Cleopatra Hospitals Group Reports 9M2021 Results

CHG continued its strong momentum in 2021 to deliver revenue and net profit growth in 9M2021 of 38% and 58%, respectively, a remarkable performance which comes despite the seasonally weak third quarter which was impacted by the extended July bank holiday period; Margins at all levels of profitability remained in line with the Group's historical highs; Management continued to push forward on long-term growth strategy, with agreements for CHG's first brownfield hospital signed in October 2021

Cairo, 21 November 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 nine-month period ended 30 September 2021.

Performance Highlights and Strategic Updates

- **Revenue** year-on-year growth of 38% in 9M2021 continued to be supported by **strong demand across the Group's entire service offering**, with robust performances recorded by both CHG's more established and newer facilities.
- **Year-to-date performance was supported by a solid third quarter** which saw the Group report a 16% year-on-year increase in revenue. This is an impressive result especially when considering that last year's third quarter included a strong rebound effect following the lifting of COVID-19-related restrictions that were in place during the second quarter of 2020, in addition to the above-average number of bank holidays during July 2021.
- It is worth noting that the number of bank holidays in July 2021 was higher than in 2020 with many Cairenes opting to "bridge" the holiday week with the summer holidays resulting in a shortened working month. More specifically, **in July 2021 there were an estimated 10 working days less than in the same month of last year** (including "bridging" days).
- **Solid growth at all levels of profitability with margins remaining in line with CHG's historical highs.** Strong and improving profitability highlights the success of management's long-term efficiency enhancement strategy coupled with the effectiveness of its integration and optimisation efforts.
- **Net profit** year-on-year growth of 58%. Bottom-line profitability was supported by strong top-line growth, increased operational efficiencies, and a normalisation of impairments which in 3Q2021 decline to EGP 6.9 million. Normalising impairments were supported by management's work to enhance CHG's claims collection process, which saw the introduction of a new revenue cycle management framework in late 2019.
- **Clinisys** rollout across all of the Group's facilities is now complete. Improvements in patient experience, operational efficiencies, and intra-group referrals are already being recorded across all of CHG's facilities. CHG is pushing forward with its **digital transformation strategy,** with multiple projects in the pipeline including the planned rollout of upgraded patient portals and electronic medical records modules.
- **Bedaya's ramp up is complete with volumes rebounding to pre-Covid-19 averages.** In the final weeks of 3Q2021, the facility started to report revenues in line with management's long-term targets, with the venture remaining on track to deliver results in line with its historical highs over the coming year.
- **In October 2021, CHG signed agreements to add a 400-bed brownfield hospital to its network,** with the project now pending regulatory approval. The hospital, when completed, would be CHG's largest facility and would represent the Group's first major new capacity development in East Cairo, one of the fastest-growing and currently underpenetrated neighbourhoods of Egypt's capital. **Management is expecting the hospital to be operational within 18 to 24 months following the transaction's closing date, and plans to position the facility as CHG's new flagship hospital, leveraging its size and reach to drive new growth in the coming years.**
- The Group has recently made several strategic hires in the **Marketing** and **Digital Media** departments to enhance its consumer outreach capabilities and better communicate its evolving Centres of Excellence offering and multiple other initiatives.
- In light of the latest results, CHG remains **on track to deliver on its revenue and profitability targets for the year.**

Management Comment

"Our latest results see us **continue to build on a strong first half of the year to deliver remarkable top- and bottom-line growth in line with our recent trends.** This is a particularly noteworthy achievement when considering the high base effect from last year's third quarter which had benefited from the post-COVID-19 lockdown rebound following the lifting of restrictive measures imposed in the first part of the year. Moreover, it is also worth highlighting that during the month of July 2021 the Group recorded a significantly lower contribution coming from its COVID-19-related services as the country witnessed a widespread decline in new infections and potential patients relocated outside the Greater Cairo area during the extended bank holiday period. Despite this, we continued to display a remarkable ability to **drive robust growth across our entire service and hospital portfolios**, highlighting the attractiveness of our value proposition which successfully caters to the strong demand for high quality healthcare currently growing in the country.

Looking at our facilities in more detail, **we are particularly happy with the sustained growth witnessed at Cleopatra Hospital.** The Group's flagship facility is delivering consistent financial and operational growth and continues to set the standard for all our other facilities both in terms of operational excellence and quality of care. Meanwhile, **our polyclinics and outpatient pharmacies are consistently outperforming our expectations** with their popularity amongst new and existing patients growing by the day. Finally, I am also pleased to report that **operations at our IVF clinic, Bedaya, have been successfully ramped up,** with the venture beginning to deliver revenues in line with our long-term targets towards the end of the third quarter. Moreover, Bedaya is already recording margins in line with the Group's averages, further displaying the clinic's long-term potential and once more demonstrating our ability to identify and acquire assets which can immediately contributed substantial value to the Group.

On this front, I would also like to mention our more recent agreement to add a 400-bed brownfield hospital to our network. **The deal, which is still pending regulatory approval, would be our first full-fledged hospital in the strategic neighbourhood of East Cairo, enabling us to tap into a new catchment area characterised by a fast-growing but currently underserved demand.** The brownfield asset offers an incredible opportunity to develop a large, state-of-the-art medical facility and takes us a step closer to delivering on our long-term vision of offering high-quality, affordable healthcare services to as many Egyptians as possible. In terms of timing, we expect the launch of operations to take place in under two years from receiving the regulatory green light. We are confident that our on-the-ground expertise, brand recognition, robust governance frameworks, and financial firepower make us the only private healthcare group in the country capable of taking on a project of this size and successfully delivering it on schedule.

Looking ahead, given our latest results, **we remain on course to deliver on our revenue and profitability targets for the year.** Meanwhile, our solid progress on all longer-term strategic fronts see us **well-placed to build on our remarkable 2021 and continue delivering world-class care to our patients and strong growth in 2022."**

Ahmed Ezzeldin
Group CEO

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:

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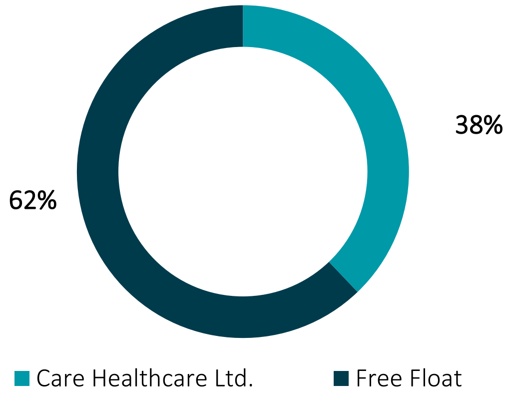
Shareholder Structure

(as of 30 September 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	3Q2021	3Q2020	*% change*	9M2021	9M2020	*% change*
Revenues	623.8	535.9	*16%*	1,900.6	1,379.0	*38%*
Cost of sales	(414.2)	(349.4)	*19%*	(1,210.2)	(925.1)	*31%*
Gross profit	**209.7**	**186.4**	***12%***	**690.4**	**453.8**	***52%***
Gross Profit Margin	*34%*	*35%*		*36%*	*33%*	
General & administrative expenses	(96.0)	(77.8)	*23%*	(298.0)	(228.3)	*31%*
Cost of acquisition activities	(5.0)	0.4	*N/A*	(11.8)	(4.6)	*159%*
Provisions	(2.6)	(8.9)	*-71%*	(13.9)	(14.5)	*-4%*
Other income	0.1	2.2	*-97%*	7.3	6.1	*19%*
Pre-operating income	0.0	0.0	-	0.0	0.0	-
EBIT	**106.2**	**102.4**	***4%***	**373.9**	**212.7**	***76%***
EBIT Margin	*17%*	*19%*		*20%*	*15%*	
Interest income	14.4	9.0	*60%*	40.6	41.2	*-1%*
Interest expense	(9.9)	(0.7)	*N/A*	(25.1)	(2.0)	*N/A*
Profit before tax	**110.7**	**110.6**	***0%***	**389.4**	**251.9**	***55%***
PBT Margin	*18%*	*21%*		*20%*	*18%*	
Income tax	(19.1)	(29.6)	*-35%*	(97.2)	(69.1)	*41%*
Deferred tax	(5.5)	(1.0)	*464%*	(4.1)	(0.8)	*430%*
Net profit after tax	**86.1**	**80.0**	***8%***	**288.1**	**182.0**	***58%***
Net Profit Margin	*14%*	*15%*		*15%*	*13%*	
Distributed as follows:						
Shareholders of the company	80.0	78.6	*2%*	271.8	179.2	*52%*
Minority rights	6.1	1.5	*320%*	16.3	2.8	*476%*
Profit for the period	**86.1**	**80.0**	***8%***	**288.1**	**182.0**	***58%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2021	3Q2020	*% change*	9M2021	9M2020	*% change*
Net Profit	86.1	80.0	*8%*	288.1	182.0	*58%*
Other comprehensive income	0.0	0.0	-	0.0	0.0	-
Total comprehensive income for the year	**86.1**	**80.0**	***8%***	**288.1**	**182.0**	***58%***
Total comprehensive income attributable to:						
Owners of the company	80.0	78.6	*2%*	271.8	179.2	*52%*
Non-controlling interest	6.1	1.5	*320%*	16.3	2.8	*476%*
Total comprehensive income for the year	**86.1**	**80.0**	***8%***	**288.1**	**182.0**	***58%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2020	30 September 2021
Non-current assets		
Fixed assets	1,205.2	1,313.2
Intangible assets	427.6	426.0
Right of use	18.8	180.5
Payment under investment	-	5.7
Investment in associates	1.1	2.0
Total non-current assets	**1,652.7**	**1,927.4**
Current assets		
Inventory	66.3	55.4
Accounts receivables	418.8	422.9
Other receivables and debit balances	94.6	78.0
Due from related parties	0.4	0.5
Treasury bills	220.6	501.7
Cash	330.0	311.5
Total current assets	**1,130.5**	**1,370.0**
Total assets	**2,783.3**	**3,297.3**
Equity		
Share capital	800.0	800.0
Treasury Shares	-	(74.2)
Reserves	281.3	292.3
Retained earnings	984.9	1,154.6
Long term incentive plan	-	4.1
Equity attributable to the parent company	**2,066.2**	**2,176.8**
Non-controlling interest	107.7	113.6
Total equity	**2,173.9**	**2,290.4**
Non-current liabilities		
Long-term investments creditors	17.9	28.3
Long-term debt – non-current portion	-	-
Non-current portion of lease liability	8.0	180.0
Deferred tax liability	77.9	82.0
Total non-current liabilities	**103.8**	**290.3**
Current liabilities		
Provisions	21.6	15.2
Creditors and other credit balances	442.0	469.3
Due to related parties	0.6	-
Current Portion of Borrowings	-	136.0
Current portion of lease liability	5.3	34.7
Current income tax	36.1	61.4
Total current liabilities	**505.5**	**716.6**
Total liabilities	**609.3**	**1,006.9**
Total liabilities & shareholders' equity	**2,783.3**	**3,297.3**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 September 2020	30 September 2021
Cash flow from operating activities:		
Profit before tax	251.9	389.4
Adjustments for:		
Depreciation	61.4	83.5
Amortization of intangible assets	-	11.9
Allowance for impairment of current assets	45.3	33.3
Provision	0.4	(6.5)
Capital gain/loss	(0.7)	1.4
Credit/debit interest	(39.6)	(15.5)
Changes in current tax liability	(103.6)	(71.8)
Gain/loss in investments in subsidiaries	-	(0.8)
Employee incentive	7.8	4.1
Operating profits before changes in assets and liabilities	**222.9**	**429.1**
Changes in working capital:		
Changes in inventories	(6.9)	10.5
Change in trade receivables, debtors, and other debit balances	(87.8)	(33.5)
Changes in due from related parties	0.3	(0.7)
Change in trade and other payables	(10.7)	44.1
Paid from employee incentive plan	(136.8)	-
Change in lease	-	(14.2)
Others	-	-
Net cash flows generated from operating activities	**(19.0)**	**435.4**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.7	1.8
Payments for purchase of fixed assets	(69.4)	(67.2)
PUC purchased	(159.1)	(127.5)
Advanced payments for purchase of fixed assets	(23.1)	17.5
Fixed assets suppliers		(14.7)
Payments for acquisition of a subsidiary, net cash acquired	(8.5)	-
Payments under investment	(145.5)	(5.7)
Credit interest collected	42.9	35.0
Treasury bills	50.1	-
Paid under subsidiaries capital increase	-	-
Paid for investment associates	-	-
Net cash flow from investment activities	**(311.9)**	**(160.8)**
Cash flow from financing activities:		
Proceeds from minority share in subsidiary capital increase	-	-
Treasury Shares	-	(74.2)
Dividends paid	(48.8)	(47.2)
Repayment of borrowings	-	-
Cash proceed from overdraft	-	345.5
Cash paid to overdraft	-	(209.6)
Interest paid	(1.6)	(27.6)
Net cash flow from financing activities	**(50.4)**	**(12.9)**
Net change in cash & cash equivalents during the period	**(381.3)**	**261.6**
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	**410.0**	**812.2**