LYC Healthcare makes second medical firm buy in Singapore in less than a month

Lai Ying Yi / theedgemarkets.com
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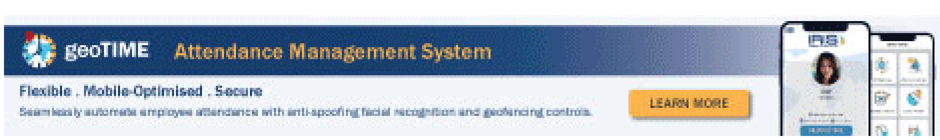

KUALA LUMPUR (May 28): LYC Healthcare Bhd is acquiring a controlling 51%-stake in Singapore-based HC Orthopaedic Surgery Pte Ltd (HCOS) for S$6.93 million (RM21.29 million).

The deal is LYC Healthcare’s second acquisition involving a Singapore medical firm in less than a month. It announced the acquisition of a 51% stake in T&T Medical Group Pte Ltd for S$7.29 million (RM22.2 million) on May 4.

The group will be acquiring 17,000 shares representing 17% of HCOS from the founder and main operator Dr Chan Ying Ho, and 34,000 shares representing 34% of HCOS from Beyond Wellness Group Pte Ltd (BWG).

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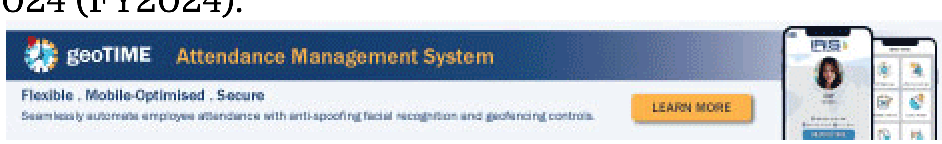
Post-completion, its wholly-owned LYC Medicare will have 51% in HCOS, while Dr Chan will be left with 49%.

HCOS is principally involved in orthopaedic specialist treatments including surgeries. It currently leases and operates a medical centre located at Mount Elizabeth Hospital.

LYC said the deal is expected to be completed by the fourth quarter of the year, and will be funded equally by internal funds and bank borrowings.

When contacted, LYC Healthcare CEO and managing director David Sui Diong Hoe told theedgemarkets.com that the transaction is being carried out at a forward price earnings (PE) multiple of eight times of HCOS' profit after tax of S$1.7 million. This, he said, is an attractive deal as healthcare companies typically trade at 30-40 times PE multiple.

The acquisition comes with an aggregate profit guarantee totalling S$5.1 million (RM15.65 million) over three years up, to the financial year ending March 31, 2024 (FY2024).



To ensure HCOS' business continuity, Sui added that Dr Chan will be signing a five-year service contract with the group.

He also said this latest acquisition is synergistic with the group's earlier acquisition of a majority stake in T&T Medical Group. With the two medical companies having a common shareholder — LYC Medicare — their orthopaedic service offering will complete and complement one another, he said.

“In other words, with T&T Medical Group and HCOS, we have a complete one-stop orthopaedic centre of excellence for advanced orthopaedic services, sports medicine and knee replacement surgeries.

“With this, we will look to set up our one-stop chronic disease centre in Malaysia in the near future and to leverage on their medical expertise to ensure a successful execution of our proposed plan,” Sui said.

As for the impact on profitability with the two deals, LYC Healthcare said it will be able to recognise 51% of the combined S$3 million (RM4.59 million) annual profit guarantee given by both medical companies.

The combined earnings after acquiring the two medical centres will also make LYC Medicare eligible for an IPO in either Malaysia or Singapore stock exchange, Sui noted, though he said the group has no listing plans for now.

As for why the group targets Singapore medical companies, it is because the country is one of the hottest destinations for medical tourism. “Singapore has a good reputation in attracting high net worth medical tourists from countries such as Indonesia and China, which are seeking treatments like oncology, orthopaedics, ophthalmology, organ transplants and neurological surgeries,” Sui said.

Moving forward, Sui said the group will strategise to attract more medical tourists through partnerships with foreign agents.

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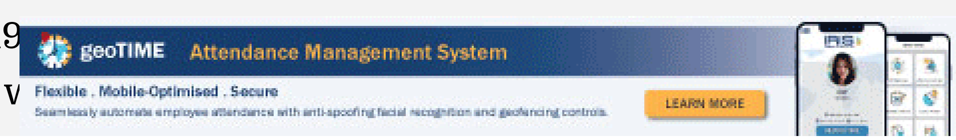

“As the two transactions are expected to be completed only towards September or October, we expect things will be better by then. Nonetheless, we are still protected by our profit guarantee agreements for the next three years for both acquisitions, in the event there are any declines in their businesses in the near future.

“While people may defer their travel plans that are more for pleasure, we believe they may still proceed with medical-based travels [once travel restrictions ease]," he added.

At the time of writing, shares in LYC was up 3 sen at 46 sen, giving the group a market capitalisation of RM156.36 million. The counter saw 39.73 million shares traded.

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