ORPEA GROUP

2021 Full-Year results

13 May 2022

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2021 Full-Year results

Q1 2022

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Introduction

Philippe CHARRIER
Chairman & CEO

Actions undertaken by the Group following investigations

ORPEA GROUP

Operational Management

Enhanced dialogue with residents, families and stakeholders

- Hotline and external mediation
- Roundtable talks around the elderly in French nursing homes, held between May 13 and June 18 June 2022
- Establishing an Ethics Committee for France

Review and simplification of quality control procedures

- Systematic **pre-signaling of material adverse events**
- **Simplification of procedures**

Human resources

Overhaul of Social Dialogue

- In April 2022, execution of a global partnership agreement with UNI Global Union
- Reorganization of staff representative bodies in France
- Health and safety training for employees
- Reinforcing teams with HR experts

Developing employer attractiveness and loyalty

- Enhancement of **career paths,** including through VAE* (objective: 300 graduations p.a) and apprenticeship (500 roles p.a)
- **Wage analysis** by employment area
- Systematic use of **overtime** in case of absenteeism

Management and business ethics

Ethics

- **Filing of a complaint against unnamed person, unrelated to accommodation and care conditions for residents,** but related to past capital partnerships or economic operations that could involve third parties or persons linked to the group
- Initiation of **disciplinary measures** that have already led to several redundancies
- Active promotion of our **whistleblowing system** for employees and of our **Code of conduct - Ethics and CSR**

Organization

- Move towards increased **decentralization** and heightened **autonomy** for facility directors
- Strengthening of **internal controls**

** VAE : validation of Acquired Experience*

Major change in corporate governance

Appointment of Mr. Laurent Guillot as Chief Executive Officer (effective July 1st, 2022)

A highly-experienced profile to tackle the challenge of the Group's transformation

- Extensive international experience
- Former Deputy CEO of Saint-Gobain, including 6 years as Group Chief Financial Officer and 5 years as CEO of the High-Performance Solutions division
- Independent Director and Chair of the Audit and Risk Committee of the Safran Group

Board of Directors

- Appointment of 4 new Directors (including Mr. Guillot), to be proposed at the next General Meeting as a first step

Charged with conducting a review of “transforming” ORPEA into a “Société à mission” (*)

(*) mission-driven company; legal status created by the French “Pacte” law in 2019

Strong fundamentals

COMMITTED EMPLOYEES

- Above average engagement rate in France (2022 Korn Ferry study)
- Continued hiring programs, outnumbering departures in France
- Numerous support messages received during the crisis

RESILIENT FACILITIES

- High-quality services, recent real estate and strategic locations in the heart of cities
- No facility closures despite an unprecedented number of inspections
- Very few resident departures related to the crisis, reflecting the strong trust in Orpea locally

RECOGNIZED KNOW-HOW

- >30 years of experience
- Wide variety of medical specialties
- A pioneer in the development of specialized units for Alzheimer's, highly dependent residents and non-drug therapy
- Partnerships with renowned universities

A COMPREHENSIVE CARE OFFERING

- Mid and long-term care for physical and mental conditions:
  - Nursing homes
  - Rehabilitation and mental health hospitals
  - Assisted Living
  - Homecare and Home Services
- Present in more than 20 countries

SOCIAL RESPONSIBILITY

- A company willing to provide solutions to societal challenges of old age and Dependency
- In line with demographic and epidemiological trends

2,250 beds created across 35 facilities opened in 2021

Financial results

Laurent LEMAIRE
Group CFO

Key figures 2021

REVENUE	**€4,299m** +9.6% / +5.5% org.
EBITDAR	**€1,070m (margin = 24.9%)**
NET PROFIT (GROUP SHARE)	**€65m**
GROSS FIN. DEBT AND CASH	Gross debt **€8.8bn** | +€1.3bn Cash **€0.95bn**
REAL ESTATE (EXCLUDING ASSETS HELD FOR SALE)	**€8.2bn** | + €1.2bn

Financial communication has been approved by the Board of Directors on 12 May 2022. The 2021 financial statements are currently being audited.

Evolution of revenue

Audit in progress

(€m)	Revenue 2021	Revenue 2022	Growth %	Organic Growth % *
France Benelux UK Ireland	2,363.9	2,643.2	11.8%	7.2%
Central Europe	1,010.6	1,086.0	7.5%	2.3%
Eastern Europe	365.6	395.2	8.1%	7.3%
Iberian Peninsula + Latam	179.1	171.1	-4.5%	-2.9%
Other countries	3.2	3.1	-5.3%	-2.4%
Total	**3,922.4**	**4,298.6**	**9.6%**	**5.5%**

- The fiscal year 2021 saw a solid performance with revenue growth of +9.6% (+5.5% organic) in the context of rising occupancy rates.

** Organic growth of Group revenue reflects the following factors: 1. The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates; 2. The year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period; 3. Revenue generated in the current period by facilities created during the year or year-earlier period, and the change in revenue of recently acquired facilities by comparison with the previous equivalent period.*

EBITDAR growth

Audit in progress

(€m)	Ebitdar 2020	Ebitdar 2021	Var. %	Ebitdar 2020 %	Ebitdar 2021 %
France Benelux UK Ireland	632.4	694.4	9.8%	26.8%	26.3%
Central Europe	269.1	283.9	5.5%	26.6%	26.1%
Eastern Europe	52.5	60.9	15.9%	14.4%	15.4%
Iberian Peninsula + Latam	9.5	31.9	234.4%	5.3%	18.7%
Other countries	-0.6	-0.9	42.3%		
Total	**963.0**	**1,070.2**	**11.1%**	**24.6%**	**24.9%**

- EBITDAR up 11.1% and margin up 35 bps to 24.9%
- Dilutive impact from "Ségur de la Santé" on the margin of the France Benelux UK Ireland region of -100 bps and -60 bps on the Group

EBITDA growth

Audit in progress

(€m)	2020	2021	Var. %	2020 excluding IFRS16	2021 excluding IFRS16
Revenue	3,922.4	4,298.6	+9.6%	3,922.4	4,298.6
Staff costs	(2,210.3)	(2,428.9)	+9.9%	(2,210.3)	(2,428.9)
Staff Costs %	(56.4%)	(56.5%)	(15bps)	(56.4%)	(56.5%)
Other Costs	(749.1)	(799.5)	+6.7%	(755.2)	(806.0)
Other Costs %	(19.1%)	(18.6%)	+50bps	(19.3%)	(18.8%)
EBITDAR	963.0	1,070.2	+11.1%	956.9	1,063.6
EBITDAR %	24.6%	24.9%	+35bps	24.4%	24.7%
Rents	(36.5)	(29.5)	(19.2%)	(354.0)	(381.7)
EBITDA	926.5	1,040.7	+12.3%	602.9	688.5
EBITDA %	23.6%	24.2%	+59bps	15.4%	16.0%

- EBITDA up 12.3% and margin up 59bps to 24.2%
- The main driver of margin growth in 2021 resulted from a lower Covid impact

Accounting position as of 31/12/2021 vs IGF-IGAS

<u>FOR THE 2017-2021 PERIOD</u>

The Group has recorded an exceptional provision of **€83.2m**:

- Surpluses on care and dependency allowances: €58.9m
- Non-compliant charging of expenses on public subsidies for care and dependency: €5.9m
- Fees for services on purchasing of products financed by public funds: €18.4m

In line with the answers given to the IGF-IGAS (*), the company has not recorded any provision for:

- the assistant nurses "filling in" (acting as caregivers), considering this practice to be widespread in the sector in the context of a notorious lack of personnel
- the CVAE (**) and C3S (***): in fact comparable to a payroll tax

(*) IGF: *Inspection Générale des Finances*, French inspectorate general for finance – and IGAS: *Inspection Générale des Affaires Sociales*, French inspectorate general for social affairs
(**) CVAE: tax calculated based on the value added generated by the company
(***) C3S: the social contribution of solidarity of societies (C3S) participates in the financing of the old-age insurance

Specific accounting items in 2021

Audit in progress

Adjustements following IGF-Igas report * (A)	(€m)
2017-2021 surpluses	(58,9)
Services to suppliers 2017-2020	(18,4)
Non compliant charges 2017-2020	(5,9)
Total provisions for liabilities and charges	(83,2)

Impairments (B)	(€m)
Impact financial costs	(20,0)
Non-recurring items	(48,2)
Total impairments	(68,2)

Total A+B	(151,4)

* IGF: Inspection Générale des Finances, French inspectorate general for finance – and IGAS: Inspection Générale des Affaires Sociales, French inspectorate general for social affairs

Net Profit

Audit in progress

(€m)	2020	2021	Incl. 2021 specific items	2020 excluding IFRS16	2021 excluding IFRS16
EBITDA	926.5	1,040.7		602.9	682.0
EBITDA %	*23.6%*	*24.2%*		*15.4%*	*15.9%*
Amort. dep and provision	(503.6)	(645.0)	(83.2)	(233.4)	(344.7)
EBIT	422.9	395.7		369.5	337.3
Financial result	(256.7)	(248.9)	(20.0)	(184.0)	(168.7)
Non current	44.1	(41.1)	(48.2)	43.5	(42.5)
Net income before tax	210.3	105.8	(151.4)	228.9	126.0
Income tax	(52.6)	(37.5)		(56.9)	(42.1)
Minority interest	2.3	(3.0)		2.3	(3.0)
Net result - Group share	160.0	65.2		174.3	80.9
Net result %	*4.1%*	*1.5%*		*4.4%*	*1.9%*

- Impact of the specific accounting items in 2021 of **€151.4 million before tax**

Cash flow statement excluding IFRS 16

Audit in progress

In €m - excluding IFRS16	2020	2021
Net cash from operating activities	**440**	**401**
Investments in construction projects	-427	-988
Acquisition of real estate	-324	-279
Disposals of real estate	232	284
Net real estate investments	**-519**	**-983**
Net investments in operating assets and equity investments	**-488**	**-422**
Net cash from financing activities	**617**	**1,068**
Change in cash over the period	50	63
Cash at the end of the period	**889**	**952**

- Very strong acceleration of construction investments in 2021 (+ €561 M vs 2020)
- Net real estate investments almost doubled to €983m in 2020
- Investments in operating assets mainly include the acquisitions of Sensato (Switzerland) / FirstCare, Belmont and Brindley (Ireland)
- €952m of cash at the end of 2021

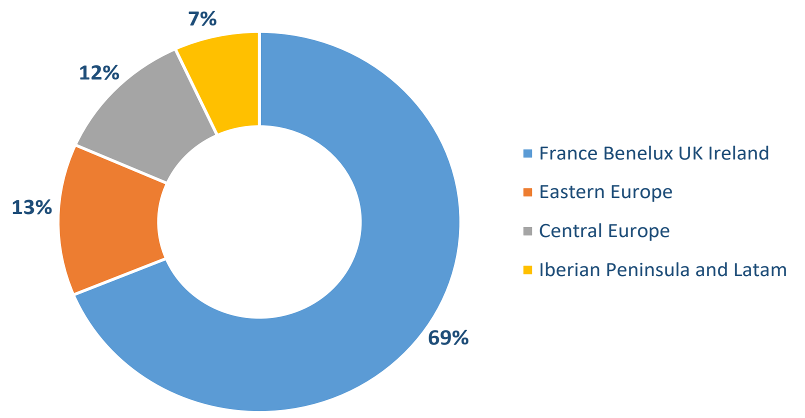
Real estate portfolio

Audit in progress

	2020	2021	*Var.*
Ownership rate	47%	46%	*-1 pt*
Total value (€m)	6,969	8,179	*1210*
Average Cap rate (appraisal by Cushman & Wakefield and JLL)	5.36%	5.27%	*-9 bps*

Including change in fair value of +€267m

GEOGRAPHICAL SPLIT OF REAL ESTATE PORTFOLIO (*) (IN VALUE)



(*) built assets, including assets held in co-ownership

REAL ESTATE OWNERSHIP RATE BY GEOGRAPHICAL AREA

	2021
Total Groupe	**46%**
France Benelux UK Ireland	**49%**
Central Europe	**19%**
Eastern Europe	**70%**
Iber. Peninsula+Latam	**73%**

Network expansion in 2021

	Nb of sites in operation	Nb of beds in operations
France Benelux UK Ireland	560	45,275
Central Europe	235	23,668
Eastern Europe	118	11,819
Iberian Peninsula+Latam	69	9,026
Other countries	1	154
Total	**983** *	**89,942**

2021 DEVELOPMENT DRIVEN BY OPENINGS AND ACQUISITIONS

- **Opening of 35 new facilities** **~ + 2,250 beds**
- **Acquisitions** **~ + 2,900 beds**

EXAMPLES OF OPENINGS IN 2021

Berlin (Germany)

172 beds, nursing homes and assisted living flats

Girona (Spain)

132 beds, nursing homes and assisted living flats

Cluses (France)

128 beds, rehabilitation hospital

Castellon (Spain)

150 beds, nursing homes and assisted living flats

* As of 31.12.20, number of sites published (1,114) included sites under construction and not yet in operation. The figure mentioned above (983) only includes sites in operation.

Financial debt at 31.12.2021

Audit in progress

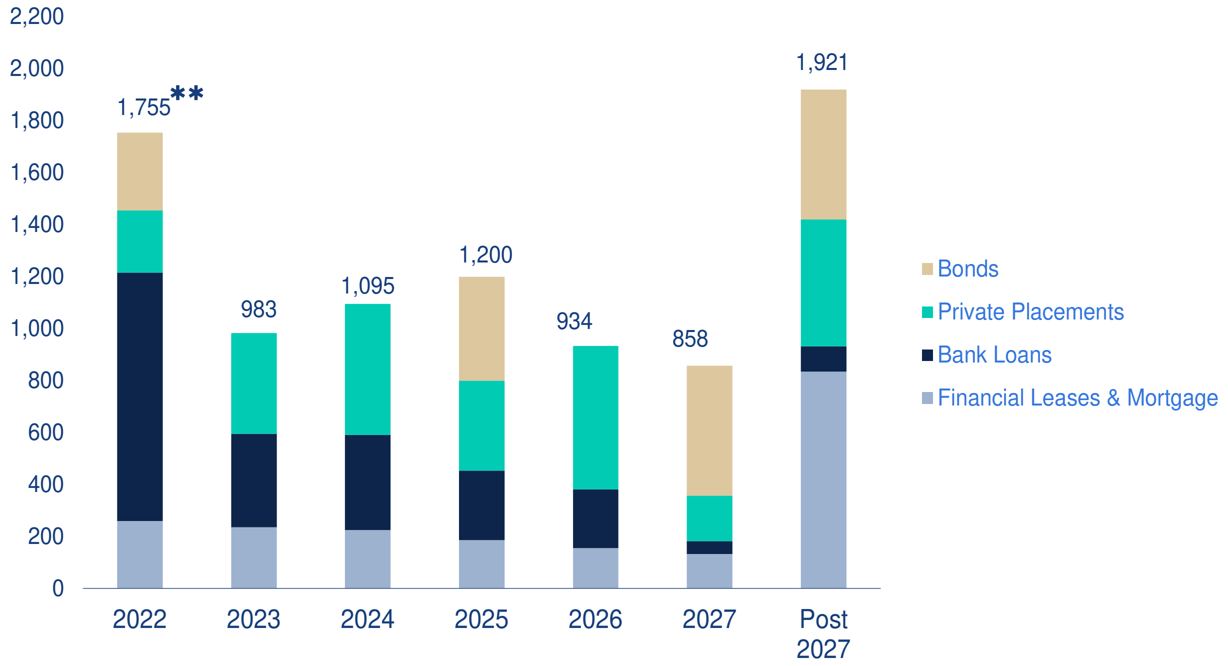
DEBT AND COVENANTS

Indicators	31.12.20 restated IFRS 16	31.12.21 restated IFRS 16
Gross financial debt (€m)	7,542	8,837
Cash	889	952
Net Financial debt (€m)	6,654	7,885
% Real estate debt	87%	88%
Restated financial leverage [1]	3.4	3.6
Restated gearing [2]	1.6	1.7

[1] $\frac{\text{Net Fin.debt– real estate debt}}{\text{Ebitda – (6\%*real estate debt)}}$

[2] $\frac{\text{Net Financial Debt.}}{\text{Equity + Quasi Equity}}$

MATURITY PROFILE OF GROSS DEBT (€M) *



* Excluding factoring programs
** Including c.€850m maturing in H2

Q1 2022 revenues

(€m)	Revenue Q1 2021	Revenue Q1 2022	Growth %	Organic Growth % *
France Benelux UK Ireland	635.7	679.2	6.8%	3.4%
Central Europe	260.1	283.0	8.8%	5.6%
Eastern Europe	90.7	101.3	11.7%	9.9%
Iberian Peninsula + Latam	40.1	55.3	37.7%	14.8%
Other countries	0.7	0.9	35.7%	35.7%
Total	**1,027.3**	**1,119.7**	**9.0%**	**5.0%**

- Solid growth momentum across geographies in Q1 2022
- In France, the difficult environment led to a decrease in nursing homes occupancy rates during the quarter, compared to levels observed before the crisis
- Group occupancy rate in Q1 2022 remains higher than that observed in Q1 2021
- Inclusion of Brazil Senior Living in the scope of consolidation as of 1/1/2022

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2022 outlook

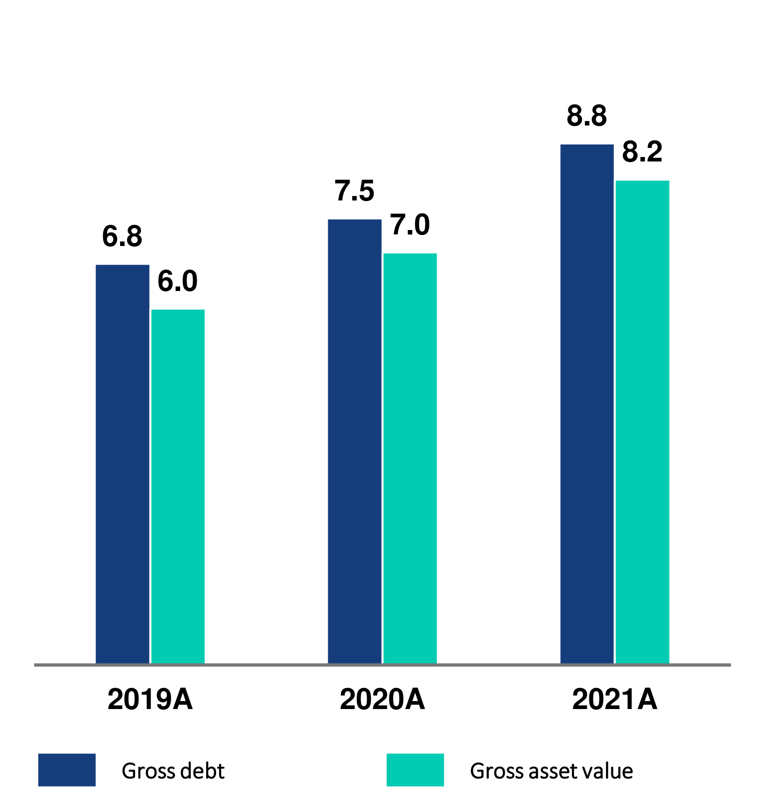
- Continued revenue growth momentum, benefiting from numerous new site openings (more than 3,000 new beds opened over the period) and favorable activity trends at an international level and in clinics in France

- The Group anticipates that its operating profitability will be affected by the unfavorable inflationary environment, particularly regarding energy costs as well as payroll increases in certain countries

- The Group will also have to face exceptional costs and expenses related to the crisis management

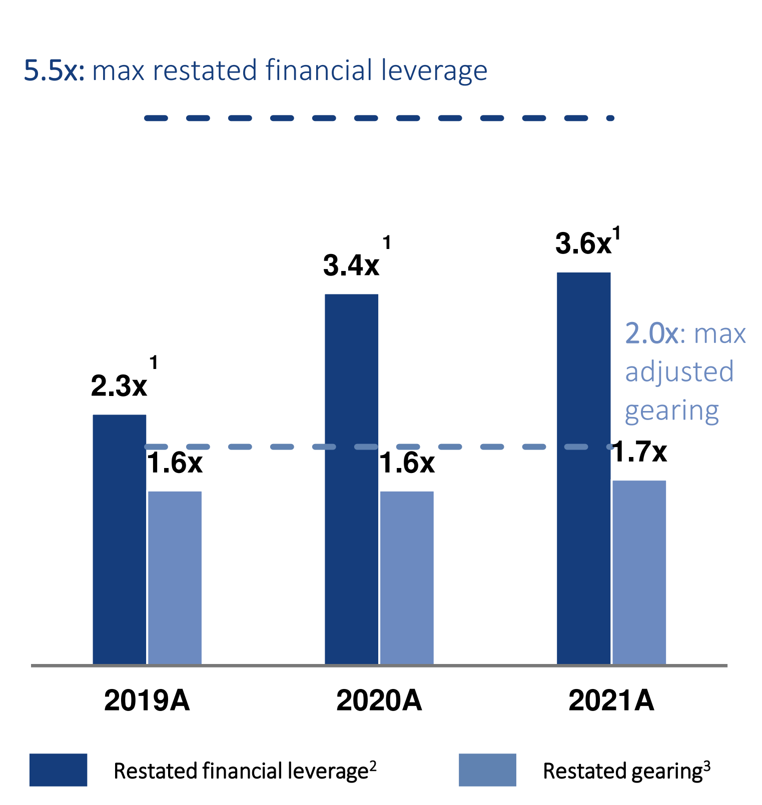
Current financing structure

GAV and gross debt evolution (€bn)



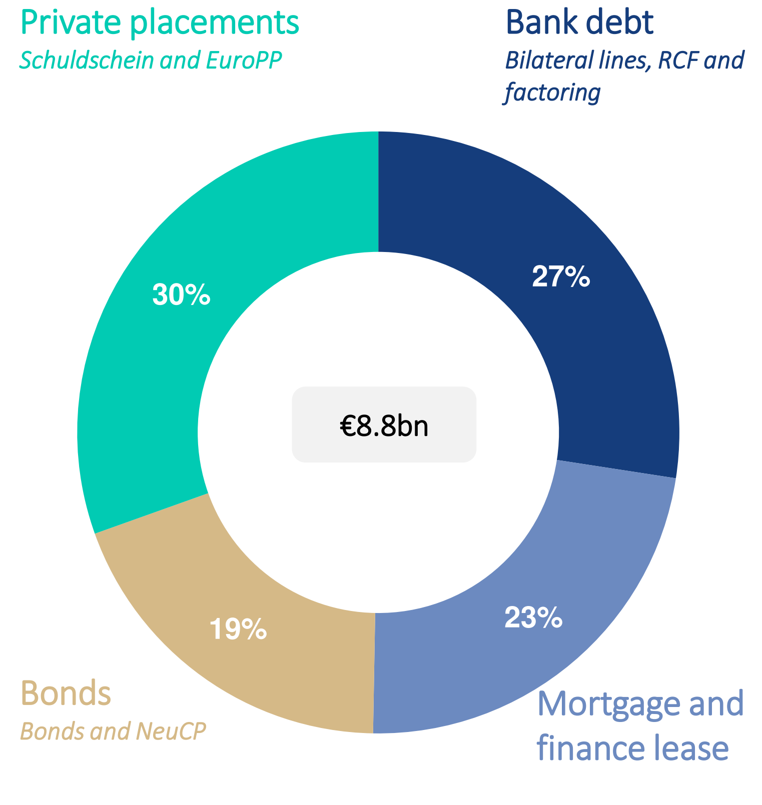
Development of a real estate portfolio financed by a significant increase in indebtedness

Covenants evolution (x)



Substantial increase in restated leverage over the past 3 years

Gross debt by type as of end 2021 (%)



Significant reliance on bilateral / amortizing credit facilities

Notes
(1) Pre IFRS 16
(2) (Net financial liabilities – Real estate debt)/(EBITDA – (6% x Real estate debt))
(3) Net financial debt / (Equity + quasi equity)

The need to reset the financing strategy was exacerbated by the 2022 context

ORPEA GROUP

1 In 2022, the Group needs to address two major challenges:

- Significant investments engaged for the development of its real estate portfolio (annual amount of c.€900m for 2022 and 2023)
- Significant debt repayments

2 Orpea faces a slowdown of the asset disposal program initially envisaged, alongside the closure of capital markets under these exceptional circumstances

3 Against this backdrop, the Group has taken several initiatives:

- Establishing a €1.7bn syndicated credit facility with core banking partners as part of a conciliation protocol
- Initiation of an asset disposal program of at least €3bn by the end of 2025, of which €1bn by the end of 2023
- At the next General Meeting, the Board of Directors will propose cancelling the dividend for the 2021 financial year

4 This will allow the incoming CEO to conduct a strategic review and propose a new financial policy for the group

Financing plan

Key financing plan items

€1,733m new money facilities

Medium term financing

- €600m Term Loan partially amortizing:
  - June 24: €100m, December 24: €100m, June 25: €100m
- €233m[1] Term Loan (bullet) to finance existing debt repayment schedule
- Maturity at Dec-2025

Short term financing

- €900m short-term financing, structured in several tranches
- Maturity range June-2023 to Dec-2023 with a 6-month extension option for Orpea subject to conditions

Refinancing facility (optional)

- Optional Term Loan tranche (up to €1,500m) open to all existing lenders, aimed at refinancing unsecured bank facilities
- Bullet with maturity on Dec-2026

Key highlights

1. New debt facilities underwritten by core banking pool (Crédit Agricole, BPCE Group, BNP Paribas, Crédit Mutuel Alliance Fédérale, La Banque Postale and Société Générale)
2. To allow its implementation, these facilities will be subject to a “conciliation homologation” by the commercial court of Nanterre
3. All new facilities are secured on select assets and subsidiaries[2]
4. “Conciliation homologation” expected by mid-June 2022 and drawings planned between June and September 2022, upon compliance with customary conditions
5. Blended interest rate of new facilities: Euribor + 3.9%[3]
6. Covenant: minimum cash level of €300m tested on a quarterly basis from June 2023

Notes
(1) Amount of €233m could be reduced depending on the final amount of the optional tranche
(2) These financings will benefit from pledges over the shares of the subsidiaries Clinéa and CEECSH (representing respectively 25% and 32% of the Group's revenues). Following certain reorganisations to be carried out within the Group, the pledge will be over shares in Clinéa France and the Group's activity in Germany representing respectively 25% and 16% of the Group’s revenues
(3) Excluding the optional refinancing facility with a E + 5% margin

Conclusion

Philippe CHARRIER

Chairman & CEO

Summary

- A **resilient** business, based on **solid fundamentals**
- **Committed teams** in France and abroad
- A group aware of its **social responsibility** as a key player in the dependency care sector and determined to learn from the crisis
- Renewed **governance** with diversified skills and experience to support the transformation
- Structured **financing** put in place to stabilize the balance sheet
- 3,000 beds and 53 additional facilities by 2022

A Group determined to play a full and leading role

in finding solutions to the challenges of Old Age and Dependency