



NETCARE LIMITED

Incorporated in the Republic of South Africa

(Registration number 1996/008242/06)

JSE ordinary share code: NTC

ISIN: ZAE000011953

JSE preference share code: NTCP

ISIN ZAE000081121

A2X share code: NTC

("Netcare" or the "Group")

Voluntary update on FY 2024 trading

The purpose of this announcement is to provide shareholders with an update on Netcare's trading for the financial year ending 30 September 2024 ("FY 2024").

Reference is also made to the year ended 30 September 2023 ("FY 2023") and the six months ended 31 March 2024 ("H1 2024").

For comparative purposes, the impact of exceptional items is excluded, unless otherwise indicated.

Overview

Netcare is encouraged by the ongoing improvement in the Group's financial performance as the full-year results normalise from the seasonal inconsistencies of the H1 2024 results, supported by sustained activity growth through the second half of the 2024 financial year ("H2 2024"). Resultantly, the Group is on track to meet the full-year guidance and strategic project goals published in the H1 2024 results.

Key financial highlights

Total paid patient days ("PPD") for FY 2024 are expected to grow by 0.3% against FY 2023, notwithstanding the constrained economic environment, exacerbated by high unemployment rates and job losses in the formal sector, engendering sluggish growth in medical aid membership.

Revenue for FY 2024 for both the Group and the Hospital and emergency services segment is expected to grow by 5.5% to 6.5% compared to the FY 2023 Group revenue of R23 699 million and Hospital and emergency services revenue of R23 050 million.

The business remains focused on cost efficiencies and continues to benefit from operating leverage. The normalised Group EBITDA margin is expected to strengthen by 25 to 60 basis points year-on-year (FY 2023: 17.4%).

Similarly, the normalised EBITDA margin for the Hospital and pharmacy operations sub-segment is expected to strengthen against the prior year's 17.6% by between 50 to 85 basis points.

In FY 2024, the Group incurred the final implementation costs related to the CareOn Electronic Medical Record project of R59 million and gross savings will exceed guidance of R120 million for the year. Similarly, other strategic operating costs relating to environmental sustainability and NetcarePlus, which are all critical enablers of our strategy, remain within guidance of R75 million.

Given the lower levels of load shedding across our facilities in H2 2024, diesel costs for the year are expected to amount to R51 million (FY 2023: R124 million).

Total capex for FY 2024 of R1.4 billion is expected to be in line with guidance.

The Group's statement of financial position remains solid, with strong cash generation.

In line with the Group's capital allocation policy, during FY 2024 the Group bought back 60 million shares at an average price of 1 193 cents per share. The Group cancelled 22 million shares during FY 2024 and held 169 million treasury shares at the end of FY 2024 (FY 2023: 134 million shares). The weighted average number of shares in issue for FY 2024 is 1 279 million (FY 2023: 1 330 million). To date, Netcare has bought back 85 million shares (5.9% of total ordinary shares in issue at 30 September 2023) at an average price of 1 227 cents per share since the commencement of the share buyback program in September 2023. Shareholders are referred to the SENS announcement of 19 July 2024 for detailed information on the share buyback programme.

Segmental performance - Hospital and emergency services

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

	FY 2024 vs. FY 2023 % change	
PPD:		
Total		0.3%
Acute hospital		0.2%
Mental health		1.1%
	FY 2024	FY 2023
Total PPD	2 455 642	2 447 494
Occupancy:		
Total	64.8%	64.4%
Acute hospital	64.3%	63.5%
Mental health	70.2%	72.7%

In H2 2024 acute hospital PPD are expected to grow by 2.1%, exceeding guidance and reversing the seasonal inconsistencies across March and April 2024, which resulted in a 1.7% PPD decline in H1 2024.

Total PPD for the segment increased by 0.6% for the 11 months to 31 August 2024. However, the earlier commencement of the school holidays on 20 September 2024 negatively impacted activity in the last two

weeks of the year. Consequently, total PPD are expected to increase within guidance by 0.3% for FY 2024, comprising a 0.2% growth in acute PPD and 1.1% increase in mental health PPD.

Acute hospital revenue per PPD for the 11 months to August 2024 increased by 6.1% compared to FY 2023.

Medical cases continue to grow at a faster rate than surgical cases. Surgical cases remain impacted by sector trends of declining maternity cases and the outmigration of lower margin day cases. Notwithstanding this trend, surgical cases still contribute more than 70% of revenue. In addition, ICU and High Care PPD continue to outperform 2019 levels.

The average case severity remains above that of 2019 as reflected in an increased length of stay for the 11 months to August 2024 of 4.5 days, from 4.4 days in FY 2023.

Full week occupancy within acute hospitals improved in H2 2024 with May 2024 recording an average occupancy of 70.7%, the highest level since the onset of the COVID-19 pandemic, which was partially attributable to higher severity in flu cases. Occupancy was 66.2% in August 2024 and is currently trending at 63.6% in September 2024, which is slightly softer due to the earlier commencement of school holidays. FY 2024 occupancy is therefore forecast to increase to 64.3% from 63.5% in FY 2023.

The rate of growth in mental health PPD for FY 2024 has been diluted by the inclusion of the new Netcare Akeso Gqeberha facility in the base from May 2023. Demand for mental healthcare remains strong, but the temporary unavailability of beds at certain high-occupancy sites for essential refurbishment work has constrained same-store capacity. In addition, PPD in September 2024 were impacted by the earlier school holidays, with many doctors taking leave. PPD growth for the 11 months to 31 August 2024 was 2.2% and growth of 1.1% is expected for FY 2024.

Netcare continues to attract specialists and a net c.108 doctors have been granted admission rights at acute and mental health facilities.

Segmental performance - Primary Care

The occupational health business has continued its robust trajectory reported at H1 2024. This contributed to expected overall revenue growth for the division of 6.5% to 7.5% from R663 million in FY 2023. However, total GP and dental visits are expected to decrease by 3.5% in FY 2024 against the prior year.

Lower activity levels and a higher proportion of lower margin occupational health contracts have had an adverse impact on EBITDA which is expected to decrease between 0.0% to 4.0% against the underlying EBITDA of R166 million in FY 2023, which excludes a R2 million capital profit on sale of property. Underlying EBITDA margin for the full year is expected to improve from 21.1% reported for H1 2024.

Strategic projects

The Group made excellent progress across all strategic projects aligned to its strategy of delivering person centred health and care that is digitally enabled and data driven.

Digitisation

In 2018, the Group embarked on a groundbreaking ten-year strategy to fundamentally transform the way we deliver health and care. Central to the first phase of being digitally enabled was the implementation of our CareOn hospital Electronic Medical Record system, which has been seamlessly integrated across Netcare's acute hospital portfolio since April 2024, marking an inflection point for the business. In addition to the myriad

of clinical and patient benefits, gross cumulative financial savings and benefits realised since FY 2022 have exceeded expectations. With more than 46GB of clinical data generated per day, we are now progressing to the next phase of 'data driven' clinical efficiency, which will be rolled out over the next two to three years.

A comprehensive update on the progress made across the remainder of the Group's strategic projects, including sustainability, NetcarePlus, Netcare Diagnostics, and the Netcare App, will be provided with the release of the FY 2024 results. All projects remain on track and are performing in line with expectations.

NHI

Netcare has long recognised the need to address the inequities in healthcare access and delivery in South Africa, and we remain fully supportive of universal healthcare. Following the President's signing of the National Health Insurance ("NHI") Act on 15 May 2024, the Hospital Association of South Africa ("HASA") tabled a proposal for enhanced healthcare access and delivery through a proven and phased solution of mandatory medical cover for the formally employed, greater private-public collaboration to ensure system strengthening, and joint efforts on human resource training initiatives. The proposal would alleviate the pressure on public health resources and extend the public budget per capita, improving healthcare access for all South Africans.

Netcare is encouraged by Government's recent engagement with the private sector to discuss matters related to the NHI Act. The President requested Business Unity South Africa ("BUSAs") to put forward specific proposals on issues of concern as a basis for further engagement. We believe a collaborative partnership between the public and private sector is critical in finding sustainable and affordable solutions aimed at achieving universal healthcare for all South Africans.

Results announcement

Further details on the Group's financial performance for FY 2024 and the outlook for the 2025 financial year will be provided in the audited Group results due to be released on or about Monday, 25 November 2024.

Normalised numbers exclude the impact of exceptional items. 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, changes in equity, results of operations or cash flows.

The information presented in this announcement reflects the Group's latest estimates of its financial results and related metrics for FY 2024 and has not been reviewed or reported on by Netcare's external auditors.

30 September 2024

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited