



# **Trading and COVID-19 Update conference Call**

Friday, 17<sup>th</sup> April 2020

**Operator:** Ladies and gentlemen, thank you for standing by and welcome to the Mediclinic International Plc Trading and COVID-19 Update conference call. At this time, all participants are in listen-only mode. After the speaker presentation there will be a question-and-answer session. To ask a question during this session, you will need to press star one on your telephone keypad. I must advise you that this conference is being recorded today, on Friday, 17<sup>th</sup> April 2020. I would now like to hand the conference over to your first speaker, Dr Ronnie van der Merwe. Please go ahead, sir.

## **COVID-19 Update**

Dr Ronnie van der Merwe

*CEO, Mediclinic International Plc*

### **Welcome**

Thank you very much, good morning to all of you and thank you very much for joining this call following the announcement of Mediclinic International Plc's scheduled 2020 full-year trading and COVID-19 update earlier this morning. I am also joined by CFO Jurgens Myburgh, who you all know, as well as James Arnold, our Head of Investor Relations.

### **COVID-19 update**

To start off, I would just like to point out that, given the financial results of the year that ended 31<sup>st</sup> March 2020 were broadly in line with expectations, I would like to focus this call mostly on the COVID-19 preparedness plans that Mediclinic has put in place for the foreseeable future. I think that this is huge challenge for all of us, and we all understand that, and we would like to share some thoughts with you on what we have done until now and how we see the short term. There will be an opportunity for questions at the end, but I am also going to ask Jurgens, after I made a couple of comments, to give some context to the financials and the numbers.

#### *Forefront in tackling the pandemic*

To start off with my own comments, I would like to point out a few things. Mediclinic is at the forefront of tackling this pandemic crisis and, as a leading healthcare service provider, we are fulfilling a vital role in each of the territories in which we operate. We are very focused on supporting governments as well as the health authorities to combat the crisis and to care for the people in the communities in which we operate. We are working constructively and collaboratively with the health authorities like never before, I am really pleased to say.

#### *Well-prepared in a fluid situation*

Mediclinic is well prepared; expert infection, prevention and control teams are working with multidisciplinary task forces coordinated by our group Chief Medical Officer. And that is to ensure that medical protocols, up-to-date treatment plans and best practices are shared across the group. And, as the situation is very fluid, these interactions happen on a continuous basis as treatment plans emerge and change as we get more evidence on how to deal with this crisis.

The combined teams work with pandemic prediction models and assist with continuous contingency planning to ensure our hospitals remain well prepared to deal with this outbreak, while at the same time continuing to serve the underlying needs of their communities.

*Protection of frontline staff*

Our most important priority is something I would really like to emphasise this morning, and that is to protect and support our frontline staff from getting infected. These exceptional frontline doctors, nurses and support staff make an invaluable contribution to combating this pandemic under difficult circumstances. We are committed to safeguarding their welfare, in order for them to focus on caring for patients and saving lives. It is our responsibility to ensure that they have the equipment and the resources to work as safely and as effectively as possible in this environment.

*Procurement and supply*

Our procurement teams on the supply chain side have done great work in the last few weeks, and they continue to support these efforts through their various global networks and suppliers to ensure we have sufficient stock of critical items.

*Adapting and innovating*

I have also been encouraged by the group's ability to adapt and innovate in dealing with this challenge and in supporting government efforts through various projects and initiatives. I mention just a few. We are increasing capacity to screen and test numbers in the communities we serve. We are also increasing capacity to treat COVID-19 patients in all of the different levels of care that they might need.

*Remote services*

In addition, we are rolling out remote services like telemedicine, as well as support services like call centres and home delivery of chronic medications. I want to emphasise again that increased capacity requires availability of skilled staff. Their health and welfare remain our most important priority.

Across our group and in line with the global trend, as you all might be aware of, most non-essential and elective procedures and other treatments, as well as routine outpatient activities, have been postponed while social lockdown measures are in place; and we are affected by those in every one of our territories. This is intended to safeguard, as far as possible, sufficient hospital capacity, as well as frontline staff capacity and personal protective equipment, as we anticipate this pandemic to surge and related admissions to increase.

*Continued emergency services*

However, we continue to provide emergency services as well as a wide range of tertiary and other acute care services to support the healthcare requirements of the communities in which we operate. Emergencies still happen, and urgent care is still needed. People continue to rely on Mediclinic for non-COVID-related urgent conditions. Our priority is to be available at all times and to treat them safely.

**Financing for COVID-19 patients**

And just a comment on how COVID patients are paid for before I hand over to Jurgens. In Switzerland, inpatient COVID-19 patients are covered by general insurance through DRGs and supplementary insurance policies where appropriate. In UAE, COVID-19 patients are covered

by DRG in Abu Dhabi Emirate but the Emirates in the Dubai Emirate. In South Africa, private patients are covered by the current tariff arrangements that we have within our medical aid schemes. Mediclinic is also in discussions with the national Department of Health to agree on a tariff for the treatment of uninsured state patients in private facilities, should that become necessary.

And with that I am going to hand over to Jurgens to give some context on the numbers and financials. Thank you, Jurgens.

## **2020 Full-Year Trading Update**

Jurgens Myburgh

*CFO, Mediclinic International Plc*

### **Welcome**

Thank you very much, Ronnie, and good morning, everyone. Very briefly, on the results for the financial year ended 31<sup>st</sup> March 2020; and, as Ronnie indicated, obviously, we will make more details available at our results call scheduled for May.

#### *High-level overview*

But, just at a high level, from a group perspective the performance was broadly in line with expectations. Coming off the strong performance in the first half, trading was in line until about mid-March 2020, when the impact materialised from national lockdown and associated actions suspending non-urgent elective surgery.

Just to put that into context, March is generally and seasonally the strongest month across all of our divisions and, therefore, in effect, the impact that we saw in the second half of March was probably a little bit disproportionate.

#### *Facts and figures*

In constant currency, revenue was up around 4%, driven by a combination of organic and inorganic growth, offset by the impact of out-migration of care in Switzerland, officially implemented from 1<sup>st</sup> January 2019, which I think everyone is aware of. and also the weaker macroeconomic and sustained competitive conditions in the Middle East.

Again in constant currency, our pre-IFRS EBITDA was down around 3.5%, reflecting the expected impact of the out-migration of care in Switzerland and the below-expectations revenue performance in the Middle East.

#### *COVID-19 preparedness*

Turning then our attention to the financial preparedness for, and reaction to, the COVID-19 pandemic, as with most businesses we have approached the uncertainty that COVID-19 introduces using scenario analyses to inform various contingency plans. and we will continue to monitor progress against this to take the proactive steps necessary. At the end of March, the group had mature headroom to covenants in its existing debt facilities and a strong liquidity position heading into the global pandemic. The cash and available facilities of the group at the year-end was around £515 million.

*Postponement of programmes*

To further support the group's liquidity position, all non-urgent and non-committed capital programmes have been postponed and the dividend suspended. In addition, the group has proactively engaged with its various lending banks and has obtained covenant test waivers up to and including 31<sup>st</sup> March 2021.

In this regard, I wish to acknowledge and thank each of our banking consortium partners for their unwavering support, which allows the group to focus on the current vital role it plays during the crisis and to prepare for the anticipated increase in demand from postponed treatments once the peak of the pandemic subsides.

With that, I will hand back to Ronnie. Thank you.

**Summary**

Dr Ronnie van der Merwe  
*CEO, Mediclinic International Plc*

**Summary**

Thank you, Jurgens. I am just going to summarise quickly and make three or four points, and then we are going to go over to Q&A. Mediclinic is playing a vital role in this crisis, supporting governments and health authorities in all our different territories. We have the people, we have the structures and we have the expertise to deliver for our patients and for our communities. Our frontline staff are getting all the support they need as, without them, we would not then be able to play the role that we are playing at the moment in tackling this pandemic.

And then, as Jurgen said, our financial strength and liquidity position, with support from our banks, allows us to focus all our efforts on tackling this pandemic and being well positioned to benefit when the pent-up demand for elective surgery and other elective treatment plans returns on the other side of this epidemic.

Thank you. We can now start the Q&A session.

**Q&A**

**Operator:** Thank you. If you wish to ask a question, please press star and one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Once again, if you wish to ask a question, please press star and one on your telephone keypad.

Your first question comes from the line of James Vane-Tempest from Jefferies, please ask your question.

**James Vane-Tempest:** Yes, hi and thanks for taking my question. I am just wondering if I can ask a little bit more about the underlying performance in the Middle East business? You mentioned some of the macro headwinds, but I guess any colour on some of the individual facilities and, I guess, outside of the current crisis, how we should think about the recovery of that segment? Thank you.

**Ronnie van der Merwe:** Thank you, James. As we said and we made mention of earlier, our performance in the last financial year in the Middle East had been affected by a couple of factors that we just need to bear in mind. One of them is the economy in that part of the world: the oil economy. But also the non-oil economy has sort of plateaued out, and that has been a bit of a headwind for all operators over there.

The second thing is more competitors coming into the market after finishing off their projects that went on for a few years. So, more competition, a weaker economy. We had a flood in the early part of this year in one of our hospitals after a rainstorm that incapacitated the operating rooms for a few days; that also had an effect.

And then the COVID-19 pandemic had an earlier effect on Dubai than in most other countries since it is a major trading hub and a travelling hub, and very closely linked to China. So those four factors played a role, individually and collectively, to influence the performance of our business. However, I can also mention that we have said this many times before, and we continue to say this: we have a big focus to the brand, to build our brand and build our reputation, especially in the Abu Dhabi market, and we are reasonably comfortable that we are able to do so.

**James Vane-Tempest:** Thank you.

**Operator:** Your next question comes from the line of Kane Slutzkin. Please ask your question.

**Kane Slutzkin:** Hi there, gents. Just a few questions, please. You spoke about having liquidity [inaudible] for when electives do come back. With a view to electives, could you give us any insight as to how an elective recovery actually may take shape? Obviously, if we push out the peak of this pandemic in South Africa potentially, let us say, it does imply non-urgent electives get pushed out more and more, but just any guidance you can give us as to how to think about the shape of the recovery. I do appreciate that it is obviously early days, though, so, maybe you cannot answer.

And then, just on Switzerland, there was some recent news flow around the canton of Berne having mentioned that the canton can compensate the hospitals for loss of earnings caused by the pandemic, and I think there was even something around reimbursing certain costs that the providers incur as a result of COVID-19 treatments. Could you comment on that, and any view as to whether other cantons follow suit?

And then just finally, the last question, just on the UAE, following on from James's question on the weaker performance there, do you – with the macro probably turning even more south with oil the way it is going, are there any other knock-on effects you anticipate from this? Maybe from a regulatory perspective, if one assumes that government revenues are perhaps falling? Maybe in light of what we saw in 2016 with [inaudible]? Should we be expecting any of those knock-on effects in the future? Thanks.

**Ronnie van der Merwe:** Thank you. Thank you very much. I am going to deal with the first question and I am going to ask Jurgens to do the second one on Berne and the cantons there, and then I will come back to the UAE question at the end.

So, in terms of elective work, the situation is extremely fluid at the moment. It changes by the day. And I keep saying to myself, we all agree on it, that we basically run the business

from one day to the next at the moment. And, just to give you an idea, so the lockdown measures, using Switzerland as an example, have been quite effective. And the authorities decided to lift the restriction on elective surgery on 27<sup>th</sup> April. Now, we are not at the peak of the pandemic yet in that country, so we are still ramping up towards the peak of the pandemic, but the authorities decided it was safe and prudent to start with elective surgery again. Now, that is a message we got yesterday. And it just gives you the idea, or an indication, of how unpredictable the situation actually is. It is obviously good news for us and we will get going in that again.

In the other territories it is difficult to say when this is going to happen, but I think what is quite clear to myself and the senior executive team of Mediclinic is that we are going to have to live with two scenarios in our hospitals. We are going to have COVID cases and we are going to have non-COVID cases, and we might have them in the same hospital or we might have to identify a hospital to be specific for each of those. And, every day that goes by, we become more proficient at dealing with it in that way.

That is the best I can do on the electives for the moment. I would like to just also add, when we talk electives, I just want to remind the audience that our spectrum of services are quite well balanced and we have quite a significant part of our business as urgent care and also emergency care. So we are not entirely dependent on elective surgery like in some markets.

Jurgens, onto the cantons. Support from Berne?

**Jurgens Myburgh:** Thank you, Ronnie. Kane, your hunch is right. So the canton has announced, and we are working with the authorities in respect of, let us call it a form of cost recovery specifically relating to the period of preparation for the crisis. We are engaging with the other cantons as well, but it is a work in progress. But yes, to confirm that what you have heard from Berne is correct and we are engaging with the other cantons as well.

**Ronnie van der Merwe:** And then the third question was about the UAE economy and the situation there and the possible knock-on effects with regards to the oil industry. It is impossible to predict how this is going to play out at this stage. I do not think it would be in anybody's interest for me to try and predict the future there. But we do work very closely with the governments of both the Emirates [inaudible], and that is very, very encouraging. So we are sharing a lot more in terms of ideas and future ways of possibly approaching healthcare than we have ever done in the past, and we have fostered a very good relationship there. So, from that perspective, we are quite optimistic.

**Jurgens Myburgh:** I would just briefly add, Kane, by saying that, in that region for us, we have focused, and Ronnie has said this, on a leading brand position and creating a sustainable business. I think in the current environment it is likely that there will be consolidation. Not that we are focused on it; we are focused on the task at hand. Conscious that the environment could lead to a change in the landscape and consolidation, but we are focusing on our business and the sustainability of it during this period.

**Kane Slutzkin:** Okay, thanks. Have you seen any pockets sort of moving over to your facilities or any sort of market share gains on the back of some of that consolidation theme you are talking about?

**Ronnie van der Merwe:** No, not at the moment, no.

**Kane Slutzkin:** Okay. All right, gents, thank you.

**Operator:** And your next question comes from the line of Catherine Cunningham from JP Morgan. Please ask your question.

**Catherine Cunningham:** Thanks, guys. Just two from me. You mentioned that you have seen a 2.5% increase in inpatient volumes in the SA business, driven mostly by acquisitive growth, so could you just give us a sense of what the underlying improvement in South Africa has been like?

And then, secondly, could you just confirm the size of the CAPEX reduction you expect to realise from suspending non-essential spending?

**Ronnie van der Merwe:** Jurgens, will you take those, please?

**Jurgens Myburgh:** Thank you, Ronnie. Yes, so, on the first question, the organic growth in the business year-over-year was flat, so most of what you have seen there is probably inorganic. So, in real terms year-over-year, probably flat.

And then on CAPEX, I have to say it is one that we are monitoring very closely, and so what we did today versus what we did last week and next week are slightly different. And so we are working on scenarios and acting accordingly, so it is not – maybe we can give more detail when we talk about the results in May, but it is not a number that I think is readily available and that I can share at the moment.

**Catherine Cunningham:** Okay. Thank you.

**Operator:** And your next question comes from the line of Hassan Al-Wakeel from Barclays; please ask your question.

**Hassan Al-Wakeel:** Thank you for taking my questions. I hope you are all doing well. I have three. Firstly, could you talk about the cost dynamics in each region? Are you having to incur meaningfully higher costs for things like ICU beds or childcare for your nurses and physicians, and are there any offsets to this?

Secondly, on the UAE business, margins have clearly come in significantly weaker than expected. Ex-COVID, what did not happen in the second half of the year that you would have expected to happen? Is the Parkview still cannibalising City, and is it fair to assume that the Parkview is generating a lot of the growth for the UAE business as a whole this year, and the rest of the business is flat to declining? And, longer term, should we expect a write-down here and a re-evaluation of medium-term margin targets for this business as a whole?

And then, finally, what are your expectations on government packages across healthcare subsidiary businesses, if at all? Is it fair to assume that it would be more likely in Switzerland relative to, say SA, and the UAE? You spoke about cost recovery, but do you foresee any potential offset mechanisms for forgone elective procedures? And this is something we have seen elsewhere in Europe. Thank you.

**Ronnie van der Merwe:** Thank you, Hassan. I am going to deal with the first one. Jurgens, you do the second one, and I will come back to the last one. Cost dynamics in each of the regions; increased cost of doing business in the face of COVID. I think that is the essence of the question, and whether there are any offsets.

So there will always be some players who would try to profiteer from a pandemic, and we did see that some prices went up for some of the supplies we are using. I think it is quite common knowledge that the prices of face masks and PPEs have gone up. But I think some reality has been setting in, so yes, there has been an increase in cost, but I would not say that it is significant to the extent that it is any drag on us at the moment. We are very, very prudent in how we manage our costs from one day to the next. We have numerous activities and focus areas that we are looking at daily with regards to that.

Obviously, we look at staff costs as well and how we deploy the staff, but we also just want to make mention that, if people feel that we are going to be laying off staff or things like that, it is not possible, because you might be very quiet one week and the next week, all of a sudden, we are extremely busy. So we are being quite careful in how we model all of those predictions.

Jurgens, on the Middle East margins ex-COVID? City/Parkview?

**Jurgens Myburgh:** Hassan, thank you very much. So, on the Middle East, as I said at the top as well, the below-expectation margin performance was largely due to revenue. And so, if we look at the revenue dynamics, one that we have already highlighted is the weakened macro, as well as the competitive environment. We have also highlighted, I think, our operating philosophy towards that and our reaction to that and the long-term view that we take. But if you look underlying, yes, Parkview is delivering and it is delivering well. It continues to deliver ahead of expectations and is driving good growth for us in that region. But, if you look at the Airport Road Hospital, it has also continued the good growth that we saw in the first half as well. Yes, City Hospital continues to be impacted. We have made the operational changes that we spoke about at the half-year to turn that around and we are busy with that, but it is a work in progress. And then, from a medium-term perspective, we remain supportive and positive about the prospects for our business in the Middle East, especially considering the landscape.

**Ronnie van der Merwe:** Thanks, Jurgens. In terms of government packages, so in the territories in which we function, all the COVID cases that we treat, as we said earlier in the call, are covered by insurance. Most of our business is covered by insurance anyway in all the different territories, so there is no problem there with treating COVID patients.

And, as I said earlier, we are also in discussions with the Department of Health of the Government of South Africa to come up with a tariff should we start treating public-sector patients. And we have made mention already about the Swiss cantons that might be covering, or some of the cantons are covering, costs as Jurgens explained.

Apart from all of those, we do not really foresee any other government packages at the moment, and it is also not really part of the dynamics of the territories in which we function at the moment.

**Hassan Al-Wakeel:** That is helpful. And if I could please follow up, just on the UAE, are you able to mention whether the Parkview is generating the majority of the growth and the rest of the business is flat to declining? Maybe we will start with that, and then there is another I have got, please?

**Jurgens Myburgh:** As I said, yes, the Parkview is growing and it is growing well, but Airport Road is showing growth as well, but, as I said, City continues to be affected.

**Hassan Al-Wakeel:** Okay. And then you kind of mentioned in terms of potential packages. Is there any way that we can think about a floor to some of the financial performance? Some other hospital operators in Europe have pointed to the summer months in some countries as a good proxy, where there are minimal elective procedures. Is there any way that we can maybe think about this a bit more helpfully?

**Ronnie van der Merwe:** I will give Jurgens a chance also to comment on this. Just a comment from me is we are working very closely with the governments, the Departments of Health, the health authorities of all three territories. and we are working in a very constructive way on this. So obviously we have discussions about a wide range of possible actions that can be followed, depending on how the situation develops. But at the moment there are no big packages such as those on the horizon. But that does not mean it does not get discussed, though. Jurgens?

**Jurgens Myburgh:** Yeah. I think Ronnie mentioned at the outset as well, Hassan, that I think if you look at the composition of our revenue, we have emergency work, urgent work, elective work and then also the primary care aspect, which is a large proportion of the Middle East work as well. So I think that balance within our portfolio probably provides a broader revenue underpin than what you would see elsewhere, where there is a higher reliance on elective work. And so that is something to bear in mind as you work through the various scenarios, as you will, that is something to bear in mind is that our mix is probably slightly different and provides an underpin to some of this.

**Ronnie van der Merwe:** We are definitely different from some European countries. And remember, we have said many times before, in South Africa we are on a parallel healthcare system, so we do the full spectrum. And, to a large extent, it is a similar situation in the other divisions as well.

**Hassan Al-Wakeel:** That is really helpful. A final one from me, just on this balanced portfolio: are you seeing a fall in emergency admission? We are hearing about this in a lot of countries as patients are increasingly concerned to present to A&E departments.

**Ronnie van der Merwe:** So how we look at it is we look at elective and we look at urgent and we look at emergencies. On the real emergency side, like trauma, appendectomies and things like that, and also labour, obstetrics, those things are carrying on as usual. There is no change in that.

Then, on the urgent side, there is a part of urgent that carries on and then there is another part of urgent that we see a slowdown on. And that has happened, but that is in keeping with, I always want to say, the rest of the world at the moment. We do not see anything peculiar to our territories other than what we have seen in other countries as well.

**Hassan Al-Wakeel:** Thank you very much.

**Operator:** And your next question comes from the line of Steph Erasmus from Avior Capital Markets.

**Steph Erasmus:** Good morning, everybody. Thanks for taking this time. Just a couple of questions from my side, specifically with regards to the operating expenses. You mentioned

the supplier prices, that some of them have gone up. Just with regards to specifically personnel costs, have you seen any staff shortages due to COVID? And how do we think about this sort of increase in the personnel costs during this COVID period?

And then, just following off that, in terms of the UAE, can you give us an indication of the fixed versus variable cost base in the operating cost? And then I am not sure I understand Jurgens's reply on the UAE margin. Just given the macroeconomic outlook and the uncertainty that Ronnie mentioned, do you not think that you would perhaps revise the EBITDA margin targets in the longer term? Thanks.

**Ronnie van der Merwe:** Okay, thank you very much. On the staff shortages and staff costs, I think the way to explain it is our clinical staff, our frontline staff – we do not have a surplus of those. So, firstly, it is very important to protect those staff members, and we measure and track every single day the availability of the staff and the staff absenteeism and whether that has anything to do with COVID or other diseases or sicknesses. And, at the moment, we do not have a problem. We are tracking it very, very carefully. We do not have a problem. But, as we all know, frontline healthcare staff are in relatively short supply throughout the world, and I have been explaining this many times over. There has been a big focus on ICU beds and ventilators and the availability of all of those, but what is really much more important is to have the necessary number and the necessary skilled frontline staff members available, and that is one of our biggest focus areas. And we also then see a cost increase in staff at the moment, but we are monitoring very carefully and, as we said, we do it almost on a day-to-day basis right now.

Jurgens, do you want to go onto the UAE follow-up?

**Jurgens Myburgh:** Yes, please. Yes, good morning, Steph. So, firstly on the [inaudible], what I said in response to our challenge when we look medium term – and clearly we will share more of this in May. But we are positive about the prospects of our business in the medium term, and we will talk more about this in May as well.

On the fixed versus variable, it is a very good question and, if you look across our portfolio, I think there are probably three categories of cost that you need to bear in mind as you do the scenario [inaudible]. There is clearly an element of fixed cost, which is underlying the back office and ICT and administration. And then there are the very clear variable elements with a direct influence in terms of consumables and [inaudible] and kit and the like. And then in the middle there is what I regard as a flexible portion, and a lot of that includes staff, which goes around staff scheduling and the flexibility with which we manage that, which Ronnie has clearly articulated, which is something that we measure and manage in real time.

And so, anecdotally, in Southern Africa, as I think you all know, we have the agency staff that we are able to manage on a flexible basis depending on the demand. In Switzerland, they have implemented short-time work, which is a mechanism to allow employers to work with employees and then government to step in and take up any shortfall. So for us it is about managing that flexible element of our cost base in real time and monitoring it, and we do that continuously. That is how we get through this. And so that is why we have built the various scenario plans to give us – scenario analyses to give us the contingency plans across the various timelines as well as revenue perspectives.

**Steph Erasmus:** Thanks, Jurgens. Maybe just a follow-up on that. I understand you are saying the variable portion is very difficult to predict, but, at this stage, what is your fixed portion of your operating costs as a percentage?

**Jurgens Myburgh:** Well, again, it depends. because there is a flexible element to it. So there is obviously an underlying fixed element, but there is a flexible element that perhaps, four months ago or three months ago or two months ago, we would not have regarded as such. I think the point is that it requires real-time management. Yes, there is a fixed element that is IT and back office, but at some point even that becomes variable. And so it is about managing the position, managing the cost and managing the liquidity.

And, by the way, that is not the only initiative. Hassan already mentioned working with governments in respect of cost recovery. There is also CAPEX, which we have mentioned; also working with the insurers on working capital; working with landlords on rent relief. So I do not want to create the impression that staff is the only flexible element within our cost base. There are a range of initiatives that we are working on within the cost base to preserve the liquidity position of the group and to maintain that strong position that we started the year with.

**Steph Erasmus:** Right, thank you.

**Operator:** Your next question comes from the line of Irina Schulenburg from Foord Asset. Please ask your question.

**Irina Schulenburg:** Apologies for that. Thank you, gents. I just wanted to find out two things. You mentioned that in Switzerland you have become more profitable on the out-migrated cases and the basic patient cases. Can you maybe just give us an indication of where that profitability is relative to where you would like it to be?

And then just another question. With regards to the rentals, you mentioned previously that you are in the majority of your buildings in terms of rental negotiations. Where are those rent negotiations taking place? Thank you.

**Ronnie van der Merwe:** I will do the first one. Jurgens can do the second one. So, profitability on day cases in Switzerland. Firstly, on profitability on general insurance inpatient cases; secondly, I think it is a journey. We are very happy with the progress we have made. I think initially when we put our targets down and we discussed it amongst ourselves, some of us felt, or some of the team members felt, it impossible to get to that, and we have been making very, very strong headway. So it just shows that anything is possible if you really put your heart and your head to it.

So we are making progress. We are not where we are; certainly not. How long will it take us? Maybe another year, maybe another two years. It is very difficult to say, but we are making good progress. That is the best I can do at this stage in terms of giving you clarity there. But we are quite positive and optimistic about what we have been able to achieve in Switzerland, given the circumstances as we unpacked it in the last 18 months.

On the second one, Jurgens, will you tell on the rent?

**Jurgens Myburgh:** Yes, and good morning, Irina. On rental, remember, in the Middle East, that is the one territory where we own Parkview and we own City Hospital, but the rest of our

properties, by and large, are leased. And so that is one area where we are talking and engaging with landlords on potential rental relief.

**Irina Schultenburg:** Thank you very much.

**Operator:** And your next question comes from the line of Alex Comer from JP Morgan. Please ask your question.

**Alex Comer (JP Morgan):** Hello, can you hear me?

**Ronnie van der Merwe:** Yes.

**Alex Comer:** Yeah, a couple of quick questions from me. We have now had a month of the impact of COVID. Could you let me know where EBITDA is over the last four weeks in your various regions? Principally, are you still EBITDA positive everywhere? That is the first question.

Secondly, just in the Middle East, oil prices are obviously going to be fairly low and CAPEX pretty low for a while, so the situation there does not look like it is going to turn around in the immediate future. One of your largest competitors is fairly well advertised as in serious trouble and is in administration. Would you be interested in purchasing any of those assets in order to double down the bet there? Or are you inclined to just try and sit it out from where we stand today? And then also maybe you could comment on any knock-on effects from the impacts of NMC on your own business. Thanks.

**Ronnie van der Merwe:** Jurgens, will you do the first one [inaudible] second one, please?

**Jurgens Myburgh:** Alex, good morning. As you can expect, we will not report in real time on EBITDA, other than to say that, if you look through COVID and the scenario analyses that you would do, as we would, there are probably three stages operationally in how we would look at it. And the first stage is, I would say, the preparation, the preparatory stage. The second stage is potentially the COVID peak, and then the third stage will be the aftermath or the recovery. And so, we are currently in the first stage, in which elective surgery and non-urgent surgery has been cancelled, but we are not seeing that new COVID phase as potentially harder.

It is different, I have to highlight, in the Middle East, where the dispensation is such that all COVID patients are admitted to hospital or some form of a healthcare facility, and so there we have worked and collaborated with government to extend the healthcare facilities in the region and doing really good work there with government.

So we are in the first phase, which goes back to the point around the balance of the portfolio. So you need to read the three phases together with the balanced portfolio of our revenue and the underpin that that provides, and that will give you helpful guidance as to how to think through it. But I am not going to give revenue and EBITDA in real time at this point. Maybe we can give more detail in May, but not at this stage.

**Alex Comer:** Okay, no, that is fair enough. But are you EBITDA positive in the three different platforms over the last four weeks?

**Jurgens Myburgh:** Well, Alex, we have not even finished with April yet, so, honestly, we are focusing on our contingencies and making sure that we preserve the liquidity of the group at this stage. That is our primary focus, and the proactive work that we have done with the

banks in terms of covenant test waivers and the cash conversion that we had at the back end of last year is putting us in a good position to be able to do that. So that is our primary focus at the moment.

**Alex Comer:** Okay, thank you.

**Ronnie van der Merwe:** Jurgens, I am going to go to the next question, but just one comment on the previous one. Even if we had the numbers available and we were at liberty to share that, I do not think this last month is a barometer of what we are going to be seeing the rest of the year. I think this is just a very fluid situation and, as governments and Departments of Health start to feel their way through this, I really think that we are going to see a much different scenario playing out.

On the question of CAPEX UAE specifically and the situation over there with one of our competitors, I think the broad comment on CAPEX is just to reiterate what Jurgens said. We stopped all CAPEX, except those that are absolutely necessary to do otherwise we put the business at risk, or the projects that cannot actually be stopped for various reasons, but those are few and far between. So we have been quite strict on CAPEX.

With regards to our competition in the UAE and how the scenario has been playing itself out over there, that also is extremely fluid. I mean, it changes all the time. We are aware of the situation and of the developments over there, but our focus at the moment is to deal with the COVID pandemic – to work closely with the government in order to make sure there is continuity of care for COVID cases as well as all the other healthcare needs that are still there underlying – and that has been our focus until now and will be for the foreseeable future.

**Alex Comer:** Okay. Thanks, guys.

**Operator:** Our final question today comes from the line of Mark Wadley from Visio Capital. Please ask your question.

**Mark Wadley:** Good morning, guys. Thanks for the updates. Just following on slightly from Alex's question, are you able to give us a sense of – and I want to focus this heavily on Switzerland, because it is really where the COVID scenario is probably impacting your business the most right now. A month ago, Switzerland had 12,000 cases, and now we are almost double that. So can you give us a sense of what is happening operationally within your hospitals and how your business has changed? For instance, occupancies – are they higher? You have said you have cut down, obviously, acute work and elective work, but now that you are in the thick of it, certainly in Switzerland, I would have anticipated your beds would be much busier with medical patients. Can you give us that sort of sense of what is going on in the heat of the crisis? Thank you.

**Ronnie van der Merwe:** Thank you. I think an important point is that the Swiss authorities are extremely good at organising these kinds of situations, and so they did. And we are part of it; we are very much involved in the planning. We give our inputs and so forth. So what happened over there was, firstly, they stopped all elective work throughout the entire country. Some of our hospitals were affected to that extent more than others, because, as we said, we have a good spectrum, a very healthy spectrum of work in terms of emergency and urgent and elective, but some do more elective than others. So some of them were more affected.

We are treating COVID patients in our facilities, but the numbers are not fully offsetting the elective cases that we are not seeing at the moment. Now, we do not believe those elective cases are going to disappear. They will eventually come back, because those cases are still going to get done in future somewhere, but that has been the case. So yesterday we had an announcement from the Swiss authorities that we are going to start doing elective work again. And, as I mentioned earlier in the call, the peak of the pandemic is only going to come in a month or maybe six weeks' time, but we are already going to be starting with elective care again.

And the reason for that is because the system has been able to adapt to the point where, in Switzerland, we can run COVID patients and non-COVID patients in parallel with one another, minimising the risk of cross-infecting, and it is a very, very well-organised healthcare system. That is the best I can do. So we will see some activity starting up again next week; that is for sure. But we treat the COVID patients very successfully there at the moment.

**Mark Wadley:** Okay. Thank you, Ronnie. Just a follow-up on that, following the headlines in South Africa about the Morningside Mediclinic. You have mentioned that in Switzerland you can treat COVID patients alongside non-COVID patient, and I guess I am just surprised by some of what is happening in South Africa in terms of hospital closures or at least A&E closures happening here. Can you just give us a sense of why it might be slightly different in South Africa, despite the fact that we are very early on in the stage of the pandemic here? Thank you.

**Ronnie van der Merwe:** Yeah, I think it is a combination of factors. South Africa is not testing nearly as much, at the same quantum and numbers, as other countries are, so testing is lagging behind a little bit. That is one very important point. And I think some of these outbreaks that you read about in the papers now at different hospitals and at the Morningside – many of those infections occurred before the lockdown, or just soon after the lockdown. People were trying to come to terms with what they were supposed to be doing and how they should be approaching these things. But the system is learning very quickly. It is unfortunate what happened. It has happened in other places as well. It might happen again, we do not know, but we learn as fast as we can, and a huge focus on trying to prevent this from ever happening again.

So, at the moment, the hospital is closed for the moment. It will be opening again on Monday. It is going through a deep clean. We have traced and tracked all of the people involved in that hospital; I think we have tested about 700 people already. And so there is a thorough process, and it is done in collaboration with the Department of Health and very, very proactively. We did not wait for anybody to tell us what to do. We just jumped in and followed up and did what we had to do. But it is very difficult to compare the South African environment with that of Switzerland. It is two very, very different worlds.

**Mark Wadley:** Okay. Thank you, Ronnie. I guess the observation is that you are not closing the Swiss hospitals and doing deep cleans in them, so that is why I am just kind of wondering why there is this operational difference happening between the two geographies. And, yes, very different hospitals, but [inaudible].

**Ronnie van der Merwe:** Yeah, you are right. I think that is the observation. We cannot argue with the way, but I think that, amongst our three divisions, every single day we share

best practices on how to approach avoiding people to contaminate one another and all sorts of things like that. But I think it is just a very different type of world that we have in South Africa, although I must also say that I have got confidence that we in South Africa will be able to also run non-COVID and COVID cases in the same hospital, or we might dedicate some hospitals only to COVID, we will see how it works or how it develops. But we are confident that we will be able to manage the pandemic in South Africa as efficiently as we can, or with sufficient efficiency, I should say.

**James Arnold:** It is James Arnold here. We seem to have lost our operator, so I will become the operator as well as the IR person perhaps. On that note, I think we –

**Operator:** Excuse me.

**Ronnie van der Merwe:** She is back now, James.

**Operator:** Would you like to close the call now?

**Ronnie van der Merwe:** Yes, please.

**Operator:** Okay. Thank you very much. And that concludes our conference for today. Thank you for participating. You may all disconnect. Speakers, please remain on the line.

**Ronnie van der Merwe:** Thank you.

[END OF TRANSCRIPT]