



PRESS RELEASE

## MEDICA - 2012 Annual Results

- Strong business growth
- Solid profitability is confirmed
- Our financial flexibility is reinforced
- Net profit for 2012 continues to grow
- Proposed dividend payment of €0.48 per share

**PARIS, 26 March 2013** – The Board of Directors of MEDICA, a leading provider of long and short-term dependency care in France, met on Monday, 25 March 2013, under the chairmanship of Jacques Bailet and in the presence of the Statutory Auditors. At the meeting, the Board approved the consolidated financial statements\* for the year ended 31 December 2012.

| <b>LEADING INDICATORS</b> - Euros, millions | <b>2012</b>  | 2011  | Change Reported |
|---|--------------|-------|-----------------|
| Revenue                                     | <b>718.6</b> | 632.1 | + 13.7%         |
| EBITDAR <sup>(1)</sup>                      | <b>191.7</b> | 168.3 | + 13.9%         |
| EBITDAR margin                              | 26.7%        | 26.6% |                 |
| EBITDA                                      | <b>118.6</b> | 108.4 | + 9.4%          |
| EBITDA margin                               | 16.5%        | 17.1% |                 |
| Operating profit                            | <b>97.9</b>  | 87.0  | + 12.5%         |
| Operating margin                            | 13.6%        | 13.8% |                 |
| Profit before tax                           | <b>78.5</b>  | 65.0  | + 20.8%         |
| % of sales                                  | 10.9%        | 10.3% |                 |
| Net profit - Group share                    | <b>46.3</b>  | 41.5  | + 11.6%         |
| Net margin                                  | 6.4%         | 6.6%  |                 |

\* Audited. The report of the auditors is on going for issuance.

Jacques Bailet, Chairman and Chief Executive Officer, said:

*"The growth of our business in 2012 means that we have exceeded the ambitions we stated when MEDICA went public in 2010. The strong profitability of our business, particularly illustrated by the doubling of our net profit since 2010, proves the validity of our growth strategy. This clear strategy combined with high quality of services provided and enhanced financial flexibility means that we can continue to grow our core business and develop new care models for residents and patients."*

(1): EBITDA before rental expense

## CONFIRMATION OF A MANAGED GROWTH MODEL

### REVENUE WAS UP 13.7%, DRIVEN BY ORGANIC GROWTH

In 2012, MEDICA Group's **consolidated revenue** came to 718.6 million Euros, up 13.7% over 2011. During this period, organic growth came in at 9.7%.

| REVENUES<br>BY SECTOR                  | 2012         |              | 2011         |              | Change<br>Total | Growth<br>Organic |
|--|--------------|--------------|--------------|--------------|-----------------|-------------------|
|  | €m           | % of revenue | €m           | % of revenue |                 |                   |
| <b>France</b>                          | <b>640.4</b> | 89.1%        | <b>554.3</b> | 87.7%        | <b>+15.5%</b>   | +11.0%            |
| <b>Long-term care</b>                  | <b>458.1</b> | 63.7%        | <b>391.9</b> | 62.0%        | <b>+16.9%</b>   | +11.4%            |
| <b>Post-acute and psychiatric care</b> | <b>182.4</b> | 25.4%        | <b>162.4</b> | 25.7%        | <b>+12.3%</b>   | +10.3%            |
| <b>Italy</b>                           | <b>78.1</b>  | 10.9%        | <b>77.8</b>  | 12.3%        | <b>+0.5%</b>    | -0.1%             |
| <b>TOTAL</b>                           | <b>718.6</b> |              | <b>632.1</b> |              | <b>+13.7%</b>   | +9.7%             |

In 2012, our French business which accounts for 89.1% of our revenues produced solid growth of 15.5%.

- The **long-term care** segment generated revenue of 458.1 million Euros in France, up 16.9%. Organic growth amounted to 11.4% for the full year and benefited particularly from the impact of openings in 2012 and from new facilities getting up to speed (more than 1,600 beds were added during the last two years, 881 of them in 2012).
- The revenue of the **post-acute and psychiatric care** segment in France amounted to 182.4 million Euros, up 12.3% compared to 2011. The restructuring strategy implemented in this sector, with a specialisation of facilities, an expansion of the service offering and a grouping of structures explained the high organic growth of 10.3%.

In **Italy**, total revenue remained stable overall at 78.1 million Euros.

It should be remembered that at 31 December 2012, MEDICA operated a portfolio of **16,587 beds** in **220 facilities**, with an **occupancy rate\*** that remained stable overall at a high level of **96.8%**.

Aware of the growing need for structures that allow home care, MEDICA is progressively developing alternatives to nursing home care, focusing especially on Home Hospitalisation services and Home Care by Nurses.

\* **Occupancy rate:** The number of days billed divided by the number of billable days for facilities that have been open for more than 12 months. □

## IMPROVED OPERATIONAL PROFITABILITY

**EBITDAR** (EBITDA before rental expense) came in at 191.7 million Euros for the full year, up 13.9% over 2011. This represents 26.7% of revenue, compared with 26.6% in 2011, in line with the targets set out by the Group which called for retaining a high EBITDAR margin.

| <b>EBITDAR by sector</b> (millions of Euros)                  | <b>2012</b>           | <b>2011</b>           | <b>Change</b> |
|---|-----------------------|-----------------------|---------------|
| <b>France</b><br>% of sector revenue                          | <b>172.6</b><br>27.0% | <b>148.7</b><br>26.8% | <b>+16.1%</b> |
| <b>Long-term care</b><br>% of sector revenue                  | <b>120.8</b><br>26.4% | <b>104.2</b><br>26.6% | <b>+15.9%</b> |
| <b>Post-acute and psychiatric care</b><br>% of sector revenue | <b>51.8</b><br>28.4%  | <b>44.5</b><br>27.4%  | <b>+16.4%</b> |
| <b>Italy</b><br>% of sector revenue                           | <b>19.1</b><br>24.5%  | <b>19.5</b><br>25.1%  | <b>-2.1%</b>  |
| <b>TOTAL</b><br>% of total revenue                            | <b>191.7</b><br>26.7% | <b>168.3</b><br>26.6% | <b>+13.9%</b> |

**EBITDAR for the French business** increased by more than 16% along with a 20 basis point rise in the EBITDAR margin linked to:

- A dynamic **French care sector** making it possible to continue to grow margins as part of the strategy to specialise facilities and also on the back of continued restructuring efforts,
- Managing the **French long term-care sector** where high margin levels have been consolidated in the context of a rapid opening of more than 1,600 beds during the last 24 months.

Success in integrating new facilities proves both how well MEDICA has selected its investment targets and the operational quality of the teams involved.

**In Italy, EBITDAR margin levels** have remained at 24.5% throughout the year, even as the sector recorded a slight erosion in organic growth.

**EBITDA** stood at 118.6 million Euros or 16.5% of revenue, up 9.4% over the year before. **Rental expenses** came in at 73.1 million Euros (10.2% of revenue). The 22.2% rise can primarily be explained by the increase in the number of facilities in the opening phase. Over a constant footprint, the rise in rental expenses was limited to 2.4% thanks to the application of indexing clauses negotiated with landlords.

## PROFIT BEFORE TAX GREW BY ALMOST 21%

**The operating profit** rose by 12.5% to 97.9 million Euros, for an **operating margin** that is practically stable at 13.6% of revenue (compared with 13.8% in 2011). The other operational profit and loss\* heading produced a balance of 6.8 million Euros compared with 5.0 million for 2011.

The improvement in **finance costs** is a notable one falling from a cost of 22.0 million Euros to a cost of 19.3 million Euros, a fall of 12%. This reflects the Group's healthy financial structure and its ability to optimise its financial terms.

**Profit before tax** increased by almost 21 % thanks to good operating performance and optimized financial management.

As expected, the **tax rate** worsened to 40.9% due to increased taxation in France.

\* Operational costs especially comprise 51.7 million Euros for the cost of assets sold and 8.7 million Euros in charges linked to property activities and 6.7 million Euros for restructuring costs. Operational income especially comprises 64.5 million Euros from selling assets, 9.0 million Euros in income linked to property activities and 4.1 million Euros for income generated from combining companies.

In total, the **Group's share of Net Profit** for the year came in at 46.3 million Euros, up 11.6%. This represents 6.4% of revenue. Efficient operational management and improved financial management have limited the pressure on net margin, despite the significant rise in the effective tax rate.

## **OUR FINANCIAL FLEXIBILITY IS REINFORCED**

During 2012, the financing capacity increased to 107.7 million Euros thanks to an increase in Group profitability. The operational cashflow generated came to 110.4 million Euros thanks to the one-off improvement in working capital requirements, compensating a significant increase in taxes paid.

The carrying value of property assets held by MEDICA stood at 424 million Euros, of which 369 million Euros represents 58 facilities operated in France and 55 million Euros represents property assets relating to openings scheduled during the coming months.

The quality of the assets held especially allowed MEDICA, in December 2012, to successfully undertake a property lease-back refinancing operation with a gross value of 131.5 million Euros, so as to smooth out debt maturities and diversify sources of financing.

The ability to generate strong operational cash-flow levels and the refinancing operation both contributed to a significant rise in the Group's cash situation. Together with credit lines available and **financial leverage\* of 2.1x**, MEDICA has significant financial flexibility to undertake its selective expansion strategy. The latter strategy is resulting in net investments worth 63 million Euros during 2012.

As of 31 December 2012, **net financial debt** stood at 448 million Euros, compared with 433 million Euros on 31 December 2011.

## **2012 DIVIDEND**

On the strength of our capacity to create value for our shareholders and management's confidence in the Group's prospects, shareholders at the Annual Meeting on 25 June 2013, will be asked to approve the payment of a dividend of **0.48 Euro per share**, close to 50% of Net Profit group share.

## **OUTLOOK**

For full-year 2013, the Group expects **organic growth of at least 7%**, while pursuing a selective external growth policy. MEDICA is also confident that it will be able to maintain a high level of profitability.

***A meeting for analysts and investors will be held this morning at 9:00 am (Paris time). This meeting will also be available as a conference call.***

## **NEXT EVENT**

**First quarter 2013 revenues:** Tuesday 23 April 2013 before start of trading

\* **Financial leverage:** (Net financial debt – Property debt) / (EBITDA – (6.5% x property debt))

## **ABOUT THE MEDICA GROUP**

Formed in 1968, the MEDICA Group is a leading provider of long and short-term dependency care in France. It operates in both the long-term care sector, with nursing homes in France and Italy, and in the post-acute and psychiatric care sector. In these two sectors, the Group operated a total of around 16,600 beds and employed around 10,700 people as of 31 December 2012.

MEDICA has been listed on the NYSE Euronext Paris stock exchange since February 2010 - Compartment B - Eligible for the Deferred Settlement Service, long only.

MEDICA is included in the SBF 120, Euronext CAC Healthcare, MSCI France Small Cap and Gaia Indexes.

Code: MDCA - ISIN: FR0010372581 - Reuters: MDCA PA - Bloomberg: MDCA FP

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## CONSOLIDATED INCOME STATEMENT

| in € thousands  | 31/12/2012      | 31/12/2011      |
|---|-----------------|-----------------|
| <b>Revenues</b>   | <b>718,588</b>  | <b>632,095</b>  |
| Purchases used in the business                                    | (37,545)        | (29,337)        |
| External charges  | (201,248)       | (179,454)       |
| Income and other taxes  | (36,194)        | (32,130)        |
| Employee expenses   | (329,360)       | (285,834)       |
| Other operating expenses  | (2,344)         | (3,827)         |
| Other operating income  | 6,669           | 6,929           |
| <b>EBITDA</b>   | <b>118,567</b>  | <b>108,440</b>  |
| Amortisation and depreciation expense                             | (25,329)        | (24,206)        |
| Impairment losses and provisions                                  | (2,182)         | (2,305)         |
| <b>EBIT</b>   | <b>91,055</b>   | <b>81,930</b>   |
| Non-recurring operating expense                                   | (74,778)        | (76,851)        |
| Non-recurring operating income                                    | 81,591          | 81,899          |
| <b>Operating profit</b>   | <b>97,868</b>   | <b>86,979</b>   |
| Finance costs   | (20,163)        | (22,580)        |
| Financial income  | 844             | 590             |
| <b>Net finance costs</b>  | <b>(19,320)</b> | <b>(21,990)</b> |
| <b>Pre-tax profit</b>   | <b>78,549</b>   | <b>64,989</b>   |
| Income tax benefit  | (32,154)        | (22,586)        |
| <b>Post-tax profit</b>  | <b>46,395</b>   | <b>42,402</b>   |
| Profit/(loss) from associates                                     | 132             | (395)           |
| <b>Net profit</b>   | <b>46,527</b>   | <b>42,007</b>   |
| Attributable to equity holders of the parent                      | 46,312          | 41,501          |
| Attributable to non-controlling interests                         | 215             | 507             |
| Average number of shares outstanding                              | 47,762,058      | 47,904,187      |
| Consolidated Group share of basic earnings per share (in Euros)   | 0.97            | 0.87            |
| Consolidated Group share of diluted earnings per share (in Euros) | 0.97            | 0.87            |

## BALANCE SHEET

| in € thousands   | 31/12/2012       | 31/12/2011       |
|--|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |
| Goodwill   | 424,596          | 418,670          |
| Intangible assets  | 675,596          | 643,713          |
| Property, plant and equipment                              | 412,800          | 367,944          |
| Shares in associates                                       | 2,259            | 2,257            |
| Other financial assets                                     | 20,788           | 22,478           |
| Available-for-sale financial assets                        | 342              | 1,100            |
| Deferred tax liabilities                                   | 3,251            | 2,365            |
| Other non-current assets                                   | 25               | 24               |
| Derivative financial instruments                           | 0                | 3                |
| <b>Total non-current assets</b>                            | <b>1,539,657</b> | <b>1,458,556</b> |
| Inventory and work-in-progress                             | 2,616            | 2,100            |
| Trade receivables  | 46,170           | 41,783           |
| Tax assets   | 6,070            | 2,685            |
| Other receivables  | 39,240           | 32,312           |
| Other current assets                                       | 8,752            | 15,334           |
| Cash and cash equivalents                                  | 236,823          | 163,794          |
| <b>Total current assets</b>                                | <b>339,671</b>   | <b>258,007</b>   |
| Total non-current assets and disposal groups held-for-sale | 13,681           | 24,898           |
| <b>Total Assets</b>  | <b>1,893,009</b> | <b>1,741,460</b> |

| in € thousands  | 31/12/2012       | 31/12/2011       |
|---|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>   |                  |                  |
| Share capital   | 18,653           | 18,653           |
| Additional paid-in capital  | 488,152          | 490,853          |
| Treasury shares   | (1,575)          | (1,928)          |
| Other reserves  | 0                | 0                |
| Net profit attributable to equity holders of the parent                   | 46,312           | 41,501           |
| Retained earnings   | 116,183          | 87,290           |
| <b>Total equity attributable to equity holders of the parent</b>          | <b>667,726</b>   | <b>636,370</b>   |
| Profit attributable to non-controlling interests                          | 215              | 507              |
| Retained earnings attributable to non-controlling interests               | 6,232            | 3,762            |
| <b>Total equity</b>   | <b>674,173</b>   | <b>640,638</b>   |
| Long-term debt  | 661,989          | 574,747          |
| Employee benefit obligations  | 8,149            | 6,924            |
| Liabilities related to associates with negative net worth                 | 0                | 1,453            |
| Other provisions  | 11,881           | 13,045           |
| Deferred tax liabilities  | 245,847          | 231,063          |
| Derivative financial instruments  | 0                | 0                |
| Other non-current liabilities   | 28,357           | 24,362           |
| <b>Non-current liabilities</b>  | <b>956,222</b>   | <b>851,593</b>   |
| Short-term debt   | 23,188           | 25,972           |
| Employee benefit obligations  | 447              | 1,068            |
| Trade payables  | 77,365           | 71,482           |
| Other payables  | 125,057          | 103,813          |
| Other provisions  | 379              | 442              |
| Derivative financial instruments  | 10,673           | 7,486            |
| Current taxes   | 11,823           | 14,068           |
| <b>Current liabilities</b>  | <b>248,932</b>   | <b>224,331</b>   |
| Total liabilities on non-current assets and disposal groups held-for-sale | 13,681           | 24,898           |
| <b>Total equity and liabilities</b>                                       | <b>1,893,009</b> | <b>1,741,460</b> |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| in € thousands  | 31/12/2012      | 31/12/2011       |
|---|-----------------|------------------|
| Consolidated net profit   | 46,527          | 42,007           |
| Adjustments for profit or losses from associates                              | (132)           | 395              |
| Adjustments for depreciation, amortisation, impairment losses and provisions  | 21,098          | 28,532           |
| Adjustments for fair value  | (986)           | 2,051            |
| Adjustments for gains or losses on disposal and dilution                      | (10,166)        | (19,353)         |
| Adjustments for dividend income   | (15)            | (13)             |
| <b>Cash flow after cost of net debt and tax</b>                               | <b>56,325</b>   | <b>53,620</b>    |
| Adjustments for security acquisition costs                                    | 524             | 2,625            |
| Adjustments for tax expense   | 32,154          | 22,586           |
| Adjustments for net finance costs   | 18,676          | 18,907           |
| <b>Cash flow before interest and tax</b>                                      | <b>107,679</b>  | <b>97,738</b>    |
| Change in working capital   | 22,798          | (7,748)          |
| Income tax paid   | (20,104)        | (8,856)          |
| <b>Net cash from operating activities</b>                                     | <b>110,373</b>  | <b>81,135</b>    |
| Impact of changes in scope of consolidation                                   | 5,981           | (106,634)        |
| Increase in property, plant and equipment                                     | (109,567)       | (99,016)         |
| Increase in intangible assets   | (15,230)        | (3,423)          |
| Increase in financial assets  | 0               | (91)             |
| Increase/decrease in loans and advances                                       | (1,751)         | (379)            |
| Proceeds from disposal of property, plant and equipment and intangible assets | 56,623          | 80,671           |
| Proceeds from disposal of financial assets                                    | 787             | 0                |
| Dividend income   | 146             | 13               |
| <b>Net cash used in investing activities</b>                                  | <b>(63,010)</b> | <b>(128,860)</b> |
| Issuance of shares  | 0               | 0                |
| Treasury shares   | 353             | (458)            |
| Issuance of debt  | 119,263         | 95,785           |
| Repayment of debt   | (28,760)        | (21,500)         |
| Net interest paid   | (16,672)        | (19,289)         |
| Repayment of derivative financial instruments                                 | 0               | (4,735)          |
| Dividends paid to shareholders  | (12,412)        | (4,782)          |
| Dividends paid to minority holders of subsidiaries                            | (173)           | (485)            |
| <b>Net cash used in financing activities</b>                                  | <b>61,600</b>   | <b>44,537</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                   | <b>108,962</b>  | <b>(3,189)</b>   |
| Net cash and cash equivalents at beginning of year                            | 126,833         | 130,022          |
| Net cash and cash equivalents at end of year                                  | 235,795         | 126,833          |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                   | <b>108,962</b>  | <b>(3,189)</b>   |