MOODY'S
INVESTORS SERVICE

Announcement: Moody's: Yestar's 2016 results are in line with expectations

Global Credit Research - 17 Mar 2017

Hong Kong, March 17, 2017 -- Moody's Investors Service says that the 2016 full-year results for Yestar Healthcare Holdings Company Limited -- previously known as Yestar International Holdings Company Limited -- are in line with its Ba3 corporate family and senior unsecured bond ratings.

The outlook on the ratings remains stable.

"Yestar has continued its transformation into a leading distributor of medical consumables in China, while also maintaining a solid financial profile," says Gloria Tsuen, a Moody's Vice President and Senior Analyst.

The company has become one of the largest distributors of Roche Diagnostics products in China, following the completion earlier this year of three acquisitions originally announced in 2H 2016. It is also the largest distributor of Fujifilm film products in China.

Yestar's revenue grew 23% year-on-year to RMB3.0 billion in 2016 and its reported gross margins expanded 4.3 percentage points to 25.4%, driven by the increasing contribution from high-margin in vitro diagnostic (IVD) products.

Moody's also estimates that its adjusted EBITDA margin rose by around 3.5 percentage points to 18.2%.

Following its $200 million bond issuance in September 2016, mainly to fund acquisitions to grow its IVD product distribution business, Yestar's total reported debt rose to RMB1.7 billion at end-2016 from RMB420 million at end-2015.

Moody's estimates that its adjusted debt/EBITDA was around 3.2x at end-2016, compared with 1.3x at end-2015.

Although gross leverage was moderately higher than Moody's assumption of under 3x, the situation was offset by strong adjusted retained cash flow (RCF)/total debt of around 20%, which was higher than Moody's mid-teens estimate and supportive of its Ba3 ratings.

"We expect Yestar's business profile to continue to strengthen, as the company builds out its geographic footprint nationally and expands its product offerings," adds Tsuen.

Moody's also expects leverage to remain steady in 2017 compared with 2016, as further modestly-sized acquisitions may be funded by cash on hand, and as revenue and adjusted EBITDA grow around 20% in 2017.

Yestar's liquidity is solid. Its cash balance of RMB1.3 billion at end-2016 -- compared with RMB506 million at end-2015 -- will be sufficient to cover its RMB225 million in short-term debt, even after committing around RMB700 million to close its recent 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.moodys.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 stable) 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.moodys.com for the most updated credit rating action information and rating history.

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