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4Q17 Results Presentation

24 August 2017

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Key 4Q17 Highlights

Strong Financial Performance

	4Q17 YoY Growth	FY17 YoY Growth
Revenue	5.2%	9.5%
EBITDA	22.4%	13.7%
Core NPAT ⁽¹⁾	-12.8%	10.9%
Core PATMI ⁽¹⁾	63.8%	40.3%

Operational Update

- Total operational beds : 434 beds (↑0.5% YoY)
- Total patient load : 113.5K patients (↑3.7% YoY)
- Avg. inpatient bill size : MYR 7,524 (↓0.2% YoY)
- Avg. outpatient bill size : MYR 213 (↑7.8% YoY)

Key Updates

- Final dividend recommended at MYR1.0 cents per share (25.6% of Core PATMI)
- First quarter with 100% of net income attributable to shareholders
- On track to pay down 50% of the acquisition debt by December 2017 backed by strong cash flow generation

Outlook and Pipeline

- Mahkota Medical Centre (“**Mahkota**”): Increasing bed capacity from 266 beds to 300 beds in FY18 with eventual capacity of 340 beds
- Regency Specialist Hospital (“**Regency**”): Increasing bed capacity from 166 beds to 200 beds in FY18; to build an extension block to become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital
- Continue to strengthen referral networks in key regions such as Malaysia, Indonesia and Singapore

Resilient Financial Performance

Group Income Statement

In MYR'000	4Q17	4Q16	%Δ	FY17	FY16	%Δ
Revenue	111,731	106,230	5.2%	435,765	397,810	9.5%
EBITDA	24,024	19,630	22.4%	96,111	84,531	13.7%
EBITDA margin (%)	21.5%	18.5%		22.1%	21.2%	
Net profit after tax ("NPAT")	10,659	10,483	1.7%	42,213	45,451	-7.1%
NPAT margin (%)	9.5%	9.9%		9.7%	11.4%	
Profit attributable to						
Equity holders ("PATMI")	10,659	4,872	118.8%	20,590	19,899	3.5%
Non-controlling interests	-	5,611	-100.0%	21,623	25,552	-15.4%
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain) ¹	(195)	1,516		3,248	2,960	9.7%
Add: Professional fees ²	-	-		8,234	-	NM
Core NPAT	10,464	11,999	-12.8%	53,695	48,411	10.9%
NPAT margin (%)	9.4%	11.3%		12.3%	12.2%	
Core PATMI	10,464	6,388	63.8%	32,072	22,859	40.3%
PATMI margin (%)	9.4%	6.0%		7.4%	5.7%	

Note:

(1) Forex loss/(gain) due to exchange differences arising from MYR denominated borrowings/receivables and cash in MYR denominated bank accounts at HMI's company level account

(2) Fees relating to the consolidation in the ownership of Mahkota and Regency which was completed on 27th March 2017

Commentary

- FY17 revenue increased 9.5% YoY to MYR435.8mn due to healthy patient load growth and revenue intensity
- EBITDA increased 13.7% YoY to MYR96.1mn, EBITDA margin expands to 22.1%
- FY17 Core PATMI grew 40.3% YoY to MYR32.1mn, after adjusting for non-recurring items such as forex loss¹, professional fees² and other costs relating to the consolidation transaction. Further, FY17 includes one quarter (4Q17) of fully consolidated financial results

Strong Financial Position

Key Balance Sheet Items

In MYR'000	As at 30-Jun-17	As at 31-Mar-17	As at 31-Dec-16
Cash and cash equivalents	76,754	120,889	94,488
Trade and other receivables	44,904	42,908	57,952
Inventories	13,551	13,067	12,984
Other current assets	3,247	4,179	3,386
Property, plant and equipment	278,551	280,858	181,446
Trade and other payables	67,746	78,115	85,550
Total Debt	163,748	210,800	39,771
Net Debt	86,994	89,911	(54,717)

Key Leverage Ratios

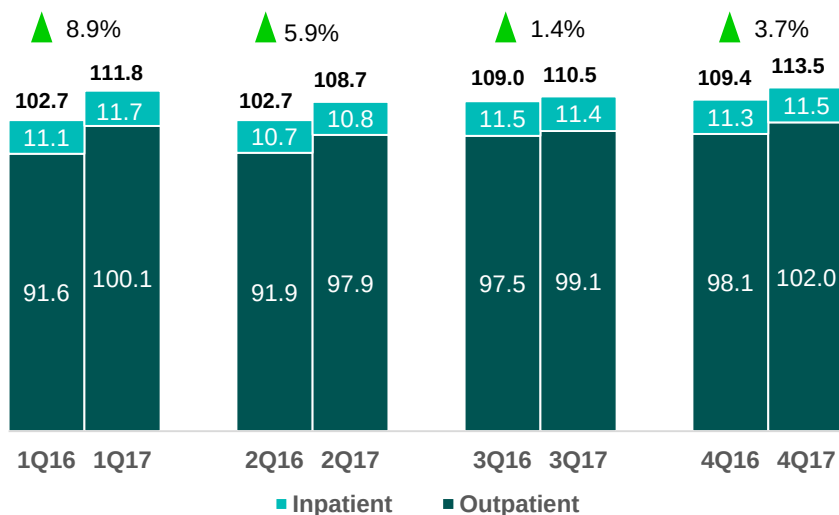
Total Debt / LTM EBITDA	1.7x	2.3x	0.4x
Net Debt / LTM EBITDA	0.9x	1.0x	(0.6x)
Net Debt / Equity ¹	0.5x	0.6x	(0.2x)

Commentary

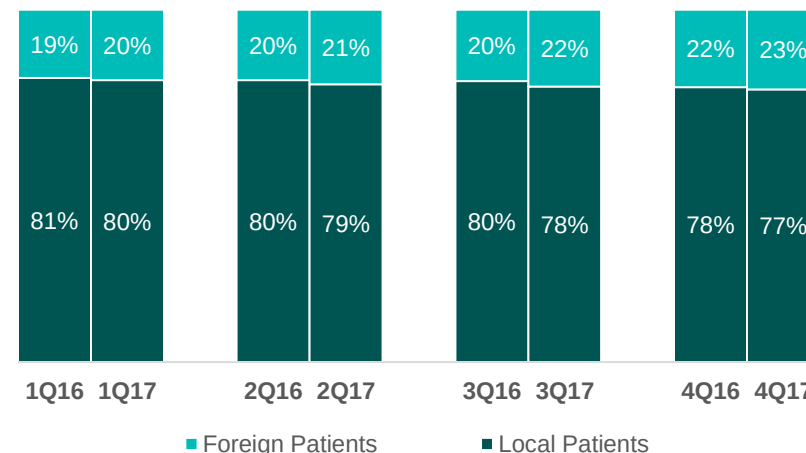
- Maintained strong balance sheet with cash position of MYR76.8mn and net debt of MYR87.0mn
- Total debt declines 22.3% from 31 March 2017 to MYR163.7mn as at 30 June 2017 due to paydown of acquisition debt
- Net Debt / LTM EBITDA improves to 0.9x while gearing declines to 0.5x as at 30 June 2017

Consistent Patient Load Growth

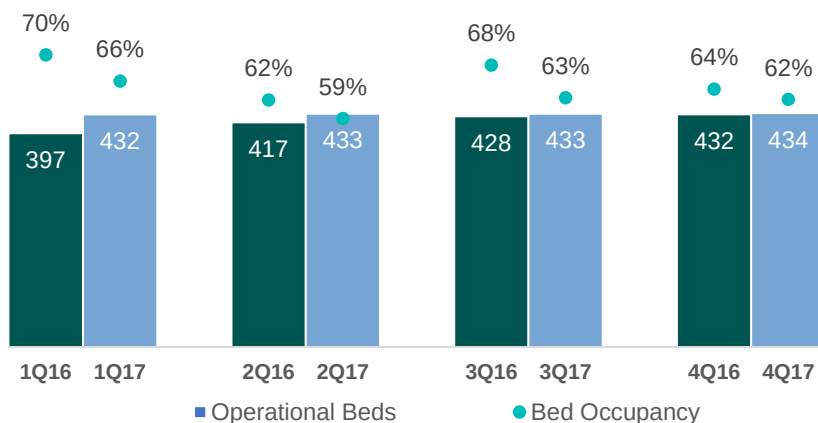
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy¹ and Operational Bed Count

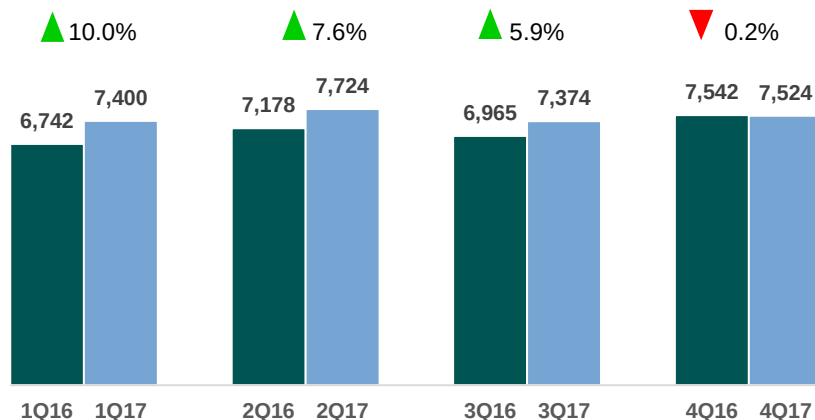


Commentary

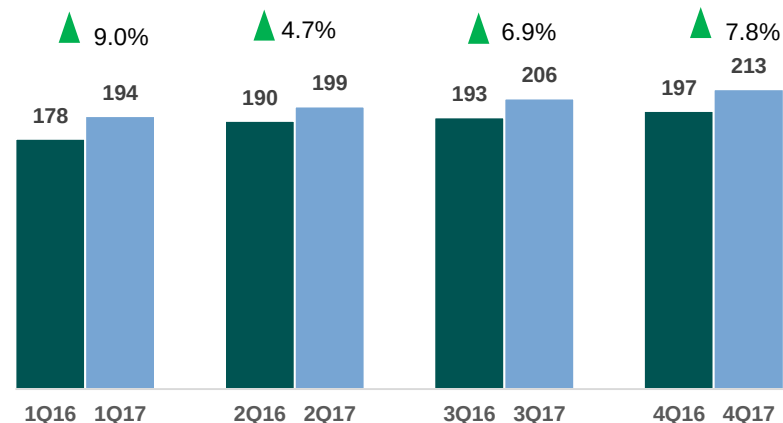
- FY17 saw Hari Raya falling twice in a financial year (July'16 and June'17). Despite this, 4Q17 patient load still grew 3.7% YoY
- Increase in patient load primarily due to outpatients; lower growth in inpatient admissions potentially due to the weak economy
- Growth in foreign patient load has outpaced the growth in local patient load
- Total bed occupancy remained stable at 62%

High Revenue Intensity Per Patient

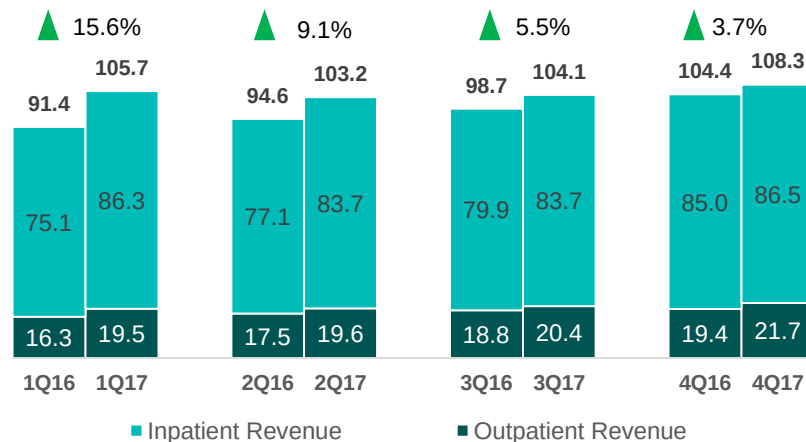
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)

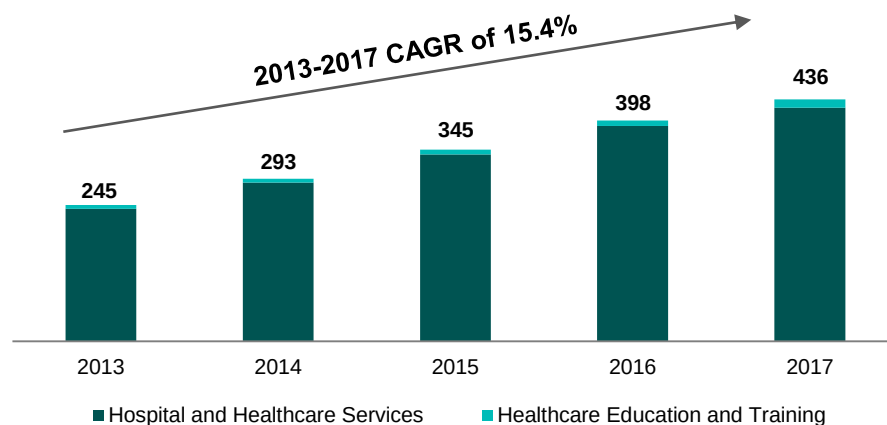


Commentary

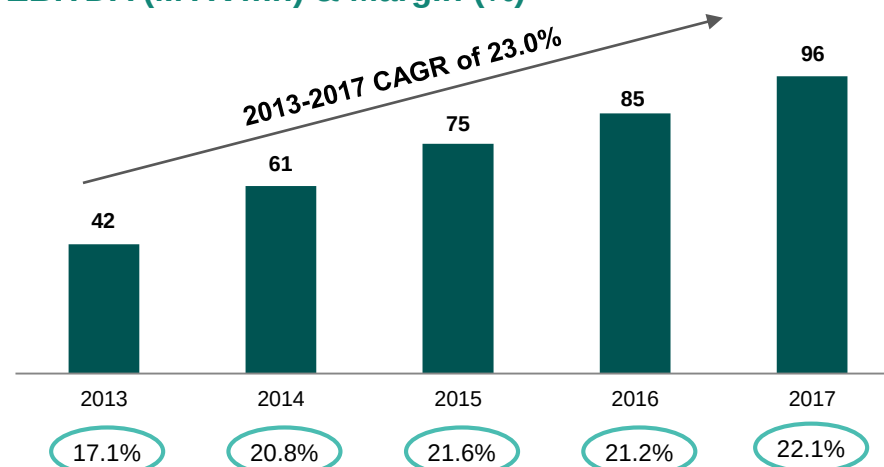
- Total hospital revenue increased 3.7% YoY to MYR108.3mn for 4Q17, despite Hari Raya falling in June
- Average inpatient bill size remained stable at MYR7,524 whilst average outpatient bill size increased 7.8% YoY to MYR213 for 4Q17

Group Financial Performance (FY13-FY17)

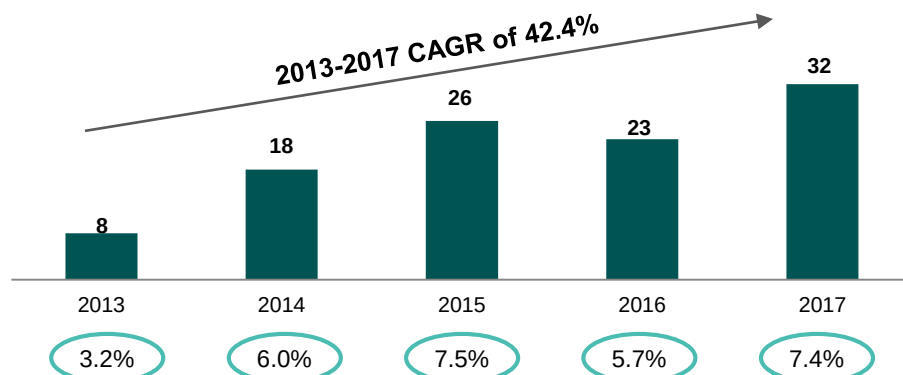
Revenue by Segment (MYR'mn)



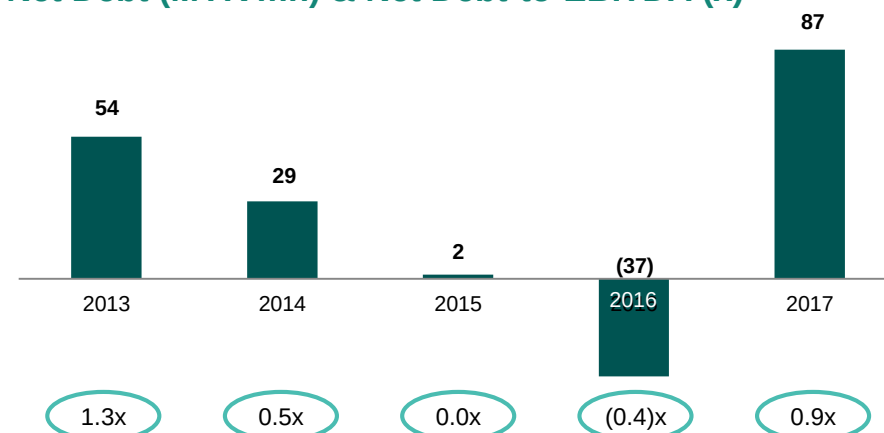
EBITDA (MYR'mn) & Margin (%)



Core PATMI² (MYR'mn) & Margin (%)



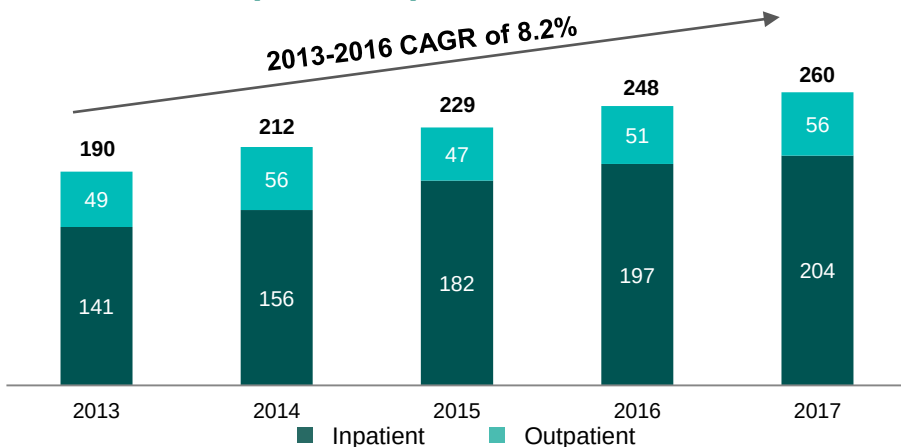
Net Debt (MYR'mn) & Net Debt-to-EBITDA (x)



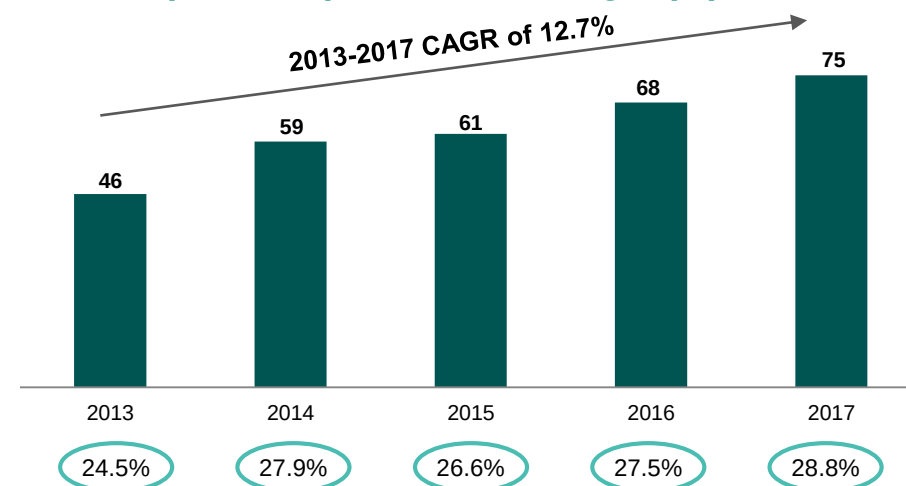
Note: (1) For year ended 30 June; (2) Core PATMI excludes FX gains/loss & exceptional items

Mahkota Performance (FY13-FY17)

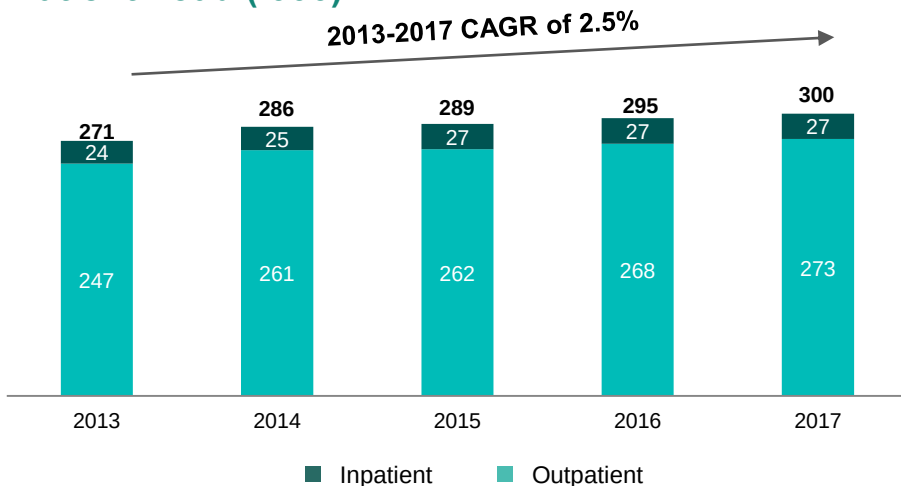
Net Revenue (MYR'mn)



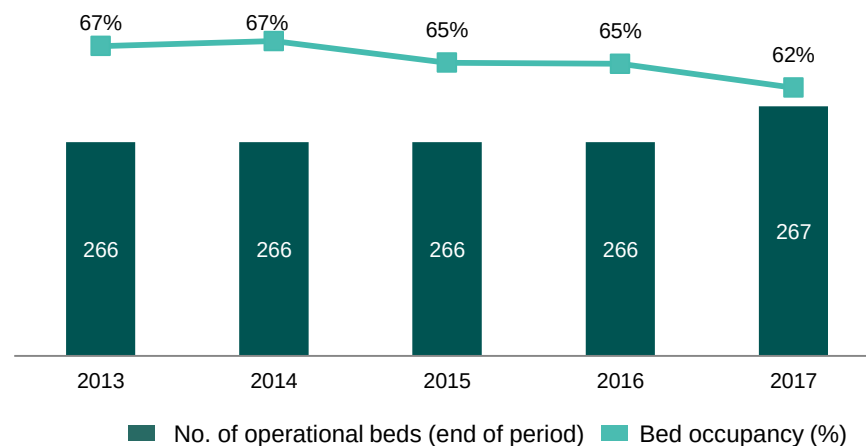
EBITDA (MYR'mn) & EBITDA Margin (%)



Patient Load ('000)

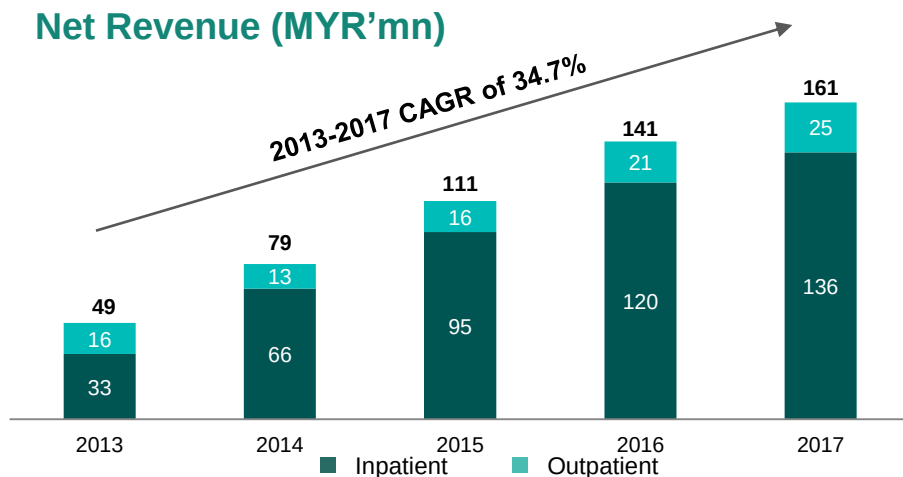


No. of Operational Bed and Bed Occupancy⁽²⁾

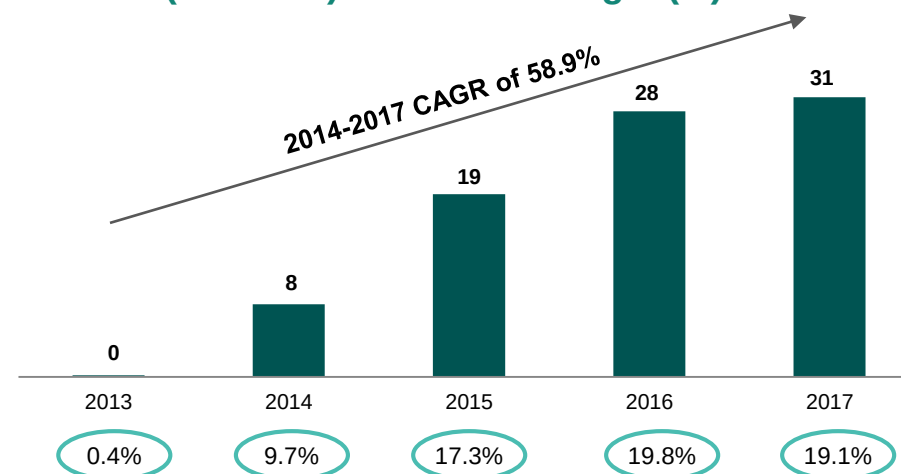


Regency Performance (FY13-FY17)

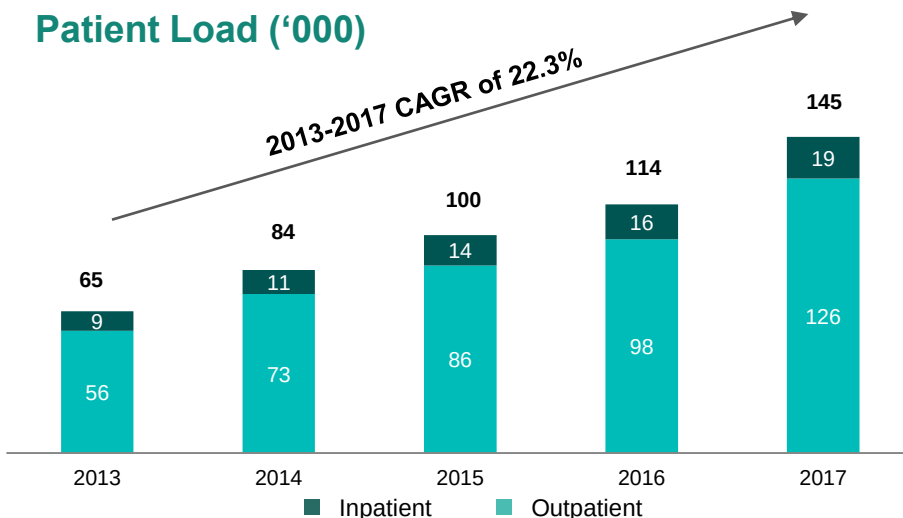
Net Revenue (MYR'mn)



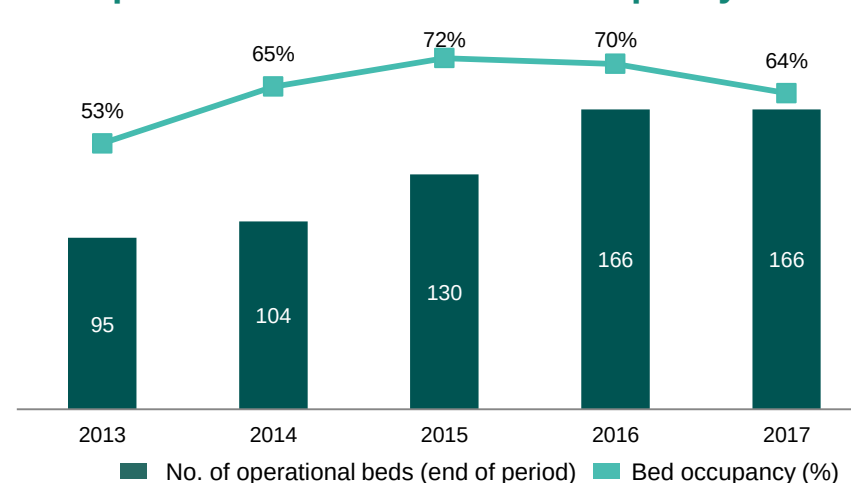
EBITDA (MYR'mn) & EBITDA Margin (%)



Patient Load ('000)



No. of Operational Bed and Bed Occupancy⁽²⁾



Outlook and Pipeline

Updates on Mahkota

- Continued development of Mahkota Centres of Excellence
 - With addition of the PET CT, Mahkota Cancer Centre is currently the most comprehensive cancer centre south of Kuala Lumpur
 - Mahkota Woman & Child won Fertility Service Provider of the Year¹; new paediatric rehabilitation services and focus on laparoscopic surgeries in gynaecology
- Increasing bed capacity from 266 beds to 300 beds in FY18 with eventual capacity of 340 beds
- Airasia to commence direct flights to Guangzhou, Vietnam and Jakarta from Melaka airport

Updates on Regency

- Increasing bed capacity from 166 beds to 200 beds in FY18
- With the development of an extension block, Regency will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital
- Construction to commence in FY18 for estimated construction cost of MYR160 mn, pending necessary approvals

Outlook and Prospects

- The Group continues to assess strategic collaborations and investment opportunities in Malaysia and the region
- Management will build on the Group's success and growth over the past years by:
 - Continued recruitment of specialists and development of new clinical services
 - 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 FY2018



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APPENDICES

Income Statement – 4Q17 vs 4Q16

Income Statement

In MYR'000	4Q17	4Q16	%Δ
Revenue	111,731	106,230	5.2%
Cost of services	(74,838)	(71,096)	5.3%
Gross profit	36,893	35,134	5.0%
<i>Gross margin (%)</i>	<i>33.0%</i>	<i>33.1%</i>	
Interest income	416	563	-26.1%
Other gains/(losses), net	1,517	(682)	-322.4%
Distribution and marketing expenses	(841)	(757)	11.1%
Administrative costs	(18,676)	(19,808)	-5.7%
Finance costs	(3,973)	(358)	NM
Share of results of associates	17	280	-93.9%
Profit before tax	15,353	14,372	6.8%
Income tax expense	(4,694)	(3,889)	20.7%
Net profit after tax ("NPAT")	10,659	10,483	1.7%
<i>NPAT margin (%)</i>	<i>9.5%</i>	<i>9.9%</i>	
Profit/(loss) attributable to			
Equity holders	10,659	4,872	118.8%
Non-controlling interests	-	5,611	-100.0%

Commentary

- **Revenue:** Increased 5.2% YoY to MYR111.7mn driven by higher patient load and increase in average bill size at both hospitals, and contribution from education business
- **EBITDA:** Increased 22.4% YoY to MYR24.0mn; margin increased to 21.5%
- **Other gains/(losses), net:** Other gains of MYR1.5 million was recorded in 4Q17 compared to other losses of MYR0.7 mn for 4Q16, mainly due to the strengthening of the Malaysian ringgit during the quarter
- **Administrative costs:** Decreased by MYR1.1 million as compared to the previous financial period mainly due to MYR1.6 mn lower provision for doubtful debts
- **Finance costs:** Increased by MYR3.6 mn due to drawdown of SGD 53.0 mn from the term loan facility for the purposes of the acquisition of noncontrolling interests in Mahkota and Regency¹

Income Statement – FY17 vs FY16

Income Statement

In MYR'000	FY17	FY16	%Δ
Revenue	435,765	397,810	9.5%
Cost of services	(292,011)	(268,033)	8.9%
Gross profit	143,754	129,777	10.8%
<i>Gross margin (%)</i>	<i>33.0%</i>	<i>32.6%</i>	
Interest income	1,822	1,703	7.0%
Other gains/(losses), net	2,136	1,353	57.9%
Distribution and marketing expenses	(3,011)	(2,703)	11.4%
Administrative costs	(78,354)	(65,162)	20.2%
Finance costs	(5,641)	(3,637)	55.1%
Share of results of associates	1,348	2,051	-34.3%
Profit before tax	62,054	63,382	-2.1%
Income tax expense	(19,841)	(17,931)	10.7%
Net profit after tax ("NPAT")	42,213	45,451	-7.1%
<i>NPAT margin (%)</i>	<i>9.7%</i>	<i>11.4%</i>	
Profit attributable to			
Equity holders	20,590	19,899	3.5%
Non-controlling interests	21,623	25,552	-15.4%

Commentary

- **Revenue:** Increased 9.5% YoY to MYR435.8mn driven by higher patient loads and average bill sizes at both two hospitals. The Group's education business registered a MYR5.6 mn rise in revenue due to an increase in student enrolment.
- **EBITDA:** EBITDA increased 13.7% YoY to MYR96.1 mn; EBITDA margin increased to 22.1%
- **Other gains/(losses), net:** Increased by MYR0.8mn to MYR2.1mn as a result of gains recorded from the sale of medical suites, offset by higher forex losses
- **Administrative costs:** Increased by MYR13.2mn as compared to the previous financial year mainly due to incurrence of MYR8.2 mn in professional fees and other costs relating to the Acquisition¹
- **Finance costs:** Increased by MYR2.0mn mainly due to drawdown of SGD53.0mn from the term loan facility for the purposes of the Acquisition¹
- **Income tax expense:** Increased by MYR1.9mn due to higher profitability at both hospitals



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THANK YOU

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