

Q3 2022 NEWS RELEASE

Kuala Lumpur/Singapore, 29 NOVEMBER 2022

IHH Healthcare core operating performance improves, reports lower Net Income of RM251.8 million due to exceptional items

“Our headline profits decreased by 54% due to a high base in Q3 2021 that saw a recognition of higher deferred tax assets of RM248.2 million. This was coupled with higher depreciation and amortisation due to MFRS 129-related adjustments and foreign exchange losses in Q3 2022.

However, our core operating performance improved. Like-for-like, Net Operating Income for Q3 2022 improved 6% to RM374.2 million and revenue was up 4% as we pivoted well out of the pandemic.

We expect inpatient volumes and bed occupancy to grow as we enter a post-COVID world and are taking steps to ensure our operations can cater for this demand in our core business. The Group’s long-term growth trajectory remains positive, underpinned by favourable healthcare megatrends and our robust financial position. We will keep driving our ‘Care. For Good.’ strategy to build a sustainable healthcare ecosystem for all stakeholders.”

Dr Kelvin Loh
Managing Director and CEO, IHH Healthcare

GROUP RESULTS HIGHLIGHTS





The Group’s headline performance includes the application of MFRS 129¹ reporting standard.

Headline performance: Q3 2022 Y-o-Y (including MFRS 129 application)

Revenue	EBITDA	Net Operating Income*	Net Income [^]
RM4.6b	RM1.0b	RM315.4m	RM251.8m
+3% 	-9% 	-11% 	-54% 
		*PATMI excluding exceptionals	[^] PATMI

Stripping out the effect from the application of MFRS 129, the Group’s core Q3 2022 underlying performance grew as local and foreign patients return.

Core Q3 2022 Y-o-Y performance (excluding MFRS 129 application)

Revenue	EBITDA	Net Operating Income	Net Income
RM4.6b	RM1.0b	RM374.2m	RM338.1m
+ 4% 	- 7% 	+ 6% 	-39% 

¹ The Group’s headline results included the application to its entities in Turkiye of MFRS 129, *Financial Reporting in Hyperinflationary Economies* (“MFRS 129”). Please refer to the Notes to the Editor for more on MFRS 129.

Q3 2022: Core operating performance improves as IHH enters post-COVID phase

- Revenue increased 3% year-on-year (“Y-o-Y”) as more local and foreign patients returned. The ramp up of Gleneagles Hong Kong Hospital (“GHK”) and contribution from General Hospital Acibadem Bel Medic and Ortopedia Hospital in Turkiye also played a part.
- EBITDA decreased 9% due to a high base in Q3 2021 that saw valuation gains on investment properties of RM65.2 million, as well as from a weaker Lira affecting contributions from Turkiye operations and MFRS 129-related adjustments in Q3 2022.
- Net Operating Income decreased 11% to RM315.4 million due to lower EBITDA, higher finance costs and higher depreciation and amortisation from MFRS 129-related adjustments. Excluding the effects of MFRS 129-related adjustments, Net Operating Income increased 6% to RM374.2 million.
- Net Income declined 54% to RM251.8 million. This was due to gains from exceptional items recognised in Q3 2021 such as an increase in deferred tax assets of RM248.2 million, coupled with the effect of MFRS 129-related adjustments and foreign exchange losses in Q3 2022. Excluding the effects of MFRS 129, Net Income decreased 39% to RM338.1 million.

9M 2022 Y-o-Y performance: ROE at 7.5%, maintains strong balance sheet

- Revenue increased 4%, while EBITDA decreased 6% mainly due to a high base a year ago and MFRS 129-related adjustments.
- Net Income was down 4% to RM1.4 billion, while Net Operating Income decreased 10% to RM1.0 billion due to the lower headline performance and MFRS 129-related adjustments.
- Return on Equity (“ROE”) was 7.5% as at end-September 2022.
- Balance sheet remained strong, with net cash generated from operating activities of RM2.8 billion and an overall cash balance of RM3.4 billion.
- Net gearing was 0.27 times.

Q3 2022 OPERATIONAL HIGHLIGHTS

- **IHH Group:**
 - **Launch of IHH Sustainability Goals²:** As part of the 10th anniversary of its dual-listing, IHH launched its time-bound, science-based [Sustainability Goals](#) framework, including a commitment to cap carbon emissions across the entire Group from 2025 onwards at its 2022 baseline while growing the business, and to achieve carbon net zero by 2050.
 - **Asiamoney 2022 ‘Asia’s outstanding Companies Poll’:** The Group was named ‘Most Outstanding Company in Malaysia – Healthcare Sector’.
 - **The Edge Billion Ringgit Club Corporate Awards 2022:** IHH was awarded ‘Highest Growth in Profit After Tax Over Three Years’ among companies with more than RM40 billion market capitalisation on Bursa. This annual award recognises corporate excellence in companies in Malaysia.

² Refer to the Appendix for a fuller summary of the IHH Sustainability Goals

- **MSWG – ASEAN Corporate Governance Award 2021:** Based on disclosures in its annual reports, corporate governance report and sustainability report for the financial year ended 31 March 2021, IHH was accorded the ‘Industry Excellence award for CG Disclosure’ by MSWG.
- **Forbes “World’s Best Employers 2022”:** IHH was included in Forbes’ listing of the World’s Best Employers 2022, which recognises companies that excel in corporate impact and image, talent development, gender equality and social responsibility.
- **IHH Singapore:**
 - **Launch of MyHealth360 app.** To enable patients to be active partners in managing their health, IHH has developed MyHealth360, a mobile app that facilitates access to in-house patient medical records, curated information and in time to come, an expanded range of health and wellness tools. The app was first launched in Singapore in September 2022 and will soon be introduced to other markets that IHH serves.
- **IHH Greater China:**
 - The Group signed an equity transfer agreement with Perennial Health to divest its effective 49% stake in Gleneagles Chengdu Hospital on 24 November 2022. This sale is in line with IHH’s strategy to review its asset portfolio in China to minimise losses.

OUTLOOK

- The Group expects inpatient volumes and bed occupancy to grow in a post-COVID world. However, the healthcare industry faces near-term macroeconomic headwinds such as inflationary pressures - including on salary costs from nursing shortages – as well as high energy prices and rising interest rates.
- In China, it expects continued challenges with its operations and investments on the mainland and will review its portfolio to minimise ongoing losses.
- The Group’s long-term growth trajectory remains intact given its robust financial position and cash generation, operational resilience and continued focus on delivering its ‘**Care. For Good.**’ strategy, IHH is confident that it can ride out near-term challenges and deliver long-term sustainable growth for all stakeholders.
- It expects its cluster strategy and a strong pent-up demand for private healthcare to drive ROE and growth for its core hospitals and healthcare business. At the same time, it will develop its other businesses, such as laboratory and diagnostics, as new engines of growth over the longer term.

GEOGRAPHICAL OPERATIONAL AND FINANCIAL UPDATES (Y-o-Y)

IHH Malaysia

Strong recovery as more patients return

- Revenue rose 18% to RM840.2 million mainly due to higher inpatient admissions and a gradual return of foreign patients; EBITDA grew 24% to RM248.2 million.
- Inpatient admissions increased 57% as movement controls eased; revenue intensity decreased 16% as some returning patients sought less acute treatments.
- For the quarter, average occupancy was at 70%.

IHH Singapore

Ramping up capacity to meet demand; reports higher revenue intensity

- Hospital revenue increased 30% while overall revenue decreased 3% to RM1.3 billion due to a high base in Q3 2021 that saw high volumes of COVID-19 testing; EBITDA increased 3% to RM374.6 million.
- Inpatient admissions decreased by 4% due to nursing shortages leading to constraints on bed capacity, but revenue intensity grew 32% as more patients sought acute treatment.
- For the quarter, average occupancy was at 57%.

IHH Turkiye* and Europe

Strong revenue intensity growth; steady underlying performance

- Revenue increased 1% to RM1.1 billion; EBITDA decreased 23% to RM230.9 million due to a weaker Lira, start-up costs from the newly opened Acibadem Ataşehir hospital, as well as a tapering of COVID-19 related services compared to a year ago.
- Inpatient admissions saw a slight decline of 1%; revenue intensity increased 45% on price adjustments to counter inflation.
- For the quarter, average occupancy was at 68%.

**Before application of MFRS 129*

IHH India

Patients continue to return and operational performance improves

- Revenue increased 6% to RM1.0 billion; EBITDA decreased 1% to RM179.3 million.
- Inpatient admissions increased 6% despite the loss of patients following the sale of Continental Hospitals in December 2021; revenue intensity increased 8%.
- For the quarter, average occupancy was at 75%.

Other Business Segments

- **IHH Laboratories³:**
 - For Q3 2022, the segment reported a revenue of RM400.8 million and an EBITDA of RM86.1 million; this was 31% and 56% lower respectively than a year ago, when the Group was actively supporting COVID-19 related testing.
 - As COVID-related revenue tapers off, the business will focus on organic expansion, extracting synergies, adopting global accreditation and driving digital transformation to drive growth.
- **IMU Health:** Q3 2022 revenue decreased 9% to RM59.6 million mainly due to a lower student population. EBITDA decreased 38% to RM15.6 million due to the lower revenue and higher expenses increased from more on-site activities with students returning to campus.
- **PLife REIT:** External revenue was 10% lower in Q3 2022 mainly due to a weaker Japanese Yen; EBITDA decreased 47% to RM73.0 million primarily due to the higher base in Q3 2021, when a valuation gain on investment properties of RM65.2 million was recorded.

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³ IHH Laboratories: Laboratories financial number are embedded within the various business units of Malaysia, Singapore, India, and Turkiye.

Notes to the Editor on the MFRS 129 financial reporting standard:

- In Turkiye, cumulative inflation rates over a three-year period exceeded 100% as at April 2022.
- Based on the MFRS 129 criteria, Turkiye is now classified as a hyperinflationary economy for reporting periods ending on or after 30 April 2022.
- MFRS 129 (*Financial Reporting in Hyperinflationary Economies*) sets out the framework for restating financial statements in hyperinflationary economies in a consistent and comparable basis.
- Entities with operations whose functional currency is the Turkish Lira have to apply MFRS 129 when reporting its financial performance from Q2 2022 onwards.

How MFRS 129 can affect companies' financial statements

<p>1. Balance Sheet Re-indexing</p>	<ul style="list-style-type: none"> ○ One-time uplift in asset value. This value would be adjusted from period to period depending on the inflation index at period-end for Turkiye
<p>2. Profit & Loss (Income Statement) Re-indexing</p>	<ul style="list-style-type: none"> ○ Affects all P&L line items; Effect continues as long as MFRS 129 is applied
<p>3. Depreciation and amortisation from property, plant, and equipment ("PPE"), right-of-use ("ROU") assets and intangible assets</p>	<ul style="list-style-type: none"> ○ To be adjusted in line with the uplift to the asset value (see item 1) ○ Effects of higher depreciation will be permanent
<p>4. Net monetary gain/(loss)</p>	<ul style="list-style-type: none"> ○ Will reflect any increase/(decrease) in purchasing power of the net monetary asset/liabilities of the Turkish entity
<p>5. Impairment assessment on the higher restated amounts of non-monetary assets</p>	<ul style="list-style-type: none"> ○ Will need to reassess every period-end.

ABOUT IHH HEALTHCARE BERHAD (“IHH”)

A world-leading integrated healthcare provider, IHH believes that making a difference starts with a simple idea: Care. For Good.

Our team of 65,000 people commit to deliver greater good to our patients, people, the public and planet, as we live our purpose each day to touch lives and transform care.

Through our portfolio of trusted brands – Acibadem, Mount Elizabeth, Prince Court, Gleneagles, Fortis, Pantai, Parkway and IMU – we offer our patients comprehensive and personalised care ranging from primary to quaternary, and even ancillary services such as laboratories, diagnostics, imaging and rehabilitation.

With our scale and reach in 10 countries, we continue to raise the bar in healthcare in our key markets of Malaysia, Singapore, Turkiye, India, Greater China (including Hong Kong) and beyond.

In partnership with our stakeholders, we will co-create a sustainable future for all as we work towards our vision to become the world’s most trusted healthcare services network.

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

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APPENDIX: IHH SUSTAINABILITY GOALS FRAMEWORK

At IHH Healthcare, we go beyond doing no harm; we 'Care. For Good.'



Patients

Earning the trust of our patients

Goal: To be the most trusted private healthcare provider in all our markets by 2025



People

Shaping the best place to work for

Goal: To be the employer of choice in private healthcare in all our markets by 2025



Public

Nurturing a healthier society

Goal: To touch 5 million lives for healthier communities by 2025



Planet

Protecting our planet

Goal: To cap carbon growth by 2025 and achieve carbon net zero by 2050

- Achieve **90% of value-driven outcomes (VDO)** at or above international benchmarks by 2025
- **Billing estimates** to be 90% accurate in our core markets by 2025
- **Admission for accident & emergency (A&E) cases to be within 1-hour** from doctors' instruction by 2025
- Be in **top quartile in Net Promoter Score (NPS)** in all our markets by 2025

- Be above country and world healthcare norms in **Employee Engagement Survey (EES) scores** for all of our markets by 2025
- Achieve **50:50 Male to Female ratio in Leadership** roles by 2025
- **Increase global nursing talent pool** by 10% by 2025
- **Reduce lost time injuries** and have zero workplace fatalities

- 100% of hospitals implement **antimicrobial resistance** interventions in line with CDC, WHO and national guidelines by 2025
- Reduce **disease burden on cancer and cardiovascular diseases** through screenings, health literacy and disease management programmes
- Establish public corporate responsibility programmes in at least two of our core markets to avail **quality healthcare to the underserved by 2023**

- Cap **Scope 1 & 2 emissions** at 2022 baseline (inclusive of our growth) by 2025 and reduce year-on-year **carbon intensity per patient bed-day**
- Strategise **Scope 3** carbon accounting by 2023
- Be **SBTi** (Science Based Target Initiative) ready by 2025
- Reduce **single-use virgin plastic** by 90% in non-clinical areas in Malaysia and Singapore by 2023