SINGAPORE EQUITY
Investment Research

DMG & Partners
SECURITIES

3Q09 Results Review

Private Circulation Only

RAFFLES MEDICAL GROUP

NEUTRAL		Maintain
Price		S$1.35
Target		S$1.43

Another record quarter, but limited upside

HEALTHCARE

Lynette Tan
+65 6232 3895
lynette.tan@dmgaps.com.sg

Terence Wong, CFA
+65 6232 3896
terence.wong@dmgaps.com.sg

Stock Profile/Statistics

Bloomberg Ticker	RFMD SP
STI	2629.35
Issued Share Capital (m)	519.43
Market Cap (S$m)	690.84
52 week H L Price (S$)	1.43 | 0.535
Average Volume (3m) '000	326.77
YTD Returns (%)	92.75
Net gearing (x)	Net cash
Altman Z-score	4.85
Beta	0.61
ROCE/WACC	1.61
Book Value/share (S¢)	45.65

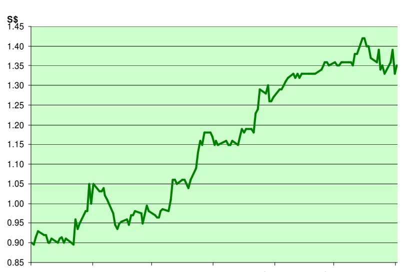
Major Shareholders

Raffles Medical Holdings Pte	39.88%
Loo Choon Yong	10.18%

Share Performance (%)

Month	Absolute	Relative
1m	-0.7	-2.5
3m	17.4	16.5
6m	50.0	23.2
12m	98.5	57.8

6-month Share Price



Raffles Medical's 3Q09 revenue came in 5% below our expectations at S$55.4m. It achieved revenue growth of 8.0% YoY, with improved contribution from all segments. The Group recorded a 15.6% YoY increase in net profit to S$9.5m. On a QoQ basis, revenue grew 2.8%, while net profit rose 7.6%, as it managed to achieve better operating efficiencies. Operating profit margin in 3Q09 was 21.5% (compared with 20.4% in 2Q09 and 19.0% in 1Q09). Although the economic recession had somewhat dampened its performance in 9M09, the group still managed to record YoY growth. Looking ahead, Raffles Medical expects to be supported by a stabilizing economy, its strong financial position and its focus on curative healthcare services. Based on our DCF valuation, we arrive at a target price of S$1.43, which is not much upside from current price. Maintain NEUTRAL.

Balance sheet remains strong. Raffles Medical continues to maintain a strong balance sheet, with a net cash position of S$34.8m (6.7 S¢ per share). Its cash flows from operations are also strong, with S$13.1m generated during the quarter.

2H better than 1H. 2H is seasonally stronger for Raffles Medical. To combat a possible second wave of the H1N1 outbreak, Raffles Medical is continually working with its corporate clients on sales of flu-related medical supplies and services. The new H1N1 vaccine could also contribute to revenue growth at its clinics, but there is no indication on the take up rate as yet. Raffles Medical has added new specialists in the colorectal surgery and urology fields, which would support growth in 2H.

Maintain NEUTRAL with target price of S$1.43. Based on our DCF valuation, we arrive at a target price of S$1.43, which implies a P/E of 20x (based on blended FY09/10 earnings) (previously 14.6x P/E). This provides an upside of 5.9%. Maintain NEUTRAL.

FYE Dec (S$m)	FY07*	FY08	FY09F	FY10F	FY11F
Turnover	168.7	200.8	226.8	250.9	276.9
Net Profit	35.9	31.5	38.2	43.0	46.9
% chg YoY	128.2%	-12.0%	21.1%	12.6%	8.6%
EPS (S¢)	7.4	6.1	6.8	7.6	8.2
DPS (S¢)	2.5	2.5	2.5	2.5	2.5
Div Yield	1.9%	1.9%	1.9%	1.9%	1.9%
ROE	22.9%	14.9%	15.9%	15.6%	14.9%
ROA	19.1%	13.0%	14.2%	14.4%	14.2%
P/E (x)	18.1	21.8	19.5	17.5	16.2
P/B (x)	3.4	3.1	2.9	2.6	2.3

** Includes S$12.5m relating to changes in fair value of the investment property, recorded under Share of Associate*
Source: Company and DMG estimates

Peer comparison

Company	Price 05 Nov 09 (S$)	Mkt Cap (S$m)	P/E (x) 2008	P/E (x) 2009F	P/E (x) 2010F
Singapore					
Parkway Holdings	S$2.50	2826.0	81.1	29.9	31.1
Raffles Medical Grp	S$1.33	690.8	21.9	18.1	15.9
Thomson Medical Ctr	S$0.63	183.9	16.2	14.4	13.0
Singapore average			39.7	20.8	20.0
KPJ Healthcare Bhd	MYR 4.40	379.0	10.8	10.9	8.3
Bumrungrad Hospital	THB 28.50	869.2	17.4	18.2	16.7
Bangkok Dusit Med Serv	THB 24.20	1230.8	17.7	17.9	15.6
Overall average			29.5	18.2	17.0

Year End 31 Dec (S$m)

Income Statement

	2008	2009F	2010F	2011F
Revenue	200.8	226.8	250.9	276.9
Other Operating Income	0.5	0.5	0.5	0.6
Inventories and Consumables	(22.7)	(25.2)	(28.1)	(31.3)
Operating Expenses	(139.6)	(155.1)	(170.5)	(188.3)
Operating Income	**39.0**	**47.0**	**52.8**	**57.9**
Finance Costs	(0.6)	(0.5)	(0.5)	(0.5)
Profit Before Taxes	**38.4**	**46.5**	**52.3**	**57.4**
Income Tax Expense	(6.7)	(8.1)	(9.1)	(10.3)
Minority Interest	(0.1)	(0.1)	(0.1)	(0.2)
Net Income	**31.5**	**38.2**	**43.0**	**46.9**

Balance Sheet

	2008	2009F	2010F	2011F
Fixed Assets	150.3	145.6	141.2	137.0
Intangibles	0.4	0.4	0.4	0.4
Investment Properties	84.4	84.4	84.4	84.4
Deferred Tax Assets	1.2	1.5	1.5	1.5
Non-Current Assets	**236.2**	**231.9**	**227.5**	**223.3**
Inventories	4.8	5.8	7.1	8.6
Receivables	24.9	28.4	35.4	44.3
Cash and Cash Equivalents	44.5	81.4	115.3	151.4
Current Assets	**74.2**	**115.6**	**157.8**	**204.4**
Total Assets	**310.4**	**347.5**	**385.3**	**427.6**
Share Capital	171.3	191.5	206.1	208.2
Reserves	50.6	66.0	86.8	124.8
Shareholders Fund	**221.9**	**257.5**	**293.0**	**333.0**
Minority Interest	0.3	0.3	0.4	0.4
Shareholders Equity	**222.2**	**257.8**	**293.3**	**333.4**
Deferred Tax Liabilities	0.7	0.7	0.7	0.7
Interest-bearing Liabilities	22.0	19.8	17.8	16.0
Non-Current Liabilities	**22.7**	**20.5**	**18.6**	**16.8**
Trade and Other Payables	51.5	59.0	62.7	66.5
Short-Term Borrowings	4.6	3.5	2.6	1.9
Income Taxes Payable	9.3	6.7	8.1	9.1
Current Liabilities	**65.4**	**69.1**	**73.5**	**77.5**
Total Liabilities	**88.2**	**89.7**	**92.0**	**94.3**
Total Equity and Liabilities	**310.4**	**347.5**	**385.3**	**427.6**

Cash Flow

	2008	2009F	2010F	2011F
Profit Before Taxation	38.4	46.5	52.3	57.4
Non-cash Items	8.2	4.1	2.1	0.0
Changes in Working Capital	(1.8)	3.0	(4.6)	(6.7)
Income Tax Paid	(4.0)	(6.7)	(8.1)	(9.1)
Interest Paid	(0.6)	(0.5)	(0.5)	(0.5)
Net Cash from Operations	**40.1**	**46.3**	**41.1**	**41.2**
Interest Received	0.3	4.1	5.8	7.6
Purchase of Fixed Assets	(6.1)	(3.0)	(3.0)	(3.0)
Others	0.9	0.9	1.0	1.0
Net Cash from Investments	**(5.0)**	**2.0**	**3.7**	**5.6**
Dividends Paid	(12.9)	(14.0)	(14.1)	(14.3)
Proceeds from Issue of Shares	1.3	6.0	6.0	6.0
Proceeds from/(Repayment of) Loan	0.9	(3.4)	(2.8)	(2.4)
Net Cash from Financing	**(10.7)**	**(11.3)**	**(11.0)**	**(10.7)**
Net Increase/(Decrease) in Cash	24.4	36.9	33.9	36.1
Exchange Effects on Cash	(0.0)	(0.0)	(0.0)	(0.0)
Cash (beginning)	19.7	44.1	81.1	114.9
Cash (end)	**44.1**	**81.1**	**114.9**	**151.1**

Ratios

	2008	2009F	2010F	2011F
Growth & Margin (%)				
Revenue Growth	19.0	13.0	10.6	10.4
Operating Income Growth	38.1	20.6	12.3	9.6
Operating Income Margin	19.4	20.7	21.0	20.9
Pretax Profit Growth	-7.4	21.2	12.5	9.8
Pretax Profit Margin	19.1	20.5	20.8	20.7
Tax Rate	(17.4)	(17.5)	(17.4)	(18.0)
Net Income Growth	-12.0	21.1	12.6	9.0
Net Income Margin	15.7	16.8	17.2	16.9

Revenue Breakdown

	2008	2009F	2010F	2011F
Healthcare Services	80.7	88.8	97.7	108.4
Hospital Services	119.9	137.9	153.1	168.4
Investment Holdings	0.1	0.1	0.1	0.1
Total	**200.8**	**226.8**	**250.9**	**276.9**

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Headquarters OSK Investment Bank Bhd. 20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 2333 8333 Fax : + (60) 3 2175 3333	**Hong Kong Office** OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	**Singapore Office** DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	**Jakarta Office** PT OSK Nusadana Securities Plaza Lippo, 14th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	**Shanghai Office** OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No. 1266 Nanjing Road (West) Shanghai 200040 China