

# IHH Healthcare Berhad

## Results Briefing Presentation Q3 2014

25 November 2014



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# Agenda

## \* Key Operational Highlights

- Q3 being a seasonally slow quarter
- Project progress – Malaysia
- Project progress – International
- Project progress – Turkey

## \* Key Financial Highlights

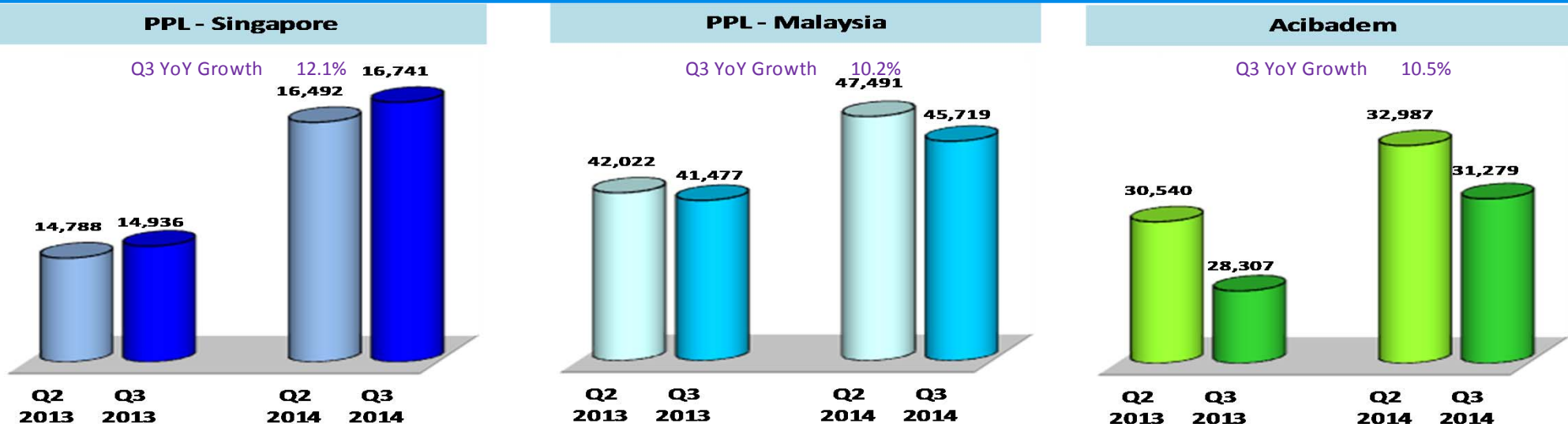
- Key Group Highlights
- Key Group Highlights (without PLife REIT results)
- Performance by SBUs (in key metrics)
- Strong balance sheet and operating cash flows
- Expansion capital expenditure
- Outlook and Prospects



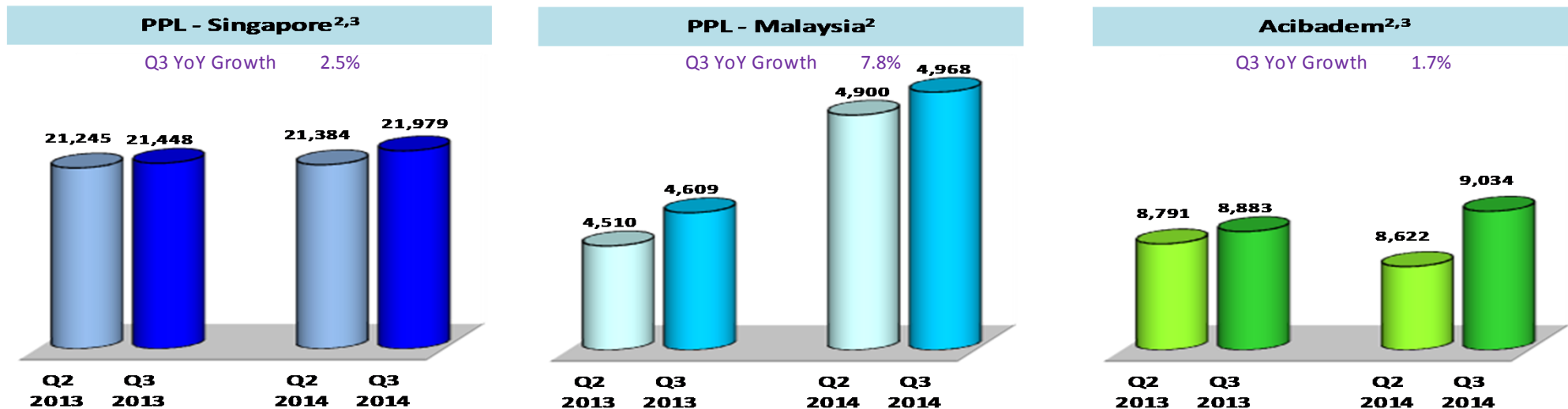
# ***Key Operational Highlights***

Except PPL – Singapore, inpatient volumes dropped in Q3 QonQ. Increased on YoY for all. Revenue intensity generally improved against last year and Q2

### Inpatient Admission Volumes<sup>1</sup> (Number)



### Average Revenue per Inpatient Admission<sup>1</sup> (RM)



1. Based on Singapore, Malaysia and Acibadem Holdings hospitals only. International hospitals not included.  
 2. Specialist fees not included in Singapore and Malaysia but included in Acibadem Holdings' average revenue per inpatient admission  
 3. Based on a uniform exchange rate throughout the periods shown (SGD: 2.56016; TL: 1.44956)

## Project Progress – Malaysia

Type	Hospital	Description	Target Completion
Expansion Project	Pantai Hospital Kuala Lumpur	Phase 1: 200 consultant suites, 8 COEs Phase 2: 120 beds capacity	Phase 1: End 2014 Phase 2: Planning stage
Expansion Project	Pantai Hospital Klang	80 beds capacity	<ul style="list-style-type: none"> <li>• Planning stage</li> <li>• Target Completion: End <b>2016</b></li> </ul>
Expansion Project	Gleneagles Kuala Lumpur	100 beds capacity	<ul style="list-style-type: none"> <li>• Under construction</li> <li>• Target Completion: 2<sup>nd</sup> Half <b>2015</b></li> </ul>
Expansion Project	Pantai Hospital Ayer Keroh	160 beds capacity	<ul style="list-style-type: none"> <li>• Planning stage</li> <li>• Target completion: <b>Early 2017</b></li> </ul>

## Project Progress – Malaysia

Type	Hospital	Description	Target Completion
Greenfield Project	Gleneagles Medini	Phase 1a: 150 bed capacity	<ul style="list-style-type: none"><li>• Under construction</li><li>• Target Completion of Phase 1a: <b>Early 2015</b></li></ul>
Greenfield Project	Gleneagles Medini	Phase 1b: Medical Office Block ( 162 Medical Clinic Suite )	<ul style="list-style-type: none"><li>• Target Completion of Phase 1b: <b>2016</b></li></ul>
Greenfield Project	Gleneagles Kota Kinabalu	250 beds capacity	<ul style="list-style-type: none"><li>• Under construction</li><li>• Target Completion: <b>Early 2015</b></li></ul>

## Project Progress – International

Type	Hospital	Description	Target Completion
Consultancy Agreement, HMA	<b>Abu Dhabi, UAE</b> Danat Al Emarat Hospital	126 bed capacity	<ul style="list-style-type: none"> <li>• Target Completion: End <b>2014</b></li> <li>• Operation in <b>2015</b></li> </ul>
50-50% JV Greenfield Project	<b>India</b> Gleneagles Khubchandani, Mumbai	450 bed capacity	<ul style="list-style-type: none"> <li>• Under Construction</li> <li>• Target Completion: <b>2015</b></li> </ul>
60-40% JV Greenfield Project	<b>Hong Kong</b> Gleneagles Hong Kong Hospital	500 bed capacity	<ul style="list-style-type: none"> <li>• Target Commissioning: <b>Early 2017</b></li> </ul>

## Project Progress – Turkey

Type	Hospital	Description	Target Completion
Expansion Project	Acibadem Bodrum	Phase 2: Cancer Care Center.110 beds capacity, 4 OTs	<ul style="list-style-type: none"> <li>• Under Construction</li> <li>• Target completion: <b>Q2 2015</b></li> </ul>
Expansion Project	Acibadem Sistina Skopje	81 beds capacity and an Oncology Dept	<ul style="list-style-type: none"> <li>• Exterior construction completed</li> <li>• Target completion: <b>Q1 2015</b></li> </ul>
Expansion Project	Acibadem Maslak	200 beds capacity	<ul style="list-style-type: none"> <li>• Construction to commence in 2015</li> <li>• Target completion: <b>2016</b></li> </ul>
Brownfield Project	Acibadem Taksim	120 inpatient beds expected	<ul style="list-style-type: none"> <li>• Construction in progress</li> <li>• Target construction completion date: <b>1<sup>st</sup> half 2015</b></li> </ul>



## Project Progress – Turkey

Type	Hospital	Description	Target Completion
Greenfield Project	Acibadem Altunizade	Located in Istanbul <b>Expected:</b> 250+ bed capacity	<ul style="list-style-type: none"> <li>Construction to commence in 2015</li> <li>Target Completion: <b>2016</b></li> </ul>
Greenfield Project	Acibadem Kartal	Located in Istanbul <b>Expected:</b> 120 bed capacity	<ul style="list-style-type: none"> <li>Project under evaluation and related discussions are ongoing</li> </ul>
Greenfield Project	Acibadem Atasehir	Located in Istanbul <b>Expected:</b> 180 bed capacity	<ul style="list-style-type: none"> <li>Project under evaluation and related discussions are ongoing</li> </ul>



# ***Key Financial Highlights***

## Key Group Highlights (Excluding PLife REIT's results)

**Revenue, EBITDA & PATMI (Excl EI) grew 7%, 8% and 21% respectively vs Q3 2013**  
**Continued EBITDA margin expansion from 20.9% in Q3 2013 to 21.3% in Q3 2014**

- \* Robust performance driven by Year on Year growth in volume and revenue intensity.
- \* Mount Elizabeth Novena Hospital, Acibadem Ankara Hospital and Acibadem Bodrum Hospital continue to ramp up their operations and margins since their openings in FY2012.
- \* Acibadem Atakent Hospital opened on 2 January 2014  
Acibadem Atakent's revenue continue to increase in Q3 2014, to report a Q3 2014 revenue of RM37.4 million (33% QonQ). Start-up EBITDA loss also significantly reduced in Q3 2014, to only RM0.3 million (Q3 2013 EBITDA loss of RM2.8 million).
- \* Pantai Hospital Manjung opened on 19 May 2014  
Start-up loss and pre-operating EBITDA losses was RM1.1mil higher than Q3 2013.
- \* EBITDA margins improved despite the start-up losses of new hospitals due to operating leverage as patient revenues grew faster than expenses
- \* PATMI (Excl EI) growth driven by:
  - EBITDA growth and reducing financing costsOffset by:
  - incremental depreciation

# Key Group Highlights (Excluding PLife REIT's results)

- \* Benefits of diversification with strong Singapore Dollar offsetting weak Turkish Lira (“TL”) on translation of subsidiary groups’ YTD income statements\*
  - Group Revenue and EBITDA growth eroded by the weak Turkish Lira.
  - Group recognised an exchange loss of RM61.0mil and RM53.7mil on the translation of the non-TL borrowings in Q3 2014 and YTD 2014 respectively.

\*: Movements in key average exchange rates used to translate the results of significant overseas subsidiaries into RM

<b><u>SGD Average Rates Variance</u></b>	<u>QTD</u>	<u>YTD</u>
vs Last Year	-0.1%	3.1%
<b><u>TL Average Rates Variance</u></b>	<u>QTD</u>	<u>YTD</u>
vs Last Year	-9.8%	-10.4%

# IHH Group achieved double-digit PATMI and PATMI (excluding exceptional items) growth over last year

## Total Group Results

<i>RM'mil</i>	QTD Sept			YTD Sept		
	2014	2013	Variance	2014	2013	Variance
Revenue	1,783.9	1,671.7	7%	5,406.6	4,976.3	9%
EBITDA	427.0	393.9	8%	1,351.5	1,207.7	12%
<i>EBITDA Margin (%)</i>	<b>23.9%</b>	<b>23.6%</b>	0.4%	<b>25.0%</b>	<b>24.3%</b>	0.7%
PATMI	146.9	117.0	26%	515.1	401.1	28%
<i>PATMI Margin (%)</i>	<b>8.2%</b>	<b>7.0%</b>	1.2%	<b>9.5%</b>	<b>8.1%</b>	1.5%
PATMI (Excluding exceptional items <sup>1</sup> )	176.9	146.6	21%	540.8	438.4	23%
<i>PATMI Margin (%)</i> (Excluding exceptional items <sup>1</sup> )	<b>9.9%</b>	<b>8.8%</b>	1.1%	<b>10.0%</b>	<b>8.8%</b>	1.2%

1: Exceptional items, net of tax and minority share

## Effects of strong Singapore Dollar offsets the weak Turkish Lira upon the translation of the YTD results of the Group's foreign operations

### Excluding PLife REIT's Results

	QTD Sept				YTD Sept			
	2014	2013	Variance	Variance (@ Constant Currency)	2014	2013	Variance	Variance (@ Constant Currency)
<i>RM'mil</i>								
<b>Revenue</b>	<b>1,760.1</b>	<b>1,651.5</b>	<b>7%</b>	<b>11%</b>	<b>5,335.2</b>	<b>4,918.0</b>	<b>8%</b>	<b>12%</b>
<b>EBITDA</b>	<b>374.5</b>	<b>345.6</b>	<b>8%</b>	<b>11%</b>	<b>1,194.0</b>	<b>1,067.5</b>	<b>12%</b>	<b>14%</b>
<b>EBITDA Margin (%)</b>	<b>21.3%</b>	<b>20.9%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>22.4%</b>	<b>21.7%</b>	<b>0.7%</b>	<b>0.4%</b>
<b>PATMI</b>	<b>132.7</b>	<b>105.2</b>	<b>26%</b>	<b>21%</b>	<b>475.6</b>	<b>364.0</b>	<b>31%</b>	<b>29%</b>
<b>PATMI Margin (%)</b>	<b>7.5%</b>	<b>6.4%</b>	<b>1.2%</b>	<b>0.6%</b>	<b>8.9%</b>	<b>7.4%</b>	<b>1.5%</b>	<b>1.1%</b>
<b>PATMI (Excluding exceptional items<sup>1</sup>)</b>	<b>162.7</b>	<b>134.7</b>	<b>21%</b>	<b>19%</b>	<b>501.3</b>	<b>401.4</b>	<b>25%</b>	<b>24%</b>
<b>PATMI Margin (%) (Excluding exceptional items<sup>1</sup>)</b>	<b>9.2%</b>	<b>8.2%</b>	<b>1.1%</b>	<b>0.6%</b>	<b>9.4%</b>	<b>8.2%</b>	<b>1.2%</b>	<b>0.9%</b>

1: Exceptional items, net of tax and minority share

# Healthy 21% growth on Q3 core earnings

## Exceptional Items

RM'mil

	QTD Sept			YTD Sept		
	2014	2013	Variance	2014	2013	Variance
<b>Profit after tax and minority interests</b>	<b>146.9</b>	<b>117.0</b>	<b>26%</b>	<b>515.1</b>	<b>401.1</b>	<b>28%</b>
<b>Add back/(Less): Exceptional Items</b>						
Professional and consultancy fees for acquisitions	0.3	2.8		1.1	3.4	
Change in fair value of contingent consideration payable <sup>i</sup>	-	0.0		-	(4.0)	
Write off property, plant and equipment	0.2	0.0		0.4	0.2	
Gain on disposal of property, plant and equipment	0.1	(1.8)		(2.2)	(3.2)	
Gain on disposal of assets held for sale	-	-		-	(0.1)	
Gain on disposal of a subsidiary	-	(4.4)		-	(4.4)	
Exchange (gain)/loss on net borrowings <sup>ii</sup>	61.0	67.0		53.7	135.8	
Tax refund relating to a prior year <sup>iii</sup>	-	-		-	(22.0)	
	<u>61.7</u>	<u>63.7</u>		<u>53.0</u>	<u>105.7</u>	
Add/(less): Tax effects on exceptional items	<u>(12.2)</u>	<u>(13.4)</u>		<u>(10.7)</u>	<u>(27.2)</u>	
	<u>49.5</u>	<u>50.3</u>		<u>42.3</u>	<u>78.5</u>	
Add/(less): Minority interest share of exceptional items	<u>(19.5)</u>	<u>(20.8)</u>		<u>(16.6)</u>	<u>(41.1)</u>	
	<u>30.0</u>	<u>29.6</u>		<u>25.7</u>	<u>37.4</u>	
<b>Profit after tax and minority interests (Excluding exceptional items <sup>iv</sup>)</b>	<b><u>176.9</u></b>	<b><u>146.6</u></b>	<b>21%</b>	<b><u>540.8</u></b>	<b><u>438.4</u></b>	<b>23%</b>
Less: Profit from sale of medical suites	-	-		-	-	
Less: PATMI contribution from PLife REIT	<u>(14.2)</u>	<u>(11.9)</u>		<u>(39.5)</u>	<u>(37.0)</u>	
<b>Profit after tax and minority interests (Excluding exceptional items <sup>iv</sup> and PLife REIT)</b>	<b><u>162.7</u></b>	<b><u>134.7</u></b>	<b>21%</b>	<b><u>501.3</u></b>	<b><u>401.4</u></b>	<b>25%</b>

Note:

- i. Fair valuation of contingent consideration payable relate to the acquisition of Bodrum Tedavi
- ii. Relates to exchange differences arising from foreign currency denominated borrowings/payables net of foreign currency denominated cash/receivables, recognised by Acibadem Holdings
- iii. The Group recognised a tax credit of RM22.0 million during 2013 as a result of successful recovery of tax paid in a prior year
- iv. Exceptional items, net of tax and non-controlling interests

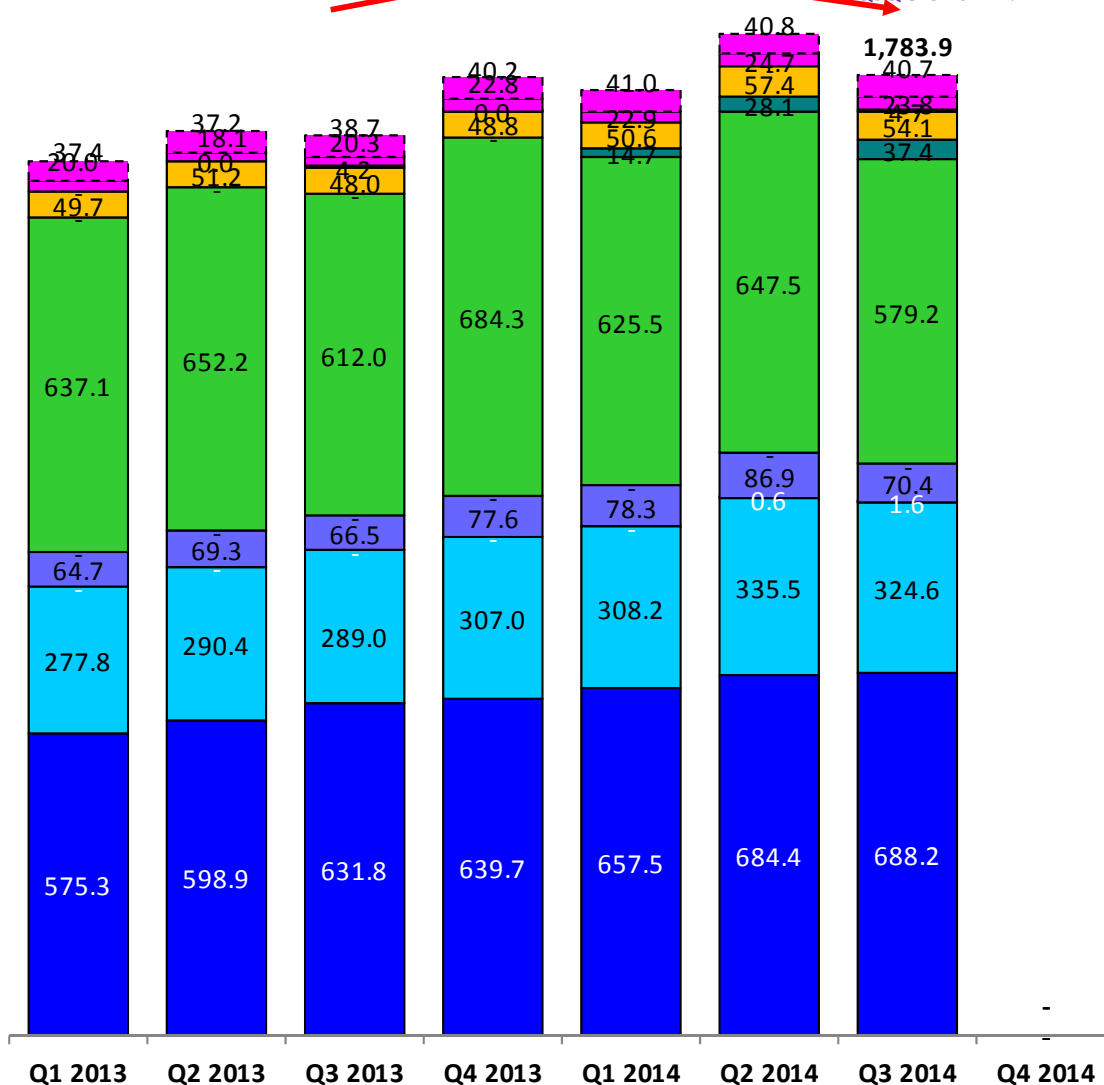
# Robust year-on-year revenue growth from existing operations

## QoQ revenue reduced due to Q3 being a seasonally slow quarter

Revenue (RM 'mil)

Q3 YoY Growth 7%

QoQ Growth -4%



Variations

Segments

GROUP

GROUP (Excl REIT)

	Q3'14 vs Q2'14	Q3'14 vs Q3'13	YTD'14 vs YTD'13
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-4% 7% 9%

-4% 7% 8%

PLife REIT	-3%	18%	22%
Others	-	12%	12%
IMU Health	-6%	13%	9%
Acibadem Holdings (New)	33%	-	-
Acibadem Holdings	-11%	-5%	-3%
PPL-International (New)	-	-	-
PPL-International	-19%	6%	17%
PPL-Malaysia (New)	192%	-	-
PPL-Malaysia	-3%	12%	13%
PPL-Singapore	1%	9%	12%

PLife REIT (Intersegment)

"Others" segment comprises of IHH Group corporate offices as well as other investment holding entities

"New Hospitals" as referred to in these slides refers to:

**Malaysia**

- Pantai Hospital Manjung (Opened in May 2014)
- Gleneagles Hospital Medini
- Gleneagles Hospital Kota Kinabalu

**International**

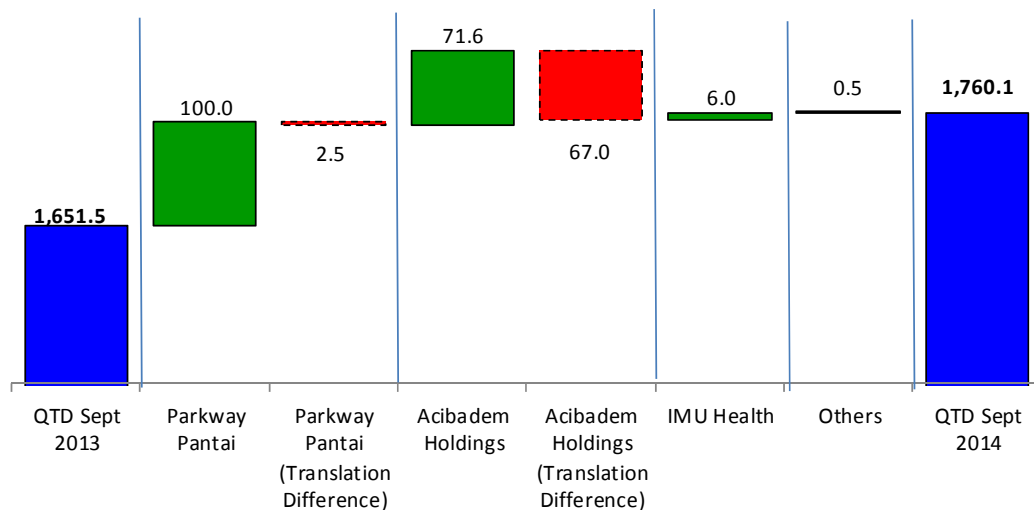
- GHK Hospital
- IHTYL (Turkey)**
- Acibadem Atakent Hospital (Opened in January 2014)
- Acibadem Altunizade Hospital



# IHH Group's revenues would be stronger than actual if translated at constant currency

## Revenue Variance

### Revenue - QTD Variance

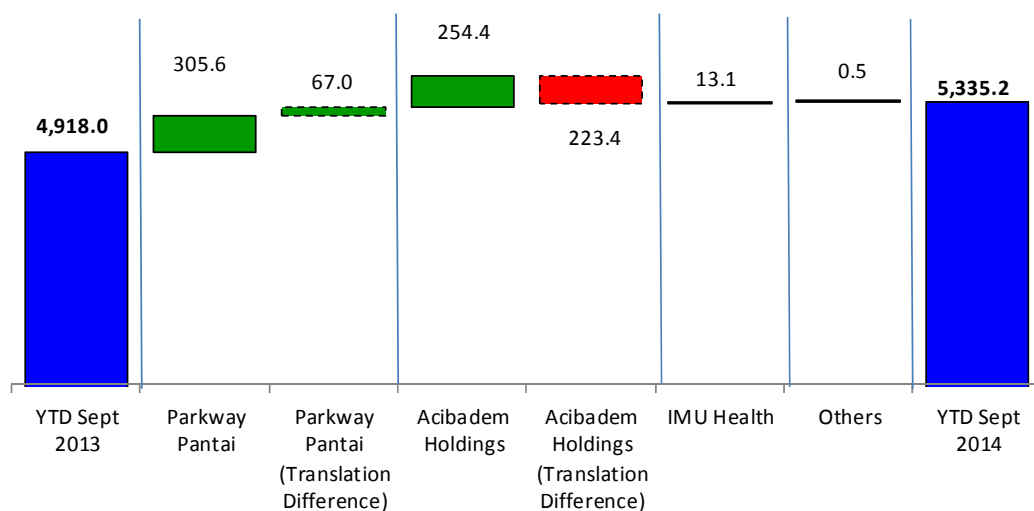


### Q3'14 vs Q3'13

	Actual	@ Constant Currency
Parkway Pantai	10%	10%
Acibadem Holdings	1%	12%
IMU Health	13%	13%
<b>Group (Excl PLife REIT)</b>	<b>7%</b>	<b>11%</b>

Parkway Pantai  
Acibadem Holdings  
IMU Health  
**Group (Excl PLife REIT)**

### Revenue - YTD Variance



### YTD'14 vs YTD'13

	Actual	@ Constant Currency
Parkway Pantai	13%	11%
Acibadem Holdings	2%	13%
IMU Health	9%	9%
<b>Group (Excl PLife REIT)</b>	<b>8%</b>	<b>12%</b>

Parkway Pantai  
Acibadem Holdings  
IMU Health  
**Group (Excl PLife REIT)**

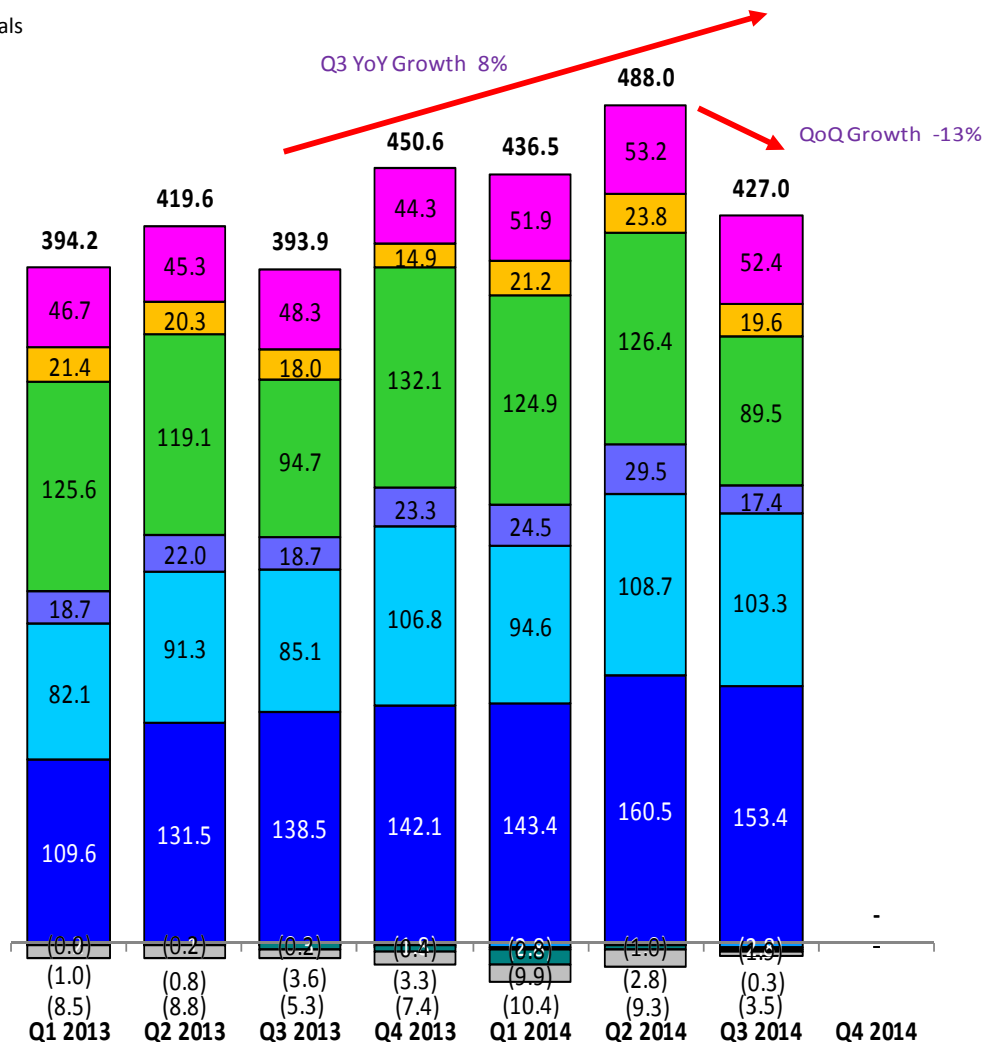
The above figures excludes PLife REIT

# Healthy EBITDA growth and margin improvement vs last year driven by higher revenues and operating leverage; Partially offset by pre-operating costs of new operations

## EBITDA (RM 'mil)

Margins	21.7%	22.5%	20.9%	23.1%	22.2%	23.6%	21.3%	-
w/o PLife REIT								

Margins	21.7%	22.6%	21.2%	23.4%	23.1%	24.3%	22.1%	-
w/o New Hospitals & PLife REIT								



## Variations

Segments	Q3'14	Q3'14	YTD'14
	vs Q2'14	vs Q3'13	vs YTD'13
GROUP	-13%	8%	12%
GROUP (Excl REIT)	-14%	8%	12%

Segment	Q3'14 vs Q2'14	Q3'14 vs Q3'13	YTD'14 vs YTD'13
PLife REIT	-1%	9%	12%
Others	62%	34%	-3%
IMU Health	-18%	8%	8%
Acibadem Holdings (New)	89%	91%	-142%
Acibadem Holdings	-29%	-6%	0%
PPL-International (New)	-95%	NM	NM
PPL-International	-41%	-7%	20%
PPL-Malaysia (New)	-180%	NM	NM
PPL-Malaysia	-5%	21%	19%
PPL-Singapore	-4%	11%	20%

Excluding the New Hospitals and PLife REIT, IHH Group's EBITDA margins increased 0.8% to 22.1% in Q3 2014, contributed by operating leverage achieved by the Group's major operations:

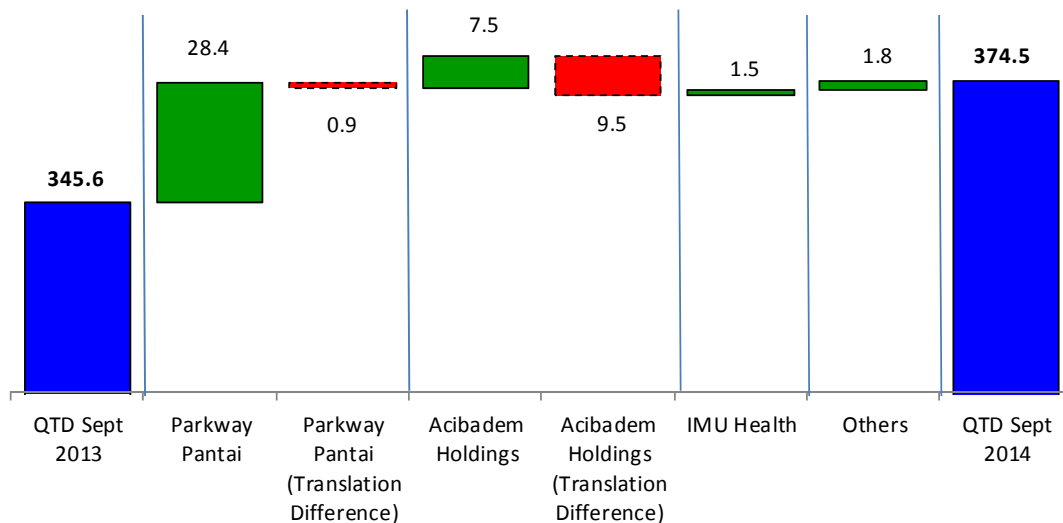
EBITDA Margin	Q3 2014	Q3 2013	Q3'14 vs Q3'13
	PPL-Singapore	22.3%	21.9%
PPL-Malaysia*	31.8%	29.5%	2.4%
PPL-International*	24.7%	28.1%	-3.4%
Acibadem Holdings*	15.4%	15.5%	0.0%
IMU Health	36.2%	37.6%	-1.4%

\*: Excluding new hospitals

# Translation gains on Parkway Pantai's EBITDA partially offsets translation losses on Acibadem Holding's EBITDA

## EBITDA Variance

### EBITDA - QTD Variance

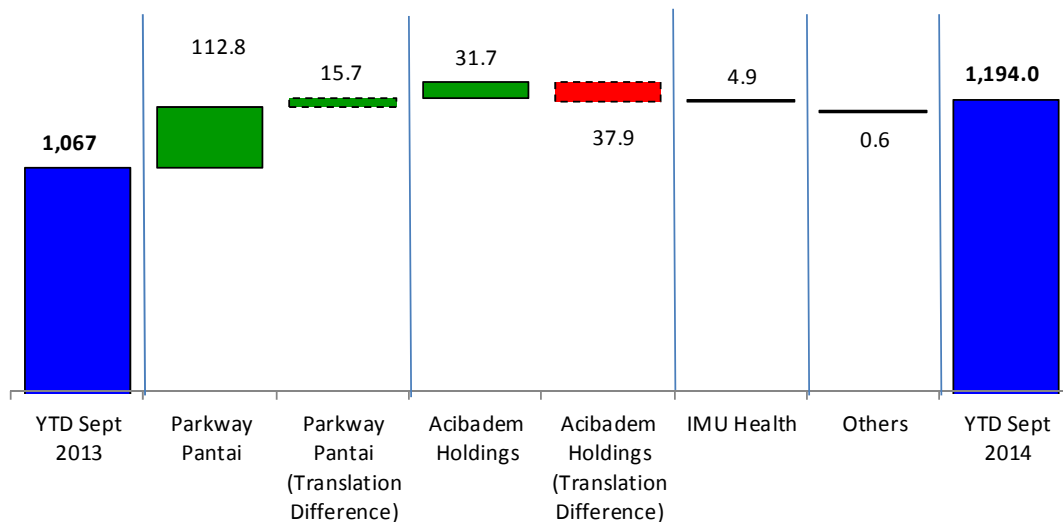


### Q3'14 vs Q3'13

Actual	@ Constant Currency
--------	---------------------

Parkway Pantai	11%	12%
Acibadem Holdings	-2%	8%
IMU Health	8%	8%
<b>IHH Group (Excl PLife REIT)</b>	<b>8%</b>	<b>11%</b>

### EBITDA - YTD Variance



### YTD'14 vs YTD'13

Actual	@ Constant Currency
--------	---------------------

Parkway Pantai	18%	16%
Acibadem Holdings	-2%	9%
IMU Health	8%	8%
<b>IHH Group (Excl PLife REIT)</b>	<b>12%</b>	<b>14%</b>

The above figures excludes PLife REIT

## Continued improvements in balance sheet and key coverage ratios

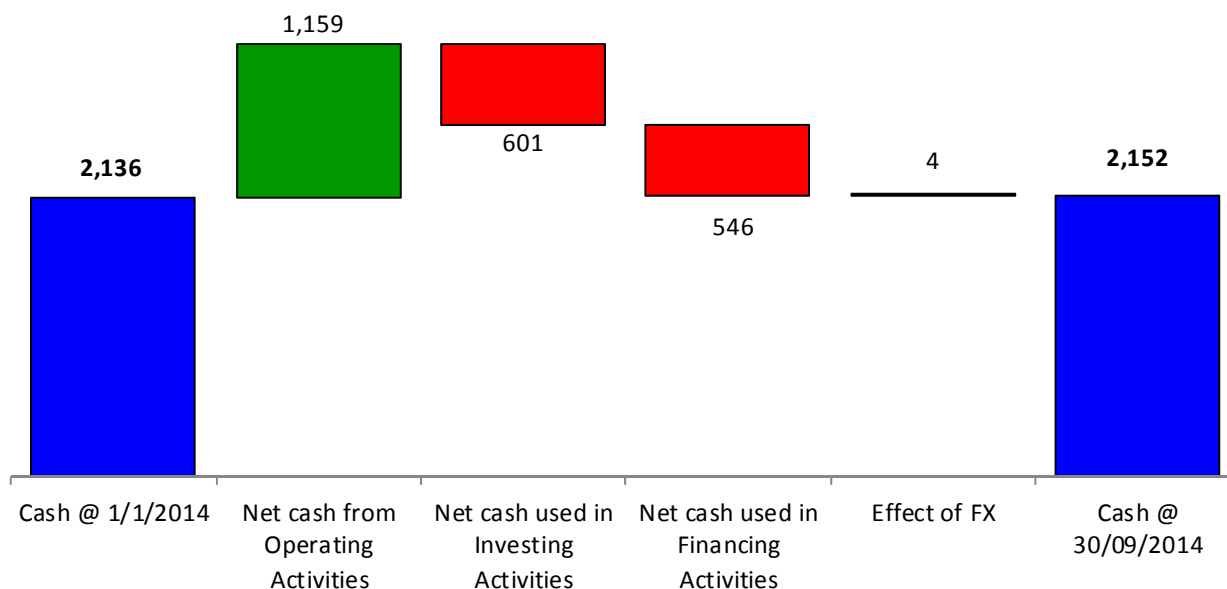
Balance Sheet	As at	As at
	30 Sept 2014	31 Dec 2013
	<i>RM'mil</i>	<i>RM'mil</i>
<b>Total Assets</b>	<b>27,388</b>	<b>27,261</b>
- Tangible Assets	16,121	15,752
- Intangible Assets		
Goodwill	8,745	8,881
Other intangibles	2,522	2,628
<b>Total Liabilities</b>	<b>(7,095)</b>	<b>(7,338)</b>
<b>Total Equity</b>	<b>20,293</b>	<b>19,923</b>
<b>Non-controlling Interests</b>	<b>(1,743)</b>	<b>(1,848)</b>
<b>Total Shareholders' Equity (excluding non-controlling interests)</b>	<b>18,550</b>	<b>18,075</b>
<b>Net Tangible Assets (excluding non-controlling interests)</b>	<b>7,283</b>	<b>6,566</b>
<b>Total Debt</b>	<b>(4,101)</b>	<b>(4,461)</b>
<b>Total Cash</b>	<b>2,160</b>	<b>2,145</b>
<b>Net Debt</b>	<b>(1,942)</b>	<b>(2,316)</b>
<b>Net Debt / NTA</b>	<b>0.27</b>	<b>0.35</b>
<b>Net Debt / Equity</b>	<b>0.10</b>	<b>0.12</b>



Some figures may not add up due to rounding effect

# Strong operating cash flows to support annual dividends and capital expenditure for expansion

## Cashflows @ 30 September 2014 (RM'mil)



### Cash Reconciliation to Cashflow Statement:

	RM'mil
Cash per Balance Sheet	2,160
Less:	
Fixed deposits pledged	(5)
Cash collateral received	(3)
Cash per Cashflow Statement	<u>2,152</u>

### Cash

@ 30 Sept 2014	RM'mil
Parkway Pantai	856
Acibadem Holdings	249
IMU Health	172
Others	796
	<u>2,071</u>
PLife REIT	88
	<u>2,160</u>

### Debt

@ 30 Sept 2014	RM'mil
Parkway Pantai	608
Acibadem Holdings	2,114
IMU Health	-
Others	1
	<u>2,723</u>
PLife REIT	1,378
	<u>4,101</u>

Some figures may not add up due to rounding effect

# Expansion Capital Expenditure – Construction & Medical Equipment

RM' mil

	Projected Disbursements Q4 2014 till 2016
Gleneagles Hong Kong Hospital	1,606.4
Gleneagles Penang (Expansion)	5.4
Pantai Hospital Kuala Lumpur (Expansion)	127.3
Gleneagles Medini	381.1
Gleneagles Kuala Lumpur (Expansion)	29.2
Pantai Hospital Klang	49.2
Gleneagles Kota Kinabalu	66.0
Pantai Hospital Manjung	2.9
Budgeted expenditure for approved projects	160.2
	821.4
Acibadem Maslak (Expansion)	130.2
Acibadem Taksim	72.8
Acibadem Altunizade	249.3
Acibadem Atasehir	228.0
Acibadem Kartal	170.5
Budgeted expenditure for approved projects	24.2
	875.0
<b>Total Unincurred Expansion Capital Expenditure</b>	<b>3,302.8</b>

} Parkway will fund 60% of this balance through its bank facility and the 40% partner for the HK Hospital Project will fund balance of 40%

} Funded from Malaysia's operating cash flows and new bank facilities if required

} Acibadem will fund these from operating cash flows and Acibadem's bank facilities

Based on the following exchange rates:

1 SGD	: 2.5602
1 TL	: 1.4496
1 HKD	: 0.4183

## Outlook & Prospects : Overall IHH Group

- \* Emerging markets will continue to enjoy higher growth in demand for quality private healthcare driven by:
  - Demographics of home markets
  - Faster growing upper/middle class
  - Increased medical travellers from non-traditional markets to medical hubs
- \* Opening of new facilities will increase capacity to support increasing demand and hence drive revenue growth
  - Mount Elizabeth Novena Hospital will progressively open additional wards
  - Acibadem Atakent Hospital opened in January 2014
  - Pantai Hospital Manjung commenced operation on 19 May 2014
- \* Inflationary impact on staff costs, rentals and other operating expenses and start-up costs of newly commissioned hospitals will be mitigated through
  - Continued growth and improved margins of the 3 new hospitals opened in 2012
  - Operating leverage from economies of scale and growth in revenues
  - Increased mix of higher revenue intensity cases and price adjustments

## Outlook & Prospects: Overall IHH Group (cont'd)

- \* Expect emerging markets to operate in an environment of volatile exchange rates :
  - IHH's geographically diversified operating subsidiaries spreads currency risks arising from translation differences in the Group's balance sheet and income statement
  - The Group minimises most of its currency risks by borrowing, where possible, in the functional currency of the borrowing entity or by borrowing in the same currency as its foreign operations (ie. hedge of net investments)
  - This is with the exception of Acibadem Holdings where it borrows in US-dollar and hedges its cash flow instead
    - through medical tourism receipts in hard currency and
    - substantial USD cash buffer
  
- \* Continued strong balance sheet and operating cash flows will enable IHH to support its expansion plans and meet its dividend payout policy.





# **Q&A**