



life goes on with us

ORPEA Management presentation

December 3, 2018



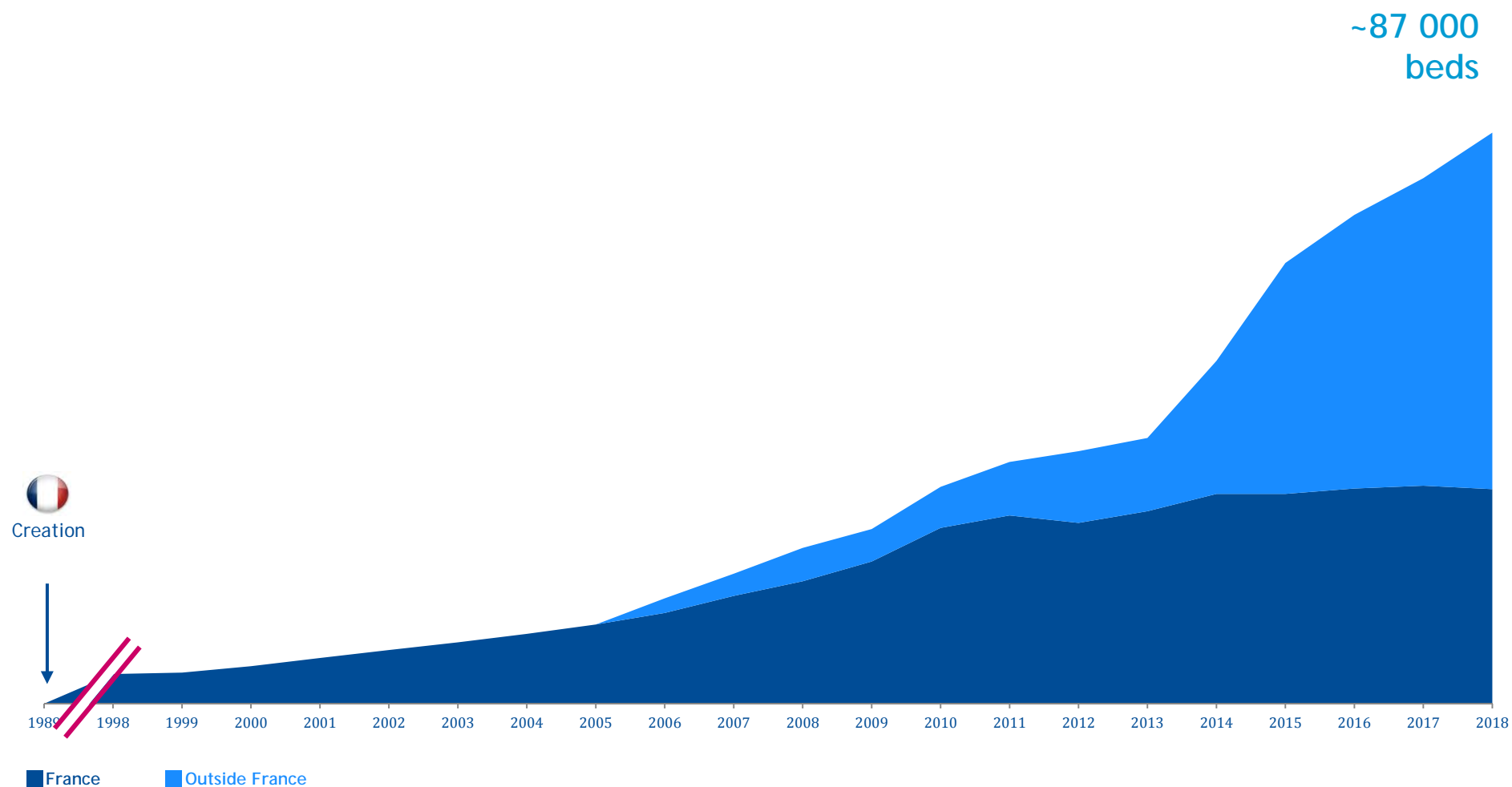
1. Organization principles
2. Germany and acquisition of Axion Group
3. Real estate and debt
4. New countries strategy
5. Global strategy and prospects



Organization principles

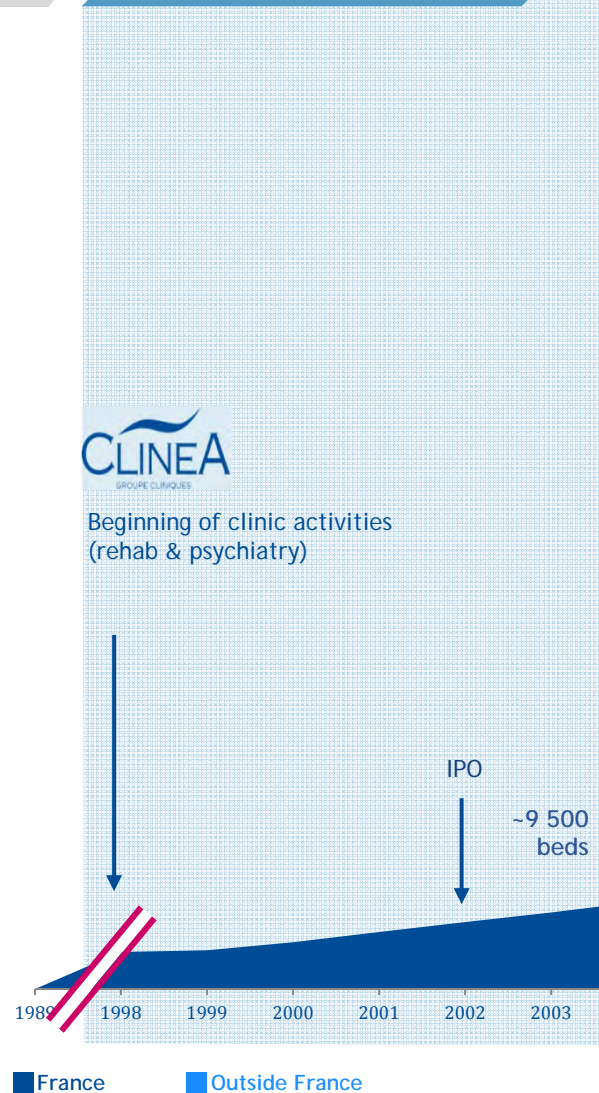
Looking back at where we come from

~30 years of history



Looking back at where we come from

Structuration & Professionalization



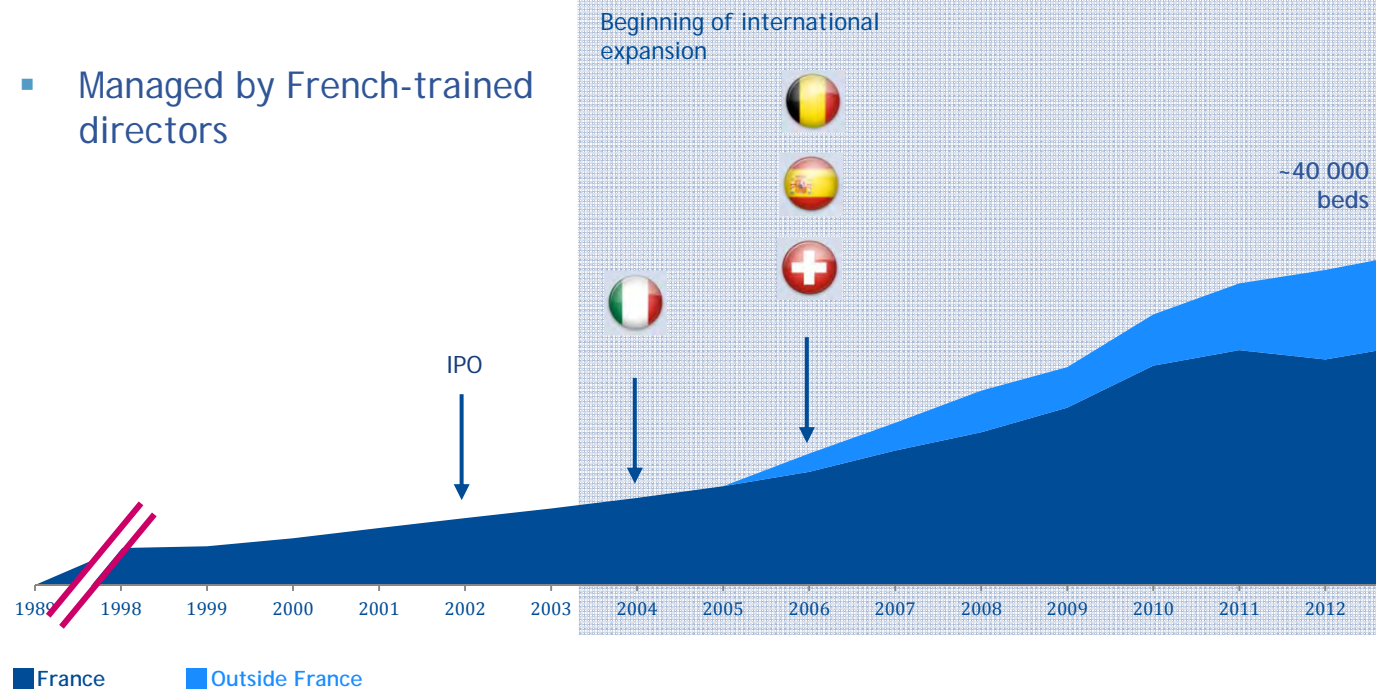
- Structuration of the French head-office
- Diversification into clinics
- IPO which allowed to accelerate the Group's development

Looking back at where we come from

Structuration &
Professionalization

International ventures into neighboring
countries & development in France

- Independent countries
- Managed by French-trained directors



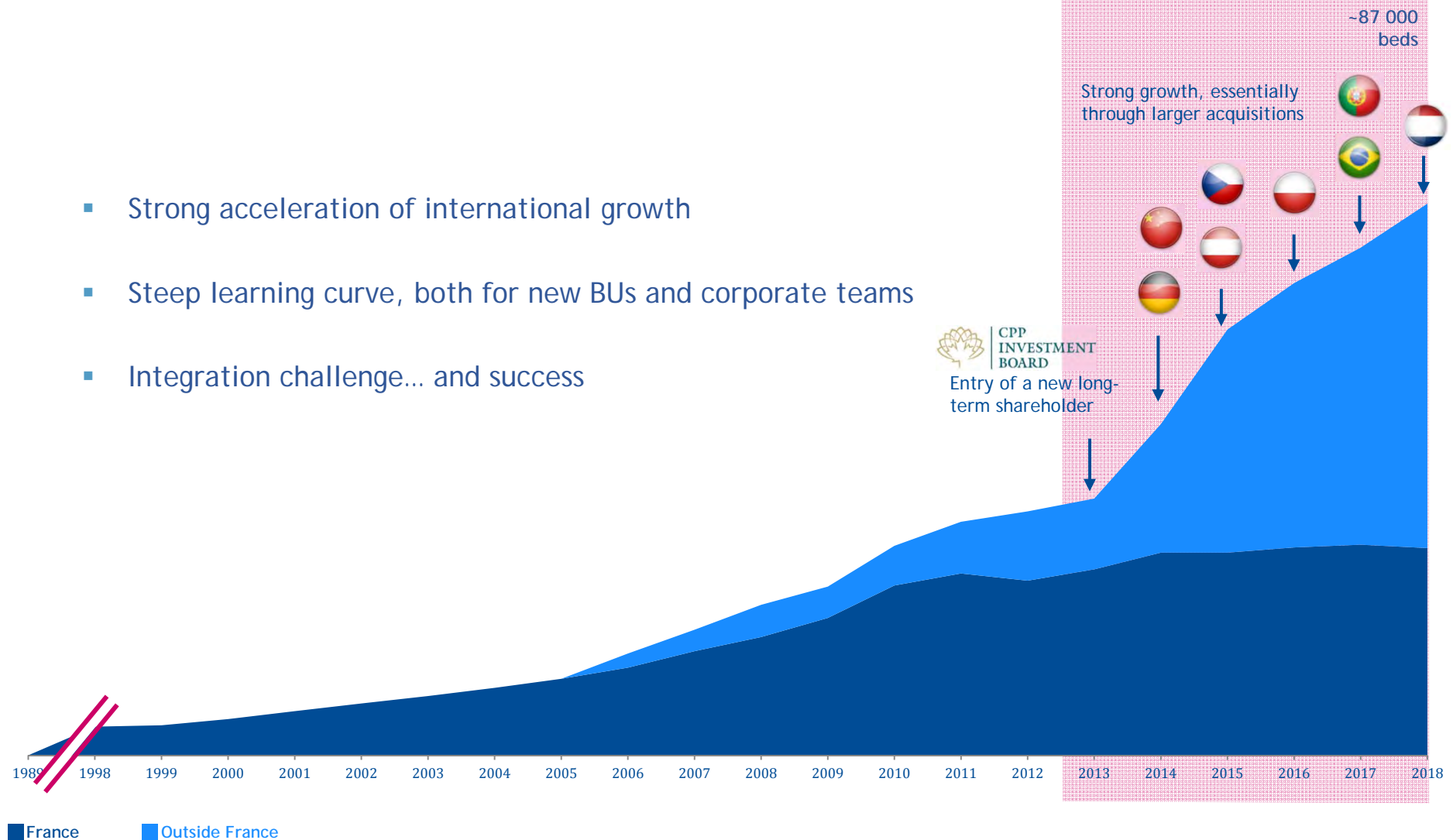
Looking back at where we come from

Structuration &
Professionalization

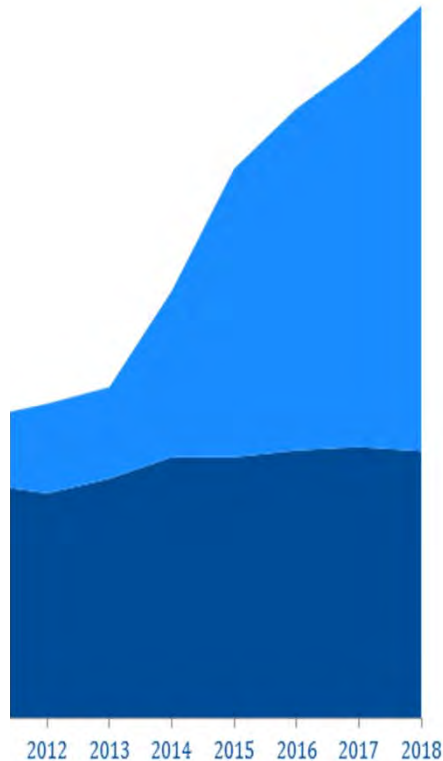
International ventures into neighboring
countries & development in France

Internationalization
& integration

- Strong acceleration of international growth
- Steep learning curve, both for new BUs and corporate teams
- Integration challenge... and success



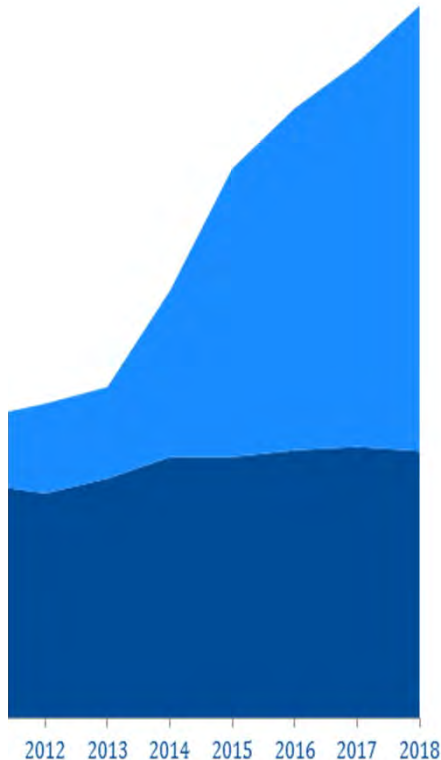
And now?



BECOMING A GLOBAL PLAYER

ENTERING A NEW ERA IN ORPEA'S HISTORY

Tomorrow's organization must allow us...



... to manage **many more countries**



... to sustain our **growth**, and notably reinforce and accelerate **greenfield** developments

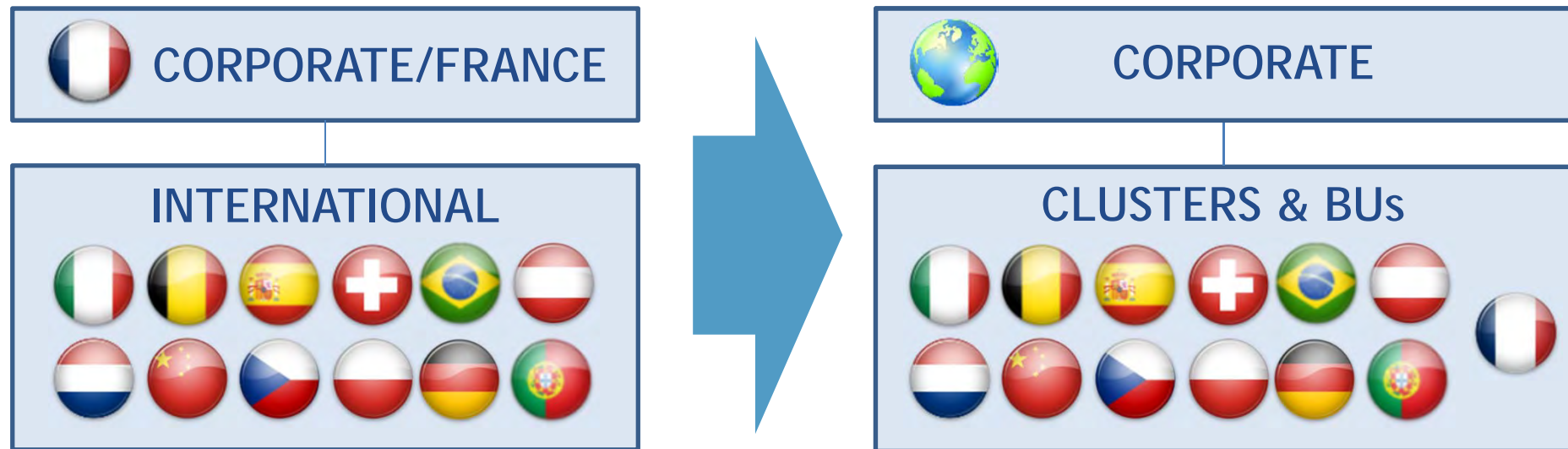


... to implement and secure **operational excellence** on the long run

VALUE CREATION &
LONG TERM SUCCESS

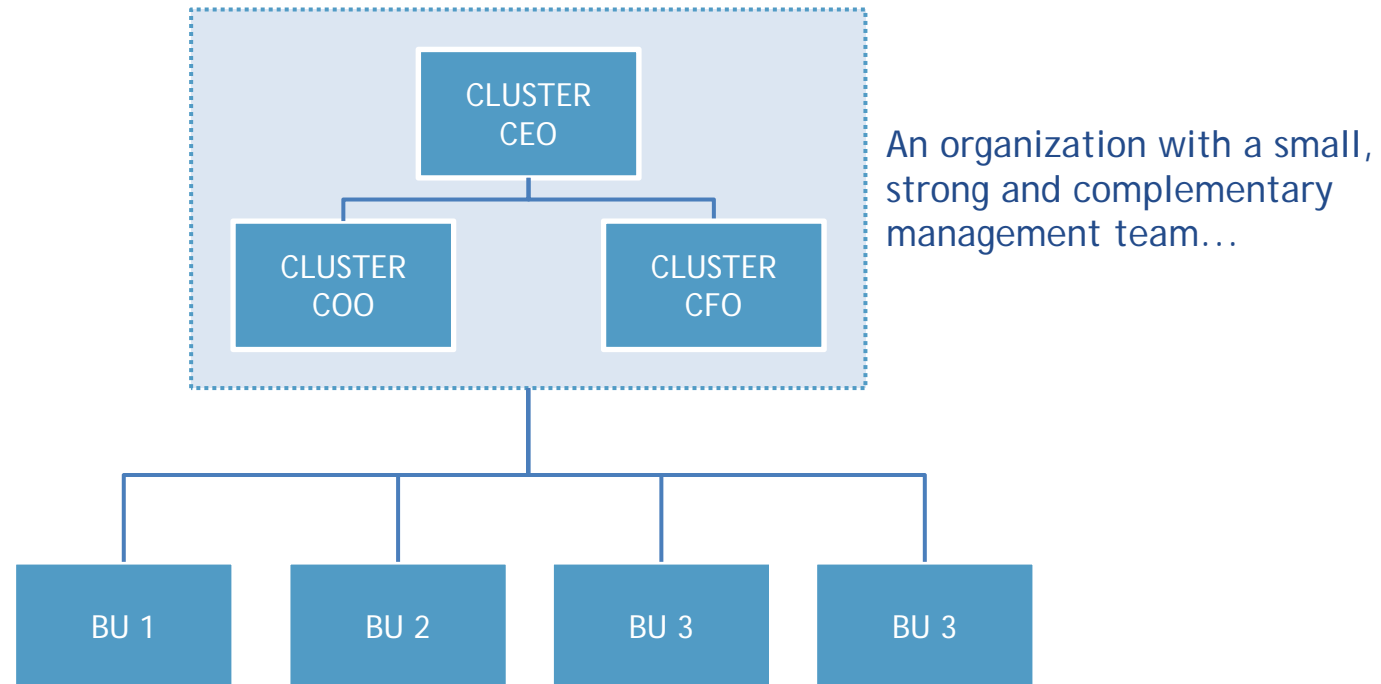
Finding the right balance: decentralization & centralization





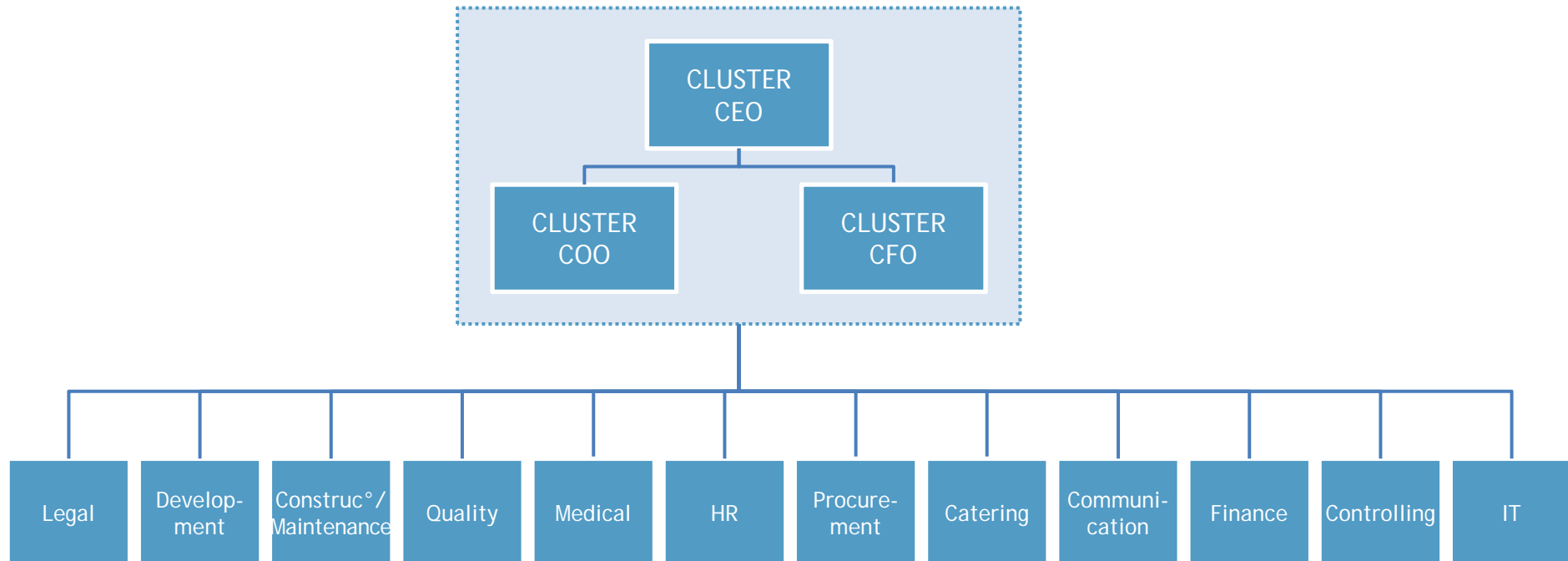
- Separation will also be physical (i.e. different locations in the building)
 - Corporate teams to be 100% dedicated to corporate tasks, instead of also being involved in the activities of a cluster
 - French clusters to be treated just like any other cluster
 - Opening the way to more international Corporate team members
- ➔ Separation will be implemented progressively (cost and HR considerations to be taken into account)

What is a Cluster?



... managing one or several Business Units,
whereby a BU can be a country or an activity field
in a country (e.g. clinics or NH in a country)...

Typical Cluster head-office



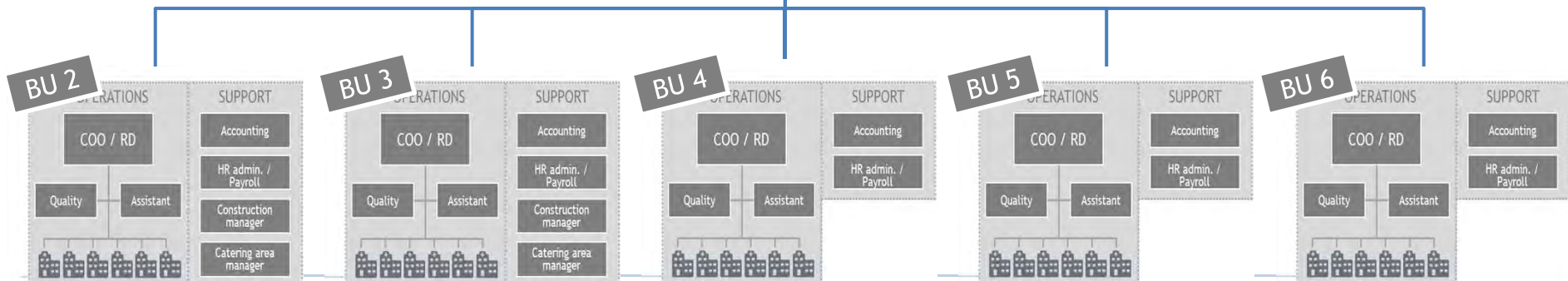
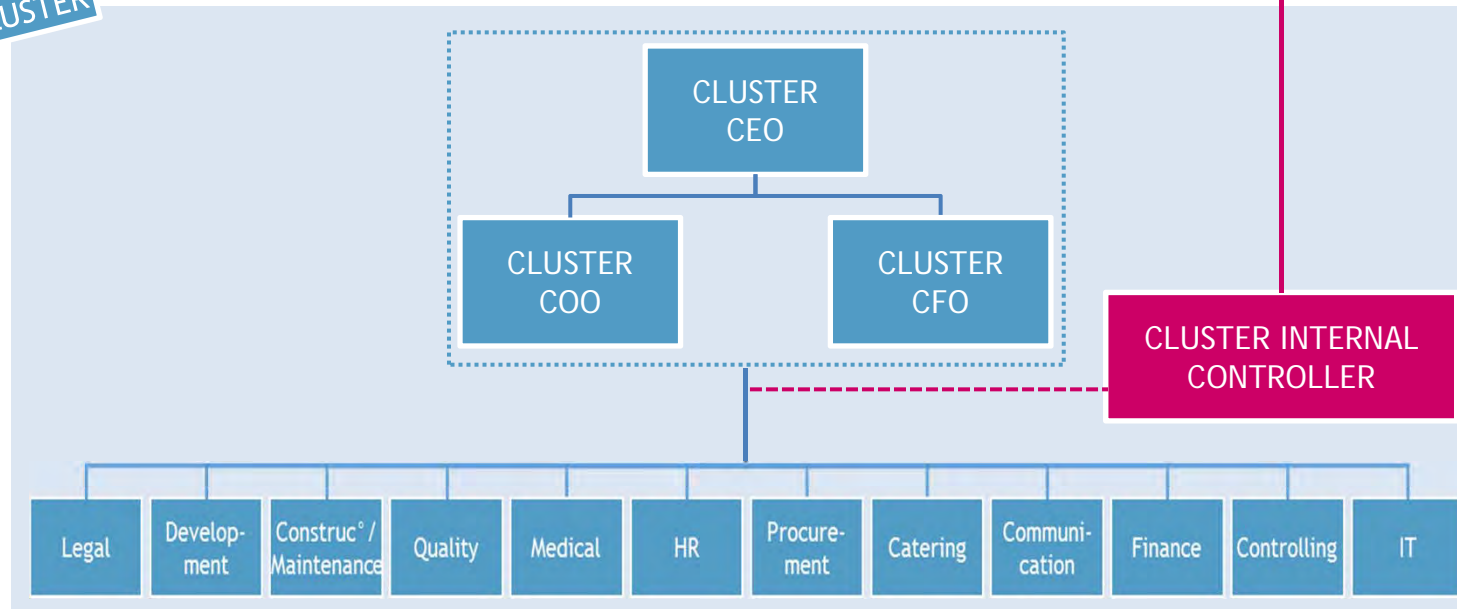
... with a fully operational head-office in which all functions are represented by an experienced director

Internal Control

Cluster Internal Controller follows up with the Clusters' different departments on the implementation of and compliance with Group Internal Control Requirements

CORPORATE INTERNAL AUDIT, RISKS
& INTERNAL CONTROL OFFICER

CLUSTER





Germany and acquisition of Axion Group

Overview of the German nursing care market



Overview

- ✦ Market is expected to continue to grow at 3.4%⁽¹⁾ p.a. going forward in 2015 - 2025. Resulting from favorable demographic development (aging population) as well as continuously growing demand for stationary care
- ✦ The market was highly crisis resilient in the past with growth above GDP and overall healthcare spending



Market & competition

- ✦ Nursing care market is in part publicly funded and therefore regulated
- ✦ Certain aspects of regulation differ between German federal states
- ✦ Changes in regulation create entry barriers for new market entrants, thereby making expansion for small operators more difficult



Regulation / Pricing

- ✦ Key revenue drivers like care rates and rates for food and accommodation are negotiated between the nursing home operator and public insurance funds / welfare authorities
- ✦ One leading driver in the care rate development is the increase in personnel costs (e.g. driven by minimum wage and lack of personnel)



Supply situation

- ✦ Roughly 25% of the facilities carry an age above 30 years, resulting in CAPEX pressure and a tendency to low quality care facilities
- ✦ The German nursing care market is mainly clustered in two segments 1) medium- and 2) low priced. Which leaves untouched potential for a high quality premium segment in the German nursing care market



Demand situation

- ✦ In 2015 / 2016⁽¹⁾, the nursing care market comprises ~870,000 beds. Thereof ~57% are operated non-profit, ~39% are operated by private entities and the remainder are held by public entities
- ✦ Estimates suggest⁽²⁾ that between 15,000 - 20,000 beds are needed each year in the nursing care market due to the demographic structure of the German society - on top of the replacement of old facilities



Overview

- ✦ The German luxury nursing care market offers currently 25 facilities which are considered premium⁽¹⁾. The facilities offer a hotel and spa like ambiente combined with a luxury atmosphere and service



Premium segment

- ✦ The premium segment is a niche market in the German nursing care environment due to the lack of service offerings. It is expected to be a sizeable growth segment in the nursing care market
- ✦ Demand is driven by the customer desire for a higher service level and the respective willingness to accept superior pricing modalities



Market & competition

- ✦ Competition is very limited and fragmented, thus offering potential for a roll out strategy in areas with high purchasing power
- ✦ Besides the quality leader Elbschloss Residenz ("ER")-Elbchausee and ER-Klein Flottbek, Augustinum and Rosenhof are active in this segment with a flat service scheme



Purchase power

- ✦ Retirees, aged 65 and older, are the wealthiest societal group in Germany, with 10% having a disposable income of more than EUR 272k



Regulation / Pricing

- ✦ Luxury providers operate either as assisted living or under a special provision of the German Social Law (§91 XI)
- ✦ This allows them to apply free pricing schemes
- ✦ Costs are directly paid by the residents and are partially reimbursed by the insurance funds

Brief description of Axion - Status quo

- ✦ **Founded in 2001** by Mr Nikolaos Tavridis, the sole owner of the axion group ("Axion"). In the early days the company only advised external nursing home operators which was complemented by the acquisition of its first luxury assisted living facility in 2002. The acquisition was a strategic move in order to position itself successfully in the luxury nursing care market
- ✦ Axion is active in the nursing care sector with:
 - **2 luxury homes** with 273 beds
 - **5 classical nursing homes** with 712 beds
- ✦ Currently, Axion operates **7 locations** diversified in 3 clusters (Hamburg, Greater Berlin area, Frankfurt) with a total of 530 beds and 455 apartments
- ✦ The group's high reputation and quality has been proven by the latest available MDK rating of 1.4⁽¹⁾
- ✦ In 2017, the existing facilities generated revenues (consolidated) of **EUR 30m**
- ✦ Year-to-date (June 2018) occupancy of **96%**
- ✦ All existing luxury care facilities are located in premium neighbourhoods of metropolitan areas with very strong purchasing power. In these areas, many wealthy elderly people are in search of a residence which offers a luxurious environment and first-class service offerings (comparable to a 4 to 5 star hotel). Furthermore, residents are financially able and willing to accept superior pricing

Nikolaos Tavridis, CEO:



- ✦ Mr Tavridis has been active in the healthcare market for more than 25 years. Before he founded Axion, Mr Tavridis gathered extensive experience in the healthcare sector as CFO of a large care group in Germany. During the last years, he established a highly profitable business model in the luxury care market, by offering superior services and facilities with an up to 5 star hotel-like feeling
- ✦ As shareholder of the newly established JVOpCo, Orpea Deutschland will benefit from his knowledge in the luxury care market. Within the scope of his management contract, Mr Tavridis will develop the luxury segment for Orpea Deutschland in Germany

Kathrin Herzog, COO:



- ✦ Kathrin Herzog, previously regional director of Alloheim north and currently COO of Axion, will remain with Orpea Deutschland after the transaction and will become the regional manager for Hamburg and Frankfurt. After 2019, Ms Herzog will be the regional manager for Hamburg and also the manager of the new luxury development facilities

Gabrielle Moll, Quality Assurance:



- ✦ Gabrielle Moll, previously care department manager of Senator / Alloheim and currently Quality Manager of Axion, will remain with Orpea Deutschland after the transaction. As of today, following quality management tools are implemented: Internal audits, annual surveys among residents, training (continuing education and professional development), uniform care documentation system as well as process standardisation

Facility overview (1/3)

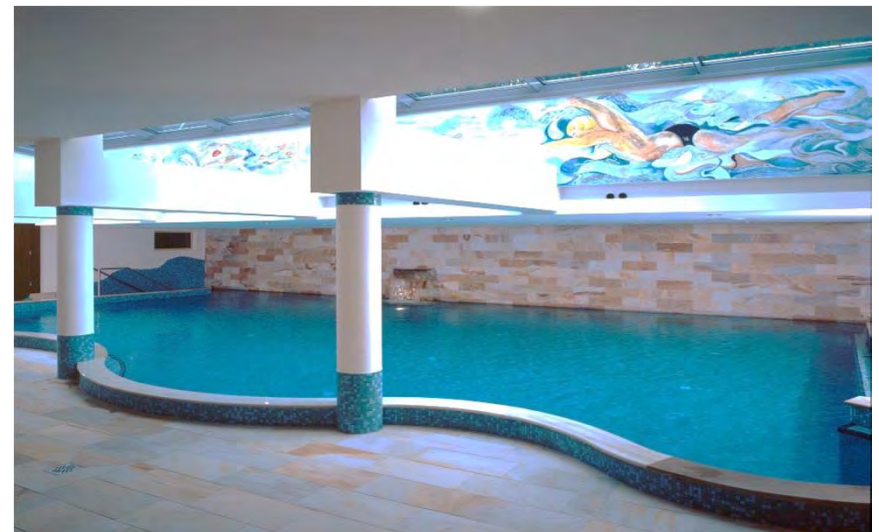
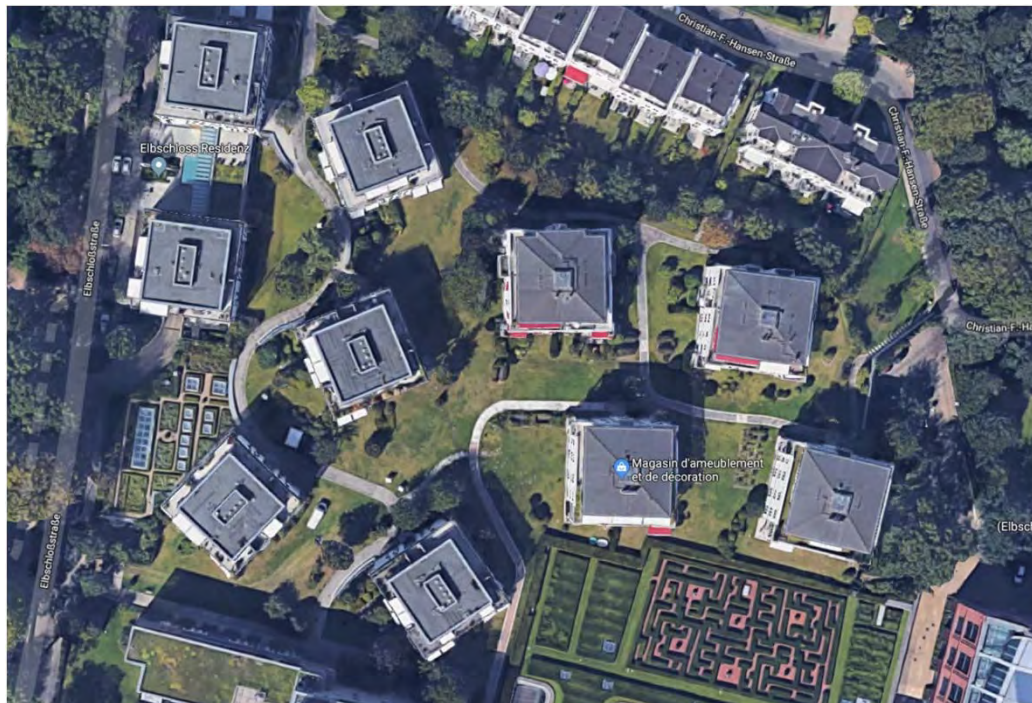
ER-Elbchausee (Hamburg - Luxury positioning):

- ✦ Premium assisted living facility with unique brand in the German market
- ✦ 8 high quality buildings linked by underground walkways with spa, swimming pool, ...
- ✦ One of the highest income locations in Germany
- ✦ Consistently high occupancy over the last 8 years
- ✦ Average monthly rent and assisted living revenues per resident (2017) of EUR 3,830



Facility overview (2/3)

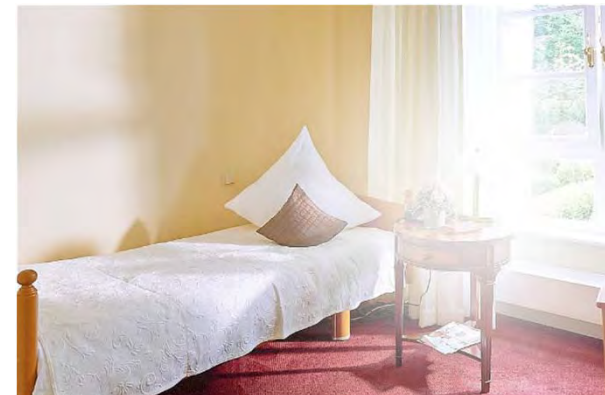
ER-Elbchausee (Hamburg - Luxury positioning):



Facility overview (3/3)

ER-Klein Flottbek (Hamburg - Luxury positioning):

- ✦ Premium nursing care facility (90 single rooms)
- ✦ One of the highest income locations in Germany
- ✦ Consistently high occupancy over the last 4 years
- ✦ Single largest nursing home in Germany without restrictions in regard to pricing and therefore most expensive nursing home in Germany (§91 SGB XI)
- ✦ Average daily rate⁽¹⁾ (2017) of EUR 181



Note: ⁽¹⁾ Total revenues per bed



1. Luxury home transaction:

- ✦ Joint-Venture for developments in the luxury market
- ✦ In 2018, Orpea Deutschland enters JV by acquiring 75% of Axion's 2 luxury homes
- ✦ Well defined development program
- ✦ Strategy: addition of new luxury homes
- ✦ Mr Tavridis will be the CEO and leading manager of the JV to develop the luxury segment for Orpea Deutschland
- ✦ Integration in Orpea Deutschland

2. Classic home transaction

- ✦ Acquisition of 5 existing classic homes and 3 development projects
- ✦ Acquisition of the real estate Blütentraum I
- ✦ Integration in Orpea Deutschland

1. Luxury home transaction

JV for luxury segment - Strategic rationale and anticipated structure

1. Purpose:

- ✦ Establishing the German market leader in premium quality services for nursing care and assisted living
- ✦ Utilize the existing homes and build new luxury facilities in metropolitan areas with cities representing high purchasing power
- ✦ Furthermore, knowledge and valuable management experience will be acquired from someone who has already developed luxury homes and operates successfully in this specific market, which in turn helps to develop the luxury segment for the German Orpea branch in the long-term
- ✦ Orpea Deutschland will contribute administrative support and operational excellence to the JV

2. Market dynamics:

- ✦ Growing luxury segment combined with attractive profitability margins are interesting parameters to establish the number one luxury provider in the highly fragmented / scarcely-existing German luxury care market

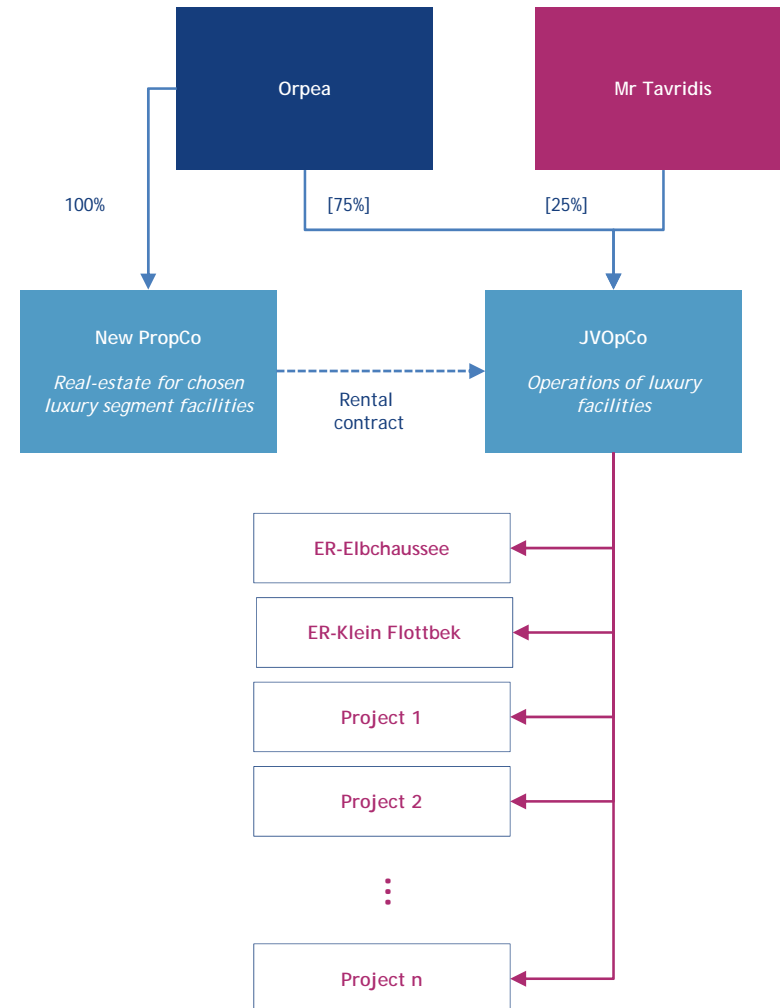
3. Attractive pricing possibilities:

- ✦ Luxury providers operate either as assisted living or under a special provision of the German Social Law (§91 XI). This allows them to apply free pricing schemes
- ✦ Costs are directly paid by the residents and are partially reimbursed by the insurance funds

Value creation

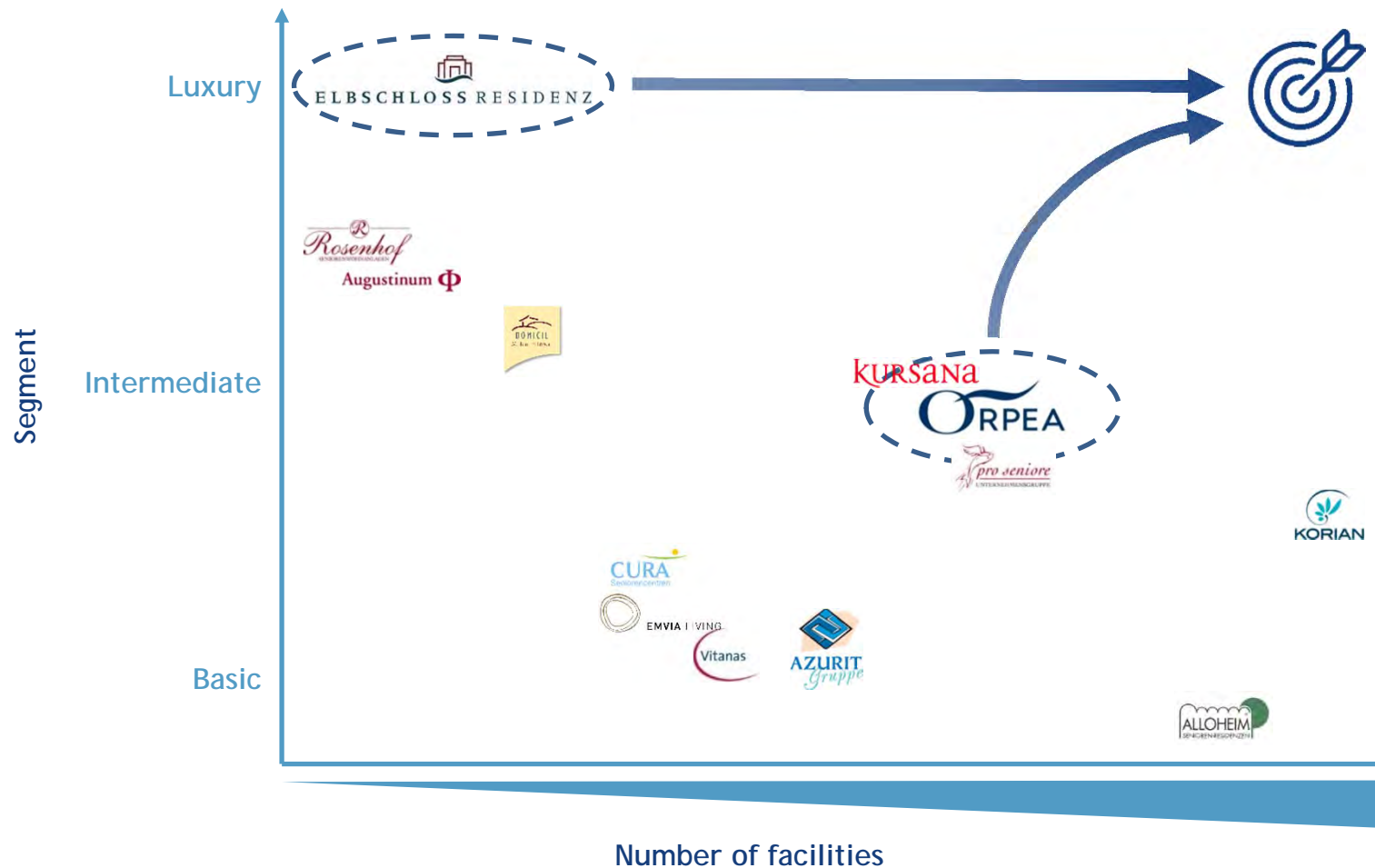
The JV will be the platform for further development of luxury homes to drive value creation and to realize economies of scope. Furthermore, Orpea Deutschland will have the opportunity to expand its real estate ownership

Transaction structure



1. Luxury home transaction

JV for luxury segment - Attractive positioning through differentiation



The Joint-Venture allows Orpea Deutschland to become the leading operator of luxury nursing care facilities in Germany

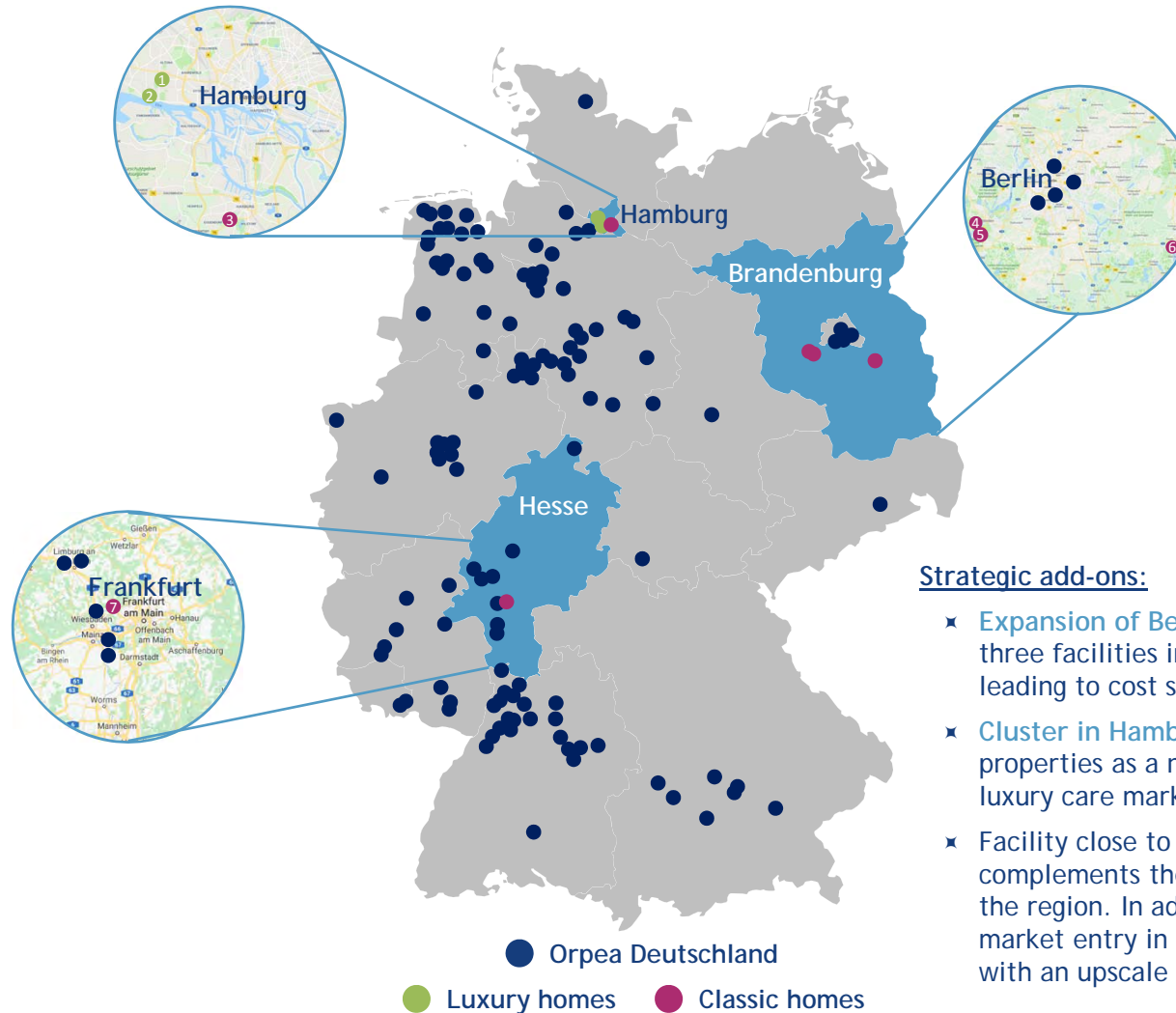
Geographical add-ons

Existing luxury homes and classic homes

Hamburg cluster



Frankfurt cluster



Brandenburg cluster



Strategic add-ons:

- ✦ Expansion of Berlin cluster with three facilities in Brandenburg, leading to cost synergies
- ✦ Cluster in Hamburg with two flagship properties as a nucleus to enter the luxury care market
- ✦ Facility close to Frankfurt complements the existing cluster in the region. In addition, it will be the market entry in a high income region with an upscale service offering



Real estate and debt

Healthcare real estate: a rapidly growing asset base

✦ Healthcare real estate = CORE investment + with a highly attractive risk/reward profile

- Attractive yields: 4% to 6%
- Low risk profile owing to the resilience of occupancy rates, given demographic trends
- Long-term leases

✦ A booming asset class in Europe

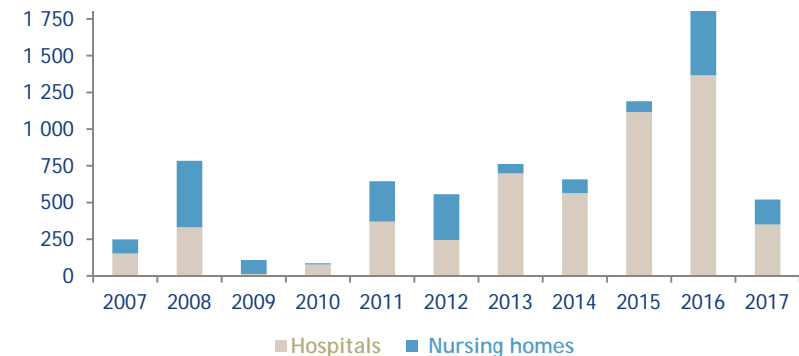
- Europe-wide asset class (public and private) worth an estimated €300bn, with the private sector accounting for 1/3
- €4bn in transactions in 2017

⇒ Growth in the private market out to 2030 of at least 30% (€30bn increase) forecast

✦ Strong demand from a diverse range of investors: French and US property investment companies, insurers, family offices, pension funds, sovereign funds, etc.

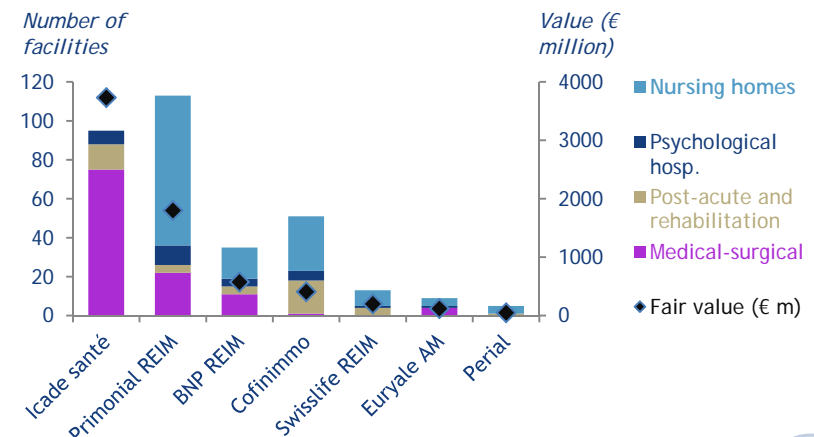
⇒ Few players with global reach

Investments in healthcare real estate in France (€ million)



Source: Cushman & Wakefield

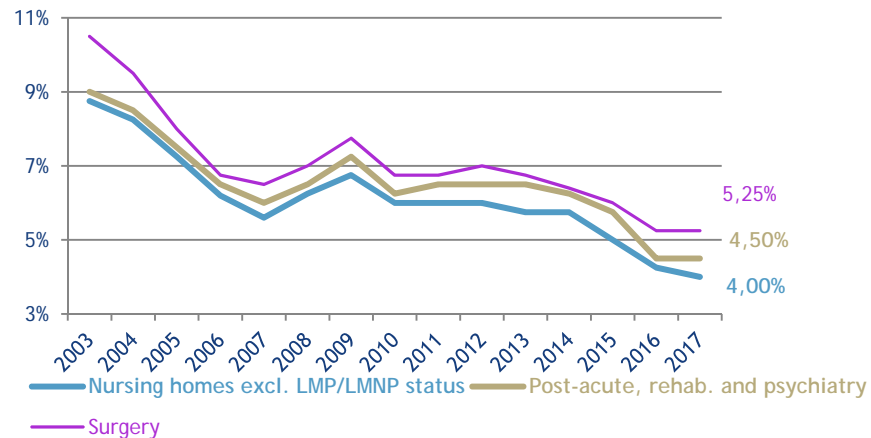
Main players in French healthcare real estate market (2017)



Source: Cushman & Wakefield

Healthcare real estate: yield trends

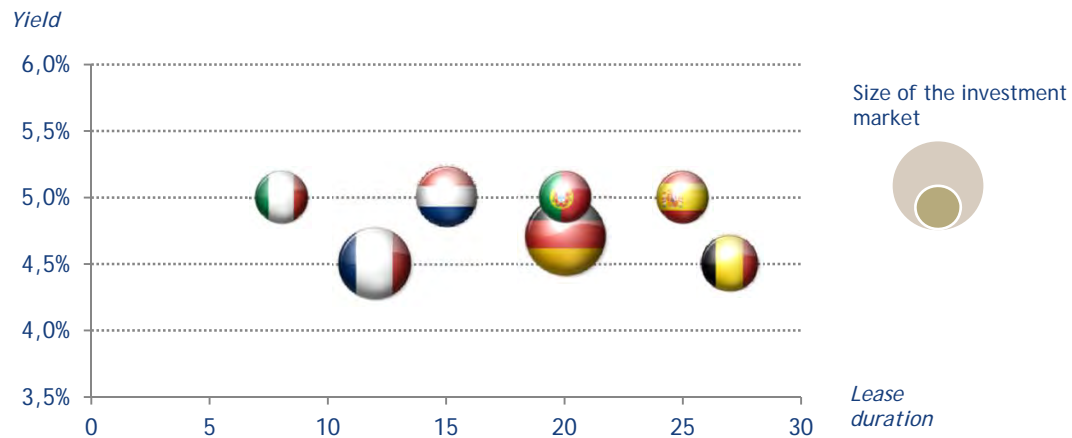
Prime yields in France (outside Paris)



Source: Cushman & Wakefield

50% decline in nursing home yields in France over the past 15 years

2017 investments in Europe: Yield vs. lease duration



Same trend in all European countries










	Asset light model	100% ownership model
Operators	Most of the European operators	A few family operators
Lessors	Reits, Insurance companies, family offices	
Advantage for the operator	<ul style="list-style-type: none">• No debt• High ROCE (Return on Employed Capital)	<ul style="list-style-type: none">• Flexibility and security• Increase the weamth of the company• Secured profitability and long-term cash-flows
Drawback for the operator	<ul style="list-style-type: none">• Low flexibility• Low value creation• Lower EBITDA margin	<ul style="list-style-type: none">• Debt financing

ORPEA model:
50/50 mix between ownerhip and leasing

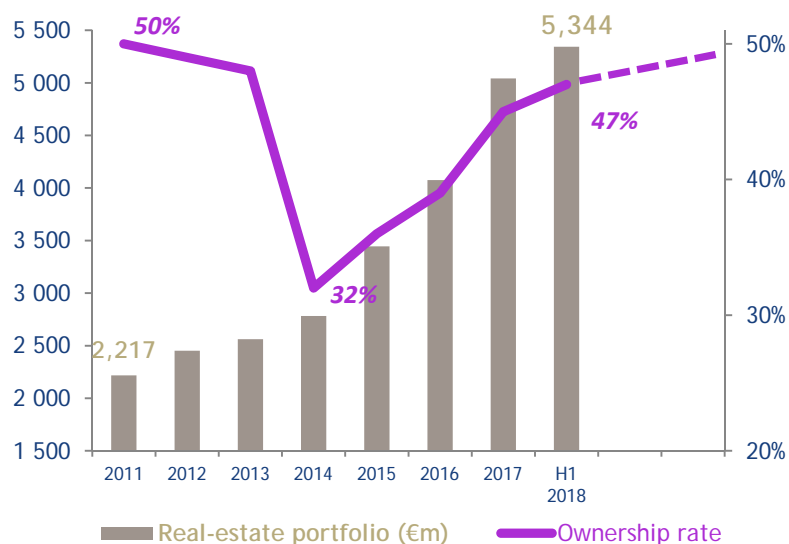
Real-estate portfolio: €5.34bn (+16% in 1 year)

	30.06.18	31.12.17	Chg.
Real estate ownership rate	47%	45%	+2 pts
Total value ¹ (€m)	5,344	5,042	+6.0%
Surface area (sqm)	1,947,000	1,842,000	+5.7%
Average yield (properties valued by Cushman & Wakefield and JLL)	6.0%	6.0%	=

Real-estate ownership rate by country

	30.06.18	31.12.17	Chg.
Group total	47%	45%	+ 2 pts
 France	53%	52%	+ 1 pt
 Germany	17%	16%	+ 1 pt
 Austria	55%	55%	=
 Belgium	47%	45%	+ 2 pts
 Spain	69%	69%	=
 Italy	69%	67%	+2 pts
 Poland	90%	88%	+2 pts
 Switzerland	11%	10%	+ 1 pt
 Czech Republic	100%	100%	=

Growth in the portfolio (€m) and ownership rate

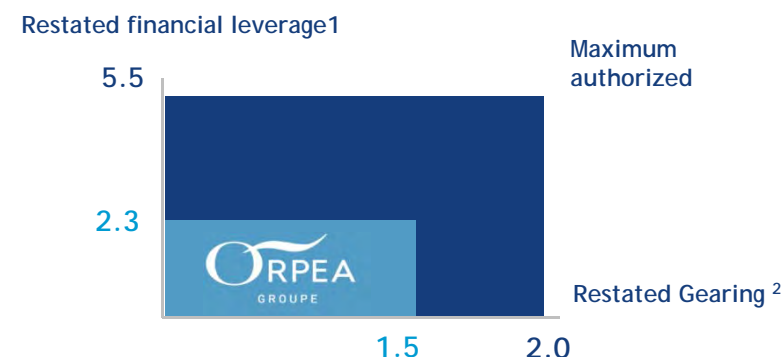


¹Excluding the impact of the €28m and €33m in assets held for sale at 30.06.18 and 31.12.17 respectively

Diversified, long-term and real-estate related net debt

Indicators	30.06.18	31.12.17	30.06.17
Net financial debt* (€m)	4,818	4,413	4,366
% real estate debt	85%	85%	85%
Restated financial leverage ¹	2.3	2.1	2.3
Restated gearing ²	1.5	1.4	1.8

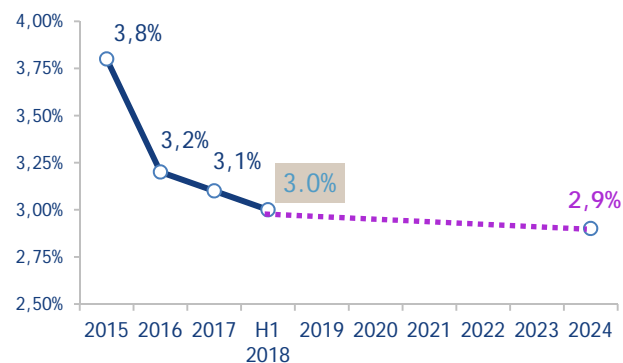
Covenants comfortably met



¹ $\frac{\text{Financial liabilities Net} - \text{Real estate debt}}{\text{EBITDA} - (6\% \text{ real est. debt})}$

² $\frac{\text{Net debt}}{\text{equity} + \text{quasi equity}}$

Lowered borrowing costs



Maturity profile of net debt* (After July 2018 Schuldschein issue)



* Excl. €28m and €64m in debt associated with assets held for sale at 30.06.18 and 31.12.17 respectively



New countries strategy

Une double approche : fondamentale et terrain

1

Approche fondamentale
Critères quantitatifs

- ✦ Analyse statistique avec données de la Banque Mondiale, grands cabinets, études génériques,...



3 à 6 mois



2

Approche terrain
Critères qualitatifs

- ✦ Analyse beaucoup plus détaillée par les experts ORPEA (développement, immobilier, exploitation, médical,...) pour juger de la pertinence de l'implantation du modèle ORPEA



6 à 12 mois



Une identification globale et très centrée sur le savoir-faire ORPEA

Identification d'indicateurs chiffrés objectifs

Environnement économique et financier

- ✦ PIB, PIB par habitant, inflation, déficit public, perspectives de croissance du pouvoir d'achat, taux d'intérêt, marché immobilier, fluctuation des monnaies,...

Environnement géographique

- ✦ Répartition de la richesse, nombre de grandes villes,...

Environnement géopolitique

- ✦ Stabilité politique, corruption, interaction avec les gouvernements fédéraux et locaux

Secteur de la santé

- ✦ Environnement réglementaire, dépenses de santé, écart par rapport à la moyenne, implications des acteurs publics, assureurs,...

Perspectives d'évolution

- ✦ Vieillissement de la population, tendance du secteur privé, besoin de nouvelles places,...

Les visites et RDV des équipes d'experts ORPEA

Environnement réglementaire

- ✦ Rencontre avec les Autorités de Tutelle locales et fédérales pour identifier les besoins et l'attitude vis-à-vis d'un acteur privé étranger

Marché existant et perception

- ✦ Visite de sites existants : maisons de retraite, hôpitaux publics et privés, médecins, gériatres, chirurgiens,...

Modèle de maison de retraite

- ✦ Etude approfondie du modèle existant : qualité, personnel, normes,...

Etude du marché immobilier

- ✦ Visite de terrains avec des brokers, analyse des prix, identification des meilleurs localisations, processus d'obtention d'un permis de construire,...

Modèle économique

- ✦ Business plan type
-

Le modèle d'implantation ORPEA dans un nouveau pays

Les bases du modèle

- Activité : maison de retraite médicalisée, cliniques SSR et clinique Psy.
- Offrir les plus hauts standards de Qualité indépendamment des normes du pays : procédures, contrôle, formation des équipes,...
- Immobilier : meilleures localisations (zones urbaines ou à fort pouvoir d'achat) et bonne conception architecturale et fonctionnelle de l'immeuble

L'adaptation du modèle

- Adaptation aux us et coutumes du pays : culture, nourriture, activités, décoration, horaires,...
- Être en phase avec les standards locaux : si aucune chambre particulière, ne pas proposer que ce type de chambre, privilégier un mix chambres doubles / chambres simples
- Adaptation du nombre d'employés à la productivité du pays

Les méthodes d'implantation dans un nouveau pays

- Acquisition d'une plateforme : implantation rapide, équipe immédiatement disponible, taille critique atteinte rapidement (peu de cibles dans les pays émergents)
- Création d'établissements aux standards ORPEA : prend du temps mais très créateur de valeur
- Acquisition d'acteurs indépendants / familiaux : complémentaire des créations

Gestion et taille critique

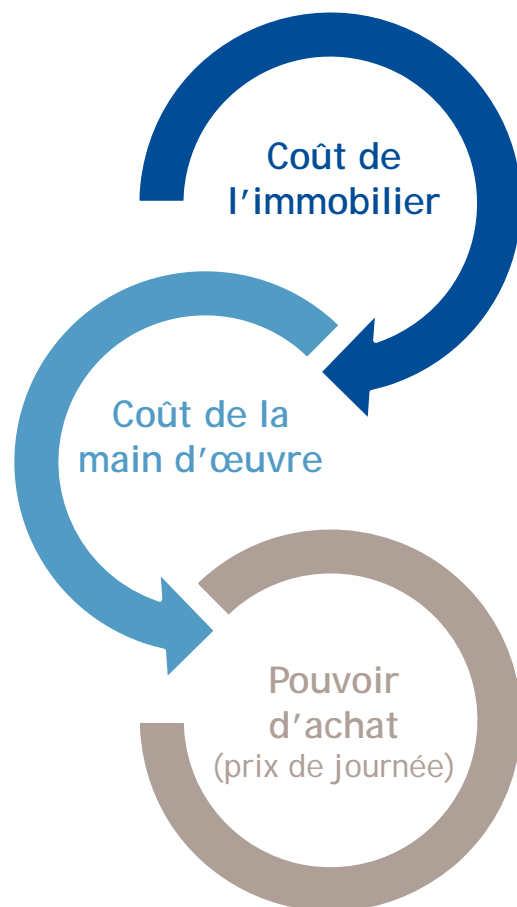
- Pour amortir les coûts des Sièges administratifs locaux, nécessité d'atteindre 2 500 à 3 000 lits par zone géographique : pays majeur ou regroupement de pays plus petits partageant la même culture et histoire
- Définition d'une zone géographique avec regroupement de certains pays : par exemple, Portugal géré par Espagne, Luxembourg par Belgique, pays de l'Est par l'Autriche. Il est donc important de ne pas forcément exclure les « petits pays »

L'ADN d'ORPEA a toujours été la qualité de ses services, de ses soins et de son projet médical. La stratégie d'ORPEA consiste ainsi à déployer ce savoir-faire unique dans des pays qui n'en bénéficient pas

- ✦ Des chartes d'engagements et des valeurs communes tant pour les équipes que pour les résidents et patients
- ✦ Des standards de qualité et des procédures à tous les niveaux de la prise en charge, accompagnés d'un processus global de contrôle, d'audit et d'amélioration permanente
- ✦ Une politique de formation dynamique, innovante et au cœur du modèle de prise en charge
- ✦ Des pratiques médicales personnalisées et innovantes :
 - Faire des résidences des lieux de vie adaptés : architecture, ergonomie des équipements, animations,...
 - Déployer les thérapies non médicamenteuses pour les maladies neuro-dégénératives
 - Améliorer en permanence les pratiques par la recherche, la réflexion et l'innovation entre les équipes



Le déploiement international permet aussi une cross-fertilisation des meilleures pratiques



➡ Nécessité absolue que les 3 indicateurs soient en adéquation



Global Strategy and outlook

Strengths of the ORPEA business model

REAL ESTATE PORTFOLIO OF €5.3BN

- ✦ Modern and recent facilities
- ✦ Prime locations: city-centres and area with strong purchasing power

EXPERIENCED AND LOYAL MANAGEMENT TEAM

- ✦ Average tenure of the management: 17 years
- ✦ Organization structured for international growth



UNIQUE GROWTH AND EARNINGS POTENTIAL

- ✦ 13,300 beds under construction and refurbishment
- ✦ Value-creating projects in excellent locations

FINANCIAL FLEXIBILITY

- ✦ Diversity of financing sources
- ✦ Increase of the average maturity of the debt
- ✦ Decrease in cost of debt

IN-HOUSE PROJECT MANAGEMENT / ENGINEERING DEPARTMENT

- ✦ Team of architects and building engineers
- ✦ Building at direct cost without any other developer costs

Execution of the longstanding value-creation strategy



ORPEA is now a world leader in long-term care



Revenue

> €3,400m



EBITDA margin

>

vs. 2017



Development (greenfields + acquisitions)

