HMI increases net profit to RM15.9 million for 3Q2018

- Revenue increases 7.1% yoy to RM115.4 million driven by rising patient loads and average bill sizes at the Group's two hospitals
- EBITDA rises 26.6% yoy to RM28.2 million while EBITDA margin expands 3.7 percentage points to 24.4% due to higher revenue intensity and effective cost management
- Robust positive operating cash flow generation of RM62.1 million builds balance sheet strength; continues to pare down debt as net gearing ratio improves to 0.1x (0.5x as at 30 June 2017)

Financial Highlights	**3Q2018 RM'000**	**3Q2017 RM'000**	**Change %**	**9M2018 RM'000**	**9M2017 RM'000**	**Change %**
Revenue	115,358	107,670	7.1	348,399	324,034	7.5
Gross Profit	41,369	34,336	20.5	124,778	106,861	16.8
EBITDA	28,161	22,259	26.6	86,689	72,087	20.3
EBITDA Margin (%)	24.4	20.7	3.7 pts	24.9	22.2	2.7 pts
PATMI	15,880	(1,571)	*NM*	45,390	9,931	*NM*
Core PATMI *(excluding non-operational & one-off items)*	15,409	7,094	117.2	46,379	21,607	114.6

SINGAPORE – **9 May 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 third quarter ("**3Q2018**") ended 31 March 2018.

Driven by rising patient loads and average bill sizes at Mahkota Medical Centre ("**Mahkota**") and Regency Specialist Hospital ("**Regency**"), the Group's revenue increased 7.1% year-on-year ("yoy") to RM115.4 million. The Group's EBITDA increased 26.6% yoy to RM28.2 million. Correspondingly, the Group's EBITDA margin expanded 3.7 percentage points to 24.4%, underpinned by higher revenue intensity and effective cost management.

The Group's finance costs increased to RM1.5 million for 3Q2018 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 drawdown of the term loan facility in March 2017, within a year, the Group has repaid more than half of the loan amount. Conversely, administrative costs declined 25.6% yoy to RM18.5 million in the absence of RM7.3 million in professional fees and other costs related to the consolidation reported in 3Q2017.

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

As a result of the consolidation exercise completed on 27 March 2017, 100% of net income is now attributable to HMI shareholders. The Group reported a net profit attributable to shareholders ("**PATMI**") of RM15.9 million for the quarter.

The Group's core business operations continued to generate strong positive operating cash flows of RM62.1 million for 9M2018. A committed effort to pare down debt contributed to a strong balance sheet, as total borrowings reduced to RM95.9 million (RM163.7 million as at 30 June 2017). Consequently, the Group's net gearing ratio improved to 0.1x as at 31 March 2018 (0.5x as at 30 June 2017).

The Group's Chief Executive Officer Ms Chin Wei Jia said, "We continue to see increasing local and foreign patient loads at Mahkota Medical Centre and Regency Specialist Hospital. We are focused on executing initiatives targeted at delivering quality healthcare and expanding our specialist offerings to provide our patients with a comprehensive range of services. In addition to enhancing service delivery, we remain committed to maximising utilisation within our existing hospitals and further optimise efficiency to manage costs. Overall, we are in growth mode, recruiting new specialists and expanding capacity at both hospitals. Backed by a strong balance sheet, the Group is also exploring partnerships and strategic acquisitions to further enhance clinical excellence and expand geographically."

Operational Updates

The Group registered growth from both foreign and local patients as total patient load increased 2.7% yoy to 113,451. In addition, average outpatient bill sizes increased 9.0% yoy to RM225 while average inpatient bill sizes increased 3.8% yoy to RM7,650. This was mainly attributed to higher revenue intensity and increasingly complex surgeries. During the quarter, the Group's operational bed occupancy declined marginally to 58.8% while the total number of operational beds remained stable at 437.

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 the hospital to refurbish its older wards over time. In addition, Mahkota is constructing a small extension to the building to allow more clinical space for its radiology and other departments.

At Regency, the planned new hospital block is in 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 2021, Regency will become a 380-bed tertiary hospital, with potential to expand capacity to 500 beds.

Outlook

On 15 March 2018, the Malaysian Healthcare Travel Council ("MHTC") announced that it expects revenue contribution from medical tourism to reach RM2.0 billion annually[2], up from the previous estimate of RM1.2 billion. In addition, the MHTC estimates that there will be around 1.1 to 1.2 million medical tourist arrivals by 2020. Key markets such as Indonesia, Vietnam, China and India were identified. This comes after the government's announcement in October 2017 that it would allocate RM30.0 million to boost the nation's healthcare travel industry[3], 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.

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, the increased comprehensiveness of specialist services led to an increase in foreign patient load.

Commenting on the Group's outlook, **Ms Chin** said, "In line with marketing initiatives geared towards capturing a bigger medical tourism market share, the growth in our foreign patient load continues to outpace the growth in local patient load. Leveraging on our network of 16 patient referral offices across Indonesia, Malaysia and Singapore coupled with the longstanding reputation of our hospitals, we remain poised to capture the favourable demographics and rising demand for private healthcare."

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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-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.

[2] Malaysia Healthcare Travel Council, Revenue to Exceed RM2 billion
[3] Malaysia Healthcare Travel Council, MHTC receives well the 2018 Budget Allocation Announcement

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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