



HMI
GROUP
新康集团

4Q18 Results Presentation

27 August 2018



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Key 4Q18 Highlights

Strong Financial Performance

	4Q18 YoY Growth	FY18 YoY Growth
Revenue	6.7%	7.3%
EBITDA	17.1%	19.1%
Core NPAT ⁽¹⁾	36.6%	13.6%
Core PATMI ⁽¹⁾	41.5%	90.5%

Operational Update

- Total operational beds : 437 beds (↑0.7% YoY)
- Total patient load : 115.2K patients (↑1.5% YoY)
- Avg. inpatient bill size : MYR 8,230 (↑9.4% YoY)
- Avg. outpatient bill size : MYR 226 (↑6.0% YoY)

Key Updates

- Completed the 62.5% acquisition of StarMed Specialist Centre (“**StarMed**”) in May 2018, a new one-stop ambulatory care centre in Singapore; total commitment of SGD 40mn
- Final dividend proposed at MYR 1.0 cents per share, total dividends declared for FY2018 at MYR 2.0 cents (FY2017 at MYR 1.0 cents)

Outlook and Pipeline

- The Group continues to progress on its hospital expansion plans and recruitment of sub-specialists to enhance clinical offerings and broaden service offering
- StarMed will officially commence operations in FY2019; the Group expects to incur gestation start-up losses from its operations for potentially up to 2 to 3 years

Note: (1) Excludes non-operational and one-off items such as forex (gain)/loss, acquisition-related professional fees and other costs

Resilient Financial Performance

Group Income Statement

In MYR'000	4Q18	4Q17	%Δ	FY18	FY17	%Δ
Revenue	119,198	111,731	6.7%	467,597	435,765	7.3%
EBITDA	29,023	24,779	17.1%	115,146	96,710	19.1%
EBITDA margin (%)	24.3%	22.2%		24.6%	22.2%	
Net profit after tax ("NPAT")	14,657	10,659	37.5%	60,042	42,213	42.2%
NPAT margin (%)	12.3%	9.5%		12.8%	9.7%	
Profit attributable to:						
Equity holders ("PATMI")	15,206	10,659	42.7%	60,596	20,590	194.3%
Non-controlling interests	(549)	-		(554)	21,623	
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain)	151	554		1,140	3,840	
Add: Professional fees ¹	505	-		505	8,234	
Core NPAT	15,313	11,213	36.6%	61,687	54,287	13.6%
NPAT margin (%)	12.8%	10.0%		13.2%	12.5%	
Core PATMI	15,862	11,213	41.5%	62,241	32,664	90.5%
PATMI margin (%)	13.3%	10.0%		13.3%	7.5%	

- ❑ **FY18 revenue increased 7.3% YoY to MYR 467.6mn** due to rising patient load and average bill sizes
- ❑ **FY18 EBITDA increased 19.1% YoY to MYR 115.2mn**, EBITDA margin expands 2.4 percentage points to 24.6% due to higher revenue intensity and effective cost management
- ❑ **FY18 core PATMI grew 90.5% YoY to MYR 62.2mn**. The large one-off increase in PATMI is mainly due to the completion of the consolidation as 100% of net income is now attributable to shareholders

Note: (1) Professional fees incurred relating to the acquisition of StarMed (FY2018) and the consolidation of ownership of its two hospitals, completed on 27th March 2017 (FY2017)

Strong Financial Position

Key Balance Sheet Items

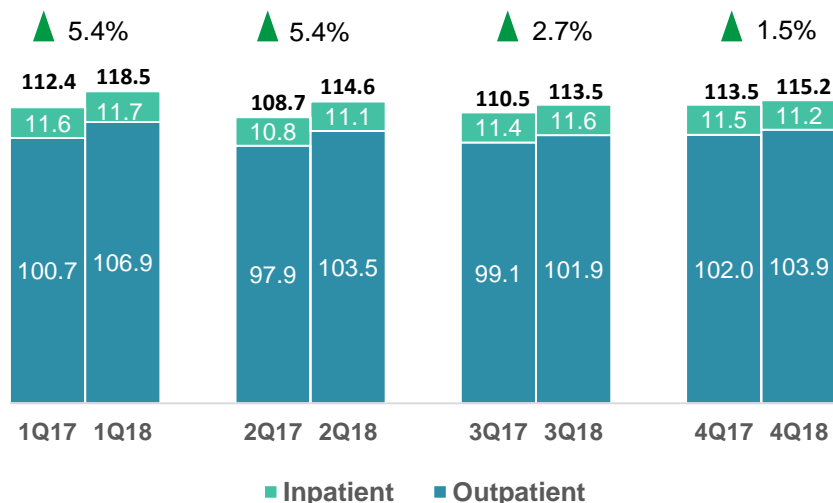
In MYR'000	As at 30-Jun-18	As at 30-Jun-17
Cash and cash equivalents	58,891	76,754
Trade and other receivables	48,820	39,776
Inventories	14,029	13,551
Other current assets	7,401	8,375
Property, plant and equipment	462,630	278,551
Trade and other payables	109,660	67,746
Total Debt	196,378	163,748
Net Debt	137,487	86,994
Key Leverage Ratios		
Total Debt / LTM EBITDA	1.7x	1.7x
Net Debt / LTM EBITDA	1.2x	0.9x
Net Debt / Equity ¹	0.6x	0.5x

- ❑ Maintained strong balance sheet with cash position of MYR 58.9mn and net debt of MYR 137.5mn as at 30 June 2018
- ❑ PP&E increased as a result of the StarMed acquisition
- ❑ Total debt increased due to the consolidation of the mortgage loans (c.20 years tenure) taken up by StarMed of approximately MYR 103mn, offset by repayment of term loans
- ❑ MYR 21m of the trade payables relates to medical equipment purchases at StarMed, which will be financed via hire purchase loans
- ❑ Net Debt / LTM EBITDA increased marginally to 1.2x while Net Debt / Equity remained stable at 0.6x

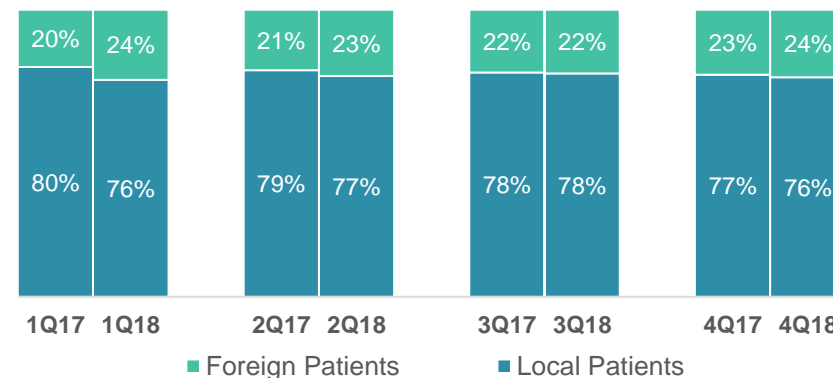
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

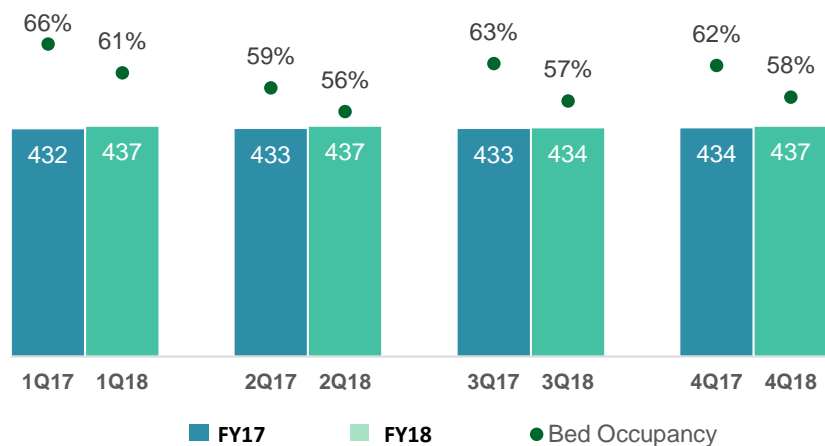
Patient Load by Type ('000)



Patient Load by Nationality (%)



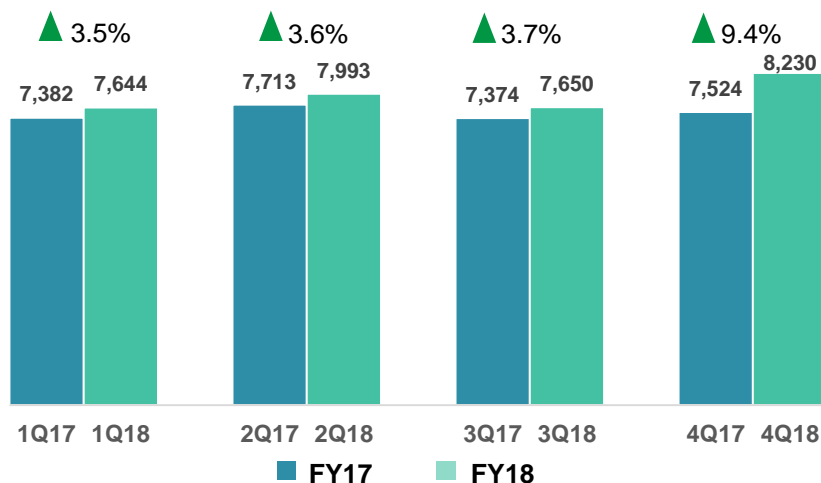
Bed Occupancy and Operational Bed Count



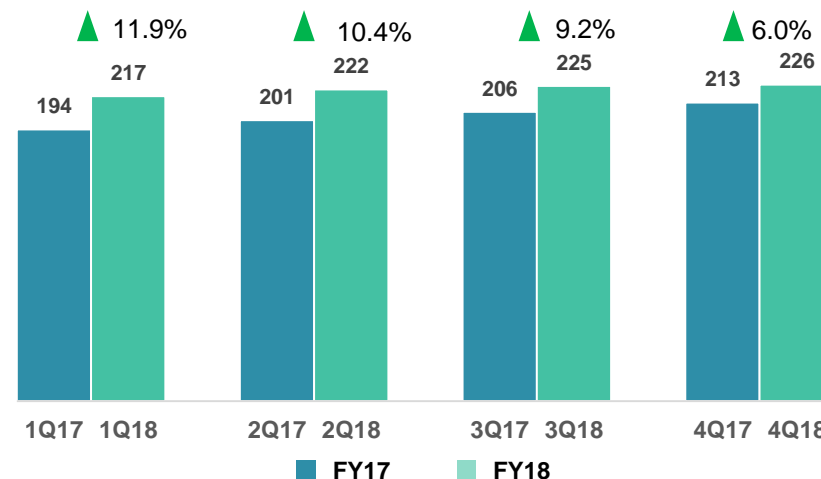
- 4Q18 patient load grew 1.5% YoY to 115k patients
- Overall increase in patient load for FY2018 driven by the growth in outpatient load; inpatient load growth remains flat with local patients likely seeking public options
- Growth in foreign patient load continues to outpace the growth in local patient load. Foreign patient load contributes 23% of total patient load in FY2018
- Total bed occupancy decreases to 58% due to shorter length of stay

Revenue Intensity Per Patient

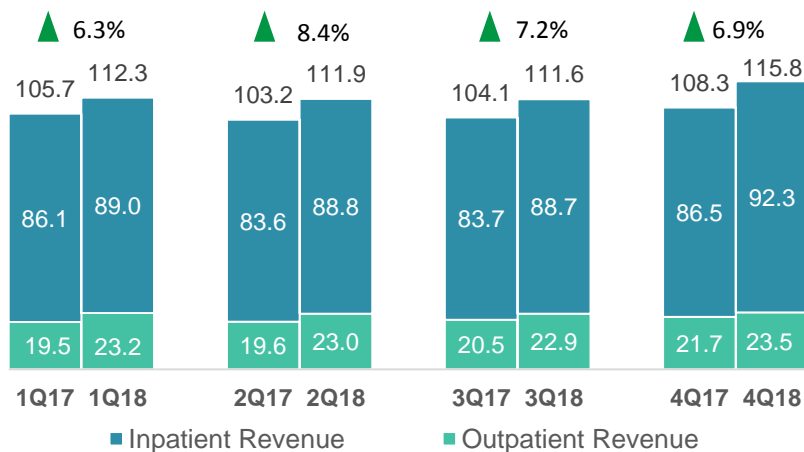
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



- Total hospital revenue increased 6.9% and 7.2% YoY in Q4FY18 and FY2018 respectively due to higher patient load and revenue intensity
- Overall, the average inpatient and outpatient bill sizes grew at 5.6% and 9.0% respectively for FY2018, on the back of higher revenue intensity

Updates on Mahkota



Expansion Update

- ✓ Completed renovation works for Ward 9A and Pediatric Rehabilitation
- ✓ Expansion of the radiology and other departments for more clinical area. Currently undergoing piling works



New Doctors Recruited

- ✓ Introduction of new specialist consultants across a range of specialties including ENT, Gastro, Oncology, Orthopaedic, O&G, etc



Awards

- ✓ 2018 Frost & Sullivan Malaysia Medical Tourism Hospital: Customer Value Leadership Award
- ✓ 2018 The Global Health & Travel Awards – Fertility Service Provider of the Year in Asia Pacific
- ✓ 3rd place winner of the national SOHELP accreditation programme by the Department of Occupational Safety & Health (out of 200+ participants across different industries)



Updates on Regency



Expansion Block

- ✓ Planned new hospital block is in the tender stage; ongoing renovation at existing block to create more clinical space
- ✓ The new block will more than double existing capacity with additional inpatient beds, clinical services, operating theatres and clinical suites for sale or rental to doctors
- ✓ Upon its targeted commissioning in 2021, Regency will become a 380-bed tertiary hospital, with potential to expand capacity to 500 beds



New Doctors Recruited

- ✓ Introduction of new specialist consultants across a range of specialties including Neuro Surgery, Neurology, O&G, Paediatric Surgery, Respiratory, Urology, etc



MSQH Accreditation

- ✓ Obtained the Malaysian Society for Quality in Health ("MSQH") 4-year accreditation
- ✓ MSQH is a national accreditation body for hospitals in Malaysia in the area of healthcare facilities, services and management

Updates on StarMed

Completed renovation and received the relevant Ministry of Health licenses to commence operations. Remains on track to officially commence operations in the second half of 2018



HMI Brand Relaunch

HMI brand relaunch was held on 27th June 2018, concurrently at Mahkota, Regency and HMI Institute





APPENDICES



Income Statement - 4Q18 vs 4Q17

Income Statement

In MYR'000	4Q18	4Q17	%Δ
Revenue	119,198	111,731	6.7%
Cost of services	(78,169)	(74,838)	4.5%
Gross profit	41,029	36,893	11.2%
<i>Gross margin (%)</i>	<i>34.4%</i>	<i>33.0%</i>	
Interest income	302	410	-26.3%
Other gains/(losses), net	884	1,517	-41.7%
Distribution and marketing expenses	(1,653)	(841)	96.6%
Administrative costs	(18,158)	(18,670)	-2.7%
Finance costs	(2,022)	(3,973)	-49.1%
Share of results of associates	-	17	NM
Profit before tax	20,382	15,353	32.8%
Income tax expense	(5,725)	(4,694)	22.0%
Net profit after tax ("NPAT")	14,657	10,659	37.5%
<i>NPAT margin (%)</i>	<i>12.3%</i>	<i>9.5%</i>	
Profit/(loss) attributable to:			
Equity holders	15,206	10,659	43%
Non-controlling interests	(549)	-	NM

- ❑ **Revenue:** Increased 6.7% YoY to MYR 119.2mn driven by higher patient load and revenue intensity at both hospitals
- ❑ **Gross Margin:** Improved to 34.4% from 33.0% as a result of higher revenue intensity in both hospitals and better cost management
- ❑ **Distribution and marketing expenses:** Distribution & marketing expenses for 4Q18 more than doubled as compared to 4Q17 due to increased marketing and promotional efforts, including the rebranding of HMI Group during the quarter
- ❑ **Finance costs:** Finance costs decreased by c.RM 2.0 million mainly due to paydown of the term loan facility during the financial year¹

Note: (1) Refer to SGX announcement "HMI to consolidate its ownership in Mahkota Medical Centre and Regency Specialist Hospital" on 11 November 2016 for details

Income Statement - FY18 vs FY17

Income Statement

In MYR'000	FY2018	FY2017	%Δ
Revenue	467,597	435,765	7.3%
Cost of services	(301,789)	(292,011)	3.3%
Gross profit	165,808	143,754	15.3%
Gross margin (%)	35.5%	33.0%	
Interest income	1,199	1,816	-34.0%
Other gains/(losses), net	2,550	2,136	19.4%
Distribution and marketing expenses	(4,960)	(3,011)	64.7%
Administrative costs	(71,879)	(78,348)	-8.3%
Finance costs	(8,867)	(5,641)	57.2%
Share of results of associates	(1)	1,348	NM
Profit before tax	83,850	62,054	35.1%
Income tax expense	(23,808)	(19,841)	20.0%
Net profit after tax ("NPAT")	60,042	42,213	42.2%
NPAT margin (%)	12.8%	9.7%	
Profit attributable to:			
Equity holders	60,596	20,590	194%
Non-controlling interests	(554)	21,623	-103%

- ❑ **Revenue:** Increased 7.3% YoY to MYR 467.6mn driven by higher patient load, an increase in average bill sizes at both hospitals, and contribution from the education business
- ❑ **Gross Margin:** Improved to 35.5% from 33.0% for FY18 as a result of higher revenue intensity in both hospitals and better cost management
- ❑ **Other gains/(losses), net:** Other gains of MYR2.6mn was recorded in FY18 compared to MYR 2.1mn in FY17. The increase was mainly due to MYR 1.6mn lower foreign exchange losses and offset by one-off gains recorded from sale of medical suites recorded in the previous financial year
- ❑ **Finance costs:** Increased to MYR 8.9mn as a result of the drawdown of SGD 53.0mn from the term loan facility for the purposes of the acquisition of non-controlling interests in Mahkota and Regency¹

1. Refer to SGX announcement "HMI to consolidate its ownership in Mahkota Medical Centre and Regency Specialist Hospital" on 11 November 2016 for details



THANK YOU

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