Raffles Medical Q2 net profit up 13.8%

$8.78m earnings come on back of 6.5% rise in revenue to $53.91m

By **CHEN HUIFEN**

THE spread of the H1N1 flu virus in Singapore has turned out to be both boon and bane for Raffles Medical Group, as the healthcare services provider has suffered a decline in local patients at its hospital, while at the same time seeing a rise in demand at its primary care services segment.

But the net business result is a positive one as the group recorded a 13.8 per cent jump to $8.78 million in second-quarter net profit attributable to shareholders. The three months ended June 2009 saw revenue edge up 6.5 per cent to $53.91 million.

Without giving a breakdown on its revenue, the group said that revenue from its healthcare services division – consisting of its network of GP clinics and health insurance business – rose 12.3 per cent.

This was boosted by the opening of three new clinics at Tampines 1, Sembawang and Centrepoint, and the launch of FluProtect, a health insurance product designed to cover H1N1, avian flu and Sars. Turnover at its hospital, however, grew at a slower pace of 4.8 per cent.

Executive chairman Loo Choon Yong explained that people tend to stay away from hospitals when a disease outbreak such as H1N1 or Sars occurs. This has led to a 6-7 per cent dip in visits by local patients in the last quarter.

However, foreign patient volume continued to grow strongly, at 13 per cent.

"That is because we focus on what we call non-discretionary spending, not cosmetic surgery," Dr Loo said. "You wouldn't come to Singapore to do double eyelids, or to make certain parts bigger if there's H1N1 and so on. But if you have cancer, if you have heart problem that needs fixing, you will still come."

Cost of inventories and consumables rose 10.6 per cent to $6.4 million, owing to price hikes during the initial weeks of H1N1 outbreak and a need to pile up on stocks as a precautionary measure. Expenses resulting from purchased and contract services went up 28.1 per cent to $4.2 million, due to higher insurance claims at its insurance business.

Staff costs climbed a marginal 3.4 per cent to $25.5 million. Basic earnings per share went up to 1.69 cents, from 1.49 cents in the year-ago period. Net asset value per share came to 44.7 cents, up from 42.87 cents at end-December 2008.

The performance takes its half-year earnings to $16.57 million, a 19.9 per cent gain over the previous corresponding period. Total revenue for the first six months went up 7 per cent to $104.93 million. Raffles Medical, which has a net cash position of $27.5 million, has proposed an interim dividend of one cent per share.

Despite uncertainty over the strength of recovery in the broader economy, Dr Loo said that the group continues to be in growth mode and is on the lookout for specialists who may add to the depth of its existing disciplines. As for possible expansion in China, it is still exploring the market cautiously – "we go dating a lot but not yet married".

Shares of Raffles Medical closed three cents higher at $1.09 yesterday.