Cleopatra Hospitals Group Reports 1H2020 Results

CHG reported resilient operational and financial results for the first half of 2020 despite the ongoing COVID-19 crisis weighing down on patient volumes in the first part of the second quarter; the Group has transformed two of its hospitals into COVID-19 isolation and treatment facilities in 2Q2020; CHG's long term organic and inorganic growth strategy remains intact with plans to expand across the Group's various verticals leveraging its leading position in the Egyptian healthcare sector

Cairo, 6 September 2020

Cleopatra Hospital Group S.A.E. (CLHO.CA on the Egyptian Exchange), Egypt's largest private hospital group by number of hospital beds and number of operating hospitals, reported today its consolidated results for the six-month period ended 30 June 2020.

Commenting on Cleopatra Hospitals Group's performance for 1H2020, Chief Executive Officer Ahmed Ezzeldin said:

"The second quarter of 2020 was without a doubt **a very challenging quarter for both CHG and most other companies around the world**, as the worsening economic situation resulting from the outbreak of COVID-19 coincided with the holy month of Ramadan, a generally slow month for companies across most sectors in Egypt. While this concurrence of events did pose significant operational challenges for the Group, I am pleased to report that our proactive multi-pronged response plan aimed at enhancing utilisation and driving up patient volumes, while simultaneously implementing several targeted cost control initiatives, allowed us to **deliver resilient financial and operational results in the first six months of the year.** Although the ongoing crisis has and will continue to test our internal operational frameworks, I take pride in the Group's ability to promptly adapt to the changing circumstances and turn a negative situation into an opportunity for future growth, laying the foundations for what I am sure will be an exciting new chapter in CHG's corporate story.

Following the outbreak of COVID-19 in the second half of March and the implementation of restrictive measures by the Egyptian government to reduce the spread of the virus, medical facilities across the country witnessed a sharp decline in patient volumes during the month of April, with cases served at our organic hospitals falling well below April 2019's figure. The decline was largely attributable to patients opting to postpone elective procedures and non-urgent appointments due to fears related to the ongoing pandemic. However, in line with management's expectations and efforts, **patient volumes began a steady recovery during the months of May and June and are now well on their way to full normalisation**. In June, cases served at our organic hospitals were 64% above those served in the month of April, with June revenues exceeding last year's. The recovery was dual driven as the gradual lifting of the government's restrictive measures complemented our efforts to drive up patient volumes through multiple initiatives. Our **strategic decision to convert El Katib and Queens Hospitals into COVID-19 treatment centres proved to be a successful one,** as this saw the Group further boost the utilization of our newly acquired hospitals, which were previously still in their ramp up phases. By guaranteeing regular patients access to a full roster of medical services at COVID-19-free facilities, we were also able to mitigate the expected drop in volumes resulting from the outbreak of the virus, and in turn generate greater-than-expected revenues across our more established hospitals, further attenuating the adverse financial impact of the crisis. During the period, our consultant sales and marketing teams did an outstanding job in launching various campaigns aimed at attracting patients while keeping in constant contact with our medical consultants, providing assistance whenever needed and ensuring their needs and concerns were promptly catered to. At the same time, **we launched multiple new services** aimed at improving the accessibility to high quality healthcare for patients all across the country. The new tools include video consultations and follow up appointments, and awareness seminars to educate healthcare professionals and the general public on the most effective isolation and treatment protocols to combat the spread of COVID-19. In parallel, we are also offering home visits and consultations for all patients unwilling or unable to visit our healthcare facilities in person during the ongoing crisis.

With regards to our cost control and reduction efforts, across the entire Group we worked to **improve staff allocation to maximise productivity and optimise overtime claims**. On the consumables front, we instituted an improved consumable tracking framework to ensure optimal inventory levels, and simultaneously leveraged our established relationships with vendors to **secure consumables at competitive prices despite the ongoing shortages** impacting the wider sector. Our efforts to drive cost efficiencies over the last several months to partially mitigate for lower revenues have played a significant role in allowing us to curb the immediate adverse impact on profitability related to the additional one off expenses resulting from COVID-19, and we are confident will continue to yield lasting positive results heading into the second half of the year.

Although the ongoing healthcare and economic crises have led to a more stretched out CAPEX plan, with non-essential spending delayed to 2021, **our underlying growth plans remain intact**. Since inception, CHG's exceptional operational and financial growth has predominantly been driven by our hospitals' platform and our tireless efforts to drive integration and further optimisation across an expanding network of healthcare facilities. However, over the past months, **CHG's management has been exploring avenues to drive growth across the Group's other various revenue streams to capitalise of the potential offered by our diagnostics, polyclinics, and pharmacy platforms**. Ultimately, our goal is to expand the Group's offering from our traditional hospital-focused model and give our patients access to a new, one-stop-shop healthcare solution combining physical access to our best-in-class healthcare professionals with our expanding virtual healthcare services. Our established reputation as a healthcare provider of choice puts us at an advantage with respect to other competitors across these various platforms and sees us ideally positioned to capture a larger share of the market across these new segments of the healthcare sector. Our immediate target will be to enhance our patient retention strategy as they move across the treatment process from the initial referral, to the diagnostics, treatment plan setup, and follow up stages. **Meanwhile, we will continue to push forward with our capacity expansion efforts at our hospitals network.** On the Beni Suef Hospital front, while a significant part of the planned expenditure and renovation works for 2020 have been deferred to the following year, we are continuing to make good progress on the administrative side with our partners on the project, Nahda University for Education and Management S.A.E and Taaleem for Management Services S.A.E. As to our imminent acquisition of one of Cairo's leading IVF centres, we have now completed all the required prerequisite work and expect to sign the final documentation in the coming weeks.

All things considered; **we enter the second half of the year with optimistic expectations for the Group's operational and financial performance in the coming quarters.** Recent government statistics for Egypt have displayed a sustained decline in the number of daily new cases, which, when combined with the continued easing of restrictive measures, we are confident will help drive economic recovery across the entire country. The Egypt-wide recovery alongside our strategic marketing and sales efforts aimed at enhancing utilization across our facilities will further support the recovery in patient volumes as we head into the final two quarters of 2020. On this point, I am delighted to report that year-on-year revenue growth for the month of August has outperformed our expectations, returning to our pre-crisis growth rates and further fuelling our optimism that we are to expect a full recovery by year-end 2020. I am also particularly excited to see the further development of our virtual platform which currently features multiple new offerings, and which will be further enhanced in the coming months. Lastly, I would like to thank all our staff for their incredible work throughout these past few challenging months and our patients who continue to choose CHG as their go-to healthcare provider."

Key Financial and Operational Highlights:

- Despite a short-term decrease in patient volumes early in the second quarter following the outbreak of COVID-19, CHG's **top-line** increased 2% y-o-y in the six months to 30 June 2020 reaching EGP 843.1 million.
- **Gross profit margin (GPM)** for the first six months of the year stood at 32%, broadly in line with the Group's historical average as the Group's efficiency enhancement strategy helped mitigate the decline in revenues booked in the second quarter of the year.
- **Adjusted EBITDA**[2] came in at EGP 193.4 million in 1H2020, down 12% y-o-y and with a margin of 23% for the period. In 1H2020, the Group reported an EBITDA[3] contraction of 7% versus the same six months of 2019, with an associated margin of 20% versus the 22% margin recorded in the same period of last year.
- **Net profit** for the period came in at EGP 102.0 million (NPM 12%) in 1H2020, up 4% from the comparable period a year ago as the adverse impacts related to COVID-19 were cancelled out by the year-on-year decrease in LTIP expenses and impairments recorded during the period.
- During the first six months of the year, the number of **cases served**[4] across the Group's facilities stood at c.393 thousand versus the c.466 thousand served in the same period a year ago.
- The most significant decline in patient volumes was recorded in the month of April, while **in the months of May and June, the Group witnessed a sustained recovery in volumes** with total cases served at the Group's organic hospitals in the month of June standing 64% above April 2020's figure.
- In response to rising patient demand for dedicated COVID-19 facilities in the second quarter of the year, **starting from mid-May 2020, El Katib Hospital and Queens Hospital were transformed into COVID-19 isolation hospitals for suspected positive patients.** The two facilities treated more than 300 COVID-19-positive or suspected cases since their conversion. The majority of the treated cases involved patients requiring treatment at the facilities' ICU units.
- During the quarter, **the Group launched several new services** including video consultations and follow ups, awareness webinars, and home visits and consultations.

—Ends—

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

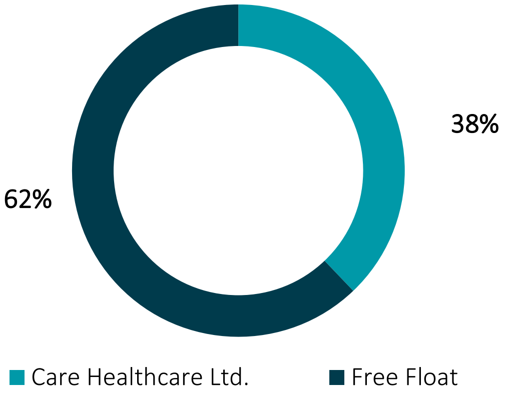
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The company holds majority stakes and operates six leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital, Al Shorouk Hospital, Queens Hospital, and El Katib Hospital offering a full array of general and emergency healthcare services.

Shareholder Information

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

Shareholder Structure

(as of June 2020)



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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	2Q2020	2Q2019	*% change*	1H2020	1H2019	*% change*
Revenues	340.2	409.1	*-17%*	843.1	825.0	*2%*
Cost of sales	(244.0)	(278.4)	*-12%*	(575.7)	(540.2)	*7%*
Gross profit	**96.2**	**130.7**	***-26%***	**267.4**	**284.9**	***-6%***
Gross Profit Margin	*28%*	*32%*		*32%*	*35%*	
General & administrative expenses	(80.5)	(91.5)	*-12%*	(150.5)	(190.2)	*-21%*
Cost of acquisition activities	(4.9)	(0.1)	-	(4.9)	(0.6)	-
Provisions	(1.7)	0.9	*N/A*	(5.6)	(1.8)	*207%*
Other income	2.1	2.1	*3%*	3.9	4.1	*-5%*
Pre-Operating Expenses	0.0	(3.4)	*N/A*	0.0	(3.4)	*N/A*
EBIT	**11.2**	**38.6**	***-71%***	**110.3**	**92.9**	***19%***
EBIT Margin	*3%*	*9%*		*13%*	*11%*	
Interest income	13.9	26.0	*-47%*	32.2	55.4	*-42%*
Interest expense	(0.6)	(1.7)	*-64%*	(1.2)	(4.8)	*-75%*
Profit before tax	**24.5**	**63.0**	***-61%***	**141.3**	**143.5**	***-2%***
PBT Margin	*7%*	*15%*		*17%*	*17%*	
Income tax	(9.8)	(19.3)	*-49%*	(39.5)	(45.6)	*-13%*
Deferred tax	(0.7)	(1.0)	*-33%*	0.2	(0.2)	*N/A*
Net profit after tax	**14.0**	**42.6**	***-67%***	**102.0**	**97.7**	***4%***
Net Profit Margin	*4%*	*10%*		*12%*	*12%*	
Distributed as follows:						
Shareholders of the company	18.5	43.7	*-58%*	100.6	97.2	*4%*
Minority rights	(4.5)	(1.1)	*329%*	1.4	0.6	*133%*
Profit for the period	**14.0**	**42.6**	***-67%***	**102.0**	**97.7**	***4%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	2Q2020	2Q2019	*% change*	1H2020	1H2019	*% change*
Net Profit	14.0	42.6	*-67%*	102.0	97.7	*4%*
Other comprehensive income	0.0	0.0	*N/A*	0.0	0.0	*N/A*
Total comprehensive income for the year	**14.0**	**42.6**	***-67%***	**102.0**	**97.7**	***4%***
Total comprehensive income attributable to:						
Owners of the company	18.5	43.7	*-58%*	100.6	97.2	*4%*
Non-controlling interest	(4.5)	(1.1)	*329%*	1.4	0.6	*133%*
Total comprehensive income for the year	**14.0**	**42.6**	***-67%***	**102.0**	**97.7**	***4%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2019	30 June 2020
Non-current assets		
Fixed assets	908.5	1,017.0
Intangible assets	413.6	413.6
Right of Use	10.2	20.0
Payment under investment	-	-
Total non-current assets	**1,332.4**	**1,450.7**
Current assets		
Paid under subsidiaries capital increase	-	-
Inventory	49.3	63.0
Accounts receivables	337.2	347.9
Other receivables and debit balances	105.2	112.3
Due from related parties	2.0	0.5
Treasury Bills	50.1	121.8
Cash	791.3	390.5
Total current assets	**1,335.0**	**1,035.9**
Total assets	**2,667.4**	**2,486.6**
Equity		
Share capital	800.0	800.0
Reserves	284.4	288.3
Retained earnings	746.2	798.6
Equity attributable to the parent company	**1,830.6**	**1,886.9**
Non-controlling interest	103.9	99.1
Total equity	**1,934.5**	**1,986.0**
Non-current liabilities		
Long term debt – non-current portion	-	-
Non-current portion of lease liability	5.8	10.2
Deferred tax liability	74.8	74.6
Total non-current liabilities	**80.6**	**84.8**
Current liabilities		
Provisions	15.6	15.5
Creditors and other credit balances	442.3	375.6
CPLTD	-	-
Current portion of lease liability	2.7	5.3
Long term incentive plan	129.1	-
Current income tax	62.6	19.3
Total current liabilities	**652.3**	**415.7**
Total liabilities	**732.9**	**500.6**
Total liabilities & shareholders' equity	**2,667.4**	**2,486.6**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 June 2020	30 June 2019
Cash flow from operating activities:		
Profit before tax	141.3	143.5
Adjustments for:		
Depreciation	40.2	29.7
Allowance for impairment of current assets	25.6	40.9
Provision	(0.0)	(2.4)
Capital gain/Loss	(0.7)	(0.3)
Credit / Debit Interest	(31.0)	(52.7)
Changes in current tax liability	(82.8)	(84.0)
Share-based payments financial liabilities	7.8	53.3
Operating profits before changes in assets and liabilities	**100.3**	**128.0**
Changes in working capital:		
Changes in Inventories	(13.8)	(4.6)
Change in trade receivables, debtors, and other debit balances	(7.1)	(84.9)
Changes in Due from related parties	1.5	1.7
Change in trade and other payables	(19.2)	25.5
Change in trade and other payables	(136.8)	-
Net cash flows generated from operating activities	**(75.2)**	**65.8**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.7	0.6
Payments for purchase of fixed assets	(37.3)	(29.7)
PUC purchased	(121.2)	(66.6)
Advanced payments for purchase of fixed assets	(37.8)	(70.2)
Payments for acquisition of a subsidiary, net cash acquired	(6.6)	(25.0)
Payments under investment	(35.5)	-
Credit interest collected	34.0	55.6
Time deposits with maturity more than 3 months	50.1	-
Net cash flow from investment activities	**(153.8)**	**(135.4)**
Cash flow from financing activities:		
Proceeds from Minority Share in Subsidiary Cap Increase	-	-
Dividends Paid	(48.9)	(31.9)
Repayment of borrowings	-	(95.1)
Cash proceed from overdraft	-	53.9
Cash paid to overdraft	-	(43.9)
Interest paid	(1.2)	(15.4)
Net cash flow from financing activities	**(50.0)**	**(132.4)**
Net change in cash & cash equivalents during the period	**(279.0)**	**(202.0)**
Cash and cash equivalents at the beginning of the period	791.1	953.4
Cash and cash equivalent in acquired subsidiaries at beginning of period	-	0.6
Cash & cash equivalents at the end of the period	**512.3**	**752.0**