

Raffles Medical Group

Time to accumulate

- Raffles Medical reported fourth quarter and FY2010 results on Feb 21. FY2010 net profit grew 20% YoY and exceeded our estimate by 4%.
- Growth lies ahead for the group with a new specialist centre near Orchard Road starting as early as 2012 and Raffles Hospital expansion completing in 2013.
- From 16 Nov 2010 to 23 Feb 2011, Raffles Medical's share price has fallen by 17%. We believe current levels present an opportunity to accumulate shares in a high-quality, high-growth company.
- We tweak our earnings, reducing 2011E and 2012E EPS by 3.2% and 8.1% respectively. Our new price target of SGD2.83 is based on a PER target multiple of 25x 2012E, which still presents upside of 32%.

Prime property acquired for new specialist centre.

Raffles Medical announced that they have acquired the 42,668sqf Thong Sia Building near Orchard Road for SGD92m and will use the facility for a new specialist medical centre. As existing tenancies expire in 2012 and 2013, the centre may open in stages as early as 2012.

Raffles Hospital expansion should double hospital segment revenues.

The expansion of Raffles Hospital by 102,408sqf (about one-third of existing space) should complete in 2013. We expect most of the space to be used for specialist clinics and when fully ramped up, should double the group's hospital service revenues.

Hospital segment operating margins should trend towards 30%.

In our view, Raffles Medical is leveraged to margin expansion as its unique group practice model allows it to capture the high-margin business of specialist fees. We believe Raffles Hospital's under-utilization is currently hiding the high margins of the group's outpatient specialist service. As Raffles Hospital's occupancy continues to trend up over time, we expect hospital segment operating margins to move up towards 30% from 26.5% in 2010.

Valuations. Raffles Medical is trading on PER22x 2011E and PER19x 2012E. We continue to believe a one year forward PER fails to capture the long-term value of the group. We think significant growth lies ahead for the group, particularly starting from 2013. For its unique high-margin business model, steady compounding, and strong cash flow generation, we believe the business deserves premium multiples. We note that our DCF valuation shows a blue-sky fair value of SGD4.49 per share.

OUTPERFORM (unchanged)

PRICE as at 23 February 2011 PRICE TARGET

SGD2.15

SGD2.83

Bloomberg code
RFMD SP

Reuters code
RAFG.SI

Market cap
SGD1,127m (US\$887m)

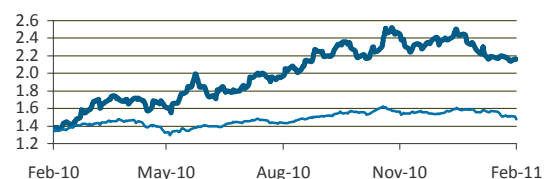
12 month range
SGD1.36 - 2.52

EPS est. change 2011E -3.2% 2012E -8.1%

Year end: Dec	2010	2011E	2012E	2013E
Sales (SGDm)	239.1	268.4	303.9	349.6
EBIT (SGDm)	53.0	61.2	71.0	84.0
EBITDA (SGDm)	59.9	68.4	82.7	97.5
Pretax profit (SGDm)	53.1	61.0	70.7	83.7
Earnings (SGDm) adj.	45.3	52.0	60.2	71.4
Diluted EPS (SGDcents) adj.	8.51	9.77	11.33	13.42
DPS (SGDcents)	3.50	3.95	4.58	5.43
DPS growth (%)	17%	13%	16%	18%
EBITDA margin (%)	25%	25%	27%	28%
EBIT margin (%)	22%	23%	23%	24%
Net margin (%)	19%	19%	20%	20%
Div payout (%)	41%	40%	40%	40%
Book value / share (SGD)	0.54	0.60	0.67	0.75
Debt/ Equity (%)	8%	12%	11%	7%
ROE (%)	16%	16%	17%	18%
ROACE (%)	18%	18%	19%	21%
FCF (SGDm)	43.8	-59.3	27.0	50.7
EV/Sales (x)	4.38	3.90	3.44	2.99
EV/EBITDA (x)	17.5	15.3	12.7	10.7
PBR (x)	3.9	3.6	3.2	2.9
PER (x)	25.3	22.0	19.0	16.0
Dividend yield (%)	1.6%	1.8%	2.1%	2.5%

Source: Company, Standard Chartered Research estimates

Share price performance



— Raffles Medical Group — STRAITS TIMES INDEX (rebased)

Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	-5	-12	60
Relative to Index	0	-7	46
Relative to Sector	-	-	-
Major shareholder	Raffles Medical Holdings (39.4%)		
Free float	46%		
Average turnover (US\$)	1,133,523		

Source: Company, Bloomberg

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Important disclosures can be found in the Disclosures Appendix

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FY10 and 4Q 10 results review

Raffles Medical's reported revenues were in line with our expectation while net profit was 4% above mainly due to a fair value gain in property. Key points are as follows:

- 2010 revenue grew by 9% YoY and net profit grew by 19%. 4Q 2010 revenue grew by 9% YoY and net profit grew by 30% YoY.
- 2010 operating margin of 22.2% and net profit margin of 18.9% were both at record highs. In 2010, operating margin expanded by 1.4 percentage points and net profit margin by 1.6 percentage points. Even after excluding the fair value gain on property, operating margins would have been 20.7%.
- 2010 Hospital Services segment revenue grew by 12.1% YoY while Healthcare Services revenue grew by 6.1% YoY.
- Robust balance sheet. As of Dec 2010, Raffles Medical had net cash of SGD85m. Inventories, receivables and payables remained stable.
- Stable free cash flow generation. In 2010, Raffles generated free cash flow of SGD44m (4% free cash flow yield) compared with SGD43m in 2009. Capex was mainly maintenance and remained at 2% of sales in 2010.

Fig 1: Results summary

Year end: Dec	4Q09	4Q10	YoY %	2009	2010	YoY %	2010E	variance
Turnover (SGDm)	58.3	63.5	9%	218.6	239.1	9%	243.4	-2%
Gross Profit (SGDm)	47.4	51.8	9%	178.1	195.0	10%	198.3	-2%
Operating profit (SGDm)	12.9	15.6	21%	45.5	53.0	17%	52.1	2%
Operating margin	22.1%	24.5%	11%	20.8%	22.2%	7%	21.4%	4%
Net profit (SGDm)	11.9	15.4	30%	37.9	45.3	19%	43.5	4%
EPS (SGD cents)	2.26	2.89	28%	7.22	8.51	18%	8.19	4%
DPS (SGD cents)	2.00	2.50	25%	3.00	3.50	0.17	3.00	17%
NAV per share (SGD)	0.48	0.54	13%	0.48	0.54	13%	0.53	3%

Source: Company, Standard Chartered Research estimates

New versus old estimates

We tweak our estimates to reflect slower growth from the healthcare services segment and also potential disruptions to Raffles Hospital due to the expansion. We reduce our 2011E and 2012E EPS by 3.2% and 8.1% respectively.

Fig 2: New versus old estimates

Year end: Dec	Old estimates		New estimates		Variance	
	2011E	2012E	2011E	2012E	2011E	2012E
Revenue (SGDm)	286	334	268	304	-6.0%	-9.1%
Net profit (SGDm)	54	66	52	60	-3.5%	-8.4%
EPS (SGD cents)	10.1	12.3	9.8	11.3	-3.2%	-8.1%

Source: Standard Chartered Research estimates



Growth driver #1: Raffles Hospital expansion

We believe when Raffles Hospital expansion is completed in 2013, it will drive significant growth for the group. If the new space is used for specialist clinics as we expect, it would double the group's specialist clinic space and should eventually double the group's hospital segment revenues and profit.

Expansion of floor space by one-third

Current hospital floor plan

Raffles Hospital is currently 307,875sqf over 13 floors. The group has received approval to expand Raffles Hospital by 102,408sqf. The current layout is as per Fig 3. The expansion should add about 4 floors to the building. Construction should start in the second half of this year and management expects it to complete by end-2013.

Expansion will add 102,408sqf or four floors to the building by end-2013.

Fig 3: Raffles Hospital's current floor plan

Floor level	Floor usage
13th floor	Specialist clinics
12th floor	1/2 wards (currently used for admin staff), 1/2 specialist clinics
11th floor	1/2 wards (currently used for admin staff), 1/2 specialist clinics
10th floor	Research laboratory
9th floor	Wards
8th floor	Wards
7th floor	Operating theaters
6th floor	Car park
5th floor	Car park
4th floor	Car park
3rd floor	Car park
2nd floor	Specialist clinics
Ground floor	Atrium, Banquet food court

Source: Company.

Cheap property expansion

Raffles Medical has budgeted SGD80-100m for the expansion of Raffles Hospital. Based on the cost of SGD100m for the gain of an additional 102,408sqf, the cost translates to SGD976psf. CapitaMall Trust's Bugis Junction, which is in the same vicinity as Raffles Hospital was valued on Dec 31, 2010 at SGD1,939psf. The group's acquisition of Thong Sia Building near Orchard Road also cost them SGD2,158psf. We believe the cost of SGD976 for the additional space is highly attractive.

Expansion cost of less than SGD1k psf is highly attractive.

Fig 4: Property valuations

	Value SGD m (Dec 31, 2010)	GFA sqf	Value SGD psf
Bugis Junction	815	420,320	1,939
Thong Sia Building	92	42,668	2,158
Raffles Hospital (existing)	215	307,875	698
Raffles Hospital (new)	100	102,408	976
Raffles Hospital (final)	315	410,283	768

Source: Company, CapitaMalls Trust, Standard Chartered Research.

Best case scenario: new space will be used for specialist clinics

In total, Raffles Hospital currently has 3 floors for specialist clinics, and 2 floors for wards. On the basis that three of the new floors are used for specialist clinics, the expansion would double the floor area for specialist clinics. The group would need time to ramp up its services but over time the new floor space should double the group's hospital services profit. In 2010, Raffles Medical's hospital services generated SGD145m of revenue and SGD39m of operating profit (growing at 12% and 13% respectively). If Raffles Medical doubles its specialist clinic floor space, the group should eventually double hospital segment revenues and profit.

Expansion could eventually double hospital segment revenues and profit.



Worst case scenario: fully leased externally

Another way to assess the potential income from the additional space is on the assumption that Raffles Medical leases out the space to third-party doctors. We believe Raffles Medical should be able to rent out the space at SGD10psf per month. This would translate to SGD12m of rental income per annum and on the assumption of a 60% net property income margin, Raffles Medical would have SGD7m of operating profit, a yield of 7% on costs.

Fig 5: Net property income matrix

Net property income margin	Rental rate (SGD psf pm)					
	SGDm	7	8	10	12	14
40%	3.4	3.9	4.9	5.9	6.9	
50%	4.3	4.9	6.1	7.4	8.6	
60%	5.2	5.9	7.4	8.8	10.3	
70%	6.0	6.9	8.6	10.3	12.0	

Source: Standard Chartered Research

Fig 6: Yield matrix

Net property income margin	Rental rate (SGD psf pm)					
		7	8	10	12	14
40%	3.4%	3.9%	4.9%	5.9%	6.9%	
50%	4.3%	4.9%	6.1%	7.4%	8.6%	
60%	5.2%	5.9%	7.4%	8.8%	10.3%	
70%	6.0%	6.9%	8.6%	10.3%	12.0%	

Source: Standard Chartered Research



Growth driver #2: New specialist medical centre

Together with its FY2010 results announcement, on Feb 21, 2011, Raffles Medical announced its purchase of the commercial block of Thong Sia Building near Orchard Road for SGD92m. With SGD85m of net cash on its balance sheet at end-2010, we believe the purchase reflected the group's desire to put its cash to good use.

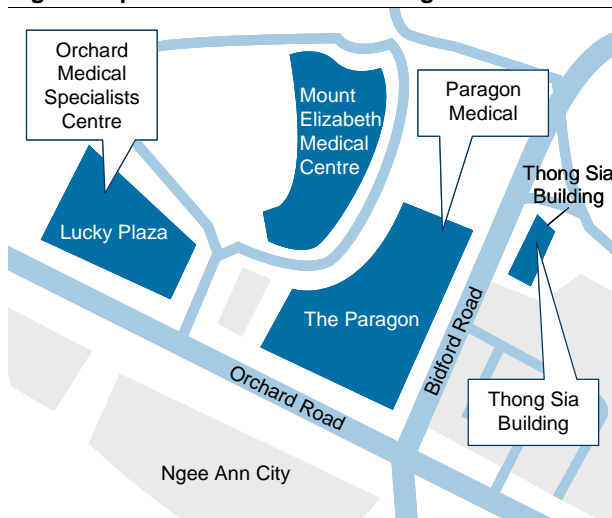
New specialist medical centre may start as early as 2012

Acquisition of building near Orchard Road

Raffles Medical announced that it has acquired the commercial block of Thong Sia Building near Orchard Road for SGD92m. The facility is 7 storeys and currently consists of 42,668sqf of showrooms and offices. The acquisition price of SGD92m translates to SGD2,158psf.

Acquired building near Orchard Road at SGD2,158psf

Fig 7: Map of location of the building



Source: Standard Chartered Research

Full-service specialist medical centre

The current tenancy agreements for the building will expire in 2012 and 2013. This means that as early as 2012, the group may set up in stages a full-service specialist medical centre. The group has indicated the following services at the location:

Wide-range of specialist services should drive growth and margins.

Fig 8: Services at the new specialist medical centre

dental centre	paediatrics
health screening centre	cardiology
radiology and imaging centre	general surgery
medical laboratory	orthopaedic surgery
fertility centre	ophthalmology
cancer centre	ENT surgery
dental centre	dermatology
obstetrics and gynaecology	

Source: Company.

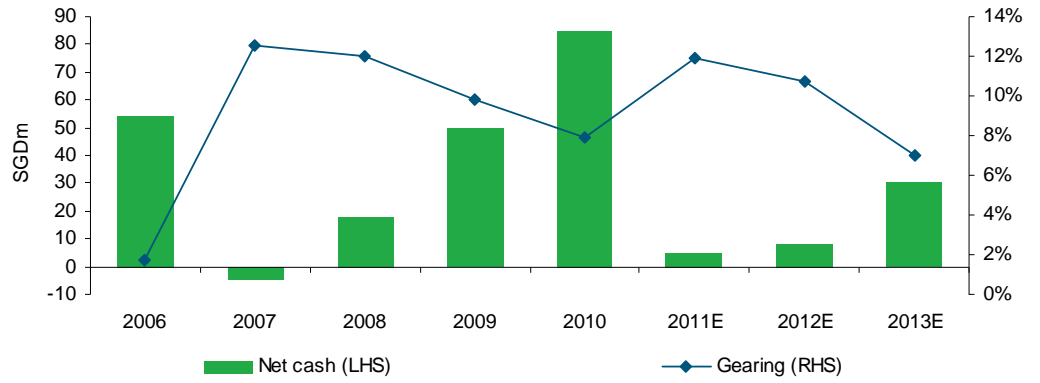
Comfortable financing

The company has paid 1% of the purchase price, another 10% will be paid on February 25th and the remainder will be paid on or before April 29, 2011. With SGD107m of cash on the balance sheet (SGD85m of net cash) as of end FY2010, we believe the group could fund the purchase with minimal debt. On top of its cash pile, we also expect Raffles Medical to generate SGD58m of operating cash flow in FY2011. We estimate that the group will take on an additional SGD15m of short-term debt but the group will still remain net cash by end FY2011.

Purchase could be comfortably financed through net cash and a small amount of debt



Fig 9: Net cash and gearing



Source: Company, Standard Chartered Research estimates



Margin expansion should continue

In our view, Raffles Medical is leveraged to margin expansion as its unique group practice model allows it to capture the high-margin business of specialist fees. We believe Raffles Hospital's under-utilization is currently hiding the high margins of the group's outpatient specialist service. As Raffles Hospital's occupancy continues to trend up over time, we expect hospital segment operating margins to move up towards 30% from 26.5% in 2010.

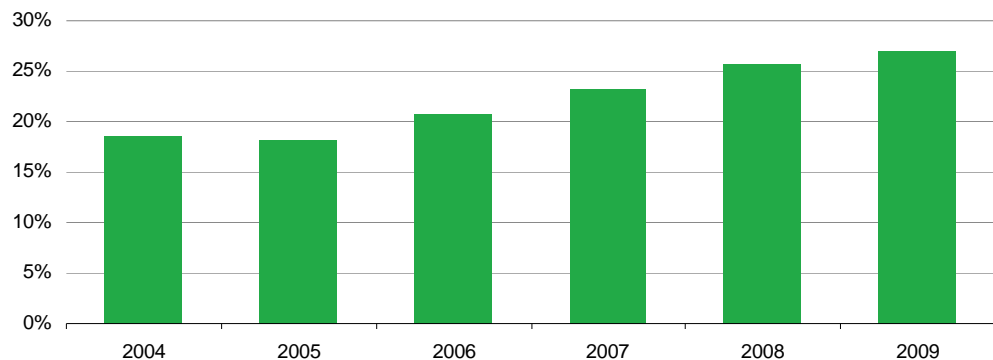
Peers reflect margin potential

An efficient hospital operator should have 27% operating profit margin as reflected by Thomson

Thomson Medical had 27% FY2009 operating profit margin

For FY2009, Thomson Medical's hospital operations had an operating profit margin of 27%. (We estimate that for FY2010 the group had close to 29% operating profit margin). Thomson Medical is a highly efficient operator as we believe it has been operating close to maximum occupancy since 2007 and paid great attention to squeezing out operational inefficiencies. However, the 27% operating profit margin is already reflective of 1) a niche operator focused on birth deliveries with limited room to drive revenue intensity, and 2) a pure hospital operator which does not capture the high-margin business of specialist fees.

Fig 10: Thomson Medical – hospital operating margins



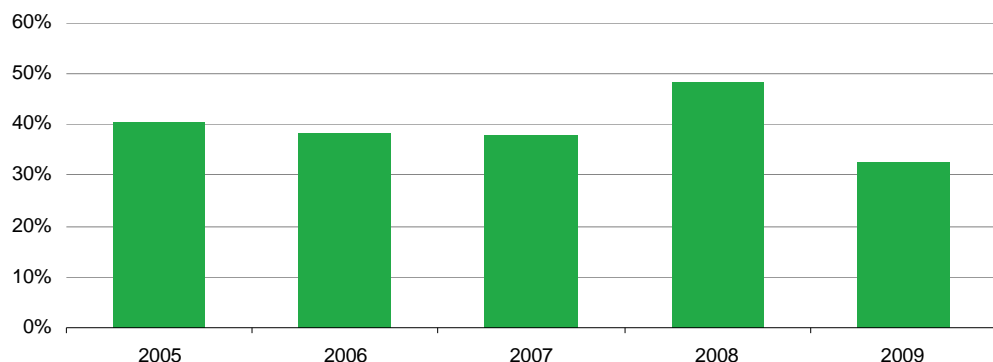
Source: Thomson Medical

An outpatient specialist healthcare business which captures specialist fees should have over 33% operating margins

Healthway Medical's specialist business had 33%-48% operating margins in 2005-09

We believe a business which captures specialist fees should be a high-margin business as reflected by Healthway Medical's margins. Before its troubles came in 2010 when its star specialist doctors departed, Healthway Medical enjoyed operating margins of 33% to 38% from 2005-2009 for their specialist healthcare segment. On this basis, we believe Raffles Medical's outpatient specialist service business should have a 33% operating profit margin.

Fig 11: Healthway Medical – specialist healthcare operating margins



Source: Healthway Medical



Hospital segment should reach 30% operating margin

Raffles Medical's in-patient hospital segment should reach 27% operating margin

We believe Raffles Medical's in-patient hospital business should trend towards 27% operating margin, as achieved by Thomson Medical. Raffles Hospital is currently still poorly utilized as the hospital is licensed for 380 beds but only 200 are operational. As the occupancy continues to improve over time, margins should improve. Raffles Hospital should potentially have higher operating margins than Thomson Medical as Raffles Medical offers more high-value specialist services while Thomson is focused on birth deliveries. Raffles Medical's leverage to revenue intensity should allow the group to have higher in-patient operating margins than Thomson

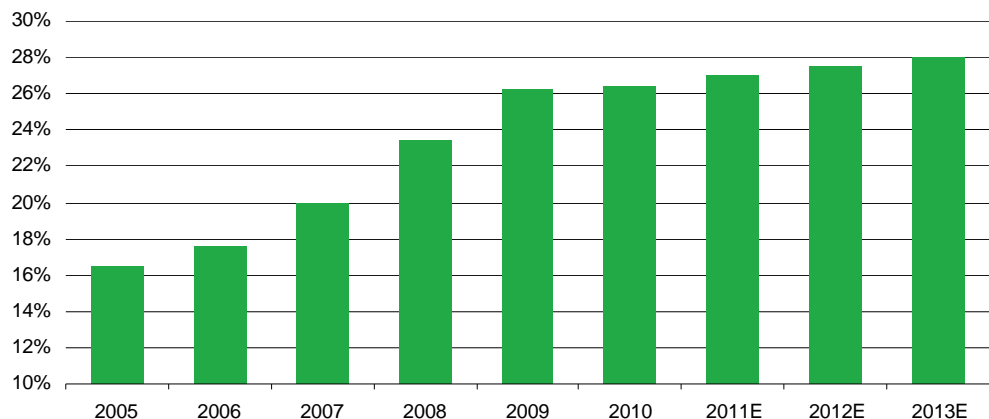
Raffles Medical's out-patient specialty segment should have 33% operating margin

Unlike Thomson which does not employ its doctors, Raffles Medical's group practice model (where the group employs the doctors) allows the group to capture the high-margin business of specialist fees. As reflected by Healthway Medical's margins, this is a very high-margin business.

Blended hospital service segment should have 30% operating margin

We believe that Raffles Medical is currently enjoying over 30% operating margins in their out-patient specialist services. As the group only reports hospital service operating profit which includes both the in-patient and out-patient business, we believe this high margin is being masked by the lower margins of the in-patient business. When Raffles Hospital's occupancy improves, the in-patient operating margins should improve and the reported hospital segment operating margins should trend towards 30%.

Fig 12: Raffle Medical's Hospital Services segment operating profit margin



Source: Company, Standard Chartered Research estimates

Further room to drive revenue intensity

Broaden services and raise prices

Based on Ministry of Health data for January to June 2010, Raffles Medical's average bill size per day was SGD2,302, a 9% discount to Gleneagles Hospital and a 23% discount to Mount Elizabeth. We believe this discount reflects both the lower doctor fees that Raffles Medical charges and the revenue intensity of the services that the group provides. We believe the group will continue to add high-value services to drive the revenue intensity of its services.



Fig 13: Average hospital bill size

Hospitals	Average Per Day (SGD)	Average Total Bill (SGD)	Total Bill at 90th Percentile	Total Bill at 95th Percentile
Average hospital bill size				
Parkway East	1,334	3,788	6,535	9,608
Gleneagles	2,518	9,674	21,706	35,801
Mount Alvernia	1,346	3,951	6,887	10,886
Mount Elizabeth	2,992	10,167	23,378	31,608
Raffles Hospital	2,302	8,489	18,181	26,229
Thomson Medical	1,129	3,071	5,121	6,027
Raffles Medical discount to:				
Parkway East	73%	124%	178%	173%
Gleneagles	-9%	-12%	-16%	-27%
Mount Alvernia	71%	115%	164%	141%
Mount Elizabeth	-23%	-17%	-22%	-17%
Raffles Hospital	0%	0%	0%	0%
Thomson Medical	104%	176%	255%	335%

Source: Ministry of Health, Standard Chartered Research.



Why Raffles deserves premium valuations

In our view, Raffles Medical is a high-quality, high-growth company. We like the company for its steady compounding, unique and robust business model, and strong cash flow generation. Our price target of SGD2.83 is based on PER target multiple of 25x 2012E.

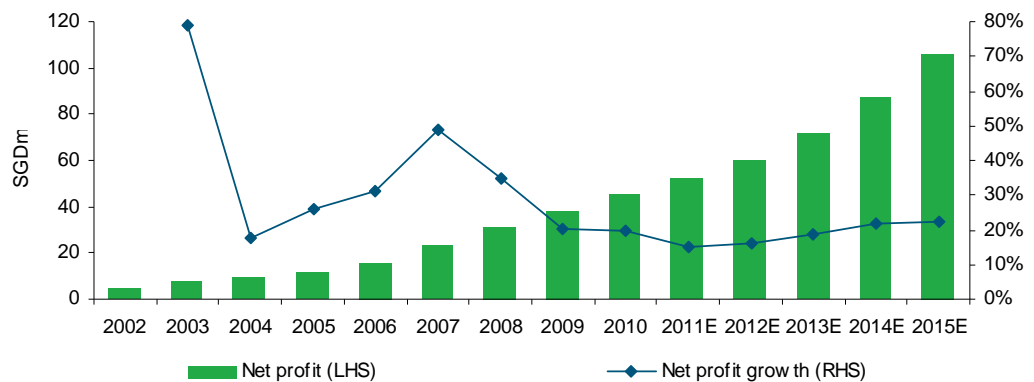
Steady compounder

Earnings CAGR 24% 2000-2010

The group compounded earnings at 24% from 2000-2010 and we conservatively expect them to compound earnings at 16% from 2010-2013E. But we believe the real growth lies from 2013 onwards as the Raffles Hospital expansion and new specialist centre at Thong Sia start contributing.

We forecast 16% earnings CAGR from 2010-2013 but the real growth lies from 2014 onwards.

Fig 14: Net profit and growth



Source: Company, Standard Chartered Research estimates

Unique business model

Fully-integrated model

Raffles Medical operates a fully-integrated business model which starts with the group's leadership in primary care with the largest network of family clinics in Singapore. We believe this allows the group to refer patients (if the patients agree) to its specialist clinics, and in turn the specialist clinics would refer patients for admission to the hospital when necessary. We believe this model creates a stronger volume of patients and allows for a more robust business model.

Integration creates a more robust business model.

Group practice model

Raffles Medical is unique in that it employs its doctors. In contrast, the other private acute hospitals such as Parkway and Thomson only provide hospital services, and the specialist doctors operate independently. As Raffles Medical employs the group practice model, this allows it to capture the high margins of specialist fees. Combined with the group's fully-integrated model and Raffles Medical's strong brand name, we believe this allows the group to have strong control over staff costs.

Group practice model allows high margins

Strong cash flows

Strong cash flow business

Raffles Medical generates strong free cash flows as the hospital has been paid for and maintenance capex requirements are low (SGD4-5m per year). Excluding the capex required for the Raffles Hospital expansion and the acquisition of Thong Sia Building, on a maintenance capex basis, we expect the group to generate SGD52m of free cash flows.

On maintenance capex basis, would be trading on free cash flow yield of 4.5%.



Sector valuation is high

Hospital operators trade at high valuations in general.

Raffles Medical's valuation is similar to other hospital operators

We note that the entire sector valuation is high. Excluding KPJ Healthcare in Malaysia, hospital operators listed in ASEAN and India are all trading on at least PER18x 2012E. Raffles Medical's PER of 19x 2012E puts it slightly above the sector average but Raffles Medical's ROCE is 17% compared to the sector average of 11%. We also believe the market ascribes a scarcity value to Raffles Medical as it is now the only Singapore hospital operator listed since Parkway and Thomson Medical went private.

Fig 15: Peer comparison

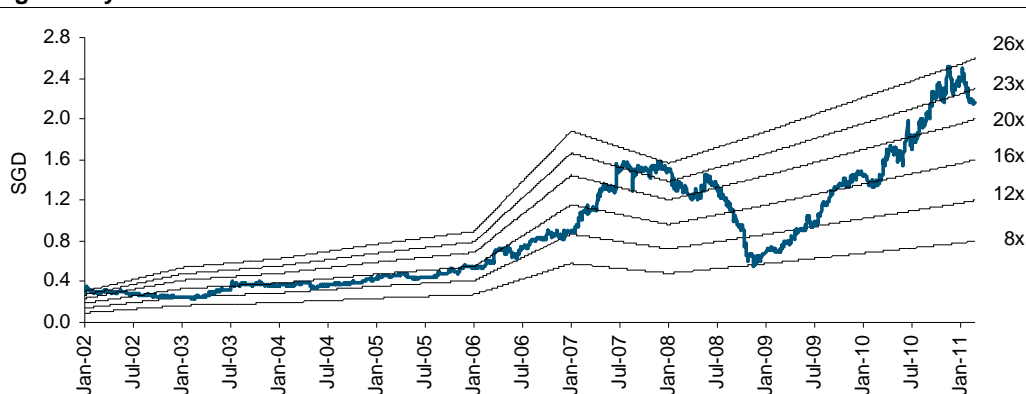
Name	Rating	Price		Market cap (USDm)	3M avg value traded (USDm)	Last FYE	PE			2 year EPS CAGR		EV/EBITDA		Div. Yield % FY11	Reported ROCE (%)
		(LCY)	(LCY)				FY10	FY11	FY12	PEG	FY10	FY11			
RAFFLES MEDICAL	OP	2.83	2.15	887	1.07	12/10	25.3	22.0	19.0	15.4	1.4	17.5	15.3	1.8	17.1
HEALTHWAY MEDICA	IL	0.17	0.14	204	0.92	12/09	66.7	25.5	18.9	87.7	0.3	23.4	11.8	0.9	7.9
KPJ HEALTHCARE	NR		3.80	702	0.92	12/09	15.8	14.4	12.5	12.4	1.2	11.8	10.9	2.5	12.6
BANGKOK DUSIT MD	NR		51.75	2,106	6.66	12/09	28.2	22.8	18.8	22.4	1.0	57.5	9.2	2.1	8.8
BUMRUNGRAD HOSPI	NR		33.75	803	1.12	12/09	20.7	18.1	16.9	10.6	1.7	42.2	10.2	2.9	19.0
APOLLO HOSPITALS	NR		466.75	1,289	1.68	03/10	32.8	26.0	21.5	23.6	1.1	na	13.3	1.3	6.8
Average							32.8	21.4	17.7		1.1	33.7	11.1	1.9	11.0

Note: OP = OUTPERFORM, UP = UNDERPERFORM, IL = IN-LINE, NR = NOT RATED; Prices as at 23 February 2011
 Source: Bloomberg, Standard Chartered Research estimates for rated stocks

One-year forward PER band fails to reflect long-term value

Historically, Raffles Medical has traded on a one-year forward PER range of 8x-26x. We continue to believe a one-year forward PER fails to capture the long-term value of the group. For example, we expect the group's growth profile to change significantly once the Raffles Hospital expansion is completed but that should contribute only in 2014.

Fig 16: 1 year forward PER band chart



Source: Reuters, Company, Standard Chartered Research estimates

DCF valuation shows blue sky

DCF based fair value of SGD4.49 per share

Our primary valuation is supported by a DCF approach. We use a risk-free rate of 4% even though the Singapore 10-year bond yield is only 3.1%. We use an equity beta of 1 even though Bloomberg reports a historical beta of 0.66. Based on the derived WACC of 8.5%, the fair value of SGD4.49 per share offers 109% upside. But we note that even on a WACC of 9.5%, our DCF model would still show upside of 96%.



Fig 17: DCF valuation

SGDm	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
EBIT	53	61	71	84	102	125	153	175	196	216	239
EBIT (1-tax)	44	51	59	70	85	104	127	146	163	180	198
(+) Depreciation and amort.	7	7	12	14	15	15	16	16	16	16	17
(-) Change in working capital	(3)	(1)	2	3	4	5	7	5	5	4	5
(-) Capital expenditure	(5)	(117)	(48)	(38)	(7)	(7)	(7)	(8)	(8)	(8)	(8)
Unlevered free cash flow	43	(60)	26	49	97	117	142	159	176	192	211
Present Value of FCF's		(61)	24	42	77	85	95	98	101	101	103
Terminal value											3,314

	2011E	WACC assumptions	
DCF of operations	666	Risk-free rate	4.00%
NPV of the terminal value	1,610	Cost of debt	5.00%
Total value of the operations	2,276	Equity risk premium	4.50%
Net (cash)/debt	(85)	Tax rate	17%
Equity value	2,360	Target debt to firm value	0.00%
Shares outstanding	526	Equity beta	1.00
Fair value per share (SGD)	4.49	Cost of debt (after tax)	4.15%
Current price (SGD)*	2.15	Cost of equity	8.50%
Upside/(downside)	109%	WACC	8.50%
		Terminal growth rate	2.0%

* Price as at 23 February 2011

Source: Company, Standard Chartered Research estimates

Fig 18: Sensitivity of fair value

Terminal growth	WACC				
	7.5%	8.0%	8.5%	9.0%	9.5%
1.0%	4.79	4.40	4.05	3.76	3.49
1.5%	5.08	4.64	4.26	3.93	3.64
2.0%	5.43	4.92	4.49	4.12	3.80
2.5%	5.84	5.25	4.76	4.34	3.99
3.0%	6.35	5.65	5.08	4.61	4.21

Source: Standard Chartered Research estimates



Income statement (SGDm)

Year end: Dec	2009	2010	2011E	2012E	2013E
Group Revenue	218.6	239.1	268.4	303.9	349.6
Growth %	9%	9%	12%	13%	15%
COGS	-40.5	-44.1	-49.5	-56.1	-64.5
Gross profit	178.1	195.0	218.9	247.9	285.1
GP margin (%)	81%	82%	82%	82%	82%
Others, net	-133	-142	-158	-177	-201
Total EBIT	45.5	53.0	61.2	71.0	84.0
Growth %	17%	17%	16%	16%	18%
OP margin (%)	21%	22%	23%	23%	24%
Net interest income	-0.4	0.1	-0.3	-0.4	-0.3
Others, Goodwill, net	0	0	0	0	0
PBT	45.0	53.1	61.0	70.7	83.7
Taxation	-7.0	-7.6	-8.7	-10.1	-12.0
Effective rate (%)	-16%	-14%	-14%	-14%	-14%
Exceptional	0	0	0	0	0
PAT	38.0	45.5	52.2	60.5	71.7
Minority interest	0.2	0.2	0.2	0.3	0.3
PATMI	38.2	45.7	52.5	60.8	72.0
Growth %	na	20%	15%	16%	18%
PATMI margin (%)	17%	19%	20%	20%	21%
MI interest in PAT (%)	0%	0%	0%	0%	0%
EPS basic (SGD cents)	7.30	8.65	9.88	11.45	13.57
EPS diluted (SGDcents)	7.22	8.51	9.77	11.33	13.42
EPS Growth (%)	na	18%	15%	16%	18%
DPS (SGD cents)	3.00	3.50	3.95	4.58	5.43
DPS Growth (%)	na	17%	13%	16%	18%
Payout (%)	41%	40%	40%	40%	40%

Cash Flow (SGDm)

Year end: Dec	2009	2010	2011E	2012E	2013E
Cash flows from operating activities					
Profit before tax and minorities	45.0	53.1	61.0	70.7	83.7
Depreciations	6.9	7.0	7.2	11.7	13.5
Gains / Disposals / Impairment:	-0.6	-3.0	0.0	0.0	0.0
Interest income	-0.2	-0.4	-0.4	-0.2	-0.2
Interest expenses	0.4	0.2	0.3	0.4	0.3
FX	0.0	0.0	0.0	0.0	0.0
Share options & other	1.6	1.9	0.0	0.0	0.0
Operating cash flow before wor	53.3	58.9	68.0	82.5	97.3
Receiveables	0.8	-1.8	-3.2	-3.9	-5.0
Inventories	-0.5	0.2	-0.6	-0.8	-1.0
Payables	0.3	-0.9	2.5	7.1	9.1
Other	-1	-1	-1	-1	0
Cash generated from activities	53.3	55.7	66.0	84.4	100.0
Interest received	0.2	0.4	0.4	0.2	0.2
Interest paid	-0.4	-0.2	-0.3	-0.4	-0.3
Income taxes	-6.2	-6.9	-8.7	-10.1	-12.0
Net cash from operations	46.8	49.0	57.4	74.1	87.9
Purchase of property, plant, eq	-3.9	-5.5	-117.0	-47.5	-37.5
Other, investing	0.4	2.1	0.4	0.2	0.2
Increase in interest bearing det	3.1	6.9	15.4	0.0	-10.0
Repayment of interest bearing	-5.1	-8.2	0.0	0.0	0.0
Others, financing	1.3	4.3	0.0	0.0	0.0
Dividends paid	-13.0	-15.8	-20.8	-24.1	-28.5
Net cash flow	30.0	33.1	-64.3	3.1	12.3
Cash & equivalents at open	44.1	74.1	107.1	42.9	45.9
Change in cash & cash equival	30.0	33.1	-64.3	3.1	12.3
Cash & equivalents at close	74.1	107.2	42.9	45.9	58.2
Free cashflow	43.3	43.8	-59.3	27.0	50.7

Source: Company, Standard Chartered Research estimates

Balance sheet (SGDm)

Year end: Dec	2009	2010	2011E	2012E	2013E
Property, plant & equipment	146.4	144.3	254.1	290.0	314.0
Goodwill & intangibles	0.4	0.3	0.3	0.2	0.2
Others	85.5	88.9	88.9	88.9	88.9
Long term assets	232.3	233.5	343.3	379.1	403.1
C&CE	74.4	107.1	42.9	45.9	58.2
STI	0.0	0.0	0.0	0.0	0.0
Inventories	5.3	5.1	5.7	6.5	7.4
Receivables	24.3	26.1	29.3	33.1	38.1
Others	0.6	0.0	0.0	0.0	0.0
Total current assets	104.5	138.3	77.8	85.5	103.8
Total assets	336.8	371.8	421.1	464.6	506.8
Payables	52.0	51.0	53.5	60.5	69.6
ST debt	4.5	4.6	20.0	20.0	10.0
Others	8.7	9.5	9.5	9.5	9.5
Current liabilities	65.2	65.1	83.0	90.1	89.2
LT debt	20.0	18.0	18.0	18.0	18.0
Deferred income tax	1.4	1.7	1.7	1.7	1.7
Others	0.0	0.0	0.0	0.0	0.0
Total liabilities	86.7	84.8	102.7	109.8	108.9
Minorities	0.4	0.5	0.8	1.1	1.4
Shareholders funds	249.8	286.4	317.6	353.7	396.6
Gross liabilities + equity	336.8	371.8	421.1	464.6	506.8

Key ratios

Year end: Dec	2009	2010	2011E	2012E	2013E
ROE (%)	15%	16%	16%	17%	18%
Post tax ROACE (%)	15%	16%	16%	16%	18%
Total debt (m)	24.5	22.6	38.0	38.0	28.0
Net debt (m)	49.9	84.6	4.9	7.9	30.2
Net debt to equity (%)	20%	30%	2%	2%	8%
Net debt / Net debt + equity (%)	17%	23%	2%	2%	7%
Equity (m)	249.8	286.4	317.6	353.7	396.6
Book value per share - (SGD)	0.5	0.5	0.6	0.7	0.8
PBR (x)	4.5	3.9	3.6	3.2	2.9
Interest cover (x)	110.9	221.6	216.3	199.9	272.3
Payout ratio (%)	41%	41%	40%	40%	40%
FCF Yield (%)	3.9%	3.9%	-5.2%	2.4%	4.5%



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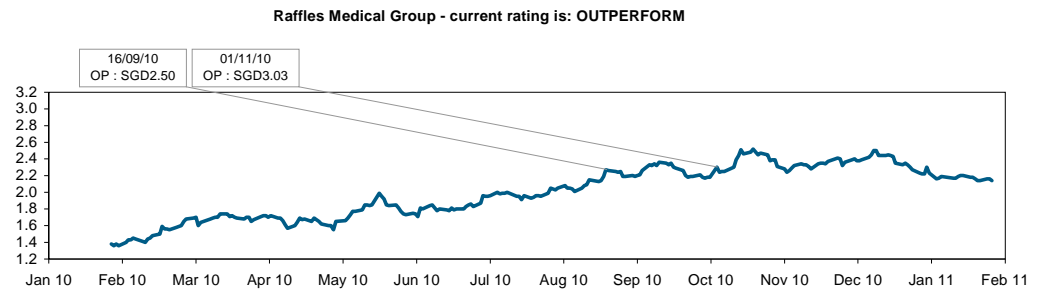
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Company Raffles Medical Group

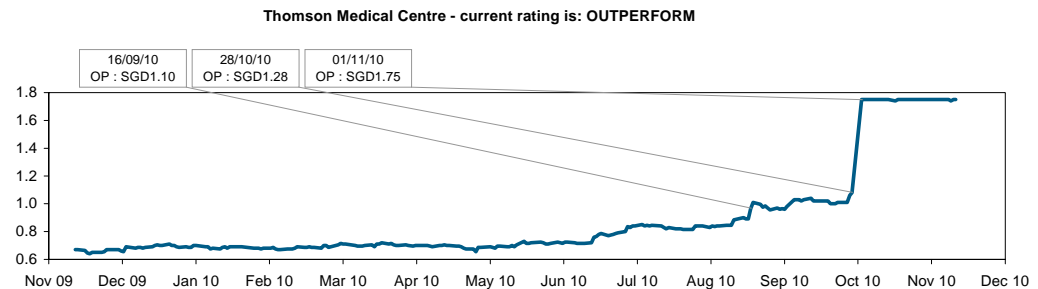
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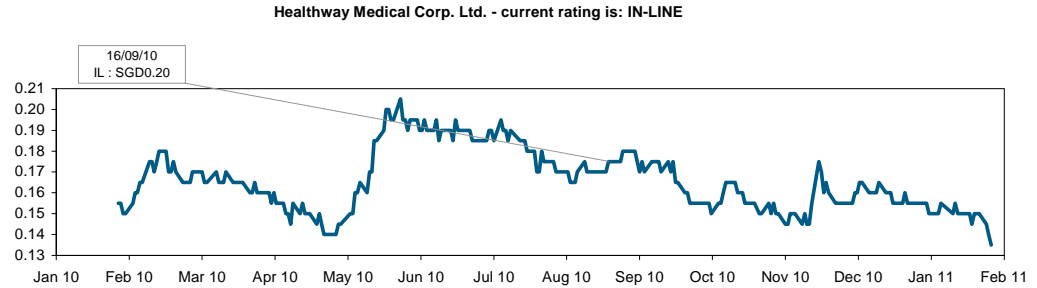


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Company Healthway Medical Corp. Ltd.

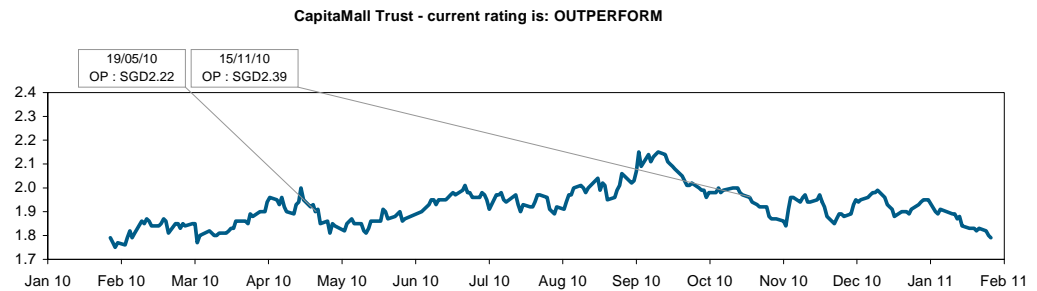
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Research Recommendation

Terminology	Definitions
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