Raffles Medical Group (RFMD SP)

1H26: Lower TCF Occupancy Drives Earnings Miss And Resets The Run Rate

HOLD (Downgraded)

Share Price	S$0.91
Target Price	S$0.94
Upside	3.3%
Previous TP	S$1.25

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Highlights

- 1H26 net profit of S$29.0m (-9.6% yoy) missed expectations; the miss was due to lower occupancy of its Singapore TCF. Excluding the TCF, the rest of RMG's business lines recorded yoy stable/improving performance in 1H26.
- 1H26 earnings are likely to have set a new baseline run rate moving forward.
- The turnaround of the China hospital portfolio remains on track.
- Downgrade to HOLD, with our target price cut to S$0.94, now based on 27.2x 2027F PE (0.5SD below historical mean PE of 29.6x).

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy chg %	2H25	hoh chg %	2026F	1H as % of 26F
Revenue (net)	353.2	378.4	-6.7	386.9	-8.7	779.0	45%
- Healthcare services	112.1	135.4	-17.2	136.1	-17.6	272.8	41%
- Hospital services	151.2	147.0	+2.9	159.0	-4.9	316.6	48%
- Insurance services	86.4	92.6	-6.7	88.4	-2.3	182.8	47%
- Investment holdings	3.5	3.4	+2.0	3.4	+3.4	6.8	51%
Reported EBIT	38.1	41.6	-8.4	48.7	-21.8	94.5	40%
Core EBIT	35.7	42.3	-15.5	45.4	-21.2	94.5	38%
Segmental PBT	47.0	51.1	-8.1	56.6	-17.0		
- Healthcare services	15.6	24.9	-37.5	17.6	-11.2		
- Hospital services	19.7	17.7	+11.0	23.4	-15.7		
- Insurance services	-1.1	-3.1	-64.3	0.0	n.a.		
- Investment holdings	12.8	11.5	+10.7	15.6	-18.2		
Consolidated PBT	39.2	43.9	-10.8	49.7	-21.2	96.3	41%
Reported net profit	29.0	32.1	-9.6	38.5	-24.5	73.3	40%
Core net profit	26.4	32.5	-18.7	34.8	-24.0	73.3	36%

Source: RMG, UOB Kay Hian

Analysis

- **1H26 results a miss...** Raffles Medical Group's (RMG) 1H26 reported net profit of S$29.0m (-9.6% yoy) missed expectations, forming 40% of our full-year forecast. Excluding one-off items such as forex gains, core net profit dropped 18.7% yoy to S$26.4m.
- **...due to lower occupancy at its TCF.** Revenue and PBT of the healthcare services division dropped 17.2% and 37.5% yoy, respectively, driven by lower bed occupancy at RMG's transitional care facility (TCF) in Singapore, which has seen patient traffic diversion to the newly opened Woodlands Hospital.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	752	765	721	750	781
EBITDA	124	134	119	125	135
Operating profit	82	90	75	80	90
Net profit (rep./act.)	62	71	60	63	71
Net profit (adj.)	65	67	57	63	71
EPS (S$ cent)	3.5	3.6	3.1	3.4	3.8
PE (x)	25.9	25.0	29.4	26.6	23.8
P/B (x)	1.6	1.6	1.6	1.6	1.5
EV/EBITDA (x)	11.2	10.4	11.7	11.2	10.3
Dividend yield (%)	2.7	3.3	3.3	3.3	3.4
Net margin (%)	8.3	9.2	8.3	8.4	9.0
Net debt/(cash) to equity (%)	(27.4)	(24.7)	(26.3)	(29.5)	(33.1)
ROE (%)	6.0	6.7	5.6	5.9	6.6
Consensus net profit (S$m)	-	-	73	79	89
UOBKH/Consensus (x)	-	-	0.79	0.80	0.80

Source: RMG, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Healthcare
Bloomberg ticker	RFMD SP
Shares issued (m)	1,840.2
Market cap (S$m)	1,969.0
Market cap (US$m)	1,556.9
3-mth avg daily t'over (US$m)	1.1

Price Performance (%)

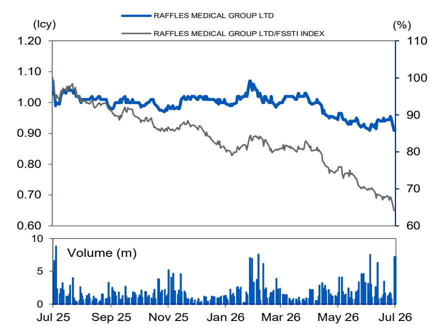
52-week high/low: S$1.09/S$0.825

1mth	3mth	6mth	1yr	YTD
7.0	9.7	4.9	29.7	4.9

Major Shareholders

	%
Dr Loo Choon Yong	53.8

Price Chart



Source: Bloomberg

Company Description

Raffles Medical Group is one of the leading integrated private healthcare providers in the region, providing a continuum of services from primary and tertiary care to health insurance for people across Asia.

- **Hospital and Insurance segments recorded improving performances.**
  - **Hospital services.** Segmental PBT rose 11.0% yoy to S$19.7m. driven by improved operation and cost efficiency across RMG's hospitals in Singapore and China. Management highlighted that RMG's China hospital operations recorded encouraging progress, with revenue rising 13% yoy in 1H26 and operating loss steadily narrowing. Despite Singapore's regulation changes on Integrated Shield Plan (IPs) riders (effective 1 Apr 26), RMG's Singapore hospital operations showed resilience, turning in a largely yoy flattish revenue in 1H26.
  - **Insurance services.** Segmental pre-tax loss narrowed yoy to S$1.1m in 1H26 (1H25: S$3.1m in loss), driven by prudent claims adjudication and effective cost management.
- **Strong balance sheet.** RMG has fully paid off its financial borrowings and maintained a pure cash balance of S$262m as of end-1H26, equivalent to 15% of its current market cap.
- **1H26 performance sets a new baseline run rate.** Management noted that the bed occupancy at its Singapore TCF has already stabilised at a lower (yet still profitable) equilibrium level, and may gradually improve moving forward, driven by the favourable macro trend of ageing population. While it is still early to conclude the impacts from the regulatory change on IPs riders, management has not observed meaningful impacts in the first few months of implementation and guided for stable performance for its Singapore hospital in 2H26.
- **Turnaround of China hospitals remains on track.** Management noted that dynamics at its China hospitals are improving, driven by: a) more expatriates returning to China, and b) RMG increasingly gaining recognition from local patients. In addition, its collaborations with local public hospitals (including clinical partnerships and referral programmes) are also working satisfactorily. As such, management maintained its guidance that its Shanghai hospital is on track to achieve breakeven at EBITDA level by end-26, and targets for its overall China hospital portfolio to achieve EBTIDA breakeven in 2027.

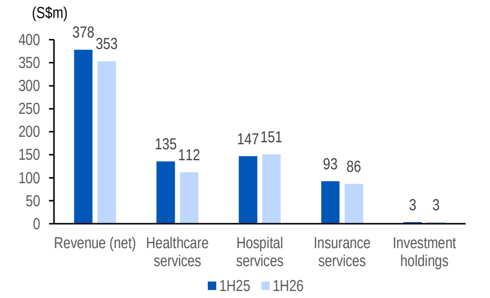
Earnings Revision/Risk

- **Our 2026-28 earnings forecasts have been cut by 16-22%,** to reflect the expected weaker contribution from RMG's Singapore TCF.
- **Key risks:** a) intensifying regional competition for medical tourism, b) failure to pass through cost inflation, c) a prolonged loss-making position of its China hospital portfolio, and d) unfavourable regulatory changes.

Valuation/Recommendation

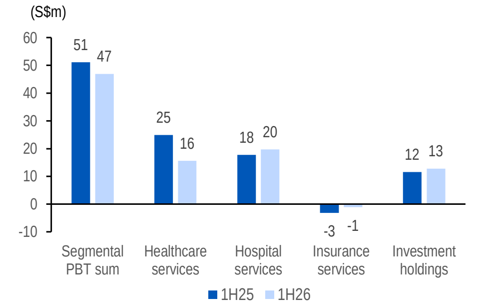
- **Downgrade RMG to HOLD with a lower target price of S$0.94** based on 27.2x 2027F PE, pegged to 0.5SD below RMG's historical mean PE. RMG currently trades at 26.6x 2027F (0.6SD below its historical mean PE), largely in line with ASEAN peers averaging at 25.6x.
- **Share buyback to limit share price downside.** RMG has an active share buyback programme in place and intends to buy back up to 100m shares in 2025-26. Management noted that RMG will continue to execute the share buyback programme this year.
- **Dividend outlook.** Backed by its strong balance sheet and upbeat free cash flow generations, RMG has flexibilities to sustain a 3 S cent ordinary dividend for next few years, translating to a 3.3% yield. 2026 marks RMG's 50th year anniversary and we do not rule out the possibility of RMG paying a special dividend at the end of the year.

Revenue (Net) By Segment



Source: RMG

PBT By Segment



Source: RMG

Historical PE Band

Source: Bloomberg

Valuation

		2026F	2027F	2028F
EPS (S$)		0.031	0.034	0.038
PE peg		----------- Target price (S$) ---------		
+1.0SD	34.4x	1.07	1.18	1.33
+0.5SD	32.0x	1.00	1.10	1.23
Mean	29.6x	0.92	1.02	1.14
-0.5SD	27.2x	0.85	0.94	1.05
-1.0SD	24.8x	0.77	0.85	0.96

Source: RMG, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	765	721	750	781
EBITDA	134	119	125	135
Deprec. & amort.	43	44	44	45
EBIT	90	75	80	90
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	3	2	3	3
Pre-tax profit	94	78	83	93
Tax	(23)	(18)	(20)	(22)
Minorities	(1)	(0)	(1)	(1)
Net profit	71	60	63	71
Net profit (adj.)	67	57	63	71

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	975	952	929	906
Other LT assets	19	19	19	19
Cash/ST investment	311	279	315	359
Other current assets	125	119	123	128
Total assets	1,430	1,369	1,386	1,412
ST debt	50	0	0	0
Other current liabilities	284	270	279	289
LT debt	0	0	0	0
Other LT liabilities	40	40	40	40
Shareholders' equity	1,058	1,060	1,068	1,084
Minority interest	(3)	(2)	(2)	(1)
Total liabilities & equity	1,430	1,369	1,386	1,412

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	101	92	109	117
Pre-tax profit	94	75	83	93
Tax	(22)	(18)	(20)	(22)
Deprec. & amort.	45	44	44	45
Associates	0	0	0	0
Working capital changes	(12)	(7)	4	5
Non-cash items	1	0	0	0
Other operating cashflows	(3)	(2)	(3)	(3)
Investing	(3)	(5)	(5)	(5)
Capex	(10)	(9)	(10)	(10)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	8	4	4	5
Financing	(131)	(118)	(69)	(69)
Dividend payments	(46)	(55)	(55)	(55)
Proceeds from borrowings	0	0	0	0
Loan repayment	(34)	(50)	0	0
Others/interest paid	(51)	(13)	(13)	(13)
Net cash inflow (outflow)	(32)	(31)	36	44
Beginning cash & cash equivalent	344	311	279	315
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	311	279	315	359

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.5	16.5	16.6	17.2
Pre-tax margin	12.2	10.8	11.1	11.9
Net margin	9.2	8.3	8.4	9.0
ROA	4.8	4.3	4.6	5.0
ROE	6.7	5.6	5.9	6.6
Growth				
Turnover	1.8	(5.8)	4.0	4.2
EBITDA	7.5	(11.0)	4.7	8.1
Pre-tax profit	7.6	(17.0)	6.8	12.0
Net profit	13.4	(15.6)	5.8	12.0
Net profit (adj.)	2.7	(15.0)	10.2	12.0
EPS	3.3	(14.7)	10.2	12.0
Leverage				
Debt to total capital	4.5	0.0	0.0	0.0
Debt to equity	4.7	0.0	0.0	0.0
Net debt/(cash) to equity	(24.7)	(26.3)	(29.5)	(33.1)