Remgro Limited
Registration number 1968/006415/06
ISIN ZAE000026480
JSE and A2X Share code REM
("Remgro")

SUMMARY OF MEDICLINIC GROUP LIMITED RESULTS FOR THE YEAR ENDED 31 MARCH 2023

SALIENT FEATURES

- 12% growth in Group revenue to £3 618m (FY22: £3 233m), a 4% increase in constant currency terms

- Adjusted EBITDA increased 9% to £570m (FY22: £522m), a 1% increase in constant currency terms

- Adjusted earnings rose 15% to £192m (FY22: £167m)

- Adjusted EPS increased 15% to 26.0 pence (FY22: 22.6 pence)

INTRODUCTION

As confirmed via the Stock Exchange News Service on 26 May 2023, the scheme whereby Manta Bidco Limited ("Bidco") (a consortium made up of (i) Remgro (through the relevant Remgro subsidiaries); and (ii) SAS Shipping Agencies Services S.à r.l., a wholly-owned subsidiary of MSC Mediterranean Shipping Company SA), acquired the entire issued and to be issued share capital of Mediclinic Group Limited (formerly Mediclinic International plc) ("Mediclinic") (the "Scheme") became effective, and Mediclinic was delisted from the Johannesburg Stock Exchange, ("JSE").

Given that Mediclinic is no longer listed on the JSE and the London Stock Exchange ("LSE"), there is no regulatory requirement for Mediclinic to release financial results in terms of the JSE or the LSE Listing Requirements. However, considering the proximity of the delisting to Mediclinic's financial year-end, Remgro believes that it is appropriate to release a summary of Mediclinic's 2023 full-year financial results.

Remgro is therefore releasing a voluntary statement highlighting the salient points of Mediclinic's performance for the year ended 31 March 2023. Mediclinic's financial results, including divisional results and reconciliations ("Mediclinic Abridged Results"), can be accessed at the following link on Remgro's website https://www.remgro.com/investor-centre/mediclinic-results/.

GROUP[8] RESULTS

	Reported results			**Adjusted results[1]**		
	FY23 £'m	FY22 £'m	**Variance[2]**	**FY23 £'m**	FY22 £'m	**Variance[2]**
Revenue	**3 618**	3 233	12%	**3 618**	3 233	12%
Adjusted EBITDA[3]				**570**	522	9%
Operating profit	**78**	280	(72)%	**336**	311	8%
Earnings[4]	**135**	151	(11)%	**192**	167	15%
EPS[5] (pence)	**18.3**	20.5	(11)%	**26.0**	22.6	15%
Headline earnings	**245**	140	75%			
Total dividend per share (pence)	**-**	3.00	(100)%	**-**	3.00	(100)%
Net incurred debt[6]				**1 159**	1 269	(9)%

Cash conversion[7]	**102%**	127%

1. *The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting. Refer to the policy and "Reconciliations" section on pages 8-13 of the Mediclinic Abridged Results.*
2. *The percentage variances are calculated in unrounded sterling values and not in millions.*
3. *Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA").*
4. *Earnings refers to earnings attributable to equity holders.*
5. *Earnings per share ("EPS").*
6. *Net incurred debt reflects bank borrowings and excludes IFRS 16 lease liabilities.*
7. *Refer to calculation on page 11 of the Mediclinic Abridged Results.*
8. *Mediclinic and together with its affiliates, the "Group".*

ADJUSTED RESULTS

The Group experienced a testing first-half performance but, notwithstanding the continued macroeconomic pressures, delivered an improved performance in the second half of FY23. Group revenue was up 12% at £3 618m (FY22: £3 233m) and up 4% in constant currency terms. This performance was driven by an 11.2% growth in inpatient admissions and a 16.2% growth in day case admissions, partly offset, however, by lower average revenue per case due to mix changes, exacerbated by the post-COVID-19 environment, and below-inflation tariff increases.

Adjusted EBITDA was up 9% at £570m (FY22: £522m) and up 1% in constant currency terms. The Group's adjusted EBITDA margin was 15.8% (FY22: 16.1%), reflecting softer revenue performance, increased employee costs due to general nurse shortages in Switzerland and pronounced seasonality, and additional headcount related to capacity expansion in the Middle East.

Adjusted depreciation and amortisation were up 13% to £236m (FY22: £209m) and up 4% in constant currency terms, as a result of increased investment in infrastructure and medical equipment post-COVID-19.

Adjusted operating profit was up 8% at £336m (FY22: £311m) and up 1% in constant currency terms, resulting in an increase in return on invested capital ('ROIC') to 4.2%, compared with 4.0% in FY22.

Adjusted net finance cost increased 8% to £72m (FY22: £67m) and up 1% in constant currency, as higher underlying interest rates were largely offset by hedging (except for Switzerland, which was unhedged for most of the year), finance income on cash balances and a reduction in incurred debt.

The adjusted tax charge was £55m (FY22: £45m) and the adjusted effective tax rate for the period was 20.5% (FY22: 19.5%). The increase in the adjusted effective tax rate was mainly due to the non-recognition of deferred tax assets on tax losses in Switzerland. Adjusted non-controlling interests were up 16% to £22m (FY22: £19m).

Adjusted net profit from equity-accounted investments improved from a loss of £13m in FY22 to a profit of £5m in FY23, reflecting the net profit reported by Spire for the 12 months ended 31 December 2022.

Both adjusted earnings and adjusted EPS were up 15% at £192m (FY22: £167m) and 26.0 pence (FY22: 22.6 pence), respectively.

The Group delivered cash conversion of 102% (FY22: 127%), ahead of the targeted 90–100%.

Total capital expenditure for the period was £203m (FY22: £178m), representing ongoing investment across the three divisions to enhance the existing business and deliver future growth opportunities.

Given the improved profitability and continued amortisation of borrowings, the Group's leverage ratio (including lease liabilities) decreased during the year to 3.6x (FY22: 3.9x). The continued repayment of debt by the Swiss and Middle East divisions by around £121m in the year, partly offset by translation differences at year end, resulted in reported incurred bank debt decreasing to £1 733m (FY22: £1 803m). Net incurred debt decreased by £110m to £1 159m (FY22: £1 269m).

In arriving at FY23 adjusted operating profit, reported operating profit was adjusted for the following exceptional items:

- corporate transaction costs of £8m relating to the acquisition of the Group by Bidco;
- impairment charges of £228m relating to property, equipment, vehicles and computer software in Switzerland, where the carrying value was impaired to the recoverable amount due to weaker performance and higher discount rates;
- impairment charges of £1m relating to goodwill in Southern Africa; and
- accelerated depreciation of £21m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna, Lucerne.

Prior-period FY22 operating profit was adjusted for the following exceptional items:

- past service cost of £9m relating to Swiss pension benefit plan changes and £2m relating to Middle East end-of-service benefit obligation;
- insurance proceeds of £7m received for the damage of buildings and equipment at Klinik Hirslanden, Zurich;
- accelerated depreciation of £19m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna;
- impairment charges of £7m relating to damaged buildings and equipment at Klinik Hirslanden; and
- fair value adjustment of £1m on the deemed disposal of the equity-accounted investment, Bourn Hall.

FY23 reported earnings were further adjusted for the following exceptional items:

- a decrease in the redemption liability of £37m related to Clinique des Grangettes, Geneva, due to remeasurement;
- the reversal of impairment charges of £89m related to the equity-accounted investment in Spire to more closely reflect the market value of the investment;
- tax rate changes of £13m and prior-period adjustments of £8m related to Switzerland; and
- related tax impact on adjusting items of £53m and adjusting items attributable to non-controlling interest of £1m.

FY22 reported earnings were further adjusted for the following exceptional items:

- Mediclinic's share of the equity-accounted gain on sale and leaseback from Spire of £7m;
- Mediclinic's share of the equity-accounted tax credit in respect of Spire's sale and leaseback of £5m;
- increase in the redemption liability related to Clinique des Grangettes due to remeasurement of £1m; and
- related tax impact on adjusting items of £4m.

REPORTED RESULTS

Reported revenue was up 12% to £3 618m (FY22: £3 233m), driven by the recovery in client activity.

Depreciation and amortisation, which includes accelerated depreciation of £21m (FY22: £19m) relating to the expansion project at Klinik St. Anna, increased by 13% to £257m (FY22: £228m), reflecting the increased investment in infrastructure and medical equipment post-COVID-19.

Operating profit was down by 72% to £78m (FY22: £280m) and includes impairment charges of £229m, mostly related to Switzerland.

Net finance cost decreased by 49% to £35m (FY22: £68m) and includes a decrease in the redemption liability related to Clinique des Grangettes due to remeasurement of £37m.

The effective tax rate for the period was (13.9)% (FY22: 19.5%), reflecting non-taxable income relating to the remeasurement of the redemption liability of £37m and the reversal of impairment of the equity-accounted investment in Spire of £89m, as well as Swiss tax rate changes of £13m, a prior-period adjustment of £8m that resulted in a reduction in deferred tax liabilities of £21m, and a tax deduction on the impairment of an intra-group loan that resulted in a tax credit of £22m.

Earnings and EPS were both down 11% at £135m (FY22: £151m) and at 18.3 pence (FY22: 20.5 pence), respectively.

DIVIDEND POLICY AND DIVIDEND DECLARATION

The Group's dividend policy prior to the acquisition was to target a payout ratio of between 25% and 35% of full-year adjusted earnings. Mediclinic's Board may revise the policy at its discretion.

As referenced in the Scheme document, Bidco reserved the right to reduce the acquisition price by the amount of any dividend declared prior to the date on which the Scheme became effective. Consequently, the Mediclinic Board considered it appropriate not to propose a final dividend.

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The information contained in this voluntary announcement has not been reviewed or reported on by Remgro's independent external auditors.

Stellenbosch
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Sponsor
RAND MERCHANT BANK (a division of FirstRand Bank Limited)