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3Q17 Results Presentation

11 May 2017

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Key 3Q17 Highlights

Strong Financial Performance

	3Q17 YoY Growth	9M17 YoY Growth
Revenue	6.7%	11.1%
EBITDA	-0.2%	11.1%
Core NPAT ⁽¹⁾	0.7%	17.4%
Core PATMI ⁽¹⁾	11.6%	27.9%

Operational Update

- Total operational beds : 433 beds (↑1.2% YoY)
- Total patient load : 111.4K patients (↑2.3% YoY)
- Avg. inpatient bill size : MYR 7,374 (↑5.9% YoY)
- Avg. outpatient bill size : MYR 206 (↑6.9% YoY)

Update on Consolidation

- Completed on 27th March 2017 with debt drawdown of SGD 53mn
- On track to pay down 50% of the acquisition debt by December 2017 with excess cash
- To start consolidating full NPAT from Q4 onwards

Outlook and Pipeline

- Mahkota Medical Centre (“**MMC**”): Launched nuclear medicine service with a new Positron Emission Tomography (“**PET-CT**”) scanner, making it the first and only hospital in Malacca to offer this service
- Regency Specialist Hospital (“**RSH**”): New hospital extension block expected to commence construction in second half of 2017, pending necessary approvals
- The Group expects to build on successes and growth over past years and continue to expand

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	3Q17	3Q16	%Δ	YTD 9M17	YTD 9M16	%Δ
Revenue	107,670	100,879	6.7%	324,034	291,580	11.1%
EBITDA	22,259	22,298	-0.2%	72,087	64,899	11.1%
<i>EBITDA margin (%)</i>	20.7%	22.1%		22.2%	22.3%	
Net profit after tax ("NPAT")	4,628	15,520	-70.2%	31,554	35,384	-10.8%
<i>NPAT margin (%)</i>	4.3%	15.4%		9.7%	12.1%	
Profit attributable to						
Equity holders ("PATMI")	(1,571)	8,668	NM	9,931	15,445	-35.7%
Non-controlling interests	6,199	6,852	-9.5%	21,623	19,939	8.4%
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain) ¹	1,374	(2,314)	NM	3,443	1,444	138.4%
Add: Professional fees ²	7,291	-	NM	8,234	0	NM
Core NPAT	13,293	13,206	0.7%	43,231	36,828	17.4%
<i>NPAT margin (%)</i>	12.3%	13.1%		13.3%	12.6%	
Core PATMI	7,094	6,354	11.6%	21,608	16,889	27.9%
<i>PATMI margin (%)</i>	6.6%	6.3%		6.7%	5.8%	

Note:

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

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

Commentary

- 3Q17 revenue increased by 6.7% to MYR 107.7mn due to the healthy patient load growth and revenue intensity
- EBITDA remained healthy, with YTD 9M17 margin sustained at 22.2%
- 3Q17 Core PATMI grew 11.6% to MYR 7.1mn, after adjusting for non-recurring items such as forex loss¹, professional fees² and other costs relating to the consolidation transaction

Strong Financial Position

Key Balance Sheet Items

In MYR'000	As at 31-Mar-17	As at 31-Dec-16	As at 30-Jun-16
Cash and cash equivalents	120,889	94,488	78,928
Trade and other receivables	42,908	57,952	57,521
Inventories	13,067	12,984	14,050
Other current assets	4,179	3,386	4,167
Property, plant and equipment	280,858	181,446	177,867
Trade and other payables	78,115	85,550	97,550
Total Debt	210,800	39,771	41,857
Net Debt	89,911	(54,717)	(37,071)

Key Leverage Ratios

Total Debt / LTM EBITDA	2.3x	0.4x	0.5x
Net Debt / LTM EBITDA	1.0x	-0.6x	-0.4x
Net Debt / Equity ¹	0.6x	-0.2x	-0.2x

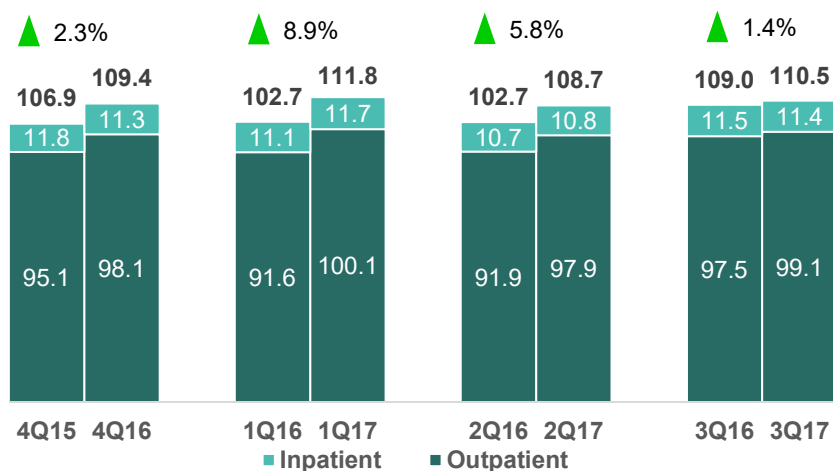
Commentary

- Maintained strong balance sheet with cash position of MYR 120.9mn and net debt of MYR 89.9mn
- Drawdown SGD 53mn of debt on completion of the consolidation transaction
- Net Debt / LTM EBITDA of 1.0x and gearing of 0.6x as at 31 Mar 2017

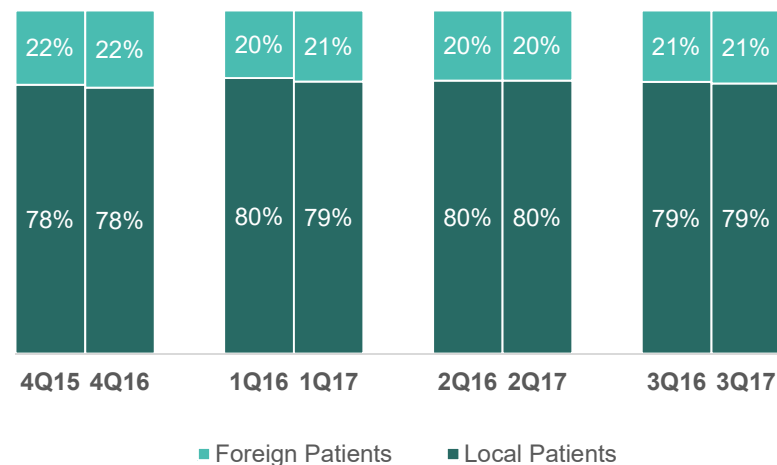
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

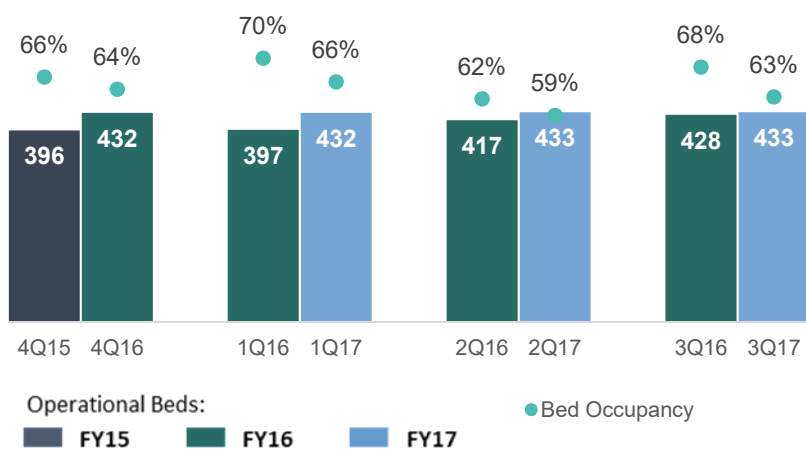
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy¹ and Operational Bed Count

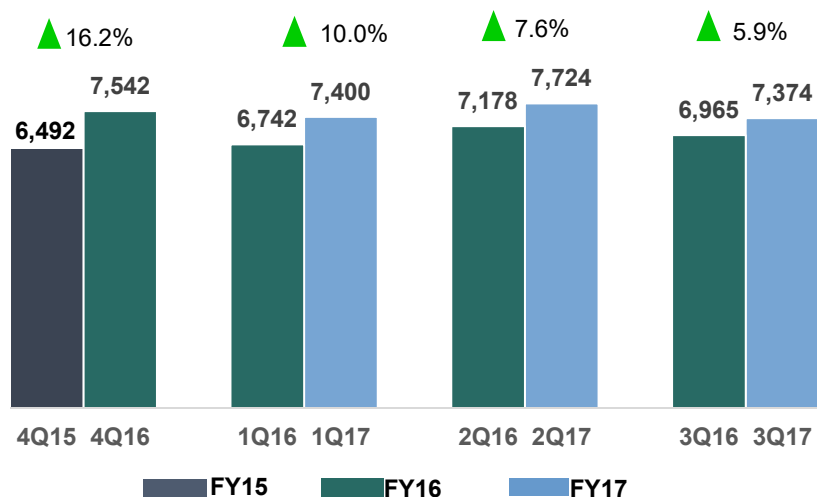


Commentary

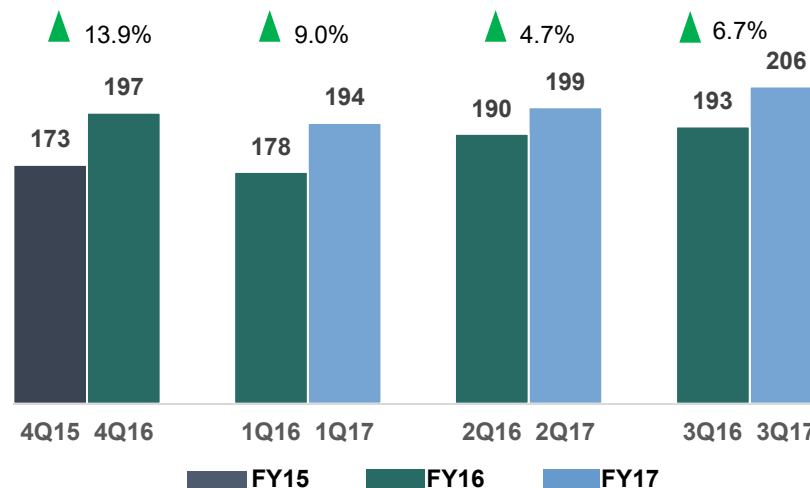
- Patient load increased 1.4% y-o-y in 3Q17, registering a continued healthy growth for both local and foreign patients
- Consistent foreign patient mix across past few quarters
- Decline in bed occupancy for 3Q17 to 63% due to an increase in operational beds (5 beds) and the new year festive period

High Revenue Intensity Per Patient

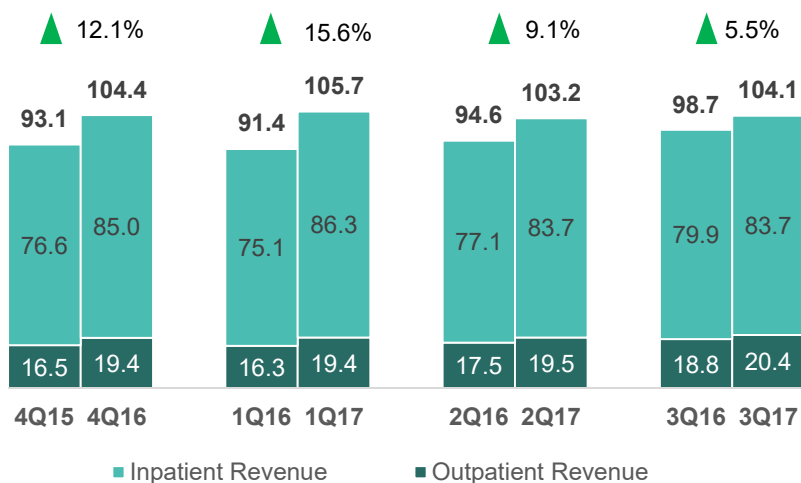
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Inpatient and outpatient average bill sizes increased by 5.9% and 6.7% respectively in 3Q17 (vs 3Q16) respectively primarily driven by higher revenue intensity and increased complexity of surgeries.
- Total hospital revenue increased by 5.5% in 3Q17 (vs 3Q16) driven by the strong revenue growth at both hospitals

Outlook and Pipeline

Mahkota Medical Centre (“MMC”)

- Focus on developing Centre of Excellences and recruitment of sub-specialists such as transplant urologist, rheumatologist, and nephrologist
- Renovation of new wards expected to commission in second half of 2017
- Reviewing MMC’s medium-term masterplan to potentially develop available land for hospital extension and complementary services

Regency Specialist Hospital (“RSH”)

- Continued recruitment of specialists and enhanced overseas marketing efforts; new wards to be added late 2017
- New hospital extension block to more than double existing capacity; preliminary estimated construction cost is MYR 160m
- Pending approvals to start construction; expected to commence in the second half of 2017 and take up to 2.5 years to complete

Outlook and Prospects

- The Group continues to assess investment opportunities in Malaysia and the region
- Management will build on the Group’s success and growth over the past years by:
 - Focusing on higher revenue intensity cases
 - 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 FY2017



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APPENDICES

Income Statement – 3Q17 vs 3Q16

Income Statement

In MYR'000	3Q17	3Q16	%Δ
Revenue	107,670	100,879	6.7%
Cost of services	(73,334)	(66,840)	9.7%
Gross profit	34,336	34,039	0.9%
<i>Gross margin (%)</i>	<i>31.9%</i>	<i>33.7%</i>	
Interest income	489	250	95.6%
Other gains/(losses), net	(268)	3,653	-107.3%
Distribution and marketing expenses	(632)	(719)	-12.1%
Administrative costs	(24,829)	(17,117)	45.1%
Finance costs	(669)	(983)	-31.9%
Share of results of associates	499	758	-34.2%
Profit before tax	8,926	19,881	-55.1%
Income tax expense	(4,298)	(4,360)	-1.4%
Net profit after tax ("NPAT")	4,628	15,521	-70.2%
<i>NPAT margin (%)</i>	<i>4.3%</i>	<i>15.4%</i>	
Profit/(loss) attributable to			
Equity holders	(1,571)	8,669	-118.1%
Non-controlling interests	6,199	6,852	-9.5%

Commentary

- **Revenue:** Increased by MYR 6.8mn due to higher patient load and increase in average bill size at both hospitals
- **Gross profit:** Remained healthy at MYR 34.3mn (0.9% YoY growth) and at 31.9% gross margin
- **Other gains/(losses), net:** Decreased by MYR 3.9mn due to forex losses of MYR 1.3mn in 3Q17 vs forex gains of MYR 2.3mn in 3Q16 as a result of weakening Malaysian ringgit.
- **Administrative costs:** Increased by MYR 7.7mn mainly due to incurrence of MYR 7.3mn in professional fees and other costs relating to the consolidation transaction⁽¹⁾, and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 0.3mn as a result of full settlement of amounts owing to associated companies during 4Q16.

Income Statement – 9M17 vs 9M16

Income Statement

In MYR'000	9M17	9M16	%Δ
Revenue	324,034	291,580	11.1%
Cost of services	(217,173)	(194,766)	11.5%
Gross profit	106,861	96,814	10.4%
<i>Gross margin (%)</i>	<i>33.0%</i>	<i>33.2%</i>	
Interest income	1,406	1,140	23.3%
Other gains/(losses), net	619	2,035	-69.6%
Distribution and marketing expenses	(2,170)	(1,946)	11.5%
Administrative costs	(59,678)	(47,527)	25.6%
Finance costs	(1,668)	(3,280)	-49.1%
Share of results of associates	1,331	2,190	-39.2%
Profit before tax	46,701	49,426	-5.5%
Income tax expense	(15,147)	(14,042)	7.9%
Net profit after tax ("NPAT")	31,554	35,384	-10.8%
<i>NPAT margin (%)</i>	<i>9.7%</i>	<i>12.1%</i>	
Profit attributable to			
Equity holders	9,931	15,445	-35.7%
Non-controlling interests	21,623	19,939	8.4%

Commentary

- **Revenue:** Increased by MYR 32.5mn due to higher patient load and increase in average bill size at both hospitals
- **Gross profit:** remained healthy at MYR 106.9mn (10.4% YoY growth) and at 33.0% gross margin
- **Other gains/(losses), net:** lower due to MYR 2.0mn higher forex losses arising from weakening Malaysian ringgit, offset by gains from sale of medical suites
- **Administrative costs:** Increased by MYR 12.2mn mainly due to incurrence of MYR 8.2mn in professional fees and other costs relating to the consolidation transaction ⁽¹⁾, and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 1.6mn as a result of full settlement of amounts owing to associated companies during 4Q16.
- **Income tax expense:** Increase by MYR 1.1mn due to higher profitability in both hospitals



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