

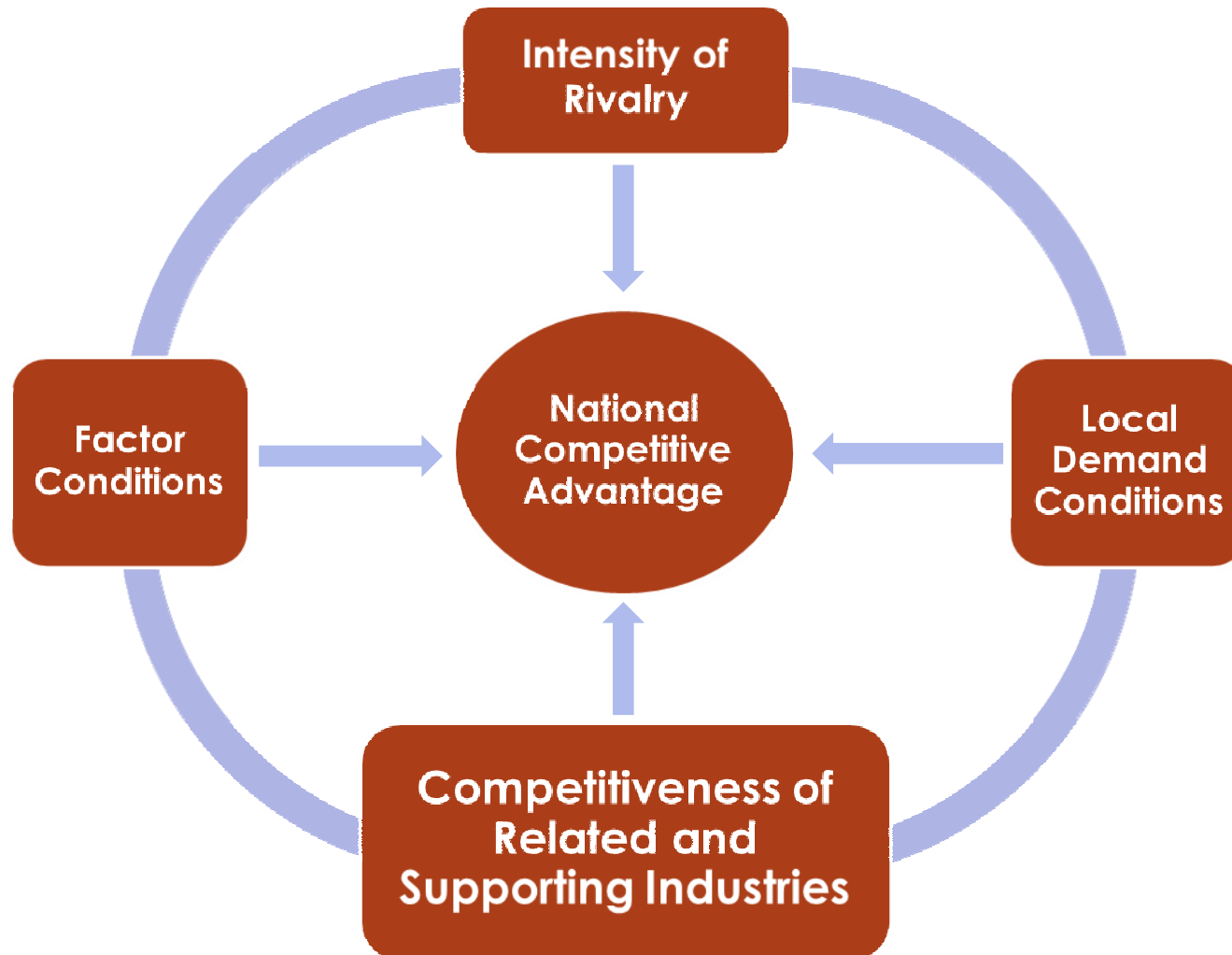
Merger and Acquisition of Healthcare Services

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Merger and Acquisition of Healthcare Services

Healthcare has become increasingly complex and massive, becoming a multi-trillion dollars industry worldwide. Merger & Acquisition of big corporate making profit and loss factors more important than quality of care, patients relations and the interest of employees. Merger & Acquisition impact to health care organizations

The Determinants of Thailand Competitive Advantage



Health care: Merger and Acquisition

- Economies of scale : Reduce cost
- To gain market share
- Better access to capital
- Pool resources - information technology and medical devices
- Gain leverage with insurance companies
- Create efficiencies by eliminating over supply selected services
- Organizing physicians & technicians to improve care

STEPS FOR M & A

Prepare detailed offering package



Business valuation



Develop marketing plan



Negotiating terms



Due diligences



Financial and Funding



Closing the transaction

The Failure of Merger & Acquisition

- Lack of definition of operation model governance and leaderships
- High costs and inadequate financial controls : debt
- “Best of breed” physicians relationships are a determining factors
- Failure to integrate IT and business process (Services, claim billing, sales network management)
- New competition: market share
- Unforeseen demand shifts

Comparable transaction analysis – Asia Pacific Healthcare Services

Date	Target	Acquiror	%Stake	Target Country	EV (USDm)	EV/EBITDA LFY	EV/EBITDA LTM	EV/EBITDA FY+1	EBITDA Margin LFY	EBITDA Margin LTM	EBITDA Margin FY+1
1-Feb-11	Quality Healthcare Asia	Fortis Healthcare	100.0%	Hongkong	195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
15-Dec-10	Health Network	Bangkok Dusit Medical Services	100.0%	Thailand	403	5.8x	4.8x	n.a.	20.7%	24.8%	n.a.
29-Oct-10	Thomson Medical Centre	Peter Lim	60.7%	Singapore	379	21.8x	21.8x	n.a.	28.9%	28.9%	n.a.
17-Sep-10	Healthscope	Carlyte, TPG	100.0%	Australia	2,711	10.3x	10.3x	9.3x	14.3%	14.3%	n.a.
26-Jul-10	Parkway Holdings	Khazanah	76.2%	Singapore	3,815	26.4x	26.4x	20.6x	21.4%	21.3%	21.3%
1-Jul-10	Parkway Holdings (withdrawn)	Fortis Healthcare	75.6%	Singapore	3,687	25.5x	25.1x	19.8x	21.4%	21.3%	21.3%
31-May-10	Healthscope (withdrawn)	KKR	100.0%	Australia	2,161	8.7x	8.7x	7.7x	14.3%	14.3%	n.a.
10-May-10	Fortis Healthcare	GIC	6.6%	India	1,260	39.9x	39.9x	21.7x	15.2%	15.2%	17.3%
11-Mar-10	Parkway Holdings	Fortis Healthcare	23.9%	Singapore	3,286	25.7x	23.6x	19.8x	18.9%	21.6%	22.3%
17-Nov-08	Apollo Hospitals	Khazanah	7.1%	India	491	11.0x	10.6x	10.2x	17.0%	17.0%	14.1%
30-Apr-08	Parkway Holdings	Khazanah	16.4%	Singapore	2,411	18.0x	18.5x	19.0x	21.2%	19.8%	18.6%
31-Aug-07	Apollo Hospitals	Apax Partners	12.0%	India	875	20.0x	18.3x	18.0x	20.0%	20.7%	17.0%
Mean						21.6x	21.2x	16.9x	19.6%	19.8	18.4%
Median						20.9x	20.2x	19.0x	19.5%	20.3	18.0%

Notes:

Excluded from calculation of average and median to avoid double-counting of the same transaction involving different bidders

Outlier therefore excluded from calculation of average and median

Source: Mergermarket, Dealogic, company press releases, RBS analysis

- In Europe, higher revenues is expected in private healthcare services for next 5yrs

Absolute P/E of hospitals in Europe

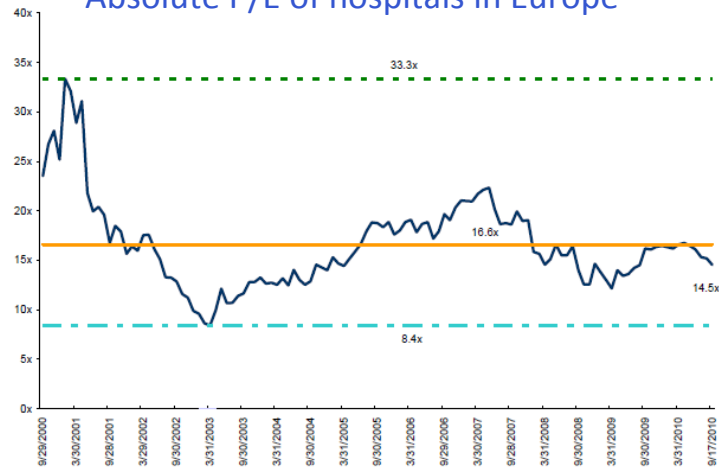
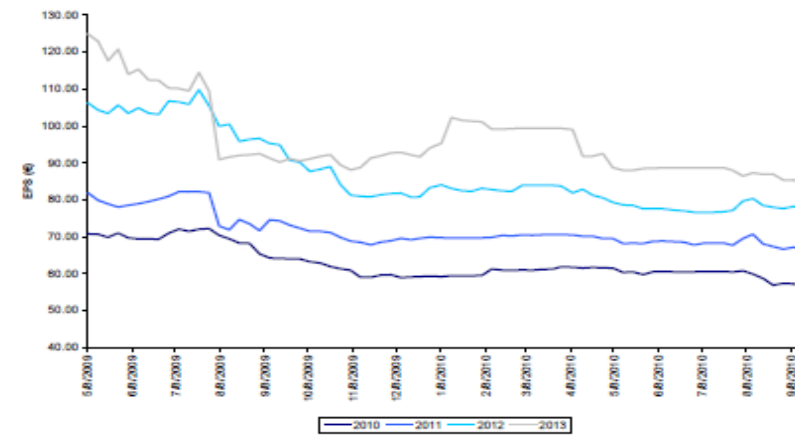
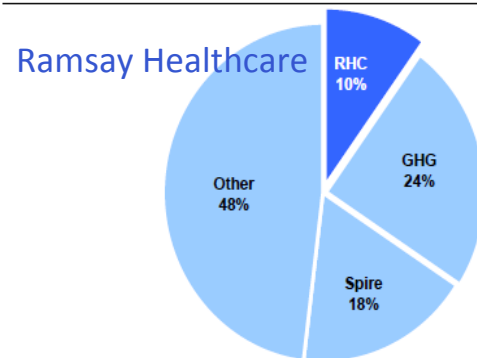


Exhibit 60
European Hospitals EPS Revisions



Source: Company data, Morgan Stanley Research

Exhibit 4
UK Private Hospital Revenue Market Share 2009



Source: Company data, Morgan Stanley Research

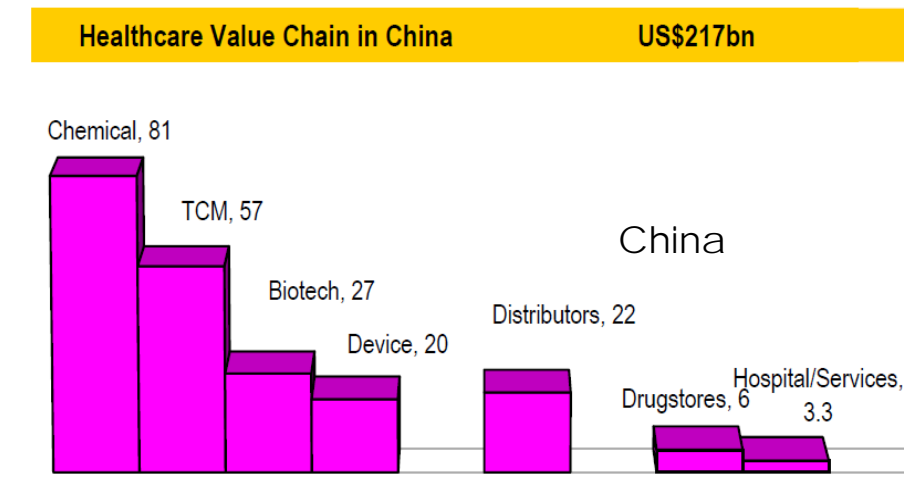
In Europe, higher revenues is expected in private healthcare service sector due to Government budget cuts and aging population

In the U.K. private sector, there are 5 major operators in the £ 2.7 billion market (as of Oct10).

Market capitalization of Healthcare Sector: \$217 b in China vs \$1444 b in U.S.

Exhibit 1

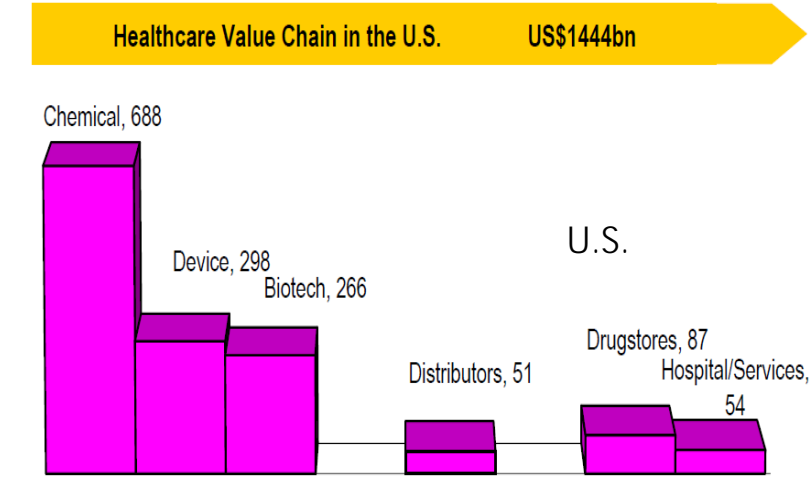
Market cap (US\$ bn) on China Healthcare value chain (China)



Source: Factset, Morgan Stanley Research, Priced as of Oct 7th, 2010

Exhibit 2

Market cap (US\$ bn) on the US Healthcare value chain (US)



Source: Factset, Morgan Stanley Research, Priced as of Oct 7th, 2010

Chinese Government announced policy for private investment in hospitals in Dec 2010 which is the most lucrative and untouched sector.

Foreigners will be allowed to solely own hospitals in PRC.

M&A Activities in the U.S. drops 3% to 913 deals, with the value of \$206 billions in 2010

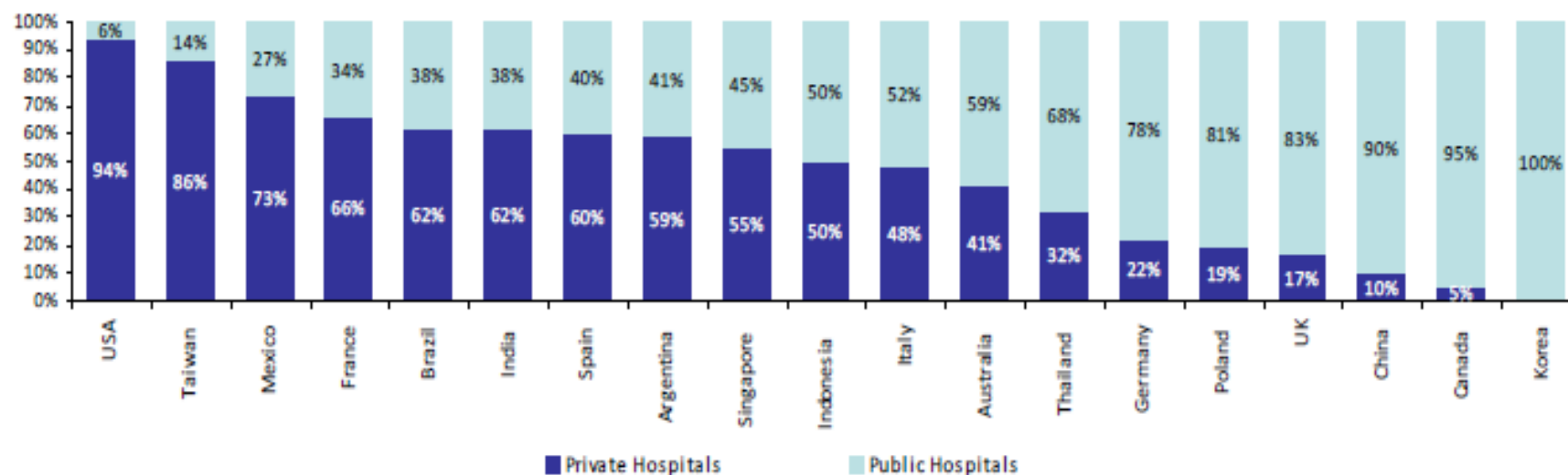
Global Healthcare companies in comparison

Healthcare companies in different regions

Listed In	# of comps	Mkt Cap (US\$bn)	Sales (US\$bn)			PE		EPS CAGR		PEG			Performance	
			'09E	'10E	'11E	'09E	'10E	'11E	09-'11E	'09E	'10E	'11E	'09	YTD
North Am.	819	1389	997	1060	1106	20.5x	19.2x	18.6x	19%	1.1x	1.0x	1.0x	95%	13%
Europe	354	929	472	503	529	19.3x	19.8x	16.5x	21%	0.9x	1.0x	0.8x	42%	4%
Japan	156	220	260	280	288	17.9x	16.1x	15.3x	25%	0.7x	0.6x	0.6x	23%	-6%
China	224	217	53	31	38	35.0x	30.3x	24.5x	32%	1.5x	1.2x	1.0x	123%	19%
India	128	75	22	21	25	18.8x	18.0x	14.7x	26%	0.7x	0.7x	0.6x	104%	30%
Australia	146	42	21	22	23	14.1x	17.8x	18.2x	15%	0.9x	1.2x	1.2x	108%	-15%

Source: Factset, Morgan Stanley Research (E) estimates, Priced as of October 15th, 2010

Public vs. Private Hospitals



Source: The World Pharmaceutical Markets Fact Book 2009 from Espicom Business Intelligence

Parkway Health Saga:

Khazanah outbids Fortis

Malaysia's

In July 2010, Khazanah offers to control Parkway over Fortis Healthcare of India. The offer values Parkway at US\$ 4.5 billions or S\$3.95 per share (3% premium to market price). Fortis purchased its 23.9% of Parkway from TPG in March for US\$684mn (valued Parkway at US\$2.8 billions).

Mavinder Singh became a chairman of the board but Khazanah which also owns 23.9% does not have control over the board. Fortis later purchased additional shares to own 24.9% stakes in the open market.

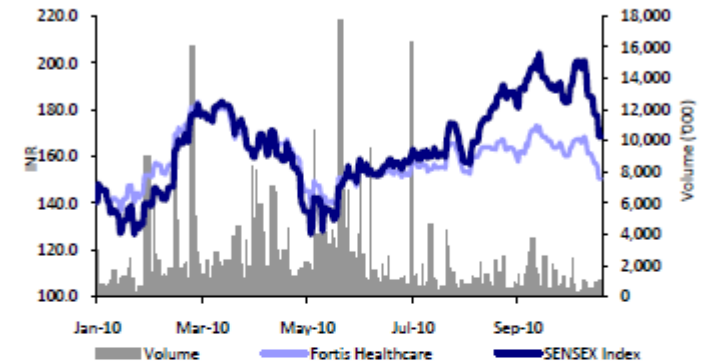
In June 2010, Fortis makes a tender offer bid for the rest of Parkway at S\$3.8 per share.

On 1 July, Fortis shares gain 2.8% to 156.2 rupee after an announcement to accept Khazanah's offer.

Parkway is Asia's largest listed hospital operator with 16 hospitals and 3,400 beds across Asia with avg occupancy at 68% (2010). Parkway's revenues in 2010 was expected at S\$ 1.04 billion with EBITDA of S\$204 millions, or estimate EPS of 10.1cents.

Fortis Healthcare: Key Financials

Share Price Performance



Source: Bloomberg as at 13th Jan 2011

Market Statistics

Share Price (as at 13 Jan 2011)	INR 136.050
Shares outstanding (m)	405.1
Market Cap (US\$m)	1,207.1
Net debt (US\$m)*	309.8
Enterprise Value (US\$m)	1,524.6

Valuation metrics (Mar YE)	2011E	2012E	2013E
EV/EBITDA	27.7x	20.9x	16.0x
P/E	33.8x	26.3x	18.6x

* Includes proceeds from Parkway divestment and recent rights issue

For profit versus non-profit

- Efficient operation to be competitive
- More aggressive to driving cost saving placing a greater emphasis on serving the community
- Provision of quality affordable healthcare
- Increased services and employment opportunities
- Partnership with universities, college for human resources development

■ Emergency Services

The APFH offers 24-hour accident and medical emergency services, provided by an experienced medical team ready to respond and deliver quality care at any time.

■ Cardiac Center

A brand new cardiac center, equipped with state-of-the-art intervention treatment facilities for heart diseases, such as acute myocardial infarction and anginas, is available on a 24-hour basis.

Combined with the cardiac intensive care unit run by a team of medical, surgical, and anesthesiologist experts, this enables us to provide international-standard cardiac care services for both local and foreign patients.

■ Minimally Invasive Surgery

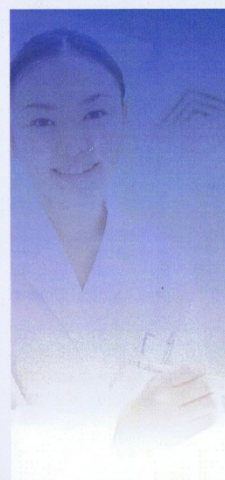
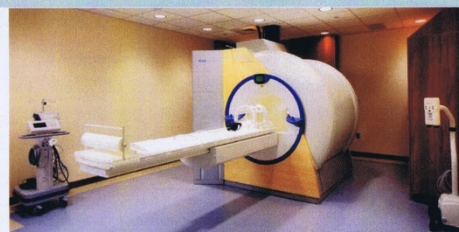
Our surgeons are among the most proficient in performing minimally invasive surgery. More than 300 Laparoscopic Bariatric Surgery (LBS) for morbid obesity have been performed annually.

■ Gastroenterology

Well-trained physicians with ultra-modern endoscopic department.

■ Oncology

Rating one of the best in Beijing with both diagnostic and treatment.



WJ International Medical Center



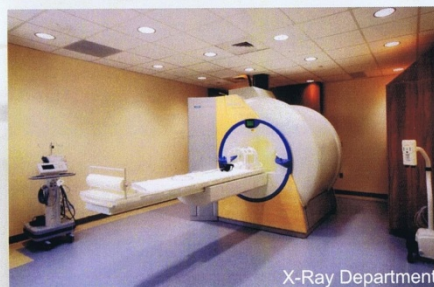
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WJ International Medical Center (WJIMC) is proud to be the newest addition to Beijing's General Hospital of the Armed Police Force (APFH), which operates 66 hospitals throughout China. Managed by Thonburi Hospital Group, which has a network of 26 hospitals throughout Southeast Asia, WJMC is China's first partnership between a foreign medical institution and a military institution. With more than 800 physicians and 2,000 skilled nurses, WJMC is committed to providing the most intensive medical services and the highest quality care required by our patients.



State of art Cardiology Center

The APFH is a 1,700-bed, tertiary care hospital with comprehensive and integrated medical services. It serves more than 2,500 out-patients per day, while in-patient services run at an occupancy rate of nearly 100%. With the newly established in-patient wards managed by WJMC, whose US-trained physicians are certified by the American Board and its sub-specialties, international and expatriate patients can be assured of the highest standards of care.



X-Ray Department



WJ International Medical Center

Out-patient facilities

A new and exclusive medical consultation building offers various specialties and sub-specialties for out-patient visits. Various packages including general health screening, pre-employment screening, cancer screening and executive health screening programs are available at reasonable costs. Vista clinic, a WJMC affiliate, located in the heart of Beijing, also provides an ultra-modern and luxurious alternate facility for our expatriate clients.

In-patient Services

APFH is a comprehensive, integrated treatment facility with excellent research centers, complete with state-of-the-art medical equipments such as a PET scan. The hospital is also the leader in liver and renal transplantation treatments. Furthermore, the Orthopedics and Ophthalmology departments are among the top-five in China. The APFH has China's only national rescue team that has been approved by the United Nations.





