

Singapore Healthcare

Analyst

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Will China's crackdown extend to the healthcare sector?

- China's healthcare authority is conducting a study/seeking feedback on the impact of listed for-profit medical institutions on the development of healthcare in China
- While it is still at a very preliminary stage and details are unknown, the market is concerned that this might spark another crackdown
- Globally, private healthcare has typically played a crucial role in easing the government's healthcare burden. However, it is hard to determine China's stance in view of its drive towards "common prosperity"
- The uncertainty may cause an overhang on Singapore-listed healthcare companies such as IHH Healthcare, Raffles Medical, and Q&M Dental that have expanded into China

What's New

China's healthcare authority's latest study on listed for-profit medical institutions sparks crackdown concerns.

We understand that China's healthcare authority is conducting a study/seeking feedback on the impact of listed for-profit medical institutions (in raising capital from the equity market) on the development of healthcare in China. According to the National Health Commission of China, it will be assessing the situation from three aspects: i) Is the equity fundraising by listed for-profit medical institutions in line with the healthcare industry's policy direction? b) Are there any negative impacts due to the equity fundraising? c) Will equity fundraising via the stock market cause a disorderly expansion in the healthcare industry?

While it is still at the very preliminary stages and details are still unknown, the market is concerned that this might

spark another crackdown on the listed healthcare companies, similar to what we have seen with the Chinese education sector previously.

Private healthcare plays a part in easing government's healthcare burden vs. China's "common prosperity".

Drawing from the experiences of many countries in the world, governments struggle to bear the full burden of rising healthcare costs and an ageing population. The pandemic has also accentuated the need for sufficient medical infrastructure, especially during emergencies. As such, private healthcare is crucial to lighten the government's healthcare cost burden and provide healthcare resources during emergencies such as the pandemic. The curtailment of one funding source (funding via equity market) could partially stifle the development and expansion of private healthcare. However, we acknowledge that it is difficult to determine China's stance in view of its drive towards "common prosperity".

Uncertainty may cause overhang on Singapore-listed healthcare companies that have expanded into China.

Singaporean healthcare companies such as IHH, Raffles Medical, and Q&M Dental have expanded into China. Currently, it is still too early to determine if this would have any impact on the foreign-listed healthcare companies currently in China. Would the bilateral economic co-operation between China and Singapore be able to shield some of the impact should China choose to execute any potential crackdown? Meanwhile, the uncertainty may cause an overhang on the share price until there is more clarity.

Flash Note

Please refer to the table below for Singaporean healthcare companies' China exposure.

Singapore-listed healthcare companies' China exposure

China Exposure (based on FY21)	% revenue	% of total asset	profit / loss
IHH	5%	9%	loss
Raffles	7%	37%	loss
Q&M	1%	15%	loss

Source: Company, DBS Bank

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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