



Q & M Dental Group Ltd

Organic growth returning

SINGAPORE | HEALTHCARE | 1H24 RESULTS

- 1H24 results were within expectations. Revenue and adj. PATMI were 48% and 47% respectively of our FY24e results. Adj. PATMI jumped 48% YoY to S\$8mn. Interim dividend jumped 150% YoY to 0.4 cents.
- Core dental revenue rose 4% YoY from an increase in case complexity and revenue intensity aided by EM2AI AI model, despite the closure of 3 clinics over the past 12 months. Other cost-saving initiatives were from professional and lab fees. Associate Aoxin Q&M Dental also registered a major turnaround in operations from government policies, reduced competition and cost control measures.
- We maintain our BUY recommendation and target price of S\$0.36. No material changes to our FY24 estimates. We value the company at 20x PE FY24e earnings, in line with industry peers. Listed associate, Aoxin Q & M Dental (S\$0.053, Not Rated) is valued at market price with a 20% discount. After the aggressive expansion of 40 clinics from 2020-23, Q&M is focused on consolidating its clinics, turning around its associates, and raising revenue intensity. Revenue growth is aided by EM2AI AI software that provides patients with unbiased and evidence-based treatment advice.

Results at a glance

SGD '000	1H24	1H23	YoY	Comments
Revenue	88,792	87,145	1.9%	Core dental rose 4% YoY or S\$3mn.
Gross profit	79,157	76,553	3.4%	More complex cases.
PBT	11,713	6,820	71.7%	Includes S\$1.8mn one-off gains.
Employee expense	(52,190)	(51,939)	0.5%	
Associates	216	(203)	n.m.	
Adj. PATMI	8,036	5,410	48.5%	
Gross Margins	89.1%	87.8%	1.3%	
Dental clinics - SG	104	107	-2.8%	3 clinics closed.
Revenue per clinic - SG	734	686	7.0%	
DPS - 1st Interim (cents)	0.40	0.16	150.0%	

Source: Company, PSR

The Positive

+ Growth in revenue and margins. Core dental and medical clinic revenue rose 4% to S\$82mn. Revenue per clinic in Singapore rose 7% YoY, offsetting the 3% drop in number of clinics. Total revenue dragged down by a 20% drop in medical lab revenue (or Acumen) to S\$6.6mn. Growth has been driven by increased revenue intensity or high contribution of complex cases. Gross margins improved by 1% point to 89.1%. Other cost-saving initiatives include lower payment processing and lab fees, and lower EM2AI costs.

The Negative

- Falling number of clinics. The number of clinics in Singapore has shrunk to 104, the lowest since 1H22. Clinics in Malaysia are unchanged at 44. The company intends to realign its footprint in Singapore into larger clinics and expand into lower-penetrated areas.

Outlook

We expect resilient growth in 2H24. Some of the drivers include seasonally stronger patient volumes for Aoxin, increased revenue intensity in dental procedures, and reduced cost from deconsolidation of EM2AI. Full benefits of the company's cost rationalisation are underway.

Maintain BUY with unchanged TP of S\$0.36

29 August 2024

BUY (Maintained)

CLOSING PRICE	SGD 0.270
FORECAST DIV	SGD 0.011
TARGET PRICE	SGD 0.36
TOTAL RETURN	37.2%

COMPANY DATA

Bloomberg CODE:	QNM SP
O/S SHARES (MN) :	946.4
MARKET CAP (USD mn / SGD mn) :	196 / 256
52 - WK HI/LO (SGD) :	0.3 / 0.22
3M Average Daily T/O (mn) :	0.44

MAJOR SHAREHOLDERS

Quan Min Holdings Pte Ltd	53.1%
Heritas Helios Investments Pte Ltd	6.8%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	(0.4)	16.6	9.9
STTF	1.1	4.3	9.4

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY22	FY23	FY24e	FY25e
Revenue	181.2	182.7	186.1	188.8
EBITDA	23.6	24.5	32.1	32.4
PATMI	11.3	11.5	18.9	19.4
PATMI, adjusted	16.5	14.4	17.1	19.4
EPS (SGD cents)	1.2	1.2	2.0	2.0
P/E (X) - adjusted	15.5	17.7	14.9	13.2
Dividend Yield	3.7%	2.6%	3.9%	4.1%
ROE	11.1%	11.2%	16.6%	15.7%
ROA	4.2%	4.5%	7.0%	6.9%

Source: Company, PSR

VALUATION METHOD

20x PE FY24e adj. + Associate market cap

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Financials

Income Statement

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
Revenue	205,599	181,214	182,723	186,145	188,760
Gross profit	174,722	156,044	161,404	163,808	166,486
EBITDA	54,265	23,613	24,485	32,116	32,408
Depreciation & amortisation	(4,125)	(4,890)	(5,083)	(5,464)	(5,437)
EBIT	50,140	18,723	19,402	26,652	26,971
Other gains / (Losses)	3,689	(5,210)	(2,920)	1,763	-
Net Finance Inc/(Exp)	(3,021)	(3,909)	(5,655)	(4,247)	(4,147)
Profit before tax	46,654	14,277	13,664	22,804	23,324
Taxation	(7,296)	(2,421)	(2,591)	(3,421)	(3,732)
Minority interest	(8,887)	(547)	444	(500)	(200)
PATMI	30,471	11,309	11,517	18,884	19,392
PATMI, adjusted	26,782	16,519	14,437	17,121	19,392

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, Reported	3.24	1.19	1.22	2.00	2.05
EPS, Adjusted	2.85	1.75	1.53	1.81	2.05
DPS	4.00	1.00	0.69	1.05	1.10
BVPS	11.0	10.8	10.9	12.0	13.0

Cash Flow

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	46,654	14,277	13,664	22,804	23,324
Adjustments	9,830	17,428	19,947	18,064	17,937
WC changes	(5,599)	4,159	(4,154)	(16,156)	(680)
Cash generated from ops	53,895	39,748	35,051	28,824	44,606
Tax paid	(3,101)	(6,196)	(1,583)	(3,421)	(3,732)
Cashflow from ops	50,794	33,552	33,468	25,404	40,874
CFI					
CAPEX, net	(7,799)	(9,310)	(5,943)	(5,000)	(5,000)
Others	11,352	(1,685)	(1,221)	136	122
Cashflow from investments	3,553	(10,995)	(7,164)	(4,864)	(4,878)
CFE					
Share issuance, net	(3,053)	1,750	-	-	-
Loans, net of repayments	8,535	1,500	(5,364)	(2,000)	(2,000)
Dividends	(48,760)	(13,152)	(7,193)	(8,802)	(9,938)
Others	(12,230)	(20,567)	(19,452)	(13,247)	(13,147)
Cashflow from financing	(55,508)	(30,469)	(32,009)	(24,049)	(25,085)
Net change in cash	(1,161)	(7,912)	(5,705)	(3,510)	10,911
CCE, end	47,610	39,698	33,993	30,483	41,394

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Trade and other receivables	27,823	26,970	31,172	50,259	50,965
Cash	47,611	39,698	33,993	30,483	41,394
Inventories	15,892	11,091	11,812	13,030	13,213
Total current assets	95,159	81,803	80,592	97,388	109,188
PPE & IA	89,201	98,115	96,490	96,026	95,589
Others	91,821	87,494	81,506	77,906	74,406
Total non-current assets	181,022	185,609	177,996	173,932	169,995
Total Assets	276,181	267,412	258,588	271,319	279,183
LIABILITIES					
Accounts payable	26,239	19,381	10,742	14,892	15,101
Bank borrowings	3,552	473	1,105	1,105	1,105
Lease liabilities	9,908	10,547	19,221	19,221	19,221
Others	5,595	2,273	2,218	2,218	2,218
Total current liabilities	45,294	32,674	33,286	37,436	37,645
Deferred tax liabilities	2,393	1,926	2,992	2,992	2,992
Long-term borrowings	80,176	84,577	79,181	77,181	75,181
Others	45,072	45,987	40,218	40,218	40,218
Total non-current liabilities	127,641	132,490	122,391	120,391	118,391
Total Liabilities	172,935	165,164	155,677	157,827	156,036
Equity					
Non-controlling interests	5,397	5,758	3,840	4,340	4,540
Shareholder Equity	103,246	102,248	102,911	113,493	123,147

Valuation Ratios

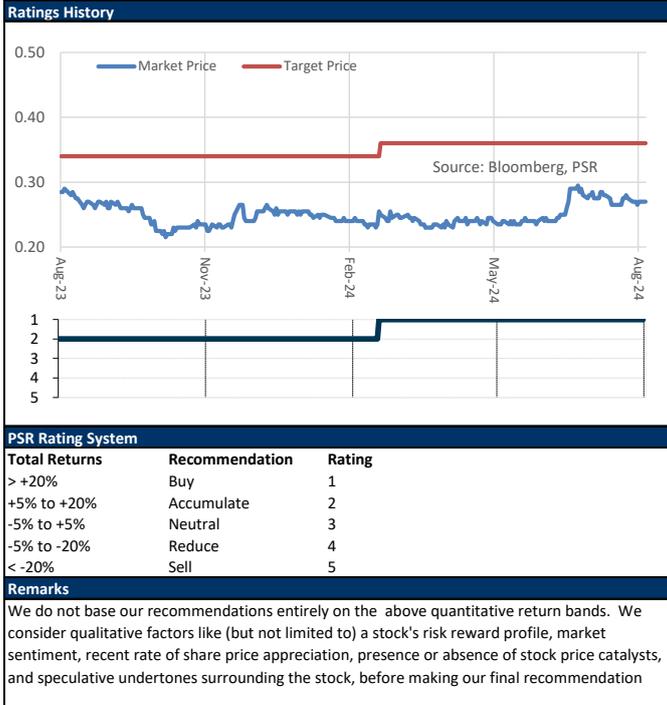
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X) - adjusted	9.5	15.5	17.7	14.9	13.2
P/B (X)	2.5	2.5	2.5	2.3	2.1
EV/EBITDA (X)	3.9	9.2	9.2	7.1	6.7
Dividend Yield	14.8%	3.7%	2.6%	3.9%	4.1%

Growth & Margins

Growth					
Revenue	49.4%	-11.9%	0.8%	1.9%	1.4%
EBITDA	82.5%	-56.5%	3.7%	31.2%	0.9%
EBIT	90.9%	-62.7%	3.6%	37.4%	1.2%
Net profit, adj.	54.7%	-62.9%	1.8%	64.0%	2.7%
Margins					
Gross margin	85.0%	86.1%	88.3%	88.0%	88.2%
EBITDA margin	26.4%	13.0%	13.4%	17.3%	17.2%
EBIT margin	24.4%	10.3%	10.6%	14.3%	14.3%
Net profit margin	14.8%	6.2%	6.3%	10.1%	10.3%

Key Ratios

ROE	29.5%	11.1%	11.2%	16.6%	15.7%
ROA	11.0%	4.2%	4.5%	7.0%	6.9%
Net Gearing	35.0%	44.4%	45.0%	42.1%	28.3%
Net Debt/EBITDA (X)	0.7	1.9	1.9	1.5	1.1



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