



HMI Health Management International

2Q18 Results Presentation

12 February 2018

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Key 2Q18 Highlights

Strong Financial Performance

	2Q18 YoY Growth	1H18 YoY Growth
Revenue	8.5%	7.7%
EBITDA	22.5%	16.3%
Core NPAT[(1)]	6.5%	3.4%
Core PATMI[(1)]	111.3%	113.4%

Operational Update

- Total operational beds : 437 beds (↑0.9% YoY)
- Total patient load : 114.6K patients (↑5.4% YoY)
- Avg. inpatient bill size : MYR 7,993 (↑3.6% YoY)
- Avg. outpatient bill size : MYR 222 (↑10.9% YoY)

Key Updates

- Declares an interim dividend of MYR1.0 cents per share
- Announces the adoption of a dividend policy to declare dividends of not less than 20% of the Group's core earnings of any financial year
- Education business to gain traction in e-learning through partnership with Japan's leading publishing and elder care company, Gakken Cocofump Holdings

Outlook and Pipeline

- Strong growth in medical tourists; c. 23-24% of patients now from overseas
- Capacity expansion plans at both hospitals remain on track; new ward opened at Mahkota
- The Group continues to assess investment opportunities in Malaysia and the region

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	2Q18	2Q17	%∆	1H18	1H17	%∆
Revenue	**115,987**	**106,903**	*8.5%*	**233,041**	**216,364**	*7.7%*
EBITDA	**29,375**	**23,981**	*22.5%*	**57,954**	**49,828**	*16.3%*
EBITDA margin (%)	*25.3%*	*22.4%*		*24.9%*	*23.0%*	
Net profit after tax ("NPAT")	**15,722**	**12,416**	*26.6%*	**29,507**	**26,926**	*9.6%*
NPAT margin (%)	*13.6%*	*11.6%*		*12.7%*	*12.4%*	
Profit attributable to						
Equity holders ("PATMI")	15,724	5,332	*194.9%*	29,510	11,502	*156.6%*
Non-controlling interests	(2)	7,084		(3)	15,424	
Adjustments for non-operational and one-off items						
Add: Forex loss/(gain)	-510	924		1,460	2,068	
Add: Professional fees[1]	0	943		0	943	
Core NPAT	**15,212**	**14,283**	*6.5%*	**30,967**	**29,937**	*3.4%*
NPAT margin (%)	*13.1%*	*13.4%*		*13.3%*	*13.8%*	
Core PATMI	**15,214**	**7,199**	*111.3%*	**30,970**	**14,513**	*113.4%*
PATMI margin (%)	*13.1%*	*6.7%*		*13.3%*	*6.7%*	

Commentary

- 2Q18 **revenue increased 8.5% YoY to MYR 116.0mn** due to rising patient load and average bill sizes
- **EBITDA increased 22.5% YoY to MYR 29.4mn**, EBITDA margin expands 2.9 percentage points to 25.3% due to higher revenue intensity and effective cost management
- 2Q18 **core PATMI grew 111.3% YoY to MYR 15.2mn**, after adjusting for non-operational foreign exchange losses. Shareholders continue to benefit following the completion of the consolidation(1) as 100% of net income is attributable to shareholders

Note:

(1) 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

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Strong Financial Position

Key Balance Sheet Items

In MYR'000	As at 31-Dec-17	As at 30-Jun-17
Cash and cash equivalents	**69,930**	**76,754**
Trade and other receivables	**40,663**	**39,776**
Inventories	**13,980**	**13,551**
Other current assets	**6,772**	**8,375**
Property, plant and equipment	**285,784**	**278,551**
Trade and other payables	**63,551**	**67,746**
Total Debt	**106,043**	**163,748**
Net Debt	**36,113**	**86,994**
Key Leverage Ratios		
Total Debt / LTM EBITDA	**1.0x**	**1.7x**
Net Debt / LTM EBITDA	**0.3x**	**0.9x**
Net Debt / Equity[1]	**0.2x**	**0.5x**

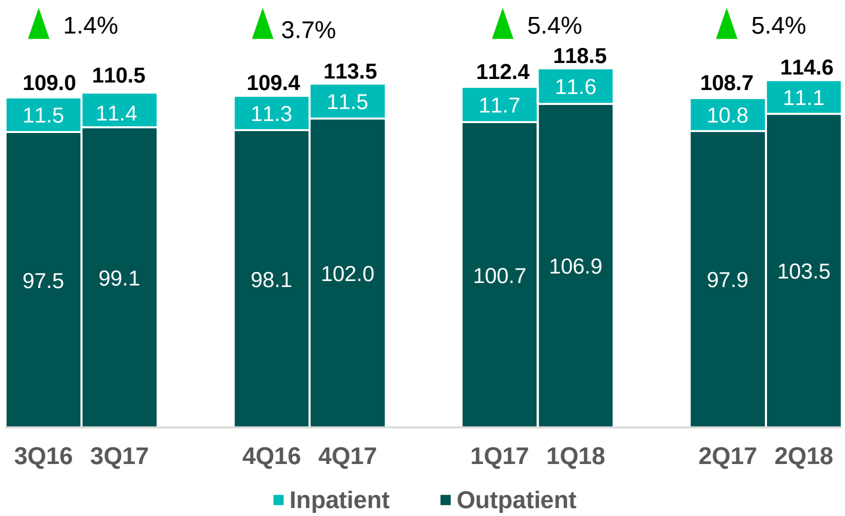
Commentary

- Maintained strong balance sheet with cash position of MYR 69.9mn and net debt of MYR 36.1mn
- Total debt declines 35.2% from 30 June 2017 to MYR 106.0mn as at 31 December 2017 due to accelerated paydown of acquisition debt
- Heliconia's SGD 11mn placement funds still available for business expansion
- Net Debt / LTM EBITDA improves to 0.3x while gearing declines to 0.2x as at 31 December 2017

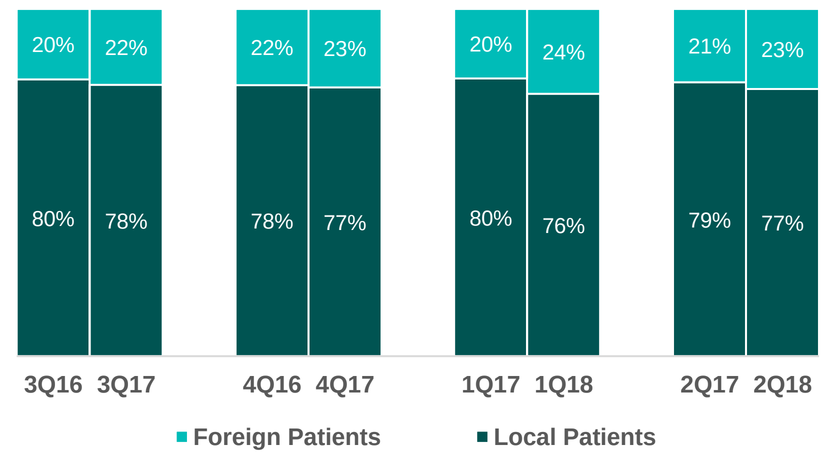
Note (1) Equity refers to the aggregate of Shareholder's Equity and Non-Controlling Interests.

Consistent Patient Load Growth

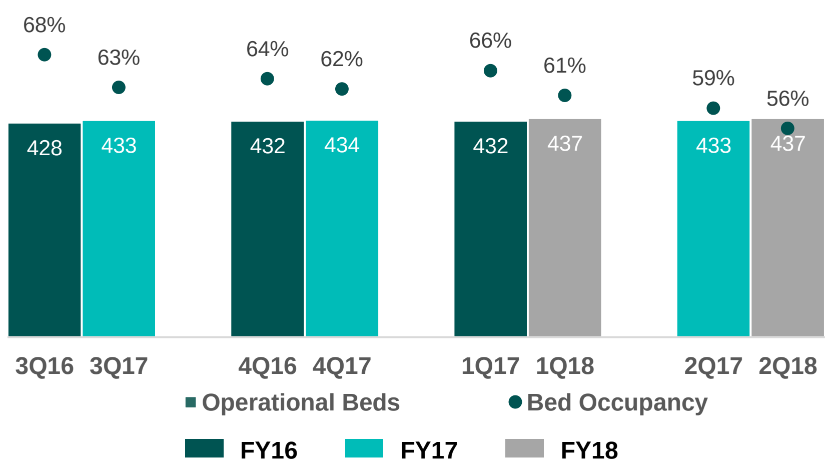
Patient Load by Type ('000)



Patient Load by Nationality (%)



Bed Occupancy[1] and Operational Bed Count



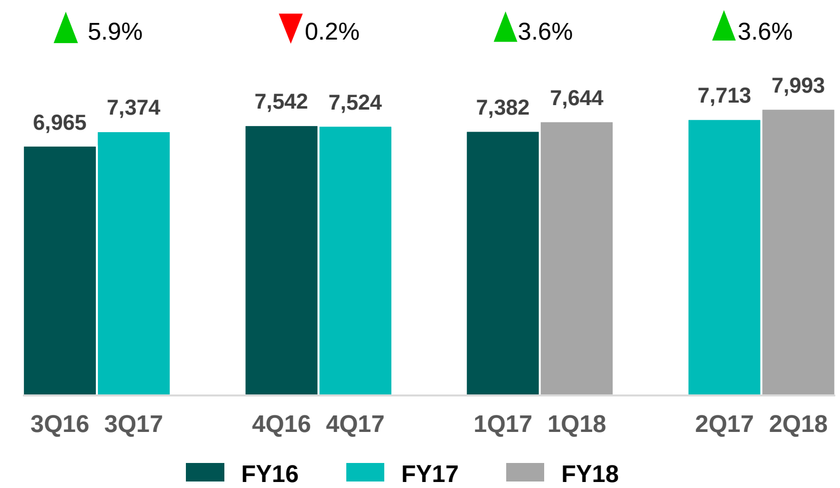
Commentary

- 2Q18 patient load grew 5.4% YoY to 114.6k patients
- Increase in patient load driven by growth in both inpatients and outpatients
- Growth in foreign patient load continues to outpace the growth in local patient load
- Total bed occupancy declined marginally to 56% as the average length of stay decreased

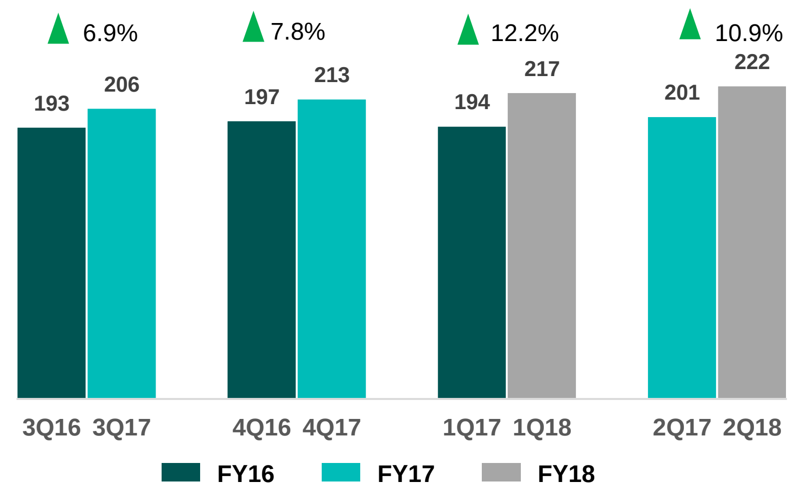
Note: 1. Based on midnight census

High Revenue Intensity Per Patient

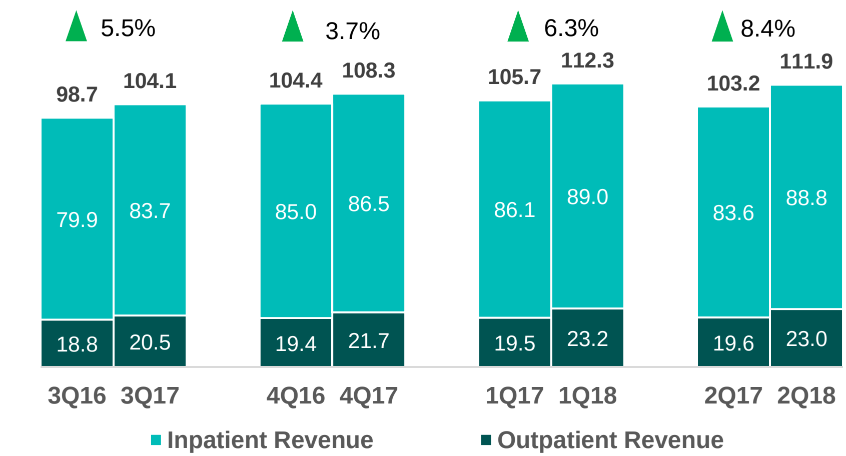
Average Inpatient Bill Size (MYR)



Average Outpatient Bill Size (MYR)



Total Hospital Revenue by Type (MYRm)



Commentary

- Total hospital revenue increased 8.4% YoY to MYR 111.9mn for 2Q18 due to higher patient load and revenue intensity
- The YoY growth in average outpatient bill size at 10.9% outpaced the growth in average inpatient bill size at 3.6% to MYR 222 and MYR 7,993 respectively

Capacity Expansion at Mahkota

East Wing

Expansion of the Radiology and other departments for more clinical areas

Expected to be completed by end of calendar year 2018

New ward

Introduction of new ward 9B with 36 beds

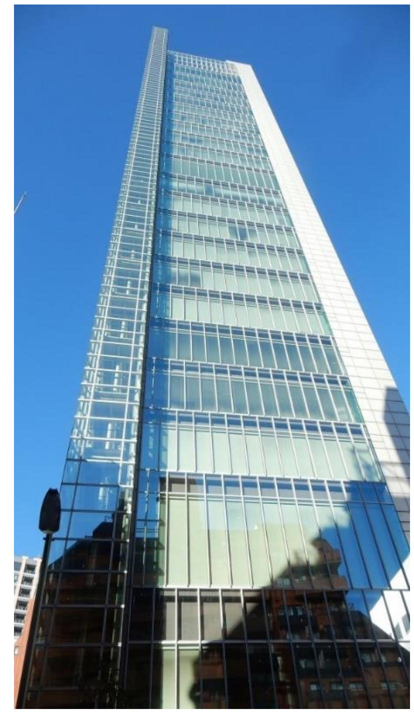
The new ward allows the hospital to close and refurbish older wards over time

Partnership with Gakken Cocofump

Signs collaborative agreement to develop elderly education care in the region[1]

- About Gakken Cocofump Holdings:
  - Established in 1947, Gakken is a leading publisher and age care operator in Japan
  - Subsidiary of Gakken Holdings Co Ltd, listed on the Tokyo Stock Exchange since 1984
  - Develops and provides products that contribute to education including the best-selling learning materials "Kagaku", "Gakushu", and various kind of magazines
  - Specialises in planning, development and operation of over 160 senior residences, nursing homes and nurseries across Japan
  - Gakken's training in medical, nursing and elderly care have been adopted in over 1,300 hospitals and old age homes in Japan

- HMI Institute inks a licensing agreement to utilize Gakken's educational content covering best practices in elderly care training
  - Gakken will license educational content consisting more than ten hours of lectures and applied learning videos with over six hundred pages of material covering the essentials of basic elderly care
- Strategic partnership to enhance the quality of training for the community care and home caregiver sectors in Singapore and the region



Note: 1. For more information, please refer to the related SGXNet announcement on 1 February 2018

Outlook and Pipeline

Updates on Mahkota

- Continued development of Mahkota's Centres of Excellence
  - Introduction of new consultants (Anaesthesiology & Critical Care, ENT, Orthopaedic & Trauma)
  - One year anniversary since the introduction of the PET-CT Scan service; performed more than 500 cases, with approximately one-third of external referrals from other hospitals
- Named on the official panel as a full service hospital provider for Tenaga Nasional Berhad
- New ward opened; using this opportunity to refurbish older wards over time

Updates on Regency

- First to launch ECMO (Extracorporeal Membrane Oxygenation) Therapy in Southern region of Malaysia
- Continued recruitment of new consultants (Cardiology & Internal, Internal Medicine & Neurology, Urology, Neurosurgery)
- Near term, expansion of bed capacity in FY2018 remains on track
- Expansion block is in the approval process

Outlook and Prospects

- The Group continues to assess inorganic growth opportunities and strategic collaborations in Malaysia and the region
- Leveraging on a network of 16 patient referral centers in Indonesia, Malaysia and Singapore, the Group continues to attract foreign patients
- Management will build on the Group's success and growth over the past years by:
  - Focusing on people development & technology
  - Enhancing service delivery
  - Continued recruitment of specialists and development of new clinical services
  - Managing cost pressures such as rising purchasing cost and staff costs

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APPENDICES

Income Statement – 2Q18 vs 2Q17

Income Statement

In MYR'000	2Q18	2Q17	%∆
Revenue	**115,987**	**106,903**	**8.5%**
Cost of services	(73,205)	(72,207)	1.4%
Gross profit	**42,782**	**34,696**	**23.3%**
Gross margin (%)	*36.9%*	*32.5%*	
Interest income	420	498	-15.7%
Other gains/(losses), net	857	317	170.3%
Distribution and marketing expenses	(847)	(856)	-1.1%
Administrative costs	(18,100)	(17,003)	6.5%
Finance costs	(3,237)	(481)	573.0%
Share of results of associates	(1)	355	-100.3%
Profit before tax	**21,874**	**17,526**	**24.8%**
Income tax expense	(6,152)	(5,110)	20.4%
Net profit after tax ("NPAT")	**15,722**	**12,416**	**26.6%**
NPAT margin (%)	*13.6%*	*11.6%*	
Profit/(loss) attributable to			
Equity holders	15,724	5,332	194.9%
Non-controlling interests	(2)	7,084	-100.0%

Commentary

- **Revenue**: Increased 8.5% YoY to MYR 116.0mn driven by higher patient load, an increase in average bill sizes at both hospitals, and contribution from the education business
- **Gross Margin**: Improved to 36.9% from 32.5% for 2Q18 as a result of higher revenue intensity in both hospitals and better cost management
- **Other gains/(losses), net**: Other gains of MYR 0.9mn was MYR 0.5mn higher than the corresponding period in the prior year. This was mainly due to the strengthening of the Malaysian ringgit during the quarter which resulted in foreign exchange gains of MYR 0.1mn whilst foreign exchanges losses of MYR 0.9mn were recorded in 2Q17.
- **Finance costs:** Increased by MYR 2.8mn 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

Income Statement – 1H18 vs 1H17

Income Statement

In MYR'000	1H18	1H17	%∆
Revenue	**233,041**	**216,364**	***7.7%***
Cost of services	(149,631)	(143,839)	*4.0%*
Gross profit	**83,410**	**72,525**	***15.0%***
Gross margin (%)	*35.8%*	*33.5%*	
Interest income	692	917	*-24.5%*
Other gains/(losses), net	(197)	887	*-122.2%*
Distribution and marketing expenses	(1,958)	(1,537)	*27.4%*
Administrative costs	(35,245)	(34,849)	*1.1%*
Finance costs	(5,309)	(999)	*431.4%*
Share of results of associates	(1)	831	*-100.1%*
Profit before tax	**41,392**	**37,775**	*9.6%*
Income tax expense	(11,885)	(10,849)	*9.5%*
Net profit after tax ("NPAT")	**29,507**	**26,926**	*9.6%*
NPAT margin (%)	*12.7%*	*12.4%*	
Profit attributable to			
Equity holders	29,510	11,502	*156.6%*
Non-controlling interests	(3)	15,424	*-100.0%*

Commentary

- **Revenue**: Increased 7.7% YoY to MYR 233.0mn driven by higher patient load, an increase in average bill sizes at both hospitals, and contribution from the education business
- **Gross Margin**: Improved to 35.8% from 33.5% for 1H18 as a result of higher revenue intensity in both hospitals and better cost management
- **Other gains/(losses), net**: Other losses of MYR 0.2mn was recorded for 1H18 compared to other gains of MYR 0.9mn for 1H17. The decrease was mainly due to one-off gains recorded from sale of medical suites recorded in the previous financial period
- **Finance costs:** Increased by MYR 4.3mn 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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