



Valuation of Attendo AB

A fundamental analysis of a nordic healthcare company

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Abstract

The objective of this thesis is to estimate the intrinsic value of Attendo AB using fundamental analysis by applying a discounted cash flow valuation using the weighted average cost of capital method. A relative valuation approach is applied to support the result from the discounted cash flow method. The healthcare industry for care services in the Nordic region is thoroughly assessed, alongside a strategic analysis of firm-specific attributes and factors, in order to make assumptions about future performance of Attendo.

As healthcare services in the Nordics has experienced increasing privatization, new markets for private providers have opened up. Governments in the Nordics have created healthcare reforms over the last decades in an attempt to modernize and improve the services offered in the industry. The phenomenon of an ageing population and demands for better quality and more user-autonomy, has fueled these developments. These developments are not likely to change in the foreseeable future, and the future market of care services is expected to be carried out by a higher proportion of private providers than what is the case today. In this regard, Attendo is in a strong strategic position as it is a large player with experience, in an emerging market.

The result of this fundamental analysis is an estimated share price of SEK 46 for Attendo AB, which imply that the stock is currently undervalued by approximately SEK 4. Although this valuation is based upon assumptions about future performance that entails uncertainty, which is discussed in a sensitivity analysis, the overall conclusion is a sell recommendation.

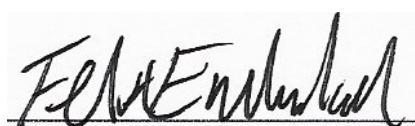
Preface

This thesis was written as a part of my Master of Science in Economics and Business Administration at the Norwegian School of Economics (NHH) during the spring of 2019. The topic covered is a reflection of my interest in financial markets, corporate finance and strategy.

The motivation behind this thesis is based on a general interest in private healthcare companies, specifically how they behave and interact with stakeholders and government in a society that is traditionally characterized by a dominant welfare state. I believe that this topic is also of general interest considering how most people eventually will interact with such companies, either family members or themselves. The emergence of private providers in the Nordic markets has signaled a change in the welfare state, a new way of managing the challenges that an increasingly ageing population presents, that I believe is of paramount significance.

A valuation of Attendo is a way of determining how the financial markets perceive such a private company that operates in the Nordic market, and how the markets regards the future outlooks for care services. This has been both interesting and challenging. Finally, I would like to express my gratitude towards my supervisor Xunhua Su for supervising of the thesis.

Oslo, June 1, 2019

A handwritten signature in black ink, appearing to read "Felix Emberland". The signature is fluid and cursive, with some variations in line thickness.

Felix Emberland

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1. Introduction

Private providers in the healthcare industry in the Nordic region has experienced a high degree of growth over the last decades due to a multiple of factors, among them an ageing population, privatization and outsourcing of formerly public functions, and the general growth in purchasing power among the citizens of the Nordic countries. Even though the public welfare model still is standing strong in the region, the overall need for more private contribution is growing also because of pressure on governmental budgets and increasing demands for more autonomy for users. The developments in the Nordics has been anticipated, as the services offered by public providers have been relatively costly and experiencing difficulties in implementing higher efficiency. Alongside the relatively few innovative developments, and little focus on that matter, has created a fair amount of criticism towards the public model in the last decades. These circumstances, alongside other demographic and economic trends in the societies in the Nordics, have been an underlying driving force behind the emergence of this new private care services market.

Care services are highly important to the welfare of people, especially elderly people. The emergence of large, private providers in this industry is interesting both considering how the market now functions with the private in coexistence with the public providers, and how the market values these relatively new private companies. The purpose of this thesis is to estimate the intrinsic value of Attendo AB and to determine if the stock currently trading at Nasdaq Stockholm is under- or overvalued.

1.1 Outline

In section 2 there will be a presentation of Attendo AB with regards to its history, company structure and value chain. Section 3 will give a review of the different valuation methods and their application in more detail followed by a discussion of their respective advantages and disadvantages. Section 4 will cover what model this thesis will apply, and which model that will serve as a support valuation. Section 5 addresses the healthcare industry, with detailed discussions of the market, recent developments, breakdown of the different country-markets

that Attendo competes in, and lastly reviews of the different types of services that Attendo offers and their positions in the overall market.

A strategic analysis with the goal of assessing the overall competitiveness of the market, using Porter's Five Forces, and the firm-specific attributes of Attendo will follow in section 6. Afterwards, section 7, 8 and 9 will analyze the financial statements of Attendo, assumption of future drivers, and lastly the cost of capital used in the valuation. Subsequently section 10 will cover the actual company valuation of Attendo, with section 11 covering the comparison by using the relative approach method. A sensitivity analysis will be undertaken in section 12, followed by a presentation of the final conclusion in section 13.

2. Attendo AB

Attendo AB is a Swedish healthcare company that operates in private care, offering nursing homes, private dentists, home services, and specialized homes for either people with disabilities or families with special needs, in Sweden, Finland, Norway and Denmark. The company is operating within an industry that is mainly provided through public services in line with the Nordic welfare model but has nevertheless managed to acquire relatively large proportions of the overall market (Attendo, 2019b). Both net sales and number of people receiving care has experienced high growth during the company's lifetime (Attendo, 2019b). Attendo calls itself "the leading care and healthcare company in the Nordics", and their vision is "empowering the individual". This vision reveals Attendo's main method for attracting patients/customers in an industry historically dominated by public institutions and where only relatively recently private companies has started to offer services. Attendo has three core values that acts as guidelines to achieving their vision; competence, commitment and care. Lately, the company has also highlighted sustainability as an important feature of their business strategy. The drivers towards providing *sustainable care* are investments to fill capacity shortages, being a large employer and paying their fair share of taxes. Attendo is currently listed on the Large Cap sector at Nasdaq Stockholm Stock Exchange, where its current market capitalization is approximately SEK 9.336 billion as of March 25, 2019 (Nasdaq, 2019). The company employs roughly 24,000 people and operates over 700 facilities in the Nordic region (Attendo, 2019a). Approximately 52% of Attendo's net sales comes from the Swedish market, followed closely by the Finnish market at 42%.

2.1 History

The company was founded in Sweden in 1985 under the name *Svensk Hemservice AB* with the goal to modernize solutions offered to elderly people through flexibility and quality that public services were unable to deliver. In 1988 the company acquired its first home care contract in Stockholm, and in 1992 contracts outside Stockholm were for the first time obtained. The welfare model associated with the Nordic countries is built upon principles of universalism and equality of all, where private services are something that only in the last two decades has been slowly emerging (Magnussen et al., 2009). These first contracts in the late 80's and early 90's were therefore possible because of the start of the liberalization of the public monopoly on healthcare services.

Svensk Hemservice AB was purchased in 1994 and became *Partena Care*. The company established services in Denmark in 1996 and won their first contract in Norway in 1997. In just a couple of years the company went international, and their focus on both the Swedish market and other Nordic markets has not been downgraded since. In 2001 Partena Care changed its name to Attendo. The company acquired the Norwegian company *Capio Omsorg* in 2004 and merged with the Finnish company *MedOne* in 2007, to also gain access to the Finnish market. In 2015 Attendo was listed on the Nasdaq Stockholm at an offering price of SEK 50 per share valuing the company at around SEK 8 billion (Carnegie, 2015).

2.2 Corporate structure

The corporate structure of Attendo is divided into three main parts: the executive management with its group functions, then business area 1 and lastly business area 2. The group functions are divided into the subgroups finance, business development, and communications and investor relations. Each business sector is management by a managing director that reports directly to the CEO and the different group functions. Under business area 1, Attendo Scandinavia, operations are divided into each country, while business area 2 is only concerned with Finnish operations. Figure 1 below illustrates the corporate structure of Attendo.

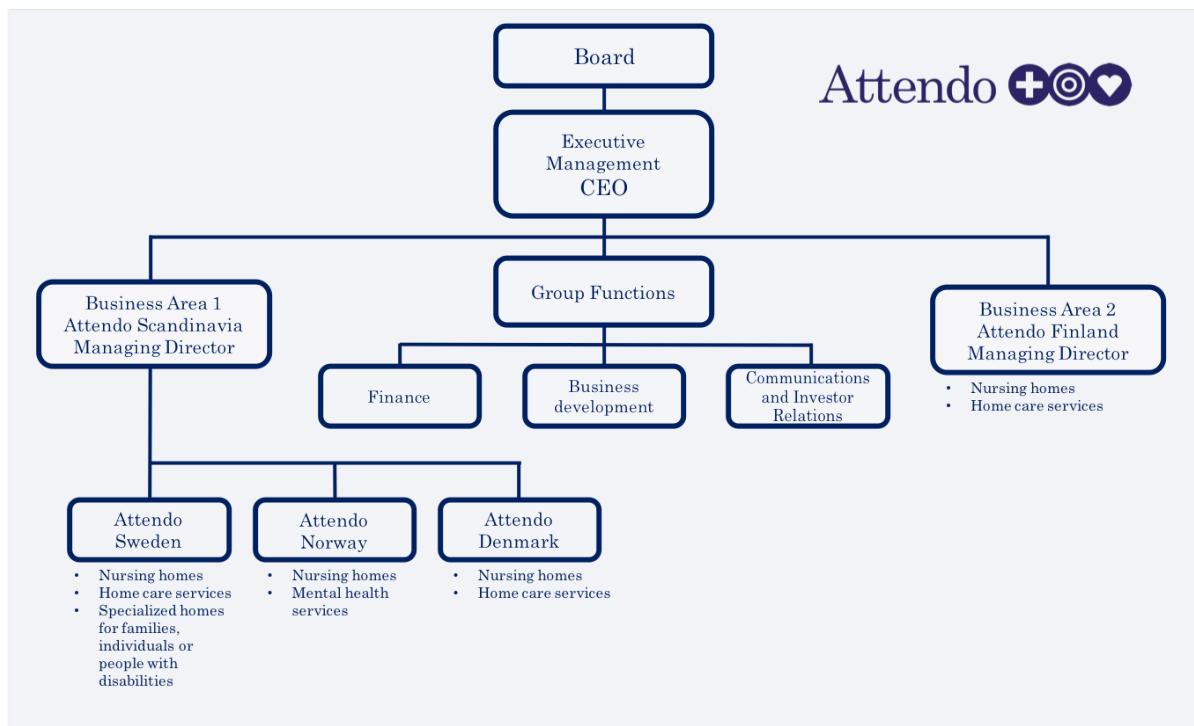


Figure 1: Attendo's corporate structure (Source: Attendo, 2019b)

The structure is naturally highly geographic considering the company has operations in four different countries. Even though all four countries are either a member of the European Union or the European Economic Area and are an integrated part of the common market and exhibit strong similarities, societal differences make the geographic structure logical. First of all, the languages in Scandinavia are vastly different from the Finnish language. Scandinavians can generally understand each other when speaking their own language to each other, while the Finnish must rely on English. Another difference is that the three Scandinavian countries are parliamentary monarchies while Finland is a republic, and lastly, all four countries uses four different currencies. To group the Scandinavians country into one group, and Finland into another group, is also a result of historically operating dental services in Finland.

The operations conducted in the different countries also differ. The core service of Attendo, nursing homes, is the only operation that is offered in all four countries, while the home care service is currently offered in all countries except Norway. Under business area 1, the different operations in Scandinavia is structured in a subgroup in each country. This is mainly to create local ownership of Attendo businesses (Attendo, 2019b), but also functions to create country-specific, local knowledge and management of Attendo in the individual countries. These are managed by regional directors, and report to the managing directors in the business area function. The structure of Attendo is relatively decentralized, but both executive management and the board takes measures to visit and understand all aspects and divisions of Attendo regularly (Attendo, 2019b). The group functions support the executive management directly and are structured closely to it, as shown in figure 1. The managing directors of the two different business areas does report to the group functions, but their overall goal is to support the executive management in their decision-making.

2.3 Value Chain

Considering that Attendo offers different services, not standardized goods, the main goal of the value chain is to deliver high quality services to consumers that often represents the weak link in the chain. Since the consumers often does not have the capacity to understand or the ability to learn about the efforts that are taken to deliver high quality services, it is of vital importance that they understand and recognize the quality of the services (Pitta, 2004).

3. Valuation Methods

A company's value is fundamentally what a buyer would pay for the company at any given time, and the stock price of a listed firm represents the price at which the market currently values this buy-price to be at. The stock price is the market's aggregate valuation of the company based upon supply and demand; when a company shows signs of significant improvements, or is deemed likely to improve future affairs, usually higher demand for the stock will increase the stock price, and vice versa (Tarver, 2019). When all historical prices and public information is available to all investors the market will determine a so-called fair price. This is in consonance with the efficient market hypothesis which states that stock prices in a strong or semi-strong market reflect all available public and historical information (Malkiel, 1989). The essence of valuation is to estimate what this fair price should be, given all available information. According to Aswath Damodaran at NYU Stern School of Business there exist three general ways in which this value normally is estimated; 1) discounted cash flow valuation (DCF), 2) relative valuation, and 3) contingent claim valuation (Damodaran, 2006). The goal in DCF valuation is to find the present value of expected future cash flows on the asset being valued, whereas the goal in relative valuation is to estimate the assets value when comparing it to a similar asset by looking at common variables. In contingent claim valuation the goal is to measure value of assets that share option characteristics. The following section will briefly present the different methods and their application.

3.1 Discounted Cash Flow Valuation

The DCF method calculates the *present value* (today-money) of a company by discounting *future* cash flows, that are made with financial projections and different assumptions, to the company (Lee, 2004). In simple terms; how much money the company will make in the future, in today's money. DCF valuation calculates the value of a company based upon i) the amount of money available to investors in the future and ii) the time value of money (Stomper, 2009). In order to estimate these future cash flows to the company both historical and projected data are necessary inputs required to make rational assumptions about future cash flows. When performing these calculations, it is also required to define how many future years the calculations should account for. One guideline suggests that the forecast period should be determined based upon if the company being valued is in either one of these three groups; 1) slow-growing company, 2) solid company, and 3) outstanding growth company (McClure,

2007). If the company is in the first group it is operating in a highly competitive and low-margin environment, and the forecast period should be no more than one year. The second group assumes a company with strong advantages and the forecast period can be up till five years. Companies in the last group, in environments with high barriers of entry, can be forecasted 10 years into the future. One major issue with this method is the fact that it relies on these assumptions about future affairs; they can easily be manipulated or simply be wrong. The basic model for valuing an asset with future cash flows:

$$Value = \sum_{t=0}^N \frac{CF_t}{(1+r)^t}$$

where N equals the life of the asset, CF_t equals cash flow in period t , and r equals the discount rate. The discount rate r can be understood as the inverse of a growing rate (normal interest rate) and can alter the results of any valuation drastically. The rate is often determined by considering the opportunity cost of capital or the weighted average cost of capital (Schmidt, 2013). The general DCF model is:

$$Enterprise\ Value = \sum_{t=0}^N \left(\frac{FCF_t}{(1+r)^t} \right) + \frac{TV}{(1+r)^N}$$

where FCF_t equals the free cash flow in year t , N equals number of forecast periods, and TV equals the terminal value of the company. Another assumption is that today we are in period 0. When the calculations have produced an enterprise value of the company being valued, the per share stock price of the company is determined in the following way:

$$\frac{Enterprise\ Value}{\# \text{Shares of Stock}} = Per\ Share\ Stock\ Price$$

The DCF valuation method can be divided into three different models; weighted average cost of capital (WACC), free cash flow to equity (FCFE) and adjusted present value (APV), that all uses discounted future cash flows as the main ingredient of the valuation (Chen, 2008). The methods differentiate on what approach they have when valuing the firm; either the entirety of the firm, the equityholders stake, or lastly the firm value piece by piece. In the following section the three different versions of the DCF-valuation will be presented in more detail.

3.1.1 Weighted Average Cost of Capital (WACC)

In order to obtain a discount rate used for discounting future cash flows, a commonly used model, especially for corporate investors, is the weighted average cost of capital (WACC). First of all, “cost of capital” is the opportunity cost of all capital invested in an enterprise, so the weighted average is the proportionally weighted cost of capital for all sources of capital (Giddy, 2008). WACC discounts the calculated free cash flows to the company at the WACC-rate:

$$\text{Enterprise Value} = \sum_{t=1}^{t=n} \frac{\text{Free Cash Flow to Firm}_t}{(1 + \text{WACC})^t}$$

where WACC is the discount rate applied and *Free Cash Flow to Firm* is calculated using the following formula;

$$\text{Free Cash Flow to Firm} = \text{EBIT} \cdot (1 - t_c) + \text{Depreciation} - \text{CapEx} - \Delta \text{NWC}$$

where EBIT represents *earnings before interest and taxes*, t_c equals the corporate tax rate, CapEx is the capital expenditure, and ΔNWC is the change in net working capital. Enterprise value calculated is the underlying value of the firm before any payments to debt- or equity-holders (Damodaran, 2012). As the WACC-method calculates firm value based on a weighted average cost of capital it assumes a stable capital structure (debt-level) over time, which might be unreasonable in the long-run. According to Damodaran the WACC-method is best suited for firms with either high or low debt-levels (Damodaran, 2012). A drawback is the fact that this method ignores debt, which could lead to problems when confronted with companies that struggle with the possibility of bankruptcy, and therefore in need of fresh equity.

3.1.2 Free Cash Flow to Equity (FCFE)

As the name suggests, the FCFE-method values the company by discounting the free cash flows to equity based upon the required rate of return to equityholders. The FCF’s calculated are after all financial obligations, including debt-payments, have been met by the company (Damodaran, 2012). The FCFE-method is presented on the following page;

$$\text{Value of Equity} = \sum_{t=1}^{t=n} \frac{\text{Free Cash Flow to Equity}_t}{(1 + k_e)^t}$$

where *Free Cash Flows to Equity* is the cash flows available to equityholders after all financial obligations is accounted for, and k_e is the required rate to equity. It is important to remember that his method values the company from an equity-viewpoint, not an overall value of a leveraged firm. The value of equity can be understood as the present value of what equityholders will receive from holding equity in the firm; either through dividends or repurchases over the discounting-time. One major advantage compared to the WACC-method is that this method values the equity directly, and it is often easier when confronted complex structures (Damodaran, 2012). A disadvantage is that even though the method calculates cash flows available to equityholders, it does not necessarily mean what they are paid considering that the company often will retain at least parts of earnings. Also, if there occur changes in the debt-equity ratio these changes will influence the required rate of return of equity.

3.1.3 Adjusted Present Value (APV)

The last DCF-method values the firm piece by piece: if the firm was all equity financed, then it adds the present value of leverage-benefits, therefore also including tax shields. Firstly, it considers the firm as an all-equity firm (unlevered), meaning that the company is without debts: the FCF's from WACC-method is discounted by the unlevered cost of capital:

$$\text{Value of Unlevered Firm} = \sum_{t=1}^{t=n} \frac{\text{Free Cash Flow to Firm}_t}{(1 + r_u)^t}$$

Secondly, the benefits of leverage are calculated: the present value of tax shields: depending on the debt level, tax rate and cost of debt: this is the value of debt financing:

$$\text{Benefits of leverage} = \sum_{t=1}^{t=\infty} \frac{\text{tax rate} \cdot \text{cost of debt} \cdot \text{debt}}{\text{cost of debt}} = \text{tax rate} \cdot \text{debt}$$

Lastly, the cost of borrowing is calculated. This is represented by the present value of the probability of bankruptcy and its associated costs. Such a measure can easily be false. One way of addressing this disadvantage is to consider the credit rating of debt as it serves as a

benchmark for its riskiness. When the three stages are completed the value of the leveraged company can be estimated using the following formula:

$$\text{Value of Levered Firm} = \text{Value of Unlevered Firm} + PV(\text{Tax Shields}) - PV(\text{Bankruptcy Costs})$$

One major advantage is that APV can be appropriately used when valuing firms that does not operate with constant D/E-ratios, though this flexibility must be measured up against the disadvantage of the possible difficulty in estimating present values of bankruptcy costs of outstanding debt. APV will produce a more conservative estimate of company value than usage of the cost of capital (Wilkinson, 2013).

3.2 Relative Valuation

Relative valuation is simply put to value a company by comparing it to one or more other similar companies with regards to certain multiples. The intuition is that if company A is worth ten times its own earnings, then the *similar* company B should also be worth ten times its earnings. This is why this method often is called “the market-based approach”. The comparing is possible because the multiples are constructed as standardized prices of different aspects, which then can be generalized when looking at other similar companies.

Multiples that are commonly used in this regard is Price/Earnings, Enterprise Value/Revenue, and Enterprise Value/EBITDA (Kenton, 2018). Industry benchmarks can also be used to compare a company with. Instead of finding an estimate for the intrinsic, or the underlying, value of a company, the estimate resulting from relative valuation is more of a market estimate based on comparable companies. According to Chander Sawhney of *Corporate Professionals*, most M&A transactions are based on relative valuation, not discounted cash flow models (Sawhney, 2016). One important advantage of the relative valuation method is that it does not require assumptions about future affairs at the same level as the DCF-method, as long as the most recent financial data is available. Other advantages are that the information inputs necessary is substantially lower than DCF-valuation, and the corresponding intuitiveness and easiness of using the model.

One major drawback of relative valuation is that the industry-multiples constructed often overlooks different growth rates, returns on invested capital, and capital structures for companies in the industry (Goedhart et al, 2005). This is also called the industry-bias of relative valuation. Even simple P/E-ratios can be misleading when applied to firms with basically the same structures and landscapes. Another issue with this model is that it assumes that market prices are correctly priced, which may not necessarily always be true.

3.3 Contingent Claim Valuation

This approach derives the company value by valuing an option with similar characteristics, using option pricing models. A contingent claim represents a derivative instrument that offers the right, but not obligation, to a payoff which is directly depending on the value of an underlying asset (Karatzas & Shreve, 1998). Such an option only provides payoffs under certain contingencies. Models that value such an option can value any assets that have option-like features (Damodaran, 2012). The basic models used to value options are the Black-Scholes Model and the Binomial Model.

Advantages of the contingent claim valuation method includes that they make it easier to value assets that can be difficult to value using DCF-methods, such as equity in firms currently embroiled in distress. One disadvantage when using contingent claim valuation is that it assumes constant level of dividend yields and variance, which is difficult to defend in the long-term even though it may hold in the short-term. Another disadvantage is that if the underlying assets are not currently traded, the inputs required for the valuation must be estimated instead of derived from financial markets, which could potentially create valuation errors and ultimately make the valuation method uncertain and unreliable.

4. Choice of Model

The previous chapter presented three different approaches to valuation, with discussions on what kind of information inputs that are required, what sort of assumptions each approach relies on, and the different advantages and disadvantages associated with each approach. This chapter will discuss the company-specific situation of Attendo, the market it operates in, and explain which valuation approach is best suited for this company.

Attendo operates as a private provider of healthcare services directed mostly at people in the older demographics. This industry is obviously not new in any sense, considering elderly people have needed and demanded care services as long as there have existed elderly people, although in the Nordics the industry can be viewed almost as an emerging market. As a privatization wave have occurred, and continues to occur, new market shares formerly provided for by public services are now offered to private companies at an increasing growth. The portion of private providers in the Nordic region is below both the European and Western standards (Attendo, 2019d). Therefore, relative valuation methods might give unreliable results in the case of Attendo. There are few other large private care providers in the Nordics that Attendo can be compared against, and comparisons with other companies that operate in non-Nordic markets can also give erroneous results. In order to get the most reliable estimate of Attendo's value the best method is therefore an DCF-valuation, where the goal is to find the intrinsic value of Attendo.

As Attendo is publicly listed on the Nasdaq Stockholm, both annual and quarterly information regarding its financial standings is easily available and free, as is information concerning its operations and general future aspirations. The information inputs needed in order to conduct a DCV-valuation method is available. This thesis will use the WACC-model of DCF-valuation, with a relative valuation afterwards. This is done in order to compare the results from the WACC-model with results from a different valuation method.

5. The Healthcare Industry

The healthcare industry in the Nordics is different in many aspects than anywhere else in the world. First of all, it is almost completely publicly financed and everyone in society have access to it, as the access to the same quality and the same prioritization, which is regarded as an equal right of every citizen (HealthManagement, 2010). The health and general well-being of all citizens is regarded as one of the most important aspects of the Nordic welfare state and is generally agreed upon by virtually all political parties represented in all Nordic countries (Spekter, 2013). While some political forces might disagree on the organization of the public services, or the way of financing the system, the goal of universal and equal healthcare, throughout a citizen's life, has been and still is strongly agreed upon (Regjeringen, 2018). This can be regarded as a main factor of the *social contract* of the Nordic countries, where in theory relatively high levels of taxation on the individual is traded for predictable, reliable and equal healthcare which covers everyone (Laskar, 2013). The idea that the government is ultimately responsible for its citizens' healthcare and well-being is predominant in the Nordic region.

Considering that the government is responsible for the general healthcare and well-being of its citizens, this is especially important with regards to elderly people. People above the age of 55 make up a substantial proportion of the total resources allocated to the healthcare industry, with over half of total spending in the US is used solely for this demographic, and people aged 65 or older represents around 36 % of total spending on healthcare in the US (Sawyer et al, 2019). These numbers are generalizable as the demographic composition and general way of life is comparable between the US and the Nordics. This only shows that healthcare specialized towards elderly people is important considering the market size. Because of the proportion of elderly people with concern to the usage of healthcare services, it is important to assess the demographic group they represent. Figure 2 on the following page presents the total population of Norway, Sweden, Denmark, and Finland, divided into different age groups as of 2017 (Statistisk Sentralbyrå, 2017). The total population in these countries in 2017 was 26.5 million. In total people aged 65 or above makes up around 19,2 % of the total population, and this number is expected to rise. Iceland is not included in this analysis, even though it is a Nordic country, because Attendo does not conduct any business in Iceland as of 2019.

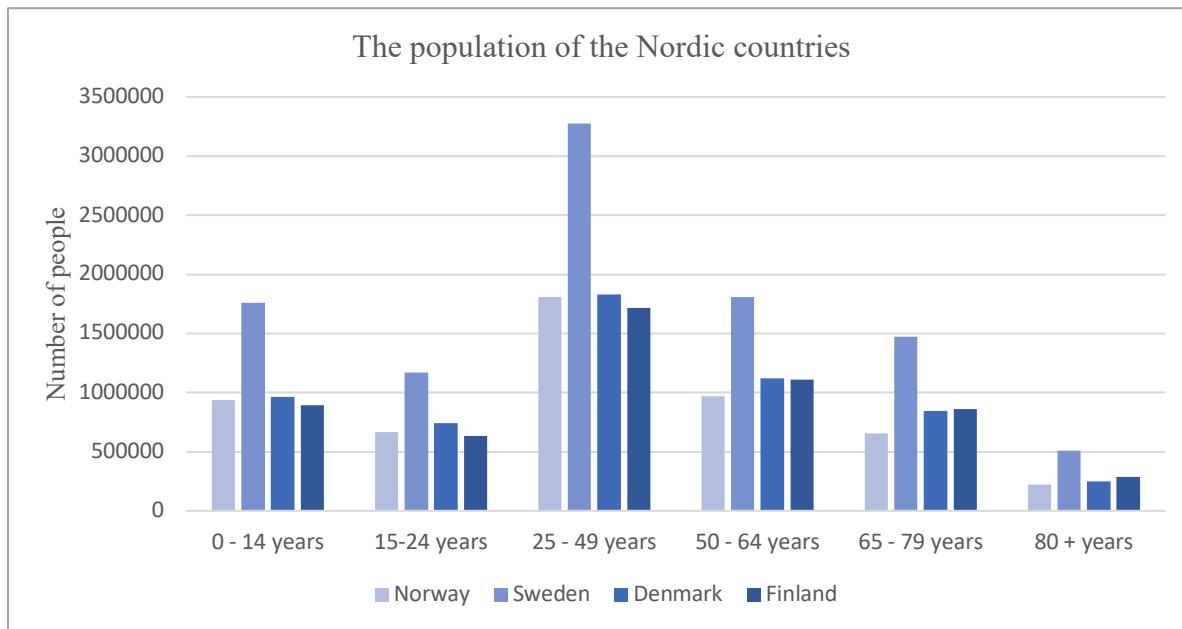


Figure 2: population of the Nordics divided into age-groups (Source: SSB)

Most of the elderly people in these countries either live at home (alone or with a spouse), or in a nursing home. Many of the people living at home are customers of home services, where the healthcare is received at home. Few elderly people are hospitalized, as this is mostly done when faced with serious life-threatening or acute illnesses or sicknesses. Attendo is a player in the care for elderly people in the Nordics, in their day-to-day activities and well-being, not when they are experiencing life-threatening situations. This day-to-day care sector of the healthcare industry is naturally oriented towards elderly people because of their general needs, and it is a more suitable area for the patients/users to have greater control and decision-making rights over own treatment. In a hospital, a patient is more or less just a subject of professional decisions. The Nordic countries spend a total of around 10 % of GDP (2016-numbers) on healthcare, and the life expectancy rate is higher for both women and men when compared to the EU-standard or the US-standard (Nordic Statistics, 2018).

Continuing, this chapter will discuss the healthcare industry in the Nordics in more detail. First there will be discussions regarding general legislative developments and privatization, followed by a breakdown of the situation in the different Nordic countries, and the contributions from the different countries to Attendo's position. Lastly, each of Attendo's business areas will be discussed, with a summary and a market outlook at the end.

5.1 Legislative developments and privatization

Attendo is a private company operating in an industry traditionally only served by public care companies often financed directly by either local or state government. Even the slight idea of non-public services in this field is considered as an opposition to the welfare state and therefore unacceptable by some political forces. A couple of decades ago, non-public providers were basically unheard of, except for some small, non-profit units operating in the context of charity. In accordance with the general privatization process that has occurred in the Nordics in the last couple of decades, care services dedicated towards mostly elderly people is more and more carried out by private providers, either through direct ownership over nursing homes or the task of doing operations as an agent for the government as a principal (Doksheim, 2018).

The industry has not been experiencing deregulation, which is a process of removing or lowering either laws, regulations or demands associated with an industry, but rather privatization (Dovemark et al, 2018). In a legal sense, the government is only obliged to finance the healthcare through the system of a welfare state, not necessarily to actually operate or run care services itself. If the same level of equality, and the same level of costs, to services is provided through other operators than the government, there will be no legal ramifications on the part of the government. There does exist user fees, but they are relatively low.

As with other areas of society that has experienced privatization, the healthcare industry is expected to at least continue in the same degree of privatization as it is today (Svallfors & Tyllström, 2017). Even though some political forces might be strongly opposed to the process, the cost reductions often associated with the increase in efficiency, or decrease in operating costs, ultimately benefits taxpayers who the political leaders are dependent on (Eggers, 1993). Increased privatization also gives room for possible increases in quality, efficiency and innovation that is often related to competition, as the situation without private providers gives governmental operators few incentives to change current status quo. Synergies of positive political views on privatization and increased actual privatization can create market situations where providers such as Attendo compete to the degree that users/patients ultimately receive overall better and more efficient services (Goodman & Loveman, 1991).

5.2 Attendo's operating countries

5.2.1 Sweden

Sweden facilitates the largest market in the Nordics, this is mainly because of the relatively large population, but also because Sweden has undertaken larger privatization efforts than any other Nordic country as of 2019 (Dovemark et al, 2018). In 2011 roughly 17 % of the providers of care homes for elderly were non-public (Molinuevo & Anderson, 2017). As of 2018, 1/3 of municipalities have private elderly home providers, while 20 of a total of 290 municipalities has a majority of private rather than public (Szebehely, 2018). This is closely linked with which political forces are in charge in the different municipalities, as there is very likely that a municipality that has outsourced its healthcare obligations is one where a party on the traditional conservative side on the political spectrum is, or have recently been, in power. The level of industry competition in Sweden is considered to be quite substantial, and more severe than in the other Nordic countries, given that there are currently five providers viewing themselves as competitors; Attendo, Ambea, Frösunda, Förenade Care and Norlandia, as well as competition with public providers.

One way of assessing whether the public opinion is in favour of the ongoing privatization, and therefore the existence of private providers, is to look at political polls showing what types of political parties that have experienced upswings and downswings over the last 10 years. In Sweden, political parties with positive views towards the existence of private healthcare market has remained relatively stable over the years (Politico, 2019). Even though some political parties' share goes up and others goes down, the share of parties that share common views on private healthcare is relatively the same. This is closely related to the current business climate in Sweden for private providers, given that the easiness of doing business is affected by approval ratings, and that the political leadership can be assumed to friendlier towards the industry. Attendo's position in Sweden is well established, having operated in Sweden for all its years of existence and being that Sweden is its home country. 52 % of Attendo's net sales come from Sweden, making it the market where Attendo has collected most of its revenues throughout all the years it has operated.

5.2.2 Norway

Norway is in many ways different than the other markets that Attendo operates in. First of all, the country is not a member of the European Union, although it maintains close economic ties with Europe through the common market and Schengen-agreement. One major difference between Norway and the Nordic countries is that very few, if none, private providers has the opportunity to operate own facilities. The Norwegian market consists almost solely on governmental outsourcing of contracts to manage publicly owned nursing homes and home care services. Public opinion is more negative on this matter than in the neighbouring countries, based upon the fact that even though there has been a conservative government since 2013, there have not been significant changes to this public perception. This can be regarded as at best sceptical thoughts towards private providers. Many of the political parties represented in parliament are strongly opposed to the privatization efforts.

The competition level in Norway is roughly the equivalent as in Sweden, even though the market is smaller and faces a relatively more hostile operating environment. Competition towards the lesser market is therefore quite severe, and the market is not necessarily expected to grow further without more predictable political signalling. At current date, the political forces currently in charge in Oslo has, for instance, signalled that they wish to abolish all private providers of healthcare services, excluding only non-profits. The private competitors in Norway are Attendo, Ambea, Norlandia and Unicare, as well as public providers. The Norwegian market represents around 4 % of Attendo's net sales (Attendo, 2019b).

5.2.3 Denmark

Through the Health Act of 2007 the Danish healthcare industry were privatized as users were for the first time given the free choice of health care provider, signalling that the public providers were having difficulties, or unable, to provide services of satisfactory standards to the public (Møller Pedersen et al, 2011). The market is relatively large, where today private providers make up roughly 17 % of nursing homes, and this number is expected to increase (Attendo, 2019b). The healthcare industry in Denmark is described as a public-private partnership, which also says something about the Danish views about the private providers

access since 2007 (Henriksen, 2018). The Danish market could be viewed as attractive given both its public support and the governmental friendly attitude towards it, as the Danish government views the private providers as partners in the challenge of providing quality services instead of competitors to public services.

The level of competition in Denmark is relatively low compared to both Sweden and Norway, mostly because of the steadily increasing market over the years and the general friendly attitude from governmental regulators. This is nevertheless expected to rise given the expectation that the market size will increase, and the future potential profitability of the Danish market. Important competitors in Denmark are; Attendo, Ambea and Förenade Care, and public providers. The Danish market currently only represent around 2 % of Attendo's net sales, therefore the potential for growth in this market is substantial.

5.2.4 Finland

The Finnish market represents Attendo's second largest market based on revenues and is in many ways fairly equal to the Swedish market. The same process of privatization has occurred in Finland over the last decades and the Finnish government is currently debating the finalizing aspects of a new health reform which is expected to allow increasing privatization in all sectors of the healthcare industry (Export, 2019). The basis behind this reform is the same as in the other Nordic countries; to prepare the industry for the oncoming increase in net elderly people by reducing costs and increasing quality associated with opening up the industry to private providers. Around 50 % of the total market for nursing homes is already operated by private providers, which is therefore expected to rise significantly under the new reform (Attendo, 2019b). Public and political opinion towards private companies can therefore be considered to be friendly. The level of competition in Finland is characterized by a relatively large market operated by few providers, mainly Attendo, Esperi, Mehiläinen, and public providers. As the number of public providers is expected to decrease, and private providers to increase, competition is expected to rise. Attendo is in an attractive position in this regard, as it has the means and will to compete for new market shares in the coming years.

5.3 Nursing homes

Nursing homes is defined as a facility for people who are not eligible for traditional hospital care, but also does not have the capacity to provide satisfactory care for themselves at home (MedlinePlus, 2019). Often it is also a facility that provide 24 hours a day care service to users. By this definition most people who are in need of nursing homes are elderly people, usually also combined with some sort of mental illness that create specific memory-related issues with living alone at home, like Alzheimer's disease. Nursing homes is what most people associate with homes for the elderly.

A typical nursing home in the Nordics consists of several apartments for users, common areas and administration-specific rooms. They are often attempting to create a type of home-feeling related to the facility based on the assumption that such feelings are beneficial for the mental well-being of the users. Therefore, own apartments with private bathrooms is the norm. Many facilities operate assistance-service by nurses 24 hours a day, considering that many users may require help during all hours of a day. Because of this, costs related to nursing homes are typically quite high. As an example, Attendo's total operating costs have averaged around 90 % of revenues over the last five years. Most of the users who come to a nursing home will remain a resident the remainder of their life. This is a contributing factor to why the turnover rate for nursing home apartments can be quite high, as many residents can remain in the facility for years to come. The service that nursing homes offer is therefore not a service where demand is driven by economic factors, by more by the share number of elderly people in the society.

5.4 Home care services

Home care services, sometimes also referred to as in-home services, is a professional healthcare service provided to people on a daily basis in their own home, mostly in the form of assistance in daily activities (Genet et al, 2012). People with disabilities, or elderly people with need of relatively light assistance, are normally the people that has a need for this kind of service. Either local government outsources its obligations to private providers, where the providers are paid per time spent with each user, or the users pay for the services themselves. As this service is provided at the users own homes, difficulties in operating efficiency is more

severe than in a regular hospital-setting. In urban places, ordinary occurrences such as traffic can create situations where home care nurses or personnel often are late to the users, and where this lateness can affect all visits that particular day. On the other hand, the situation in rural areas where the distances between users can facilitate situations where nurses or personnel has to spend more time travelling than actually providing services. Exogenous factors such as traffic and distance create difficulties in the logistics behind home services that is not easily to overcome.

The demand for home care services is expected to rise at the same rate as the demand for nursing homes, based on the same underlying factors and assumptions. Operating costs are relatively high with regards to home services (Attendo, 2019d). Salary costs are consistent with personnel located within hospital-settings, but the optimization of personnel and time is more complex and difficult. Therefore, costs are more volatile, and random eventualities can to some extent determine the profitability of an employee on a specific work day. Operational efficiency through consistently accurate forecasting and logistics are crucial to profitability.

5.5 Specialized homes and services

People with disabilities, and individual and family care, make up the main users of specialized home services. This includes homes or services specialized for people with disabilities, families or children with special needs, and people with neuropsychiatric conditions (Attendo, 2019d). These services are less homogeneous than services provided in nursing homes or home care, meaning that they can strongly vary with regards to complexity, intensity and difficulty. The demand for such services is also much harder to determine, as there is no underlying factor that can be defined as the main contributing drive. The market for specialized homes has been, and is expected to continue to be, a relatively smaller portion of Attendo's net sales. There is no expectation of increased relative growth in the market, and there are no special legislative or governmental developments that suggests any short-term future changes in the market structure. Around 24 % of Attendo's net sales comes from services offered people and families in this segment (Attendo, 2019d).

5.6 Market Outlook

The market for care services is, for the first time in Nordic history, experiencing an era of privatization and liberalization, which opens up the path for private companies to operate and create profitable ventures in that business area. This development is expected to continue in all countries, where the only exception might be Norway where the political signals still certifies that there can be political changes where privatization efforts are undone, and situations where services operated by private companies are retrieved back to public providers. There is still significant public dominance in the market, throughout all the Nordic countries, although this dominance is, in general, expected to decline.

The underlying contribution force of an ageing population helps the demand for care services to increase annually, as more and more people will be present in the age group 65+. This drive, in combination with the fact that these services are demanded mostly regardless of economic factors, help to create a market with a potential for increased profits in the future. There are also few, if none, technological or innovative developments that currently has the potential of undermining these services or making them redundant.

At current affairs, the market is also characterized by many very small providers and a few large ones (with the exception of public providers). For instance, Attendo lists a maximum of seven private competitors throughout all the Nordic countries and of them Attendo is currently the largest provider. These conditions are positive for all private providers, and especially large ones that has the possibility of acquiring new market shares through growth or acquisitions. In summary, the privatization phenomenon in the Nordics is, in combination with increased demand through demographic changes, few alternatives available, and small chances of technological changes, creating an attractive market that has the potential to deliver future profits to private companies that manage to successfully supply it.

6. Strategic Analysis

The last section covered the healthcare industry in the Nordics, which is critical to understand when estimating future expectations and results. This section will focus on the strategic environment that Attendo operates in, with regards to the competitiveness of the market through Porter's five forces framework, and determination of Attendo's firm-specific attributes and capacities to cope with the market competition through a SWOT-analysis. The goal is to determine how Attendo can cope with competition and be profitable in the future. Results from these two analyses combined with industry information from the previous section are central inputs in any fundamental analysis.

6.1 Porter's Five Forces

Porter's five forces is a framework utilized by many organizations to determine the overall competitiveness of a market, and therefore profitability, in the environment in which they are located. It is a structure-conduct-performance (SCP) framework where the underlying idea is that the performance of an industry is determined by the companies within the industry, that in turn are depending on the market structure (Stuckey, 2008). Structure are the stable variables that affect the behaviour of agents in the market over time, conduct is how those agents behave amongst themselves and each other, and performance is measured by comparing results of the firms that make up the agents (Policonomics, 2017).

Porter's five forces is about competitive strategy and how five forces in an industry can explain a company's position and ultimately success in that industry (Chappelow, 2019). These forces are the influence of new entrants and substitutes in the industry, the power of customers, the power of suppliers, and lastly the level of industry competition. Figure 3 illustrates Porter's framework. All in all, these forces determine the competitiveness of an industry, which then establish the structure that influences the profitability of the agents in that market (Porter, 2008).

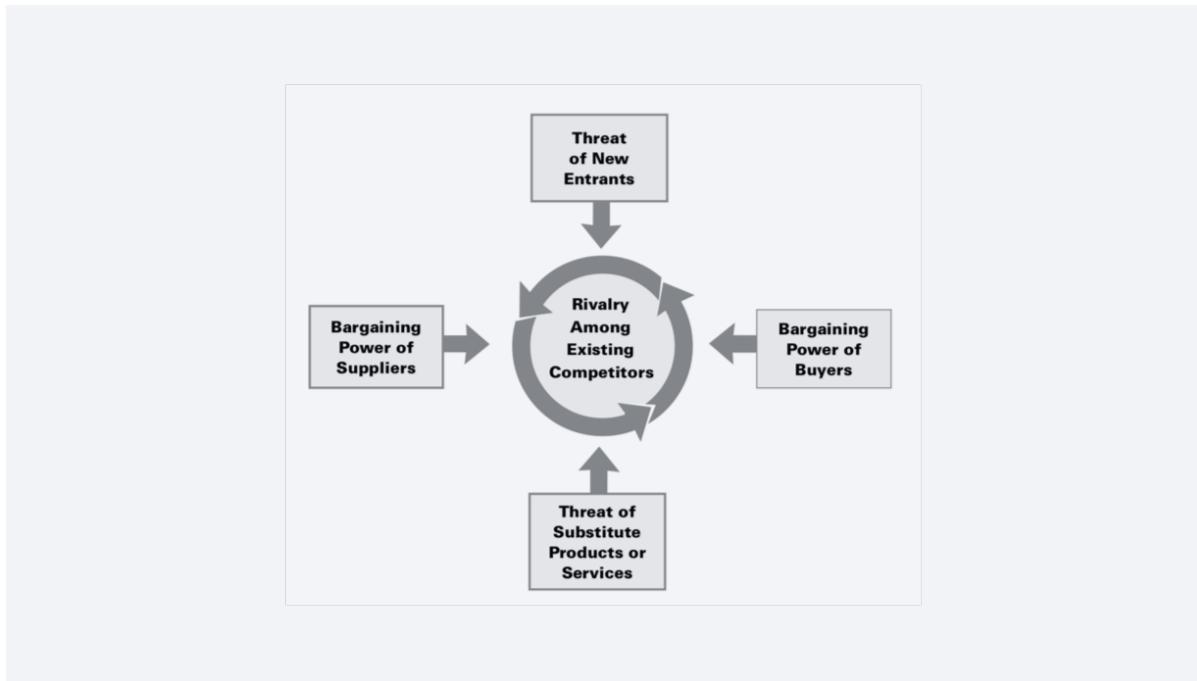


Figure 3: Porter's five forces framework (Source: Porter, 2008)

6.1.1 Threat of new entrants

The possibility of new entrants in the market will affect the current prices and costs in that market. If barriers to entry are low, where new competitors relatively cheaply and with low efforts can start to operate as a competitor, the increased competitiveness will drive down prices in the market. Typical barriers to entry include experience, tax benefits to existing firms, patents, brand identity, customer loyalty, high customer switching costs, high capital requirements, and regulatory clearance before operation, among other (Hayes, 2019).

The healthcare industry is special in many ways, especially when it comes to these barriers to entry. In the Nordics, the approval and regulatory clearance of the government is decisive in order to operate in the market as the government acts as the customer when outsourcing their obligations. This means that new entrants cannot easily start to operate without governmental approval, where the government often has decided that private operators needs to satisfy certain standards and rules. Even though a company might meet these expectations, political will can always determine that private companies are not suitable given that they are not public and decide to not grant out new contracts and licences. Overall, governmental permission is crucial and is by most standards a considerable barrier.

There exist few tax benefits, or other forms of benefits, from operating within the healthcare industry, as many political parties and forces have set goals that there should not even be possible to make profits on providing healthcare. Experience is important, as in all industries, but not absolutely crucial in order to succeed. New operators with new strategies can hire the required professional personnel and win governmental contracts without any experience, though it does help if there exist recognition and general awareness of a company's history and past successes. There are few to none patents or intellectual property aspects that affect this particular industry. The government often acts as the customer on behalf of the people that they have an obligation to provide healthcare for. This implies that the brand identity and customer loyalty might be low as the government is not the actual user of the services they buy. Considering that the people they buy services for eventually decides who controls the government, user satisfaction and possible opposition to new entrants is an important role in this industry.

New entrants can expect a relatively long start up stage, where winning of governmental contracts or general approval can be time consuming. The fact that there are requirements of having professional personnel implies that a new entrant has to compete for existing personnel, or newly educated personnel, that one can assume established operators will go a long way of ensuring that does not leave or choose a newly entered provider.

6.1.2 Threat of substitutes

Substitutes are goods or services that are easily interchangeable with another good or service in the eyes of the consumers. This perception can be considered to be quite low in the healthcare industry, as there are few alternatives to for instance nursing homes or home care services. People that are in need of these kinds of services often does not even have the ability to take care of themselves, and the services they receive are crucial to their well-being and even survival. Public providers can be defined as substitutes, although when winning governmental contracts, the competitiveness between public and private providers are not necessarily the most important determining aspects for the government. They perceive outsourcing more as a way of reducing costs, not as a direct substitute service.

6.1.3 Bargaining power of customers

As previously states, the customers in this market is mostly the different governments that outsources the healthcare obligations to private providers. As with all negotiations, the government can negotiate the level of profitability down, either by negotiating lower buying-prices, better quality services, or a higher quantity of services. Individuals are not considered suitable for these kind of negotiation powers, as prices are mostly given for them. They do have the power of rejecting to buy extra services from the private providers, although they must do so *en masse* in order to force changes to current price or quality levels.

Considering the fact that the government is obviously the only government that private providers can win contracts with, the bargaining power of customers in this industry is particularly high. The government does have pressure on them for providing healthcare services to their constituents; however, they can always do it themselves with relatively ease. The defining governmental drive is ultimately to provide services at the lowest possible costs, so that the tax burden on their voters is as low as possible. In this case the bargaining power does fall, as the possibility of new entrants to gain access to the market is quite low as discussed in the previous section. A government that does wish to outsource these kinds of services are to a certain degree given the already established providers in the market, and their bargaining power therefore decreases. The services that this market provides is by most standards relatively standardized, as people are in need of often similar ways of getting help because of normal illnesses or through typical human functionality disabilities.

All in all, the bargaining power of customers in this market is considerable. There are few, if only one, customer that does have the ability to choose between, though few but some, providers. The services are relatively standardized such that the defining decision-making factors often are prices and quality of services. The threat that the government always have the opportunity of backing down from the negotiations and deliver these services themselves are not only a possibility, but also something that does happen. The 2015-elected Oslo city council decided that they would not extend current contracts with private for-profit providers, primarily out of ideological reasons (Berge, 2018).

6.1.4 Bargaining power of suppliers

The power of suppliers is defined as the risk that suppliers can increase prices or change the level of quality on goods or services (Dälken, 2014). If there exist few suppliers, or if the products or services they supply are heavily non-standardized, the bargaining power of suppliers can be considered high. The level of concentration of suppliers is therefore crucial when evaluating their impact of the bargaining power. If there is a high level of availability of alternative customers for suppliers, this will also affect their relative power.

In the healthcare industry, most suppliers are supplying relatively standardized products such as different kinds of equipment, medicine, and user materials such as diapers. Very few of the supplier's supply products that pose as potential bottleneck products, or products of special key importance. The delivery of products such as medicine is naturally of high importance, but the individual suppliers are in either high level of competition among other suppliers, or they are limited on what they can charge for their products by governmental regulations or standardizations. The same applies to the level of quality that their products must have.

The supplement of other products is also defined by the fact that there are many suppliers, and that there is a high degree of standardization. When it comes to services supplied, these are also relatively standardized; such as accounting services, banking services, and communication services. There does not exist a single product or service that the healthcare industry needs that impose a high degree of uncertainty or low standardization. The supply of labour is also considered to be relatively certain, given that the need for professional labour is met by the need for those professionals to work in a certain type of company, and that non-educated labour always is in a relatively high supply. These factors contribute to the relatively overall low bargaining power of suppliers in this market.

6.1.5 Competitive rivalry

The overall level of competitiveness in the market is dominated by the level of competitive rivalry between providers that compete for the same customers. This kind of competition is what is normally considered when analyzing competition in a market. The different forms are typically price and quality competition, and this normally functions as drivers for innovation, goals and behaviour. In a market with perfect competition, with homogeneous products, firms will compete away profits when prices stabilize in equilibrium where the marginal costs equal the marginal revenues (Pettinger, 2019). This is an extreme case that should be viewed as a result of a market structure subject to strong assumptions that are not necessarily realistic. There is significant competition in the healthcare industry, however it is by no means more significant than typical market competition. Different providers do compete on governmental contracts and individual users, but they are not engaged in heavy competition such as companies in other industries, for instance in retail or clothing. When a customer has decided upon a provider, the customer is locked with that provider until the contract expires. There are no easy ways of leaving a contract before expiration date without significant breaches of the contract by the different subjects of the contract, which is regarded as extraordinary and uncommon. The competition for individual customers that either buys these services themselves without any governmental interference, or individuals that decides to buy extra services from the providers, is limited because of the relatively high switching costs for the individuals. However, there is increasing competition by offering quality services to relatively affluent users that demand reliable, convenient high-quality services. Non-profit and public providers will drive down the price roof in the industry, however they often do not compete with regards to quality and the spectre of services provided.

Although the competition for customers is relatively low compared to other industries, the overall competition for governmental contracts and individual users is still notable. Governments will ultimately decide upon the lowest price when comparing providers with similar quality, and affluent individuals will decide upon the provider with the highest quality. All things considered, the level of competitive rivalry in the healthcare industry is regarded as normal, with low potential for extreme price or quality competition, and low potential for a situation in which there is no competition.

6.1.6 Conclusion

The overall assessment of the healthcare industry's level of competitiveness is that is in no significant ways abnormal. The bargaining power of customers, i.e. governments and individual users in this industry, is perceived to be relatively high and of highest importance. They have the potential of driving down prices and profits in the market, but they do not possess special abilities to making the industry unprofitable. The services provided by the companies in the industry is in demand, and the government is obliged to offer them to their constituencies. The competitive rivalry is also regarded as normal, there are no signs of extreme competition nor signs of no competition. Overall, prices will most likely remain at a level that offers the potential of profitability. Table 1 below summarises Porter's five forces when applied to the healthcare industry.

Porter's five forces: healthcare industry	Perceived level
Threat of new entrants	low
Threat of substitutes	low
Bargaining power of customers	high
Bargaining power of suppliers	low
Competitive rivalry	normal
Total perceived level of competitiveness of market	normal

Table 1: Summary of Porter's five forces analysis

6.2 SWOT Analysis

As the previous section discussed the overall competitiveness of the healthcare industry on an industry-level, this section will expand the strategic analysis by analyzing Attendo's firm-specific attributes when confronted with this market through a SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats, and is commonly used by companies to evaluate their competitive position when conducting strategic planning (Grant, 2019). The framework focuses on internal and external factors that determine the level of suitability a company has when evaluating their own competitive position. This section will therefore discuss Attendo's strengths, weaknesses, opportunities, and threats with regards to their position in the healthcare industry. The strengths and weaknesses can be assessed as elements of Attendo's internal attributes, while opportunities and threats are attributes of the market that Attendo operates in. The goal of the SWOT analysis is to determine if Attendo has the decisive attributes to succeed in the healthcare industry in the future, which is essential when forecasting future expected cash flows.

6.2.1 Strengths

The overall goal of in this subsection is to determine the internal strengths that Attendo possess that increases their competitive advantages and ultimately their probability of increasing future profits or maintaining them at today's level. Competitive advantage is defined as attributes that make an entity's goods or services superior to that of competitors (Amadeo, 2019). These strengths that determine the competitive advantage are inherently internal attributes of Attendo, as they are not directly affected by the business environment or the market structure. They are result of how Attendo decided to structure itself, and how it aspires to create valuable services that customers will buy, both now and in the future.

First of all, Attendo's business model is the company's stated strategy on how to create profits. Business models is basically a company's plan on how to make profit by identifying the services that the business will sell, the target market, and the expenses that is anticipated when making those profits (Kopp, 2019). Attendo's business model is that is strives towards being the leading private provider of care and healthcare services in the Nordics, and their stated

strategy on how to accomplish this is through providing services with the best quality where the users have as much autonomy over their own life as possible.

Experience is crucial and highly important in every industry. Attendo is a long-term player with a high level of experience in this regard, as it has operated for over three decades. This can in many ways be considered an important contribution to potential competitive advantages as it makes it easier for Attendo to operate within this industry. The healthcare industry is an industry where innovation mainly consists of new medicine or new treatment methods, not necessarily directly on new operating technology. Even if new treatment methods and medicine is a probable future state, Attendo will, through its established experience, be suited for adapting and implementing such measures to already existing operating ways. With vast experience on a human level, Attendo is also suited to understand how such measures should be implemented while maintaining the concern for individuals and how their perceived encounter with new treatments, medicine and equipment is crucial for their well-being and satisfaction. As stated in Attendo's strategy and visions, such as empowering the individual, and is considered an important factor of the competitive advantage in this industry. Experience will most likely contribute positively on towards succeeding in this area.

Another relatively new concern is sustainability. Considering that governments often inhabit the role as customers in this industry, sustainability is increasingly important as governments more and more are obliged about focusing on sustainable growth and production. The healthcare industry is no exception, and companies with focus on sustainability can potentially be more likely to succeed in obtaining future governmental contracts. Attendo is strongly focused on sustainability and has imposed numerous efforts to becoming more environmentally concerned, and it reports its progress through annual reports.

Another strength that improves the competitive advantage is Attendo's international diversification, as it is located in four different countries. This improves their standing when faced with geographical risk, mostly political, and should be considered an important feature of their competitive advantage.

6.2.2 Weaknesses

The internal weaknesses of Attendo will increase the potential for losses, and decreasingly profits, as it lowers their competitive advantage and their overall competitive position. Weaknesses can come in different forms and affect in different ways, and this subsection will highlight some of the most profound weaknesses identified at Attendo.

Attendo's experience can also be considered a weakness when confronted with new treatment methods and ways of doing business if they do not possess the ability to adapt to changing circumstances and environments. If newly improved methods contradict how Attendo usually has conducted their business, they might be in a worse position to transition themselves than a younger competitor with fewer limitations with regards to experience. Overall, experience without the ability to adapt can potentially be a severe weakness when faced with a changing industry.

Another weakness might be that the diversification and operation in several countries exposes the company for increased difficulties in management if the countries were to increasingly differ in how they view and treat private providers in the healthcare industry. If such a situation were to arise, the management of different ways of conducting business with the different governments might increase transaction costs and making the company relatively less competitive advantageous than domestic rivals in each country. Though the probability of such events occurring to the level of massively increased costs is significantly low. All the countries that Attendo operates in are stable democracies with relatively slow-working institutions, which lowers the overall risk of such events occurring. Nevertheless, it is feasible that small changes can gradually alter the way the countries functions with regards to healthcare. Attendo's position can then potentially be a factor that decreases its competitive advantage.

6.2.3 Opportunities

This subsection will discuss possible opportunities Attendo is faced with where there is substantial potential improvements opportunities or new opportunities altogether. As this thesis is trying to forecast future expected cash flows, contributions from the utilization of opportunities can be important inputs in the valuation.

The most emerging opportunity available in Attendo's environment is the ageing population in the countries of operations. More and more people will be in demand of the services that Attendo offers in the future, regardless of political developments and societal changes. There are no current signs of easier solutions than nursing homes and home care services to people that are in need of such services. Even though future medicine and treatment methods might impose easier and cheaper ways of solving these issues, there will still, in the foreseeable future, be demand for Attendo's services. This is the main opportunity that Attendo is currently well positioned to seize, and the underlying factor of the opportunities further discussed in this subsection.

As a result of the ageing population and the increasing pressure on public finances, further privatization efforts in the countries that Attendo currently is operating in is probable. More privatization means that Attendo's market share can grow and the opportunity for increasing profits is present. Also, further expansion in Norway and Denmark is an opportunity as the market share in these countries are significantly lower than in Sweden and Finland. There is also the opportunity to expand home care services to Finland and Norway as Attendo currently does not offer these services to these countries. Lastly, expansion to other countries outside the Nordic region represents an opportunity. The ageing population phenomenon is not limited to Sweden, Denmark, Finland and Norway, and there is potential for gaining attractive market shares if an expansion to other European countries were to occur. Expansion to other EU-countries does not necessarily impose immense costs upon Attendo as both the economic and judicial systems are already integrated. The common market agreement also ensures that this opportunity faces no extraordinary legal constraints.

6.2.4 Threats

This subsection discusses the potential threats that can impose negative consequences upon Attendo's future expected cash flows, either by diminishing potential profits or by deteriorating its business environment.

The main threat that faces Attendo in the future are changing political climates and restrictions on private providers due to ideological argumentation. As is the case in the Nordics, most of the private operators are in business as a direct or indirect consequence of privatization of formerly public services. Traditionally, the conservative parties in the Nordics have been the main advertisers and promoters of privatization, while the socialist parties have been more in favour of maintaining a public monopoly on providing these services to the public. The political centre, often settled around the historically large labour-parties, have been increasingly in favour of privatization over the last decades, which is also one of the main reasons why exactly this phenomenon has occurred. Although this development might seem likely to continue, possible political shockwaves can develop. Increasing polarization of the masses, combined with relatively less stable centre-parties in the Nordics, can possibly give rise to political forces that regard private operators as ideologically misfit to provide services to the public.

If such political events were to take place, the foundation of Attendo's business model would possibly collapse, and their business environment could be severely deteriorated. Even though this extreme-case event is very unlikely, it displays the ultimate threat facing Attendo. General political unwillingness to extend contracts or to offer operational responsibility over care services to private providers is a significant threat that should be considered.

6.2.5 Conclusion

Attendo's experience is a crucial strength of the company as it allows the firm to operate, expand and develop its services on a foundation of solid human know-how and professional knowledge. The focus on sustainability and that the users of the services maintains a certain degree of autonomy, are factors contributing towards Attendo's goal of creating the best quality services in the market. The international diversification also allows Attendo to gain experience from a broader source than that of its domestic competitors. Nevertheless, Attendo's experience can also serve as a pitfall if it leads to overconfidence and negligence of the need to always adjust to changing consumer demands. The management of four different political climates might also be difficult at times, especially if the general attitudes towards private providers changes.

All things considered; this SWOT analysis has revealed that Attendo is currently well positioned, considering both its internal strengths and weaknesses, and the external opportunities and threats it faces. The company has the opportunity and ability to seize the potential increased profits involved with the ageing population and privatization-process that is currently happening. The strengths of Attendo is examined to weigh more than its weaknesses, and the external opportunities are more likely to arise than the threats described, such that Attendo all in all is in a good position to manage future challenges and create value through supplying demanded performance.

7. Financial Statement Analysis

The focus of the two last chapters has been on the healthcare industry in the Nordics, and both on industry- and company-level strategic attributes and aspects. In order to estimate future expected cash flows with reliability the historical performance of Attendo is crucial. Therefore, this chapter will focus on the historical financial statements as stated in the annual reports and will be the basis for predicting future financial affairs of the company. A five-year historical lookback is being considered for this analysis, with the overall objective of creating a foundation for forecasting future performances.

7.1 Historical Performance

Because of Attendo's listing on Nasdaq Stockholm in 2015, numbers from annual reports reported since 2015 has been chosen as the basis of this analysis, presenting a five-year overview over the company's financial statements. Table 2 shows the consolidated income statements in SEK million from 2014 to 2018. As we can observe, Attendo has been experiencing an overall positive trend with concern to sales in the last five years, with the exception of 2017, even though the growth has been quite volatile. The reduction in 2017 originates from the selling of healthcare facilities in Finland.

Considering that Attendo's revenues comes from operating healthcare facilities, personnel costs are expected to increase as the number of nursing homes and care facilities increases. When acquiring new nursing homes through contracts, or building own, the increasing net sales must be met by an increase in personnel. There are difficulties involved with increasing efficiency, and lowering the number of employees, when it comes to providing care services. A new facility that can increase sales require investments in more personnel. Attendo has over the years increased their capacity, which is part of the explanations why their revenue growth has also been quite volatile. Nevertheless, Attendo has managed to deliver positive operational results each year. One major reason behind this is that there are not necessarily massive capital investment requirements when acquiring new contracts, as there is not given that there is a need to build new facilities.

Consolidated income statement, SEK m	2014	2015	2016	2017	2018
Net sales	9 045	9 831	10 212	8 977	10 987
<i>Growth</i>		8.69 %	3.88 %	-12.09 %	22.39 %
Other operating income	14	39	20	17	24
Gross income	9 059	9 870	10 232	8 994	11 011
<i>Growth</i>		8.95 %	3.67 %	-12.10 %	22.43 %
Personnel costs	6 199	6 552	6 533	6 039	7 275
Other external costs	1 900	2 241	2 564	1 931	2 818
EBITDA	960	1 077	1 135	1 024	918
<i>Margin</i>		10.91 %	11.09 %	11.39 %	8.34 %
Depreciation, amortisation & impairment	153	190	224	224	349
EBIT	807	887	911	780	569
<i>Margin</i>		8.99 %	8.90 %	8.67 %	5.17 %

Table 2: historical operational income statement (Source: Annual Reports)

The EBITDA margins have on the other hand been relatively stable since 2014, at around 11 %. The exception in 2018 originates from the fact that Attendo has expanded their capacity with the anticipation of higher future results.

Table 3 below presents Attendo's assets and their respective percentage of total assets. As we can observe from the table, goodwill represents approximately 53 % of total assets.

Assets, SEK m	2014	2015	2016	2017	2018					
Non-current assets										
Goodwill	6 549	67.1%	6 472	69.7%	6 872	69.2%	8 541	66.7%	7 339	53.3%
Other intangible assets	238	2.4%	304	3.3%	591	6.0%	717	5.6%	673	4.9%
Property, plant and equipment	440	4.5%	382	4.1%	438	4.4%	559	4.4%	677	4.9%
Deferred tax assets	30	0.3%	32	0.3%	17	0.2%	62	0.5%	94	0.7%
Other non-current assets	57	0.3%	57	0.6%	61	0.6%	47	0.4%	43	0.3%
Total non-current assets	7 314	75 %	7 247	78 %	7 979	80 %	9 926	78 %	8 826	64 %
Current assets										
Trade receivables	873	8.9%	901	9.7%	955	9.6%	1 204	9.4%	1 050	7.6%
Current tax assets	47	0.5%	38	0.4%	24	0.2%	31	0.2%	108	0.8%
Other current assets	438	4.5%	319	3.4%	300	3.0%	380	3.0%	436	3.2%
Cash and cash equivalents	1 084	11.1%	782	8.4%	670	6.7%	475	3.7%	2 896	21.0%
Assets held for sale	0	0 %	0	0 %	0	0 %	786	6.1%	446	3.2%
Total current assets	2 442	25 %	2 040	22 %	1 949	20 %	2 876	22 %	4 936	36 %
Total assets	9 756	100 %	9 287	100 %	9 928	100 %	12 802	100 %	13 762	100 %

Table 3: historical assets (Source: Annual Reports)

A goodwill ratio of over 50 % is high and means that the company's intangible assets is larger than their tangible assets. Being a healthcare company that operates mainly on governmental contracts, where they do not own the facility they operate, a high goodwill ratio is expected. This type of industry is not asset-intensive, relative to other industries. They provide services that society values, even though they do not own the facilities from where they create this value. The second-largest item is cash and cash equivalents, which in 2018 accounts for roughly 21 % of total assets, that mostly comes from the selling of healthcare services in Finland in 2017.

Table 4 shows the liabilities of Attendo in the same time period. The largest liability is long term debt to credit institutions at 42,5 % of total liabilities. These represent long-term loans to Attendo from institutional lenders and are expected given Attendo's investments in new contracts and new facilities in especially Sweden and Finland. The ratio of long-term debt has been lowered in 2018 as much of it is expected to be paid off by 2018 (Attendo, 2019b). Cash from the sale of the Finnish units makes this possible, and parts of the long-term liabilities are therefore moved to current liabilities. The second largest item is other current liabilities, which are mostly personnel-related liabilities like accrued salaries, bonuses, and payroll taxes.

Liabilities, SEK m	2014	2015	2016	2017	2018					
Non-current liabilities										
Liabilities to credit institutions	5 012	69.7%	3 554	70.1%	3 302	64.7%	5 171	69.6%	3 211	42.5%
Deferred tax liabilities	35	0.5%	38	0.7%	100	2.0%	124	1.7%	128	1.7%
Prov. for post-emp. benefits	67	0.9%	29	0.6%	28	0.5%	52	0.7%	43	0.6%
Provisions, non-current	10	0.1%	9	0.2%	11	0.2%	11	0.1%	54	0.7%
Other non-current liabilities	284	4.0%	24	0.5%	12	0.2%	7	0.1%	34	0.5%
Total non-current liabilities	5 408	75 %	3 654	72 %	3 453	68 %	5 365	72 %	3 470	46 %
Current liabilities										
Liabilities to credit institutions	253	3.5%	26	0.5%	62	1.2%	65	0.9%	2 138	28.3%
Provisions, current	52	0.7%	37	0.7%	35	0.7%	36	0.5%	193	2.6%
Trade payables	161	2.2%	205	4.0%	186	3.6%	281	3.8%	259	3.4%
Current tax liabilities	21	0.3%	9	0.2%	20	0.4%	21	0.3%	21	0.3%
Other current liabilities	1 292	18.0%	1 137	22.4%	1 347	26.4%	1 591	21.4%	1 443	19.1%
Liabilities held for sale	0	0 %	0	0 %	0	0 %	74	1.0%	27	0.4%
Total current liabilities	1 779	25 %	1 414	28 %	1 650	32 %	2 068	28 %	4 081	54 %
Total liabilities	7 187	100 %	5 068	100 %	5 103	100 %	7 433	100 %	7 551	100 %

Table 4: historical liabilities, (Source: Annual Reports)

The last section of the historical performance review is the review of Attendo's equity. Table 5 shows Attendo's total equity from 2014 to 2018. Other contributing capital is payments made by shareholders, including premiums with share issues.

Negative retained earnings in 2014, 2015 and 2016 can be explained by both growth and losses on non-profitable facilities. This was a contribution factor in the decision to sell the Finnish healthcare services in 2017, creating a situation with positive retained earnings. Even though parts of Attendo might have been non-profitable, the overall company has been profitable each year. The shift from negative to positive retained earnings is a sign of increased profitability.

Equity, SEK m	2014	2015	2016	2017	2018
Share capital		1	0.02%	1	0.02%
Other contributed capital	3 113	121%	4 321	102%	4 321
Retained earnings	-807	-31%	-389	-9%	-146
Profit for the year	263	10%	286	7%	649
Total equity	2 569	100%	4 219	100%	4 825
					100%
				5 369	100%
					6 211
					100%

Table 5: historical equity levels (Source: Annual Reports)

The next section of the financial statement analysis will cover the normalization of the financial statement. This is an adjustment done in order to present Attendo's accurate, normal business-related, historical information. This is important when estimating reliable forecasts about the company.

7.2 Normalizing Financial Statements

The goal of this section is to uncover the core operational income and costs of Attendo. This process involves an adjustment by removing non-recurring items from the income statement. A non-recurring item is a gain or loss that is not regularly expected, such as litigation fees or write-offs (Furhmann, 2019). With the normalization effort undertaken, the estimated future cash flows to Attendo, based upon core business functions, will be more reliable than if deriving numbers from non-normalized financial statements. It also presents a way of seeing if businesses actually are profitable from their core operations.

7.2.1 Operating expenses – OpEx

Operating expenses in Attendo are personnel costs and other external costs, which include consumables, external healthcare services, operating leases, other property costs, external services and other. None of the mentioned above costs can immediately be described as non-recurring costs because they are all related to either the personnel, administration and management, or costs involved with the facilities they operate. In order to get a better understanding of the operating expenses in Attendo's financial statements, table 6 shows the operating costs as percent of total income from 2014 to 2018.

Operating costs % of total income, SEK m	2014	2015	2016	2017	2018
Total income	9 059	9 870	10 232	8 994	11 011
Operating costs % of total income	8 099 89.4 %	8 793 89.0 %	9 097 88.9 %	7 970 88.6 %	10 093 91.7 %

Table 6: operating costs in percent of total income

As we observe from table 6, operating expenses has been stable around 90 % of total income over the last five years. The inference of this is that operating expenses are predictable for Attendo, which is no surprise given that the majority of their costs is personnel costs and costs related to the facilities they operate. Operating expenses are therefore concluded not to be non-recurring items for Attendo. Depreciation and amortisation costs are covered under the subsection regarding capital expenditures.

7.2.2 Capital Expenditures – CapEx

CapEx is the funds a company spends on acquiring, maintaining, and upgrading, i.e. investing, in physical assets. Historical CapEx figures for Attendo are quite volatile, because they have built and bought new physical assets in a non-normalized manner. When trying to estimate future CapEx figures it is normal to smooth out annual figures, because of the difficulties in knowing with certainty future levels. As Attendo has stated that one of its goals is to expand and grow by acquiring and building new care units, a smoothing figure is a reliable estimation. It is assumed that the level of CapEx will increase to 200 and remain at this level throughout the forecasted period. This estimation does nevertheless hold uncertainty. The company does hold cash that it will use in that sense, and they have strong ambitions to expand especially in Denmark, but also in Sweden and Finland.

Depreciation, amortisation and impairment is estimated to be quite high in the coming ten years, because Attendo has the cash necessary to acquire significant increases in assets at the moment. Even though today's level of PPE is quite low, this figure is expected to grow at an increasing rate in the coming years due to an intention of acquiring new units and facilities.

7.2.3 Working Capital

Working capital represents a company's operating liquidity available and is alongside fixes assets such as property and plant a part of operating capital. It is defined as the difference between current assets and current liabilities. Current assets include cash, inventories, and accounts receivables. Current liabilities include debt and accounts payables. The formula for net working capital (NWC) is:

$$NWC = \text{Accounts Receivables} + \text{Operating Cash} - \text{Accounts Payables}$$

If a company has negative net working capital, where its current assets is less than its current liabilities, the risk of bankruptcy is high due to the fact that it will have troubles with paying creditors or growing. The inference about positive working capital is therefore that it is a fundamental sign of good health of a company, and the higher net working capital a company has the more potential it has for investing in further growth. Damodaran states that changes in

net working capital has effects on the free cash flows to the firm because growing net working capital leads to the company holding more cash and re-investment needs because of this (Damodaran, 2012). The estimation of future net working capital levels can be difficult considering the fact that they are relatively volatile and unstable, and therefore difficult to normalize. Damodaran presents two different ways of predicting the future levels of net working capital; 1) predict future changes in net working capital by using a historical net working capital to revenue ratio, or 2) break the historical net working capital down in more detail and estimate each item in the breakdown (Damodaran, 2012). Table 7 shows Attendo's net working capital from 2014 to 2018, broken down into the different items that make up the NWC, with a corresponding ratio to each item.

SEK m	2014	2015	2016	2017	2018	Norm. Ratio
Operating cash	1 084	782	670	475	2 896	
% of Net PP&E	246 %	205 %	153 %	85 %	428 %	223 %
Receivables	873	901	955	1 204	1 050	
% of revenues	10 %	9 %	9 %	13 %	10 %	10 %
Other current assets	485	357	324	1 197	990	
% of revenues	5 %	4 %	3 %	13 %	9 %	7 %
Operating current assets	2 442	2 040	1 949	1 679	3 946	
Payables	161	205	186	281	259	
% of investments in PP&E	37 %	54 %	42 %	50 %	38 %	44 %
Income tax payables	21	9	20	21	21	
% of revenues	0.2 %	0.1 %	0.2 %	0.2 %	0.2 %	0.2 %
Other current liabilities	1 365	1 183	1 402	1 722	1 684	
% of revenues	15 %	12 %	14 %	19 %	15 %	15 %
Operating current liabilities	1 547	1 397	1 608	2 024	1 964	
Net Operating WC	895	643	341	-345	1 982	

Table 7: historical net operating working capital

7.3 Reformulated Balance Sheet

In this final sub-section of the financial statement analysis the reformulated balance sheet is presented in table 8. It contains three parts; the operating, non-operating and the financing sources. This will illustrate a more accurate description of where capital is used in the company.

Uses, SEK m	2014	2015	2016	2017	2018
Cash and cash equivalents	1 084	782	670	475	2 896
Receivables	873	901	955	1 204	1 050
Other current assets	485	357	324	1 197	990
Operating current assets	2 442	2 040	1 949	1 679	3 946
Payables	161	205	186	281	259
Taxes payables	21	9	20	21	21
Other current liabilities	1 365	1 183	1 402	1 722	1 684
Operating current liabilities	1 547	1 397	1 608	2 024	1 964
Operating working capital	895	643	341	-345	1 982
Net PPE	440	382	438	559	677
Invested capital (excl. intangible assets)	1 335	1 025	779	214	2 659
Goodwill	6 549	6 472	6 872	8 541	7 339
Invested capital (incl. goodwill)	7 884	7 497	7 651	8 755	9 998
Net non-operating assets	57	57	61	47	43
Total funds invested	7 941	7 554	7 712	8 802	10 041

Sources, SEK m	2014	2015	2016	2017	2018
Deferred tax assets	30	32	17	62	94
Deferred tax liabilities	35	38	100	124	128
Shareholder equity	2 569	4 219	4 825	5 369	6 211
Equity & equivalent	2 634	4 289	4 942	5 555	6 433
Debt and debt equivalents	5 307	3 265	2 770	3 247	3 608
Total funds invested	7 941	7 554	7 712	8 801	10 041

Table 8: reformulated balance sheet

8. Driver Assumptions

This section will cover fundamental assumptions about the drivers that will affect the value of Attendo in the future. This analysis is based upon the evaluation of the probable future net sales that will be a consequence of future demands in society based upon underlying developments. The future need for services that Attendo offer is based upon the ageing population, increased capacity needs, increased share of private providers, new consumer demands, and shortages of public resources. Further, there will be an assessment of the future need for capital expenditures in light of probable future acquisitions conducted by Attendo.

8.1 Ageing population

The population in most western countries is currently in a process where the share of older people increases faster than earlier, altering the composition of the population into a never before seen way. The increased share of older people will give rise to increasing demands for care services aimed at elderly people, both nursing homes and home care services. The United Nations anticipates that the annual percent increase in the share of people aged 65+ will be around 2.5 % for the period 2020 to 2025 (United Nations, 2015). Table 9 shows how this development manifest itself in the Nordic population. This growth is expected to continue in the same way beyond 2023.

Projection: millions of people aged 65+	2019E	2020E	2021E	2022E	2023E
Sweden	2	2,05	2,101	2,154	2,208
Finland	1,05	1,07	1,103	1,13	1,16
Norway	0,8	0,82	0,8405	0,8615	0,883
Denmark	0,95	0,974	0,998	1,02	1,048

Table 9: total population aged 65+ in the Nordic countries (Source: UN)

As the table shows, possible consumers of Attendo's services will increase quite rapidly. Attendo has calculated that there is a need for around 100,000 new beds (in nursing homes) in Sweden, Denmark and Finland by 2030 (Attendo, 2019b). Given the ageing population phenomenon, occupancy rates for services should not be difficult increase. Roughly 76 % of net sales for Attendo comes from providing care services to older people. The company provides no projections for growth in net sales. Attendo is nevertheless in a position where demographic factors fuel their potential growth.

8.2 Organic growth

The organic growth of Attendo is related to how it can increase net sales by increasing output and sales internally, instead of by acquisitions and takeovers. This can be quite difficult given how there has been both a lot of takeovers and sales by Attendo, and in the healthcare industry in general. Therefore, relying on historical averages while forecasting these numbers will not necessarily give reliable estimates. There is more reliability in focusing on underlying factors.

The demand for Attendo's core services, i.e. care services offered to elderly people, will definitively grow. The company is in a strong position given its experience and expertise in this industry, and the fact that it has a strong brand name considering that it has operated in over two decades. Another factor that might give rise to further future growth is the increased privatization in the Nordics, especially in Denmark. This will contribute positively on the growth estimation. Sales from other care services, i.e. from specialized home services, does not depend on the underlying assumption of an ageing population. How many people will be in need for these services are unknown and difficult to estimate because it relies somewhat on random factors. A conservative estimate is that Attendo will manage to uphold an annual increase of 1 % in sales originating from specialized homes. Attendo's organic annual growth in 2018 was 3.6 % (Attendo, 2019d). This growth rate is expected to increase given the underlying factors.

8.3 Total growth

Attendo has the possibility to also gain additional growth by acquiring other care units. The company has the means, coming among other things from the sale of the Finnish operations in 2017, and they have explicitly stated that this is something they intend to do. This will also contribute positively on the net sales, and a conservative estimation is that they have the possibility of gaining an additional 5 % annual growth given further acquisitions. Other income has been stable over the years and is expected to remain steady at 20 SEK m annually.

This thesis determines that Attendo has the potential to, and most likely will, increase sales from care services offered to older people by 8.5 % in 2019, while after that it is assumed that this will grow at an annual rate of 7.5 %. These numbers are based upon the growth of 3.6 % in 2018, and the increase coming from new acquisitions. This is a relatively conservative estimate. These estimates are based upon Attendo's overall net sales, which does complicate matters.

One way of calculating estimates for Attendo's future growth is to look at the difference between services operated out of facilities that they either build themselves or operate without ownership. There are some complexities with the situation of ownership, as other third-party partners can own facilities where Attendo functions as a lessee. For the sake of simplicity, this thesis does not take that into account as Attendo does not present sufficient information on the matter. Nevertheless, there are still governmental contracts involved in both situations as the only difference between them is the ownership of the facilities.

Net sales from originating from operating services out of facilities under Attendo's ownership is defined as "own operations", while the situation where they do not own the facility is defined as "outsourcing". Table 10 shows how sales from the different situations has contributed to the company's revenue in 2017 and 2018, divided into each country of operations. Sales from own operations dominate the overall statistics, although in Norway sales from the outsourcing segment is the largest. This is in compliance with the privatization level and political situation described earlier in this thesis, as Norwegian local governments often have political incentives to maintain ownership even though they outsource the services to private providers.

Sales SEK m	2017				2018			
	Sweden	Finland	Norway	Denmark	Sweden	Finland	Norway	Denmark
Own operations	3 868	2 601	110	185	3 998	4 444	145	172
Outsourcing	1 796	146	249	22	1 738	176	279	35
Total, country	5 664	2 747	359	207	5 736	4 620	424	207
Total, overall	8 977				10 987			

Table 10: sources of net sales for each market

All segments except the Danish own operations segment have experienced growth during the last two years, where the highest growth has been in the Finnish market for own operations with a growth of approximately 70.5 %. It is assumed that further growth in all segments, including the Danish own operations, will continue in the coming years. Appendix 1 shows the complete calculation of revenue growth over the entire forecasting period.

Based upon the expected political developments in each country, and the current revenues stemming from both own operations and outsourcing, this thesis anticipates the following growth rates in sales for the different countries and segments: first of all, the growth rates after 2025, i.e. 2026 – 2028, are considered to be very uncertain mainly because of unpredictable political developments. Nevertheless, the ageing population phenomenon will still act as a driving force that will continue to increase demand for care services. Therefore, the growth rates in all countries and in both segments are conservatively assumed to be 1 % annually after 2025. In the period from 2028 to 2025, the revenues from the Swedish and Finnish markets is expected to grow by 8.5 % in own operations and 2.5 % in outsourcing. The Danish markets contribution to the revenues is expected to grow also by 8.5 % in the own operations segments, and 5 % in outsourcing. The Norwegian market is expected to grow at a lower rate, at 1 % and 2.5 %. The reasons behind the differences in expected revenue growth are the differences between the markets when considering the current status quo and the political anticipated future developments. These assumptions are also based upon current growth rates in the different markets and segments Attendo operates in (Attendo, 2019d).

8.4 Operating expenses

The operating expenses of Attendo has been averaging around 90 % of net sales. This makes intuitively sense given that the services they provide require a relatively substantial number of employees compared to other industries and services. There are difficulties with increasing efficiency in a nursing home, or home care service, considering that the users often need human supervision and care many times per day and night. Attendo should be able to gain some advantages in the form of economies of scale by hiring more people, so it is assumed that total costs will drop somewhat. This thesis assumes that Attendo will have operating expenses of 85 % of net sales in the coming 10 years, making also this quite a conservative estimate.

8.5 Capital expenditures, depreciation and NWC

The capital expenditures have been quite volatile in Attendo's history and there is no easy way of determining a working context for how all future capital expenditures will be. This thesis assumes, however, based on Attendo's stated strategy and plans, that the capital expenditures will increase annually until 2025, where they will stabilize. Depreciation, as stated in the previous section, is also expected to increase annually until stabilization around 2025. Thirdly, net working capital is also expected to increase with the increasing capital expenditures and Attendo's acquisitions. A steady state around 2025 is expected for the company with regards to all these figures.

8.6 Conclusion

Tables 11 and 12 shows how the final forecasts are predicted, based upon the assumptions made in this section. The forecasts include total income, operating expenses, capital expenditures, depreciation and net working capital.

Final forecast, SEK m	2019E	2020E	2021E	2022E	2023E
Total income	11 797	12 651	13 574	14 572	15 651
Operating expenses	10 028	10 753	11 538	12 386	13 303
Capital expenditures	250	275	300	325	350
Depreciation	412	467	529	597	672
Net working capital	125	150	175	200	225

Table 11: final forecast for Attendo, 2019 – 2023

Final forecast, SEK m	2024E	2025E	2026E	2027E	2028E
Total income	16 817	18 080	18 260	18 442	18 627
Operating expenses	14 295	15 368	15 521	15 676	15 833
Capital expenditures	375	400	400	400	400
Depreciation	756	849	894	940	986
Net working capital	250	275	275	275	275

Table 12: final forecast for Attendo, 2024 – 2028

9. The Cost of Capital

As is the case with the WACC-approach, the free cash flows are to all investors and discounted with the cost of capital. Considering that Attendo is both equity- and debt-funded the discount rate must be adjusted for this. The cost of capital represents the investors required rate of return, which is different for equityholders and debtholders, as equityholders demand a risk premium. The adjustment is done by discounting the free cash flows with the weighted average cost of equity and cost of debt, and is obtained using the following formula:

$$WACC = \frac{D}{V}r_d(1 - T_c) + \frac{E}{V}r_e$$

where $\frac{D}{V}$ is the debt percentage of financing, $\frac{E}{V}$ is the equity percentage of financing, r_e is the cost of equity, r_d is the cost of debt, and T_c is the corporate tax rate. This chapter will discuss the different parts of this formula, starting with the cost of equity, then the cost of debt and lastly the target capital structure.

9.1 Cost of Equity

The cost of equity is the required rate of return that equityholders demand from investing in the equity of the firm. It is therefore a way of expressing the risk that investments commit. Risk can be divided into two categories: diversifiable and non-diversifiable risk, where the diversifiable risk is the firm-specific risk associated with investing in companies (Chen, 2017). This risk is diversifiable because an investor that holds a sufficient number of securities, for instance stocks, will eliminate the risk specifically connected to a company. The non-diversifiable is the underlying overall market risk, the systematic risk, that to a certain degree is a result of human psychology and random events (Fontinelle, 2018).

In order to obtain a measurement of market risk, a common model used is the capital asset pricing model (CAPM), which holds several different assumptions: no transaction costs, investors are risk averse, strong efficient markets, investors can borrow and lend unlimited at the risk-free rate, and lastly that there exists a risk-free rate (Smirnov, 2018). The CAPM estimates the required rate of return on equity:

$$CAPM = r_f + \beta(r_m - r_f)$$

where r_f equals the risk-free rate, $(r_m - r_f)$ equals the market premium, and beta is a representation of the non-diversifiable, systematic risk.

9.1.1 Risk-Free Rate

As the name suggests, the risk-free rate is the rate of return emerging from an investment associated with zero risk and serves as a minimum rate anyone should require from any investment (Chen, 2018). Damodaran defines the risk-free rate as a rate that guarantees expected return (Damodaran, 2012). Zero risk includes that there is no risk of default, meaning that the risk-free rate of return is guaranteed because default is impossible. The only securities that can be considered as without default risk, is government securities. For these securities to default, the government itself must default, which is extremely unlikely. Since this valuation is conducted with regards to Attendo and in SEK, the 10-year Swedish Government zero-coupon rate will represent the risk-free rate. The current credit ratings for Sweden is Aaa by Moody's, AAA by Standard & Poor's, and AAA by Fitch, and is considered stable by all credit rating agencies (CountryEconomy, 2019). Figure 4 illustrates the historical development in rates of Swedish 10-year government bond from January 2009 to April 2019 and represents the Swedish risk-free rate.

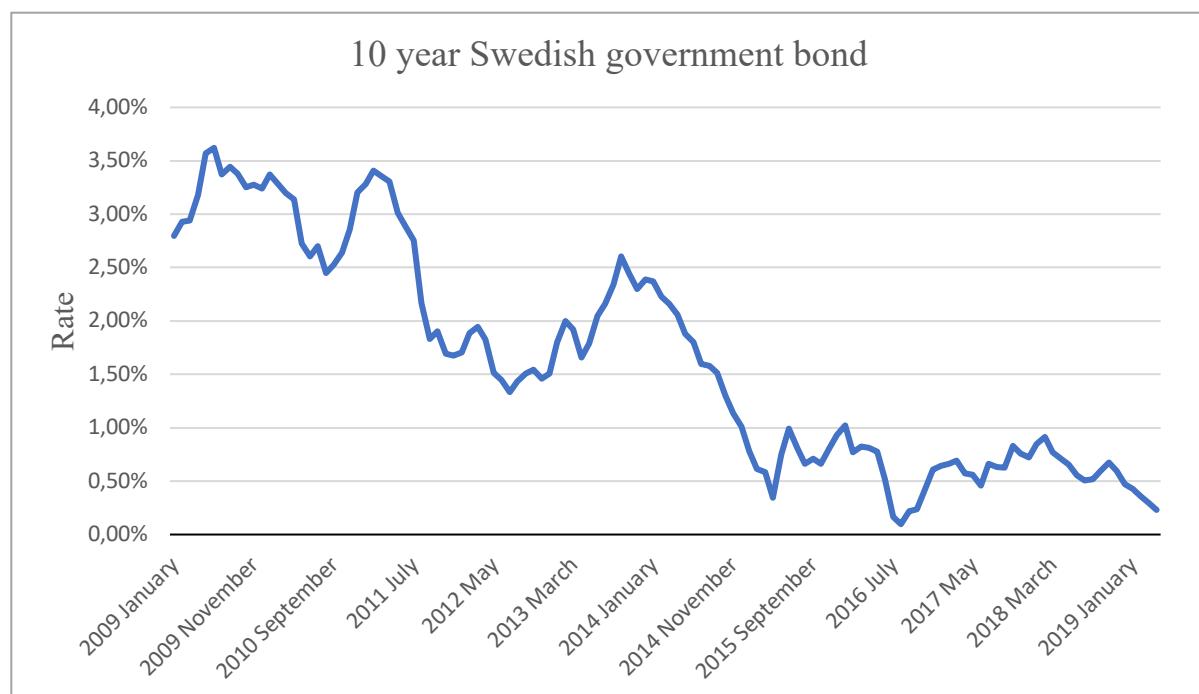


Figure 4: historical development in Swedish 10-year government bond, (Source: Sveriges Riksbank)

As we can observe from the figure the rate has declined considerably since 2009 to stabilize more below 1% since 2014. This is aligned with developments observed in other similar countries in the same time period (ECB, 2019). Currently, as of April 10, 2019, the risk-free rate is at 0,26%. The Swedish central bank expects this rate to remain relatively stable at current levels (below 1%), and an estimate from the Swedish financial company SEB places the risk-free rate at 0,80% at the end of 2020 (SEB, 2019).

9.1.2 Beta

The beta-coefficient is a measurement of volatility of an individual stock in comparison to the unsystematic risk of the market portfolio (Kenton, 2019). It is an important feature of the cost of equity, as it is a measure of the company's relative risk compared to the market risk. Beta is a non-diversifiable risk, and is expressed as followed:

$$\text{Beta} = \beta = \frac{\text{Covariance}(r_e, r_m)}{\text{Variance}(r_m)}$$

where r_e is the return on the individual stock, and r_m is the market return. Beta is the covariance of asset with market portfolio divided on the variance of the market portfolio. The beta-results from this expression signals properties of the asset's riskiness: if $\beta = 1$ the asset have average risk (beta equal 1 is the average risky asset), while $\beta > 1$ signals that the asset is riskier than the average, and lastly $\beta < 1$ signals an asset with lower riskiness than the average. An asset with for example $\beta = 1.1$ signals that the asset is 10% more volatile than the market.

This thesis will use the daily percentage change for both Attendo's stock, ATT, and two different proxies for the market portfolio: the broad index OMX Stockholm 30 (OMXS30) and the healthcare index OMX Stockholm Health Care PI (SX4000PI), from January 1, 2016 until May 9, 2019 as the data foundation for calculating the beta-coefficient used in CAPM. Daily returns for Attendo and daily returns from OMXS30 and SX4000PI in the time period are obtained directly from Nasdaq Stockholm. The OMXS30 and SX4000PI functions as proxies for the market portfolio as Attendo is a Swedish company listed on the same exchange, and its majority of investors are Swedish (Attendo, 2019b). Therefore, these domestic indexes are regarded as a sufficient foundation for obtaining a reliable beta-coefficient, which is

supported by the fact that other analyst firms also conduct their beta-calculation with regards to the same indexes (Infront Analytics, 2019). Table 13 presents the results of the calculations.

Calculation	Time period	Result
<i>Covariance</i> (r_{ATT}, r_{OMXS30})	01.01.2016 – 09.05.2019	4,98969E-05
<i>Variance</i> (r_{OMXS30})	01.01.2016 – 09.05.2019	9,94631E-05
Beta	0,502	
<i>Covariance</i> ($r_{ATT}, r_{SX4000PI}$)	01.01.2016 – 09.05.2019	5,30811E-05
<i>Variance</i> ($r_{SX4000PI}$)	01.01.2016 – 09.05.2019	7,74338E-05
Beta	0,685	

Table 13: beta calculations for Attendo

Having two different proxies used in the calculation of beta gives us better foundation for which beta to choose. Considering that both betas are in the same area, and are less than 1, we can decide that Attendo has been less volatile than both the proxy for the broad market and the healthcare sector on Nasdaq Stockholm (Grant & Nickolas, 2019). This thesis will use the beta of 0,685 as the beta for Attendo considering that other healthcare companies in Stockholm is a good proxy for the relevant market portfolio.

9.1.3 Market Risk Premium

The market risk premium is defined as the difference between the expected return on the broad market portfolio, OMXS30, and the risk-free rate, and represents the premium that investors demand for holding assets that carry risk (Chen, 2018). There are in general two different ways of estimating the market risk premium; use historical returns from the market and subtract the risk-free rate or use the implied equity premium based on current market prices, which assumes that these prices are correctly priced. Both approaches will be discussed further.

The geometrical average of OMXS30 is 7,1 % and using the first approach to estimate the market risk premium therefore generates $7,1\% - 0,26\% = 6,84\%$ as the market risk premium. The second approach assumes that the market has correctly priced the required risk premium. According to PwC the Swedish market risk premium is currently 6,8 %, which is relatively close to 6,84 % (PwC, 2019). This thesis will use the implied market risk premium of 6,8 % in the calculation of the cost of equity.

9.2 Cost of Debt

The cost of debt is the return that lenders to the company require and is defined as the interest that the company pays on its outstanding debt (Prakash, 2019). The

$$\text{Effective interest rate paid} = \frac{\text{Annual interest paid}}{\text{total debt obligations}} \cdot 100$$

From the income statement of Attendo we find that the annual interest the company paid in 2018 were 147 m SEK, and from the balance sheet of the same year the total debt obligations totalled at 5,349 m SEK. Applying the formula for the effective interest rate paid results in an effective interest rate of approximately 2.75 %. Attendo states in their annual report that the interest it pays on bank loans are 2.25 %, so this calculation is in line with current status quo (Attendo, 2019d).

9.3 Tax Rate

As Attendo is operating and earning revenues in four different countries, a discussion about which marginal tax rate to use in this thesis is justified. The marginal tax rates are as following: 22 % in Sweden, 20 % in Finland, 24 % in Norway and 22 % in Denmark (Trading Economics, 2019). Considering that the tax rates are relatively congested around the early 20's, and that there are no anticipations with regard to increases in the foreseeable future, and that the markets that generates the greatest incomes is the lowest, the choice of the Swedish rate is justified. This thesis therefore assumes a tax rate of 22 % in the WACC calculation.

9.4 Target Capital Structure

This is the final calculation needed in order to obtain the final WACC result and is a process of obtaining the different ratios used in the calculation. The equity ratio is the market

capitalization of the company; current share price multiplied with the number of outstanding shares. The debt ratio is obtained when calculating the net debt of Attendo's debt today. Table 14 shows the results from these calculations and presents the ratios that will be used in the final WACC-calculation.

In SEK m		In SEK, m and SEK m	
Total debt	7 551	Share price*	49.36
Cash and cash equivalents	2 896	Outstanding shares	161
Net debt	4 655	Equity	7 947
Weight	37 %	Weight	63 %

Table 14: target capital structure weights. * as of May 31, 2019

9.5 Results

Table 15 below lists the results from the calculations of the cost of capital, both the calculations for obtaining the required return of equity through CAPM, and the actual WACC-rate using the cost of capital calculations conducted in this chapter.

Cost of Equity		WACC	
Risk-Free Rate	0.26 %	Cost of Equity	4.74 %
Market Premium	6.8 %	Cost of Debt	2.75 %
Beta	0.685	Tax Rate	22 %
		Debt Ratio	36 %
		Equity Ratio	63 %
CAPM	4.74 %	WACC	3.2 %

Table 15: cost of capital calculation results

10. Free Cash Flow to Firm Valuation

The previous sections of this thesis have presented a fundamental analysis of Attendo by firstly addressing the healthcare industry in the Nordics followed by a strategic analysis in an attempt to obtain reliable assumptions about predictions about drivers of the market Attendo operates in. The financial statement analysis alongside assessments of the strategic goals have been addressed in order to conduct predictions on future expected cash flows to the firm. The previous section obtained the discount rate that will be used in the DCF-valuation. This valuation-section will finalize the fundamental analysis by presenting Attendo's expected future cash flows and its final valuation using the DCF-method.

The free cash flows to firm for the period 2019 to 2028 is illustrated in tables 16 and 17. Appendix 2 shows the calculations in a complete consolidated income table. Attendo is expected to have increasing FCF to firm in all years during the period, but after 2025 the growth is expected to stabilize at around MSEK 1700, mostly because of the unpredictableness both politically and company-specific after the time period emerging after 2025. CapEx and change in NWC is also expected to stabilize around this time period.

SEK m	2019E	2020E	2021E	2022E	2023E
EBIT	1 357	1 430	1 508	1 589	1 675
Tax	299	315	332	350	369
Depreciation	412	467	529	597	672
CapEx	250	275	300	325	350
ΔNWC	125	150	175	200	225
FCF to Firm	1 096	1 158	1 229	1 311	1 404

Table 16: calculations of FCF to firm 2019 – 2023

SEK m	2024E	2025E	2026E	2027E	2028E
EBIT	1 767	1 863	1 845	1 827	1 808
Tax	389	410	406	402	398
Depreciation	756	849	894	940	986
CapEx	375	400	400	400	400
ΔNWC	250	275	275	275	275
FCF to Firm	1 509	1 627	1 658	1 689	1 721

Table 17: calculations of FCF to firm 2024 – 2028

As the future FCFs to the firm now are established, the next step in the valuation process is to calculate a present value of all future cash flows using WACC, and to estimate a terminal value. In the calculation of the terminal value the growth rate in perpetuity is estimated to be 2 %. With the WACC, the enterprise value is calculated to be MSEK 11.995. Table 18 shows the final valuation calculation of Attendo. This number represents the total of all future cash flows discounted using the WACC-rate. The net debt of the firm is subtracted to obtain the shareholder equity of Attendo, which is MSEK 7.340. The share price (in SEK) is then reached by dividing the shareholder equity value of the firm of the number of outstanding shares, which is 161 million.

SEK m	2019E	2020E	2021E	2022E	...	2028E
FCF to firm	1 096	1 158	1 229	1 311	...	1 721
Terminal value					...	146 285
Discount factor	0.969	0.939	0.910	0.882	...	0.730
Enterprise value	11 995					
Net Debt	4 655					
Shareholder equity	7 340					
Outstanding shares	161					
Share Price (SEK)	46					

Table 18: calculation of enterprise value and share price

This fundamental analysis of Attendo estimates a final share price of SEK 46 per share. At current date, May 31, 2019, this implies that Attendo is overvalued by SEK 4 in the market.

11. The Market Based Approach

The fundamental analysis estimated the intrinsic value of Attendo based upon the discussed assumptions and forecasts in the previous sections of this thesis. The market-based valuation approach is conducted as a way of controlling, or examine, the results from the DCF-valuation. This valuation approach estimates the market value of Attendo by using industry multiples, which can also reveal why the stock is moving at levels beyond the intrinsic value. As this method is a comparable company valuation is it important that one uses standardized market prices for comparable firms. It can be an issue to find perfect suitable firms to compare against, even though they maybe define themselves as competitors.

The enterprise value divided by EBITDA multiple (EV/EBITDA) is a commonly used multiple that this thesis will use in this relative valuation. Finding suitable firms to compare Attendo to is not easy, and there are only two other Swedish (or even Nordic) firms that are listed and operates in the same care service healthcare industry; Ambea and Humana. As table 19 shows, the average multiple between the three firms is 16.023, and Attendo's price per share under this valuation is 64.5 SEK. A considerably higher result than in the DCF-valuation, and a result that would imply that the stock today is undervalued by 15 SEK. All figures for Ambea and Humana are retrieved from Yahoo Finance on May 31, 2019.

In SEK B/M	Attendo	Ambea	Humana
Enterprise Value (EV)	18.84B	13.11B	5.92B
EBITDA	939.1M	794M	515M
EV/EBITDA	20.06	16,51	11.50
Average	16.023		
Enterprise value	15 047.5		
Net Debt	4 655		
Shareholder equity	10 392.5		
Outstanding shares	161		
Share Price (SEK)	64.5		

Table 19: EV/EBITDA multiple valuation using comparable firms

The main weakness is the number of companies that the multiple is based upon. Three companies are not enough to base an industry multiple on. A second weakness is that it is only based on Swedish firms and no other Nordic companies. As Attendo is operating in all Nordic countries, the best multiple would be one that were based upon an average of a multiple of companies throughout the Nordic region. The prices of three firms does not necessarily reflect the market prices of the industry. Therefore, an industry (or sector) average is also tested for.

Table 20 shows how the EV/EBITDA multiple valuation changes when using the sector average of 10.70 presented by Damodaran instead of using comparable Swedish firms (Damodaran, 2019). The valuation changes from 64.5 SEK per share to 33.5 SEK per share, almost a reduction of 50 %. However, this multiple of 10.70 can neither be used without any concern, as it is computed on the basis of American firms that faces different market scenarios and business environments.

In SEK B/M	Attendo
Enterprise Value (EV)	18.84B
EBITDA	939.1M
Sector average (Damodaran)	10.70
Enterprise value	10 048
Net debt	4 655
Shareholder equity	5 393
Outstanding shares	161
Share price	33.5

Table 20: EV/EBITDA multiple valuation using sector average

Both these versions of the relative valuation approach have weaknesses as discussed above. The sector average is probably overall more useful as it is based upon a wider number of healthcare companies, even though the quality decreases considering that it also contains companies in the general healthcare service sector. All things considered; the fundamental analysis valuation result of 46 SEK per share is considered as stronger than these relative valuations.

12. Sensitivity Analysis

The fundamental analysis of Attendo in order to obtain the intrinsic value rested on several assumptions about the company and of the market, and that of the future performance of Attendo in this market. This section will conduct a sensitivity analysis where the objective is to discuss the impact these assumptions have on the share price estimated in the two previous sections. This thesis will conduct this impact with regards to how the share price will differ if the WACC rate changes.

12.1 Sensitivity

Table 21 shows how the calculated stock price of Attendo changes with different WACC rates used in the valuation. The observations reveal that the stock price can move quite considerably with different WACC rates, from 48 to 42 within a change of 1.40 percentage points. A lower rate will move the stock price upwards, while a higher rate will move it downwards. If the risk-free rate increases the WACC rate will also increase, which can contribute to pressing the stock price down. Although, the low rate in Sweden is likely to continue to stay relatively low in the foreseeable future.

WACC rates	Stock price (SEK)
2.60 %	48
2.80 %	47
3.00 %	46
3.20 %	46
3.40 %	45
3.60 %	44
3.80 %	43
4.00 %	42

Table 21: stock price sensitivity to WACC

12.2 Risk Factors

Even though changing rates or market conditions have the potential to cause Attendo's stock price to move down or up, the most significant potential for considerable long-term changes comes from the risk factors that exists in Attendo's environment. This section will address the most enduring risks identified both in the discussions about the industry in section 5 and in the strategic analysis in section 6, alongside other risk factors such as financial risk.

12.2.1 Political risk

As discussed earlier, the political risks in this industry are severe. Ideologically driven elected politicians can in a relatively short period of time reverse years' work of privatization, even without considerations for the people and companies affected. This is often driven solely on ideological grounds, not necessarily on what is cheapest or what gives the best quality for the users of the services. The problem for private companies like Attendo is that this uncertainty will always be present, even in periods where political forces that has positively attitudes towards the private providers are in power. The next election can always yield a government that does not hold the same opinions as the former government. Although this fact is present in all democracies in the world, the situation in the Nordic region is special considering the welfare model that the state operates on.

Assumptions about future expected revenues are based on the assumption that the privatization agenda continues and that the overall market will expand with concern for private companies. If drastic political change comes about, the assumptions about future growth in revenues will be wrong and therefore the estimated enterprise value will be wrong. At present date, the market does not believe that such political developments are likely to occur, not even in Norway, as seen by how the market currently prices Attendo. The international diversification functions almost as a hedge towards political changes in a country; if sudden changes were to happen in one country, Attendo could always rely on continued revenues from another. A downside in this regard is that Sweden and Finland alone contribute about 94 % of revenues, making the potential damage from this happening in one of these countries much more significant than if it were to happen in Norway or Denmark. Even though the political risk

described in this sub-section can cause serious issues concerning expected future cash flows, the at-the-moment assessment of this risk is still considered as unlikely to happen. The countries of the Nordic region are democracies where the rule of law applies, and changes are supposed to be considered thoroughly before implementation in order to create crucial predictability for companies and individuals.

12.2.2 Operational risk

Operational risk is closely related to the political risk described in the previous sub-section, although it also incorporates the risk of human capital and acquisitions. There are risks involved with finding suitable professional employees to carry out the work in the different facilities, especially considering that Attendo's operations is labour-intensive. The risk of not finding any suitable acquisition targets will impact Attendo's growth, as this is a strategy for expansion. These risk factors are considered to be of smaller importance than the political risk Attendo, and its private competitors, faces.

12.2.3 Financial risk

The company is also exposed to financial risk, which includes credit risk, interest rate risk and currency risk. Attendo has operations in four different countries with four different currencies which entails currency exchange risk. The most important exposure is the SEK/EUR, especially considering that expansion in Finland is in EUR. Attendo therefore has borrowed in EUR to hedge against this currency exposure. The exposures against NOK and DKK are less significant, considering that the revenues from these countries are relatively small. The interest rate risk is the risk that the rates on long-term borrowing will increase. This risk is not hedged for as the rates on Attendo's long-term loans are with variable rates, although the company has been involved in exchanges of swaps in the past. The credit risk of the company is the risk that outstanding receivables will not be paid. This risk is quite insignificant with regards to Attendo as many of their payors are local governments. The risk of the government not paying its invoices is considered to be small, given that they have a high degree of credit ratings.

13. Conclusion

The object of this thesis has been to estimate the intrinsic value and share price of Attendo AB through a discounted cash flow valuation using the weighted average cost of capital model. A relative valuation method has also been applied with the objective of evaluating the results from this with the results from the discount cash flow method. The valuation is based upon assumptions about expected future cash flows through assessments of the healthcare industry, a strategic analysis of the market and Attendo, and an analysis of the latest public financial statements. The goal behind these analyses was to create a foundation for the assumptions in the valuation, which were covered in the driver assumption section that followed. The estimated future cash flows for Attendo is based upon the findings from...

The healthcare industry for care services in the Nordic is experiencing significant growth, explained mainly by an ageing population and a privatization effort taking place. The market is still characterized by many small providers and a few large ones, creating an attractive for large operators like Attendo that has the means to fuel growth through the construction of new facilities and acquisitions. The withdrawal of public providers also creates significant possibilities for growth. Attendo's experience in an emerging industry in the Nordics places the company in an attractive strategic position for managing to create increasingly cash flows in the future.

All things considered, Attendo is a growing company in a growing market that is likely to create value in many years to come, although this fundamental analysis reveals that the stock price is currently overvalued by approximately SEK 4. This premium for buying equity in Attendo can be explained by investors seeking stocks with lower beta, or that the long-term potential is considered to be higher than this thesis has uncovered. Nevertheless, the stock price has fallen considerably since the beginning of 2019, from around 75 – 80 SEK per share to today's price of around 50. This development can support the findings of this thesis as it shows that the market's expectation about future value is declining from previously figures. All things considered, this thesis suggests that Attendo currently is overvalued in the market, as the final target price based on this fundamental analysis is SEK 46.

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15. Appendix

15.1 Appendix 1

Sales growth, SEK m	Sweden	Finland	Norway	Denmark	Total
2019E					
Own ope.	4 338	4 822	146	187	9 493
Outsourcing	1 781	180	286	37	2 285
Total	6 119	5 002	432	223	11 777
2020E					
Own ope.	4 707	5 232	148	202	10 289
Outsourcing	1 826	185	293	39	2 343
Total	6 533	5 416	441	241	12 631
2021E					
Own ope.	5 107	5 676	149	220	11 152
Outsourcing	1 872	190	300	41	2 402
Total	6 978	5 866	450	260	13 554
2022E					
Own ope.	5 541	6 159	151	238	12 089
Outsourcing	1 918	194	308	43	2 463
Total	7 459	6 353	459	281	14 552
2023E					
Own ope.	6 012	6 682	152	259	13 105
Outsourcing	1 966	199	316	45	2 526
Total	7 978	6 881	468	303	15 631
2024E					
Own ope.	6 523	7 250	154	281	14 207
Outsourcing	2 016	204	324	47	2 590
Total	8 538	7 454	477	328	16 797
2025E					
Own ope.	7 077	7 867	155	304	15 403
Outsourcing	2 066	209	332	49	2 656
Total	9 143	8 076	487	354	18 060
2026E					
Own ope.	7 148	7 945	157	308	15 557
Outsourcing	2 087	211	335	50	2 683
Total	9 234	8 156	492	357	18 240
2027E					
Own ope.	7 219	8 025	159	311	15 713
Outsourcing	2 107	213	338	50	2 709
Total	9 327	8 238	497	361	18 422
2028E					
Own ope.	7 291	8 105	160	314	15 870
Outsourcing	2 129	216	342	51	2 737
Total	9 420	8 320	502	364	18 607

15.2 Appendix 2

Consolidated income statement, SEK m	2019E	2020E	2021E	2022E	2023E
Net sales	11 777	12 631	13 554	14 552	15 631
<i>Growth</i>	7.2 %	7.2 %	7.3 %	7.3 %	7.4 %
Other operating income	20	20	20	20	24
Gross income	11 797	12 651	13 574	14 572	15 651
Operational expenses	10 028	10 753	11 538	12 386	13 303
EBITDA	1 770	1 898	2 036	2 186	2 348
<i>Margin</i>	15 %	15 %	15 %	15 %	15 %
Depreciation, amortisation & impairment	412	467	529	597	672
EBIT	1 357	1 430	1 508	1 589	1 675
<i>Margin</i>	11,5 %	11,3 %	11,1 %	10,9 %	10,7 %

Consolidated income statement, SEK m	2024E	2025E	2026E	2027E	2028E
Net sales	16 797	18 060	18 240	18 422	18 607
<i>Growth</i>	7.5 %	7.5%	1 %	1 %	1 %
Other operating income	20	20	20	20	20
Gross income	16 817	18 080	18 260	18 442	18 627
Operational expenses	14 295	15 368	15 521	15 676	15 833
EBITDA	2 523	2 712	2 739	2 766	2 794
<i>Margin</i>	15 %	15 %	15 %	15 %	15 %
Depreciation, amortisation & impairment	756	849	894	940	986
EBIT	1 767	1 863	1 845	1 827	1 808
<i>Margin</i>	10.5 %	10.3 %	10.1 %	9.9 %	9.7 %