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Group Performance review

The Group had a strong start to the financial year on the back of increased activity in our existing business, complemented by the addition of Matlosana Medical Health Services (MMHS) during the last 12 months. Our organic growth initiatives embarked upon over the past 18 months have come to fruition, with good results noted to date and further opportunity for positive profit contribution going forward.

In line with our growth strategy, we acquired a 60% stake in Beira Private Hospital, in the town of Beira in Mozambique with effect from 15 March 2023. This transaction adds an additional 60 beds to the Group's base, as well as an outpatient clinic and aligns with our strategy of expanding our footprint in Mozambique, strengthening our care delivery network in that region.

Post the reporting period, Lenmed has also successfully concluded the acquisition of 100% of Mooimed Private Hospital (Mooimed) for an estimated net sum of R106 million with effect from 1 October 2023. Mooimed is an 83-bed private hospital based in Potchefstroom and expands the Group's footprint in the North-West province of South Africa. The acquisition price will be finalized subject to the audited cash and working capital balances at the acquisition date and will be settled over two tranches by no later than 1 December 2023.

Group Revenue improved by 28% to R2 382.9 million compared to R1 868.0 million in the same period last year. This improvement is attributable to an increase in Paid Patient Days (PPDs) of 22%, and an increase in the Rand per Patient Day (RPPD) of 4%. The growth in PPDs is predominantly due to a 26% increase in total admissions, while the length of stay reduced slightly along with the slight change in the case mix.

Other Income increased by 41% to R93.6 million from R66.6 million in the prior period largely as a result of our efforts to grow earnings from complementary services, most notable pathology, radiology and renal care. We continue to explore avenues to further increase the potential commercial benefit in this regard, with several pilot initiatives underway.

Reported Group earnings before interest, tax, depreciation and amortisation (EBITDA) improved by 15.4% to R380.0 million from R329.2 million in 2022.

EBITDA would have increased to R395.4 million (19% on the prior period) if not for the following items:

- once off transaction costs;
- once off business development costs relating to the Group's growth strategy across both periods; and
- the increased municipal costs such as rates, water and electricity and additional load shedding costs, which has collectively increased by 38% year-on-year.

Net interest expense increased 57% to R86.5 million (2022: R54.9 million) for the first half of the year. This increase is attributable to funding the acquisition of MMHS and a 38% increase in interest rates due to South African interest rate hikes.

As a result, Profit before tax grew by 8.4% to R208.2 million from R192.0 million.

In line with the Group's growth strategy, we have initiated internal growth initiatives with several high-acuity projects being planned and/or committed to during this period.

In addition to the investment in our own facilities, the Group funded the acquisition of the Beira Private Hospital transaction from internally generated cash. In support of the Group's growth aspirations, we continue to retain sufficient funding headroom in respect of banking facilities. On 31 August 2023, the Group's gearing level (Net Debt to EBITDA for the last 12 months) was at 2.0 times compared to 1.7 times at the end of the prior period.

Cash generated from operating activities as a percentage of EBITDA was in line with the prior year at 82%. This is lower than our target of 90% of EBITDA, largely due to the significant growth in revenues and the resultant increase in the receivables book. Despite the increase in the receivables book, the trade receivables days outstanding remained within our target range. We anticipate collection trends to remain in line with previous periods.

In keeping with our commitment to shareholders, the Group paid a dividend of 4.22 c per share during July 2023, a 21% increase from the prior period. This dividend is in line with our dividend policy of paying at least 10% of headline earnings attributable to shareholders annually.

Segmental analysis South African operations (refer Note 1 below)

Revenue for the South African operations improved by 30% to R1 762.1 million compared to R1 353.7 million in the same period last year. If we had to exclude MMHS from both the current and prior year, the increase would have been 17%. MMHS was included in the results this year for the full six months while only included for one month of the prior period. This growth in revenue is attributable to an increase in Paid Patient Days (PPDs) of 25% (10%), and an increase in the Rand per Patient Day (RPPD) of 4% (7%) with the length of stay marginally reducing to 4 days. The lower growth in RPPD of 4% was anticipated, as MMHS has a lower RPPD compared to the rest of the South African operations. This is due to the higher proportion of day and mental health cases in relation to the rest of the Group. The expansions at EHHC and RHHC pertaining

Note 1 – As a result of the MMHS acquisition with effect from 1 August 2022, the number in brackets indicates the results of the South African operations exclusive of MMHS's performance.



Group Performance review continued

to additional higher acuity beds, have positively contributed to growth. Our facilities in the KZN coastal region contributed positively to the revenue growth on the mentioned bed expansion as well as increased utilisation following the floods in KZN during April 2022.

EBITDA for the South African operations increased by 23% (14%) to R300.7 million (R273.2 million) from R244.6 million (R240.3 million) in 2022 at a constant margin of 18% (18.8%). This result is indicative of increased cost of doing business in South Africa, with municipal charges and additional cost resulting from load shedding increasing 38% year-on-year. In an attempt to reduce the impact of future expected price increases in energy and municipal costs, the Group is driving the roll out of green initiatives to reduce electricity and water consumption. The operating leverage in the South African operations caused growth in core EBITDA to exceed growth in revenue over the period.

At a significantly lower EBITDA margin compared to the Group average, we recognise the opportunity in aligning MMHS's margin to the Group average over the next 24 months. Various initiatives are underway in this regard that should contribute positively to the margins in the future.

Operations outside of South Africa

Revenue for the operations outside of South Africa improved by 21% to R620.8 million compared to R514.4 million in the same period last year. The increase would have been 9.7% at constant exchange rates.

This revenue improvement is attributable to an increase in Paid Patient Days (PPDs) of 4%, and an increase in the Rand per Patient Day (RPPD) of 16% (6%), with the length of stay marginally increasing.

EBITDA for the foreign operations declined by 6% to R79.3 million compared to R84.6 million. The activity at our Maputo Laboratory reduced by 37%, as a direct result of the business normalising post Covid-19. In addition, Beira Private Hospital was a loss-making operation at acquisition date and hence not contributing to EBITDA during the current period. Early indications are that the Beira operations are approaching break-even, and we are confident that it will positively contribute to profitability in the near term.

During the period under review, a new academic hospital was opened by the Ministry of Health of Botswana, resulting in lower activity levels at Bokamoso Private Hospital (Bokamoso) compared to our initial expectations. This, together with changes to the VAT regulations and increased rental on the extension of the lease for Bokamoso resulted in a decline in EBITDA for the period. This trend is expected to continue into the second half of the year. We remain agile to the opportunities and challenges in this market and are actively driving the repositioning of this business.

Prospects

We remain cautiously optimistic for the remainder of the financial year. Growth is expected to taper off in the second half of the year, as a result of the competitive dynamics experienced in our Botswana facility.

The South African operating platform continues to deliver strong performance with identified pockets for attractive growth. Projects are at various stages of execution, and we are hopeful that these will contribute positively to case mix, revenue and profitability over the short to medium term.

The subdued economic growth and poor macroeconomic outlook of the South African and other African economies presents many challenges; however, Lenmed is well-versed in identifying attractive opportunities under these conditions and remains ideally positioned to take advantage of well-considered growth initiatives. We strive to execute on our growth and value unlock strategy, in a responsible and sustainable manner, actively seeking to increase our market share, acquire attractive businesses and diversify our revenue base, while ensuring that we continue to strengthen our core. We thank all of our stakeholders for their support and commitment to the Group.



Condensed Statement of Comprehensive Income

		GROUP	
Figures in R'000	Unaudited six months ended 31 August 2023	Unaudited six months ended 31 August 2022	Audited year ended 28 February 2023
Profit and Loss			,
Revenue	2 382 865	1 868 045	3 972 201
Cost of sales	(736 134)	(580 136)	(1 224 669)
GROSS PROFIT	1646 731	1287 909	2 747 532
Other income	93 640	66 574	150 737
Operating costs	(1 445 984)	(1 109 234)	(2 424 790)
PROFIT BEFORE INTEREST AND TAXATION	294 387	245 249	473 479
Share of profit from associates	290	1 681	2 669
Investment income	4 010	4 154	11 136
Finance costs	(90 505)	(59 089)	(141 328)
PROFIT BEFORE TAXATION	208 182	191 995	345 956
Taxation	(50 832)	(46 685)	(85 363)
PROFIT FOR THE PERIOD	157 350	145 310	260 593
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Foreign currency translation reserve	45 024	17 679	104 036
Cash flow hedging reserve for interest rate hedging instrument	-	3 139	3 139
Total other comprehensive income for the period	45 024	20 818	107 175
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	202 374	166 128	367 768
Profit for the period attributable to:			
Non-controlling interests	21 191	13 528	48 296
Lenmed Investments Limited equity holders	136 159	131 782	212 297
	157 350	145 310	260 593
Total comprehensive income for the period attributable to:			
Non-controlling interests	23 808	17 069	49 662
Lenmed Investments Limited equity holders	178 566	149 059	318 106
	202 374	166 128	367 768
Earnings per share (cents)	19.19	18.57	29.92



Headline Earnings

GROUP

Figures in R'000	Unaudited six months ended 31 August 2023	Unaudited six months ended 31 August 2022	Audited year ended 28 February 2023
Profit for the period attributable to Lenmed	136 159	131 782	212 297
Add/Less: (Profit)/loss on disposal of assets	(205)	-	497
Add/Less: Currencies (gains) and losses	(85)	628	-
	135 869	132 410	212 794
HEADLINE EARNINGS PER SHARE (CENTS)	19.15	18.66	29.99

Normalised EBITDA

Figures in R'000	Unaudited six months ended 31 August 2023	Unaudited six months ended 31 August 2022	Audited year ended 28 February 2023
EBITDA	379 952	329 163	635 001
(Profit)/loss on disposal of assets	(280)	_	-
Currencies (gains) and losses	(117)	873	-
	379 555	330 036	635 001



Condensed Statement of Financial Position

		Unaudited	Unaudited	Audited
		six months	six months	year
5' ' 0'000		ended	ended	ended
Figures in R'000	Notes	31 August 2023	31 August 2022	28 February 2023
Assets				
NON-CURRENT ASSETS				
Property, plant and equipment and investment property		3 400 691	3 068 656	3 185 853
Right-of-use assets		178 752	174 201	180 960
Goodwill	3	559 056	549 373	546 895
Intangible assets		51 131	39 917	37 675
Investment in associates		12 864	11 254	12 573
Deferred tax		70 160	64 473	73 272
		4 272 654	3 907 874	4 037 228
CURRENT ASSETS				
Inventory		113 002	97 519	98 643
Trade and other receivables		1 216 396	1 023 874	1 065 377
Taxation assets		_	15 121	-
Cash and cash equivalents		307 692	505 460	310 512
		1637 090	1 641 974	1 474 532
TOTAL ASSETS		5 909 744	5 549 848	5 511 760
Equity and Liabilities	1			
Equity and Reserves				
Stated capital		426 006	426 006	426 006
Other Reserves		309 258	178 319	266 851
Accumulated profits		1890 538	1703 806	1784 320
Non-controlling interests		362 107	281 073	309 298
		2 987 909	2 589 204	2 786 475
NON-CURRENT LIABILITIES				
Long term liabilities		1401936	1 122 027	1 470 599
Loans from non-controlling interests		25 959	29 395	23 206
Lease liabilities		210 486	193 052	212 849
Deferred taxation		242 018	238 348	237 145
		1880 399	1 582 822	1 943 799
CURRENT LIABILITIES				
Trade and other payables		742 005	1 177 422	635 179
Current portion of long term liabilities		136 000	98 000	103 288
Current portion of loans from non-controlling interests		-	-	6 925
Current portion of lease liabilities		17 766	16 070	12 599
Taxation liabilities		41 527	24 665	2 015
Bank overdraft		104 138	61 665	21 480
		1041436	1377 822	781 486
TOTAL FOLLITY AND LIABILITIES				
TOTAL EQUITY AND LIABILITIES		5 909 744	5 549 848	5 511 760



Lenmed Investments Limited and its subsidiaries

(Registration Number 1980/003108/06)

Condensed Statements of Changes in Equity

BALANCE AT 31 AUGUST 2023	426 006	309 258	1 890 538	2 625 802	362 107	2 987 909
Dividends		-	(29 941)	(29 941)	(4 184)	(34 125)
Acquisition of subsidiary	-	-	-	-	33 185	33 185
Other comprehensive income	-	42 407	-	42 407	2 617	45 024
Profit for the period	_	-	136 159	136 159	21 191	157 350
BALANCE AT 28 FEBRUARY 2023	426 006	266 851	1784 320	2 477 177	309 298	2 786 475
Dividends	-	-	(24 834)	(24 834)	(4 367)	(29 201)
Other comprehensive income	-	88 532	_	88 532	(2 175)	86 357
Profit for the period	-	-	105 348	105 348	34 767	140 115
BALANCE AT 31 AUGUST 2022	426 006	178 319	1703 806	2 308 131	281 073	2 589 204
Figures in R'000	Stated capital	Foreign currency translation reserve	Accumulated profits	Equity attributable to Group	Non- controlling interest	Total



Condensed Statement of Cash Flows

	GROUP				
Figures in R'000	Notes	Unaudited six months ended 31 August 2023	Unaudited six months ended 31 August 2022	Audited year ended 28 February 2023	
Cash flows from operating activities					
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		379 952	306 920	635 691	
Working capital changes		3.3 332	300 320	033 031	
Decrease in trade and other receivables		(168 894)	(58 792)	(148 305)	
Increase in inventory		(15 254)	(3 524)	(3 448)	
Increase/(decrease) in trade and other payables		116 470	(78 452)	51 654	
CASH GENERATED BY OPERATING ACTIVITIES		312 274	166 152	535 592	
Investment income		4 010	4 154	11 136	
Finance costs		(90 505)	(52 556)	(139 431)	
Income tax paid		(28 705)	(18 554)	(64 989)	
NET CASH FROM OPERATING ACTIVITIES		197 074	99 196	342 308	
Cash flows from investing activities					
Property, plant and equipment acquired		(145 143)	(63 000)	(161 283)	
Proceeds on disposal of Property, plant and equipment		-	-	10 326	
ntangible assets acquired		-	(4 515)	(17 419)	
Investment in subsidiary	3	(59 460)	-	(419 438)	
NET CASH UTILISED IN INVESTING ACTIVITIES		(204 603)	(67 515)	(587 814)	
Cash flows from financing activities	,				
Net loans (repaid)/raised		(40 123)	95 852	391 754	
Lease liability paid		(5 608)	(6 146)	(8 264)	
Dividends paid		(34 244)	(24 833)	(29 136)	
NET CASH GENERATED BY FINANCING ACTIVITIES		(79 975)	64 873	354 354	
(Decrease)/Increase in cash and cash equivalents		(87 504)	96 554	108 848	
Effect of exchange rate changes on cash and cash equivalents		2 026	8 728	18 065	
Cash acquired on acquisition		-	176 394	-	
Cash and cash equivalents at beginning of the period/year		289 032	162 119	162 119	
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		203 554	443 795	289 032	



Accounting policies

Basis of preparation

These condensed unaudited consolidated interim financial statements for the six months ended 31 August 2023 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 periods 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 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.

Condensed Segment Information

Consistent with the Group's internal reporting, the chief operating decision maker, being the EXCO, views the Group's operating results as a single segment and makes the decisions about resources to be allocated and assesses performance accordingly.

The IFRS 8 required information about the group as a single segment for profit or loss, including specified revenues and expenses, and assets and liabilities have already been discussed elsewhere in these interim results.



Notes to interim financial statements

Business combination 3.

3.1 Details of acquisition

The Group acquired 60% in Beira Private Hospital Limitada in the town of Beira in Mozambique effective 15 March 2023 for R59.460 million. The hospital comprises a 60 bed facility and an outpatient clinic. The acquisition of this stake aligns with our strategy of expanding our group's footprint in Mozambique. With this acquisition, we are confident that we can enhance our presence in the healthcare sector in Mozambique and provide quality healthcare services.

3.2 Assets acquired and liabilities recognised at the date of acquisition

Recognised amounts of identifiable assets acquired and liabilities of Beira Private Hospital

Figures in R'000	Unaudited six months ended 31 August 2023
NON-CURRENT ASSETS	
Property, plant and equipment	82 962
Goodwill arising on acquisition	9 683
Less non-controlling interest	(33 185)
CONSIDERATION TRANSFERRED	59 460

The goodwill of R9.7 million is attributable to the potential high profitability of the acquired business. It will not be deductible for tax

3.3 Impact of acquisitions on the results of the Group

	Revenue since acquisition included in results	3 729
	Profit since acquisition included in results	(1 916)
4.	Revenue	
	An analysis of revenue is as follows:	
	Tariff	1691404
	Non-tariff	691 461
	Total revenue	2 382 865

There were no outstanding performance obligations at year end.

Events after the reporting date

On 1 October 2023, Lenmed Health acquired 100% of the ordinary shares of Mooimed Operating Company (Pty) (Mooimed) Ltd for the sum of R146 million, a private hospital company based in Potchefstroom. This amount is subject to change depending on the final audited cash and working capital balances of Mooimed. The objective of the acquisition is to expand our footprint in the North-West province of South Africa.

The agreed price will be settled in two tranches. The first tranche of R106 million was settled on 30 September 2023. The second tranche of provisionally R40 million, depending on the final audited results, will be settled no later than 60 days from 1 October 2023.



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 Prakash Devchand
- Mr Amil Devchand
- Mr Fredré Meiring

Non-executive Directors

- Mr Mike Meehan (lead independent)
- Ms Bharti Harie (independent)
- Ms Nomahlubi Simamane (independent)
- Mr Vaughan Firman (independent)
- Prof Bhaskar Goolab
- Dr Gunvant Goolab (independent)

Registered address

2nd Floor Fountain View 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 Bryanston Gate, Block 4, 1st Floor, Homestead Avenue, Bryanston, Johannesburg, 2191

Registration number

1980/003108/06

Bankers

Rand Merchant Bank

Transfer secretary

Singular Systems (Pty) Ltd t/a Equity Express, 25 Scott Street, Waverley, Johannesburg, 2090



Our hospitals

Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia, Gauteng

Beira Private Hospital

Estrada Carlos Pereira, Estoril, **Beira**

Bokamoso Private Hospital

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

Daleside Day Hospital

12 Van Ryneveld Street, Wilkoppies, Klerksdorp

Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng

Ethekwini Hospital and Heart

11 Riverhorse Drive, Riverhorse Valley Business Estate, Queen Nandi Drive, Durban.

KwaZulu-Natal

Howick Private Hospital

107 Main Street, Howick, 3290

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

Mooimed Private Hospital

1 Chief Albert Luthuli Drive, Potchefstroom, 2531

Parkmed Neuro Clinic

94 Bishop Desmond Tutu St, Neserhof, Klerksdorp, 2571

Randfontein Private Hospital

Lister Road, Lower Ward Street Extension, Randfontein

Royal Hospital and Heart Centre

Corner Welgevonden and Jacobus Smit Street, Royldene, Kimberley

Shifa Private Hospital

482 Randles Road, Sydenham, Durban, KwaZulu-Natal

Sunningdale Private Hospital

12 Van Ryneveld Street, Wilkoppies, Klerksdorp

The Bank Hospital

Block F6, Shippi Road, Cantonments, Accra

Wilmed Park Private Hospital

Cnr Ametis & Marmer Street, Wilkoppies, 2571

Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng

