

# PRESS RELEASE



Paris, 15 March 2017

## Solid financial performance in 2016

- Annual revenue grew 15.8%, to almost €3 billion, driven by strong growth momentum outside of France, which accounted for almost 50% of revenue
- EBITDA surged 23.5% to €422 million, for an operating margin of 14.1% compared to 13.3% in 2015
- First benefits of structural actions implemented to strengthen the profitable growth model
- 2017 targets in line with Korian 2020 Plan road map

Korian, the European leader in Ageing Well, is reporting today on its full-year consolidated results for the year ended 31 December 2016.

Sophie Boissard, Chief Executive Officer of the Korian group, commented, "We did very well in 2016, achieving our objective for revenue and exceeding our target for operating margin. This performance was largely made possible by the benefits we are starting to reap from the structural actions we undertook in 2016, which will put us on track to achieve the objectives of the Korian 2020 Plan. These actions include the strengthening of our management team, significantly improving our control and performance monitoring processes, a new real estate policy and a major programme to boost our organic growth, which is central to our business model. Given the success we have achieved in stabilizing and developing our operations in 2016, our group's key strengths and our highly committed employees, I am very confident that we will be able to accelerate our profitable growth in Europe's fast-growing market for accompaniment and healthcare services for the elderly."

In € millions	2015	2016	change
<b>Revenue<sup>1</sup></b>	<b>2,579</b>	<b>2,987</b>	<b>15.8%</b>
<b>EBITDAR</b>	<b>680</b>	<b>797</b>	<b>17.2%</b>
as a % of revenue	26.4%	26.7%	
<b>EBITDA</b>	<b>342</b>	<b>422</b>	<b>23.5%</b>
as a % of revenue	13.3%	14.1%	
<b>EBIT</b>	<b>218</b>	<b>266</b>	<b>22.0%</b>
as a % of revenue	8.5%	8.9%	
<b>Net Profit Group share</b>	<b>59</b>	<b>131</b>	<b>123.7%</b>

<sup>1</sup>Revenue and other income



## 2016 Annual Results

**Consolidated annual revenue** grew 15.8% overall in 2016, to almost €3 billion (€2,987 million), with 3.8% organic growth.

Revenue growth in France is 2.4% overall and 1.9% organically.

The 35.5% surge in growth internationally was driven by the acquisition of Casa Reha and robust organic growth of 6.7%, with 8.4% organic growth in Germany and 9.1% in Belgium. Business outside of France accounted for a considerably larger share of the Group's revenue in 2016, totalling 47%.

The number of beds operated by Korian grew by 2,744 units over the year, not including the 10,182 beds gained from the acquisition of Casa Reha. This brought the total number of beds operated at 31 December 2016 close to 72,000. The number of facilities rose from 621 to 715 over the year.

The Group's **EBITDAR<sup>2</sup>** (EBITDA before rental income) was €797 million, for a margin of 26.7%, up 30 basis points compared to 2015.

In France, EBITDAR grew by €18 million and the EBITDAR margin rose 50 basis points to 27.2%. This is largely attributable to synergy gains from the Korian-Medica merger and robust activity.

In Germany, the acquisition of Casa Reha resulted in a 59.7% surge in EBITDAR, from €144 million to €230 million, representing a margin of 27.0% in 2016. Although the EBITDAR margin fell 80 basis points over the year, it rose in the second half, benefiting from the first effects of the Success 2020 action plan.

In Italy, the EBITDAR margin was 23%, a level comparable to 2015.

In Belgium, the EBITDAR margin rose 140 basis points to 26.8%, as a result of the ramp up of newly opened facilities and cost-cutting measures.

Excluding Germany, the EBITDAR margin rose 50 basis points.

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<sup>2</sup>EBITDAR is the interim performance indicator selected by the Korian group to monitor the operating performance of its facilities. EBITDAR represents earnings from operations (EBITDA) before rental expense.



### EBITDAR by country

In € millions	2015	2016	Change
<b>France</b>	<b>410</b>	<b>428</b>	<b>4.4%</b>
<i>as % of revenue</i>	26.7%	27.2%	
<b>International</b>	<b>270</b>	<b>369</b>	<b>36.7%</b>
<i>as % of revenue</i>	25.9%	26.1%	
Germany	144	230	59.7%
<i>as % of revenue</i>	27.8%	27.0%	
Italy	71	69	-1.5%
<i>as % of revenue</i>	23.1%	23.0%	
Belgium	55	70	25.5%
<i>as % of revenue</i>	25.4%	26.8%	
<b>Group</b>	<b>680</b>	<b>797</b>	<b>17.2%</b>
<i>as % of revenue</i>	26.4%	26.7%	

**EBITDA** grew 23.5% in 2016, to €422 million. The EBITDA margin stood at 14.1%, noticeably higher than the level of 2015 (13.3%). EBITDA includes approximately €12 million in non-recurring income. Restated from this positive effect the underlying EBITDA margin in 2016 is 13.7%.

The **current operating profit** (EBIT) was €266 million, or 8.9% of annual revenue (compared to 8.5% in 2015).

**Other operating income and expenses** resulted in a net expense of €25 million in 2016, which is significantly less than in 2015. This includes expenses related to restructuring, divestitures and various contingencies.

The **income tax** line includes a one-time extraordinary net income of €72 million in 2016, which is attributable to the positive impact on deferred taxes of the decrease in the French corporate income tax rate to 28.92% that is expected in 2020.

The increase in the **financial expense** is mainly the consequence of the acquisition of Casa Reha and reflects both the cost of financing this acquisition and the impact of the application of the IAS 17 standard on the real estate portfolio.

**Net Profit Group share** was €131 million in 2016, compared to €59 million the previous year. Restated from the one-time extraordinary tax income, the **Net Profit Group share** is €59 million.



## Financial position

Net debt stood at €2,315 million on 31 December 2016, an increase of €670 million compared to 31 December 2015. This is mainly the consequence of the acquisition of Casa Reha early in 2016.

Excluding real estate liabilities, net financial debt totalled €1,477 million on 31 December 2016, resulting in a restated debt ratio<sup>3</sup> of 3.9 times EBITDA.

In July 2016, Korian renegotiated its syndicated loan, increasing its amount to €1.3 billion and extending its maturity to July 2021. This increased the average maturity of debt to about five years. At the end of 2016, the Group had significant borrowing capacity, with €650 million remaining to be drawn on the revolving tranche of this syndicated loan.

In early June 2016, Korian also launched a programme to issue up to €300 million in short-term commercial paper (formerly known as *billets de trésorerie*). By 31 December 2016, €50 million had been issued under this programme.

## A stable dividend of €0.60 per share will be proposed

At its next annual general meeting, on 22 June 2017, Korian will propose a stable dividend of €0.60 per share, with a share payment option.

## Targets for 2017 are in line with the Korian 2020 Plan road map

Korian confirms its above 5% revenue growth objective for 2017. This growth will be driven by the favorable pricing environment in the Senior business, boosted by the deployment of the Group's strategy to provide new services throughout the network, the ongoing ramp-up of the facilities opened in 2016, and the anticipated increase in the number of beds. The Korian group confirms its objective of 2,500 new bed openings. Most of the new facilities ("greenfield") will be opened in the second part of the fiscal year. Growth momentum is expected to be more dynamic in the second half.

The Group is expecting an operating margin (EBITDA/CA) of about 13.7%, stable compared to 2016 underlying margin and in line with the Korian 2020 Plan road map.

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<sup>3</sup>Restated debt ratio = (Net financial liabilities – real estate debt) / adjusted EBITDA - (6.5% \* real estate debt)



### **Presentation of 2016 financial results**

A live webcast of the presentation of the 2016 Annual Results will take place at 8:30 a.m. (Paris time) on Thursday 16 March on [www.korian.com](http://www.korian.com) in the Investors section. The presentation slides will be made available before the presentation.

A recorded version will be available on line during the day.

The presentation of results is also accessible by telephone at:

In French: +33 (0) 1 70 77 09 33

In English: +33 1 70 77 09 44

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#### **ABOUT KORIAN**

**Korian, an expert in care and support services for the elderly**, manages the first European network of nursing homes, specialized clinics, assisted living facilities, hospital care and home-care services with 715 facilities. Present in four countries (France, Germany, Belgium and Italy), the Group has a capacity of more than 71,500 beds and employs around 47,000 people. [www.korian.com](http://www.korian.com)

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**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**

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



## 2016 CONSOLIDATED REVENUE<sup>4</sup>

In € millions	2015	2016	Reported growth	Organic growth <sup>5</sup>
<b>France</b>	<b>1,536</b>	<b>1,572</b>	<b>2.4%</b>	<b>1.9%</b>
<i>as % of revenue</i>	<i>59.5%</i>	<i>52.6%</i>		
<b>International</b>	<b>1,043</b>	<b>1,414</b>	<b>35.5%</b>	<b>6.7%</b>
<i>as % of revenue</i>	<i>40.5%</i>	<i>47.4%</i>		
Germany	519	852	64.2%	8.4%
Italy	306	303	-1.1%	1.8%
Belgium	218	259	18.8%	9.1%
<b>Group total</b>	<b>2579</b>	<b>2987</b>	<b>15.8%</b>	<b>3.8%</b>

<sup>4</sup> Revenue and other income

<sup>5</sup> Organic revenue growth includes: a) the change in the revenue between year Y and year Y-1 of facilities already in operation; b) the revenue generated in year Y by facilities created in year Y or Y-1 ; c) the change in the revenue between year Y and year Y-1 of facilities that were restructured or the capacity of which was increased in year Y or Y-1; d) the change in the revenue of recently acquired facilities observed in year Y relative to the equivalent period in year Y-1.



## CONSOLIDATED INCOME STATEMENT

In € millions	2015	2016	Change
<b>Revenue</b>	<b>2,579</b>	<b>2,987</b>	<b>15.8%</b>
Personnel expenses	-1,320	-1,561	18.3%
Other purchases, external costs and taxes	-579	-629	8.5%
<b>EBITDAR</b>	<b>680</b>	<b>797</b>	<b>17.2%</b>
<i>As % of revenue</i>	26.4%	26.7%	
External rents	-338	-375	10.9%
<b>EBITDA</b>	<b>342</b>	<b>422</b>	<b>23.5%</b>
<i>As % of revenue</i>	13.3%	14.1%	
Depreciation and amortisation	-124	-156	26.0%
<b>Ordinary operating income</b>	<b>218</b>	<b>266</b>	<b>22.0%</b>
<i>As % of revenue</i>	8.5%	8.9%	
Other operating expenses and income	-39	-25	-35.4%
<b>Operating income</b>	<b>179</b>	<b>241</b>	<b>34.6%</b>
Net financial income	-65	-123	89.9%
Income tax	-53	16	-129.4%
Share of profit of equity affiliates	-2	-2	-18.2%
<b>Net Profit Group share</b>	<b>59</b>	<b>131</b>	<b>123.7%</b>



## CONSOLIDATED BALANCE SHEET

in € millions	31/12/2015	31/12/2016
<b>Non-current Assets</b>	<b>4,884</b>	<b>5,865</b>
Intangible fixed assets	3,408	3,893
incl. Goodwills	1,707	2,175
incl. Other intangible fixed assets	1,701	1,718
Property, plant and equipment	1,296	1,670
Long-term financial assets	31	33
Deferred tax assets	149	269
<b>Current Assets</b>	<b>881</b>	<b>714</b>
Inventories	8	10
Trade receivables and related accounts	154	168
Other receivables and currents assets	200	225
Derivative financial assets	0	2
Cash and cash equivalents	519	310
<b>Assets held for sale</b>	<b>0</b>	<b>2</b>
<b>Total assets</b>	<b>5,765</b>	<b>6,581</b>
<b>Shareholder's Equity (group share)</b>	<b>1,923</b>	<b>2,023</b>
Share capital	397	401
Premiums	927	842
Reserves & consolidated results	598	781
<b>Minority interests</b>	<b>11</b>	<b>14</b>
<b>Total shareholder's equity</b>	<b>1,934</b>	<b>2,037</b>
<b>Non-Current Liabilities</b>	<b>2,878</b>	<b>3,401</b>
Provisions for pensions	50	59
Deferred taxes	691	760
Other provisions	69	140
Borrowings and financial debt	2,069	2,442
<b>Current Liabilities</b>	<b>953</b>	<b>1,143</b>
Provisions for less than one year	13	14
Trade payables and related accounts	228	250
Other payables and accruals	597	678
Borrowings less than one year and overdrafts	95	183
Derivatives financial liabilities	20	18
<b>Liabilities held for sale</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>5,765</b>	<b>6,581</b>
<i>Net financial debt</i>	1,645	2,315





## CONSOLIDATED CASH FLOW STATEMENT

In € millions	2015	2016
<b>Net profit/(loss)</b>	<b>61</b>	<b>133</b>
Net depreciation, amortisation and provisions	146	160
Other income and non-cash expenses	2	-79
Elimination of acquisition costs of securities	5	1
Elimination of net interest paid	52	88
<b>Cash flow before cost of net debt</b>	<b>266</b>	<b>303</b>
<b>Change in the working capital requirement</b>	<b>-21</b>	<b>4</b>
<b>Net cash flow from/(used in) operating activities</b>	<b>245</b>	<b>307</b>
Impact of changes in scope (acquisitions)	-75	-392
Impact of changes in scope (disposals)	4	3
Payment for property, plant and equipment and intangible assets	-140	-160
Payment for other financial investments	3	1
Proceeds from disposals of non-current assets (excluding securities)	15	40
<b>Net cash from/(used in) investing activities</b>	<b>-193</b>	<b>-509</b>
<b>Net cash flow</b>	<b>51</b>	<b>-201</b>
Treasury shares charged to equity	0	0
Increase in financial liabilities	503	200
Repayment of financial liabilities	-184	-89
Net interest paid	-52	-97
Dividends paid to shareholders of the parent	-35	-29
Dividends paid to non-controlling interests in consolidated companies	-2	0
Dividends payable	0	0
<b>Net cash from/(used in) financing activities</b>	<b>230</b>	<b>-14</b>
<b>Change in cash position</b>	<b>281</b>	<b>-216</b>
Cash and cash equivalents at start of period	229	510
Cash and cash equivalents at end of period	510	294
Marketable securities	10	92
Cash	509	218
Bank overdrafts and advances	-9	-16
<b>Change in cash position</b>	<b>510</b>	<b>294</b>