Maybank

Health Care

Singapore

Singapore Healthcare

POSITIVE *[Unchanged]*

Rebooting medical tourism

Analyst

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Medical tourism on the mend

Based on our channel checks, foreign patients have been streaming into Singapore since Apr 2022, when the border restrictions were mostly eased with extra flights added, and the removal of entry approval requirements. While no official data was released by the relevant authorities, most healthcare providers are anecdotally seeing more patients from regional countries such as Indonesia, Malaysia, Cambodia, India, Vietnam and Laos. Even though the numbers are still below pre-Covid levels (~60% based on RFMD disclosure), we are optimistic this trend will continue to rise in the coming months.

SG remains key destination for complex treatments

Prior to the pandemic, medical tourist arrivals in Singapore were estimated at around 500,000 a year. As many as 250k-300k come from Indonesia alone, followed by Malaysia and China. Historically, we understand that foreigners make up roughly 30% of the volume load at RFMD's flagship hospital. Management expects foreign patient numbers to improve when China relaxes its quarantine requirements, possibly by the end of the year. This would further increase the group's revenue intensity given its average bill size can be up to 2-3 times higher than local patients as they usually come for more complicated surgeries/electives.

…Despite intense regional competition

Singapore faces keen competition from neighbouring countries such as Malaysia and Thailand. While they may not have the state-of-the-art facilities and well-trained medical specialists that local hospitals possess, they can carry out standard surgery at a fraction of the cost. The strong SGD vis-à-vis regional currencies also makes Singapore less affordable. But Singapore should retain its position as a high-end medical tourist destination, attracting wealthy patients who are not so cost-conscious. In our view, this benefits private healthcare providers like RFMD with its Group Practice Model that allows doctors to take a collaborative approach

RFMD is our preferred pick in the sector

Overall, we maintain our POSITIVE stance on the Singapore Healthcare sector. Our preferred stock pick is RFMD (BUY, TP: SGD1.57) on the back of its integrated & multi-disciplinary services, and a potential beneficiary of "Healthier SG" strategy given its extensive primary care network. Meanwhile, we downgrade QNM to HOLD on a lower TP of SGD0.40 due to the near-term earnings gap from significant reduction in PCR tests. While the group is focusing on the organic expansion of new dental clinics, we reckon this is likely to take some time to bear fruit given the usual gestation period of one year

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							22E	23E	22E	23E	22E	23E
Raffles Medical	RFMD SP	1,810	Buy	1.37	1.57	15	24.9	23.8	2.5	2.4	2.0	2.1
Thomson Medica	TMG SP	1,546	Not-Rated	0.08	na	na	39.5	na	3.9	na	1.5	na
Q&M Dental	QNM SP	210	Hold	0.37	0.40	8	19.6	18.5	3.6	3.9	2.7	3.0
SingMedical	SMG SP	127	Not-Rated	0.37	na	na	na	na	na	na	na	na

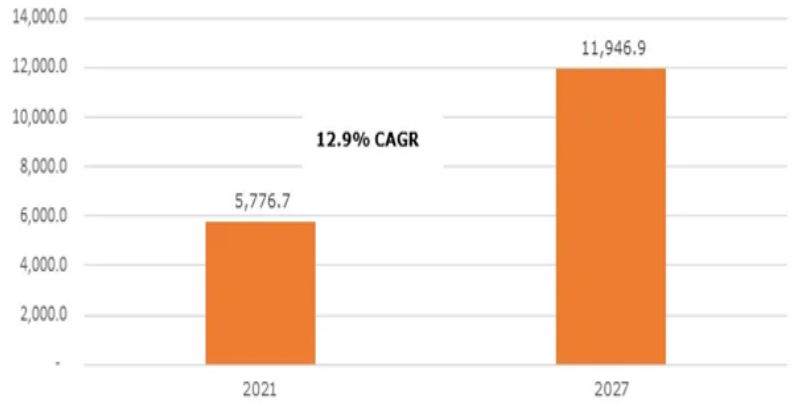
1. Growing APAC medical tourism market

1.1 Medical tourism back on course

For more than two years, the Covid-19 pandemic has dealt a heavy blow to Asia's previously thriving medical tourism sector with many clinics and hospitals practically saw zero international patients. But that is now beginning to change. Since Apr 2022, most healthcare providers have experienced improving foreign patients load in tandem with the loosening of border restrictions and the increase in flights.

So far, they have seen encouraging return of patients from neigbouring countries like Malaysia, Indonesia, India and Cambodia, among others. One of the main reasons could be due to a disparity in healthcare quality or limited healthcare capacity in their home countries, where healthcare resources may have been prioritised to contain the pandemic over the treatment of other medical conditions.

Fig 1: Asia Pacific medical tourism market size (USD m)



Source: Graphical Research

1.2 Resumption of travel with easing entry requirements

According to the latest United Nations World Travel Organization World Tourism Barometer report, international tourism is recovering at a strong pace as movement restrictions ease. In fact, international tourism surged 182% YoY in 1Q22 and the Asia Pacific region recorded a 64% increase from 2021. The reopening of borders is a particular relief for those travelers relying on foreign healthcare, as well as the private health providers themselves, whose very business model demands a regular stream of overseas patients.

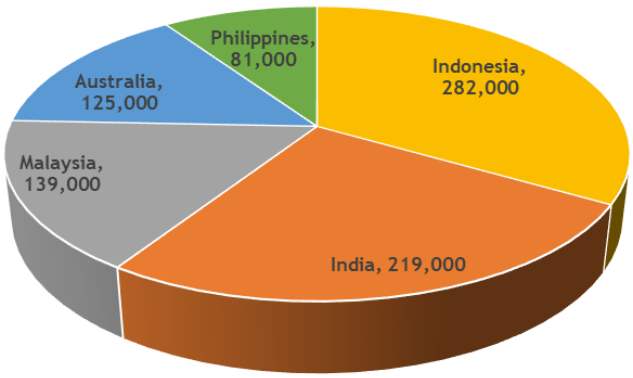
Singapore is widely recognized for its premium, high-quality, comprehensive healthcare services, ranging from health screenings to surgery, with well-trained medical specialists and cutting-edge facilities. The Medical Tourism Association ranked Singapore second place overall in the 2020-2021 Medical Tourism Index and first for the quality of healthcare facilities and services. Indeed, healthcare providers are seeing more international patients coming to Singapore for treatment following the introduction of travel-friendly protocols on 1 Apr 2022.

1.3 Singapore tourism recovery gaining momentum

The Singapore Tourism Board (STB) expects global travel to pick up pace and the nation is likely to receive between 4-6m visitors in 2022. This follows the country's reopening of borders under the Vaccinated Travel Framework launched on 1 Apr 2022. In 1H22, Singapore clocked 1.5m visitor arrivals, nearly 12 times more compared to last year (119,000). According to the STB, the top five international visitor-generating markets accounted for 56% of total visitor arrivals from Jan to Jun 2022.

Tourism receipts also reached an estimated SGD1.3b (+213% YoY) in 1Q22. While this remains a fraction of Singapore's pre-pandemic numbers, STB believes tourism flows will recover to pre-Covid levels by the mid-2020s. Since 2015, the STB has stopped providing concrete figures of medical tourism receipts. Instead, medical tourism has been placed under a generic category called "Others", which includes money tourists spend on local transport, education and business. Currently, medical tourism spending is projected to account for less than 4% of overall tourism receipts.

Fig 2: Top 5 visitor-generating markets in 1H22



Source: STB

The World Health Organization reports that Singapore has one of the best healthcare systems in Asia and sixth in the world given its cost-efficient healthcare model. Furthermore, supportive government policies to ease medical travel and improve the quality of care delivery also helps to boost Singapore's medical tourism market.

For instance, Singapore had set up International Patient Service Centres (IPSCs) that work like 'medical travel agencies'. IPSCs are designed specifically for medical tourists and expatriate patients, and are attached to hospitals to provide information and assistance for international patients. IPSCs provide hospital pricing to patients, and coordinate appointments with healthcare specialists.

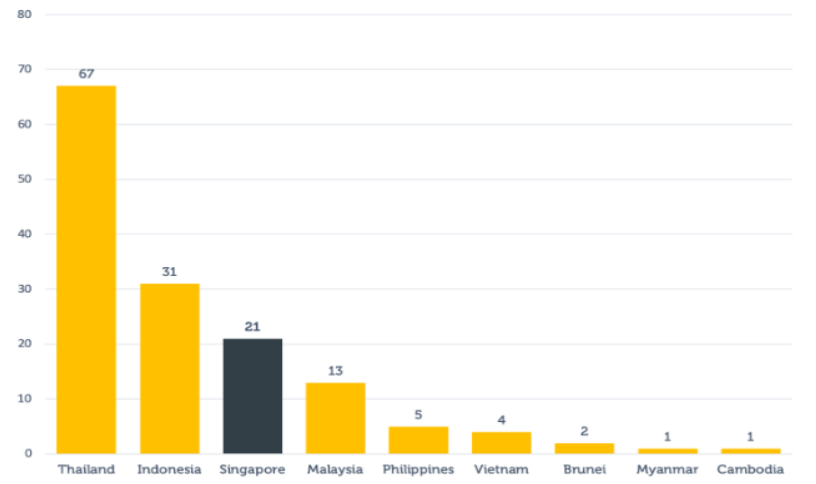
1.4 Huge pent-up demand from regional patients

Prior to the pandemic, an estimated 500,000 foreign patients visited Singapore annually for medical treatment, according to the Medical Tourism Association. Around 50-60% of these visitors are from Indonesia, which amounts to about 250-300k Indonesian tourists visiting Singapore to seek medical care each year.

Malaysia took the second spot in terms of medical tourist arrivals to Singapore. China is the third largest source market for Singapore medical tourism. Australia, the United Kingdom, Hong Kong and Thailand are the other popular source markets for Singapore medical tourism.

Most of them cited confidence in the skills of medical workers, modern healthcare equipment and cultural/language familiarities with their home countries. Singapore's clean and safe neighbourhoods, as well as well-developed infrastructure and easy access to hospitals supports this medical tourism drive. Not surprisingly, many local healthcare providers have also established regional representative offices to attract foreigners for health procedures and increase awareness among patients.

Fig 3: Number of accredited healthcare centres in the region



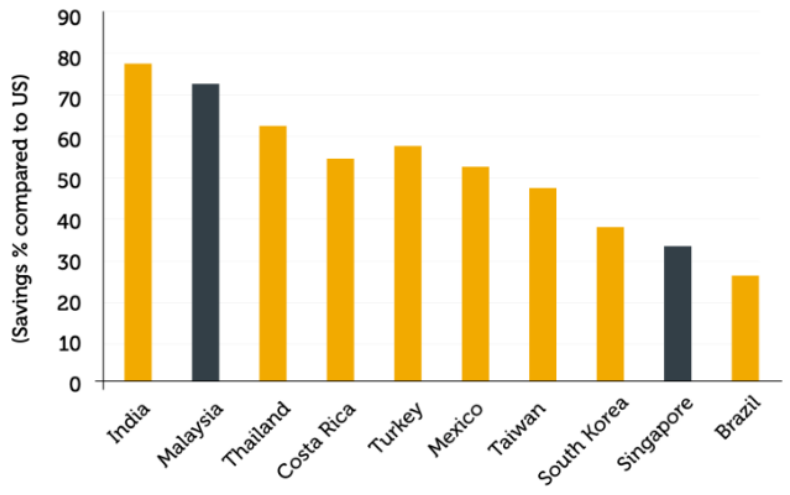
Source: Joint Commission International (JCI)

The introduction of quarantine-free and test-free entry into Singapore for all fully vaccinated travelers also significantly reduces the hassle of travelling here for medical treatment. In fact, many healthcare providers are seeing notably more foreign patients (from Indonesia, Malaysia, Cambodia, India, Vietnam and Laos, etc) coming for treatment partly due to the huge pent-up demand of returning foreign patients already familiar with Singapore.

1.5 Still a key destination for complex treatments

Nevertheless, Singapore is facing fierce competition from Malaysia, Thailand and India to retain its title as one of the region's top medical tourism destinations. While they may not have the state-of-the-art technology that Singapore's private hospitals possess, patients are increasingly able to find better value for money, particularly for standard surgery. Indeed, their prices can be as much as 30-50% lower than Singapore's, while the strong SGD vis-à-vis regional currencies also makes Singapore less affordable.

Fig 4: Singapore medical costs versus global

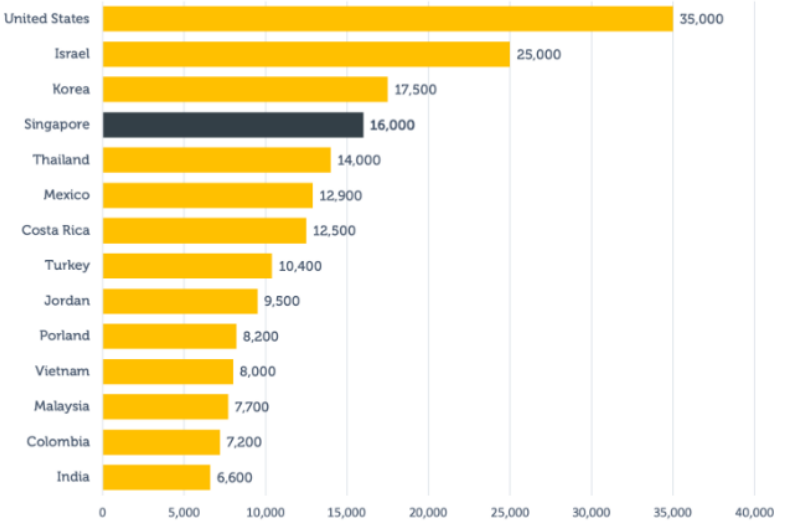


Source: Patients Beyond Borders

Furthermore, flight and accommodation expenses also add up to the higher costs, especially if patients require regular follow-ups. Not forgetting there is also a heavier cost burden on the domestic healthcare providers that is transferred to patients as the wages of doctors and nurses are the highest in ASEAN. That said, we understand most of the foreigners take up international health insurance coverage before seeking treatment in Singapore, which helps to cover some of their healthcare costs.

Prominent players in the Asia Pacific medical tourism market are Apollo Hospital Enterprise (APHS IN), Bumrungrad International Hospital (BH TB), Fortis Healthcare (FORH IN), KPJ Healthcare (KPJ MK), Max Healthcare (MAXHEALTH IN), Manipal Hospital, Narayana Health, Mount Elizabeth, Gleneagles Hospital, Raffles Medical (RFMD SP), NTT Medical Center, Asian Heart Institute, and Prince Court Medical Centre, etc.

Fig 5: USD cost of a knee replacement in selected countries



Source: Patients Beyond Borders

Notwithstanding the stiff competition, Singapore is likely to remain the high-end destination for deep-pocketed medical tourists, especially in more complex treatments such as oncology, organ transplants, orthopedics, cardiology, neurology, etc that result in high revenue levels per patient. Hence, we believe Singapore will continue to attract premium regional patients that prioritise high-quality healthcare delivery and are therefore, less price sensitive. This should also benefit private hospital providers like RFMD given their strong branding and integrated medical services.

As for smaller healthcare players, most of them usually choose to undertake several inorganic strategies, such as collaborations, mergers and acquisitions to maintain their niche positioning. For example, the Singapore Medical Group (SMG SP) took the approach of partnering Indonesia's Ciputra Group to set up an eye-care centre in Jakarta. Thomson Medical (TMG SP) refers patients from its centres in Malaysia and Indonesia here if they require technology or expertise that is not readily available in their home country.

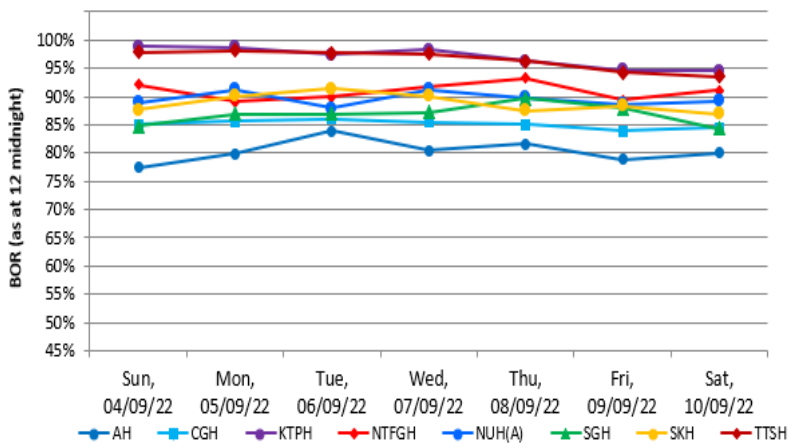
2. SG embarks on major healthcare reform

2.1 Launching "Healthier SG" in 2023

Against the backdrop of an aging population and the need for more sustainable healthcare spending, the Ministry of Health (MOH) has just released a White Paper on "Healthier SG" strategy to embark on a major transformation of the healthcare system. Under the proposal, residents will be encouraged to choose and enroll with a family doctor, who will then serve as a first point-of-contact to holistically manage their health. Enrolment will open to residents aged 60 years and above in 2H23, followed by those in the 40-59 age group in the next two years.

There are five key features: 1) mobilise family doctors to deliver preventive care for residents; 2) develop health plans that include lifestyle adjustments, regular health screening and appropriate vaccinations, which doctors will discuss with residents; 3) activate community partners to support residents in leading healthier lifestyles; 4) launch a national enrolment exercise for residents to commit to seeing one family doctor and adopt a health plan; and 5) set up necessary enablers such as IT, manpower development plan and financing policy.

Fig 6: Beds occupancy rate at public hospitals



Source: MOH

The initiative is a radical departure from the current model which is more correctly described as "sick care" rather than "healthcare". In the current volume-based model, more care means more revenue for healthcare operators, and hence a perverse incentive to under-emphasize preventive health and over-service patients when they consult.

In a full capitation model, funding is provided upfront to the health system to cater to all the healthcare needs of the covered population. This funding model changes the entire dynamic — providing a service, say a bypass surgery, is no longer a revenue but a cost to a public healthcare operator. By shifting away from the traditional focus on illness-based hospital care to patient-centred preventive care, the government hopes to nip diseases in the bud and avoid the risks of its healthcare system being overwhelmed.

2.2 Activating the network of family physicians

Under the new programme, primary care is the lynchpin and general practitioners and other community partners will be central to Healthier SG. The MOH will partner the three healthcare clusters to better support the GPs who are operating within their region and integrating them more closely with the overall health system, such as by enabling data sharing and building up team-based care. While the MOH has been working together with GP clinics for some time as part of the Community Health Assist Scheme (CHAS) scheme, it intends to deepen that partnership, and leverage on this to deliver better health outcomes.

A geographical approach will be used to enroll residents so that each individual can get care and support near where they live. Currently, close to nine in 10 residents visit a family physician or hospital near their home. MOH will preserve individual choice in enrolling with a family physician, even if the doctor is practicing far away from their home and/ or operates in an area that is coordinated by another healthcare cluster. Those who wish to switch to a different GP may also do so up to four times upon initial enrolment in the first two years, and once a year for the subsequent years.

Healthier SG will start with the care protocols of three of the most common chronic conditions: diabetes, hypertension and lipid disorders. In the future, the protocols will expand to cover more conditions and areas such as mental health. MOH will fully subsidise nationally recommended screenings and vaccinations for Singapore citizens, and waive the need for residents to co-pay 15% of their bills in cash when using MediSave for the treatment of common chronic conditions. Additionally, it will make drug prices at participating GP clinics more comparable with those at polyclinics via a combination of enhanced drug subsidies and drug price limits.

However, MOH will need to get the funding structure right in order to obtain buy-in from family doctors in private practices. To kick-start this, it will offer GPs an annual service fee for each enrolled resident, which will vary according to the risk profile, scope of care and the progress made, as well as a tech support grant. They will also get variable fees when they get their patients to comply with recommended vaccinations, screenings or tests.

These doctors will have to join a so-called Primary Care Network, partner a healthcare cluster, and be digitally enabled. There are now 23 polyclinics and about 1,800 GP clinics, of which 670 clinics have formed such networks. We think this would potentially benefit RFMD in terms of higher patient load when enrolment begins next year given its huge network of primary care clinics in Singapore (>80 out of over 100 across 14 cities and 5 countries).

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Health Care

Singapore

Raffles Medical Group (RFMD SP)

In the pink of health

BUY

Share Price	SGD 1.37
12m Price Target	SGD 1.57 (+15%)
Previous Price Target	*SGD 1.57*

Our Top Pick in the sector; maintain BUY

RFMD's share price has rallied 19% since the positive 1H22 earnings surprise, largely driven by its healthcare division. The outperformance was due to several factors: i) increased outpatient volumes and GP services; ii) continued operation of the CTFs (until at least end-2022); and iii) strong operational leverage from reduced costs and more efficient staffing (less PCR tests). We retain BUY with DCF-based TP of SGD1.57 (LTG: 2.5%, COE: 8%). RFMD remains our preferred pick in the healthcare sector.

Group practice model is more cost effective

Historically, c.30% of RFMD's hospital patients are foreigners, mostly nationals from regional countries. It offers health tourism packages and international patient services to take care of their needs. Notably, the hospital Group Practice Model of collaborative care also allows its medical specialists to offer team-based care, which is especially important for patients who have multiple medical conditions and require the care of more than one doctor. As a team, specialists diagnose and treat patients efficiently. As such, costs are kept low by not repeating consultations or examinations unnecessarily.

Healthcare segment should continue to do well

RFMD has over 7,000 corporate clients and management continues to focus on pursuing growth in this segment. Its clinic network is also part of the government's PHPC scheme. In line with MOH's Protocol 1, low-risk individuals with mild symptoms are advised to see a doctor instead of going to the A&E. The recent easing of indoor mask requirement along with resumption of social and mass gatherings has also made it easier for common illness to spread, especially as Covid-19 has not gone away. We thus remain cautiously optimistic of the group's 2H22 performance.

China reopening may provide the next catalyst

RFMD has been operating in China since 2010 and provides healthcare in eight cities, including Hong Kong. This is more than half of its current total of 14 cities across Asia. This year, the group will open an in-vitro fertilization/assisted reproductive therapy centre in Hainan. According to Vincent Chia, MD of Raffles China Healthcare, it plans to increase the number of cities to 20 in the next 3-5 years. Despite experiencing sporadic Covid lockdowns in China, we expect its Shanghai and Chongqing hospitals to see gradual recovery in patients load from next year onwards.

FYE Dec (SGD m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	568	724	758	796	835
EBITDA	124	161	188	198	206
Core net profit	66	84	102	107	111
Core EPS (cts)	3.6	4.5	5.5	5.8	6.0
Core EPS growth (%)	10.2	24.0	22.1	4.8	3.8
Net DPS (cts)	2.5	2.8	2.8	2.9	3.0
Core P/E (x)	27.4	30.4	24.9	23.8	22.9
P/BV (x)	2.1	2.7	2.5	2.4	2.3
Net dividend yield (%)	2.5	2.0	2.0	2.1	2.2
ROAE (%)	7.6	9.1	10.3	10.3	10.2
ROAA (%)	4.9	5.7	6.5	6.6	6.6
EV/EBITDA (x)	14.4	15.5	12.9	11.9	11.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	100	92	103
MKE vs. Consensus (%)	-	-	2.3	16.6	7.7

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Company Description

Raffles Medical owns and operates hospitals and medical clinics in the region

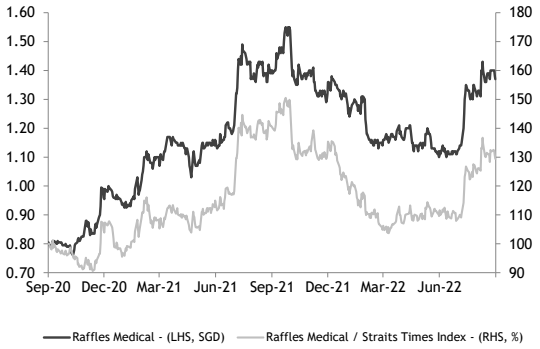
Statistics

52w high/low (SGD)	1.55/1.10
3m avg turnover (USDm)	2.0
Free float (%)	41.1
Issued shares (m)	1,876
Market capitalisation	SGD2.6B
	USD1.8B

Major shareholders:

LOO CHOON YONG	52.5%
S&D Holdings Pte Ltd.	3.3%
The Vanguard Group, Inc.	1.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	4	25	(1)
Relative to index (%)	4	18	(8)

Source: FactSet

Glossary:
CTF – Community Treatment Facilities
PHPC- Public Health Preparedness Clinic

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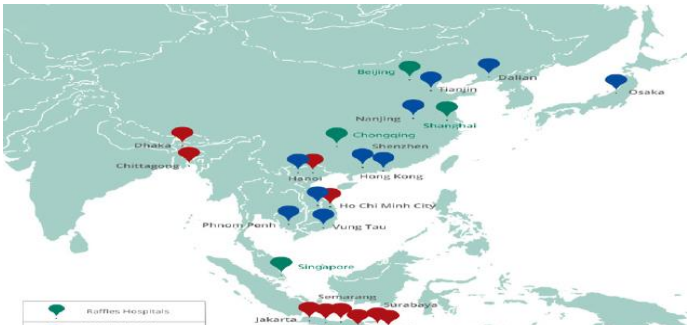
Tear Sheet Insert

Value Proposition

- Provides private medical services that fill the gap between cheap-but-slow public services and fast-and-affordable private healthcare.
- Foreign patient volumes and elective procedures could recover in line with easing border restrictions.
- As the market in Singapore becomes saturated, we expect China to be the next long-term growth engine.

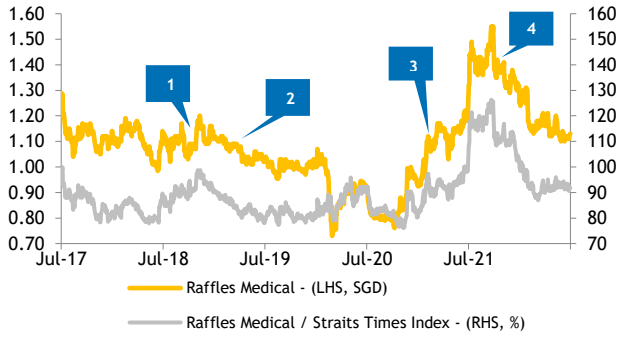
Strong regional presence



Source: Company

Price Drivers

Historical share price trend



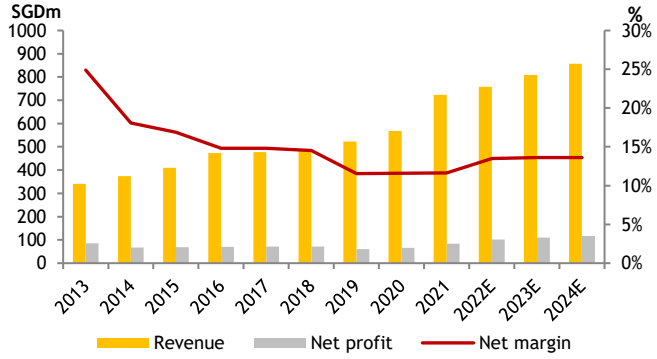
Source: Company, FactSet, Maybank IBG

1. Signed a MOU with China Taiping to jointly provide medical / healthcare insurance solutions.
2. Opened Raffles Hospital Chongqing – a 700 bed hospital with GFA of more than 100,000 sqm.
3. Signed MOU with China Life Insurance to provide medical services, and healthcare management/financing.
4. Raffles Hospital Shanghai – a 400 bed tertiary hospital spanning 70,000 sqm officially opened in Pudong Qiatan.

Financial Metrics

- While FY22E EPS is likely to decline on lower Covid-19 related services, we believe improving local patient load at its clinics should help to offset some of the adverse impact.
- Balance sheet is strong with net cash position, which enables the group to maintain its core payout ratio of c.50%.
- Capex should gradually revert to normalised levels with the completion of its Raffles Hospital Shanghai.

Net profit, margin and revenue



Source: Company, Maybank IBG

Swing Factors

Upside

- Faster-than-expected breakeven of new China hospitals.
- Cyclical recovery of foreign patient volumes.
- Stronger-than-expected EPS growth from higher revenue intensity, market share gains, etc.

Downside

- Further delay in EBITDA breakeven for Chongqing and Shanghai hospitals in light of China's stringent Covid-19 policy.
- Loss of competitiveness of medical tourism in Singapore.
- Decline in domestic market share due to increased competitive pressures from both private and public hospitals.

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Risk Rating & Score[1]	25.5
Score Momentum[2]	-1.5
Last Updated	14 April 2021
Controversy Score[3] (Updated: 05 July 2017)	Low -1

Business Model & Industry Issues

- As a medical services provider, regulatory compliance and patient safety are among the highest priorities for both RMG and stakeholders. Employees' welfare, access to healthcare, economic performance and customer experience are also important priorities. The lowest priorities include waste and local supplies.
- While RMG sees energy and water usage as of medium significance, whereas stakeholders view these as low priority.
- RMG complies with all relevant laws and regulations and it submits periodic reports to relevant parties. RMG also has procedures to safeguard customer information.
- Raffles Hospital Singapore has been JCI accredited since 2008, and it has various committees to review clinical quality to promote patient safety.

Material E issues

- Raffles Hospital Singapore received the Green Mark certification in 2019 by the Building & Construction Authority. Among other requirements, Green Mark buildings have to maintain temperature in public areas within 24-26C and relative humidity less than 65%.
- In 2021, the water consumption index improved to 1.18m3/GFA (2020: 1.38); the electricity consumption index was comparable at 1.86 kWh/GFA) from 186; and recycling tonnage improved to 78 tons from 42 tons.
- Among practical measures that RMG has taken to be more energy and water efficient are to install smart meters, timers and motion sensors, as well as water-efficient fittings.

Material S issues

- RMG trains physicians, nurses, allied health and healthcare managers in collaboration with local medical schools, polytechnics and vocational institutions to provide clinical training for undergraduates and postgraduates.
- It observes fair employment practices and also promotes workplace diversity as this is an advantage in catering to its various patient groups.
- As at 2021, RMG had a workforce of 2,766 employees (FY20: 2,631).
- Average training hours per employee fell to 6.5 in 2021 from 16 in 2020.
- Workplace injury rate increased to 19.5 in 2021 from 12.5 in 2020. However, this was due to improved reporting processes.
- Employee turnover rate fell to 22% in 2021 from 28% in 2020.

Key G metrics and issues

- The board consists of 11 members, of which three are executives, including the founder, chairman and CEO Dr Loo Choon Yong, and one is non-executive and non-independent. The remaining directors are independent (64%).
- The nominating, audit and remuneration committees are chaired by independent directors.
- Two independent directors have served for more than nine years. The board determined that these two directors remain independent.
- Auditor is KPMG LLP, appointed in 2019.
- RMG complies with all relevant statutory and regulatory requirements, and submits periodic reports to relevant government agencies and bodies.
- Raffles Hospital Singapore has been accredited by the JCI since 2008; a testament to its commitment to patient safety and care.
- There are several committees (e.g. medical audit committee, critical care committee etc) that look into the different areas of clinical quality. In addition, the quality committee has oversight of these committees with the aim to improve patient safety.
- RMG has clear policies relating to Personal Data Protection Act, and it has data protection officers to ensure adequate action is taken to protect personal data, including customers'. There was no incident of leak, theft or loss of customer data in 2021.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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Quantitative parameters (Score: 48)						
	Particulars	**Unit**	**2019**	**2020**	**2021**	**KPJ MK (2021)**
E	Scope 1 GHG emissions	m tCO2e	N/A	N/A	N/A	N/A
	Scope 2 GHG emissions	m tCO2e	N/A	N/A	N/A	110.4
	Total	**m tCO2e**	N/A	N/A	N/A	110.4
	Scope 3 GHG emissions	m tCO2e	N/A	N/A	N/A	6.8
	Total	**m tCO2e**	N/A	N/A	N/A	117.2
	GHG intensity (Scope 1 and 2)	tCO2e/t	N/A	N/A	N/A	16.2
	Electricity consumption	kWh/GFA	175	186	125	161.1
	Water consumption	m3/GFA	1.38	1.18	0.79	1.26
	General waste (non-hazardous) consumption	ton/GFA	0.013	0.009	0.005	1.56
	Biohazard Waste Index	bins/GFA	0.056	0.098	0.062	0.53
	Paper recycled	tonnes	42	78	48	N/A
	Food waste digested	tonnes	N/A	N/A	30	N/A
	Cases of environmental non-compliance	number	0	0	0	0
S	% of women in workforce	%	N/A	N/A	N/A	78%
	% of women in management roles	%	45%	45%	45%	36%
	Average training hours per employee	hours	16	6.5	11.7	34
	Employee volunteerism	hours	214	36	544	352
G	CEO/MD salary as % of reported net profit	%	N/A	N/A	N/A	2.6%
	Board salary as % of reported net profit	%	N/A	N/A	N/A	4.0%
	Independent directors on the Board	%	64%	64%	64%	45%
	Female directors on the Board	%	18%	18%	18%	18%

Qualitative Paramaters (Score: 64)

a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?

Yes. The Committee is responsible for monitoring and overseeing the group's sustainability efforts and strategy.

b) Is the senior management salary linked to fulfilling ESG targets?

No

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?

Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

No

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

The group is embarking on projects that have significant savings in its cooling towers, such as adopting technology and reducing usage of chemical treatment in cooling tower maintenance. These will help achieve higher efficiency while reducing water consumption.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes

Target (Score: 80)		
Particulars	**Target**	**Achieved**
Reduce electricity consumption	10%	33%
Reduce general waste consumption	5%	44%
Reduce water consumption	5%	33%
Reduce food waste digested (tonnes)	30	30
Amount of paper recycled (tonnes)	50	48

Impact

NA

Overall score: 60

As per our ESG matrix, Raffles Medical Group (RFMD SP) has an overall score of 60.

ESG score	Weights	Scores	Final Score
Quantitative	50%	48	24
Qualitative	25%	64	16
Target	25%	80	20
Total			**60**

As per our ESG assessment, RFMD has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in improving its quantitative "E" metrics YoY. Its overall ESG score is 60 which makes its ESG rating above average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

Fig 1: DCF valuation

Items (SGDm)	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Revenue	795.9	834.5	873.6	912.9	952.3	991.7	1030.6	1069.2	1107.4	1144.9
Growth	*5%*	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*
EBIT	154.0	159.7	168.3	176.3	184.5	192.9	201.0	209.1	217.0	224.7
Growth	*5%*	*4%*	*5%*	*5%*	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*
Margin	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*20%*	*20%*	*20%*	*20%*
add D&A	43.8	45.8	47.6	49.1	50.5	51.8	53.0	54.3	55.5	56.8
less tax paid & associates	(41.3)	(42.8)	(45.2)	(47.4)	(49.7)	(52.1)	(54.4)	(56.6)	(58.8)	(61.0)
less addition to WC	9.1	4.1	1.3	1.2	1.1	1.0	0.8	0.7	0.6	0.5
less capex	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
FCFF	135.6	136.8	142.0	149.2	156.4	163.5	170.5	177.5	184.4	191.1
Terminal value										3560.8
PV	125.6	117.3	112.7	109.7	106.4	103.0	99.5	95.9	92.2	1737.8
Total discounted FCF	2700.2									
Less net debt	201.2									
No. of shares outstanding (m)	1,852.4									
TP	1.57									
Implied P/E	27.8									

Source: Maybank IBG Research

Fig 2: DCF assumptions

Items		Comment
WACC (%)	**8.0**	RMG is net-cash over the long run
Cost of debt (%)	5.0	
Cost of equity (%)	8.0	
Beta (x)	0.8	Bloomberg: 0.7x. Reduced from 1x to factor in our view of lower China execution risks
Risk free rate (%)	2.5	
Market return (%)	9.0	
LTG assumption (%)	2.5	

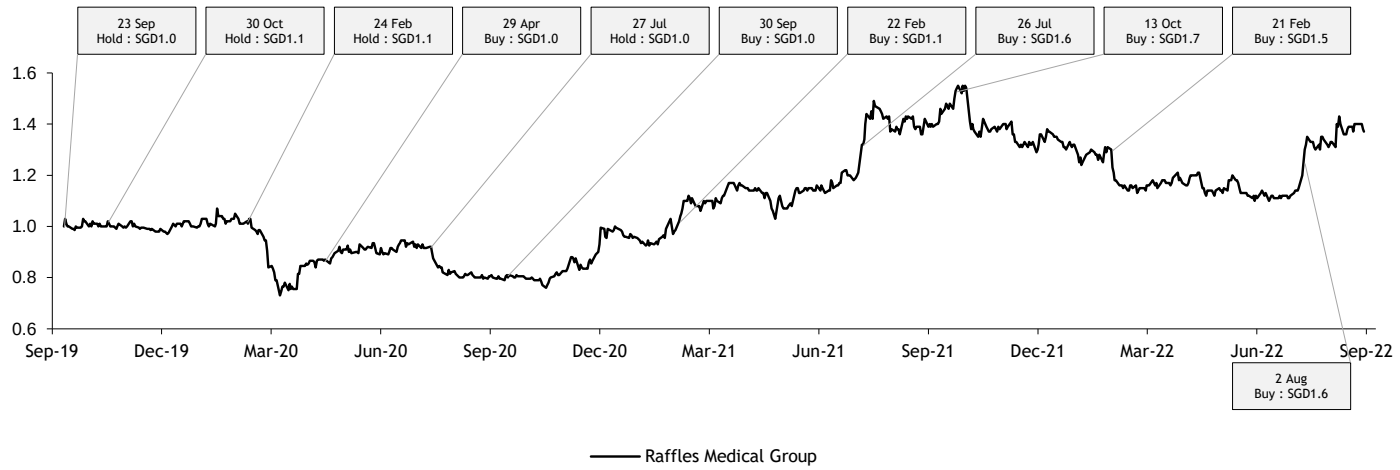
Source: Maybank IBG, Bloomberg

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	24.3	27.2	24.9	23.8	22.9
Core P/E (x)	27.4	30.4	24.9	23.8	22.9
P/BV (x)	2.1	2.7	2.5	2.4	2.3
P/NTA (x)	2.1	2.7	2.5	2.4	2.3
Net dividend yield (%)	2.5	2.0	2.0	2.1	2.2
FCF yield (%)	3.3	3.8	4.7	5.1	5.1
EV/EBITDA (x)	14.4	15.5	12.9	11.9	11.1
EV/EBIT (x)	20.2	20.5	16.4	15.3	14.3
INCOME STATEMENT (SGD m)					
Revenue	568.2	723.8	757.9	796.0	834.7
EBITDA	123.9	160.6	187.7	197.8	205.6
Depreciation	(35.5)	(39.3)	(40.7)	(43.8)	(45.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	88.4	121.3	147.1	154.0	159.8
Net interest income /(exp)	(4.0)	(5.7)	(6.3)	(6.6)	(6.9)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	84.4	115.6	140.8	147.4	152.9
Income tax	(19.8)	(31.9)	(39.4)	(41.3)	(42.8)
Minorities	1.2	0.5	0.6	0.7	0.8
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	65.9	84.2	101.9	106.8	110.9
Core net profit	65.9	84.2	101.9	106.8	110.9
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	203.1	265.0	304.2	357.2	415.0
Accounts receivable	113.4	160.7	144.7	152.7	160.8
Inventory	14.6	13.4	12.7	13.9	14.8
Property, Plant & Equip (net)	739.9	797.4	806.7	807.9	802.1
Intangible assets	34.1	31.8	31.8	31.8	31.8
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	299.0	277.0	277.0	277.0	277.0
Total assets	**1,404.1**	**1,545.3**	**1,577.1**	**1,640.5**	**1,701.6**
ST interest bearing debt	27.2	96.3	86.7	78.0	70.2
Accounts payable	191.4	253.6	243.9	262.2	275.4
LT interest bearing debt	143.9	77.9	77.9	77.9	77.9
Other liabilities	127.0	141.0	141.0	141.0	141.0
Total Liabilities	**489.7**	**568.7**	**549.3**	**559.0**	**564.4**
Shareholders Equity	899.0	960.8	1,011.3	1,064.3	1,119.3
Minority Interest	15.4	15.8	16.4	17.1	17.9
Total shareholder equity	**914.4**	**976.6**	**1,027.8**	**1,081.5**	**1,137.3**
Total liabilities and equity	**1,404.1**	**1,545.3**	**1,577.1**	**1,640.5**	**1,701.6**
CASH FLOW (SGD m)					
Pretax profit	84.4	115.6	140.8	147.4	152.9
Depreciation & amortisation	35.5	39.3	40.7	43.8	45.8
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	7.7	14.2	7.0	9.2	4.1
Cash taxes paid	(9.7)	(21.7)	(39.4)	(41.3)	(42.8)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	117.9	147.3	149.0	159.1	160.0
Capex	(58.9)	(49.9)	(30.0)	(30.0)	(30.0)
Free cash flow	59.1	97.4	119.0	129.1	130.0
Dividends paid	(19.2)	(37.3)	(51.4)	(53.9)	(55.9)
Equity raised / (purchased)	0.8	5.6	0.0	0.0	0.0
Change in Debt	6.0	3.2	(9.6)	(8.7)	(7.8)
Other invest/financing cash flow	(11.7)	(20.6)	1.2	1.4	1.6
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	34.9	48.3	59.2	68.0	67.9

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	8.8	27.4	4.7	5.0	4.9
EBITDA growth	17.6	29.6	16.9	5.4	3.9
EBIT growth	16.1	37.2	21.2	4.7	3.7
Pretax growth	11.2	36.9	21.8	4.7	3.7
Reported net profit growth	9.3	27.7	21.1	4.8	3.8
Core net profit growth	9.3	27.7	21.1	4.8	3.8
Profitability ratios (%)					
EBITDA margin	21.8	22.2	24.8	24.8	24.6
EBIT margin	15.6	16.8	19.4	19.3	19.1
Pretax profit margin	14.9	16.0	18.6	18.5	18.3
Payout ratio	68.8	62.1	50.0	50.0	50.0
DuPont analysis					
Net profit margin (%)	11.6	11.6	13.5	13.4	13.3
Revenue/Assets (x)	0.4	0.5	0.5	0.5	0.5
Assets/Equity (x)	1.6	1.6	1.6	1.5	1.5
ROAE (%)	7.6	9.1	10.3	10.3	10.2
ROAA (%)	4.9	5.7	6.5	6.6	6.6
Liquidity & Efficiency					
Cash conversion cycle	(373.7)	(455.7)	(549.4)	(510.9)	(509.9)
Days receivable outstanding	62.5	68.2	72.5	67.2	67.6
Days inventory outstanding	32.9	35.1	34.4	32.2	32.6
Days payables outstanding	469.2	559.0	656.4	610.3	610.1
Dividend cover (x)	1.5	1.6	2.0	2.0	2.0
Current ratio (x)	1.2	1.1	1.2	1.3	1.4
Leverage & Expense Analysis					
Asset/Liability (x)	2.9	2.7	2.9	2.9	3.0
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	22.1	21.2	23.3	23.4	23.2
Debt/EBITDA (x)	1.4	1.1	0.9	0.8	0.7
Capex/revenue (%)	10.4	6.9	4.0	3.8	3.6
Net debt/ (net cash)	(32.1)	(90.8)	(139.6)	(201.3)	(266.9)

Source: Company; Maybank IBG Research

Historical recommendations and target price: Raffles Medical Group (RFMD SP)



Maybank

Health Care

Singapore

Q&M Dental Group (QNM SP)

A transition year

HOLD *[Prior:BUY]*

Share Price	SGD 0.37
12m Price Target	SGD 0.40 (+8%)
Previous Price Target	*SGD 0.78*

2Q22 below market expectations; D/G to HOLD

To recap, QNM's 2Q22 net profit of SGD3.4m (48% QoQ; -60% YoY) was disappointing due to the sharply lower-than-expected contribution from PCR tests. While 2Q revenue fell 13% YoY to SGD44.1m, earnings suffered more due to negative operating leverage amid current inflationary pressures. To conserve cash, the group did not declare an interim DPS. We cut our FY22-24E EPS by over 40% on complete removal of testing revenues and slower core dental business growth. Downgrade to HOLD with a lower TP of SGD0.40 as we roll forward our valuation to 20x FY23E P/E.

Outlet expansion to drive core dental business

Management will now focus on its dental operations (SG/MY: +17/+7 new outlets in the last 12 months) and has initiated a strategy of intensive organic growth going forward. At the same time, the Group will continue to look for opportunities to further expand its core healthcare business through the opening of more dental clinics in the region. Even as the Group seeks to further grow its network, we are cognisant of the increased staff costs in this tight labour market, as well as the gestation period of about one year for new outlets to break-even.

TechMed could be next growth engine

Meanwhile, Q&M is looking to develop and optimise its digital Artificial Intelligence (AI) guided clinical decision support system to provide the most effective and suitable treatment plans for patients. While this could potentially be the next blockbuster, catering to rising demand for primary and high-value specialist dental healthcare services, we think continued investments could weigh on its bottomline in the near-term.

Looks to roll out pipeline of new tests

To offset the rapid decline in Covid tests volumes/prices, the Group's 51%-owned subsidiary, Acumen Diagnostics, aims to progressively roll out its pipeline of new PCR tests. These include tests for sepsis, identification of bacteria pathogens and their associated antimicrobial resistance in hospitalised pneumonia, as well as colorectal cancer screening and pharmacogenomics. But given the lack of visibility on commercialisation, we do not assume any contributions from these new ventures.

FYE Dec (SGD m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	138	206	182	184	185
EBITDA	38	64	43	43	44
Core net profit	20	26	18	19	20
Core EPS (cts)	2.5	2.8	1.9	2.0	2.1
Core EPS growth (%)	9.3	12.1	(32.7)	6.0	5.1
Net DPS (cts)	3.4	4.0	1.0	1.1	1.2
Core P/E (x)	15.7	21.6	19.6	18.5	17.6
P/BV (x)	2.5	6.1	3.6	3.9	4.3
Net dividend yield (%)	8.7	6.6	2.7	3.0	3.2
ROAE (%)	16.2	28.3	18.8	20.2	23.4
ROAA (%)	6.8	9.6	6.7	7.3	7.9
EV/EBITDA (x)	9.1	9.6	8.9	8.8	8.8
Net gearing (%) (incl perps)	23.1	28.8	24.5	27.7	32.5
Consensus net profit	-	-	22	26	28
MKE vs. Consensus (%)	-	-	(17.6)	(25.1)	(27.7)

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Company Description

Q&M Dental is one of the leading integrated dental healthcare groups in Asia, which owns the largest network of private dental outlets in Singapore

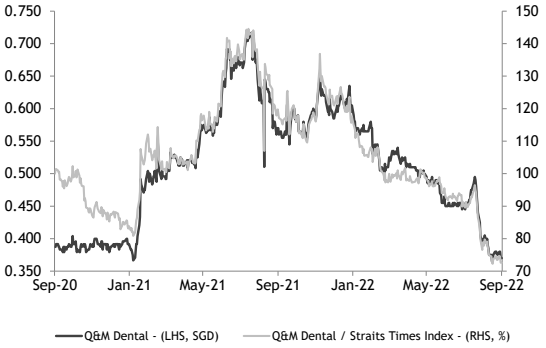
Statistics

52w high/low (SGD)	0.65/0.37
3m avg turnover (USDm)	0.2
Free float (%)	34.2
Issued shares (m)	805
Market capitalisation	SGD297.8M
	USD210M

Major shareholders:

Quan Min Holdings Pte Ltd.	50.2%
Heritas Capital Management Pte Ltd.	6.7%
Q & M Dental Group (Singapore) Ltd.	2.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(5)	(19)	(35)
Relative to index (%)	(5)	(23)	(39)

Source: FactSet

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Tear Sheet Insert

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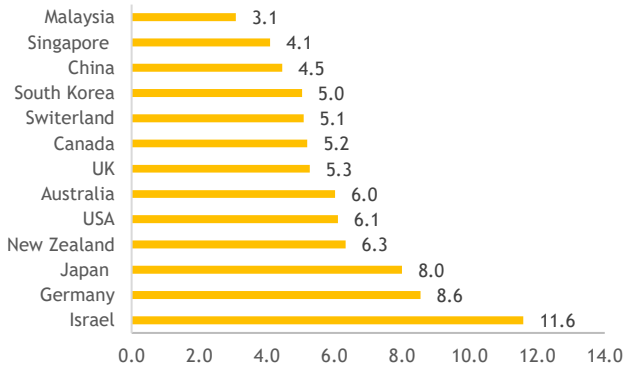
Value Proposition

- Fills the gap between cheap-but-slow public dental services and premium services.
- Group model enables dentists to concentrate on core duties and leverage the firm's strong branding to attract patients.
- Healthy balance sheet with low gearing provides ample headroom for more organic expansion and accretive M&As.
- Covid-19 testing presents a new growth engine as the Singapore Government plans to raise its daily testing capacity by tapping private sector healthcare players.

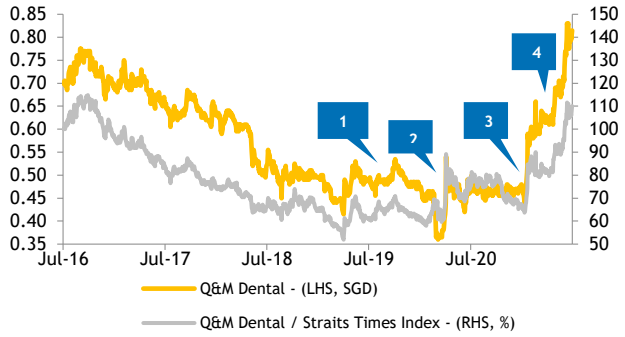
No. of dentists per 10,000 people



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend



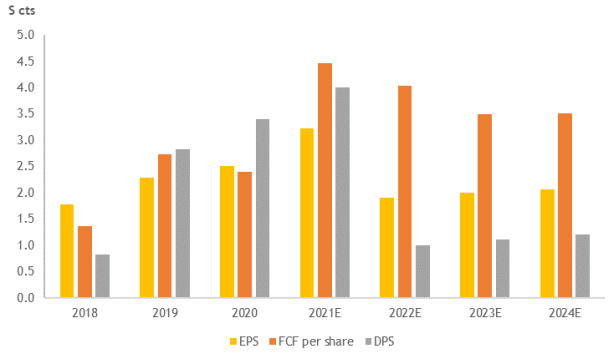
Source: Company, Maybank IBG Research

1. Proposed disposal of 36% stake in Aidite for SGD49m, giving rise to an estimated one-off gain of SGD19m. Net proceeds will be used for working capital and business expansion purposes.
2. Appoints Azion Healthcare as the exclusive distributor for cu-Corona® 3.0 in Mexico.
3. Its 51% subsidiary, Acumen was granted a healthcare institution licence from MOH to conduct SARS-CoV-2 PCR testing services for COVID-19.
4. FY20 net profit rose 10% YoY due to higher revenue from existing and new dental outlets. Declared special DPS of 2.5 cents.

Financial Metrics

- We expect sustainable revenue growth due to sale of Covid-19 test kits & testing, and contribution from new outlets.
- However, higher capex is expected as the Group progressively expands more dental clinics in Singapore and Malaysia over the next few years.
- Free cash flow is likely to stay positive given its robust cash generating business model.

EPS, FCF per share and DPS



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Better-than-expected sale of Covid-19 test kits and laboratory testing.
- Ability to add more dental clinics at strategic locations to entrench its dominant market position.
- Potential accretive M&A to accelerate growth given the group's conservative balance sheet.

Downside

- Unable to attract new dentists or longer-than-expected gestation loss at new outlets.
- Lower patient volumes due to imposition of stricter measures amid another Covid-19 resurgence.
- Market share loss in its key markets due to keen competitive pressures from other players.

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Risk Rating & Score[1]	NOT RATED
Score Momentum[2]	na
Last Updated	na
Controversy Score[3]	na

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Business Model & Industry Issues

- As a dental services provider, its first priority was the safety of all patients and employees amid the current COVID-19 pandemic and it had implemented tighter access and strict infection control protocols.
- In managing its supply chain, the Group ensures that its suppliers are continually assessed by management in accordance with the guiding principles established in its procurement policies.
- On the clinical front, it is working towards gradually obtaining "Eco-Shop" certifications at its clinics over the next few years. This is aimed at guiding and encouraging retailers to fit out their shops in an environmentally-sustainable manner, as well as to adopt eco-friendly habits and implement green practices in their daily operations.

Material E issues

- Q&M handles different types of clinical waste on a daily basis and it is important that its waste management process is conducted under a safe and sustainable manner.
- Licensed waste disposal vendors are engaged to collect and dispose sharps and biohazardous waste to ensure adherence to requirements stated in the Private Hospital and Medical Clinics Act by the Ministry of Health.
- The Group has yet to implement tracking mechanism to measure the quantity of waste disposed. However, the vendors it engaged have a proper system in place to collate data on the amount of waste collected to analyse.
- It will ensure all the defective ionising radiation irradiating apparatus such as x-ray machines are properly returned to the equipment vendor/distributor for proper disposal.
- There were no reported non-compliances with regulations relating to disposal of hazardous and non-hazardous waste.

Material S issues

- As at 31 Dec 2021, the group has a total of 713 employees under its Singapore and Malaysia operations. Of which, 77 are temporary employees and they are treated in accordance with salary practices in the region it operates in as part of the fair working environment practice.
- To ensure sustainability of its pool of dentists, the Group has launched its first private dentistry institution in Singapore, Q&M College of Dentistry which offers post-graduate diploma studies in clinical dentistry and Q&M Dental Group Scholarship Scheme in Oct '19.
- All dentists must meet the mandatory requirements under the Dental Registration Act and the Medical Registration Act respectively. They are also required to fulfil certain number of hours of Continuing Professional Education in order to proceed with their practicing certificates renewal.
- In FY21, there were 3 minor and non-fatal workplace accidents where clinic assistants suffered cuts and/or pricks by needles.

Key G metrics and issues

- Board consists six directors, of whom two are executive directors, one is a non-executive, non-independent chairman, and three are independent (50%). There is one female director.
- The nominating, audit and remuneration committees are chaired by independent directors.
- Founder and CEO Dr. Ng Chin Siau's deemed stake in company is approximately 54.46%.
- Two independent directors have served more than nine years from date of appointments. This will be taken into consideration when evaluating its board renewal.
- Diversified background of independent directors from legal and accounting with strong industry knowledge.
- Key management/ directors' compensation accounted for c.2%/1% of total employee compensation in 2021.
- Auditor is RSM Chio Lim LLP, which were appointed in 2016.
- It has a zero tolerance approach towards corrupt and dishonest practices or acts of bribery to obtain an unfair advantage and its employees are expected to report any concerns or unethical behaviour.
- All complaints or information would be forwarded to the Chairman of AC or CFO. There was no reported incident pertaining to whistle blowing during FY21.
- In Sep '20, the Group had discovered a case relating to the misappropriation of company's funds which involved two employees from its clinics in Johor. A police report has been lodged immediately following the discovery of the incident and the investigation is still ongoing.
- In Jan '21, Q&M reached a full settlement for RM3.5m against Madam Chong Lee Lee and her husband, Dr Hong An Liang on claim that the duo transferred company funds into their personal accounts. Thy also had set up a competing outfit behind Q&M Johor clinics, using its resources without permission.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Quantitative parameters (Score: 58)					
	Particulars	**Unit**	**2019**	**2020**	**2021**	**RFMD SP (2021)**
E	Scope 1 GHG emissions	m tCO2e	N/A	N/A	N/A	N/A
	Scope 2 GHG emissions	m tCO2e	N/A	N/A	N/A	N/A
	Total	**m tCO2e**	N/A	N/A	N/A	N/A
	Scope 3 GHG emissions	m tCO2e	N/A	N/A	N/A	N/A
	Total	**m tCO2e**	N/A	N/A	N/A	N/A
	GHG intensity (Scope 1 and 2)	tCO2e/t	N/A	N/A	N/A	N/A
	Energy consumption	m KWh	1.92	2.08	2.28	N/A
	Energy intensity ratio	KWh/m^2	258.4	274.0	247.1	N/A
	Water consumption	m3	20,228	19,198	21,439	N/A
	Water intensity ratio	m3/m2	2.8	2.6	2.3	N/A
	Air emissions intensity	ton/kT	N/A	N/A	N/A	N/A
	NPE (New Plastic Economy) investments	SGD m	N/A	N/A	N/A	N/A
	Cases of environmental non-compliance	number	0	0	0	0
S	% of women in workforce	%	79%	78%	84%	N/A
	% of women in management roles	%	40%	29%	33%	45%
	Lost time injury frequency (LTIF) rate	number	0.0	0.0	0.0	0.0
	Average training hours per employee	hours	13.9	3.7	4.1	11.7
G	CEO/MD salary as % of reported net profit	%	7.8%	3.6%	9.1%	N/A
	Board salary as % of reported net profit	%	2.7%	3.2%	4.3%	N/A
	Independent directors on the Board	%	50%	37.5%	37.5%	64%
	Female directors on the Board	%	16.7%	12.5%	12.5%	18%

Qualitative Paramaters (Score: 68)

a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?

Yes. Led by the CEO and COO, the committee oversees the implementation of the group's overall sustainability strategy.

b) is the senior management salary linked to fulfilling ESG targets?

No

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?

Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

No

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

1) Installation of thimbles in taps; 2) All new clinics were installed with refrigerated areas to store clinical waste prior to disposal; and 3) engaged licensed waste disposal suppliers to collect and dispose sharps & biohazardous waste.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes

Target (Score: 40)		
Particulars	**Target**	**Achieved**
Reduce electricity consumption per clinic	N/A	N/A
Maximise water efficiency per clinic	N/A	N/A
Minimise clinical waste per clinic	N/A	N/A
Maintain zero-reported data privacy incidents	0	0
Increase average training hours for staff	3.0	4.1
Impact		
NA		
Overall score: 56		
As per our ESG matrix, Q&M Dental (QNM SP) has an overall score of 56.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	58	29
Qualitative	25%	68	17
Target	25%	40	10
Total			**56**

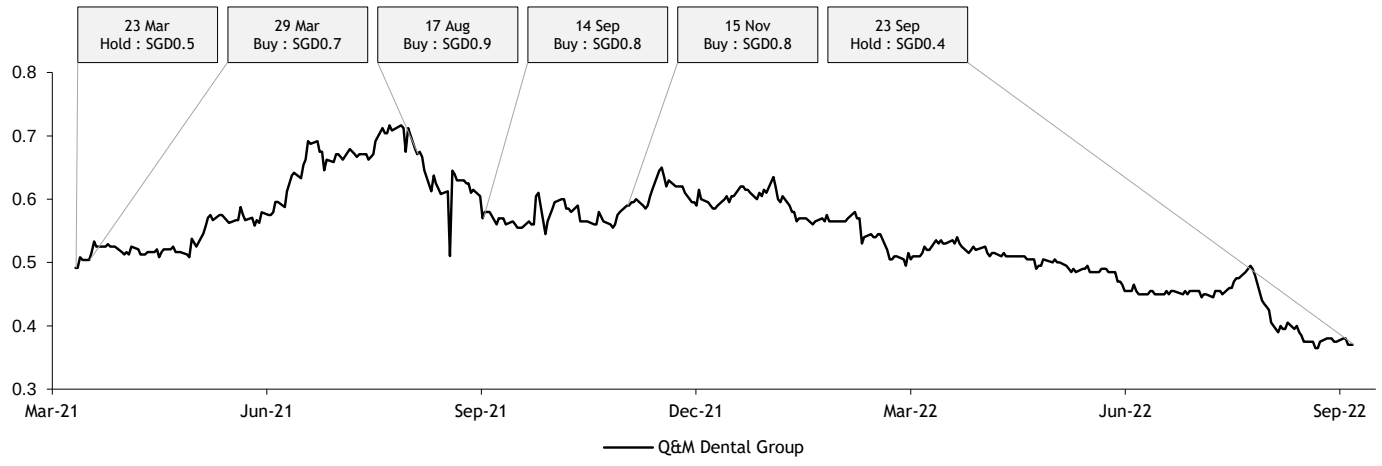
As per our ESG assessment, Q&M has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in improving its quantitative "E" metrics YoY. Its overall ESG score is 56, which makes its ESG rating above average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	15.2	17.4	19.6	18.5	17.6
Core P/E (x)	15.7	21.6	19.6	18.5	17.6
P/BV (x)	2.5	6.1	3.6	3.9	4.3
P/NTA (x)	4.5	13.3	8.9	11.3	16.1
Net dividend yield (%)	8.7	6.6	2.7	3.0	3.2
FCF yield (%)	6.1	7.4	10.9	9.4	9.5
EV/EBITDA (x)	9.1	9.6	8.9	8.8	8.8
EV/EBIT (x)	13.1	12.2	14.4	14.4	14.4
INCOME STATEMENT (SGD m)					
Revenue	137.6	205.6	182.4	183.8	185.5
EBITDA	37.5	63.7	43.2	43.4	43.6
Depreciation	(11.5)	(13.6)	(16.6)	(16.8)	(17.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	26.0	50.1	26.6	26.6	26.6
Net interest income /(exp)	(3.8)	(3.0)	(3.1)	(3.2)	(3.2)
Associates & JV	0.2	(0.5)	(1.5)	(1.0)	(0.5)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	22.4	46.7	22.0	22.5	22.9
Income tax	(2.5)	(7.3)	(2.9)	(2.7)	(2.5)
Minorities	(0.1)	(8.9)	(0.9)	(0.4)	(0.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	19.7	30.5	18.2	19.3	20.3
Core net profit	19.7	26.5	18.2	19.3	20.3
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	48.8	47.6	52.8	52.0	50.3
Accounts receivable	18.2	27.8	25.5	25.7	26.0
Inventory	16.1	15.9	13.7	13.8	13.9
Reinsurance assets	0.0	0.0	0.0	0.0	1.0
Property, Plant & Equip (net)	78.4	84.3	76.2	68.4	60.4
Intangible assets	55.6	60.2	60.2	60.2	60.2
Investment in Associates & JVs	43.7	27.0	27.0	27.0	27.0
Other assets	13.0	13.3	13.3	13.3	14.3
Total assets	**273.8**	**276.2**	**268.8**	**260.4**	**253.1**
ST interest bearing debt	1.9	1.9	1.9	1.9	1.9
Accounts payable	16.5	26.2	21.6	21.8	22.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	1.0
LT interest bearing debt	75.5	75.5	75.5	75.5	75.5
Other liabilities	56.0	69.0	69.0	69.0	69.0
Total Liabilities	**149.9**	**172.9**	**168.3**	**168.5**	**169.7**
Shareholders Equity	121.1	94.4	99.5	91.5	82.3
Minority Interest	2.8	8.9	0.9	0.4	0.1
Total shareholder equity	**123.9**	**103.2**	**100.5**	**91.9**	**82.4**
Perpetual securities	0.0	0.0	0.0	0.0	1.0
Total liabilities and equity	**273.8**	**276.2**	**268.8**	**260.4**	**253.1**
CASH FLOW (SGD m)					
Pretax profit	22.4	46.7	22.0	22.5	22.9
Depreciation & amortisation	11.5	13.6	16.6	16.8	17.0
Adj net interest (income)/exp	3.8	3.0	3.1	3.2	3.2
Change in working capital	(11.1)	(5.6)	4.8	0.0	(0.0)
Cash taxes paid	(1.2)	(3.1)	(1.2)	(1.2)	(1.2)
Other operating cash flow	0.4	(3.7)	2.0	1.5	1.0
Cash flow from operations	25.8	50.8	47.4	42.8	43.0
Capex	(7.0)	(8.6)	(8.5)	(9.0)	(9.0)
Free cash flow	18.8	42.2	38.9	33.8	34.0
Dividends paid	(22.2)	(48.8)	(9.7)	(10.6)	(11.6)
Equity raised / (purchased)	0.0	(3.1)	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	1.0
Change in Debt	(9.4)	8.6	(10.0)	(10.0)	(10.0)
Perpetual securities distribution	0.0	0.0	0.0	0.0	1.0
Other invest/financing cash flow	34.3	(17.1)	(14.0)	(14.0)	(11.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	1.0
Net cash flow	21.5	(18.1)	5.2	(0.9)	4.4

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	7.5	49.4	(11.3)	0.8	0.9
EBITDA growth	7.0	69.8	(32.2)	0.4	0.5
EBIT growth	27.8	92.9	(46.9)	(0.1)	0.1
Pretax growth	11.2	108.5	(52.8)	1.9	2.1
Reported net profit growth	9.5	54.7	(40.2)	6.0	5.1
Core net profit growth	9.5	34.4	(31.1)	6.0	5.1
Profitability ratios (%)					
EBITDA margin	27.3	31.0	23.7	23.6	23.5
EBIT margin	18.9	24.4	14.6	14.5	14.4
Pretax profit margin	16.3	22.7	12.1	12.2	12.4
Payout ratio	135.9	123.9	53.0	55.0	57.1
DuPont analysis					
Net profit margin (%)	14.3	14.8	10.0	10.5	11.0
Revenue/Assets (x)	0.5	0.7	0.7	0.7	0.7
Assets/Equity (x)	2.3	2.9	2.7	2.8	3.1
ROAE (%)	16.2	28.3	18.8	20.2	23.4
ROAA (%)	6.8	9.6	6.7	7.3	7.9
Liquidity & Efficiency					
Cash conversion cycle	8.2	(3.4)	(23.9)	(16.1)	(16.0)
Days receivable outstanding	138.0	40.3	52.7	50.2	50.2
Days inventory outstanding	146.5	129.5	123.6	113.8	113.6
Days payables outstanding	276.3	173.2	200.2	180.1	179.8
Dividend cover (x)	0.7	0.8	1.9	1.8	1.8
Current ratio (x)	2.9	2.1	2.4	2.3	2.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.6	1.6	1.5	1.5
Net gearing (%) (incl perps)	23.1	28.8	24.5	27.7	32.5
Net gearing (%) (excl. perps)	23.1	28.8	24.5	27.7	32.9
Net interest cover (x)	6.9	16.7	8.6	8.4	8.3
Debt/EBITDA (x)	2.1	1.2	1.8	1.8	1.8
Capex/revenue (%)	5.1	4.2	4.7	4.9	4.9
Net debt/ (net cash)	28.6	29.8	24.6	25.4	27.1

Source: Company; Maybank IBG Research

Historical recommendations and target price: Q&M Dental Group (QNM SP)



Maybank

Health Care

Singapore

Singapore Medical Group (SMG SP)

To accept or not?

Not Rated

Share Price SGD 0.37

Niche private specialist healthcare provider

Established in 2005 and listed on the SGX since 2009, SMG is a private specialist healthcare provider with an extensive network of more than 45 owned and associated clinics covering over 25 medical specialties. Its Health and Diagnostic & Aesthetics segments contributed about 62% and 38% of FY21 revenue respectively. The Group has a growing regional presence in Ho Chi Minh City, Vietnam, Jakarta and Surabaya in Indonesia and across multiple cities in Australia following several investments and JVs with strategic partners.

Medical tourism drives topline amid cost increases

1H22 revenue grew 8.9% YoY to a record of SGD54.1m, driven by higher growth within the diagnostic segment and key specialist verticals such as imaging, oncology and cardiology, as well as the return of medical tourism. Foreign patients historically account for about 15-20% of SMG's total turnover. That said, the group faces headwinds in terms of costs pressure as 1H22 net profit fell 12.9% YoY to SGD6.3m, due to increases in doctors' remuneration, staff costs and the absence of wage credits.

Pursues organic growth via increasing capacity

Apart from its overseas expansion, SMG is also charting organic growth initiatives in Singapore through the opening of new clinics and increasing capacity within existing facilities. To take advantage of the sustained demand from consumers, the group seeks to further strengthen its niche position within the women's and children's space through the hiring of new O&G specialists and paediatricians. The group has a pretty robust balance sheet with net cash of SGD24.6m as at end-Jun 2022.

Privatisation bid from controlling shareholders

TLW Success, an investment vehicle owned by SMG's top executives, recently launched an offer to take it private at SGD0.37/share in cash or 1 new share in the bidder. This values the group at SGD180m or c.14x FY22 annualised P/E. To-date, TLW has received irrevocable undertakings from key shareholders, which hold about 51.7% stake to accept the share alternative of the offer. Note the offer is conditional upon TLW and its concert parties holding more than 90% of the group at the offer's close. If successful, TLW does not intend to retain SMG's listing status.

FYE Dec (SGD m)	FY17A	FY18A	FY19A	FY20A	FY21A
Revenue	68	85	95	87	101
EBITDA	0	15	17	14	16
Core net profit	8	13	14	9	16
Core EPS (cts)	2.0	2.7	2.8	1.8	3.2
Core EPS growth (%)	140.5	35.6	3.3	(36.0)	78.5
Net DPS (cts)	0.0	0.0	0.4	0.4	0.7
Core P/E (x)	28.5	14.6	10.6	17.7	9.4
P/BV (x)	2.4	1.5	1.0	1.0	0.9
Net dividend yield (%)	0.0	0.0	1.3	1.3	2.1
ROAA (%)	8.4	7.4	7.2	4.5	8.0
EV/EBITDA (x)	nm	12.9	8.9	10.8	8.6
Net gearing (%) (incl perps)	net cash	net cash	3.5	net cash	net cash

Company Description

Singapore Medical Group is a private specialist healthcare provider with an extensive network of medical clinics covering over 25 medical specialties

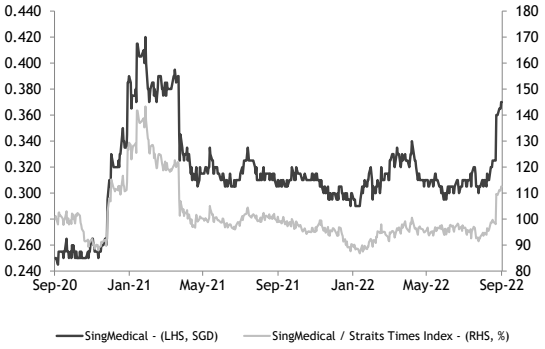
Statistics

52w high/low (SGD)	0.37/0.29
3m avg turnover (USDm)	0.2
Free float (%)	48.8
Issued shares (m)	486
Market capitalisation	SGD180.0M
	USD127M

Major shareholders:

Cha Biotech Co., Ltd.	23.8%
TAN CHOON KEAT	7.5%
LIANG BENG TECK	6.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	19	23	19
Relative to index (%)	19	17	13

Source: FactSet

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MAYBANK IBG DISCOVERY+

FYE 31 Dec	FY17A	FY18A	FY19A	FY20A	FY21A
Key Metrics					
P/E (reported) (x)	28.9	17.2	13.3	14.4	10.2
Core P/E (x)	28.5	14.6	10.6	17.7	9.4
P/BV (x)	2.4	1.5	1.0	1.0	0.9
P/NTA (x)	(24.2)	45.4	7.9	5.1	3.4
Net dividend yield (%)	0.0	0.0	1.3	1.3	2.1
FCF yield (%)	3.2	7.4	16.1	11.4	12.6
EV/EBITDA (x)	nm	12.9	8.9	10.8	8.6
EV/EBIT (x)	22.9	12.8	8.8	10.5	8.3
INCOME STATEMENT (SGD m)					
Revenue	68.0	85.1	94.7	87.3	100.8
EBITDA	0.0	14.6	16.7	13.5	15.6
Depreciation	(2.6)	(4.0)	(9.2)	(9.3)	(9.4)
Amortisation	0.0	(0.1)	(0.2)	(0.4)	(0.5)
EBIT	10.2	14.6	17.0	13.9	16.0
Net interest income /(exp)	(0.7)	(1.1)	(1.4)	(1.0)	(0.5)
Associates & JV	(0.3)	0.1	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	1.0	2.0	3.0
Pretax profit	9.5	14.1	15.8	10.1	17.2
Income tax	(0.8)	(1.2)	(2.4)	(1.4)	(2.4)
Minorities	(0.2)	0.0	0.0	(0.4)	(0.1)
Perpetual securities	0.0	0.0	1.0	2.0	3.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	8.5	12.9	13.7	8.7	15.6
Core net profit	8.5	12.9	13.7	8.7	15.6
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	21.3	20.0	27.3	25.6	26.6
Accounts receivable	6.3	7.1	7.3	6.8	6.5
Inventory	1.5	1.7	1.8	1.8	2.0
Property, Plant & Equip (net)	13.5	13.7	20.7	16.7	19.6
Intangible assets	119.2	126.5	126.9	123.9	124.0
Investment in Associates & JVs	1.5	7.4	7.6	8.5	19.8
Other assets	4.3	5.5	5.9	7.3	3.4
Total assets	**167.6**	**181.8**	**197.6**	**190.5**	**201.8**
ST interest bearing debt	3.2	6.2	20.8	10.4	6.3
Accounts payable	1.9	1.6	2.1	1.9	2.1
LT interest bearing debt	8.3	11.7	11.7	7.0	7.9
Other liabilities	46.0	32.0	18.0	18.0	19.0
Total Liabilities	**59.3**	**51.5**	**53.0**	**37.0**	**35.3**
Shareholders Equity	108.3	130.8	145.3	154.1	167.9
Minority Interest	0.1	(0.5)	(0.7)	(0.6)	(1.4)
Total shareholder equity	**108.3**	**130.3**	**144.6**	**153.5**	**166.5**
Perpetual securities	0.0	0.0	1.0	2.0	3.0
Total liabilities and equity	**167.6**	**181.8**	**197.6**	**190.5**	**201.8**
CASH FLOW (SGD m)					
Pretax profit	9.5	14.1	15.8	10.1	17.2
Depreciation & amortisation	0.0	4.0	9.4	9.7	9.8
Adj net interest (income)/exp	(0.5)	(0.8)	(1.0)	(1.2)	(0.5)
Change in working capital	0.2	(0.2)	2.1	1.2	1.3
Cash taxes paid	0.1	0.9	1.9	1.4	2.0
Other operating cash flow	0.5	(0.4)	(1.3)	(0.1)	(4.3)
Cash flow from operations	12.8	17.4	26.1	20.9	24.5
Capex	(5.0)	(3.4)	(2.1)	(1.6)	(4.2)
Free cash flow	7.8	14.0	24.6	17.6	18.7
Dividends paid	0.0	0.0	0.0	(1.9)	(1.9)
Equity raised / (purchased)	15.5	6.8	0.7	(0.1)	0.0
Perpetual securities	0.0	0.0	1.0	2.0	3.0
Change in Debt	7.6	3.4	(0.4)	(12.1)	(5.3)
Perpetual securities distribution	0.0	0.0	1.0	2.0	3.0
Other invest/financing cash flow	(17.0)	(0.6)	(16.6)	(1.1)	(5.9)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	13.5	(1.3)	7.3	(1.7)	1.0

FYE 31 Dec	FY17A	FY18A	FY19A	FY20A	FY21A
Key Ratios					
Growth ratios (%)					
Revenue growth	63.5	25.1	11.3	(7.7)	15.5
EBITDA growth	na	nm	14.8	(19.0)	15.1
EBIT growth	313.3	43.9	15.8	(18.1)	15.3
Pretax growth	179.2	48.7	12.0	(36.2)	70.4
Reported net profit growth	250.8	52.1	5.7	(36.1)	78.8
Core net profit growth	250.8	52.1	5.7	(36.1)	78.8
Profitability ratios (%)					
EBITDA margin	0.0	17.1	17.7	15.5	15.4
EBIT margin	15.0	17.2	17.9	15.9	15.9
Pretax profit margin	13.9	16.6	16.7	11.5	17.0
Payout ratio	0.0	0.0	14.1	22.1	20.1
DuPont analysis					
Net profit margin (%)	12.5	15.2	14.4	10.0	15.5
Revenue/Assets (x)	0.4	0.5	0.5	0.5	0.5
Assets/Equity (x)	1.5	1.4	1.4	1.2	1.2
ROAE (%)	na	na	na	na	na
ROAA (%)	8.4	7.4	7.2	4.5	8.0
Liquidity & Efficiency					
Cash conversion cycle	22.4	26.9	26.4	27.6	23.1
Days receivable outstanding	27.5	28.2	27.3	28.9	23.7
Days inventory outstanding	12.2	12.2	12.0	13.1	12.0
Days payables outstanding	17.3	13.5	12.9	14.5	12.5
Dividend cover (x)	nm	nm	7.1	4.5	5.0
Current ratio (x)	0.9	0.8	0.9	1.2	1.4
Leverage & Expense Analysis					
Asset/Liability (x)	2.8	3.5	3.7	5.1	5.7
Net gearing (%) (incl perps)	net cash	net cash	3.5	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	3.6	net cash	net cash
Net interest cover (x)	14.1	13.3	12.1	14.0	32.5
Debt/EBITDA (x)	nm	1.2	1.9	1.3	0.9
Capex/revenue (%)	7.4	4.0	2.3	1.8	4.2
Net debt/ (net cash)	(9.8)	(2.1)	5.2	(8.2)	(12.4)

Source: Company; Maybank IBG Research

Maybank

Health Care

Singapore

Thomson Medical Group (TMG SP)

Not Rated

Share Price SGD 0.08

Gearing for next stage of growth

Solid FY22 results; declares special DPS

Last month, TMG reported net profit more than tripled to SGD53.8m in FY22, boosted by higher patient load, larger average bill size, Covid-related projects and the opening of a new wing in Malaysia. Group EBITDA also jumped by 64.4% YoY to SGD109.7m on the back of better operating leverage amid a 38.8% YoY rise in revenue to a record high of SGD333.7m. In line with the stellar results, the group declared a special DPS of 0.115 cent for FY22, up from 0.015 cent last year.

Growing bigger market share in obstetrics

Looking ahead, TMG will focus on the execution of its network expansion plan with the opening of new centres and clinics in Singapore. The group recently expanded its Thomson Chinese Medicine services following the addition of a fourth clinic in Novena. With the transition to an endemic phase of Covid-19, management is seeing an improving trend of in-patient loads at its hospital. We understand that its paediatric business has also ramped up in to a healthy level due to pent-up demand. Concurrently, the group will continue to support the government in managing vaccination centres and Transitional Care Facilities.

Opens new expansion wing at THKD

In Malaysia, the Group expects sustained recovery in patient volumes and case intensity handled especially in the fertility business along with the borders reopening. Meanwhile, its expansion project at Thomson Hospital Kota Damansara (THKD) has been completed and the Certificate of Completion and Compliance had already been obtained. According to management, the hospital is opening the new wing in phases and had commenced operations in 3Q22.

Tapping technology for healthcare services

Despite its relatively high net gearing of 0.77x, the group is confident that its healthy cash balance of SGD161.6m should provide it with sufficient funds to see through its committed growth plans and seize any new growth areas. In particular, management sees huge opportunities to deploy data analytics to enhance quality of patient care, and to develop new business verticals. Valuation wise, TMG is trading at >40x FY22A P/E. There is currently no broker covering this stock.

FYE Jun (SGD m)	FY18A	FY19A	FY20A	FY21A	FY22A
Revenue	104	216	328	240	334
EBITDA	(22)	25	(50)	44	91
Core net profit	(56)	11	(97)	14	54
Core EPS (cts)	(1.2)	0.0	(0.4)	0.1	0.2
Core EPS growth (%)	nm	nm	nm	nm	300.0
Net DPS (cts)	0.0	0.0	0.0	0.0	0.1
Core P/E (x)	nm	nm	nm	172.0	39.5
P/BV (x)	1.0	2.3	3.1	4.6	3.9
Net dividend yield (%)	0.0	0.4	0.0	0.2	1.5
ROAE (%)	(14.7)	2.0	(16.3)	2.9	10.5
ROAA (%)	(10.1)	1.1	(7.0)	1.1	4.1
EV/EBITDA (x)	nm	89.2	nm	64.8	28.9
Net gearing (%) (incl perps)	27.1	58.2	90.9	89.8	79.1

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Company Description

Thomson Medical is one of the largest private provider of healthcare services for women and children in Singapore

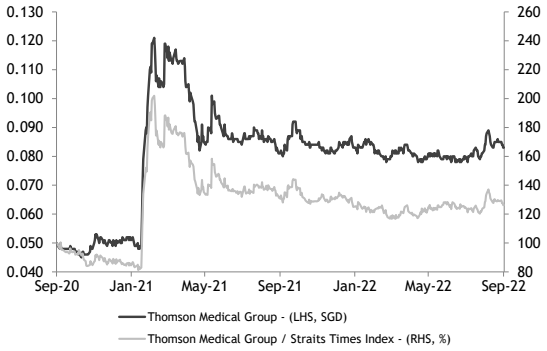
Statistics

52w high/low (SGD)	0.09/0.08
3m avg turnover (USDm)	0.3
Free float (%)	10.2
Issued shares (m)	26,441
Market capitalisation	SGD2.2B
	USD1.5B

Major shareholders:

LIM ENG HOCK /MCLAREN/	89.6%
The Vanguard Group, Inc.	0.5%
Norges Bank Investment Management	0.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	4	2
Relative to index (%)	(2)	(2)	(3)

Source: FactSet

MAYBANK IBG DISCOVERY+

FYE 30 Jun	FY18A	FY19A	FY20A	FY21A	FY22A
Key Metrics					
P/E (reported) (x)	nm	nm	nm	140.0	41.7
Core P/E (x)	nm	nm	nm	172.0	39.5
P/BV (x)	1.0	2.3	3.1	4.6	3.9
P/NTA (x)	1.2	7.4	(155.1)	735.0	43.9
Net dividend yield (%)	0.0	0.4	0.0	0.2	1.5
FCF yield (%)	nm	nm	nm	0.1	1.9
EV/EBITDA (x)	nm	89.2	nm	64.8	28.9
EV/EBIT (x)	nm	66.0	nm	64.2	28.8
INCOME STATEMENT (SGD m)					
Revenue	104.3	215.6	327.8	240.4	333.7
EBITDA	(22.4)	24.6	(49.8)	44.1	91.4
Depreciation	(8.9)	(17.5)	(26.4)	(18.0)	(17.9)
Amortisation	(4.9)	(2.7)	(0.7)	(0.4)	(0.4)
EBIT	(17.5)	33.2	(48.7)	44.5	91.8
Net interest income /(exp)	(7.5)	(18.2)	(38.0)	(23.6)	(23.5)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(59.7)	22.0	(79.5)	26.2	69.3
Income tax	(0.5)	(7.3)	(14.4)	(9.3)	(10.7)
Minorities	1.8	(3.9)	(3.1)	(2.7)	(4.8)
Discontinued operations	0.0	(8.7)	(2.2)	0.0	0.0
Reported net profit	(56.2)	10.8	(97.0)	14.2	53.8
Core net profit	(56.2)	10.8	(97.0)	14.2	53.8
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	23.3	121.7	160.0	122.7	161.6
Accounts receivable	30.1	21.5	22.2	25.7	60.1
Inventory	175.8	148.5	102.2	100.9	98.8
Property, Plant & Equip (net)	66.4	345.8	419.1	446.4	457.5
Intangible assets	59.1	489.1	487.5	486.7	484.1
Investment in Associates & JVs	27.3	0.0	0.0	0.0	0.0
Other assets	159.7	362.4	103.4	103.3	102.9
Total assets	**541.5**	**1,489.1**	**1,294.3**	**1,285.8**	**1,364.9**
ST interest bearing debt	100.1	236.6	5.6	6.1	233.0
Accounts payable	0.0	14.6	13.0	9.6	86.5
LT interest bearing debt	21.2	341.7	657.0	625.0	409.9
Other liabilities	59.0	112.0	66.0	79.0	27.0
Total Liabilities	**180.0**	**704.9**	**741.5**	**719.7**	**756.6**
Shareholders Equity	360.7	714.0	477.9	489.8	531.7
Minority Interest	0.8	70.1	75.0	76.2	76.7
Total shareholder equity	**361.5**	**784.1**	**552.9**	**566.0**	**608.3**
Total liabilities and equity	**541.5**	**1,489.1**	**1,294.3**	**1,285.8**	**1,364.9**
CASH FLOW (SGD m)					
Pretax profit	(59.7)	22.0	(79.5)	26.2	69.3
Depreciation & amortisation	13.8	14.2	26.8	18.4	18.3
Adj net interest (income)/exp	(7.5)	(19.2)	(36.0)	(22.3)	(22.1)
Change in working capital	12.5	0.5	15.2	(0.7)	(9.9)
Cash taxes paid	1.0	11.1	14.3	6.5	8.3
Other operating cash flow	35.7	(16.5)	80.5	(4.4)	(6.6)
Cash flow from operations	(0.9)	23.5	42.6	39.0	70.7
Capex	(14.2)	(24.3)	(75.8)	(37.6)	(28.1)
Free cash flow	(15.1)	(0.6)	(39.4)	1.7	39.0
Dividends paid	0.0	0.0	(6.6)	0.0	(4.0)
Equity raised / (purchased)	0.0	0.1	30.8	0.0	0.0
Change in Debt	3.7	387.0	69.2	(30.9)	10.2
Other invest/financing cash flow	6.1	(362.7)	(0.6)	21.2	21.0
Effect of exch rate changes	(0.3)	(0.0)	(0.4)	(0.3)	(1.1)
Net cash flow	(13.0)	4.5	14.5	(37.3)	38.9

FYE 30 Jun	FY18A	FY19A	FY20A	FY21A	FY22A
Key Ratios					
Growth ratios (%)					
Revenue growth	(9.8)	106.8	52.0	(26.7)	38.8
EBITDA growth	nm	nm	nm	nm	107.2
EBIT growth	nm	nm	nm	nm	106.1
Pretax growth	nm	nm	nm	nm	164.7
Reported net profit growth	nm	nm	nm	nm	277.6
Core net profit growth	nm	nm	nm	nm	277.6
Profitability ratios (%)					
EBITDA margin	nm	11.4	nm	18.4	27.4
EBIT margin	nm	15.4	nm	18.5	27.5
Pretax profit margin	nm	10.2	nm	10.9	20.8
Payout ratio	0.0	250.0	0.0	30.0	57.5
DuPont analysis					
Net profit margin (%)	nm	5.0	nm	5.9	16.1
Revenue/Assets (x)	0.2	0.1	0.3	0.2	0.2
Assets/Equity (x)	1.5	2.1	2.7	2.6	2.6
ROAE (%)	(14.7)	2.0	(16.3)	2.9	10.5
ROAA (%)	(10.1)	1.1	(7.0)	1.1	4.1
Liquidity & Efficiency					
Cash conversion cycle	nm	521.5	227.4	264.2	149.2
Days receivable outstanding	110.8	43.1	24.0	35.8	46.3
Days inventory outstanding	nm	500.9	228.5	256.9	198.4
Days payables outstanding	nm	22.5	25.1	28.5	95.5
Dividend cover (x)	nm	0.4	nm	3.3	1.7
Current ratio (x)	nm	1.4	3.9	3.0	0.9
Leverage & Expense Analysis					
Asset/Liability (x)	3.0	2.1	1.7	1.8	1.8
Net gearing (%) (incl perps)	27.1	58.2	90.9	89.8	79.1
Net gearing (%) (excl. perps)	27.1	58.2	90.9	89.8	79.1
Net interest cover (x)	na	1.8	na	1.9	3.9
Debt/EBITDA (x)	nm	nm	nm	14.3	7.0
Capex/revenue (%)	13.6	11.3	23.1	15.7	8.4
Net debt/ (net cash)	98.0	456.6	502.7	508.4	481.3

Source: Company; Maybank IBG Research

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