

## Singapore O&amp;G Ltd

IPO watch  
1 June 2015

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IPO Price **\$S\$0.25**

## IPO Statistics

Issue price	\$S\$0.25
Total new share issue	43.6m
- Placement tranche	41.4m
- Public tranche	2.2m
Listing status	Catalist
Closing date (public)	02/Jun/15
Trading date	04/Jun/15
Lead manager	Hong Leong Finance
<b>Post IPO</b>	
Total issued share	218m
Market cap	\$S\$54.5m
NAV	5.5 cts

Source: Company prospectus

## New healthcare play in growing market

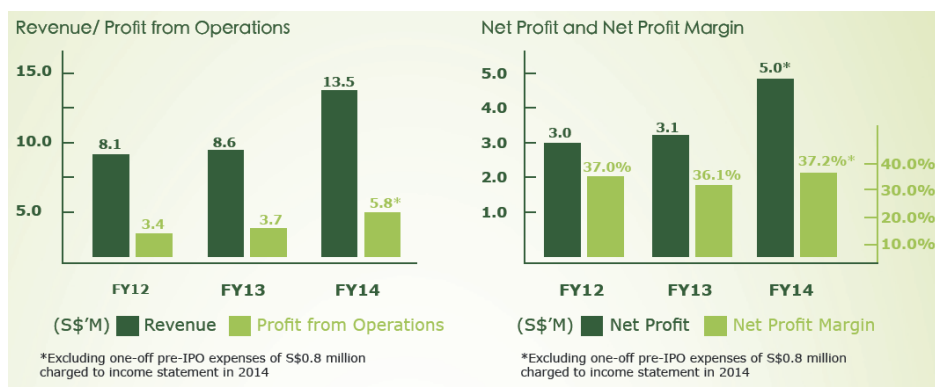
Summary: Singapore O&G was founded in Jan 2011 under the name of Singapore Medicine Specialists Pte.Ltd. On 26 August 2011, the company was renamed Singapore O&G Pte Ltd to better reflect the nature of the group's core services. In May 2012 and December 2012, the company set up two clinics, SOG Breast Surgicare (now known as SOG – Radhika Breast & General Surgicare) and SOG Clinic for Women, to provide breast cancer surgical treatment and O&G services, respectively.

The IPO price of \$S\$0.25 translates to 13x FY14 historical PER and 4.5x PBR which seems attractive for a healthcare play. Given its zero debt and high cash flow generation with potential 7-8% dividend yield projected, we recommend to **Subscribe**.

SOG has better control over operating costs compared to its competitors. Over the last three financial years, we note SOG's over 40% operating profit margins is relatively higher than its peer competitors. (see table in page 2) This was mainly due to the management's policy on alignment of employee benefit and better cost control over consumable expenses.

We believe SOG still has room for further margins expansion given the group remains focused on higher-margins gynaecology and cancer related business. Last year, the group hired Dr. Cindy Pang (special interest in gynaecological cancer care) and Dr. Radhika Lakshmanan (general surgeon with a special interest in breast cancer treatment and oncoplastic breast surgery) to expand its gynaecology services. Contribution from these two doctors will be more significant in FY15 after ramping up their services.

## Financial Highlights (%)



Source: Company

Key Financial Data (S\$ m, FYE Dec)			
	2012	2013	2014
Net revenue	8.1	8.6	13.5
YoY change (%)	-	6%	57%
Pretax profit	3.4	3.7	5.0
Net profit	3.0	3.1	4.3
EPS (cents) - adjusted for new shares	1.4	1.4	2.0
EPS growth (%)	-	4%	36%
PER (x) @ \$S\$0.25	18.1	17.4	12.8
DPS (cents)	0.0	0.0	0.0
Div Yield (%) @ \$S\$0.25	0.0	0.0	0.0

Source: Company prospectus

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# Singapore O&G Ltd

## Investment Highlights

**Well-regarded team of doctors with relevant Industry experience.** The group's market presence and reputation are built upon the experience and reputation of their specialist medical practitioners, whose working experiences and achievements are set out below:

- Dr. Lee Keen Whye is the Consultant Obstetrician and Gynaecologist at the Gleneagles Medical Centre. He was the Chairman of the Minimally Invasive Surgery Centre, Gleneagles Hospital between 2001 and 2008. His special interest and skill set in endoscopic work, especially in hysteroscopy, laparoscopy and vaginal rejuvenation.
- Dr. Heng Tung Lan established her private practice in September 1993. Her medical and interpersonal skills make her very popular and sought after. In 2014, Dr. Heng Tung Lan delivered 755 babies.
- Dr. Beh Suan Tiong is a Consultant Obstetrician and Gynaecologist and operates his own practice at the Thomson Medical Centre. He graduated in 1987 and obtained his specialist medical practitioner membership from The Royal College of Obstetricians and Gynaecologists in 1993. His special interest is in minimal invasive surgery and he received further training for such techniques and in other areas of specialty in leading centres in the United States.

**Growing market share within the private live birth sector.** In 2012 and 2013, there were 42,663 and 39,720 live births in Singapore, respectively. Of the 39,720 live births in Singapore in 2013, 23,919 were at private hospitals. The Group draws its business from deliveries at private hospitals and the Group delivered approximately 1,137, 1,060 and 1,462 babies in 2012, 2013 and 2014, respectively, which accounted for approximately 4.3%, 4.4% and 5.6% of all births at private hospitals in those years.

**Attractive dividend yield.** The group targets to distribute dividends of up to 90.0% of net profit after tax for FY2015. At an IPO price of S\$0.25, dividend yield would be 7.3% based on FY2014 earnings and 90.0% payout.

## Peer comparison

Name	Code	Current Year end	Price (Local)	MktCap (\$ m)	Current PER (x)	Y1 PER (x)	Y2 PER (x)	Operating margin (%)	PBR (x)	ROE (%)	Yield (%)
IHH Healthcare Bhd	IHH MK	12/31/2014	5.75	17509.5	62.6	49.1	40.5	16.8	2.0	4.0	0.4
Raffles Medical Group Ltd	RFMD SP	12/31/2014	4.38	2484.7	36.2	33.2	29.4	20.6	4.1	13.4	1.4
Religare Health Trust	RHT SP	3/31/2015	1.04	826.4	22.1	15.1	13.0	61.9	1.2	5.5	6.6
Talkmed Group Ltd	TKMED SP	12/31/2014	1.16	762.3	19.5	18.7	17.8	73.5	12.9	123.1	3.4
Q&M Dental Group Sing	QNM SP	12/31/2014	0.92	716.3	64.6	57.5	38.3	12.4	4.2	14.0	2.2
International Healthway	IHC SP	12/31/2014	0.30	489.4	12.8	na	na	60.8	2.8	22.9	na
Health Management Int'l	HMI SP	6/30/2014	0.39	222.4	30.0	na	na	14.9	2.5	15.7	na
ISEC Healthcare Ltd	ISEC SP	12/31/2014	0.43	194.9	78.7	35.4	26.6	14.4	3.9	7.2	na
Singapore Medical Group Ltd	SMG SP	12/31/2014	0.15	40.0	362.5	na	na	-0.7	5.7	6.8	na
AsiaMedic Ltd	AMAT SP	12/31/2014	0.07	22.7	33.8	na	na	2.4	1.6	4.9	na
Pacific Healthcare Holdings Lt	PACH SP	12/31/2014	0.02	9.2	nm	na	na	-5.9	9.4	-90.0	na
<b>Average</b>				<b>2116.2</b>	<b>72.3</b>	<b>34.8</b>	<b>27.6</b>	<b>24.6</b>	<b>4.6</b>	<b>11.6</b>	<b>2.8</b>

Sources: Bloomberg

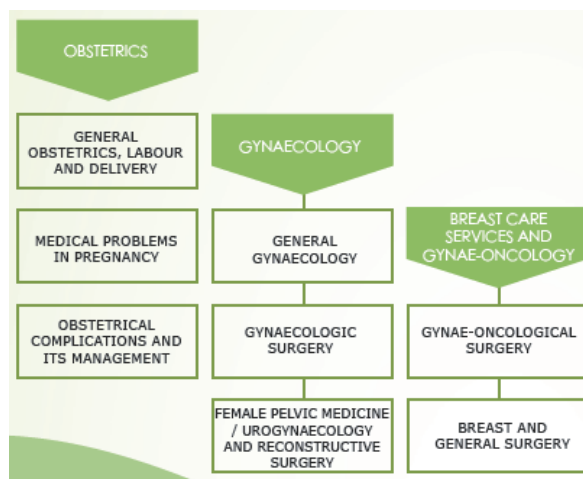
# Singapore O&G Ltd

## Company Background

Singapore O&G Ltd (SOG) is the premier specialist healthcare provider for women and children in the region. With the vision of creating a specialist medical and surgical group catering to the healthcare needs of the modern woman, SOG was formed in January 2011 through the efforts of O&G Specialists Dr. Lee Keen Whye, Dr. Heng Tung Lan and CEO, Dr. Victor Ng. With their leadership and guidance, the group has since grown in numbers and will continue to do so until a comprehensive and totally holistic team is in place.

SOG's mission is to bring new life, preserve life and extend life for their patients and their families with services in obstetrics & gynaecology, gynae-oncology, breast and surgicare while preserving their core values of sincerity, professionalism and commitment.

Team of specialists include, Dr. Lee Keen Whye, Dr. Heng Tung Lan, Dr. Beh Suan Tiong, Dr. Choo Wan Ling, Dr. Natalie Chua, and the latest additions of SOG's Women Cancer Specialists consisting Dr. Radhika Lakshmanan and Dr. Cindy Pang.



Sources: Company prospectus

## Main Revenue Generating Services



Sources: Company prospectus

# Singapore O&G Ltd

## Areas of Operation



Sources: Company prospectus

# Singapore O&G Ltd

## Use of Proceeds

The estimated amount of expenses of the Invitation and of the application for listing, including underwriting and placement commission, brokerage, management, audit and legal fees, advertising and printing expenses, listing fees payable to the SGX-ST and the Authority and all other incidental expenses in relation to the Invitation is approximately S\$1.7m (including GST). The net proceeds to be raised from the issue of the New Shares after deducting expenses estimated to be S\$9.2m.

Intended use	Amount in aggregate (S\$'000)	Estimated amount allocated for each dollar of gross proceeds raised by us from the Issue of the New Shares (In cents)
<b>Gross proceeds from the Invitation</b>	10,900	100.00
Listing and processing fees	32	0.29
Professional fees	1,244	11.41
Placement commission <sup>(1)</sup>	408	3.74
Other expenses	16	0.15
<b>Net proceeds from the Invitation</b>	<b>9,200</b>	<b>84.41</b>
Expansion of business operations	3,000	27.52
Investments in healthcare professionals and synergistic businesses	6,000	55.05
Working capital purposes	200	1.84

*The amount of commission per New Share, agreed upon between the Issue Manager, Underwriter and Placement Agent and our Company is 3.5% of the Issue Price payable for each New Share. Please refer to the section titled "Sponsorship, Management, Underwriting and Placement Arrangements" of this Offer Document for more details.*

Sources: Company prospectus

## Future Plan

- Expand business operations locally and regionally through organic growth, joint ventures and acquisitions. Countries which the company sees significant potential include Myanmar, Indo-China, Malaysia and certain parts of PRC.
- Investments in healthcare professionals and synergistic businesses to ensure that they are at the forefront of the industry.
- Diversify and grow their patient base to include more corporate clients and medical travelers.

# Singapore O&G Ltd

## Shareholders

	Before the Invitation				After the Invitation			
	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
<b>Directors</b>								
Dr. Lee Keen Whye	41,953,428	24.06	3,052,262	1.75	41,953,428	19.24	3,052,262	1.40
Dr. Heng Tung Lan	70,176,807	40.24	—	—	70,176,807	32.19	—	—
Dr. Beh Suan Tiong	23,954,226	13.74	216,000	0.12	23,954,226	10.99	216,000	0.10
Mr. Christopher Chong Meng Tak <sup>(1)</sup>	—	—	—	—	—	—	—	—
Mr. Chan Heng Toong <sup>(1)</sup>	—	—	—	—	—	—	—	—
Mr. Chooi Yee-Choong <sup>(1)</sup>	—	—	—	—	—	—	—	—
<b>Executive Officers</b>								
Dr. Ng Koon Keng	7,219,795	4.14	—	—	7,219,795	3.31	—	—
Ms. Heng Tong Bwee <sup>(2)</sup>	3,780,943	2.17	—	—	3,780,943	1.73	—	—
Mr. Eric Choo	74,400	0.04	—	—	74,400	0.03	—	—
<b>Substantial Shareholders</b>								
Dr. Choo Wan Ling	18,392,139	10.55	—	—	18,392,139	8.44	—	—
<b>Others</b>								
Mr. Peter Tan	4,350,000	2.49	—	—	4,350,000	2.00	—	—
Dr. Wong Chui Fong Anna <sup>(3)</sup>	3,052,262	1.75	41,953,428	24.06	3,052,262	1.40	41,953,428	19.24
Ms. Heng Siok Hong Veronica <sup>(4)</sup>	216,000	0.12	23,954,226	13.74	216,000	0.10	23,954,226	10.99
Mr. Lai Kangwei <sup>(5)</sup>	30,000	0.02	—	—	30,000	0.02	—	—
Dr. Natalie Chua	500,000	0.29	—	—	500,000	0.23	—	—
The Beneficiaries <sup>(6)</sup>	700,000 <sup>(7)</sup>	0.39	—	—	700,000	0.32	—	—
<b>Public<sup>(1)(8)</sup></b>	—	—	—	—	43,600,000 <sup>(9)</sup>	20.00	—	—
<b>Total</b>	<b>174,400,000</b>	<b>100.00</b>			<b>218,000,000</b>	<b>100.00</b>		

Notes:

(1) Independent Directors, Mr. Christopher Chong Meng Tak, Mr. Chan Heng Toong and Mr. Chooi Yee-Chong intend to subscribe for 100,000, 100,000 and 300,000 Placement Shares respectively (representing approximately 0.05%, 0.05% and 0.14% of the company's post-Invitation share capital respectively) at the Issue Price. In the event that they subscribe for any Placement Shares, they may dispose of or transfer any or all of their Shares after the admission of the Company to Catalyst.

(2) Ms. Heng Tong Bwee is the sister of Dr. Heng Tung Lan. She is also one of the Beneficiaries.

(3) Dr. Wong Chui Fong Anna is the wife of Dr. Lee Keen Whye.

(4) Ms. Heng Siok Hong Veronica is the wife of Dr. Beh Suan Tiong. She is also one of the Beneficiaries.

(5) Mr. Lai Kangwei is the nephew of Dr. Heng Tung Lan. He is also one of the Beneficiaries.

(6) The Beneficiaries are people to whom Dr. Lee Keen Whye, Dr. Heng Tung Lan, Dr. Beh Suan Tiong and Dr. Choo Wan Ling have gifted Shares on 7 May 2015. Save for Ms. Heng Tong Bwee, Ms. Heng Siok Hong Veronica and Mr. Lai Kangwei, none of the Beneficiaries are related to the Directors, Executive Officers and Substantial Shareholders.

(7) This figure excludes Shares given to Dr. Beh Suan Tiong, Dr. Choo Wan Ling, Dr. Natalie Chua, Dr. Ng Koon Keng, Ms. Heng Tong Bwee, Mr. Eric Choo, Ms. Heng Siok Hong Veronica, and Mr. Lai Kangwei.

(8) Some of the Associates of Directors, CEO and Substantial Shareholders intend to subscribe for up to, in aggregate, 1,600,000 Placement Shares (representing approximately 0.73% of the Company's post-Invitation share capital) at the Issue Price. In the event that they subscribe for any Placement Shares, they may dispose of or transfer any or all of their Shares after the admission of the Company to Catalyst.

(9) Pursuant to Notes (1) and (8) above, assuming that the Independent Directors and the Associates of Directors, CEO and Substantial Shareholders subscribe for all of the Placement Shares mentioned therein (representing approximately 0.96% of the Company's post-Invitation share capital), the number of New Shares available for the Invitation will be reduced by approximately 4.82% to 41,500,000 Shares. Subject to the Invitation and the Placement, the group will make an announcement pursuant to Rule 428 of the Listing Manual at the close of the Application List.

Source: Company prospectus

# Singapore O&G Ltd

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