# 10 in 10 – OUE Lippo Healthcare (SGX Code: 5WA)

*10 Questions in 10 Minutes with SGX-listed companies*

## 10 Questions for OUE Lippo Healthcare

### Company Overview

OUE Lippo Healthcare (OUELH) provides high-quality and sustainable healthcare solutions through the acquisition, development, management, and operations of healthcare facilities in Japan, China, Myanmar, Indonesia, and continually seeks to expand its portfolio across Pan-Asia. OUELH is approximately 64% owned by OUE Limited, and 25% owned by ITOCHU Corporation.

*Link to StockFacts company page.*

| SGX Code: 5WA BBG: IHC SP | RIC: OUEL.SI |
|---|---|
| Market cap on 16 Aug (S$m) | 284.4 |
| Price on 16 Aug (S$) | 0.064 |
| 52 wk high/low | 0.109 - 0.052 |
| ADTV (S$) | 10,313 |
| Shares Outstanding (m) | 4,443.1 |
| Float | 10.3% |
| P/E (LTM) | N.M. |
| P/B (LTM) | 1.1 |
| Dividend Yield | N.A. |

*Source: Bloomberg (16 Aug 2019)*

### 1. OUELH has a three-pronged growth strategy. Can you please elaborate on this strategy and how will it contribute to your overall transformation?

- Our three-pronged growth strategy serves as an overarching guide for OUELH to assess and evaluate feasible business ideas. The three pillars of our strategy comprise the following:
    - **Forming and strengthening strategic partnerships.** Leveraging on our strategic partners' in-depth local knowledge and expertise to create complementary business synergy as we continue to expand our network of strategic partnerships in the region.
    - **Developing an asset-light business model.** This allows the Group to focus on businesses with higher margins and scalability, and to manage our financial resources more efficiently.
    - **Growing our Pan-Asian network.** Expanding into the high growth Asian markets with a clear focus on specific markets and segments. This allows us to leverage on our Pan-Asian network, work with our partners, and build a comprehensive healthcare platform to capture the growing opportunities.

### 2. 2018 was a transformative year for OUELH, how would you sum up your key corporate initiatives?

- In FY2018, we increased our share capital through a share placement with ITOCHU and a subsequent rights issue, which saw our net assets increase to about S$245.3 million. Our gearing ratio decreased to 1.25 in FY2018, compared to 8.78 in FY2017. By taking concrete steps to rebuild our financial health, we set the platform for our growth and expansion plans over the next years.
    - In December 2018, the Group announced a Joint Venture (JV) hospital management company with **China Merchants Group (CMG)**. The JV company subsequently entered into several agreements to manage three hospitals in Shanghai, Chongqing and Nanjing as well as to develop, operate and manage a hospital in Shenzhen.
    - As part of our asset-light business model which enables us to recycle capital for potential reinvestment, the Group acquired approximately a 10% stake in **First REIT** and a 40% interest in its manager. This acquisition has already started to contribute favourably to our overall profitability.
    - Finally, the Group announced the acquisition of a 40% and 35% stake in two Myanmar companies in partnership with **First Myanmar Investment Public Company (FMI)**. These initial investments will serve as the beachhead of the Groups foray into the country.

## 3. Moving forward, what other developments can OUELH's shareholders expect?

- Looking ahead, our areas of focus will be:
  - **Strengthen the OUELH brand** in our selected Pan-Asian markets such as China and Myanmar, so as to bolster our ongoing transformation to be a leading Pan-Asian healthcare group.
  - **Value-add to newly acquired businesses** in various countries by bringing our expertise and synergies, creating greater operational efficacy.
  - **Actively assessing and evaluating potential opportunities** that will increase shareholder value while remaining guided by our three-pronged strategy.

## 4. OUELH's growth has largely been inorganic thus far. How does it plan to compete against more established local players in those markets?

- One of the key pillars of our three-pronged strategy is to create complementary business synergies with local partners across the region. Together with established partners like CMG and FMI, we have been able to strengthen our healthcare network as well as explore complementary opportunities in these markets.

- Additionally, with a Pan-Asian mandate, we are able to diversify across the region while focusing our key strengths on niche opportunities within each of our chosen markets.

## 5. What is the thinking behind OUELH focusing on Pan-Asian markets?

- We expect the Pan-Asian healthcare market to see unprecedented growth over the next few years, driven by robust demand and favourable demographics such as ageing population and rising affluence. The number of individuals in Asia aged over 65 is anticipated to rise from 365 million in 2017 to over 520 million in 2027 *(link)*.
- Governments in the region are also continuing to invest in their national healthcare systems, building both infrastructure as well as opening up to both private healthcare providers and private healthcare insurance.
- With these factors in mind, we believe that we are well-placed to capitalise on the region's high-growth potential and together with our strategic partners, we aim to create a comprehensive and well-connected healthcare eco-system.
- General principles for our market selection include a sizeable population, high growth potential in its healthcare market, favourable regulatory environment, increasing consumer spending and sustainable GDP growth.

## 6. How does OUELH adopt an asset-light approach with its stake in First REIT?

- Through the acquisition of stakes in First REIT (c.10%) and its manager **Bowsprit Capital Corporation Limited** (40%), we have gained a capital recycling platform, which is aligned with the Company's asset-light strategy.
- This platform allows the Group to invest in growth opportunities in both operating companies as well as assets. With our capabilities, we are able to operate these assets, improve performance and at the right time, provide a pipeline of high-quality assets to First REIT and thereby allowing OUELH the ability to recycle its capital and reinvest into other assets while building a strong operating platform and capability.
- We believe this asset-light business model allows the Group to focus on healthcare businesses with higher margins and scalability, increasing the efficiency of our financial resources.


*Siloam Hospitals Makassar (Indonesia)*


*Mochtar Riady Comprehensive Cancer Centre (Indonesia)*

*Through First REIT, the Company has gained a presence in Indonesia as First REIT holds 20 properties across Indonesia (16), Singapore (3) and South Korea (1)*

7. **The recent announcements on the joint venture in Myanmar are particularly interesting. Why did you select Myanmar and what are your plans now that you have acquired the stakes in the joint venture companies?**

- Myanmar fulfils all of the key market characteristics that we look for when we select a new market:
    - With the boom in Myanmar's middle-class and rapid urbanisation, demands for better and more extensive healthcare continues to increase steadily.
    - Myanmar is expected to achieve a real GDP growth of 7.4% per annum from 2018 to 2022, making it the fastest growing economy in Southeast Asia.
    - According to a report from KPMG, healthcare spending in Myanmar is expected to increase from US$1.0 billion in 2012 to approximately US$2.3 billion in 2023 and the government plans to implement large-scale reforms such as the provision of universal healthcare coverage by 2030.

- Entry into Myanmar is an integral part of our strategy to grow our Pan-Asian healthcare network. We believe entering the market at this juncture will secure an early mover advantage for the Company, and establish the OUELH brand as a high-quality, international healthcare provider in one of Asia's key emerging markets.

*Pun Hlaing Siloam Hospital Yangon, the first hospital in Myanmar to be JCI-accredited*

- Our stakes in the three hospitals, one medical centre and two clinics in the key cities of Yangon, Mandalay and Taunggyi enable us to establish a strong foothold in Myanmar, and puts us in a favourable position to capture the wealth of growth opportunities in this fast-growing market.

- The focus at the moment is to improve existing operations and businesses in the three key Myanmar cities. Notably, the flagship Yangon Hospital is the first hospital to have been awarded the JCI accreditation in Myanmar, which boosts our confidence to operate in the country.

8. **Medical tourism is gaining popularity in Southeast Asia and the region. Are there any plans to capture the medical tourism market?**

- We recognise the booming trend in medical tourism, particularly with the region's growing affluence, which spurs higher demand for high-quality medical facilities – For example, foreign patients accounted for 40-55% of the region's (countries like Singapore, Malaysia and especially Thailand *link*) private hospitals' revenue in 2016.

*Artist's impression of the Prince Bay area, where the Prince Bay International Hospital will be located*

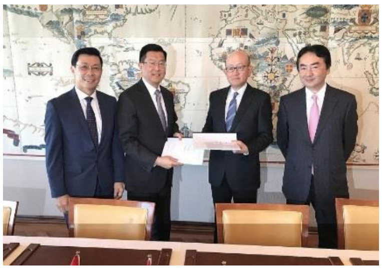
- Our Pan-Asian strategy allows us to leverage on the synergies across the various countries in which we operate. As we enlarge our Pan-Asian network with our strategic partners, we hope to develop new medical destinations and more options for the increasing numbers of Asian medical travellers. In this regard, we believe that the Group is well-poised to capitalise on the rising trend of medical tourism in Asia.

- With this in mind, we announced plans to build the high-end international Prince Bay hospital in the Greater Bay Area (Shenzhen) last December. The hospital is expected to have more than 200 beds serving both the local and expatriate communities, and is set to benefit from the growth of the medical tourism industry in the Guangdong-Hong Kong-Macao Greater Bay Area.

## 9. How does having OUE and ITOCHU as shareholders create synergies/support for OUELH?

- We believe that OUELH will benefit from the strong reputation of OUE and ITOCHU, both well-established and diversified global companies, and will be able to leverage on their market expertise as well as extensive business networks across all our markets.

- With OUE and ITOCHU as our strategic shareholders, OUELH has been able to develop strategic partnerships with other leading conglomerates in Asia, access vast business networks, and explore opportunities to invest in healthcare-related businesses.

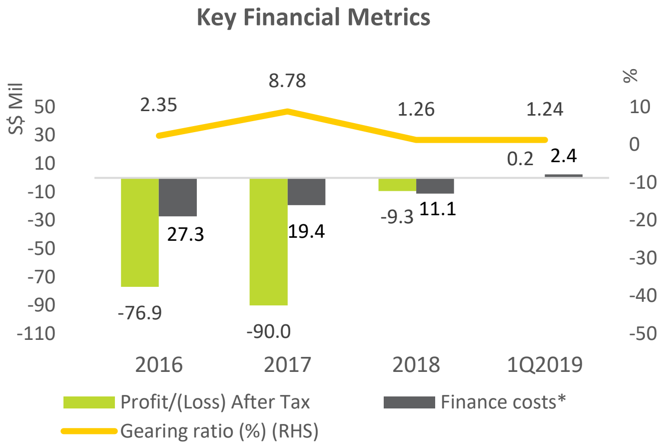


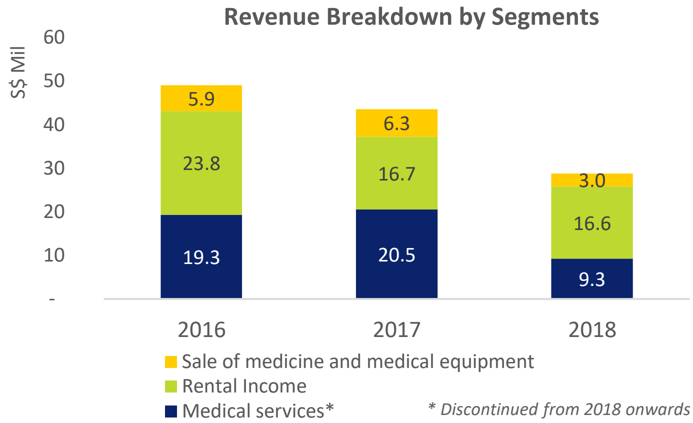
*Signing ceremony with ITOCHU Corporation and OUELH*

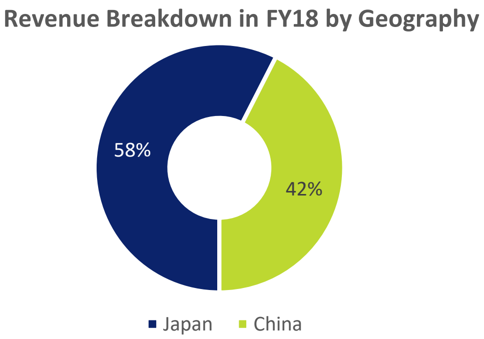
## 10. What is OUELH's value proposition to its shareholders and potential investors?

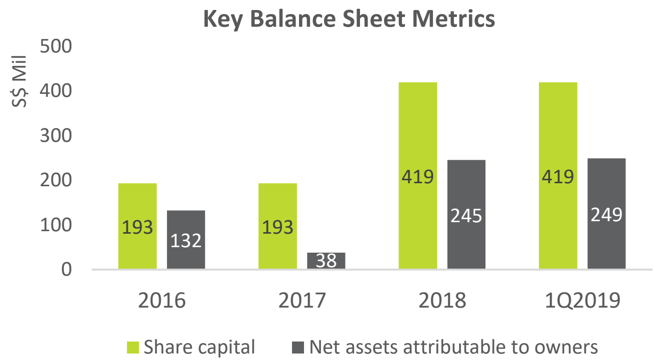
- OUELH continually seeks to expand its portfolio across the region and has a vision to be Asia's leading healthcare company. With our three-pronged strategy and our presence in key markets in Asia, we are able to provide investors with an opportunity to invest in a diversified portfolio in the high growth healthcare sector.

## Financials & Charts




*Source: Company data, AGM Presentation 2019*

## 10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit http://www.ouelh.com/
Click here for FY2019 2nd Quarter Earnings

## Notes

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