

Fortis Healthcare Limited

Earnings Presentation – Q1FY2019



“Saving and Enriching Lives”



August 14, 2018

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Agenda

1. EGM Outcome
2. Executive Summary and Way Forward
3. Financial Results Summary – Q1FY19
4. Performance Review – Hospitals Business
5. Performance Review – Diagnostics Business
6. Awards and Excellence
7. Appendix

EGM Outcome

➤ Outcome of EGM held on August 13, 2018

☐ All 3 resolutions garner strong shareholder support and have been passed with requisite votes in favour.

1. Issuance of Equity Shares on a Preferential allotment
2. Increase of Authorised Capital of the Company and Alteration of Capital Clause of Memorandum of Association of the Company
3. Reclassification of members of the promoter / promoter group to the public shareholder category and classification of Northern TK Venture Pte Limited (wholly owned indirect subsidiary of IHH) as Promoter

➤ Approx. 75% votes cast with over 99.5% in favour of all the three resolutions (*Detailed Voting results separately available on the stock exchanges and Company website*)

2. Executive Summary and Way Forward

Executive Summary : Q1FY2019 in Perspective

- Post a robust performance in H1-FY17, Company witnessed an impact on its operations due to demonetization
- This was followed by immense Industry Headwinds with pricing regulations on Stents & Orthopedic procedures
- Group issues became prominent in H1FY18 with liquidity issues being faced by Company and further aggravated after the promoters lost the case in High Court to Daichi-Sankyo
- Due diligence and deal discussions consumed significant management bandwidth being a distraction to the overall organization and business
- Industry environment coupled with significant noise on the private hospital sector have impacted performance leading to decline in occupancy
- Promoter legacy issues have been a major source of distraction; Company pro-actively taking concrete steps to de-link itself from the erstwhile Promoters

Executive Summary

➤ Consolidated Business (Q1 FY 19 vs Q1 FY18)

- Revenues of Rs. 1,042 Cr vs Rs 1,157 Cr
- Operating EBITDAC at Rs 80 Cr vs Rs 163 Cr
- Net Profit for the quarter at Rs (70.9) Cr vs net profit of Rs 5.5 Cr

➤ Hospital business

- Revenues at Rs 820 Cr vs Rs 939 Cr
- Operating EBITDAC at Rs 42 Cr vs Rs 126.5 Cr; representing margin of 5.1% vs 13.5%

➤ Diagnostic Business

- Net Revenue (net of inter company elimination) at Rs 216 Cr vs Rs 212 Cr
- Operating EBITDA at Rs 40.5 Cr vs Rs 39.1 Cr; representing margin of 18.7% vs 18.5% in Q1FY18

- Net debt of the company as on 30 June 2018 was at Rs 1,522 Cr, representing a net debt to equity ratio of 0.29x versus 0.19x in the corresponding previous quarter and 0.26x in the trailing quarter

Executive Summary

Q1FY19

- Current results are a culmination of events in last 18 months.
- Significant funding issues leading to
 - Inability to hire new clinical talent
 - Delayed payment to vendors
 - International revenue loss
 - Lack of marketing initiatives and campaigns
 - Delay in launch of new beds/ facilities, medical programs and medical equipment

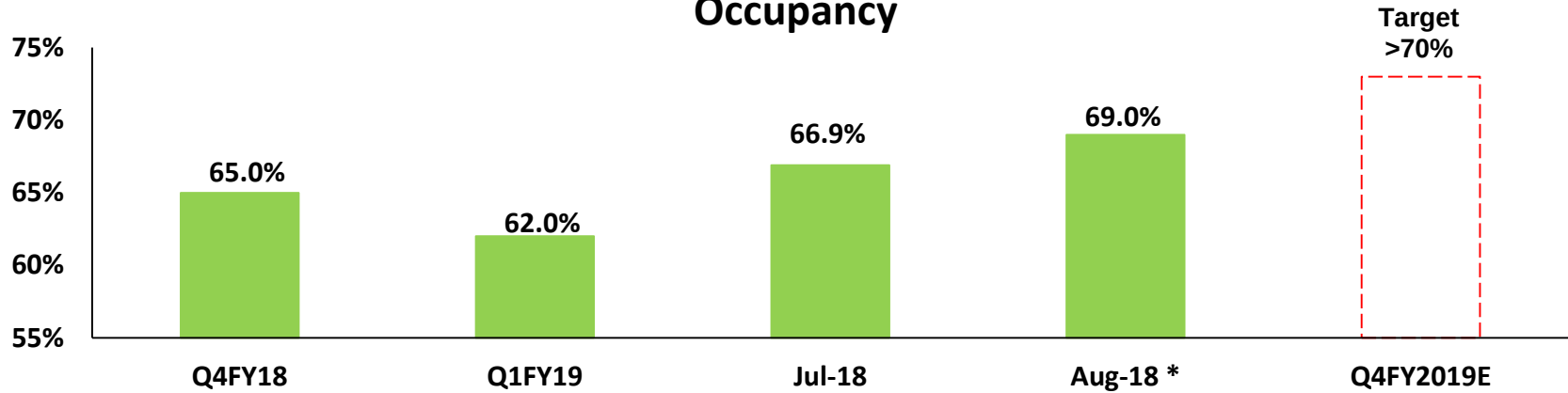
Current Scenario

- Deal announcement and shareholder approval witnessing steadily improving environment
- Relative easing of liquidity situation
- New clinician hiring being expedited
- Payment to vendors being normalised
- Focus on bringing back International patient revenue
- Expected fund infusion to accelerate growth and expansion plans

- ❖ Months of July and August have and continue to witness a strengthening business momentum with a robust improvement in occupancy by approx. 5% -6% over Q1 FY2019.

Indicative Occupancy Trend

Occupancy



Units	Occupancy Q4FY18	Occupancy Q1FY2019	Occupancy July 2018	Occupancy Aug 2018*
FMRI	58%	52%	56%	63%
Noida	75%	73%	80%	79%
Shalimar Bagh	67%	66%	67%	74%
BG Road	69%	66%	71%	73%
Mulund	51%	53%	73%	73%

Key focus areas

- Fill beds: Improve occupancy across the network (Q1FY19 – 62%. Q4FY19 Target >70%)
- Expedite New Doctor Recruitment in select specialties – Ongoing dialogue with 5 - 6 senior clinicians in the fields of medical and surgical oncology, orthopaedics, liver transplant and neurology
- Re-launch various Marketing Initiatives and campaigns (One Fortis Digital Ecosystem, Senior First)
- Focus on Cost Management and optimization across functions and regions
 - ➡ Significant savings due to elimination of legacy costs
- Judicious Capex Deployment for commissioning new beds, launching new specialties and medical equipment (*details on slide 12 – Ongoing Growth plan*)
- Efforts on to recover dues related to certain provisions made in Q4FY18
- Efficiently manage current liquidity situation and normalise working capital cycle

Build Back Plan

Clinical

Close clinical hiring discussions

Medical capex deployment : focus on units to retain & hire clinical talent

Add new clinical programs: transplant, oncology, bone marrow transplant& liver transplant

Brand

Campaign on fixed price packages communication

Invest in digital penetration via app, website, agent portal & salesforce integration

Building patient loyalty through patient experience

Community connect

360 degree campaign to communicate the 'new Fortis'

Operations

Making pending variable pay-outs to doctors, vendors & partners

Fixed pricing roll-out

Improve patient conversions through loyalty, win-back and digital platforms

Expansion at Arcot Road, BG Road & R block Noida

Optimise healthcare delivery model: evaluate service delivery & control initiatives to service Ayushman / NHPS and similar such schemes

Sales

Pending payments release to international facilitators for regaining lost business

Renewed focus – recruitment, digital enablers (sf) & extraction from corporates & PSU's

Emerging channel: payouts release, refresh contracts

New peripheral markets: domestic & international

60 DAYS

120 Days

180 Days

365 Days

Ongoing Growth Plan

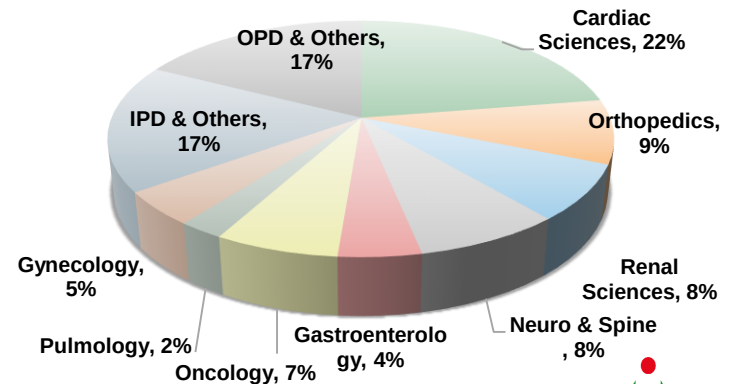
Investing for the future

- Expect to launch Arcot Road facility in Chennai in the next 3 –4 months
- Preparing to commission Liver transplant centre at Fortis Mulund and Fortis Noida
- Plans to introduce a new La femme facility in Ludhiana
- Inauguration of a new block in Fortis BG Road shortly
- New bed additions at Fortis Mulund
- Installation of Gamma Knife at FMRI and Robot at Fortis Mulund
- Kick start the next phase of bed expansion at FMRI

Specialty Strategy

Key focus on developing comprehensive super specialty programs:

- Extending the Heart Transplant Program in other facilities (Anandapur, Kolkata recently did its first Heart Transplant)
- Expanding the Liver Transplant Programs (Mulund & Noida)
- Bone Marrow Transplant program (BG Road & Shalimar Bagh)
- Developing Centre of excellence in Oncology in Bengaluru & Mumbai



3. Financial Summary – Q1FY2019

Consolidated Financials – Q1FY2019

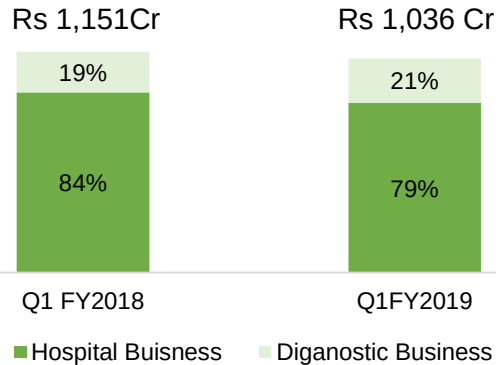
Rs. In Crores	Q1FY18	Q4FY18	Q1FY19	QoQ % Change
Revenue	1,156.6	1,086.4	1,042.0	-9.9%
EBITDAC	162.9	138.3	80.4	-50.6%
<i>EBITDAC Margin (%)</i>	14.1%	12.7%	7.7%	
Operating EBITDA	95.7	75.1	15.1	-84.2%
<i>Operating EBITDA Margin (%)</i>	8.3%	6.9%	1.4%	
PBT before exceptional / FX	29.8	(72.2)	(106.3)	
PATMI	5.5	(932.0)	(70.9)	

Capital Structure – June 2018

Balance Sheet (Rs Cr)	March 31, 2018	June 30 2018
Shareholder's Equity	5,317	5,299
Debt	1,959	1,657
Total Capital Employed	7,276	6,955
Net Fixed Assets (includes CWIP)	3,169	3,128
Goodwill	2,049	2,049
Investments	1,397	1,346
Cash and Cash Equivalents	555	135
Net Current Assets	106	298
Total Assets	7,276	6,955
Net Debt	1,404	1,522
Net Debt to Equity	0.26x	0.29x

India Segment Analysis Q1 FY2019 vs Q1 FY2018

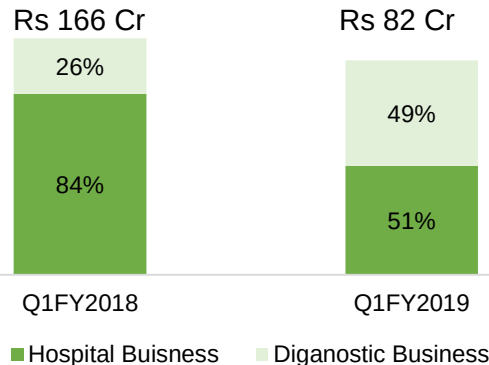
Consolidated Revenue Mix



➤ Consolidated Revenues at Rs 1,036 Cr, (10%)

- ❖ Hospital Business – Rs 820 Cr, (13%)
- ❖ Diagnostic Business – Rs 216 Cr, +2%

Consolidated EBITDAC Mix



➤ Consolidated Operating EBITDAC* at Rs 82.4 Cr, 7.9% margin

- ❖ Hospital Business – Rs 41.8 Cr, 5.1% margin
- ❖ Diagnostic Business – Rs 40.5 Cr, 18.7% margin

*EBITDAC refers to EBITDA before net business trust costs

4. Performance Review – Hospital Business

India Hospital Business P&L – Q1 FY2019

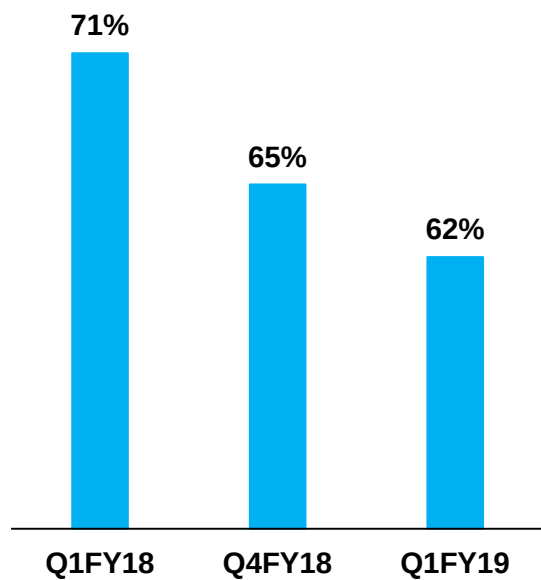
Particulars	Q1FY18	Q4FY18	Q1FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	939.0	868.5	819.9	(12.7%)
Operating EBITDAC*	126.5	105.2	41.8	(66.9%)
Operating EBITDAC margin	13.5%	12.1%	5.1%	
Net BT Costs	67.2	63.3	65.3	(2.7%)
Operating EBITDA	59.3	41.9	(23.5)	
Other Income	48.8	1.3	10.8	
EBITDA	108.1	43.3	(12.7)	

- International patient revenue at Rs 90 Cr, representing 11.0% of overall hospital business
- FMRI revenues of Rs 105 Cr, (21%) Q-o-Q; delivered ARPOB of Rs 2.90 Cr
- Fortis Anandpur reported revenue at Rs 44 Cr, up 7% with occupancy at 83%

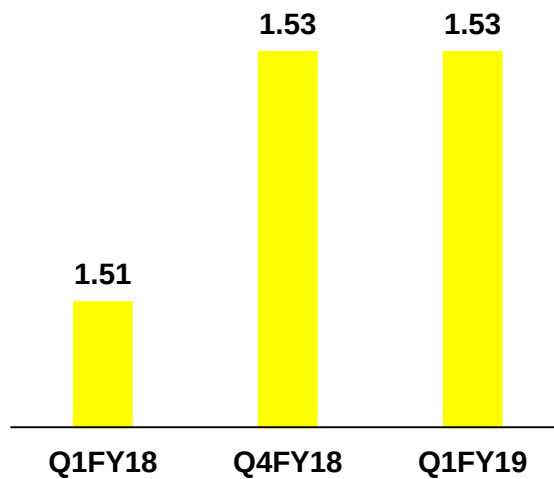
1. EBITDAC refers to EBITDA before net business trust (BT) costs

Key Performance Metrics

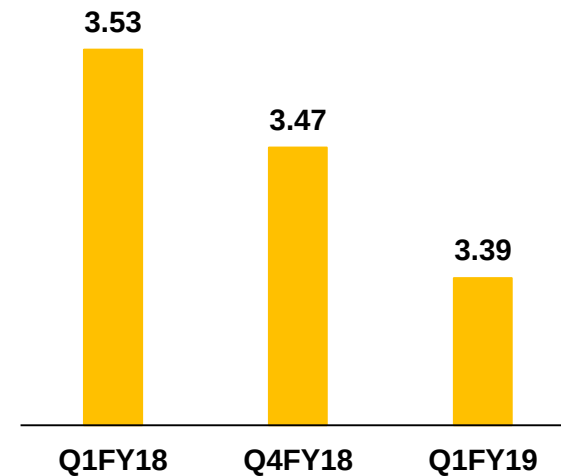
Occupancy (%)



ARPOB (Rs Cr)



ALOS (Days)



Select Key Highlights / Accomplishments – Q1 FY2019

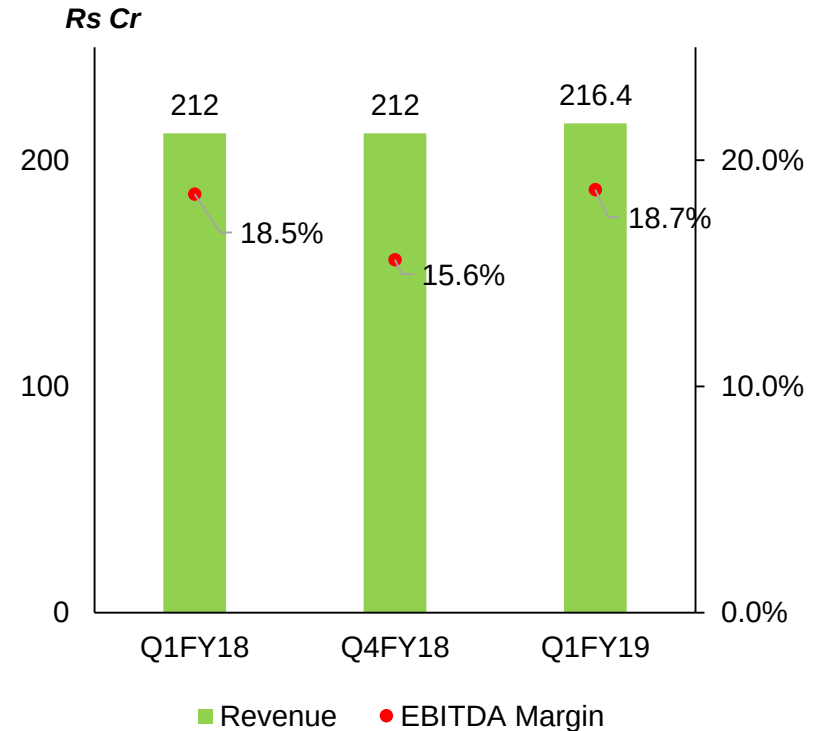
- Fortis Hospital, Shalimar Bagh, launches Cancer Care Institute. Equipped with the latest technology in cancer care along with experienced specialists, the facility offers a trans- disciplinary and multi – modality approach in oncology. The facility also offers bone marrow transplant treatment, nuclear medicine and Interventional Radiology services.
- Fortis Hospital, Anandpur, Kolkata conducts its first ever heart transplant; joins the select group of hospitals in the country capable of conducting such complex surgeries.
- Fortis Hospital, Bannerghatta Road, Bengaluru, acquires the Da Vinci Xi system, the most advanced Robotic Surgery technology in the world.
- With Fortis Malar, Chennai achieving its quality accreditation, all hospitals in the South-West region are now National Accreditation Board for Hospitals and Healthcare Providers (NABH) accredited / certified.
- In a first by an Indian hospital, a team of doctors from Fortis Malar Hospital, Chennai, recently travelled to Palestine to treat children suffering from cardiac ailments on invitation from Palestine's Ministry of Health.

5. Performance Review – Diagnostics Business

Financial Review

Q1 FY2019 Highlights

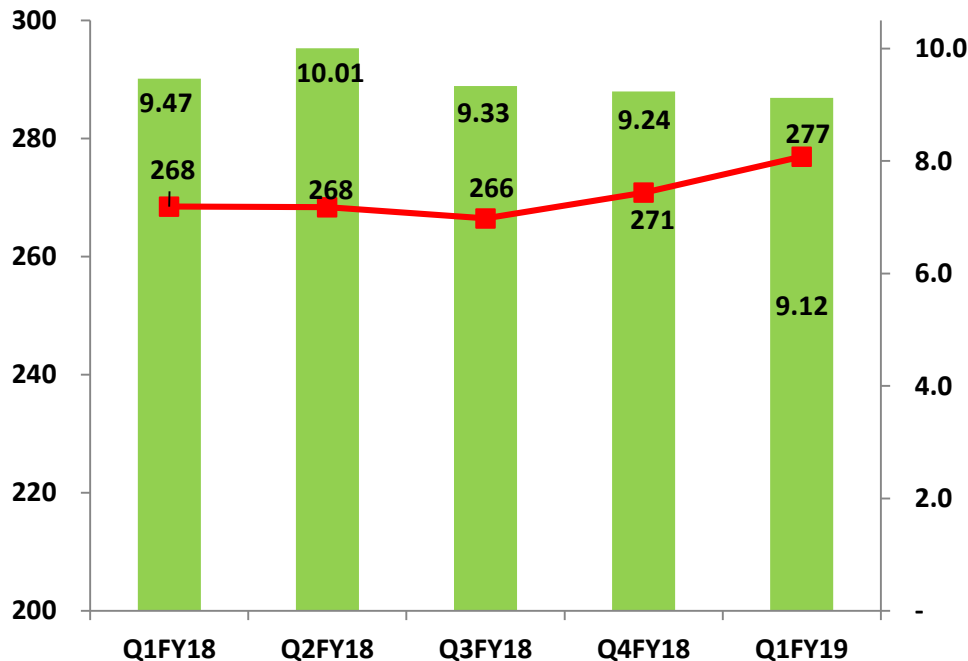
- Net Operating revenue at Rs 216 Cr, +2%
- Operating EBITDA margin stood at 18.7% compared to 18.5% in Q1FY18 & 15.6% in Q4FY18
- 14 new labs were added and 4 closed; 76 collection centres were added, 68 were closed
- No of accession stood at 3.85 million, a decline of 5.2% vs Q1FY18
- Conducted over 9.12 million tests during Q1FY19, decline of 3.6% vs Q1FY18



Key Performance Metrics

Number of Tests and Average Realizations

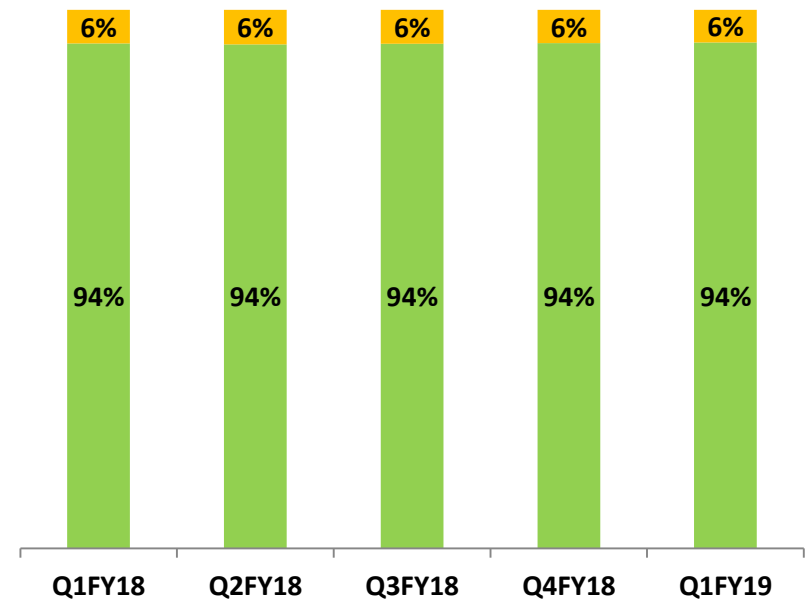
No of Tests (mn) Average realisation per Test (Rs)



Business Mix By Revenue

Business Mix

Imaging
Lab Medicine

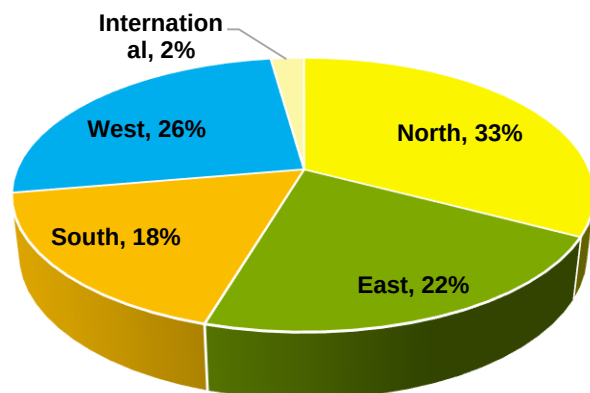


Lab medicine business also includes a small proportion (7%) from clinical trials, wellness and the international segment

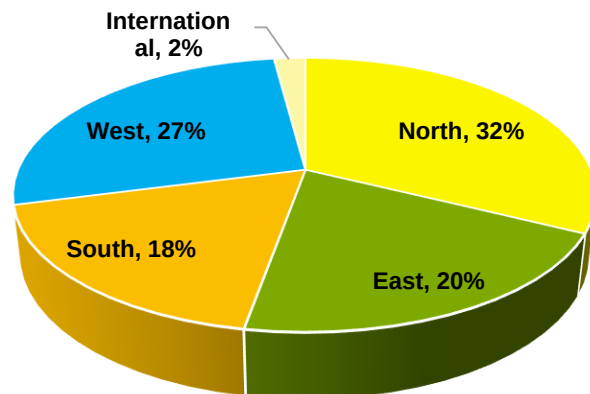
Revenue Mix

Geographic Mix

Q1 FY2019

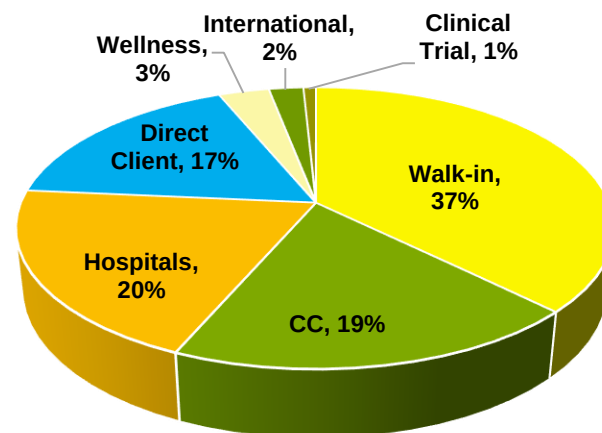


Q1 FY2018

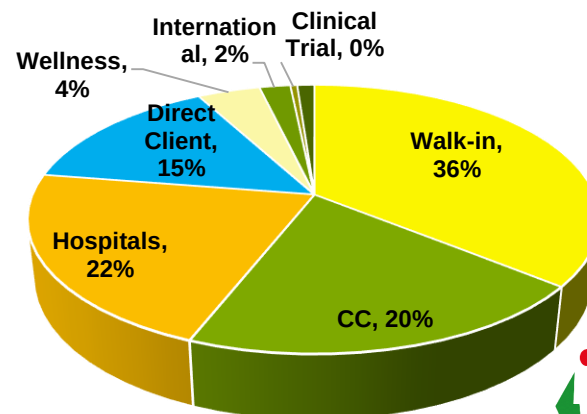


Customer Mix

Q1 FY2019



Q1 FY2018



6. Awards and Excellence

Key Awards and Recognitions



Fortis Hospital, BG Road, Bengaluru, has been ranked by the Medical Travel Quality Alliance (MTQUA) as one of the Top 10 World's Best Hospitals for Medical Tourism for 2018. The MTQUA team selected hospitals based on the quality of medical treatment and on several non-clinical factors including quality of care, communications, marketing, value for money, cultural and social sensitivity, privacy, safety, and leadership support of medical tourism.



The Nursing Team at Fortis Hospital, Anandapur, Kolkata, recently won the first prize at the 30th Quality Circle Awards organised by the Confederation of Indian Industries (CII) for its project on quality management practices for surgical safety. The prestigious award aims to foster total quality management and recognises quality management best practices of member organisations throughout the country.



Fortis Hospital and Kidney Institute, Kolkata, (FHKI), and Fortis Escorts, Okhla, New Delhi, have received the 'Best Place to Work For' award from the Association of Healthcare Providers (India). Over 300 public and private hospitals had participated in the event.



Fortis Hospital, BG Road, Bengaluru, won two awards at the recently held fourth international conference of the Consortium of Accredited Healthcare Organisations (CAHO). The awards were presented for a published research work on 'Risk Stratification of Surgical Site Infection in a Tertiary Care Hospital' and a poster design on 'Prevention and Control of Surgical Site Infection'.



Fortis Hospital, Mohali, was recognised with the 'Quality Beyond Accreditation' award by the Association of Healthcare Providers (India). This award is a reflection of the hospital's commitment and dedication towards patient care and healthcare delivery services.

Successes in Clinical Excellence – Q1 FY2019

A team of doctors at Fortis Memorial Research Institute, Gurugram, recently conducted a laparoscopic left lateral hepatectomy on a 23-year-old Iraqi woman who donated a part of her liver to her ailing son.

A multidisciplinary team at Fortis Hospital, Mulund, removed a complex tumour (Renal Cell Carcinoma) that had engulfed major abdominal organs and extended right up to the heart of a 55-year-old patient.

In a rare and unique feat, a patient suffering from hemophilia, a genetic disorder impairing the body's ability to clot blood, a process needed to stop bleeding, successfully underwent knee replacement surgery at Fortis hospital, BG Road, Bengaluru.

A team of Consultants from Fortis Hospital, Noida, removed a large tumour from the heart of a 56-year-old patient. The tumour weighed half a kilogram and was 14x14 cm in size.

7. Appendix

India Consolidated P&L – Q1 FY2019

Particulars	Q1FY18	Q4FY18	Q1FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,150.9	1,080.4	1,036.3	(10.0%)
Operating EBITDAC*	165.6	138.2	82.4	(50.3%)
Operating EBITDAC margin	14.4%	12.8%	7.9%	
Net BT Costs	67.2	63.3	65.3	(2.7%)
Operating EBITDA	98.4	75.0	17.0	(82.7%)
Other Income	50.3	1.0	11.9	
EBITDA	148.7	75.9	28.9	(80.6%)
Finance Costs	64.1	63.9	76.1	
Depreciation & Amortization	58.3	60.2	56.9	
PBT before Forex	26.4	(48.2)	(104.0)	
Foreign Exchange (Loss)/ Gain	(5.7)	(2.9)	9.3	
PBT before Exceptional Item	20.7	(51.1)	(94.7)	
Exceptional (Loss)/ Gain	(1.3)	(805.7)	(5.9)	
Tax Expense	11.9	(4.5)	(33.9)	
PAT before minority interest and share in associates	7.4	(852.3)	(66.8)	
Share in Associates	11.6	3.2	6.3	
PAT after minority interest and share in associates	1.9	(866.8)	(78.6)	

*EBITDAC refers to EBITDA before net business trust (BT) costs

^Exceptional loss in Q4FY18 primarily pertains to Goodwill / investment Impairment and Provisions

Group Consolidated P&L – Q1 FY2019

Particulars	Q1FY18	Q4FY18	Q1FY19	QoQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)	
Operating Revenue	1,156.6	1,086.4	1,042.0	(9.9%)
Operating EBITDAC*	162.9	138.3	80.4	(50.6%)
Operating EBITDAC margin	14.1%	12.7%	7.7%	
Net BT Costs	67.2	63.3	65.3	(2.7%)
Operating EBITDA	95.7	75.1	15.1	(84.2%)
Other Income	57.5	(22.8)	11.9	
EBITDA	153.2	52.2	27.0	(82.4%)
Finance Costs	64.4	64.1	76.4	
Depreciation & Amortization	59.0	60.3	56.9	
PBT before Forex	29.8	(72.2)	(106.3)	
Foreign Exchange (Loss)/ Gain	(8.7)	0.4	16.6	
PBT before Exceptional Item	21.1	(71.8)	(89.7)	
Exceptional (Loss)/ Gain ^	(1.3)	(854.7)	(5.9)	
Tax Expense	12.2	(9.2)	(33.8)	
PAT before minority interest and share in associates	7.5	(917.4)	(61.8)	
Share in Associates	15.1	3.1	9.0	
PAT after minority interest and share in associates	5.5	(932.0)	(70.9)	

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^Exceptional loss in Q4FY18 primarily pertains to Goodwill / investment Impairment and Provisions

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For further details please contact:

Ajey Maharaj

Corporate Communication

+91-9871798573

Fortis Healthcare Limited

Anurag Kalra / Gaurav Chugh

Investor Relations

+91-9810109253 / 9958588900

Fortis Healthcare Limited

Thank You...