

BUY (Unchanged)

Change in Numbers

TP: Bt 4.40

Upside : 27.2%

(From: Bt 4.80)

18 JANUARY 2022

Small Cap Research

Chularat Hospital Pcl (CHG TB)

Drivers in the works

We reaffirm our BUY call on CHG seeing it as a sustainable growth company at the core operating level with a non-COVID earnings base in 2022F at 68% above its 2019 level. Leaving COVID income aside, growth drivers in the works are patient growth, new excellence centers, heart center management and capacity expansion.

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A sustainable growth company

We reaffirm our BUY call CHG as a sustainable growth company at the core operating level. Excluding COVID-related income, it likely grew profit by 15% p.a. over 2019-21F and we expect 24/15/11% growth in 2022-24F. We project its 2022F non-COVID profit to be 68% above 2019 levels. We note the loss contribution from the new Chularat Mae Sot International Hospital, due to open in 2023, on normal losses for a new hospital in the first few years. But it should provide long-term earnings growth. Taking these losses out, we estimate CHG's normal operation growth at 18/9% in 2023-24F. Valuation wise, CHG looks inexpensive to us at 23.8x PE and a 32.2x non-COVID PE in 2022F, below its past-5-year pre-COVID (2015-19) average PE of 41.3x.

Core operation drivers

CHG's non-COVID core business has done reasonably well with around 15% p.a. profit growth during 2019-21F. We expect another 17% p.a. growth in 2022-24F. Drivers are 1) pent-up and organic growth in healthcare demand; 2) three new managed heart centers at Sirindhorn Hospital, Samut Prakan Hospital and Rayong Hospital; 3) new stroke and cancer excellence centers; 4) capacity expansion at Chularat 304 Int'l Hospital (304) and Ruampat Chachoengsao Hospital (RPC) from 59 to 100 beds in 2H22 after they turned a profit last year.

COVID, a yo-yo factor

COVID is the key swing factor in our model. We thus focus more on CHG's core operations, though it remains the operator with the second-highest COVID contribution in the sector after Bangkok Chain Hospital (BCH TB, Bt19.50, BUY). We project COVID profit to account for 26% of CHG's total profit in 2022F (1% in 2023F) assuming two yo-yo factors. The first is the new Omicron wave that should result in improving momentum for COVID services in 1Q22F after falling momentum in 4Q21F. The second is that we assume the government cancels free COVID services under the Universal Coverage for Emergency Patients (UCEP) program for mild COVID cases from mid-2022F with continued coverage for severe cases. With this, 1Q22F earnings should continue to experience positive momentum before a drop in 2H22F.

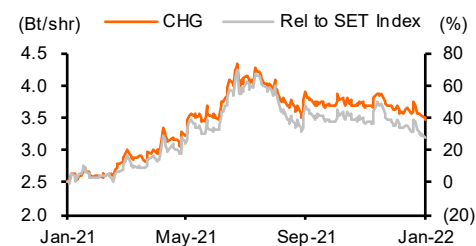
Likely strong 4Q21F results

We project CHG to post strong earnings of Bt603m in 4Q21F, up 138% y-y but down 61% q-q. The robust y-y earnings growth would be due to 1) higher revenue from COVID-related services, 2) new income from hospital and heart center management, 3) improved operations at RPC and 304, and 4) Moderna vaccine income. The sharp q-q drop would be a result of peaked COVID-19 related services in 3Q21.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|-------------------|-------|--------|--------|--------|
| Sales | 5,433 | 10,362 | 8,078 | 7,471 |
| Net profit | 877 | 2,994 | 1,599 | 1,373 |
| Consensus NP | — | 3,040 | 1,446 | 1,336 |
| Diff frm cons (%) | — | (1.5) | 10.6 | 2.8 |
| Norm profit | 877 | 2,994 | 1,599 | 1,373 |
| Prev. Norm profit | — | 2,421 | 1,577 | 1,426 |
| Chg frm prev (%) | — | 23.7 | 1.4 | (3.7) |
| Norm EPS (Bt) | 0.1 | 0.3 | 0.1 | 0.1 |
| Norm EPS grw (%) | 24.3 | 241.6 | (46.6) | (14.2) |
| Norm PE (x) | 43.4 | 12.7 | 23.8 | 27.7 |
| EV/EBITDA (x) | 26.7 | 9.6 | 17.7 | 20.0 |
| P/BV (x) | 9.5 | 6.7 | 6.7 | 6.3 |
| Div yield (%) | 1.4 | 5.5 | 2.9 | 2.5 |
| ROE (%) | 22.7 | 61.6 | 28.1 | 23.5 |
| Net D/E (%) | 12.7 | (6.0) | (10.5) | (19.9) |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|------------------------|
| Price as of 18-Jan-22 (Bt) | 3.46 |
| Market Cap (US\$ m) | 1,149.2 |
| Listed Shares (m shares) | 11,000.0 |
| Free Float (%) | 42.8 |
| Avg Daily Turnover (US\$ m) | 9.7 |
| 12M Price H/L (Bt) | 4.34/2.52 |
| Sector | Health Care |
| Major Shareholder | Plussind Family 23.79% |

Sources: Bloomberg, Company data, Thanachart estimates

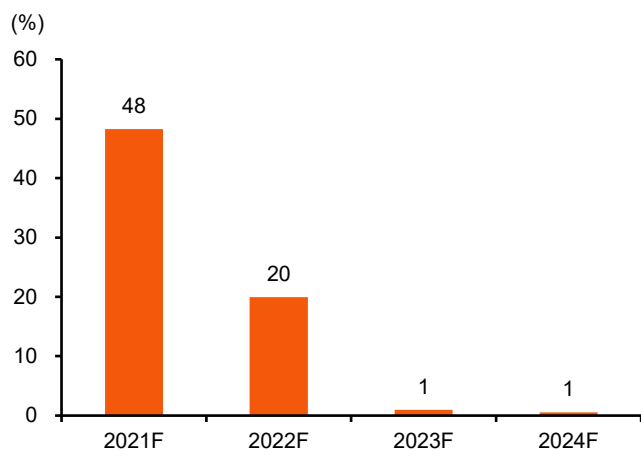


Yo-yo effect from COVID-19

Two yo-yo factors

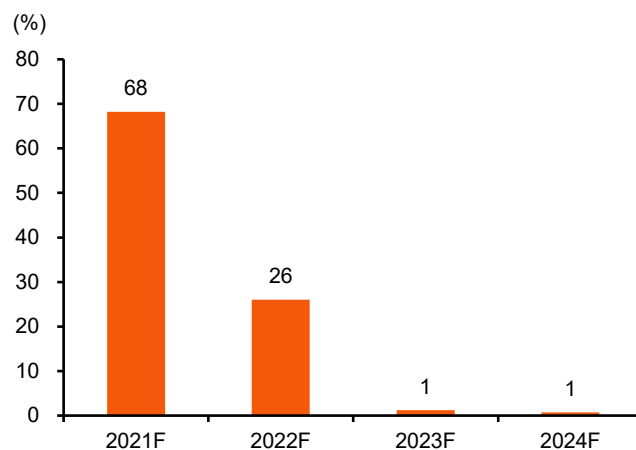
Chularat Hospital Pcl (CHG) has the second-highest COVID-related earnings in the healthcare sector. We see COVID is the key swing factor in our model. We currently project CHG's revenue from COVID-related services at 48/20/1/1% in 2021-24F and COVID profit to account for 68/26/1/1% of CHG's total profit in 2021-24F, assuming two yo-yo factors.

Ex 1: CHG's Revenue Contribution From COVID Services



Source: Thanachart estimates

Ex 2: CHG's Earnings Contribution From COVID Services



Source: Thanachart estimates

The new Omicron wave

First, we see the new COVID wave from the Omicron variant resulting in improving momentum for COVID services in 1Q22F after falling momentum in 4Q21F.

CHG's COVID screening has risen to more than 500 tests/day from an average of 500 in December 2021. Its field hospital's utilization rate ramped up to 75-80% in the second week of January from 20-25% in late 2021. The occupancy rate of CHG's 10 hospital-cum-hotels (hospitels) with a total of 3,000 beds has also increased to 75% from 15% in late 2021. Meanwhile, the utilization rate of COVID's cohort wards in hospitals has increased from 60-70% to 90%. Details are shown in Exhibit 3 below. In the event of rising demand from COVID admissions to hospitals, CHG could resume operations of its already-closed hospitels in 4Q21. CHG's hospitel beds peaked at over 8,000 in 3Q21.

Ex 3: CHG's COVID-19 Capacity And Utilization Rate

| Capacity | 3Q21 | Late December 2021 | 2nd week of January 2022 | Maximum capacity |
|------------------------------------|-------|--------------------|--------------------------|--------------------|
| # of beds in hospitals | 600 | 100 | 100+ | Can expand further |
| Utilization rate | 90% | 60-70% | 90% | |
| # of beds in hospitels | 8000+ | 3,000 | 3,000 | Can expand further |
| Utilization rate | 75% | 15% | 75% | |
| # of beds in field hospitals | 0 | 400 | 400 | 600 beds |
| Utilization rate | 0% | 20-25% | 75-80% | |
| Actual COVID screening (tests/day) | 1,000 | 500 | >500 | 2,500-3,000 |

Source: Company data

UCEPCOVID cancellation

Second, we assume the government cancels its free COVID services under the Universal Coverage for Emergency Patients (UCEP) program for mild COVID cases from mid-2022F with continued coverage for severe cases. With this, 1Q22F earnings should continue to experience positive momentum before declining in 2H22F.

Since the third COVID wave in Thailand from early April 2021, the Thai government announced that Thai people who are suspected to be infected or who test positive for COVID-19 could receive free COVID screening and free medical treatment at every public and private hospital under the UCEP program (UCEPCOVID). The reimbursement rates paid to public and private hospitals are determined by the National Health Security Office (NHSO) under the UCEP scheme.

In late-November 2021, the NHSO reduced the reimbursement rate under UCEPCOVID for COVID screening, mild treatment and severe treatment starting from December 2021. Details are shown in Exhibit 4 below.

Ex 4: UCEP-COVID Reimbursement Rate

| COVID-19 services | | Reimbursement rate cut |
|-------------------|---------------------------|------------------------|
| Treatment | Hospital & Field hospital | |
| | ▪ Green cases | 20% |
| | Hospital & Field hospital | |
| | ▪ Yellow & red cases | 5-9% |
| Screening | RT-PCR – Type III | 12% |
| | ATK – FIA technic | 27% |

Sources: NHSO; Thanachart compilation

Earning revisions

Given the news early this year that the cabinet is considering cancelling the UCEPCOVID scheme, given the government's limited budget and the less severe new Omicron variant, we thus adopt more conservative assumptions and expect the UCEPCOVID scheme for mild cases to be scrapped from 2H22F onwards with Thai people having to return to use the treatment rights they have under the Social Security (SS) scheme, the Universal Coverage (UC) scheme and the Civil Servant Service. However, with CHG's stronger-than-expected 3Q21 results, the Omicron spread in 1Q22 and the extension of its hospital management contract to end in 2024 from 2023, we see a mixed picture for our earnings revisions in 2021-24F as shown in Exhibit 5 on the next page. But we cut our earnings from 2025-32F by an average of 4% on the back of the UCEPCOVID scheme's cancellation while our DCF-based 12-month TP, using a 2022F base year, is trimmed to Bt4.40 from Bt4.80.

Ex 5: Changes In Our Key Assumptions And Earnings Revisions

| | 2019A | 2020A | 2021F | 2022F | 2023F | 2024F |
|---|-------|-------|-------|-------|--------|--------|
| Revenue from COVID-related services (Bt m) | | | | | | |
| - New | | 82 | 5,001 | 1,610 | 70 | 43 |
| - Old | | | 4,022 | 1,162 | 301 | 134 |
| - Change (%) | | | 24.3 | 38.5 | (76.8) | (67.9) |
| Hospital management revenue (Bt m) | | | | | | |
| - New | | | 254 | 282 | 282 | 212 |
| - Old | | | 254 | 264 | 198 | 0 |
| - Change (%) | | | — | 6.8 | 42.4 | n.a. |
| Gross profit (%) | | | | | | |
| - New | 29.7 | 32.2 | 44.0 | 32.1 | 30.8 | 32.0 |
| - Old | | | 39.6 | 32.9 | 32.1 | 32.7 |
| - Change (pp) | | | 4.3 | (0.8) | (1.3) | (0.6) |
| Normalized profit (Bt m) | | | | | | |
| - New | 705 | 877 | 2,994 | 1,599 | 1,373 | 1,519 |
| - Old | | | 2,421 | 1,577 | 1,426 | 1,399 |
| - Change (%) | | | 23.7 | 1.4 | (3.7) | 8.5 |

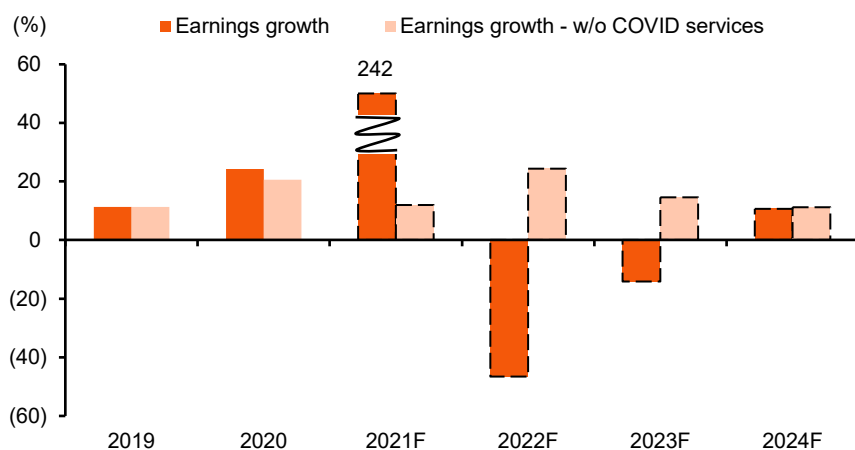
Sources: Company data, Thanachart estimates

Core operation drivers

We estimate core profit growth of 17% p.a. in 2022-24F

CHG's non-COVID core business has done reasonably well with around 15% p.a. profit growth during 2019-21F. We expect another 17% p.a. growth in 2022-24F.

Ex 6: Earnings Growth With And Without COVID Services



Sources: Company data, Thanachart estimates

Drivers are ...

We foresee the company's core earnings drivers being as follows:

Ex 7: CHG's Post COVID Game Plan



Source: Company data

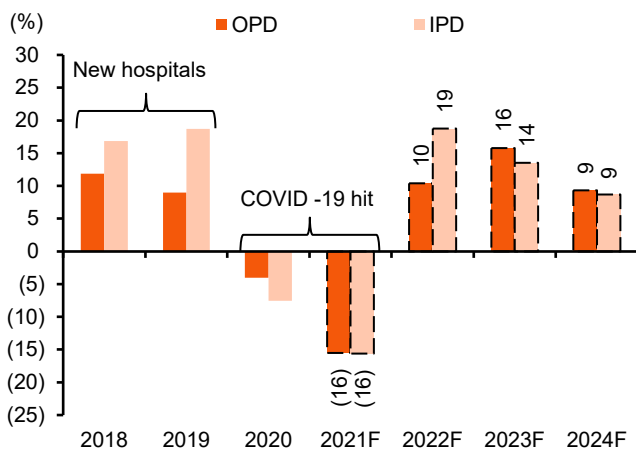
1) Pent-up and organic healthcare demand

1) There is pent-up and organic growth in healthcare demand both from Thai and Middle East cash patients. We project cash patient growth of 11/16/9% in 2022-23 vs. -4/-16% declines in 2020-21F due to the COVID impact. Note that pre-COVID crisis, CHG's revenue contribution from Middle East patients stood at around 3% of total revenue.

2) Three managed heart center

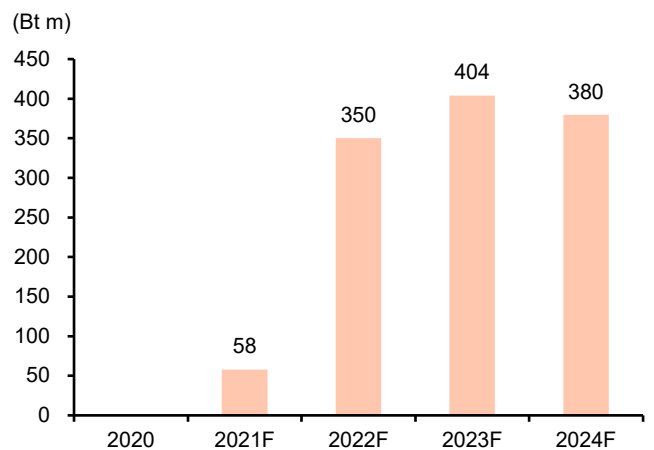
2) Three new managed heart centers at Sirindhorn Hospital, Samut Prakan Hospital and Rayong Hospital should contribute revenue and earnings fully this year. CHG started to recognize revenue from Sirindhorn, Samut Prakan and Rayong in late 2Q21, 4Q21 and 1Q22, respectively.

Ex 8: OPD And IPD Cash Patient Growth



Sources: Company data, Thanachart estimates

Ex 9: Revenue Contribution From Managed Heart Center



Sources: Company data, Thanachart estimates

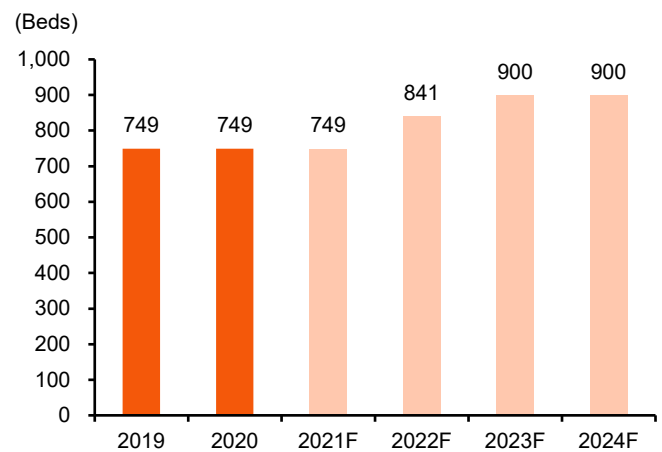
- 3) **New excellence centers** 3) New excellence centers at Chularat 3 Hospital will likely be another key driver. The stroke center has performed well due to rising patients under the cash and SS schemes and more referrals from the UC scheme. The new cancer and radiotherapy center that is located near Chularat 3 Hospital should be another driver for CHG. This center will be the first holistic cancer center in Samut Prakan province, providing both radiotherapy and chemotherapy solutions. It is scheduled to open late this year.
- 4) **Capacity expansion** 4) CHG targets to expand its bed capacity at Chularat 304 International Hospital (304) and Ruampat Chachoengsao Hospital (RPC) from 59 to 100 beds in 2H22 after they turned a profit last year. RPC provides services to only cash patients. Meanwhile, 304 provides services to both cash and SS patients. With its 59-bed capacity, 304 received a SS-registered quota of 50,000 people in 2021 and the number of SS-registered persons at 304 is at 28,000 people presently. An increase in available beds at 304 would not only help it to offer more services to cash and SS patients but also allow 304 to lift its SS quota to 100,000 people in 2023.

Ex 10: Construction Progress Of Cancer Center



Source: Company data

Ex 11: CHG's IPD Available Bed Capacity



Sources: Company data, Thanachart estimates

A sustainable growth company

Maintain BUY ...

1) Sustainable growth in core operation

We maintain our BUY rating on shares of CHG on the back of following reasons:

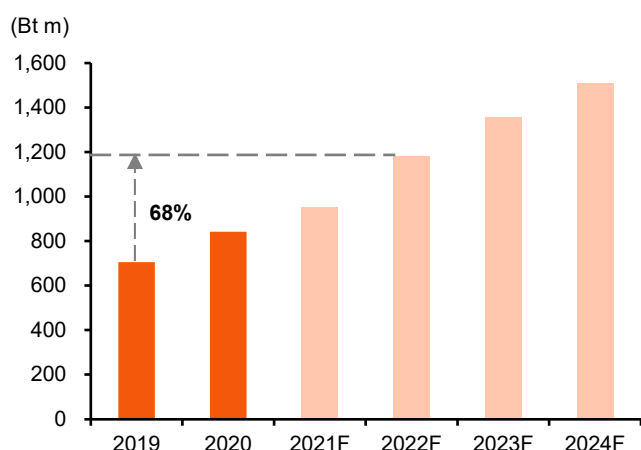
First, we see CHG as a sustainable growth company based on its core operations. Excluding COVID-related income, it grew profit by 15% p.a. over 2019-21F and we expect 24/15/11% growth in 2022-24F. Note that we assume loss contributions from the new Chularat Mae Sot International Hospital in 2023-24F given that a new hospital normally makes losses in its first few years of operation. But we see the new hospital generating long-term earnings growth. Stripping the losses out, we estimate CHG's earnings from its normal operation to grow by 18/9% in 2023-24F.

2) Earnings base shift

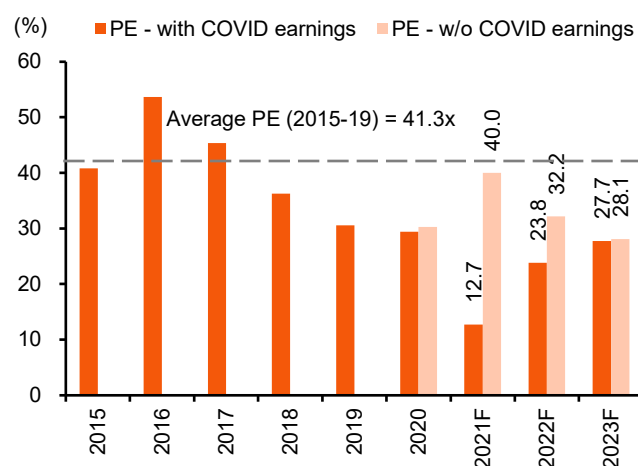
Second, we estimate CHG's 2022F non-COVID profit to be 68% above its 2019 level.

3) Inexpensive valuation, in our view

Lastly, in terms of valuation, we see CHG as inexpensive trading at 23.8x PE and 32.2x non-COVID PE in 2022F, below its past-5-year pre-COVID (2015-19) average PE of 41.3x.

Ex 12: 2022F Non-COVID Profit Above 2019 Level By 68%

Sources: Company data, Thanachart estimates

Ex 13: CHG's PE Is Inexpensive In Our View

Sources: Company data, Thanachart estimates

Ex 14: 12-month DCF-based TP Calculation, Using A Base Year Of 2022F

| (Bt m) | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | Terminal Value |
|--------------------------------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| EBITDA excl. depre from right of use | 2,101 | 1,827 | 2,108 | 2,287 | 2,485 | 2,694 | 2,915 | 3,145 | 3,384 | 3,629 | 3,893 | — |
| Free cash flow | 1,918 | 1,723 | 1,719 | 1,692 | 1,819 | 1,987 | 2,163 | 2,348 | 2,537 | 2,734 | 2,943 | 64,976 |
| PV of free cash flow | 1,913 | 1,530 | 1,438 | 1,309 | 1,320 | 1,353 | 1,381 | 1,406 | 1,425 | 1,440 | 1,454 | 32,090 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 0.6 | | | | | | | | | | | |
| WACC (%) | 6.1 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Enterprise value | 48,058 | | | | | | | | | | | |
| Net debt (end-2021F) | (356) | | | | | | | | | | | |
| Minority interest | 188 | | | | | | | | | | | |
| Equity value | 48,226 | | | | | | | | | | | |
| # of shares (m) | 11,000 | | | | | | | | | | | |
| Equity value / share (Bt) | 4.40 | | | | | | | | | | | |

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 15: Valuation Comparison With Regional Peers

| Name | BBG code | Country | Market Cap (US\$ m) | EPS growth | | PE | | P/BV | | EV/EBITDA | | Div yield | |
|-----------------------------|----------|-------------|------------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|
| | | | | 21F (%) | 22F (%) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (%) | 22F (%) |
| Ramsay Healthcare | RHC AU | Australia | 11,018 | 19.8 | (11.9) | 32.6 | 36.9 | 3.7 | 3.7 | 12.6 | 12.6 | 1.7 | 1.7 |
| Guangzhou Pharmaceutical | 874 HK | Hong Kong | 7,936 | 20.8 | 4.3 | 10.4 | 10.0 | 1.3 | 1.1 | 7.8 | 8.2 | 2.0 | 1.9 |
| Lijun Int'l Pharmaceutical | 2005 HK | Hong Kong | 1,527 | (2.4) | 39.8 | 14.0 | 10.0 | 1.9 | 1.7 | 9.6 | 7.4 | 3.3 | 4.3 |
| Apollo Hospitals Enterprise | APHS IN | India | 8,905 | (77.0) | 934.8 | 773.7 | 74.8 | 15.8 | 12.2 | 60.9 | 30.3 | 0.1 | 0.2 |
| Fortis Healthcare India | FORH IN | India | 2,925 | na | na | na | 62.1 | 3.3 | 3.3 | 57.3 | 21.3 | 0.0 | 0.0 |
| KPJ Healthcare | KPJ MK | Malaysia | 1,076 | (55.2) | 200.0 | 80.0 | 26.7 | 2.1 | 1.9 | 15.8 | 12.2 | 1.0 | 1.8 |
| IHH Healthcare Bhd | IHH MK | Malaysia | 13,797 | 171.4 | 6.4 | 38.4 | 36.0 | 2.4 | 2.3 | 16.7 | 16.0 | 0.9 | 1.0 |
| Ryman | RYM NZ | New Zealand | 4,013 | (7.6) | 1.5 | 25.5 | 25.1 | 2.3 | 1.8 | 30.5 | 25.0 | 1.9 | 1.7 |
| Raffles Medical Group | RFMD SP | Singapore | 1,828 | 78.3 | 0.0 | 32.2 | 32.2 | 2.7 | 2.6 | 17.9 | 16.9 | 2.1 | 1.8 |
| Bangkok Chain Hospital * | BCH TB | Thailand | 1,468 | 373.8 | (58.6) | 8.3 | 20.2 | 4.5 | 4.4 | 6.0 | 11.6 | 6.6 | 2.7 |
| Bangkok Dusit Medical * | BDMS TB | Thailand | 10,508 | 15.6 | 16.1 | 49.8 | 42.9 | 3.9 | 3.8 | 26.8 | 24.1 | 1.1 | 1.3 |
| Bumrungrad Hospital * | BH TB | Thailand | 3,275 | (20.0) | 69.0 | 113.0 | 66.9 | 6.4 | 6.7 | 45.3 | 33.3 | 2.2 | 2.2 |
| Chularat Hospital * | CHG TB | Thailand | 1,149 | 241.6 | (46.6) | 12.7 | 23.8 | 6.7 | 6.7 | 9.6 | 17.7 | 5.5 | 2.9 |
| Ladprao General Hospital * | LPH TB | Thailand | 135 | 256.8 | (51.1) | 8.8 | 17.9 | 2.5 | 2.5 | 5.8 | 10.1 | 5.7 | 4.2 |
| Praram 9 Hospital * | PR9 TB | Thailand | 266 | 14.3 | 20.1 | 38.1 | 31.8 | 2.1 | 2.0 | 13.8 | 12.3 | 1.2 | 1.4 |
| Rajthanee Hospital * | RJH TB | Thailand | 299 | 164.4 | (50.2) | 10.1 | 20.3 | 5.0 | 5.2 | 7.5 | 13.6 | 7.2 | 3.6 |
| Ratchaphruek Hospital * | RPH TB | Thailand | 102 | 13.0 | 18.2 | 31.9 | 27.0 | 2.4 | 2.4 | 16.7 | 15.0 | 2.4 | 2.8 |
| Thonburi Healthcare Group* | THG TB | Thailand | 1,019 | na | (56.4) | 29.8 | 68.3 | 3.9 | 4.0 | 15.7 | 23.9 | 2.3 | 1.0 |
| Average | | | | 75.5 | 60.9 | 77.0 | 35.2 | 4.0 | 3.8 | 20.9 | 17.3 | 2.6 | 2.0 |

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

Based on 18 Jan 2022 closing prices

COMPANY DESCRIPTION

Chularat Hospital Pcl (CHG) operates a private hospital chain under the “Chularat” brand in the eastern region of Thailand, particularly in Samut Prakan and Chachoengsao provinces. The company was established in 1986. Presently, CHG has nine main hospitals and four clinics in its portfolio, providing medical treatment to cash and Social Security (SS) patients. Chularat Group offers expertise in hand surgery and microsurgery, NICU, heart surgery and stroke treatment.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

S — Strength

- One of the big hospital chains in Thailand with significant experience and a reputable managed-care scheme brand.
- Hospitals in CHG's portfolio are in prime locations (communities, factories and industrial estates).
- Owns a nursing assistant school that supplies professional nursing assistants for the group.

O — Opportunity

- Limited public healthcare supply in Thailand.
- Capacity expansion to support rising healthcare demand in the future.
- Ageing society mega trend.
- Rising patient flows from neighbouring countries.
- Increasing COVID-19 infections.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|-----------------------|-----------|------------|---------|
| Target price (Bt) | 4.28 | 4.40 | 3% |
| Net profit 21F (Bt m) | 3,040 | 2,994 | -2% |
| Net profit 22F (Bt m) | 1,446 | 1,599 | 11% |
| Consensus REC | BUY: 12 | HOLD: 6 | SELL: 0 |

HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is largely in line with the Bloomberg consensus number although our 2022F earnings are stronger than the Street's. We attribute this is to us having more conservative assumptions for revenue contribution from COVID-related services over the longer term.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Rating Scale

| | |
|-----------|---|
| Excellent | 5 |
| Good | 4 |
| Fair | 3 |
| Weak | 2 |
| Very Weak | 1 |
| None | 0 |

Source: Thanachart; *CG Rating

W — Weakness

- Limited patient-base diversification as CHG still mainly focuses on the low- to mid-tier and managed-care markets.

T — Threat

- Growing importance of franchise names and big players such as Bangkok Dusit Medical Services (BDMS TB, Bt21.90, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

RISKS TO OUR INVESTMENT CASE

- If CHG's strategy of boosting revenue from the cash-patient business turns out to be worse than we expect, this would present the key downside risk to our earnings forecasts.
- If the Adjusted Relative Weight (RW) under the SSS or Universal Coverage schemes falls, this could pose a secondary downside risk to our earnings forecasts.
- Given CHG's capacity expansion plans over the next few years, its new buildings may turn profitable more slowly than we currently expect, representing a third downside risk.
- If there is more competition from existing private-healthcare operators and/or newcomers to the healthcare market in Thailand, this would represent a fourth downside risk.

Source: Thanachart

INCOME STATEMENT

2021F earnings are driven
by COVID-19 treatment
and tests

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 5,166 | 5,433 | 10,362 | 8,078 | 7,471 |
| Cost of sales | 3,629 | 3,685 | 5,808 | 5,485 | 5,172 |
| Gross profit | 1,536 | 1,748 | 4,554 | 2,592 | 2,299 |
| % gross margin | 29.7% | 32.2% | 44.0% | 32.1% | 30.8% |
| Selling & administration expenses | 672 | 673 | 1,011 | 863 | 869 |
| Operating profit | 864 | 1,075 | 3,543 | 1,730 | 1,430 |
| % operating margin | 16.7% | 19.8% | 34.2% | 21.4% | 19.1% |
| Depreciation & amortization | 343 | 370 | 373 | 385 | 409 |
| EBITDA | 1,207 | 1,445 | 3,916 | 2,115 | 1,840 |
| % EBITDA margin | 23.4% | 26.6% | 37.8% | 26.2% | 24.6% |
| Non-operating income | 25 | 32 | 260 | 288 | 292 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (40) | (36) | (18) | (3) | (2) |
| Pre-tax profit | 849 | 1,071 | 3,786 | 2,015 | 1,720 |
| Income tax | 184 | 219 | 772 | 403 | 327 |
| After-tax profit | 665 | 852 | 3,013 | 1,612 | 1,393 |
| % net margin | 12.9% | 15.7% | 29.1% | 20.0% | 18.6% |
| Shares in affiliates' Earnings | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 41 | 24 | (19) | (13) | (20) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| NET PROFIT | 705 | 877 | 2,994 | 1,599 | 1,373 |
| Normalized profit | 705 | 877 | 2,994 | 1,599 | 1,373 |
| EPS (Bt) | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 |
| Normalized EPS (Bt) | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 |

BALANCE SHEET

New cancer center and
hospital due to be
operational in 2022-23

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS: | | | | | |
| Current assets: | 1,764 | 1,763 | 2,634 | 2,396 | 2,881 |
| Cash & cash equivalent | 521 | 580 | 432 | 632 | 1,252 |
| Account receivables | 1,058 | 983 | 1,874 | 1,461 | 1,351 |
| Inventories | 161 | 179 | 286 | 270 | 248 |
| Others | 25 | 22 | 41 | 32 | 30 |
| Investments & loans | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 4,335 | 4,167 | 4,359 | 4,488 | 4,292 |
| Other assets | 167 | 271 | 442 | 349 | 319 |
| Total assets | 6,266 | 6,201 | 7,435 | 7,233 | 7,491 |
| LIABILITIES: | | | | | |
| Current liabilities: | 1,682 | 1,429 | 1,243 | 1,117 | 1,044 |
| Account payables | 607 | 570 | 955 | 902 | 850 |
| Bank overdraft & ST loans | 820 | 570 | 40 | 8 | 6 |
| Current LT debt | 146 | 136 | 9 | 2 | 1 |
| Others current liabilities | 109 | 153 | 240 | 206 | 187 |
| Total LT debt | 573 | 407 | 27 | 5 | 4 |
| Others LT liabilities | 115 | 171 | 281 | 222 | 202 |
| Total liabilities | 2,370 | 2,008 | 1,552 | 1,345 | 1,251 |
| Minority interest | 193 | 169 | 188 | 200 | 221 |
| Preferred shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Share premium | 1,146 | 1,146 | 1,146 | 1,146 | 1,146 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 1,456 | 1,778 | 3,450 | 3,441 | 3,774 |
| Shareholders' equity | 3,702 | 4,024 | 5,696 | 5,687 | 6,020 |
| Liabilities & equity | 6,266 | 6,201 | 7,435 | 7,233 | 7,491 |

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

Strong and sustainable cash inflow streams

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|--------------|--------------|----------------|----------------|----------------|
| Earnings before tax | 849 | 1,071 | 3,786 | 2,015 | 1,720 |
| Tax paid | (158) | (193) | (706) | (431) | (341) |
| Depreciation & amortization | 343 | 370 | 373 | 385 | 409 |
| Chg In working capital | (103) | 20 | (614) | 376 | 81 |
| Chg In other CA & CL / minorities | 37 | 20 | 1 | 3 | (3) |
| Cash flow from operations | 968 | 1,288 | 2,840 | 2,349 | 1,867 |
| Capex | (733) | (186) | (550) | (500) | (200) |
| Right of use | 0 | (87) | (5) | (5) | (5) |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | 0 | 0 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 45 | 23 | (72) | 25 | 3 |
| Cash flow from investments | (687) | (250) | (627) | (480) | (202) |
| Debt financing | 312 | (426) | (1,037) | (61) | (4) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (550) | (550) | (1,323) | (1,608) | (1,040) |
| Warrants & other surplus | (16) | (5) | 0 | 0 | 0 |
| Cash flow from financing | (254) | (980) | (2,360) | (1,669) | (1,044) |
| Free cash flow | 235 | 1,103 | 2,290 | 1,849 | 1,667 |

VALUATION

Inexpensive valuation, in our view

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x) | 54.0 | 43.4 | 12.7 | 23.8 | 27.7 |
| Normalized PE - at target price (x) | 68.6 | 55.2 | 16.2 | 30.3 | 35.3 |
| PE (x) | 54.0 | 43.4 | 12.7 | 23.8 | 27.7 |
| PE - at target price (x) | 68.6 | 55.2 | 16.2 | 30.3 | 35.3 |
| EV/EBITDA (x) | 32.4 | 26.7 | 9.6 | 17.7 | 20.0 |
| EV/EBITDA - at target price (x) | 40.9 | 33.9 | 12.3 | 22.6 | 25.6 |
| P/BV (x) | 10.3 | 9.5 | 6.7 | 6.7 | 6.3 |
| P/BV - at target price (x) | 13.1 | 12.0 | 8.5 | 8.5 | 8.0 |
| P/CFO (x) | 39.3 | 29.5 | 13.4 | 16.2 | 20.4 |
| Price/sales (x) | 7.4 | 7.0 | 3.7 | 4.7 | 5.1 |
| Dividend yield (%) | 1.4 | 1.4 | 5.5 | 2.9 | 2.5 |
| FCF Yield (%) | 0.6 | 2.9 | 6.0 | 4.9 | 4.4 |
| (Bt) | | | | | |
| Normalized EPS | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 |
| EPS | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 |
| DPS | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 |
| BV/share | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 |
| CFO/share | 0.1 | 0.1 | 0.3 | 0.2 | 0.2 |
| FCF/share | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 |

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*2022-23F non-COVID
earnings base much
higher compared to 2019*

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------------|-------|-------|-------|--------|--------|
| Growth Rate | | | | | |
| Sales (%) | 17.2 | 5.2 | 90.7 | (22.0) | (7.5) |
| Net profit (%) | 11.3 | 24.3 | 241.6 | (46.6) | (14.2) |
| EPS (%) | 11.3 | 24.3 | 241.6 | (46.6) | (14.2) |
| Normalized profit (%) | 11.3 | 24.3 | 241.6 | (46.6) | (14.2) |
| Normalized EPS (%) | 11.3 | 24.3 | 241.6 | (46.6) | (14.2) |
| Dividend payout ratio (%) | 78.0 | 62.7 | 70.0 | 70.0 | 70.0 |
| Operating performance | | | | | |
| Gross margin (%) | 29.7 | 32.2 | 44.0 | 32.1 | 30.8 |
| Operating margin (%) | 16.7 | 19.8 | 34.2 | 21.4 | 19.1 |
| EBITDA margin (%) | 23.4 | 26.6 | 37.8 | 26.2 | 24.6 |
| Net margin (%) | 12.9 | 15.7 | 29.1 | 20.0 | 18.6 |
| D/E (incl. minor) (x) | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Net D/E (incl. minor) (x) | 0.3 | 0.1 | (0.1) | (0.1) | (0.2) |
| Interest coverage - EBIT (x) | 21.4 | 30.2 | 199.6 | na | na |
| Interest coverage - EBITDA (x) | 29.8 | 40.5 | 220.6 | na | na |
| ROA - using norm profit (%) | 11.8 | 14.1 | 43.9 | 21.8 | 18.6 |
| ROE - using norm profit (%) | 19.4 | 22.7 | 61.6 | 28.1 | 23.5 |
| DuPont | | | | | |
| ROE - using after tax profit (%) | 18.3 | 22.1 | 62.0 | 28.3 | 23.8 |
| - asset turnover (x) | 0.9 | 0.9 | 1.5 | 1.1 | 1.0 |
| - operating margin (%) | 17.2 | 20.4 | 36.7 | 25.0 | 23.0 |
| - leverage (x) | 1.6 | 1.6 | 1.4 | 1.3 | 1.3 |
| - interest burden (%) | 95.5 | 96.8 | 99.5 | 99.9 | 99.9 |
| - tax burden (%) | 78.3 | 79.6 | 79.6 | 80.0 | 81.0 |
| WACC (%) | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 |
| ROIC (%) | 15.7 | 18.1 | 61.9 | 25.9 | 22.8 |
| NOPAT (Bt m) | 677 | 856 | 2,820 | 1,384 | 1,159 |
| invested capital (Bt m) | 4,720 | 4,558 | 5,340 | 5,070 | 4,779 |

Sources: Company data, Thanachart estimates

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