Health Management International

1Q18 Results Presentation

13 November 2017

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Key 1Q18 Highlights

Strong Financial Performance

	1Q18 YoY Growth
Revenue	6.9%
EBITDA	11.0%
Core NPAT(1)	1.4%
Core PATMI(1)	117.0%

Operational Update

- Total operational beds : 437 beds (↑1.2% YoY)
- Total patient load : 118.5K patients (↑5.4% YoY)
- Avg. inpatient bill size : MYR 7,644 (↑3.6% YoY)
- Avg. outpatient bill size : MYR 217 (↑12.2% YoY)

Key Updates

- Welcomes Heliconia Capital Management as strategic shareholder with SGD 11.0mn investment / 2.0% stake
- New HMI Performance Share Plan 2017 approved at the AGM
- On track to have paid down 50% of acquisition debt by December 2017

Outlook and Pipeline

- Mahkota Medical Centre ("**Mahkota**"): Increasing bed capacity from 266 beds to 300 beds in FY18 with eventual capacity of 340 beds
- Regency Specialist Hospital ("**Regency**"): Increasing bed capacity from 166 beds to 200 beds in FY18; to build an extension block to become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital

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	1Q17	%∆
Revenue	**117,054**	**109,460**	*6.9%*
EBITDA	**28,696**	**25,848**	*11.0%*
EBITDA margin (%)	*24.5%*	*23.6%*	
Net profit after tax ("NPAT")	**13,785**	**14,510**	*-5.0%*
NPAT margin (%)	*11.8%*	*13.3%*	
Profit attributable to			
Equity holders ("PATMI")	13,786	6,170	*123.4%*
Non-controlling interests	(1)	8,340	
Adjustments for non-operational and one-off items			
Add: Forex loss/(gain)[1]	2,087	1,145	
Add: Professional fees[2]	-	-	
Core NPAT	**15,872**	**15,655**	*1.4%*
NPAT margin (%)	*13.6%*	*14.3%*	
Core PATMI	**15,873**	**7,315**	*117.0%*
PATMI margin (%)	*13.6%*	*6.7%*	

Commentary

- 1Q18 **revenue increased 6.9% YoY to MYR 117.1mn** due to rising patient load and average bill sizes
- **EBITDA increased 11.0% YoY to MYR 28.7mn**, EBITDA margin expands to 24.5% due to higher revenue intensity and effective cost management
- 1Q18 **Core PATMI grew 117.0%** YoY to MYR15.9mn, after adjusting for non-operational foreign exchange losses. Shareholders continue to benefit following the completion of the consolidation[(2)] as 100% of net income is attributable to shareholders

Note:

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

(2) 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-17	As at 30-Jun-17
Cash and cash equivalents	**78,308**	**76,754**
Trade and other receivables	**38,195**	**39,776**
Inventories	**13,786**	**13,551**
Other current assets	**5,622**	**8,375**
Property, plant and equipment	**285,375**	**278,551**
Trade and other payables	**68,482**	**67,746**
Total Debt	**144,638**	**163,748**
Net Debt	**66,330**	**86,994**
Key Leverage Ratios		
Total Debt / LTM EBITDA	**1.5x**	**1.7x**
Net Debt / LTM EBITDA	**0.7x**	**0.9x**
Net Debt / Equity[1]	**0.3x**	**0.5x**

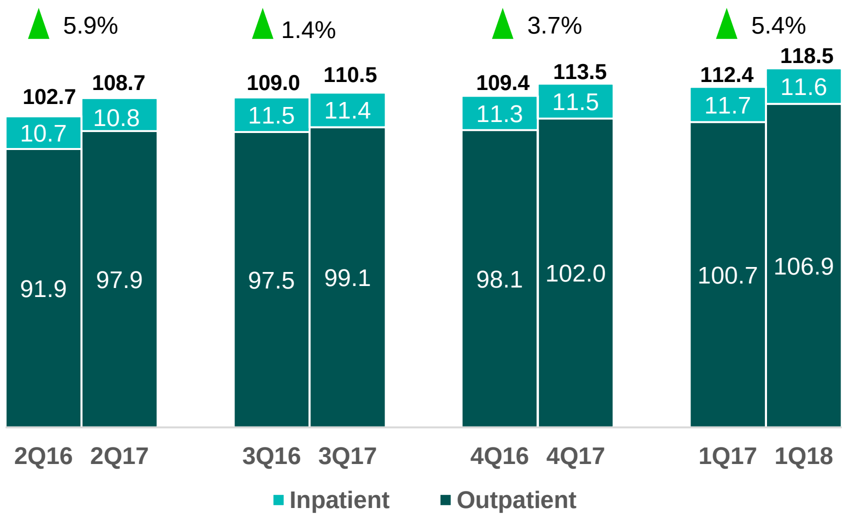
Commentary

- Maintained strong balance sheet with cash position of MYR 78.3mn and net debt of MYR 66.3mn
- Total debt declines 11.7% from 30 June 2017 to MYR 144.6mn as at 30 September 2017 due to paydown of acquisition debt
- Net Debt / LTM EBITDA improves to 0.7x while gearing declines to 0.3x as at 30 September 2017

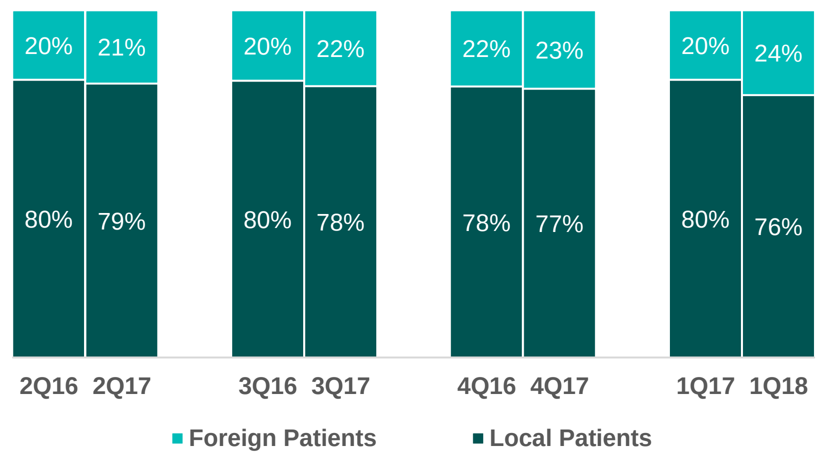
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

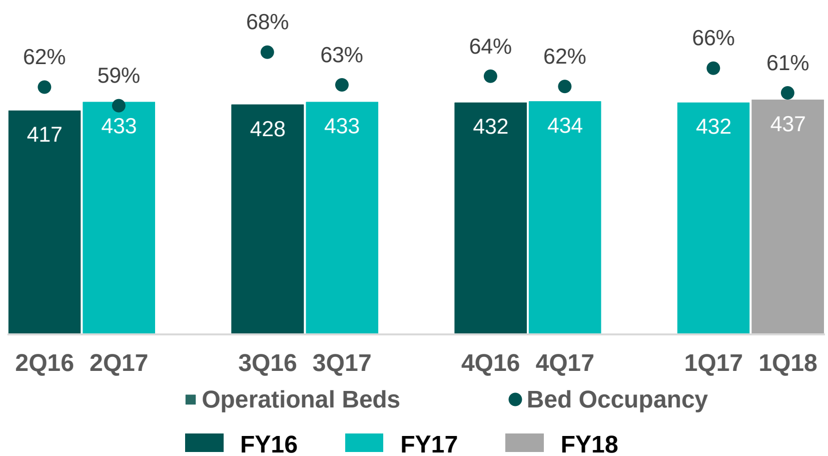
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy[1] and Operational Bed Count



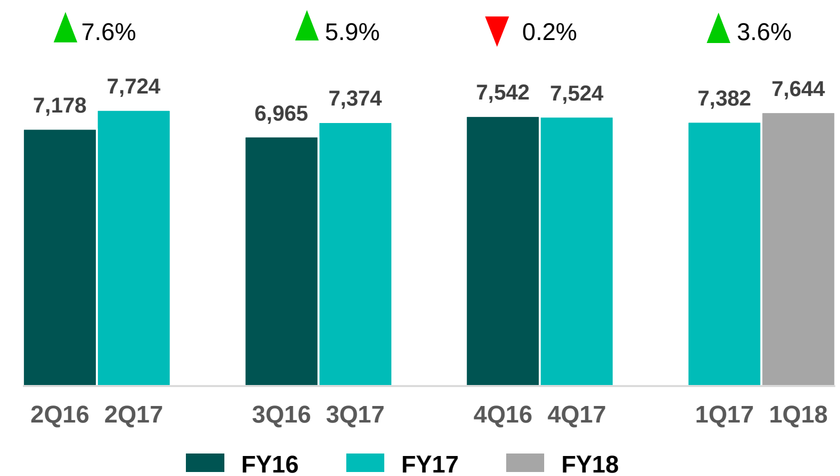
Commentary

- 1Q18 patient load grew 5.4% YoY to 118.5k patients
- Increase in patient load primarily due to outpatients; inpatient admissions remained stable
- Growth in foreign patient load continues to outpace the growth in local patient load
- Total bed occupancy remained stable at 61% as operational beds increase to 437

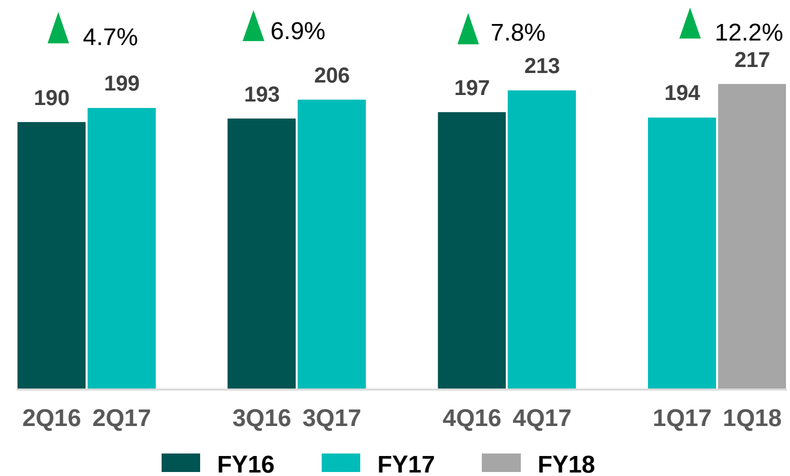
Note: 1. Based on midnight census

High Revenue Intensity Per Patient

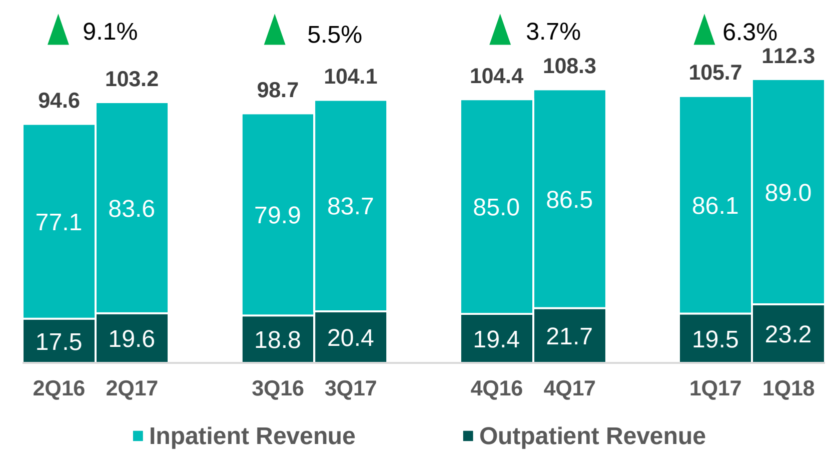
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Total hospital revenue increased 6.3% YoY to MYR 112.3mn for 1Q18
- The YoY growth in average outpatient bill size at 12.2% outpaced the growth in average inpatient bill size at 3.6% to MYR 217 and MYR 7,644 respectively

Placement to Heliconia Capital Management

Details of the Placement

- Number of Placement Shares : 16,909,272 new shares
- Placement price : S$0.65 per share
- Gross proceeds raised : S$10.99 million
- Placement share percentage : 2.0% of the enlarged share capital
- Placement entity : Orchid 2 Investments Pte Ltd

Heliconia Capital Management

- Wholly-owned subsidiary of Singapore investment company Temasek
- Provides growth capital for Singapore's leading small and medium-sized enterprises, helping them become globally competitive companies

Rationale & Use of Proceeds

- A testament to HMI's experienced management team that has continuously achieved strong year-on-year growth at its hospitals
- Allows HMI access to Heliconia's network and resources to facilitate the Group's regional expansion
- In line with the Group's strategy to build relationships and synergistic partnerships that enhance shareholder value while charting sustainable growth at existing hospitals

Outlook and Pipeline

Updates on Mahkota

- Continued development of Mahkota Centres of Excellence
  - Introduction of new technologies at the In-Vitro Fertilisation ("IVF") laboratory
  - New paediatric rehabilitation service catering to special needs children
  - New sub-specialities introduced including neonatology, rheumatology, trauma and spine surgery as well as periodontology
- Increasing bed capacity from 266 beds to 300 beds in FY18 with eventual capacity of 340 beds
- Airasia to commence direct flights to Guangzhou, Vietnam and Jakarta from Melaka airport

Updates on Regency

- Introduced Resident Medical Officers ("RMOs") to bolster critical care capabilities round the clock
- Increasing bed capacity from 166 beds to 200 beds in FY18
- With the development of an extension block, Regency will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital
- Construction to commence in FY18 for estimated construction cost of MYR160mn, pending necessary approvals

Outlook and Prospects

- The Group continues to assess strategic collaborations and investment opportunities in Malaysia and the region
- Management will build on the Group's success and growth over the past years by:
  - Focus on people development led by the Group's newly appointed Chief People Officer
  - Enhancing service delivery
  - Continued recruitment of specialists and development of new clinical services
  - Managing cost pressures such as rising purchasing cost and staff cost
  - Further optimizing operating leverage
- Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2018

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APPENDICES

Income Statement – 1Q18 vs 1Q17

Income Statement

In MYR'000	1Q18	1Q17	%∆
Revenue	**117,054**	**109,460**	**6.9%**
Cost of services	(76,426)	(71,632)	6.7%
Gross profit	**40,628**	**37,828**	**7.4%**
Gross margin (%)	*34.7%*	*34.6%*	
Interest income	272	419	-35.1%
Other gains/(losses), net	(1,054)	570	-284.9%
Distribution and marketing expenses	(1,111)	(682)	62.9%
Administrative costs	(17,145)	(17,844)	-3.9%
Finance costs	(2,072)	(518)	300.0%
Share of results of associates	-	477	-100.0%
Profit before tax	**19,518**	**20,250**	**-3.6%**
Income tax expense	(5,733)	(5,740)	-0.1%
Net profit after tax ("NPAT")	**13,785**	**14,510**	**-5.0%**
NPAT margin (%)	*11.8%*	*13.3%*	
Profit/(loss) attributable to			
Equity holders	13,786	6,170	123.4%
Non-controlling interests	(1)	8,340	-100.0%

Commentary

- **Revenue**: Increased 6.9% YoY to MYR 117.1mn driven by higher patient load, an increase in average bill sizes at both hospitals, and contribution from the education business
- **Other gains/(losses), net**: Other losses of RM1.1mn was recorded in 1Q18 compared to other gains of RM0.6mn in the prior year due to higher foreign exchange losses of RM2.1mn recorded in 1Q18 compared to RM1.1mn in 1Q17.
- **Distribution and marketing expenses:** Increased 62.9% yoy to RM1.1mn due to increased marketing efforts
- **Finance costs:** Increased by MYR1.6mn due to drawdown of SGD 53.0 mn from the term loan facility for the purposes of the acquisition of noncontrolling interests in Mahkota and Regency[1]

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

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THANK YOU

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