

Administrative support provider Medinex eyes bigger piece of private clinic market

BY CHAN CHAO PEH

Jessie Low, CEO of Medinex, has been providing administrative and accounting services to private doctors since 2006. Low's pitch is simple: The doctors should concentrate on seeing patients and leave the administrative paperwork of the clinics to service providers like her.

One of Low's long-time clients is Dr Heah Sieu Min, CEO of **HC Surgical Specialists**. Dr Heah not only engaged the services of Medinex but recognised its growth and earnings potential as well. "Since 2009, he has been telling me, 'One day, I'm going to acquire [your company]. And I let it happen in 2017,'" says Low in an interview with *The Edge Singapore*, referring to HCSS' acquisition of a substantial stake in Medinex in June 2017.

In November 2016, HCSS went public, joining the growing list of healthcare companies listed on the Singapore Exchange. The purchase of a stake in Medinex was part of a series of acquisitions HCSS made. Two years later, on Nov 30, it was Medinex's turn to register its IPO. Through an all-placement offer of 30 million shares (including four million vendor shares), it raised gross proceeds of \$7.5 million.

For FY2017 ended Dec 31, 2017, Medinex grew its earnings by 27% y-o-y to \$946,000. Revenue rose 72.7% y-o-y to \$3 million. For the half-year ended June 30, 2018, unaudited earnings was \$1.06 million, up 81.3% y-o-y. At the IPO price of 25 cents a share, the company is valued at 27.47 times FY2017 earnings. With a total post-placement base of 131.2 million shares, Medinex is valued at \$32.8 million. By contrast, **Boardroom**, an SGX-listed provider of corporate secretarial services,



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is trading at 7.9 times and valued at \$159.3 million, based on the Dec 4 closing price of 76 cents.

To draw more interest, Medinex is offering a relatively generous dividend policy. For FY2018 to FY2020, the company plans to pay out at least 70% of its earnings in the form of dividends. "Our recurring income is stable, we have strong cash flow and we will give it back to shareholders," says Low.

Post-IPO, Low will hold 20.65% of the company. Meanwhile, HCSS will have an enlarged total stake of 32.42%, consisting of a direct stake of 22.92% and deemed stake of 9.5%. Its effective cost of owning Medinex is at an average of 15.6 cents a share. At the IPO price of 25 cents, this puts the value of HCSS' stake in Medinex at \$10.63 million, which implies a value of 7.12 cents per HCSS share. HCSS shares closed at 61.5 cents on Dec 4, which gives

the company a valuation of \$91.7 million and 20.57 times earnings.

Word of mouth

Medinex, which Low says has no direct competition, is a one-stop provider of administrative support services for the private healthcare industry. The company helps doctors set up clinics, handle the renovation, apply for licences and permits, and then delivers recurring services such as accounting and corporate secretarial.

With the newly raised funds from the IPO, Low plans to acquire related companies to help capture what she sees as a still relatively underserved market, which she has been working on for more than a decade. Her clients are typically doctors running their own clinics, which means they will not have their own accountant or secretary. "Doctors don't like to deal with multiple service providers. So, they will

just come to us," says Low.

Medinex estimates that, locally, there are 3,500 to 4,000 doctors in private practice. The company serves about 100 general practitioners and 120 specialist clinics. "So, there's a lot of opportunity for us to grow," says Low.

Medinex charges its clients a flat fee, subject to revisions if the volume of work rises significantly. Otherwise, contracts are renewed automatically. While the company provides accounting and corporate secretarial services to companies outside the medical industry, Low plans to focus more on this sector. "They are good paymasters, they make a lot of profit. So, I decided to focus on serving medical clinics," she explains.

The company will hire more business development and marketing staff after the IPO to accelerate expansion. It currently relies on word-of-mouth referrals by doctors. Low points out that in the close-

knit medical fraternity, a recommendation from a senior or a professor from one's university is often the best way to persuade a doctor who is ready to set up a private practice to seek Medinex's services.

Setting up new clinics

According to Bobby Lee, Medinex's chief operating officer, the company is adept at assisting doctors in setting up their first clinics. It helps them assess whether a new clinic is viable in a short-listed housing estate. Once the location is determined, Medinex can help apply for the necessary licences and permits, as well as with renovations, dealing with landlords and so on. Medinex can also help the doctors sign up for government subsidy schemes and join panels that are part of employee medical benefit schemes.

Once the first clinic has been set up and is operational, ambitious doctors might want to establish a second or even third clinic. Again, Medinex can come in and offer its services, says Lee, adding that it can be set up a clinic as quickly as two months.

In addition, the company helps clinics make bulk purchases. It deals with pharmaceutical firms for the purchase of certain medicines on behalf of its clients. "It is not just about the savings; we also give them credit terms, especially new clinics with cash flow issues. We give them longer credit terms, which is critical for them in the first six months," says Low.

In the near term, Medinex will concentrate on growing its business in Singapore, but it does not rule out expanding overseas eventually. "The local market is quite big... If we can find a strategic partner for overseas expansion, then it can happen. But we want to capture the local market first before going overseas," says Low. ■