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Korian bolsters its position in mental health, entering into exclusive discussions for the acquisition of Inicea, the sector's third largest French operator

Korian announces a capital increase of 400 M€ with preferential subscription rights to finance the acquisition of Inicea

- **Creation of a dedicated "Mental Health" business unit within Korian France, adding Inicea's 19 establishments to Korian's 11 psychiatry and addictology clinics, together representing 17% of the private psychiatric care capacity in France: Korian becomes the third largest player in the sector**
- **Capital increase of 400 M€ with preferential subscription rights to finance the acquisition and to accelerate the Group's development, with the support of the two main shareholders who hold c. 32% of the share capital and are represented on the Board of Directors**
- **Strong activity in Q3 2020 with revenue expected to grow by 5 to 6% compared to Q3 2019**
- **2020 revenue expected to grow by at least 5% compared to the previous year, with a stable EBITDA margin relative to H1**
- **Confirmation of revenue target (now greater than 4.5 Bn€) and EBITDA margin objective (>15.5%) of the "In Caring Hands" plan, with a time horizon of 2022 instead of 2021**

Korian, the European leader in care and support services for the elderly and dependent, has entered into exclusive negotiations for the acquisition of Inicea, the third largest private psychiatry player in France, with Antin Infrastructure Partners, an independent private equity firm focused on infrastructure investments, for a total consideration of c. 360 M€ of which c. 140 M€ is real estate.

The transaction has been unanimously approved by Korian's Board of Directors. It remains subject to customary conditions precedent¹. Closing is expected during Q4 2020.

Sophie Boissard, Chief Executive Officer of Korian, said: *"With the addition of Inicea to Korian, we are bolstering our mental health activities and creating a dedicated business unit to better respond to public health needs of the regions in which we operate. This is first and foremost the coming together of two teams that share the same values and the same high standards of social and environmental responsibility for our patients, residents, employees, their families*

¹ In particular obtaining the necessary regulatory and antitrust approvals

and all our stakeholders around a common medical goal: the development of local ambulatory services."

Pierre Forest, Chief Executive Officer of Inicea, commented: "Inicea has grown over the past years with the support of Antin Infrastructure Partners to become a renowned mental health operator in France, in particular by developing the original concept of independent day hospitals, which creates a solution of greater local proximity. We are delighted to be joining Korian, who we know through its activities in psychiatric care. We are convinced that with the help and expertise of Korian's teams, in particular in digital expertise and innovative technologies, we will start a new stage of our development by putting into action an ambitious project in response to the growing demand for psychiatric care."

Angelika Schöchlin, Senior Partner at Antin Infrastructure Partners, declared: "We are proud to have supported Inicea in its development over the course of the last four years, allowing it to increase its number of establishments from 10 to 19 with the construction of 6 day hospitals and the acquisition of 3 clinics. Inicea has developed the quality of its patient care through an ambitious investment program within its real estate portfolio, specifically by means of renovation and extension projects. We are confident that joining Korian will allow the Group to further accelerate its development in the private psychiatry market."

Inicea: a leading player in psychiatric care

Inicea, with the support of Antin Infrastructure Partners and under the leadership of Pierre Forest and his team, has become the third largest operator in French psychiatry with a network of 19 clinics, of which 7 are independent day hospitals, and with a total of 1,220 beds, or 10% of the sector's capacity. Today it is recognised for its high quality care for people suffering from mood disorders, schizophrenia, depression or addictions. Beyond full hospitalisation, Inicea has been developing since 2013 a network of 7 independent day hospitals and plans to open a further 7 by 2023. Inicea is also at the forefront of therapeutic solutions, implementing virtual reality and repetitive transcranial magnetic stimulation (RTMS) therapies. It also makes use of telemedicine solutions for patient monitoring.

Inicea benefits from an outstanding reputation for its operational excellence and the quality of its services, 100% of its clinics being graded "A" or "B" by HAS.

Inicea owns the real estate of over half of its establishments and mostly operates in the Ile de France region, in the North of the Rhône Alpes region and in Nouvelle Aquitaine.

Inicea expects revenues to exceed 100 M€ in 2020, representing a 6% increase compared to 2019.

Korian creates a new dedicated mental health business unit within its French operations, which will represent 17% of the total private psychiatry market in France

Combining the 11 psychiatry and addictology clinics that it already held with Inicea's 19 establishments, Korian will establish a new dedicated mental health business unit, accounting for over 150 M€ in revenue in 2020. This activity should see sustained development thanks to the planned opening of 5 day hospitals in the vicinity of Korian clinics, based on the successful model Inicea has developed. Conversely the expertise Korian has in terms of telemedicine and

digital management of care pathways, with MoveInMed, will allow to develop these forms of care within Inicea's clinics. In total, the new business unit is aiming for 200 M€ in revenue by 2025, equivalent to an average annual growth rate of at least 6%.

The creation of this new business unit will also bring specialised expertise in gerontopsychiatry and depression to other care and medical establishments of Korian's network.

Considering the organic growth opportunities and the cost synergies arising from the integration of these two networks, the new business unit will improve the Group's margin as early as 2021.

Overall, this acquisition allows the Group to develop its capacities in mental health, where the latest estimates show unmet demand of at least 15,000 beds and spaces, equivalent to 15% of the existing capacity in France.

400 M€ capital increase with preferential subscription rights to fund the acquisition of Inicea and to accelerate the development of the Group, supported by the shareholders

The acquisition of Inicea forms part of the Buy and Build growth strategy established by the Group 3 years ago and will be financed through a capital increase with preferential subscription rights totalling 400 M€, which will cover the financing of this acquisition and the acceleration of the development of the Group. It will be launched subject to market conditions and before the end of 2020.

Korian's capital increase will allow it to finance the cost of Inicea's acquisition as well as to refinance its debt, for a total of c. 360 M€. With the remainder, it will be able to finance the Group's future growth in line with its development strategy.

Korian's two largest shareholders, represented on the Board of Directors, hold c. 32% of the share capital and have confirmed that they support both the acquisition and the capital increase and intend to participate in the capital increase pro rata their shareholding. This reflects their confidence in the Group's strategy and in its mid-to long-term growth potential. The format of the rights issue will also allow all other existing shareholders to participate in the financing and accompany the future growth of the Group.

Covid-19 situation update

As part of the Covid-19 vigilance plan (Vigi-Covid) Korian has defined a common standard for all its facilities (nursing homes and specialised clinics) incorporating all the best practices in terms of hygiene, traceability and preventative measures implemented during the first wave of the pandemic.

An audit campaign (hygiene diagnostics) covering all of the Group's European facilities was entrusted to Bureau Veritas on 1st July 2020 with the aim of ensuring the correct application of these standards and of supporting the workforce in its implementation. These audits have already been completed at 90% of the Group's 949 facilities; 80% of these establishments demonstrated exemplary standards.

The Group has also implemented a systematic testing policy, according to local laws and regulation. Since June, close to 150,000 tests have been carried out across the network.

On the 24th September, 222 cases of Covid-19 were diagnosed out of the 70,000 residents in Korian's care homes, 9 in 10 of those being asymptomatic.

In spite of the fact that 94% of the establishments in the European network currently have no residents testing positive for Covid-19, the Group remains extremely vigilant regarding the development of the health situation. It would like to pay tribute to its teams, its residents, its patients and their families for the responsibility and solidarity that they demonstrate.

Update on Korian's near-term activity and mid-term guidance

The third quarter of 2020 has shown higher levels of activity compared to the second due to the uptick in health and medical activities following the easing of lockdown measures imposed by local authorities. Korian therefore expects that revenue for the three months ended 30 September 2020 will range from 945 M€ to 965 M€, equivalent to growth of around 5 to 6% compared to the third quarter of 2019, including the contribution of acquisitions in the last twelve months and a limited organic growth.

In spite of the significant uncertainty linked to the pandemic, the Group expects growth in excess of 5% in 2020.

From a profitability standpoint, the Group expects a slight improvement during the second half of FY 2020, resulting in a full year EBITDA margin greater than 13.2% excluding IFRS 16 and Covid-19 related one-off impacts (or 12.1% including Covid-19 one off costs), equivalent to c. 23.0% including the effect of IFRS 16 (22.1% including Covid-19 one off costs).

In the medium term, the various projects the Group has undertaken regarding medicalising and diversifying the services it offers to meet the growing needs of elderly and vulnerable people allow it to target total revenue of 4.5 Bn€ by 2022. The EBITDA margin objective is 15.5% excluding the impact of IFRS 16 in 2022 (c. 24% including IFRS 16 with around 80 M€ of leases) whilst maintaining the financial leverage ratio below 3.5x.

An online meeting for Korian's investors will take place on 8th October, 2020, replacing the capital markets day previously scheduled for 10th November, 2020.

Next event

Korian has brought forward the publication of its 2020 Q3 results to 19th October, 2020.

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This press release includes "forward-looking statements". All statements other than statements of historical facts included in this press release, including, without limitation, those regarding Korian's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Korian, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Korian's present and future business strategies and the environment in which Korian will operate in the future. Additional factors could cause actual results, performance or achievements to differ materially.

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