

# CAZENOVE

**Raffles Medical [RFMD SP; OUTPERFORM; S\$1.35; Fair value S\$1.90]: Strong organic growth of 48% YoY**

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- FY2007 results released this morning. A strong set of results which came in slightly stronger than our forecasts.
- Revenue - S\$169m (+26% YoY); Net profit - S\$36m (+128% YoY).
- **Excluding a one-off gain of S\$12.5m from the revaluation of Raffles Hospital, adjusted net profit of S\$23.4m was an organic increase of 48% YoY.** This was 7% above our forecast.
- Company announced a final dividend of 1.5 S cents. Together with the interim dividend of 1.0 S cents, this translates to a dividend yield of 1.9%.
- Growth was broad-based with both clinic and hospital operations contributing. Main driver, however, was hospital operations (70% of EBIT, +52% YoY), driven by increased patient loads and new medical specialities offered during the year. Clinic operations, which accounted for 22% of EBIT, reported a more subdued 4% increase in earnings contribution YoY.
- We continue to like Raffles as a pure play on the Singapore healthcare sector, which is currently benefiting from positive fundamentals driven by public policy reforms and medical tourism. **We believe Raffles stands out as a compelling acquisition target given its simple shareholding structure and range of high quality assets (largest GP clinic network in the country and only private hospital with excess capacity).**
- The shares are currently trading at PER multiples of 25x FY2008E and 19x FY2009E. **The current share price is at a modest 3% premium to Temasek/Qatar Investment Authority's entry price last year. Parkway's winning bid of S\$1600**

**psf of GFA for the Novena hospital site makes Raffles' S\$432 psf of GFA purchase of Capitaland's 50% stake in Raffles Hospital last year a bargain. Maintain OUTPERFORM and fair value of S\$1.90.**

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RECOMMENDATION HISTORY

12 months recommendation changes for Raffles Medical Group Ltd;

28-Nov-2007 OUTPERFORM

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Desmond Lee.

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### **RECOMMENDATION HISTORY**

12 months recommendation changes for Raffles Medical Group Ltd;  
28-Nov-2007 OUTPERFORM

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