



# **2020 Full Year Results Announcement and Presentation**

Tuesday, 2<sup>nd</sup> June 2020

## **Introduction**

Dr Ronnie van der Merwe

*Group CEO, Mediclinic International*

### **Preamble**

Thank you very much, and good morning. Thank you very much for joining the Mediclinic International 2020 full-year results audio webcast and conference call. As always, I'm joined today by Jurgens Myburgh, Group CFO, and James Arnold, Head of Investor Relations. Firstly, I would like to wish you and your families well during this challenging and uncertain time. It's unfortunate that we will not be able to meet with you face-to-face, as we normally would do in the roadshows that follows this announcement. I'm going to [inaudible], but before I get into the actual results I would like to make some important points regarding our [inaudible] clinical outcomes and patient experience.

### **Patients First**

[Inaudible] for Mediclinic over these last 35 years of business has been our focus on patient safety, clinical quality, and patient experience throughout the last [inaudible]. I am very proud of our progress and achievement in this important area. We invest in many initiatives to ensure we remain a leader in the sector. A good example is that we measure our clinical performance [inaudible] transparency and responsibility at all levels of the organisation. We have incorporated independent clinical experts into the oversight process to ensure we always [inaudible] and objectivity. On the right-hand side of the slide you can see there's a few [inaudible] the international Press Ganey index, as we see this as a key measure of success. I'm pleased to report we've seen further improvement in this area during the year.

### **Relentless focus: delivering long-term value**

Now moving on to slide number six, before we get into the detail of – on COVID-19, it's impossible – it is important to remember that, for 50 out of the 52 weeks of financial year 2020, we were unaffected by the impact of COVID-19 and we were on track to deliver ahead of expectations. Despite the onset of COVID-19 impacting the Group from mid-March, our full-year financial performance was still broadly in line with expectations – a good achievement overall for us. As a result, we are entering these uncertain times in a strong financial position and with good liquidity. Jurgens will unpack the recent April and May trends in more detail later, but already our operational resilience is showing as performance improves month-on-month.

You will hear many references to the continuum of care today, and this – and that is because it's a cornerstone of our Group strategy and we believe it will support our long-term sustainable growth aspirations. This year, we delivered on an extensive range of projects to further advance our position across the continuum of care, which fits with our goal of enhancing our trusted brand and employer-of-choice status. Our business is nothing without the loyal support of our patients, our people, and our associated doctors.

COVID-19 has created an unprecedented moment in modern history. We play a pivotal role in combating this pandemic, and later in the presentation I will discuss in more detail our comprehensive response to this crisis. Front and centre of our approach is the safety and the

welfare of our patients and our people, in particular our front-line staff and our doctors. We've – as – we've already mentioned our agility and adaptability as we skilfully navigate through this challenging time, and we are already preparing for a new norm as the peak of the pandemic recedes. We expect to accelerate many of our strategic initiatives in areas such as digitalisation, innovation, and genetic services as the Group reforms.

### **FY20 financial performance: broadly in line with expectations despite COVID-19**

Then on to page seven, and I'm going to give a financial performance summary. Jurgens will unpack this in more detail later. Having delivered a solid financial – first-half financial performance, we were on track to outperform in both Hirslanden and Mediclinic Southern Africa until the onset of COVID-19. This demonstrates the strong underlying performances of those two divisions. At Mediclinic Middle East we had great operational delivery, however the challenging macroeconomic and competitive environment impacted the rate of financial delivery. All three divisions contributed to the – contributed to the 5% revenue growth for the year, reflecting a balance between organic growth and acquisitions.

EBITDA was impacted by the effect of COVID on volumes in March, the last couple of weeks of the financial year. Now, March is typically our busiest and our strongest month of the financial year in all three of the divisions. Given the speed of the pandemic, it was not possible to adjust the cost base quick enough as patients volume – patient volumes suddenly dropped. As a result, EBITDA was down 3% compared with up 1% in constant currency if you exclude the impact of COVID-19. We had very strong cash conversion, which supported liquidity of the Group during these uncertain times. And finally on the financials, as part of a broad range of measures to preserve that liquidity, the board took the difficult but prudent decision in April 2020 to suspend the final dividend. The board will keep this under review as we progress through the year.

### **Significant operational delivery across the Group**

*Expanding across the continuum of care and advancing our partnerships*

Then on to slide eight to give a view on operational performance. Operationally, we achieved much during the year and we are really positioning the Group for long-term growth and expansion across the continuum of care. Our aim of this strategy is to offer convenient, high-quality, cost-efficient integrated care, and putting the patients at the centre of everything that we do. Our day case clinic strategy continues to be rolled out, and I'm excited about the new clinic in Zurich, which complements clinic Hirslanden service operating in that city. In addition, we are establishing specialised facilities which this year include the acquisition of Denmar, a well-known mental health hospital in Pretoria, as well as the Institute of Orthopaedics and Rheumatology centre of competence in Stellenbosch. In the United Arab Emirates, we are – we have established a dedicated paediatrics clinic in the Springs community of Dubai.

We've made good progress in the key area of building long-term relationships and collaborations with other leading healthcare groups, and one of the most significant potential opportunities in Switzerland comes through our Medbase partnership, the primary care division of Migros. Migros is a very well-known business in Switzerland. We've really advanced our relationship and agreement this year to strengthen our combined service offering with Migros – with Medbase and to establish a network that provides patients with a

full range of integrated care services that's convenient and cost-effective. Next month we will complete the sale of our own three outpatient primary care facilities to Medbase, and together we are creating a joint venture in specialised outpatient radiology, together with further collaboration in digital services. We are quite excited about this partnership.

And new today is the announcement of our strategic partnership with the Al Murjan Group in Saudi Arabia. This partnership gives us the opportunity to benefit from the growing Saudi healthcare market and will initially involve a new 200-bed acute care hospital in Jeddah, which is expected to open in mid-2022. We bring our operational expertise and reputation as manager of – manage – operator of that new hospital, which complements the Al Murjan Group's local knowledge and infrastructure investments.

#### *Advancing our market-leading positions*

Then on to slide nine. Further operational delivery this year, on this slide, shows how we have invested to advance our market-leading position in all three divisions. Considering significant uncertainty and challenges we faced following the regulatory changes in Switzerland over recent years, Hirslanden has successfully adapted to the challenging healthcare landscape to the extent that, before the onset of COVID-19 in mid-March, the division was delivering good underlying inpatient volumes for the first time in a couple of years. This gives us confidence in our ability to continue to grow market share as the environment – the regulatory environment normalises in Switzerland.

In South Africa, in support of our patients-first approach and transparent reporting philosophy, we now publish per-hospital clinical performance results on our website. We are the first to do this in South Africa, and it builds on our initiative a couple of years ago where we started to publish patient experience scores per hospital. We want our patients, our doctors, and our staff to have as much information available to them as possible so they can make the right choices. At the same time, we are confident in our ability to deliver. In the UAE and in Switzerland, we will be embarking on an exciting new venture, rolling out genetic services to our clients. The ability to provide next-generation gene sequencing as part of our clinical services offering is a cornerstone of providing a broad range of precision medicine services and bringing Mediclinic much closer to our clients. Precision medicine is an emerging approach to disease management and prevention that considers the unique genetic makeup of each individual patient when formulating treatment regimes. Finally, we will see several other examples of digital projects and services we have launched. Later, I will take you through this key part of our growth strategy.

#### **Diversified healthcare services group with leading-market positions**

Let me now turn to the uniqueness of our business, which is on slide number ten. This highlights the key differentiation between Mediclinic and many other regional or single-country healthcare providers. We are truly a unique, diversified healthcare services group, given our geographic spread and broad range of services that we've delivered over 55 years and three continents. The pie on the right of the slide demonstrates that we currently generate over 50% of our revenue from outpatient and day-case settings, but it is also important to – important to remember that our acute care inpatient services offering is also very difficult to replicate and build from the ground up. It requires expertise and investment over many years in people, processes, and facilities to benefit from this core services offering which we now leverage to expand across the continuum of care. This gives us unique

perspective, it gives us insight, and the ability to add value as we move geographically across the continuum of care.

It's important to also note that around 50% of the Group revenue is represented by non-elective, specialist-orientated acute care inpatient services and emergency care. This is worth highlighting because, when you look at the impact of COVID-19 on the Group during lockdown, we have a strong foundation of core revenue that remained with us during these challenging months of April and May. This illustrates the underlying demand for our urgent and emergency healthcare services, and it emphasises our operational resilience. When you then add the backlog in elective procedures due to lockdown restrictions, the revenue trend in May is clearly much more – a much more positive one than what we experienced in April. We are seeing the spread of this recovery differ between regions, with the Hirslanden performing close to the comparable period of last year.

And that – and with that, I would like to hand over to Jurgens, who will now take you through the financial results in more detail. Thanks, Jurgens.

## **Financial Review (Adjusted Pre-IFRS16)**

Jurgens Myburgh

*Group CFO, Mediclinic International*

### **IFRS 16**

Good morning everyone. I hope you can hear me okay and thank you for all your time. Briefly, before we get into the numbers, as you all know by now, the Group adopted the new IFRS 16 leases standard on 1<sup>st</sup> April. For comparative purposes, the FY20 results are, for the last time, presented on a pre-IFRS 16 basis as well. In this presentation, therefore, unless stated otherwise, the results are adjusted and on a pre-IFRS 16 basis. A complete reconciliation dealing with the effects of this change is included in the results announcement and in the appendix to this presentation.

### **Group results broadly in line with expectations despite impact from COVID-19**

On to page 12, starting with the Group income statement. The Group delivered an adjusted financial performance broadly in line with expectations. Revenue was up 5% to £3.1 billion and up 4% in constant currency terms. Revenue growth was driven by a balance of organic growth and incremental acquisitions across the Group, with the latter contributing about 2% of the constant currency growth for the year. As indicated in the recent trading update, adjusted EBITDA was down 3% at £480 million, and down 3% in constant currency terms as well. The Group's adjusted EBITDA margin was 15.6%.

As I indicated at the time of the trading update, March – and Ronnie mentioned earlier as well – March is typically one of our busiest operationally and strongest revenue months across the Group, and all three divisions were affected by the onset of the COVID-19 pandemic in March as we approached year-end. Furthermore, the sudden imposition of national lockdowns, restrictions to elective procedures and associated measures aimed at reducing the spread of the virus impeded any proportionate operational response to the cost base, thus exacerbating the impact on profitability. Indicatively, adjusting for the impact of COVID-19, revenue growth would've been 5% and EBITDA would've been up by about 1%, both of those in

constant currency. Adjusted depreciation and amortisation was up 5% to £171 million, in line with expectations, reflecting continued selective investment aimed at growth and upgrades to infrastructure to enhance patient experience and clinical quality. Adjusted operating profit was down 5% at £312 million. Adjusted net finance costs were flat at £57 million, also in line with expectations, and the adjusted effective tax rate for the period of 22%, increased mainly by the release of previously recognised deferred tax assets and the non-recognition of deferred tax assets in – on Swiss tax losses.

Finally, adjusted earnings and adjusted earnings per share were down 8% at £182 million and 24.7p respectively. As part of the Group's response to preserving its liquidity position through the crisis, the board has taken the difficult but prudent and appropriate decision to suspend the dividend. The board recognises the importance of its dividend to shareholders and will keep this position under review.

### **Group revenue reflects balanced growth**

Over the page, turning to segmental breakdown of revenue, the Group achieved revenue gross across – growth across all three divisions, despite the impact of COVID-19. As mentioned, this was driven by a balance of organic growth and incremental acquisitions across the Group. Hirlanden and Southern Africa's revenues reflected contributions from Clinique des Grangettes in Switzerland and Intercare and Denmar in Southern Africa. In the Middle East, revenue growth was driven by the ramp-up of the new Parkview hospital in Dubai and the continued gradual improvement in the Abu Dhabi business, where Mediclinic Airport Road is delivering good growth.

### **Group EBITDA impacted by COVID-19: March typically the strongest month of the year**

Over the page on page 14, on the segmental breakdown of EBITDA, Hirlanden's EBITDA result was in line with expectations, despite the impact of COVID-19, and was in fact exceeding expectations until the onset of it in the middle of March 2020. Mediclinic Southern Africa's EBITDA margin was also in line with expectations and reflects the anticipated additional cost of initiatives to enhance clinical standards and to expand across the care continuum. In the Middle East, while we are pleased with the operational positioning, financial delivery is slowed by weaker market fundamentals, exacerbated in March 2020 with COVID-19 lockdowns and restrictions on non-elective procedures.

### **Performance in line with expectations: good progress adapting Hirlanden**

Over the page, looking at the divisional results in more detail and starting with Hirlanden. Including the contribution from Clinique des Grangettes, which was consolidated from 1<sup>st</sup> October 2018, FY20 revenue increased by 1% to CHF 1.8 billion. On a like-for-like basis, revenue is down 1.2% from the prior year, with inpatient revenue down 2.3% and outpatient revenue up 1.5%, reflecting the final period of the out-migration regulation directly impacting volumes. In the fourth quarter of our financial year – which is the first quarter of the calendar year – before the onset of COVID-19, Hirlanden was achieving low single-digit volume growth, an encouraging trajectory for the business. EBITDA was broadly in line with expectations, down 7% to CHF 266 million with an EBITDA margin of 14.8%. The decline reflects the expected impact of out-migration through to the end of December 2019. Hirlanden converted 116% of adjusted IFRS 16 EBITDA into cash generated from operations, reflecting improved revenue cycle management.

**Solid performance in Southern Africa: in line with expectations**

Over the page, on South Africa – page 16, that is – despite the impact of COVID-19 in late March, Mediclinic Southern Africa’s revenue increased in line with the upwardly revised guidance that we provided in December 2019, up 7% to ZAR 17 billion. Bed days sold increased by 2.5% and average revenue per bed day increased by 4%. On a like-for-like basis, excluding Denmar and Intercare, revenue was up 5.6% from prior year, with bed day growth of 0.1% and revenue per bed day growth of 5.4%.

Adjusted EBITDA was flat – excuse me. Adjusted EBITDA was flat at ZAR 3.4 billion, with the adjusted EBITDA margin in line with expectations at 19.9%, reflecting costs incurred to further enhance clinical standards and to expand across the continuum of care, with the Intercare acquisition and the new Mediclinic Stellenbosch hospital and day care clinic both incorporating leasehold properties and consequent rental charges. Depreciation and amortisation increased in line with our expectations by 10%, mainly due to increased spend on hospital infrastructure upgrades and medical equipment. This above-inflation increase is expected to extend into FY22 as we continue the upgrade cycle in Southern Africa. The division converted 104% of EBITDA into cash generated from operations, reflecting continued good working capital management.

**Challenging Middle East environment: good operational delivery**

On the Middle East, Middle East delivered on a number of operational projects during the year. However, macroeconomic challenges, the competitive environment and the earlier onset of COVID-19 restrictions slowed the financial delivery, with revenue up 6% to AED 3.5 billion. Inpatient admissions were up 5.4% and outpatient cases were up 2.9%. Specifically in the fourth quarter of the period, volumes were further impacted by flooding in the region during January 2020 and the fact that our COVID-19 lockdowns and restrictions on outpatient and non-elective procedures imposed in March 2020.

In Dubai, revenue growth for the period was 9%, reflecting the significant contribution from the new Mediclinic Parkview hospital which continued to perform ahead of expectations, and an improved, stable performance at Mediclinic Welcare hospital, offset by the impact at Mediclinic City hospital from the new hospital opening and a modest decline in outpatient clinic volumes.

In Abu Dhabi, the revenue growth for the period was 1%, benefiting from the investments made to enhance the business and operational performance over recent years. Mediclinic Airport Road hospital saw inpatient and outpatient volumes up 11% and 8% respectively during the period, with continued improvement in revenue per admission. The slow revenue growth is reflected in the division’s EBITDA, which decreased by 1% to AED 422 million, with the adjusted EBITDA margin decreasing to 12.3%. Adjusted depreciation and amortisation increased by 9% and net finance costs increased to AED 40 million, both as expected, following the opening of Mediclinic Parkview hospital. The Airport Road expansion which will be commissioned this year will, under IFRS 16, drive a further increase in depreciation and finance costs, especially in the second half of FY21. The division converted 98% of adjusted EBITDA into cash generated from operations, due to improved collections.

**Maintaining a strong Group balance sheet: adoption of IFRS16**

On page 18, then, the balance sheet. As I mentioned at the outset, we've adopted IFRS 16 leases standards, which required operating leases to be accounted for on-balance-sheet from 1<sup>st</sup> April. The balance sheet thus reflects right-of-use assets of £675 million and capitalised lease liabilities of £703 million. With the reverse acquisition of the Al Noor Group that became effective on 15<sup>th</sup> February 2016, Mediclinic International plc recognised goodwill of approximately £1.4 billion. In line with the requirements of IFRS, goodwill is tested only for impairment.

In the UAE, the weak macroeconomic and sustained competitive environment, exacerbated by the pressure from lower oil prices and the COVID-19 pandemic, affected key inputs to the review and gave rise to impairment charges amounting to £481 million. Mediclinic Middle East is a leading private healthcare provider in the United Arab Emirates, with a strong brand and reputation, and generates good free cash flows. The division has absorbed business and operational changes in Abu Dhabi following the Al Noor merger, but in – has emerged well-positioned operationally for long-term sustainable growth, and the Group remains optimistic about the medium- to long-term prospects of this business.

During the period, Hirslanden reduced its secured debt by CHF 117 million, with a 50 million scheduled repayment and 67 million optional repayment. At the period end, the Group's leverage ratio remained stable at 3.4x, reflecting net debt incurred of £1.6 billion on tangible fixed assets of other £4 billion. With the adoption of IFRS 16, the leverage ratio is approximately one turn higher.

Our recent financial performance has resulted in a Group return on invested capital of 4.5%, which is below our weighted average cost of capital. As Ronnie has indicated, we believe that there are strategic and operational opportunities that we're working on that we expect will deliver improved returns over time. Ronnie will take you through some of these in more detail later.

**Strong cash conversion supports increasing cash position**

Finally, before I hand back, on the – page 19, the cash flow statement, the Group achieved cash flow conversion of 109%, ahead of our targeted 90 to 100%, with strong delivery driven by improved cash collections across the Group. This delivered a strong cash position of £309 – £329 million at year-end, positioning us well as we entered the COVID-19 pandemic.

With that, I'll hand back to Ronnie to take us through the opening slides of the – of the COVID section.

**COVID-19: Our Response**

Dr Ronnie van der Merwe

*Group CEO, Mediclinic International*

Thank you, Jurgens. Now let's take you through the – our response to COVID-19. Clearly we're now navigating uncharted waters, with COVID-19 presenting new and significant uncertainty to our business. We benefit from the broad range of expertise and skills we have amongst our teams, which has provided us with unique insight to respond to this pandemic

effectively and efficiently. Thanks to our strong financial position and liquidity, we can focus on supporting our people, our doctors, our patients, and the local health authorities in our different territories in the best possible way.

### **COVID-19 emergency preparedness: unique international expertise and insight**

On slide 21, there's a summary of our approach that prepares, protects, and mobilises Mediclinic during this pandemic. The Group task force, which is centrally coordinated by Chief Clinical Officer Dr René Toua, leads the response according to a comprehensive business continuity framework that includes clinical, operational, and financial aspects of the business. Divisional task forces drive our response tactically by rapidly implementing action plans when and where necessary. These teams are constantly assessing and re-evaluating Mediclinic's response to this dynamic and evolving situation. Our COVID-19 preparedness plans have matured over the last weeks, greatly enhanced by our Group approach of centrally-led collaboration across geographies, which each are at – each of our geographies are at different stages of the pandemic process, makes it more interesting. Our priority is the safety of our patients, our employees – especially the front line or employees affiliated of the contracted service providers, all of which are of critical importance. Now, I've been very impressed with the Group's ability to adapt and innovate quite rapidly and we have invested in several key initiatives to deal more effectively with this crisis, and I'm going to mention a few.

Firstly, we strengthened our supply chain to secure additional personal protective equipment, medical and surgical consumables, and medical equipment. Secondly, we increased our care capacity by acquiring additional ventilators, expanding our critical care capacity, sourcing more critical care staff and establishing alternative interim facilities to admit asymptomatic and low acuity patients where indicated. Thirdly, we reconfigured our hospitals into separate areas for COVID and non-COVID cases. Fourthly, we increased testing capability by establishing test stations and additional lab testing facilities. Fifthly, we established new services like telemedicine, prescription home delivery services of chronic medication – we created drive-through pharmacies, 24-hour client and crisis control centres, online risk assessment tools and software to track and trace. And number six, we established a cross-divisional critical care forum to ensure that our doctors – the ones that are managing patients in critical care – stay abreast of the newest treatment protocols as they evolve in this relatively unknown disease.

We follow the strict principles and guidelines established by the relevant local authorities that are aimed at slowing the spread of the disease, with input to policy formulation from our own experts. We work closely with the health authorities in this regard. In addition, clearly defined infection prevention and control, as well as communicable disease emergency preparedness programmes that govern admissions, containment, triage, and treatment of suspected or confirmed cases, are established and strictly enforced in all our divisions. Despite these efforts, we had two hospitals out of 76 with local outbreaks. These were handled swiftly and decisively, and both hospitals returned to normal operations after minimum downtime.

### **Mediclinic's expert response during the phases of COVID-19**

On slide 22, we show phases of the pandemic. So this is what we do for planning purposes; we view the pandemic in terms of phases and this slide illustrates the impact of these phases on the business. The two phases Jurgens and I will focus on for now will be the 'protect and

respond' as well as the 'adapt' phases, as these are the ones with the biggest impact on our business. I will discuss the post-pandemic reform phase towards the end of the presentation today.

As the severity of the pandemic increased during March and April, most countries introduced national lockdowns restricting movement of people and business operations, as you all experienced. Healthcare industries across the world were impacted in two ways, namely the suspension of elective procedures – as they had to create capacity for COVID cases – and also sick patients not seeking healthcare because of the fear of contamination. Impact on private healthcare providers during the 'protect and respond' phase was profound, with drastic volume declines never seen before. The impact has been different between providers and countries depending on many factors, including restrictions of lockdowns and government interventions, age, demographics, population density, the role of private providers in the respective healthcare systems, and many more. Mediclinic has a strong foundation of urgent and emergency services and was impacted to a lesser extent than some other organisations offering predominantly elective surgery.

Moving to adapt – to the 'adapt' phase, recovery of – recovery of operations will be different in the different territories in which we operate. Switzerland is past its peak; the peak wasn't as intense as we thought it would be and Hirslanden has returned to near-normal levels of activity. The UAE and South Africa are some way off from reaching their pandemic peaks, and although lockdown restrictions are being lifted, hospital operations will be affected by having to deal with high caseloads of COVID patients for some time to come.

The Group will support – with support from doctors and the health authorities, has developed detailed operational plans to allow for the safe and efficient reintroduction of elective procedures. Although this will be a period of adjustment as more health services return, we are constantly evaluating and adjusting our approach according to the scenario planning and crisis management practices that we've implemented. We will remain highly diligent. The red arrow at the bottom of the slide demonstrates that the possibility of move – having to move back from respond – from 'adapt' to the 'respond and protect' phase during a possible second wave and the accompanying lockdown that might happen. We have all the necessary systems in place to deal effectively with this – such an eventuality.

In summary, the most important success factors in responding to this pandemic are the following: lockdowns and how we [inaudible]. Secondly, the intensity of the pandemic waves and the response to the – to them. Thirdly, our ability to safely deal with COVID and non-COVID patients simultaneously in the same facilities. Number four, ability to reactivate elective and urgent care pipelines through telemedicine and pharmacy activities. Number five, our ability to alleviate patient fears through communication. Number six, our agility in creating additional services and revenue via expanding lab services, for instance, increasing lab – ICU capacity, etc. Number seven, our proactive response to the economic consequences through rigorous scenario planning. And lastly, dealing with the authorities and how they respond. We are well-prepared to deal efficiently with all these factors and feel confident in our ability to become stronger – a stronger organisation as a result of this.

With this, I will let Jurgens take you through the financial planning of COVID-19. Thanks, Jurgens.

**Strong financial position and liquidity: proactive and appropriate measures taken**

**Jurgens Myburgh:** Thank you very much, Ronnie. I'm on page 23 of the – of the presentation. The severity, duration and full impact of this pandemic and its economic aftermath on all businesses, including ourselves, remains uncertain. To financially plan for the – for the impact of the pandemic, what we did is we analysed various scenarios informed by epidemiological forecasts. We anticipated medium-term economic impact of lockdown and other measure – measures in response to the pandemic to determine its combined estimated impact on revenue, profitability, and cash flows. While recognising the ongoing acute care and emergency services offered across the Group, which underpin revenues, there remains a risk to elective procedures and outpatient activity from a continuation or reintroduction of lockdown and other measures in response to the pandemic, the availability of staff and the disruption in the supply chain. These will be partially offset by the Group's response to the crisis and the potential increase in demand from postponed elective procedures and outpatient activity as restrictions are relaxed.

As part of the Group's proactive response to maintaining its liquidity position and optimising its response to the crisis, a number of actions were taken, including postponing or reducing capital expenditures and administrative costs, further optimising working capital management, suspending the dividend – a position that will be kept under review – and postponing salary increases for all managerial positions. At 31<sup>st</sup> March 2020, the Group had material headroom to covenants in its existing borrowings and a strong liquidity position leading into the global pandemic. The cash and available facilities of the Group at year-end were £518 million, and the Group leverage ratio on incurred debt was 3.4x. A further unused bank facility in Switzerland of CHF 250 million was reactivated after year-end as part of the proactive measures taken with lenders.

All three divisions have recently refinanced their debt, and therefore maturities are relatively long-dated. The nearest-term material maturity is a Swiss bond of CHF 145 million due in February '21; the unrealised bank facility that I referenced earlier of CHF 250 million is available to fully repay the bond. As a matter of prudence, given the uncertainty of the impact on EBITDA, we proactively engaged with lenders to obtain certain covenant test waivers, with the next tests in the Middle East in June 2021, and September 2021 for Hirslanden and Southern Africa. All remaining covenant tests have sufficient headroom, based on the range of modelled scenarios. We have excellent long-standing relationships with our lending banks, continue to engage proactively and constructively with them, and of course we appreciate their support.

**Assessing the financial impact of COVID-19: demonstrating our operational resilience**

Finally – I'm over page on page 24. Finally and importantly, the current trading and the impact of COVID-19 on the Group. Given the unprecedented nature of this pandemic, we have sought to prepare the Group for potential outcomes that seem reasonably possible. The trends I'll talk you through in April and May are presented not as a guidance or a forecast, but to demonstrate how the Group is likely to perform during the different phases of the pandemic that Ronnie highlighted earlier, without seeking to predict which outcome is most likely.

April 2020 represented the aforementioned 'protect and respond' period across the Group, with revenue down around 35% versus the prior year period. That represented a decline of 30% at Hirslanden, 40% at Mediclinic Southern Africa and 30% in the Middle East. As a result of the relatively higher fixed cost base associated with operating acute care hospitals, the revenue declines in April materially impacted EBITDA in all divisions. In April, the EBITDA loss was CHF 15 million at Hirslanden – these are round numbers – ZAR 100 million in Mediclinic Southern Africa and AED 10 million in the Middle East. The Group EBITDA loss was around £20 million, compared with a profit of £40 million in April last year.

The relaxing of initial social lockdown measures and the phased reintroduction of elective procedures and outpatient activity has occurred across the Group. The latter began in Switzerland from 27<sup>th</sup> April, in Southern Africa from 1<sup>st</sup> May, and Dubai from 8<sup>th</sup> May. In this context, we've observed noticeable increases in inpatient admissions and outpatient attendance throughout May, in line with the aforementioned 'adapt' period. In May 2020, the Group expects a sequential monthly improvement in revenue, up 30% on April, while down around 15% versus the prior period, with the impact at divisional level expected to be around 5% at Hirslanden, 25% at Mediclinic Southern Africa and 20% in the Middle East. This provides a good indication of the operational resilience of the Group. Given the operating leverage of the business, this is expected to deliver a material sequential improvement in EBITDA between April and May, with indications that all three divisions will make a positive contribution in May.

The Group's original FY21 CAPEX budget, in constant currency, is £243 million. The current monthly expenditure run rate is approximately 25% of the original budget and is expected to increase as the impact of COVID-19 on the business passes. Cash and available facilities at the end of May was £490 million, compared with the £580 million at the end of March. The Group will continue to monitor operating cash flow generation and maintain strict working capital management and capital investment to balance liquidity preservation with the necessary investment.

With that, I conclude and I hand back to the operator for questions. No, sorry –

**Ronnie van der Merwe:** It's only me – it's only – it's me again.

**Jurgens Myburgh:** – hand it back to Ronnie. Apologies.

**Ronnie van der Merwe:** It's fine. We're not sitting in the same facility now, so we are – we have to do – give verbal messages to one another.

## **Operational and Strategic Delivery**

Dr Ronnie van der Merwe

*Group CEO, Mediclinic International*

### **Driven by our clear Group strategy**

I'm on page 26, Group strategy, and I'm just going to make a couple of comments and then we are – then we can go on to Q&A. Before I go on, I received a message that my sound wasn't very good in the beginning, so – on the very first slide – and I apologise for that and I

– and I really hope and trust that the sound's good now. Is it? Can I just get an indication? Yes, it seems very good.

So, thank you very much, Jurgens, for that. We're going to talk about strategy quickly. I want to come back to our strategic delivery and provide you with some colour as we look ahead now. So our long strategy strongly positions Mediclinic to take advantage of the anticipated future developments in healthcare. Some aspects of the strategy that has already been implemented have been beneficial in dealing with the pandemic, which was really very positive. The current COVID pandemic has also given us a great opportunity for stress-testing our strategy, as well as our operating model, to uncover any shortcomings. We've also learned that the pandemic has accelerated the execution of many of our strategic initiatives, which is also very positive. We are taking full advantage of this opportunity to evolve the business. We are realising further synergy – synergies across the Group and at divisional level by analysing and optimising skills and processes with the help of technology. And finally, by getting all of this right, we expect to achieve superior long-term financial returns, which is what we really aim for.

### **Expanding across the continuum of care in support of our vision**

On slide 27, this slide brings together some of the most important aspects of our strategy. We are complementing our well-established acute care inpatient facilities by integrating across the continuum of different care settings. It reduces the problem of fragmented care and enables us to take advantage of opportunities across the broader spectrum of care delivery. Partnerships play an important role in our approach to integration. We identified four continuum-of-care domains, namely care, recover, enhance, and prevent. Partnerships, digitalisation, and innovation enable us to develop services across all four of these domains. Our focus on strengthening our already substantial advanced analytical capabilities and including our cost-efficient quality-of-care value equation strongly supports this development. This approach, together with Mediclinic's broad range of services and depth of expertise across geographies, enables Mediclinic to evolve into a fully diversified healthcare provider. We are actively doing this today, to the point of significant operational delivery during the year under review, and I'm excited about the possibilities and opportunities we are working on.

### **Committed to sustainable development: Mediclinic's approach**

On slide 28, we as a healthcare provider are – not only strive to create value every day by providing cost-effective quality care and outstanding client experiences. We also take a broader approach to value creation by taking responsibility for the impact of – impact of our operations beyond our facilities. A formal sustainable development strategy which governs our ESG activities has been developed with these – this in mind to ensure we conserve, connect, and comply. Worthy of highlighting is the Group's target of becoming carbon neutral and having zero waste to landfill by 2050. A stretch goal for us to have, but it's important that we make progress on – in both areas over the coming years, and we have detailed plans to support these objectives.

### **Unified approach, shared benefits**

On slide 29, we are exposed to many different healthcare models, delivery systems, regulatory frameworks, and funding models in both developing and developed markets. We

provide services across a wide range of care settings in all of these markets. This enables us to have a clear view of the future of healthcare and our own strategic direction. We regard the collective skills, expertise and competencies built up over time to be of great value to the business. We are very focused on maximising this value, as well as the value of scale, by deploying the optimum operating model to improve our overall performance and value proposition.

### **Maintaining our leading market positions: priorities for the year ahead**

And then lastly, the last slide, conclusion, slide 30. Before we hand back to the operator so we can take questions, just a summary of how we look at the year ahead, as well as our key priorities. Our first priority is COVID-19 and how we handle the pandemic. We will continue to keep our staff and doctors safe. We will continue to provide our COVID patients with quality care according to the most up-to-date clinical protocols available. Our urgent and emergency services will continue uninterrupted. We will safely reintroduce outpatient services and elective procedures, and we will keep our non-COVID patients safe. We are aware that circumstances might change rapidly and that the resolution of the pandemic may not be a linear process. It might necessitate navigating peaks spread over an extended period or in rapid succession. However, Mediclinic is established and agile, and we now have a clear understanding of the pandemic. We are realistic about the challenges we face, and we are ready for the opportunities that may result. We will continue to execute against our Group strategy as we reform for the new post-pandemic healthcare landscape. I also expect us to accelerate several strategic initiatives in response to the pandemic. I'm very confident in our long-term Group strategy. It already enabled us to deal with this pandemic more effectively, and it positions us very well for the future.

And with that, I would like to hand over to the operator, Nadia, so we can take your questions. Thank you, Nadia.

## **Q&A**

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. As a reminder, if you wish to ask a question please press star and one on your telephone keypad and wait for your name to be announced.

The first question comes from the line of Catherine Cunningham from JP Morgan. Please ask your question.

**Catherine Cunningham (JP Morgan):** Hello. Thanks for the presentation, guys. Just a few questions from me. So firstly, in the Middle East, could you just give us a sense of how many doctors you have employed in the last quarter? Again in the Middle East, you know, we continue to read reports of expats leaving the region. Could you maybe give us a comment on what you expect the impacts of this will be in the medium term?

Then in Switzerland, when it comes to the resumption of elective procedures, we just wanted to know whether this is across the board, or has it been a more narrow set of procedures that has resumed.

And then finally, in South Africa you mentioned that negotiations are still ongoing with government in terms of regulations and contracting proposals. Could you just give us an idea

of how far down the line you are with this and when you expect to have clarity, and how and to what extent public sector patients taken on will be reimbursed?

**Ronnie van der Merwe:** Thank you very much. I didn't get the first question very well, there was a bit of a problem with the sound. Jurgens, did you hear that question well?

**Jurgens Myburgh:** Yeah. Catherine, good morning. On the number of doctors, I mean, we – we don't report on the number of doctors that we – that we employ every quarter, but what we can say is that we continue to build momentum in – what – the expansion that we're doing at Airport Road, resourcing that; the expansion that's taking place at Parkview, resourcing that; the dynamic building at City hospital and resourcing that. So it has not been a concern for us in the last quarter. In fact, it's quite the opposite.

And then in terms of expats, I think we have to be alive to the situation of the potentially changing demographic in that environment and the agility that we have to act and react with to be able to maintain our business model. And that's our reality. It's also, by the way – you know, it's part of the broader picture that leads into the thinking or the calculation around the impairment as well. But I think it's something that we've taken cognisance of, but it's something that we'll have to continue to monitor from a business model perspective.

**Ronnie van der Merwe:** Great. Thanks, Jurgens. Thank you. On Switzerland, the pick-up of elective work is across the board. It's not in one particular area; it's across all our different disciplines that we offer over there in Switzerland.

In South Africa negotiations are under way. As I said earlier today as well, we engage constructively at both national and provincial level with government, and we will continue to do so. These negotiations are – can be – can be tough. They have to also – negotiations also have to take place with doctors, or agreement reached with doctors, with radiologists, with laboratory companies, as well as with other medical disciplines. So it's ongoing. That's all I can say at the moment, and we don't have an agreement yet.

**Catherine Cunningham:** Okay. Thanks very much.

**Operator:** Thank you. The next question comes from the line of Kane Slutzkin from UBS. Please ask your question.

**Kane Slutzkin (UBS):** Thanks. Morning, gents. Firstly, Jurgens, in the past you've spoken of sort of fixed versus variable cost component being a sort of case of a third, a third and a third. I think that's the way you put it. Just interested to understand how this has played out so far, particularly in sort of April/May, and I ask this with specific reference to what seems to be relatively well-contained cash burn in the period post the period end – you know, April/May.

And then just on the UAE, I mean, you've taken the impairment, of course, and you still seem quite confident on the longer-term story. And I appreciate the outlook is rather uncertain. How should we be thinking about the progression though? I mean, the – if one thinks about we were sort of double-digit revenue growth and high single-digit, now we're sort of mid single-digit. I mean, is there sort of a run rate we could – you could sort of point us to over the next maybe two years, or is it just too uncertain? Just wanting to see if we can get any guidance on that.

And then, maybe just finally, on Switzerland, obviously a lot has been made about out-migration over the past sort of year or two. You've obviously had a decent period now to [inaudible] that; obviously COVID maybe just creates a bit of issues, but, you know, in the past you spoke about the need to get better at it and to become more profitable at it, as well as on the basic work. Could you maybe just comment where you guys are on that, where profitability is relative to maybe where you ultimately would like it to be? And, you know, to what extent are you even seeing opportunities to backfill the sort of inpatient side? Thanks.

**Jurgens Myburgh:** Thank you, Kane. Good morning. So, yeah, let's start with fixed versus variable. I think the most helpful slide there would be the final one that we gave you, that really contrasts and compares April to May. And if you look at the revenue performance of the three divisions and the business relative to prior year, and the indication that we're giving around the EBITDA-positive contribution in May versus where we were in April, it probably provides you reasonably good indication of the breakeven of the business. And so I would say that, you know, it's in – it's somewhere in the sphere of between those two months. But in terms of cash, I think the important aspect of cash is not just obviously the operating profit and operating cash flow of the business, but then with that goes working capital management and the management of our – of our CAPEX as well. And, as I indicated, you know, the measures that we've taken around our CAPEX, which is – which is currently running at 25% of our originally budgeted – you know, budgeted number, working capital management has been very, very strong. We had really good collections in the Middle East in April, you know, and then – and then the measures that we took around the dividend, we will – which we will continue to review, measures that we've taken around salary increases – I think we've been – we've been proactive and prudent in managing that cash position, and it's something that we'll – as I said earlier, that we will continue to do in a dynamic way throughout the year. I think it's a really important number for us, and so managing that cash balance and that liquidity position is a number-one financial priority, you know, across the Group.

Then in terms of the UAE, as I said earlier, you know, I think the goodwill relates to the – to the Al Noor combination, you know. Since then we have sought to integrate the businesses, which we've done over the four-year period, to align the businesses from an operational and – from an operational perspective, as well. We've now got into business where we're really agile, and it's been proved out in the – in the current COVID crisis, the agility with which the team have handled this and the – and the strength with – of the relationship with government and regulatory authorities has come out as well. And the summary of that is that, in my opinion, I think we have a good business in a tough environment, but we have to recognise that and we – and we have.

And so I think it's difficult, Kane, to credibly give you medium-term guidance, but it's fair to say that we've moderated it on the back of the economic weakness that we're seeing in that region. I don't think you can underestimate the impacts of a lower oil price, as well. You know, so it's not just COVID; it's not just, you know, expats. I think it's a combination of factors, but don't underestimate the impact of oil as well. And we've taken that into account in moderating our view of the – of the medium-term prospects for the business. But, you know, if the question is are we still – are we still looking to improve our margins, absolutely yes. Are we looking for a better trajectory? Absolutely, we are. And the team are – and the team are committed to that.

**Kane Slutzkin:** Okay.

**Jurgens Myburgh:** On – Kane, on your question on out-migration, I think Ronnie indicated earlier the way that we were adapting the business and adapting to the regulatory changes. Some of the key changes here is firstly, on the revenue side, you know, building out day surgery facilities to be able to do out-migrated work at a – at a lower cost and at improved profitability, but also the backfilling of inpatient admissions, which really means that we've taken share. And, as I said, in the first quarter of this calendar year we saw low single-digit volume growth, which is – which is an encouraging piece for us, because this would've been the first quarter that we have a like-for-like comparison in our inpatient business. And so that's an encouraging data point for us. In terms of profitability, what we have managed is our staff component, but also our procurement, and continue to make – to achieve savings from a procurement perspective as well. And I think those, in combination, are putting us in a better place, but it continues both in terms of our referral patterns as well as our cost management. That's a work in progress and it's something that the team are very committed to as well.

**Kane Slutzkin:** All right. Thanks, gents.

**Operator:** Thank you. The next question comes from the line of Victoria Lambert from Bank of America. Please ask your question.

**Victoria Lambert (Bank of America):** Hi. Three questions from me, please. The first one is just about your entry into Saudi Arabia, having done your write-down in the – in the Middle East business for, you know, weaker macro and more competition. I'm just trying to understand what factors are then leading you guys to want to enter Saudi. You know, they're also impacted by a weaker oil price and are also seeing some expats leave the region, and there is more competition – you know, it is, like, an area where a lot of the UAE hospitals are expanding into.

And my second question is about occupancy. What was the level in South Africa in April?

And then my third question is just on the pick-up in May. Which areas specifically were driving this? Was it mostly emergency services? Thanks.

**Ronnie van der Merwe:** Thank you very much for that. Jurgens, will you do the second one? I'll start with the first one, Saudi Arabia.

So, as part of our growth strategy, we've always said we are looking at countries and territories close – in close proximity to the countries in which we already are. We also talked about incremental growth and going in small, which is what we prefer to do. This contract that we now have in Saudi Arabia is with a very, very strong partner over there, the Al Murjan Group. It's a very well-known and well-established group and it gives us the opportunity to get – and this is a management contract, so we're going to be – we're developing the hospital and we're going to be managing the hospital for them. So we – it's a – it's a – it's a very good way in which to get to understand and know the Saudi market. And for that – for us, it's a very strong entry. We also think that, although the economy – there is an economical downswing at the moment in that region, that will also not last forever. And we are looking at all sorts of opportunities at the moment, so we just thought that this is a great way in which to get to understand the Saudi market better and together with a local partner there.

So that's Saudi Arabia, and that's our view. We are also looking at other territories and we will continue to look for opportunities.

Jurgens?

**Jurgens Myburgh:** Thank you, Ronnie. Hi Victoria. I think – we don't break out occupancies for April and May. What we have given you, on page 24 of the presentation, is a very clear indication of how revenue and profitability has behaved over that period. And so, if you look at the revenue performance of the business, down 35% relative to last year this time, at 30%, 40% and 30% across the three divisions, and then you – and then you look at the uptick of that in May, again relative to last year, but relative to itself up around 35%. So I guess you can – you can calculate from there, but that provides I think a really good indication of the activity within the hospitals.

**Ronnie van der Merwe:** Okay, thank you. And then, just on the May pick-up, the areas of what – where did the pick-up lie. Now, in the – in Switzerland, we – the entire business picked back up again. In South Africa and the UAE, I think the best way to describe it is there was urgent care that wasn't delivered because patients were afraid to go to hospital, so they postponed their urgent care, so obviously that has been coming back. And then a third – a big portion of any elective work has been started up again, especially in South Africa. It's not – it's not entirely where we were, as indicated by Jurgens, but there has been quite a good pick-up. It does concern some specialties, so some specialties are more – picking up quicker, whereas others will take longer, but it doesn't really – it doesn't really matter how we split it up. It – the trend is that of a gradual improvement, and that's what's important.

Then the other thing is we – what we also look at is in UAE we've seen quite a lot of contracts with government in terms of how we deal with COVID cases, and that obviously has been of great help to us over there. Elective surgery hasn't really picked up very strongly, although I'd like to add that we are having – some of our hospitals have been dedicated as non-COVID hospitals, and in those hospitals we are actually starting to pick up quite nicely on elective work.

**Victoria Lambert:** Great. Thank you.

**Operator:** Thank you. The next question comes from the line of Steph Erasmus from Avior Capital. Please ask your question.

**Steph Erasmus (Avior Capital):** Morning, everybody. Can everybody hear me?

**Ronnie van der Merwe:** We can. Not very well, but we can.

**Steph Erasmus:** Okay. Just a couple of questions from my side, please. Just in terms of Spire, you took another impairment there. Just if you could maybe give us an idea of what the longer-term plan is there. Are you still considering investing further in Spire?

Then, just covenants pre- and post-IFRS 16. What do those look like?

And then in South Africa, in terms of servicing of public patients, you know, what are the risks around working capital there? I mean, I would imagine your payment terms there wouldn't be so favourable in terms of how quickly the government would pay you.

And then just lastly on the UAE, I see taxation-wise there's some talk again of taxation being introduced – a corporate tax – into the UAE, so just maybe comment around the risks that that poses to the remaining goodwill that's on the balance sheet in UAE.

**Ronnie van der Merwe:** Okay. So I'll do Spire and – I'll do one and three. Jurgens, you can do two and four. Spire, we are – we like the UK market. We think it's a good market. It's a good company, it's well-run. We support the strategy, we support the management team, and we are at this stage a supportive shareholder of Spire.

Jurgens, the – on covenants?

**Jurgens Myburgh:** Steph, good morning. Yes, on covenants, it – the covenants are IFRS-agnostic, and so there's no – there's no adjustment that takes place and so there's – it doesn't – it doesn't affect any of the – any of the compliance. They call it frozen GAAP, and so the covenants are measured on frozen GAAP.

While I've – while I've got the microphone, just on the UAE, you will see in our annual report we've given you some sensitivity – a sensitivity analysis, as we always do, with respect to – with respect to how we think about the discount rate, [inaudible] growth rate and the cash flows as well.

**Ronnie van der Merwe:** On South Africa and public patients – sorry, Jurgens, are you done? Okay. Sorry. Public patients in South Africa, we haven't seen any public patients as yet. We're busy negotiating with government. We work very constructively with the authorities on various levels and various initiatives. And as I mentioned earlier today, we do not at the moment have any agreement yet.

**Steph Erasmus:** All right. Thank you.

**Operator:** Thank you. The next question comes from the line of [inaudible] from AXA. Please ask your question.

**Speaker:** Hello?

**Ronnie van der Merwe:** Hello? Hello. Carry on.

**Speaker:** Good morning. Thank you for the presentation. Just couple of questions. So the first question, on FY21 trading update. So when do you anticipate the revenue or occupancies to normalise in each region?

And the second question, you have mentioned that revenue will be down 5% in Hirslanden, 25% in South Africa, 20% in Middle East in May 2020. So how much of the decline you can attribute to COVID-19, especially 20% decline in the Middle East?

And the – another question is on CAPEX. So you have said, in FY21, currently the expenditure run rate is 10% of the budget in Switzerland, 25% of the budget in SA and 40% of the budget in UAE. Could you please elaborate the reason for the difference in run rate in each geography?

And just one question on Middle East. So, in your last call, you mentioned that you are looking for COVID-19 rental relief in some of its hospitals other than Parkview and City, so could you perhaps share an update in this regard?

And the last question – last question [inaudible] on South Africa, so how many COVID-19 patients you have treated so far, where the geographies are split, especially in Western Cape? Thank you.

**Ronnie van der Merwe:** [Inaudible]. I think you do one, two, three, four. I'll do the last one.

**Jurgens Myburgh:** Anita[?], thank you. I hope I got all the question. In terms of FY21 normalising, I'm – I – you know, we've given you a sense of how we – how we see the business behaving. What we've done internally is, you know, we've obviously – we've modelled – firstly, it's a geographically broad representation, and so the different businesses behave differently through different periods, and so that's important. And so in the back, we have – we have some of our people, you know, in – from a data science perspective, looking at the epidemiological models. We look at economic models, and we – and we created out of that scenarios on revenue, profitability, and liquidity. And from that, we modelled a severe impact in the first half and a gradual recovery thereafter. But there's great uncertainty with respect to that, so we're not – we're not – we're not giving guidance on FY21. What we – we're going to do, which is what we've done, is given you a sense of how the business behaves in the – in the different scenarios, and we hope that that's helpful.

In terms of your second question of the revenue declines, it's extremely difficult to pinpoint exactly what percentage of the decline relates to COVID-19 and what doesn't. The only data point that I have in my head is how the business was behaving in March and February relative to how it's behaving at the moment. And so in that context and with that – with that very limited data point, I would say that the majority of what we're seeing is COVID-19-related, but it is quite difficult to comment on that, you know, because there's a haze of activity that's taking place. And so I would just say that, as I said as part of the presentation as well, what we saw in Switzerland, what we saw in the Middle East leading up to the onset of COVID-19, was good momentum across those businesses.

In terms of CAPEX – the run rate of CAPEX – I think it's important to realise that obviously we have ongoing projects in many of our businesses that are, well, either close to completion or indeed, you know, a running project. And it's very difficult to cease that kind of activity. A key example of that would be our Airport Road extension in Abu Dhabi and the creation of the cancer centre, and that has to continue. And that's part of the reason why you see the Middle East run rate at 40%. Southern Africa, as – I think the number was 25%, because we have ongoing upgrades taking place in the Southern African environment as well. So it really is about non-committed or discretionary and our ability to flex that. But as I say, it continues to be a dynamic environment that we manage relative to the operating cash flow generation of the business.

Anita, I'm sorry, I didn't – I didn't get your fourth question on COVID-19. If you – if you don't remind repeating that?

**Ronnie van der Merwe:** I will – I will – I will [inaudible] –

**Speaker:** No problem.

**Ronnie van der Merwe:** – Jurgens.

**Speaker:** Mm-hm.

**Ronnie van der Merwe:** Do you want to repeat the question quickly?

**Speaker:** Yes. There were two questions. The first was on UAE. I was asking that in your last call you mentioned that you are looking for COVID-19 rental relief in some of its hospitals in Middle East, so could you perhaps share an update in this regard?

And the last one was on South Africa – like, how many COVID-19 patients you have treated so far, with geographical split, especially in Western Cape.

**Ronnie van der Merwe:** Okay. I'll quickly respond, and then after that give to Jurgens to talk about the rental relief. If you talk about number of cases, we don't split them out because we're not allowed to in the UAE and therefore it's – becomes irrelevant to split it out for all the others. What I can say is currently, if you look at the number of cases we've already treated and are currently in our hospitals, most of them are in the Western Cape. We treat them – we've treated a substantial number inpatient – of inpatients, and we've also treated a substantial number of outpatient COVID patients, because in South Africa if you are COVID-positive you don't need to be quarantined. You go home; you need to self-quarantine. We've done a lot of that.

I just want to add to your second question which you've asked, what – which part of the drop in revenue was attributable to COVID. What we saw in April was lockdown effect. Was not COVID effect, was lockdown effect. What we see in May is a recovery from lockdown, but now having to deal with both COVID and elective cases, and that's what – that's the – that's another dynamic that we are looking at.

Jurgens, on the rentals?

**Jurgens Myburgh:** Yeah. Anita, we're still in negotiations and in discussions. Nothing significant that really is going to change any of the numbers at this stage, but it is an ongoing discussion taking place in the Middle East.

**Speaker:** Okay. Thank you. Sorry, just – can I just ask two follow-up questions? So my first question was on normalisation in each region. So is it fair to assume that in Switzerland normalisation will happen sooner than other geographies?

**Ronnie van der Merwe:** That's –

**Jurgens Myburgh:** It's possible.

**Ronnie van der Merwe:** If there's going to be no further waves, yes.

**Speaker:** Okay. Just a last question, again the same, the – attributing the decline in revenue in each – in each region. So, Jurgens, you have – mentioning that majority of it can be attributed to the COVID-19, but my question is, if you talk about the first case that was reported, it was quite sooner in UAE, and – when you're comparing the recovery in revenue. So in Switzerland you are recovering from 30% decline to 5% decline in May, whereas in UAE you are recovering from 30% decline in April to 20% decline in May. So there hasn't been, like, much recovery that you anticipated in UAE, if you are actually attributing majority of decline to COVID-19. So I'm just –

**Ronnie van der Merwe:** So let me – let me –

**Speaker:** – I'm just –

**Ronnie van der Merwe:** – let me give you – let’s give you a quick view. It’s about –

**Speaker:** Mm-hm?

**Ronnie van der Merwe:** – first – the first effect is lockdown, okay? Then lockdowns get lifted and then we start with our activities again. I’m taking about elective activities. The next thing that needs to be borne in mind is the peak and the intensity of the waves. So in Switzerland the wave peaked, but it was much less intense than what we thought and is now passed. There’s no more – there’s very little COVID activity going on in Switzerland. But in South Africa and in the UAE, we are in the wave and we’re not sure where the peak will be. So while you are busy ramping up towards a peak, there will be business interruptions. There’s absolutely no doubt about that, and I hope that clarifies that matter.

**Speaker:** Okay. Thank you.

**Operator:** Thank you. And the final question comes from the line Catherine Cunningham from JP Morgan. Please ask your question.

**Catherine Cunningham:** Hi there. Just one more from me. Just in South Africa, just wanted to know are there currently any explicit guidelines around whether or not you can take electives and where we sit in lockdown? So what I’m trying to get at is, if say we go back to level five lockdown, does that impact significantly your ability to do electives, or is that more like a self-imposed thing?

**Ronnie van der Merwe:** Good question. So, initially when we had lock level five, we – you know, all elective surgery was stopped. That was an imperative, it had to be done. I think you need to look at it from both ways. If that happens again, we will have to stop elective again. Whether it will happen, we’re not – you know, it’s impossible to predict. But there’s another aspect that can interrupt business, and that’s what I alluded to just in the previous question. And that is, if we are to free up resources to look at COVID patients, we obviously have to slow down on our elective work, because we only have X number of people who can do all the work. And so the effect is twofold: it’s either strict lockdown with termination of or suspension of elective work, versus dealing with a big caseload of COVID and therefore having to calibrate how many elective work procedures you can do at any given time, together with a caseload of COVID. And that’s something that’s – it’s a moving target. It changes all the time, and we keep a very close eye on that.

**Catherine Cunningham:** And is it sort of like specifically delineated in any kind of like regulation or guidance from government that says if you go to level X, that you are or are not allowed to do electives?

**Ronnie van der Merwe:** Well, no – it’s not explicitly regulated, no. But it’s – you know, it’s par for the course. I think if you – if you’re sitting in very, very strict lockdown where people are not allowed to move around and there’s a huge caseload of COVID then, you know, you just can’t do elective work.

You – I’ll give you another example. In the UAE, elective work is allowed, but in some of our hospitals we don’t have any elective work at the moment because we are focusing on the – treating all the COVID patients and the public doesn’t want to go to the doctor, they don’t – they don’t want to go to the hospitals, because they’re afraid they’re going to get – going to get contaminated. So even if elective surgery is allowed, if there are no patients, we can’t do

it. And I think that's another dynamic that one just has to bear in mind. So we need to get – to alleviate the fears of the public as we kickstart the entire system again.

**Catherine Cunningham:** Okay. Thank you.

**Operator:** Thank you. Dear participants, thank you for all your questions. I would like now to hand over to Ronnie van der Merwe for closing remarks. Please go ahead.

**Ronnie van der Merwe:** Thank you very much. Thank you very much for your time and for your interest in our business. We really appreciate it. Just to summarise, good operational performance in the year that we – that we had. We've been dealing very well and very effectively with COVID, and this year we will focus on continuing to deal with COVID and execute against our strategic objectives. And we believe we are well-positioned for the future, but we also have to add that times are uncertain and we will navigate the waters in the next few months as best we can. Thank you very much for your time.

[END OF TRANSCRIPT]