



KPJ HEALTHCARE BERHAD

KPJ Healthcare Berhad  
Investor Relations  
4Q2017



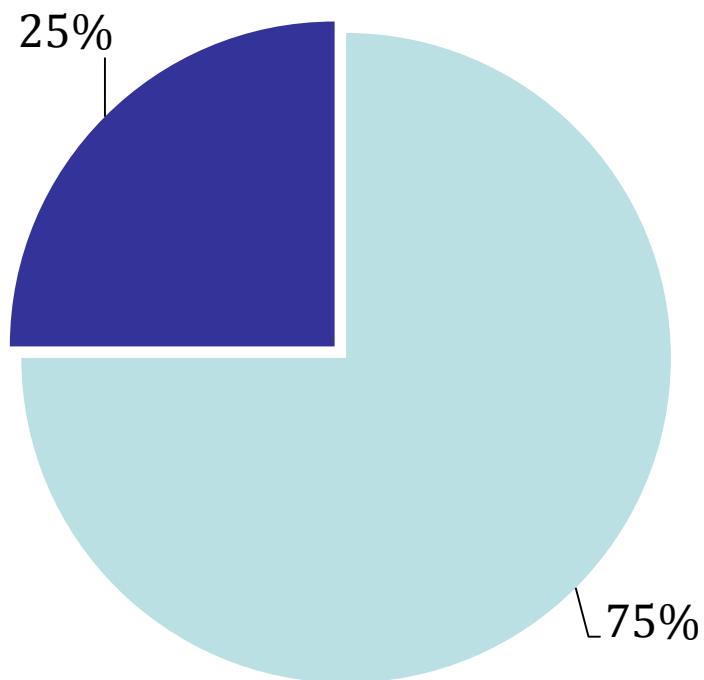
# SUSTAINABLE HEALTHCARE



# HEALTHCARE INDUSTRY IN MALAYSIA

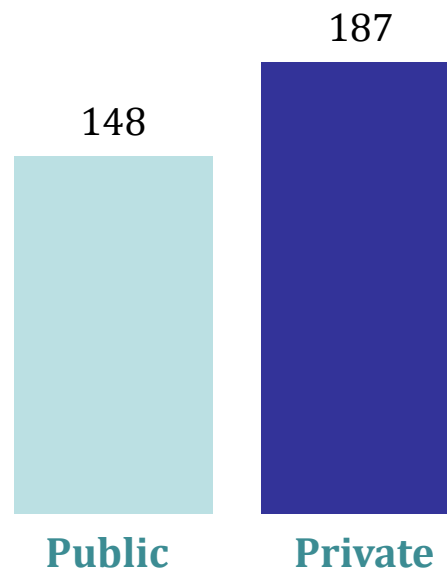
## Malaysia Healthcare System 2016

### Healthcare Provider

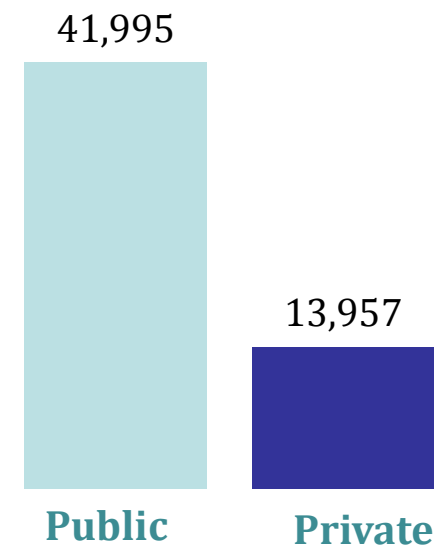


**Legend :**  
**Public** ■  
**Private** ■

### No. of Hospitals



### No of. Beds



### Other info:

Public	No
Health & Dental Clinics	4,920
Mobile Health & Dental Clinic Team	826
Inpatient (pax)	2,571,880
Outpatient (pax)	63,774,109

Private	No
Maternity & Nursing Homes	10
Ambulatory care	73
Medical clinics	7,335
Dental clinics	1,992
Inpatient (pax)	1,073,039
Outpatient (pax)	4,894,737

# HEALTHCARE INDUSTRY IN MALAYSIA

## Competitive Advantages

### Malaysia ranked 1<sup>st</sup> with the *Best Healthcare in the World*

(<http://internationalliving.com>)

#### **Hospital facilities**

- modern & high international standards
  - Accreditation by MSQH (\*45 Private Hospitals Nationwide of which 18 are KPJ Hospitals)
  - Accreditation by JCI (14 Private Hospitals Nationwide of which 4 are KPJ Hospitals)
- \* As at Dec 2016*

#### **Health Tourism**

-among the world's most favored destinations

#### **Latest Medical Equipment**

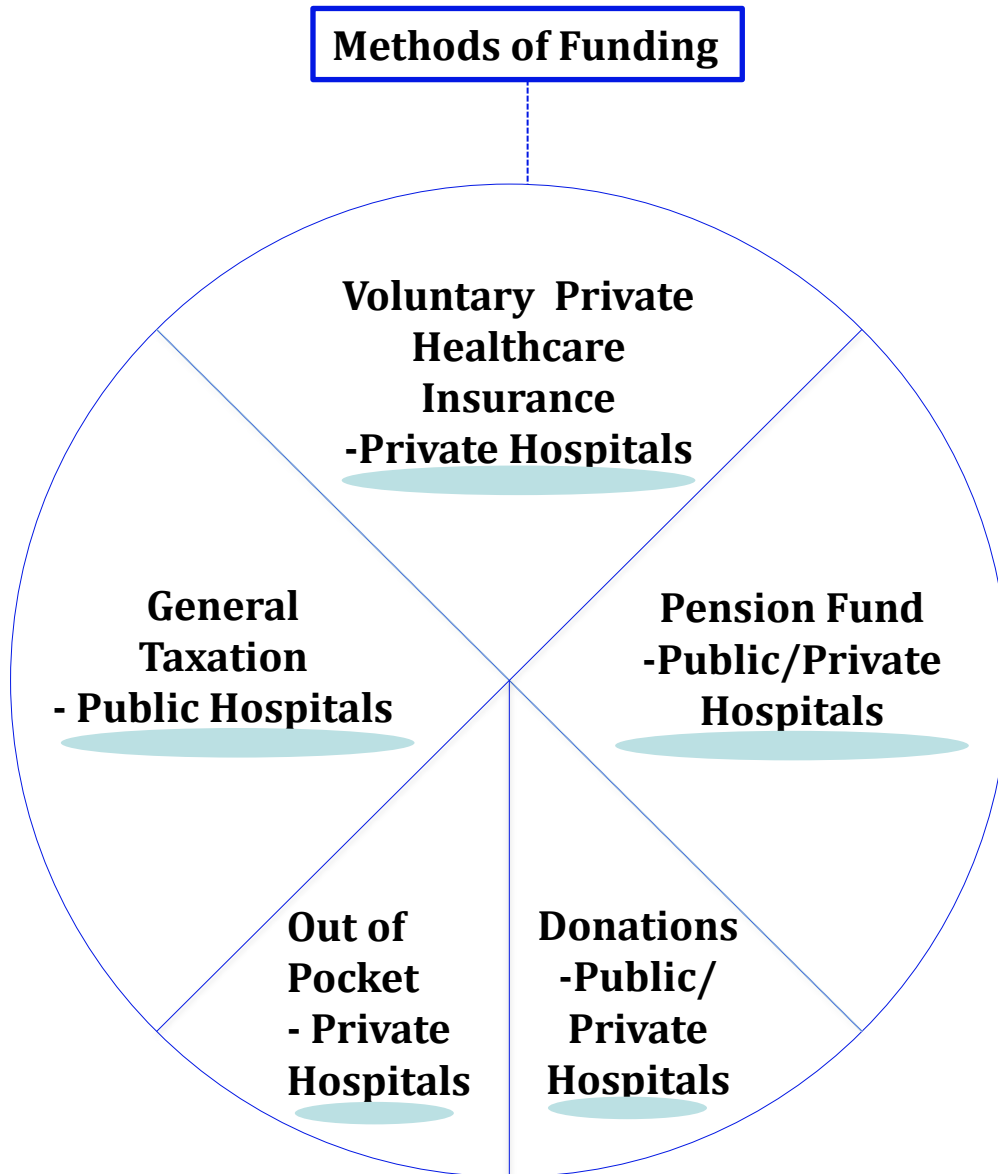
-diagnostic and therapeutic resources  
-endoscopic suites, cardiac catheterization, oncology suites and MRI

#### **Cost**

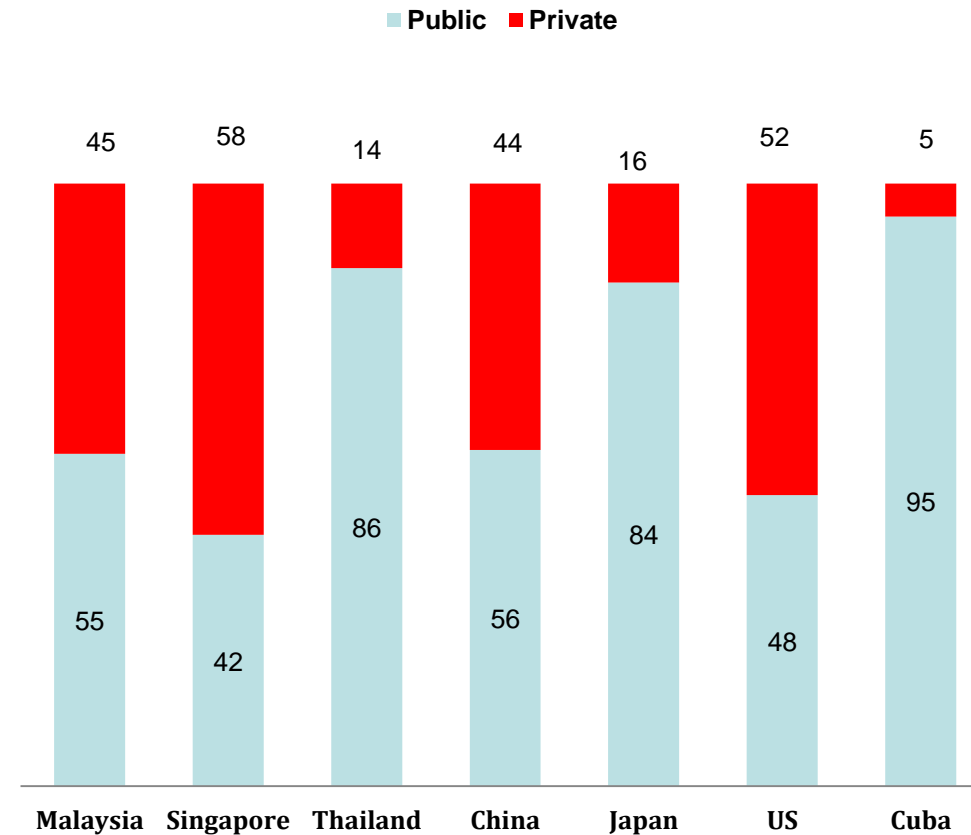
-low cost  
-very competitive pricing  
-lower than neighboring countries

# HEALTHCARE INDUSTRY IN MALAYSIA

## Sources of Funding for Healthcare Expenses

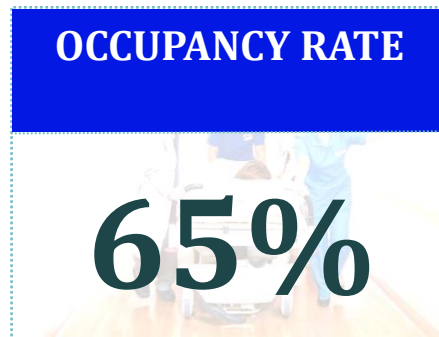
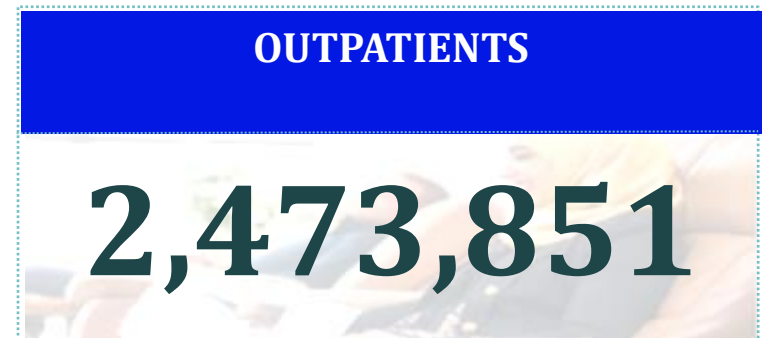
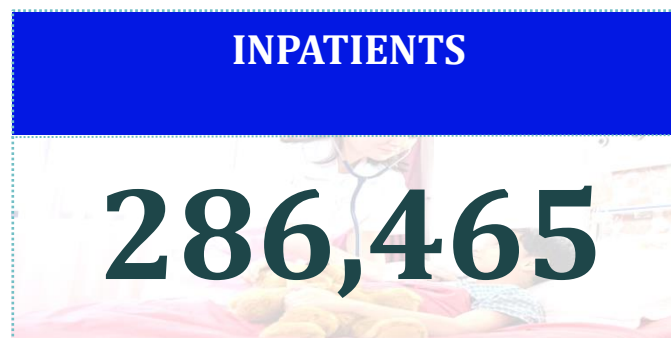


**Public vs Private Healthcare Expenditure % 2014**



Source : 2016 World Development Indicators

# Facts at a Glance 2017



# Sustainability at a Glance YE2017

## CUSTOMER SATISFACTION

**88%**

2016: 86.1%

Customer Satisfaction Survey

## NURTURING FUTURE MEDICAL PROFESSIONALS

*UNIVERSITY COLLEGE (KPJUC)*

**26** Years track record

**75%** Graduates Employed

## IT & INNOVATION

~**17** hospital KCIS System

~ Introduced system to reduce waiting times for patient

## DIVERSITY MEDICAL CONSULTANTS

### Ethnicity

Malay - 45%  
Chinese - 34%  
Indian - 18%  
Others - 3%

## COMMUNITY OUTREACH KLINIK WAQAF AN-NUR (KWAN)

**19** Facilities  
5 Mobile Clinics  
8 MSQH-certified

## COMMUNITY INVESTMENT

**RM8.4mil**

## ENVIRONMENTAL

### WASTE

We collected and disposed of hazardous waste

### AIR QUALITY

Related mechanical aspects are maintained in accordance with the hospital's requirement and standards

### RADIATION

Management and utilisation of radiation emitting equipment complies with MOH Rules & Regulations

### WATER

Rely on adequate supplies of quality water.

### ENERGY

Hospitals operate 24hours a day.



### Bangladesh



- >1 Hospital
- >Low-cost entry
- >Presence in Indian sub-continent

### Thailand



- >1 Hospital
- >Medical tourism agenda going forward
- >Focusing upper-mid tier market segment

### Indonesia



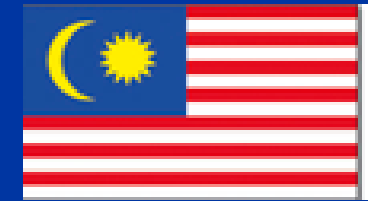
- >2 hospitals
- >Promising demographics (growing – middle class)

### Australia



- >1 Aged Care Centre in Brisbane
- >Transfer of aged care know-how for Malaysian operations

## Malaysia



**>1st Hospital Opened in 1981**

**>1st private Healthcare Group Listed on the Bursa Malaysia**

**>Market Cap RM 4.4Billion**

**>25 hospitals & 2 Aged Care Centre**

**>Target – 2 new hospitals p.a**

**>Accreditation: MSQH – 18 hospitals & JCI – 4 hospitals**

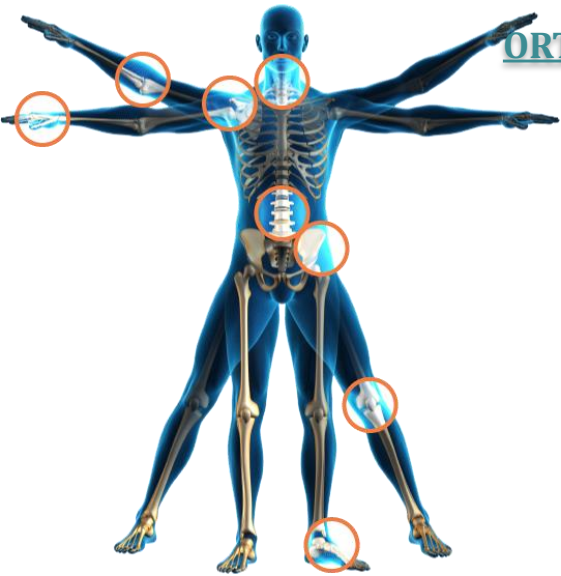
# Our Presence

# ABOUT KPJ Shareholdings Stats



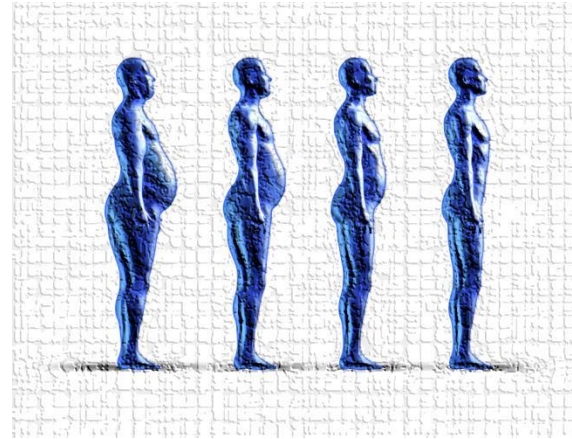


# KPJ's NICHE SERVICES



## ORTHOPEDIC CARE

- ✓ KPJ Ampang Puteri
- ✓ KPJ Damansara
- ✓ KPJ Ipoh
- ✓ KPJ Johor
- ✓ KPJ Kajang
- ✓ Kedah
- ✓ KPJ Penang
- ✓ KPJ Perdana
- ✓ KPJ Selangor
- ✓ KPJ Seremban
- ✓ KPJ Tawakkal

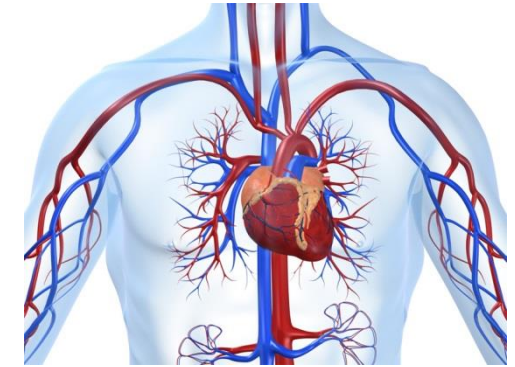


## BARIATRIC (Obesity) SURGERY

- ✓ KPJ Damansara

## CARDIOLOGY

- ✓ KPJ Damansara
- ✓ KPJ Ipoh
- ✓ KPJ Johor



## ONCOLOGY (Cancer)

- ✓ KPJ Damansara
- ✓ KPJ Ipoh
- ✓ KPJ Johor
- ✓ KPJ Selangor

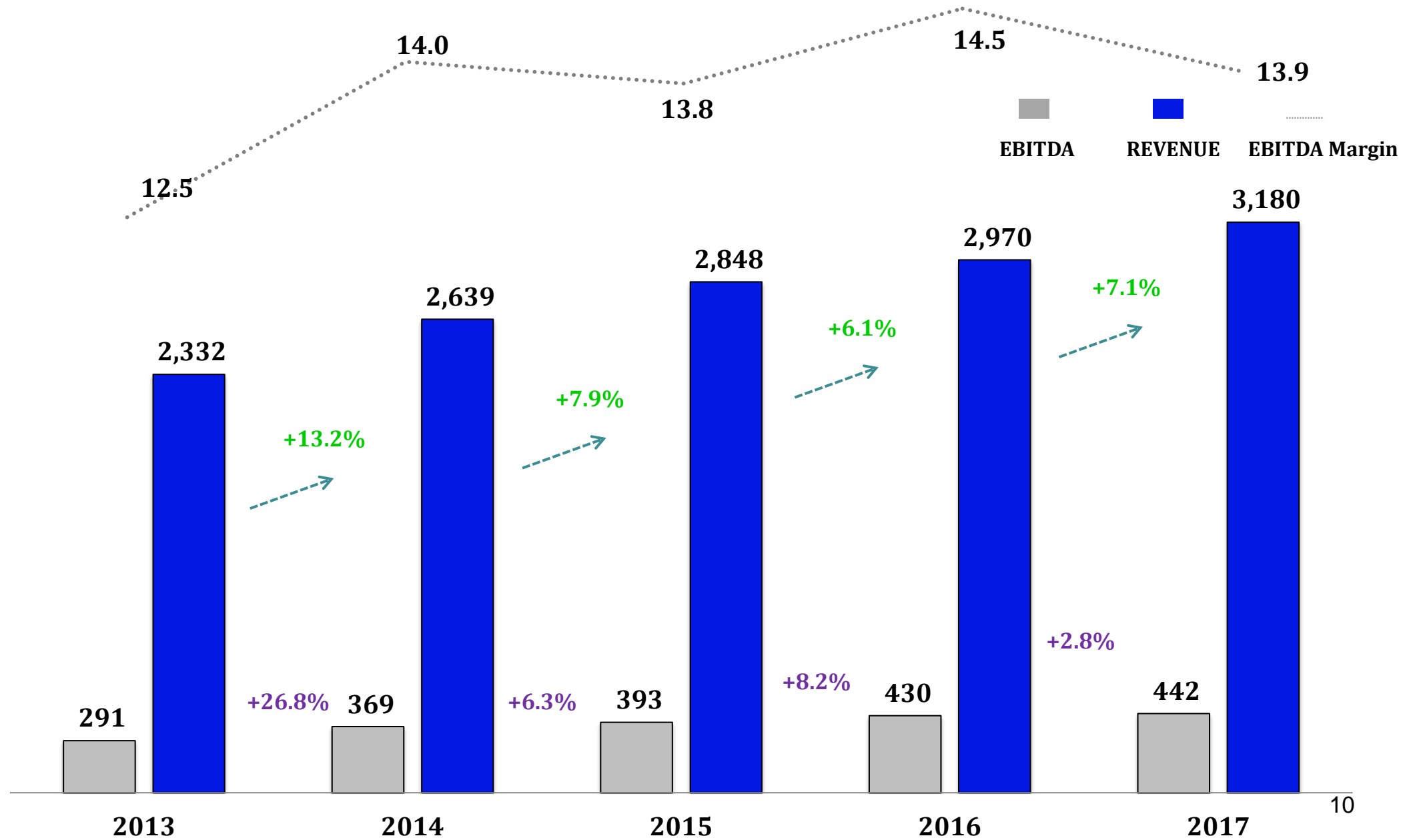
## RECONSTRUCTIVE & PLASTIC SURGERY



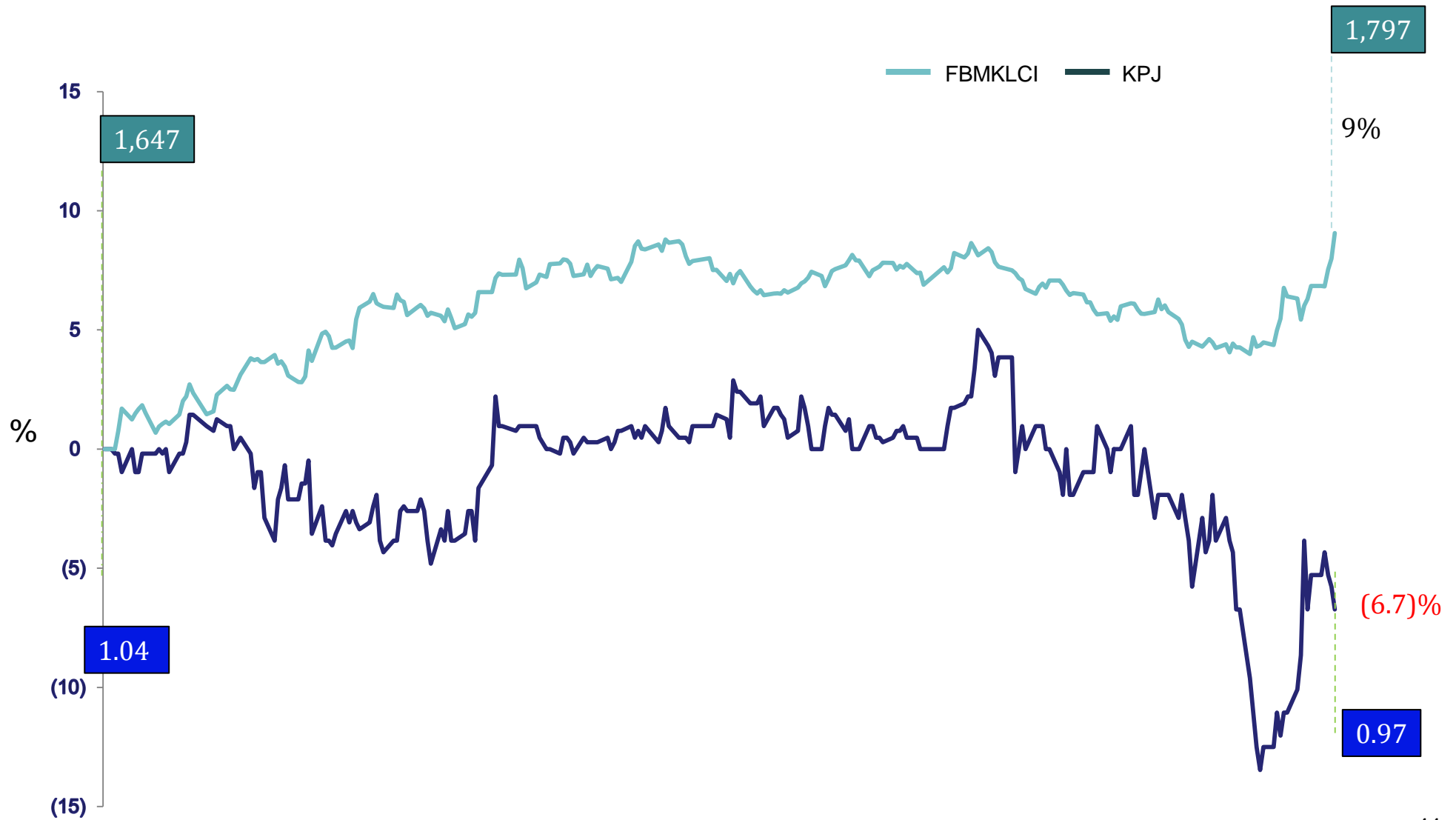
- ✓ KPJ Ampang Puteri
- ✓ KPJ Damansara
- ✓ KPJ Johor

# FINANCIAL TRENDS

## *KPJ 5 years Revenue & EBITDA*



# KPJ Share Price vs FBMKLCI as at 4Q2017



# Group Financials *3 months ended – 31 December 2017*

RM'000	4Q/2017	3Q/2017	4Q/2016	Sequential Var (%)	Y-o-Y Var (%)
Revenue	833,728	803,203	736,007	3.8	13.3
<b>Gross Profit</b>	<b>267,613</b>	<b>233,788</b>	<b>219,772</b>	14.5	11.6
Profit from Operations	79,657	53,195	79,664	49.7	–
Finance Income	3,851	4,260	4,763	(9.6)	(19.1)
Finance Cost	(22,496)	(16,780)	(24,910)	34.1	(9.7)
Share of Results from associates	16,091	9,682	6,500	66.2	147.6
<b>Profit before zakat and tax</b>	<b>77,103</b>	<b>50,357</b>	<b>66,017</b>	53.1	16.8
Zakat	(973)	(726)	(2,097)	34.0	(53.6)
Taxation	(13,125)	(16,542)	(10,746)	(20.7)	22.1
<b>Profit after zakat and tax</b>	<b>63,005</b>	<b>33,089</b>	<b>53,174</b>	90.4	18.5
(Loss)/Profit from discontinuing	(692)	–	332	–	(308.4)
<b>Net profit for the year</b>	<b>62,313</b>	<b>33,809</b>	<b>53,506</b>	<b>84.3</b>	<b>16.5</b>
Equity holders of company	60,923	30,555	52,191	99.4	16.7
Non-controlling interest	1,390	2,534	1,315	(45.1)	5.7
<b>Net profit attributable to shareholders</b>	<b>62,313</b>	<b>33,089</b>	<b>53,506</b>	<b>88.3</b>	<b>16.5</b>
Basic EPS (sen)	0.4	0.4	0.4		

# Key Ratios *3 months ended – 31 December 2017*

	4Q/2017	3Q/2017	4Q/2016	Sequential Var	Y-o-Y Var
	%	%	%		
Gross Profit (GP) Margin	32.1	29.1	29.9	3.0	2.2
Profit Before Tax (PBT) Margin	9.2	6.3	9.0	2.9	0.2
EBITDA Margin	14.9	13.1	17.0	1.8	(2.1)
PATAMI Margin	7.4	4.2	7.1	3.2	0.3
Net Profit Margin	7.6	4.4	7.2	3.2	0.4
Dividend per share (sen)	0.4	0.4	0.4	–	–
Gearing Ratio:					
Gross	0.9	0.9	0.9	–	–
Net	0.8	0.7	0.7	0.1	0.1
Net assets per share (RM)	0.4	0.4	0.4	–	–

# Group Financials *12 months ended – 31 December 2017*

RM'000	4Q/2017	4Q/2016	Var (%)
Revenue	3,179,998	2,969,603	7.1
<b>Gross Profit</b>	<b>965,345</b>	<b>884,962</b>	<b>9.1</b>
Profit from Operations	260,099	252,105	3.2
Finance Income	13,637	15,131	(9.9)
Finance Cost	(79,950)	(80,186)	(0.3)
Share of Results from associates	39,540	33,647	17.5
<b>Profit before zakat and tax</b>	<b>233,326</b>	<b>220,697</b>	<b>5.7</b>
Zakat	(3,910)	(3,807)	2.7
Taxation	(56,120)	(53,257)	5.4
<b>Profit after zakat and tax</b>	<b>173,296</b>	<b>163,633</b>	<b>5.9</b>
(Loss)/profit from discontinuing	(6,386)	(7,758)	(17.7)
<b>Net profit for the year</b>	<b>166,910</b>	<b>155,875</b>	<b>7.1</b>
Equity holders of company	161,914	149,195	8.5
Non-controlling interest	4,996	6,680	(25.2)
<b>Net profit attributable to shareholders</b>	<b>166,910</b>	<b>155,875</b>	<b>7.1</b>
Basic EPS (sen)			

# Key Ratios *12 months ended - 31 December 2017*

	4Q/2017	4Q/2016	Y-o-Y Var
	%	%	
Gross Profit (GP) Margin	30.4	29.8	0.6
Profit Before Tax (PBT) Margin	7.3	7.4	(0.1)
EBITDA Margin	13.9	14.5	(0.6)
Net Profit Margin	5.4	5.5	(0.1)
Dividend per share (sen)	0.4	0.4	-
Gearing Ratio:			
Gross	0.9	1.0	0.1
Net	0.8	0.8	-
Net assets per share (RM)	0.4	0.4	-

# Segmental *as at 31 December 2017*

Segment	REVENUE			EBITDA			PBT		
	2017	2016	Var (%)	2017	2016	Var (%)	2017	2016	Var (%)
1. Malaysia	3,071,356	2,855,588	7.6	444,871	411,729	8.0	249,206	214,242	16.3
2. Others	108,642	114,015	(4.7)	(3,240)	18,431	(117.6)	(15,880)	6,455	(346.0)
3. Australia*	54,816	51,491	6.5	(3,130)	(4,832)	35.2	(8,050)	(10,526)	(23.52)

\* *Discontinuing operations*



# Jeta Gardens – Brisbane, Australia *Senior Living Care*

Financials	4Q/2017 (RM'000)	4Q/2016 (RM'000)	Var (%)
Revenue	54,816	51,491	6.5
Profit/ (Loss) Before Tax	(8,050)	(10,526)	(23.52)

Facilities	4Q/2017	2016	2015
Aged-Care Facility	180	180	180
Retirement Villas	33	33	33
Apartments Unit	32	32	32
Occupancy Rate %	94	88	70

# KPJ's Indonesian Hospitals

RS Permata Hijau	4Q/2017	4Q/2016	Var (%)
No. of Bed	88	92	(4.3)
Occupancy rate (%)	37.8	46.7	(19.1)
Outpatients	47,671	44,936	6.1
Inpatients	4,482	5,055	(11.3)

RS Bumi Serpong Damai	4Q/2017	4Q/2016	Var (%)
No. of Bed	56	75	(25.3)
Occupancy rate (%)	36.5	46.4	(21.3)
Outpatients	75,301	65,328	15.3
Inpatients	3,812	4,036	(5.6)

# KPJ Investment in Thailand – Vejthani Hospital, Bangkok

Financials	4Q/2017 (RM'000)	4Q/2016 (RM'000)	Var (%)
Outpatient	291,316	273,118	6.6
Inpatient	8,696	8,422	3.3

# Sheikh Fazilatunnesa Mujib Memorial KPJ Specialized Hospital & Nursing College – Dhaka

Financials	4Q/2017 (RM'000)	4Q/2016 (RM'000)	Var (%)
Outpatient	91,304	43,609	109.4
Inpatient	3,298	2,362	39.6
Occupancy Rate (%)	59	35	68.6
No. of beds	50	50	–

# Education – KPJ Healthcare University College

Financials	4Q/2017 (RM'000)	4Q/2016 (RM'000)	Var (%)
Students	2,336	2,500	(6.6)

<b>Academic Program</b> KPJ offered 38 programmes ranging from the Foundation to PhD levels	<b>Current Program</b>
--	------------------------

- |  |    |                          |
|--|----|--------------------------|
| 1. School of Medicine                        | 1  | PHD                      |
| 2. School of Pharmacy                        | 8  | Master                   |
| 3. School of Nursing                         | 9  | Bachelor                 |
| 4. School of Health Sciences                 | 6  | Diploma                  |
| 5. School of Business & Management           | 14 | Certificate / Foundation |
| 6. School of Behavioral Science and Humanity |    |                          |

# YTD Summary Performance -31 December 2017

Hospital Indicators	4Q2017	4Q2016	Var (%)
<b>No of Outpatients</b>	2,473,851	2,464,704	0.4
<b>No of Inpatients</b>	286,465	279,794	2.4
<b>No. of Operating Beds</b>	3,052	2,929	4.2
<b>Occupancy Rate %</b>	65.2	66.2	(1.5)
<b>Avg. Length of Stay (days)</b>	2.54	2.53	(0.4)

# Summary of Quarterly Performance 2017

Hospital Indicators	4Q/2017	3Q/2017	Var % 4Q vs 3Q	2Q/2017	Var % 3Q vs 2Q	1Q/2017	Var % 2Q vs 1Q
<b>No of Outpatients</b>	614,818	619,701	(0.8)	616,018	0.6	623,314	(1.2)
<b>No of Inpatients</b>	71,637	71,022	0.9	71,090	(0.1)	72,716	(2.23)
<b>No. of Operating Beds</b>	3,052	3,052	–	3,015	(1.2)	3,005	–
<b>Occupancy Rate %</b>	65.2	65.7	(0.8)	67.7	(3.0)	68.3	(0.9)
<b>Avg. Length of Stay</b>	2.54	2.55	(0.4)	2.55	–	2.53	0.8

# Summary of Quarterly Performance 2016

Hospital Indicators	4Q/2016	3Q/2016	Var % 4Q vs 3Q	2Q/2016	Var % 3Q vs 2Q	1Q/2016	Var % 2Q vs 1Q
<b>No of Outpatients</b>	604,372	602,947	0.2	623,632	(3.3)	633,753	(1.6)
<b>No of Inpatients</b>	67,596	69,859	(3.2)	68,737	1.6	73,602	(6.6)
<b>No. of Operating Beds</b>	2,929	2,924	0.2	2,946	(0.7)	2,903	1.5
<b>Occupancy Rate %</b>	66.2	67.5	(1.9)	68.6	(1.6)	71.5	(4.1)
<b>Avg. Length of Stay</b>	2.53	2.55	0.8	2.61	2.3	2.57	(1.6)



# Average Revenue- Group



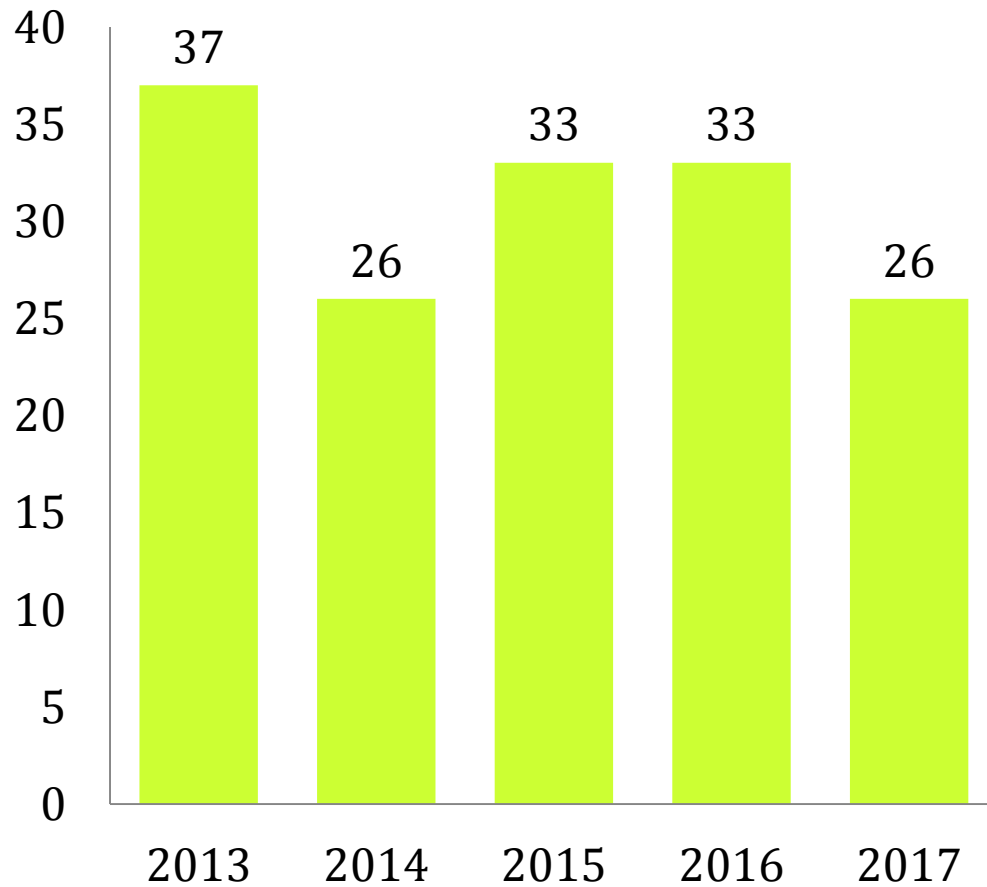
# Summary of Quarterly Average Revenue-2017

	Group	(Central Klang Valley)	Southern	East Coast	Northern	East
Outpatient						
4Q	340	334	449	304	269	305
3Q	348	386	452	307	283	207
2Q	336	348	438	296	271	290
1Q	333	351	443	306	266	255
Inpatient						
4Q	7,571	8,183	7,670	7,751	7,356	6,320
3Q	7,742	8,253	7,537	7,711	7,179	6,910
2Q	7,214	7,450	7,439	7,582	6,644	6,543
1Q	7,156	7,510	7,154	7,572	6,460	6,727
Beds						
4Q	176,032	178,914	206,519	163,540	163,143	138,381
3Q	181,858	186,734	208,281	162,498	167,331	152,419
2Q	170,073	171,309	206,919	147,212	156,428	138,447
1Q	173,680	178,838	192,405	175,488	159,867	137,620

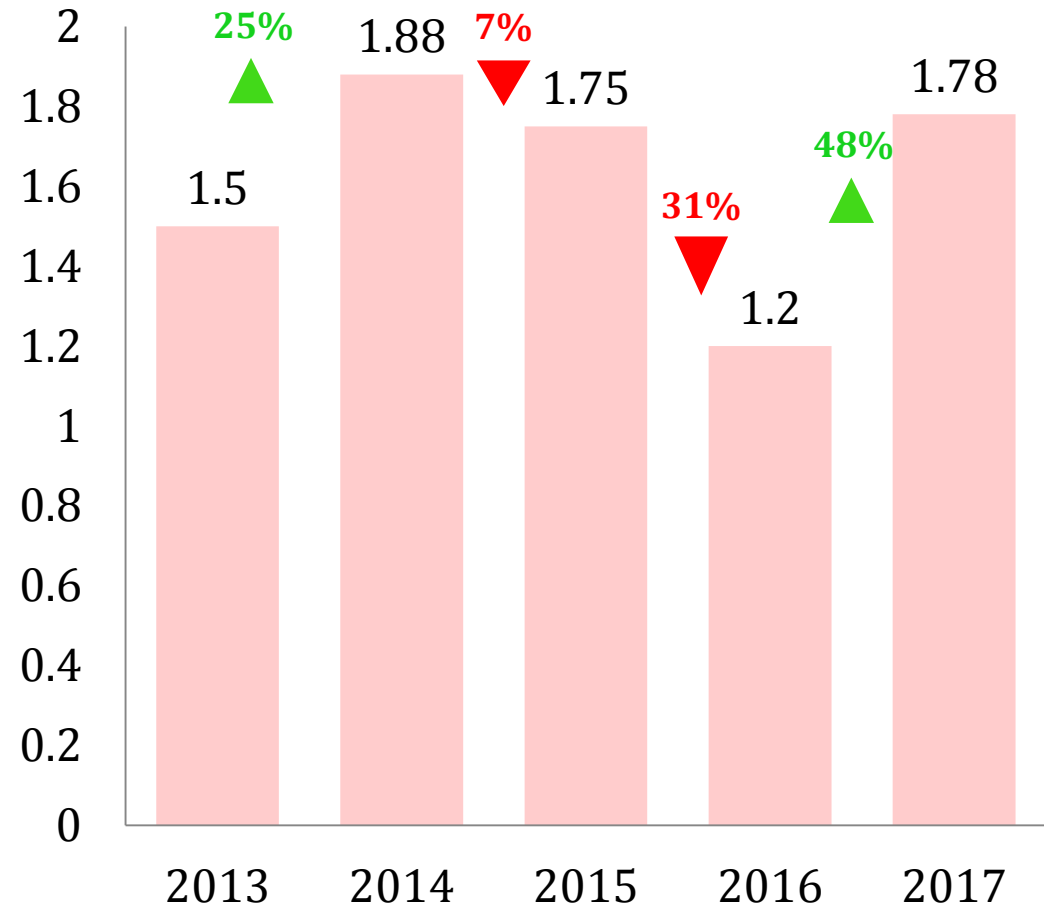
# KEY FINANCIAL HIGHLIGHTS

*FY2012-FY2016*

**PER Historical**



**Dividend (sen)**



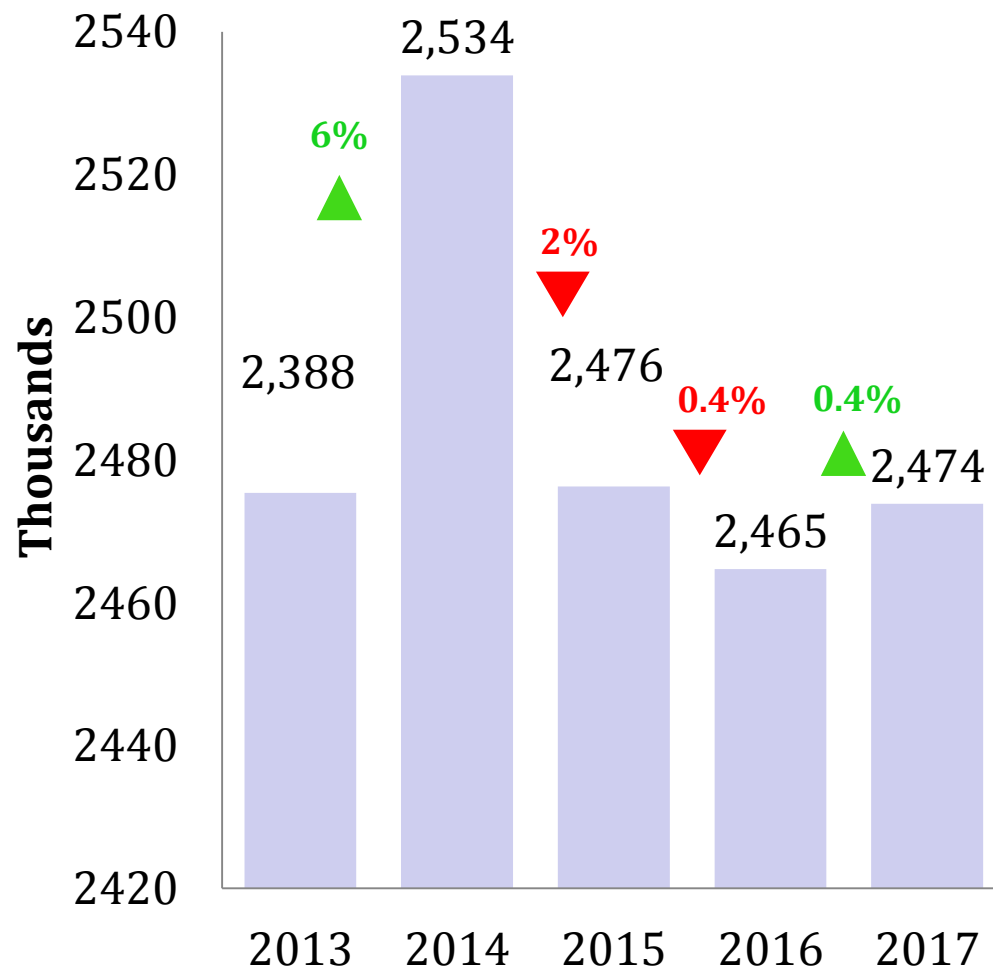
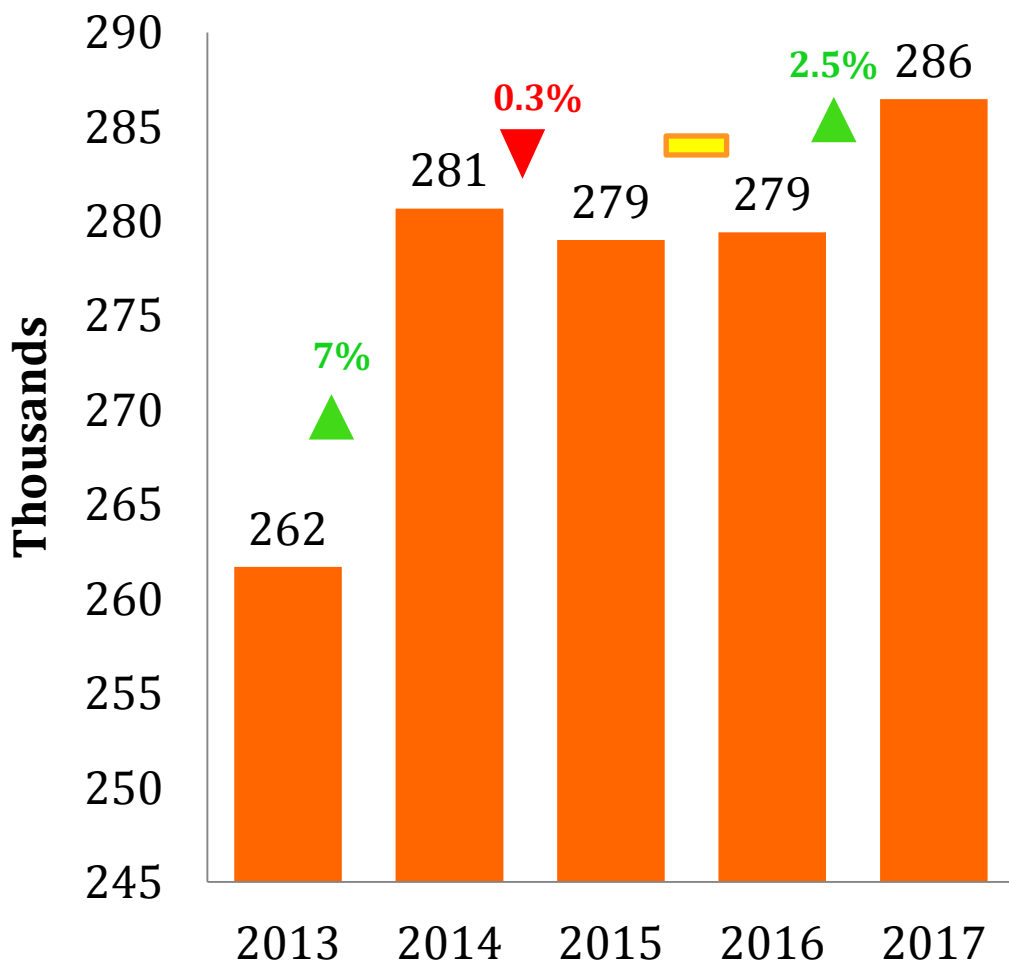
*\*Dividend per share re-stated to reflect subdivision of shares in Sept 2017*

# Key Operational Highlights

*FY2012-FY2016*

No of Inpatients

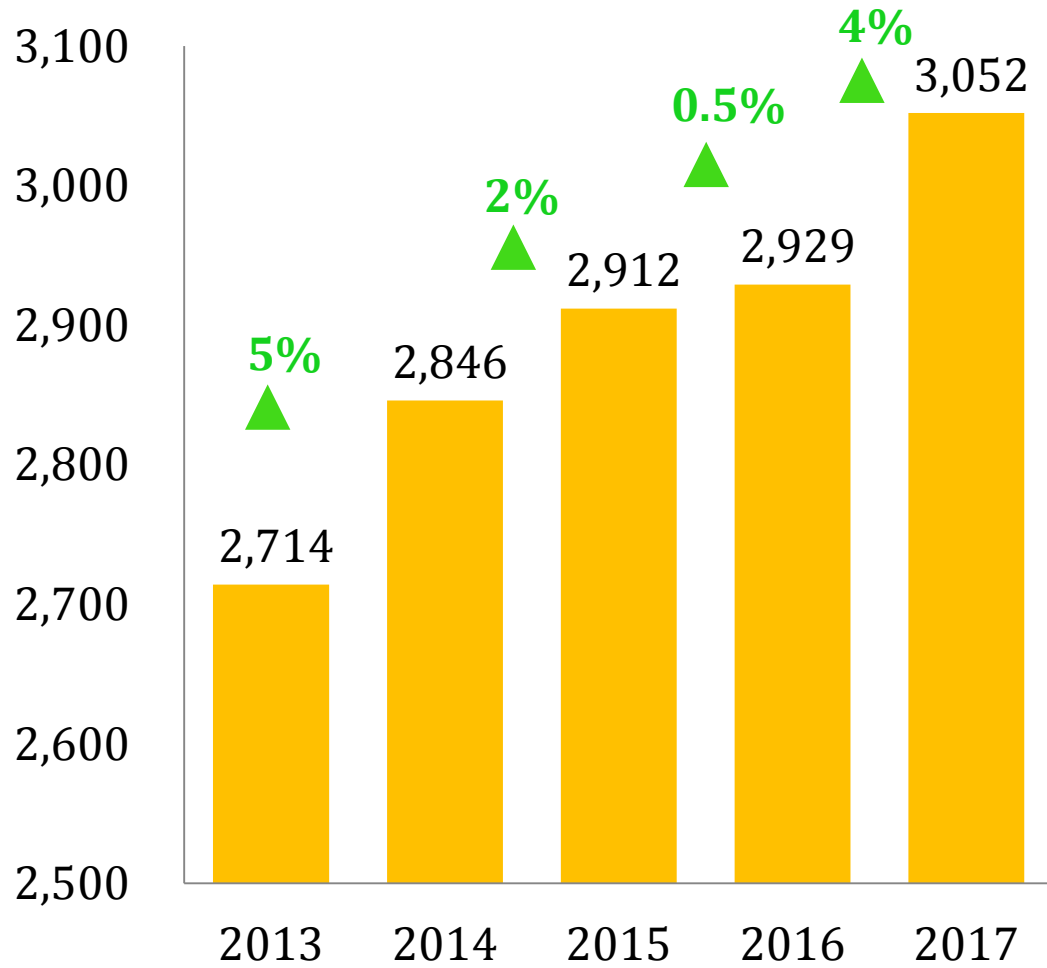
No of Outpatients



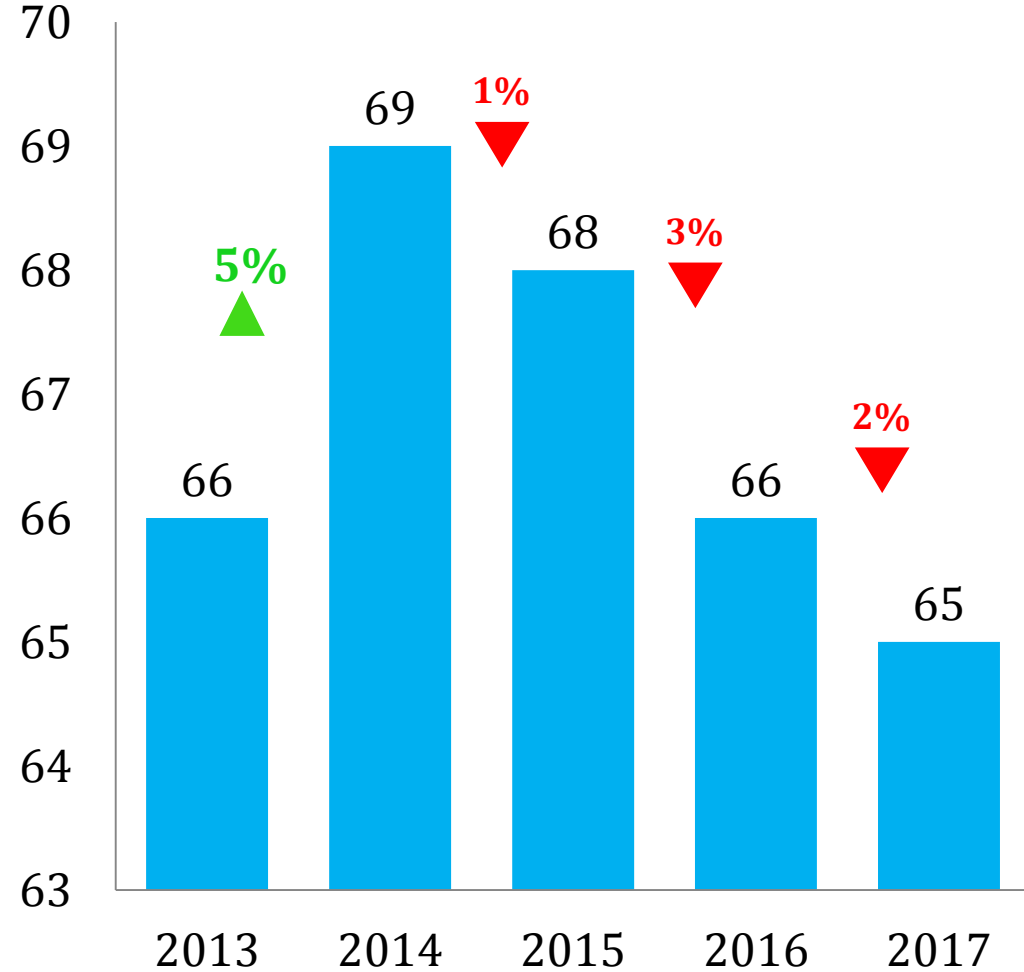
# Key Operational Highlights

*FY2012-FY2016*

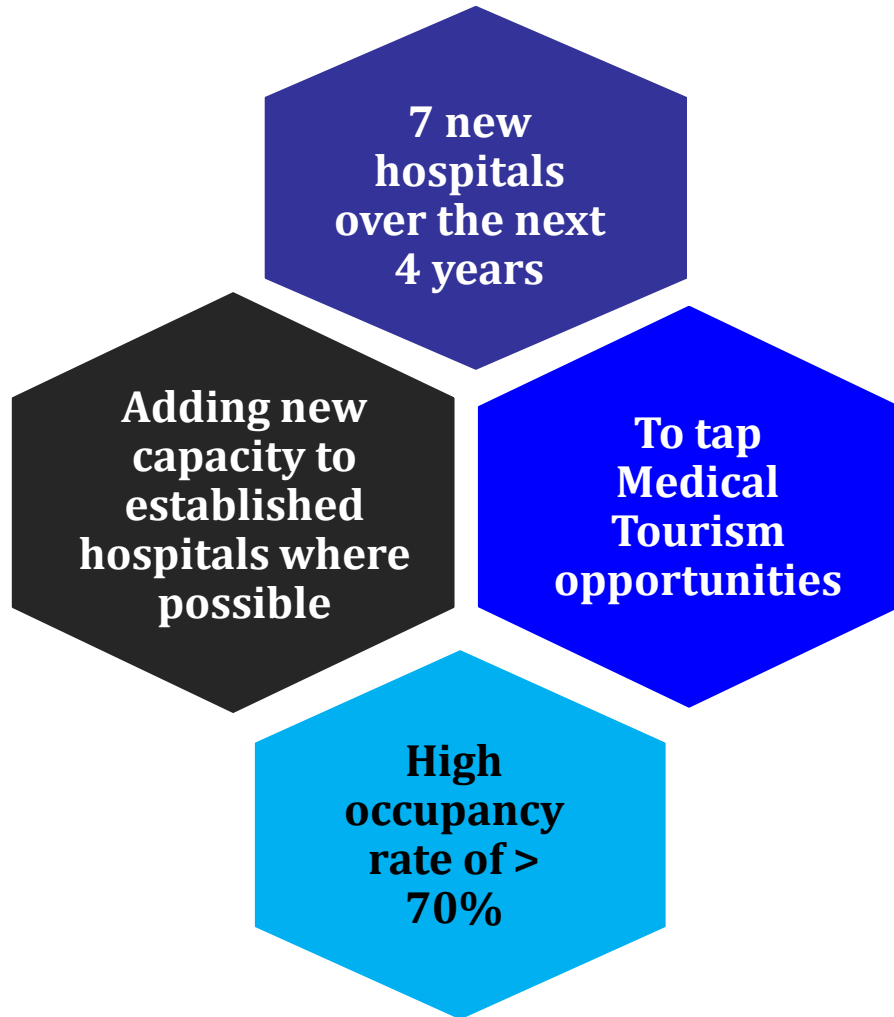
**No of Operating Beds**



**Occupancy Rates (%)**



## Expanding Network



## Growth Strategies

### **> *Delivering Safe and Excellent Services***

Compliance with MOH & Clinical Governance guidelines

### **> *Certification, Accreditation & Standards***

18 Accredited hospitals , 4 JCI Accredited hospitals

### **> *Patient Satisfaction***

Qualified doctors and quality nurses

### **> *Health Tourism***

Strong cooperation with Malaysian Govt – ETP, MHTC, MOH & Tourism Malaysia (targeting tourists arrivals from Indonesia, China, Middle East, East Africa & Indochina)

### **> *Explore Niche Market***

~Ageing population – Senior Living Care~

(Jeta Gardens Australia, Sibu Geriatric & Tawakkal Health Centre, Kuala Lumpur)

~Pharmacy outlets~

(KPJ Selangor, KPJ Damansara & KPJ Pahang)

# Medical Tourism

## KPJ's Involvement

- MHTC
- MOH
- Tourism Malaysia
- Govt / Corporates targets

## Marketing agents in target market

- INDONESIA
- MENA Countries
- CHINA

## Opportunities

- Price advantage over regional peers
- World class facilities
- Reputable & talented doctors pool

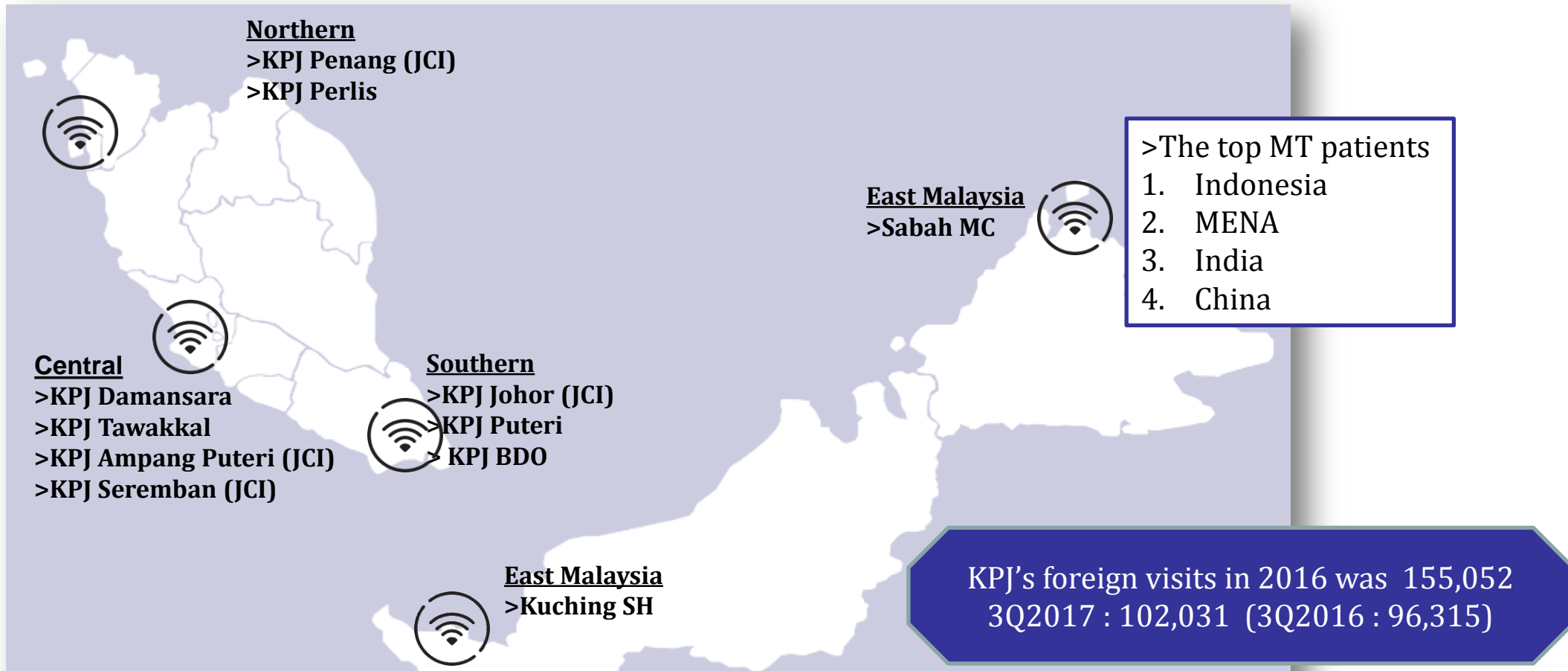


## Limitations

- Hospital capacity constraint
- No price differential
- Logistic ease



# Medical Tourism *KPJ MT Hub*



**Comparison of Healthcare Travelers to Malaysia between 2011-2016**

Year	2011	2012	2013	2014	2015	2016
No. of Healthcare Travellers	641,000	728,800	881,000	882,000	850,000	921,000

Source:  
 Malaysia Health Travel Council

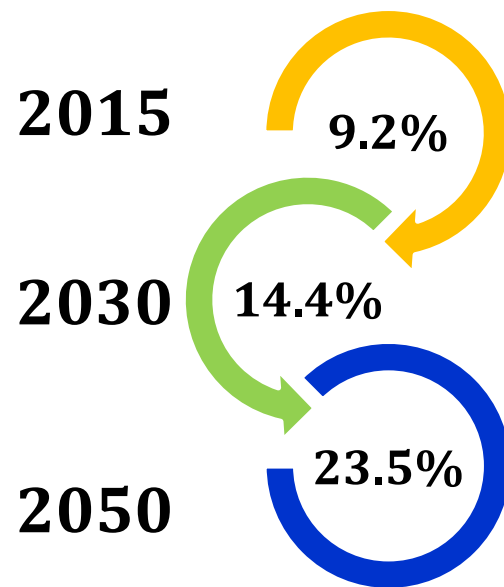


# Aged Care Projection of Elderly Population

## Malaysia is in the Top 10 ranked for The World Best Places to Retire 2017

Annual Global Retirement Index 2017 (<http://internationalliving.com>)

> By 2050, 20% of Malaysian population will be over 60 years old.



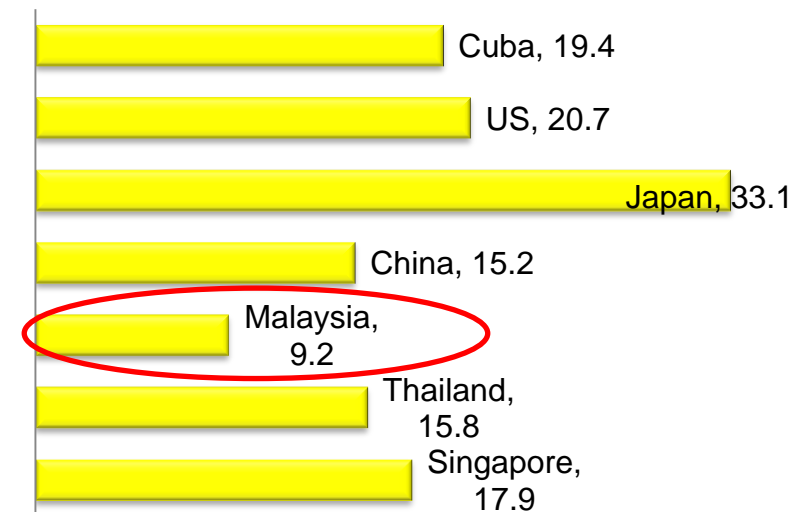
Source :  
>MOH (Overview Of Development Of Malaysia Healthcare Towards Medical Tourism, 15 June 2015)  
>Global Age Watch Index 2015

### Challenges

- . Culture
- . Legal framework
- . Funding mechanism



### % Population & Aged > 60 years 2015



Source : United Nations, Department of Economic and Social Affairs, Population Division (2015.)

# Aged Care & KPJ *Business of the future*

## Facilities

- **MALAYSIA – Senior Living Care**
  - Tawakkal Health Centre (pilot)
  - Sibu Geriatric
  - KPJ Kuantan Health Centre



## > KPJ Presence in Aged Care Segment

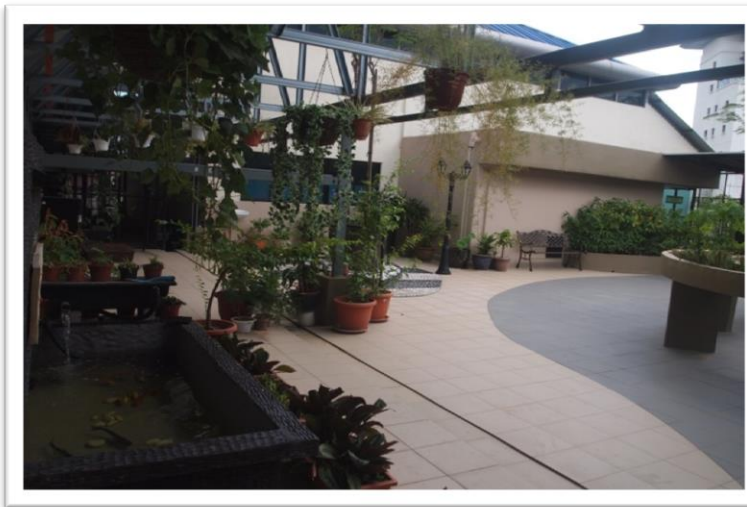
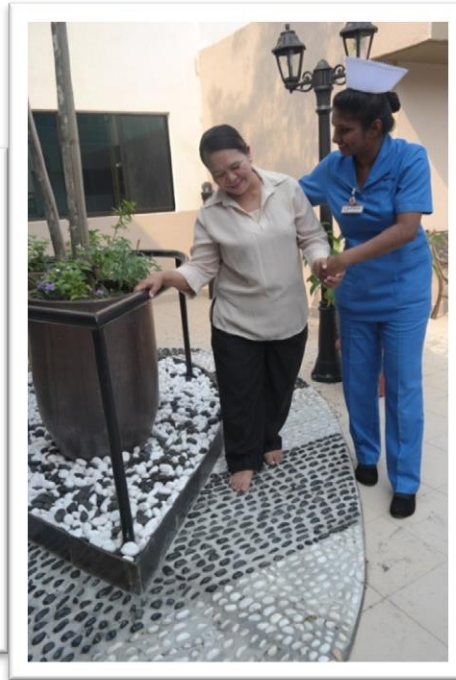
Distribution of elderly population (above 60) by state (2020 projection)

State	% elder population	Remarks
Selangor	16%	*KPJ Ampang *KPJ Damansara
Johor	12%	*Coronation Square *BDO *KPJ Puteri *KPJ Johor
Sarawak	9%	Sibu Geriatric
Kuala Lumpur	6%	Tawakkal Health Centre
Pahang	6%	^KPJ Kuantan Health Centre

*\* Planning*

*^ Opened in Feb 2018*

# KPJ Tawakkal Health Centre *Senior Living Care*



	<u>2016</u>				<u>2017</u>			
<i>2016</i>	<i>1Q</i>	<i>2Q</i>	<i>3Q</i>	<i>4Q</i>	<i>1Q</i>	<i>2Q</i>	<i>3Q</i>	<i>4Q</i>
Beds	42	42	42	42	42	42	42	42
Occupancy Rate (%)	74	64	70	68	62	64	57	61
ALOS	32.3	31.1	28.7	25.0	24.0	26.0	30.0	28.7

# KPJ Kuantan Health Centre *Senior Living Care*



Opened in 19  
Feb and  
received 1<sup>st</sup>  
patient on 23  
Feb



# Network Expansion *New Hospitals*

PROJECT	LOCATION	TOTAL CAPACITY (Beds)	OPERATING BEDS	COMPLETION	OPENING
*Tg Lumpur	Pahang	190	88	4Q2015	May 2016
Perlis	Perlis	90	60	3Q2017	1Q2018
BDO	Johor	150	90	1Q2018	2Q2018
Miri	Sarawak	96	61	3Q2018	4Q2018
Kuching	Sarawak	150	114	4Q2018	1Q2019
UTM	Johor	150	90	TBA	TBA
Nilai	Negeri Sembilan	96	61	TBA	TBA
K/Bayuemas	Selangor	90	90	TBA	TBA

**Total Beds**

**1,012**

**654**

\* Completed

# Network Expansion *New Hospitals- lease*

PROJECT	LOCATION	TOTAL CAPACITY (Beds)	OPERATING BEDS	COMPLETION	OPENING	LEASE PERIOD
KPJ Batu Pahat	Batu Pahat	150	90	2018	TBA	30 years (6+3yrs up to 30 years)
Kluang Specialist	Kluang	120	90	2019	TBA	30 years (15+15yrs)
KPJ Damansara	Sg Penchala	300	150	2019	TBA	30 years (15+15yrs)

<b>Total Beds</b>	<b>570</b>	<b>330</b>
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# Network Expansion *Hospital Expansion*

HOSPITALS	DESCRIPTION	CAPACITY	COMPLETION	OPENING
*KPJ Selangor	Clinics	54	Oct 2016	1Q2017
*KPJ Seremban	Beds	90	1Q2017	2Q2018
KPJ Johor	Beds	31	1Q2018	2Q2018
Taiping	Clinics	16	2Q2018	3Q2018
Sri Manjung	Beds	30	2Q2018	3Q2018
KPJ Ampang	Beds	150	2Q2018	3Q2018
	Clinics	33		
KPJ Puteri	Beds	66	2Q2019	3Q2019
KPJ Penang	Beds	138	1Q2021	2Q2021

<b>Total Beds</b>	<b>505</b>
<b>Total Clinics</b>	<b>103</b>

\* Completed

# Network Expansion - *New Hospitals*

KPJ Pahang Specialist Hospital – Opened 23<sup>rd</sup> May 2016





# Network Expansion – *New Hospitals 2018*

Bandar Dato' Onn Specialist Hospital, *Johor Bahru*



BDC Specialist Hospital, *Kuching*



KPJ Miri Specialist Hospital, *Miri*



# Network Expansion- *New hospital-lease 2018/2019*

KPJ Batu Pahat Specialist Hospital  
*Batu Pahat (2018)*



Kluang Specialist Hospital  
*Kluang (2019)*



*KPJ Damansara Empire  
Specialist Hospital  
Kuala Lumpur (2019)*

# Network Expansion – Existing hospitals 2018

KPJ Seremban Specialist Hospital  
*Seremban*



Sri Manjung Medical Centre  
*Manjung*



Taiping Medical Centre  
*Taiping*



KPJ Johor Specialist Hospital  
*Johor Bahru*



# Network Expansion – *Existing hospitals 2018 & beyond*

KPJ Ampang Puteri Specialist Hospital  
*Kuala Lumpur (2018)*



KPJ Puteri Specialist Hospital  
*Johor Bahru (2019)*



KPJ Penang Specialist Hospital  
*Bukit Mertajam (2021)*

**KPJ**

**CHALLENGE**



1. Limited pool of healthcare professionals for sub-specialty  
– potential high cost

2. Highly regulated industry  
> Lower margin compared to regional peers  
> High compliance cost

3. Keeping new hospital development on track  
> costs & timeline

4. Managing bottom line during gestation period of greenfield projects  
> between 3 to 5 yrs

5. Potential structural changes  
> 1 Care, AEC, AFTA

6. Competition  
> from other players & government hospitals

# Current Issues

## GST

Impact on cost of living

## RM Weakness



# Conclusion

- Despite all the challenges, the healthcare industry in which the Group operates is forecasted to enjoy steady growth due to the increase of the world's ageing population and rapid growth of the middle income group.
- The Group sees this as a growth opportunity to further strengthen its presence in Malaysia and Asia via expansion of existing hospitals as well as the building of new hospitals and acquisition of brownfield hospitals.



*“Future Proof Our Network Today, To Ensure Sustainable Growth Tomorrow”*

*THANK YOU*