

NEWS RELEASE

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**IHH Healthcare reports higher Net Income in Q2 2022 on resilient core operations, amid headwinds and tapering of COVID-19 related services**

**Headline performance: Q2 2022 Y-o-Y (including MFRS 129 application)**

Revenue	EBITDA	Net Operating Income*	Net Income^
RM4.4b	RM979.0m	RM317.5m	RM 612.1m
+2% 	-12% 	-32% 	+27% 
		*PATMI excluding exceptionals	^PATMI

*“Q2 2022 was our ‘COVID inflexion’ quarter. Our core business is recovering as patients show their trust in IHH by returning in strength, which offset the melt-off in COVID-19 related services we had already anticipated. Our steady performance, amid a confluence of macroeconomic and geopolitical challenges, validates our ‘Care. For Good.’ sustainable business strategy.*

*Our drive for growth is yielding results. With strong cash flow and operating synergies, we are now embarking on further growth initiatives by exploring earnings accretive opportunities and improving returns. While we expect near-term headwinds including inflation, higher interest rates and currency volatility, we are confident in our ability to provide long-term value for all stakeholders.”*

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

**GROUP RESULTS HIGHLIGHTS**

**Q2 2022: ‘COVID inflexion’ quarter; resilient core operations as local and foreign patients return**





The Group’s headline performance includes the application of MFRS 129<sup>1</sup> reporting standard:

- Revenue increased 2% year-on-year (“Y-o-Y”) on continued growth in key markets and a return of both local and foreign patients. The ramp up of Gleneagles Hong Kong Hospital (“GHK”) and contribution from General Hospital Acibadem Bel Medic (“Bel Medic”) acquired in July 2021 also played a part, though this was partially offset by the expected tapering of COVID-19 related services.
- EBITDA decreased 12% mainly due to higher other operating expenses and an adjustment in Q2 2022 relating to the application of MFRS 129.
- Net Income was up 27% to RM612.1 million mainly due to an exceptional gain of RM295.5 million upon application of MFRS 129.
- Net Operating Income decreased 32% to RM317.5 million due to lower EBITDA and adjustment relating to MFRS 129 (loss of RM130.1 million largely from depreciation and amortisation).

<sup>1</sup> The Group’s headline results for QTD 2022 and YTD 2022 included the application to the Group’s entities in Turkey of MFRS 129, *Financial Reporting in Hyperinflationary Economies* (“MFRS 129”). Please refer to the Notes to the Editor for more on MFRS 129.

Stripping out the effect from the application of MFRS 129, the Group's core Q2 2022 performance was resilient as both local and foreign patients return amid the tapering of COVID-19 related services:

**Q2 2022 Y-o-Y performance (excluding MFRS 129 application)**

Revenue	EBITDA	Net Operating Income	Net Income
RM4.3b	RM1.0b	RM447.7m	RM 566.2m
+ 2% 	- 8% 	- 3% 	+ 17% 

**H1 2022: ROE reached 8.8%, strong balance sheet, ample liquidity and debt headroom**

- Revenue grew 4% while EBITDA decreased 5% mainly due to higher other operating expenses and adjustment in YTD 2022 relating to MFRS 129.
- Net Income grew 29% to RM1.1 billion, while Net Operating Income decreased 9% to RM724.9 million mainly due to lower EBITDA and adjustments relating to MFRS 129 in YTD 2022 (loss of RM130.1 million largely due to depreciation and amortisation).
- Return on Equity (“ROE”) reached 8.8% as at June 2022 (June 2021: 7.2%).
- Balance sheet remained strong, with net cash generated from operating activities of RM1.7 billion and an overall cash balance of RM4.3 billion.
- Net gearing reduced to 1.33 times (30 June 2021: 1.73 times).

**Q2 2022 OPERATIONAL HIGHLIGHTS**

- **Malaysia:**
  - Entered a definitive agreement for the sale of its medical educational arm, International Medical University (“IMU”) in June 2022, for a total enterprise value of RM1.35 billion; proceeds will be deployed to optimise operations and clinical services plus invest into new growth peaks for IHH
  - Pantai Hospital Penang breaks ground for a new medical block to enhance the delivery and range of healthcare services to patients. Expected to be completed by the end of 2024.
- **Turkey:** Signed agreement for the purchase of Orthopedia Hospital in Adana to strengthen Acibadem’s cluster and service offerings for patients on 9 August 2022.

**OUTLOOK**

- Q2 2022 is an inflexion quarter for IHH as its core business of hospital and healthcare services resumes growth.
- Even with short-term headwinds such as global inflationary trends and rising interest rates, the Group’s long-term growth trajectory remains intact.
- Given its strong financial position and cash flow, operational resilience and continued focus on delivering its ‘Care. For Good.’ strategy, the Group is confident that it will be able to ride out these near-term challenges and deliver long-term sustainable growth for all stakeholders.

## GEOGRAPHICAL OPERATIONAL AND FINANCIAL UPDATES (YoY)

### IHH Malaysia

#### Strong recovery as patients return

- Revenue rose 15% to RM759.9 million mainly due to higher inpatient admissions and gradual return of foreign patients; EBITDA grew 20% to RM223.1 million.
- Inpatient admissions increased 31% as movement controls eased; revenue intensity decreased 7.0% as some returning patients sought less acute treatments.
- For the quarter, average occupancy was at 61%.

### IHH Singapore

#### Steady performance with higher revenue intensity

- Revenue grew 1% to RM1,271.9 million despite significant tapering of COVID-19 services. The growth came from providing more non-COVID-19 services for both local and foreign patients; EBITDA decreased 5% to RM408.3 million due to higher staff costs.
- Inpatient admissions decreased slightly by 1% as the Group ceased its arrangement with the health ministry to set aside beds for COVID-19 patients; revenue intensity grew 23% as more patients sought acute treatment, including foreign patients.
- For the quarter, average occupancy was at 56%.

### IHH Turkey\* and Europe

#### Strong underlying operational performance

- Revenue declined 3% to RM1,018.5 million; EBITDA decreased 23% to RM231.6 million as strong underlying growth was offset by the weaker Turkish Lira.
- Inpatient admissions increased 11% and revenue intensity increased 16% on price adjustments to counter inflation.
- For the quarter, average occupancy was at 73%.

*\*Before application of MFRS 129*

### IHH India

#### Patients continue to return in strength

- Revenue decreased 2% to RM953.7 million from a high base in Q2 2021 that saw a high number of COVID-19 patients and COVID-19 tests, as well as from the disposal of Continental Hospitals. EBITDA decreased 11% to RM167.4 million.
- Inpatient admissions increased 22% despite the loss of patients from the disposal of Continental Hospitals in December 2021; Revenue intensity decreased 15%.
- For the quarter, average occupancy was at 69%.

## Other Business Segments

- **IHH Laboratories:**
  - For Q2 2022, the segment reported a revenue of RM391.6 million and an EBITDA of RM75.4 million; this was 28% and 62% lower respectively than a year ago, which was a high base as the Group was actively supporting COVID-19 related testing in 2021.
  - As COVID-19-related revenue tapers off, the business will focus on organic expansion, extracting synergies, adopting global accreditation and driving digital transformation to grow over the near to long term.
- **IMU Health:** Q2 2022 revenue increased 11% to RM69.0 million and EBITDA improved 25% to RM27.9 million. The increase in revenue was due to a higher student population and revenue recognised over a shorter course period for certain programmes.
- **PLife REIT:** Marginally lower external revenue in Q2 2022; EBITDA decreased 2%. The lower revenue was mainly due to the weaker Japanese Yen while EBITDA decreased due to higher professional fees incurred.

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

- In Turkey, cumulative inflation rates over a three-year period exceeded 100% as at April 2022.
- Based on the MFRS 129 criteria, Turkey 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

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

<p><b>5. Impairment</b> assessment on the higher restated amounts of non-monetary assets</p>	<ul style="list-style-type: none"><li>○ Will need to reassess every period-end.</li></ul>
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### **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, Turkey, 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](http://www.ihhhealthcare.com).

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## APPENDIX: OUR 'CARE. FOR GOOD.' STRATEGY

We unveiled our 'Care. For Good.' strategy earlier this year – focused on delivering sustainable growth for all stakeholders, including patients, people and the public. It is anchored on four strategic pillars:

1. Build a Trust culture
2. Improve locally, Synergise globally
3. Driven by five Growth Engines:
  - **Recovering from COVID-19:** Increasing volumes and occupancy to pre-pandemic levels as situation normalises. Expect the return of 'business-as-usual' services from domestic and foreign patients.
  - **Achieving organic growth:** Improving bed occupancy and better utilisation of existing capacity and beyond pre-pandemic levels.
  - **Acquiring strategic assets:** With appropriate fit, in-line with cluster strategy and to adjacent markets to give earnings-accretive growth.
  - **Developing our laboratories segment:** As a global laboratories platform.
    - i. Vision: To be the world's most trusted laboratories services network with deep clinical knowhow and capabilities
  - **Driving innovation and digital transformation:** Through digital and health tech platforms with approximately RM400 million allocated from 2022-2025.
4. Compelling ESG strategy

