

# FY2023/24 ANNUAL RESULTS INVESTOR PRESENTATION

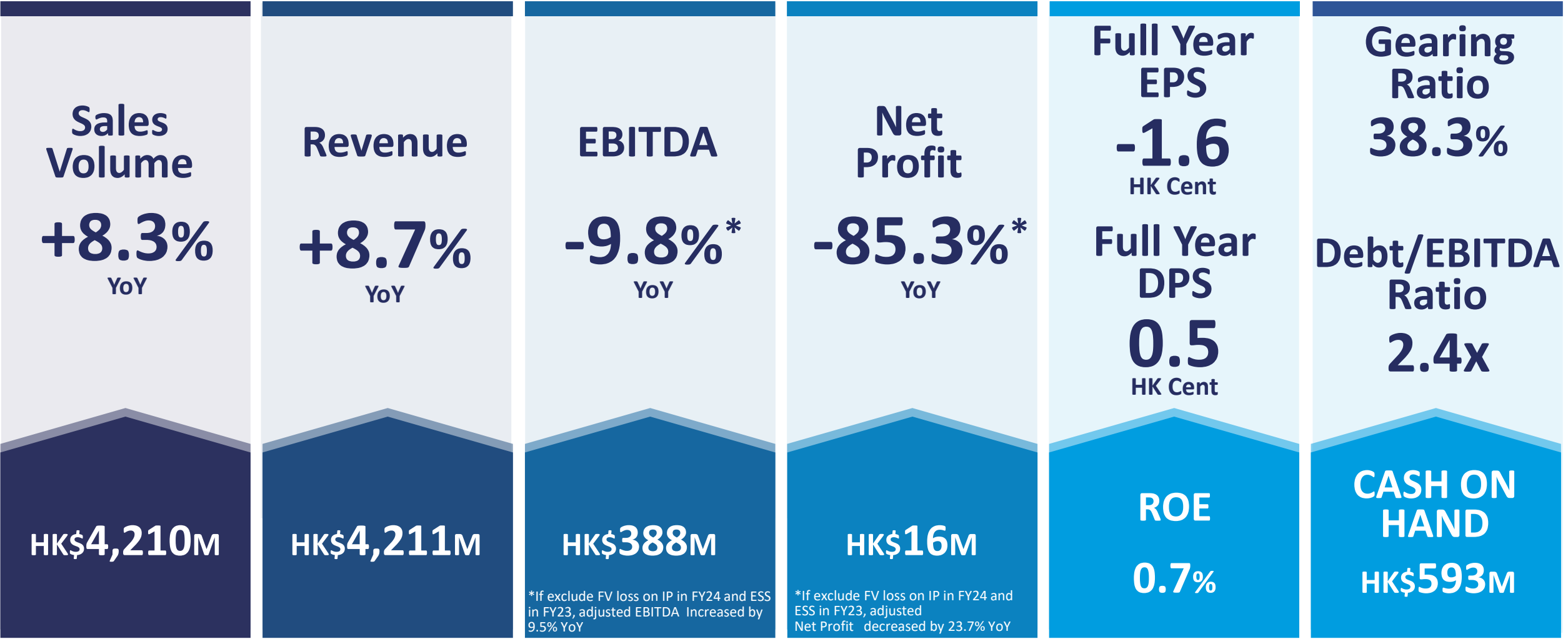
28 JUNE 2024



# Financial Performance

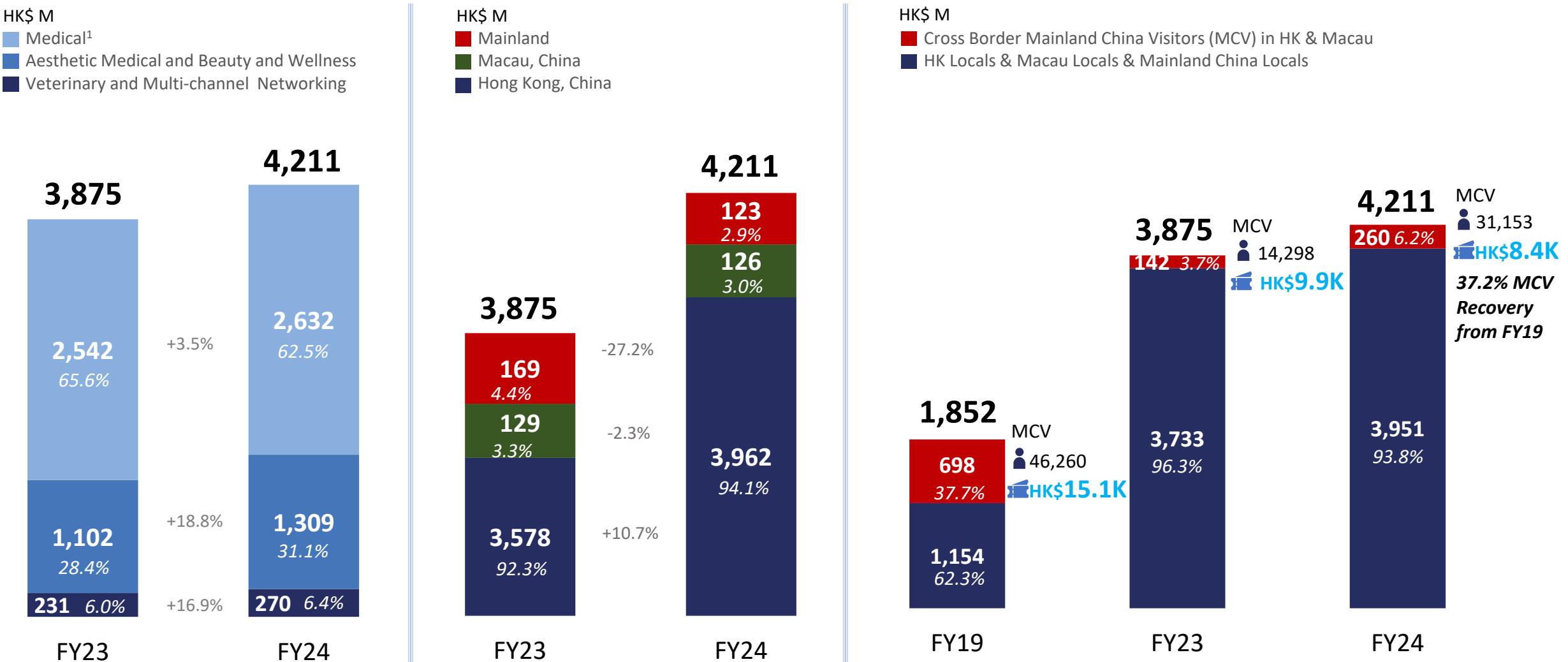
Key Financial Highlights

YoY: FY23 vs FY24





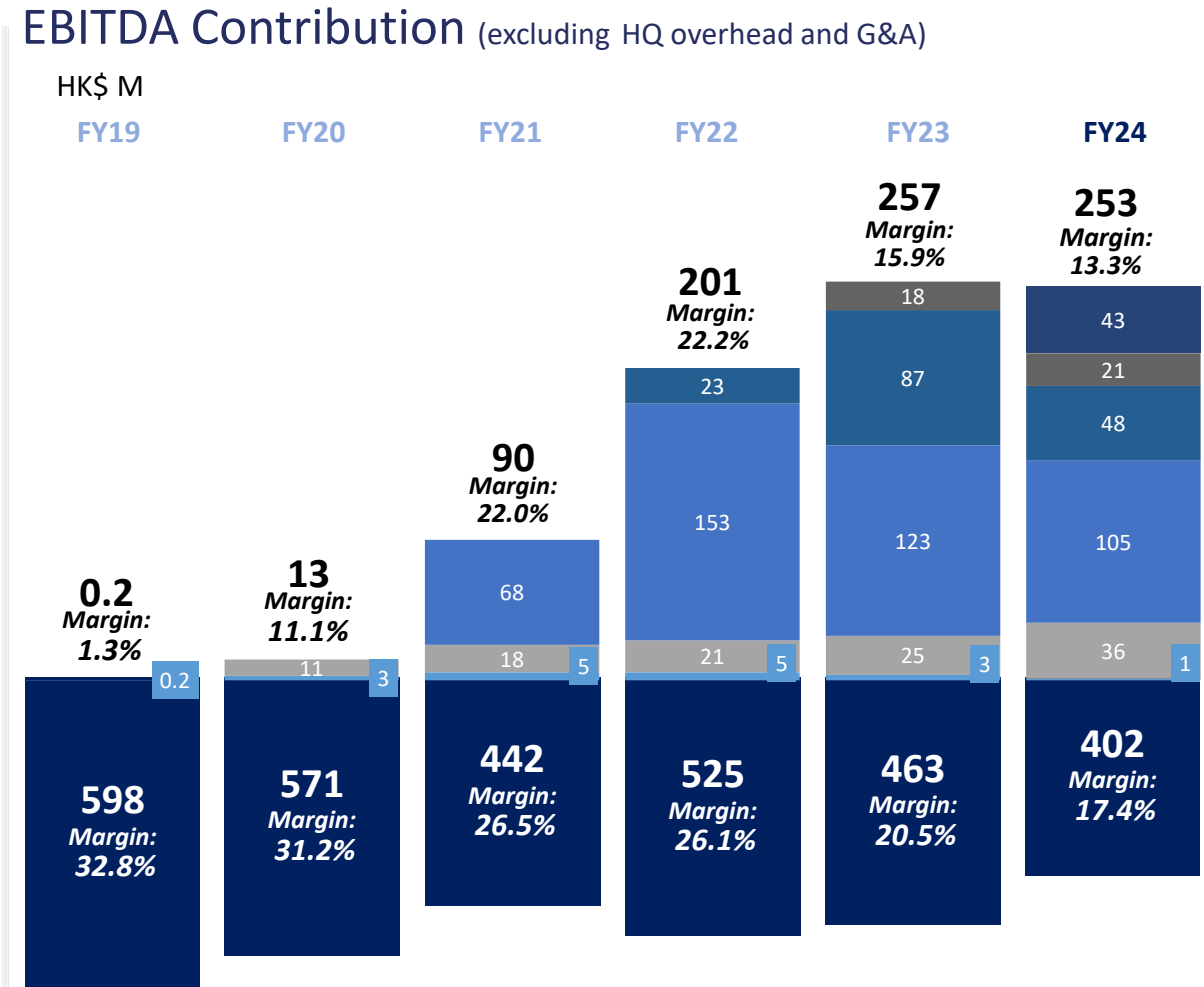
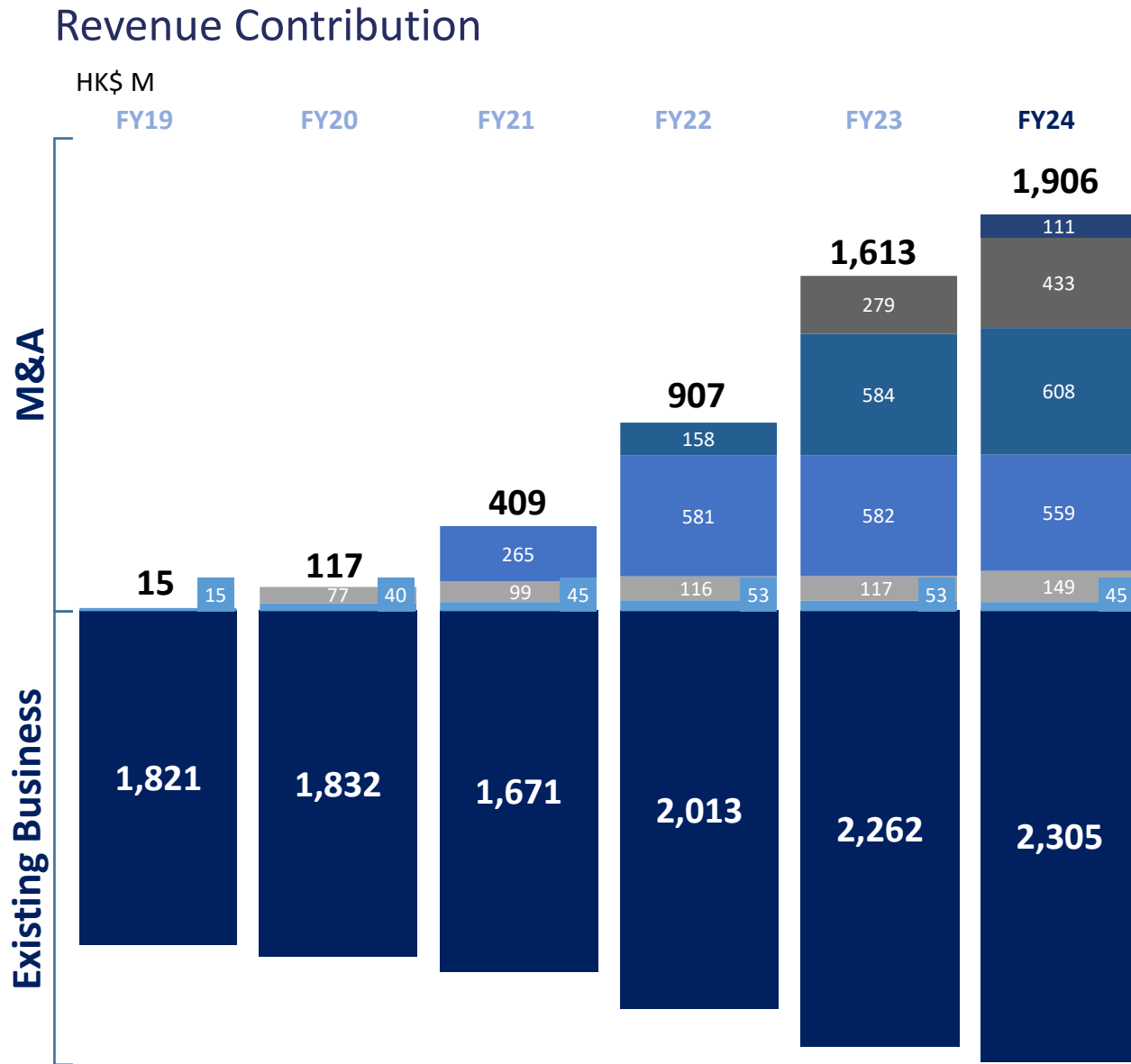
Revenue Mix



# Operation Highlights - Cost Structure and Margin Squeeze

	FY23	Margin Squeeze	FY24 1H	FY24 2H	FY24	Roll-up Strategies
<b>Revenue (HK\$ M)</b>	3,875	• Revenue mix change from only 28% in FY19 to 64% medical in FY24	2,121	2,090	4,211	<ul style="list-style-type: none"> <li>Medical inflation</li> <li>Increasing GDP and medical expenditure</li> <li>M&amp;A and organic growth</li> </ul>
<b>Cost of inventories &amp; Consumables</b>	14.3%	<ul style="list-style-type: none"> <li>M&amp;A of consumable distribution businesses kicking in</li> <li>Inflation on medical consumables</li> </ul>	15.7%	16.0%	15.8%	<ul style="list-style-type: none"> <li>Central procurement to offset inflationary pressure</li> <li>Upstream supplier partnership and integration</li> </ul>
<b>Rental &amp; related expenses *</b>	11.1%	• Consolidation service space from 706,000 sq ft to 657,000 sq ft	10.1%	10.4%	10.3%	<ul style="list-style-type: none"> <li>Consolidating overlapping &amp; synergetic service points</li> <li>Ramping-up new stores before further expansion</li> </ul>
<b>Marketing &amp; advertising expenses</b>	4.5%	• Increase in social media reliance and advertising costs	5.1%	4.8%	4.9%	<ul style="list-style-type: none"> <li>CRM to enhance CLV</li> <li>Outsourcing supporting functions</li> </ul>
<b>Employee benefit expenses</b>	28.0%	<ul style="list-style-type: none"> <li>Reduction of headcount to 2,611</li> <li>Reversal of Share option expenses of HK\$44M</li> </ul>	25.2%	24.3%	24.8%	<ul style="list-style-type: none"> <li>Shift HK back-office staff to Shenzhen Headquarters</li> <li>Workflow optimization and AI automation</li> </ul>
<b>Registered practitioner expenses</b>	25.1%	<ul style="list-style-type: none"> <li>Shift to medical specialty</li> <li>Expand doctor headcount to 393</li> </ul>	27.8%	27.8%	27.8%	<ul style="list-style-type: none"> <li>Ramping up of new clinic</li> <li>TTIPP strategies execution</li> </ul>
<b>Administrative &amp; other expenses</b>	6.0%	<ul style="list-style-type: none"> <li>Increase to support organic growth</li> <li>Investments on IT system and infrastructure</li> </ul>	5.1%	5.3%	5.2%	<ul style="list-style-type: none"> <li>Productivity focus</li> <li>Outsourcing of non-core admin function</li> </ul>
<b>EBITDA Margin</b>	<b>11.1%</b>		<b>9.8%</b>	<b>8.6%</b>	<b>9.2%</b>	
<b>Depreciation of owned PP&amp;E</b>	3.5%	• Expansion on organic growth	4.0%	4.4%	4.2%	• Assume limited organic expansion
<b>Amortisation of IA</b>	2.5%	• Increase with M&A transactions	2.4%	2.8%	2.6%	• Assume no M&A execution
<b>Finance costs</b>	1.6%	• Increasing cost of capital	1.9%	2.9%	2.4%	• Interest rate at peak in FY23-24
<b>Net Margin</b>	<b>2.8%</b>		<b>1.0%</b>	<b>-0.3%</b>	<b>0.4%</b>	
<b>Minority Interest</b>	1.0%	• Increase with M&A transactions	0.7%	1.0%	0.8%	• Implement new recharge model to M&A assets


\* Including depreciation of right-of-use assets



# Financial Performance - M&A Strategy & EBITDA to Net Profit Waterfall

HK\$ M	FY19	FY20	FY21	FY22	FY23	FY24	MERGERS & ACQUISITIONS
M&A	0.2	13	90	201	257	253	
EBITDA Existing Business (recap)	598	571	442	525	463	402	◀ DEC / 2023 Acquired laboratory equipment distribution business in HK
Sub-total	598	584	532	726	720	655	
HQ Overhead and G&A	88	124	135	190	283	267	
Impairment	7	-	-	-	7	-	
Reported EBITDA	503	460	397	536	430	388	◀ APR / 2023 Acquired aesthetic medical equipment distribution business in HK
Amortisation	13	13	32	71	98	109	
Depreciation	49	70	78	96	137	177	
Finance Cost	3	18	24	49	64	101	
Net Profit	385	310	226	270	107	16	

## M&A Strategy




LONG TERM PARTNERS



NON-100% BUYOUT



STABLE BUSINESS



HIGH EBITDA MARGIN

Goodwill

HK\$947M

Intangible Assets

HK\$614M

Weighted Avg. % stake

63%

Weighted Avg. PS multiple

1.5x

Weighted Avg. PE multiple

9.7x

Weighted Avg. net profit guarantee period

4.8 years

Number of fully integrated M&As

12/25

Weighted Avg. remaining useful life of IA as of FY24

6.8 years

UPSTREAM

Suppliers

Distribution

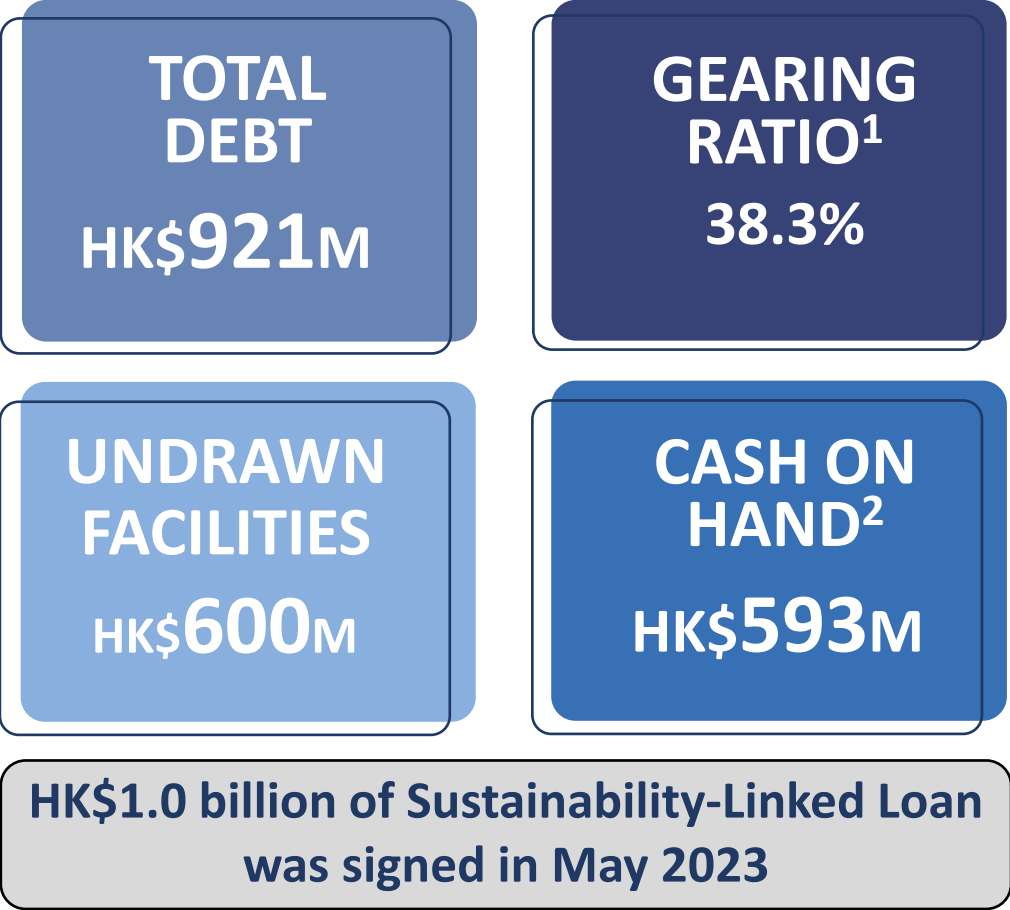
Customer

DOWNSTREAM



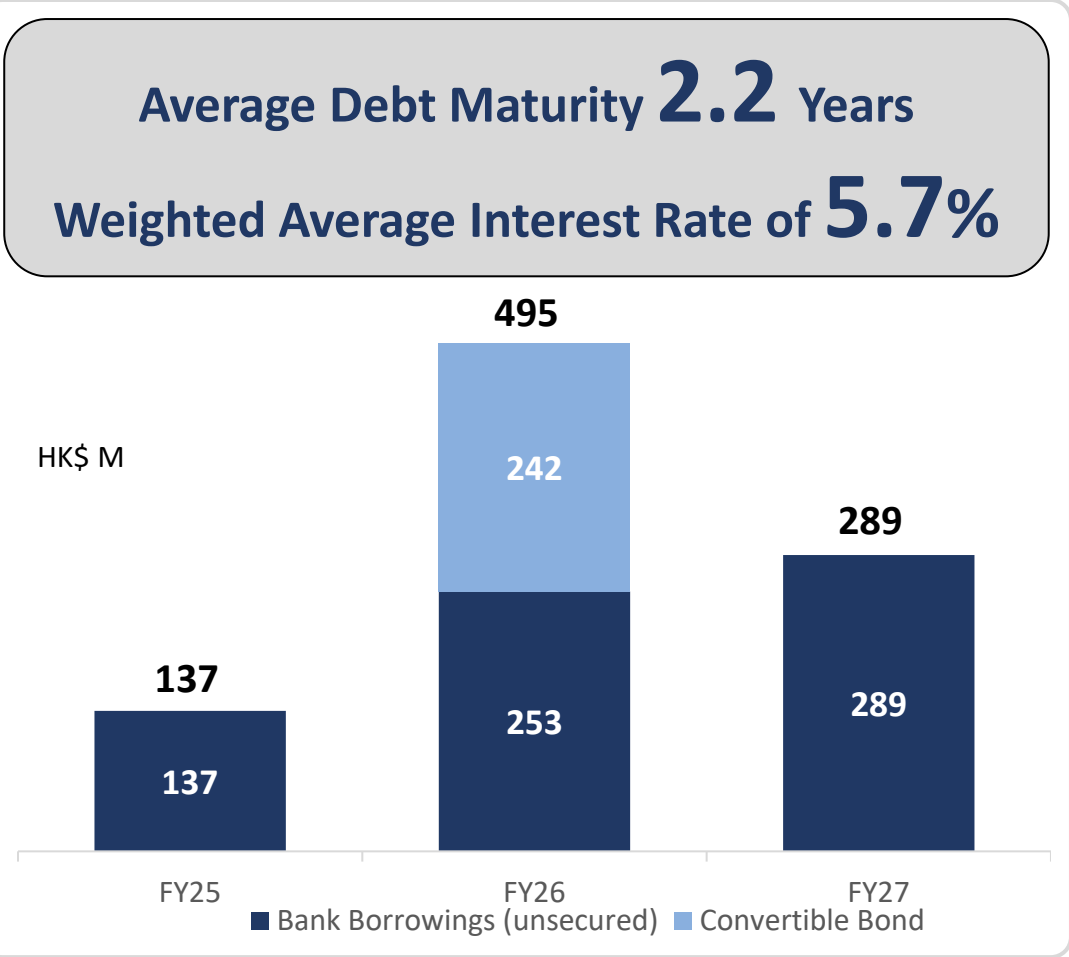
Capital Management

Capital Structure as at 31 Mar 2024



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 31 Mar 2024





# Operation & Strategy Highlight





**No. of  
Service Points**  
**182**



**No. of Specialist  
Discipline  
/ Veterinary  
Discipline**  
**39 + 6**

**Repurchase  
Rate <sup>2</sup>**  
**69.0%**



**Existing Customer  
Revenue  
Contribution <sup>3</sup>**  
**63.5%**

**Total GFA**  
-6.9% YoY  
**657,000**  
sq ft



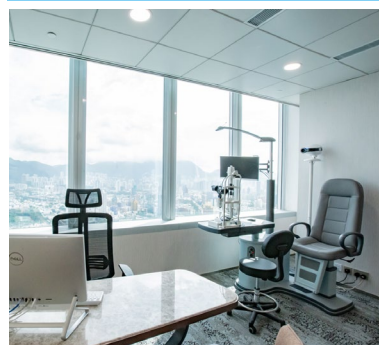
**Registered  
Doctors & Vets**  
**337 + 56**



**Customers'  
Satisfaction Rate <sup>4</sup>**  
**99.98%**



**No. of  
Customer  
Visit <sup>1</sup>**  
**1,859,328**  
+2.1% YoY



**Avg. Spending  
per Customer  
Visit <sup>1</sup>**  
**HK\$2,152**  
+3.7% YoY



**Number  
of Lifetime Cross  
Brand Customers <sup>5</sup>**  
**34.5%**

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 contribution 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 unique customers purchased services from more than 1 brand divided by total number of unique customers since 2018 among 34 brands



# FY23 Baseline Operation Cost Structure Rationalization

- Excluding new M&A from FY23 / 24
- Excluding new organic expansion in FY23 / 24
- Surecare & new distribution business
- AMAH Vet Hospital

Saving against  
FY23 Baseline



## 1 Registered Practitioner & Employee Benefit Expenses

- Back-office Headcount reduced by 157



## 2 Rental & Related Expenses

- Rental reduction: **102,757 sq ft**
- Space returned: **76,575 sq ft**  
Returned service points:
  - Medical (10);
  - Aesthetics & Beauty (9);
  - Dental (2);
  - Warehouse (6);
  - Office (2)



## 3 Cost of Goods Sold

- Service Mix
- Cost Optimization
- Implementation centralized procurement



## 4 Administrative & Other Expenses

- Stringent governance on ad-hoc expenditure
- BPR & automation

FY24 Target  
**HK\$85M**

FY24 Executed  
**HK\$100M**

118% of target

FY24  
Vs FY23

**HK\$77.9M**

**HK\$13M**

**No Savings**

**HK\$9.1M**

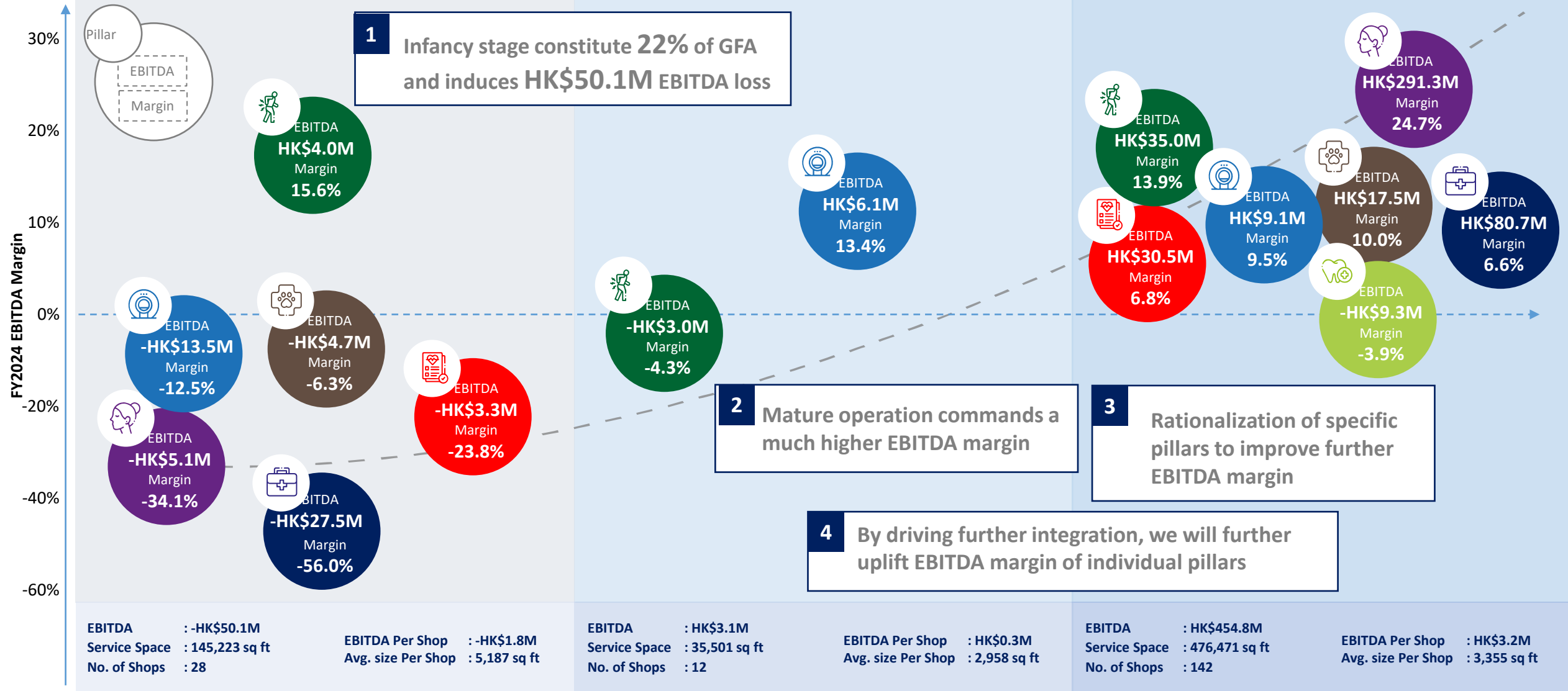
# Key Sub-Pillar Business Performance (Including HQ Overhead and G&A)



## INFANCY (0 – 24 months)

## DEVELOPING (25 – 48 months)

## MATURE (Beyond 48 months)



\* Excluding non-retail 3 BUS with HK\$156M revenue



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

2H FY24 vs. 1H FY24		INFANCY (0 – 24 months)		DEVELOPING (25 – 48 months)		MATURE (Beyond 48 months)				
Change in		EBITDA (HK\$M) HoH	EBITDA Margin (p. pt) HoH	EBITDA (HK\$M) HoH	EBITDA Margin (p. pt) HoH	EBITDA (HK\$M) HoH	EBITDA Margin (p. pt) HoH			
Aesthetic Medical	2	+2.3	+43.5%	-	-	3	+12.9	+1.6%	1	Vast Improvement of HK\$51.6M if we compared 2H vs 1H
Dental		-	-	-	-		+2.8	+2.2%		
Health Screening & Lab		+1.1	+7.3%	-	-		+17.8	+7.6%	2	Overall operations in infancy stage achieved satisfactory ramp up
Imaging		+3.3	+4.5%	+0.1	+6.4%		+4.5	+13.1%		
Medical Specialty		+3.2	+1.0%	-	-		-7.5	-1.2%	3	Mature shop also see further margin improvement with business development, consolidation and operation optimization
Pain Management		-3.4	-14.5%	-1.9	-5.3%		+5.7	+6.0%		
Veterinary		+7.0	+24.2%	-	-		+3.7	+1.2%		
		+13.5		-1.8			+39.9			
1	Operating EBITDA increased <u>HK\$51.6M</u>									

\* Excluding non-Retail 3.BUS with HK\$156M revenue

Technology

Telecommunication

Insurance

Property

Pharmaceutical



FUNG HOUSE  
▼  
EC HEALTHCARE TOWER  
(Central)

- “Fung House” located at 19-20 Connaught Road, Central, Hong Kong has been renamed as the “EC Healthcare Tower (Central)” on 1 June 2024, signifies the Group’s first step in strategic positioning in Hong Kong’s four key prime districts



KERRY  
LOGISTICS  
嘉里物流

- KERRY LOGISTIC launched phase 1 of centralised warehouse, inventory and logistics management



## 1 Strong Discipline in Post-M&A integration



Diligent post-M&A integration of maturing assets into EC Healthcare's one-stop healthcare service platform via corporatization strategy



Strong governance to manage synergy creation across financial, operation & customer proposition.



Stringent management and disposal of non-core, underperforming assets or misaligned partners

## 2 Clear Focus on Capital Recycling & Allocation towards Upstream Investments



Seek investments with positive valuation carry.



Target investments that are EBITDA margin accretive (higher than the group level).



Prioritize investments with clear post-M&A consolidation opportunity with scalability



Create synergetic value for the group's existing business and acquired assets, such as cost savings on consumables.

## 3 Distribute Excess Cash as Dividends



Return surplus cash to shareholders through dividend payouts



**Leading market consolidator with strong earning growth in medium term**

# Strategy & Outlook



## 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: Special Registration Committee recognized 128 onshore & overseas universities
  - Enhanced Supplementary Labor Scheme (ESLS): 1,998 workers approved out of 19,927 applicants from September 4, 2023 till March 31, 2024
  - Top Talent Pass Scheme (TTPS): 62,000 cases approved out of 77,000 applications as of March 31, 2024
- Establishment of HKUST medical school boosting local supply: estimated 700 graduates per year from 3 local medical schools



### 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.**



# Appendix

## Key Financial Metrics

	For the year ended 31 March		
	FY23	FY24	Changes
<b>Basic Earnings per share (HK cents)</b>	<b>5.9</b>	<b>-1.6</b>	<b>(127%)</b>
EBITDA margin	11.1%	9.2%	-1.9 p.pt
Net profit margin	2.8%	0.4%	-2.4 p.pt
<b>Dividend per share for the year (HK cents)</b>	<b>10.0</b>	<b>0.5</b>	<b>(95%)</b>
Return on equity <sup>1</sup>	4.5%	0.7%	-3.8 p.pt
Return on average total assets <sup>2</sup>	1.9%	0.6%	-1.3 p.pt
<b>Financial position</b>	<b>31 Mar 23</b>	<b>31 Mar 24</b>	
Current ratio	0.85x	0.92x	8.2%
Gearing ratio (Debt <sup>3</sup> divided by equity)	30.3%	38.3%	+8.0 p.pt
Quick ratio	0.80x	0.85x	6.3%
<b>Cash Conversion Cycle (days)</b>			
Average creditors' turnover days	48	41	(14.6%)
Average debtors' turnover days	17	21	23.5%
Average inventory turnover days	62	53	(14.5%)

**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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