

Pacific Healthcare

Opens fourth integrated specialist centre

NEUTRAL

Maintained

S\$0.35

@18/01/08

Target: S\$0.455

Mkt.Cap: S\$96.9m

Healthcare

PACH SP / PAHH.SI

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Opens fourth integrated specialist centre

Pacific Healthcare officially opened its fourth integrated specialist centre on Saturday. Occupying the entire seventh level of Paragon's shopping podium, the 8,000sf centre offers a wide range of medical, dental and diagnostics services, complementing the group's existing centres on the 12th, 19th and 20th levels of Paragon.

The key thrust of this centre is preventive medicine with the latest diagnostic equipment, including a 3-Tesla magnetic resonance scanner and a 64-slice computed tomography scanner. The high-resolution 3-Tesla scanner allows superior image quality and detail and is especially useful for the visualisation of the brain, breast and liver, while the 64-slice CT scanner is suitable for non-invasive diagnosis of heart diseases.

The centre also houses specialists in obstetrics & gynaecology, implant and cosmetic dentistry as well as ear, nose and throat surgery. There is also a health screening and family medicine centre, an allergy clinic and a thyroid surgery centre.

Valuation and recommendation

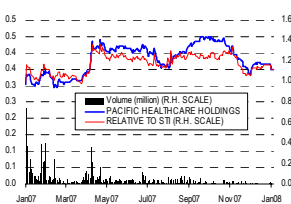
Maintain Neutral with new target price of S\$0.455, adjusted for bonus warrant issue (previously S\$0.47). Our earnings estimates remain unchanged as there is no increase in the number of doctors in the group. The doctors who staff the new centre had been relocated from existing centres.

The company earlier proposed a 1-for-5 bonus warrant issue of up to 56.2m warrants at an exercise price of S\$0.39. Adjusting for this, our new target price is S\$0.455, still based on 14x CY09 P/E, a 20% discount to the peer average on account of its smaller market capitalisation.

Financial summary

FYE Dec	2005	2006	2007F	2008F	2009F
Revenue (S\$ m)	48.8	64.4	73.5	88.2	107.5
EBITDA (S\$ m)	8.7	8.5	8.4	11.7	15.2
EBITDA margins (%)	17.8	13.1	11.4	13.2	14.2
Pretax profit (S\$ m)	5.6	5.8	8.2	11.2	13.7
Net profit (S\$ m)	4.6	4.0	6.1	7.6	9.5
EPS (S cts)	2.4	1.7	2.2	2.7	3.4
EPS growth (%)	+5%	-29%	+31%	+22%	+25%
P/E (x)	15.3	21.6	16.5	13.5	10.8
Core EPS (S cts)	2.4	0.6	1.2	2.2	3.4
Core EPS growth (%)	+5%	-76%	+108%	+88%	+53%
Core P/E (x)	15.3	65.0	31.2	16.6	10.8
FD EPS (S cts)	2.4	0.6	1.0	1.8	2.8
FD P/E (x)	15.3	65.0	38.0	19.9	13.0
Gross DPS (S cts)	0.5	0.5	0.7	0.8	1.0
Dividend yield (%)	1.3	1.3	1.8	2.2	2.8
P/NTA (x)	7.2	5.9	3.5	3.0	2.5
ROE (%)	18.6	10.0	12.6	13.0	14.7
Net gearing (%)	8.6	25.0	10.2	2.1	cash
P/CF (x)	10.8	21.3	6.4	10.1	8.9
EV/EBITDA (x)	8.6	11.7	12.8	8.9	6.4
CIMB-GK/Consensus (x)			0.99	1.04	

Price chart



Source: Bloomberg

Source: Company, CIMB-GK estimates

Figure 1: Sector comparisons

	Bloomberg		Price	Mkt cap	Core P/E (x)		3-yr EPS	P/NTA	ROE (%)		Div
	ticker	Recom.		(US\$ m)	CY08	CY09	CAGR	(x)	CY08	CY09	yield (%)
Parkway Holdings	PWAY SP	O	S\$3.74	2,045.7	27.7	24.8	21.1	8.4	19.4	21.6	4.3
Raffles Medical	RFMD SP	N	S\$1.38	504.4	24.5	19.9	25.3	3.8	15.5	18.8	3.6
Thomson Medical	THOM SP	N	S\$0.65	133.6	15.7	13.2	20.8	2.0	13.2	15.1	4.5
Pacific Healthcare	PACH SP	N	S\$0.35	68.7	16.6	10.8	81.9	3.0	13.0	14.7	2.2
Bangkok Dusit Medic	BGH TB	NR	THB32	1,292.8	25.1	18.2	33.1	3.6	17.1	20.4	2.1
Bumrungrad Hospital	BH TB	U	THB39	946.7	23.2	20.2	18.2	7.7	36.2	34.8	2.2
Bangkok Chain Hosp	KH TB	NR	THB7.9	250.2	15.6	13.6	15.4	2.6	16.4	17.1	3.7
Simple average (including Pacific Healthcare)					21.2	17.2	30.8	4.4	18.7	20.4	3.2
Simple average (excluding Pacific Healthcare)					20.1	16.0	32.4	3.8	18.6	20.2	3.0

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

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NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

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STOCK RECOMMENDATIONS

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NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.

UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

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