



INTERIM RESULTS

for the six months
ended 31 August

2020



lenmed
Embrace every day

Contents

- 01 Performance review
- 02 Statement of comprehensive income
- 03 Headline earnings
- 03 Normalised EBITDA
- 04 Statement of financial position
- 05 Statement of changes in equity
- 06 Statement of cash flow
- 07 Accounting policies
- bc Our hospitals



PERFORMANCE REVIEW

The Covid-19 pandemic has had a significant negative economic and social impact on our country, the continent and the rest of the world at large. It is the unfortunate reality that regardless of how quickly the disease is contained, it is estimated that it will take a number of years, in an optimistic scenario, for the economy to recover from the consequential negative impacts of the events over the last 8 months.

The private healthcare sector, although resilient, has not been immune to the effects of the pandemic, with utilisation of our facilities materially lower since April 2020. The Group has actively managed the impact of Covid-19 on the business, over this interim period, through the implementation of various measures aimed at conserving cash flow. These interventions included the suspension of all non-essential capital expenditure, a vigorous focus on reduction of outstanding debtors, the negotiation of discounted or deferred payments in respect of key service contracts, the renegotiation of Group debt facilities, the deferral of a portion of management remuneration and the abandonment of a budgeted dividend payment to shareholders, all of which produced the desired results providing stability to the business during this time.

Group Revenue declined by 12% to R1 318.7 million in the six months to 31 August compared to R1 496.8 million in the same period of the 2020 financial year. This decrease was attributable to a reduction in Paid Patient Days (PPDs) of 23%, which was partially offset by growth in the Rand per Patient Day (RPPD) of 14% primarily driven by an improved case mix during the period.

Earnings before interest and taxation, depreciation, and amortisation (EBITDA) declined by 67% to R97.3 million from R297.0 million in 2020, as a consequence of lower revenues, higher expenditure brought about by the pandemic such as the increased utilisation and cost of personal protective equipment (PPE), onerous cleaning and security requirements, greater staffing needs to implement increased screening and testing protocols and additional nursing costs. The impact of

these Covid-19-related costs equates to R61.9 million during the period. Normalised EBITDA, excluding the impact of these extraordinary expenses, was R161.3 million. On a positive note, Maputo Private Hospital reported growth in EBITDA for the period, due to the performance of its new pathology service offering which was commissioned late last year and has benefitted from the significant amount of Covid testing in Mozambique.

The subdued economic and business outlook, with the expectation of a drawn out recovery to pre-Covid-19 activity levels extending over the next 12 to 24 months, has caused the Group to incur a loss in this period of R40.7 million.

PROSPECTS

The Group expects the performance of the business, for the remainder of the financial year, to be depressed in line with the half year results presented. While there remains a high degree of uncertainty in the market over the lasting impact of Covid on the country, the economy and the sector, Lenmed remains cautiously optimistic and is actively seeking new opportunities for growth. To this end, the Group is confident of concluding a revised funding package with its primary lender, that will provide sufficient headroom for operational needs and incremental growth, with negotiations at an advanced stage. Furthermore, the Company will look to raise capital should an attractive and sizeable acquisition materialize. Management remains focussed on the streamlining of the operational platform which will ensure the organization emerges, from this crisis, leaner and more agile, which will be of great benefit in the years to come.

Lastly, we pay tribute to our frontline healthcare professionals and staff for the incredible role they have played in combating this pandemic – we salute all of them for the bravery shown and the sacrifices made in responding to this call for service and the immense contribution made in meeting the needs of the communities we collectively serve during these trying times.

STATEMENT OF COMPREHENSIVE INCOME

		Group		
Figures in R'000	Notes	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2020
Profit and Loss				
Revenue		1 318 675	1 496 768	3 026 171
Cost of sales	2	(454 687)	(427 807)	(859 829)
GROSS PROFIT		863 988	1 068 961	2 166 342
Other income		48 159	37 446	91 667
Operating costs	2	(882 478)	(869 389)	(1 797 107)
PROFIT BEFORE IMPAIRMENT ADJUSTMENTS		29 669	237 018	460 902
Goodwill impairment		(10 343)	–	–
PROFIT BEFORE INTEREST AND TAXATION		19 326	237 018	460 902
Share of profit from associates		1 146	1 184	2 310
Investment income		1 070	1 671	2 896
Finance costs		(74 075)	(81 208)	(142 433)
(LOSS)/PROFIT BEFORE TAXATION		(52 533)	158 665	323 675
Taxation		11 813	(38 943)	(85 826)
(LOSS)/PROFIT FOR THE PERIOD		(40 720)	119 722	237 849
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit and loss</i>				
Foreign currency translation reserve		45 736	40 194	61 149
Cash flow hedging reserve for interest rate hedging instrument		(18 590)	–	(3 319)
Total other comprehensive income for the period		27 146	40 194	57 830
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(13 574)	159 916	295 679
(Loss)/Profit for the period attributable to:				
Non-controlling interests		1 112	22 925	38 300
Lenmed Investments Ltd equity holders		(41 832)	96 797	199 549
		(40 720)	119 722	237 849
Total comprehensive (loss)/income for the period attributable to:				
Non-controlling interests		3 249	24 759	42 013
Lenmed Investments Ltd equity holders		(16 823)	135 157	253 666
		(13 574)	159 916	295 679

HEADLINE EARNINGS

	Group		
	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2020
Figures in R'000			
(Loss)/Profit for the period attributable to Lenmed	(41 832)	96 797	199 549
Add/Less: Loss/(profit) on disposal of assets	467	–	(389)
Add/Less: Currencies gains and (losses)	1 036	(977)	(2 261)
Add: Goodwill impairment	10 343	–	–
	(29 986)	95 820	196 899

NORMALISED EBITDA

	Group		
	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2020
Figures in R'000			
EBITDA	97 266	296 976	579 588
Loss/(profit) on disposal of assets	648	–	(540)
Currencies gains and (losses)	1 439	(1 357)	(3 140)
Covid-19 costs	61 937	–	–
	161 290	295 619	575 908

STATEMENT OF FINANCIAL POSITION

	Group		
	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2020
Figures in R'000			
Assets			
Non-Current Assets			
Property, plant and equipment	2 879 290	2 806 816	2 828 714
Lease Assets	217 785	264 825	222 273
Goodwill	302 545	312 888	312 888
Intangible assets	29 405	26 573	26 282
Investment in associates	5 697	3 881	4 108
Deferred taxation	77 601	77 343	72 538
	3 512 323	3 492 326	3 466 803
Current Assets			
Inventory	129 871	67 694	70 568
Trade and other receivables	993 753	816 981	1 035 888
Taxation	26 671	26 058	28 584
Cash and cash equivalents	79 701	50 807	36 696
	1 229 996	961 540	1 171 736
TOTAL ASSETS	4 742 319	4 453 866	4 638 539
Equity and Liabilities			
Equity and Reserves			
Stated capital	426 006	426 006	426 006
Other Reserves	220 193	179 427	195 184
Accumulated profits	1 396 615	1 331 253	1 438 447
Non-controlling interests	217 066	191 558	213 817
	2 259 880	2 128 244	2 273 454
Non-Current Liabilities			
Long term liabilities	1 110 395	1 088 592	1 052 401
Loans from minorities	33 265	39 488	41 908
Derivative financial liabilities	13 020	–	2 562
Lease liabilities	224 835	279 201	221 113
Deferred taxation	238 456	260 526	254 416
	1 619 971	1 667 807	1 572 400
Current Liabilities			
Trade payables, other payables and provisions	564 769	448 211	523 022
Current portion of long term liabilities	82 079	131 107	113 893
Current portion of lease liabilities	8 816	–	10 458
Taxation	25 180	18 452	31 581
Current portion of derivative financial liabilities	17 408	–	2 047
Bank overdraft	164 216	60 045	111 684
	862 468	657 815	792 685
TOTAL EQUITY AND LIABILITIES	4 742 319	4 453 866	4 638 539

STATEMENT OF CHANGES IN EQUITY

	Group						
Figures in R'000	Stated capital	Cash flow hedging reserve	Foreign currency translation reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
BALANCE AT 31 AUGUST 2019	426 006	–	179 427	1 331 253	1 936 686	191 558	2 128 244
Profit for the period	–	–	–	102 751	102 751	15 375	118 127
Other comprehensive income	–	(3 319)	19 076	–	15 757	1 879	17 636
IFRS 16 transitional adjustment	–	–	–	4 439	4 439	1 945	6 384
Increase in investment related to subsidiary share buy-back	–	–	–	4	4	–	4
Change in non controlling interest	–	–	–	–	–	3 060	3 060
BALANCE AT 28 FEBRUARY 2020	426 006	(3 319)	198 503	1 438 447	2 059 637	213 817	2 273 454
(Loss)/profit for the period	–	–	–	(41 832)	(41 832)	1 112	(40 720)
Other comprehensive (loss)/income	–	(18 590)	43 599	–	25 009	2 137	27 146
BALANCE AT 31 AUGUST 2020	426 006	(21 909)	242 102	1 396 615	2 042 814	217 066	2 259 880

STATEMENT OF CASH FLOWS

	Group		
	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2020
Figures in R'000			
Cash flows from operating activities			
Operating cash flow before working capital changes	77 099	277 240	623 162
Working capital changes			
Decrease/(increase) in trade and other receivables	26 051	(150 466)	(353 045)
Increase in inventory	(59 303)	(3 945)	(5 458)
Increase in trade and other payables	57 528	31 878	62 574
Cash generated by operating activities	101 375	154 707	327 233
Investment income	1 070	1 671	2 896
Finance costs	(26 717)	(66 332)	(142 433)
Income tax paid	(6 470)	(19 534)	(59 248)
NET CASH FROM OPERATING ACTIVITIES	69 258	70 512	128 448
Cash flows from investing activities			
Property, plant and equipment acquired	(34 616)	(77 261)	(121 899)
Proceeds on disposal of Property, plant and equipment	114	–	4 129
Intangible assets acquired	(9 544)	–	(7 743)
NET CASH UTILISED IN INVESTING ACTIVITIES	(44 046)	(77 261)	(125 513)
Cash flows from financing activities			
Net loans (repaid)/raised	(28 724)	48 693	(14 350)
Lease liability paid	(6 015)	–	(12 894)
Dividends paid	–	(806)	(806)
Additional investment in subsidiary	–	(854)	(854)
NET CASH GENERATED BY FINANCING ACTIVITIES	(34 739)	47 033	(28 904)
(Decrease)/increase in cash and cash equivalents	(9 527)	40 284	(25 969)
Translation movement	–	–	504
Cash and cash equivalents at beginning of the period/year	(74 988)	(49 523)	(49 523)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(84 515)	(9 239)	(74 988)

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 31 August 2020 have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. 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 interim financial statements have been prepared on the historical cost basis.

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.

2. IMPACT OF COVID-19

During the 6 months ended 31 August 2020, the Group incurred costs relating to Covid-19. These were incurred as a result of enhanced clinical protocols required to fight the pandemic. The Covid-19 costs have been split in the Financial Statements as shown below:

	Group
	Unaudited six months ended 31 August 2020
Figures in R'000	
Statement of comprehensive income	
Cost of sales	41 809
Operating costs	20 128
	61 937



OUR HOSPITALS

Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng
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Bokamoso Private Hospital

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T. +267 369 4000 F. +267 369 4140

Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng
T. +27 87 087 0644 F. +27 11 855 1039

Ethekwini Hospital and Heart Centre

11 Riverhorse Road, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban, KwaZulu-Natal
T. +27 31 581 2400 F. +27 31 581 2699

Kathu Private Hospital

Frikkie Meyer Street, Kathu
T. +27 87 158 2700 F. +27 53 723 3389

La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal
T. +27 87 087 2600 F. +27 36 637 4889

Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique
T. +258 21 48 3905 F. +258 21 49 3680

Randfontein Private Hospital

Ward Street Ext, Randfontein, Gauteng
T. +27 87 087 2700 F. +27 11 411 3134

Shifa Private Hospital

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T. +27 87 087 0641 F. +27 86 559 7043

Zamokuhle Private Hospital

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Royal Hospital and Heart Centre

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