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Q & M Dental Group Ltd

Waiting for inorganic growth

SINGAPORE | HEALTHCARE | 1H26 RESULTS

- 1H26 results were below expectations - revenue/adj. PATMI were 45%/25% of our FY26e forecast. Revenue in Singapore and China has been softer than expected. Higher finance costs pending acquisitions in Australia and Thailand are also weighing on earnings.
- Discretionary demand for dental services was weak in Singapore, especially in 1Q26, with recovery underway in 2Q26. China is facing pressure from price controls and weak demand due to the economic environment. Q&M Dental is pursuing an aggressive initiative to elevate the complexity of dental care and normalise revenue intensity.
- We lower our FY26e adj. earnings by 30% to S$12.7mn. We expect a seasonal recovery in 2H26 for Singapore together with improving revenue intensity. China will launch a new hospital in 2H26. We roll forward our valuations to FY27e to incorporate profit-guaranteed earnings from Australia and Thailand (at a 50% discount). We maintain our BUY with an unchanged target price of S$0.71.

Results at a glance

SGD '000	1H26	1H25	YoY	Comments
Revenue	99,462	88,378	12.5%	
- Singapore	78,922	79,954	-1.3%	
- China	13,977	2,686	420.4%	Consolidation of Aoxin from associate.
Gross profit	86,027	78,473	9.6%	
Employee expense	-59,883	-51,649	15.9%	
PATMI	4,897	3,856	27.0%	Includes S$4.3mn loss on disposal of associate.
Adj. PATMI	4,559	6,567	-30.6%	Excl. disposal gain/losses and profit guarantee.
Gross Margins	86.5%	88.8%	-2.3%	
Dental clinics - SG	113	108	4.6%	
Revenue per clinic - SG	708	747	-5.3%	Weak consumer demand.
DPS -1st Interim (cents)	0.40	0.40	0.0%	

Source: PSR, Company

The Positive

+ Acquisitions to deliver growth. There are S$146mn in pending acquisitions of dental clinics in Australia (S$107mn) and Thailand (S$39mn), payable in cash (S$92mn) and shares (86.7mn @ S$0.70). The acquisition will boost EPS by at least 1 cent post-new-share issuance.

The Negative

- Weakness in revenue. Revenue grew 12.5% to S$99.5mn, but this includes the consolidation of Aoxin Q&M Dental (from an associate) into China's revenue. Aoxin recorded a 21% revenue decline in 1H26.

Outlook

We believe there is weak organic growth in the near-term. Dental demand in Singapore is suffering from weak and price-sensitive discretionary spending. Higher subsidies in dental procedures are being replaced by weak private demand. China is facing a significant price contraction due to price caps. Q&M Dental will upscale its dental practices to increase revenue intensity and complexity by standardising procedures such as dental implants and bridges. The company's three phases of growth have been to raise external funding, acquire and expand, and educate to raise procedural complexity and revenue intensity. We are in the middle of the 2nd phase.

Maintain BUY with unchanged TP of S$0.71

7 September 2026

BUY (Maintained)

CLOSING PRICE	SGD 0.530
FORECAST DIV	SGD 0.012
TARGET PRICE	SGD 0.710
TOTAL RETURN	**36.2%**

COMPANY DATA

Bloomberg CODE:	QNM SP
O/S SHARES (MN) :	949.5
MARKET CAP (USD mn / SGD mn) :	393 / 498
52 - WK HI/LO (SGD) :	0.64 / 0.44
3M Average Daily T/O (mn) :	0.56

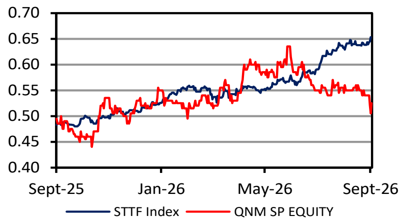
MAJOR SHAREHOLDERS

Quan Min Holdings Pte Ltd	54.5%
Heritas Helios Investments Pte Ltd	6.8%

TOTAL PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	(6.7)	(15.9)	(6.8)
STTF	3.7	13.2	27.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY24	FY25	FY26e	FY27e
Revenue	180.7	197.2	211.2	230.0
EBITDA	42.3	42.5	42.3	49.1
PATMI	14.3	9.3	12.7	17.9
PATMI, adjusted	18.9	13.9	12.7	17.9
EPS (SGD cents)	1.5	1.0	1.3	1.9
P/E (X) - adjusted	26.5	36.0	39.6	28.1
Dividend Yield	2.1%	1.5%	2.3%	2.8%
ROE	13.1%	6.9%	9.1%	12.3%
ROA	5.8%	2.6%	3.5%	4.9%

Source: Company, PSR

VALUATION METHOD

25x PE FY27e + Aoxin market cap. + Acquisitions

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Financials

Income Statement

Y/E Dec, SGD '000	FY23	FY24	FY25	FY26e	FY27e
Revenue	**182,723**	**180,674**	**197,226**	**211,230**	**229,950**
Gross profit	161,404	160,246	171,782	182,714	199,827
EBITDA	**40,037**	**42,252**	**42,493**	**42,263**	**49,067**
Depreciation & amortisation	(17,776)	(17,976)	(19,715)	(21,178)	(21,464)
EBIT	**22,261**	**24,276**	**22,778**	**21,085**	**27,603**
Other gains / (Losses)	(2,920)	(4,659)	(4,610)	-	-
Net Finance Inc/(Exp)	(5,594)	(5,372)	(5,880)	(6,259)	(6,200)
Associates	(83)	134	(103)	-	-
Profit before tax	13,664	14,379	12,185	14,826	21,403
Taxation	(2,591)	(1,686)	(2,266)	(1,927)	(2,996)
Minority interest	444	1,571	(607)	(200)	(500)
PATMI	**11,517**	**14,264**	**9,312**	**12,698**	**17,906**
PATMI, adjusted	**14,437**	**18,923**	**13,922**	**12,698**	**17,906**

Per share data (SGD Cents)

Y/E Dec	FY23	FY24	FY25	FY26e	FY27e
EPS, Reported	1.22	1.51	0.99	1.34	1.89
EPS, Adjusted	1.53	2.00	1.47	1.34	1.89
DPS	0.69	1.10	0.82	1.20	1.50
BVPS	10.9	11.5	14.4	14.8	15.4

Cash Flow

Y/E Dec, SGD '000	FY23	FY24	FY25	FY26e	FY27e
CFO					
Profit before tax	**13,664**	**14,379**	**12,185**	**14,826**	**21,403**
Adjustments	25,541	28,865	30,809	27,437	27,664
WC changes	(4,154)	(548)	(3,902)	(13,489)	(4,867)
Cash generated from ops	35,051	42,696	39,092	28,774	44,199
Tax paid	(1,583)	(2,598)	(2,395)	(1,927)	(2,996)
Cashflow from ops	**33,468**	**40,098**	**36,697**	**26,846**	**41,203**
CFI					
CAPEX, net	(5,943)	(7,952)	(4,842)	(5,000)	(5,000)
Others	(1,221)	1,645	8,309	1,171	1,130
Cashflow from investments	**(7,164)**	**(6,307)**	**3,467**	**(3,829)**	**(3,870)**
CFF					
Share issuance, net	-	130	(3,232)	-	-
Loans, net of repayments	(5,364)	(5,870)	69,517	(2,000)	(2,000)
Dividends	(7,193)	(8,804)	(10,426)	(8,719)	(12,320)
Others	(19,452)	(18,898)	(13,280)	(16,430)	(16,330)
Cashflow from financing	**(32,009)**	**(33,442)**	**42,579**	**(27,149)**	**(30,650)**
Net change in cash	(5,705)	349	82,743	(4,131)	6,683
CCE, end	**33,993**	**34,342**	**117,085**	**112,954**	**119,636**

Source: Company, Phillip Securities Research (Singapore) Estimates

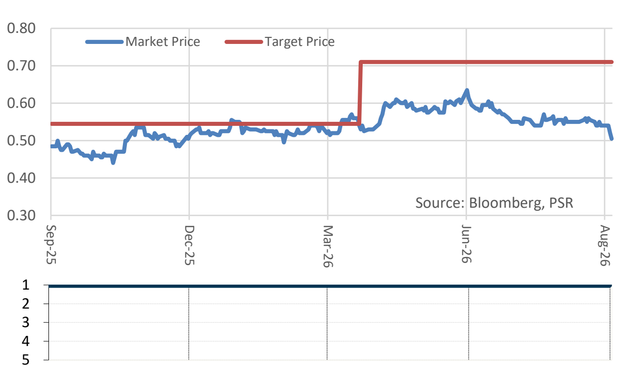
Balance Sheet

Y/E Dec, SGD '000	FY23	FY24	FY25	FY26e	FY27e
ASSETS					
Trade and other receivables	31,172	35,981	41,286	57,032	62,087
Cash	33,993	34,342	117,085	112,954	119,636
Inventories	11,812	10,587	12,331	14,786	16,097
Others	3,615	3,151	7,405	7,405	7,405
Total current assets	**80,592**	**84,061**	**178,107**	**192,177**	**205,224**
PPE & IA	96,490	89,840	121,494	119,816	118,353
Others	81,506	73,872	52,811	47,311	41,311
Total non-current assets	**177,996**	**163,712**	**174,305**	**167,127**	**159,664**
Total Assets	**258,588**	**247,773**	**352,412**	**359,304**	**364,888**
LIABILITIES					
Accounts payable	10,742	10,923	12,186	16,898	18,396
Bank borrowings	1,105	504	686	686	686
Lease liabilities	19,221	18,621	22,621	22,621	22,621
Others	2,218	1,762	1,968	1,968	1,968
Total current liabilities	**33,286**	**31,810**	**37,461**	**42,173**	**43,671**
Deferred tax liabilities	2,992	2,518	2,377	2,377	2,377
Long-term borrowings	79,181	73,239	142,742	140,742	138,742
Others	40,218	31,699	33,996	33,996	33,996
Total non-current liabilities	**122,391**	**107,456**	**179,115**	**177,115**	**175,115**
Total Liabilities	**155,677**	**139,266**	**216,576**	**219,288**	**218,786**
Equity					
Minority interest	3,840	2,337	31,430	31,630	32,130
Shareholder Equity	**102,911**	**108,507**	**135,836**	**140,016**	**146,102**

Valuation Ratios

Y/E Dec	FY23	FY24	FY25	FY26e	FY27e
P/E (X) - adjusted	34.7	26.5	36.0	39.6	28.1
P/B (X)	4.9	4.6	3.7	3.6	3.4
EV/EBITDA (X)	11.8	11.1	9.1	9.2	7.8
Dividend Yield	1.3%	2.1%	1.5%	2.3%	2.8%
Growth & Margins					
Growth					
Revenue	0.8%	-1.1%	9.2%	7.1%	8.9%
EBITDA	-2.3%	5.5%	0.6%	-0.5%	16.1%
EBIT	-6.9%	9.1%	-6.2%	-7.4%	30.9%
Net profit, adj.	-12.6%	31.1%	-26.4%	-8.8%	41.0%
Margins					
Gross margin	88.3%	88.7%	87.1%	86.5%	86.9%
EBITDA margin	21.9%	23.4%	21.5%	20.0%	21.3%
EBIT margin	12.2%	13.4%	11.5%	10.0%	12.0%
Net profit margin	6.3%	7.9%	4.7%	6.0%	7.8%
Key Ratios					
ROE	11.2%	13.1%	6.9%	9.1%	12.3%
ROA	4.5%	5.8%	2.6%	3.5%	4.9%
Net Gearing	45.0%	36.3%	19.4%	20.3%	13.5%
Net Debt/EBITDA (X)	1.2	0.9	0.6	0.7	0.4

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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