

## ASEAN: Healthcare Services: Hospitals

### Prices running ahead of earnings; prefer Singapore to Thai hospitals

#### Remain Neutral on the sector; prefer Singapore over Thailand

We see current share prices running ahead of earnings expectations, and find existing valuations not greatly compelling. We remain Neutral on the sector, but raise our 12-month target prices as we roll over to 2008E valuations.

We prefer Singapore hospitals for their more sophisticated medical capabilities and ability to expand their catchment area by 'importing' foreign patients and 'exporting' their medical expertise. Regarding any push into China, we think Singapore hospitals have a natural advantage over their Thai counterparts given cultural and language affinities.

#### Stock picks: Now prefer Bangkok Dusit to Bumrungrad

We see **Bangkok Dusit Medical** (BGH.BK; Neutral) as comparatively inexpensive, trading at 11.3X 2008E EV/EBITDA and with earnings CAGR of 31% over 2006-2008E, against the sector average (ex-Parkway) of 12X 2008E EV/EBITDA and earnings CAGR of 21%. We remind investors of possible dilution risks with BGH, but recommend a switch to BGH from **Bumrungrad Hospital** (BH.BK), which we downgrade to Sell from Neutral. BH's 3Q07 results, due in mid-Nov, could be a negative catalyst as we expect fewer medical tourists from the Middle East this summer.

We still rate **Parkway** (PARM.SI) Neutral as we believe the positives of its asset securitization exercise have already been priced in. We believe that reinvestment assumptions are the swing factor when valuing Parkway. We see limited downside from the current share price given: (1) the upcoming listing of its REIT; and (2) our expectations of a special dividend payment.

We believe **Raffles** (RAFG.SI; Neutral) is fairly priced at current levels, but recommend investors continue to hold the shares as we see positive earnings momentum. We do not foresee any negative catalysts.

We are raising our SOTP 12-month target prices on BGH, BH, and Parkway as we change to 2008E valuations, and tweak their 2007-2009 earnings.

#### Risks

Upside risks: Earnings-accretive investments/acquisitions. Downside risk: Overpaying for acquisitions, if any.

#### Bumrungrad Hospital (BH.BK, Sell)

Key Data	Current			
Price (Bt)	46.00			
12-month price target (Bt)	43.25			
Market cap (Bt mn /US\$ mn)	33,497 / 1,023			
	12/06	12/07E	12/08E	12/09E
EPS growth (%)	4.1	11.1	17.1	20.8
P/E (X)	30.6	27.5	23.5	19.4
EV/EBITDA (X)	18.3	15.6	13.4	11.6

#### Bangkok Dusit Medical (BGH.BK, Neutral)

Key Data	Current			
Price (Bt)	41.75			
12-month price target (Bt)	44.00			
Market cap (Bt mn /US\$ mn)	49,308 / 1,506			
	12/06	12/07E	12/08E	12/09E
EPS growth (%)	57.1	39.7	21.7	20.0
P/E (X)	37.3	26.6	21.8	18.2
EV/EBITDA (X)	16.3	13.0	11.3	10.2

#### Parkway Holdings (PARM.SI, Neutral)

Key Data	Current			
Price (S\$)	4.18			
12-month price target (S\$)	3.82			
Market cap (S\$ mn /US\$ mn)	3,218 / 2,099			
	12/06	12/07E	12/08E	12/09E
EPS growth (%)	-12.7	42.6	21.2	27.3
P/E (X)	58.0	39.3	32.4	25.5
EV/EBITDA (X)	17.6	20.1	18.4	14.9

#### Raffles Medical Group (RAFG.SI, Neutral)

Key Data	Current			
Price (S\$)	1.31			
12-month price target (S\$)	1.37			
Market cap (S\$ mn /US\$ mn)	607 / 396			
	12/06	12/07E	12/08E	12/09E
EPS growth (%)	28.5	39.6	34.2	22.5
P/E (X)	38.5	26.7	19.9	16.3
EV/EBITDA (X)	26.7	19.1	14.5	11.9

Source: Company data, Goldman Sachs Research estimates.

## Table of contents

<b>Valuations not compelling; remain Neutral on the sector</b>	<b>2</b>
<b>Bumrungrad Hospital (Sell) – Unlikely to keep up with SET Index</b>	<b>4</b>
<b>Bangkok Dusit Medical (Neutral) – Comparatively inexpensive</b>	<b>6</b>
<b>Parkway (Neutral) – Positives priced in, reinvestment the key</b>	<b>9</b>
<b>Raffles Medical (Neutral) – Positive momentum</b>	<b>14</b>
<b>Disclosures</b>	<b>16</b>

*The prices in the body of this report are based on the market close of June 6, 2007.*

## Valuations not compelling; remain Neutral on the sector

### Share prices continue to run ahead of earnings

All four hospitals under our coverage reported 1Q07 results that were in line with our expectations, and all four appear to be on track to meet our full year estimates. We have now rolled over to using 2008E as our valuation basis and still find current share prices running ahead of our earnings expectations (which we have revised slightly). We do not find existing valuations particularly compelling and remain Neutral on the sector.

#### Exhibit 1: Summary of changes to target prices and ratings

	12-mo target price		Ratings	
	Old	New	Old	New
Parkway Holdings	S\$2.96	S\$3.82	Neutral	Neutral
Bangkok Dusit Medical Service	Bt34.00	Bt44.00	Neutral	Neutral
Bumrungrad Hospital	Bt36.75	Bt43.25	Neutral	Sell
Raffles Medical Group	S\$1.37	S\$1.37	Neutral	Neutral

*Source: Goldman Sachs Research estimates.*

### Parkway REIT now a reality, expect valuation premium over peers to be maintained

We missed the run in Parkway shares, not expecting the long-talked about REIT to eventuate this year. We caution investors against using Parkway's valuation multiples as a benchmark for the sector because of its impending asset securitization exercise as we believe similar transactions would be difficult to execute within the peer group, given an undeveloped REIT market in Thailand, and in the case of Raffles, management has indicated that it has no significant funding requirement to warrant an asset securitization exercise.

### Thailand: switch to Bangkok Dusit (BGH) from Bumrungrad (BH)

We believe 2007E earnings at BH, one of the more popular names amongst medical tourists, could be harmed by a drop in medical tourist arrivals given political uncertainty in Thailand and much negative news flow since the September 2006 bloodless coup. However, we are lowering our rating on BH to Sell from Neutral not solely on this possible short term fall out, but rather on the belief that the shares will stay rangebound over the

next 12 months as we see revenue growth slowing over the next few years because of capacity constraints. Within the context of the Thai hospital sector, we recommend a switch to BGH from BH. We see BGH as comparatively cheaper stock with higher earnings growth.

### Prefer Singapore hospitals: beginning a China footprint

In the long run, we prefer the Singapore hospitals for their more sophisticated medical capabilities and ability to expand their geographical catchment area by 'importing' foreign patients and 'exporting' their medical expertise (see our report, *Pricing in too much, too soon*, February 5, 2007).

Parkway has already begun its expansion into China, with its newly-opened Shanghai Gleneagles Medical Center and its recently-acquired World Link group of medical centers. We expect Raffles to follow suit, but it is not clear when it might procure a license for a medical center in China.

There has been no real attempt made by the Thai hospitals to venture into China so far and we believe this is a prudent decision on their part since they have no real advantages vis-à-vis the Singapore hospitals, which we consider to have a natural advantage in China, given cultural and language affinities.

#### Exhibit 2: BGH is the only stock we cover that trades below the average industry EV/EBITDA multiple of 12X

Valuations of ASEAN hospitals

Ticker	GS rating	Curr	Price 6-Jun	Market cap (US\$m)	Average daily trading volume (US\$m) 6-mos	EPS growth (%)			EV/EBITDA (X)			P/E (X)			ROE (%)		Dividend yield (%)
						2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E	2008E	2008E	
Parkway Holdings	PWAY SP	Neutral	SGD	4.18	2,099	4.1	-13	43	21	17.6	20.1	18.4	58.0	39.3	32.4	18.4	2.2
Bangkok Dusit Medical Service	BGH TB	Neutral	THB	41.75	1,506	1.1	57	40	22	16.3	13.0	11.3	37.3	26.6	21.8	19.1	1.2
Bumrungrad Hospital	BH TB	Sell	THB	46.00	1,023	0.6	4	11	17	18.3	15.6	13.4	30.6	27.5	23.5	32.6	1.6
Raffles Medical Group	RFMD SP	Neutral	SGD	1.31	396	0.3	29	40	34	26.7	19.1	14.5	38.5	26.7	19.9	24.6	3.7
Bangkok Chain Hospital	KH TB	NC	THB	7.75	225	0.3	65	14	10	8.7	7.5	7.0	18.0	15.8	14.3	17.5	4.0
KPJ Healthcare	KPJ MK	NC	MYR	3.82	229	0.4	22	15	14	10.3	12.1	10.3	18.4	16.0	14.0	10.9	3.5
Thomson Medical Centre	THOM SP	NC	SGD	0.71	135	0.1	34	12	19	16.4	15.8	14.1	24.8	22.2	18.7	12.7	2.7
<b>Average</b>						<b>23</b>	<b>38</b>	<b>20</b>	<b>17.7</b>	<b>15.6</b>	<b>13.7</b>	<b>40.5</b>	<b>29.3</b>	<b>24.4</b>	<b>18.5</b>	<b>2.0</b>	
<b>Average (ex-Parkway)</b>						<b>37</b>	<b>33</b>	<b>20</b>	<b>17.5</b>	<b>14.0</b>	<b>12.1</b>	<b>33.9</b>	<b>25.5</b>	<b>21.3</b>	<b>18.7</b>	<b>1.9</b>	

Source: Company data, I/B/E/S, Bloomberg, Goldman Sachs Research estimates.

## Bumrungrad Hospital (Sell) – Unlikely to keep up with SET Index

### Investment summary – trade for Bangkok Dusit

We believe that BH is fairly priced at current levels (13X 2008E EV/EBITDA) and see little potential upside to our new 12-month target price. We believe the shares are likely to remain rangebound over the next 12 months.

We believe 3Q07 results, due in mid-November 2007, could be a possible negative catalyst as we expect fewer medical tourists from the Middle East during the upcoming peak summer season given the tense political situation in Thailand. Although we feel this is likely to be just a short-term issue, albeit one that may extend over the next few years if there are further violent incidents in Thailand, we also see revenue growth slowing because of capacity constraints (see our report, *Pricing in too much, too soon*, dated February 5, 2007).

In the context of the Thai hospital sector, we recommend a switch from BH to BGH, which we see as a more inexpensive stock with higher earnings growth.

### Downgrade to Sell, but raise target price on move to 2008 valuation

We downgrade BH to Sell from Neutral, but raise our 12-month SOTP-based target price to Bt43.25 (from Bt36.75) as we roll over to 2008E multiples. Our new target price suggests 6% potential downside. We highlight that our estimates are c.10% below consensus over 2007E-2009E on lower revenue growth expectations.

We value BH's associates, including its 32%-owned overseas investment arm, Bumrungrad International Company (BIL), based on book value. While we are positive on BIL's recent acquisition of Singapore-based dialysis-provider, Asia Renal Care, we note that BIL is not a significant earnings contributor, accounting for only c.5% of group 2007E-2009E net profit. We expect BH to inject a further Bt550 mn into BIL this year, to be funded from internal cash and debt.

#### Exhibit 3: SOTP valuation

	Value (Bt mn)	Value per share (Bt)	Breakdown (%)	Methodology
Hospital business	31,903	43.81	101%	Based on 12X 2008E EV/EBITDA
Associates and other investments	1,129	1.55	4%	Book value
<b>Enterprise value</b>	<b>33,032</b>	<b>45.36</b>		
Net cash / (debt)	(1,560)	(2.14)	-5%	
<b>Equity value</b>	<b>31,473</b>	<b>43.22</b>		

Source: Company data, Goldman Sachs Research estimates.

### Risks to our view

- Higher-than-expected medical tourist arrivals, particularly from the Middle East
- Better-than-expected execution of management's strategies to improve revenue intensity

**Exhibit 4: Bumrungrad Hospital summary financials**  
 December fiscal year end, 2006-2009E (Bt mn)

<b>Profit model</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>Balance sheet</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
<b>Total revenue</b>	<b>7,826.1</b>	<b>9,091.7</b>	<b>10,290.8</b>	<b>11,650.4</b>	Cash & equivalents	873.5	622.0	732.9	1,360.3
Cost of goods sold	(4,775.1)	(5,428.3)	(6,074.2)	(6,800.9)	Accounts receivables	525.2	545.5	617.4	699.0
SG&A	(1,490.7)	(1,934.8)	(2,210.7)	(2,578.3)	Inventory	166.4	181.8	205.8	233.0
R&D	0.0	0.0	0.0	0.0	Other current assets	73.6	22.0	52.0	86.0
Other operating profit / (expenses)	43.2	32.3	37.1	42.5	<b>Total current assets</b>	<b>1,638.7</b>	<b>1,371.4</b>	<b>1,608.2</b>	<b>2,378.4</b>
<b>EBITDA</b>	<b>1,945.5</b>	<b>2,286.5</b>	<b>2,658.6</b>	<b>3,086.2</b>	Total investments	467.0	1,059.8	1,129.5	1,201.7
Depreciation & amortization	(342.1)	(525.6)	(615.6)	(772.5)	Intangible assets	732.1	732.1	732.1	732.1
<b>EBIT</b>	<b>1,603.4</b>	<b>1,760.9</b>	<b>2,042.9</b>	<b>2,313.7</b>	Net fixed assets	3,752.0	5,226.3	5,510.7	5,608.3
Interest income	18.5	14.9	13.5	20.9	Other long term assets	33.2	0.0	0.0	0.0
Finance charges	(109.9)	(129.2)	(144.6)	(14.0)	<b>Total assets</b>	<b>6,622.9</b>	<b>8,389.6</b>	<b>8,980.5</b>	<b>9,920.5</b>
Associate income	7.8	45.1	69.7	72.3	Accounts payables	551.8	597.1	668.2	748.1
Others	(10.4)	0.0	0.0	0.0	Short-term loans	328.5	500.0	500.0	500.0
<b>Pretax profits</b>	<b>1,509.3</b>	<b>1,691.7</b>	<b>1,981.6</b>	<b>2,392.8</b>	Other current liabilities	691.6	1,061.4	1,218.2	1,419.0
Income tax	(432.1)	(473.7)	(554.8)	(670.0)	<b>Total current liabilities</b>	<b>1,571.9</b>	<b>2,158.5</b>	<b>2,386.3</b>	<b>2,667.1</b>
Minorities	18.5	0.0	0.0	0.0	Long-term loans	1,422.5	2,292.5	1,792.5	1,292.5
<b>Net income pre preferred dividends</b>	<b>1,095.7</b>	<b>1,218.0</b>	<b>1,426.7</b>	<b>1,722.8</b>	Other long term liabilities	0.0	0.0	0.0	0.0
Preferred dividends	0.0	0.0	0.0	0.0	Total long term liabilities	1,422.5	2,292.5	1,792.5	1,292.5
<b>Net profits</b>	<b>1,095.7</b>	<b>1,218.0</b>	<b>1,426.7</b>	<b>1,722.8</b>	<b>Total liabilities</b>	<b>2,994.4</b>	<b>4,450.9</b>	<b>4,178.8</b>	<b>3,959.6</b>
Post tax exceptionals	0.0	0.0	0.0	0.0	Share capital & share premium	1,015.6	1,015.6	1,015.6	1,015.6
<b>Net income</b>	<b>1,095.7</b>	<b>1,218.0</b>	<b>1,426.7</b>	<b>1,722.8</b>	Other reserves	526.5	526.5	526.5	526.5
EPS (weighted average)	1.51	1.67	1.96	2.37	<b>Total common equity</b>	<b>3,284.3</b>	<b>3,938.6</b>	<b>4,801.7</b>	<b>5,960.9</b>
EPS (post-exceptionals)	1.51	1.67	1.96	2.37	Minority interests	344.3	0.0	0.0	0.0
EPS (fully diluted)	1.26	1.40	1.64	1.99	<b>Total liabilities and equity</b>	<b>6,622.9</b>	<b>8,389.6</b>	<b>8,980.5</b>	<b>9,920.5</b>
DPS	0.75	0.75	0.75	0.75	<b>BVPS</b>	<b>4.51</b>	<b>5.41</b>	<b>6.59</b>	<b>8.19</b>
Dividend payout ratio (%)	50.0	44.8	38.3	31.7					
Free cash flow yield (%)	2.4	(3.9)	3.1	4.5					
<b>Growth and margins</b>					<b>Ratios</b>				
Sales growth (%)	16.2	16.2	13.2	13.2	ROE (%)	37.1	33.7	32.6	32.0
EBITDA growth (%)	17.0	17.5	16.3	16.1	ROA (%)	17.7	16.2	16.4	18.2
EBIT growth (%)	16.9	9.8	16.0	13.3	ROACE (%)	27.8	24.5	24.4	26.9
Net income growth (%)	4.1	11.2	17.1	20.8	Inventory days	12.1	11.7	11.6	11.8
EPS growth (%)	4.1	11.1	17.1	20.8	Receivables days	20.2	21.5	20.6	20.6
Gross margin (%)	39.0	40.3	41.0	41.6	Payables days	39.6	38.6	38.0	38.0
EBIT margin (%)	20.5	19.4	19.9	19.9	Net debt / equity (%)	24.2	55.1	32.5	7.2
EBITDA margin (%)	24.9	25.1	25.8	26.5	Interest cover - EBIT (X)	17.5	15.4	15.6	NM
Net margin (%)	14.0	13.4	13.9	14.8					
<b>Cash flow analysis</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>VALUATION</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Net income pre preferred dividends	1,095.7	1,218.0	1,426.7	1,722.8	P/E (analyst) (X)	30.6	27.5	23.5	19.4
DD&A add back	342.1	525.6	615.6	772.5	P/B (X)	10.2	8.5	7.0	5.6
Minority interests add back	(18.5)	0.0	0.0	0.0	EV/EBITDA (X)	18.3	15.6	13.4	11.6
Net (inc)/dec working capital	(336.2)	80.4	20.8	22.9	Dividend yield (%)	1.6	1.6	1.6	1.6
Others	53.9	110.7	142.5	36.0					
<b>Net cash flow from operations</b>	<b>1137.0</b>	<b>1934.7</b>	<b>2205.7</b>	<b>2554.2</b>					
Capital expenditures	(680.4)	(2,000.0)	(900.0)	(870.0)					
Net (inc)/dec investments	0.0	(549.7)	0.0	0.0					
Net (inc)/dec other assets	210.5	0.0	0.0	0.0					
Others	(207.8)	14.9	13.5	20.9					
<b>Net cash flows from investments</b>	<b>(677.7)</b>	<b>(2534.8)</b>	<b>(886.5)</b>	<b>(849.1)</b>					
Dividends	(547.5)	(546.2)	(546.2)	(546.2)					
Debt drawdown (repayments)	(28.5)	1,041.4	(500.0)	(500.0)					
Common stock issuance	0.0	0.0	0.0	0.0					
Others	216.9	(146.7)	(162.1)	(31.5)					
<b>Net cash flows from financing</b>	<b>(359.2)</b>	<b>348.6</b>	<b>(1,208.3)</b>	<b>(1,077.7)</b>					
<b>Net inc/(dec) in cash</b>	<b>100.1</b>	<b>(251.5)</b>	<b>110.9</b>	<b>627.4</b>					

Note: Last actual year may include reported and estimated data

Source: Company data, Goldman Sachs Research estimates.

## Bangkok Dusit Medical (Neutral) – Comparatively inexpensive

### Investment summary – the most inexpensive of the bunch

We see Bangkok Dusit Medical (BGH) as comparatively inexpensive, trading at 11.3X 2008E EV/EBITDA and with earnings CAGR of 31% over 2006-2008E, against the sector average (ex-Parkway) of 12X 2008E EV/EBITDA and earnings CAGR of 21%.

We believe BGH's spate of M&A activity has now slowed and think management can now focus on operational improvements and bedding down these acquisitions. For those investors who must remain invested in Thailand we recommend a switch to BGH from BH because BGH is slightly cheaper and has higher earnings growth.

We would see an attractive entry point for BGH at about Bt36 (10X 2008E EV/EBITDA). We note that since September 2005, BGH has traded above 10X EV/EBITDA and we see support for the stock at this level. We believe that 10X EV/EBITDA would be a reasonable entry point because that is still below the sector's trading range of 11X-13X.

### Retain Neutral rating, raise target price on move to 2008E valuation

We continue to rate BGH Neutral and raise our 12-month SOTP-based target price to Bt44 (from Bt34) on a fully diluted basis, suggesting 5% potential upside. The new target price is derived as we roll over our valuation to 2008E. We now apply a 12X EV/EBITDA multiple (similar to BH) to value its hospital business. Previously, we used 11X EV/EBITDA as BGH was in the process of acquiring hospitals hence there was risk of dilution risk and management changes, among other concerns.

Indeed, there remains dilution risk from: (1) BGH's outstanding convertible bonds (CB) which could result in EPS dilution of about 10% over the next four years (to July 2011); and (2) possible future equity-financed acquisitions—note that BGH has a history of raising equity capital to fund its expansion in the past (see our report, *Pricing in too much, too soon*, dated February 5, 2007).

#### Exhibit 5: SOTP valuation

	Value (Bt mn)	Value per share (Bt)	Breakdown (%)	Methodology
Hospital business	62,714	47.82	109%	Based on 12X 2008E EV/EBITDA
Ramkhamhaeng Hospital (19% stake)	1,213	0.92	2%	Market value
Associates and other investments	1,836	1.40	3%	Book value
<b>Enterprise value</b>	<b>65,763</b>	<b>50.15</b>		
Net cash / (debt)	(8,242)	(6.28)	-14%	
<b>Equity value</b>	<b>57,521</b>	<b>43.86</b>		

Source: Company data, Goldman Sachs Research estimates.

### Risks to our view

#### Downside risks

- Share overhang from the CB issue
- Better-than-expected operational and EBITDA margin improvement at acquired hospitals
- Overpaying for future acquisitions, if any

- Future acquisitions, if any, could be equity-financed, resulting in dilution for shareholders. Note that BGH has a history of raising equity capital to fund its expansion
- Failure to execute its expansion plans in Cambodia, including delays or cost overruns in the construction of its Phnom Penh medical center
- Higher-than-expected start-up losses in its Cambodian operations
- A decline in the number of expatriates, as a result of government policies that are perceived as being restrictive to foreigners or foreign businesses
- Further violent attacks in Thailand, which dampen medical tourism

**Exhibit 6: Bangkok Dusit Medical Services summary financials**  
 December fiscal year end, 2006-2009E (Bt mn)

<b>Profit model</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>Balance sheet</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
<b>Total revenue</b>	<b>15,791.9</b>	<b>19,091.8</b>	<b>21,896.6</b>	<b>25,042.0</b>	Cash & equivalents	1,114.9	890.6	1,728.5	3,147.1
Cost of goods sold	(8,672.7)	(10,533.4)	(12,016.1)	(13,742.3)	Accounts receivables	1,060.5	1,128.6	1,294.4	1,480.3
SG&A	(4,992.3)	(5,642.9)	(6,471.9)	(7,401.6)	Inventory	201.1	376.2	431.5	493.4
R&D	0.0	0.0	0.0	0.0	Other current assets	634.6	94.5	94.5	94.5
Other operating profit / (expenses)	(33.5)	(37.6)	(43.1)	(49.3)	<b>Total current assets</b>	<b>3,011.1</b>	<b>2,489.9</b>	<b>3,548.9</b>	<b>5,215.4</b>
<b>EBITDA</b>	<b>3,631.0</b>	<b>4,556.6</b>	<b>5,226.2</b>	<b>5,823.1</b>	Total investments	2,068.1	2,131.7	2,178.6	2,225.6
Depreciation & amortization	(1,537.5)	(1,678.7)	(1,860.8)	(1,974.3)	Intangible assets	1,450.9	1,366.5	1,282.0	1,197.6
<b>EBIT</b>	<b>2,093.5</b>	<b>2,877.9</b>	<b>3,365.4</b>	<b>3,848.8</b>	Net fixed assets	18,107.6	18,904.4	19,022.3	18,281.6
Interest income	27.5	21.0	19.0	42.1	Other long term assets	539.0	438.9	438.9	438.9
Finance charges	(545.7)	(596.6)	(552.1)	(468.4)	<b>Total assets</b>	<b>25,176.7</b>	<b>25,331.3</b>	<b>26,470.7</b>	<b>27,359.0</b>
Associate income	34.8	48.0	48.0	48.0	Accounts payables	793.1	1,053.3	1,201.6	1,374.2
Others	160.3	100.0	100.0	100.0	Short-term loans	1,176.9	971.2	1,721.2	1,621.2
<b>Pretax profits</b>	<b>1,770.3</b>	<b>2,450.3</b>	<b>2,980.3</b>	<b>3,570.5</b>	Other current liabilities	2,016.7	1,710.9	1,830.1	1,978.2
Income tax	(386.0)	(534.2)	(649.8)	(778.4)	<b>Total current liabilities</b>	<b>3,986.7</b>	<b>3,735.4</b>	<b>4,752.9</b>	<b>4,973.6</b>
Minorities	(61.6)	(62.1)	(73.6)	(84.3)	Long-term loans	10,520.2	9,816.4	8,248.8	6,781.3
<b>Net income pre preferred dividends</b>	<b>1,322.7</b>	<b>1,853.9</b>	<b>2,257.0</b>	<b>2,707.8</b>	Other long term liabilities	442.6	285.8	285.8	285.8
Preferred dividends	0.0	0.0	0.0	0.0	Total long term liabilities	10,962.8	10,102.2	8,534.6	7,067.1
<b>Net profits</b>	<b>1,322.7</b>	<b>1,853.9</b>	<b>2,257.0</b>	<b>2,707.8</b>	<b>Total liabilities</b>	<b>14,949.5</b>	<b>13,837.6</b>	<b>13,287.5</b>	<b>12,040.7</b>
Post tax exceptionals	0.0	0.0	0.0	0.0	Share capital & share premium	5,806.1	5,806.1	5,806.1	5,806.1
<b>Net income</b>	<b>1,322.7</b>	<b>1,853.9</b>	<b>2,257.0</b>	<b>2,707.8</b>	Other reserves	2,128.1	2,128.1	2,128.1	2,128.1
EPS (weighted average)	1.12	1.57	1.91	2.29	<b>Total common equity</b>	<b>9,720.3</b>	<b>10,983.7</b>	<b>12,650.1</b>	<b>14,767.4</b>
EPS (post-exceptionals)	1.12	1.57	1.91	2.29	Minority interests	507.0	510.1	533.0	550.9
EPS (fully diluted)	1.12	1.41	1.72	2.06	<b>Total liabilities and equity</b>	<b>25,176.7</b>	<b>25,331.3</b>	<b>26,470.7</b>	<b>27,359.0</b>
DPS	0.50	0.50	0.50	0.50	<b>BVPS</b>	<b>8.23</b>	<b>9.30</b>	<b>10.71</b>	<b>12.50</b>
Dividend payout ratio (%)	44.6	31.9	26.2	21.8					
Free cash flow yield (%)	(7.1)	1.7	3.9	6.6					
<b>Growth and margins</b>					<b>Ratios</b>				
Sales growth (%)	52.0	20.9	14.7	14.4	ROE (%)	15.0	17.9	19.1	19.8
EBITDA growth (%)	75.3	25.5	14.7	11.4	ROA (%)	6.2	7.3	8.7	10.1
EBIT growth (%)	108.0	37.5	16.9	14.4	ROACE (%)	10.0	11.2	12.8	14.9
Net income growth (%)	59.0	40.2	21.7	20.0	Inventory days	7.6	10.0	12.3	12.3
EPS growth (%)	57.1	39.7	21.7	20.0	Receivables days	18.8	20.9	20.2	20.2
Gross margin (%)	45.1	44.8	45.1	45.1	Payables days	30.2	32.0	34.2	34.2
EBIT margin (%)	13.3	15.1	15.4	15.4	Net debt / equity (%)	103.5	86.1	62.5	34.3
EBITDA margin (%)	23.0	23.9	23.9	23.3	Interest cover - EBIT (X)	4.0	5.0	6.3	9.0
Net margin (%)	8.4	9.7	10.3	10.8					
<b>Cash flow analysis</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>VALUATION</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Net income pre preferred dividends	1,322.7	1,853.9	2,257.0	2,707.8	P/E (analyst) (X)	37.3	26.6	21.8	18.2
DD&A add back	1,537.5	1,678.7	1,860.8	1,974.3	P/B (X)	5.1	4.5	3.9	3.3
Minority interests add back	61.6	62.1	73.6	84.3	EV/EBITDA (X)	16.3	13.0	11.3	10.2
Net (inc)/dec working capital	(233.5)	17.0	(72.8)	(75.3)	Dividend yield (%)	1.2	1.2	1.2	1.2
Others	(7.8)	760.3	685.1	591.4					
<b>Net cash flow from operations</b>	<b>2680.6</b>	<b>4372.1</b>	<b>4803.6</b>	<b>5282.5</b>					
Capital expenditures	(3,649.8)	(2,475.5)	(1,978.6)	(1,233.6)					
Net (inc)/dec investments	(1,810.4)	(63.6)	(47.0)	(47.0)					
Net (inc)/dec other assets	0.0	0.0	0.0	0.0					
Others	84.2	39.4	20.1	43.2					
<b>Net cash flows from investments</b>	<b>(5376.0)</b>	<b>(2499.7)</b>	<b>(2005.5)</b>	<b>(1237.4)</b>					
Dividends	(590.5)	(590.5)	(590.5)	(590.5)					
Debt drawdown (repayments)	3,932.2	(909.5)	(817.5)	(1,567.5)					
Common stock issuance	91.8	0.0	0.0	0.0					
Others	(172.8)	(596.6)	(552.1)	(468.4)					
<b>Net cash flows from financing</b>	<b>3,260.7</b>	<b>(2,096.7)</b>	<b>(1,960.1)</b>	<b>(2,626.5)</b>					
<b>Net inc/(dec) in cash</b>	<b>565.3</b>	<b>(224.3)</b>	<b>837.9</b>	<b>1,418.6</b>					

Note: Last actual year may include reported and estimated data

Source: Company data, Goldman Sachs Research estimates.

## Parkway (Neutral) – Positives priced in, reinvestment the key

---

### Investment summary – REIT securitization price in

The setting up of the Parkway Life REIT suggests that Parkway could be embarking on more (possibly earnings-accretive) acquisitions and could even invest in a greenfield hospital in Singapore. We think this because management has previously indicated that Parkway would not embark on a REIT unless there was good use for the proceeds. We believe the positives of this asset securitization exercise have already been priced in, but note that reinvestment assumptions are the swing factor when valuing Parkway.

Management's recent track record of acquisitions (e.g., Pantai, World Link) has demonstrated: (1) its ability to find strategic targets and complete transactions; and (2) that it has not overpaid for acquisitions; using the Pantai transaction in 2006 as a reference, we estimate that Parkway paid c.9X 2007E EV/EBITDA. With Newbridge Capital as a major shareholder, we believe Parkway will continue to make a series of (possibly earnings-accretive) acquisitions, although they may have to pay higher multiples than they have paid before (we think it has become increasingly difficult to find attractively-priced, strategic targets).

Besides being a vehicle for Parkway to recycle capital and a source of recurring income (i.e., from management fees and distribution to unitholders), the REIT will facilitate Parkway's pursuit of future acquisitions/investments. Parkway will grant the right of first refusal to the REIT on future assets sales and vice-versa, Parkway will have the first right of refusal to lease assets acquired by the REIT which are without an operator at that time.

We see limited potential downside from the current share price given: (1) the upcoming listing of the REIT (by August 2007, according to a Reuters news article dated May 22, 2007); and (2) our expectations of a special dividend payment of S\$0.25 per share from available S44A tax credits by year end. Following the announcement of the REIT, we are now more confident of the latter since Parkway will have about S\$575 mn in cash from the sale of its three Singapore hospitals to the REIT.

In terms of an entry point, we would see Parkway as being reasonably attractive at about S\$3.32, i.e. at 13X 2008E EV/EBITDA, plus special dividends of S\$0.25 per share. While 13X EV/EBITDA is at the upper end of the sector's trading range of 11X-13X, we believe this would be justifiable for Parkway given its sophisticated medical capabilities and geographical reach.

### Retain Neutral, target price raised on REIT expectations

We continue to rate Parkway as Neutral and raise our 12-month SOTP-based target price to S\$3.82 (previously S\$2.96 based on the assumption that there would be no asset securitization exercise). Our new target price is based on an equal-weighted probability that the REIT asset securitization exercise is carried out: (a) without reinvestment of funds (see Exhibit 6); and (b) with reinvestment of funds (see Exhibit 7).

We assume Parkway's three Singapore hospitals are worth S\$765 mn to the REIT, as valued by Jones Lang LaSalle Property Consultants. We also assume that Parkway will have a 30% stake in the REIT, in-line with management's expectations.

We assume that Parkway will invest S\$708 mn over 2008E-2009E (S\$425 mn from the proceeds of the REIT exercise [after payment of the special dividend and expenses] and an additional S\$283 mn in debt). We believe any such investment would be likely to go into medical centers in China and a greenfield hospital in Singapore. From a free cash flow

perspective, we assume that Parkway could recoup an investment of this magnitude investment by 2028.

Parkway has indicated that a greenfield hospital in Singapore is a possible investment given: (1) the Singapore government's target population has been raised to 6.5 mn (from 5.5 mn); and (2) Parkway's expectations of growing demand from medical tourists. The Singapore government has indicated that it may put up one or two sites for sale to private hospital operators in anticipation of future demand. We have not assumed that the greenfield hospital would be injected into the REIT. We do assume that the greenfield hospital would be operational in 2010, but will break even (in terms of operating profit) only in 2018.

---

**Exhibit 7: Valuation assuming asset securitization without reinvestment of funds**  
SOTP valuation 1

	Value (S\$ mn)	Value per share (S\$)	Breakdown (%)	Methodology
Hospital business	2,445	3.18	85%	DCF (a)
Parkway Life REIT	174	0.23	6%	DCF (b)
Auric Pacific (21.9% stake)	38	0.05	1%	Market value
ECM Libra (2.8% stake)	11	0.01	0%	Market value
POS Malaysia (1% stake)	10	0.01	0%	Market value
Associates and other investments	17	0.02	1%	Book value
<b>Enterprise value</b>	<b>2,695</b>	<b>3.50</b>		
Adjusted net cash / (debt)	4	0.01	0%	
<b>Equity value</b>	<b>2,699</b>	<b>3.51</b>		
Special dividends from S44 tax credits	189	0.25	7%	GS estimates
<b>Total value</b>	<b>2,888</b>	<b>3.75</b>		

(a) Singapore: WACC of 7%, LT growth 1.5%. Malaysia: WACC of 11%, LT growth 3%. Note that we assume Parkway will have a debt-to-capital ratio of 30%

(b) Assumptions for the Parkway Life REIT

- The three Singapore hospitals are worth \$765 mn to the REIT, as valued by Jones Lang LaSalle Property Consultants.
- Parkway will have a 30% stake in the REIT
- Cash available for distribution amounts to c.S\$30 mn pa
- Singapore: Capitalization rate of 6.0%, LT growth 0.2% given the reversionary lease

---

Source: Company data, Bloomberg, Goldman Sachs Research estimates.

**Exhibit 8: An asset securitization exercise with reinvestment of funds gives a value of S\$3.90 per share**

SOTP valuation 2

	Value (S\$ mn)	Value per share (S\$)	Breakdown (%)	Methodology
Hospital business	2,751	3.58	93%	DCF (a),(b)
Parkway Life REIT	174	0.23	5%	DCF (c)
Auric Pacific (21.9% stake)	38	0.05	1%	Market value
ECM Libra (2.8% stake)	11	0.01	0%	Market value
POS Malaysia (1% stake)	10	0.01	0%	Market value
Associates and other investments	17	0.02	0%	Book value
<b>Enterprise value</b>	<b>3,001</b>	<b>3.90</b>		
Adjusted net cash / (debt)	(193)	(0.25)	-6%	(d)
<b>Equity value</b>	<b>2,808</b>	<b>3.65</b>		
Special dividends from S44 tax credits	189	0.25	5%	GS estimates
<b>Total value</b>	<b>2,996</b>	<b>3.90</b>		

(a) We assume Parkway invests S\$708 mn over 2008E-2009E (S\$425 mn in from the asset securitisation exercise [after payment of the special dividend] plus S\$283 mn in debt) at an IRR of 8%.

(b) Singapore: WACC of 6%, LT growth 1.5%. Malaysia: WACC of 11%, LT growth 3%. Note that we assume Parkway will have a debt-to-capital ratio of 50% as Parkway gears up as part of its investment.

(c) Assumptions for the Parkway Life REIT

- The three Singapore hospitals are worth \$765 mn to the REIT, as valued by Jones Lang LaSalle Property Consultants.

- Parkway will have a 30% stake in the REIT

- Cash available for distribution amounts to c.S\$30 mn pa

- Singapore: Capitalization rate of 6.0%, LT growth 0.2% given the reversionary lease

(d) Net debt position as Parkway takes on additional debt of S\$283 mn as part of its investment.

Source: Company data, Bloomberg, Goldman Sachs Research estimates.

We highlight that we have revised our earnings estimates for the asset securitization exercise assuming no reinvestment of funds, i.e., we have not incorporated our hypothetical reinvestment assumptions into the financials. We will incorporate investments only on these being announced by Parkway.

**Exhibit 9: Summary of salient details pertaining to the properties likely to be injected into the REIT**

	Mount Elizabeth hospital	Gleneagles hospital	East Shore hospital	Total
Tenure	99-year lease commencing October 1, 1976	Freehold	Freehold	NA
Aggregate strata area / Gross floor area (sq m)	58,139	49,003	10,993	118,135
Licensed beds	505	380	154	1039
Operational beds	339	280	154	773
Operating theaters	13	12	4	29
Reversionary lease	67 years	75 years	75 years	NM
Medical/retail units and car park lots	30 of 232 medical and retail units and all 363 carpark lots	10 of 164 medical and retail units and 121 of 402 carpark	All 28 medical units and all 75 carpark lots	68 medical units and 559 carpark lots
Appraised value (S\$ mn) (a)	DTZ: 524 JLL: 521	DTZ: 216 JLL: 209	DTZ: 34 JLL: 36	DTZ: 774 JLL: 765
Base rent payable (S\$ mn) (b)	19.8	8.7	1.5	30
Variable rent payable (S\$ mn) (b)		3.8% of adjusted hospital revenue		

(a) Appraised value as at May 23, 2007 by independent valuers, DTZ Debenham Tie Leung (DTZ) and Jones Lang LaSalle Property Consultants (JLL).

(b) Annual rent growth shall be no less than CPI+1%. Minimum growth of 1% in the case where CPI is zero or negative.

Source: Company data.

## **Risks to our view**

### **Upside risks**

- Higher-than-expected returns on investments
- Better-than-expected performance of Pantai and other overseas investments

### **Downside risks**

- Higher-than-expected staff costs
- Inability to attract or retain specialists, which adversely affects volume growth
- Overpaying for acquisitions, if any
- Higher-than-expected start-up losses in new clinics or medical centers
- Longer-than-expected gestation period for a Singapore greenfield hospital
- Failure to utilize available S44A tax credits

**Exhibit 10: Parkway summary financials**  
 December fiscal year end, 2006-2009E (\$\$mn)

<b>Profit model</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>Balance sheet</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
<b>Total revenue</b>	<b>865.3</b>	<b>848.5</b>	<b>1,016.9</b>	<b>1,155.9</b>	Cash & equivalents	93.5	174.9	193.8	249.7
Cost of goods sold	(361.6)	(292.7)	(350.8)	(398.8)	Accounts receivables	86.7	76.4	101.7	115.6
SG&A	(279.9)	(306.1)	(351.1)	(383.6)	Inventory	16.4	17.0	20.3	23.1
R&D	0.0	0.0	0.0	0.0	Other current assets	25.1	17.5	20.9	23.7
Other operating profit / (expenses)	(99.7)	(141.3)	(192.5)	(217.2)	<b>Total current assets</b>	<b>221.7</b>	<b>285.7</b>	<b>336.7</b>	<b>412.1</b>
<b>EBITDA</b>	<b>184.2</b>	<b>160.8</b>	<b>175.6</b>	<b>216.3</b>	Total investments	60.5	240.4	242.5	245.3
Depreciation & amortization	(60.1)	(52.4)	(53.1)	(60.0)	Intangible assets	152.9	152.9	152.9	152.9
<b>EBIT</b>	<b>124.1</b>	<b>108.4</b>	<b>122.5</b>	<b>156.3</b>	Net fixed assets	670.4	293.7	297.3	299.8
Interest income	4.2	5.7	7.8	9.4	Other long term assets	124.8	96.9	96.9	96.9
Finance charges	(23.5)	(14.0)	(9.0)	(9.0)	<b>Total assets</b>	<b>1,231.4</b>	<b>1,069.6</b>	<b>1,126.3</b>	<b>1,206.9</b>
Associate income	3.6	6.1	11.2	12.0	Accounts payables	104.3	74.8	89.7	101.9
Others	(9.3)	2.7	2.7	2.7	Short-term loans	70.9	0.0	0.0	0.0
<b>Pretax profits</b>	<b>99.1</b>	<b>108.8</b>	<b>135.2</b>	<b>171.4</b>	Other current liabilities	107.1	120.8	137.9	153.5
Income tax	(30.1)	(23.2)	(31.9)	(40.5)	<b>Total current liabilities</b>	<b>282.3</b>	<b>195.6</b>	<b>227.6</b>	<b>255.4</b>
Minorities	(13.6)	(3.7)	(4.1)	(4.6)	Long-term loans	377.2	189.9	189.9	189.9
<b>Net income pre preferred dividends</b>	<b>55.5</b>	<b>81.9</b>	<b>99.2</b>	<b>126.3</b>	Other long term liabilities	136.8	144.9	135.7	126.9
Preferred dividends	0.0	0.0	0.0	0.0	Total long term liabilities	513.9	334.8	325.6	316.8
<b>Net profits</b>	<b>55.5</b>	<b>81.9</b>	<b>99.2</b>	<b>126.3</b>	<b>Total liabilities</b>	<b>796.2</b>	<b>530.4</b>	<b>553.1</b>	<b>572.2</b>
Post tax exceptionals	0.0	242.7	0.0	0.0	Share capital & share premium	364.9	364.9	364.9	364.9
<b>Net income</b>	<b>55.5</b>	<b>324.6</b>	<b>99.2</b>	<b>126.3</b>	Other reserves	(9.4)	(9.4)	(9.4)	(9.4)
EPS (weighted average)	0.07	0.11	0.13	0.16	<b>Total common equity</b>	<b>423.9</b>	<b>524.2</b>	<b>554.1</b>	<b>611.0</b>
EPS (post-exceptionals)	0.07	0.42	0.13	0.16	Minority interests	11.2	15.0	19.1	23.7
EPS (fully diluted)	0.07	0.42	0.13	0.16	<b>Total liabilities and equity</b>	<b>1,231.4</b>	<b>1,069.6</b>	<b>1,126.3</b>	<b>1,206.9</b>
DPS	0.17	0.29	0.09	0.09	<b>BVPS</b>	<b>0.55</b>	<b>0.68</b>	<b>0.72</b>	<b>0.79</b>
Dividend payout ratio (%)	228.9	69.1	69.9	54.9					
Free cash flow yield (%)	2.2	13.4	2.0	3.1					
<b>Growth and margins</b>					<b>Ratios</b>				
Sales growth (%)	58.1	(1.9)	19.9	13.7	ROE (%)	13.2	17.3	18.4	21.7
EBITDA growth (%)	38.1	(12.7)	9.2	23.2	ROA (%)	4.4	7.1	9.0	10.8
EBIT growth (%)	29.9	(12.6)	13.0	27.6	ROACE (%)	9.3	13.7	18.6	22.8
Net income growth (%)	(10.5)	485.0	(69.4)	27.3	Inventory days	16.8	20.8	19.4	19.9
EPS growth (%)	(12.7)	42.6	21.2	27.3	Receivables days	34.2	35.1	32.0	34.3
Gross margin (%)	58.2	65.5	65.5	65.5	Payables days	109.4	111.7	85.6	87.7
EBIT margin (%)	14.3	12.8	12.0	13.5	Net debt / equity (%)	81.5	2.8	Net cash	Net cash
EBITDA margin (%)	21.3	18.9	17.3	18.7	Interest cover - EBIT (X)	6.4	13.0	102.8	NM
Net margin (%)	6.4	38.3	9.8	10.9					
<b>Cash flow analysis</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>VALUATION</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Net income pre preferred dividends	55.5	81.9	99.2	126.3	P/E (analyst) (X)	58.0	39.3	32.4	25.5
DD&A add back	60.1	52.4	53.1	60.0	P/B (X)	7.6	6.1	5.8	5.3
Minority interests add back	13.6	3.7	4.1	4.6	EV/EBITDA (X)	17.6	20.1	18.4	14.9
Net (inc)/dec working capital	(26.9)	(19.7)	(13.8)	(4.4)	Dividend yield (%)	4.1	7.0	2.2	2.2
Others	36.0	(11.0)	(8.2)	(11.0)					
<b>Net cash flow from operations</b>	<b>138.1</b>	<b>107.3</b>	<b>134.4</b>	<b>175.4</b>					
Capital expenditures	(67.2)	(48.8)	(56.8)	(62.4)					
Net (inc)/dec investments	(54.4)	0.0	0.0	0.0					
Net (inc)/dec other assets	0.0	511.0	0.0	0.0					
Others	9.7	8.4	19.6	21.3					
<b>Net cash flows from investments</b>	<b>(111.9)</b>	<b>470.5</b>	<b>(37.1)</b>	<b>(41.1)</b>					
Dividends	(133.2)	(224.3)	(69.4)	(69.4)					
Debt drawdown (repayments)	87.3	(258.2)	0.0	0.0					
Common stock issuance	80.7	0.0	0.0	0.0					
Others	(73.6)	(14.0)	(9.0)	(9.0)					
<b>Net cash flows from financing</b>	<b>(38.7)</b>	<b>(496.5)</b>	<b>(78.4)</b>	<b>(78.4)</b>					
<b>Net inc/(dec) in cash</b>	<b>(12.5)</b>	<b>81.3</b>	<b>18.9</b>	<b>55.9</b>					

Note: Last actual year may include reported and estimated data

Source: Company data, Goldman Sachs Research estimates.

## Raffles Medical (Neutral) – Positive momentum

### Investment summary – fairly priced

We believe that Raffles is fairly priced at current levels (15X 2008E EV/EBITDA). We recommend that investors who own the shares maintain positions as we expect continued strong earnings momentum. We do not foresee any negative catalysts and expect quarterly results to be in line with our and consensus expectations. In the event that Raffles manages to obtain a license for a medical center in China, we think this would be a positive catalyst for the stock, not so much from an earnings standpoint (since any contribution is likely to be small), but because it would mark a first step into China. There has been no news as to if or when this might eventuate.

In terms of an entry point, we would see Raffles as being more attractive at about S\$1.24 (13X 2008E EV/EBITDA). We point out that the stock has been trading above 13X EV/EBITDA since July 2006. While 13X EV/EBITDA is at the upper end of the sector's trading range of 11X-13X, we believe this would be justifiable for Raffles given its sophisticated medical capabilities.

### Retain Neutral, target price unchanged

We rate Raffles Neutral and retain our 12-month SOTP based target price of S\$1.37, suggesting 5% potential upside. We rolled over our valuation basis to 2008E earlier this year, as detailed in our report, *In-line 1Q07 results, maintain Neutral, raise target price to S\$1.37*, dated April 30, 2007.

#### Exhibit 11: SOTP valuation

	Value (S\$ mn)	Value per share (S\$)	Breakdown (%)	Methodology
Hospital and clinics	502	1.08	79%	Based on 13X 2008E EV/EBITDA
Associates and other investments	70	0.15	11%	Book value
<b>Enterprise value</b>	<b>572</b>	<b>1.24</b>		
Net cash / (debt)	62	0.13	10%	
<b>Equity value</b>	<b>634</b>	<b>1.37</b>		

Source: Company data, Goldman Sachs Research estimates.

### Risks to our view

#### Downside risks

- Failure to execute planned capacity expansion
- Competition among hospitals within the region results in lower-than-expected volume growth
- Higher-than-expected staff costs
- Inability to attract or retain specialists, which adversely affects volume growth
- Overpaying for acquisitions, if any
- Higher-than-expected start-up losses in new clinics or medical centers

**Exhibit 12: Raffles Medical summary financials**

December fiscal year end, 2006-2009E (\$\$mn)

<b>Profit model</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>Balance sheet</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
<b>Total revenue</b>	<b>134.2</b>	<b>167.6</b>	<b>209.2</b>	<b>250.0</b>	Cash & equivalents	41.9	51.4	63.9	74.6
Cost of goods sold	(16.6)	(20.7)	(25.8)	(30.9)	Accounts receivables	16.8	20.9	26.1	31.2
SG&A	(72.7)	(88.2)	(108.9)	(130.2)	Inventory	3.4	4.3	5.3	6.4
R&D	0.0	0.0	0.0	0.0	Other current assets	14.3	14.3	14.3	14.3
Other operating profit / (expenses)	(27.5)	(33.1)	(39.6)	(46.2)	<b>Total current assets</b>	<b>76.4</b>	<b>90.8</b>	<b>109.6</b>	<b>126.5</b>
<b>EBITDA</b>	<b>20.9</b>	<b>29.2</b>	<b>38.6</b>	<b>46.9</b>	Total investments	54.0	55.0	56.2	57.4
Depreciation & amortization	(3.4)	(3.6)	(3.8)	(4.1)	Intangible assets	0.2	0.2	0.2	0.2
<b>EBIT</b>	<b>17.5</b>	<b>25.6</b>	<b>34.8</b>	<b>42.8</b>	Net fixed assets	20.2	19.6	17.8	16.7
Interest income	1.7	1.9	2.3	2.8	Other long term assets	0.1	0.9	0.9	0.9
Finance charges	(0.1)	(0.1)	(0.1)	(0.1)	<b>Total assets</b>	<b>151.8</b>	<b>166.5</b>	<b>184.6</b>	<b>201.7</b>
Associate income	0.9	1.0	1.1	1.3	Accounts payables	30.0	36.5	44.8	53.3
Others	0.1	0.0	0.0	0.0	Short-term loans	2.0	2.0	2.0	2.0
<b>Pretax profits</b>	<b>20.1</b>	<b>28.5</b>	<b>38.2</b>	<b>46.7</b>	Other current liabilities	5.9	7.4	9.3	11.0
Income tax	(4.3)	(5.7)	(7.6)	(9.3)	<b>Total current liabilities</b>	<b>37.9</b>	<b>45.8</b>	<b>56.1</b>	<b>66.3</b>
Minorities	(0.1)	(0.1)	(0.1)	(0.1)	Long-term loans	0.0	0.0	0.0	0.0
<b>Net income pre preferred dividends</b>	<b>15.8</b>	<b>22.7</b>	<b>30.5</b>	<b>37.3</b>	Other long term liabilities	0.7	0.7	0.7	0.7
Preferred dividends	0.0	0.0	0.0	0.0	Total long term liabilities	0.7	0.7	0.7	0.7
<b>Net profits</b>	<b>15.8</b>	<b>22.7</b>	<b>30.5</b>	<b>37.3</b>	<b>Total liabilities</b>	<b>38.7</b>	<b>46.6</b>	<b>56.9</b>	<b>67.0</b>
Post tax exceptionals	0.0	0.0	0.0	0.0	Share capital & share premium	101.1	101.1	101.1	101.1
<b>Net income</b>	<b>15.8</b>	<b>22.7</b>	<b>30.5</b>	<b>37.3</b>	Other reserves	11.8	18.8	26.5	33.4
EPS (weighted average)	0.04	0.05	0.07	0.08	<b>Total common equity</b>	<b>112.9</b>	<b>119.8</b>	<b>127.6</b>	<b>134.4</b>
EPS (post-exceptionals)	0.04	0.05	0.07	0.08	Minority interests	0.3	0.3	0.4	0.4
EPS (fully diluted)	0.03	0.05	0.07	0.08	<b>Total liabilities and equity</b>	<b>151.8</b>	<b>166.7</b>	<b>184.8</b>	<b>201.9</b>
DPS	0.03	0.03	0.05	0.07	<b>BVPS</b>	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>	<b>0.29</b>
Dividend payout ratio (%)	98.3	69.4	74.5	81.6					
Free cash flow yield (%)	4.8	3.9	5.4	6.4					
<b>Growth and margins</b>					<b>Ratios</b>				
Sales growth (%)	18.9	24.8	24.8	19.5	ROE (%)	14.3	19.5	24.6	28.5
EBITDA growth (%)	32.4	40.1	32.1	21.5	ROA (%)	10.8	14.3	17.4	19.3
EBIT growth (%)	37.7	46.6	35.8	23.0	ROACE (%)	19.7	29.6	42.0	54.9
Net income growth (%)	31.9	44.0	34.2	22.5	Inventory days	70.1	67.9	67.9	69.2
EPS growth (%)	28.5	39.6	34.2	22.5	Receivables days	39.5	41.0	41.0	41.8
Gross margin (%)	87.7	87.7	87.7	87.7	Payables days	598.9	586.4	574.4	579.7
EBIT margin (%)	13.0	15.3	16.6	17.1	Net debt / equity (%)	Net cash	Net cash	Net cash	Net cash
EBITDA margin (%)	15.5	17.4	18.5	18.8	Interest cover - EBIT (X)	NM	NM	NM	NM
Net margin (%)	11.7	13.6	14.6	14.9					
<b>Cash flow analysis</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>VALUATION</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Net income pre preferred dividends	15.8	22.7	30.5	37.3	P/E (analyst) (X)	38.5	26.7	19.9	16.3
DD&A add back	3.4	3.6	3.8	4.1	P/B (X)	5.4	5.1	4.8	4.5
Minority interests add back	0.1	0.1	0.1	0.1	EV/EBITDA (X)	26.7	19.1	14.5	11.9
Net (inc)/dec working capital	0.6	1.5	2.1	2.3	Dividend yield (%)	2.6	2.6	3.7	5.0
Others	(0.2)	(1.4)	(1.4)	(2.2)					
<b>Net cash flow from operations</b>	<b>19.7</b>	<b>26.4</b>	<b>35.0</b>	<b>41.6</b>					
Capital expenditures	(2.3)	(3.0)	(2.0)	(3.0)					
Net (inc)/dec investments	(0.7)	(0.7)	(0.7)	(0.7)					
Net (inc)/dec other assets	0.0	0.0	0.0	0.0					
Others	1.1	2.6	3.0	3.5					
<b>Net cash flows from investments</b>	<b>(1.9)</b>	<b>(1.1)</b>	<b>0.3</b>	<b>(0.2)</b>					
Dividends	(15.5)	(15.8)	(22.7)	(30.5)					
Debt drawdown (repayments)	0.0	0.0	0.0	0.0					
Common stock issuance	4.8	0.0	0.0	0.0					
Others	(0.3)	(0.1)	(0.1)	(0.1)					
<b>Net cash flows from financing</b>	<b>(11.0)</b>	<b>(15.9)</b>	<b>(22.8)</b>	<b>(30.6)</b>					
<b>Net inc/(dec) in cash</b>	<b>6.8</b>	<b>9.4</b>	<b>12.5</b>	<b>10.8</b>					

Note: Last actual year may include reported and estimated data

Source: Company data, Goldman Sachs Research estimates.

## Reg AC

I, Christina Hee, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## Investment profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

**Growth** is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

## Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

## Disclosures

### Coverage group(s) of stocks by primary analyst(s)

Christina Hee, CFA: ASEAN.

ASEAN: Astra Agro Lestari, Astra International, Bangkok Dusit Medical Services, Bangkok Expressway, Big C Supercenter, Bumrungrad Hospital, C.P. Seven-Eleven, ComfortDelGro, FJ Benjamin, Genting, Genting International, Golden Hope Plantation, Gudang Garam, Holcim Indonesia, Hyflux, Indocement Tunggul Prakarsa, IOI Corporation, Jardine Cycle & Carriage, Keppel Corp, KS Energy Services, Kuala Lumpur Kepong, Kumpulan Guthrie, Labroy Marine, London Sumatra Indonesia, Mitra Adiperkasa, Parkway Holdings, PLUS Expressways Berhad, PT Indofood, Raffles Medical Group, Ramayana Lestari Sentosa, Resorts World Bhd, SBS Transit, SembCorp Industries, SembCorp Marine, Semen Gresik (Persero), Siam Cement, Siam Cement (foreign), Siam City Cement, Sime Darby Bhd, Sinomem Technology, SMRT Corporation, Tat Hong Holdings, Wilmar International, Yongnam Holdings.

### Company-specific regulatory disclosures

The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by the Global Investment Research Division of Goldman Sachs and referred to in this research.

Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Parkway Holdings (\$\$4.18)

Goldman Sachs had a non-securities services client relationship during the past 12 months with: Parkway Holdings (\$\$4.18)

There are no company-specific disclosures for: Bangkok Dusit Medical Services (Bt41.75), Bumrungrad Hospital (Bt46.00) and Raffles Medical Group (\$\$1.31)

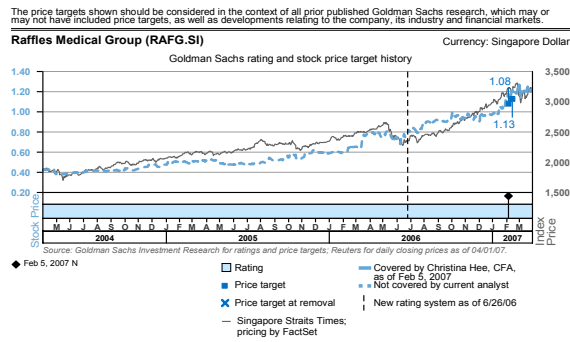
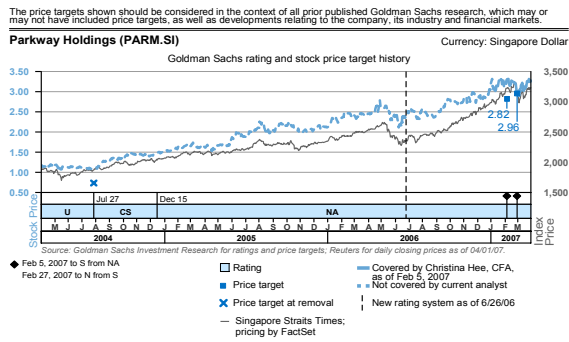
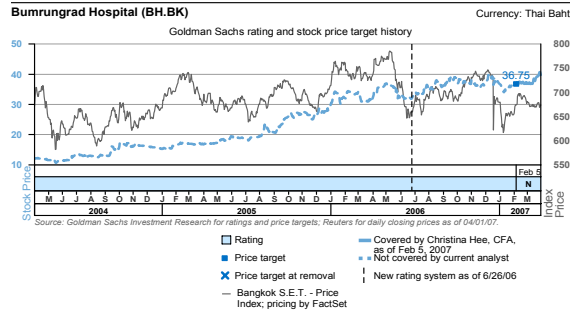
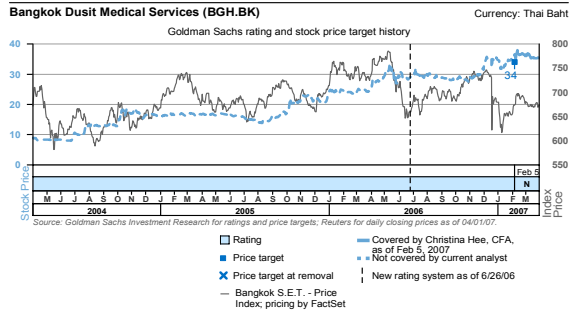
### Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	28%	59%	13%	41%	34%	31%

As of April 1, 2007, Goldman Sachs Global Investment Research had investment ratings on 2,590 equity securities. Prior to June 26, 2006, Goldman Sachs utilized a relative rating system of Outperform, In-Line and Underperform, which, for the purposes of the above disclosure required by NASD/NYSE rules, equated to Buy, Hold and Sell. As of June 26, 2006, Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure. See 'Ratings, Coverage groups and views and related definitions' below.

### Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

## Regulatory disclosures

### Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; market making and/or specialist role.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Distribution of ratings:** See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <http://www.gs.com/research/hedge.html>.

### Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. **Canada:** Goldman Sachs Canada Inc. has approved of, and agreed to take responsibility for, this research in Canada if and to the extent it relates to equity securities of Canadian issuers. Analysts may conduct site visits but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited; **Japan:** See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company. **Korea:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in Russian law, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian Law on Appraisal. **Singapore:** Further information on the covered companies referred to in this research may be obtained from Goldman Sachs (Singapore) Pte. (Company Number: 198602165W). **United Kingdom:** Persons who would be categorized as private customers in the United Kingdom, as such term is defined in the rules of the Financial Services Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

**European Union:** Disclosure information in relation to Article 4 (1) (d) and Article 6 (2) of the European Commission Directive 2003/126/EC is available at [http://www.gs.com/client\\_services/global\\_investment\\_research/europeanpolicy.html](http://www.gs.com/client_services/global_investment_research/europeanpolicy.html)

## Ratings, coverage groups and views and related definitions

**Buy (B), Neutral (N), Sell (S)** -Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's return potential relative to its coverage group as described below. Any stock not assigned as a Buy or a Sell on an Investment List is deemed Neutral. Each regional Investment Review Committee manages various regional Investment Lists to a global guideline of 25%-35% of stocks as Buy and 10%-15% of stocks as Sell; however, the distribution of Buys and Sells in any particular coverage group may vary as determined by the regional Investment Review Committee. Regional Conviction Buy and Sell lists represent investment recommendations focused on either the size of the potential return or the likelihood of the realization of the return.

**Return potential** represents the price differential between the current share price and the price target expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

**Coverage groups and views:** A list of all stocks in each coverage group is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>. The analyst assigns one of the following coverage views which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and/or valuation. **Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

**Not Rated (NR).** The investment rating and target price, if any, have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company. **Not Available or Not Applicable (NA).** The information is not available for display or is not applicable. **Not Meaningful (NM).** The information is not meaningful and is therefore excluded.

## Ratings, coverage views and related definitions prior to June 26, 2006

Our rating system requires that analysts rank order the stocks in their coverage groups and assign one of three investment ratings (see definitions below) within a ratings distribution guideline of no more than 25% of the stocks should be rated Outperform and no fewer than 10% rated Underperform. The analyst assigns one of three coverage views (see definitions below), which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and valuation. Each coverage group, listing all stocks covered in that group, is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>.

### Definitions

**Outperform (OP).** We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months. **In-Line (IL).** We expect this stock to perform in line with the median total return for the analyst's coverage universe over the next 12 months. **Underperform (U).** We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.

**Coverage views: Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

**Current Investment List (CIL).** We expect stocks on this list to provide an absolute total return of approximately 15%-20% over the next 12 months. We only assign this designation to stocks rated Outperform. We require a 12-month price target for stocks with this designation. Each stock on the CIL will **automatically** come off the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

## Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs, and pursuant to certain contractual arrangements, on a global basis. Analysts based in Goldman Sachs offices around the world produce equity research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy.

This research is disseminated in Australia by Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897) on behalf of Goldman Sachs; in Canada by Goldman Sachs Canada Inc. regarding Canadian equities and by Goldman Sachs & Co. (all other research); in Germany by Goldman Sachs & Co. oHG; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs JBWere (NZ) Limited on behalf of Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman, Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union.

**European Union:** Goldman Sachs International, authorised and regulated by the Financial Services Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman, Sachs & Co. oHG, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also be distributing research in Germany.

## General disclosures in addition to specific disclosures required by certain jurisdictions

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than some industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Current options disclosure documents are available from Goldman Sachs sales representatives or at <http://theocc.com/publications/risks/riskstoc.pdf>. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Our research is disseminated primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients.

Disclosure information is also available at <http://www.gs.com/research/hedge.html> or from Research Compliance, One New York Plaza, New York, NY 10004.

**Copyright 2007 The Goldman Sachs Group, Inc.**

**No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of The Goldman Sachs Group, Inc.**