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2Q17 Results Presentation

9 February 2017

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Key 2Q17 Highlights

Strong Financial Performance

	2Q17 YoY Growth	1H17 YoY Growth
Revenue	10.6%	13.5%
EBITDA	16.1%	17.0%
Adjusted NPAT ⁽¹⁾	33.2%	26.7%
Adjusted PATMI ⁽¹⁾	58.0%	37.8%

Operational Update

- Total operational beds : 433 beds (↑3.8% YoY)
- Total patient load : 108.7K patients (↑5.8% YoY)
- Avg. inpatient bill size : MYR 7,724 (↑7.6% YoY)
- Avg. outpatient bill size : MYR 199 (↑4.7% YoY)

Update on Consolidation

- EGM to be held on 10 Feb 2017 to approve overall transaction
- On track to complete in Mar 2017

Outlook and Pipeline

- Mahkota Medical Centre (“**MMC**”): Continued recruitment of skilled sub-specialists to enhance clinical excellence and complex cases
- Regency Specialist Hospital (“**RSH**”): New hospital extension block expected to commence construction in second half 2017
- The Group continues to assess investment opportunities in Malaysia and the region
- Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2017

Double-digit Revenue and EBITDA Growth

Group Income Statement

In MYR'000	2Q17	2Q16	% Δ	1H17	1H16	% Δ
Revenue	106,903	96,622	10.6%	216,364	190,701	13.5%
EBITDA	23,981	20,661	16.1%	49,829	42,600	17.0%
<i>EBITDA margin (%)</i>	22.4%	21.4%		23.0%	22.3%	
Net profit after tax ("NPAT")	12,416	11,559	7.4%	26,926	19,863	35.6%
<i>NPAT margin (%)</i>	11.6%	12.0%		12.4%	10.4%	
Profit attributable to						
Equity holders ("PATMI")	5,332	5,394	(1.1%)	11,502	6,776	69.7%
Non-controlling interests	7,084	6,165	14.9%	15,424	13,087	17.9%

Adjustments for non-operational and one-off items

Add: Forex loss/(gain)	924	(838)	NM	2,069	3,758	(44.9%)
Add: Professional fees ¹	943	-	NM	943	-	NM
Adjusted NPAT	14,283	10,721	33.2%	29,937	23,621	26.7%
<i>NPAT margin (%)</i>	13.4%	11.1%		13.8%	12.4%	
Adjusted PATMI	7,199	4,556	58.0%	14,513	10,534	37.8%
<i>PATMI margin (%)</i>	6.7%	4.7%		6.7%	5.5%	

Commentary

- 2Q17 revenue increased by 10.6% to MYR 106.9mn on account of higher patient load and bill sizes
- EBITDA grew by 16.1% to MYR 24.0mn on the back of revenue growth and better cost management
- PATMI declined 1.1% to MYR 5.3mn primarily due to forex loss and professional fees¹
- However, excluding these non-recurring items, adjusted PATMI increased by 58.0% to MYR 7.2mn in 2Q17

Strong Financial Position

Key Balance Sheet Items

In MYR'000	As at 31 Dec 2016	As at 30 Jun 2016	As at 31 Dec 2015
Cash and cash equivalents	94,488	78,928	50,259
Trade and other receivables	57,952	57,521	86,228
Inventories	12,984	14,050	13,863
Other current assets	3,386	4,167	4,771
Property, plant and equipment	181,446	177,867	179,028
Trade and other payables	85,550	97,550	86,319
Total Debt	39,771	41,857	38,725
Net Debt	(54,717)	(37,071)	(11,534)

Key Leverage Ratios

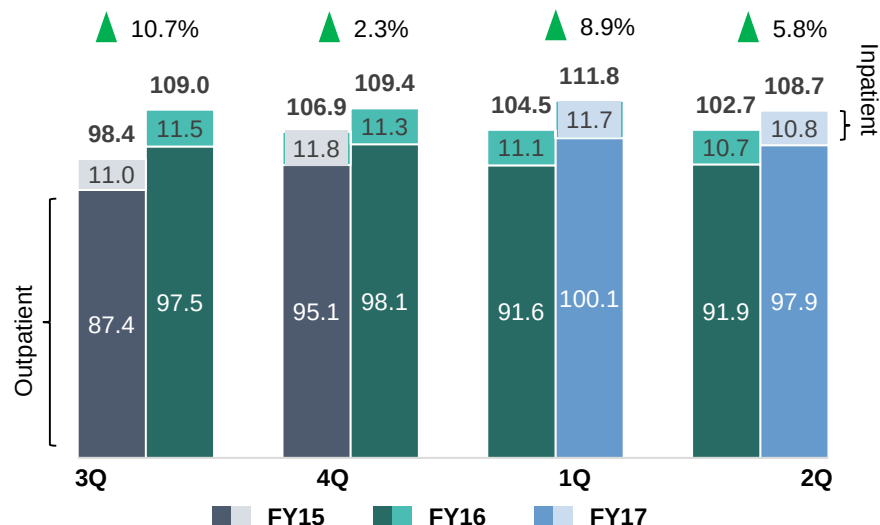
Total Debt / LTM EBITDA	0.4x	0.5x	0.5x
Net Debt / LTM EBITDA	(0.6x)	(0.5x)	(0.2x)
Net Debt / Equity ¹	(0.2x)	(0.2x)	(0.1x)

Commentary

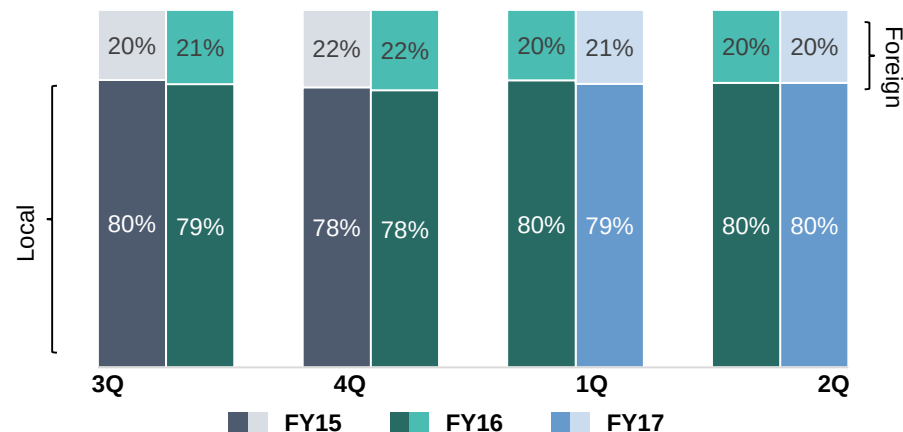
- Maintained strong balance sheet with cash position of MYR 94.5mn and net cash of MYR 54.7mn
- Net Debt / LTM EBITDA of (0.6)x and gearing of (0.2)x as at 31 Dec 2016

Consistent Patient Load Growth

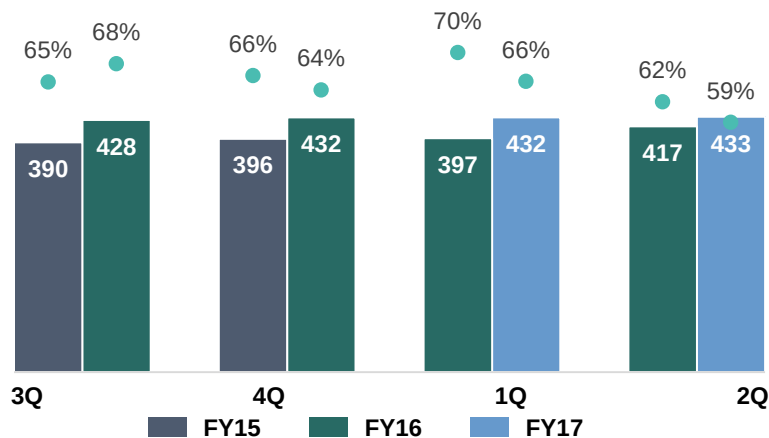
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy¹ and Operational Bed Count

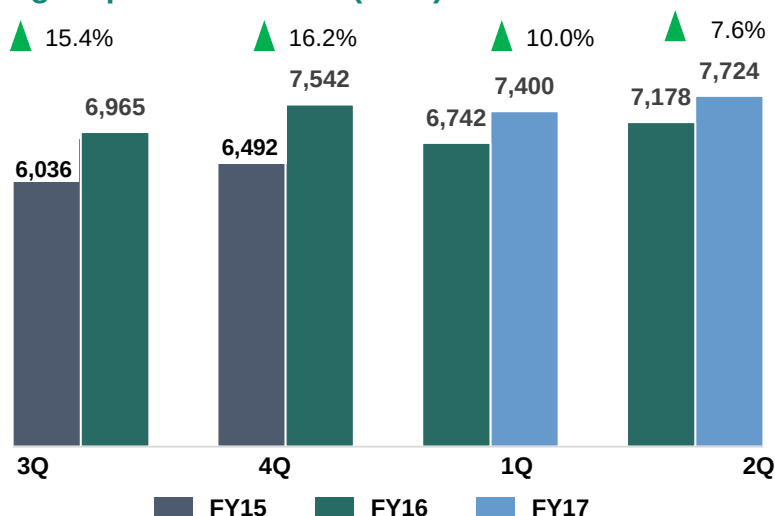


Commentary

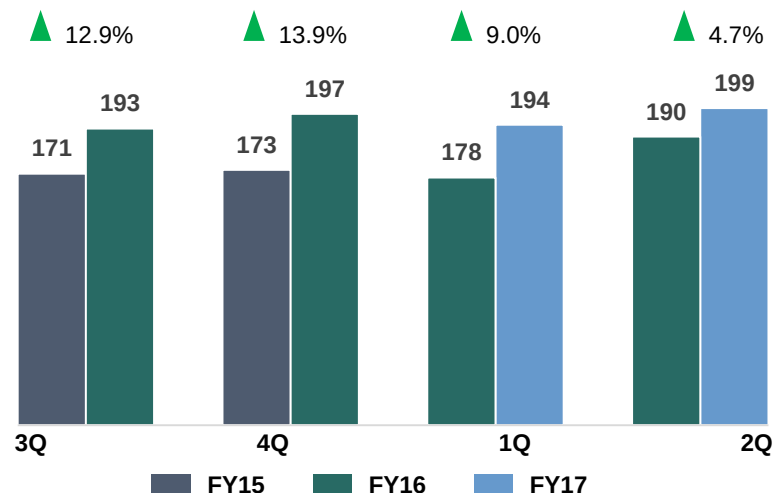
- Patient load increased 5.8% y-o-y in 2Q17, registering a continued healthy growth for both local and foreign patients
- Consistent foreign patient mix across past few quarters
- Decline in bed occupancy for 2Q17 to 59.2% due to an increase in operational beds (16 beds) and the holiday seasons

High Revenue Intensity Per Patient

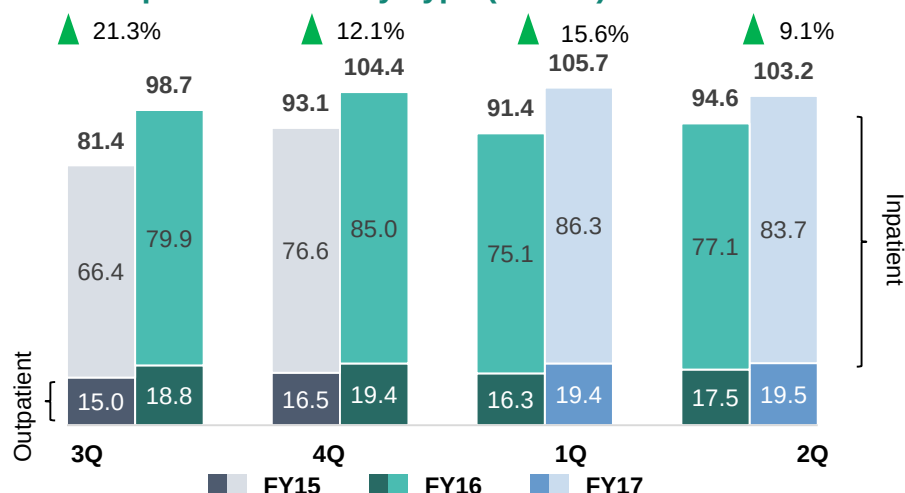
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Inpatient and outpatient average bill sizes increased by 7.6% and 4.7% respectively in 2Q17 (vs 2Q16) respectively primarily driven by higher revenue intensity and increased complexity of surgeries
- Total hospital revenue increased by 9.1% in 2Q17 (vs 2Q16) mainly driven by the strong revenue growth at RSH

Update on Consolidation

Summary of Transaction

- On 11 Nov 2016, HMI announced the proposed consolidation in the ownership of Mahkota Medical Centre and Regency Specialist Hospital to 100% each
- Total purchase consideration of MYR 556.6m (SGD 183.2m) to be satisfied by SGD 69.3m in cash and balance SGD 113.9m via new shares¹
- Implied FY2016 EV/EBITDA transaction multiple of 12.1x

Process Update

- EGM on 10 Feb 2017 to approve overall transaction
- On track to complete transaction in Mar 2017

Funding Update

- Assuming full rights subscription of SGD 18.5m, expected acquisition debt drawdown will be up to SGD 55.0m
- Management plans to partially pay down acquisition debt early with excess cash
- Onshore hedges will be executed to mitigate forex exposures

Transaction Rationale

- Transaction is financially attractive for HMI; 30.4% accretion to fully-diluted FY2016 EPS
- Increased scale post consolidation; 100% of EBITDA and NPAT accrue to HMI shareholders
- Create an enlarged listed healthcare platform to facilitate the Group's regional expansion

Outlook and Pipeline

Mahkota Medical Centre (“MMC”)

- Focus on developing Centre of Excellences and recruitment of sub-specialists such as transplant urologist, rheumatologist, and nephrologist
- Renovation of new wards expected to commission in second half 2017
- Reviewing MMC’s medium-term masterplan to potentially develop available land for hospital extension and complementary services

Regency Specialist Hospital (“RSH”)

- Continued recruitment of specialists and enhanced overseas marketing efforts; new wards to be added late 2017
- New hospital extension block to more than double existing capacity; preliminary estimated construction cost is MYR 160m
- Pending approvals to start construction; expected to commence in the second half of 2017 and take up to 2.5 years to complete

Outlook and Prospects

- The Group continues to assess investment opportunities in Malaysia and the region
- Management will build on the Group’s success and growth over the past years by:
 - Focusing on higher revenue intensity cases
 - Further optimizing operating leverage
 - Managing cost pressures such as rising purchasing cost and staff cost
- Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2017



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APPENDICES

Income Statement – 2Q17 vs 2Q16

Income Statement

In MYR'000	2Q17	2Q16	% Δ
Revenue	106,903	96,622	10.6%
Cost of services	(72,207)	(66,032)	9.4%
Gross profit	34,696	30,590	13.4%
<i>Gross margin (%)</i>	32.5%	31.7%	
Interest income	498	451	10.4%
Other gains/(losses), net	317	1,675	(81.1%)
Distribution and marketing expenses	(856)	(652)	31.3%
Administrative costs	(17,003)	(14,930)	13.9%
Finance costs	(481)	(1,110)	(56.7%)
Share of results of associates	355	603	(41.1%)
Profit before tax	17,526	16,627	5.4%
Income tax expense	(5,110)	(5,068)	0.8%
Net profit after tax ("NPAT")	12,416	11,559	7.4%
<i>NPAT margin (%)</i>	11.6%	12.0%	
Profit attributable to			
Equity holders	5,332	5,394	(1.1%)
Non-controlling interests	7,084	6,165	14.9%

Commentary

- **Revenue:** Increased by MYR 10.3m due to higher patient load and increase in average bill size at both hospitals
- **Gross margin:** Improved by 0.8 percentage points due to higher revenue intensity, better cost management and economies of scale
- **Other gains/(losses), net:** Decreased by MYR 1.4m due to forex losses of MYR 0.9m in 2Q17 vs forex gains of MYR 0.8m in 2Q16 as a result of weakening Malaysian ringgit.
- **Administrative costs:** Increased by MYR 2.1m mainly due to incurrance of MYR 0.9m in professional fees relating to the proposed Acquisition of non-controlling interests in both hospitals¹ and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 0.6m as a result of full settlement of amounts owing to associated companies during 4Q16.

Income Statement – 1H17 vs 1H16

Income Statement

In MYR'000	1H17	1H16	% Δ
Revenue	216,364	190,701	13.5%
Cost of services	(143,839)	(127,927)	12.4%
Gross profit	72,525	62,774	15.5%
<i>Gross margin (%)</i>	33.5%	32.9%	
Interest income	917	890	3.0%
Other gains/(losses), net	887	(1,618)	NM
Distribution and marketing expenses	(1,537)	(1,227)	25.3%
Administrative costs	(34,849)	(30,411)	14.6%
Finance costs	(999)	(2,296)	(56.5%)
Share of results of associates	831	1,433	(42.0%)
Profit before tax	37,775	29,545	27.9%
Income tax expense	(10,849)	(9,682)	12.1%
Net profit after tax ("NPAT")	26,926	19,863	35.6%
<i>NPAT margin (%)</i>	12.4%	10.4%	
Profit attributable to			
Equity holders	11,502	6,776	69.7%
Non-controlling interests	15,424	13,087	17.9%

Commentary

- **Revenue:** Increased by MYR 25.7m due to higher patient load and increase in average bill size at both hospitals
- **Gross margin:** Improved by 0.6 percentage points due to higher revenue intensity, better cost management and economies of scale
- **Other gains/(losses), net:** Improvement due to gains from sale of medical suites and MYR 1.7m lower forex losses arising from weakening Malaysian ringgit.
- **Administrative costs:** Increased by MYR 4.4m mainly due to incurrance of MYR 0.9m in professional fees relating to the proposed Acquisition of non-controlling interests in both hospitals¹ and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 1.3m as a result of full settlement of amounts owing to associated companies during 4Q16.
- **Income tax expense:** Increase by MYR 1.2m due to higher profitability in both hospitals



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THANK YOU