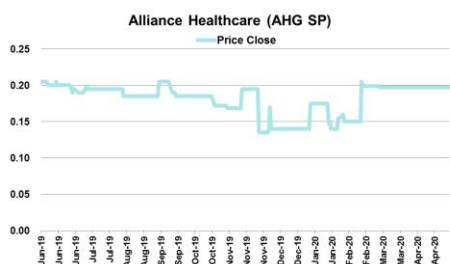




## A Differentiated Healthcare Play



Source: Bloomberg

### Stock Profile

Bloomberg Ticker	AHG SP
Avg Turnover (SGD/USD)	0.0m/0.0m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	41.0m
Beta (x)	1.0
BVPS (SGD)	0.08
52-wk Price low/high (SGD)	0.13 – 0.21
Free float (%)	28.6

### Major Shareholders (%)

Thng Lip Mong	67.8
Mok Kan Hwei	3.2

### Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	27.1	14.5	na
Relative	18.4	44.3	32.7	na

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## Investment Merits

- Managed healthcare solutions, a differentiated healthcare play
- High barriers to entry for managed healthcare
- Synergistic business segment

## Company Profile

Listed in May 2019, Alliance Healthcare Group is an integrated healthcare group that leverages the use of technology to provide a broad suite of healthcare services primarily in Singapore. The group's business comprises four key segments: managed healthcare solutions, GP clinic services, specialist care services and pharmaceutical services.

For managed healthcare solutions, the group has within its network self-owned clinics and a panel of medical service providers to serve over 2,400 corporations as well as individual patients. The group also operates five self-owned specialist and 16 GP clinics under the GP clinic services and specialist care services segments. In addition, the group engages in the wholesale distribution of pharmaceutical products.

## Highlights

**One of the market leaders in managed healthcare solutions.** Alliance Healthcare provides a unique play on the healthcare sector. The group provides managed healthcare solutions to corporations and insurance companies through a strong network of medical services providers delivering healthcare services to corporation employees or insured members. It has arrangements with nine insurers and serves over 2,400 corporations through over 1,000 medical services providers within the Alliance Healthcare network.

**High barriers to entry** into managed healthcare solutions due to its intensive capital investments and requirement for a sizeable network of medical services spanning various specialities. The business also depends on good relationships and support from various stakeholders, which Alliance has built upon over time and would be challenging for new entrants to catch up on within a short period. The incumbent must also have deep knowledge in healthcare as well as the technological capabilities to handle large processing and time-sensitive issues.

**Excellent business model given its scalability and a triple win situation** between the insurers, corporations and medical service providers. The business model gives Alliance huge scalability in terms of client acquisition through getting insurers onboard, signing up new direct corporations or expanding its services to existing insurers. The managed healthcare segment also provides a solid referral base for the

specialist care segment as well as getting patients for its GP clinics. The pharmaceutical segment is also complementary to the other segments as it supports the sourcing of pharmaceutical products and medical devices for its GP clinics as well as its panel of medical clinics.

## Company Report Card

**Latest results.** PATMI increased to SGD1.6m in 1H20 compared to SGD0.5m in 1H19 on higher revenue of SGD20.8m (+22.3% YoY), with revenue growth across all its business segments. In Dec 2019, the group acquired a 55% stake in Jaga-Me to expand its portfolio into healthcare services delivered in the comfort of the patient's own home. This will leverage on Jaga-Me's digital platform and network of over 500 licensed healthcare professionals, with the majority comprising registered nurses.

The company also recently won a public tender to provide managed healthcare solutions to a major healthcare institution which consists of 38 entities with an estimate of more than 80,000 individuals. The entities include Changi Hospital, KK Women and Singapore General Hospital.

**Dividend.** No dividends was declared for FY19. The group intend to distribute dividends of 30% or more of its net profits attributable to the shareholders for FY20 and FY21.

**Management.** Executive Chairman and CEO Dr Barry Thng Lip Mong is a GP with more than 20 years of experience in the healthcare industry, and is responsible for the overall business and strategic direction of the group. Neo Lay Fen was appointed as the group CFO in Feb 2018, and is responsible for overseeing financial matters and corporate affairs.

## Investment Case

### First listed managed healthcare solutions provider in Singapore.

As healthcare costs and administration processes weigh up, we think that Alliance Healthcare being one of the market leaders in managed healthcare solution bridges the gap by creating a win-win situation between the medical service providers, the corporations and the insurers. This is through achieving lower healthcare costs via an established network of panel medical service providers, corporations and insurers on board.

**Key risks.** Highly regulated environment, increased competition among GP clinics, dependence on panel of medical service providers, corporations and insurers, attracting and retaining medical professionals, failure to integrate or secure its IT systems.

<b>Profit &amp; Loss</b>	<b>Jun-17</b>	<b>Jun-18</b>	<b>Jun-19</b>
Total turnover (SGDm)	29	34	37
Reported net profit (SGDm)	2	3	1
Recurring net profit (SGDm)	2	3	2
Recurring net profit growth (%)	110	100	(49)
Recurring EPS (SGD)	0.01	0.02	0.01
DPS (SGD)	na	na	na
Dividend Yield (%)	na	na	na
Recurring P/E (x)	25.9	9.5	18.3
Return on average equity (%)	56.3	66.5	6.6
P/B (x)	9.2	5.1	2.5
P/CF (x)	14.8	5.1	10.1

Source: Company data, RHB

<b>Balance Sheet (SGDm)</b>	<b>Jun-17</b>	<b>Jun-18</b>	<b>Jun-19</b>
Total current assets	16	19	26
Total assets	23	27	35
Total current liabilities	18	17	15
Total non-current liabilities	1	3	4
Total liabilities	19	20	19
Shareholder's equity	4	7	17
Minority interest	(0)	(0)	0
Other equity	na	na	na
Total liabilities & equity	23	27	35
Total debt	4	4	5
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

<b>Cash Flow (SGDm)</b>	<b>Jun-17</b>	<b>Jun-18</b>	<b>Jun-19</b>
Cash flow from operations	2	6	3
Cash flow from investing activities	(1)	(2)	(2)
Cash flow from financing activities	(1)	(0)	5
Cash at beginning of period	6	6	9
Net change in cash	0	3	5
Ending balance cash	6	9	14

Source: Company data, RHB