



Q&M Dental Group Ltd.
(QNM SP/ QC7.SI)

Re-fuelled for the next leg

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- **Well-funded next phase.** Q&M completed a S\$130mn 3.95% note issuance in Jul 2025. The larger cash balance expands capacity for organic rollout and tuck-in M&A but also raises the hurdle for capital deployment.
- **Reported profit was distorted by accounting noise.** FY25 PATMI fell 35% YoY to S\$9.3mn, but this mainly reflected consolidation-related losses and financing-related charges. Profit excluding other gains/losses and MTN and PSP expenses was broadly flat at S\$17.0mn.
- **Regional pipelines are now more concrete.** Post year-end, management disclosed active M&A progress across Australia, Thailand, Singapore and China. The proposed Australian platform alone would add more than 40 clinics and c.120 dentists, while the broader pipeline suggests FY26 could mark the start of a more visible regional build-out
- **FY25 financial results.** Q&M reported FY25 revenue of S\$197.2mn, up 9.2% YoY, with core dental revenue increasing 12.5% to S\$190.8mn. Reported PATMI was S\$9.3mn, but adjusted PATMI excluding other gains/losses and MTN/PSP related expenses was stable at S\$17.0mn. 2H25 was the stronger half as Singapore clinics improved and Aoxin was fully embedded into the perimeter.

Outperform - Company Update		
Price as of 19 Mar 26 (SGD)	0.560	Performance (Absolute)
12M TP (\$)	0.650	1 Month (%) 4.5
Previous TP (\$)	0.35	3 Month (%) 10.5
Upside, incl div (%)	17.6%	12 Month (%) 89.8
Trading data		
Mkt Cap (\$mn)	529	Perf. vs STI Index (Red)
Issued Shares (mn)	944	
Vol - 3M Daily avg (mn)	0.8	
Val - 3M Daily avg (\$mn)	0.4	
Free Float (%)	36.3%	
Major Shareholders		
Quan Min Holdings Pte Ltd	55.9%	Previous Recommendations
Heritas Helios Investments I	6.8%	
Ng Chin Siau	0.7%	
		21-Aug-24 0.35

Valuation & Action: We reiterate **OUTPERFORM** and raise 12M TP to **S\$0.65**. We keep terminal growth at 2.0% but raise WACC to 8.0% from 6.6% to reflect a more conservative cost of capital framework around deployment risk and terminal value sensitivity.

Risks: Weaker deployment returns, softer Singapore productivity, integration risk in China, and a longer financing-cost drag.

Financials & Key Operating Statistics

YE Dec (S\$'Millions)	2024	2025	2026F	2027F	2028F
Revenue	180.7	197.2	220.0	235.1	249.1
PATMI	14.6	9.3	14.3	16.7	17.1
EPS (cents)	1.2	2.5	1.3	1.3	1.3
EPS growth (%)	5.0%	105.0%	3.0%	3.0%	3.0%
DPS (Sing cents)	1.1	0.8	0.8	0.9	0.9
Div Yield (%)	1.9%	1.4%	1.4%	1.5%	1.6%
Net Profit Margin (%)	7.2%	5.0%	6.3%	6.9%	6.7%
Net Debt/ (Net Cash) Gearing (%)	74.7%	52.6%	49.4%	48.4%	45.1%
ROA (%)	5.3%	2.8%	3.9%	4.4%	4.4%
ROE (%)	12.0%	7.3%	9.8%	10.8%	10.5%

Source: KGI Research

Industry Outlook

Singapore remains a defensive core market. We continue to view Singapore private dental demand as relatively resilient. Treatment intensity can soften around discretionary procedures in weaker consumer periods, but the base business remains supported by recurring care, established clinic density, and Q&M's broad suburban presence. The bigger swing factor into 2026 is therefore less demand destruction and more execution: same-clinic productivity, chair utilisation, dentist retention, and mix uplift into higher-value procedures.

Johor becomes both risk and response. Management has explicitly highlighted the Johor-Singapore Special Economic Zone and the approaching RTS as a strategic issue. In our view, this cuts both ways. A wider cost gap could encourage some patient leakage from Singapore once connectivity improves, but it also creates a rational case for Q&M to deepen its Johor presence and capture that flow within the group ecosystem rather than lose it outright. That is likely to be one of the most important industry themes for 2026.

China remains an industry consolidation story. The PRC market remains structurally fragmented but is still consolidating. Q&M now has a better operating vehicle through Aoxin, which gives it local infrastructure, regulatory familiarity and an acquisition platform. We think the key industry implication is not a near-term margin step-up, but a wider long-run opportunity set if consolidation can be pursued selectively and without diluting returns.

Company Outlook

Singapore should remain the earnings anchor in FY26 and, in our view, the key defensive pillar of the equity story. Against a more volatile macro and geopolitical backdrop, including ongoing uncertainty around Iran and broader policy unpredictability among major global leaders, the value of a stable, domestic, healthcare-led cash flow base becomes more important. Management commentary and FY25 disclosures point to stronger revenue contribution from the Singapore dental clinics in 2H25 and across the full year, reinforcing our view that the domestic franchise remains the clearest indicator of group earnings quality even as reported revenue becomes increasingly influenced by consolidation.

FY26 is likely a deployment year for the MTN proceeds. FY26 is likely to mark the beginning of a more active deployment phase for the MTN proceeds, opening a wider set of growth options without changing the defensive core of the business. Management has been clear that the July 2025 note issuance was intended to support organic expansion and M&A, and the post-period disclosures suggest the opportunity set is broader than previously assumed. The active pipeline across Australia, Thailand, Singapore and China, together with a greater use of long-dated service agreements and moratorium-linked share consideration, suggests Q&M is not merely pursuing opportunistic acquisitions but is instead seeking to build regional platforms with stronger clinician alignment and better continuity of operations.

Australia could become the most meaningful expression of that strategy. Under the 11 March 2026 MOU, Q&M is evaluating the acquisition of a dental group with more than 40 clinics and around 120 dentists for AUD144.5mn, supported by a structured consideration package that includes cash, post-completion capital injection and long-lock-up equity, alongside a seven-year profit guarantee, escrow protection and 15-year service agreements. If executed, the transaction would give Q&M immediate scale in a developed market and create a new platform for regional expansion. That said, we would still expect margin progression to be gradual rather than linear, as Aoxin carries a lower margin profile than Singapore and the enlarged platform will need to absorb funding costs, integration work and incentive structures before revenue growth translates cleanly into equity earnings.

Company Update

S\$ mn	FY24	FY25	YoY
Revenue	180.7	197.2	9.2%
Core dental revenue	169.5	190.8	12.2%
EBITDA	38.1	35.3	(7.0%)
Adj. EBITDA ex. other gains/losses	46.4	42.3	(8.8%)
Reported PATMI	14.3	9.3	(35.0%)
Adj. PATMI ex. other gains/losses and MTN/PSP	16.9	17.0	1.0%

Scope changed materially in FY25. This was not a clean like-for-like year. Aoxin moved from associate to subsidiary after the May 2025 control event, and EM2AI was also reconsolidated. That lifted reported scale, expanded goodwill and intangibles, reduced investment in associates to near-zero, and introduced sizeable accounting noise through deemed disposal losses.

The operating footprint is larger. As of FY25, Q&M operated 110 dental outlets in Singapore, 37 in Malaysia, and in China 7 dental polyclinics, 7 dental hospitals, 5 training centres, 2 distribution and supplies companies, and 3 dental laboratories. Relative to FY24, the group is now visibly more regional in presentation, even if Singapore remains the dominant earnings base.

Revenue quality improved more than reported earnings. Core dental revenue rose **12.2%** and profit from core dental business rose ~16% in FY25. The disconnect versus the reported PATMI decline was driven mainly by accounting items and financing costs rather than a deterioration in the base franchise. We would therefore frame FY25 as a better operating year than the statutory headline suggests.

Regional M&A is moving from concept to execution. Management's 13 Mar 2026 media release sharpened the medium-term expansion narrative. Beyond reiterating active work across Australia, Thailand, Singapore and China, management also disclosed internal five-year objectives of scaling the Australian network towards c.400 clinics and the Singapore network towards c.300 clinics through a mix of acquisitions, partnerships and organic growth. We do not underwrite those targets in our base case, but they reinforce that the capital raised in 2025 is intended to support a materially larger regional platform than the group had historically operated.

Australian MOU adds scale, structure and execution stakes. The proposed Australian acquisition is notable not only for its size but for its design. The target operates more than 40 clinics across New South Wales, Victoria, Queensland, Tasmania and the Australian Capital Territory and has a clinical team of c.120 dentists. The purchase consideration of AUD144.5mn is split across a debt-repaying capital injection, cash and equity, with the equity portion locked up for 15 years. A seven-year profit guarantee, backed by escrow, and 15-year service agreements materially improve founder alignment and operational continuity. Strategically, the transaction would provide Q&M with an established platform in one of the region's most developed dental markets, broaden its clinician network, and potentially strengthen longer-term dentist mobility into Singapore under the existing registration pathway.

Cash generation remains healthy. Operating cash flow was S\$36.7mn for FY25. This remained supportive despite working capital movements and a more complex group perimeter. The MTN proceeds then took year-end cash to S\$117.1mn, giving management a sizeable war chest ahead of what we expect to be a more active FY26 deployment cycle.

Capital structure is now more flexible, but also more consequential. Year-end non-current other financial liabilities rose to S\$142.7mn from S\$73.2mn, largely reflecting the MTN drawdown. This improves strategic flexibility, but it also raises the hurdle for disciplined deployment. In our view, the debate has shifted from whether Q&M can fund expansion to whether it can deploy new capital at returns that justify a higher discount rate.

Our read on FY25. FY25 should be viewed as a bridge year between a largely Singapore-centric earnings base and a more regional platform model. The reported numbers now embed consolidation effects, acquisition accounting and a materially different funding structure. That makes the statutory P&L noisier but also makes FY26 the first period in which the market can start judging whether the enlarged platform delivers acceptable returns.

Valuation

We raise WACC to 8.0% from 6.6%. We lift our WACC to 8.0% from 6.6%, reflecting a more conservative cost of capital framework. In our view, the previous assumption did not fully capture the sensitivity of Q&M's DCF to terminal value, particularly given the group's elevated cash balance following the notes issuance, ongoing deployment risk around expansion and M&A, and the still incremental nature of margin progression. While we remain constructive on the durability of the business model, we think a higher discount rate is appropriate to better balance defensiveness against valuation discipline.

Higher earnings quality, lower valuation multiple on risk. The key message is that our valuation reset is driven by a tighter risk framework rather than weaker confidence in the business. We think the franchise remains resilient and cash generative, but the enlarged balance sheet and broader acquisition mandate mean investors are now underwriting a wider range of outcomes. In that context, a higher WACC is the cleaner way to reflect execution risk than forcing overly conservative operating assumptions into the base forecast.

Figure 1: Discounted Cashflow Model

Free Cash Flow Calculation (S\$'000)	2024	2025	2026E	2027E	2028E	2029E	2030E
Earnings before Income Tax	14,752	12,185	15,730	18,302	18,750	19,105	19,530
Add: Interest	5,372	5,880	8,184	8,191	8,173	8,149	8,175
Operating Profit (EBIT)	20,124	18,065	23,914	26,493	26,923	27,253	27,705
Less: Tax	(1,686)	(2,266)	(1,798)	(2,092)	(2,143)	(2,183)	(2,232)
Add: Depreciation & Amortisation	17,976	19,715	17,159	19,763	22,076	24,138	25,990
Less: Changes in working capital	(548)	(3,902)	1,802	(4,070)	(796)	(2,155)	(1,253)
Less: Capital Expenditures	(7,952)	(4,842)	(5,400)	(5,772)	(6,115)	(6,419)	(6,709)
FCFF	27,914	26,770	35,677	34,322	39,945	40,634	43,501
Terminal Value							739,515
Total FCFF	27,914	26,770	35,677	34,322	39,945	40,634	783,016
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.9	0.8	0.7	0.7
PV FCFF			33,034	29,426	31,710	29,867	532,907

Source: Company, KGI Research

Figure 2: DCF Valuation

Valuations (S\$'000)	
Discounted Cash Flow (DCF)	
Perpetual Growth Rate	2.0%
WACC	8.0%
Sum of PV FCFF	656,944.2
Less: Net Debt	26,343.0
Implied Equity Value	630,601.2
Total Shares Outstanding	966
Implied 12M-TP (S\$)	0.65
Upside (%)	16.6%

Source: KGI Research

Financial Summary

FYE December ('\$Millions)	2024	2025	2026F	2027F	2028F
Income Statement					
Revenues	180.7	197.2	220.0	235.1	249.1
Other Income	–	0.6	0.1	0.1	0.1
Cost of Sales – Core Dental Business	(18.4)	(24.9)	(26.4)	(25.9)	(27.4)
Cost of Sales – Other Businesses	(2.1)	(0.5)	(0.6)	(0.6)	(0.6)
Employee benefits expense	(105.9)	(115.0)	(132.0)	(141.1)	(149.5)
Depreciation and amortisation expense	(5.0)	(5.9)	(4.3)	(4.6)	(4.9)
Depreciation of right-of-use assets	(13.0)	(13.8)	(12.8)	(15.1)	(17.2)
Interest Expenses and others	(22.1)	(20.8)	(23.0)	(24.0)	(24.9)
Share of loss from equity-accounted associates	0.5	(4.7)	(5.3)	(5.6)	(6.0)
Profit Before Tax	14.8	12.2	15.7	18.3	18.8
Income Tax Expense	(1.7)	(2.3)	(1.8)	(2.1)	(2.1)
Profit After Tax	13.1	9.9	13.9	16.2	16.6
PATMI	14.6	9.3	14.3	16.7	17.1
Balance Sheet					
Cash and cash equivalents	34.3	117.1	117.7	113.3	112.8
Inventories	10.6	12.3	13.0	14.1	14.7
Trade and other receivables	36.0	41.3	39.7	44.0	45.8
Other non-financial assets	3.2	7.4	7.4	7.4	7.4
Total current assets	84.1	178.1	177.8	178.8	180.7
Property, plant and equipment	37.1	40.4	39.4	38.6	37.8
Right-of-use assets	38.2	42.8	50.5	57.3	63.3
Investment in associates	26.2	0.0	0.0	0.0	0.0
Goodwill	52.4	75.2	75.2	75.2	75.2
Other non-current assets	9.9	16.0	15.8	16.1	16.3
Total non-current assets	163.7	174.3	180.8	187.1	192.6
Total assets	247.8	352.4	358.6	365.9	373.3
Trade and other payables	18.6	22.6	23.3	24.6	26.1
Income tax payable	1.8	2.0	2.1	2.2	2.4
Lease liabilities	10.9	12.2	12.2	12.2	12.2
Other financial liabilities	0.5	0.7	2.0	2.0	1.0
Total current liabilities	31.8	37.5	39.6	41.0	41.6
Lease liabilities	30.7	32.9	32.9	32.9	32.9
Other financial liabilities	73.2	142.7	140.7	138.7	137.7
Other non-current liabilities	3.5	3.5	3.5	3.5	3.5
Total non-current liabilities	107.5	179.1	177.1	175.1	174.1
Total liabilities	139.3	216.6	216.8	216.1	215.7
Share capital	86.8	86.8	86.8	86.8	86.8
Treasury shares	(10.9)	(13.2)	(13.2)	(13.2)	(13.2)
Other reserves	33.7	32.3	38.3	46.2	54.1
Retained earnings	(3.4)	(1.5)	(1.5)	(1.5)	(1.5)
Equity attributable to owners of the parent	106.2	104.4	110.4	118.3	126.2
Non-controlling interests	2.3	31.4	31.4	31.4	31.4
Total Equity	108.5	135.8	141.8	149.7	157.6
Total Liabilities and Equity	247.8	352.4	358.6	365.9	373.3
Cash Flow					
Profit Before Income Tax	14.8	12.2	15.7	18.3	18.8
Depreciation & Amort.	18.0	19.7	17.2	19.8	22.1
Interest Expense	5.4	6.4	7.5	7.5	7.4
Other Operating Cash Flows Adjustments	5.1	4.7	1.6	1.6	1.6
Operating cash flows before WC changes	43.2	43.0	42.0	47.2	49.9
Change in working capital	(0.5)	(3.9)	1.8	(4.1)	(0.8)
Cash Generated from Operations	42.7	39.1	43.8	43.1	49.1
Income tax paid	(2.6)	(2.4)	(1.8)	(2.1)	(2.1)
Cash flows from operations	40.1	36.7	42.0	41.0	46.9
Capital expenditure	(8.1)	(4.8)	(5.4)	(5.8)	(6.1)
Other investing cashflow	1.8	8.3	0.7	0.1	0.1
Cash flows from investing	(6.3)	3.5	(4.7)	(5.6)	(6.0)
Dividends paid to equity owners	(8.8)	(10.4)	(7.9)	(8.3)	(8.7)
Repayment of lease liabilities	(12.9)	(14.1)	(20.5)	(21.9)	(23.2)
Interest paid	(3.7)	(4.7)	(5.7)	(5.7)	(5.6)
Other financing cashflow	(8.1)	74.9	(2.5)	(3.8)	(3.8)
Cash flows from financing	(33.4)	45.6	(36.7)	(39.8)	(41.4)
Net increase in cash	0.3	85.8	0.6	(4.4)	(0.5)
Cash and Cash Balance BOP	34.0	34.3	117.1	117.7	113.3
Cash and Cash Balance EOP	34.3	117.1	117.7	113.3	112.8
KEY RATIOS					
DPS (SGD cents)	1.10	0.82	0.82	0.86	0.90
Dividend yield (%)	2.0%	1.5%	1.5%	1.5%	1.6%
NAV per share (S\$)	11.4	14.1	14.7	15.5	16.3
Price/NAV (x)	4.9	4.0	3.8	3.6	3.4
Profitability					
EBITDA Margin (%)	21.1%	19.2%	18.7%	19.7%	19.7%
Net Profit Margin (%)	7.2%	5.0%	6.3%	6.9%	6.7%
ROE (%)	12.0%	7.3%	9.8%	10.8%	10.5%
ROA (%)	5.3%	2.8%	3.9%	4.4%	4.4%
Financial Structure					
Interest Coverage Ratio (ICR)	1.7	0.9	1.1	1.4	1.5
Net Debt/ (Net Cash) Gearing Ratio (%)	74.7%	52.6%	49.4%	48.4%	45.1%

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