SINGAPORE EQUITY
Investment Research

DMG & Partners
SECURITIES

4Q09 Results Review

Private Circulation Only

HEALTHCARE

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RAFFLES MEDICAL GROUP

BUY	**Upgrade**
Price	**S$1.36**
Target	**S$1.59**

Continues to achieve another record quarter

Stock Profile/Statistics

Bloomberg Ticker	RFMD SP
STI	2750.86
Issued Share Capital (m)	520.34
Market Cap (S$m)	707.66
52 week H │ L Price (S$)	1.50│ 0.705
Average Volume (3m) '000	398.79
YTD Returns (%)	(6.21)
Net gearing (x)	Net cash
Altman Z-score	6.34
Beta	0.62
ROCE/WACC	1.65
Book Value/share (S¢)	48.04

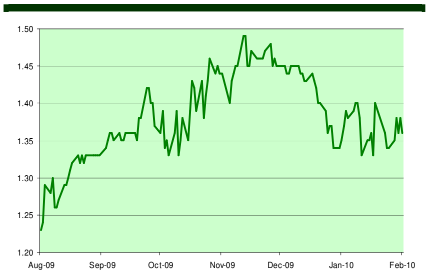
Major Shareholders

Raffles Medical Holdings Pte	39.72%
Loo Choon Yong	10.34%

Share Performance (%)

Month	Absolute	Relative
1m	0.7	0.4
3m	-5.6	-5.1
6m	10.6	5.9
12m	88.9	18.8

6-month Share Price



Raffles Medical's 4Q09 net profit for S$11.9m (+24.2% YoY) was in line with expectations. This was achieved on the back of a 13.3% YoY increase in revenue, as both segments saw more patients. Despite the challenging times in FY09, Raffles Medical has managed to record growth in its quarterly earnings. A dividend of 3.0 S¢ per share was declared for FY09 (0.5 S¢ higher than previous years), which translates to a yield of 2.2%. Management is confident of sustaining this dividend level, supported by the resilient demand for its quality curative healthcare services. From our DCF valuation, we derive a target price of S$1.59 (previously S$1.43), implying a P/E of 20x. We are upgrading our recommendation to BUY.

S$0.6m exceptional item contributed somewhat to growth. Included in its FY09 results was a change in fair value. Excluding this exceptional item, FY09 PBT would have risen 15.9%, which still represents resilient earnings in times of uncertainty and economic downturn.

4Q is usually the strongest, 1Q10 likely to be weaker QoQ. Management highlighted that the QoQ growth in 4Q09 can be attributed to both local and foreign patients. It is seeing an improvement in its foreign patient trend, and expects foreign patients to remain at one-third of total patient load. It has plans for four new clinics in 2010, which would help support growth in FY10.

Upgrade to BUY; TP S$1.59. Raffles Medical continues to generate strong and steady operating cash flows (FY09: S$47.2m vs FY08: S$40.1m) and capex requirements are relatively low at the moment. Based on our DCF valuation, we derive a TP of S$1.59, which implies a P/E of 20x FY10 earnings.

FYE Dec (S$m)	FY07*	FY08	FY09	FY10F	FY11F
Turnover	168.7	200.8	218.6	239.2	263.3
Net Profit	35.9	31.5	37.9	40.7	44.3
% chg YoY	128.2%	-12.0%	20.1%	7.5%	8.8%
EPS (S¢)	7.4	6.1	7.3	7.8	8.4
DPS (S¢)	2.5	2.5	3.0	3.0	3.0
Div Yield	1.8%	1.8%	2.2%	2.2%	2.2%
ROE	22.9%	14.9%	16.1%	15.2%	14.7%
ROA	19.1%	13.0%	13.9%	13.9%	13.8%
P/E (x)	18.5	22.3	18.6	17.5	16.2
P/B (x)	3.5	3.2	2.8	2.5	2.3

** Includes S$12.5m relating to changes in fair value of the investment property, recorded under Share of Associate*
Source: Company and DMG estimates

Year End 31 Dec (S$m)				
Income Statement				
	2008	**2009**	**2010F**	**2011F**
Revenue	200.8	218.6	239.2	263.3
Other Operating Income	0.5	0.8	0.5	0.5
Inventories and Consumables	(22.7)	(24.5)	(26.8)	(29.7)
Operating Expenses	(139.6)	(139.6)	(149.4)	(162.9)
Operating Income	**39.0**	**45.5**	**49.9**	**54.6**
Finance Costs	(0.6)	(0.4)	(0.4)	(0.4)
Profit Before Taxes	**38.4**	**45.0**	**49.5**	**54.2**
Income Tax Expense	(6.7)	(7.0)	(8.6)	(9.8)
Minority Interest	(0.1)	(0.2)	(0.2)	(0.2)
Net Income	**31.5**	**37.9**	**40.7**	**44.3**

Balance Sheet				
	2008	**2009**	**2010F**	**2011F**
Fixed Assets	150.3	146.4	142.0	137.7
Intangibles	0.4	0.4	0.4	0.4
Investment Properties	84.4	85.0	85.0	85.0
Deferred Tax Assets	1.2	0.5	1.5	1.5
Non-Current Assets	**236.2**	**232.3**	**228.8**	**224.6**
Inventories	4.8	5.3	6.4	7.8
Receivables	24.9	24.3	30.4	33.4
Cash and Cash Equivalents	44.5	74.4	109.0	145.3
Current Assets	**74.2**	**104.5**	**145.8**	**186.6**
Total Assets	**310.4**	**336.8**	**374.7**	**411.2**
Share Capital	171.3	172.7	190.7	192.6
Reserves	50.6	77.1	93.9	126.1
Shareholders Fund	**221.9**	**249.8**	**284.6**	**318.8**
Minority Interest	0.3	0.4	0.4	0.4
Shareholders Equity	**222.2**	**250.2**	**285.0**	**319.2**
Deferred Tax Liabilities	0.7	1.4	1.4	1.4
Interest-bearing Liabilities	22.0	20.0	18.0	16.2
Non-Current Liabilities	**22.7**	**21.4**	**19.4**	**17.6**
Trade and Other Payables	51.5	52.0	59.8	63.2
Short-Term Borrowings	4.6	4.5	3.4	2.5
Income Taxes Payable	9.3	8.7	7.0	8.6
Current Liabilities	**65.4**	**65.2**	**70.2**	**74.3**
Total Liabilities	**88.2**	**86.7**	**89.6**	**92.0**
Total Equity and Liabilities	**310.4**	**336.8**	**374.6**	**411.2**

Cash Flow				
	2008	**2009**	**2010F**	**2011F**
Profit Before Taxation	38.4	45.0	49.5	54.2
Non-cash Items	8.2	8.2	7.3	6.9
Changes in Working Capital	(1.8)	0.6	0.6	(1.1)
Income Tax Paid	(4.0)	(6.2)	(7.0)	(8.6)
Interest Paid	(0.6)	(0.4)	(0.4)	(0.4)
Net Cash from Operations	**40.1**	**47.2**	**49.9**	**51.0**
Interest Received	0.3	0.2	0.5	0.7
Purchase of Fixed Assets	(6.1)	(3.9)	(3.0)	(3.0)
Others	0.9	0.2	-	-
Net Cash from Investments	**(5.0)**	**(3.5)**	**(2.5)**	**(2.3)**
Dividends Paid	(12.9)	(13.0)	(15.7)	(15.8)
Proceeds from Issue of Shares	1.3	1.3	6.0	6.0
Proceeds from/(Repayment of) Loan	0.9	(2.0)	(3.1)	(2.6)
Others	-	(0.1)	-	-
Net Cash from Financing	**(10.7)**	**(13.7)**	**(12.8)**	**(12.5)**
Net Increase/(Decrease) in Cash	24.4	30.0	34.7	36.3
Exchange Effects on Cash	(0.0)	0.0	0.0	0.0
Cash (beginning)	19.7	44.1	74.1	108.8
Cash (end)	**44.1**	**74.1**	**108.8**	**145.1**

Ratios				
	2008	**2009**	**2010F**	**2011F**
Growth & Margin (%)				
Revenue Growth	19.0	8.9	9.4	10.1
Operating Income Growth	38.1	16.6	9.8	9.4
Operating Income Margin	19.4	20.8	20.9	20.7
Pretax Profit Growth	(7.4)	17.5	9.9	9.6
Pretax Profit Margin	19.1	20.6	20.7	20.6
Tax Rate	(17.4)	(15.6)	(17.4)	(18.0)
Net Income Growth	(12.0)	20.1	7.5	8.8
Net Income Margin	15.7	17.3	17.0	16.8

Revenue Breakdown				
	2008	**2009**	**2010F**	**2011F**
Healthcare Services	80.7	88.7	97.6	108.2
Hospital Services	119.9	129.8	141.4	154.9
Investment Holdings	0.1	0.2	0.2	0.2
Total	**200.8**	**218.6**	**239.2**	**263.3**

Source: Company and DMG estimates

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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