



life goes on with us

Analyst day in Lisbon

Management presentation

December 2019



1. Greenfields development process
2. Example of a Greenfield project
3. Premiumization of the network
4. Real-estate strategy
5. Q&A



Greenfield development process

Be ready to step up the pace in Greenfield development

Structuration & Professionalization

International ventures into neighboring countries & development in France

Internationalization & integration

Greenfields Acceleration

Acceleration of Greenfields to continue internationally
 +
 Increasing reliance on Clusters' and BU's teams
 =
 Evolution of Development organization and processes

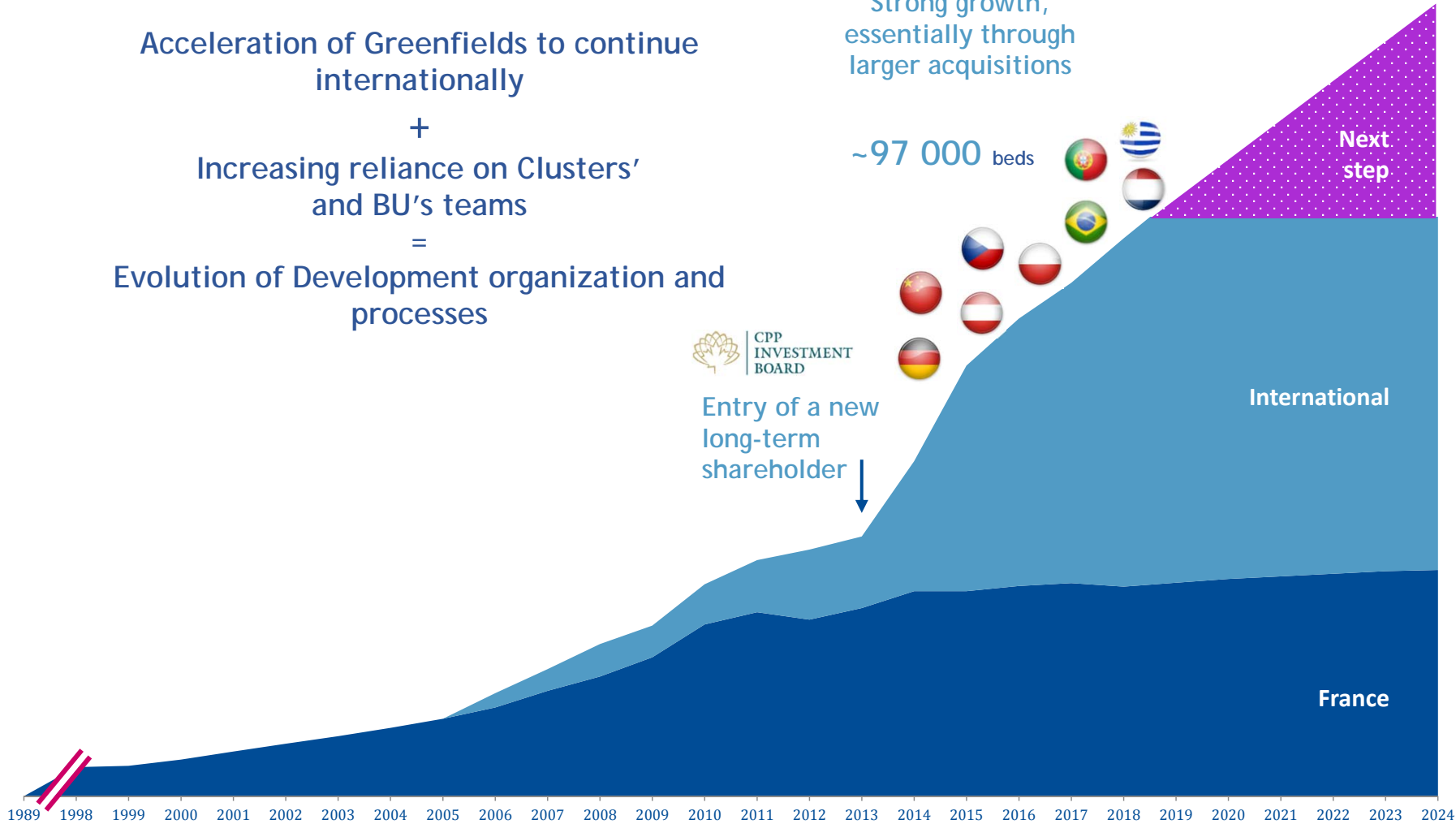
Strong growth, essentially through larger acquisitions

~97 000 beds

Next step



Entry of a new long-term shareholder



Organization reshaped for a smooth-running Greenfield development



Objectives: Increase decentralization and reliance on Cluster/BU's teams with the Corporate Team in a role of support and control

✦ **At Corporate level:** 3 Corporate Services working hand in hand

Development

Securing the development pipeline (quantity & quality)

Transactions

Securing project execution from a financial and risk management perspective

Construction & Maintenance

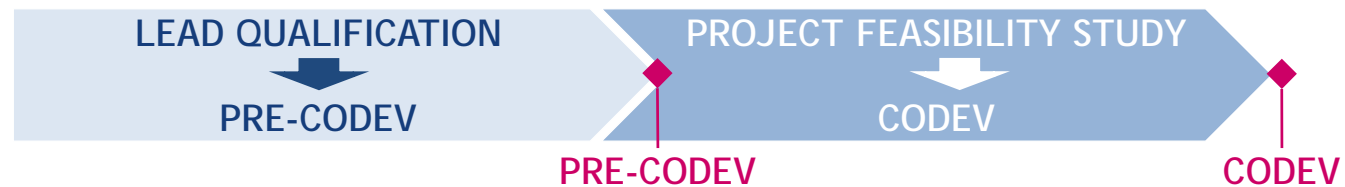
Securing project's construction and ensure good physical condition of real estate assets

✦ **At Cluster/BU level:**

- Reinforcement and empowering of local teams
- Skill transfer from Corporate to Cluster



Greenfield projects - from origination until CODEV approval



✦ 2-phase project analysis

- PRE-CODEV to avoid further investigation of projects not worth it (includes preliminary design with architects)
- CODEV to validate the project



Project must be fully determined at CODEV stage (program, sketches and budget → Detailed Design drawings with architects)

✦ Building permit can be filed right after CODEV

- ✦ Plot acquisition ideally after Building Permit is obtained, otherwise after CODEV approval. Condition precedent must be clearly mentioned!







Example of mandatory information

1	EXECUTIVE SUMMARY	<ul style="list-style-type: none">✦ Project description, motivations✦ Financial information, suspensive conditions
<hr/>		
2	DESCRIPTION OF THE FACILITY	<ul style="list-style-type: none">✦ Number of rooms, type of units, surface, capacity ...✦ Average daily price, % privately paid
<hr/>		
3	PLOT AND BUILDING DESCRIPTION	<ul style="list-style-type: none">✦ Surface, parking place, number of floors, possibility of extension ...✦ Architectural drawings, history of the plot, urbanism rules ...
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4	LOCATION & SURROUNDINGS	<ul style="list-style-type: none">✦ Location and surroundings overview (sites of interest, transport, shops etc)✦ Risks related to the location, land characteristics
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5	MARKET AND LOCAL COMPETITION	<ul style="list-style-type: none">✦ Data on population✦ Competition (location, OR, positioning etc)
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6	INVESTMENT CASE	<ul style="list-style-type: none">✦ Total investment, expected yield, business plan
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7	COMPLIANCE INFORMATION	<ul style="list-style-type: none">✦ Checks: seller, intermediaries, subcontractors✦ Risks: conflicts of interests , links with Politically Exposed Persons





Templates, tools and training created



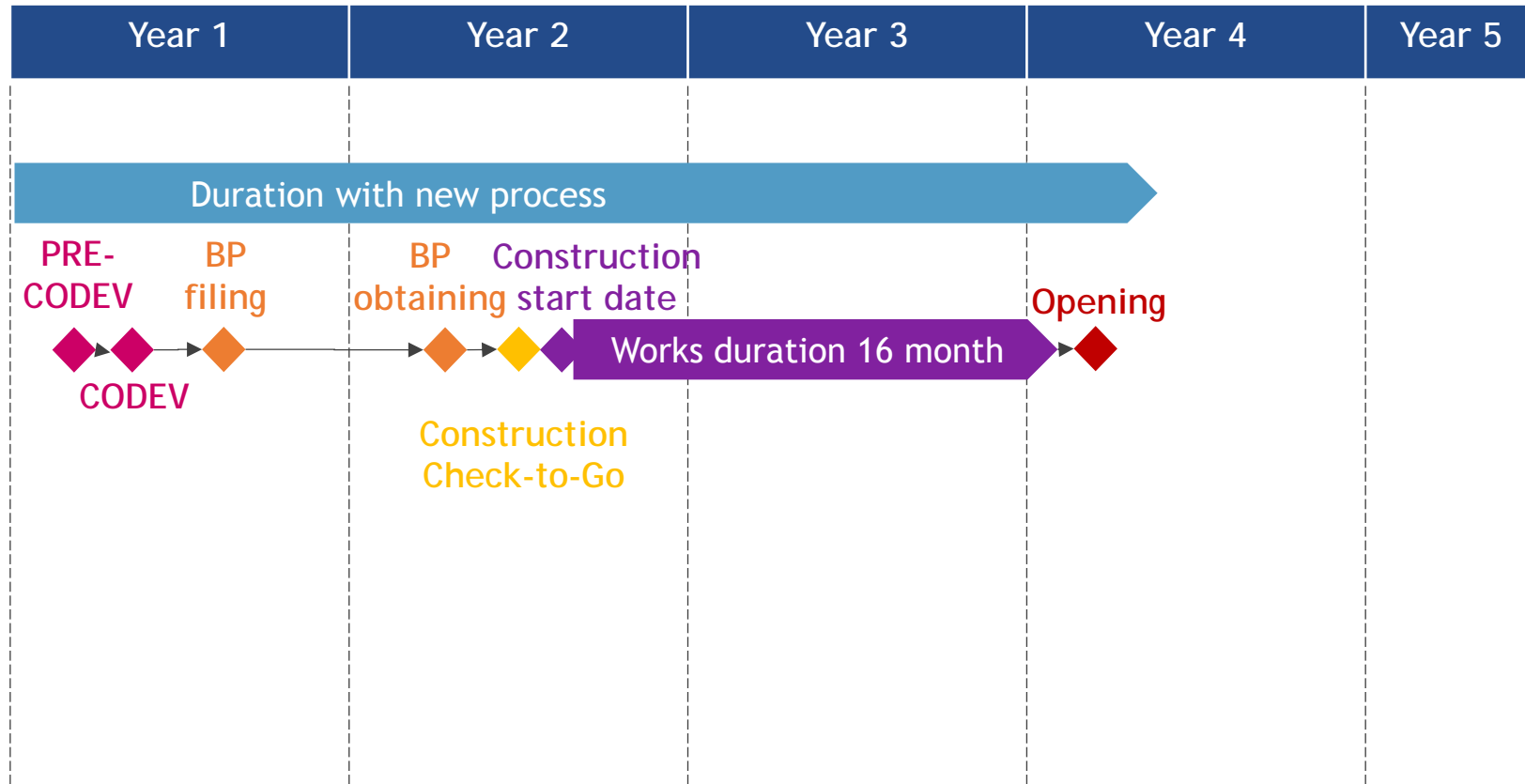
TRAINING

-  How to assess the feasibility of a project
-  How to optimize the conception of a building with following appendices
 -  Best plans Nursing Homes
 -  Best plans Psychiatric clinics
 -  Best plans Rehab clinics
-  What to include in the preliminary design and detailed design drawings

Templates and Tools

-  Market file
-  PRE-CODEV/CODEV* Presentation (incl. checklist for land characteristics)
-  Business Case*
** Dedicated files for each project type : M&A, Greenfield/Extension, Restructuration*
-  “4D Development IT” tool
- Construction cost database

Outcome of Greenfields process: optimized projects' duration



Notes: Hypothesis of 10 months to obtain building permit (duration varies from one country to another)



Example of Greenfield project:
Chabad Jardins, São Paulo, Brazil



Presentation of Chabad Jardins project



Project

- ✦ 190-bed nursing home
- ✦ Area: facility of 7,700 sqm (R+8) and plot of 1,905 sqm



Real-estate ownership

- ✦ 100% owned



Location

- ✦ Famous and wealthy district of Cerqueira Cesar in São Paulo
- ✦ At the border of Jardins and Pinheiros areas, two of the richest in São Paulo



Range

- ✦ Premium
- ✦ Daily rate: €92 (to start)

Activity	Type	Nb. Of rooms	Nb. Of beds	Av. size (sqm)
Nursing home	Normal single	44	44	25
Nursing home	Alzheimer single	38	38	20
Nursing home	Double	54	108	25
Nursing home	TOTAL	136	190	



« Jardins » area



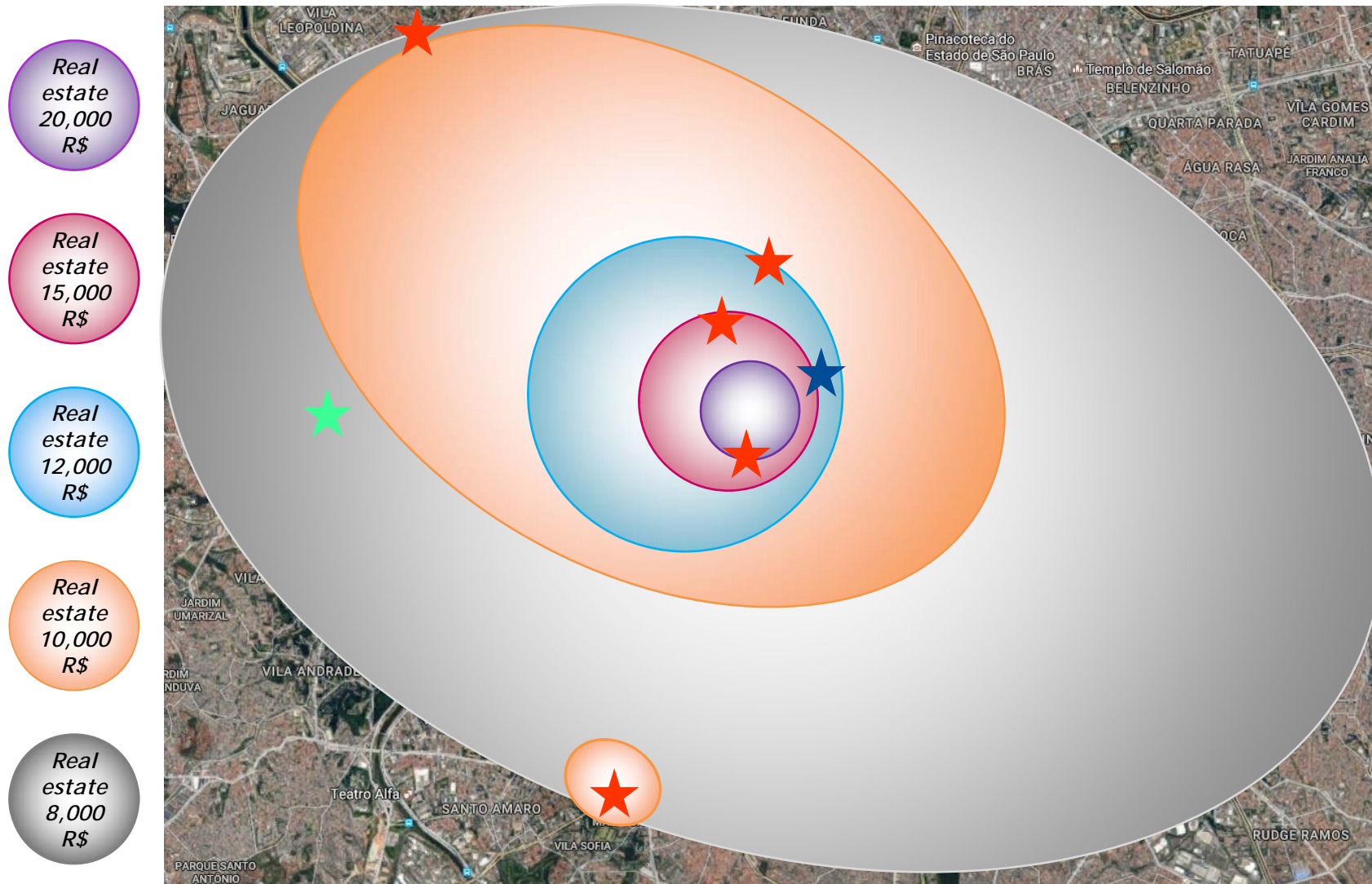
Rua Oscar Freire



- ✦ **Jardins and Pinheiros areas:** high-purchasing power districts, boasting famous shops, restaurants and ancient buildings all renovated, and very well connected by public transport
- ✦ **Very famous roads:**
 - **Rua Oscar Freire:** considered as the 8th most luxury commercial street in the world and the 2nd in America behind the 5th avenue in New-York
 - **Paulista avenue:** one of the most important avenues in São Paulo, with headquarters of many financial and cultural institutions and an extensive shopping area



Real estate prices in the environment



 **CHABAD project**

 **JV SIS projects**

 **Competitor**



Location and environment



Real estate
15,000
R\$

Real estate
12,000
R\$



Market and competition





Casa Rasada



Casa de Repouso Vila Lobos



Casa Rasada

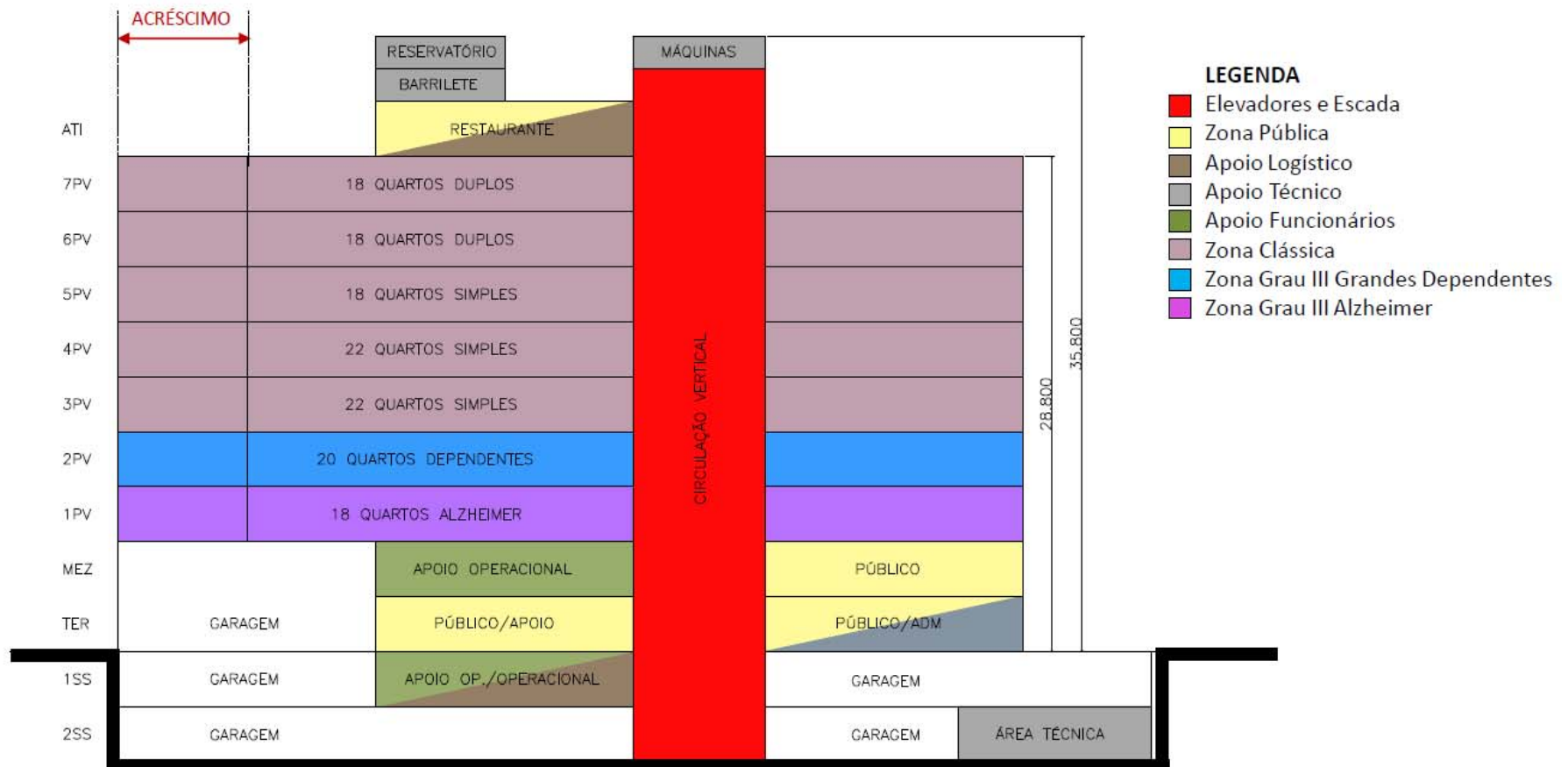


Em Familia Residencial por Idosos





Feasibility of the construction





Exemple of architectural drawing: Alzheimer Unit





P&L

CAPACITY	• 190 beds
DAILY PRICE	• EUR 96
OCCUPANCY RATE	• 97%
REVENUES	• € 6.5m
EBITDAR	• € 3.0m (46%)
INTERNAL RENT (8%)	• € 1.77m
EBITDA OpCo	• € 1.25m (19%)

Investment

✦ Price of Land:	€ 11.5m
✦ Construction Cost:	€ 10.5m
✦ Total real estate investment:	€ 22m
✦ Investment / bed:	€115,000 (including land)



ROI with real-estate ownership: 13.6%

ORPEA
GROUP



Premiumization of the network

GREENFIELD

ACQUISITION

EXISTING NETWORK

- ✦ Increasing the share of new creations in the best locations (best districts in the main cities of a country)

- ✦ Selective acquisitions

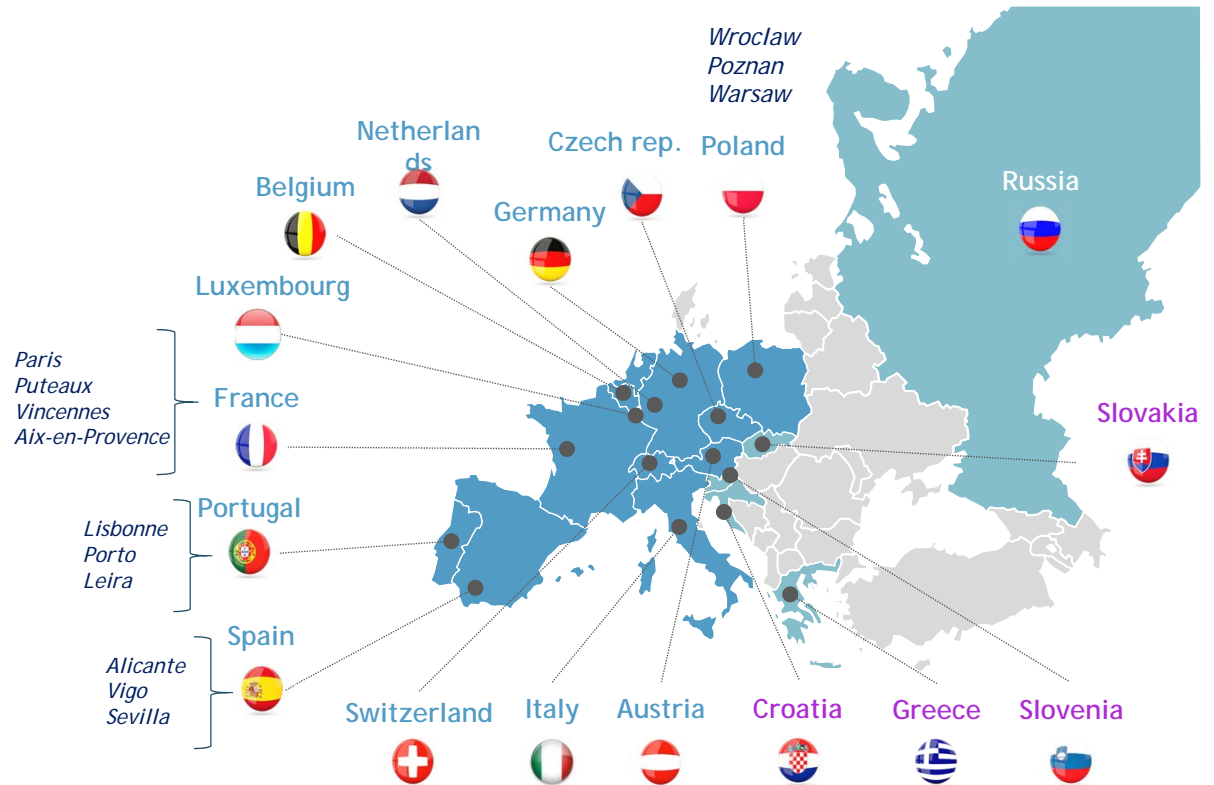
- ✦ Shift to more premium rooms / facilities

Focus on premium construction projects

LATIN AMERICA 3 COUNTRIES + 2 UNDER DEVELOPMENT



EUROPE 12 COUNTRIES + 5 UNDER DEVELOPMENT



Operational countries

Countries under development



Les Terrasses de Luxembourg - Merl



Project

- ✦ Nursing home of 125 beds and assisted living facility of 35 service flats
- ✦ Project embedded in a recent high quality real estate project of a local developer



Real-estate

- ✦ Purchase of a plot within this newly developed area, which is a mix of apartment buildings and commerce gathered around the main square of the district
- ✦ Building of 10,145 sqm plus a two story basement

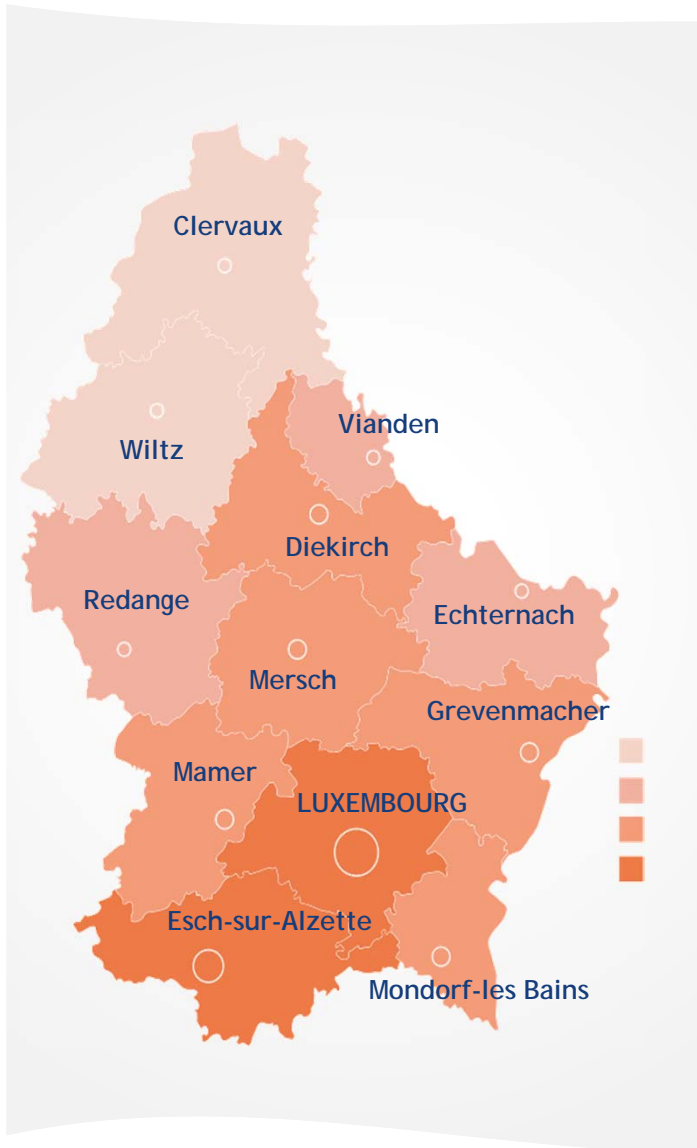


Location

- ✦ Exceptional location in Merl, one of the 24 districts of Luxembourg City and among the most expensive in terms of real estate
- ✦ Distance to Luxembourg City centre: 2.4 km
- ✦ Distance to nearest hospital: 2.3 km



A favorable context in Luxembourg

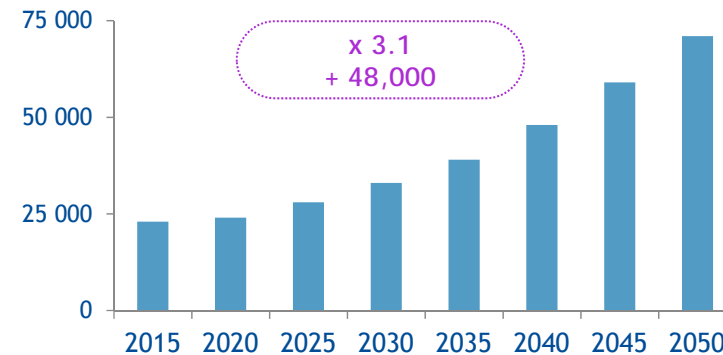


Wealthy country

- ✦ Average GDP per capita: EUR 89,000
- ✦ 2017-2021 GDP increase: +4.8% pa
- ✦ Average wealth per household: EUR 570,000
- ✦ Dependency Insurance surplus: EUR 180m
- ✦ Average annual Dependency Insurance budget per resident in facility: EUR 62,000



Population over 80



Shortage of beds and free pricing

- ✦ Existing offer: 6,000 beds, mainly public and non-profit beds
- ✦ Need to build 100 beds pa until 2030
- ✦ Accommodation price not regulated



Fondation Pescatore (at 1 km) - Luxembourg



- ✦ Years of construction/renovation: 1892, 1954, 1977, 1982, 2002, 2007
- ✦ Capacity: 350 beds
- ✦ Range in terms of quality & daily price:
 - single rooms: €98 - €138 / resident
 - Double rooms: €183 for 2 resident
- ✦ Special features: very central location
- ✦ Advantages: in a private park, most well-known
- ✦ Weaknesses: rooms in the old parts are outdated

Les Jardins Alysea - Crauthem (at 15 km)



- ✦ Year of construction: 2013 and 2017
- ✦ Capacity: 138 beds
- ✦ Range in terms of quality & daily price:
 - Single rooms: €113 / resident
 - Premium rooms: €146 - €206 / resident
- ✦ Advantages: very high end
- ✦ Weaknesses: location (30 min. from Lux. City)



Les Terrasses de Luxembourg: a unique spot



Historic centre of Luxembourg City at 2.4 km



Les Terrasses de Luxembourg: a unique spot





Les Terrasses de Luxembourg





Les Terrasses de Luxembourg





M&A focus on premium small and mid-size groups: acquisition of Sinoué



Founded in 1998 by a team of psychiatrists led by Dr Cléry-Melin, the group's current Chairman and CEO

- ✦ A key player in mental healthcare in France
- ✦ Recognised for the quality of its care and premium accommodation
- ✦ 7 facilities in strategic locations (West of Paris, London)





M&A focus on premium small and mid-size groups: acquisition of Axion Group



Founded in 2001 by Mr Tavridis, renowned expert in the nursing home industry in Germany

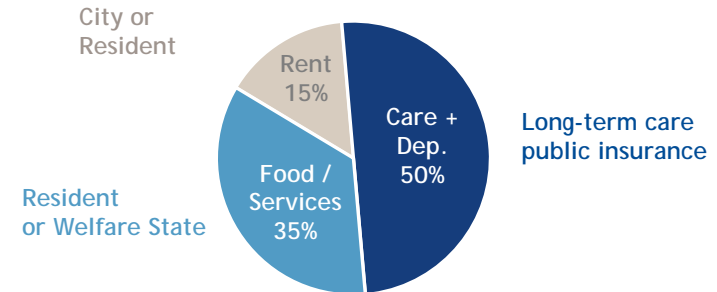
- ✦ 7 facilities of which 2 high-end nursing homes in Hamburg
- ✦ Joint-venture ORPEA (75%) and Mr Tavridis (25%) to develop premium facilities in Germany
- ✦ ORPEA's strategy: moving the German network upscale, allowing to apply free pricing schemes





Standard room

- ✦ Daily price: EUR 100
- ✦ Inflation-linked annual increase of price for all residents



Comfort room

- ✦ Comfort light: extra EUR 5-8 per day; TV, fridge
- ✦ Comfort: extra EUR 10 per day; TV, fridge, and other extra movable equipment
- ✦ Comfort +: size and location of the room, premium furniture, extra services (drinks, flowers, newspaper), extra movable equipment

➔ 50% + incremental margin on extra pricing



Premium facility

- ✦ Premium nursing home
 - Daily price up to EUR 300
 - Free pricing schemes but insurance will pay 80% only of the Care & Dependency
 - Criteria: those of Comfort + rooms in addition to premium location
- ✦ Premium assisted-living facilities

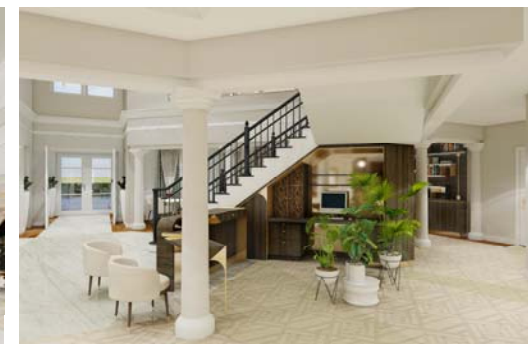
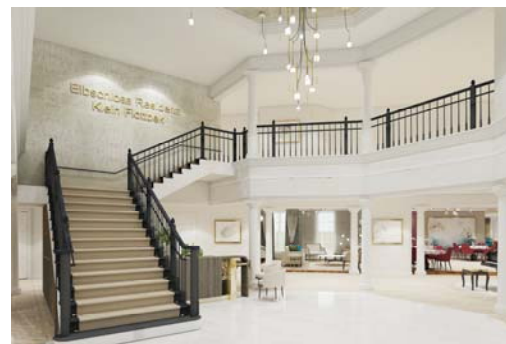


Example of shift to a premium facility in Hamburg

Current facility

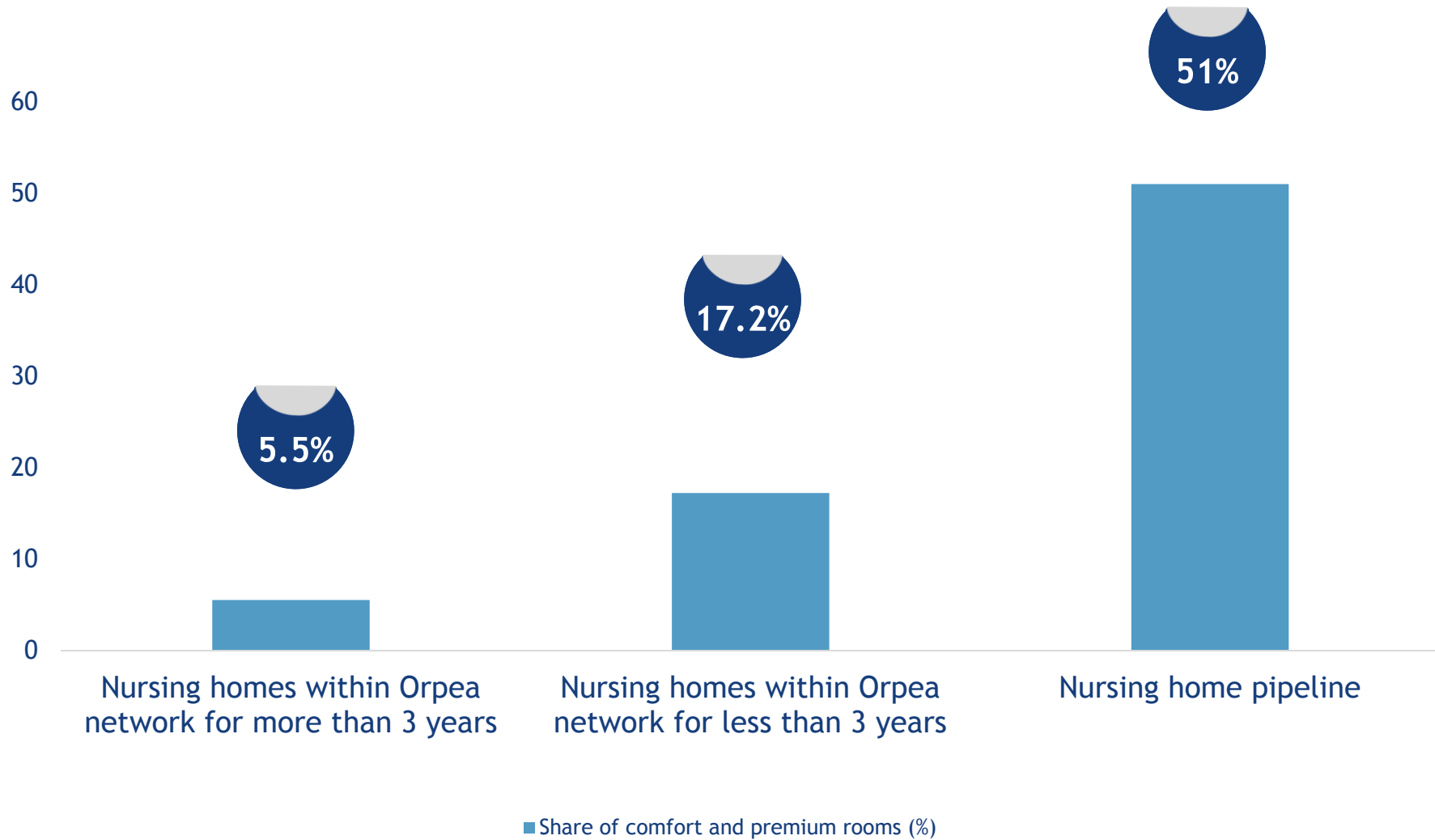


New facility



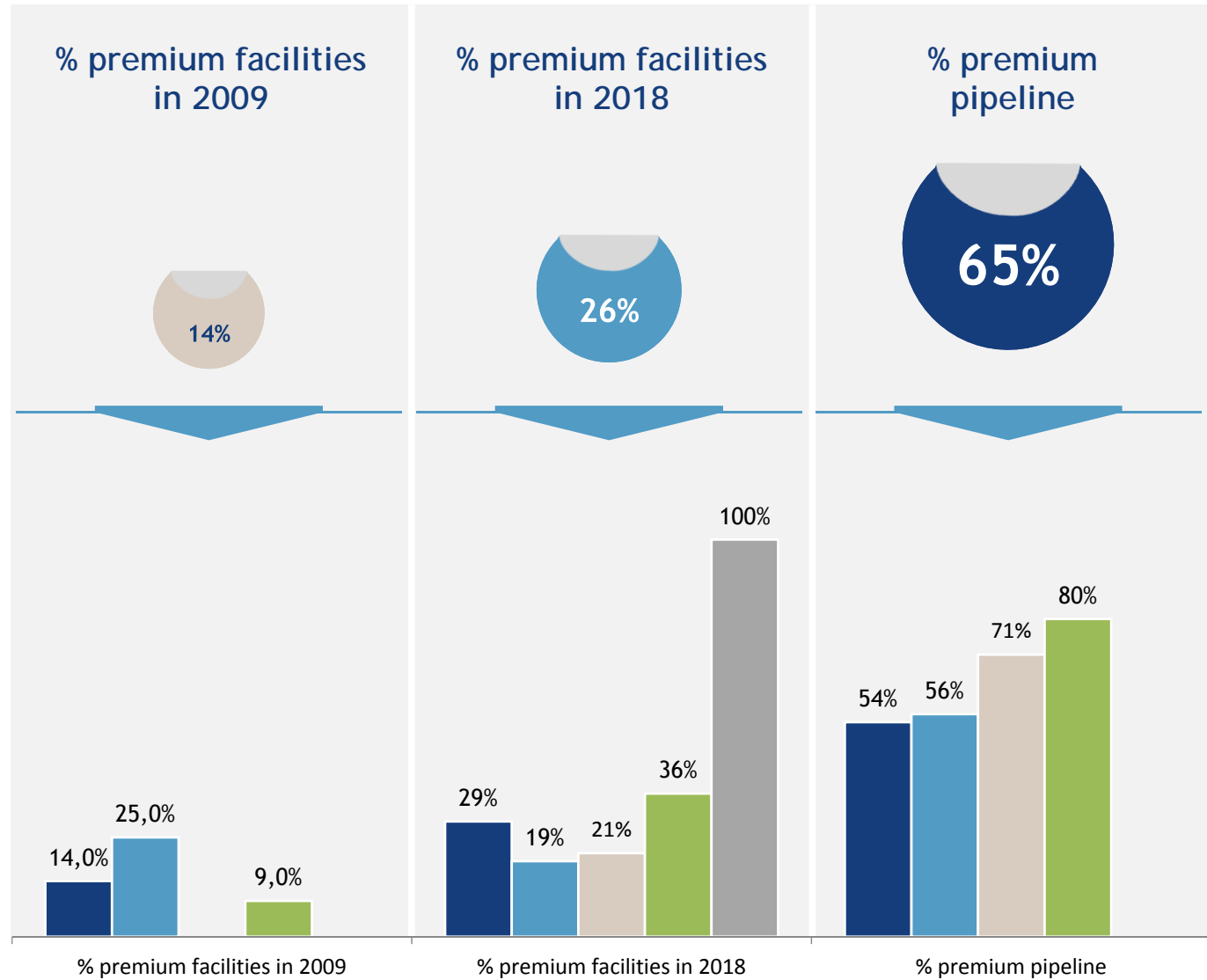


Share of comfort & premium rooms in Germany



Increasing share of premium*

Groups



Clusters

* Daily price at least 15% higher than the average daily price of the country



Real-estate strategy



A high quality real-estate portfolio



Quality assets contribute to the wellbeing of residents and employees and to the resilience of the business

Real estate represent 85% of Orpea debt



Total

Total value

€5,961m

Average yield

5.8%

Real-estate debt

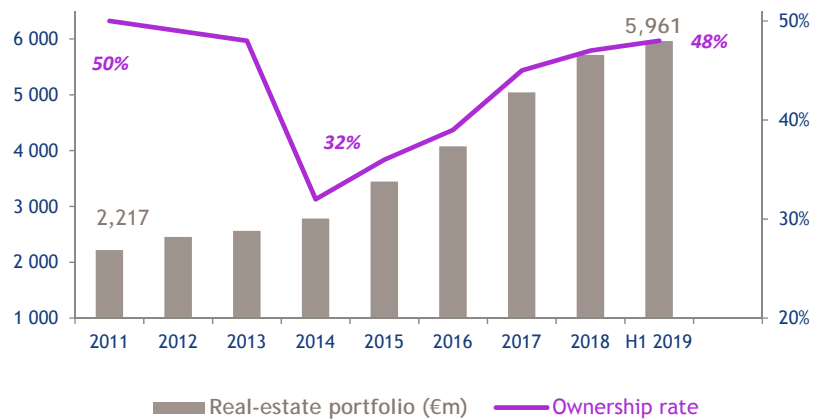
85%

Real-estate Ownership rate

48%

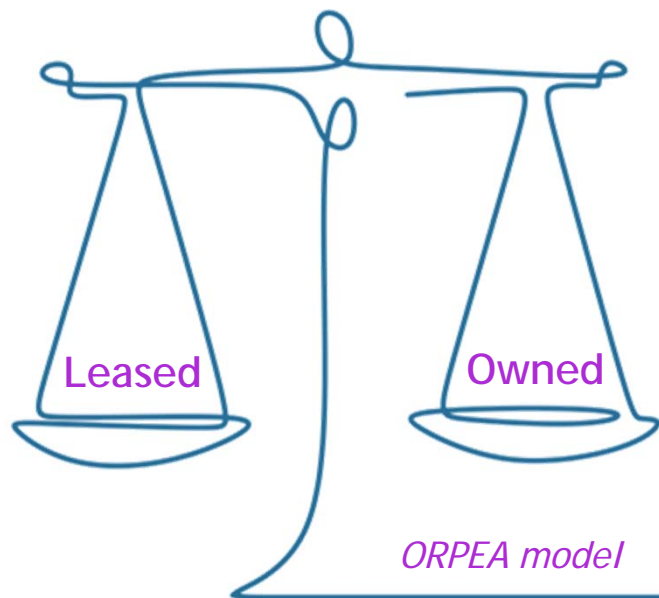


Real-estate portfolio and ownership rate





50/50 mix between ownership and leasing



FUND MANAGEMENT

- ✦ Sale-and-lease back strategy for less strategic assets
- ✦ Possibility of creating various investment funds for more strategic assets:
 - By geographical area
 - Raise money with local financial partners

Objective:

- Raise money to finance the Group future investments



CORE+

Prime assets
with premium location and strong
« réversion » power

CORE

Strategic assets in good location
needed to be secured

VALUE-AD

Non strategic assets

Strategy

- ✦ Keep the majority of these assets
- ✦ Possibility of creation of specific investment vehicles for those assets where ORPEA would keep a majority stake (at least 60%)
- ✦ Type of vehicle: OPCl

Strategy

- ✦ Keep a minority stake
- ✦ Possibility of creating specific investment vehicles by country for those assets where ORPEA would keep a minority stake (30% to 49%)
- ✦ Type of investors: Reits

Strategy

- ✦ 100% sale
- ✦ Sale-and-lease back to partner funds at attractive rate and/or best lease terms
- ✦ Type of investors: Reit, family offices, ...