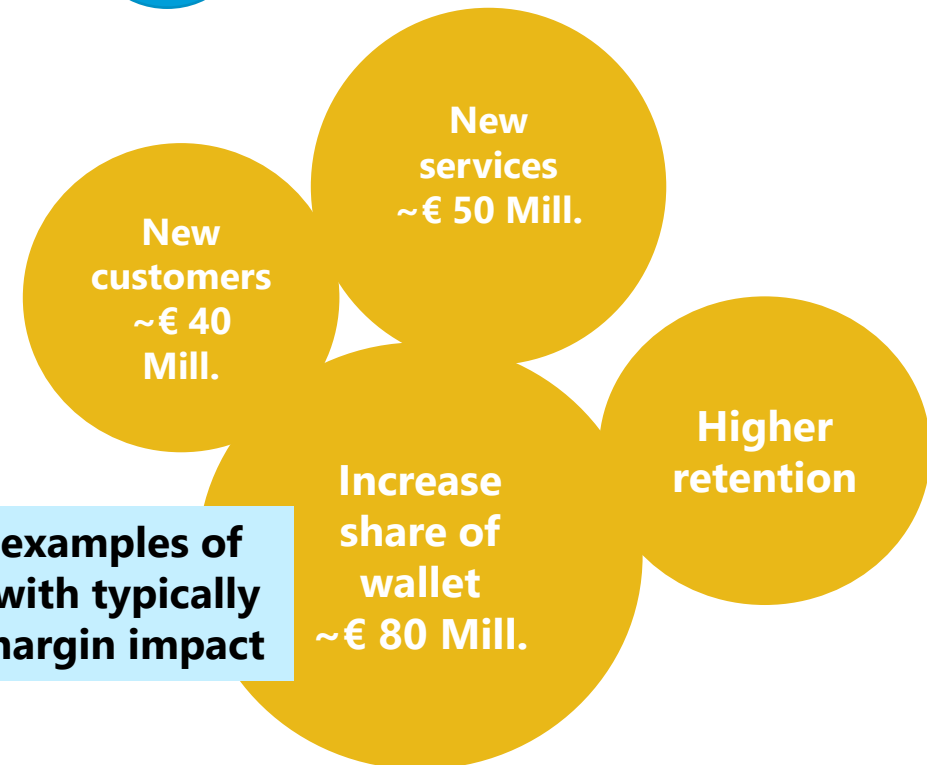
## THE SMARTEST PLATFORM IN THE INDUSTRY



Highly illustrative examples of revenue potential, with typically 20%-40% EBITDA margin impact

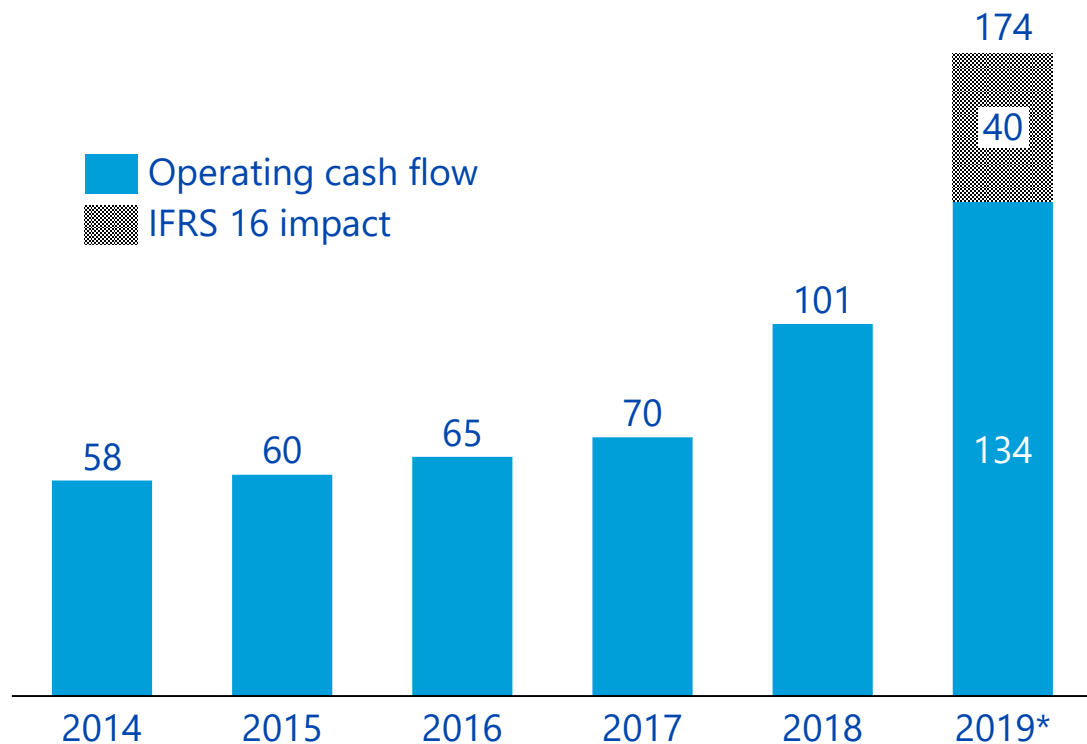


## THE CUSTOMER'S HEALTH PARTNER



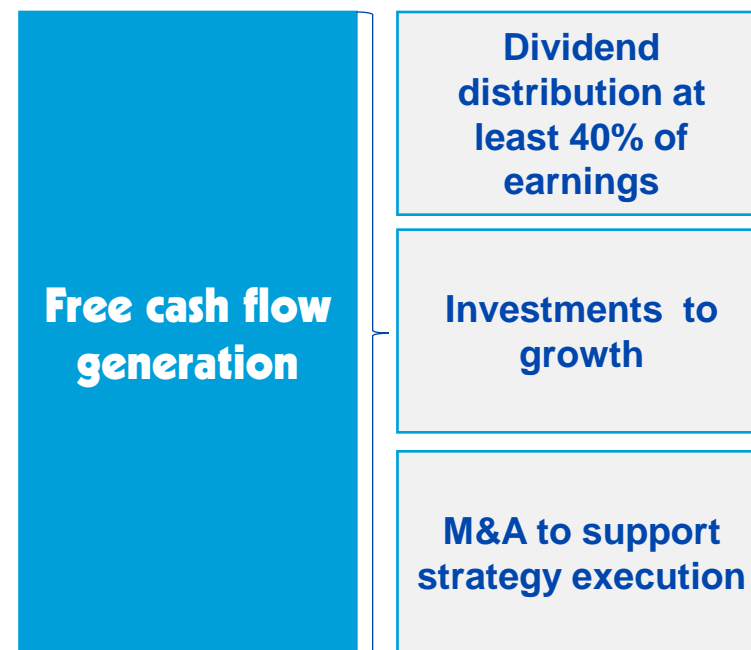
\*per healthcare professional/hour

# Strong cash flow funds our growth, further investments and supports increasing dividend



The 2018 result includes non-recurring net capital gains of EUR 15.8 million

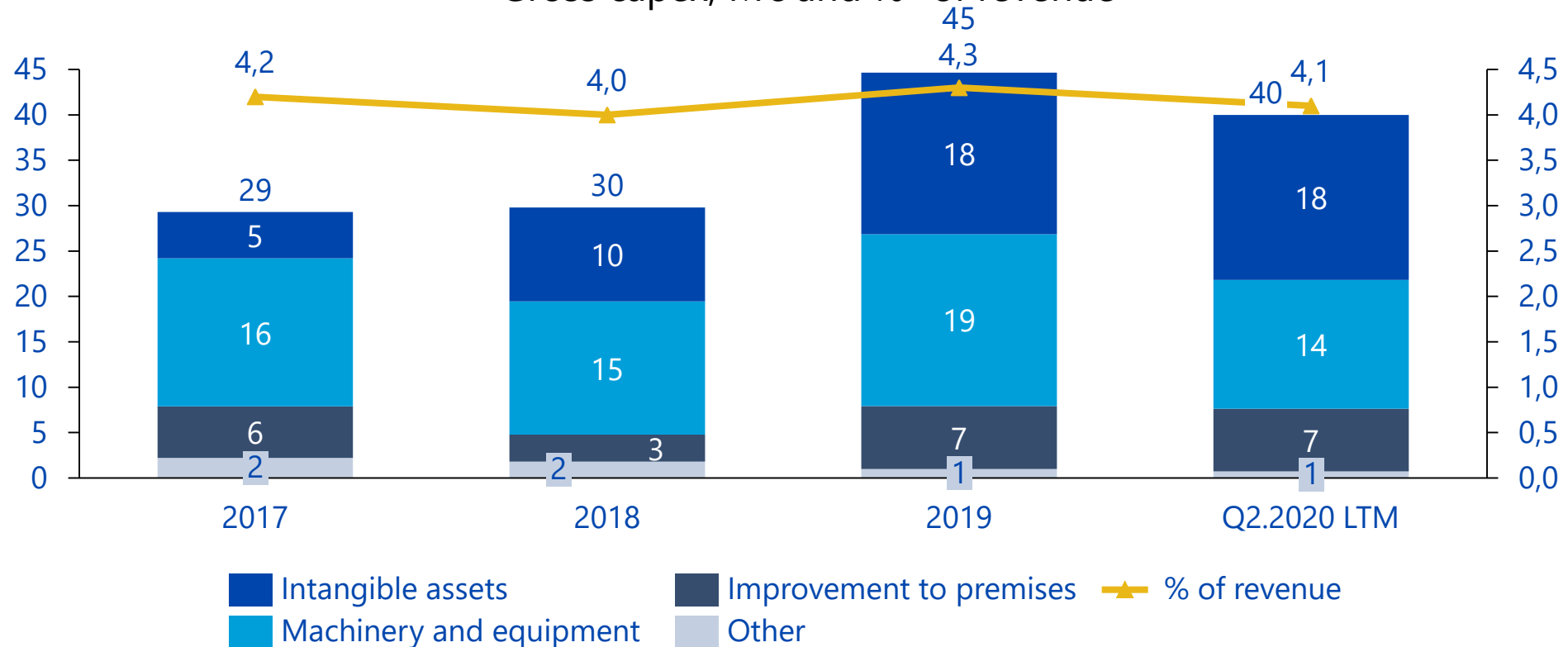
\*2019 including IFRS16 impact +EUR 39,9 Mill.



# The share of intangible investments continues to grow

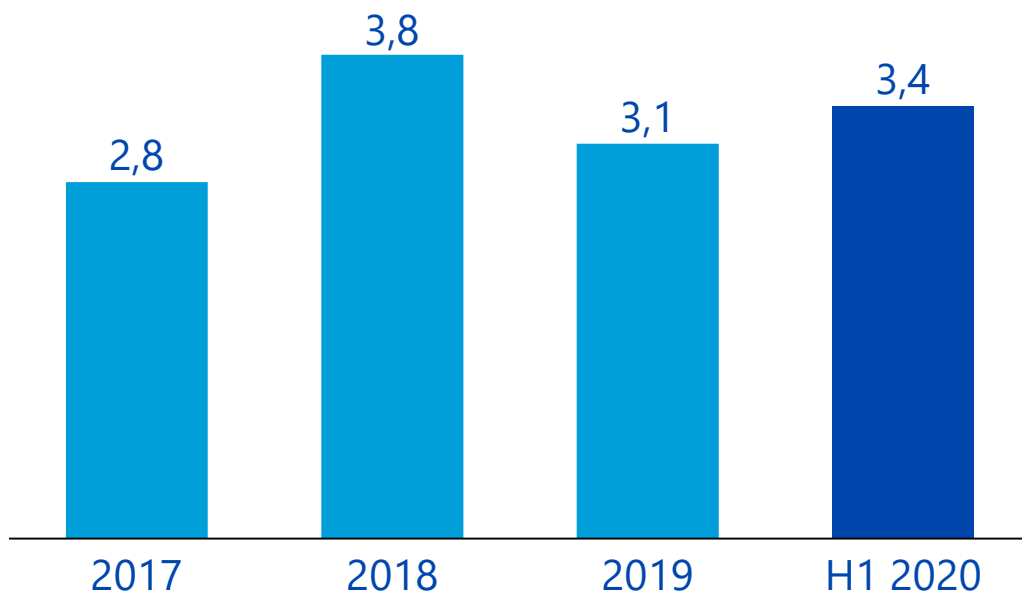
investment level stable at ~4% of revenue

Gross capex, M€ and %- of revenue



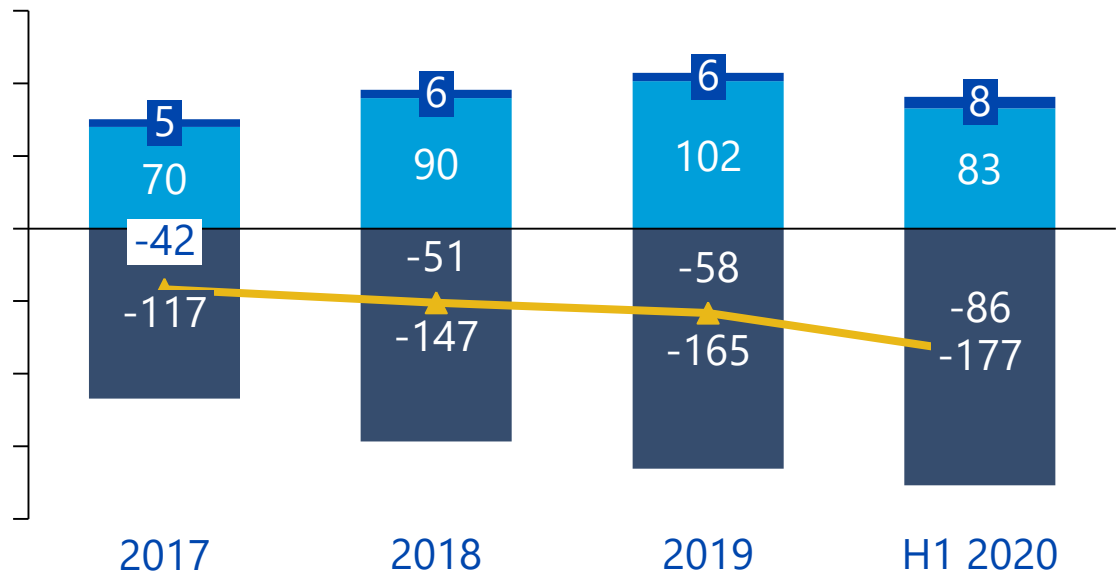
# Strong financial position and capacity for continued growth investments

Leverage ratio below target  
Net debt/adjusted EBITDA (last 12 months)\*



Figures include the effect of IFRS 16 from 2019 onwards.

Operational efficiency is reflected in the continuous decline of net working capital



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

# The profitability leader in the Nordic region in private health services

## **We have delivered on our promises**

- Profitable growth with ~3x faster organic growth vs. market
- Industry leading profitability despite lower margin Attendo acquisition

## **We have opportunities for growth**

- More visits and higher share of wallet through increased supply, new services and markets + strong excellence in M&A

## **Strong drivers for further profit improvement**

- Higher operating leverage through digitalized and personalized services, higher conversion, optimized supply & demand, value based pricing and higher retention

## **Strong cash flow and balance sheet support our next phase**

- Predictable cash flow, efficient processes and modest capex requirements support strategy implementation

**Q&A**

**Terveystalo**

Get better.

# Conclusions and Closing words

Ville Iho, President and CEO

# Our strategy

Our Vision is to empower lifelong health and well-being.  
And therefore we fight for a healthier life, every day.

## Values

### Human being in the center

We take responsibility for the health and well-being of our fellow human beings, for the opportunity to live a good life. We work together to help the customer and customer guides us in our renewal. We help each other and value all of our experts.



### Steered by medical science

Everything we do is based on medical science and researched knowledge. All our decisions are steered by care efficacy and the well-being of our customers.



### For the common good

We build health and wealth for the society and produce effective care efficiently. We share information and ignite discussion and create better healthcare for all: customers, professionals, and society.



## How

### The smartest platform in the industry

We offer the most relevant service to the customer regardless of time, place and channel, from the beginning to the end of the integrated care chain.



### The customer's health partner

We engage in dialogue with the customers, anticipate their needs and offer comprehensive wellbeing services.



## Strategic objectives

### The profitability leader in the Nordic region in private health services.



### Preferred by customers and professionals.



## Megatrends

- Holistic health and wellbeing
- Customer centric digital services
- Longer lives and chronic diseases
- Purpose at work
- Life-job balance
- Competition for professionals
- Distrust in institutions





# Terveystalo as an investment – platform for growth in health and wellbeing



## Strong market growth drivers

An aging population and a high incidence of lifestyle diseases are increasing the demand and costs of health care.

Growing interest in health and well-being, increasing use of services.



## Industry leader in private healthcare

Largest in Finland in terms of revenue, network and digital footprint.

Profitability leader.



## Preferred place to work

Terveystalo has been chosen as the most attractive employer among doctors and healthcare students for 7 years in a row.



## Strong platform with growth opportunities

Grow market and share, increase share of wallet supported by selective M&A.



## Further profit improvement potential

Operating leverage as a key profitability driver further supported by improvements in productivity, conversion & profit per visit and increase in engagement.

**Thank you.**

# Terveystalo

Get better.