

# SGX Sector Primer: Healthcare

Research and Products Team

October 2016

Singapore Exchange

# Healthcare Sector Drivers

## Growing Income

- **The global middle class** – defined as households with daily expenditures of US\$10-\$100 per person in 2005 purchasing power parity terms – **will surge to 4.9 billion people by 2030, from 1.8 billion in 2009, according to OECD data.**

### Asia is a GROWING MARKET FOR HEALTHCARE

Healthcare spending is low by international standards



ASEAN



OECD

But rising affluence means it is set to increase **11%** per year to 2018



## Favourable Demographics

- **The rise of ageing populations around the region underpins overall healthcare demand.**
- **Senior citizens expected to spend more as healthcare needs escalate; diseases which were once fatal can now be treated.**
- Birth-rates in many countries around the region, including Singapore, are likely to continue to remain low or decline further.
- **Two-thirds of the global middle-class will be residents of Asia-Pacific – including China and India, up from 28% in 2009, according to OECD and EY data.** This could turn the region into a consumption powerhouse, and have far-reaching implications on demand for healthcare products/services.

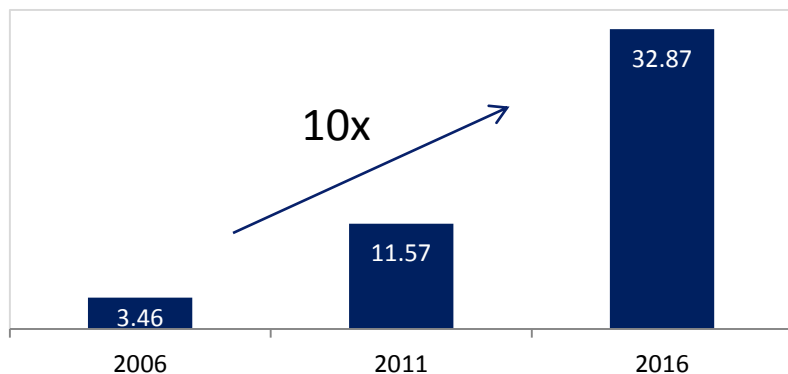
## Leading R&D

- Singapore govt continues to promote Singapore as a regional centre of medical excellence, not only for general surgery and medicine, but also for specialist services, including cardiology and organ transplants.
- **The city-state has over 30 public sector research institutes under MOH and A\*STAR in key fields like clinical sciences, genomics, bioengineering, molecular biology, bio-imaging and immunology. More than 50 companies carry out biomedical research in Singapore, frequently in collaboration with local research institutes.**
- Pharmaceutical giants with manufacturing or R&D operations in Singapore include Roche, Bayer, Pfizer, GlaxoSmithKline, MSD and Novartis.
- Pharma sales in Singapore are forecast to rise from S\$1.5 billion in 2015 to almost S\$2 billion in 2020, with growth averaging 5.3% a year (5.6% in US dollar terms), according to EIU estimates.

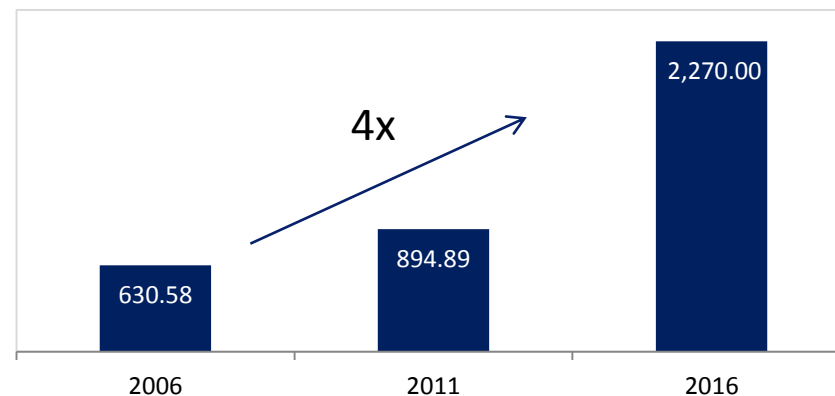
# Healthcare Sector – Fast Growing with Competitive Past Returns

Singapore's Healthcare Sector has a combined market cap of S\$33 billion, which has expanded 10x over 10 years

Singapore GICS® Healthcare + Healthcare REITs Market Cap (S\$ bn)

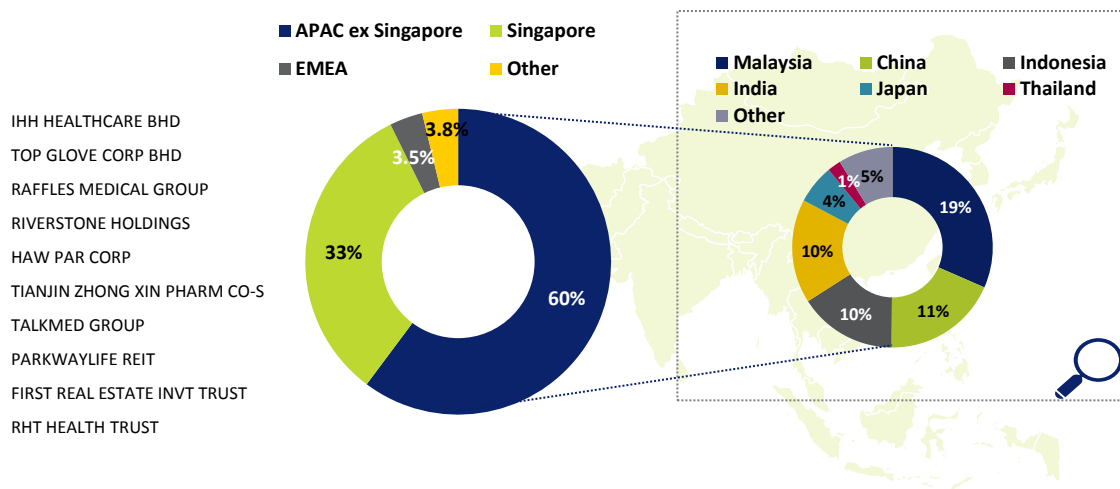


Asia Pacific GICS® Healthcare Sector Market Cap (S\$ bn) [Primary + Secondary]



## Access Asia's Growing Healthcare Markets through Singapore

Last FY, 10 biggest Healthcare stocks reported avg 33% revenue to SG & 60% revenue to APAC ex-SG



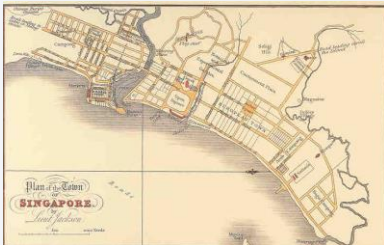
- IHH HEALTHCARE BHD
- TOP GLOVE CORP BHD
- RAFFLES MEDICAL GROUP
- RIVERSTONE HOLDINGS
- HAW PAR CORP
- TIANJIN ZHONG XIN PHARM CO-S
- TALKMED GROUP
- PARKWAYLIFE REIT
- FIRST REAL ESTATE INVT TRUST
- RHT HEALTH TRUST



# Healthcare Sector has Provided Investment Opportunities

## Growth

- SGH had its beginnings in 1821, when the first General Hospital was located in the cantonment for troops near the Singapore River. After relocating several times, it finally settled at Sepoy Lines in Outram Road in 1882\*.



Plan of the Town of Singapore by Lieutenant Philip Jackson, source: Wikipedia

### Growth Parallels

- Singapore spends 3% of its GDP on healthcare, yet **ranks the highest on Healthcare efficiency criteria such as life expectancy, relative and absolute health expenditure.** In 2014, a Bloomberg survey ranked Singapore first in the world's most efficient healthcare systems.
- Singapore is a Leading Bio-Cluster** and last year produced 6 of the World's top 10 drugs; has 50+ manufacturing plants with S\$23 billion output, 50 R&D centres, and 30 RHQs in Singapore
- Singapore's Health Sector is also approx 3% of total mkt cap with significant regional exposure.**

## Value

### Healthcare Providers

12 companies  
Market Cap: S\$23 bn  
PE: 50x

### Medical Equipment & Supplies

9 Companies  
Market Cap: S\$3 bn  
PE: 15x

### Pharmaceutical/ Biotechnology

8 Companies  
Market Cap: S\$5 bn  
PE: 13x

## Income

### Healthcare Asset Owners

3 Trusts  
Market Cap: S\$3 bn  
Yield: 6.2%

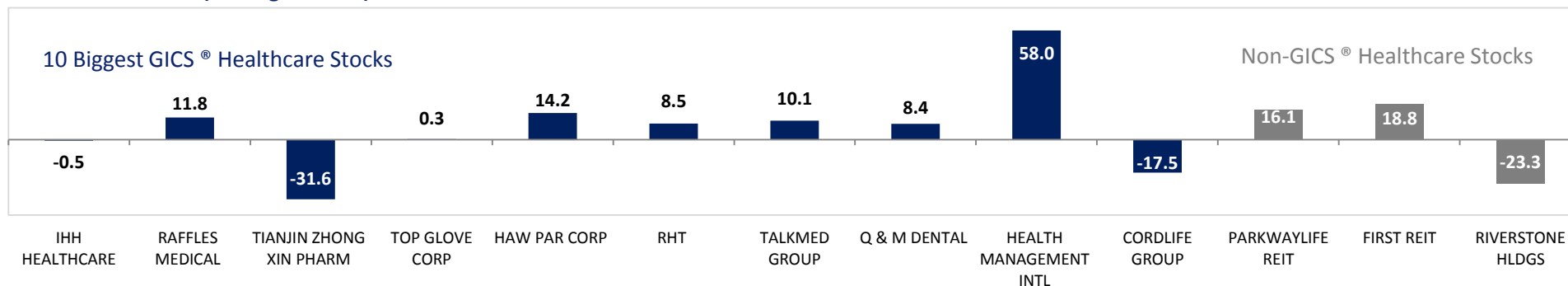


## Portfolio Management

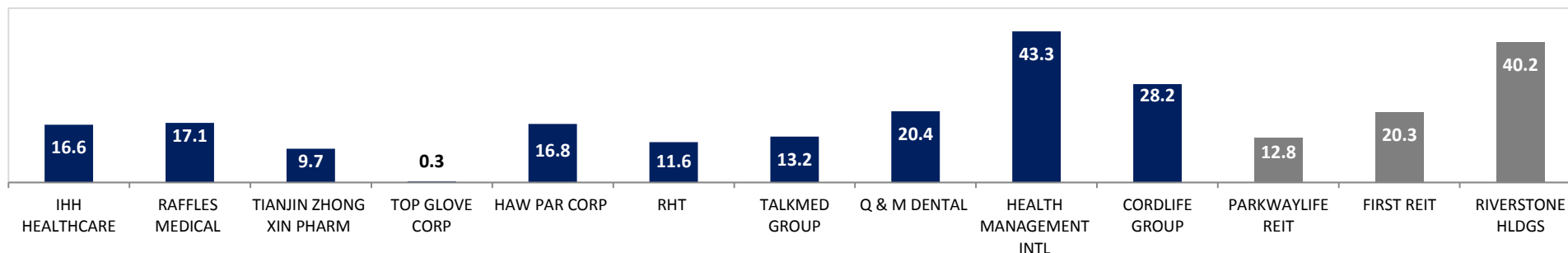
- Comparatively lower correlation of Healthcare Indices to broader parent/benchmark indices.

# Current Healthcare Sector Leaders Generated Strong Historic Returns

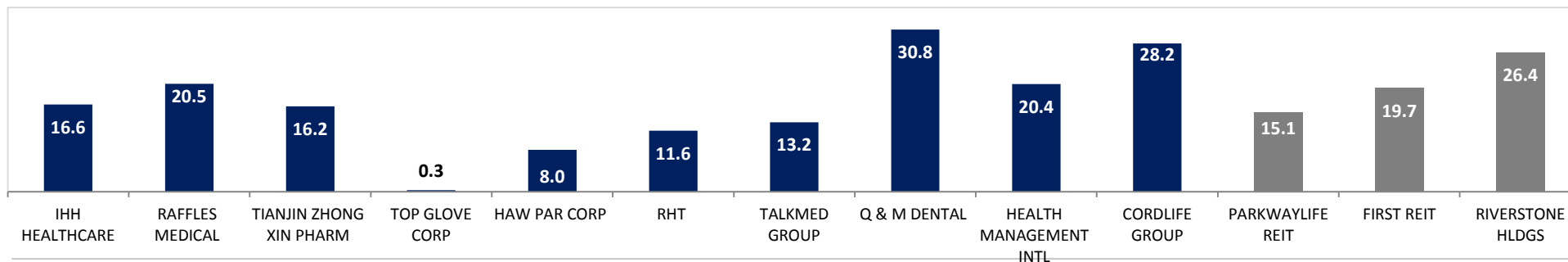
YTD % Total Return (Average = 5.6%)



Five-Year Annualised % Total Return (Average = 19.3%)

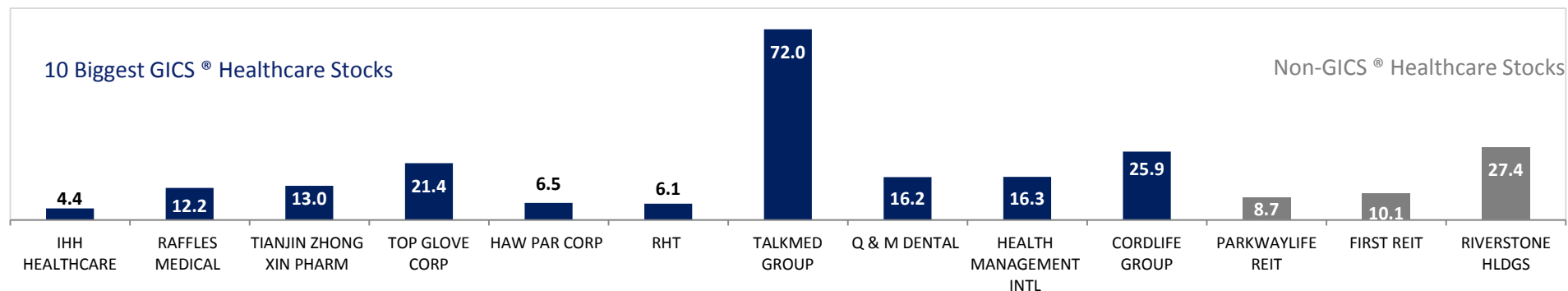


10-Year Annualised % Total Return (Average = 17.5%)

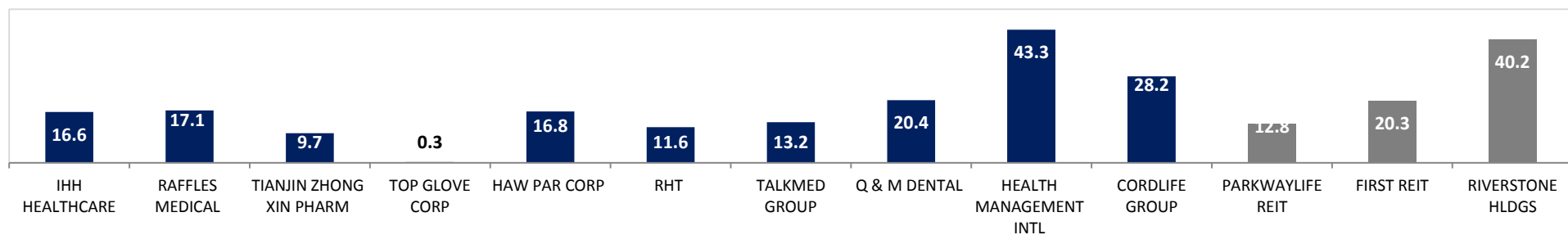


# Current Healthcare Sector Leaders Have Strong ROE

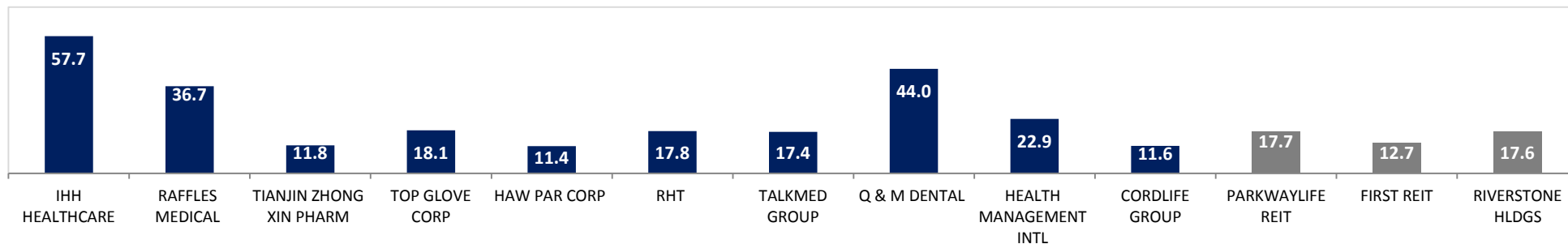
Five-Year Average Return on Equity % (Average = 18.5%)



Five-Year Annualised % Total Return (Average = 19.3%)



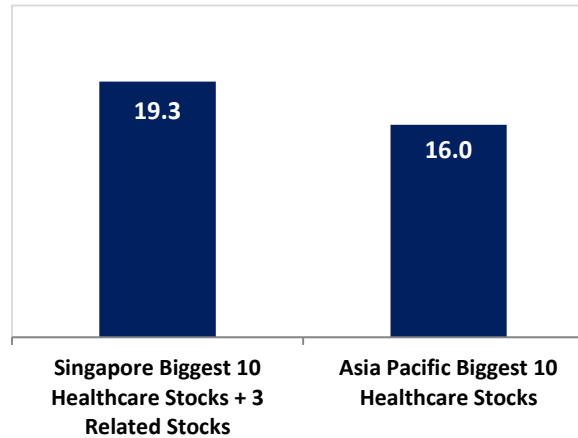
Five-Year Average P/E Ratio (Average = 22.9x)



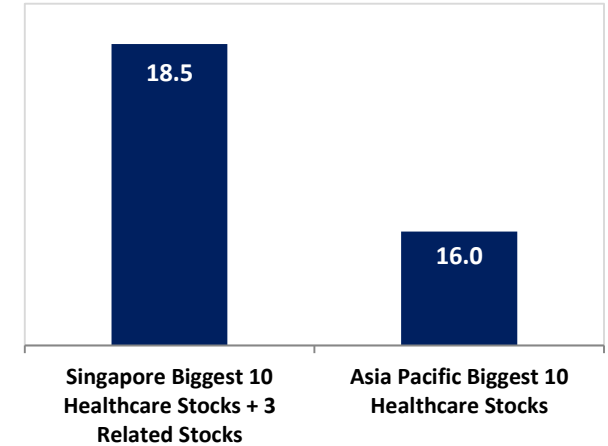
# Healthcare Sector Leaders Have Performed Better than Regional Leaders

- IHH Healthcare is Asia Pacific's 20<sup>th</sup> largest capitalised stock of the GICS® Healthcare Sector.
- Singapore's 10 largest capitalised stocks of the GICS® Healthcare Sector plus three similar-sized Healthcare plays have performed stronger than the region's 10 largest Healthcare stocks in YTD, 5-year and 10-year periods.

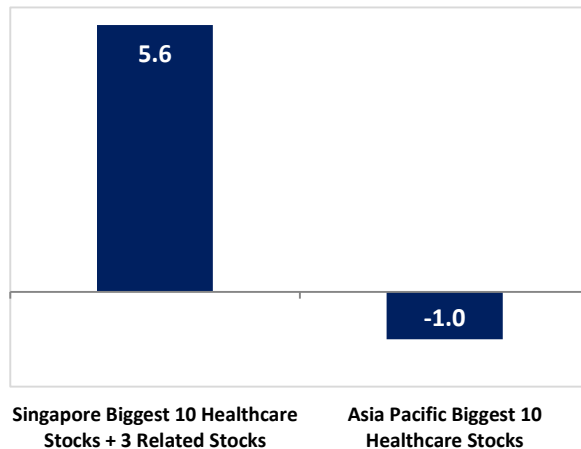
Average Five-Year Annualised % Total Return



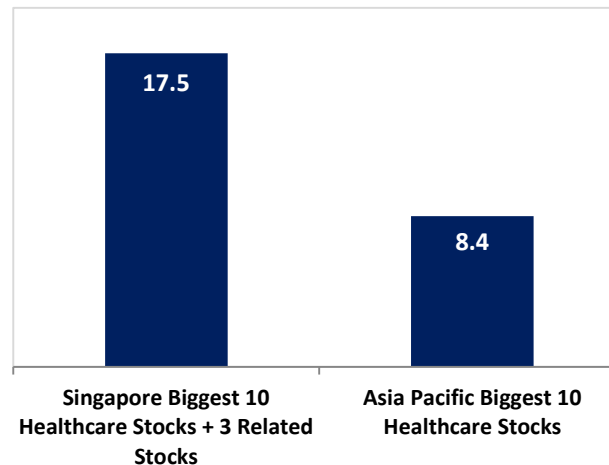
Average Five-Year Return on Equity %



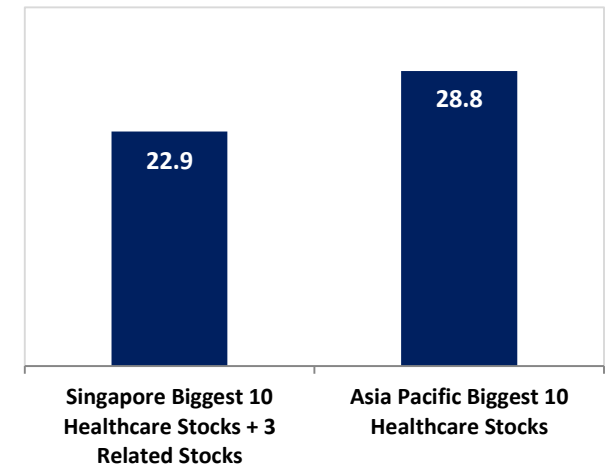
Average YTD % Total Return



Average 10-Year Annualised % Total Return



Average Five-Year P/E Ratio



# Healthcare Sector's Investible Universe

Singapore's healthcare sector has a combined market value of **more than S\$30 billion**, and can be broken down into the following industry sub-segments as categorised by the Global Industry Classification Standard (GICS®):

## Health Care Equipment

- Manufacturers of health care equipment and devices, including medical instruments, drug delivery systems, cardiovascular and orthopaedic devices, and diagnostic equipment
1. QT Vascular
  2. Vicplas Intl

## Health Care Distributors

- Distributors and wholesalers of healthcare products
- Techcomp Holdings

## Health Care Services

- Providers of patient services, including dialysis centres, lab testing services, and pharmacy management services
1. TalkMed Group
  2. Cordlife Group
  3. Healthway Medical
  4. Singapore Medical Group
  5. Q&M Dental Group
  6. Asiamedic

## Health Care Facilities

- Owners and operators of healthcare facilities, including hospitals, nursing homes, rehabilitation centres
1. Singapore O&G
  2. ISEC Healthcare
  3. Intl Healthway Corp
  4. RHT Health Trust
  5. Health Management Intl
  6. Raffles Medical Group

## Health Care Supplies

- Manufacturers of health care supplies and medical products, including eye care products, hospital supplies, and safety needle and syringe devices
1. UG Healthcare Corp
  2. Medtecs Intl Corp

## Pharmaceuticals

- Companies engaged in the research, development or production of pharmaceuticals
1. iX Biopharma
  2. Suntar Eco-City
  3. Pharmesis Intl
  4. Star Pharmaceutical
  5. Haw Par Corp



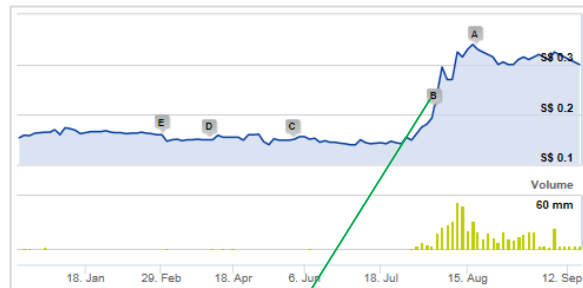
# Biggest YTD Gainers in Singapore's Healthcare Sector

 **Singapore Medical Group**  
**#21 biggest Healthcare Stock**  
**from #24 @ end-2015**

**YTD Total Return : 92%**  
 Listed in 2009  
 Offer Price: S\$0.21 Last Price:S\$0.32

Private specialist and primary healthcare provider with a network of 30 medical specialties.


**SGX StockFacts Chart – YTD Price + Volume**



3 August - The company reported a turnaround net profit of S\$0.8 million for 1H2016 compared to a net loss of S\$0.1 million in 1H2015.

S\$1.9M Average Turnover in Sep 16



 **Singapore O&G**  
**#14 biggest Healthcare Stock**  
**from #16 @ end-2015**

**YTD Total Return : 62%** **Winner HealthInvestor Asia IPO of 2015**  
 Listed in June 2015  
 Offer Price: S\$0.25 Last Price:S\$1.18

Provides specialized medical services for women. It operates through Obstetrics and Gynaecology, Cancer-Related, and Dermatology segments.

**SGX StockFacts Chart – YTD Price + Volume**



11 August - For 1H2016 the company profit for the period was SGD 5,171,935 against SGD 2,712,238 a year ago.

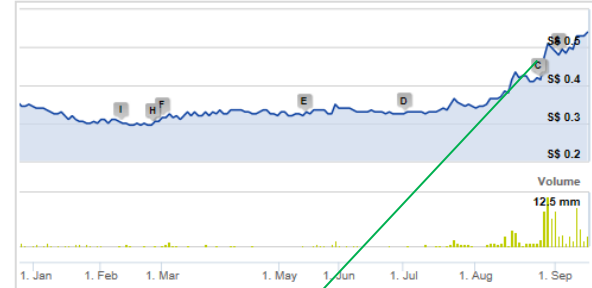
S\$185k Average Turnover in Sep 16

 **Health Management International**  
**#12 biggest Healthcare Stock**  
**from #14 @ end-2015**

**YTD Total Return : 58%**  
 Listed on Sesdaq in 1999 and moved to SGX Mainboard in 2008  
 Offer Price: S\$0.19 Last Price:S\$0.66

Private healthcare provider with presence in Singapore, Malaysia and Indonesia.

**SGX StockFacts Chart – YTD Price + Volume**



25 August - For the FY ended June 2016, the company reported profit before tax was MYR 63,382,000 against MYR 54,763,000 a year ago.

S\$1.4M Average Turnover in Sep 16

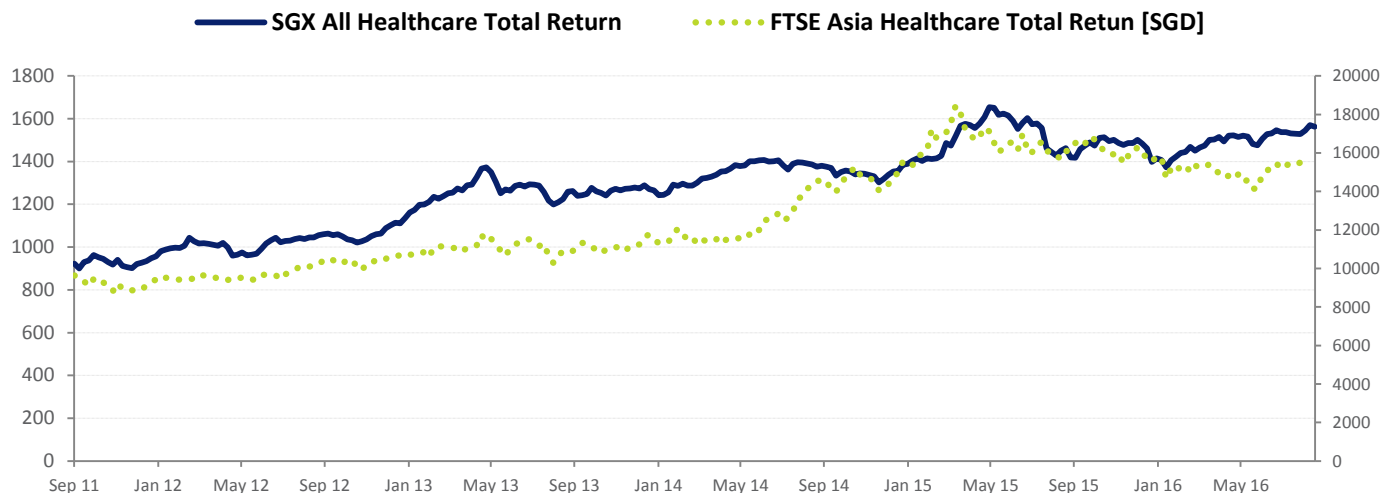
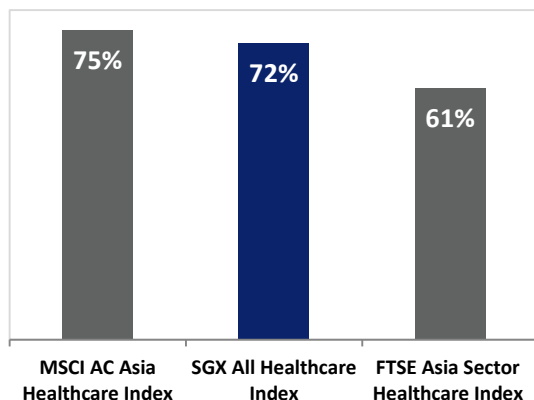


**The three biggest YTD gainers in the Healthcare Sector averaged a 70% gain compared to an average 34% decline for the three least-performing stocks of the Healthcare Sector.**

# SGX All Healthcare Index Returned 72% Over Past Five Years

Diversified Index Generated Competitive Returns within Healthcare Sector over past five years. The SGX All Healthcare Index is also diversified across business streams. Traditional Health Care Providers & Services make up almost half the index weights. The remaining half is made up of pharmaceutical companies, REITs, Healthcare Equipment & Supplies as well as Commercial Services and Supplies.

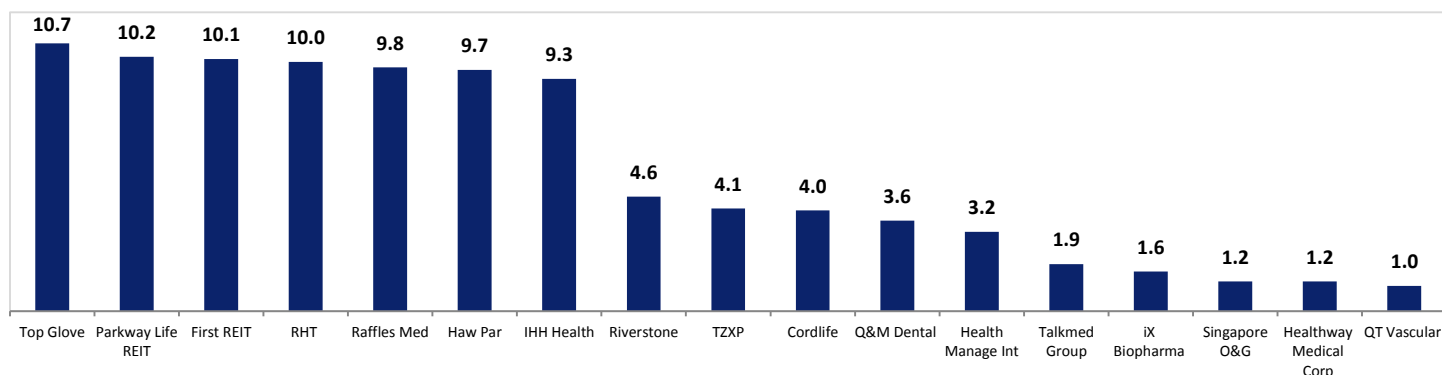
Total Returns in SGD  
(30 Sep 2011-30 Sep 2016)



SGX All Healthcare Index is **diversified** because each constituent of the Index can only account for a **maximum 10%** of the Index **at each periodical rebalance**. This means that while IHH Healthcare Bhd accounts for more than half of the Healthcare Sector market capitalisation, it can only represent one-tenth of the Index at each rebalance.

Top Glove Corp Bhd joined the SGX All Healthcare Index at the 24 Sept 2016 Rebalance.

## SGX All Healthcare Index - Constituent % Weights > 1.0%



## SGX All Healthcare Index – Constituents & Weights

Name	SGX Code	Weight	Market Cap
Top Glove Corp Bhd	BVA	10.3	1,979,270,016
First Real Estate Investment Trust	AW9U	10.0	1,050,417,088
RHT Health Trust	RF1U	9.9	843,572,672
Parkway Life Real Estate Investment Trust	C2PU	9.8	1,524,605,952
Raffles Medical Group Ltd	BSL	9.6	2,655,670,016
Haw Par Corp Ltd	H02	9.5	1,982,419,328
IHH Healthcare Bhd	Q0F	9.4	17,533,370,368
Riverstone Holdings Ltd/Singapore	AP4	4.6	670,681,088
Tianjin Zhongxin Pharmaceutical Group	T14	4.2	2,182,041,088
Cordlife Group Ltd	P8A	3.9	306,042,848
Q&M Dental Group Singapore Ltd	QC7	3.7	605,388,672
Health Management International Ltd	588	3.5	353,854,016
Talkmed Group Ltd	5G3	1.9	673,571,584
iX Biopharma Ltd	42C	1.8	223,716,992
Healthway Medical Corp Ltd	5NG	1.3	98,409,368
Singapore O&G Ltd	41X	1.2	293,233,856
QT Vascular Ltd	5I0	1.1	87,502,488
International Healthway Corp Ltd	5WA	1.0	117,793,584
ISEC Healthcare Ltd	40T	0.9	154,101,760
Singapore Medical Group Ltd	5OT	0.8	101,245,344
Techcomp Holdings Ltd	T43	0.5	--
AsiaMedic Ltd	505	0.4	30,458,074
Medtecs International Corp Ltd	546	0.4	27,470,562
Pharmesis International Ltd	BFK	0.1	12,190,000
UG Healthcare Corp Ltd	41A	0.1	56,407,060
Star Pharmaceutical Ltd/Peoples Republic	AYL	0.1	7,021,575
Suntar Eco-City Ltd	BKZ	0.0	9,100,200

# More Information?

www.sgx.com/stockfacts

www.sgx.com/research

www.sgx.com/mygateway

**SGX StockFacts**

- A free comprehensive research database, covering stock fundamentals for all SGP-listed companies
- Customised search, with the flexibility to filter stocks across about 20 screening criteria
- New proprietary tools including: SGP Capital IQ Alpha Factor Composites - which ranks stocks based on 8 investment style classifications such as valuation and price momentum
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**Singapore Exchange Limited (S68)**

05 August 2015

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Company Name:  Stock Code:

Search by company name

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Criteria	Min	Distribution	Max
Total Market Cap	\$5 0.56 mm	724 matches	\$6,963.02 mm
Total Revenue	\$5 (117.35) mm	721 matches	\$2,346.81 mm
PIE Ratio	0.082	403 matches	441.874
Dividend Yield	0.14%	376 matches	62.64%
Industry	Select Industry		

**Kopi-C**

The Company brew - profiles of C-level executives who run their respective companies listed on SGX.

05 Aug 2016	The iFAST Mission: Investing Profitably, with Passion
22 Jul 2016	Singtel Remodels for Digital Future
08 Jul 2016	SATS Blueprint to Connect, Feed Asia Takes Off
24 Jun 2016	Top Glove's Ambitions Firmly in Hand as Demand Grows
17 Jun 2016	Religare Health Trust Taps into Pulse of Indian Boom
03 Jun 2016	Yeo's Creates New Brews to Please Evolving Palates
20 May 2016	StarHub Dials Up Relevance as Fourth Carrier Looms
06 May 2016	CNMC Seeks Concessions, Buffer Amidst Gold Surge

**SGX Market Dialogues**

05 October 2015

**Q & M Sinks its Teeth into Asia's Burgeoning Dental Market**

kopi-C: the Company brew

Q&M Dental Group

SGX Code	22
ISIN Code	4592131000000
% Price Change YTD	71
% Change -30 Apr YTD	72
% Change -30 Apr (Incl Div)	22
% Change -30 Apr (Excl Div)	22
Dividend Yield %	22
Dividend Yield % (Excl Div)	22
Dividend Yield % (Incl Div)	22
PE	41
EPS	41
Market Cap (USD Millions)	11

**SGX Market Dialogues**

30 September 2015

**Singapore O&G Taps Women's Wellness in Expansion Drive**

kopi-C: the Company brew

Singapore O&G Ltd Holdings Ltd

ISIN Code	4592131000000
SGX Code	411
Price as of 29 Sep 2015	22.1
Market Cap (USD Millions)	22.1
Price to Market Cap %	41.1
Dividend Yield %	22.1
Dividend Yield % (Excl Div)	22.1
Dividend Yield % (Incl Div)	22.1
PE	41.1
EPS	41.1
Market Cap (USD Millions)	22.1

**SGX MyGateway Newsletter**

21 August 2015

**Market Insights by Geoff Howie**

**STI Amongst Cheapest Indices & Highest Yields in the Region Amidst Global Moves**

The STI maintains the second highest indicative dividend yield in the region after Taiwan's Stock Exchange Weighted Index (TWSE). The index generates an average dividend yield of 4.0%, compared with 2.8% for Asia's 50 benchmark indices at 2.8%. [Read more](#)

Dividend	Dividend Yield	Growth	Price Change YTD
Religare Health Trust (RHU)	7.2%	Axcelera India Trust (CYBG)	10.4%
First Real Estate Investment Trust (ARND)	6.2%	Religare Health Trust (RHU)	10.3%
Parkway Life Real Estate Investment Trust (CPH)	5.2%	First Real Estate Investment Trust (ARND)	5.2%

The 10 largest constituents of the FTSE 100 Small Cap Index comprise a diversified trust, three business trusts and six REITs. They have a combined market cap of \$6.8 billion and averaged dividend-adjusted returns of 4.5% in the YTD. [Read more](#)

The SGX Healthcare Index maintains an average indicative dividend yield of 2.9%. Religare Health Trust is a business trust providing medical and clinical establishment services in India - with consolidated on 4 bars, distributing 20,037 per share. [Read more](#)

Sector	Price Change YTD	ETFs	Total Returns YTD
CMW (C4)	27.5%	Lynx ETF NASDAQ-100 (HIG)	6.0%
SATS (S8)	23.8%	iShares Dow Jones U.S. Technology (IUS)	4.1%
ComStar (S9)	23.8%	Sector Index Fund (SII)	2.8%
		iShares Core S&P 500 ETF (E17)	2.8%

The 10 largest Transportation stocks listed on SGX have a combined market cap of \$45 billion. These stocks generate an average dividend yield of 2.8%, and averaged a total return of 2.4% over the past 12 months. [Read more](#)

SGX lists nine ETFs with US equity exposure, which generated a total return of 2.2% in the YTD. The best performers include the iShares Core S&P 500 ETF (E17) at 2.8% and SPDR S&P 500 ETF (E16) at 1.6%. [Read more](#)

**Brokers' Report**

Company Name	Buy/Sell	Target Price/Fair Value	Broker	Report Date
Valuations Holdings (SHZ)	Buy	SGD 0.60	RHS Securities	21-Aug-15
Overseas Education (POZ)	Sell	SGD 0.70	RHS Securities	18-Aug-15
Urea Group (STI)	Buy	SGD 0.27	OCBC Securities	18-Aug-15
Patra Foods (PSF)	Sell	SGD 1.50	RHS Securities	21-Aug-15
Edun Holdings (SME)	Buy	SGD 1.60	RHS Securities	21-Aug-15

**SGX Academy**

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Designed for investors with little knowledge of accounting and finance, this seminar provides an overview of financial statements to help you make sense of their structure and content. [Click here](#) to register and learn through case studies and real-life illustrations.

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Corporate Connect: Dividends and SG Focus  
Most C-level executives of leading SGP-listed companies that have provided consistent and strong dividend yields, and gain insights on how to generate passive income in your investment portfolio. [Click here](#) to register.

Date: 1 September 2015, Tuesday  
Time: 7pm - 8pm  
Venue: SGX Auditorium  
Cost: S\$5

[f](#) [t](#) [in](#)

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## KEY TAKEAWAYS

- ✓ Robust Outlook – Singapore’s healthcare sector has a combined market cap of more than S\$30 billion, which is 10 times its capitalisation 10 years ago; sector has multi-year, long-term growth drivers due to regional demographics and domestic strengths
- ✓ Diversity of Sector – sector has significant regional links – in the last FY, Singapore’s 10 largest healthcare plays on average reported 60% of their revenue to Asia-Pacific excluding Singapore, and 33% to Singapore; sub-segments range from healthcare facilities, distributors, services and supplies to pharmaceuticals
- ✓ Proven Track Record – Singapore’s 10 biggest primary-listed healthcare plays have gained in the past five years, averaging 19% in annualised total returns; they also outperform Asia Pacific peers over the past 5-10 years on ROE and valuation metrics

# Thank you

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