

Dear shareholder,

Since our previous communication, the Group has continued to enjoy a significant recovery in its business and has made noteworthy progress towards its vision of being a leading healthcare provider in Africa. We have pleasure in presenting highlights from our annual results for the year ended 28 February 2022, as well as providing an update on some exciting developments over the past few months.

### **Profitability**

FY22 saw Lenmed returning to profitability after last year's loss caused by the disruptions of the Covid pandemic. It is pleasing to note the following achievements:

- Revenue up 19% to R3.4bn (FY2021: R2.8bn);
- EBITDA up 119% to R534m (FY2021: R243m);
- Profit before tax increased to R282m (FY2021: loss of 97m); and
- Headline Earnings per Share up 1378% to 31c (FY2021: 2c).

Cash generated from operating activities equated to R670 million (R331 million for 2021), or 125% of EBITDA, compared with 122% achieved in 2021. Cash generation remained exceptionally strong due to a continued and dedicated focus on working capital management coupled with enhancements in credit control processes and collecting the long outstanding RAF book. We resumed our regular asset replacement plans and committed to several expansionary capital projects, most notably the addition of 23 new high care beds at Ethekewini Hospital and Heart Centre and 44 additional beds at Bokamoso Private Hospital. We anticipate that these additional high acuity beds will support our growth aspirations.

The significant cash generated during the year resulted in the reduction in net debt to R939m (or 1,83 times EBITDA) from R1.2b at the end of the prior year (or 4,53 times EBITDA). This improves the Group's capacity to fund our growth strategy.

### **Growth**

During the year, Lenmed integrated the Howick Private Hospital Holdings (Pty) Ltd and further increased our shareholding to 99% from 50.04% at the start of the financial year.

We also heightened our focus beyond South Africa by successfully acquiring a management contract for a key hospital in Accra, Ghana. Our client, in this contract, is the Central Bank of Ghana, which makes it a significant strategic transaction featuring minimal financial risk and good earnings potential. What's more, this management contract allows us to essentially establish ourselves, at low capital cost, in this economically important part of West Africa, familiarise ourselves with the region, and identify any other opportunities that may exist to expand our presence. The transaction remains subject to one final regulatory approval, which we are advised should be forthcoming.

More recently and most notably, we are proud to announce that we have concluded binding transaction agreements to acquire 100% of Matlosana Medical Health Services (MMHS), a well-established hospital Group located in Klerksdorp, in the North-West Province of South Africa, comprising the following facilities:

- Wilmed Park Hospital, a 185-bed acute hospital
- Sunningdale Hospital, a 33-bed acute hospital
- Parkmed Neuro Clinic, a 50-bed dedicated psychiatric hospital
- Daleside Day Hospital, a 20-bed, 2 theatre day hospital

This significant deal aligns to our strategic imperative of continuing to build scale as a Group, providing a foothold in a new geography, as well as bolstering our diversification efforts through exposure to psychiatric and day hospital businesses. The acquisition also presents numerous growth and synergistic opportunities, the planning and execution of which will occur in a responsible and sustainable manner post takeover. This transaction remains subject to the approval from the Competition Commission of South Africa and MMHS shareholders.

### **Return to shareholders**

At a meeting held on 26 May 2022, and in accordance with our dividend policy, the Board approved a dividend of 3.5 cents per share. Further details on the last day of trade and payment of the dividend will be communicated in due course. It is expected that the dividend will be paid towards the end of June 2022.

As per the advice received previously from reputable investment bankers and shared in our last correspondence, the Board is of the belief that the exciting developments noted in this letter are congruent to enhancing shareholder value, a principle to which we remain committed.

**Shareholder exit**

Following Grindrod's stated intention to dispose of its private equity assets, Lenmed was notified during May 2022 that Grindrod (through Grindrod Financial Services (GFS)) sold its 8.5% stake in Lenmed at a price of approximately R2.49 per share. These shares were acquired by entities related to the Chairman and CEO of the Company, in a direct negotiation between the parties. The original proceeds of the GFS subscription in 2017 were applied towards the funding of Lenmed's increased stake in Ethekeeni Hospital and Heart Centre and the construction of the Group's Royal Hospital and Heart Centre in Kimberley. We are encouraged by the vote of confidence in the business by the Chairman and CEO and believes this bodes well for the Group and its future growth aspirations.

**Shareholder correspondence**

Our annual integrated report is planned for publication towards the end of June. As is customary, this publication is a detailed and holistic presentation of our business, performance for the financial year, strategy and achievements - we encourage shareholders to take the time to read it.

An official results presentation is planned for Tuesday 14 June 2022 with the AGM to be held on 4 August 2022. Please look out for the formal correspondence in this regard.

For the Board  
Mike Meehan  
Lead Independent Director  
2 June 2022