

Press release, 9 November 2018

Attendo's third quarter report 2018: Focus on expansion and strong growth

Attendo shows strong growth from previous acquisitions and high rate of establishing new nursing homes. The demand for new care capacity remains high in the Nordic market. The operation profit was slightly higher compared to the third quarter 2017, but the high rate of new openings continues to have a negative effect on margins.

CEO Martin Tivéus comments on the report

We are building for the future

Attendo is in an expansive phase. The need for new capacity in our markets will rise rapidly during the next ten years and we will be opening more nursing homes than ever during the year. The nursing homes we are developing will strengthen our market position and lay the foundation for long-term organic growth, although the high rate of openings will initially lead to lower margins.

Net sales in the *Own operations* contract model continued to increase, due to acquisitions and openings of new homes in recent quarters. We opened 12 own nursing homes during the third quarter, providing 319 beds. We also started construction of 13 new own nursing homes in Finland and Sweden during the quarter. At the end of the third quarter, Attendo had 2,519 beds under construction, slightly up from the second quarter of 2018. Attendo's organic growth amounted to four percent in the quarter and is expected to increase over time.

Net sales in *Outsourcing* were slightly higher versus the third quarter of 2017. However, during the fourth quarter 2018 some larger contracts will expire. The outsourcing market is assessed as generally stable but challenging.

Operating profit for the third quarter of 2018 was slightly higher compared to the third quarter last year. Acquisitions, contributions from units that were in the start-up phase during the comparison period and improvements in home care had a positive impact on profit. We are pleased to see that the improvement measures in the Swedish home care operations, combined with successful acquisitions, have contributed positively. At the same time, the Danish operations and the individual and family care operations stabilised during the quarter.

High rate of openings and acquisitions put pressure on margins

Profit was negatively affected by costs related to the large number of openings of new nursing homes. In pace with increased market activity, the time required to fill new homes is increasing. The loss from discontinued outsourcing operations was greater than earnings generated by new outsourcing units. The margin for Attendo as a whole is thus lower than in 2017, a consequence of high start-up costs and the acquisition of Mikeva, which has significantly lower margins than Attendo as a whole.

The high rate of openings will continue in upcoming quarters, which short term makes it challenging to increase the margin to the company's long-term target (EBITA margin) of 9 percent. The high rate of establishment is however a prerequisite for good long-term profit growth and future value creation. There is a large underlying need for new capacity and Attendo will consolidate its leading market position over the next few years.

The new leasing standard IFRS 16 will be implemented during 2019 and will have a significant impact on Attendo's income statement and balance sheet. Related to the year-end report 2018 we will present the full impact on Attendo and at the same time we will present updated financial targets reflecting the new accounting standard.

This is my first quarter as CEO of Attendo. I am very excited about the new role and the challenges ahead of us. Attendo is a well-managed company with a long-term perspective and, in many ways, a pioneer in the Nordic care services sector. I have devoted much of my first time meeting customers and colleagues in all of our geographies. My first impression is that Attendo is a company with employees who are passionate about improving the daily life for our customers, and helping them live life to the full – independently and with as few limitations as possible.

Society is facing large challenges in providing care services, where I see that Attendo has an important role to play. We contribute with innovations, quality improvement and providing more care to the local authorities for every krona spent. We must also continue to challenge ourselves to get even better and never settle for 'good enough'. Our firm ambition is to be at the forefront of improving the quality of care, establishing new operations and to solve important tasks for local authorities across the Nordics.

Summary of the third quarter 2018*

- Net sales increased by 26 percent to SEK 2,802m (2,220). Adjusted for currency effects, net sales increased by 21 percent.
- Operating profit (EBITA) amounted to SEK 297m (277), corresponding to an operating margin of 10.6 percent (12.5).
- Profit for the period amounted to SEK 171m (179) corresponding to a profit margin of 6.1 percent (8.1) and diluted earnings per share of SEK 1.06 (1.11).
- Operating cash flow was SEK 186m (73).
- The number of new beds opened in own operations was 319. The total number of beds in operation in own homes amounted to 15,343 (10,378), an increase by 48 percent. The number of beds under construction in own operations was 2,519 across 57 homes.

** In Q2, Attendo entered into a binding agreement to divest the health care operations in Finland. The operations are not included in the summary.*

Invitation till teleconference

Investors, analysts and journalists are invited to participate in a teleconference at 10.00 (CET) hosted by Attendo's CEO Martin Tivéus and CFO Fredrik Lagercrantz. The presentation will be held in English.

To participate in the conference, please dial in on any number below at least ten minutes before the start of the call:

SE: +46 8 566 426 96
FI: +358 981 710 492
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You can follow the presentation and the conference on:

<https://tv.streamfabriken.com/attendo-q3-2018>



The quarterly report and other information material will be made public on:
<https://www.attendo.com/investor-relations>

Attendo AB (publ)

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Attendo - the leading care and healthcare company in the Nordics

Attendo is the leading private provider of publicly financed care and healthcare services in the Nordic region. The company was founded in 1985 and was first to provide outsourced care for older people in Sweden. In addition to care for older people, Attendo provides care for people with disabilities, individuals and families, and, in Finland, healthcare and dental care. Attendo has more than 24 000 employees and is locally anchored with over 700 operations in more than 200 municipalities in Sweden, Finland, Norway and Denmark. www.attendo.com