

Cleopatra Hospitals Group Reports 3Q2018 Results

Cairo, 04 December 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 third quarter ended 30 September 2018. The Group saw its consolidated revenues climb 32% y-o-y to EGP 388.3 million during the quarter. This rapid growth comes as the Group continues to reap the benefits of higher volumes, favourable pricing and an optimum case mix. The volume of cases served increased at a steady pace during the period, adding further momentum to revenue growth. Net profit for 3Q2018 stood at EGP 91.6 million, a 186% y-o-y expansion. CHG's net profit margin expanded by 13 percentage points during the period to record 24% during 3Q2018. This notable upswing in profitability comes as the Group begins to reap the benefits of its cross-asset integration program and persists in fostering efficiencies across the full breadth of its operations.

On a year-to-date basis, Cleopatra Hospitals Group saw revenues expand by 30% y-o-y to record EGP 1,062.1 million in 9M2018. Net profit stood at EGP 225.0 million in 9M2018, up 166% y-o-y and yielding a net profit margin of 21%. The Group's hospitals served 671,600 cases during the first nine months of 2018, representing a 6% increase compared to 9M2017. CHG maintained impressive rates of volume and revenue growth despite the partial closure of Cairo Specialized Hospital (CSH), one of its four institutions, for renovations during the first half of 2018.

In parallel with this release, Cleopatra held an Ordinary General Meeting (OGM) and Extraordinary General Meeting (EGM) in order to move forward with the addition of two new hospitals to the Group's platform, and for an amendment to Cleopatra's Articles of Associations for the addition of two new board members: Mr. Tarek Kabil and Ms. Samia El Baroudy.

Commenting on Cleopatra Hospitals Group's performance for 3Q2018, Chief Executive Officer Ahmed Ezzeldin said:

"The Group's performance in the third quarter of 2018 continued on the very promising path we had embarked on during the first half of the year. During the quarter, we made significant progress on multiple fronts, leveraging our strong cashflow to deliver on our long-term growth strategy. The 32% y-o-y top-line growth we saw during the quarter is an encouraging indication that the Group is heading in the right direction, and is testament to the effectiveness of our comprehensive, long-term rationalization program that has seen our revenues more than double on an annualized basis between 2015 and 2018. In line with our goal of providing the highest quality healthcare and superior clinical outcomes, CHG has not stood still when it comes to enhancing the quality and variety of the services and procedures offered by its institutions. We continued to strengthen our position as an industry-leader in cardiovascular intervention services, pushing forward our Centres of Excellence model with the inauguration of a new catheterization lab at Al Shorouk Hospital. I am also pleased to report that our polyclinic model is on track to launch in during the first quarter of 2019 and is expected to add to our ability to reach even more patients across Cairo."

During the third quarter of 2018, Cleopatra Hospitals Group served a total of 233,723 patients, 6.1% more than in 3Q2017. This uptick in patient volumes was driven by a 7.3% increase in the number of outpatient visits during the quarter. CHG admitted a growing number of patients despite a partial closure at one of its four facilities, Cairo Specialized Hospital, where the intensive care unit, operating rooms and other spaces were undergoing renovation. Growing caseloads at the Group's hospitals were balanced by an upward adjustment in price points. This approach has allowed CHG to capture greater value from its portfolio of services and procedures: 3Q2018 saw year-on-year increases of more than a fifth in average revenue per outpatient (21.7%), more than quarter in average revenue per inpatient (25.6%), and more than a third in revenue per surgery (36.4%). Meanwhile, management continued to foster operational efficiencies through favourable cross-asset procurement programs and the renegotiation of terms with consulting physicians, coupled with the streamlining of internal processes and investments in technology. Gross profit for 3Q2018 recorded a 56% y-o-y increase to EGP 142.1 million, yielding a six percentage-point improvement in gross profit margin to 37%. On a year-to-date basis, CHG's gross profit rose by 49% y-o-y to reach EGP 365.1 million during 9M2018, with the gross profit margin climbing four percentage points to 34%.

Profitability from core operations grew impressively during the period, with EBITDA up 63% y-o-y to EGP 114.1 million in 3Q2018, and the Group's EBITDA margin expanding by five percentage points to 29%. On a year to date basis, 9M2018 saw CHG post an EBITDA of EGP 283.3 million, growing 54% y-o-y to yield an EBITDA margin of 27%. EBITDA growth during the nine-month period was buoyed by an impairment reduction amounting to EGP 10.3 million during the second quarter of 2018, the culmination of management's efforts to improve the quality of CHG's receivables, upgrade collection processes, and conservatively write-off bad debts.



During the quarter, the Group completed the renovations to Cairo Specialized Hospital's façade. This is yet another step taken towards completing the extensive renovations that the Group has been carrying out at CSH over the last several quarters. The hospital now hosts new operating rooms and ICUs alongside the fully renovated façade. Over the coming months, renovations will focus on patient rooms and the hospital's entrances. During the next phase of renovations at CSH, the Group will be working closely with a leading German multidisciplinary engineering consultancy firm that will also be in charge of renovating the interior of its other hospitals in addition to the work being done for the Al Shorouk Hospital's extension and the Group's Beni Suef project.

"The third quarter saw us integrate Group medical committees into our platform as an important milestone to launching the CHG Medical Council. Each of the committees oversee different aspects of the Group's operations, ranging from care quality and patient safety, and infection control, to more bureaucratic aspects revolving around accreditations and ethics. The integration of these committees brings us closer to strengthening our internal infrastructure and enhancing our internal accountability, enabling the Group to continue to provide the highest quality medical services." Ezzeldin concluded.

Cleopatra Hospital Company's complete earnings release for 3Q2018 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

For further information, please
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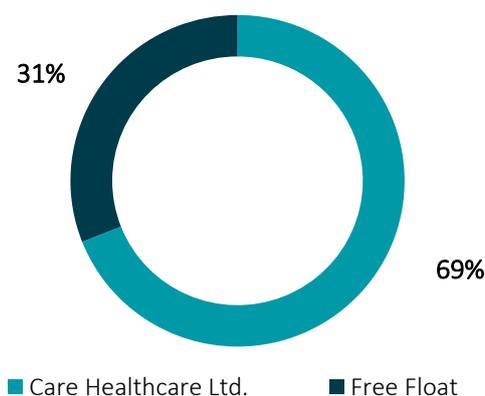
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Shareholder Structure

(as of December 2018)



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	3Q2018	3Q2017	% change	9M2018	9M2017	% change
Revenues	388.3	293.2	32%	1062.1	817.1	30%
Cost of sales	(246.3)	(202.3)	22%	(697.0)	(572.4)	22%
Gross profit	142.1	91.0	56%	365.1	244.7	49%
<i>Gross Profit Margin</i>	37%	31%		34%	30%	
General & administrative expenses	(45.7)	(43.2)	6%	(134.7)	(117.0)	15%
Cost of acquisition activities	(0.3)	(0.7)	-60%	(4.6)	(2.0)	126%
Provisions	0.5	(0.4)	-232%	(3.7)	(4.9)	-26%
Other income	(1.0)	2.3	-143%	2.9	4.9	-40%
EBIT	95.6	49.0	95%	225.1	125.6	79%
<i>EBIT Margin</i>	25%	17%		21%	15%	
Interest income	32.0	13.7	134%	94.1	40.6	132%
Interest expense	(9.2)	(20.6)	-55%	(30.9)	(54.8)	-44%
Profit before tax	118.4	42.1	181%	288.3	111.4	159%
<i>PBT Margin</i>	30%	14%		27%	14%	
Income tax	(24.7)	(6.4)	283%	(61.7)	(24.1)	156%
Deferred tax	(2.1)	(3.7)	-42%	(1.6)	(2.7)	-38%
Net profit after tax	91.6	32.0	186%	225.0	84.6	166%
<i>Net Profit Margin</i>	24%	11%		21%	10%	

Distributed as follows:

Shareholders of the company	86.3	28.3	205%	210.9	76	177%
Minority rights	5.3	3.7	43%	14.1	8.6	64%
Profit for the period	91.6	32	186%	225.0	84.6	166%

Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2018	3Q2017	% change	9M2018	9M2017	% change
Net Profit	91.6	32.0	186%	225.0	84.6	166%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	91.6	32.0	186%	225.0	84.6	166%
<u>Total comprehensive income attributable to:</u>						
Owners of the company	86.3	28.3	205%	210.9	76.0	177%
Non-controlling interest	5.3	3.7	43%	14.1	8.6	64%
Total comprehensive income for the year	91.6	32.0	186%	225.0	84.6	166%

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2017	30 September 2018
Non-current assets		
Fixed assets	472.5	516.7
Intangible assets	241.0	241.0
Payment under investment	143.6	143.6
Total non-current assets	857.1	901.3
Current assets		
Inventory	30.1	35.6
Accounts receivables	185.4	299.0
Other receivables and debit balances	22.1	38.2
Due from related parties	5.4	24.1
Cash	1,007.1	963.5
Total current assets	1,250.2	1,360.4
Total assets	2,107.3	2,261.7
Equity		
Share capital	800.0	800.0
Reserves	270.2	274.2
Retained earnings	260.3	445.8
Equity attributable to the parent company	1,330.5	1,520.0
Non-controlling interest	55.7	68.5
Total equity	1,386.2	1,588.5
Non-current liabilities		
Long term debt – non-current portion	276.3	167.9
Long term incentive plan	24.8	41.6
Deferred tax liability	64.4	66.1
Total non-current liabilities	365.6	275.6
Current liabilities		
Provisions	21.6	18.0
Creditors and other credit balances	246.3	299.7
CPLTD	75.6	32.6
Current income tax	12.0	47.4
Total current liabilities	355.5	397.6
Total liabilities	721.0	673.2
Total liabilities & shareholders' equity	2,107.3	2,261.7

Consolidated Statement of Cash Flow

All figures in EGP mn	30 September 2017	30 September 2018
<u>Cash flow from operating activities:</u>		
Profit before tax	111.4	288.3
<u>Adjustments for:</u>		
Depreciation	24.0	32.6
Amortization of intangible assets	4.0	-
Allowance for impairments of current assets	7.3	(3.6)
Provisions	(3.7)	(3.6)
Capital gain (loss)	(0.7)	(0.5)
Credit/Debit interest	13.3	(63.2)
Changes in current tax liability	(30.6)	(26.3)
Fixed assets write off	3.3	-
Share-based payments financial liabilities	11.4	16.8
Operating profits before changes in working capital	139.7	240.4
<u>Changes in working capital:</u>		
Change in inventory	(2.0)	(5.3)
Change in trade receivables, debtors and other debit balances	(63.0)	(114.6)
Change in due from related parties	0.1	(18.7)
Change in trade payables and other credit balances	40.4	66.6
Net cash flow from operating activities	115.3	168.5
<u>Cash flow from investment activities:</u>		
Proceeds from sale of fixed assets	1.0	0.6
Payments for purchase of fixed assets	(65.3)	(47.3)
PUC purchased	(34.4)	(29.6)
Advanced payments for purchase of fixed assets	(8.4)	(12.0)
Payments for acquisition of a subsidiary, net cash acquired	(0.6)	-
Payments under investment	-	-
Credit interest collected	41.7	94.4
Time deposits with maturity more than 3 months	178.2	11.0
Net cash flow from investment activities	112.1	17.3
<u>Cash flow from financing activities:</u>		
Dividends paid	(14.0)	(21.7)
Proceeds from borrowings	-	-
Repayment of borrowings	(97.9)	(130.9)
Cash proceed from overdraft	83.6	60.0
Cash paid to overdraft	-	(80.6)
Interest paid	(63.6)	(45.2)
Net cash flow from financing activities	(91.9)	(218.3)
Net change in cash & cash equivalents during the period	135.4	(32.6)
Cash & cash equivalents at the beginning of the period	44.4	996.1
Cash & cash equivalents at the end of the period	179.8	963.5