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IHH Healthcare Berhad

IHH Reports Higher PATMI in Q2 2016 on Asset Divestment amid Higher Costs

- Q2 2016 revenue up 18% YoY to RM2.5 billion; EBITDA up modest 2% YoY to RM554.4 million due to start-up costs from the new hospitals in Malaysia opened in 2015, higher operating and staff costs, and pre-opening expenses in Hong Kong;
- Q2 headline PATMI up 8% YoY to RM246.1 million, Operational PATMI* down 20% to RM173.9 million due to moderate EBITDA growth; and increased depreciation from new hospitals in Malaysia and India, and higher net financing costs;
- Bulgaria hospitals begin contributing to Group's revenue after successful completion of acquisition in June;
- Announced development of 450-bed tertiary hospital in Shanghai after securing land contract in June

Group Financial Highlights

Consolidated Financial Results for the period ended June 30	Q2 2016 (RM million)	Q2 2015 (RM million)	Variance (%)	H1 2016 (RM million)	H1 2015 (RM million)	Variance (%)
Revenue	2,473.3	2,093.4	18	4,948.6	4,096.3	21
EBITDA	554.4	545.5	2	1,171.4	1,050.8	11
PATMI	246.1	228.1	8	481.6	399.6	21
PATMI *(less exceptional items)*	187.7	234.6	(20)	426.0	461.9	(8)

KUALA LUMPUR/SINGAPORE, 25 August 2016 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium healthcare provider globally, today announced earnings for the second quarter ended 30 June 2016 ("**Q2 2016**") and six months ended June 30 2016 ("**H1 2016**").

For the three months ended June 30, 2016, revenue rose 18% year-on-year ("**YoY**") to RM2.5 billion on sustained organic growth and contribution from newly opened hospitals as they continued to ramp up. Newly acquired assets over the past year – Continental Hospitals and Global Hospitals in India, and Tokuda Group and City Clinic Group in Bulgaria – also contributed to the increase in the Group's Q2 2016 revenue.

* For a more accurate reflection of the Group's **underlying operating performance**, the effects of the consolidation of PLife REIT, in which IHH owns a 35.8% indirect stake, as well as the impact from one-off exceptional items, has been stripped out.

Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") increased by 2% to RM554.4 million as revenue growth was offset by start-up costs from the new hospitals in Malaysia, higher operating and staff costs, as well as pre-opening expenses incurred for Gleneagles Hospital Hong Kong, which is gearing up for its opening in early 2017. This in turn impacted Profit After Tax and Minority Interests ("**PATMI**"). Operational PATMI, which strips out exceptional items and contribution from PLife Reit, decreased by 20% YoY to RM173.9 million on moderate EBITDA growth; and increased depreciation from new hospitals in Malaysia and India, and higher net financing costs as loans were incurred for working capital, capital expenditure, acquisitions and purchase of investment properties.

Headline PATMI grew by 8% to RM246.1 million on the recognition of a RM54.8 million gain from the Group's divestment of its 90% stake in Shenton Insurance, undertaken as part of ongoing efforts to rebalance our portfolio to optimise returns. Also contributing to PATMI growth was an exchange gain of RM7.5 million relating to Acibadem Holdings' ("**Acibadem**") non-Turkish Lira borrowings in Q2 2016, compared to losses of RM22.0 million from a year ago.

For the six months ended June 30, 2016, IHH demonstrated financial growth across most metrics. Headline revenue increased 21% YoY to RM4.9 billion, while EBITDA increased by 11% to RM1.2 billion. PATMI increased 21% to RM481.6 million while operational PATMI (less exceptional items and contribution from PLife Reit) decreased 8% to RM397.7 million.

The Group remained in a strong financial position, maintaining net gearing at 0.19 times as at end-June 2016 with significant cash holdings of approximately RM2.3 billion.

In June this year, Acibadem completed the acquisition of Tokuda Group and City Clinic Group to become the leading private healthcare operator in Bulgaria with four hospitals offering more than 750 beds and four medical centres. The same month, a 70:30 joint venture between IHH's Parkway Pantai and Shanghai Hongxin Medical Investment Holding secured a land contract to develop a new 450-bed multi-specialty tertiary hospital within Shanghai New Hongqiao International Medical Centre. The new hospital, named ParkwayHealth Shanghai International Hospital, is expected to open in 2020.

IHH Managing Director and CEO, Dr Tan See Leng, said: "We continued to maintain our focus on strategy execution, ensuring steady contribution from existing operations while integrating our new assets, most recently hospitals in India and Bulgaria.

We are diligently progressing other projects including our flagship Gleneagles Hospital Hong Kong and recently announced ParkwayHealth Shanghai International Hospital, which will generate future contributions, alongside a continued drive to achieve operating leverage and synergistic service improvements across existing operations. Together, these actions will help deliver resilience amid headwinds which we expect in the year ahead."

Segmental review for Q2 2016

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q2 2016	Q2 2015	Variance (%)	Q2 2016	Q2 2015	Variance (%)
Parkway Pantai	1,506.7	1,292.0	17	343.4	345.5	(1)
Acibadem Holdings	867.9	716.5	21	159.6	130.0	23
IMU Health	65.9	58.0	14	26.8	19.7	36
PLife REIT	32.3	25.5	27	65.0	57.0	14

Parkway Pantai, the Group's largest operating subsidiary, reported a 17% YoY growth in revenue on sustained organic growth, the continued ramp up of Mount Elizabeth Novena in Singapore and contribution from newly opened hospitals and assets acquired in 2015. EBITDA edged down by 1% on higher operating expenses and staff costs, as well as start-up losses of RM7.6 million from its new hospitals in Malaysia and pre-opening expenses of RM8.7 million incurred for Gleneagles Hospital Hong Kong.

Inpatient admissions at its Singapore hospitals grew by 7.5% to 18,698, driven largely by local patients. Meanwhile, inpatient volumes at its Malaysia hospitals were flat at 47,067. Average revenue per inpatient admission ("revenue intensity") in Singapore was flat at RM26,447 while improving by 5.5% to RM5,936 in Malaysia.

Since Q1 2016, IHH has included India's performance as a separate sub-segment for Parkway Pantai, given that the country is now one of the Group's home markets. For Q2 2016, inpatient admissions at IHH's India hospitals were at 14,919 and revenue intensity grew by 8.9% to RM7,332.

Acibadem Holdings, Turkey's leading private healthcare provider, posted a 21% growth in revenue to RM867.9 million and 23% growth in EBITDA to RM159.6 million in Q2 2016. This was led by the continued ramp up of Acibadem Atakent Hospital and Acibadem Taksim Hospital, contribution from its new assets in Bulgaria, as well as organic growth at existing hospitals and businesses. On a constant currency basis, revenue and EBITDA would have grown by 21% and 22% respectively.

Inpatient admissions improved by 15.7% to 37,750, while revenue intensity grew 1.3% to RM10,463 from taking on more complex cases and adjusting prices to compensate for cost inflation.

IMU Health, the Group's medical education arm, saw revenue increase 14% to RM65.9 million on higher tuition fees and a larger student intake for some of its courses. EBITDA increased 36% to RM26.8 million on the back of the higher revenue.

PLife REIT, which has a portfolio of 48 healthcare-related properties as at 30 June 2016, reported a 27% gain in external revenue to RM32.3 million and a 14% increase in EBITDA to RM65.0 million. This increase was due to contribution from the nursing homes acquired this year. EBITDA also increased with higher rental income from its Singapore properties, which were leased to Parkway Pantai.

Outlook and Prospects

The Group continues to believe in the robust demand for quality private healthcare in its home and growth markets, especially India and China. Given its rapid growth over the past few years, IHH will continue to focus on enhancing its service offerings in existing hospitals, ramping up newer hospitals and integrating newly acquired assets. It will also continue to move forward with development of its planned greenfield hospitals that are expected to open over the next two years. In addition, the Group will continually review its portfolio of investments with a view of rebalancing it to optimise returns.

The Group's extensive geographical footprint means it will be exposed to geopolitical risks and currency volatility that may result in translational differences to its financial statements. At the same time, it will face increasing cost pressures including pre-operating and start-up costs at newer hospitals; wage inflation from the global competition for healthcare talent; and rising purchase costs if the US Dollar continues to strengthen against its home market currencies. The Group will continue to mitigate these through cost optimisation, tight cost control and taking on higher revenue intensity procedures.

IHH remains confident that its strong brands and network of hospitals, backed by its strong balance sheet and operating cash flows, will enable it to successfully navigate the challenging operating environment expected for the rest of the year.

IHH Chairman, Tan Sri Dato' Dr Abu Bakar bin Suleiman, said: "Notwithstanding global macroeonomic volatility, we will further optimise our strong capabilities and track record to increase productivity and continue generating shared value for all our stakeholders. We remain unrelenting in our commitment to deliver the best clinical outcomes for our patients while running a sound and resilient business operation."

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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 the Main Board of SGX-ST.

Employing more than 30,000 people and operating over 10,000 licensed beds across 52 hospitals in 10 countries worldwide, the Group offers the full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services across our three operating subsidiaries:

- **Parkway Pantai Limited** is one of Asia's largest integrated private healthcare groups with a network of 31 hospitals throughout the region, including Singapore, Malaysia, India, China, Brunei and UAE. Its "Mount Elizabeth", "Gleneagles", "Parkway" and "Pantai" brands are among the most prestigious in Asia.
- **Acibadem Holdings** is Turkey's leading private healthcare provider, offering integrated healthcare services across 21 hospitals in Turkey, Macedonia, Bulgaria and Iraq. The "Acibadem" brand is renowned for its clinical excellence in the Central & Eastern Europe, Middle East and North Africa ("CEEMENA") region.
- **IMU Health** is IHH's medical education arm, and oversees the established higher learning institutions of International Medical College ("IMC") and International Medical University ("IMU") in Malaysia.

IHH is the leading player in our home markets of Malaysia, Singapore, Turkey and India, and key growth markets of China and Hong Kong. For more information, please visit www.ihhhealthcare.com.