

Press release, 13 February 2020

## **Attendo's year-end report for 2019 – Good organic growth but weak profitability in Finland persists**

**Attendo continued to show good organic growth during the fourth quarter as well as for the full year 2019. Profitability in Attendo Scandinavia remained stable, while Attendo Finland remained under pressure. Work to restore confidence and profitability in Finland is ongoing, but the financial effects will come later in 2020.**

### **President and CEO Martin Tivéus comments on the report**

"We opened almost two thousand new beds in own operations during the year and laid the foundation for future organic growth. In parallel, the high rate of establishment in Finland in recent years has constrained both occupancy and profitability over the short term. We opened more beds in Scandinavia in the fourth quarter than we have for some time, a trend that will continue in 2020, while the rate of openings in Finland will drop significantly from the second half of the year.

Net sales increased by 8 percent during the fourth quarter to SEK 3,054m. Growth is driven primarily by an increased number of occupied beds in own operations and acquisitions. Operating profit (EBITA) amounted to SEK 139m, a decrease of 41 percent compared with the preceding year, adjusted for non-recurring effects. The decline in profits is due to the situation in Finland, while Scandinavia showed a minor increase in profits. There was an increase in structural costs in Finland in 2019 as a consequence of the higher staffing requirements that were imposed in conjunction with the rapid expansion of recent years that led to more vacant beds in the Finnish operation. EBITA for the full year of 2019 decreased by 32 percent compared to 2018, adjusted for non-recurring effects.

We opened 479 new beds in own operations during the quarter and the total number of beds in operations at the end of the year was more than 16,600. We have sharply decelerated the rate of expansion in Finland, but it will remain high during the first and second quarters of 2020 due to long lead-times for already ongoing projects. We expect to open approximately 1,600 beds in total during 2020. The net increase in total beds will be somewhat lower because we are selectively discontinuing units that have not been assessed as attractive in the long term. We are also carrying out a gradual shift towards more openings in Scandinavia and fewer in Finland. Average occupancy is currently 80 percent, while mature units are demonstrating occupancy of around 90 percent.

Agreements on new long-term financing were finalised during the fourth quarter. The new loan agreements provide greater flexibility with regard to the covenants that Attendo must fulfil. The terms and conditions are otherwise similar to the previous financing arrangements.

### **Stable profits in Attendo Scandinavia**

Our Scandinavian operations demonstrated continued stable development in the fourth quarter and in 2019 as a whole. Sales in the fourth quarter increased by about two percent, driven by higher occupancy in own operations and acquired operations in home care. Outsourcing and Individual and Family Care reported slightly lower sales. Adjusted for non-recurring effects, profits in Attendo Scandinavia were slightly higher than profits for the fourth quarter of 2018. We discontinued the loss-making and biggest home care operation in Denmark during the fourth quarter and we opened 174 new beds in Sweden, primarily in care for older people, during the same period.

We will be increasing the rate of openings in Scandinavia in 2020 compared to 2019. This is creating the conditions for long-term growth and value creation, but is expected to have short-term negative impact on profitability during the start-up phase.

During the quarter, we continued our efforts to strengthen our long-term competitiveness. Among other things, we have strengthened our central competence team in dementia to be better at spreading knowledge about dementia to both employees and relatives. We have also initiated a project with workplace-based training of auxiliary nurses following a model from Denmark to improve access to qualified staff, and completed the roll-out of mobile care planning at all nursing homes in Sweden with the aim of improving planning and ensuring traceability in all care instances.

### **Effects of the turn-around programme in Finland take time**

Net sales in Attendo Finland increased by 16 percent in the fourth quarter compared to the fourth quarter of 2018. The increase for the full year was 22 percent. The sales increase was driven by higher occupancy. We are, however, still reporting weak results from the Finnish operations in the fourth quarter. The decline in profits is mainly due to higher personnel costs arising from stricter staffing requirements, a large number of units in the start-up phase and the continued high rate of openings, which is holding back the occupancy trend. Attendo's action programme is continuing as planned and we are beginning to see positive operational effects. We have strengthened the management structure, added support staff in local operations and increased central resources for purposes including facilitating recruitment.

During the fourth quarter, we renegotiated several framework agreements ahead of 2020 with Finnish local authorities. The renegotiations of framework agreements during the year cover only a portion of total revenues, as the majority of revenues in 2020 are index-tied. In total, positive price effects are estimated to approximately 3 percent during 2020 based on total sales in Attendo Finland. As wage negotiations are still in progress in Finland, there is some uncertainty regarding cost increase during the year. The financial effects of the action programme are not expected until the second half of 2020, when the rate of opening new units will decline and we anticipate achieving a more favourable balance between new openings and new sales.

In February, the Finnish government presented, as expected, a bill on increased staffing density in care at nursing homes. In our view, it is positive that the Finnish state is raising the ambition in the care sector. At the same time, it is problematic if quality is judged solely on staffing density. It is also important that the reform will be financed both during the transition period and when it is fully implemented.

### **Higher occupancy is the key to value creation**

2019 was a challenging year for Attendo, related mainly to the situation in Finland. The current situation is the result of a combination of the too-rapid rate of establishment and new sharper staffing requirements. There is a long-term need for the capacity we are establishing at present and we have an attractive offer to both customers and contracting local authorities. Nevertheless, the way back to good profitability in Finland is dependent upon higher occupancy and new framework agreements that reflect the new sharper requirements, which is going to take time to achieve. We will continue our efforts to reinforce the organisation in 2020 and step up our initiatives in the areas of customer satisfaction, digitalisation and supporting local authorities across the Nordics. Our ambition is to have the most committed employees who provide outstanding care to our customers. This ambition also lays the foundation for creating long-term shareholder value. “

## Summary of the fourth quarter 2019

- Net sales increased by 8 percent to SEK 3,054m (2,818). Adjusted for currency effects, net sales increased by 7 percent.
- Operating profit (EBITA) amounted to SEK 139m (176), corresponding to an operating margin of 4.6 percent (6.2). Operating profit in the comparison quarter was reduced by provisions of SEK 60m.
- Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 35m (98). Operating profit in the comparison quarter was reduced by provisions of SEK 60m.
- The loss for the period amounted to SEK -40m (-4), corresponding to a profit margin of -1.3 percent (-0.1). Diluted earnings per share were SEK -0.25 (-0.02).
- Free cash flow amounted to SEK 141m (117).
- The total number of beds in operation in Attendo's own homes<sup>4</sup> amounted to 16,618 (15,288), an increase by 9 percent. Occupancy in own homes was 80 percent (82).

## Summary of the period January–December 2019

- Net sales increased by 9 percent to SEK 11,935m (10,987). Adjusted for currency effects, net sales increased by 7 percent.
- Operating profit (EBITA) amounted to SEK 812m (1,008), corresponding to an operating margin of 6.8 percent (9.2). Profit in 2019 was affected by a capital gain of SEK 31m, while EBITA in 2018 was reduced by non-recurring costs of SEK 133m.
- Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 441m (711).
- Profit for the period amounted to SEK 81m (244), corresponding to a profit margin of 0.7 percent (2.2). Diluted earnings per share were SEK 0.51 (1.52).
- Free cash flow amounted to SEK 196m (593).
- The board of directors is proposing no dividend for the 2019 financial year due to the weak financial performance in 2019, the company's key ratios and the recent renegotiation of loans.

## Invitation to teleconference

Investors, analysts and journalists are invited to participate in a teleconference at 10:00 am (CET) hosted by Attendo's CEO Martin Tivéus and CFO Fredrik Lagercrantz. To participate in the conference, please dial in on any number below:

SE: +46 8 56 64 26 92  
FI: +358 981 710 520  
UK: +44 333 300 9274

You can follow the presentation and the conference on the following page:

<https://tv.streamfabriken.com/attendo-q4-2019>

The report and related information material is available on:

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

Attendo AB (publ)



**For further information, please contact:**

Andreas Koch, Communications and IR-Director Attendo

Phone: +46 705 09 77 61

E-mail: [andreas.koch@attendo.com](mailto:andreas.koch@attendo.com)

Stefan Svanström, Head of Community Communications Attendo

Phone: +46 708 67 38 07

E-mail: [stefan.svanstrom@attendo.com](mailto:stefan.svanstrom@attendo.com)

*This is information that Attendo AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above at 08.00 CET on 13 February 2020.*

---

**Attendo - the leading care company in the Nordics**

*Attendo is the leading private provider of publicly financed care services in the Nordic region. The company was founded in 1985 and was first to provide outsourced care for older people in Sweden. In addition to care for older people, Attendo provides care for people with disabilities and social care for individuals and families. Attendo has approximately 25,000 employees and is locally anchored with more than 700 operations in around 300 municipalities in Sweden, Finland, Norway and Denmark. [www.attendo.com](http://www.attendo.com)*