Cleopatra Hospitals Group Reports 2Q2018 Results

Cairo, 15 August 2018

Cleopatra Hospital Group S.A.E. (CLHO.CA on the Egyptian Exchange), Egypt's largest private hospital group by number of hospital beds and number of operating hospitals, reported today its consolidated results for second quarter and first half ended 30 June 2018. Revenues for 2Q2018 grew 25% y-o-y to EGP 326.6 million, with growth being driven by a combination of higher patient volumes – up 2% y-o-y – as well as improved pricing and case mix. It is worth noting that improved performance comes despite the seasonally weak nature of the second quarter with the month of Ramadan falling between May and June. The Group delivered a 223% y-o-y increase in net profit to EGP 76.2 million in 2Q2018, with a 14 percentage-point expansion in net profit margin to 23% thanks to its ongoing integration process and increased operational efficiencies. Meanwhile, normalized net profit for the quarter, which excludes net interest gained, also delivered a solid 332% y-o-y increase in 2Q2018 with a 14% margin versus 4% in 2Q2017.

On a year-to-date basis, the Group recorded revenues of EGP 673.8 million in 1H2018, up 29% y-o-y, while net profit booked EGP 133.4 million with a 20% net profit margin. Normalized net profit for the six-month period was EGP 71.3 million or 177% higher than the same period last year and with an associated 11% margin. Total cases served during 1H2018 climbed 10% y-o-y despite the slow seasonality during 2Q2018 and with one out of four of the Group's hospitals being partially closed for ongoing renovations. Management expects to sustain volume growth heading into the second half of the year as renovations are completed and the Group reaps the benefits.

The largest contributor to Group revenues in 2Q2018 was Cleopatra Hospital (45%), followed by Cairo Specialised Hospital "CSH" (19%), Al Shorouk Hospital "ASH" (18%) and Nile Badrawi Hospital "NBH" (18%).

Commenting on Cleopatra Hospitals Group's performance for 2Q2018, Chief Executive Officer Ahmed Ezzeldin said:
"I am very pleased with our Group's performance thus far in 2018 as we continue to drive top-line growth thanks to a reputation for quality healthcare services and superior clinical outcomes. The quarter just ended saw us make significant strides in the way of infrastructure upgrades across our assets as well as the continued enhancement of our service by deploying state-of-the-art technology and retaining the expertise of world-renowned physicians and consultants. The Group also continued to streamline its operations to extract further efficiencies across the board, from the provision of medical services to supply chain management and administrative functions. The results are clearly evident with an increased ability to extract higher value from core operations and with margin expansion down the income statement. We expect our upward trajectory to further accelerate during the second half of the year as we close a typically low season in our business and as we continue to push forward with our growth and optimization initiatives."

During 2Q2018, Cleopatra Hospitals Group served a total of 202,630 patients or 2% higher than the same period last year – despite renovation activities that took place in Cairo Specialized Hospital – all while **extracting higher value from services**, including average revenue per inpatient (+28% y-o-y), revenue per outpatient visit (+32% y-o-y) and revenue per surgery (+29% y-o-y). In parallel, management's efforts to control costs, including negotiating favourable terms with consulting physicians, leveraging favourable cross-asset procurement programs and instilling a culture of efficient consumption and waste reduction saw it drive accelerated gross profit growth and margin improvement. In 2Q2018, gross profit recorded a 46% y-o-y increase and yielded a gross profit margin of 32% versus 28% in 2Q2017. On a year-to-date basis, gross profit recorded EGP 223.0 million in 1H2018 or a 45% y-o-y increase.

Meanwhile, at the EBITDA level the Group recorded solid gains of 47% y-o-y to EGP 77.1 million in 2Q2018 while EBITDA margin expanded four percentage points to 24%. EBITDA improvement was in part supported by an impairment reduction of EGP 10.3 million during the quarter. The impairment reversal is the culmination of the Group's efforts over the past years to **enhance the quality of its accounts receivables, improve its collection process and conservatively writing-off bad debts**. EBITDA for the six-month period also recorded a solid improvement, climbing 49% y-o-y to EGP 169.9 million in 1H2018 and with an EBITDA margin of 25%.

The Group was also particularly successful in driving revenue growth and **delivering higher profitability amidst a period of heighted renovation activities and increased G&A spending**. Among the main highlights during the quarter were renovations at Cairo Specialized Hospital were the Group completed works on the overhaul of its intensive care units (ICU), including 22 ICU beds, as well as renovating its laboratories and operating rooms, with these units now fully equipped with the state-of-the-art technology. Management notes that while the four-month works affected the hospital's overall capacity, the renovations have provided CSH with the tools necessary to deliver the highest quality healthcare services and patient experience. Ongoing works at CSH include the overhaul of the façade, earmarked for completion in early 3Q2018, as well as a complete renovation of inpatient wards and the reception area. Other infrastructure and renovation works across the Group included the start of renovations at the three other hospitals, with upgrade works to initially cover inpatient wards and outpatient clinics.

The quarter just ended also saw the Group further **cement its position at the leading edge of cardiovascular intervention services** with newly inaugurated catheterization labs and the introduction of new, advanced procedures. Through its four state-of-the-art catheterization labs in Cleopatra Hospital, NBH and CSH the Group now routinely performs endovascular aneurysm repair (EVAR) and transcatheter aortic valve implantation (TAVI) procedures. That, in addition to open-heart surgeries now performed at Cleopatra Hospital as well as a fifth catheterization lab to be installed during the fourth quarter of this year at Al Shorouk Hospital, falls in line with the Group's strategy of building a comprehensive service offering and pushes forward its Centres of Excellence model. Overall, the Group performed 930 catheterization procedures during 2Q2018 with revenues from the service increasing 23% y-o-y.

"The provision of high-quality medical services to as many people as possible is at the heart of our operation, and we view our internal efforts to drive service excellence as well as efforts to expand our reach as primary avenues for delivering on this goal. Heading into the second half of the year we will continue to invest in our existing infrastructure, push forward business development initiatives and promote increased operational efficiency. Our Group also continues to make progress on adding organic and inorganic capacity growth, with our **polyclinic model** on track for launch by the fourth quarter of the year and having also retained the services of leading engineering and consultancy firm **Vital Konzept** to deliver the design blueprints for Al Shorouk Hospital's planned extension as well as our brownfield hospital in Beni Suef. Meanwhile, we continue to make progress in our pursuit of inorganic growth opportunities, including the acquisition of a fifth hospital in West Cairo for which we have signed binding documentation and are awaiting regulatory approvals to conclude. I look forward to updating you here on these ongoing transaction in due course," Ezzeldin concluded.

Cleopatra Hospital Company's complete earnings release for 2Q2018 including commentary on operational and financial performance is available for download on investors.cleopatrahospitals.com.

—Ends—

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

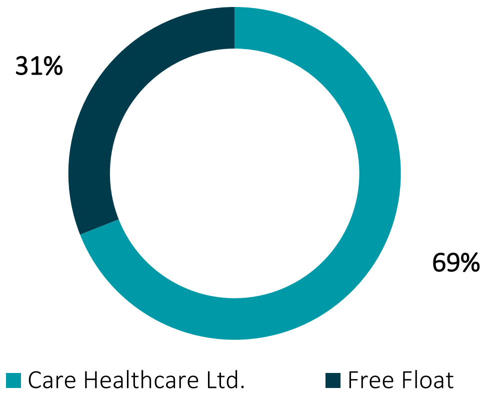
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The company holds majority stakes in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital, and Al Shorouk Hospital, offering a full array of general and emergency healthcare services.

Shareholder Information

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 1,600 million

Shareholder Structure

(as of August 2018)



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Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would”, or, in each case, their negatives, or other similar expressions that are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate, or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal, or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations, and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Consolidated Statement of Income

All figures in EGP mn	2Q2018	2Q2017	% change	1H2018	1H2017	% change
Revenues	326.6	261.8	*25%*	673.8	523.9	*29%*
Cost of sales	(221.0)	(189.4)	*17%*	(450.8)	(370.2)	*22%*
Gross profit	**105.7**	**72.4**	***46%***	**223.0**	**153.7**	***45%***
Gross Profit Margin	*32%*	*28%*		*33%*	*29%*	
General & administrative expenses	(34.6)	(35.1)	*-2%*	(89.0)	(73.8)	*20%*
Cost of acquisition activities	(1.7)	(1.3)	*33%*	(4.3)	(1.3)	*231%*
Provisions	2.1	(1.8)	*-214%*	(4.2)	(4.6)	*-9%*
Other income	0.9	1.4	*-35%*	3.9	2.6	*53%*
EBIT	**72.3**	**35.6**	***103%***	**129.5**	**76.6**	***69%***
EBIT Margin	*22%*	*14%*		*19%*	*15%*	
Interest income	32.1	13.3	*141%*	62.1	26.9	*131%*
Interest expense	(9.8)	(17.3)	*-44%*	(21.7)	(34.2)	*-37%*
Profit before tax	**94.7**	**31.6**	***200%***	**170.0**	**69.3**	***145%***
PBT Margin	*29%*	*12%*		*25%*	*13%*	
Income tax	(17.6)	(8.3)	*113%*	(37.1)	(17.7)	*110%*
Deferred tax	(0.9)	0.2	*-460%*	0.5	1.0	*-51%*
Net profit after tax	**76.2**	**23.6**	***223%***	**133.4**	**52.6**	***153%***
Net Profit Margin	*23%*	*9%*		*20%*	*10%*	
Distributed as follows:						
Shareholders of the company	71.3	22.6	*216%*	124.6	47.7	*161%*
Minority rights	4.9	1.0	*399%*	8.8	4.9	*80%*
Profit for the period	**76.2**	**23.6**	***223%***	**133.4**	**52.6**	**153%**

Consolidated Statement of Comprehensive Income

All figures in EGP mn	2Q2018	2Q2017	% change	1H2018	1H2017	% change
Net Profit	76.2	23.6	*223%*	133.4	52.6	*153%*
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**76.2**	**23.6**	***223%***	**133.4**	**52.6**	**153%**
Total comprehensive income attributable to:						
Owners of the company	71.3	22.6	*216%*	124.6	47.7	*161%*
Non-controlling interest	4.9	1.0	*399%*	8.8	4.9	*80%*
Total comprehensive income for the year	**76.2**	**23.6**	***223%***	**133.4**	**52.6**	***153%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2017	30 June 2018
Non-current assets		
Fixed assets	472.5	496.1
Intangible assets	241.0	241.0
Payment under investment	143.6	143.6
Total non-current assets	**857.1**	**880.6**
Current assets		
Inventory	30.1	36.8
Accounts receivables	185.4	257.4
Other receivables and debit balances	22.1	33.8
Due from related parties	5.4	15.3
Cash	1,007.1	906.6
Total current assets	**1,250.2**	**1,249.9**
Total assets	**2,107.3**	**2,130.6**
Equity		
Share capital	800.0	800.0
Reserves	270.2	274.2
Retained earnings	260.3	359.5
Equity attributable to the parent company	1,330.5	1,433.7
Non-controlling interest	55.7	63.2
Total equity	**1,386.2**	**1,496.9**
Non-current liabilities		
Long term debt – non-current portion	276.3	190.6
Long term incentive plan	24.8	39.4
Deferred tax liability	64.4	63.9
Total non-current liabilities	**365.6**	**293.9**
Current liabilities		
Provisions	21.6	23.3
Creditors and other credit balances	246.3	254.4
CPLTD	75.6	32.1
Current income tax	12.0	30.0
Total current liabilities	**355.5**	**339.7**
Total liabilities	**721.0**	**633.7**
Total liabilities & shareholders' equity	**2,107.3**	**2,130.6**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 June 2017	30 June 2018
Cash flow from operating activities:		
Profit before tax	69.3	170.0
Adjustments for:		
Depreciation	15.3	21.0
Amortization of intangible assets	2.7	-
Allowance for impairments of receivables no longer required	(6.8)	(16.2)
Allowance for impairments of receivables	13.9	14.4
Allowance for impairment of receivables written off	(3.5)	(4.2)
Provision formed	5.5	11.3
Provision utilized	(3.6)	(2.5)
Provisions no longer required	(0.9)	(7.1)
Capital gain (loss)	(0.1)	(0.2)
Credit interest	(26.9)	(62.1)
Finance expenses	33.6	21.7
Changes in current tax liability	(21.2)	(19.0)
Fixed assets write off	3.3	-
Allowance for impairment of inventory	0.2	(0.2)
Share-based payments financial liabilities	6.4	14.6
Operating profits before changes in working capital	**87.1**	**141.5**
Changes in working capital:		
Change in inventory	0.2	(6.5)
Change in trade receivables	(39.4)	(65.9)
Change in debtors and other debit balances	(30.6)	2.9
Change in due from related parties	-	(9.9)
Change in trade payables and other credit balances	19.2	11.8
Net cash flow from operating activities	**36.5**	**73.8**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.3	0.2
Payments for purchase of fixed assets	(29.5)	(24.2)
PUC purchased	(22.4)	(20.4)
Advanced payments for purchase of fixed assets	-	(10.9)
Interest received	26.5	58.4
Time deposits with maturity more than 3 month	38.6	11.0
Net cash flow from investment activities	**13.6**	**14.1**
Cash flow from financing activities:		
Dividends paid	(14.0)	(21.6)
Proceeds from borrowings	12.0	-
Repayment of borrowings	(20.8)	(126.3)
Cash proceed from overdraft	-	57.5
Cash paid to overdraft	-	(60.5)
Interest paid	(13.0)	(26.5)
Net cash flow from financing activities	**(35.9)**	**(177.5)**
Net change in cash & cash equivalents during the period	**14.3**	**(89.5)**
Cash & cash equivalents at the beginning of the period	44.4	996.1
Cash & cash equivalents at the end of the period	**58.6**	**906.6**