Cleopatra Hospitals Group Reports 3Q2017 Results

Cairo, 19 November 2017

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 the third quarter ending 30 September 2017, recording revenue growth of 38% y-o-y to EGP 293.2 million. Improved top-line performance during the quarter was dual-driven by both higher patient volumes and improved pricing, with patients continuing to exhibit confidence in the Group's superior quality of service. Strong revenue growth, improved operational efficiency and cost controls saw net profit for the three-month period record a 45% y-o-y increase to EGP 32 million in 3Q2017, yielding a net profit margin of 11% versus 10.3% in the same period last year. On a year-to-date basis, Group revenues recorded EGP 817.1 million in 9M2017, up 30% y-o-y, while net profit recorded a 60% y-o-y increase to EGP 84.6 million, with two percentage-point improvement in margin to 10.4%.

The largest contributor to Group revenues in 3Q2017 was Cleopatra Hospital (43%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).

Commenting on Cleopatra Hospitals Group's performance during 3Q2017, Chief Executive Officer Ahmed Ezzeldin said: "With patient volumes now on the rise and expected to continue growing further through to year-end, we are seeing our efforts to improve sales mix and pricing along with higher cost efficiencies drive strong organic growth as reflected on the Group's financial performance. The quarter just ended saw us extract higher value from services across the board while staying true to our commitment to focus on patient safety and quality of outcomes. In parallel, we continue to make headway in our expansion strategy with several platform additions to expand our network soon to reach financial close or are in advanced due diligence stages."

During 3Q2017, the Group delivered a 51% y-o-y increase in gross profit to EGP 90.8 million, yielding a three percentage-point expansion in gross profit margin to 31.0%. Improved gross profitability came as the Group delivered on its revenue-retention and margin enhancement strategies, while simultaneously leveraging its strong purchasing power and cross-asset consumables procurement programs. Overall, average revenue per case served was up 20% y-o-y driven by higher revenue per surgery (+33%), lab test (+28%), emergency room (+29%) and inpatient cases (+15%). At the EBITDA level, the Group recorded EGP 70.1 million in 3Q2017, up 48% y-o-y, with a margin of 24% versus 22% in 3Q2016. EBITDA margin enhancement came even as inflationary pressures took a toll on the Group's G&A expenses and despite outlays on renovations and maintenance.

On the operational front, 3Q2017 witnessed the majority of Nile Badrawi Hospital (NBH) renovation works completed, including the new external façade, outpatient facilities, two complete patient-ward floors as well as renovations and equipment upgrades of operating rooms, intensive-care units, and a catheter lab. Meanwhile at Cairo Specialized Hospital (CSH), renovation of the hospital's façade has begun, and implementation of a new Enterprise Resource Planning (ERP) system is nearing completion with a target launch date set for 1Q2018. System deployment at CSH will serve as a test-pilot for full deployment and integration across the Group's hospitals, allowing for real-time access to information and increased operational efficiencies for both front and back office functions. Other operational developments include the centralization of the Group's laundry functions with two hubs at Al Shorouk Hospital (ASH) and CSH now serving East and West Cairo. Freed up laundry space at Cleopatra Hospital and NBH will be better utilized going forward for additional revenue generating services, with Cleopatra Hospital set to expand its physiotherapy services while NBH will see the addition of a linear accelerator (LINAC) to expand the hospital's radiotherapy treatments.

Cleopatra Hospital Group continues to place quality assurance and patient safety as a primary success pillar, with ongoing efforts to drive quality improvements across medical and non-medical services. In 3Q2017 the Group continued its staff training programs on infection control practices, environmental safety and medical management, while actively measuring non-financial KPIs to identify areas of improvement.

Work is also progressing on the Group's first polyclinic in New Cairo, while a potential site in West Cairo has been identified for the Group's second polyclinic. Each Polyclinic will benefit from full-fledged pharmacy and outpatient and diagnostics services. Meanwhile, the Group has also signed a Memorandum of Understanding (MOU) with the Petroleum Sector that will see CHG extend medical services across its network to the sector's employees in over 170 companies.

On the acquisition front, the Group has signed a definitive agreement to acquire a leading hospital in West Cairo with finalization pending the satisfaction of conditions precedent, which are expected to be finalized by year-end. The recently renovated 92-bed hospital includes an extension that will drive up capacity to 108 beds. Meanwhile, CHG is in advanced due diligence and deal documentation stage on a 170-bed hospital in a major city with high urban density 1 hour to the north of Cairo, with signing of definitive agreements expected prior to year-end. The Group intends on financing its inorganic growth program from its initial public offering proceeds in addition to its ongoing capital increase through a tradable rights issue of EGP 700 million as well as cash generated internally from the business. In addition, the Group signed an MOU to enter into a joint venture brownfield hospital project in Beni Suef, a city 1 hour to the south of Cairo, which is expected to be operational in 2019 and add over 200-bed capacity to the Group.

“As the year comes to a close and with the recent macroeconomic challenges now behind us, I am increasingly confident in the Group’s upside potential as we capitalize on our efforts to improve operational performance and as several growth avenues we are pursuing come to close. The months ahead will see us make significant progress on our asset-integration programs that will further optimize the provision of our quality healthcare services, and we also expect to announce the successful completion of at least two new additions to our platform by year-end. Our primary goal is the continued value creation for all our stakeholders through further integration, increased efficiency and improving our patients’ quality of life,” Ezzeldin concluded.

Cleopatra Hospital Company’s complete earnings release for 3Q2017 including commentary on operational and financial performance is available for download on investors.cleopatrahospitals.com.

—Ends—

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

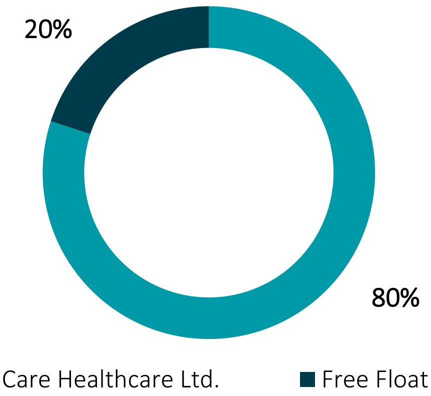
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The Company holds majority stakes in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital and Al Shorouk Hospital,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

Shareholder Information

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 200 million

Shareholder Structure

(as of September2017)



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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, which 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	3Q2017	3Q2016	*% change*	9M2017	9M2016	*% change*
Revenues	293.2	213.1	*38%*	817.1	626.6	*30%*
Cost of sales	(202.5)	(152.9)	*32%*	(572.7)	(439.5)	*30%*
Gross profit	**90.8**	**60.2**	***51%***	**244.5**	**187.1**	***31%***
Gross Profit Margin	31.0%	28.3%		29.9%	29.9%	
General & administrative expenses	(41.6)	(25.9)	*61%*	(116.8)	(81.8)	*43%*
Cost of acquisition activities	(2.0)	(1.6)	*24%*	(2.0)	(1.6)	*24%*
Provisions	(0.4)	(0.3)	*8%*	(4.9)	(9.5)	*-48%*
Other income	2.3	0.3	*0%*	4.9	4.2	*17%*
EBIT	**49.0**	**32.6**	***50%***	**125.6**	**98.2**	***28%***
EBIT Margin	17%	15%		15%	16%	
Interest income	13.7	8.4	*68%*	40.6	13.7	*202%*
Interest expense	(20.6)	(12.3)	*71%*	(54.8)	(41.2)	*33%*
Profit before tax	**42.1**	**28.7**	***47%***	**111.4**	**70.8**	***57%***
PBT Margin	14%	13%		14%	11%	
Income tax	(6.4)	(7.1)	*-10%*	(24.1)	(21.5)	*12%*
Deferred tax	(3.7)	0.5	*0%*	(2.7)	3.6	*-173%*
Net profit after tax	**32**	**22.1**	***45%***	**84.6**	**52.9**	***61.9%***
Net Profit Margin	11%	10.3%		10.4%	8.4%	
Distributed as follows:						
Shareholders of the company	28.3	19.6	*44%*	76.0	45.3	*68%*
Minority rights	3.7	2.5	*51%*	8.6	7.6	*13%*
Profit for the period	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2017	3Q2016	*% change*	9M2017	9M2016	*% change*
Net Profit	32	22.1	*45%*	84.6	52.9	*60%*
Other comprehensive income	-	-		-	-	
Total comprehensive income for the year	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***
Total comprehensive income attributable to:						
Owners of the company	28.3	19.6	*44%*	76.0	45.3	*68%*
Non-controlling interest	3.7	2.5	*51%*	8.6	7.6	*13%*
Total comprehensive income for the year	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***

Consolidated Statement of Financial Position

All figures in EGP mn	30 September 2017	30 September 2016
Cash flow from operating activities:		
Profit before tax	111.4	70.8
Adjustments for:		
Depreciation	24.0	21.0
Amortization of intangible assets	4.0	4.0
Impairments of receivables no longer required	(12.2)	(6.2)
Impairments of receivables	25.2	17.4
Trade receivables impairment – write off	(6.0)	(0.3)
Provision formed	7.0	9.8
Provision utilized	(8.7)	(7.2)
Provisions no longer required	(2.1)	(0.3)
Capital gain / loss	(0.7)	0.0
Credit Interest	(40.6)	(13.9)
Interest and commissions	53.8	41.4
Paid income tax	(30.6)	(32.2)
Fixed assets write off	3.3	-
Allowance for impairment of inventory	0.4	-
Employee long-term incentive plan	11.4	-
Operating Profits before changes in working capital	**139.7**	**104.3**
Changes in working capital:		
Change in inventory	(2.0)	(5.2)
Change in trade receivables	(58.5)	(30.1)
Change in debtors and other debit balances	(4.5)	(39.3)
Change in due from related parties	0.1	-
Change in trade payables and other credit balances	40.4	14.4
Net cash flow from operating activities	**115.3**	**44.1**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	1.0	-
Payments for purchase of fixed assets	(65.3)	(5.8)
PUC purchased	(34.4)	(11.3)
Advanced payments for purchase of fixed assets	(8.4)	(0.3)
Payments to acquire subsidiaries, net of cash acquired	(0.6)	(235.1)
Interest received	41.7	13.9
Time deposits with maturity more than 3 month	178.2	(12.6)
Collected from housing bills	-	-
Net cash flow from investment activities	**112.1**	**(251)**
Cash flow from financing activities:		
Paid to increase share capital	-	20.0
Proceeds from borrowings	83.6	208.7
Dividends paid	(14.0)	(6.8)
Interest paid	(63.6)	(19.3)
Share premium collected	-	340.0
Repayment of borrowings	(97.9)	(21.8)
Net cash flow from financing activities	**(91.9)**	**520.9**
Net change in cash & cash equivalents during the period	135.4	313.9
Cash & cash equivalents at the beginning of the period	44.4	47.0
Cash & cash equivalents at the end of the period	**179.8**	**360.9**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 September 2017	30 September 2016
Cash flow from operating activities:		
Profit before tax	111.4	70.8
Adjustments for:		
Depreciation	24.0	21.0
Amortization of intangible assets	4.0	4.0
Impairments of receivables no longer required	(12.2)	(6.2)
Impairments of receivables	25.2	17.4
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Provision formed	7.0	9.8
Provision utilized	(8.7)	(7.2)
Provisions no longer required	(2.1)	(0.3)
Capital gain / loss	(0.7)	0.0
Credit Interest	(40.6)	(13.9)
Interest and commissions	53.8	41.4
Paid income tax	(30.6)	(32.2)
Fixed assets write off	3.3	-
Allowance for impairment of inventory	0.4	-
Employee long-term incentive plan	11.4	-
Operating Profits before changes in working capital	**139.7**	**104.3**
Changes in working capital:		
Change in inventory	(2.0)	(5.2)
Change in trade receivables	(58.5)	(30.1)
Change in debtors and other debit balances	0.1	(39.6)
Change in due from related parties	(4.5)	-
Change in trade payables and other credit balances	40.4	14.4
Net cash flow from operating activities	**115.3**	**43.8**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	1.0	-
Payments for purchase of fixed assets	(65.3)	(5.8)
PUC purchased	(34.4)	(11.3)
Advanced payments for purchase of fixed assets	(8.4)	-
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