

Singapore Company Guide

Raffles Medical

eEdition 1 Version 1 | Bloomberg: RFMD SP | Reuters: RAFG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Oct 2015

HOLD

Last Traded Price: S\$4.39 (STI : 3,083.07)

Price Target : S\$4.34 (1% downside) (Prev S\$3.96)

Potential Catalyst: Acquisitions, JVs

Where we differ: Below consensus as we expect profit growth from core operations to be partially negated by gestation costs

Analyst

Andy Sim +65 6682 3718 andysim@dbs.com

Price Relative



Forecasts and Valuation

FY Dec (S\$ m)	2014A	2015F	2016F	2017F
Revenue	375	408	447	489
EBITDA	90	96	104	116
Pre-tax Profit	81	84	91	99
Net Profit	68	71	76	83
Net Pft (Pre Ex.)	68	71	76	83
EPS (S cts)	12.0	12.3	13.3	14.4
EPS Pre Ex. (S cts)	12.0	12.3	13.3	14.4
EPS Gth (%)	(22)	3	8	9
EPS Gth Pre Ex (%)	3	3	8	9
Diluted EPS (S cts)	11.8	12.1	13.1	14.2
Net DPS (S cts)	5.5	6.0	6.5	6.5
BV Per Share (S cts)	95.5	100.8	108.1	116.0
PE (X)	36.6	35.7	33.0	30.4
PE Pre Ex. (X)	36.6	35.7	33.0	30.4
P/Cash Flow (X)	26.5	33.1	26.8	24.3
EV/EBITDA (X)	25.9	26.0	24.4	22.4
Net Div Yield (%)	1.3	1.4	1.5	1.5
P/Book Value (X)	4.6	4.4	4.1	3.8
Net Debt/Equity (X)	CASH	CASH	0.0	0.1
ROAE (%)	13.4	12.6	12.7	12.9
Earnings Rev (%)		(7)	(10)	-
Consensus EPS (S cts):		12.7	14.5	17.2
Other Broker Recs:		B: 4	S: 3	H: 5

Source of all data: Company, DBS Bank, Bloomberg Finance L.P

A LONGER TIME HORIZON NEEDED

Maintain HOLD, TP revised to S\$4.34. We maintain our HOLD recommendation for Raffles Medical with a new sum-of-parts based TP of S\$4.34, taking into account the potential value of its Shanghai greenfield JV hospital. At current valuations of 35.7x/ 33.0x FY15F/16F PE, the counter has reflected its growth potential, in our view. We project growth over the next few years to be a tad slower than its historical average.

3Q15 below expectations. 3Q15 net profit grew by a muted 1.2%, arising from higher operating expenses such as inventories used (+9.1%), contracted services (+9.3%), depreciation (+28.5%) and lease expenses (+32.3%). Foreign patient volume also dipped due to the softer macroeconomic environment, but this was mitigated by higher revenue intensities and local patient base.

Slower growth in the immediate horizon. The Group has embarked on an expansion phase with several projects in progress locally and overseas. While this should provide it with a growth trajectory over the long term, we expect a period of gestation and project 3%/8%/9% growth for FY15F/16F/17F, significantly slower vis-à-vis the 22% rate in the last decade. We lowered our FY15F/16F forecasts by 7%/10% on the back of higher opex and slower top-line growth.

Valuation:

We switched our valuation methodology to sum-of-parts (from just PE) to factor in the potential value of its Shanghai JV. Our target price is raised to S\$4.34 based on 29x FY16F PE, at +0.5SD above average, coupled with S\$0.49/share from the value of its Shanghai greenfield hospital.

Key Risks to Our View:

Economic slowdown. While healthcare is considered a defensive sector, private healthcare will nonetheless be impacted by a slowdown in the economy since elective procedures can be deferred or patients can choose public hospitals as a lower cost alternative.

At A Glance

Issued Capital (m shrs)	574
Mkt. Cap (S\$m/US\$m)	2,520 / 1,803
Major Shareholders	
Raffles Medical (%)	38.3
Choon Yong Loo (%)	10.0
Free Float (%)	51.7
3m Avg. Daily Val (US\$m)	1.7

ICB Industry : Health Care / Health Care Equipment & Services

Results summary

FY Dec (\$m)	3Q14	2Q15	3Q15	y-o-y Chg y-o-y	q-o-q chg %	9M14	9M15	Chg y-o-y	Comments
Sales	94.5	99.3	101.5	7%	2%	274.6	295.8	8%	Growth from Hospital (+11.7%) and Healthcare (+3.5%) divisions.
Other Operating Income	0.4	0.0	0.0	nm	-67%	1.2	1.4	23%	
<i>Inventories and consumables used</i>	(10.0)	(10.6)	(10.9)	9%	3%	(30.5)	(31.9)	5%	
<i>Purchased and contracted services</i>	(8.6)	(9.2)	(9.4)	9%	2%	(26.9)	(27.5)	2%	
<i>Staff costs</i>	(46.8)	(48.5)	(49.9)	7%	3%	(133.0)	(146.6)	10%	Higher staff costs for enlarged operations, salary review
<i>Depreciation of PPE</i>	(2.5)	(3.0)	(3.2)	28%	6%	(6.9)	(9.2)	35%	Conversion of some space from lease to own use
<i>Operating lease expenses</i>	(2.2)	(2.4)	(2.9)	32%	17%	(6.2)	(7.6)	22%	New Shaw Centre medical centre and lease renewals
<i>Other operating expenses</i>	(6.6)	(6.3)	(6.7)	1%	6%	(18.2)	(18.9)	4%	
Total operating expenses	(76.7)	(80.1)	(83.0)	8%	4%	(221.7)	(241.9)	9%	Marginally higher than top line
Operating profit	18.2	19.2	18.5	2%	-3%	54.1	55.3	2%	Below expectations
Interest Income	0.3	0.3	0.3	5%	-2%	0.7	0.9	22%	
Interest Expense	(0.0)	(0.0)	(0.0)	67%	25%	(0.0)	(0.1)	56%	
Pretax Profit	18.4	19.5	18.8	2%	-3%	54.8	56.2	3%	
Tax	(2.9)	(3.4)	(3.1)	7%	-9%	(9.0)	(9.4)	5%	
Minority Interests	(0.1)	(0.1)	(0.0)	-40%	-47%	(0.2)	(0.2)	-7%	
Net Profit	15.4	15.9	15.6	1%	-2%	45.6	46.5	2%	Below expectations
Margins (%)	3Q14	2Q15	3Q15	ppt chg yoy	ppt chg qoq	9M14	9M15	Chg ppt	
EBITDA Margin	21.9	22.4	21.4	-0.5	-1.0	22.2	21.8	-0.4	
EBIT Margin	19.2	19.3	18.2	-1.0	-1.1	19.7	18.7	-1.0	
Pre-tax Margin	19.5	19.6	18.5	-1.0	-1.1	20.0	19.0	-1.0	
Net Margin	16.3	16.1	15.4	-0.9	-0.7	16.6	15.7	-0.9	

Source: Company, DBS Bank

3Q15 below expectations on higher costs. Raffles Medical's 3Q net profit grew by just 1% to S\$15.6m, while revenue was up by 7.4% y-o-y to S\$101.5m. The lower increase in profits arose from higher operating expenses which increased by 8% to S\$83m. The higher expenses were broad-based, coming from inventories and consumables (+9.1%), purchased and contracted services (+9.3%), depreciation (+28.5%) and operating lease expenses (+32.3%). Staff costs grew by a tad slower at 6.6% to S\$49.9m, highlighting management's focus on cost control, particularly its largest cost item.

Revenue growth driven by Hospital Services division, though foreign patients dipped. Both its Hospital Services and Healthcare Services registered growth, though the former's growth was significantly stronger at 11.7% compared to just 3.5% for the latter. Management indicated that Hospital Services growth was a function of increase in volume (about one-third) and revenue intensity/ price increase (about two-thirds). Volume of foreign patients declined, and management puts the drop at c.5%. Fortunately, the drop was offset by a higher number of local patients and revenue patient intensity.

Opening of Medical Centre in Orchard contributed to increase in operating lease expenses. In 3Q15, the Group commenced operations of a medical centre at Shaw Centre, occupying 17,500 sq ft. This is a multi-disciplinary centre and management has indicated that they are seeing a progressive increase in patient numbers. We believe this was the main reason for the jump in operating lease expenses to S\$2.85m for the quarter, from S\$2.16m a year ago and S\$2.44m in 2Q15.

Expansion for the next decade. Raffles Medical has announced numerous expansion initiatives in the past couple of years, and most notably in FY15. Currently, the Group is undertaking a number of projects locally and abroad – medical centre at Shaw Centre (recently opened), Raffles Holland V (completion expected in 1Q16), Raffles Hospital extension (completion expected in 1H17), Raffles Shanghai JV (completion expected in 1H18) and its recent 55% stake acquisition of 10 clinics across China, Cambodia and Vietnam).

Acquisition of 10 clinics from ISOS. Most recently, it has completed the acquisition of a 55% stake in International SOS (MC Holdings) Pte Ltd (MCH) which owns 10 clinics from AEA International Holdings Pte Ltd. The clinics are located in China (six), Vietnam (three) and Cambodia (one), and are slated to complement the Group's international expansion. In an earlier announcement, the acquisition price indicated was US\$24.5m. There are no financials being shared, but management indicates that it is profit accretive. That said, we do not envisage a huge boost to profits in the immediate term.

Valuation and forecasts; a longer-term view needed

Trimmed forecasts by 7%/10%. We lowered our FY15F/16F forecasts by 7%/10% after factoring higher operating expenses, particularly arising from higher start-up opex and staff expenses as it expands its operations over the next few years.

Maintain HOLD, revised TP to S\$4.34. Our TP is revised to S\$4.34, from S\$3.96 previously, as we changed our valuation methodology to factor in the potential value of its Shanghai

hospital JV. We pegged Raffles Medical's core operations at 29x FY16F PE, which is +0.5SD above its historical average PE, coupled with the potential value of its Shanghai JV at S\$0.48/share. Taken in total, our TP of S\$4.34 implies a PE of 35.8x/33.1x on FY15F/16F earnings. We maintain our HOLD recommendation on Raffles Medical as we believe the positives of it being a premium healthcare service player and recent foray into China have been priced in.

Potential value of Shanghai JV hospital at S\$0.48/share. We have attributed a potential value of S\$0.48/share to its stake in its Shanghai JV. We have assumed that the greenfield JV hospital will commence operations as planned in 2H18, and achieve EBITDA-positive breakeven by end-2019. Thereafter, we project operations to ramp up progressively to achieve a EBITDA margin of 35% by year 7 of its operations (i.e. 2025) with 320 beds and 60% utilisation, coupled with an average bed revenue of S\$2.7m/ year. We have assumed a WACC of 14%, and terminal growth rate of 4%.

Peer comparison table

Name of company	Market Cap (US\$m)	PE (Curr Yr) (x)	P/B (x)	EV/ EBITDA (Curr Yr) (x)	EV/ EBITDA (Next Yr) (x)	Hist. Div. Yld (%)	ROE (%)	PEG (x)	
Singapore									
RAFFLES MEDICAL	4.40	1,812	34.6	4.4	25.1	21.4	1.2	12.7	2.1
TALKMED GROUP LT	1.02	480	17.0	13.5	12.8	12.3	4.6	123.1	3.2
Q&M DENTAL GROUP	0.79	441	52.7	7.6	25.2	18.4	0.9	19.8	0.5
ISEC HEALTHCARE	0.30	99	25.0	3.1	12.0	9.5	1.1	7.2	0.8
Thailand									
BANGKOK DUSIT MD	19.50	8,502	37.4	6.4	24.1	21.2	1.1	17.2	1.9
BUMRUNGRAD HOSPI	221.00	4,532	46.6	13.7	28.6	24.8	0.9	30.1	2.6
BANGKOK CHAIN HO	7.00	491	36.6	4.2	16.5	14.5	1.5	11.4	1.7
CHULARAT HOSPITA	2.46	762	49.2	9.7	30.9	26.0	1.2	17.7	1.2
Malaysia									
IHH HEALTHCARE B	6.49	12,529	56.4	2.6	26.0	22.3	0.5	4.0	1.9
KPJ HEALTHCARE	4.26	1,039	30.2	3.2	15.4	13.7	1.9	11.2	3.0
Australia									
RAMSAY HEALTH	59.83	8,768	26.0	7.5	12.0	10.9	1.7	24.3	1.6
SONIC HEALTHCARE	18.68	5,596	16.6	2.3	11.1	10.3	3.7	10.9	1.8
HEALTHSCOPE LTD	2.63	3,304	24.4	2.0	13.3	11.9	2.7	10.2	1.4
PRIMARY HEALTH	3.93	1,486	15.2	0.8	7.7	7.3	5.1	5.7	1.2
PULSE HEALTH LTD	0.51	60	14.9	1.6	7.5	6.7	1.2	3.2	0.9
India									
APOLLO HOSPITALS	1428.7	3,059	48.6	6.3	24.1	19.8	0.4	11.1	1.4
FORTIS HEALTHCAR	160.95	1,147	77.6	1.8	32.8	20.0	n/a	-3.5	0.3
Indonesia									
SILOAM INTERNATI	12275	1,038	141.0	8.4	23.4	16.9	0.0	4.7	1.9
MITRA KELUARGA K	2815	2,995	72.7	22.3	52.0	43.9	0.7	30.1	2.8

Source: Bloomberg Finance L.P., DBS Bank

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

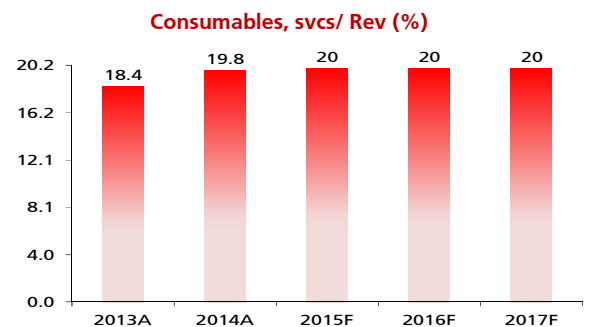
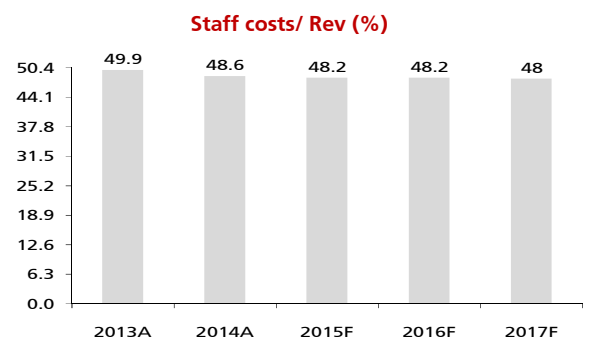
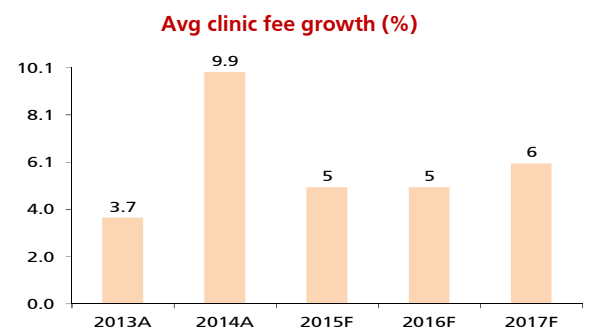
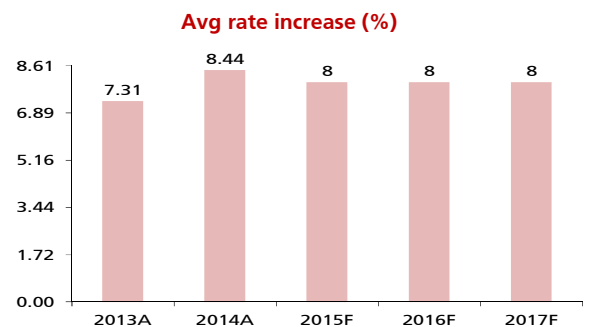
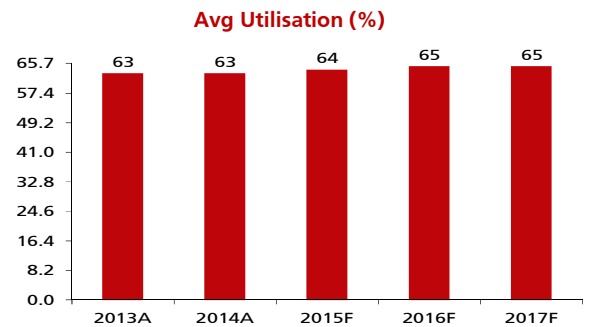
Raffles Hospital the key profit generator. Raffles Medical derives earnings mainly from three key segments – Hospital Services, Healthcare Services and Investments. Hospital Services is the largest revenue contributor, accounting for c.62% (as of FY14) of the Group’s revenue. The Group owns and operates Raffles Hospital, which is a licensed 380-bed tertiary hospital, located just at the outskirts of Singapore’s Central Business District. There are c.200 operational beds, and revenue growth has been largely driven by inpatient admissions, higher prices and increased intensity of services.

Healthcare services revenue derived through network of clinics and medical centres. Raffles Medical has a network of over 80 clinics across Singapore that provide primary care. Revenue and profit growth for this segment have been and will continue to be driven largely by patient visits. This segment contributes c.34% of the Group’s revenue. The network of its clinics serves as a feeder and a referral source for patients to its Raffles Hospital. The Group has five clinics in Hong Kong and a comprehensive medical centre in Shanghai. It has recently set up a 17,000-sq ft medical centre in Shaw Centre, and signed an agreement to acquire a chain of 10 clinics in China, Vietnam and Cambodia for US\$24.5m.

Leveraging on Singapore’s status as a premier medical hub. About one-third of Raffles Hospital’s patients are foreigners, with Indonesians accounting for c.25% of this group. Over the years, there has been concerted effort to diversify the sources of its foreign patients and it now has patients of over 100 nationalities. This is also done through its network of international associates throughout Asia.

In expansion phase for next stage of growth. The Group is currently embarking on expanding its capacities for its next stage of growth. There are several ongoing projects, such as: (i) development of a 62,000-sq ft GFA property at Singapore’s Holland Village, where a 9,000-sq ft medical centre is also housed, to be completed by 1H16; (ii) extension of its Raffles Hospital with the addition of a medical block with 220k sq ft of additional space (by 1H17); and, (iii) development of a 70:30 greenfield hospital in Shanghai in conjunction with Shanghai Lujiazui Group (by 1H18). While this is positive for its longer-term growth prospects, we believe there could be a gestation period and this could undermine growth for the Group in the near term.

Staff costs. Staff costs are currently at close to 50% of the Group’s revenue. Competition for healthcare workers between the public and private sectors, cap on foreign nurses as well as a worldwide shortage of doctors has resulted in upward pressure on staff costs. For 2Q15, staff costs rose



Source: Company, DBS Bank

9.4% on a y-o-y basis. The Group seeks to lower staff costs in the longer term by starting its own residency programme for its physicians to develop an in-house supply of doctors for its operations.

Balance Sheet:

Net cash position. As at 9M15, the Group had approximately S\$80m of cash on its balance sheet, down from c.S\$150m as of end-FY14, due to payments for its expansion projects. The Group also generates S\$80-90m of operating cashflow each year. This strong cash position enables the Group to pursue expansion projects without having the need to tap on other sources of funding.

Share Price Drivers:

Strong and consistent revenue growth. Management has delivered a 10-year revenue and net profit CAGR (FY04 to FY14) of 14% and 22% respectively. In our forecasts, we are projecting growth at a slower clip due to gestation of its expansion projects. Assuming management is able to continue delivering consistent growth, this could boost its share price, and a testament to management's ability in managing the operations.

Successful cost control. The Group is facing a rise in costs primarily from the rise in cost of labour due to shortages in medical professionals such as doctors and nurses. If these costs can be successfully controlled, it will yield positive results for the Group's bottom line.

Execution of its expansion plans, new initiatives. Further expansion into China could provide a further catalyst to share price. The Group is in an ongoing process for an MOU in Shenzhen, and is considering investing in another hospital in Beijing. Any announcements with regards to increased scale in China could be positively accepted by investors.

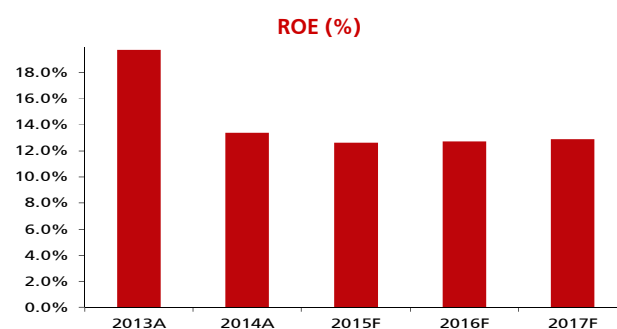
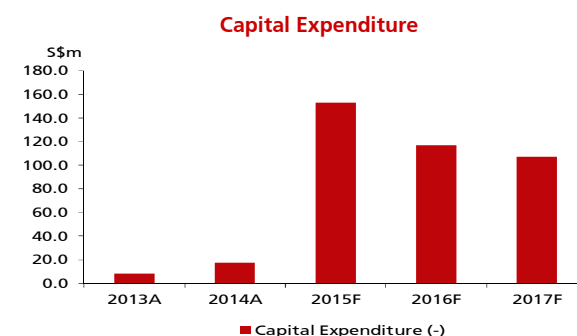
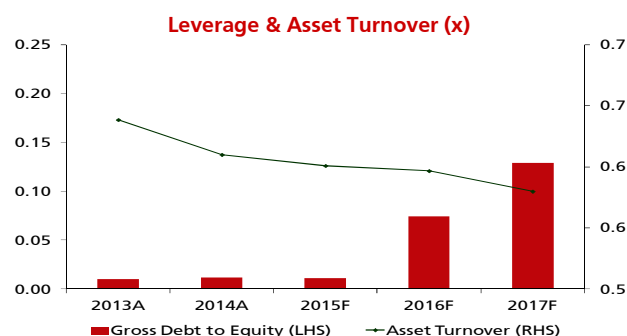
Key Risks:

Staff costs Staff costs account for close to half of the group's revenue. Supply shortages in doctors and/or skilled allied healthcare workers could result in higher wages needed to retain or attract talent.

Macro-economic headwinds. A weak economic environment may impinge on inpatient admissions, particularly elective procedures. Furthermore, patients could opt for public hospitals over private institutions in a weak environment.

COMPANY BACKGROUND

Raffles Medical is an integrated private healthcare service provider with focus in Singapore. It owns and operates a network of family medicine clinics, a tertiary care hospital, insurance services and a consumer healthcare division. It was founded in 1976 with two clinics in Singapore, and serves more than one million patients today and over 6,500 corporate clients.



Source: Company, DBS Bank

Raffles Medical

Key Assumptions

FY Dec	2013A	2014A	2015F	2016F	2017F
Avg Utilisation (%)	63.0	63.0	64.0	65.0	65.0
Avg rate increase (%)	7.31	8.44	8.00	8.00	8.00
Avg clinic fee growth (%)	3.70	9.91	5.00	5.00	6.00
Staff costs/ Rev (%)	49.9	48.6	48.2	48.2	48.0
Consumables, svcs/ Rev	18.4	19.8	20.0	20.0	20.0

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F	2017F
Revenues (\$\$ m)					
Healthcare services	124	140	152	165	181
Hospital services	231	251	275	302	326
Investment holdings	10	15	15	18	24
Less: Eliminations	(25)	(31)	(34)	(37)	(41)
Total	341	375	408	447	489
Segment profit B4 tax					
Healthcare services	11	12	13	14	14
Hospital services	57	61	60	65	69
Investment holdings	10	11	11	13	17
Total	77	84	84	91	100
Segment profit B4 tax					
Healthcare services	8.5	8.8	8.6	8.5	8.0
Hospital services	24.6	24.2	21.8	21.4	21.1
Investment holdings	96.3	73.1	73.0	73.0	70.0
Less: Eliminations	0.0	0.0	0.0	0.0	0.0
Total	22.7	22.4	20.6	20.5	20.4

Project increase arising from rental revenue contribution

Income Statement (\$\$ m)

FY Dec	2013A	2014A	2015F	2016F	2017F
Revenue	341	375	408	447	489
Cost of Goods Sold	0	0	0	0	0
Gross Profit	341	375	408	447	489
Other Opng (Exp)/Inc	(267)	(294)	(324)	(356)	(390)
Operating Profit	74	80	84	91	100
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	1	1	1	0	(1)
Exceptional Gain/(Loss)	20	0	0	0	0
Pre-tax Profit	95	81	84	91	99
Tax	(10)	(13)	(14)	(15)	(16)
Minority Interest	0	0	0	0	0
Preference Dividend	0	0	0	0	0
Net Profit	85	68	71	76	83
Net Profit before Except.	65	68	71	76	83
EBITDA	82	90	96	104	116
Growth					
Revenue Gth (%)	9.4	9.9	8.9	9.6	9.4
EBITDA Gth (%)	10.6	9.4	6.4	9.1	10.7
Opg Profit Gth (%)	11.4	8.6	4.4	9.1	9.0
Net Profit Gth (Pre-ex) (%)	13.5	4.9	4.3	8.3	8.5
Margins & Ratio					
Opg Profit Margin (%)	21.7	21.4	20.6	20.5	20.4
Net Profit Margin (%)	24.9	18.1	17.3	17.1	16.9
ROAE (%)	19.7	13.4	12.6	12.7	12.9
ROA (%)	15.9	11.0	10.4	10.2	9.8
ROCE (%)	14.9	13.0	12.2	12.1	11.6
Div Payout Ratio (%)	32.6	45.9	48.8	48.9	45.0
Net Interest Cover (x)	NM	NM	NM	811.4	167.6

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$\$ m)

FY Dec	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Revenue	94	100	95	99	102
Cost of Goods Sold	0	0	0	0	0
Gross Profit	94	100	95	99	102
Other Oper. (Exp)/Inc	(76)	(74)	(77)	(80)	(83)
Operating Profit	18	26	18	19	19
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	18	26	18	19	19
Tax	(3)	(4)	(3)	(3)	(3)
Minority Interest	0	0	0	0	0
Net Profit	15	22	15	16	16
Net profit bef Except.	15	22	15	16	16
EBITDA	21	29	21	22	22

Growth

Revenue Gth (%)	2.0	5.8	(5.0)	4.5	2.3
EBITDA Gth (%)	(1.2)	40.3	(28.9)	7.7	(2.1)
Opg Profit Gth (%)	(3.1)	44.5	(32.7)	8.5	(3.4)
Net Profit Gth (Pre-ex) (%)	(1.2)	42.9	(32.0)	6.5	(2.1)

Margins

Opg Profit Margins (%)	19.2	26.2	18.6	19.3	18.2
Net Profit Margins (%)	16.3	22.0	15.8	16.1	15.4

Slower net profit growth on higher opex due to expansion projects and slower macro-economic factors

Balance Sheet (\$\$ m)

FY Dec	2013A	2014A	2015F	2016F	2017F
Net Fixed Assets	154	228	369	473	564
Invts in Associates & JVs	0	0	0	0	0
Other LT Assets	101	231	231	231	231
Cash & ST Invts	266	150	43	25	25
Inventory	9	9	9	10	11
Debtors	44	37	51	56	61
Other Current Assets	0	0	0	0	0
Total Assets	573	655	703	795	892
ST Debt	5	6	6	6	6
Creditor	82	86	93	102	112
Other Current Liab	10	13	14	15	16
LT Debt	0	0	0	40	80
Other LT Liabilities	2	10	10	10	10
Shareholder's Equity	473	539	578	620	666
Minority Interests	1	1	2	2	3
Total Cap. & Liab.	573	655	703	795	892
Non-Cash Wkg. Capital	(39)	(53)	(46)	(51)	(55)
Net Cash/(Debt)	261	144	36	(21)	(62)
Debtors Turn (avg days)	44.1	39.5	39.3	43.6	43.7
Asset Turnover (x)	0.6	0.6	0.6	0.6	0.6
Current Ratio (x)	3.3	1.9	0.9	0.7	0.7
Quick Ratio (x)	3.2	1.8	0.8	0.7	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	0.0	0.1
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.0	0.1
Capex to Debt (%)	169.3	275.6	2,389.7	252.0	123.7
Z-Score (X)	17.8	15.4	14.2	13.2	13.2

Marginal debt on expansion projects; assuming shareholders opt for cash in dividends instead of scrip

Source: Company, DBS Bank

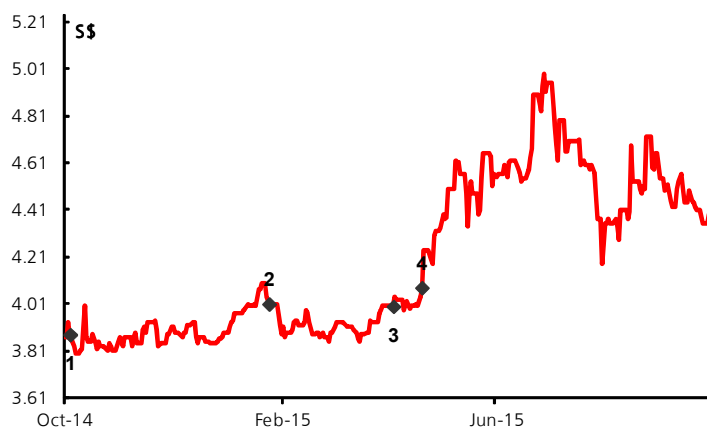
Cash Flow Statement (\$\$ m)

FY Dec	2013A	2014A	2015F	2016F	2017F
Pre-Tax Profit	95	81	84	91	99
Dep. & Amort.	8	10	12	13	16
Tax Paid	(10)	(14)	(13)	(14)	(15)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	0	13	(7)	3	3
Other Operating CF	(22)	3	0	0	0
Net Operating CF	71	93	76	94	104
Capital Exp.(net)	(8)	(18)	(153)	(117)	(107)
Other Invts.(net)	0	0	0	0	0
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	119	(188)	0	0	0
Net Investing CF	111	(206)	(153)	(117)	(107)
Div Paid	(10)	(12)	(31)	(34)	(37)
Chg in Gross Debt	(15)	1	0	40	40
Capital Issues	6	8	0	0	0
Other Financing CF	0	0	0	0	0
Net Financing CF	(19)	(3)	(31)	6	3
Currency Adjustments	0	0	0	0	0
Chg in Cash	163	(116)	(108)	(17)	0
Opg CFPS (\$ cts)	12.8	14.2	14.5	15.8	17.5
Free CFPS (\$ cts)	11.4	13.5	(13.3)	(4.0)	(0.5)

Capex for Holland V, hospital extension, Shanghai JV.

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	28 Oct 14	3.88	4.19	HOLD
2:	17 Feb 15	4.01	3.96	HOLD
3:	28 Apr 15	4.00	3.96	HOLD
4:	14 May 15	4.08	3.96	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 30 Sep 2015.
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates do not beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 30 Sep 2015.
3. **Compensation for investment banking services:**
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates did not received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E