



# Thomson Medical Group Ltd

## A year in transition

### SINGAPORE | HEALTHCARE | FY24 RESULTS

16 September 2024

- FY24 revenue met expectations. However, earnings swung to an adjusted net loss of S\$10mn against our forecast profit of S\$13mn. Operating margins disappointed due to several investment initiatives and lower project revenue. The acquisition of Vietnam healthcare operations was completed in December 2023.
- Margins were hit by several months of renovation work at Thomson Medical Centre (Singapore), headcount increase in FV Hospital (Vietnam), insurance re-organization in Thomson Hospital Kota Damansara (Malaysia) and absence of project revenue (vaccination and transitional care facilities). A new hospital in Johor is planned for completion in mid-2029 with the remaining 9.5ha land bank pending a development review.
- We maintain our BUY recommendation but lower our SOTP target price to S\$0.061 from S\$0.066. Our FY25e earnings is cut by 46% to S\$17.7mn. A recovery in earnings for FY25e remains on track driven by: (i) normalisation of volumes in Singapore and Malaysia after operational disruptions; (ii) increased revenue intensity as more specialists are onboarded; (iii) higher growth in Vietnam following a ramp-up in marketing and headcount spending. We believe there remains huge operational leverage due to the current low bed utilisation rates and average bill size compared to other hospital chains.

### BUY (Maintained)

LAST CLOSE PRICE	SGD 0.049
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.061
TOTAL RETURN	24.5%

### COMPANY DATA

BLOOMBERG CODE:	TMG SP
O/S SHARES (MN) :	26,441
MARKET CAP (USD mn / SGD mn) :	998 / 1296
52 - WK HI/LO (SGD) :	0.06 / 0.05
3M Average Daily T/O (mn) :	1.98

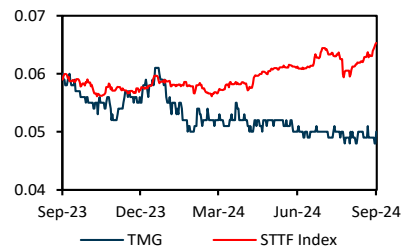
### MAJOR SHAREHOLDER

LIM ENG HOCK	89.8%
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### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	4.2	0.0	(18.0)
STTF RETURN	10.4	9.5	14.6

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Jun, (S\$'mn)	FY23	FY24	FY25e	FY26e
Revenue	355.8	351.2	481.8	548.2
EBITDA	103.3	102.4	120.6	135.6
EBIT	81.8	74.8	85.5	98.8
NPAT	36.6	15.4	17.7	27.3
P/NAV (x)	2.6	2.6	2.5	2.4
P/E (x)	35.4	84.0	73.3	47.4
ROE	7.3%	3.1%	3.4%	5.0%

Source: Company, PSR

### VALUATION METHOD

13x EV/EBITDA Core Hospital + Land bank in Johor

Paul Chew (+65 6212 1851)  
 Head Of Research  
 paulchewkl@phillip.com.sg

### Results at a glance

S\$mn	FY24	FY23	YoY	Comments
<b>Revenue</b>	<b>351.1</b>	<b>355.8</b>	<b>-1.3%</b>	
- Singapore	200.2	260.4	-23.1%	Volumes declined 13%.
- Malaysia	100.5	95.4	5.4%	Volumes rose 6%.
- Vietnam	50.4	0.0	n.m	
<b>Adj. EBITDA</b>				
- Singapore	51.1	87.1	-41.3%	Inpatient bill size jumped 18% to S\$5,041.
- Malaysia	24.5	22.1	10.9%	Inpatient bill size rose 8% to RM8,619.
- Vietnam	9.9	0.0	n.m	
- Investment holding	24.4	0.0	n.m	
<b>Total</b>	<b>109.9</b>	<b>109</b>	<b>0.6%</b>	
Finance Cost	-52	-31	69.0%	Acquisition of FV Hospital (Vietnam).
<b>PATMI</b>	<b>15.4</b>	<b>36.6</b>	<b>-57.8%</b>	
- Exceptional	25.5	0.0	n.m	
<b>Adjusted PATMI</b>	<b>-10.1</b>	<b>36.6</b>	<b>-127.6%</b>	Reversal of Johor land bank impairment.

Source: Company, PSR

### The Positive

**+ Rising revenue intensity or average bill size.** Despite disruptions, Thomson Medical (TMG) managed to grow its average bill size. In Malaysia, inpatient bill size rose 8% to RM8,619 due to the increased number of international patients. Meanwhile, Singapore's revenue intensity jumped 18% to S\$5,041 due to the rising complexity of gynaecology cases.

### The Negative

**- Drop in volumes and margins.** Singapore suffered a significant drop in inpatient and outpatient volumes of around 13% YoY. There was renovation work on the ground floor of Thomson Medical Centre to expand another 6,000 sft. It was over five months and caused disruption and inconvenience to patient flow. Malaysia's decline in volumes was due to a consolidation of the insurance panel. Some patients may revert to out-of-pocket expenses during this period. 1H24

margins in Singapore was still impacted by the absence of project related services in vaccination centres and transitional care facilities

## Outlook

We expect a recovery in earnings following the operational disruptions in 2HFY24. The medium-term growth drivers for TMG are:

1. Singapore: The current average inpatient bill size is S\$5,041 with bed occupancy of 56%. In contrast, IHH bill size is around S\$19,000 with occupancy of 66%. To narrow the gap, TMG is expanding into new specialist care such as orthopaedic. It can improve revenue intensity and increase utilisation of the current six operating theatres. The caseload is picking up and more specialist care will be added. The next phase will be for the specialist to transition from visiting to permanent status and expand speciality care into oncology, neurosurgery, and ophthalmology.
2. Malaysia (70% stake in TMC Life Sciences): The average inpatient bill size is RM8,619 with a 56% bed occupancy. Meanwhile, IHH is RM10,700 per patient with 69% occupancy. The gap is narrower because Thomson Hospital Kota Damansara (THKD) has a wider range of specialist care. To grow revenue intensity, THKD is attracting more international patients and working with Indonesia, China and countries in the Middle East. It recently signed an agreement with OncoCare Medical for its oncologist to practise in THKD. The number of beds in THKD is expected to rise from the current 373 to 500 by end 2025.
3. Vietnam (100% stake in FV Hospital\*): The plan is to bring specialists from Singapore to Vietnam. Local doctors can provide the recommendation to patients and after-surgery support. TMG is ramping up headcount and marketing efforts to raise revenue and patient visibility.
4. Johor: There are plans for a 500-bed facility in Johor (1km for Johor CIQ). Expected completion is mid-2029. The attraction of the hospital is its proximity to Singapore, improved accessibility with the completion of the Rapid Transit System (end-2026) and the introduction of Special Economic Zone that can boost investments and tax incentives. Other potential benefits will be lighter regulation around medical insurance and the use of new drugs.

\* Franco-Vietnamese Hospital

In the near term, cost pressure will remain from the jump in interest expense following the Vietnam acquisition and IT investments to digitalise and consolidate their expanded network of hospitals.

## Maintain BUY with a lower TP of S\$0.061 (prev. S\$0.066)

We value the core hospital operations at 13x EV/EBITDA FY25e (in-line with peer hospitals) and Johor land bank at S\$1bn. The 1.5ha earmarked for the hospital is valued at its acquisition cost of S\$80mn. For the remaining 9.5ha, we assigned a GDV potential of S\$3.4bn.

## Financials

### Income Statement

Y/E Jun, (S\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>333.7</b>	<b>355.8</b>	<b>351.2</b>	<b>481.8</b>	<b>548.2</b>
Other operating income	9.8	5.6	31.5	4.0	4.0
Staff cost	(107.9)	(118.0)	(121.8)	(158.0)	(180.9)
Inventory and consumables	(55.3)	(59.4)	(75.2)	(101.2)	(115.1)
Depreciation & amortisation	(17.9)	(21.1)	(27.5)	(34.8)	(36.4)
Other expenses	(70.5)	(80.7)	(83.2)	(106.0)	(120.6)
Associates/JV	-	(0.5)	(0.2)	(0.3)	(0.4)
<b>EBIT</b>	<b>91.8</b>	<b>81.8</b>	<b>74.8</b>	<b>85.5</b>	<b>98.8</b>
<b>EBITDA</b>	<b>109.7</b>	<b>103.3</b>	<b>102.4</b>	<b>120.6</b>	<b>135.6</b>
Net finance expenses	(22.5)	(26.6)	(44.2)	(56.8)	(56.8)
<b>Profit before tax</b>	<b>69.3</b>	<b>55.2</b>	<b>30.6</b>	<b>28.6</b>	<b>41.9</b>
Taxation	(10.7)	(14.1)	(11.1)	(7.2)	(10.5)
<b>Net Profit</b>	<b>58.6</b>	<b>41.1</b>	<b>19.5</b>	<b>21.5</b>	<b>31.4</b>
Minority interests	(4.8)	(4.5)	(4.1)	(3.8)	(4.1)
<b>PATMI</b>	<b>53.8</b>	<b>36.6</b>	<b>15.4</b>	<b>17.7</b>	<b>27.3</b>
Adj. PATMI	<b>53.8</b>	<b>36.6</b>	<b>(10.1)</b>	<b>17.7</b>	<b>27.3</b>

### Per share data (S\$ cents)

Y/E Jun	FY22	FY23	FY24	FY25e	FY26e
BVPS	2.0	1.9	1.9	2.0	2.1
DPS	0.1	0.0	-	-	-
EPS	0.2	0.1	0.1	0.1	0.1

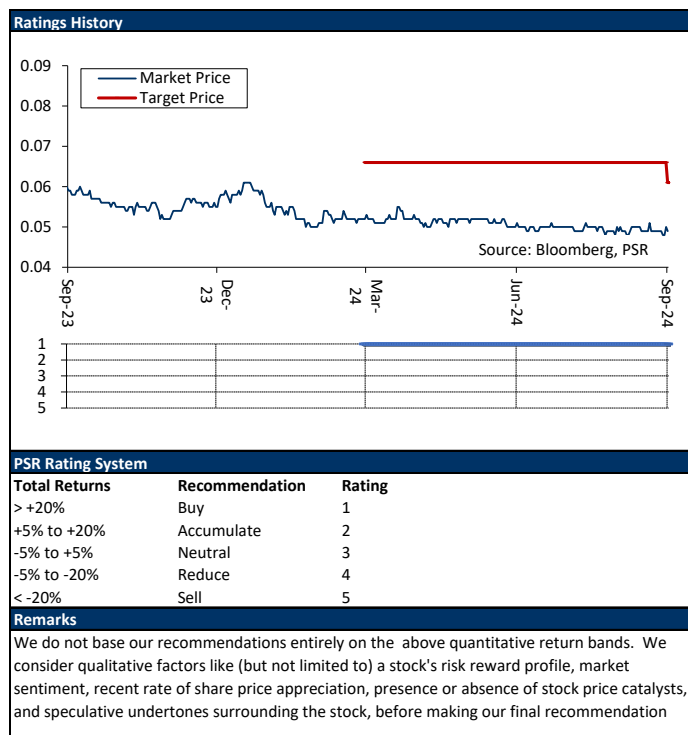
### Cash Flow

Y/E Jun, (S\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Pretax profit</b>	<b>69.3</b>	<b>55.2</b>	<b>30.6</b>	<b>28.6</b>	<b>41.9</b>
Adjustments	40.8	50.5	47.1	92.0	93.7
WC changes	(9.9)	(5.5)	12.0	14.6	5.9
<b>Cash generated from ops</b>	<b>100.2</b>	<b>100.2</b>	<b>89.7</b>	<b>135.2</b>	<b>141.5</b>
Others	(29.5)	(11.6)	(6.4)	(65.7)	(64.0)
<b>Cashflow from ops</b>	<b>70.7</b>	<b>88.6</b>	<b>83.4</b>	<b>69.5</b>	<b>77.5</b>
<b>CFI</b>					
CAPEX, net	(27.8)	(11.2)	(26.9)	(28.0)	(23.0)
Others	(1.7)	(2.2)	(463.1)	-	-
<b>Cashflow from investments</b>	<b>(29.4)</b>	<b>(13.4)</b>	<b>(490.0)</b>	<b>(28.0)</b>	<b>(23.0)</b>
<b>CFF</b>					
Dividends paid to owners	(5.0)	(31.9)	(12.9)	-	-
Proceeds from borrowings, net	3.7	117.2	343.9	-	-
Others	0.0	-	-	-	-
<b>Cashflow from financing</b>	<b>(1.4)</b>	<b>85.3</b>	<b>331.1</b>	<b>-</b>	<b>-</b>
<b>Net change in cash</b>	<b>39.9</b>	<b>160.5</b>	<b>(75.6)</b>	<b>41.5</b>	<b>54.5</b>
Cash at the start of the period	112.1	150.9	286.6	167.3	208.8
Currency translation	(1.1)	(4.2)	(0.6)	-	-
<b>Ending cash</b>	<b>150.9</b>	<b>307.3</b>	<b>210.4</b>	<b>208.8</b>	<b>263.3</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Jun, (S\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
PPE & Investment Properties	543.7	507.3	577.9	576.5	568.8
Others	500.7	499.6	912.6	907.0	900.9
<b>Total non-current assets</b>	<b>1,044.4</b>	<b>1,006.9</b>	<b>1,490.6</b>	<b>1,483.5</b>	<b>1,469.7</b>
Cash and cash equivalents	161.6	286.6	167.3	208.8	263.3
Inventories	5.6	6.3	8.8	11.1	12.6
Trade and other receivables	60.1	62.5	43.4	84.5	96.1
Others	93.2	85.5	97.4	97.4	97.4
<b>Total current assets</b>	<b>320.5</b>	<b>440.9</b>	<b>316.8</b>	<b>401.7</b>	<b>469.4</b>
<b>Total Assets</b>	<b>1,364.9</b>	<b>1,447.8</b>	<b>1,807.4</b>	<b>1,885.2</b>	<b>1,939.1</b>
<b>LIABILITIES</b>					
Trade and other payables	86.5	83.8	80.7	138.6	157.7
ST borrowings	227.7	12.1	189.2	189.2	189.2
Others	24.3	24.1	22.3	20.6	23.9
<b>Total current liabilities</b>	<b>338.5</b>	<b>120.0</b>	<b>292.1</b>	<b>348.4</b>	<b>370.8</b>
LT borrowings	401.4	735.6	917.0	917.0	917.0
Others	16.7	16.7	20.1	20.1	20.1
<b>Total non-current liabilities</b>	<b>418.1</b>	<b>752.3</b>	<b>937.1</b>	<b>937.1</b>	<b>937.1</b>
<b>Total liabilities</b>	<b>756.6</b>	<b>872.3</b>	<b>1,229.2</b>	<b>1,285.5</b>	<b>1,307.9</b>
<b>Net assets</b>	<b>608.3</b>	<b>575.4</b>	<b>578.2</b>	<b>599.7</b>	<b>631.2</b>
<b>EQUITY</b>					
Share Capital	2,364.5	2,364.5	2,364.5	2,364.5	2,364.5
Retained profits	148.5	154.8	159.7	177.4	204.7
Others	(1,981.4)	(2,019.9)	(2,023.3)	(2,023.3)	(2,023.3)
<b>Total equity</b>	<b>531.7</b>	<b>499.4</b>	<b>500.9</b>	<b>518.6</b>	<b>545.9</b>
Minority interests	76.7	76.0	77.3	81.1	85.2
<b>Total equity and liabilities</b>	<b>608.3</b>	<b>575.4</b>	<b>578.2</b>	<b>599.6</b>	<b>631.1</b>
<b>Valuation Ratios</b>					
Y/E Jun	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	24.1	35.4	84.0	73.3	47.4
P/B (x)	2.4	2.6	2.6	2.5	2.4
EV/EBITDA (x)	16.1	17.0	21.8	18.2	15.8
Dividend yield (%)	2.3	0.8	0.0	0.0	0.0
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	38.8%	6.6%	-1.3%	37.2%	13.8%
EBITDA	64.4%	-5.8%	-0.9%	17.7%	12.4%
EBIT	88.1%	-10.9%	-8.6%	14.3%	15.6%
PBT	164.7%	-20.3%	-44.6%	-6.5%	46.5%
<b>Margins</b>					
EBITDA margin	32.9%	29.0%	29.2%	25.0%	24.7%
EBIT margin	27.5%	23.0%	21.3%	17.7%	18.0%
Net profit margin	16.1%	10.3%	4.4%	3.7%	5.0%
<b>Key Ratios</b>					
ROE	10.1%	7.3%	3.1%	3.4%	5.0%
ROA	3.9%	2.5%	0.9%	0.9%	1.4%
Net Gearing	87.9%	92.3%	187.4%	173.1%	154.4%



## Contact Information (Singapore Research Team)

## Head of Research

Paul Chew – [paulchewkl@phillip.com.sg](mailto:paulchewkl@phillip.com.sg)

## Research Admin

Qystina Azli – [qystina@phillip.com.sg](mailto:qystina@phillip.com.sg)

## Technical Analyst

Zane Aw – [zaneawyx@phillip.com.sg](mailto:zaneawyx@phillip.com.sg)

## Property | REITs

Darren Chan – [darrenchanrx@phillip.com.sg](mailto:darrenchanrx@phillip.com.sg)

## Property | REITs

Liu Miaomiao – [liumm@phillip.com.sg](mailto:liumm@phillip.com.sg)

## Banking &amp; Finance

Glenn Thum – [glenthumjc@phillip.com.sg](mailto:glenthumjc@phillip.com.sg)

## US Tech Analyst (Digital Entertainment/Semicons)

Jonathan Woo – [jonathanwookj@phillip.com.sg](mailto:jonathanwookj@phillip.com.sg)

## US Tech Analyst (Software/Services)

Ambrish Shah – [amshah@phillipventuresifsc.in](mailto:amshah@phillipventuresifsc.in)

## US Tech Analyst (Hardware/E-commerce/ETF)

Helena Wang – [helenawang@phillip.com.sg](mailto:helenawang@phillip.com.sg)

## Contact Information (Regional Member Companies)

## SINGAPORE

## Phillip Securities Pte Ltd

Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

## JAPAN

## Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

## THAILAND

## Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangkok,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website: [www.phillip.co.th](http://www.phillip.co.th)

## UNITED STATES

## Phillip Capital Inc

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

## INDIA

## PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

## MALAYSIA

## Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

## INDONESIA

## PT Phillip Securities Indonesia

ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

## FRANCE

## King &amp; Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

## AUSTRALIA

## Phillip Capital Limited

Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

## TURKEY

## PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.  
Nida Kule Kat 3-12 Levent-Sisli  
34394, Istanbul Turkey  
Tel: +90 (212) 239 10 00  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

## HONG KONG

## Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

## CHINA

## Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

## UNITED KINGDOM

## King &amp; Shaxson Capital Limited

6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

## CAMBODIA

## Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,  
Norodom Blvd Corner Street 306, Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

## DUBAI

## Phillip Futures DMCC

Member of the Dubai Gold and  
Commodities Exchange (DGCX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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