

Cleopatra Hospitals Group Reports FY2021 Results

CHG completes a transformative 2021 delivering revenue and net profit growth of 28% and 38%, respectively, supported by a record fourth quarter; Cases served surpassed the 1 million mark, recording their highest ever figure; Margins at all levels of profitability stood in line with the Group's historical highs; Solid progress on its longer-term strategic priorities, setting the foundations for further growth in the coming years

Cairo, 20 March 2022

Cleopatra Hospital Group S.A.E. (CLHO.CA on the Egyptian Exchange), Egypt's leading 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 2021.

Performance Highlights and Strategic Updates

- **Full-year revenue** growth of 28%, in line with management's targets for the year. Top-line growth was supported by **strong demand for the Group's service offering**, and further bolstered by contributions from its COVID-19-related services, which recorded strong demand particularly in 1H2021, making up around 11% of total full-year revenues.
- **On a facility basis**, growth was balanced across both CHG's established hospitals, while newer facilities recorded robust performances for the year.
- The full-year performance was buoyed by a **record fourth quarter**, which saw the Group report its highest revenue figure for a single quarter on record, outperforming an already strong final quarter of 2020 which had benefitted from the post COVID-19 pent-up demand and rebound.
- **CHG reported margin expansions at all levels of profitability, all of which stood in line with the Group's historical highs.** Improving profitability came on the back of strong top-line growth coupled with the successful implementation of management's long-term efficiency enhancement strategy. At its non-COVID-19 facilities, CHG recorded strong gross profit and EBITDA year-on-year growth of 30% and 36%, respectively, with both outpacing revenue growth for the year. Consolidated profitability was further boosted by contributions coming from CHG's COVID-19-dedicated facilities.
- **Net profit** expanded 38% versus last year supported by strong top-line growth, increased operational efficiencies, and lower impairments. Sustained improvements in impairments come as a direct result of CHG's efforts to enhance its revenue cycle management process, leveraging the new framework and dedicated department introduced in late 2019.
- CHG's **polyclinics** continued to perform well throughout 2021, delivering 70% top-line growth and improving profitability. Throughout 2021, the facilities consistently reported double-digit EBITDA margins, in line with management's expectations.
- During 2021, and in particular throughout the second half of the year, **Bedaya** recorded a steady increase in patient volumes, supported by growing demand from medical tourism. This subsequently drove up revenues which in the final quarter of the year stood in line with the Group's long-term targets.
- At **El Katib Hospital**, the Group initiated the facility's post-COVID-19 strategy with the launch of the hospital's new multi-speciality surgical model in the first weeks of the year. Management is expecting to see the impact of the new service offering reflect on the Group's results later in 2022. Meanwhile, **Queens Hospital** is continuing to serve as the Group's COVID-19 dedicated facility, effectively meeting the needs of COVID-19 patients and operating as an extension to the Group's east-Cairo facilities.
- In December 2021, the Group finalized an agreement to operate, for a 27-year period, **Sky Hospital**, a c. 200-bed brownfield general hospital located in East Cairo's Fifth Settlement area. Under the agreement, ownership of the land and buildings will remain with the three state-run petroleum companies who partnered with CHG for the project. The Group has taken over the site and is starting completions work, with operations expected to commence in late 2023.
- CHG recently launched its **Electronic Medical Records** offering to its patient base, giving patients easy access to their CHG medical history.

- Throughout the year, the Group **launched several new functions and departments to oversee key areas of focus of its longer-term strategy**. Most recently, management launched two new functions dedicated to delivering on the Group's digital and corporate strategies.

Management Comment

As I reflect back on the last twelve months, I can confidently say that **2021 was a transformational year for CHG which saw us deliver robust financial and operational results while taking important strides forward on our longer-term growth and development strategy**. In parallel, we **strengthened other key aspects of the business**, from our management structures to our operational frameworks and internal culture. This saw us **end the year as a stronger organization, having laid the foundations and developed the tools to drive more sustainable growth in the coming years**, and continue to provide our growing patient base with the high quality care they have come to expect from the Group.

Looking at our results in more detail, we delivered year-on-year revenue growth of 28% in 2021, supported by strong demand for our conventional service offering across all of the Group's facilities, and further bolstered by contributions from our COVID-19-related services. Overall, **we served over one million cases in 2021**, with all our service segments witnessing solid growth in volumes throughout the last twelve months. **The impressive performance, which saw us fully deliver on our targets for the year, once again highlighted our ability to drive growth across our entire service and hospital portfolios**, demonstrating the attractiveness of our value proposition which is effectively catering to the country's growing demand for high quality healthcare. Further down the income statement, we recorded **margin expansions at all levels of profitability** as top-line growth trickle down thanks to our efforts over the last two years to drive operational efficiencies and Group-wide integration. I am also happy to note the improvements in our **revenue cycle management framework and claims collection process**, which resulted in a substantial decline of impairments for the second half of 2021. All of this translated into net profit growth of 38% for the year, an impressive result which was supported by strong bottom-line profitability generated by our conventional business.

All our facilities delivered strong growth for the year. **We were particularly happy to note the excellent results delivered by our non-COVID-19 facilities** which reported year-on-year growth of around 25% in FY2021, contributing to over 89% of consolidated revenue for the year. This was best exemplified by Cleopatra Hospital, our flagship facility, which throughout the year delivered consistent financial and operational growth, continuing to set the pace for all our other facilities both in terms of operational excellence and quality of care. Meanwhile, both our polyclinics and our outpatient pharmacies outperformed expectations with demand for both services growing steadily as the year progressed. At **Bedaya**, we were able to successfully stimulate volumes throughout the year, and since mid-September we have seen **revenue growth and profitability approach our long-term targets**. In parallel, our COVID-19-dedicated facilities reported revenue growth of 49% for the year, contributing to 11% of the Group's total revenue in 2021. It is important to note that across both facilities we witnessed lower demand in the second half of the year as infection rates declined following an intensification of the country's vaccination campaign. As such, **in January 2022, we kicked off El Katib Hospital's post-COVID-19 strategy**, which in the coming months will see multiple new centres of excellence added to the hospital's offering, with the full impact of the new additions set to reflect gradually throughout the year. Going forward, COVID-19 patients will be funnelled solely to Queens Hospital, which will continue to operate as a COVID-19-dedicated facility, simultaneously catering to the existing demand for COVID-19 services while boosting referral demand at our non-COVID-19 facilities. In the coming months, we will continue to monitor the demand for COVID-19-dedicated services, and will communicate plans for Queens Hospital in due course.

2021 was also a busy year on the inorganic growth front, as we **actively worked on expanding our operations and footprint within and outside Greater Cairo**. Throughout the year, we explored the market for new opportunities in high-volume, high-growth catchment areas where demand for quality healthcare services is high and their supply remains relatively low. On this front, in December 2021 CHG signed an agreement to operate **Sky Hospital**, a c.200-bed facility in East Cairo's Fifth Settlement area. Under the agreement, ownership of the land and buildings will remain with the three public petroleum sector companies who have partnered with us on the project, while the operating



company will be owned by CHG, and will have the right to operate the hospital for a period of 27 years. We are currently working on finishing and equipping the facility and are aiming to start operations by late 2023. Once operational, the hospital will serve both the large petroleum-sector patient base and offer its full roster of services to the Group's other contractual and out-of-pocket patients in this underserved and growing catchment area of New Cairo.

Throughout the year, **guided by our corporate strategy focused on growth and expansion, systems and processes, as well as people and culture**, we also took several steps to build a better organization, one which can continue to deliver outstanding patient care and growth while helping our employees develop and our communities thrive. Our focus on driving consistent improvements across all aspects of the businesses has been, and will continue to be, a main factor enabling us to remain a step ahead of an increasingly competitive healthcare industry. On this front, it is worth mentioning that in 2021 we transitioned to operating a **shared services model**, leveraging our new HIS/ERP system, which has now been rolled out across all our facilities, to centralise several key departments and function across the Group. In parallel, we also **launched various new functions and departments and strengthened existing ones with a particular focus on business development**. I am confident that all of these efforts have seen us lay solid foundations for further optimization and growth in the new year.

Looking ahead, **we step into the new year with clear targets and a well-thought-out action plan to deliver on them**. Our overarching goals for 2022 remain unchanged as we look to **drive new organic and inorganic growth, further optimize all aspects of our operations, and, most importantly, continue serving our patients and their families to the best of our abilities**. On the inorganic growth front, I am particularly looking forward to making progress on our expansion in East Cairo, and at the same time continue to survey the market for new opportunities to capture. We are especially eager to penetrate the multiple newly developed neighbourhoods of Greater Cairo which are currently underserved and offer access to growing pools of patients. Meanwhile, we will continue to work on optimizing and digitalising our existing business, growing our service offering and centres of excellence model, and enhancing our internal frameworks and culture. All in all, I am confident that **as we transition into a post-COVID-19 world, CHG is ideally placed to continue leading the Egyptian healthcare sector, and deliver outstanding care to our patients and superior value for our shareholders**.

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
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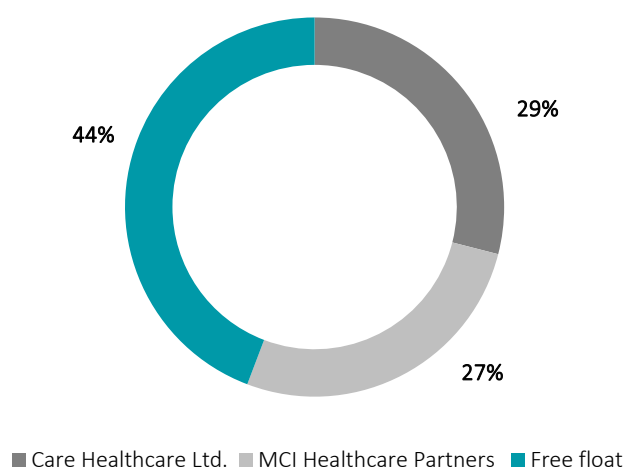
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Shareholder Structure

(as of January 2022)



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	4Q2021	4Q2020	% change	FY2021	FY2020	% change
Revenues	648.7	610.6	6%	2,549.3	1,989.5	28%
Cost of sales	(408.4)	(374.8)	9%	(1,618.6)	(1,300.0)	25%
Gross profit	240.3	235.7	2%	930.7	689.6	35%
<i>Gross Profit Margin</i>	37%	39%		37%	35%	
General & administrative expenses	(90.0)	(80.7)	12%	(388.0)	(308.9)	26%
Cost of acquisition activities	(5.7)	(8.6)	-34%	(17.5)	(13.2)	33%
Provisions	(11.2)	(10.2)	10%	(25.1)	(24.7)	2%
Other income	2.1	0.6	264%	9.4	6.7	40%
Pre-operating income	0.0	0.0	-	0.0	0.0	-
EBIT	135.5	136.9	-1%	509.5	349.5	46%
<i>EBIT Margin</i>	21%	22%		20%	18%	
Interest income	19.0	8.0	138%	59.6	49.1	21%
Interest expense	(9.4)	(0.5)	N/A	(34.4)	(2.4)	N/A
Profit before tax	145.2	144.4	1%	534.6	396.2	35%
<i>PBT Margin</i>	22%	24%		21%	20%	
Income tax	(22.9)	(26.4)	-13%	(120.0)	(95.5)	26%
Deferred tax	0.2	(2.3)	N/A	(3.9)	(3.1)	26%
Net profit after tax	122.6	115.6	6%	410.7	297.6	38%
<i>Net Profit Margin</i>	19%	19%		16%	15%	
<u>Distributed as follows:</u>						
Shareholders of the company	115.4	107.7	7%	387.2	286.9	35%
Minority rights	7.2	7.9	-9%	23.4	10.7	118%
Profit for the period	122.6	115.6	6%	410.7	297.6	38%

Consolidated Statement of Comprehensive Income

All figures in EGP mn	4Q2021	4Q2020	% change	FY2021	FY2020	% change
Net Profit	122.6	115.6	6%	410.7	297.6	38%
Other comprehensive income	0.0	0.0	-	0.0	0.0	-
Total comprehensive income for the year	122.6	115.6	6%	410.7	297.6	38%
<u>Total comprehensive income attributable to:</u>						
Owners of the company	115.4	107.7	7%	387.2	286.9	35%
Non-controlling interest	7.2	7.9	-9%	23.4	10.7	118%
Total comprehensive income for the year	122.6	115.6	6%	410.7	297.6	38%

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2020	31 December 2021
Non-current assets		
Fixed assets	1,205.2	1,351.7
Intangible assets	427.6	425.5
Right of use	18.8	174.7
Payment under investment	-	5.7
Investment in associates	1.1	2.2
Total non-current assets	1,652.7	1,959.8
Current assets		
Inventory	66.3	51.3
Accounts receivables	418.8	383.3
Other receivables and debit balances	94.6	191.7
Due from related parties	0.4	0.5
Treasury bills	220.6	677.1
Cash	330.0	168.9
Total current assets	1,130.5	1,472.8
Total assets	2,783.3	3,432.6
Equity		
Share capital	800.0	800.0
Treasury Shares	-	(4.2)
Reserves	281.3	302.9
Retained earnings	984.9	1,270.0
Long term incentive plan	-	8.3
Equity attributable to the parent company	2,066.2	2,377.1
Non-controlling interest	107.7	120.7
Total equity	2,173.9	2,497.8
Non-current liabilities		
Long-term investments creditors	17.9	31.8
Long-term debt – non-current portion	-	-
Non-current portion of lease liability	8.0	172.7
Deferred tax liability	77.9	81.8
Total non-current liabilities	103.8	286.3
Current liabilities		
Provisions	21.6	21.9
Creditors and other credit balances	442.0	461.0
Due to related parties	0.6	-
Current Portion of Borrowings	-	38.7
Current portion of lease liability	5.3	60.6
Share Base Payment	-	-
Current income tax	36.1	66.2
Total current liabilities	505.5	648.5
Total liabilities	609.3	934.8
Total liabilities & shareholders' equity	2,783.3	3,432.6

Consolidated Statement of Cash Flow

All figures in EGP mn	31 December 2020	31 December 2021
<u>Cash flow from operating activities:</u>		
Profit before tax	396.2	534.6
<u>Adjustments for:</u>		
Depreciation	84.4	113.9
Right of use depreciation	-	26.0
Amortization of intangible assets	4.0	15.9
Allowance for impairment of current assets	51.4	7.1
Provision	6.1	0.3
Capital gain/loss	(0.5)	0.8
Credit/debit interest	(47.0)	(25.1)
Changes in current tax liability	(122.1)	(89.9)
Gain/loss in investments in subsidiaries	0.1	(1.0)
Employee incentive	7.8	8.3
Operating profits before changes in assets and liabilities	380.3	590.8
<u>Changes in working capital:</u>		
Changes in inventories	(17.4)	14.0
Change in trade receivables, debtors, and other debit balances	(96.0)	44.5
Changes in due from related parties	2.2	(0.7)
Change in trade and other payables	39.6	(0.4)
Paid from employee incentive plan	(136.8)	-
Change in lease	-	-
Others	-	-
Net cash flows generated from operating activities	172.0	648.2
<u>Cash flow from investment activities:</u>		
Proceeds from sale of fixed assets	2.0	3.4
Payments for purchase of fixed assets	(159.5)	(97.5)
PUC purchased	(221.1)	(167.1)
Advanced payments for purchase of fixed assets	(27.3)	(17.6)
Fixed assets suppliers	-	-
Payments for acquisition of a subsidiary, net cash acquired	(14.4)	-
Payments under investment	(41.1)	(5.7)
Credit interest collected	50.5	50.8
Treasury bills	50.1	-
Paid under subsidiaries capital increase	-	-
Paid for investment associates	(1.2)	-
Net cash flow from investment activities	(362.1)	(233.6)
<u>Cash flow from financing activities:</u>		
Lease payments	-	(43.7)
Treasury Shares	-	(74.2)
Dividends paid	(48.5)	(47.0)
Repayment of borrowings	-	-
Cash proceed from overdraft	-	464.6
Cash paid to overdraft	-	(404.0)
Interest paid	(2.2)	(13.2)
Net cash flow from financing activities	(50.6)	(117.5)
Net change in cash & cash equivalents during the period	(240.7)	297.0
Cash and cash equivalents at the beginning of the period	791.3	550.5
Cash & cash equivalents at the end of the period	550.5	847.5