

# Pihlajalinna Financial Statements Release 1 Jan–31 Dec 2019

Pihlajalinna Plc

Financial Statements Release

14 February 2020 at 8:00

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Revenue and adjusted EBIT increased, Mehiläinen announced a recommended tender offer for shares in Pihlajalinna

Pihlajalinna adopted the new IFRS 16 Leases standard fully retrospectively on 1 January 2019. Restated comparable financial figures were published on 18 April 2019 for each reporting period in 2018. The figures of this financial statements release are unaudited.

### A brief look at October–December:

- Revenue amounted to EUR 133.8 (127.0) million – an increase of 5.4%, organic growth of 3.1%
- Adjusted EBITDA was EUR 14.4 (14.6) million
- Adjusted EBIT was EUR 5.6 (6.5) million
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.4 (1.4) million on operating profit
- Mehiläinen announced a recommended cash tender offer for all shares in Pihlajalinna Plc on 5 November 2019
- Earnings per share (EPS) was EUR 0.16 (0.11)

### A brief look at January–December:

- Revenue amounted to EUR 518.6 (487.8) million – an increase of 6.3%, organic growth of 2.8%
- Adjusted EBITDA was EUR 55.1 (45.9) million – an increase of 20.1%
- Adjusted EBIT was EUR 20.8 (14.4) million – an increase of 44.1%
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 5.2 (6.8) million on operating profit
- The number of personnel at the end of the financial year was 5,815 (5,850)
- Earnings per share (EPS) was EUR 0.15 (0.16)

KEY FIGURES	10–12/2019 3 months	10–12/2018 3 months	2019 12 months	2018 12 months
<b>INCOME STATEMENT</b>				
Revenue, EUR million	133.8	127.0	518.6	487.8
EBITDA, EUR million	12.3	14.1	47.8	44.8
EBITDA, %	9.2	11.1	9.2	9.2
Adjusted EBITDA, EUR million*	14.4	14.6	55.1	45.9
Adjusted EBITDA, %*	10.8	11.5	10.6	9.4
Operating profit (EBIT), EUR million	3.7	5.9	10.2	13.2
Operating profit, %	2.7	4.7	2.0	2.7
Adjusted operating profit (EBIT), EUR million*	5.6	6.5	20.8	14.4
Adjusted operating profit, %*	4.2	5.1	4.0	3.0
Profit before tax (EBT), EUR million	2.7	4.9	6.3	9.5
<b>SHARE-RELATED INFORMATION</b>				
Earnings per share (EPS), EUR	0.16	0.11	0.15	0.16
Equity per share, EUR			4.47	5.36
<b>OTHER KEY FIGURES</b>				
Return on capital employed (ROCE), %			2.9	4.6
Return on equity (ROE), %			3.8	5.7
Equity ratio, %			24.3	29.9
Gearing, %			181.7	136.6
Interest-bearing net debt, EUR million			192.7	178.0
Net debt/adjusted EBITDA, 12 months*			3.5	3.9
Gross investments, EUR million**	13.1	16.6	44.1	160.0
Cash flow from operating activities, EUR million	19.8	24.2	36.8	41.2
Cash flow after investments, EUR million	15.4	11.9	17.4	-18.8
Average number of personnel (FTE)			4,515	4,618
Personnel at the end of the period (NOE)			5,815	5,850

\* Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships as well as fines and corresponding compensation payments. Pihlajalinna does not recognise adjustments affecting comparability for acquisition-related transfer taxes and expert fees (IFRS 3 costs) or purchase price allocation (PPA) amortisation.

Adjustments to EBITDA totalled EUR 2.1 (0.4) million for the quarter and EUR 7.3 (1.1) million for the financial year. Adjustments to operating profit totalled EUR 1.9 (0.6) million for the quarter and EUR 10.6 (1.2) million for the financial year.

\*\* Assets acquired via leases are regarded as equal to assets acquired by the group itself, meaning that right-of-use assets pursuant to IFRS 16 are included in gross investments.

# Pihlajalinna's outlook for 2020

Pihlajalinna's consolidated revenue is expected to increase from the 2019 level. Adjusted EBIT is expected to increase compared to 2019.

On 5 November 2019, Mehiläinen Yhtiöt Oy and Pihlajalinna Plc entered into a combination agreement, pursuant to which Mehiläinen made a voluntary recommended public cash tender offer for all issued and outstanding shares in Pihlajalinna. The offer period commenced on 9 January 2020. In the tender offer, Pihlajalinna's shareholders are offered a cash consideration of EUR 16.00 for each issued and outstanding share in Pihlajalinna. Currently, the tender offer is expected to be completed towards the end of the second quarter of 2020 or at the latest during the third quarter of 2020.

## Joni Aaltonen, CEO of Pihlajalinna:

The revenue for the fourth quarter amounted to EUR 133.8 million, an increase of EUR 6.8 million. Organic revenue growth was 3.1%. The volume and profitability of occupational healthcare services and sales to insurance companies developed favourably during the fourth quarter. Profitability was affected by the costs of public specialised care were concentrated towards the end of the year. Strong investments in ensuring the quality of residential services for senior citizens following stricter requirements imposed by the authorities increased the personnel expenses. Permanent changes in the requirements of the authorities have an impact on Pihlajalinna's agreement prices.

The year 2019 had several phases. The healthcare and social welfare reform ran aground, but the new Government again included it in its government programme. Pihlajalinna has expanded its network of clinics in recent years also with an eye to the healthcare and social welfare reform. With the efficiency improvement programme, we reassessed the network of clinics and also reviewed the resourcing of operations from the point of view of profitability. We closed a few small clinics, but also opened new clinics in provincial centres, such as Rovaniemi and Vaasa, as planned.

Municipalities have clearly become more active, and several negotiations on outsourcing projects have been started. Municipalities' will to make their own social and healthcare service decisions and safeguard their own social and healthcare services became concrete in the partial outsourcing agreement concluded with the city of Kristiinankaupunki in December. The term of the contract is at least 15 years but not more than 20 years. According to the tendering documentation, the value of the agreement is approximately EUR 90 million, not taking index adjustments into account. The service production begins on 1 January 2021.

Pihlajalinna increased its holdings in municipal joint ventures during the fourth quarter, which strengthens the earnings per share. Pihlajalinna now has a holding of 90% in Kuusioinlinna Terveystoiminta Oy, with the municipalities of Alavus, Ähtäri, Kuortane and Soini having a holding of 10%. Pihlajalinna has a 91% holding in Mäntänvuoren Terveystoiminta Oy and the city of Mänttä-Vilppula a holding of 9%. Furthermore, Pihlajalinna agreed on the procurement of three social and healthcare service buildings with the city of Mänttä-Vilppula. Already earlier in the year under review, Pihlajalinna increased its holding in Kolmostien Terveystoiminta Oy. Pihlajalinna has a 96% holding in the company, the city of Parkano a 4% holding.

The government's new healthcare and social welfare reform programme has good focal points from the point of view of Pihlajalinna: the key matter is investing in rapid access to care. Pihlajalinna aims at being a partner to the public sector. Therefore, we signed cooperation agreements with the Hospital District of Pirkanmaa and Heart Hospital. The cooperation becomes concrete in a new service for investigating heart-related symptoms, which will begin in February 2020.

The revenue of occupational healthcare increased by more than 25% year-on-year. The increase in the share of fixed-price services and development of operating models improved profitability. The total number of private customers increased to almost 200,000. The growth outlook in occupational healthcare services remains good.

From the point of view of private clinic operations, partnerships with insurance companies developed favourably during 2019. Pihlajalinna signed a cooperation agreement with Pohjola Insurance Ltd in May. Based on the highly successful pilot project, Pohjola Insurance has approved Pihlajalinna as a national service provider for its multi-supplier model. We aim to further strengthen the cooperation with insurance companies and improve Pihlajalinna's market position as a nationwide partner of insurance companies.

During the fourth quarter, Mehiläinen Yhtiöt Oy announced a cash tender offer recommended by the Board of Directors of Pihlajalinna Plc for all shares in Pihlajalinna Plc. Together, these two companies are even better positioned to provide effective healthcare and high-quality residential services and develop a digital service offering.

The merger is currently under review by the Finnish Competition and Consumer Authority. Based on currently available information, the tender offeror expects to obtain the approval of the authorities and complete the tender offer towards the end of the second quarter of 2020 or at the latest during the third quarter of 2020. Even if the merger does not realise, Pihlajalinna is in a good position thanks to its good public-sector references and operating models, well-known private clinics in the provinces and extensive insurance company partnerships.

## Pihlajalinna's financial reporting and Annual General Meeting in 2020

Interim report January–March: Friday, 8 May 2020

Half-year financial report January–June: Friday, 14 August 2020

Interim report January–September: Wednesday, 4 November 2020

Pihlajalinna Plc's Annual General Meeting is scheduled for Wednesday, 15 April 2020 in Tampere, Finland.

## Briefing

Pihlajalinna Plc will hold a briefing for analysts and the media on Friday, 14 February 2019 at 10:00 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

**Helsinki, 13 February 2020**  
**The Board of Directors of Pihlajalinna Plc**

## Further information

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## Pihlajalinna in brief

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The company provides social and healthcare services as well as wellbeing services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics, hospitals and fitness centres around Finland. Pihlajalinna provides general practitioner and specialised care services, including emergency and on-call services, a wide range of surgical services, occupational healthcare and dental care services, in private clinics and hospitals. The company, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high quality services for public pay healthcare customers.