

**2023 APAC Hospital
Insights Survey Findings
for Healthcare Providers**
Summary materials

2023



Agenda

- **Summary**
- Hospital financial outlook
- Operation priorities
- Digitalization trends
- About L.E.K.

Every year, L.E.K. surveys several hundred hospitals across the SEA region to understand their priorities and to support MedTech and pharma companies as they make key decisions

L.E.K. conducts an annual survey of several hundred decision-makers at key hospitals in the SEA region, including Singapore, Thailand, Malaysia, Vietnam, Indonesia and Philippines to better understand how key strategic priorities and purchasing behaviors are shifting

The survey addresses issues relating to the financial outlook of hospitals, top operating priorities in the next few years, as well as the impact of digitalization on hospitals



The insights enable healthcare providers to make informed decisions, including:

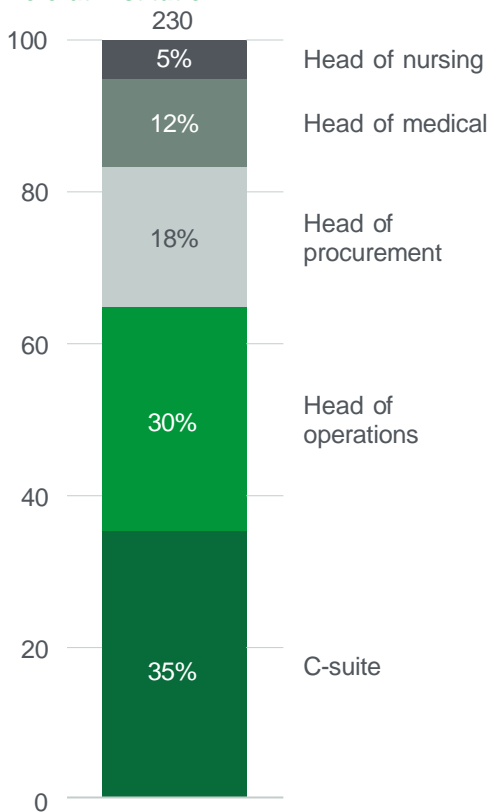
- What should be their operational priorities in light of key market dynamics and peer performance
- Where investment needs to be prioritized
- How to leverage digital and enhance their service offerings and engagement models with patients and industry stakeholders

We surveyed 230 hospital directors from SEA markets across a variety of hospital types, hospital sizes, and geographies

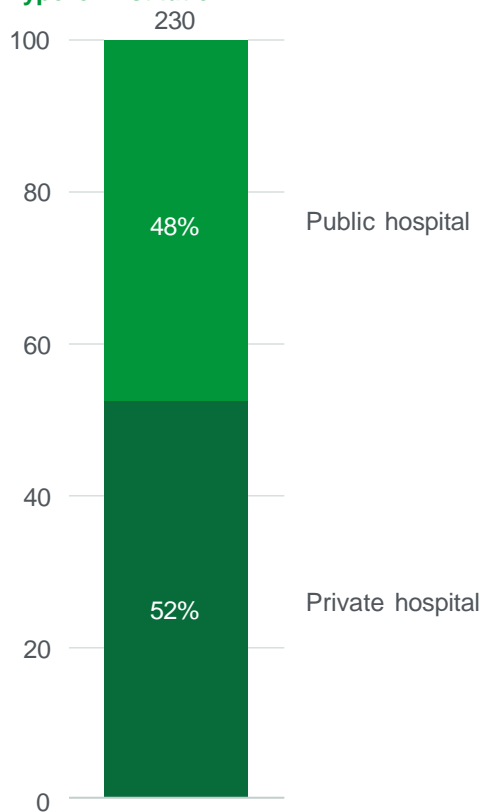


L.E.K. Hospital Priorities SEA survey respondent mix* Percent of respondents (N=230)

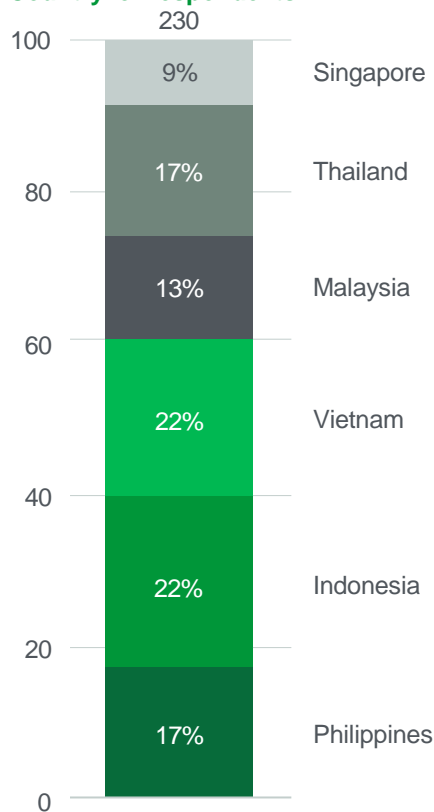
Role at institution



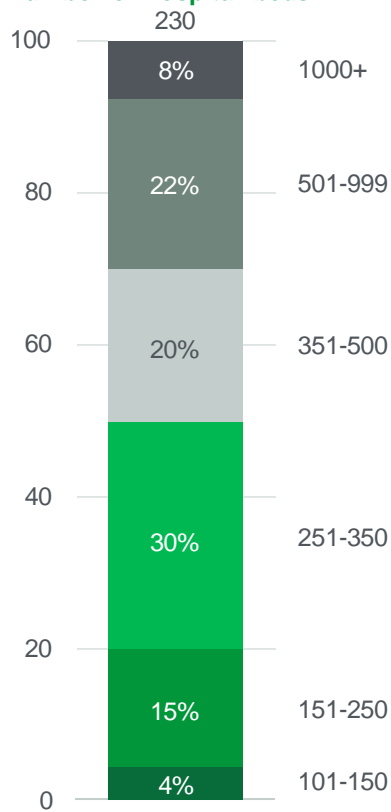
Type of institution



Country of respondents



Number of hospital beds



* SEA market includes Indonesia, Vietnam, Thailand, Philippines, Malaysia and Singapore in 2023 survey
Source: L.E.K. 2023 APAC Hospital Priorities Survey



We explore three key themes: financial outlook, operation priorities, and digitalization

Summary of Findings



Financial outlook

- Robust recovery from COVID-19 with significant financial improvement
- Project to be even more positive for the next three years



Operation priorities

- Top strategic priority is to get new technology
- 90% of hospitals plan to add more acute beds
- Majority expected increase capacity in diagnostic imaging, primary care, dental, and general surgery



Digitalization

- SEA regions show a higher adoption rate in healthcare digitalization solutions than the APAC average
- Hospitals are increasingly recognizing the value brought by healthcare digitalization solutions

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SEA hospitals have experienced a robust recovery from COVID-19 and have witnessed significant improvement financially; projections indicate an even more positive outlook for the next three years



Summary of findings – financial outlook



- Increasingly optimistic financial prospects for both public and private hospitals in 2023 as they have recovered from COVID-19 impact
- Private hospitals generally reported better profitability profiles



- Using elective procedures as an indicator, surgery-oriented departments, such as orthopedics and oncology, have recovered to 80-90% of pre-COVID level

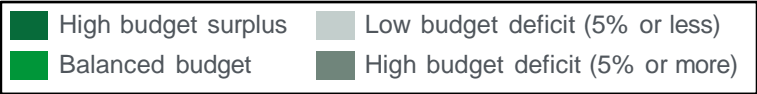


- Hospitals across SEA are optimistic about future capital expenditure, with a significant number expecting a notable increase of over 5%. This reflects recovered confidence and growing healthcare needs

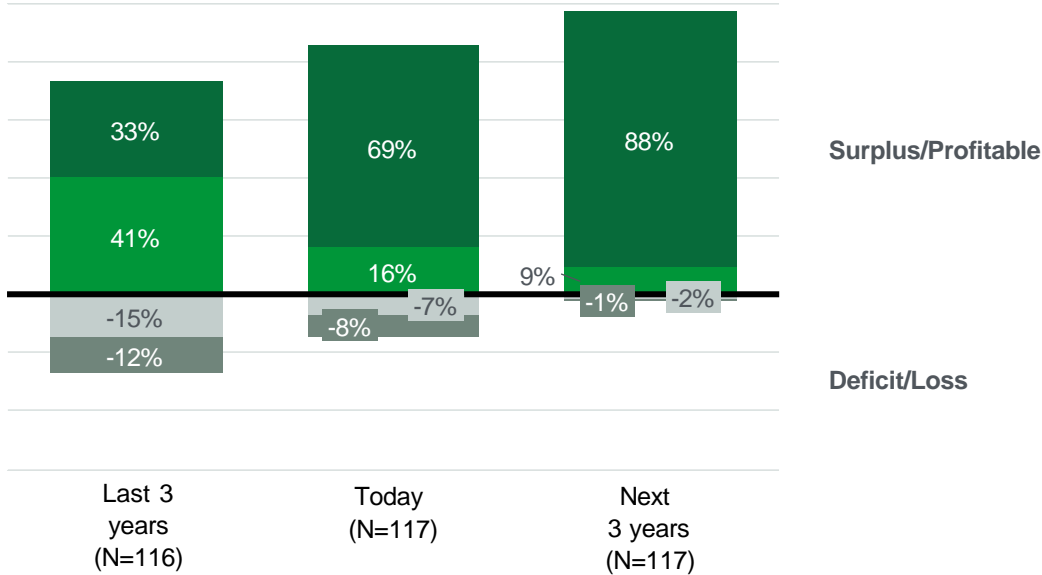
Increasingly optimistic financial prospects for both public and private hospitals in 2023 as they recover from COVID-19 impact; private hospitals are generally more profitable



Budget outlook for public hospitals*
Percent of respondents^



Profitability/EBITDA margin outlook for private hospitals**
Percent of respondents^

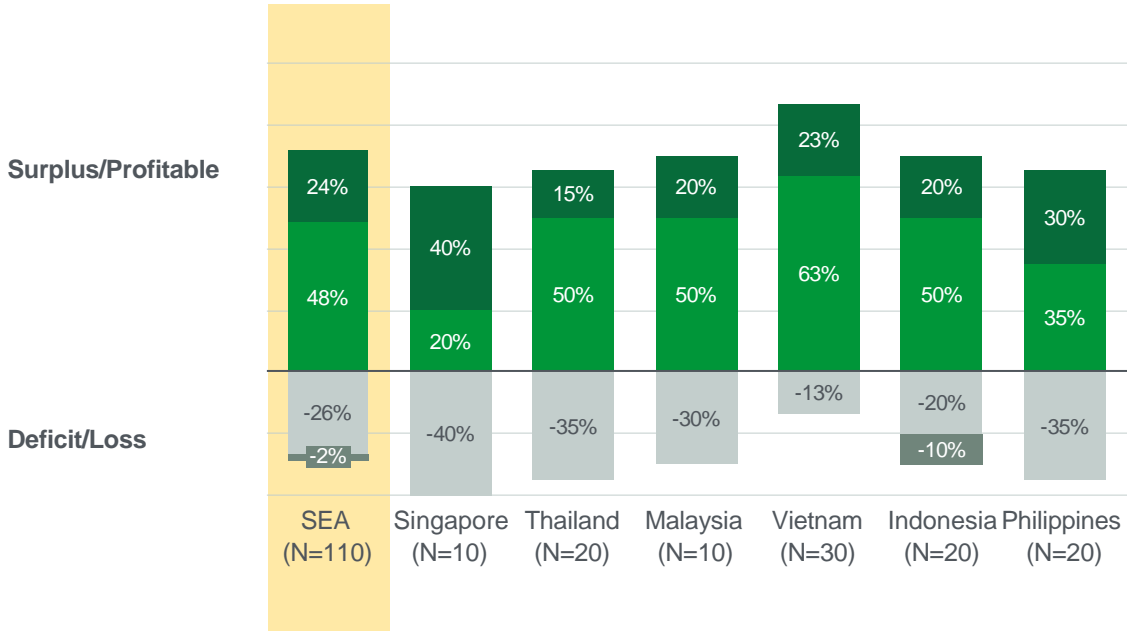


*Question: What is the level of budget surplus/deficit incurred by your hospital over the following time period?; **Question: What is the EBITDA margin/profitability level of your hospital over the following time period?
^Responses with "I do not know /prefer not to disclose" have been excluded
Note: EBITDA=earnings before interest, tax, depreciation and amortization
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Public hospitals in Vietnam and private hospitals in Indonesia exhibit exceptional financial performance; most hospitals maintain a favorable financial outlook across the region



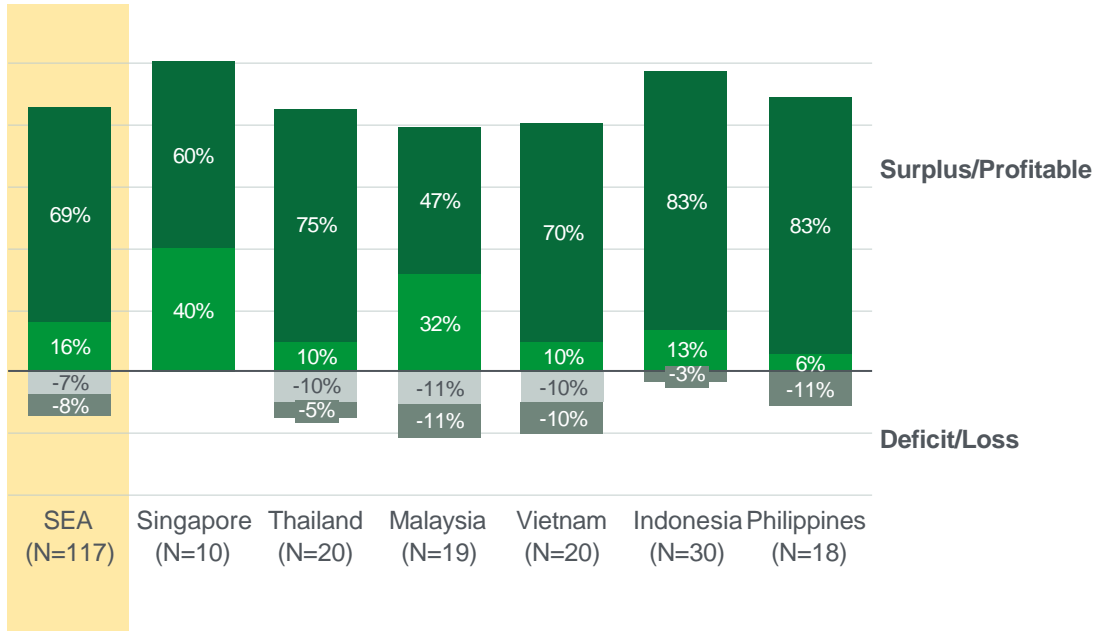
Budget outlook for public hospitals, by region, today*
Percent of respondents^



- Budget surplus
- Balanced budget
- Low budget deficit (5% or less)
- High budget deficit (>5%)



Profitability/EBITDA margin outlook for private hospitals, by region, today**
Percent of respondents^

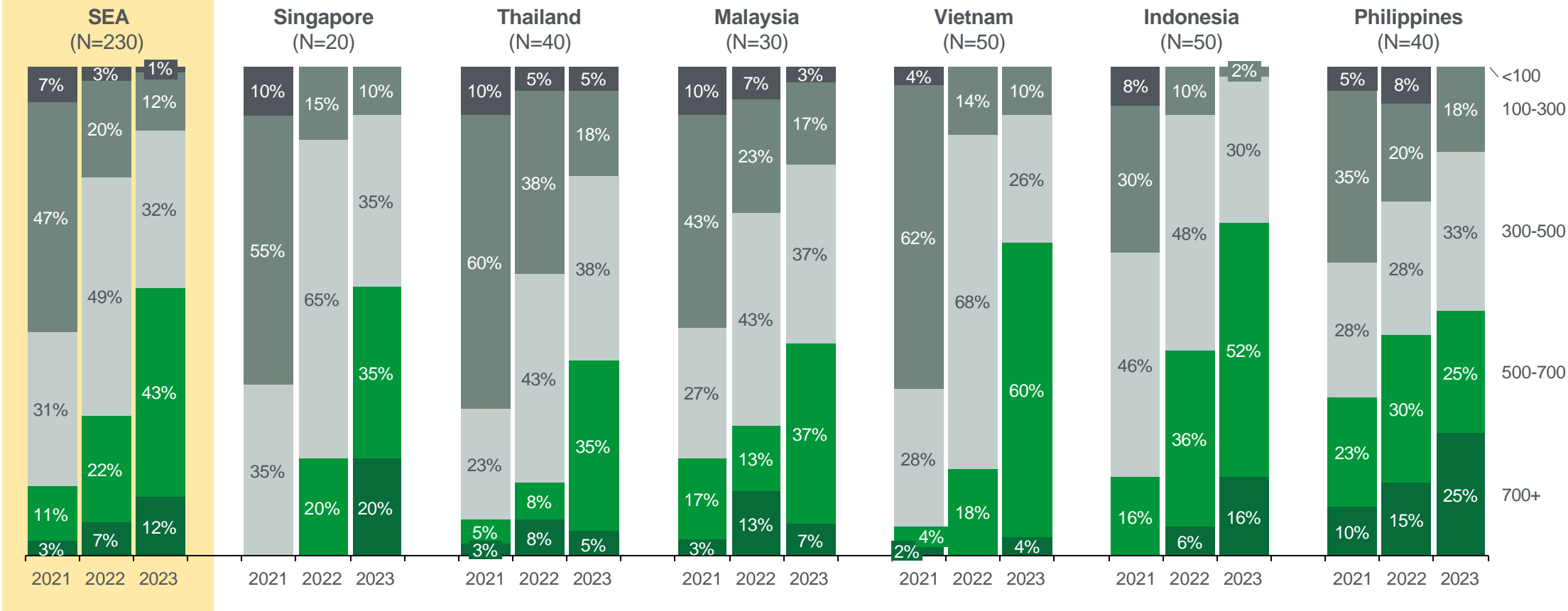


- High profit (5% or more)
- Low profit (0 to +4.9%)
- Low loss (0 to -4.9%)
- High loss (-5% or less)

*Question: What is the level of budget surplus/deficit incurred by your hospital over the following time period?; **Question: What is the EBITDA margin/profitability level of your hospital over the following time period?
^Responses with "I do not know/prefer not to disclose" have been excluded
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Procedure volume recovers strongly from the COVID-19 impact; hospitals in Indonesia and Vietnam are experiencing robust growth in elective procedures, surpassing other regions

Number of elective procedures per month performed/expected each year*
Percent of respondents reporting (N = 230)



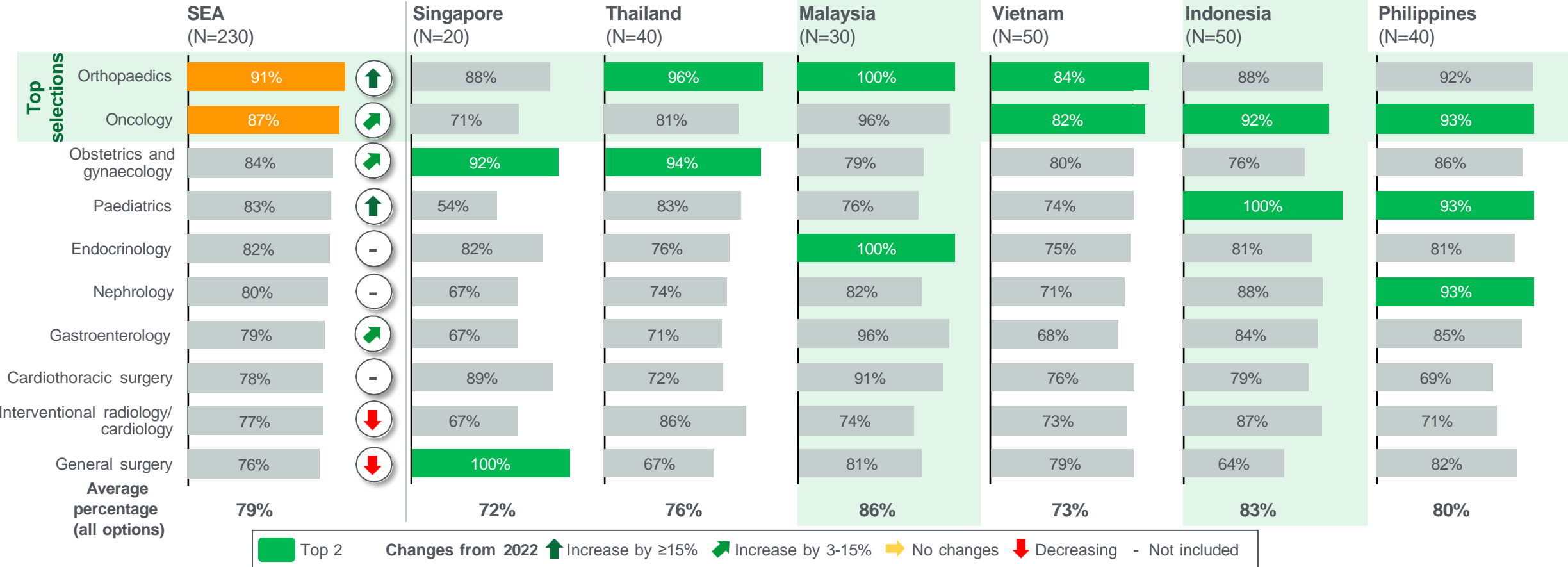
*Question: How many elective surgeries did your hospital perform/do you expect your hospital to perform over the following time period (monthly figures)?; Elective procedure is surgery that is scheduled in advance because it does not involve a medical emergency

Source: L.E.K. 2023 APAC Hospital Priorities Survey

Using elective procedures as an indicator, surgery-oriented departments, such as orthopaedics and oncology, have largely recovered to pre-COVID level; Malaysia and Indonesia lead recovery in SEA region

Top ten departments recovered to pre-COVID-19 levels of operations in terms of number of elective procedures*

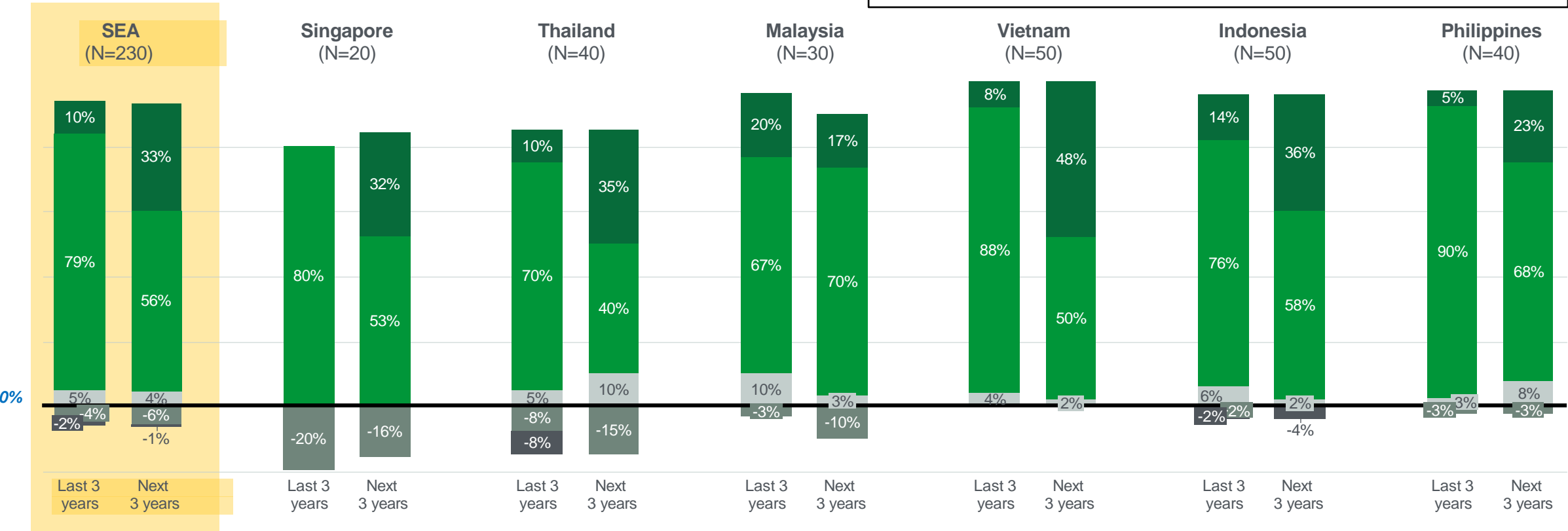
Percentage of respondents



*Question: Which departments are still below pre-COVID levels in terms of number of elective procedures performed?
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

Hospitals are optimistic about future capital expenditure, with a significant number expecting a notable increase over 5%. This reflects recovered confidence and growing healthcare needs within the region

Capital expenditure outlook on medical devices/equipment*
Percent of respondents (N=230)



*Question: 'How have your hospital's capital expenditure on medical devices/equipment changed over the following time period?'
Source: L.E.K. 2023 APAC Hospital Priorities Survey

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In 2023, hospitals prioritize new medical technology, adding acute beds, standardizing consumable purchases, and investing in imaging services



Summary of findings – operation priorities



- Hospitals are expected to prioritize offering new medical technologies or cutting-edge treatments and improving staff safety for the coming years



- Most hospitals anticipate an increase in the proportion of acute beds in the next 5 years, while the few reporting an expected decrease expect bed redeployments rather than retirements

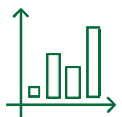


- Hospitals prioritize standardizing purchasing of medical consumables, diagnostic imaging equipment, and clinical support appliances, mainly through choosing a preferred supplier for specific procedures or products



- Hospitals plan to increase investment and capacity in diagnostic imaging, primary care, dental, and general surgery over the next three years to meet growing healthcare demands

Hospitals are expected to prioritize offering new medical technologies or cutting-edge treatments and improving staff safety in the coming years; Malaysia has put more emphasis on operation optimization



Importance of strategic priorities over the next three years*

Percentage of respondents who chose 6 and 7 (1-7 scale, 1=least, 7=most)

 Top 2 priorities

	SEA (N=230)	Singapore (N=20)	Thailand (N=40)	Malaysia (N=30)	Vietnam (N=50)	Indonesia (N=50)	Philippines (N=40)	
Top selections	Offering clinicians access to new medical technologies/Offer cutting edge treatments	74%	65%	75%	60%	88%	72%	75%
	Improving healthcare staff safety (physicians, nurses etc.)	73%	85%	73%	67%	84%	68%	65%
	Standardization of clinical care protocol within and across hospitals	70%	70%	68%	63%	88%	62%	65%
	Reducing readmission rates**	70%	65%	58%	70%	82%	68%	70%
	Dealing with staff shortages in light of front line worker fatigue	69%	60%	68%	73%	90%	60%	58%
	Reducing acquisition costs of capital equipment	69%	65%	65%	70%	72%	74%	65%
	Recovering from the financial impact of COVID-19	69%	70%	68%	60%	80%	66%	65%
	Emergency preparedness	68%	65%	68%	70%	80%	66%	58%

*Question: How important are the following strategic priorities for your hospital over the next 3 years? (“1” means “not at all important”, “7” means “very important”)

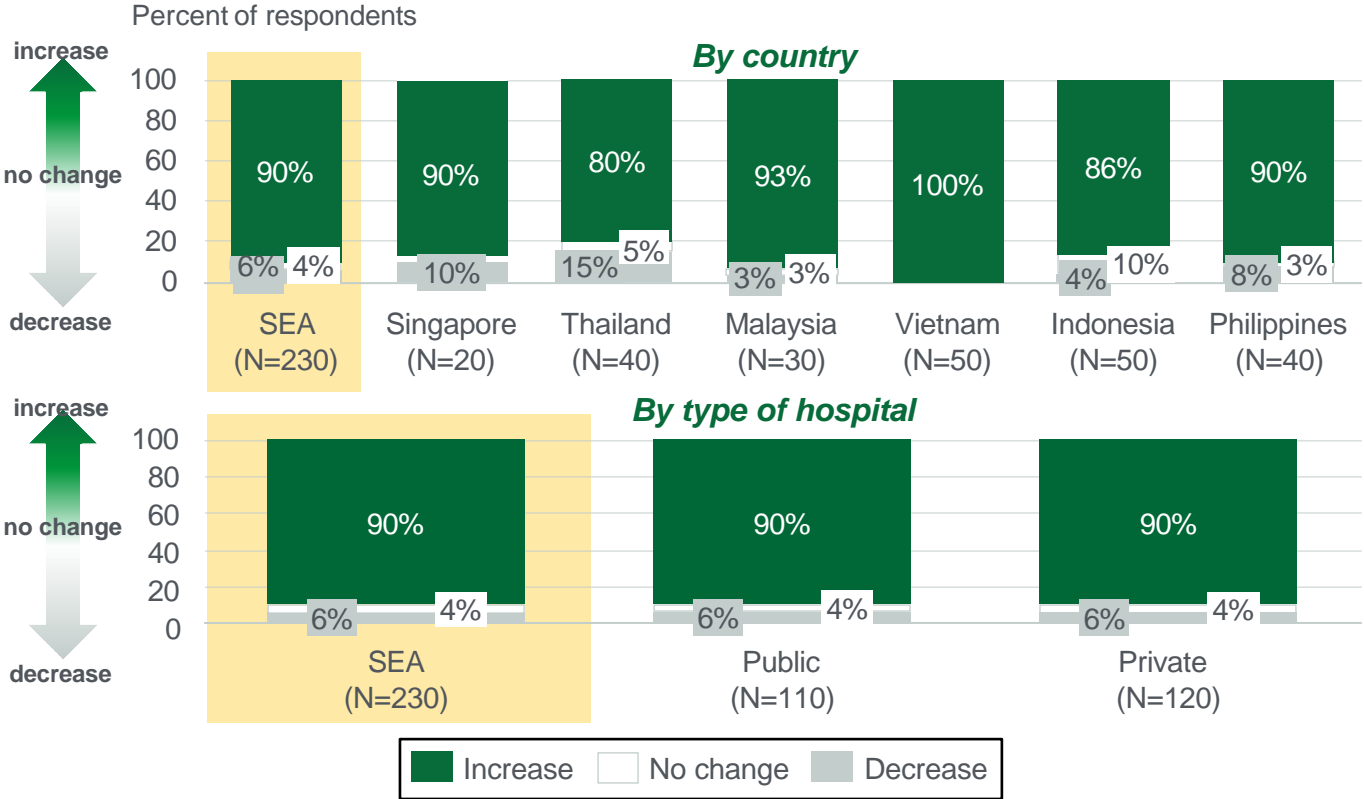
**Percentage of admitted patients who return to the hospital within seven days of discharge

Source: L.E.K. 2023 APAC Hospital Priorities Survey

Most hospitals anticipate a surge in demand on the proportion of acute beds in the next 5 years



Change in proportion of **acute beds** in the next 5 years* (2023)



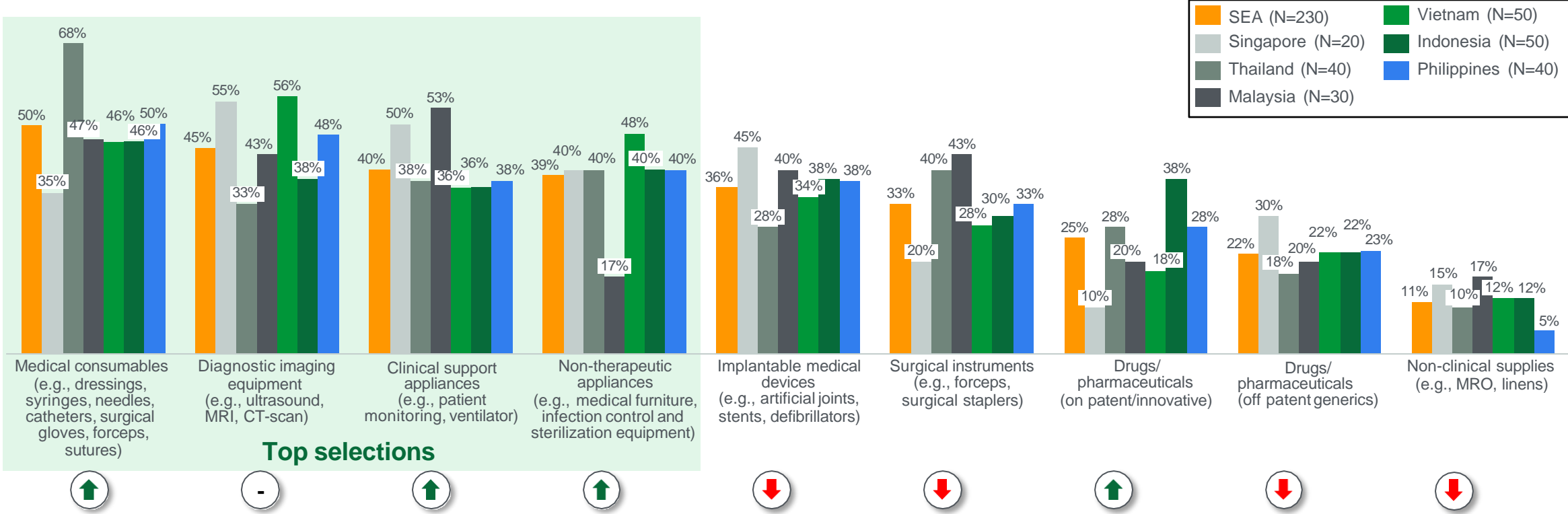
- Over 80% of hospitals estimate that they will repurpose their extra acute beds rather than retire them directly
- The most common relocation plan (~60% of respondents) involves converting these beds into rehabilitation and mental health beds
- ~20% demonstrate an interest of converting into ICU beds

*Question: Please estimate the percentage point change in your estimated proportion of acute beds (inpatients + day bed) in your hospital in the next 5 years; Source: L.E.K. 2023 APAC Hospital Priorities Survey

Hospitals prioritize standardizing purchasing in medical consumables, diagnostic imaging equipment, and support appliances more than last year



Medical supplies/equipment that hospital is looking to standardize purchasing*
Percentage of respondents



Ranking change from 2022 survey: ↑ Increasing ↓ Decreasing

*Question: Please select top 3 medical supplies/equipment where your hospital is looking to standardize purchasing
Note: MRO=maintenance, repair, and operations
Source: L.E.K. 2023 APAC Hospital Priorities Survey

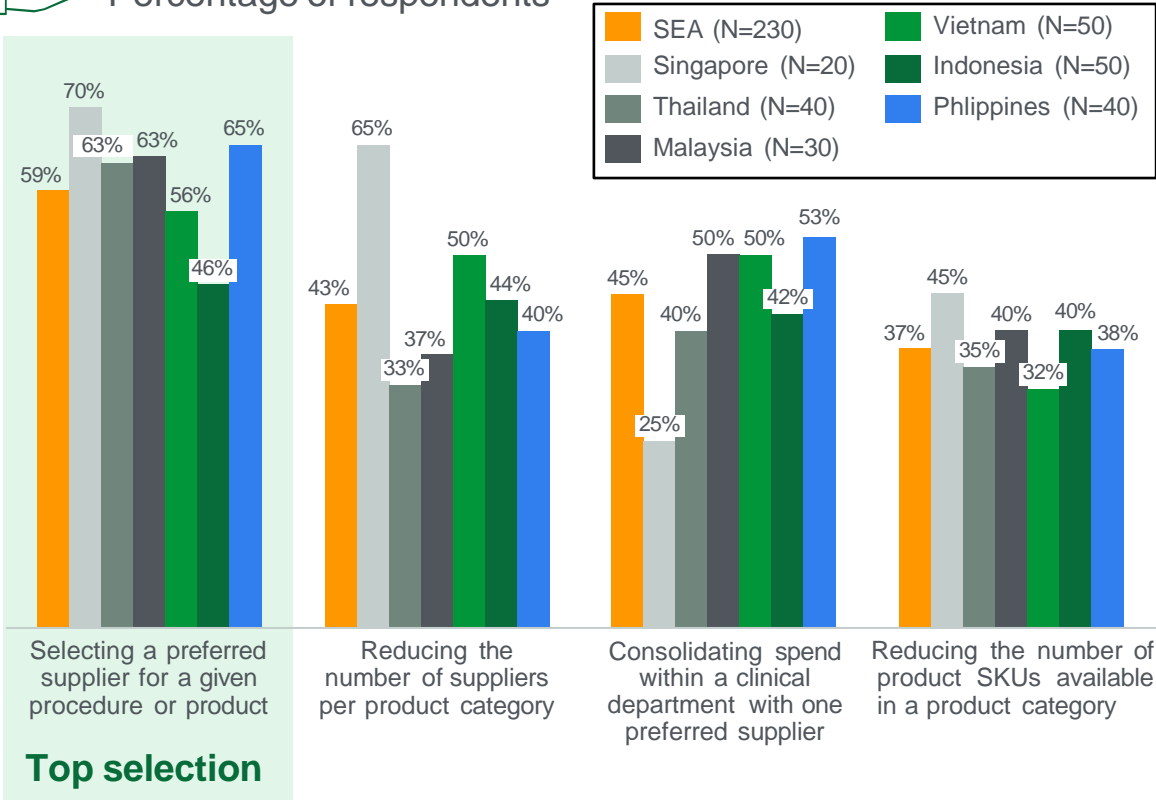


To streamline procurement processes, both public and private hospitals across the region are increasingly inclined to choose a preferred supplier for specific procedures or products



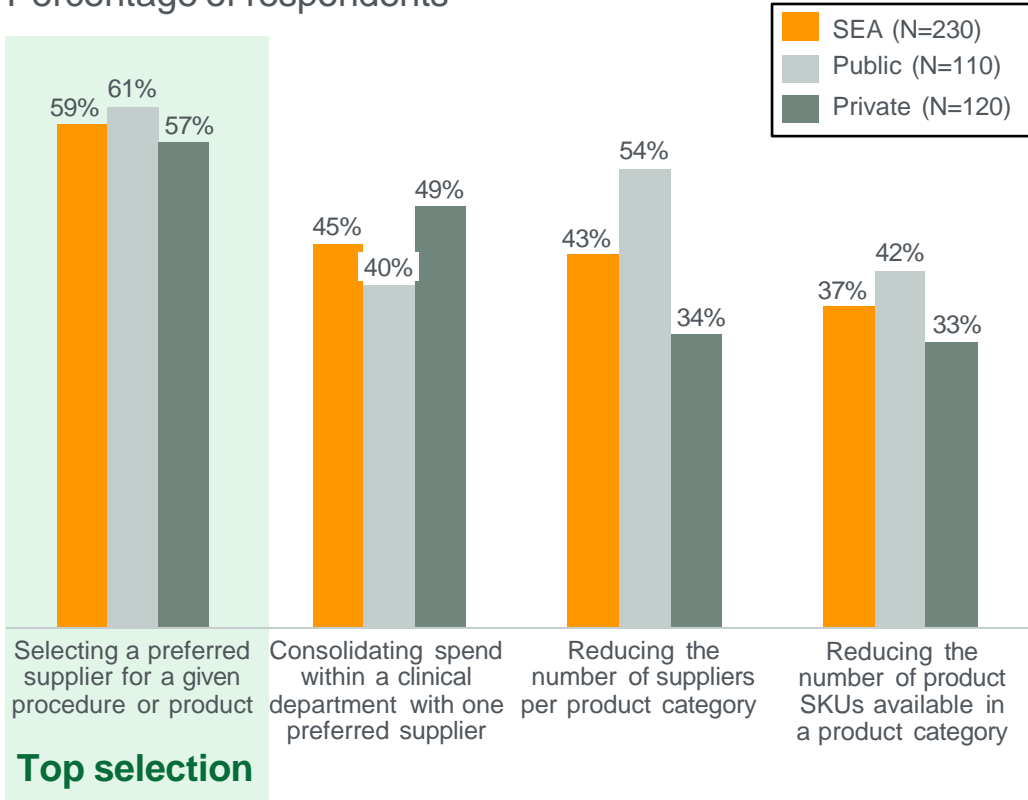
Approach to purchasing standardization, by country*

Percentage of respondents



Approach to purchasing standardization, by hospital type*

Percentage of respondents



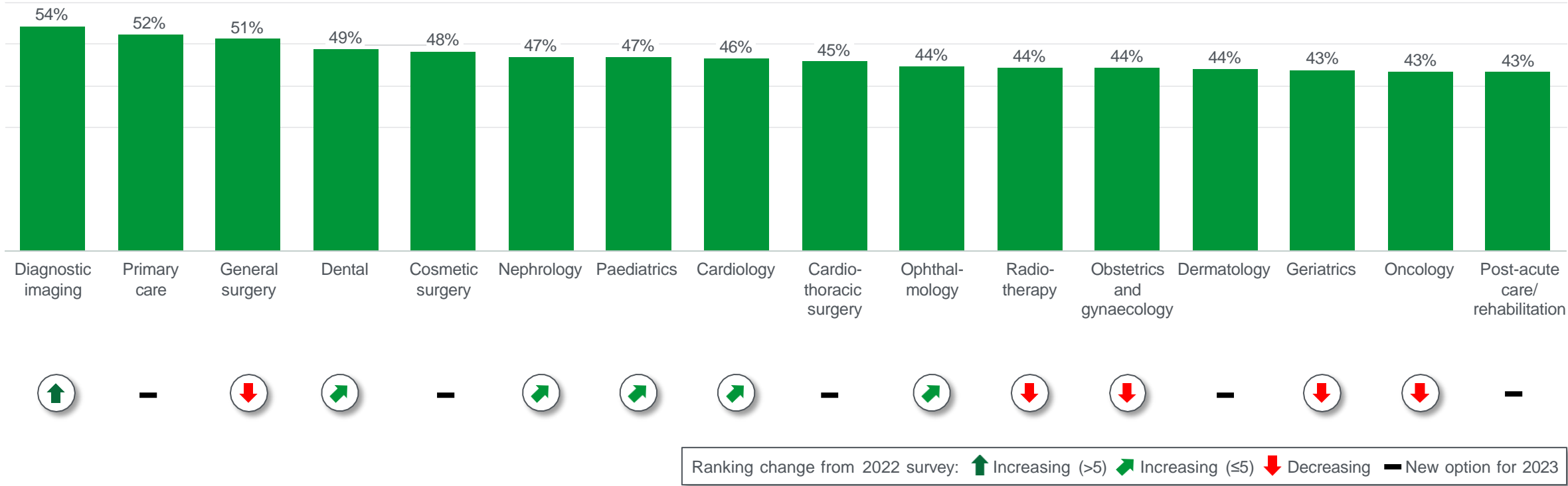
*Question: Please indicate which of the following approaches your hospital uses to standardize the purchasing of medical supplies/devices
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

Hospitals plan to increase investment and capacity in diagnostic imaging, primary care and general surgery over the next three years to meet growing healthcare demands



Clinical service offering outlook*

Percent of respondents said they were planning to increase investment/capacity in over the coming three years (n=230)



*Question: Which clinical department is being offered in your hospital, what are the expected changes in offering in the next three years? Expected change in clinical department offering in the next 3 years?
 Note: High increasing percentage in 2023 is doubled or more compared to the data in 2022
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

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SEA hospitals are at the forefront of healthcare digitalization implementation within APAC



Summary of findings – digitalization



- SEA hospitals generally exhibit a higher rate of digital solution implementation, particularly in areas related to patient administration, patient information management, and personal data handling



- SEA leads in tailored disease management programs, remote consultation, patient administration and treatment, and post-discharge monitoring ahead of China and India, with a continuous rising trend



- Hospitals increasingly realize the diverse value of digital health solutions across the SEA region

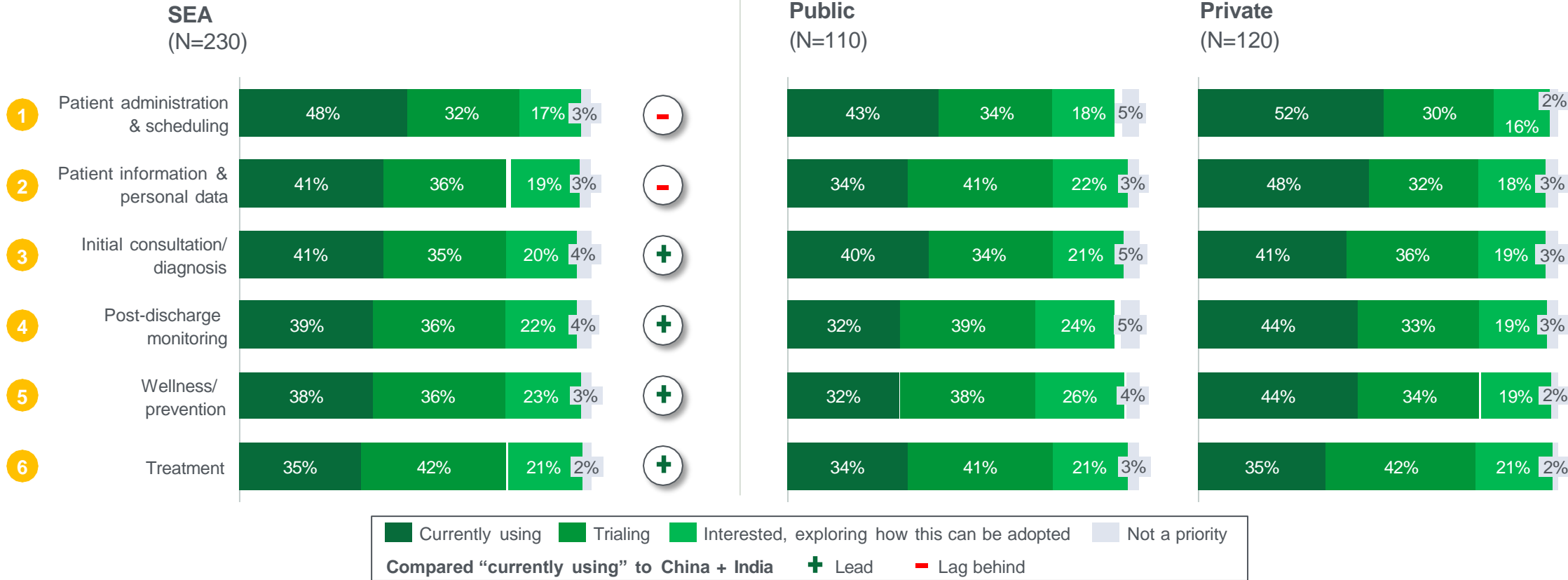


- Patient privacy and talent shortage are major concerns for digital health adoption in almost all SEA countries

SEA hospitals generally exhibit a higher rate of digital solution implementation, particularly in areas related to patient administration, patient information management, and initial consultation



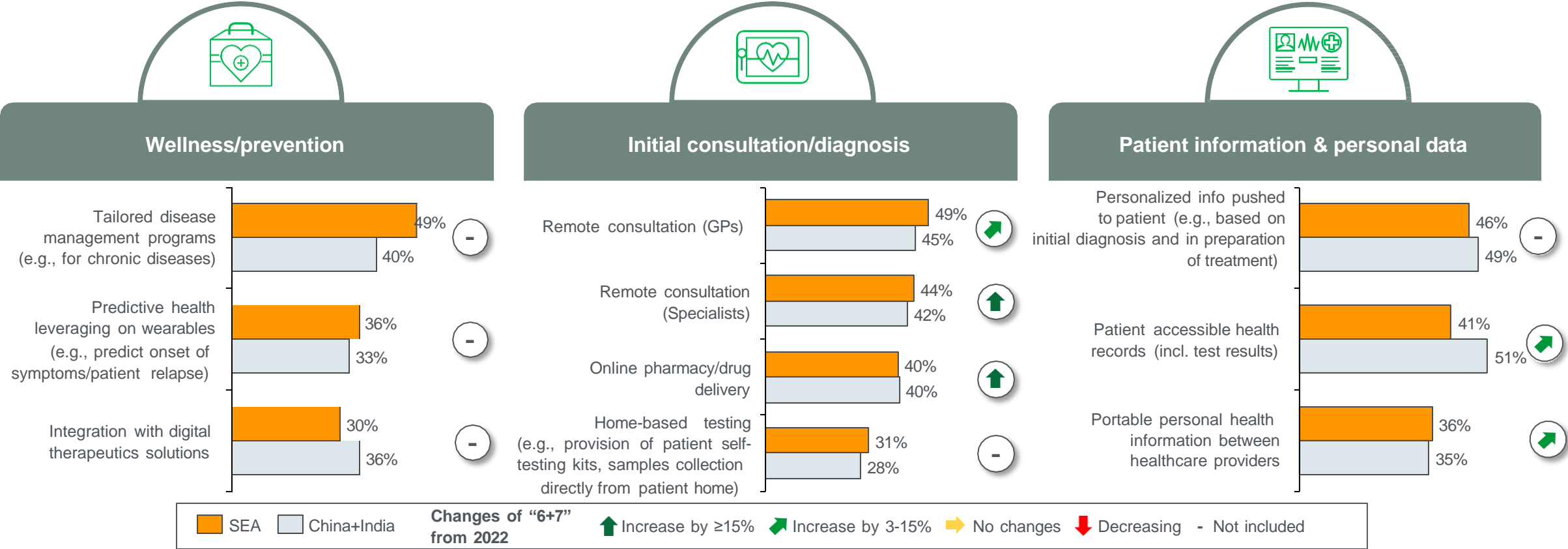
Adoption of digital health solutions* Percentage of respondents



*Question: Digitalization of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?
 Source: L.E.K. 2023 APAC Hospital Priorities Survey; Gemmed; The Japan Broadcasting Corporation (NHK); L.E.K. research and analysis

SEA takes the lead in implementing wellness & prevention programs and remote consultation compared to China and India, but lags behind on patient info and data

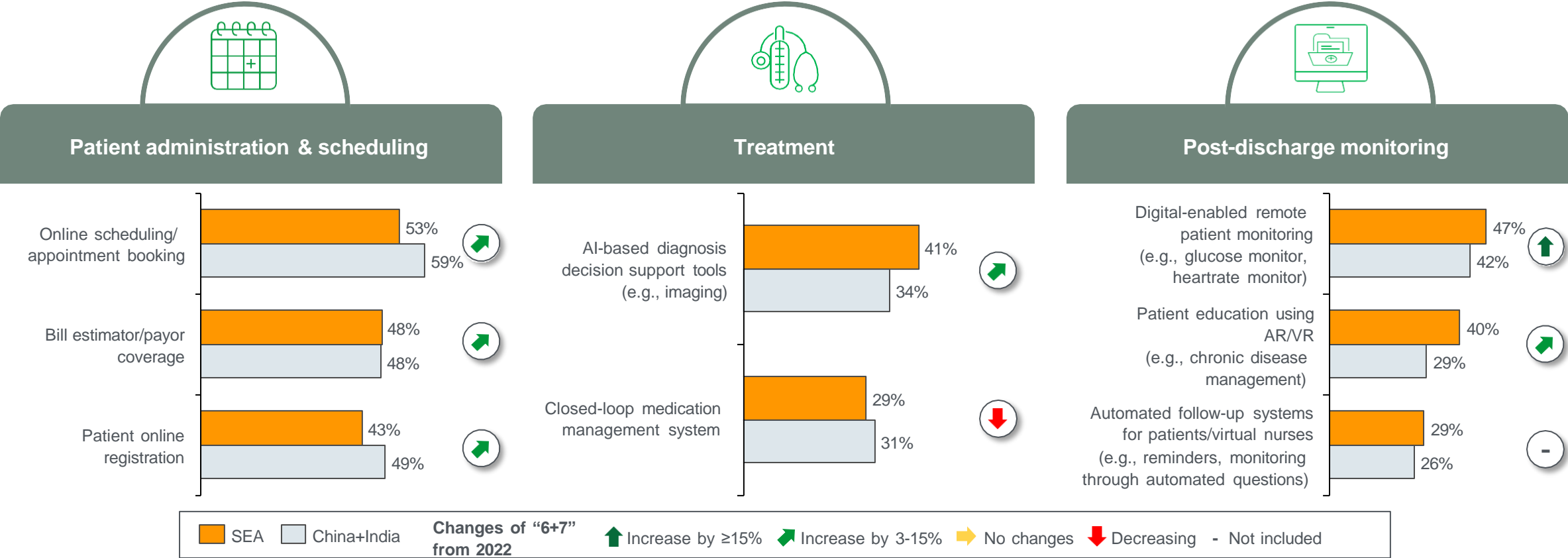
Adoption of digital solutions (in the order of patient journey)*
 Percentage of respondents "currently using" digital solutions



*Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?
 Note: GP=general practitioner
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

SEA hospitals have outperformed in the adoption of digital solutions in treatment and post-discharge monitoring compared to China and India, with a rising trend

Adoption of digital solutions (in the order of patient journey)*
 Percentage of respondents "currently using" digital solutions



*Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

Hospitals increasingly realize the diverse value of digital health solutions across the SEA region



Value from digital health solution adoption*

Percentage of respondents who chose 6 and 7 (1-7 scale, 1=least, 7=most)

	SEA (N=230)		Singapore (N=20)	Thailand (N=40)	Malaysia (N=30)	Vietnam (N=50)	Indonesia (N=50)	Philippines (N=40)	
Top selections	Provide better patient care	72%	↑	70%	70%	67%	82%	66%	73%
	Provide new revenue stream for hospital	71%	↑	80%	63%	53%	86%	74%	68%
	Increase staff satisfaction	71%	-	80%	68%	57%	80%	72%	68%
	Increase staff efficiency and capacity	69%	↑	60%	70%	57%	84%	78%	53%
	Reduce medical errors	66%	↑	70%	73%	50%	86%	56%	58%
	Increase patient satisfaction	65%	↑	50%	65%	47%	82%	64%	68%
	Contribute to the transition to value-based care	64%	-	70%	63%	43%	78%	70%	55%
	Expand the hospital natural catchment area	60%	-	80%	63%	47%	70%	54%	55%

Top 2
Changes of "6+7" from 2022
↑ Increase by ≥15%
↗ Increase by 3-15%
→ No changes
↓ Decreasing
- Not included

Note: *Question: What value do you think digital health solutions will likely bring about for your hospital? (1=not likely, 7=very likely)
 Source: L.E.K. 2022 and 2023 APAC Hospital Priorities Survey

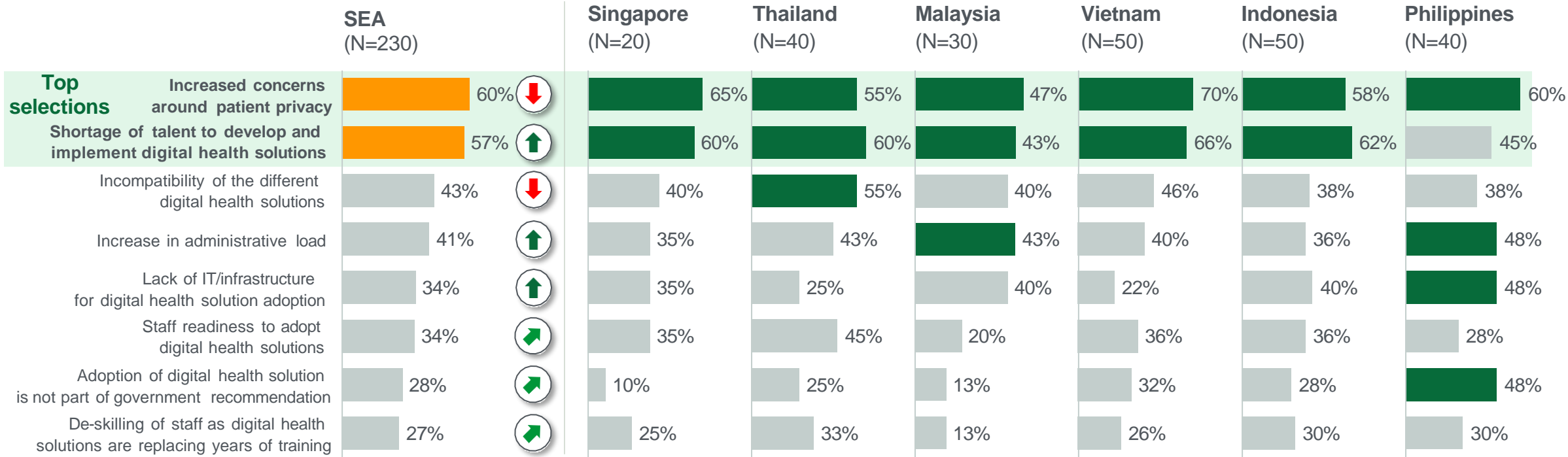


Patient privacy and talent shortage are major concerns for digital health adoption in almost all SEA countries



Top concerns for digital health adoption*

Percentage of respondents

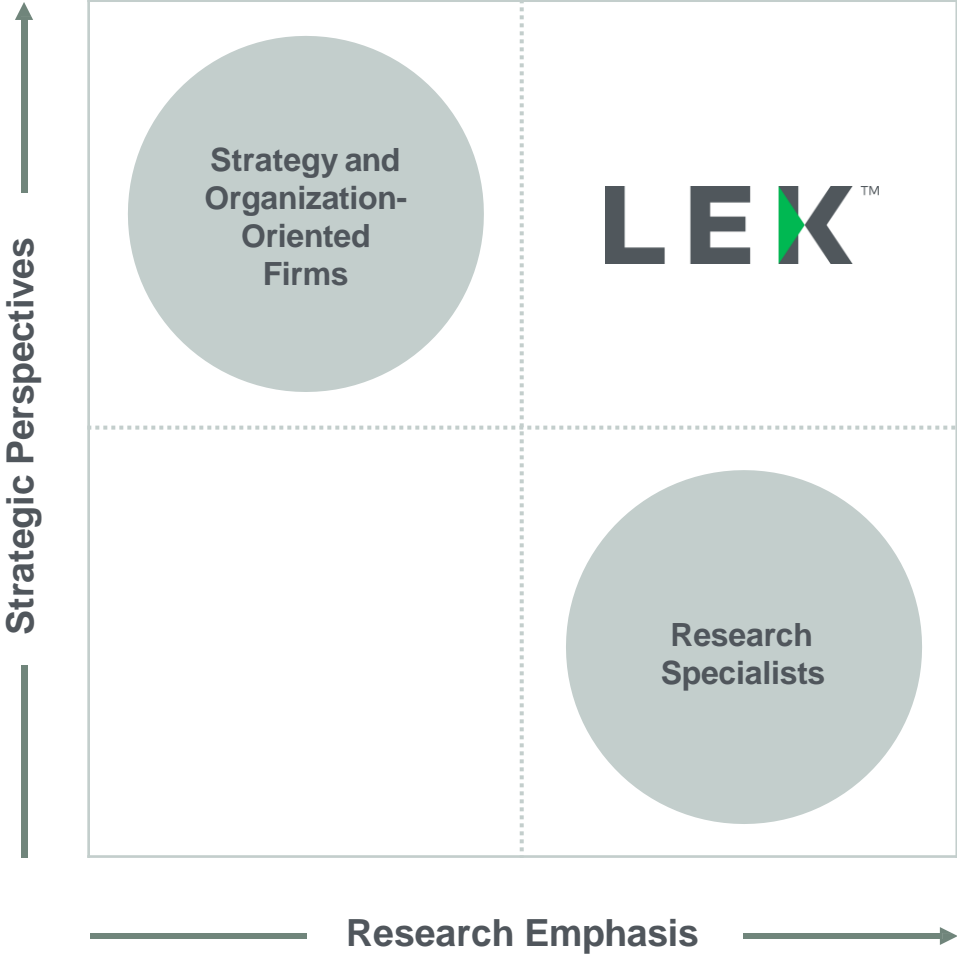


*Question: What are your concerns for digital health adoption?
 Source: L.E.K. 2023 APAC Hospital Priorities Survey

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- **About L.E.K.**

L.E.K. is a consulting firm uniquely positioned to deliver the strategic perspectives of a large strategy firm combined with the granular insights of a research specialist



L.E.K.'s key points of differentiation

- Hands-on senior team with deep expertise** → L.E.K.'s Partner-led execution model ensures depth of insights and an actionable strategy
- Fact-based approach** → Data-driven and highly analytical approach leveraging world class Market Insight capability; conclusions are based on facts, not conjecture or "pre-packaged solutions"
- Industry thought leadership** → High caliber team of PhDs, MDs, and MBAs regularly publishing insights and engaging with market leaders & innovative challengers
- Bias to action** → Acknowledgement that solutions have no value unless they can be readily acted upon. Deep experience working with management teams to develop actionable strategic plans
- Speed and flexibility** → L.E.K.'s heritage as a transaction advisor has created a working style enabling high-quality, rapid execution

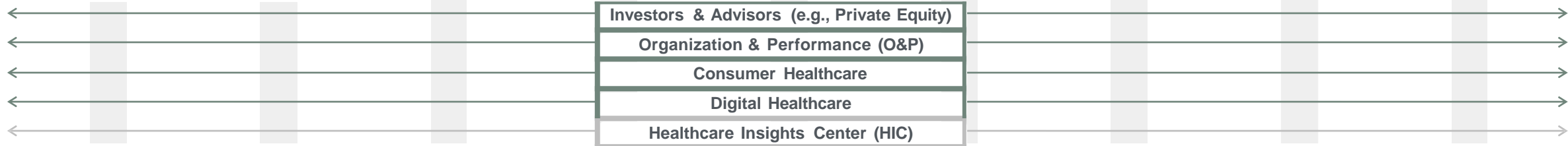
L.E.K. covers all parts of the healthcare ecosystem with deep expertise across all major practice areas

L.E.K. Healthcare Sector Overview

L.E.K. Vertical Practices



L.E.K. Horizontal Practices



L.E.K. Capabilities

- ~75 full-time healthcare-focused Managing Directors/Partners globally across 9 vertical and 4 horizontal practices
- **Hundreds of dedicated** healthcare consulting staff across the world (plus hundreds more in critical supporting functions)
- Global network of **10,000+** healthcare industry executives, experts, clinicians, thought leaders (for research and industry insights)
- **Hundreds of projects** per year with a diverse range of large-cap, mid-cap and PE-backed clients
- Industry-leading **thought leadership and Intellectual Property** (e.g., best-in-class methodologies, benchmarks, market fact-bases, industry surveys)
- Recognized as a leading advisor for **growth strategy, M&A support** and solving key **strategic and complex business issues**

We are thought leaders in healthcare services and have published articles to share insights with global executives

Home / L.E.K. Insights / Three Trends That Are Driving Digital Innovation in Insurance

Three Trends That Are Driving Digital Innovation in Insurance

May 2, 2022

Alex Evans, Noor Abdel-Samed, Gigi Wong

Noor Abdel-Samed: Alex, Gigi. Thanks for joining me today to discuss what we've been seeing in Insurtech. One of our recent surveys discussed in our latest article noted that 75% of companies increased their self-service options to consumers. Obviously, that's a huge impact for communication. And sometimes that cuts out the insurance brokers. How do you think about that now? And how do you see the future of insurance?

Gigi Wong: Well, I think like an option to easily purchase some easy changes, what's made to the insurance historically had. Even then, the person has a consequence insurance response to the easier for the consumers on opportunity to better manage

Home / L.E.K. Insights / Shifting Health System Priorities in a COVID-Steady World

Shifting Health System Priorities in a COVID-Steady World

VIDEO / WEBINAR | October 11, 2022

Jonas Funk, Monish Rajpal, Ilya Trokhimberg, Sheila Shah

LEK

Shifting Health System Priorities in a COVID Steady World

Presented by L.E.K. Managing Directors
Jonas Funk, Monish Rajpal, Ilya Trokhimberg, Sheila Shah

With William Hawkins, Chief Officer of the Ohio University Health System, Former CEO of HCA

COVID-19, staffing issues and continued growth have all contributed to a quickly evolving landscape for American hospital systems. What does the rapid pace of change mean for hospital executives? View this webinar to explore six key findings from L.E.K.'s 2022 Annual U.S. Hospital Study, reflecting the impact of accelerated transformation in critical areas like operations, supply chain, spending, consolidation, and the transformation to digital health.

RELATED PRACTICE
Healthcare Services

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M&A Landscape for Consumer Healthcare

ARTICLE | May 10, 2023

Noor Abdel-Samed, Emile Santos, Sheila Shah, Doug Van Wie, Nathalie Herman

Consumer health refers to the direct connection between a traditional consumer/patient and the healthcare ecosystem that empowers the consumer in their care journey. When the consumer health ecosystem is functioning optimally, a patient is involved with all key stakeholders, which increases patient engagement in all stages of the patient care journey. These stakeholders increasingly include consumer companies, medical device companies, and digital health companies.

The patient care journey begins with prevention complete the patient number of key stakeholders consumer companies, medical device companies, and digital health companies.

EXECUTIVE INSIGHTS

Achieving Synergies Post Merger

Underlying nearly every acquisition is the objective to achieve synergies — the idea that 1+1 can be greater than 2. Realizing those synergies can take significant effort and is generally a core focus of post-merger integration. It begins with the upfront work done to identify synergy opportunities and then ultimately connects those estimates to actionable plans.

Synergy estimates made during diligence are almost always based on imperfect information. As a result, they are often significantly over- or under-stated. This can leave leaders in the combined business feeling like they are already several steps behind right out of the gate. A robust integration process can help address this issue and ensure that the full synergy potential of the deal is realized and reflected in the bottom line.

We will focus on six best practices for converting initial synergy estimates into validated targets, robust plans and, eventually, real dollars.

1. Create clear ownership for each synergy target

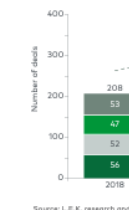
As early as possible after the integration program begins, we recommend assigning each synergy to both an individual owner and a workstream. The reason this is so important is that some synergies have cross-functional implications; without a clear "home," it can be too easy for managers to avoid taking responsibility for challenging targets.

Once assigned, the synergy owners can start the process of investigating, analyzing and refining the synergy estimates. They identify gaps in information and create clear initiatives, or action items, that detail how each synergy will be converted from a theoretical target into tangible financial results.

EXECUTIVE INSIGHTS

The HCIT Deal Landscape: An Analysis of M&A Activity

Figure 1



Source: L.E.K. research and analysis

In 2022, however, the total deals completed the historic 2018-2021 deal activity starting in December (see Figure 1).

THREE GLOBAL TRENDS ARE SHAPING DIGITAL HEALTHCARE

By Klaus Boehncke and Arnaud Bauer, L.E.K. Consulting

LEK

Digital apps and pure telemedicine companies won't put brick-and-mortar healthcare providers out of business. But a new breed of hybrid enterprise might give them a run for their money.

Everyone knows what Moore's Law has done for information technology. In 1985, a Cray-2 supercomputer weighed 2,500 kilograms, consumed 155 kilowatts of electricity, and cost \$30 million in 2010 dollars. Today, a Huawei smartwatch costs around \$130, weighs 30 grams, and runs all day on battery power. Its processor is faster than the Cray's, while its Internet-connected sensors can run an electrocardiogram. Also, it makes phone calls.

Moore's law is now transforming healthcare, an industry estimated at US\$12 trillion in 2022. Private companies and the public sector are investing heavily in digital health, a "fourth wave" of the technology revolution (see Figure 1) driven by consumer devices such as smartphones and wearables. Companies are vying to leverage apps, cloud computing, blockchain, quantum computing and artificial intelligence (AI) to establish a lead.

24 TRANSFORM

Connect with us



Stephen Sunderland

Partner, Head of SE Asia
Healthcare and Life Sciences



Arnaud Bauer

Partner, Healthcare Services
and Healthcare M&A



Saleem Butt

Principal, Healthcare and Life
Sciences



Experience

- Stephen has 21 years of experience in strategy consulting working with major clients in the private and public sectors, and is a Partner leading L.E.K.'s SE Asia MedTech practice
- Stephen has worked with major multinational companies, midsize companies, social enterprises and nonprofits, financial investors, and governments. Stephen advises clients that are active in China and SE Asia MedTech, life sciences and healthcare services, and has previously worked across a range of other sectors
- Stephen focuses on medical technology markets and has recently worked across high-value devices, low-value consumables, equipment, imaging and IVD instruments and reagents



Education

Stephen holds a Masters in Manufacturing Engineering from the University of Cambridge



<https://www.linkedin.com/in/s-sunderland/>



S.Sunderland@lek.com



Experience

- Arnaud has over 15 years of experience in strategy consulting in healthcare and private equity, advising investors, healthcare providers, and government agencies
- He has led dozens of buy/sell-side transaction engagements and greenfield investment projects across emerging Asia Pacific (Southeast Asia, India), EU and Middle East
- Arnaud advises on growth strategy, mergers and acquisition, and digital strategies. His clients include large private healthcare systems and private equity investors
- His experience in healthcare services spans across the general hospital setting all the way to clinic-case specialty care, including fertility, aesthetics, oncology, mental health, dialysis, dental care and dermatology



Education

Arnaud earned his Masters of Engineering from Ecole Centrale (France), Masters of Business from ESSEC Business School (France) in partnership with Nanyang Technological University (Singapore)



<https://www.linkedin.com/in/arnaudbauer/>



A.Bauer@lek.com



Experience

- Saleem has over 11 years of experience in strategy consulting and is a principal in L.E.K. Consulting's APAC Healthcare practice, where he specializes in advising Asian and multinational companies, and private equity investors on opportunities across the APAC region covering healthcare services, medical technologies and pharmaceutical products.
- Prior to joining L.E.K., Saleem worked for a European consulting firm, supporting multinational companies and private equity firms in their growth strategy and business development efforts across Europe.



Education

Saleem earned a Medicinal Chemistry master's degree from Imperial College London and also spent time in Hermen Overkleeft's biosyn research group at Leiden University



<https://www.linkedin.com/in/saleemshujabutt>



S.Butt@lek.com

Connect with us



L.E.K. Consulting Singapore Office

 65 6206 0960

 9 Raffles Place
Republic Plaza, #30-01,
Singapore 048619

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