



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")

Voluntary update on FY 2022 trading

The purpose of this announcement is to provide shareholders with an update on Netcare's trading for the financial year ending 30 September 2022 ("FY 2022").

Overview

We are encouraged by the improving operating environment since February 2022, which has seen a decline in COVID-19 cases, recovery of non-COVID-19 medical and surgical activity and a shift towards normalisation of case mix and length of stay. Recovering demand for private healthcare services has lifted occupancy levels during the second half of the 2022 financial year ("H2 2022") and total patient days for H2 2022 grew by 13.3% against the first half ("H1 2022"). The movement towards a normalised case mix has resulted in higher than expected patient day growth, but slightly lower than anticipated revenue growth. Normalised revenue for FY 2022 for the Group and the Hospital and emergency services segment is expected to grow within a range of 2.0% to 3.0% compared to the previous financial year ("FY 2021") (FY 2021: Group R21 005 million; Hospital and emergency services R20 422 million). Normalised EBITDA margins (excluding strategic costs) for the Group and Hospital and emergency services segment have strengthened against both H1 2022 and FY 2021 and are expected to be between 60 and 150 basis points higher than the prior year (FY 2021: Group 16.0%; Hospital and emergency services 15.9%).

The Group's statement of financial position remains solid, with strong cash generation and ample headroom in banking covenants.

We continued to make good progress across all of our key strategic projects during FY 2022.

The CareOn digitisation project to implement fully integrated Electronic Medical Healthcare Records across the Netcare ecosystem is on track with all FY 2022 objectives achieved within scheduled timeframes and budget. This new way of care has been successfully implemented at 21 hospitals to date.

Segmental performance - Hospital and emergency services

Hospital and emergency services comprise acute and mental hospitals, as well as emergency and ancillary services.

	FY 2022 vs FY 2021 % change	H2 2022 vs H2 2021 % change	H2 2022 vs H1 2022 % change
Patient days – total	5.4%	7.7%	13.3%
Patients days – acute hospital	4.8%	6.8%	13.1%
Patient days – mental health	11.3%	16.2%	15.7%
Theatre minutes – acute hospital	16.1%	18.8%	5.9%
	FY 2022	H2 2022	H1 2022
Occupancy - total	60.0% (FY 2021: 56.7%)	63.7% (H2 2021: 58.7%)	56.4% (H1 2021: 54.6%)
Occupancy – acute hospital	59.3% (FY 2021: 56.2%)	62.9% (H2 2021: 58.3%)	55.7% (H1 2021: 54.1%)
Occupancy – mental health	68.1% (FY 2021: 62.1%)	71.8% (H2 2021: 63.7%)	64.2% (H1 2021: 60.6%)
<i>Note: Metrics exclude Netcare Ceres, Bougainville and Optiklin facilities.</i>			

Hospital and mental health activity has experienced an increasing trend since February 2022, since the fourth wave subsided and COVID-19 regulations and restrictions were lifted.

The shift towards a normalised operating environment is evident in the higher acute hospital occupancies in H2 2022 of 62.9% (H1 2022: 55.7%). For FY 2022, full week occupancy within acute hospitals increased to approximately 59.3% from 56.2% in FY 2021. August 2022 occupancy was 63.8%, with September 2022 occupancy strengthening further to approximately 65.8%.

Mental health occupancies continued to show strong improvement increasing to 68.1% in FY 2022 from 62.1% in FY 2021. Occupancy in H2 2022 was 71.8% (72.4% excluding Richards Bay) improving from 64.2% in H1 2022.

Total growth in patient days of approximately 5.4% is expected for FY 2022, exceeding the full-year guidance of 2.0% to 3.0% provided at the time of Netcare's H1 2022 results.

Acute hospital patient days for FY 2022 improved by 4.8% against FY 2021. Mental health patient days showed a strong recovery, improving by 11.3% compared to FY 2021, with the new 36-bed Akeso Richards Bay mental health facility contributing 1.3%.

Medical admissions (excluding COVID-19) to August 2022 have shown robust growth, increasing by approximately 40.3% against FY 2021, while surgical admissions increased by approximately 22.9%. Total surgical cases comprised 59.7% of admissions in FY 2022 (FY 2021: 58.2%). The ratio of elective surgery has recovered to approximately 24.1% of total admissions against an average of 28.5% pre-pandemic.

Acute revenue per patient day to August 2022 decreased by 1.7% compared to FY 2021, reflecting the significant decline in higher complexity COVID-19 admissions and a shift towards a normalised case mix, while the average length of stay decreased to 4.3 days (FY 2021: 4.8 days).

The new 427-bed Netcare Alberton Hospital was successfully commissioned in April 2022 and has a current full week occupancy of 80.3%. Furthermore, in line with Netcare's focus on improving asset utilisation, three smaller hospitals, being Netcare Ceres (28 beds), Netcare Bougainville (60 beds) and Netcare Optiklin (14 beds) were closed.

In May 2022, the Group opened the 36-bed Netcare Akeso Richards Bay mental health facility which has a current occupancy of 61.0%.

Netcare continues to attract specialists and a net 85 doctors were granted admission rights at acute and

mental health facilities during FY 2022.

Segmental performance - Primary Care

The Primary Care division has maintained the solid performance reported in H1 2022. Patient visits have increased by approximately 4.0% against FY 2021 on a 'same site' basis and revenue is expected to grow by 5.0% to 7.0% for the year (FY 2021: R595 million). EBITDA margins for the full year are expected to remain similar to the 23.0% reported for H1 2022.

Further detail on the Group's financial performance for FY 2022 and the outlook for the 2023 financial year will be provided in the audited Group results due to be released on or about Monday, 21 November 2022.

Normalised numbers exclude the impact of exceptional items comprising property impairments and the termination of the Lesotho Public Private Partnership in FY 2021. The normalised information is the responsibility of the directors of Netcare, has been prepared for illustrative purposes only and because of its nature may not fairly present Netcare's financial position.

The information presented in this announcement reflects the Group's latest estimates of its financial results for FY 2022 and related metrics and has not been reviewed or reported on by Netcare's external auditors.

29 September 2022

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited