



Apollo Hospitals announces Q2 & H1FY19 results

Launched the first-ever AI-powered Cardiovascular Disease Risk Score API (Application Program Interface), designed specifically to predict risk of Cardiovascular Disease in the Indian population

Became the most awarded hospital group in Asia for the fifth successive year with 11 awards at Hospital Management Asia (HMA) 2018

Apollo Hospitals Chennai - flagship facility of the group and the country's first corporate hospital, marked its 35th anniversary in September 2018

Standalone Pharmacy business being reorganized for a potential value discovery at a later stage

**H1FY19 Standalone Revenues up 16% at Rs. 4,001 crores
EBITDA at Rs. 484 crores, higher by 23% yoy
PAT grew 31% yoy to Rs. 139 crores**

**Q2FY19 Standalone Revenues up 15% at Rs. 2,090 crores
EBITDA at Rs. 258 crores, higher by 17% yoy
PAT grows 11% yoy to Rs. 79 crores**

Healthcare services reported 11% revenue growth in Q2 FY19 aided by 9% growth at Mature Hospitals and 23% growth in new hospitals

**SAP reported 20% growth in Revenues in Q2 FY19
EBITDA grew by 42%, EBITDA margins at 5.3% in Q2 FY19
Net addition of 82 stores in Q2FY19
Pan-India network now at 3,167 stores**

Q2FY19 Standalone Revenues grew 15% to Rs. 20,901 million compared to Rs. 18,131 million in Q2FY18, aided by SAP growth of 20% and Healthcare services growth of 11% YoY. Health Care services growth of 11% YoY was led by new hospitals which reported 23% YoY Revenue growth while mature hospitals grew 9% YoY. EBITDA was at Rs. 2,578 million in Q2FY19 as against Rs. 2,211 million in Q2FY18 a YoY growth of 17%. PAT grew by 11% to Rs. 789 million in Q2FY19.

On Healthcare services, the strategy around both services pricing as well as cost optimisation has delivered results. Healthcare Services EBITDA grew by 12% YoY to Rs. 2,071 million. EBITDA margins have improved from 18.34% last year to 18.38% in the current quarter. We have also begun to witness an increased offtake in our 'Assured Pricing Plans' across units. While providing certainty to patients on cost, the 'Assured Pricing Plans' also recognize the intrinsic value of the delivered service itself, rather than individual inputs.

The recent performance has demonstrated resilience of the business model which is well diversified across specialties, geographies and maturities. Of the 7,000+ operating beds across the network (excluding AHLL & managed beds), 13 hospitals with 1,770+ operating beds are new and the progressive increase in volumes and utilisation in the quarters ahead will aid EBITDA growth and sustain margin expansion through the rest of the fiscal and beyond.

Dr. Prathap C Reddy, Chairman, Apollo Hospitals Enterprise Ltd. (AHEL) said, "We are pleased to report a robust operational performance which continues to reflect the inherent strength of our service model that offers comprehensive care across multiple centers and formats. Given the steady growth in the economy and enhanced healthcare access to a larger demographic, we are confident that our focus on quaternary care rooted in our Centers of Excellence strategy and delivered across a national footprint will remain the preferred option for both local and international patients, and will enable us to register sustainable growth going ahead.

It was a proud and nostalgic moment for us as our flagship Chennai hospital recently celebrated its 35th anniversary. We always had a long-term vision to nurture it into a world-class healthcare institution and have certainly come a long way. From a single institution in 1983 we are today present in 69 locations, offering solutions across the healthcare spectrum from primary care in clinics to high-acuity care at hospitals supported by pharmacies and health insurance. The road ahead is even more exciting for us, as we will continue to leverage on global advances in medical technology, digital health & support and consumer preferences for new formats, rather than choosing to rest on past achievements. We will also strongly pursue our focus on preventive health.

Financial Highlights

Standalone H1FY19 Performance

- Revenues grew 16% to Rs. 40,005 million compared to Rs. 34,635 million in H1FY18.
- EBITDAR grew 22% to Rs. 6,113 million as against Rs. 5,013 million in H1FY18.
- EBITDA grew 23% to Rs. 4,845 million as against Rs. 3,945 million in H1FY18.
- PAT grew 31% to Rs. 1,392 million compared to Rs. 1,061 million in H1FY18.
- Diluted EPS of Rs. 10.00 per share in H1FY19 (not annualised).

Standalone Q2FY19 Performance

- Revenues grew 15% to Rs. 20,901 million compared to Rs. 18,131 million in Q2FY18.
- EBITDAR grew 17% to Rs. 3,221 million as against Rs. 2,755 million in Q2FY18.
- EBITDA grew 17% to Rs. 2,578 million as against Rs. 2,211 million in Q2FY18.
- PAT grew 11% to Rs. 789 million compared to Rs. 709 million in Q2FY18.
- Diluted EPS of Rs. 5.67 per share in Q2FY19 (not annualised).

Consolidated H1FY19 Performance (Unaudited Management Estimates)

- Revenues grew 15% to Rs. 46,052 million compared to Rs. 39,965 million in H1FY18.
- EBITDAR grew 25% to Rs. 6,762 million as against Rs. 5,399 million in H1FY18.
- EBITDA grew 29% to Rs. 5,042 million against Rs. 3,894 million in H1FY18.
- PAT grew by 95% to Rs. 969 million compared to Rs. 497 million in H1FY18.
- Diluted EPS of Rs. 6.97 per share in H1FY18 (not annualised).

Consolidated Q2FY19 Performance (Unaudited Management Estimates)

- Revenues grew 15% to Rs. 24,006 million compared to Rs. 20,893 million in Q2FY18.
- EBITDAR grew 19% to Rs. 3,585 million as against Rs. 3,013 million in Q2FY18.
- EBITDA grew 21% to Rs. 2,718 million against Rs. 2,246 million in Q2FY18.
- PAT grew 27% to Rs. 618 million compared to Rs. 487 million in Q2FY18.
- Diluted EPS of Rs. 4.44 per share in Q2FY19 (not annualised).

Segment-wise Performance Update

Hospitals

Standalone Revenues of the healthcare services division increased by 12% to Rs. 21,447 million in H1FY19 compared to Rs. 19,187 million in H1FY18. This growth was primarily driven by volumes. The Revenue of existing hospitals grew 9% while the new hospitals grew by 23% to Rs. 4,519 million.

EBITDA was at Rs. 4,845 million in H1FY19 compared to Rs. 3,945 million in H1FY18. EBITDA was higher by 23% yoy.

Revenues in the Tamil Nadu cluster grew by 10%, ARPOB grew by 10% to Rs. 44,194. Overall occupancy in the cluster was 1,211 beds (57% occupancy) as compared to 1,208 beds (57% occupancy) in the previous year.

In AP Telengana region, Revenues grew by 9%. ARPOB grew by 7% to Rs. 31,903. Occupancy in the cluster was 852 beds (63% occupancy) as compared to 838 beds (61% occupancy) in the previous year.

The Karnataka region has seen good growth. Malleswaram has witnessed an IP volume growth of 14%. Occupancy in the cluster was 519 beds (69% occupancy) as compared to 532 beds in the previous year.

Revenues of Others Cluster grew by 38%. ARPOB grew by 12% to Rs. 23,465. Occupancy in the cluster was 734 beds (81% occupancy) as compared to 592 beds (70% occupancy) in the previous year.

Standalone Pharmacies

In H1FY19, we added 182 stores and closed 36 stores for a net addition of 146 stores. The total store network as of September 30, 2018 stands at 3,167.

Revenues grew by 20% to Rs. 18,558 million in H1FY19 from Rs. 15,447 million in H1FY18. EBITDA grew 37% from Rs. 677 million in H1FY18 to Rs. 925 million in H1FY19. The EBITDA margin was at 4.98% in H1FY19 compared to 4.38% in H1FY18. Private label sales are now at 6.7%.

Revenue per store grew 6% (10% adjusted for GST) for the pre-2012 batch of stores with EBITDA margins at 7.4%.



Apollo Munich Health Insurance Company Limited

Gross Written Premium grew by 33% from Rs. 5,983 million in H1FY18 to 7,952 million in H1FY19. Earned premium increased by 36% from Rs. 4,071 million in H1FY18 to Rs. 5,529 million in H1FY19. The incurred claim loss ratio was at 85% in H1FY19 compared to 91% in H1FY18. The business reported a net loss of Rs. 936 million in H1FY19 compared to a net loss of Rs. 1,132 million in H1FY18. AUMs stood at Rs. 13,280 million as of September 30, 2018.

Retail Health

Apollo Health & Lifestyle Ltd. (AHLL) is a wholly owned subsidiary which houses the retail healthcare business of Apollo Hospitals. This includes the lifestyle birthing centers known as 'CRADLES', Daycare and short stay surgery centers, Diagnostic centers, Dialysis centers, Dental Care Centers and Apollo Clinics catering to a variety of ailments such as liver disease, joint pain, advanced fever and diabetes among others. The AHLL network has 648 centers in total as of September 30, 2018.

AHLL Consolidated Revenues grew to Rs. 2,800 million in H1FY19 compared to Rs. 2,212 million in H1FY18. The business reported an EBITDA loss of Rs. (335) million in H1FY19 compared to a loss of Rs. (514) million in H1FY18.

Reorganization of Stand Alone Pharmacy business

The Board of Directors of Apollo Hospitals Enterprise Ltd (AHEL) met today to review the company's long-term strategy for both Healthcare Services and Standalone pharmacies.

The Board recognized that the company's Standalone pharmacy business has been growing at a rapid pace and that the business has matured and is today at an inflection point requiring greater focus and attention, independent of the hospital business, given the growth opportunity that India's domestic pharma market has over the medium term. Apollo Pharmacy today has grown from ~ 170 outlets in FY05 to 3167 outlets as of September 30, 2018, in ~ 400 cities/towns spread over 20 states and 4 Union territories and is currently serving about 300,000 customers daily through a dedicated employee strength of about 21,000 plus.

Organised pharmacy retail accounts for less than 5% of India's ~ USD 15 bn domestic pharmaceutical market which is estimated to grow 10-12% CAGR over the next decade, driven predominantly by volume growth. The key growth drivers for domestic pharmaceutical industry include increasing disposable incomes, demand for quality products, higher incidence of chronic diseases, growing awareness of diagnostics and preventive care, and greater accessibility through generics. Organised pharmacy retail is expected to grow at a much faster rate within this.

With a well-established track record of growth, a proven ability to expand our pharmacy network and a strong brand salience, the Board recognized that it was now appropriate for this business to be a separate business entity with a clear strategy and vision for itself.

Further the Board also discussed that the re-organised structure should follow existing regulatory framework while allowing the company to maximise shareholder value and set the platform for "Value Discovery" of the pharmacy business at a later stage.

Accordingly, it was decided to segregate the front-end retail pharmacy business carried out in the standalone pharmacy segment into a separate company Apollo Pharmacies Limited ('APL') as part of the proposed reorganization and the Board has accordingly approved the same.

Apollo Pharmacies Limited will focus on:

- A) Building a multi-year growth platform for the stand-alone pharmacies business to get to a medium-term target of over 5000 pharmacy outlets over 5 years with a goal of over Rs. 10,000 crores in Revenues and 30% combined ROCE for the Stand-alone pharmacy business in 5 years.
- B) Enabling our foray into digital commerce as part of our Omni-Channel strategy to provide consumers increased convenience and ability to choose between online and physical stores.

- C) Retaining our leadership position by further focusing on strengthening and streamlining the Direct-to-Consumer (D2C) front end operations to increase Same store growth, prescription fill rates and enhance overall customer experience.
- D) Enhancing the private label business further from the current 6 + % levels to over 12% in five years through a combination of both broadening and deepening the product portfolio.
- E) Leveraging on its strong distribution supply chain to further increase operational efficiencies and create a sustainable moat for the business.
- F) Building a strong integrated customer loyalty platform through a combination of effective health maintenance and wellness in addition to cost benefits centred around a more satisfied and engaged customer with a focus on customer retention as well as higher repeat customers.

APL will be a wholly owned subsidiary of Apollo Medicals Pvt. Ltd (“AMPL”). Entire shareholding of AMPL will be held by AHEL and certain identified investors viz. Jhelum Investment Fund 1, Mr. Hemendra Kothari, and ENAM Securities Private Limited (collectively, referred to as “Investors”). AHEL would hold 25.5 % of the total share capital of AMPL with other Investors collectively holding the remaining share capital of AMPL. Specifically, Jhelum Investment Fund 1 would hold 19.9 %, Mr. Hemendra Kothari would hold 9.9 % and ENAM Securities Private Limited would hold 44.7 % of the total share capital of AMPL. The parties are entering into definitive agreements.

AHEL shall have the right to acquire the shares of AMPL from the Investors in compliance with the regulatory framework as may be applicable at the time of said acquisition.

AHEL will be the exclusive supplier for APL under a Long-term Supplier Agreement, and AHEL will enter into a Brand Licencing Agreement with APL to licence the “Apollo Pharmacy” brand to the frontend stores and online pharmacy operations, to further augment and strengthen the brand, with these arrangements being entered into in compliance with applicable law. **The proposed reorganization would not have a material impact on the financials of AHEL as the backend business related to the standalone pharmacies which represents ~ 85% of the business economics will continue to be held by AHEL.**

The structure as stated above will take AHEL one step closer to a potential unlocking of value in the Standalone pharmacy segment.

For the purposes of effectuating the restructuring, AHEL will transfer the business of the front-end retail pharmacy business carried out in the standalone pharmacy segment to APL by way of slump sale under a scheme of arrangement to be duly approved by stock exchanges, shareholders, National Company Law Tribunal and all other requisite regulatory authorities, with such transfer being effective from 1st April 2019. The slump sale consideration would be INR 527.8 crores. The funding plan at APL for the reorganization will enable sufficient funds to be retained for new business expansion apart from discharging the slump sale consideration.



The consideration for slump sale is based on the valuation report issued by B. S. R. & Co LLP. Further, fairness opinion on valuation has been obtained from ICICI Securities Limited. L&L Partners (formerly Luthra & Luthra Law Offices) are acting as the legal advisors.

OPERATIONAL AND CLINICAL HIGHLIGHTS

NEW LAUNCHES, INITIATIVES AND PARTNERSHIPS

- As part of Microsoft's AI Network for Healthcare initiative, Microsoft India and Apollo Hospitals announced the launch of the first ever AI-powered Cardiovascular Disease Risk Score API (application program interface), designed specifically to predict the risk of Cardiovascular Disease (CVD) in the Indian population. Doctors across the Apollo network of hospitals can now leverage this AI-powered API to predict risk of CVD and drive preventive cardiac care, for patients across the Country.
- In a development that is expected to significantly improve neonatal care capabilities in India, Apollo Cradle, unveiled its 'Advanced Technology Neonatal Intensive Care Unit' (eNICU). This 'Advanced Technology' (eNICU) relies on data analytics and machine learning for monitoring, accumulating and recording data of each baby bed in real-time. It will improve clinical outcomes and provide world-class treatment in India. Further, this eNICU will also help Apollo Cradle doctors support NICU's in smaller towns leveraging technology to amplify availability of the best specialist across the Country.
- Apollo Cradle, Hyderabad inaugurated Paediatric Intensive Care Unit (PICU) which offers high level of intensive care to critically ill children, with advanced technologies and round-the-clock back up of super specialists. The PICU is equipped with continuous support from a multidisciplinary team. It is equipped to serve children with acute illness, serious injuries from accidents, burns, severe neurological illness or injury, cardiac problems, and also treats those who have undergone complex surgery.
- Apollo Knowledge City - a 70-acre integrated knowledge campus with modern teaching facilities was inaugurated in Chittoor, Andhra Pradesh. This Learning and innovation hub will be committed to clinical and academic excellence with facilities for education, training and research. Apollo Knowledge City comprises of Medical College, Nursing College, Colleges of Physiotherapy, Dental, Pharmacy, Health Care Management Institute, allied courses (MSW, Masters in Public Health, MSc Health Informatics, M. Sc Clinical Psychology), K-12 School, Skill Development Centre etc. and will house more than 7,000 students in the campus. This is the First Public Private Partnership (PPP) model between the Government of Andhra Pradesh and Apollo Hospitals Educational and Research Foundation (AHERF).
- Apollo Hospitals has launched TAVI (Trans catheter Aortic Valve Implantation) centre, first and the only centre in Chennai that will use a MitraClip to recovery from heart failure.
- Apollo Hospitals Group and SBI Card launched Apollo SBI Card, a first of its kind co-

branded credit card in the healthcare segment. Designed to meet the complete healthcare needs of the family, the Apollo SBI Card is a pioneering product that offers an unmatched value proposition to consumers in the health and wellness space.

CLINICAL EXCELLENCE HIGHLIGHTS

- A 44-year-old woman from Oman was treated at Apollo Cancer Centre, Teynampet, for a football-sized Chondrosarcoma tumour (16.4 X 13.5 X 19.5 cm) on her leg that made her immobile. The patient had earlier visited various specialized centres across the world and all the hospitals had suggested amputating the limb because of the complex nature and big size of the tumour. The team of surgeons at Apollo Cancer Centre, Teynampet, performed an 8-hour surgery to remove the tumour while successfully saving the limb.
- Apollo Hospitals, Chennai successfully performed India's First Fusion less Scoliosis Surgery on a 14-year-old girl. The patient was diagnosed with Adolescent Idiopathic Scoliosis (AIS). Traditionally, fusion surgical treatment is performed to address this issue, where metal implants are attached to the spine, and then connected to two rods. However, compared to the fusion surgery, fusion-less scoliosis surgery corrects the deformity using a flexible cable enabling faster recovery.
- Apollo Hospitals, Hyderabad successfully performed Micra leadless pacemaker implantation on a cardiac patient. The 55-year-old female having a history of syncope was diagnosed with sick sinus syndrome. Micra leadless pacemaker is directly implanted into the patient's heart unlike conventional pacemakers which are placed in the patient's chest and the leads run into the heart.
- A 19-year-old Iraqi girl, suffering from a rare spinal disease, which affects blood supply in the spinal cord, got a new lease of life after undergoing surgery at Apollo Hospitals, Delhi. Nuha Mohanad Hani who was suffering from spinal arteriovenous malformation (AVM), was successfully treated using DSA with Embolization of Spinal AVM along with C7-D1.
- Apollo Hospital performed the first ever liver transplant in Mysore. A 36-year-old man was diagnosed with the chronic liver disease and was successfully treated through the Live Donor Liver Transplant (LDLT) surgery.
- The team of surgeons at Apollo Speciality Hospital, OMR performed a first-of-its-kind, rare 'Trans Arterial Embolization' surgery on a 58-year-old lady who sustained

traumatic injuries in a car accident and was suffering from severe brain contusions and multiple fractures of the skull base bones.

AWARDS AND ACCOLADES

- Apollo Hospitals Group become the most awarded hospital group in Asia with 11 awards at Hospital Management Asia(HMA) 2018, for the fifth successive year.
- Apollo Group of Hospitals was conferred with the National Board of Examination (NBE) award for 'Excellence in Medical Education'. The award recognizes infrastructure, teaching resources, education technology and best practices in PG Medical Education, besides good outcome in DNB Final Examinations.
- Apollo Health City, Hyderabad, received National Tourism Award for 'Best Medical Tourism Facility' for 2016-17. This is the second consecutive year and overall fifth time, Apollo Health City has been bestowed with the prestigious honour.
- Dr. Preetha Reddy, Vice Chairperson, Apollo Hospitals Group has been honoured with the prestigious "Business Courage Award" at the 11th Anniversary Event of the Asian Business Leadership Forum (ABLF) series held at Dubai.
- Ms. Shobana Kamineni, executive Vice Chairperson of AHEL was awarded the 'Most Powerful Woman Award' in Business Category by Business Today.
- Dr. T P Raghava Bharadwaj, Haematologist, Apollo Hospitals, Chennai was conferred with the Honorary Fellowship 2018 at the Royal College of Physicians and Surgeons of Glasgow, Scotland, UK. He was felicitated at the 37th year International Medical Sciences Academy Conference cum Convocation - IMSACON 2018.
- At the Economic Times Doctor's Day Conclave, 2018; Dr. U. Meenakshi Sundaram of Apollo Hospitals was recognized and awarded as "One of the Inspiring Neurologists of India."
- Our senior orthopaedic surgeon Dr. Prof Raju Vaishya, at Indraprastha Apollo Hospitals, Delhi was honoured with 'Pride of Asia-Health Excellence Award' at Global Achievers Alliance Ceremony, for his outstanding contribution to the healthcare sector.

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About Apollo Hospitals Enterprise Ltd. (AHEL)

It was in 1983, that Dr.Prathap Reddy made a pioneering endeavour by launching India's first corporate hospital - Apollo Hospitals in Chennai. Over the years Apollo Hospitals has established itself as home to the largest cardiac practice in India with over 170,000 cardiac surgeries. Apollo Hospitals is also the world's largest private cancer care provider and runs the world's leading solid organ transplant program having conducted over 1,500 solid organ transplants in 2014-15 alone.

Now, as Asia's largest and most trusted healthcare group, its presence includes 9,834 beds across 69 Hospitals, 3,167 Pharmacies, over 200 Primary Care and Diagnostic Clinics, 150 plus Telemedicine Centres and over 150 plus Apollo Munich Insurance branches panning the length and breadth of the country. As an integrated healthcare service provider with health insurance services, projects consultancy services, medical education centres and a Research Foundation with a focus on global clinical trials, epidemiological studies, stem cell & genetic research, Apollo Hospitals has been at the forefront of new medical breakthroughs with the most recent investment being that of commissioning the first Proton Therapy Centre across Asia, Africa and Australia in Chennai, India. Every four days, the Apollo Hospitals Group touches a million lives, in its mission to bring healthcare of International standards within the reach of every individual.

In a rare honour, the Government of India issued a commemorative stamp in recognition of Apollo's contribution, the first for a healthcare organization. Apollo Hospitals Chairman, Dr.Prathap C Reddy, was conferred with the prestigious Padma Vibhushan in 2010. For 35 years, the Apollo Hospitals Group has continuously excelled and maintained leadership in medical innovation, world-class clinical services and cutting-edge technology. Our hospitals are consistently ranked amongst the best hospitals globally for advanced medical services and research.

Disclaimer

Some of the statements in this document that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.

These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

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