

Raffles Medical [RFMD SP; OUTPERFORM; S\$1.23; Fair value S\$1.89]:

Robust growth momentum continues

Desmond.Lee@cazenove.com

+65 6395 7688

28 July 2008

- Raffles Medical (Raffles) reported a strong set of Q2 2008 results this morning.
- **Record quarterly revenue of S\$50.6m (+22% YoY); recurring net profit of S\$7.7m (+40% YoY).** Note that headline net profit was down 51% YoY as Q2 last year included a one-off gain for the revaluation of Raffles Hospital. The company is well-positioned to achieve our full year net profit forecast of S\$28m (H1 2008 net profit of S\$13.8m represents 50% of our full year forecast).
- Growth was broad-based with clinic and hospital operations posting revenue increases of 15% and 24% respectively. Management attributed the strong operating performance to a larger specialist consultant base, higher patient loads and greater operating efficiencies. Management comments also point towards a more diversified foreign patient base.
- We continue to like Raffles as a pure play on the Singapore healthcare sector, which is currently benefiting from positive fundamentals driven by public policy reforms and the continued growth of medical travel. We believe Raffles will be a **key beneficiary of the new means testing framework** to be implemented in January 2009, given its larger exposure to the domestic patient segment and competitive pricing structure.
- The shares are currently trading at PER multiples of 23x FY2008E and 18x FY2009E, with net gearing the lowest amongst its peers. **The current share price is at an attractive 6% discount to Temasek/Qatar Investment Authority's entry price last year. Maintain OUTPERFORM and fair value of S\$1.89.**