

Q&M opens new dental centre-cum-training facility even as Berlin bourse beckons

| BY SHANNEN WONG |

Q&M Dental Group, Singapore's largest listed private dentistry chain, has opened its \$3 million dental centre at City Square Mall. When fully operational, the 12,000 sq ft centre is expected to increase the group's earnings by at least 50%, says CEO officer Dr Ng Chin Sau.

"Our minimum profit was \$4 million and that was a recurring income to us. With the opening of the dental centre, we expect an additional income of about \$2 million to \$2.5 million every year," Ng told *The Edge Singapore* at the media launch of the new centre last Tuesday. The day before, Q&M had opened its third clinic in Sembawang at Sun Plaza shopping mall.

The new dental centre, which provides multi-disciplinary and specialist dental healthcare services, has 32 individual treatment rooms and will be equipped with the latest technology such as the Galileo Cone Beam CT Scan and CEREC [Chairside Restoration of Esthetic Ceramics]. "Deemed to be the first centre in Southeast Asia to offer such a service, CEREC enables a dentist to carry out ceramic dental restoration using a variety of computer-assisted technologies, including 3D photography and CAD/CAM," says Ng, who hopes to use it to at-

tract more overseas patients due to the shorter time it takes to carry out the procedures.

More importantly, the dental centre will double as an accredited training facility for dentists from the region.

"Dentists with foreign degrees who come for short training courses in Singapore would be able to get hands-on training experience, which would raise Singapore's profile as the regional dental training hub," says chief dental officer at the Ministry of Health (MOH) Professor Patrick Tseng, the guest of honour who delivered the keynote address at the launch.

The MOH is reviewing options to accredit private training institutions and centres to allow "temporarily registered" dentists with foreign degrees to treat patients under the supervision of professional specialists. Currently, foreign dentistry degree holders from "non-traditional" sources such as Indonesia, the Philippines, Thailand and Malaysia are not allowed to practise on patients.

Higher market expectations

The launch of the dental centre comes barely three weeks after Q&M Dental Group got off to a good start on the Singapore Exchange. On Nov 26, its shares gained 33% to 31.5 cents. The group sold 74.1 million IPO shares at 27 cents each, raising gross proceeds of \$20 million to venture into China. Now, Q&M is coming under more pressure to meet higher market expectations.

Last Tuesday, Q&M surged to a record high of 39 cents following its announcement to the SGX on Dec 12 that it had received a letter from the Berlin stock exchange informing it that mwb fair-trade Wertpapierhandelsbank, a German securities trading bank and brokerage firm, had on Dec 3 applied for the inclusion of Q&M shares on the exchange's Freiverkehr or Berlin Open Market.

In the same SGX filing, Q&M says the application was made independently by the brokerage firm and that it had no say over the inclusion of its stocks on the Berlin Open Market.

"We have no control over them if they want to buy or sell our shares. They are not even seeking for our permission to trade our shares, but to just inform us out of courtesy that they are going to trade our shares in their country," Ng explains. So, why was Q&M chosen among



Q&M Dental Group's new dental centre provides multi-disciplinary and specialist dental healthcare services, and has 32 individual treatment rooms

the many listed companies in Singapore?

"I believe it is mainly due to the fact that we are the only dental services company listed on the Mainboard of the SGX," Ng says. "My suspicion is that since it is expensive for them to get dental treatments in their countries, they feel the prospect of listed dental services companies should be good."

Also, Germany has a population per dentist ratio of 1:1,200 compared with a ratio of 1:3,400 for Singapore, meaning there is greater growth potential for Q&M here, says Ng. Currently, there are about 1,500 registered dental practitioners in Singapore, of whom only 1,300 are practising.

In a reply to an email query from *The Edge Singapore*, mwb fair-trade says it made the application at the request of one of its Berlin traders.

"One of our Berlin traders had asked us to apply. I can only guess why. As the share had been included to Frankfurt the day before [Dec 2], I think he saw the announcement on the inclusion in Frankfurt and did some 'investigations' himself and thought this might also be an interesting share for Berlin as well," writes Elke Feurstenau, who is in charge of the application and listing of for-

ign stocks at the brokerage.

She says the inclusion of Q&M shares on the exchange is "more or less similar to trading over the counter".

mwb fair-trade specialises in the market-making of foreign shares on the Berlin Open Market. Every month, about 40 international stocks, most of which are listed in the US, are selected for inclusion. About 50 shares from the SGX, including Singapore Press Holdings and Singapore Telecommunications, are currently being traded on the Berlin Open Market, says Feurstenau.

"We give private investors the chance to go to the bank and say: 'I want to buy Q&M shares via the Berlin stock exchange [and not Singapore]', and I am quite sure that the banking fee for buying via the Berlin exchange would be lower for the investor than from Singapore," she adds.

If a buyer bids for Q&M shares, mwb fair-trade would buy them in Singapore directly and sell them to the buyer for a fee as it does not hold any shares.

More importantly, these trades are supervised by the German Federal Banking Super-

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Q&M plans to have 60 dental clinics by 2014

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visory Authority, she says. As of last Thursday, Q&M has not seen any trades in the Berlin market.

Nonetheless, Dr Ng Jet Wei, Q&M's deputy CEO believes Q&M was chosen as it is one of the few listed companies in the world that offers full dental healthcare services.

"I don't know what their [mwb fair-trade] requirements are but we believe Q&M has a niche in the dentistry market. We are going to expand to China where there is a huge untapped market due to the low awareness of dental care. Our services are always in demand as it is a need."

Growth via expansion

Whatever the reason, shares of Q&M might stay elevated as there is a lot of interest in the stock. Pure dental play Q&M is trading at a price-to-earnings ratio of 19.74 times compared with multi-disciplinary healthcare providers like Parkway Holdings (43.12 times), Raffles Medical Group (21.31 times) and Singapore Medical Group (5.88 times). Q&M posted a net profit of \$3.7 million for the financial year ended Dec 31, 2008 and \$4.1 million for FY2007.

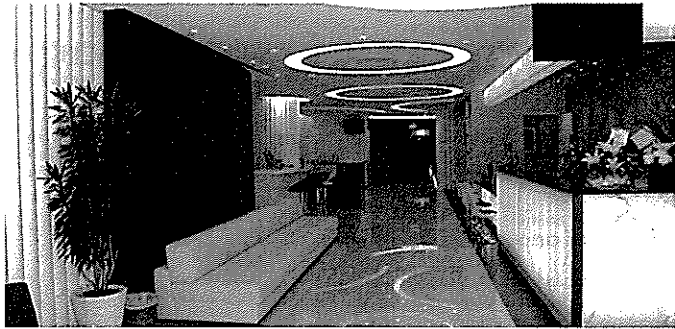
So, will Q&M be able to maintain these valuations? CEO Ng says he hopes to achieve faster growth by expanding through M&A activities, especially in China. "We will be on full gear in terms of growth via activities there."

"With our 4.9 million population, the market is small here in Singapore. If we want to expand, we need to go out of the country," says Ng, adding that the group is still in talks with dental clinics of various sizes in Shanghai and Beijing, although he cannot go into details.

Locally, Q&M plans to open up to 60 dental clinics by 2014 from the 38 it operates currently. "We plan to open five branches every year and will invest approximately \$100,000

to \$200,000 in each one," says Ng.

Focusing his attention back on the new dental centre at City Mall, Ng says he expects it to break even in two to three years. And will Q&M open more dental centres of such scale? "Yes, we are planning to, but we need to first ensure the centre will be a success on its own." ■



The comfortable waiting area at Q&M Dental Group's new dental centre at City Square Mall

Q&M DENTAL GROUP

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