Cleopatra Hospitals Group Reports 2Q2021 Results

CHG reports strong revenue growth in 2Q2021 and 1H2021 supported by growing volumes and improving utilization rates across all its facilities; Healthy growth with margin expansions at all levels of profitability supported by the Group's volume-driven growth and management's optimisation strategy; CHG continues to lead the healthcare sector, pushing forward on all its longer-term strategic priorities as it prepares for a new phase of growth and value creation

Cairo, 29 August 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 and six-month period ended 30 June 2021.

Key Financial and Operational Highlights

- **Revenue** expanded 89% year-on-year in 2Q2021 to record a new all-time high of EGP 643.6 million. The robust growth was supported by a 72% year-on-year increase in cases served during the quarter coupled with improving utilization rates, an increasingly optimised service mix, and the effective ramp up of the Group's newer revenue verticals. Despite 2Q2021 including the expected slowdown associated with the holy month of Ramadan and Eid vacation, patients served and consolidated revenue both expanded 2% compared to an already noteworthy first quarter of 2021.
- Top-line growth came on the back of **strong performances recorded by all of the Group's more established facilities** and was further **bolstered by remarkable results posted by the Group's polyclinics and COVID-19-dedicated facilities**, both of which continue to record robust demand during the quarter. It is worth noting that, COVID-19-related revenue made up less than 14% of consolidated Group revenue during the quarter.
- In line with CHG's diversification strategy, **all of the Group's verticals continued to deliver strong results** in 2Q2021. The Group's polyclinics vertical saw revenues more than triple versus the second quarter of last year, while revenues generated by CHG's outpatient pharmacy and diagnostic services expanded 128% and 63% versus 2Q2020, respectively. Both the outpatient pharmacy and diagnostics segments are continuing their steady ramp up, expanding 9% and 2% versus 1Q2021, respectively.
- **Solid growth and margin improvements** at all levels of profitability were supported by the Group's long-term efficiency enhancement strategy coupled with management's integration and optimisation efforts. The latter has been, and will continue to be, a key aspect of the Group's expansion strategy as it ensures that new assets begin generating value from the very beginning. Margins posted solid expansions on both a quarterly and year-to-date basis, recording in line with the Group's historical highs and long-term profitability targets.
- **Net profit** recorded EGP 94.1 million in 2Q2021 up significantly from the EGP 14.0 million net profit recorded in the comparable quarter of last year. Strong net profitability comes as the impressive top-line growth filtered down to the Group's bottom line thanks to management's cost control and optimization strategy which more than offset higher depreciation and impairments for the period. A strong second quarter saw net profit in 1H2021 reach EGP 202.0 million, the **highest half-year net profit on record** and nearly double the Group's 1H2020 bottom-line.
- In parallel, the Group has been making solid progress on all its **longer-term strategic priorities** to ensure it is well-positioned to capitalize on the post-COVID-19 rebound and drive its next phase of sustainable growth and development. On this front, CHG has been leveraging its proven position as a market innovator to advance **its digital transformation strategy which looks to embed the latest technology and digital tools in all aspects of the business**. This is allowing the Group to remain at the top of Egypt's healthcare industry while continuing to benefit from its **first mover advantage**, a key differentiator for the Group since inception. New solutions offered by the Group include home visits, virtual consultations, and a comprehensive mobile app. In the coming period, the Group is looking to capitalise on its extensive reach and patient base to further enhance its digital offering and capture the full potential offered by these solutions.
- CHG's first half performance has exceeded management's expectations, with the Group **on track to deliver on its revenue and profitability targets for the year.**

Chief Executive's Review

Cleopatra Hospitals Group continued to build on a strong start to the year, and **in the second quarter of 2021 posted another set of record-breaking results** supported by healthy volume growth. As in the previous quarter, **all of our facilities witnessed strong growth, with our more established hospitals recording their highest-ever revenue for a single quarter during 2Q2021.** Moreover, our consolidated performance was boosted by **remarkable results recorded at our polyclinics**, which continue to outperform our expectations, and at our two COVID-19-dedicated hospitals, which witnessed steady demand as the country tackled its third wave of infections during the second quarter.

Breaking down our results in more detail, I am delighted to report that in 2Q2021 we recorded revenues of EGP 643.6 million, up 89% year-on-year and a new record-high for the Group. What is perhaps even more impressive was our ability to deliver quarter-on-quarter growth of 2%, a particularly remarkable feat when considering that the second quarter included the expected slowdown associated with the holy month of Ramadan and Eid vacation. **Top-line growth was driven by a 72% increase in patients served versus last year** coupled with our ability to further improve utilisation rates and optimise our service mix across our facility network. During the second quarter, we served nearly 250,000 cases* across our nine facilities. This is the highest second quarter figure ever recorded and signals a return to strong volume growth following the lows witnessed in the first part of last year. Meanwhile, **our diversification strategy is continuing to deliver noteworthy results,** as we recorded solid growth across all are business lines, from our core Hospitals vertical to our newer Polyclinics, Diagnostics, Pharmacy, and other verticals. More specifically, in 2Q2021 our polyclinics saw revenues grow by more than 200% compared to the second quarter of last year, while revenues generated by our outpatient pharmacies and diagnostic services expanded 128% and 63% versus 2Q2020, respectively. Further down the income statement, **we continued to record strong growth with expanding margins at all levels of profitability** as our Group-wide revenue growth and cost optimisation efforts continue to bear fruit. The impressive second quarter results saw us record EGP 1.3 billion in revenues for 1H2021, the **highest half-year revenue figure on record** and up 51% from our 1H2020 top-line. This translated into **record-high profitability for the six-month period**, with margins near their all-time highs.

Operationally, **we continued to make solid progress on our multi-pronged growth and development strategy.** During the second quarter of 2021, we pushed forward with the renovation of inpatient wards across all our facilities and worked to integrate Bedaya, our new IVF venture, into our operational frameworks. While Bedaya remains in its ramp-up phase due to the ongoing COVID-19-related restrictions on international patients, we are pleased with the venture's results thus far, which have seen recent run rates in line with its pre-pandemic levels and make a notable contribution to consolidated results from the very start. We are confident that as Bedaya is fully integrated into our proven operational model and its operations ramp up further, we will see its contribution to consolidated results continue to grow in line with the strong potential offered by the venture.

Meanwhile, we continued to deliver on our digital transformation strategy, a key area of focus for the Group and one which we are confident will be a main driver of sustainable growth in the coming period. Over the last few years, we have invested significant resources in digitalising all aspects of our operations, from the way our business is run, to the services we offer and how these services are delivered. These investments are already beginning to generate the expected results, with their impact on care quality, patient experience and reach set to increase further in the coming years. Moreover, our efforts on this front are allowing us to continue **leading the Egyptian healthcare industry's digital transition**, enabling the Group to benefit from first mover advantage, a crucial differentiator for CHG since inception. While I am proud of our progress in this strategic area, in the coming period we will continue to look for, and invest in, new digital tools that are capable of integrating within our business model and promote further improvements in our patients' experience and health while further optimising our operations. In parallel, we have recently expanded our IT and Digital Transformation departments with the addition of several key hires, whose extensive experience in the HealthTech sector will certainly play an important role in helping us commercialise our digital transformation initiatives.

Looking ahead, our priorities for the remainder of 2021 remain unchanged. On the one hand, we will continue to assist the Egyptian community during the ongoing pandemic by providing COVID-19-specific care at our two designated facilities. On the other hand, we will push forward on our longer-term growth plans focusing on all our **strategic priorities of diversified revenue growth, quality enhancement, digitalisation, capacity expansion and optimisation, and integration.** In particular, we are currently devising and starting to implement post-COVID-19 plans at El Katib and Queens Hospitals, expanding their service offering as we look to leverage their success over the last twelve months to drive growth well beyond the end of the COVID-19 pandemic. In parallel, we continue to assess potential opportunities to expand our geographic presence across our traditional Greater Cairo market and beyond, in line with our goal of providing high-quality and affordable healthcare to as many people as possible. All in all, I am delighted with our 2021 performance thus far, and I am **confident that we are well positioned to deliver further operational and financial growth in the second half of the year and beyond.**

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

For further information, please contact:

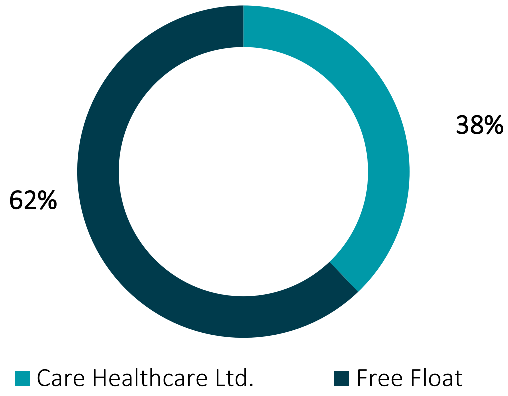
Cleopatra Hospitals Group S.A.E.

Hassan Fikry
Corporate Strategy & Investor Relations Director

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

Shareholder Structure

(as of 30 June 2021)



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	2Q2021	2Q2020	% change	1H2021	1H2020	% change
Revenues	643.6	340.2	*89%*	1276.8	843.1	*51%*
Cost of sales	(404.1)	(244.0)	*66%*	(796.1)	(575.7)	*38%*
Gross profit	**239.5**	**96.2**	***149%***	**480.7**	**267.4**	***80%***
Gross Profit Margin	*37%*	*28%*		*38%*	*32%*	
General & administrative expenses	(108.4)	(80.5)	*35%*	(202.0)	(150.5)	*34%*
Cost of acquisition activities	(1.6)	(4.9)	*-69%*	(6.9)	(4.9)	*39%*
Provisions	(1.7)	(1.7)	*N/A*	(11.3)	(5.6)	*103%*
Other income	1.0	2.1	*-53%*	7.2	3.9	*85%*
EBIT	**128.8**	**11.2**	***N/A***	**267.7**	**110.3**	***143%***
EBIT Margin	*20%*	*3%*		*21%*	*13%*	
Interest income	13.6	13.9	*-2%*	26.2	32.2	*-19%*
Interest expense	(9.2)	(0.6)	*N/A*	(15.2)	(1.2)	*N/A*
Profit before tax	**133.2**	**24.5**	***443%***	**278.7**	**141.3**	***97%***
PBT Margin	*21%*	*7%*		*22%*	*17%*	
Income tax	(40.6)	(9.8)	*314%*	(78.0)	(39.5)	*98%*
Deferred tax	1.5	(0.7)	*N/A*	1.3	0.2	*N/A*
Net profit after tax	**94.1**	**14.0**	***571%***	**202.0**	**102.0**	***98%***
Net Profit Margin	*15%*	*4%*		*16%*	*12%*	
Distributed as follows:						
Shareholders of the company	90.6	18.5	*389%*	191.9	100.6	*91%*
Minority rights	3.5	(4.5)	*N/A*	10.1	1.4	*N/A*
Profit for the period	**94.1**	**14.0**	***571%***	**202.0**	**102.0**	***98%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	2Q2021	2Q2020	% change	1H2021	1H2020	% change
Net Profit	94.1	14.0	*571%*	202.0	102.0	*98%*
Other comprehensive income	0.0	0.0	-	0.0	0.0	-
Total comprehensive income for the year	**94.1**	**14.0**	***571%***	**202.0**	**102.0**	***98%***
Total comprehensive income attributable to:						
Owners of the company	90.6	18.5	*389%*	191.9	100.6	*91%*
Non-controlling interest	3.5	(4.5)	*N/A*	10.1	1.4	*N/A*
Total comprehensive income for the year	**94.1**	**14.0**	***571%***	**202.0**	**102.0**	***98%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2020	30 June 2021
Non-current assets		
Fixed assets	1,205.2	1,271.7
Intangible assets	427.6	426.6
Right of use	18.8	186.6
Payment under investment	-	5.7
Investment in associates	1.1	1.2
Total non-current assets	**1,652.7**	**1,891.8**
Current assets		
Inventory	66.3	63.3
Accounts receivables	418.8	421.3
Other receivables and debit balances	94.6	82.2
Due from related parties	0.4	0.6
Treasury bills	220.6	129.0
Cash	330.0	614.4
Total current assets	**1,130.5**	**1,310.8**
Total assets	**2,783.3**	**3,202.6**
Equity		
Share capital	800.0	800.0
Treasury Shares	-	(46.6)
Reserves	281.3	292.3
Retained earnings	984.9	1,074.6
Equity attributable to the parent company	**2,066.2**	**2,120.3**
Non-controlling interest	107.7	107.4
Total equity	**2,173.9**	**2,227.7**
Non-current liabilities		
Long-term investments creditors	17.9	24.9
Long-term debt – non-current portion	-	-
Non-current portion of lease liability	8.0	186.4
Deferred tax liability	77.9	76.6
Total non-current liabilities	**103.8**	**287.8**
Current liabilities		
Provisions	21.6	22.4
Creditors and other credit balances	442.0	431.6
Due to related parties	0.6	-
Current Portion of Borrowings	-	138.4
Current portion of lease liability	5.3	32.4
Long term incentive plan	-	-
Current income tax	36.1	62.2
Total current liabilities	**505.5**	**687.0**
Total liabilities	**609.3**	**974.8**
Total liabilities & shareholders' equity	**2,783.3**	**3,202.6**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 June 2020	30 June 2021
Cash flow from operating activities:		
Profit before tax	141.3	278.7
Adjustments for:		
Depreciation	40.2	54.5
Amortization of intangible assets	-	7.9
Allowance for impairment of current assets	25.6	55.0
Provision	(0.0)	0.8
Capital gain/loss	(0.7)	(0.0)
Credit/debit interest	(31.0)	(11.1)
Changes in current tax liability	(82.8)	(51.9)
Gain/loss in investments in subsidiaries	-	(0.1)
Employee incentive	7.8	-
Operating profits before changes in assets and liabilities	**100.3**	333.9
Changes in working capital:		
Changes in inventories	(13.8)	2.8
Change in trade receivables, debtors, and other debit balances	(7.1)	(30.4)
Changes in due from related parties	1.5	(0.8)
Change in trade and other payables	(19.2)	(9.9)
Paid from employee incentive plan	(136.8)	-
Change in lease	-	(16.2)
Net cash flows generated from operating activities	**(75.2)**	**279.4**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.7	0.2
Payments for purchase of fixed assets	(37.3)	(34.4)
PUC purchased	(121.2)	(86.9)
Advanced payments for purchase of fixed assets	(37.8)	(6.7)
Payments for acquisition of a subsidiary, net cash acquired	(6.6)	-
Payments under investment	(35.5)	(305.7)
Credit interest collected	34.0	20.7
Treasury bills	50.1	-
Paid under subsidiaries capital increase	-	-
Paid for investment associates	-	-
Net cash flow from investment activities	**(153.8)**	**(412.7)**
Cash flow from financing activities:		
Proceeds from minority share in subsidiary capital increase	-	-
Treasury Shares	-	(46.6)
Dividends paid	(48.9)	(47.2)
Repayment of borrowings	-	-
Cash proceed from overdraft	-	219.3
Cash paid to overdraft	-	(80.8)
Interest paid	(1.2)	(16.2)
Net cash flow from financing activities	**(50.0)**	**28.5**
Net change in cash & cash equivalents during the period	**(279.0)**	**(104.8)**
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	**512.3**	**445.7**