IHH Healthcare Berhad

NEWS RELEASE
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IHH Healthcare reports Q2 2020 performance; Expects progressive recovery and resilience as it delivers Refreshed Strategy

Revenue	EBITDA	PATMI (Excl EI*)	PATMI
RM2.6 b	RM267.6 m	- RM84.2 m	- RM120.6 m
(↓ 30%)	(↓ 65%)	(↓ >100%)	(↓ >100%)

Q2 2020 Y-o-Y

**Excl EI: Excluding exceptionals, or Operational PATMI*

"Our results for Q2 2020 naturally reflected the unprecedented challenges from COVID-19. However, our firm focus on executing our Refreshed Strategy and our agility in the face of changed circumstances have enabled us to remain resilient. We have been able to move quickly to create new revenue streams while keeping a tight rein on costs and maintaining strong cash flow.

We saw the worst impact in April and May. As countries began to re-open in June, we have seen a strong rebound in local patient volumes and were net profit positive for that month. We have seen this progressive recovery in occupancy continue across July and August. In parallel, IHH will continue to support governments in the fight against COVID-19, while keeping our people and patients safe and managing our revenue, costs and cashflow vigilantly.

While we will have to continue adapting to the fast-evolving situation, our long-term growth trajectory remains intact as we deliver our Refreshed Strategy. For instance, India's Fortis, in which we are the largest shareholder, announced its intent to rebrand its hospitals to 'Parkway' to leverage IHH's strong brands. In Malaysia, we are pursuing our metro cluster strategy to grow more efficiently and will soon complete the acquisition of Prince Court Medical Centre. Our strategy, underpinned by our commitment to provide unrivalled care and build trust, will enable us to capture emerging opportunities, and come out of this stronger."

\- **Dr Kelvin Loh**
Managing Director and CEO, IHH Healthcare

GROUP RESULTS HIGHLIGHTS

Q2 2020

- Revenue declined 30% year-on-year (Y-o-Y) due to the lockdowns enforced during the COVID-19 pandemic as patients postponed non-urgent and non-essential treatments and a drop in foreign patient volumes especially from March onwards due to travel restrictions. This was partially mitigated by COVID-19 related services that the Group provided.
- EBITDA decreased 65% Y-o-Y on lower revenue and costs incurred to implement COVID-19 measures at the Group's hospitals and healthcare facilities, mitigated by government grants and reliefs.

- Headline PATMI registered a loss on the lower operating performance and the realisation of FX loss of RM94.8 million from the translation of non-Turkish Lira borrowings; This was mitigated by a fair value gain of RM43.3 million on cross currency swaps in relation to the non-Turkish Lira borrowings.
- PATMI (excluding exceptional items) decreased 135% Y-o-Y due to flow through from EBITDA and lower foreign exchange gain in Q2 2020, partially offset by lower net interest expenses from repayment of loans in H2 2019.

H1 2020

- Revenue and EBITDA for H1 2020 declined 16% and 37% Y-o-Y respectively on the effects of COVID-19; PATMI registered a loss of RM440.4 million.
- PATMI (Excl EI) decreased 75% to RM105.2 million. This was mitigated by foreign exchange gains recognised in H1 2020 and lower net interest expenses from repayment of loans in H2 2019.
- Balance sheet remained strong, with net cash generated from operating activities of RM728.5 million and an overall cash balance of RM4.3 billion.
- Net gearing edged up to 0.19 times (31 March 2020: 0.17 times) on prudent draw down of financing lines for working capital and capital expenditure.

SHORT-TERM COVID-19 IMPACT

- Amid the pandemic, patients postponed semi-elective and elective during lockdown while foreign patients, which make up between 5% and 25% of revenue, could not travel to our facilities.
- Impact was at its worst in April and May amid widespread movement restrictions. With the gradual easing of restrictions starting in June, IHH has seen occupancy in home markets recover to between 40-60% in June compared to pre-COVID-19 levels of 65-70%, and reported positive net profit for that month. The Group has seen the progressive recovery to occupancy continue across July and August.
- We proactively mitigated the short-term decrease in patient volumes and revenue by:

  1) Create new revenue streams by diversifying service offerings

  - Rendering COVID-19 treatment and testing in support of the public healthcare sector:
    - Caring for COVID-19 patients in Singapore, India and Turkey;
    - Providing COVID-19 screening services and laboratory testing in all markets;
    - Taking in non-COVID-19 patients from public hospitals in Singapore and Hong Kong; and
    - Collaborating with governments to manage care facilities and border screening in Singapore.
  - Rolling out new initiatives: Telemedicine was launched across IHH's key markets to connect with patients virtually and give them peace of mind to still seek hospital care as needed.

  2) Undertaking strict cost controls and cash management

  - Deferring non-critical purchases and capital expansion projects, including at Parkway Shanghai and Pantai Ayer Keroh. 30% of the Group's annual capex has been deferred to after 2020.
  - Leveraging economies of scale to extract synergies and improve procurement costs; This includes our increased focus on digitisation such as telemedicine and digital integration.
  - Proactively managing interest costs and foreign currency exposure.
  - Utilising various government aid programmes across markets.

REFRESHED STRATEGY UPDATE AND OUTLOOK

- In February 2020, IHH announced a Refreshed Strategy to sharpen its focus on improving returns while delivering growth and achieving stronger synergies. This has enabled it to remain resilient amid COVID-19 while pursuing longer-term growth. In recent months:
  - **To leverage IHH's international scale and achieve stronger synergies**, India's Fortis Healthcare – in which IHH is the largest shareholder – announced its intent to rebrand to 'Parkway' to leverage IHH's strong suite of brands, on 14 August.
  - **To pursue a metro cluster strategy for more efficient growth**, the Group received final approvals on 14 August to complete its acquisition of Prince Court Medical Centre which will be part of the Klang Valley cluster in Malaysia.
- In the short term, the Group expects impact from the COVID-19 pandemic for FY2020, especially if there are further disruptions from subsequent outbreaks and renewed lockdowns.
- It will continue to mitigate the impact by creating new revenue streams, improving case mix, keeping tight cost and capital discipline while supporting governments.
- Overall, the Group is optimistic that it will remain resilient. IHH is encouraged that patient volumes have started recovering June onwards and expects continued progressive recovery.
- It remains in a strong financial position and is well-prepared to ride out this pandemic and deliver long-term growth by continuing to deliver on its Refreshed Strategy.

GEOGRAPHICAL OPERATIONAL AND FINANCIAL UPDATES

Malaysia operations

- **Recovery after easing of Movement Control Order ("MCO"):**
  - Revenue down 23% to RM434.3 million with mitigating contribution from on-demand COVID-19 testing services; EBITDA lower by 56% to RM72.0 million.
  - Inpatient admissions decreased 42.8% to 29,777; have rebounded to close to 80% of pre-COVID-19 levels by June.
  - Revenue intensity[1] grew 21.9% to RM8,712, due to shift in case mix towards acute and urgent surgeries amid MCO.

Singapore operations

- **Staying resilient amid COVID-19:**
  - Revenue down 24% Y-o-Y to RM805.9 million and EBITDA down 35% to RM224.1 million. Revenue impact – most pronounced in April and May - mitigated by significant contribution from COVID-19 services: diagnostic testing, border screening and treatment of COVID-19 patients.
  - Inpatient admissions declined 34.4% to 12,940; have by June rebounded to about 80% of pre-COVID-19 volumes.
  - Revenue intensity increased 9.0% to RM35,731.

[1] Revenue intensity = inpatient revenue/inpatient admissions

Central and Eastern European ("CEE") operations

- **Rebound for CEE operations from June:**
  - Revenue decreased 31% to RM613.9 million; EBITDA declined 60% to RM74.5 million.
  - Inpatient admissions decreased 34.1% to 35,821; by June rebounded to about 75-80% of pre-COVID-19 levels.
  - Revenue intensity grew 23.7% to RM10,114 due to a change in case mix as the group took on more acute and urgent procedures.

India operations

- **Incremental recovery; however, COVID-19 situation is evolving:**
  - Revenue declined 49% to RM416.6 million; Incremental recovery to revenue with contribution following nationwide lockdown, with additional contribution from COVID-19 related services.
  - EBITDA down 198% to negative RM73.5 million; however, achieved operational EBITDA breakeven in June.
  - Inpatient admissions decreased 46.0% to 47,586 in Q2 2020; volumes have gradually recovered and were back to 65-70% of pre-COVID-19 levels by June.
  - Revenue intensity increased 3.4% to RM6,424.

Others

- IMU Health's revenue decreased 5% to RM63.2 million mainly due to changes in academic year for certain courses, which affected the timing of revenue recognition for these courses. EBITDA declined 8% to RM22.8 million, eroded by start-up costs from the IMU Hospital under development and higher costs from implementing COVID-19 precautionary and safety measures.
- PLife REIT's external revenue rose 14% to RM39.5 million; EBITDA increased 4% to RM73.3 million due to rent contribution from properties acquired in Q4 2019.

ABOUT IHH HEALTHCARE BERHAD ("IHH")

As a leading international healthcare operator, IHH believes in the sustained demand for quality private healthcare in its home and growth markets. We are key players in our home markets of Malaysia, Singapore, Turkey and India, and key growth market of Greater China (including Hong Kong). We employ over 55,000 people and operate over 15,000 licensed beds across 76 hospitals in 10 countries worldwide.

Our vision is to become the world's most trusted healthcare services network and we will continue to make healthcare services more convenient and transparent to our patients. We offer our patients a full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services across our portfolio which comprises of premium-brand healthcare assets, collectively representing a unique multi-market investment position in the healthcare sector.

- **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, Greater China and Brunei. "Mount Elizabeth", "Gleneagles", "Parkway" and "Pantai" are among the most prestigious brands in Asia.
- **Acibadem Holdings** is Turkey's leading private healthcare provider, offering integrated healthcare services across 21 hospitals in Turkey, Macedonia, Bulgaria and the Netherlands. 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 24 hospitals and 415 diagnostic centres in India, Dubai and Sri Lanka. Fortis is listed on the National Stock Exchange of India Ltd and 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.

More information can be found at www.ihhhealthcare.com.

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

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APPENDIX

Financial Performance

IHH Healthcare Berhad

Total Group Results

	QTD Jun			YTD Jun		
RM'mil	**2020**	**2019**	**Variance**	**2020**	**2019**	**Variance**
Revenue	**2,565.1**	**3,645.3**	-30%	**6,120.3**	**7,288.0**	-16%
EBITDA	**267.6**	**773.7**	-65%	**1,002.0**	**1,587.4**	-37%
EBITDA Margin (%)	***10.4%***	***21.2%***		***16.4%***	***21.8%***	
PATMI	**(120.6)**	**185.0**	-165%	**(440.4)**	**274.5**	NM
PATMI Margin (%)	***-4.7%***	***5.1%***		***-7.2%***	***3.8%***	
PATMI (Excl EI)	**(84.2)**	**240.1**	-135%	**105.2**	**428.5**	-75%
PATMI (Excl EI) Margin (%)	***-3.3%***	***6.6%***		***1.7%***	***5.9%***	