



BUY

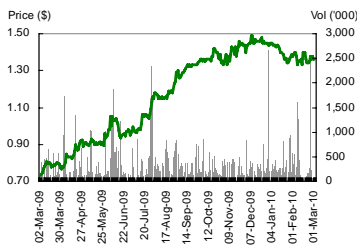
FY09 Results

Analyst

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Price \$1.36
Target \$1.85
ST Index 2,750.86

Historical Chart



Performance	1m	3m	6m
Absolute (%)	-2.2	-4.9	4.6
Relative (%)	-2.7	-4.2	-1.3

Stock Information

Ticker code	RAFG.SI RFMD.SP
Market cap (US\$m)	503.2
52-week high (S\$)	1.49
52-week low (S\$)	0.73
Shares issued (m)	520.3
6m avg d.vol (US\$m)	0.4
Free float (%)	55.7
Major shareholders (%)	
Dr Loo Choon Yong	(40.0)

Key Indicators

ROE (%)	15.7
Net gearing (%)	Net cash
NTA (S\$)	0.48
Interest cover (x)	110.9

Raffles Medical Group

Slow and steady wins the race

RMG delivered a remarkable 13th consecutive year of revenue growth since listing and 7th consecutive year of double-digit net profit growth. FY09 net profit grew 20% (in-line with our higher than consensus estimates) amidst the global recession and H1N1 pandemic during the year. We continue to like this name for its defensiveness and growth. Maintain BUY and TP of \$1.85.

Organic growth continues

FY09 revenue grew 9% and net profit increased 20% to \$38m. Both the healthcare services segment (clinics) and hospital segment contributed to growth during the year, with revenue up 10% and 8% respectively. With the improvement in profitability and strong cash position, management increased the final DPS to 2 cents. (interim DPS of 1 cent).

Further improvements in operating margins

Profitability was driven by operating margins (21%) improvement for the sixth consecutive year. This is in-line with our investment thesis that RMG's ability to control operating costs will lead to consistent margin improvements and profitability for the near future. Net cash position now stands at \$50m as the Group continues to generate good cash flow in the absence of any capital expenditure requirements.

Not just standing still

During FY09, the Group opened 3 new clinics and was re-awarded key contracts with ministries and corporate clients. Raffles Hospital achieved a prestigious accreditation by the Joint Commission International (JCI) as international patient load continues to increase. The Group also recruited specialists to increase its range of curative healthcare services.

Maintain BUY, target price \$1.85

Our DCF target price implies 22X FY10F. We continue to like the Group's strong cash flow generation and expect further organic growth as management continues its consistent execution. Potential catalysts include favorable overseas ventures and cash distribution.

Year End Dec	2007	2008	2009F	2010F	2011F
Sales (S\$ m)	168.7	200.8	214.0	238.4	266.0
Pre-tax (S\$ m)	41.4	38.4	44.7	51.1	59.1
Net profit (S\$ m)	35.9	31.5	37.0	42.3	49.0
EPS (cts)	7.0	6.1	7.1	8.2	9.4
EPS growth (%)	83.7	(12.4)	17.3	14.2	15.8
PER (x)	16.2	18.5	15.7	13.8	11.9
EV/EBITDA (x)	17.6	12.0	9.9	8.3	6.8
Yield (%)	2.3	2.3	2.3	2.3	2.3

SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Figure 1 : FY09 Results

YE Dec (S\$ m)	FY08	FY09	yoy growth
Sales	200.8	218.6	8.9%
Other operating income	0.5	0.8	57.9%
Inventories & consumables	(22.7)	(24.5)	8.1%
Purchased & services	(12.9)	(16.0)	24.7%
Staff costs	(98.3)	(104.9)	6.7%
Depreciation	(6.6)	(6.9)	4.1%
Operating lease	(4.5)	(5.1)	15.3%
Other operating expenses	(17.4)	(16.5)	-5.0%
Operating profit	39.0	45.5	16.6%
Financing costs	(0.6)	(0.4)	-34.2%
Pretax income	38.4	45.0	17.5%
Income taxes	(6.7)	(7.0)	4.8%
Minority interest	(0.1)	(0.2)	33.6%
Net income	31.5	37.9	20.1%
Segmental Revenue (\$m)	FY08	FY09	yoy growth
Healthcare Services	80.7	88.7	9.8%
Hospital Services	119.9	129.8	8.2%

Source : Company, Kim Eng Research

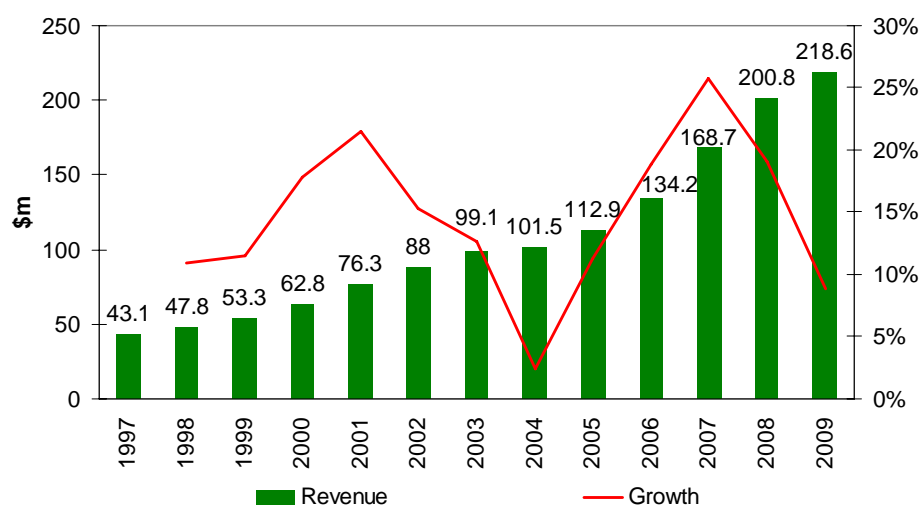
Figure 2 : FCFE Valuation

(S\$ m)	FY10	FY11	FY12	FY13	FY14
FCFE	24.4	44.9	49.4	51.3	56.4
Terminal Value					1081.8
PV	22.8	39.4	40.6	39.4	819.5
Total discounted FCFE	961.7				
Value/ Share	1.85				

Cost of equity	6.8%
Risk-free rate	2.5%
Beta	0.66
Market risk premium	9.0%
Terminal growth	1.5%

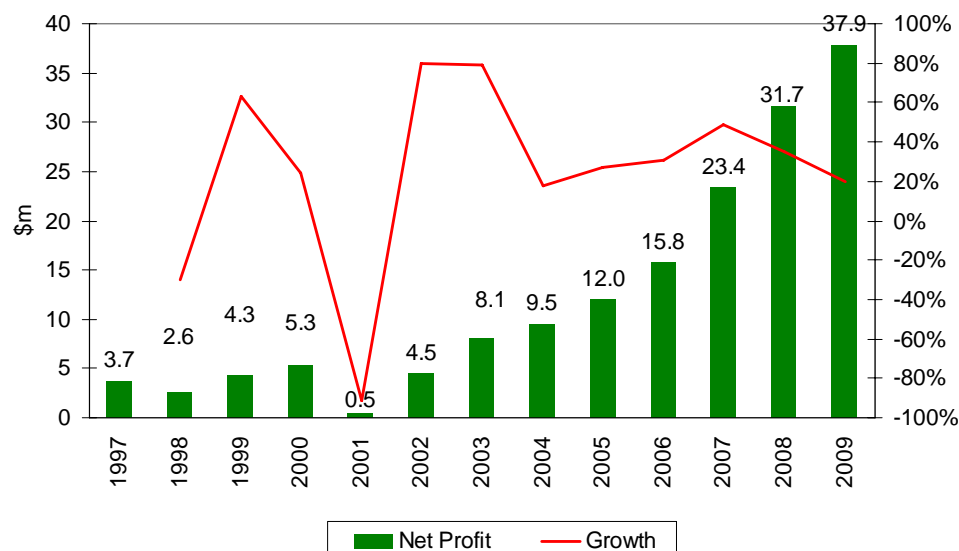
Source : Company, Kim Eng estimates

Figure 3: Historical Revenue and Growth



Source : Company, Kim Eng estimates

Figure 4: Historical Net Profit and Growth



*Excludes fair value gain of property of \$12.5m in 2007

** Growth rate for 2002 was scaled down for graph comparison purposes

Source: Company, Kim Eng Research

Figure 4: Historical Net Profit and Growth

	Share price (lcl curr)	Market Cap (lcl curr)	PE (x)		EPS growth (%)		Price/ book (x)	ROE (%)	Net Margin (%)	Net Gearing (%)	Dividend Yield (%)	
			Hist	Curr	F'cast	Curr	Next Yr					
Raffles Medical Group Ltd	1.36	707.7	18.6	17.0	14.5	9.6	17.5	2.8	16.1	17.3	(19.9)	2.1
Parkway Holdings Ltd	2.81	3176.8	26.7	19.9	16.5	33.8	20.6	2.2	8.7	12.1	51.0	1.4
Thomson Medical Centre Ltd	0.68	198.6	15.5	13.6	11.7	14.2	16.0	1.8	11.6	19.0	(15.8)	4.0
Pacific Healthcare Holdings Ltd	0.12	32.3	(2.7)	na	na	na	na	0.7	(23.1)	(14.8)	12.0	na
Healthway Medical Corp Ltd	0.15	249.3	14.8	15.0	12.5	(1.1)	20.0	1.5	10.7	15.5	(5.7)	1.3
China Healthcare Ltd	0.15	33.3	58.0	na	na	na	na	1.1	1.5	2.0	75.0	na
Average			21.8	16.4	13.8	14.1	18.5	1.7	4.2	8.5	16.1	2.2

Source : Bloomberg, Kim Eng Research

Profit and loss

YE Dec (\$\$ m)	2008	2009	2010F	2011F	2012F
Sales	200.8	218.6	237.7	261.0	284.1
Consumables & services	(35.5)	(40.5)	(42.4)	(45.7)	(49.1)
Staff costs	(98.3)	(104.9)	(111.7)	(120.1)	(129.2)
Depreciation	(6.6)	(6.9)	(7.3)	(7.3)	(7.5)
Operating lease	(4.5)	(5.1)	(5.3)	(5.3)	(5.3)
Other op expenses (net)	(16.9)	(15.7)	(18.0)	(23.3)	(25.3)
Operating profit	39.0	45.5	53.0	59.5	67.7
Financing costs	(0.6)	(0.4)	(0.6)	(0.6)	(0.5)
Share of joint entity	0.0	0.0	0.0	0.0	0.0
Pretax income	38.4	45.0	52.4	58.9	67.2
Income taxes	(6.7)	(7.0)	(8.9)	(10.0)	(11.4)
Minority interest	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)
Net profit attributable	31.5	37.9	43.4	48.8	55.7
Net profit (normalized)	31.5	37.9	43.4	48.8	55.7
EPS (SG cents)	6.1	7.3	8.4	9.4	10.7
EBITDA	45.6	52.4	60.3	66.8	75.2

Source: Company data, Kim Eng estimates

Cashflow

YE Dec (\$\$ m)	2008	2009	2010F	2011F	2012F
Operating cash flow	40.1	47.2	43.6	59.4	65.2
Pretax profit	38.4	45.0	52.4	58.9	67.2
Depreciation & amortization	6.7	6.9	7.3	7.3	7.5
Change in working capital	(1.8)	0.6	(6.9)	3.6	1.2
Others	(3.1)	(5.4)	(9.2)	(10.4)	(10.7)
Investment cash flow	(5.0)	(3.5)	(4.5)	(4.5)	(4.5)
Net capex	(6.1)	(3.7)	(5.0)	(5.0)	(5.0)
Acquisition of sub	0.0	0.0	0.0	0.0	0.0
Others	1.2	0.4	0.5	0.5	0.5
Financing cash flow	(10.7)	(13.7)	(22.2)	(17.7)	(17.7)
Dividends	(12.9)	(13.0)	(15.6)	(15.6)	(15.6)
Net change in debt	0.9	(2.0)	(6.5)	(2.0)	(2.0)
Issue of shares	1.3	1.3	0.0	0.0	0.0
Others	0.0	(0.1)	0.0	0.0	0.0
Net cash flow	24.4	30.0	16.9	37.3	43.1

Source: Company data, Kim Eng estimates

Balance Sheet

YE Dec (\$\$ m)	2008	2009	2010F	2011F	2012F
Total assets	310.4	336.8	356.6	395.0	438.9
Current assets	74.2	104.5	126.0	166.6	213.0
Cash	44.5	74.4	91.2	128.5	171.6
Inventories	4.8	5.3	5.4	5.9	6.4
Receivables	24.9	24.3	29.3	32.2	35.0
Others	0.0	0.6	0.0	0.0	0.0
Long term assets	236.2	232.3	230.7	228.4	225.9
Plant and equipment	150.3	146.4	144.8	142.5	140.0
Intangibles	0.3	0.4	0.4	0.4	0.4
Investment properties	84.4	85.0	85.0	85.0	85.0
Others	1.3	0.5	0.5	0.5	0.5
Total liabilities	88.2	86.7	78.6	83.7	87.5
Current liabilities	65.4	65.2	59.2	66.3	72.0
Payables	51.5	52.0	50.3	57.3	61.8
ST borrowings	4.6	4.5	0.0	0.0	0.0
Others	9.3	8.7	8.9	9.0	10.3
Long-term liabilities	22.7	21.4	19.4	17.4	15.4
LT borrowings	22.0	20.0	18.0	16.0	14.0
Others	0.7	1.4	1.4	1.4	1.4
Shareholder's equity	221.9	249.8	277.6	310.9	351.0
Paid-in capital	171.3	172.7	172.7	172.7	172.7
Reserve	50.6	77.1	105.0	138.2	178.4
Minority interests	0.3	0.4	0.4	0.4	0.4

Source: Company data, Kim Eng estimates

Key ratios

YE Dec (\$\$ m)	2008	2009	2010F	2011F	2012F
Growth (% YoY)					
Sales	19.0	8.9	8.8	9.8	8.8
Operating Profit	38.1	16.6	16.7	12.2	13.8
EBITDA	40.5	14.8	15.1	10.7	12.6
Net Profit	35.0	20.1	14.6	12.5	14.1
EPS	(12.4)	19.9	14.6	12.5	14.1
Profitability (%)					
Gross margin	Na	Na	Na	Na	Na
Operating margin	19.4	20.8	22.3	22.8	23.8
EBITDA margin	22.7	24.0	25.4	25.6	26.5
Net profit margin	15.7	17.3	18.3	18.7	19.6
ROA	10.2	11.3	12.2	12.4	12.7
ROE	14.3	15.2	15.7	15.7	15.9
Stability					
Gross debt/equity (%)	12.0	9.8	6.5	5.1	4.0
Net debt/equity (%)	2.7	(8.1)	(20.0)	(26.4)	(36.2)
Int. coverage (X)	62.6	110.9	84.2	106.3	138.2
Int. & ST debt coverage (X)	7.4	9.2	84.2	106.3	138.2
Cash flow int. coverage (X)	39.1	73.1	26.9	66.6	87.9
Cash flow int. & ST debt (X)	4.7	6.1	26.9	66.6	87.9
Current ratio (X)	1.1	1.6	2.1	2.5	3.0
Quick ratio (X)	1.1	1.5	2.0	2.4	2.9
Net debt/(cash) (\$ m)	(17.9)	(49.9)	(73.2)	(112.5)	(157.6)
Per share data (SG cent)					
EPS	6.1	7.3	8.4	9.4	10.7
CFPS	4.6	5.6	3.2	7.0	8.1
BVPS	42.9	48.2	53.5	60.0	67.7
SPS	37.6	40.9	44.5	48.8	53.1
EBITDA/share	8.5	9.8	11.3	12.5	14.1
DPS	2.5	3.0	3.0	3.0	3.0

Source: Company data, Kim Eng estimates

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Recommendation definitions

Our recommendation is based on the following expected price performance within 12 months:

- +15% and above: BUY
- 15% to +15%: HOLD
- 15% or worse: SELL

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AND
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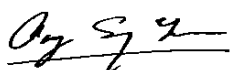
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