

# **Terveystalo Q2/2022 results: Strong growth continued; margin pressure due to changes in operating environment**

VILLE IHO, PRESIDENT & CEO

ILKKA LAURILA, CFO

19 JULY 2022

# Strong growth continued; margin pressure due to changes in operating environment

## Strong demand, organic growth restricted by supply challenges

Very strong underlying demand continued, sales mix challenging  
Revenue growth +15.6% y-o-y (Feelgood 9.2 %-points of the growth)  
Supply challenges restricted organic growth and increased personnel costs  
Strong recruitment activity to increase supply with a delay

## Strong core business fundamentals intact

Strong demand drivers, high customer & employee satisfaction  
Strong growth in digital visits, +28% y-o-y from already high level  
Sweden progressing according to plan

## Re-balancing long-term growth and short-term profitability in a new macro environment

We continue to invest in the long-term competitiveness of our business  
The changing environment will be reflected in investment priorities, criteria for acquisitions in new business areas, pricing, and timing of recruitments.

# Revenue growth in double digits, share of digital continues to grow

**+15.6%**

revenue increased  
to **EUR 318.2m**

REVENUE GROWTH  
CONTINUED,  
BUT CONTINUES TO BE  
RESTRICTED BY SUPPLY  
CHALLENGES

REVENUE GROWTH 6.4%  
WITHOUT FEELGOOD  
CONTRIBUTION

**EUR 24.1m**

Adj. EBITA

-18.2% y-o-y,  
Adj. EBITA margin 7.6%  
(10.7%)

CHANGES IN SALEX MIX  
AND INCREASED COSTS  
IMPACTED PROFITABILITY

**317,000**

Digital appointments\*

GROWTH IN DIGITAL  
CHANNELS CONTINUED,  
+28% Y-ON-Y

**83 NPS**

appointments

RECORD HIGH CUSTOMER  
SATISFACTION

**>74,000**

Covid-19 tests  
(111,000 in Q2/21)

TESTING VOLUMES DECREASED AS  
EXPECTED

**95%**

Doctor appointment  
booking rate in Q2

STRONG UNDERLYING DEMAND  
CONTINUES

*\*Does not include digital appointments in Sweden*

# Major share of growth and increase of personnel costs came from active M&A in both Finland and Sweden

## PRIORITIES AND ACQUISITIONS IN FINLAND

We focus on:

- 1) Strengthening scalable capabilities
- 2) Growing market share in adjacencies
- 3) Growth in new services

### Acquisitions in H1:

- **Occupational health:** Vantaan Työterveys Oy,
- **Physiotherapy:** Lapin Liikuntaklinikka Oy, OMT-Klinikka Kokkola Oy, FysioProfessionals Oy (agreement signed), Into Terveys Oy and Kunnon Syke Oy
- **Physiotherapy and occupational therapy:** Suomen Fysiogeriatría Oy

## PRIORITIES AND ACQUISITIONS IN SWEDEN

We focus on:

- 1) Growing scale
- 2) Expanding the portfolio to new services and payor groups

### Acquisitions in H1:

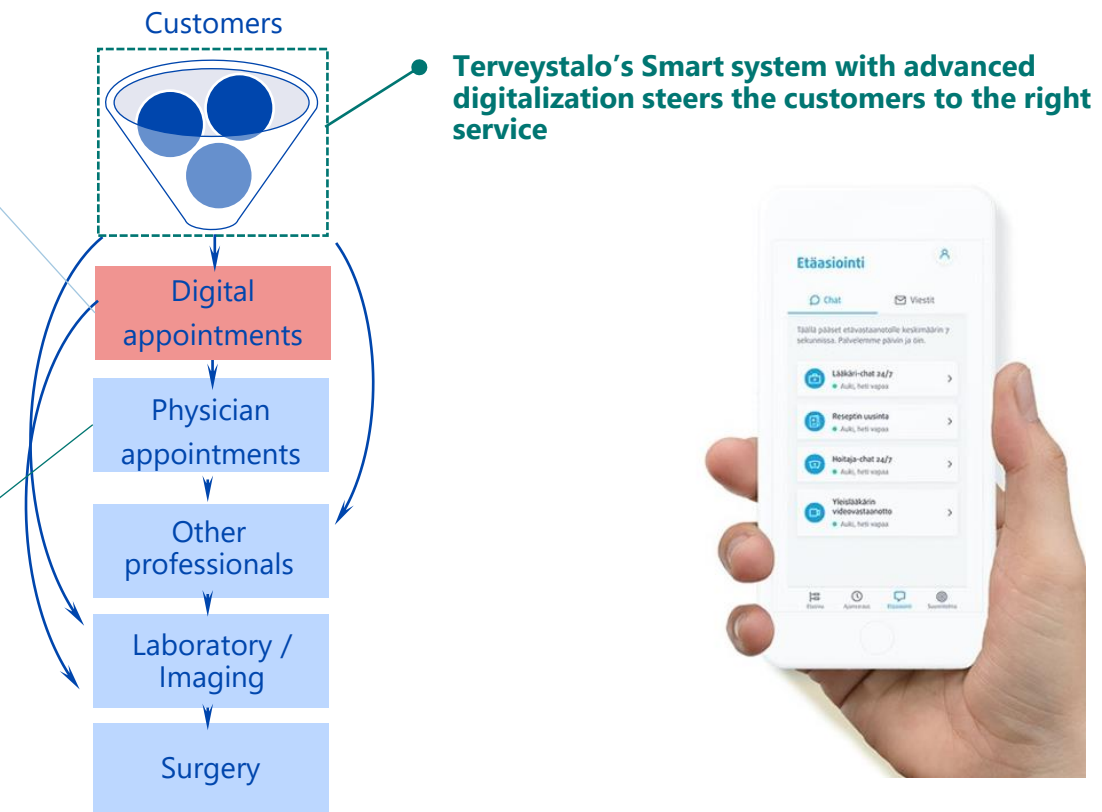
- **Occupational health:** Länshälsan Uppsala in Sweden, Jobbhälsan i Norr AB
- **Addiction treatment:** Nämndemansgården in Sweden

# We are working on multiple fronts to increase supply

- 1) Automating steps of digital appointments to reduce the average time
- 2) Recruiting digital only physicians to improve productivity

- 3) Prioritizing development efforts into solutions that help professionals work more efficiently
- 4) Ongoing recruitment of professionals. High job satisfaction (eNPS at 30) assists in attracting new professionals.

## Terveystalo's proprietary smart platform



# Digital appointments improve productivity and access to care

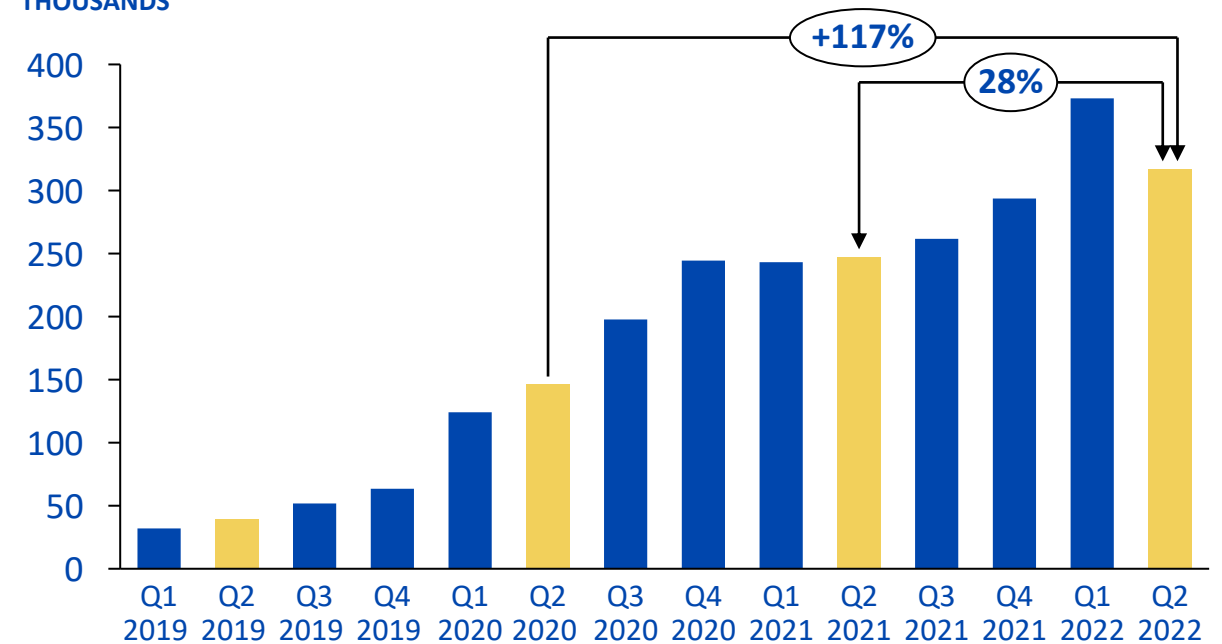
## DIGITAL APPOINTMENTS IMPROVE PRODUCTIVITY

Terveystalo offers 3 types of digital appointments:

- **Pre-booked video appointments**  
(31% of all digital appointments) save time for the patient
- **Preventive care appointments**  
(12%) save time for the professional
- **Location-independent, On-demand chat appointments**  
(57%) increase utilization rates while saving time for both the patient and the professional

## NUMBER OF DIGITAL APPOINTMENTS CONTINUES TO GROW

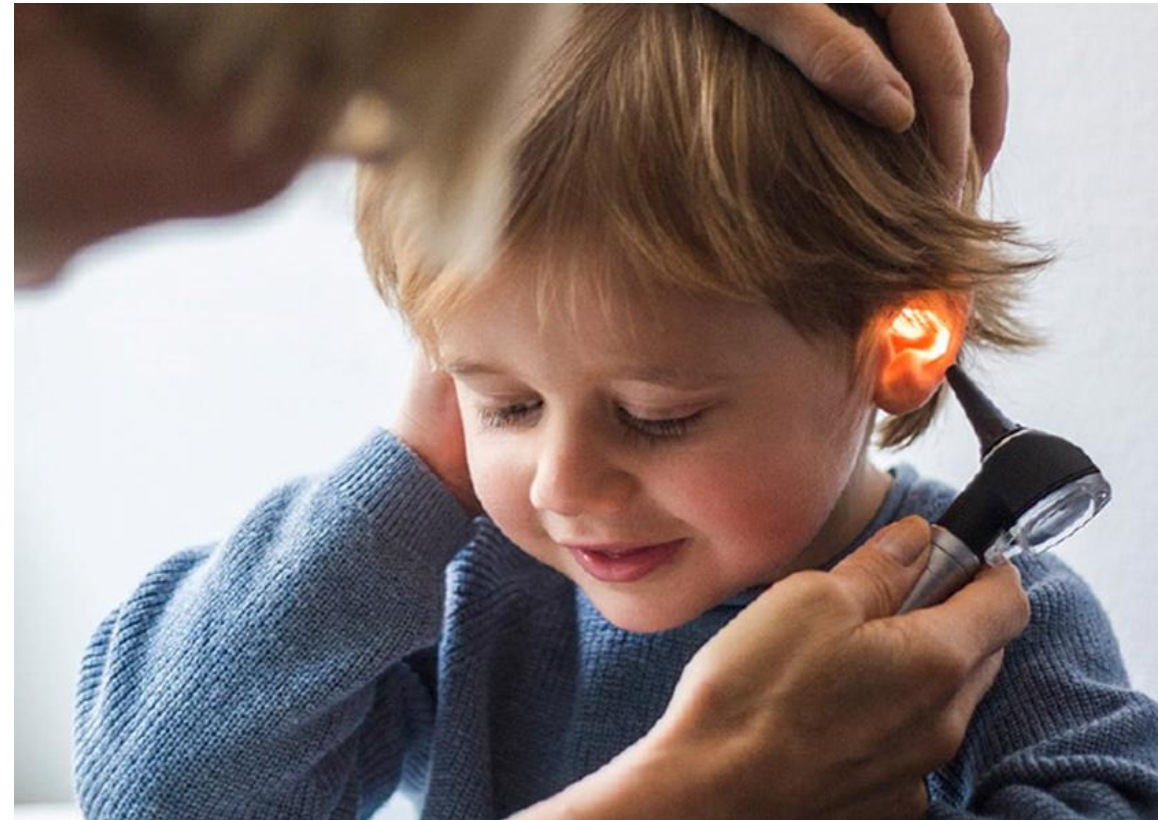
DIGITAL VISITS, THOUSANDS



# Tight labor markets put pressure on staff costs, Collective Labor Agreement reached with nurses

## CLA now in place with reasonable terms

- In the agreement for the private healthcare service sector 1 May 2022 - 30 April 2024 salary increases were agreed for two years:
  - October 2022: 2.0% general salary increase
  - Salary increases in 2023 will be determined based on the salary solutions of reference sectors. However, the amount of the increase is at least 1.9%.



# Expansion to Sweden offers more opportunities for capital allocation and growth

## MULTIPLE GROWTH AVENUES IN SWEDEN

- ❑ **Organic and in-organic growth in occupational health**
  - ❑ Positive organic development, 4 acquisitions completed so far
- ❑ **Introducing new value adding services in all payor groups**
- ❑ **Care-chain co-ordination and integration**

## NEXT STEPS

- ❑ Building the base for service portfolio expansion
- ❑ Implementing the Occupational Health Digital Suite



# Financial performance

ILKKA LAURILA, CFO

# Strong growth continued; margin pressure due to changes in operating environment

**Strong revenue growth, profitability impacted by sales mix changes and increased costs**

Revenue growth +15.6% y-o-y (Feelgood 9.2 %-points of the growth)

Q2/22 Adj. EBITA -18.2 % y-on-y to EUR 24.1 (29.5) million, 7.6% (10.7%) of revenue

Profitability was reduced year-on-year due to supply challenges, changes in the sales mix and increased costs

**Disciplined financial strategy and capacity to invest in growth**

Net debt / adj. EBITDA 2.7x

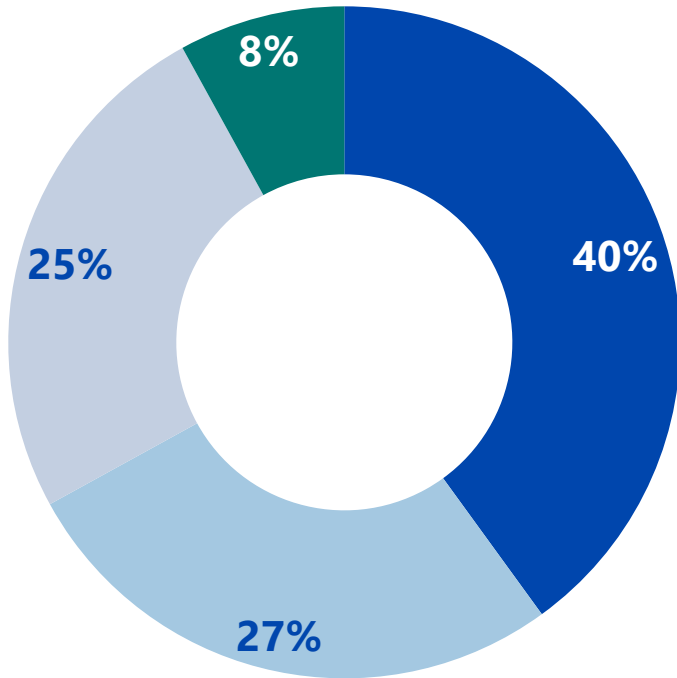
Cash flow from operating activities EUR 34.8 (47.3) million

**Continued investments in digital platform**

Gross capex 4.7% of revenue (excluding M&A)

# Revenue growth continued in Q2

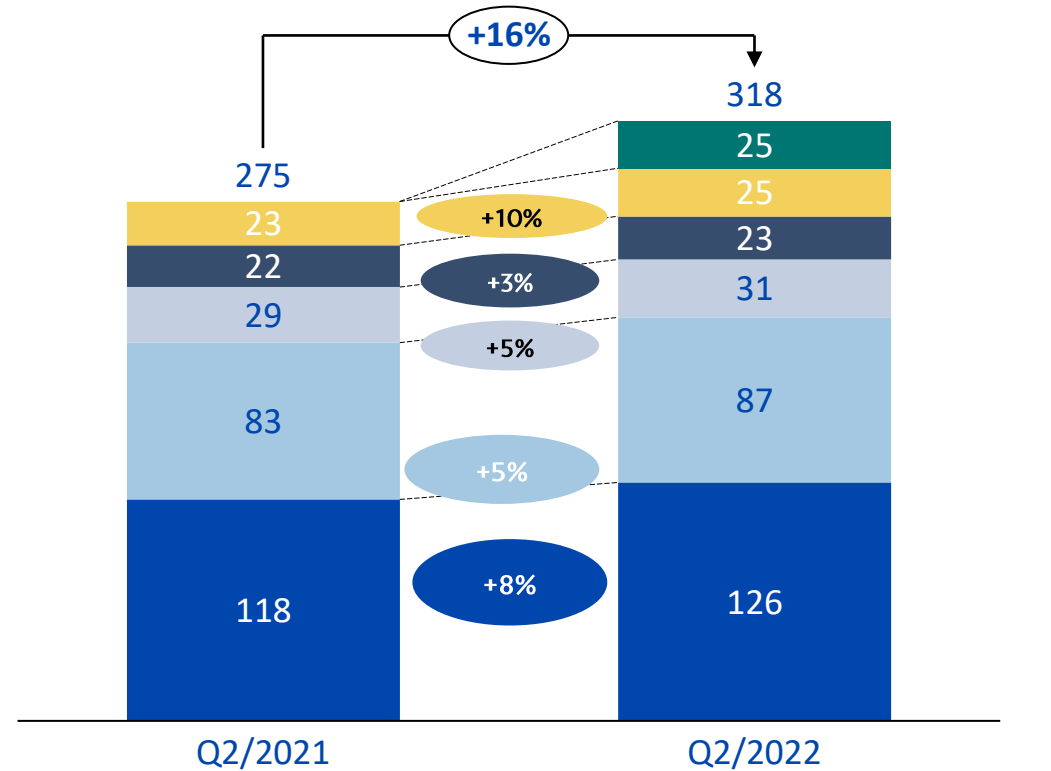
Q2/2022 REVENUE BREAKDOWN, %



■ Corporate    ■ Public  
■ Private    ■ Sweden and others

*Feelgood (Sweden) was consolidated as of 1 July, 2021.*

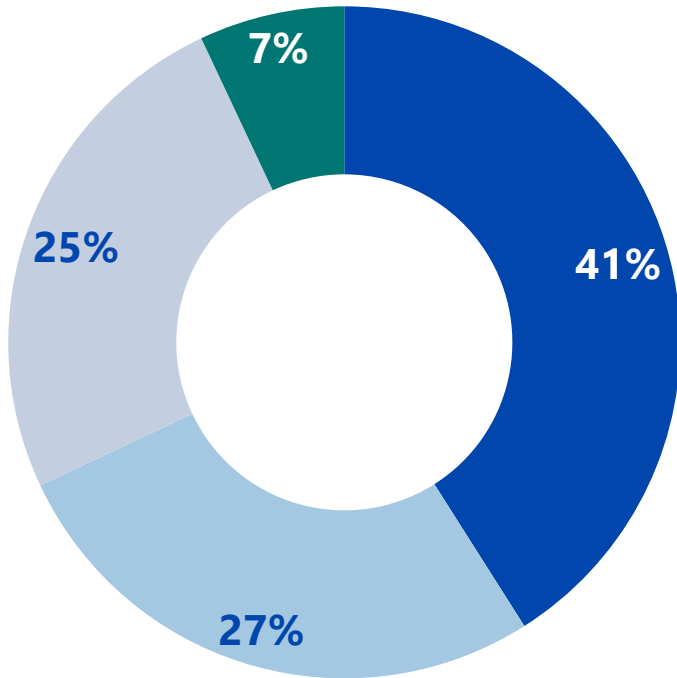
Q2/2022 REVENUE BREAKDOWN, M€



■ Corporate    ■ Outsourcing    ■ Service sales, OH and others  
■ Private    ■ Staffing    ■ Sweden and others

# Broad-based revenue growth in H1/22

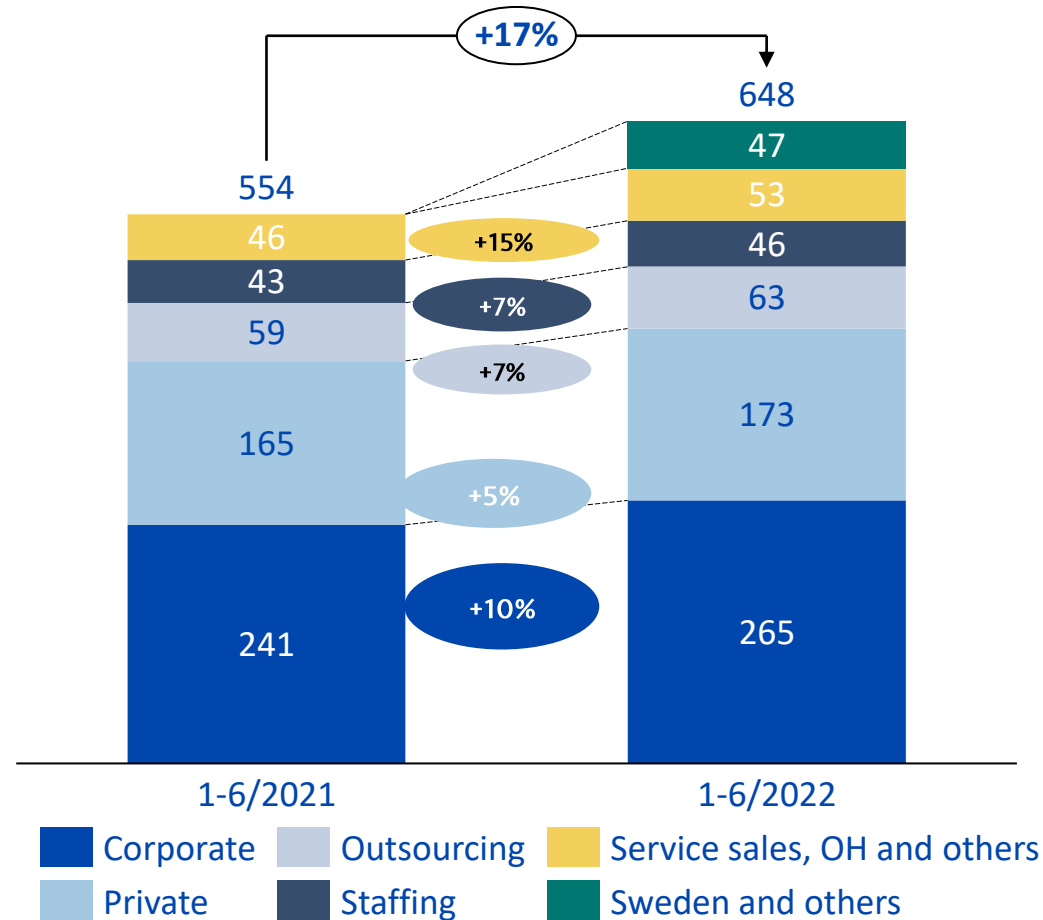
1-6/2022 REVENUE BREAKDOWN, %



■ Corporate    ■ Public  
■ Private    ■ Sweden and others

*Feelgood (Sweden) was consolidated as of 1 July, 2021.*

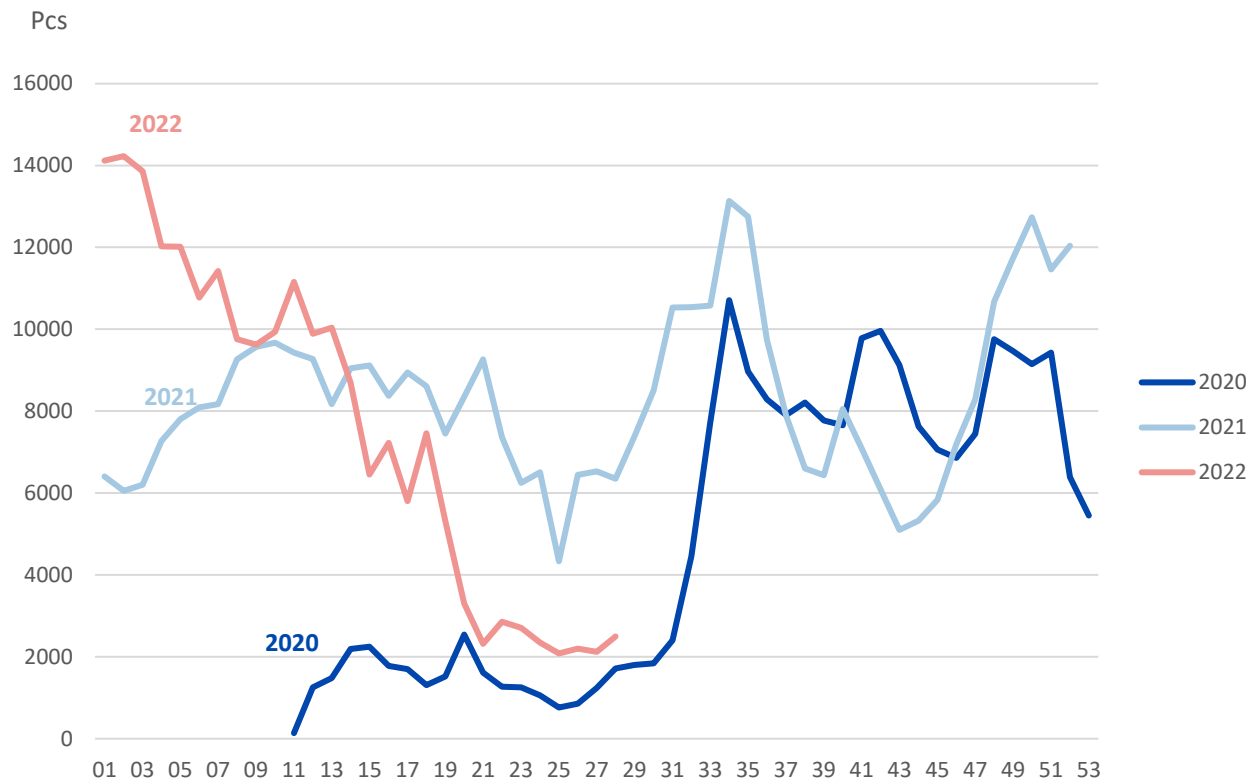
1-6/2022 REVENUE BREAKDOWN, M€



■ Corporate    ■ Outsourcing    ■ Service sales, OH and others  
■ Private    ■ Staffing    ■ Sweden and others

# Covid-19 testing volumes continued to decrease, as expected

## WEEKLY TESTING ACTIVITY 2022, 2021, 2020

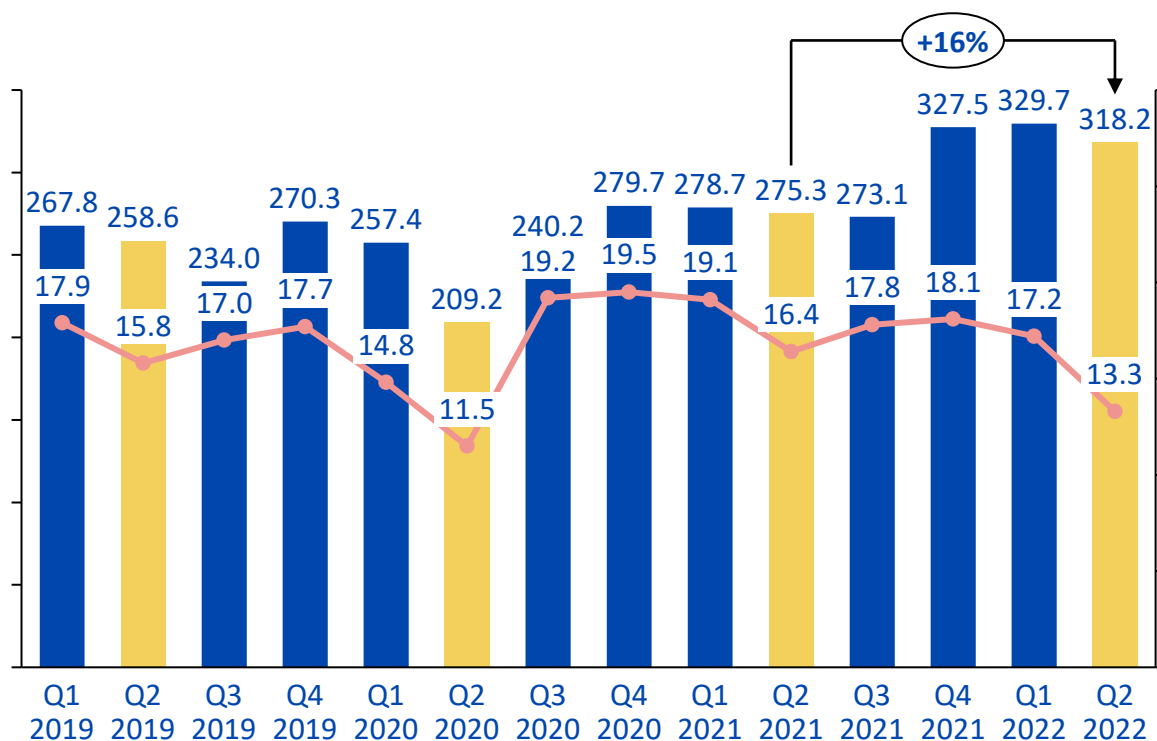


Source: <https://avoinaraportointi.terveystalo.com/korona/>  
Note: Reporting does not include corporate co-operations.

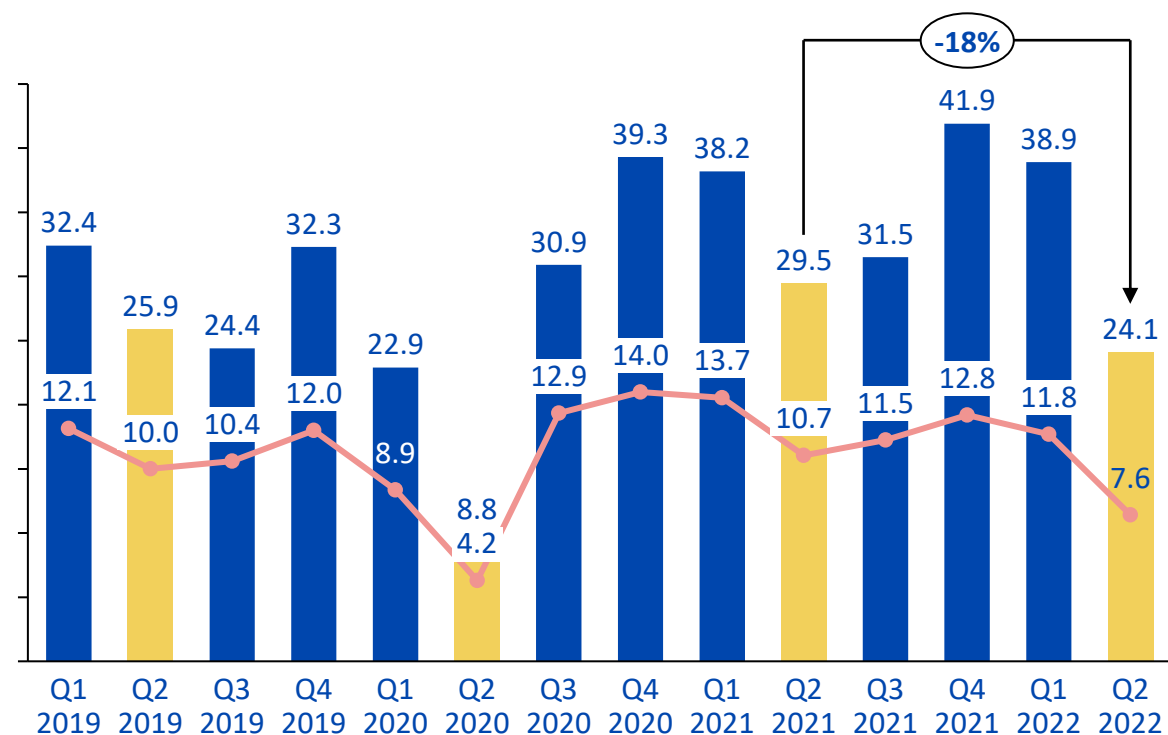
- Testing activity has dropped during the summer
- The development of testing activity during H2/22 is difficult to predict
- Covid-19 tests have been replacing some of the normal laboratory diagnostics during the pandemic.
- These volumes have recovered slower than we expected but are growing steadily.

# Profitability impacted by sales mix with larger share of appointments and increased costs

REVENUE, MEUR AND ADJUSTED EBITDA\*-%



ADJUSTED EBITA\*, MEUR AND %



■ Revenue — Adjusted EBITDA %

■ Adjusted EBITA, M€ — Adjusted EBITA, %

# Supply challenges. acquisitions (incl. Feelgood) and new business areas increased costs

M€	4-6/2022	4-6/2021	Change %	1-6/2022	1-6/2021	Change %	2021
Revenue	318.2	275.3	15.6	647.9	554.0	17.0	1 154.6
Other operating income	0.7	0.6	14.6	1.1	1.1	3.1	3.4
Purchase of materials	-10.9	-8.4	30.6	-22.3	-17.1	29.9	-34.8
Change in inventories	0.7	-0.3	>-200.0	0.9	-0.3	>-200.0	-0.6
External services	-121.5	-112.0	8.5	-243.1	-223.3	8.9	-453.4
Employee benefit expenses	-118.5	-89.5	32.3	-234.2	-176.2	32.9	-378.2
Rents. leases and premises	-4.8	-4.3	13.9	-9.7	-8.0	21.4	-18.1
IT expenses	-9.9	-7.8	28.1	-19.5	-15.1	28.8	-29.7
Marketing and communication expenses	-2.4	-1.8	31.5	-4.6	-3.4	32.6	-7.3
Other operating expenses	-10.8	-7.7	39.1	-19.9	-14.1	41.0	-32.0
EBITDA	40.7	44.2	-7.8	96.7	97.4	-0.7	201.8
Adjustments*	1.7	0.8		2.3	0.9		4.3
Adjusted EBITDA	42.4	45.0	-5.9	99.0	98.3	0.7	206.1
EBIT	14.6	22.8	-36.1	45.8	55.0	-16.8	110.1

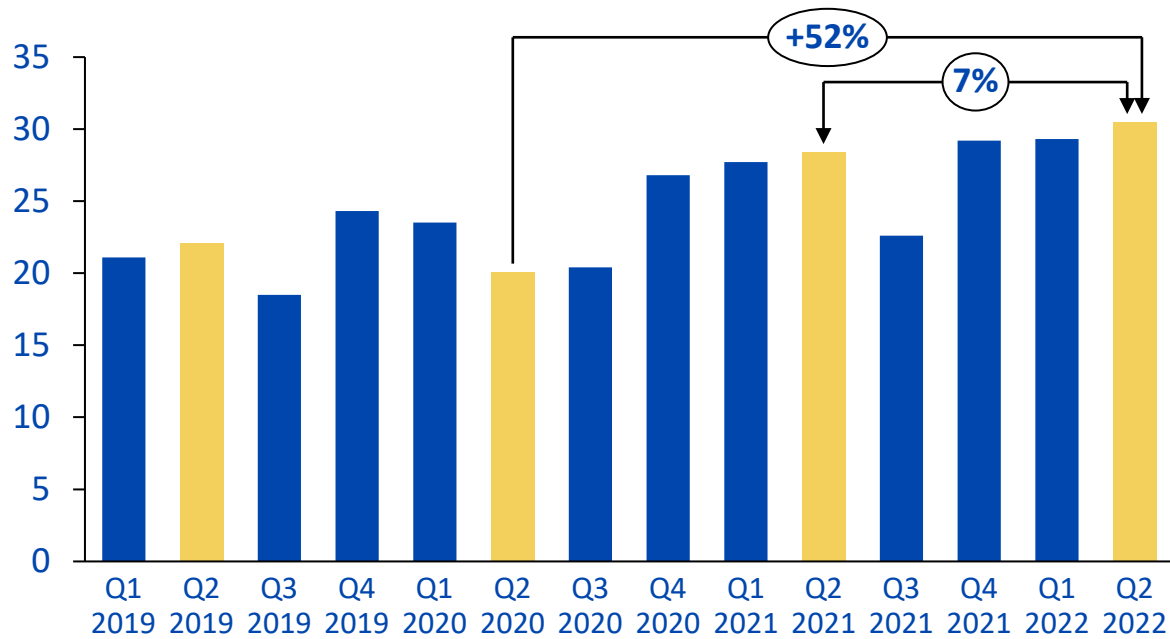
Variable costs

Semi-fixed costs. scalable on a unit level

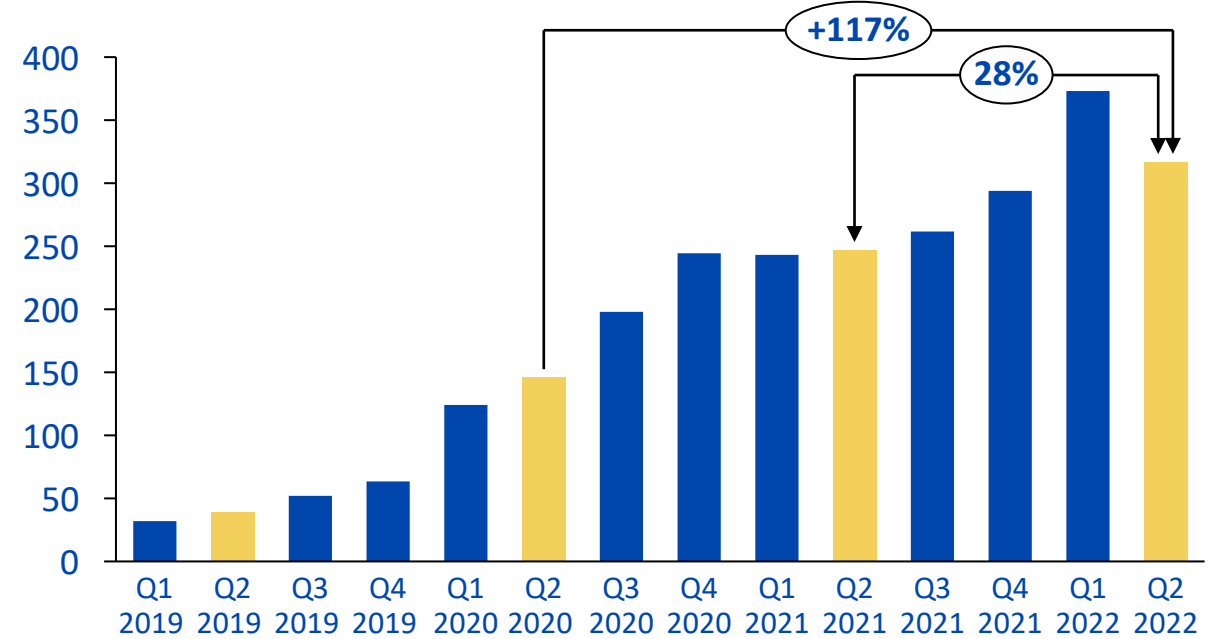
Fixed costs. scalable on a group level

# Strong trend in well-being and digital visits continued

## WELL-BEING SALES, MEUR



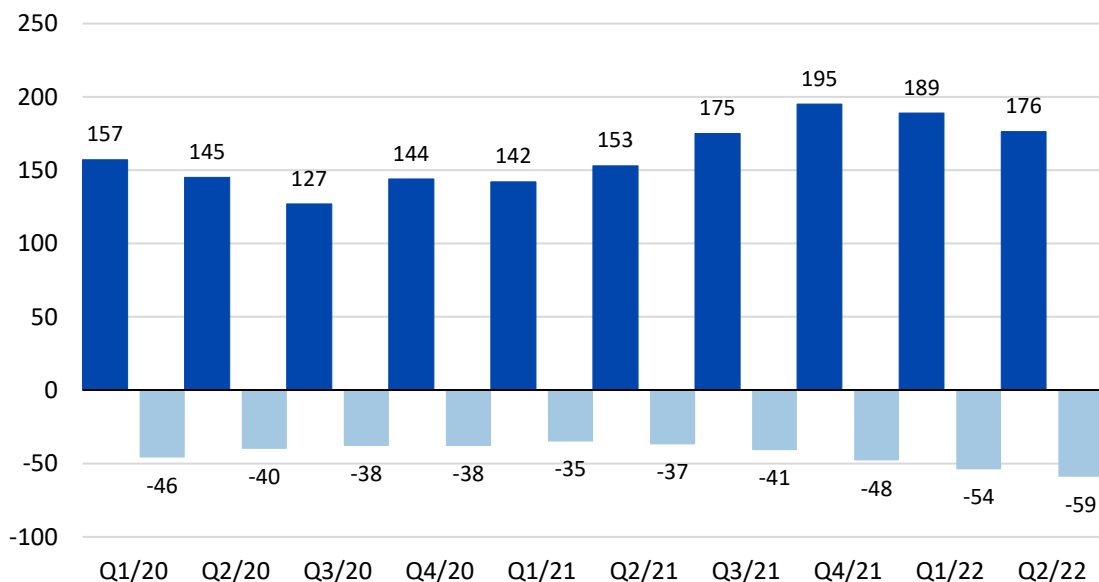
## DIGITAL VISITS, THOUSANDS



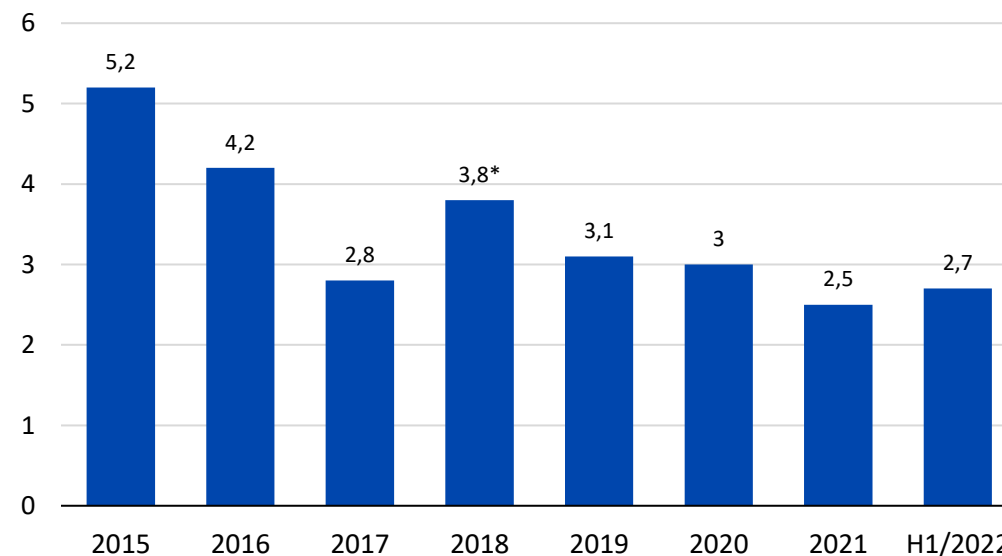


# Strong cash flows together with solid balance sheet and credit profile

OPERATING CASH FLOW (LTM), MEUR  
GROSS CAPEX (LTM), MEUR



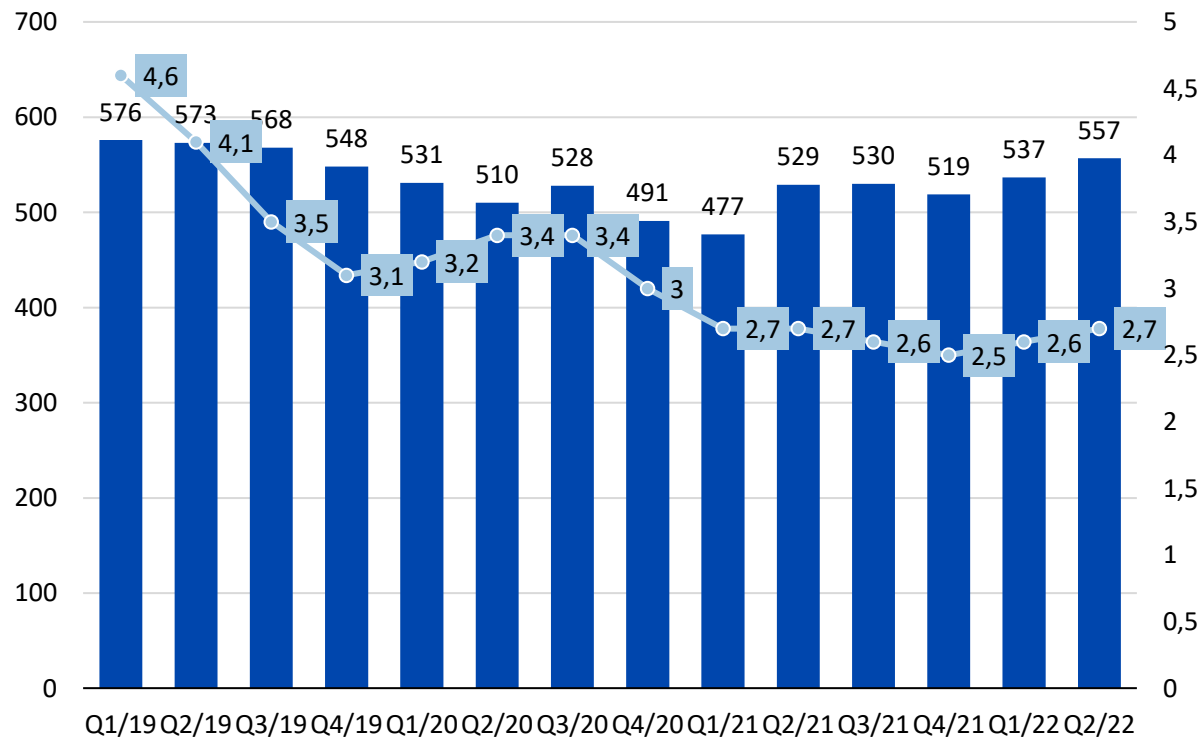
NET DEBT/ADJUSTED EBITDA (LTM)



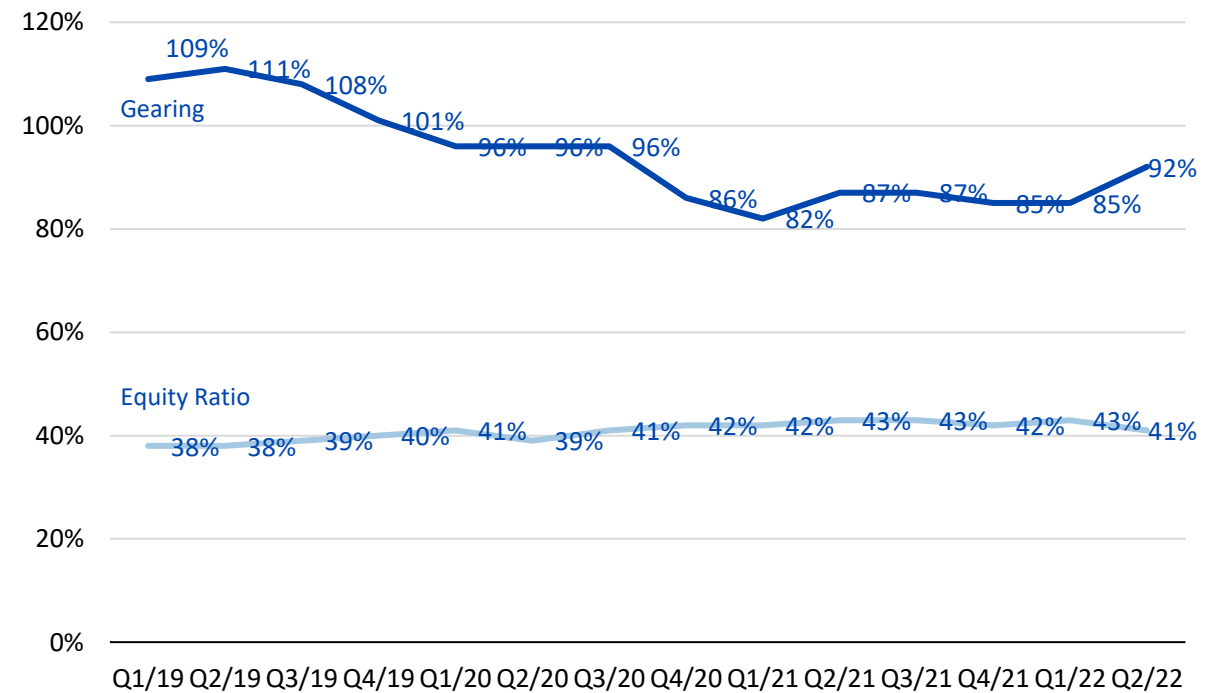
\* Increase in leverage is associated with the acquisition of Attendo's Finnish Health Services for an enterprise value of EUR 233m in cash, financed with debt

# Disciplined financial strategy

## NET DEBT, MEUR AND NET DEBT / ADJ. EBITDA (LTM)



## EQUITY RATIO, % AND GEARING, %



# Financial targets and outlook

## Financial targets



### Growth

At least 5% annual growth in revenue



### Profitability

An adjusted EBITA margin of 12–13%



### Indebtedness

Interest-bearing Net debt/Adjusted EBITDA not to exceed 3.5 times

## Outlook – The next 6 months vs. last 6 months

<b>Market environment</b>	<ul style="list-style-type: none"> <li>• Demand for health services is very strong and broad based. However, growth is restricted by supply. Tight labor market and rising inflation create growing pressure on operating costs, including wages.</li> <li>• The demand for services related to COVID-19 is expected to decrease. However, predicting the volume is difficult.</li> <li>• The overall demand for health services is expected to remain at a high level.</li> <li>• The demand for digital services is expected to continue to grow.</li> </ul>
<b>Corporate customers</b>	<ul style="list-style-type: none"> <li>• Demand from corporate customers for preventive and statutory occupational health services is expected to develop favorably.</li> <li>• Demand for medical care is expected to continue strong.</li> <li>• Significant changes in the employment rate may be reflected in the underlying demand.</li> </ul>
<b>Private customers</b>	<ul style="list-style-type: none"> <li>• Overall demand is expected to remain strong in the private customer segment.</li> <li>• Significant decline changes in consumer confidence may, however, be reflected in the demand.</li> </ul>
<b>Public sector</b>	<ul style="list-style-type: none"> <li>• Demand from the public sector is expected to remain strong in occupational health, service sales, and staffing services.</li> <li>• Revenue from the outsourcing business is expected to remain stable. Tight labor market creates pressure especially on the salary costs of new and replacement recruitments in staffing and outsourcing services.</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>• Demand in the Swedish occupational health market is expected to develop favorably due to pent-up demand in the wake of the pandemic.</li> </ul>

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# Q&A



# Terveystalo

Kohti parempaa.

# Appendix

# Feelgood has been consolidated since the end of June 2021

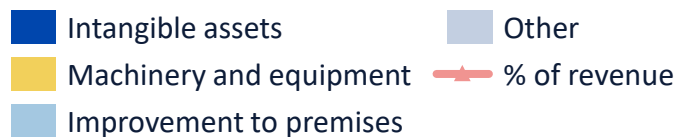
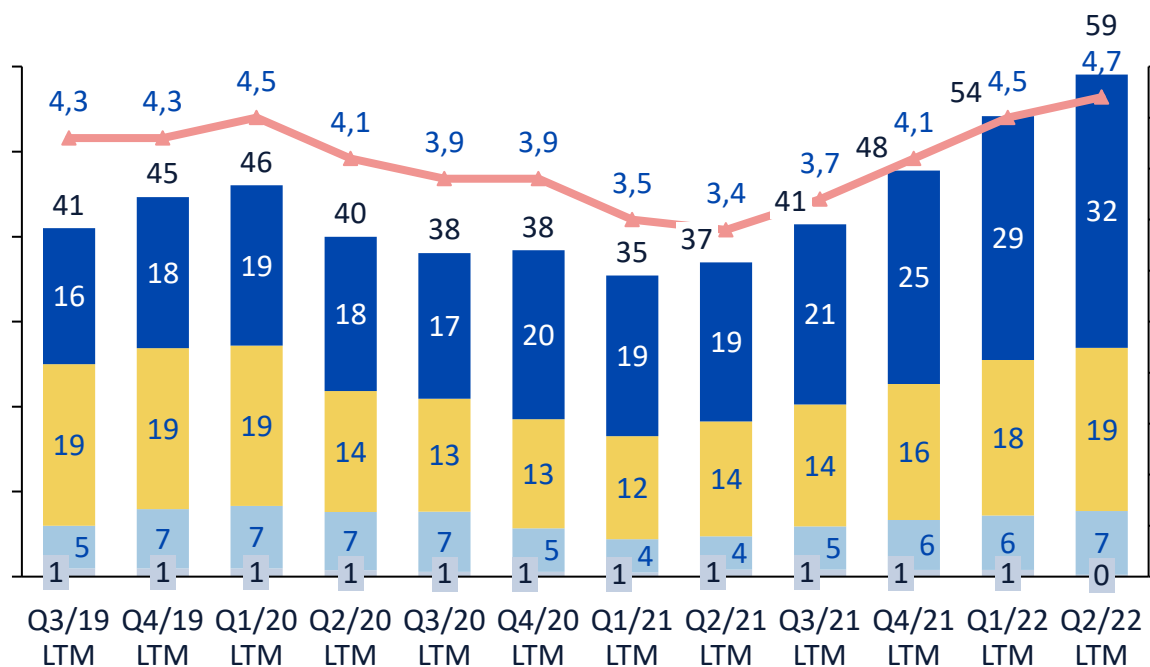
MEUR	30.6.2022	30.6.2021
<b>ASSETS</b>		
Property, plant and equipment	75.9	69.5
Right of use assets	168.6	176.5
Goodwill	874.8	833.1
Other intangible assets	177.4	168.4
Other assets	155	137.3
Cash and cash equivalents	42.3	34.2
<b>TOTAL ASSETS</b>	<b>1,493.9</b>	<b>1,419.0</b>
<b>EQUITY AND LIABILITIES</b>		
<b>TOTAL EQUITY</b>	<b>605.1</b>	<b>608.6</b>
Interest bearing liabilities	425.4	381.7
Lease liabilities	174.3	182.2
Other liabilities	275.5	232
<b>TOTAL LIABILITIES</b>	<b>888.8</b>	<b>810.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,493.9</b>	<b>1,419.0</b>

- In 2021, Terveystalo entered into a short-term financing agreement of EUR 70 million, with the loan drawn in full in 2021.
- The financing agreement includes an option to postpone the repayment to 2023. The option has been utilized in Q2/22, and Terveystalo is planning to replace the financing agreement with long-term financing during H1/2022.
- In Q1/22, Terveystalo signed an agreement for a EUR 100 million domestic commercial paper program and issued its first commercial papers under the program.
  - During Q2/22 the program was expanded to a EUR 200 million multi-bank program. Under the program, Terveystalo may issue commercial papers with a maturity of less than one year.
- In Q1/22, Terveystalo also signed a financing agreement that includes a credit facility of EUR 40 million and an uncommitted credit facility of EUR 80 million.
- In Q2/22 The Nordic Investment Bank (NIB) and Terveystalo agreed on a EUR 50 million loan for financing Terveystalo's investments in its digital healthcare services and applications during 2022-2025.

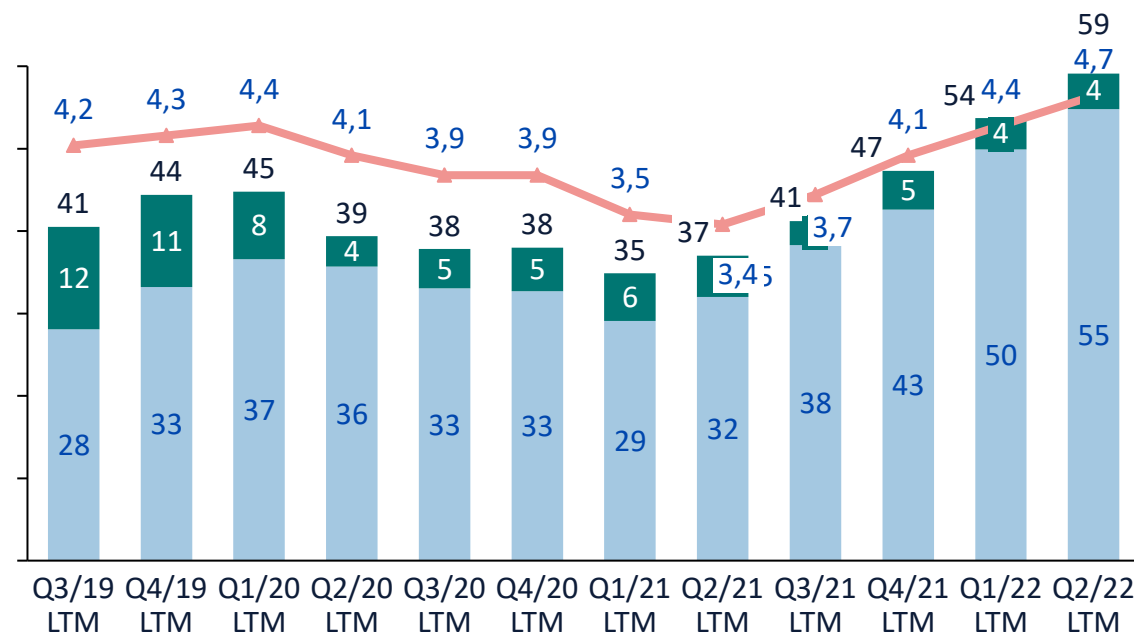


# We continue to invest in our digital platform

## GROSS CAPEX, MEUR AND %- OF REVENUE



## NET CAPEX, MEUR AND %- OF REVENUE



# Key figures

Terveystalo Group, MEUR	4-6/ 2022	4-6/ 2021	Change, %	1-6/ 2022	1-6/ 2021	Change, %	2021
Revenue	318.2	275.3	15.6	647.9	554.0	17.0	1,154.6
Adjusted EBITDA, * 1)	42.4	45.0	-5.9	99.0	98.3	0.7	206.1
Adjusted EBITDA, % * 1)	13.3	16.4	-	15.3	17.8	-	17.8
EBITDA 1)	40.7	44.2	-7.8	96.7	97.4	-0.7	201.8
EBITDA, % 1)	12.8	16.0	-	14.9	17.6	-	17.5
Adjusted EBITA * 1)	24.1	29.5	-18.2	63.1	67.7	-6.8	141.0
Adjusted EBITA, % * 1)	7.6	10.7	-	9.7	12.2	-	12.2
EBITA 1)	22.5	28.7	-21.6	60.7	66.7	-8.9	136.7
EBITA, % 1)	7.1	10.4	-	9.4	12.0	-	11.8
Adjusted EBIT * 1)	16.2	23.6	-31.4	48.1	56.0	-14.1	114.4
Adjusted EBIT, % * 1)	5.1	8.6	-	7.4	10.1	-	9.9
EBIT	14.6	22.8	-36.1	45.8	55.0	-16.8	110.1
EBIT, %	4.6	8.3	-	7.1	9.9	-	9.5
Return on equity (ROE), % 1)	-	-	-	12.6	13.3	-	13.6
Equity ratio, % 1)	-	-	-	40.6	42.9	-	42.2
Earnings per share (EUR)	0.09	0.13	-31.2	0.29	0.32	-8.7	0.63
Weighted number of shares outstanding, in thousands	126,548	127,307	-	126,472	127,307	-	127,180
Net debt	-	-	-	557.3	529.4	5.3	519.0
Gearing, % 1)	-	-	-	92.1	87.0	-	85.2
Net debt/adjusted EBITDA (last 12 months) 1)	-	-	-	2.7	2.7	-	2.5
Total assets	-	-	-	1,493.9	1,419.0	5.3	1,448.6
Adjusted EBITDA (last 12 months), excluding IFRS 16*1)	-	-	-	155,5	153,8	1,1	156.9
Net debt, excluding IFRS 16	-	-	-	383,0	347,2	10,3	340.6
Adjusted net debt/adjusted EBITDA (last 12 months), excluding IFRS 16*1)	-	-	-	2,5	2,3	-	2.2
Average personnel (FTEs)	-	-	-	6,470	5,365	20.6	5,643
Personnel (end of period)	-	-	-	10,850	9,306	16.6	9,805
Private practitioners (end of period)	-	-	-	5,813	5,159	12,7	5,754
Sustainability							
Quality index <sup>2)</sup>				95.1	94.8	0.3	94.6
Net Promoter Score (NPS), appointments				82.6	83.4	-1.0	83.0
Employee Net Promoter Score (eNPS)				30	18	66.7	32
Mixed waste intensity <sup>3)</sup>				5.7	6.2	-7.7	6.4

\*) 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)

# Feelgood AB – key figures

SEK, thousand	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
Revenue	204,393	213,110	138,429	220,230	208,448	185,825	125,102	204,733	193,469	206,243
EBITDA	24,371	28,626	-1,612	34,157	24,155	18,486	-464	38,926	20,775	27,167
EBIT	12,921	16,570	-13,704	21,594	11,184	2,778	-13,004	21,787	4,854	11,048
Result before taxes	12,010	15,563	-14,648	20,381	10,301	1,940	-13,814	20,005	3,639	10,136
EBITDA-margin	11.9 %	13.4 %	-1.2 %	15.5 %	11.6 %	9.9 %	-0.4 %	19.0 %	10.7 %	13.2 %
EBIT-margin	6.3 %	7.8 %	-9.9 %	9.8 %	5.4 %	1.5 %	-10.4 %	10.6 %	2.5 %	5.4 %