

NEWS RELEASE

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IHH Healthcare sees robust core performance with strong revenue growth amid asset impairment and higher operating costs

“We thank Dr Loh for his leadership of the Group over the past three years – he has been instrumental in setting a true north for the company of putting patients first, steering IHH out of the challenges presented by the COVID-19 pandemic and embarking on our sustainability journey.

We recorded a robust core performance with revenue growth amidst inflationary pressures, rising interest rates and a sharp drop in COVID-19-related services. Q4 2022 was the Group’s strongest revenue performance for the entire year. Reported net income was mainly impacted by a one-off RM305.9 million impairment in China - which will better position us for the year ahead - as well as higher operating costs. Underpinned by robust demand from both foreign and local patients, we expect to improve revenue as we keep focus on our ‘Care. For Good.’ strategy to deliver quality care and create sustainable value for all.

We also continue to support our Acibadem colleagues in Turkiye, to keep our staff safe while rendering assistance to affected communities. Operationally, Acibadem is unaffected and has been able to step up support across the country.”

Joe Sim

Group Chief Operating Officer, IHH Healthcare

GROUP RESULTS - FINANCIAL HIGHLIGHTS

The Group’s headline performance includes the application of MFRS 129¹ reporting standard. Stripping out the effect from the application of MFRS 129, the Group’s core underlying performance² is strong amid heightened macroeconomic and geopolitical uncertainties.

Q4 2022 At A Glance (Y-o-Y change)

Including MFRS 129 application (Headline Financial Performance)		Excluding MFRS 129 application	
Revenue	EBITDA	Revenue (ex MFRS 129)	EBITDA (ex MFRS 129)
RM4.9b	RM1.1b	RM5.0b	RM1.1b
+9% ↑	-4% ↓	+ 11% ↑	+ 1% ↑
	Net Operating Income*	Net Operating Income (ex MFRS 129)	Net Operating Income (ex MFRS 129)
	RM340.4m	RM424.4m	RM424.4m
	-23% ↓	- 4% ↓	- 4% ↓
	<small>*PATMI excluding exceptionals</small>		
	Net Income [^]	Net Income (ex MFRS 129)	Net Income (ex MFRS 129)
	RM191.3m	RM122.6m	RM122.6m
	-58% ↓	-73% ↓	-73% ↓
	<small>^PATMI</small>		

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

² Metrics comprise revenue, EBITDA and Net Operating Income excluding impact from MFRS 129 application.

FY 2022 At A Glance (Y-o-Y change)

Including MFRS 129 application (Headline Financial Performance)			
Revenue	EBITDA	Net Operating Income*	Net Income [^]
RM18.0b	RM4.1b	RM1.4b	RM1.5b
+5%	-5%	-13%	-17%
Excluding MFRS 129 application		Core underlying performance*	
Revenue (ex MFRS 129)	EBITDA (ex MFRS 129)	Net Operating Income (ex MFRS 129)	Net Income (ex MFRS 129)
RM18.1b	RM4.2b	RM1.7b	RM1.5b
+ 6%	-3%	+ 4%	-18%

GROUP RESULTS - FINANCIAL SUMMARY

Q4 2022: Robust recovery of core business – with strongest quarterly revenue reported on the year

- Revenue increased 9% year-on-year (“Y-o-Y”) for the strongest revenue performance in FY 2022, as more local and foreign patients return. Foreign patient volume recovery was especially strong in Malaysia and Singapore. The ramp up of Gleneagles Hong Kong Hospital (“GHK”) and contribution from Acibadem Bel Medic in Serbia and Acibadem Adana Ortopedia Hospital in Turkiye also contributed to the higher revenue.
- EBITDA decreased 4% mainly on higher operating costs, as well as partial erosion from translational effects of a weaker Lira against the Ringgit, and a MFRS 129-related adjustment of RM49.0 million.
- Net Operating Income decreased 23% to RM340.4 million, mainly on higher finance costs and higher depreciation and amortisation of RM61.0 million from MFRS 129-related adjustments. Excluding the effects of MFRS 129-related adjustments, Net Operating Income decreased 4% to RM424.4 million.
- Net Income declined 58% to RM191.3 million, primarily from an impairment loss of RM305.9³ million relating to the Group’s assets and goodwill in China amid sustained COVID restrictions, as well as higher net finance costs and adjustments relating to MFRS 129.
- Board declared a first and final dividend of 7 sen per share for Bursa shareholders and 2.16 cents⁴ per share for SGX shareholders to be paid on 28 April 2023 to shareholders, a 17% increase compared to a year ago.

FY 2022: Even with impairment ROE at 6.4%; Balance sheet remains strong

- Revenue increased 5% while EBITDA decreased 5% mainly due to a high COVID-19 base a year ago, as well as the impact from a weaker Lira and MFRS 129-related adjustments.
- Net Income was down 17% to RM1.5 billion from the impairment loss relating to the Group’s asset and goodwill in China, while Net Operating Income decreased 13% to RM1.4 billion.

³ Gross impairment loss of RM554.0 million relating to the Group’s assets and goodwill in China.

⁴ As at 31 December 2022, SGD/RM = 3.2468

- Excluding MFRS 129 application, revenue increased 6% to RM18.1 billion and net operating income grew 4% to RM1.7 billion.
- Even with the impairment losses, Return on Equity (“ROE”) was 6.4% as at end-December 2022.
- Balance sheet remained strong, with net cash generated from operating activities of RM3.7 billion and an overall cash balance of RM3.7 billion.
- Net gearing improved to 0.25x (from 0.27x as at September 2022).

GROUP RESULTS - OUTLOOK

- The Group expects inpatient revenue to grow in a post-COVID world, and remains confident of its long-term growth trajectory, underpinned by healthcare megatrends, strong financial position, operational resilience and continued focus on delivering its **‘Care. For Good.’** strategy.
- It expects its cluster strategy and a strong pent-up demand for high quality private healthcare to drive Return on Equity and growth for its core hospitals and healthcare business. The major refurbishment at Mount Elizabeth Hospital in Singapore in January 2023 will enable IHH to meet growing healthcare needs and demand of admissions both locally and from the region.
- At the same time, the Group will develop its laboratory business into a distinct, core platform to provide end-to-end services to patients and clients for seamless care.
- Still, the healthcare industry faces near-term macroeconomic headwinds such as inflationary pressures – including salary costs from nursing shortages – as well as high energy prices and rising interest rates.
- IHH will maintain a tight rein on costs and leverage synergies from its scale as well as operational productivity to mitigate cost pressures. It is confident that it will navigate the near-term challenges and deliver value for patients and long-term sustainable growth for all stakeholders.

GROUP - OPERATIONAL SUMMARY (AS AT END-DEC 2022)



Occupancy
70%



Inpatient Admissions
223,397



Operational Beds
11,881



Lab Tests
23.4 million

GROUP - KEY UPDATES SINCE Q4 2022

- **IHH Group:**
 - Managing Director & Chief Executive Officer, Dr Kelvin Loh, has stepped down effective 22 February 2023. The Board of Directors has accepted Dr Loh’s resignation and has appointed Group Chief Operating Officer Joe Sim to take over his duties.

- Turkiye unit Acibadem has taken steps to mobilise on-the-ground medical treatment and emergency support through its operations and donated essential items to those affected in the recent Turkiye earthquake. Acibadem continues to support humanitarian efforts for earthquake victims.
 - IHH Group has donated US\$1.0 million in aid of the victims of the earthquake to be distributed via Acibadem.
- **IHH Malaysia:**
 - Pantai Hospital Penang broke ground for a new medical block to enhance the delivery and range of healthcare services for patients. The expansion is expected to complete by end-2024.
- **IHH Singapore:**
 - Mount Elizabeth Hospital began a major refurbishment in January 2023 to cater to strong local and international demand for quality healthcare. This will be phased over three years to minimise disruptions and patients will be decanted seamlessly to the Group's three other hospitals should the need arise.
 - Parkway East Hospital, Singapore's oldest private hospital, turned 80 in October 2022. To better serve its patients, it is rejuvenating its facility, including to renovate and refurbish its operating theatres and adding two endoscopy rooms that can also be used as day surgery operating theatres.
- **IHH Turkiye and Europe:**
 - In February 2023, Acibadem announced its expansion into Turkiye's third largest city of Izmir with the acquisition of 100% of Kent Health Group, which operates the largest private hospital as well as two other medical centres in the city. This aligns with its strategy for the country and its long-held goal to serve the people of Izmir.
- **IHH Greater China:**
 - On 27 February 2023, the Group completed the divestment of its effective 49% stake in Gleneagles Hospital Chengdu with Perennial Health. The sale is in line with IHH's strategy to continually reviews its asset portfolio in China to minimise losses.
 - Parkway Shanghai Hospital in China commenced operations on 18 February 2023.

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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

1. Balance Sheet Re-indexing	<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
2. Profit & Loss (Income Statement) Re-indexing	<ul style="list-style-type: none">○ Affects all P&L line items; Effect continues as long as MFRS 129 is applied
3. Depreciation and amortisation from property, plant, and equipment ("PPE"), right-of-use ("ROU") assets and intangible assets	<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
4. Net monetary gain/(loss)	<ul style="list-style-type: none">○ Will reflect any increase/(decrease) in purchasing power of the net monetary asset/liabilities of the Turkish entity
5. Impairment assessment on the higher restated amounts of non-monetary assets	<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 our aspiration to 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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