



IHH Healthcare Berhad

FOR IMMEDIATE RELEASE

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IHH Healthcare Refreshes Strategy to Deliver Sustainable Returns; Board Declares 33% Increase in Dividend

- ***New CEO announces Refreshed Strategy to focus on its strengths and returns:***
 - ***Pursue geographical cluster strategy for growth***
 - ***Review of portfolio and capital deployment to prioritise returns***
 - ***Leverage international scale, drive synergies to unlock intrinsic value and realise cost savings***
- ***Reports Q4 2019 net profit of RM40.6 million with strong double-digit gains in revenue and EBITDA, FY 2019 net profit of RM551.5 million***
 - ***Q4 2019 revenue and EBITDA up YoY 21% and 25% respectively on sustained organic growth and strong operational performance***
 - ***FY 2019 revenue and EBITDA up 29% and 34% respectively***
 - ***Recorded RM200.0 million impairment loss due to Global Hospitals***
 - ***Robust balance sheet and prudent cash management, with net gearing of 0.15 times and RM4.7 billion cash position***
 - ***Declares first and final dividend of 4 sen per share***

REFRESHED STRATEGY

IHH Healthcare Berhad (“IHH” or the “Group”), a leading international healthcare provider, today announced its strategy to sharpen its focus on improving returns while delivering growth and achieving stronger synergies.

As part of its refreshed strategy, it will:

1. **Pursue a geographical cluster strategy for growth:** Expand IHH’s established clusters in metro areas to achieve greater economies of scale while delivering better patient services
 - E.g. Acquiring Prince Court Medical Centre in Klang Valley to add to the Kuala Lumpur hospital cluster
2. **Review of asset portfolio and capital deployment:** Prioritise returns; Engage in review of portfolio that will include divestments of under-performing assets outside of its focus clusters to redeploy capital to improve returns
3. **Leverage its international scale to achieve stronger synergies:** Unlock intrinsic value and cost savings
 - E.g. Global procurement of cardiac angioplasty machines that has resulted in savings of about US\$10 million over the next few years

IHH Managing Director and CEO, Dr Kelvin Loh, said: “As a new decade begins, we also begin a new chapter at IHH where we refine our strategy to engender strong and sustainable growth. Our vision is to become the world’s most trusted healthcare services network.

“The foundation for strong, sustainable returns to shareholders is to double down on building trust with our patients. We already have leading brands in our various home markets, underpinned by an outstanding reputation for clinical outcomes. We will continue to build on that and make healthcare services more convenient and transparent to our patients.

“To enhance our returns on capital, we will focus on growth by expanding in geographical clusters that is, having tertiary hospitals in metropolitan areas. Secondly we will increase capital discipline which involves reviewing our portfolio to make divestments where necessary.

“Thirdly, we will ensure stronger synergies across our international network. By pooling together best practices, building deep capabilities while amortising the costs over a large international base, we will make healthcare better, faster and more cost effective. This is what patients need and want. This will give us the right to ask patients to trust us more. This will give us strong, sustainable growth.”

GROUP RESULTS HIGHLIGHTS

Consolidated Financial Results for the period/year ended 31 Dec	Q4 2019 (RM million)	Q4 2018 (RM million)	Variance (%)	FY 2019 (RM million)	FY 2018 (RM million)	Variance (%)
Revenue	3,836.1	3,165.3	21	14,912.5	11,520.9	29
EBITDA	901.5	724.1	25	3,317.7	2,477.7	34
PATMI	40.6	509.4	(92)	551.5	627.7	(12)
PATMI (less exceptional items)	289.8	341.5	(15)	920.7	1,027.6	(10)

The Group also today announced earnings for the fourth quarter and twelve months ended 31 December 2019 (“**Q4 2019**” and “**FY 2019**” respectively). The Board of Directors declared a first and final dividend of 4 sen per ordinary share for the full year 2019 to be paid on 30 April 2020.

For Q4 2019, the Group’s revenue increased 21% year-on-year (“**YoY**”) to RM3.8 billion. Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items (“**EBITDA**”) rose by 25% to RM901.5 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*¹, revenue and EBITDA increased 22% and 13% respectively.

Headline PATMI for Q4 2019 fell to RM40.6 million. PATMI (excluding exceptional items)² decreased 15% to RM289.8 million, due to foreign exchange losses and higher finance costs as

¹ IHH adopted MFRS 16 *Leases* with effect from January 1, 2019. This change increased the Group’s Q4 2019 EBITDA since the Group does not recognise operating lease expenses but instead recognises depreciation on “right-of-use” assets.

² Stripping out exceptional items provides a better gauge of underlying operating performance

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 FY 2019, revenue increased 29% YoY to RM14.9 billion while EBITDA was up 34% YoY to RM3.3 billion. On constant currency basis and excluding the impact from MFRS 16 *Leases*, revenue and EBITDA grew 34% and 23% respectively. Headline PATMI was RM551.5 million, down 12% from the previous corresponding period, while PATMI (excluding exceptional items) decreased 10% YoY to RM920.7 million. The Group recognised a RM200.0 million impairment loss due to Global Hospitals which was acquired in 2015.

The Group's balance sheet remained strong as at end-December 2019, with net cash generated from operating activities for the twelve months of RM2.4 billion and an overall cash balance of RM4.7 billion. Net gearing edged up to 0.15 times (31 December 2018: 0.10 times) on strategic investments including Fortis in India.

IHH Managing Director and CEO, Dr Kelvin Loh, said: "Our operational core continued to perform well and remained resilient in 2019 through our disciplined approach. This allowed the Board to declare a dividend of 4 sen for our shareholders, which represents an increase of 33% as compared to 2018.

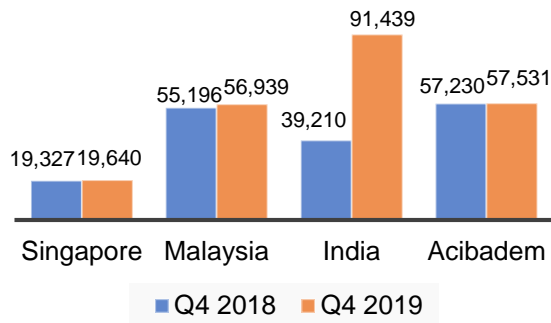
"2020 will be a year of change as we embark on our refreshed strategy and review our portfolio to ensure the best operational, clinical and financial outcomes for our stakeholders."

GEOGRAPHICAL CLUSTER RESULTS OVERVIEW: Q4 2019³

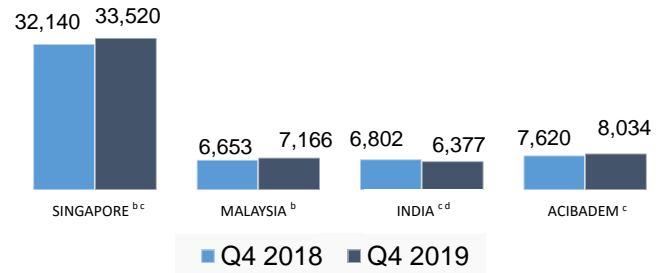
Geography	Revenue (RM million)			EBITDA (RM million)		
	Q4 2019	Q4 2018	Variance (%)	Q4 2019	Q4 2018	Variance (%)
Singapore	1,108.9	1,027.5	8	424.8	320.7	32
Malaysia	618.8	551.1	12	171.0	167.0	2
India	816.6	356.8	129	90.0	2.1	NM
Greater China	148.9	139.5	7	(68.9)	(54.7)	(26)
Acibadem (Turkey and Europe)	988.5	940.0	5	246.8	180.2	37

³ 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

Inpatient Admission Volumes (YoY)



Revenue Intensity Per Inpatient (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: 3.0553; INR:0.05796; TL:0.6905)
- 2019 includes contribution from Fortis, that was acquired on 13 November 2018

OPERATIONAL AND FINANCIAL REVIEW AND UPDATES³

Singapore operations⁴ reported an 8% increase in revenue on while EBITDA rose 32% mainly on sustained organic growth and continued improvement in patient case mix. Inpatient admissions increased 1.6% to 19,640 while average revenue per inpatient admission (“**revenue intensity**”) grew 4.3% to RM33,520.

Malaysia operations reported a 12% growth in revenue while EBITDA was 2% higher year-on-year on similarly sustained organic growth and admission of more complex cases. Inpatient admissions rose 3.2% to 56,939 while revenue intensity grew 7.7% to RM7,166.

In December 2019, IHH secured 99.99% shareholder approval for its proposed acquisition of Prince Court Medical Centre (“**PCMC**”) for a cash consideration of 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. The proposed acquisition is expected to be completed upon obtaining regulatory approvals.

India operations reported RM816.6 million in revenue and an EBITDA of RM90.0 million, up sharply from a year ago, as the Group consolidated results from Fortis following its acquisition in November 2018. Inpatient admissions increased 133.2% to 91,439 on the inclusion of the full three months of Fortis’ inpatient admission numbers. Revenue per inpatient decreased 6.2% to RM6,377 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 31 December 2019, Fortis reported a fourth straight quarter of profit before tax of INR 48.2 crores, versus a loss of INR 200.5 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 **its European operations**, comprising **Acibadem’s operations**, revenue increased 5% and EBITDA increased 37% as its existing hospitals and healthcare business grew. Inpatient admissions increased 0.5% to 57,531 while revenue intensity grew 5.4% to RM8,034.

⁴ Please refer to appendix for IHH assets by geography

In **Greater China**, Gleneagles Hong Kong Hospital saw slight increase in losses due to recruitment of additional staff to ramp up its clinical services. Gleneagles Chengdu Hospital, which commenced operations in late October 2019, also recorded operating costs as it ramped up its hiring and clinical services.

IMU Health, the Group's medical education arm, saw revenue rise 3% and EBITDA increase 40% due to higher student intake for certain courses.

PLife REIT, with a portfolio of 53 healthcare-related properties as at 31 December 2019, saw external revenue increase by 5% while EBITDA decreased 31% due to lower revaluation gain on PLife REIT's investment properties.

OUTLOOK AND PROSPECTS

The Group starts the new decade with a refreshed strategy for its next phase of growth to deliver higher returns to its stakeholders. It will pursue a geographical cluster strategy for growth across its network to achieve greater economies of scale while delivering better patient services. To achieve higher returns on capital, IHH will conduct a review of its portfolio which will involve divestment of under-performing assets outside of its focus cluster to redeploy capital more efficiently. It will also target to achieve stronger synergies across its network by leveraging on its international scale.

While the Group implements the above strategies for growth, there could be short term headwinds. IHH expects the COVID-19 outbreak to have an impact on the global economy including markets where IHH operates in as medical tourism slows and patients delay non-emergency treatments.

In the longer term, IHH will continue responding to the rising demand for quality private healthcare in its home and growth markets. It will build on its strengths to deepen operating capabilities to deliver long term sustainable growth for its stakeholders.

IHH's 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 international 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 (“CEE”) region.
- **Fortis Healthcare Limited** is a leading integrated private healthcare provider in India. It operates across a network of 36 healthcare facilities (including projects under development) and 415 diagnostic centres in India, Dubai 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.

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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)