

## Cleopatra Hospitals Group Reports 3Q2020 Results

*CHG reports strong top- and bottom-line growth on a quarterly and nine-month basis supported by a robust recovery in patient volumes, an increasingly optimised case mix and improving utilization; margins return to the Group's historical averages supported by management's response plan; CHG inks multiple agreements to expand its service offering and venture into new business verticals*

**Cairo, 22 November 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 quarter and nine-month periods ended 30 September 2020.

### Key Financial and Operational Highlights

- **Revenue** expanded 16% y-o-y in 3Q2020 to record EGP 535.9 million. In 9M2020, revenue was up 7% y-o-y to EGP 1,379.0 million.
- Revenue growth on a quarterly and year-to-date basis was supported by **management's proactive multi-pronged response strategy and a robust recovery in volumes**, with the number of patients served increasing by an impressive 65% q-o-q in 3Q2020.
- **Margins** are well on their way to making a full recovery supported by revenue growth and management's wide-ranging cost control efforts.
- **Net profit** for the quarter stood at 80.0 million, up 11% y-o-y with a NPM of 15%. In 9M2020, net profit reached EGP 182.0 million, 7% above last year's figure and with an associated margin of 13%. Excluding net interest income for the period, net profit would expand 24% y-o-y in 3Q2020 and 21% y-o-y in 9M2020.
- **CHG's Polyclinics, Diagnostics, Pharmacy, and Home verticals** continued to witness impressive growth in line with management's strategy to diversify the Group's operations and strengthen its presence in segments adjacent to its core Hospitals vertical.
- **El Katib and Queens Hospitals** continue to serve as COVID-19 isolation and treatment hospitals as the Group gears up to tackle a potential resurgence in new cases.
- The Group continued to **work on enhancing the quality of care and the overall patient experience** across its facility network, through the continuation of the Group-wide renovation work started in 2018, the roll out of the new Clinisys HIS/ERP system across the Group's hospital network, and the launch of new Centres of Excellence.
- CHG signed a **Business Transfer Agreement (BTA) for the assets and operations of Bedaya for Medical Services**, Egypt's leading Assisted Reproductive Technology (ART) and fertility centre led by Dr. Ismail Aboul Foutouh. The transaction closed on October 1, 2020.
- The Group also formed a joint venture (JV) with Egypt's EFS Facilities Services (EFS) to **create the Egyptian Healthcare Facilities Services (EHFS) company, the country's largest healthcare-dedicated facility management business**, with CHG retaining a 49% non-operating stake in the JV. CHG has already started the process of outsourcing its non-core services including security, cleaning, and facilities maintenance, in turn driving significant improvements CHG's efficiency.

### Management Comment

I am pleased to report that during the third quarter of the year **Cleopatra Hospitals Group witnessed an impressive financial and operational recovery. Our performance was supported by the gradual lifting of restrictive measures related to COVID-19 and management's proactive multi-pronged response strategy which has helped the Group successfully mitigate the impacts of the crisis since the very start.** During the quarter, our top-line expanded 16% year-on-year supported by recovering patient volumes, improving utilization, and an increasingly optimised service mix. Our strict cost control strategy saw revenue growth trickle down the income statement with **the Group recording margins in line with our historical averages for the third quarter of the year.** Our remarkable results for the quarter firmly position the Group on its pre-crisis growth trajectory, an extraordinary achievement in light of the unprecedented difficulties faced by businesses all around the world during the course of 2020.

In the three months to 30 September 2020, patient volumes continued to build on the solid performance witnessed in June, expanding 65% versus the second quarter of 2020, with the Group recording some its highest monthly volumes on record in August and September. Patients served nonetheless remained 8% below volumes recorded in 3Q2019. **The robust quarter-on-quarter recovery was supported by management's continued efforts to drive up patient volumes over the last several months. These**



have involved a combination of targeted marketing campaigns and strategic operational decisions aimed at positioning the Group's facilities as the go-to providers of healthcare services even in the midst of the COVID-19 pandemic. During the quarter, the Group continued to enhance its digital offering, providing an alternative option for patients unwilling or unable to visit the Group's facilities in person. In parallel, both Queens and El Katib Hospitals continued to serve as the Group's COVID-19 treatment and isolation centres, allowing our other six hospitals to offer a complete suite of medical services in full safety.

**On the operational front**, in line with our quality enhancement strategy, we completed the renovations of Nile Badrawi Hospital's tenth and eleventh floors which now feature 24 modern and fully equipped patient suites. Meanwhile, on the digital front we have now rolled out our new Clinisys HIS/ERP system at Cleopatra Hospital, Cairo Specialised Hospital, Queens Hospitals, and the Group's East and West Cairo polyclinics. In the third quarter, the Group began work to launch the system at Al Shorouk and Nile Badrawi Hospitals, with the full transition expected to occur during 2021. As more facilities begin operating under the new system, we are starting to see improvements across all aspects of our operations from enhancements to our quality of care to a strengthening of our data, inventory management, and revenue cycle frameworks.

While the outbreak of COVID-19 has required an adjustment to our short-term strategy, the Group has continued to press on with its longer-term growth plans. **Throughout 2020, the Group has made significant headway on our diversification strategy as we work to expand into segments complementary to our traditional Hospital platform.** I am happy to note that our diagnostics, polyclinics, pharmacy, and home care platforms have continued to grow despite the obstacles posed by the COVID-19 pandemic. The third quarter of 2020 was the most successful quarter for our polyclinics platform since its launch back in 2019, as revenues nearly doubled versus the third quarter of last year and were up 20% versus 1Q2020. In September, we also signed two important deals opening up new opportunities for expansion in both the fast-growing Assisted Reproductive Technology (ART) market and in the underpenetrated facility management segment.

In recent weeks, countries around the world have witnessed a resurgence in new COVID-19 cases, with many subsequently reimposing a series of restrictive measures aimed at curbing the spread of the virus. CHG's management and Medical Council continue to monitor the evolution of the situation, with **the Group fully equipped to respond should the country enter a more severe phase of the pandemic.** Across all our facilities we continue to adhere strict health and safety protocols and have further tightened our business continuity frameworks to ward off possible disruptions to our operations. These guidelines and frameworks were introduced at the start of the pandemic, producing outstanding results, and have since been refined to build on the experience accumulated over the last eight months. In line with our commitment to guaranteeing the health and safety of our staff and patients, **both Queens and El Katib Hospitals will continue to operate COVID-19 treatment units over the coming months**, with the Group starting to see a resurgence in demand across both hospitals.

Looking ahead to 2021, **I am confident that our strategic investments over the last two years, our established position in the industry, and our proven resilience and adaptability see us ideally positioned to drive sustainable growth in the coming period.** We look forward to begin reaping the rewards of our revenue diversification and digitalisation strategies which management views as key drivers of long-term growth and value creation.

Ahmed Ezzeldin  
CHG Chief Executive Officer

—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. 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**

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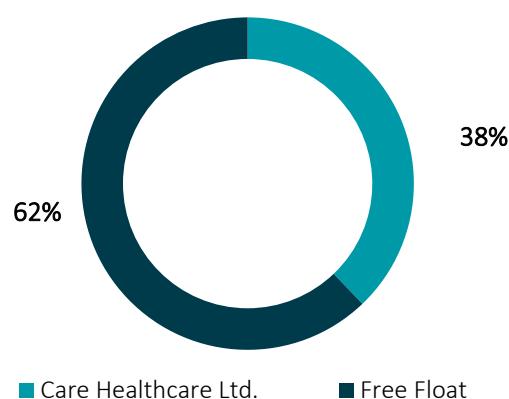
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### Shareholder Structure

(as of September 2020)



## 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	3Q2020	3Q2019	% change	9M2020	9M2019	% change
Revenues	535.9	462.0	16%	1379.0	1287.1	7%
Cost of sales	(349.4)	(295.0)	18%	(925.1)	(835.6)	11%
<b>Gross profit</b>	<b>186.4</b>	<b>166.6</b>	<b>12%</b>	<b>453.8</b>	<b>451.5</b>	<b>0.5%</b>
<i>Gross Profit Margin</i>	35%	36%		33%	35%	
General & administrative expenses	(77.8)	(82.8)	-6%	(228.3)	(273.0)	-16%
Cost of acquisition activities	0.4	(3.8)	N/A	(4.6)	(4.4)	3%
Provisions	(8.9)	0.3	N/A	(14.5)	(1.5)	N/A
Other income	2.2	2.4	-6%	6.1	6.5	-5%
Pre-Operating Expenses	0.0	0.0	N/A	0.0	(3.4)	N/A
<b>EBIT</b>	<b>102.4</b>	<b>82.7</b>	<b>24%</b>	<b>212.7</b>	<b>175.7</b>	<b>21%</b>
<i>EBIT Margin</i>	19%	18%		15%	14%	
Interest income	9.0	16.5	-46%	41.2	71.9	-43%
Interest expense	(0.7)	(1.0)	-27%	(2.0)	(5.8)	-66%
<b>Profit before tax</b>	<b>110.6</b>	<b>98.2</b>	<b>13%</b>	<b>251.9</b>	<b>241.7</b>	<b>4%</b>
<i>PBT Margin</i>	21%	21%		18%	19%	
Income tax	(29.6)	(23.1)	28%	(69.1)	(68.7)	0.5%
Deferred tax	(1.0)	(2.9)	-67%	(0.8)	(3.1)	-74%
<b>Net profit after tax</b>	<b>80.0</b>	<b>72.2</b>	<b>11%</b>	<b>182.0</b>	<b>170.0</b>	<b>7%</b>
<i>Net Profit Margin</i>	15%	16%		13%	13%	
<u>Distributed as follows:</u>						
Shareholders of the company	78.6	69.3	13%	179.2	166.5	8%
Minority rights	1.5	2.9	-49%	2.8	3.5	-18%
<b>Profit for the period</b>	<b>80.0</b>	<b>72.2</b>	<b>11%</b>	<b>182.0</b>	<b>170.0</b>	<b>7%</b>

## Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2020	3Q2019	% change	9M2020	9M2019	% change
Net Profit	80.0	72.2	11%	182.0	170.0	7%
Other comprehensive income	0.0	0.0	N/A	0.0	0.0	N/A
<b>Total comprehensive income for the year</b>	<b>80.0</b>	<b>72.2</b>	<b>11%</b>	<b>182.0</b>	<b>170.0</b>	<b>7%</b>
<u>Total comprehensive income attributable to:</u>						
Owners of the company	78.6	69.3	13%	179.2	166.5	8%
Non-controlling interest	1.5	2.9	-49%	2.8	3.5	-18%
<b>Total comprehensive income for the year</b>	<b>80.0</b>	<b>72.2</b>	<b>11%</b>	<b>182.0</b>	<b>170.0</b>	<b>7%</b>

## Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2019	30 September 2020
<b>Non-current assets</b>		
Fixed assets	908.5	1,066.4
Intangible assets	413.6	413.6
Right of use	10.2	19.3
Payment under investment	-	106.3
<b>Total non-current assets</b>	<b>1,332.4</b>	<b>1,605.7</b>
<b>Current assets</b>		
Paid under subsidiaries capital increase	-	-
Inventory	49.3	56.1
Accounts receivables	337.2	409.0
Other receivables and debit balances	105.2	97.3
Due from related parties	2.0	1.7
Treasury bills	50.1	34.4
Cash	791.3	375.5
<b>Total current assets</b>	<b>1,335.0</b>	<b>974.1</b>
<b>Total assets</b>	<b>2,667.4</b>	<b>2,579.8</b>
<b>Equity</b>		
Share capital	800.0	800.0
Reserves	284.4	286.6
Retained earnings	746.2	877.2
<b>Equity attributable to the parent company</b>	<b>1,830.6</b>	<b>1,963.8</b>
Non-controlling interest	103.9	100.4
<b>Total equity</b>	<b>1,934.5</b>	<b>2,064.1</b>
<b>Non-current liabilities</b>		
Long term debt – non-current portion	-	-
Non-current portion of lease liability	5.8	9.0
Deferred tax liability	74.8	75.6
<b>Total non-current liabilities</b>	<b>80.6</b>	<b>84.6</b>
<b>Current liabilities</b>		
Provisions	15.6	16.0
Creditors and other credit balances	442.3	381.5
CPLTD	-	-
Current portion of lease liability	2.7	5.6
Long term incentive plan	129.1	-
Current income tax	62.6	28.1
<b>Total current liabilities</b>	<b>652.3</b>	<b>431.1</b>
<b>Total liabilities</b>	<b>732.9</b>	<b>515.7</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>2,667.4</b>	<b>2,579.8</b>

## Consolidated Statement of Cash Flow

All figures in EGP mn	30 September 2020	30 September 2019
<b><u>Cash flow from operating activities:</u></b>		
Profit before tax	251.9	241.7
<u>Adjustments for:</u>		
Depreciation	61.4	45.8
Allowance for impairment of current assets	45.3	48.4
Provision	0.4	(5.3)
Capital gain/loss	(0.7)	(0.3)
Credit/debit interest	(39.6)	(69.0)
Changes in current tax liability	(103.6)	(89.6)
Employee incentive	7.8	72.7
<b>Operating profits before changes in assets and liabilities</b>	<b>222.9</b>	<b>244.2</b>
<u>Changes in working capital:</u>		
Changes in inventories	(6.9)	(5.2)
Change in trade receivables, debtors, and other debit balances	(87.8)	(83.9)
Changes in due from related parties	0.3	2.1
Change in trade and other payables	(10.7)	56.0
Paid from employee incentive plan	(136.8)	-
<b>Net cash flows generated from operating activities</b>	<b>(19.0)</b>	<b>213.2</b>
<b><u>Cash flow from investment activities:</u></b>		
Proceeds from sale of fixed assets	0.7	0.6
Payments for purchase of fixed assets	(69.4)	(52.9)
PUC purchased	(159.1)	(88.6)
Advanced payments for purchase of fixed assets	(23.1)	(62.6)
Payments for acquisition of a subsidiary, net cash acquired	(8.5)	(25.0)
Payments under investment	(145.5)	(135.1)
Credit interest collected	42.9	72.5
Time deposits with maturity more than 3 months	50.1	-
Paid under subsidiaries capital increase	-	(148.5)
<b>Net cash flow from investment activities</b>	<b>(311.9)</b>	<b>(439.5)</b>
<b><u>Cash flow from financing activities:</u></b>		
Proceeds from minority share in subsidiary capital increase	-	-
Dividends paid	(48.8)	(31.9)
Repayment of borrowings	-	(95.1)
Cash proceed from overdraft	-	62.6
Cash paid to overdraft	-	(53.9)
Interest paid	(1.6)	(17.9)
<b>Net cash flow from financing activities</b>	<b>(50.4)</b>	<b>(136.1)</b>
<b>Net change in cash &amp; cash equivalents during the period</b>	<b>(381.3)</b>	<b>(362.5)</b>
Cash and cash equivalents at the beginning of the period	791.3	953.4
Cash and cash equivalent in acquired subsidiaries at beginning of period	-	0.6
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>410.0</b>	<b>591.5</b>