



HMI
GROUP
新康集团

3Q19 Results Presentation

13 May 2019



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Key 3Q19 Highlights

Strong Financial Performance

	3Q19 YoY Growth	9M19 YoY Growth
Revenue	8.1%	8.6%
EBITDA	(2.2)%	1.8%
Core PATMI ⁽¹⁾	(15.9)%	(4.6)%

Operational Update

- Total operational beds : 437 beds (3Q18: 437 beds)
- Total patient load : 116.2K patients (↑ 1.3% YoY)
- Avg. inpatient bill size : MYR 8,191 (↑ 4.9% YoY)
- Avg. outpatient bill size : MYR 233 (↑ 5.3% YoY)

Key Updates

- Appointment of Ms Yow Lee Chan as Chief Financial Officer with Mr Chin Wei Yao taking on the role of Chief Investment Officer
- Appointment of Chief Development Officer, Dr Jean Ong
- Acquisition of Plus Medical completed on 15 Mar 2019; long term target is to have more than 40 primary care clinics in Singapore

Outlook and Pipeline

- Expansion plans at both Mahkota & Regency are in progress along with the continuous recruitment of specialists & sub-specialists
- StarMed started soft launch of operations in Sep 2018; gestation start-up costs from its operations expected for potentially up 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	3Q19	3Q18	% Δ	9M19	9M18	% Δ
Revenue	124,755	115,358	8.1%	378,304	348,399	8.6%
EBITDA	27,539	28,169	(2.2%)	87,680	86,123	1.8%
EBITDA margin (%)	22.1%	24.4%		23.2%	24.7%	
Net profit after tax ("NPAT")	11,372	15,878	(28.4%)	29,671	45,385	(34.6%)
NPAT margin (%)	9.1%	13.8%		7.8%	13.0%	
Profit attributable to:						
Equity holders ("PATMI")	13,429	15,880	(15.4%)	35,330	45,390	(22.2%)
Non-controlling interests	(2,057)	(2)	NM	(5,659)	(5)	NM
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain)	(726)	(471)	NM	5,732	989	NM
Add: One-off Items ¹	259	-	NM	3,189	-	NM
Core NPAT	10,905	15,407	(29.2%)	38,592	46,374	(16.8%)
NPAT margin (%)	8.7%	13.4%		10.2%	13.3%	
Core PATMI	12,962	15,409	(15.9%)	44,251	46,379	(4.6%)
PATMI margin (%)	10.4%	13.4%		11.7%	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.

- ❑ **3Q19 revenue increased 8.1% YoY to MYR 124.8mn** due to rising patient load and average bill sizes
 - ❑ **3Q19 EBITDA declined 2.2% YoY to MYR 27.5mn**, EBITDA margin contracts 2.3 percentage points to 22.1% mainly due to gestation costs from StarMed
 - ❑ **3Q19 Core PATMI declined 15.9% YoY to MYR 13.0mn**
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- ❑ **Excluding the impact of gestation costs from StarMed:**
 - ✓ 3Q19 EBITDA would have increased 5.6% yoy while Core PATMI would have increased by 10.0% yoy
 - ✓ 9M19 EBITDA would have increased 9.5% yoy while Core PATMI would have increased by 17.7% yoy

Strong Financial Position

Key Balance Sheet Items

In MYR'000	As at 31-Mar-19	As at 30-Jun-18
Cash and cash equivalents	59,616	58,891
Trade and other receivables	55,684	45,401
Inventories	14,871	14,029
Other current assets	8,112	10,820
Property, plant and equipment	576,096	459,595
Trade and other payables	95,356	109,111
Total Debt	326,826	196,378
Net Debt	267,210	137,487

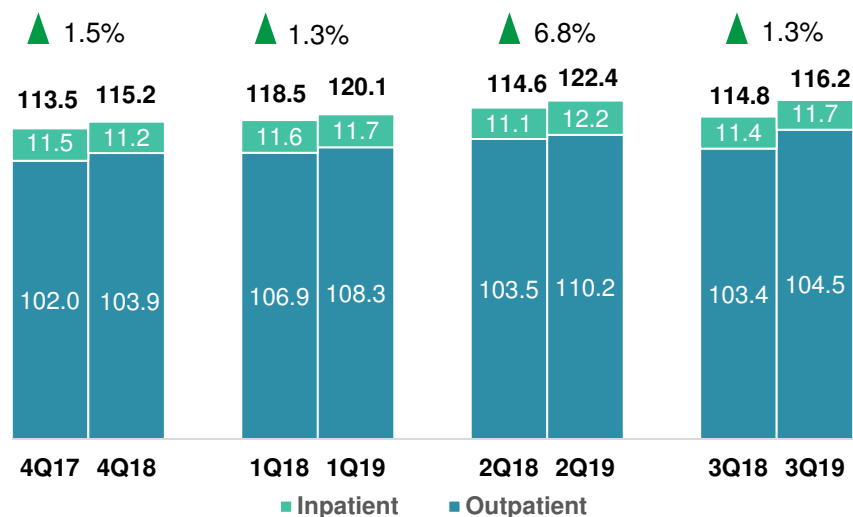
Key Leverage Ratios

Total Debt / LTM EBITDA	2.8x	1.7x
Net Debt / LTM EBITDA	2.3x	1.2x
Net Debt / Equity ¹	1.0x	0.6x

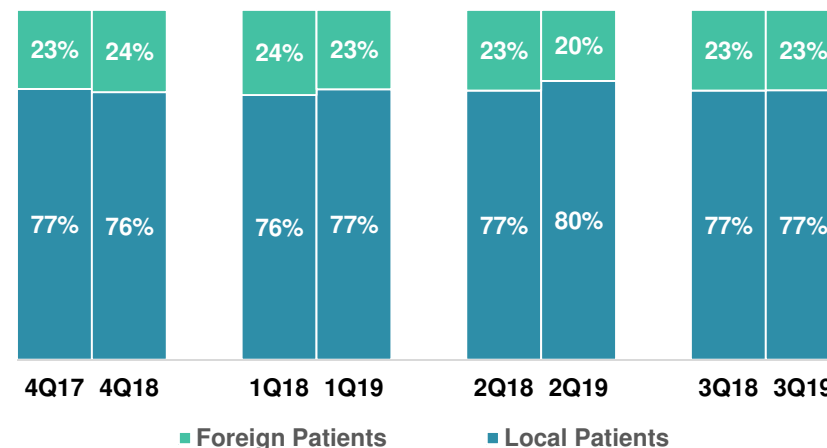
- ❑ Maintained strong balance sheet with cash position of MYR 59.6mn and net debt of MYR 267.2mn as at 31 March 2019
- ❑ PP&E increases due to the acquisition of additional units at Farrer Square, where StarMed is located
- ❑ Total debt increased from MYR 196.4mn to MYR 326.8mn as at 31 March 2019
 - ❑ Approximately 64% of the Group's debt relates to StarMed property mortgage, at c.20 years tenure
- ❑ Net Debt / LTM EBITDA increased to 2.3x while Net Debt / Equity increased to 1.0x

Consistent Patient Load Growth

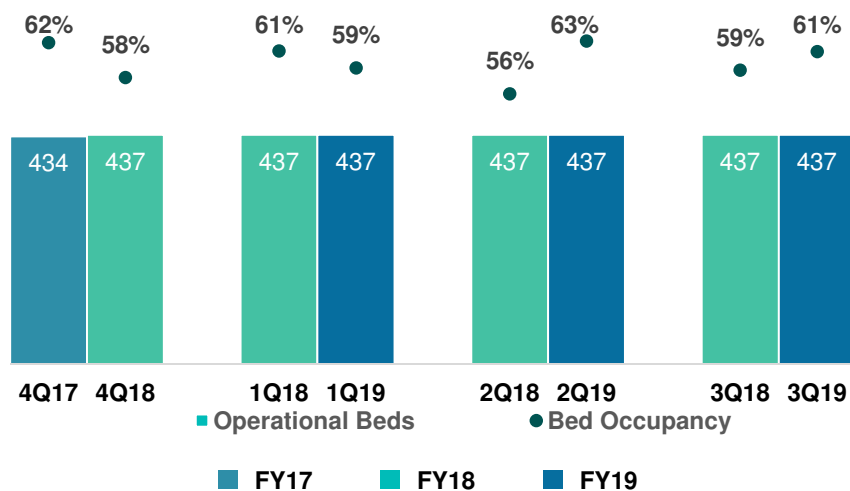
Patient Load by Type ('000)



Patient Load by Nationality (%)



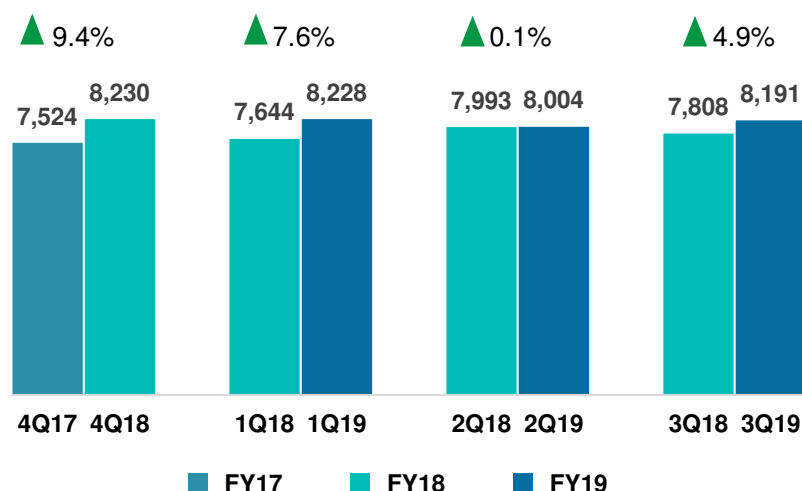
Bed Occupancy and Operational Bed Count



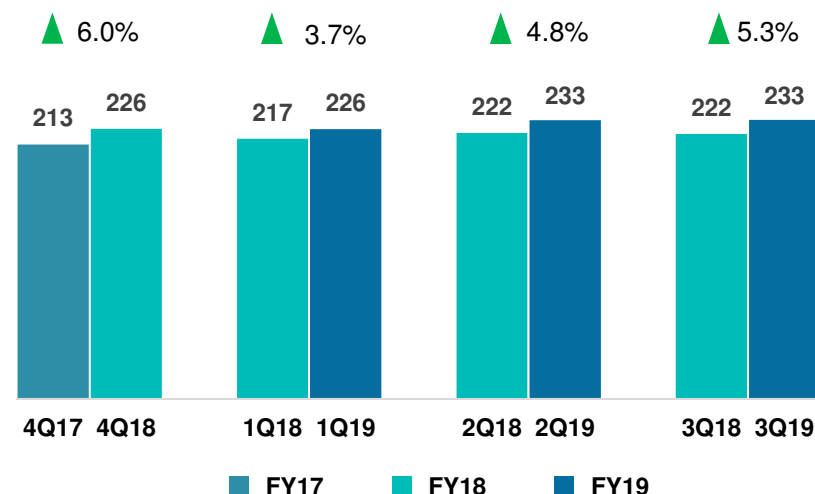
- ❑ 3Q19 patient load grew 1.3% YoY to 116.2K patients
- ❑ Overall increase in patient load for 3Q19 driven by growth in both outpatient load and inpatient load
- ❑ Domestic patient load and foreign patient load remained stable in 3Q19
- ❑ Total bed occupancy increased to 61% while number of operational beds remained stable at 437

High Revenue Intensity Per Patient

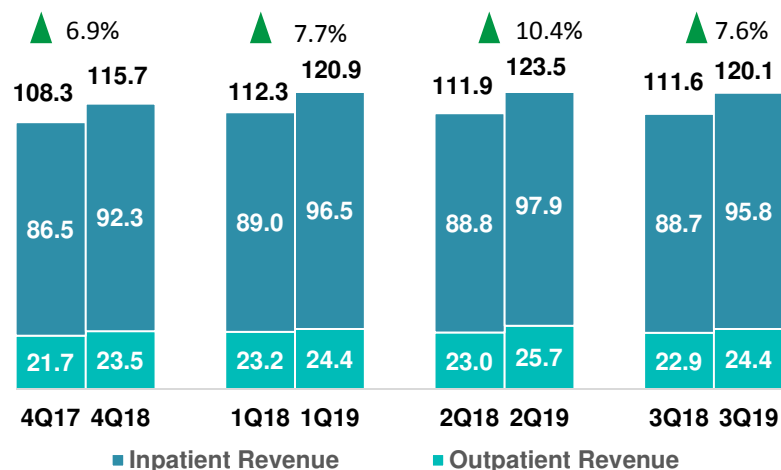
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



- Total hospital revenue for 3Q19 increased 7.6% YoY to MYR 120.1mn due to higher patient load and average bill sizes
- The average bill sizes for both inpatients and outpatients grew at 4.9% and 5.3% to MYR 8,191 and MYR 233 respectively

Outlook and Pipeline

Updates on Mahkota

- Focus on further development of COEs; Mahkota Cancer Centre to launch Tomotherapy services (only hospital south of Kuala Lumpur that offers this)
- Continues to progressively refurbish older wards
- Undertaking a preliminary concept study on the potential extension of Mahkota in the future for more carpark and clinical space

Updates on Regency

- Construction of the new hospital extension block has begun; 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 has opened with Columbia Asia South Key expected to open within the next few months

Updates on StarMed

- StarMed started soft launch of operations in Sep 2018; 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



APPENDICES

Income Statement - 3Q18 vs 3Q19

Income Statement

In MYR'000	3Q19	3Q18	%Δ
Revenue	124,755	115,358	8.1%
Cost of services	(82,654)	(73,989)	11.7%
Gross profit	42,101	41,369	1.8%
<i>Gross margin (%)</i>	<i>33.7%</i>	<i>35.9%</i>	
Interest income	333	205	62.4%
Other gains/(losses), net	2,348	1,863	26.0%
Distribution and marketing expenses	(1,858)	(1,349)	37.7%
Administrative costs	(21,880)	(18,476)	18.4%
Finance costs	(3,061)	(1,536)	99.3%
Share of results of associates	(100)	-	100.0%
Profit before tax	17,883	22,076	(19.0%)
Income tax expense	(6,511)	(6,198)	5.1%
Net profit after tax ("NPAT")	11,372	15,878	(28.4%)
<i>NPAT margin (%)</i>	<i>9.1%</i>	<i>13.8%</i>	
Profit/(loss) attributable to:			
Equity holders	13,429	15,880	(15.4%)
Non-controlling interests	(2,057)	(2)	NM

- ❑ **Revenue:** Increased 8.1% YoY to MYR 124.8mn driven by higher patient load and average bill sizes at the two hospitals
- ❑ **Gross Margin:** Declined to 33.7% as a result of impact from the Group's new specialist centre business in Singapore, StarMed Specialist Centre ("SSC") which started operations in 1Q19
- ❑ **Administrative costs:** Increased by MYR 3.4mn as compared to the previous financial period mainly due to administrative expenses incurred by SSC
- ❑ **Finance costs:** Increased by MYR 1.5mn mainly due to mortgage financing costs incurred by SSC

Income Statement - 9M18 vs 9M19

Income Statement

In MYR'000	9M19	9M18	%Δ
Revenue	378,304	348,399	8.6%
Cost of services	(245,859)	(223,620)	9.9%
Gross profit	132,445	124,779	6.1%
<i>Gross margin (%)</i>	<i>35.0%</i>	<i>35.8%</i>	
Interest income	1,145	897	27.6%
Other gains/(losses), net	(1,197)	1,666	NM
Distribution and marketing expenses	(5,391)	(3,307)	63.0%
Administrative costs	(66,040)	(53,721)	22.9%
Finance costs	(11,196)	(6,845)	63.6%
Share of results of associates	(115)	(1)	
Profit before tax	49,651	63,468	(21.8%)
Income tax expense	(19,980)	(18,083)	10.5%
Net profit after tax ("NPAT")	29,671	45,385	(34.6%)
<i>NPAT margin (%)</i>	<i>7.8%</i>	<i>13.0%</i>	
Profit attributable to:			
Equity holders	35,330	45,390	(22.2%)
Non-controlling interests	(5,659)	(5)	NM

- ❑ **Revenue:** Increased 8.6% YoY to MYR 378.3mn driven by higher patient load and average bill sizes in the two hospitals
- ❑ **Gross Margin:** Remained strong at 35.0%
- ❑ **Distribution and marketing expenses:** Increased by MYR 2.1mn due to increased marketing and branding efforts
- ❑ **Administrative expenses:** Increased by MYR 12.3m mainly due to administrative expenses incurred by StarMed
- ❑ **Finance costs:** Finance costs increased by MYR 4.4mn 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, as well as higher 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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