

MESSAGE FROM OUR CEO

There has been no real improvement in the operating environment for the Healthcare Industry in South Africa and Africa over this past reporting period. Despite this, we have been able to achieve improvements in revenue and cash generation across the company. Our sustained focus on moving up the acuity curve resulted in strong increases in the utilisation of critical care and theatre capacity, which remains a key area for sustainable market share growth for our Group. We were able to produce growth in both revenues and EBITDA and increase the number of beds on offer by 8.4% to 2 388 in this year.

Unfortunately, we encountered difficulties in two regions which impacted the net profit after tax, which has reduced to R223,910 million compared to R260,593 million in the previous year.

The first of these was in Botswana and largely outside of management's ability to control. The Healthcare industry in Botswana is substantially different from that in South Africa with the government being a major referral source of patients to the private sector. During the year, the government, in addition to commissioning a new teaching hospital, also capacitated their existing referral hospitals and allocated the majority of patients, which would otherwise have come to Bokamoso, to these new facilities. In addition, the government, in an effort to reduce the cost of healthcare in Botswana, made all hospital and doctors fees VAT exempt. This meant that we could not recover the input VAT paid on our costs thus increasing those costs by 12%. Management has introduced alternative revenue opportunities and cost savings and the profit levels are set to stabilize in 2025.

The second difficulty was not achieving the growth in anticipated profitability from MMHS, which we had acquired in 2023. This mainly stemmed from a difference in culture and acceptance of the Lenmed standards of performance, which was not anticipated from our due diligence. Remedial action has been taken and we are confident that this hospital will produce the expected profits in due course.

We remained steadfast in our focus on quality and made solid strides in furthering the delivery of exceptional clinical outcomes. There was pleasing progress in accreditations of our Centres of Excellence, providing further potential to leverage these as a future competitive advantage.

Our strategic execution, operational excellence and effective stakeholder engagement remained disciplined and enabled us to remain resilient under these trading conditions. We remain focused on our growth target of achieving R1.5 billion in EBITDA by 2028.

Lenmed Investments Ltd

2nd Floor, Fountain View House, Constantia Office Park, Cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg, 1709
Executive Directors P Devchand, A Devchand, F Meiring | **Non-Executive Directors** MG Meehan, B Harie, NV Simamane, BD Goolab,
G Goolab, V Firman | PO Box 855, Lenasia, 1820, South Africa | **Tel** +27 87 087 0600 | **Reg** 1980/003108/06
www.lenmed.com

While the environment did not improve much in the year, neither did it deteriorate and our risks are largely unchanged. We have plans to mitigate the risks and to tackle the opportunities presented by our growth strategy.

Our attainment of an industry leading Level 1 BBEEE certification exemplifies our commitment to societal well-being, solidifying our reputation as a responsible corporate citizen.

The overall result for the year was a 17.6% improvement in revenues to R4,67 billion, growth in EBITDA of 6.6% to R677,216 million but a decline of 14.1% to R223,910 million in net profit after tax

STRATEGIC INVESTMENTS AND FINANCIAL RESILIENCE

We undertook a debt refinance during the period, which has not only strengthened our balance sheet but, provided the necessary capacity and headroom to continue paying dividends and support our ambitious growth strategy.

During the year, we welcomed two new hospitals, Mooimed Private Hospital and Beira Private Hospital, into the Group, with performance in accordance with our budgeted expectations since our acquisition. Our approach to acquisitions remains focused on unlocking value from underperforming assets. By acquiring hospitals with untapped potential and implementing operational efficiencies, we aim to drive sustainable performance to create shareholder value. We continue to explore various other acquisition opportunities available in the market, however, we remain disciplined in our capital allocation approach.

Organically, we added a 20-bed ICU at Lenmed Ahmed Kathrada Private Hospital in late 2023, which has experienced strong utilization since its introduction. Phase 1 of our expansion programme for Howick Private Hospital, comprising an 8-bed ICU, expanded Emergency Department and doctors consulting rooms was delivered in tranches during the year, with the project completed in May 2024. Ethekwini Hospital and Heart Centre, continued its expansion with a new 10-bed ICU, 27-bed haematology and oncology ward, new major theatre and doctors consulting rooms, all of which are expected to be completed in Q3 of this calendar year.

Our pipeline of organic growth projects remains strong, with expansions planned to Kathu Private Hospital, Royal Hospital and Heart Centre, Shifa Private Hospital, Howick Private Hospital and Mooimed Private Hospital over the next 24 months, together with further growth at Ahmed Kathrada Private Hospital and Ethekwini Hospital and Heart Centre, as well as the introduction of a new comprehensive cardiac centre to our MMHS hospital complex in the North-West.

Our diversification efforts resulted in the Group taking over its first radiology practice in South Africa, which will serve as the business case for further exposure into this discipline. We are also excited by the pending commissioning of our new 41-bed acute rehabilitation centre, co-located with Ethekwini

Hospital and Heart Centre, which will be our first investment into this specialized care delivery platform. The growth in our renal care business has been impressive, and further expansion is contemplated in our newly acquired facilities. Oncology and Pathology service offerings remain areas of interest which are under investigation.

THE LENMED OPERATING MODEL: PUTTING STRATEGY INTO MOTION

Our formalised growth strategy emphasised the importance of streamlining processes, enhancing collaboration, and delivering greater value to our stakeholders. In 2024, we concentrated on the development and implementation of the Lenmed Operating Model, designed to achieve the above objectives.

The operating model provides the framework that supports processes, systems, structures, technologies, capabilities and resources essential for effective and efficient operations. Developed through extensive research, analysis, and collaboration across all departments, this model sets out to achieve continuous improvement and innovation in pursuit of our strategy.

Our operating model aims to achieve the following:

Streamlined processes	Optimise workflows to eliminate redundancies, reduce waste and increase productivity.
Clear roles and responsibilities	Define roles and responsibilities clearly to ensure each team member understands their contribution to the Group’s collective success.
Collaboration	Foster cross-functional collaboration, breaking down silos and promoting knowledge sharing across departments.
Customer-centricity	Align processes and resources with customer needs and expectations.
Continuous improvement	Monitor performance continually, gather feedback from all employees and make iterative improvements to further optimise operations.

When implemented, we can expect this operating model to enhance operational excellence and deliver additional value to our customers and stakeholders.

INNOVATING FOR SUSTAINED GROWTH

Central to our approach to innovation, is the harnessing of technology.

Our 'Lighthouse project', launched through an iOS and Android app, leverages digital innovation to ensure close communication between GPs, specialists and patients, ultimately improving care coordination and patient outcomes. The initiative is undergoing testing with a group of GPs and specialists in KwaZulu-Natal.

We have further bolstered our GP engagement platform through the investment in our 'Salesforce Strategy' – a dedicated and centralized team of stakeholder specialists using data and market intelligence insights to proactively engage our GP community in a methodical and focussed manner aimed at driving inclusivity and market share growth for the Group.

Additionally, Lenmed embraced the transformative potential of data, through the implementation of a data lake, a modern data management approach that consolidates and integrates structured and unstructured data from diverse sources into a centralised repository, providing comprehensive accessibility to organisational data. This enables Lenmed to conduct advanced analytics, derive actionable insights, optimise operational processes and enhance patient care outcomes.

INVESTING IN OUR PEOPLE

Our people and culture are the cornerstone of Lenmed's success. Throughout 2024, we prioritised enhancing our employee engagement, value proposition and organisational culture through various impactful initiatives, which culminated in the Group achieving its highest employee engagement score on record.

We invested further in learning and education initiatives which we believe are vital to the continued growth and success of the Group. With nursing comprising 65% of our workforce, we are committed to supporting their professional development. A total of 301 nursing staff members have completed courses from 2021 to date at the Group's Nursing College. Additionally, we continued implementing the Lenmed "Higher Certificate in Management Practice Programme" in partnership with Henley Business School, aimed at developing high-potential individuals and nurturing future leaders within the Group. A total of 25 employees successfully completed the programme in 2024, with an additional 23 delegates expected to complete the programme in 2025. Further enhancements to this program can be expected in 2025.

DOING GOOD FOR THE PLANET

Lenmed remains dedicated to integrating sustainability goals into our operations, striking a balance between economic and environmental considerations. In 2024, Lenmed established ambitious targets for sustainability, aiming to achieve a 5% reduction in water usage and a further 5% reduction in energy consumption per paid patient day.

Through strategic investments in renewable energy and enhanced water management practices, Lenmed made significant progress towards these goals. We achieved a 3.4% reduction in energy usage and a 15% reduction in water consumption compared to the previous year. We envisage accelerating our investment into this space in 2025, to capitalize on both the social and financial potential available.

Additionally, we prioritised waste minimisation and recycling efforts by engaging employees in responsible waste disposal practices, further enhancing our environmental impact.

NHI

Lenmed has noted with disappointment the signing of the NHI Bill into law. While we wholeheartedly support the principle of Universal Healthcare, we, like most healthcare and business organizations together with many parts of civil society, believe that the bill in its current form will not deliver on this noble intention.

Ironically, the signature of the Act in its current form will delay the roll-out of these reforms even further. Had government considered the many detailed suggestions and guidance from healthcare and other experts, a workable and sustainable NHI might have been implemented earlier.

The signing of the Act is the next step in what continues to be a long process. The Act lacks much detail, such as how the NHI would contract services from all providers (public and private), what services will be covered, how rates will be determined, and most crucially, how the NHI would be funded. These matters must be clarified in Regulations and Rules which still need to be developed by the Department of Health (DoH) and would be subject to public participation, comment, and further potential challenge. Representatives of the DoH have repeatedly stated that the implementation of the NHI rules and regulations are many years away, often quoting 15 to 20 years.

We will continue to participate in and contribute to the national dialogue on this key issue, acting in the best interests of our stakeholders.

OUTLOOK

We are pleased with our accomplishments over the past 40 years and remain optimistic about the future.

Despite the challenging economic environment and a subdued growth outlook for the sector, Lenmed is well-positioned to capitalise on planned growth initiatives. In 2025, we expect to increase market share, acquire attractive businesses, and diversify revenue streams, all with the aim of unlocking shareholder value.

DIVIDENDS

Aligned to our value unlock strategy, the board has resolved to recalibrate the dividend payout to shareholders, with a 100% increase in dividends declared, equating to 8.45c per share from 4.22c per share in the prior period. We envisage this payout to be the new benchmark going forward and strikes the appropriate balance between creating short and long term value for shareholders.

ACKNOWLEDGEMENTS

I would like to extend my deepest gratitude to all our people and other stakeholders of Lenmed for their invaluable contributions to our success in the past financial year. Despite the ongoing challenges in our operating environment, your dedication to providing exceptional care to our patients has been unwavering and truly commendable.

I also want to express my appreciation to the Chairman and the Board for their valuable guidance, and to my leadership team for their continued support and dedication. Your commitment has been instrumental in driving our strategic initiatives forward.

To our patients, thank you for entrusting us with your care each time you visit our facilities. We are here to serve you and are fully committed to your health and wellbeing.

I am truly humbled to be leading such an exceptional organisation with its rich history and legacy. Lenmed's story began 40 years ago, started by the community for the community – we intend carrying this spirit with us as we continue our mission to create healthier and more prosperous communities.

Amil Devchand

Chief Executive Officer

MESSAGE FROM OUR CFO

The Group delivered satisfactory results – we are encouraged that most of our businesses achieved good growth. This was offset by disappointing trading activity at Bokamoso Private Hospital (Bokamoso) compared to the prior year, changes in the VAT tax regulations in Botswana that increased the cost base, a once-off medical malpractice expense from an incident that occurred in 2012 and inefficiencies at the Group's recently acquired facilities.

The operating environment in South Africa remained subdued, with membership of medical schemes effectively remaining static. In order to maximise the return on capital allocated to acquisitions, our focus remains on acquiring facilities with identified inefficiencies and/or growth opportunities. We believe this will achieve a greater return on capital over the long term, than acquiring efficiently run, high occupancy facilities with limited growth potential. Unfortunately, the downside to this approach is the potential negative impact, for a period between 12 to 36 months, on Group margins until these inefficiencies have been removed from the system and/or growth opportunities have materialised. The adverse impact on the Group's FY24 EBITDA margin from the recent acquisitions of Matlosana Medical Health Services (MMHS), Beira Private Hospital Limitada (BPHL) and MooiMed Operating Company (MooiMed) is just below 1 percentage point. Furthermore, where we add additional capacity to our existing facilities, these additional beds typically require 12 to 18 months to reach maturity, again negatively impacting margins in the short term. These circumstances could continue to impact our Group results in the short term, as we continue executing our growth strategy.

FY24 was the first full financial year of including the results of MMHS (7 months in 2023), with BPHL included for 10½ months and MooiMed for 5 months. We have successfully navigated the early stages of the integration of these acquisitions into the Group and created a solid platform for growth and cost optimisation. These acquisitions helped grow Group revenue by 17,9% to R4,67 billion (the highest revenue on record) compared to R3,97 billion in FY23 due to growth in PPDs of 10.9% and an inflationary increase in RPPD.

Despite our focus on controlling operational expenditure, our Group margins were negatively impacted by the acquisition of businesses trading at lower margins (as detailed above), a reduction in PPD's at Bokamoso mainly as a result of a drop in referrals from the Ministry of Health (MOH), and below expectation activity at MMHS (on a like-for-like basis). We were not able to reduce costs to the same extent as the reduction in activity due to the high fixed cost base, driven mainly by the labour component, which resulted in the group EBITDA margin reducing to 14,50% from 15.99% in FY23.

When excluding the recent acquisitions of MMHS, BPHL and MooiMed as well as Bokamoso's performance, the rest of the group grew revenue by 14,6% and EBITDA by 22,4%, which further re-

affirms the short-term impact of the Group's growth strategy, but also highlights the solid performance and management of the Group's mature businesses.

KEY METRICS

	2024	2023	2022	2021	2020
EBITDA (R'000)	677 216	635 001	533 671	243 267	579 588
EBITDA margin (%)	14.5	15.9	15.8	9.0	19.2
HEPS (cents per share)	24.80	29.99	31.18	2.11	28.1
Total net debt to EBITDA ratio, debt covenant is <3.5 times	2.34	2.08	1.83	4.53	2.14
Senior debt service cover ratio, debt covenant is >1.1 times	1.83	1.77	3.50	1.47	1.36
Interest cover ratio, debt covenant is >2.5 times	3.44	4.43	4.12	1.9	4.15
Debt to equity ratio, debt covenant is <80%	49	46	39	52	55

STATEMENT OF COMPREHENSIVE INCOME

Group Revenue improved by 17.6% to R4 669,6 million compared to R3 972,2 million in the prior year. This improvement is attributable to an increase in Paid Patient Days (PPDs) of 10.9% and an inflationary increase in the Rand per Patient Day (RPPD) of 6.0%.

Other income increased by 44.8% because of our renegotiated commercial interests in renal care and other complementary services provided at our facilities.

The 39.1% increase in finance costs is caused by the increase in interest rates, with South Africa's prime lending rate increasing from 7.75% at the beginning of FY23 to 11.75% 2 years later at the end of February 2024, as well as the higher level of debt required to fund our growth strategy, encompassing both organic expansion as well as the acquisitions in BPHL and MooiMed during the financial year.

Bokamoso Private Hospital

Bokamoso Private Hospital (Bokamoso) was not able to sustain the extraordinary year it had in FY23. Patient activity reduced to lower historical levels mainly because of reduced referrals from the MOH. This reduction in activity was partially offset by an increase in Revenue earned per PPD of 10% (in Pula terms) from a combination of inflationary tariff increases and case mix. However, total expenses increased by 27%, resulting in a significant drop in EBITDA. The material increase in costs can largely be attributed to the following:

- Since May 2023, all health care providers in Botswana have been exempted from levying VAT on their services. While Bokamoso ceased charging VAT on its health care services (revenue), it is no longer able to claim the input VAT levied on its expenses, effectively increasing a large portion of the cost base by 12%;
- The stickiness of the fixed cost base and the inability to reduce this quickly in line with the reduction in patient activity, especially labour costs;
- A 38% increase in rental expense mainly as a result of contracted lease escalations as well as the inclusion of VAT in the rental.

We believe this level of activity is more sustainable, and that the margins should return to historical levels as we match the expense base to this level of activity.

MMHS

FY24 was the first full year of incorporating the results for the MMHS group of hospitals into our consolidated group results. With 1 August 2022 being the effective date of this acquisition, the comparative period only included 7 months of MMHS' results. While MMHS' contribution to Group revenue increased by 63% from FY23 due to the inclusion of 12 months vs 7 months, its EBITDA contribution did not meet expectations, driven by lower than anticipated activity coupled with an increase in expenditure. The increase in costs can largely be attributed to the following:

- The stickiness of the fixed cost base and inability to reduce this quickly in line with the reduction in patient activity, especially labour costs;
- integration of MMHS into the Group;
- increased costs due to significant service delivery failures from local authorities including increased diesel costs due to load shedding;
- Retirement and semigration of several doctors resulting in lost revenue while new replacement doctors build up their practices.

We are confident that we have successfully navigated these early stages of the integration and created a platform for optimisation and growth of these facilities. We believe that the business should grow and sustain EBITDA margins in line with the Group's EBITDA margin over the medium term.

Beira Private Hospital

Beira Private Hospital (BPHL) was acquired with effect from 15 April 2023. BPHL's contribution to group revenue for the year ended February 2024 was just over 1% while negatively impacting EBITDA due to its loss-making performance. Towards the end of the financial year, BPHL achieved positive monthly EBITDA contributions, with our turnaround plans starting to bear fruit. We are confident that BPHL's margins will trend towards the group's average margins over the medium term.

MooiMed

MooiMed was acquired with effect from 1 October. MooiMed's contribution to group revenue for the year ended February 2024 was just over 1% with its EBITDA contribution just below 1%, with the achieved EBITDA margin below that of the Group average. We are confident that the doctor recruitment strategy coupled with the planned expansion of this facility will result in margins improving more in line with the group's average over the medium term.

Group performance excluding the impact of Bokamoso, MMHS, BPHL and MooiMed

In the rest of the Group, revenue increased by 14.6% on the back of a 6.3% increase in PPD's from 4.1% growth in admissions, 3% growth in theatre cases and 6.9% RPPD growth. RPPD growth resulted from an inflationary tariff increase and positive case mix resulting from our dedicated strategy to drive higher acuity work.

As a result of our operating leverage, expenses only increased by 10.7% compared to the 14.6% growth in revenue. This resulted in EBITDA growth of 22.4%, enhancing EBITDA margins.

The increased cost and complexity of doing business in South Africa will, however, not detract us from achieving our strategy and market related returns for shareholders. As we continue to drive efficiencies across our business, especially at the newly acquired facilities, we expect margins to increase over the medium term.

In keeping with our commitment to shareholders, the Group paid a dividend of 4.22c per share during July 2023 (3.50c per share in the prior year). This dividend is in line with our dividend policy of paying at least 10% of headline earnings attributable to shareholders annually.

STATEMENT OF CASH FLOWS

Cash generated from operating activities was R636,669 million (R535,592 million), or 94% of EBITDA for FY24, compared to the 84% for FY23. These are the highest levels of EBITDA and cash generation yet recorded in the 40 year history of Lenmed. We are conscious that the growth strategy can utilise higher levels of working capital and we are satisfied with how the team managed the working capital under a challenging environment.

We spent more than R329 million during the year to maintain and grow our asset base. We had significant equipment replacement requirements at several of our facilities. The Group, through efficient maintenance programmes, is able to leverage the life cycle of major equipment to more than 10 years - it was unfortunate that a number of high value items of radiology equipment in Botswana and Mozambique had to be replaced in the same financial year. We envisage FY25 to have a similar trend, after which it should normalise again.

Furthermore, we acquired BPHL and MooiMed during the year with net acquisition costs of R59,4 million and R133,7 million respectively. These acquisitions were funded through internally generated cash while bank funding was utilised to fund continued operations.

STATEMENT OF FINANCIAL POSITION

Growth in assets was in line with our growth strategy with the acquisition of BPHL and MooiMed, increasing total assets to just under R6,15 billion. Equity increased to R3,04 billion or R4.29 per share from R3.93 per share at the end of FY23, a 9.1% increase. As we integrate the recently acquired businesses and eliminate many of the inefficiencies at these facilities to achieve margins more aligned to the rest of the group, we believe the growth in NAV (in the absence of dividends) should exceed the cost of capital, which will remain a major focus of the management team.

By using Bank debt to fund operations as well as our internal growth projects, while utilising cash generated by the business to fund acquisitions, we caused bank debt (net of cash) to increase by 17% to R1,5 billion (or 2.21 times EBITDA) compared to the previous year (R1,23 billion at 1.94 times EBITDA).

EVENTS AFTER THE REPORTING DATE

Although this matter is reported as an event post the year-end, it is of great significance for the future growth of the company and will define its gearing, covenants and balance sheet for the future. Lenmed spent many months in 2024 negotiating the favourable refinancing of its debt facilities. These negotiations were concluded on 12 March 2024. In addition, we increased the facility amount, creating additional capacity to fund our ongoing growth strategy. The terms of the new R2,5 billion debt package are:

- A term loan of R1,7 billion with a 5-year maturity, at an interest rate 2.15% over 3-month Jibar;
- A revolving credit facility of R550 million with a 5-year maturity, at an interest rate 2.10% over 3-month Jibar.

- General banking facilities of R250 million, renewable annually, at an interest rate of prime less 2%.

The principal lenders include RMB, Absa, Ashburton and the IFC.

OUTLOOK

With the economy remaining under pressure plus the anxiety created by the proposed NHI scheme, we anticipate continued challenges in the business environment. Given our strong balance sheet and renewed funding facilities, we have sufficient headroom to navigate through unforeseen circumstances. The business should continue to benefit from our initiatives to strengthen our core business, which we do by leveraging our existing infrastructure and continuing to drive efficiencies through automation, process re-engineering and cost optimisation. We continue our recruitment of medical professionals to increase utilisation of our facilities and to increase the average acuity of our case mix.

A positive effect of uncertainty is that it creates acquisition opportunities at reasonable prices. We continue to pursue our growth strategy with great care and diligence, exploring:

- expansion of our commercial interest in pathology, radiology and other complementary services within our South African business;
- acquisitions of existing hospitals in South Africa;
- acquisitions or development of supplementary facilities to our hospitals outside of South Africa;
- diversification opportunities in fast growing markets outside of South Africa with a particular focus on the Middle East.

Fredré Meiring

Chief Financial Officer