

Healthcare Valuation Trends

September 2023



Executive Summary

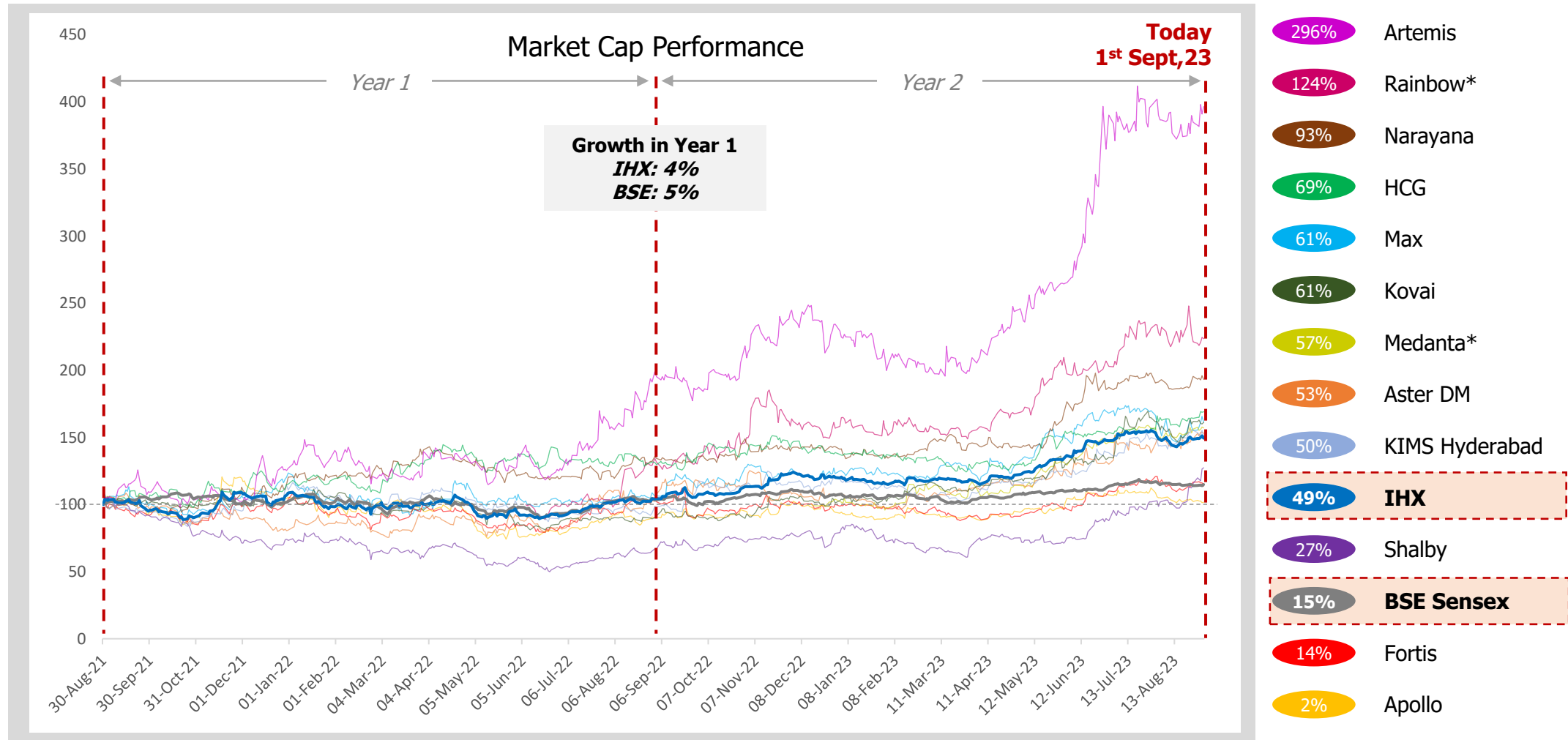
- **Indian hospital valuations (tracked via Indium Healthcare Index - IHX) have grown by ~49% in the last 2 years** (~28% in the last 4-5 months)
 - Apollo & Fortis (~38% of IHX) grew by ~5%, and the remaining hospitals (~62% of IHX) grew by ~104% in the last 2 years
- While **combined Revenue** for all Large Chain Hospitals has **grown ~23%** over the last 2 years, **combined EBITDA** has only **grown ~9%** (~15% till Q4 FY23, however dropped significantly in Q1 FY24)
- **Large Chain Hospitals had a significant net addition of ~3,150 beds** in the last 2 years (~9%+ increase) driven largely by KIMS Hyderabad (913), Aster DM (1,228), and Medanta (549)
- **Overall average EV/EBITDA & EV/Bed multiples of Large Chain Hospitals are at ~24-25x and Rs 6-7cr/bed;** However, there is a **wide variation in multiples** across hospitals
 - High ARPOBn Hospitals are at ~29x EV/EBITDA, and Mid ARPOBn Hospitals are at ~19x EV/EBITDA

Note

1. EV/EBITDA is Enterprise Value to EBITDA ratio, EV/Bed is Enterprise Value per Operating Bed
2. Large Chain Hospitals are Apollo, Max, Fortis, Medanta, Rainbow, Aster DM, Narayana, HCG & KIMS Hyderabad

Hospitals – Market Valuation Trend in the last 2 years

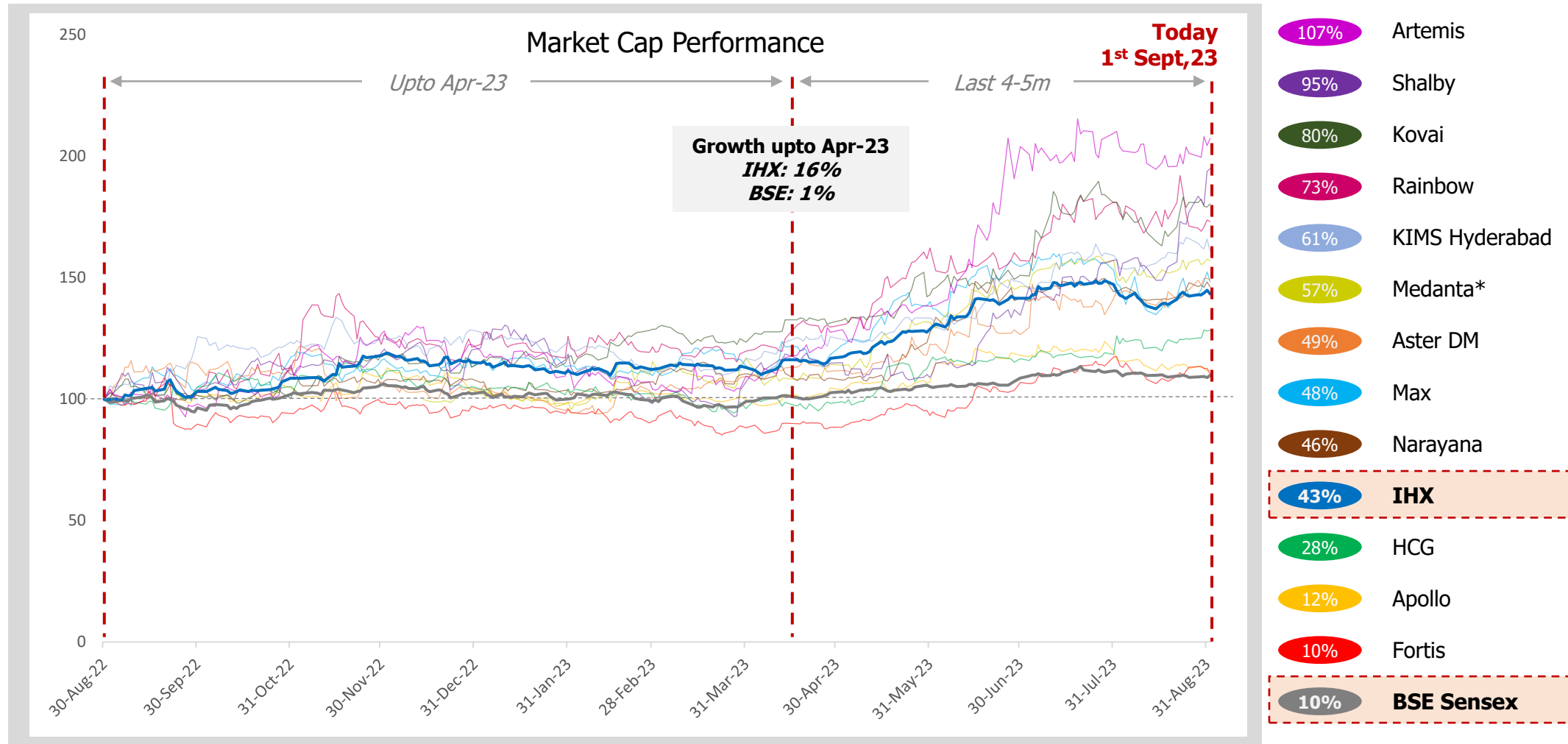
Indium Healthcare Index (IHX) has grown by 49% in the last 2 years (vs. BSE Sensex at 15%); with ~28% growth in the last 4-5 months



Note: Indium Healthcare Index (IHX) is a Market Capitalization weighted index comprising all the listed Hospitals
 *Rainbow (listed on 20-May-22) and Medanta (listed on 16-Nov-22) have been included in IHX from respective listing dates
 Sources: BSE, Indium Analysis

Hospitals – Market Valuation Trend in the past 1 year

In the last year, IHX grew by 43% (vs. BSE Sensex at 10%); with a significant uptrend in the last 4-5 months



Note: Indium Healthcare Index (IHX) is a Market Capitalization weighted index comprising all the listed Hospitals

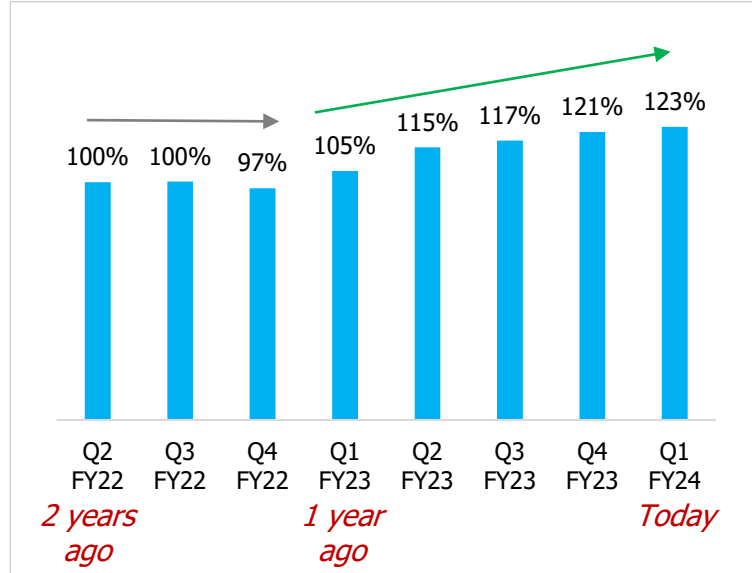
*Medanta (listed on 16-Nov-22) has been included in IHX from respective listing dates

Sources: BSE, Indium Analysis

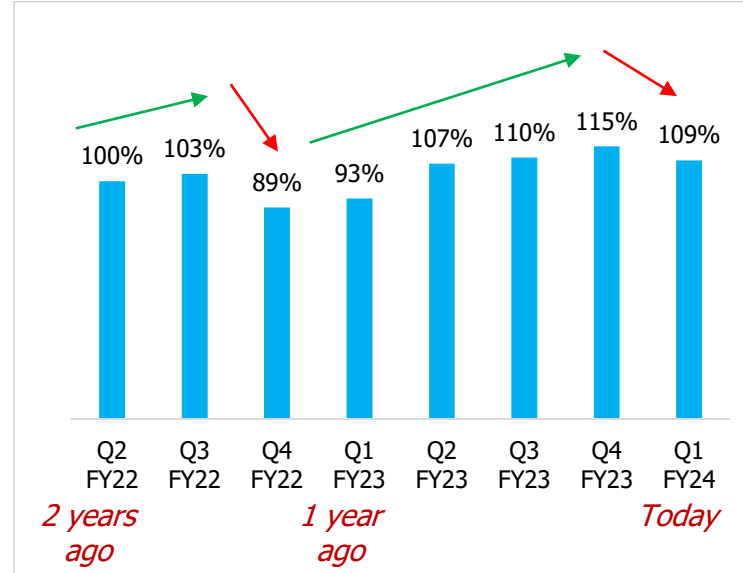
Large Chain Hospitals - Combined Performance in last 2 years

Combined Metrics of Large Chain Hospitals

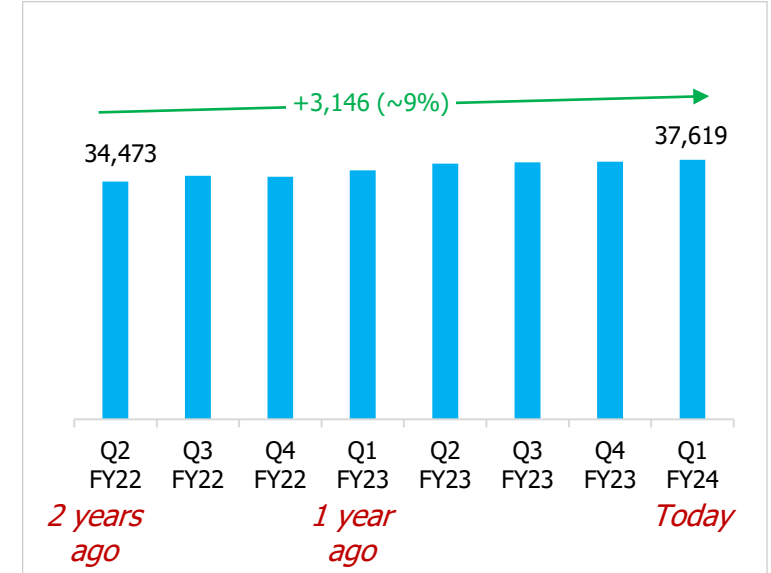
Revenue (% of Q2 FY22)



EBITDA (% of Q2 FY22)



Operating Beds



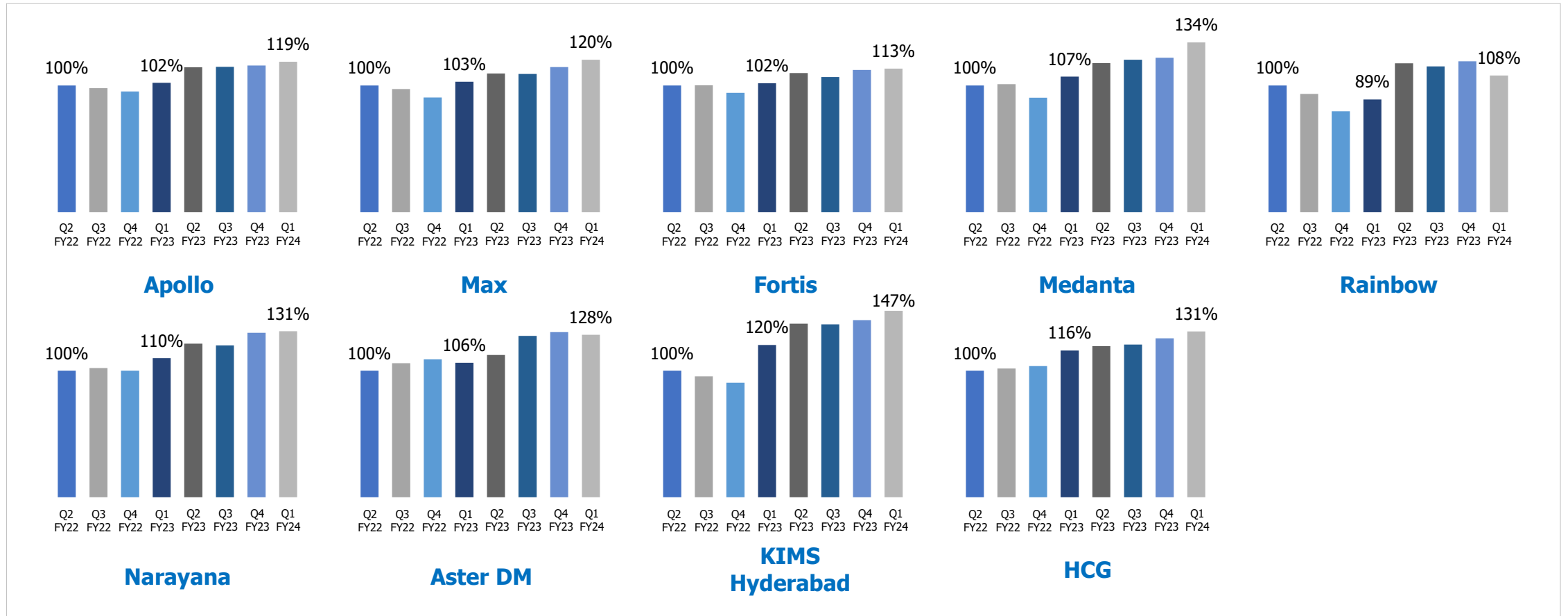
*Large Chains include Apollo, Aster DM, Fortis, Narayana, Max, HCG, KIMS Hyderabad, Medanta & Rainbow hospitals.

- **Combined Revenue of Large Chain Hospitals has grown ~23% over the last 2 years (~13% CAGR)**
- **Combined EBITDA grew consistently during FY23, however dropped significantly in Q1 FY24 (with a fall in most Large Chain Hospitals)**
- **~3,150 new beds were added (~9% net increase) in the last 2 years via a mix of organic and inorganic expansion**

Large Chain Hospitals' Performance in the last 2 years – Revenue

Revenues of most Large Chain Hospitals have grown significantly, to reach 2 year high's in the current quarter Q1 FY24 (Apr-Jun'23)

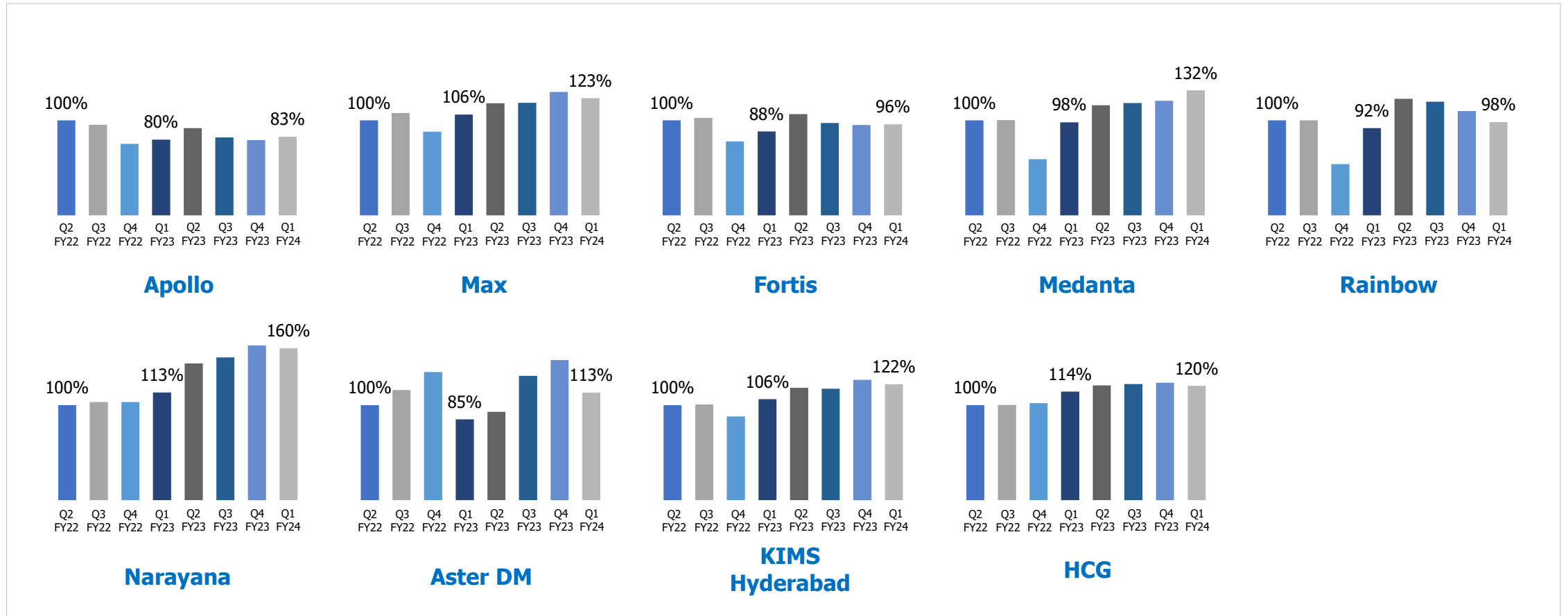
Revenue (% of Q2 FY22)



Large Chain Hospitals' Performance in the last 2 years – EBITDA

EBITDA has varied widely across the past 2 years, and most of the Large Chain Hospitals have seen a fall in the current quarter Q1 FY24 (Apr-Jun'23)

EBITDA (% of Q2 FY22)

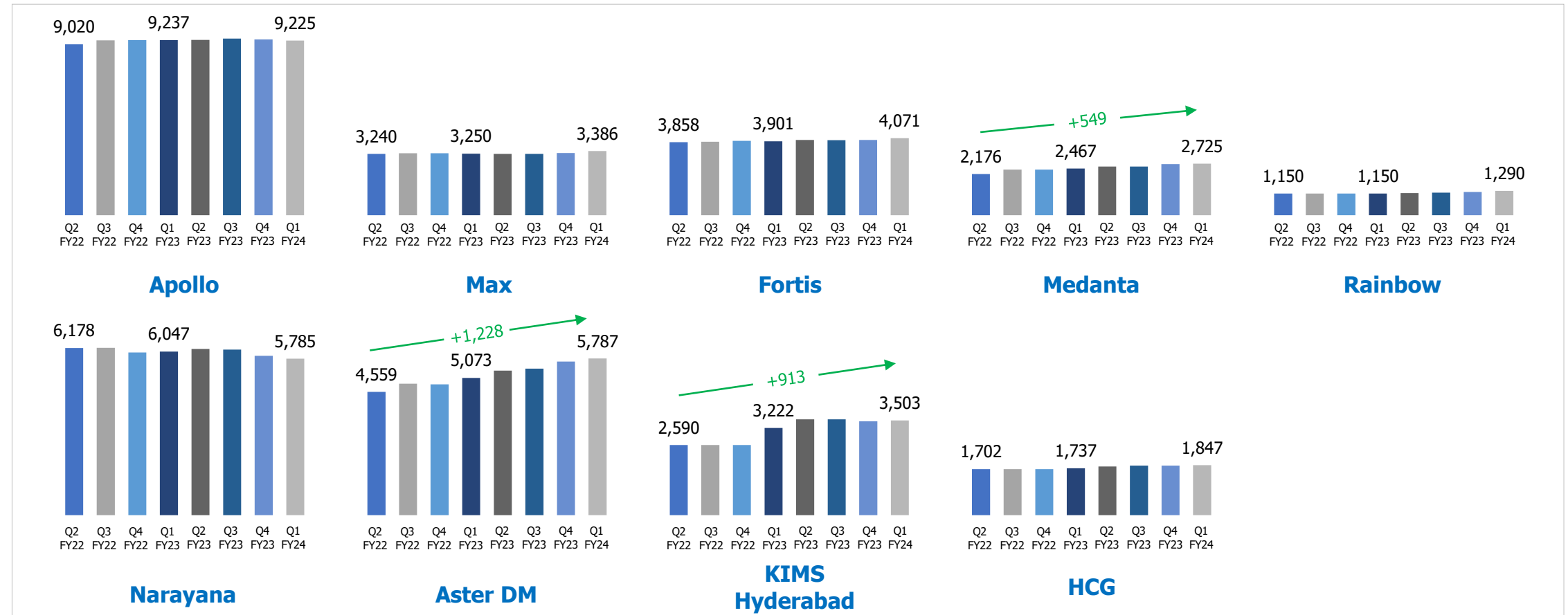


Note: EBITDA numbers are post Ind AS 116
Source: Company Financials

Large Chain Hospitals' Performance in the last 2 years – Operating Beds

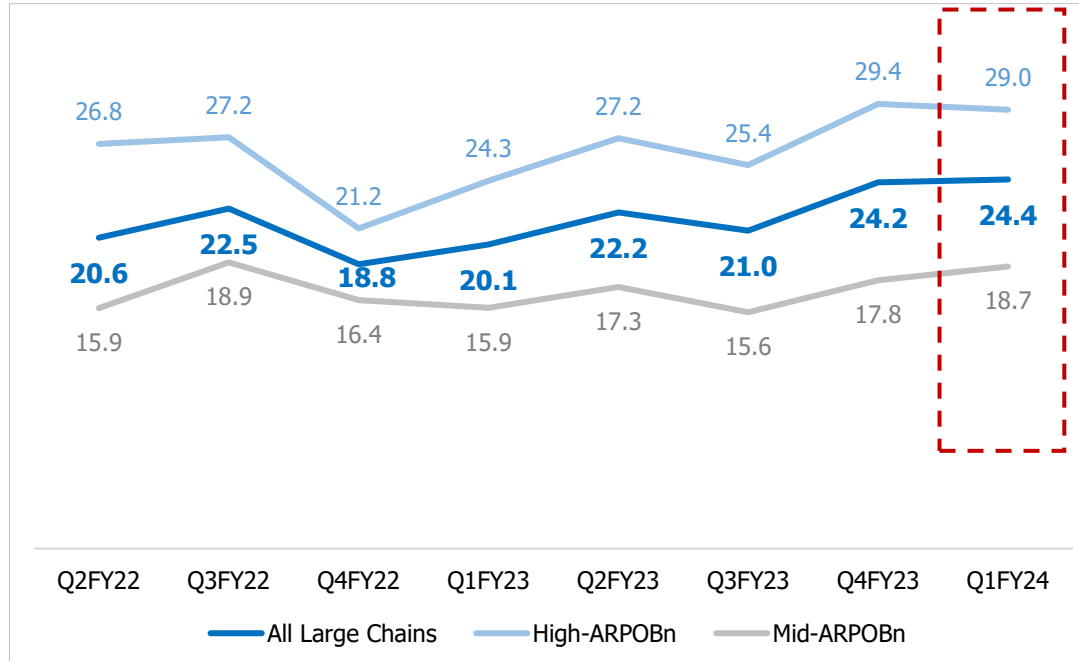
~3,150 net new beds were added across Large Chain Hospitals in the last 2 years, via organic and inorganic expansion – key contributors were KIMS Hyderabad, Aster DM & Medanta

Operating Beds

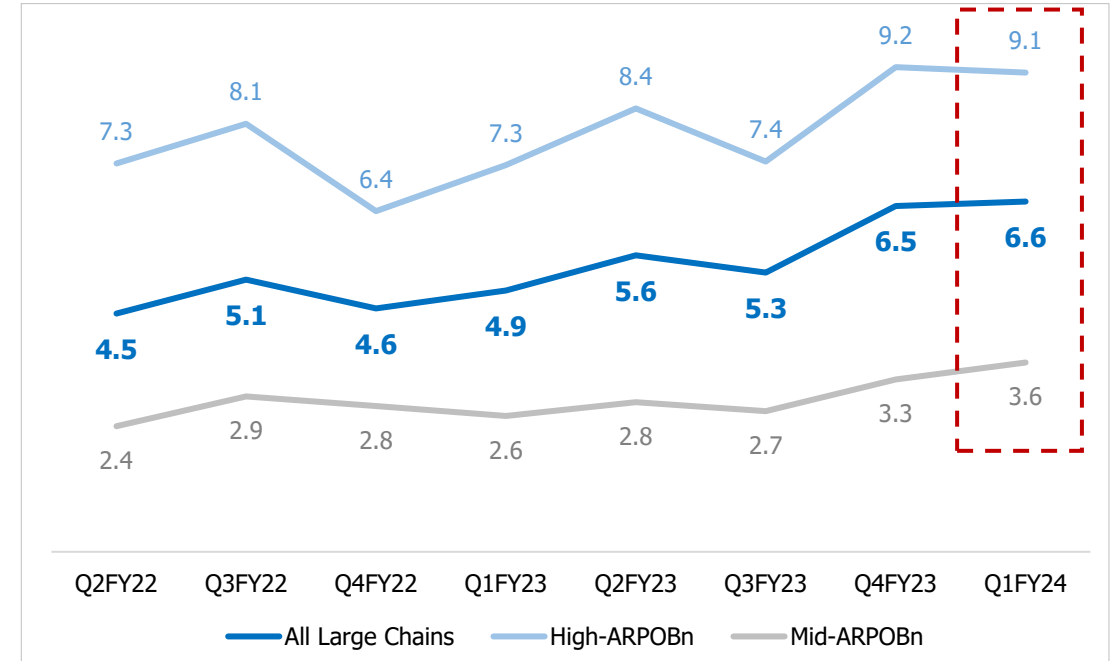


Valuation Multiples Trend – Large Chain Hospitals

EV/EBITDA (x)



EV/Bed (Rs cr per Bed)



- **Overall valuation multiples of Large Chain Hospitals have grown after a correction in Q4 FY22, and are at all-time highs today**
- **Overall average EV/EBITDA is ~24-25x & EV/Bed is ~Rs 6-7cr/bed**, with a wide variation across individual hospitals
 - **High-ARPOBn** hospitals (Apollo, Max, Fortis, Medanta and Rainbow) are at ~29x EV/EBITDA and ~Rs 9cr EV/Bed
 - **Mid-ARPOBn** hospitals (Narayana, Aster DM, KIMS Hyderabad and HCG) are at ~19x EV/EBITDA and ~Rs 3-4cr EV/Bed

Note: Aster DM ARPOBn is calculated based on India performance

Sources: Company Financials, BSE

Annexure



Hospital Companies' Multiples

Hospital Multiples – 1st Sept'23

Rs Cr	Mkt Cap	Net Debt	EV	Op. Beds	Revenue	EBITDA	% EBITDA Margin	% Y-o-Y Bed Growth	% Y-o-Y Revenue Growth	EV / Bed	EV / EBITDA (x)
Large Chains											
Apollo	69,558	1,524	71,416	9,225	17,235	2,068	12%	0%	16%	7.7	34.5x
Max	55,881	-957	54,924	3,386	6,140	1,656	27%	4%	17%	16.2	33.2x
Fortis	24,525	393	25,776	4,071	6,467	1,123	17%	4%	11%	6.3	23.0x
Medanta	18,973	-436	18,537	2,725	2,850	658	23%	10%	25%	6.8	28.2x
Rainbow	10,709	-104	10,610	1,290	1,224	402	33%	12%	21%	8.2	26.4x
Average High-ARPOBn							17%	3%	16%	9.1	29.0
Narayana	20,944	19	20,964	5,785	4,725	1,045	22%	-4%	19%	3.6	20.1x
Aster DM	16,449	2,003	18,864	5,787	12,487	1,662	13%	14%	21%	3.3	11.4x
KIMS Hyderabad	15,486	399	16,153	3,503	2,308	624	27%	9%	22%	4.6	25.9x
HCG	4,879	324	5,211	1,847	1,747	301	17%	6%	13%	2.8	17.3x
Average Medium-ARPOBn							17%	5%	20%	3.6	18.7
Average Large Chains							17%	4%	18%	6.6	24.4
Small Chains											
Kovai	2,943	224	3,168	1,925	1,057	274	26%	12%	16%	1.6	11.6x
Shalby	2,645	-81	2,564	1,260	839	140	17%	2%	17%	2.0	18.4x
Artemis	1,728	191	1,923	433	775	103	13%	6%	25%	4.4	18.6x
Average Small Chains							19%	8%	19%	2.7	16.2

High-ARPOBn hospitals

Mid-ARPOBn hospitals

Note

1. High-ARPOBn hospitals have higher ARPOBn (Apollo, Fortis, Max, Medanta & Rainbow); Mid-ARPOBn hospitals have lower ARPOBn (Aster DM, Narayana, HCG & KIMS Hyderabad);

Aster DM ARPOBn is calculated based on India performance

2. Op. Beds indicates operating beds

IHX – Hospital Weightages

% Weightage of Hospitals

₹ Cr	% Weightage Sept'19	% Weightage Sept'23	Mkt Cap 1st Sept'23
Apollo	45%	28%	69,558
Max		23%	55,881
Fortis	24%	10%	24,525
Narayana	11%	9%	20,944
Medanta		8%	18,973
Aster DM	14%	7%	16,449
KIMS Hyderabad		6%	15,486
Rainbow		4%	10,709
HCG	2%	2%	4,879
Kovai	2%	1%	2,943
Shalby	2%	1%	2,645
Artemis		1%	1,728
IHX	100%	100%	244,719

With the addition of 4 more listed players in the last 2-3 years, the IHX has a much wider base today (with lower concentration of any individual hospital)

- Apollo & Fortis contribute ~38% to IHX today as compared to ~70% in Sept'19
- Most recently listed hospitals - Max, Medanta, KIMS and Rainbow contribute ~41% to IHX

Note: Yatharth (listed on 7th Aug) and Jupiter (listed on 18th Sept) not included in IHX since they were not listed until Q1 FY24

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