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# 2019 Half-Year Results

September 2019

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1. **LNA SANTÉ, a strong identity**
2. Answers to societal challenges
3. 2019 half-year results
4. Outlook



# LNA SANTE, Treating and Providing Care

## A leading player

providing care for dependent people

69

establishments

6,500

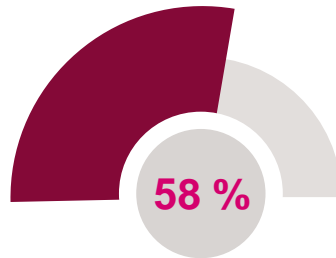
employees

+ 7,547

Patients/residents per day

Almost 30 years

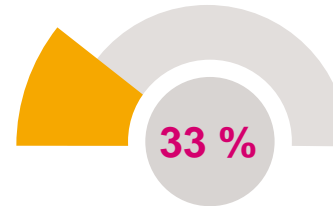
of expertise and innovation in the service of residents and patients



### ALF

Assisted living/specialised retirement facilities

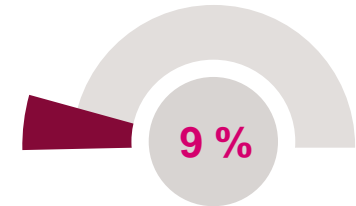
58% of revenue from long-term care



### Aftercare and rehabilitation

Aftercare and rehabilitation services/psychiatry

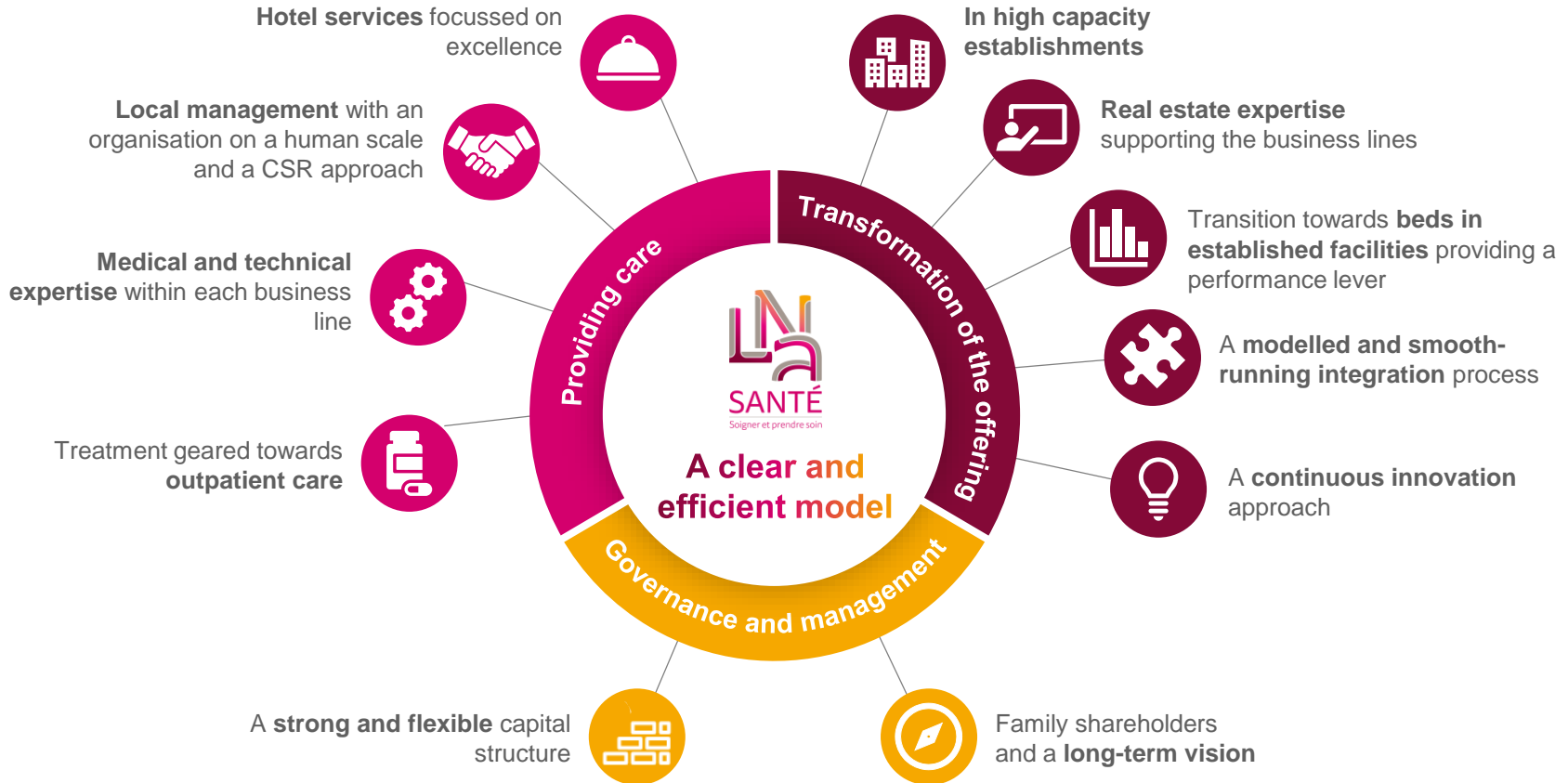
42% of revenue from medium-term care



### Hospital care at home

Hospital care at home

# LNA SANTE, Treating and Providing Care



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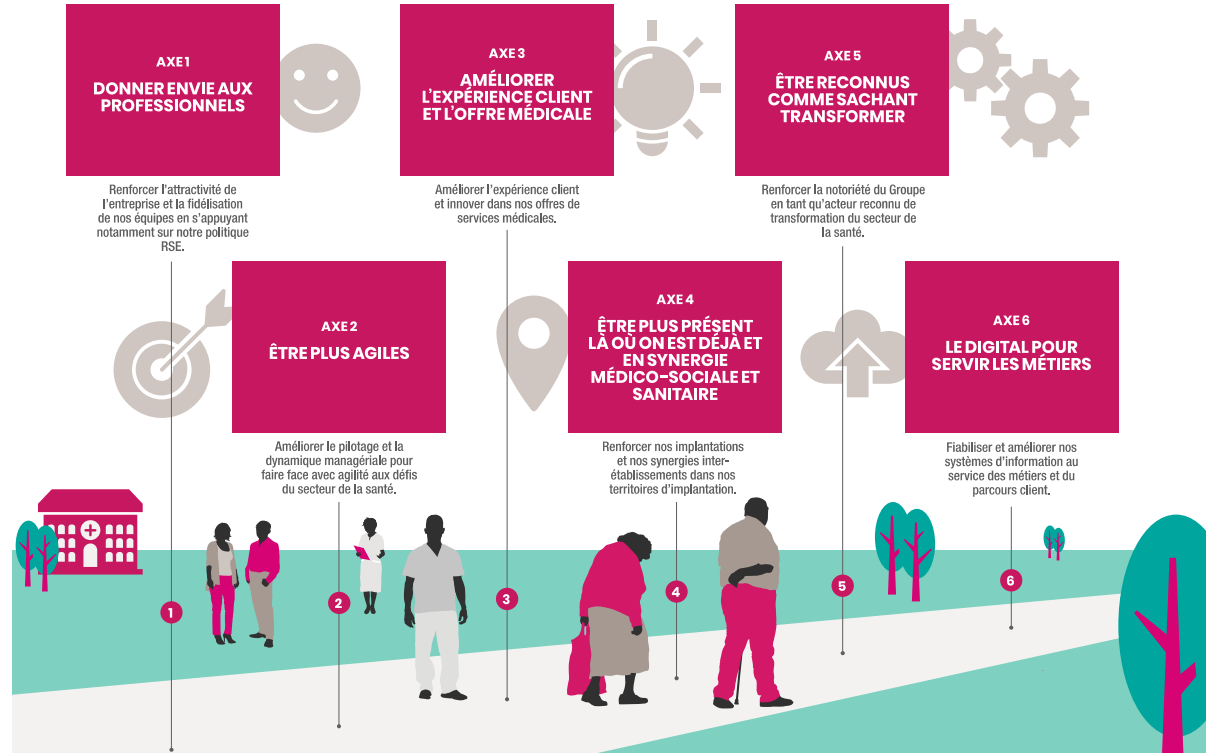


# Answers to major societal challenges

“We must take up these challenges, whether they are epidemiological, with the ageing of the population and the increase in chronic diseases, or technological, with the arrival of new treatments and the acceleration of the digital revolution, or social, with the widening of the geographical divide...”

Emmanuel Macron  
President of the Republic

## Les 6 axes du projet Grandir Ensemble 2022



A strategy in line with the challenges of the plan to modernise the healthcare system (Ma Santé 2022), and the future **Autonomy Law**

# Focus on the Elderly & Hospitals



## Elderly patients

- ▶ Higher rate and duration of hospitalization
- ▶ Multiple pathologies/polypharmacy/frequency of falls = frequent use of hospitalization, sometimes undesirable for the elderly person
- ▶ Higher proportion of admission into hospital via the casualty department
- ▶ Social isolation



## Means of avoiding avoidable hospitalizations

- ▶ Hospital care at home
- ▶ State registered night nurse systems in ALFs
- ▶ Training of ALF nursing staff for emergency situations
- ▶ Deployment of telemedicine
- ▶ Total treatment price + medicines



**The elderly person: a different type of patient**

# The Elderly & Hospitals: LNA SANTE, solutions deployed

Activity rate of LNA Santé hospital care at home in ALFs:

**16.2%** compared with a national average of 11.5.%

Pharmacies for residents and patients



**30%**

Of ALFs with a PUI

**25%**

of ALFs equipped with telemedicine

Telemedicine - X-ray

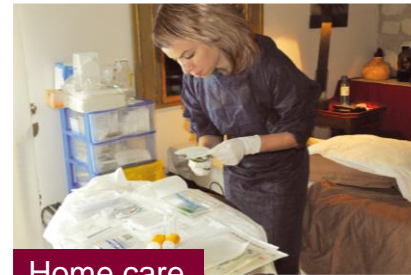


**80%**

of LNA ALFs have a state registered night nurse or a state registered nurse on call



SRN



Home care

**70%**

of ALFs with total treatment price

**Tried and tested answers at LNA Santé**

# Pooling of pharmacy services (PUI)



**Need to control costs and the medication circuit**

## Creation of a health cooperation group (GCS)

- ▶ Ennery Medical Institute + 6 ALFs: 600 residents, 140 patients



### Ennery Medical Institute

#### Information System

Patient record (aftercare and rehabilitation)  
NETSoins (ALF)  
Shared medical record (DMP) (CPAM)

#### Expertise (8 people)

Pharmacist  
Pharmaceutical assistants

#### Logistics platform

400 m<sup>2</sup>  
2 automatons  
Sachet inspection system



### Delivery service

Les Jardins d'Ennery

Les Villas d'Epidaure (Garches and Celle-Saint-Cloud)

Résidence Marconi

Résidence Arcade de Fontenay

Résidence Ger'Home

# “External ALF”: a beneficial experiment

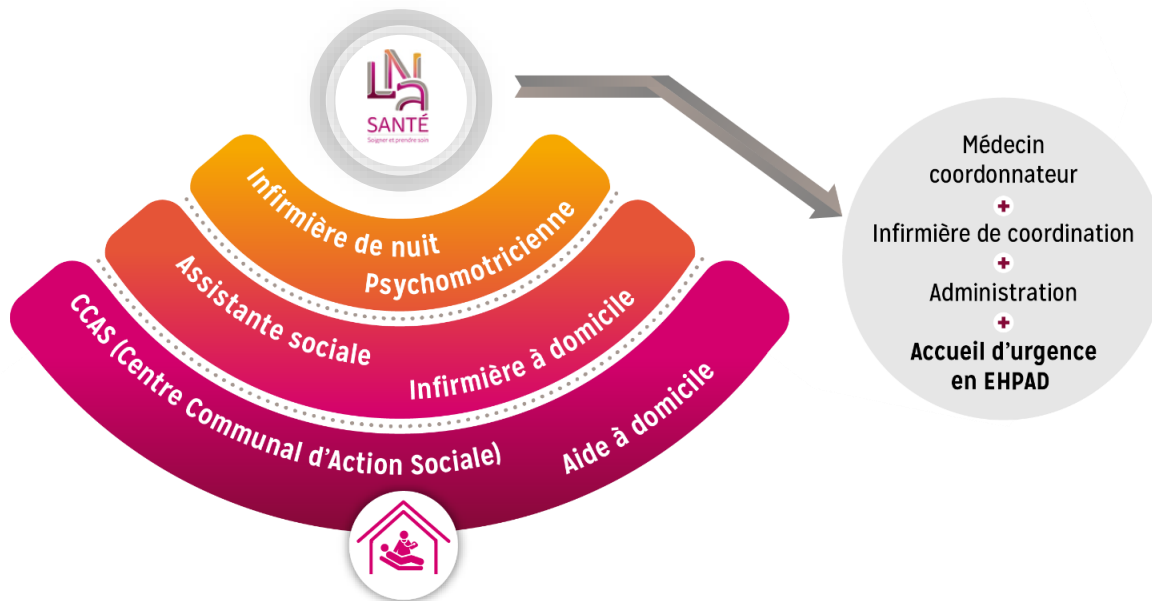


Enable elderly dependants who remain at home to receive treatment and monitoring 24/7

thanks to the coordinated intervention of all home care professionals.

## Offer in-home expertise

- ▶ Invitation to tender won
- ▶ Experiment started in June 2019 30 people - level of loss of autonomy (GIR) 1 to 3



Manage, lead, complete and coordinate the players providing home care

# Patient transport for aftercare and rehabilitation

## Innovative partnership with Ambler



ambler



**Control transport costs generated by the new rules**

### AMBLER

- ▶ Centralised digital platform for patient transport
- ▶ Biggest network of patient transport companies



1 October 2018  
**Financing of patient transport**, paid for by the aftercare and rehabilitation centres

**Test phase at 3 establishments**  
Institut Médical de Breteuil  
Clinique de Bazincourt  
MS d'Epinay

**To be deployed at all establishments**

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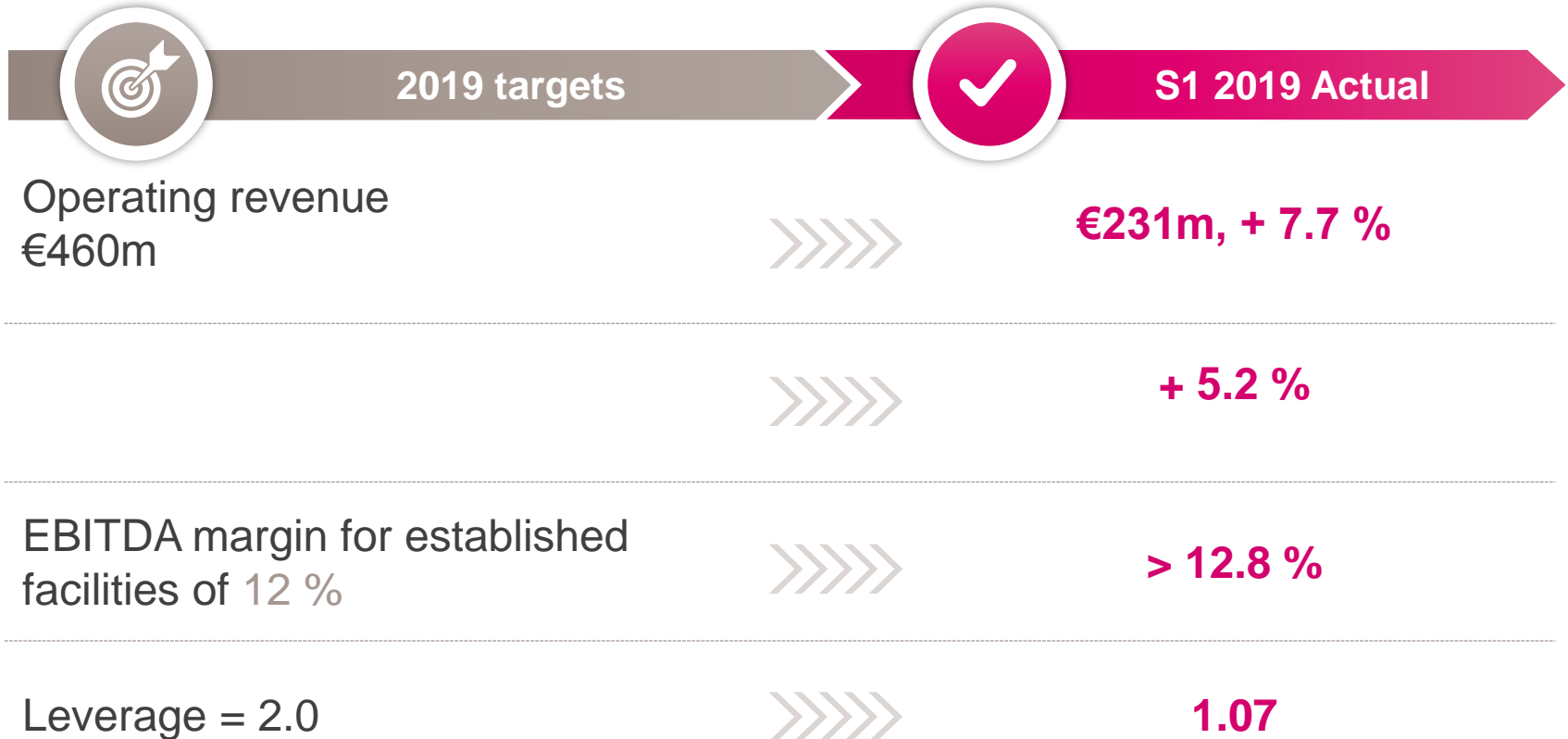
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# S1 2019: targets achieved



# S1 2019 Financial Summary

## Active transformation of the facilities

- ▶ 8,431 beds authorised/7547 beds in operation in 69 establishments
- ▶ EF: 6,519 beds (+6%) in 60 establishments (86% of capacity)
- ▶ **EBITDA margin for established facilities: 12.8%** (+23 BPS compared with June 2018 excluding the impact of IFRS 16, and +66 BPS adjusted for the impact of the purchasing power bonus)

## Strong growth in profits

- ▶ **Operating revenue up by 7.7%** at €230.5m (including organic growth of 5.2%)
- ▶ **Group EBITDA €28.7m (+ 7.9%)** and Operations: €26.2m (+3.5%)
- ▶ Net result (Group's share) of €11.3m (+5.0%)

## A flexible capital structure

- ▶ **Operating leverage down at 1.07x**
- ▶ 30% of net debt relates to Operations and 70% to Real Estate (backed by assets currently being sold)
- ▶ Cost of debt 1.9%

## Cash flows increasing

- ▶ Capex < 2.1% of revenue (-15 BPS)
- ▶ Cash provided by operations (EBITDA minus Capex) up by 4.0% at €21.5m
- ▶ **Free cash flow at 30/06/2019: €131m** compared with €118.8m at the end of June 2018

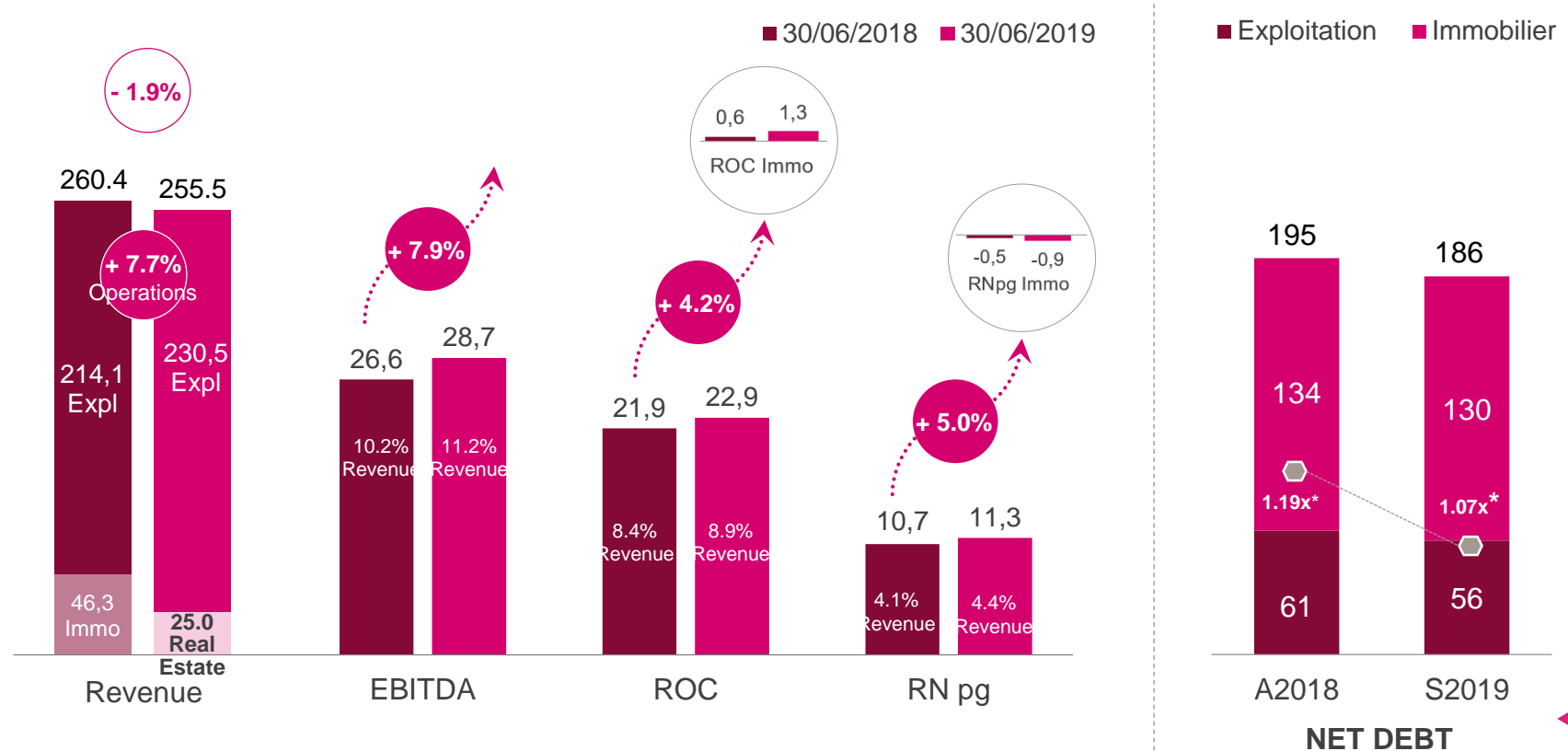
## Organic performance

- ▶ In September 2019, **a pool of 1,900 beds** to be restructured and upgraded to established facility standards (23% of the total number of 8,431 beds)

# H1 2019, Key figures for the Group

## ► Increase in profits and decrease in debt

In € millions



\* Leverage: Net debt from Operations / EBITDA from Operations

# S1 2019 profit and loss account Operations + Real Estate

► Strong growth in EBITDA and in current operating income...

<i>In millions of euros</i>	<b>30/06/2019</b> <i>Excluding impact of IFRS 16</i>	<b>30/06/2018</b>	<b>Variation</b>
Revenue	255.5	260.4	- 1.9 %
EBITDA	<b>28.7</b>	26.6	+ 7.9%
<i>EBITDA margin</i>	11.2%	10.2%	+ 102 BPS
Current operating income	<b>22.9</b>	21.9	+ 4.2%
<i>Current operating margin</i>	8.9%	8.4%	+ 52 BPS
Operating income	<b>22.8</b>	20.9	+ 9.0%
<i>Operating margin</i>	8.9%	8.0%	+ 90 BPS
Financial result	(3.5)	(3.2)	+ 7.1%
Earnings before tax	19.3	17.7	+ 9.4%
Tax expense	(7.7)	(6.5)	+ 18.4%
<i>Apparent rate of corporate tax</i>	- 39.8%	- 36.8%	- 302 BPS
<b>Net income</b>	<b>11.6</b>	<b>11.2</b>	<b>4.2%</b>
Net result (Group's share)	<b>11.3</b>	10.7	+ 5.0%
<i>Net margin as % of revenue</i>	<b>4.41%</b>	4.12%	+ 29 BPS

► ... in a rather unfavourable fiscal environment

- Decline in real estate revenue of 46% and **increase in operating revenue of 7.7%**
- EBITDA increased by 7,9% thanks to the **strength of the operating margins** and a favourable basis of comparison for real estate in 2018
- Current operating income up by 4.2%
- **Operating income up by 9.0%**, including the elimination of operational risks after departures from sites
- **Optimization of the financing costs** (+ €0.1m) offset by the impact of interest rate swaps (- €0.4m)
- **Earnings before tax up by 9.4%** solely thanks to the contribution of Operations
- Corporate tax rate of 39.8% (+ 3 points) due to the **replacement of the competitiveness and employment tax credit (CICE) by a reduction in taxable contributions**
- **Increase in the net result (Group's share) of 5.0%** and in the net margin of 29 BPS

# S1 2019 profit and loss account Operations + Real Estate

## ► Tax rate

	2018/06	Impact of CICE	Impact of utilisation of losses	Impact of non-deduction of financial charges	Impact of changes in rates <sup>(1)</sup>	2019/06
Theoretical tax rate	34.4%				- 2.4%	32.0%
Effective tax rate	36.8%	7.1%	- 1.3%	- 0.9%	- 1.9%	39.8%

(1) Reduction in the rate of corporate tax from 34.4% to 32.0% applied at 30/06/19, and which will finally be postponed until 2020

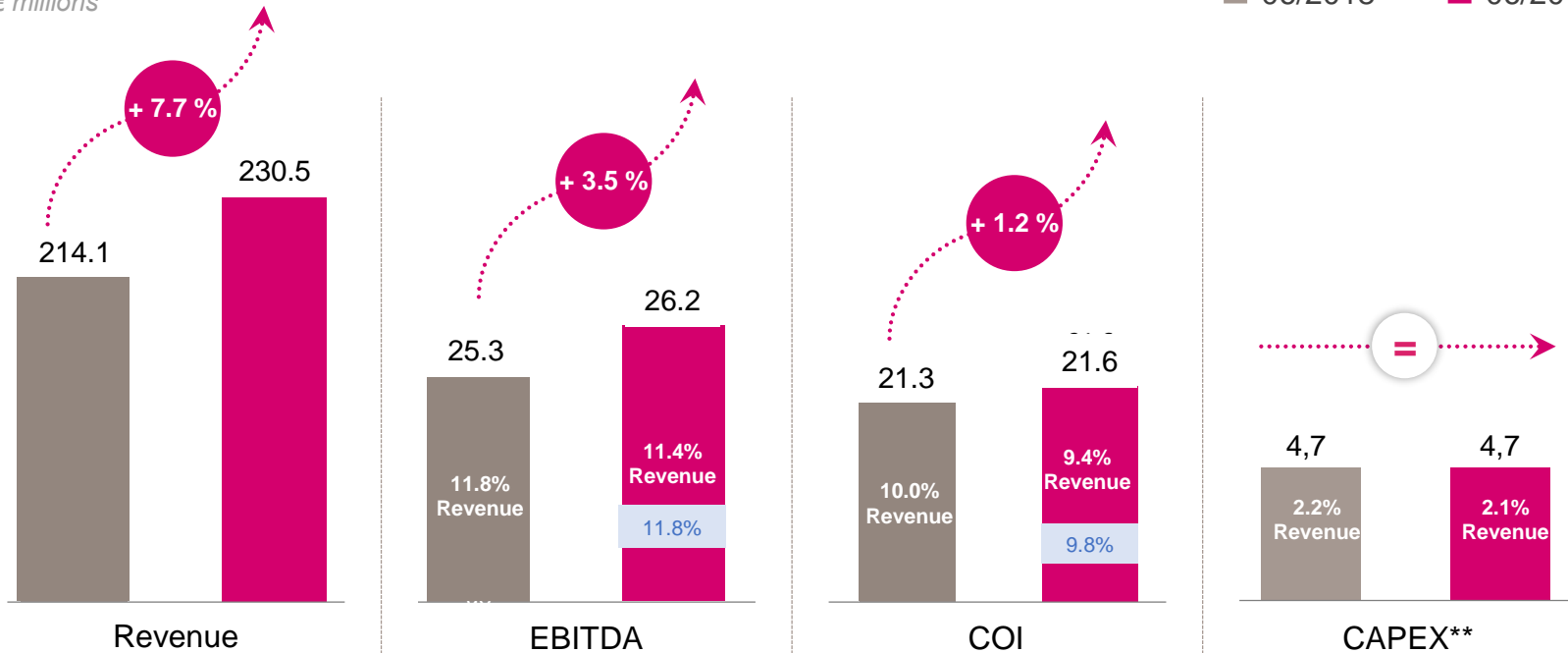
- Corporate tax rate of 39.8% (+ 3 points) due to the replacement of the competitiveness and employment tax credit (CICE) by a reduction in taxable contributions
- Increase in the corporate tax rate linked to the replacement of the CICE by a reduction in taxable social security contributions

# H1 2019, key figures for Operations

- ▶ Growth in intermediate management balances
- ▶ Control of operating capex

In € millions

■ 06/2018 ■ 06/2019



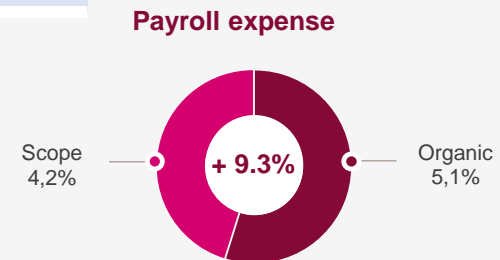
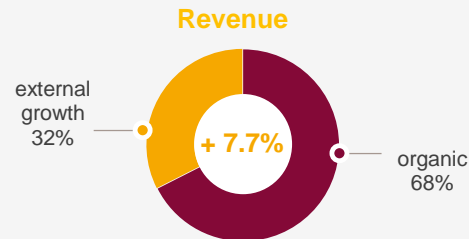
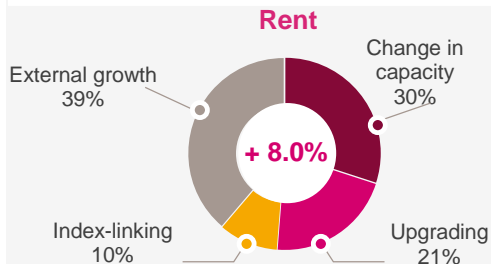
\* Adjusted by 43 basis points for the impact of the purchasing power bonuses

\*\* Sustaining capital expenditures, excluding investments for development and real estate assets for sale

# S1 2019, Analysis of operating EBITDA

In millions of euros	30/06/2019 <i>Excluding impact of IFRS 16</i>	30/06/2018	Variation (%)	Adjusted for impact of purchasing power bonus
Revenue	230.5	214.1	+ 7.7%	
External purchases and expenses	(40.8)	(38.2)	+ 6.9%	
Taxes and duties	(8.7)	(8.2)	+ 7.1%	
Payroll expense	(124.4)	(113.9)	+ 9.3%	+ 8.4%
EBITDAR	59.0	55.7	+ 5.9%	+ 7.7%
Rent	(32.8)	(30.4)	+ 8.0%	
EBITDA	26.2	25.3	+ 3.5%	+ 7.3%
EBITDA margin	11.4%	11.8%	- 46 BPS	- 4 BPS

- ▶ Variation in external purchases and expenses in line with the variation in revenue
- ▶ Variation in the payroll expense including the impact of the purchasing power bonus (- 43 BPS)
- ▶ EBITDA margin excluding impact of purchasing power bonus stable at 11.8%



# S1 2019, variation in the EBITDA margin

Operation by sector	30/06/18	Holding company	Long-term care France	Long-term care Belgium	Medium-term care France	Aftercare and rehabilitation	Hospital care at home	30/06/19 before PPB	PPB*	30/06/19 excluding impact of IFRS16
Variation in revenue	214.1	0.4	3.8	- 0.4	12.6	8.9	3.7	230.5	-	230.5
Variation in margin	11.84%	- 28 BPS	13 BPS	- 30 BPS	41 BPS	- 18 BPS	59 BPS	11.80%	- 43 BPS	11.38%

- 4 BPS

\* Purchasing Power Bonus

- ▶ **Holding company:** structuring and extension of the head office
- ▶ **Long-term care France:** all of the ALFs have reached full maturity
- ▶ **Long-term care Belgium:** Belgian action plan focussing on turning around two retirement homes in Brussels
  - ▶ Commercial conquest plan
  - ▶ Repositioning of the operating plan
  - ▶ Negotiation of leases
  - ▶ Reinforced operational management
- ▶ **Aftercare and rehabilitation:** transformation plan with 3 centres opened in S1 2019 which reduced the margin
- ▶ **Hospital care at home:** business dynamics (+ 20% in 6 months) and operational efficiency (procurement, logistics and organisation) and IT which increased the margin

# Focus on Established Facilities

Facilities & beds	Established Facilities		Other facilities		
	H1 2019		H1 2018	H1 2019	
	Adjusted for PPB*	Including PPB			
Number of facilities/Total Number of beds	60/69	6,519	57/68 6,163	9/69 1,028	11/68 1,037
Operating revenue	200.4		183.5	29.0	29.9
EBITDA of the facilities	25.6		23.0	0.2	0.9
EBITDA/Revenue	13.2%	12.8%	12.6 % ≠ 12 points	0.6%	3.0%
Current operating income	22.0		20.4	- 0.1	0.2
Current operating margin/revenue	11.4%	11.0%	11.1% ≠ 11 points	- 0.3%	0.6%
Capex	2.0		3.2	1.6	0.4
Capex/EBITDA affordability ratio	8%		14%	NS	NS
Free Cash Flow* as % of revenue	6.8%		6.1%	- 4.5%	0.6%

The margin for established facilities improved thanks to the health sector and continued to show a significant difference of +/- 10 points with the facilities undergoing restructuring, i.e. potential income on completion of the transformations

\* EBITDA – Capex – Financial charges – Corporate tax

▶▶ A solid and sustainable operating model

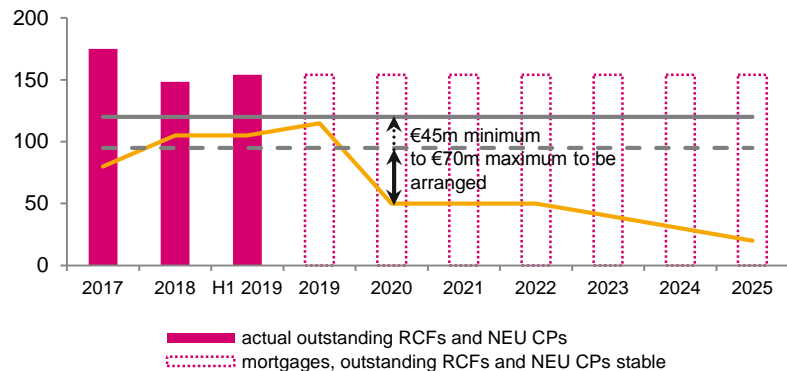
# Increase in operating income and net margin

<i>In millions of euros</i>	<b>H1 2019</b> <i>Excluding impact of IFRS 16</i>	<b>H1 2018</b>	<b>Variation (%)</b>	<i>Adjusted for impact of purchasing power bonus</i>
EBITDA	26.2	25.3	+ 3.5%	
Current operating income	21.6	21.3	+ 1.2%	+ 5.8%
Current operating margin	9.4%	10.0%	- 59 BPS	- 17 BPS
Operating income	22.9	20.5	+ 11.4%	+ 16.1%
Financial income	(2.5)	(2.3)	+ 8.9%	
Earnings before tax	20.4	18.2	+ 11.7%	+ 17.1%
Tax	(7.9)	(6.6)	+ 20.0%	
Net income 100%	12.4	11.6	+ 7.0%	+ 12.8%
Net result (Group's share)	12.1	11.2	+ 8.1%	+ 14.0%
Net margin (Group's share)	5.26%	5.24%	+ 2 BPS	5.55%, + 31 BPS

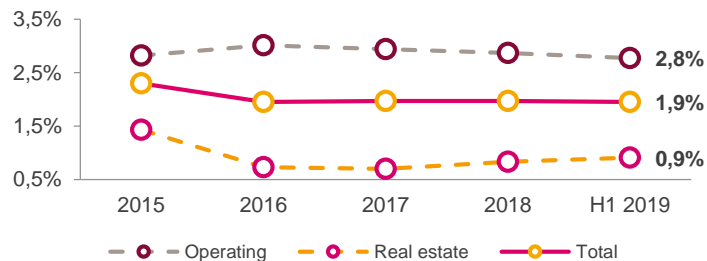
- ▶ Current operating margin of 9.4% supported by the beds in established facilities, while including the dilutive effect of the transfers and the opening of 3 aftercare and rehabilitation centres (572 beds and places)
- ▶ Financial expenses of €2.5m representing less than 10% of EBITDA and including the impact of the variation in the fair value of financial instruments totalling -€0.4m
- ▶ Net margin (Group's share) stable at 5.26% and up by 31 BPS after restatement

# Optimised capital structure

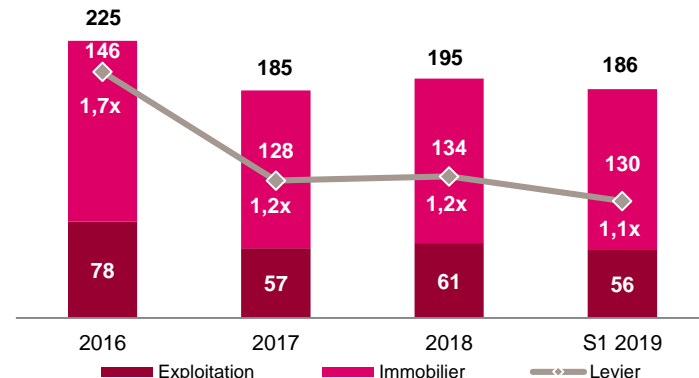
## A new opportunity to optimise coverage and the cost of debt



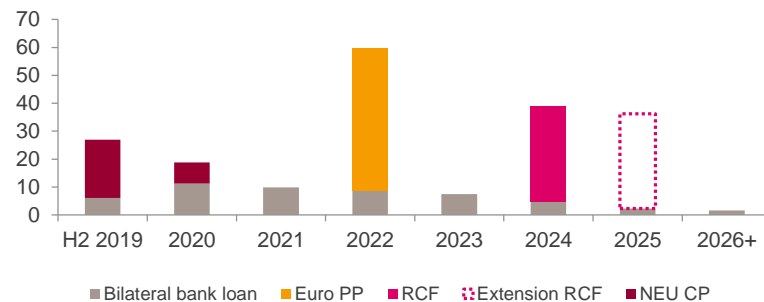
## Cost of debt stable



## Consolidated net debt



## Repayment schedule for the operating financial debt\*

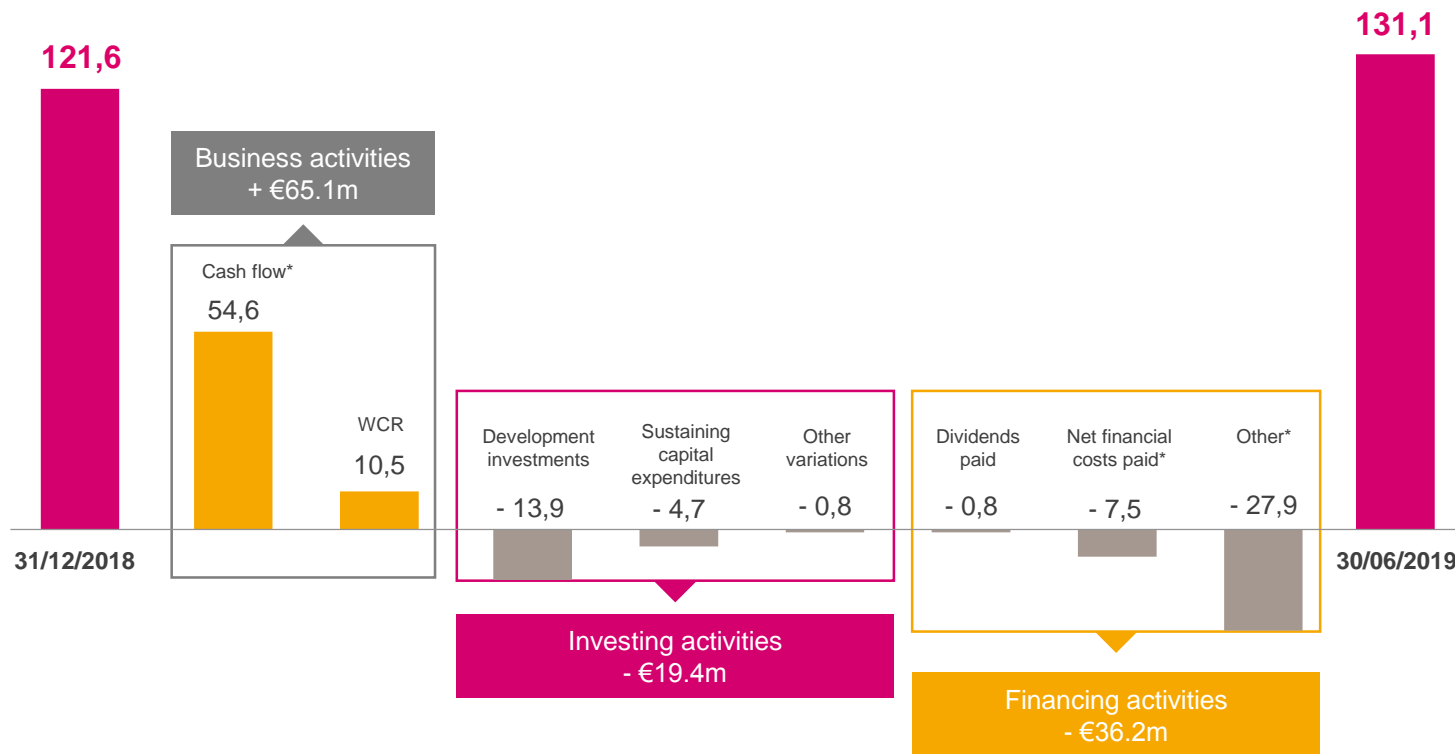


\* Real estate debt: short-term maturity linked to outsourcing of real estate assets

# Simplified cash flow and position

Cash at start of year

Cash at closing of year



\* Including the impact of IFRS 16, i.e. reclassification of €29.0m between business activities and financing activities

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# Focus on IFRS 16

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# IFRS 16 - Valuation assumptions

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## ▶ **Initial application: simplified retrospective approach**

- ▶ Debt equal to the sum of the discounted future rents at 01/01/2019
- ▶ Impact on shareholders' equity at 01/01/2019 of -€36m (excluding tax effect) cancelled out over the term of the agreements
- ▶ Non-capitalisation of leases with a term of less than 12 months, and immaterial leases

## ▶ **Discount rate (affecting debt and financial expenses under IFRS 16)**

- ▶ Marginal debt ratio by maturity, in four tranches:
  - ▶ Less than 5 years: 0.83%
  - ▶ More than 15 years: 3.13%
- ▶ Weighted average discount rate: 2.29%

## ▶ **Renewal assumptions (affecting the debts, term and rights of use)**

- ▶ Basic principle: outstanding term of the lease
- ▶ Exceptions: departure from the site, or renewal if the lease expires within 4 years
- ▶ Average maturity of the rights of use: 9.9 years

# IFRS 16 - Impact on the S1 2019 financial statements

## ► Impact on the operating margins

<i>In millions of euros</i>	Before IFRS 16		Impact of IFRS 16	After IFRS 16	
	Operations	Margin	Operations	Operations	Margin
EBITDA	26.2	11.4%	29.0	55.2	23.9%
Current operating income	21.6	9.4%	5.3	26.9	11.7%
Cost of financial debt	- 2.5		- 6.2	- 8.7	
Net income of the consolidated group	12.4	5.4%	- 0.6	11.9	5.1%

► Current operating margin increased by 2.3 points to 11.7% compared with 9.4% under the 100% rental regime

► Net margin reduced by 25 BPS due to the current maturity of the agreements (reversed on expiry of the agreements)

## ► Impact on the operating debt

<i>In millions of euros</i>	Before IFRS 16		After IFRS 16		
	Operations	Lender leverage	Operations	Lender leverage	Adjusted lender leverage
Net debt	56.0	1.07	563.4	5.11	1.07

► Debt increased by the amount of lease obligations, wholly restated for the covenant calculation

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# Grandir ensemble 2022



*En 2022, nous voulons être ...*

Une entreprise familiale, indépendante et engagée, fédérant une centaine d'établissements et plus de 8 000 professionnels

Un acteur du secteur de la santé reconnu pour la qualité de ses services, son expertise médicale et sa capacité à innover

Un groupe où les établissements œuvrent en synergie entre eux et s'impliquent dans leur territoire

Un employeur reconnu pour son professionnalisme, sa culture d'entreprise et sa qualité de vie au travail



# Growing Together 2022: key strategies

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**Increase the company's attractiveness** and the loyalty of the teams, based in particular on the CSR policy



**Improve management** and the managerial dynamics to be agile enough to meet the economic challenges in the health sector



**Improve the client experience** and innovate in the range of medical services



**Reinforce our presence and synergies** between establishments in the regions



**Reinforce the group's reputation** as a recognised player in the transformation of the health sector



**Improve the information systems** and make them more **reliable** to support the business lines and client care pathways



# Change in the total number of beds\*

	2018	2019	2020	2021	2022	2023	2024	Var./2018
<b>Facilities at start of period</b>	<b>7,087</b>	<b>7,258</b>	<b>7,900</b>	<b>8,130</b>	<b>8,232</b>	<b>8,280</b>	<b>8,347</b>	
Aftercare and rehabilitation	1,822	492	100	55		15	17	37%
Hospital care at home	448	25	0	25	25			17%
EHPAD	4,433	125	130	22		52	67	9%
MRB	555				23			4%
<b>Facilities at end of period</b>	<b>7,258</b>	<b>7,900</b>	<b>8,130</b>	<b>8,232</b>	<b>8,280</b>	<b>8,347</b>	<b>8,431</b>	<b>16%</b>

Entry into service



**A structured development process**

\* Excluding new developments

# Continued development and transformation of our facilities

## ► Acquisition of the Saint-Roch Clinic in Roncq (59)

### POSITION

**1**

Located at the entrance to Lille and its suburbs

**2**

Close to short-stay hospitals and clinics



### LNA's answer

**1**

First site of the LNA Santé group in the Nord department

**2**

Health facility with 154 beds

# Continued development and transformation of our facilities

- ▶ Elsan – Cap-Horn rehabilitation centre (French department No. 29)  
Aftercare and rehabilitation

## BEFORE

**1**

Unsuitable  
business real  
estate

**2**

Facility with 127  
places



## AFTER

**1**

New facility (195 patients/day)

Merger with a clinic belonging to the ELSAN  
group

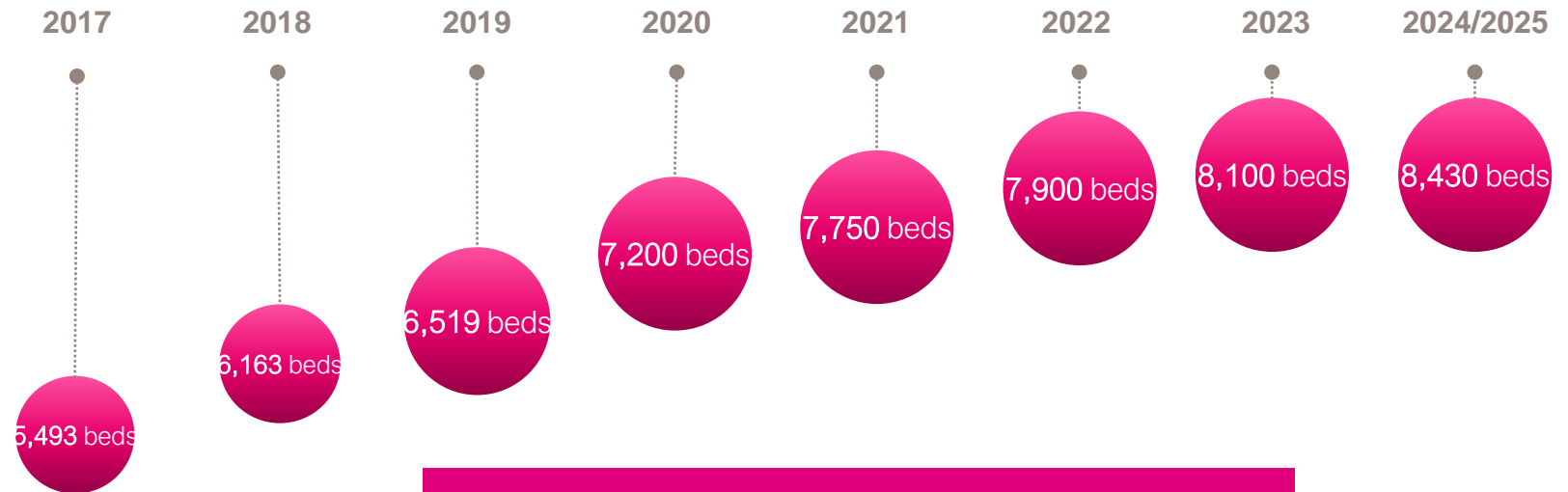
**2**

Medical project heavily geared towards  
geriatrics (targeted centres of expertise) (CVA  
and locomotive disorders in the elderly,  
geriatric outpatient care)

# Growth already in progress

## ► Transformation of existing capacity into established facilities

excluding new development projects



**Capacity in established facilities**

+1,600 beds to reach maturity between 2019

# Confirmed growth

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**2019**

- ▶ **Organic growth > 4.5 %**
- ▶ **EBITDA of established facilities at 12.5 % of revenue**
- ▶ **Targeted acquisitions** that meet the challenges of the regional healthcare offering
- ▶ A total of **1,900\* beds** being upgraded to established facility standards
- ▶ **Free Cash Flow > 5%** of revenue for Operations

*\* 2,050 beds at 31/12/2018*

*1,700 beds at 31/03/2019, including 920 beds to be upgraded to established facility standards, and 780 beds to be installed*



**A strategic plan in progress**

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**Thank you!**

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Soigner et prendre soin

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# Appendices

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# Plan to modernise the healthcare system (Ma Santé 2022) + Autonomy Law

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## References and founding texts

The plan to modernise the healthcare system (Ma Santé 2022) was announced in September 2018 by the President of the Republic and offers an overall view and global answers to the challenges facing the French healthcare system. Firstly, unequal access to healthcare, with an increasing number of people in France who have difficulty making an appointment with a doctor during the day and are sometimes forced to go to the casualty department. Secondly, the hopes of professionals to be able to cooperate with each other more effectively, have more time to treat their patients and be trained differently.

<https://solidarites-sante.gouv.fr/systeme-de-sante-et-medico-social/ma-sante-2022-un-engagement-collectif/>

The elderly people and autonomy report that was submitted by Dominique Libault to the Minister for Solidarity and Health, Agnès Buzyn on 28 March 2019 is the fruit of a vast national consultation based on proposals drawn up with the people and players concerned.

<https://solidarites-sante.gouv.fr/affaires-sociales/personnes-agees/concertation-grand-age-et-autonomie/article/rapport-de-la-concertation-grand-age-et-autonomie>

# LNA Santé, Treating and Providing Care

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An inviolable mission and values at the heart of our model

## 5 BASIC AND MEANINGFUL VALUES

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RESPECT



TRUST



INITIATIVE



SERVICE



COMMITMENT

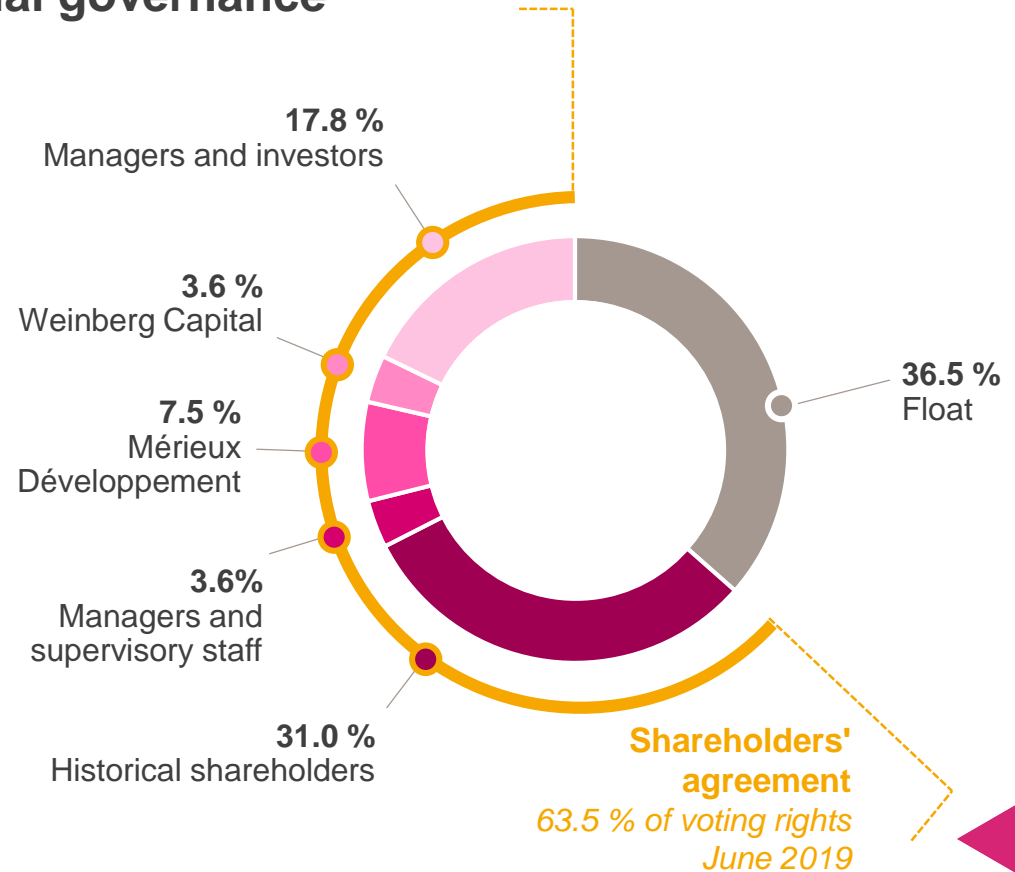
### ▶ LNA Santé's Mission

- ▶ Treating and Providing Care
- ▶ Improving the **quality of life** for temporarily or permanently **dependent people**, in a **welcoming and caring environment**, adapted to individual needs, regardless of age

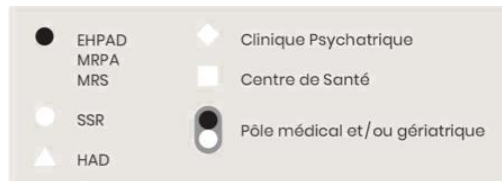
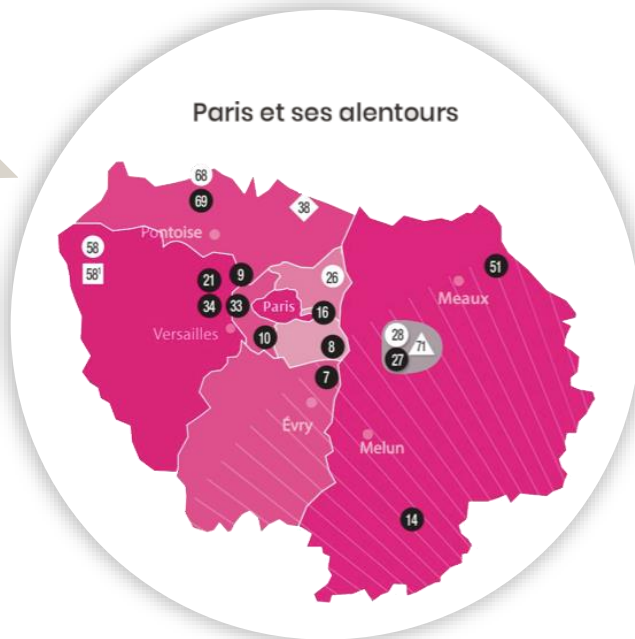
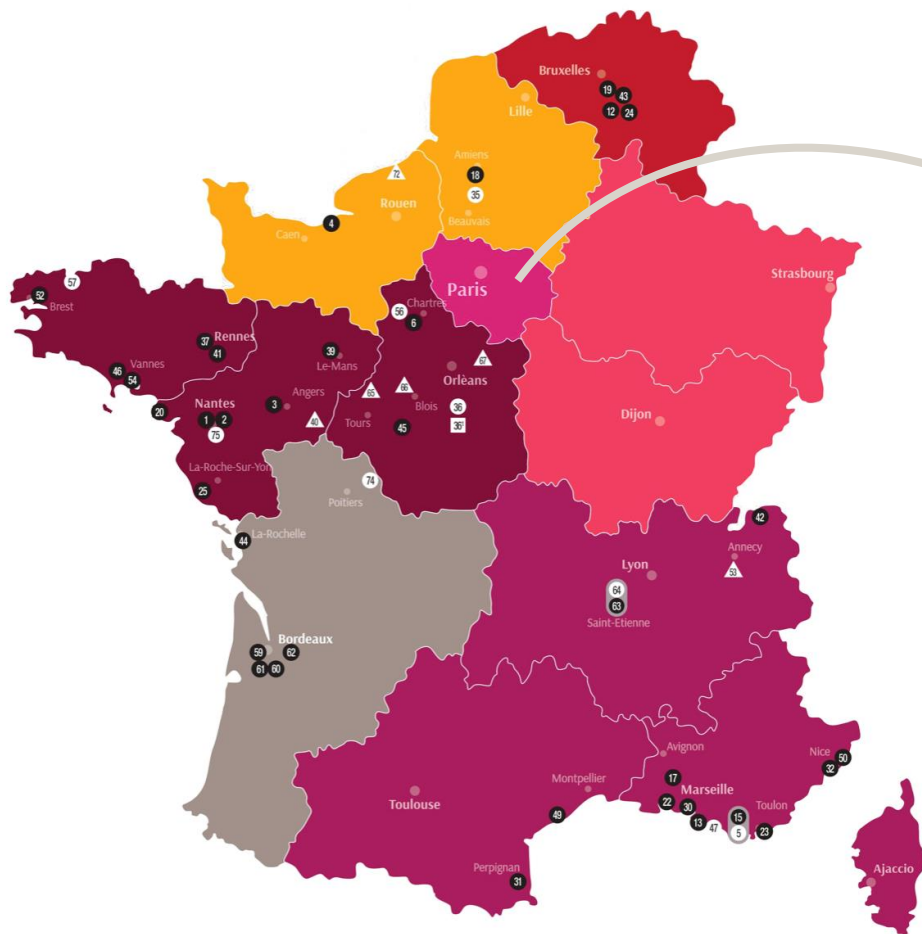
- ▶ A concrete desire to contribute to the development of health policies

# LNA Santé, Treating and Providing Care

## Family-based and entrepreneurial governance

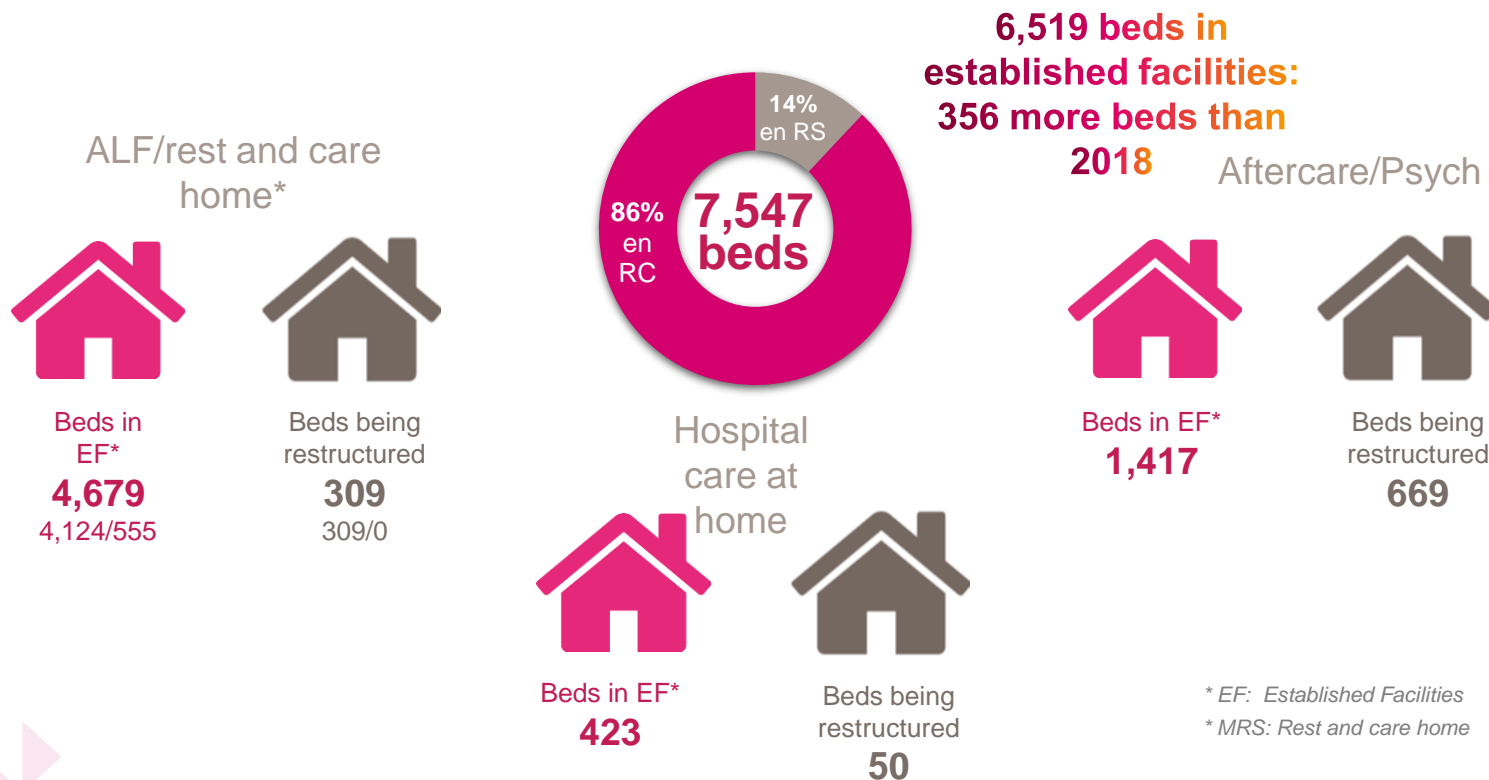


# Strong presence in target territories



# Transformation of the offering by LNA - A total of 69 establishments

at 1 September 2019



**6,519 beds in established facilities:**  
**356 more beds than 2018** Aftercare/Psych

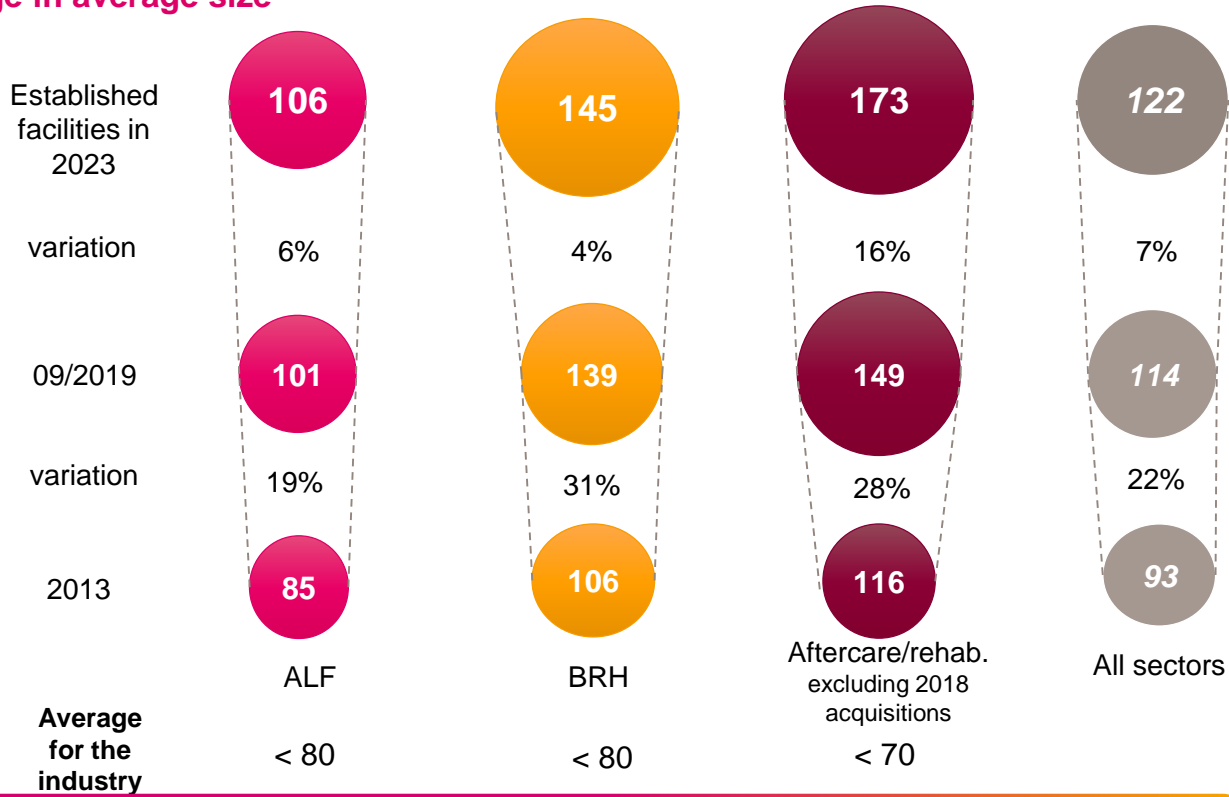
\* EF: Established Facilities  
\* MRS: Rest and care home



**Controlled organic growth path**

# Sites sized for quality and efficiency

## Change in average size



An important choice for economies of scale and critical size

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# Financial appendices

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# S1 2019 profit and loss account Operations + Real Estate

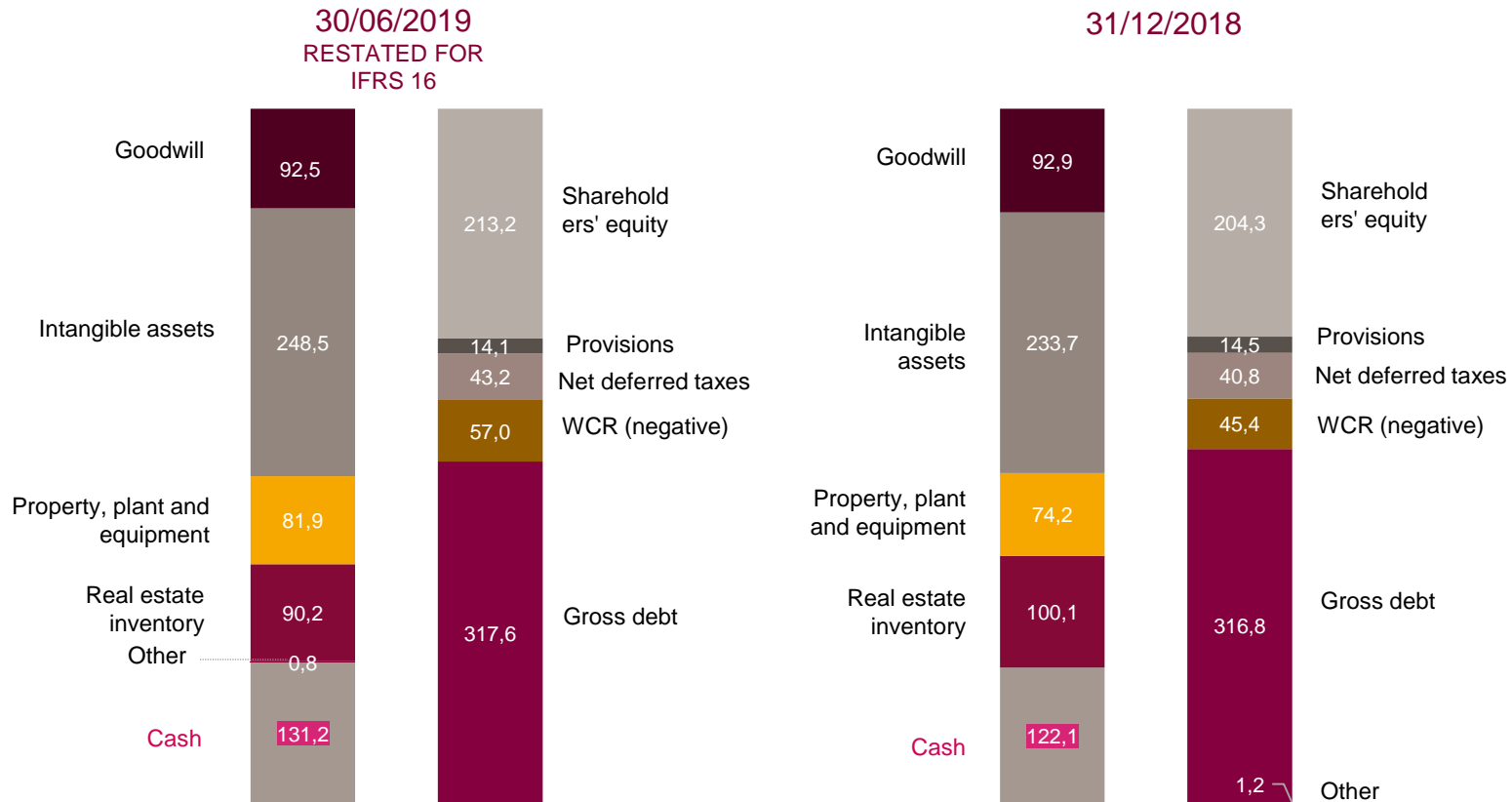
## ► Tax rate

	2017 A	2018/06	2018	2019/06	2019E
Theoretical tax rate	34.4%	34.4%	34.4%	32.0%	34.4%
<b>Effective tax rate</b>	<b>19.3%</b>	<b>36.8%</b>	<b>37.1%</b>	<b>39.8%</b>	<b>40.5%</b>
<i>Spread</i>	- 15.1%	2.4%	2.7%	7.8%	6.1%
<b>PERMANENT DIFFERENCES</b>					
Impact of non-deduction of financial charges	3.3%	0.9%	0.9%		
Impact of CICE	- 9.2%	- 7.1%	- 7.2%		
Impact of CVAE	4.5%	9.5%	9.4%	9.7%	9.0%
Other differences	1.8%	1.0%	1.1%	- 0.5%	- 1.4%
Interest rate change/spread	- 15.6%	- 2.0%	- 1.5%	- 1.4%	- 1.4%
Permanent differences	- 15.2%	2.4%	2.7%	7.8%	6.1%



**Corporate tax rate of 39.8% (+ 3 points) due to the replacement of the competitiveness and employment tax credit (CICE) by a reduction in taxable contributions**

# Operations + Real Estate balance sheet

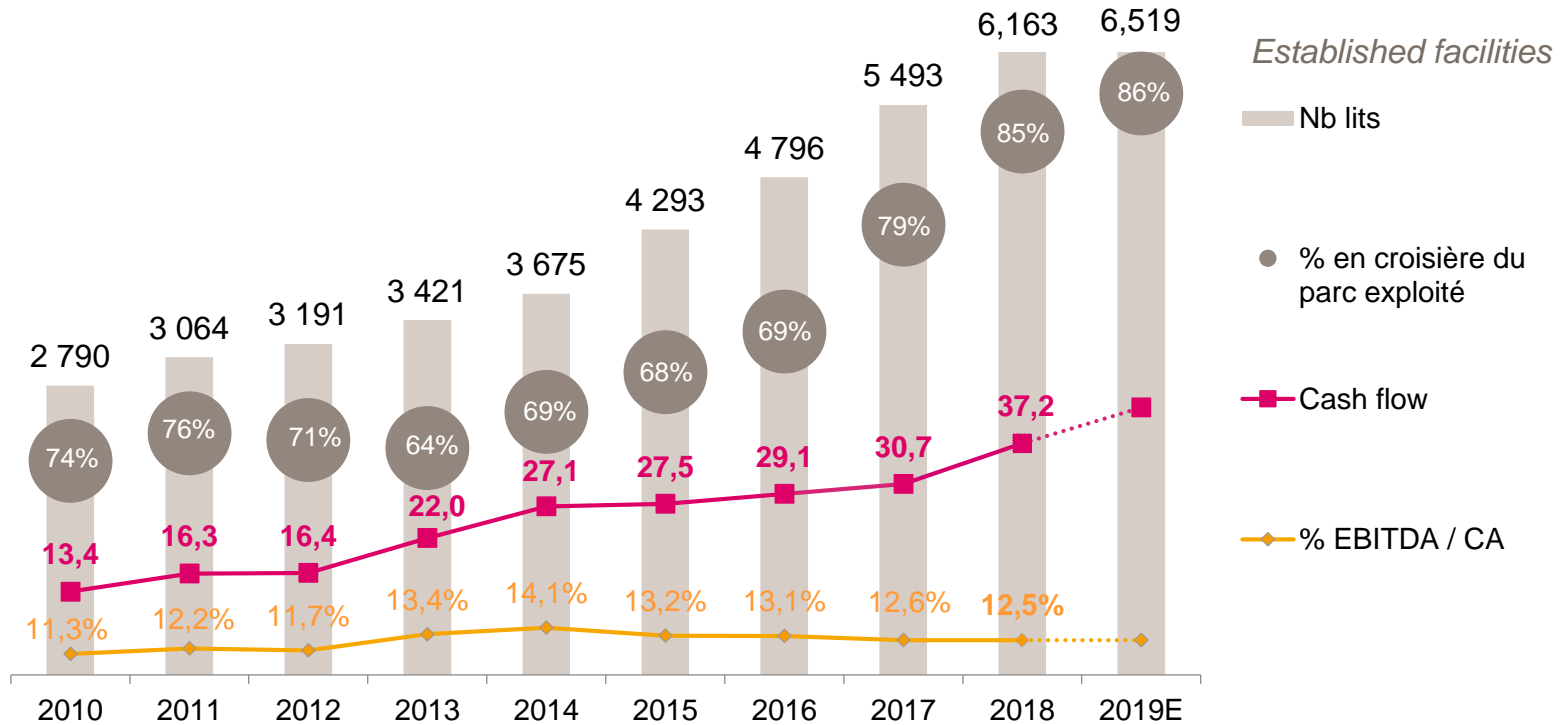


# Simplified cash flow and position

<i>In millions of euros</i>		30/06/2019	30/06/2018	Variation in value
<b>Cash at start of year N-1</b>		<b>121.6</b>	<b>162.3</b>	<b>- 40.7</b>
<b>BUSINESS ACTIVITIES</b>		<b>65.1</b>	<b>17.6</b>	<b>+ 47.5</b>
<b>Restated cash flow</b>	(1)	<b>54.6</b>	<b>24.7</b>	<b>+ 29.9</b>
<i>Including operations</i>		54.2	23.5	+ 30.7
Change in WCR		4.8	5.3	- 0.5
Payment of corporate tax	(2)	5.6	(12.4)	+ 18.0
<b>INVESTING ACTIVITIES</b>		<b>(19.4)</b>	<b>(15.1)</b>	<b>- 4.2</b>
Development investments		(13.9)	(9.1)	- 4.8
Sustaining capital expenditures		(4.7)	(4.7)	=
Other variations		(0.8)	(1.3)	+ 0.5
<b>FINANCING ACTIVITIES</b>		<b>(36.2)</b>	<b>(46.1)</b>	<b>+ 9.8</b>
Dividends paid		(0.7)	(0.7)	=
Issue of disintermediated loans		32.9	25.1	+ 7.8
Issue of bank loans		1.1	15.0	- 13.9
Repayment of disintermediated loans		(19.4)	(25.1)	+ 5.7
Repayment of bank loans		(19.3)	(57.0)	+ 37.7
Net financial costs paid	(3)	(7.5)	(2.0)	- 5.5
Other	(4)	(23.3)	(1.3)	- 21.9
<b>Cash position at year-end</b>	(5)	<b>131.1</b>	<b>118.8</b>	<b>+ 12.3</b>
<b><i>Including Operating</i></b>		<b>125.6</b>	<b>114.0</b>	

- ▶ (1) Increase in cash flow from operating activities due to the impact of elimination of rents under IFRS 16 totalling €28m
- ▶ (2) Increase of €18m in the corporate income tax paid due to down payments in N-1 based on a decrease in taxable income (cut in the corporate tax rate)
- ▶ (3) Financial expense paid up by €5.5m mainly due to the impact of IFRS 16 (€5.6m)
- ▶ (4) Including repayment of lease obligations totalling €22.4m
- ▶ (5) Cash of €131.1m with additional lines of credit of €71m

# Continuous strong performance of mature facilities



# IFRS 16 - Methodological note

## MAIN CHANGES INTRODUCED BY THE STANDARD

IFRS 16 removes the distinction between operating leases and finance leases in IAS 17

Capitalisation of leases, unless they are immaterial (<€5,000) or short-term (<12 months)

### Impact estimated and cancelled out in the calculation of the leverage/gearing

- ▶ LNA's margins heavily affected due to its asset-light model
  - ▶ 2019 Operating EBITDA: increase of €29m in H1
  - ▶ 2019 COI for Operations: + €5m, i.e. increase in the current operating margin of > 200 BPS in H1
- ▶ Debts at the start of the year on 01/01/2019: increase of €487m

Head office real estate leasing agreement, one Belgian building and vehicle leasing agreements (hospital care at home)

BEFORE



AFTER

Capitalisation of all real assets

# IFRS 16 - Impact on the financial statements

## Profit and loss account

Rent	↓
EBITDA	↑
Amortisation and depreciation	↑
Current operating income	↑
Interest expense	↑
Cost of financial debt	↑
Earnings before tax	At start of agreement ↓ Then at end of agreement ↑

▶▶ Increase in the operating margins

## Cash flow statement

Cash at start of year	
↑	<b>BUSINESS ACTIVITIES</b>
↑	<b>Restated cash flow from operating activities</b> ( <i>reversing entry for rent</i> )
=	Variation in working capital requirements including corporate income tax payment
=	<b>INVESTING ACTIVITIES</b>
↓	<b>FINANCING ACTIVITIES</b>
	Variation in bank loans
↓	Variation in disintermediated debts
↓	Variation in sundry financial debts ( <i>share of repayment of the debt in the rents paid</i> )
	Interest cost paid ( <i>share of financial charges in the rents paid</i> )
	Other variations
=	Cash at the end of the year
=	<b>Cash flow</b>

▶▶ No impact on the cash position

# IFRS 16 - Impact on the financial statements

## ► Presentation in the balance sheet

ACTIF	PASSIF	
	<b>Total shareholders' equity</b> ↓	At the time of initial application
<b>Non-current assets</b>	<b>Non-current liabilities</b>	
Goodwill	Pension obligations and similar liabilities	
Intangible assets	Provisions for non-current contingencies	
Property, plant and equipment	Deferred tax liabilities	
Non-current financial assets	Non-current financial loans and debts	
<b>Rights of use under leases</b>	<b>Non-current lease obligations</b>	
Deferred tax assets	Other non-current items	
<b>Current assets</b>	<b>Current liabilities</b>	
Stocks and work in progress	Provisions for current contingencies	
Assets under contracts, trade accounts receivable	Trade accounts payable and advances received	
Other current assets	Current financial loans and debts	
Tax receivables	<b>Current lease obligations</b>	
Cash and cash equivalents	Other current liabilities	
	Current tax liabilities	
	Liaison account	
<b>TOTAL ASSETS</b>	<b>TOTAL LIABILITIES</b>	

# IFRS 16 – In short



## Advantages



## Disadvantages

### General impact IFRS 16 as a whole

- ▶ The standard has no impact on cash or tax
- ▶ **Easier to compare** opco performance of different players (clarification of hybrid methods of possession)
- ▶ Informative assumptions of the useful life of real estate assets (calculated in terms of use/permanence)
- ▶ Options provided by the standard to simplify transition
- ▶ New treatment in the consolidated financial statements
- ▶ Increase in the balance sheet assets and liabilities
- ▶ Detailed information to be provided (quality and quantity) in the notes to the financial statements
- ▶ Judgement by the issuer on the key valuation assumptions may lead to heterogeneous market practices
- ▶ **Impact on the performance indicators** (margin, ROCE) and assessment indicators (earnings multiple)

### Impact on LNA Santé of choosing the modified retrospective approach

- ▶ **Increase in the EBITDA and operating margins** (current operating margin increased by > 200 BPS)
- ▶ Limited impact on the earnings before tax
- ▶ Rapid reversal of the impact on profit or loss (after 2020) apart from the impact on future developments
- ▶ **Cancelling** of the impact of IFRS 16 **on the credit ratios** (consistency of the covenant method)
- ▶ **IT system designed** (ERP SAP) to process 3,000 contracts
- ▶ Reclassification of off-balance sheet commitments under liabilities (€487m)

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# Glossary

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# Glossary

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## net EPS

- Net earnings per share

## CAPEX

- Sustaining capital expenditures, excluding investments to develop new activities and real estate assets for sale

## CICE

- Competitiveness and employment tax credit

## Organic growth

Corresponds to the change in turnover:

- between N-1 and N for facilities existing in N-1,
- between N-1 and N for facilities opened in N-1 or in N,
- between N-1 and N for facilities restructured according to LNA Santé specifications or whose capacity increased in N-1 or in N,
- in N, compared with the equivalent period in N-1 for facilities acquired in N-1.

## Deal flow

- Takeovers, creations and/or extensions

## Net financial debt

- Gross financial debt, excluding lease obligations introduced by IFRS 16, less cash and cash equivalents

## Net financial debt from operations

- Represents gross financial debt from operations, excluding lease obligations introduced by IFRS 16, less cash and cash equivalents and shareholders' equity contributed to the real-estate activity

## EBITDA

- Earnings Before Interest, Taxes, Depreciation and Amortization, after rent and provisions and reversals of provisions for depreciation of real estate

## EBITDAR

- Earnings Before Interest, Taxes, Depreciation, Amortization and Rents, after provisions and reversals of provisions for depreciation of real estate

## ALF

- Assisted Living Facilities

## Established facilities

- A facility that has been extended (if necessary) and renovated, with 100% of its authorised capacity
- Human organisation and method of management in line with Group standards

# Glossary

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## Facilities undergoing restructuring or being opened

- Facilities taken over or opened within about 1 year
- Renovation and/or extension work in progress
- Implementation of the Group's standards

## FCF or Free Cash Flow

- EBITDA less capex, financial charges and corporate tax

## Operating gearing

- Ratio of the operating net financial debt to the adjusted operating equity. Adjusted operating equity corresponds to the consolidated equity from Operations, excluding the impact of IFRS 16, plus operating deferred tax liabilities mainly linked to the valuation of intangible operating assets, excluding the impact of IFRS 16.

## GIR

- Corresponds to the level of loss of autonomy of an elderly person. GIR 1 is the highest level of loss of autonomy, and GIR 6 is the lowest.

## Home care

- Hospital care at home

## Outpatient

- Outpatient care

## SRN

- State registered nurse

## Financial leverage, leverage for Operations

- Ratio of net debt from operations to EBITDA from operations, measures the company's ability to reimburse its debt. It shows how long (in years) it will take the company to reimburse its debt based on its EBITDA

## Cash flow

- Overall net income adjusted for depreciation and provisions, the cost of net financial debt, tax expenses, income from disposals, dividends received and miscellaneous revenue and expenses with no cash impact.

## Current operating margin

- Ratio of current operating income to revenue

## Medium-term care France

- Groups together the aftercare and rehabilitation, psychiatry and hospital care at home activities

## BRH

- Rest home in Belgium, equivalent to ALF in Belgium

## MRPA

- Rest home for the elderly, equivalent to ALF in Belgium

# Glossary

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## **MRS**

- Rest and care home, equivalent to ALF in Belgium

## **NEU-CP**

- *Negotiable European Commercial Paper*: short-term negotiable securities, previously called commercial papers

## **PPB**

- Purchasing Power Bonus

## **PUI**

- *Pharmacie à Usage Intérieur* - Pharmacy for residents and patients

## **Established facilities, EF**

- See Established facilities

## **Taken over during the year**

- Facilities that were not included on 1 January of the current year
- New facilities opened during the year

## **Restructuring**

- See “Facilities undergoing restructuring or being opened”

## **RCF**

- Revolving Credit Facility

## **COI**

- Current Operating Income

## **ROCE**

- Return On Capital Employed assessed by the ratio: Current Operating Income/Operating Assets

## **Operating income**

- Operating income

## **CSR**

- Corporate social responsibility

## **IS**

- Information System

## **Aftercare and rehabilitation**

- Aftercare and rehabilitation services

## **AAGR**

- Average annual growth rate

## **Net cash**

- Comprises cash and cash equivalents less bank loans and overdrafts.