

BDMS



Phyathai Group



Paolo Group



## Merger Between BDMS and Health Network

### Analyst Presentation

December 15, 2010

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# Introduction to Speakers



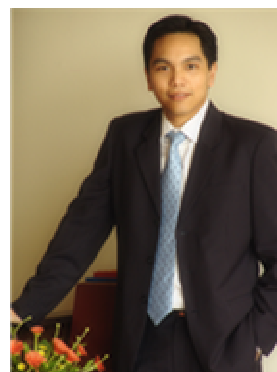
**Mr. Wallop Adhikomprapa**  
Director / Executive Advisor  
BDMS



**Mrs. Narumol Noi-Am**  
Chief Financial Officer  
BDMS



**Ms. Ajaya Intaraprasong**  
Finance Director, Investor  
Relations  
BDMS



**Mr. Itti Thongtang**  
Director  
HNC  
Chairman of Executive Committee  
Paolo Group



**Mr. Paiboon Fuengfuskul**  
Director / Chief Financial  
Officer  
HNC

# Table of Contents

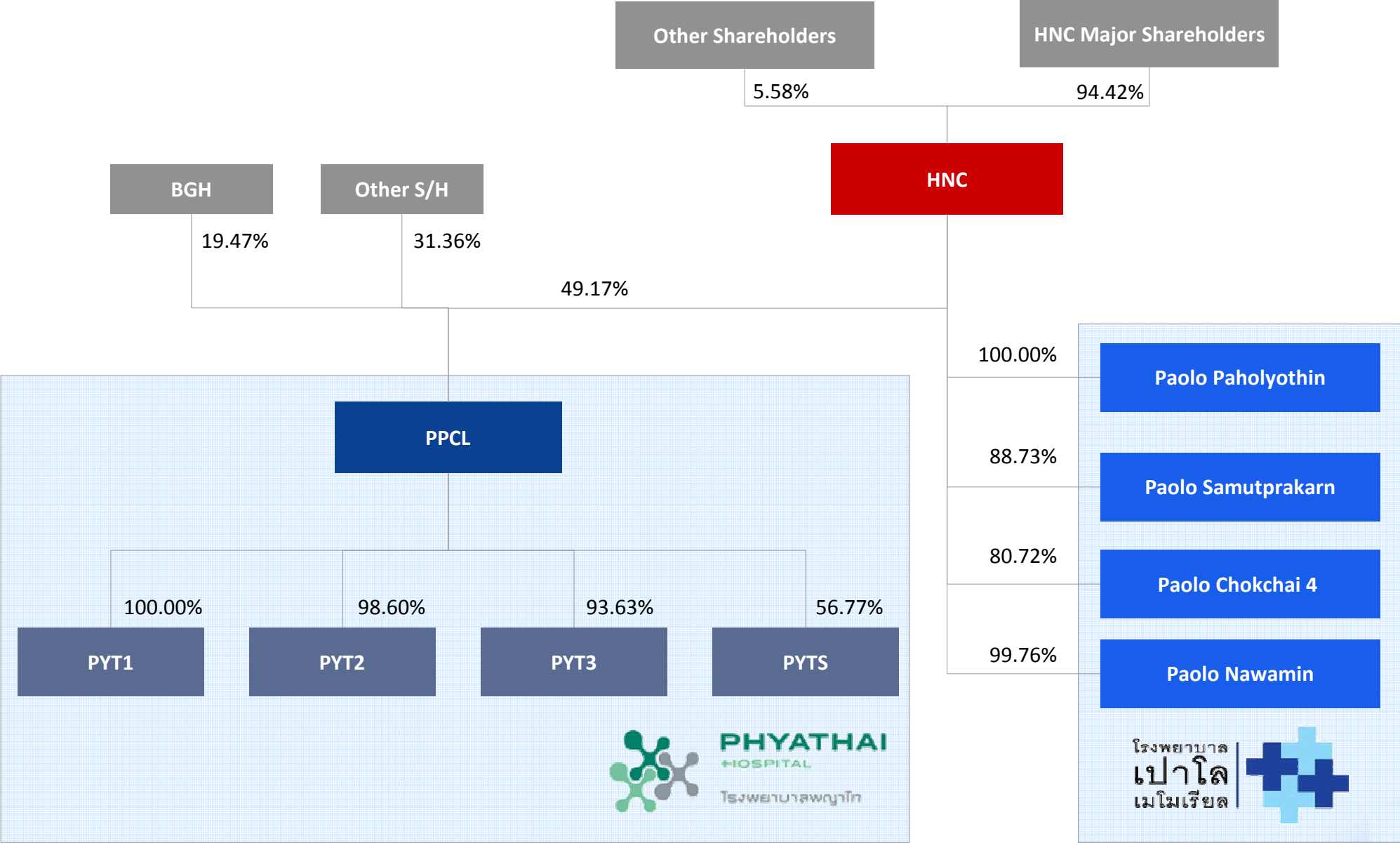
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## Transaction Summary



# Structure and Shareholdings of HNC



# Transaction Summary

- **Merging** with Health Network Public Company Limited (HNC)
  1. 4 hospitals under Phyathai Brand
  2. 4 hospitals under Paolo Brand
- **Transaction Value of no more than Bt 12,121 mm (Transaction Size of no more than Bt 12,551 mm) comprising of**
  1. Entire Business Transfer (EBT) from HNC with **total value of Bt 9,395 mm** (Transaction Size of Bt 9,825 mm)
    - BGH to offer no more than **230,870,405 newly issued shares** as consideration at Bt 37.75 per share or equivalent to **Bt 8,715 mm** and **Bt 680 mm as cash consideration** with total transaction value of Bt 9,395 mm
    - Accepting the transfer of **Bt 430 mm intercompany loan** from HNC (Does not impact valuation as the creditor of such loan is among the company to be transferred under EBT)
    - Private Placement to HNC major shareholders for no more than **4,127,864 shares** at Bt 37.75 per share or equivalent to **Bt 156 mm**
    - Net cash to be used in the transaction after PP is **Bt 524 mm**
    - Total number of newly issued shares is **234,998,269 shares**
  2. Tender Offer for shares held by minority shareholders of Prasit Patana Public Company Limited (PPCL) with total value of **Bt 2,726 mm**
    - If only **cash** is used as consideration, will require **Bt 2,726 mm**
    - If only **share** is used as consideration, will require **72,198,801 newly issued shares** at Bt 37.75 per share



# Transaction Summary (Cont'd)

## ■ Impact to shareholders

- Newly issued shares of no more than 307,197,070 shares for the whole transaction
- Resulting in control dilution of 15.9% for the case where only cash is used as consideration and 19.8% for the case where only share is used for consideration for the Tender Offer
- As valuation is conducted based on valuation multiples that are lower than BGH's trading multiples, the transaction will result in earnings accretion of 23.0% in case of cash only and 19.2% in case of share only



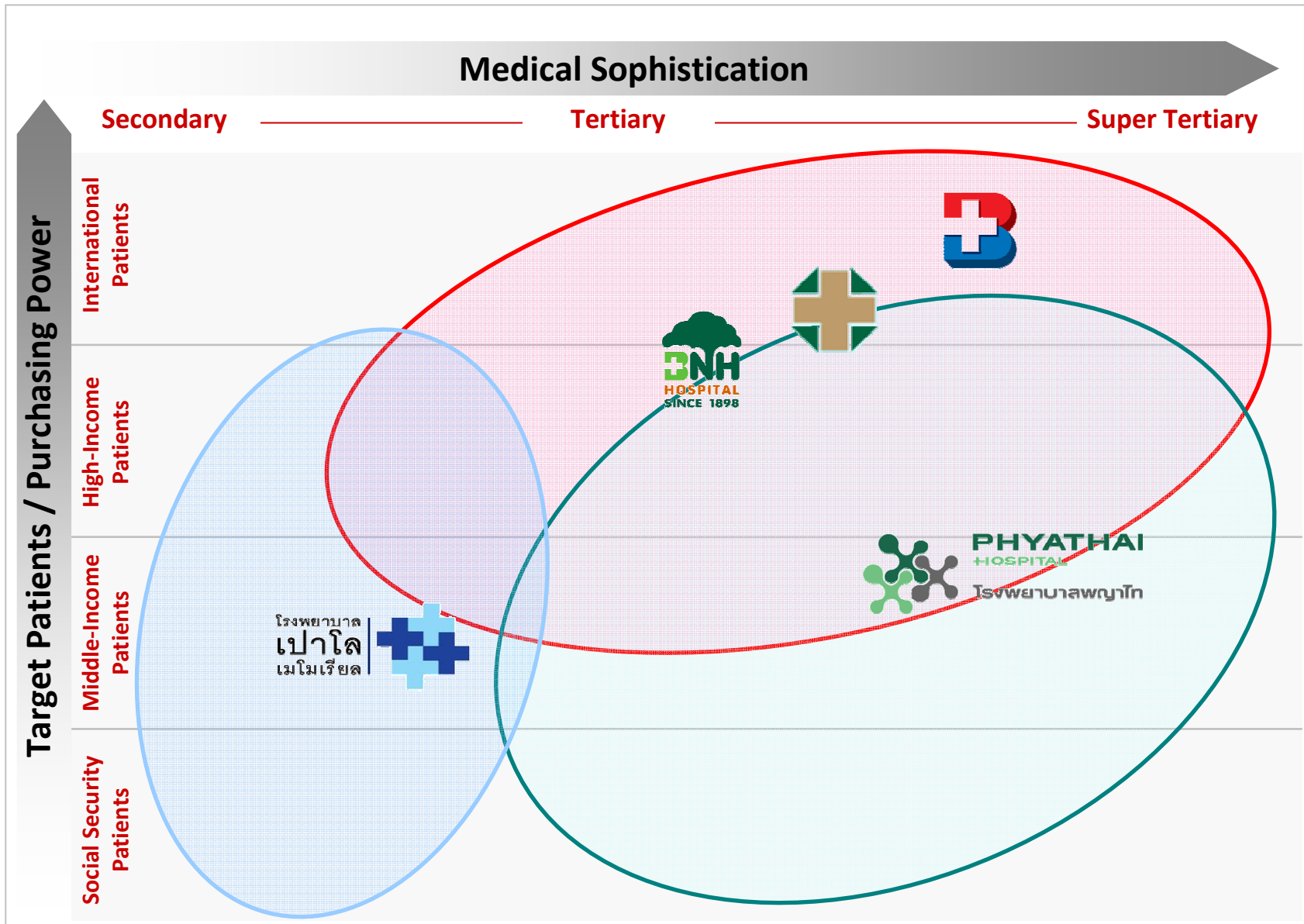


## Transaction Rationale



# Transaction Rationale

Addition of Two New and Well Recognized Hospital Brands to the Group and Diversification of Patient Mix



# Transaction Rationale (Cont'd)

Enhanced Market Share and Extensive Coverage



○ BGH Group      ○ Phyathai Group      ○ Paolo Group

Region	Registered Bed			Market Share (%)		
	Total Private Hosp.	BGH	HNC	Post-Transaction	BGH	HNC
Bangkok	12,792	1,357	1,297	2,654	10.6%	10.1%
Central	9,573	990	350	1,340	10.3%	3.7%
South	2,272	450	-	450	19.8%	-
Northeast	2,771	105	-	105	3.8%	-
North	3,823	-	-	-	-	-
Total	31,231	2,902	1,647	4,549	9.3%	5.3%

Source: Department of Health Service Support

# Transaction Rationale (Cont'd)

## Entry into New Market Opportunities in Civil Servant Healthcare

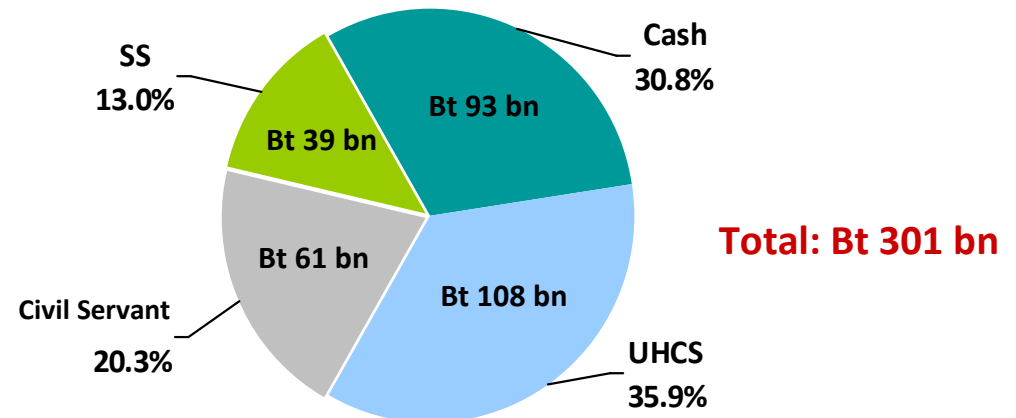
### Participation in Bangkok:

- Phyathai 2
- Phyathai 3
- Paolo Medic
- Paolo Chok Chai 4
- Paolo Nawamin

### Other Provinces:

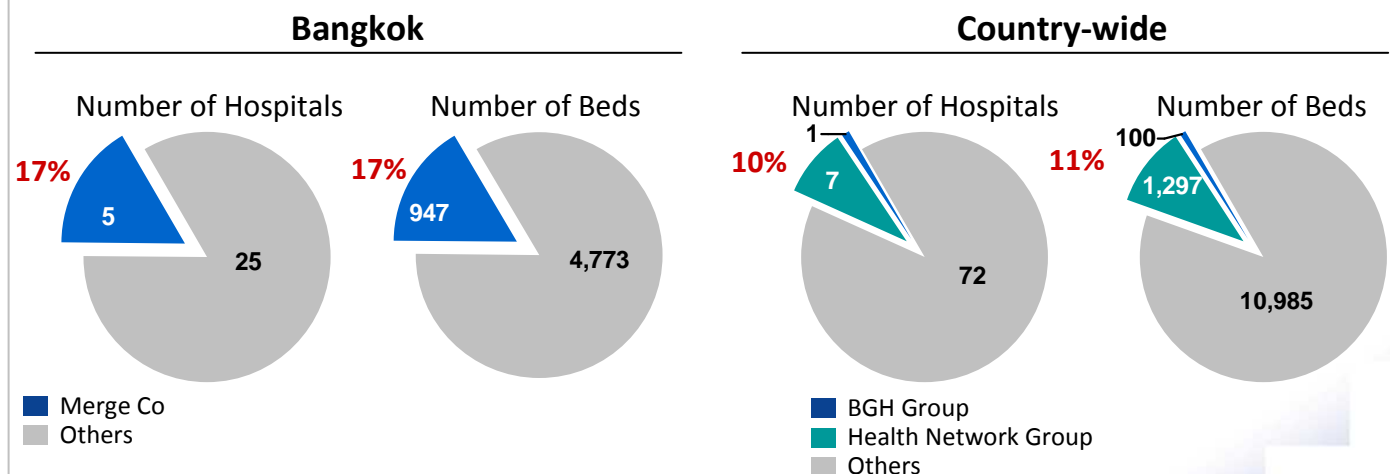
- Samitivej Sriracha
- Phyathai Sriracha
- Paolo Samut Prakarn

## Estimated Healthcare Market Size



Source: SSO, NHSO, WHO, BOT, Phatra Securities Estimates

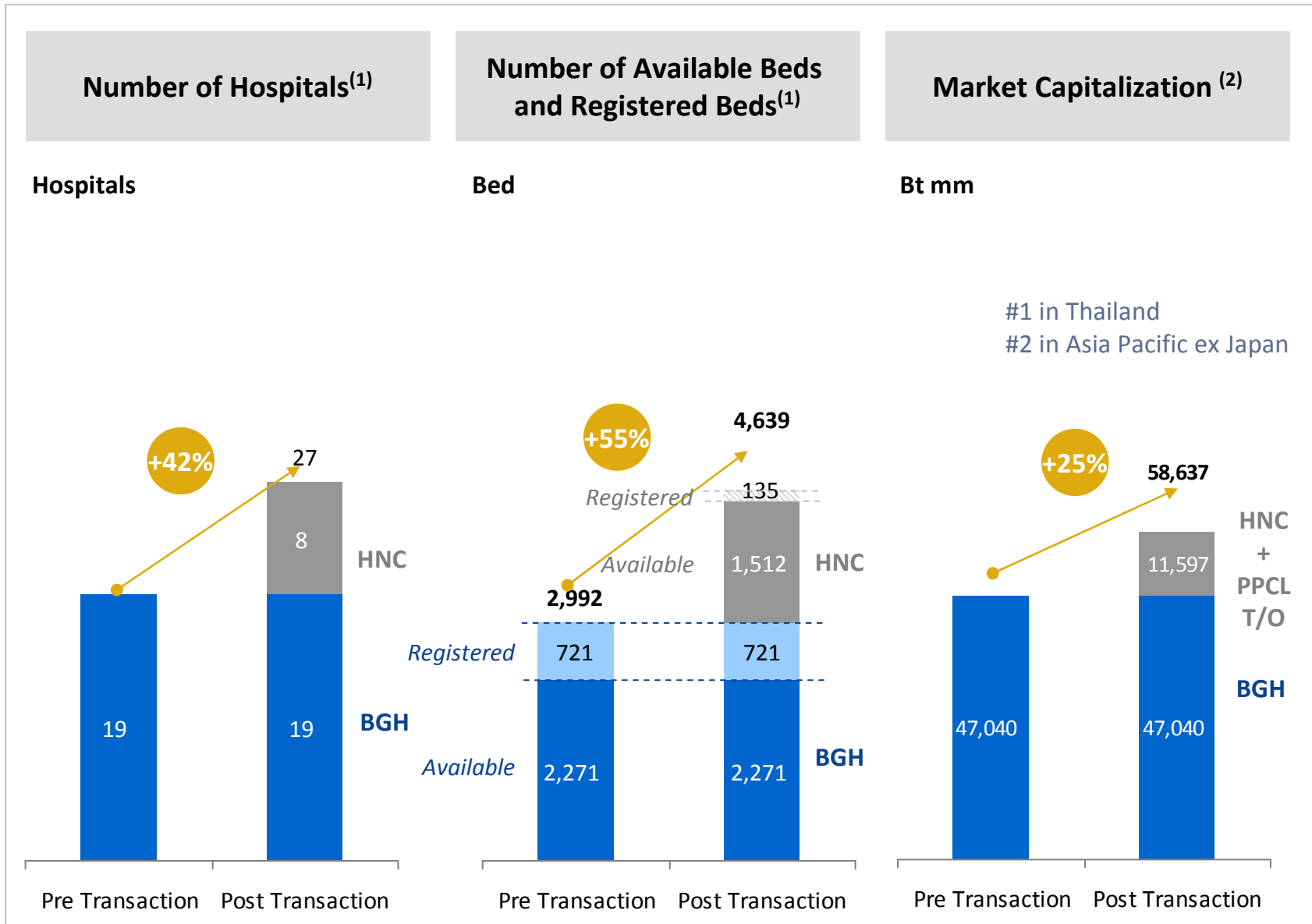
## Participation in Civil Servant Healthcare



Source: Thai Private Hospital Association

# Transaction Rationale (Cont'd)

Post-Transaction, BGH will Become the #1 Healthcare Operator in Thailand, Together With a Leading Position in Asia



(1) Includes BGH's hospitals in Cambodia namely Royal Rattanak International and Royal Angkor International

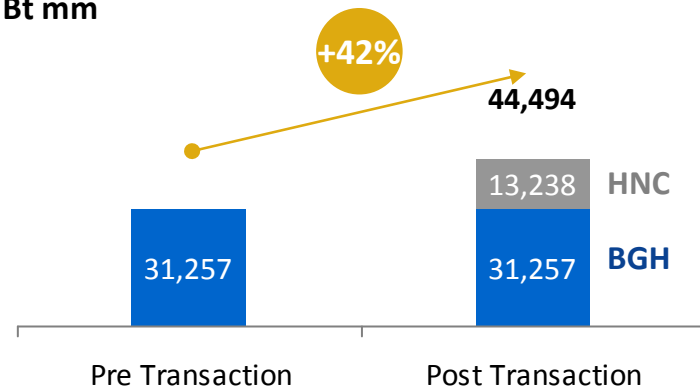
(2) BGH's market capitalization based on share price of Bt 37.75 per share

# Transaction Rationale (Cont'd)

## Financial Returns from the Merger

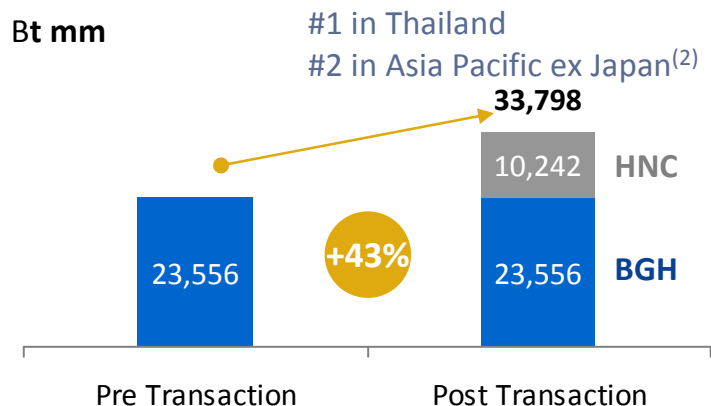
### Total Assets (Sep 2010)<sup>(1)</sup>

Bt mm



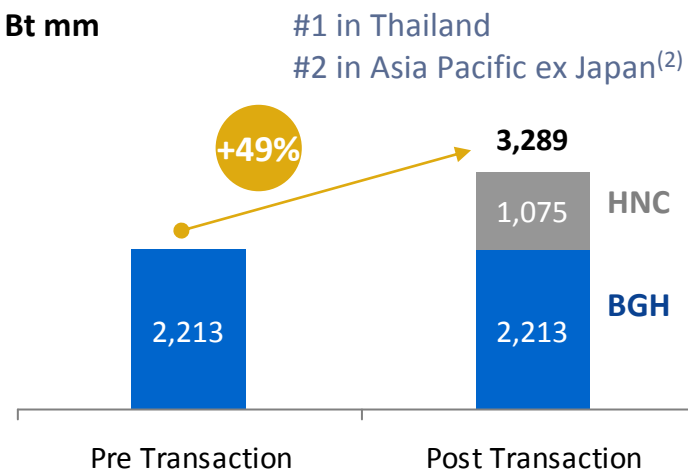
### LTM Revenue<sup>(1)</sup>

Bt mm



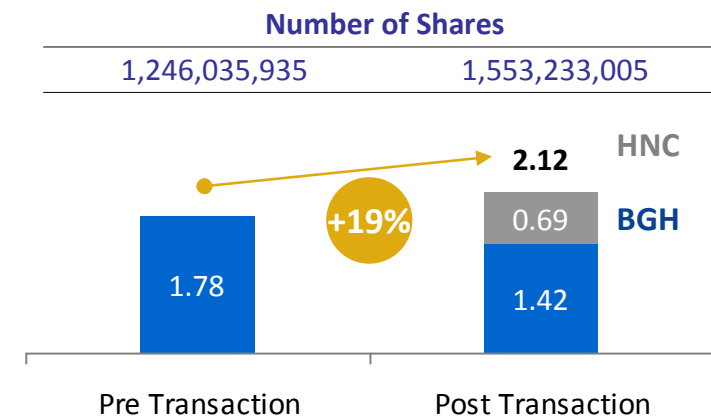
### LTM Net Income<sup>(1)</sup>

Bt mm



### Earnings per Share (LTM)<sup>(1)</sup>

Bt per share



(1) HNC's revenue, net income, EPS and total assets include PPCL, PYTS and PNwm

(2) For hospitals that are listed on stock exchange



# Transaction Rationale (Cont'd)

Synergies  
Creation from  
Integration of  
the New Group



## Integration in areas of:

- Pooling of medicine, supplies, and equipment purchasing
- Central supporting functions such as ambulatory services, accounting, IT and laboratory functions
- Cross referrals
- Allow BGH to tap new patient demographic
- Entrance into Social Security scheme
- Opportunity to penetrate into Civil Servant Healthcare scheme



# Transaction Rationale (Cont'd)

Cooperation of  
Highly  
Experienced  
Personnel  
Including Skilled  
Senior  
Management,  
Doctors,  
Nurses, and  
Other  
Employees

## PPCL Group



**Mr. Wichai Thongtang**

Chairman of the Board



**Mr. Att Thongtang**

Chief Executive Officer



**Dr. Surapong Ambhanwong**

Director / Chief Medical and International Business Officer



**Mr. Paiboon Fuengfuskul**

Director / CFO



**Mr. Kraiwin Srikraiwin**

Director / COO



**Mr. Thana Thiramanus**

Director / CMSO

## Paolo Group



**Mr. Itti Thongtang**

Director / Chairman of Executive Committee



**Mr. Sitthichai Sukchareonmitr**

Managing Director



**Mr. Suthep Tansa-Nguanwong**

Deputy Managing Director Operations and Support Division



**Mr. Benja Asanapetch**

Deputy Managing Director Business Development and Service



**Dr. Pichai Praepath**

Hospital Director, PMed

## Key Statistics



Operational Statistics <sup>(1)</sup>	BGH	Phyathai Group	Paolo Group
Number of hospitals	19	4	4
Number of registered beds	2,992	990	657
Number of available beds	2,271	828	684
OPD per day	10,226	5,484	4,472
IPD per day	1,523	512	361
OPD billing	2,890	1,914	1,585
IPD billing / patient days	23,313	17,422	13,378
IPD utilization	67%	61%	53%

## Financials Statistics (Bt mm)

## Revenue

2009	21,974	6,917	3,177
9M10	17,857	5,267	2,418

## EBITDA

2009	5,048	1,378	708
9M10	4,341	1,336	602

## Net Income

2009	1,725	361	290
9M10	1,803	537	330

## Valuation

Valuation	47,040	8,690	5,123
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## Post Transaction – Merge Co

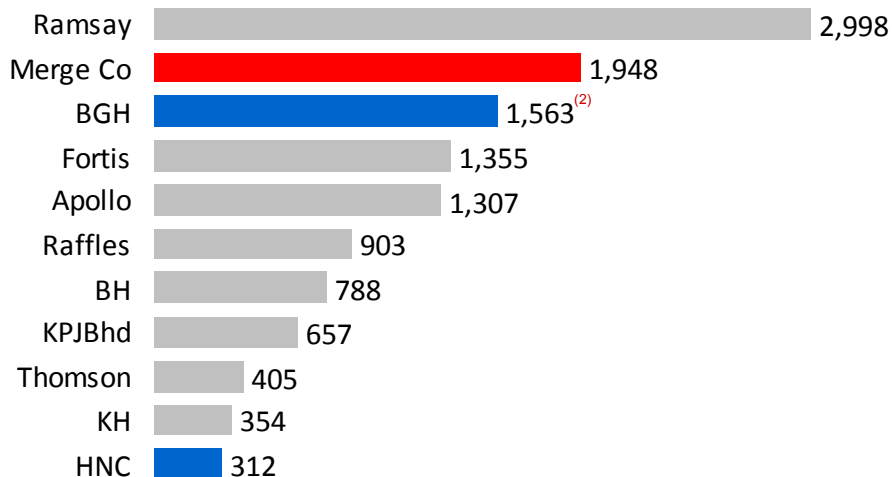
[illegible]

Source: Company Financial Statements and Management Accounts

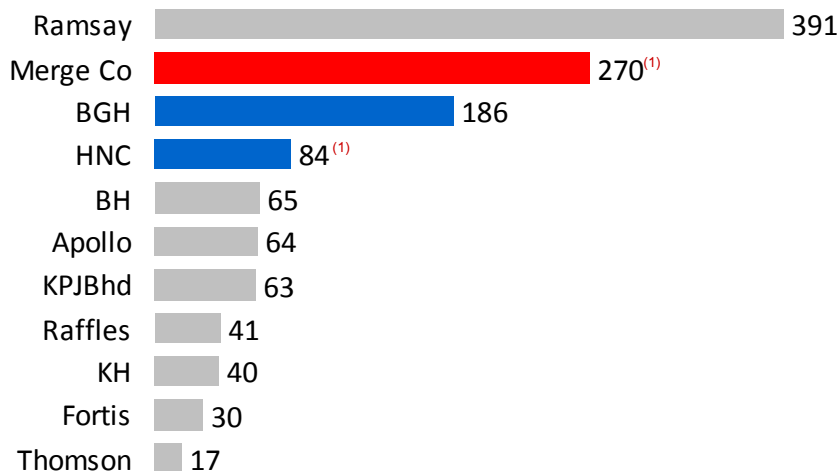
Notes: Operating data for BGH is based on 9M10 management account. Operating data for HNC is based on 1H10 management account and is inclusive of PYTS and PNwm. Financial data is based on company financial statements except for financial data of Paolo Group for 9M10 which is based on management account. Financial data for Phyathai Group is inclusive of PYTS. Financial data for Paolo Group is inclusive of PNwm.

# Hospital Regional Rankings

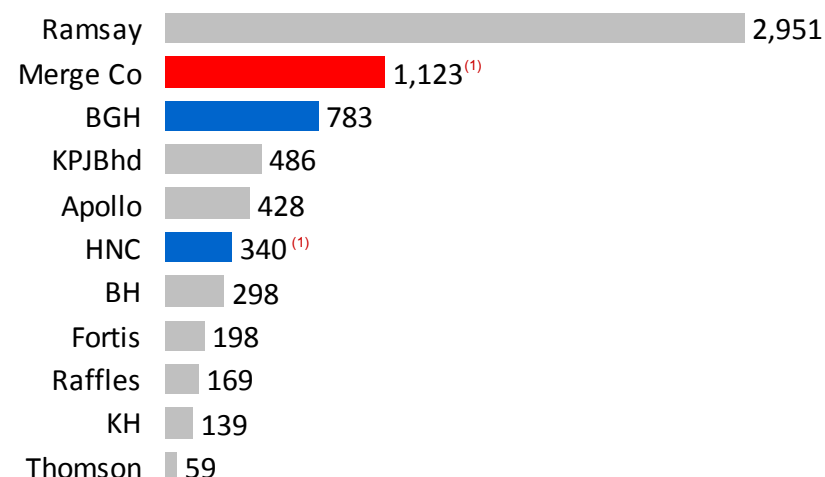
## Market Capitalization (USD mm)



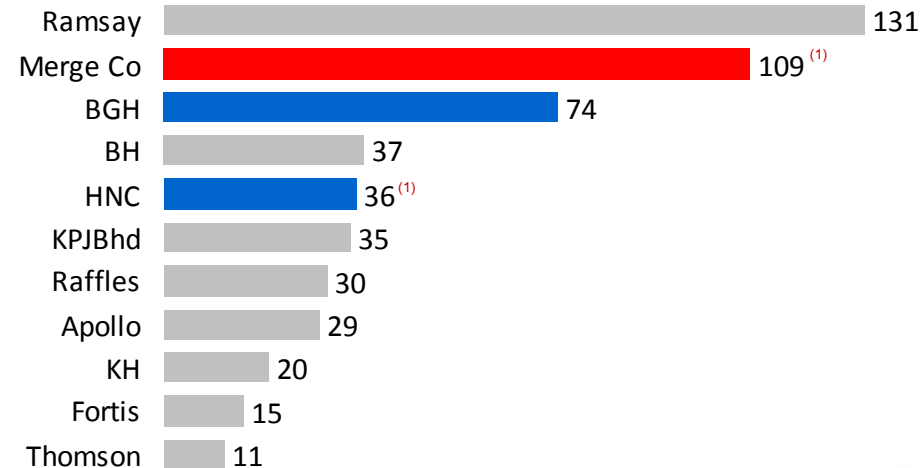
## LTM EBITDA (USD mm)



## LTM Revenue (USD mm)



## LTM Net Profit (USD mm)



Source: Bloomberg as of December 1, 2010, 9M10 Company Financial Statements for BGH and HNC, and 9M10 Management Account for PNwm

Note: Exchange rate of Bt 30.1 / US\$ 1

(1) Financial data for HNC and Merge Co include PPCL, PYTS and PNwm

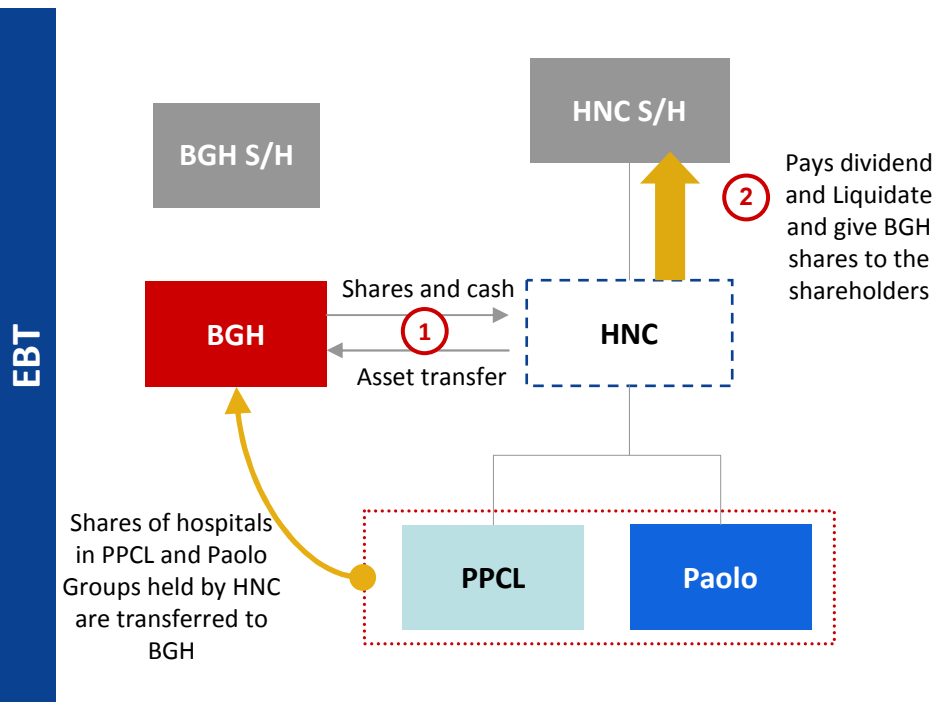
(2) BGH's market capitalization is based on share price of Bt 37.75 per share



## Transaction Overview

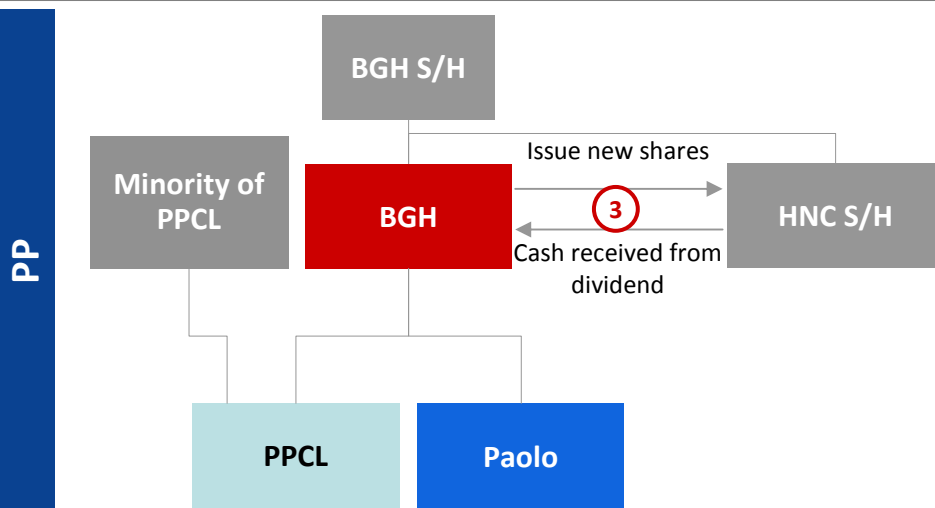


# Transaction Structure



## Entire Business Transfer (EBT)

- 1 BGH will purchase all of HNC's assets (PPCL and Paolo shares) using newly issued shares and cash as consideration with a total value of **Bt 9,395 mm**
  - Cash Bt 680 mm
  - Shares 230,870,405
  - Novation of intercompany loan and accrued interests with a total value of Bt 430 mm to BGH
- 2 HNC will pay dividend to its shareholders and register for dissolution and liquidate. BGH's shares received from EBT transaction will be allocated to HNC's shareholders

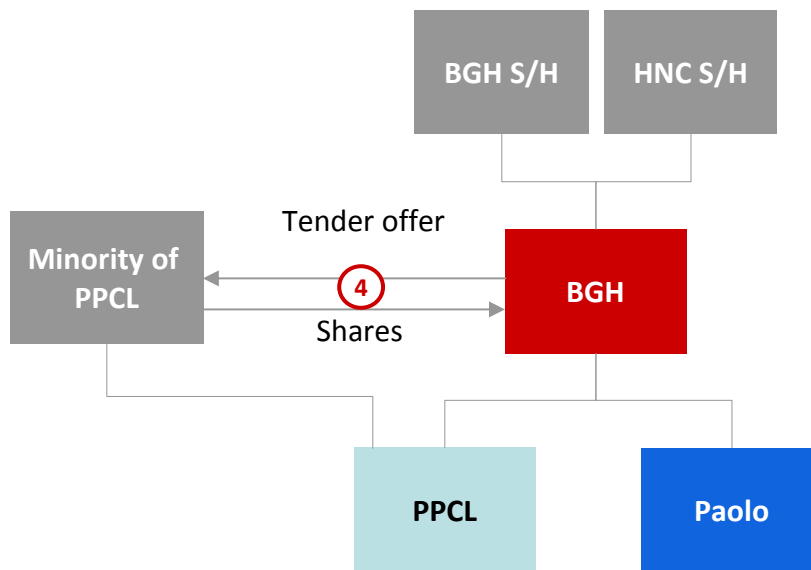


## Private Placement

- 3 BGH will issue new shares through a private placement of **4,127,864 shares with a total value of Bt 156 mm** to HNC's major shareholders

## Transaction Structure (Cont'd)

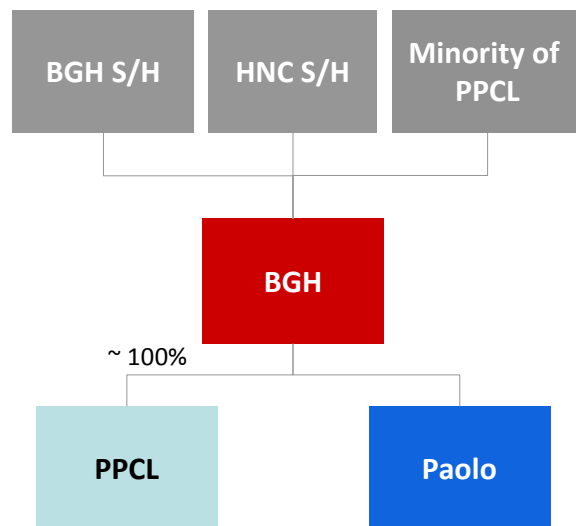
### Tender Offer



### Mandatory Tender Offer of PPCL

- BGH will cross 50% holding after acquiring PPCL's shares from HNC and trigger mandatory tender offer for all of the remaining shares in PPCL at the same price BGH bought from HNC
- ④ BGH will issue new shares or use cash as consideration for the mandatory TO. The maximum amount of shares for the mandatory TO will be **72,198,801 shares or total cash of Bt 2,726 mm (PPCL at Bt 3.71 per share)**

### Final Structure

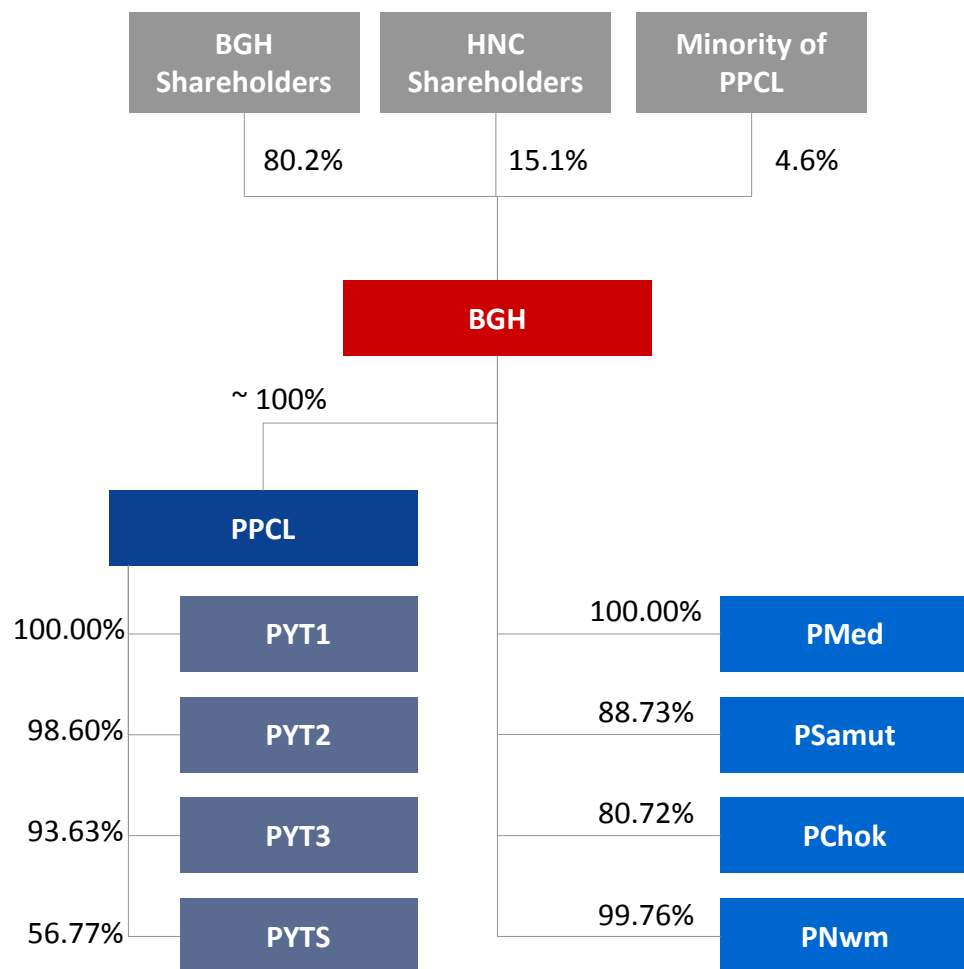


### Post Merger Structure

- Total Transaction value of Bt **12,121 mm** with a consideration of:
  - **307,197,070 newly issued shares** and total cash of **Bt 524 mm** in case tender offer to minority shareholders of PPCL is made **with shares**
  - **234,998,269 newly issued shares** and total cash of **Bt 3,250 mm** in case tender offer to minority shareholders of PPCL is made **with cash**

# Post-Transaction Shareholding Structure

## Post-Transaction Shareholding Structure



## Post-Transaction BGH's Shareholding

Pre-Transaction			Post-Transaction			
			T/O with Cash		T/O with Shares	
Shareholding	# of Shares (mm)	% Holding	# of Shares (mm)	% Holding	# of Shares (mm)	% Holding
BGH	1,246	100.0%	1,246	84.1%	1,246	80.2%
HNC	-	-	235	15.9%	235	15.1%
Minority of PPCL	-	-	-	-	72	4.6%
<b>Total</b>	<b>1,246</b>	<b>100.0%</b>	<b>1,481</b>	<b>100.0%</b>	<b>1,553</b>	<b>100.0%</b>



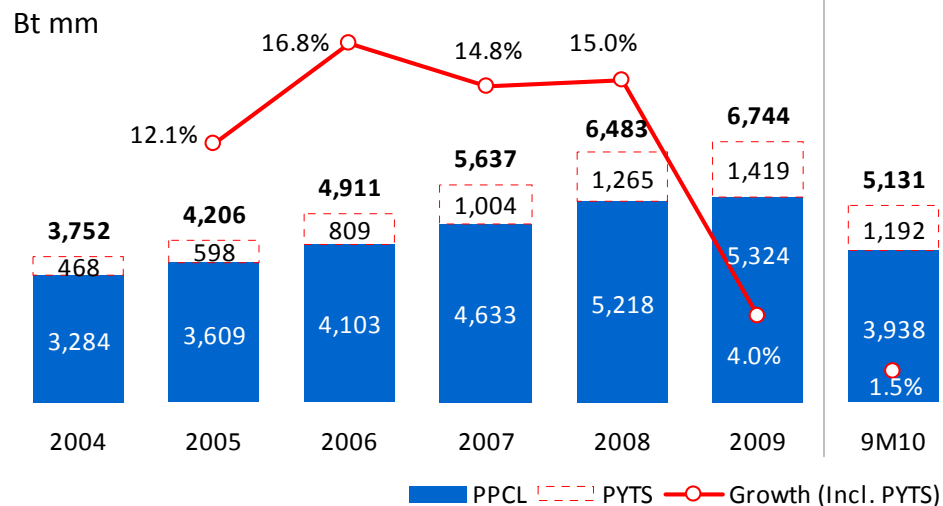


## HNC Assets Overview

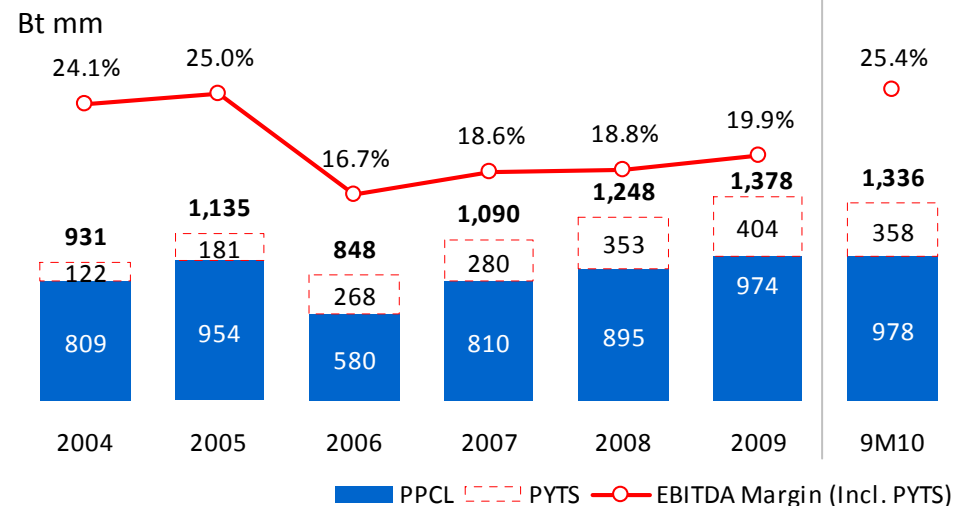


# Financial Performance: PPCL Group

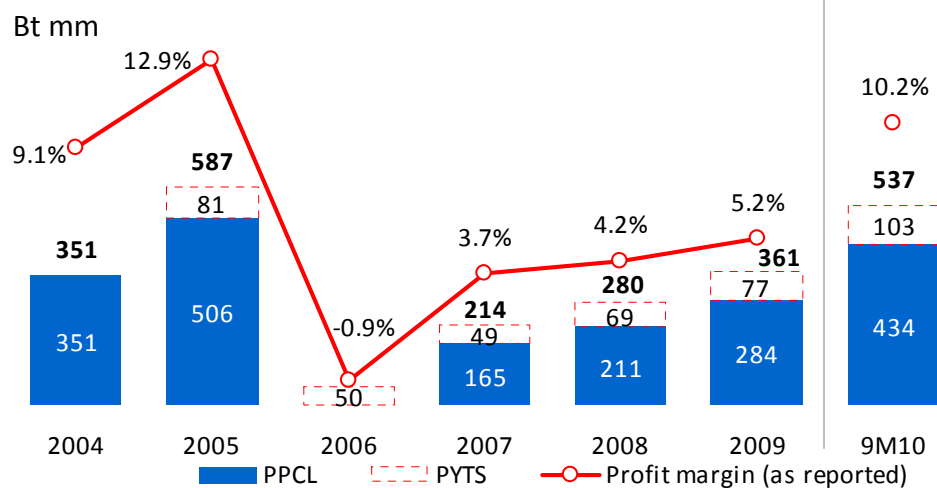
## Revenue from Medical Services



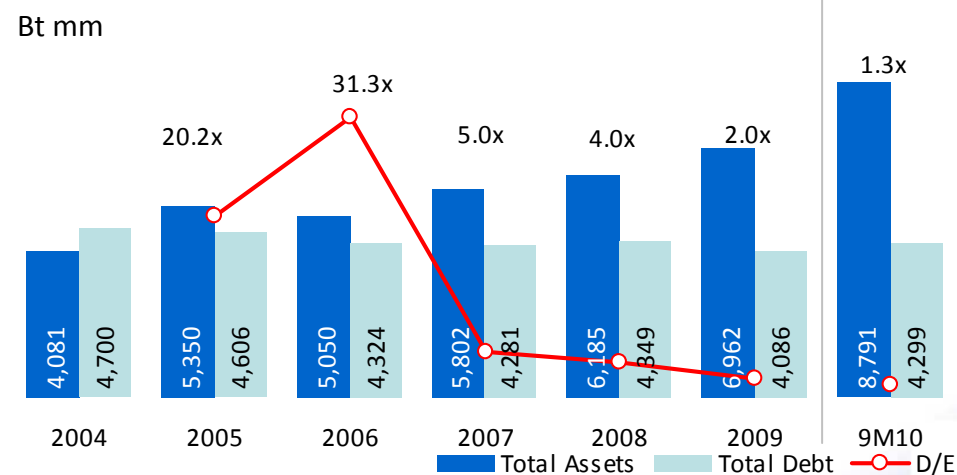
## EBITDA



## Net Profit



## Capital Structure <sup>(1)</sup>

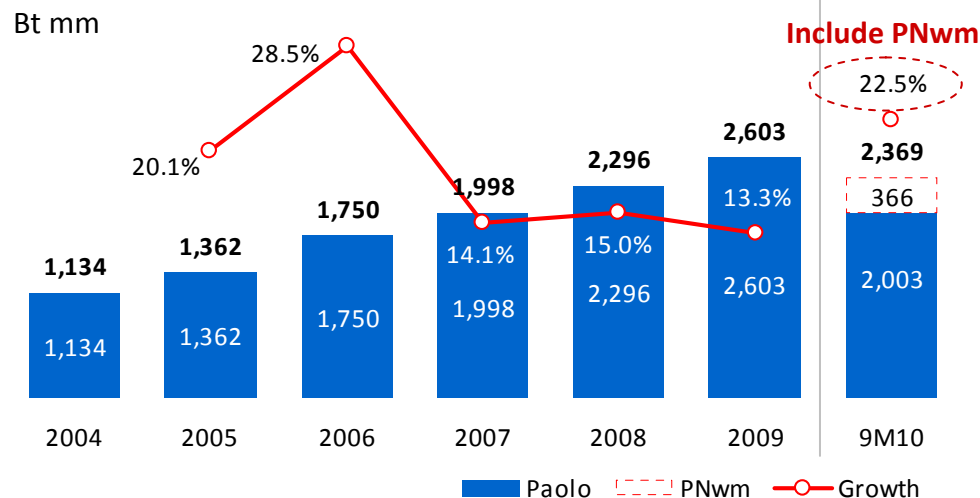


Source: Financial statements of the company

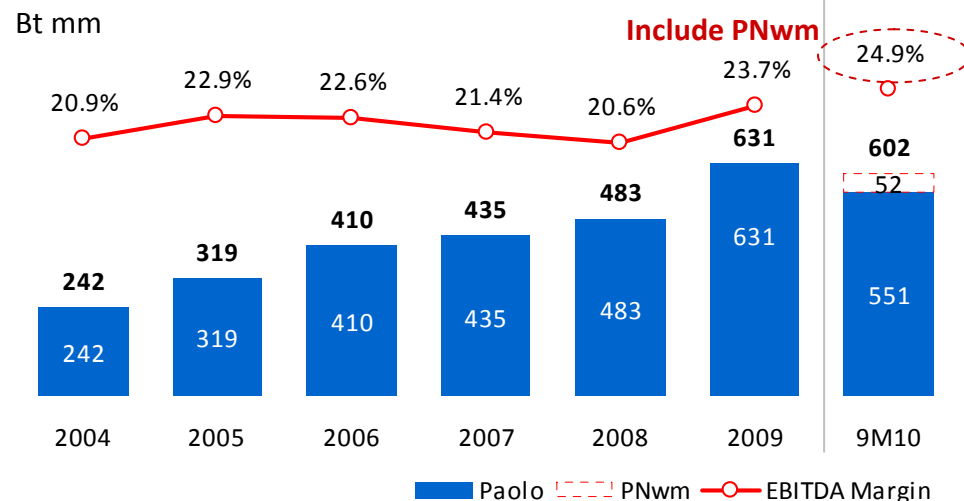
(1) Capital structure does not include PYTS except for the 9M ended September 30, 2010 where PPCL holds more than 50% of PYTS

# Financial Performance: Paolo Group

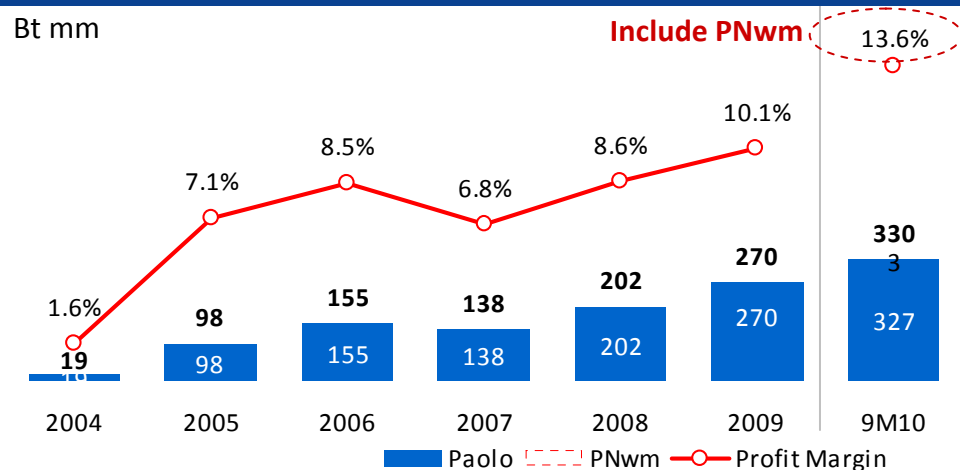
## Revenue from Medical Services



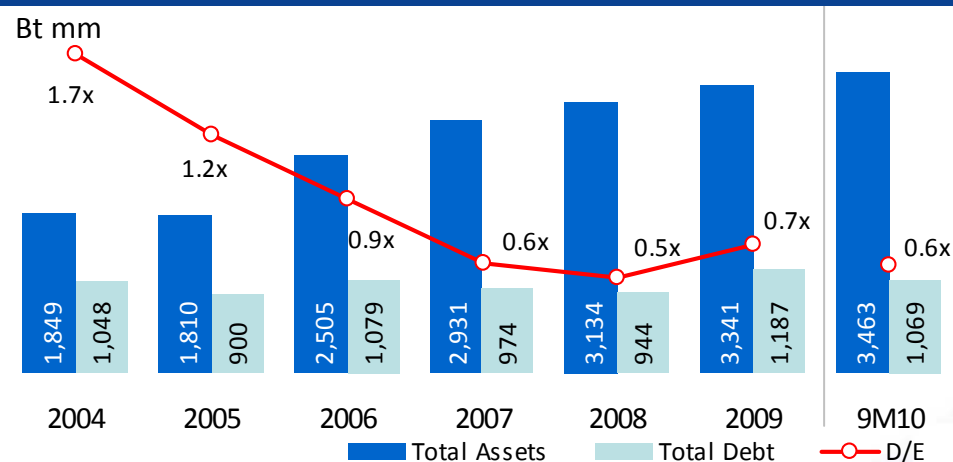
## EBITDA



## Net Profit



## Capital Structure



Source: Company Financial statements and Management Account of Paolo group for 9M ended September 30, 2010

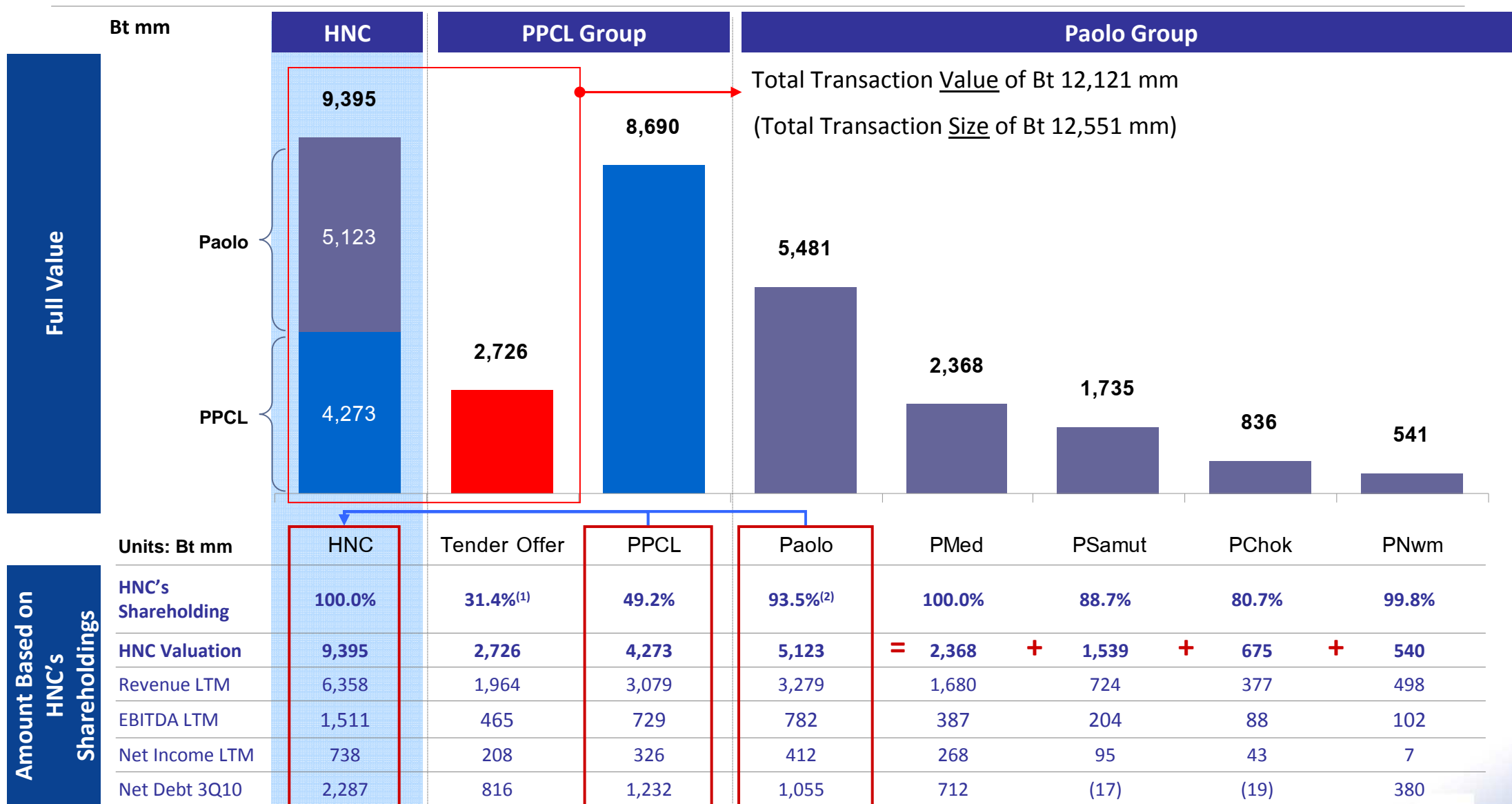
Note: Calculation of financial data of Paolo Group for 2004-2006 is based on the sum of financial data of each hospital in the group whereas financials of Paolo Group from 2007 onwards are based on HNC's consolidated financial statements. Financial figures of Paolo Group does not include PNwm except for in 9M10 where HNC holds more than 50% in PNwm. Figures for PNwm are exclusive of extraordinary items.



## Valuation



# HNC Valuation (Excluding intercompany loan of Bt 430 mm novated to BGH)



Source: Company financial statements and Management Account

Note: Financial figures are effective figures based on HNC's holding in each company. Financials of HNC, PPCL and Paolo based on the sum of financials of each hospital in the Group. LTM revenue and LTM EBITDA are exclusive of interest income

(1) Excluding BGH's holding in PPCL of 19.5%;

(2) Blended effective shareholding of HNC in PMed, PSamut, PChok, and PNwm

# Comparison of HNC Valuation with Various Valuation Multiples

## Equity Value

### Equity Value (Bt mm)

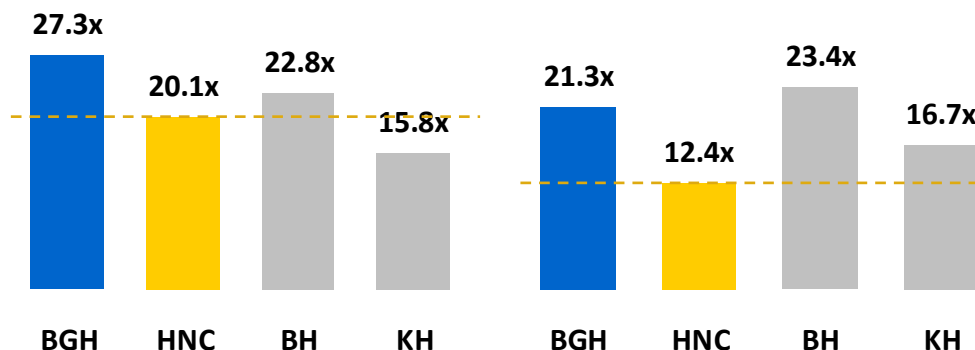
BGH	47,040 <sup>(1)</sup>
HNC	9,395
BH	28,407
KH	10,640

Equity value of BGH is based on Bt 37.75 per share

## P/E

2009

LTM



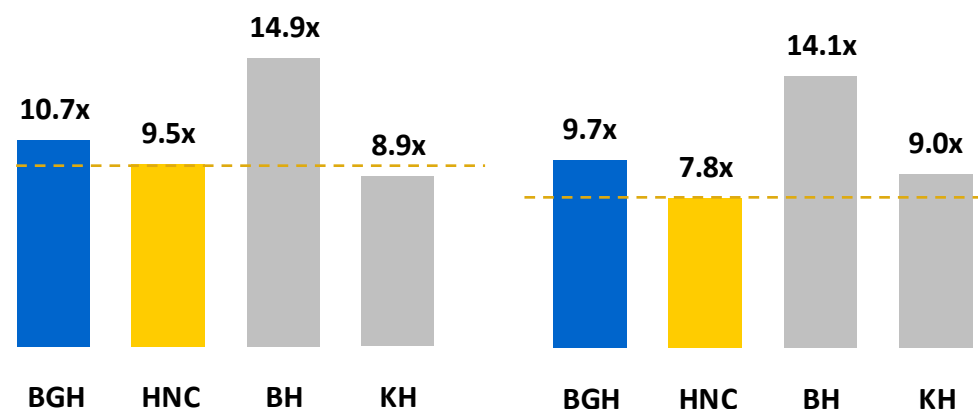
Source: Financial statements for BGH, Management account for HNC and Bloomberg data for BH and KH

(1) Based on calculation of Bt 37.75 per share for total number of shares of 1,246,094,337 shares (fully diluted shares of BGH).

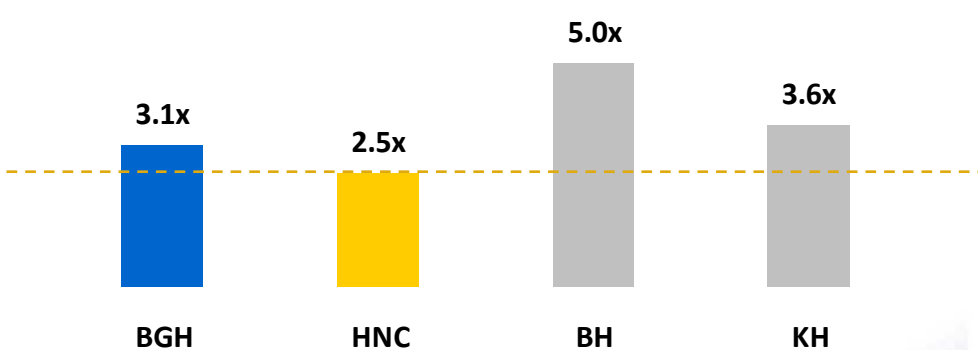
## EV/EBITDA

2009

LTM



## P/B (Sep 2010)



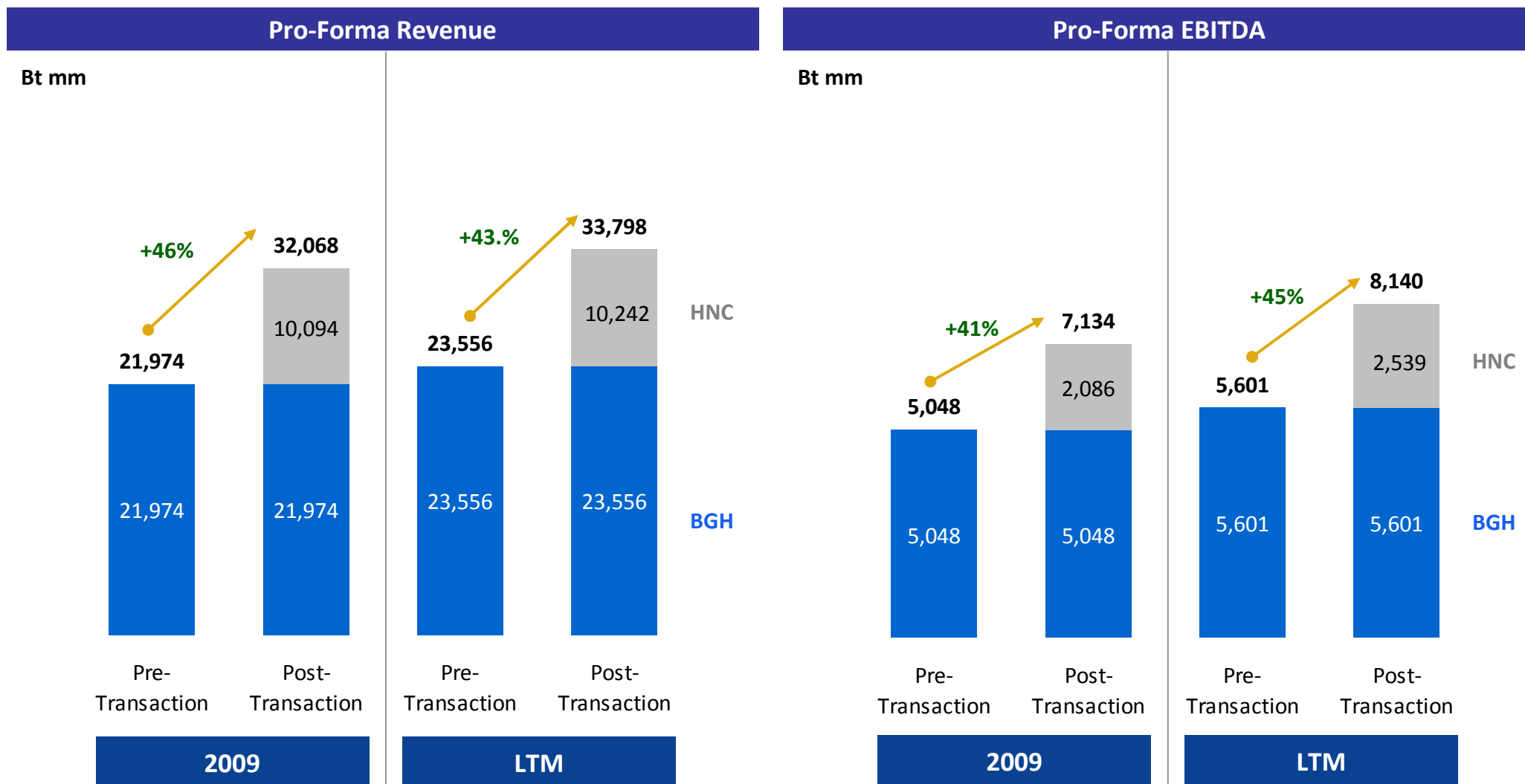


## Pro-Forma Financial Results



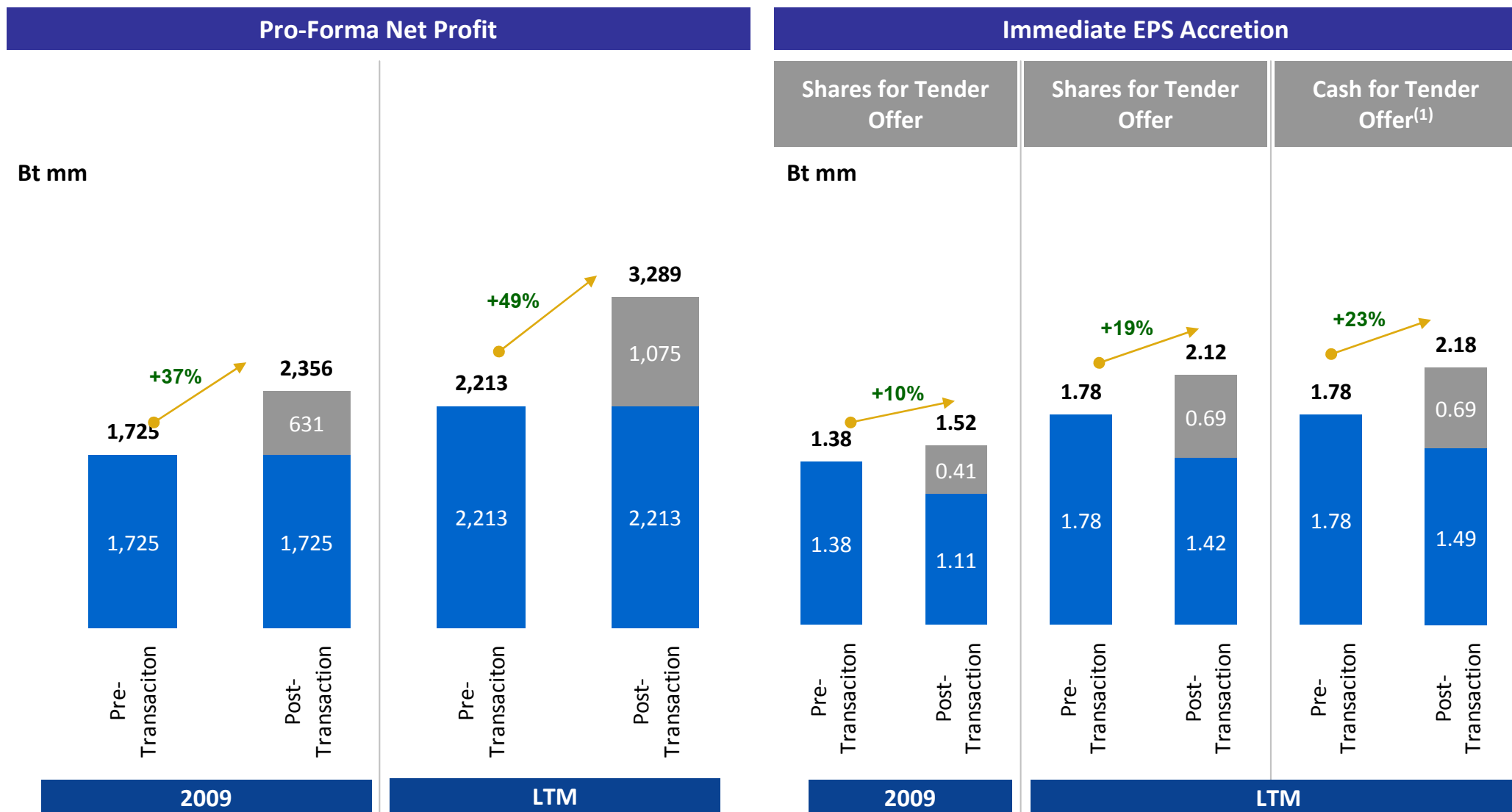


# Pro-Forma Financial Results



Source: Company financial statements  
 Note: Financial figures for HNC includes PPCL, PYTS and PNwm.

## Pro-Forma Financial Results (Cont'd)



Source: Company financial statements

Note: Financial figures for HNC includes PPCL, PYTS and PNwm.

(1) Assume BGH incur debt of Bt 1,500 mm with interest rate of 5% to finance the cash component of the transaction.

## Pro-Forma Financial Results (Cont'd)

		LTM (Shares for Tender Offer of PPCL)		LTM (Cash for Tender Offer of PPCL) <sup>(1)</sup>	
		Pre-Transaction	Post-Transaction	Pre-Transaction	Post-Transaction
Debt / Equity (3Q10)		0.7x	0.6x	0.7x	0.7x
Debt / EBITDA (LTM)		1.9x	2.1x	1.9x	2.2x
EBITDA / Interest (LTM)		9.1x	8.9x	9.1x	8.2x
Interest Expense (LTM)	Bt mm		913		988
		614	299	614	374
Debt (3Q10)	Bt mm		16,809		18,309
		10,844	5,965	10,844	7,465
Equity (3Q10)	Bt mm		27,219		24,441
		15,622	11,597	15,622	8,819

Source: Company financial statements

Note: Financial figures for HNC includes PPCL, PYTS and PNwm.

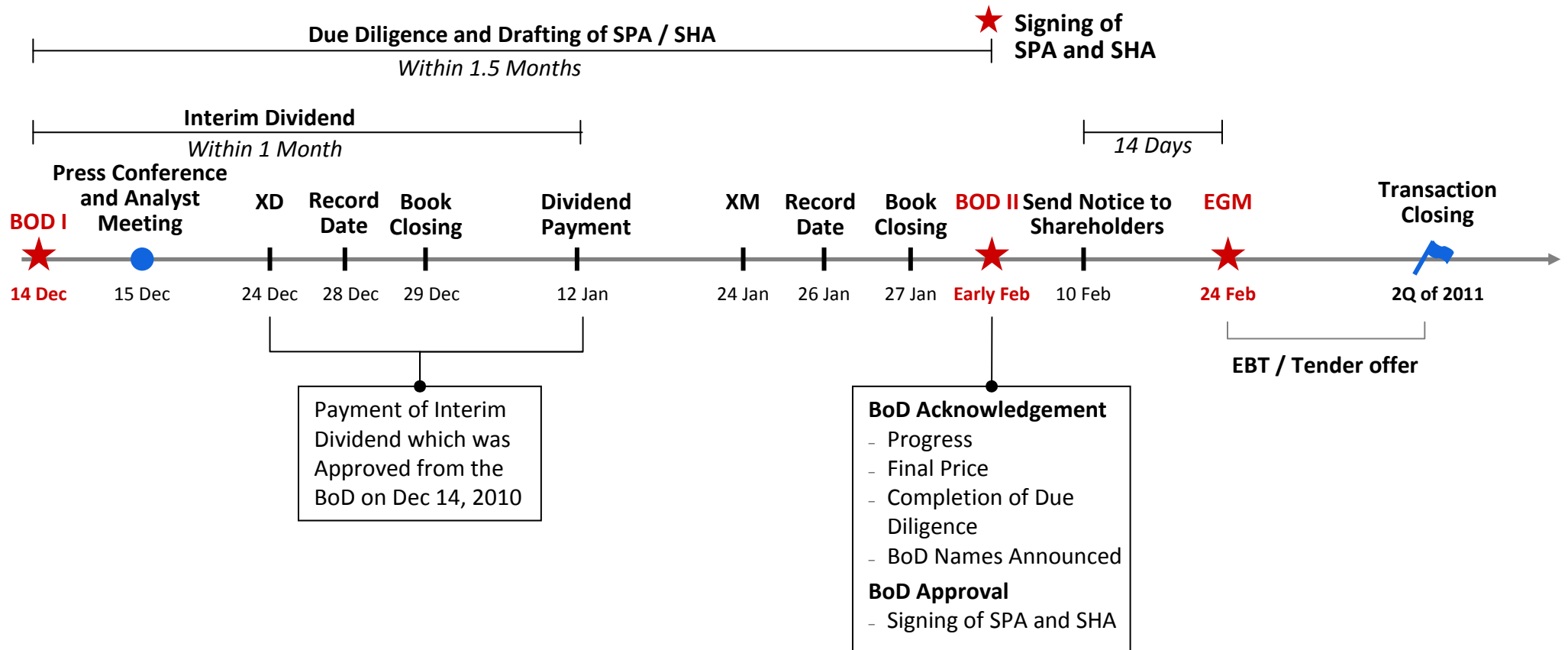
1) Assume BGH incur debt of Bt 1,500 mm with interest rate of 5% to finance the cash component of the transaction.



## Timetable



# Timetable



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