

Fortis Healthcare Limited

Earnings Presentation – Q2 FY2020



November 6, 2019

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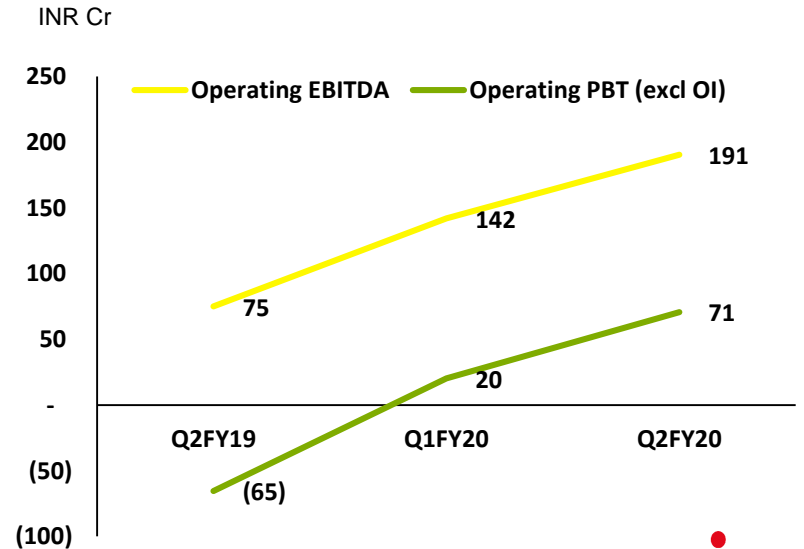
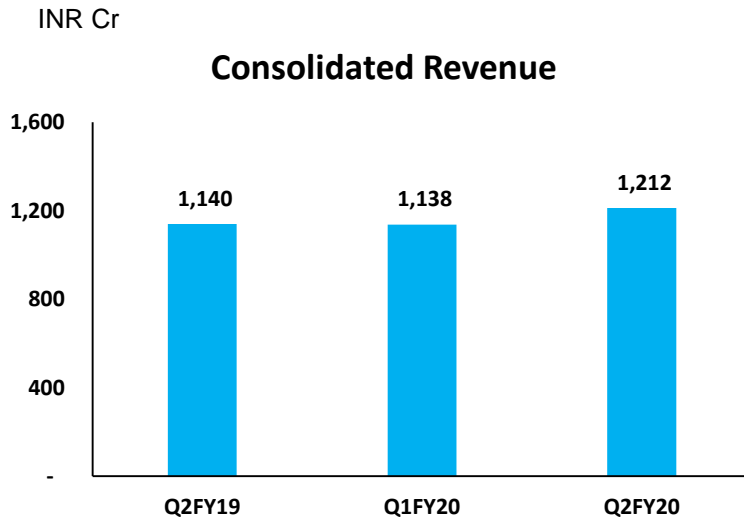
Agenda

1. Key Business Highlights – Hospitals and Diagnostics
2. Executive Results Summary – Q2 FY 20 and H1 FY 20
3. Performance Review – Hospitals Business
4. Performance Review – Diagnostics Business
5. Appendix

1. Key Business Highlights

Q2FY20 – Consolidated Earnings Summary

- Consolidated Operating Revenues at INR 1,212.2 Cr, up 6.3%
- Operating EBITDA at INR 190.6 Cr, an increase of ~2.5x (Q2FY19 EBITDA at INR 75.1 Cr)
- Operating EBITDA margins at 15.7% vs 6.6% in Q2FY19
- PBT from operations at INR 70.6 Cr versus a PBT loss of INR 65.3 Cr in Q2FY19
- Reported PATMI at INR 111.0 Cr versus PATMI loss of INR 166.6 Cr in Q2 FY19



Q2FY20 – Business Highlights

Hospital Business
witnesses strong
traction

- ❑ Revenues at INR 972.3 Cr, up 8.1%
- ❑ EBITDAC grows 47.6% to INR 129.0 Cr, operating EBITDA grows ~6.3x to INR 129.0 Cr from INR 20.6 Cr in Q2FY19
- ❑ EBITDAC margin expands 360 bps to 13.3% in Q2FY20 from 9.7% in Q2FY19 (10.1% in Q1FY20)
- ❑ PBT from operations at INR 24.1 Cr versus a PBT loss of INR 108.8 Cr in Q2FY19
- ❑ Facilities of FMRI, Mohali, BG Road, Noida, Anandapur and Faridabad witness healthy growth in both revenue and operating profitability
- ❑ Significant ramp up in occupancy at 72% vs 69% in Q2FY19 ; ARPOB grows at 4% to INR 1.54 Cr
- ❑ Continuing focus on optimizing costs in terms of non-medical manpower, productivity enhancement and other expenses.

(1) EBITDAC refers to EBITDA before net business trust costs, includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019 (2) EBITDA after other income, forex and non recurring expense stood at INR 125.4 Crs

Q2FY20 – Business Highlights *(cont..)*

Diagnostic Business
records robust
margins

- ❑ Gross Revenues at INR 276.6 Cr, up 3.0% ; net revenue at INR 239.6 Cr, up 2.0%
- ❑ EBITDA grows at 18.2% to reach INR 63.8 Cr
- ❑ Margins at 26.6% versus 23.0% in Q2FY19 & 23.9% in Q1FY20 (basis net revenue)
- ❑ PBT from operations at INR 46.2 Cr versus a PBT of INR 43.1 Cr in Q2FY19 (PBT of INR 36.2 Cr in Q1FY20)
- ❑ No of tests performed during the quarter witnessed growth of approx. 5% to 8.36 mn versus 7.98 mn in Q2FY19
- ❑ Contribution to revenue from Direct Clients and Hospitals increased to 20% and 23% respectively (versus 18% and 20% in Q2FY19 respectively).

Q2FY20 – Business Highlights *(cont..)*

Strong Balance Sheet

- ❑ Stronger Balance Sheet as a result of lower debt, reduced cost of borrowing and improvement in working capital
- ❑ Net Debt (including lease liabilities) as of September 30, 2019 at INR 1,194 Cr (net debt to equity at 0.16x) versus INR 1,227 Cr (net debt to equity at 0.17x) as of June 30, 2019
- ❑ Improvement in Credit rating to BBB+ from BBB-; significant notches up over previous periods
- ❑ Interest rate reduction of 42% to INR 49.2 Cr in Q2FY20
- ❑ Better working capital management led by a strong focus on improving collections.

2. Executive Results Summary

Executive Summary – Consolidated Financials Q2 FY20

Particulars (INR Cr)	Q2FY19	Q1FY20	Q2FY20	% YoY
Revenue	1,139.9	1,138.3	1,212.2	6.3%
Operating EBITDAC*	142.1	142.3	190.6	34.1%
Operating EBITDAC margin	12.5%	12.5%	15.7%	
Operating EBITDA	75.1	142.3	190.6	153.6%
Operating EBITDA margin	6.6%	12.5%	15.7%	
PBT from operations - pre-exceptional / FX / Other Income	(65.3)	20.4	70.6	
PATMI	(166.6)	67.8	111.0	

- For Q1FY20 & Q2FY20, operating EBITDA increased significantly due improvement in operational performance for both hospitals and diagnostics business and complete elimination of business trust fees pursuant to acquisition of RHT India assets
- PATMI for Q2FY19 includes Exceptional loss which primarily pertains to Goodwill Impairment (Rs40 Cr), investment Impairment (Rs 56 Cr) and One off expenses
- PATMI for Q2 FY 20 includes exceptional gain which primarily pertains to the one off gain of INR 38.6 Crs as a result of the equity stake sale of 28.9% in the Medical and Surgical Center Limited , Mauritius.

Executive Summary – Consolidated Financials H1 FY20

Particulars (INR Cr)	H1FY19	H1FY20	% Change
Revenue	2,181.9	2,350.5	7.7%
Operating EBITDAC*	222.6	332.8	49.5%
Operating EBITDAC margin	10.2%	14.2%	
Operating EBITDA	90.2	332.8	268.8%
Operating EBITDA margin	4.1%	14.2%	
PBT from operations - pre-exceptional / FX / Other Income	(183.6)	91.0	
PATMI	(237.5)	178.8	

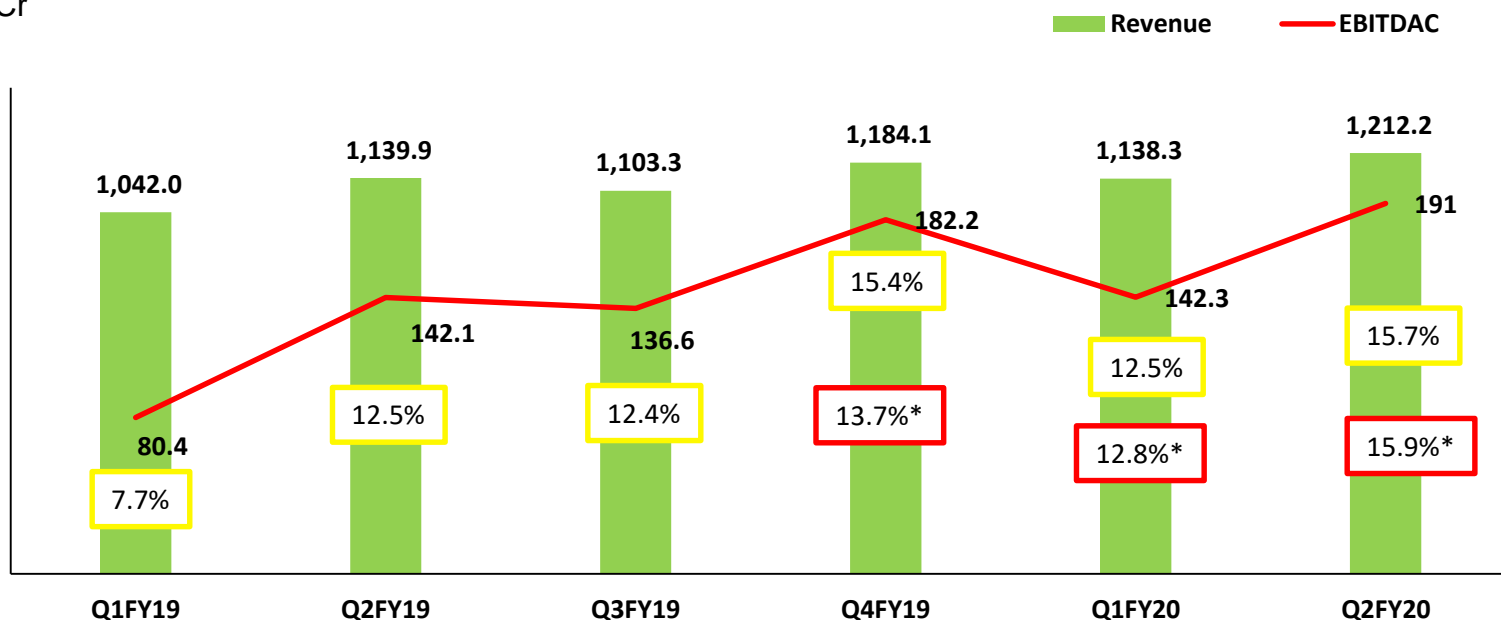
- For H1FY20, operating EBITDA increased significantly due improvement in operational performance for both hospitals and diagnostics business and complete elimination of business trust fees pursuant to acquisition of RHT India assets
- PATMI for H1FY19 includes Exceptional loss which primarily pertains to Goodwill Impairment (Rs40 Cr), investment Impairment (Rs 56 Cr) and One off expenses
- PATMI for H1 FY 20 includes exceptional gain which primarily pertains to the one off gain of INR 38.6 Crs as a result of the equity stake sale of 28.9% in the Medical and Surgical Center Limited , Mauritius.

*EBITDAC refers to EBITDA before net business trust costs

Quarterly Revenues and Margins - Q1 FY19 to Q2 FY20

Consolidated Business

INR Cr



- Consistent improvement in Operating Performance

**Excluding the financials of RHTTM, consolidated margins on a like to like basis have expanded from 7.7% in Q1FY19 to 15.9% in Q2FY20*

Balance Sheet – September 30, 2019

Balance Sheet (INR Cr)	June 30, 2019	Sept 30, 2019
Shareholder's Equity	7,191	7,313
Debt	1,347	1,261
Lease Liabilities (Ind AS 116)*	237	232
Total Capital Employed	8,775	8,806
Net Fixed Assets (includes CWIP)	5,351	5,307
Goodwill	3,721	3,721
Investments	189	155
Cash and Cash Equivalents	358	299
Net Other Assets	(843)	(676)
Total Assets	8,775	8,806
Net Debt / (cash)	1,227	1,194
Net Debt to Equity	0.17x	0.16x

*Pertains to lease liability on account of adoption of new accounting standard on leases w.e.f. April 1, 2019. Net debt assumes lease liabilities as part of overall debt.

3. Performance Review – Hospitals Business

India Hospital Business – Q2 FY20

Particulars	Q2FY19	Q1FY20**	Q2FY20**	QoQ % Change
	(INR Cr.)	(INR Cr.)	(INR Cr.)	
Operating Revenue	899.5	913.0	972.3	8.1%
Operating EBITDAC*	87.6	92.1	129.0	47.2%
Operating EBITDAC margin	9.7%	10.1%	13.3%	
Net BT Costs	67.0	-	-	
Operating EBITDA	20.6	92.1	129.0	525.2%
Operating EBITDA margin	2.3%	10.1%	13.3%	
Other Income	11.8	15.9	2.2	
EBITDA	32.4	108.0	131.2	
EBITDA after forex / non recurring expenses ^	17.3	112.2	125.4	

- International patient revenue at INR 107 Cr, + 8% growth over corr. quarter
- Key Hospitals revenue growth (over Q2 FY19)
 - Noida +17%
 - Shalimar Bagh +18%
 - Anandapur +11%
 - FMRI +13%
 - Mohali +11%
- Key hospitals that witnessed operating profitability growth over Q2FY19 are FMRI, Mohali, BG Road, Noida, Shalimar Bagh and Anandapur

*EBITDAC refers to EBITDA before net business trust (BT) costs; ^ non recurring expenses primarily pertain to one off legal expenses

**Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019.

India Hospital Business – H1 FY20

Particulars	H1FY19	H1FY20**	% Change
	(INR Cr.)	(INR Cr.)	
Operating Revenue	1,719.4	1,885.3	9.6%
Operating EBITDAC*	129.5	221.1	70.8%
Operating EBITDAC margin	7.5%	11.7%	
Net BT Costs	132.3	-	
Operating EBITDA	(2.9)	221.1	
Operating EBITDA margin	-0.2%	11.7%	
Other Income	22.6	18.1	
EBITDA	19.7	239.2	
EBITDA after forex / non recurring expenses ^	6.2	237.6	

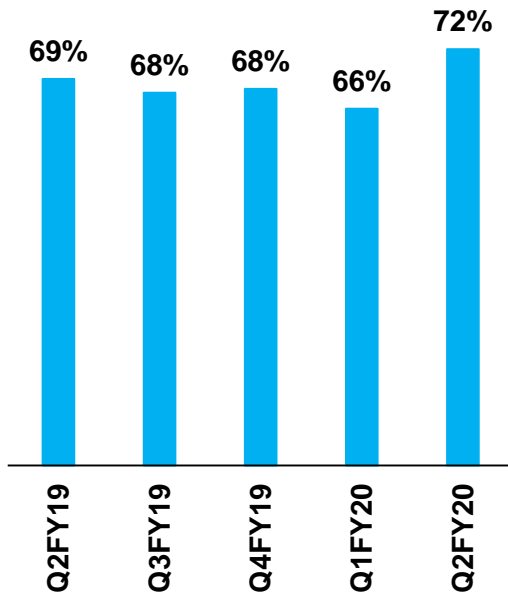
*EBITDAC refers to EBITDA before net business trust (BT) costs; ^ non recurring expenses primarily pertain to one off legal expenses related

**Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019.

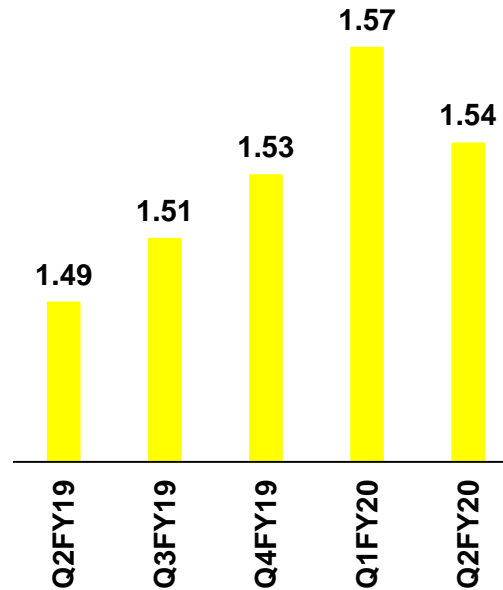
Key Performance Metrics – Hospitals Business

➤ Consistent improvement in all operating parameters

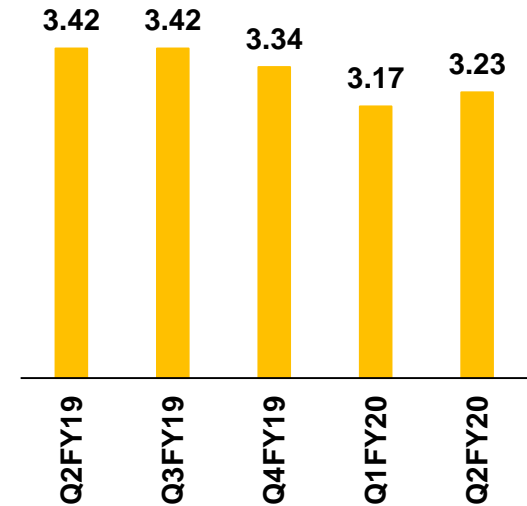
Occupancy (%)



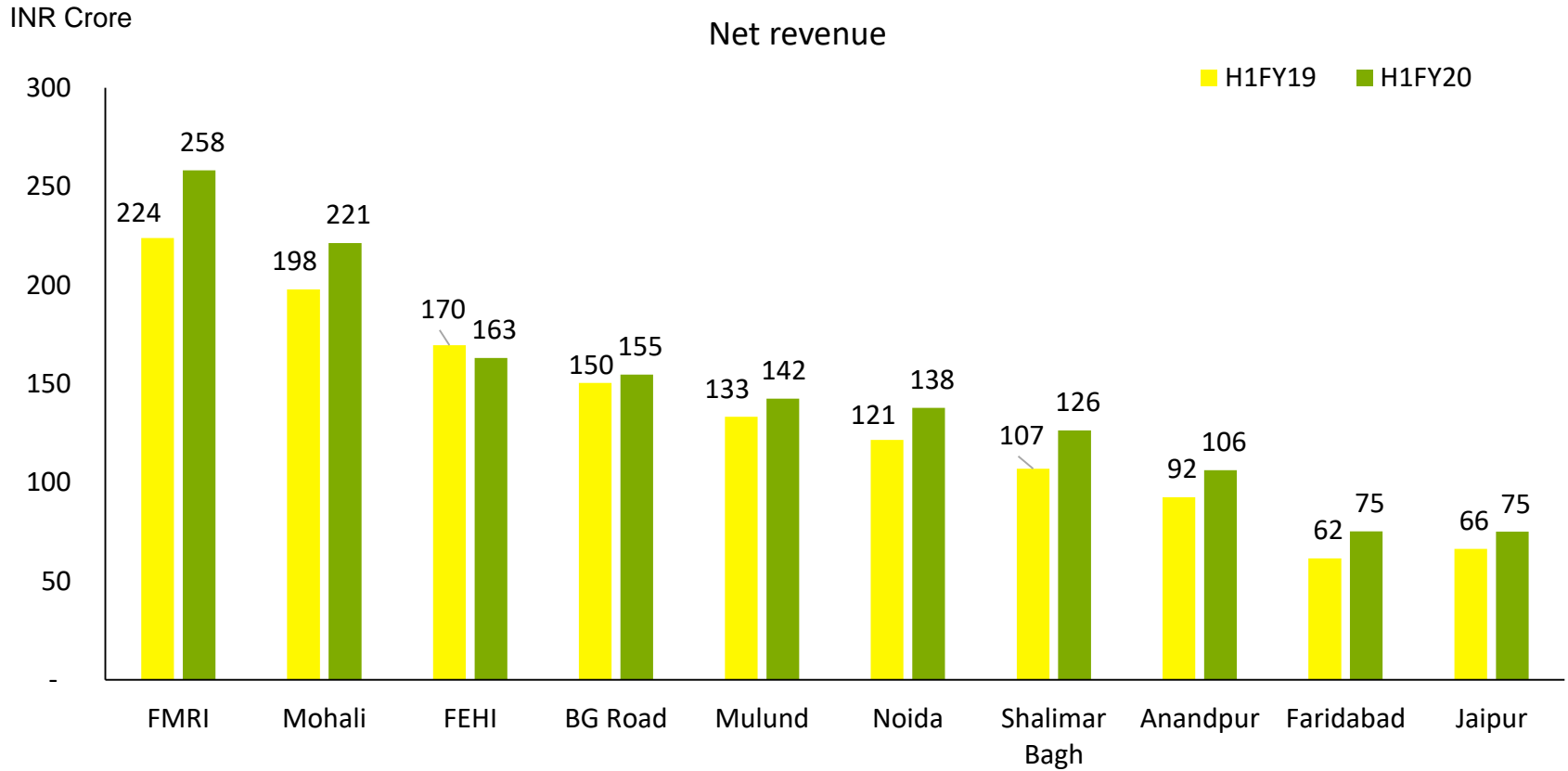
ARPOB (INR Cr per annum)



ALOS (Days)



Key Hospitals Performance



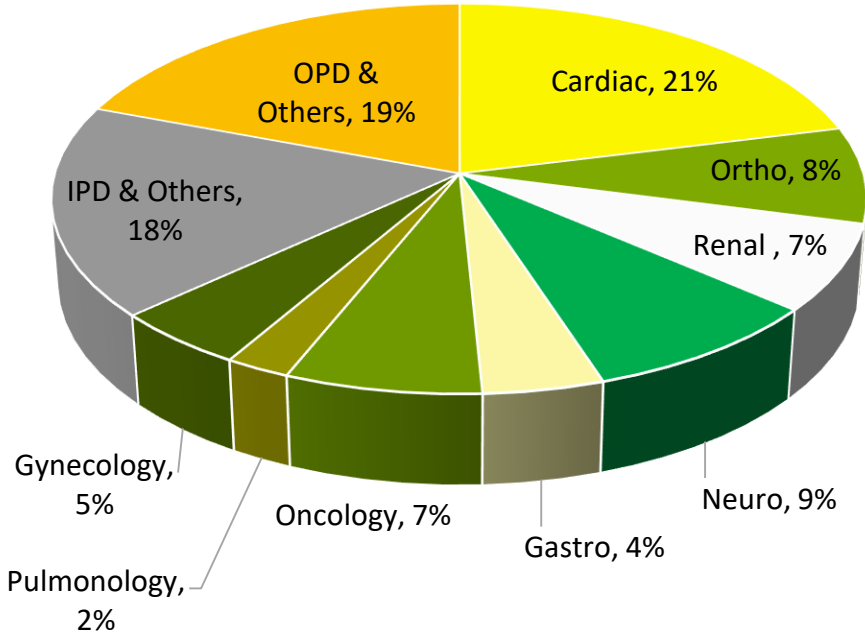
Hospitals Margin Matrix - H1FY20

EBITDA	No of Facilities	Revenue contribution	Operational beds	ARPOB (INR Cr)	Occupancy
>25%	2	14%	408	1.26	76%
20% - 25%	5	28%	831	1.83	72%
15% - 20%	3	17%	596	1.62	66%
10% - 15%	5	18%	735	1.23	80%
<10%	9	23%	1,093	1.47	58%
Total/Average	24	100%	3,663	1.55	69%

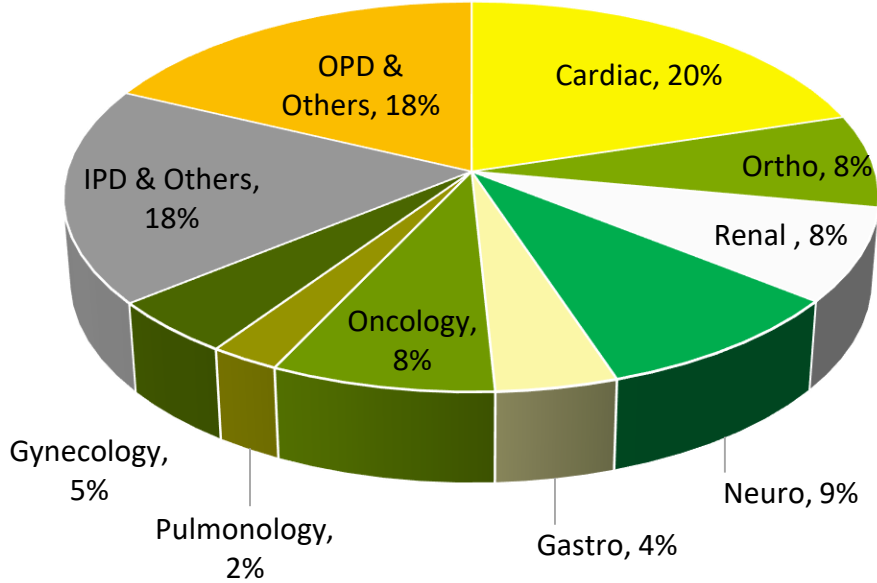
- EBITDA margins are prior to corporate cost allocation

Specialty Mix – Q2 FY20

Q2FY19

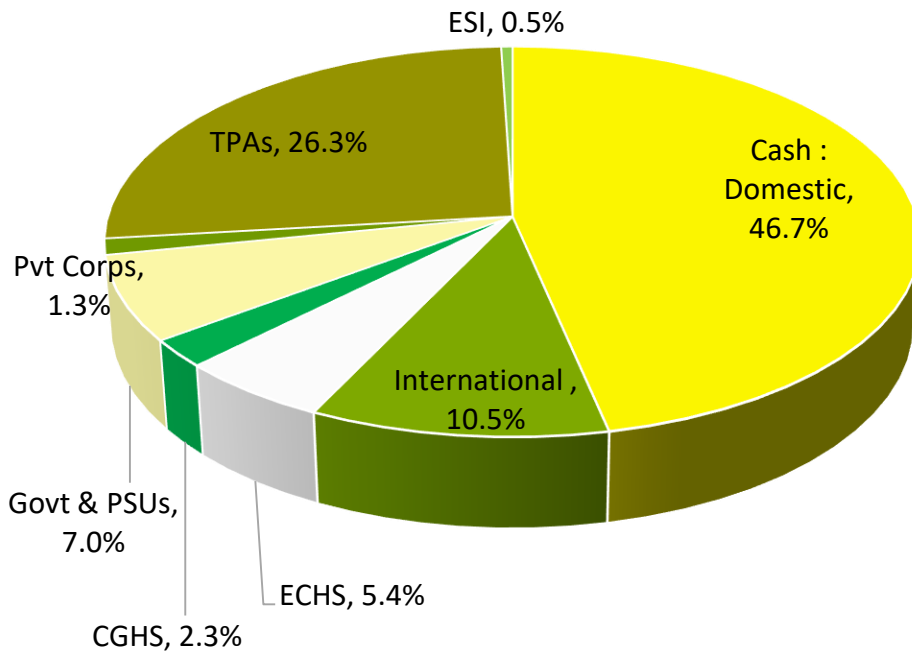


Q2FY20

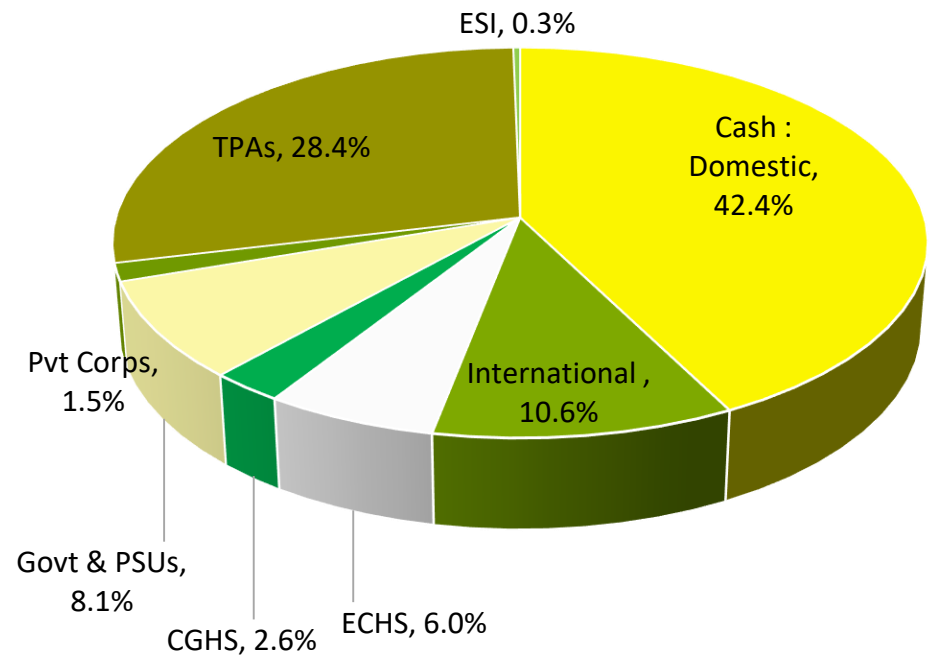


Payor Mix – Q2 FY20

Q2FY19



Q2FY20



Key Initiatives – Q2 FY20

- **Fortis Hospital, Mulund**, launched the 'National Trauma Life Support' programme, a training initiative aimed at doctors involved in Emergency Care and Acute Trauma Care, in association with the Society for Emergency Medicine India (SEMI). The programme is accredited by the Maharashtra Medical and is endorsed by the Association of National Board Accredited Institutes (ANBAI), Association of Healthcare Providers (AHP) and SEMI
- **Fortis, Vasant Kunj's** Department of Minimal Access, Bariatric and GI Surgery will be offering the Fellowship of National Board (FNBE) in Minimal Access Surgery from October 2019.
- **Fortis Hospital, Mohali**, launched a 'Safe Medication' initiative to prevent intravenous medication (IVM) related errors, which pose great risk to patients.
- **Fortis Hospital, Mohali**, launched a hospital-based Drug Information Centre to achieve medication safety goals for better patient care.
- **Fortis Hiranandani Hospital, Vashi** has procured the state-of-the-art Alair System, used to conduct Bronchial Thermoplasty, a procedure used to treat patients of severe asthma to help open their airways.

Clinical Excellence and Awards & Accolades – Q2 FY20

A team of doctors at Fortis Hospital, Bannerghatta Road, Bengaluru, conducted a rare surgery to remove a plum-sized cluster of 160 cysts from the heart of a 12-year-old Iraqi boy.

Fortis Memorial Research Institute (FMRI), Gurugram, earned Joint Commission International's (JCI) Gold Seal of Approval(r) for Hospital Accreditation.

Two patients a male and a female, both aged 69 years underwent a rare, non-surgical catheter based Transcatheter Mitral Valve Replacement (TMVR) procedure at Fortis Escorts. Only a handful of these procedures have been done in Asia Pacific.

Fortis Noida, Fortis Vasant Kunj and SL Raheja, received the Ethics Committee accreditation from the National Accreditation Board for Hospitals and Healthcare Providers (NABH).

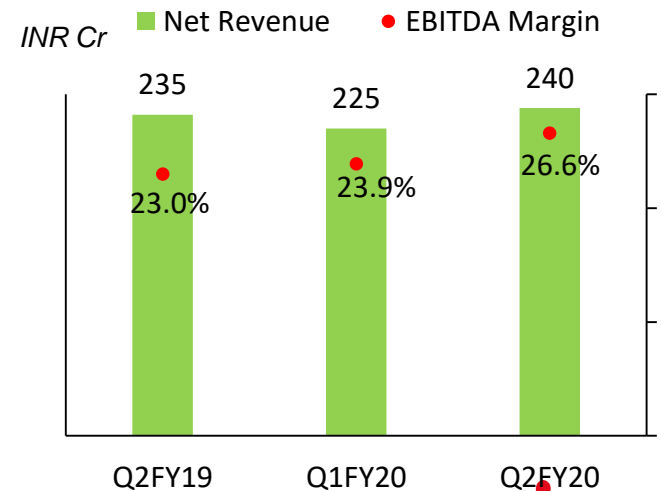
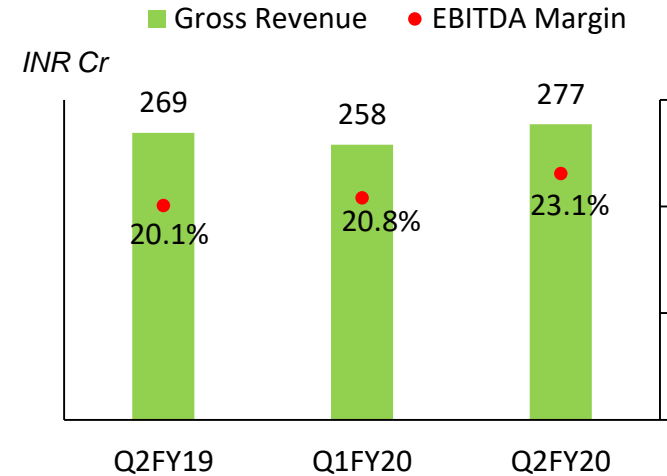
Fortis Hospital, Mulund, won two prestigious awards for Quality Improvement Projects at the Asian Hospital Management Awards (AHMA) 2019 hosted at Hanoi, Vietnam. The winning entries were chosen from over 500 entries from 129 hospitals, across 17 countries.

Fortis Hospital, Rajajinagar, Bengaluru, has received the coveted NABH accreditation

4. Performance Review – Diagnostics Business

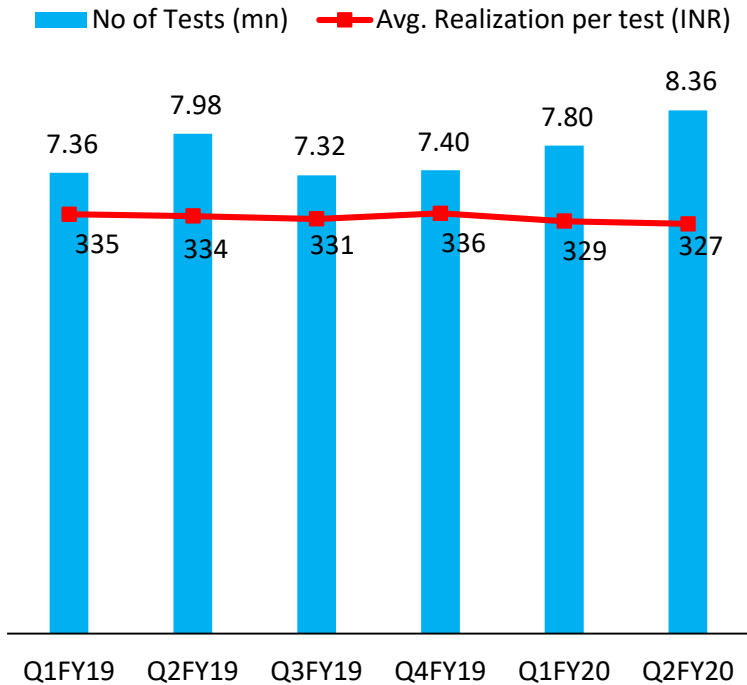
Diagnostics Business – Q2 FY20

- Gross Operating revenue at INR 277 Cr, +3.0% (*like for like growth ~6%*); Growth continues to be driven by new direct clients as well as the hospitals segment
- Operating EBITDA margin basis gross revenue stood at 23.1% compared to 20.1% in Q2FY19 & 20.8% in Q1FY20
- SRL conducted approximately 8.36 million tests during Q2FY20 compared to 7.98 mn tests conducted in Q2FY19 (excluding joint ventures), a growth of ~ 5%
- Focus continues to be on enhancing customer accessibility, focusing on high growth channels & specific diseases portfolio and adopting cost containment measures.

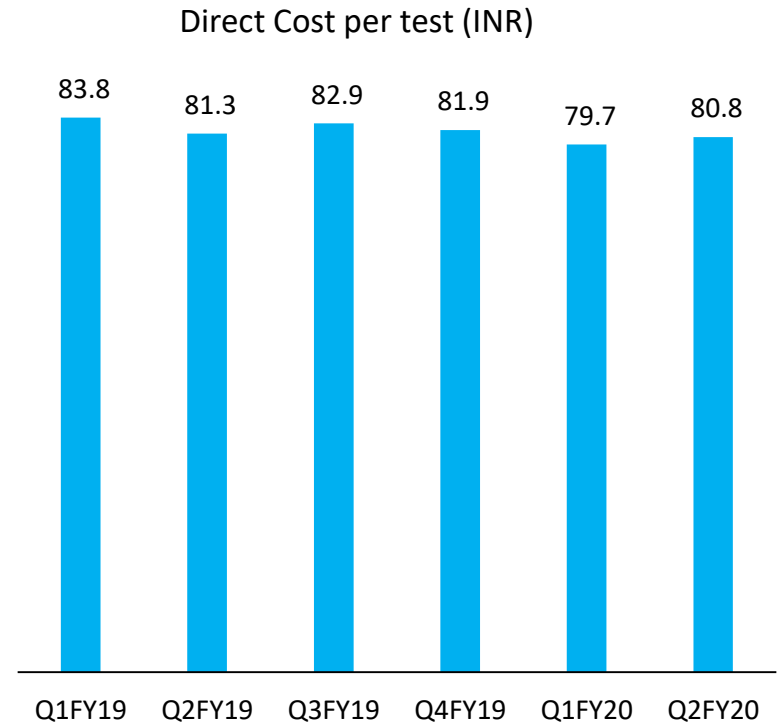


Key Performance Metrics

Number of Tests and Average Realizations*



Direct Cost per test

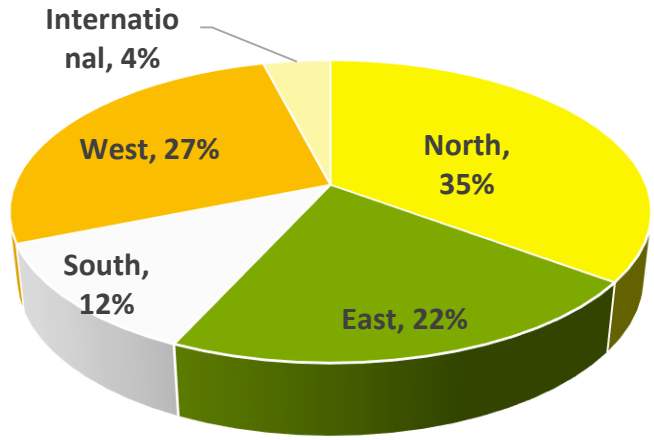


*Excluding joint ventures

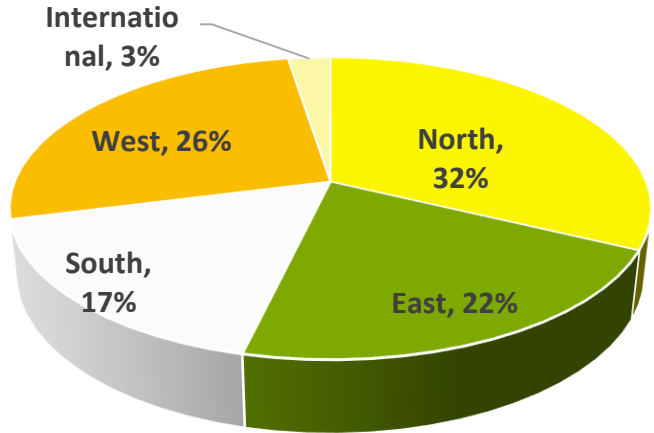
Revenue Mix

Geographic Mix

Q2FY2020

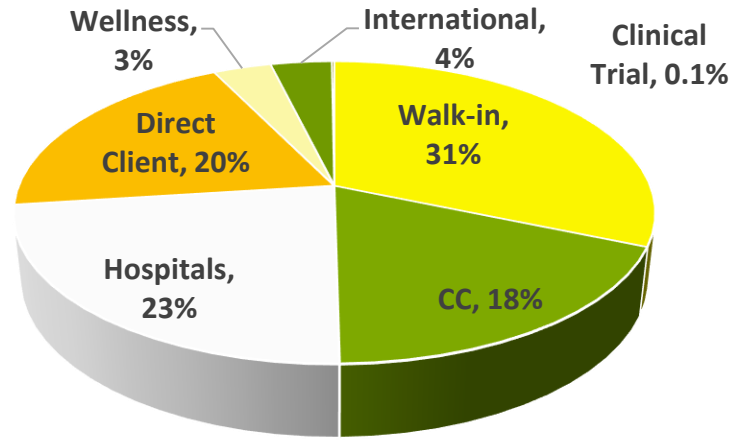


Q2FY2019

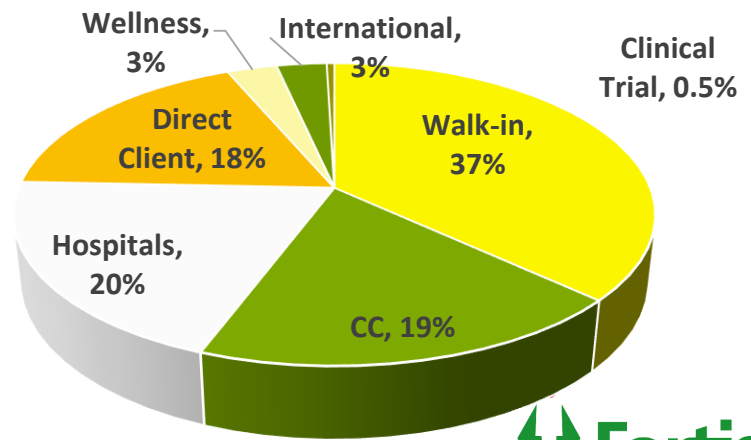


Customer Mix

Q2FY2020



Q2FY2019



5. Appendix

Group Consolidated P&L – Q2 FY20

Particulars	Q2FY19	Q1FY20^^	Q2FY20^^	% Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,139.9	1,138.3	1,212.2	6.3%
Operating EBITDAC*	142.1	142.3	190.6	34.1%
Operating EBITDAC margin	12.5%	12.5%	15.7%	
Net BT Costs	67.0	-	-	
Operating EBITDA	75.1	142.3	190.6	153.6%
Operating EBITDA margin	6.6%	12.5%	15.7%	
Other Income	12.6	17.6	4.7	
EBITDA	87.8	159.8	195.3	122.4%
Finance Costs	84.6	50.9	49.2	-41.8%
Depreciation & Amortization	55.9	71.0	70.8	
PBT before Forex (excl Other Income)	(65.3)	20.4	70.6	
Foreign Exchange (Loss)/ Gain	(2.0)	2.0	5.0	
PBT before Exceptional Item (incl Other Income & Forex)	(54.7)	40.0	80.3	
Exceptional (Loss)/ Gain^	(107.1)	9.5	46.3	
Tax Expense	(14.7)	(25.7)	5.7	
PAT before minority interest and share in associates	(147.1)	75.2	120.9	
Share in Associates	5.1	2.8	3.2	
PAT after minority interest and share in associates	(166.6)	67.8	111.0	

*EBITDAC refers to EBITDA before net business trust costs

^For Q2FY19, exceptional items primarily pertain to impairments related to the goodwill and of certain investments. These in addition, also include certain one off financial and legal expenses related to advisory fees for corporate transactions completed.

^^Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019. PATMI in Q2 FY 20 includes one time gain of INR 38.6 Crs largely on account of the MSCL (Mauritius) equity stake sale

Group Consolidated P&L – H1 FY20

Particulars	H1FY19	H1FY20^^	% Change
	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	2,181.9	2,350.5	7.7%
Operating EBITDAC*	222.6	332.8	49.5%
Operating EBITDAC margin	10.2%	14.2%	
Net BT Costs	132.3	-	
Operating EBITDA	90.2	332.8	268.8%
Operating EBITDA margin	4.1%	14.2%	
Other Income	24.6	22.3	
EBITDA	114.8	355.1	209.3%
Finance Costs	161.0	100.2	
Depreciation & Amortization	112.8	141.7	
PBT before Forex (excl Other Income)	(183.6)	91.0	
Foreign Exchange (Loss)/ Gain	14.6	7.0	
PBT before Exceptional Item (incl Other Income & Forex)	(144.4)	120.3	
Exceptional (Loss)/ Gain^	(113.0)	55.8	
Tax Expense	(48.5)	(20.0)	
PAT before minority interest and share in associates	(208.9)	196.1	
Share in Associates**	14.1	6.0	
PAT after minority interest and share in associates	(237.5)	178.8	

*EBITDAC refers to EBITDA before net business trust costs

^For H1FY19, exceptional items primarily pertain to impairments related to the goodwill and of certain investments. These in addition, also include certain one off financial and legal expenses related to advisory fees for corporate transactions completed.

^^Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019. PATMI in H1 FY 20 includes one time gain of INR 38.6 Crs largely on account of the MSCL (Mauritius) equity stake sale

India Consolidated P&L – Q2 FY20

Particulars	Q2FY19	Q1FY20	Q2FY20	% Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,134.4	1,138.1	1,211.9	6.8%
Operating EBITDAC*	141.6	145.9	192.8	36.1%
Operating EBITDAC margin	12.5%	12.8%	15.9%	
Net BT Costs	67.0	-	-	
Operating EBITDA	74.6	145.9	192.8	158.4%
Operating EBITDA margin	6.6%	12.8%	15.9%	
Other Income	12.6	17.1	4.4	
EBITDA	87.2	163.0	197.2	126.0%
Finance Costs	84.3	50.9	49.2	
Depreciation & Amortization	55.8	70.9	70.7	
PBT before Forex (excl Other Income)	(65.5)	24.1	72.9	
Foreign Exchange (Loss)/ Gain	(2.8)	4.0	0.7	
PBT before Exceptional Item (incl Other Income & Forex)	(55.6)	45.2	78.0	
Exceptional (Loss)/ Gain [^]	(107.1)	9.5	46.3	
Tax Expense	(15.1)	(26.0)	5.5	
PAT before minority interest and share in associates	(147.6)	80.7	118.8	
Share in Associates**	2.7	1.1	1.9	
PAT after minority interest and share in associates	(169.4)	71.6	107.7	

*EBITDAC refers to EBITDA before net business trust costs

[^]For Q2FY19, exceptional items primarily pertain to impairments related to the goodwill and of certain investments. These in addition, also include certain one off financial and legal expenses related to advisory fees for corporate transactions completed.

^{^^}Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019. PATMI in Q2 FY 20 includes one time gain of INR 38.6 Crs largely on account of the MSCL (Mauritius) equity stake sale

India Consolidated P&L – H1 FY20

Particulars	H1FY19	H1FY20	% Change
	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	2,170.6	2,350.0	8.3%
Operating EBITDAC*	224.0	338.6	51.2%
Operating EBITDAC margin	10.3%	14.4%	
Net BT Costs	132.3	-	
Operating EBITDA	91.6	338.6	269.5%
Operating EBITDA margin	4.2%	14.4%	
Other Income	24.5	21.6	
EBITDA	116.2	360.2	210.1%
Finance Costs	160.4	100.1	
Depreciation & Amortization	112.6	141.6	
PBT before Forex (excl Other Income)	(181.4)	97.0	
Foreign Exchange (Loss)/ Gain	6.5	4.7	
PBT before Exceptional Item (incl Other Income & Forex)	(150.3)	123.2	
Exceptional (Loss)/ Gain^	(113.0)	55.8	
Tax Expense	(48.9)	(20.5)	
PAT before minority interest and share in associates	(214.4)	199.5	
Share in Associates**	9.1	3.1	
PAT after minority interest and share in associates	(248.0)	179.3	

*EBITDAC refers to EBITDA before net business trust costs

^For H1FY19, exceptional items primarily pertain to impairments related to the goodwill and of certain investments. These in addition, also include certain one off financial and legal expenses related to advisory fees for corporate transactions completed.

^^Includes the impact on account of adoption of new accounting standard on leases w.e.f. April 1, 2019. PATMI in H1 FY 20 includes one time gain of INR 38.6

Crs largely on account of the MSCL (Mauritius) equity stake sale

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Thank You