

# EC Healthcare (2138 HK)

## Jockeying for position in aesthetic medical in China

- EC Healthcare is gearing up for ambitious business expansion.** Considering its solid foundation in medical aesthetics, we are bullish on EC Healthcare's expanding footprint in the Greater Bay Area (GBA) thanks to the low market penetration albeit surging demand, the Company's strong execution capabilities, and high business scalability. The Company targets to open additional 30-50 service centers in GBA with a primary focus on discretionary medical and healthcare services and revenue contribution of 17% from Mainland China operation, by FY25E.
- Vertical and Horizontal business expansion via organic growth and M&A.** EC has undergone seven major acquisitions and investment activities YTD, further consolidating while extending foothold across medical aesthetics, chiropractic medicine, multidisciplinary medical services, obstetric and gynecological medicine, clinical laboratory testing and veterinary businesses. In Jun 2021, the Company entered into a strategic collaboration with China Medical System (CMS), to i) set up a medical aesthetic marketing centre in Hong Kong for the distribution and marketing of aesthetic medications, and to ii) build a medical aesthetic registered practitioner training and education platform, which is revolutionary across the upstream and downstream of industry, in our view.
- FY21 remains resilient amid COVID.** EC Healthcare reported FY21 revenue of HK\$2.2bn, up 6.8% YoY, mainly driven by 54% revenue growth of medical services segment. Aesthetic medical services and beauty and wellness services revenue fell by 17.8%/13.6% YoY, respectively, due to i) mandatory closure of Hong Kong aesthetic and beauty service centers lasting 5.5 months in FY21, and ii) substantial decline of inbound mainland tourists during COVID. Attributable net profit decreased by 32.7% YoY to HK\$192.9mn and NP margin fell by 5.1ppt to 10.8%. However, we think the COVID impact is transitory and valuation re-rating is at point of reflection, given the recurring need of medical aesthetic services by nature, high client retention of 80%+, coupled with robust M&A prospect.
- Maintain BUY with new TP of HK\$22.29.** Our target price of **HK\$22.29** is based on DCF model with forecasts to FY32E, using WACC of 11.0% and terminal growth rate of 3%. Our TP implies 73.1x FY22 P/E and 50.4x FY23 P/E. **Near-term catalysts:** Relaxation of cross-border lockdown, M&A execution, potential inclusion in HSI/Stock Connect program. **Key risks:** regulatory policy risk, market competition risk, and business development risk.

### Earnings Summary

(YE 31 Mar)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (HK\$ mn)	1,949	2,080	2,648	3,394	4,454
YoY growth (%)	5	7	27	28	31
Net income (HK\$ mn)	287	193	338	491	723
EPS (HK\$)	0.29	0.19	0.30	0.44	0.65
Consensus EPS (HK\$)	0.37	0.17	0.35	0.53	N/A
P/S (x)	8.3	7.8	6.1	4.8	3.6
P/E (x)	50.0	77.5	47.8	32.9	22.3
ROE	26.6	16.1	23.2	30.4	38.6
Net gearing (%)	17.0	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

<b>Target Price</b>	<b>HK\$22.29</b>
(Previous TP)	HK\$7.26)
<b>Up/Downside</b>	<b>+53.10%</b>
<b>Current Price</b>	<b>HK\$14.56</b>

### China Healthcare Sector

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### Stock Data

Mkt Cap (HK\$ mn)	16,148
Avg 3 mths t/o (HK\$ mn)	58.09
52w High/Low (HK\$)	15.78/3.96
Total Issued Shares (mn)	1,109

Source: Bloomberg

### Shareholding Structure

Management	68.88%
The Goldman Sachs Group	7.86%
Broad Street Principal Invest.	6.46%
OrbiMed Advisors III Limited	5.96%
Others	10.84%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-5.7%	-3.6%
3-mth	93.6%	94.4%
6-mth	131.1%	118.3%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: KPMG**

**Web-site: <https://ehealthcare.com/en>**

**Please cast your valuable vote for CMBIS research team in the 2021 Asiamoney Brokers Poll:**  
<https://euromoney.com/brokers>

## EC Healthcare is gearing up for ambitious business expansion

**China expansion plan.** To date, EC Healthcare's majority of operation is based in Hong Kong, with Hong Kong business contributing to c.91% of revenue in FY21. The Company targets to open additional 30-50 service centers in the Greater Bay Area (GBA) by FY25E mainly driven by organic growth, with a primary focus on discretionary medical and healthcare services including 80% of which in medical anesthetics and 20% in other medical services such as chiropractic, dental, pediatric services, as per management. Meanwhile, the Company is on track to actively and prudently seeking potential partnership opportunities with local business players from various sectors including insurance, IT and real estate that can form synergies with the EC platform and helps execute its business expansion strategy. As per company guidance, Mainland China business is expected to contribute 17% of total revenue by FY2025E, primarily driven by the fast network expansion and strong demand in medical anesthetic services.

Considering its solid foundation in medical aesthetics, we are optimistic about EC Healthcare's expansion of its GBA footprint as a premium brand offering quality services thanks to its i) determined ambition, with its Mainland China head office setup in Shenzhen in FY1H21, ii) strong execution capability and clinic opening pace despite COVID lockdowns, and most importantly iii) high business scalability.

**Robust growth path.** EC Healthcare currently operates 15 outlets in Mainland China, all specialized in medical aesthetics. Moreover, the Company plans to open additional six outlets focusing on medical aesthetics and hair implant services in the Mainland by Dec 2021. EC saw robust Mainland business sales revenue growth momentum, up 40%/75%/60% YoY in FY1H21/FY2H21/FY21, respectively. With great synergies within the EC platform capturing high value spending customers at low acquisition costs, the Company expects a significant increment in revenue per service center from HK\$7.4mn in FY20 to HK\$20mn in FY25E.

**Figure 1: Mainland China Business 5-year expansion targets (FY20-FY25E)**

Mainland China Business	FY20	FY21	FY25E
Average revenue per service center	HK\$7.4mn	HK\$9mn	HK\$20mn
<i>Growth</i>		22% (YoY)	22% (5-year CAGR)
Revenue	HK\$88mn	HK\$135mn	HK\$1bn
<i>Growth</i>		53% (YoY)	63% (5-year CAGR)
Number of service centres	12 clinics	15 clinics; expected to open 6 new clinics by Dec 2021	Expected to open 30-50 new centres in GBA

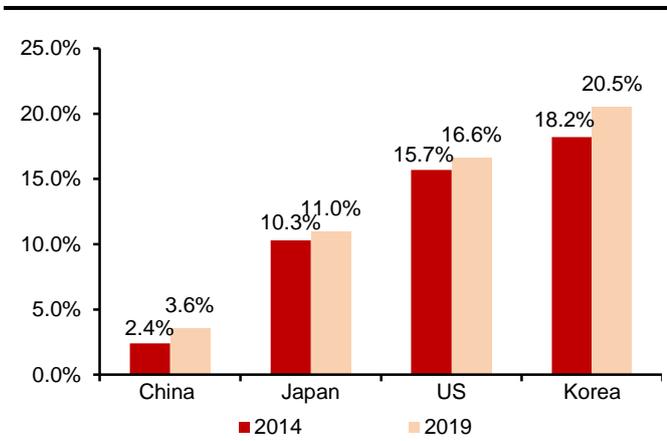
Source: Company data, CMBIS

**EC Healthcare is well positioned to take a bigger pie of the China market, in our view, given:**

**i) Underpenetrated market albeit huge demand.** China medical aesthetic industry is on the rise, driven by i) increasing discretionary income, ii) greater acceptance of non-surgical aesthetic procedures, such as energy-based treatments and dermal filler/ botulinum toxin injections, and iii) rising bar of product/service quality and diversification influenced by Internet celebrity culture and Korean beauty. We foresee a sustainable growth path with negligible growth ceiling in the mid to long term, thanks to its recurring need by nature. China medical aesthetic market has far lower penetration of 3.6% vs. Korea and US of 20.5%/16.6% in 2019, respectively, according to Deloitte Research. Tier 1/2 cites

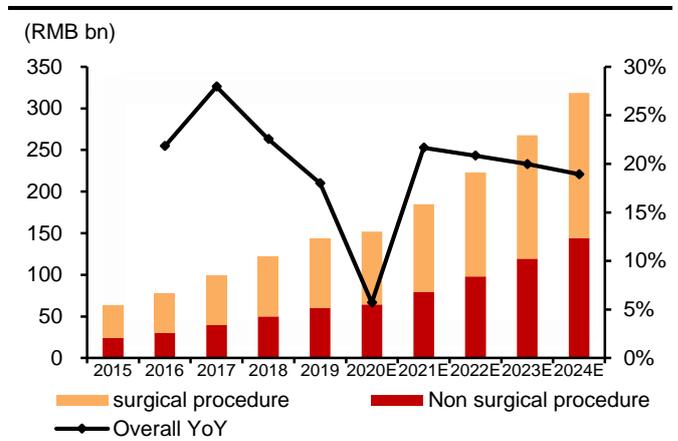
contributes to 60% of customers, while geographically, Guangdong customers stay most proactively on industry information, according to WRD research.

**Figure 2: Medical aesthetic market penetration**



Source: Deloitte, CMBIS

**Figure 3: China medical aesthetic services market size**



Source: ASKCI, CMBIS

**ii) Fragmented industry with strengthening regulatory scrutiny.** Medical aesthetic service market in China has been exposed to regulatory echoes due to the lack of procedure standardization, improper training of doctors/practitioners, hygiene issue and misuse of unauthorized or fake injections (accounting for up to 78% of all product use as per So-Young research). Guangdong province has c.4,500 medical aesthetic outlets, ranking No.1 in terms of the number of service centers, accounting for 12.8% nationwide in 2020 (WRD research). However, a significant portion is unregulated and performing “off-label” non-surgical procedures.

In Apr 2020, National Health Committee (NHC) issued “Notice on further medical aesthetic regulation and policy” (“关于进一步加强医疗美容综合监管执法的通知”), signaling a nationwide industry regulatory crackdown.

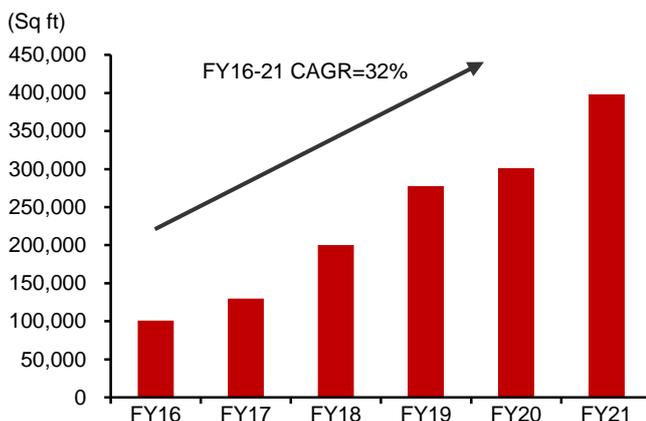
In Jun 2021, NHC issued “Detailed work plan in the fight against illegal provision of medical services” (“关于打击非法医疗美容服务专项整治工作方案的通知”), setting forth the deployment of medical aesthetic service industry consolidation from Jun to Dec 2021.

We view this as a positive catalyst for leading names, such as EC healthcare, that has a proven record of certified procedural practice and product use under stringent professionals’ training.

## Vertical and Horizontal business expansion via organic growth and M&As

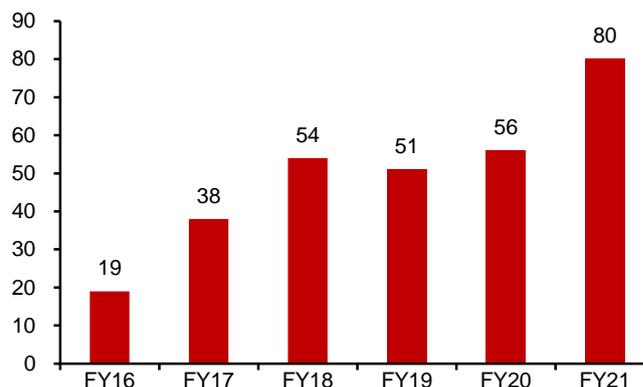
From Hong Kong's largest medical aesthetic centre under the name "Dr. REBORN" at inception in 2005, EC Healthcare has sequentially evolved to become a leading one-stop multidisciplinary medical service platform through organic growth and M&As.

**Figure 4: Business expansion measured by total GFA (FY16-FY21)**



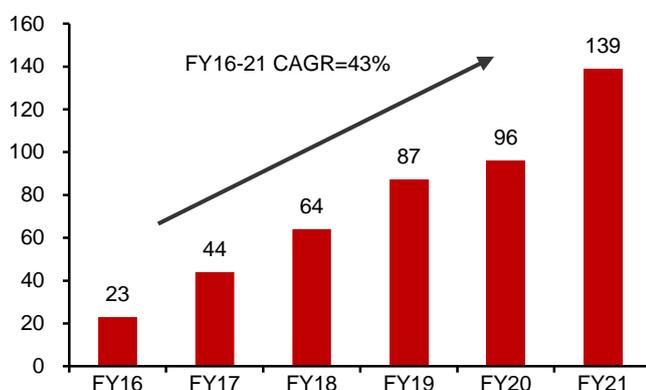
Source: Company data, CMBIS

**Figure 5: Number of clinics (FY16-FY21)**



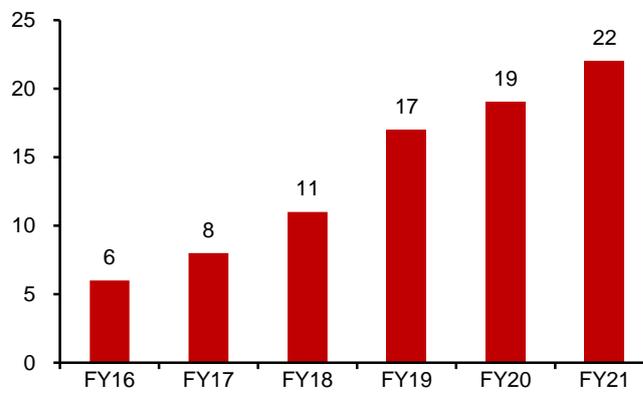
Source: Company data, CMBIS

**Figure 6: Growth in the number of full time registered practitioners (FY16-FY21)**



Source: Company data, CMBIS

**Figure 7: Increase in medical discipline coverage (FY16-FY21)**



Source: Company data, CMBIS

The Company took a prudent stance on M&A strategy, with key selection criteria including attractive PE ratio (usually less than 10x), profit guarantee over the next 3-8 years of operating time horizon, and business development interest alignment.

**M&A updates from FY21 YTD.** EC Healthcare has undergone seven major acquisitions and investment activities YTD, including 1) acquisition of New Medical Centre in May 2020, 2) further acquisition of 24% of equity interest of New York Medical Group (NYMG) in Jul 2020, 3) acquisition of Zenith Medical Centre in Oct 2020, 4) acquisition of PathLab in Dec 2020; 5) further acquisition of 45% equity interest of Young Aesthetics in Mar 2021, 6) acquisition of a physiotherapy centre, and 7) acquisition of veterinary business in Jun 2021. These deals further showcased the Company's continued ambition on both vertical and

horizontal integration spanning medical aesthetics, chiropractic medicine, multidisciplinary medical services, obstetric and gynecological medicine, clinical laboratory testing and veterinary business.

**Figure 8: Key acquisitions and investment activities YTD**

Date	Acquisition deal	Target business	Implied P/E	Net profit (HK\$ mn)	Consideration	Shareholding post deal
May 2020	Acquisition of New Medical Centre	A Hong Kong-based multi-disciplinary clinic with 12 registered doctors and 1 physiotherapy	FY20:8x	FY20: HK\$30.6mn	Total consideration: HK\$120-136mn;	51% (completed)
Jul 2020	Further acquisition of 24% of equity interest of New York Medical Group	A holistic chiropractic center chain operating 24 clinics in Hong Kong	FY20:13x	FY20: HK\$24mn	1) Cash consideration: HK\$100mn; 2) Share consideration of HK\$20mn; 3) contingent cash consideration not exceeding HK\$16mn.	75% (completed)
Oct 2020	Acquisition of Zenith Medical Centre	An obstetric and gynecological center chain operating 4 clinics in Hong Kong	FY20:10x	FY20: HK\$16.5mn	Total consideration: HK\$106.2mn;	51% (completed)
Dec 2020	Acquisition of PathLab	A diagnostic testing laboratory chain operating 5 clinical labs in Hong Kong	FY20:4x	FY20: HK\$26.6mn	1) Share consideration of HK\$4mn; 2)10mn warrants (exercise price HK\$4.2/share)	First tranche: 75% (completed); Final tranche: 97% (To be completed post FY23)
Mar 2021	Further acquisition of 45% equity interest of Young Aesthetics	A medical aesthetic group of 2 centres in Hong Kong	NA	FY20: HK\$-5.5mn	Cash consideration: HK\$106.2mn	96% (completed)
Apr 2021	Acquisition of a physiotherapy centre	A physiotherapy centre in Hong Kong with 7 registered physiotherapists, 5 rehabilitation therapists, 1 sport therapist and 1 personal trainer.	NA	NA	NA	51%
Jun 2021	Acquisition of veterinary business	Two veterinary hospitals and two veterinary imaging centre) with 14 registered veterinary surgeons	FY20:9x; FY21:3x	FY20:HK\$7.7mn; FY21:HK\$21.9mn	Cash consideration: HK\$66mn	51%

Source: Company data, CMBIS

## Strategic cooperation with upstream players and shareholders

**Strategic collaboration with CMS.** On 10 Jun 2021, the Company entered into a strategic collaboration with China Medical System (CMS), a long-established pharma with strength in the promotion and distribution of multiple-specialty pharmaceutical products whilst on track to building an innovative drug pipeline. The collaboration mainly focused on two strategic plans: i) setting up a medical aesthetic marketing centre in Hong Kong, for the distribution and marketing of aesthetic medications and products through sold or distributed through CMS platform, and ii) building a medical aesthetic registered practitioner training and education platform, and potentially a nationwide aesthetic medical doctor partnership platform.

Implications and the scope of such BD step is revolutionary, in our view. CMS will funnel its medical aesthetic product resources in Hong Kong, while EC Healthcare is well-

positioned to channel its strong doctor and customer network, digital marketing platform and KOL capabilities, linking up upstream and downstream of the industry. Meanwhile, the education and partnership platform is poised to provide compelling values for multiple industry players, through i) setting up a third-party channel that offers medical aesthetic product training by leveraging CMS's vast network of 12,000 dermatologists in China (as of Dec 2020), ii) promoting standardization of procedures among medical aesthetic service provider that drive industry transparency and consolidation, and iii) continuously gaining platform traffic and brand reputation which resonates EC Healthcare's overarching GBA business expansion strategy.

**Introduction of two strategic investors.** On 28 Apr 2021, the Company completed placing of 29.6m shares at price of HK\$7.8, introducing two strategic investors Dr. Cheng Chi Kong (as his personal investment) and Aspex Master Fund (Aspex), representing 2.69% of share capital immediately after the placement.

Dr. Cheng Chi Kong is the executive vice-chairman and chief executive officer of New World Development (新世界发展), overseeing the strategic direction for its property development and investment activities. Founded in 1970, New World Development (17 HK) is a leading property developer with wide business exposure in Greater China, especially the Greater Bay Area.

We view such strategic move to leverage well on New World Development's recourses in real estates to support EC Healthcare's operation expansion.

## Company profile

Founded in 2005 and listed on HKEX in 2016, EC Healthcare (previous brand name: Union Medical Healthcare/“UMH”) is Hong Kong’s largest non-hospital medical service provider with No. 1 market share by revenue in medical aesthetics (19%) and medical services (3.7%), according to F&S in 2019. EC healthcare provides a broad range of premium quality services across Hong Kong, Macau and Mainland China, spanning i) medical services; ii) minimally invasive medical aesthetic services; and iii) beauty and wellness services. Moreover, the Company sells skin care, wellness and beauty products and provides marketing services mainly via acquisition of a digital marketing company in 2019.

Beyond medical aesthetic services, pain management has evolved to become the EC Healthcare’s second flagship business sub-segment, mainly through acquisition of NYMG. As of FY21, EC Healthcare operates 35 pain management service centres across Hong Kong business covering five major medical disciplines, including chiropractic, orthopedics, neurosurgery, physiotherapy and Chinese medicine.

**Figure 9: EC Healthcare’s featured brands**



Source: Company data, CMBIS

As of FY21, the Company operates 80 clinics and service centers, occupying an aggregate floor area of c. 398,000 sq ft, including 15 clinics in mainland China. With of 139 full-time and exclusive registered practitioners, EC Healthcare covers 22 medical disciplines.

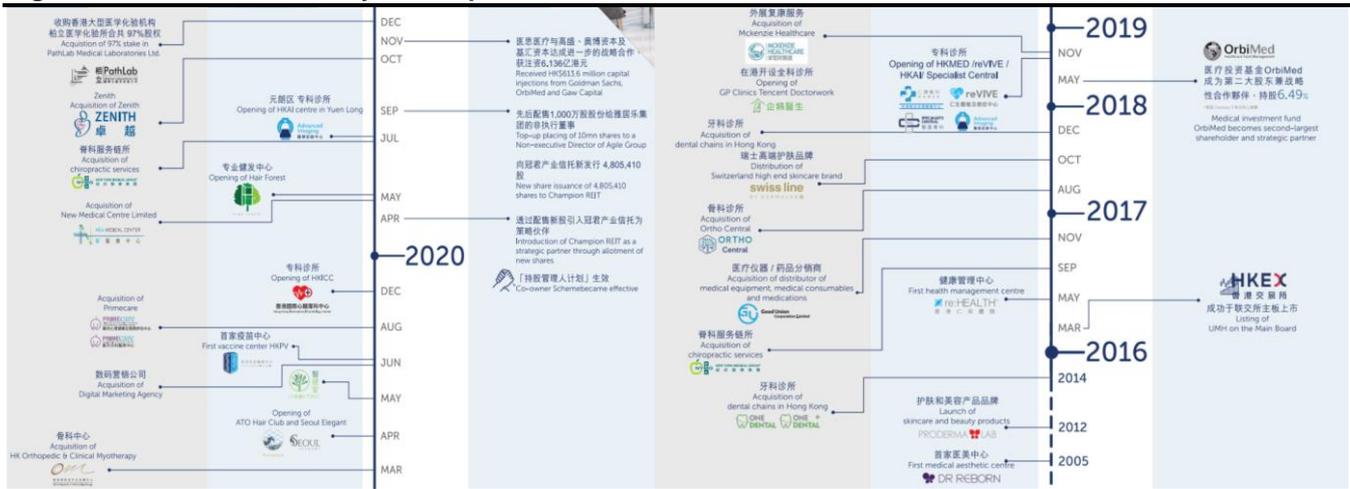
**Figure 10: EC Healthcare’s geographical coverage**



Source: Company data, CMBIS

On 12 May 2021, EC Healthcare was included in MSCI Hong Kong Small Cap Index. We think the potential inclusion in the Stock Connect program could further support valuation upside, with the upcoming Hang Seng Index rearrangements in Sep 2021 (expected announcement in Aug 2021) or Mar 2022 (expected announcement in Feb 2022) being a key catalyst to watch.

**Figure 11: EC Healthcare key development milestones**



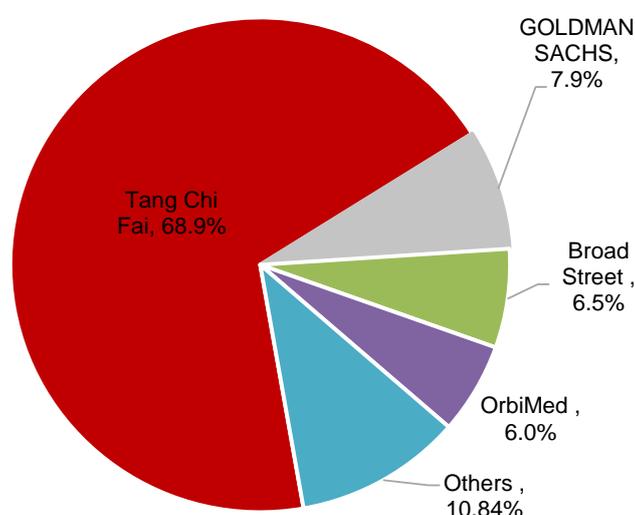
Source: Company data, CMBIS

Figure 12: Key M&amp;A activities (2016-2021)

Year	Target	Brand	Major business	CAPEX	PE	Payback period
2016	New York Medical Group		Chiropractic specialty	HK\$33mn	10x	4-5 yrs
2017	Swiss Line	swiss line BY DERMALAB	Skincare products	HK\$7mn	4x	3-4 yrs
	Dental Chains in Hong Kong	Dental Chains in Hong Kong	Dental services	HK\$24mn	6x	4-6 yrs
2018	Ortho Central		Outreach rehabilitation	HK\$42mn	7x	5-8 yrs
2019	Swiss Line		Orthopedic	HK\$7mn	N/A	4-5 yrs
	Digital Marketing Agency	Digital Marketing Agency	Digital Marketing Agency	HK\$25.5mn	7x	4-5 yrs
	Primecare Paediatric Wellness Centre	PRIMECARE 兒童福利中心	Pediatric centres	HK\$51mn	10x	5-7 yrs
2020	New Medical Centre	NEW MEDICAL CENTER 新醫學中心	Specialist Clinic	HK\$167mn	8x	4-5 yrs
	New York Medical Group		Pain Management	HK\$95mn	13x	4-5 yrs
	Zenith	ZENITH 卓越 Medical Centre 醫療中心 Dental Chains Centre 牙科連鎖中心	Obstetrics & Gynaecology	HK\$85mn	10x	4-5 yrs
	PathLab	栢 PATHLAB PAINAL LABORATORIES 立 醫學檢驗中心	Medical Laboratories	HK\$337.5mn	4x	N/A
2021	Veterinary business	Veterinary business	Veterinary hospitals and imaging	HK\$66mn	3x	N/A

Source: Company data, CMBIS

Figure 13: EC Healthcare's shareholding structure (as of Jul 2021)



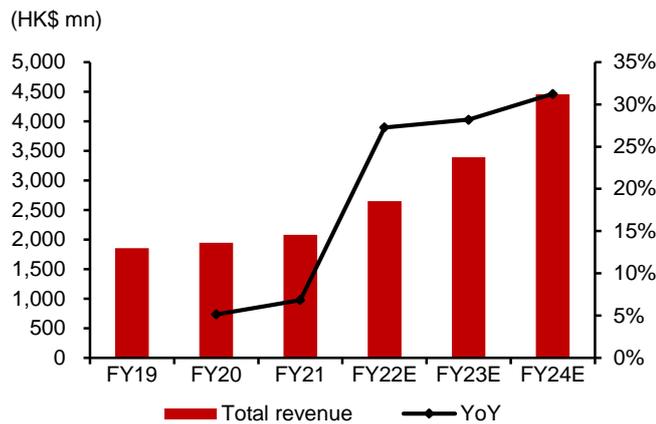
Source: Bloomberg, CMBIS

## FY21 remain resilient amid COVID uncertainty

EC Healthcare reported FY21 revenue of HK\$2.08bn, up 6.8% YoY, mainly driven by 54% revenue growth of medical services segment. Aesthetic medical services and beauty and wellness services revenue fell by 17.8%/13.6% YoY, respectively, mainly due to i) mandatory closure of Hong Kong aesthetic and beauty service centers lasting 5.5 months in FY21, and ii) substantial decline of inbound mainland tourists during COVID. Net profit and attributable net profit decreased by 27.3%/32.7% to HK\$225.6mn/ HK\$192.9mn. EBITDA margin and NP margin fell by 4.5ppt/5.1ppt to 19.1%/10.8% (vs. 23.6%/15.9% in FY20), respectively.

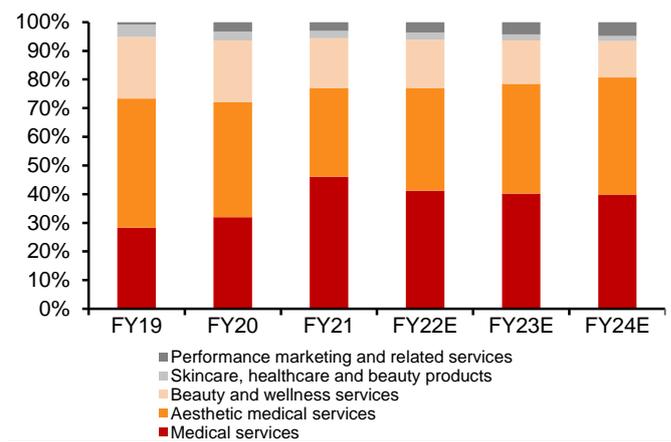
However, we think the COVID impact is transitory and the worst time has passed. The Company saw rapid sales rebound in Apr 2021, with an overall increase in preliminary unaudited contracted sales of no less than 75% YoY, while that of the Mainland-based service centers increased no less than 55%. Valuation re-rating is at point of reflection, given the recurring need of medical aesthetic services by nature, high client retention of 80%, coupled with robust M&A prospect, in our view.

**Figure 14: Revenue forecast (FY19-FY24E)**



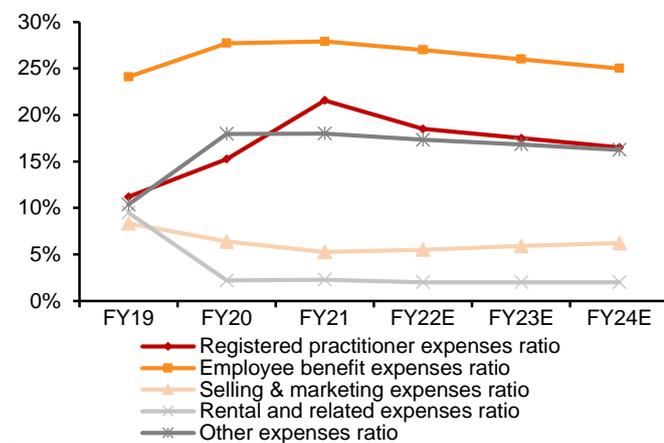
Source: Company data, CMBIS estimates

**Figure 15: Revenue breakdown (FY19-FY24E)**



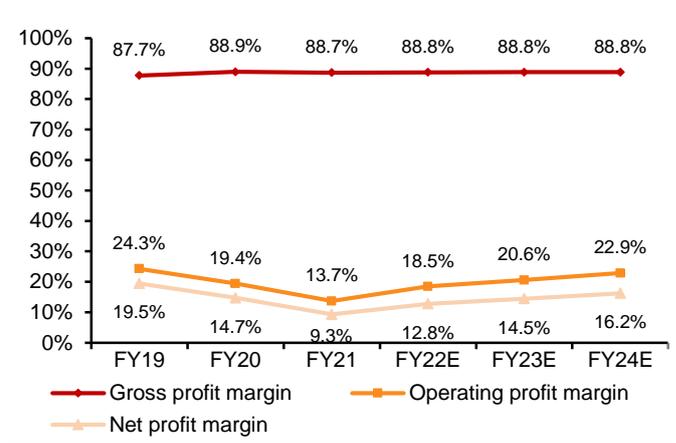
Source: Company data, CMBIS estimates

**Figure 16: Operating expenses as % of total revenue (FY19-FY24E)**

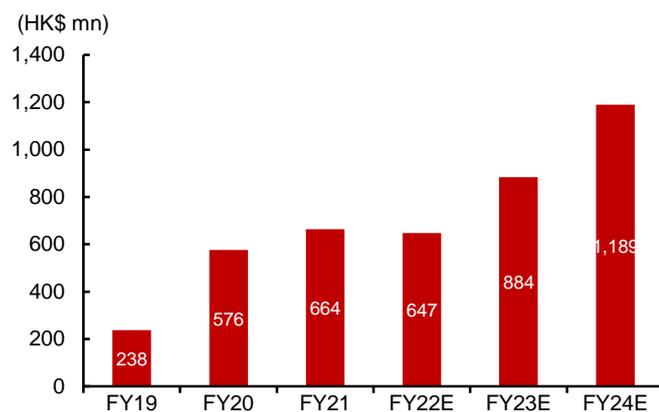


Source: Company data, CMBIS estimates

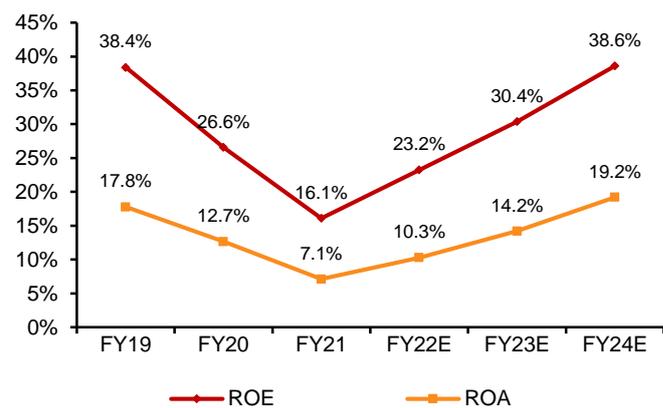
**Figure 17: Gross profit margin, operating profit margin and net profit margin (FY19-FY24E)**



Source: Company data, CMBIS estimates

**Figure 18: Operating cash flow (FY19-FY24E)**

Source: Company data, CMBIS estimates

**Figure 19: ROE and ROA (FY19-FY24E)**

Source: Company data, CMBIS estimates

## Valuation

Our target price of HK\$22.29 is based on DCF model with forecasts to FY32E, using WACC of 11.0% and terminal growth rate of 3%. Our TP implies 73.1x FY22 P/E and 50.4x FY23 P/E.

**Figure 20: Risk-adjusted DCF valuation (terminal growth rate: 3.0%)**

DCF Valuation (in Rmb mn)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
EBIT	489	699	1,019	1,440	1,756	2,108	2,487	2,885	3,289	3,683	4,052
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBIT*(1-tax rate)	416	594	866	1,224	1,493	1,791	2,114	2,452	2,795	3,131	3,444
+ D&A	273	316	370	473	544	626	720	828	952	1,095	1,259
- Change in working capital	(87)	(83)	(122)	(191)	(220)	(253)	(291)	(335)	(385)	(443)	(509)
- Capex	(272)	(285)	(300)	(340)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
<b>FCFF</b>	<b>329</b>	<b>541</b>	<b>814</b>	<b>1,166</b>	<b>1,417</b>	<b>1,764</b>	<b>2,143</b>	<b>2,545</b>	<b>2,962</b>	<b>3,383</b>	<b>3,794</b>
<b>Terminal value</b>											<b>48,587</b>

<b>Terminal growth rate</b>	<b>3.0%</b>
<b>WACC</b>	<b>11.0%</b>
Cost of Equity	14.7%
Cost of Debt	5.0%
Equity Beta	1.2
Risk Free Rate	3.0%
Market Risk Premium	10.0%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	15,351
Total PV	24,898
Net debt	(244)
Minority interest	419
<b>Equity value (HK\$ mn)</b>	<b>24,723</b>
No. of shares outstanding (mn)	1,109
<b>DCF per share (HK\$)</b>	<b>22.29</b>

Source: CMBIS estimates

**Figure 21: Sensitivity analysis**

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
Terminal growth rate	2.0%	24.33	22.44	20.64	19.30	17.98
	2.5%	25.43	23.37	21.42	19.97	18.56
	3.0%	26.69	24.42	<b>22.29</b>	20.72	19.20
	3.5%	28.14	25.62	23.28	21.57	19.92
	4.0%	29.83	27.00	24.41	22.53	20.73

Source: CMBIS estimates

**Figure 22: CMBI estimates vs consensus**

(HK\$ mn)	CMBI			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>Revenue</b>	2,648	3,394	4,454	2,757	3,570	4,651	-4.0%	-4.9%	-4.2%
Operating profit	489	699	1,019	538	765	922	-9.1%	-8.7%	10.5%
Profits attributable to shareholders	395	574	846	360	552	745	9.8%	3.9%	13.6%
EPS (HK\$)	0.30	0.44	0.65	0.35	0.53	N/A	-12.9%	-16.5%	N/A
Operating margin	18.47%	20.59%	22.88%	19.51%	21.43%	19.82%	-1.05ppt	-0.84ppt	+3.05ppt
Net Margin	14.94%	16.91%	18.99%	13.06%	15.46%	16.02%	-1.88ppt	+1.44ppt	+2.98ppt

Source: Bloomberg, CMBIS estimates

**Figure 23: Peers valuation**

Company	Ticker	Price LC	Mkt cap LC mn	PER(x) FY22E	FY23E	PBR(x) FY22E	FY23E	ROE(%) FY22E	FY23E
EC Healthcare	2138 HK	14.56	16,148	47.8	32.9	9.1	8.1	23.2	30.4
Aier Eye Hospital	300015 CH	68.28	369,089	115.7	89.4	26.6	21.0	22.9	23.4
Hygia Healthcare	6078 HK	96.50	59,637	82.0	61.2	9.6	8.4	12.0	14.2
Jinxin Fertility	1951 HK	19.30	48,396	69.0	55.3	4.9	4.6	6.7	8.2
<b>Average :</b>				<b>84.9</b>	<b>75.8</b>	<b>10.8</b>	<b>9.5</b>	<b>14.4</b>	<b>15.6</b>

Source: Bloomberg, CMBIS

## Financial Summary

### Income statement

YE 31 Mar (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>1,949</b>	<b>2,080</b>	<b>2,648</b>	<b>3,394</b>	<b>4,454</b>
Medical services	623	960	1,092	1,365	1,774
Aesthetic medical services	781	642	949	1,301	1,821
Beauty & wellness services	418	361	445	512	563
Skincare, healthcare & beauty products	62	53	66	72	80
Performance marketing & related services	63	64	96	144	216
Cost of sales	(216)	(235)	(297)	(379)	(498)
<b>Gross profit</b>	<b>1,733</b>	<b>1,845</b>	<b>2,351</b>	<b>3,014</b>	<b>3,957</b>
Registered practitioner	(297)	(449)	(490)	(594)	(735)
Employee benefit expenses	(540)	(580)	(715)	(882)	(1,114)
Selling & marketing expenses	(124)	(109)	(146)	(200)	(276)
Rental and related expenses	(43)	(48)	(53)	(68)	(89)
Depreciation and amortization	(233)	(310)	(315)	(370)	(441)
Other expenses	(859)	(1,211)	(1,229)	(1,416)	(1,636)
<b>Operating profit</b>	<b>378</b>	<b>285</b>	<b>489</b>	<b>699</b>	<b>1,019</b>
Finance costs	(18)	(24)	(24)	(24)	(24)
Share of profits less losses of	0	5	0	0	0
<b>Profit before tax</b>	<b>361</b>	<b>266</b>	<b>465</b>	<b>675</b>	<b>995</b>
Income tax expense	(50)	(40)	(70)	(101)	(149)
<b>Total net profit</b>	<b>310</b>	<b>226</b>	<b>395</b>	<b>574</b>	<b>846</b>
Minority Interests	24	33	57	83	123
<b>Profit attributable to shareholders</b>	<b>287</b>	<b>193</b>	<b>338</b>	<b>491</b>	<b>723</b>

### Cash flow summary

YE 31 Mar (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before tax</b>	<b>361</b>	<b>266</b>	<b>465</b>	<b>675</b>	<b>995</b>
Depreciation	233	278	273	316	370
Amortization of intangible assets	13	32	42	54	71
Change in working capital	14	110	(87)	(83)	(122)
Others	(44)	(22)	(46)	(78)	(126)
<b>Net cash from operating</b>	<b>576</b>	<b>664</b>	<b>647</b>	<b>884</b>	<b>1,189</b>
Capex	(70)	(100)	(272)	(285)	(300)
Other investing activities	386	0	0	0	0
<b>Net cash from investing</b>	<b>316</b>	<b>(100)</b>	<b>(272)</b>	<b>(285)</b>	<b>(300)</b>
Dividend paid	(345)	(172)	(254)	(343)	(470)
Proceeds from new borrowings	145	0	0	0	0
Other financing activities	(540)	18	(24)	(24)	(24)
<b>Net cash from financing</b>	<b>(739)</b>	<b>(154)</b>	<b>(277)</b>	<b>(367)</b>	<b>(494)</b>
Net change in cash	153	411	98	232	395
Cash at the beginning of the year	367	520	931	1,029	1,261
Effects of exchange rate changes	0	0	0	0	0
<b>Cash at the end of the year</b>	<b>520</b>	<b>931</b>	<b>1,029</b>	<b>1,261</b>	<b>1,656</b>

### Balance sheet

YE 31 Mar (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>1,503</b>	<b>2,376</b>	<b>2,333</b>	<b>2,248</b>	<b>2,107</b>
Property, plant and equipment	725	792	791	762	693
Investment properties	189	186	186	185	184
Goodwill	155	477	477	477	477
Intangible assets	115	512	469	415	344
Prepayments	103	169	169	169	169
Others	215	239	239	239	239
<b>Current assets</b>	<b>1,052</b>	<b>1,415</b>	<b>1,571</b>	<b>1,935</b>	<b>2,518</b>
Inventories	60	40	62	80	105
Trade receivables	79	179	164	210	276
Deferred cost	73	63	63	63	63
Cash and cash equivalents	520	931	1,029	1,261	1,656
Others	320	202	253	321	418
<b>Current liabilities</b>	<b>1,069</b>	<b>1,317</b>	<b>1,289</b>	<b>1,338</b>	<b>1,403</b>
Trade payables	36	47	41	52	66
Bank borrowings	262	287	287	287	287
Lease liabilities	161	207	207	207	207
Others	610	776	753	791	842
<b>Non-current liabilities</b>	<b>316</b>	<b>842</b>	<b>842</b>	<b>842</b>	<b>842</b>
Lease liabilities	297	295	295	295	295
Others	20	548	548	548	548
<b>Total net assets</b>	<b>1,170</b>	<b>1,631</b>	<b>1,773</b>	<b>2,003</b>	<b>2,379</b>
<b>Minority interest</b>	<b>167</b>	<b>362</b>	<b>419</b>	<b>503</b>	<b>625</b>
<b>Shareholders' equity</b>	<b>1,170</b>	<b>1,631</b>	<b>1,773</b>	<b>2,003</b>	<b>2,379</b>

### Key ratios

YE 31 Mar (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Medical services	32.0	46.1	41.2	40.2	39.8
Aesthetic medical services	40.1	30.9	35.8	38.3	40.9
Beauty and wellness services	21.5	17.4	16.8	15.1	12.6
Skincare, healthcare & beauty products	3.2	2.5	2.5	2.1	1.8
Performance marketing & related services	3.2	3.1	3.6	4.3	4.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	89	89	89	89	89
EBITDA margin	32	29	30	31	33
Net margin	16	11	15	17	19
Effective tax rate	14	15	15	15	15
<b>Balance sheet ratios</b>					
Current ratio (x)	1	1	1	1	2
Trade receivables turnover days	17	23	23	23	23
Trade payables turnover days	49	64	64	64	64
Net debt to total equity ratio (%)	17	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	26.6	16.1	23.2	30.4	38.6
ROA	12.7	7.1	10.3	14.2	19.2
<b>Per share value</b>					
EPS (HK\$)	0.29	0.19	0.30	0.44	0.65
DPS (HK\$)	0.23	0.17	0.23	0.31	0.42
BVP (HK\$)	1.19	1.59	1.60	1.81	2.15

Source: Company data, CMBIS estimates

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