



Health Management International

# 2Q17 Results Presentation

9 February 2017

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# Key 2Q17 Highlights

## Strong Financial Performance

| | 2Q17 YoY Growth | 1H17 YoY Growth |
|---|---|---|
| Revenue | 10.6% | 13.5% |
| EBITDA | 16.1% | 17.0% |
| Adjusted NPAT[1] | 33.2% | 26.7% |
| Adjusted PATMI[1] | 58.0% | 37.8% |

## Operational Update

- Total operational beds : 433 beds (↑3.8% YoY)
- Total patient load : 108.7K patients (↑5.8% YoY)
- Avg. inpatient bill size : MYR 7,724 (↑7.6% YoY)
- Avg. outpatient bill size : MYR 199 (↑4.7% YoY)

## Update on Consolidation

- EGM to be held on 10 Feb 2017 to approve overall transaction
- On track to complete in Mar 2017

## Outlook and Pipeline

- Mahkota Medical Centre ("**MMC**"): Continued recruitment of skilled sub-specialists to enhance clinical excellence and complex cases
- Regency Specialist Hospital ("**RSH**"): New hospital extension block expected to commence construction in second half 2017
- The Group continues to assess investment opportunities in Malaysia and the region
- Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2017

*Note (1) Excludes non-operational and one-off items such as forex gain/loss and acquisition-related professional fees*

# Double-digit Revenue and EBITDA Growth

## Group Income Statement

| In MYR'000 | 2Q17 | 2Q16 | % Δ | 1H17 | 1H16 | % Δ |
|---|---|---|---|---|---|---|
| **Revenue** | **106,903** | **96,622** | *10.6%* | **216,364** | **190,701** | *13.5%* |
| **EBITDA** | **23,981** | **20,661** | *16.1%* | **49,829** | **42,600** | *17.0%* |
| *EBITDA margin (%)* | *22.4%* | *21.4%* | | *23.0%* | *22.3%* | |
| **Net profit after tax ("NPAT")** | **12,416** | **11,559** | *7.4%* | **26,926** | **19,863** | *35.6%* |
| *NPAT margin (%)* | *11.6%* | *12.0%* | | *12.4%* | *10.4%* | |
| **Profit attributable to** | | | | | | |
| Equity holders ("PATMI") | 5,332 | 5,394 | *(1.1%)* | 11,502 | 6,776 | *69.7%* |
| Non-controlling interests | 7,084 | 6,165 | *14.9%* | 15,424 | 13,087 | *17.9%* |

***Adjustments for non-operational and one-off items***

| | | | | | | |
|---|---|---|---|---|---|---|
| Add: Forex loss/(gain) | 924 | (838) | *NM* | 2,069 | 3,758 | *(44.9%)* |
| Add: Professional fees[1] | 943 | - | *NM* | 943 | - | *NM* |
| **Adjusted NPAT** | **14,283** | **10,721** | *33.2%* | **29,937** | **23,621** | *26.7%* |
| *NPAT margin (%)* | *13.4%* | *11.1%* | | *13.8%* | *12.4%* | |
| **Adjusted PATMI** | **7,199** | **4,556** | *58.0%* | **14,513** | **10,534** | *37.8%* |
| *PATMI margin (%)* | 6.7% | 4.7% | | 6.7% | 5.5% | |

## Commentary

- 2Q17 revenue increased by 10.6% to MYR 106.9mn on account of higher patient load and bill sizes
- EBITDA grew by 16.1% to MYR 24.0mn on the back of revenue growth and better cost management
- PATMI declined 1.1% to MYR 5.3mn primarily due to forex loss and professional fees[1]
- However, excluding these non-recurring items, adjusted PATMI increased by 58.0% to MYR 7.2mn in 2Q17

*Note (1) Fees relating to the proposed consolidation in the ownership of Mahkota Medical Centre and Regency Specialist Hospital*

# Strong Financial Position

## Key Balance Sheet Items

| In MYR'000 | As at 31 Dec 2016 | As at 30 Jun 2016 | As at 31 Dec 2015 |
|---|---|---|---|
| Cash and cash equivalents | **94,488** | 78,928 | 50,259 |
| Trade and other receivables | **57,952** | 57,521 | 86,228 |
| Inventories | **12,984** | 14,050 | 13,863 |
| Other current assets | **3,386** | 4,167 | 4,771 |
| Property, plant and equipment | **181,446** | 177,867 | 179,028 |
| | | | |
| Trade and other payables | **85,550** | 97,550 | 86,319 |
| Total Debt | **39,771** | 41,857 | 38,725 |
| Net Debt | **(54,717)** | (37,071) | (11,534) |

## Key Leverage Ratios

| | | | |
|---|---|---|---|
| Total Debt / LTM EBITDA | **0.4x** | 0.5x | 0.5x |
| Net Debt / LTM EBITDA | **(0.6x)** | (0.5x) | (0.2x) |
| Net Debt / Equity[1] | **(0.2x)** | (0.2x) | (0.1x) |

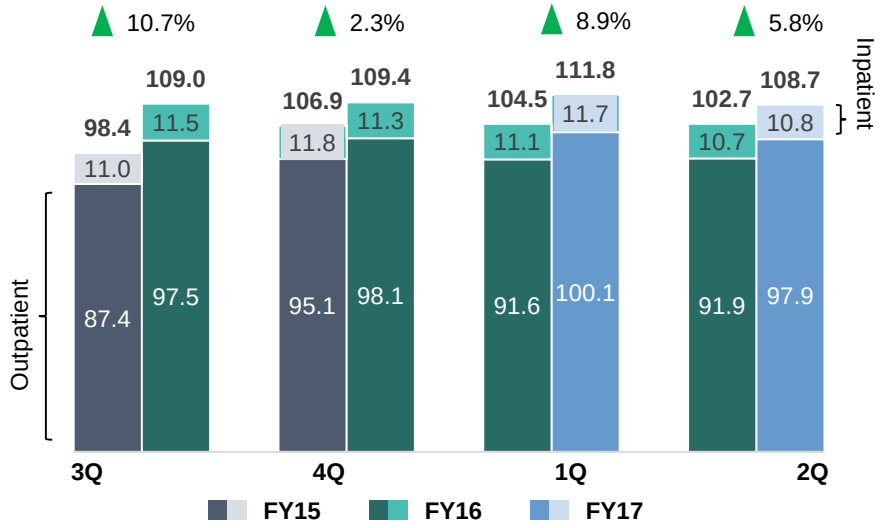
## Commentary

- Maintained strong balance sheet with cash position of MYR 94.5mn and net cash of MYR 54.7mn
- Net Debt / LTM EBITDA of (0.6)x and gearing of (0.2)x as at 31 Dec 2016

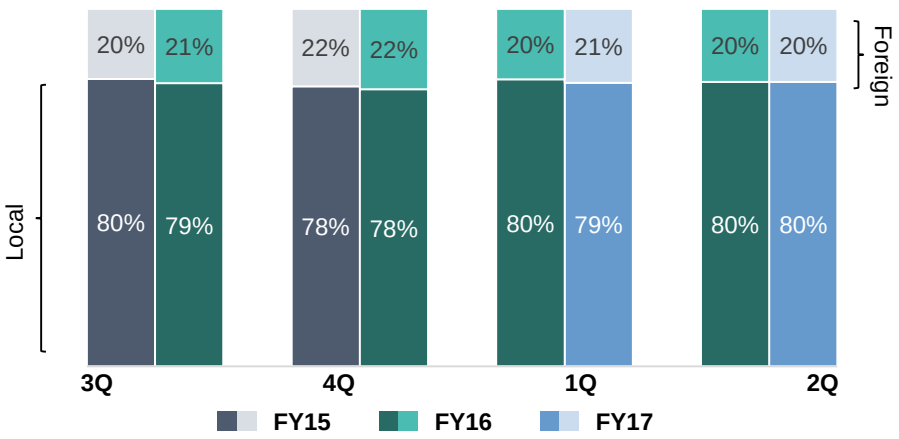
*Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests*

# Consistent Patient Load Growth

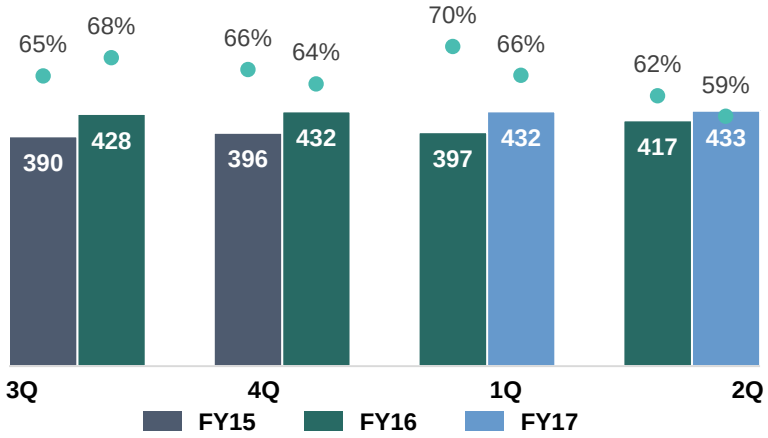
## Patient Load by Type ('000)




## Patient Load by Nationality (%)




## Bed Occupancy[1] and Operational Bed Count



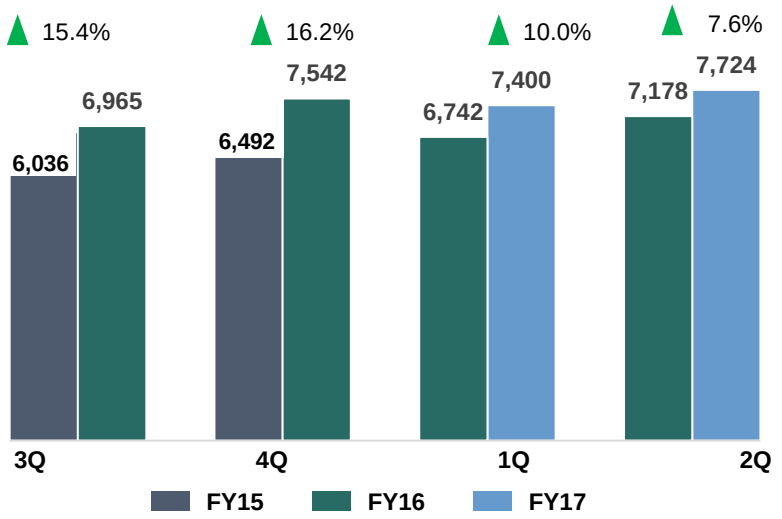

## Commentary

- Patient load increased 5.8% y-o-y in 2Q17, registering a continued healthy growth for both local and foreign patients
- Consistent foreign patient mix across past few quarters
- Decline in bed occupancy for 2Q17 to 59.2% due to an increase in operational beds (16 beds) and the holiday seasons

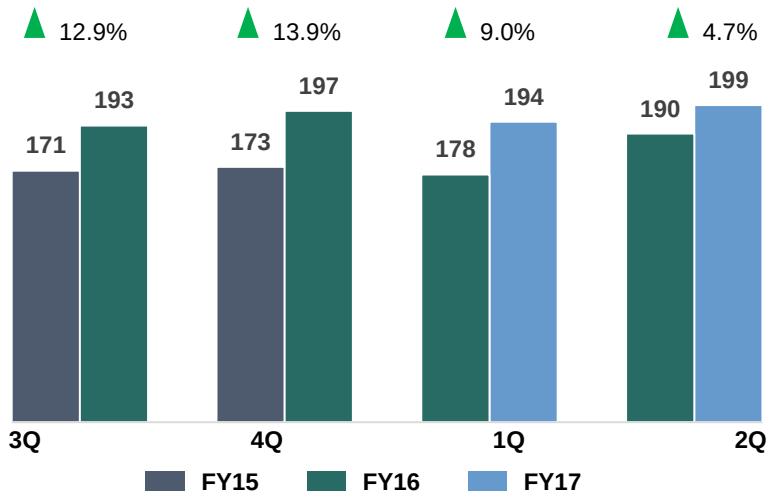
*Note: 1. Based on midnight census*

# High Revenue Intensity Per Patient

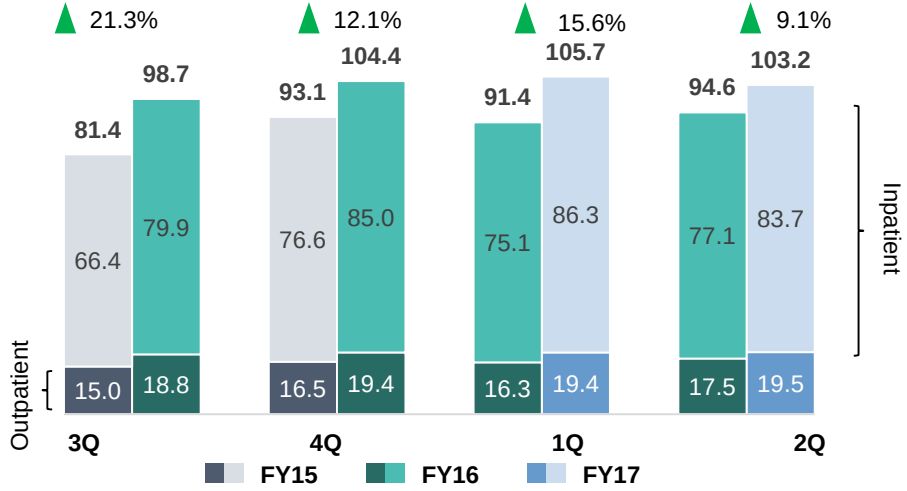
## Average Inpatient Bill Size (MYR)




## Average Outpatient Bill Size (MYR)




## Total Hospital Revenue by Type (MYRm)




## Commentary

- Inpatient and outpatient average bill sizes increased by 7.6% and 4.7% respectively in 2Q17 (vs 2Q16) respectively primarily driven by higher revenue intensity and increased complexity of surgeries
- Total hospital revenue increased by 9.1% in 2Q17 (vs 2Q16) mainly driven by the strong revenue growth at RSH

# Update on Consolidation

**Summary of Transaction**

- On 11 Nov 2016, HMI announced the proposed consolidation in the ownership of Mahkota Medical Centre and Regency Specialist Hospital to 100% each
- Total purchase consideration of MYR 556.6m (SGD 183.2m) to be satisfied by SGD 69.3m in cash and balance SGD 113.9m via new shares[1]
- Implied FY2016 EV/EBITDA transaction multiple of 12.1x

**Process Update**

- EGM on 10 Feb 2017 to approve overall transaction
- On track to complete transaction in Mar 2017

**Funding Update**

- Assuming full rights subscription of SGD 18.5m, expected acquisition debt drawdown will be up to SGD 55.0m
- Management plans to partially pay down acquisition debt early with excess cash
- Onshore hedges will be executed to mitigate forex exposures

**Transaction Rationale**

- Transaction is financially attractive for HMI; 30.4% accretion to fully-diluted FY2016 EPS
- Increased scale post consolidation; 100% of EBITDA and NPAT accrue to HMI shareholders
- Create an enlarged listed healthcare platform to facilitate the Group's regional expansion

*Note (1) 199.8mn new HMI shares at SGD 0.57 per share*

# 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 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 – 2Q17 vs 2Q16

## Income Statement

| In MYR'000 | 2Q17 | 2Q16 | % Δ |
|---|---|---|---|
| Revenue | 106,903 | 96,622 | 10.6% |
| Cost of services | (72,207) | (66,032) | 9.4% |
| **Gross profit** | **34,696** | **30,590** | 13.4% |
| *Gross margin (%)* | *32.5%* | *31.7%* | |
| Interest income | 498 | 451 | 10.4% |
| Other gains/(losses), net | 317 | 1,675 | (81.1%) |
| Distribution and marketing expenses | (856) | (652) | 31.3% |
| Administrative costs | (17,003) | (14,930) | 13.9% |
| Finance costs | (481) | (1,110) | (56.7%) |
| Share of results of associates | 355 | 603 | (41.1%) |
| **Profit before tax** | **17,526** | **16,627** | 5.4% |
| Income tax expense | (5,110) | (5,068) | 0.8% |
| **Net profit after tax ("NPAT")** | **12,416** | **11,559** | 7.4% |
| *NPAT margin (%)* | *11.6%* | *12.0%* | |
| **Profit attributable to** | | | |
| Equity holders | 5,332 | 5,394 | (1.1%) |
| Non-controlling interests | 7,084 | 6,165 | 14.9% |

## Commentary

- **Revenue**: Increased by MYR 10.3m due to higher patient load and increase in average bill size at both hospitals
- **Gross margin**: Improved by 0.8 percentage points due to higher revenue intensity, better cost management and economies of scale
- **Other gains/(losses), net**: Decreased by MYR 1.4m due to forex losses of MYR 0.9m in 2Q17 vs forex gains of MYR 0.8m in 2Q16 as a result of weakening Malaysian ringgit.
- **Administrative costs**: Increased by MYR 2.1m mainly due to incurrence of MYR 0.9m in professional fees relating to the proposed Acquisition of non-controlling interests in both hospitals[1] and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 0.6m as a result of full settlement of amounts owing to associated companies during 4Q16.

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

# Income Statement – 1H17 vs 1H16

## Income Statement

| In MYR'000 | 1H17 | 1H16 | % Δ |
|---|---|---|---|
| Revenue | 216,364 | 190,701 | 13.5% |
| Cost of services | (143,839) | (127,927) | 12.4% |
| **Gross profit** | **72,525** | **62,774** | 15.5% |
| *Gross margin (%)* | *33.5%* | *32.9%* | |
| Interest income | 917 | 890 | 3.0% |
| Other gains/(losses), net | 887 | (1,618) | *NM* |
| Distribution and marketing expenses | (1,537) | (1,227) | 25.3% |
| Administrative costs | (34,849) | (30,411) | 14.6% |
| Finance costs | (999) | (2,296) | (56.5%) |
| Share of results of associates | 831 | 1,433 | (42.0%) |
| **Profit before tax** | **37,775** | **29,545** | 27.9% |
| Income tax expense | (10,849) | (9,682) | 12.1% |
| **Net profit after tax ("NPAT")** | **26,926** | **19,863** | 35.6% |
| *NPAT margin (%)* | *12.4%* | *10.4%* | |
| **Profit attributable to** | | | |
| Equity holders | 11,502 | 6,776 | 69.7% |
| Non-controlling interests | 15,424 | 13,087 | 17.9% |

## Commentary

- **Revenue**: Increased by MYR 25.7m due to higher patient load and increase in average bill size at both hospitals
- **Gross margin**: Improved by 0.6 percentage points due to higher revenue intensity, better cost management and economies of scale
- **Other gains/(losses), net**: Improvement due to gains from sale of medical suites and MYR 1.7m lower forex losses arising from weakening Malaysian ringgit.
- **Administrative costs**: Increased by MYR 4.4m mainly due to incurrence of MYR 0.9m in professional fees relating to the proposed Acquisition of non-controlling interests in both hospitals[1] and increase in general operating costs, offset by lower share-based payment expenses.
- **Finance costs:** Decreased by MYR 1.3m as a result of full settlement of amounts owing to associated companies during 4Q16.
- **Income tax expense:** Increase by MYR 1.2m due to higher profitability in both hospitals

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