



HEALTHCARE

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

Terence Wong, CFA
+65 6232 3896
terence.wong@dmgaps.com.sg

Stock Profile/Statistics

Bloomberg Ticker	RFMD SP
STI	3002.62
Issued Share Capital (m)	522.06
Market Cap (S\$m)	882.28
52 week H L Price (S\$)	1.75 0.86
Average Volume (3m) '000	659.37
YTD Returns (%)	17.93%
Net gearing (x)	Net cash
Altman Z-score	7.41
Beta	0.62
ROCE/WACC	1.85
Book Value/share (Sc)	49.90

Major Shareholders

Raffles Medical Holdings Pte	39.72%
Loo Choon Yong	10.34%

Share Performance (%)

Month	Absolute	Relative
1m	1.8	-1.5
3m	26.7	17.1
6m	25.7	15.2
12m	85.9	23.8

6-month Share Price



1Q10 Results Review

Private Circulation Only

RAFFLES MEDICAL GROUP

BUY	Maintain
Price	S\$1.69
Target	S\$1.86

Specialist healthcare to drive growth

Raffles Medical achieved net profit growth of 16.4% for 1Q10 to S\$9.1m, which was in line with expectations. Revenue rose 10.2% YoY, as patient volume and revenue intensity increased. With its strategy of adding more specialists, Raffles Medical is able to offer a wider range of specialist services to patients, to meet the demand. We have raised our growth forecast in our DCF assumptions to 2% (previously 1%), given the more upbeat market sentiments and the strong recovery in the economy. Hence, we arrive at a target price of S\$1.86 (previously S\$1.59). Maintain BUY.

Foreign patient volume grew at a stronger rate. Overall patient volume increased YoY in 1Q10, as the economy and market sentiments improved. However, overall foreign patient volume rose by ~20%, compared with the single-digit growth in local patient volume. Management maintains the mix of foreign patients is between 30% – 35%. This reflects Raffles Medical's ability to position itself as a destination for foreign patients, with its focus on curative healthcare services.

Growth supported by revenue intensity. With more specialist services, Raffles Medical would be able to further develop its healthcare services and programmes. Demand for specialist services has been rising, as patients become more affluent and more educated. As specialist services cost more than standard procedures, this would increase the revenue intensity at its facilities, which in turn would support growth going forward.

Continues to lookout for strategic investments outside Singapore. Raffles Medical recently established a subsidiary in China. Management maintains that this is to position itself to be able to quickly take on strategic investments in China, should the opportunity rises and it has nothing concrete at the moment.

Maintain BUY; upgrade TP to S\$1.86. While earnings in 1Q10 grew by 16.4%, we note that it was from a low base in 1Q09. We expect YoY growth to continue in the subsequent quarters, although possibly not as strongly as 1Q10. Hence, for FY10, we are estimating growth of 14.9% to S\$43.5m.

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 (Sc)	7.4	6.1	7.3	8.3	8.9
DPS (Sc)	2.5	2.5	3.0	3.0	3.0
Div Yield	1.5%	1.5%	1.8%	1.8%	1.8%
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)	23.0	27.7	23.1	20.3	19.1
P/B (x)	4.3	3.9	3.5	3.1	2.8

* 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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Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Headquarters OSK Investment Bank Bhd. 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 2333 8333 Fax : + (60) 3 2175 3333	Hong Kong Office OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	Singapore Office DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	Jakarta Office PT OSK Nusadana Securities Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No. 1266 Nanjing Road (West) Shanghai 200040 China