IHH Healthcare Berhad

IHH Delivers Strong Growth in Q3 2016

- Double-digit revenue, EBITDA and headline PATMI growth of 18%, 15% and 46% to RM2.4 billion, RM546.3 million and RM173.3 million respectively
- Performance driven by continued organic growth, contribution from new hospitals and recent acquisitions
- Announced strategic partnership with Taikang Insurance Group to accelerate China growth post Q3 2016

Group Financial Highlights

Consolidated Financial Results for the period ended Sept 30	Q3 2016 (RM million)	Q3 2015 (RM million)	Variance (%)	9M 2016 (RM million)	9M 2015 (RM million)	Variance (%)
Revenue	2,441.8	2,064.3	18	7,390.4	6,160.6	20
EBITDA	546.3	476.4	15	1,717.7	1,527.2	12
PATMI	173.3	118.5	46	654.9	518.1	26
PATMI *(less exceptional items)*	217.6	222.7	(2)	643.5	684.6	(6)

KUALA LUMPUR/SINGAPORE, 24 November 2016 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium healthcare provider globally, today announced earnings for the third quarter ended 30 September 2016 ("**Q3 2016**") and nine months ended 30 September 2016 ("**9M 2016**").

For the three months ended 30 September 2016, revenue increased 18% year-on-year ("**YoY**") to RM2.4 billion on sustained organic growth at existing hospitals and contribution from new hospitals. Newly acquired assets over the past year – Continental and Global Hospitals in India, and Tokuda Group and City Clinic Group in Bulgaria – also contributed to the Group's revenue growth.

Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") grew 15% to RM546.3 million on strong revenue performance. This was offset by start-up costs from new hospitals, higher operating and staff costs, as well as pre-opening expenses incurred for Gleneagles Hong Kong, slated to open in the first half of 2017.

Headline profit after tax and minority interests ("**PATMI**") rose 46% to RM173.3 million against a lower base in Q3 2015, after foreign exchange losses on Acibadem Holdings' ("**Acibadem**") non-Turkish Lira borrowings narrowed significantly over the year. Stripping out exceptional items, PATMI eased by 2% to RM217.6 million on increased depreciation from new hospitals and higher net financing costs arising from a larger asset base.

For the nine months ended 30 September 2016, IHH reported growth across most financial metrics. Headline revenue increased by 20% YoY to RM7.4 billion, while EBITDA grew by 12% to RM1.7 billion. PATMI improved by 26% to RM654.9 million while PATMI (less exceptional items) decreased 6% to RM643.5 million.

IHH remained in a strong financial position, with a net gearing of 0.21 times as at end-September 2016 and significant cash holdings of RM2.1 billion.

Post Q3 2016, the Group announced a strategic partnership with Taikang Insurance Group ("**Taikang**") – a renowned leading insurance and financial group in China. As part of the agreement, Taikang will take a 29.9% equity stake in IHH's subsidiary, PCH Holding Ltd., the holding company for IHH's Mainland China portfolio of primary care clinics and greenfield hospital projects, for approximately 1.1 billion yuan (RM689.6 million). This partnership will leverage the collective strengths of IHH and Taikang in the respective areas of healthcare and insurance, to drive strategic growth in China.

IHH Managing Director and CEO, Dr Tan See Leng, said: "Our sustained growth performance reflects our focus on extracting operating leverage from existing operations, integrating newly acquired assets and rebalancing our portfolio to optimise returns.

We also continue to pave the way for long-term growth, and are excited about our strategic partnership with Taikang to accelerate our expansion into Mainland China as well as the ramping up of our project pipeline, including the opening of Gleneagles Hong Kong next year."

Segmental review for Q3 2016

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q3 2016	Q3 2015	Variance (%)	Q3 2016	Q3 2015	Variance (%)
Parkway Pantai	1,543.1	1,289.8	20	354.4	310.2	14
Acibadem Holdings	808.7	686.7	18	83.8	93.4	(10)
IMU Health	55.0	54.1	2	19.5	17.8	10
PLife REIT	34.4	27.9	23	67.8	60.7	12

Parkway Pantai, the Group's largest operating subsidiary, saw a 20% YoY increase in revenue on sustained organic growth, the continued ramp up of Mount Elizabeth Novena

Hospital in Singapore, as well as contribution from its newly opened hospitals in Malaysia and newly acquired assets in India. EBITDA grew 14% on higher revenue and improved operating leverage from higher patient volumes, offset by higher operating and staff costs, start-up costs of RM2.3 million for new Malaysia hospitals and RM19.7 million in pre-opening expenses for Gleneagles Hong Kong.

Inpatient admissions at its Singapore hospitals grew 13.6% YoY to 19,153 while those at its Malaysia hospitals rose 9% to 49,702. The increase in patient volumes in both markets was driven largely by local patients. Average revenue per inpatient admission ("**revenue intensity**") declined by 3% to RM26,038 in Singapore while improving by 10.2% to RM6,000 in Malaysia as the Group took on more complex cases.

India, now IHH's fourth home market, saw hospital inpatient admissions grow by 7.1% YoY to 17,454 while revenue intensity increased 5.2% to RM7,015.

Acibadem Holdings, Turkey's leading private healthcare provider, posted an 18% YoY growth in revenue for Q3 2016 on the continued ramp up of Acibadem Atakent Hospital and Acibadem Taksim Hospital. The recently acquired Tokuda Group and City Clinic Group and improvement at existing operations also contributed to revenue growth. However, EBITDA fell by 10% due to higher mandatory minimum wages implemented at the start of 2016 and higher operating and rental costs arising from further depreciation of the Lira against the US Dollar. Start-up losses at the newly opened Acibadem Taksim Hospital also eroded EBITDA margins in the third quarter.

Inpatient admissions improved by 47.9% YoY to 44,067 on the consolidation of Tokuda Group and City Clinic Group to Acibadem Holdings. Revenue intensity decreased by 9.7% to RM9,406 due to lower revenue intensity at the Bulgaria hospitals.

IMU Health, the Group's medical education arm, recorded a 2% growth in revenue to RM55.0 million on higher tuition fees and student intake for some courses. EBITDA increased 10% to RM19.5 million on higher revenues and cost savings achieved.

PLife REIT, which has a portfolio of 48 healthcare-related properties as at 30 September 2016, reported a 23% gain in external revenue to RM34.4 million and a 12% growth in EBITDA to RM67.8 million. This was driven by the contribution from a portfolio of nursing homes acquired this year and higher rental income from properties leased to Parkway Pantai in Singapore.

Outlook and Prospects

Looking ahead, the Group continues to believe in the robust demand for quality private healthcare in its home and growth markets, driven by aging demographics and rising affluence, particularly in India and China. IHH will continue to build on its success and focus on enhancing service offerings at existing hospitals and ramping up newer ones, while integrating newly acquired assets. It will also continue to execute on its development pipeline as it prepares for the progressive opening of several planned greenfield hospitals over the next two years. In addition, IHH will continually review its portfolio of investments with a view to rebalancing for optimised returns.

The Group's extensive geographical footprint means it will be exposed to geopolitical risks and currency volatility, which may result in foreign exchange translational differences to its financial statements. Concurrently, it will face increasing cost pressures including pre-operating and start-up costs at its new hospitals, wage inflation from increasing global competition for healthcare talent, and rising purchasing costs from the strengthening US Dollar. IHH aims to mitigate these through tight cost control, increasing productivity and focusing on higher revenue intensity cases.

IHH remains confident that its strong brands and network of hospitals, backed by its strong financial position and experienced management team, will enable it to successfully navigate through this challenging operating environment expected for the year ahead.

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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 Malaysia, Singapore, 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.