

SINGAPORE EQUITY

Investment Research

DMG & Partners
SECURITIES



HEALTHCARE

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Stock Profile/Statistics

Bloomberg Ticker	RFMD SP
STI	2,576.66
Issued Share Capital (m)	518.52
Market Cap (S\$m)	565.19
52 week H L Price (S\$)	1.25 0.535
Average Volume (3m) '000	373.99
YTD Returns (%)	57.97
Net gearing (x)	Net cash
Altman Z-score	4.85
Beta	0.63
ROCE/WACC	1.90
Book Value/share (S¢)	44.70

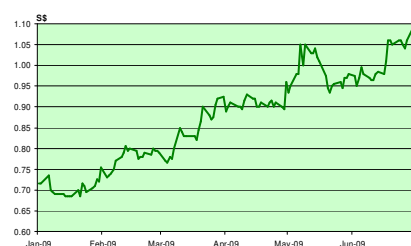
Major Shareholders

Raffles Medical Holdings Pte	39.88%
Loo Choon Yong	10.18%

Share Performance (%)

Month	Absolute	Relative
1m	11.2	0.1
3m	17.8	-23.8
6m	52.4	6.6
12m	-9.2	2.3

6-month Share Price



2Q09 Results Review

Private Circulation Only

RAFFLES MEDICAL GROUP

NEUTRAL
Price
Target

Maintain
S\$1.09
S\$1.06

A record quarter, but prospects largely priced in

Results in line; Maintain NEUTRAL. Raffles Medical achieved record revenue of S\$53.9m (+6.5% YoY; +5.7% QoQ), and net profit of S\$8.8m (+13.8% YoY; +12.7% QoQ) in 2Q09. Although operating costs rose due to H1N1-related costs, its operating margin for the quarter was higher, at 20.4%. Despite fewer visitor arrivals in Singapore, Raffles Medical saw 13% YoY more foreign patients in the quarter, reflecting its success in establishing its brand name overseas. We have raised our earnings estimate for the Group, taking into account management's ability to improve its operational efficiency. We have also raised our target price to S\$1.06 (from S\$0.74 previously), based on 14.6x blended FY09/10 earnings, the level it was trading at over the past year. Maintain NEUTRAL.

Local patients stayed away, but not the foreigners. Due to the H1N1 outbreak during the quarter, management highlighted that it saw 7% YoY fewer local patients, as many stayed away from healthcare establishments. Foreign patient volume, however, grew 13% YoY, even as overall visitor arrival numbers declined in Singapore. We believe this is a result of the Group's focus on curative services (non-elective procedures) and the strong brand name that it has established for itself in the region.

Continues to look out for expansion opportunities. Balance sheet remains strong, with a net cash position of S\$27.5m (5.3 S¢ per share) at end 2Q09. Its cash hoard has allowed Raffles Medical to remain competitive in the weaker economic climate, which also allowed it to continue to grow. Raffles Medical intends to continue to look out for expansion opportunities, either to grow its network of clinics or its hospital segment.

Raising earnings estimates. Besides maintaining growth in the top line, Raffles Medical also managed to maintain operational efficiency. Factoring in improved operating efficiency going forward, we raise our earnings estimates by 10% and 17% respectively for FY09 and FY10.

FYE Dec (S\$m)	FY06	FY07*	FY08	FY09F	FY10F
Turnover	134.2	168.7	200.8	226.8	250.9
Net Profit	15.7	35.9	31.5	38.2	43.5
% chg YoY	29.7%	128.2%	-12.0%	21.1%	13.8%
EPS (S¢)	3.5	7.4	6.1	6.8	7.7
DPS (S¢)	4.0	2.5	2.5	2.5	2.5
Div Yield	3.7%	2.3%	2.3%	2.3%	2.3%
ROE	14.3%	22.9%	14.9%	16.0%	15.8%
ROA	13.8%	19.1%	13.0%	13.6%	14.2%
P/E (x)	31.1	14.8	17.9	16.0	14.2
P/B (x)	4.0	2.8	2.5	2.4	2.1

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

Year End 31 Dec (\$m)									
Income Statement					Cash Flow				
	2007	2008	2009F	2010F		2007	2008	2009F	2010F
Revenue	168.7	200.8	226.8	250.9	Profit Before Taxation	41.4	38.4	44.6	50.7
Other Operating Income	2.1	0.5	0.5	0.5	Non-cash Items	(10.1)	8.2	4.0	2.6
Inventories and Consumables	(19.4)	(22.7)	(26.1)	(28.4)	Changes in Working Capital	13.3	(1.8)	3.0	(17.2)
Operating Expenses	(123.2)	(139.6)	(156.2)	(172.0)	Income Tax Paid	(4.2)	(4.0)	(6.7)	(6.2)
Operating Income	28.2	39.0	45.0	51.0	Interest Paid	(0.4)	(0.6)	(0.4)	(0.3)
Finance Costs	(0.4)	(0.6)	(0.4)	(0.3)	Net Cash from Operations	40.1	40.1	44.4	29.6
Share of Associates	13.6	-	-	-	Investment in Commercial Notes	(32.8)	-	-	-
Profit Before Taxes	41.4	38.4	44.6	50.7	Interest Received	2.0	0.3	4.0	5.0
Income Tax Expense	(5.5)	(6.7)	(6.2)	(7.1)	Proceeds from Sale of Commercial Notes	47.0	-	-	-
Minority Interest	(0.1)	(0.1)	(0.1)	(0.1)	Purchase of Fixed Assets	(4.3)	(6.1)	(3.0)	(3.0)
Net Income	35.9	31.5	38.2	43.5	Others	(64.7)	0.9	0.9	1.0
Balance Sheet					Net Cash from Investments	(52.8)	(5.0)	1.9	3.0
	2007	2008	2009F	2010F	Dividends Paid	(17.8)	(12.9)	(14.0)	(14.1)
Fixed Assets	150.8	150.3	145.6	141.2	Proceeds from Issue of Shares	69.0	1.3	6.0	6.0
Intangibles	0.5	0.4	0.4	0.4	Proceeds from/(Repayment of) Loan	(60.3)	0.9	(3.4)	(2.8)
Jointly Controlled Entities	-	-	-	-	Others	(0.1)	-	-	-
Investment Properties	84.4	84.4	84.4	84.4	Net Cash from Financing	(9.2)	(10.7)	(11.3)	(11.0)
Deferred Tax Assets	1.3	1.2	1.5	1.5	Net Increase/(Decrease) in Cash	(22.0)	24.4	35.1	21.7
Non-Current Assets	237.0	236.2	231.9	227.5	Exchange Effects on Cash	(0.1)	(0.0)	(0.0)	(0.0)
Investments	0.7	-	-	-	Cash (beginning)	41.8	19.7	44.1	79.2
Inventories	3.8	4.8	5.8	7.1	Cash (end)	19.7	44.1	79.2	100.9
Receivables	20.2	24.9	28.4	35.4	Ratios				
Cash and Cash Equivalents	19.7	44.5	80.2	100.8		2007	2008	2009F	2010F
Current Assets	44.5	74.2	114.3	143.3	Growth & Margin (%)				
Total Assets	281.5	310.4	346.2	370.8	Revenue Growth	25.6%	19.0%	13.0%	10.6%
Share Capital	170.0	171.3	191.5	206.1	Operating Income Growth	46.9%	38.1%	15.4%	13.5%
Reserves	30.8	50.6	64.1	87.2	Operating Income Margin	16.7%	19.4%	19.8%	20.3%
Shareholders Fund	200.8	221.9	255.6	293.3	Pretax Profit Growth	106.7%	-7.4%	16.2%	13.8%
Minority Interest	0.2	0.3	0.3	0.4	Pretax Profit Margin	24.6%	19.1%	19.7%	20.2%
Shareholders Equity	201.0	222.2	255.9	293.7	Tax Rate	(13.3%)	(17.4%)	(14.0%)	(14.0%)
Deferred Tax Liabilities	0.7	0.7	0.7	0.7	Net Income Growth	128.2%	-12.0%	21.1%	13.8%
Interest-bearing Liabilities	-	22.0	19.8	17.8	Net Income Margin	21.3%	15.7%	16.8%	17.3%
Non-Current Liabilities	0.7	22.7	20.5	18.6	Revenue Breakdown				
Trade and Other Payables	47.7	51.5	59.0	50.2		2007	2008	2009F	2010F
Short-Term Borrowings	25.3	4.6	3.5	2.6	Healthcare Services	69.7	80.7	88.8	97.7
Income Taxes Payable	6.7	9.3	6.7	6.2	Hospital Services	99.0	119.9	137.9	153.1
Current Liabilities	79.7	65.4	69.1	59.0	Investment Holdings	0.0	0.1	0.1	0.1
Total Liabilities	80.4	88.2	89.7	77.6	Total	168.7	200.8	226.8	250.9
Total Equity and Liabilities	281.5	310.4	345.6	371.3					

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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