

Integrated Diagnostics Holdings Plc

9M 2020 Results Update

Thursday, 19 November 2020

Integrated Diagnostics Holdings Plc delivers impressive top- and bottom-line growth in 3Q 2020 of 23% and 39%, respectively, supported by a broad-based recovery in the Group's operations

(London) Integrated Diagnostics Holdings ("IDH," "the Group," or "the Company"), a leading consumer healthcare company with operations in Egypt, Jordan, Sudan and Nigeria, released today unaudited highlights of its financial and operational performance for the quarter and nine-month periods ended 30 September 2020¹, recording revenue of EGP 720 million and a net profit of EGP 201 million in 3Q 2020. On a year-to-date basis, revenue recorded EGP 1,670 million with a net profit of EGP 375 million for 9M 2020.

[1] By the terms regulating the company's listing on the LSE, IDH is required to release its audited financials at the full-year mark. Management and the Board of Directors have committed to providing the company's reviewed financials at the half-year mark and performance updates in the first and third quarters as an outgrowth of the Company's commitment to transparency. All figures in this update are accordingly unaudited and provided from Management accounts.

Results* (EGP mn)

	9M2020	9M2019
Revenues**	1,670	1,400
Cost of Sales	(840)	(840)
Gross Profit	830	560
Gross Profit Margin	50%	40%
Operating Profit	575	510
EBITDA²	710	600
EBITDA Margin	43%	43%
Net Profit	375	300
Net Profit Margin	22%	21%
Cash Balance	465	465

*The results for 9M 2019 and 9M 2020 reflect the adoption of IFRS 16.

**Excluding the 100 Million Healthy Lives Campaign from 9M 2019 figures, consolidated revenues would have expanded 4% year-on-year. The 100 Million Healthy Lives campaign ran from November 2018 through June 2019. In the six months to 30 June 2019 IDH served 224 thousand

Financial Highlights

- Revenue** for the third quarter of the year recorded EGP 720 million, up an impressive 23% versus 3Q 2019 and 60% versus 2Q 2020, with the Group recording one of the fastest year-on-year growth rates for a single quarter on record. Top-line growth was supported by the gradual lifting of restrictive measures, which saw the reopening of all branches during 3Q 2020, and IDH's ability to adapt its service offering to the changing dynamics by ramping up its house call service and offering Covid-19-related testing³ in Egypt and Jordan. On a nine-month basis, revenue reached EGP 1,670 million, up 1% versus 9M 2019 (a 4% year-on-year rise when excluding contributions from the 100 Million Healthy Lives campaign ("the campaign") in 9M 2019).
- Gross profit** expanded 30% year-on-year in 3Q 2020 to EGP 384 million, with an associated margin of 53% versus 50% in 3Q 2019 and 45% in 2Q 2020. Gross profit growth for the quarter came on the back of the remarkable top-line growth recorded by the Group. In 9M 2020, gross profit expanded 5% year-on-year to EGP 830 million, with an associated margin of 50% versus 48% in 9M 2019. Gross profit growth was supported by lower raw material costs as well as lower wages and salaries for 9M 2020.
- Operating profit** expanded 45% year-on-year in 3Q 2020 to reach EGP 299 million. On a year-to-date basis, operating profit was largely unchanged versus 9M 2019 at EGP 575 million in 9M 2020, as IDH booked EGP 35 million in cautionary provisions to account for elongated cash collection cycles during the period. It is important to note that in 3Q 2020, IDH booked an additional EGP 7 million in provisions, compared to the EGP 28 million booked in the first half of the year as cash collection cycles improved.
- EBITDA²** in 3Q 2020 was up 40% year-on-year to EGP 343 million, supported by improved gross profitability for the quarter. EBITDA margin for the quarter stood at 48% versus 42% and 36% in 3Q 2019 and 2Q 2020, respectively. For 9M 2020, EBITDA recorded EGP 710 million, up 4% year-on-year with an associated margin of 43% compared to 42% in the same period last year, despite the higher provisions booked during the period.
- Net profit** expanded an impressive 39% year-on-year in 3Q 2020 to EGP 201 million, as revenue growth for the period trickled down to the Group's bottom-line. Net profit margin recorded 28% in the third quarter of the year compared to 25% in the same three months of last year. Net profit was up 4% year-on-year to EGP 375 million in 9M 2020, with a net profit margin of 22%, unchanged versus last year.
- Net cash flow from operating activities** was EGP 370 million in 9M 2020, with the Group's total cash balances decreasing to EGP 465 million as at 30 September 2020 from EGP 631 million as at year-end 2019, reflecting the distribution of USD 28 million (EGP 451 million) in dividends for FY 2019 paid in September of this year. The Group reported **net cash⁴** amounting to EGP 304 million as at 30 September 2020 compared to EGP 447 million at year-end 2019.

³ Covid-19-related tests include PCR and antibody testing as well as a bundle of inflammatory and clotting markers such as Complete Blood Picture, ESR, D-Dimer, Ferritin and CRP, among others.

⁴ Net debt is calculated as cash and cash equivalent balances less interest-bearing debt (medium term loans) and finance lease. Please note that the net debt calculation excludes liabilities due to IFRS 16).

Operational Highlights

- IDH's branch network included **471 branches as at 30 September 2020**, up from 452 branches as at 31 December 2019, as IDH resumed its branch rollout plan for the year. The Group added 9 branches to its Egyptian network during the third quarter of the year.
- IDH served **4.8 million total patients** in 9M 2020, a 14% year-on-year decline (down 11% excluding the campaign's contribution to 9M 2019) on the back of the impact of Covid-19 on operations during the months of March, April, and May. Total patients served in 3Q 2020 was largely in line with the figure recorded in the same quarter a year ago supported by a wide-spread recovery of activity across the Group's countries of operation. On a quarter-on-quarter basis, **the number of patients served witnessed a recovery of 43% in 3Q 2020 versus the previous quarter.**
- **Total number of tests** performed was down 19% year-on-year (a 9% drop when factoring out the campaign's contribution to 9M 2019) to 18.8 million in 9M 2020 due to the impact of Covid-19 earlier in the year. **However, during 3Q 2020 tests performed were up an impressive 46% quarter-on-quarter as operations continued their steady recovery across the Group's territories.**
- **Average revenue per test** expanded 25% year-on-year to EGP 89 for the nine-month period ended 30 September 2020, partially due to the low base effect of the campaign in 9M 2019. Controlling for the campaign's effect, average revenue per test would have still increased 15% year-on-year in 9M 2020, on the back of the annual price hikes at the start of the year combined with the generally higher-priced Covid-19-related tests offered by the Group during the period.
- **IDH's average test per patient** declined 5% year-on-year to 3.9 in 9M 2020. However, excluding the campaign, average test per patient would have increased 2% versus the same nine-month period of 2019.
- Following a wide-spread easing of restrictive measures across the Group's countries of operation during the third quarter of the year, IDH was able to **reopen its entire branch network** during the quarter and return to normal operating hours across all territories by late July of this year.
- In **Egypt** volumes were supported by a ramp up of the house calls service (20% of Egypt's 9M 2020 revenue) and by increased demand for Covid-19-related testing (13% of total revenue for Egypt in 9M 2020).
- In **Jordan**, the Group continued to be at the forefront of PCR testing for Covid-19 during the third quarter of 2020, with Covid-19 testing contributing to around 32% and 24% of IDH's revenue in Jordan during 3Q 2020 and 9M 2020, respectively. Starting in October, the government has reinstituted a night-time curfew from 10pm to 6am from Saturday to Thursday, with a full 24-hour lockdown on Fridays. This is, however, not expected to have material impacts on Biolab's operations. Thus far, all of Biolab's 19 branches are operating normally with the Company also providing a house call service for its patients.
- In **Nigeria**, tests performed in 9M 2020 were up 26% versus 9M 2019 with revenue in local currency up 39% year-on-year as IDH continued to capitalize on the increased brand awareness and demand for Echo-Lab's high-quality services. **During 3Q 2020, IDH's Nigerian operations turned EBITDA-positive** supported by a strong ramp up in sales during the quarter.

- Al-Borg Scan** continues to ramp up its operations as revenues expanded 62% year-on-year in 9M 2020. In February 2020, the company **launched a second branch in Cairo** and is continuing to make good progress towards the launch of a third branch.

Commenting on the Group's performance for the nine-month period, IDH Chief Executive Officer Dr. Hend El-Sherbini said: "Throughout the third quarter of 2020, we observed a strong and broad-based recovery across our territories, with the Group posting one of its strongest year-on-year growth rates for a single quarter at 23%. The robust growth for the quarter filtered down to our bottom-line which expanded 39% year-on-year in the three months to 30 September 2020. Top-line growth for the quarter was supported by the gradual lifting of restrictive measures related to Covid-19, which allowed for the reopening of all our branches, combined with our continued ability to adapt our service offering to cater to patient needs during these uncertain times.

The impressive third quarter performance lessened the impact of the first half of the year and helped drive top- and bottom-line growth on a year-to-date basis as well, a commendable achievement in light of the unprecedented global crisis. The Group's revenue and net profit for the nine-month period ended 30 September 2020 expanded 1% and 4% year-on-year, respectively.

In our home market of Egypt, we continued to ramp up our house call services and in June began offering PCR testing for Covid-19, further expanding our roster of Covid-19 indicative tests. This helped IDH build on the upward momentum witnessed in June and supported the Group's third quarter performance. We also experienced robust contributions coming from Al Borg Scan, which now operates out of two branches having kicked off operations of its second branch in February of this year. Over the last nine months, our radiology venture reported an impressive 76% year-on-year rise in patients served and a 62% year-on-year increase in revenue. On this front, we are actively working towards the roll out of the venture's third branch, which we expect to launch in the first quarter of next year. We are also in the process of completing the necessary modules to obtain ACR (American College of Radiology) accreditation for Al Borg Scan's branches, a process we expect to conclude by next year.

In Nigeria, our operations turned EBITDA positive for the first time during the third quarter of the year, following a surge in sales for the period as we continued to capitalize on the increased brand awareness and demand for Echo-Lab's high-quality services. EBITDA for the quarter was supported by our cost control efforts and service mix optimisation strategy in the country, which has seen the Group focus increasingly on pushing its radiology and pathology services.

In Jordan, where Biolab has been at the forefront of PCR testing for Covid-19 since the very start of the crisis, we continued to record strong demand for both PCR testing and for all our services in general. This helped drive a 21% year-on-year revenue expansion in local currency terms for 9M 2020, with PCR testing making up nearly one fourth of the country's top-line for the nine-month period.

Finally, in Sudan, the progressive lifting of government-imposed restrictive measure during the third quarter of 2020, saw the reopening of all 21 branches in late July, with revenues in SDG terms expanding 8% year-on-year in the quarter. While high inflation and a weak SDG continue to pose challenges for the Group, the lifting of sanctions has opened up important

growth opportunities for our operations in the coming years. With the country now open to international suppliers; the Group will be able to directly import test kits and in turn improve its operational efficiency and profitability.

While there is still no clear visibility on the magnitude of a second wave of Covid-19 infections in our countries of operation, management is confident that the Group has the adequate safety and business continuity safeguards in place to weather possible disruptions to operations while guaranteeing the safety of our staff and patients. Under the oversight of a dedicated team, the Group has implemented a strict health and safety protocol which can be further tightened were the number of daily new cases to increase over the coming weeks. With IDH now offering PCR testing for Covid-19 in both Egypt and Jordan, the Group is well positioned to help local authorities contain a possible second wave. IDH has also further improved its inventory management frameworks since the start of the crisis back in March, and now has measures in place to ensure an ample supply of kits at all times, shielding the Group from potential supply chain disruptions. On the collection front, despite the Group booking EGP 35 million in cautionary provisions to account for elongated cash collection cycles during the first nine months of the year, IDH enjoys a solid relationship with insurers and management expects cash collection cycles to normalise going forward.

Overall, our Group maintains a strong financial position, with a liquid balance sheet thanks to a strong cash generation profile and over EGP 304 million in net cash balances. The Group's confidence in the fundamental strength and sustainability of its financial position has seen IDH distribute USD 28 million in dividends in September of this year, an important accomplishment given the difficulties faced globally during 2020.

Heading into the final weeks of the year, we expect the robust recovery witnessed in the third quarter to carry through to the end of 2020. This leaves management confident that despite the unprecedented challenges presented by the global pandemic, and at a time when businesses across the world are facing existential threats, IDH will still be able to deliver full-year top line growth in 2020 with an EBITDA margin in excess of 40%."

Analyst and Investor Call Details

An analyst and investor call will be hosted at 1pm (UK) | 3pm (Egypt) on Thursday, 19 November 2020. You may register for the conference call at this [link](#). Once the registration is complete, you will receive a confirmation email containing your personal Zoom meeting details.

If you experience any issues while registering for the call or connecting to it, please contact Anna Smirnova at ASmirnova4@rencap.com.

About Integrated Diagnostics Holdings (IDH)

IDH is a leading consumer healthcare company in the Middle East and Africa with operations in Egypt, Jordan, Sudan and Nigeria. The Group's core brands include Al Borg, Al Borg Scan and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan) and Echo-Lab (Nigeria). A long track record for quality and safety has earned the Company a trusted reputation, as well as internationally recognised accreditations for its portfolio of over 1,400 diagnostics tests. From its base of 471 branches as of 30 September 2020, IDH will continue to add laboratories through a Hub, Spoke and Spike business model that provides a scalable platform for efficient expansion. Beyond organic growth, the Group's expansion plans include acquisitions in new Middle Eastern and African markets where its model is well-suited to capitalise on similar healthcare and consumer trends and capture a significant share of fragmented markets. IDH has been a Jersey-registered entity with a Standard Listing on the Main Market of the London Stock Exchange (ticker: IDHC) since May 2015.

IDH's forward-looking strategy rests on leveraging its established business model to achieve four key strategic goals, namely: (1) continue to expand customer reach; (2) increase the number of tests per patient; (3) expand into new geographic markets through selective, value-accretive acquisitions; and (4) introduce new medical services by leveraging the Group's network and reputable brand position. Learn more at idhcorp.com.

Shareholder Information

LSE: IDHC.L

Bloomberg: IDHC:LN

Listed: May 2015

Shares Outstanding: 150 million

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Forward-Looking Statements

These results for the nine-month period ended 30 September 2020 have been prepared solely to provide additional information to shareholders to assess the group's performance in relation to its operations and growth potential. These nine-month results should not be relied upon by any other party or for any other reason. This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Group.

Forward-looking statements reflect the current views of the Group's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Group's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Group's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this communication. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Group does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

Operational & Financial Review

Revenue

IDH reported revenue of EGP 1,670 million in the first nine months of the year, up 1% versus the same period of 2019. **2020 was supported by a strong third quarter, which saw the Group close up 23% versus 3Q 2019, on growth rates for a single quarter.** IDH's strong and broad-based recovery was driven by the easing of lockdowns in various territories, the continued ramp up of its house call services in Egypt, and the increased demand for Covid-19-related testing made up around 14% of consolidated revenue for the nine-month period to 30 September 2020.

Controlling for the revenue generated by the campaign during the comparable period of 2019, IDH would have reported revenue for 9M 2020.

5 Covid-19-related tests include PCR and antibody testing as well as a bundle of inflammatory and clotting markers such as Complete Blood Picture, ESR, D-Dimer, Ferritin and Procalcitonin.

Revenue Analysis: Contribution by Patient Segment

Contract Segment

At the Group's contract segment, revenue declined 5% year-on-year in 9M 2020, with the segment contributing 59% in the same period of last year. The year-on-year decline came on the back of a 22% fall in tests performed. The decline in tests performed reflects the impact of Covid-19-related restrictions, which weighed down on volumes during the period. The normalisation in contract volumes following the end of the campaign in Egypt. The campaign had contributed to the contract segment during the comparable period of last year.

Additionally, during 2019 management had analysed the segmentation of Egypt's patient base leading to a 9% year-on-year rise supported by Covid-19-related testing, which contributed to around 15% of contract revenue in 9M 2020.

Walk-in Segment

Revenue from IDH's walk-in segment increased 10% year-on-year in 9M 2020, contributing to 45% of IDH's revenue in the 9M 2020, up from the 41% contribution this time last year. When controlling for the 2019 reclassifications, walk-in revenue declined in 9M 2020 owing to a 17% year-on-year decrease in tests performed. It should be noted that the campaign contributed approximately 14% of walk-in revenues in 9M 2020.

Key Performance Indicators

	Contract Segment			Walk-in Segment		
	9M20	9M19	Change	9M20	9M19	Change
Revenue (EGP mn)	921	968	-5%	749	681	10%
% of Revenue	55%	59%		45%	41%	
Patients ('000)	3,261	4,025	-19%	1,531	1,562	-2%
% of Patients	68%	72%		32%	28%	
Revenue per Patient (EGP)	282	240	17%	489	436	12%
Tests ('000)	13,780	17,780	-22%	4,984	5,298	-6%
% of Tests	73%	77%		27%	23%	
Revenue per Test (EGP)	67	54	23%	150	129	17%
Test per Patient	4.2	4.4	-4%	3.3	3.4	-4%

KPIs Adjusted for the Campaign and Reclassifications*

Revenue (EGP mn)	921	848	9%	749	754	-1%
% of Revenue	55%	53%		45%	47%	
Tests	13,780	14,636	-6%	4,984	6,000	-17%
% of Tests	73%	71%		27%	29%	
Revenue per Test (EGP)	67	58	15%	150	126	20%

* Adjustments related to the 100 Million Healthy Lives campaign include subtracting 224 thousand patients, 2.4 million tests and revenue of EGP 47 million for the 9M 2019 include the transfer of 702 thousand tests in 9M 2019 and associated revenue of EGP 73 million from the contact segment to walk-ins.

Revenue Analysis: Contribution by Geography

Egypt

Revenue from Egypt came in largely flat in 9M 2020 at EGP 1,407 million. Controlling for the high base effect due to the transfer of 702 thousand tests in 9M 2019 and associated revenue of EGP 73 million from the contact segment to walk-ins, Egypt would have increased by 3% year-on-year in 9M 2020 supported by the ramp up of IDH's home call service and PCR testing, which helped offset a decline in branch traffic earlier in the year. **The performance was supported by a 20% increase in revenue in 9M 2020.**

In 9M 2020, IDH's house call service contributed to 20% of Egypt's revenues versus just 10% in 9M 2019, while the country's revenue. Egypt's revenues were further supported by contributions from Al-Borg Scan, IDH radiology, which contributed 1.5 million in 9M 2020, up 62% year-on-year. Al Borg Scan's two branches served 24 thousand patients in the first nine months of 2020, performed more than 30 thousand tests during the period, up 69% versus 9M 2019.

IDH served 4.3 million patients in Egypt and performed 17.0 million tests, down by 16% and 20% year-on-year, respectively. The number of patients served and test performed in 9M 2020 would have declined 12% and 10% year-on-year, respectively. **During the 9M 2020, IDH witnessed a 46% quarter-on-quarter increase in patients served and tests performed versus 2Q 2020, respectively.** The performance witnessed since June has been supported by the progressive lifting of restrictive measure and the subsequent increase in branch traffic combined with the ramp up of the Group's house call services and Covid-19-related tests offering.

Jordan

In Jordan, revenue recorded EGP 218 million in 9M 2020, up 13% versus the same period of last year and contributed 15% to the group's revenue for the period. In JOD terms, revenue expanded 21% year-on-year in 9M 2020 as restrictive measures were progressively lifted and operating hours starting in May of this year. **IDH's Jordanian operations recorded a 47% year-on-year revenue increase in 9M 2020, while patients served increased 47% versus 3Q 2019.**

Biolab has been administering PCR testing for Covid-19 in Jordan since the onset of the outbreak, with Covid-19 related revenues generated by the Group's operations in Jordan in the nine months to 30 September 2020.

Nigeria

At the Group's Nigerian subsidiary, revenue increased 18% year-on-year to EGP 25 million in 9M 2020. Year-on-year revenue came in at 39% for 9M 2020, supported by growing volumes as IDH continues to leverage increased brand awareness and marketing. Patients served and tests performed were up 24% and 26% year-on-year, respectively. This is especially impressive given the challenges experienced earlier in the year, including a complete lockdown and limited traffic as people adhered to shelter-in-place measures. **IDH's Nigerian operations witnessed a 58% increase versus 3Q 2019.**

Sudan

The Group's Sudanese operations recorded a 17% year-on-year fall in revenue to EGP 21 million in 9M 2020 largely due to the impact of the pandemic. In EGP terms, revenue reported a 2% year-on-year rise in 9M 2020 despite a 26% year-on-year decline in patients served and tests performed. **In 9M 2020, government-imposed restrictions were progressively lifted, with all 21 branches allowed to reopen in 9M 2020. In SDG terms expand 8% year-on-year in 3Q 2020, versus the 61% year-on-year contraction recorded in 2Q 2020.**

Revenue Contribution by Country

	9M 2020
Egypt Revenue (EGP mn)	1,407
Egypt Contribution	84.2%
Jordan Revenue (EGP mn)	218
Jordan Revenue (JOD mn)	9.8
Jordan Contribution	13.0%
Nigeria Revenue (EGP mn)	25
Nigeria Revenue (NGN mn)	620
Nigeria Contribution	1.5%

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