



Health
Management
International

3Q16 Results Presentation

12 May 2016

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Executive Summary

Financial Performance

- Robust financial performance driven by higher patient load and increased average bill size

	3Q16 YoY Growth	9M16 YoY Growth
Revenue	21.7%	16.7%
Gross Profit	39.8%	26.9%
NPAT	56.4%	5.1%
PATMI	12.2%	(22.0%)

Less than proportionate increase in NPAT mainly due to:

- (i) Increase in operating costs (incl. GST);
- (ii) Share-based expenses;
- (iii) Utilisation of deferred tax assets recognised at RSHSB; and
- (iv) Unrealised FX losses

- Strong balance sheet with total cash and **net cash** of MYR 66.2m and MYR 29.3m respectively

Operational Update

- Increased patient load and average bill sizes in 3Q16
- Continued recruitment of more consultants at both hospitals
- Mahkota Medical Centre (“**MMC**”) successfully installed its new PET CT in 3Q16; pending approvals to start
- Regency Specialist Hospital (“**RSH**”) continues to add more beds, increasing the Group’s total operational beds to 428 (up from 390 in Mar 2015)

Outlook and Pipeline

- Construction of new medical block at Regency expected to commence in 2017 and be completed in 2019
- MMC to continue expanding within existing building, adding new wards and clinic suites
- The Group continues to assess investment opportunities in Malaysia and the region

Income Statement – 3Q16 vs 3Q15

Income Statement

In MYR'000	3Q15	3Q16	% Δ
Revenue	82,911	100,879	21.7%
Cost of services	(58,556)	(66,840)	14.1%
Gross profit	24,355	34,039	39.8%
<i>Gross margin (%)</i>	<i>29.4%</i>	<i>33.7%</i>	
Interest income	423	250	(40.9%)
Other gains, net	214	3,653	nmf
Distribution and marketing expenses	(606)	(719)	18.6%
Administrative costs	(13,247)	(17,117)	29.2%
Finance costs	(894)	(983)	10.0%
Share of results of associates	870	758	(12.9%)
Profit before tax	11,115	19,881	78.9%
Income tax expenses	(1,191)	(4,360)	226.1%
Net profit after tax ("NPAT")	9,924	15,521	56.4%
<i>NPAT margin (%)</i>	<i>12.0%</i>	<i>15.4%</i>	
Profit attributable to			
Equity holders	7,725	8,669	12.2%
Non-controlling interests	2,199	6,852	211.6%

Commentary

- **Revenue:** Increased by MYR 18.0m due to higher patient load and increase in average bill size at both hospitals and higher student headcount at the Group's education business
- **Gross margin:** Increased slightly by 4.3 percentage points due to better cost management and economies of scale offset by increase in input GST which could not be recovered
- **Other gains, net:** Increased by MYR 3.4m mostly due to the strengthening of the Malaysian Ringgit during the quarter which resulted in foreign exchange gains of MYR 2.3m¹ in 3Q16 vs losses of MYR 1.0m in 3Q15
- **Administrative costs:** Increased by MYR 3.9m mainly due to
 - Indirect labour costs increased by MYR 1.2m
 - Facilities related costs and depreciation increased by MYR 0.8m and MYR 0.8m respectively due to increase in maintenance costs and depreciation incurred by MMC subsequent to Asset Restructuring² exercise completed in Mar 2015
- **Income tax expenses:** Increased by MYR 3.2m due to utilisation of RM 1.1m of deferred tax assets by RSHSB in 3Q16 and the one-off RM 1.4m reversal of deferred tax liabilities in 3Q15 as a result of the completion of the Asset Restructuring exercise

GST of 6% was implemented in Malaysia in Apr 15. Healthcare services are treated as exempt supply under the GST if they are supplied by a private healthcare facility

Note: 1. Foreign exchange gains consists of MYR 2.3m of unrealised gains and MYR 0.1m of realised gains; 2. Please refer to SGX announcement issued by the company on 13 Mar 2015 for further details on the Asset Restructuring

Income Statement – 9M16 vs 9M15

Income Statement

In MYR'000	9M15	9M16	% Δ
Revenue	249,883	291,580	16.7%
Cost of services	(173,596)	(194,766)	12.2%
Gross profit	76,287	96,814	26.9%
<i>Gross margin (%)</i>	30.5%	33.2%	
Interest income	1,309	1,140	(12.9%)
Other gains, net	216	2,035	nmf
Distribution and marketing expenses	(1,915)	(1,946)	1.6%
Administrative costs	(34,797)	(47,527)	36.6%
Finance costs	(2,228)	(3,280)	47.2%
Share of results of associates	1,760	2,190	24.4%
Profit before tax	40,632	49,426	21.6%
Income tax expenses	(6,959)	(14,042)	101.8%
Net profit after tax ("NPAT")	33,673	35,384	5.1%
<i>NPAT margin (%)</i>	13.5%	12.1%	
Profit attributable to			
Equity holders	19,810	15,445	(22.0%)
Non-controlling interests	13,863	19,939	43.8%

Commentary

- **Revenue:** Increased by MYR 41.7m mainly due to higher patient load and increase in average bill sizes
- **Gross margins:** Increased by 2.7 percentage points due to better cost management and economies of scale offset by increase in doctor's fees as a % of revenue as a result of 13th Schedule increases and input GST
- **Other gains, net:** Increased by MYR 1.8m mainly due to lower foreign exchange losses of MYR 1.4m¹ in 9M16 vs MYR 2.2m in 9M15
- **Administrative costs:** Increased by MYR 12.7m mainly due to
 - Indirect labour costs grew by MYR 5.2m (incl. increase in share-based payment expenses of MYR 1.3m)
 - Facilities related costs and depreciation increased by MYR 3.7m and MYR 2.6m respectively due to increase in maintenance costs and depreciation incurred by MMC subsequent to Asset Restructuring² exercise completed in Mar 2015
- **Share of results of associates:** Reduction in finance costs and gains from sale of medical suites led to an increase of MYR 0.4m

Note: 1. Foreign exchange losses consist of MYR 1.4m of unrealised losses and MYR 0.1m of realised losses; 2. Please refer to SGX announcement issued by the company on 13 Mar 2015 for further details on the Asset Restructuring

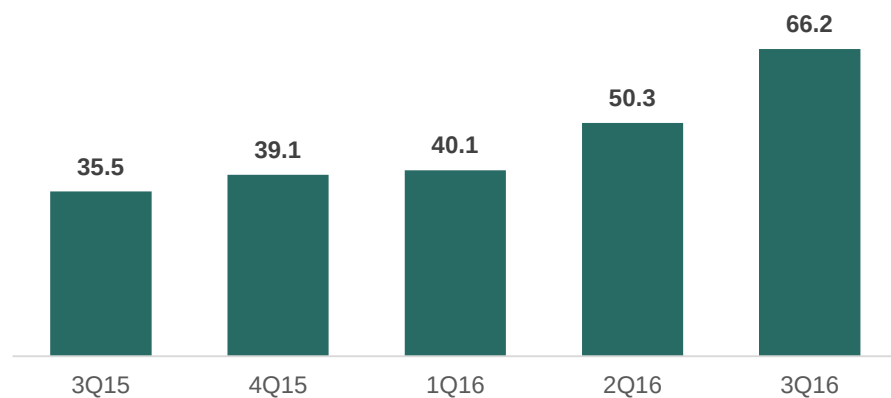
Balance Sheet

Key financial metrics

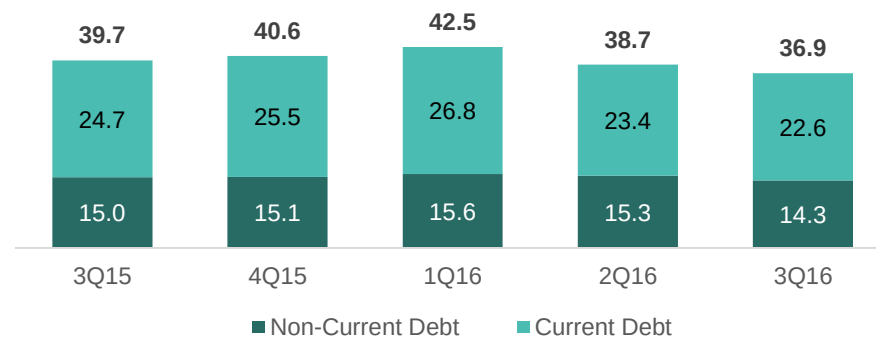
	As at 31 Mar 2016	As at 30 Jun 2015	As at 30 Jun 2014
	(MYR'000)	(MYR'000)	(MYR'000)
Cash and cash equivalents	66,178	39,076	25,977
Trade and other receivables	85,154	87,949	71,277
Inventories	13,897	12,810	5,311
Other current assets	4,803	3,996	4,534
Property, plant and equipment	177,469	180,475	142,569
Trade and other payables	89,567	83,105	75,433
Payables to associated companies	19,902	35,951	227
Borrowings (Total)	36,892	40,576	55,378

Capital structure and leverage

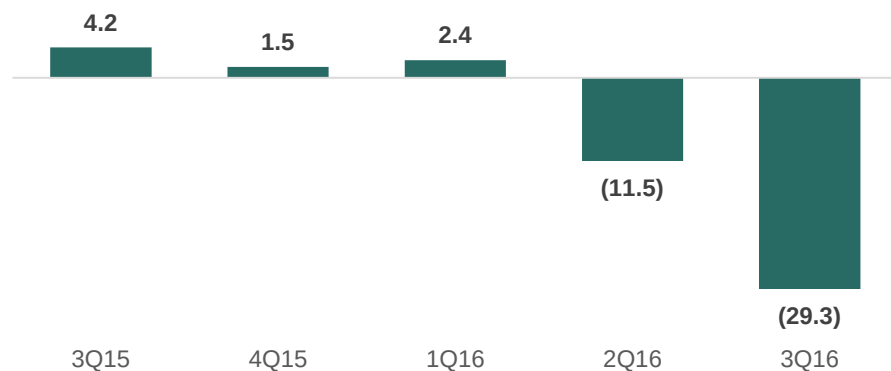
Total Cash (MYRm)



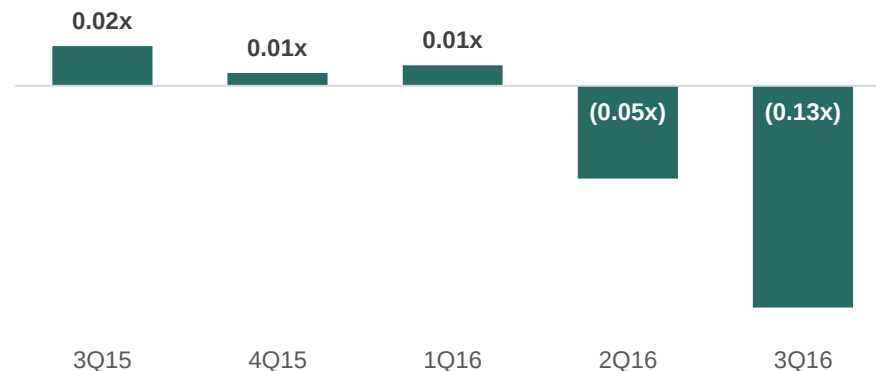
Total Debt (MYRm)



Net Debt (MYRm)



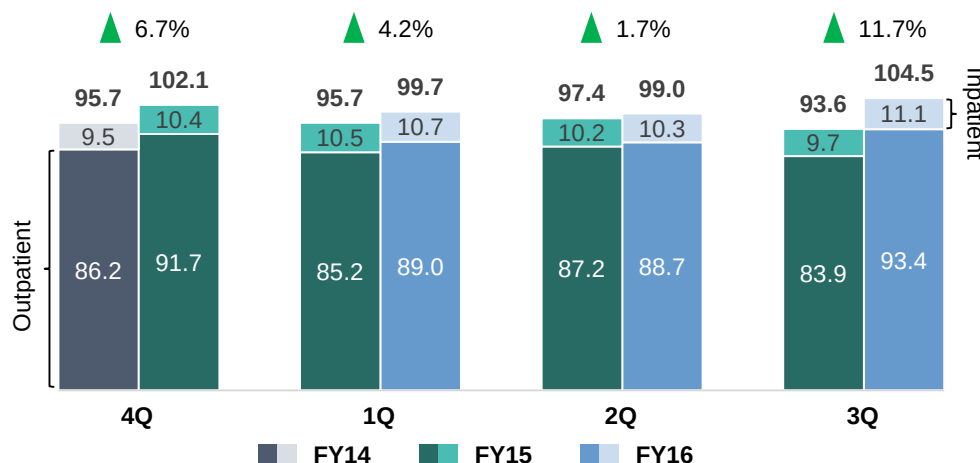
Net Debt to Equity¹ (x)



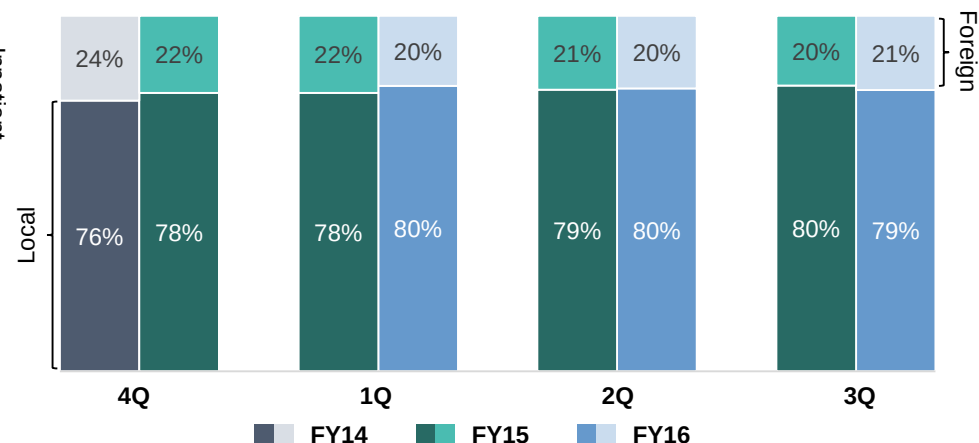
Note: 1. Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests

Hospital Operational Metrics

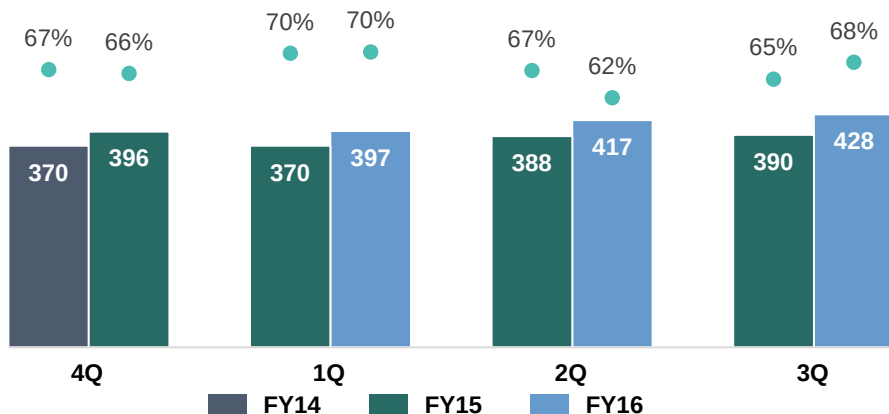
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy¹ and Operational Bed Count

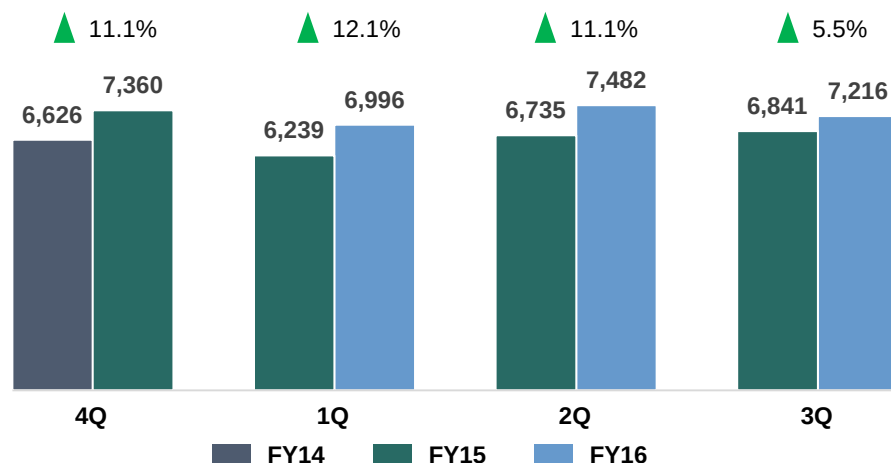


Commentary

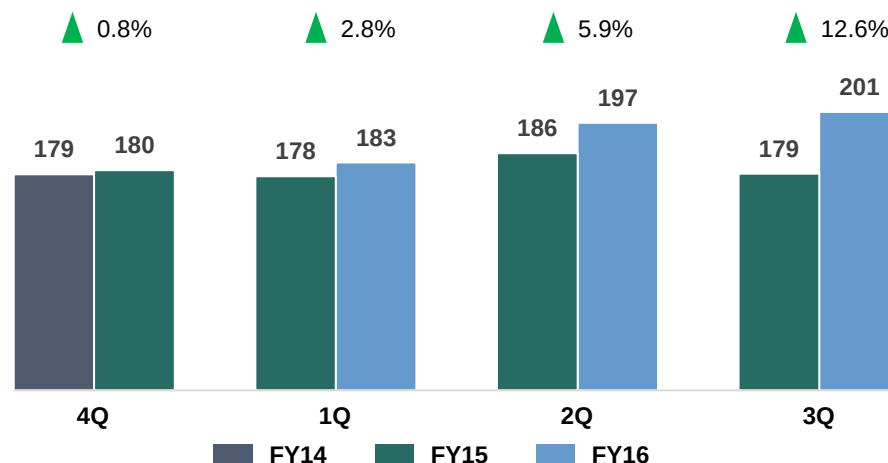
- Patient load increased by 11.7% year-on-year in 3Q16 (vs 3Q15) predominantly driven by increase in local patient load
- Slight increase in bed occupancy as operations normalized in 3Q16
 - High number of doctors on leave at RSH in 2Q16
 - RSH added 20 operational beds in 2Q16 (vs 11 in 3Q16)

Hospital Financial Metrics

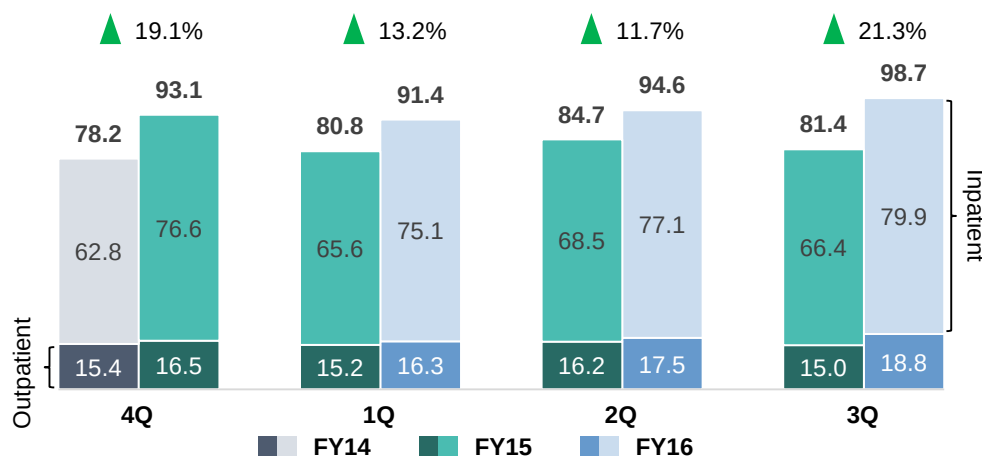
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Inpatient and outpatient average bill sizes increased by 5.5% and 12.6% in 3Q16 (vs 3Q15) respectively primarily driven by increase in doctor's fees in line with revision of the 13th Schedule in end 2014, increased revenue intensity and increased complexity of surgeries performed
 - Recruitment of sub-specialty consultants at MMC
 - RSH started its open heart surgery programme in mid 2015
- Total hospital revenue increased by 21.3% year-on-year in 3Q16 (vs 3Q15) driven by higher patient load and increased average bill sizes

New facilities at MMC

Pictures and artist's impressions of new facilities and equipment at MMC



PET CT Scan

- Successfully installed its new Siemens PET CT scanner in 3Q16
- Mahkota is the first and only private hospital in Malacca to offer PET CT scans



Day Surgery Unit

- New Day Surgery Unit added on the first floor, adjacent to the operating theatres and intensive care unit
- Equipped with two minor operating rooms and day beds



Diabetes Care Centre

- Provides services such as diabetic and eye screening, foot care, professional diet counselling and diabetic education
- Part of the Mahkota Diabetes Centre

RSH Medical Block

Artist's impressions of the Medical Block



Top: Exterior of the Medical Block with the existing hospital building in the right background



Top left and right: Ground floor lobby area for outpatient registration

Key statistics

- 10-storey medical block to be constructed at the back of the existing hospital building
- Construction expected to commence in 2017 and be completed in 2019
- Adds dedicated outpatient services, patient beds and over 100 clinic suites for practicing consultants
- Estimated construction cost of MYR 90 million to be funded by external debt and internal cash resources



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