



Interim Results

for the six months ended
31 August

2021

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Performance review

The first half of the financial year saw the Group's financial performance return to pre-Covid levels on the back of increased admissions during the 3rd wave of Covid-19 (predominately in Gauteng and the Northern Cape), coupled with the return of elective surgeries, especially in Kwa-Zulu Natal. The period under review is characterised by the tightening and subsequent easing of lockdown restrictions imposed by government, in an attempt to curb the spread of the Covid-19 virus and the volatility this brought about, which made it difficult to reach sustainable monthly occupancies consistently.

Group Revenue improved by 31% to R1 730.8 million in the six months to 31st August 2021 compared to R1 318.7 million in the same period last year. This improvement is attributable to an increase in Paid Patient Days (PPDs) of 30%, with a marginal increase in the Rand per Patient Day (RPPD) of 1%.

The Group continued to actively manage the impact of Covid-19 on the business through the implementation of various measures aimed at maintaining quality clinical care in the most cost-efficient manner. Further reductions in the fixed cost base were achieved, together with a reduction in the pricing of consumables such as protective personal equipment (PPE) and implementation of various efficiency initiatives.

Earnings before interest and taxation, depreciation, and amortisation (EBITDA) improved by 211% to R302.9 million from R97.3 million in 2021, as a consequence of the increased number of admissions across the Group. Our facilities in Gauteng and the Northern Cape experienced a significant increase in COVID-19 related hospitalisations during the 3rd wave with a slow but steady increase in elective surgery pre and post the peak of this wave. In Kwa-Zulu Natal however, the Covid-19 related hospitalisations during the third wave were far below that of the second wave and the improved performance in this region stemmed in the most part from an increase in the number of elective surgeries compared to the prior year. The Maputo Private Hospital contributed meaningfully

to the financial performance of the Group as a result of the increased Covid-19 related hospitalisations as well as a significant increase in Covid-19 tests performed by its pathology laboratory.

Net interest expense decreased to R64.8 million (2021: R72.5 million) for the first half of the year. This 11% decrease on the prior year represents the efforts over the past year and half in conserving cash flow in the Group. Leverage levels have decreased significantly over the past 6 months and resulting in a robust balance sheet with ample funding headroom. This headroom will be utilised in support of the Group's future growth aspirations.

The Group successfully concluded the acquisition of a majority shareholding in the Howick Private Hospital Holdings (Pty) Ltd, with effect from 1 March 2021. We have been encouraged with positive feedback from all stakeholders and we look forward to a successful addition for the Group.

After the depressed trading performance of the prior year, this first half of the financial year has been an extremely busy and fruitful period for Lenmed. We would like to convey our appreciation for all who have contributed to Lenmed's success.

PROSPECTS

Although we are cautiously optimistic for the remainder of the financial year, we are conscious that the 2nd half of the financial year is traditionally slower than the 1st half. This is in line with the seasonal nature of the industry. We are hopeful that non-Covid-19 related admissions will continue to increase caused by a back log in healthcare treatments over the last 18 months. While there remains a high degree of uncertainty in the market over the lasting impact of Covid on the country, the economy and the sector, Lenmed will continue to actively seek new opportunities for growth and we believe Lenmed is ideally positioned to take advantage of well-considered growth initiatives.



CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		GROUP			
Figures in R'000	Notes	Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019*	Audited year ended 28 February 2021
Profit and Loss					
Revenue	2	1 730 852	1 318 675	1 496 768	2 837 153
Cost of sales		(541 962)	(454 687)	(427 807)	(941 057)
GROSS PROFIT		1 188 890	863 988	1 068 961	1 896 096
Other income	2	88 343	48 159	37 446	114 904
Operating costs		(1 044 641)	(882 478)	(869 389)	(1 892 992)
PROFIT BEFORE IMPAIRMENT ADJUSTMENTS		232 592	29 669	237 108	118 008
Goodwill impairment		–	(10 343)	–	(92 074)
PROFIT BEFORE INTEREST AND TAXATION		232 592	19 326	237 108	25 934
Share of profit from associates		1 890	1 146	1 184	2 856
Investment income		1 155	1 070	1 671	2 054
Finance costs		(65 970)	(74 075)	(81 208)	(127 334)
PROFIT/(LOSS) BEFORE TAXATION		169 667	(52 533)	158 665	(96 490)
Taxation		(31 060)	11 813	(38 943)	27 086
PROFIT/(LOSS) FOR THE PERIOD		138 607	(40 720)	119 722	(69 404)
Other comprehensive income					
Items that will not be reclassified subsequently to profit and loss					
Foreign currency translation reserve		(16 641)	45 736	40 194	(41 347)
Cash flow hedging reserve for interest rate hedging instrument		6 801	(18 590)	–	(14 195)
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(9 840)	27 146	40 194	(55 542)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		128 767	(13 574)	159 916	(124 946)
Profit/(Loss) for the period attributable to:					
Non-controlling interests		13 499	1 112	22 925	3 920
Lenmed Investments Limited equity holders		125 108	(41 832)	96 797	(73 324)
		138 607	(40 720)	119 722	(69 404)
Total comprehensive income/(loss) for the period attributable to:					
Non-controlling interests		9 971	3 249	24 759	2 781
Lenmed Investments Limited equity holders		118 796	(16 823)	135 157	(127 727)
		128 767	(13 574)	159 916	(124 946)
Earnings /(Loss) per share information:					
Earnings/(Loss) per share (cents)		17.63	(5.90)	13.64	(10.33)

* August 2019 included as additional comparative information



HEADLINE EARNINGS

	GROUP			
	Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019*	Audited year ended 28 February 2021
Figures in R'000				
Profit/(loss) for the period attributable to Lenmed	125 108	(41 832)	96 797	(73 324)
Add: Profit on disposal of assets	-	467	-	686
Add/Less: Currencies gains and (losses)	3 307	1 036	(977)	-
Add: Goodwill impairment	-	10 343	-	87 594
	128 415	(29 986)	95 820	14 956
HEADLINE EARNINGS/(LOSS) PER SHARE	18.10	(4.23)	13.50	2.11

NORMALISED EBITDA

	GROUP			
	Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019*	Audited year ended 28 February 2021
Figures in R'000				
EBITDA	302 915	97 266	296 976	243 267
Loss on disposal of assets	-	648	-	953
Currencies gains and (losses)	4 593	1 439	(1 357)	-
Covid-19 costs	32 435	61 937	-	117 773
	339 943	161 290	295 619	361 993

* August 2019 included as additional comparative information

CONDENSED STATEMENT OF FINANCIAL POSITION

Figures in R'000	Notes	GROUP		
		Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020	Audited year ended 28 February 2021
Assets				
Non-Current Assets				
Property, plant and equipment		2 724 923	2 879 290	2 733 660
Lease Assets		179 112	217 785	197 458
Goodwill	3	308 527	302 545	302 545
Intangible assets		19 495	29 405	20 659
Investment in associates		8 234	5 697	6 344
Deferred taxation		80 570	77 601	77 206
		3 320 861	3 512 323	3 337 872
Current Assets				
Inventory		73 592	129 871	76 617
Trade and other receivables		951 396	993 753	988 099
Taxation		15 555	26 671	17 574
Cash and cash equivalents		164 842	79 701	52 797
		1 205 385	1 229 996	1 135 087
TOTAL ASSETS		4 526 246	4 742 319	4 472 959
Equity and Liabilities				
Equity and Reserves				
Stated capital		426 006	426 006	426 006
Other Reserves		134 469	220 193	140 781
Accumulated profits		1 490 231	1 396 615	1 365 123
Non-controlling interests		240 558	217 066	216 292
		2 291 264	2 259 880	2 148 202
Non-Current Liabilities				
Long term liabilities		1 060 842	1 110 395	1 021 167
Loans from minorities		26 450	18 153	18 782
Derivative financial liabilities		-	13 020	5 681
Lease liabilities		197 775	224 835	210 911
Deferred taxation		225 535	238 456	221 454
		1 510 602	1 604 859	1 477 995
Current Liabilities				
Trade payables, other payables and provisions		547 791	564 769	552 489
Current portion of long term liabilities		110 815	82 079	112 844
Current portion of loans from minorities		10 879	15 112	15 112
Current portion of lease liabilities		7 588	8 816	9 324
Taxation		19 795	25 180	6 088
Current portion of derivative financial liabilities		14 879	17 408	18 643
Bank overdraft		12 633	164 216	132 262
		724 380	877 580	846 762
TOTAL EQUITY AND LIABILITIES		4 526 246	4 742 319	4 472 959



CONDENSED STATEMENT OF CHANGES IN EQUITY

Figures in R'000	GROUP						Total
	Stated capital	Cash flow hedging reserve	Foreign currency translation reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	
BALANCE AT 31 AUGUST 2020	426 006	(21 909)	242 102	1 396 615	2 042 814	217 066	2 259 880
(Loss)/Profit for the period	-	-	-	(31 492)	(31 492)	2 808	(28 684)
Other comprehensive income/(loss)	-	4 395	(83 807)	-	(79 412)	(3 276)	(82 688)
Dividends	-	-	-	-	-	(306)	(306)
BALANCE AT 28 FEBRUARY 2021	426 006	(17 514)	158 295	1 365 123	1 931 910	216 292	2 148 202
Profit for the period	-	-	-	125 108	125 108	13 499	138 607
Other comprehensive income/(loss)	-	6 801	(13 113)	-	(6 312)	(3 528)	(9 840)
Investment in Howick Private Hospital Holdings Pty Limited	-	-	-	-	-	14 295	14 295
BALANCE AT 31 AUGUST 2021	426 006	(10 713)	145 182	1 490 231	2 050 706	240 558	2 291 264



CONDENSED STATEMENT OF CASH FLOWS

		GROUP		
	Notes	Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020	Audited year ended 28 February 2021
Figures in R'000				
Cash flows from operating activities				
Operating cash flow before working capital changes		331 280	77 099	244 839
Working capital changes				
Decrease in trade and other receivables		13 200	26 051	38 164
Decrease/(increase) in inventory		3 446	(59 303)	(6 509)
Increase in trade and other payables		22 572	57 528	34 940
Cash generated by operating activities		370 498	101 375	311 434
Investment income		1 155	1 070	2 054
Finance costs		(65 968)	(26 717)	(127 333)
Income tax paid		(15 457)	(6 470)	(20 839)
NET CASH FROM OPERATING ACTIVITIES		290 228	69 258	165 316
Cash flows from investing activities				
Property, plant and equipment acquired		(49 080)	(34 616)	(91 730)
Proceeds on disposal of Property, plant and equipment		-	114	382
Intangible assets acquired		(4 515)	(9 544)	(4 368)
Investment in Howick Private Hospital Holdings Pty Limited	3	(20 300)	-	-
NET CASH UTILISED IN INVESTING ACTIVITIES		(73 895)	(44 046)	(95 716)
Cash flows from financing activities				
Net loans raised/(repaid)		19 986	(28 724)	(61 777)
Lease liability paid		(2 911)	(6 015)	(10 766)
Dividends paid		-	-	(306)
NET CASH GENERATED BY FINANCING ACTIVITIES		17 075	(34 739)	(72 849)
Increase/(Decrease) in cash and cash equivalents		233 408	(9 527)	(3 249)
Translation movement		(1 734)	-	(1 228)
Cash and cash equivalents at beginning of the period/year		(79 465)	(74 988)	(74 988)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		152 209	(84 515)	(79 465)



ACCOUNTING POLICIES

1. Basis of preparation

These condensed unaudited consolidated interim financial statements for the six months ended 31 August 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IAS 34 *Interim Financial Reporting Standard*, comply with SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Announcements issued by the Financial Reporting Standards Council and the Companies Act of South Africa. These policies have been consistently applied to all years presented, unless otherwise stated. They have been prepared on the historical cost basis, unless otherwise stated. This report was compiled under the supervision of Fredre Meiring CA (SA). The Board takes full responsibility for the preparation of these financial results. The accounting policies used in the preparation of these results are in accordance with IFRS and consistent in all material respect with those of the previous annual financial statements. The interim financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. The interim results have not been reviewed or audited by the Group's external independent auditors, PKF Durban.

2. Impact of Covid-19

During the 6 months ended 31 August 2021, the Group incurred costs relating to Covid-19. These were incurred as a result of enhanced clinical protocols required to fight the pandemic. The Covid-19 costs have been split in the financial statements as shown below:

Figures in R'000	Unaudited six months ended 31 August 2021	Unaudited six months ended 31 August 2020
Statement of comprehensive income		
Cost of sales	23 356	41 809
Operating costs	9 078	20 128
	32 435	61 937

3. Business combination

On 1 March 2021, Lenmed Health acquired 50.04% of the ordinary shares of Howick Private Hospital Holdings Pty Limited from MediClinic thereby achieving control. The total consideration was settled in cash of R20.3 million.

Recognised amounts of identifiable assets acquired and liabilities of Howick Private Hospital Holdings Pty Limited

Figures in R'000	Unaudited six months ended 31 August 2021
Fixed assets	29 460
Deferred taxation asset	5 994
Other assets	152
Liabilities	(6 993)
TOTAL IDENTIFIABLE NET ASSETS	28 613
NCI, based on their proportionate interest	14 295
	14 318
GOODWILL	5 982
TOTAL CONSIDERATION (CASH)	20 300



COMPANY INFORMATION

Country of incorporation

South Africa

Nature of business

The provision of private patient healthcare, through management and ownership of hospitals and other related health services

Executive directors

Mr P Devchand

Mr A Devchand

Mr F J Meiring

Non-executive directors

Mr M G Meehan (lead independent)

Ms B Harie (independent)

Ms N V Simamane (independent)

Prof B D Goolab

Dr G Goolab (independent)

Registered address

2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

Postal address

PO Box 855
Lenasia, Johannesburg, 1820

Auditors

PKF Durban, Chartered Accountants (SA)

Registered Auditors

Practice number – 906352E

2nd Floor, 12 on Palm Boulevard

Gateway, KwaZulu-Natal, 4319

Company secretary

Mr W Somerville

2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

Registration number

1980/003108/06

Bankers

Rand Merchant Bank

Transfer secretary

Singular Systems (Pty) Ltd t/a Equity Express
7 Junction Road, Bramley, Johannesburg, 2001

Our hospitals

Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng

Bokamoso Private Hospital

Plot 2435, Block 1, Mmopane, Along the Molepolole Road,
Gaborone, Botswana

Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng

Ethekwini Hospital and Heart Centre

11 Riverhorse Drive, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban, KwaZulu-Natal

Kathu Private Hospital

Frikkie Meyer Street, Kathu

La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal

Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique

Randfontein Private Hospital

Lister Road, Lower Ward Street Extension, Randfontein

Shifa Private Hospital

482 Randles Road, Sydenham, Durban, KwaZulu-Natal

Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng

Royal Hospital and Heart Centre

Corner Welgevonden and Jacobus Smit Street,
Royldene, Kimberley

Howick Private Hospital

107 Main Street, Howick, 3290

