# 2022
# HALF-YEAR RESULTS

28 September 2022

GROUPE

# BEYOND THE CRISIS

**LAURENT GUILLOT**
**Chief Executive Officer**

# A KEY PLAYER IN A SECTOR WITH STRONG UNDERLYING TRENDS

**Ever aging European population**

**Boomers to represent largest part of our residents and patients by 2030**

**Increasing rehabilitation and mental health treatment throughout Europe and the world**

# STRONG LOCAL ASSETS ON WHICH TO REBUILD

**71,000 committed professionals and close to 1,000 facilities**

**Strong care expertise and processes based on long practices and knowledge**

**Extended network with top 3 positions on main markets**

# HOWEVER

Unethical behaviors and deviant practices at the very top of the company

H1 review of P&L and B/S leading to significant impact

Broken internal control & management processes

2022 operational performance below expectations due to crisis and macro environment

Weakened financial situation due to too fast internationalization and real estate development financed heavily by increasing leverage

# HALF-YEAR 2022 KEY FIGURES

## REVENUE

**€2,295m**
+10.9% / +6.4% org.

## EBITDAR

**€427m**
(margin = 18.6%)

## NET RESULT
(GROUP SHARE)

**- €269m**
(incl. €186m of intangible and financial assets depreciation)

## FINANCIAL DEBT & CASH

| | |
|---|---|
| Gross debt | **€9,476m** |
| Cash | **€1,133m** |

## COVENANTS
(AS OF JUNE 2022)

**Leverage 3.6x** (max 5,5x)
**Gearing 1.9x** (max 2.0x)

# REBUILDING ORPEA 1/2

## MAY

**First steps to redesign financial strategy**

## JULY

**Renewed Board with experienced members**

## JULY – SEPTEMBER

**Immediate actions to ensure:**

- Proper ethical principles to social responsibility
- Safety and working conditions of our colleagues
- Quality of care and support for our patients, residents and families

# REBUILDING ORPEA 2/2

## JULY – SEPTEMBER

**Renewed management team with focus on key functions at stake: Medical, HR, Real Estate, Communication EVPs**

**Reconnection with all stake holders with a fair and transparent approach: employees, residents, patients and families, authorities, shareholders**

**REFOCUSING ON CARE IS THE ONLY WAY TO GENRATE PROFITABLE AND SUSTAINABLE GROWTH**

# HY22 RESULTS

**LAURENT LEMAIRE**
**Group Chief Financial Officer**

# H1 2022 REVENUE

| (€m) | Revenue H1 2021 | Revenue H1 2022 | Growth % | Organic Growth %* |
|---|---|---|---|---|
| FRANCE BENELUX UK IRELAND | 1,277.8 | 1,391.1 | 8.9% | 5.9% |
| CENTRAL EUROPE | 516.4 | 577.3 | 11.8% | 5.8% |
| EASTERN EUROPE | 192.7 | 210.0 | 9.0% | 6.7% |
| IBERIAN PENINSULA + LATAM | 81.1 | 114.2 | 40.8% | 15.2% |
| OTHER COUNTRIES | 1.5 | 1.9 | 26.1% | 24.1% |
| **TOTAL** | **2,069.5** | **2,294.6** | **10.9%** | **6.4%** |

**Organic revenue growth supported by ramp-up of new facilities, notably in the Netherlands and Eastern Europe, as well as a higher average occupancy rate vs. H1 2021**

**In France, activity in nursing homes was affected by the crisis, leading to a decrease in occupancy rate compared with the start of the year followed by a progressive recovery**

**Key perimeter effects:**
**Brazil Senior Living Group since 1/1/2022 following the buyout of minority interests;**
**2021 acquisitions in Ireland (Brindley, Belmont, FirstCare) and Switzerland (Sensato)**

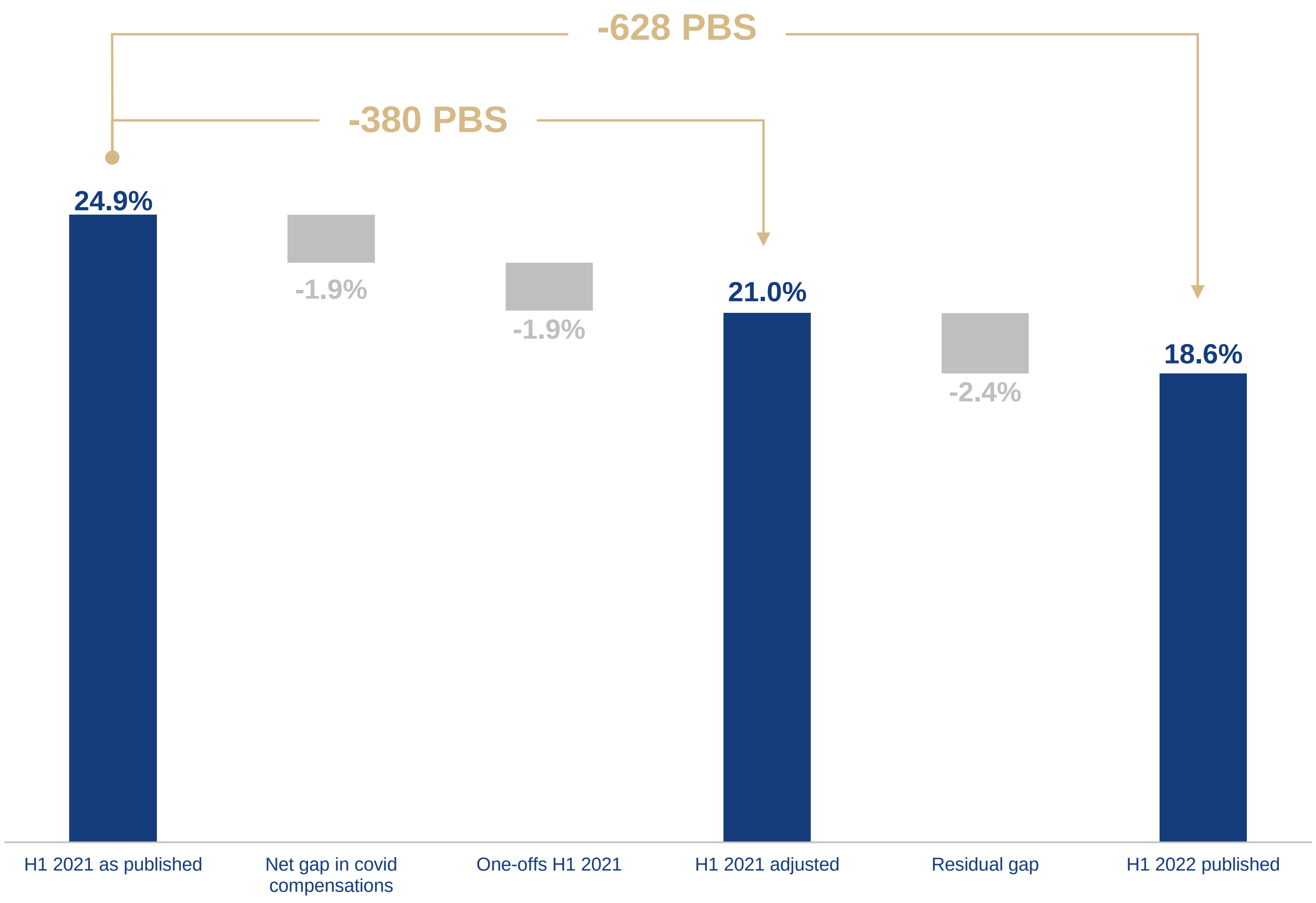
*Organic growth in consolidated revenue reflects the following factors: 1. The year-on-year change in revenue of existing facilities as a result of changes in their occupancy and per diem rates; 2. The year-on-year change in revenue of redeveloped facilities or facilities where capacity was increased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

# BRIDGE EBITDAR MARGIN H1 2021 VS. H1 2022

| (as published) | H1 2021 | H1 2022 |
|---|---|---|
| REVENUE (€m) | 2,070 | 2,295 |
| EBITDAR (€m) | 515 | 427 |
| EBITDAR (%) | 24.9% | 18.6% |

**One-offs identified specific to H1 2021: €40m (reversal of provisions, …)**

**Net impact of reduction in Covid compensations between H1 2021 and H1 2022: €40m (gross amount received in H1 2021 €99m vs. €53m in H1 2022). Slight increase in occupancy rate between H1 2021 and H1 2022 was not sufficient to offset the net impact of reduction in covid compensations**



# EVOLUTION OF EBITDAR MARGIN

| (€m) | H1 2021* | Net Covid impact | One-offs 2021 | H1 2021 adjusted | H1 2022 | Var. |
|---|---|---|---|---|---|---|
| **REVENUE** | 2,069.5 | | | 2,069.5 | 2,294.6 | +10.9% |
| STAFF COSTS | (1,275.8) | | (16.0) | (1,291.8) | (1,438.5) | +11.4% |
| **STAFF COSTS %** | **(61.6%)** | | | **(62.4%)** | **(62.7%)** | **(27bps)** |
| OTHER COSTS % | (278.8) | (40.2) | (24.0) | (343.1) | (429.3) | +25.1% |
| **OTHER COSTS %** | **(13.5%)** | | | **(16.6%)** | **(18.7%)** | **(213bps)** |
| EBITDAR | 514.9 | (40.2) | (40.0) | 434.7 | 426.7 | (1.8%) |
| **EBITDAR %** | **24.9%** | | | **21.0%** | **18.6%** | **(241bps)** |

**The reduction in performance between H1 2021 adjusted EBITDAR% [21,0%] and H1 2022 EBITDAR % [18,6%] is -241 bps**

**This -241 bps reduction is very largely driven by Other Costs (-213 bps) whereas the Staff Costs evolution was limited (-27 bps)**

**The increase in Other Costs happened in a highly inflationary environment whereas prices charged to patients and residents remained almost stable in the short term**

**The most significant inflationary effects in H1 2022 concerned catering (~ +15%) and especially energy (~ + 50%)**

**As a result of the hedging policy decisions made in 2021, the company's energy purchases for 2022 are only partially hedged, and there is no hedging on electricity in France in particular. As a result, the Group's energy costs as a percentage of revenue in the first half of 2022 stood at 2.9%, compared with 1.9% in the first half of 2021.**

*Staff costs and Other costs have been reclassified vs. H1 2021 published figures, in order to better reflect their nature (interim, tax on wages)

# EVOLUTION OF EBITDAR MARGIN BY GEOGRAPHY (AS PUBLISHED)

| (€m) | EBITDAR H1 2021 published | EBITDAR H1 2022 published | Var. % | EBITDAR H1 2021 % | EBITDAR H1 2022 % |
|---|---|---|---|---|---|
| FRANCE BENELUX UK IRELAND | 333.0 | 251.8 | (24.4%) | 26.1% | 18.1% |
| CENTRAL EUROPE | 137.0 | 133.5 | (2.6%) | 26.5% | 23.1% |
| EASTERN EUROPE | 29.0 | 30.1 | 3.8% | 15.0% | 14.3% |
| IBERIAN PENINSULA + LATAM | 16.0 | 12.0 | (25.1%) | 19.7% | 10.5% |
| OTHER COUNTRIES | (0.1) | (0.6) | | | |
| **TOTAL** | **514.9** | **426.7** | **(17.1%)** | **24.9%** | **18.6%** |

# EVOLUTION OF EBITDAR MARGIN BY GEOGRAPHY

## (VS. H1 2021 ADJUSTED)

| (€m) | EBITDAR H1 2021 published | RESTATEMENTS | EBITDAR H1 2021 adjusted | EBITDAR H1 2022 published | Var. % vs 2021 adjusted | EBITDAR H1 2021 % adjusted | EBITDAR H1 2022 % | Var. |
|---|---|---|---|---|---|---|---|---|
| FRANCE BENELUX UK IRELAND | 332.8 | (56.9) | 275.9 | 251.8 | -8.7% | 21.6% | 18.1% | (349bps) |
| CENTRAL EUROPE | 137.3 | (22.4) | 114.9 | 133.5 | 16.1% | 22.3% | 23.1% | +86 bps |
| EASTERN EUROPE | 29.2 | (1.0) | 28.3 | 30.1 | 6.4% | 14.7% | 14.3% | (35bps) |
| IBERIAN PENINSULA + LATAM | 16.1 | - | 16.1 | 12.0 | -25.6% | 19.9% | 10.5% | (936bps) |
| OTHER COUNTRIES | (0.5) | | (0.5) | (0.6) | 23.2% | | | |
| **TOTAL** | **514.9** | **(80.2)** | **434.7** | **426.7** | **-1.8%** | **21.0%** | **18.6%** | **(241bps)** |

### FRANCE BENELUX UK IRELAND

- **FRANCE:** H1 2022 performance reduced by the crisis. Progressive recovery in occupancy rate totally offset by significant increase in energy costs (no hedging on electricity), other inflation effects (of which food) and the impact of an active recruitment policy.
- **BELGIUM:** significantly impacted by energy costs.

### CENTRAL EUROPE

- **GERMANY:** increase in occupancy rate. Limited impact of energy (hedging).
- **ITALY AND SWITZERLAND:** strong inflationary impact on energy and other costs.

### EASTERN EUROPE

- **AUSTRIA:** profitability slightly impacted by inflationary impact on purchases. Limited impact of energy (hedging).

### IBERIAN PENINSULA + LATAM

- **SPAIN:** strong impact of inflation (energy and other costs) ; increase in occupancy rate.
- **LATAM:** dilutive effect stemming from the entry of Brazil Senior Living Group into the consolidation perimeter.

# FOCUS P&L

## IGF- IGAS PROVISION (in Amortization, depreciation and prov.)

- End of December 2021, a provision of €83.2m had been booked following IGF-IGAS report
- End of June 2022, this provision amounts to €100.8m. This increase of €17.6m results from:
  - €14.3m corresponding to the estimated H1 2022 surpluses on care and dependency allowance
  - €3.3m following the request by the French “Caisse Nationale de Solidarité pour l’Autonomie“ (CNSA) on July 29th
- Total amount requested by CNSA: €55.8m
  - ORPEA undertook to reimburse €25,6m corresponding mainly to social taxes, year end discounts from suppliers on purchases financed on the care section → complementary provision of €3.3m booked + existing provision lines reallocated
  - With regard to staff expenses related to life assistants filling in as caregivers (€30.2m) → no provision registered in H1 2022 accounts

## NON CURRENT

- Includes €20m costs linked to the management of the crisis
- Includes asset depreciations for €186m:
  - Intangible assets: goodwill (Brazil: €79m) + operating licenses (€49m in several countries)
  - Financial assets: advances granted to associates mainly in Belgium (€58m)

# ADDITIONAL INFORMATION TO H1 2022 FINANCIAL STATEMENTS

Assets depreciations end of June 2022 have been focused on a limited number of specific Cash Generating Units (CGU)

The financial statements at June 30, 2022 do not include the possible accounting impacts of the strategic plan review currently being prepared that will be used as the basis for updating the annual impairment of goodwill and intangible assets on all CGU's as at 31 December 2022 and the annual valuation of property assets

Advances granted by the ORPEA to partners (associates, joint ventures and other companies) amounted to €697 million at 30 June 2022

A significant part of these receivables concerns one partner → negotiations ongoing to unwind the partnerships and recovering the real estate assets in exchange for the receivables

To date, and without prejudging the outcome of these negotiations in H2, no significant future losses anticipated given the value of the underlying property

# NET RESULT

| (€m) | H1 2021 | H1 2022 |
|---|---|---|
| EBITDAR | 514.9 | 426.7 |
| **EBITDAR %** | **24.9%** | **18.6%** |
| EBITDA (*) | 499.4 | 414.9 |
| **EBITDA %** | **24.1%** | **18.1%** |
| Amort. depr. and provision | (268.7) | (333.2) |
| **Recurring operating profit** | **230.7** | **81.8** |
| Financial result | (109.2) | (96.1) |
| Non current | 11.6 | (251.4) |
| Net income before tax | 133.1 | (265.8) |
| Income tax | (30.9) | (5.6) |
| Share in profit/(loss) of associates and JVs | (0.3) | 2.6 |
| Minority interest | 0.5 | (0.5) |
| **Net result – Group share** | **102.4** | **(269.4)** |

Includes IGF-IGAS additional provision (+€17.6m) previously mentioned + impact of the increase
in the number of facilities (both owned and rented with IFRS 16 mechanism)
on depreciation

H1 2022 includes +€24M one-off
with no cash impact
(reversal of inefficiency hedging effect)

Cf details mentioned in slide no. 15

(*) EBITDA excluding IFRS 16 : H1 2021: €325.5m; H1 2022: €209.0m

# CASH FLOW

| (€m) – Including IFRS16 | H1 2021 | H1 2022 |
|---|---|---|
| Cash-flow from operations | 445 | 338 |
| Change in working capital | (51) | 14 |
| **NET CASH FROM OPERATING ACTIVITIES** | **394** | **352** |
| CAPEX (incl. construction projects) | (296) | (473) |
| Acquisition of real estate | (158) | (2) |
| Disposals of real estate | 29 | 5 |
| Net investments in operating assets and equity investments | (378) | (48) |
| Net cash from financing activities | 470 | 347 |
| Change in cash over the period | 60 | 181 |
| **CASH AT THE END OF THE PERIOD** | **949** | **1,133** |

**Good resilience of net cash from operating activities despite reduction in profitability**

**Capex driven by acceleration of construction projects initiated in H2 2021**

**Net Investments in operating assets and equity significantly reduced and focused on existing commitments (Brazil, Netherlands...)**

**> €1.1Bn in cash at the end of June 2022**

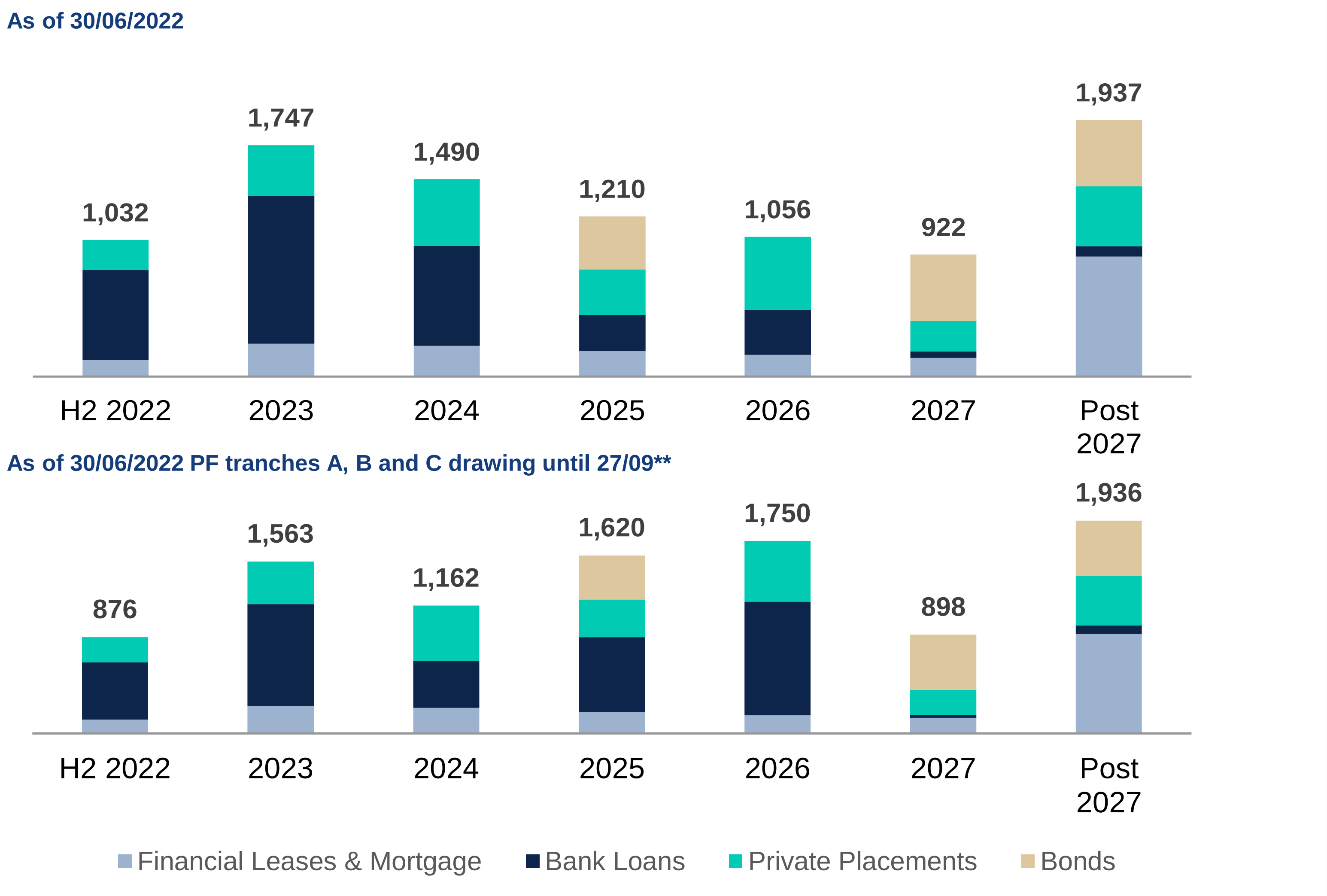
# UPDATE ON THE FINANCING PLAN AGREED WITH THE CORE BANKING POOL IN JUNE 2022

| Loans | A1 | A2/A3 | A4 | B | TOTAL | C (C1+C2)*** |
|---|---|---|---|---|---|---|
| Principal (€m)* | 700 | 600 | 200 | 229 | 1,729 | 1,500 |
| **SITUATION AS OF 30/06/2022** | | | | | | |
| Drawings | 689 | 198 | 0 | 0 | 887 | 0 |
| Undrawn amount | 11 | 402 | 200 | 229 | 842 | 0 |
| **SITUATION AS OF 27/09/2022** | | | | | | |
| Drawings | 700 | 600 | 0 | 155 | 1,454 | 796 |
| Undrawn amount | 0 | 0 | 200 | 74** | 274 | 704**** |

* As presented in the Press Release dated 13 June 2022 ** Remainder to be drawn at the end of each month until 31 December 2022 to refinance the core banking group contractual bilateral debt installments *** New financing facilities used to refinance existing unsecured debt (excluding bonds and *Schuldschein*) **** Rest of the envelop (€704m) could be proposed, as appropriate, to bilateral unsecured creditors outside the core banking group excluding Euro PP and *Schuldschein*

# DEBT MATURITY PROFILE ON 30TH JUNE 2022

## MATURITY PROFILE OF GROSS FINANCIAL DEBT (€M)*




- excluding factoring program with €128m drawn as at 30 June 2022 and issuance costs for €46m. Repayment of the RCF considered as the final maturity dates of the committed facilities.

** Tranche A1 (€700m), A2/A3 (€600m), B (€155m), C (€796m)

# DEBT AND COVENANTS

| Indicators (€m) | 31st Dec. 2021 Excluding IFRS 16 | 30th June 2022 Excluding IFRS 16 |
|---|---|---|
| Gross financial debt | 8,863 | 9,476 |
| Cash | 952 | 1,133 |
| Net financial debt | 7,910 | 8,343 |
| Net real estate debt (used for covenant calculation) | 6,937 *87.7%* | 8,047 *96.5%**** |
| Restated financial leverage (R1)* | 3.66x (max 5.5x) | 3.58x (max 5.5x) |
| Restated gearing (R2)** | 1.73x (max 2.0x) | 1.87x (max 2.0x) |

**End of June 2022, R1 and R2 covenants apply to ~€4.1Bn financial debt. R1 and R2 do not apply to the new financing announced in June (Loans A1/A2/A3/A4, B and C1/C2)**

- **ORPEA expects the downward trend in the financial performance of its activities experienced in H1 2022 compared with H1 2021 to continue into the second half of the year and considers it may be amplified by additional volatility observed recently in energy markets.**
- **In this context, and depending on the recovery of the occupancy rate, the Group's EBITDAR margin in the second half of 2022 could be lower than in the first half of 2022, which would require ORPEA to approach the relevant creditors in order to renegotiate these financial covenants.**
- **Such process would only be undertaken in the event of a proven risk of non-compliance with such ratios, with a view to preserving the Group's financial structure.**

* (Net Fin.debt – net real estate debt) / [Ebitda LTM excluding IFRS 16 – (6% x net real estate debt)]
** (Net Financial Debt) / (Equity + Quasi Equity)
*** Starting June 2022, the approach has been redefined in order to better reflect the actual allocation of debt to real estate. This allocation is now done on a detailed line by line approach.

# NETWORK AS OF 30 JUNE 2022

| *Based on fully consolidated entities, as of 30 June 2022 (*)* | Nb of sites in operation | Nb of beds in operation |
|---|---|---|
| FRANCE BENELUX UK IRELAND | 544 | 43,831 |
| CENTRAL EUROPE | 235 | 23,608 |
| EASTERN EUROPE | 123 | 12,591 |
| IBERIAN PENINSULA + LATAM | 79 | 9,997 |
| OTHER COUNTRIES | 1 | 154 |
| **TOTAL** | **982** | **90,181** |

## EXAMPLES OF OPENINGS in H1 2022

### Stompetoren (Netherlands)

24 beds created, nursing home

### Fohnsorf (Austria)

156 beds created, nursing home and assisted living flats

### Les Lilas (France)

88 beds created, rehabilitation hospital

### Cormontreuil (France)

47 beds created, rehabilitation hospital

(*) sites in operation. Excluding outpatient.
The figures presented going forward differs from the methodology applied previously. The number of sites and beds in operation are relative to the entities fully consolidated at the end of the period reported.

# CONCLUSION

**LAURENT GUILLOT**
**Chief Executive Officer**

# REBUILDING ORPEA: NEXT STEPS

**NOW THAT THE NEW GOVERNANCE AND MANAGEMENT TEAM ARE IN PLACE, QUICKLY REBUILD INTERNAL CONTROL AND RIGHT AND FAIR MANAGEMENT PROCESSES**

**Expand action plans on:**

Ethics & Responsibility:
Zero tolerance on deviant practices

Safety and Working conditions of our colleagues

Quality of care and support for our patients, residents and families

**Refocus on care is the only way to make sustainable and profitable growth:**

Pursue real estate disposals after first transaction annnounced in July for €126M

Transformation plan to be presented in the fall

Adapt financial strategy in accordance with the evolution of macroeconomic and financial situation, taking into account the transformation plan

**REFOCUS ON OUR STRONG LOCAL ASSETS**

# DISCLAIMER

This document contains forward-looking statements that involve risks and uncertainties, including references, concerning the Group's expected growth and profitability in the future which may significantly impact the expected performance indicated in the forward-looking statements. These risks and uncertainties are linked to factors out of the control of the Company and not precisely estimated, such as market conditions. Any forward-looking statements made in this document are statements about the Company's beliefs and expectations and should be evaluated as such. Actual events or results may differ from those described in this document due to a number of risks and uncertainties that are described within the Company's Universal Registration Document available on the company's website and on the French financial markets regulator, AMF's website (www.amf-france.org), and in the Half-Year 2022 financial report which will be published in French version on 30 September 2022.