



HMI
GROUP
新康集团

1Q19 Results Presentation

13 November 2018



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Key 1Q19 Highlights

Strong Financial Performance

| | 1Q19 YoY Growth |
|---------------------------|-----------------|
| Revenue | 6.7% |
| EBITDA | 9.0% |
| Core NPAT ⁽¹⁾ | (22.2)% |
| Core PATMI ⁽¹⁾ | (10.2)% |

Operational Update

- Total operational beds : 437 beds (1Q18: 437 beds)
- Total patient load : 120.1K patients (↑1.3% YoY)
- Avg. inpatient bill size : MYR 8,228 (↑7.6% YoY)
- Avg. outpatient bill size : MYR 226 (↑3.7% YoY)

Key Updates

- StarMed Specialist Centre (“StarMed”) obtained its licenses and commenced operations in 1Q19; HMI has also increased its ownership to 70% in Oct 2018
- StarMed has also entered into property purchase agreements to expand and lock in future expansion space

Outlook and Pipeline

- Expansion plans at both Mahkota & Regency remain on track along with the continuous recruitment of specialists & sub-specialists
- StarMed has officially commenced operations in FY2019; expects to incur gestation start-up costs from its operations 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 | 1Q18 | 1Q19 | %Δ |
|--|----------------|----------------|----------------|
| Revenue | 117,054 | 124,931 | 6.7% |
| EBITDA | 28,579 | 31,152 | 9.0% |
| EBITDA margin (%) | 24.4% | 24.9% | |
| Net profit after tax ("NPAT") | 13,785 | 8,764 | (36.4%) |
| NPAT margin (%) | 11.8% | 7.0% | |
| Profit attributable to: | | | |
| Equity holders ("PATMI") | 13,786 | 10,648 | (22.8%) |
| Non-controlling interests | (1) | (1,884) | NM |
| Adjustments for non-operational and one-off items | | | |
| Add: Forex loss/(gain) | 1,970 | 3,499 | 77.6% |
| Add: Professional fees ¹ | - | - | NM |
| Core NPAT | 15,755 | 12,263 | (22.2%) |
| NPAT margin (%) | 13.5% | 9.8% | |
| Core PATMI | 15,756 | 14,147 | (10.2%) |
| PATMI margin (%) | 13.5% | 11.3% | |

- ❑ **1Q19 revenue increased 6.7% YoY to MYR 124.9mn** due to rising patient load and average bill sizes
- ❑ **1Q19 EBITDA increased 9.0% YoY to MYR 31.2mn**, EBITDA margin expands 0.5 percentage points to 24.9% due to higher revenue intensity and effective cost management
- ❑ **1Q19 core PATMI declined 10.2% YoY to MYR 14.1mn**, after adjusting for foreign exchange losses amounting to MYR 3.5mn as compared to MYR 2.0mn for 1Q18. The decline in core PATMI was mainly due to StarMed's start-up costs and accelerated amortisation of finance costs related to the consolidation exercise¹

Note: (1) The Group completed the consolidation of ownership of its two hospitals, the 48.9%-owned Mahkota and 60.8%-owned Regency to 100% each on 27 March 2017

Strong Financial Position

Key Balance Sheet Items

| In MYR'000 | As at 30-Sep-18 | As at 30-Jun-18 |
|-------------------------------|--------------------|--------------------|
| Cash and cash equivalents | 92,082 | 58,891 |
| Trade and other receivables | 46,664 | 45,401 |
| Inventories | 14,411 | 14,029 |
| Other current assets | 12,123 | 10,820 |
| Property, plant and equipment | 462,904 | 459,595 |
| Trade and other payables | 85,728 | 109,111 |
| Total Debt | 241,428 | 196,378 |
| Net Debt | 149,346 | 137,487 |

Key Leverage Ratios

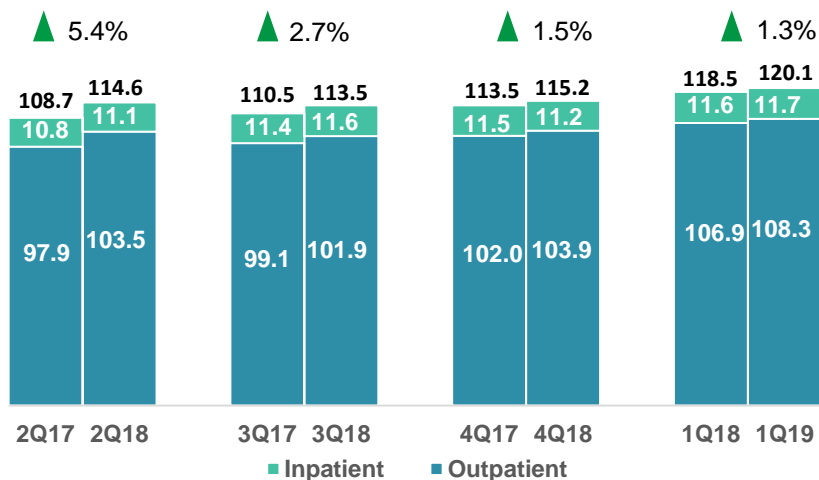
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|--------------------------------|------|------|
| Total Debt / LTM EBITDA | 2.1x | 1.7x |
| Net Debt / LTM EBITDA | 1.3x | 1.2x |
| Net Debt / Equity ¹ | 0.6x | 0.6x |

- ❑ Maintained strong balance sheet with cash position of MYR 92.1mn and net debt of MYR 149.3mn as at 30 September 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 241.4mn as at 30 September 2018 mainly due to the refinancing of certain trade payables as at 30 June 2018 with hire purchase financing
 - Majority of the debt at StarMed relates to property mortgage, at c.20 years tenure
- ❑ Net Debt / LTM EBITDA increased marginally to 1.3x while Net Debt / Equity remained stable at 0.6x

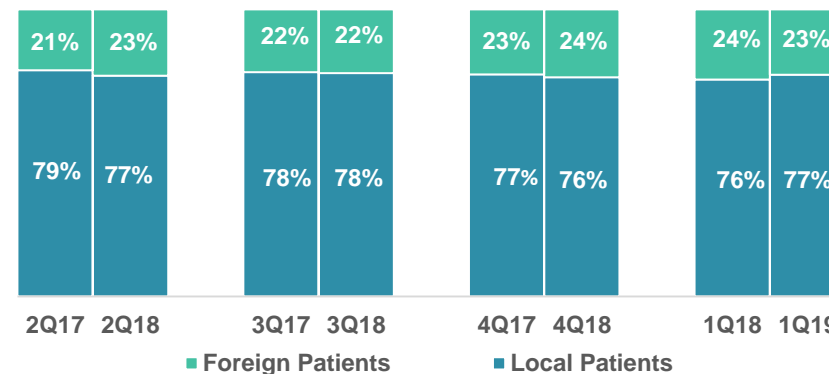
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

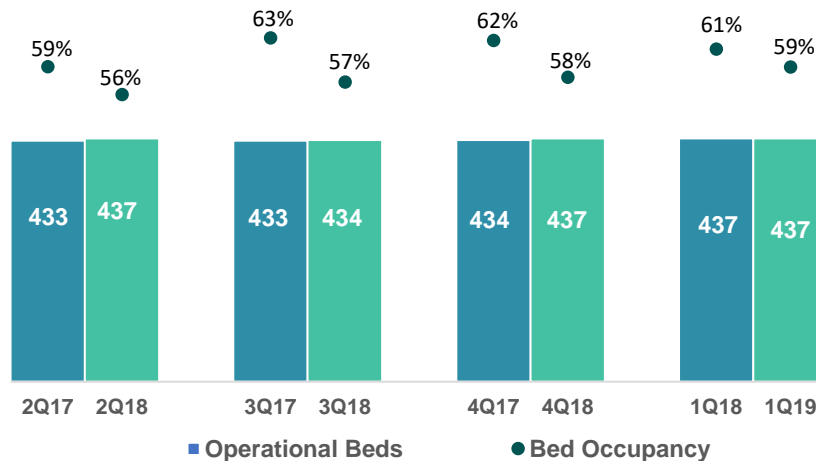
Patient Load by Type ('000)



Patient Load by Nationality (%)



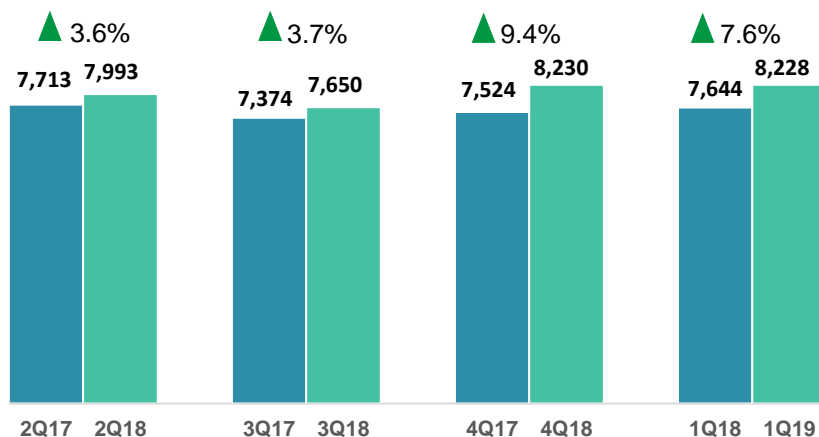
Bed Occupancy and Operational Bed Count



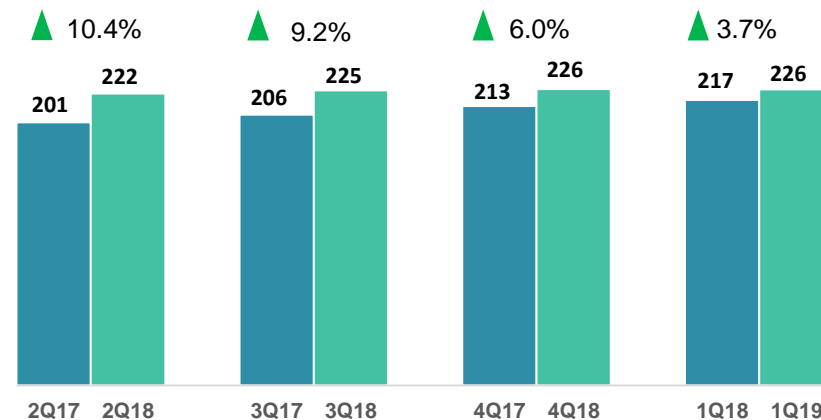
- 1Q19 patient load grew 1.3% YoY to 120k patients and is 4.3% higher than 4Q18
- Overall increase in patient load for 1Q19 driven by the growth in both outpatient load and inpatient load
- Domestic patient load increased 3.6% YoY; foreign patient load declined in 1Q19 due to the weakening Rupiah
- Total bed occupancy declined marginally to 59% due to shorter length of stay

High Revenue Intensity Per Patient

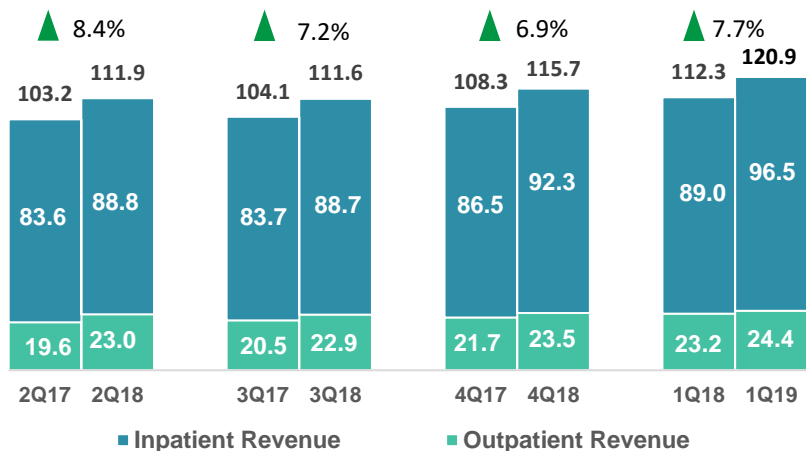
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



- ❑ Total hospital revenue for 1Q19 increased 7.7% YoY to MYR 120.9mn due to higher patient load and average bill sizes
- ❑ The average bill sizes for both inpatient and outpatient grew at 7.6% and 3.7% to MYR 8,228 and MYR 226 respectively due to higher revenue intensity and increasing complexity of surgeries

Outlook and Pipeline

Updates on Mahkota

- Expansion of the radiology and other departments for more clinical area – completed piling works and expected the structural works to be completed early 2019
- Continues to progressively refurbish older wards
- Successfully reaccredited for MSQH¹ 5th Edition
- Investment in new medical technologies, further development of Mahkota's COEs and organising marketing and health awareness initiatives to drive growth

Updates on Regency

- Planned new hospital block is in the tender stage; 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
- In Johor, KPJ Bandar Dato Onn and Columbia Asia South Key is expected to open within the next 12 months
- Continuous recruitment of specialists and sub-specialists to enhance Regency's clinical offerings

Updates on StarMed

- Entered into agreements with RB Capital to purchase additional units with an aggregate area of 10,602 sqft – this includes the 3,897 sqft currently being rented
- Purchase price is SGD36.7 million with completion in Jan 2019; HMI to make additional investment into StarMed and increased ownership from 62.5% to 70.0%
- Other agreements include licensing agreement, naming rights agreement, call and put option agreement and ROFR on one additional unit
 - Call and put is for an aggregate area of 7,061 sqft by end 2020, for an aggregate purchase price of SGD24.3 million

Note: 1. Refers to Malaysian Society for Quality in Health which provides accreditations of healthcare facilities and services by re-certification of accreditation our standards and organisation with the International Society for Quality in Health Care (ISQua) every four years



APPENDICES

Income Statement - 1Q18 vs 1Q19

Income Statement

| In MYR'000 | 1Q18 | 1Q19 | % Δ |
|---------------------------------------|----------------|----------------|----------------|
| Revenue | 117,054 | 124,931 | 6.7% |
| Cost of services | (76,426) | (80,771) | 5.7% |
| Gross profit | 40,628 | 44,160 | 8.7% |
| <i>Gross margin (%)</i> | <i>34.7%</i> | <i>35.3%</i> | |
| Interest income | 272 | 402 | 47.8% |
| Other gains/(losses), net | (1,054) | (1,866) | 77.0% |
| Distribution and marketing expenses | (1,111) | (1,744) | 57.0% |
| Administrative costs | (17,145) | (19,868) | 15.9% |
| Finance costs | (2,072) | (5,675) | 173.9% |
| Share of results of associates | - | - | |
| Profit before tax | 19,518 | 15,409 | (21.1%) |
| Income tax expense | (5,733) | (6,645) | 15.9% |
| Net profit after tax ("NPAT") | 13,785 | 8,764 | (36.4%) |
| <i>NPAT margin (%)</i> | <i>11.8%</i> | <i>7.0%</i> | |
| Profit/(loss) attributable to: | | | |
| Equity holders | 13,786 | 10,648 | (22.8%) |
| Non-controlling interests | (1) | (1,884) | NM |

- ❑ **Revenue:** Increased 6.7% YoY to MYR 124.9mn driven by higher patient load and average bill sizes in the two hospitals
- ❑ **Gross Margin:** Improved to 35.3% as a result of higher revenue intensity in both hospitals and better cost management
- ❑ **Distribution and marketing expenses:** Distribution & marketing expenses for 1Q19 increased by MYR 0.6mn due to increased marketing and branding efforts
- ❑ **Finance costs:** Finance costs increased by MYR 3.6mn due to amortization of MYR 2.5mn of capitalized expenses relation of the term loan facility drawn down for the acquisition of non-controlling interests in Mahkota and Regency¹, 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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