

UK High Court appoints joint administrators for NMC Health

The High Court in the United Kingdom announced today that it has appointed joint administrators to NMC Health PLC (“NMC” or “the Company”), following an application by Abu Dhabi Commercial Bank (“ADCB” or “the Bank”). NMC has conceded to the ruling.

ADCB and other key creditors have concluded that an administration process is the most suitable route to ensure a rescue and turnaround of NMC Health PLC and its subsidiaries (“NMC Group” or “the Group”), and to assure continuity of operations for patients, healthcare workers and other stakeholders. An administration is a process designed for a rapid business recovery and is therefore distinct from liquidation.

This proactive approach to place the Group in administration was taken in response to recent developments, including the revelation of previously undisclosed liabilities of over US\$ 4 billion, which suggests a significant risk of insolvency. NMC may have concealed material information from creditors, shareholders, rating agencies and regulators. It also recently disclosed suspected fraudulent activity, which has impacted the Group’s financial position and the interests of ADCB and other key stakeholders.

ADCB’s filing for the appointment of joint administrators has received support from a number of key creditors. Creditors have been particularly concerned about the Group’s liquidity and that former members of the board and senior management team still retained influential positions within NMC despite the disclosure of the suspected fraudulent activities.

The joint administrators, from turnaround advisory firm Alvarez & Marsal (“A&M”), will take immediate control and will work on behalf of all stakeholders. Their priority is to ensure stability and the continuation of uninterrupted healthcare services at the Group’s medical facilities. The joint administrators are also tasked with implementing robust governance, conducting a full, transparent investigation into suspected previous irregular financial activity and taking adequate steps to initiate the recovery of any missing assets and funds.

ADCB is committed to working closely with the joint administrators, other creditors, stakeholders and regulators to ensure investigations are exhaustive and to bring to justice those involved in fraudulent behaviour at NMC. The Bank has committed to extend short-term working capital facilities to the Company when the joint administrators commence their work.

ADCB would like to express its appreciation for the Group’s doctors, nurses and other critical care providers and employees, who are working tirelessly to serve local communities in challenging circumstances. The Bank will continue to coordinate with other creditors to support NMC at this critical time for the Group, its employees and patients.

Background to ADCB’s relationship with NMC Health

With 194 medical facilities across 19 countries, NMC operates one of the biggest healthcare networks in the United Arab Emirates (UAE) and the wider Middle East and North Africa (MENA) region. Founded in 1975, its hospitals, clinics and pharmacies have played a central role in providing vital services, touching the lives of the majority of UAE residents.

ADCB has a long-established relationship with NMC Health dating back four decades. The Bank contributed to the financing of the Company's growth into one of the largest publicly listed companies in the highly regulated healthcare industry. NMC Health listed on the London Stock Exchange in 2012 and subsequently became a constituent of the FTSE 100 index, with its shares widely held by sophisticated investors, including many major institutional funds.

ADCB provided credit facilities at the corporate level to NMC Group, which were guaranteed by NMC Health PLC. Following the three-way merger in May 2019, ADCB's total credit exposure of US\$ 981 million to the Group comprises US\$ 767 million of facilities extended by ADCB, US\$ 147 million by the former Union National Bank (UNB) and US\$ 67 million by Al Hilal Bank (all exposures are prior to the merger).

The Bank has never provided unsecured loans to NMC's principal shareholders.

The credit extended by ADCB, which included syndicated loans alongside major global banks, was through senior unsecured facilities in line with common practice for a publicly listed company that also had issued a convertible bond and sukuk in 2018. NMC's issuance of public debt required a detailed prospectus and adherence to stringent listing regulations, with the issues receiving a "Ba1" rating from Moody's and a "BB+" rating from S&P.

The Bank's assessment of NMC was based on financial statements published by the Group, which were audited as a listed company since 2012. The information available to ADCB, including half-year financial statements released in August 2019, showed a profitable business with healthy cash flows, a comfortable debt position and strong fundamentals, operating in markets displaying strong growth in demand for healthcare.

The Company reported EBITDA (earnings before interest, tax, depreciation and amortisation) of US\$ 323.5 million and net income of US\$ 138 million for the first six months of 2019, while giving full-year 2019 guidance for EBITDA of US\$ 665 million and net income of US\$ 300 million. This implied a net debt-to-EBITDA ratio of 3.5x for 2019.

The true picture of the financial difficulties faced by NMC only became apparent through a series of announcements by the Company since February 2020, including the uncovering of over US\$ 4 billion of previously undisclosed debts. Contrary to the information the Group provided to ADCB and in breach of the various loan covenants and commitments, following these revelations, the Bank learned that it was among over 80 major regional and international financial institutions that extended credit to the Group.

ADCB remains committed to the preservation and creation of value at NMC Health, while protecting the interests of the Bank and other key stakeholders.