

Asia: Raffles Medical - Good Q2 2009 results - O/P maintained

Raffles Medical [RFMD SP; OUTPERFORM; S\$1.06; Fair value S\$1.16]: Q2 results good
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- Raffles Medical reported another good set of results this morning, with net profit growth of 14% YoY surpassing our expectations. As at H1 2009, net profit growth of 20% YoY is above our full year net profit growth forecast of 12% YoY.
- Top-line growth of 7% was broad-based and within management's expectations of "high single-digit" growth for the year, driven by revenue increases of 12% and 5% for clinic and hospital operations respectively. Despite the outbreak of the H1N1 virus, we believe that patient loads at Raffles Hospital in Q2 2009 were still stable on a YoY basis. Management also attributed the strong results to a surge in demand for seasonal flu vaccinations, Tamiflu and protective disposables during the quarter due to the H1N1 scare.
- We continue to like Raffles as a pure play on the domestic healthcare sector in Singapore, which is currently benefiting from positive fundamentals driven by public policy reforms. We believe Raffles, given its larger exposure (two-thirds) to the domestic patient segment and competitive pricing structure, will be a key beneficiary of ongoing government initiatives (i.e. means testing, liberalisation of Medisave and Medishield) to shift a larger proportion of healthcare demand towards the private sector.
- The shares are currently trading at PER multiples of 16x FY2009E and 14x FY2010E, with current net cash position of S\$27m the strongest in the sector. Maintain OUTPERFORM and fair value S\$1.16.
- There is an analysts' briefing scheduled for later this morning where more details are likely to be available.

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Research Recommendation

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12 Months Recommendation History

Security Name Date Recommendation

Raffles Med Grp		NO CHANGE
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