

Healthcare Valuation Trends

March 2023



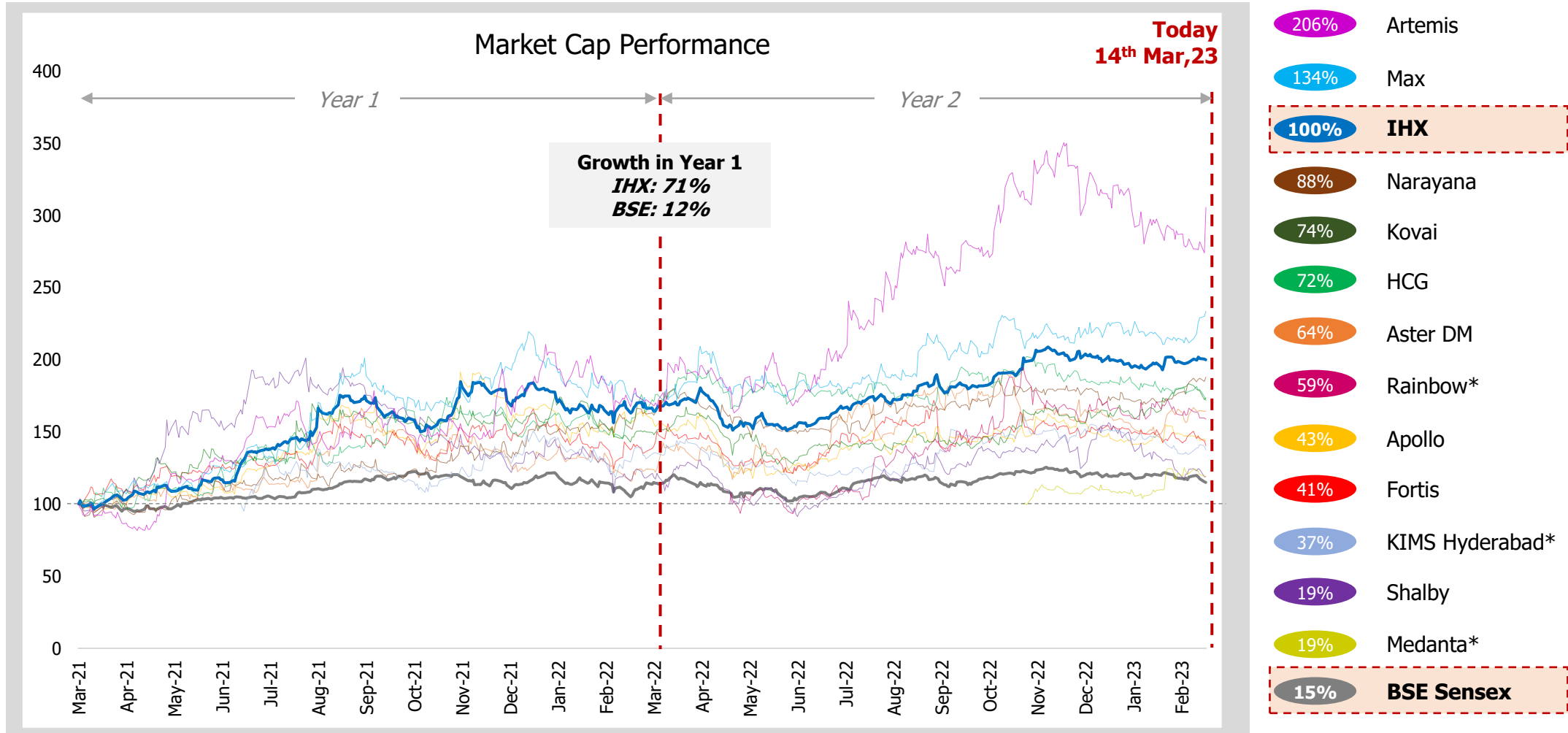
Executive Summary

- **Indian hospital valuations (tracked via Indium Healthcare Index) have grown by 100%+ in the last 2 years and have significantly outperformed BSE Sensex**
- **Overall Revenue/EBITDA for listed hospitals grew at a 20%+ CAGR over the last 2 years and reached all time high in Q2 & Q3 FY23 (Jul-Dec'22)**
- **Large Chain hospitals had net addition of 2600+ beds** in the last 2 years (~8%+ increase) driven largely by KIMS Hyderabad, Aster DM, Apollo, and Fortis
- **Overall EV/EBITDA & EV/Bed multiples of Large Chain hospitals have stabilized at ~20-22x and Rs 5-5.5cr/bed in the last 2-3 quarters, after a correction in Q4FY22.** However, there is **wide variation** in EV/EBITDA & EV/Bed multiples across each Large Chain hospital.

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, Rainbow, Aster DM, Narayana, HCG & KIMS Hyderabad

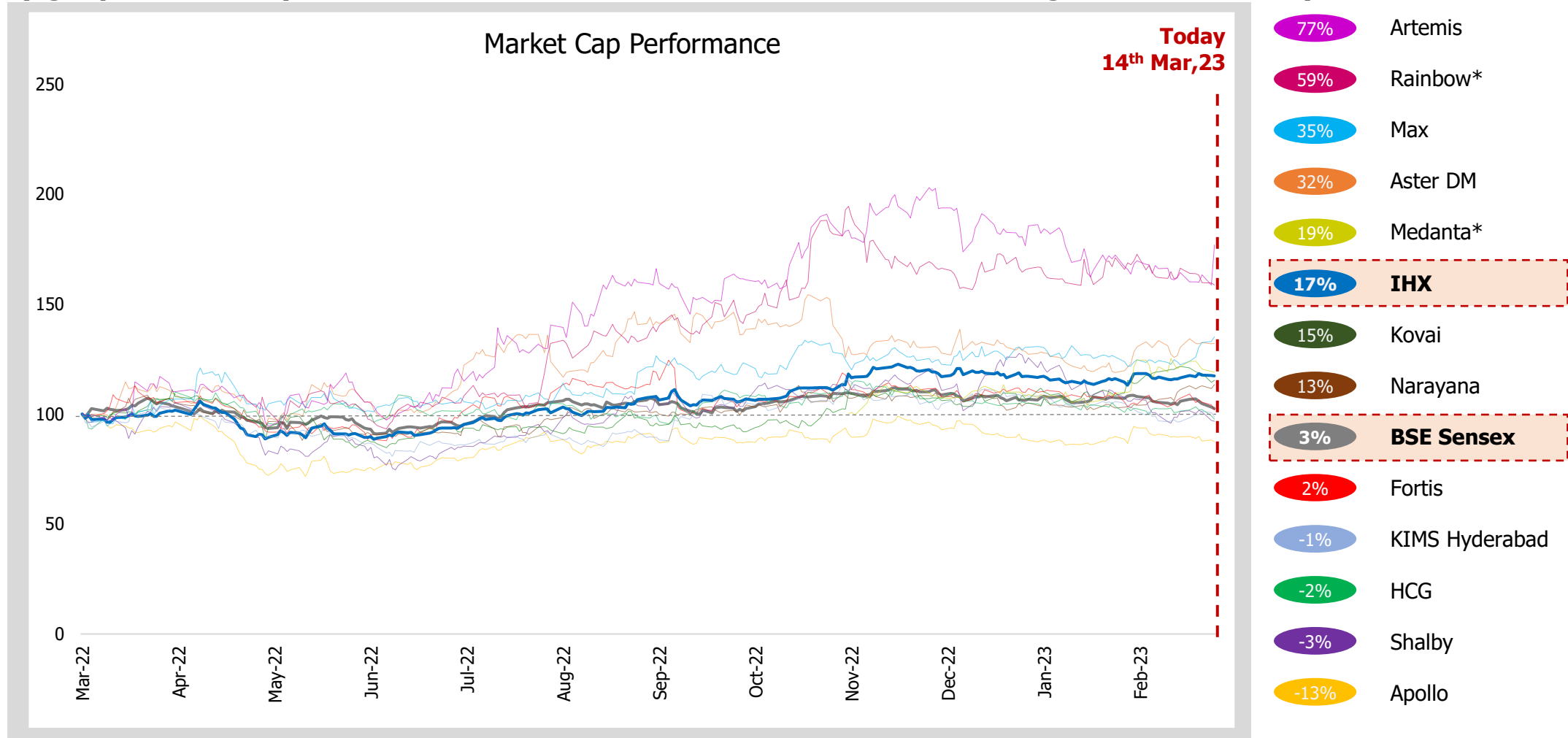
Hospitals – Market Valuation Trend in the last 2 years



Note: Indium Healthcare Index (IHX) is a Market Capitalization weighted index comprising all the listed Hospitals
 *KIMS Hyderabad (listed on 28-Jun-21), 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 17% (vs. BSE Sensex at 3%) and had wide variation across hospitals (eg. Apollo & Shalby valuations contracted while Artemis & Rainbow had significant increases)

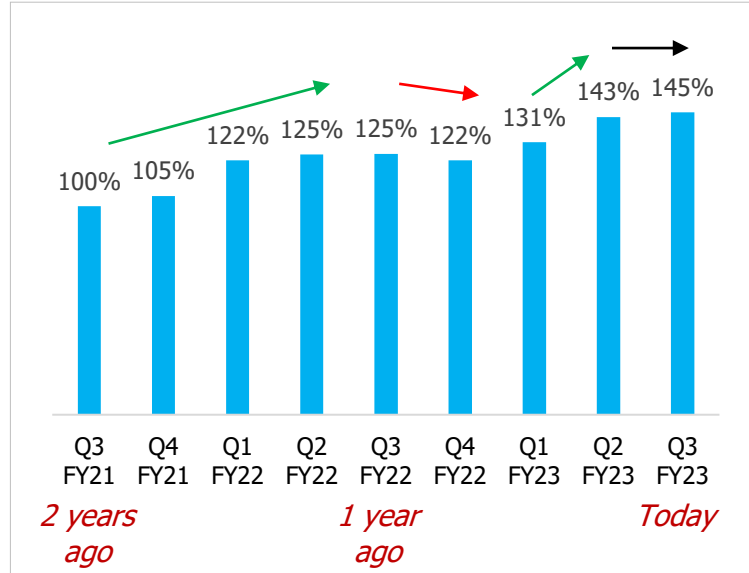


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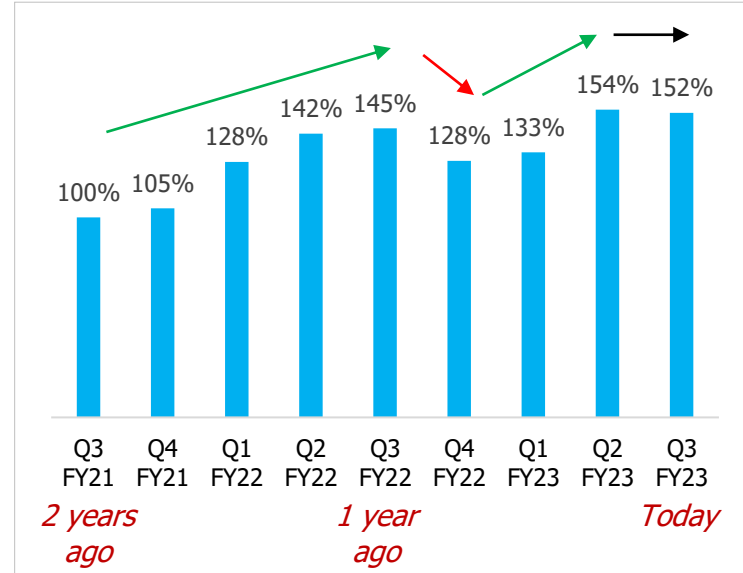
Large Chain hospitals - Combined Performance in last 2 years

Combined Metrics of Large Chain hospitals*

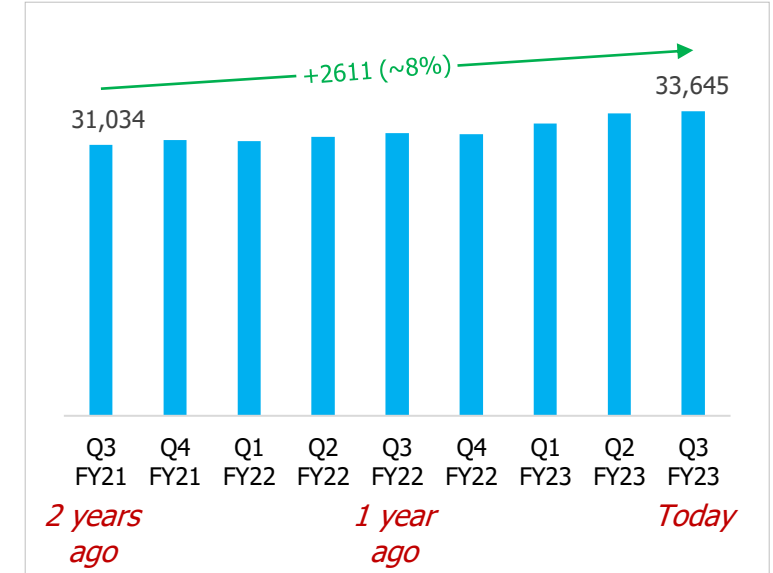
Revenue (% of Q3 FY21)



EBITDA (% of Q3 FY21)



Operating Beds



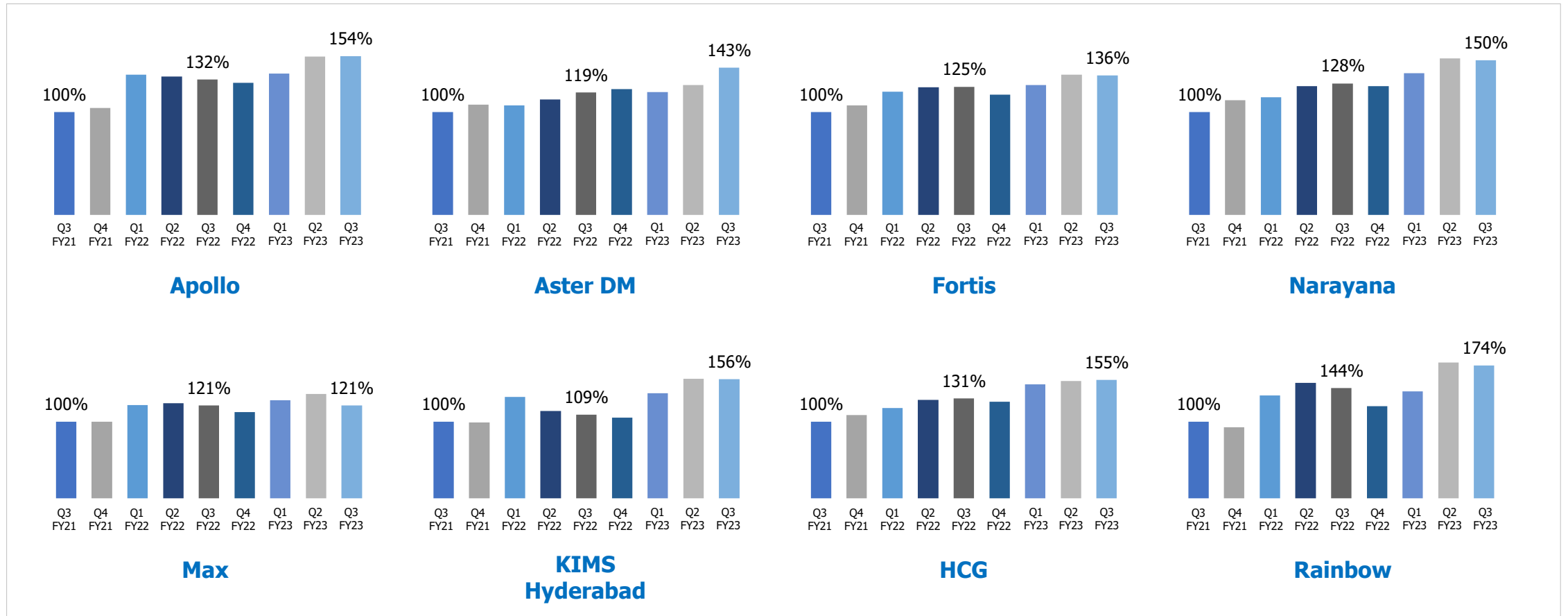
*Large Chains include Apollo, Aster DM, Fortis, Narayana, Max, HCG, KIMS Hyderabad & Rainbow hospitals. Note that Rainbow's Operating Beds in Q3 FY21 is assumed to be same as Q4 FY21

- **Combined Revenue/EBITDA of Large Chain hospitals reached a 2-year high in Q2 FY23 (Jul-Sept'22), and remained steady in Q3 FY23 (Oct-Dec'22)**
- **~2600 new beds were added (~8% 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

Revenue of Large Chain hospitals in the current quarter (Oct'22-Dec'22) have remained similar to the previous quarter; only Aster DM has seen Q-o-Q growth (13% in Revenue)

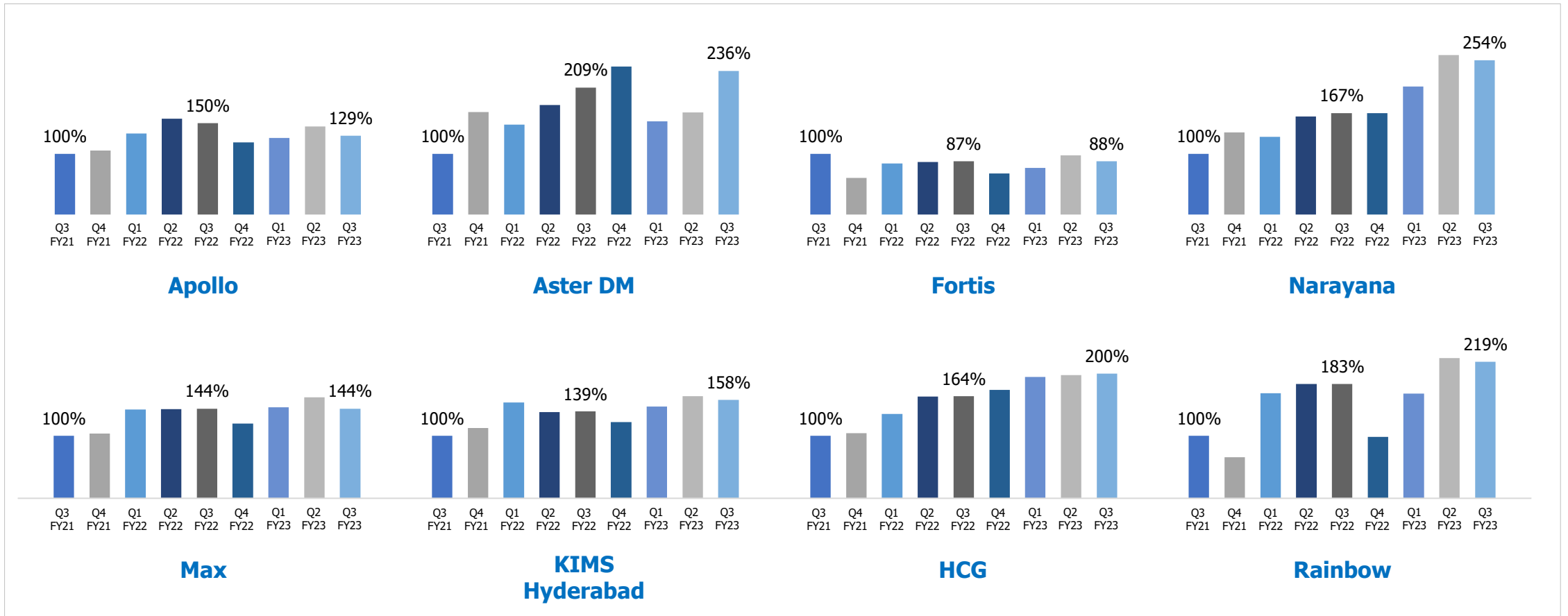
Revenue (% of Q3 FY21)



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

EBITDA of Large Chain hospitals in the current quarter (Oct'22-Dec'22) have remained similar to the previous quarter; only Aster DM has seen Q-o-Q growth (41% in EBITDA)

EBITDA (% of Q3 FY21)

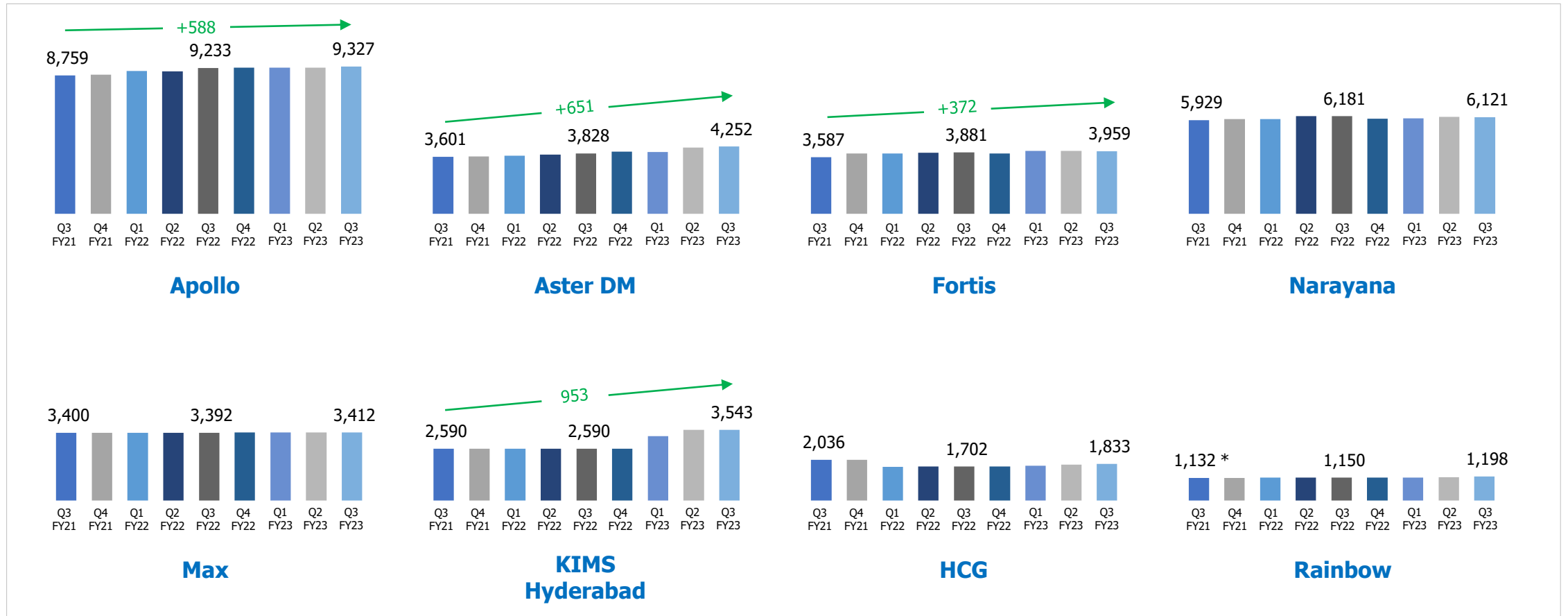


Note: EBITDA numbers are post Ind AS 116
Source: Company Financials

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

~2600 net new beds were added across Large Chain hospitals in the last 2 years, via organic and inorganic expansion – Key contributors include KIMS Hyderabad, Apollo, Aster DM & Fortis

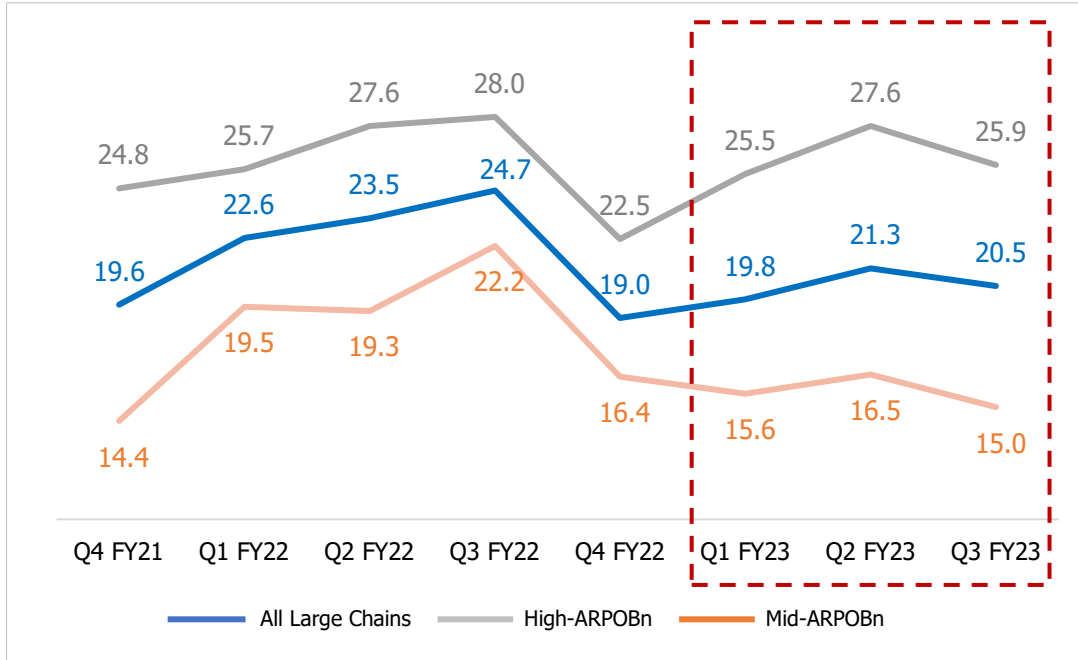
Operating Beds



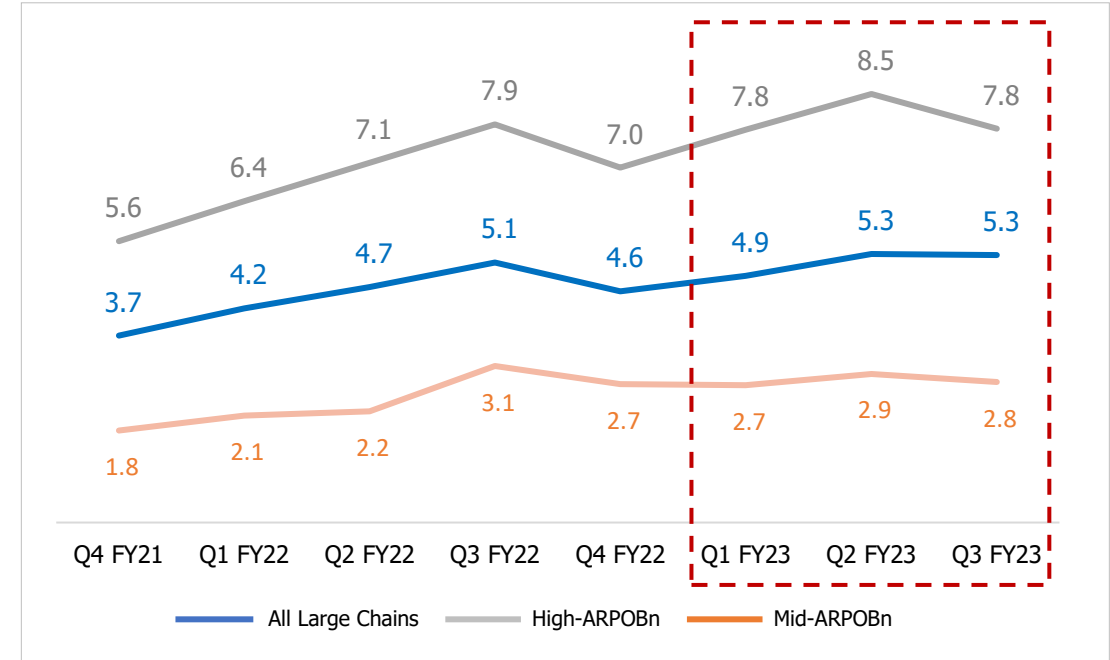
*Rainbow's Operating Beds in Q3 FY21 is assumed to be same as Q4 FY21 due to unavailability of data

Valuation Multiples Trend – Large Chain hospitals

EV/EBITDA (x)



EV/Bed (x)



Note: Aster DM ARPOBn is calculated based on India performance

- **All valuation multiples have broadly stabilized in the last 2-3 quarters after a correction in Q4-FY22**
- However, there is **wide variation** in EV/EBITDA & EV/Bed multiples across Large Chain hospitals. Therefore, we have categorized them into **2 groups** based on ARPOBn (**High-ARPOBn** - Apollo, Fortis, Max & Rainbow, and **Mid-ARPOBn** – Aster DM, Narayana, HCG & KIMS Hyderabad)
- **Overall average EV/EBITDA 20-22x & EV/Bed Rs 5-5.5cr**
 - EV/EBITDA of High-ARPOBn hospitals are at ~26-28x, and Mid-ARPOBn hospitals are at ~15-17x
 - EV/Bed of High-ARPOBn hospitals are at ~Rs 8cr and Mid-ARPOBn hospitals are at ~Rs 2.5-3cr

Annexure



Hospital Companies' Multiples

Hospital Multiples – 14th Mar'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 | 64,758 | 1,322 | 66,080 | 9,327 | 15,857 | 2,025 | 12% | 1% | 17% | 7.1 | 32.6 | } High-ARPOBn hospitals |
| Max | 41,862 | -185 | 41,677 | 3,412 | 5,418 | 1,448 | 28% | 1% | 0% | 12.2 | 28.8 | |
| Fortis | 21,150 | 471 | 21,621 | 3,959 | 6,072 | 1,085 | 18% | 2% | 9% | 5.5 | 19.9 | |
| Rainbow | 7,663 | 34 | 7,697 | 1,198 | 1,079 | 347 | 35% | 4% | 20% | 6.4 | 22.2 | |
| Average High-ARPOBn | | | | | | | 17% | 1% | 12% | 7.8 | 25.9x | |
| Mid-ARPOBn hospitals | | | | | | | | | | | | |
| Narayana | 15,112 | 214 | 15,327 | 6,121 | 4,244 | 936 | 24% | -1% | 18% | 2.5 | 16.4 | } Mid-ARPOBn hospitals |
| Aster DM | 11,421 | 2,132 | 13,553 | 4,252 | 11,398 | 1,543 | 14% | 11% | 20% | 3.2 | 8.8 | |
| KIMS Hyderabad | 11,316 | 211 | 11,527 | 3,543 | 2,002 | 550 | 26% | 37% | 43% | 3.3 | 21.0 | |
| HCG | 3,797 | 213 | 4,010 | 1,833 | 1,599 | 287 | 18% | 8% | 18% | 2.2 | 14.0 | |
| Average Medium-ARPOBn | | | | | | | 17% | 10% | 22% | 2.8 | 15.0x | |
| Average Large Chains | | | | | | | 17% | 5% | 16% | 5.3 | 20.5x | |
| Small Chains | | | | | | | | | | | | |
| Kovai | 2,040 | 264 | 2,304 | 1,202 | 970 | 256 | 27% | 0% | 16% | 1.9 | 9.0 | |
| Shalby | 1,420 | -38 | 1,383 | 1,260 | 762 | 139 | 18% | 2% | 27% | 1.1 | 9.9 | |
| Artemis | 884 | 155 | 1,039 | | 692 | 86 | 14% | | 32% | 1.3 | 12.1 | |
| Average Small Chains | | | | | | | 20% | | 24% | 1.4 | 10.3x | |

Note

1. High-ARPOBn hospitals have higher ARPOBn (Apollo, Fortis, Max & 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

| Rs Cr | %Weightage Sept'19 | %Weightage Mar'23 | Mkt Cap Mar'23 |
|----------------|-----------------------|----------------------|-------------------|
| Apollo | 45% | 33% | 64,758 |
| Max | | 21% | 41,862 |
| Fortis | 24% | 11% | 21,150 |
| Narayana | 11% | 8% | 15,112 |
| Medanta | | 7% | 13,549 |
| Aster DM | 14% | 6% | 11,421 |
| KIMS Hyderabad | | 6% | 11,316 |
| Rainbow | | 4% | 7,663 |
| HCG | 2% | 2% | 3,797 |
| Kovai | 2% | 1% | 2,040 |
| Shalby | 2% | 1% | 1,420 |
| Artemis | | 0% | 884 |
| IHX | 100% | 100% | 1,94,974 |

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 ~44% to IHX today as compared to ~70% in Sept'19
- New listed hospitals - Max, Medanta, KIMS and Rainbow contribute 38%+ to IHX

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