

Attendo third quarter report 2022: MORE CUSTOMERS AND BETTER MARKET CONDITIONS IN FINLAND AHEAD OF 2023

Attendo continues to attract more customers to its operations in the third quarter of 2022, which is shown in a sustained strong organic growth. Higher sick-leave numbers due to Covid, increasing inflation and challenges in finding qualified employees have, however, had negative impact on the result in the quarter. Ahead of 2023 we note clear improvements in market conditions in Finland, where new rules regarding staffing will be eased and renegotiations on contracts to reach sustainable terms is progressing according to plan.

Comments from Martin Tivéus, Attendo president and CEO

“We are satisfied with a strong inflow of customers in nursing homes in Sweden and, towards the end of the quarter, also in Finland. Occupancy continue to rise and we are generating persistent, strong organic growth. However, high sick leave due to Covid, increasing inflation and challenges finding qualified employees had clear impact on operating performance during the quarter. Returning to a high occupancy level, maintaining high and stable quality of care and re-establishing sustainable conditions in the Finnish care system are the most important factors in creating long-term profitability. Following an interruption in the third quarter, negotiations in Finland have been resumed and we are optimistic about opportunities to establish sustainable operating conditions in 2023 after several years of losses or break-even results in Finland.

Group: Sustained good growth

We are reporting good underlying growth of 10 percent in the third quarter, driven mainly by higher customer inflow in Scandinavia, price adjustments in Finland and acquisitions. This was accompanied, however, by high personnel related costs including costs related to external staffing, overtime and sick leave. Inflation has also had adverse impact on the costs of food and other consumables. Lease adjusted EBITA for the third quarter of 2022 decreased by SEK 37 million, compared to the preceding year, to SEK 171 million.

Finland: Better long-term conditions but performance remains weak

We started to renegotiate pricing conditions for nursing homes in Finland last quarter ahead of the expected final stage of the staffing law that will take effect in April 2023 and which stipulates a ratio of 0.7 care workers per resident. We negotiated contracts in the second quarter corresponding to about 20 percent of Attendo Finland’s sales in care for older people. The negotiations were interrupted in the third quarter, however, when the Finnish government announced adjustments to the law in response to the strained labour situation in Finnish care for older people. The proposed adjustment, which was announced in late September, imply a softer transition to the staff density requirement, which will instead rise gradually from the current 0.6 to 0.65 in April 2023 and then increase to 0.7 care workers per resident as of December 2023.

Now that the revised proposal has been announced, efforts to renegotiate the remaining portion of the contracts have been resumed. During the third quarter, Attendo has terminated the majority of contracts in order to ensure that all contracts receive sustainable terms. Our assessment remains

that negotiations for the majority of the contracts will be complete by the end of the year on terms that will apply from April 2023. Thus far, negotiated contracts under the new staffing law have entailed an average price adjustment of about 30 percent.

Sales in Attendo Finland increased by about 11 percent in local currency during the quarter, due to higher prices and a stronger currency. The number of beds sold decreased early in the third quarter due to difficulties with staff provision during the summer. The situation has gradually improved and customer inflow turned positive towards the end of the third quarter and into the fourth quarter.

High personnel costs related to the staffing law and resulting imbalances in the labour market are still affecting profit. Cost for sick leave related to Covid have decreased compared to the peak early in the year, but remain at a historically high level. Higher costs for consumables have had negative impact on profit. The operating result decreased by SEK 29 million compared to the comparison quarter.

Scandinavia: Continued high customer inflow, but profits slightly lower than 2021

The strong demand for our nursing homes is persisting. We are continuing to fill an increasing number of beds in our recently opened homes, but are also seeing a positive occupancy trend in mature units. After several years of high opening rates combined with low customer inflow during the pandemic, we have maintained clear focus in the last year on increasing occupancy, as occupancy is critical to our long-term profitability. Occupancy increased by a full three percentage points during the quarter to 85 percent, as compared to 78 percent for the same period last year. With few new openings in coming quarters and persistent good demand, we expect to gradually increase occupancy.

Net sales in Attendo Scandinavia increased by about 10 percent compared to the same quarter in 2021. Reported operating profit was in line with the previous year, while lease adjusted EBITA decreased by SEK 8 million to SEK 150 million. Higher occupancy has had a clearly positive effect on profit in nursing homes. However, lower results in home care services have had negative effect on overall profit. In addition, personnel costs were high due to sick leave combined with high costs for external staffing and overtime during the summer. Significant inflation has also affected the costs of consumables and food. The historically high rate of inflation is impacting all care providers and several initiatives are in progress to ensure sustainable conditions ahead of 2023.

Measuring and monitoring quality

Measuring and monitoring quality is a cornerstone of our business. Our quality improvement work proceeds from operations by following up all non-conformances at the local unit level and monitoring aggregated data for regions, segments and business areas at the central level.

The Swedish National Board of Health and Welfare publishes two major surveys about the care industry every year: the "Welfare survey", where residents are getting questions and the "Unit survey" in which nursing homes and home care units answer questions about their operations in health and social care for older people. The unit survey is aimed at stimulating knowledge and operational development, primarily at the local level. Precise routines are the foundation of systematic care provision. This year's survey shows that Attendo generally has a significantly higher share of effective procedures in place in our nursing homes and home care operations compared to the national average. The survey also shows that Attendo's nursing homes offer better opportunities for activities, time spent outdoors and resident council meetings compared to the national average. Attendo has been focusing for a long time on lifestyle homes, where time spent outdoors and other activities are central features. This is also a cornerstone of our work to fulfil our mission of "empowering the individual".

Summary of the third quarter 2022

- Net sales amounted to SEK 3,679m (3,260). Organic growth was 6.8 percent.
- Lease adjusted EBITA (EBITA according to the previous accounting standard) was SEK 171m (208), corresponding to a lease adjusted operating margin of 4.6 percent (6.4).
- Operating profit (EBITA) amounted to SEK 295m (319), corresponding to an operating margin of 8.0 percent (9.8).
- Profit for the period amounted to SEK 95m (95). Diluted earnings per share were SEK 0.59 (0.58). Adjusted earnings per share after dilution were SEK 0.80 (0.83).
- Free cash flow amounted to SEK -273m (-114).
- There were 21,082 (20,935) beds in Attendo's homes at the end of the period. Occupancy in the homes was 85 percent (83).

Summary of the period January - September 2022

- Net sales amounted to SEK 10,707m (9,529). Organic growth was 7.2 percent.
- Lease adjusted EBITA (EBITA according to the previous accounting standard) was SEK 191m (335), corresponding to a lease adjusted operating margin of 1.8 percent (3.5).
- Operating profit (EBITA) amounted to SEK 543m (664), corresponding to an operating margin of 5.1 percent (7.0).
- Operating results for the period were SEK 0m (67). Diluted earnings per share were SEK 0.00 (0.41). Adjusted earnings per share after dilution were SEK 0.74 (1.27).
- Free cash flow amounted to SEK -82m (96).

Invitation to presentation

In connection with the release of the report, a webcast presentation will be held at 10.00 am (CET), hosted by Attendo CEO Martin Tivéus and CFO Fredrik Lagercrantz.

You can follow the presentation on the following page:

<https://ir.financialhearings.com/attendo-q3-2022>

Analysts and investors will have the opportunity to ask questions during the presentation by calling in. To obtain call-in details, please send your request to: kommunikation@attendo.se.

The quarterly report and other information material will be made public on:

<https://www.attendo.com/>

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Attendo - the leading care company in the Nordics | For over 35 years, seeing, supporting and strengthening people with care needs has been the starting point of everything Attendo does. In addition to care for older people, Attendo provides care for people with disabilities and social care for individuals and families. Attendo has approximately 27,000 employees and is locally anchored with more than 700 facilities in around 300 municipalities in Sweden, Finland and Denmark. Every day Attendo has tens of thousands of encounters with its customers. These encounters manifest Attendo's shared values of care, commitment and competence.