



Paris, 31 July 2019

The H1 2019 results show significant growth in line with management targets

The Group continues its expansion in Europe

- **Sustained revenue growth at €1,767 million: +8.2%, of which +3.8% is organic growth**
 - Steady growth rate over the last 4 quarters
 - The portfolio expanded by 2,830 beds during the period
- **Operating margin (EBITDA) improved by +70 basis points to 14.6%** (excluding IFRS 16 impacts)¹
 - Effective management of structural costs, particularly in France and Germany
 - Positive impact of the diversification of the portfolio of activities
 - Significant contribution of the "Asset Smart" strategy
- **Financial structure maintained win a context of acceleration of both operational and real estate investments**
 - Significant increase in operating free cash flow (+57%)
 - Stable net debt ratio and level of real estate debt as a percentage of asset value (LTV ratio), at 3.2x and 51% respectively
- **Confidence in achieving the objectives for financial year 2019**
 - Revenue growth above or equal to 8%
 - EBITDA margin above or equal to 14.5%

Sophie Boissard, Chief Executive Officer of the Korian group, stated:

"The strong performance of the first half of the year is a direct result of the investments made over the past three years to improve and develop our network and diversify our service offering, develop the skills of our employees and continuously improve the quality of our operations. By expanding into Spain and the Netherlands the Group is extending its reach in Europe. In parallel to this expansion we continue to grow within our existing geographies by leveraging the strength of our network and building integrated care and health platforms to serve the fragile and dependant populations in the territories where we are implanted. These excellent results are the fruit of the

¹ The financial statements for H1 2019, which are published in accordance with IFRS 16, are included in the half-year financial report available on the Company's website, in the Finance section. The income statement, balance sheet and statement of cash flows appended to this press release highlight the impacts of IFRS 16.



unfailing commitment of our teams, whom I would particularly like to thank and allow the Group to confirm its objectives for 2019."

The consolidated financial statements for the first half of the year were reviewed by the Audit Committee at its meeting of 29th July and were approved by the Board of Directors at its meeting of 31st July 2019.

The half-year consolidated financial statements were prepared in accordance with the new IFRS 16 standard. For purposes of comparability, the financial information below is presented excluding application of IFRS 16.

The financial statements for H1 2019, which are published in accordance with IFRS 16, are included in the half-year financial report available on the Company's website, in the Finance section. The income statement, balance sheet and statement of cash flows appended to this press release highlight the impacts of IFRS 16.

H1 2019 revenue and results

Significant rise in revenue growth and steady organic growth

Revenue in Q2 2019 increased 8.2% to €895.5 million, of which 3.8% was organic growth. This was the fourth consecutive quarter of accelerated growth, reflecting the Group's strong development momentum, both through organic growth and bolt on acquisitions.

In the first half of 2019, **revenue** totalled €1,767 million, up 8.2%. Organic growth, which was up +3.8% compared to +2.9% a year earlier, reflected the significant effort undertaken to renovate and modernise the Group's assets, particularly in France, and from the greater specialisation of facilities and an active management of the care mix. It was also due to the ramp-up of the 15 facilities opened over the last 18 months.

The revenue growth over the start of 2019 was also driven by the Group's various selective acquisitions made by the Group in a bolt on mode to reinforce its presence in its different territories. 10 transactions have been completed in the first half of 2019, in addition to the 10 transactions carried out in 2018. In particular, these transactions enabled the Group to expand into Spain (acquisition of Seniors in January 2019 and of the long-term care nursing home business of Grupo 5 in July 2019) and into the Netherlands with the acquisition of Stepping Stones in June. These last two acquisitions will be included in the results for H2 2019.

Overall, the number of beds operated grew by 2,830 over the period, bringing the total number of beds to nearly 81,000.

Against this backdrop of strong business growth and diversification of the business portfolio, particularly in homecare services and medical activities, the **EBITDAR rate** is stable at 26%, due to efficient management of operating expenses, particularly in France and Germany.



By country:

- In **France**, revenue progressed significantly by +6.4%² (versus +3.6% in H1 2018), of which +3.1% was organic growth (compared with +2.5% in the same period in 2018). This acceleration was due, in particular, to the dynamic transformation of the Healthcare division, the continued expansion and upgrading of the services offered by the Seniors division, and the growth of the new activities: Petits-fils (home care) and Ages&Vie (small care communities for seniors), which were acquired in 2018. It also reflects the full impact of the various acquisitions made in the first half of 2019. The EBITDAR margin remained stable at 27.3%.
- In **Germany**, revenue also increased significantly (+5.2% versus 3.4% in the same period in 2018) driven by an acceleration in organic growth to +4.7% (versus +3.7% in H1 2018) as a result of the ramp-up of recently acquired facilities and a favourable care mix. This strong momentum also enabled Germany to consolidate the improvement of its operating margin (EBITDAR) by +60 basis points to 25.1%, despite wage inflation affecting the labour market.
- **Belgium** continues to show excellent growth momentum with revenue up +21.6% due to the acquisition of Senior Assist in September 2018. Organic growth was strong at +6.1% (versus 4.0% in the same period in 2018). Due to a lower level of maturity of the facilities acquired in 2018, the EBITDAR margin is 25.0%, down 40 bps on last year.
- In **Italy**, revenue were up by +8.1% driven by acquisitions made over the past year. Due to the impact of changes in the business mix, the EBITDAR margin fell by 30 bps to 24.0%.

EBITDA totalled €258.3 million in H1 2019, up 13.4%. As a result, the EBITDA margin increased by 70 basis points to 14.6%. This improvement is due, on one hand – accounting for 25 basis points – to a shift in the portfolio of services towards less property-intensive activities and, secondly, to the impacts of the “Asset Smart” real estate strategy implemented over the past two years, which resulted in an increased the ownership rate (now at 21%) and lease renegotiations.

Earnings before interest and taxes (EBIT) amounted to €162.7 million, i.e. 9.2% of revenue (versus 8.8% in H1 2018).

Non-current expenses, primarily due to acquisition-related expenses, totalled €6.1 million.

Net profit (Group share) totalled €60.1 million (excluding IFRS 16 impacts), an increase of 9.1% reflecting income tax expense of €33.5 million and a tax rate of 35%.

² Including €8.2 million in Spain in H1 2019



Consolidation of the financial structure

Due to the increase in EBITDA and sound management of working capital requirements, the Group reports a significant increase (+57%) in the operating free cash flow generated³ at €87 million, despite the fact that maintenance capital expenditure as a share of revenue remained stable at 2.5%.

The Group's net financial liabilities, excluding IFRS 16 impacts, increased to €3,021 million from €2,724 million at 31 December 2018 as a result of the various acquisitions carried out for a total amount of €167 million, and real estate investments totalling €173 million in the first half of the year. These amounts include the acquisition of portfolios in Germany, France and Spain. In addition, investments to develop and restructure real estate assets totalled €38 million.

The net debt ratio and level of real estate debt as a percentage of asset value (LTV ratio) remained stable at 3.2x and 51%, respectively.

On 27th May, the Group signed an amendment and extension of the syndicated loan agreement with its partner banks for a total amount of €1 billion (50% term loan and 50% revolving credit facility), including a three-year extension of the maximum maturity date until 2024 (with two one-year extension options for the revolving credit facility tranche), which strengthens the Group's long-term financial structure and flexibility.

Outlook

On the strength of the sound performance of the first half of 2019, the Group will pursue its buy and build development policy to strengthen and expand its service offering and to create integrated care platforms in each of the territories in which it operates.

Korian is confident in achieving its objectives for the financial year, as announced in March 2019: revenue growth above or equal to 8% and an operating margin (EBITDA margin) above or equal to 14.5%.

As a reminder, in March 2019, the Group also raised the objectives of the K-2020 strategic plan and is now targeting revenue of at least €4.2 billion by 2021, i.e. an average annual growth rate (CAGR) above or equal to 8% over the 2019-2021 period, and an EBITDA margin of 15.5%.

The Group will organise a Capital Markets day (in Paris) on 20th September 2019 to report on the implementation of its K-2020 strategic plan and to present the key features of its development momentum.

³ The change is calculated on the basis of operating free cash flow as restated in 2018



H1 2019 presentation

Results for the first half of 2019 will be commented on July 31st, 2019 at 6:00pm Paris time from www.korian.com or via the following link to the webcast: https://channel.royalcast.com/webcast/korianen/20190731_1/

The presentation material will be available before the webcast on the Company's website.

Next event:

Capital Markets Day on 20th September 2019 in Paris

Next publication:

Q3 2019 revenue: 22nd October 2019

ABOUT KORIAN

Korian, an expert in care and support services for the elderly, manages Europe's leading network of long-term care nursing homes, specialised clinics, assisted living facilities and shared housing for seniors, home care and hospital home care services.

For more information, please visit our website: www.korian.com

Korian has been listed on Euronext Paris Section A since November 2006 and is included in the following indices: SBF 120, CAC Health Care, CAC Mid 60, CAC Mid & Small and MSCI Global Small Cap

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INVESTOR RELATIONS

Sarah Mingham

VP Investor Relations & Financing
sarah.mingham@korian.com

[Tel: +33 \(0\)1 55 37 53 55](tel:+330155375355)

Carole Alexandre

Deputy Head of Investor Relations
carole.alexandre@korian.com

[Tel: +33 \(0\)7 64 65 22 44](tel:+330764652244)

PRESS CONTACT

Marjorie Castoriadis

Head of Media Relations
marjorie.castoriadis@korian.fr

[Tel: +33 \(0\)7 63 59 88 81](tel:+330763598881)



APPENDIX

Revenue

In € million Revenue	1 st Quarter		% Change		% Revenue
	2019	2018	Reported	Organic	
France*	424.8	400.4	+6.1%	+3.0%	48.7%
Germany	233.6	223.7	+4.4%	+4.4%	26.8%
Belgium	123.7	100.8	+22.6%	+6.7%	14.2%
Italy	89.5	81.1	+10.4%	+2.5%	10.3%
Total revenue	871.6	806.1	+8.1%	+3.8%	100.0%

* Including Spain €3.9m

In € million Revenue	2 nd Quarter		% Change		% Revenue
	2019	2018	Reported	Organic	
France	440.0	412.1	+6.8%	+3.2%	49.1%
Germany	239.4	226.0	+5.9%	+5.0%	26.7%
Belgium	124.6	103.3	+20.6%	+5.6%	13.9%
Italy	91.7	86.5	+6.0%	+1.0%	10.2%
Total revenue	895.7	827.8	+8.2%	+3.8%	100.0%

* Including Spain €4.3m

In € million Revenue	1 st Half-Year		% Change		% Revenue
	2019	2018	Reported	Organic	
France	864.9	812.5	+6.4%	+3.1%	48.9%
Germany	473.0	449.7	+5.2%	+4.7%	26.8%
Belgium	248.3	204.1	+21.6%	+6.1%	14.0%
Italy	181.2	167.6	+8.1%	+1.7%	10.3%
Total revenue	1 767.3	1 633.9	+8.2%	+3.8%	100.0%

* Including Spain €8.2m



P&L

€m	H1 2019	IFRS 16	H1 2019	H1 2018	Δ
	<i>Including IFRS 16</i>	<i>adjustments</i>	<i>Excluding IFRS 16</i>		<i>%</i>
Revenue	1,767.3	(0.2)	1,767.1	1,633.9	8.2%
Staff costs	(983.2)		(983.2)	(901.4)	9.1%
% of revenue	55.6%		55.6%	55.2%	+40bps
Other costs	(325.3)	1.4	(323.9)	(308.3)	5.1%
% of revenue	18.4%		18.3%	18.9%	(60) bps
EBITDAR	458.8	1.2	460.0	424.1	8.5%
% of revenue	26.0%		26.0%	26.0%	-
External rents	(28.5)	(173.2)	(201.7)	(196.4)	2.7%
% of revenue	1.6%		11.4%	12.0%	(60) bps
EBITDA	430.3	(172.0)	258.3	227.7	13.4%
% of revenue	24.3%		14.6%	13.9%	+70bps
Amortisation & Depreciations	(250.7)	155.1	(95.6)	(84.4)	13.3%
EBIT	179.6	(16.9)	162.7	143.4	13.5%
% of revenue	10.2%		9.2%	8.8%	+40bps
Non current expenses	(6.1)		(6.1)	4.2	
Operating income	173.5	(16.9)	156.6	147.6	6.1%
% of revenue	9.8%		8.9%	9.0%	(10) bps
Financial result	(91.0)	30.2	(60.8)	(58.2)	4.5%
Net income before tax	82.5	13.3	95.8	89.4	7.2%
Income tax	(29.5)	(4.0)	(33.5)	(33.4)	0.3%
% tax rate	35.7%		35.0%	37.4%	(240) bps
Minority interests	(2.2)	-	(2.2)	(0.9)	
Net profit - Group share	50.8	9.3	60.1	55.1	9.1%



Balance Sheet

€m	H1 2019 <i>Including IFRS 16</i>	IFRS 16 <i>adjustments</i>	H1 2019 <i>Excluding IFRS 16</i>
Goodwill	2,409	-	2,409
Intangible assets	1,851	(44)	1,895
Property, Plant & equipment	1,875	(590)	2,465
Rights-of-use	3,461	3,462	(1)
Financial assets	75	-	75
Deferred tax assets	154	30	124
Current assets	895	(2)	897
Total assets	10,720	2,855	7,864
Borrowing and financial debt	(2,740)	649	(3,389)
Lease obligations	(3,661)	(3,661)	-
Other liabilities	(1,830)	105	(1,935)
Total liabilities	(8,231)	(2,907)	(5,324)
Total shareholder's equity	2,489	(51)	(2,540)



Cash Flow Statement

€m	H1 2019	IFRS 16	H1 2019	H1 2018	Δ
	Including IFRS 16	adjustments	Excluding IFRS 16		
EBITDA	430.3	(172.0)	258.3	227.7	13.4%
Non cash & others	(24.9)	(6.5)	(31.4)	(8.3)	
Change in WCR	(9.8)	0.2	(9.6)	(36.6)	
Operating Capex	(44.0)	-	(44.0)	(40.0)	
Operating Cash Flow	351.7	(178.4)	173.3	142.8	21.4%
Income tax paid	(28.1)	-	(28.1)	(51.1)	
Financial expenses paid	(88.8)	30.2	(58.6)	(51.7)	
Operating Free Cash Flow (OFCF)	234.7	(148.2)	86.6	40.0	
OFCF restated in 2018	234.7	(148.2)	86.6	55.2	56.9%
Development capex	(38.1)	-	(38.1)	(20.9)	
Financial investments (bolt-on acquisitions)	(167.4)	-	(167.4)	(57.4)	
Free cash flow (FCF) - OPCO (restated 2018)	29.2	(148.2)	(119.0)	(38.3)	
Dividends paid	(4.5)	-	(4.5)	(4.7)	
Real estate investments / divestments	(172.6)	-	(172.6)	(23.7)	
Non-cash adjustments to net debt & other	(244.0)	243.0	(1.0)	(79.4)	
Net debt variation	(391.9)	94.8	(297.1)	(146.1)	