



NETCARE LIMITED

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("Netcare" or the "Group")

VOLUNTARY OPERATIONAL UPDATE

Netcare will participate in the Bank of America conference at Sun City on 5 and 6 March 2024. The Group remains committed to transparency and proactive communication with investors and the broader financial community. In preparation for this event, this voluntary announcement has been issued to offer a brief overview of high-level operational performance indicators for the five months ended 29 February 2024 ("**review period**"). This advance disclosure aims to provide stakeholders with a preliminary understanding of Netcare's operational performance ahead of the conference.

Overview

Hospital and emergency services

Total paid patient days ("**PPD**") for the review period grew by 0.3% on the prior period, despite the prevailing macroeconomic challenges and decline in formal sector employment during the fourth quarter of 2023. The commencement of the school year in January 2024, delayed by a week compared to the previous year, initially contributed to a softening of patient activity at the beginning of the month. However, we are encouraged by the improved patient activity experienced since the last week of January 2024. Pleasingly, the heightened activity levels persisted into February 2024.

The average acute patient day activity for the review period remains above 94% of pre-pandemic levels, with February ending above 97% of February 2019. The average case severity remains above that of 2019 and is reflected in an increased length of stay.

There were no material changes in Designated Service Provider contracts during the review period, and the Group is pleased with the revenue that has been retained in the networks that were implemented at the beginning of 2023, where Netcare did not achieve anchor status.

In line with the trend reported in FY 2023, medical PPDs continue to recover at a faster pace than surgical PPDs, notwithstanding subdued respiratory activity compared to 2023. Surgical PPDs continue to be impacted by sector trends of declining maternity cases and the outmigration of lower margin day cases, but continue to contribute more than 70% of revenue.

Average mental health PPD activity for the review period remains above pre-pandemic levels.

The usual seasonality and dilutive impact of lower occupancy levels during the holiday period (spanning early December 2023 through to the third week of January 2024) resulted in total average occupancy levels of 62.1% for the review period, which are largely in line with the prior period.

The average acute occupancy for the month of February 2024 was 69.4%, the highest since February 2020.

Demand for mental health remains strong, with average occupancy of 82.4% for the month of February 2024.

Total revenue per PPD for the segment increased by 6.2% for Q1 FY 2024.

Netcare continues to attract specialists, and a net 37 doctors were granted admission rights at acute and mental health facilities during the review period.

Strategic update

The various strategic and digitisation initiatives across all divisions of Netcare are progressing well and remain on schedule and within budget.

Digitisation

In 2018, Netcare embarked on a strategic digitisation initiative to implement Electronic Medical Records (EMR) across the business. A major focus of this strategy is our CareOn program which has been tightly managed and has progressed well, remaining on track in terms of timeframe and costs. In the review period, the implementation of CareOn commenced at the final seven hospitals, comprising 943 beds and is due to complete by April 2024. By this stage, CareOn will be fully implemented across the entire acute hospital portfolio of 45 hospitals, signaling the conclusion of this pivotal project with EMRs implemented across the Group's entire ecosystem and seven delivery platforms. The system has garnered widespread adoption, with over 32 000 active users, including nurses, doctors, pharmacists and administrative personnel.

NHI

Netcare supports the endeavors to seek improvements to the NHI Bill for the practical attainment of the policy objective of universal healthcare access and awaits the outcome of the President's deliberations.

Group

While we are encouraged by the notable upswing in activity over the past five weeks, it is important to recognise the broader sector patterns that often see a deceleration in activity during the Easter and school holidays, which fall in H1 2024 of this financial year. This will influence comparative analysis since, in the preceding fiscal year (FY 2023), the Easter holidays fell in the second half (H2 2023). Similarly, in FY 2023, school holidays commenced on 27 March 2023, whereas school holidays will commence on 21 March 2024 in the current financial year.

Total Group revenue increased by 5.0% for Q1 FY 2024 compared to Q1 FY 2023.

Total operating costs have been well contained, notwithstanding a high inflationary environment and the declaration of an extra public holiday on 15 December 2023, leading to an increase in staffing costs of approximately R22 million.

A comprehensive update on the financial performance for H1 2024 will be made available prior to the release of H1 2024 results on Monday, 20 May 2024.

The information contained in this announcement has not been reviewed or reported on by Netcare's auditors.

4 March 2024

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited