

Press release, 18 June 2019

Attendo: profit forecast for the second quarter 2019 and a comprehensive action programme including strengthening of management team in Finland

Attendo has initiated an action programme to create a better balance between the pace of new nursing home openings and occupancy in existing homes. The company expects lower profits than the financial markets expectations, mainly due to lower sales growth from new care beds in Finland. Attendo expects an operating profit (EBITA*) of approximately SEK 120 million during the second quarter of 2019. The forecast for the second quarter reflects the ongoing profit run-rate and does not include non-recurring items. Measures are now taken to strengthen the leadership of the Finnish organisation with a new business area director. In addition, the company continues to reduce the number of new establishments.

Over the past decade, Attendo has established more than 10,000 beds organically in Finland. The new growth strategy that was launched in 2016 has resulted in a significantly higher growth pace. The expansion pace has also entailed large negative effects on profit and has been challenging for the Finnish organisation.

“It is a disappointment that we need to adjust our outlook further. Our analysis and forecasting ability in Finland has been clearly unsatisfactory and it is clear that our growth strategy in Finland has been too aggressive. The expansion, combined with lower than expected sales growth and the current situation in Finnish care, has a huge impact on Attendo’s profitability. To get to grips with the problems, we are now taking a number of measures,” says Martin Tivéus, President and CEO of Attendo and continues:

“We are recruiting a new business area director and a new financial director for Finland while our current business area manager in Finland, Pertti Karjalainen, will take up a position with focus on sales, price negotiations, and contacts with municipalities and authorities. This is central for our ability to long-term increase occupancy and profitability. In a longer perspective, we envisage that Attendo Finland will be able to return to good occupancy and profit”.

Previous assessment:

In connection with Attendo’s year-end report for 2018, the following assessment was made: ‘Attendo is expecting profit growth during coming years, but given the ongoing pace of expansion, the possibilities to increase the margin from the existing underlying level are expected to be limited in 2019 and 2020’. On 27 March 2019, the company announced increased costs of approximately SEK 200 million annually in Finland. These costs are mainly related to an increased number of employees in order to meet new requirements from the authorities in the aftermath of the Finnish care crisis and our ambitious measures to strengthen Attendo’s reputation as the leading provider of care for older people in Finland.

Current assessment:

During the second quarter of 2019, Attendo has seen lower than expected sales growth of new beds in Finland, leading to more empty beds. This is mainly due to difficulties in recruiting staff to new units, which affects the ability to receive new customers, and to some part to lower demand for beds than expected in some municipalities.

**EBITA in accordance with the new reporting standard IFRS 16.*

Since Attendo has a high rate of openings of new units in 2019, as a consequence of already committed contracts, the lower sales growth has a large impact on occupancy and profitability. The combination of costs for action programmes, a high rate of openings and a lower than expected sales growth means that the result will be significantly weaker than previously estimated. Lower sales growth of new beds leads to both lower profit contribution and reduced absorption of fixed costs.

Attendo currently estimates that operating profit (EBITA*) for the second quarter of 2019 will amount to approximately SEK 120 million. The forecast for the second quarter reflects the ongoing profit run-rate and does not include non-recurring items.

Measures to strengthen Finnish operations

- Strengthened leadership and governance
To strengthen the organisation, Attendo is recruiting a new business area director for Attendo Finland. The current business area director Pertti Karjalainen will enter a new role with responsibility for sales, business and property development, and contacts with municipalities and authorities. The company is also recruiting a chief financial director for the Attendo Finland business area. Pertti Karjalainen will remain in his current role until the new business area director takes office.
- Measures for increased occupancy
Attendo is decreasing the number of openings in the coming years to reduce costs and improve occupancy for the business area as a whole. In Finland, the company has opened approximately 1,000 new beds to date in 2019 and will open around 650 additional beds during the remainder of the year, in line with signed contracts. For 2020, the number of openings is expected to decrease to about 1000 beds. Moreover, the sales organisation is strengthened and also switching the focus from new establishments to improving occupancy in existing operations. Attendo is also working to terminate selected contracts where the opportunities to fill beds are deemed unsatisfactory.
- Price negotiations
Intensive work is underway to renegotiate existing contracts in order to compensate for increased costs. However, Attendo believes the prospects to raise prices in 2019 is small, somewhat better in 2020 and considerably better in 2021.
- Quality and action programme
As previously announced, Attendo has an ongoing action programme aimed at further strengthening quality, employee engagement and customer satisfaction in Finland.

The new Finnish government has presented a declaration of intent to increase staffing density in care for older people. The staffing rates in nursing homes for older people are expected to increase from the current recommended minimum level of 0.5 to 0.7 (staff per resident). This change provides better conditions for conducting high-quality care and is in line with how care for older people is conducted in the other Nordic countries. If the national staffing rates change, Attendo will be able to renegotiate its contracts and receive compensation for higher staff density. However, it is still unclear when a change in the law will apply, during what period the transition will take place, and how much of Attendo's operations will be affected.

**EBITA in accordance with the new reporting standard IFRS 16.*

Attendo still considers the Finnish care market to be attractive, despite the current deterioration in profitability. The demand for our services is as great as before, and municipalities around Finland continue to see great advantages with private operators. Studies show that nursing homes run under municipal management are considerably more expensive to operate than private homes, which, in combination with the increasing need for care for older people, suggests continued growth in the private care sector. As the leading operator in Finland, Attendo has an important role to play in supporting municipalities by reducing queues, providing high-quality care as efficiently as possible, and providing customers with access to modern and comfortable nursing homes.

Attendo AB (publ)

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This is information that Attendo AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 21.20 CET on 18 June 2019.

Invitation to teleconference

Investors, analysts and journalists are hereby invited to participate in a teleconference on 19 June at 09:30 am (CET), hosted by Attendo's CEO Martin Tivéus and CFO Fredrik Lagercrantz. The presentation will be held in English.

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

SE: +46 8 505 58 354
FI: +358 98 17 10 522
UK: +44 33 33 00 9269

The conference can also be reached on the following page:
<https://tv.streamfabriken.com/attendo-pressconference-2019>

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 around 24,000 employees and is locally anchored with close to 700 operations in more than 200 municipalities in Sweden, Finland, Norway and Denmark. www.attendo.com