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9B19M038

orpea’s european-based nursing facilities: Expanding to China

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In early 2016, Orpea Group (Orpea) opened its first facility in China in Nanjing, Jiangsu. At that time, Orpea, based in France, was the European leader in long-term care—nursing homes, post-acute and rehabilitation hospitals, psychiatric hospitals, and home care services—with a global network of more than 700 facilities in ten countries. Nathaniel Farouz, chief executive officer (CEO) of Orpea China, saw tremendous demand for dependency care in the Chinese market due to the country’s aging population. He wanted to bring Orpea’s competencies as the European leader in the dependency care business to China. He sought further expansion opportunities in the Chinese market, and his ultimate goal was to make Orpea an industry leader in this emerging industry in China. However, there were significant differences between China and France in terms of cultural and legal institutions, as well as market conditions. Orpea’s expansion in China was more challenging than its previous expansions in European countries had been. As CEO of Orpea China, Farouz faced the critical questions of how to attract potential customers to Orpea’s Nanjing facility and whether to expand further into other Chinese cities. If Orpea were to expand further in China, where should it expand, and at what pace?

The Nursing Care Facility Industry

Nursing care facilities provided their residents with a mix of health care and social support, including residential care, nursing, supervision, and rehabilitation services. Firm profitability in this industry depended upon the firm’s ability to control operational details in order to deliver quality care and service. The following factors were critical to generating a steady cash flow.

Real Estate Costs

Keeping real estate costs at a reasonable level was critical. However, it did not mean that nursing care facility companies should aim for the cheapest facilities. Real estate needed to be carefully selected so that properties were in line with a company’s market position. Facility locations were also crucial. Expensive and well-located facilities were likely to perform better than cheap and poorly located ones.

Staff Efficiency

Facilities needed to be carefully designed so that staff could work efficiently and safely. Training was essential and had to continue throughout the lifetime of a facility.

Risk Management

A significant cost factor was driven by errors, misconduct, and malpractice. An effective risk management system helped to lower these risks and accordingly reduce costs. Orpea’s risk management system included an electronic tracking system that recorded all mistakes that had been made. It was also set up to include a dedicated team whose job was to track and resolve all of the issues, to learn from them, and to make sure they would not happen again.

Service Quality

Companies could differentiate themselves from their competitors through outstanding services with added value, for which customers were willing to pay more.

Major Competitors in the Industry

While this industry had many small players, several major players dominated, as they had the ability to offer a broad range of facilities and services. These companies competed on the basis of brand recognition, service quality, cost control, employee retention, and risk management. In addition, because it was costly to set up and maintain good training programs, having a significant market share was essential to achieving economy of scale in staff training. The major competitors in the industry included Korian Group (Korian), DomusVi Group (DomusVi), and Brookdale Senior Living Solutions (Brookdale).

Founded in 2001, Korian was a French company with expertise in the management of retirement homes, specialized clinics, and residences. In 2016, Korian managed more than 710 facilities, with a capacity of 71,500 beds. DomusVi was the third-largest private hospitality and service group in France and the largest in Spain, and it had been providing services to the elderly for over 30 years. Its businesses included medical residences, non-medical residences, home care, and psychiatric clinics. In 2016, DomusVi had 227 medical residences, 15 non-medical residences, and 48 home health agencies. As of December 2015, Brookdale[[1]](#footnote-1) was the largest owner and operator of senior living communities throughout the United States. It owned and operated over 1,123 senior living communities and retirement centre communities. It employed approximately 53,000 full-time staff and 29,000 part-time staff and served 108,000 residents. Brookdale’s business model was to offer residents a supportive “home-like setting.” It provided a range of service options, including housing, hospitality services, ancillary services, and health care services. Through providing a combination of different types of services, Brookdale was able to maintain residency for a longer period (see Exhibit 1).

Orpea Overview

Founding

Neuropsychiatrist Jean-Claude Marian founded Orpea in 1989 and remained the chairperson of the company’s board of directors.[[2]](#footnote-2) Initially, Marian established an architectural design company for hospitals. However, he quickly noticed that in France (and Europe in general), there was a need for high-quality facilities for elderly people who were becoming more and more dependent. He began to acquire facilities to fill this gap. At the early stage, the company focused on nursing homes, and by 1994, Orpea had 46 facilities with a total of 4,600 beds. In 1995, Orpea reorganized to optimize its management costs. The Orpea Group established a head office in Paris to organize and control accounting, financial, and employee-related matters. From 1999 to 2002, the company diversified by developing medium-term care offerings. It also established and acquired post-acute, rehabilitation, and psychiatric care clinics. On April 16, 2002, Orpea was listed on Euronext Paris.

Expansion into Europe through Acquisitions

In 2004, Orpea started to expand into other European countries by opening two facilities in Italy. In 2006, Orpea acquired a psychiatric clinic in Nyon, Switzerland. In the same year, it acquired Grupo Care, one of the market leaders in nursing care in Spain, with 15 facilities and 1,504 beds, as well as a geriatric complex in the centre of Brussels, Belgium. In 2008, Orpea restructured its organization by creating functional head offices in Belgium and Italy and rolled out quality control policies and procedures across its facilities.

In 2010, Orpea purchased the Mediter Group (Mediter)—the largest acquisition in its history. Mediter owned a majority stake in the Mieux Vivre Group and a 49 per cent stake in Medibelge SA, which owned 57 facilities with a total of 4,866 beds. Over the next five years, Orpea continued to grow through acquisitions. In 2012, it acquired Arte Vida Centros Residenciales, S.A. in Spain (1,162 beds in Madrid) and achieved 100 per cent ownership of Medibelge in Belgium (1,915 beds). In 2014, it acquired Senevita AG in Switzerland (2,293 beds) and Silver Care Group in Germany (5,963 beds). In 2015, it acquired SeneCura Kliniken und Heime in Austria (3,936 beds) and Celenus-Kliniken GmbH (2,602 beds), Residenz-Gruppe Bremen (3,006 beds), and Vitalis Group in Germany (2,487 beds).

Orpea entered the Polish market in 2016. Poland had an aging population; with a total population of 38 million, the number of people over 80 years of age in Poland would double between 2016 and 2040, reaching 2 million. However, the country’s nursing care facilities were far behind the European standard, with an industry total of only 85,000 beds. In other words, only 6 out of every 100 people over the age of 80 could receive nursing care services—approximately 15–20 per cent of the European average. Medi-System Ltd. (Medi-System) was the leader in the Polish nursing care facility industry, with 704 beds across seven facilities. Founded by a doctor in 2001, Medi-System owned relatively new buildings (80 per cent were less than 10 years old), which were located around Warsaw. Fifty per cent of Medi-System’s rooms were single occupancy. The company was well known for its quality of services and professional care. In 2016, Orpea acquired Medi-System, adding 704 beds to its global network.

In 2016, after Orpea acquired the Spanish Sanyres Group (3,300 beds), it became the European leader in long- and medium-term physical and psychiatric care, with 74,272 beds across 733 facilities in Europe. Due to both organic growth and acquisitions, Orpea experienced dramatic growth. The total number of beds in its network increased from 36,714 in 2011 to 70,972 in 2016, representing 93 per cent growth; the number of beds in its international network increased from 8,124 in 2011 to 38,284 in 2016, representing 470 per cent growth. Its facilities and beds were widely distributed in nine major European countries: Austria (52 facilities, 3,936 beds); Belgium (61 facilities, 7,217 beds); the Czech Republic (3 facilities, 300 beds); France (354 facilities, 32,743 beds); Germany (156 facilities, 16,074 beds); Italy (15 facilities, 1,553 beds); Poland (7 facilities, 704 beds); Spain (43 facilities, 7,334 beds); and Switzerland (27 facilities, 2,696 beds).

Orpea had a clear strategy for its global acquisitions. Most of the firms that Orpea had acquired were major players or industry leaders in their own countries. Orpea had specifically targeted companies with the following characteristics: (1) the company was located in a country with an aging population, which provided a large potential market; (2) the company was the market leader in the country, with a large number of high-quality facilities (and beds), close connections with the local government, and a good understanding of the local market and legal environment; (3) the company had a service system and operational strategy similar to Orpea’s, which could facilitate post-acquisition integration and enable Orpea to benefit from the synergies as quickly as possible.

Property Locations and Architecture Design

Orpea had strict requirements when choosing property locations and architectural designs. Orpea preferred to have facilities in city centres or satellite cities, which provided large population bases and proximity to major transportation hubs and residential areas, thus facilitating intra- and inter-organizational visits and communication. Orpea carefully designed the architecture of its facilities to make the residents’ daily lives pleasant and to ensure that the staff could work effectively and efficiently. Careful location choices and architectural design helped Orpea to maintain a high occupancy rate.

Operations Management

Orpea provided elderly care through four types of facilities: (1) medicalized nursing homes for physically and mentally dependent elderly people; (2) rehabilitation hospitals; (3) psychiatric hospitals; and (4) home care. Synergies were created among these four types of facilities by leveraging the group’s resources in human skills, management expertise, and quality control.

Scale was critical in this business: the more experience a company had, the more it could learn from past failures and successes and standardize operational procedures and quality control standards. Orpea’s network of 733 facilities and 27 years of experience in different countries enabled it to leverage network advantages and continue improving. Every facility instantly shared information with headquarters on its operations and performance through the company-wide information technology (IT) system. Equally important, Orpea had established a dedicated team in charge of quality control in each facility, whose job was to continuously track all issues, learn from them, and ensure they would not be repeated. In addition to internal innovation and training, Orpea collaborated with hospitals to conduct research and development activities.

Training

Providing consistent training to employees was essential for Orpea to maintain high-quality service. The company had teams of experienced professionals in charge of service innovation and training programs. The content and intensity of training varied across positions. For lower-level positions, Orpea spent one or two days introducing new employees to the company’s history and values, followed by on-the-spot training with facility managers and the company training team.

For higher-level positions, trainees were usually sent to France for a longer period of time. Facility directors were the key people in Orpea. Some of them had master’s degrees in medical facility management and were recruited directly for the positions. Many were promoted internally—starting as nurses, becoming chief nurses, and then promoted to facility directors. Orpea had its own nursing school in France, where employees could earn a state or governmental degree in nursing. For facility directors, the company offered mini master of business administration programs through partnerships with the Université Nice Sophia Antipolis and ESCP Europe.

“Training is a lifetime thing,” Farouz remarked. “From the beginning to the end, our employees always learn new things and always get training.” By 2014, more than 10,000 employees had received training of 275,000 hours, and total training hours were increasing by 10 per cent each year.

Quality Control

Dependency care was a very “human” industry in that it involved humans caring for fragile humans. Risk in this business was very high because humans were not perfect, and mistakes were unavoidable. Orpea put very stringent quality control procedures and working processes in place to ensure that its teams provided the best service 24-7 to the residents. When a bad situation occurred, the Orpea quality control team immediately studied it, to learn how the problem happened and how to avoid it next time. The company also documented problems and solutions, which enabled lessons to be learned and shared within the company. In addition, Orpea used electronic devices such as iPads to keep track of the daily operations of every facility, including individual employees’ performance and individual residents’ special needs, if any.

In 2015, a survey that was distributed in six countries, covering 33,000 residents and with a response rate of 60 per cent, showed that Orpea had a satisfaction rate as high as 92 per cent and that 93.3 per cent of the residents would recommend Orpea. In 2015, the firm won several industry awards in multiple countries including Switzerland, Austria, Germany, and Spain.

Organizational Restructuring

Following its aggressive international expansion through acquisitions, Orpea continuously restructured its organization in 2012–2016. Its organizational restructuring put a strong focus on IT strategy. To facilitate its international expansion, Orpea strengthened the IT department at its headquarters and extended the reporting and monitoring system in each facility that was directly linked to the central IT department. The system allowed the company to control the quality of operations and services across facilities in different countries.

In addition to heavily investing in IT infrastructure, Orpea established a 20-person international operation team. Two-thirds of the experts were internally promoted professionals, and one-third were externally hired managers with international management experience. The team had diverse backgrounds in the fields of finance, accounting, investment, management, IT, law, human resources, quality control, medical care, and operations. The team provided support to the existing facilities and created synergies among the headquarters and its network facilities.

Orpea’s Entry into China

The Elderly Care Market in China

With almost 1.38 billion people in 2016, China was the most populous country in the world. To put the number into perspective, India’s population was 1.32 billion, and the United States’ was 323 million. Although China and India both had large populations, China’s population was much older and was aging more quickly than India’s—largely due to China’s one-child policy, which was introduced in the late 1970s and officially phased out in 2015.

From 2011 to 2015, the size of the population in China that was 60 years of age or older increased from 185 million to 222 million (see Exhibit 2), and the ratio of this population to China’s total population increased from 13.7 per cent to 16.1 per cent (see Exhibits 3 and 4).

The size and the growing number of China’s seniors created a high demand for elderly care. However, the supply for mid-range to high-end elderly care was limited. Moreover, due to the one-child policy, many families had a top-heavy structure, in which there were four grandparents, two parents, and one child, and, as a result, many families could not take care of their elderly parents at home.

Orpea’s Pilot Facility in Nanjing

The large and increasing demand for elderly care in China was very attractive to Orpea. In addition to this market opportunity, Marian, Orpea’s founder and president at that time, was attracted to Chinese culture, and he wanted the company to have a presence in China. However, significant cultural and legal differences existed between China and France. Orpea needed to figure out how to adapt its business model to the Chinese market.

In 2013, Orpea entered the Chinese market, bringing the European experience to the Chinese elderly care sector. In September 2013, Orpea established its Chinese regional office in DPark in Shanghai. DPark provided Orpea with one-stop services including incorporation, financial management, and visa applications, as well as support for dealing with governmental affairs. In the same year, Farouz was appointed CEO of Orpea China—Orpea’s subsidiary in China.

Because of the huge opportunities and risk in China, Orpea’s expansion in China started with a pilot project to test the market. Orpea chose not to collaborate with a Chinese company in the project because it was concerned that local companies might be conservative, and it did not want the pilot project to be constrained by what had already been offered in the Chinese market. Orpea’s goal was to push the frontier and assess the extent to which its business model could work in China.

Since 2013, Farouz had been planning projects in multiple Chinese cities. Nanjing became the location for the pilot project after a French real estate company introduced Farouz to the city’s government. When President Xi Jinping of China visited France on the 50th anniversary of Sino–French diplomatic relations, multiple high-profile collaboration projects were signed, and Orpea’s Nanjing facility was one of them.

Nanjing government officials visited Orpea’s facilities in France and determined that they wanted to have an Orpea facility in Nanjing. In terms of location, Nanjing was close to Shanghai, with a travel distance of about one and a half hours by high-speed train. Nanjing ranked sixth in average individual income after Beijing, Shanghai, Guangzhou, Shenzhen, and Hangzhou. Farouz noted, “Nanjing fits what the Chinese people call ‘favourable climate, geographical position and support of the people’ (天时地利人和) for us.” The Nanjing facility broke ground in April 2014 and opened on March 22, 2016. The facility was located in the Xianlin residential area in the Qixia District, which was a suburb of Nanjing.

In a departure from its usual European practice of owning many of its facilities, Orpea rented the real estate property of its Nanjing facility.

Price

The Nanjing facility had 111 rooms and 139 beds and targeted dependent elderly people with disabilities, mental health issues, or physical health issues. Fees charged to residents covered accommodation and food, nursing care and assistance, and health-related services (e.g., spa access and massage services). Initially, the price was set at ¥25,000[[3]](#footnote-3) (about US$3,700[[4]](#footnote-4)) per person per month, which was far beyond the affordability of most Chinese families. In order to attract customers, the price was lowered to ¥15,000 (about $2,250), and during special promotion periods, the price was as low as ¥8,000 (about $1,200).

In Orpea’s facilities in France and other European countries, residents paid part of their bills, and the government paid the rest. In China, however, YiBao (医保), the medical insurance system sponsored by the Chinese government, did not cover Orpea’s services, which made residents 100 per cent responsible for bill payment. As a result, marketing and sales in China were different from and more challenging than in France. In France, one or two visits to a facility could result in a sale, but it could take up to five visits to close a sale in China. This was because the service concept was new, the price was high, and people needed time to understand what they were buying and how much they were going to pay.

Local Adaptation versus Global Consistency

Orpea aimed to balance leveraging its global economy of scale by maintaining consistency across countries and facilities with meeting the demands of local customers in each country market. The firm had some standard operational procedures that applied to its facilities in every country. When Orpea entered a new country market, it also adapted some of these procedures to local cultures, customs, and laws.

Medical devices, nursing services, and the quality control system used in the Nanjing facility were consistent with Orpea’s facilities in other countries. When caregivers served residents, they recorded their actions in a tablet—for example, they would indicate if the room was cleaned, if Ms. Wang had taken her pills, whether Mr. Zhang had finished his meal, and so forth. Details were tracked so that if a problem occurred, the root cause could be identified, and procedures could be improved.

Orpea was sensitive to cultural differences and strived to adjust its operational procedures accordingly. The company tried to adapt procedures of administration, catering, housekeeping, and maintenance to local needs. For example, leisure activities enjoyed by Chinese people were different from those enjoyed by Europeans. Residents in China liked to move in as couples as opposed to singles. Chinese people also had different daily schedules, food preferences, and dining habits (e.g., elderly residents showered in the evenings of the day whereas Europeans preferred to shower in the mornings). Orpea needed to understand and adjust to these local lifestyles and habits.

Farouz and his team worked closely with local lawyers, doctors, and other professionals to experiment with local adaptations of operational procedures and pilot them. Through trial and feedback, Orpea Nanjing continuously adapted to local market demands; however, Farouz emphasized that Orpea Nanjing shared the same vision that Orpea had adopted since its founding: elderly people everywhere in the world deserved loving care, respect, and self-confidence.

Orpea Nanjing hired 100 per cent of its employees from the local area. It was the company’s belief that only local people could serve their own elderly. The Nanjing facility followed Orpea’s training policies and routines for the locally hired employees. Training was not only conducted by internal specialists but also through external training programs. For example, the Nanjing facility held three training sessions with the geriatrics department of Peking Union Medical College Hospital (Xiehe Hospital), a leading hospital in China, located in Beijing. Many managers of the Nanjing facility were trained in France or Belgium and received coaching from Orpea’s corporate professionals, some of whom were located in China, whereas others visited the country frequently.

Competition in China

The nursing care facility industry in China was still in its infancy, and the trend in market demand remained uncertain. Early market entrants were developing and experimenting with new products, services, and business models.

Taikang Insurace Group (Taikang), a major local health care player in China, entered into the senior care industry. It had opened several nursing facilities in major cities, including Beijing, Shanghai, and Guangzhou, in the past few years. Taikang’s core business was to sell insurance products, mainly life insurance. It entered the nursing care facility industry in 2007 and focused on developing communities that provided housing, nursing, medical support, and rehabilitation for people after retirement. Compared with the residents living in Orpea facilities, the people living in Taikang communities were relatively young, active, and healthy seniors. Although Taikang was a new entrant in this industry, it was growing fast, investing ¥20 billion in building multi-functional nursing and retirement communities that would provide 13,000 nursing units for elderly people in Beijing, Shanghai, Sanya, Suzhou, Chengdu, Wuhai, and Hangzhou. Taikang also collaborated with hospitals to gain access to medical resources and skills. In September 2015, Taikang acquired Nanjing Gulou Hospital and nearby land and real estate properties.

The Chinese government was potentially also an important player in this industry. Once it was deemed necessary to do so, the government might open nursing homes.

International companies, such as DomusVi and Colisée Group, had also entered the Chinese market. For example, DomusVi had formed a joint venture with Hanfor Holdings, a well-known Chinese asset management company.

With more players joining the industry, employee turnover would eventually become a challenge for Orpea. Other companies might try to lure employees from Orpea, as these employees had extensive training and experience. Farouz was optimistic about this potential issue, noting, “I find good people and keep training them.” He was confident that Orpea could continue to thrive in China despite a certain level of employee turnover. Orpea nursing school provided educational opportunities and promotions; Farouz believed that the employee retention rate would remain high because employees could advance their careers within Orpea.

In addition to the Nanjing facility, Farouz was exploring other opportunities in China, with several projects in other major cities. He wanted to create clusters of multiple facilities with different positioning strategies in different cities, as well as rehabilitation and psychiatric hospitals. As China was getting older and richer, the elderly care industry would certainly grow. However, Farouz realized that the Chinese market posed many challenges. Had it been a wise strategy to target high-income customers by charging a high price in the beginning? How should Orpea diversify its product and facility portfolio in China? Moreover, with more players entering the industry, how could Orpea keep its first-mover advantage in the Chinese market?

Wenhong Zhang was the corresponding author for this case.

Exhibit 1: Financials of Orpea and Its Major Competitors

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Orpea**  **(in EUR Thousands)** | **2012** | **2013** | **2014** | **2015** | **2016** |
|  |  |  |  |  |  |
| Total Sales | 1,429,263 | 1,607,922 | 1,948,580 | 2,391,604 | 2,841,225 |
| Depreciation | 63,456 | 70,967 | 78,886 | 105,315 | 139,671 |
| Operating Profit | 153,029 | 177,894 | 223,821 | 228,871 | 253,589 |
| Net Interest Charges | 43,537 | 59,584 | 68,028 | 67,362 | 83,504 |
| Pre-Tax Profit | 148,490 | 172,902 | 184,659 | 183,171 | 257,631 |
| Published After-Tax Profit | 96,042 | 111,872 | 118,904 | 123,156 | 252,631 |
| Earned for Ordinary | 97,028 | 113,911 | 120,777 | 126,634 | 256,440 |
| EBIT | 192,831 | 232,988 | 253,104 | 251,130 | 341,319 |
| EBITDA | 256,287 | 303,955 | 331,990 | 356,445 | 480,990 |
| Equity Capital and Reserves | 1,214,280 | 1,412,374 | 1,497,967 | 1,809,520 | 2,075,828 |
| Total Capital Employed | 2,885,276 | 3,338,293 | 3,977,371 | 5,028,699 | 5,877,281 |
| Total Fixed Assets—Net | 2,451,928 | 2,561,842 | 2,782,528 | 3,445,115 | 4,075,044 |
| Total Intangibles | 1,686,158 | 1,838,108 | 2,220,849 | 2,592,749 | 2,871,282 |
| Total Stock and WIP | 5,001 | 5,695 | 6,625 | 8,076 | 8,369 |
| Trade Debtors | 225,780 | 252,600 | 311,065 | 448,489 | 525,358 |
| Total Cash & Equivalents | 362,292 | 468,351 | 621,906 | 518,925 | 539,924 |
| Total Assets | 4,932,460 | 5,427,506 | 6,258,087 | 7,334,935 | 8,287,140 |
| Total Current Assets | 605,716 | 738,140 | 957,112 | 1,001,952 | 1,104,312 |
| Net Current Assets | (593,883) | (340,170) | (234,835) | (78,508) | (137,429) |
| Trade Creditors | 154,673 | 199,426 | 234,217 | 254,137 | 232,019 |
| Total Current Liabilities | 1,199,599 | 1,078,310 | 1,191,947 | 1,080,460 | 1,241,741 |
| Total Debt | 2,173,179 | 2,210,376 | 2,800,694 | 3,533,207 | 4,219,785 |
| Net Debt | 1,810,887 | 1,742,025 | 2,178,788 | 3,014,282 | 3,679,861 |
| Enterprise Value | 3,587,808 | 4,086,351 | 5,059,330 | 7,449,628 | 8,294,352 |
| Market Value | 1,775,434 | 2,343,347 | 2,880,163 | 4,435,156 | 4,614,292 |
| Net EPS | 1.832 | 2.150 | 2.176 | 2.119 | 4.257 |
| Published Cash EPS | 2.634 | 2.471 | 2.893 | 3.415 | 4.560 |
| Book Value per Share | 22.921 | 25.464 | 26.967 | 30.027 | 34.473 |
| Sales per Share | 26.980 | 30.349 | 35.110 | 40.020 | 47.165 |
| Net Cash Flow | 52,835 | 106,059 | 153,555 | (102,981) | 20,999 |
| Total Number of Employees (Units) | 30,195 (23,057) | 25,201 | 35,795 | 43,753 | 49,185 |
| Full-Time | 18,215 (79%) | 19,657 (78%) | 26,488 (74%) | 28,002 (64%) | 32,954 (67%) |
| Part-Time | 4,842 (21%) | 5,544 (22%) | 9,307 (26%) | 15,751 (36%) | 16,231 (33%) |

Exhibit 1 (continued)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Korian**  **(in EUR Thousands)** | **2012** | **2013** | **2014** | **2015** | **2016** | |
|  |  |  |  |  |  | |
| Total Sales | 1,108,357 | 1,370,990 | 2,222,203 | 2,573,304 | 2,981,404 | |
| Depreciation | 48,470 | 62,689 | 101,369 | 133,803 | 155,954 | |
| Operating Profit | 87,406 | 93,348 | 196,403 | 179,553 | 236,150 | |
| Net Interest Charges | 31,822 | 43,364 | 99,294 | 105,210 | 88,121 | |
| Pre-Tax Profit | 52,547 | 55,589 | 107,222 | 114,012 | 117,575 | |
| Published After-Tax Profit | 25,766 | 31,391 | 64,464 | 60,970 | 133,158 | |
| Earned for Ordinary | 23,175 | 28,576 | 61,819 | 58,691 | | 131,293 | |
| EBIT | 84,409 | 99,003 | 206,879 | 219,423 | | 206,152 | |
| EBITDA | 132,879 | 161,692 | 308,248 | 353,226 | | 362,106 | |
| Equity Capital and Reserves | 714,827 | 745,903 | 1,903,081 | 1,922,728 | | 2,023,015 | |
| Total Capital Employed | 1,303,728 | 1,291,693 | 3,097,039 | 3,467,258 | | 4,412,100 | |
| Total Fixed Assets—Net | 386,808 | 556,842 | 1,165,480 | 1,295,551 | | 1,670,218 | |
| Total Intangibles | 1,324,705 | 1,418,599 | 3,330,897 | 3,408,269 | | 3,893,063 | |
| Total Stock & WIP | 2,993 | 4,280 | 7,430 | 8,170 | | 9,707 | |
| Trade Debtors | 190,054 | 210,943 | 341,052 | 324,183 | | 364,388 | |
| Total Cash & Equivalents | 162,758 | 53,185 | 236,776 | 520,284 | | 312,561 | |
| Total Assets | 2,189,053 | 2,269,902 | 5,165,521 | 5,616,137 | | 6,311,672 | |
| Total Current Assets | 364,439 | 280,152 | 617,609 | 880,986 | | 713,897 | |
| Net Current Assets | (172,749) | (282,000) | (345,394) | (71,965) | | (429,279) | |
| Trade Creditors | 123,812 | 135,851 | 238,676 | 228,139 | | 250,496 | |
| Total Current Liabilities | 537,188 | 562,152 | 963,003 | 952,951 | | 1,143,176 | |
| Total Debt | 620,100 | 568,484 | 1,273,341 | 1,604,325 | | 2,506,121 | |
| Net Debt | 457,342 | 515,299 | 1,036,565 | 1,084,041 | | 2,193,560 | |
| Enterprise Value | 930,260 | 1,255,362 | 3,421,968 | 3,771,559 | | 4,439,631 | |
| Market Value | 452,402 | 717,347 | 2,386,933 | 2,676,335 | | 2,232,156 | |
| Net EPS | 0.696 | 0.831 | 0.889 | 0.741 | | 1.646 | |
| Published Cash EPS | 2.126 | 2.499 | 2.464 | 2.769 | | 2.408 | |
| Book Value per Share | 21.031 | 21.429 | 24.085 | 24.206 | | 25.242 | |
| Sales per Share | 33.298 | 39.860 | 31.960 | 32.481 | | 37.367 | |
| Net Cash Flow | 122,398 | (111,745) | 183,798 | 281,197 | | (215,713) | |
| Total Number of Employees (Units) | 19,381 | 26,336 | 37,782 | 35,616 | | 37,784 | |

Exhibit 1 (continued)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Brookdale Senior Living (in USD Thousands)** | **2012** | **2013** | **2014** | **2015** | | **2016** | |
|  |  |  |  |  | |  | |
| Total Sales | 2,770,085 | 2,891,966 | 3,831,706 | 4,960,608 | | 4,976,980 | |
| Depreciation | 270,362 | 506,910 | 544,512 | 733,165 | | 529,802 | |
| Operating Profit | 99,015 | 158,649 | (74,913) | (31,122) | | 228,545 | |
| Net Interest Charges | 142,407 | 137,040 | 244,134 | 386,364 | | 382,506 | |
| Pre-Tax Profit | (6,0113) | (3,312) | (330,902) | (549,560) | | (400,918) | |
| Published After-Tax Profit | (6,2157) | (5,068) | (149,597) | (457,351) | | (406,296) | |
| Earned for Ordinary | (65,645) | (3,584) | (148,990) | (457,477) | | (404,397) | |
| EBIT | 86,306 | 135,067 | (85,425) | (161,593) | | (15,479) | |
| EBITDA | 356,668 | 641,977 | (459,087) | 571,572 | | 514,323 | |
| Equity Capital and Reserves | 1,002,717 | 1,020,937 | (2,881,724) | 2,458,888 | | 2,077,982 | |
| Total Capital Employed | 3,172,543 | 3,455,561 | 8,875,932 | 8,655,536 | | 7,907,644 | |
| Total Fixed Assets—Net | 3,879,977 | 3,895,475 | 8,389,505 | 8,031,376 | | 7,379,305 | |
| Total Intangibles | 269,495 | 268,310 | 891,578 | 854,882 | | 788,483 | |
| Trade Debtors | 100,401 | 104,262 | 149,730 | 144,053 | | 141,705 | |
| Total Cash & Equivalents | 112,336 | 96,702 | 142,945 | 120,599 | | 249,261 | |
| Total Assets | 4,665,978 | 4,737,757 | 10,521,360 | 10,048,560 | | 9,217,687 | |
| Total Current Assets | 309,038 | 294,862 | 614,789 | 497,943 | | 619,504 | |
| Net Current Assets | (812,465) | (575,982) | (262,973) | (342,205) | (111,638) | |
| Trade Creditors | 43,184 | 65,840 | 76,314 | 128,006 | 77,356 | |
| Total Current Liabilities | 1,121,503 | 870,844 | 877,762 | 840,148 | 731,142 | |
| Total Debt | 2,679,369 | 2,636,578 | 6,265,956 | 6,432,413 | 6,045,167 | |
| Net Debt | 2,567,033 | 2,539,876 | 6,123,011 | 6,311,814 | 5,795,906 | |
| Enterprise Value | 5,670,618 | 5,919,818 | 12,849,160 | 9,722,691 | 8,106,531 | |
| Market Value | 3,103,585 | 3,379,942 | 6,725,628 | 3,411,038 | 2,310,875 | |
| Net EPS | (0.538) | (0.029) | (1.005) | (2.482) | (2.178) | |
| Published Cash EPS | 2.215 | 2.692 | 1.888 | 1.647 | 2.381 | |
| Book Value per Share | 7.915 | 7.993 | 15.407 | 13.056 | 10.934 | |
| Sales per Share | 22.707 | 23.384 | 25.858 | 26.911 | 26.808 | |
| Net Cash Flow | 38,404 | (10,729) | 45,572 | (16,054) | 128,368 | |
| Total Number of Employees (Units) | 47,900 | 49,000 | 82,000 | 82,000 | 77,600 | |
| Full-Time | 30,000 (63%) | 30,000 (61%) | 52,500 (64%) | 53,000 (65%) | 50,100 (65%) | |
| Part-Time | 17,900 (37%) | 19,000 (39%) | 29,500 (36%) | 29,000 (35%) | 27,500 (35%) | |

Note: For year 2012, financial reports retrieved for Orpea via Datastream indicated a different number of employees than Orpea’s annual report. Both numbers were included in the table (the first number was from Datastream, and the second number was from Orpea’s annual report). The numbers of full-time and part-time employees were calculated based on the percentages provided by Orpea’s financial reports; EUR = € = euro; EBIT = earnings before interest and taxes; WIP = work in progress; EPS = earnings per share.

Source: Orpea, “Company Accounts Data,” Datastream, accessed October 10, 2018; Orpea, Financial Reports (2012–2016), accessed October 10, 2018, [www.orpea-corp.com/en/2011-12-21-17-32-50/financial-reports](https://www.orpea-corp.com/en/2011-12-21-17-32-50/financial-reports); Korian, “Company Accounts Data,” Datastream, accessed October 10, 2018; Brookdale, “Company Accounts Data,” Datastream, accessed October 10, 2018. Brookdale, Annual Reports (2012–2016), accessed October 10, 2018, https://brookdaleseniorlivinginc.gcs-web.com/financial-information/annual-reports.

EXHIBIT 2: POPULATION Size (60 YEARS OLD OR OLDER)

Source: National Bureau of Statistics of China, “Table 2-9. Population by Age and Sex (2015),” China Statistical Yearbook (2016), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm; National Bureau of Statistics of China, “Table 2-8. Population by Age and Sex (2014),” China Statistical Yearbook (2015), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2015/indexeh.htm; National Bureau of Statistics of China, “Table 2-8. Population by Age and Sex (2013),” China Statistical Yearbook (2014), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm; National Bureau of Statistics of China, “Table 3-10. Population by Age and Sex (2012),” China Statistical Yearbook (2013), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2013/indexeh.htm; National Bureau of Statistics of China, “Table 3-8. Population by Age and Sex (2011),” China Statistical Yearbook (2012), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2012/indexeh.htm.

Exhibit 3: Percentage of Chinese Population 60 years of age or older, 2011–2015

Source: National Bureau of Statistics of China, “Table 2-9. Population by Age and Sex (2015),” China Statistical Yearbook (2016), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm; National Bureau of Statistics of China, “Table 2-8. Population by Age and Sex (2014),” China Statistical Yearbook (2015), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2015/indexeh.htm; National Bureau of Statistics of China, “Table 2-8. Population by Age and Sex (2013),” China Statistical Yearbook (2014), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm; National Bureau of Statistics of China, “Table 3-10. Population by Age and Sex (2012),” China Statistical Yearbook (2013), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2013/indexeh.htm; National Bureau of Statistics of China, “Table 3-8. Population by Age and Sex (2011),” China Statistical Yearbook (2012), accessed April 1, 2019, www.stats.gov.cn/tjsj/ndsj/2012/indexeh.htm.

Exhibit 4: regional distribution of population 65 years of age or older, 2015

Source: China National Economy, “Population by Age and Region,” Wind Economic Database, accessed October 1, 2018.

1. Brookdale Senior Living Inc., *Form 10-K, Annual Report For the Fiscal Year Ended December 31, 2015*, 2016, accessed October 5, 2018, https://brookdaleseniorlivinginc.gcs-web.com/static-files/3fb66fff-be29-4a2e-8073-e59aaac51620. [↑](#footnote-ref-1)
2. Marian was no longer the chairperson of the company’s board of directors as of May 17, 2019. [↑](#footnote-ref-2)
3. ¥ = CNY = Chinese yuan renminbi; US$1 = ¥6.489 on March 22, 2016. [↑](#footnote-ref-3)
4. All dollar amounts are in USD unless otherwise indicated. [↑](#footnote-ref-4)