Standard Chartered

Singapore | Health Care

28 April 2011

# Raffles Medical Group

## Steady and consistent

- Raffles Medical reported 1Q 2011 results which were steady as usual with revenue growth of 15% YoY and net profit growth of 16% YoY.
- We reiterate our OUTPERFORM rating and tweak our 2011 and 2012 EPS by -0.2% and 0.1%. We maintain our PER target multiple of 25x 2012E for a price target of SGD2.83 per share, offering 27% upside.
- We like Raffles Medical for its steady compounding, high predictability, robust business model, strong cash flows, net cash, and superb management.

**OUTPERFORM** (unchanged)

| PRICE as at 28 April 2011 | PRICE TARGET |
|---|---|
| **SGD2.24** | **SGD2.83** |

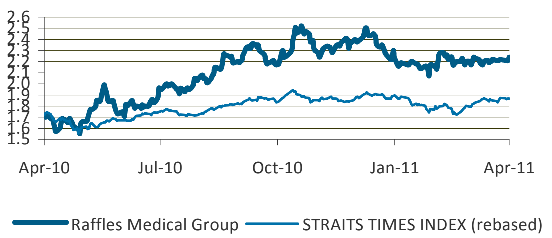
| | |
|---|---|
| **Bloomberg code** RFMD SP | **Reuters code** RAFG.SI |
| **Market cap** SGD1,182m (US$959m) | **12 month range** SGD1.50 - 2.52 |

| **EPS est. change** | 2011E | -0.2% | 2012E | 0.1% |
|---|---|---|---|---|

| Year end: Dec | 2010 | 2011E | 2012E | 2013E |
|---|---|---|---|---|
| Sales (SGDm) | 239.1 | 272.2 | 311.1 | 359.5 |
| EBIT (SGDm) | 53.0 | 61.6 | 71.6 | 84.9 |
| EBITDA (SGDm) | 59.9 | 68.7 | 83.3 | 98.4 |
| Pretax profit (SGDm) | 53.1 | 61.3 | 71.3 | 84.6 |
| Earnings (SGDm) adj. | 45.3 | 52.3 | 60.8 | 72.1 |
| Diluted EPS (SGDcents) adj. | 8.51 | 9.75 | 11.34 | 13.46 |
| DPS (SGDcents) | 3.50 | 3.97 | 4.62 | 5.48 |
| DPS growth (%) | 16.7 | 13.5 | 16.3 | 18.7 |
| EBITDA margin (%) | 25.1 | 25.2 | 26.8 | 27.4 |
| EBIT margin (%) | 22.2 | 22.6 | 23.0 | 23.6 |
| Net margin (%) | 18.9 | 19.2 | 19.5 | 20.1 |
| Div payout (%) | 41.1 | 40.7 | 40.7 | 40.7 |
| Book value / share (SGD) | 0.54 | 0.60 | 0.67 | 0.75 |
| Debt/ Equity (%) | 7.9 | 11.9 | 10.7 | 7.0 |
| ROE (%) | 16.9 | 17.3 | 18.1 | 19.2 |
| ROCE (%) | 15.6 | 15.8 | 16.4 | 17.7 |
| FCF (SGDm) | 44.2 | -58.4 | 27.9 | 51.8 |
| EV/Sales (x) | 4.6 | 4.1 | 3.6 | 3.1 |
| EV/EBITDA (x) | 18.5 | 16.1 | 13.3 | 11.3 |
| PBR (x) | 4.1 | 3.7 | 3.3 | 3.0 |
| **PER (x)** | **26.3** | **23.0** | **19.8** | **16.6** |
| **Dividend yield (%)** | **1.6** | **1.8** | **2.1** | **2.4** |

Source: Company, Standard Chartered Research estimates

**Share price performance**




| Share price (%) | -1 mth | -3 mth | -12 mth |
|---|---|---|---|
| Ordinary shares | 7 | 24 | 41 |
| Relative to Index | 3 | 11 | 17 |
| Relative to Sector | - | - | - |
| Major shareholder | Choon Yong Loo (10.2%) | | |
| Free float | 47% | | |
| Average turnover (US$) | 1,154,969 | | |

Source: Company, Bloomberg

**Return of double-digit growth**. Raffles Medical grew its revenues at 19% p.a. in 2005-2008 but growth slowed to 9% p.a. in 2009 and 2010 as a result of the financial crisis. But 1Q 2011 confirmed continued recovery in demand with revenue growth of 15% YoY. Growth was broad-based with healthcare services (GP/family clinics) growing 14% YoY and hospital services growing 15% YoY.

**Operating leverage should continue**. On reported numbers, Raffles's operating margin remained steady compared to the previous year in 1Q at 20%. But 1Q 2010 included SGD0.45m of government jobs credit grants. Excluding this, Raffles Medical continued to exhibit significant operating leverage with net profit growth of 22% YoY on revenue growth of 15% YoY. We continue to believe Raffles Medical is leveraged to margin expansion: as Raffles Hospital's occupancy increases, we expect operating margins for the hospital services business to trend towards 30%.

**Strong growth drivers.** Raffles Medical acquired Thong Sia Building on April 15 and plans to open a specialist centre there in 2012. The group is also adding 102,408sqf of floor space to Raffles Hospital. When completed by end-2013, the group could potentially double its specialist clinic space. Raffles Hospital is still underutilised as the group is licensed for 380 beds but we estimate it was only operating 200 last year. When fully-ramped up, Raffles Medical should double its hospital revenues.

**Valuations**. Raffles Medical is trading on PER20x 2012E but we believe the group deserves to trade on premium valuations due to the robust growth outlook, structural demand drivers, high earnings predictability, strong cash flow, and unique business model. Our DCF-valuation shows a fair value of SGD4.21 per share.

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**Important disclosures can be found in the Disclosures Appendix**

# 1Q 2011 results review

## Results overview

*Revenue grew 15% YoY and net profit grew 22% YoY excluding the jobs credit grant in 2010.*

Raffles Medical continued its steady and predictable performance. 1Q 2011 earnings made up 19% of our full-year estimate. In the last three years, 1Q has been 19%-21% of full-year earnings. (1Q is usually weaker as there are fewer calendar days and, according to management, many Chinese do not like to be admitted to the hospital during Chinese New Year).

- **Return of double-digit growth.** In 1Q 2011, Raffles Medical grew revenues by 14.7% YoY and net profit by 15.6% YoY.
- **Broad-based growth.** Healthcare services (GP/family clinics) revenues grew 14% YoY while hospital services revenues grew 15% YoY.
- **Continued operating leverage.** On reported numbers, revenues and profit grew at similar rates, but 1Q 2010 included SGD0.45m of government jobs credit grant. Excluding this, Raffles Medical's net profit grew by 22% YoY on revenue growth of 15%, reflecting the operating leverage of the business.
- **Robust cash flows.** In 1Q, operating cash flow was SGD12m while capex was only SGD234k, translating to free cash flow of SGD12m. On an annualised basis, free cash flow yield would be 4%.
- **Strong balance sheet.** At end 1Q 2011, Raffles Medical had net cash of SGD71m (this is after an initial SGD26m was used in relation to the purchase of Thong Sia building).

**Fig 1: Results summary**

| Year end: Dec | 1Q2010 | 1Q2011 | YoY % | 2011E | 1Q2011 as a % of 2011E |
|---|---|---|---|---|---|
| Turnover (SGDm) | 56.2 | 64.4 | 14.7% | 272.2 | 24% |
| Gross Profit (SGDm) | 46.0 | 48.1 | 4.7% | 222.0 | 22% |
| Operating profit (SGDm) | 11.2 | 12.8 | 14.5% | 61.6 | 21% |
| Operating margin | 19.9% | 19.9% | -0.2% | 22.6% | nm |
| Net profit (SGDm) | 9.1 | 10.5 | 15.6% | 52.3 | 20% |
| EPS (SGD cents) | 1.71 | 1.96 | 14.1% | 9.75 | 20% |
| DPS (SGD cents) | - | - | nm | 3.97 | 0% |
| NAV per share (SGD cents) | 49.90 | 56.58 | 13.4% | 60.30 | 94% |

Source: Company, Standard Chartered Research estimates

## New versus old estimates

We tweak our estimates to reflect stronger growth in the primary healthcare segment and a slight change in shares outstanding. Our 2011E EPS declines marginally by 0.2% and 2012E EPS rises by 0.1%.

**Fig 2: New versus old estimates**

| | Old estimates | | New estimates | | Variance | |
|---|---|---|---|---|---|---|
| Year end: Dec | 2011E | 2012E | 2011E | 2012E | 2011E | 2012E |
| Revenue (SGDm) | 268 | 304 | 272 | 311 | 1.4% | 2.4% |
| Net profit (SGDm) | 52 | 60 | 52 | 61 | 0.5% | 1.0% |
| EPS (SGD cents) | 9.77 | 11.33 | 9.75 | 11.34 | -0.2% | 0.1% |

Source: Standard Chartered Research estimates

# Reasons to buy Raffles Medical

## Attractive business model

*A model designed to be robust.*

Raffles Medical has one of the most attractive and robust business models we have seen for the following reasons.

- **A fully-integrated model with strong synergies.** As Raffles Medical operates across the value-chain, we believe it creates a natural flow of patients from its GP clinics, to its specialist clinics, to its hospital. This allows each segment to grow together and creates a more defensive business. (For example, Raffles Medical's specialist doctors would refer patients to Raffles Hospital as opposed to competitors.)
- **A unique high-margin business.** Raffles Medical employs the group-practice model whereby specialist doctors are employed by the group. It is the only private hospital to do this, allowing it to capture the high-margins of the specialist business.
- **Strong cost management.** Because Raffles Medical has a strong flow of patients, we believe it offers a compelling franchise value to its doctors and is thus able to attract highly qualified doctors at reasonable costs. As a result, staff costs as a percentage of revenue steadily declined from 59% in 2001 to 48% in 2010.

## Growth drivers in place

*Return to double-digit revenue growth.*

**Strong trend in demand**
Raffles Medical grew its revenues at 19% p.a. in 2005-2008, but revenue growth slowed to 9% p.a. in 2009 and 2010 as a result of the financial crisis. However, 1Q 2011 confirmed continued recovery in demand, with revenue growth of 15% YoY. Growth was broad-based with healthcare services (GP/family clinics) growing 14% YoY and hospital services growing 15% YoY.

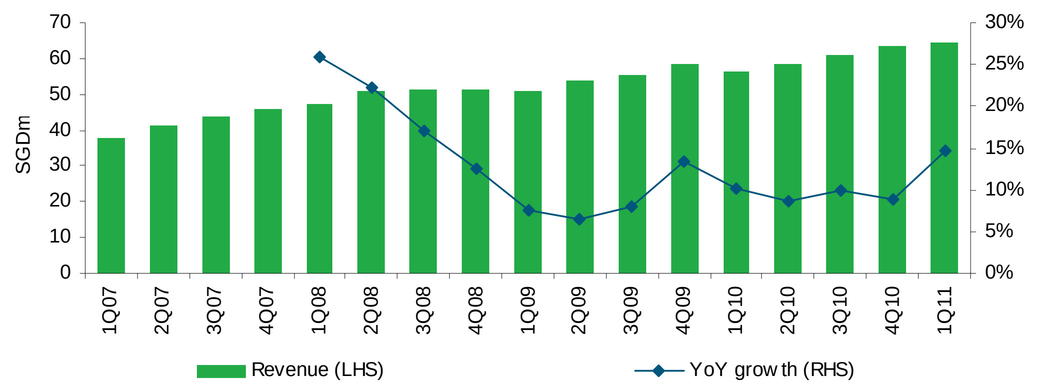
*Specialist medical centre will provide new avenue for growth.*

**Thong Sia Building**
Raffles Medical acquired the commercial block of Thong Sia Building on April 15, 2011 for SGD92m. The building is 7 storeys high and has 42,668sqf of floor space (translating to acquisition price of SGD2,158psf). Currently, 90% of the building is tenanted but the tenancies will be expiring in 2012 and 2013. Raffles Medical plans to open in phases a full-service specialist medical centre starting in 2012.

*Hospital expansion could eventually double the group's specialist clinic space.*

**Raffles Hospital expansion**
Raffles Medical is expanding the floor area of the hospital by one-third, or 102,408sqf (of the current 307,875 sqf). The group is currently still at the design and planning stage and expects to submit its formal application to the URA by Q3 2011. Expected completion is end-2013. The group estimates total costs will be SGD100m. When completed, the additional floor space could potentially double the group's specialist clinic space (if all the new space is used for specialist clinics).

**Fig 3: Quarterly revenue development**




Source: Company

## Leveraged to margin expansion

*Margins should be much higher.*

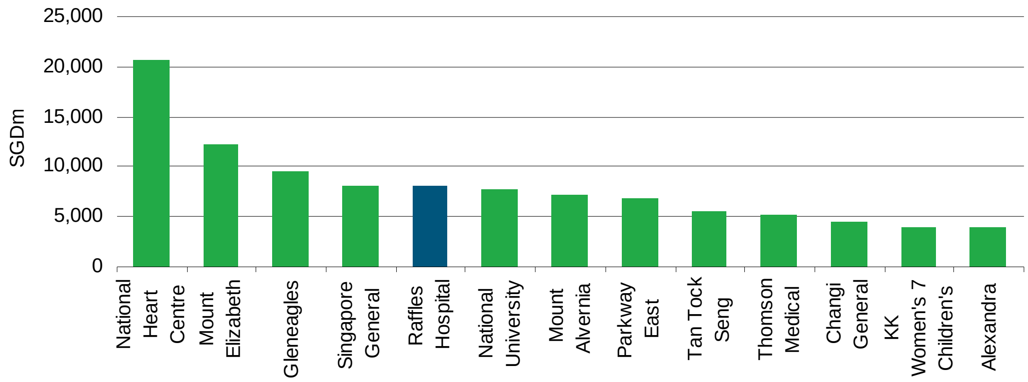
**Operating margins should trend towards 30%**
In 2010, Raffles Medical's hospital services segment had an operating margin of 26.5% but we believe this should trend towards 30% as Raffles Hospital increases its occupancy and continues to gain from economies of scale. We are confident of this for the following reasons:

- **Raffles Hospital is underutilised.** Raffles Hospital is licensed for 380 beds but operated only 200 last year. As Raffles Hospital's occupancy increases, Raffles Hospital will gain further economies of scale and margins should increase. For example, Thomson Medical's operating margin increased from 19% in 2004 to 27% in 2009 as it raised its occupancy. We expect the same trend for Raffles Hospital as its occupancy increases over time.

- **Outpatient specialist is a high-margin business.** Meanwhile, we believe the high-margins of the outpatient specialist business are hidden by the suboptimal margins of the inpatient hospital business. We estimate that the outpatient specialist business has margins of at least 33%. We reference the 33%-48% operating margin of Healthway Medical's specialist business (which also employs its own specialists) in 2005-2009 (before its earnings plummeted after the departure of some key specialists. Simply taking the average of 27% (our expected operating margin of the hospital on higher occupancy) and 33% (our conservative estimate of the outpatient specialist margin) gives 30% operating margin.

- **Room to increase price or revenue intensity.** Based on Ministry of Health data, Raffles Medical's average total bill was only SGD8,123 for Jan-June 2010, a 33% discount to Mount Elizabeth, a 15% discount to Gleneagles, and even in-line with Singapore General Hospital (a government restructured hospital for A-class rooms). As Raffles Medical is a private operator, its hospital charges should be at a premium to Singapore General.

**Fig 4: Absolute average total bill Jan-June 2010**



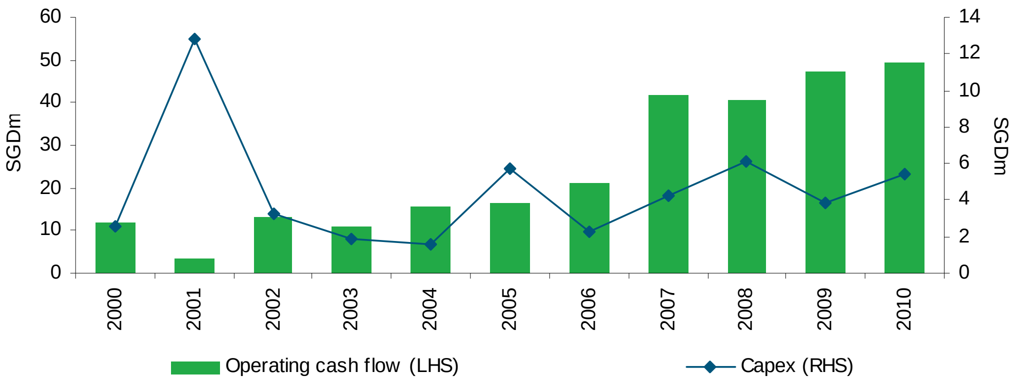

Source: Ministry of Health

## Strong free cash flow business

*From 2005 to 2010, operating cash flow grew at 26% p.a. while capex fell 1% p.a.*

**Growing gap between operating cash flow and capex**
Raffles Medical generates steady operating cash flow, but perhaps more importantly, is a very low capex business. From 2005 to 2010, annual operating cash flow has increased SGD16m to SGD49m but capex actually fell from SGD6m to SGD5m. Raffles Hospital has been completely paid for and as the group continues to grow its business, we expect the gap between operating cash flow and capex to continue to widen.

**Fig 5: Operating cash flow and capex**




Source: Company

## Discounted cash flow reflects long-term value

*DCF shows fair value of SGD4.21 per share.*

Our price target of SGD2.83 per share is based on a PER target multiple of 25x 2012E and offers 27% upside. However, we believe for long-term investors, a DCF valuation better reflects the future growth opportunity for the group. Our DCF valuation shows a fair value of SGD4.21 per share.

**Fig 6: DCF valuation**

| SGDm | 2010 | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| EBIT | 53 | 62 | 72 | 85 | 103 | 126 | 155 | 177 | 198 | 218 | 241 |
| EBIT (1-tax) | 44 | 51 | 59 | 70 | 86 | 105 | 128 | 147 | 164 | 181 | 200 |
| (+) Depreciation and amort. | 7 | 7 | 12 | 13 | 15 | 15 | 15 | 16 | 16 | 16 | 17 |
| (-) Change in working capital | (3) | (1) | 3 | 3 | 5 | 6 | 7 | 5 | 5 | 5 | 5 |
| (-) Capital expenditure | (5) | (117) | (48) | (38) | (7) | (7) | (8) | (8) | (8) | (9) | (9) |
| **Unlevered free cash flow** | **43** | **(60)** | **26** | **50** | **98** | **118** | **143** | **160** | **177** | **194** | **213** |
| Present Value of FCF's | | (57) | 23 | 40 | 73 | 81 | 90 | 93 | 95 | 95 | 97 |
| **Terminal value** | | | | | | | | | | | **3,337** |

| | 2011E | WACC assumptions | |
|---|---|---|---|
| DCF of operations | 629 | Risk-free rate | 4.00% |
| NPV of the terminal value | 1,517 | Cost of debt | 5.00% |
| **Total value of operations** | **2,146** | Equity risk premium | 4.50% |
| Net cash/(debt) | 71 | Tax rate | 17% |
| **Equity value** | **2,217** | Target debt to firm value | 0.00% |
| Shares outstanding | 527 | Equity beta | 1.00 |
| **Fair value per share (SGD)** | **4.21** | Cost of debt (after tax) | 4.15% |
| Current price (SGD)* | 2.24 | Cost of equity | 8.50% |
| **Upside/(downside)** | **88%** | **WACC** | **8.50%** |
| | | **Terminal growth rate** | **2.0%** |

* Price as at 28 April 2011
Source: Company, Standard Chartered Research estimates

**Fig 7: Sensitivity of fair value**

| | WACC | | | | |
|---|---|---|---|---|---|
| Terminal growth | 7.5% | 8.0% | 8.5% | 9.0% | 9.5% |
| **1.0%** | 4.53 | 4.14 | 3.80 | 3.51 | 3.25 |
| **1.5%** | 4.80 | 4.36 | 3.99 | 3.67 | 3.38 |
| **2.0%** | 5.13 | 4.63 | **4.21** | 3.85 | 3.54 |
| **2.5%** | 5.52 | 4.94 | 4.46 | 4.06 | 3.71 |
| **3.0%** | 6.00 | 5.32 | 4.76 | 4.30 | 3.92 |

Source: Standard Chartered Research estimates

**Income statement (SGDm)**

| Year end: Dec | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|
| Group Revenue | 218.6 | 239.1 | 272.2 | 311.1 | 359.5 |
| Growth % | 9% | 9% | 14% | 14% | 16% |
| COGS | -40.5 | -44.1 | -50.2 | -57.4 | -66.3 |
| Gross profit | 178.1 | 195.0 | 222.0 | 253.7 | 293.2 |
| GP margin (%) | 81% | 82% | 82% | 82% | 82% |
| Others,net | -133 | -142 | -160 | -182 | -208 |
| Total EBIT | 45.5 | 53.0 | 61.6 | 71.6 | 84.9 |
| Growth % | 17% | 17% | 16% | 16% | 19% |
| OP margin (%) | 21% | 22% | 23% | 23% | 24% |
| Net interest income | -0.4 | 0.1 | -0.3 | -0.4 | -0.3 |
| Others,Goodwill, net | - | - | - | - | - |
| PBT | 45.0 | 53.1 | 61.3 | 71.3 | 84.6 |
| Taxation | -7.0 | -7.6 | -8.8 | -10.2 | -12.1 |
| Effective rate (%) | -16% | -14% | -14% | -14% | -14% |
| Exceptional | -1 | -3 | -1 | -1 | -1 |
| **PAT** | **37.3** | **42.0** | **51.5** | **60.0** | **71.4** |
| Minority interest | -0.2 | -0.2 | -0.3 | -0.3 | -0.3 |
| **PATMI** | **37.1** | **41.8** | **51.3** | **59.7** | **71.0** |
| Growth % | na | 13% | 23% | 17% | 19% |
| PATMI margin (%) | 17% | 17% | 19% | 19% | 20% |
| MI interest in PAT (%) | 0% | -1% | 0% | 0% | 0% |
| EPS basic (SGD cents) | 7.30 | 8.65 | 9.93 | 11.54 | 13.70 |
| EPS diluted (SGDcents) | 7.22 | 8.51 | 9.75 | 11.34 | 13.46 |
| EPS Growth (%) | na | 18% | 15% | 16% | 19% |
| DPS (SGD cents) | 3.00 | 3.50 | 3.97 | 4.62 | 5.48 |
| DPS Growth (%) | na | 17% | 13% | 16% | 19% |
| Payout (%) | 41% | 40% | 40% | 40% | 40% |

**Balance sheet (SGDm)**

| Year end: Dec | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|
| Property, plant & equipment | 146.4 | 144.3 | 254.2 | 290.1 | 314.2 |
| 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 | 379.2 | 403.2 |
| C&CE | 74.4 | 107.1 | 43.2 | 46.8 | 59.7 |
| STI | - | - | - | - | - |
| Inventories | 5.3 | 5.1 | 5.8 | 6.6 | 7.6 |
| Receivables | 24.3 | 26.1 | 29.7 | 33.9 | 39.2 |
| Others | 0.6 | - | - | - | - |
| Total current assets | 104.5 | 138.3 | 78.7 | 87.3 | 106.5 |
| **Total assets** | **336.8** | **371.8** | **422.0** | **466.5** | **509.7** |
| Payables | 52.0 | 51.0 | 54.2 | 61.9 | 71.6 |
| 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 | 83.7 | 91.5 | 91.1 |
| 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 | - | - | - | - | - |
| Total liabilities | 86.7 | 84.8 | 103.4 | 111.2 | 110.8 |
| Minorities | 0.4 | 0.5 | 0.8 | 1.1 | 1.4 |
| Shareholders funds | 249.8 | 286.4 | 317.8 | 354.2 | 397.4 |
| **Gross liabilities + equity** | **336.8** | **371.8** | **422.0** | **466.5** | **509.7** |

**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 | 61.3 | 71.3 | 84.6 |
| Depreciations | 6.9 | 7.0 | 7.1 | 11.6 | 13.5 |
| Gains / Disposals / Impairment: | -0.6 | -3.0 | - | - | - |
| 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 | - | - | - |
| Share options & other | 1.6 | 1.9 | - | - | - |
| Operating cash flow before wor | 53.3 | 58.9 | 68.3 | 83.1 | 98.2 |
| Receiveables | 0.8 | -1.8 | -3.6 | -4.2 | -5.3 |
| Inventories | -0.5 | 0.2 | -0.7 | -0.8 | -1.0 |
| Payables | 0.3 | -0.9 | 3.2 | 7.8 | 9.6 |
| Other | -1 | -1 | -1 | -1 | 0 |
| Cash generated from activities | 53.3 | 55.7 | 66.5 | 85.3 | 101.0 |
| 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 | -8.8 | -10.2 | -12.1 |
| Net cash from operations | 46.8 | 49.0 | 57.8 | 74.9 | 88.8 |
| 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 | - | - | - |
| Others, financing | 1.3 | 4.3 | - | - | - |
| Dividends paid | -13.0 | -15.8 | -20.9 | -24.3 | -28.9 |
| Net cash flow | 30.0 | 33.1 | -63.9 | 3.6 | 12.9 |
| Cash & equivalents at open | 44.1 | 74.1 | 107.1 | 43.2 | 46.8 |
| Change in cash & cash equival | 30.0 | 33.1 | -63.9 | 3.6 | 12.9 |
| Cash & equivalents at close | 74.1 | 107.2 | 43.2 | 46.8 | 59.7 |
| Free cashflow | 43.3 | 43.8 | -58.9 | 27.7 | 51.6 |

**Key ratios**

| Year end: Dec | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|
| ROE (%) | 16% | 17% | 17% | 18% | 19% |
| ROCE (%) | 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 | 5.2 | 8.8 | 31.7 |
| 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 | 317.8 | 354.2 | 397.4 |
| Book value per share - (SGD) | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 |
| PBR (x) | 4.7 | 4.1 | 3.7 | 3.3 | 3.0 |
| Interest cover (x) | 110.9 | 221.6 | 217.5 | 201.7 | 275.2 |
| Payout ratio (%) | 41% | 41% | 40% | 40% | 40% |
| FCF Yield (%) | 3.7% | 3.7% | -5.0% | 2.3% | 4.4% |

Source: Company, Standard Chartered Research estimates

# Disclosures appendix

## Global disclaimer

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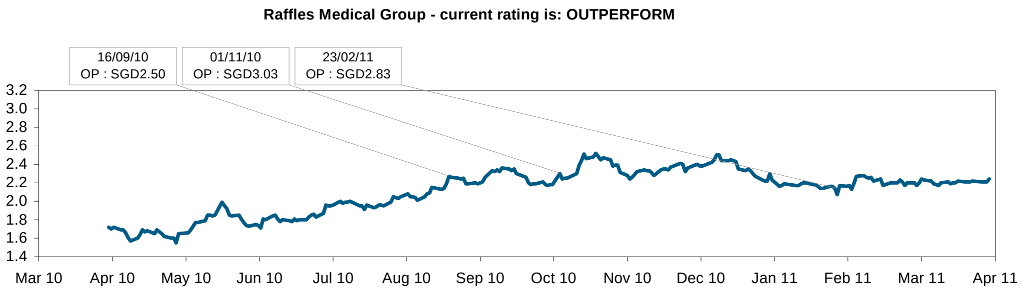
**Disclosures Appendix**

Where "disclosure date" appears below, this means the day prior to the report date. All share prices quoted are the closing price for the business day prior to the date of the report, unless otherwise stated.

**Company Raffles Medical Group**

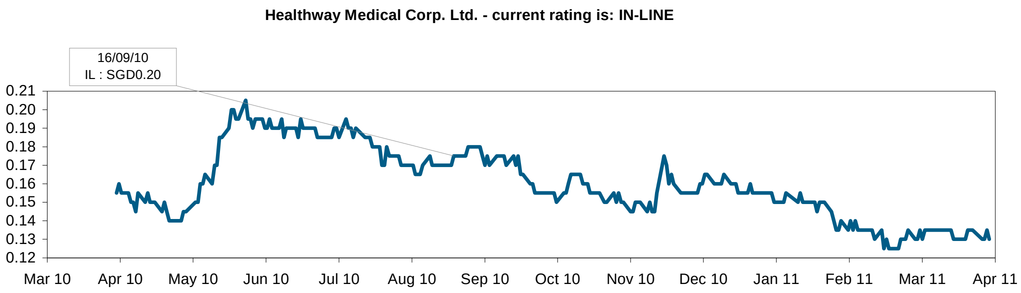
As at the disclosure date, the following applies:




Source: FactSet prices / SCB ratings and price targets

**Company Healthway Medical Corp. Ltd.**

As at the disclosure date, the following applies:




Source: FactSet prices / SCB ratings and price targets

**Recommendation Distribution and Investment Banking Relationships**

| | % of covered companies currently assigned this rating | % of companies assigned this rating with which SCB has provided investment banking services over the past 12 months |
|---|---|---|
| OUTPERFORM | 63.5% | 13.6% |
| IN-LINE | 28.3% | 10.4% |
| UNDERPERFORM | 8.1% | 9.1% |

**Research Recommendation**

| Terminology | Definitions |
|---|---|
| OUTPERFORM (OP) | The total return on the security is expected to outperform the relevant market index by 5% or more over the next 12 months |
| IN-LINE (IL) | The total return on the security is not expected to outperform or underperform the relevant market index by 5% or more over the next 12 months |
| UNDERPERFORM (UP) | The total return on the security is expected to underperform the relevant market index by 5% or more over the next 12 months |

SCB uses an investment horizon of 12 months for its price targets.

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