10 Questions for Alliance Healthcare Group Limited

Company Overview

Founded in 1994, Alliance Healthcare Group is an integrated healthcare group that leverages the use of technology to provide a broad suite of healthcare services primarily in Singapore. It designs and provides enterprise-level healthcare solutions to meet the demands of organisations, as well as individual patients for reliable and cost-effective healthcare services. Link to StockFacts company page
Click here to read the IPO Market Update

1. What are Alliance Healthcare’s key business segments?

- Alliance Healthcare has 4 main business segments which are highly complementary, and serve as a base to support the Group’s managed healthcare service network.

<table>
<thead>
<tr>
<th>Managed Healthcare</th>
<th>GP Clinics</th>
<th>Specialist Clinics</th>
<th>Pharmaceutical Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 insurers and &gt;3,000 corporations through its self-owned clinics and panel of medical services providers, providing outpatient healthcare and treatments at private hospitals</td>
<td>16 self-owned clinics under the brand “My Family Clinic”</td>
<td>5 self-owned clinics providing medical diagnosis and medical or surgical treatments of ear, nose and throat (ENT), colorectal and orthopaedic conditions</td>
<td>Wholesale distribution of pharmaceutical products to hospitals, pharmacies and clinics in Singapore and overseas</td>
</tr>
</tbody>
</table>

2. What is the profitability mix for each of the business segments? Where is the Group’s focus?

- Revenue has expanded at a CAGR of 12% over 2016-2019, with sales increasing from all business segments, particularly the specialists clinics and pharmaceutical business.

- While managed healthcare forms only about 15% of the Group’s total sales, it has better profit margins than the other segments due to its economies of scale. The Group will continue to expand its managed healthcare business, specialist clinics and invest in digital and mobile healthcare initiatives over the next 3 to 5 years.
3. Briefly describe the landscape of the managed healthcare industry in Singapore. Why is it important?

- Managed healthcare can be considered an oligopoly, due to the high barriers of entry associated with establishing a sizable network of medical services providers, investments in IT systems, and the strength of relationships with insurance companies. According to Converging Knowledge, there are fewer than 20 prominent players in the managed healthcare industry in Singapore.

- The industry is one of growing importance, given Singapore’s high medical inflation and rapidly ageing population. It acts as an intermediary for corporations, medical practitioners and insurance companies to control rising healthcare costs.

4. What are some of Alliance’s competitive strengths in the healthcare industry?

- With a network of over 1,000 medical service providers, Alliance Healthcare is considered a major player in the industry. The Group has recently entered into an exclusive regional collaboration with Inova Care allowing Alliance Healthcare to expand its managed healthcare network regionally, tapping into Inova Care’s network of 5,000 medical facilities in 13 countries.

- Alliance Healthcare leverages on its strong medical competencies in primary and specialist care to design and provide cost-effective and cost-efficient healthcare solutions for corporations and insurance companies. Through Alliance Pharm (its pharmaceutical distribution arm), Alliance Healthcare achieves cost efficiencies when sourcing for pharmaceutical products for its self-owned clinics and clients.

- In addition, following its recent investment in Jaga-Me (JGM), Alliance Healthcare can now mobilise the 500 medical professionals on the JGM platform to promote right-siting of care at the community, instead of the hospitals. These initiatives will further help to reduce cost and enhance customer’s experience.

5. The Group recently invested in a digital healthcare platform, Jaga-Me. Can you elaborate more about it?

- Jaga-Me is a digital platform that connects care seekers looking for home-based clinical services to a network of over 500 licensed healthcare professionals (mostly registered nurses, complemented by therapists and certified caregivers) using a smartphone application.

- These independent professionals collaborate remotely through Jaga-Me’s platform, which provides secured access to health data, clinical reports and clinical workflows, to deliver personalised care to multiple patients simultaneously. Jaga-Me’s platform has enabled the delivery of care to transcend physical locations for over 2,000 patients.
6. Which geographical markets are you focused on?

- For FY19, the Group derived more than 95% of its revenue from Singapore. Sales from other countries can mainly be attributed to its pharmaceutical services segment.

- The Group’s recent collaboration with Inova Care is expected to boost its regional presence as Alliance Healthcare taps Inova Care’s network of 5,000 medical facilities in 13 countries to expand its managed healthcare network coverage to its corporate clientele.

7. How does Alliance plan to leverage mergers and acquisitions for growth? What are some factors for consideration?

- The Group intends to pursue inorganic growth to establish a presence in new markets and expand our current service offerings. In evaluating such opportunities, we will consider factors such as the acquisition of capabilities, network, skills, technology and/or operational processes, which offer synergies with our business.

- For example, our recent investment in Jaga-Me allows us to harness rising demand for home-based healthcare amidst the rapidly ageing population in Singapore. Home-based healthcare can significantly cut down costs for both hospitals and patients, especially for non-emergency events.

8. What are some notable developments that Alliance Healthcare’s shareholders can look forward to?

- Alliance Healthcare was recently awarded contracts to provide managed healthcare solutions to 38 major public healthcare institutions (including Singapore General Hospital, Changi General Hospital and National Health Group) in Singapore. Under these contracts, it is expected to deliver outpatient medical and dental clinic services to over 80,000 individuals between 1 Jan 2020 and 31 Dec 2021.

- Alliance’s recent investment in Jaga-Me will allow the Group to rapidly scale up its on-site medical programmes in the workplace to key corporate and insurance clients in the next six to 12 months. This includes chronic disease management and vaccination programs for employees or insured clientele of our corporate/insurance partners.

- Jaga-Me has also gained traction with leading hospitals and specialist clinics in Singapore to help patients discharge home safely with Jaga-Me’s support. The Group sees strong potential to extend the service offering to our insurance partners, which will help them to reduce length of hospital stays and hospital readmission rates, thus optimising medical fees for patients with long-term chronic conditions.
9. Does the Group have a fixed dividend payout policy?

• The Group does not have a fixed dividend policy, but intends to recommend and distribute dividends of at least 30.0% of its net profits (excluding exceptional items) for FY2020 and for FY2021.

10. What are some of the key risks or challenges that Alliance Healthcare faces and how does it manage these risks or challenges?

• Alliance Healthcare is dependent on a number of key relationships with insurance companies for patient volumes, which in turn affects the amount of administrative fees that we collect from our panel of medical services providers.

• To reduce the risk of loss of key customer relationships, we are constantly looking to expand our network of medical service providers and investing in the use of IT to provide medical services more efficiently and in the most cost-effective way possible.