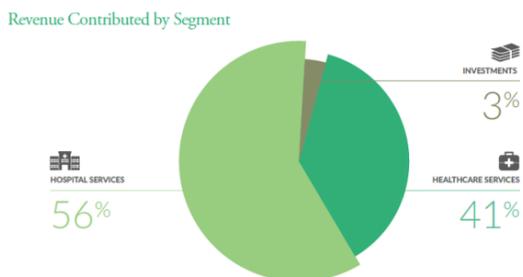


### Company Overview

Figure 1. Revenue segments



Raffles Medical Group (RMG) is a private healthcare service provider that owns and operates a network of family medical clinics, a tertiary care hospital, insurance services and a consumer healthcare division.

(SGD Mil)	FY16A	FY17A	FY18E	FY19E
Revenue	473.6	477.6	501.5	526.5
Gr Rate (%)	15.4	0.8	5.0	5.0
EBITDA	92.3	88.4	75.2	79.0
Margin (%)	19.5	18.5	15.0	15.0
Net Income	70.2	70.8	70.2	73.7
Margin (%)	14.8	14.8	14.0	14.0
ROA	8.1	7.4	5.3	5.5
ROE	11.1	10.1	9.6	10.0
EV/EBITDA	26.4	22.4	27.1	25.8
P/E	35.4	27.9	32.6	31.1

Source: Raffles Medical Annual Report, 2016

The Hospital Services segment is the main contributor of revenues, involving the operation of the 380-bed capacity Raffles Hospital. They also run a network of over 80 clinics across Singapore providing primary care. RMG's expansion works underway includes: the extension of Raffles Hospital (opened in January 2018), 700-bed Chongqing Hospital in 2H 2018, and development of a 70:30 400-bed hospital in Shanghai in conjunction with Shanghai Lujiazui Group in 2H 2019.

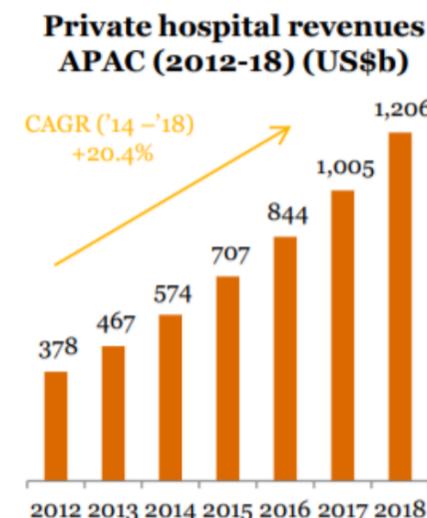
### Investment Thesis

- Opening of Raffles Hospital extension to increase capacity** – The new Raffles Hospital extension, which opened in January 2018, would increase capacity by 200 beds, and support the expansion of specialist services to better serve the growing needs of the local and foreign patients. The Raffles Hospital extension also includes space to be leased out to food and beverage and commercial outlets, which would provide recurring rental income.
- Expansion to China diversifies revenue base** – Raffles Medical's expansion plans in China are progressing well, with the construction of a 700-bed hospital in Chongqing which is targeted to open in 2H 2018. Another 400-bed hospital in Shanghai is expected to begin operations in 2H 2019. These two hospitals would mainly serve the expatriate population in their cities. Strong economic fundamentals in these tier-one Chinese cities are expected to drive demand for premium healthcare facilities, and diversifies RMG's revenue sources beyond Singapore and Southeast Asia.
- Partnership with Ministry of Health** – Raffles Medical started a 5-year partnership with the Ministry of Health to serve patients with chronic conditions, through three Primary Care Network clusters around Singapore. RMG has also been awarded the Air Borders Screening contract by MOH and the Civil Aviation Authority of Singapore (CAAS) to provide temperature screening and infectious disease surveillance at Changi and Seletar Airports, in addition to the existing and exclusive medical service provided at Changi Airport. These partnerships with the MOH and CAAS, together with RMG's wide network of clinics across Singapore, would increase the local patient load.

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### 12M Industry Outlook

Figure 2. 20.0% CAGR APAC hospital revenue

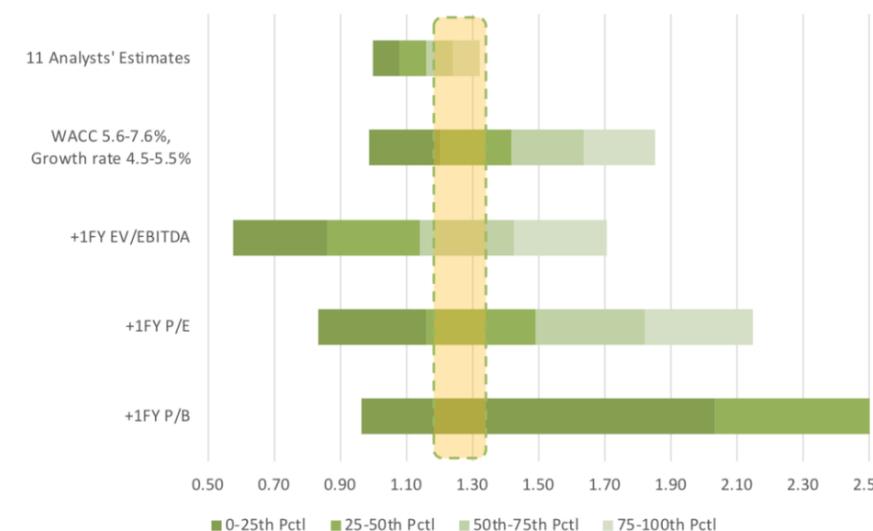


Source: Frost and Sullivan

- Shift from hospital-model to primary care catalysing growth.** New growth opportunities are created from outsourcing of healthcare services. The group has entered into a 5-year Primary Care Network. Analyst estimate such outsourcing could present at 5% growth for the healthcare industry.
- Secular Trends supportive of long term sector growth** An increasing GDP per capita in Malaysia (3% in 2016), Indonesia (5%) and Singapore (2%) will translate into increased demand for private healthcare services. In Singapore, the population above 65 is set to double to 900,000, increasing the demand of services.
- Sector performance dependent on overseas performance.** As medical tourism growth in Singapore slows, brand names such as Gleneagles (IHH), Q&M, Raffles Medical look overseas for further expansion within Asia. Within China itself, the healthcare market is growing an CAGR of 12% according to Mckinsey.

### Valuations

Figure 3. Valuation Summary



Our 12 month price target from the date of coverage is S\$1.30. Considering that 2018 will see higher contribution of rental income for the full year instead of a quarter from Raffles Holland V, and the top line bolstered by the newly opened Raffles Specialist Centre, we assume a compounded annual growth rate of 5%. In the longer term, we expect Shanghai and Chongqing to contribute significantly to RMG's top line as well, after their gestation period. Near-term start up losses are to be expected in the meantime. Increasing regional affluence and secular trends in the healthcare industry will continue to support longer-term growth.

Prepared By: James Chua, Ngoi Kai Han, Manan Mittal, Tommy Tan

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