# **DIVISIONAL REVIEW - UAE**



**David Hadley**Chief Executive Officer, Mediclinic Middle East

## **CEO's statement**

"Mediclinic Middle East continued to perform in line with expectations, despite the weaker economic conditions brought about by the continued decline in oil prices. We are satisfied with the performance of the hospitals in particular, which have produced good results irrespective of significant new direct competitive activity and increased regulatory reform. Going forward, the Combination with the Al Noor Hospitals Group offers significant new opportunities. The integration process is well underway, and we look forward to this exciting next phase of development for Mediclinic Middle East."

### **David Hadley**

Chief Executive Officer, Mediclinic Middle East

KEY STATISTICS			
MCME:	NUMBER OF HOSPITALS	10 NUMBER OF CLINICS	371 NUMBER OF INPATIENT BEDS
	12 NUMBER OF THEATRES	2 507 NUMBER OF EMPLOYEES	
AL NOOR	NUMBER OF HOSPITALS	29 NUMBER OF CLINICS	350 NUMBER OF INPATIENT BEDS
	13 NUMBER OF	4 425 NUMBER OF	

**EMPLOYEES** 

THEATRES

#### **KEY FINANCIAL HIGHLIGHTS**

Mediclinic Middle East achieved an 8% growth in revenue to AED1 544m in 2015/16 (excluding AED258.7m which was contributed by Al Noor for the 46 trading days since the Combination), compared to AED1 430m in the previous year. This resulted in an 11% increase in EBITDA of AED345m (2015: AED312m) (excluding AED40m which was contributed by Al Noor), and an underlying EBITDA margin of 22.3% (2015: 21.8%).

This strong performance was driven through 6% growth in clinic outpatient attendance and 2% growth in hospital outpatient attendance, backed up by 3% growth in hospital inpatient admissions, and 6% growth in bed days sold. At the same time, the average hospital inpatient revenue per bed day grew by 2.3%. All of this is a direct reflection of the more acute and specialised inpatient procedures being performed across the platform.

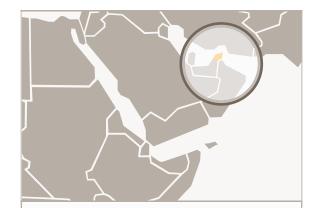
#### **KEY OPERATIONAL HIGHLIGHTS**

The main operational highlight of 2015/16 was the successful Combination of Mediclinic International with the Abu Dhabi-based Al Noor Hospitals Group. This positions Mediclinic as a clear leader in the UAE private healthcare sector with complementary coverage across Dubai and Abu Dhabi, enhancing the platform's geographic presence in this attractive growth market

Following the completion of the Combination in mid-February 2016, a senior leadership team was selected to take the combined company forward.

Another key highlight was the opening of the new Mediclinic Al Hili facility in Al Ain, as well as progress towards the completion of several new projects scheduled for 2016/17, all of which will further increase Mediclinic's presence in the UAE. These include the opening of the Al Jowhara Hospital, the North Wing extension of Mediclinic City Hospital, plus the opening of the Khalifa A, Al Yaher, Ghayathi and Look Wow clinics. Work is also underway on the second hospital at Airport Road as well as the Mediclinic Parkview Hospital, both of which are due to be completed in 2019.

Efficiency savings were another clear theme. For example, our status as an international Group brought many procurement savings, the planned centralisation of laboratory services will bring further efficiencies and, over time, we believe the integration of Mediclinic and Al Noor will bring considerable synergies.



**AED1544m** 

+8%

REVENUE

AED345m

+11%

EBITDA

76 021

+6%

BED DAYS SOLD

+2.3%

AVERAGE INCOME PER BED DAY

80.3%

PATIENT EXPERIENCE INDEX

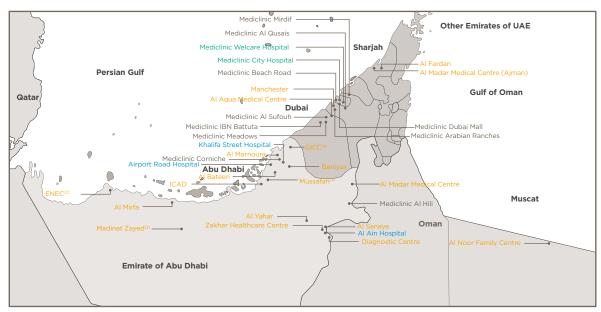
3.75

EMPLOYEE ENGAGEMENT

(grand mean score based on a 1 to 5 rating scale)

# **DIVISIONAL REVIEW - UAE (continued)**

#### COMBINED PLATFORM CREATES A CLEAR LEADER, WITH UNRIVALLED COVERAGE ACROSS THE UAE



Notes.

- 1. Gulf International Cancer Centre
- 2. Emirates Nuclear Energy Corporation
- 3. Mussafah and Madinat Zayed include two clinics each.

Al Noor Clinics Al Noor Hospitals Mediclinic Clinics Mediclinic Hospitals

#### MARKET OVERVIEW

Although the region faces a low oil price environment and softening of consumer sentiment, the Middle East remains a growth market, where the Combination of Mediclinic International and the Al Noor Hospitals Group has created a clear leader in the UAE private healthcare sector.

Opportunities include the provision of services for a growing and ageing population, which is facing an increased incidence of lifestyle-related medical conditions, in a region where governments are seeking to diversify their economies away from dependence on oil revenues. Meanwhile, key challenges include any further softening of the region's economy, changes to the regulatory environment, the rising cost of healthcare, and increased competition with the arrival of new international entrants (see the Market Overview section on page 17 for more details).



#### **SUSTAINABILITY**

#### PATIENT EXPERIENCE

Delivering a seamless, high-quality patient experience is key to the success of Mediclinic Middle East's business. The increase in inpatient admissions and outpatient attendance is an indication that the platform has secured patient trust. Meanwhile, the first full-year results of the Press Ganey patient survey show that Mediclinic Middle East is delivering a good patient experience, with inpatient satisfaction at 80.3% and outpatient satisfaction at 79.9%. Significant opportunities for improvement do exist,

however, and strategies for improvement of the patient experience are a focus for 2016/17. The Press Ganey survey will also be extended to all Al Noor facilities

The platform seeks to communicate with patients through many channels to ensure that information is relayed quickly, accurately and at the convenience of the patient or prospective patient. These channels include free health checks, seminars and talks, and the positioning of Mediclinic Middle East doctors as figures of authority through media appearances and social media. Mediclinic Middle East's Facebook pages also achieved 86% growth in follower numbers during 2015/16.

### **PEOPLE**

The UAE remains an attractive employment destination, although high inflation does put pressure on salaries. During 2015/16, Mediclinic Middle East again secured an increase in employee numbers in Dubai, with 3% growth. Meanwhile the Combination with Al Noor brought an additional 4 425 employees to the platform, taking total staff numbers to 6 932. We look to attract and retain the very best professionals with market-related salaries and benefits, including life insurance and permanent disability benefits, comprehensive training, open communication and sound management practices.

Mediclinic Middle East continued to organise medical education sessions, both at an individual facility level and at a corporate level, for its employed and community-based doctors. This scheme is extremely popular with our doctors and is a key component of our retention strategy.

#### COMMUNITY

Mediclinic Middle East is involved in various social and charitable community activities, which support healthcare, welfare, education and sport. The platform contributed AED814 000 (AED740 000 in 2014/5) on event sponsorship and charitable activities during 2015/16, including AED427 000 on medical services for the AI Jalila Foundation (an initiative set up by the Ruler of Dubai to support underprivileged children). Corporate social investment initiatives run by the platform included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Whilst individual units work at a local level to support their chosen causes, at a corporate level Mediclinic Middle East takes part in major community events such as World Health Day, World Heart Day and World Diabetes Day, with free health check-ups for the general public at locations across Dubai.

Mediclinic has budgeted AED445 000 for community initiatives in 2016/17, with an additional AED750 000 in services as part of its partnership with the Al Jalila Foundation.

#### **ENVIRONMENT**

Mediclinic Middle East is aware of its environmental responsibilities and undertakes significant efforts to minimise the effects of its operations on the environment. New projects have been designed to incorporate the latest environmental technology, making use of solar panels for the heating of water and electricity generation and sustainable materials, which have minimal impact on the environment, are being used wherever possible.

#### **OUTLOOK**

The economic outlook for the UAE is mixed, with its fortunes linked fundamentally to issues such as the oil price and US economic policy, which affects the strength of the dollar to which the UAE dirham is linked. Despite this, the next financial year for Mediclinic Middle East promises to be both challenging and rewarding as the integration with the Al Noor Hospital Group continues. Key focus areas are the implementation of an inclusive and effective business strategy for the combined group, finalisation of a comprehensive ICT strategy, further improvement of the patient experience, standardisation of doctor remuneration and rewards, identification of further operational efficiencies, the development of a tariff strategy in Abu Dhabi, and the delivery of new projects already underway.

Mediclinic City Hospital's North Wing project is due to open in the second half of 2016/17 and, with it, the comprehensive cancer centre that is being developed in association with Hirslanden. The possibility of expansion in Abu Dhabi's Western region will also be explored.

Meanwhile, preparations will continue for the introduction of DRGs (diagnostic-related groupings), and the platform will maintain dialogue with government authorities on regulatory changes within the UAE healthcare sector.