

Singapore Result Analyser

DBS Group Research . Equity

30 Oct 2007

Raffles Medical (RFMD SP)

Buy S\$1.53

Riding on strong patient numbers and better efficiencies

Price Target : S\$ 1.80

Reporting Period	Performance	Mkt Cap	FY	EPS (S cts)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
3Q 2007	In line	S\$788m US\$543m	2007 2008	6.3 5.1	Unchanged Unchanged	24.4 30.2	4.1 3.9	2.4 3.2

Result Summary

FY Dec (S\$ m)	3Q06	3Q07	y-o-y chg
P&L Items			
Sales	35.5	43.8	25.2
Operating Profit	5.1	7.6	48.3
Pretax Profit	6.3	8.1	55.8
Net Profit	4.9	6.5	60
EPS (S cts)	0.89	1.25	40
Opg Margin (%)	13.3	15.6	2.3
BS & CF Items			
Inventory DOS	94.7	94.0	
Receivables DOS	61.9	61.1	
Net Cash/(Debt)	40.0	(12.5)	

Comment on Results

3Q and 9M results within expectations.

Topline was up 25% due to higher contributions from both Healthcare and Hospital Services divisions which grew by 12.1% and 35.7%, respectively. Operating margins improved by 2.3ppt to 15.6% due to higher patient load and better operating efficiencies. As a result, net profit surged 60% to S\$6.5m.

Operating cash flow remains strong but cash balance was offset by acquisition of hospital asset and repayment of bank loans.

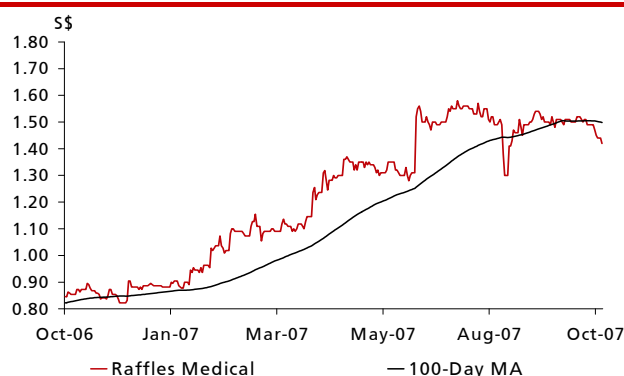
Recommendation

Overall, we maintain our positive view of the Group. With full ownership of the hospital asset, the Group should have greater flexibility to optimise the use of hospital and clinic space and enhance its potential. We remain optimistic of the Group's prospects as it rides on the strong Singapore economy, the city-state's status as a medical hub and the government's drive to promote medical tourism.

Maintain BUY. Our TP is maintained at S\$1.80 based on DCF valuation (WACC 6.3%, terminal growth 1%). The Group is expected to benefit from increased foreign patients and increasing affluence. Further catalysts would come if and when the Group announces its expansion into international markets.

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Share Price Chart



Source: DBS Vickers

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 (0-15% total return over the next 12 months for small caps, 0-10% 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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