

FY2023/24

Interim Results

Investor Presentation

30 Nov 2023

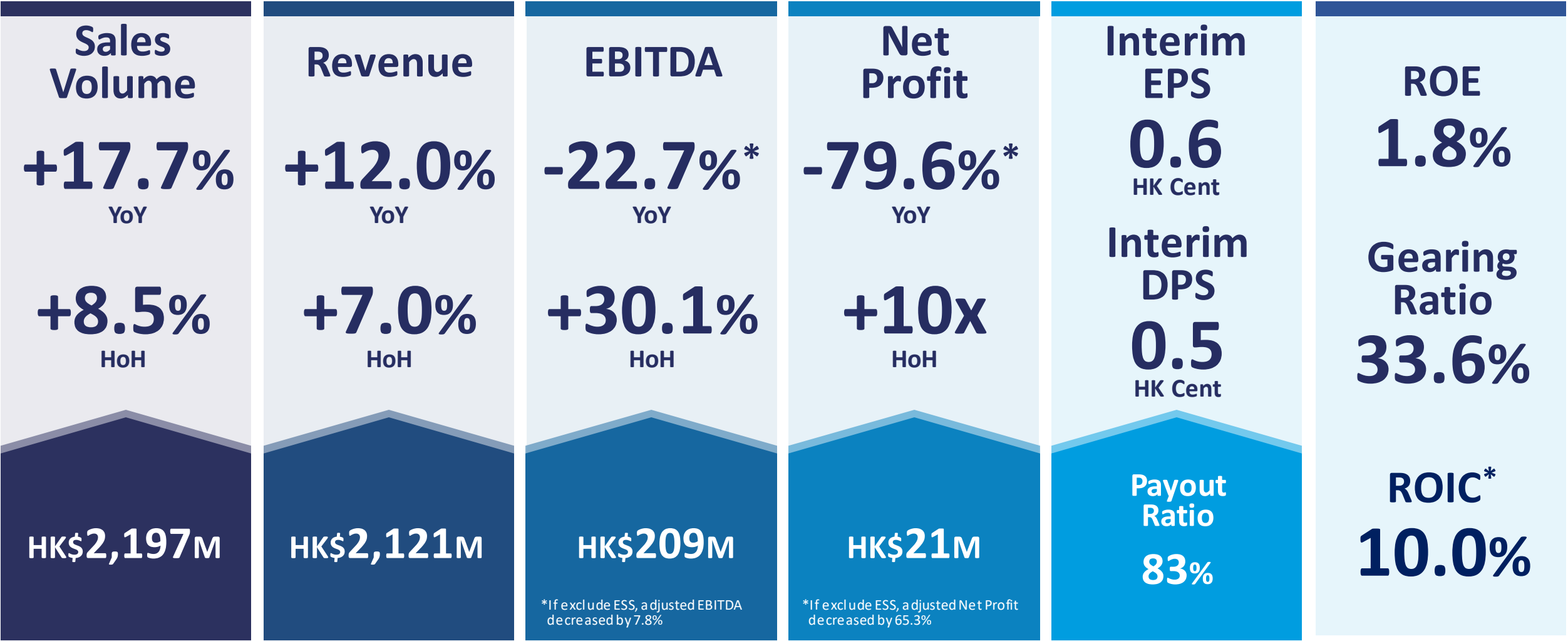
Bring Health, Beauty and Happiness to more People

Financial Performance



Key Financial Highlights

YoY: FY23 1H vs FY24 1H
HoH: FY23 2H vs FY24 1H



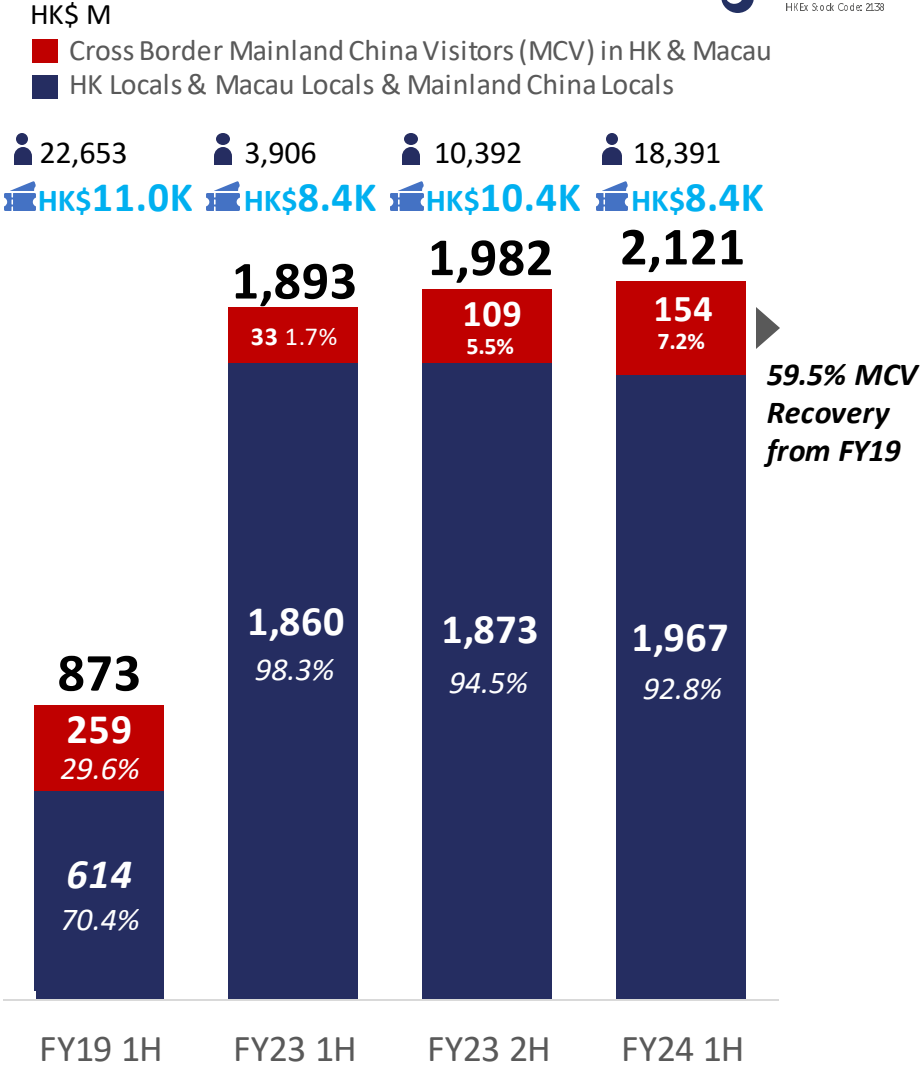
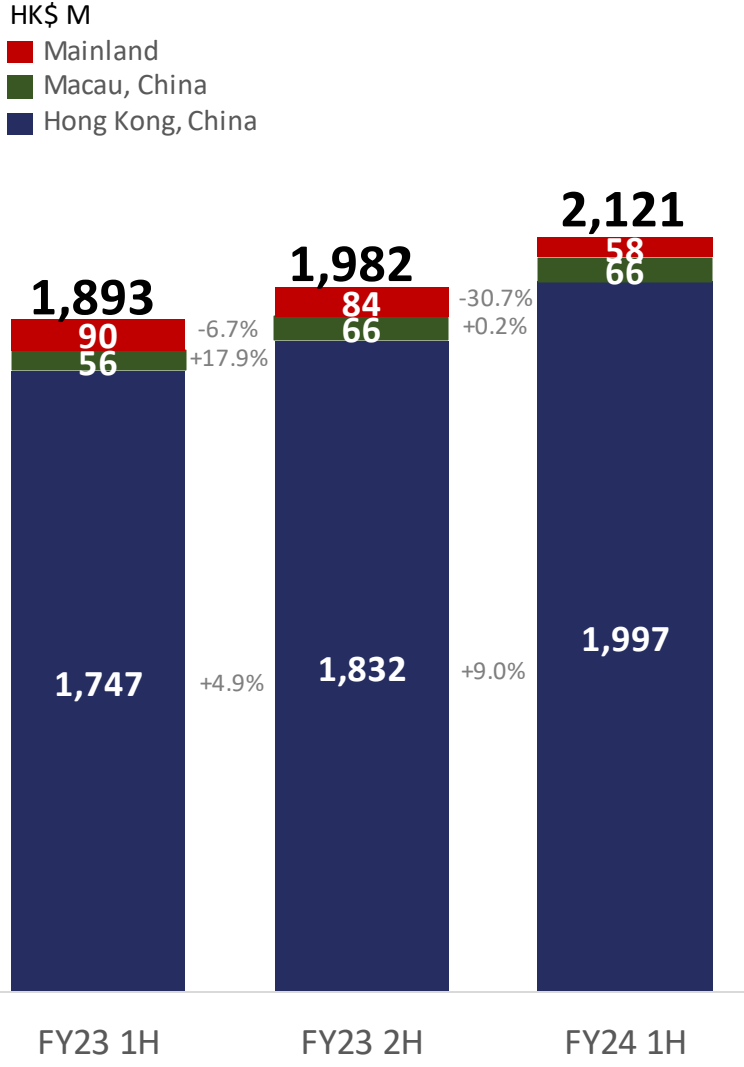
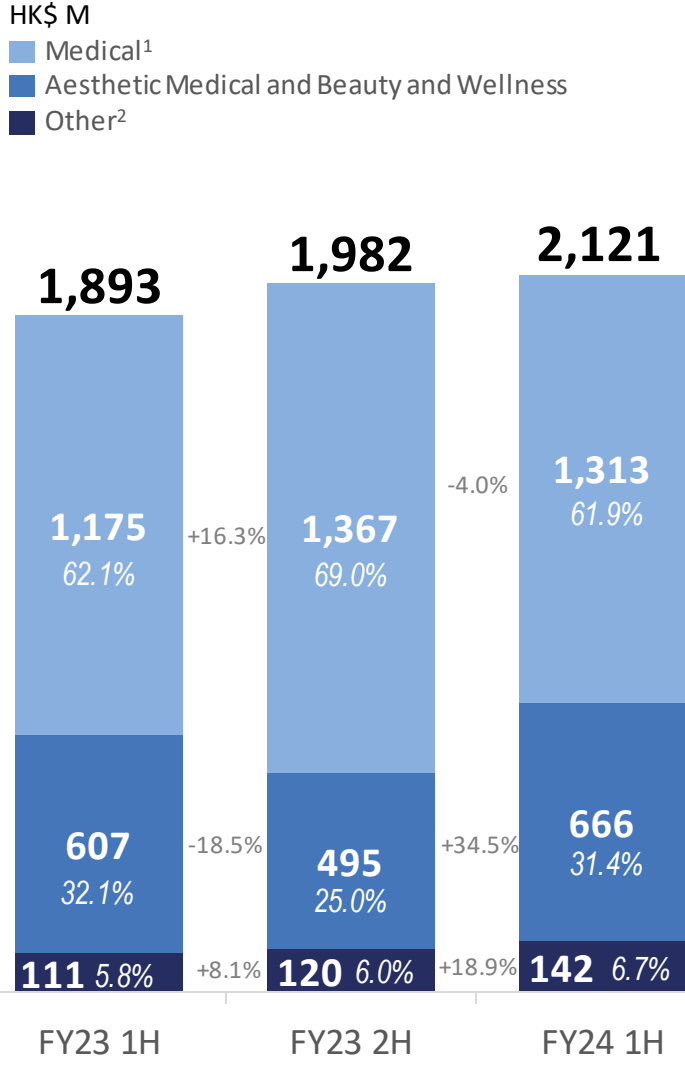
*If exclude ESS, a adjusted EBITDA decreased by 7.8%

*If exclude ESS, a adjusted Net Profit decreased by 65.3%

* From Bloomberg as of November 30th 2023



Revenue Mix



22,653 visitors (FY19 1H) | 3,906 visitors (FY23 1H) | 10,392 visitors (FY23 2H) | 18,391 visitors (FY24 1H)
 HK\$11.0K (FY19 1H) | HK\$8.4K (FY23 1H) | HK\$10.4K (FY23 2H) | HK\$8.4K (FY24 1H)

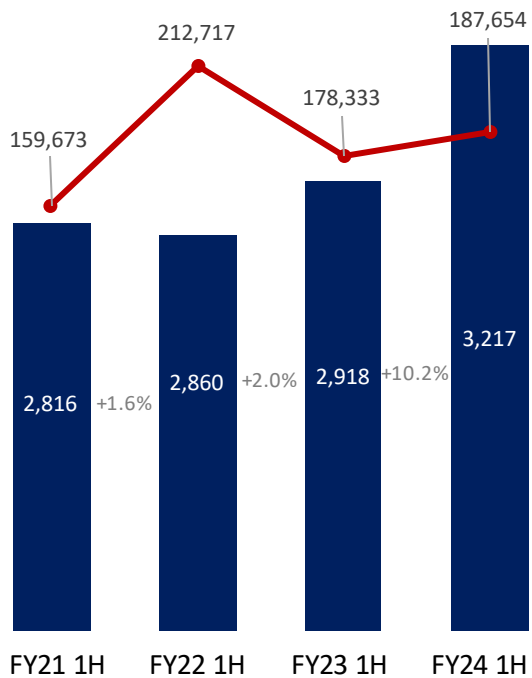
1. Including dental services
 2. Including multi-channel networking and related services and veterinary services



Average Spending Per Visit Per Business Segment based on sales volume*

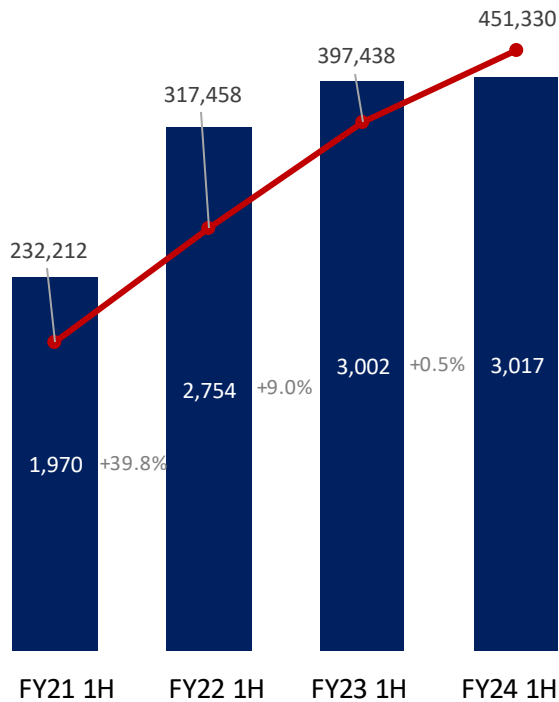
Aesthetic Medical

- No. of Customer Visit
- ASP (HK\$) per Visit



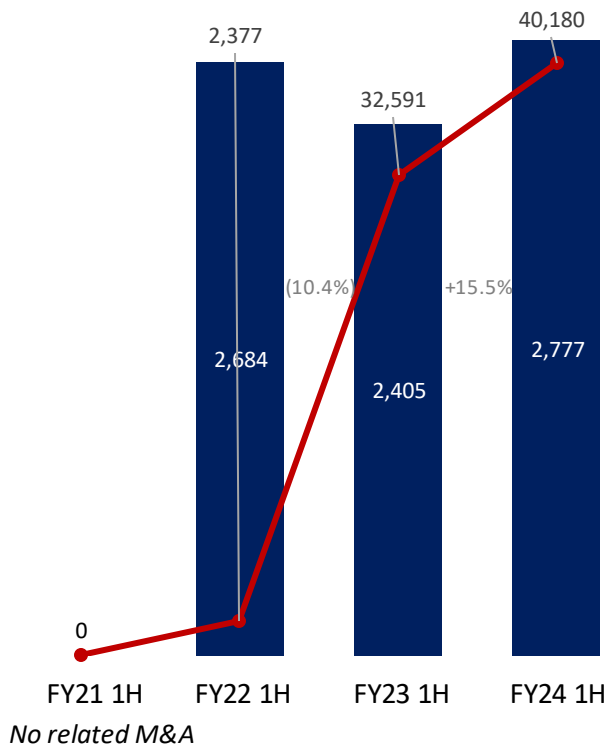
Medical

- No. of Customer Visit
- ASP (HK\$) per Visit



Veterinary

- No. of Customer Visit
- ASP (HK\$) per Visit



* include Aesthetic Medical & retail Medical only

Operation Highlights - Cost Structure and Margin Squeeze

INTERIM RESULTS FY23/24

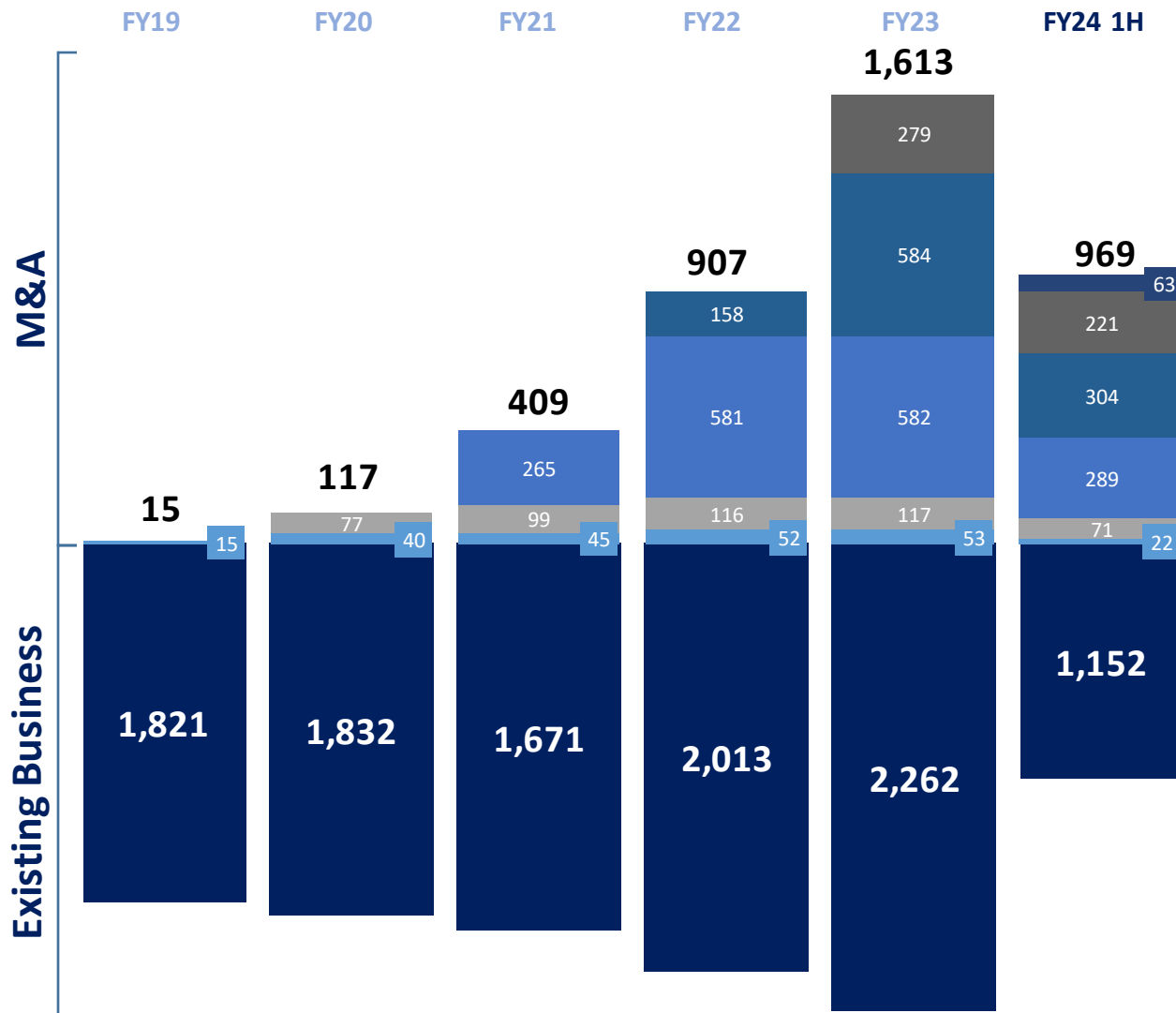
	FY19	Margin Squeeze	FY23 1H	FY23 2H	FY24 1H	Roll-up Strategies	Projected FY24 2H	Projected FY25
Revenue	100%	<ul style="list-style-type: none"> Gradual revenue mix change from only 28% to 62% medical 	100%	100%	100%	<ul style="list-style-type: none"> Medical inflation Increasing GDP and medical expenditure M&A and organic growth 	100%	100%
Cost of inventories & Consumables	12.3%	<ul style="list-style-type: none"> Revenue mix shifting to medical Inflation on medical consumables 	13.6%	14.9%	15.7%	<ul style="list-style-type: none"> Central procurement to offset inflationary pressure Upstream supplier partnership and integration 	15.6%	15.4%
Rental & related expenses *	9.5%	<ul style="list-style-type: none"> Expansion from 398,000 sq feet to 698,000 sq feet 	11.2%	11.0%	10.1%	<ul style="list-style-type: none"> Consolidating overlapping & synergetic service points with net GFA reduction of 69,446 sqft Ramping-up new stores before further expansion 	10%	8.7%
Marketing & advertising expenses	8.3%	<ul style="list-style-type: none"> Increase in social media reliance and advertising costs 	5.1%	3.8%	5.1%	<ul style="list-style-type: none"> CRM to enhance CLV Outsourcing supporting function 	5%	5%
Employee benefit expenses	24.1%	<ul style="list-style-type: none"> Expansion of headcount from 1,742 to 3,090 Share option expenses of \$32M 	25.2%	30.8%	25.2%	<ul style="list-style-type: none"> Headcount trim from 3,090 to 2,715 headcount Reversal of share option expenses of \$7M Workflow optimization and AI automation 	22.7%	23.2%
Registered practitioner expenses	11.2%	<ul style="list-style-type: none"> Shift to medical specialty Expansion on full-time doctor headcount from 87 to 329 	26.5%	23.9%	27.8%	<ul style="list-style-type: none"> Ramping up of new clinic TTIPP strategies execution 	27.8%	27.7%
Administrative & other expenses	5.4%	<ul style="list-style-type: none"> Increase to support organic growth Investments on IT system and infrastructure 	5.4%	6.6%	5.1%	<ul style="list-style-type: none"> Productivity focus Outsourcing of non-core admin function 	4.9%	4.9%
EBITDA Margin	27.1%		14.3%	8.1%	9.8%		11.5%	13.5%
Depreciation of owned PP&E	2.6%	<ul style="list-style-type: none"> Expansion on organic growth 	3.5%	3.6%	4.0%	<ul style="list-style-type: none"> Assume limited organic expansion 	4.2%	4.0%
Amortisation of IA	0.7%	<ul style="list-style-type: none"> Increase with M&A transactions 	2.5%	2.5%	2.4%	<ul style="list-style-type: none"> Assume no M&A 	2.4%	2.2%
Finance costs	0.1%	<ul style="list-style-type: none"> Increasing cost of capital 	1.7%	1.6%	1.9%	<ul style="list-style-type: none"> Interest rate already peak 	2.1%	2.0%
Net Margin	20.8%		5.6%	0.1%	1.0%		2.0%	4.0%

* Including depreciation of right-of-use assets



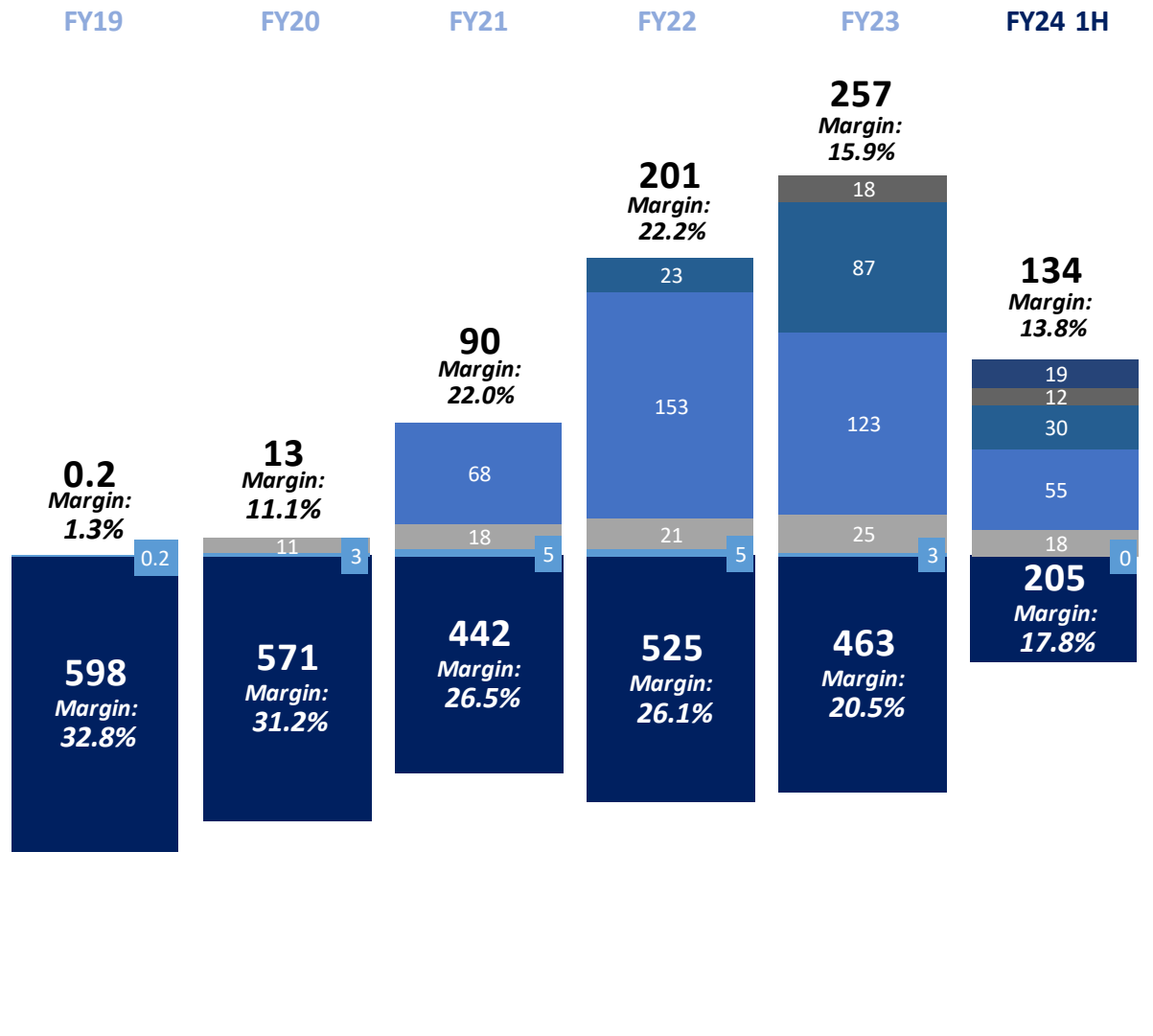
Revenue Contribution

HK\$ M



EBITDA Contribution (excluding HQ overhead and G&A)

HK\$ M



HK\$ M	FY19	FY20	FY21	FY22	FY23	FY24 1H
M&A	0.2	13	90	201	257	134
EBITDA (recap) Existing Business	598	571	442	525	463	205
Sub-total	598	584	532	726	720	339
HQ Overhead and G&A	88	124	135	190	283	130
Impairment	7	-	-	-	7	-
Reported EBITDA	503	460	397	536	430	209
Amortisation	13	13	32	71	98	51
Depreciation	49	70	78	96	137	85
Finance Cost	3	18	24	49	64	39
Net Profit	385	310	226	270	107	21

M&A Strategy



LONG TERM PARTNERS



NON-100% BUYOUT



STABLE



HIGH EBITDA MARGIN

Goodwill
HK\$849M

Weighted Avg. % stake
71%

Weighted Avg. PS multiple
1.6x

Number of fully integrated M&As
12/24

Weighted Avg. remaining useful life of IA as of FY24 1H

7.4 years

Intangible Assets
HK\$666M

Weighted Avg. PE multiple
9.7x

Weighted Avg. net profit guarantee period
4.8 years

Return on Invested Capital
10.0%

▲ UPSTREAM

Suppliers

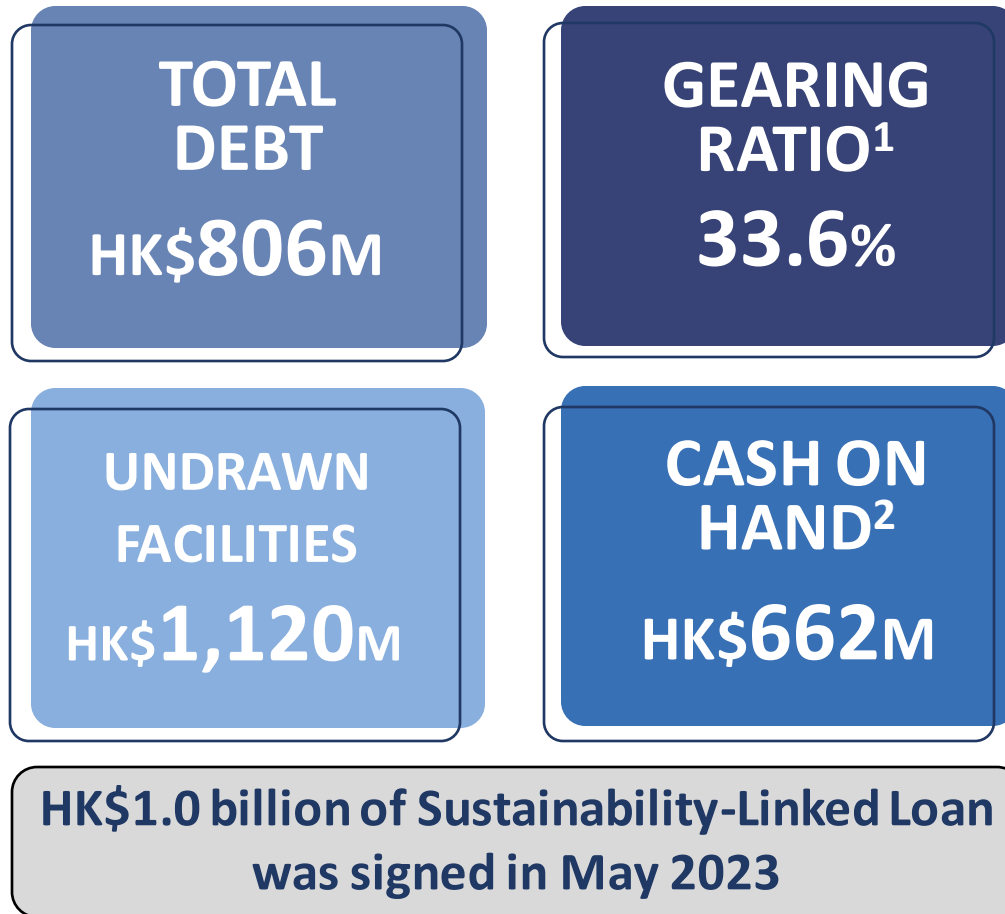
Distribution

Customer

▼ DOWNSTREAM

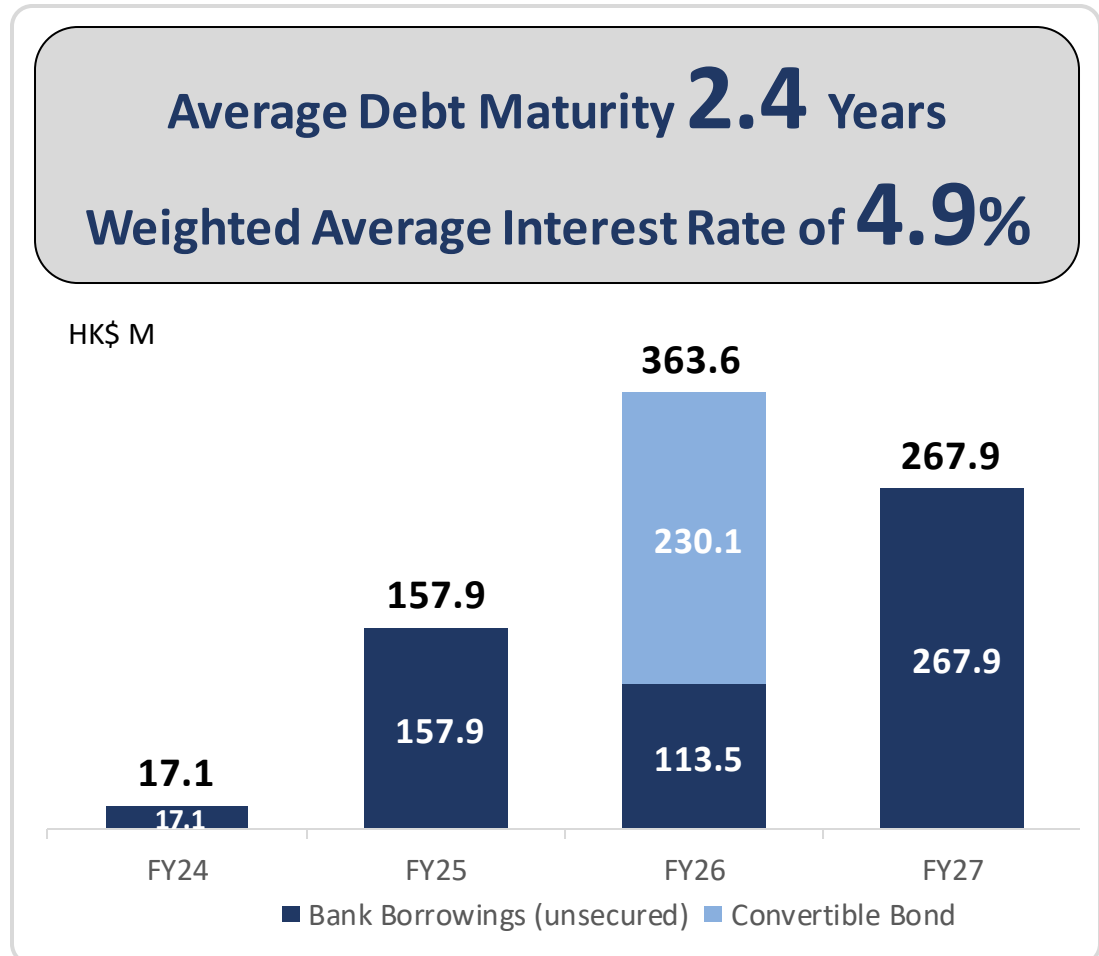
Capital Management

Capital Structure as at 30 Sep 2023



1. Total debt excluding lease liabilities relating to properties leased for own use divided by total equity
2. Cash and equivalents

Debt Maturity Profile as at 30 Sep 2023



Operation & Strategy Highlight



No. of Service Points
166



No. of Specialist Disciplines
39

Repurchase Rate²
77.8%



Total GFA
-1.1% HoH
698,000
sqft



Full Time Registered Doctors
329



Existing Customer Revenue Contribution³
68.5%



No. of Customer Visit¹
679,164



Avg. Spending per Customer Visit¹
HK\$3,122

Customers' Satisfaction Rate⁴
99.98%



Number of Cross Brand Customers⁵
24.53%

1. Based on sales Volume for period excluding non-retail brands 2. Customers of FY23 contribution in FY24 divided by the total revenue in FY23 3. Revenue ccontribution by existing customers to the total revenue for the year
4. 100% minus the percentage of material unfavourable feedback of total revenue for the year 5. Number of customers who purchased services from more than one brand for the year divided by total number of customers for the year

EBITDA Margin Analysis

INTERIM RESULTS FY23/24

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* Including depreciation of right-of-use assets

FY23 Baseline Operation Cost Structure Rationalization



- Excluding new M&A from FY24 / 25
- Excluding new organic expansion in FY24 / FY25
- Surecare & new distribution business
- AMAH Vet Hospital

Saving against FY23 Baseline

1 Registered Practitioner & Employee Benefit Expenses

- Headcount reduced by 498
 - Backoffice - 166
 - Frontline - 332

2 Rental & Related Expense

- Rental reduction **97,534 sq ft**
- Space reduction **3,423 sq ft**
Dental (1); Aesthetics & Beauty (1)
Office(1);

3 COGS

- Service Mix
- Cost Optimization

4 Administrative & Other Expenses

- Tight control on one-off expenditure

1HFY24 vs 1HFY23

HK\$28M

HK\$6M

HK\$2M

HK\$27M

FY24 Target
HK\$85M

- Realizing benefits from 1H24 actions with minor headcount reduction, offset by year-end bonus & additional frontline

- Rental reduction: **5,000 sq ft**
- Space return: **48,134 sq ft**
Dental (3); Medical (4);
Aesthetics & Beauty (1)

- BPR & automation

FY24 Projected
1H: HK\$63M
2H: HK\$78M

2HFY24 vs 2HFY23

HK\$64M

HK\$9M

HK\$2M

HK\$3M

HK\$141M

FY24 vs FY23

HK\$92M

HK\$15M

HK\$4M

HK\$30M

(+66% vs target)

- Full year effect from FY24 headcount reduction
- Factored in salary increase & additional manpower to ramp up baseline operation

- Full year effect from previous rental rates & space reduction
- Space return: **17,889 sq ft**
Medical (1); Office (1)

- Kick start centralized procurement with inflation pressure

- Pressing on tight cost control with inflation pressure
- Scaling up digital transformation with strategic outsourcing

FY25 Projected
HK\$225M

FY25 vs FY23

HK\$150M

HK\$45M

HK\$0M

HK\$30M

Key Sub-Pillar Business Performance (Including HQ Overhead and G&A)

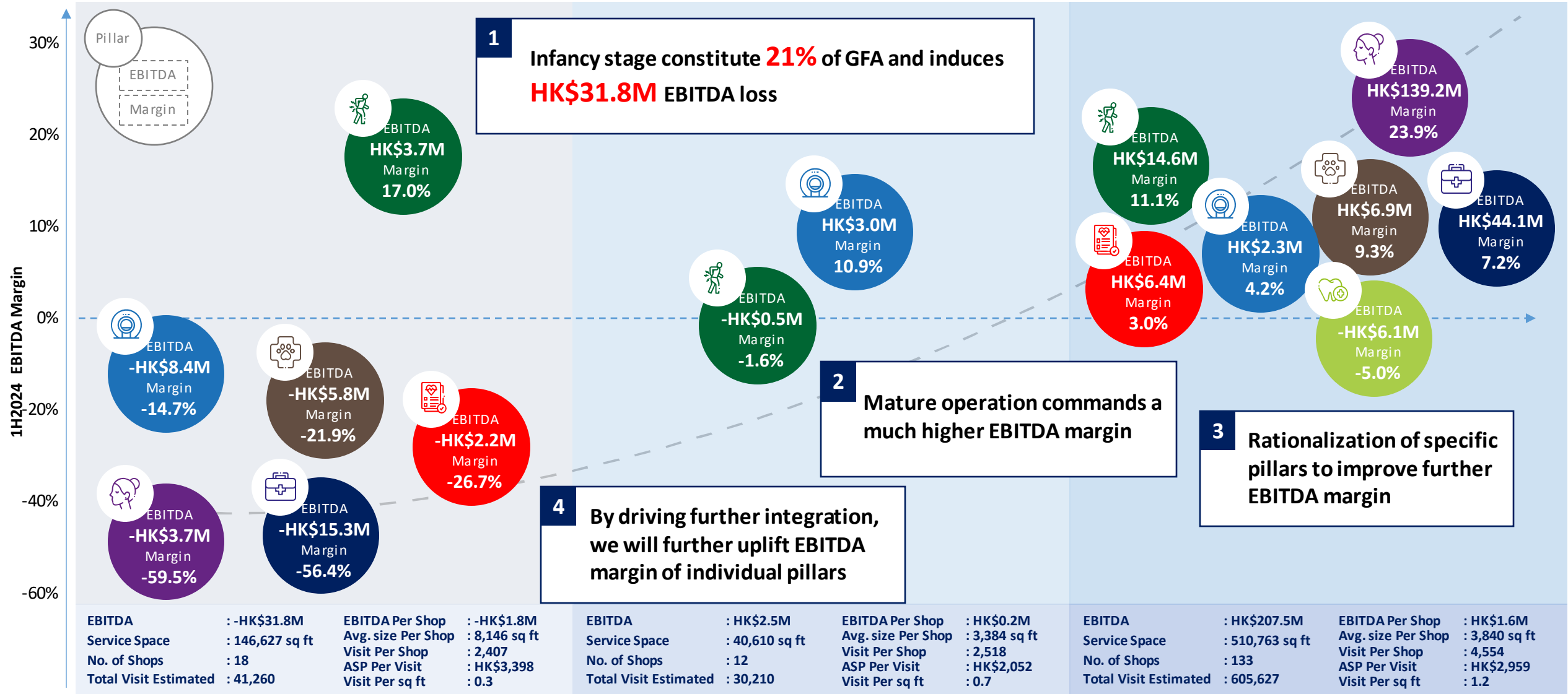
INTERIM RESULTS FY23/24



INFANCY (0 – 24 months)

DEVELOPING (25 – 48 months)

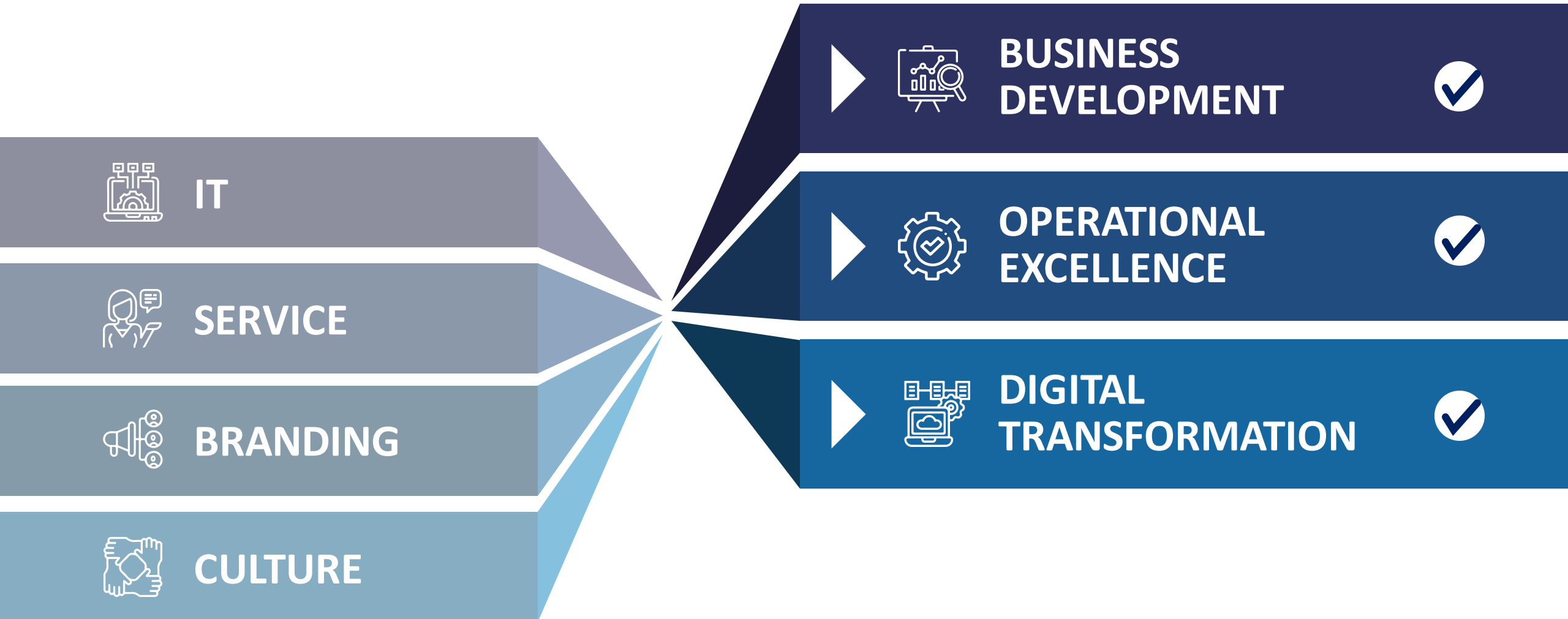
MATURE (Beyond 48 months)



* Excluding non-retail 3 BUs with HK\$122M revenue

BEFORE

NOW





Approach

1 Business Development

- 2022 Hong Kong's medical expenditure represents a HK\$243B, spanning across public, insurance, corporate medical and direct customers.
- Leverage on our comprehensive proposition, invested in capacity building with one-stop service model to gain larger market share

- B2C Cross-Pillar Product Proposition to enhance CLV
- B2B (Corporate) 24x7 self-service booking, wellness and medical
- B2I (Insurance) Branding, Differentiated Product & Service and Savings
- B2G (Government) Primary Healthcare Blueprint, Public-Private Partnership

2 Operational Excellence

- Scalability & Productivity-Focused
- Leverage on technology to step up integration and consolidation of overlapping & synergetic operations in proximity

- Talent Productivity Cost per service/customers
- Asset Utilization Rent & Equipment (Imaging, Lab, Procedure Centre)
Day
- Cost Efficiency Centralization
- Process Efficiency Automation, Business Process Re-engineering
- Governance Operational Standard, Safety & Data Privacy

3 Digital Transformation

- Leverage data and digital tech to optimize customer services and operational processes
- Co-create innovative service and products via stronger connectivity with TTIPP partners

- Omni-Channel Marketing Personalization, speed to market, lower cost of acquisition / conversion
- Procurement Inventory management
- Customer Experience Booking, Registration, Cross Pillar Referral Workflow



Technology

Telecommunication

Insurance

Property

Pharmaceutical



RiMAG
一脉阳光医学影像



Leqee
— We Deliver Result. —
乐其电商



KERRY
LOGISTICS
嘉里物流

- Signed MOU with RiMag, leading radiology operator in China, for knowledge exchange and business expansion
- Signed MOU with Leqee, a leading digital & e-commerce solution technology platform to enhance our customer acquisition and e-commerce.
- Establish and deepen various strategic partnerships with exclusive product offerings & services in Hong Kong & Macau
- Signed MoU with KERRY LOGISTIC to centralise our warehouse, inventory and logistics management

Outlook

Chairman Message & Key Role



**Strategic
Vision**



**Corporate
Development**



**Corporate
Governance**

Mr. Tang Chi Fai, Eddy
Founder, Chairman and
Executive Director

EC Healthcare Market Outlook and Growth Prospects



Market Trends

- Cautious economic outlook amid prolonged inflation and uncertainties
- Growing healthcare needs driven by aging populations and technology



Favorable Government Policies and Regulations

- Primary Healthcare Blueprint promoting public-private partnerships
- Streamlined drug and device approvals by NMPA and GDMPA
- CEPA strengthening cross-border healthcare cooperation



Strong Demand Drivers

- GBA population projected to reach 88M by 2030
- HK population estimated to grow to 7.5-8.5M in 20 years
- Healthcare spending as a percentage of GDP:
 - Mainland China: 5.6%
 - Hong Kong: 8.5%
 - OECD countries: 9.2% (e.g. US 16.6%, France 12.2%, Germany 12.7%)
- Growing Healthcare Spending per Capita in HK:
 - Current: HK\$32,804
 - CAGR: 9.5%



Cost Efficiency Initiatives

- Attracting healthcare talent to HK through:
 - HK Medical Registration Amendment Bill
 - Enhanced Supplementary Labor Scheme (ESLS)/foreign labour import
 - Admission Scheme for Mainland Talents and Professionals (ASMTP)
- Establishment of HKUST medical school boosting local supply
- Supplementary labor programs to supplement talent needs



Positioned for Long-Term Growth

- Leveraging policy support and demand drivers
- Optimizing talent pipeline to manage largest cost
- Continuing to deliver innovative services across the GBA

Outlook: Despite short-term uncertainties, underlying fundamentals and initiatives underway indicate significant opportunities for sustainable growth ahead.

Q&A

Appendix

Key Financial Metrics

	For the six months ended 30 September		
	FY23 1H	FY24 1H	Changes
Basic Earnings per share (HK cents)	6.8	0.6	(91.2%)
EBITDA margin	14.3%	9.8%	(4.5 p.pt)
Net profit margin	5.6%	1.0%	(4.6 p.pt)
Dividend per share for the year (HK cents)	5.8	0.5	(91.4%)
Return on equity ¹	8.7%	1.8%	(6.9 p.pt)
Return on average total assets ²	4.2%	0.4%	(3.8 p.pt)
Financial position	31 Mar 23	30 Sep 23	
Current ratio	0.85x	0.88x	3.5%
Gearing ratio (Debt ³ divided by equity)	30.3%	33.6%	+3.3 p.pt
Quick ratio	0.80x	0.81x	1.3%
Cash Conversion Cycle (days)			
Average creditors' turnover days	59	39	(33.9%)
Average debtors' turnover days	17	21	23.5%
Average inventory turnover days	62	55	(11.3%)

Notes:

1. Profit for the period(annualised) or year divided by total equity
2. Profit for the period (annualised) or year divided by average of total asset at the beginning of the financial year and end of the period
3. Total debt excluding lease liabilities relating to the properties leased for own use

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