Cleopatra Hospitals Group Reports 3Q2017 Results

Cairo, 4 March 2018

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 year ending 31 December 2017, recording revenues of EGP 1,126.8 million, up 30% y-o-y. Top-line growth for the year came as patient volumes continued to rise thanks to the Group's reputation for patient safety and quality of outcomes, and was also supported by improved case mix and pricing. The Group's efforts in the way of platform integration and extracting operational efficiencies saw net profit for the year record a 32% y-o-y increase to EGP 118.2 million, with net profit margin stable at 10% despite severe inflationary pressures on the Group's cost base. On a quarterly basis, Group net profit recorded EGP 33.6 million in 4Q17, down 8% y-o-y were 4Q16 did not include payments made under the Long-Term Incentive Plan (LTIP). Revenues for the quarter recorded EGP 309.6 million in 4Q2017, a 30% growth over the same period last year.

The largest contributor to Group revenues in FY2017 was Cleopatra Hospital (44%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).

Commenting on Cleopatra Hospitals Group's performance for FY2017, Chief Executive Officer Ahmed Ezzeldin said:

"2017 was a milestone year for the Group which saw us deliver on several strategic fronts including **1) business development initiatives** to drive-up revenues and optimize capacity and patient flow, **2) platform integration** and improving operational efficiency, **3) investing in infrastructure and technology upgrades** with all three fronts aligning with our target of **prioritizing patient safety and quality of service**. In parallel, management also made significant headway in its **acquisition and expansion strategy**, pushing forward the Al-Shorouk Hospital extension which is poised to add 40 beds to Group's capacity by 2019; signed definitive agreements to acquire the real estate and operational assets of a hospital in West Cairo, with the transaction nearing completion and acquisition funds placed in an escrow account and deal close pending regulatory approval; we also entered into a joint venture with Al Nahda Education S.A.E, to refurbish, equip, and operate a 160-bed brownfield hospital in Beni Suef with a potential expansion to over 200 beds; and filed for regulatory approval of a mandatory tender offer to acquire 100% of the of the outstanding share capital of the 110-bed El Nozha Hospital in the East Cairo. These developments together with progress on expanding the Group's feeder network with four identified poly-clinic locations throughout Cairo will add significant capacity and growth potential in the years ahead, as well as further cement Cleopatra Hospitals Group's position as the nation's leading quality healthcare services provider."

The Group's integration initiatives and drive for improved operational efficiencies allowed it to extract economies of scale and benefit from cross-asset procurement programs during FY17, delivering higher gross profitability and margin expansion. Cleopatra Hospitals Group's gross profit in FY17 was up 35% y-o-y to EGP 338.6 million, while gross profit margin recorded 30% versus 29% in FY16. Improved performance was also reflected on higher revenue per case served, up 28% y-o-y in FY17. Meanwhile the Group recorded EBITDA of EGP 259.2 million in FY17, up 32% y-o-y and with a stable EBITDA margin at 23%.

Key operational developments during FY2017 included pushing through **business development initiatives** such as the establishment of clear patient referral pathways to enhance patient safety and capture more revenue opportunities, while simultaneously improving service packaging. The Group also rolled-out the Cleopatra Club program for consulting physicians to streamline communication, share expertise and instil increased Group loyalty thus maximizing Cleopatra's share of their business.

On the integration and operational efficiency front, management started implementing unified standard operating procedures (SoPs) as well as unified information technology policies and systems, including a test-pilot Enterprise Resource Planning (ERP) system as well as a full-fledged HIS system at CSH, later to be implemented across the Group's hospitals. In parallel, CHG now operates using standardized service pricing and common purchasing standards across assets. In that regards, the Group also took the strategic decision to free-float the price of all consumables as well as extend their tenders until the end of 2018, allowing for sustained economies of scale. The Group was also successful in streamlining its organizational structure and reporting lines in-line with its multi-asset operating platform, as well as filling in key senior management positions.

During 2017, the Group pushed forward an **extensive CAPEX program** that covered both medical and non-medical investments, with renovations at Nile Badrawi and Al Shorouk Hospitals on track and medical technology upgrades across the hospitals in full swing, including a state of the art catheterization laboratory at Cleopatra Hospital. Additional investments include upgrades to operating rooms, new ventilators, anaesthesia systems and laparoscopes. Meanwhile, the Group also outsourced the management of all patient and staff catering across all hospitals to the Egypt branch of Compass Group plc to improve quality of patient meals in-line with HACCP standards, while laundry services have been consolidated at Al Shorouk Hospital (ASH) and Cairo Specialized Hospital (CSH) to act as hubs for East and West Cairo. Freed up laundry spaces at Cleopatra Hospital and Nile Badrawi Hospital (NBH) will be better utilized going forward for additional revenue generating services.

CHG is also delivering on its **patient safety and service quality goals**, including continuous staff training and awareness raising on topics such as work policies and procedures, infection control practices, environmental safety and medical management, with over 140 new non-financial KPIs introduced to measure performance and success rates. Meanwhile, the Group is progressing with its ongoing initiative to achieve Joint Commission International (JCI) accreditation at all Group hospitals. Action plans to achieve accreditation for each hospital have been formulated based on JCI mock surveys conducted in early 2017.

“Our efforts throughout the year and since our IPO in 2016 have been geared toward a simple goal: the provision of quality healthcare services by investing in infrastructure and medical technology, and through increased asset-integration programs to extract maximum efficiency and enhance patient experience. With CAPEX outlays in the tune of EGP 117 million during 2017, a continued increase in volumes and a strong set of results for the year at a time when smaller players are struggling in the current high-inflation environment, I can confidently say that we’re on the right track. We are heading into 2018 having re-shaped our organization and positioned the Group for further growth and value creation for all our stakeholder,” Ezzeldin concluded.

Cleopatra Hospital Company’s complete earnings release for 4Q2017 including commentary on operational and financial performance is available for download on investors.cleopatrahospitals.com.

—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 in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital and Al Shorouk Hospital, offering a full array of general and emergency healthcare services.

Shareholder Information

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 1,600 million

For further information, please contact:

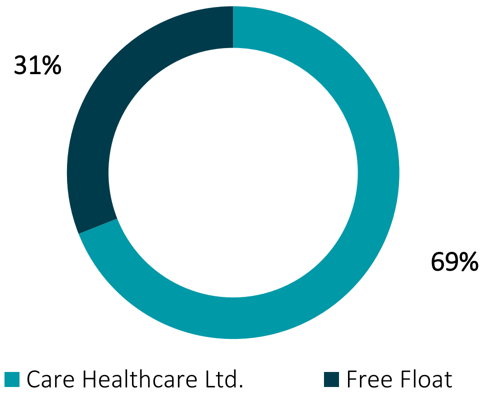
Cleopatra Hospitals Group S.A.E.

HodaYehia
Investor Relations Director

T: +2 (0)2 2241 7471
hoda.yehia@cleohc.com
investors.cleopatrahospitals.com

Shareholder Structure

(as of February 2018)



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, which 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	4Q2017	4Q2016	% change	FY2017	FY2016	% change
Revenues	309.6	237.9	*30%*	1,126.8	864.4	*30%*
Cost of sales	(215.5)	(173.3)	*24%*	(788.2)	(612.9)	*29%*
Gross profit	**94.1**	**64.5**	***46%***	**338.6**	**251.6**	***35%***
Gross Profit Margin	*30%*	*27%*		*30%*	*29%*	
General & administrative expenses	(44.6)	(24.0)	*86%*	(161.4)	(105.8)	*53%*
Cost of acquisition activities	(3.3)	0.0		(5.3)	(1.6)	*226%*
Provisions	(2.1)	5.4	*-140%*	(7.1)	(4.1)	*71%*
Other income	0.6	0.9	*-27%*	5.5	5.0	*9%*
EBIT	**44.7**	**46.8**	***-4%***	**170.3**	**145.0**	***17%***
EBIT Margin	*14%*	*20%*		*15%*	*17%*	
Interest income	18.9	12.0	*58%*	59.4	25.4	*134%*
Interest expense	(19.6)	(9.6)	*105%*	(74.4)	(50.5)	*47%*
Profit before tax	**44.0**	**49.2**	***-11%***	**155.4**	**119.9**	***30%***
PBT Margin	*14%*	*21%*		*14%*	*14%*	
Income tax	(8.6)	(9.5)	*-10%*	(32.7)	(31.1)	*5%*
Deferred tax	(1.8)	(3.1)	*-42%*	(4.4)	0.5	*0%*
Net profit after tax	**33.6**	**36.6**	***-8%***	**118.2**	**89.4**	***32%***
Net Profit Margin	*11%*	*15%*		*10%*	*10%*	
Distributed as follows:						
Shareholders of the company	29.7	31.1	*-5%*	105.7	76.3	*38%*
Minority rights	4.0	5.5	*-28%*	12.6	13.1	*-4%*
Profit for the period	**33.6**	**36.6**	***-8%***	**118.2**	**89.4**	***32%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	4Q2017	4Q2016	% change	FY2017	FY2016	% change
Net Profit	33.6	36.6	*-8%*	118.2	89.4	*32%*
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**33.6**	**36.6**	***-8%***	**118.2**	**89.4**	***32%***
Total comprehensive income attributable to:						
Owners of the company	29.7	31.1	*-5%*	105.7	76.3	*38%*
Non-controlling interest	4.0	5.5	*-28%*	12.6	13.1	*-4%*
Total comprehensive income for the year	**33.6**	**36.6**	***-8%***	**118.2**	**89.4**	***32%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2016	31 December 2017
Non-current assets		
Fixed assets	396.7	472.5
Intangible assets	246.4	241.0
Payment under investment	-	143.6
Total non-current assets	**643.1**	**857.1**
Current assets		
Inventory	46.1	30.1
Accounts receivables	125.9	185.4
Other receivables and debit balances	25.5	22.1
Due from related parties	0.1	5.4
Cash	439.6	1,007.1
Total current assets	637.3	1,250.2
Total assets	**1,280.4**	**2,107.3**
Equity		
Share capital	100.0	800.0
Reserves	298.0	270.2
Retained earnings	168.7	260.3
Equity attributable to the parent company	566.7	1,330.5
Non-controlling interest	43.8	55.7
Total equity	**610.5**	**1,386.2**
Non-current liabilities		
Long term debt - non-current portion	326.0	276.3
Share Base payment	-	24.8
Creditors and other credit balances - non-current portion	-	-
Due to related parties	-	-
Deferred tax liability	60.0	64.4
Total non-current liabilities	386.0	365.6
Current liabilities		
Provisions	24.9	21.6
Creditors and other credit balances	175.2	246.3
CPLTD	52.2	75.6
Current Income tax	31.6	12.0
Total current liabilities	**283.9**	**355.5**
Total liabilities	**669.9**	**721.0**
Total Liabilities & shareholders' equity	**1,280.4**	**2,107.3**

Consolidated Statement of Cash Flow

All figures in EGP mn	31 December 2016	31 December 2017
Cash flow from operating activities:		
Profit before tax	119.9	155.4
Adjustments for:		
Depreciation	26.7	34.6
Amortization of intangible assets	5.4	5.4
Impairments of receivables no longer required	(8.0)	(20.8)
Impairments of receivables	25.6	31.6
Trade receivables impairment – write off	(6.8)	(33.2)
Provision formed	10.9	15.4
Provision utilized	(11.2)	(10.4)
Provisions no longer required	(6.7)	(8.3)
Capital gain / loss	-	(0.7)
Credit Interest	(25.4)	(59.4)
Interest and commissions	57.5	73.5
Changes in current tax liability	(35.7)	(52.3)
Fixed assets write off	-	3.3
Allowance for impairment of inventory	-	0.4
Employee long-term incentive plan	-	24.8
Operating Profits before changes in working capital	**152.1**	**159.2**
Changes in working capital:		
Change in inventory	(21.9)	15.6
Change in trade receivables	(26.4)	(37.1)
Change in debtors and other debit balances	(50.3)	10.4
Change in due from related parties	-	(5.3)
Change in trade payables and other credit balances	47.2	47.0
Net cash flow from operating activities	**100.6**	**189.8**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	0.1	2.2
Payments for purchase of fixed assets	(35.2)	(77.9)
PUC purchased	(9.6)	(37.2)
Advanced payments for purchase of fixed assets	(0.2)	(10.6)
Payments to acquire subsidiaries, net of cash acquired	(235.1)	(0.6)
Payments under investment	-	(143.6)
Interest received	25.6	63.0
Time deposits with maturity more than 3 month	(332.3)	384.2
Collected from housing bills	0.0	-
Net cash flow from investment activities	**(586.6)**	**179.5**
Cash flow from financing activities:		
Paid to increase share capital	20.0	700.0
Dividends paid	(8.5)	(13.9)
Proceeds from borrowings	208.7	-
Repayment of borrowings	(41.6)	(46.0)
Cash proceed from overdraft	32.9	122.5
Cash paid to overdraft	(35.2)	(102.7)
Interest paid	(33.0)	(77.4)
Share premium collected	340.0	-
Net cash flow from financing activities	**483.3**	**582.5**
Net change in cash & cash equivalents during the period	**(2.6)**	**951.8**
Cash & cash equivalents at the beginning of the period	47.0	44.4
Cash & cash equivalents at the end of the period	**44.4**	**996.1**