IHH acquires Global Hospitals

- A leading tertiary / quaternary care chain in India

28 August 2015

IHH Healthcare Berhad

(formerly known as Integrated Healthcare Holdings Berhad)

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Acquisition of a controlling stake in Global Hospitals

IHH Healthcare Berhad (IHH) is pleased to announce the signing of definitive agreements to acquire a controlling stake in Global Hospitals

Target company	• Ravindranath GE Medical Associates Private Limited ("**Global Hospitals**")
Acquiring entity	• Gleneagles Development Pte Ltd (GDPL), an indirect wholly-owned subsidiary of IHH
Stake acquired	• Majority controlling stake of 73.4% on a fully diluted basis at completion • Expected to be diluted over a period of time due to performance incentives extended to key doctors and management of Global Hospitals
Acquisition consideration	• INR 12,838 million (equivalent[1] of INR RM 819 million) to be paid entirely in cash – Subject to customary adjustments for working capital and net debt – Includes equity infusion into the Company of INR 2,650 million (equivalent of RM 169 million)
Debt	• Global Hospitals' net debt was INR 3,937 million (equivalent of RM 251[2] million) as on 31st March 2015
Use of equity infusion proceeds	• Capital expenditure, retirement of debt and other general corporate purposes
Timelines	• Completion subject to customary closing conditions and regulatory approvals – expected closing in 3 months
Target positioning	• A leading tertiary / quaternary care provider in India • Among the leaders in multi-organ transplants

Note 1. MYR-INR exchange rate of 1.00 : 15.68 as on 28th August 2015 (Bank Negara Malaysia, mid-day rate)
Note 2: Net debt figure is provisional number for year ended March 2015 (un-audited)

Investment Highlights: Global Hospitals

1. **Global's positioning in specialty care with metro-city presence a good fit for IHH India strategy**
   - Leading tertiary/quaternary care name in India focused on high-end GI, Hepatobiliary and Transplant work
   - Operational facilities in key metro-cities including Mumbai, Bangalore, Chennai and Hyderabad
   - Access to affluent as well as middle-class population, and ability to access medical tourism flow through presence in metros
2. **Well positioned with strong credentials in a high growth market for Transplants and GI**
   - Quaternary care is a high potential segment in India due to increase in incidence of lifestyle related diseases, disposable incomes, health insurance penetration & awareness
   - Multi-organ transplants is a nascent and high growth market in India with limited facilities capable of performing these procedures
   - Global Hospitals is acknowledged for its expertise and is among the leaders in multi-organ transplants in India
3. **Reputed team of doctors across various facilities**
   - Most of the key doctors are internationally qualified and specialise in high-end medical care
   - Presence in metro-cities ensures availability of a concentrated pool of highly qualified healthcare professionals
4. **Operational portfolio with near term growth potential**
   - Operational facilities with a track record of 3 or more years
   - ~1,100 operational beds with potential to grow upto ~1,900 beds (within 5 years)
   - Most of the construction work needed for expansion has been completed with key approvals in place
5. **Significant potential to realise synergies**
   - Management control allows IHH to improve efficiencies and realise synergies
   - Allows IHH to develop Centers of Excellence (CoEs) in India and supplement its premium brand portfolio

Global Hospitals is among the leading corporate hospital chains in India

IHH India strategy

- ☑ To be a leading pan-India hospital chain
- ☑ Establish presence in key metros / large Tier 1 cities
  - To act as hubs for expansion into adjacent regions
- ☑ Focus on multi-speciality Tertiary / Quaternary care facilities
- ☑ Large format facilities (>200 beds)
- ☑ Expertise in niche / high end areas such as Transplants, GI surgery, Hepatobiliary, etc.
  - Helps differentiates IHH from other private hospital chains in India
- ☑ Accelerated growth through acquisition of controlling stakes in key regional partners

With acquisition of Global Hospitals and Continental Hospitals in 2015, IHH's presence in India has grown to ~1,800 beds with large format facilities across all key metro cities (ex Delhi)

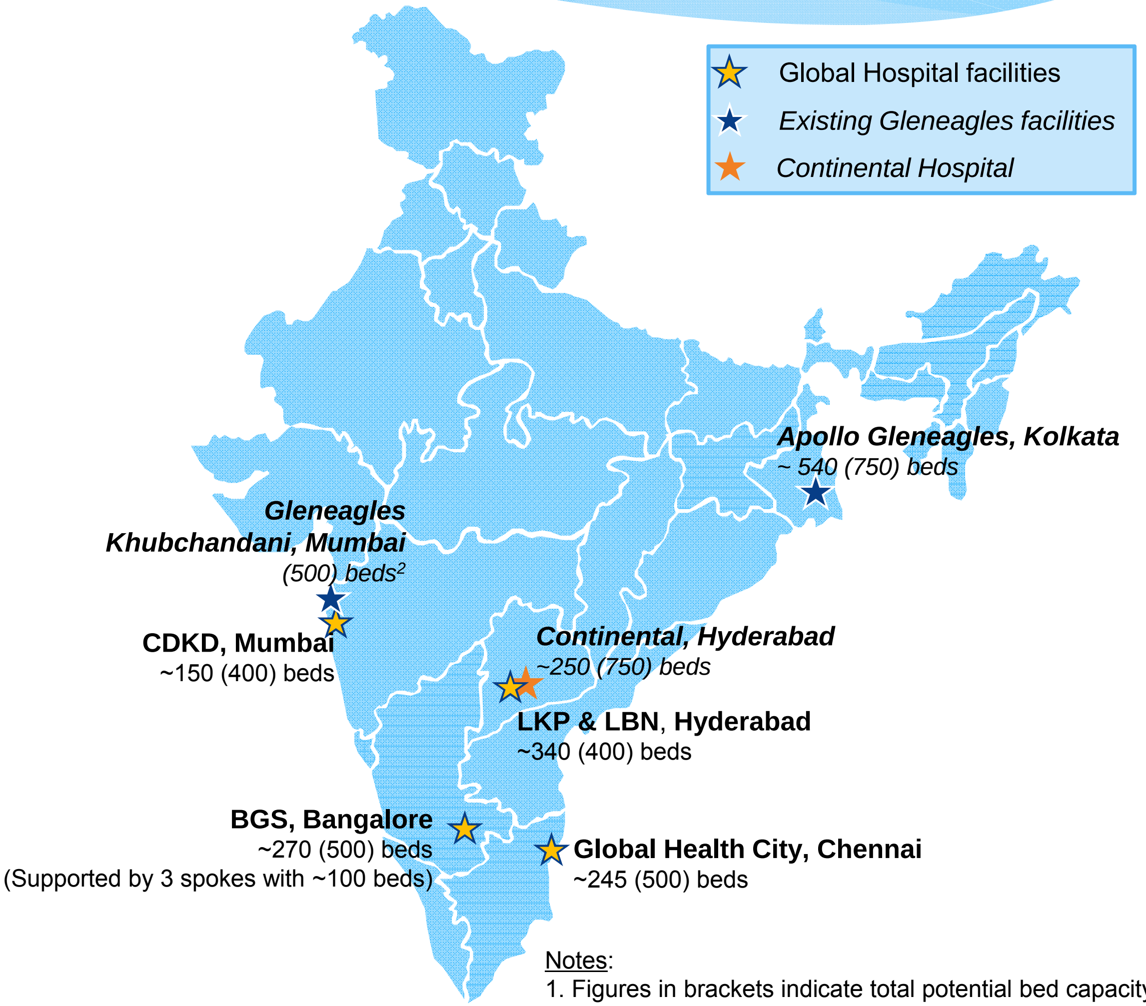
IHH – India presence

- ☑ ~1,800 operational beds in India across key metros (Mumbai, Kolkata, Chennai, Bangalore and Hyderabad)
- ☑ Potential to expand to ~4,000 beds through existing India entities

IHH – India Contribution (1H 2015)

Proforma figures	Revenue	ARPIA	Avg. Daily Census
	INR mn	*INR*	*Nos.*
India Consolidated	**5,642**	**97,893**	**1,026**

Note: Consolidated for Apollo Gleneagles, Continental Hospitals & Global Hospitals;
ARPIA stands for Average Revenue per in-patient admission;
1H 2015 is the period ending 30th June 2015;



Notes:
1. Figures in brackets indicate total potential bed capacity
2. Expected to be operational in next 12 months

How Global Hospital fits into IHH's strategy

	Strategy	Rationale	Value Proposition of Global Hospitals
1	Large scale presence in India	Attractive demographics and demand-supply gap in healthcare services in India	• Ready platform for expansion into key metros in India with ~1,100 operational beds and total bed capacity of ~1,900 beds • Initial efforts in building reach and clinical brand for business growth already in place
2	Multi specialty tertiary / quaternary care	To complement IHH's position as a leader in quaternary care segment	• Focus primarily on niche/complex interventions such as HPB & liver transplant, neurosciences and gastroenterology • Leadership position in multi-organ transplants in India • Among the pioneers in clinical innovations and organ transplants in India
3	Presence in Metro and Tier 1 cities	Key markets for high end tertiary care	• Presence in 4 of the top 7 cities in India • Highest number of complex and niche treatments are carried out in metro-cities / Tier-1 cities due to availability of qualified medical professionals and high end technologies
4	Expansion through Hub and spoke model (hubs in key cities)	Low capex and efficient mode of expansion	• Potential for expansion into Tier 2 cities in adjacent states across South and Western India • Large cities act as referral hubs for tertiary care services for patients within the city, neighboring districts, other states and international locations

Significant potential to extract synergies

Improved market-share in key cities	✓ Synergies and cost savings can be potentially realised through common branding, joint go-to market strategy, sharing of doctors and better capacity utilisation
Broad-basing revenue streams	✓ Focus on new specialities such as cardiology, oncology and orthopedics ✓ Higher medical-tourism revenues through IHH referrals and international marketing
Branding and Marketing	✓ Rebranding (use of 'Gleneagles' brand) and improved marketing
Centralised Procurement	✓ Cost savings through centralised procurement
Cost of borrowed funds	✓ IHH ownership and fund infusion to help realise improvement in cost of borrowed funds
Processes and controls	✓ Cost efficiencies through streamlining of Global's internal controls and IT systems to enable systematic tracking

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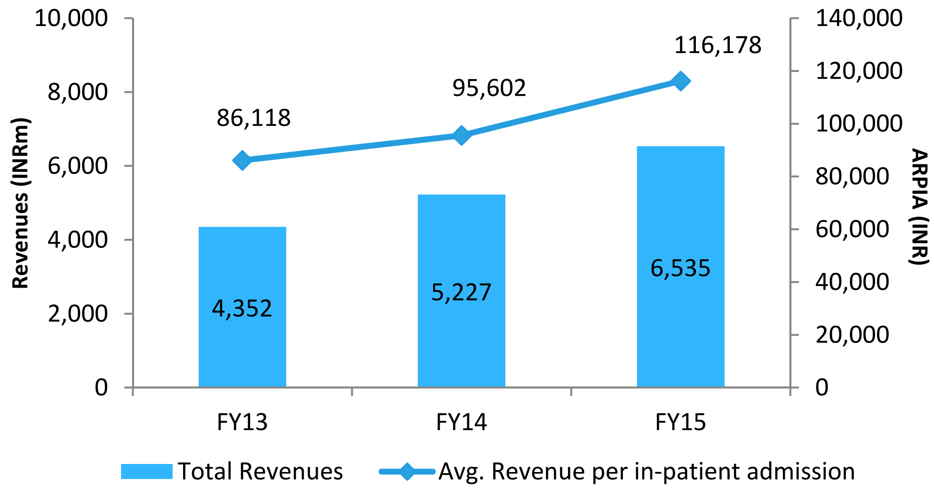
Global Hospitals - Overview

- Leading tertiary / quaternary care multi super-specialty hospital chain in India with presence in key metro-cities / tier I cities such as Chennai, Hyderabad, Mumbai and Bangalore
- Operates a network of 5 hospitals (and 3 feeder centers), with a total of ~1,100 operational beds
  - Potential bed capacity of ~1,900 beds
- Renowned for niche and complex specialties / procedures like liver transplants, kidney transplants, heart and lung transplants, and GI surgery
- Among the pioneers in high end medical work in India

Healthy growth in Revenues and ARPIA



Note: FY means Fiscal Year ending March
FY15 financials are unaudited (limited review numbers)
ARPIA stands for Average revenue per in-patient admission

1999: Global Hospitals Founded

2002: LKP Hyderabad established

2008: BGS Bangalore & LBN Hyderabad facilities commence operations

2009: Chennai Health City commences operations

2012: Global's Mumbai facility commences operations

2015: ~1,100 operational beds

Well equipped facilities with potential to expand beds

	Location	Beds	Focus Areas	Comments
	Chennai, Global Health City	Operating - ~245 Potential – 500	Multi-speciality with focus on liver transplants, HPB, GI, neurosurgery	• Flagship hospital • Highest inflow of international patients within Global • Located near an emerging IT (infotech) hub
	Hyderabad, Lakdi-ka-pul (LKP)	Operating - ~150 Potential – 155	Transplants & surgical interventions (cardiothoracic, gastroenterology, nephrology)	• First hospital under Global group • Located in the heart of Hyderabad and well known for transplants & GI
	Hyderabad, LBN	Operating - ~190 Potential – 245	Orthopedics, cardiac, neurosciences and gastroenterology	• Complementary to LKP facility • Catchment area includes areas witnessing rapid expansion and population growth
	Bengaluru, Kengeri (BGS)	Operating - ~270 Potential – 500	Multi-organ transplants, neurosurgery, surgical gastroenterology	• No large hospitals in the vicinity • Supported by 3 feeder 'multi-specialty' centers
	Mumbai, CDKD (Parel)[1]	Operating - ~150 Potential - 400	Nephrology, urology, surgical gastroenterology, transplants	• Located in the heart of Mumbai in an affluent and high density catchment area

Note 1. Global Hospitals will have 65% equity stake in CDKD

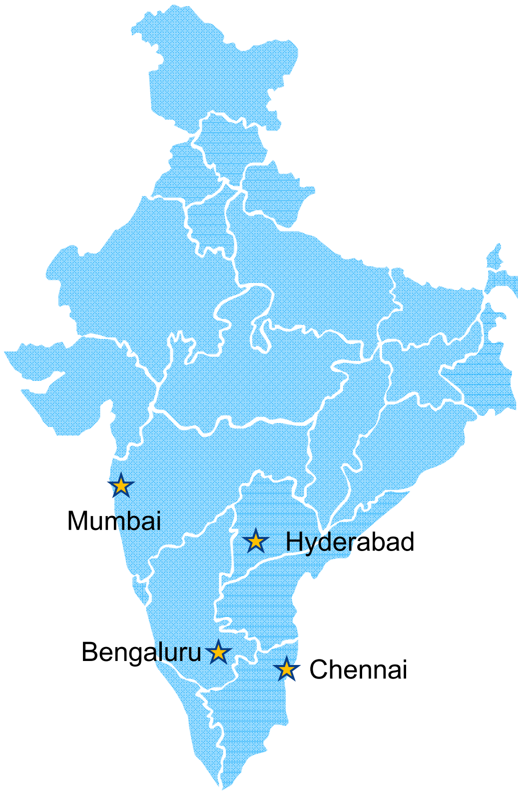
Presence in 4 of the top 7 cities in India

Mumbai City:

- Most populated city in India (20.7mn) with highest population density in India
- Financial capital of India
- Per-capita GDP ~3x of national average
- Significant population of HNIs, ultra HNIs and expats
- Limited presence of corporate hospital chains

Hyderabad City:

- 6th most populated city in India (8.7mn)
- High health insurance penetration
- Experienced good growth in the last several years and has rapidly expanded (geographically)
- One of the key IT hubs of India
- Strong footprint of pharma/biotech companies as well as infrastructure/EPC companies



Bengaluru City:

- 4th most populated city in India (9.7mn)
- One of the fastest growing cities in India
- IT hub of India (known as 'Silicon Valley of India'); emerging as the preferred location for e-commerce cos
- Also has a strong footprint of biotech, engineering, manufacturing companies
- ~400 Fortune 500 companies present
- One of the major hubs for HNIs as well as expatriates

Chennai City:

- 5th most populated city in India (9.6mn)
- Auto and auto components hub of India
- 2nd largest IT hub in India
- Diversified economic base (other prominent industries include textiles, manufacturing, petro-chemicals, aerospace & financial services)
- Major hub in India for international patients
- High health insurance penetration

Note 1. Population data as of 1 Jul 2014, Source: UN World Urbanization Prospects, 2014 Revision;

Global Hospitals – State of the art infrastructure

BGS Bangalore

Global Health City, Chennai

Global Hospitals – State of the art infrastructure (cont'd…)

LKP Hyderabad

LBN Hyderabad

Global Mumbai

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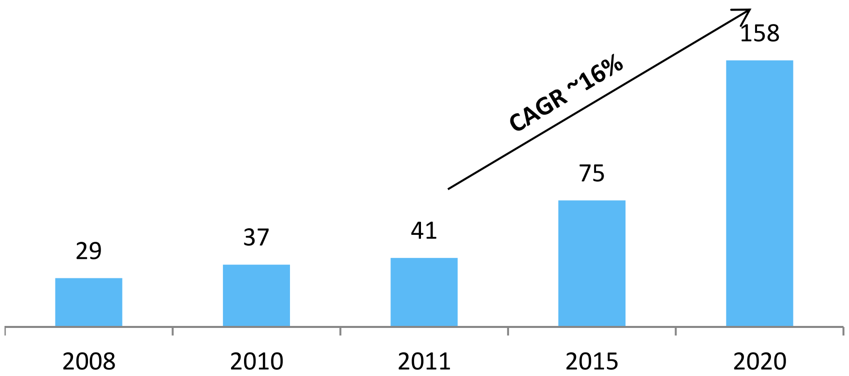
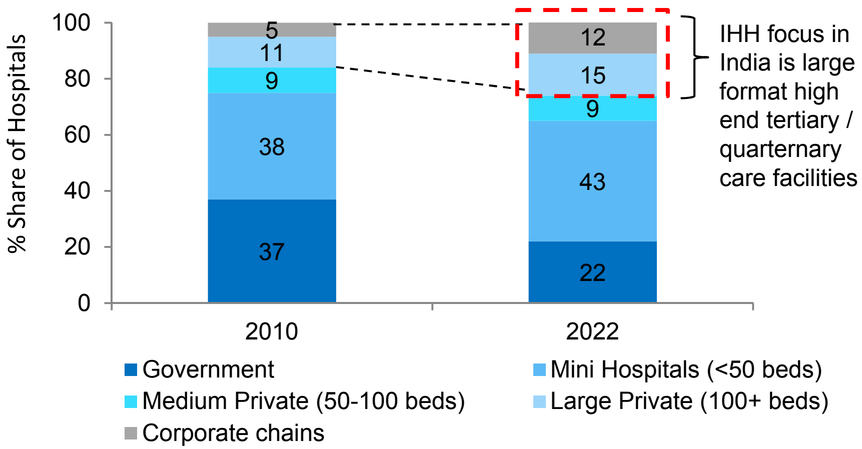
India: One of the fastest growing Hospital markets globally

India Hospital market to reach USD 158 bn by 2020



Pvt. Hospitals to account for 90-95% of new beds



Source: Industry Research, WHO Statistics, World Bank

Robust growth drivers for Indian Hospital Sector

Robust Macro Drivers for Hospital Sector growth

1 Favorable demographics

- With increasing life expectancy, the % of population aged 60+ years is expected to reach c.12.5% by 2026
- As senior citizens have greater healthcare needs, this shift in demographics signals the need for wider healthcare coverage in years to come

2 Increasing prevalence of lifestyle / chronic diseases

- The prevalence of lifestyle-related chronic diseases is rapidly increasing
- Rise in lifestyle diseases expected to increase the number of high value treatments driving the growth in tertiary care hospitals

3 Increasing penetration of health insurance

- As per the IRDA, only 17% of the total population has health insurance coverage in India
- Private-sector health insurance projected to grow from 3% (2010) to 9% (2020)

4 Increasing medical tourism

- With healthcare costs soaring in developed economies, the relatively low cost of surgery and critical care in India makes it an attractive destination for medical tourism, especially for patients from South-East Asia and the Middle East

India Private Hospitals: Healthcare Infrastructure under different cities

Global Hospitals located in 4 of the top 7 cities

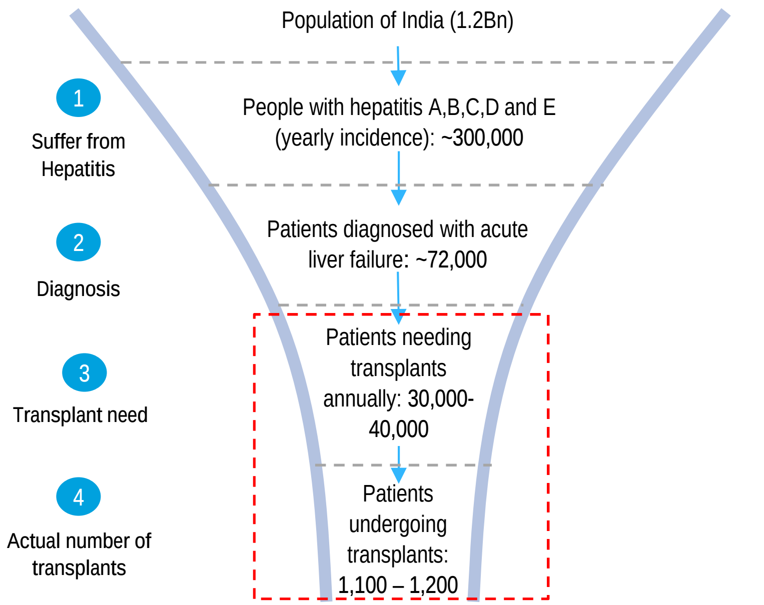
	Population	Healthcare Infrastructure
Metros (Top 7 cities)	Delhi, Mumbai, Bangalore, Hyderabad, Chennai, Kolkata and Ahmedabad Total population: 54Mn	• Well penetrated Healthcare infrastructure • Large number of hospitals ranging from hospital chains, large tertiary care hospitals, small/ medium sized hospitals • Highest number of complex and niche treatments carried out metros due to availability of high end technologies
Tier 1A (16 cities)	Population of each city > 1.5Mn Total population: 36Mn	• Strong health infrastructure; large hospital chains have expanded to these cities as well • Wide range of hospital setups –large/ medium/ small • Relatively high complex and niche treatments carried out
Ties 1B (24 cities)	Population of each city: 1Mn –1.5Mn Total population: 28Mn	• Mainly medium sized hospitals with few dispersed large hospitals • Presence of several small hospitals/ nursing homes with small purchasing power • Relatively lower, but improving number of niche and complex treatments carried out
Tier 2/3 (45 cities)	Population of each city: 0.5 Mn –1Mn Total population: 30Mn	• Fragmented market –largely small/ medium sized hospitals • Mainly standalone/ entrepreneur run hospitals

Source: Industry reports

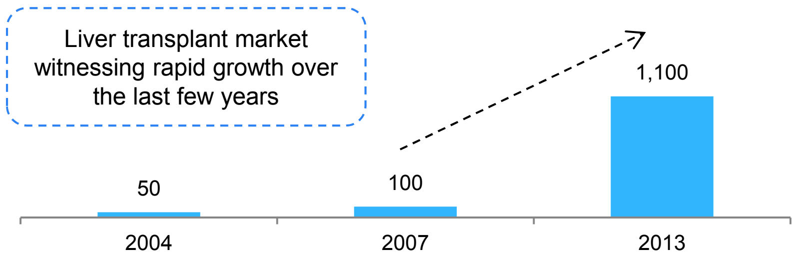
Organ Transplants in India – Considerable demand to be met

- Transplant market in India is still nascent with very few centers in India running mature Liver, Heart & Lung transplant programs
- Despite 30,000 – 40,000 people needing liver transplants, only ~1,100 – 1,200 patients undergo transplantation
- Transplant activity in India is amongst the lowest globally due to inadequate infrastructure, low availability of trained transplant surgeons & affordability of the procedures
  - ~1 per million population undergo liver transplantation in India compared to 20 per million population in developed countries
- Organ donation landscape is also changing in India with number of cadaver procedures increasing over the last few years with the trend is expected to continue
- Going forward, Transplantation segment is expected to continue growing significantly due to the nascent stage of the market and the large demand supply gap

Liver transplants –Demand supply gap in India



No. of Liver transplants conducted in India



Source: Industry reports

Key growth drivers for Transplant market in India

Improving Affordability

- ✓ Rising disposable income levels and increasing awareness
- ✓ Increasing penetration of private insurance

Improving technology and facilities

- ✓ Improving technology and supporting infrastructure
- ✓ Increasing number of hospitals applying and obtaining license for conducting liver transplants

Increasing awareness

- ✓ Increased focus on organ donation drives
- ✓ Initiatives by Government relating to National Organ Transplant Program

Regulatory support

- ✓ Relaxation in requirements: hospital authorities now can directly provide approval for live donor transplants (vis-à-vis legal clearance required earlier that usually took 4 –6 months)

Large unmet need for organ transplant in India

Source: Industry reports

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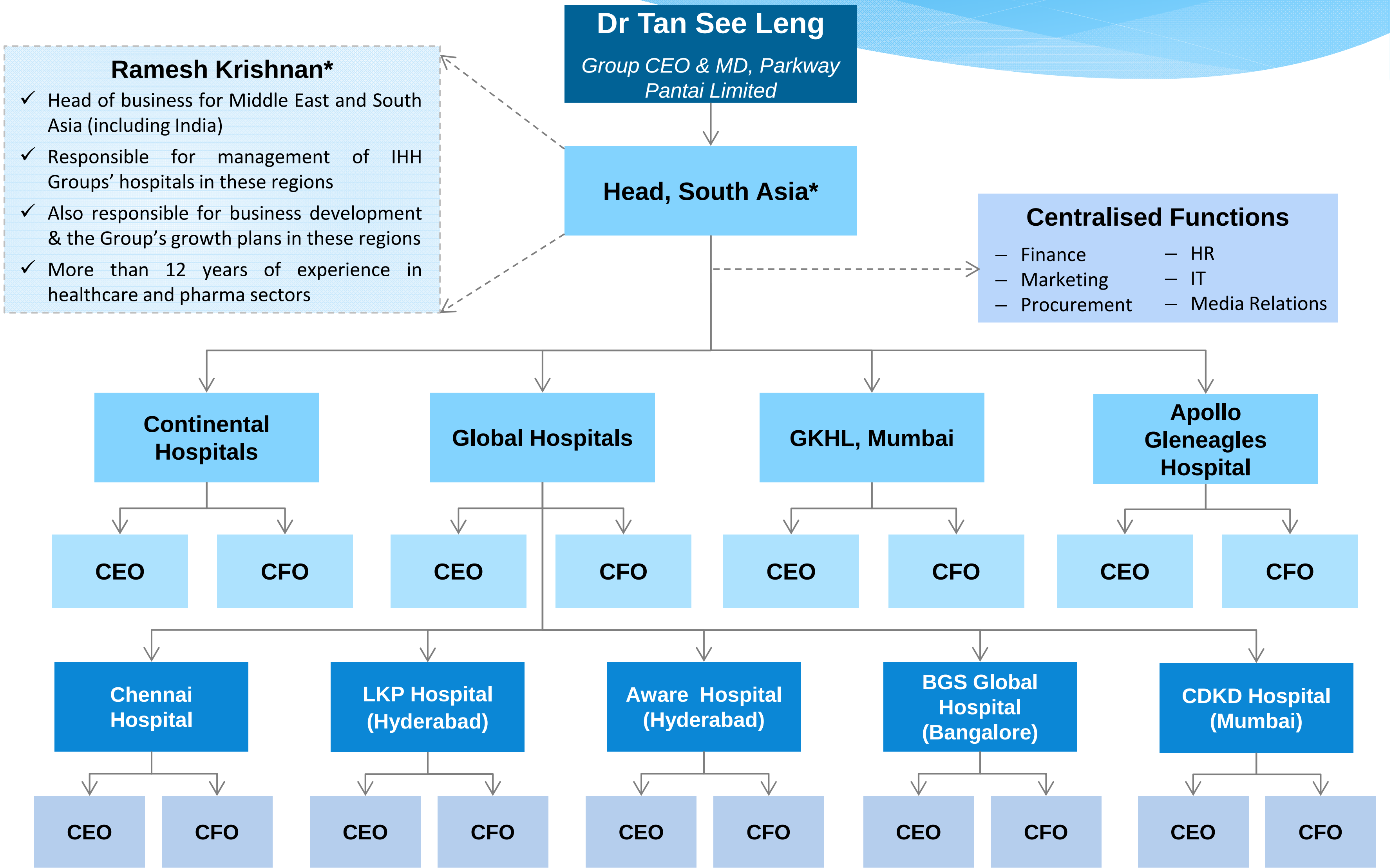
India Organisation Structure



Thank You