IHH Healthcare Berhad

IHH Healthcare Reports RM82.1 million Net Profit for Q3 2017

- Q3 2017 revenue grew 15% to RM2.8 billion on sustained organic growth from existing operations and solid contribution from new hospitals
- Solid operational performance drove EBITDA growth, offsetting start-up costs for newly opened Gleneagles Hong Kong and Acibadem Altunizade
- Headline PATMI was lower at RM82.1 million on increased costs from depreciation and amortisation and finance costs from the two new hospitals
- Acquisition of advanced diagnostics specialist Angsana Holdings allows IHH to be first private healthcare provider in region to offer more personalised treatment plans and precise diagnostics through cancer genomics testing

Group Financial Highlights

Consolidated Financial Results for the period ended 30 Sept	Q3 2017 (RM million)	Q3 2016 (RM million)	Variance (%)	9M 2017 (RM million)	9M 2016 (RM million)	Variance (%)
Revenue	2,800.9	2,441.8	15	8,257.5	7,390.4	12
EBITDA	562.4	546.3	3	1,663.8	1,717.7	(3)
PATMI	82.1	173.3	(53)	868.7	654.9	33
PATMI *(less exceptional items)*	125.4	217.6	(42)	413.4	643.5	(36)

KUALA LUMPUR/SINGAPORE, 27 November 2017 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium global healthcare provider, today announced earnings for the third quarter and nine months ended 30 September 2017 ("**Q3 2017**" and "**9M 2017**" respectively).

For the three months ended 30 September 2017, revenue increased 15% year-on-year ("**YoY**") to RM2.8 billion. This was on sustained growth in inpatient admissions and revenue intensity across most home markets and the ramp up of new hospitals opened in March 2017. Tokuda Group and City Clinic Group in Bulgaria, acquired in June 2016 and since consolidated into Acibadem, also contributed to the higher revenue.

Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") grew 3% to RM562.4 million. Sustained operational growth in our core markets offset the impact from the start-up costs incurred by the newly opened Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital, as well as from the higher operating and staff costs.

Headline profit after tax and minority interests ("**PATMI**") declined 53% to RM82.1 million, while PATMI (less exceptional items)* decreased 42% to RM125.4 million on higher depreciation, amortisation and finance costs following the opening of new hospitals in Hong Kong and Istanbul in March 2017. These costs were in line with expected start-up costs arising from the opening of the new hospitals.

For the nine months ended 30 September 2017, revenue increased 12% YoY to RM8.3 billion, while EBITDA decreased by 3% to RM1.7 billion. PATMI increased 33% to RM868.7 million while PATMI (less exceptional items) decreased 36% to RM413.4 million.

IHH maintained its strong financial position, with a cash balance of RM5.8 billion as at the end of September 2017 and an improved net gearing of 0.05 times (30 September 2016: 0.21 times).

<u>Operational and Financial Highlights</u>

In July, the Group's wholly-owned subsidiary, Parkway Pantai, established a US$2 billion (~RM 8.5 billion) multi-currency medium-term note programme. Parkway Pantai Group drives all of IHH's healthcare operations across Asia. This is the first time IHH or any of its subsidiaries have initiated a fixed income programme since its initial public offering, and was a proactive measure to diversify its sources of funding. Its recent US$500 million senior perpetual securities issuance will provide appropriate debt headroom for general corporate purposes.

The same month, Parkway Pantai acquired a 55% equity interest in Angsana Holdings Pte Ltd ("Angsana") for S$9.3 million (~RM28.9 million). With Angsana Molecular and Diagnostics, IHH is committed to deliver high performance molecular diagnostic services to tailor treatment to the needs of individual patients.

IHH Managing Director and CEO, Dr Tan See Leng, said: "We continue to deliver topline and EBITDA growth, underlining the inherent strength of our differentiated strategy. While the start-up costs for Gleneagles Hong Kong and Acibadem Altunizade have had a short-term impact on our earnings, these were according to our plans and within expectations, creating the momentum to take us to the next level on full ramp up next year.

"We are now well positioned to make further headway in the important market of Greater China as our next home market. At the same time, we have a strong pipeline of expansion projects in our home markets where we consolidate our strong market position. We also continue to build out our cutting-edge capabilities, and now have the distinction of being the region's only private healthcare provider with in-house molecular diagnostics capabilities to customise medical treatment after acquiring Angsana Holdings."

* Stripping out exceptional items provides a better gauge of underlying operational performance

Segmental review for Q3 2017

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q3 2017	Q3 2016	Variance (%)	Q3 2017	Q3 2016	Variance (%)
Parkway Pantai	1,755.7	1,543.1	14	362.8	354.4	2
Acibadem Holdings	950.6	808.7	18	120.5	83.8	44
IMU Health	60.1	55.0	9	21.6	19.5	11
PLife REIT	34.0	34.4	(1)	69.4	67.8	2

Parkway Pantai, the Group's largest operating subsidiary, reported a 14% YoY increase in revenue. This was the result of sustained organic growth for its existing hospital business, and the continued ramp up at Mount Elizabeth Novena Hospital in Singapore as well as Pantai Hospital Manjung, Gleneagles Kota Kinabalu Hospital and Gleneagles Medini Hospital in Malaysia. Gleneagles Hong Kong Hospital also contributed to the Group's revenue.

EBITDA increased by 2%, in part eroded by the RM68.8 million in start-up losses incurred by Gleneagles Hong Kong Hospital.

Inpatient admissions at its Singapore hospitals grew 1.1% to 19,362, driven by both local and foreign patients. Average revenue per inpatient admission ("**revenue intensity**") rose 11.9% to RM29,884 as the Group saw strong growth in the quarter from local and foreign patients especially from Indonesia.

Inpatient admissions at its Malaysia hospitals decreased 2.2% to 48,408. Revenue intensity improved by 13.9% to RM6,509 as more complex cases were undertaken.

In India, the Group's fourth home market, inpatient admissions grew 18.4% to 20,520 while revenue intensity increased by 2.1% to RM7,509. This was on the continued ramp-up at IHH's operations in the country.

Acibadem Holdings, Turkey's leading private healthcare provider in which IHH owns a 60% majority stake, posted a 18% YoY rise in revenue for Q3 2017 while EBITDA grew 44% to RM120.5 million. The strong performance was a result of the continued ramp up of Acibadem Altunizade Hospital and Acibadem Atakent University Hospital, as well as the Bulgarian hospitals acquired in 2016.

Inpatient admissions improved by 15.7% to 50,966, reflecting the contribution from Acibadem Altunizade Hospital and the Bulgaria operations. Revenue intensity grew 19.1% to RM9,568 from taking on more complex cases and receiving a higher number of foreign patients in the quarter.

IMU Health, the Group's medical education arm, recorded 9% YoY growth in revenue as it adjusted tuition fees and shortened semesters for some courses. EBITDA improved 11% on the improved revenue.

PLife REIT, with a portfolio of 49 healthcare-related properties as at 30 September 2017, reported a 1% YoY decline in external revenue with a weaker Japanese Yen versus the Malaysian Ringgit impacting translated rental income from its Japanese portfolio. EBITDA was up 2% as a strong Singapore Dollar boosted rental income for its Singapore portfolio when translated to the Ringgit.

Outlook and Prospects

IHH continues to believe in the sustained demand for quality private healthcare in its home markets and key growth market of Greater China.

In the year ahead, the Group expects to face cost pressures on several fronts. These include wage inflation from increased competition for talent in its home markets, rising purchasing costs with the stronger US Dollar and higher pre-operating costs and start-up costs from new operations which would partially erode profitability in the initial stages. To mitigate these effects, IHH will remain prudent in its cost management, undertake ways to improve the mix of higher revenue intensity cases and ramp up new facilities to achieve optimal operating efficiencies.

Given its extensive geographical footprint, the Group will be exposed to geopolitical risks and currency volatility. This may result in translational differences in its balance sheet and income statement. IHH adopts natural hedges where possible and efforts to "de-risk" currency exposure for Acibadem remain ongoing.

IHH is confident that its integrated healthcare service offering platform with market-leading positions in its home and key markets, supported by its robust balance sheet and operating cash flows, will enable it to successfully overcome the challenging operating conditions expected for the year ahead. It is also constantly reviewing its portfolio of assets to rebalance its portfolio of investments to optimise returns.

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About IHH Healthcare Berhad ("IHH")

IHH Healthcare Berhad is a leading premium healthcare provider in markets where the demand for quality care is strong and growing. We are the second largest healthcare group in the world by market capitalisation and are listed on the Main Market of Bursa Malaysia and the Main Board of SGX-ST.

Employing more than 35,000 people and operating over 10,000 licensed beds across 50 hospitals in 10 countries worldwide, the Group offers the full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services across our three operating subsidiaries:

- **Parkway Pantai Limited** is one of Asia's largest integrated private healthcare groups with a network of 28 hospitals throughout the region, including Malaysia, Singapore, India, China, Brunei and UAE. Its "Mount Elizabeth", "Gleneagles", "Parkway" and "Pantai" brands are among the most prestigious in Asia.
- **Acibadem Holdings** is Turkey's leading private healthcare provider, offering integrated healthcare services across 22 hospitals in Turkey, Macedonia, Bulgaria and Iraq. The "Acibadem" brand is renowned for its clinical excellence in the Central & Eastern Europe, Middle East and North Africa ("CEEMENA") region.

- **IMU Health** is IHH's medical education arm, and oversees the established higher learning institutions of International Medical College ("IMC") and International Medical University ("IMU") in Malaysia.

IHH is the leading player in our home markets of Malaysia, Singapore, Turkey and India, and key growth markets of China and Hong Kong. For more information, please visit www.ihhhealthcare.com.