



# Q & M Dental Group Ltd

## Reorganising for future growth

### SINGAPORE | HEALTHCARE | 2H24 RESULTS

13 March 2025

- FY24 profits exceeded our expectations: revenue and adj. PATMI were 97% and 113%, respectively, of our FY24e forecast. There was a turnaround in profitability of EM2AI and Aoxin and lower operating expenses. Adj. PATMI rose 20% YoY to S\$10.8mn. The second interim dividend was raised 32% to 0.70 cents, and a 50mn share buyback was announced.
- 2H24 revenue declined 4% YoY to S\$91.4mn due to the closure of the Acumen lab and slower core dental revenue. Core dental revenue fell due to the relocation of several older and less profitable clinics, with total clinics in Singapore rising by only one in FY24. Malaysia closed six clinics as the company focused on efficiency. Losses from EM2AI narrowed, and partial disposal on March 24 lowered employee costs. Associate Aoxin Q&M Dental has been turning around following more regulatory support for the large dental hospitals.
- We raised our earnings by 6% on the back of the turnaround in EM2AI, and Aoxin, and improving the profitability of existing clinics. Our BUY recommendation is maintained and target price raised to S\$0.40 (prev. S\$0.36) as we roll over our valuations. We value the company at 18x PE FY25e earnings, in line with industry peers. There is upside to our earnings if the company pursues a more aggressive acquisition strategy for growth and EM2AI finalises the agreement to sell its software to a network of approximately 1,000 clinics.

### BUY (Maintained)

CLOSING PRICE	SGD 0.295
FORECAST DIV	SGD 0.013
TARGET PRICE	SGD 0.40
<b>TOTAL RETURN</b>	<b>38.3%</b>

#### COMPANY DATA

Bloomberg CODE:	QNM SP
O/S SHARES (MN):	948.9
MARKET CAP (USD mn / SGD mn):	210 / 280
52 - WK HI/LO (SGD):	0.32 / 0.23
3M Average Daily T/O (mn):	0.35

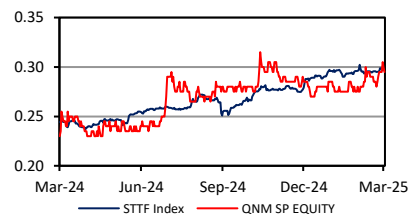
#### MAJOR SHAREHOLDERS

Quan Min Holdings Pte Ltd	52.4%
Heritas Helios Investments Pte Ltd	6.8%

#### TOTAL PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	11.6	7.7	9.6
STTF	(1.0)	0.9	1.6

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec, SGD (mn)	FY23	FY24	FY25e	FY26e
Revenue	182.7	180.7	187.2	196.6
EBITDA	40.0	42.3	44.9	48.2
PATMI	11.5	14.6	20.5	23.5
PATMI, adjusted	14.4	19.3	20.5	23.5
EPS (SGD cents)	1.2	1.5	2.2	2.5
P/E (X) - adjusted	19.3	14.5	13.6	11.9
Dividend Yield	2.3%	3.7%	4.4%	4.7%
ROE	11.2%	13.5%	17.6%	18.5%
ROA	4.5%	5.9%	8.0%	8.8%

Source: Company, PSR

#### VALUATION METHOD

18x PE FY25e adj. + Associate market cap

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### Results at a glance

SGD '000	2H24	2H23	YoY	Comments
Revenue	91,451	95,578	-4.3%	Core dental declined 2%.
Gross profit	80,658	84,851	-4.9%	
PBT	3,039	6,844	-55.6%	Includes S\$6mn of write-offs on the laboratory.
Employee expense	(53,697)	(56,914)	-5.7%	Lower EM2AI losses and lab expenses.
Associates	291	120	142.5%	
Adj. PATMI	10,827	9,027	19.9%	
Gross Margins	88.2%	88.8%	-0.6%	
Dental clinics - SG	106	105	1.0%	
Revenue per clinic - SG	778	806	-3.5%	Impacted by relocation of 4 clinics.
DPS - 2nd Interim (cents)	0.70	0.53	32.1%	

Source: Company, PSR

### The Positive

**+ Improving group earnings.** Improvement in earnings in 2H24 was primarily due to lower employee expenses and other operating costs. We believe the deconsolidation and lower expenses at EM2AI drove the operating cost lower together with the closure of the lab operations in September 24.

### The Negative

**- Softer dental revenue.** Revenue in core dental declined due to the relocation of four clinics. There will be a lag before the new clinics ramp up their patients. EM2AI has seen a noticeable improvement in clinic performance as patients and dentists can better identify and understand underlying dental issues.

### Outlook

We expect revenue to return to growth from: (i) Increased recruitment of dentists to fill the existing network of 106 clinics in Singapore; (ii) a recent increase in dental subsidies by the government for more restorative procedures; (iii) wider adoption of EM2AI software. Other earnings drivers include turnaround in EM2AI and Aoxin together with opportunistic acquisitions.

### Maintain BUY with higher TP of S\$0.40 (prev. S\$0.36)

## Financials

### Income Statement

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>181,214</b>	<b>182,723</b>	<b>180,674</b>	<b>187,190</b>	<b>196,590</b>
Gross profit	156,044	161,404	160,246	165,102	173,392
<b>EBITDA</b>	<b>40,967</b>	<b>40,037</b>	<b>42,252</b>	<b>44,934</b>	<b>48,166</b>
Depreciation & amortisation	(4,890)	(5,083)	(5,025)	(5,457)	(5,495)
<b>EBIT</b>	<b>36,077</b>	<b>34,954</b>	<b>37,227</b>	<b>39,476</b>	<b>42,670</b>
Other gains / (Losses)	(5,210)	(2,920)	(4,659)	-	-
Net Finance Inc/(Exp)	(3,909)	(5,655)	(5,372)	(4,349)	(3,854)
Associates	(537)	(83)	507	1,100	1,300
Profit before tax	14,277	13,664	14,752	23,227	27,116
Taxation	(2,421)	(2,591)	(1,686)	(3,484)	(4,067)
Minority interest	(547)	444	1,571	800	500
<b>PATMI</b>	<b>11,309</b>	<b>11,517</b>	<b>14,637</b>	<b>20,543</b>	<b>23,549</b>
<b>PATMI, adjusted</b>	<b>16,519</b>	<b>14,437</b>	<b>19,296</b>	<b>20,543</b>	<b>23,549</b>

### Per share data (SGD Cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS, Reported	1.19	1.22	1.55	2.17	2.49
EPS, Adjusted	1.75	1.53	2.04	2.17	2.49
DPS	1.00	0.69	1.10	1.30	1.40
BVPS	10.8	10.9	11.5	12.3	13.5

### Cash Flow

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Profit before tax</b>	<b>14,277</b>	<b>13,664</b>	<b>14,752</b>	<b>23,227</b>	<b>27,116</b>
Adjustments	17,428	19,947	23,120	17,357	17,195
WC changes	4,159	(4,154)	(548)	(13,024)	(2,444)
Cash generated from ops	39,748	35,051	42,696	31,772	45,601
Tax paid	(6,196)	(1,583)	(2,598)	(3,484)	(4,067)
<b>Cashflow from ops</b>	<b>33,552</b>	<b>33,468</b>	<b>40,098</b>	<b>28,288</b>	<b>41,534</b>
<b>CFI</b>					
CAPEX, net	(9,310)	(5,943)	(7,952)	(6,000)	(5,000)
Others	(1,685)	(1,221)	1,645	137	120
<b>Cashflow from investments</b>	<b>(10,995)</b>	<b>(7,164)</b>	<b>(6,307)</b>	<b>(5,863)</b>	<b>(4,880)</b>
<b>CFE</b>					
Share issuance, net	1,750	-	130	-	-
Loans, net of repayments	1,500	(5,364)	(5,870)	(2,000)	(2,000)
Dividends	(13,152)	(7,193)	(8,804)	(11,368)	(12,316)
Others	(20,567)	(19,452)	(18,898)	(13,349)	(12,854)
<b>Cashflow from financing</b>	<b>(30,469)</b>	<b>(32,009)</b>	<b>(33,442)</b>	<b>(26,718)</b>	<b>(27,170)</b>
Net change in cash	(7,912)	(5,705)	349	(4,292)	9,485
<b>CCE, end</b>	<b>39,698</b>	<b>33,993</b>	<b>34,342</b>	<b>30,050</b>	<b>39,534</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
Trade and other receivables	26,970	31,172	35,981	50,541	53,079
Cash	39,698	33,993	34,342	30,050	39,534
Inventories	11,091	11,812	10,587	13,103	13,761
<b>Total current assets</b>	<b>81,803</b>	<b>80,592</b>	<b>84,061</b>	<b>96,845</b>	<b>109,526</b>
PPE & IA	98,115	96,490	89,840	90,383	89,887
Others	87,494	81,506	73,872	70,972	68,272
<b>Total non-current assets</b>	<b>185,609</b>	<b>177,996</b>	<b>163,712</b>	<b>161,355</b>	<b>158,159</b>
<b>Total Assets</b>	<b>267,412</b>	<b>258,588</b>	<b>247,773</b>	<b>258,200</b>	<b>267,685</b>
<b>LIABILITIES</b>					
Accounts payable	19,381	10,742	10,923	14,975	15,727
Bank borrowings	473	1,105	504	504	504
Lease liabilities	10,547	19,221	18,621	18,621	18,621
Others	2,273	2,218	1,762	1,762	1,762
<b>Total current liabilities</b>	<b>32,674</b>	<b>33,286</b>	<b>31,810</b>	<b>35,862</b>	<b>36,614</b>
Deferred tax liabilities	1,926	2,992	2,518	2,518	2,518
Long-term borrowings	84,577	79,181	73,239	71,239	69,239
Others	45,987	40,218	31,699	31,699	31,699
<b>Total non-current liabilities</b>	<b>132,490</b>	<b>122,391</b>	<b>107,456</b>	<b>105,456</b>	<b>103,456</b>
<b>Total Liabilities</b>	<b>165,164</b>	<b>155,677</b>	<b>139,266</b>	<b>141,318</b>	<b>140,070</b>
<b>Equity</b>					
Non-controlling interests	5,758	3,840	2,337	1,537	1,037
<b>Shareholder Equity</b>	<b>102,248</b>	<b>102,911</b>	<b>108,507</b>	<b>116,882</b>	<b>127,615</b>

### Valuation Ratios

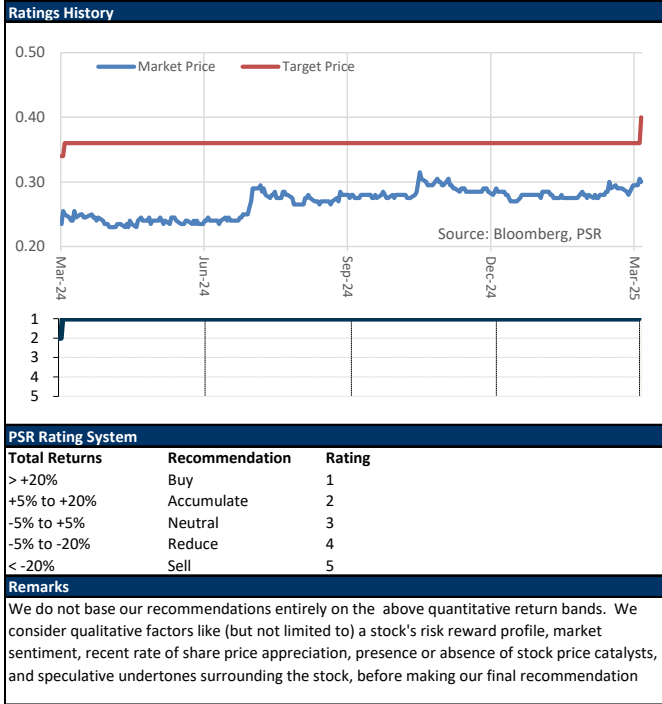
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X) - adjusted	16.9	19.3	14.5	13.6	11.9
P/B (X)	2.7	2.7	2.6	2.4	2.2
EV/EBITDA (X)	5.9	6.2	5.9	5.6	5.0
Dividend Yield	3.4%	2.3%	3.7%	4.4%	4.7%

### Growth & Margins

<b>Growth</b>					
Revenue	-11.9%	0.8%	-1.1%	3.6%	5.0%
EBITDA	-31.7%	-2.3%	5.5%	6.3%	7.2%
EBIT	-35.5%	-3.1%	6.5%	6.0%	8.1%
Net profit, adj.	-38.3%	-12.6%	33.7%	6.5%	14.6%
<b>Margins</b>					
Gross margin	86.1%	88.3%	88.7%	88.2%	88.2%
EBITDA margin	22.6%	21.9%	23.4%	24.0%	24.5%
EBIT margin	19.9%	19.1%	20.6%	21.1%	21.7%
Net profit margin	6.2%	6.3%	8.1%	11.0%	12.0%

### Key Ratios

ROE	11.1%	11.2%	13.5%	17.6%	18.5%
ROA	4.2%	4.5%	5.9%	8.0%	8.8%
Net Gearing	44.4%	45.0%	36.3%	35.7%	23.7%
Net Debt/EBITDA (X)	1.1	1.2	0.9	0.9	0.6



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