

MITA No. 010/06/2008

18 May 2009

Parkway Holdings Ltd

Maintain

HOLD

Previous Rating: HOLD

S\$1.29

Fair Value: S\$1.28

Stock Code:

Reuters:

PARM.SI

Bloomberg:

PWAY SP

ISIN Code

P27

Event:

Results

General Data	
Issued Capital (m)	1,130
Mkt Cap (S\$m/US\$m)	1,458 / 991
Major Shareholder	
TPG	(23.9%)
Khazanah	(23.32%)
Free Float (%)	45%
NAV per share (S\$)	1.14
Daily Vol 3-mth ('000)	3,216
52Wk High (S\$)	3.110
52Wk Low (S\$)	1.010

1Q09 indicative for 2009

Indicative quarter for 2009? Parkway Holdings (Parkway) reported its 1Q09 results on Friday with topline inching 4% YoY ahead to S\$237.8m while PATMI rose 9% YoY to S\$21.3m. Excluding impairment loss of Auric Pacific, Parkway's bottomline would have risen 20% YoY to S\$23.4m. The group has not resolved the S\$34.4m of outstanding debt incurred in 4Q08, but is confident of retrieving the full amount. Parkway is finalising plans with Colliers for the launch of its first tranche of Novena Medical Suites. As such, no sales were booked this quarter.

Hospitals: International will buffer Singapore performance. In line with our estimates, Singapore hospital performance started the year with a slide of 9% in topline in view of shorter hospital stays coupled with lower inpatient stays. However, its International hospitals have exceeded our expectations by growing revenue to S\$54.8m (+26% YoY, +6% QoQ). This growth was primarily due to its Pantai Hospitals and increased patient loads at its cardiac centre in Brunei. In addition, the group also started consolidating revenue of Gleneagles Kuala Lumpur after raising its stake from 30% to 58% in Nov 08 and started recognising revenue from its management project in the Abu Dhabi Hospital.

Healthcare: Driver for FY09. With patients putting off elective surgeries and performing more diagnostic tests, a significant shift to outpatient treatment was seen through an almost double-digit rise in day cases. This boosted the Healthcare segment's revenue by 13% YoY to S\$72.7m. Higher intensity of procedures performed helped to raise productivity and accentuated Parkway's EBITDAR's ascent by a greater magnitude of 27% YoY. The recently launched "Fixed-fee surgical packages" that are 10-15% discounted from original prices will continue driving its day cases.

Fair value raised, but maintain HOLD. We have tweaked our estimates to account for Parkway's successful push for more outpatient treatment along with an anticipated strong performance from its International Hospitals. From a core operations standpoint, we raise our estimates to S\$83.7m (prev: S\$75.6m) in FY09 earnings. Our fair value is raised to S\$1.28 (prev: S\$1.15) on the same valuation peg of 15x FY09F EPS. While operationally sound, uncertainties still exist for the take up of its first launch of the medical suite sales which can change the dynamics for loan repayments. We will be incentivised to re-look the peg upon strong suite sales take up along with sustained cost containment and International division performance. Maintain **HOLD**.

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Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	869.7	181.6	302.1	34.2	360.0	3.8	4.8
FY 08	945.4	174.8	40.2	3.4	-89.9	37.4	1.0
FY 09F	973.4	460.7	351.7	30.6	788.1	4.2	1.6
FY 10F	1,054.0	405.9	282.1	24.5	-19.9	5.3	1.9

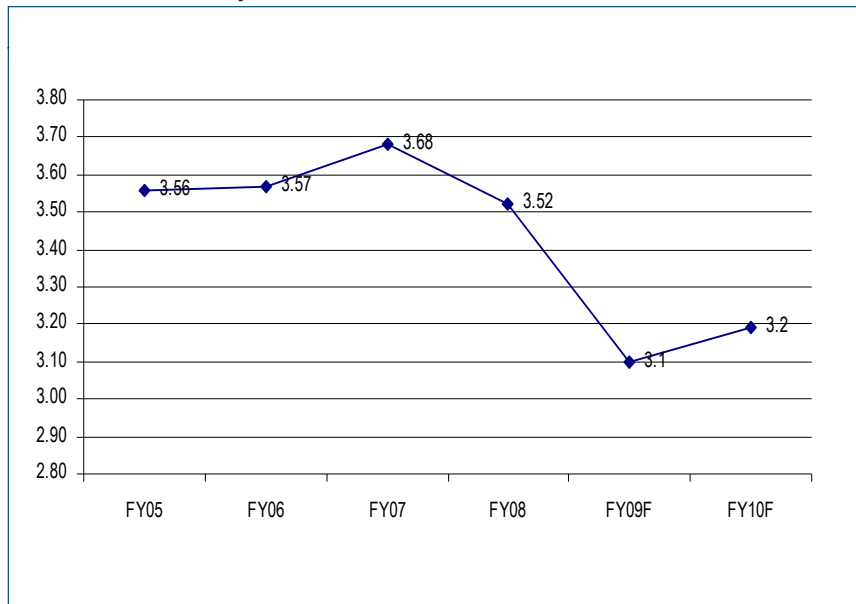
Please refer to the important disclosures at the back of this document.

Exhibit 1: Sum of the Parts Valuation

	Value (m)	Equity stake	Valuation type	Multiple (x)	Valuation	Valuation per share
Parkway core ops	\$ 84	100%	FY09F PER	15	1,256	1.11
PREIT	\$ 530	35.5%	Mkt cap		188	0.17
Shares outstanding						1129
SOTP valuation						1.28

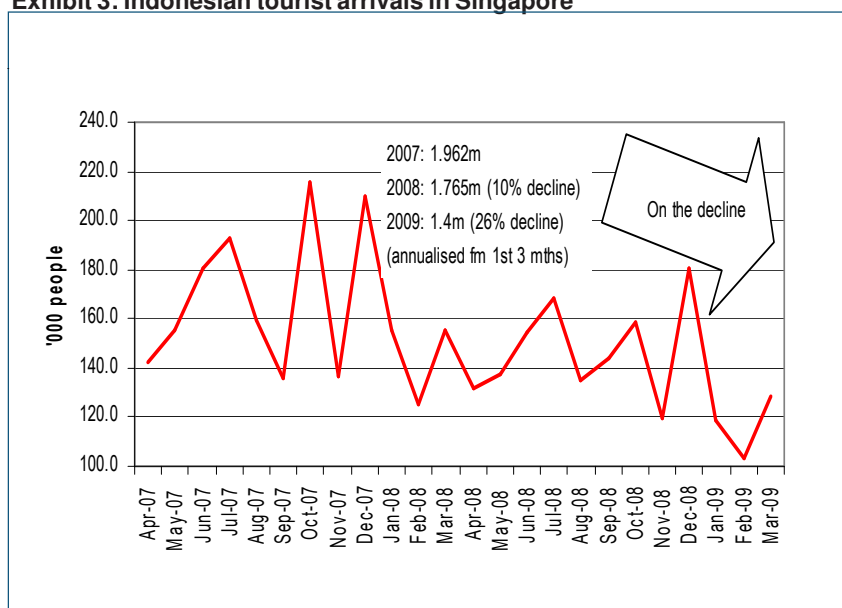
Source: OIR estimates

Exhibit 2: Patient days



Source: Company, OIR estimates

Exhibit 3: Indonesian tourist arrivals in Singapore



Source: CEIC

Exhibit 4: Peers comparison

	Px Last (LC\$)	Local Ccy	Mkt Cap (LC\$m)	Ebit Margin (%)	Prof Margin (%)	Pe Ratio (x)	Est PE Cur Yr (x)	Est PE Nxt Yr (x)	P/B (x)	P/S (x)
Primary Health Care Ltd	4.95	AUD	1,868	16.5	1.0	NA	17.3	10.9	1.1	1.2
Ramsay Health Care Ltd	9.46	AUD	1,658	8.9	3.5	18.8	13.4	11.8	2.6	0.5
Healthscope Ltd	3.91	AUD	1,006	10.4	4.4	10.8	11.7	10.4	1.1	0.6
Apollo Hospitals Enterprise Ltd	398.4	INR	23,998	11.5	6.4	28.2	NA	NA	1.8	1.8
Bangkok Dusit Medical Service Pc	20.4	THB	24,776	12.0	7.8	NA	15.2	13.3	1.9	NA
Bumrungrad Hospital PCL	25.5	THB	18,571	16.8	13.8	15.4	17.1	15.6	3.6	2.1
Bangkok Chain Hospital PCL	7.45	THB	7,078	23.1	14.3	11.3	10.8	10.1	2.8	1.6
Thomson Medical Centre Ltd	0.5	SGD	146	19.7	18.6	13.0	11.4	10.0	1.3	2.4
Pacific Healthcare Holdings Ltd	0.095	SGD	27	-5.1	-14.8	NA	NA	NA	0.6	0.3
Raffles Medical Group Ltd	0.91	SGD	472	19.2	15.7	14.2	14.7	13.4	2.1	2.3
Parkway Holdings Ltd	1.29	SGD	1,458	13.9	8.6	32.9	17.4	13.8	1.1	1.4
Average ALL (ex-PACH)				15.2	9.4	18.1	14.3	12.2	1.9	1.6
Average Hospitals ex PWAY				15.4	9.5	16.0	13.9	11.9	2.0	1.6
Average Hospitals in Australia				11.9	3.0	14.8	14.1	11.0	1.6	0.8
Average Hospitals in Thailand				17.3	12.0	13.3	14.4	13.0	2.7	1.9
Average Singapore peers (ex PACH)				19.5	17.1	13.6	13.0	11.7	1.7	2.4

Source: Bloomberg

Parkway's Key Financial Data

Parkway Results Year Ended 31 Dec (S\$ m)	1Q08 (S\$m)	1Q09 (S\$m)	% Chg (YoY)	4Q08 (S\$m)	% Chg (QoQ)
Total revenue	228.7	237.8	4.0%	241.2	-1.4%
Cost of Sales	-85.5	-91.0	6.4%	-88.8	2.5%
Gross profit	143.2	146.7	2.5%	152.4	-3.7%
EBITDAR	54.2	62.2	14.7%	73.1	-14.9%
Other operating income	6.7	11.9	78.4%	9.3	28.3%
Depreciation and amortisation	-11.4	-14.2	24.5%	-12.3	15.2%
Staff costs	-72.3	-72.3	0.0%	-55.4	30.4%
Operating lease	-16.8	-17.6	5.2%	-18.5	-4.9%
Other operating costs	-23.4	-24.2	3.3%	-33.2	-27.1%
Profit from operations	26.1	30.4	16.5%	42.3	-28.1%
Financial income (expense), net	-3.3	-3.9	19.2%	-7.4	-46.7%
Share of associates	2.0	4.4	123.0%	0.5	850.9%
Exceptionals	-0.1	-2.1	NM	-56.2	-96.2%
Profit before income tax	24.7	28.7	16.2%	-20.9	NM
Income Tax	-4.8	-5.5	14.0%	1.3	NM
PAT	19.9	23.2	16.7%	-19.6	NM
Minority Interests	-1.4	-1.9	37.7%	-1.6	23.1%
PATMI	18.5	21.3	15.1%	-21.1	NM
PATMI (minus 1-offs)	19.6	23.4	19.6%	36.2	-35.2%

EARNINGS FORECAST

Year Ended 31 Dec (\$ m)	FY07	FY08	FY09F	FY10F
Revenue	869.7	945.4	973.4	1,054.0
Gross profit	542.8	598.2	613.2	664.0
Other operating income	24.6	25.0	304.3	232.4
Staff costs	-259.6	-271.5	-282.3	-305.6
Operating lease	-31.9	-69.7	-67.5	-68.9
Other operating costs	-94.3	-107.1	-107.1	-115.9
EBITDA	181.6	174.8	460.7	405.9
Operating profit	133.4	125.6	415.6	359.0
Other expenses/income	-29.7	-16.6	-19.5	-21.1
Share of associate	5.9	7.9	9.5	10.4
Exceptional Items (EI)	214.6	-60.5	34.0	0.0
Pre-tax profit	324.1	56.4	439.6	348.3
Tax	-22.1	-16.2	-87.9	-66.2
Net profit	302.1	40.2	351.7	282.1
Minority Interests	-4.1	-5.4	-6.2	-5.5
PATMI	298.0	34.8	345.5	276.6
PATMI (ex-EI, ex-PREIT, ex-suite sales)	83.4	95.3	83.7	105.4
Revenue revision	NA	NA	5.6%	5.5%
Net profit revision	NA	NA	10.7%	9.7%
Earnings per share (\$cents)	34.2	3.4	30.6	24.5
Fully diluted earnings per share (\$cents)	34.0	3.4	30.6	24.5
FD EPS growth	359.1%	-89.9%	791.4%	-19.9%
EPS: ex-EI, ex-PREIT, ex-suites (\$cents)	9.6	15.4	7.4	9.3
FDEPS: ex-EI, ex-PREIT, ex-suites (\$cents)	9.5	15.4	7.4	9.3
FDEPS growth	6.5%	61.4%	-51.7%	26.0%
Segmented revenue				
Singapore hospitals	463.3	473.6	434.6	472.5
International hospitals	172.6	188.7	227.4	238.9
Healthcare	229.4	274.3	301.7	331.9
Others	4.5	8.8	9.7	10.7
Profitability ratios				
Gross profit margin (%)	62.4	63.3	63.0	63.0
Operating (ex suites) margin (%)	15.3	13.3	13.9	14.5
Net profit margin (%)	34.7	4.3	36.1	26.8
Core PATMI margin (%)	9.6	10.1	8.6	10.0

BALANCE SHEET

As at 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Cash and equivalents	143.4	542.1	522.2	330.5
Other current assets	179.5	159.1	187.9	203.4
Fixed assets	290.1	1,656.2	1,785.1	1,912.1
Other long term assets	490.0	576.4	594.8	594.8
Total assets	1,103.0	2,933.7	3,090.0	3,040.9
ST and LT debt	185.9	1,221.8	1,150.0	1,050.0
Short term liabilities	226.8	237.1	253.4	249.2
Other long term liabilities	84.7	115.6	216.9	189.5
Total liabilities	497.4	1,574.5	1,620.2	1,488.7
Shareholders equity (incl reserves)	605.6	1,359.2	1,469.7	1,552.2
Total equity and liabilities	1,103.0	2,933.7	3,090.0	3,040.9
NTA per share (S\$ cents)	42.1	98.7	98.8	106.1
NAV per share (S\$ cents)	66.6	127.1	123.3	130.6

CASH FLOW

Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Profit/(Loss) before working cap. changes	177.4	172.9	469.0	325.9
Working capital changes	-36.2	-40.0	-71.1	-62.5
Net cash from operations	141.2	132.9	397.9	263.4
Capex	-80.9	-1,360.2	-174.0	-174.0
Other investing flows	548.5	-80.4	-134.4	-139.2
Total investing cash flow	467.6	-1,440.6	-308.4	-313.2
Net change in debt	-356.6	1,072.2	-71.8	-100.0
Change in equity	-20.8	756.5	0.0	0.0
Dividends and other payables	-177.5	-95.7	-37.5	-41.9
Total financing cash flow	-554.9	1,705.3	-109.3	-141.9
Net cash flow	63.9	397.6	-19.9	-191.7
Cash at beginning of year	75.2	139.2	542.1	522.2
Cash at end of year (incl FD pledged)	143.4	542.1	522.2	330.5

Key Ratios

PER (x)	3.8	37.4	4.2	5.3
PER-core hospital ops (x)	13.5	8.4	17.4	13.8
Price/NTA (x)	3.1	1.3	1.3	1.2
Dividend yield (%)	4.8	1.0	1.6	1.9
ROA (%)	27.4	1.4	11.4	9.3
ROE (%)	49.9	3.0	23.9	18.2
Net gearing (%)	7.0%	50.0%	42.7%	46.4%
PE growth (x)	0.0	-0.4	0.0	-0.3

Source: Company data, OIR estimates

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Head of Research

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