

MédiPôle Partenaires reports its results for the first half of 2016 and pursues its multi-regional growth dynamic

MédiPôle Partenaires reports its results for the first half of 2016.

- In the first six months of 2016, the Group's revenue increased by 4,0% to €460.4 million, with growth of 1.8% at constant scope.
- EBITDAR reached €101.4 million, representing a margin of 22.0%, stable compared to the first half of 2015. At constant scope, the EBITDAR margin increased 40bps from 22.1% as of 30 June 2015 to 22.5% as of 30 June 2016.
- During the same period, the Group invested 4.6% of its revenue in the maintenance of its facilities and in development and innovation through its medical projects.

Key figures for the first half of 2016

<i>In millions of euros (excluding %)</i>	Six months ended June 30,	
	2015	2016
Revenue	442.9	460.4
EBITDAR¹	97.9	101.4
<i>EBITDAR margin</i>	22.1%	22.0%
EBITDA²	69.8	69.9
Cash flow conversion rate³	76.2%	76.1%

¹ EBITDAR is defined as EBITDA before real estate rental expense.

² EBITDA is defined as profit from recurring operating activities (EBIT) before depreciation and amortization. Sale and leaseback transactions in 2015 contributed to the increase in real estate rental expense.

³ The cash flow conversion rate corresponds to (EBITDA - maintenance capex)/EBITDA.

2016 Highlights

- **Bpifrance's acquisition of a stake in MédiPôle Partenaires, alongside Bridgepoint**
 - At the beginning of August⁴, Bpifrance invested €95 million in the Group to support its development. Pursuant to this major transaction, Bpifrance became a key minority shareholder in MédiPôle Partenaires, alongside Bridgepoint which remains the Group's majority shareholder.

- **Pursuing the multi-regional growth dynamic, aimed at strengthening the network in highly dense metropolitan areas where the Group operates**
 - On September 7, 2016, the Group acquired the Esquirol Saint-Hilaire clinic in Agen. Given its strategic position between Bordeaux and Toulouse, the acquisition of the Esquirol Saint-Hilaire clinic is fully aligned with the Group's multi-regional development strategy. The clinic is recognized for its excellent medical practices. With approximately 600 employees and 100 physicians, the facility has 335 beds and spaces. Its net revenue for the twelve months ended June 30, 2016 was greater than €45 million.
 - In line with its development strategy targeting regional medical clusters and its portfolio optimization strategy, at the end of July 2016, MédiPôle Partenaires also sold all of its clinics in the Paris region, a health territory in which the Group had little presence (representing in 2015 c.3% to Group Revenue and c.1% to Group EBITDA).

- **To continue to grow and accelerate its development projects, MédiPôle Partenaires envisages an Initial Public Offering on Euronext Paris, subject to market conditions.**

⁴ Cf. Press release dated July 20, 2016.

Group development strategy

A dynamic French healthcare market with favorable trends

The French healthcare market, taken as a whole, is one of the most developed in the world. It is the second largest market in Europe, with total annual healthcare expenditure amounting to approximately €246 billion in 2014, representing approximately 12% of GDP (according to Business Monitor International). Between 2000 and 2014, healthcare expenditure increased by nearly 4% per year on average, higher than GDP growth over the same period. This trend is supported by population growth (0.4% in France in 2015 as compared to an average of 0.2% in the European Union in 2015), an ageing population (continuous growth in the percentage of the population aged 60 and over), the increasing prevalence of long-term illnesses⁵ and medical progress that allows increasingly sophisticated technical methods to spread.

The private sector represents a key component of the French healthcare system, complementary to the public sector. According to the Federation of Private Hospitals (*Fédération de l'Hospitalisation Privée*), private hospitals performed 57% of all surgical operations, provided 68% of all out-patient surgical acts and accounted for 25% of births in France in 2014⁶. The private sector therefore contributes to the efficiency of the French medical system.

In this context, the strength of the French private hospital sector is closely linked to government healthcare cost containment policies, market consolidation, and the evolution of both technology and quality standards, all to the benefit of large-scale operators such as MédiPôle Partenaires.

MédiPôle Partenaires, a leading private hospital operator in France

MédiPôle Partenaires is one of the largest private hospital groups in France. In particular, it is well-recognized for its strength in the fields of medicine, surgery and obstetrics (MSO), post-acute care and rehabilitation, dialysis, imaging and home care. In 2015, MédiPôle Partenaires generated revenue of approximately €866 million with an EBITDAR margin of 21.2%. The Group offers a large range of specialties and comprises a network of 62 facilities in strategic locations, in which the Group seeks to establish or strengthen its leadership positions. MédiPôle Partenaires has a strategic focus on four major regions around metropolitan areas with highly dense populations: Occitanie, Nouvelle Aquitaine, Provence-Alpes-Côte d'Azur and Hauts de France.

Recognized for its centers of excellence, the Group works with approximately 2,500 practitioners and treated approximately 1,100,000 patients in 2015.

⁵ Source: Sécurité Sociale.

⁶ Source: FHP-MCO 2014 Annual Report.

▪ **Annual key financial figures**

<i>In millions of euros (excluding %)</i>	Year ended December 31,		
	2013 Pro forma ⁷	2014 Pro forma ⁷	2015
Revenue	827.0	838.3	865.6
EBITDAR	167.2	177.8	183.4
<i>EBITDAR margin</i>	20.2%	21.2%	21.2%
EBITDA	118.6	126.1	123.7
Cash flow conversion rate	76.0%	74.8%	71.8%

MédiPôle Partenaires, standing apart and having key advantages in its market

▪ **A multi-regional leader**

The Group has structured its network around dynamic regions. Approximately two-thirds of its 2015 revenue was generated in regions in which population growth outperformed the national average (over the 1999-2009 period – based on Company and INSEE data). Reaching a critical size in these regions has allowed the Group to benefit from favorable demographic trends in France (fertility rate and growth of the population aged over 60), to be a recognized partner of Regional Health Agencies in the organization of health services and to offer high-quality healthcare services, which is essential to attract physicians.

▪ **A diversified service offering based on the creation of regional medical clusters**

The Group's model consists of developing regional medical clusters, offering a range of diversified and complementary care. This approach enables the Group to offer a comprehensive range of services, with a care pathway for patients encompassing in particular diagnosis, treatment, post-acute care and home care provided via several facilities in the same general vicinity. This organization facilitates attracting practitioners, investing in state-of-the-art facilities and creating centers of excellence for the benefit of patients.

In the French medical system where the patient is free to choose his healthcare facility and where the residual amount of the cost borne directly by patients represents a small part of healthcare expenses, the quality and diversity of healthcare are key selection criteria. According to the French National Authority for Health, the levels of certification of MédiPôle Partenaires' facilities are well above the national average: more than 70% of the certified facilities are rated "A"⁸ under V2010 and V2014 certifications, i.e. the best rating, as compared to 40% on average at the national level.⁹ Moreover, according to the November 2015 rankings of the news magazine L'Express, which ranked 605 public and private hospitals and 37 different specialties in France, MédiPôle Partenaires' facilities appear 18 times in the top 30 hospitals and clinics in France for eight distinct specialties and four times in the top 10 for three distinct specialties. Le Point's August 2016 rankings listed seven of the Group's facilities

⁷ Pro forma financial statements taking into account the combination of the groups Holding Médi-Partenaires and Médipôle Sud Santé realized in 2014.

⁸ Such notes correspond to the following: A = certification; B = certification with recommendation(s) (for V2010 certification) and certification with recommendation(s) for improvement (for V2014 certification); C = certification with reservations (for V2010 certification) and certification with requirement(s) to make certain improvements (for V2014 certification); D = stay in the certification process; and E = refusal to certify.

⁹ Analysis conducted by MédiPôle Partenaires based on data appearing on the websites of the French National Authority for Health (for the certification of health facilities) and Scope Santé (for the national average) in 2016.

among the 50 best clinics of France, including the Esquirol Saint-Hilaire clinic in Agen, acquired by the Group in September 2016.

- **A model providing good financial resilience**

MédiPôle Partenaires is organized according to a decentralized model, for the benefit of patients and physicians, allowing significant flexibility at the local level to design optimal care pathways.

This model relies on realizing economies of scale and implementing best practice sharing within the Group. The cost base thus remained relatively stable as a percentage of revenues between 2013 and 2015 as the Group's revenue grew 2.3% per year. EBITDAR recorded average growth of 4.6% per year over the same period, to reach €183.4 million in 2015.

This model also relies on diversification at several levels: diversification of activities by medical and non-medical activities (non-medical activities represented 12.5% of consolidated revenue in 2015); diversification of medical activities (the Group offers a balanced range of specialties); and diversification by facility (each facility's share of revenue remains limited). This diversification thus contributes to the model's solid financial resilience.

Cash flow conversion¹⁰ amounted to approximately €89 million in 2015, i.e. a cash flow conversion rate of almost 72% of EBITDA, enabling the financing of the development of the Group.

A strategy combining organic and selective external growth

- **Increase the diversity of the healthcare services offering and pursue the development of centers of excellence**

The Group intends to continue to invest to help drive case mix towards an increasingly diverse medical offering including more complex care.

These capital expenditures will be disciplined, with initiatives typically originating at the hospital level, including from physicians. The Group's ongoing and identified capital expenditure projects, which include 15 medical projects for which implementation is planned through 2019, are expected to drive volumes and support specialization and the achievement of return on investment targets. As an example of this strategic focus, in 2015 the Group invested 5.5% of its revenue in new capacities, innovation, the maintenance of existing facilities and in the implementation of the integration of newly-acquired facilities.

The Group also seeks to build ancillary service capabilities in selected areas to create integrated care pathways providing structural benefits to payors and patients.

- **Pursue a disciplined, selective and accretive acquisition strategy while maintaining profitability**

The private hospital market in France remains fragmented. MédiPôle Partenaires believes the top three private hospital operators represent less than a third of the total for-profit private hospital market share in terms of revenue. Consequently, the Group has a strategy of targeted medium-size acquisitions of facilities designed to increase its market shares, capitalize on potential synergies and bring together new areas of expertise to progressively enhance its market position and its services offering. The Group has made an average of two acquisitions per year since 1991. Acquisitions contributed approximately 4.9 percentage points on average per year to the Group's revenue growth between 2011 and 2015.

¹⁰ Cash flow conversion corresponds to EBITDA less maintenance investments.

Created by the successful combination of Medipôle Sud Santé and Médi-Partenaires in 2014, the Group has extensive experience integrating acquired companies, in terms of value creation and cost savings.

▪ **Capitalize on operational excellence to increase value creation**

The Group is developing a range of additional services intended to improve the patient experience (in particular, hotel services and home care).

Furthermore, the Group intends to optimize its cost structure through various levers, including: the implementation of shared services, purchasing optimization, the deployment of IT tools and the digitalization of the profession.

About MédiPôle Partenaires

MédiPôle Partenaires is one of the largest private hospital groups in France. It currently manages 62 facilities, and it treated more than 1 million patients in 2015. These facilities include 35 private hospitals focused on Medicine, Surgery and Obstetrics (MSO), 10 post-acute and rehabilitation centers, 7 dialysis centers, 6 imaging centers and 4 home care units. The Group has a strategic focus on four major regions around metropolitan areas with highly dense populations: Occitanie, Nouvelle Aquitaine, Provence-Alpes-Côte d'Azur and Hauts de France.

MédiPôle Partenaires works with approximately 2,500 physicians and employs approximately 9,000 healthcare and administrative personnel on a full-time basis.¹¹ In 2015, MédiPôle Partenaires generated consolidated revenue of €866 million.

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¹¹ Data for the year 2015.