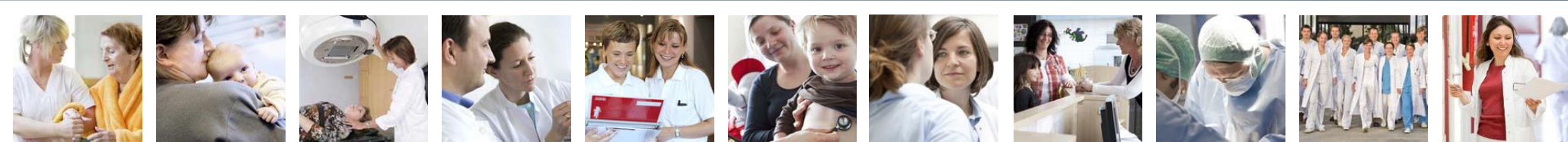


# RHÖN-KLINIKUM AG

## Capital Markets Day

### Corporate Strategy and Financials



10 April 2019 – Bad Neustadt



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**Glossary:** € = Euro; \$ = (US)Dollar; (F)Y = (financial) year(s); M = month(s); % = percentage; a = actual; acc. = according; approx. = approximately; e = expected; k = thousand(s); m = million(s); N/A = not applicable

1

**Transformation and strategy**

**(Stephan Holzinger, CEO/CFO)**

2

**Business development**

**(Dr. Gunther K. Weiß, COO)**

3

**Financials and guidance**

**(Julian Schmitt, Head of IR & Treasury)**

4

**Regulatory framework and  
staffing policy**

**(Stephan Holzinger, CEO/CFO)**

# From Old RHÖN to New RHÖN

## The rational behind the deal

**RHÖN-KLINIKUM AG** sold 43 clinics in 2014 in an asset deal...

### Old RHÖN

(before Fresenius/Helios Deal)

- **53 individual clinics** throughout Germany
- **Portfolio:** Mass producer, from small county hospital to maximum care provider
- **Size:** “Huge oil tanker”
- **Strategy:** Buy financially distressed clinics, restructure them to achieve target margins, potentially sell them
- **No overall medical strategy; local focus**

### TRANSFORMATION PROCESS

### New RHÖN

- **8 clinics** in 5 core locations
- **Portfolio:** Focus on state-of-the-art medicine; treatment of highly severe cases within core business areas
- The only private provider with **direct access to university medicine**
- **Size:** “Agile speed boat”
- **Strategy:** Campus Concept and Digitalisation
- **Vision:** “Top notch medical care in rural areas within fully digitalised clinics”



# From Old RHÖN to New RHÖN

## New Management Board

- **Stephan Holzinger (CEO/CFO)**  
Corporate communications, IR, corporate development, accounting, tax, controlling, corporate finance, HR, legal, data protection, compliance, internal audit, digital transformation and corporate offices
- **Prof. Dr. Bernd Griewing (CMO)**  
Medical board, patient safety, quality management and hygiene, medical process management, network medicine, innovations and clinical sites Bad Neustadt and Frankfurt (Oder)
- **Dr. Gunther K. Weiß (COO)**  
Procurement management, construction and technology, IT and clinical sites Bad Berka, Giessen and Marburg





# New RHÖN at a glance

## Key figures



RHÖN-KLINIKUM  
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5 sites  
8 clinics  
7 MVZs



~ 5,400 beds



Sole private operator of  
two university clinics  
in Germany

~ 850k patients

€ 1.23 bn in sales



~ 17k employees

- ✓ 5 sites = Bad Neustadt, Frankfurt (Oder), Bad Berka, Giessen and Marburg
- ✓ 8 clinics = Bad Berka, Campus Bad Neustadt Acute Care, Campus Bad Neustadt Rehab, Psychosomatic Clinic Bad Neustadt, Haus Saaletal Bad Neustadt (detoxification center), Frankfurt (Oder), University Hospital Giessen and University Hospital Marburg
- ✓ 7 MVZs (polyclinics) = Bad Berka, Bad Neustadt, Frankfurt (Oder), Weimar, Giessen, Marburg (2x)

# New RHÖN at a glance

## Market position

### Germany's first listed hospital operator

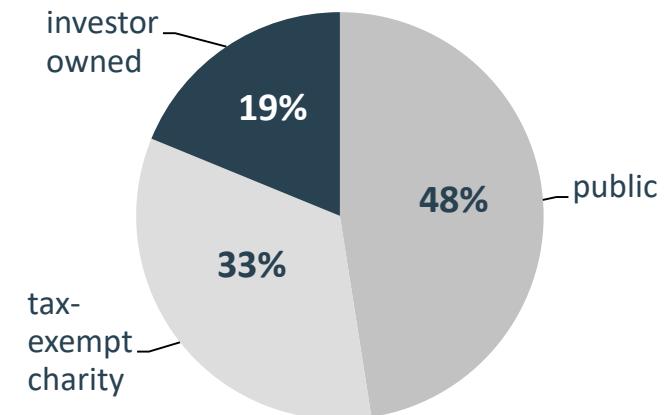
- The only publicly listed pure-play on the German acute-care hospital sector (member of SDAX/IPO 1989)
- Focus on **specialized and high-end medicine**
- ~ **1.7%** of the total German hospital market <sup>1)</sup>
- ~ **8.8%** of the German private hospital sector <sup>1)</sup>

### German hospital market <sup>2)</sup>

- Total hospital expenditure ~ **€93bn**
- 10Y CAGR **+4.1% p.a.**

### Ownership in German hospital market

Total number of beds in the market: 497,182 <sup>3)</sup>



<sup>1)</sup> Based on number of beds of RHÖN-KLINIKUM/total beds and  $\phi$ -CMI of ~1.5 per bed

<sup>2)</sup> Based on statutory and private insured patient revenues

<sup>3)</sup> latest available total number of beds in the market as of 2017

(Source: Federal Bureau of Statistics Germany, "Grunddaten d. Krankenhäuser", September 17)

# New RHÖN at a glance

## Our portfolio



RHÖN-KLINIKUM  
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### Bad Berka



- Beds 647
- Patients ~ 114k\*
- Employees ~ 1,900
- Academic teaching hospital of the University Clinic Jena

### Bad Neustadt a. d. Saale



- Beds 1,579
- Patients ~ 94k\*
- Employees ~ 3,500
- Opening of the first RHÖN Campus
- Academic teaching hospital of Philipps-University Marburg

### Frankfurt (Oder)



- Beds 852
- Patients ~ 117k\*
- Employees ~ 1,700
- Conversion of traditional hospital into Campus
- Academic teaching hospital of Charité Berlin

### UKGM Giessen/Marburg



- 2,291 beds
- Patients ~ 525k patients\*
- Employees ~ 9,800
- 3<sup>rd</sup> largest university hospital in Germany
- Sector advantage: Knowledge transfer between RHÖN sites

**More than 2/3 of revenue line from growth segments:  
cardiovascular, oncology, pneumology, neurology, special orthopedics and trauma surgery**

\* Including MVZs (polyclinics)



# Company's strategic direction

## Moving ahead after the transformation



### Campus strategy

Unique cross-sectoral care model  
1<sup>st</sup> Campus established at Bad Neustadt

## THE NEW RHÖN



### Expansion strategy

Domestic Campus rollout  
Business opportunities abroad



### Digitalisation strategy

Tiplu (Semantic Coding Assistance)  
Medical Cockpit, digital patient file, et al.

*"In comparison to other private operators, RHÖN has already completed the transformation process and is thus best prepared for market consolidation and future growth!"*

Stephan Holzinger, CEO/CFO



### Telemedics strategy

Medgate Germany with the potential to become an additional business division

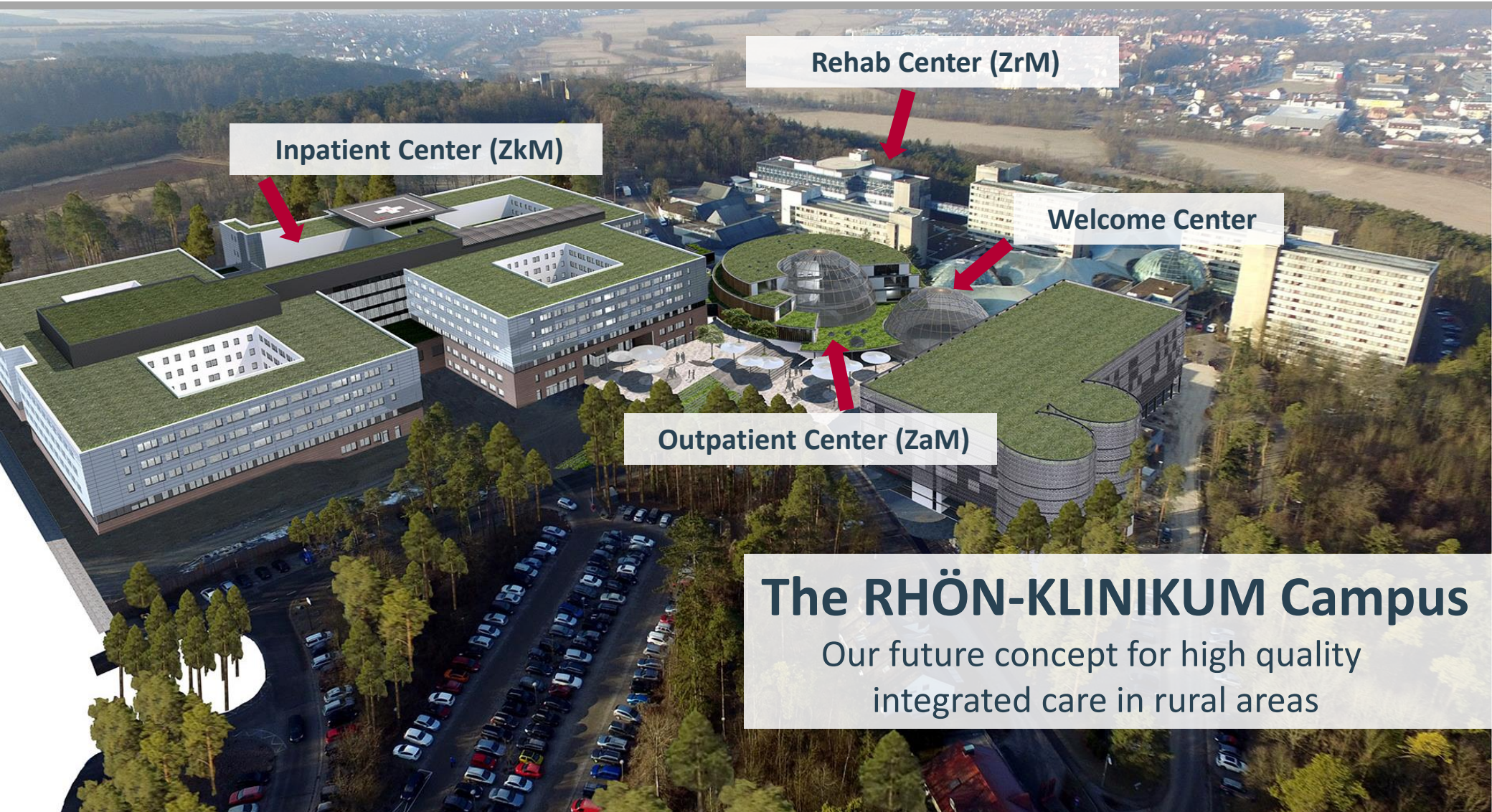


# Pillar 1: Campus strategy

Our solution: The healthcare Campus of the future



RHÖN-KLINIKUM  
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## The RHÖN-KLINIKUM Campus

Our future concept for high quality  
integrated care in rural areas

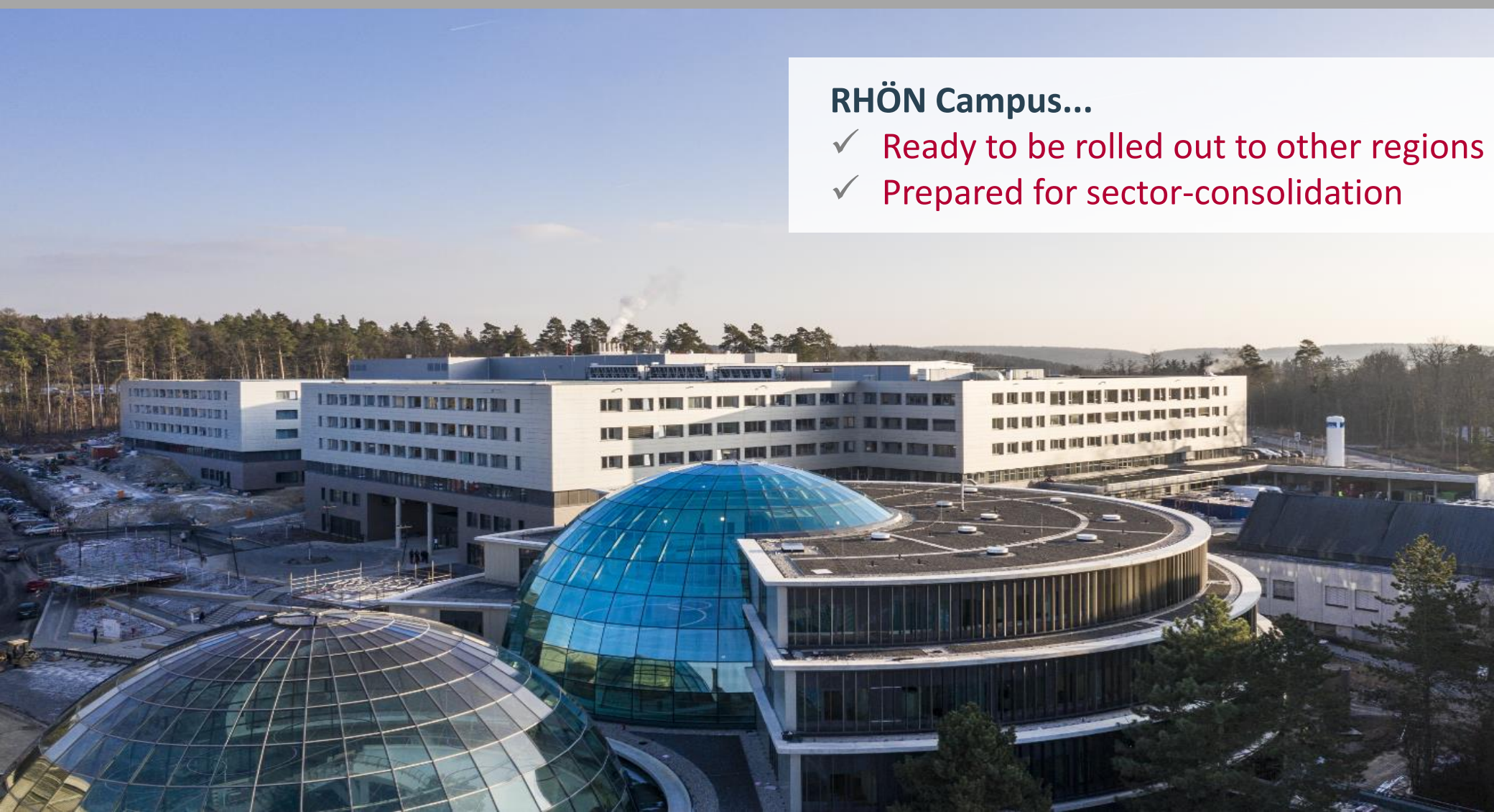


# Pillar 2: Expansion strategy

## Rollout of Campus Concept

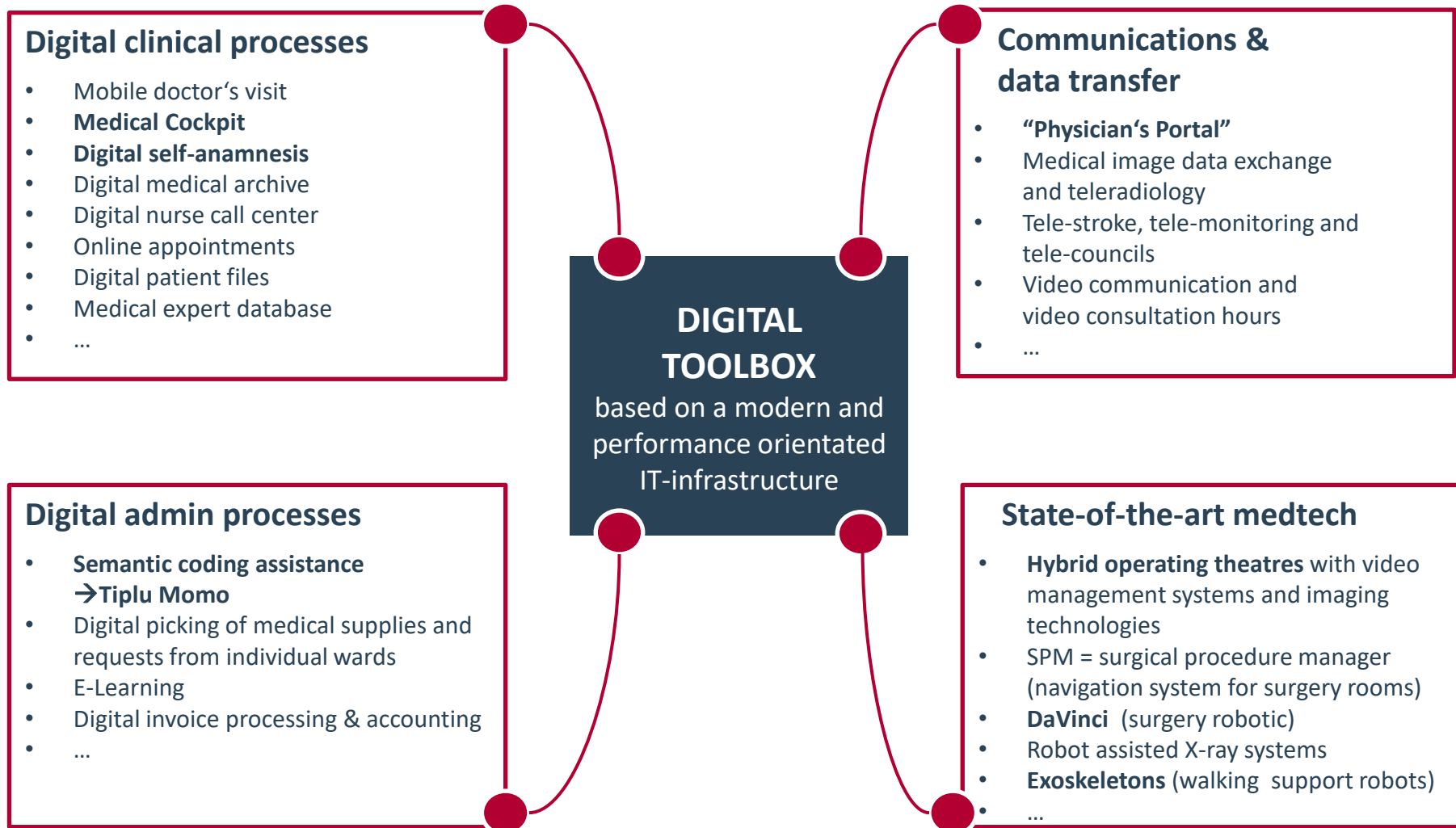
### RHÖN Campus...

- ✓ Ready to be rolled out to other regions
- ✓ Prepared for sector-consolidation



# Pillar 3: Digitalisation

## Digital tools



Taking into account current data protection guidelines and the DSGVO



### **RHÖN-KLINIKUM AG enters future market of telemedics with Medgate**

- Memorandum of Understanding on extensive cooperation for telemedics signed; New-Co in the founding process
- RHÖN-KLINIKUM AG will hold the majority of New-Co with 51%, Medgate will have a 49% stake
- Telemedics bears the potential to develop into a second business division for RHÖN
- Reasonable addition to our hospital business

### **Benefits for the patient**

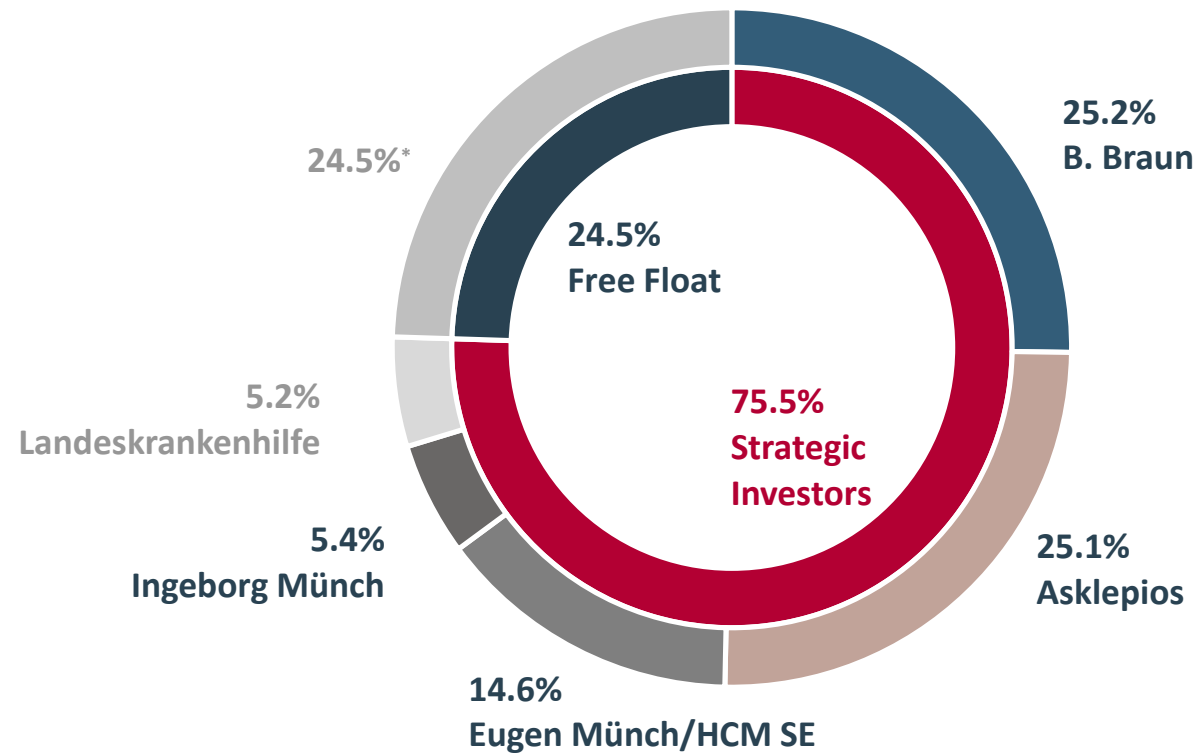
- Transaction supplements cross-sectoral Campus Concept
- Closing the widening gaps in medical care in rural areas; meeting patient expectations of a modern healthcare system
- Contact with physicians via video, phone and digital formulars
- Smartphone app for easy, fast, personal and digital access to physicians



Source: Medgate

## Shareholder structure

as of **11 March 2019**, according to the  
most recent notifications of voting rights at that time



\* Shareholders with less than 3% of total voting rights



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# Business development Highlights



**RHÖN-KLINIKUM**  
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**RHÖN-KLINIKUM Campus Bad  
Neustadt opened on 6 Dec. 2018**



**RHÖN  
safeguards  
future of  
Marburg  
Particle Therapy  
Center (MIT)**



**Implementation of  
important digital  
projects**



**Catalogue of measures  
successfully implemented:  
use of semantic coding  
software, etc.**

**Agreement on separate  
accounting successfully  
realized**



**Future-oriented medical re-focusing and  
strategy at our locations in Bad Berka and  
Frankfurt (Oder) initiated**





# Business development

## Campus Bad Neustadt

### **12/2018 – Opening of the new Campus Bad Neustadt**

- One of the largest individual construction projects in the company's 45-year history
- Ideal implementation of the Campus Concept for holistic health care in rural areas for the first time

### **12-2018/01-2019 – Successful relocation of the Bad Neustadt clinics to the new Campus**

- Bundling of medical excellence on Campus
- Optimization of patient control through centralization

### **Digital high-end solutions**

- 16 operating theatres, including 2 hybrid operating theatres
- Robot-based X-ray system with 3D imaging
- Equipment of all theatres with complex video management systems
- Two of the most powerful CT's (computer tomographs)
- State-of-the-art app-controlled exoskeleton for stroke patients
- Use of digital solutions such as Medical Cockpit and “Physician’s Portal”



### Strategic realignment of Health Campus Frankfurt (Oder)

- At our Frankfurt (Oder) site a second health Campus is being built
- Center for Outpatient Medicine
  - Cooperations e.g. standby doctor's office, MVZ, therapy offices
  - 18 practices on the Campus
  - 180,000 contacts to patients a year

### Geriatric traumatology offers new care concept

- Geriatric trauma center at the hospital established in January 2019

### State-of-the-art computer tomography for better diagnostics

- Institute for Radiology and Interventional Neuroradiology puts one of the world's most modern computer tomographs into operation

### Outlook 2019/2020 – Focus on the following medical centers

- Vascular Medicine
- Cardiac Medicine with Cardiac Surgery
- Neuro Medicine
- Geriatric Medicine
- Mental Health



### **120 years of clinical medicine**

- With the establishment of the former lung sanatorium, the foundation stone was laid for today's top medicine provider of Bad Berka

### **45 years interdisciplinary cardiac center**

- One of the largest and best recognised heart centers in Germany
- Interdisciplinary network of cardiac surgery, cardiology and electrophysiology with a catchment area extending far beyond the region

### **25 years of spinal surgery**

- One of the largest spine departments in Germany
- Known beyond national borders in the context of serious accidents

### **20 years paraplegic center**

- Supraregional leader regarding the care of paraplegic patients
- Only paraplegic center in the whole of the state Thuringia

### **20 years PET center and clinic for radiopharmacy**

- One of the most modern clinics for radiopharmacy in Europe with operation of its own cyclotron system
- Leading in personalized radiopharmaceutical tumor therapy (Theranostics)



### Cardio-lung cluster of excellence "Cardio-Pulmonary System" (ECCPS)

- Only cluster of excellence for heart and lung research in Hesse remains a stable factor
- Unique selling proposition throughout Germany

### Foundation of the Intergenomics Network

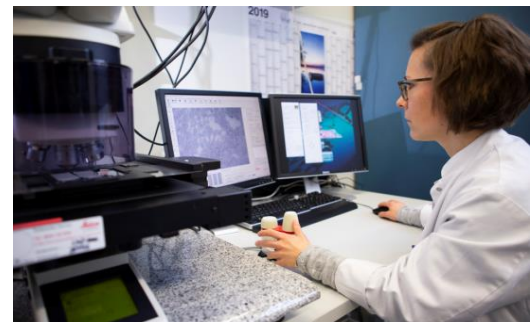
- Center for Integrated Genome Medicine for innovative diagnostics and personalized treatment of cancer in children and adults
- Revolution in oncology: liquid biopsy

### Progress in Med-tech equipment

- New low-radiation children's heart catheter measuring station in the children's heart center
- SPECT-CT Hybrid System in nuclear medicine
- Robot assisted operations (DaVinci) of the latest generation

### University Medical Outpatient Center

- Interdisciplinary outpatient center with its own range of outpatient services, private practices and day clinics
- Expansion of the range of services and use of the network for referrals
- Part of the holistic cross-sector Campus model of RHÖN-KLINIKUM AG





### **RHÖN-KLINIKUM AG secures the future of the Marburg Particle Therapy Center (MIT)**

- Acquisition of the majority interest in MIT from Heidelberg University Hospital (75.1%)
- Introduction of a successful new chapter for MIT
- Positive signal for the Marburg site, UKGM, Central Hesse and our patients

### **Successful start of the “Physician’s Portal”**

- Patients benefit from the expansion of the digital networking of the University Hospital Marburg by prompt transmission of their discharge letters to the physicians in private practices who continue treating them
- High acceptance: More than 96% of the patients invited already agreed to participate in the “Physician’s Portal” during inpatient admission

### **A new era in cancer immunotherapy**

- Breakthrough in cancer treatment with tailored immune cells for specific hematological tumor diseases
- With the so called CAR T cell Therapy, the University Hospital Marburg is one of the few centers in Europe that can offer this high-innovative therapy



# New separate accounting contract

## The pact for the future

**“Groundbreaking agreement on the separate accounting signed with the State of Hesse in 2017, contract in force!”**

- New separate accounting contract became effective in Q3 2018 after third party comparison on a arm's length principle by KPMG was finished
- For the first time RHÖN is adequately compensated for its research and teaching efforts
- **+€11.6m extra contribution on EBITDA (ongoing effect), thereof...**
  - ✓ +€7.4m recorded under other income
  - ✓ -€4.1m booked against personnel expenses
- **+€20m one-off effect, thereof...**
  - ✓ +€12.8m recorded under other income
  - ✓ -€7.2m booked against personnel expenses
- Contract includes an annual increase by +2.5% (base year 2017)
- UKGM sustainably strengthened with strategically important €100m capex program (incl. €13m grant from State of Hesse)
- The program runs until the end of 2021 and has the potential of being established as a permanent solution beyond that



UKGM (Giessen site)



UKGM (Marburg site)

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# Financials

## FY 2018 key figures

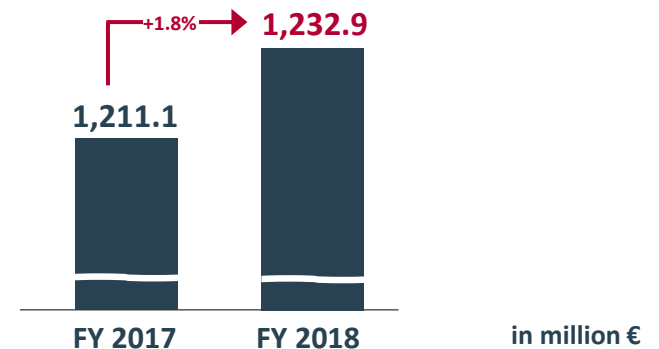


RHÖN-KLINIKUM  
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### Volumes

- **+1.6%** more treated patients
- Total number of cases **850,147**
- Reduced number of inpatient cases (-0.4%) outperformed by increased number of ambulatory treatments (+2.3%)

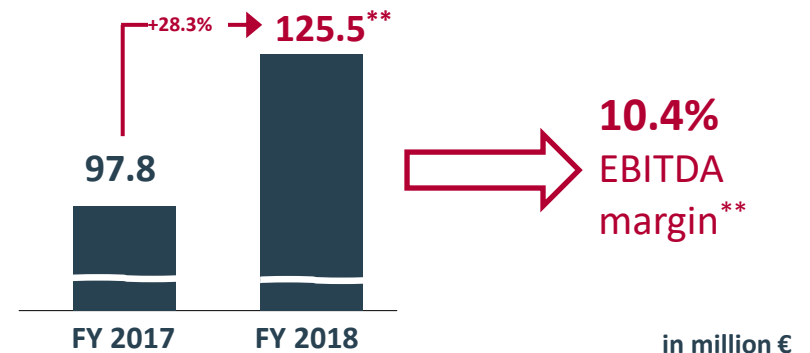
### Revenues



### Earnings & Cash

- EBIT (last year) **€64.9m** (€38.7m)
- Net Profit (last year) **€51.2m** (€36.7m)
- Cash **€246.7m**

### EBITDA



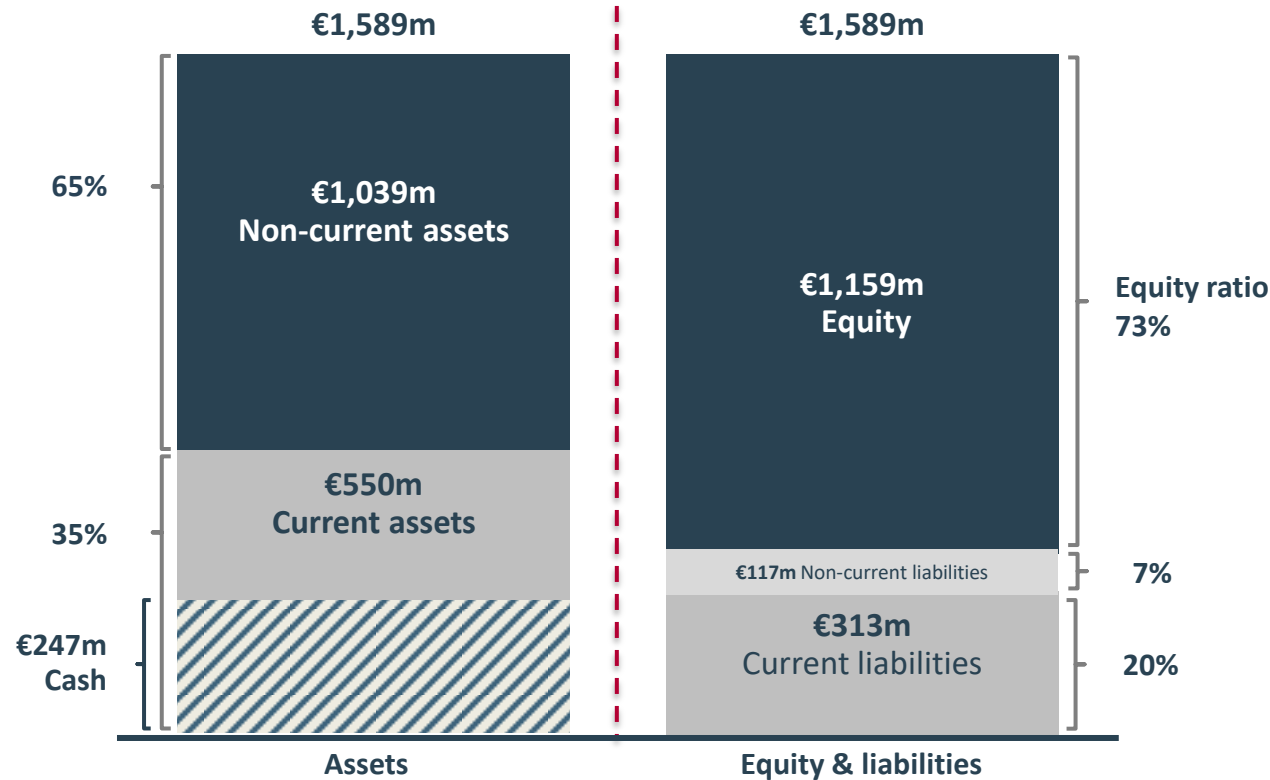
\* Includes a +€20m one-off from separate accounting

\*\* Adjusted for effects from the settlement of additional fees for Spinraza; unadjusted EBITDA margin 10.2%



P&L (in €m)	2018	2017	Delta
<b>Revenues</b>	<b>1,233</b>	<b>1,211</b>	<b>+1.8%</b>
Personnel expenses	-796	-788	<b>+1.0%</b>
Material expenses	<b>-372</b>	-348	<b>+7.1%</b>
Other expenses	-122	-130	<b>-5.9%</b>
<b>EBITDA</b>	<b>126</b>	<b>98</b>	<b>+28.3%</b>
Depreciation & amortisation	-61	-59	<b>+2.5%</b>
<b>EBIT</b>	<b>65</b>	<b>39</b>	<b>67.7%</b>
Finance result	-2	-2	<b>+6.2%</b>
Income taxes	-12	0	<b>N/A</b>
<b>Net profit</b>	<b>51</b>	<b>37</b>	<b>+39.5%</b>

- Despite regulatory interventions by the legislator such as the catalogue effect and FDA as well as MDK corrections and the trend towards outpatient treatments, sales rose by 1.8%
- Personnel expenses in 2018 include positive one-off effects from separate accounting. Previous year's figure includes one-off payments in the single-digit million euro range in the course of the restructuring of the Management Board
- After elimination of the "Spinraza effect", material cost ratio remained at the previous year's level of 28.7%. This shows the success of our improvement program
- Adjusted for Spinraza our EBITDA margin was at 10.4%. RHÖN-KLINIKUM AG thus reaches the double-digit EBITDA margin range once again
- Consolidated net profit increases by 39.5%
- Earnings figures include one-off effects from separate accounting in the amount of approximately €20 million



**Solid balance sheet and sustainable financial strength**



- Strong equity ratio of 73%
- €100m promissory loan note (Schuldschein) issued
- €100m syndicated loan facility not drawn



Management Board and Supervisory Board jointly propose to the AGM

to distribute a **dividend of €0.29 per share**  
**(+ 32%) compared to the previous year**

Based on the currently outstanding number of shares in the amount of 66.94 million,  
the total dividend will amount to €19.4m

### DIVIDEND POLICY

*“The dividend payout ratio of around 40% of the consolidated net income ensures medium-term investment capability and enables shareholders to participate appropriately in the company's success.”*

## GUIDANCE 2019

Group REVENUES

€ 1.30bn +/- 5%

Group EBITDA

€ 117.5m to € 127.5m

## Assumptions and key levers\*

- +1.8% **DRG price effect** on group revenues
- +2.8% **DRG volume growth** on group revenues after catalogue effect
- **Further growth** from additional charges, elective services and outpatient revenues
- +€20m one-off from **subsequent effects** of the **Helios** transaction

\*All assumptions are preliminary and may be subject to change in 2019



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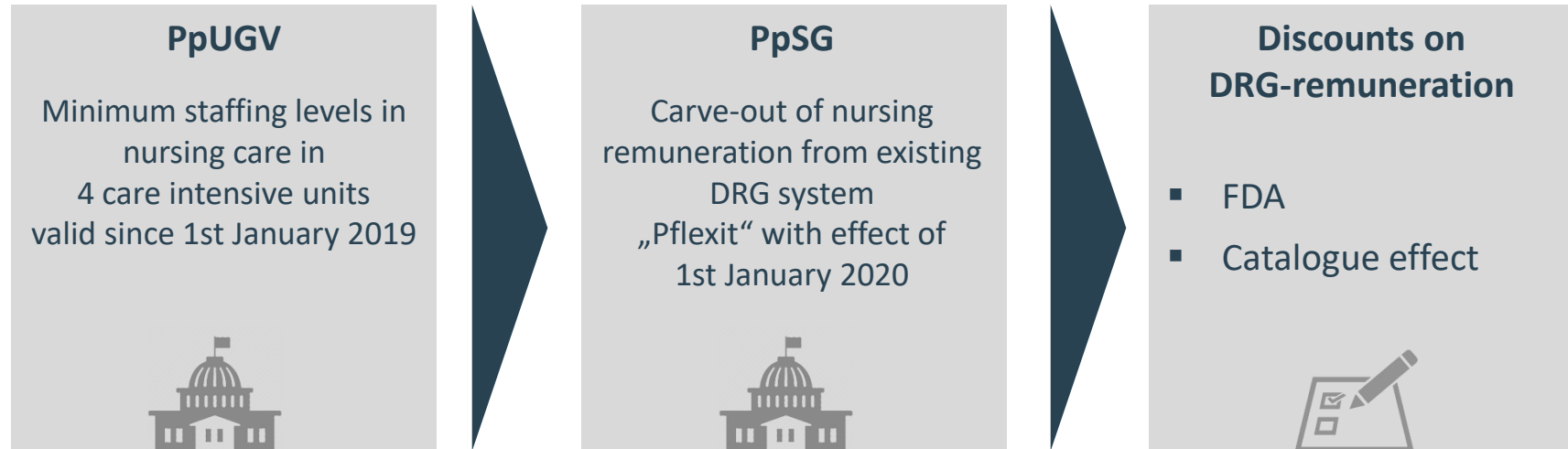
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**Regulatory framework and  
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**(Stephan Holzinger, CEO/CFO)**

# Regulatory framework

## Headwinds for German hospital operators



### Numerous regulatory interventions by the legislator in introduction phase...

- **Right to choose between discounts or case number limitations** in the event that the minimum staffing levels are not reached (potential **effect of limitations from 2020 earliest**)
- Nursing personnel will be **fully remunerated on a 1:1 basis by 2020**
- Additionally hired nurses are **already fully compensated in transition year 2019**
- **Definition of "nursing care"** and associated occupational profiles that will be carved out **still have to be determined** (currently running process)
- The long-term objective of these measures is **to consolidate the sector from which RHÖN will benefit**

### Incentives

- 2018 Start of an exchange program for nursing students between Bad Berka and the University Hospital Marburg
- Assistance in finding accommodation and discounted offers
- Support in finding kindergartens and nursery spaces
- Parcel and grocery delivery directly to the workplace (DHL/Amazon lockers)

### Differentiated patient communications

- Patient needs and tasks are digitally recorded, prioritized and transmitted in a structured way to the ward staff
- More efficient communication between nurses and patients
- Multilingual system used at UKGM; well accepted by staff and patients

### Group-wide nursing integration program

- Program established in Bad Neustadt for the recruitment and integration of nurses from abroad; More than 70 nurses have been recruited in 4 years to date
- Ongoing transition of this programme to other sites

### Nursing Care Summit

- First Group-wide nursing summit for interdisciplinary dialogue and adoption of packages of measures to strengthen nursing care



### Digital Medicine, eHealth and Telemedicine

- Cooperation between Justus-Liebig-University Giessen (JLU) and RHÖN-KLINIKUM AG with participation of the Technical University Hessen (THM) and the Center for Telemedicine in Bad Kissingen (ZTM)
- Improving competencies for medical students at the interface between computer science and medicine
- We train the physicians of the future and impart the technological and communicative expertise
- Teaching the basics of artificial intelligence for decision support in medicine
- Theoretical training in Giessen and practical application via internships at the Bad Neustadt Campus





# Appendix

## IR contact information

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RHÖN-KLINIKUM  
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### Contact

#### **Julian Schmitt**

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