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COMPANY ALERT**Raffles Medical Group****2Q09 results: decent growth even in difficult times****Results****Hold**

Reuters:RAFG.SI Exchange:SES Ticker:RAFG

Price (SGD)	1.06
Price target (SGD)	0.68
52-week range (SGD)	1.22 - 0.55
Market cap (USDm)	386
Shares outstanding (m)	524.1
Net debt/equity (%)	-11.5
Book value/share (SGD)	0.46
Price/book (x)	2.3

FYE 12/31	2008A	2009E	2010E
Sales (SGDm)	201	211	237
Net Profit (SGDm)	31.5	31.1	34.9
DB EPS (SGD)	0.06	0.06	0.07
PER (x)	18.5	17.9	15.9
Yield (net) (%)	2.2	2.3	2.6

2Q09 results were above expectations. RFMD reported better than expected 2Q09 results with revenue increasing by 6.5% YoY to S\$53.9m on the back of a strong growth in healthcare services (+12.3% YoY) and stable growth in hospital services (+4.8% YoY). As a result of improved operating leverage, earnings grew by 13.8% YoY to S\$8.8m in 2Q09. 1H09 earnings grew by 19.9% YoY to S\$16.6m, or around 53% of our FY09 earnings forecasts.

H1N1 pandemic is increasing the demand for healthcare services. The strong growth in healthcare services in the 2Q09 was due to an increase in patient visits at its Raffles Medical's GP clinics for flu vaccinations and antiviral drug Tamiflu. We believe that this trend could continue and increase the demand for healthcare services in the healthcare sector. The company can benefit from this trend as it has one of the largest clinic networks in Singapore and its clinics are all prepared to pandemic cases.

Hospital services continues to see efficiencies despite increased costs due to H1N1. Despite the increased costs due to temperature screening and other measures as a result of the H1N1 pandemic, operating expenses decreased by 10% YoY to S\$5.1m as a result of cost cutting measures. Overall patient volumes at the hospital grew by 5% with pricing staying relatively flat. Local patient volumes showed a decline in the 2Q09 but were helped by the continued growth in foreign patient volumes.

Strong cash position and stable dividend. The company has increased its cash position to S\$27.5m from S\$17.9m in 2008 and has declared a dividend of SGD0.01/share in 2Q09. Mgmt continues to see a stable growth in hospital services and strong demand for its healthcare services.

RFMD 2Q09 results summary

FYE 12/31 (SGDm)	2Q09	2Q08	YoY	1H09	1H08	YoY
Revenue	53.9	50.6	6.5%	104.9	98.0	7.0%
Gross profit	16.1	15.2	5.5%	31.2	28.2	10.6%
Operating profit	11.0	9.8	11.7%	20.7	17.8	15.8%
Core earnings	8.8	7.7	13.8%	16.6	13.8	19.9%
Gross margin	29.8%	30.1%	-0.9%	29.7%	28.8%	3.3%
Net profit margin	16.3%	15.2%	6.9%	15.8%	14.1%	12.1%

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