

Company Initiation

Geo Energy Resources Ltd

Company Results

Cogent Holdings

UOL Group, Hock Lian Seng

Ho Bee Land

Centurion Corporation

Q & M Dental

Company Initiation

Geo Energy Resources Ltd

More offtakes to take off

Chen Guangzhi

Phillip Securities Research Pte Ltd

6 March 2016



GEO ENERGY GROUP

GEO ENERGY RESOURCES LIMITED

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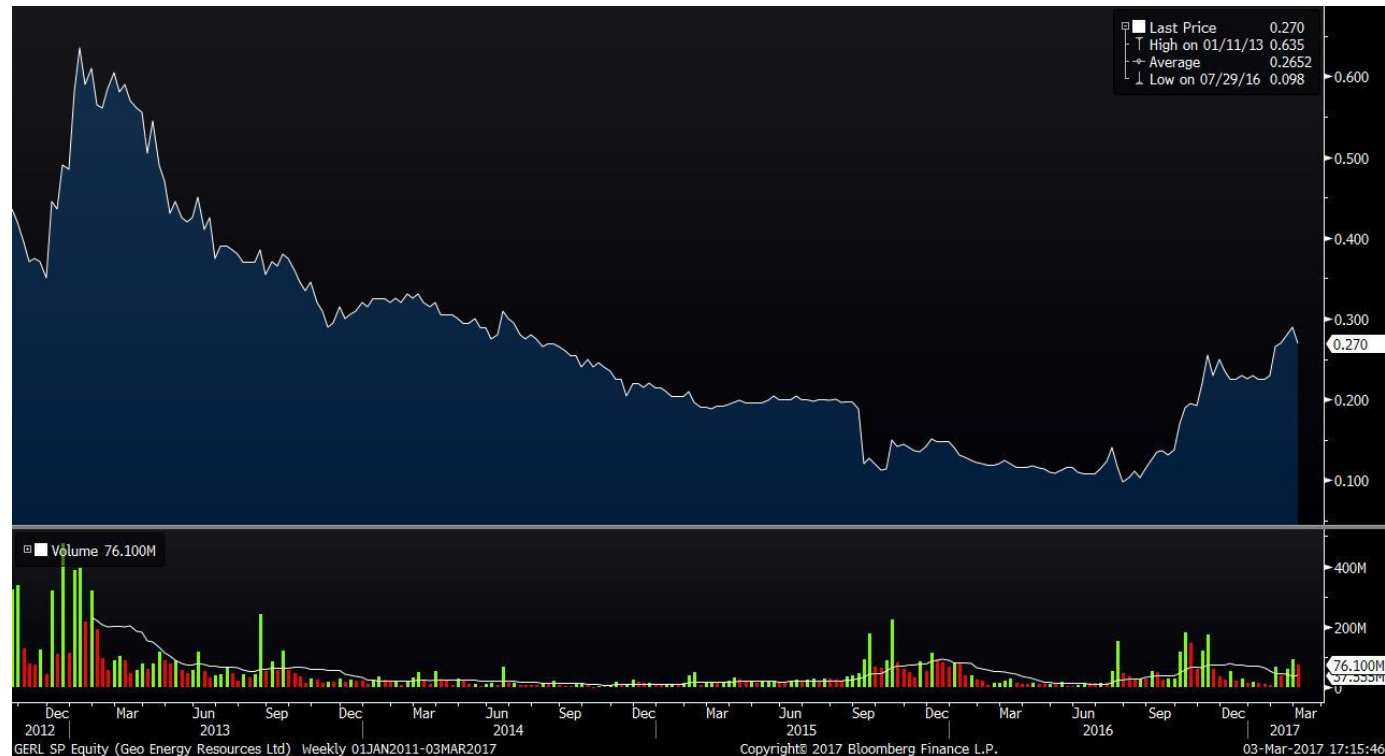
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Initiating coverage

“Buy” rating, TP: S\$0.45, DPS: SG\$0.01 in FY16, Last close: S\$0.27

- **52-week range: S\$0.09 – S\$0.305**
- **Market Cap: S\$327mn**



Company Snapshot

- Established in 2008, Geo was listed in SGX in 2012.
- Prior to 2016, the group is engaged in coal trading, mining and haulage services, and production business. In 2016, it divested the service segment and focused on coal production.
- Currently, the group is operating on BEK and SDJ coal mine. As of Dec 2016, the Group owned 6 coal mines with total over 17,000 hectares of area and 100mn tonnes of coal reserves.
- Geo subcontracts mining work to BUMA, the second largest mining services company in Indonesia. It also signs offtake agreements with ECTP, a global merchant of commodity products.
- 70% to 80% of the output will be shipped to China, while the rest is consumed domestically in Indonesia.
- In Dec-16, Geo secured 7mn tonnes of coal sales via offtake agreement with ECTP.

- Global energy consumption pattern
- Worldwide coal supply and demand overview
- China will remain the largest coal consumption country
- Indonesia coal market is on the run and expected to have strong growth

Global energy consumption pattern

- Fossil fuels took up 86% of total energy consumption in 2015 (1985: 89%)
- Transformation of energy consumption patterns is a long process with slow progress.
- Total consumption: 7,179 mtoe to 13,147 mtoe from 1985 to 2015 (Growth: 83%)
- Fossil fuels remain the main source of energy

Figure 1. Percentage of fossil fuel consumption

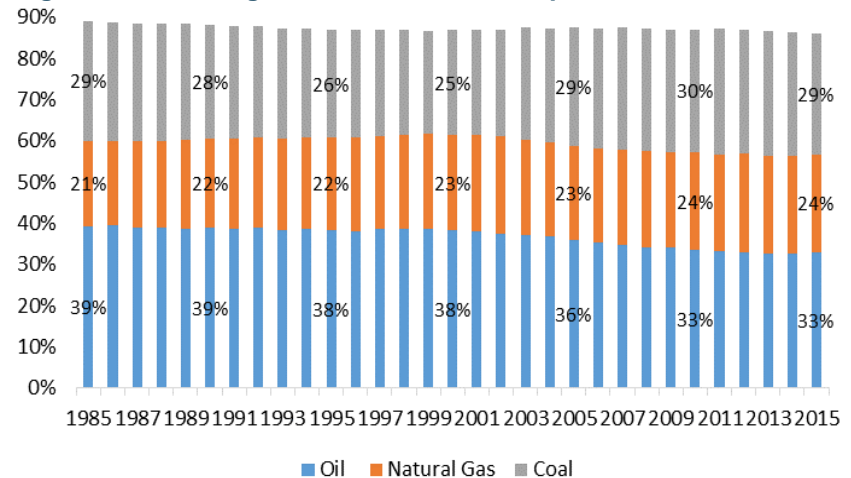
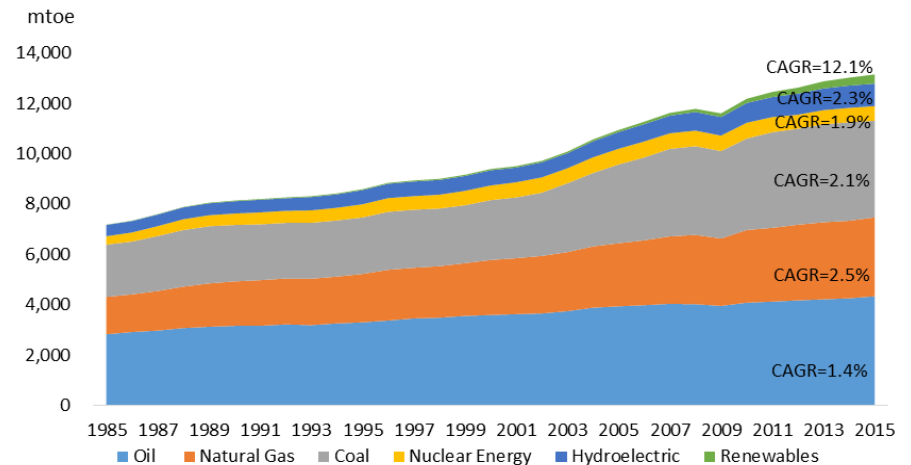


Figure 2. World energy demand breakdown



Source: BP Statistical Review of World Energy 2016, PSR

Worldwide coal supply and demand

- From 2000 to 2010:
 - Production growth: 55.9%
 - Consumption growth: 52.7%
- Coal demand: migration towards Asia
- China is the main driver in terms of coal demand
- SEA regions have strong demand in the future

Figure 3. World total coal production and consumption

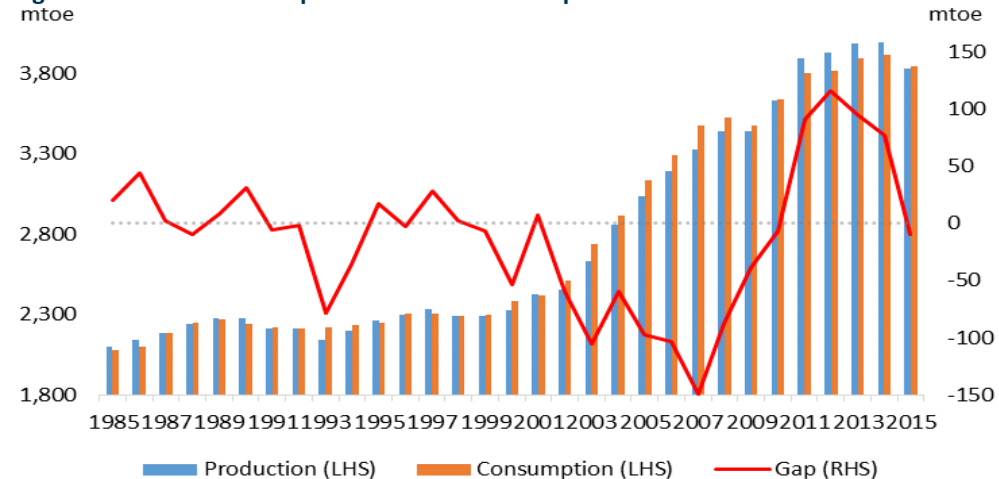
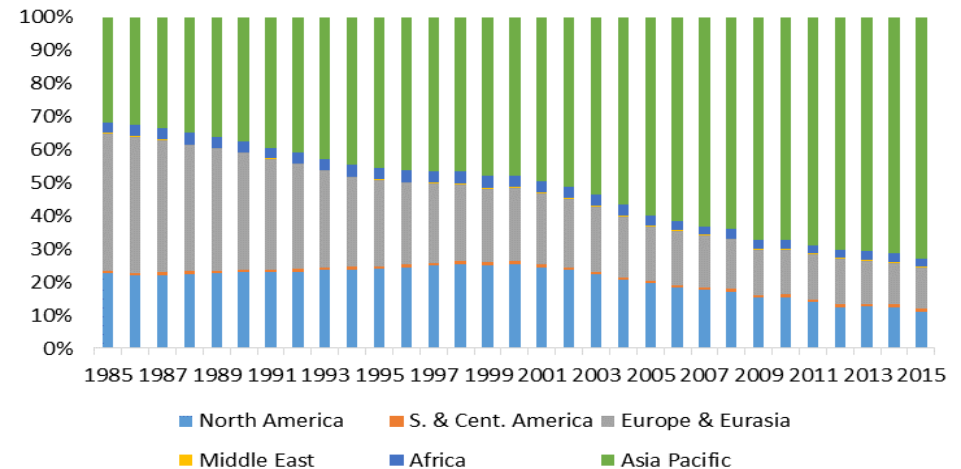


Figure 4. Regional breakdown of coal consumption



Source: BP Statistical Review of World Energy 2016, PSR

China energy consumption

- As of Dec 15, China's primary energy consumption took up 22.9% of total global volume
- Total energy consumption:
 - 2000: 1.5bn tonnes sce
 - 2015: 4.3bn tonnes sce
- By end of 2015, coal consumption arrived at 2.8bn sce, c.64% of aggregated domestic energy volume
- Coal's share in total consumption decreased by 5% in 15 years (0.33%/year)

Figure 5. Energy consumption growth in China
bn tonnes of SCE

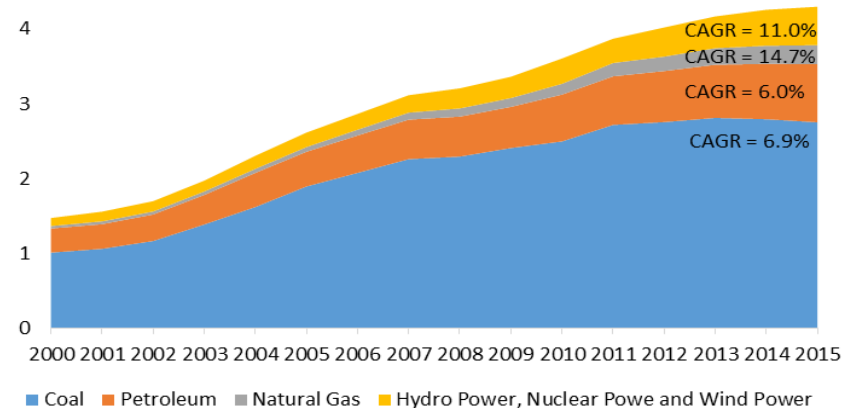
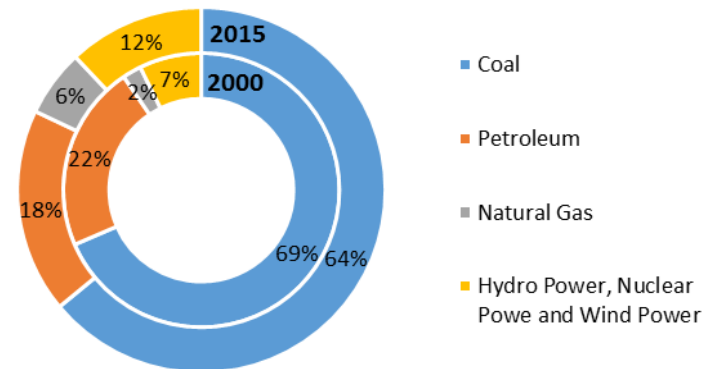


Figure 6. Energy consumption breakdown in types (2015 vs 2000)



Source: National Bureau of Statistics, PSR

Domestic coal supply and demand

- Uptrend period until 2013
 - Production CAGR: 8.5%
 - Consumption CAGR: 9.1%
- Reinforce curtailment on coal production
 - Haze issues
- Shortage of supply is supplemented by imported coal
 - Better quality
 - Lower middle costs
- Coal is hardly substituted and remains one of the major energy sources

Figure 7. China's coal production and consumption

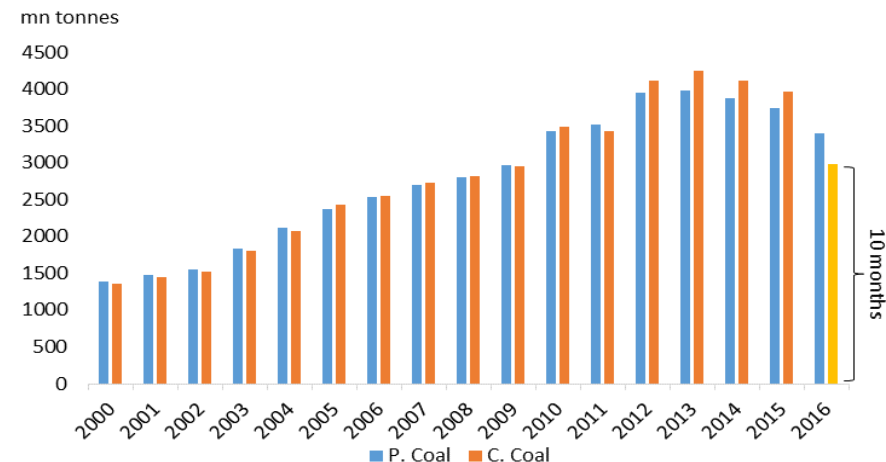
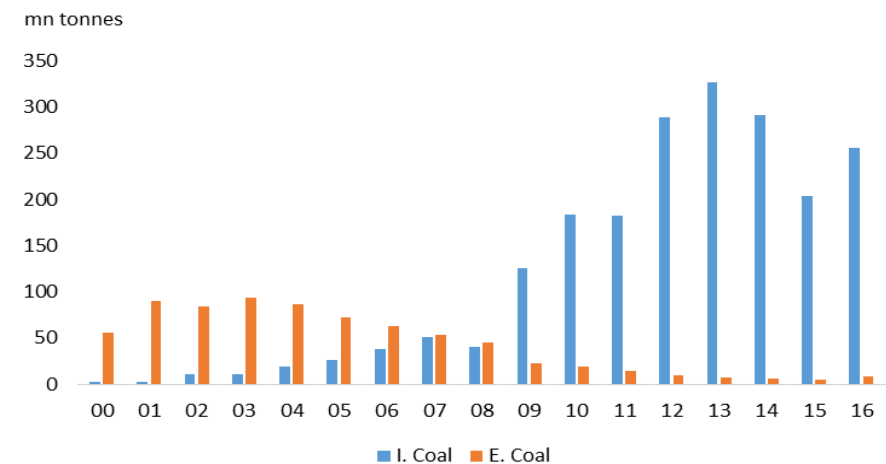


Figure 8. China's coal import and export



Source: National Bureau of Statistics, PSR

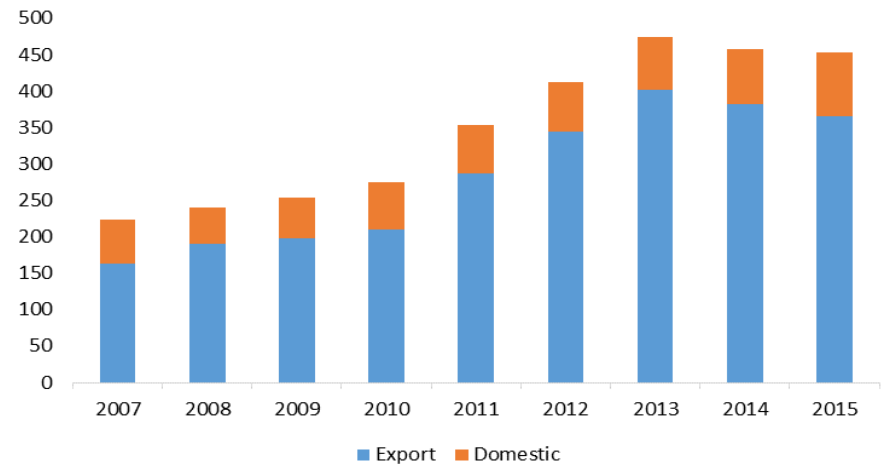
Guidance policy in China

Authority	Policy/Guidance	Remarks
The State Council	13th Five-year plan for coal industry	<ol style="list-style-type: none"> 1. Cut coal production capacity by 500mn tonnes in three to five years, starting from 2016 2. Coal mining capacity is based on 276 working days evaluation 3. Cap national output at no higher than 3.9bn tonnes/year in 2020 4. Total number of coal mines in China will be retained at 6,000 by 2020 with mining capacity of at least 1.2mn tonnes/year will account for over 80% and of no higher than 300,000 tonnes/year will represent less than 10% 5. Encourage industry consolidation, especially big coal miners in Shanxi province. 6. No new coal mining projects will be approved from 2016 to 2018, and only those projects with a capacity of more than 1.2mn tonne/year may be approved to launch/
National Energy Administration	Guidance for energy work 2017	<ol style="list-style-type: none"> 1. Close down more than 500 obsolete coal mines, together with another 50mn tonnes of capacity curb 2. Total coal production aims to be 3.65 bn tonnes, and the weight of coal consumption drops to 60%
National Development and Reform Commission	Guidance for development of the cooperation between coal and power industries	<ol style="list-style-type: none"> 1. Encourage coal miners and fire power plants to achieve mid to long term supply contract 2. Enhance the interest and risk sharing scheme between coal miners and fire power plants

Indonesia coal market: promising future

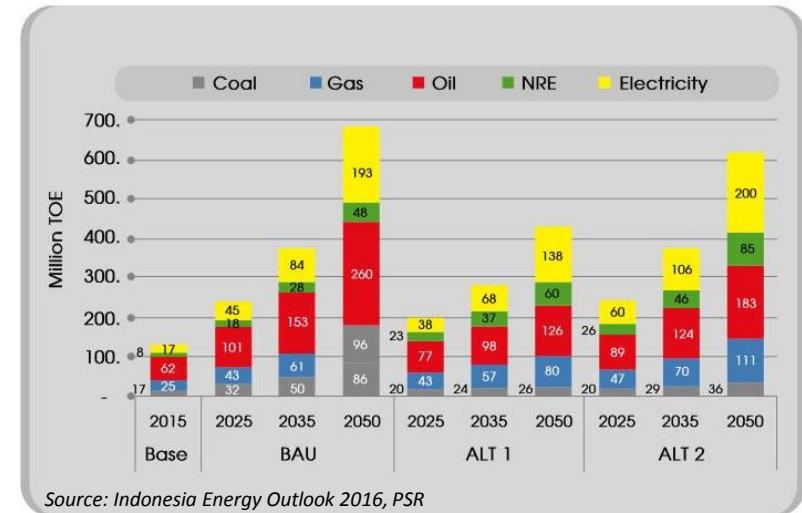
- Indonesia is one of the major coal producers and exporters.
- By 2015, its annual coal production reached 461mn tonnes and ranked 5th globally, after China, US, India, and Australia.
- Domestic demand (till 2050)
 - BAU: average 4.8%/year growth from the base of 17mn toe in 2015
 - ALT 1 and 2: 1.2%/year and 2.2%/year

Figure 7. Indonesian export and consumption of coal



Source: Indonesian Coal Mining Association (APBI) & Ministry of Energy and Mineral Resources, PSR

Figure 8. Final Energy Demand by Source and Scenario

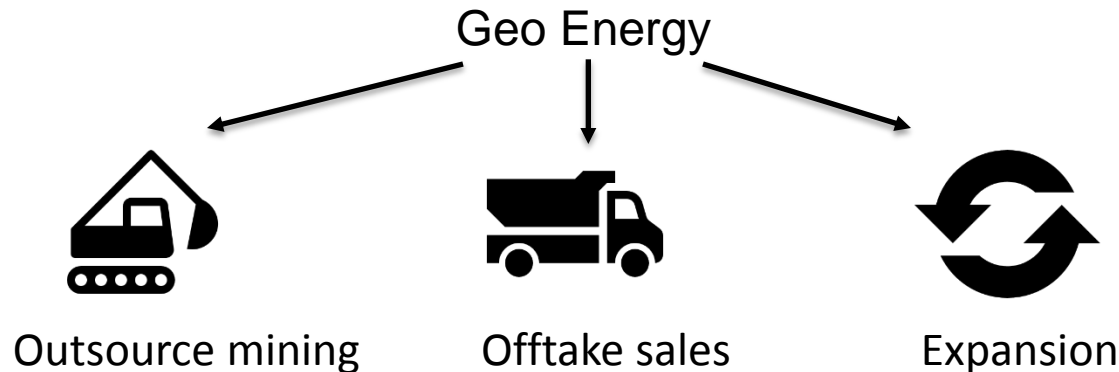


Source: Indonesia Energy Outlook 2016, PSR

- Strong competent in low cash cost
- More offtake agreements propelled sales
- Catch the tailwind amid business expansion
- Catalyst: coal mine acquisitions and offtake agreements

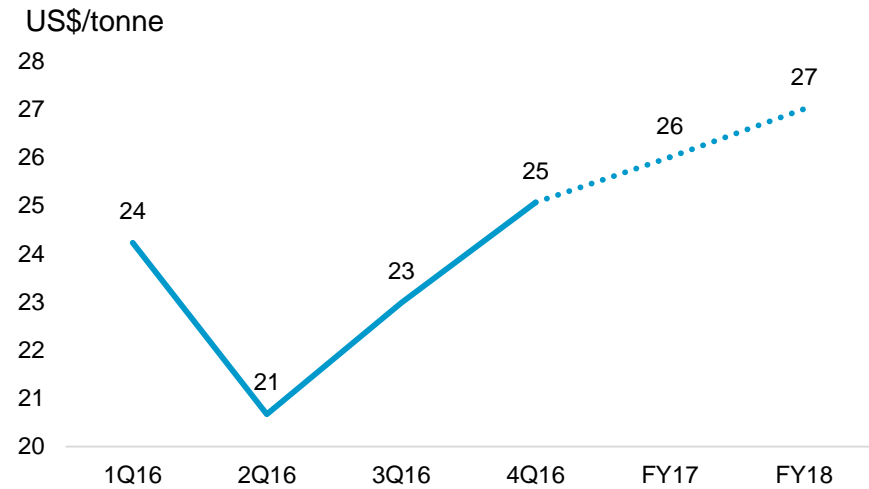
Strong competent in low cash cost

- Business model optimisation



- Open pit with average 3:1 stripping ratio
- Close to seacoast

Figure 9. Cash cost in 2H16



source: Company, PSR

Geo's coal mine locations



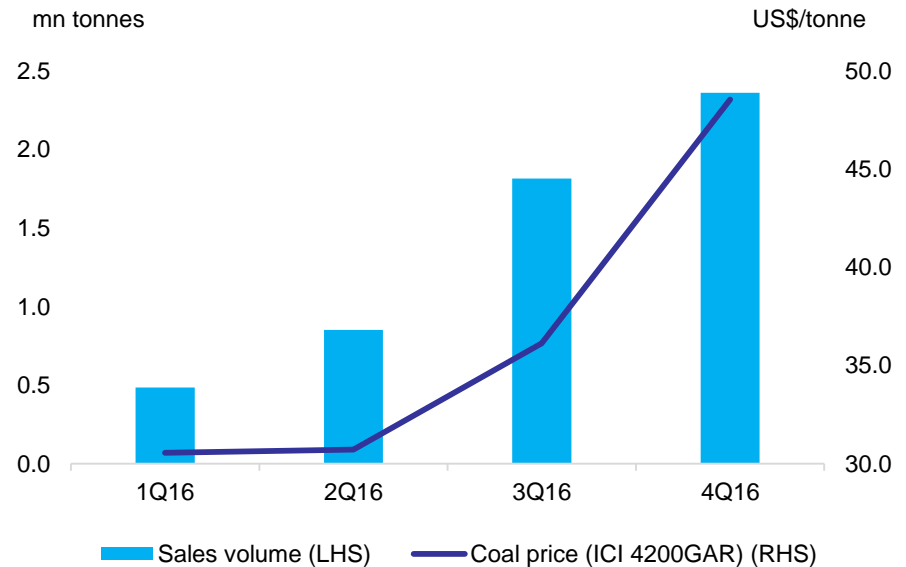
More offtake agreements propelled sales

- Total reserves reach 100mn over tonnes as of Dec-16
- Secured 7mn tonnes sales in FY17 via offtake agreements
- Target sales in FY17: 10mn tonnes

Coal mine reserves

Coal mine	Ownership	Area (hectares)	Reserves (mn tonnes)	Average calorific value (GAR)
BEK	99.98%	4,570	11.1	3,400
SDJ	100%	235	42.2	4,200
TBR	98.73%	489	44.4	above 4,200
PT STT	100%	4,600	0.8	7,200
PJA	79.91%	5,000	1.1	6,700 - 8,100
CLS	99.46%	2,310	2.3	6,500 - 7,100
			17,204	101.9

Figure 10. 2H16 sales volume and coal price reference

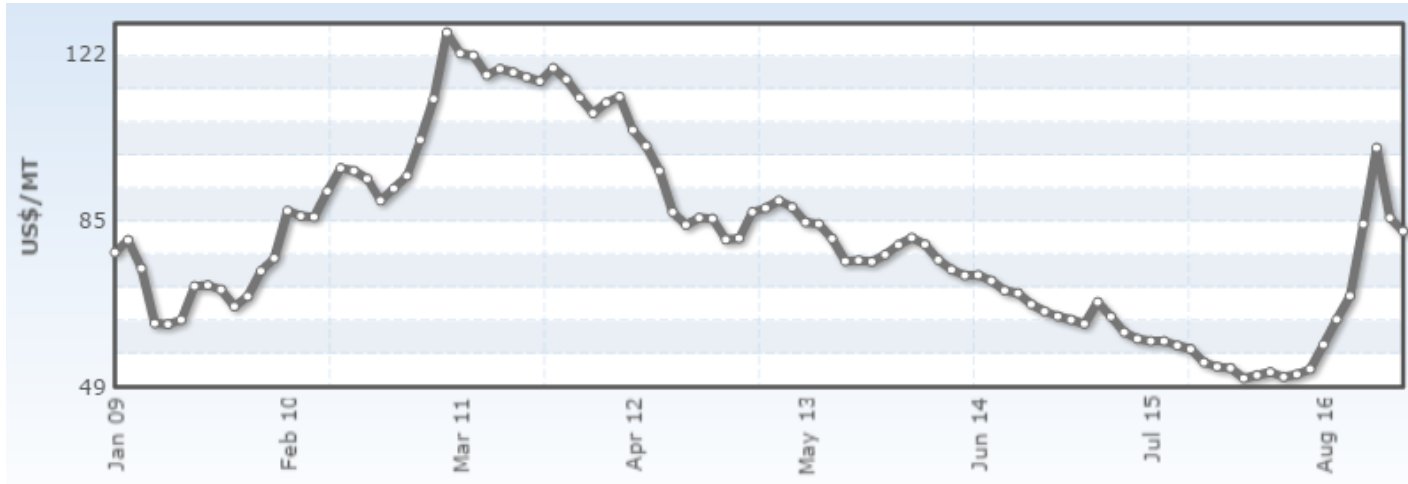


Source: Company, PSR

How do we view Geo

- Catch the tailwind amid business expansion

Indonesian Coal Price Reference (HBA)



Source: coalspot.com

- Catalyst: coal mine acquisitions and offtake agreements
 - Current reserves are only adequate for 10 years sales (10mn tonnes/year)
 - Expect larger amount of offtake sales by year end

Valuation Assumption

Y/E Dec (US\$)	9M16	4Q16	FY16e	FY17e	FY18e
Sales volume (tonne)	3,148,600	2,500,084	5,848,600	8,500,000	10,200,000
Average selling price (US\$/tonne)	28.9	38.0	31.8	37.0	37.5
Total revenue	91,078,809	95,003,192	186,082,001	310,250,000	382,500,000
Cash cost	70,991,137	63,752,142	134,743,279	221,000,000	270,300,000
Cash cost (US\$/tonne)	22.5	25.5	23.0	26.0	26.5
EBIT			35,562,972	59,351,412	77,599,885
EBIT margin (%)			19%	19%	20%
Net profit			21,820,101	39,250,311	57,188,949
Net profit margin (%)			12%	13%	15%

Though the management guided Geo targets to deliver 10mn tonnes of coal sales in FY17, to be conservative, we estimate it will generate 8.5mn and 10.2mn tonnes in FY17 and FY18.

Besides, we think the average coal price (ICI 4,200 GAR) will be US\$37 and \$37.5 in FY17 and FY18.

Valuation Methodology

Peer comparison table

Company	Bloomberg Ticker	Mkt Cap (SGD mn)	EV (SGD mn)	EV/EBITD A TTM	3Q16 Annualised P/E	3Q16 Annualised P/B	P/E	FRW P/E	P/B	Net D/E (%)	ROA (%)	ROE (%)
Geo Energy Resources Ltd	GERL SP	327.3	402.6	9.3	6.7	1.8	90.5	12.7	2.1	70.5	0.5	1.2
Singapore												
Golden Energy & Resources Ltd	GER SP	1,258.91	1496.91	N/A	29.00	2.80	129.88	0.5	4.13	29.73	2.11	5.34
BlackGold Natural Resources Ltd	BHR SP	51.27	55.9	N/A	N/A	2.4	N/A	N/A	0.3	Net Cash	-6.7	-8.4
Average				N/A	29.0	2.6	129.9	0.5	2.2	29.7	-2.3	-1.5
Indonesia												
Adaro Energy Tbk PT	ADRO IJ	5,830.8	7,171.9	4.0	12.1	2.4	22.6	16.0	1.4	25.8	2.9	6.1
Harum Energy Tbk PT	HRUM IJ	612.0	434.6	3.6	17.0	1.2	N/A	31.9	1.5	Net Cash	-2.4	-3.4
Baramulti Suksessarana Tbk PT	BSSR IJ	361.5	370.4	N/A	12.0	2.4	13.1	N/A	2.2	10.6	11.1	17.0
Mitrabara Adiperdana Tbk PT	MBAP IJ	248.5	206.4	N/A	10.0	2.3	6.1	N/A	2.1	Net Cash	26.7	37.8
Toba Bara Sejahtera Tbk PT	TOBA IJ	273.7	346.9	4.1	N/A	1.3	53.0	N/A	1.6	11.9	1.3	3.0
Resource Alam Indonesia Tbk PT	KKGI IJ	265.7	256.6	6.6	11.0	1.3	19.4	N/A	2.2	Net Cash	9.2	11.8
Average				4.6	12.4	1.8	22.9	24.0	1.8	16.1	8.1	12.0

Source: Bloomberg, Company, Phillip Securities Research (Singapore) Estimates

- Average 3QFY16 annualised P/E ratio of BSSR, MBAP, TOBA, and KKGI (Bloomberg ticker), which is 11x, as the reference valuation P/E for FY17 forecast.
- 1.84 US cents EPS in FY16 with 11x PER to derive SG\$0.28 TP in FY16 (USD/SGD: 1.4)
- Based on FY17e EPS of US\$0.03, target price is US\$0.35, equivalent to SG\$0.45 (5-yr average USD/SGD: 1.3)

Investment risk

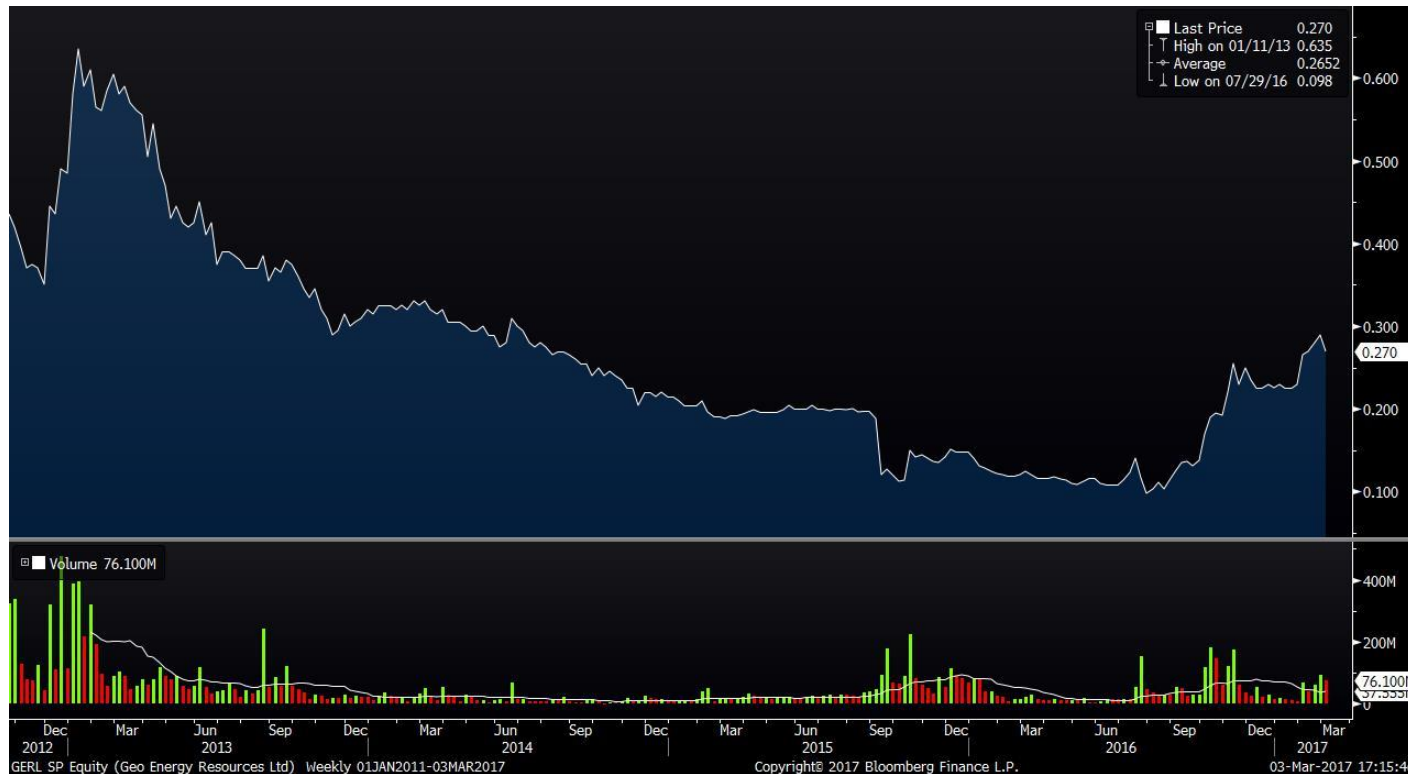
Risk	Remarks
Upside	
Coal price	Geo's sales of coal are based on spot coal price. If it surges to a higher level, the top line will increase substantially.
Stripping ratio	The lower the stripping ratio, the lower cash costs will be
Capacity	The control of capacity is at the discretion of company strategy. Currently, we see higher probability that the company will keep expanding it.
FX	The functional currency is IDR while the presentation currency is US\$. It can see currency translation surplus when IDR appreciates against US\$.
Downside	
Coal price	If coal price trends down, the profit margin will be shrunk.
Stripping ratio	The higher the stripping ratio, the higher cash costs will be
Reserves and resources	Profitability will taper off after coal reserves and resources are being depleted if no new mines are acquired.
FX	When IDR depreciates against US\$, it will suffer from currency translation deficit.
Policy	Any unfavourable policy changes can turn the business the other way around, such as Indonesia government curbs export quota on coal

Recap

“Buy” rating, TP: S\$0.45, DPS: SG\$0.01, Last close: S\$0.27

▪52-week range: S\$0.09 – S\$0.305

▪Market Cap: S\$327mn



Company Results

Cogent Holdings

UOL Group, Hock Lian Seng

Ho Bee Land

Centurion Corporation

Q & M Dental

Cogent Holdings Ltd

Another record year of higher profit

Richard Leow
Phillip Securities Research Pte Ltd
6 March 2016

Cogent Holdings Ltd

(Buy, TP: S\$1.08, DPS: 2.22 cents; Last close: S\$0.795)



Results at a glance

(SGD mn)	FY16	FY15	yoy (%)	Comments
Revenue	136.7	129.2	↑5.8	Driven by warehousing operations at the integrated logistics hub, container depot management services and automotive logistics management services
EBIT	41.18	33.49	↑23.0	OpEx closely similar between FY16 and FY15, largely attributable to the 11% yoy lower Rentals on leased premises (FY16: \$24.89mn; FY15: \$28.07mn); resulting in margin expansion to 30.1% from 25.9%
PBT	38.24	30.60	↑25.0	In line with above factors
NPAT	32.08	25.47	↑26.0	In line with above factors, net margin improved to 23.5% from 19.7%

Source: Company, Phillip Securities Research (Singapore)

Negative surprise from absence of final dividend, cash to be deployed for CapEx on Jurong Island Chemical Logistics Facility project

- Fair explanation; Reinvestment for long-term value creation for all shareholders

Award of two container depot sites, expect higher rental and some margin compression

- 5.9 ha plot at Tuas South & 2.5 ha plot on Jurong Island (JICD)
- Estimate additional \$3.0 mn ~ \$3.5 mn rental expense per annum

UOL Ltd.

Solid execution in Singapore property development

Peter Ng

Phillip Securities Research Pte Ltd

06 March 2017

Results at a glance

(SGD mn)	FY16	FY15	y-y (%)	Comments
Revenue	1,441	1,279	13%	Mainly attributable to higher contributions from property development
Gross Profit	485	504	-4%	Mainly due to lower gross margin in property development
Profit before tax	354	460	-23%	Fair value losses in Group's and Assoc's investment properties
Net income	287	391	-27%	

Source: Company Data.

Hotel Operations

- Visible pipeline of new hotels (5 by 2019) to be added to portfolio

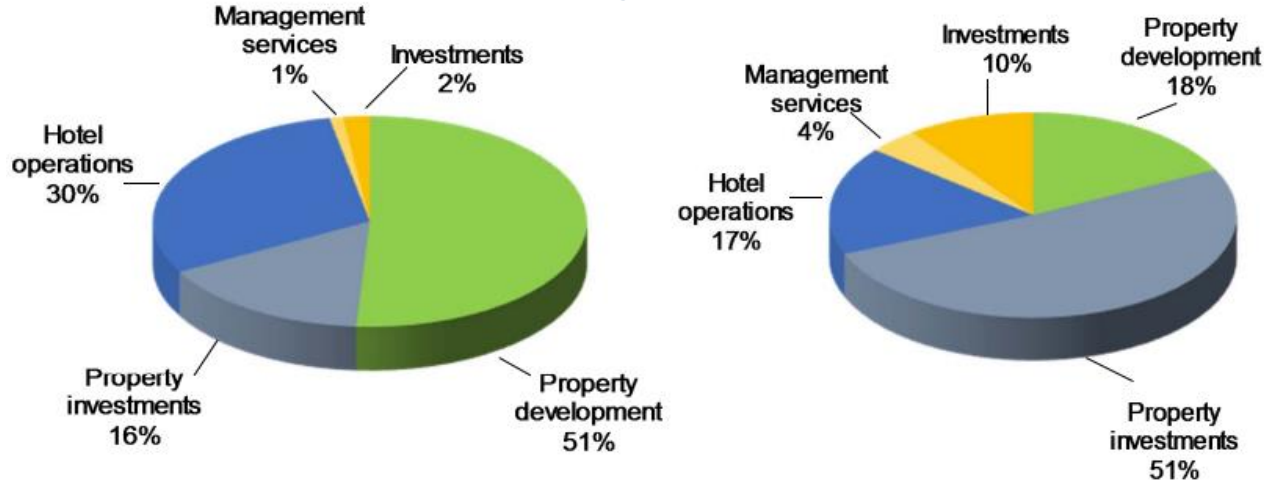
Investment Properties (Retail and office properties)

- Near-term challenges in OneKM and Faber House which has space representing 10% of total portfolio NLA
- Acquired Bishopgate site in London which is approved for a 43-storey mixed development (160 residential and 237 hotel rooms); should be operationa in 2019 - 2020
- 50:50 JV with UIC to acquire Holborn Island in London which will add 32.431 NLA of office and retail space (Current portfolio NLA: 175.9K sqm)

Property Development

- 4 out of 5 ongoing Singapore development projects are at least 85% sold
- 3 new developments with a combined GDV of S\$1.6b are expected to add 25 cents to RNAV

Segmental breakdown of revenue and operating profit



Source: Company Presentation Slides

- Recurring income forms 49%/82% of Group's revenue and operating profits

Hotel Operations

- Launching 2 Pan Pacific hotels in Beijing and Myanmar in 2017 which will add 556 rooms or 5.7% to the Group's portfolio of 9,804 hotel rooms.
- Occupancy rates should benefit from higher demand for corporate travel in Beijing
- Myanmar hotel likely to contribute positively in the longer term due to its well-located position in downtown Yangon

Launched property development projects as at 4Q16

Project Name	% Equity Stake	No. of Units	Saleable Area (sqm)	% Sold (as at 31.12.16)	% Completed (as at 31.12.16)	TOP Date
<u>Completed</u>						
Seventy Saint Patrick's	100	186	12,950	100	100	TOP
Thomson Three	50	445	39,965	99.8	100	TOP
<u>Ongoing</u>						
Riverbank@Fernvale	100	555	48,345	85.0	99	Est. 1Q2017
Park Eleven, Shanghai*	40	398	78,526	31.7	85	Est. 2Q2018
Principal Garden	70	663	50,665	49.2	29	Est. 4Q2018
Botanique at Bartley	100	797	55,419	97.9	47	Est. 1Q2019

Source: Company Presentation Slides

- Sold 484 Singapore resi units / sales value of S\$558m in FY16 vs 850 / S\$900m in FY15

Principal Garden

- Moved another 25 units at ASP of S\$1,644 (6.1% higher than our estimates)
- 53% sold as at 27 February 2017.

Pipeline of property launches Singapore residential pipeline

Project Name/Location	Tenure of Land	Site Area (sqm)	Est. Saleable Area (sqm)	Est. No. of Units	% Owned	Target Launch
The Clement Canopy	99	13,038	44,949	505	50	1Q2017
Potong Pasir Ave 1 site	99	18,711	51,605	750	50	2018
45 Amber Road site	Freehold	6,490	13,370	165	100	2018
Total		38,239	109,924	1,420		

Overseas residential pipeline

Project Name/Location	Site Area (sqm)	Est. Saleable Area (sqm)	Est. No. of Units	% Owned	Target Launch
Site at Bishopsgate, London*	3,200	13,551	160	100	2018

Source: Company Presentation Slides

Three new projects are expected to add 25 cents or 3.3% to our RNAV estimates when completely sold and handed over

Recently launch of Clement Canopy, 555-unit condominium project

- Launched 250 units in 1st Phase
- Sold 80% on 1st day at ASP S\$1,350 (12% higher than estimates) or another 1.5 cents to our RNAV

RNAV Table

Segment	Location	Amount (S\$m)	Per share (S\$)
Residential	SG	1,324	1.65
	Overseas	103	0.13
Hotels & Serviced Residences	SG	1,403	1.74
	Overseas	1,087	1.35
Commercial (Office & Retail)	SG	2,521	3.13
	Overseas	171	0.21
Add: Market Value of stakes in Listed Entities			
UIC (44.6%)		1,823	2.27
UOB (2.3%)		767	0.95
Total GAV		9,199	11.43
Add cash:		301	0.37
Less debt:		2,269	2.82
RNAV:		7,231	8.99
No. of shares ('m)		805	
Discount to RNAV (%)		20	
Target Price			7.19

Source: Phillip Securities Research (Singapore)

Hock Lian Seng Holdings Ltd.

Better than expectations

Peter Ng

Phillip Securities Research Pte Ltd

06 March 2017

Results at a glance

(SGD mn)	FY16	FY15	YoY	Comments
Revenue	118.1	174.8	-32%	Absence of revenue from property development but partly offset by higher revenue from Civil Engineering
Gross Profit	30.3	38.8	-22%	Mainly due to S\$15m write-back of maintenance cost provision for completed projects
Profit before tax	40.3	42.4	-5%	Higher profit contribution from JV amid recognition of revenue from sale of units in The Skywoods residential project
Net income	35.9	36.7	-2%	

Source: Company Data.

FY16 Revenue/Profit After Taxes and Minority Interests (PATMI) exceeded our forecast

- Boosted by higher gross margins in the civil engineering segment

Newly secured Changi Airport project expected to contribute positively starting in FY17

- Earnings unlikely to match FY16 amid no contribution from property development

Sales volume for Shine@Tuas muted since its launch

- Sales expected to accelerate as demand for industrial space improves

Ho Bee Land Limited

Improving sales volume and interest on the ground to narrow discount to RNAV

Tan Dehong

Phillip Securities Research Pte Ltd

6 March 2017

Ho Bee Land Limited

(ACCUMULATE, TP:S\$2.64, FY17e DPS: 7 cents (2.7%), Last:S\$2.24)



Results at a glance

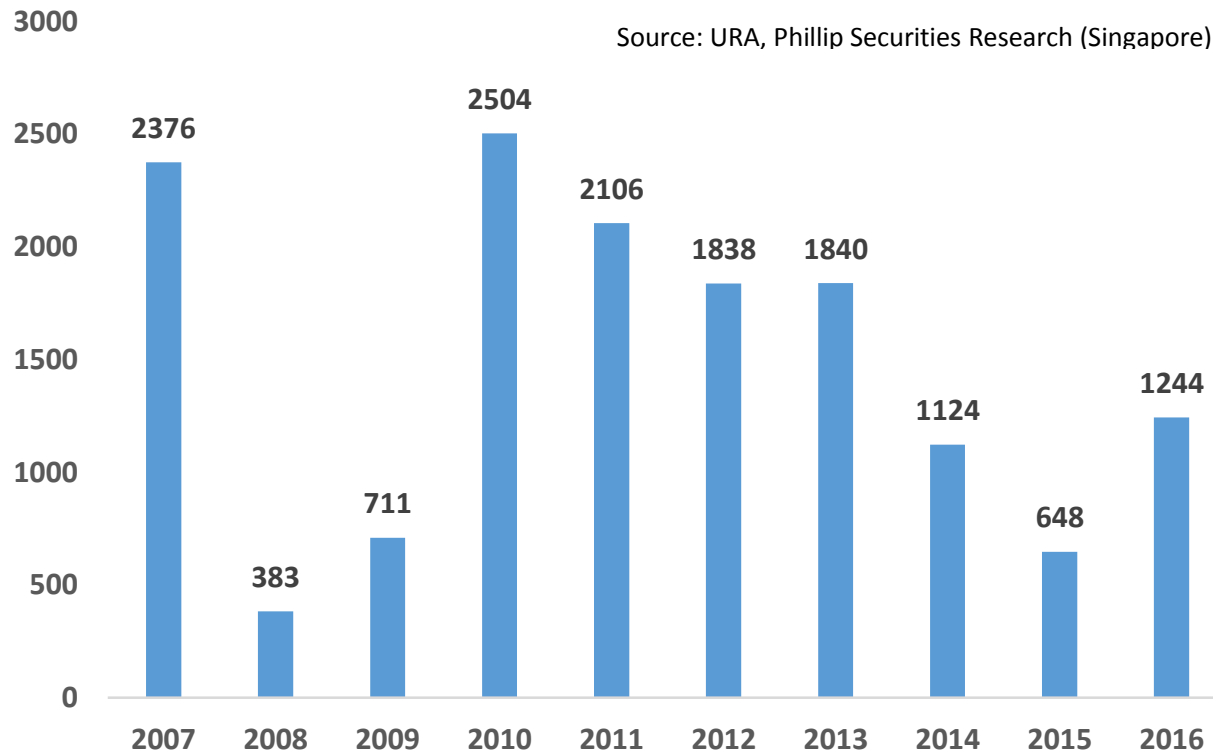
(SGD mn)/Dec Yr End	FY16	FY15	y/y (%)	Comments
Sale of development properties	154.9	-	-	Higher profits from 2 Australian residential development properties in Melbourne and Gold Coast
Rental Income	144.5	129.9	11.2	Boosted by 3 new office acquisitions in London in CY2H15. Offset by weaker GBP/SGD
Share of Profits from Associates	29.6	17.0	73.6	Sales from China JV Yanlord Western Gardens
Profit from continuing operations before tax	236.8	258.1	(8.3)	
Net Profit	217.0	241.2	(10.0)	Lower gain in fair value of investment properties

Source: Company, Phillip Securities Research (Singapore)

First development profits since 2013. We expect development profits to taper off in 2017.

Activity in high end property starting to pick up. Negativity towards HBL's high end property and huge discount to book less warranted

Figure 1: No of Property Transactions >S\$2,000psf



Ho Bee Land Limited

(ACCUMULATE, TP:S\$2.64, FY17e DPS: 7 cents (2.7%), Last:S\$2.24)

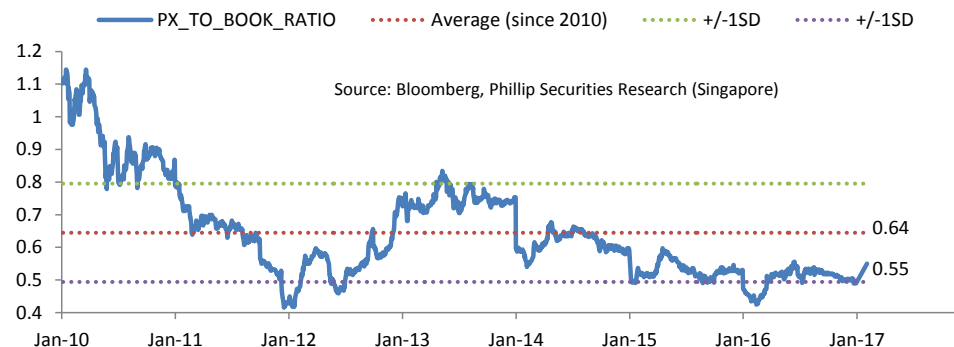


Rose Court Sale demonstrates astute foresight of management

2013 – 2017 → 41% gain (annualised 9%)

Rental yield 6.5%

Price to Book



Name	Mkt Cap (SGD mn)	Last Px (SGD)	P/E	ROE	P/B	Debt/Assets LF
HO BEE LAND LTD	1,505	2.26	6.9	10.4	0.54	0.54
CAPITALAND LTD	15,170	3.58	12.8	5.4	0.86	0.86
CITY DEVELOPMENTS LTD	8,711	9.58	13.6	6.0	0.94	0.94
UOL GROUP LTD	5,262	6.54	18.2	3.8	0.65	0.65
FRASERS CENTREPOINT LTD	4,810	1.655	7.0	8.1	0.70	0.70
UNITED INDUSTRIAL CORP LTD	4,087	2.88	14.3	4.7	0.66	0.66
YANLORD LAND GROUP LTD	2,893	1.49	5.2	8.2	0.67	0.67
GUOCOLAND LTD	2,160	1.825	15.6	3.2	0.62	0.62
WHEELOCK PROPERTIES (S) LTD	2,154	1.8	36.9	2.4	0.71	0.71
WING TAI HOLDINGS LTD	1,385	1.79	194.6	0.1	0.44	0.44
Peer Average				4.6	0.69	0.69

Source: Bloomberg, Phillip Securities Research (Singapore)

Centurion Corporation Limited

Core Business Operations In Line With Expectations

Jeremy Teong

Phillip Securities Research Pte Ltd

06 March 2017

Centurion Corporation Limited

(Downgrade Accumulate, previously Buy. Unchanged TP: S\$0.42. Last:S\$0.39)



Results at a glance

(SGD '000)	4Q16	4Q15 y-o-y	3Q16	q-o-q	FY16	FY15	y-o-y	4Q Comments
Revenue	34,787	28,288 23%	28,130	24%	120,288	104,538	15%	Better occupancy at Woodlands and Papan. Acquisition of 4 more UK assets
Cost of Sales	(11,531)	(10,260) 12%	(11,246)	3%	(41,885)	(36,202)	16%	
Gross Profit	23,256	18,028 29%	16,884	38%	78,403	68,336	15%	
Other misc. gains	896	527 70%	729	23%	2,041	1,549	32%	
Expenses	(10,798)	(14,065) -23%	(10,321)	5%	(40,862)	(37,172)	10%	Lower owing to absence of one-off writeoff of investment in 4Q15
Share of profit from JV & assoc., co	1,028	1,316 -22%	1,590	-35%	5,398	5,986	-10%	
Fair value gains	(3,121)	3,550 0%	-	0%	430	3,550	0%	Fair value losses from Toh Guan offsets by gains from student accommodation assets
Income tax expense	1,364	1,767 -23%	1,480	-8%	(7,048)	(8,270)	-15%	
NCI	6,966	78 NM	(414)	NM	5,865	(150)	NM	Fair value gains in AAPRI-Westlite Papan JV
PATMI	2,931	7,511 -61%	7,816	-63%	28,946	34,129	-15%	

Source: Company, Phillip Securities Research (Singapore)

4Q16 revenue grew 23.7% q-o-q

- Four new student accommodation properties with a total of 519 beds in United Kingdom (UK Braemar) acquired in 3Q16.
- Improved occupancy for workers' dormitories at Westlite Woodlands (90% in 4Q16 vs. 75% in 3Q16) and ASPRI-Westlite Papan (75% in 4Q16 vs. 20% in 3Q16).

We expect Westlite Dormitories in Singapore to operate in full capacity by end of 2017

- Progressive reduction in supply of Temporary PBWAs and FCDs over time would cause a total shortage of between c.150,000 and c.180,000 PBWA beds.
- Stricter conditions for FCDs that came into effect from 1 January 2017
- Estimated net decline of 6,000 PBWA beds owing to expiration of c.35,000 temporary PBWA beds in 2017

Land lease for Westlite Tuas expires in April 2017

- The renewal of the lease and its conditions are still under negotiations.
- Assume that the lease will not be renewed and have excluded earnings projection for Westlite Tuas after 1Q17. PSR estimation of Westlite Tuas contribution to revenue is c23mil. Potential loss of revenue from Westlite Tuas offset by full year contributions from UK Braemar, Papan and Woodlands

Q & M Dental Group

Back to core business

Soh Lin Sin

Phillip Securities Research Pte Ltd

6 March 2017

Q & M Dental Group

(Reduce, TP:S\$0.65 (previously S\$0.89), Last:S\$0.705)

S\$' mn	FY16	FY15	y-y (%)	Comments
Dental and Medical Clinics	118.7	97.8	21.4%	Higher revenue from organic and inorganic growth in both SG and CN
Dental Equipment & Supplies Distribution	13.7	9.6	43.5%	Acquisition of Shenyang Maotai Quanmin Medical Equipment Leasing Co., Ltd in CN (Jan-16)
Dental Supplies Manufacturing	22.5	16.7	35.0%	Increased sales from new factory with higher production capacity
Revenue	154.9	124.0	25.0%	
Gross	126.2	103.6	21.8%	Margin compression due to higher costs of sales Pro-rate gross margin fell 2.1pps to 78.9%
EBITDA	43.0	23.2	85.4%	Exclude impairment and spin-off related costs and gain, FY16 EBITDA would have +15.9% yoy
EBIT	38.6	19.2	100.8%	
PATMI	28.3	11.4	148.2%	
DPS (S\$ cents)	1.12	0.84	32.9%	Payout ratio: 31% (FY16) vs 57% (FY15)

Source: Company, PSR est.

Aoxin listing gain to lift FY17F EPS: to spin-off listing on SGX-Catalist board by 2Q17 Unlocking Aoxin's value - expect higher valuation post spin-off listing

- Aoxin was acquired with an implied PER of 11x
- Recent listing of healthcare service providers on SGX-Catalist Board:
Singapore O&G Ltd. (at 12.8x PER) and HC Surgical Specialists Ltd (at 12.5x PER)

Unlikely to see higher dividend payout ratio or special dividend in FY17F

- Q&M to reinvest most of the gains from spin-off listing into its robust expansion projects

Q & M Dental Group

(Reduce, TP:S\$0.65 (previously S\$0.89), Last:S\$0.705)



Recurring profit from Aoxin and Aidite to shrunk c.26% post spin-offs

- Aidite and Aoxin as Q&M's associates post spin-offs with lesser share of profits
- Instead of receiving 60% of Aoxin's profit and 51% of Aidite's, Q&M will now recognise c.44% of Aoxin's profit and subsequently c.38% of Aidite's profit

Clinic business is the sole growth engine post spin-offs

- Headwinds in MY Distribution business: lower demand and weakening MYR, which lifted its costs of sales
- Focus on organic growth in its Clinic business: to step up its expansion plan for Clinic business; fund via cash on hand (S\$44.1mn as at 31 Dec-16) and refinancing of debt
- Investment thesis of low dentist-to-population ratio in SG remains intact; Key under-served areas identified are West and North areas of SG
- Three new clinics in SG by 1H FY2017
- SG government tightened claim limits for CHAS and Pioneer Generation subsidies early-2017, could dampen patient demand

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