CFA Institute Research Challenge

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Team C

BUY

Target price: € 87

Current price (as at 10/01/17): € 75

Upside: 15.4%

Sector – Healthcare

Industry – Med. Tech & Services

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ORPEA

CIQ Ticker: ENXTPA:ORP

Exchange: Euronext

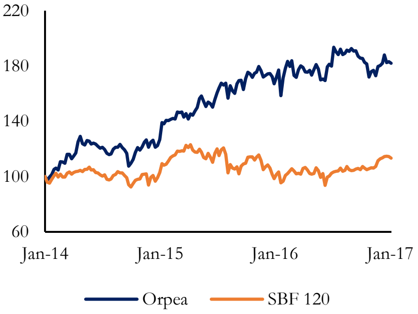
10th January 2017

Turning silver age into gold

Market Data	
Current price	€ 75.01
52w high price	€ 81.39
52w low price	€ 64.08
Market cap.	€ 4 516.9m
Outstanding share	60.2m
Free float	66.8%
EPS (LTM)	€ 2.44
Dil. EPS excl. extra items (LTM)	€ 2.42
P/E (LTM)	24.5x
EV/EBITDA (LTM)	17.8x
EV	€ 7 985.9m

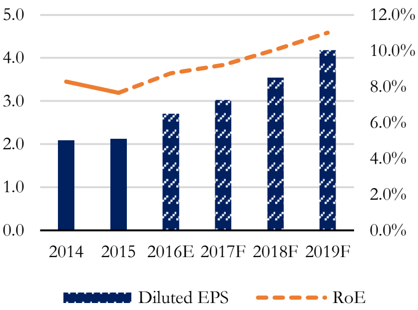
Source: *Capital IQ*

3 years stock performance (base 100 – 10/01/2014)



Source: *Capital IQ*

Returns to equity holders



Source: *Capital IQ, Team estimates*

Highlights

Orpea is the European leader in global dependency care, in terms of the number of beds operated, including nursing homes, post-acute care clinics, and psychiatric care clinics.

We initiate a **BUY** recommendation on Orpea with a target price at €87, representing a 15.4% upside from the closing price of €75 as at the 10th of January.

Our investment thesis relies on the following points:

- **Long-term volume supported by clear demographic trends**

  The share of the population aged 85+ is expected to increase from 2.5 % in 2015 to 7.1% by 2030 (Eurostat estimates). The group is replicating its French "success story" (and diversifying away the French market idiosyncratic risk) in other European countries and, to a lesser extent, the world (1 facility in China). In addition, a strong pipeline supports its growth with currently 9 041 beds under construction (including 1 604 being refurbished).

- **Defensive investment with strong upside potential**

  The business model has been resilient to financial crises (proven in 2008-2009). In an unstable financial environment, we see Orpea as a safe investment with attractive growth potential, the best among its sector.

- **Steady top-line and earnings growth paired with solid balance sheet**

  The number of beds doubled from c. 31k in 2012 to c. 74k in 2016. The top-line growth has been on average 18.72% over the same period, with historical occupancy rate close to 100%. The group is taking advantage of the market consolidation, M&A accounting for c. 75% of the growth. Orpea is also improving its mix in mature markets by investing in its most profitable activities: post-acute care and psychiatric care. To finance growth, the group uses diversified means of capital raising (Schuldscheine for recent acquisitions). These allowed an intensive use of debt with a historically decreasing cost. Furthermore, the debt is backed by a €3.7bn real estate portfolio acting as a solid buffer against the company's leverage.

- **Positive FCF from 2017 forward**

  we believe in the company's ability to generate FCF from 2017, relying on existing facilities' steady operational cash flows, and reducing both growth CapEx and M&A after an aggressive growth period. Our valuation analysis indicates that Orpea's fundamental share price in this scenario is €87. We have used a DCF and an EV/EBITDAR relative valuation.

- **Main risks to our investment case**

  Orpea might continue its high volume of acquisition if a good opportunity arises, this might defer positive FCF generation. However, it will only affect the timing, rather than the pattern.

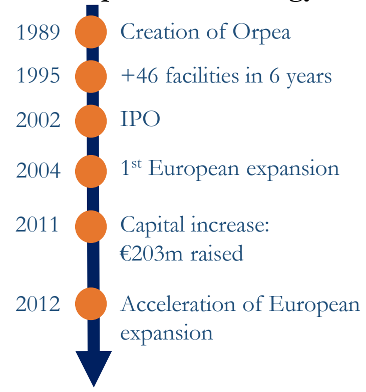
Key Financials

EUR million	2012	2013	2014	2015	2016E	2017F	2018F	2019F	2020F	2021F
Revenue	1 429.3	1 607.9	1 948.6	2 391.6	2 827.7	3 140.4	3 484.1	3 863.3	4 283.4	4 742.0
Revenue growth	15.8%	12.5%	21.2%	22.7%	18.2%	11.1%	10.9%	10.9%	10.9%	10.7%
EBITDA	257.8	297.9	350.2	400.5	507.6	569.8	639.0	716.0	802.3	897.4
EBITDA margin	18.0%	18.5%	18.0%	16.7%	17.9%	18.1%	18.3%	18.5%	18.7%	18.9%
Net income	97.1	113.8	120.7	126.6	163.0	182.4	213.6	251.9	295.9	345.3
Net income margin	6.8%	7.1%	6.2%	5.3%	5.8%	5.8%	6.1%	6.5%	6.9%	7.3%
FCF	-309.8	-29.9	-138.7	-670.4	-99.5	84.8	114.8	147.6	182.3	220.7
FCF Yield	-23.2%	-0.6%	-3.0%	-14.5%	-2.2%	1.8%	2.5%	3.2%	3.9%	4.8%
EV/EBITDA	7.4x	6.0x	6.5x	7.6x	6.6x	6.0x	5.5x	5.0x	4.5x	4.0x

Source: *Capital IQ, Company data, Team estimates*

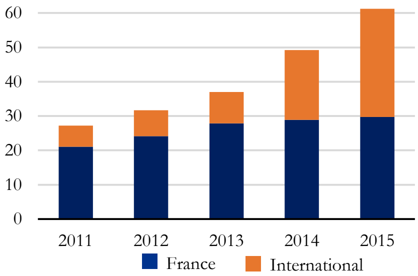
Notes: *FCF Yields forceasts assume constant number of shares and market capitalization as of 31 December 2016.*

Corporate chronology



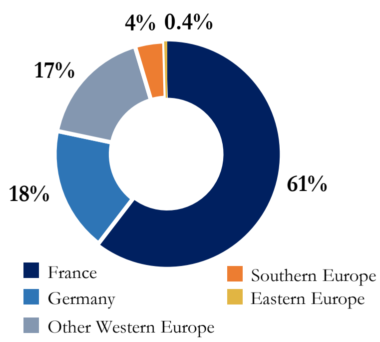
Source: *Company website*

Beds geographical breakdown (in '000 of beds)



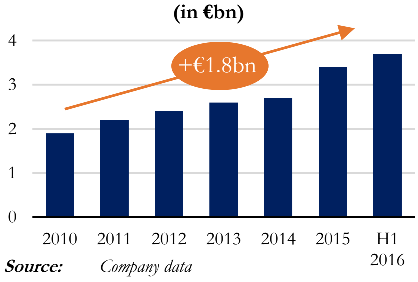
Source: *Company data*

Revenues per region at H1 2016



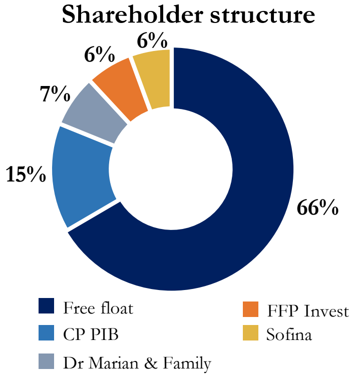
Source: *Company data*

Evolution of real estate portfolio (in €bn)



Source: *Company data*

Shareholder structure



Source: *Company data*

Business description

ORPEA S.A. is a leading European healthcare services provider

The group headquartered in France was founded in 1989 to provide Long-term Care ("LTC") to the elderly. It is now the second largest group across continental Europe in terms of revenue. After its local success, the firm went public in 2002 to finance its expansion. In 2015, Orpea reached a c. €4.6bn market capitalization and €2.4bn annual revenues. It has been growing at a double-digit CAGR since its IPO and is present across 9 European countries with a total of 74 272 beds as of Q3 2016. **Premium services in attractive locations** (e.g. Paris, Madrid, French Riviera) are the key differentiators from competitors. Location of its facilities in high-end areas allows the group to protect its real estate asset base value while benefitting from potential upside in line with its value creation strategy. **Orpea managed to create a sounding brand name, a valuable asset to its long-term and international development strategy**. Targeting wealthier clients also gives the firm a greater pricing power than most of its competitors.

A strong presence in four core businesses:

- **Nursing homes**: provides long-term care to highly dependent people usually aged 80+ and needing assistance through their daily routine. Focusing on the most dependent patients (e.g. creating special Alzheimer units), Orpea can hedge its activity against the growing home care services.
- **Post-acute and rehabilitation**: services include post operative care, re-education, and aim to help patients to regain independence through rehabilitation. Specialties can vary from musculoskeletal conditions, nervous system diseases, nutrition re-education, hematology and oncology, or cardiovascular conditions.
- **Psychiatric clinics**: these provide dedicated treatment and care to patients suffering various mental pathologies (stay lasts 1 to 6 months on average). The group's clinics can monitor, inter alia, mood and anxiety disorders, addictions, sleep and eating disorders, and burnouts.
- **Home care services**: Orpea is also developing home care services in response to a new demand driven by economical, social, and political factors.

Sustained international scope expansion through M&A and greenfield projects

The group is particularly targeting markets with lower competition and a meager private sector (e.g. Switzerland, Austria, Poland). Entering new markets, Orpea's strategy is to first acquire an existing player in the country, with strong fundamentals and knowledge of local regulations, to provide Orpea with a solid basis for further expansion. **M&A enabled Orpea to accumulate promptly its operating capacity**, collecting diversified regulatory knowledge, and maintaining outstanding service quality simultaneously. All countries gathered, Orpea has a **strong 12% pipeline of beds** under construction or refurbishment, securing an organic growth for the three to four coming years. As of H1 2016, the group's international network represented 39% of total revenue (vs. 22% in 2012) and proves an upcoming trend: **cross-border consolidation of a highly fragmented sector**.

A targeted asset heavy strategy based on a solid real estate portfolio

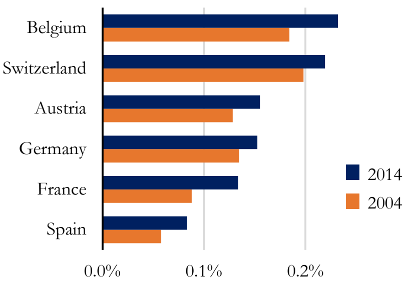
Groupwide real estate was estimated at €3.7bn and represented c. 1.25m sqm in 2015. The group made key investments in attractive locations with high GDP per capita and strong purchasing power such as Paris, Madrid or Zurich. Owning facilities allows inflation hedging and operational flexibility. Orpea has taken advantage of the **favorable market conditions** (e.g. low interest rates and low equity requirements) which have been a tailwind for real estate acquirers. The recent external growth has added rented facilities to the real estate portfolio, decreasing the group's ownership ratio to c. 37%. Nevertheless, ownership is expected to increase in the long-term. **Orpea targets to reach 50% real estate ownership**, driven mainly by the buyback of rented facilities and greenfield projects.

From a family business to a public company with a strong free-float of 66%

The group was originally founded by the current chairman, Dr. Marian. After the IPO in 2002, Dr. Marian remained in control of 22% of equity until 2013, when the Canadian pension fund CPPIB acquired 15% from his stake, and became the largest shareholder. Pension funds have a 20 to 25 years investment horizon, thus CPPIB supports the group's current long-term vision. Dr Marian's stake went down to 7% and he does not exercise direct managing functions. Thus, his succession is not a concern anymore. The two other main shareholders are Sofina and FFP Invest, the respective family offices of Solvay and Peugeot. Both support Orpea's long-term strategy based on international expansion and real estate ownership.

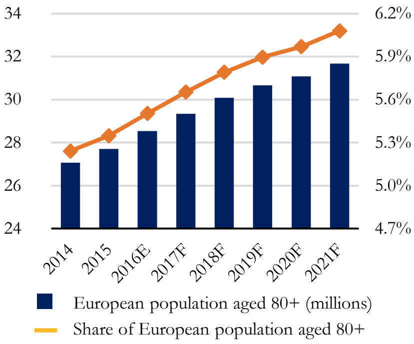
Industry overview and competitive positioning

Healthcare expenditure as a share of total GDP



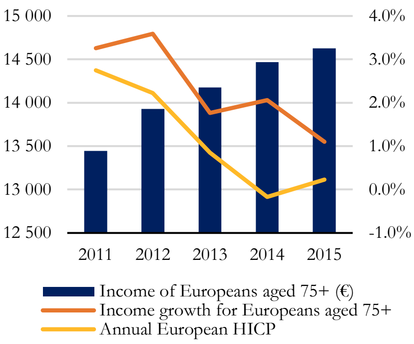
Source: *OECD, WorldBank, Team analysis*

European demographic trend



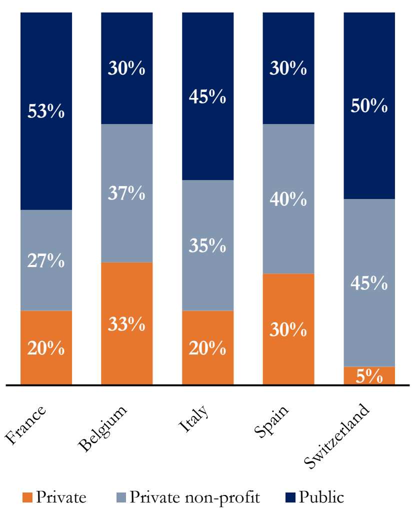
Source: *WorldBank, Eurostat, Team analysis*

Aged population's income growing faster than inflation



Source: *OECD, Inflation.eu, Team analysis*

Beds breakdown by operator



Source: *Company data*

General Overview

A growing European LTC market estimated at $235.7bn in 2015

The industry is currently divided into four sub-sectors: (1) Long-term care, (2) post acute care, (3) psychiatric care, and (4) home care services. Dependency care clinics are capital intensive as each patient requires its own room. Facilities operators are only profitable if economies of scales and a high occupancy rate are achieved. The model can be asset heavy (focusing on ownership of real estate for long-term value creation) or asset light (allowing faster expansion with the acquisition of clinics with leased real estate). Services provided do not encompass acute care, and thus require less skilled workers (doctors and nurses represent only 10% of clinics' employees).

Ageing population will be the key driver for the dependency care sector

While Europe's population is expected to grow by 2% by 2030, the number of people aged 80+ will expand by 38%. **The age groups of 80+ and 90+ are settled to respectively double and triple by 2040.** Thanks to medical advances, people will live longer with life expectancy forecast to reach 90 years old by 2050. As a result, **the dependency of elderlies will increase**. These issues are driving the demand for the LTC sector up.

Both ageing population and the development of chronical diseases have bolstered growth of Post-Acute Care Services ("PACS"). Days spent in PACS have increased by 3% between 2012 and 2014 in France. For the national health insurance, post-acute, rehabilitation, and psychiatric services are 3 to 5 times cheaper than hospital stays. Governments promote the transfer of patients under rehabilitation from acute services (hospitals) to post-acute ones. The latter do not require costly medical amenities (e.g. less doctors, less machinery such as MRI scanners). This shift is supported by overall cost rationalizations across European economies.

Mental disorders are better recognized and addressed

The OECD estimated in 2014, that the impact of mental diseases represented a loss of 3-4% of GDP in developed countries. As 20% of the working age population suffers from mental disorders, public entities have now recognized the potential productivity gains from mental disorders prevention, diagnosis and treatment. Nowadays the treatment gap accounts to 50%. However, awareness is growing and psychiatric clinics are now solicited for a greater variety of pathologies. Mental health care is fragmented among providers and not sufficiently available. Therefore, the sector is expected to consolidate and expand to satisfy the increasing demand.

Competitive environment and growth opportunities

High barriers to entry in most European countries

To open and operate a LTC facility, operators need to go through a lengthy approval process from local authorities in order to be granted a license. Governments across Europe are raising minimum quality standards for nursing homes, which may require CapEx and refurbishment works to operators. Larger groups can rely on financial markets to finance their growth, while smaller operators would struggle to keep up. However, few European countries (such as Germany) do not require a license and are considered as free markets: interactions with authorities are limited and entry of new players is easier. This results in a market with thousands of small operators, fierce competition, and pressures on prices (c.f. appendix 2 for our porter analysis and the details of country-specific environment and regulations). We expect free markets to consolidate.

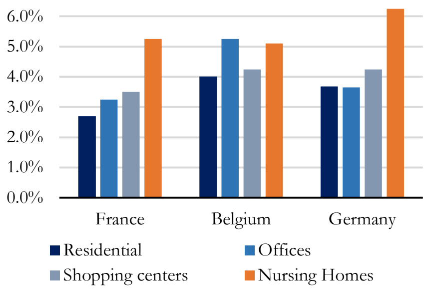
Three types of players defining the market growth potential

Historically, both public and private non-profit actors were in charge of LTC due to its social aspect. Nowadays, in Europe the sector is still dominated by these market players. Such institutions charge lower prices and thus display high occupancy rates and long waiting lists. Their low margins combined with pressures on governments' budgets lessen their ability to answer growing demand. Thus private companies are now seizing expansion opportunities and increasing their market share. The private sector is expected to capture most of the market growth going forward.

Leading operators benefit from market fragmentation through bolt-on acquisitions

If consolidation affects every national LTC markets, there are countries for which it is at the center of the market trends. Germany is a clear example: among c. 275 000 beds, 30% are run by over 4 000 small-sized operators, and this trend has been spanning other markets (i.e. Poland, Spain). Cross-border consolidation has been originated by French operators Korian and Orpea, which pursued external growth taking advantage of the rigorous know-how required on the heavily regulated French market. Margins in the sector are dependent on the occupancy rates which must be high (usually above 90% to 95%) in order to achieve profitability. Group-wide economies of scales and cost amortization allow the largest players to secure a higher profitability and capture new market opportunities.

Current yields in real estate



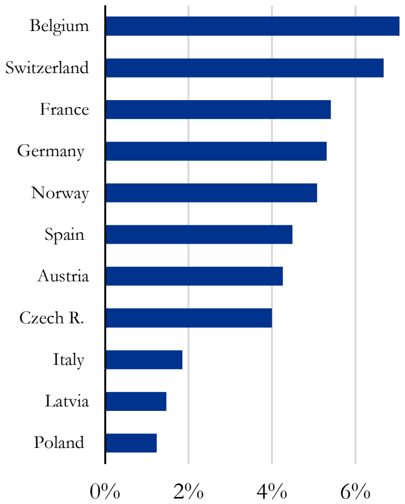
Source: Savills, Team analysis

Example of LTC real estate deals

Examples of deals on the LTC real estate market:				
Buyer	**Yield**	**Price**	**Beds**	**Country**
Primonial Reim	5.90%	€ 1350m	8 945	FR
Aedifica	>5.0%	€ 9 m	719	BE
Cofinnimo	7.90%	€ 3.4m	22	NL

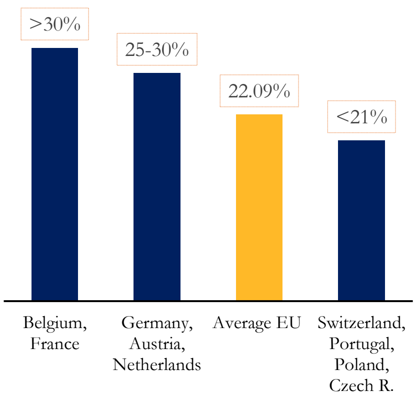
Source: Companies data, Capital IQ, Team analysis

Percentage of existing beds for 100 people aged 65+ (as of 2014)



Source: OECD

Corporate tax rates in 2016



Source: KMPG, Team analysis

Cultural shifts fuelling demand for dependency care facilities

- In past decades, countries such as Poland and Spain, had a social and cultural reluctance to put elderlies in care facilities. Today, it has become more socially acceptable as the need for dependency care is growing. The LTC market in these countries is still developing.
- **The typical profile of care home residents will evolve and diversify**. In 2015, the average patient of a private commercial nursing home was a woman, aged 88-89, with a stay length of c. 1.5 year and living off her husband's pension. Societal and demographic trends (i.e. working women and men living longer) are changing the patient profile: a greater number of men and women have worked their whole life and are benefiting from full pensions.

Pricing specificities and Healthcare real estate market

Europe's Private LTC sector benefits from relatively high pricing freedom

The daily price of a nursing home relies on two elements: (1) the ***Accommodation & Services*** paid by the patient and freely priced by the operator (50% to 80% of rooms' price). Beds can usually be repriced upon arrival of new patients (average length of a stay in a nursing home is around 18 months). And (2) the ***Care Part*** covering medical costs (i.e. medicines, doctors, and nurses) representing 20% to 50% of the rooms' price. This tranche is usually financed by local welfare systems. C.f. appendix 4 for full national reimbursement systems breakdown.

Healthcare real estate market offers attractive yields

The real estate yield currently lies between 4.4% and 7.5% depending on the location and quality of the assets. With occupancy rates reaching c. 95% supported by demographic trends, nursing homes reduce greatly the most important real estate risk: vacancy. Therefore, healthcare facilities present a lower risk compared to other traditional assets: they are less cyclical and less volatile. Real estate yields in mature and consolidated markets, like France or Belgium, tend to be lower (c. 5% for both in 2016). Conversely, in free markets with high fragmentation, increasing risks are reflected through higher yields (e.g. in Germany). Going forward, dependency care facilities' rental yields should shift downward, closer to residential market levels, reflecting an increase of assets' value.

An outlook of the LTC market maturity across Europe

- **Mature markets:** The LTC sector has converged towards a maturity stage in countries such as Belgium and France. Both are among the few European countries in which the private LTC market is consolidated around its biggest players. In France, 3 operators concentrate 49% of privately operated beds.
- **Consolidating markets**: Countries like Germany, Austria and Switzerland are highly fragmented counties, where small players are predominant. In Germany, the top 3 players only account for 14% of total privately operated beds. Market consolidation is expected.
- **Lagging markets:** European countries with still few LTC infrastructure. For example in 2014, Poland had 12 nursing home beds per 1000 people aged 65+, while other European countries had 40. Indeed, the market leader in Poland only operated c. 700 beds (then acquired by Orpea in 2016). Prospects for growth are greatest in such countries with undersupply and expected rising demand.

Competitive positioning of Orpea

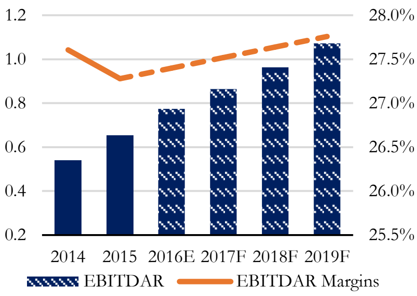
In 2016, Orpea became the LTC leader in Europe, with more than 72k beds in 9 countries

- The group's success is partly due to its **premium positioning**. Its business model is based on high standards for service quality and location. The increasing demand for high-end services allows pricing freedom, especially in the niche market of luxurious LTC. By putting emphasis on compliance, quality control, and reputation, Orpea capitalizes on its strong know-how which limits operational risks and reassures both clients and local authorities.
- **Strict regulations in France have allowed to develop a well-established model and to acquire the best practices in the market.** Both have been considerable assets when pursuing international expansion. Orpea was the first group to undertake cross-border consolidation. The group's main competitors (e.g. Korian, Attendo, Le Noble-Age) operate in a restricted set of countries. However, its Pan-European development strategy enables Orpea to capture market share faster, free to target the best assets. Its recent acquisition of MEDI-system, LTC leader in Poland, illustrates this capacity.
- Overall, Orpea has a better positioning and culture to identify and seize new opportunities in markets with greater growth potential. Also, through internationalization Orpea has been able to **lower its effective corporate tax rate** (the income tax burden went down from 35.8% to 32.7% between 2011 and 2015).

Valuation Summary		
Methodology	Target Price	Implied Upside
DCF	€ 87.8	17.1%
Multiple	€ 85.3	13.7%
Market price	€ 75.0	0%
Conclusion	**€ 87**	**15.4%**

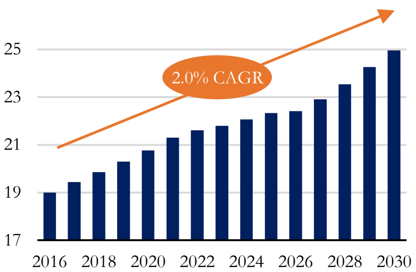
Source: *Capital IQ, Team estimates*
Notes:: *Valuation methods were equally weighted*

Annual EBITDAR figures (€m)



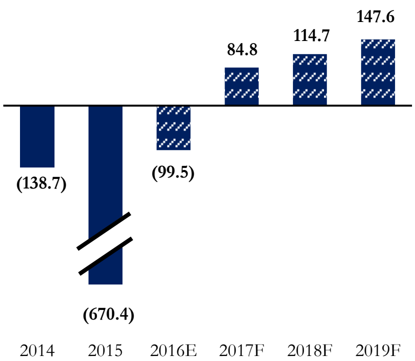
Source: *Company data, Team estimates*

European population aged 80+ projections (millions)



Source: *Eurostat, Team analysis*

FCF Forecasts (€m)



Source: *Company data, Team estimates*

Investment Summary

We issue a **BUY** recommendation with a target price of **€87**, an upside of 15.4% from valuation date's closing price of €75. Our recommendation is based on our analysis of the market and its main players in addition to both a DCF and a trading multiple valuation. We believe Orpea to be the best dependency care provider among its competitors. Its strategy and business model enable it to fully capture the growth prospects of a promising as well as defensive market.

A play on the ageing European population

Spurred by favorable demographic trends and lack of supply, the LTC market is set to embark on a continuous growth path for the next 30 years. In an uncertain financial environment, high occupancy rates, rising demand, and a relative decorrelation vis-à-vis capital markets make this non-cyclical industry a relatively safe investment with attractive growth potential. We see equities as presenting the best upside for investors to fully capture this opportunity.

A premium business model outperforming the industry

High occupancy rates and undersupply reduce the impact of competition on short-term sales. Yet, on the long-term, the relative performance of dependency care providers will be determined by their operating efficiency.

- **Real Estate**: Orpea differentiates from its peers by its real estate strategy. The group ensures the long-term occupancy of its facilities by targeting attractive locations with high rental yields allowing the value of the underlying real estate to be maximized. In addition, the firm is now transitioning from its fast paced expansion phase to a maturing one. The higher FCF generated will allow an increase of the real estate ownership ratio, and debt repayment, adding to shareholder value.
- **Operational performance**: Its premium business model enables the group to secure high margins with one of the largest volume of sales in Europe. Orpea's profitability has historically outperformed the sector, even during years of extensive investments. Also, the premium model based on high quality service benefits the brand name and reduces operational risks. Dependency care is a people-centered industry. We see client's dignity as the cornerstone of a successful model. A higher quality control diminishes risks of operational failure, which is decisive to the firm's reputation (e.g. Korian, a competitor, recently received adverse public opinion after 13 patients passed away in a flu pandemic).

A maturing model with strong growth prospects

After two years of fast paced growth through M&A, we still expect double-digit top-line growth but at a more sustainable pace. A decrease in total investments (growth CapEx and M&A) will enable the firm to generate positive free cash flows from 2017 onwards.

- **Strong pipeline**: Organic growth for the next three years is already secured by a pipeline of more than 9k beds to be constructed or refurbished across Europe. Mature markets such as France offer growth opportunities through the upgrade of ageing facilities or their extension. Orpea's positioning in the psychiatric care sector is also a key growth driver as the firm targets new needs (e.g. work-related illnesses and cyber addictions) and improves its revenue mix by targeting the most profitable segments. Furthermore, we forecast the entry in Poland and Czech Republic to fuel the pipeline with new projects and opportunities, capitalizing on the market knowledge of local management.
- **Selective external growth** : Orpea's acquisition strategy has proven to be very efficient. The firm has consistently been able to integrate rapidly new subsidiaries and large deals have not impaired the group's performance (e.g. Silver Care or Sanyres). In addition, we expect Orpea's focus to shift to smaller acquisitions of quality assets. M&A growth will continue especially in consolidating markets (such as Germany) where lie the best opportunities for value creation.

Risks to the investment case

Our scenario assumes that M&A growth will decrease from 2017 onwards. Nonetheless, if a particularly attractive opportunity arose (e.g. to expand in a new country like Portugal which remains an attractive market), the firm could decide to stretch out its investment phase. We therefore acknowledge that, in this event, the generation of positive FCF could be postponed. Still, we deem large M&A activity unlikely over the short-term, due to the lack of suitable targets. Besides, after the recent entry in two new countries, we expect Orpea to focus on reaching their critical size of 2k to 3k beds per country before venturing into new markets.

Valuation

We have used two methods to estimate the equity value of Orpea: a Discounted Cash Flow method and a trading multiple method.

Discounted Cash Flow Model – €87.8 target price – 16.3% upside

We consider Orpea's facilities and real estate to be fully operating assets (except for assets held for sale). Beds under construction or refurbishment as at valuation date are taken into account through CapEx (growth and maintenance) and top-line growth forecasts. Therefore, we have estimated the group's enterprise value by discounting its expected future Free Cash Flows. We then derived Equity by adjusting for non operating assets (c.f. appendix 7) and subtracting net debt from Enterprise Value.

- **Revenue**: We have forecast revenues based on expected top-line growth (M&A and organic) across three country groups: mature, consolidating and lagging markets. We have based our analysis in each country on the pipeline of beds, the growth of the population aged 80+, the current undersupply levels, and our market analysis for each country (c.f. appendix 2 and 10).
- **Long-term growth rate**: According to Eurostat, the population aged 80+ in Orpea's current markets is expected to grow at a 2% CAGR from 2016 to 2030. Even though the group has historically captured more market growth than its competitors, we conservatively set the natural population growth rate as the long-term growth rate for the firm.
- **CapEx & M&A**: we have divided investment cash flows in three categories: maintenance CapEx, growth CapEx, and M&A. Based on our research we have estimated that the acquisition multiple for new facilities is 1.0x annual sales. M&A investment cash flows have been based on this assumption. To forecast CapEx we have relied on the analysis of previous year figures and discussion with management. Accordingly, we expect Maintenance CapEx to remain at 2.5% of revenue and growth CapEx to range between €150m and €200m yearly.

DCF Valuation	
NPV (2016-2021)	€ 552m
Terminal Growth	2%
Terminal Value	€ 7 931m
Enterprise Value	**€ 8 483m**
Net debt	€ 3 345m
Other EV Adjustments	€ 149m
Equity Value	**€ 5 287m**
No. of shares outstanding	60.2m
DCF implied share price	**€ 87.8**

Source: Company data, Capital IQ, Team estimates

A defensive industry in a low interest rate environment – 4.3% WACC

We have determined the Group's WACC using the Capital Asset Pricing Model.

- **Beta**: As Orpea is now a Pan-European company, we have used the European market as benchmark for its stock performance. We have regressed the firm's stock returns against the European Stoxx600 Index returns over the last 3 years to determine its beta. We note that this Beta is consistent with Damodaran's estimation of the European Hospitals & Healthcare Facilities industry beta.
- **The market risk premium** is based on Damodaran's estimation of the implied Equity Risk Premiums and Country Risk Premiums of European countries as at January 2017. To reflect Orpea's exposure to each market we took the average of the market risk premiums, weighted by the expected volume of activity in each country as at December 2016.
- **Risk-free rate**: Orpea raises capital across Europe, thus we have used the 30Y German government bond as at valuation date.
- **Specific risk premium**: we have applied a 1.0% specific risk premium to account for the risk and uncertainty carried by Orpea's M&A strategy. We further detail our analysis and rationale for the premium in the Investment Risks part of this report.
- **Cost of Debt**: Currently outstanding bonds are not traded and the group has not issued new bonds for more than a year. Recently, leaseback transactions and Schuldscheins are used as means of financing (already represented c. 50% of total gross debt as at December 2015). In addition, neither Orpea's nor its competitors' debt is rated. Therefore, we have relied on the group's stated cost of debt of 3.4% as at H1 2016, which is conservatively higher than the latest bonds' yield. Even though management expects their cost of debt to further decrease (c.f. appendix 6), we consider this trend too aggressive in an uncertain environment.
- **Marginal tax rate**: the marginal tax rate was estimated as the average country marginal tax rate (from the publicly available KPMG data base) weighted by the volume of activity.

WACC estimation break-down	
Risk free rate	1.06%
Beta	0.64
Market risk premium	6.09%
Specific Risk Premium	1.00%
Cost of equity	**5.95%**
Cost of debt	3.40%
Marginal tax rate	30.4%
After-tax cost of debt	**2.37%**
Weight of Equity	53.0%
Weight of Debt	47.0%
WACC	**4.3%**

Source: Capital IQ, Bundesbank, Company data, KPMG, Damodaran publications, Team estimates

Sensitivity analysis confirms BUY recommendation

To challenge our key assumptions of our model we have performed the following analyses:

- **Sensitivity analysis 1**: We have tested the impact of WACC and terminal growth rate variations. We observe that the most critical factor is the WACC in our analysis.
- **Sensitivity analysis 2**: As the future value of the risk-free rate is uncertain, and most of the group's growth is financed by debt, we have performed a second, indicative, analysis for these particular variables. We have found that a sudden hike in interest rate would challenge our valuation. However our cost of debt assumption was already conservative.
- **Monte Carlo simulation:** We have analyzed the sensitivity of our growth assumptions (i.e. top-line growth rate in 2020 and 2021 and terminal growth rate. C.f. appendix 8). We have performed a thousand iterations and found that 69% of estimates corresponded to BUY recommendation target prices, 5% to HOLD, and 26% to SELL.

Sensitivity analysis 1

		Terminal Growth Rate				
		1.6%	1.8%	2.0%	2.2%	2.4%
WACC	3.9%	89.3	102.3	117.9	137.1	161.5
	4.1%	77.5	88.3	101.1	116.6	135.7
	4.3%	67.4	76.5	87.2	99.9	115.3
	4.5%	58.7	66.5	75.5	86.1	98.7
	4.7%	51.1	57.8	65.6	74.5	85.1

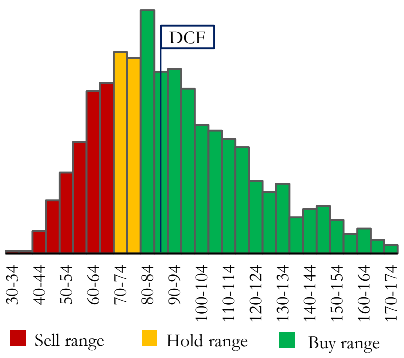
Source: Team estimates

Sensitivity analysis 2

		Cost of Debt				
		2.4%	2.9%	3.4%	3.9%	4.4%
Risk-free rate	0.1%	173.7	150.1	130.8	114.8	101.3
	0.6%	137.7	120.6	106.2	93.9	83.4
	1.1%	111.3	98.3	87.2	77.5	69.0
	1.6%	91.2	81.0	72.1	64.3	57.3
	2.1%	75.3	67.1	59.8	53.4	47.6

Source: Team estimates

Monte Carlo simulation



Source: Team estimates

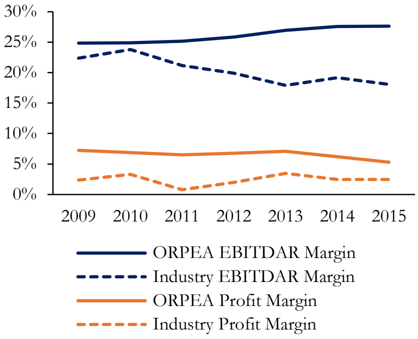
Relative Valuation Summary	
Sector average multiple	8.9x
Historical average premium	21.31%
Concluded multiple	**10.8x**
EBITDAR(1)	€ 774.8m
EV adjustments(2)	€ 148.8m
EV	**€ 8 480.5m**
Net Debt(1)	€ 3 341.9m
Implied total Equity	**€ 5 138.6m**
Shares outstanding	60.3m
Implied share price	**€ 85.3**

Source: *Company data, Capital IQ, Team estimates*
Notes: *(1) 2016E, Team estimates*
(2) non operating assets reported on the B/S

Dependency care comparables	
Company	**EBITDAR(1)**
ORPEA S.A.	€ 660.9m
Korian S.A.	€ 660.4m
Le Noble Age S.A.	€ 90.7m
Attendo AB	€ 176.0m
Humana AB	€ 54.1m

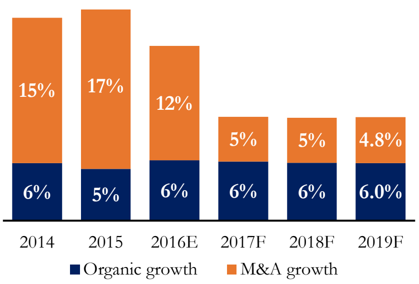
Source: *Capital IQ, Team estimates*
Notes: *(1) as at December 2015*

Historical financial performance benchmarking



Source: *Capital IQ, Team analysis*

Split of Annual revenue growth



Source: *Company data, Team estimates*

Trading Multiple Relative Valuation – €85.3 target price – 13.7% upside

The LTC industry is on track for stable growth providing a relatively safe and defensive investment opportunity with high expected returns. Investors seizing this opportunity need to determine which market participant presents the best relative return and upside potential. Therefore, we have performed a relative valuation of Orpea against its peers.

EV/EBITDAR, the most suited multiple to the industry:

- We have selected an enterprise value multiple allowing for comparison of firms' ability to generate cash flow regardless of their capital structure (better suited than a price multiple).
- Dependency care operators can use an asset light strategy (i.e. renting facilities, off balance sheet items) or an asset heavy strategy (i.e. high ownership rate with high debt, or fully paid-off facilities). Hence, neither EV/CFO nor EV/EBITDA multiples provide a comparable basis for our analysis. Consequently, we have selected an EV/EBITDAR multiple.

A set of close peers

Although seven dependency care groups are currently listed in continental Europe, we consider two of them not comparable to Orpea due to their size. Indeed, the modest size of Maternus-Kliniken Aktiengesellschaft and Eifelhöhen-Klinik AG do not allow them to match Orpea's growth ability and economies of scale. We did not extend our peer group to acute care facilities operators or groups outside continental Europe being different markets which are not exposed to the same growth drivers and regulatory constraints. Also, we have used the same peer group in our financial analysis to benchmark Orpea's financial performance.

The 2016E comparable multiple for Orpea was computed in two steps:

Trading multiple: the latest available average sector EV/EBITDAR multiple.

Premium: We have applied a 21.3% premium to the trading multiple corresponding to the seven-year average premium of Orpea's multiple over sector's average. The group's premium is justified by the performance of its business model relative to its peers:

- **Margins constantly above market levels**: even during the last two years, when acquisitions had diluted Orpea's financial performance, its EBITDAR and profit margins remained higher than its competitors.
- **Premium business model**: the group's model is different from its direct peers, thus Orpea is able to justify a higher pricing by the quality of its services. Historical trends have proven that this model was the most profitable one in the undersupplied LTC market.
- **Real estate**: the relative stock pricing of Orpea is explained by the quality of its assets: their very attractive location paired with the group's high standards for its infrastructures.

Valuation conclusion – €87 target price – 15.4% upside

We have equally weighted the DCF and the relative valuation. The first one was determinant in analyzing the ability of Orpea to generate value out of its shift in strategy towards a more sustainable growth and a consolidation of group-wide margins. The second helped us determine the value and return potentials for investors relative to competitors' stock. Both model support our BUY recommendation with an average upside of 15.4% from the latest traded price as at valuation date.

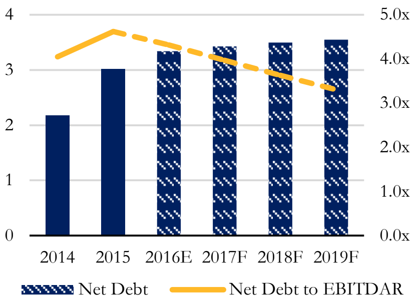
Financial analysis

A continuous top-line hike bolstered by both external and organic growth (20% CAGR between 2010 and 2015). Originally, the growth was mainly organic: driven by the increase in revenues per existing bed, in occupancy rate, and in the total number of operational beds (from facilities refurbishment and completion of greenfield projects). Then, the group pursued an international expansion, considerably fueling top-line growth. For the next five years we expect the group to grow at a low double-digit number. Organic growth will amount to a mid-single digit (of which c. 3% of volume effect) and M&A growth to c. 5% as M&A opportunities become less attractive. We forecast that Orpea will focus its investments in countries where it still operates below critical size (2k to 3k beds to breakeven regional headquarters costs).

Profitability normalization combined with operational leverage should drive up margins

Acquisitions of lower profitability businesses in emerging countries explained the margin erosion over the last 2 years. The addition of new maturing facilities accelerated Orpea's expansion but trimmed its profitability in the short-term. However, the group became the European leader in private LTC, and its net income margin remained above competition's levels. **We expect new facilities to reach 95% occupancy within 18 months.** Driven by operational efficiencies and corporate cost synergies at group level, the **margin profile should normalize by 2021** (at 28% EBITDAR margin, in line with mature markets figures). Therefore, as profitability increases and investments stabilize we expect Orpea to generate increasing FCF going forward.

Evolution of Net Debt (in €bn)

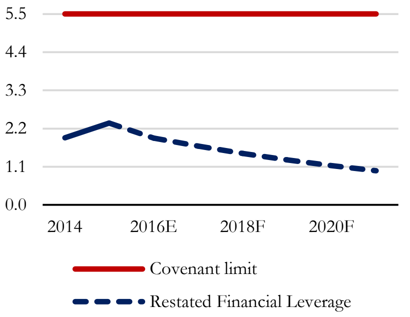


Source: *Company data, Team estimates*

FCF back to positive after large M&A investments

- Since 2014, the company completed nine major deals in different European countries, increasing the number of beds by c. 26k units. Acquisitions paired with required upgrade investments weakened FCF in 2015. Following this aggressive growth period, we expect the company to reduce CapEx and acquisitions to sustainable levels for positive FCF generation, capitalizing on its new facilities.
- The **liquidity position has consistently improved** over the years. In 2016, its current ratio reached 1.0x. The group has improved its ability to manage working capital and short-term liquidity needs as shown by its negative cash conversion cycle and the decrease in days receivables from 32.9 to 17.7 days between 2010 and 2015. In the meantime, management has improved its payables from 71 to 51.2 days illustrating the group's effort to develop healthy financial practices with suppliers. With a new data center dedicated to performance management, we expect its working capital to improve, further supporting FCF.

Debt covenant: restated financial leverage

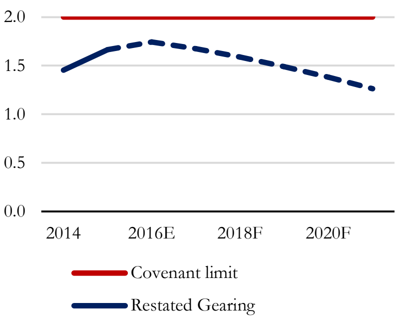


Source: *Company data, Team estimates*
Notes: *Formula in appendix 9*

Debt is backed by real estate; interest payments are covered

- Orpea has a privileged access to debt markets with a proven ability to service its debt. Its interest coverage ratio of 4.5x as of end 2015 is well above its peer's average of 2.9x. The group has thus made **intensive use of low-cost debt as a mean of financing**. After reaching a peak in 2016, we expect the Net debt to EBITDAR to improve considerably from 4.8x in 2016 to 3.8x in 2020. Orpea raised more than €1bn in new debt in 2015, while repaying €583.3m in principal and interests.
- The **group diversifies its debt portfolio to achieve lowest costs with less constraints**. In July 2016, Orpea avoided expensive and lengthy bond origination procedures by issuing a €277m German law debt instrument (Schuldschein) to acquire the Spanish company Sanyres and its 3.3k beds.
- To conclude, we believe that Orpea's **debt-intensive strategy to finance new acquisitions and Greenfield projects is sustainable**. Indeed, bond covenants are far from being reached and the group plans to reduce large acquisitions in the future. In addition, cash flows from operations are steady and defensive. Long-term debt is backed by the strong real estate portfolio which acts as a buffer in case of financial distress: 75-80% of the debt is real estate debt.

Debt covenant: restated gearing



Source: *Company reports, Team estimates*
Notes: *Formula in appendix 9*

Orpea shifts away from its investment phase, higher returns are expected

RoE deteriorated in 2015 following the large acquisitions of maturing assets which diluted net profit margin as well as RoA figures, bottoming peers average. Both 2014 and 2015 have been acquisition intensive, with the takeover of major leaders in different countries, postponing returns to investors. We believe that most profitability ratios hit a low in 2015-2016, and will start recovering in late 2016 as new facilities' performance improves and investments shift to a slower phase. From 2017 onwards we expect a steady increase in return on invested capital.

Decreasing corporate tax rate mix, supporting earnings growth

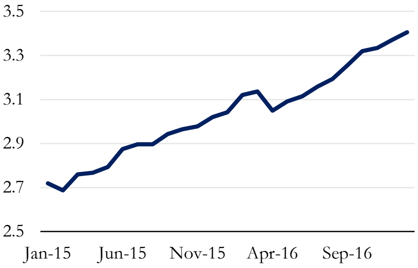
Internationalization allows to boost bottom line margins by lowering group's effective tax rates, driven by the company strategic expansion in lower income tax rate countries (47% in France vs. c. 20% in Germany or Poland). We estimate that, in the 2011-2021 decade, Orpea will have achieved a reduction of c. 500bps, down to 31%.

Financial analysis - Key financial metrics and ratios

		2012	2013	2014	2015	2016E	2017F	2018F	2019F	2020F	2021F	Sector median 2015
Per Share Analysis	Diluted EPS Excl. Extra (€)	1.79	2.08	2.08	2.12	2.70	3.03	3.55	4.19	4.92	5.74	
	DPS[1] (€)	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.2	1.4	1.6	
Profitability Analysis	EBITDAR Margin	25.9%	27.0%	27.6%	27.6%	27.4%	27.5%	27.6%	27.8%	27.9%	28.0%	21.3%
	Net Profit Margin	6.8%	7.1%	6.2%	5.3%	5.8%	5.8%	6.1%	6.5%	6.9%	7.3%	2.5%
	RoA	2.6%	2.7%	2.9%	2.8%	3.1%	3.3%	3.6%	3.9%	4.2%	4.5%	3.7%
	RoE	8.2%	8.7%	8.3%	7.7%	8.7%	9.2%	10.1%	11.0%	11.9%	12.7%	8.4%
Activity analysis	Asset turnover	0.30x	0.31x	0.33x	0.35x	0.31x	0.35x	0.37x	0.39x	0.42x	0.45x	0.70x
	Cash Conversion Cycle (days)	-26.7d	-30.7d	-32.5d	-25.7d	-24.0d	-24.8d	-24.8d	-24.9d	-24.9d	-25.0d	29.4d
Liquidity analysis	Current ratio	0.55x	0.74x	0.83x	0.94x	1.07x	1.17x	1.21x	1.25x	1.28x	1.32x	0.94x
	Quick ratio	0.45x	0.56x	0.67x	0.75x	0.87x	0.96x	1.00x	1.04x	1.07x	1.11x	1.04x
Solvency analysis	EBIT/Interest exp.	4.38x	4.12x	3.96x	4.47x	4.29x	4.23x	4.51x	4.91x	5.38x	5.89x	3.57x
	Net Debt/EBITDA	7.43x	6.03x	6.53x	7.59x	6.58x	6.01x	5.47x	4.95x	4.46x	4.00x	5.16x

Source: *Capital IQ, Company data, Team estimates*
Notes: *(1) Announced in March and based on previous year annual results*

EPS 12mth Forward



Source: *Capital IQ*

We estimate dividends per share to grow moderately in the short-term

Since 2011, the company managed to maintain its dividend payout ratio above 27% of net profit, reaching 43% of 2015 net profit in March 2016. We do not believe the payout ratio to stabilize at this level. We expect stable annual dividend payments at a 33% dividend payout ratio, in line with the group's long-term strategy. The company is still growing and consolidating, reinvesting its earnings in smaller acquisitions and financing organic growth. Reinvestments are critical to the firm's strategy of market leadership (i.e. bed count and quality wise).

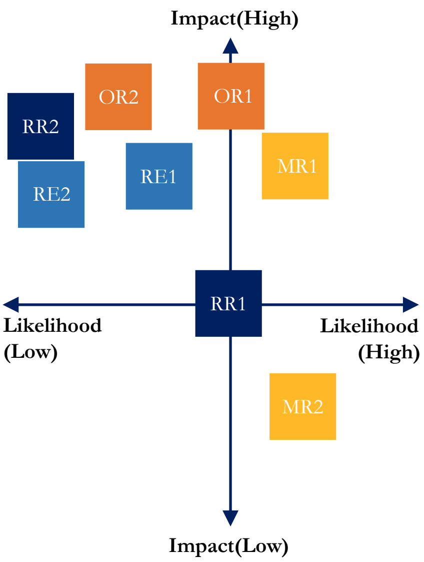
Investment risks

Business & operational risk

[OR1] A growth model bearing the risks linked to M&A market: Strategic acquisitions have been a key growth driver for Orpea (i.e. responsible for c. 75% of revenue growth since 2014). Future external growth should amount to c. 5% to 10% of revenue per annum for the next 5 years. However, an increasing number of mid-size competitors are now growing through M&A (e.g. Colisée Patrimoine Groupe SAS or Le Noble-Age), which drives the acquisition premiums upward and lengthens the payback period of new acquisitions. In addition, integrating acquired companies can be challenging. A failure to spread Orpea's model to new subsidiaries could impair future profitability.

- **Impact on valuation:** M&A remains a key growth driver in our valuation, however it bears a number of risks (i.e. lack of proper targets, a competitive market, integration risks). Therefore we have applied a 1% specific risk premium to Orpea's WACC, to account for the uncertainty of the group's expansion strategy, borne by equity holders.
- **Mitigation**: To avoid overpaying in the competitive M&A markets, the group has switched its focus to lagging markets such as Czech Republic and Poland where prices are in line with company valuation and where main competitors are absent.

Risk matrix



Source: *Team estimates*

[OR2] Medical negligence is the main risk to the Group's reputation: Despite providing utmost services, personnel negligence may occur, thus exposing the firm to adverse legal actions and harming Orpea's brand name.

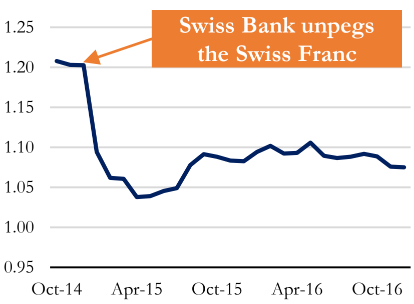
- **Mitigation**: Employees are the heart of the quality process. Orpea has developed a comprehensive set of procedures to mitigate such risks, including strict recruitment standards, rigorous staff trainings and continuous quality controls.

Market risk

[MR1] Potential increase in interest rates: by the end of 2015, 65% of Group's net debt (€2.1bn) was mainly serviced at a domestic floating rate. The impact of 1% hike in interest rates would increase debt payment by €3.7m.

- **Mitigation:** Orpea operates a portfolio of derivative instruments, mainly 3-months Euribor interest swaps. Thus, the risk is hedged.

EUR/CHF exchange rate



Source: *Eurostat, Team analysis*

[MR2] Volatile exchange rates: Orpea now has business interests outside of the Euro-zone: in Switzerland, Poland, Czech Republic and China. This share of total revenue is still marginal, however the impact from such risk can be quite substantial. As at December 2015, c. 5% of the consolidated revenues were generated in Switzerland. A 10% decline in the Swiss Franc against the Euro would cause a loss of €3.5m. The exchange rate risk is deemed to be more preeminent in the future as investments in Eastern Europe are only at their early stage.

- **Mitigation:** In the future we expect Orpea to make use of swaps to hedge exchange rate risks, in line with their current use of financial derivatives (e.g. interest rate swaps).

Real estate risk

[RE1] Illiquidity of Real Estate: due to the illiquidity nature of real estate, Orpea may not be able to sell a facility which no longer meets its business strategy and has to dispose of it at a discount.

- **Mitigation:** Being aware of the disposal risk, the Group only constructs or acquires facilities in prosperous areas that always attract buyers and does not acquire properties with rental yields below 7%.

[RE2] Due diligence risk: facilities may contain defects due to an incomplete investigation, thus requiring additional upgrades and unplanned CapEx.

- **Mitigation:** Based on abundant M&A experience, Orpea is capable to identify suitable targets with the diagnosis from in-house Property Department or through third party investigation.

Regulatory risk

[RR1] Change in Public policy: national health insurance and government subsidies cover 20% to 70% of the expenses of Orpea's services across Europe. As most of the residents receive financial support from their governments, the group's revenues are at risk of regulatory changes and budget cuts from national authorities, in light of the 2017 elections in Europe.

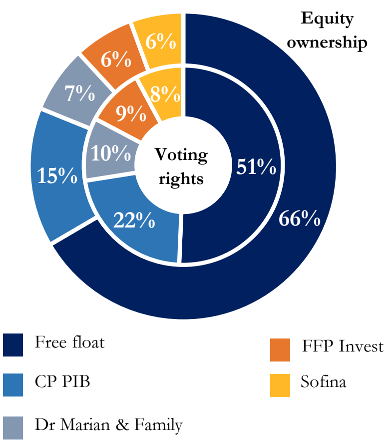
- **Mitigation:** by operating in 9 European countries with different healthcare systems, the Group reduces considerably each countries' idiosyncratic risk. Additionally, as a premium service provider, its clients (typically wealthier than average) are less price sensitive, and its revenues rely less on government subsidies relative to its peers.

[RR2] Failure of obtaining or renewing operational licenses: in most European countries, expansion is restricted by a licence issuance process which constrains the group's expansion. France, Italy and Belgium also request licenses renewals after a fixed period of time. A denied license can generate major losses by slowing or canceling altogether an expansion.

- **Mitigation**: Since the establishment of the Group, Orpea has never failed to obtain licenses in any country. Also, Orpea's M&A strategy enables the acquisition of licenses in addition to the real estate assets.

Corporate Governance

Blockholders' double voting rights breakdown



Source: *Company data, Team analysis*
Notes: *Values as at 29 February 2016*

Voting rights supporting long-term strategy

At present, the free-float currently accounts for 66% of the shares, representing 51% of the voting rights; four blockholders have obtained privileged voting rights. Indeed, **double voting rights are granted to shares registered for at least 2 years.** Therefore, short-term investors have less voting power during consultations. This system gives blockholders an incentive to hold shares enduringly and to make decisions in favor of the Group's long-term growth. In conclusion we believe that the corporate governance structure supports value creation and is in line with our valuation forecasts.

Actively improving corporate governance

CEO/Chairman separation	Yes, separation since 2011
Board of director consisting of 40% of women	Yes, 45.5% Women and 54.5% Men
Audit Committee consisting of 2/3 of independent directors	3 out of 4 are independent
Remuneration committee independence	6 out of 6 are independent
Voting rights	Double after 2 years registration
Shareholders' control on BoD	Vote at Shareholders' Meeting

Source: *Company data, Team analysis*
Notes: *Values as at 29 February 2016*
C.f. appendix 13 for BoD details

Experienced management overseen by the BoD: corporate executives have a long work history at Orpea, like Yves Le Masne, the current CEO, who has been working for Orpea for more than 20 years and has acquired deep insights on the business and the industry. To avoid any management entrenchment, critical decisions have to be submitted to the BoD (e.g. M&A carry a high risk for the firm, therefore transactions valued at more than €20m must be approved).

Enhanced board independence: since the founder's retirement in 2011, Orpea has improved its corporate governance based on the AFEP-MEDEF code, starting with the separation of the functions of CEO and chairman. During the General Meeting of Shareholders of December 2016, two new directors were appointed, improving the share of independent directors to 54.5%. We identified that most non-independent directors have a long history of collaboration with Orpea, bringing market expertise to the board.

Board gender equality in accordance with regulation: as at February 2016, three board members out of nine were women, among which one elected as employee representative. Two women were newly appointed to the board in December 2016. Therefore, as at valuation date, women represented 45.5% of board members, complying with the the AFEP-MEDEF code and the 2011 French law requiring 40% of any gender in boards.

Independent committees: Three of the four members of the audit committee are independent under the AFEP-MEDEF code. All six members of the appointments and remuneration committee are independent, which is critical to prevent management entrenchment.

We conclude that the critical matters of governance are properly handled, by independent board members. We have outlined that Orpea is actively working to achieve better practices, shifting from its previous family business organization. This trend is supportive of our investment thesis.

Social responsibility: Orpea is committed to a rigorous social policy benefiting both its employees and patients (e.g. staff trainings, social dialogue, employee health protection; c.f. appendix 14 for full detail). Orpea stated that its recruitment policy is based on the following conditions: "kindness, the first pillar of good treatment, represented by listening, availability, respect and trust; hospitality, friendliness and good humor, conducive to the development of social ties.". We consider that a people-centered model is key to avoid medical negligence.

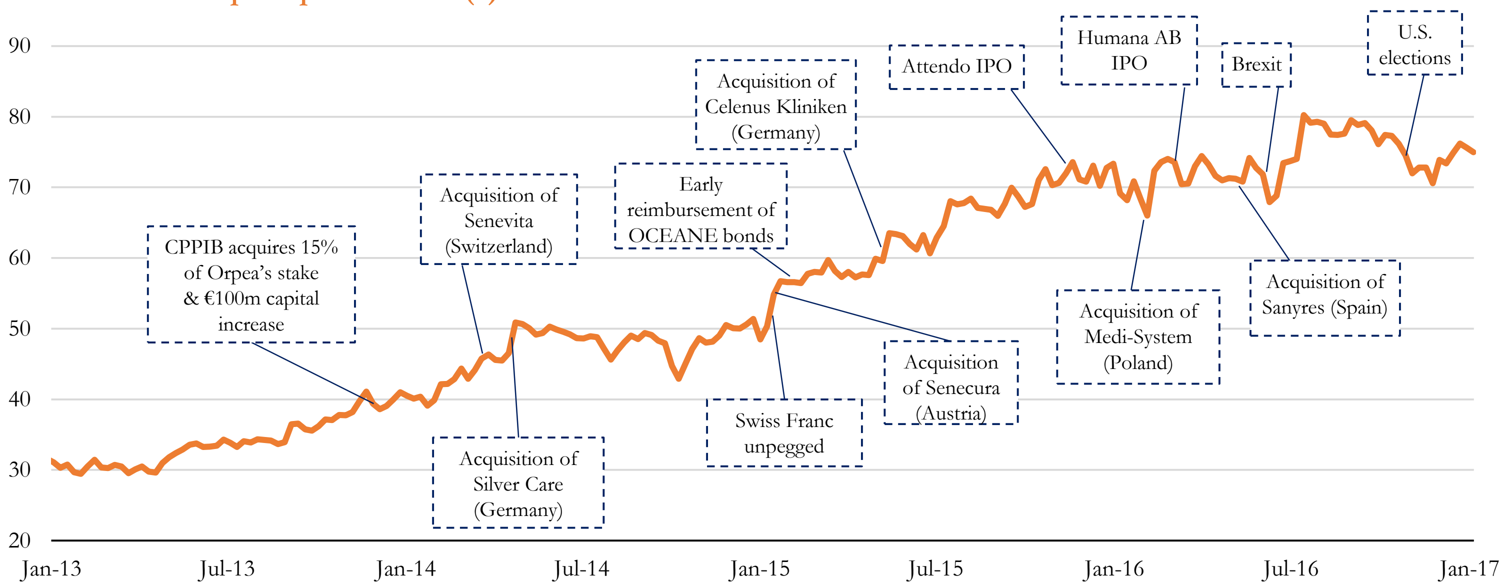
APPENDIX

Appendix 1: Orpea Identity Card

Business description

- **European leader in LTC, specializing in nursing home, post-acute and rehabilitation, psychiatric clinics, and home care service.**
- **As of Q3 2016, it possesses a total of 74 272 beds, spanning 10 countries (9 European countries and China).**
- **A 22.7% year-on-year increase in its 2015 revenue to € 2 391m.**

Historical stock price performance (€)



Source: Company Data, Capital IQ, Google Finance

Orpea's bed count as of H1 2016

	France	Germany	Switzerland	Austria	Belgium	Spain	Italy	Poland	Czech Republic
Operational beds	29 695	13 914	2 243	4 462	5 538	7 334	1 136	704	205
Redevelopment beds	1 140	82	-	-	322	-	60	-	-
Under construction beds	1 853	2 814	462	129	1 527	-	532	-	120
Percentage of total beds	44%	23%	4%	6%	10%	10%	2%	1%	0%
Total	**74 272**								

Source: Company Data

Orpea SWOT Analysis

Strengths

- Accumulated known-how in nursing home industry
- Strong paneuropean network
- Elite management team with abundant experience
- Brand image and awareness
- Industry leader
- Strong growth and profitability compared to peers

Weaknesses

- Stagnant growth in primary markets like France or Belgium
- Large debt structure caused by asset-heavy property model
- Lacking critical size in some countries(e.g. Italy, Eastern European countries)

Opportunities

- Growing ageing population driving an increase in demand
- Business development in emerging market (e.g. Poland)
- New acquisitions in fragmented market leading to further growth
- High occupancy rate in public or non-profit nursing homes spill out the customers to private nursing homes

Threats

- Government regulations
- Change in tax policy
- Government budget cuts
- Cheaper public nursing homes or home care services

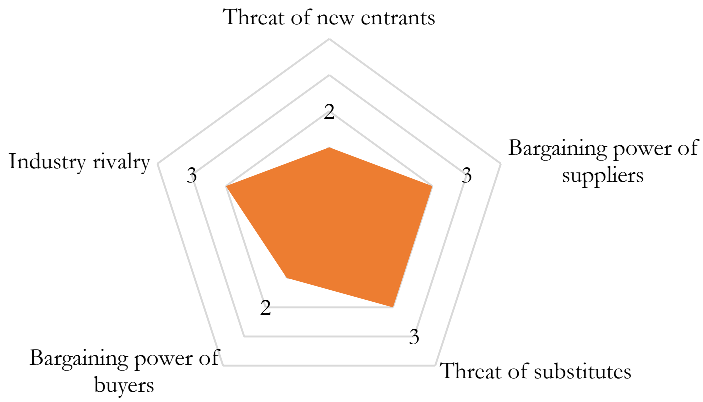
Appendix 2: Market analysis

PORTER Market Analysis

Legend

0	No threat to Orpea
1	Slight threat to Orpea
2	Low threat to Orpea
3	Moderate threat to Orpea
4	Significant threat to Orpea
5	High threat to Orpea

Porter Five Forces



Threat of new entrants – LOW

- Large capital investment needed to open a dependency care facility.
- Highly regulated sector, often requiring licenses.
- Complex industry: medical aspect, real estate intensive, highly regulated business at every stage of operations, complicated and diverse reimbursement processes

Bargaining power of suppliers – MODERATE

- Few suppliers of high quality medical equipment (like motorized beds)
- Other general services suppliers have weak bargaining power (e.g. catering, cleaning)

Bargaining power of buyers – LOW

- Ageing population will increase quickly in the next 20 years. High occupancy rates in public and non-profit facilities are driving people to commercial private structures limiting customers bargaining power.

Threats of substitutes – MODERATE

- Non-profit and public care home dominate the market due to the social aspect of the service. They provide also lower prices which attracts most aged people. However occupancy rates are high (>90%) and demand is increasing.
- Family care also represent a substitute for the sector as in some country it is still sometimes not socially acceptable to put elders in care facilities. Home care has been carried by government budget cuts and patients' will to remain independent in the past few years. However Orpea concentrates on pure dependency care (e.g. bedriddent and Alzheimer patients) which have very little substitutes to dependency care facilities.

Industry rivalry – MODERATE

- All competitors operate at high occupancy rates.
- Orpea implements a differentiation strategy and faces low rivalry in the premium segment of the dependency care industry.
- In consolidated markets, major players are few and thus competition level is relatively low.
- In fragmented markets (e.g. Germany), there is an abundance of small-sized players making the competition fiercer.
- In Europe, currently the competition level is relatively low as international players activity span different countries. However, along with increasing cross-boarder consolidation, the competition level should rise.

Source: *Company data, Team analysis; "The transformation of Care in European societies" edited by Margarita Leon (2014), Eurostat, OECD, WorldBank, Knight Frank, CNAR, CNSA, DREES, INSEE, Kushman & Wakefield, Central statistical office of Poland, D&S Consulting, "Germany is exporting its grandmas; Merkel's government helps defray costs in a Polish nursing home." by Naomi Kresge (2013), Antares Consulting, Ministerio de trabajo y de asuntos sociales, Credit Suisse, Interpharma, European observatory on health systems and policies, Universita degli studi di Bergamo*

Appendix 2: Market analysis (continued)

	Pop. growth 80+ in 2016-2040	LTC Beds per 100 people 80+	Market Condition	Share of Private Sector	Sources of organic growth	External growth/ M&A	General comment
Maturing countries					Growth potential for Orpea		
France	72.6%	16.4%	Consolidated	20%	Construction (2) Upgrade (3)	M&A (2)	• One of the highest number of beds per 100 people 80+ (c. 590k existing vs. 25k to be constructed by 2025) • Market consolidated among top players • Licenses issued by authorities greatly reduced • Considerable need of upgrade (over 100k would need to be rebuilt) ***Our view for growth: steady low single digit growth, prefer acquisitions of small players already granted with licenses***
Belgium	68.5%	22.2%	Consolidated	33%	Construction (1) Upgrade (1)	M&A (1)	• Consolidated market - top 4 private operators have 20% of market share (public included) • Licenses issuance limited, regulations adopted at regional level • Acquisitions very expensive ***Our view for growth: similar to France, no much prospect for growth (low single digit)***
Italy	52.1%	5.8%	Fragmented	20%	Construction (1) Upgrade (1)	M&A (2)	• Highly fragmented sector with top five private players representing only 4% of total market • Independent operators have 1 or 2 facilities • Potential for greater consolidation • Major budgetary cuts in governments subsidies to dependent patients have frozen the market • High occupancy rates ***Our view for growth: low single-digit, acquisitions and construction to finally reach the 3k beds critical size***
Lagging countries							
Poland	113.0%	4.5%	Fragmented		Construction (3)	M&A (2)	• Biggest eastern European country (population) • Fastest growth of population 80+ expected • Significant lack of LTC beds • Biggest private player had only 700 beds (bought by Orpea), highly fragmented market • Over 100k beds to be created by 2030 ***Our view for growth: mainly greenfield projects, double-digit top-line growth taking advantage of being first mover with strong potential on the polish private sector , expected to reach good critical size promptly.***
Czech Republic	104.9%	17.4%	Fragmented		Construction (3)	M&A (3)	• Small European country, with a profile similar to Poland's one. • Lack of supply, need of quality LTC facilities • Commercial private players almost inexistent ***Our view for growth: similar to Poland, first mover advantage, construction and small selective acquisitions. Focus on Czech Rep.'s richest regions***

Source: *Company data, Team analysis; "The transformation of Care in European societies" edited by Margarita Leon (2014), Eurostat, OECD, WorldBank, Knight Frank, CNAR, CNSA, DREES, INSEE, Kushman & Wakefield, Central statistical office of Poland*

Notes: ** (1) Low / (2) Moderate / (3) Important*

Appendix 2: Market analysis (continued)

Consolidating countries					Growth potential for Orpea		
	Pop. growth 80+ in 2016-2040	LTC Beds per 100 people 80+	Market Condition	Share of Private Sector	Sources of rganic growth	External growth/ M&A	General comment
Germany	66.7%	18.6%	Fragmented	41%	Construction (2)*	M&A (3)	• Largest market in Europe (875k beds) but still insufficient. • Free market, no quota for licenses and thus very fragmented with a lot of small players (4k independent operators have 30% of market share) • Strong competition • Solid and stable funding system ***Our view for growth: Focus on strategic acquisitions of small-sized businesses***
Austria	83.9%	15.4%	Fragmented	10%	Construction (3)	M&A (2)	• Strong LTC sector, highest rate in European ageing population, insufficient care capacity (70k beds) • Solid funding basis, since 1993 all regions are required to provide care services to the elderly • High occupancy rates (above 95%) • 30k beds to be created by 2030. ***Our view for growth: greenfield and acquisitions of high-quality small local players***
Switzerland	96.5%	22.9%	Fragmented	5%	Construction (2)	M&A (2)	• Sector dominated by public and non-profit operators • Low penetration of private sector into LTC • High regulations administrated by regions • Significant GDP per captita • Positive demographic trend paired with high occupancy rates drives people to private nursing homes ***Our view for growth: strategic acquisitions of high-quality small local players***
Spain	55.6%	13.4%	Fragmented	30%	-	M&A (2)	• Private sector: Top 10 operators have c. 10% of market share • Good supply and prices are low (so are occupancy rates) • Funding system under pressure • A lot of low quality facilities and high differences in between regions • Clear demand for high premium services in wealthier region like Madrid or Cataluña. ***Our view for growth: selective and opportunistic M&A with upgrade of acquired facilities***

Source: *Company data, Team analysis, D&S Consulting, "Germany is exporting its grandmas; Merkel's government helps defray costs in a Polish nursing home." by Naomi Kresge (2013), Eurostat, OECD, WorldBank, Knight Frank, Antares Consulting, Ministerio de trabajo y de asuntos sociales, Credit Suisse, Interpharma, European observatory on health systems and policies, Universita degli studi di Bergamo*

Notes: ** (1) Low / (2) Moderate / (3) Important*

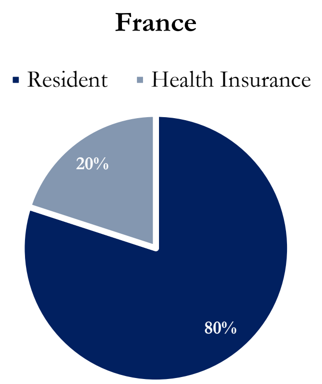
Appendix 3: Markets growth analysis and top-line growth forecasts

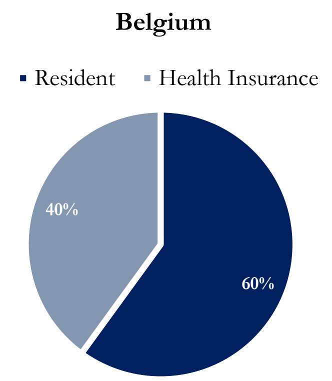
Top-line growth aggregate per market

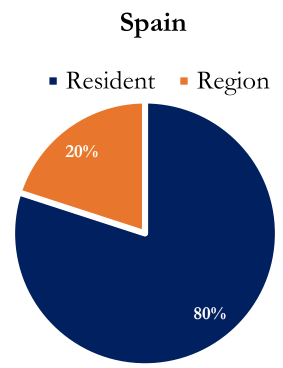
	2016E	2017F	2018F	2019F	2020F	2021F
Total top-line growth	**18.2%**	**11.1%**	**10.9%**	**10.9%**	**10.9%**	**10.7%**
Total organic growth	6.30%	6.3%	6.2%	6.1%	5.9%	5.7%
Total M&A growth	11.9%	4.8%	4.8%	4.8%	4.9%	5.0%
Total Growth in mature markets	**5.7%**	**5.0%**	**5.0%**	**5.0%**	**4.5%**	**4.5%**
Organic growth in mature markets		4.0%	4.0%	4.0%	3.5%	3.5%
M&A growth in mature markets		1.0%	1.0%	1.0%	1.0%	1.0%
Total Growth in consolidating markets	**54.3%**	**22.5%**	**20.5%**	**19.5%**	**19.0%**	**17.5%**
Organic growth in consolidating markets		10.5%	9.5%	9.0%	9.0%	8.0%
M&A growth in consolidating markets		12.0%	11.0%	10.5%	10.0%	9.5%
Total Growth in lagging markets	**n.a.[1]**	**100%**	**60%**	**30%**	**30%**	**30%**
Organic growth in lagging markets		50%	30%	15%	15%	15%
M&A growth in lagging markets		50%	30%	15%	15%	15%

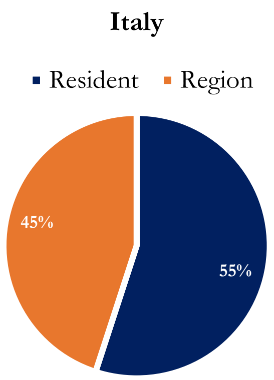
Source: *Company data, Team estimates*
Notes: *Not applicable: Orpea was not present in lagging markets in 2015*

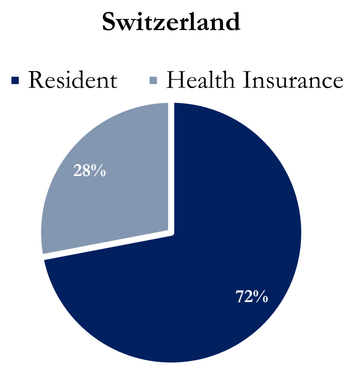
Appendix 4: Reimbursment system structure per country as at February 2016

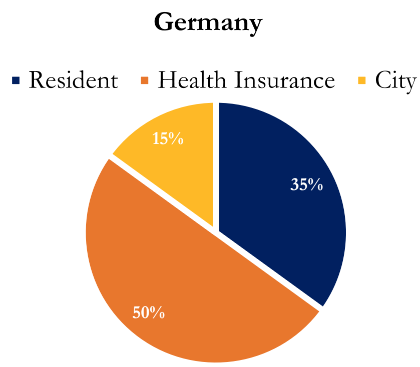


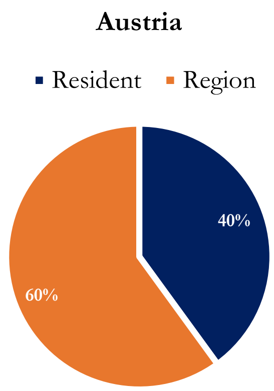


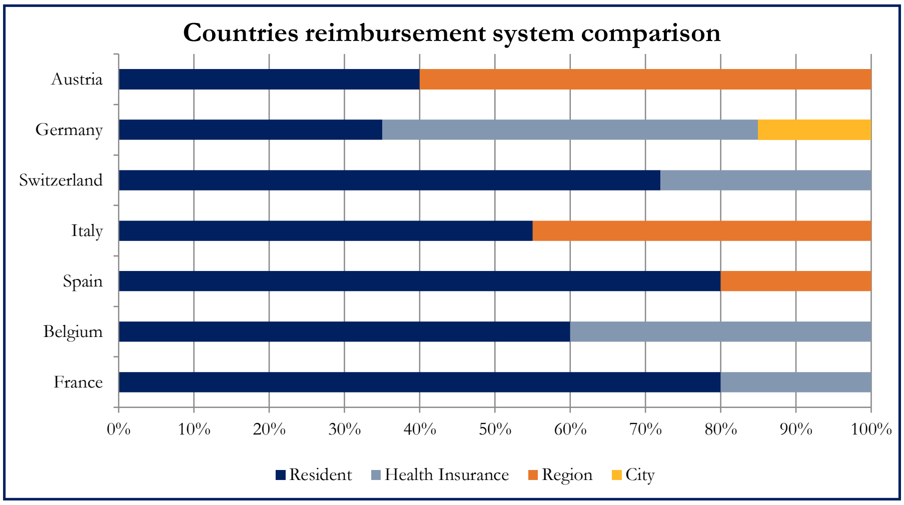












Source: *Company data*

Appendix 5: Financials

Income statement									
EUR million	**2013**	**2014**	**2015**	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Total Revenue	**1 607.9**	**1 948.6**	**2 391.6**	**2 827.7**	**3 140.4**	**3 484.1**	**3 863.3**	**4 283.4**	**4 742.0**
Staff Costs	(798.5)	(968.6)	(1 216.8)	(1 416.5)	(1 570.6)	(1 739.5)	(1 925.7)	(2 131.6)	(2 355.8)
Purchases	(296.0)	(361.2)	(446.5)	(527.1)	(584.4)	(647.2)	(716.5)	(793.1)	(876.5)
Tax expenses(1)	(77.7)	(81.2)	(90.7)	(109.4)	(121.3)	(134.3)	(148.7)	(164.6)	(181.9)
Other incomes and expenses	(2.6)	0.3	14.8	–	–	–	–	–	–
EBITDAR	**433.1**	**537.9**	**652.4**	**774.8**	**864.2**	**963.0**	**1 072.4**	**1 194.2**	**1 327.8**
Rent	(135.2)	(187.7)	(252.1)	(267.2)	(294.4)	(324.0)	(356.4)	(391.9)	(430.3)
EBITDA	**297.9**	**350.2**	**400.5**	**507.6**	**569.8**	**639.0**	**716.0**	**802.3**	**897.4**
Depreciation and amortization	(70.7)	(78.9)	(96.9)	(121.6)	(135.1)	(149.9)	(166.2)	(184.2)	(204.0)
Recurring Opearting Profit	**227.2**	**271.3**	**303.6**	**385.9**	**434.7**	**489.1**	**549.9**	**618.0**	**693.5**
Non recurring operating expenses/income	41.1	37.7	19.5	–	–	–	–	–	–
Operating Profit (EBIT)	**268.4**	**308.9**	**323.1**	**385.9**	**434.7**	**489.1**	**549.9**	**618.0**	**693.5**
Interests	(90.6)	(99.1)	(96.8)	(147.6)	(168.6)	(178.0)	(183.7)	(188.7)	(193.1)
Change in JVO(2)	(4.9)	(25.1)	(43.0)	–	–	–	–	–	–
Profit before tax	**177.8**	**209.8**	**183.3**	**238.3**	**266.1**	**311.1**	**366.2**	**429.4**	**500.3**
Taxes	(60.9)	(73.5)	(60.0)	(75.3)	(83.7)	(97.4)	(114.2)	(133.5)	(155.0)
Share in profit (loss) of associates and joint ventures	1.9	1.8	3.4	–	–	–	–	–	–
Net Profit	**116.9**	**136.3**	**126.7**	**163.0**	**182.4**	**213.6**	**251.9**	**295.9**	**345.3**
Minorities	(0.00)	(0.09)	(0.05)	–	–	–	–	–	–
Net Profit Attributable to shareholders	**116.9**	**136.2**	**126.6**	**163.0**	**182.4**	**213.6**	**251.9**	**295.9**	**345.3**

Source: *Company data, Team estimates*
Notes: *(1) Taxes other than income taxes.*
(2) JVO = fair value of the entitlement to the allotment of shares in ORNANE bonds.

Cash Flow Statement									
EUR million	**2013**	**2014**	**2015**	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Cash flow from operating activities									
Consolidated net income	113.9	120.8	126.6	163.0	182.4	213.6	251.9	295.9	345.3
Non-cash items related to operating activities(1)	59.6	70.9	93.9	121.6	135.1	149.9	166.2	184.2	204.0
Net financing cost	90.6	99.2	96.8	147.6	168.6	178.0	183.7	188.7	193.1
Disposals not related to operating activities, net of tax	(37.7)	(31.2)	(16.5)	–	–	–	–	–	–
Cash generated by consolidated companies	226.4	259.7	300.9	432.2	486.1	541.5	601.8	668.8	742.4
Change in inventories	(0.3)	(0.3)	(0.8)	1.5	1.0	1.1	1.3	1.4	1.5
Change in trade receivable	2.4	(9.8)	5.5	23.2	16.7	18.3	20.2	22.4	24.4
Change in other receivables	1.7	161.0	64.0	–	–	–	–	–	–
Change in tax and payroll liabilities	(8.7)	36.2	(30.2)	–	–	–	–	–	–
Change in trade payables	32.3	27.0	39.0	45.8	32.6	35.8	39.4	43.6	47.5
(Change in NWC)	**19.8**	**(87.8)**	**(59.9)**	**21.2**	**14.9**	**16.3**	**18.0**	**19.8**	**21.6**
Other liabilities	(28.6)	(183.8)	(64.5)	–	–	–	–	–	–
Cash flow from operating activities	**225.4**	**290.1**	**313.9**	**453.4**	**501.0**	**557.9**	**619.8**	**688.6**	**764.0**
Cash flow from investing activities									
Real estate investments	(367.4)	(404.4)	(945.7)	(220.7)	(228.5)	(237.1)	(246.6)	(257.1)	(268.5)
Real estate sales	230.1	285.3	209.8	–	–	–	–	–	–
Acquisition of operating assets (intangible assets)	(155.6)	(416.3)	(183.6)	(285.5)	(134.6)	(150.2)	(168.2)	(190.6)	(214.9)
Current accounts and other movements	58.3	(51.5)	(94.7)	–	–	–	–	–	–
Cash flow from investing activities	**(234.6)**	**(587.0)**	**(1 014.2)**	**(506.2)**	**(363.1)**	**(387.3)**	**(414.8)**	**(447.7)**	**(483.4)**
Cash flow from financing activities									
Proceeds from capital increases	94.1	3.2	6.0	–	–	–	–	–	–
Dividends paid to shareholders of the parent company	(31.8)	(38.8)	(44.5)	(54.2)	(54.3)	(60.8)	(71.2)	(84.0)	(98.6)
Additions to (repayments of) bridging loans and bank overdrafts	(179.5)	354.3	(26.3)	–	–	–	–	–	–
Proceeds from new finance leases	138.7	82.9	284.9	–	–	–	–	–	–
Proceeds from bond issues	377.3	–	–	–	–	–	–	–	–
Additions to other debt(2)	149.5	569.1	1 041.4	503.2	225.5	136.3	118.5	106.5	92.8
Repayments of other debt	(248.2)	(300.1)	(486.5)	–	–	–	–	–	–
Repayments of finance leases	(76.2)	(120.9)	(81.0)	–	–	–	–	–	–
Cost of debt and other movements	(90.6)	(99.2)	(96.8)	(220.6)	(168.6)	(178.0)	(183.7)	(188.7)	(193.1)
Cash flow from financing activities	**133.3**	**450.4**	**597.3**	**228.4**	**2.6**	**(102.5)**	**(136.4)**	**(166.1)**	**(199.0)**
Total change in cash	**124.2**	**153.6**	**(103.0)**	**175.6**	**140.5**	**68.0**	**68.5**	**74.9**	**81.6**

Source: *Company data, Team estimates*
Notes: *(1) Encompasses: depreciation, amortization, and change in the fair value of the entitlement to the allotment of shares in ORNANE bonds.*
(2) We have assumed future debt financing to be carried out through Schuldscheins as additions to debt are decreasing sharply and we deem this instrument remain the most flexible.

Appendix 5: Financials (continued)

Balance Sheet									
EUR million	**2013**	**2014**	**2015**	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Assets									7 236.8
Goodwill[(1)]	398.4	677.3	841.5	841.5	841.5	841.5	841.5	841.5	841.5
Net intangible assets	1 439.7	1 543.6	1 751.2	1 880.8	1 957.7	2 037.7	2 121.5	2 210.3	2 304.4
Net PP&E	1 992.9	2 198.0	3 008.8	3 231.5	3 363.5	3 501.0	3 645.0	3 797.5	3 959.3
Property in course of construction[(2)]	568.9	584.5	436.3	436.3	436.3	436.3	436.3	436.3	436.3
Investment in associates and joint ventures	51.0	51.4	58.2	58.2	58.2	58.2	58.2	58.2	58.2
Non-current financial assets	28.4	46.2	36.9	36.9	36.9	36.9	36.9	36.9	36.9
Deferred tax assets	24.1	28.1	36.4	36.4	36.4	36.4	36.4	36.4	36.4
Total non-current assets	**4 503.4**	**5 129.1**	**6 169.4**	**6 553.9**	**6 781.9**	**7 019.4**	**7 268.1**	**7 531.5**	**7 811.0**
Inventories	5.7	6.6	8.1	9.5	10.6	11.7	13.0	14.3	15.9
Trade receivables	80.3	104.6	127.4	150.6	167.3	185.6	205.8	228.2	252.6
Other assets, accruals and prepayments	183.8	224.0	347.5	347.5	347.5	347.5	347.5	347.5	347.5
Cash and cash equivalents	468.4	621.9	518.9	694.5	835.0	903.0	971.5	1 046.4	1 128.0
Total current assets	**738.1**	**957.1**	**1 002.0**	**1 202.2**	**1 360.4**	**1 447.9**	**1 537.8**	**1 636.5**	**1 744.0**
Assets held for sale	210.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Total assets	**5 451.6**	**6 286.2**	**7 371.3**	**7 956.1**	**8 342.4**	**8 667.3**	**9 005.9**	**9 368.0**	**9 754.9**
Liabilities & shareholders' equity									
Share capital	69.3	69.5	75.3	75.3	75.3	75.3	75.3	75.3	75.3
Consolidated reserves	1 006.0	1 081.9	1 356.3	1 428.7	1 537.4	1 659.0	1 801.4	1 969.3	2 166.6
Revaluation reserve	223.1	225.8	251.2	251.2	251.2	251.2	251.2	251.2	251.2
Net profit for the period	113.9	120.8	126.6	163.0	182.4	213.6	251.9	295.9	345.3
Equity attributable to owners of the Company	**1 412.4**	**1 498.0**	**1 809.5**	**1 918.3**	**2 046.3**	**2 199.2**	**2 379.9**	**2 591.8**	**2 838.5**
Non-controlling interests	1.0	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total equity	**1 413.4**	**1 498.3**	**1 809.7**	**1 918.5**	**2 046.5**	**2 199.4**	**2 380.1**	**2 592.0**	**2 838.7**
Non-current financial liabilities	1 924.9	2 479.0	3 219.0	3 722.2	3 947.7	4 084.1	4 202.6	4 309.1	4 401.9
Of which real estate debt	n.a.	1 699.5	2 411.4	2 673.5	2 741.6	2 796.2	2 836.2	2 861.5	2 870.5
Change in JVO[(3)]	–	30.0	73.0	–	–	–	–	–	–
Provisions	34.1	50.6	86.2	86.2	86.2	86.2	86.2	86.2	86.2
Post-employment employee benefits obligation	34.0	46.1	51.2	51.2	51.2	51.2	51.2	51.2	51.2
Deferred tax liabilities	756.8	790.1	851.7	851.7	851.7	851.7	851.7	851.7	851.7
Total non-current liabilities	**2 749.9**	**3 395.9**	**4 281.2**	**4 711.4**	**4 936.9**	**5 073.2**	**5 191.8**	**5 298.3**	**5 391.0**
Current financial liabilities	285.4	321.7	314.2	314.2	314.2	314.2	314.2	314.2	314.2
Provisions	18.0	19.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Trade payables	199.4	234.2	254.1	300.0	332.6	368.4	407.8	451.4	498.9
Tax and payroll liabilities	188.3	244.5	215.1	215.1	215.1	215.1	215.1	215.1	215.1
Current income tax liability	9.2	3.6	–	–	–	–	–	–	–
Other liabilities, accruals and prepayments	377.9	368.8	273.7	273.7	273.7	273.7	273.7	273.7	273.7
Total current liabilities	**1 078.3**	**1 191.9**	**1 080.5**	**1 126.3**	**1 158.9**	**1 194.7**	**1 234.1**	**1 277.7**	**1 325.2**
Liabilities associated with assets held for sale	**210.0**	**200.0**	**200.0**	**200.0**	**200.0**	**200.0**	**200.0**	**200.0**	**200.0**
Total liabilities & shareholders' equity	**5 451.6**	**6 286.2**	**7 371.3**	**7 956.1**	**8 342.4**	**8 667.3**	**9 005.9**	**9 368.0**	**9 754.9**

Source: *Company data, Team estimates*
Notes: *(1) We have not forecast any increase in Goodwill from M&A growth and assumed it constant*
(2) Variation in property under construction was assumed nil.
(3) JVO = fair value of the entitlement to the allotment of shares in ORNANE bonds.

Net Debt									
EUR million	**2013**	**2014**	**2015**	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
LT Debt	1 924.9	2 479.0	3 219.0	3 722.2	3 947.7	4 084.1	4 202.6	4 309.1	4 401.9
ST Debt	285.4	321.7	314.2	314.2	314.2	314.2	314.2	314.2	314.2
Total debt	**2 210.4**	**2 800.7**	**3 533.2**	**4 036.4**	**4 262.0**	**4 398.3**	**4 516.8**	**4 623.3**	**4 716.1**
(Cash)	(468.4)	(621.9)	(518.9)	(694.5)	(835.0)	(903.0)	(971.5)	(1 046.4)	(1 128.0)
Net debt	**1 742.0**	**2 178.8**	**3 014.3**	**3 341.9**	**3 427.0**	**3 495.3**	**3 545.3**	**3 576.9**	**3 588.1**

Source: *Company data, Team estimates*

Cash conversion cycle									
EUR million	**2013**	**2014**	**2015**	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Receivables turnover	17.8x	21.1x	20.6x	20.3x	19.8x	19.7x	19.7x	19.7x	19.7x
Days of Receivables	20.5d	17.3d	17.7d	17.9d	18.5d	18.5d	18.5d	18.5d	18.5d
Payables turnover	6.6x	6.5x	7.1x	7.4x	7.2x	7.2x	7.2x	7.2x	7.2x
Days of Payables	55.0d	56.1d	51.2d	49.2d	50.7d	50.7d	50.7d	50.7d	50.8d
Inventory turnover	219.7x	229.0x	236.6x	233.2x	226.5x	226.3x	226.3x	226.3x	226.1x
Days of Inventory	1.7d	1.6d	1.5d	1.6d	1.6d	1.6d	1.6d	1.6d	1.6d
Cash conversion cycle	**(32.8d)**	**(37.2d)**	**(32.0d)**	**(29.7d)**	**(30.6d)**	**(30.6d)**	**(30.6d)**	**(30.6d)**	**(30.7d)**

Source: *Company data, Team estimates*

Appendix 6: WACC estimation

Cost of equity									
As at January 2017	**France**	**Germany**	**Belgium**	**Switzerland**	**Austria**	**Italy**	**Spain**	**Poland**	**Czech Republic**
U.S. equity risk premium [1]	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Country risk premiums[1]	0.4%	0.1%	0.3%	0.1%	0.2%	2.3%	1.1%	1.0%	0.4%
Market risk premiums[1]	**6.08%**	**5.76%**	**5.96%**	**5.84%**	**5.86%**	**7.95%**	**6.76%**	**6.66%**	**6.13%**
Orpea sales (in €m as at July 2016)	835.9	246.6	79.6	70.6	83.6	23.8	34.5	5.3	0.6
Orpea beds (as at July 2016)	32688	16810	7387	2705	4591	1728	7334	704	325
Weighting factor	**44.0%**	**22.6%**	**9.9%**	**3.6%**	**6.2%**	**2.3%**	**9.9%**	**0.9%**	**0.4%**
Weigted average MRP	**6.09%**								
Risk-free rate[2]	**1.06%**								
Beta[3]	**0.64**								
Specific risk premium	**1.0%**								
Cost of equity	**5.95%**								

Source: *Bundesbank, Capital IQ, Damodaran publications, Company Data, Team estimates*
Notes: *(1) Damodaran public estimates based on the implied US equity risk premium and the CDS spreads of each country.*
(2) German 30-years government bond rate as at valuation date
(3) Based on the regression of Orpea's stock performance against the STOXX 600 Europe Index over 3 years.

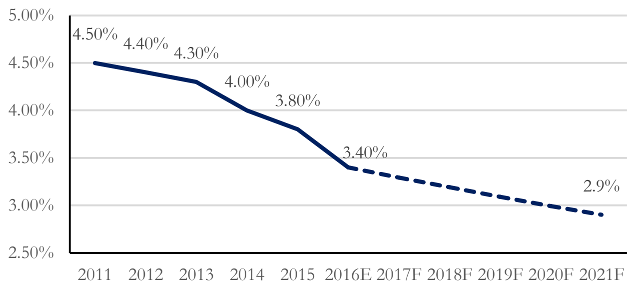
Effective tax rate									
As at January 2017	**France**	**Germany**	**Belgium**	**Switzerland**	**Austria**	**Italy**	**Spain**	**Poland**	**Czech Republic**
Average effective tax rate[1]	**33.30%**	**29.72%**	**33.99%**	**17.92%**	**25.00%**	**31.40%**	**25.00%**	**19.00%**	**19.00%**
Orpea sales (in €m as at July 2016)	835.9	246.6	79.6	70.6	83.6	23.8	34.5	5.3	0.6
Orpea beds (as at July 2016)	32 688.0	16 810.0	7 387.0	2 705.0	4 591.0	1 728.0	7 334.0	704.0	325.0
Weighting factor	**44.0%**	**22.6%**	**9.9%**	**3.6%**	**6.2%**	**2.3%**	**9.9%**	**0.9%**	**0.4%**
Weigted average effective tax rate	**30.42%**								

Source: *KPMG public tax survey, Company data, Team estimates*
Notes: *(1) based on KPMG's Corporate tax rates table as of 2016*

WACC estimation break-down	
Risk free rate	1.06%
Beta	0.64
Market risk premium	6.09%
Specific Risk Premium	1.00%
Cost of equity	**5.95%**
Cost of debt	3.40%
Marginal tax rate	30.4%
After-tax cost of debt	**2.37%**
Weight of Equity	53.0%
Weight of Debt	47.0%
WACC	**4.3%**

Source: *Bundesbank, Capital IQ, Company Data Damodaran publications, KPMG, Team estimates.*

Cost of debt reported by Orpea



Source: *Company data.*

Appendix 7: DCF Valuation

DCF - FCF						
EUR million	**2016E**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Sales	**2 827.7**	**3 140.4**	**3 484.1**	**3 863.3**	**4 283.4**	**4 742.0**
Sales growth (%)	18.2%	11.1%	10.9%	10.9%	10.9%	10.7%
EBITDA	**507.6**	**569.8**	**639.0**	**716.0**	**802.3**	**897.4**
EBITDA margin (%)	17.9%	18.1%	18.3%	18.5%	18.7%	18.9%
EBIT (adj)	**385.9**	**434.7**	**489.1**	**549.9**	**618.0**	**693.5**
EBIT margin (%)	13.6%	13.8%	14.0%	14.2%	14.4%	14.6%
Tax on EBIT (%)	31.6%	31.5%	31.3%	31.2%	31.1%	31.0%
EBIT net of taxes	**263.9**	**298.0**	**335.9**	**378.3**	**425.9**	**478.6**
Depreciation & amortization	121.6	135.1	149.9	166.2	184.2	204.0
CapEx	220.7	228.5	237.1	246.6	257.1	268.5
M&A	285.5	134.6	150.2	168.2	190.6	214.9
Change in working capital	(21.2)	(14.9)	(16.3)	(18.0)	(19.8)	(21.6)
FCFF	**(99.5)**	**84.8**	**114.8**	**147.6**	**182.3**	**220.7**
Discount factor[1]	100.0%	102.1%	108.8%	113.5%	118.3%	123.4%
PV of FCF	**(99.5)**	**83.1**	**105.5**	**130.1**	**154.1**	**178.8**

Source: *Company data, Team estimates*
Notes: *(1) Mid year convention applied to the WACC.*

DCF - Conclusion	
EUR million[1]	10/01/2017
FCF NPV (2016-2021)	**552.1**
Terminal Growth	2.0%
Terminal Value	**7 931.0**
% of EV in terminal value	93%
Enterprise Value	**8 483.1**
Net debt	3 344.7
Other EV Adjustments	148.8
Equity Value	**5 287.2**
Outstanding shares	60.2m
Implied fair value per shar	**€ 87.8**
Current Price	€ 75.0
Upside	17.1%

Source: *Company data, Team estimates*
Notes: *(1) Unless otherwise stated*

Other EV Adjustments	
Post-employment employee benefits obligations	(51.2)
Assets held for sale	200.0
Total	**148.8**

Source: *Company data, Team estimates*

Appendix 8: Monte Carlo simulation

Monte Carlo simulation assumptions	
Input	**Assumption**
Revenue growth during explicit forecast period	Normally distributed with a mean of 10.9% and standard deviation of 1.5%
Terminal growth rate	Normally distributed with a mean of 2% and standard deviation of 0.5%
EBIT margin	Unchanged assumption from the base case
Depreciation	Unchanged assumption from the base case
CapEx	Unchanged assumption from the base case
Change in NWC	Unchanged assumption from the base case
Tax rate	Unchanged assumption from the base case
WACC	Unchanged assumption from the base case

Source: *Team estimates*

Monte Carlo simulation results statistical distribution	
Mean	€ 96.01
Median	€ 88.76
Min	€ 34.10
Max	€ 297.70
Percentile - 1%	€ 44.53
Percentile - 99%	€ 209.91

Source: *Team estimates*

Monte Carlo simulation results frequency Analysis		
SELL	262	26%
HOLD	52	5%
BUY	686	69%
Total	1000	100%

Source: *Team estimates*

Appendix 9: Debt covenants

Financial covenant analysis	2014	2015	2016E	2017F	2018F	2019F	2020F	2021F
Restated Gearing	1.45	1.67	1.74	1.67	1.59	1.49	1.38	1.26
Restated Gearing covenant	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Restated Financial Leverage	1.93	2.36	1.93	1.69	1.48	1.30	1.13	0.99
Restated Financial Leverage covenant	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Source: *Company data, Team estimates*

$$\boldsymbol{Restated\ financial\ leverage} = \frac{Net\ financial\ debt - Real\ estate\ debt}{EBITDA - (6\%\ real\ estate\ debt)}$$

$$\boldsymbol{Restated\ gearing} = \frac{Net\ financial\ debt}{Equity + quasi\ equity}$$

Appendix 10: Population forecasts

Europe population forecast and long-term demographic trend	2015	2020F	2030F	2040F	2050F	2060F	2070F	2080F
European Union (28 countries)	**508 223 624**	**512 474 771**	**518 499 055**	**523 545 921**	**525 527 890**	**522 945 539**	**520 123 107**	**520 035 469**
Of which aged 80+	26 735 901	29 829 314	36 819 930	46 906 023	57 314 011	61 552 117	63 208 628	63 880 043
Share of 80+	5.3%	5.8%	7.1%	9.0%	10.9%	11.8%	12.2%	12.3%
80+ population CAGR		2.2%	2.2%	2.3%	2.2%	1.9%	1.6%	1.3%
Switzerland	**8 223 903**	**8 669 719**	**9 555 778**	**10 311 607**	**10 882 224**	**11 249 587**	**11 568 716**	**11 870 552**
Of which aged 80+	408 114	452 458	627 492	819 967	1 095 226	1 150 915	1 255 171	1 397 353
Share of 80+	5.0%	5.2%	6.6%	8.0%	10.1%	10.2%	10.8%	11.8%
80+ population CAGR		2.1%	2.9%	2.8%	2.9%	2.3%	2.1%	1.9%
Total	**516 447 527**	**521 144 490**	**528 054 833**	**533 857 528**	**536 410 114**	**534 195 126**	**531 691 823**	**531 906 021**
Of which aged 80+	27 144 015	30 281 772	37 447 422	47 725 990	58 409 237	62 703 032	64 463 799	65 277 396
Share of 80+	5.3%	5.8%	7.1%	8.9%	10.9%	11.7%	12.1%	12.3%
80+ population CAGR		2.2%	2.2%	2.3%	2.2%	1.9%	1.6%	1.4%

Source: Eurostat

Appendix 11: EV/EBITDAR Valuation

EV/EBITDAR Benchmarking							
Company	2009	2010	2011	2012	2013	2014	2015
Orpea	9.7x	10.3x	9.3x	9.8x	15.1x	12.1x	11.8x
Korian	n.a.	8.9x	8.2x	8.0x	7.2x	6.3x	6.5x
Le Noble-Age	13.1x	13.2x	9.2x	9.2x	9.3x	7.2x	7.0x
Humana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Attendo	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.1x
3rd Quartile	12.2x	11.8x	9.3x	9.5x	12.2x	9.6x	10.5x
Mean	**11.4x**	**10.8x**	**8.9x**	**9.0x**	**10.5x**	**8.5x**	**8.9x**
Median	**11.4x**	**10.3x**	**9.2x**	**9.2x**	**9.3x**	**7.2x**	**8.6x**
1st Quartile	10.6x	9.6x	8.7x	8.6x	8.2x	6.7x	6.9x

Source: *Capital IQ*

Historical financial performance benchmarking							
EBITDAR Margin	2009	2010	2011	2012	2013	2014	2015
Orpea	24.83%	24.90%	25.13%	25.85%	26.96%	27.56%	27.63%
Korian	22.40%	23.19%	24.07%	23.34%	26.47%	26.85%	25.66%
Le Nobal-Age	22.33%	24.43%	23.33%	20.24%	21.71%	24.09%	21.34%
Humana	n.a.	n.a.	n.a.	n.a.	7.77%	9.12%	8.87%
Attendo	n.a.	n.a.	16.04%	16.16%	15.63%	16.52%	16.42%
Industry	22.37%	23.81%	21.15%	19.91%	17.89%	19.15%	18.07%
3rd Quartile	23.62%	24.67%	24.34%	23.97%	26.47%	26.85%	25.66%
Mean	**23.19%**	**24.17%**	**22.14%**	**21.40%**	**19.71%**	**20.83%**	**19.98%**
Median	**22.40%**	**24.43%**	**23.70%**	**21.79%**	**21.71%**	**24.09%**	**21.34%**
1st Quartile	22.37%	23.81%	21.69%	19.99%	16.76%	17.83%	17.24%
Profit Margin	2009	2010	2011	2012	2013	2014	2015
Orpea	7.25%	6.88%	6.51%	6.79%	7.08%	6.20%	5.29%
Korian	1.76%	2.67%	2.14%	2.10%	2.11%	2.76%	2.28%
Le Nobal-Age	2.97%	3.90%	3.75%	2.40%	2.38%	1.97%	2.50%
Humana	n.a.	n.a.	n.a.	1.47%	5.13%	2.27%	2.04%
Attendo	n.a.	n.a.	-2.79%	2.01%	4.29%	2.91%	2.91%
Industry	2.37%	3.29%	0.79%	2.00%	3.48%	2.48%	2.43%
3rd Quartile	4.04%	4.65%	3.75%	2.33%	4.92%	2.87%	2.81%
Mean	**3.99%**	**4.49%**	**2.40%**	**2.96%**	**4.20%**	**3.22%**	**3.00%**
Median	**2.97%**	**3.90%**	**2.94%**	**2.10%**	**4.29%**	**2.76%**	**2.50%**
1st Quartile	2.37%	3.29%	0.90%	2.01%	2.38%	2.27%	2.28%

Source: *Capital IQ*

Appendix 12: Comparable companies analysis

Profitability analysis	EBITDAR Margin				EBITDA Margin					Net Income Margin				
Company	**2012**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**
ORPEA Société Anonyme	25.9%	27.0%	27.6%	27.6%	18.0%	18.5%	17.9%	17.1%	16.8%	6.8%	7.1%	6.2%	5.3%	5.5%
Korian	23.3%	26.5%	26.9%	25.7%	10.9%	12.4%	13.4%	12.5%	12.5%	2.1%	2.1%	2.8%	2.3%	1.5%
Le Noble Age S.A.	20.2%	21.7%	24.1%	21.3%	8.7%	11.0%	12.9%	10.5%	11.1%	2.4%	2.4%	2.0%	2.5%	3.0%
Attendo AB (publ)	16.2%	15.6%	16.5%	16.4%	10.6%	10.1%	10.5%	10.4%	10.7%	2.0%	4.3%	2.9%	2.9%	4.8%
Humana AB	n.a.	7.8%	9.1%	8.9%	7.1%	6.6%	7.0%	6.5%	7.2%	1.5%	5.1%	2.3%	2.0%	3.0%
Median	**21.8%**	**21.7%**	**24.1%**	**21.3%**	**10.6%**	**11.0%**	**12.9%**	**10.5%**	**11.1%**	**2.1%**	**4.3%**	**2.8%**	**2.5%**	**3.0%**
Average	**21.4%**	**19.7%**	**20.8%**	**20.0%**	**11.1%**	**11.8%**	**12.4%**	**11.4%**	**11.6%**	**3.0%**	**4.2%**	**3.2%**	**3.0%**	**3.6%**

Source: *Capital IQ*

Liquidity analysis	Current ratio					Quick ratio				
Company	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**
ORPEA Société Anonyme	0.6x	0.7x	0.8x	0.9x	1.0x	0.4x	0.6x	0.7x	0.8x	0.8x
Korian	0.8x	0.5x	0.7x	0.9x	0.5x	0.6x	0.5x	0.6x	0.9x	0.5x
Le Noble Age S.A.	1.2x	0.9x	0.9x	1.0x	1.0x	0.8x	0.6x	0.5x	0.5x	0.6x
Attendo AB	1.1x	1.4x	1.4x	1.4x	1.2x	1.0x	1.3x	1.2x	1.3x	0.8x
Humana AB	0.7x	0.8x	0.8x	0.9x	0.8x	0.7x	0.8x	0.7x	0.9x	0.8x
Median	**0.8x**	**0.8x**	**0.8x**	**0.9x**	**1.0x**	**0.7x**	**0.6x**	**0.7x**	**0.9x**	**0.8x**
Average	**0.9x**	**0.9x**	**0.9x**	**1.0x**	**0.9x**	**0.7x**	**0.7x**	**0.8x**	**0.9x**	**0.7x**

Source: *Capital IQ*

Solvency analysis	EBIT/Interest Exp.					Net Debt/EBITDA					Total Debt/Capital					LT Debt/Capital				
Company	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**
ORPEA Société Anonyme	4.4x	4.1x	4.0x	4.5x	4.5x	7.4x	6.0x	6.5x	7.6x	7.5x	65.2x	61.6x	66.0x	66.7x	69.0x	47.8x	52.2x	56.3x	59.3x	61.2x
Korian	2.4x	2.5x	4.0x	3.6x	2.7x	5.0x	4.5x	5.0x	5.2x	6.8x	51.2x	51.1x	47.8x	53.0x	56.8x	44.3x	45.3x	45.0x	50.2x	53.8x
Le Noble Age S.A.	2.5x	3.2x	3.0x	4.0x	4.3x	5.7x	5.6x	5.5x	5.7x	5.7x	68.3x	71.6x	73.2x	72.4x	72.9x	42.3x	41.6x	39.9x	39.9x	39.2x
Attendo AB (publ)	1.5x	2.3x	1.7x	2.0x	4.5x	4.3x	4.9x	4.4x	2.7x	2.8x	59.6x	68.6x	67.3x	45.9x	42.6x	52.0x	67.8x	64.1x	45.6x	41.8x
Humana AB	4.9x	8.2x	2.9x	1.9x	2.9x	1.7x	1.5x	4.3x	3.3x	3.0x	47.4x	43.2x	64.3x	61.0x	50.4x	40.7x	35.9x	60.0x	55.2x	41.1x
Median	**2.5x**	**3.2x**	**3.0x**	**3.6x**	**4.3x**	**5.0x**	**4.9x**	**5.0x**	**5.2x**	**5.7x**	**59.6x**	**61.6x**	**66.0x**	**61.0x**	**56.8x**	**44.3x**	**45.3x**	**56.3x**	**50.2x**	**41.8x**
Average	**3.1x**	**4.1x**	**3.1x**	**3.2x**	**3.8x**	**4.9x**	**4.5x**	**5.2x**	**4.9x**	**5.2x**	**58.3x**	**59.2x**	**63.7x**	**59.8x**	**58.3x**	**45.4x**	**48.6x**	**53.1x**	**50.0x**	**47.4x**

Source: *Capital IQ*

EV multiples	EV/EBITDA					EV/Revenue					EV/EBIT				
Company	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**
ORPEA Société Anonyme	19.1x	19.1x	19.1x	19.1x	17.5x	3.3x	3.3x	3.3x	3.3x	3.0x	25.6x	25.6x	25.6x	25.6x	23.7x
Korian	13.9x	13.9x	13.9x	13.9x	12.9x	1.7x	1.7x	1.7x	1.7x	1.6x	23.8x	23.8x	23.8x	23.8x	23.1x
Le Noble Age S.A.	13.8x	13.8x	13.8x	13.8x	13.2x	1.5x	1.5x	1.5x	1.5x	1.5x	17.1x	17.1x	17.1x	17.1x	16.8x
Attendo AB	14.9x	14.9x	14.9x	14.9x	14.1x	1.5x	1.5x	1.5x	1.5x	1.5x	18.2x	18.2x	18.2x	18.2x	17.5x
Humana AB	14.3x	14.3x	14.3x	14.3x	11.8x	0.9x	0.9x	0.9x	0.9x	0.8x	16.2x	16.2x	16.2x	16.2x	13.1x
Median	**14.3x**	**14.3x**	**14.3x**	**14.3x**	**13.2x**	**1.5x**	**1.5x**	**1.5x**	**1.5x**	**1.5x**	**18.2x**	**18.2x**	**18.2x**	**18.2x**	**17.5x**
Average	**15.2x**	**15.2x**	**15.2x**	**15.2x**	**13.9x**	**1.8x**	**1.8x**	**1.8x**	**1.8x**	**1.7x**	**20.2x**	**20.2x**	**20.2x**	**20.2x**	**18.8x**

Source: *Capital IQ*
Notes: *C.f. appendix 11 for the EV/EBITDAR multiple analysis*

Per Share Analysis	P/BV					P/E (diluted)					P/Sales				
Company	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**	**2012**	**2013**	**2014**	**2015**	**LTM**
ORPEA Société Anonyme	2.5x	2.5x	2.5x	2.5x	2.5x	35.4x	35.4x	35.4x	35.4x	31.0x	1.9x	1.9x	1.9x	1.9x	1.7x
Korian	1.1x	1.1x	1.1x	1.1x	1.1x	35.8x	35.8x	35.8x	35.8x	50.1x	0.8x	0.8x	0.8x	0.8x	0.8x
Le Noble Age S.A.	2.7x	2.7x	2.7x	2.7x	2.6x	29.5x	29.5x	29.5x	29.5x	27.1x	0.7x	0.7x	0.7x	0.7x	0.7x
Attendo AB (publ)	2.9x	2.9x	2.9x	2.9x	2.6x	42.8x	42.8x	42.8x	42.8x	25.1x	1.2x	1.2x	1.2x	1.2x	1.2x
Humana AB	3.1x	3.1x	3.1x	3.1x	2.3x	119.6x	119.6x	119.6x	119.6x	25.5x	0.6x	0.6x	0.6x	0.6x	0.6x
Median	**2.7x**	**2.7x**	**2.7x**	**2.7x**	**2.5x**	**35.8x**	**35.8x**	**35.8x**	**35.8x**	**27.1x**	**0.8x**	**0.8x**	**0.8x**	**0.8x**	**0.8x**
Average	**2.4x**	**2.4x**	**2.4x**	**2.4x**	**2.2x**	**52.6x**	**52.6x**	**52.6x**	**52.6x**	**31.8x**	**1.1x**	**1.1x**	**1.1x**	**1.1x**	**1.0x**

Source: *Capital IQ*

Appendix 13: Board of Director

Bord of Directors								
Name	**Age**	**Nationality**	**Independency**	**Position at the BoD**	**Shares**	**Compensation**	**End of the term**	**Working experience**
Jean-Claude Marian	77	French	No	**Chairman** of the BoD	4 133 109	€ 25 000.0	2019 AGM[1]	Neuropsychiatrist; Co-founder and fomer CEO of Orpea
Yves le Masne	54	French	No	**CEO** and board member	10 779	€ 25 000.0	2019 AGM	Former CFO and current CEO of Orpea
Alexandre Malbasa	58	French	No	Member of the Audit Committee	42	€ 31 000.0	2017 AGM	Lawyer with deep understanding of the Group's business
Jean-Patrick Fortlacroix	59	French	Yes	Director and **Chairman** of the Audit Committee	153	€ 37 000.0	2018 AGM	Accountant and Statutory Auditor, specialized in real estate, tax and consolidation
FFP Invest, represented by Thierry Mabille de Poncheville	Not applicable		Yes	Blockholder represented by Thierry Mabille de Poncheville	3 811 353	Not applicable	2019 AGM	Not applicable
Thierry Mabille de Poncheville	61	French	No	Representative of FFP Invest. **Chairman** of the Appointments and Compensation Committee, and member of the Audit Committee	-	€ 43 000.0	2019 AGM	Representative of FFP Invest; Affluent experience in international business
Sophie Malarme	46	Belgian	YES	Member of the Appointments and Compensation Committee	50	€ 31 000.0	2017 AGM	Management position in finance and investment team in SOFINA
Alain Carrier	49	Canadian	Yes	Member of Appointments and Compensation Committee, and member of the Audit Committee	1	€ 35 000.0	2019 AGM	Over 20 years of investment experience in banks with a solid legal background
Bernadette Chevalier	58	French	Yes	Member of Appointments and Compensation Committee	42	€ 31 000.0	2017 AGM	Expertise in finance and management in tourism and hospitality industries
Sophie Kalaidjian	39	French	No	Director and Employee representative	-	€ 7 200.0	2018 AGM	CLINEA Legal Director for more than 12 years
Brigitte Lantz	63	French	Yes	Member of Appointments and Compensation Committee	n.a.	n.a.	2020 AGM	Doctor specialising in nephrology; adviser to several French health ministers
Laure Baume	41	French	Yes	Member of Appointments and Compensation Committee	n.a.	n.a.	2020 AGM	Executive Director and Director of the Customer Division at Aéroports de Paris, and is a member of the Aéroports de Paris executive committee
Christian Hensley	42	USA citizen	Yes	Director representative of CPPIB	1	n.a.	2020 AGM	Senior Principal of Relationship Investments at CPPIB; 11-year experience in the private equity and growth capital industry

Source: *Company data*
Notes: *(1) General assembly of shareholders*

Appendix 14: Corporate social responsibility

Orpéa's Commitments			
Commitment	**Mission**	**Tools**	**Comments**
To residents and patients	Optimize the quality of care and well-being of residents dans patients	Quality department, charters, satisfaction survey, controls	Presence of an Ethics Charter, 24/07 service
To employees	Development of a long-term employment policy	Active training policy, mobility and internal promotion, equal opportunity	43,000 staff, average of 1,500 to 2,000 recruitments a year, 90% permanent contracts which cannot be outsourced
To public health	Involvement in the local life community and participation to public health issues	Internal medical team, large network	Medical staff
To the environment	Limitation of the impact of construction on the environment	Internal engineering and work department	Presence of an in-house engineering and construction department. The 14 HQE (High Quality Environment) targets transcribed into actions for each construction projects

Source: *Company data*

Example of partnerships and local community projects	
Solidarity	In Germany, the facilities of the Haud Edelberg cluster donated equipment and furniture to welcome Syrian refugees.
	In Austria, the SENECURA facilities supported the St Vinzenz community in its efforts to assist families in need
	In Italy, Orpea facilities took part in a programme to reinsert people in social difficulty by offering training courses
	In France, 200 employees took part in the French Riviera Marathon to raise money for victims of storms and flooding
Intergenerational links	In France, Orpea donated 10 000€ to the "Avec nous" association which aims to foster intergenerational relatioships
	In the PACA region, Orpea residences join forces every year to support a charity working for sick or hospitalised children.
	the NGO Nuevo Futuro and to help finance the maintenance of homes for minors and young people protected by the association; they also support an unaccompanied children's village.
Medical research	Orpea supports a number of associations acknowledged in the field of geriatrics such as France Alzheimer in France.
	In Austria, it supports a programme to combat neurodegenerative diseases and dementia led by the Karl Landsteiner Society; in Spain, it supports the national association against Parkinson's disease; and in Belgium, it works with the Ligue Braille to combat partial sight.
	In France, Orpea is a committed player in the Telethon. In 2014, close to €25 000 was collected for the AFM Telethon and research.

Source: *Company data*

Appendix 15: Glossary

Glossary	
Terminology	**Definition**
$	Dollar currency
adj	adjusted
AGM	Assemblée Générale Mixte (shareholder assembly)
bn	billion(s)
BoD	Board of Directors
c.	circa
CAGR	Compounded Annual Growth Rate
cap.	capitalization
CapEx	Capital Expenditures
CIQ	Capital IQ
DCF	Discounted Cash Flow
dil.	diluted
EBITDA	Earnings Before Interest, income Taxes, Depreciation & Amortization
EBIT	Earnings Before Interest, and income Taxes
EPS	Earnings Per Share
EUR or €	Euro currency
EV	Enterprise Value
excl.	excluding
FCF	Free Cash Flows
FCFF	Free Cash Flows to the Firm
GDP	Gross Domestic Product
IPO	Initial Public Offering
k or '000	thousand(s)
LT	Long-Term
LTC	Long Term Care
LTM	Last Twelve Months
m	million(s)
M&A	Merger(s) & Acquisition(s)
MRI	Magnetic Resonance Imaging
NHC	Nursing Homes Care
NPV	Net Present Value
NWC	Net Working Capital
P/BV	Price-to-Book Value ratio
P/E	Price-to-Earnings ratio
P/S	Price-to-Sales ratio
RoE	Return on Equity
sqm	square meters
ST	Short-Term
vs.	versus
w	week(s)
WACC	Weighted Average Cost of Capital

Appendix 16: Table of content

Table of content

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