



IHH Healthcare Berhad

**FOR IMMEDIATE RELEASE**

Kuala Lumpur/Singapore, 29 November 2019

**IHH Healthcare Reports Q3 2019 Net Profit of RM236.3 million**

**Q3 HIGHLIGHTS:**

***Strong double-digit gains in revenue and EBITDA***

- Q3 2019 revenue and EBITDA up YoY 33% and 34% respectively on sustained organic growth and strong operational performance
- Headline PATMI of RM236.3 million, compared to loss of RM104.1 million from a year ago
- PATMI (excluding exceptionals) down 35% YoY on higher net interest expense of RM111.3 million
- Robust balance sheet and prudent cash management, with net gearing of 0.15 times and RM4.6 billion cash position

***Strengthening position across geographic clusters***

- **Malaysia:** Proposed acquisition for Prince Court Medical Centre to strengthen market position in the private healthcare segment
- **India:** Fortis reported third straight quarter of operational profit before tax; improvement in operational profitability in the hospital and diagnostics business
- **Turkey:** Refinanced approximately US\$170 million equivalent of non-Turkish Lira debt; Swapped some of it into Turkish Lira debt to further reduce foreign currency exposure
- **Greater China:** Gleneagles Chengdu Hospital commenced operations in October

**GROUP RESULTS HIGHLIGHTS**

Consolidated Financial Results for the period ended 30 Sep	Q3 2019 (RM million)	Q3 2018 (RM million)	Variance (%)	9M 2019 (RM million)	9M 2018 (RM million)	Variance (%)
<b>Revenue</b>	<b>3,788.4</b>	2,840.9	33	<b>11,076.4</b>	8,355.6	33
<b>EBITDA</b>	<b>828.9</b>	616.8	34	<b>2,416.2</b>	1,753.6	38
<b>PATMI</b>	<b>236.3</b>	(104.1)	NM	<b>510.8</b>	118.3	NM
<b>PATMI</b> <i>(less exceptional items)</i>	<b>202.3</b>	309.0	(35)	<b>630.8</b>	686.0	(8)

**IHH Healthcare Berhad** (“IHH” or the “Group”), a leading premium global healthcare provider, today announced earnings for the third quarter and nine months ended 30 September 2019 (“**Q3 2019**” and “**9M 2019**” respectively).

**For Q3 2019**, the Group’s revenue increased 33% year-on-year (“**YoY**”) to RM3.8 billion. Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items (“**EBITDA**”) rose by 34% to RM828.9 million.

Revenue and EBITDA improved on sustained organic growth at existing operations and contribution from Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital, both opened in March 2017. Amanjaya Specialist Centre (“**Amanjaya**”) and Fortis Healthcare (“**Fortis**”), acquired in October 2018 and November 2018 respectively, also contributed to the higher revenue and EBITDA. On constant currency terms and excluding the impact from MFRS 16 *Leases*<sup>1</sup>, revenue and EBITDA increased 36% and 22% respectively.

Headline PATMI for Q3 2019 stood at RM236.3 million. PATMI (excluding exceptional items)<sup>2</sup> decreased 35% to RM202.3 million, due to higher interest expense as additional loans were taken for the Fortis acquisition, working capital and swapping of Acibadem’s non-Lira loans to Lira loans upon refinancing and the adoption of MFRS 16 *Leases*.

**For 9M 2019**, revenue increased 33% YoY to RM11.1 billion while EBITDA was up 38% YoY to RM2.4 billion. On constant currency basis and excluding the impact from MFRS 16 *Leases*, revenue and EBITDA grew 38% and 27% respectively. Headline PATMI was RM510.8 million, compared to RM118.3 million in the previous corresponding period, while PATMI (excluding exceptional items) decreased 8% YoY to RM630.8 million.

The Group’s balance sheet remained strong as at end-September 2019, with net cash generated from operating activities for the nine months of RM1.7 billion and an overall cash balance of RM4.6 billion. Net gearing edged up to 0.15 times (31 December 2018: 0.10 times) on strategic investments including Fortis in India.

#### **MANAGEMENT COMMENTS:**

**IHH Chief Executive Officer (Designate) and Executive Director, Dr Kelvin Loh**, said: “Our dedicated focus on working towards our vision of becoming the world’s most trusted healthcare network underpinned another strong set of financial results for Q3 2019, as we prioritised operational synergies and integration.”

“The proposed acquisition of Prince Court Medical Centre is set to enhance our leadership position in Malaysia. Our proactive stance to recalibrate our non-Lira loans in Acibadem has also reduced our exposure to currency volatility in Turkey.”

“In India, Fortis delivered another impressive performance as we continue to see healthy momentum with an improvement to its operational profitability in both the hospital and diagnostics business.”

“We are also excited with our progress in Greater China, where we just opened Gleneagles Chengdu. We continue to ramp up operations at Gleneagles Hong Kong where there is a demand to serve more patients.”

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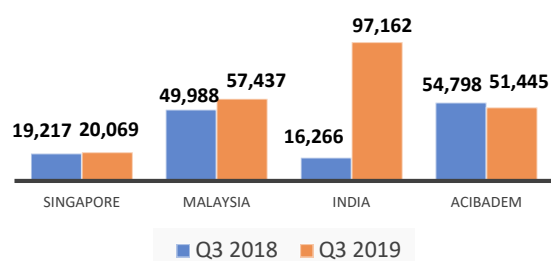
<sup>1</sup> IHH adopted MFRS 16 *Leases* with effect from January 1, 2019. This change increased the Group’s Q3 2019 EBITDA since the Group does not recognise operating lease expenses but instead recognises depreciation on “right-of-use” assets.

<sup>2</sup> Stripping out exceptional items provides a better gauge of underlying operating performance

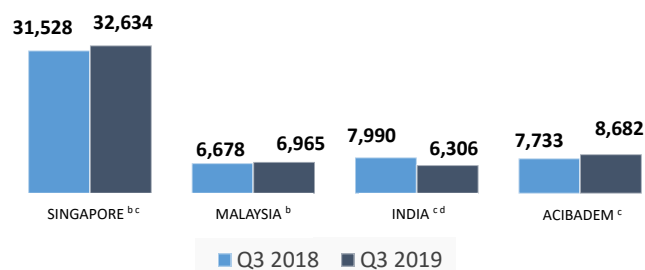
## GEOGRAPHICAL CLUSTER RESULTS OVERVIEW: Q3 2019<sup>3</sup>

Geography	Revenue (RM million)			EBITDA (RM million)		
	Q3 2019	Q3 2018	Variance (%)	Q3 2019	Q3 2018	Variance (%)
Singapore	1,091.0	986.9	11	358.6	301.5	19
Malaysia	605.9	503.1	20	177.8	150.0	19
India	875.7	161.8	NM	126.3	0.6	NM
Acibadem (Turkey and CEEMENA)	913.6	922.5	(1)	186.1	140.0	33
Greater China	150.6	118.3	27	(46.4)	(59.6)	22

Inpatient Admission Volumes<sup>a</sup> (YoY)



Revenue Intensity Per Inpatient<sup>a</sup> (RM)



- Based on Singapore, Malaysia, India and Acibadem Holdings hospitals only. Excludes hospitals operated by joint venture companies, hospitals under hospital management agreements and other international hospitals.
- Specialist fees not included in Singapore's and Malaysia's average revenue per inpatient admission
- Based on a uniform exchange rate throughout the periods shown (SGD: 3.04044; INR:0.05886; TL:0.73758)
- 2019 includes contribution from Fortis, that was acquired on 13 November 2018

## OPERATIONAL AND FINANCIAL REVIEW AND UPDATES<sup>3</sup>

**Singapore** operations<sup>4</sup> reported a 11% increase in revenue on while EBITDA rose 19% mainly on sustained organic growth and continued improvement in patient case mix. Inpatient admissions increased 4.4% to 20,069 while average revenue per inpatient admission (“**revenue intensity**”) grew 3.5% to RM32,634.

**Malaysia** operations reported a 20% growth in revenue while EBITDA was 19% higher year-on-year on similarly sustained organic growth and admission of more complex cases. Inpatient admissions rose 14.9% to 57,437 while revenue intensity grew 4.3% to RM6,965.

In September 2019, IHH entered into a conditional share purchase agreement with Pulau Memutik Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah Nasional Berhad, to acquire Prince Court Medical Centre (“**PCMC**”) for RM1.02 billion. Located in the “Golden Triangle” area of Kuala Lumpur, PCMC will broaden the Group’s service offerings and strengthen its position in the foreign patient segment of the market.

<sup>3</sup> The Group has refreshed its segmental reporting by geographical clusters, as it seeks to drive further integration and synergies across the scale and breadth of its operations

<sup>4</sup> Please refer to appendix for IHH assets by geography

**India** operations reported RM875.7 million in revenue and an EBITDA of RM126.3 million, up sharply from a year ago, as the Group consolidated results from Fortis following its acquisition in November 2018. Inpatient admissions increased nearly five times to 97,162 on the inclusion of Fortis' inpatient admission numbers. Revenue per inpatient decreased 21.1% to RM6,306 as Fortis' current revenue intensity is generally lower than Parkway Pantai's existing operations in India.

Fortis, together with IHH, made continued progress in improving operational and financial performance. For its quarter ended 30 September 2019, Fortis reported a third straight quarter of operational profit before tax of INR 70.6 crores, versus a loss of INR 65.3 crores for the same period a year ago, with improved revenue, a stronger balance sheet and higher interest and cost savings.

Over in **Turkey** and **CEEMENA** (Central and Eastern Europe, the Middle East and North Africa), comprising **Acibadem's** operations, revenue was flat while EBITDA increased 33% as its existing hospitals and healthcare business grew. Inpatient admissions decreased 6.1% to 51,445 due to fewer patients at its non-Istanbul hospitals while revenue intensity grew 12.3% to RM8,682 due to taking on more complex cases and an increase in foreign patients and local private patients.

The Group continued to proactively act to reduce its exposure to Turkish Lira volatility. In July 2019, Acibadem refinanced approximately US\$170 million equivalent of non-Turkish Lira debt and has swapped part of it into Lira debt. This follows from April this year, when Acibadem repaid US\$250 million equivalent of non-Lira debt. As a result, Acibadem recognised an RM83.4 million exchange gain for Q3 2019 and a fair value loss of RM24.6 million on its cross-currency interest rate swaps in relation to non-Lira borrowings. This is a significant improvement from an exchange loss of RM752.5 million recognised for Q3 2018.

In **Greater China**, Gleneagles Chengdu Hospital commenced operations in October 2019. Gleneagles Hong Kong Hospital continued to ramp up, lowering EBITDA losses while improving revenue. Construction of Gleneagles Shanghai Hospital is progressing according to plan.

**IMU Health**, the Group's medical education arm, saw flat revenue and EBITDA decreased 9% due to higher staff costs and marketing expenses.

**PLife REIT**, with a portfolio of 50 healthcare-related properties as at 31 October 2019, saw both external revenue and EBITDA increase 6%.

As part of its business strategy to deliver sustainable growth and continually improve its service offerings, IHH embarked on a push to incorporate disruptive new technology and innovation across the Group. In November this year, IHH invested in genomic medicine company Lucence Diagnostics ("**Lucence**"), which will provide its cancer patients with improved treatment outcomes. This is through access to Lucence's suite of cancer diagnostics and AI-driven analytics, in particular, Lucence's liquid biopsy technology, a less invasive screening procedure which focuses on Asia-prevalent cancers and enables clinicians to discover a range of information about a tumour and aid in their treatment decisions.

## **OUTLOOK AND PROSPECTS**

As a leading international healthcare operator, IHH continues to believe in the sustained demand for quality private healthcare in its home and growth markets. It will further consolidate its multi-country portfolio strategy to diversify its earnings base in cashflow-generative markets such as Singapore and Malaysia, capture medium-term growth momentum from Turkey and long-term growth opportunities from India and Greater China.

IHH will focus on ramping up its existing operations while opening new operations in phases to achieve optimal operating leverage. The Group expects to mitigate the potential higher costs of operations including from impending price controls through improvements in case mix and tight cost control. It will also increasingly leverage technology to increase its productivity and service offerings, including adopting more advanced medical treatments and to improve clinical outcomes.

Given the Group's geopolitical footprint across Asia and CEEMENA, the Group is susceptible to geopolitical risks and currency volatility. In particular for Turkey, we expect the ongoing political uncertainty to weigh on the economic activity of the country, which will result in currency fluctuations.

As part of its overall long-term strategy, the Group will look to drive earnings growth across all the markets where it operates. Its experienced management team has a proven execution track record of establishing and operating an extensive network of hospitals and expects to continue delivering long term value to all stakeholders.

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### **About IHH Healthcare Berhad ("IHH")**

IHH Healthcare Berhad is a leading premium integrated healthcare provider in markets where the demand for quality care is strong and growing. We are one of the largest healthcare groups 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 55,000 people and operating over 15,000 licensed beds across 80 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 operating subsidiaries:

- **Parkway Pantai Limited** is one of Asia's largest integrated private healthcare groups with a network of 29 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 Amsterdam. The “Acibadem” brand is renowned for its clinical excellence in the Central & Eastern Europe, Middle East and North Africa (“CEEMENA”) region.
- **Fortis Healthcare Limited** is a leading integrated private healthcare provider in India. It operates across a network of 32 healthcare facilities and 378 diagnostic centres in India, Dubai, Mauritius and Sri Lanka. Fortis is listed on the Bombay Stock Exchange.
- **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 market of Greater China (including Hong Kong). For more information, please visit [www.ihhhealthcare.com](http://www.ihhhealthcare.com).

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#### **Appendix: How IHH classifies its geographical clusters**

##### Singapore operations:

- All assets under Singapore Operations Division (Parkway Pantai)

##### Malaysia operations:

- All assets under Malaysia Operations Division (Parkway Pantai)

##### India operations:

- All assets under India Operations Division (Parkway Pantai)
- All assets under Fortis Healthcare (Parkway Pantai)

##### Acibadem operations:

- All Acibadem assets in Turkey, Macedonia, Bulgaria and Amsterdam

##### Greater China:

- All assets under Greater China Operations Division (Parkway Pantai)