

**RESULTS FIRST LOOK**

Raffles Medical posted a 15.6% rise in net profits to S\$10.6m in line with our expectations (21% of full year forecasts). Revenues progressed 15% on stronger volumes at the hospital division. The growth was in spite of the drag from its new Shanghai venture. We continue to maintain our Buy Rating for Raffles with a price target of S\$2.52.

Price target: 2.52 SGD

Price (27 Apr 2011): 2.21 SGD

Research analyst: Jit Soon Lim, CFA

+65 6433 6969 jitsoon.lim@nomura.com

Publish Date: 28 Apr 2011

**Maintaining Momentum**

- Earnings vs. our Forecast: **IN LINE**

**Likely Impact:**

- Earnings Estimates: **NO CHANGE**
- Dividend Estimates: **NO CHANGE**
- Price Target: **NO CHANGE**
- Long-term View: **CONFIRMED**

**Key Highlights of 1Q11 results.**

- Revenues from healthcare services and hospital services rose 14.4% and 15% respectively. Hospital revenues were underpinned by good volume growth and better pricing from higher intensity. Foreign patient demand remains strong.
- Staff costs rose 14.6% but excluding the effects of the Jobs credit, costs rose by a slower 12.8%.
- Revenue contribution from its Shanghai facility was small for the quarter but is tracking according to plan. It expects losses for the rest of the year due to the normal gestation.
- Plans to expand its hospital wing and refurbish its newly acquired office space at Thong Sia building continue. While waiting for this expansion to complete, the group can relocate non-essential space in favor of the business, to provide growth headroom.
- Group not looking to raise capital in spite of S\$100m capex for its new hospital wing as this is to be funded by cash flow.

**Result snapshot**

(S\$m)	1Q2010	1Q2011	% chg	Comments
Revenue	56,196	64,433	15	Hospital services underpinned by good volume growth and revenue intensity
Purchased and contracted services	(3,835)	(4,821)	26	
Inventories and consumables used	(6,386)	(7,436)	16	
Staff costs	(27,622)	(31,666)	15	Staff costs grew 12.8% after excluding jobs credit drag
Depreciation of PPE	(1,695)	(1,878)	11	

Operating lease expenses	(1,332)	(1,424)	7	
Other operating expenses	(4,196)	(4,390)	5	
EBIT	11,130	12,818	15	
Finance expenses	(71)	(42)	(41)	
Share of profits in JV	66	136	106	
EBT	11,125	12,912	16	
Tax	(2,002)	(2,353)	18	
Net Profit	9,123	10,559	16	21% of our full year forecast of S\$50m. 1Q traditionally weaker
Minority Interests	55	80	45	
Attributable to eqty holders	9,068	10,479	16	

Source: Company data, Nomura research

**Valuation Methodology and Investment Risks:** We roll forward our P/E valuation to FY11/12E and value Raffles Medical based on 24.3x P/E (methodology unchanged), a mean relative P/E discount (20%) to Parkway's take-out P/E of 29x. We base our 12-month PT on a blended FY11/12E EPS to partially price in its aggressive expansion plans, which will only be more visible to investors beyond 2H11E, in our view. Key risks to our call: 1) the group's ability to attract and retain medical professionals; and 2) regulatory risks in Singapore.

Note: Ratings and Price Targets are as of the date of the most recently published report (<http://www.nomura.com/research>) rather than the date of this email.

Results First Look is the analyst's preliminary interpretation of the results announcement. Our recommendation and earnings estimates are not being changed in this report. Any formal changes to our recommendation or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed in this report.

### **New force in Research: Global from east to west**

Nomura Equity Research website: <http://www.nomura.com/research>

Nomura Strategy website: <https://apps.nomuranow.com/EQS>