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IHH Healthcare Berhad

IHH Healthcare Reports Higher Net Profit at RM316.6 million for Q2 2017

- Q2 2017 revenue grew 12% to RM2.8 billion on sustained organic growth in all home markets and contribution from new hospitals
- Headline PATMI up 29% to RM316.6 million on one-off gain from divestment of non-core minority stake in Apollo Hospitals
- Newly opened Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital already contributing to revenue

Group Financial Highlights

Consolidated Financial Results for the period ended June 30	Q2 2017 (RM million)	Q2 2016 (RM million)	Variance (%)	H1 2017 (RM million)	H1 2016 (RM million)	Variance (%)
Revenue	2,771.8	2,473.3	12	5,456.7	4,948.6	10
EBITDA	535.8	554.4	(3)	1,101.4	1,171.4	(6)
PATMI	316.6	246.1	29	786.6	481.6	63
PATMI *(less exceptional items)*	86.2	187.7	(54)	288.0	426.0	(32)

KUALA LUMPUR/SINGAPORE, 23 August 2017 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium global healthcare provider, today announced earnings for the second quarter ended 30 June 2017 ("**Q2 2017**") and six months ended 30 June 2017 ("**H1 2017**").

For the three months ended 30 June 2017, revenue increased 12% year-on-year ("**YoY**") to RM2.8 billion. This was due to sustained growth in inpatient admissions and revenue intensity across all home markets and the ramp up of new hospitals opened in March 2017. Tokuda Group and City Clinic Group in Bulgaria, acquired in June 2016 and since consolidated into Acibadem, also contributed to the increase in revenue.

Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") declined 3% to RM535.8 million. This was mainly on the back of start-up costs incurred by the newly opened Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital, as well as higher operating and staff costs.

Headline profit after tax and minority interests ("**PATMI**") grew 29% to RM316.6 million, following a RM241.1 million one-off gain from the Group's divestment of its non-core minority stake in Apollo Hospitals in May 2017. PATMI (less exceptional items)* decreased

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

54% to RM86.2 million on higher depreciation, amortisation and finance costs following the opening of two new hospitals in Hong Kong and Istanbul in March 2017.

For the six months ended 30 June 2017, revenue increased 10% YoY to RM5.5 billion, while EBITDA decreased by 6% to RM1.1 billion. PATMI increased 63% to RM786.6 billion while PATMI (less exceptional items) decreased 32% to RM288.0 million.

IHH maintained its strong financial position, with a cash balance of RM4.6 billion as at the end of June 2017 and an improved net gearing of 0.14 times (30 June 2016: 0.19 times).

In July, its largest operating and wholly owned subsidiary, Parkway Pantai, established a US$2 billion (~RM 8.6 billion) multi-currency medium-term note programme. Parkway Pantai Group drives all of IHH's healthcare operations across Asia. This is the first time IHH or any of its subsidiaries are initiating a fixed income programme since its initial public offering. Its recent US$500 million senior perpetual securities issuance last month will further diversify sources of funding and provide additional debt headroom for general corporate purposes.

Operational Highlights

In June this year, IHH broke ground for Gleneagles Shanghai Hospital. The 450-bed facility, expected to open in 2020, is part of its RMB8.0 billion (~RM5.1 billion) project pipeline for the region that also includes Gleneagles Hong Kong Hospital and the upcoming Gleneagles Chengdu and Gleneagles Nanjing hospitals. Together, these new facilities will build on IHH's robust existing primary care network in Greater China to deliver integrated, quality healthcare across key regions.

In July, Parkway Pantai acquired a 55% equity interest in Angsana Holdings Pte Ltd ("Angsana") for a total consideration of S$9.3 million (~RM29.3 million). Angsana will complement IHH's existing suite of diagnostics services, by providing molecular diagnostic test services, including biochemistry, chemistry, haematology and molecular blood analysis and testing.

IHH Managing Director and CEO, Dr Tan See Leng, said: "We delivered topline growth across all markets despite a challenging operating environment by keeping a relentless focus on core operations while actively rebalancing assets in our portfolio. We are pleased that our two newest hospitals, which will be growth drivers as they ramp up, are already contributing to revenue.

We look forward to our next phase of growth, especially in Greater China, where we have laid out plans to make it our fifth home market after Malaysia, Singapore, Turkey and India."

Segmental review for Q2 2017

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q2 2017	Q2 2016	Variance (%)	Q2 2017	Q2 2016	Variance (%)
Parkway Pantai	1,714.7	1,506.7	14	334.7	343.4	(3)
Acibadem Holdings	953.6	867.9	10	145.0	159.6	(9)
IMU Health	68.4	65.9	4	24.6	26.8	(8)
PLife REIT	34.6	32.3	7	69.8	65.0	7

Parkway Pantai, the Group's largest operating subsidiary, reported a 14% YoY increase in revenue. The higher revenue was the result of sustained organic growth for its existing hospital business, and the continued ramp up of Mount Elizabeth Novena Hospital in Singapore as well as Pantai Hospital Manjung, Gleneagles Kota Kinabalu Hospital and Gleneagles Medini Hospital in Malaysia. The three newly opened hospitals have turned EBITDA positive and continue to grow. Gleneagles Hong Kong Hospital also contributed to the Group's revenue. EBITDA decreased by 3%, impacted by the RM67.8 million in start-up losses incurred by Gleneagles Hong Kong Hospital.

Inpatient admissions at its Singapore hospitals grew 1.3% to 18,936, predominantly driven by local patients. Average revenue per inpatient admission ("**revenue intensity**") rose 8.7% to RM29,325 from taking higher intensity cases.

Inpatient admissions at its Malaysia hospitals increased 4.8% to 49,347 while revenue intensity improved by 10.3% to RM6,548 as more complex cases were undertaken and price adjustments made for cost inflation.

In India, the Group's fourth home market, inpatient admissions grew 15.2% to 17,194 while revenue intensity increased by 0.7% to RM8,187.

Acibadem Holdings, Turkey's leading private healthcare provider in which IHH owns a 60% majority stake, posted a 10% YoY rise in revenue for Q2 2017. This was on the continued ramp up of Acibadem Altunizade Hospital and Acibadem Atakent University Hospital. EBITDA decreased by 9.0% on lower utilisation at Acibadem Kadikoy Hospital and Acibadem Kozyatagi Hospital, following the decanting of patients with complex conditions to Acibadem Altunizade Hospital. Higher operating costs from medical inflation and depreciation of Turkish Lira against the US Dollar and Euro also played a role in the lower EBITDA.

Inpatient admissions improved by 40.4% to 52,995, reflecting the contribution from Acibadem Altunizade Hospital and the Bulgaria operations acquired in 2016. Revenue intensity grew 4.0% to RM9,490 from taking on more complex cases and an increase in the number of foreign patients in the quarter.

IMU Health, the Group's medical education arm, recorded a 4% YoY growth in revenue as it adjusted tuition fees and shortened semesters for some courses. EBITDA declined 8% on higher pre-operating and staff costs.

PLife REIT, with a portfolio of 49 healthcare-related properties as at 30 June 2017, reported a 7% YoY increase in external revenue on the contribution from nursing homes acquired in 2016 and Q1 2017. Correspondingly, EBITDA grew 7%.

Outlook and Prospects

IHH continues to believe in the sustained demand for quality private healthcare in its home and key growth market of Greater China.

In the year ahead, the Group expects to face cost pressures on several fronts. These include wage inflation from increased competition for talent in its home markets, rising purchasing costs with the stronger US Dollar and higher pre-operating costs and start-up costs from new operations which would partially erode profitability in the initial stages. To mitigate these effects, IHH will remain prudent in its cost management, improve the mix of higher revenue intensity cases and ramp up new facilities to achieve optimal operating efficiencies.

Given its extensive geographical footprint, the Group will be exposed to geopolitical risks and currency volatility. This may result in translational differences in its balance sheet and income statement. IHH adopts natural hedges where possible and efforts to "de-risk" currency exposure for Acibadem remain ongoing.

IHH remains confident that its brands and network of hospitals, supported by its robust balance sheet and operating cash flows, will enable it to successfully overcome the challenging operating conditions 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 35,000 people and operating over 10,000 licensed beds across 50 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 28 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 22 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.