



26th Annual General Meeting

18 April 2019



FTSE4Good

Care for Life



**Welcome
Remarks
by the Chairman**

**Dato'
Kamaruzzaman
Abu Kassim**





Poll Voting

The Chairman is authorised to regulate the meeting by virtue to Paragraph 8.29A of the MMLR, all resolutions tabled at General Meeting to be voted by poll

Poll Administrator & Scrutineers

Poll Administrator :

**Tricor Investor & Issuing House
Services Sdn Bhd**

Scrutineers:

Coopers Professional Scrutineers Sdn Bhd

Opening Remarks by the Chairman

**Dato' Kamaruzzaman
Abu Kassim**





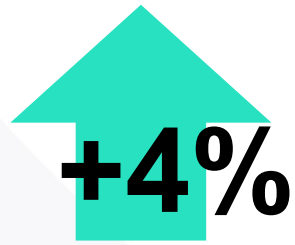
Ordinary Business Agenda 1

**To receive the Audited Financial Statements
for the year ended 31 December 2018 and
the Reports of the Directors and
Auditors thereon.**

Presentation to Shareholders by President & Managing Director

Dato' Amiruddin Abdul Satar





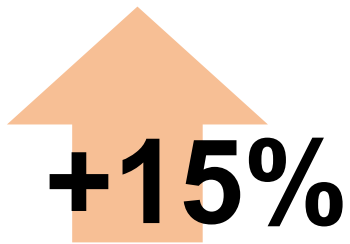
Total revenue in 2018
RM3.3 billion
(2017 : RM 3.18 billion)

Dividend in 2018
2.00 sen **+12%**
(2017 : 1.78 sen)

2018 Highlights



EBITDA in 2018
+17.5% RM503 million
(2017 : RM 428 million)



PBZT in 2018
RM267 million
(2017 : RM 233 million)

Basic EPS in 2018
4.12 sen **+11.4%**
(2017 : 3.70 sen)

2018 Financial Performance

	Target 2018	Actual 2018	Target 2019
EBITDA	RM490 mil	RM503 mil	RM618 mil
PBZT	RM263 mil	RM267 mil	RM 260 mil
PAT	RM186 mil	RM186 mil	RM191 mil
Gearing			
Debit to equity ratio	<1.5	0.9	<1.5
Total debt / Total asset ratio	<1.0	0.4	<1.0



2018 Highlights

↑ Outpatients
+3.4%

2.68 mil

2.77 mil

Malaysia : 2.7%^{^^}
Indonesia : 2.6%^v
Dhaka : 21%^{^^}

Inpatients **↑**

+4.7%

312 k

298 k

Malaysia : 4.6%^{^^}
Indonesia : 3.1%^v
Dhaka : 29%^{^^}

● 2018
● 2017

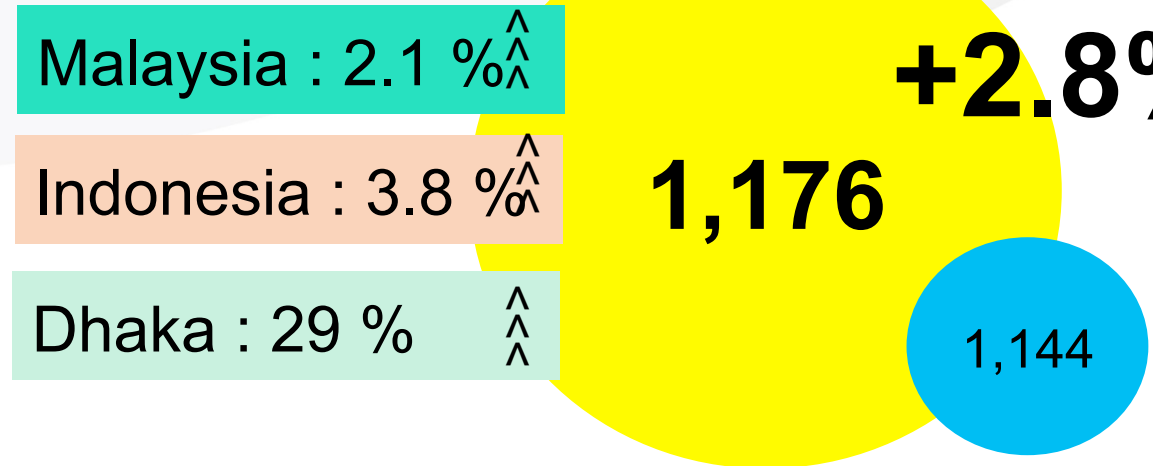


↑ Operating Beds +2.1%



2018 Highlights

↑ Consultants +2.8%



- 2018
- 2017
- ~ maintain



2018 Highlights

Occupancy Rates

Malaysia – 65%
Indonesia – 45%
Dhaka – 74%

Malaysia : 0.3% ^
^

Indonesia : 17% ^
^

Dhaka : 25% ^
^

Avg Length of Stay

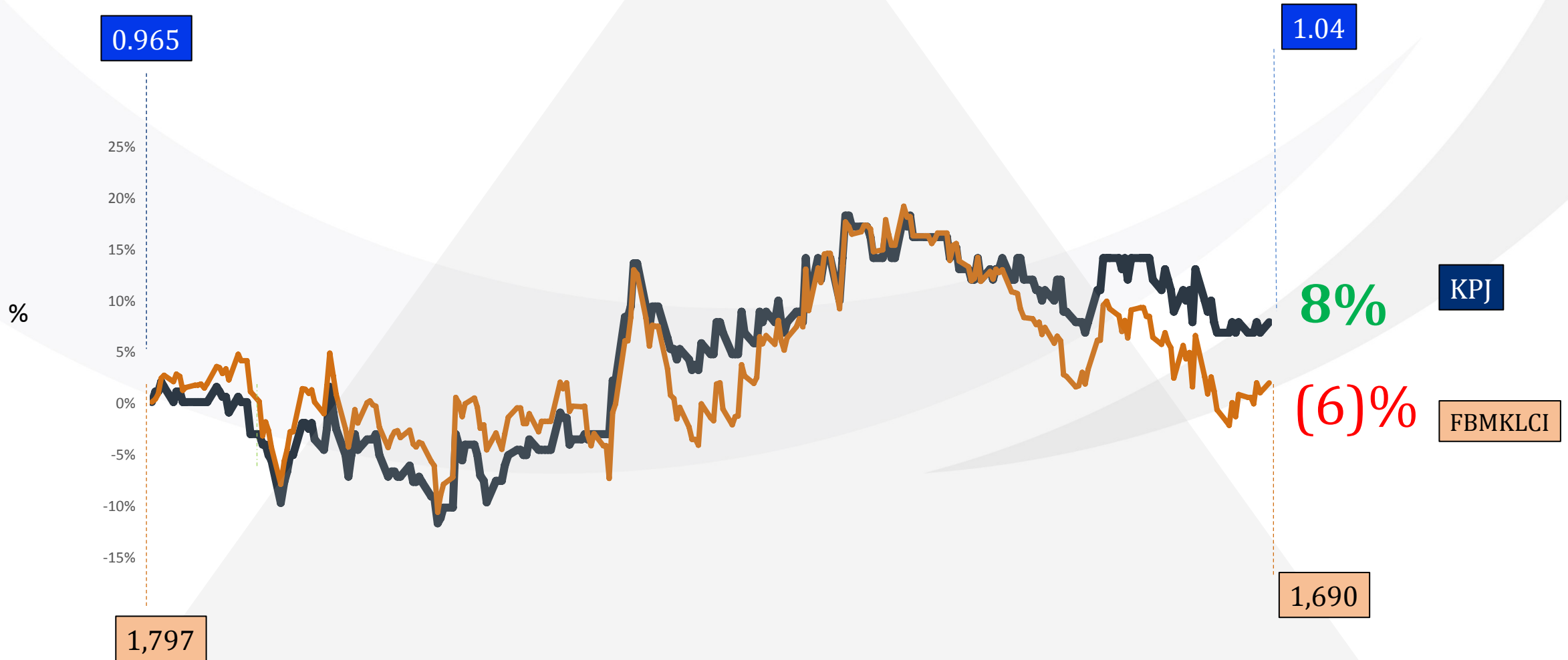
Malaysia : 2.5 days

Indonesia : 3.3 days

Dhaka : 3.2 days

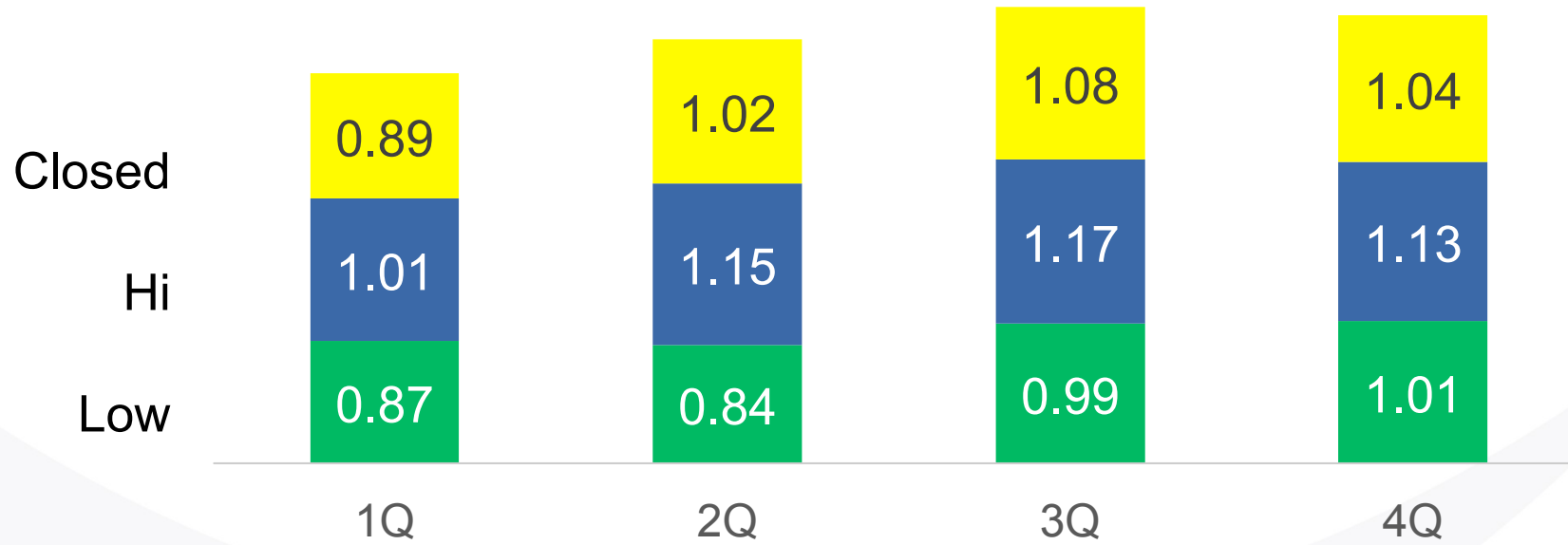


KPJ Share Price vs FBMKLCI as at 31 December 2018

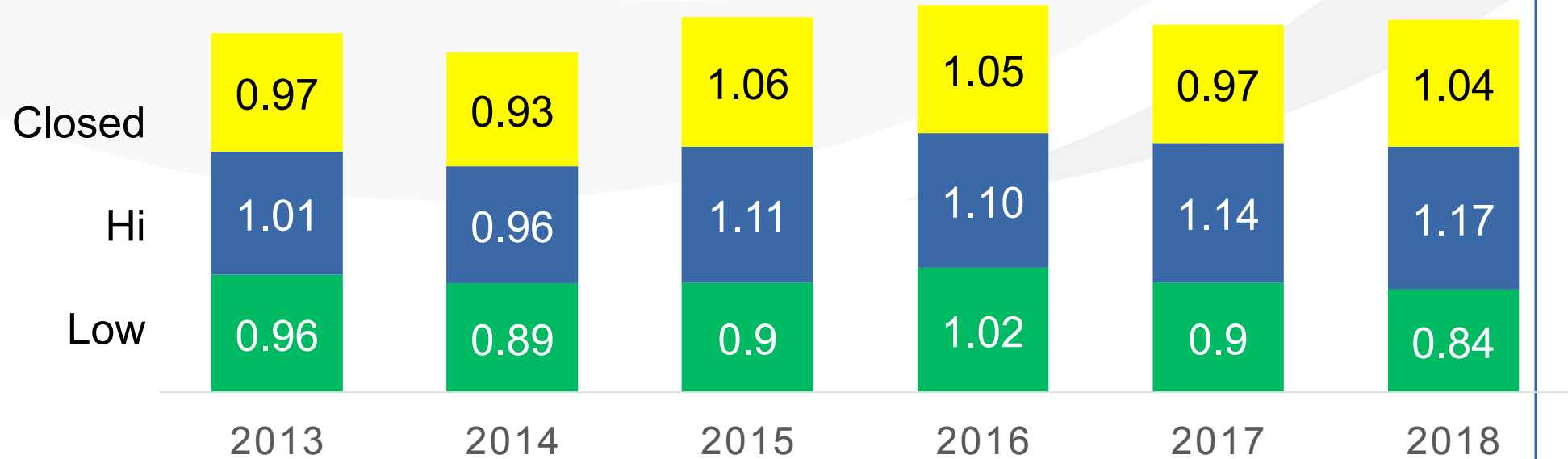




Share Price 2018



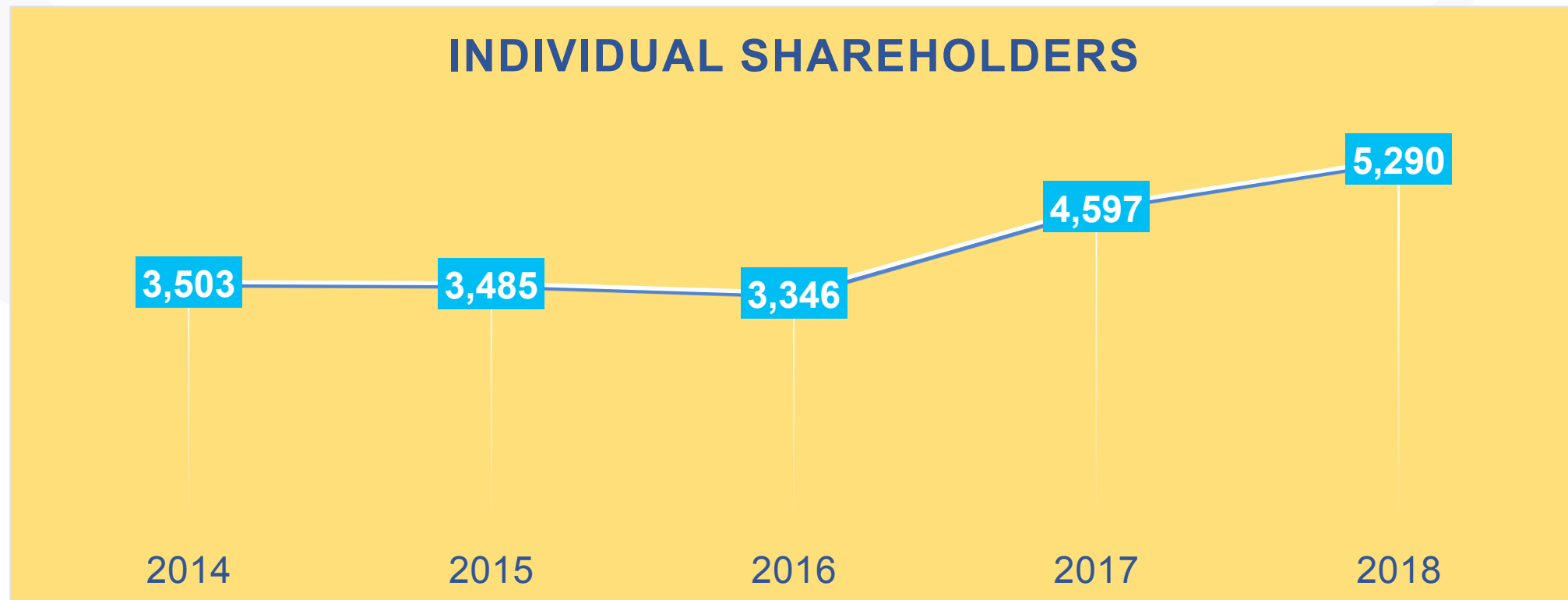
Share Price 5 years





Individual Shareholders

After the share split in 2017, KPJ has attracted the interest of retail investors. As at 31 December 2018, the number of Individual shareholders increased by 15% to 5,290 shareholders from 4,597 shareholders previously.



DOMESTIC COVERAGE New Hospital



KPJ PERLIS SPECIALIST HOSPITAL
(opened on 17 May 2018)

**KPJ PERLIS OPENS
IN THE NATION'S NORTHERN-MOST STATE**



**Official Launch of KPJ
Perlis Specialist Hospital**

1st November 2018



DOMESTIC COVERAGE New Hospital

KPJ PERLIS SPECIALIST HOSPITAL
(opened on 17 May 2018)



Beds Capacity : 90
Licensed beds: **21**

6 Services :

ENT
General Surgery
Obstetric & Gynaecology
Anaesthesiology
Orthopaedic
Radiology



**9 Specialist
Consultants**

DOMESTIC COVERAGE New Hospital

KPJ BANDAR DATO' ONN SPECIALIST HOSPITAL
(opened on 19 Feb 2019)



DOMESTIC COVERAGE New Hospital

KPJ BANDAR DATO' ONN SPECIALIST HOSPITAL
(opened on 19 Feb 2019)



Beds Capacity : 150
Licensed beds : **30**



**32 Specialist
Consultants**

9 Services:

Anaesthesiology
General Internal Medicine
Internal Medicine & Geriatrics
Internal Medicine & Cardiology
Gynaecology
Orthopaedic
Oncology
Paediatrics
Radiology



DOMESTIC COVERAGE New Hospital

KPJ Kuching Specialist Hospital



Beds Capacity : 150
Fitted beds : **114**



4Q2019



KPJ Miri Specialist Hospital



Beds Capacity : 96
Fitted beds : **61**



4Q2019



DOMESTIC COVERAGE New Hospital-Lease



KPJ Batu Pahat

KPJ Kluang (r)

KPJ Damansara Empire



Beds Capacity : 90
Fitted beds : **60**



Beds Capacity : 90
Fitted beds : **90**



Beds Capacity : 300
Fitted beds : **120**



3Q2019



4Q2019



2020

DOMESTIC COVERAGE Expansion of Existing Hospitals



KPJ Johor



Additional **Beds : 41**



3Q2018



KPJ Seremban



Additional **Clinics : 30**



Additional **Beds : 87**



2Q2019



KPJ Taiping



Additional **Clinics : 16**



Additional **Beds : 20**



4Q2019

DOMESTIC COVERAGE Expansion of Existing Hospitals



KPJ Ampang Puteri



Additional **Clinics** : 24



Additional **Beds** : 87



3Q2019

KPJ Perdana



Additional **Clinics** : 35



Additional **Beds** : 45



3Q2019

KPJ Sri Manjung



Additional **Clinics** : 14



Additional **Beds** : 30



4Q2019

DOMESTIC COVERAGE Expansion of Existing Hospitals



KPJ Puteri



Additional **Clinics : 20**



Additional **Beds : 101**



4Q2019



KPJ Klang



Additional **Clinics : 14**



Additional **Beds : 40**



2Q2020



KPJ Penang



Additional **Clinics : 32**



Additional **Beds : 155**



4Q2020



DOMESTIC COVERAGE Expansion of Existing Hospitals



KPJ Tawakkal - level 10 & 11



Additional **Beds** : 25



2022

KPJ Tawakkal - Annex



Additional **Clinics** : 24



Additional **Beds** : 120



2022

Awards 2018



29 Feb 2018 - **KPJ Damansara and KPJ Ampang Puteri Specialist Hospitals** became the first two hospitals in the Asia Pacific to be awarded the **Gold Certification for Person-Centered Excellence** by Planetree International

Outlook



35 hospitals



Hospitals network expansion by 2023



21 ACCs

Allocation > RM2 billion

Effective Succession Planning

Attract & retain the best employee

To remain as employer of choice

Digital Transformation

Digitalising > efficiency & effectiveness

Digital Marketing

Thank You



Q&A

Questions raised by
MSWG and EPF



Questions raised by MSWG /Strategy

1. The Strategic Business Plan for the period 2019 – 2022 was approved by the Board in November 2018 (CG Report Page 2). Please share the key strategic business segments KPJ intends to focus on over the next four years.

Answer :

- Key strategic business segments KPJ intends to focus on over the next 4 years
 - **Domestic Coverage** – “Spoke & Hub” hospitals, upgrade/expand existing hospitals
 - **Moving Healthcare Outside Hospital Walls** – Ambulatory Care Centre (ACC), Senior & Assisted Living Care, Retail Pharmacy Outlets/e-Pharmacy
 - **International Market** – Growing Medical Tourism business, Hospital Management Consultancy in South East Asia region, Indonesia – Expansion of operations, acquisition
 - **Technology & Innovation** – Enhancing operational efficiencies and facilitate better outcomes for patients through adoption of innovative medical technology

Questions raised by MSWG /Strategy

2. The Financial Report (Page 30 2.3) highlights that MFRS 16 ‘Leases’ (effective January 2019) is expected to have significant impact on the consolidated financial statements of the Group. Please provide guidance on the financial impact in relation to KPJ’s non-cancellable operating leases (Note 39) for the next three years arising from this?

Answer :

➤ Impact of MFRS 16 Leases

Net Assets ↓ recognition of Lease Liabilities and “Right of Use” Assets in Group’s Balance Sheet

Gearing ↑ recognition of Lease Liabilities

EBITDA ↑ lease rental expenses replaced by depreciation charges and interest expense

- The impact to Profit & Loss Account is being assessed and will be disclosed in 1Q2019 results release

Questions raised by MSWG /Strategy

3. The Group has a market share of 19% in the private healthcare sector (IR 2018 Page 35). How confident is the Group in maintaining or expanding this market share in view of intense competition? Which are the key areas where the Group has comparative advantage over other healthcare providers?

Answer :

The Group's aggressive expansion programme in building new greenfield hospitals across Malaysia and expanding existing hospitals is a strategy we have embarked on since 2012. KPJ is an established and trusted brand with the largest pool of specialist consultants in private healthcare, offering a wide of range of specialist services.

Our approach of bringing affordable healthcare to areas where there is demand for our services would enable KPJ to be in a strong position to protect and enhance its market leading position in Malaysia. Over the next 4 years, we will be adding 10 new hospitals and up to 21 ACCs to complete our "Spoke and Hub" hospitals model.

Questions raised by MSWG /Strategy

4. Despite showing continued growth in the number of patients in Bangladesh and Thailand (IR2018 pages 26 and 89), the decline in Indonesia mainly at RS Medika BSD resulted in a Loss Before Zakat and Tax of RM11.79 million under the Others segment (FR2018 Page 131) albeit a lower loss compared to a loss of RM15.88 million in FY2017. KPJ has responded in 2017 that several measures will be taken to improve the business outlook in Indonesia. When does the Board anticipate a turnaround in the Indonesian operations?

Answer :

With the on-going re-alignment of RS Medika BSD business mix to enhance service offerings targeting more private patients, we are confident that it will turn around by end 2019/early 2020. Presently, BSD has returned to be EBITDA positive.

Questions raised by MSWG /Strategy

5. IT investment declined from RM17.2 million in FY2017 to RM6.4 million in FY 2018 (IR2018 Page 24) which seems to contradict the strategic direction towards technology adoption in KPJ's business and alignment to Industry 4.0. What are the reason for the lower expenditure? What is the projected technology expenditure over the next three years?

Answer :

The lower expenditure in 2018 was due to the fact that certain projects' progress payments were only due in 2019 according to the projects' progress and better payment terms negotiated (less payment upfront).

Projected IT Expenditure for 2019 – 2021 are as follow :-

- 2019 – RM36 Millions
- 2020 – RM40 Millions
- 2021 – RM44 Millions

KPJ's strategic focus on technology adoption is still in progress and on track.

Questions raised by MSWG /Strategy

6. The migration to integrated hospital systems of KCIS2 and HITS2, a move towards cloud computing solutions, to improve operational efficiency was completed for 6 and 7 hospitals respectively in FY 2018 compared to the planned implementation target for 25 hospitals (IR2018 Page 31). What is the cause of this delay and when is the expected completion? Was there any setback to the strategic direction of KPJ arising from this?

Answer :

The delay was mainly due to the unforeseen technical challenges and dependencies discovered during the project rollout at some hospitals, which was mitigated by having better program management and solving the technical challenges in accordance to the IT best practices.

There is no setback to the strategic direction of KPJ, and the new target completion date for the migration of all hospitals in our network is 2020, with priority to be given to large established hospitals and new hospital openings in 2019.

Questions raised by MSWG /Strategy

7. With the funds raised through disposal of 49% equity stake in Lablink Sdn Bhd (IR2018 Page 61), please update on your plans and progress in growing the pathology and diagnostic business.

Answer :

Our plan is to leverage on existing hospital laboratory management capabilities while continuing to explore and build partnerships with non-KPJ private tertiary hospitals. Focus for 2019 are:-

- expanding our laboratory services targeting non-KPJ (e.g. government, private and university) tertiary hospitals
- enhancing laboratory management capabilities and efficiencies
- exploring growth opportunities in South East Asia.

Questions raised by EPF / Strategy

8. What are the strategies to reduce gestation period for greenfield hospitals?

Answer :

The strategies we adopt for greenfield hospitals to reduce gestation period are as follows:-

- Expand service offerings via recruitment of more specialist consultants to meet demand
- Marketing and promotional activities to create awareness and attract patients in the locality
- Insurance and corporate clients sign-ups
- Scalable facility openings to manage staff costs and overheads

Questions raised by EPF / Strategy

9. Does KPJ see any potential expansion outside Malaysia?

Answer :

KPJ is exploring to expand its operations in Indonesia once the Malaysian expansion has been completed by 2022, leveraging on the following:-

- Large population of almost 270million, with a growing middle class segment
- Under-developed healthcare facilities across the archipelago providing opportunities in under-served high population areas
- Strong KPJ brand recognition amongst Indonesians, 40% of total foreign patients we serve now

Questions raised by EPF / Operations

10. Over the last 3 years, private medical insurance claims ratio has increased significantly. However, we do not see improvement in KPJ's occupancy ratios. Can we know the breakdown between corporate and personal insurance paying patients?

Answer :

The average ratio between credit sales (corporate and private insurance clients) and cash sales (self paying patients) mix is 70:30. Out of this, the breakdown between corporate (MCOs and companies) and private insurance patients is about 60% and 40% respectively.

KPJ's occupancy ratios remained flat since we have been opening new hospitals and adding more beds in the last 5 years, an increase of 9% from 2,846 to 3,107 beds. Over the same period, occupancy ratios declined from 69% to 65%.

Questions raised by EPF / Operations

11. If MOH decided to impose a price ceiling for drugs, what would be the possible impact to KPJ?

Answer :

Presently, the MOH via its Pharmaceutical Services Programme portal publish the Consumer Price Guide for common controlled and over-the-counter medicines as market price guidance.

If MOH decided to impose a price ceiling for drugs, the possible impact to KPJ is that it may affect KPJ's margins from the sale of drugs, if KPJ pricing practice is above ceiling prices set.

Our pricing strategy on drug prices is benchmarked against the "Manufacturer's Recommended Price" set by the pharmaceutical companies as well as the retail prices of our competitors. KPJ is confident that our pricing policy is well within these parameters.

Questions raised by MSWG / Corporate Governance

12. IR2018 Page 112 list five departures from MCCG Practices which KPJ has, in the CG Report, explained and responded with timeline, where relevant, to adopt the Practices. However, KPJ did not state any timeline for compliance with Practice 4.7 recommending that the Nominating Committee be chaired by an independent director. Does the Board have a timeline for this?

Answer :

The departure from MCCG Practice 4.7 with regard to the position of Chairman of the Nomination & Remuneration Committee will be further deliberated by the Board with a view towards setting an appropriate timeline for adoption.

**Questions raised by
Shareholders**



Agenda



Ordinary Business

Agenda 2

To re-elect the following Directors of the Company who will retire in accordance with the Constitution of the Company:-

- i) Dato' Kamaruzzaman Bin Abu Kassim - Article 95(i)
- ii) Dato' Amiruddin Bin Abdul Satar - Article 95(i)
- iii) Zulkifli Bin Ibrahim - Article 95(i)
- iv) Dato' Muthanna Bin Abdullah - Article 96
- v) Dato' Dr. Bajit Kor A/P Teja Singh - Article 96
- vi) Ms Christina Foo - Article 96
- vii) Pn Jasimah Binti Hassan - Article 96

Ordinary Business

Agenda 2 (Resolution 1)

Re-election of



Dato' Kamaruzzaman Bin Abu Kassim

Ordinary Business

Agenda 2 (Resolution 2)

Re-election of



Dato' Amiruddin Bin Abdul Satar

Ordinary Business

Agenda 2 (Resolution 3)

Re-election of



Zulkifli Bin Ibrahim

Ordinary Business

Agenda 2 (Resolution 4)

Re-election of



Dato' Muthanna Bin Abdullah

Ordinary Business

Agenda 2 (Resolution 5)

Re-election of



Dato' Dr. Bajit Kor A/P Teja Singh

Ordinary Business

Agenda 2 (Resolution 6)

Re-election of



Ms Christina Foo

Ordinary Business

Agenda 2 (Resolution 7)

Re-election of



Pn Jasimah Binti Hassan

Ordinary Business

Agenda 3 (Resolution 8)

To approve the following payment to Directors :-

To approve the Proposed Directors' fees of RM1,540,000 (Proposed Directors' Fees) for the financial year ending 31 December 2019 (2018: RM976,458) (Note (4)(ii))

Ordinary Business

Agenda 4 (Resolution 9)

To approve the following payment to Directors :-

To approve the payment of Directors' Remuneration (excluding Proposed Directors' Fees) to Non-Executive Directors (NED) for the period from 19 April 2019 until the conclusion of the next AGM of the Company (Relevant Period). (Note (4)(ii))

Ordinary Business

Agenda 5 (Resolution 10)

**To re-appoint Messrs PricewaterhouseCoopers PLT
as Auditors of the Company and to
authorise the Directors to fix their remuneration.**

Special Business

Ordinary Resolution 11

Authority to issue and allot shares does not exceed 10 percent (10%) of the total number of issued shares of the Company, Pursuant to section 75 of the Companies Act, 2016.



Special Business

Ordinary Resolution 12

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY

Subject to Section 127 of the Act, the provisions of the MMLR and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the items that set out in Ordinary Resolution 12 of the Notice of 26th AGM.



Special Business

Ordinary Resolution 13

To authorise the Company and/or its subsidiaries, to enter into and give effect to the Recurrent Related Party Transactions of a Revenue or Trading nature, all with the particulars of which are set out in Part B of the Circular to Shareholders dated 19 March 2019 (“Circular”) with the Related Parties as described in the Circular, provided that such transactions are stated in the Ordinary Resolution 13 of the Notice of 26th AGM.

Poll Voting



Poll Results



Thank you

