

NETCARE LIMITED
(Registration number 1996/008242/06)
JSE ordinary share code: NTC
ISIN: ZAE000011953
JSE preference share code: NTCP
ISIN: ZAE000081121
("Netcare" or the "Group")

TRADING STATEMENT

In terms of paragraph 3.4 (b) of the JSE Listings Requirements, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next will differ by at least 20% from those of the previous corresponding period.

Netcare will be releasing its audited Group results for the year ended 30 September 2021 ("FY 2021") on Monday, 22 November 2021. The results for FY 2021 have been affected by the following factors:

Impact of COVID-19

As indicated in the voluntary trading update published on 22 October 2021, Netcare's operational and financial performance in FY 2021 continued to be impacted by the Coronavirus 2019 pandemic, with two sizable COVID-19 waves occurring within the financial year. The challenges of weathering significant rolling waves of COVID-19 and the short recovery periods between waves have impinged on momentum towards a full recovery to pre-COVID-19 levels. However, there has been a steady sequential improvement in revenue, EBITDA and EBITDA margin in the second half of FY 2021 ("H2 2021") when benchmarked against both the first half of FY 2021 ("H1 2021") and the second half of FY 2020 ("H2 2020"). Consequently, the Group has achieved a solid improvement in its full year results for FY 2021 when compared to the prior year ("FY 2020").

Significant items for FY 2021

The FY 2021 results include provisions for impairments of property assets amounting to R73 million, the majority of which relate to the Union and Clinton hospital buildings which will be vacated on the opening of the new 427 bed Netcare Alberton facility. The impact of COVID-19 on the property market has reduced the previously anticipated market valuations of these sites. The property impairments equate to 5.5 cents within Earnings per Share ("EPS"). These impairments are excluded from Headline Earnings per Share ("HEPS") in terms of Circular 1/2021 issued by the South African Institute of Chartered Accountants (SAICA) and are also excluded from the calculation of adjusted HEPS, which is the primary measure used by management to assess Netcare's underlying financial performance.

In light of the early termination of the Lesotho Public-Private Partnership agreement by the Government of Lesotho and ongoing uncertainty with regard to the resolution of matters under dispute, the Group has recognised net losses of R35 million before tax (R71 million after tax), equating to 5.3 cents against EPS and HEPS respectively. These losses are excluded from the calculation of adjusted HEPS.

Significant items for FY 2020

Included in the FY 2020 results was a once-off, non-cash share-based payment expense of R348 million arising from the implementation of a B-BBEE transaction, equating to a charge of 26.0 cents against EPS and HEPS respectively. This transaction was excluded from the calculation of adjusted HEPS.

In H2 2020, an after tax profit of R474 million was realised on the disposal of the GHG PropCo 2 associate entities, following the sale of their six United Kingdom hospital properties. Netcare's share of the related sale proceeds of R778 million was received during September 2020. The profit on disposal of associate equated to a benefit of 35.5 cents within EPS. This profit was excluded from HEPS in terms of Circular 1/2021 issued by SAICA and was also excluded from the calculation of adjusted HEPS.

EPS, HEPS and adjusted HEPS

Notwithstanding the challenging trading environment, the Group is pleased with the ongoing sequential improvement in its financial performance and results for FY 2021.

As a result of the matters discussed above, the financial results for FY 2021 are expected to vary from the prior period's results as set out in the table below:

	Reported result for FY 2020	Expected result for FY 2021	% change
EPS	28.3 cents	52.0 cents to 57.0 cents	83.7% to 101.4%
HEPS	(3.6 cents)	59.0 cents to 64.0 cents	
Adjusted HEPS	32.5 cents	65.0 cents to 70.0 cents	100.0% to 115.4%

The information provided in this trading statement has not been reviewed or reported on by Netcare's external auditors.

Johannesburg
18 November 2021

Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited