Raffles Medical Q1 net rises 48% to $6.1m

Increased patient load and expanded services; operating lease expenses fall

By **CHEN HUIFEN**

RAFFLES Medical Group (RMG) seems to have been immune from the climate of economic uncertainty, announcing yesterday a 48.4 per cent jump in first quarter net profit to $6.1 million.

The surge in profit attributable to equity-holders was helped by a 25.8 per cent jump in revenue to $47.4 million as patient load increased and services expanded.

The private group practice and hospital operator saw operating profit rise 60.6 per cent or about $3.02 million to $8 million for the three months to March 31.

This was also helped by a 62.2 per cent or about $1.78 million drop in operating lease expenses to $1.08 million.

"Every aspect of the company is growing, so prospects are good," said RMG executive chairman Loo Choon Yong.

"We note that the American sub-prime problem will have a dampening effect on the Singapore economy and Asian economies, but we are optimistic we will continue to do well for the rest of the year."

RMG did not give a breakdown of revenue from each segment of business, but its hospital services division has traditionally accounted for the lion's share.

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In terms of growth, revenue from the healthcare division, including the group's network of clinics, rose 16.9 per cent. Hospital services revenue rose 30.5 per cent on improved operating efficiency and margins.

Staff costs rose 21.4 per cent to $23.9 million, largely due to higher wages, bonus payments and an increase in headcount.

"Staff costs went up by a smaller proportion (than revenue), less than 25.8 per cent," said Dr Loo.

"We are a service company, so staff costs are important. Our staff also need to get higher salaries in these inflationary times. Fortunately we are growing faster than that."

During Q1, RMG opened a 24-hour clinic at Changi Airport Terminal 3 as well as Raffles Executive Medical Centre, a primary healthcare facility in its hospital.

Operated by a team of family physicians, the centre offers chronic disease management, treatment for acute ailments, travel immunisation and other services by appointment.

Earnings per share rose to 1.18 cents in Q1, from 0.90 of a cent previously. Net asset value climbed to 40.24 cents a share, from 38.98 cents at end-December 2007.

About a third of RMG's patients are foreigners, mostly here for elective procedures. In the event of a severe economic slowdown, Dr Loo reckons numbers will fall, though he does not see that coming. "I think Singapore, the fundamentals are still strong," he said.

"The two giant countries are growing so fast. China, India will still grow. Probably, that growth will be slower. Might not be a bad idea. Instead of growing at double digits of 10-11 per cent in China, if China were to reduce (growth) to 7-8 per cent, it may be better.

"A bit of cooling down. Even Singapore's economy will benefit from a bit of consolidation. It may rein in costs."

RMG's share price closed two cents higher at $1.25 yesterday.