

Raffles Medical Group Ltd

Returning to stable growth



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SINGAPORE | HEALTHCARE | 2H24 RESULTS

- FY24 revenue and PATMI exceeded our expectations at 116% /127% of our FY24e estimates respectively. 2H24 adj. PATMI jumped 49% YoY to S\$34.9mn.
- Revenue rebounded 14% in 2H24 from a recovery in elective surgeries and foreign patients in Singapore and a bounce in China volume. Margins expanded as staff costs stabilised and insurance operations broke even in 2H24.
- We raise our FY25e PATMI by 38% to S\$71.6mn. The healthcare services from clinics have been surprisingly strong in Singapore. Our DCF target price is raised to S\$1.02 (prev. S\$0.96), and the recommendation is raised to ACCUMULATE from NEUTRAL. With the bulk of investments in China completed, the company is raising the dividend payout ratio to at least 50% (prev. up to 50%). It also plans to buy back up to 100mn shares over the next 2 years. The revenue momentum in China could allow it to break even in FY26e.

Results at a glance

SGD mn	2H24	2H23	YoY (%)	Comments
Healthcare services	147.8	109.2	35.3	
Hospital services	145.2	147.8	(1.7)	
Insurance service	89.4	75.7	18.0	
Investment holdings	3.5	3.5	0.6	
Revenue	385.9	336.2	14.8	
EBITDA	67.1	42.3	58.5	Excl. impairments and FV.
Operating profit	41.2	39.1	5.3	
Profit Before Tax	43.6	41.0	6.2	
- Healthcare services	17.5	7.4	137.3	
- Hospital services	21.4	23.9	(10.6)	
- Insurance services	0.1	(5.8)	n.m.	
- Investment holdings	11.9	19.9	(39.9)	
PATMI	31.6	30.3	4.3	
Adj. PATMI	34.9	23.5	48.7	Excl. impairments and FV.
Revenue				
- Singapore	341.7	297.3	14.9	
- China	34.8	30.6	14.0	

Source: Company, PSR

The Positive

+ Insurance and healthcare recovery. Insurance broke even from losses (2H23: loss of S\$5.8mn) due to tighter processing of claims. Foreign patient flows, and elective surgeries have started to return to the Singapore hospital. Margins have recovered from more stable staff costs and greater use of flexible workers.

The Negative

- Nil.

Outlook

Despite keeping prices stable, patient flows and revenue intensity have started to recover for Raffles. Foreign patient and elective surgery volumes have improved in Singapore. China's patient volume has increased as local patients gain better visibility and experience than in public hospitals. The rollout of national medical insurance and more public doctors practising in the hospital will further drive patient volumes. China could break even in 2026. Other growth areas include raising prices and expanding into new countries such as Indonesia, which welcomes investment and allows foreign doctors to practise locally.

Upgrade to ACCUMULATE from NEUTRAL recommendation and raise TP to S\$1.02.

We raise FY25e PATMI by 38% to S\$71.6mn. Raffles is in a net cash position of S\$288mn.

25 February 2025

ACCUMULATE (Upgraded)

LAST CLOSE PRICE	SGD 0.880
FORECAST DIV	SGD 0.026
TARGET PRICE	SGD 1.020
TOTAL RETURN	18.9%

COMPANY DATA

BLOOMBERG CODE	RFMD SP
O/S SHARES (MN) :	1,858
MARKET CAP (USDmn/SGDmn) :	1142.5 / 1533
52 - WK HI/LO (SGD) :	1.07 / 0.83
3M Average Daily T/O (mn) :	1.09

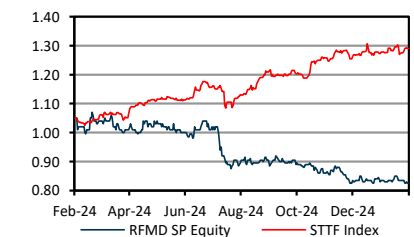
MAJOR SHAREHOLDERS

Raffles Medical Holdings Pte Ltd	42.2%
Loo Choon Yong	13.5%
Global Alpha Capital	8.0%

TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(1.8)	(5.2)	(2.9)
STTF	3.7	5.3	4.3

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$ mn)	FY23	FY24	FY25e	FY26e
Revenue	706.9	751.6	796.9	852.1
EBITDA	152.8	124.4	132.7	139.7
NPAT adj.	83.2	66.1	71.6	78.5
EPS adj. (Cents)	4.48	3.56	3.85	4.22
PER adj. (x)	19.6	24.7	22.9	20.9
P/BV (x)	1.6	1.6	1.5	1.5
DPS (Cents)	2.40	2.50	2.60	2.70
Div Yield	2.7%	2.8%	3.0%	3.1%
ROE	8.2%	6.4%	6.7%	7.2%

Source: Company, PSR

VALUATION METHOD

DCF (WACC: 8.0%; terminal g: 3.0%)

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Financials

Income Statement

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
Revenue	822.9	706.9	751.6	796.9	852.1
Operating expenses	(588.3)	(554.1)	(627.2)	(664.2)	(712.4)
Other operating income	8.0	16.7	2.5	3.0	2.0
EBITDA	234.6	152.8	124.4	132.7	139.7
Depreciation & Amortisation	(40.2)	(38.2)	(43.1)	(43.4)	(41.6)
EBIT	194.4	114.5	81.3	89.3	98.1
Associates & JVs	0.0	0.0	0.0	0.0	0.0
Net Finance (Expense)/Inc	(4.1)	3.7	4.5	5.5	5.7
PBT	191.3	119.4	87.0	94.7	103.8
Tax	(47.9)	(28.3)	(24.7)	(22.7)	(24.9)
PAT	143.4	91.1	62.3	72.0	78.9
Minority interest	(0.2)	(0.9)	(0.0)	(0.4)	(0.4)
PATMI	143.2	90.2	62.2	71.6	78.5
Net Income, adj.	161.5	83.2	66.1	71.6	78.5

Per share data

Y/E Dec, SG cents	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	7.70	4.91	3.35	3.87	4.24
EPS, adj.	8.68	4.48	3.56	3.85	4.22
DPS	3.80	2.40	2.50	2.60	2.70
BVPS	54.59	55.34	56.42	57.77	59.39

Cash Flows

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
PBT	191.3	119.4	87.0	94.7	103.8
Adjustments	66.5	30.4	46.4	37.9	35.9
WC changes	(32.5)	88.9	(21.2)	44.8	10.9
Cash generated from ops	225.4	238.8	112.1	177.5	150.6
Taxes paid, others	(29.1)	(49.5)	(25.8)	(22.7)	(24.9)
Cashflow from ops	196.2	189.3	86.3	154.7	125.7
CFI					
CAPEX, net	(24.9)	(20.0)	(18.2)	(23.9)	(25.6)
Acquisition, others	2.0	7.6	8.3	7.5	7.5
Cashflow from investing	(22.8)	(12.4)	(9.9)	(16.4)	(18.1)
CFF					
Share issuance	(18.3)	1.7	0.3	0.0	0.0
Loans, net of repayments	(94.4)	0.1	(13.8)	(5.0)	(5.0)
Dividends	(52.0)	(70.7)	(44.6)	(46.5)	(48.4)
Others	(19.0)	(16.6)	(16.5)	(2.5)	(2.3)
Cashflow from financing	(183.7)	(85.5)	(74.6)	(54.1)	(55.7)
Effects of exchange rates	0.0	(0.0)	(1.6)	0.0	0.0
Net change in cash	(10.3)	91.4	0.2	84.2	51.9
CCE, end	253.6	345.0	345.2	429.4	481.3

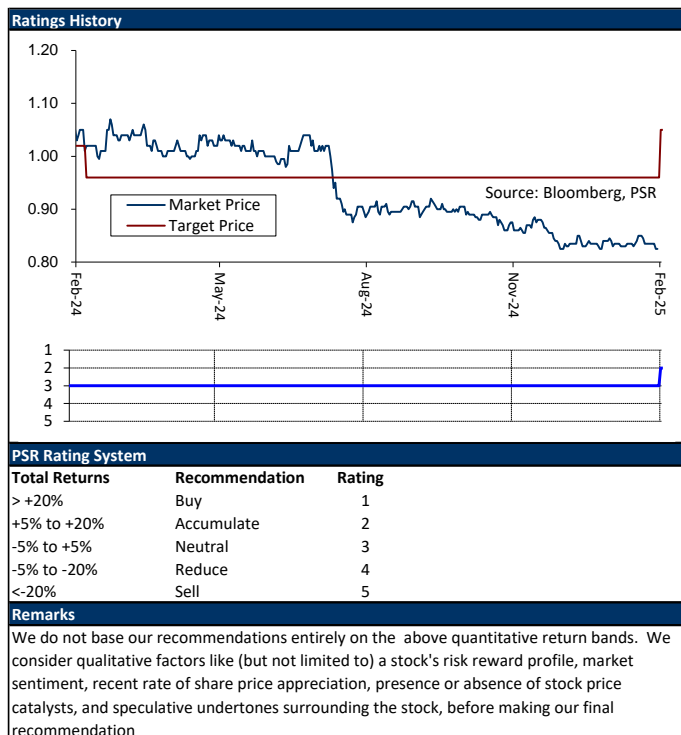
Source: Company, Phillip Securities Research (Singapore) Estimates Note #SFRS 17 Insurance Contract accounting adopted from FY22 onwards.

Balance Sheet

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE	739.1	768.3	748.2	730.3	715.8
Intangibles	20.3	18.8	15.5	14.4	13.4
Investment properties	273.4	246.1	246.1	246.1	246.1
Others	4.7	10.3	4.6	4.6	4.6
Total non-current assets	1,037.4	1,043.5	1,014.5	995.5	980.0
Trade & other receivables	190.7	80.3	101.6	76.4	81.7
Cash balance	253.1	343.6	343.7	427.9	479.8
Others	50.5	60.8	71.1	72.5	73.5
Total current assets	494.3	484.7	516.3	576.9	635.1
Total Assets	1,531.8	1,528.2	1,530.8	1,572.4	1,615.1
LIABILITIES					
Short-term debt	9.7	16.0	6.9	1.9	(3.1)
Trade and other payables	208.8	210.7	218.5	239.6	256.7
Others	144.6	152.7	156.6	156.6	156.6
Total current liabilities	363.0	379.4	381.9	398.0	410.2
Long-term debt	63.4	54.6	49.1	49.1	49.1
Others	77.7	50.3	34.8	34.8	34.8
Total non-current liabilities	141.1	105.0	83.9	83.9	83.9
Total Liabilities	504.0	484.4	465.8	481.9	494.1
EQUITY					
Minority interest	15.4	16.1	15.2	15.6	16.0
Shareholder Equity	1,012.4	1,027.7	1,049.8	1,074.9	1,105.0
Total Equity	1,027.8	1,043.9	1,065.0	1,090.5	1,121.0

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X), adj.	10.1	19.6	24.7	22.9	20.9
P/B (X)	1.6	1.6	1.6	1.5	1.5
EV/EBITDA (X)	7.6	11.0	13.4	11.9	10.9
Dividend Yield	4.3%	2.7%	2.8%	3.0%	3.1%
Growth & Margins					
Growth					
Revenue	13.7%	-14.1%	6.3%	6.0%	6.9%
EBITDA	46.0%	-34.9%	-18.6%	6.7%	5.3%
EBIT	60.2%	-41.1%	-29.0%	9.8%	9.9%
Net Income, adj.	80.6%	-48.5%	-20.5%	8.3%	9.6%
Margins					
EBITDA margin	28.5%	21.6%	16.5%	16.6%	16.4%
EBIT margin	23.6%	16.2%	10.8%	11.2%	11.5%
Net Profit Margin	19.6%	11.8%	8.8%	9.0%	9.2%
Key Ratios					
ROE	16.4%	8.2%	6.4%	6.7%	7.2%
ROA	10.5%	5.4%	4.3%	4.6%	4.9%
Interest coverage (X)	4.8	3.0	1.9	2.1	2.4
Net gearing (X)	Net cash	Net cash	Net cash	Net cash	Net cash



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