



# Humana

Everyone is entitled to a good life.

## Interim report January-September and Q3 2020

Rasmus Nerman, Noora Jayasekara, 6 November 2020



## Q3 2020: A stable quarter with good news for PA

- Continuously heavy focus on managing the pandemic
- Important confirmations of our quality
  - Humana Quality Index
  - Customer survey Personal Assistance
  - National board of Health & Welfare on elderly care homes
- Humana, once again, distinguished for our gender equality work
  - One of three finalists to the Allbright Award
- Noora Jayasekara new CFO from 1 September
- Positive news for the assistance allowance
- After the quarter: Acquisition of RO Omsorg Assistans



# Financial highlights in Q3

## Growth

- **Revenue:** SEK 1,931m (1,928), 0% vs LY
- **Organic growth:** 2.2% (3.2)

## Profitability

- **Operating profit:** SEK 172m (176m), -3%
- **Adjusted operating profit:** SEK 172m (172m), 0%
- **Operating margin:** 8.9% (9.1%)

## Cash flow & leverage

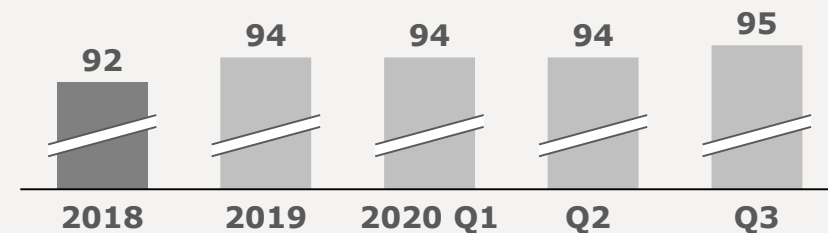
- **Operating cash flow:** SEK 146m (206)
- **Net debt:** SEK 3,549 (3,854), SEK -305m
- **Net debt/EBITDA:** 4.5x (6.0)



## Strong quality results during Covid-19 pandemic

- Continued heavy focus on routines and risk analysis
  - Continuously strong compliance (>95%) with basic hygiene routines, which is a key factor in combatting Covid-19
  - Education and training prioritised
- Humana Quality Index improved from 94 to 95, with 100 being the long-term target

### Humana Quality Index (HQI)







## Strong quarter with positive news on allowance

- Continuously strong performance
- Annual customer survey showed that satisfaction among Humana customers is increasing from already high levels
  - Net Promotor Score (customer loyalty measure) at +45
- Increase of the assistance allowance for personal assistance by 3.5 percent in the government budget for 2021
  - The proposed increase should at least offset pressure on margins
- After the quarter: Acquisition of RO Omsorg Assistans, with sales of approximately SEK 50m



## Stable development in Individual & Family

- The Covid-19 situation continues to dampen overall demand
- Stable development during the quarter due to good operational efficiency
- Weaknesses in youth segment compensated by strong performance in adult and LSS segments
- Efforts to improve operations have seen results and three new OWM LSS units opened during the quarter



**Individual  
& Family**

# Challenges due to Covid-19 remain

- Focus on handling the Covid-19 situation where safety for clients and staff is priority
- Elderly Care most affected of our five business areas by the pandemic – both operationally as well as financially
- The ban on visitors has been challenging for clients and their loved ones. The ban was lifted on October 1<sup>st</sup>
- Good customer satisfaction according to the National Board of Health & Welfare's national survey of Sweden's elderly care homes.
  - Customer satisfaction at 83%
- Focus on growth continues with 3 new units opened in Falkenberg on October 1<sup>st</sup> and preparations for 5 OWM openings in 2021







## Finland

# Underlying improvements in Finland

- In Finland we continue to fend off the negative effects of the pandemic whilst improving underlying operations
- Our I&F segments continue to do well with an increasing focus on organic growth initiatives
- Efforts to improve profitability in acquired operations continue and we are moving in the right direction
- Steady performance in Finland overall



# Strong development in Norway

- Our Norwegian operations continued to be stable with strong organic growth
- Humana wins large quality tender within BPA in Norway
  - 6 years and 16 municipalities
  - Humana wins and in total four eligible providers
- During the quarter and year we have also made investments to fully reap the benefits of future growth



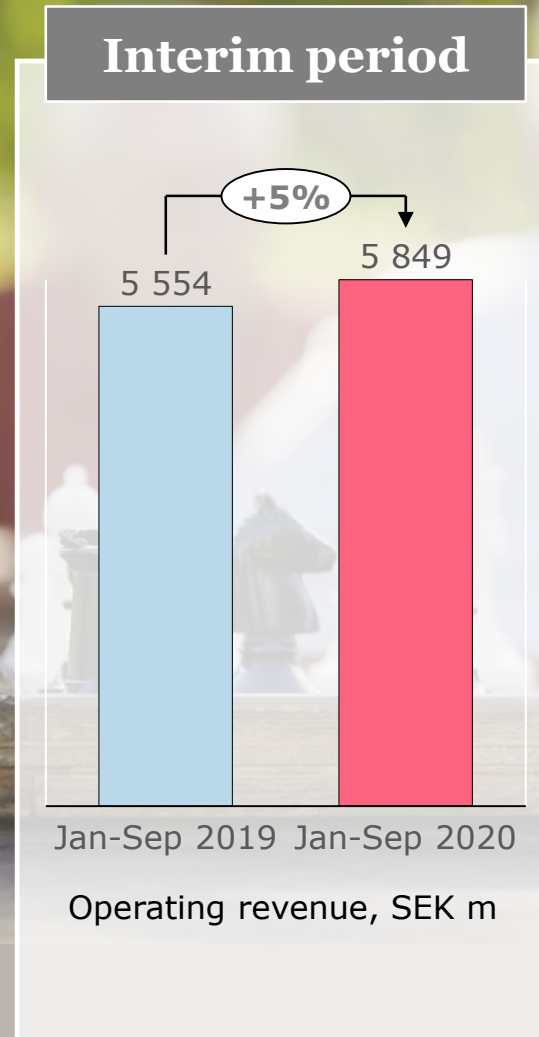
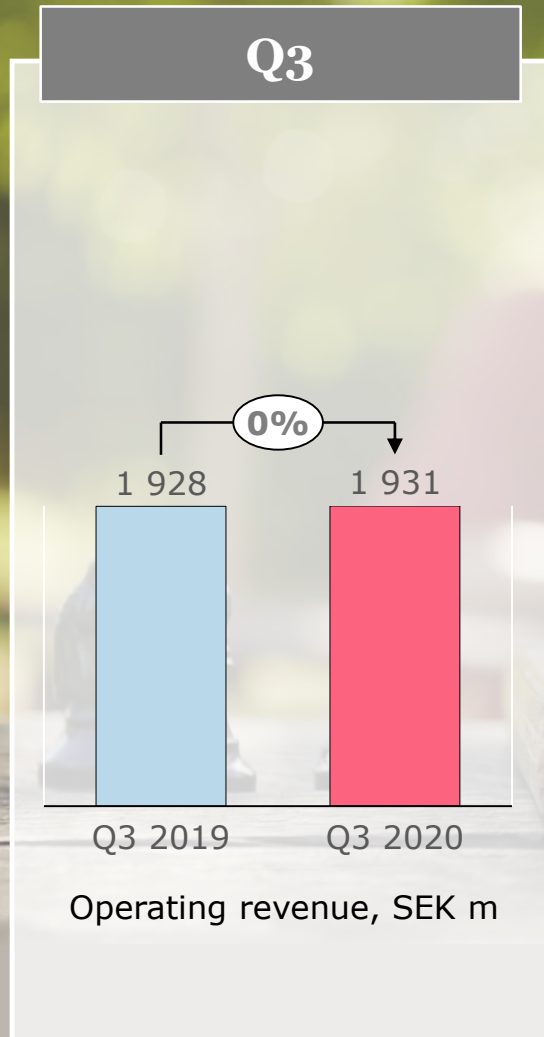
Norway



## CFO highlights Q3 2020

- Main objective to increase predictability and stability
- A lot of work is being done with digitalisation and automation, work that will continue in coming periods
- Refining our real estate portfolio also a focus area
- Financial focus during the quarter has been on improving operational efficiency and thus profitability
- Stable quarter – leverage in line with target, strong cash position although weaker operative cash flow

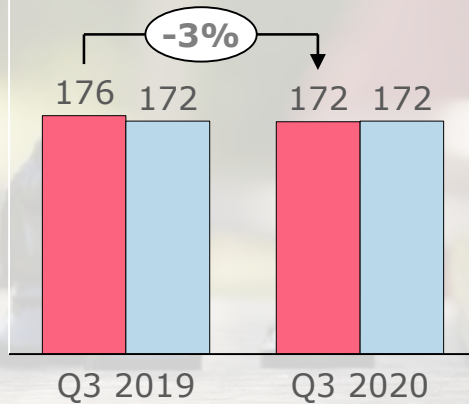






## Operating revenue

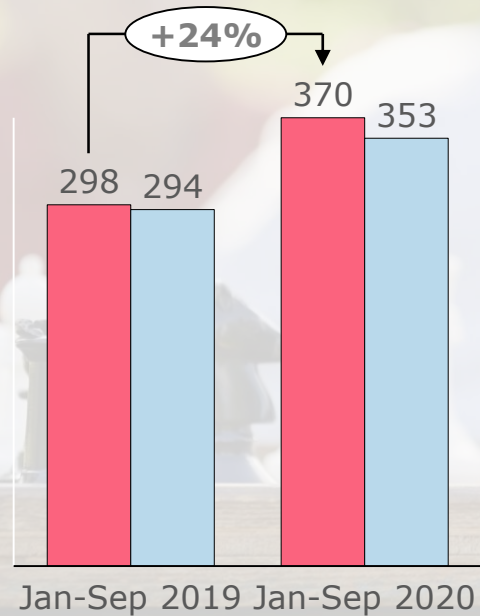
- Third quarter in line with previous year
  - Organic growth 2.2% (3.2)
  - Currency effects reduced revenues
  - The Covid-19 pandemic had a negative effect on revenue; through lower occupancy and through a negative impact on hours performed in personal assistance
- An increase by 5% in the interim period
  - Organic growth 4.0% (2.4)
  - Acquired operations accounted for SEK 452m, of which the acquisition of Finnish company Coronaria Hoiva accounted for SEK 406m



## Q3



 Operating profit, SEK m  
 Adjusted operating profit, SEK m

## Interim period



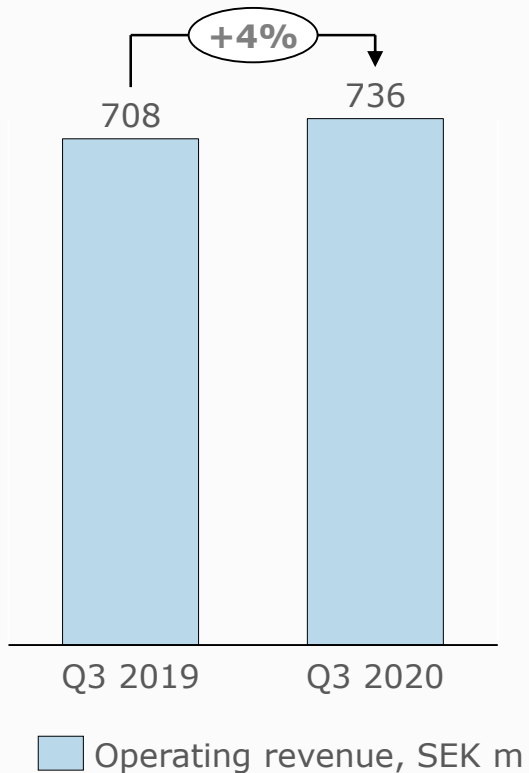
 Operating profit, SEK m  
 Adjusted operating profit, SEK m

## Profitability

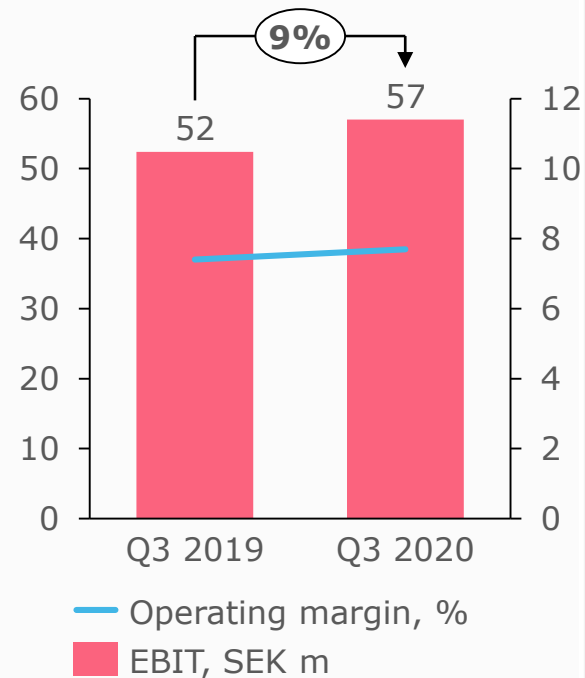
- Operating margin 8.9% (9.1) in Q3 and 6.3% (5.4) in the interim period
- Adjusted operating profit in the quarter in line with the previous year
- The pandemic has affected profit from several aspects:
  - Lower occupancy
  - Increased sickness absences and increased use of PPE
  - Lower social security costs and state subsidies for sickness compensated
  - All in all the effect on profit is marginal
- IFRS 16-effect on operating profit amounted to SEK 15m in Q3 and to SEK 40m for the 9 months



## Revenue



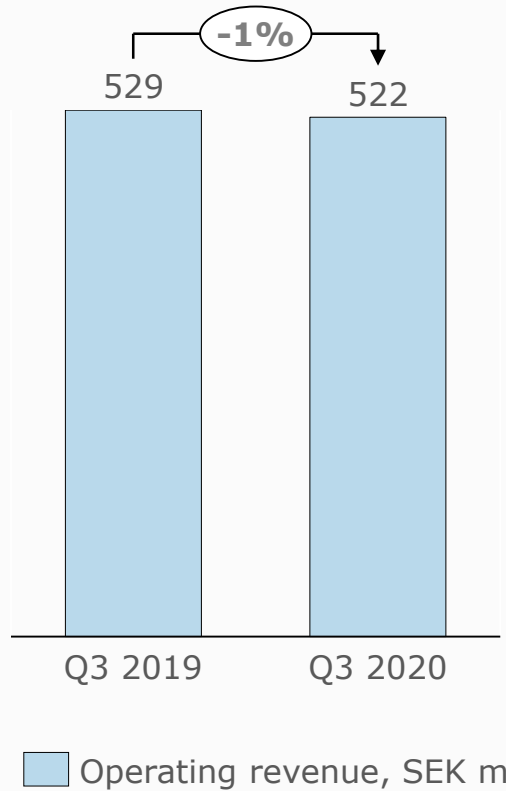
## Profitability



## Personal Assistance

- The revenue increased by 4%
  - Organic growth was 3.9% (1.3)
  - More performed assistance hours, despite a somewhat negative impact on performed hours from the pandemic
  - A higher assistance allowance
- The operating profit increased by 9%
  - The operating margin was 7.7% (7.4)
  - Increased operational efficiency drives profit improvements

## Revenue



## Profitability

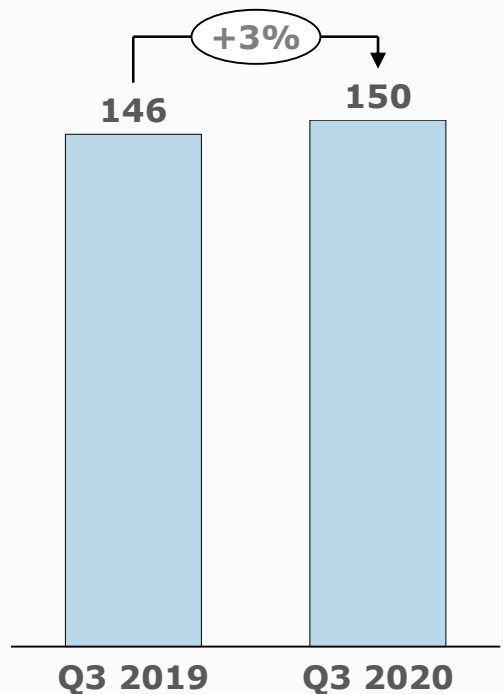


# Individual & Family

- Revenue decreased by 1%
  - Organic growth of -1.3% (-1.7)
  - All in all more stable occupancy; with lower occupancy in the children and adolescents segment and increased occupancy in the adult segment
  - The Covid-19 pandemic had an overall negative effect on demand
- Operating profit decreased by 4%, but increased by 8% for the interim period
  - The operating margin was 13.4% (13.7)
  - More stable occupancy as well as efficiency improvements
  - State subsidies linked to the pandemic had a marginally positive effect on profit

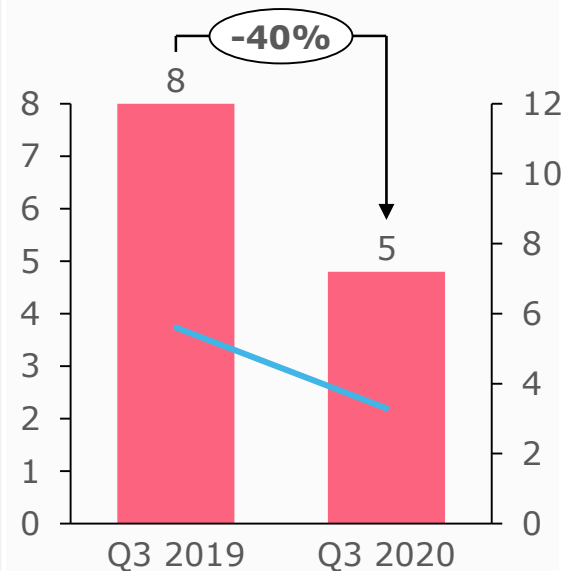


## Revenue



Operating revenue, SEK m

## Profitability



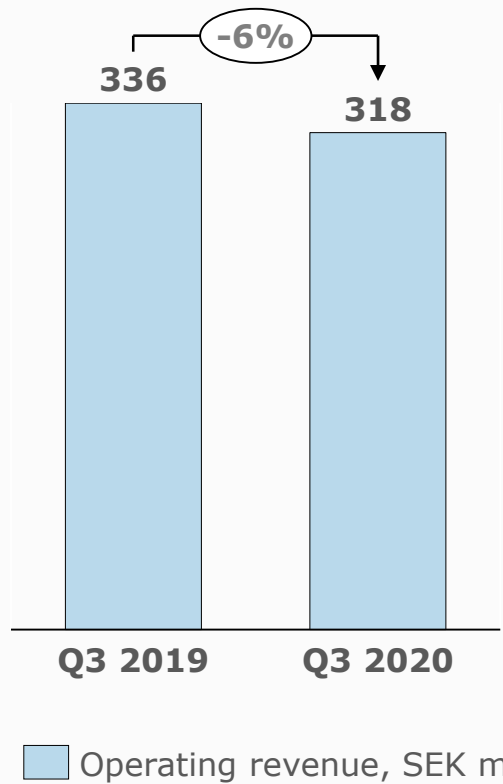
Operating margin, %

EBIT, SEK m

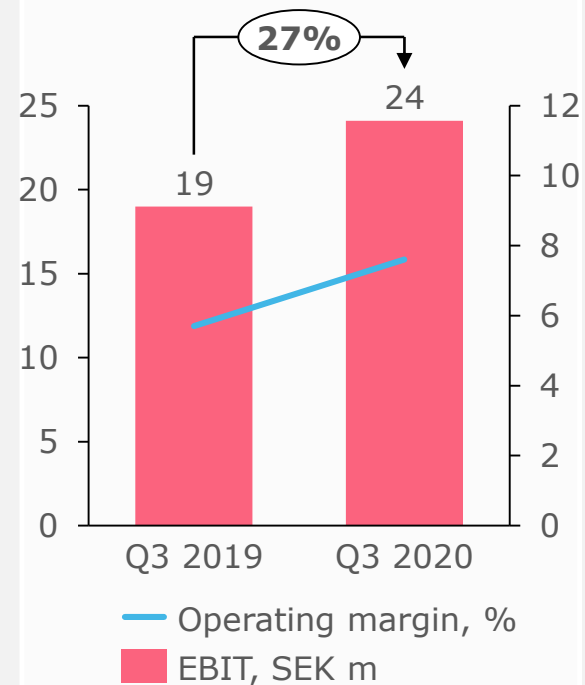
## Elderly Care

- Weaker revenue growth in the quarter
  - The 3% increase in revenue is organic
  - The new unit in Kungsängen contributing
  - Lower occupancy due to the Covid-19 pandemic
  - Withheld contracted price indexing pending the wage negotiation process
- Lower operating profit
  - Operating margin was 3.3% (5.6)
  - Weak revenue, higher personnel costs, more sickness absences and higher costs for PPE behind
  - State subsidies have partially compensated
  - Start-up costs Kungsängen: SEK 1m

## Revenue



## Profitability

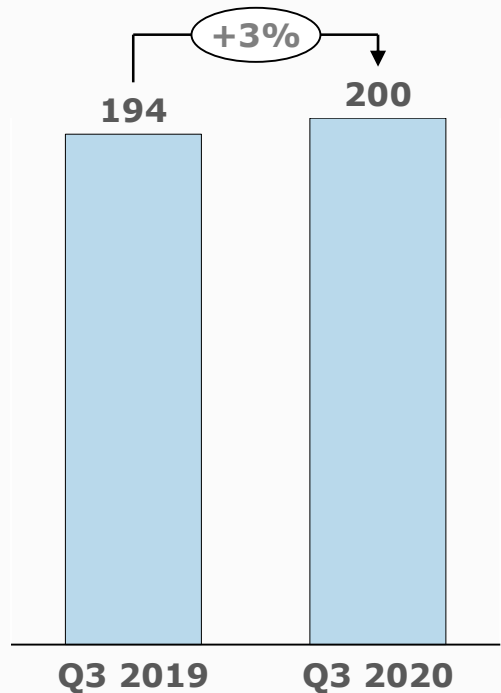


## Finland

- Revenue decrease of 6%
  - Organic growth was -1.3% (9.6)
  - The decrease is due to the exit of unprofitable contracts
  - The opening of new units during the year had a positive impact on revenue
- Operating profit increased by 27%
  - The operating margin was 7.6% (5.7)
  - Improvements in profitability, mainly in the acquired operations
  - Efforts to increase efficiency and improve profitability continue

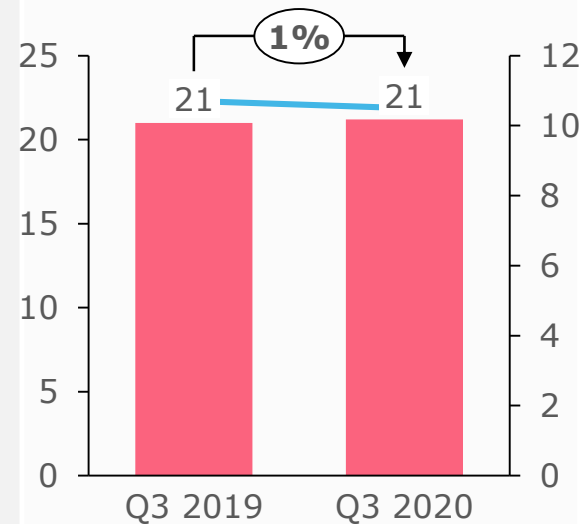


## Revenue



Operating revenue, SEK m

## Profitability



Operating margin, %

EBIT, SEK m

## Norway

- Revenue increase of 3%
  - Currency effects, a weaker Norwegian krona, had a negative impact on the revenue
  - Organic growth was 11.9% (2.1)
  - Openings of new units and more customers behind organic growth
- Operating profit in line with previous year
  - The operating margin for the quarter was 10.5% (10.7)
  - High operational efficiency

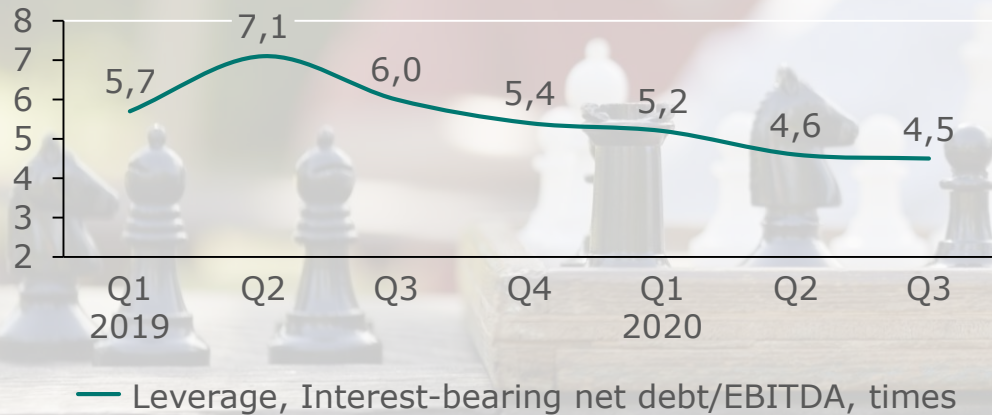
**Q3**
**Interim period**

SEK m	<b>Q3 2019</b>	<b>Q3 2020</b>	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2020</b>
<b>Underlying central costs</b>	<b>18</b>	<b>20</b>	<b>68</b>	<b>80</b>
Acquisition related costs	0	0	28	0
Effects of IFRS 16	-13	-15	-30	-40
Revaluation of earn out (Finland)	-5	-	-5	-
Sales of Real estate	-4	0	-4	-23
<b>Central overhead costs</b>	<b>-4</b>	<b>5</b>	<b>57</b>	<b>16</b>

## Central costs

- Underlying central costs stable
- Positive effects of IFRS 16 of SEK 15m on central costs (and operating profit) in the quarter
- Capital gain from sale of real estate and revaluation of earn out impacting central costs in Q319

## Leverage, development



# Financial position

- Interest-bearing net debt decreased by SEK 305m to SEK 3,549m (3,854)
- The leverage, interest-bearing net debt in relation to EBITDA, decreased to 4.5x (6.0)
- Improved leverage is due to higher profit and available cash
- Leverage in line with financial target



## Operating cash flow

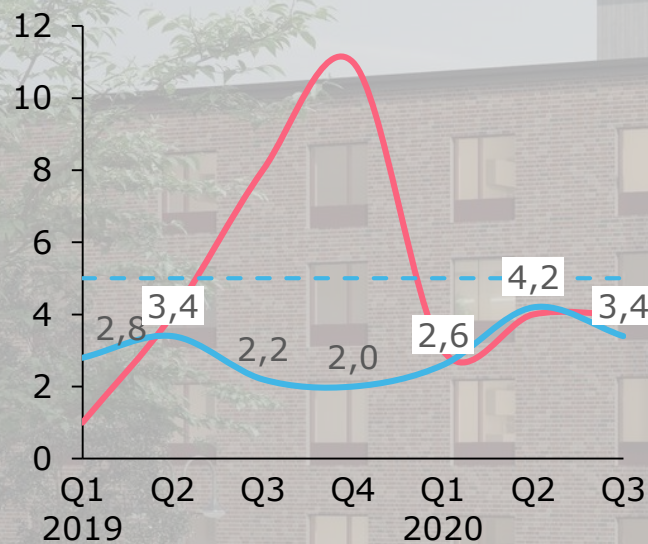
SEK m	Q3 2019	Q3 2020
<b>Operating profit</b>	<b>176</b>	<b>172</b>
Depreciation	90	94
Changes in working capital	-23	-101
Investments in other non-current assets, net	-38	-19
<b>Operating cash flow</b>	<b>206</b>	<b>146</b>

## Cash flow

- Operating cash flow in Q3 amounted to SEK 146m (206).
- The decrease is mostly due to an increase in working capital
- Cash flow for the period amounted to SEK 30m (213) where
  - net cash flow from operating activities was SEK 117m (207). The lower cash flow from operating activities is due to the increase in working capital
  - cash flow from investing activities was SEK -16m (288)
  - cash flow from financing activities was SEK -72m (-281)

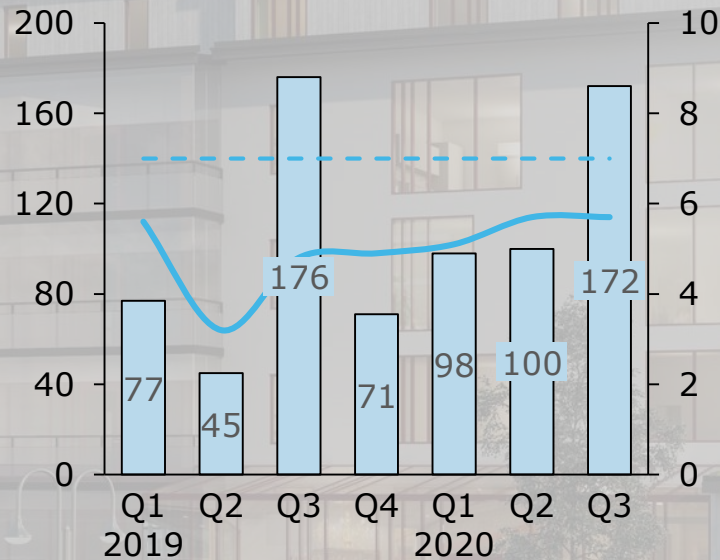
# Financial targets and development

## Revenue growth



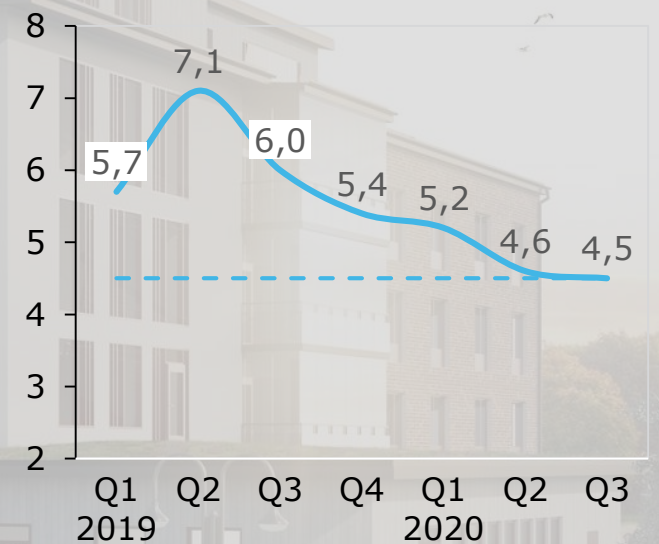
- Growth LTM, %
- Organic growth LTM, %
- - Financial target, organic growth

## Profitability



- Operating margin LTM, %
- - Financial target, operating margin, %
- ▒ Operating profit, SEKm

## Capital structure



- Leverage, Interest-bearing net debt/EBITDA, times
- - Financial target, leverage





## Summary

- ✓ Successful management of the Covid-19 pandemic
- ✓ Stable operational and financial performance
- ✓ Positive news for Personal Assistance
- ✓ Weak financial development in Elderly Care due to the pandemic but also building for the future

## Priorities going forward

- Continue to handle the pandemic in a good way
- Drive organic growth coupled with accretive add-on's
- Drive excellence in execution with continued focus on Finland and Individual & Family



## Financial calendar

Full year report Jan-Dec and Q4 2020	11 Feb 2021
Interim report Jan-Mar 2021	7 May 2021
AGM	11 May 2021
Interim report Jan-Jun and Q2 2021	20 Aug 2021
Interim report Jan-Sep and Q3 2021	11 Nov 2021

# Thanks!

## Further information

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