

HEALTHCARE

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Stock Profile/Statistics

Bloomberg Ticker	RFMD SP
STI	2966.88
Issued Share Capital (m)	523.97
Market Cap (S\$m)	974.58
52 week H L Price (S\$)	2.00 1.07
Average Volume (3m) '000	534.19
YTD Returns (%)	28.28
Net gearing (x)	Net cash
Altman Z-score	8.07
Beta	0.64
ROCE/WACC	1.83
Book Value/share (S¢)	50.17

Major Shareholders

Raffles Medical Holdings Pte	39.72%
Loo Choon Yong	10.34%

Share Performance (%)

Month	Absolute	Relative
1m	6.9	2.8
3m	8.2	9.3
6m	37.0	28.7
12m	74.5	57.3

6-month Share Price



2QFY10 Results Review

Private Circulation Only

RAFFLES MEDICAL GROUP

BUY	Maintain
Price Target	S\$1.85
	S\$2.09

Expands its hospital

Raffles Medical achieved earnings growth of 20.3% YoY to S\$10.6m in 2QFY10, on the back of revenue growth of 8.7%. The results were in line with our expectations. The improved results was helped by higher patient load (with the addition of more specialists) and improved operating efficiencies. Raffles Medical also announced that it has received approvals to increase its hospital GFA by another 102,408 sq ft. This would allow Raffles Medical to expand its existing services and possibly increase its bed capacity if needed. It has also started to manage a medical centre in Shanghai to service the expatriates and local community. As the region's economy continues to improve, demand for quality healthcare services is expected to remain strong, and Raffles Medical stands to benefit from this trend. Based on DCF, we have a target price of S\$2.09.

Plans to expand hospital underway. The Group's hospital has been operating at utilisation of ~70%, and that seems to have been working well for Raffles Medical. Nonetheless, in view of rising demand for medical services, Raffles Medical has obtained approvals to expand its hospital area, by adding 102,408 sq ft of GFA to the existing 307,875 sq ft. While the design plans are still being finalised, this additional floor area would give Raffles Medical the flexibility of adding new specialist clinics (enhancing its range of services) or more beds at its hospital. The re-development of its hospital is expected to cost between S\$80m and S\$100m (to be funded from internal resources), including the development premium. Management estimated that construction will take about 18 months and the new hospital 'wing' will be operational in the few months after that.

A presence in China. Raffles Medical's medical centre in Shanghai offers a range of medical services, from general medicine and dental services to health screening, to the expatriate and local community there. This medical centre complements its Raffles Hospital (Singapore) in providing quality medical care to international patients. With this presence in China, Raffles Medical would also be in a good position to swiftly take on other strategic investments in China, if the opportunity arises.

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	43.5	46.8
% chg YoY	128.2%	-12.0%	20.1%	14.9%	7.5%
EPS (S¢)	7.4	6.1	7.3	8.3	8.9
DPS (S¢)	2.5	2.5	3.0	3.0	3.0
Div Yield	1.3%	1.3%	1.6%	1.6%	1.6%
ROE	22.9%	14.9%	16.1%	16.2%	15.3%
ROA	19.1%	13.0%	13.9%	14.6%	14.4%
P/E (x)	25.4	30.6	25.6	22.5	21.1
P/B (x)	4.8	4.4	3.9	3.4	3.0

* 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 (\$m)									
Income Statement					Cash Flow				
	2008	2009	2010F	2011F		2008	2009	2010F	2011F
Revenue	200.8	218.6	239.2	263.3	Profit Before Taxation	38.4	45.0	52.0	56.6
Other Operating Income	0.5	0.8	0.7	0.5	Non-cash Items	8.2	8.2	7.3	6.8
Inventories and Consumables	(22.7)	(24.5)	(26.8)	(29.7)	Changes in Working Capital	(1.8)	0.6	0.6	(1.1)
Operating Expenses	(139.6)	(139.6)	(149.4)	(160.7)	Income Tax Paid	(4.0)	(6.2)	(7.0)	(8.3)
Operating Income	39.0	45.5	52.4	57.0	Interest Paid	(0.6)	(0.4)	(0.4)	(0.4)
Finance Costs	(0.6)	(0.4)	(0.4)	(0.4)	Net Cash from Operations	40.1	47.2	52.4	53.7
Profit Before Taxes	38.4	45.0	52.0	56.6	Interest Received	0.3	0.2	0.6	0.8
Income Tax Expense	(6.7)	(7.0)	(8.3)	(9.6)	Purchase of Fixed Assets	(6.1)	(3.9)	(3.0)	(3.0)
Minority Interest	(0.1)	(0.2)	(0.2)	(0.2)	Others	0.9	0.2	-	-
Net Income	31.5	37.9	43.5	46.8	Net Cash from Investments	(5.0)	(3.5)	(2.4)	(2.2)
Balance Sheet					Dividends Paid	(12.9)	(13.0)	(15.7)	(15.8)
	2008	2009	2010F	2011F	Proceeds from Issue of Shares	1.3	1.3	6.0	6.0
Fixed Assets	150.3	146.4	142.0	137.7	Proceeds from/(Repayment of) Loan	0.9	(2.0)	(3.1)	(2.6)
Intangibles	0.4	0.4	0.4	0.4	Others	-	(0.1)	-	-
Investment Properties	84.4	85.0	85.0	85.0	Net Cash from Financing	(10.7)	(13.7)	(12.8)	(12.5)
Deferred Tax Assets	1.2	0.5	1.5	1.5	Net Increase/(Decrease) in Cash	24.4	30.0	37.2	38.9
Non-Current Assets	236.2	232.3	228.8	224.6	Exchange Effects on Cash	(0.0)	0.0	0.0	0.0
Inventories	4.8	5.3	6.4	7.8	Cash (beginning)	19.7	44.1	74.1	111.3
Receivables	24.9	24.3	30.4	33.4	Cash (end)	44.1	74.1	111.3	150.2
Cash and Cash Equivalents	44.5	74.4	111.6	150.5	Ratios				
Current Assets	74.2	104.5	148.3	191.8		2008	2009	2010F	2011F
Total Assets	310.4	336.8	377.2	416.3	Growth & Margin (%)				
Share Capital	171.3	172.7	190.7	192.6	Revenue Growth	19.0	8.9	9.4	10.1
Reserves	50.6	77.1	96.4	131.5	Operating Income Growth	38.1	16.6	15.4	8.7
Shareholders Fund	221.9	249.8	287.1	324.2	Operating Income Margin	19.4	20.8	21.9	21.6
Minority Interest	0.3	0.4	0.4	0.4	Pretax Profit Growth	(7.4)	17.5	15.5	8.8
Shareholders Equity	222.2	250.2	287.5	324.6	Pretax Profit Margin	19.1	20.6	21.7	21.5
Deferred Tax Liabilities	0.7	1.4	1.4	1.4	Tax Rate	(17.4)	(15.6)	(16.0)	(17.0)
Interest-bearing Liabilities	22.0	20.0	18.0	16.2	Net Income Growth	(12.0)	20.1	14.9	7.5
Non-Current Liabilities	22.7	21.4	19.4	17.6	Net Income Margin	15.7	17.3	18.2	17.8
Trade and Other Payables	51.5	52.0	59.8	63.2	Revenue Breakdown				
Short-Term Borrowings	4.6	4.5	3.4	2.5		2008	2009	2010F	2011F
Income Taxes Payable	9.3	8.7	7.0	8.3	Healthcare Services	80.7	88.7	97.6	108.2
Current Liabilities	65.4	65.2	70.2	74.0	Hospital Services	119.9	129.8	141.4	154.9
Total Liabilities	88.2	86.7	89.6	91.7	Investment Holdings	0.1	0.2	0.2	0.2
Total Equity and Liabilities	310.4	336.8	377.1	416.3	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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