

# ORPEA

## LIFE GOES ON WITH US

### CONTINUED INTERNATIONAL EXPANSION WITH A STRATEGIC ACQUISITION IN GERMANY

- ACQUISITION OF A FIRST-CLASS OPERATOR, SILVER CARE GROUP
- 61 CARE FACILITIES WITH 5,963 BEDS, GENERATING REVENUE OF €200M IN 2014

**ORPEA, A EUROPEAN NETWORK NOW COMPRISING 521 CARE FACILITIES  
WITH 51,259 BEDS, INCLUDING 38% OUTSIDE FRANCE**

**2014 ORPEA REVENUE TARGET RAISED AGAIN TO €1,930 MILLION  
(UP 20% COMPARED WITH 2013)**

**Puteaux, 28 April 2014:** The Orpea Group, a European leader in Long-Term Care (nursing homes), Post-Acute Care and Psychiatric Care, has today announced its acquisition of Silver Care Group in Germany from Private Equity Firm Chequers Capital.

#### **A high quality network of almost 6,000 beds in Germany**

Founded in 2006, Silver Care has developed through targeted acquisitions of regional groups to create a homogeneous network of nursing care facilities with strong positions in all its areas of operation.

At present, Silver Care has 61 retirement homes for the dependent elderly, with 5,963 beds including 290 beds under construction due to open in 2014. It will generate revenue of about €200 million in 2014.

Silver Care has developed a high-quality network of facilities in regional clusters:

- an excellent reputation: ranked n°1 large nursing home group in 2012, 2013 and 2014 on quality, according to the MDK national ranking system ;
- carefully selected locations in high-potential *Federal States* such as Lower Saxony, Baden Württemberg , North Rhine-Westphalia and others ;
- modern, recently built facilities with an average of 100 beds.

A key factor setting Silver Care apart from its rivals is its ratio of single rooms, which is one of the highest in Germany at almost 80%. This feature is crucial for its long-term profitability, since it facilitates the care of increasingly dependent residents and keeps the business ahead of regulatory changes.

So far, Silver Care has not owned its properties but rented them on long-term double net lease contracts, pursuing an Asset Light Strategy

### **Orpea gains a strong foothold in Germany, a high-potential country**

Orpea has gained a strategic position in Europe's largest country in number of inhabitants, which is facing a demographic challenge, in a sector with robust fundamentals and high growth prospects:

- an ageing population: the number of people over the age of 80 is expected to grow by 45% to 6.5 million by 2030 and to double by 2050;
- inadequate, unsuitable supply: the need for new beds is estimated at 125,000 by 2020, without counting the need to redevelop existing beds to take account of the increasing level of care required by residents;
- a highly fragmented private sector: there are still more than 4,000 independent private operators with about 275,000 beds, representing approximately 30% of the total market;
- a complex but favourable regionally fragmented regulatory environment and major barriers to entry: there are no restrictions on opening new facilities but standards are increasingly strict to meet the need for heavier care;
- a secure funding system in surplus, as Germany reformed its long-term care funding system some years ago. What's more, the German government is planning ahead for the time when the baby boom generation reaches the age of dependency by putting €1.2 billion into a dedicated fund every year until 2033;
- a stable tax and social security environment for businesses.

### **A structured platform for expansion and a highly experienced management team**

Silver Care gives Orpea an extremely solid base for further expansion in Germany. It not only has an excellent reputation but also a regional organisation structure capable to absorb future expansion, as well as a highly experienced management team. Silver Care's quality of services, regional expertise and a network of strong regional managers and management teams will enable Orpea to play an active role in the necessary on-going sector consolidation and the construction of new facilities in Germany.

Silver Care also provides a good fit with Orpea's culture and strategy; expansion focused on quality of care and accommodation, trained and motivated personnel, an entrepreneurial culture and the ability to seek out high value-creating projects.

Marc Hildebrand, Silver Care's Chief Executive, commented: *"We are delighted to become part of the Orpea Group, a European leader in care facilities. Orpea's investment will enable us to pursue and accelerate our strategy of developing high quality offerings in carefully selected regions and locations throughout Germany and meet the strongly increasing demand. Being part of the Orpea Group will give our teams better visibility, additional know-how transfer and improved resources. In addition, Orpea shares the same strategic vision and culture as Silver Care."*

### **Accretive as of 2014**

The acquisition of Silver Care will be paid for entirely in cash and funded using Orpea's cash. Thanks to the flexibility of its financial structure, Orpea can afford to finance this acquisition, the purchase of Senevita and its future developments without any capital increase or any pressure on its financial equilibrium.

The acquisition will become effective on 1 July 2014. So, Silver Care Group will be consolidated by Orpea as of 1 July 2014. It will be earnings accretive for the Orpea Group as of 2014 and the accretive impact will increase as of 2015.

For the second time of the year, ORPEA lifts again its 2014 revenue guidance for FY 2014 to €1,930 million from the previously announced figure of €1,830 million, representing growth of 20% over 2013 year.

Yves Le Masne, Orpea's Chief Executive, concluded: *"After the acquisition of Senevita in Switzerland last March, the acquisition of Silver Care in Germany will further accelerate Orpea's international expansion strategy.*

*Silver Care is a unique development opportunity in Europe's largest country and offers all the features sought by Orpea:*

- *a high-quality group, with a ratio of single rooms close to 80%, making it one of the highest among groups in Germany;*
- *strong growth capacity thanks to its experienced management teams and their recognised expertise;*
- *a solid basis to expand in a country where the need for new beds and sector consolidation is among the greatest in Europe;*
- *similar profitability criteria to those of Orpea.*

*The acquisition gives the Group a European network of 521 care facilities with a total of 51,259 beds, including 38% outside France.*

*Orpea intends to pursue its international expansion by leveraging the expertise of its international managers and its skills in building and integrating first-class care facilities. Expansion will take place in line with the Group's profitability and debt control criteria."*

### **Advisers**

Acxit Capital Management, represented by Thomas Klack and his team, acted as financial adviser to Orpea and Bredin Prat as legal counsel. Rothschild acted as financial adviser to Chequers Capital and Clifford Chance as legal counsel.

**Next release: Q1 2014 revenue  
30 April 2014 before market opening**

**About d'ORPEA ([www.orpea-corp.com](http://www.orpea-corp.com))**

Listed on Euronext Paris since April 2002 and a member of the Deferred Settlement Service, ORPEA is a European leader in integrated Long-Term Care and Post-Acute Care. The Group had a unique network of 521 healthcare facilities, with 51,259 beds (42,630 of them operational), including:

- 31,871 beds in France at (3,979 beds under refurbishment or construction) at 345 facilities
- 19,388 beds in the rest of Europe (Germany, Spain, Belgium, Italy and Switzerland) at 176 facilities (4,650 beds under refurbishment or construction)

**Listed in Euronext Paris Compartment A**, a Euronext Group market  
Member of the **CAC Mid 60**, **MSCI Small Cap Europe** and **SBF 120** indices - Member of the **SRD**  
ISIN: FR0000184798- Reuters: **ORP.PA** - Bloomberg: **ORP FP**



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