Raffles Medical pins hope on new hospitals in China for growth

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IN line with efforts to diversify its business, mainboard-listed Raffles Medical Group has pinned its hopes on the two new hospitals that are under construction in China as the private healthcare provider struggles to grow at home, even as it remains profitable.

Its group executive chairman Loo Choon Yong on Monday pointed out at a briefing that the new hospital openings in China "will be very impactful" compared with the clinics business, which has a smaller impact on earnings.

"By the next two years, with Chongqing and Shanghai (hospitals) opening up, I think there will be a lot of growth for the whole group so we are really more and more like a regional company. We don't just depend on the Singapore market, we are in fact diversifying into the regional markets and you can see we are now in 13 cities, so 12 cities other than Singapore."

Raffles Medical Group

	Q3 FY17	Q3 FY16	Y-O-Y % CHANGE
	(S$ MILLION)		
Revenue	119.6	119.3	0.3
Net profit	16.4	16.2	1
EPS (¢)	0.93	0.93	

The Chongqing hospital is expected to be operational in the later half of 2018, while the Shanghai hospital is expected to do so in the later half of 2019.

The group on Monday reported that its third quarter net profit edged up marginally on the back of flat revenue as lower renewal rates for expatriate plans offset higher local patient loads at the hospitals.

Net profit for the three months ended Sept 30, 2017 came in at S$16.4 million, up one per cent year on year, while it was 0.5 per cent higher year on year for the nine months at S$48.7 million.

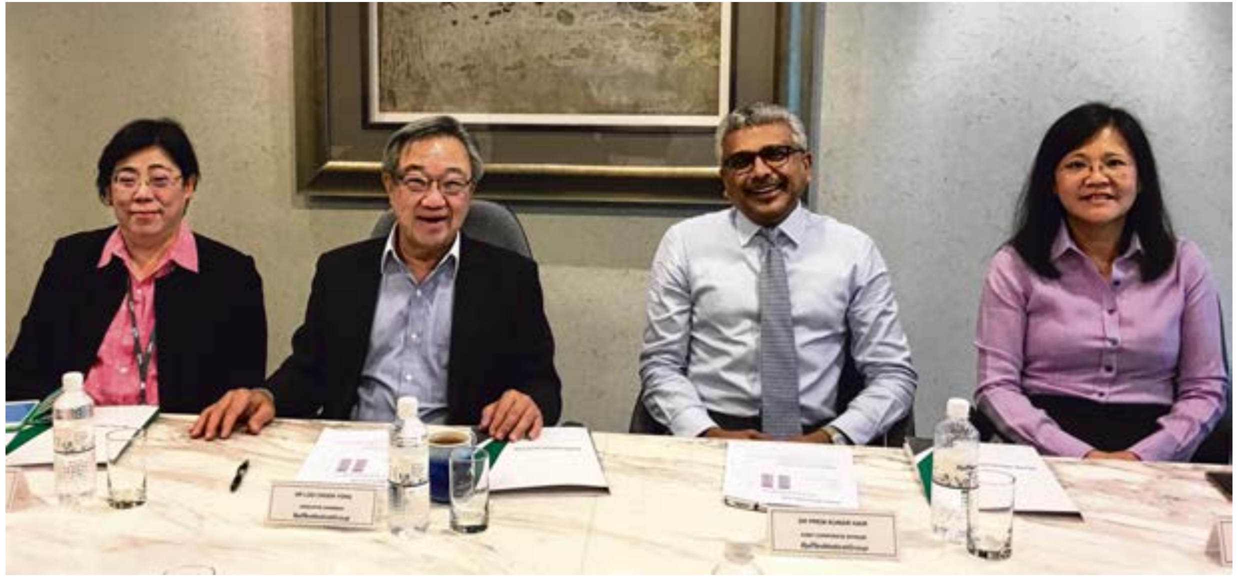
This, as revenue growth was 0.3 per cent for the quarter at S$119.6 million. Revenue from the hospital services division went up 3.1 per cent led by the rise in patient load. But revenue from the group's healthcare services division slid 4.2 per cent due to lower renewal of international healthcare plans for expatriates.

For the nine months, revenue dipped 0.1 per cent to S$354.6 million.

Earnings per share for Q3 came in at 0.93 cent, same as that of the year-ago period. For the nine months, earnings per share was 2.77 cents, a tad down from 2.79 cents a year ago.

Net asset value per share for the quarter as at end-September 2017 was 40.1 cents, up 5.2 per cent from 38.12 cents recorded as at end-December 2016.

After factoring in the distribution of interim dividend of S$8.9 million and payment of S$30.9 million for investment properties under development, the group continued to have strong operating cashflows, contributing to a healthy cash position of S$114.9 million as at end-September, driven by its business operations.



(L-R) Chief financial officer Goh Ann Nee; Dr Loo; managing director of Singapore Healthcare and chief corporate officer Prem Kumar Nair; group financial controller and company secretary Kimmy Goh at the results briefing which showed Raffles Medical Group continuing to have strong operating cashflows in Q3.

On its clinics business, the group said it further widened the network in August with the addition of two new in-house clinics in Dover and Tampines. The clinic at Northpoint City re-opened in September following the mall's retrofitting.

Two new clinics at Changi Airport Terminal 4 would be open in the fourth quarter this year, on top of the current six clinics at the other three terminals.

Mr Loo said that over in the clinics division, about 70 per cent of patients are corporate clients and the remaining are private patients. On the hospital side, it is the reverse but he noted that some private patients may make medical claims from their companies too.

Asked how long he expects the slow growth to last, Mr Loo noted that Singapore's gross domestic product seemed to be trending up and that the group would benefit if the general economy improves.

The same applies to regional economies so if they do better despite the uncertainties, more foreign patients would come to Singapore to receive medical treatment even though it is more costly.

The stock closed down 2.5 cents at S$1.125, after the results were released.

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