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Singapore Medical Group steers turnaround as net profit soars to S\$0.8 million for 1H2016

- Revenue increases 33.5% yoy to S\$19.5 million driven by growth in key Healthcare business segments: Oncology, Ophthalmology and Obstetrics & Gynaecology
- Former loss-making clinics turned profitable as EBITDA increases 213.1% yoy to S\$1.4 million while EBITDA margin expands 4.3 percentage points to 7.4%
- Bolstered by positive operating cash flows of S\$2.3 million and net cash position of S\$5.2 million, the Group has identified Diagnostic Imaging as the cornerstone for its next phase of growth

Singapore – 3 August 2016, SGX-listed Singapore Medical Group Limited (“SMG” or “the Group”), a specialist and primary healthcare services provider with 23 clinics in Singapore has announced its financial results for the six months ended 30 June 2016 (“1H2016”).

Financial Highlights

Financial Highlights (S\$'000)	1H2016	1H2015	Change
Revenue	19,473	14,586	33.5%
Gross Profit	6,495	4,465	45.5%
Gross Profit Margin (%)	33.4	30.6	2.8 pts
EBITDA	1,434	458	213.1%
EBITDA Margin (%)	7.4	3.1	4.3 pts
Profit After Tax	830	(64)	n.m.
Net Profit Margin (%)	4.3	(0.4)	n.m.
Earnings per Share - Basic (S\$ cents)	0.23	(0.09)	n.m.

n.m: Not meaningful

The Group's revenue increased 33.5% year-on-year (“yoy”) to S\$19.5 million for 1H2016. Growth in the Group's topline was driven by the Healthcare segment which increased 43.5% yoy to S\$15.4 million while the Aesthetic segment increased 1.8% yoy to S\$3.8 million. Correspondingly, the Group's gross profit increased 45.5% yoy to S\$6.5 million as gross profit margin expanded from 30.6% to 33.4% for 1H2016.

In line with the Group's growth, distribution and selling expenses increased 22.1% yoy to S\$1.2 million as revenue and marketing activities rose. Similarly, administrative expenses increased 19.5% yoy to S\$4.5 million due to an increase in staff headcount from the opening of five new clinics in the second half of 2015 and the acquisition of Novena Radiology Pte. Ltd. on 1 April 2016.

As a result, the Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (“EBITDA”) increased 213.1% yoy to S\$1.4 million while its EBITDA margin improved by 4.3 percentage points to 7.4%.

Correspondingly, the Group makes a net profit of S\$0.8 million for 1H2016 compared to a net loss of S\$0.1 million in 1H2015, testament to the Group's turnaround.

The Group's core business segments generated strong positive operating cash flows of S\$2.3 million for 1H2016 as compared to a utilisation of S\$0.5 million for 1H2015. As a result, the Group's balance sheet strengthened as cash and cash equivalents amounted to S\$7.3 million while its net cash position improved to S\$5.2 million.

Speaking on the Group's improved financial performance, Executive Director and CEO Dr. Beng Teck Liang commented, *"Since 2014, we have reshaped the business as SMG evolved from a LASIK specialist to a complete ambulatory care provider with over 28 doctors and 35 associated specialists across the island. Last year marked a phase of transition as we expanded the Group, with a focus on building our medical network and suite of services. We were committed in channeling our efforts into turning around our core Healthcare businesses in Oncology, Ophthalmology, and Obstetrics & Gynaecology while continuing to strengthen our Aesthetics business."*

This year, we arrived at a point of inflexion as reflected with this set of financial results. Our initiatives and strategies thus far have yielded positive returns as our revenue and earnings recorded strong growth. We expect to drive the momentum into the second half of 2016."

As part of the turnaround, the Group ventured into Diagnostic Imaging through its JV entity, Lifescan Imaging Pte. Ltd. on 3 August 2015 as it acquired the radiology business of Pacific Cancer Centre Pte. Ltd. for a cash consideration of S\$2.3 million. This strategic acquisition has proved beneficial as the Group gained access to radiology and diagnostic imaging assets, creating synergy amongst the Group's suite of medical services. Since the acquisition, the management team has leveraged on the Group's extensive network of doctors and specialists to turn this formerly loss-making business into a profitable entity.

To further expand its foray into Diagnostic Imaging, the Group completed the acquisition of Novena Radiology Pte. Ltd. on 1 April 2016 for S\$0.6 million. Following this acquisition, the Group has a footprint of 9,000 square feet of medical space in Paragon and Novena, one of the growing diagnostic centres in Singapore.

While elaborating on the Group's plans for its next phase of growth, Dr. Beng added, *"Over the last few years, we have demonstrated strong execution abilities to grow both organically and inorganically. Moving ahead, we will continue to focus on growing our core Healthcare business by recruiting reputable doctors and leveraging on our diverse network to promote cross-selling activities. Targeted branding and marketing efforts have also been implemented to appeal to the appropriate customer base."*

While growing our Healthcare business, we also intend to increase capital expenditure in our Diagnostic Imaging capabilities to capitalise on our unique position of having two facilities located in Singapore's major medical hubs at Paragon and Novena. We see our Diagnostic business as a key growth driver for the Group with huge potential and room for expansion amidst an environment with growing demand for imaging related services."

On the inorganic front, our track record of successfully fixing and turning around unprofitable businesses is a testament to our ability to streamline operations and execute clear strategies for growth. We will continue to explore investment and acquisition opportunities that are value-driven and have the ability to create synergies for the Group."

– The End –

About Singapore Medical Group Limited

Incorporated in 2005 and listed on Singapore Exchange Securities Trading Limited ("SGX") since 2009, Singapore Medical Group Limited ("SMG") is a private specialist and primary healthcare provider with a network of 30 specialties. The Group is committed to its promise of providing patient centred medical care and experience to every individual.

The Group currently has a total of 23 clinics strategically located in Paragon, Mount Elizabeth Novena Specialist Centre, Parkway East Medical Centre, Raffles Place, Connexion and Gleneagles Medical Centre with a growing network of SMG Associates clinics across the island.

SMG Clinics: The Lasik Surgery Clinic, The Dental Studio, The Wellness Suite An SMG Clinic, Facedoctor Aesthetic & Laser, Dr. L Dermatology Aesthetics & Facial Plastic Surgery, The Skin Specialist, Lifescan Medical Centre, Singapore Vision Centre, SMG Vision Centre, The Cancer Centre, The Obstetrics & Gynaecology Centre, SMG Specialist Centre, SMG Orthopaedic Group, SMG Urology Centre with Beng Surgery, Wellness & Gynaecology Centre by Dr Julinda Lee and SMG ENT Centre Ear Nose Throat Face Neck.

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