

Pihlajalinna Interim Report 1 January–31 March 2019 (3 months): Revenue grew and operating profit improved in the first quarter

Pihlajalinna Plc Interim Report 3 May 2019 at 8.00 a.m.

Revenue grew and operating profit improved in the first quarter

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.

Review period January–March:

- Revenue amounted to EUR 132.5 (119.2) million – an increase of 11.2 per cent, organic growth 2.8 %
- Adjusted EBITDA was EUR 12.6 (6.9) million – an increase of 81.6 per cent
- Adjusted operating result (EBIT) was EUR 3.9 (-0.1) million
- IFRS 3 costs related to M&A transactions had a negative effect of EUR 0.1 (1.2) million on operating profit
- Earnings per share (EPS) was EUR 0.06 (-0.06)

KEY FIGURES	1–3/2019 3 months	1–3/2018 3 months	2018 12 months
INCOME STATEMENT			
Revenue, EUR million	132.5	119.2	487.8
EBITDA, EUR million	12.2	7.3	44.8
EBITDA, %	9.2	6.1	9.2
Adjusted EBITDA, EUR million*	12.6	6.9	45.9
Adjusted EBITDA, %*	9.5	5.8	9.4
Operating profit (EBIT), EUR million	3.5	0.3	13.2
Operating profit, %	2.7	0.2	2.7
Adjusted operating profit (EBIT), EUR million*	3.9	-0.1	14.4
Adjusted operating profit, %*	3.0	-0.1	3.0
Profit before tax (EBT), EUR million	2.5	-0.6	9.5
SHARE-RELATED INFORMATION			
Earnings per share (EPS), EUR	0.06	-0.06	0.16
Equity per share, EUR	5.38	5.63	5.36
OTHER KEY FIGURES			
Return on capital employed (ROCE), %	4.7	5.2	4.6
Return on equity (ROE), %	7.1	8.0	5.7
Equity ratio, %	29.6	31.9	29.9
Gearing, %	145.5	117.9	136.6
Interest-bearing net debt, EUR million	190.5	161.2	178.0
Net debt/adjusted EBITDA, 12 months*	3.7	4.3	3.9
Gross investments, EUR million**	14.0	126.2	160.1
Cash flow from operating activities, EUR million	3.4	5.6	41.2
Cash flow after investments, EUR million	-1.1	-34.7	-18.8
Average number of personnel (FTE)	4,799	4,138	4,868
Personnel at the end of the period (NOE)	5,871	5,638	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. Pihlaja 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 and operating profit totalled EUR 0.4 (-0.4) million for the quarter.

** 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 2019

Pihlajalinna's consolidated revenue is expected to increase from the 2018 level. Adjusted EBIT is expected to improve clearly compared to 2018.

Joni Aaltonen, CEO of Pihlajalinna:

In the first quarter, the Group's revenue growth remained strong, operating profit increased substantially and organic growth improved. The investments made last year in new private clinics and hospitals are starting to bear fruit and the revenues of the private clinic-hospitals in Turku, Oulu and Seinäjoki increased substantially both year-on-year and compared to the preceding quarter. Revenue growth was supported by new customer relationships in occupational healthcare and the insurance company partnership with Fennia. Our expanded network of private clinics serves as a foundation for growing our market share in occupational healthcare.

In the first quarter, we focused on improving business location-specific profitability, expanding our offering and deepening our insurance company cooperation. The integration of Terveyspalvelu Verso proceeded according to plan. In public services, the focus remained on developing the service portfolio and improving value added. During the review period, we introduced the responsible doctor model as well as social and healthcare nurse telephone service in municipal outsourcings and started a new partial outsourcing arrangement for social and healthcare services in Hattula. During early May, Pihlajalinna will launch a health application mobile service for primary care customers in Mäntänvuoren Terveys and Kolmostien Terveys. Application provides immediate access to the reception of a healthcare professional.

Health and social services reform collapsed, but the need for change remains. The finances of Finnish municipalities have continued to deteriorate. Social and healthcare service costs already represent more than half of municipal expenses and as many as two out of three municipalities reported a deficit for the financial year 2018. Following the collapse of the health and social services reform, municipalities now need to find solutions for social and healthcare service challenges and balance their finances. Municipalities have also faced difficulties in recruiting physicians and other healthcare professionals, which makes it harder for municipalities to organise social and healthcare services themselves. There is a clear need for Pihlajalinna's service models in the current municipal sector in Finland.

In cooperation with municipalities, Pihlajalinna is interested in broader service solutions in which Pihlajalinna's operating models are more effective in creating value for society and the comprehensive service offering enables high quality and appropriate care. Bringing services close to people provides faster access to basic-level care while also improving service quality. Our aim is to engage in cooperation with municipalities to build new service models for maintaining services for local residents, keeping costs under control and producing the services in an ethically sustainable manner.

Our financial result for the first quarter still reflects the major structural changes implemented last year: our new organisational structure and other efficiency improvement measures have already had a positive effect on our financial performance, but we need to improve further to achieve our targets. Our focus is now on the continuous improvement of our operating result. It is important for us to ensure that our efforts to improve profitability will not have a negative effect on service quality. We want to provide good care for our customers, operate ethically and develop Finnish healthcare with an open mind.

Pihlajalinna's financial reporting in 2019

Interim Report January–June: Thursday, 15 August 2019

Interim Report January–September: Tuesday, 5 November 2019

Briefing

Pihlajalinna will hold a briefing for analysts and the media on Friday, 3 May 2019 at 10:00 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

Helsinki, 3 May 2019

Pihlajalinna Plc's Board of Directors

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.