

Healthcare Valuation Trends

June 2023



Executive Summary

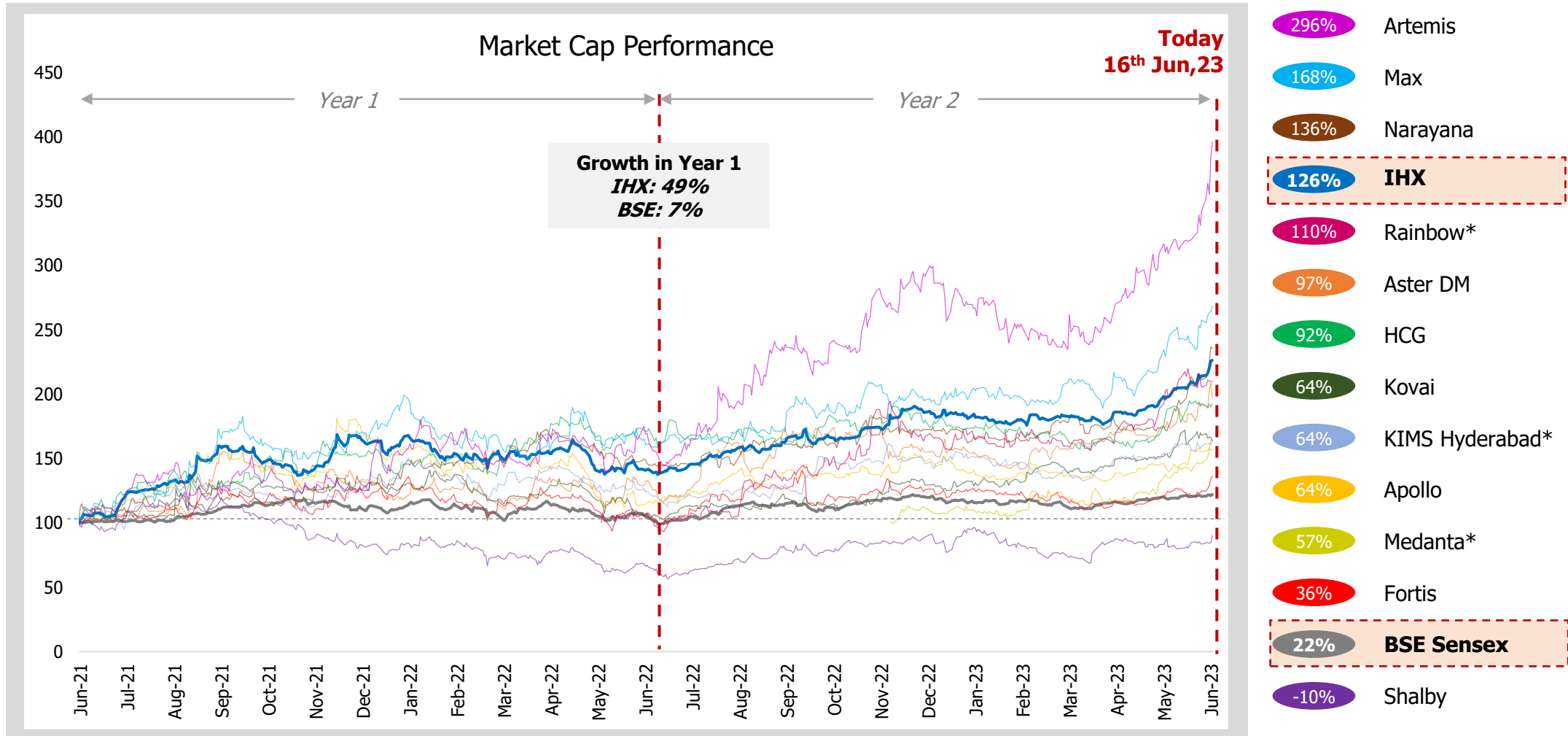
- **Indian hospital valuations (tracked via Indium Healthcare Index) have grown by 126%+ in the last 2 years and have significantly outperformed BSE Sensex** (26% of this growth has come in the previous 3 months)
- **Overall Revenue/EBITDA for Large Chain hospitals grew at a ~12%+ CAGR over the last 2 years and reached an all-time high in Q4 FY23 (Jan'23-Mar'23).** However, performance has varied widely across hospitals
- **Large Chain hospitals had net addition of 2500+ beds** in the last 2 years (~8%+ increase) driven largely by KIMS Hyderabad(878), Aster DM(748), and Medanta(466)
- **Overall average EV/EBITDA & EV/Bed multiples of Large Chain hospitals are at ~23-24x and Rs 6-7cr/bed ;** However, there is **wide variation in multiples** across hospitals

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

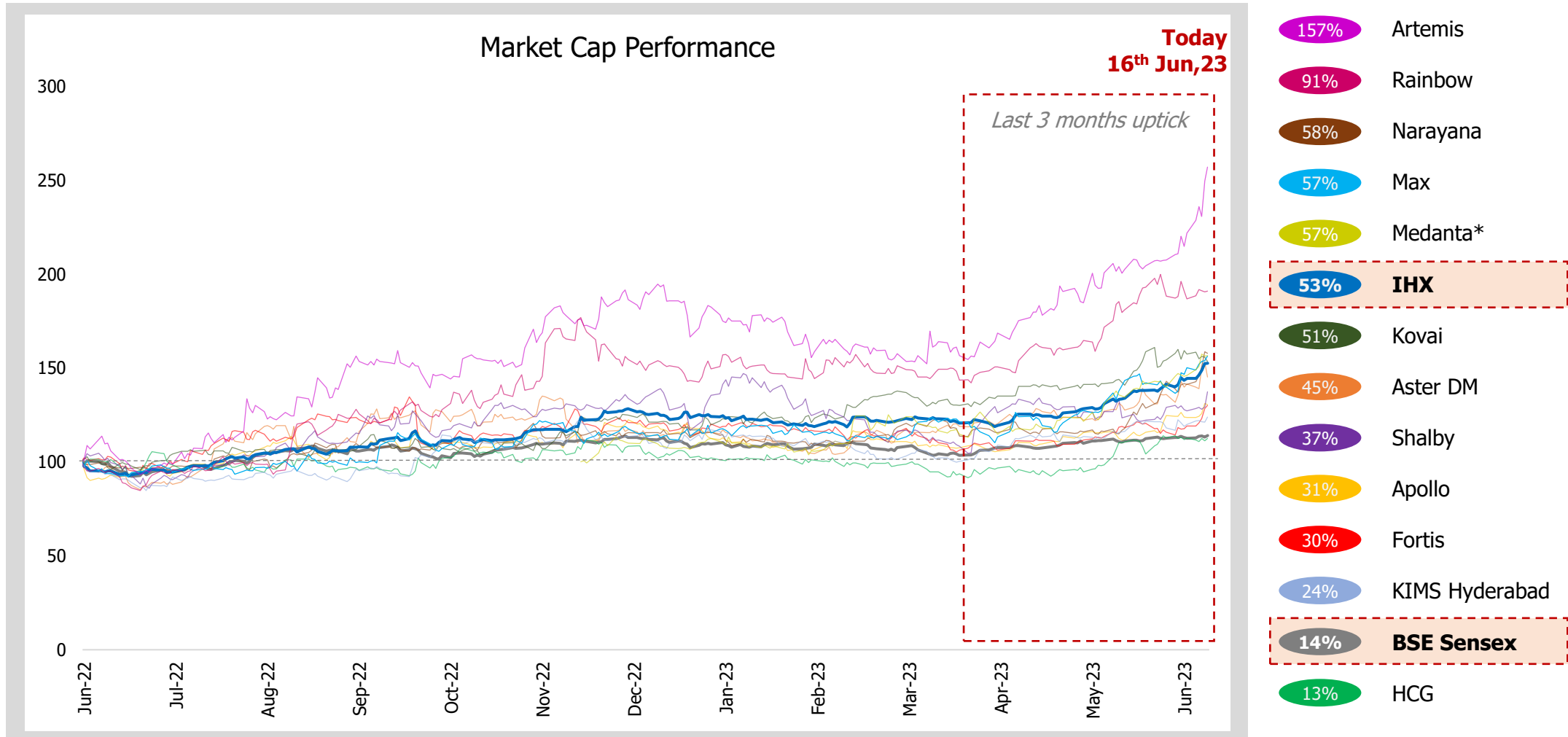
Indium Healthcare Index (IHX) has grown by 126% in the last 2 years (vs. BSE Sensex at 22%); 26% of this growth has come in the last 3 months



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 53% driven by the uptick in the last 3 months; all hospitals and the index have grown in the last 3 months

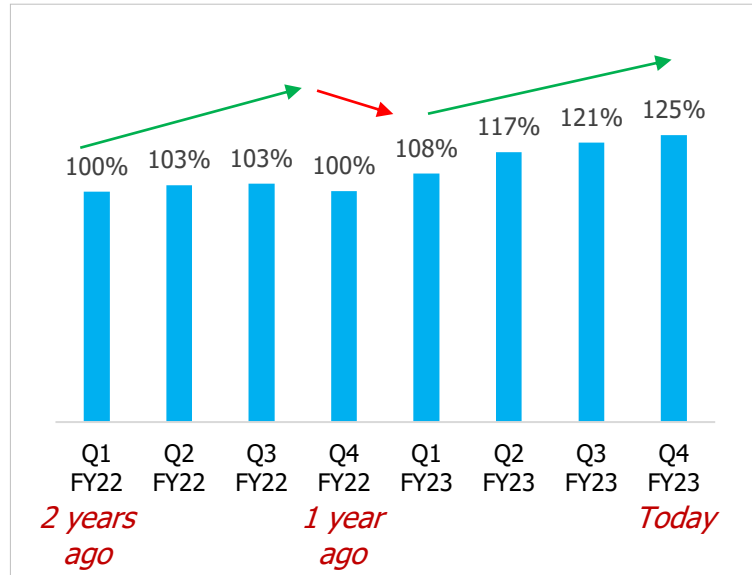


Note: Indium Healthcare Index (IHX) is a Market Capitalization weighted index comprising all the listed Hospitals Medanta (listed on 16-Nov-22) has been included in IHX from respective listing dates
Sources: BSE, Indium Analysis

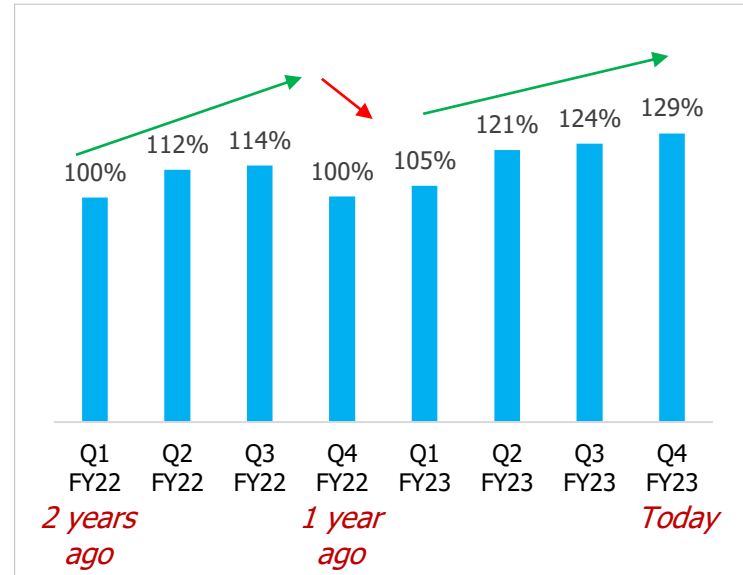
Large Chain hospitals - Combined Performance in last 2 years

Combined Metrics of Large Chain hospitals

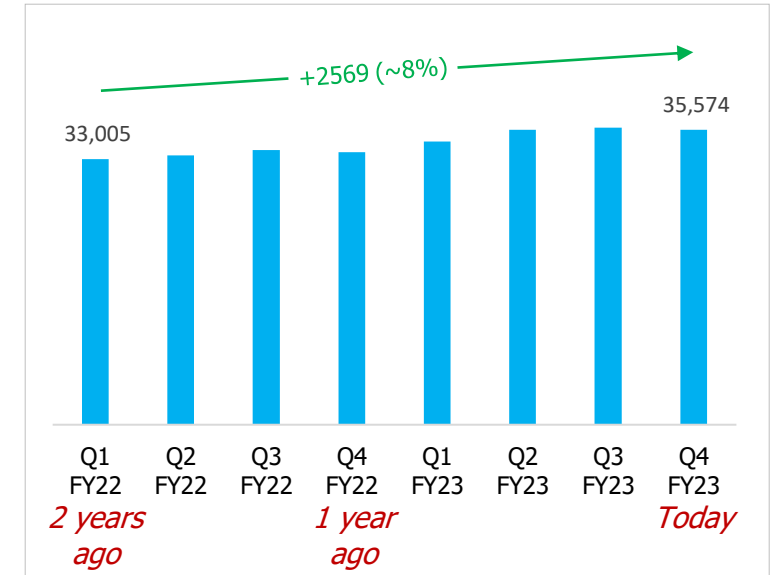
Revenue (% of Q1 FY22)



EBITDA (% of Q1 FY22)



Operating Beds



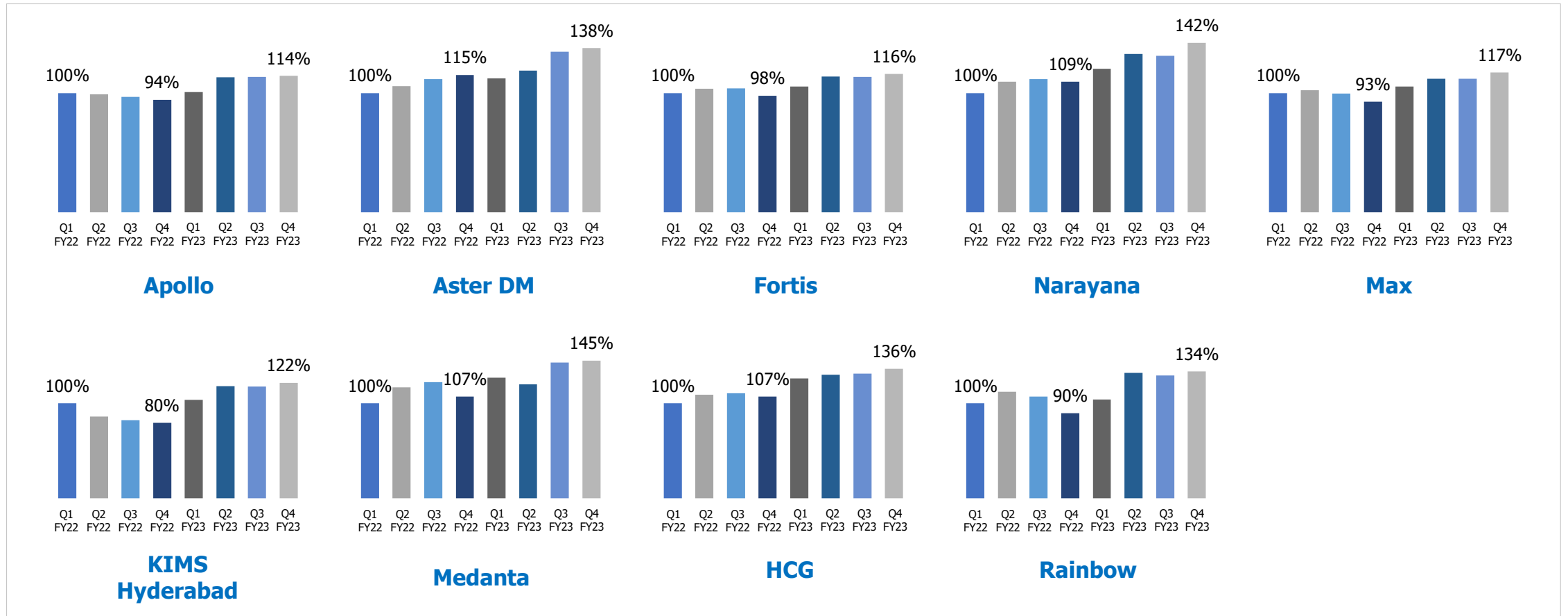
*Large Chains include Apollo, Aster DM, Fortis, Narayana, Max, HCG, KIMS Hyderabad, Medanta & Rainbow hospitals.

- **Combined Revenue/EBITDA of Large Chain hospitals reached a 2-year high in Q4 FY23 (Jan'23-Mar'23); ~25-30% higher than the Covid 2nd wave spike during Q1 FY22 (Apr'21-Jun'21)**
- **~2500 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 all Large Chain hospitals in the current quarter (Jan'23-Mar'23) have grown over the previous quarter; Narayana, Max and HCG have observed a comparatively higher Q-o-Q growth

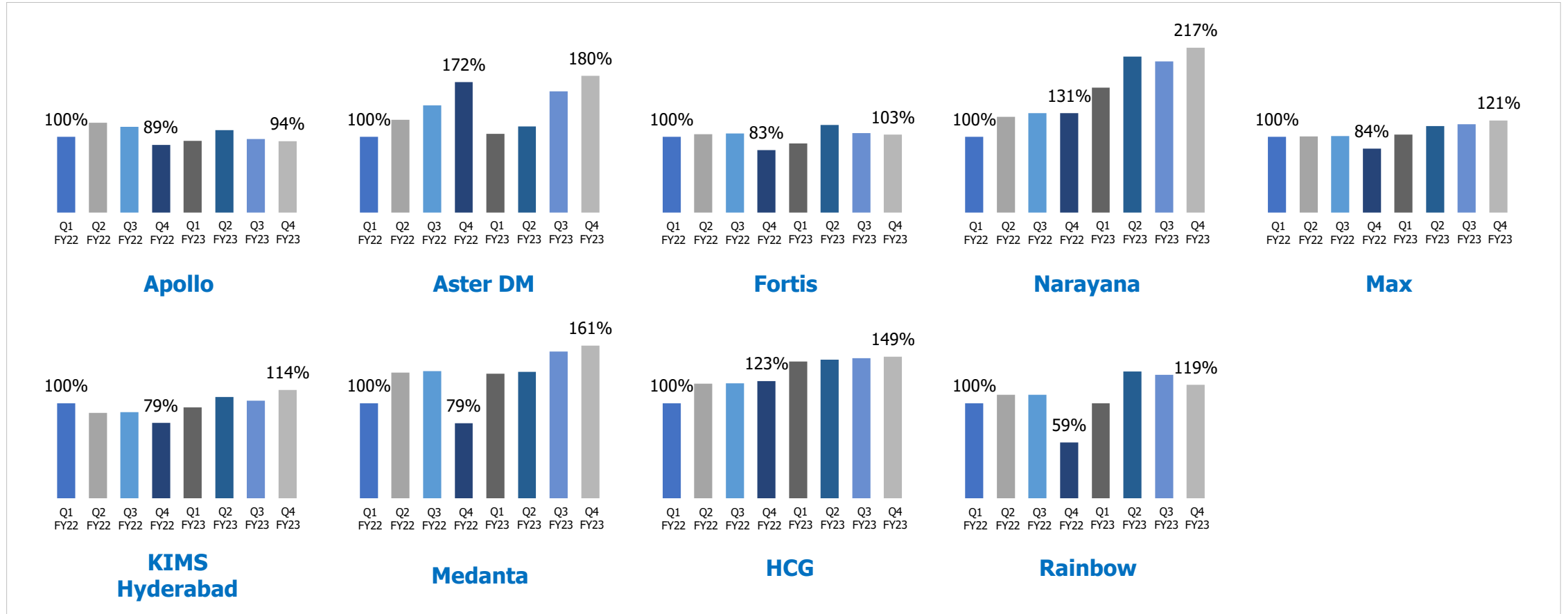
Revenue (% of Q1 FY22)



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

EBITDA growth performance in the current quarter (Jan'23-Mar'23) is widely varied; while Aster DM, Narayana, KIMS & Medanta have grown, the rest have remained similar or degrown over Q3 FY23

EBITDA (% of Q1 FY22)

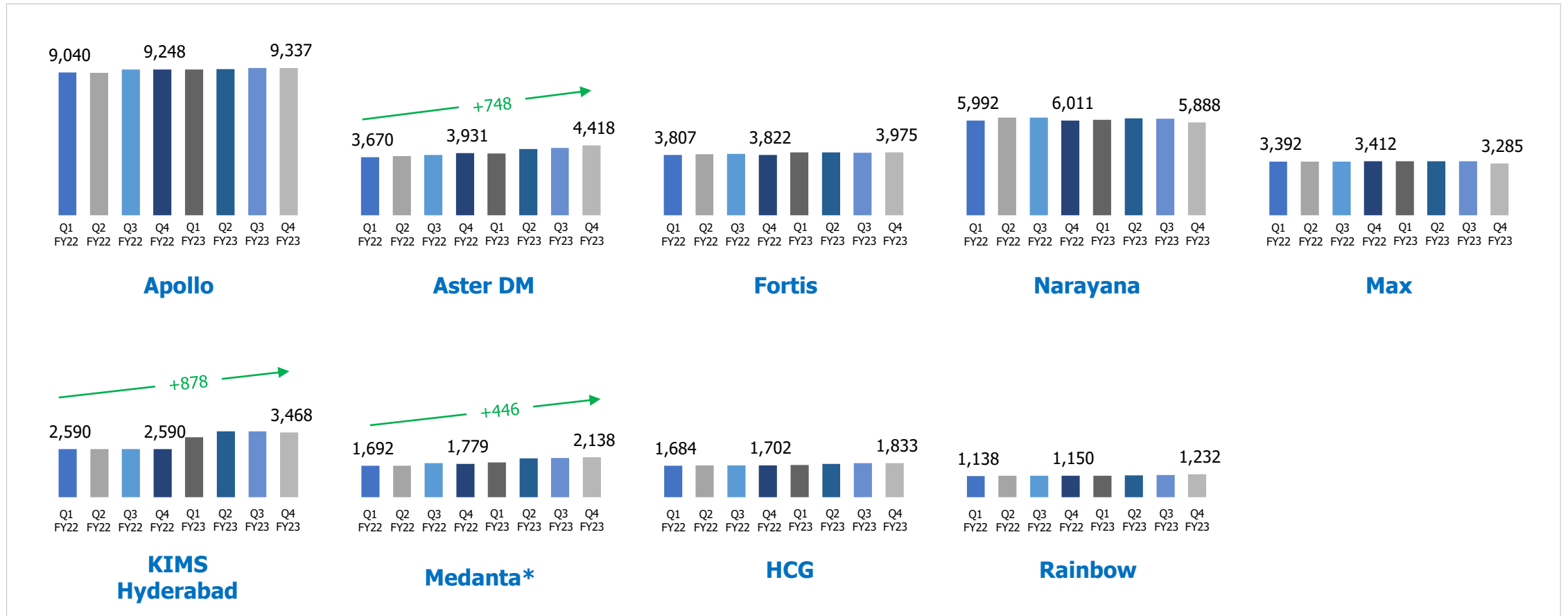


Note: EBITDA numbers are post Ind AS 116
Source: Company Financials

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

~2500 net new beds were added across Large Chain hospitals in the last 2 years, via organic and inorganic expansion – Key contributors include KIMS Hyderabad, Aster DM & Medanta

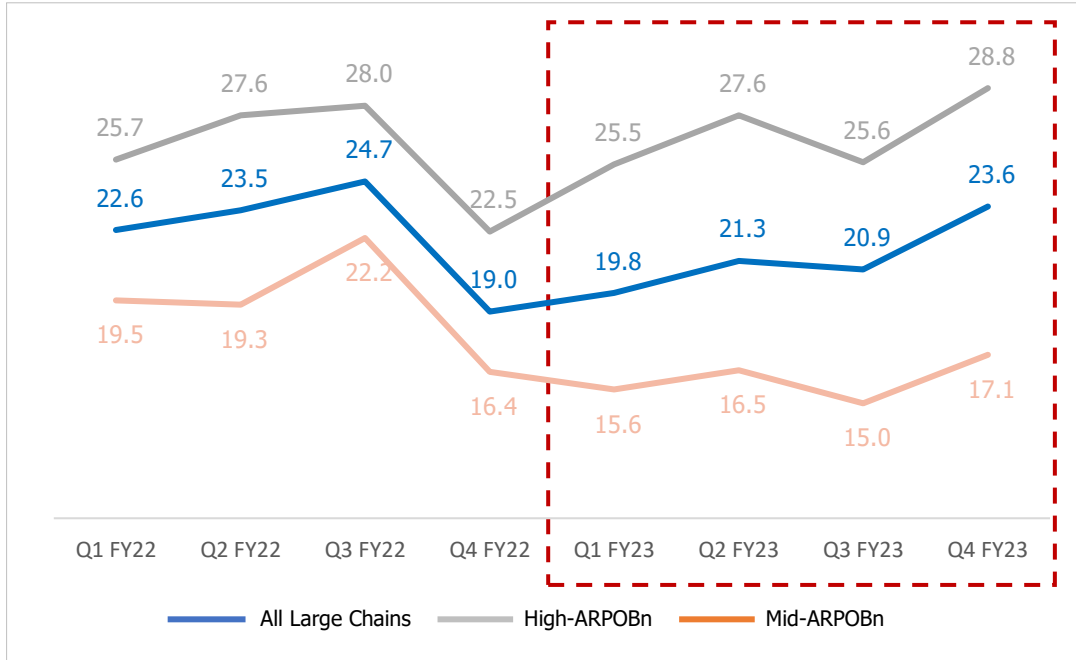
Operating Beds



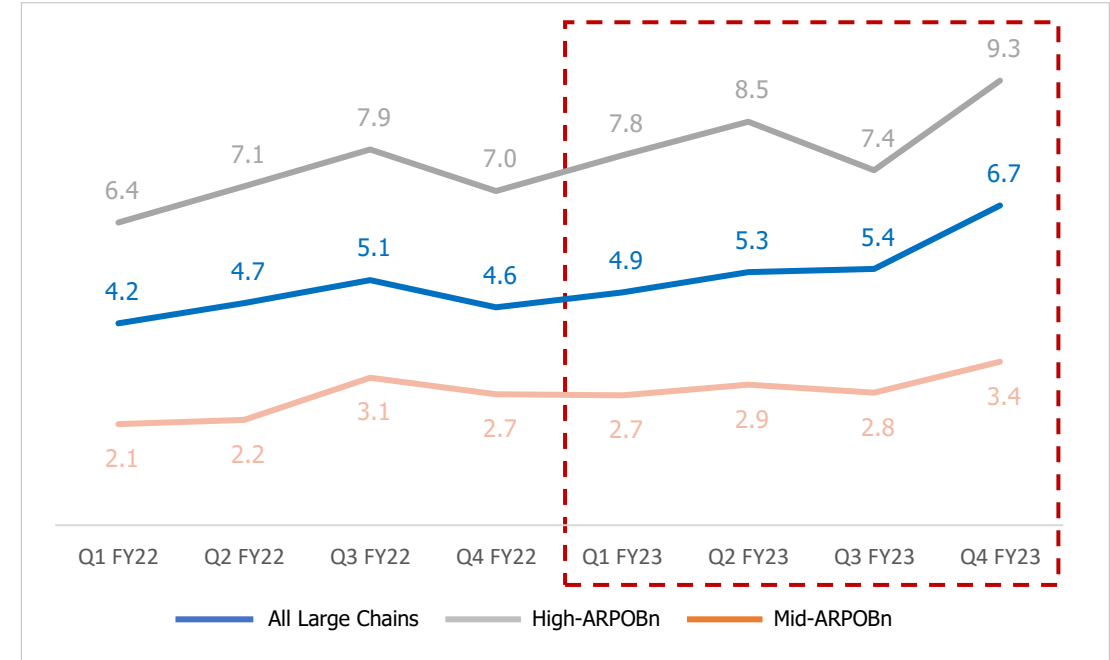
*Q2FY22 Operating beds of Medanta assumed to be same as Q1FY22.

Valuation Multiples Trend – Large Chain hospitals

EV/EBITDA (x)



EV/Bed (x)



Note: Aster DM ARPOBn is calculated based on India performance

- **Overall valuation multiples of Large Chain hospitals have grown after a correction in Q4-FY22, and neared an all-time high with recent solid growth in overall hospital valuations**
- As described in our previous report, there is **wide variation** in multiples across segments of Large Chain hospitals (**High-ARPOBn** segment - Apollo, Fortis, Max, Medanta & Rainbow, and **Mid-ARPOBn** segment – Aster DM, Narayana, HCG & KIMS Hyderabad)
- **Overall average EV/EBITDA is ~23-24x & EV/Bed ~Rs 6-7cr/bed**
 - EV/EBITDA average of High-ARPOBn hospitals are higher at ~28-30x, and Mid-ARPOBn hospitals are lower at ~16-17x
 - EV/Bed average of High-ARPOBn hospitals are higher at ~Rs 8-10cr/bed and Mid-ARPOBn hospitals are lower at ~Rs 3-4cr/bed

Annexure



Hospital Companies' Multiples

Hospital Multiples – 16^h Jun'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	74,740	1,509	76,249	9,337	16,613	2,050	11%	1%	21%	8.2	37.2	} High-ARPOBn hospitals
Max	57,726	-733	56,993	3,285	5,904	1,636	28%	-4%	27%	17.3	34.8	
Fortis	23,411	330	23,741	3,975	6,332	1,140	17%	4%	19%	6.0	20.8	
Medanta	17,451	-469	15,912	2,138	2,598	588	23%	6%	35%	7.4	27.1	
Rainbow	9,589	-45	9,544	1,232	1,183	397	31%	7%	49%	7.7	24.1	
Average High-ARPOBn							18%	1%	15%	9.3	28.8x	
Mid-ARPOBn hospitals												
Narayana	21,155	131	21,286	5,888	4,525	1,052	24%	-2%	30%	3.6	20.2	} Mid-ARPOBn hospitals
Aster DM	14,458	1,848	16,306	4,418	11,932	1,566	16%	12%	20%	3.7	10.4	
KIMS Hyderabad	13,095	467	13,562	3,468	2,203	600	28%	34%	53%	3.9	22.6	
HCG	4,407	190	4,597	1,833	1,693	300	17%	8%	27%	2.5	15.3	
Average Medium-ARPOBn							17%	10%	22%	3.4	17.1x	
Average Large Chains							17%	6%	17%	6.7	23.6x	
Small Chains												
Kovai	2,369	224	2,593	1,202	1,018	269	25%	0%	22%	2.2	9.7	
Shalby	1,654	-71	1,583	1,260	809	141	13%	2%	31%	1.3	11.2	
Artemis	1,432	191	1,622	433	730	94	14%		25%	3.7	17.2	
Average Small Chains							20%		24%	2.4	12.7x	

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

Rs Cr	%Weightage Sept'19	%Weightage Jun'23	Mkt Cap 16th Jun'23
Apollo	45%	31%	74,740
Max		24%	57,726
Fortis	24%	10%	23,411
Narayana	11%	9%	21,155
Medanta		7%	17,451
Aster DM	14%	6%	14,458
KIMS Hyderabad		5%	13,095
Rainbow		4%	9,589
HCG	2%	2%	4,407
Kovai	2%	1%	2,369
Shalby	2%	1%	1,654
Artemis		1%	1,432
IHX	100%	100%	2,41,488

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 ~40% to IHX today as compared to ~70% in Sept'19
- New listed hospitals - Max, Medanta, KIMS and Rainbow contribute 40%+ to IHX

Indium Capital Advisors Pvt Ltd

2nd Floor, Real Square Building,
7th Block Koramangala,
Bangalore - 560095, India

+91 80 40910550
www.indiumcapital.com
contact@indiumcapital.com

Team Contacts

Nitish Agrawal – nitish@indiumcapital.com
Krithika Sivaraman – krithika@indiumcapital.com
Manish Reddy Daka – manish@indiumcapital.com
Aparna Daga – aparna@indiumcapital.com