Cleopatra Hospitals Group Reports FY2020 Results

CHG delivers strong top- and bottom-line growth with robust margins in 2020 supported by a record-breaking fourth quarter which saw revenues surpass the EGP 600 million mark with a net profit margin of 19%; CHG continued delivery on its long-term strategic objectives ideally positions the Group to continue strong growth in 2021, firmly cementing its position as the leading provider of diversified healthcare in Egypt

Cairo, 21 March 2021

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 year ended 31 December 2020.

Key Financial and Operational Highlights

- **Revenue** expanded 11% year-on-year to EGP 1,989.5 million in FY2020. In 4Q2020, revenue posted a robust 19% year-on-year expansion to EGP 610.6 million.
- **Strong revenue growth** on both a quarterly and yearly basis was supported by a sustained recovery in patient volumes following the COVID-19-related slowdown earlier in the year, improving utilization, and an increasingly optimised service mix.
- **Margins** in line with the Group's historical highs buoyed by management's wide-ranging cost control efforts. Most notably, gross profit margin expanded to a record 39% in 4Q2020.
- **Net profit** reached EGP 297.6 million in FY2020, up 12% versus last year. In 4Q2020, net profit expanded 21% year-on-year to a record EGP 115.6 million.
- **Impressive net profit growth** for the quarter and year supported by revenue growth and management's cost reduction and optimization strategy. These more than offset higher depreciation as the Group continues to invest in its infrastructure and materially lower interest income for the year versus 2019 following the CBE's multiple rate cuts throughout 2020.
- **Normalized net profit**, which excludes net interest income for the period, posted an impressive 30% and 24% growth in 4Q2020 and FY2020, respectively.
- **El Katib and Queens Hospitals** continue to serve as COVID-19 isolation and treatment hospitals as the Group continues to record strong patient demand for the service. This has seen both facilities record growing revenues with healthy margins in line with Group's more established facilities.
- **Throughout 2020, despite the operational challenges posed by COVID-19, the Group continued to deliver on its long-term strategic priorities** of diversified revenue growth, quality enhancement, digitalisation, capacity expansion and optimisation, and integration.
- **CHG's Polyclinics, Diagnostics, Pharmacy, and other verticals** continue to witness impressive growth in line with management's diversification strategy.
- **In September, CHG signed two important deals opening up new opportunities for expansion** in both the fast-growing Assisted Reproductive Technology (ART) market, through the acquisition of Bedaya IVF centre, and in the underpenetrated facility management segment.
- **Bedaya**, CHG's new IVF venture, began contributing to the Group's consolidated results in the final quarter of 2020.
- In relation to the proposed acquisition and merger of operations with **Alameda Healthcare Group** (AHG), CHG filed for Egyptian Competition Authority (ECA) approval on March 9th.

Chief Executive's Review

2020 was a year full of unexpected challenges and operational difficulties resulting from the outbreak of the COVID-19 pandemic and the imposition of restrictive measures to limit its spread. **Against this backdrop, Cleopatra Hospitals Group's double-digit top- and bottom-line growth for the year demonstrates once more the strength and adaptability of our business model, the effectiveness of our multi-pronged COVID-19 response strategy, and the resilience of the Egyptian healthcare industry.** The impressive financial and operational performance we delivered in spite of the ongoing difficulties is a direct result of our continued efforts to build a sustainable, diversified and growth-oriented business ready to weather transitory challenges while continuing to invest in its long-term value generating capabilities.

Looking at our performance for the year, I am delighted to report that the Group recorded revenues of nearly EGP 2.0 billion in 2020, up 11% from last year supported by recovering volumes, improving utilization, and an increasingly optimised service mix. The impressive top-line growth, which was also partially supported by the strong momentum carried forward from 2019, is in line with our previous guidance of year-on-year revenue growth despite the unprecedented obstacles posed by the ongoing pandemic. The recovery in volumes in the second half of the year was supported by management's proactive multi-pronged response strategy which over the course of 2020 saw the Group rollout multiple initiatives targeted at driving up patient volumes. These included the transformation of El Katib and Queens Hospitals into COVID-19-treatment facilities, the rollout of several strategic marketing campaigns, and the launch of telemedicine and at-home medical services. In the last three months of 2020, we recorded a 13% quarter-on-quarter increase in total cases served, with the total for the second half of 2020 up 30% from cases served in the first six months of the year. While cases served in 2020 stood 11% below last year's figure, the strong traffic witnessed in the final months of the year is **further fuelling our confidence that a full recovery in patient volumes is imminent and we expect to see them return to their pre-crisis growth trajectory in the near future**. Management's efficiency enhancement efforts saw revenue growth trickle down the income statement with **the Group recording margins for the year in line with our historical averages**.

Our remarkable full-year performance was bolstered by a **record-breaking fourth quarter** which saw the Group surpass the EGP 600 million mark for the first time to record revenues of EGP 611 million in 4Q2020, up 19% from last year. Further down the income statement, gross profit expanded an impressive 35% year-on-year supported by management's cost control efforts which saw cost of goods sold as a percentage of sales decline five percentage points from last year. Consequently, gross profit margin for the quarter expanded to 39% in 4Q2020 from 34% in the same quarter a year ago. Finally, our bottom-line for the quarter broke the EGP 100 million mark to reach a record EGP 116 million, up 21% year-on-year and with an associated margin of 19%.

CHG's strength lies in our ability to leverage our flexible business model to deliver exceptional short-term results while never losing sight of our longer-term growth strategy. 2020 was no different as **we made significant progress on all our strategic priorities of diversified growth, quality enhancement, digitalisation, capacity expansion and optimisation, and integration.** In recent years, the Group has been increasingly focused on driving growth in all our diversified revenue streams to strengthen our presence in segments adjacent to our core Hospitals vertical. This has seen the roll out and successful ramp up of our two new polyclinics, the expansion of our pharmacy business, and the signing of multiple new agreements to venture into fast-growing and currently underpenetrated subsegments of the healthcare industry. In 2020, while **all our business lines including Hospitals, Polyclinics, Diagnostics, Pharmacy, and Home Services exhibited strong growth,** we also inked 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 line with our **quality and capacity 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. We also pushed forward with the planned renovation works across our inpatient wards and hospital entrances, as well as mechanical, electrical and plumbing works across all facilities. On the **digital front**, our efforts were dually focused on digitalising our internal processes to drive further operational efficiencies while strengthening our digital service offering to best cater to patient needs in light of the ongoing COVID-19 pandemic. As at year-end 2020, we had 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. The system's launch at Al Shorouk and Nile Badrawi Hospitals was completed in early 2021 and a full transition to the new system is expected to take place during the coming year. In parallel, over the last twelve months **the Group launched several new digital services supported by its new CHG App.** The Group's enhanced digital service offering now includes consultations and follow ups through video call, online result delivery and appointment booking, as well as awareness webinars. The Group also completed the revamp of its revenue management cycle framework to enhance the quality of our claims collection procedure. This is evident in the lower impairments recorded versus last year, despite them taking into account an additional judgment overlay related to potential short-term turbulence in collections as a result of COVID-19. We expect impairments to fully normalise in 2021 supported by our restructuring efforts over the past two years and as the transitory impact of COVID-19 subsides.

Although COVID-19-related difficulties continue to impact Egypt and many countries around the world, there are encouraging signs coming from the successful start of the global vaccination campaign, with Egypt having kicked off its campaign in January 2021, and a recovering global economy. Coupled with our strategic investments over the last two years, our established position in the industry, and our proven resilience and adaptability, **we enter the new year confident in our abilities to drive further growth in 2021 and strengthen our position as the leading provider of diversified healthcare in Egypt.** In the short-term, our focus will be on supporting the recovery in patient volumes through further enhancements to our service quality and depth, and the roll out of new strategic marketing campaigns. On this front, **both Queens and El Katib Hospitals will continue to operate COVID-19 treatment units over the coming months**, as we continue to record strong patient demand for this service. In parallel, we will continue to push forward on our longer-term strategic growth priorities. In the new year, we will work to further integrate the new business lines and assets into our established operational framework, to drive efficiencies, strengthen referral networks and ensure a high and standardized level of care quality and service delivery across all CHG facilities. We also look forward to reaping the benefits of our digitalisation efforts with the completion of the roll out of the new Clinisys HIS/ERP system expected to drive 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. As part of our efforts to broaden our service offering, we are currently formulating and implementing plans to **launch two new centres of excellence (CoE)** at El Katib and Queens Hospitals in the coming year. At El Katib, the Group is looking to launch its first respiratory-focused centre of excellence (CoE), while at Queens Hospital, management is working on the adjustments necessary for the facility to house the Group's new oncology CoE in East Cairo. Lastly, on the **capacity expansion front**, we will continue to work towards obtaining all the necessary permits at our new Beni Suef hospital, the Group's first facility outside Greater Cairo.

Finally, I would like to take this opportunity to **extend a sincere thank you and express my admiration for all my colleagues** who in spite of the great personal and professional difficulties faced in 2020, have continued to demonstrate incredible dedication and adaptability. This has allowed the Group to continue serving our patients at a time when high quality healthcare and patient care were of the upmost importance. I look forward to working by your side in the coming years as we continue to grow Cleopatra Hospitals Group, one satisfied patient at a time.

Ahmed Ezzeldin
CHG Chief Executive Officer

—Ends—

Cairo, Egypt | 21 March 2021

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

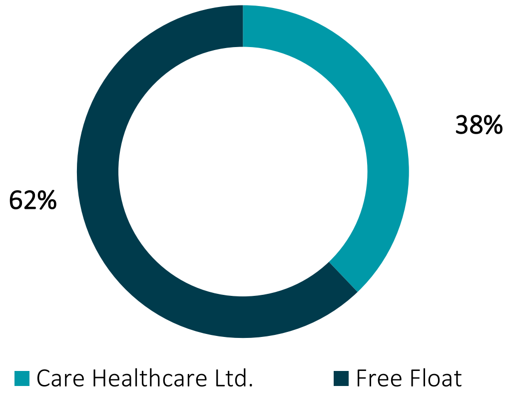
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The company holds majority stakes and operates six leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital, Al Shorouk Hospital, 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 December 2020)



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	4Q2020	4Q2019	% change	FY2020	FY2019	% change
Revenues	610.6	511.1	*19%*	1,989.5	1,798.1	*11%*
Cost of sales	(374.8)	(337.1)	*11%*	(1,300.0)	(1,172.7)	*11%*
Gross profit	**235.7**	**174.0**	***35%***	**689.6**	**625.5**	***10%***
Gross Profit Margin	*39%*	*34%*		*35%*	*35%*	
General & administrative expenses	(80.7)	(65.0)	*24%*	(308.9)	(338.0)	*-9%*
Cost of acquisition activities	(8.6)	(1.8)	*365%*	(13.2)	(6.3)	*109%*
Provisions	(10.2)	(6.0)	*70%*	(24.7)	(7.4)	*231%*
Other income	0.6	4.3	*-87%*	6.7	10.7	*-38%*
Pre-Operating Expenses	0.0	0.0	*N/A*	0.0	(3.4)	*N/A*
EBIT	**136.9**	**105.4**	***30%***	**349.5**	**281.1**	***24%***
EBIT Margin	*22%*	*21%*		*18%*	*16%*	
Interest income	8.0	21.4	*-63%*	49.1	93.3	*-47%*
Interest expense	(0.5)	(1.1)	*-53%*	(2.4)	(6.9)	*-64%*
Profit before tax	**144.4**	**125.8**	***15%***	**396.2**	**367.5**	***8%***
PBT Margin	*24%*	*25%*		*20%*	*20%*	
Income tax	(26.4)	(25.5)	*3%*	(95.5)	(94.3)	*1%*
Deferred tax	(2.3)	(4.9)	*-52%*	(3.1)	(7.9)	*-61%*
Net profit after tax	**115.6**	**95.4**	***21%***	**297.6**	**265.4**	***12%***
Net Profit Margin	*19%*	*19%*		*15%*	*15%*	
Distributed as follows:						
Shareholders of the company	107.7	90.9	*19%*	286.9	257.4	*11%*
Minority rights	7.9	4.5	*76%*	10.7	8.0	*35%*
Profit for the period	**115.6**	**95.4**	***21%***	**297.6**	**265.4**	***12%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	4Q2020	4Q2019	% change	FY2020	FY2019	% change
Net Profit	115.6	95.4	*21%*	297.6	265.4	*12%*
Other comprehensive income	0.0	0.0	*N/A*	0.0	0.0	*N/A*
Total comprehensive income for the year	**115.6**	**95.4**	***21%***	**297.6**	**265.4**	***12%***
Total comprehensive income attributable to:						
Owners of the company	107.7	90.9	*19%*	286.9	257.4	*11%*
Non-controlling interest	7.9	4.5	*76%*	10.7	8.0	*35%*
Total comprehensive income for the year	**115.6**	**95.4**	***21%***	**297.6**	**265.4**	***12%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2019	31 December 2020
Non-current assets		
Fixed assets	908.5	1,205.2
Intangible assets	413.6	427.6
Right of use	10.2	18.8
Payment under investment	-	-
Investment in associates	-	1.1
Total non-current assets	**1,332.4**	**1,652.7**
Current assets		
Inventory	49.3	66.3
Accounts receivables	337.2	418.8
Other receivables and debit balances	105.2	94.6
Due from related parties	2.0	0.4
Treasury bills	50.1	220.6
Cash	791.3	330.0
Total current assets	**1,335.0**	**1,130.5**
Total assets	**2,667.4**	**2,783.3**
Equity		
Share capital	800.0	800.0
Reserves	284.4	281.3
Retained earnings	746.2	984.9
Equity attributable to the parent company	**1,830.6**	**2,066.2**
Non-controlling interest	103.9	107.7
Total equity	**1,934.5**	**2,173.9**
Non-current liabilities		
Long term investments creditors	-	17.9
Long term debt – non-current portion	-	-
Non-current portion of lease liability	5.8	8.0
Deferred tax liability	74.8	77.9
Total non-current liabilities	**80.6**	**103.8**
Current liabilities		
Provisions	15.6	21.6
Creditors and other credit balances	442.3	442.0
Due to related parties	-	0.6
CPLTD	-	-
Current portion of lease liability	2.7	5.3
Long term incentive plan	129.1	-
Current income tax	62.6	36.1
Total current liabilities	**652.3**	**505.5**
Total liabilities	**732.9**	**609.3**
Total liabilities & shareholders' equity	**2,667.4**	**2,783.3**

Consolidated Statement of Cash Flow

All figures in EGP mn	31 December 2019	31 December 2020
Cash flow from operating activities:		
Profit before tax	367.5	396.2
Adjustments for:		
Depreciation	65.0	84.4
Amortization of intangible assets	-	4.0
Allowance for impairment of current assets	57.5	51.4
Provision	(9.3)	6.1
Capital gain/loss	(1.0)	(0.5)
Credit/debit interest	(89.6)	(47.0)
Changes in current tax liability	(101.0)	(122.1)
Loss in investments in subsidiaries	-	0.1
Employee incentive	83.8	7.8
Operating profits before changes in assets and liabilities	**372.9**	**380.3**
Changes in working capital:		
Changes in inventories	(7.1)	(17.4)
Change in trade receivables, debtors, and other debit balances	(86.6)	(96.0)
Changes in due from related parties	5.1	2.2
Change in trade and other payables	149.0	39.6
Paid from employee incentive plan	-	(136.8)
Net cash flows generated from operating activities	**433.2**	**172.0**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	1.6	2.0
Payments for purchase of fixed assets	(101.1)	(159.5)
PUC purchased	(194.1)	(221.1)
Advanced payments for purchase of fixed assets	(64.8)	(27.3)
Payments for acquisition of a subsidiary, net cash acquired	(160.1)	(14.4)
Payments under investment	-	(41.1)
Credit interest collected	97.2	50.5
Treasury bills	(50.1)	50.1
Paid under subsidiaries capital increase	-	-
Paid for investment associates	-	(1.2)
Net cash flow from investment activities	**(471.4)**	**(362.1)**
Cash flow from financing activities:		
Proceeds from minority share in subsidiary capital increase	22.5	-
Dividends paid	(31.9)	(48.5)
Repayment of borrowings	(95.1)	-
Cash proceed from overdraft	85.2	-
Cash paid to overdraft	(85.2)	-
Interest paid	(20.0)	(2.2)
Net cash flow from financing activities	**(124.6)**	**(50.6)**
Net change in cash & cash equivalents during the period	**(162.7)**	**(240.7)**
Cash and cash equivalents at the beginning of the period	953.4	791.3
Cash and cash equivalent in acquired subsidiaries at beginning of period	0.6	-
Cash & cash equivalents at the end of the period	**791.3**	**550.5**