



Lanka Hospitals Corporation PLC

INVESTMENT OPPORTUNITY TEASER

High performing healthcare company in Sri Lanka with strong brand and operating track record, seeking majority investor



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Leading local private healthcare provider with established brand and untapped upside potential



The Government of Sri Lanka seeks to divest its 51.34% stake in The Lanka Hospitals Corporation PLC to a strategic investor

Leading Listed Local Healthcare Provider	Listed on the Colombo Stock Exchange with a market capitalization of US\$ ~75M (Oct '23). Tier 1 healthcare provider with strong brand broad and operational presence.
Diversified Revenue Streams	Diverse portfolio of healthcare services, including a 367-bed multi-specialty tertiary care hospital in central Colombo, a network of 23 pharmacies, a learning academy, and a diagnostics subsidiary with a network of labs and collection centres.
Potential Growth Areas	Untapped opportunities for growth in under-served sub-specialities (Gyn and Obs, Cardiac, Neuro, Pediatric Care), laboratory network, medical tourism, and for physical expansion within existing hospital plot (6.8 acres).
Sole local healthcare group with multiple international certifications	<ul style="list-style-type: none">✓ Joint Commission International (JCI) Gold Seal accredited since 2014.✓ College of American Pathologists (CAP) laboratory certification.✓ First hospital laboratory in Sri Lanka to be ISO 15189:2007 certified.
Resilient and Growing Financial Position	Significant financial resilience, achieving continued year-on-year revenue growth and profitability with a robust balance sheet, active cost management efforts, and minimal interest-bearing borrowings, despite economic context.
Competent, Independent Management	Led by experienced, dynamic local management team with operational autonomy.
Majority Control Offered	Full operational control offered through 51.34% stake being sold by Government of Sri Lanka.

LANKA HOSPITALS CORPORATION: OVERVIEW



Four Business Lines

Hospital

- 367-bed multi-specialty tertiary care hospital in central Colombo
- Multiple Centres of Excellence
- Dedicated medical tourism centre
- Main business (70% Total revenue)
- JCI Gold Seal Accreditation

Diagnostics

- Fully owned subsidiary
- 1 Reference lab, 8 regional labs , 52 company operated sample collection centers, 1,350 3rd party feeder centers across the country
- Sri Lanka's only CAP certified lab

Pharmacy

- Network of 23 owned and operated pharmacies
- Retail pharmacies within renowned supermarkets across the country

Learning Academy

- Over 12 medical-related courses
- Capacity for 600 students
- ~1100 students enrolled
- ~400 students in ongoing programs

Committed to Quality, Awarded for Excellence



Joint Commission International-Gold Seal



Quality laboratory practices



First Laboratory in a hospital in Sri Lanka to receive ISO 15189:2007 certification



Listed on the Colombo Stock Exchange



THE LANKA HOSPITALS CORPORATION PLC (LHCL.N0000) ISIN: LK0318N00002		112.00 ▲ 5.50 (5.16%)	CLOSE PRICE (RS) 0.00	PREVIOUS CLOSE (RS) 106.50
TURNOVER (RS)	SHARE VOLUME	TRADE VOLUME	DAY'S PRICE RANGE	
152,778.50	1,390	14	112.75 - 107.50	
MARKET CAPITALIZATION (RS)	MARKET CAP/TOTAL MARKET CAP (%)	BETA VALUES AGAINST ASP1 (AS OF SECOND QUARTER OF YEAR 2023)	BETA VALUES AGAINST S&P 500 (AS OF SECOND QUARTER OF YEAR 2023)	
25,058,002,928.00	0.60(%)	1.03	0.88	

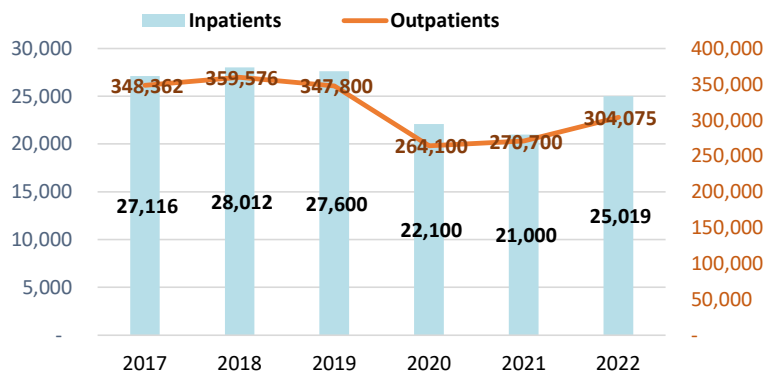
CSE information as of October 16, 2023 - <https://cse.lk/pages/company-profile/company-profile.component.html?symbol=LHCL.N0000>

COLOMBO HOSPITAL: OVERVIEW



367-bed Tier 1 multi-specialty tertiary care hospital in the heart of Colombo

with reliable and growing demand for services



Total Beds	367
ICU Beds	59
Admissions (2022)	25,019
Consultations (2022)	304,075
Average Bed Occupancy	69%

General Operating Theaters	7
Cardiac Operating Theaters	2
Eye Theater	1
Mini Theater	1
Cath Labs	2

11 Operating Theaters

5 Centres of Excellence

- Heart Centre
- Orthopedic
- Neurology
- ObGyn
- Genito/Urology



Consultants	1,016
Nursing Staff	418
Other Employees	1,590

Experienced department heads and consulting physicians. Read more [here](#).



Insurance	20%
Out of Pocket	80%



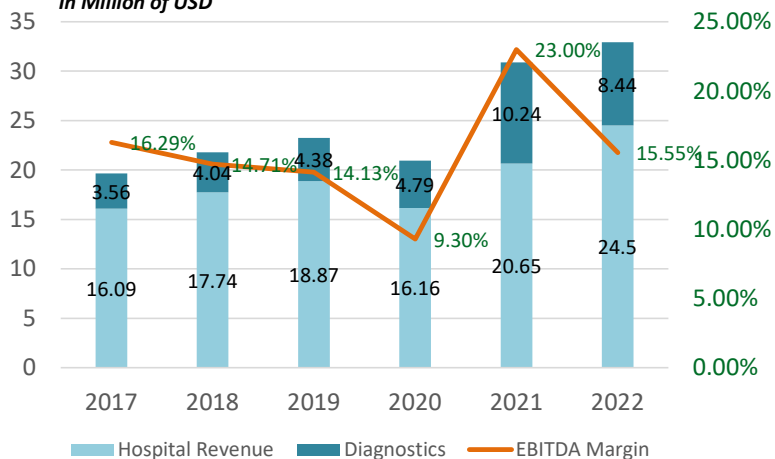
Local patients	95%
Foreign	5%

- Lanka Hospitals is spread over an 11-storey, 300,000 square feet building, with a helipad equipped for air-ambulance services and 6.8 acres of garden. Its plot is on leasehold land through a 99-year lease (76 years remaining) with the Urban Development Authority (UDA).
- Despite operating within challenging macro environment and at a time of high turnover among high skilled professionals, LHC has managed to both retain key staff and maintain profitability.
- Lanka Hospitals makes continual investments in state-of-the-art medical equipment, boasting a complete range of latest diagnostic and high-end technology.

LANKA HOSPITALS CORPORATION: KEY FINANCIALS

Lanka Hospitals Revenue, EBITDA Margins

In Million of USD

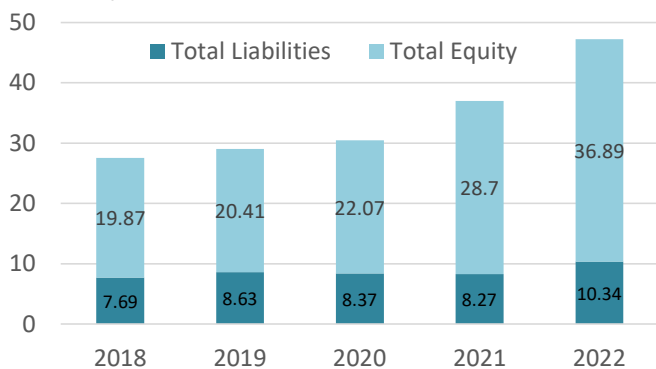


2022 Key Figures

Revenue Growth	6.6%
Gross Margin	44.0%
Net Profit Margin	30.4%
Return on Equity (ROE)	30.5%
Return on Assets (ROA)	5.5%
LT Debt/Capital	1.2%
Current Ratio	5.6x

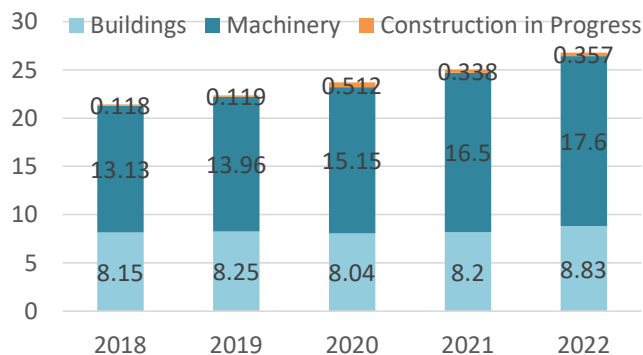
Lanka Hospitals Historical Capital Structure

In Million of USD



Lanka Hospitals Gross Property, Plant, and Equipment

In Million of USD



Converted at 1 USD : 324.8 LKR

Performance Overview

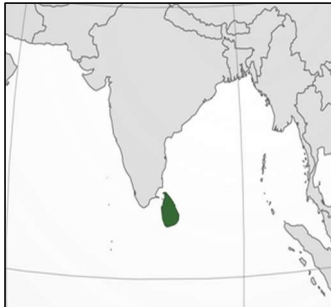
- **Consistent revenue growth** with strong resilience to macro headwinds. 2022 EBITDA margins pressured by increased staff costs to retain clinical staff during high inflation.
- **Total assets in FY2022 increased by 28%** to USD 47.2 million mainly supported by strong growth in investments in fixed deposits, property, plant, and equipment.
- **Large cash & cash equivalent/ fixed deposits** on hand funded by retained earnings.
- **Prudent financial management, with only 22% of total assets funded by liabilities**, amounting to US\$ 10.34 million only. Current liabilities mainly composed of trade and other payables, bank overdraft, and income tax payable. Non-current liabilities mainly composed of deferred tax liabilities.

Key Physical Assets (2022)

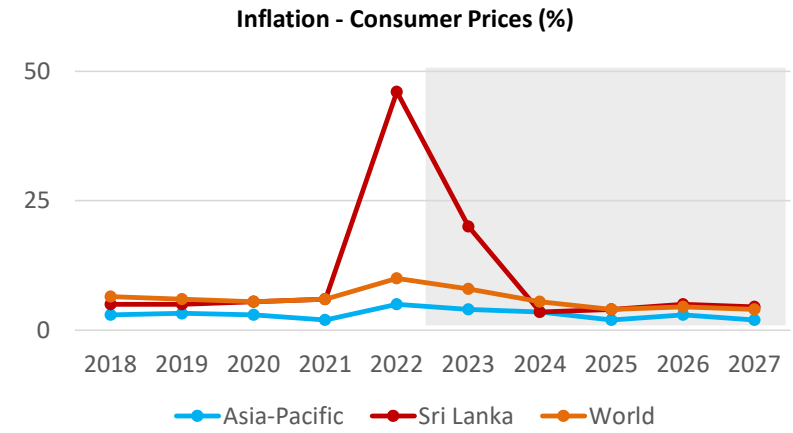
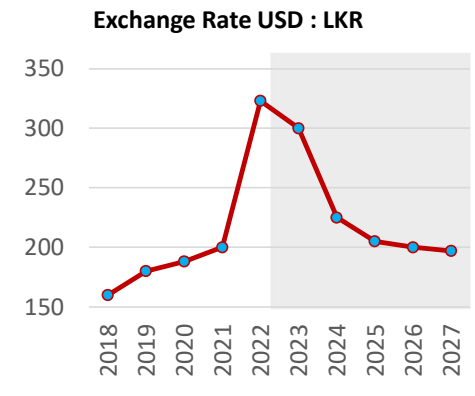
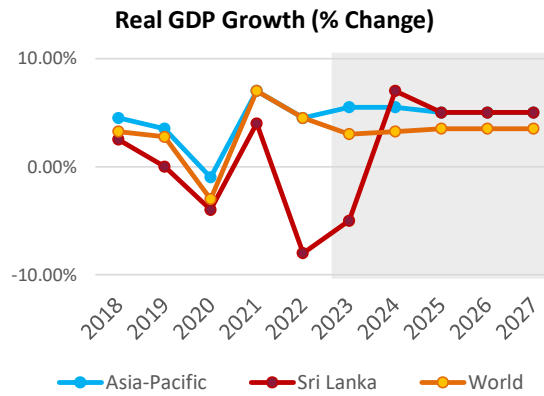
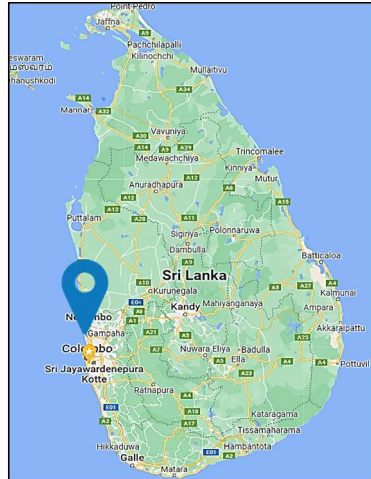
- **Hospital Building:** Book value US\$ 8.1 million.
- **Hospital Medical Equipment:** Aggregated book value of USD 10.3 million.
- **Laboratory Medical Equipment:** Aggregated book value of USD 670,000.

SRI LANKA: MACRO OVERVIEW

- Overcoming Challenges:** The IMF approved a 48-month Extended Fund Facility of ~US\$3 billion to restore macroeconomic stability and debt sustainability, safeguard financial stability, and step up structural reforms to unlock Sri Lanka's growth potential. The Government of Sri Lanka is committed to continuing broad reforms to overcome the crisis, increase and encourage private participation and return to a growth trajectory.
- Pursuing Growth:** Sri Lanka remains an emerging lower middle-income economy, with a 2022 GDP of US\$74.4 billion. Current economic downturn comes after a decade of strong growth, efforts focused on medium-term recovery through increased exports and consumption.
- Inflation Control Efforts Ongoing, With Encouraging Results:** Proactive steps are being taken to manage inflationary pressures, aided by factors such as stabilizing commodity prices and careful fiscal policy adjustments.



Sri Lanka has 23.3 million people, with ~630,000 people living in capital Colombo where LHC is located.



Source: EIU, July 2023

SRI LANKA: HEALTHCARE SECTOR OVERVIEW

Sector Outlook

- Sri Lanka boasts **robust health indicators** aligned with its economic stage, as per a WHO 2021 report.
- GoSL efforts continue for **equity of access**. GoSL provides free and universal healthcare and covers around 50% of outpatient and 90% of inpatient services co-payments.
- **Health expenditure is projected to continue to grow** driven by population ageing, changing disease profile (especially non communicable diseases) and greater prevalence of chronic conditions and lifestyle diseases (e.g. diabetes).
- Sri Lanka has witnessed a **rising trend in private sector utilization pre-crisis**. Strong growth of both public and private healthcare expenditure is expected in medium-long term in line with increased health demands.
- **Private health insurance is increasing** with rising per capita incomes and government support for the sector.

17th largest healthcare market in Asia Pacific

USD 4 bn health expenditure with CAGR of 9%

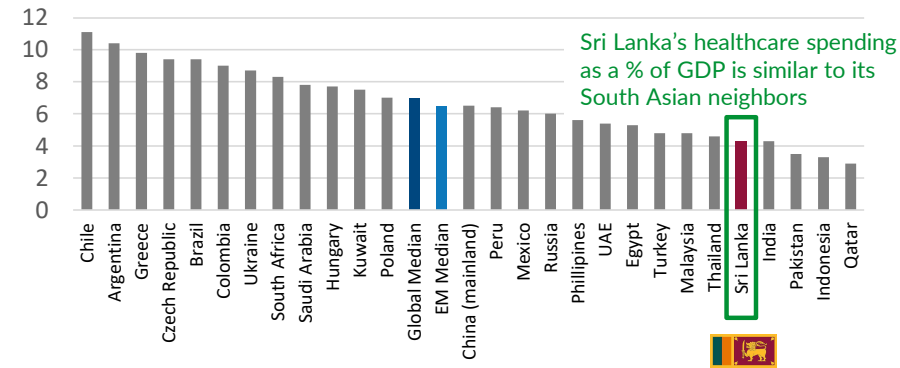
**77,315 Public beds
1,082 Private beds**

Health expenditure accounts for **4.5% of GDP**

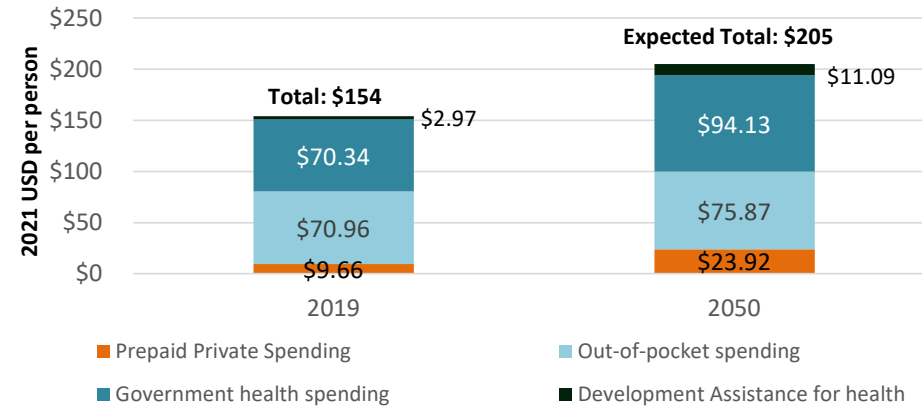
Health expenditure: **45% public and 55% private**

**23,000 physicians and
46,000 nurses**

Health Expenditure As A Percentage Of GDP (2021)



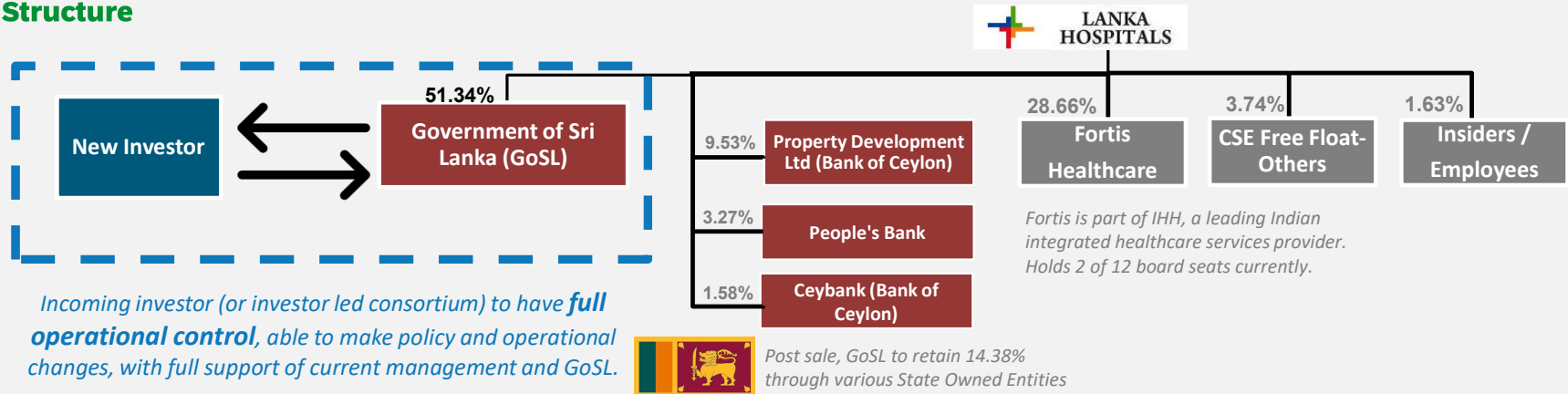
Present Vs Future Health Expenditure



Source: Fitch, LHC, World Bank, Healthdata.org

INDICATIVE TRANSACTION STRUCTURE AND TIMELINE

Transaction Structure



Incoming investor (or investor led consortium) to have **full operational control**, able to make policy and operational changes, with full support of current management and GoSL.

Indicative Timeline



Key Contact

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Opportunity to own the majority stake in a leading Sri Lankan private healthcare provider with a strong brand, a track record of attractive returns, and untapped growth opportunities.

