HMI triples net profit to RM15.7 million for 2Q2018; Declares interim dividend & announces new dividend policy

- Revenue increases 8.5% yoy to RM116.0 million driven by higher patient loads and average bill sizes at the Group's two hospitals
- EBITDA rises 22.5% yoy to RM29.4 million while EBITDA margin expands 2.9 percentage points to 25.3% due to higher revenue intensity and effective cost management
- Declares an interim dividend of RM1.0 cents per share; announces the adoption of a new dividend policy to declare dividends of not less than 20.0% of the Group's core earnings of any financial year

Financial Highlights	**2Q2018 RM'000**	**2Q2017 RM'000**	**Change %**	**1H2018 RM'000**	**1H2017 RM'000**	**Change %**
Revenue	115,987	106,903	8.5	233,041	216,364	7.7
Gross Profit	42,782	34,696	23.3	83,410	72,525	15.0
EBITDA	29,375	23,981	22.5	57,954	49,828	16.3
EBITDA Margin (%)	25.3	22.4	2.9 pts	24.9	23.0	1.9 pts
PATMI	15,724	5,332	194.9	29,510	11,502	156.6
Core PATMI *(excluding non-operational & one-off items)*	15,214	7,199	111.3	30,970	14,513	113.4

SINGAPORE – **12 February 2018** – **Health Management International Ltd** ("**HMI**" or the "**Group**"), a growing regional private healthcare provider that owns two tertiary hospitals in Malaysia and a healthcare training centre in Singapore, has announced its financial results for the second quarter ("**2Q2018**") ended 31 December 2017.

Driven by rising patient loads and average bill sizes at Mahkota Medical Centre ("**Mahkota**") and Regency Specialist Hospital ("**Regency**"), the Group's revenue increased 8.5% year-on-year ("yoy") to RM116.0 million. Additionally, higher student enrolment contributed to topline growth as the Group's education business reported a RM2.9 million increase in revenue.

In line with the growth in revenue, the Group's EBITDA rose 22.5% yoy to RM29.4 million. Correspondingly, the Group's EBITDA margin expanded 2.9 percentage points to 25.3%, underpinned by higher revenue intensity and effective cost management.

The Group's finance costs increased to RM3.2 million for 2Q2018 as a result of drawdown from the S$53.0 million term loan facility arising from the consolidation of ownership of its two hospitals[1]. Since the

[1] Refer to SGX announcement "HMI to consolidate its ownership in Mahkota Medical Centre and Regency Specialist Hospital" on 11 November 2016 for details

drawdown of the term loan facility in March 2017, within nine months, the Group has repaid more than half of the loan amount.

As a result of the consolidation exercise completed on 27 March 2017, 100% of net income is now attributable to HMI shareholders. Coupled with strong operational performance, the Group’s net profit attributable to shareholders (“**PATMI**”) increased 194.9% yoy to RM15.7 million.

The Group's core business operations continued to generate strong positive operating cash flows of RM40.6 million for 1H2018. This contributed to balance sheet strength while concurrently; a conscious effort was made to pare down debt as total borrowings declined by RM57.7 million to RM106.0 million. This translated to an improvement in net gearing ratio to 0.2x as at 31 December 2017 (0.5x as at 30 June 2017).

In light of the Group’s financial performance and to reward shareholders for their continued support, the Board of Directors has declared an interim dividend of RM1.0 cents per share. In addition, the Board has also announced the adoption of a new dividend policy to declare dividends of not less than 20.0% of the Group’s core operating earnings of any financial year.

The Group’s Chief Executive Officer Ms Chin Wei Jia said, “Against the backdrop of rising healthcare demand in the region, our comprehensive tertiary hospitals continue to cater to the needs of both local and foreign patients. As we see rising patient loads across the board, we remain in growth mode through the continuous recruitment of specialists and capacity expansion at both of our hospitals. Over the year, we have seen a strong growth in medical tourists to our hospital, particularly from Indonesia. We continue to focus our efforts on broadening our specialist offerings, as well as investing into technology and human capital across the Group. We believe this will aid our long-term sustainability as we leverage on our strong brand equity to pursue further organic and inorganic growth initiatives.”

Operational Updates

The Group registered growth from both foreign and local patients as total patient load increased 5.4% yoy to 114,606. In addition, average outpatient bill sizes increased 10.9% yoy to RM222 while average inpatient bill sizes increased 3.6% yoy to RM7,993. This was mainly attributed to higher revenue intensity and increasingly complex surgeries. During the quarter, the Group’s operational bed occupancy declined marginally to 55.7% as the average length of stay decreased.

To cope with the growing number of patients at its hospitals and rising demand for private healthcare, the Group has embarked on expansion initiatives to capture growth opportunities. At Mahkota, a new ward has been opened which allows management the opportunity to refurbish its older wards over time. In addition, the hospital will be constructing a small extension to the building to allow more clinical space for its radiology and other departments.

At Regency, the new planned hospital extension block at Regency is in the regulatory approval process. Pending the relevant approvals, this new block will more than double existing capacity with additional inpatient beds, clinical services, operating theatres and clinical suites for sale or rental to doctors. Upon its targeted commissioning in FY2021, Regency will become a 380-bed tertiary hospital, with potential to expand capacity to 500 beds.

Outlook

Following the Malaysian government's announcement in October 2017 that it would allocate RM30.0 million to boost the nation's healthcare travel industry[2], medical tourism within the country continues to gain traction as the overall market is expected to contribute over RM1.2 billion in annual revenue[3]. This is in line with its national economic blueprint where healthcare travel has been identified as one of the National Key Economic Areas set to drive the country towards a high-income nation by 2020. Heading into the remainder of 2018, Malaysia continues to promote medical tourism, with expanded medical tourism packages, special incentives and tax allowance for healthcare facilities. The Malaysia Healthcare Travel Council has adopted a proactive approach to increase Malaysia's visibility as a leading healthcare destination, such as signing a memorandum of understanding with health facilitators in Guangzhou, China[4].

Against this backdrop, Mahkota continues to leverage on its leading brand equity as a pioneer in medical tourism and first mover in the Indonesian market since 1999 to drive foreign patient growth. Similarly, at the strategically-located Regency, a broadening number of specialist disciplines have led to rising foreign patient load.

Commenting on the Group's outlook, **Ms Chin** said, "Favourable demographics and tailwinds that spur medical tourism has provided us with the impetus to expand our targeted initiatives aimed at enhancing the overall awareness of Mahkota and Regency. Through our network of 16 patient referral offices across Indonesia, Malaysia and Singapore, joint marketing efforts have allowed us to broaden our patient referrals and attract more foreign patients. Along with continued growth from local patients stemming from rising demand for private healthcare, we aim to continue our mission of providing quality healthcare to patients across the region."

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About Health Management International Ltd

Health Management International Ltd ("**HMI" or the "Group**") is a growing regional private healthcare provider with presence in Singapore, Malaysia and Indonesia. The Group owns two tertiary hospitals in Malaysia, a healthcare training centre in Singapore and a network of representative offices in Indonesia, Malaysia and Singapore.

Established in 1994, Mahkota Medical Centre ("**Mahkota**") is HMI's flagship hospital located in the heart of Malacca, a UNESCO World Heritage Site and a popular destination for medical care and leisure. The 288-

[2] Malaysia Healthcare Travel Council, MHTC receives well the 2018 Budget Allocation Announcement
[3] Malaysia Healthcare Travel Council, Over RM1b medical tourism revenue by year end
[4] Malaysia Healthcare Travel Council, Guangzhou Health Facilitators Keen To Promote Malaysia Healthcare

bed hospital is the largest private tertiary hospital in South Malaysia, offering a comprehensive suite of healthcare services and the first and only hospital in Malacca to offer nuclear medicine services. It is also a leader in Malaysia medical tourism, serving close to 100,000 international patients per year and named the "Malaysia Medical Tourism Hospital of the Year" by Frost & Sullivan in 2015 and 2016.

The Group's second hospital, Regency Specialist Hospital ("**Regency**") operational since 2009, is one of the fastest growing private tertiary hospitals in Malaysia. Strategically located within the fast developing and vibrant Iskandar Malaysia, the special economic zone in the state of Johor, the 218-bed Regency is easily accessible via land, sea or air from Singapore, Indonesia and the region. It is the only private hospital in Malaysia with a 24-hour Emergency & Trauma Centre, providing round the clock specialist attention and medical care to both local and international patients.

HMI's healthcare training centre, the HMI Institute of Health Sciences, is a Skills Future Singapore accredited Continuing Education and Training Centre for the healthcare support sector. It has trained more than 4,500 healthcare professionals and 160,000 individuals in Emergency life-saving skills since 2001 and 2010 respectively.

For more information, please refer to our website at www.hmi.com.sg.

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