IHH Healthcare Berhad

IHH Reports RM612.4 million profit for FY2016, Recommends 3 sen Dividend

- Full-year revenue and EBITDA growth of 19% and 7% YoY to RM10.0 billion and RM2.3 billion respectively; lower headline PATMI of RM612.4 million on provisions for impairment and unrealised foreign exchange losses in Q4; PATMI excluding exceptionals eased by 4% to RM866.0 million
- For Q4 2016, revenue increased 15% to RM2.6 billion; EBITDA declined 8% to RM565.4 million; headline PATMI loss was RM42.5 million on exceptionals; PATMI excluding exceptionals rose 4% to RM222.4 million
- IHH Board of Directors recommends dividend of 3 sen per share for FY2016

Group Financial Highlights

Consolidated Financial Results for the period ended Dec 31	Q4 2016 (RM million)	Q4 2015 (RM million)	Variance (%)	2016 (RM million)	2015 (RM million)	Variance (%)
Revenue	2,631.5	2,294.9	15	10,021.9	8,455.5	19
EBITDA	565.4	614.3	(8)	2,283.2	2,141.5	7
PATMI	(42.5)	415.8	(110)	612.4	933.9	(34)
PATMI (less exceptional items)	222.4	214.6	4	866.0	899.2	(4)

KUALA LUMPUR/SINGAPORE, 23 February 2017 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium healthcare provider globally, today announced earnings for the fourth quarter ended 31 December 2016 ("**Q4 2016**") and financial year ended 31 December 2016 ("**FY2016**"). The Board of Directors recommended a first and final dividend of 3 sen per ordinary share for the full year.

For the full year ended 31 December 2016, revenue increased 19% year-on-year ("**YoY**") to RM10.0 billion on organic growth at existing operations and contribution from hospitals opened in 2015: Gleneagles Kota Kinabalu Hospital, Acibadem Taksim Hospital and Gleneagles Medini Hospital. Continental and Global Hospitals in India, acquired in 2015, and Tokuda Group and City Clinic Group in Bulgaria, acquired in 2016, also contributed to revenue growth.

Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") grew 7% to RM2.3 billion on the back of robust revenue growth. This was achieved despite a high EBITDA base in FY2015 when a revaluation gain of RM71.7 million was booked on PLife REIT's investment properties as compared to RM8.5 million in FY2016.

Headline profit after tax and minority interests ("**PATMI**") decreased 34% YoY to RM612.4 million largely due to three exceptional items that were booked in the fourth quarter: (a) charges of RM132.7 million on its investment in Gleneagles Khubchandani Hospital in India; (b) settlement of RM53.6 million for value-added tax claims in Turkey; and (c) unrealised foreign exchange loss of RM335.2 million on translation of non-Turkish Lira borrowings. Stripping out exceptional items, PATMI* eased by 4% to RM866.0 million due to increased depreciation from new hospitals and higher net financing costs.

For the three months ended 31 December 2016, IHH revenue increased 15% YoY to RM2.6 billion while EBITDA declined 8% to RM565.4 million. The Group booked a headline loss of RM42.5 million for Q4 2016 on the recognition of exceptional items during the period. Stripping out exceptional items, PATMI* increased 4% to RM222.4 million due to lower net financing costs with partial settlement of borrowings, higher foreign exchange gains, and lower non-controlling interests' share of the profit in Q4 2016 compared to Q4 2015.

IHH remained in a strong financial position as at the end of December 2016, with RM2.4 billion in cash on-hand and a net gearing of 0.21 times.

Operational Highlights

In 2016, the Group continued to execute on its business strategy of expanding in markets where it sees strong and growing demand for quality private healthcare. In particular, it marked several transformational developments in Greater China in the past year, announcing developments in Chengdu, Shanghai and a new strategic partnership.

In January, it entered into a lease agreement with Perennial Real Estate Holdings Limited to set up the 350-bed Gleneagles Chengdu Hospital, IHH's first tertiary hospital in Western China. In June, the Group announced that its 70:30 joint venture with Shanghai Hongxin Medical Investment Holding had secured approval to develop the 450-bed Gleneagles Shanghai Hospital. In November, IHH announced its strategic partnership with Taikang Insurance Group to leverage the collective strengths of both companies in the areas of healthcare and insurance to drive strategic growth in China.

IHH Managing Director and CEO, Dr Tan See Leng, said: "Our resilient core performance in 2016 is underpinned by our differentiated strategy as we continue to prudently refine and rebalance our portfolio to optimise returns for the long term.

In the year, we executed well on existing operations and divested non-core assets to focus on our strengths. We have also successfully recalibrated our strategy in India to become a leading healthcare provider there, making it our fourth home market. First, we pivoted from greenfield developments to making transformational acquisitions; and now we are consolidating our India platform further by rebranding all our Global Hospitals facilities under the IHH 'Gleneagles' brand to drive greater branding equity.

We have made great strides in Greater China through partnerships and new projects that place us strategically on the path to making it our next home market. In the first half of 2017, we look forward to opening our new flagship hospital, Gleneagles Hong Kong, which will place the Group in a good position for its next stage of growth."

* Stripping out exceptional items provide a better gauge of underlying operational performance

Segmental review for Q4 2016

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q4 2016	Q4 2015	Variance (%)	Q4 2016	Q4 2015	Variance (%)
Parkway Pantai	1,571.3	1,391.4	13	332.9	318.2	5
Acibadem Holdings	967.6	813.1	19	136.9	150.0	(9)
IMU Health	58.0	60.2	(4)	16.0	20.0	(20)
PLife REIT	34.0	29.5	15	89.0	134.9	(34)

Parkway Pantai, the Group's largest operating subsidiary, reported a 13% YoY increase in revenue to RM1.6 billion on sustained organic growth, the continued ramp up of Mount Elizabeth Novena Hospital in Singapore, and contribution from its newly opened hospitals and strategic assets acquired in 2015. EBITDA grew 5% as a result of higher revenue and operating leverage from increased patient volumes, offset by higher operating and staff costs, start-up costs of RM1.7 million for its new Malaysia hospitals and RM38.4 million in pre-opening expenses for Gleneagles Hong Kong.

Inpatient admissions at its Singapore hospitals grew 4.8% YoY to 18,174, driven by an increase in local patients, while inpatient admissions at its Malaysia hospitals increased 3.6% to 47,318. Average revenue per inpatient admission ("**revenue intensity**") rose 1.5% to RM28,189 in Singapore and improved by 12.3% to RM6,151 in Malaysia as the Group continued to take on more complex cases.

In India, the Group's fourth home market, inpatient admissions grew 7.7% to 15,838 while revenue intensity improved by 15.5% to RM7,997.

Acibadem Holdings, Turkey's leading private healthcare provider, posted a 19% YoY rise in revenue to RM967.6 million for Q4 2016 on the continued ramp up of Acibadem Atakent Hospital and contribution from the newly opened Acibadem Taksim Hospital. The recently acquired Tokuda Group and City Clinic Group – now consolidated as Acibadem City Group - and improved performance at existing operations also contributed to revenue growth. However, EBITDA fell by 9% to RM136.9 million on increased staff costs with higher minimum wages implemented from 1 January 2016, higher operating costs and rental expenses from further depreciation of the Turkish Lira against the US Dollar and Euro, and higher provisions made for doubtful debts.

Inpatient admissions improved by 46.8% YoY to 50,470 on the consolidation of Tokuda Group and City Clinic Group. Revenue intensity declined 7.6% to RM8,864 on lower revenue intensity recorded at the Acibadem City Group hospitals.

IMU Health, the Group's medical education arm, recorded a 4% YoY decline in revenue to RM58.0 million on lower new student intakes for certain courses, offset by the increase in tuition fees for some of the courses offered. EBITDA decreased 20% to RM16.0 million on the back of lower revenue and higher staff costs.

PLife REIT, which had a portfolio of 44 healthcare-related properties as at 31 December 2016, reported a 15% increase in external revenue to RM34.0 million on the contribution from the nursing home acquired in 2016. EBITDA declined 34% to RM89.0 million compared to a high base for Q4 2015, which saw a revaluation gain of RM71.7 million from its investment properties, compared to a revaluation gain of RM8.5 million in Q4 2016. The decline in EBITDA was partially offset by a RM13.1 million gain on divestment from its investment properties in Q4 2016.

Outlook and Prospects

IHH remains confident of the sustained demand for quality private healthcare services in its home and growth markets, especially in India and Greater China. In 2017, the Group will continue to develop and enhance its service offerings in existing hospitals and ramp up hospitals opened in 2015 to achieve optimal operating leverage, while integrating its newly acquired assets. It is also focused on staff training, equipping and preparing for the progressive opening of Gleneagles Hong Kong and Acibadem Altunizade Hospital in 2017. Further, it will continue to actively review its portfolio of investments with a view to rebalancing for optimised returns.

Given the Group’s extensive geographical footprint, it will be exposed to geopolitical risks and currency volatility in the countries it operates in, which may result in translational differences in the Group’s balance sheet and income statement. 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 prudently managing costs, improve operational efficiencies and focus to improve the mix of higher revenue intensity cases.

The Group 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 the challenging operating environment expected for the year ahead.

IHH Chairman, Tan Sri Dato' Dr Abu Bakar Bin Suleiman, said: “In FY2016, IHH delivered steady core operational performance amid volatility in the global economy. While we expect macro challenges to persist in the year ahead, we will continue to focus on driving long-term shareholder value.”

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

Penelope Koh
t. +65 6307 7881
e. penelope.koh@ihhhealthcare.com

Josephine Chew
t. +65 9061 0353
e. josephine.chew@watatawa.asia

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.