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IHH Healthcare Berhad

IHH delivers strong Q1 growth

- Headline revenue & EBITDA in Q1 rose 8% and 11% YoY to RM1.8 billion and RM436.5 million respectively.
- PATMI increased by 25% YoY to RM159.1 million and by 35% YoY to RM160.0 million excluding exceptional items and the effects of PLife REIT.
- Acibadem Atakent Hospital began operations in January; Mount Elizabeth Novena revenue more than doubled while EBITDA turned positive as ramp up continues.

KUALA LUMPUR/SINGAPORE, 29th May 2014 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), today announced robust key financial and operational growth for the quarter ended 31 March 2014.

The Group's headline revenue for Q1 grew by 8% YoY to RM1.8 billion from RM1.6 billion in the same period last year. It also registered double-digit growth in both its earnings before interest, taxes, depreciation, amortisation, exchange differences & other non-operational items ("EBITDA") and profit after tax and minority interests ("PATMI"). EBITDA increased by 11% YoY to RM436.5 million from RM394.2 million, while PATMI increased by 25% YoY to RM159.1 million from RM127.3 million.

The Group's underlying operational performance after stripping out the consolidation of PLife REIT and exceptional items saw Group revenue and EBITDA growing by 8% YoY and 11% YoY to RM1.7 billion and RM384.6 million respectively. On the PATMI level, the Group performed significantly better with a 29% YoY increase to RM146.9 million compared to RM113.7 million in the same period last year.

The revenue increase in Q1 2014 was driven by higher inpatient admissions and revenue intensity across the Group's operations and the opening of Acibadem Atakent Hospital in January 2014.

EBITDA growth was driven by a combination of organic growth from existing operations and better operating leverage achieved from the ramping up of hospitals which were opened in FY2012: Mount Elizabeth Novena, Acibadem Ankara and Acibadem Bodrum, each of which incurred significant start-up costs in Q1 last year.

The strong PATMI growth was on the back of the double-digit EBITDA growth. It was marginally offset by the incremental depreciation cost and financing cost relating to the new Acibadem Atakent Hospital that were recognised on the income statement upon the completion of construction.

The Group continued to strengthen its balance sheet and maintained a healthy net gearing ratio of 0.11x as at 31 March 2014. Its strong operating cash flows, with a strong cash balance of RM2.3 billion at the end of the period, means the Group will be able to comfortably support annual dividends and capital expenditure commitments.

IHH Managing Director and CEO, Dr Tan See Leng, said: "Our strong performance in the first quarter demonstrates our ability to achieve strong headline growth while we continue to extract better efficiencies within the Group. Our healthy pipeline of projects will generate new revenue sources while our scale enables us to further improve operating efficiencies."

Segmental review: Continued ramp up of new hospitals and higher revenue intensities drive performance

Parkway Pantai registered a 14% YoY increase in Q1 2014 revenue to RM1.0 billion and a 23% YoY growth in EBITDA to RM258.9 million, despite escalating cost pressures and higher wage trends.

The revenue of Mount Elizabeth Novena Hospital in Singapore more than doubled to RM78.0 million as compared to Q1 2013 while it achieved approximately RM18.0 million in EBITDA versus a loss of RM3.0 million in the same period last year.

The healthy revenue growth was also on the back of higher revenue intensities per inpatient admissions which grew 7.6% in Singapore to approximately RM23,187 and 8.5% to RM4,757 in Malaysia. These resulted from more complex cases undertaken and price increases to compensate for inflation.

Parkway Pantai's Singapore hospitals saw an overall 6.4% increase in inpatient admissions to 15,226 in Q1 2014. The increase was attributed to local patients as well as foreign patients from non-traditional markets such as the Middle East and China. Meanwhile, the inpatient admissions at Parkway Pantai's Malaysia hospitals grew 9.3% to 44,602 in Q1 2014.

Acibadem Holdings' operational performance in the quarter remains healthy resulting from the strong performance at existing hospitals and continuous ramp up of Acibadem Bodrum Hospital and Acibadem Ankara Hospital. The volume of inpatient admissions grew 5.9% to 32,771 over Q1 2013 and led to greater operating leverage achieved, while revenue intensity per inpatient admission grew 8.2% to RM9,166.

On a constant currency basis, Acibadem's revenue and EBITDA would have grown 16% and 7% respectively. This is despite the RM10.0 million in start-up costs incurred for Acibadem Atakent Hospital that opened in January 2014 and lower contribution from its subsidiary, Acibadem Proje Yonetimi A.S., which completed a construction project in early 2014.

As the Turkish Lira depreciated 13.5% YoY against the Ringgit, Acibadem's reported revenue was flat at RM640.2 million when converted to Ringgit. EBITDA also declined 8% YoY to RM115.0 million compared to the same period last year.

IMU Health posted a 1% YoY growth in revenue to RM50.3 million while EBITDA decreased 1% over the corresponding period last year to RM21.2 million. Revenue growth was driven by higher student intake and increase in course fees for IMU Health's medical and nursing programmes while EBITDA declined as a result of higher staff costs.

PLife REIT saw external revenue grew by 14% to RM22.9 million in Q1 2014 and EBITDA growth of 11% over the same period last year to RM51.9 million. The growth in its external revenue was driven by the rental income contribution from Japanese properties, which were acquired in July and September 2013.

Outlook and prospects

Overall, the Group is confident that its strong balance sheet and cash flow will support its expansion plans as it expects to continue registering earnings growth in 2014 barring any unforeseen circumstances.

The Group plans to mitigate effects from higher staff costs and other inflationary pressures via price adjustments while it strives to extract greater operating leverage on the back of higher inpatient admissions from its new and existing hospitals.

The Group is susceptible to currency volatility due to its expansive geographical footprint across Asia as well as the Central and Eastern Europe, Middle East and North Africa ("CEEMENA") regions, which would result in translation differences in the Group's balance sheet and income statement as well as affect the comparability of financial performance across periods.

Where possible, the Group takes proactive steps to minimise such risks including borrowing in the functional currency of the operating entity or borrowing in the same currency as its foreign investment. Acibadem Holdings will monitor its liquidity position to hedge its cash flows by conserving hard currency receipts from medical travellers to service the debts and interest payments of its non-TL denominated loans.

IHH Chairman, Tan Sri Dato' Dr Abu Bakar Bin Suleiman, said: "We continue to achieve sustainable and scalable growth and we are off to a good start for the new financial year. We're confident of generating strong returns for our shareholders going forward as our expansion pipeline comes on stream, resulting in greater operating leverage."

For further information or to speak to an IHH spokesperson, please contact:

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About IHH Healthcare Berhad ("IHH")

IHH Healthcare Berhad is a leading premium healthcare provider in markets where the demand for quality care is strong and growing. We are the second largest healthcare group in the world by market capitalisation and are listed on the Main Market of Bursa Malaysia and Main Board of SGX-ST. Our companies offer the full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services including medical education. We are the leading player in our home markets of Singapore, Malaysia and Turkey, and key markets of the People's Republic of China (PRC), Hong Kong and India. We are also present in Vietnam, Brunei, the UAE, Macedonia and Iraq. We employ more than 25,000 people and operate over 6,000 licensed beds across 37 hospitals worldwide. Our "Mount Elizabeth", "Gleneagles", "Pantai" and "Acibadem" brands are among the most prestigious in Asia and Central and Eastern Europe, with a growing presence in the Middle East and North Africa www.ihh-healthcare.com

APPENDIX I

Financial Results Highlights

Unaudited condensed consolidated statements of profit or loss and other comprehensive income for the financial period ended 31 March 2014

Group performance

(excluding ParkwayLife REIT)

	1st Quarter ended		Variance
	31 Mar 2014	31 Mar 2013	
	RM million		%
Revenue	1,734.7	1,604.6	8
EBITDA	384.6	347.6	11
PATMI	146.9	113.7	29
PATMI (excluding exceptional items)	160.0	118.7	35

Headline Group performance

	1st Quarter ended		Variance
	31 Mar 2014	31 Mar 2013	
	RM million		%
Revenue	1,757.6	1,624.6	8
EBITDA	436.5	394.2	11
PATMI	159.1	127.3	25
PATMI (excluding exceptional items)	172.1	132.2	30