Cleopatra Hospitals Group Reports 1Q2021 Results

CHG records strong revenue growth in the first quarter of 2021 supported by a continued recovery of patient volumes, improving utilization rates across all its facilities, and an increasingly optimised service mix; Margins continued to improve supported by the Group's long-term efficiency enhancement strategy and management's wide ranging cost optimisation initiatives

Cairo, 6 June 2021

Cleopatra Hospital Group S.A.E. (CLHO.CA on the Egyptian Exchange), Egypt's first and largest private hospital group by number of hospital beds and number of operating hospitals, reported today its consolidated results for the quarter ended 31 March 2021.

Key Financial and Operational Highlights

- **Revenue** expanded 26% year-on-year in 1Q2021 as CHG continued to build on the strong momentum from the final months of 2020. Top-line growth was supported by a continued recovery in patient volumes, improving utilization rates, an increasingly optimised service mix, and favourable pricing. Revenue growth for the quarter was bolstered by strong cross-asset referrals in line with the Group's feeder network strategy. CHG's results for the quarter are particularly impressive when considering that the comparable period of last year included only minor impacts to patient volumes related to the outbreak of COVID-19.
- **The year-on-year top-line growth was broad-based** with solid patient volumes and expanding revenues reported by both CHG's COVID-19-dedicated and regular facilities. Moreover, in line with CHG's diversification strategy, all of the Group's verticals continued to deliver robust results in 1Q2021. More specifically, the Group continued to witness growing volumes and revenues at its polyclinics, as well as growing contributions from its recent expansions and new specialties.
- **Improving margins** supported by the Group's long-term efficiency enhancement strategy and management's cost reduction and optimisation efforts introduced over the last year. Most notably, gross profit margin expanded four percentage points year-on-year to 38% in 1Q2021.
- **Adjusted EBITDA**[1] grew a solid 47% year-on-year to EGP 200.1 million with an associated margin of 32% versus 27% this time last year. CHG's EBITDA, which does not adjust for impairments booked in the period, expanded 52% versus 1Q2020, with a margin of 30% versus 25% last year.
- **Net profit** expanded an impressive 23% versus the first quarter of last year to record EGP 107.9 million, as strong top-line growth filtered down to the Group's bottom-line thanks to management's cost control and optimization strategy. This more than offset higher depreciation resulting from the Group's investments in infrastructure and lower interest income for the quarter following the CBE's multiple rate cuts throughout the last twelve months.
- The Group's **polyclinics** posted a 78% year-on-year expansion in revenues as demand for the service continued to witness steady growth throughout the quarter across both facilities. Strong volume growth at its two polyclinics is also helping to drive up referrals to the Group's main hospitals and playing an active role in helping patient volumes recover following a slowdown related to COVID-19 in 2020. This is also in line with the Group's one-stop-shop strategy which aims to retain patients for the entire treatment cycle from the initial diagnosis and treatment, all the way through to providing pharmacy and long-term home care services.
- **El Katib and Queens Hospitals** are continuing to serve as COVID-19 isolation and treatment hospitals with both facilities recording growing revenues with healthy margins in line with Group's more established facilities.
- **The Group's outlook for the remainder of 2021 and beyond remains strong.** In the **short-term** CHG will continue to play a frontline role in helping to combat the COVID-19 pandemic while working to stimulate a full recovery in patient volumes by leveraging the newly added centres of excellence and recently completed renovations. In the **longer-term,** the Group will continue to drive progress on all its long-term strategic priorities of diversified revenue growth, quality enhancement, digitalisation, capacity and geographical expansion and optimisation, and integration.
- On 17 May 2021, CHG filed for regulatory approval to make a mandatory tender offer (MTO) for 100% of the outstanding shares of **Alexandria Medical Services S.A.E. (ANMC),** a c. 300-bed hospital located in Alexandria. The acquisition would see CHG expand its geographic footprint into Egypt's second-largest city while meeting the rising demand for high-quality healthcare in Alexandria.

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[1] *Adjusted EBITDA: Earnings before Interest, Tax, Depreciation and Amortization adjusted for provisions, impairments, LTIP, acquisitions expenses, pre-operating expenses and excluding contributions from other income.*

Chief Executive’s Review

Cleopatra Hospitals Group kicked off the new year on the same positive trajectory it had concluded 2020 on, **delivering another quarter of solid financial and operational results across our entire facility network and service portfolio, while continuing to make significant progress on our multi-pronged operational and growth strategy.** I am particularly pleased with the strong performance recorded at our core facilities, where we witnessed a return to strong year-on-year growth in line with our historic rates. In parallel, we witnessed improving utilization levels across our newer hospitals, and impressive growth at our two polyclinics which continued to outperform our expectations supported by the fast-growing demand for the service.

Looking at our performance the first three months of 2021 in more depth, **the Group recorded an impressive 26% year-on-year increase in revenues supported by a continued normalisation of patient volumes and improving utilization rates across all our facilities.** In line with our expectations, patient volumes are nearing a full recovery from the COVID-19-related slowdown in the second quarter of 2020, with several segments already returning to year-on-year growth during the quarter. Most notably, we were very pleased with the performance of our outpatient segment which recorded a 4% year-on-year expansion in patient volumes for the first three months of the year. It is also important to highlight that while our COVID-19-dedicated facilities are continuing to record strong demand, **patient volumes are recovering across all our facilities,** signalling that demand for high-quality healthcare remains intact and that a return to our pre-crisis volume growth trajectory is imminent. Meanwhile, **our diversification strategy is continuing to bear fruit,** with all are business lines, from our traditional Hospitals vertical to our newer Polyclinics, Diagnostics, Pharmacy, and other verticals, continuing to witness remarkable growth for the quarter. Further down the income statement, **we continued to record strong and expanding margins** on the back of strong top-line growth coupled with the continued success of our Group-wide cost control and optimisation efforts.

Operationally, **we made significant progress on a number of strategic priorities ranging from the renovation of existing facilities and the integration of new ones, to delivering on our digitalisation strategy further strengthening both our internal frameworks and our digital service offering.** On the renovation front, having recently completed renovations to the outpatient wards in Cleopatra Hospital and having inaugurated a new, state-of-the-art emergency department at Cairo Specialised Hospital, we have moved on to the next phase which will see us turn our attention to upgrading inpatient wards across all our facilities. The ongoing renovation works are part of our dual-focused facility upgrade strategy aimed at increasing our facilities’ existing capacity and utilisation while driving further quality improvements across the entire network. Meanwhile, we are working to fully integrate our new IVF venture, Bedaya, into our operational frameworks starting with its back-office functions. With the integration process well on its way, we are eager to begin capitalising on the venture’s full potential as the year progresses. **On the digitalisation front, I am delighted to note the investments undertaken over the last two years to upgrade our internal digital frameworks are starting to generate remarkable results.** In early 2021, we successfully transitioned Al Shorouk Hospital, Nile Badrawi Hospital, and Bedaya to our new Clinisys HIS/ERP system, taking the total number of facilities operating under the new unified system to eight. As the number of facilities operating under Clinisys increases so do the operational advantages for the Group including efficiency enhancements across all aspects of our operations and improvements in the quality of care and overall experience delivered to our patients. I am confident that we will start realising the full extent of the operational advantages we expect to derive from Clinisys in the coming year. On the digital service offering front, we are continuing to witness growing patient interest and satisfaction for our virtual tools as an increasing number of patients utilises our CHG app to book appointments and access their medical history. This is not only allowing us to offer a better experience to our patients but will help us boost our cross-asset referrals and enable us to access new segments of the population.

Almost halfway into the year, I am confident that we are well positioned to build on the strong results delivered in the first quarter and post yet another year of strong operational and financial growth. **In the immediate term, our main priority continues to be helping communities across the country during the ongoing pandemic while driving demand and patient volumes across all our medical services and facilities.** As such, both Queens Hospital and El Katib Hospital are continuing to operate COVID-19-dedicated treatment centres and will continue to do so as long as patient demand remains high. In parallel, we will continue to push forward with the two facilities’ post-COVID-19 plans which will see their service offering expanded to capitalise on their full potential in the year ahead. Meanwhile, we will also keep up our marketing efforts which over the last year have been highly successful in driving patient volumes at both our COVID-19-dedicated and regular facilities. **Looking further ahead, our strategic priorities of diversified revenue growth, quality enhancement, digitalisation, capacity expansion and optimisation, and integration remain unchanged** as we look to further strengthen our business and drive sustainable growth in the years to come. In particular, we continue to assess potential opportunities to expand our geographic presence across our traditional Greater Cairo market and beyond. This will enable us to bring high quality healthcare to currently underserved areas of the country while capitalising on the robust growth profile of Egypt’s healthcare sector.

Ahmed Ezzeldin
CHG Chief Executive Officer

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

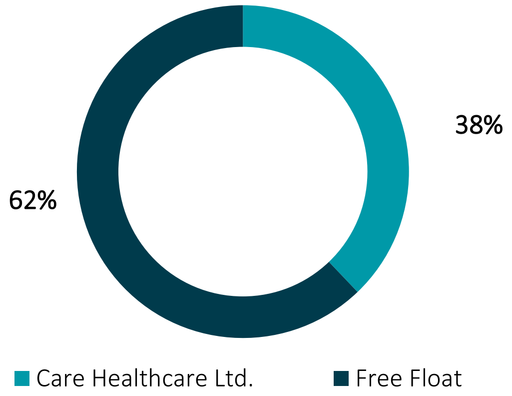
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The company holds majority stakes and operates six leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital, Al Shorouk Hospital, Queens Hospital, and El Katib Hospital offering a full array of general and emergency healthcare services. The Group also operates two polyclinics located in strategic neighbourhoods of East and West Cairo and holds a majority stake in Bedaya for Medical Services, Egypt's leading IVF and Fertility Centre.

Shareholder Information

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 1,600 million

Shareholder Structure

(as of 31 March 2021)



For further information, please contact:

Cleopatra Hospitals Group S.A.E.

Hassan Fikry
Corporate Strategy & Investor Relations Director

T: +2 (0)2 2241 7471
hassan.fikry@cleohc.com
investors.cleopatrahospitals.com

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	1Q2021	1Q2020	% change
Revenues	633.2	502.9	*26%*
Cost of sales	(392.0)	(331.7)	*18%*
Gross profit	**241.2**	**171.2**	***41%***
Gross Profit Margin	*38%*	*34%*	*4 pts*
General & administrative expenses	(93.6)	(70.0)	*34%*
Cost of acquisition activities	(5.3)	0.0	-
Provisions	(9.6)	(3.9)	*148%*
Other income	6.2	1.8	*254%*
EBIT	**138.9**	**99.1**	***40%***
EBIT Margin	*22%*	*20%*	*2 pts*
Interest income	12.6	18.3	*-31%*
Interest expense	(6.0)	(0.6)	-
Profit before tax	**145.5**	**116.7**	***25%***
PBT Margin	*23%*	*23%*	-
Income tax	(37.4)	(29.7)	*26%*
Deferred tax	(0.1)	0.9	-
Net profit after tax	**107.9**	**88.0**	***23%***
Net Profit Margin	*17%*	*17%*	-
Distributed as follows:			
Shareholders of the company	101.3	82.1	*23%*
Minority rights	6.6	5.9	*13%*
Profit for the period	**107.9**	**88.0**	***23%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	1Q2021	1Q2020	% change
Net Profit	107.9	88.0	*23%*
Other comprehensive income	0.0	0.0	-
Total comprehensive income for the year	**107.9**	**88.0**	***23%***
Total comprehensive income attributable to:			
Owners of the company	101.3	82.1	*23%*
Non-controlling interest	6.6	5.9	*13%*
Total comprehensive income for the year	**107.9**	**88.0**	***23%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2020	31 March 2021
Non-current assets		
Fixed assets	1,205.2	1,220.8
Intangible assets	427.6	427.1
Right of use	18.8	176.2
Payment under investment	-	5.7
Investment in associates	1.1	1.4
Total non-current assets	**1,652.7**	**1,831.2**
Current assets		
Inventory	66.3	65.9
Accounts receivables	418.8	441.0
Other receivables and debit balances	94.6	86.2
Due from related parties	0.4	0.4
Treasury bills	220.6	332.8
Cash	330.0	344.8
Total current assets	**1,130.5**	**1,271.2**
Total assets	**2,783.3**	**3,102.3**
Equity		
Share capital	800.0	800.0
Reserves	281.3	281.3
Retained earnings	984.9	1,041.3
Equity attributable to the parent company	**2,066.2**	**2,122.7**
Non-controlling interest	107.7	105.4
Total equity	**2,173.9**	**2,228.0**
Non-current liabilities		
Long-term investments creditors	17.9	21.4
Long-term debt – non-current portion	-	-
Non-current portion of lease liability	8.0	178.3
Deferred tax liability	77.9	78.0
Total non-current liabilities	**103.8**	**277.8**
Current liabilities		
Provisions	21.6	22.7
Creditors and other credit balances	442.0	447.6
Due to related parties	0.6	0.1
Current Portion of Borrowings	-	53.0
Current portion of lease liability	5.3	31.5
Long term incentive plan	-	1.1
Current income tax	36.1	40.6
Total current liabilities	**505.5**	**596.6**
Total liabilities	**609.3**	**874.3**
Total liabilities & shareholders' equity	**2,783.3**	**3,102.3**

Consolidated Statement of Cash Flow

All figures in EGP mn	31 March 2020	31 March 2021
Cash flow from operating activities:		
Profit before tax	116.7	145.5
Adjustments for:		
Depreciation	20.7	27.0
Amortization of intangible assets	-	4.0
Allowance for impairment of current assets	13.0	27.3
Provision	0.6	1.0
Capital gain/loss	(0.2)	(0.0)
Credit/debit interest	(17.9)	(6.6)
Changes in current tax liability	(5.5)	(32.9)
Gain/loss in investments in subsidiaries	-	(0.3)
Employee incentive	-	1.1
Operating profits before changes in assets and liabilities	**127.4**	**166.1**
Changes in working capital:		
Changes in inventories	(15.7)	0.7
Change in trade receivables, debtors, and other debit balances	(38.0)	(30.9)
Changes in due from related parties	1.8	(0.5)
Change in trade and other payables	(49.9)	6.8
Paid from employee incentive plan	-	-
Change in lease	-	(14.7)
Net cash flows generated from operating activities	**25.5**	**127.4**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.3	0.0
Payments for purchase of fixed assets	(7.5)	(19.8)
PUC purchased	(36.1)	(22.8)
Advanced payments for purchase of fixed assets	(44.0)	(5.7)
Payments for acquisition of a subsidiary, net cash acquired	-	-
Payments under investment	(57.2)	(5.7)
Credit interest collected	18.2	11.0
Treasury bills	(99.0)	-
Paid under subsidiaries capital increase	-	-
Paid for investment associates	-	-
Net cash flow from investment activities	**(225.2)**	**(43.1)**
Cash flow from financing activities:		
Proceeds from minority share in subsidiary capital increase	-	-
Dividends paid	-	(0.0)
Repayment of borrowings	-	-
Cash proceed from overdraft	-	95.5
Cash paid to overdraft	-	(42.5)
Interest paid	(0.4)	(7.1)
Net cash flow from financing activities	**(0.4)**	**45.9**
Net change in cash & cash equivalents during the period	**(200.0)**	**130.3**
Cash and cash equivalents at the beginning of the period	791.3	550.5
Cash and cash equivalent in acquired subsidiaries at beginning of period	-	-
Cash & cash equivalents at the end of the period	**591.2**	**680.8**