



# **Interim report January – June 2018**

**Telephone conference on July 20, 2018**

**Thomas Berglund CEO  
Olof Bengtsson CFO**

# Nordic and France continue the good performance. Enhanced focus on digitalization and specialization



## HIGHLIGHTS

### Capio Nordic continued the strong development from 2017 and 2018 Q1

- EBITA result improvement Q2 18% and 10% H1, organic sales growth ~3%
- MSEK 20 additional digital start-up costs in EBITA result H1 vs. 2017
- Acquisitions continue to fuel total sales growth to 9% in Q2 and 8% in H1

### Capio Go now available for all listed patients except latest acquisitions

- 80 primary care centers w. 750 000 listed patients connected, 20+ more after summer
- Reimbursement from June 1, 2018, as planned

### Capio France continued the positive trend

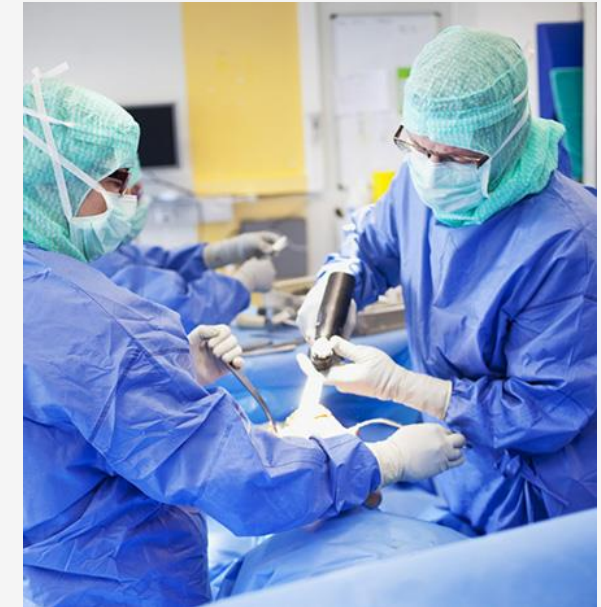
- 3% less working days but 3% more patients treated with 3% shorter AVLOS and 1% less staff – reached last year's result despite 4 fewer working days
- Clearly demonstrates ability to compensate for the 2018 price decrease of 1.2%
- After regrouping the 5 large hospitals, next step in specialization is being prepared

### Capio Germany under significant change to adopt to Modern Medicine

- Change in management, organization and senior doctors to promote Rapid Recovery  
Adaptation of staff resources ongoing – actions also impacting Q3

# Group financial development

Capio Group	APR - JUN			JAN - JUN			FULL YEAR	
	2018	2017	Δ, %	2018	2017	Δ, %	RTM	2017
<b>Net sales</b>	<b>4,179</b>	<b>3,881</b>	<b>7.7</b>	<b>8,335</b>	<b>7,795</b>	<b>6.9</b>	<b>15,867</b>	<b>15,327</b>
<i>Organic sales growth, %</i>	1.6	0.5		1.4	1.9		2.1	2.4
<b>EBITDA</b>	<b>262</b>	<b>256</b>	<b>2.3</b>	<b>593</b>	<b>598</b>	<b>-0.8</b>	<b>1,109</b>	<b>1,114</b>
<i>Margin, %</i>	6.3	6.6		7.1	7.7		7.0	7.3
<b>EBITA</b>	<b>138</b>	<b>142</b>	<b>-2.8</b>	<b>349</b>	<b>374</b>	<b>-6.7</b>	<b>634</b>	<b>659</b>
<i>Margin, %</i>	3.3	3.7		4.2	4.8		4.0	4.3
<b>Profit for the period</b>	<b>75</b>	<b>70</b>	<b>7.1</b>	<b>199</b>	<b>222</b>	<b>-10.4</b>	<b>347</b>	<b>370</b>
EPS after dilution, SEK	0.53	0.50		1.41	1.57		2.46	2.62
<b>Net capital expenditures</b>	<b>-94</b>	<b>-85</b>		<b>-208</b>	<b>-152</b>		<b>-533</b>	<b>-477</b>
<i>In % of net sales</i>	2.2	2.2		2.5	1.9		3.4	3.1
<b>Net debt</b>	<b>3,910</b>	<b>3,563</b>		<b>3,910</b>	<b>3,563</b>		<b>3,910</b>	<b>3,691</b>
<i>Financial leverage</i>	3.5	3.3		3.5	3.3		3.5	3.3



- Continued strong performance in **Nordic** despite significant **digital** investments
- Third consecutive quarter in **France** clearly demonstrating a positive change of trend
- The **German** development impacted by low volumes and productivity, restructuring ongoing
- Profit for the period impacted by the lower EBITA, structural effects and higher finance net



# Nordic continued the strong development

Capiro Nordic	APR - JUN			JAN - JUN			FULL YEAR	
	2018	2017	Δ, %	2018	2017	Δ, %	RTM	2017
<b>Net sales</b>	<b>2,410</b>	<b>2,211</b>	<b>9.0</b>	<b>4,719</b>	<b>4,364</b>	<b>8.1</b>	<b>9,050</b>	<b>8,695</b>
<i>Organic sales growth, %</i>	3.4	2.4		2.9	3.6		3.8	4.1
<b>EBITDA</b>	<b>163</b>	<b>142</b>	<b>14.8</b>	<b>325</b>	<b>294</b>	<b>10.5</b>	<b>663</b>	<b>632</b>
<i>Margin, %</i>	6.8	6.4		6.9	6.7		7.3	7.3
<b>EBITA</b>	<b>114</b>	<b>97</b>	<b>17.5</b>	<b>227</b>	<b>206</b>	<b>10.2</b>	<b>480</b>	<b>459</b>
<i>Margin, %</i>	4.7	4.4		4.8	4.7		5.3	5.3
<b>Net capital expenditures</b>	<b>-39</b>	<b>-31</b>		<b>-72</b>	<b>-68</b>		<b>-184</b>	<b>-180</b>
<i>In % of net sales</i>	1.6	1.4		1.5	1.6		2.0	2.1

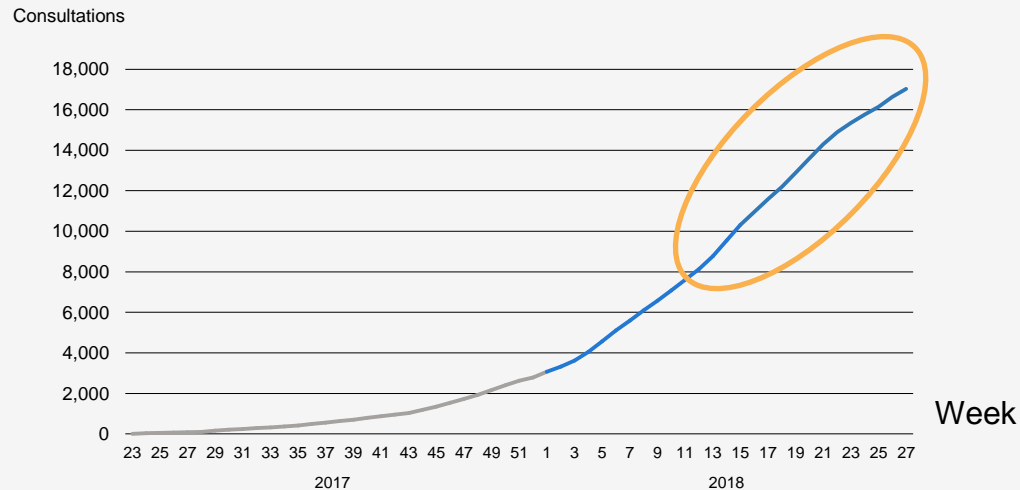
- Organic sales growth mainly from emergency, orthopedic, and primary care operations. Total sales growth impacted by acquisitions. Same no. of working days in 2017 and 2018 for H1. +2 days in Q2
- Solid result improvement in most business areas. Acquisitions contributed in line w. expectations
- Investments in digitalization impacting H1 by MSEK -20 vs. H1 2017 (MSEK -10 in Q2)



# Investing in digital expansion

## Number of consultations online

RTM on a weekly basis



## Unique digi-physical patient offering

- Promotes availability and attractiveness – **on-listing** will add extra volumes with low marginal costs
- In the middle of summer seasonally down to **25,000** visits/year (40,000 Q1), expected to continue trend of rapid growth in H2
- Capio Go is now reimbursed by **SEK 570** per visit, of which SEK 250 is patient fee
- Roll-out completed (excl. newly acquired businesses). Incl. acquisitions the digi-physical platform now includes **~900,000** listed patients and **> 100** primary care centers

- Reimbursement increases capacity to further promote Capio's digital patient services. Marketing activities at a bigger scale to commence during Q3
- First target is to reach 10% digital consultations among Capio's listed patients
- Currently 25 symptoms, to expand by four new symptoms per quarter. Introduction in Norway in Q4



# Increasing specialization to drive growth

- Ongoing expansion of medical specialties – e.g. orthopedics, healthcare for the elderly, ophthalmology and psychiatry
- S:t Görans highly efficient acute care hospital
- Coordination between the Nordic countries to drive further know-how exchange, patient offerings, procurement and IT solutions
- Discussions to divest non-Nordic operations to accelerate specialization, digitalization, and consolidation in the Nordics



Specialization drives quality,  
productivity and growth

# Capio S:t Göran quality results – an 8 year perspective



Hälsa- och sjukvårdsförvaltningen STOCKHOLMS LÄNS LANDSTING										Somatisk specialistvård		
Totalresultat										Sjukhusgemensamma indikatorer	Sjukhus- gemensamma del 1 ej ledtider	Sjukhus- gemensamma indikatorer med mål
	2010	2011	2012	2013	2014	2015	2016	2017	2017 mål			
CStG	95%	96%	99%	98%	96%	99,7%	98,3%	99,9%	99,9%			
A	97%	95%	94%	90%	90%	94,8%	95,5%	93,6%	68%			
B	88%	92%	92%	87%	88%	94,8%	93,0%	88,6%	43%			
C	88%	90%	91%	92%	94%	96,9%	90,6%	90,5%	52%			
D	93%	93%	93%	97%	94%	92,6%	96,5%	96,7%	84%			
E	88%	95%	93%	96%	97%	99,3%	94,3%	95,1%	77%			

A-E represent other acute hospitals in the Stockholm county council. The Stockholm county yearly compilation of quality fulfillment among the acute hospitals.

## Superior quality resulting from a clear strategy and dedicated management and employees

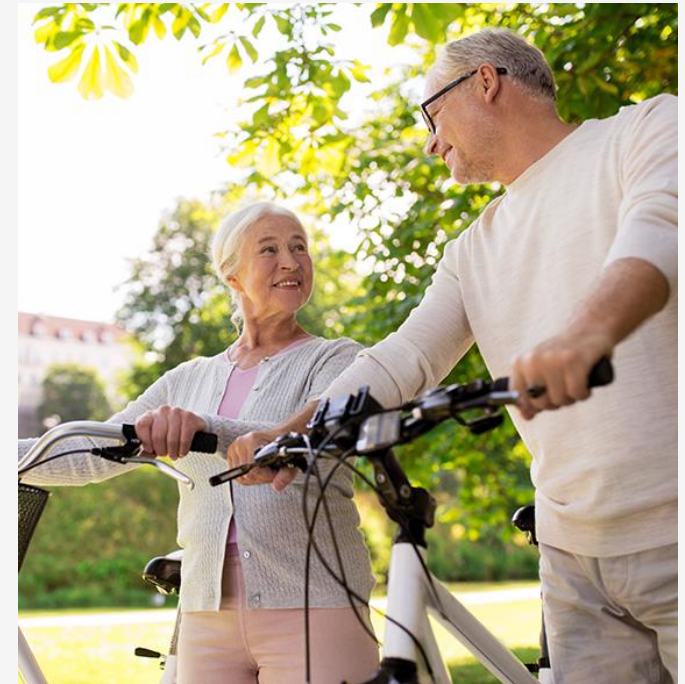
- Capio S:t Göran **scores higher** than comparable hospitals on **quality** and has higher quality targets, set by the county
- The hospital has now the second largest emergency department in Stockholm, receiving **> 100,000 patients/year**
- **10-15%** lower cost than comparable hospitals in Stockholm, driven by higher productivity. This shows a potential cost saving in the public hospitals of **> MSEK 2,000**

More and more focused  
on the acute specialties



# Acquisition of Legevisitten strengthens specialization

- Strengthens capacity within geriatrics and related services for the elderly patients in the Stockholm area
  - Brings management experience and capacity to develop tomorrow's offering for differentiated and better healthcare
  - Stronger position facing the geriatric free healthcare choice to be introduced in May 2019
    - 90% of 2017 net sales related to free healthcare choice
    - ~50% specialist care / ~50% primary care
    - Enterprise value of MSEK 365
    - Synergies on the administrative side and procurement
    - Expected to be closed on Sep 1, 2018
    - Accretive on an EPS basis from 2019



The Stockholm county's current cost for geriatrics ~MSEK 2,000





# The positive trend continued

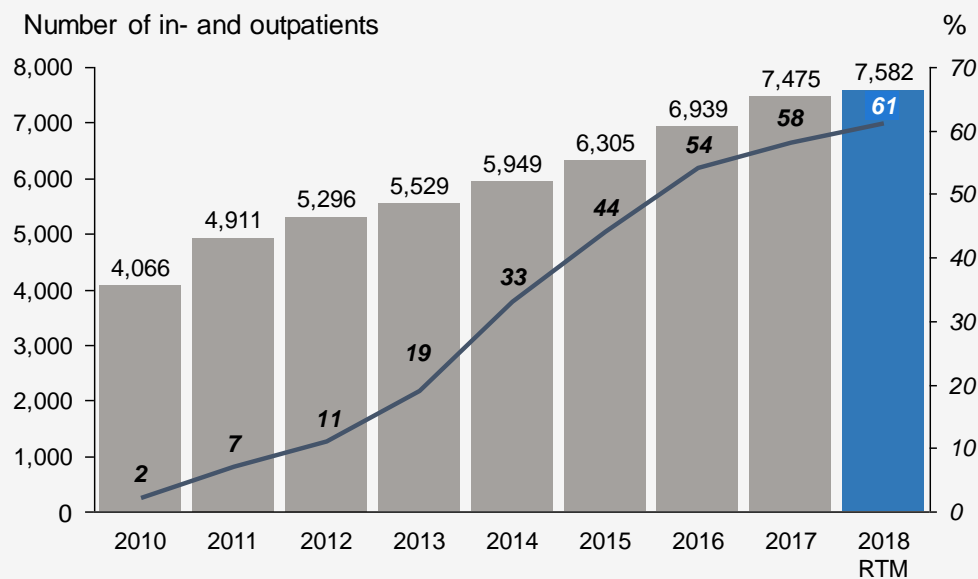
Capio France	APR - JUN			JAN - JUN			FULL YEAR	
	2018	2017	Δ, %	2018	2017	Δ, %	RTM	2017
<b>Net sales</b>	<b>1,468</b>	<b>1,379</b>	<b>6.5</b>	<b>2,980</b>	<b>2,813</b>	<b>5.9</b>	<b>5,602</b>	<b>5,435</b>
<i>Organic sales growth, %</i>	<i>0.0</i>	<i>-1.1</i>		<i>0.4</i>	<i>-0.2</i>		<i>0.7</i>	<i>0.4</i>
<b>EBITDA</b>	<b>128</b>	<b>124</b>	<b>3.2</b>	<b>302</b>	<b>294</b>	<b>2.7</b>	<b>479</b>	<b>471</b>
<i>Margin, %</i>	<i>8.7</i>	<i>9.0</i>		<i>10.1</i>	<i>10.5</i>		<i>8.6</i>	<i>8.7</i>
<b>EBITA</b>	<b>64</b>	<b>64</b>	<b>0.0</b>	<b>176</b>	<b>175</b>	<b>0.6</b>	<b>227</b>	<b>226</b>
<i>Margin, %</i>	<i>4.3</i>	<i>4.6</i>		<i>5.9</i>	<i>6.2</i>		<i>4.1</i>	<i>4.2</i>
<b>Net capital expenditures</b>	<b>-45</b>	<b>-39</b>		<b>-111</b>	<b>-63</b>		<b>-289</b>	<b>-241</b>
<i>In % of net sales</i>	<i>3.1</i>	<i>2.8</i>		<i>3.7</i>	<i>2.2</i>		<i>5.2</i>	<i>4.4</i>

- During the first six months: 3% less working days but 3% more patients treated with 3% shorter AVLOS and 1% less staff – reached last year’s result despite 4 fewer working days
- Result development supported by the performance of the big five hospitals and the group procurement project
- Still negative price pressure but eased slightly to last year. Retrospective reimbursement from the government – ~MSEK +10 reported in Q1



# Effects from specialization in France

## Hip and knee prosthesis surgery in Capiro France



Provided in  
daycare:  
Number

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018 RTM
Number	0	1	8	26	160	450	534	636	708

## Specialization drives excellence and increases productivity

- AVLOS continued to decrease; **61%** discharged < 4 days (vs. 56% in RTM June 2017)
- Significant growth in the number of procedures performed in day surgery; **9.3%** of total procedures in 2018 RTM (vs. 7.9% in RTM June 2017)

The Rapid Recovery strategy continues to deliver productivity and patient growth



# Restructuring ongoing

Capio Germany	APR - JUN			JAN - JUN			FULL YEAR	
	2018	2017	Δ, %	2018	2017	Δ, %	RTM	2017
<b>Net sales</b>	<b>301</b>	<b>291</b>	<b>3.4</b>	<b>636</b>	<b>618</b>	<b>2.9</b>	<b>1,215</b>	<b>1,197</b>
<i>Organic sales growth, %</i>	-3.6	-4.6		-4.7	0.2		-2.5	0.0
<b>EBITDA</b>	<b>-2</b>	<b>12</b>	<b>-116.7</b>	<b>18</b>	<b>57</b>	<b>-68.4</b>	<b>59</b>	<b>98</b>
<i>Margin, %</i>	-0.7	4.1		2.8	9.2		4.9	8.2
<b>EBITA</b>	<b>-11</b>	<b>4</b>	<b>-375.0</b>	<b>1</b>	<b>43</b>	<b>-97.7</b>	<b>26</b>	<b>68</b>
<i>Margin, %</i>	-3.7	1.4		0.1	7.0		2.1	5.7
<b>Net capital expenditures</b>	<b>-8</b>	<b>-14</b>		<b>-22</b>	<b>-18</b>		<b>-47</b>	<b>-43</b>
<i>In % of net sales</i>	2.7	4.8		3.5	2.9		3.9	3.6

- Net sales impacted by doctor turnover and too long AVLOS in the general hospitals, limiting capacity, as well as lower price on vein surgery (MSEK -9). The flu season is estimated to have impacted Q1 net sales by MSEK -20. Good development in the eye surgery business
- In addition, the result development was impacted by increased costs for temporary staff and lower productivity due to lacking commitment to Rapid Recovery. The result impact of the flu in Q1 is estimated to MSEK -15. Significant restructuring of managers and doctors ongoing

# Cash flow

	APR - JUN		JAN - JUN		FULL YEAR	
	2018	2017	2018	2017	RTM	2017
<b>Capio Group</b>						
<b>Net debt opening</b>	-3,745	-3,255	-3,691	-2,872	-3,563	-2,872
<b>EBITA</b>	138	142	349	374	634	659
Capital expenditure	-104	-85	-220	-163	-582	-525
Divestments of fixed assets	10	0	12	11	49	48
<b>Net capital expenditure</b>	-94	-85	-208	-152	-533	-477
<b><i>In % of net sales</i></b>	<b>2.2</b>	<b>2.2</b>	<b>2.5</b>	<b>1.9</b>	<b>3.4</b>	<b>3.1</b>
Add-back depreciation	124	114	244	224	475	455
<b>Net investments</b>	<b>30</b>	<b>29</b>	<b>36</b>	<b>72</b>	<b>-58</b>	<b>-22</b>
Change in working capital	-18	-44	-100	-174	-119	-193
<b>Operating cash flow</b>	<b>150</b>	<b>127</b>	<b>285</b>	<b>272</b>	<b>457</b>	<b>444</b>
<b><i>Cash conversion, %</i></b>	<b>108.7</b>	<b>89.4</b>	<b>81.7</b>	<b>72.7</b>	<b>72.1</b>	<b>67.4</b>
<b>Free cash flow after financial items and tax</b>	<b>121</b>	<b>75</b>	<b>212</b>	<b>189</b>	<b>281</b>	<b>258</b>
<b><i>Cash conversion, %</i></b>	<b>87.7</b>	<b>52.8</b>	<b>60.7</b>	<b>50.5</b>	<b>44.3</b>	<b>39.2</b>



Cash flow improved  
in the quarter

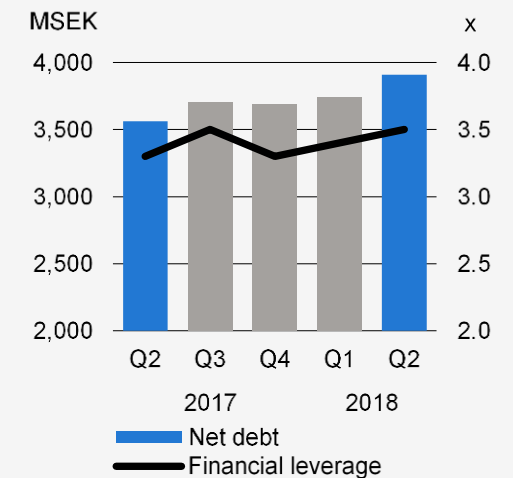
- Net capex RTM impacted by timing of maintenance capex and some expansion projects in France and Germany supporting sales growth
- Good development of operating cash flow in the quarter – continued focus on DSO reduction

# Capital employed and financing

Capiro Group	2018	2017	
	30 Jun	31 Dec	30 Jun
Operating capital employed	1,917	1,779	1,669
<i>In % of net sales</i>	12.1	11.6	11.4
Other capital employed	7,956	7,668	7,481
<b>Capital employed</b>	<b>9,873</b>	<b>9,447</b>	<b>9,150</b>
<i>Return on capital employed, %</i>	6.4	7.0	7.1
Net debt	3,910	3,691	3,563
<i>Financial leverage</i>	3.5	3.3	3.3
Equity	5,963	5,756	5,587
<b>Financing</b>	<b>9,873</b>	<b>9,447</b>	<b>9,150</b>

- OCE increase vs. year-end mainly due to an increase of net customer receivables (higher activity and a slightly higher DSO) and changes in exchange rates
- Other capital employed mainly impacted by changes in exchange rates

Net debt and financial leverage



Financial leverage impacted by FX and acquisitions

# Financial calendar

- **Next financial report:**  
October 30, 2018: Interim report January – September 2018

APRIL 2018						
Mon	Tue	Wed	Thu	Fri	Sat	Sun
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

MAY 2018						
Mon	Tue	Wed	Thu	Fri	Sat	Sun
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

JUNE 2018						
Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	



## Q&A



**Gothenburg – July 20, 2018**