


**DMG & Partners Research**  
**HEALTHCARE**

Lynette Tan  
 +65 6232 3895  
 lynette.tan@sg.oskgroup.com

Terence Wong  
 +65 6232 3896  
 terence.wong@sg.oskgroup.com

**CONSUMER**

Raffles Medical is a healthcare provider which operates medical clinics, imaging centers and medical laboratories.

**Stock Profile/Statistics**

Bloomberg Ticker	RFMD SP
STI	3181
Issued Share Capital (m)	528
Market Capitalisation (S\$m)	1198
52 week H   L Price (S\$)	2.52   1.50
Average Volume ('000)	376
YTD Returns (%)	(6.28)
Net gearing (%)	Net cash
Altman Z-Score	10.6
ROCE/WACC	1.5
Beta (x)	0.7
Book Value/share (S\$)	56.6

**Major Shareholders (%)**

Raffles Medical Holdings Pte	39.2
Loo Choon Yong	10.2

**Share Performance (%)**

Month	Absolute	Relative
1m	1.8	(2.2)
3m	0.4	2.0
6m	2.8	1.1
12m	30.2	21.8

**6-month Share Price Performance**

**1QFY10 Results Review**

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**RAFFLES MEDICAL GROUP**

<b>BUY</b>	<b>↔</b>
<b>Price</b>	<b>S\$2.27</b>
<b>Previous Target</b>	<b>S\$2.40</b>
<b>Target</b>	<b>↕ S\$2.52</b>

**Results in-line, poised to continue growing**

**Double digit growth in 1Q11.** Raffles Medical achieved PATMI growth of 15.6% YoY to S\$10.5m, on the back of a 14.7% YoY growth in revenue. The results were in line with our estimates. Excluding the job credits grant received in 1Q10, PATMI would have increased by 21.9% YoY. While there was some adjustment to its pricing, revenue growth was largely attributed to an increase in patient volume as the Group added more doctors and expanded its range of specialties. It recently purchased a commercial block in Orchard Road, where it intends to house its Specialist Medical Centre, which would help in Raffles Medical's growth. We re-iterate our BUY recommendation and arrive at DCF-based TP of S\$2.52.

**Commercial block in Orchard Road will aid growth.** Raffles Medical recently completed the purchase of a seven-storey commercial block of Thong Sia Building at Bideford Road for S\$92.1m. This property has a floor area of 42,668 sq ft and is purchased with existing tenancies (90% tenanted) that will expire only in 2012 and 2013. Raffles Medical's growth is largely limited by the space it has available to expand its specialist medical clinics. This property would give Raffles Medical the additional flexibility it needs in order to juggle the space requirements at Raffles Hospital.

**New property is timely as Group places more focus on specialist medical services.** The Group intends to set up a comprehensive Specialist Medical Centre at its new Bideford Road property, which is opposite Paragon Medical. The Medical Centre is expected to commence operations in 2012.

**Balance sheet remains healthy.** After purchasing this property, Raffles Medical's usually strong cash hoard will be lowered. Given its stable operating cash flows, should the Group take on more borrowings, we think its net gearing will be low.

FYE 31 Dec (S\$ m)	FY08	FY09	FY10	FY11F	FY12F
Turnover	200.8	218.6	239.1	263.1	289.2
Net profit	31.5	37.9	45.3	44.4	48.9
% chg YoY	-12.03%	20.08%	19.49%	-1.97%	10.29%
Consensus				49.7	57.9
EPS (S\$)	6.1	7.3	8.7	8.4	9.2
DPS (S\$)	2.5	3	3.0	3.0	3.0
Div Yield	1.1%	1.4%	1.3%	1.3%	1.3%
ROE (%)	14.90%	16.10%	16.9%	14.7%	14.6%
ROA (%)	13.00%	13.90%	15.0%	13.6%	13.6%
P/E (x)	37.2	31.1	26.2	27.0	24.6
P/B (x)	5.3	4.7	4.2	3.8	3.4

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**Figure 1: Quarterly financial summary**

<b>FYE Dec (\$m)</b>	<b>4Q10</b>	<b>1Q10</b>	<b>1Q11</b>	<b>YoY%</b>	<b>QoQ%</b>	<b>Remarks</b>
Revenue	63.5	56.2	64.4	14.7%	1.5%	In-line with DMG and consensus estimates.
Other operating income	3.4	0.1	0.1		-96.0%	There was a S\$3.0m gain in the change in fair value of investment properties in 4Q10.
Inventories and consumables	(6.6)	(6.4)	(7.4)	16.4%	13.1%	
Staff costs	(31.2)	(27.6)	(31.7)	14.6%	1.5%	Job credits grants were received in 1Q10.
Other operating expenses	(13.2)	(11.1)	(12.5)	13.2%		
<b>Operating income</b>	<b>15.9</b>	<b>11.2</b>	<b>13.0</b>	<b>15.7%</b>	<b>-18.7%</b>	
<b>PBT</b>	<b>15.9</b>	<b>11.1</b>	<b>12.9</b>	<b>16.1%</b>	<b>-18.8%</b>	
Tax	(0.9)	(2.0)	(2.4)			
<b>PATMI</b>	<b>15.0</b>	<b>9.1</b>	<b>10.5</b>	<b>15.6%</b>	<b>-29.9%</b>	In-line with DMG and consensus estimates

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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## DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
<b>Malaysia Headquarters</b> OSK Research Sdn. Bhd. 6 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 9207 7688 Fax : + (60) 3 2175 3202	<b>Hong Kong Office</b> OSK Securities Hong Kong Ltd 12 <sup>th</sup> Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2810 0908	<b>Singapore Office</b> DMG & Partners Securities Pte. Ltd. 10 Collyer Quay, #09-08, Ocean Financial Centre, Singapore 049315 Tel : + (65) 6533 1818 Fax : + (65) 6532 6211	<b>Jakarta Office</b> PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 <sup>th</sup> Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4598	<b>Shanghai Office</b> OSK (China) Investment Advisory Co Ltd Room 6506, Plaza 66 No. 1266 West Nanjing Road Shanghai 200040 China Tel: + (8621) 6288 9611 Fax: + (8621) 6288 9633