

Singapore Result Snapshot

Raffles Medical

Bloomberg: RFMD SP | Reuters: RAFG.SI

DBS Group Research . Equity

25 Jul 2011

On track towards target

HOLD S\$2.34

Price Target : S\$ 2.40 (Prev S\$ 2.32)

Reporting Period	Performance	Mkt Cap	FY	EPS (S cts)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
2Q 2011	Within expectations	S\$1,248m	2010A	8.6	18	-	27.2	4.3	1.5
		US\$1,032m	2011F	9.8	14	-	23.8	3.8	1.5
			2012F	10.5	7	-	22.3	3.5	1.7

Result Summary

FY Dec (\$m)	2Q2010	2Q2011	yoy chg
P&L Items			
Sales	58.6	67.0	14.3
Gross Profit	58.6	67.0	14.3
EBIT	12.9	14.3	11.0
Exceptional Gain/(Loss)	0.0	0.0	N/A
Pretax Profit	12.9	14.3	10.4
Net Profit	10.6	11.6	10.1
EPS (S cts)	2.02	2.2	8.9
EBIT Margin (%)	22.0	21.4	(0.6ppt)

At a Glance

- **2Q11 results within consensus and our expectations; 1H forms 43% of forecasts, similar to previous year**
- **Net cash position in 1Q reversed into marginal net debt of S\$3m due to payment for Thong Sia Bldg**
- **1 Sct interim dividend declared as per 1H10**
- **Maintain HOLD, TP of S\$2.40 based on 24x FY11F/12F PE**

Comment on Results

2Q11 within expectations. 2Q net profit grew by 10% y-o-y to S\$11.6m as topline increased to S\$67m (+14%). 1H11 net profit forms 43% of our full year forecasts, which is similar to the previous year. Both its Hospital and Healthcare divisions registered topline growth of 14.4% and 12.2% respectively. A 1 Sct interim dividend was declared (1H10: 1 Scts) with book closure on 17 Aug.

EBIT margins down a tad to 21.4% in 2Q11. Operating costs crept up marginally faster than topline growth, due to higher level of inventories & consumables used (+15%), higher purchased and contracted services (+21.6%), depreciation (+16.4%), and other operating expenses (+14.4%). Staff costs, its largest expense item, increased by 14.1% to S\$31.7m, below its topline growth, an objective management continues to hope to achieve.

Marginal net debt position due to payment for property. The Group's balance sheet reflects a slight net debt position of S\$3.2m (from 1Q11's net cash of S\$71m) as it paid the balance for Thong Sia Building in Apr 11. Operating cashflow, however, continues to remain strong at S\$9.4m in 2Q11

Recommendation

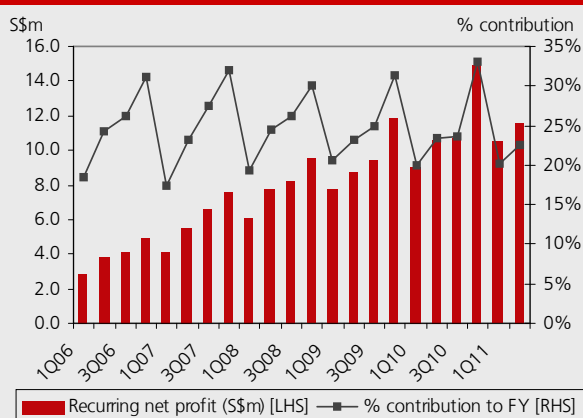
Hold recommendation maintained, TP at S\$2.40. We continue to maintain our Hold recommendation, as we believe its prospects have largely been priced in without any significant near term catalyst on the horizon. The counter is trading at c.24x FY11F PE, which is above its historical trading mean of 21x. Our TP is raised marginally to S\$2.40 as we roll our valuation base to an average of FY11F/12F earnings, from FY11F previously. Our valuation peg is based on 24x PE, +0.5 s.d. above historical mean to account for its larger operations.

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Price Relative



Quarterly Net Profit (\$m) and growth (yoy %)



Source: Company, DBSVickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

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

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

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

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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