



HMI
GROUP
新康集团

2Q19 Results Presentation

11 February 2019



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Key 1Q19 Highlights

Strong Financial Performance

	2Q19 YoY Growth	1H19 YoY Growth
Revenue	10.9%	8.8%
EBITDA	(1.3)%	3.8%
Core NPAT ⁽¹⁾	(14.9)%	(10.6)%
Core PATMI ⁽¹⁾	(3.6)%	1.0%

Operational Update

- Total operational beds : 437 beds (2Q18: 437 beds)
- Total patient load : 122.4K patients (↑ 6.8% YoY)
- Avg. inpatient bill size : MYR 8,004 (↑ 0.1% YoY)
- Avg. outpatient bill size : MYR 233 (↑ 4.8% YoY)

Key Updates

- On 14 Dec 2018, the Group announced an initial S\$4.2 million investment for a 28% stake in a chain of 16 primary care clinics in Singapore; HMI's stake to be increased over time
- Construction of Regency's new extension block has begun
- Declares interim dividend of RM1.0 cents (1H18: RM1.0 cents)

Outlook and Pipeline

- Expansion plans at both Mahkota & Regency in progress along with the continuous recruitment of specialists & sub-specialists
- StarMed started operations in Q1FY2019; gestation start-up costs from its operations expected for potentially 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	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Revenue	128,618	115,987	10.9%	253,549	233,041	8.8%
EBITDA	28,989	29,375	(1.3%)	60,141	57,954	3.8%
EBITDA margin (%)	22.5%	25.3%		23.7%	24.9%	
Net profit after tax ("NPAT")	9,535	15,722	(39.4%)	18,299	29,507	(38.0%)
NPAT margin (%)	7.4%	13.6%		7.2%	12.7%	
Profit attributable to:						
Equity holders ("PATMI")	11,253	15,724	(28.4%)	21,901	29,510	(25.8%)
Non-controlling interests	(1,718)	(2)	NM	(3,602)	(3)	NM
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain)	2,959	(510)	NM	6,458	1,460	NM
Add: One-off Items ¹	450	-	NM	2,930	-	NM
Core NPAT	12,944	15,212	(14.9%)	27,687	30,967	(10.6%)
NPAT margin (%)	10.1%	13.1%		10.9%	13.3%	
Core PATMI	14,662	15,214	(3.6%)	31,289	30,970	1.0%
PATMI margin (%)	11.4%	13.1%		12.3%	13.3%	

¹Notes on One-off Items:

(1) The Group added back the accelerated amortization of RM2.5 million of capitalized expenses related to the acquisition loan which was fully repaid in 1Q2019.

(2) The Group added back costs incurred in relation to the acquisition of shares in Plus Medical Holdings Pte Ltd, a chain of primary care clinics in Singapore. For more information, refer to SGXNet announcement dated 14 December 2018.

- ❑ **2Q19 revenue increased 10.9% YoY to MYR 128.6mn** due to rising patient load and average bill sizes
 - ❑ **2Q19 EBITDA declined 1.3% YoY to MYR 29.0mn**, EBITDA margin contracts 2.8 percentage points to 22.5% mainly due to gestation costs from StarMed
 - ❑ **2Q19 Core PATMI declined 3.6% YoY to MYR 14.7mn**
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- ❑ **Excluding the impact of gestation costs from StarMed:**
 - ✓ 2Q19 EBITDA would have increased 4.9% yoy while Core PATMI would have increased by 15.5% yoy
 - ✓ 1H19 EBITDA would have increased 11.5% yoy while Core PATMI would have increased by 21.5% yoy

Strong Financial Position

Key Balance Sheet Items

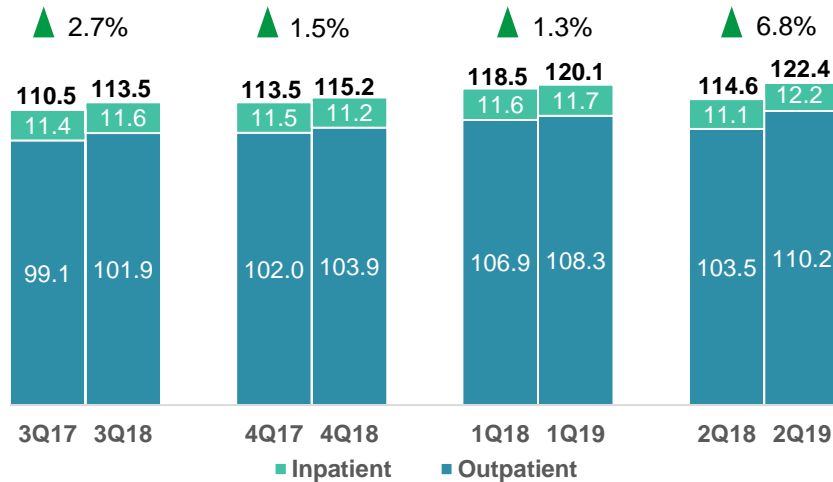
In MYR'000	As at 31-Dec-18	As at 30-Jun-18
Cash and cash equivalents	82,162	58,891
Trade and other receivables	50,615	45,401
Inventories	14,754	14,029
Other current assets	18,971	10,820
Property, plant and equipment	464,286	459,595
Trade and other payables	84,820	109,111
Total Debt	245,901	196,378
Net Debt	163,739	137,487
Key Leverage Ratios		
Total Debt / LTM EBITDA	2.1x	1.7x
Net Debt / LTM EBITDA	1.4x	1.2x
Net Debt / Equity ¹	0.6x	0.6x

- ❑ Maintained strong balance sheet with cash position of MYR 82.2mn and net debt of MYR 163.7mn as at 31 December 2018
- ❑ PP&E increases due to the acquisition of new medical equipment by the hospitals, offset by depreciation expenses
- ❑ Total debt increased from MYR 196.4mn to MYR 245.9mn as at 31 December 2018
 - ❑ Half of the Group's debt (c. 48% of total) relates to StarMed property mortgage, at c.20 years tenure
- ❑ Net Debt / LTM EBITDA increased marginally to 1.4x while Net Debt / Equity remained stable at 0.6x

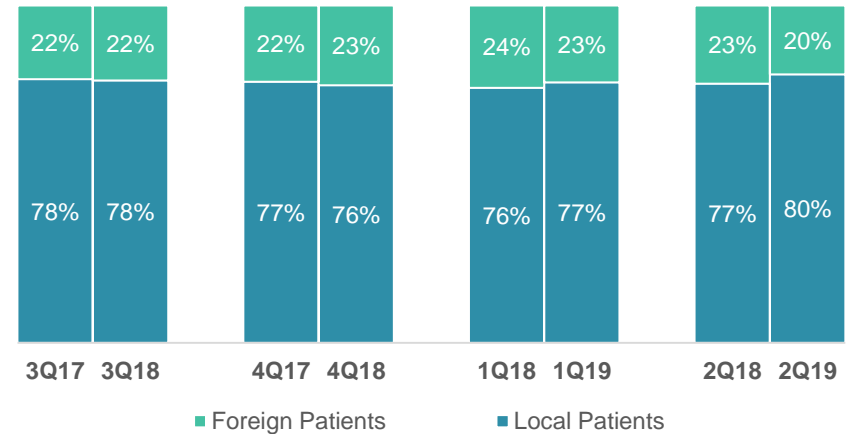
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

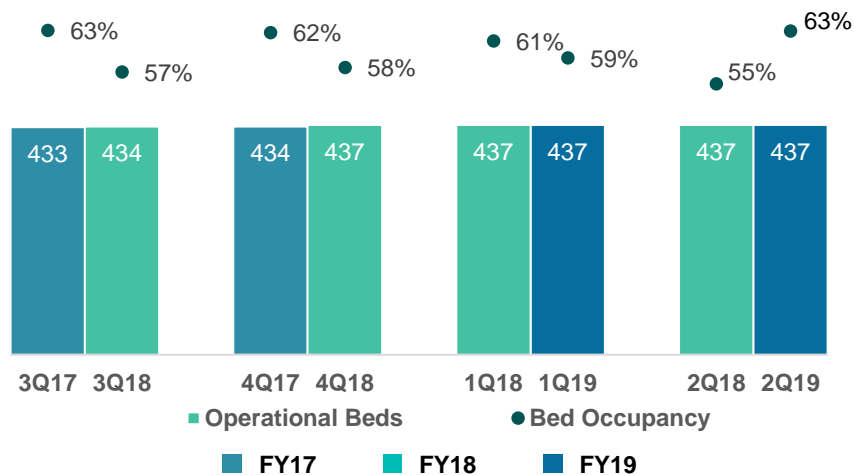
Patient Load by Type ('000)



Patient Load by Nationality (%)



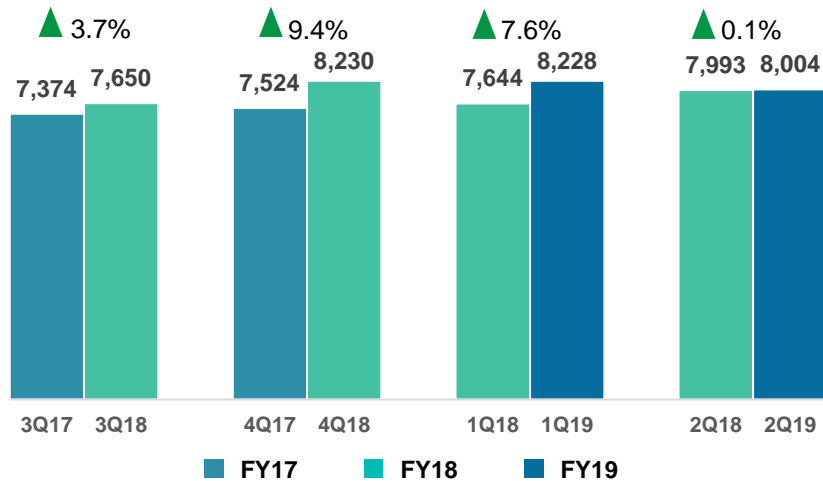
Bed Occupancy and Operational Bed Count



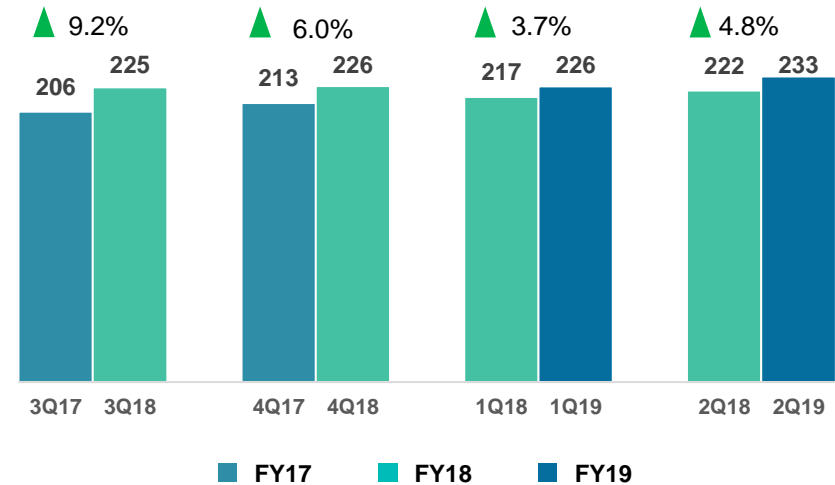
- ❑ 2Q19 patient load grew 6.8% YoY to 122.4K patients
- ❑ Overall increase in patient load for 2Q19 driven by growth in both outpatient load and inpatient load
- ❑ Domestic patient load increased while foreign patient load declined in 2Q19 due to weakening Rupiah
- ❑ Total bed occupancy increased to 63% while number of operational beds remained stable at 437

High Revenue Intensity Per Patient

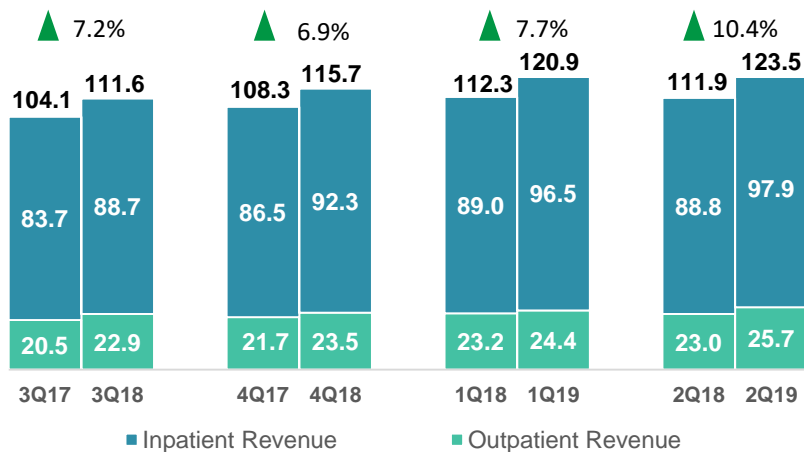
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



- Total hospital revenue for 2Q19 increased 10.4% YoY to MYR 123.5mn due to higher patient load and average bill sizes
- The average bill sizes for both inpatient and outpatient grew at 0.1% and 4.8% to MYR 8,004 and MYR 233 respectively

New Investment in Primary Care

Transaction Summary

- Target Group: Plus Medical Holdings Pte. Ltd., (“**Target**”) which operates 16 primary care clinics in Singapore
- This clinic group, in its initial stages of growth, will primarily use the proceeds received to expand its network of primary care clinics in Singapore
- Through this investment, HMI to expand its healthcare network in Singapore

Conditions of the SSPA

- At completion, HMI will acquire from Eracen Pte. Ltd (“**Eracen**”) 10% of the issued share capital of the Target for S\$1,200,000, and subscribe for new ordinary shares in the Target for S\$3,000,000
- HMI to **initially hold 28% shareholding of the Target**
- Subject to further requests for funding and satisfaction of certain conditions, HMI shall, from completion up to 31 Dec 2022, subscribe for additional ordinary shares in the Target, in up to four tranches of S\$3,000,000 each, which will take HMI’s stake in the Target to a **maximum of 60%**

Shareholders' Agreement

- The parties intend to enter a shareholders' agreement where Eracen will grant to HMI a call option and HMI will grant to Eracen a put option over the ordinary shares in the Target held by Eracen on a price to be calculated based on the profit after tax and minority interests of the Target
- The call option and put option may be triggered if certain conditions are met for any of the calendar years in the period commencing 1 January 2022 to 31 December 2026
- Eracen may elect to receive up to 50% of the consideration payable for the Option Shares by way of shares in HMI

Outlook and Pipeline

Updates on Mahkota

- Investment in new medical technologies such as the Tomotherapy - Radixact X7, further strengthening the service offering at Mahkota Cancer Centre
- Further development of Mahkota's COEs and organising marketing and health awareness initiatives to drive growth
- Continues to progressively refurbish older wards
- Organised joint symposium on diabetes with Theptarin Hospital, Bangkok (250 attendees)

Updates on Regency

- Planned new hospital block is expected to break ground by end-FY2019; ongoing renovation at existing block to create more clinical space
- Upon its targeted commissioning in 2021, Regency will become a 380-bed tertiary hospital, with potential to expand capacity to 500 beds
- KPJ Bandar Dato Onn and Columbia Asia South Key expected to open within next 6 to 12 months

Updates on StarMed

- StarMed has commenced operations since 1Q2019 with a soft launch of services; official launch expected in FY2020
- New property purchases completed in Jan 2019; ground floor unit will provide the centre frontage with renovations to start soon
- Continuous recruitment of specialists and started marketing and awareness events to introduce the centre to the community



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APPENDICES

Income Statement - 2Q18 vs 2Q19

Income Statement

In MYR'000	2Q19	2Q18	%Δ
Revenue	128,618	115,987	10.9%
Cost of services	(82,434)	(73,205)	12.6%
Gross profit	46,184	42,782	8.0%
<i>Gross margin (%)</i>	35.9%	36.9%	
Interest income	410	420	-2.4%
Other gains/(losses), net	(1,679)	857	-295.9%
Distribution and marketing expenses	(1,789)	(847)	111.2%
Administrative costs	(24,292)	(18,100)	34.2%
Finance costs	(2,460)	(3,237)	-24.0%
Share of results of associates	(15)	(1)	
Profit before tax	16,359	21,874	(25.2%)
Income tax expense	(6,824)	(6,152)	10.9%
Net profit after tax ("NPAT")	9,535	15,722	(39.4%)
<i>NPAT margin (%)</i>	7.4%	13.6%	
Profit/(loss) attributable to:			
Equity holders	11,253	15,724	(28.4%)
Non-controlling interests	(1,718)	(2)	NM

- ❑ **Revenue:** Increased 10.9% YoY to MYR 128.6mn driven by higher patient load and average bill sizes at the two hospitals
- ❑ **Gross Margin:** Declined to 35.9% as a result of impact from the Group's new specialist centre business in Singapore, StarMed Specialist Centre ("SSC) which started operations in Q12019
- ❑ **Administrative costs:** Increased by MYR 6.2mn as compared to the previous financial period mainly due to administrative expenses incurred by StarMed
- ❑ **Finance costs:** Declined by MYR 0.8mn as a result of the restructuring of the borrowings drawn down for the acquisition of non-controlling interests in Mahkota and Regency¹ in Q12019 which reduced financing costs, offset by MYR 1.2mn mortgage financing costs incurred by StarMed

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 - 1H18 vs 1H19

Income Statement

In MYR'000	1H19	1H18	%Δ
Revenue	253,549	233,041	8.8%
Cost of services	(163,205)	(149,631)	9.1%
Gross profit	90,344	83,410	8.3%
<i>Gross margin (%)</i>	<i>35.6%</i>	<i>35.8%</i>	
Interest income	812	692	17.3%
Other gains/(losses), net	(3,545)	(197)	NM
Distribution and marketing expenses	(3,533)	(1,958)	80.4%
Administrative costs	(44,160)	(35,245)	25.3%
Finance costs	(8,135)	(5,309)	53.2%
Share of results of associates	(15)	(1)	
Profit before tax	31,768	41,392	(23.3%)
Income tax expense	(13,469)	(11,885)	13.3%
Net profit after tax ("NPAT")	18,299	29,507	(38.0%)
<i>NPAT margin (%)</i>	<i>7.2%</i>	<i>12.7%</i>	
Profit attributable to:			
Equity holders	21,901	29,510	(25.8%)
Non-controlling interests	(3,602)	(3)	NM

- ❑ **Revenue:** Increased 8.8% YoY to MYR 253.5mn driven by higher patient load and average bill sizes in the two hospitals
- ❑ **Gross Margin:** Remained strong at 35.6%
- ❑ **Distribution and marketing expenses:** Increased by MYR 1.6mn due to increased marketing and branding efforts
- ❑ **Finance costs:** Finance costs increased by MYR 2.8mn mainly due to the accelerated amortization of MYR 2.5mn of capitalized expenses relating to the term loan facility drawn down for the acquisition of non-controlling interests in Mahkota and Regency¹ when the loan was restructured in 1Q19, and MYR 1.1mn mortgage financing costs incurred by StarMed

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



THANK YOU

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