



Health
Management
International

2Q16 Results Presentation

12 February 2016

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Executive Summary

Financial Performance

- Robust financial performance driven by higher patient load and increased average bill size

	2Q16 YoY Growth	1H16 YoY Growth
Revenue	13.4%	14.2%
Gross Profit	14.3%	20.9%
Net Profit After Tax	(1.2%)	(16.4%)

Decrease in NPAT mainly due to:

- (i) Increase in operating costs (incl. GST);
- (ii) Unrealised FX losses;
- (iii) Share-based expenses;
- (iv) Utilisation of deferred tax assets recognised at RSHSB

- Strong balance sheet with total cash and **net cash** of MYR 50.3m and MYR 11.5m respectively

Operational Update

- Increased patient load and average bill sizes in 2Q16
- Continued recruitment of more consultants at both hospitals
- Mahkota Medical Centre (“**MMC**”) added a new day surgery unit in Sep 2015
- Regency Specialist Hospital (“**RSH**”) added more beds in 2Q16, increasing the Group’s total operational beds to 417 (up from 388 in Dec 2014)

Outlook and Pipeline

- Construction of new medical block at Regency expected to commence in 2016 and be completed in 2018
- MMC to continue expanding within existing building, adding new wards and a PET/CT centre
- The Group continues to assess investment opportunities in Malaysia and the region

Income Statement – 2Q16 vs 2Q15

Income Statement

In MYR'000	2Q15	2Q16	% Δ
Revenue	85,233	96,622	13.4%
Cost of services	(58,466)	(66,032)	12.9%
Gross profit	26,767	30,590	14.3%
<i>Gross margin (%)</i>	<i>31.4%</i>	<i>31.7%</i>	
Interest income	441	451	2.3%
Other gains/(losses), net	(562)	1,675	<i>nmf</i>
Distribution and marketing expenses	(580)	(652)	12.4%
Administrative costs	(11,167)	(14,930)	33.7%
Finance costs	(672)	(1,110)	65.2%
Share of results of associates	565	603	6.7%
Profit before tax	14,792	16,627	12.4%
Income tax expenses	(3,094)	(5,068)	63.8%
Net profit after tax ("NPAT")	11,698	11,559	(1.2%)
<i>NPAT margin (%)</i>	<i>13.7%</i>	<i>12.0%</i>	
Profit attributable to			
Equity holders	5,457	5,394	(1.2%)
Non-controlling interests	6,241	6,165	(1.2%)

Commentary

- **Revenue:** Increased by MYR 11.4m due to higher patient load and increase in average bill size at both hospitals
- **Gross margin:** Increased slightly by 0.3 percentage points due to better cost management and economies of scale offset by increase in doctor's fees as a % of revenue as a result of 13th Schedule increases and input GST
- **Other gains/(losses), net:** Increased by MYR 2.2m mostly due to the strengthening of the Malaysian Ringgit during the quarter which resulted in foreign exchange gains of MYR 0.8m¹ in 2Q16 vs losses of MYR 1.2m in 2Q15
- **Administrative costs:** Increased by MYR 3.8m mainly due to
 - Indirect labour costs increased by MYR 1.1m (incl. increase in share-based payment expenses of MYR 0.3m)
 - Facilities related costs and depreciation increased by MYR 1.2m and MYR 0.9m respectively due to increase in maintenance costs and depreciation incurred by MMC subsequent to Asset Restructuring² exercise completed in Mar 2015
 - Operating costs as a result of GST increased by MYR 0.9m
- **Finance costs:** Higher balances owing to associated companies led to an increase in finance costs of MYR 0.4m
- **Income tax expenses:** Utilisation of MYR 1.4m of deferred tax assets by RSH during the period contributed to an increase in income tax expenses of MYR 2.0m

GST of 6% was implemented in Malaysia in Apr 15. Healthcare services are treated as exempt supply under the GST if they are supplied by a private healthcare facility

Note: 1. Foreign exchange gains consists of MYR 0.6m of unrealised gains and MYR 0.2m of realised gains; 2. Please refer to SGX announcement issued by the company on 13 Mar 2015 for further details on the Asset Restructuring

Income Statement – 1H16 vs 1H15

Income Statement

In MYR'000	1H15	1H16	% Δ
Revenue	166,972	190,701	14.2%
Cost of services	(115,040)	(127,927)	11.2%
Gross profit	51,932	62,774	20.9%
<i>Gross margin (%)</i>	31.1%	32.9%	
Interest income	886	890	0.5%
Other gains/(losses), net	2	(1,618)	nmf
Distribution and marketing expenses	(1,309)	(1,226)	(6.3%)
Administrative costs	(21,550)	(30,412)	41.1%
Finance costs	(1,334)	(2,296)	72.1%
Share of results of associates	890	1,433	61.0%
Profit before tax	29,517	29,545	0.1%
Income tax expenses	(5,768)	(9,682)	67.9%
Net profit after tax ("NPAT")	23,749	19,863	(16.4%)
<i>NPAT margin (%)</i>	14.2%	10.4%	
Profit attributable to			
Equity holders	12,085	6,776	(43.9%)
Non-controlling interests	11,664	13,087	12.2%

Commentary

- **Revenue:** Increased by MYR 23.7m due to higher patient load and increase in average bill sizes
- **Gross margins:** Increased by 1.8 percentage points due to better cost management and economies of scale offset by increase in doctor's fees as a % of revenue as a result of 13th Schedule increases and input GST
- **Other gains/(losses), net:** Decreased by MYR 1.6m mainly due to foreign exchange losses of MYR 3.8m¹ in 1H16 vs MYR 1.2m in 1H15
- **Administrative costs:** Increased by MYR 8.9m mainly due to
 - Indirect labour costs grew by MYR 4.0m (incl. increase in share-based payment expenses of MYR 1.6m)
 - Facilities related costs and depreciation increased by MYR 3.0m and MYR 1.9m respectively due to increase in maintenance costs and depreciation incurred by MMC subsequent to Asset Restructuring² exercise completed in Mar 2015
- **Finance costs:** Increased by MYR 1.0m due to higher balances owing to associated companies
- **Share of results of associates:** Reduction in finance costs and gains from sale of medical suites led to an increase of MYR 0.5m

Note: 1. Foreign exchange gains consists of MYR 3.7m of unrealised gains and MYR 0.1m of realised gains; 2. Please refer to SGX announcement issued by the company on 13 Mar 2015 for further details on the Asset Restructuring

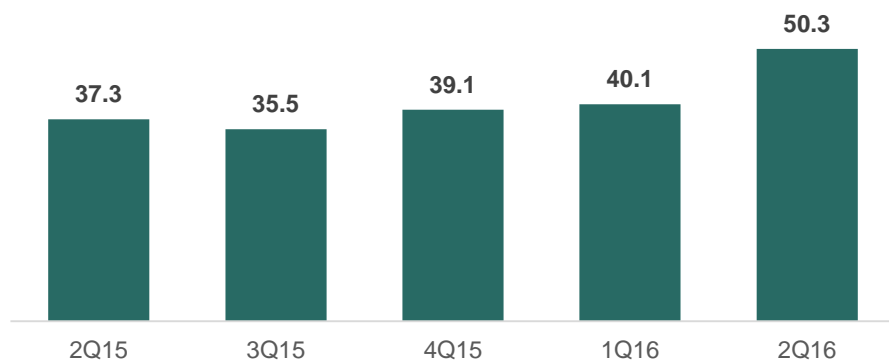
Balance Sheet

Key financial metrics

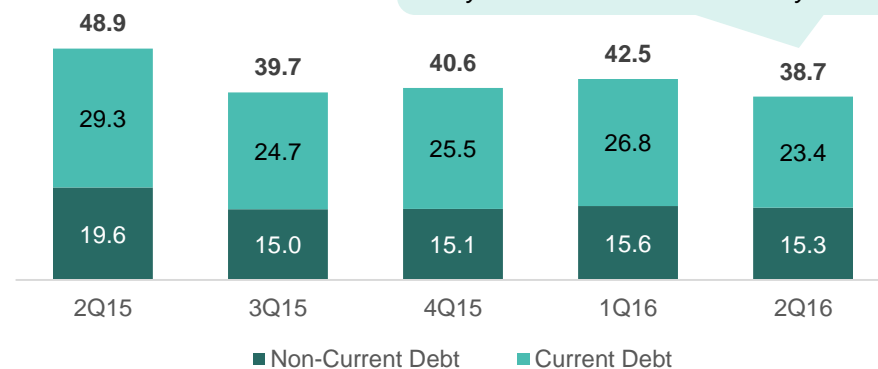
	As at 31 Dec 2015	As at 30 Jun 2015	As at 30 Jun 2014
	(MYR'000)	(MYR'000)	(MYR'000)
Cash and cash equivalents	50,259	39,076	25,977
Trade and other receivables	86,228	87,949	71,277
Inventories	13,863	12,810	5,311
Other current assets	4,771	4,405	4,534
Property, plant and equipment	179,028	180,475	142,569
Trade and other payables	86,319	83,105	75,433
Payables to associated companies	27,131	35,951	227
Borrowings (Total)	38,725	40,576	55,378

Capital structure and leverage

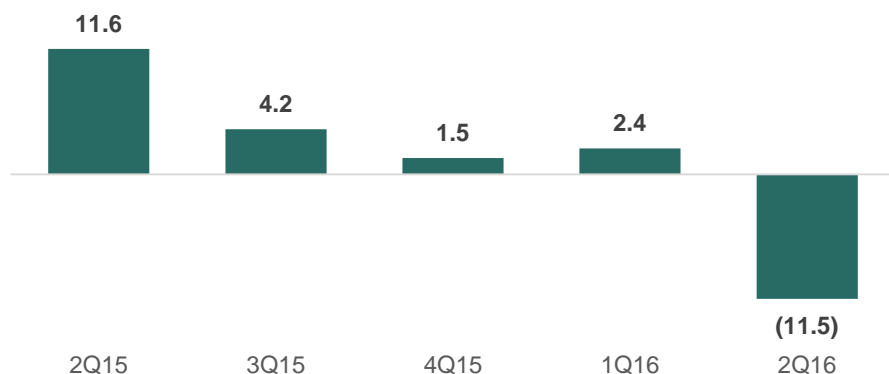
Total Cash (MYRm)



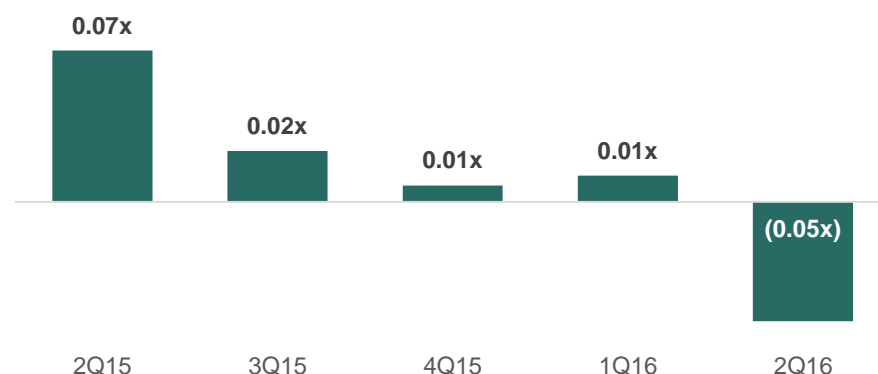
Total Debt (MYRm)



Net Debt (MYRm)



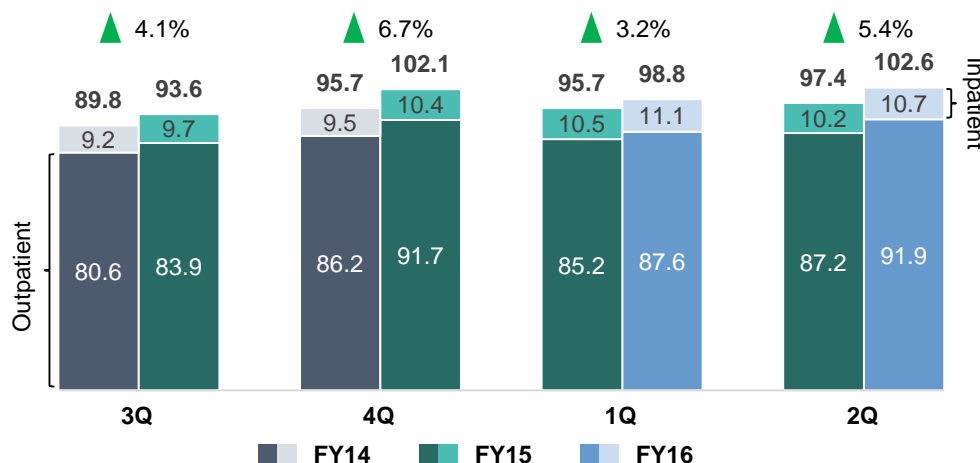
Net Debt to Equity¹ (x)



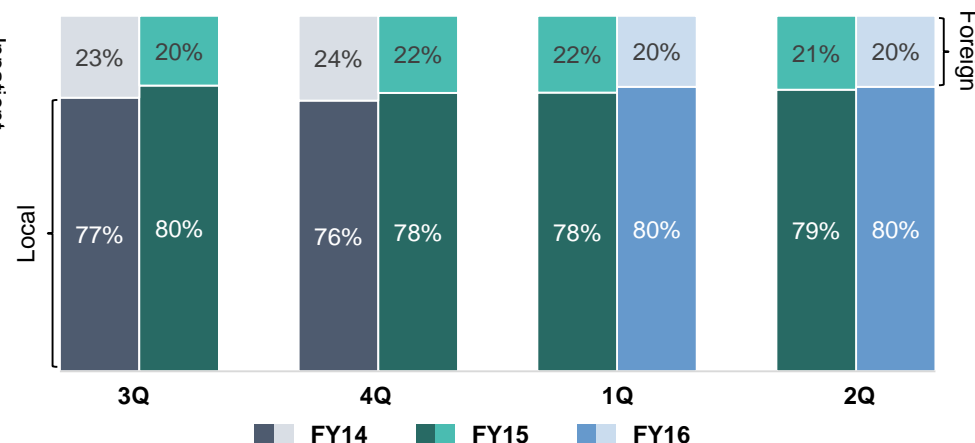
Note: 1. Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests

Hospital Operational Metrics

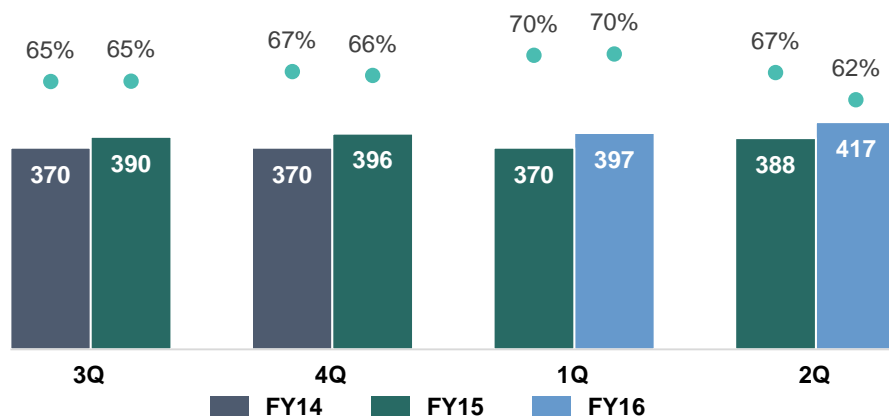
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy¹ and Operational Bed Count

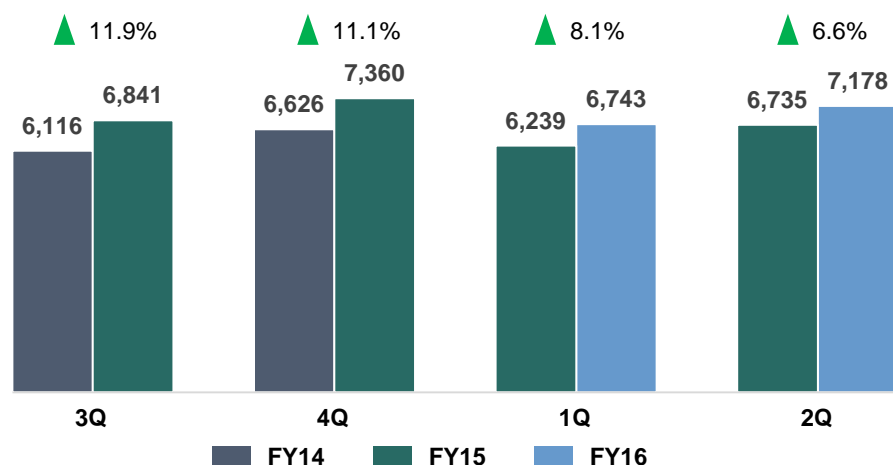


Commentary

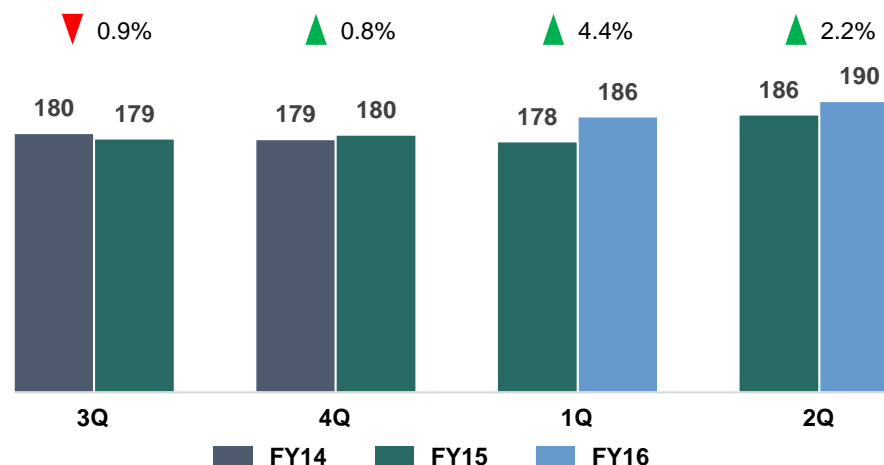
- Patient load increased by 5.4% year-on-year in 2Q16 (vs 2Q15) predominantly driven by increase in local patient load
- Lower bed occupancy due to lower inpatient load and increased operational bed count
- High number of doctors on leave during 2Q16 (vs 2Q15)

Hospital Financial Metrics

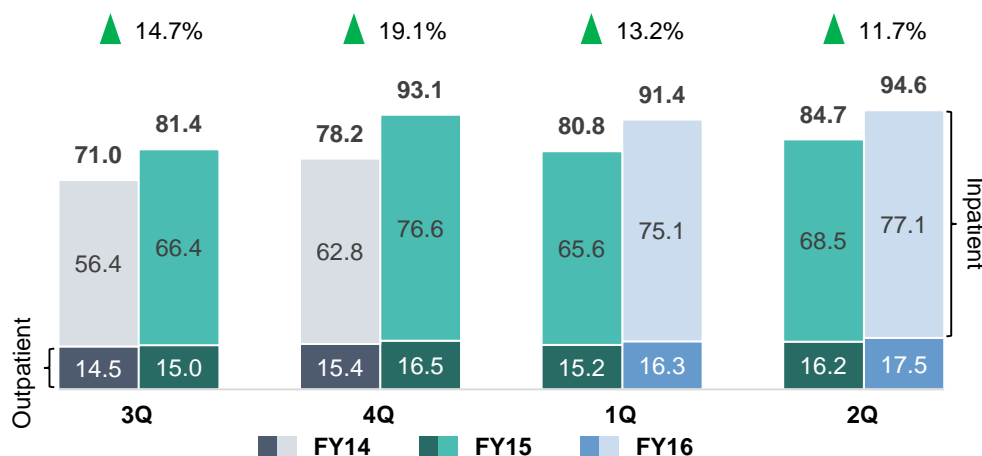
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Inpatient and outpatient average bill sizes increased by 6.6% and 2.2% in 2Q16 (vs 2Q15) respectively primarily driven increase in doctor's fees in line with revision of the 13th Schedule in end 2014, increased revenue intensity and increased complexity of surgeries performed
 - Recruitment of medical sub-specialty surgeons at MMC
 - RSH started its open heart surgery programme in mid 2015
- Total hospital revenue increased by 11.7% year-on-year in 2Q16 (vs 2Q15) driven by higher patient load and increased average bill sizes

New facilities at MMC

Pictures and artist's impressions of new facilities at MMC



Day Surgery Unit

- New Day Surgery Unit added on the first floor, adjacent to the operating theatres and intensive care unit
- Equipped with two minor operating rooms and day beds



Diabetes Care Centre

- Provides services such as diabetic and eye screening, foot care, professional diet counselling and diabetic education
- Part of the Mahkota Diabetes Centre



Corporate and Insurance Counters

- Additional Corporate & Insurance counters on the first floor since 1Q16
- Helps to ease the workload and waiting time for corporate and insured patients

RSH Medical Block

Artist's impressions of the Medical Block



Top: Exterior of the Medical Block with the existing hospital building in the right background



Top left and right: Ground floor lobby area for outpatient registration

Key statistics

- 10-storey medical block to be constructed at the back of the existing hospital building
- Construction expected to commence in 2016 and be completed in 2018
- Adds dedicated outpatient services, patient beds and over 100 clinic suites for practicing consultants
- Estimated construction cost of MYR 90 million to be funded by external debt and internal cash resources



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