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Falck improves profitability across all business units while making up for past conduct

Today, leading emergency response and healthcare company Falck released its financial results for Q2 2019. For the fifth quarter in a row, Falck improves underlying profitability, regaining strength while making up for past conduct.

“Our financial, strategic and cultural turnaround continues to show results, with profitability improving across all four business units and debt levels reduced, new business being generated through organic growth and good progress on initiatives that enable today’s Falck to operate in an ethical and

transparent manner building trust with customers and communities,” said President & CEO Jakob Riis.

Financial highlights in Q2 2019 were:

- Revenue was DKK 3,441 million (DKK 3,530 million). The decline was primarily due to divestments and contract pruning in Ambulance as well as lower subscription volume in Assistance.
- Reported EBITA increased to DKK 182 million (negative at DKK 19 million), yielding an underlying EBITA margin of 5.3% (3.3%). Improved EBITA was driven by continuing efficiency measures. Underlying EBITA margins improved across all business units.
- Adjusted for settlement costs of DKK 153 million, free cash flow was flat at negative DKK 108 million (negative at DKK 110 million).
- Economic profit improved to negative DKK 270 million (negative at DKK 495 million) due to increased underlying EBITA.
- Net interest-bearing debt (including lease liabilities) was reduced from DKK 4,369 million end of Q1 2019 to DKK 4,292 million end of Q2 2019.
- For the full-year 2019, Falck expects to improve its underlying operating profit (EBITA) compared to DKK 275 million in 2018 on a flat revenue. Profit for the year will be negatively impacted by costs related to the Danish competition case from 2014-15.

DKK million	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018
Revenue	3,441	3,530	6,973	7,118
Revenue growth, fixed currencies (%)	-2.9	-	-2.2	-
EBITA	182	-19	509	168
Underlying EBITA margin (%)	5.3	3.3	6.2	4.3

Over the recent quarter, Falck continued its efficiency and cost optimisation programme, which now has a positive impact of more than DKK 500 million compared with 2017 (positive impact in Q2 2019 of DKK 62 million).

Operational optimisation and reduced overhead costs have played key roles in the ongoing improvement while global procurement initiatives account for an increasing share of efficiency gains. During the quarter, Falck selected strategic suppliers for emergency vehicles in Europe and the US.

Falck divested medical clinics in Poland during the quarter. Focusing the business platform contributes to profitability and ensures high professional standards in the communities where the company operates. Over the past year, Falck has divested operations in non-core markets with an annual revenue value of more than DKK 1 billion. This includes the divestment of safety services globally, medical clinics in Denmark and Poland as well as ambulance businesses in non-core markets such as Malaysia, Switzerland and Finland.

“Being more focused enables Falck to win new contracts in open tenders as we benefit from delivering premium emergency response and healthcare services in cost-efficient offerings. Going forward, we will focus on providing service excellence in roadside assistance and healthcare in the Nordics as well as best-in-class ambulance services in the US, Europe and Colombia,” said Jakob Riis.

In the second quarter, Falck went live with the Imperial College Healthcare contract to provide an estimated annual 300,000 patient journeys to Londoners. In addition, the ramp-up for the Alameda County ambulance contract prepared the company to deliver 911 services to 1.6 million Californians.

Falck builds on trust with employees, customers and communities where it operates. This trust was compromised by the actions dating back to 2014-15, which led to the ruling of the Danish Competition Council in January 2019 that Falck had violated the competition rules.

In the quarter, Falck took important steps in making up for past conduct.

In June, Falck reached a settlement agreement and compensated losses resulting from the actions in 2014-15, and the parties waived all claims and withdrew all litigation.

Falck introduced annual Code of Conduct training for all employees. In Denmark, all desk workers and most frontline employees completed the training, which will be rolled out globally. In addition, campaigns were run to ensure awareness and trust in the whistleblower system, Falck Alert.

Falck carried out an internal review by external parties. Most issues reviewed

have been dealt with as part of the turnaround and the clean-up process initiated in 2017. Others have been or are being dealt with following the internal review process.

Jakob Riis said:

“The internal review has given us a finite list of issues to address and actions to be completed. We continue to work diligently to complete the identified actions required to restore the trust from customers, employees and society at large.

I am pleased with our continued progress. Falck regained strength financially, strategically and culturally for the fifth quarter in a row. While making up for past conduct, we are building a Falck for the future.”

Falck's Q2 interim report is available at www.falck.com.

For further information, please contact Falck's Communications Department on tel. +45 7022 0307 or comms@falck.com.

Falck is a leading international provider of ambulance and healthcare services. For more than a century, Falck has worked with local and national governments to prevent accidents, diseases and emergency situations, to rescue and assist people in emergencies quickly and competently and to rehabilitate people after illness or injury.

Falck operates in 30 countries and has approximately 30,000 employees.

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Contacts



Global Communications

Press Contact

comms@falck.com

+45 70 22 03 07