



Korian 2020 half-year results: Operational resilience throughout the Covid-19 crisis with increased investment in local care pathways

Paris, 30th July 2020 - the leading European care and support services group for the elderly and fragile, announces its Q2 revenue and its first half 2020 results.

Adapting the network to operate in a safe Covid-19 environment over the long term

- Outstanding commitment of teams enabled the network to adapt to the crisis
- Creation and roll out of new sanitary Vigi-Covid standards supported by Bureau Veritas

Revenue up 6.2% (€ 1,877m) with +1% of organic growth

- Sustained activity throughout the semester despite confinement measures affecting 80% of the network
- Revenue supported by 32 acquisitions in 2019 and 2020
- Following the end of the general lockdown there has been new admissions into nursing homes and a retart of medical activities
- Home care activity has strongly increased over the period (+27%)
- Increase in telemedicine activity: 2,000 patients used the in-house solutions Omedys and Inu

EBITDA margin 12.1%, a drop of 250 basis point due to Covid-19

- Around 40M€ net impact from activity restrictions and 20 M€ of one off costs linked to Covid-19
- Sustained recruitment policy to prepare the restart (with 4,000 new permanent hires)
- Exceptional Covid bonuses paid to about 49,000 people
- The EBITDA margin restated for the exceptional one-off costs is 13.2%

Sustained investment to support development of local care pathways

- 516 M€ of investment increasing the portfolio by 3,371 beds and +35% in outpatient places in France
- Real estate portfolio valued over €2.3bn (representing 23% of operated assets)
- Solid financial structure through the crisis with a restated operational leverage of 3.7x
- Headroom of over €1bn to support future transformation and development

Sophie Boissard, CEO of Korian, commented as follows:

“Throughout the pandemic Korian’s teams have shown exceptional commitment and engagement to care and protect our residents and patients. They have faced this unprecedented crisis with enormous courage that inspires both my recognition and pride.

I would like to express my sympathy for all those who have lost a loved one to the virus and my thanks to all our stakeholders for their unwavering support during this period.

As Europe moves out of lockdown, Korian remains extremely vigilant and the teams have prepared the network to operate safely in a long-term Covid-19 environment, whilst ensuring that close connexions are maintained between our residents and patients and their loved ones.



Based on our 'In caring hands' project, this crisis encourages us more than ever to continue to develop home and ambulatory local care solutions to accompany the fragile in our society, in tandem with the care solutions within our nursing homes and specialised clinics.

Bearing in mind our particular social and environment responsibility, given our role as a care company for the most fragile, we consider our primary priority is to fulfil the 15 ESG commitments set out in February this year. In particular Korian is continuing to invest in recruitment, training and contribution to our local communities. Through the Covid Solidarity Fund put in place in April and our two Foundations, we continue to support the research into the diseases affecting the elderly and promoting the role of carers, whilst maintaining the dialogue with our stakeholders. "

The audited consolidated financial statements for the six months ended 30 June 2020 were approved by the Board of Directors at its meeting of 30th July 2020.

The consolidated financial statements have been prepared in accordance with the new lease accounting standard, IFRS 16. For purposes of comparability, the financial information below is presented excluding the application of IFRS 16.

The financial statements for H1 2020, 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, and cash flow statement appended to this press release highlight the impacts of IFRS 16.

Adapted network environment

Korian's sole focus during the crisis was to ensure the safety and continuity of care for its residents and patients whilst maintaining the connexion with their loved ones and to protect its staff.

The Group was entirely mobilised during the epidemic. A dailiy exchange with the facilities was essential to ensure the support of the staff and to ensure the fluid delivery of stocks despite of the lockdown mesures. Significant support was provided to the sites the most affected (5,000 supplementary staff were mobilised at the peak of the crisis). The involvement of the employee and union representatives also contributed to the efficiency of the exchanges with the network. In order to acknowledge the exceptional engagement shown by the teams, the Group has paid specific bonuses to around 49,000 employees. This commitment has also been appreciated by the residents' families, 92% of whom agree or strongly agree that the staff were extremely mobilised during the Covid crisis as reported in an IFOP survey for Korian carried out in 82% of Korian Nursing homes network in France with 612 families between 8th and 12th June 2020.

Korian has made part of its network available and more than 1,000 Covid-specific beds have been used at the height of the crisis to relieve pressure on hospitals in France, Germany and Belgium.

Thanks to Omedys, telemedicine capacity has been rolled out to 50% of the French nursing home network. This highly appreciated solution will be rolled out to the entire network by the end of the year instead of the by 2021 as initially planned.



From May, Korian has organised to operate safely in a long term Covid-19 environment.

In this context the Group mobilised rapidly to implement a Vigi-Covid plan based on the best practices of the network during the crisis. The plan is structured around a Europe-wide baseline covering hygiene, quality and safety, applicable to all of the network and accompanied by specific on site training. Bureau Veritas has been selected to ensure the correct deployment of these standards, these audits are ongoing and will cover 100% of the network across Europe by the end of September 2020. The Vigi-Covid plan is now integrated into the deployment of ISO 9001 across all facilities by 2023.

In parallel, the Group has launched a feedback process with its staff, residents, families and external stakeholders to contribute and prioritise the action plans to be implemented over the coming months.

Half-year results and Q2 revenue

Korian posted a Q1 revenue of 941.6M€, a strong revenue growth of 8.0% compared to last year, including 3.7% organic¹ growth, in spite of the impact on medical activity in Italy from the initial lockdown measures in March.

In Q2 2020 revenue was up 4.4% to €934.9 million, organic growth stood at -1.6% notably impacted by the complete shutdown of surgery and outpatient activities, with no public compensation in Italy, without these impacts the organic growth would have been +1.4%.

In the first half of 2020, **revenue** totalled €1,876.5 million, up 6.2% on the same period the previous year. Organic growth is positive at +1.0% and +2.9% without Italy, reflecting the high level of activity despite the lockdown measures in place in our different countries. This resilience is the direct result of the ongoing transformation and diversification of the portfolio. The home care activity grew by 27% over the period showing the relevance of these solutions during the crisis.

Since June, with the easing of lockdown in each region, activity is returning to normal across the network, in line with the different decisions taken by local health authorities. In particular the healthcare activities are showing a clear uptick.

Responding to the strong demand in each community the Group is pursuing its diversification and developing ambulatory solutions, to provide new forms of local support in line with its 'In Caring Hands' project and its ESG commitments.

¹ Organic growth: organic revenue growth includes: a) the change in revenue (between year N and the previous year (N-1)) generated by existing facilities; b) the revenue generated in year N by facilities set up in N or N-1; c) the difference in revenue (N vs N-1) generated by restructured facilities or facilities of which the capacity was increased in year N or in N-1; d) the change in revenue recorded in year N relative to the equivalent period of N-1 for recently-acquired facilities.



This diversification relies its digital capacity in order to facilitate the home and ambulatory care services. Korian has concluded two new partnerships by taking a majority stake with Group VYV in the start up Technosens and by investing in Medicalib.

Taking into consideration the acquisitions and facility openings, the network grew significantly over the period, with 3,371 beds added to reach a total of 86,046 beds. At the same time, the Group has continued to increase its outpatient places by 35% in the French clinic network, while Italy continued to increase its ambulatory capacity.

The Group's **EBITDAR** for the first half of 2020 was €442.9 million with an EBITDAR margin of 23.6%. Restated from one-off Covid-19 related costs the EBITDAR was €462.9 million, in line with last year, with an EBITDAR margin dropping to 24.7% due to lower revenue and a maintained cost structure to ensure a high level of care.

Half-year results by country:

- In **France and Spain**, strong revenue growth of 6.1% (versus 6.4% in 2019) and a maintained positive organic growth of +1.8% driven by the transformation, renovation and repositioning of the network over the last three years, particularly in the healthcare segment.
The Group acquired over the period the clinics of the group 5 Santé, specialised in pulmonary care, and reinforced its presence in the assisted living in cities through the acquisition of the groupe Les Essentielles, following the development since 2018 of Ages & Vie - the co-renting solutions in rural areas. The home care division has continued to grow throughout the crisis. In Spain, revenue more than doubled since June 2019 to €16.9 million. The EBITDAR margin is 26.2% (versus 27.3% in June 2019), reflecting the impact of lost revenue in a fixed-cost environment.
- In **Germany**, revenue grew by 5%, (versus 5.2% in June 2019), a strong organic growth of 3.5%. Home care activity rose by 30% over the period. The acquisitions completed in 2019 and the recent acquisition of Qualivita also contributed to the solid growth in this market. The EBITDAR margin is 24.5% (versus 25.1% in June 2019) resulting from the drop in entries following lockdown measures.
- In the **Benelux region**,² reported growth remained strong at 14.2% (versus 21.6% in 2019), with organic growth up 5.7%. Growth was driven by the acquisitions in the Netherlands over the last 12 months: the platform now includes 33 facilities and around 950 beds, and by the increased demand for home care. The EBITDAR margin was nearly stable at 23.7% (versus 25.0% in June 2019).
- In **Italy**, revenue was down marginally by -1.2% reflecting the interruption of the activity in clinics and healthcare centres (representing around 40% of the countries revenues) that was not compensated. On the other hand, the Group has continued to reinforce its network by acquiring five clinics in Tuscany, the group Santa Chiara, thus reinforcing its regional offer with ambulatory care, consultation and rehabilitation capacity, and acquiring a number of specialised rehabilitation clinics and nursing homes in other regions. The EBITDAR margin dropped to 18.8% (versus 24.0% in June 2019) as a result of the decline in revenue.

²Including Belgium with € 259.3 million and the Netherlands €24.3 million



Korian's **EBITDA** impacted by Covid-19 totalled €227.4 million including an impact of around €60m for lost revenues and additional costs from the different effect of the pandemic. The EBITDAR margin is down by 250 basis points to 12.1%. Restated from the one-off Covid impacts of €20m, EBITDA amounts €247.5 million with a 13.2% EBITDA margin.

Korian decided to maintain its investment policy during this period and invested €516 million in the continued modernisation and diversification of its network and the development of ambulatory care capacity.

These investments include notably real estate investments. The Group now owns 23% of its operated network, representing over €2.3 billion in value and a net value of over €1 billion after taking into account the real estate debt.

The Group will continue to invest in real estate and, as necessary, continue to pursue a partnership strategy, either with local partners, as has been put in place with Ages & Vie, or at corporate level.

The Group's operating free cash flow fell over the period to €43.6m, reflecting significant cash outflows linked to the management of the crisis as well as sustained investments.

Earnings before interest and taxes (EBIT) amounted to €121.2 million, i.e. 6.5% of revenue (versus 9.2% in 2019), while **net profit (Group share)** totalled €20.3 million, following a tax impact of €14.1 million bringing the tax rate on a temporary basis to 39.5% (versus 35.0% in 2019).

Strong liquidity and a solid financial structure

Korian had over €1 billion of liquidity at the end of June 2020 with significant cash of €645 million on the balance sheet and an undrawn €500 million syndicated facility. This facility was extended by a year in March 2020, showing the support of the Group's banking partners and their confidence at the height of the pandemic.

Korian also succeeded in raising funds over the period at attractive rates and its Sustainability-Linked Euro PP issuance (€173m with a maturity of 8 years) attracted significant appetite from investors. The remuneration is directly linked to the Group's success at delivering on a number of its ESG commitments.

The Group's balance sheet is resilient, with an adjusted leverage ratio³ of 3.7x. Net financial liabilities increased to €3,695 million from €3,156 million at end-December 2019. Real estate debt came to €1,290.3 million, compared with a real estate portfolio value of €2,329 million and therefore a loan-to-value ratio of 55%, versus 52% in 2019.

³ Adjusted leverage ratio: $(\text{net debt} - \text{property debt}) / (\text{adjusted EBITDA} - 6.5\% * \text{property debt})$.

- Adjusted EBITDA: consisting of 12 months of EBITDA from acquisitions completed during the year, restated for a theoretical rental amount.

- The 6.5% rate corresponds to the average capitalisation rate as specified in the syndicated loan agreement.



ESG commitments and Human Resources

Bearing in mind our particular social and environment responsibility in each of the communities where we are present and in particular given our role as a care company for the most fragile, Korian defined and prioritised 15 measurable and concrete commitments covering its role with each of its stakeholders, fragile people, their carers and families, staff members, local partners and suppliers.

As a direct consequence and given the job market, the Group has notably been engaged this semester on the development of qualifying trainings (with an aim to have 8% of its workforce in one of these trainings by 2023) and the quality of employment.

In terms of training, the Group has obtained in France and Italy the authorisation to open Apprenticeship centres for the care profession (*CFA Soins*). This will allow the Group to train and qualify Korian's existing and future care staff in these countries, in line with what is already in place in Germany. From 2021 Korian aims to have more than 2,500 apprentices of which 800 in France – doubling from 2019.

Korian continues its recruitments across the network, hiring of 4,000 permanent staff over the period.

In terms of quality of employment, after signing the Health and Safety Charter at the end of last year for all of the countries, Korian is pursuing the rollout of a range of initiatives. In France a dedicated Occupational Safety team has been put in place to ensure the use of safe and appropriate methods to reduce work-related accidents. In Germany a new digital tool (Humanoo) has been deployed to support the health of the teams and the German Korian Foundation has been launched and is focused on the health of carers. In addition to this during the pandemic, psychological assistance was put in place to support the teams.

These different actions are part of the topics identified with the staff and trade union representatives, in particular through the new European Works Council (EWC) which held its inaugural meeting in Paris on Wednesday, 24 June 2020.

Finally, leveraging its Solidarity Fund endowed with € 1 million euros, notably from the contribution by the President, CEO and the Board members of 25% of their total remuneration for 2020, the Group will strengthen its actions in its communities and will support, via the Medical Research Foundation in France, two research programmes into the treatment of Covid-19.

Outlook

Since June, with the gradual easing of restrictions, the activity of the Group is normalising. The clinic activity in particular has seen a rapid uptick in activity in the different geographies and the new entries into the Group's nursing homes is back to a normal level. The Group expects this trend to continue over the second semester.

Korian is also actively pursuing its development and transformation projects (with 249 projects ongoing and overall a pipeline of 14,500 beds), the development and diversification of its offer, with notably



alternative solutions such as Ages & Vie and the continuing expansion of ambulatory capacity, which is expected to rise by 50% in France.

Based on this momentum the Group expects an strong level of activity in the second semester of 2020. However given the uncertainty of the sanitary situation, the Group only expects to be able to provide revenue and margin guidance after the Q3 publication on 28th October.

A complete feedback process following the Covid-19 crisis is under way with all stakeholders and the mid-term updated strategy and priorities will be shared in the autumn through an Investor Day on November 10th, 2020.

Presentation of H1 2020 results – Investor meeting

This presentation will be broadcast live at the www.korian.com website (Investors section) or via the following link: https://channel.royalcast.com/webcast/korianen/20200730_1/

The presentation document will be available online

About Korian

Korian is the leading European care and support services group for the elderly and fragile.

www.korian.com

Korian has been listed on Euronext Paris (Compartment 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

Euronext Ticker: KORI – ISIN: FR0010386334 – Reuters: KORI.PA – Bloomberg: KORI.FP

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Appendices

Quarterly Revenue

1st quarter

€m	Revenue per country		Reported growth	Organic growth
	Q1 2020	Q1 2019	Variation %	
France*	460.9	424.8	8.5%	4.8%
Germany	245.2	233.6	5.0%	3.8%
Benelux**	139.1	123.7	12.5%	5.1%
Italy	96.4	89.5	7.7%	-4.0%
TOTAL	941.6	871.6	8.0%	3.7%

* Including Spain €8.6m in Q1 2020 vs €3.9m in Q1 2019

** Including Belgium €129.0m and Netherlands €10.1m in Q1 2020

2nd quarter

€m	Revenue per country		Reported growth	Organic growth
	Q2 2020	Q2 2019	Variation %	
France*	456.2	440.0	3.7%	-1.0%
Germany	251.6	239.4	5.1%	3.3%
Benelux**	144.5	124.6	16.0%	6.2%
Italy	82.6	91.7	-9.9%	-28.0%
TOTAL	934.9	895.7	4.4%	-1.6%

* Including Spain €8.3m in Q2 2020 vs €4.3m in Q2 2019

** Including Belgium €130.3m and Netherlands €14.2m in Q2 2020



1st half-year

€m Country	Revenue per country		Reported growth	Organic growth
	H1 2020	H1 2019	Variation %	
France*	917.1	864.9	6.0%	1.8%
Germany	496.8	473.0	5.0%	3.5%
Benelux**	283.6	248.3	14.2%	5.7%
Italy	179.0	181.2	-1.2%	-16.1%
TOTAL	1876.5	1767.3	6.2%	1.0%

* Including Spain €16.9m in H1 2020 vs €8.2m in H1 2019

** Including Belgium €259.3m and Netherlands €24.3m in H1 2020

Group income statement

M€	H1 2020 <i>Incl. IFRS 16</i>	Ajustements IFRS 16	H1 2020 <i>Excl. IFRS 16</i>	H1 2019 <i>Excl. IFRS 16</i>	Δ
Revenue	1 876.5	-	1 876.5	1 767.1	6.2%
Staff costs	(1 096.4)	-	(1 096.4)	(983.2)	11.5%
% of revenue	58.4%	-	58.4%	55.6%	+280 bps
Other costs	(338.9)	1.6	(337.3)	(323.9)	4.1%
% of revenue	18.1%	-	18.0%	18.3%	-30 bps
EBITDAR	441.3	1.6	442.9	460.0	(3.7%)
% of revenue	23.5%	-	23.6%	26.0%	-240 bps
External rents	(34.0)	(181.5)	(215.5)	(201.7)	6.8%
% of revenue	1.8%	-	11.5%	11.4%	+10 bps
EBITDA	407.3	(179.9)	227.4	258.3	(12.0%)
% of revenue	21.7%	-	12.1%	14.6%	-250 bps
Amortisation & Depreciations	(257.7)	160.1	(97.6)	(87.0)	12.2%
Provisions	(8.6)	-	(8.6)	(8.6)	0.1%
EBIT	141.0	(19.8)	121.2	162.7	(25.5%)
% of revenue	7.5%	-	6.5%	9.2%	-270 bps
Non current expenses	(20.8)	-	(20.8)	(6.1)	n.a
Operating income	120.1	(19.8)	100.3	156.6	(35.9%)
% of revenue	6.4%	-	5.3%	8.9%	-360 bps
Financial result	(97.1)	32.5	(64.6)	(60.8)	6.3%
Net income before tax	23.1	12.7	35.7	95.8	(62.7%)
Income tax	(11.4)	(2.7)	(14.1)	(33.5)	(57.9%)
Tax rate	49.5%	21.2%	39.5%	35.0%	+450 bps
Minority Interests	(1.3)	-	(1.3)	(2.2)	(41.8%)
Net profit - Group share	10.4	10.0	20.3	60.1	(66.1%)
% of revenue	0.6%	-	1.1%	3.4%	-230 bps



Group cash flow statement

M€	H1 2020 <i>Incl. IFRS 16</i>	IFRS 16 impact	H1 2020 <i>Excl. IFRS 16</i>	H1 2019 <i>Excl. IFRS 16</i>	Δ
EBITDA	407.3	179.9	227.4	258.3	(12.0%)
Non cash & others	(15.9)	6.7	(22.6)	(29.6)	
Change in WCR	(32.1)	0.9	(33.0)	(11.4)	
Operating Capex	(48.2)	-	(48.2)	(44.0)	
Operating cash flow	311.0	187.5	123.6	173.3	(28.7%)
Income taxes paid	(32.2)	-	(32.2)	(28.1)	
Financial expenses paid/received	(80.3)	(32.5)	(47.7)	(58.6)	
Operating free cash flow	198.6	154.9	43.6	86.6	(49.6%)
Development Capex	(52.7)	-	(52.7)	(38.1)	
Financial investments (bolt-on acquisitions)	(225.8)	-	(225.8)	(167.4)	
Net free cash flow	(79.9)	154.9	(234.8)	(119.0)	
Dividends paid	(5.7)	-	(5.7)	(4.5)	
Real estate investments / divestments	(238.0)	-	(238.0)	(172.6)	
Non-cash adjustments to net debt & other	(243.8)	(187.6)	(56.2)	(1.0)	
Change in total net debt	(567.4)	(32.7)	(534.7)	(297.1)	