

Fortis Healthcare Limited

Earnings Presentation – Q2 & H1 FY2019



“ Saving and Enriching Lives ”



November 5, 2018

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Agenda

1. Transaction Update
2. Executive Results Summary and Key Focus Areas
3. Financial Highlights – Q2FY19 & H1FY19
4. Performance Review – Hospitals Business
5. Performance Review – Diagnostics Business
6. Awards and Excellence
7. Appendix

Transaction Update

- CCI approval received by Northern TK Ventures Pte Ltd (a subsidiary of IHH). With all approvals in place both Fortis and IHH working to close the transaction soon.
- Fund infusion of Rs 4000 Cr with the Preferential Allotment to provide IHH with a ~ 31% stake followed by an open offer by IHH for upto 26% of the expanded equity capital of the Company.
- Capital raised would primarily be utilised to complete the proposed acquisition of RHT Indian assets which will result in elimination of the clinical establishment fee thus enhancing the operating profitability of the company
- Shareholder approval for the amendment to the Master Purchase Agreement related to the proposed acquisition of RHT Indian assets received in October 2018.
- Company witnessing lower borrowing costs in current quarter by 200-300 bps which is expected to have a positive impact going forward.

2. Executive Summary and Key Focus Areas

Executive Summary – Q2FY19

Consolidated Financials

Particulars (In Rs Cr)	Q2FY18	Q1FY19	Q2FY19	QoQ % Change	QotQ % Change
Revenue	1,197.2	1,042.0	1,139.9	-4.8%	9.4%
Operating EBITDAC*	200.1	80.4	142.1	-29.0%	76.7%
Operating EBITDAC margin	16.7%	7.7%	12.5%		
Operating EBITDA	132.2	15.1	75.1	-43.2%	397.3%
Operating EBITDA margin	11.0%	1.4%	6.6%		
PBT pre-exceptional / FX	22.8	(106.3)	(52.7)		
PATMI ^	(45.9)	(70.9)	(166.6)		

- Business gaining traction with a healthy Q2FY19 performance versus the trailing quarter.
- Steady improvement in operating profitability .i.e. margins both in the hospitals and diagnostics business better versus Q1FY19
- Continuing uptrend in overall occupancy (62% in Q1 FY19, 69% in Q2 FY19; 71% in October 2018)

*EBITDAC refers to EBITDA before net business trust costs

^Post one offs/ exceptional items as detailed in the ensuing financial slides

Executive Summary – H1FY19

Consolidated Financials

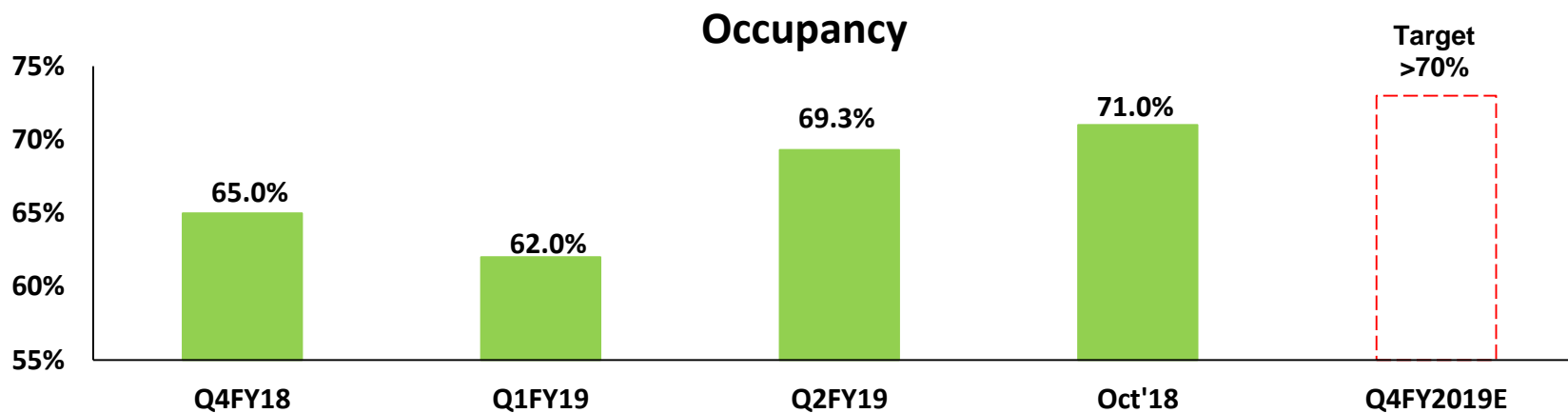
Particulars (In Rs Cr)	H1FY18	H1FY19	Variance %
Revenue	2,353.8	2,181.9	-7.3%
Operating EBITDAC*	363.0	222.6	-38.7%
Operating EBITDAC margin	15.4%	10.2%	
Operating EBITDA	227.9	90.2	-60.4%
Operating EBITDA margin	9.7%	4.1%	
PBT pre-exceptional / FX	52.5	(159.0)	
PATMI ^	(40.4)	(237.5)	

- Net debt of the company as on 30 September 2018 was at Rs 1,497 Cr, representing a net debt to equity ratio of 0.29 versus 0.27x in the corresponding previous quarter and 0.29x in the trailing quarter

*EBITDAC refers to EBITDA before net business trust costs

^Post one offs/ exceptional items as detailed in the ensuing financial slides

Indicative Occupancy Trend



Units	Occupancy Q4FY18	Occupancy Q1FY2019	Occupancy Q2FY2019	Occupancy Oct 2018
FMRI	58%	52%	62%	72%
Noida	75%	73%	79%	81%
Shalimar Bagh	67%	66%	77%	98%
BG Road	69%	66%	76%	70%
Mulund	51%	53%	71%	67%

Key focus areas

- Commissioning new beds, launching new specialties and medical equipment for next phase of growth
 - Commissioning the Arcot Road Facility, Oncology Block at Fortis BG Road
 - Focus on expanding / initiating new transplant programs in key hospitals .i.e. Heart, Liver and Bone Marrow Transplants
 - Installation of Gamma Knife at FMRI and Robot at Fortis Mulund
- Appointing New Doctors in select specialties such as medical and surgical oncology, orthopaedics, liver transplant and neurology
- Normalizing working capital cycle with easing liquidity and ensuring payments to key vendors / partners currently impeding business
- Planning and implementing various Marketing Initiatives and campaigns
- Continuous focus on Cost Management and optimization across functions and regions

Build Back Plan

Clinical

Close clinical hiring discussions

Medical capex deployment : focus on units to retain & hire clinical talent

Add new clinical programs: transplant, oncology, bone marrow transplant & liver transplant

Brand

Campaign on fixed price packages communication

Invest in digital penetration via app, website, agent portal & salesforce integration

Building patient loyalty through patient experience

Community connect

360 degree campaign to communicate the 'new Fortis'

Operations

Making pending variable payouts to doctors, vendors & partners

Fixed pricing roll-out

Improve patient conversions through loyalty, win-back and digital platforms

Expansion at Arcot Road, BG Road & R block Noida

Optimise healthcare delivery model: evaluate service delivery & control initiatives to service Ayushman / NHPS and similar such schemes

Sales

Pending payments release to international facilitators for regaining lost business

Renewed focus – recruitment, digital enablers (sf) & extraction from corporates & PSU's

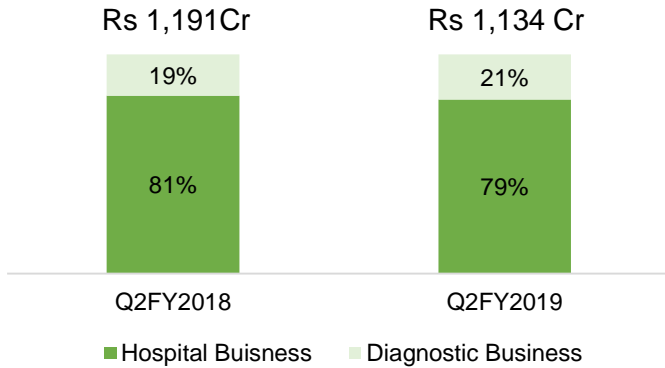
Emerging channel: payouts release, refresh contracts

New peripheral markets: domestic & international

3. Financial Highlights – Q2 & H1 FY2019

India Business Highlights - Q2FY19 vs Q2FY18

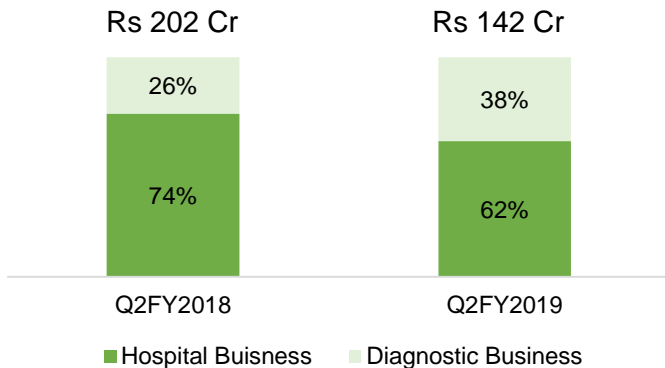
Consolidated Revenue Mix



➤ Consolidated Revenues at Rs 1,134 Cr, (5%)

- ❖ Hospital Business – Rs 900 Cr, (7%)
- ❖ Diagnostic Business – Rs 235 Cr, +5%

Consolidated EBITDAC Mix



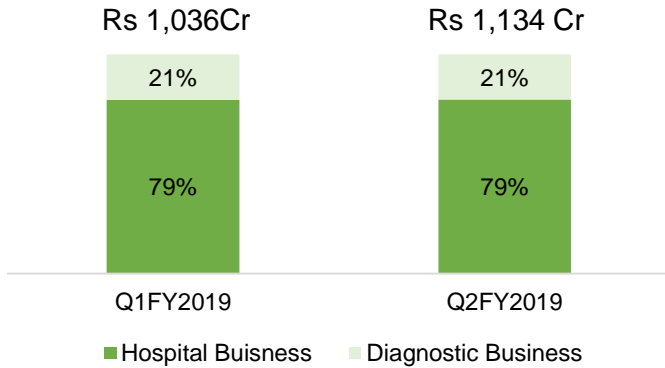
➤ Consolidated Operating EBITDAC* at Rs 142 Cr, 12.5% margin

- ❖ Hospital Business – Rs 88 Cr, 9.7% margin
- ❖ Diagnostic Business – Rs 54 Cr, 23.0% margin

*EBITDAC refers to EBITDA before net business trust costs

India Business Highlights - Q2FY19 vs Q1FY19

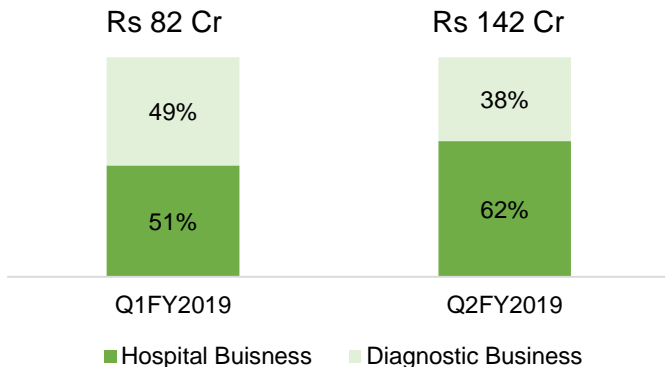
Consolidated Revenue Mix



➤ **Consolidated Revenues at Rs 1,134 Cr, +9.5%**

- ❖ Hospital Business – Rs 900 Cr, +9.7%
- ❖ Diagnostic Business – Rs 235 Cr, +8.5%

Consolidated EBITDAC Mix



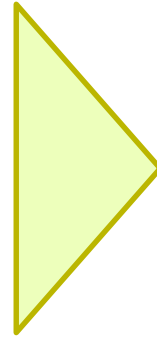
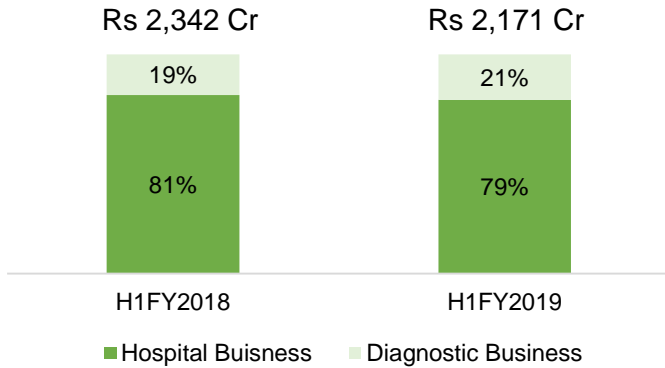
➤ **Consolidated Operating EBITDAC* at Rs 142 Cr, 12.5% margin**

- ❖ Hospital Business – Rs 88 Cr, 9.7% margin
- ❖ Diagnostic Business – Rs 54 Cr, 23.0% margin

*EBITDAC refers to EBITDA before net business trust costs

India Business Highlights - H1FY19 vs H1FY18

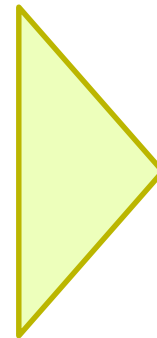
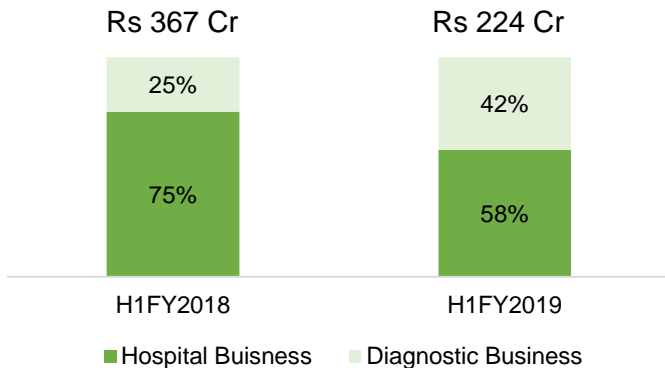
Consolidated Revenue Mix



➤ **Consolidated Revenues at Rs 2,171 Cr, (7.3%)**

- ❖ Hospital Business – Rs 1,719 Cr, (9.8%)
- ❖ Diagnostic Business – Rs 451 Cr, +3.5%

Consolidated EBITDAC Mix



➤ **Consolidated Operating EBITDAC* at Rs 224 Cr, 10.3% margin**

- ❖ Hospital Business – Rs 129 Cr, 7.5% margin
- ❖ Diagnostic Business – Rs 95 Cr, 20.9% margin

*EBITDAC refers to EBITDA before net business trust costs

Capital Structure – September 30, 2018

Balance Sheet (Rs Cr)	March 31, 2018	June 30, 2018	Sept 30, 2018
Shareholder's Equity	5,317	5,299	5,163
Debt	1,959	1,657	1,745
Total Capital Employed	7,276	6,955	6,907
Net Fixed Assets (includes CWIP)	3,169	3,128	3,092
Goodwill	2,049	2,049	2,008
Investments	1,397	1,346	1,270
Cash and Cash Equivalents	555	135	248
Net Current Assets	106	298	289
Total Assets	7,276	6,955	6,907
Net Debt	1,404	1,522	1,497
Net Debt to Equity	0.26x	0.29x	0.29x

4. Performance Review – Hospital Business

India Hospital Business – Q2 & H1FY2019

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	966.4	819.9	899.5	-6.9%
Operating EBITDAC*	150.2	41.8	87.6	-41.7%
Operating EBITDAC margin	15.5%	5.1%	9.7%	
Net BT Costs	67.9	65.3	67.0	
Operating EBITDA	82.4	(23.5)	20.6	-75.0%
Other Income	23.5	10.8	11.8	
EBITDA	105.8	(12.7)	32.4	-69.4%

- International patient revenue at Rs 100 Cr, +11% growth over trailing quarter.
- Key Hospitals revenue growth (over Q1 FY19)
 - FMRI +14%
 - BG Road +13%
 - Mulund +19%
 - Vashi +24%
 - Anandpur +12%

*EBITDAC refers to EBITDA before net business trust (BT) costs

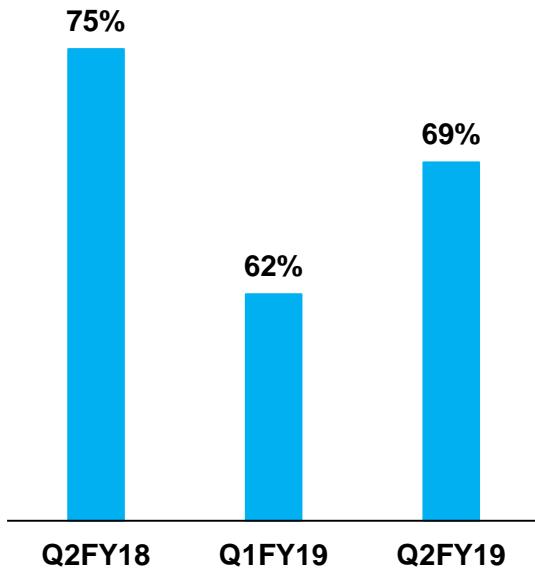
India Hospital Business – H1FY2019

Particulars	H1FY18	H1FY19	Variance (%)
	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,905.4	1,719.4	-9.8%
Operating EBITDAC*	277	129	-53.2%
Operating EBITDAC margin	14.5%	7.5%	
Net BT Costs	135.1	132.3	
Operating EBITDA	141.7	(2.9)	-102.0%
Other Income	72.3	22.6	
EBITDA	213.9	19.7	-90.8%

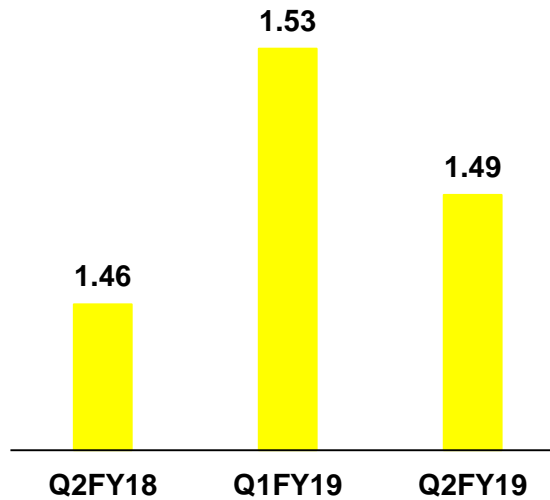
*EBITDAC refers to EBITDA before net business trust (BT) costs

Key Performance Metrics

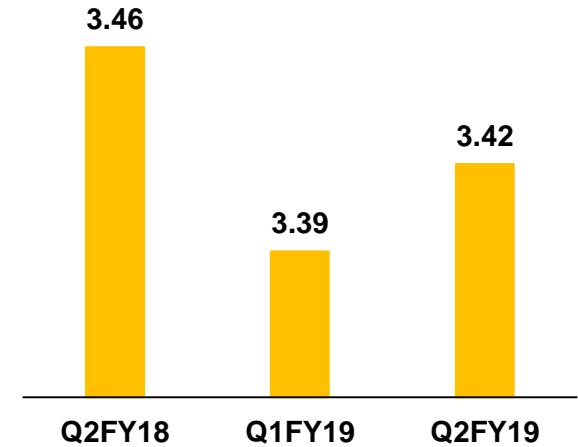
Occupancy (%)



ARPOB (Rs Cr)

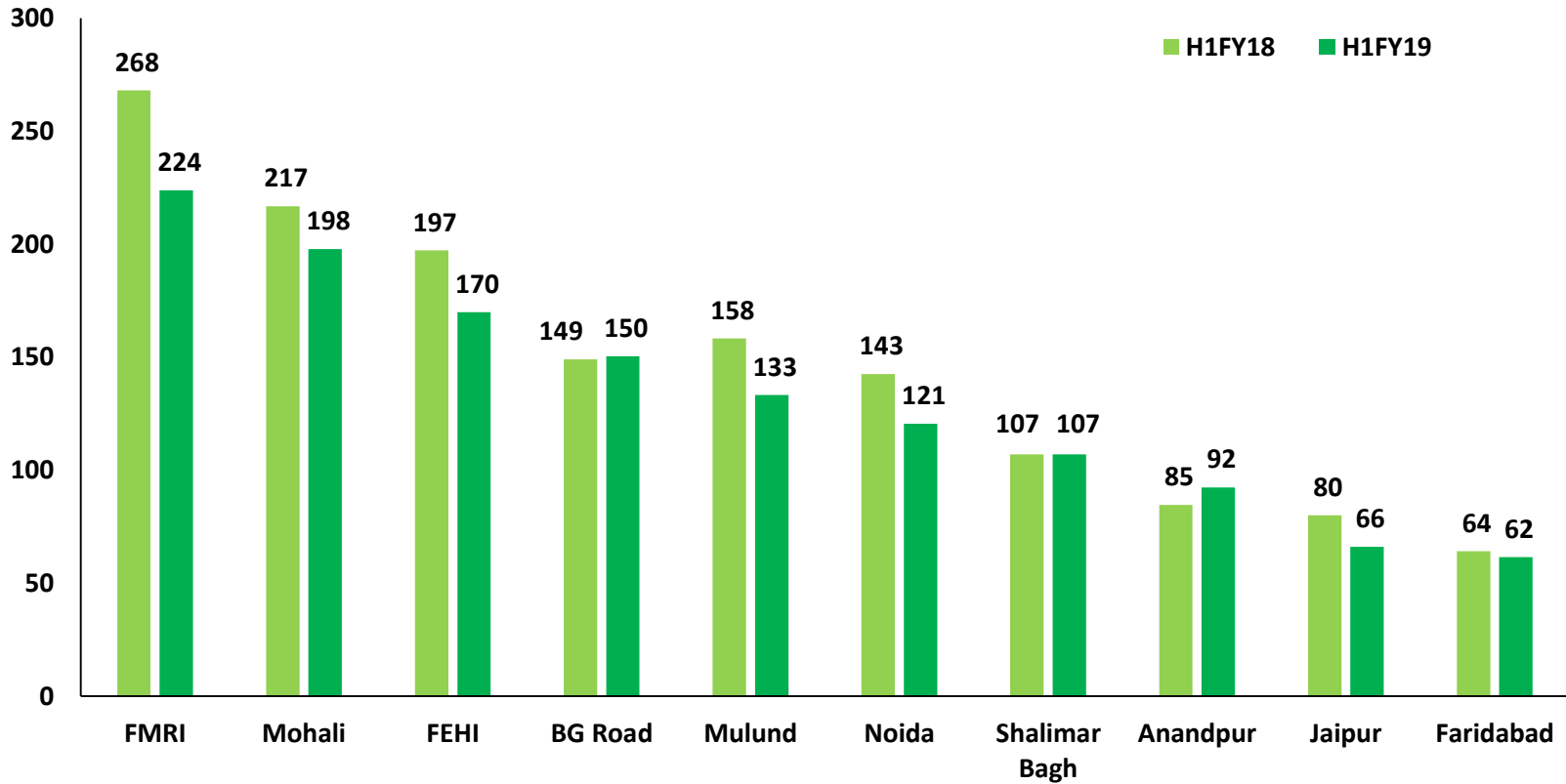


ALOS (Days)



Key Hospitals Performance

Rs Crore



Key Initiatives – Q2 FY2019

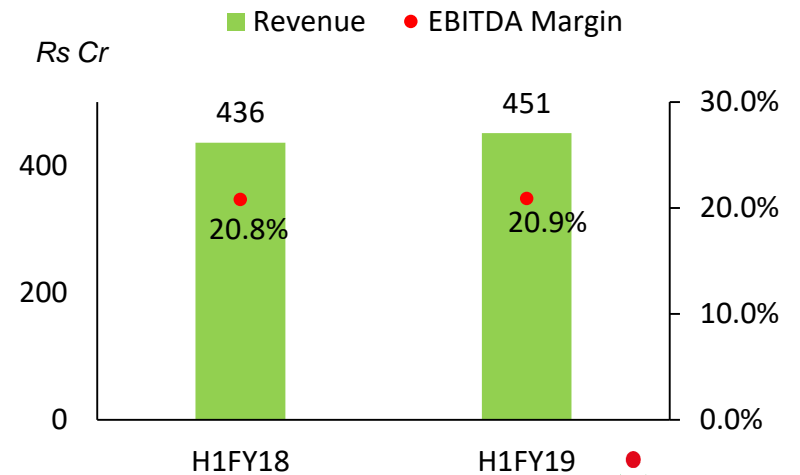
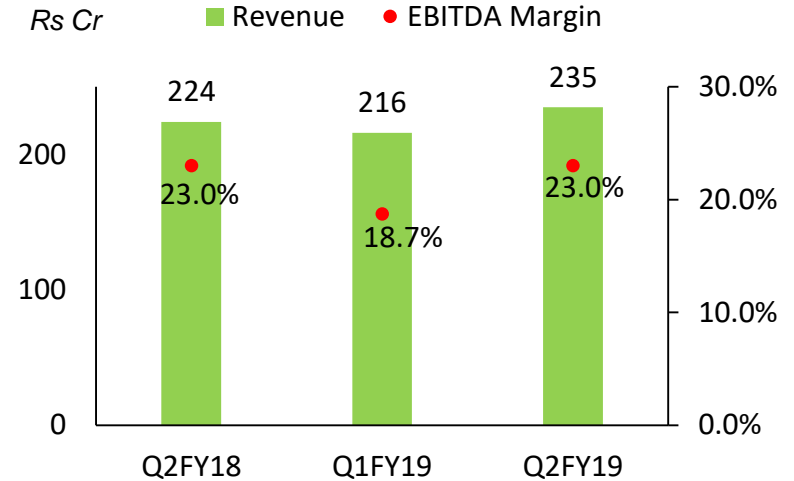
- Fortis La Femme, Bengaluru launched multi-disciplinary comprehensive specialty clinics for women. The specialty clinics include 'Adolescence Obesity Clinic, Adolescence PCOS Clinic, Breast Clinic and Menopause Clinic with a focus to nurture and care for women at every stage of their life.
- Fortis Escorts Hospital, Jaipur, launched a bike ambulance service in the city. Also termed a first responder bike, it is manned by trained responders and the bike is equipped with a first aid kit, emergency medical equipment and life-saving medicines.
- The state-of-the-art Da Vinci robotic surgery technology was introduced at Fortis Flt Lt Rajan Dhall Hospital, New Delhi.
- Fortis Escorts Heart Institute (FEHI) launched a Chronic Total Occlusion Percutaneous Coronary Intervention (CTO PCI) programme. The Institute is the only facility in the Fortis network to offer the specialized programme.
- A specialised shoulder clinic was launched at Fortis Hospital, CG Road, Bengaluru positioning it well to become an advanced treatment centre for sports injuries.

5. Performance Review – Diagnostics Business

Diagnostic Business – Q2FY19

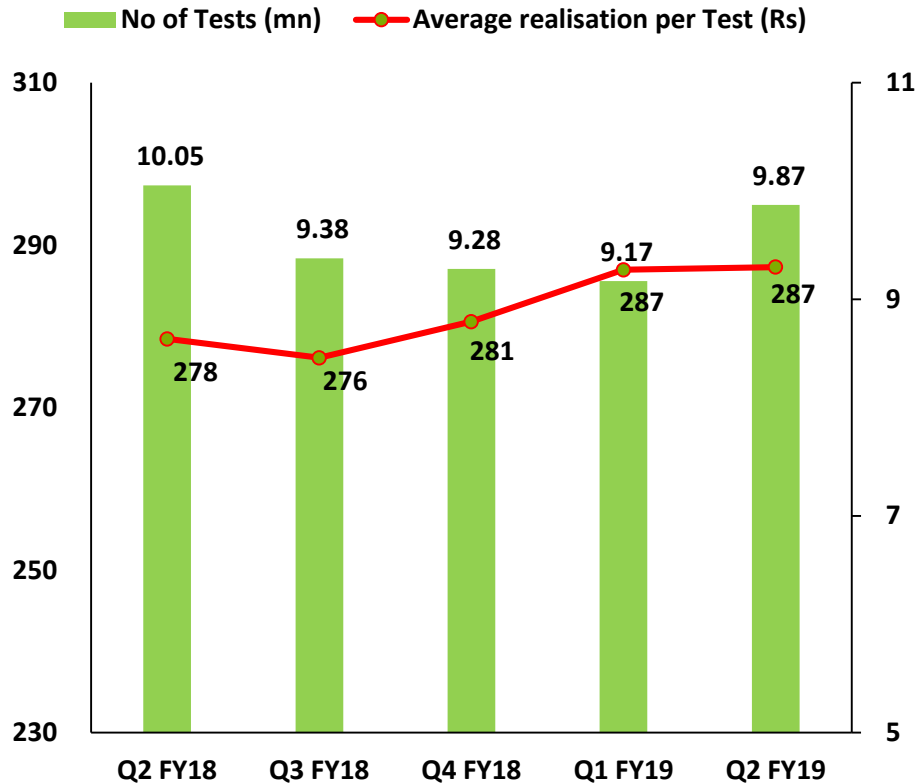
Q2FY19 Highlights

- Net Operating revenue at Rs 235 Cr, +5%
- Operating EBITDA margin stood at 23.0% compared to 23.0% in Q2FY18 & 18.7% in Q1FY19
- During the quarter, 14 new labs were added and 11 closed; 72 collection centres were added, 31 were closed
- No of accession for the quarter stood at 4.2 million, a decline of 2.8% vs Q2FY18
- Conducted over 9.87 million tests during Q2FY19, a decline of 1.8% vs Q2FY18

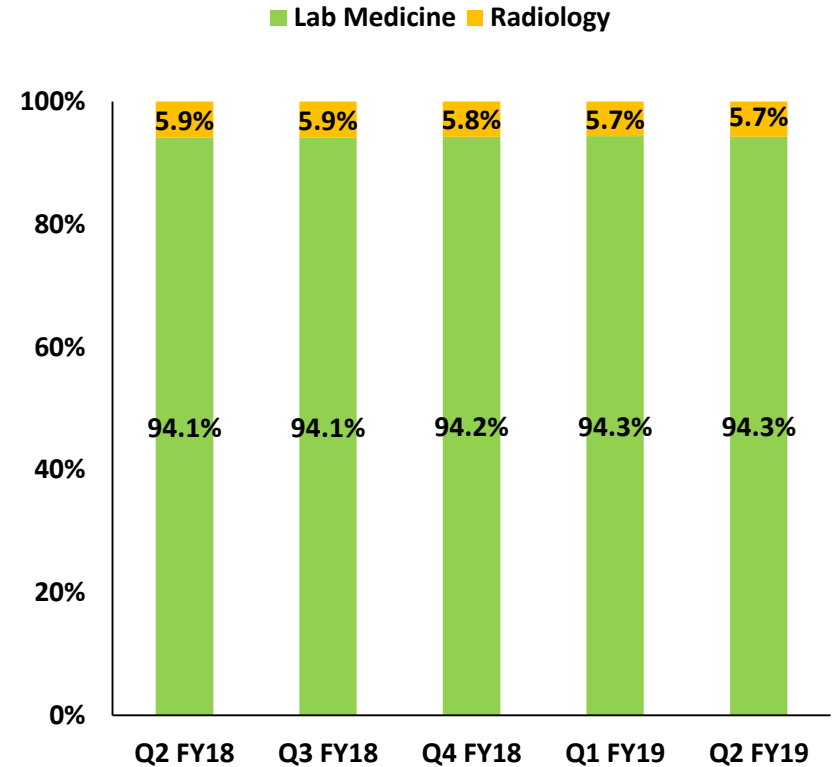


Key Performance Metrics

Number of Tests and Average Realizations



Business Mix By Revenue



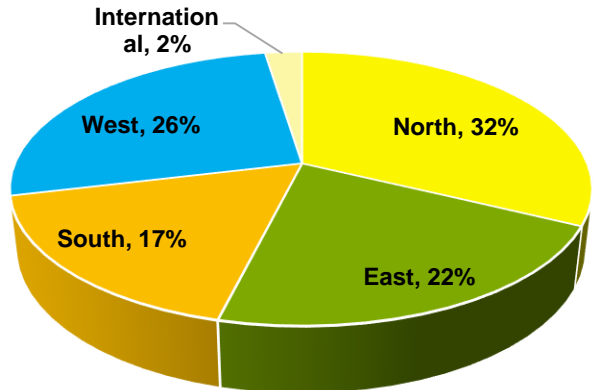
*Lab medicine business also includes a small proportion (7%) from clinical trials, wellness and the international segment

**Above numbers have been reinstated basis IndAS115

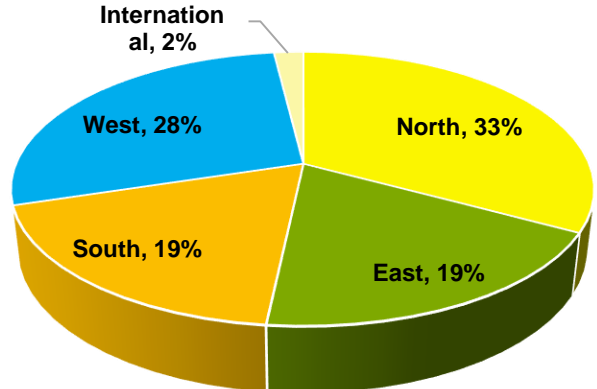
Revenue Mix

Geographic Mix

Q2 FY2019

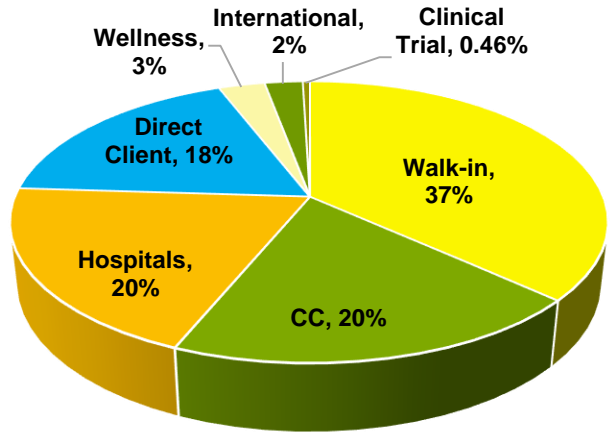


Q2 FY2018

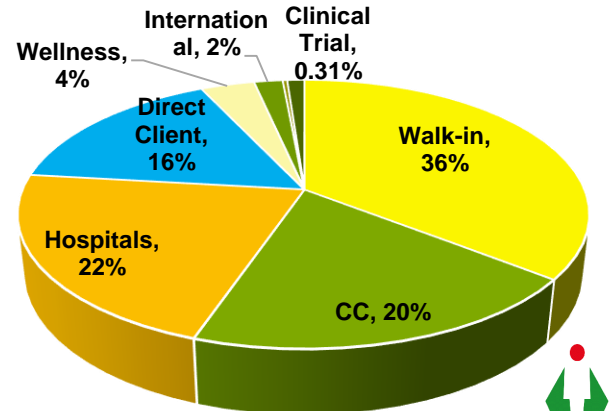


Customer Mix

Q2 FY2019



Q2 FY2018



6. Awards and Excellence

Key Awards and Recognitions

Fortis Hospital, Mulund, won two awards at the Times Healthcare Achievers - Mumbai 2018 awards function. The hospital was presented with the best Cardiology Services award while Dr Anvay Mulay, Director, Cardiac Sciences, was named the 'Legend-Cardiovascular & Thoracic Surgery'.

SL Raheja Hospital, Mahim - A Fortis Associate, received "Green OT" certification from Bureau veritas, with a performance score of 97%. The Green certification Project under which the hospital was certified if the first 'Make in India' certification protocol developed by Bureau Veritas in conjunction with Abott India and multi-hospital stakeholders.

The Delhi Medical Association has honoured Dr Ashok Seth, Chairman, Fortis Escorts Heart Institute, and Dr Ajay Kumar, Chairman, Fortis Escorts Liver and Digestive Diseases, with the 'Vishisht Chikitsa Ratan Award' on the occasion of National Doctors' Day, for their distinguished work and contribution to healthcare in the country.

Fortis Hospital, Mohali, was recently awarded the prestigious 'Pharmacie-de-qualite' certification for excellence in pharmacy. While the Supply Chain Management and Pharmacy Team at Fortis Escorts Heart Institute received the 'Pharmacie de Qualite' certification in the surveillance audit conducted in March 2018.

Fortis Hospital, Mohali and Fortis Vasant Kunj won the second prize at the CII 19th national Awards for Excellence in Energy management in the Building Category.

Successes in Clinical Excellence – Q2 FY2019

A team of doctors at Fortis Hospital, Bannerghatta Road, Bengaluru conducted its maiden complex paediatric heart transplant to save a 13-year-old boy from Karnataka who was suffering from dilated cardiomyopathy.

Fortis Escorts Heart Institute achieved yet another milestone by performing the India's first "Protected Angioplasty and Stenting Procedure" with the support of an Impella Heart Pump on an 86-year-old patient suffering from life threatening heavily calcified triple vessel and left main artery blockages.

A Subcutaneous Implantable Cardioverter Defibrillator (S-ICD) was recently implanted at Fortis Hospital, Mulund. The rare procedure is reportedly the 15th in the country. The recipient, a 36-year-old Iraqi national was diagnosed to have an infected Implantable Cardioverter Defibrillator (ICD) lead, which was placed in his heart a few years ago, in his country.

A team of Doctors at Fortis Hospital, Shalimar Bagh removed 14 live round worms, measuring 15-20 cm each, from a 38-year-old patient's bile duct. While round worms are generally found in the intestines, they can occasionally migrate to the bile duct.

7. Appendix

India Consolidated P&L – Q2 FY2019

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,190.6	1,036.3	1,134.4	-4.7%
Operating EBITDAC*	201.8	82.4	141.6	-29.8%
Operating EBITDAC margin	17.0%	7.9%	12.5%	
Net BT Costs	67.9	65.3	67.0	
Operating EBITDA	134.0	17.0	74.6	-44.3%
Other Income	24.8	11.9	12.6	
EBITDA	158.7	28.9	87.2	-45.0%
Finance Costs	65.6	76.1	84.3	
Depreciation & Amortization	60.0	56.9	55.8	
PBT before Forex	33.1	(104.0)	(52.8)	
Foreign Exchange (Loss)/ Gain	(2.8)	9.3	(2.8)	
PBT before Exceptional Item	30.4	(94.7)	(55.6)	
Exceptional (Loss)/ Gain [^]	(48.2)	(5.9)	(107.1)	
Tax Expense	16.0	(33.9)	(15.1)	
PAT before minority interest and share in associates	(33.9)	(66.8)	(147.6)	
Share in Associates	21.8	6.3	2.7	
PAT after minority interest and share in associates	(34.4)	(78.6)	(169.4)	

*EBITDAC refers to EBITDA before net business trust (BT) costs

[^]Exceptional loss in Q2FY19 primarily pertains to Goodwill Impairment (Rs 40 Cr), investment Impairment (Rs 56 Cr) and One off expenses

India Consolidated P&L – H1 FY2019

Particulars	H1FY18	H1FY19	Variance (%)
	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	2,341.5	2,170.6	-7.3%
Operating EBITDAC*	367.4	224.0	-39.0%
Operating EBITDAC margin	15.7%	10.3%	
Net BT Costs	135.1	132.3	
Operating EBITDA	232.4	91.6	-60.6%
Other Income	75.1	24.5	
EBITDA	307.5	116.2	-62.2%
Finance Costs	129.7	160.4	
Depreciation & Amortization	118.3	112.6	
PBT before Forex	59.5	(156.8)	
Foreign Exchange (Loss)/ Gain	(8.5)	6.5	
PBT before Exceptional Item	51.0	(150.3)	
Exceptional (Loss)/ Gain^	(49.6)	(113.0)	
Tax Expense	27.9	(48.9)	
PAT before minority interest and share in associates	(26.4)	(214.4)	
Share in Associates	33.3	9.1	
PAT after minority interest and share in associates	(32.5)	(248.0)	

*EBITDAC refers to EBITDA before net business trust (BT) costs

^Exceptional loss in H1FY19 primarily pertains to Goodwill Impairment (Rs 40 Cr), investment Impairment (Rs 56 Cr) and One off expenses in Q2 FY19

Group Consolidated P&L – Q2 FY2019

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,197.2	1,042.0	1,139.9	-4.8%
Operating EBITDAC*	200.1	80.4	142.1	-29.0%
Operating EBITDAC margin	16.7%	7.7%	12.5%	
Net BT Costs	67.9	65.3	67.0	
Operating EBITDA	132.2	15.1	75.1	-43.2%
Other Income	17.3	11.9	12.6	
EBITDA	149.5	27.0	87.8	-41.3%
Finance Costs	66.0	76.4	84.6	
Depreciation & Amortization	60.7	56.9	55.9	
PBT before Forex	22.8	(106.3)	(52.7)	
Foreign Exchange (Loss)/ Gain	(4.5)	16.6	(2.0)	
PBT before Exceptional Item	18.3	(89.7)	(54.7)	
Exceptional (Loss)/ Gain ^	(48.2)	(5.9)	(107.1)	
Tax Expense	17.0	(33.8)	(14.7)	
PAT before minority interest and share in associates	(46.9)	(61.8)	(147.1)	
Share in Associates	23.3	9.0	5.1	
PAT after minority interest and share in associates	(45.9)	(70.9)	(166.6)	

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Group Consolidated P&L – H1 FY2019

Particulars	H1FY18	H1FY19	Variance (%)
	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	2,353.8	2,181.9	-7.3%
Operating EBITDAC*	363.0	222.6	-38.7%
Operating EBITDAC margin	15.4%	10.2%	
Net BT Costs	135.1	132.3	
Operating EBITDA	227.9	90.2	-60.4%
Other Income	74.7	24.6	
EBITDA	302.6	114.8	-62.1%
Finance Costs	130.4	161.0	
Depreciation & Amortization	119.7	112.8	
PBT before Forex	52.5	(159.0)	
Foreign Exchange (Loss)/ Gain	(13.2)	14.6	
PBT before Exceptional Item	39.4	(144.4)	
Exceptional (Loss)/ Gain ^	(49.6)	(113.0)	
Tax Expense	29.2	(48.5)	
PAT before minority interest and share in associates	(39.4)	(208.9)	
Share in Associates	38.4	14.1	
PAT after minority interest and share in associates	(40.4)	(237.5)	

*EBITDAC refers to EBITDA before net business trust (BT) costs

^Exceptional loss in H1FY19 primarily pertains to Goodwill Impairment (Rs 40 Cr), investment Impairment (Rs 56 Cr) and One off expenses in Q2 FY19

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Thank You...