

Raffles Medical [RFMD SP; OUTPERFORM; S\$0.695]: Private patient loads resilient in Q4

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- Raffles Medical (Raffles) reported good Q4/FY2008 results this morning. **FY2008 net profit of S\$31.5m is 13% above our forecasts and 8% above consensus forecasts.** The company also announced a **final dividend of 1.5 S cents**, putting the full year payout at 2.5 S cents, translating to a yield of 3.6%.
- The stronger than expected performance was due to a decent Q4, with quarterly revenues of S\$51.4m (+12% YoY) and recurring net profit of S\$9.7m (+1% YoY), suggesting that patient loads continued to remain robust in Q4 despite the deteriorating macro-economic data seen in the quarter.
- Growth was broad-based with clinic and hospital operations posting FY revenue increases of 16% and 21% respectively, driven by its growing specialist consultant base, higher patient loads from both foreign and domestic sources as well as greater operating efficiencies. Management is cautiously optimistic about the outlook in FY2009, citing a more diversified foreign patient base and a strong cash position as two factors that are working in its favour.
- 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. We believe Raffles, given its larger exposure to the domestic patient segment and competitive pricing structure, will be a key beneficiary of: 1) the new means testing framework which was implemented in January 2009 and 2) continued liberalisation in the national medical savings and insurance schemes.
- The shares are currently trading at **PER multiples of 10x FY2009E and 8x FY2010E**, and the company is now in a net cash position. **The current share price is at 47% discount to Temasek/Qatar Investment Authority's entry price in 2007. Maintain OUTPERFORM.**