

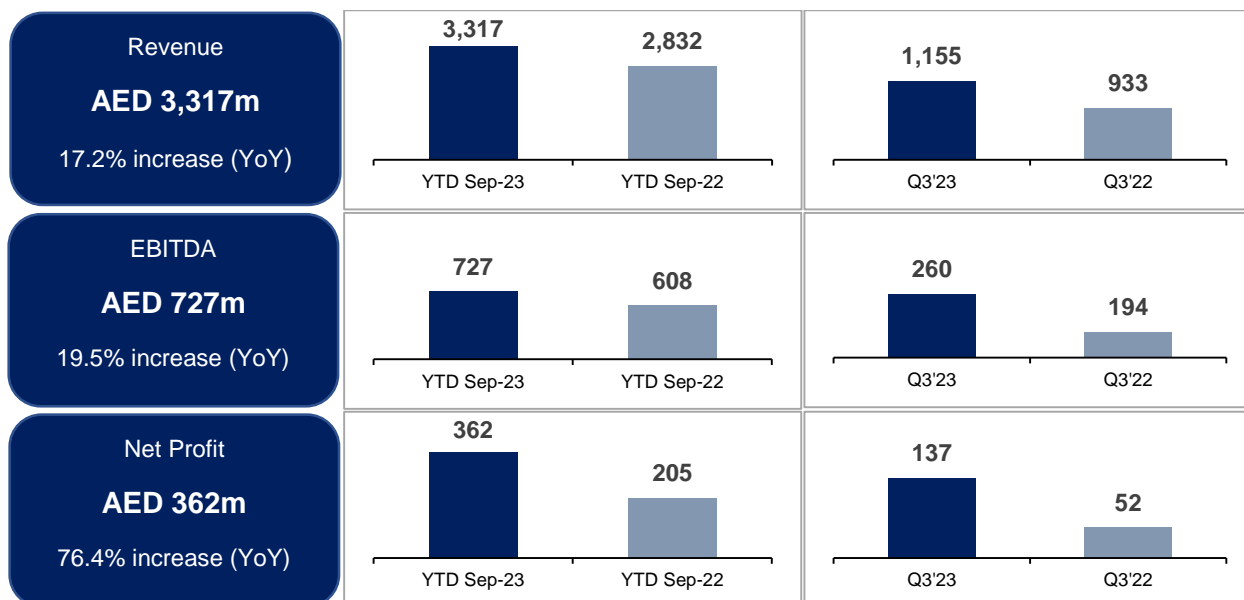


Burjeel Holdings PLC

Management discussion and analysis

For the period ended 30th Sep 2023

Burjeel Holdings reports positive performance in the first nine months of 2023 with strong growth both in top-line as well as bottom-line whilst making significant operational and strategic progress. Revenue for the nine months to 30th Sep 2023 was AED 3,317 million, an increase of 17.2% year-on-year, driven by utilization growth and improvement in patient yield in the Hospitals and Medical Centers segments, where revenues increased by 17.9% and 15.3% respectively.



Key Highlights for the nine-month period

- Group revenue was AED 3,317 million, a 17.2% YoY increase, while the YTD Sep 2022 revenue was AED 2,832 million.
- Group EBITDA was AED 727 million, a 19.5% YoY increase, while the YTD Sep 2022 EBITDA was AED 608 million.
- Group net profit was AED 362 million, a 76.4% YoY increase, while the YTD Sep 2022 net profit was AED 205 million.

Management Discussion & Analysis

Burjeel Holdings is pleased to present its report on the performance of the Group for the nine-month period ended 30th Sep 2023. This report should be read in conjunction with the interim condensed consolidated financial statements for the same period. The Group has reported strong performance primarily led by its Hospital segment aided by the Group's continued focus on high-value, super specialty care.

Summary of Financial Results:

Income Statement Summary (AED million)	YTD Sep-23	YTD Sep-22	Change
Revenue	3,317	2,832	17.2%
EBITDA	727	608	19.5%
<i>EBITDA Margin</i>	<i>21.9%</i>	<i>21.5%</i>	
Net Profit	362	205	76.4%
<i>Net Profit Margin</i>	<i>10.9%</i>	<i>7.2%</i>	

Income Statement Analysis for the period ending Sep-2023

Particulars (AED million)	YTD Sep-23	YTD Sep-22	Change
Revenue	3,317	2,832	17.2%
Inventories Consumed	(807)	(660)	22.1%
Doctors' and other employees' salaries and benefits	(1,463)	(1,231)	18.9%
Provision for expected credit losses	(56)	(50)	12.5%
Other general and admin expenses	(281)	(297)	(5.2%)
Share of profit from associates	17	15	17.7%
EBITDA FOR THE YEAR	727	608	19.5%
Finance costs	(104)	(173)	(39.7%)
Interest income from related parties	-	42	-
Depreciation and amortization	(261)	(273)	(4.1%)
PROFIT (LOSS) FOR THE YEAR	362	205	76.4%

Revenue increased by AED 486 million (+17.2% YoY), contributed by in-patient and out-patient revenue by AED 241 million and AED 212 million, respectively, with a combination of patient volume growth as well as improvement in patient yield. In the Hospital segment, growth majorly contributed by Burjeel Medical City (BMC) by AED 225 million, Burjeel Royal Hospital LLC (BRH) by AED 43 million and Burjeel Day Surgery Center LLC (BDSC) by AED 43 million. The increase in BMC revenue is evidence of greater demand in the super specialty segment, which is a high yield compared to multi-specialty.

Doctors' and other employees' salaries and benefits increased by AED 233 million (+18.9%). The major impact on doctors and staff salaries came from BMC, BRH, Burjeel Hospital LLC, BDSC, Lifecare Musaffah and Lifeline Oman, which in total increased by AED 156 million. The increase is attributable to an increase in average headcount for these six entities. In addition to unit-wise incremental cost, Burjeel Holdings strengthened the Core team by adding the Internal audit team, Compliance team, Digital transformation team, International business development team, and O&M team to have a better-focused approach to the O&M Segment. The salaries expense of holdings also includes provision for directors' remuneration relating to 2023 (AED 18 million in YTD Sept 2023 vs Nil in YTD Sept 2022) approved by the Board of Directors and the AGM in 2023.

Inventories consumed increased by AED 146 million (+22.1%), in line with growth in operations and reflected in the increase in revenues compared to the prior period.

The depreciation charge decreased by AED 14 million (-7.6%). This was mainly due to hospitals reflecting fully depreciated assets in the Group.

Provision for expected credit losses has decreased by AED 6 million (-12.5%) compared to the prior period. The decrease is driven by improved collections for long outstanding receivables (over 300 days). Apart from the above, the Group has strengthened RCM functions and enhanced AI-based dynamic Scrubber along with enhancing Professional coders, where we improved the quality of the claims compared to the past.

Other expenses decreased by AED 16 million (-5.2%) driven by the change in fair value of profit rate swaps by AED 18 million and increase in repair and maintenance costs by AED 14 million (+36%), housekeeping and hospitality expenses by AED 7 million (+16%), legal and professional expenses by AED 7 million (+45%), utility charges by AED 4 million (+13%) and rent expense by AED 4 million (+39%).

Finance costs decreased by AED 68 million (-39.7%). The decrease is mainly due to the settlement of loans amounting to AED 2.3 billion in Q3/Q4 2022 during the IPO, as well as the Group secured its cost by way of price hedging on the majority of the loan portfolio.

Segment Performance YTD Sep-23

The Group is organised into segments based on the operating activities & services. All the segments during the period delivered a notable performance.

Segments (AED million)	Hospitals	Medical Centers	Pharmacies	*Other Segment	Total
Revenue	2,946	318	47	7	3,317
% to Total	89%	10%	1%	0.2%	100%
EBITDA	666	92	4	(35)	727
% to Total	92%	13%	1%	(5%)	100%
Net Profit	329	66	4	(37)*	362
% to Total	91%	18%	1%	(10%)	100%

*which includes Burjeel Hold co cost has presented as a separate segment under Other Segments, allocated among the other segments in the comparative period. Going forward with this year, the Burjeel Holding cost will be allocated among all segments and will be comparative with last year.

Balance Sheet Overview

Assets (AED million)

Particulars	30th Sep 2023	31st Dec 2022	Change
NON CURRENT ASSETS :			
Property and equipment	1,919	2,002	(83)
Intangible Assets	10	7	2
Right of use assets	1,036	1,019	18
Capital work in progress	30	23	6
Investments in Associates	34	29	5
Long term deposits	3	3	-
Sub Total	3,030	3,082	(52)
CURRENT ASSETS :			
Cash and Bank Balance	94	150	(56)

<i>Accounts receivable and prepayments</i>	1,557	1,190	368
<i>Inventories</i>	240	240	-
<i>Amounts due from related parties</i>	23	24	(1)
Sub Total	1,915	1,603	312
TOTAL ASSETS	4,945	4,685	260

Property and equipment decreased by AED 83 million due to a depreciation charge of AED 175 million, partly negated by additions worth AED 92 million. Additions comprised of building and leasehold improvements worth AED 17 million, medical equipment worth AED 46 million, furniture and fixtures worth AED 8 million, computer and office equipment worth AED 15 million and motor vehicles worth AED 6 million, which is in line with the normal course of business.

Right-of-use assets increased by AED 18 million, mainly due to the depreciation charge of AED 84 million, partially offset by additions during the period.

Investment in IKJC and investment in First IVF increased by AED 5 million. The increase represents profits and the respective share of those profits recognized by the Group.

Capital work in progress increased by AED 6 million. The increase represents pre-operative expenses incurred with respect to planned medical centers in the Kingdom of Saudi Arabia and Dubai.

Accounts receivable and prepayments increased by AED 368 million. The increase is noted in trade receivables as AED 316 million, in line with the incremental revenues generated in YTD Sep-23. Further, prepayments and other balances also increased by AED 51 million.

The cash & bank balances decreased by AED 56 million on account of the payment of Burjeel's interim dividend of AED 95 million, the addition of property & equipment of AED 92 million, the repayment of lease liabilities of AED 133 million and the repayment of loans & borrowings AED 75 million, offset by inflow from operating activities AED 343 million.

Liabilities and Equity (AED million)

<i>Particulars</i>	<i>30th Sep 2023</i>	<i>31st Dec 2022</i>	<i>Change</i>
<u>SHARE HOLDERS' EQUITY:</u>			
<i>Share Capital</i>	521	521	-
<i>Shareholder's contribution</i>	4	4	-
<i>Other Reserve</i>	3	3	-
<i>Share Premium</i>	367	367	-
<i>Accumulated Losses</i>	442	195	247
<i>Non-controlling Interests</i>	43	29	13
Total Equity	1,378	1,118	261
<u>LIABILITIES</u>			
<u>NON - CURRENT LIABILITIES:</u>			
<i>Interest bearing loans and borrowings</i>	811	904	(93)
<i>Lease liabilities</i>	1,066	1,078	(12)
<i>Derivative Liability</i>	17	28	(12)
<i>Employees end of service benefits</i>	146	121	24

Sub Total	2,039	2,132	(93)
<u>CURRENT LIABILITIES</u>			
<i>Interest bearing loans and borrowings</i>	375	357	18
<i>Account payable & accruals</i>	1,010	946	65
<i>Amounts due to related parties</i>	31	36	(5)
<i>Lease Liability</i>	111	98	14
Sub Total	1,528	1,436	92
TOTAL LIABILITIES AND OWNER EQUITY	4,945	4,685	260

Interest-bearing loans and borrowings saw a net decrease of AED 75 million in YTD Sep-23, reflecting the re-payment of loans.

Lease liabilities reported a net increase of AED 2 million due to lease payments of AED 133 million, which was offset by additions of AED 61 million, lease adjustment of AED 34 million, and interest expenses of AED 39 million during the period.

Derivative financial instruments consist of interest rate swaps to manage the interest rate risk of Burjeel Hospital LLC. The movement of AED 12 million in YTD Sep-23 relates to the fair value changes per Mark-to-Market valuation.

Accounts payable and accruals increased by AED 65 million (+6.8%) mainly due to an increase in trade payables of AED 35 million, retention payable of AED 19 million, accrued expenses of AED 23 million, partly offset by a decrease in other payable of AED 13 million.

Retained earnings increased by AED 247 million. The increase represents profit for the period attributable to the parent, amounting to AED 342 million, partially offset by dividends paid to shareholders amounting to AED 95 million. Further, the non-controlling interest (NCI) has increased by AED 13 million. The increase represents profit attributable to NCI for the period, amounting to AED 19 million, partially offset by a dividend paid to NCI amounting to AED 6 million.



John Sunil
Chief Executive Officer