The Star Malaysia

LYC Healthcare on aggressive expansion

Group banking on postpartum care business to return to profitability

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AN IT firm that expanded into the realm of healthcare services just two years ago, loss-making LYC Healthcare has exceedingly ambitious plans for the year ahead.

The group, which is expecting to derive 70% of its revenue from the healthcare division by the end of the year, is focusing the bulk of its funds into its highly lucrative postpartum or confinement care centres.

LYC is also boosting the number of senior living cares it runs, and entering new areas of healthcare such as aesthetics and cosmeti as well as fertility.

Opening soon: A preview of the soon-to-be-opened LYC Aesthetics and Cosmetics

And it is to fund the expansion, that the group announced its latest round of fund raising, is a private placement to raise up to RM10.4mil.

The group's first postpartum care centre, which was set up early last year in Taman Tun Dr Ismail (TTDI), is flourishing with an average 90% occupancy rate and is fully booked up to April next year.

Taking note of the strong demand, the group set up its second centre in Puchong about a month ago, and says bookings are already pouring in.

Speaking to StarBizWeek, LYC Healthcare Group CEO and MD David Sui Diong Hoe says the postpartum care business is undergoing a significant expansion that will be completed by early next year, with the recent opening of its Puchong centre as well as an upcoming centre in Bukit Jalil early next year.

The number of beds will almost quadruple from just 33 in the TTDI centre, to 125 in three centres.

He says the centre in Bukit Jalil, which will cost some RM6.5mi, will be the group's largest postpartum care centre to date, with 63 beds.

The TTDI centre is currently able to house 33 sets of mothers and infants, while the Puchong centre can house 29.

"We are also looking to build one or two more centres, and we are identifying suitable locations for this," he says.

The group which last saw a full-year profit way back in 2011, when it was known as Mexter Technology Bhd, is gunning to return to the black in the next financial year.

This, Sui says, will be supported mainly by the mother and child related healthcare services, particularly its postpartum care business.

The first signs of profitability, Sui says, should be visible over the next seven months, when revenue contribution from the two new postpartum centres in Puchong and Bukit Jalil kick in.

As for its other lucrative segment – senior living – the group has two existing facilities in Kenny Hills, Bukit Tunku, and three more to be opened in the same area next year.

"We are focusing on the same place as it is a strategic and prime area for this business," Sui says.

Over the next six months, the group is also aggressively expanding into childcare services, aesthetics and cosmetics, as well as into fertility services.

So far this year, it has already spent some RM12 in capital expenditure on its expansion plans, mostly utilising funds generated from its previous private placement in 2017.

Given that its cash and cash equivalents had fallen to only RM10.12mil at March 31, and in view of the flurry of activities it has planned for the months ahead, more cash is obviously needed – resulting in the need for the round of fund-raising.

Raising funds for expansion

On Aug 5, LYC Healthcare proposed to undertake a private placement of new ordinary shares to raise up to RM10.4mil for renovation work at its two postpartum care centres and three senior living centres, with the aim of expanding its healthcare business.

In a filing with Bursa Malaysia, LYC said the proposed private placement entailed the issuance of up to 32.49 million new LYC shares, representing 10% of the total number of issued shares of the company at an issue price to be determined later.

It said the proposed private placement was currently the most appropriate avenue to raise funds expeditiously without incurring interest cost compared to bank borrowings.

The group added that the exercise would also increase the size and strength of the company's capital base and shareholders' funds as well as potentially improving the liquidity and marketability of the issued shares of LYC.

According to the filing, the group will utilise RM3.5mil to finance the renovation cost for the setting-up of a new post-partum care centre, and RM1.9mil to set-up an additional three senior living centres.

The balance, it said, would be for business expansion and working

Different style: Dr Yang says the group positions its postpartum care centres differently from other players in the market.

capital.

"The setting up of additional new post-partum care centres and new senior living centres is expected to provide the economies of scale required for the healthcare business of LYC," it said.

LYC is about 20% owned by its largest shareholder Lim Yin Chow, a co-founder and owner of HSC Medical Centre.

Lim had reportedly divested his stake in HSC in early 2016, and was said to have used some of the proceeds to acquire his stake in LYC Healthcar in June of the same year.

His entry into the IT firm sparked its transformation towards healthcare services, and subsequently the change of the company's name which came into effect early this year.

In September 2017, Sui was brought in as managing director

Biggest shareholder: Lim is the group's single largest shareholder with a 20% stake.

(MD) of the group.

It is worth noting that Sui was previously the MD of Ralco Corp Bhd, and during his tenure, had managed to turn around the loss-making company within a year.

For the financial year ended March 31, the group's revenue came in at RM7.6mil, representing an increase of 18.8% compared with the preceding financial year.

According to its annual report, the increase was mainly due to new revenue streams from the healthcare division, arising from the postpartum care business, which made RM2.3mil.

Despite the higher revenue, however, its loss before tax for the period widened to RM7.6mil from RM3.3mil previously.

This, it said, was mainly due to the gestation period of the healthcare operations, advertisement costs and marketing activities to increase the brand awareness.

During the financial year, the group also registered a one-off gain of RM1.6mil following the divestment of its loss-making mobile services business Mexcomm Sdn Bhd, which had been weighing on its performance for years.

Sui, during the recent interview, says that the group's does not plans to divest its information technology (IT) business, but will not be investing further into the segment.

LYC's big bet on healthcare

While the group's healthcare segment is already contributing to the group's revenue, it is not profitable just yet. But the group expects this to change soon, given the increasing demand for its services.

Dr June Yang, who heads the segment, says the group positions its postpartum care centres differently from other players in the market.

Yang, a medical professional with a background in radiology and cardiology, says the company runs the centres similarly to hospitals.

"Instead of 'confinement ladies', we have nurses caring for the mothers and infants, and we also have in-house paediatricians," she says.

Yang adds that it also maintained a "hospital standard" level of cleanliness, with attention to details such as temperature, humidity, oxygen level and air flow.

The centre, she says, is also the country's first to have baby aprons, also known as "infant rescue vest," which are usually found in hospitals to be used in the event of a fire emergency.

During such an event, workers are able to put on the flame-retardant apron, and place the infants in the oversized pockets to keep them safe as they exit the building.

Given the wide range of services offered at a postpartum centre, including the preparation of special food for new mothers, Yang says that while it is profitable, it is not an easy business to run.

"It is like running a hospital, hotel and restaurant at the same time," she says.

Plans in the pipeline for the postpartum care centres include the addition of childcare centres for children aged from two months up to two years old - within the same building.

The advantage of these childcare centres, Yang says, is that they will have access to the paediatricians who are based at the confinement centres.

The group is also making its foray into the aesthetics and cosmetics business with the setting up of LYC Cosmetic& Aesthetic Sdn Bhd in April this year, of which it owns 51%.

The remaining 49% is owned by Xing Dao International Pte Ltd, of which Dr Zhao Yingli is the sole director.

Dr Zhao is the founder of one of the first private cosmetic and aesthetic medical centres in China, and a plastic surgeon.

The group is looking to leverage on Dr Zhao's track record in the cosmetic and aesthetic field, with the setting up of a clinic in Bangsar South and focusing on medical tourism.

Another area LYC is branching out into is fertility services, via a collaboration with University Malaya Medical Centre (UMMC), to kick off at the end of the year.

The centre will be set up and marketed by LYC, while the medical services will be provided by specialists within UMMC.

It is clear that many changes have taken place in LYC over recent years.

From the entry of a new controlling shareholder and a new MD known for his ability to turnaround struggling companies, to the group's move to embark into a new business segment and expand within such a short period.

At the same time, it is also evident that many big changes are in the pipeline.

It has been eight years since the group last reported a full-year profit and investor are anxiously hoping that this time, with all the changes taking place, LYC will return to the black.