

# Pacific Healthcare

Doctor Feelgood!

**OUTPERFORM**

**\$0.33**

@29/03/06

Target: S\$0.45

Healthcare

PACH SP / PAHH.SI

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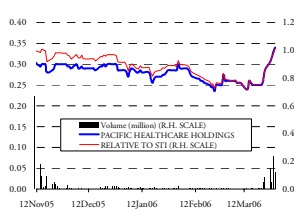
- **Extracting value from the aesthetic medicare value chain.** Pacific Healthcare is able to drive value in a niche segment of the medicare markets by offering healthcare services of various specialities targeting the high end of the healthcare market. This business is projected to achieve very healthy earnings growth of 26% in FY06 and an earnings CAGR of 25.8% for FY05-08.
- **Sole Singapore healthcare provider with direct China exposure.** Pacific Healthcare has a stake in PHSCC, which will operate a hospital in Shanghai that is expected to contribute S\$1m net profit to the group in FY06. This deal was a big coup for the group, allowing it to crack the lucrative Chinese market just before China decided it would no longer issue private hospital licences for two years. Pacific Healthcare is, thus, the only Singapore private healthcare provider that offers direct exposure to the Chinese healthcare market.
- **Going asset-light and streamlining its business.** The group is on the verge of clearing out its non-core portfolio and is looking to sell its Adams Road hospital. There is also the opportunity of partnering strategic investors who can complement Pacific Healthcare's strength in its line of business. As it expands regionally, tie-ups with financially stronger strategic investors could add value.
- **Target price of S\$0.45.** Despite its solid earnings CAGR of 25.8% for FY05-08, the market is valuing Pacific Healthcare at only 13.8x CY06 P/E, significantly lower than the 18.5x rating for its peers. In view of its China angle, the stock deserves to trade on par with its rivals. This gives us a target price of S\$0.45. We initiate coverage with an OUTPERFORM recommendation.

## Financial summary

FYE Dec	2004	2005	2006F	2007F	2008F
Revenue (\$\$ m)	42.2	47.3	60.6	66.9	75.6
EBITDA (\$\$ m)	8.0	8.7	11.9	14.8	17.2
EBITDA margins (%)	19.0	18.4	19.6	22.0	22.7
Pretax profit (\$\$ m)	5.7	5.8	8.7	10.6	13.1
Net profit (\$\$ m)	4.4	4.6	5.8	7.3	9.2
EPS (cts)	1.8	1.9	2.4	3.1	3.8
EPS growth (%)	-9%	+5%	+26%	+26%	+26%
P/E (x)	18.3	17.4	13.8	10.6	8.7
Gross DPS (cts)	-	0.5	0.6	0.8	1.0
Dividend yield (%)	-	1.5%	1.8%	2.3%	2.9%
P/NTA (x)	9.9	3.7	2.9	2.3	1.9
ROE (%)	27%	15%	14%	16%	18%
Net gearing (%)	72%	11%	Cash	Cash	Cash
P/CF (x)	11.8	11.6	9.0	7.7	6.5
EV/EBITDA (x)	11.3	9.1	6.3	4.7	3.7
CIMB-GK/Consensus (x)			-	-	-

Source: Company, CIMB-GK estimates

## Price chart



Source: Bloomberg

## Market capitalisation & share price info

Market cap	S\$74.9m	Share price perf. (%)	1M	3M	12M
12-mth price range	S\$0.23/S\$0.345	Relative	28.5	1.6	N.A.
3-mth avg daily volum	S\$0.08m	Absolute	32.0	10.0	N.A.
# of shares (m)	237.9	<b>Major shareholders</b>			<b>% held</b>
Est. free float (%)	39%	Dr William Chong			26%
Wrts/ICULS o/s (m)	None	Pacific Investment			7%
Conv. price (\$\$)	None	Dr Martin Hung			4%

Source: Company, CIMB-GK estimate, Bloomberg

Please read carefully the important disclosures at the end of this publication.

## Background

Pacific Healthcare (PACH) is a private integrated healthcare provider that offers a comprehensive range of healthcare services, encompassing specialist medical care, general practice medicine, dentistry, health screening, wellness services, as well as the operation of a nursing home, day surgery centres and a psychiatric hospital. This integrated network of healthcare services allows patients to be treated in a multi-disciplinary manner within the group.

The group has a panel of approximately 92 healthcare professionals practising in Singapore, Hong Kong and India. In Singapore, it operates a total of 11 specialist clinics, 11 general medical clinics, five dental clinics, a day surgery centre and a psychiatric hospital. Through its associated companies, it also operates four specialist clinics, eight GP clinics, a nursing home, a wellness centre, a fitness centre and a traditional Chinese medicine (TCM) service centre, as part of its healthcare network. Regionally, it provides facilities in Hong Kong and operates a 4-storey multi-disciplinary specialist centre in Hyderabad, India.

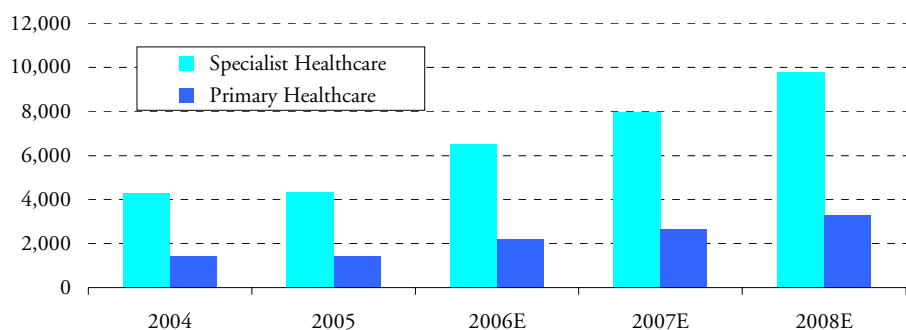
**Extracting value from the aesthetic medicare value chain.** Pacific Healthcare is able to drive value in a niche segment of the medicare market by offering healthcare services of various specialities targeting the high end of the healthcare market. This business has seen tremendous growth in the healthcare services and is projected to achieve 26% growth in FY06, with a CAGR of 26% for FY05-FY08.

**Singapore's healthcare landscape is changing.** With its core earnings anchored by its expertise in day-surgery-type specialised procedures, Pacific Healthcare will benefit tremendously from the government's plan to develop Singapore into a medical hub, increase its share of the lucrative healthcare tourism segment and make healthcare subsidies available portable.

**Specialists are the biggest assets.** Pacific Healthcare has been successful in attracting quality specialists to practise under its multiple disciplinary practice. The core competencies of the group are in the areas of dentistry, plastic & reconstructive surgery, cardiology and O&G. The group recently attracted six additional specialists to its multiple disciplinary practice and plans to develop the oncology unit very soon. Pacific Healthcare also has two general surgeons, both with different sub-specialities. Recently, the group has attracted one orthopaedic surgeon and a hand and wrist surgeon. Paediatrics is operated through an associated company, Thomson Paediatrics.

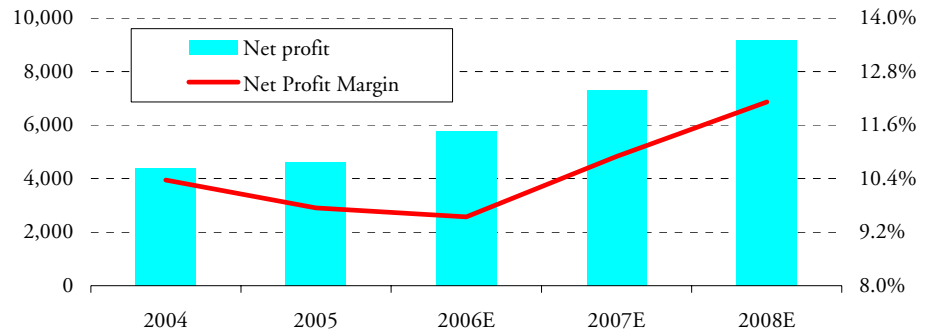
**Operating in the heart of Orchard Road.** The group operates in a prime location in Orchard Road, where it sees the most patients. The current 33,500 sq ft is expected to be scaled up to 45,000 sq ft by Apr 06. We estimate that on average, an aesthetic specialist can bring in S\$1.3m-1.5m annual revenue.

**Figure 1: Pretax profit composition (S\$ '000)**



Source: Company, CIMB-GK Research

**Figure 2: Net profit and margin (S\$ m, %)**



Source: Company, CIMB-GK Research

## Outlook

**Flatline FY05 results were a blip.** The answer to this flattish set of result lies in the current operating environment for healthcare companies. Even Pacific Healthcare's bigger competitor, Parkway (PWAY SP, Outperform, S\$2.48) was hurt by cost pressure that slowed its healthcare service division's revenue growth to just 5% and EBITDA growth to 11% (excluding contribution from Pantai). Compared to Parkway, Pacific Healthcare actually delivered quite decent results considering that a bigger healthcare provider like Parkway is facing pressure of equal magnitude. The only difference is Parkway has the sheer size and the benefits of other operations to lift up its group's recurring earnings.

Revenue contribution from specialist healthcare formed 57% of Pacific Healthcare's FY05 revenue and 75% of its profits. However, if cosmetic dentistry were reclassified as specialist healthcare instead of general healthcare, specialist healthcare would form 67% of group revenue and 91% of overall net profit. Dermatology, cosmetic surgery and dentistry alone contributed 23% of group sales and 46% of net profit.

We are also encouraged by the performance of the new specialist clinic and endoscopy centre which was set up in 4Q05. These new operations were marginally profitable.

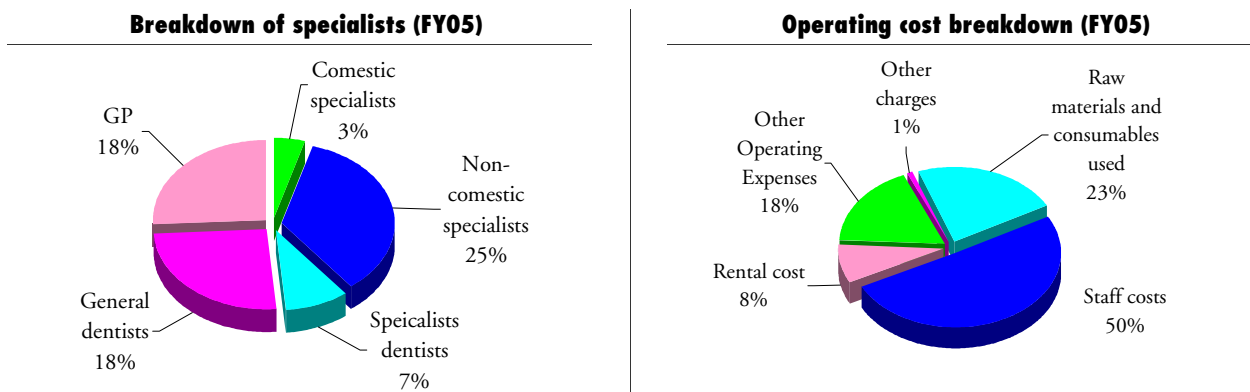
Pacific Healthcare plans include strengthening its control of associate companies, divestment of non-core operations and expansion into the overseas market. The group has just received a provisional licence to operate a hospital in Shanghai, China.

**Figure 3: Key competencies**

- Dentistry
- Plastic & reconstructive surgery
- Obstetrics and gynaecology
- Cardiology

Source: Company

**Figure 4: Numbers of specialists and operating cost breakdown**



Source: Company

**Tapping the lucrative Chinese market.** Pacific Healthcare bought a 25% stake in Singapore Heart Stroke and Cancer Centre (SHSCC), an operation owned by Dr. Michael Lim, a renowned cardiologist, in Dec 05 for S\$3.5m. It has the option to increase the stake to 50% for another S\$5m in May 06. SHSCC has been renamed to Pacific Heart Stroke and Cancer Centre (PHSCC). Through PHSCC, Pacific Healthcare also joined forces with Dr Lim on a special purpose vehicle for a hospital project in Shanghai, China.

*Only Singapore healthcare service provider with a private hospital in China so far*

The Shanghai hospital operation will operate in a 5-level hospital building. The group has already signed two groups of specialists to operate in two levels, which guarantees a rental income equivalent to the entire rental cost of the building.

**No other Singapore-listed healthcare provider has direct China exposure yet.** The interesting angle here is China will not issue any private hospital licences to private healthcare providers over the next two years. We believed that Pacific Healthcare, together with PHSCC, has made a perfect strategic move into the lucrative Chinese healthcare market before the door shut. What is more crucial here is that the group has, through this move, elevated itself to the position as the only Singapore-listed private healthcare service provider with direct exposure to China's healthcare market.

*PHSCC to contribute about S\$1m net profit in FY06*

**Shanghai hospital profitable from day one.** Pacific Healthcare, together with PHSCC, will operate the Shanghai hospital profitably from day one as the two floors it will rent out will more than cover its entire operating costs.

**Profit contribution from scalability of Shanghai hospital is a bonus.** PHSCC's Singapore operation contributed S\$0.1m net profit to the group in FY05 based on 1-month contribution since the group acquired the business in Dec 05. It is estimated to turn in full-year profit contributions of S\$1.1m in FY06 and S\$1.25m in FY07. This will ensure earnings growth for Pacific Healthcare in the years ahead. This earnings stream has not been factored into the earnings contribution from PHSCC's operation in Shanghai, which duplicates the diagnostic, and screening business it already runs in Singapore. We believed that this type of preventive and early detection cancer treatments will enjoy equal success in the Chinese market and the profit contribution from the scalability this treatment procedures will provide a bonus income stream to Pacific Healthcare.

**India another growth market.** The group has also extended its regional footprint to Hyderabad, India where it has set up a four-storey multi-disciplinary medical specialist centre. The centre houses consulting suites for medical specialists and dentists, a day surgery centre, 24-hour pharmacy, laboratory and imaging facilities and a spa for women. Due to start-up losses, this operation has yet to contribute positively to the group. We estimate that this business operation will add a modest 5% to the group's FY07-08 revenue, though we note that this is a conservative estimate and the operations could surprise on the upside.

**Going asset-light and streamlining its business.** The group is also reviewing its position in the eldercare business and will admit subsidised patients to its nursing home from Apr 06 onwards. Previously, the group did not admit government subsidised patients to its eldercare home. Despite this handicap, Pacific Healthcare has managed the operation well and did not incur any bad debts, unlike other nursing home operators, which enjoy concessions by admitting subsidised patients.

Going forward, we think that if the group were to keep its remaining stake in the nursing home, it would not have any negative impact on the earnings and could offer some positive earnings surprise given a higher occupancy rate driven by admission of subsidised patients.

*Streamlining its businesses and going into the asset-light direction*

Alternatively, we think the group can offload its nursing home facilities into a REIT. It can then operate the facilities by offering nursing homes and complement the business by providing dialysis services.

Pacific Healthcare is on the verge of streamlining its businesses and going into the asset-light direction. We believe the group has a potential divestment target in the Adams Road property, which houses its psychiatric business. The current valuation of this property is S\$12.5m. If it decides to unload this property, it could realise 40% of the net proceeds which, after deducting the mortgage and other costs, amounting to US\$1.1m. If the group chooses to sell this property and house its psychiatric business in one of its two nursing home facilities, the additional cash will

strengthen its balance sheet. Alternatively, the group could use the proceeds for earnings-accretive businesses. We have yet to factor this positive scenario into our forecasts.

**M&A and organic growth.** The group is developing itself into a premier healthcare service provider in both Singapore and regionally. It has embarked on an active expansion plan based on both organic growth as well as participation in JVs and acquisitions of established healthcare businesses that offer synergistic opportunities to the group.

Pacific Healthcare's plans include strengthening its control of associate companies, divestment of non-core operations and expansion into the overseas market. It has so far been successful in attracting specialists from various fields to join its practice and it is constantly building its brand. The group has been in talks with various parties in the healthcare businesses and is exploring opportunities to acquire businesses in which it already has core competencies. For example, since it operates the biggest specialised dentistry services in Singapore, joining Pacific Healthcare is a good proposition for other specialist dentistry practices.

Separately, the group has also been in talks with strategic investor who is keen to complement Pacific Healthcare's strengths. As it expands regionally, tie-ups with financially stronger strategic investors could add value to the group in the area of healthcare competencies. This is akin to the Parkway Holdings and Newbridge Capital strategic investment.

**Healthcare tourism.** Singapore has a very strong reputation as a regional medical hub, with a number of renowned healthcare service providers. Against a backdrop of increased competition from other regional healthcare providers, Pacific Healthcare is positioning itself as a comprehensive and integrated healthcare service provider, with multiple disciplinary practices.

**S\$3bn of revenue from healthcare dollars.** The Economic Review Committee has set a target of serving 1m foreign patients by 2012, generating S\$3bn of revenue and creating at least 13,000 jobs. The government also aims to raise the healthcare sector's contribution to GDP from 0.2% in 2004 to 3% by 2012. To achieve this, recommendations have been made, including supporting clinical research and clustering basic and clinical research. The clustering of research should lead to an increase in the number of foreign patients seeking more value-added niche medical services in Singapore. This should benefit everyone within the healthcare sector, including the private healthcare groups.

**Figure 5: Government targets and their benefits**

	2000	2007E	2012E
Share of Asian market	1%	2%	3%
Foreign patients			
Total	147,000	500,000	1,000,000
Inpatient/day surgery	18,000	50,000	100,000
Expenditure (S\$ m)			
Total	430	1500	3000
Foreign patients	350	1200	2400
Accompanying tourists	80	300	600
Value added (S\$ m)			
Total	370	1300	2600
Healthcare	320	1100	2200
Tourism	50	200	400
% VA contribution to GDP			
Total	0.25%	0.65%	1.10%
Healthcare	0.20%	0.55%	0.95%
Tourism	0.05%	0.10%	0.15%
Cumulative healthcare jobs creation	Base year	5,100	13,000

Source: Healthcare service working group recommendations

*Strategies involve strengthening control of associates, divestment of non-core and expansion overseas.*

## Financials

**Net earnings CAGR of 25.8% for FY05-08 is highest among peers.** Revenue from specialist healthcare is expected to rise by 41.5% to S\$38m in FY06. Contribution from specialist healthcare services is projected to swell from 15.9% of group pretax profit in FY05 to 19.9% in FY08 as six new specialists join the practice and additional floor space is taken up on the new 19<sup>th</sup> floor in Paragon. Likewise, pretax earnings are slated to notch up 22.8% CAGR in FY05-08.

We are only factoring in a flat charge-out rate by all doctors practising in the group for FY06 to FY08 as not all new specialists will be able to contribute immediately after joining the group.

**Margin improvement throughout.** Apart from growth shown in the specialist healthcare and primary healthcare segments, the group is also poised to deliver good margins. As a matter of fact, Pacific Healthcare has consistently delivered margin improvements. FY06-08 earnings should get support from the income stream from the Shanghai operation.

**Figure 6: Margins of Pacific Healthcare**

	2004	2005	2006F	2007F	2008F
Pacific Healthcare					
Pretax margins (%)	13.5	12.2	14.3	15.9	17.3
Net profit margins (%)	10.9	9.7	9.5	10.9	12.1

*Source: CIMB-GK Research*

**Gearing is not excessive.** Net gearing was brought down from 72% in FY04 to 11% after the listing of the group, which enlarged the group's equity. In fact, we forecast a net cash position for the group in FY06 as it could restructure and repay some short-term borrowings with cash proceeds from the sale of its stake in some subsidiaries. However, we believe that the group will look to borrow for other acquisitions that it is targeting for FY07. We think that the group will continue to operate with no alarming gearing.

**Dividend payout intact at a minimum of 25%.** In FY05, the group paid out 25% of its earnings. Management indicated that it will maintain a payout of at least 25%. Capex needs are not excessive and are largely taken care of by the group's strong operating cash flow. There is no major capex requirement after the completion of the increase in capacity on the 19<sup>th</sup> floor of Paragon. Operational cash flows have been robust, more than matching net earnings during FY03-05. They are expected to cover net earnings by an average of 1.7x in FY06-08.

## Risks

**Subject to competition.** The healthcare business in Singapore is competitive. Pacific Healthcare has to compete, not only with other practitioners who operate as individuals, groups and medical outfits, but also public healthcare providers. However, many of these healthcare service providers are situated on the premises of the hospitals where they are practising. Pacific Healthcare's premier space in the prime Orchard Road belt offers its patients consultancy and treatment in the vicinity of world-class shopping malls. It also has the advantage of being situated near the Mount Elizabeth Hospital.

**Dependent on patient referrals.** A substantial part of Pacific Healthcare's revenue comes from patient referrals from specialists within its practice and other accredited specialists operating outside the area. If these referrals decline for whatever reasons, there may be a material negative impact on Pacific Healthcare's operating and financial performance.

**Dependent on a few star specialists.** Should there be a severe decline in the contribution from some of these top contributors to the group, Pacific Healthcare's earnings may contract given that these few specialists are consultants to some of the group's best fee-paying patients. However, the group has other practices and specialist consultation services that can cushion this decline. Furthermore, Pacific Healthcare is proactive in seeking other specialists and reducing its reliance on income from Singapore, thus helping to lower its reliance on home birth rates.

## Valuation and recommendation

Target price of S\$0.45. Pacific Healthcare trades at 13.8x CY06 P/E, well below the 18.5x rating for peers, even though we expect it to chalk up a very healthy earnings CAGR of 25.8% for FY05-08. We rate it an OUTPERFORM with a target price of S\$0.45, based on 18.5x CY06 P/E, on par with the average valuations of its peers. We believe that Pacific Healthcare deserves such a valuation given its status as the only Singapore-listed private healthcare service provider with a direct exposure to China's healthcare market. Near-term re-rating catalysts include acquisition of other healthcare service providers operating in similar space, divestment of other non-strategic assets and a better-than-expected performance from the fully integrated private practice.

**Figure 7: Sector comparisons**

	BB		Price	Mkt. Cap. (\$m)	Core P/E (x)		3-yr EPS CAGR (%)		P/BV (x)		Div. Yield (%)		
	Ticker	Rec.			CY05	CY06	CY05	CY06	CY05	CY06	CY05	CY06	CY05
Pacific Healthcare	PACH	O	S\$0.33	77	17.4	13.8	25.8	3.7	15.3	14.0	1.5		
Thomson Medical Centre	THOM	O	S\$0.37	98	16.5	12.0	21.1	1.5	27.6	27.3	3.2		
Parkway	PWAY SP	O	S\$2.47	1,797	23.0	20.7	15.2	4.5	14.6	18.3	4.4		
Raffles Medical	RFMD SP	O	S\$0.79	315	26.1	19.8	23.3	3.0	11.8	14.3	3.2		
Bumrungrad Hospital	BH TB	N	THB31.50	954	26.2	21.4	25.8	10.4	45.0	44.2	1.9		
C&O Pharmaceutical	COPT SP	O	S\$0.48	295	9.4	7.2	22.4	7.3	48.1	41.1	5.9		
Asiapharm Group	APHM SP	N	S\$0.75	306	13.4	11.0	22.5	5.7	26.0	26.2	1.1		
Simple average					18.9	15.1	22.3	5.1	26.9	26.5	3.0		
Simple average (w/o PACH)					19.1	15.4	21.7	5.4	28.9	28.6	3.3		
Simple average of hospitals (w/o C&O & Asiapharm)					21.8	17.6	22.2	4.6	22.9	23.6	2.8		
Simple average of hospitals (w/o PACH, C&O & Asiapharm)					23.0	18.5	21.3	4.8	24.8	26.0	3.2		

O = Outperform, N = Neutral, U = Underperform, NR = Not Rated, TB = Trading Buy and TS = Trading Sell  
Source: Company, CIMB-GK estimates, Bloomberg

**Figure 8: Segmental breakdown (\$\$ '000)**

	2004	2005	2006F	2007F	2008F
Specialist healthcare	22,127	27,087	38,323	42,834	49,136
Primary healthcare	20,052	20,181	23,010	24,099	26,456
<b>Total revenue</b>	<b>42,179</b>	<b>47,268</b>	<b>60,633</b>	<b>66,933</b>	<b>75,592</b>
EBITDA margin	19.0%	18.4%	19.6%	22.0%	22.7%
EBIT margin	13.6%	13.8%	14.7%	17.6%	18.8%
Specialist healthcare	4,286	4,316	6,495	7,973	9,798
Primary healthcare	1,429	1,439	2,165	2,658	3,266
<b>Total pretax profit</b>	<b>5,714</b>	<b>5,754</b>	<b>8,659</b>	<b>10,630</b>	<b>13,064</b>
<b>Growth</b>	<b>14.0%</b>	<b>0.7%</b>	<b>50.5%</b>	<b>22.8%</b>	<b>22.9%</b>
<b>Pretax margin</b>	<b>13.5%</b>	<b>12.2%</b>	<b>14.3%</b>	<b>15.9%</b>	<b>17.3%</b>
Specialist healthcare	3,189	3,191	4,051	5,107	6,411
Primary healthcare	1,413	1,414	1,736	2,189	2,748
<b>Total net profit</b>	<b>4,602</b>	<b>4,605</b>	<b>5,788</b>	<b>7,296</b>	<b>9,159</b>
<b>Growth</b>	<b>-8.9%</b>	<b>5.3%</b>	<b>25.7%</b>	<b>26.1%</b>	<b>25.5%</b>
<b>Net margin</b>	<b>10.9%</b>	<b>9.7%</b>	<b>9.5%</b>	<b>10.9%</b>	<b>12.1%</b>

Source: CIMB-GK estimates

## Management

TMC has an experienced and well-respected management team.

Name	Relevant experience
<b>Dr William Chong</b> <i>Chief Executive Officer</i>	Dr Chong is responsible for charting the corporate direction and business strategies, business and corporate development, policy planning and oversees the day-to-day management of Pacific Healthcare. In addition, he is responsible for the overseas operations in Hong Kong and India. Apart from his executive responsibilities, Dr Chong also practises as a dental surgeon in Atria-Pan, part of the Pacific Healthcare Group.
<b>Dr Martin Hung</b> <i>Executive Director</i>	Dr Martin Huang Hsiang Shui is involved in setting out the strategies and policies for the group's development.

**Terrance Tan**  
Chief Financial Officer

Mr Tan was appointed the group's CFO in May 04. He oversees the group's accounting, finance, information technology, tax and compliance matters. He has more than 12 years of experience in the banking and financial sector.

Source: Company

**Figure 9: SWOT analysis**

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Strong reputable healthcare player with excellent experience in dentistry and aesthetic medical care business.</li> <li>• Has many good specialists who provide strong patient referrals to its flagship medical centres.</li> <li>• Offers various healthcare services from medical centres in the upmarket Orchard Road belt.</li> <li>• Only Singapore healthcare service provider with a private hospital in China so far.</li> <li>• Sound balance sheet.</li> </ul>	<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Directly exposed to China healthcare market through PHSCC.</li> <li>• M&amp;A opportunities to drive growth</li> <li>• Going asset-light.</li> </ul>
<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Subject to competition from other public and private healthcare providers.</li> <li>• Capacity expansion may cannibalise growth if not executed well.</li> <li>• Dependent on patient referrals.</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Highly competitive environment if other private hospitals start to compete head-on in this niche area.</li> <li>• Unfavourable changes in government regulations can throw expansion plan off track.</li> </ul>

Source: CLMB-GK Research

**Figure 10: Other Operations locally and overseas**

**Nursing Home Senja**



**Pacific Healthcare Nursing Home**



**Hyderabad, India**



**Hong Kong**



Source: Company

## Financial tables

PROFIT & LOSS (\$\$ m, FYE Dec)	2004	2005	2006F	2007F	2008F
Revenue	42.2	47.3	60.6	66.9	75.6
Operating expenses	(34.2)	(38.6)	(48.7)	(52.2)	(58.4)
EBITDA	8.0	8.7	11.9	14.8	17.2
Depreciation & amortisation	(2.3)	(2.2)	(3.0)	(3.0)	(3.0)
EBIT	5.7	6.5	8.9	11.8	14.2
Net interest & invt income	(0.6)	(1.2)	(0.7)	(1.5)	(1.5)
Associates' contribution	0.6	0.4	0.5	0.4	0.4
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>5.7</b>	<b>5.8</b>	<b>8.7</b>	<b>10.6</b>	<b>13.1</b>
Tax	(1.3)	(1.1)	(1.7)	(2.1)	(2.6)
Minority interests	(0.0)	(0.0)	(1.1)	(1.2)	(1.3)
<b>Net profit</b>	<b>4.4</b>	<b>4.6</b>	<b>5.8</b>	<b>7.3</b>	<b>9.2</b>
Wt. shares (m)	186.7	193.6	238.8	238.8	238.8
Shares at year-end (m)	238.8	238.8	238.8	238.8	238.8
<b>BALANCE SHEET (\$\$ m, 31 Dec)</b>	<b>2004</b>	<b>2005</b>	<b>2006F</b>	<b>2007F</b>	<b>2008F</b>
Fixed assets	12.6	15.1	15.6	14.6	13.8
Intangible assets	14.0	22.6	22.6	22.6	22.6
Other long-term assets	11.2	12.1	12.6	14.6	16.6
<b>Total non-current assets</b>	<b>37.9</b>	<b>49.8</b>	<b>50.8</b>	<b>51.8</b>	<b>53.0</b>
Cash and equivalents	4.0	10.1	9.3	13.3	16.4
Stocks	2.0	2.1	1.7	1.7	1.7
Trade debtors	4.3	4.4	5.4	6.1	6.3
Other current assets	7.6	7.0	7.0	7.0	7.0
<b>Total current assets</b>	<b>17.9</b>	<b>23.5</b>	<b>23.3</b>	<b>28.1</b>	<b>31.4</b>
Trade creditors	7.9	7.3	6.1	6.7	7.6
Short-term borrowings	10.9	9.2	4.3	2.1	-
Other current liabilities	2.3	2.9	4.2	4.6	2.6
<b>Total current liabilities</b>	<b>21.1</b>	<b>19.5</b>	<b>14.6</b>	<b>13.5</b>	<b>10.2</b>
Long-term borrowings	8.3	5.0	5.0	5.0	5.0
Other long-term liabilities	4.4	4.7	4.7	4.7	4.7
<b>Total long-term liabilities</b>	<b>12.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>
<b>Shareholders' funds</b>	<b>21.0</b>	<b>39.1</b>	<b>43.4</b>	<b>48.9</b>	<b>55.7</b>
Minority interests	1.0	5.1	6.2	7.4	8.7
NTA/share (\$\$)	0.03	0.07	0.09	0.11	0.14
<b>CASH FLOW (\$\$ m, FYE Dec)</b>	<b>2004</b>	<b>2005</b>	<b>2006F</b>	<b>2007F</b>	<b>2008F</b>
Pretax profit	5.7	5.8	8.7	10.6	13.1
Depreciation & non-cash adjustments	2.3	2.2	3.0	3.0	3.0
Working capital changes	0.5	(0.9)	(1.9)	(0.1)	0.7
Cash tax paid	(0.9)	(0.9)	(1.7)	(2.1)	(2.6)
Others	(0.6)	(1.2)	(0.5)	(0.4)	(0.4)
<b>Cash flow from operations</b>	<b>7.1</b>	<b>4.9</b>	<b>7.6</b>	<b>11.0</b>	<b>13.8</b>
Capex	(3.0)	(1.3)	(3.5)	(2.0)	(2.2)
Net investments & sale of FA	(3.8)	(3.9)	(0.5)	(2.0)	(2.0)
Others	0.8	-	2.0	1.0	(2.0)
<b>Cash flow from investing</b>	<b>(6.0)</b>	<b>(5.3)</b>	<b>(2.0)</b>	<b>(3.0)</b>	<b>(6.2)</b>
Debt raised/(repaid)	1.8	(7.6)	(4.9)	(2.1)	(2.1)
Equity raised/(repaid)	-	15.1	-	-	-
Dividends paid	(4.8)	(0.2)	(1.4)	(1.8)	(2.3)
Cash interest & others	(1.3)	(1.4)	-	-	-
<b>Cash flow from financing</b>	<b>(4.2)</b>	<b>5.9</b>	<b>(6.4)</b>	<b>(4.0)</b>	<b>(4.4)</b>
<b>Change in cash</b>	<b>(3.3)</b>	<b>5.4</b>	<b>(0.8)</b>	<b>4.0</b>	<b>3.1</b>
<b>Change in net cash/(debt)</b>	<b>(3.4)</b>	<b>11.0</b>	<b>4.1</b>	<b>6.2</b>	<b>5.3</b>
<b>Ending net cash/(debt)</b>	<b>(15.2)</b>	<b>(4.2)</b>	<b>(0.1)</b>	<b>6.1</b>	<b>11.4</b>
<b>KEY RATIOS (\$\$ m, FYE Dec)</b>	<b>2004</b>	<b>2005</b>	<b>2006F</b>	<b>2007F</b>	<b>2008F</b>
Revenue growth (%)	15.6	12.1	28.3	10.4	12.9
EBITDA growth (%)	7.2	8.5	36.7	24.2	16.5
Pretax margins (%)	13.5	12.2	14.3	15.9	17.3
Net profit margins (%)	10.4	9.7	9.5	10.9	12.1
Interest cover (x)	7.8	3.9	11.4	6.1	7.7
Effective tax rates (%)	23.2	19.8	20.0	20.0	20.0
Net dividend payout (%)	-	4.7	25.0	25.0	25.0
Debtors turnover (days)	18.5	33.4	29.3	31.4	30.0
Stock turnover (days)	8.5	15.6	11.2	9.0	8.0
Creditors turnover (days)	34.2	58.8	40.3	34.8	34.4

Source: Company, CIMB-GK estimates

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