

**30 August 2016**

## **NMC HEALTH ENTERS SAUDI ARABIAN MARKET**

NMC Health plc (LSE:NMC) ('NMC'), the leading integrated private healthcare network operator in the United Arab Emirates (UAE) and one of the leading global providers of fertility treatments through its European and Middle Eastern subsidiaries, today announces another strategic expansion within its Long-term & Home care vertical.

The Long-term & Home care vertical was established as a strategic area of focus in Q2 2015 followed by the successful acquisitions of two leading UAE based institutions in their respective fields, Provita in the long-term care and Americare in home care. NMC has since continued to develop both businesses, including expanding Provita's capacity by 33% through the addition of another 30 bed facility in the UAE in Q1 2016 to reach a total capacity of 120 beds as of H1 2016.

Today, NMC announces the addition of a further 260 beds spread across two Saudi Arabian assets in the key western and eastern regions of the kingdom. In addition, Provita recently commenced operations at 26 acute care beds within the adjacently located NMC Royal Super Specialty Hospital's premises in Abu Dhabi, as part of our efforts to develop a seamless integration of services across the continuum of care. As a result, the total current licensed and operational capacity in the Long-term & Home care vertical expands to 406 beds (+286 beds, +238% compared to H1 2016) across two countries. The total capacity potential within current properties is at least 506 beds.

These expansions are aligned with NMC's Group strategy of establishing the Company as a top in-class integrated provider of specialist care across its existing multi-brand and multi-segment healthcare verticals. The two investments in Saudi Arabia confirm the NMC Long-term & Home care vertical's market position, as the leading regional provider of long-term care services based on:

- Scale of its regional business and bed capacity
- Segment leading treatment capabilities and integration across continuum of care
- Track record, established brands and most competent human resources
- Focused strategic initiative towards raising capabilities and access to care in high growth and under-supplied markets

NMC Health's Long-term & Home care vertical now includes 406 licensed beds:

- 90 beds in Abu Dhabi – UAE
- 30 Beds in Al Ain – UAE
- 26 acute care beds by Provita in NMC Royal Super Specialty Hospital in Abu Dhabi - UAE
- 120 Beds in Jeddah – Saudi Arabia
- 140 beds in Khobar – Saudi Arabia
- Home care services in Abu Dhabi - UAE

Consequently, NMC's total licensed bed capacity across all healthcare verticals expands to 1,135 (+260 beds, +30% compared to H1 2016). In addition, NMC manages a 205 bed hospital on behalf of the UAE government. NMC's licensed capacity diversified across:

- Multi-specialty vertical: 629<sup>1</sup> beds in the UAE
- Long-term & Home care vertical: 406 beds in the UAE and Saudi Arabia
- Maternity & Fertility vertical: 100 beds in the UAE and fertility centres across Europe and the UAE
- Operation & Management vertical: 205<sup>2</sup> bed hospital operated on behalf of the UAE government

## Saudi Arabian expansion

As stated in the Company's most recent strategy update, our key objectives include expanding geographically by leveraging on the capabilities within our verticals. The Saudi Arabian healthcare market and most specifically the long-term care segment are primary targets.

While Saudi Arabia has one of the most advanced regional healthcare markets, the local long-term care segment has a very limited number of specialist operators relative to the size of the population. Although this presented a sizeable opportunity, it also meant there were a very limited number of potential acquisition targets. As a result, NMC opted to pursue this expansion objective through a two pronged strategy:

### 1. **Investment in start-up long-term care provider in western region**

NMC invested by way of capital increase in a newly started entity together with Saudi Arabian developers who have recently initiated the commissioning stage of a purpose-built long-term care facility with a licensed capacity of 120 beds in Jeddah in Saudi Arabia's western region. The total potential building capacity is 220 beds. NMC shareholding in the new operating entity is 67.5%, with the operations being fully managed by NMC's 100% owned subsidiary Provita. The real estate asset is leased. A CEO has been appointed for this asset and recruitment of staff is progressing well with initial operations expected to commence by year end 2016. In addition, cooperation agreements have also been reached with major domestic institutions for potential future patient transfers and treatment in this asset. A total investment of US\$ 4m has been made by NMC into operating company. In addition, a shareholder loan of US\$ 9m has been extended from NMC to this subsidiary. This loan is repayable over the next two years. NMC expects an EBITDA contribution of around US\$ 5m in 2017, with this business ramping up to exceed the US\$ 10m EBITDA level annually during the following three years.

### 2. **Acquisition of an established asset in eastern region**

NMC acquired a 70% stake in *As Salama Hospital* ("As Salama" or "ASH"), a leading general hospital in Al Khobar, Saudi Arabia. The hospital has a current capacity of 140 beds and offers an array of medical services from acute care to long term care for chronic illness with 24 other clinical and medical support services. Initially NMC plans to revamp the existing facility's long term care capabilities to extend its capabilities and strengthen its market positioning as a leader in this highly specialised treatment area. The cash consideration for the 70% equity is US\$ 28m. This implies a total Enterprise value of US\$ 45m. ASH's EBITDA is expected to reach around US\$ 5m in 2017 with an expected three year compounded annual growth rate (CAGR) of 10-15%.

Consequently, NMC raises its Group EBITDA guidance from around US\$ 290m to around US\$ 300m for FY 2017.

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<sup>1</sup> Reduced by 26 beds operated by Provita in acute care unit within NMC Royal Super Specialty in Khalifa City

<sup>2</sup> Excluded from NMC's total bed count, as it is not owned by NMC

Excluding synergies, these transactions are expected to be significantly accretive to NMC's EPS in 2017 with an attractive ROIC in excess of NMC's cost of capital.

Meanwhile, NMC will continue to very selectively evaluate investment and expansion opportunities into the very important central region as part of its national long-term care strategy for Saudi Arabia.

NMC will also continue to assess opportunities and regulatory developments across the region to selectively expand its emerging regional long-term care platform into new markets.

### **Saudi Arabian long-term care market**

With the increasing focus on developing the domestic healthcare sector's capabilities and the quality of services available to patients locally by governments in the Gulf region, long-term care has been considered a priority area.

Just like most of the GCC countries, Saudi Arabia also suffers from high prevalence of chronic, lifestyle and congenital diseases. However, unlike both the UAE and Qatar where nationals account for 15-20% of the population, in Saudi Arabia around 65% of the nearly 30m residents are nationals. Note that expatriate long-term care patients would eventually have to be repatriated to their home countries and therefore cease to be part of domestic demand for long-term care services. Consequently, domestically retained demand for long-term care services in Saudi Arabia is substantially higher than our home market both in absolute and proportional terms.

While there are very few dedicated long-term care facilities in Saudi Arabia with international standards and experience, it is estimated by industry sources that around 25-35% of national hospital bed capacity is currently occupied by long-term care patients. In addition, a substantial number of patients seek treatment abroad due to shortage of dedicated local long-term care solutions.

Specialist long-term care solutions increase healthcare spend retention domestically, offer more cost/capital efficient solutions relative to treatment in intensive care units and a much improved quality of life for patients.

### **Prasanth Manghat, Deputy Chief Executive Officer of NMC, commented:**

"This geographic expansion into Saudi Arabia is a major milestone for NMC that carries tremendous strategic significance and expands the Group's long-term care growth prospects substantially as we emerge as the largest regional provider in this highly specialised area of care through our top-in-class offering, track-record and brand. Most importantly, this combined expansion is expected to be highly accretive from 2017 onwards."

### **Dr. B.R. Shetty, Chief Executive Officer of NMC, commented:**

"I am pleased to announce this strategic expansion into the largest regional healthcare market. This represents another major advance towards our objective of developing a regional leader in the field of specialist long-term care. These investments are fully in line with our strategy and demonstrate our focus on delivering long-term growth of our strategic and competitive capabilities to expand sustainable shareholder returns."

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### **About NMC Health**

NMC Health plc group is the leading private sector healthcare operator in the United Arab Emirates, with a nation-wide network of hospitals and operations in the country since 1975. The Group currently operates or manages eight hospitals, two day-care patient centres, nine medical centres and fifteen pharmacies. In addition, the Group owns and operates Clinica Eugin in Barcelona, Spain - one of the leading fertility treatment centres globally. NMC also acquired a 51% shareholding in Fakh IVF Group, the Middle East market leader for in-vitro fertilisation ('IVF') services. Moreover, NMC also owns and operates Americare Group, the leading home care provider in the UAE as well as ProVita, the pioneering provider of long-term medical care, also in the UAE. The enlarged company received almost 3.2m patients in 2015. The Group is also a leading UAE supplier of products and consumables across several key market segments, with the major contribution coming from healthcare related products. NMC Health plc group reported revenues of US\$880.9m in 2015.

In April 2012 NMC Health plc was listed on the Premium Segment of the London Stock Exchange. NMC Health plc is a constituent of the FTSE 250 Index.