

Dear Shareholders of Lenmed Investments Limited

Introduction

This is the sixth newsletters to shareholders issued in line with our commitment to communicate with shareholders. I hope that you will find it useful and informative.

Recent acquisitions

The board and executive management have been actively growing the assets and the business since my last message. Growth, as a means of improving and unlocking shareholder value, is at the core of our strategy. This was confirmed in our strategic planning session which we completed in February with the assistance of outsourced facilitation. Apart from continuing to focus on our core competence, we have framed additional plans to improve efficiencies through the significant development of digitalisation, the enhancement of returns on existing assets through growing utilization and focusing on specialization in high complexity disciplines and centres of excellence, and to embark on programs of complementary investments which are congruent with our existing business but likely to provide exciting future growth, diversification and sustainability.

It always takes a special effort to take over a hospital from another group and encourage staff and doctors into our Lenmed culture. The four facilities at Matlosana Medical Health Services (MMHS) in Klerksdorp are performing well and the upgrading of their business information systems onto the Group's SAP platform has been completed with minimal business disruption. We have a number of exciting initiatives planned for this acquisition and have lodged further license applications to the provincial Department of Health, the outcome of which we expect shortly.

Howick continues to note steady progress with the recruitment of key doctors ongoing. Phase 1 of the expansion plan, encompassing the introduction of an ICU, expansion of the Accident and Emergency Unit and the repurposing of existing space into doctors consulting suites, is underway. We look forward to this facility continuing on its positive trajectory and becoming a meaningful contributor to Group earnings over the next 24 months.

There have been exciting developments in Mozambique.

Lenmed has acquired 60% of the businesses of a 60 bed private hospital in Beira and a day and outpatient clinic in the town. The hospital premises are new, well-constructed and well equipped. We will own the equipment but lease the premises. Beira is the second largest port in Mozambique and is home to the second largest population. The hospital has considerable opportunity for growth as it is currently underutilized. With good management, some of whom will be sourced from Maputo Private Hospital and enthusiastic new doctors, whom we have identified and are actively recruiting, we are hopeful of improving utilization and profitability in the short to medium term.

In addition, we have a licence for a further day and outpatient clinic in Pemba, which is another port north of Beira. Both Pemba and Beira serve the personnel of the gas fields off the northern coast of Mozambique. As we are in Beira, we are following an asset-lite policy and are leasing the premises. The facility is being prepared and we expect it to be operational in Q3 of this financial year.

The overall outlook for the Country has improved considerably over the last 6 months, with most multi-national Oil and Gas companies resuming their commercial activities. The total expenditure on these new ventures is expected to be +/-R80million. As a result of these developments, we will be operating three medical facilities in Mozambique including the two largest hospitals in the country.

Expansion of existing hospitals

The expansion of existing hospitals and the improvement of efficiencies remains key to our strategy to improve the returns on investment. We have completed the introduction of a further 10 high care beds in our Royal Hospital and Heart Centre in Kimberley, with these expected to become functional from 1 May 2023. We have received our license approval to expand the Ahmed Kathrada Private Hospital in Lenasia with the construction of a further 20 bed ICU, aligned to our high acuity strategy, imminent. We are also undertaking an expansion of the Ethekewini Hospital and Heart Centre, with the construction of a 41 bed Rehabilitation Unit and a 30 bed medical/oncology ward in progress. Once completed, this facility will boast just under 450 operational beds, making it one of the largest hospitals in the country. In addition to our pending license application submitted for MMHS, we are still awaiting the outcome of a license application submitted to expand our Kathu Private Hospital. These projects represent significant commercial potential, with the Group committing an estimated R200 million of capital expenditure over the next 24 months to execute upon these opportunities. Internal funding is available for this expenditure as well as that for Mozambique.

Digitalisation

Data has been recognized as one of the most important assets of any organization. As part of our digitalisation program, we have committed to the centralization and structuring of the vast amount of data generated in our hospitals, to improve our ability to access, analyze and utilize this data meaningfully, in order to better inform decisions and identify new potential areas for growth and efficiency. We are creating “data lakes” in this process and will have a fully integrated and accessible data repository by the end of Q2 of this financial year.

Financial results

We expect to release our results for the year ended 28th February 2023 on or shortly after 25th May. The work of the auditors and the audit committee is not yet complete, but we can say with a reasonable amount of certainty that we expect EBITDA to be between 12% and 18% better than 2022, while profit before tax should show a similar improvement. Unfortunately, we no longer have the tax shelter offered by the assessed losses from the past in Mozambique thus net profit after tax is expected to be flat when compared with 2022.

The announcement of the dividend we expect to pay from the 2023 earnings will be made in the results announcement, as will the expected payment date of the dividend. A virtual presentation of the results will be made as in past years and the date of this too will be provided in the results announcement.

Personal

As many of you might be aware, my brother Monty was killed in an unprovoked attack on our family business in Lenasia. I should like to extend my and my family’s gratitude to the many members of the Lenmed community whose messages of love and condolence assisted in our healing after this awful event.

Prakash Devchand

Chairman

4 May 2023