

Announcement: Moody's: Yestar's 1H 2017 results support its Ba3 ratings

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Hong Kong, August 17, 2017 -- Moody's Investors Service says that Yestar Healthcare Holdings Company Limited's (Yestar) 1H 2017 results are consistent with its Ba3 corporate family and senior unsecured ratings.

The outlook on the ratings remains stable.

"Yestar has maintained strong revenue and EBITDA growth, driven by its in-vitro-diagnostic (IVD) distribution business," says Gloria Tsuen, a Moody's Vice President and Senior Analyst.

"At the same time, we expect its financial profile to remain solid, with adjusted debt/EBITDA around 3x, and consistent with its Ba3 ratings," adds Tsuen.

Yestar recorded 23% year-on-year revenue growth in 1H 2017, driven by 35% year-on-year growth in revenue from medical products and equipment (85% of total revenue), more than offsetting the 20% decline in imaging printing products (15% of revenue).

The company's reported EBITDA margin also rose by 1.8 percentage points to 20.2% in 1H 2017 because of growth in the high-margin IVD business, as well as the benefits of economies of scale.

Moody's expect that Yestar's revenue and EBITDA will maintain solid growth in the next 12-18 months, based on both acquisitions and organic growth in its IVD business. The company announced earlier this week that it is in a preliminary stage of considering the feasibility of acquisitions in northern China.

Moody's also expects that Yestar's leverage, as measured by adjusted debt/EBITDA, will be around 3.0x in the next 12-18 months, similar to the 2.9x for the 12 months ended 30 June 2017. This is because acquisition funding would be mainly from cash on hand and internal cash flow generation.

Yestar's liquidity is solid. As of end-June 2017, it had a cash balance of RMB679 million, sufficient to cover its RMB244 million in short-term debt and around RMB90 million in remaining payments for previously announced acquisitions.

The principal methodology used in these ratings was Distribution & Supply Chain Services Industry published in December 2015. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Headquartered in Shanghai and listed on the Hong Kong Stock Exchange since October 2013, Yestar Healthcare Holdings Company Limited is one of the largest distributors of Roche Holding AG's (A1 stable) diagnostics products and also the largest distributor of FUJIFILM Holdings Corporation's (A1 negative) film products in China.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

Gloria Tsuen, CFA
Vice President - Senior Analyst
Corporate Finance Group
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong
China (Hong Kong S.A.R.)
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Gary Lau

MD - Corporate Finance
Corporate Finance Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong
China (Hong Kong S.A.R.)
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077



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