

# Singapore Result Snapshot

## Raffles Medical

Bloomberg: RFMD SP | Reuters: RAFG.SI

DBS Group Research . Equity

28 Jul 2009

### Healthcare showing resilience

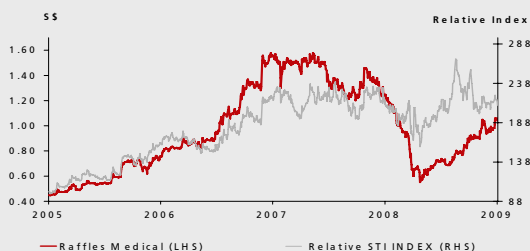
**HOLD S\$1.09**  
Price Target : S\$ 1.06 (Prev S\$ 0.91)

Reporting Period	Performance	Mkt Cap	FY	EPS (\$ cts)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
2Q09	Slightly ahead	S\$565m US\$393m	2008A	6.1	34	-	17.9	2.5	2.3
			2009F	6.7	11	+2%	16.2	2.3	2.3
			2010F	7.4	9	+5%	14.8	2.1	2.8

#### Result Summary

FY Dec (\$ m)	2Q2008	2Q2009	yoy chg
<b>P&amp;L Items</b>			
Sales	50.6	53.9	6.5
Gross Profit	50.6	53.9	6.5
EBIT	9.8	10.9	11.9
Pretax Profit	9.7	10.9	12.5
Net Profit	7.7	8.8	13.8
EPS (\$ cts)	1.49	1.69	13.4
<b>BS &amp; CF Items</b>			
Inventory DOS	69	77	
Receivables DOS	57	50	
Capex	2.0	0.7	
Net Cash/(Debt)	-	S\$27.5m	

#### Price Relative



#### Division yoy revenue growth (%) 1Q08 – 2Q09

Division Revenue growth y-o-y	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Healthcare	16.9%	15.4%	16.9%	16.0%	10.8%	12.3%
Hospital	30.5%	24.1%	17.1%	9.0%	5.2%	4.8%
Total	25.8%	22.3%	17.0%	12.4%	7.6%	6.5%

#### At a Glance

- 2Q slightly ahead on operating efficiencies
- Healthcare division showing resilience in downturn (+12% yoy in topline) vs Hospital (+5% yoy)
- Interim dividend of 1cent, similar to 1H08
- Maintain Hold, TP adjusted to S\$1.06.

#### Comment on Results

**2Q09 slightly ahead.** 2Q09 net profit grew by 13.8% yoy to S\$8.8m on the back of a 6.5% growth in revenue to S\$53.9m. The better than expected earnings were a result of better operating efficiencies, particularly staff costs, which grew by only 3.4% vis-à-vis topline growth. Operating margins rose 1.5ppt from 18.8% in 2Q08 to 20.3% on the back of cost and operating efficiencies.

**Resilient healthcare division.** Topline growth from the Healthcare division was at 12.3%, higher than the 4.8% growth reported by the Hospital division. 3 new clinics were opened in 2Q, on track towards the Group's target of a total 5 clinics this year. Management shared that patient volumes were up 5%, helped by foreign patients (+13%) offset by dip in local patients (-7%).

**Net cash of S\$27.5m.** Operating cashflow remained healthy at S\$13.9m in 2Q09. This contributed to the Group's net cash position of S\$27.5m. We expect net cash position to further strengthen to S\$47m by Dec 09, based on our forecast. An interim dividend of 1cent per share was declared, similar to 1H08. Book closure would be on 20 Aug, while the dividend would be paid on 4 Sep 09.

#### Recommendation

**Maintain Hold, TP: S\$1.06.** We raised our forecasts by 2% - 5% to factor in the lower than expected operating expenses. We maintain our Hold recommendation, but adjust our TP up to S\$1.06 as we pegged it to 16x on FY09F earnings, in line with regional peers and -1 standard deviation from its trading average.

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Source: Company, DBS Vickers

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

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**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

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*Share price appreciation + dividends*

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