

Raffles Medical Group

Another excellent quarter
OUTPERFORM

Maintained

S\$1.67

Target: S\$2.07

Mkt.Cap: S\$872m/US\$636m

Hospitals

RFMD SP / RAFG.SI

Gary Ng +65 6210 8699 – gary.ng@cimb.com

- Within expectations; maintain Outperform; new target price of S\$2.07 (from S\$1.66).** 1Q10 PATMI of S\$9.1m (+16.4% yoy) again met consensus and our expectations, at 21.5% of our FY10 estimate (first quarter typically makes up 20%). We are keeping our earnings estimates but have lifted our target price from S\$1.66 to S\$2.07, after hoisting our target multiple to 20x (from 16x P/E), reflecting its mid-cycle valuations, though still 20% short of its peak valuations of 25x. With its defensive business that delivers consistent earnings, we maintain Outperform on RFMD. We expect stock catalysts to include the addition of clinics, expansion of medical specialties, and higher local and foreign-patient catchments.
- Revenue up a healthy 10.2% yoy to S\$56.2m.** The growth was led by all divisions (Healthcare Services +8.8% yoy; Hospital +12.0% yoy). Average occupancy was stable, at around 50%. Foreign patients (+24% yoy) still formed a third of its total patients.
- Operating efficiencies again in play despite higher staff costs.** For the first time, staff costs (+10.8% yoy) jumped faster than revenue as the group beefed up its medical specialists at the end of last year. Yet, 1Q10 EBITDA margins added 0.5% pt yoy to 22.8%. A higher patient load, a wider range of medical specialties and improved operating efficiencies contributed to improved EBIT of S\$11.1m (+15.7% yoy).
- Balance sheet strengthened further.** Net cash reached S\$59.0m at end-1Q10 (from S\$49.9m at end-4Q09), with net asset value reaching 49.9 Scts per share from 48.0 Scts at end-4Q09.
- Greater China ambitions still alive.** Management expects the group to benefit from an improving operating environment and continuing demand for high-quality healthcare services from locals and foreigners. Separately, the group said it has submitted a proposal to the Hong Kong authorities which has called for an Expression of Interest on new hospitals to be built on new sites. Though tender conditions are not out, investors should watch this space as this could mark the group's first overseas venture.

Results comparison

FYE Dec (\$ m)	1QFY10	1QFY09	yoy % chg	qoq % chg	Prev. FY10F	Comments
Revenue	56.2	51.0	10.2	(3.6)	261.8	In line, Healthcare services +8.8% yoy, Hospital +12% yoy
Operating costs	(43.4)	(39.6)	9.4	(0.9)	(203.8)	In line, inventories and consumables cost up 17.7% yoy, staff cost up 10.8% yoy
EBITDA	12.8	11.4	12.9	(11.6)	57.9	In line with better revenue and subdued cost
EBITDA margin (%)	22.8	22.3	2.5	(8.3)	22.1	Margins climbed yoy on operating efficiencies
Depn & amort.	(1.7)	(1.8)	(2.5)	5.5	(6.8)	Depreciation on PPE climbed 2.5% yoy
EBIT	11.1	9.6	15.7	(13.7)	51.1	Above, 1Q10 accounted for 21.8% of FY10 forecast
Interest expense	(0.1)	(0.1)	(45.0)	(12.3)	(0.4)	In line
Interest & invt inc	0.1	0.1	26.9	1,550.0	0.3	Winthin expectations
Associates' contrib	-	-	-	-	-	
Exceptionals	-	-	-	-	-	
Pretax profit	11.1	9.5	16.6	(13.3)	51.0	In line; strong operational showing
Tax	(2.0)	(1.7)	17.3	115.5	(8.7)	
Tax rate (%)	18.0	17.9	-	-	17.0	
Minority interests	(0.1)	(0.0)	31.0	31.0	(0.2)	
Net profit	9.1	7.8	16.4	(23.5)	42.1	In line; 1Q typically forms about 20%
EPS (cts)	1.7	1.5	15.8	(23.8)	8.1	
Core net profit	9.1	7.8	16.4	(23.5)	42.1	In line; 1Q typically forms about 20%
Core EPS (cts)	1.7	1.5	15.8	(23.8)	8.1	

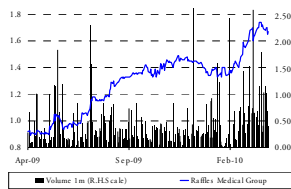
Source: Company, CIMB Research

Please read carefully the important disclosures at the end of this publication.

Financial summary

FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (S\$ m)	200.8	218.6	261.8	307.6	365.4
EBITDA (S\$ m)	45.4	52.1	57.9	72.8	81.9
EBITDA margins (%)	22.6%	23.8%	22.1%	23.7%	22.4%
Pretax profit (S\$ m)	38.4	45.0	51.0	66.0	75.3
Net profit (S\$ m)	31.5	37.9	42.1	54.0	61.6
EPS (S cts)	6.1	7.3	8.1	10.4	11.8
EPS growth (%)	36.7%	19.6%	10.9%	28.0%	14.1%
P/E (x)	27.4	22.9	20.6	16.1	14.1
Gross DPS (S cts)	2.5	3.0	3.0	3.0	3.0
Dividend yield (%)	1.5%	1.8%	1.8%	1.8%	1.8%
P/BV (x)	3.9	3.5	3.1	2.8	2.4
ROE (%)	14.9%	16.1%	16.0%	18.3%	18.2%
Net cash per share (S\$)	0.03	0.10	0.16	0.26	0.37
P/FCFE (x)	24.0	21.0	18.7	14.0	12.2
EV/EBITDA (x)	18.6	15.7	13.6	10.1	8.3
% change in EPS estimates			N/A	N/A	N/A
CIMB/Consensus (x)			1.00	1.06	1.06

Price chart



Source: Bloomberg

Source: Company, CIMB Research, Bloomberg

Figure 1: Sector comparisons

	Bloomberg	Price	Target	Mkt cap	Core	3-yr EPS	P/BV	ROE	Div		
	ticker	(Local)	price	(US\$ m)	P/E (x)	CAGR	(x)	(%)	yield (%)		
	Recom.		(Local)		CY2010	CY2011	CY2010	CY2010	CY2010		
Raffles Medical	RFMD SP	O	1.67	2.07	636	20.6	16.1	17.4	3.1	16.0	1.8
Parkway	PWAY SP	O	3.20	3.69	2,642	24.0	21.3	19.0	2.2	14.9	1.6
Bumrungrad	BH TB	O	29.75	37.60	673	15.0	13.3	14.2	3.5	24.8	3.3
Simple average						19.9	16.9	16.9	2.9	18.6	2.2

O = Outperform, N = Neutral, U = Underperform, TB = Trading Buy and TS = Trading Sell
Source: Company, CIMB Research

DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report. The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "CIMB" shall denote where applicable the relevant entity distributing the report in that particular jurisdiction where mentioned specifically below shall be a CIMB Group Sdn Bhd's affiliates, subsidiaries and related companies.

- (i) As of 23 April 2010, CIMB has a proprietary position in the following securities in this report:
 - (a) Raffles Medical Group.
- (ii) As of 26 April 2010, the analyst, Gary Ng who prepared this report, has an interest in the securities in the following company or companies covered or recommended in this report:
 - (a) -.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB-GK Research Pte. Ltd. ("CIMB-GK") and CIMB-GK notifies each recipient and each recipient acknowledges that CIMB-GK is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to the recipient. CIMB-GK is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cwlth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities (HK) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities (HK) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

New Zealand: In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

Singapore: This report is issued and distributed by CIMB-GK Research Pte Ltd ("CIMB-GKR"). Recipients of this report are to contact CIMB-GKR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB-GKR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMB-GKR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB-GKR.

As of 23 April 2010 CIMB-GK Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: This report is being distributed by CIMB Securities (UK) Limited only to, and is directed at selected persons on the basis that those persons are (a) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") who have professional experience in investments of this type or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(1) of the Order, (all such persons together being referred to as "relevant persons"). A high net worth entity includes a body corporate which has (or is a member of a group which has) a called-up share capital or net assets of not less than (a) if it has (or is a subsidiary of an undertaking which has) more than 20 members, £500,000, (b) otherwise, £5 million, the trustee of a high value trust or an unincorporated association or partnership with assets of no less than £5 million. Directors, officers and employees of such entities are also included provided their responsibilities regarding those entities involve engaging in investment activity. Persons who do not have professional experience relating to investments should not rely on this document.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB-GK Research Pte Ltd solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors and investment professionals whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an Institutional Investor must not rely on this communication. However, the delivery of this research report to any person in the United States of America shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

RECOMMENDATION FRAMEWORK #1*

STOCK RECOMMENDATIONS

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

RECOMMENDATION FRAMEWORK #2 **

STOCK RECOMMENDATIONS

OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.

NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.

UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.