

**BUY** (From: HOLD)**TP: Bt 35.00**

(From: Bt 40.00)

Change in Recommendation

Upside : 17.6%

19 DECEMBER 2022

# Rajthanee Hospital Pcl. (RJH TB)

## Back to basics

We upgrade RJH to BUY from Hold after its share price has fallen by 30% from this year's peak to trade at a reasonable valuation of 20.0x 2023F PE with continued growth from its non-COVID operations and solid ROE of 20.9% in 2023F.

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### Upgrade to BUY

We upgrade RJH to BUY (from Hold), despite trimming our earnings forecasts by 3/4/5% in 2022-24F and 2023F DCF-based TP to Bt35.0 (from Bt40.0) to reflect the rising cost environment. See Exhibit 1 for our new earnings forecast assumptions. *First*, we believe RJH has de-rated sufficiently with a 30% share price decline from its peak this year to reflect an outlook for falling COVID windfalls. The stock is now trading on what we see as a reasonable 2023F PE of 20.0x when compared to its non-COVID EPS growth of 6/20/7% in 2022-24F. *Second*, RJH's profitability remains decent with a 20.9% ROE in 2023F despite being a small healthcare company with only a 353-bed capacity. *Lastly*, we continue to like RJH's dominant position in Ayutthaya, which is a large province with a 0.82m population and a trading hub with a large base of basic manufacturing businesses.

### No new loss contribution until 2Q24

RJH also has expansion plans but we do not expect new loss contributions until 2Q24F. RJH has a 353-bed capacity and it plans to add an additional 268 beds from two hospitals. One is the 138-bed Rajthanee Nongkae Hospital in Saraburi province and another is a 130-bed hospital in Bowin, Chonburi province. The Nongkae project is under construction and RJH expects it to open in 2Q24. The Bowin project is currently at the design stage and is scheduled to open in early 2025. Both hospitals will provide services to cash and Social Security Scheme (SSS) patients.

### Improving non-COVID operations

Please see Exhibit 2 for earnings bases that include and exclude COVID income. Excluding COVID, RJH's 3Q22 earnings surpassed the pre-COVID level by 8% and we expect 2023F to surpass 2019 earnings by 17%. We forecast RJH's non-COVID earnings growth at 6/20/7% in 2022-24F. Key earnings drivers are rising non-COVID cash patients, rising SSS patients and increasing revenue intensity. We estimate RJH's non-COVID cash-patient growth of 7/7/5% in 2022-24F. We expect RJH to continue to gain SSS market share in Ayutthaya. We estimate SSS patient growth of 6/5/10% in 2022-24F.

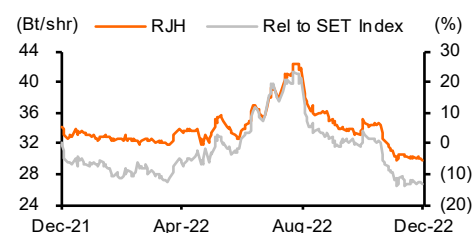
### Inexpensive

RJH is trading at 20.0x 2023F PE which looks inexpensive to us. It is the cheapest name in the small cap space and also the cheapest in the sector, at an average 34.5x 2023F PE. RJH also looks inexpensive compared to its historical 25.3x PE in pre-COVID years since listing in 2016. Its ROE of 20.9% in 2023F is also the highest among small cap plays of 12.3% on average, mid-caps at 12.2% on average and 16.0% for big-caps on average.

### COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	3,118	3,348	2,135	2,450
Net profit	1,012	1,094	445	477
Consensus NP	—	1,105	454	466
Diff frm cons (%)	—	(1.1)	(2.0)	2.3
Norm profit	1,012	1,094	445	477
Prev. Norm profit	—	1,129	464	503
Chg frm prev (%)	—	(3.1)	(4.2)	(5.2)
Norm EPS (Bt)	3.4	3.6	1.5	1.6
Norm EPS grw (%)	172.6	8.1	(59.3)	7.1
Norm PE (x)	8.8	8.2	20.0	18.7
EV/EBITDA (x)	6.7	6.4	14.2	13.4
P/BV (x)	4.6	4.0	4.4	4.1
Div yield (%)	9.1	9.8	3.7	4.0
ROE (%)	58.6	52.6	20.9	22.6
Net D/E (%)	29.3	33.1	50.4	46.2

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Dec-22 (Bt)	29.75
Market Cap (US\$ m)	256.2
Listed Shares (m shares)	300.0
Free Float (%)	57.6
Avg Daily Turnover (US\$ m)	0.8
12M Price H/L (Bt)	42.25/29.75
Sector	Health Care
Major Shareholder	Prasithirun family 22.95%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P6

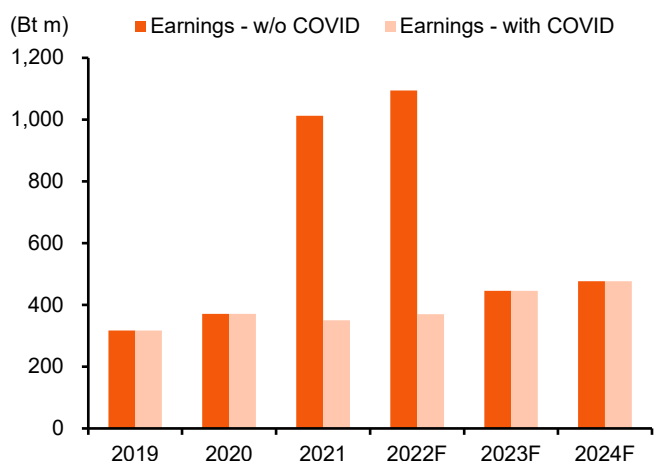


## Ex 1: Change In Our Key Assumptions And Earnings Revisions

	2020	2021	2022F	2023F	2024F
<b>Gross margin (%)</b>					
- New	32.0	46.0	46.0	33.4	31.0
- Old			48.8	34.2	31.0
- Change (pp)			(2.7)	(0.8)	(0.0)
<b>SG&amp;A to sales (%)</b>					
- New	8.8	5.9	5.7	8.7	8.5
- Old			6.0	8.2	8.1
- Change (pp)			(0.3)	0.5	0.4
<b>Normalized profit (Bt m)</b>					
- New	371	1,012	1,094	445	477
- Old			1,129	464	503
- Change (%)			(3.1)	(4.2)	(5.2)

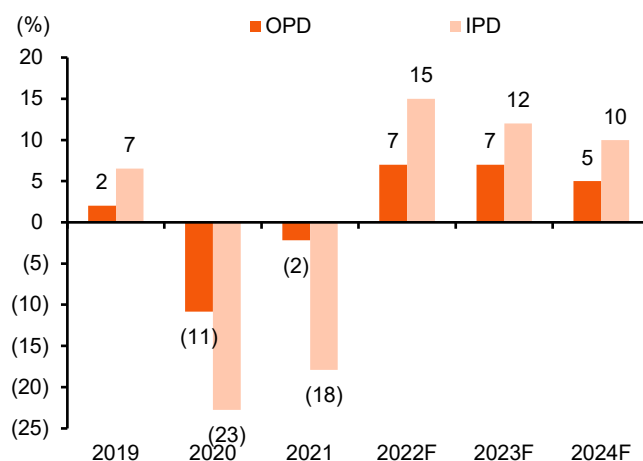
Sources: Company data, Thanachart estimates

## Ex 2: RJH's Earnings Base



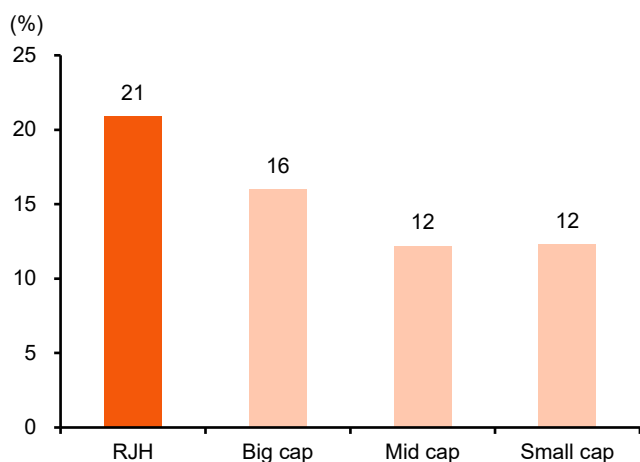
Sources: Company data, Thanachart estimates

## Ex 3: OPD And IPD Growth



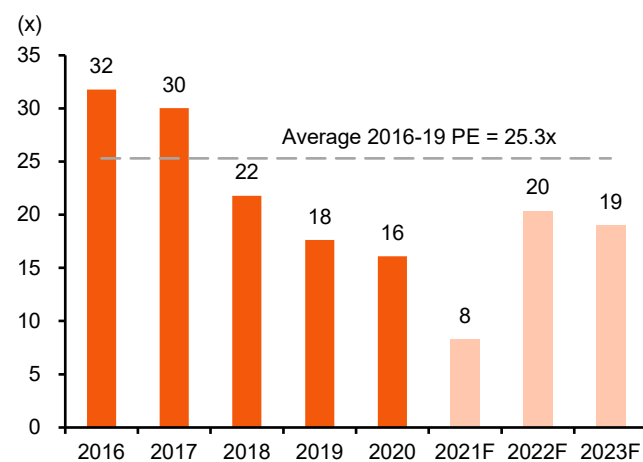
Sources: Company data, Thanachart estimates

## Ex 4: ROE Comparison



Source: Thanachart estimates

## Ex 5: RJH's PE



Sources: Company data, Bloomberg, Thanachart estimates

**Ex 6: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F**

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA excl. depre from right of use	703	743	770	864	936	1,007	1,085	1,164	1,247	1,341	1,454	—
Free cash flow	391	402	597	694	755	808	871	936	1,005	1,079	770	13,778
PV of free cash flow	390	360	487	529	538	538	542	544	515	514	340	6,088
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	5.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	11,385											
Net debt (end-2022F)	736											
Minority interest	14											
Equity value	10,635											
# of shares (m)	300											
<b>Equity value / share (Bt)</b>	<b>35.00</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 7: Valuation Comparison With Regional Peers

Name	BBG code	Country	Market Cap (US\$ m)	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
				22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)
Ramsay Healthcare	RHC AU	Australia	10,084	19.3	31.5	47.3	35.9	3.7	3.6	13.6	12.4	1.6	1.8
Guangzhou Pharmaceutical	874 HK	Hong Kong	6,932	2.3	4.7	9.7	9.3	1.1	1.0	8.2	8.1	3.0	2.9
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	1,579	49.3	16.0	10.6	9.2	1.8	1.6	7.4	6.6	4.1	4.0
Apollo Hospitals Enterprise	APHS IN	India	8,012	(12.5)	6.1	71.7	67.7	11.7	10.3	30.3	30.5	0.2	0.2
Fortis Healthcare India	FORH IN	India	2,570	(33.1)	40.9	57.3	40.7	3.2	3.1	20.8	20.0	0.0	0.0
KPJ Healthcare	KPJ MK	Malaysia	971	168.9	21.9	30.9	25.4	2.0	1.9	12.2	11.3	1.7	2.1
IHH Healthcare Bhd	IHH MK	Malaysia	11,733	(14.9)	18.0	34.3	29.1	2.1	2.0	15.1	14.0	1.0	1.1
Ryman	RYM NZ	New Zealand	1,873	na	24.5	12.7	10.2	0.9	0.8	16.1	12.9	3.4	3.6
Raffles Medical Group	RFMD SP	Singapore	1,860	28.6	(8.6)	23.4	25.7	2.5	2.4	12.4	13.5	2.1	2.1
Bangkok Chain Hospital *	BCH TB	Thailand	1,417	(39.0)	(59.1)	11.8	28.9	3.5	3.4	7.8	14.5	3.3	1.7
Bangkok Dusit Medical *	BDMS TB	Thailand	12,886	43.0	5.7	39.6	37.4	5.1	4.9	24.5	23.1	1.9	1.6
Bumrungrad Hospital *	BH TB	Thailand	4,837	265.1	21.4	36.2	29.8	8.6	7.6	24.2	20.0	1.4	2.0
Chularat Hospital *	CHG TB	Thailand	1,118	(30.4)	(51.3)	13.3	27.4	4.7	4.9	9.7	18.4	6.0	3.1
Ladprao General Hospital *	LPH TB	Thailand	116	(27.2)	(44.1)	11.9	21.3	2.2	2.2	7.8	11.2	6.3	3.5
Praram 9 Hospital *	PR9 TB	Thailand	381	101.6	2.2	26.5	25.9	2.9	2.7	13.1	12.5	1.7	1.7
Rajthanee Hospital *	RJH TB	Thailand	256	8.1	(59.3)	8.2	20.0	4.0	4.4	6.4	14.2	9.8	3.7
Ratchaphruek Hospital *	RPH TB	Thailand	94	(26.2)	(52.4)	11.0	23.1	1.8	1.8	6.6	11.0	5.4	3.2
Thonburi Healthcare Group*	THG TB	Thailand	1,569	2.4	(44.7)	39.0	70.5	5.6	5.6	22.4	30.7	1.6	0.9
<b>Average</b>				<b>29.7</b>	<b>(7.0)</b>	<b>27.5</b>	<b>29.9</b>	<b>3.8</b>	<b>3.6</b>	<b>14.4</b>	<b>15.8</b>	<b>3.0</b>	<b>2.2</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

Based on 19 Dec 2022 closing prices

## COMPANY DESCRIPTION

Rajthanee Hospital Pcl (RJH) operates a private hospital with 353 active beds under the “Rajthanee” brand in Thailand’s Ayutthaya province. The company was established in 1992. It also acquired a 52% stake in Rajthanee Rojana Hospital (RRH) in 2014. Presently, RJH provides medical treatment to cash patients and Social Security Scheme patients. RJH has expertise in emergency care, children’s care and orthopaedics. The company has increased its stake in RRH to 98% presently.

Source: Thanachart

## THANACHART’S SWOT ANALYSIS

### S — Strength

- The largest private hospital in Ayutthaya province with considerable experience and a reputable brand in managed-care scheme services.
- Hospitals in RJH’s portfolio are in prime locations (communities, factories and industrial estates).

### O — Opportunity

- Limited public healthcare supply in Thailand.
- Capacity expansion to support rising healthcare demand in the future.
- Rising patient flows from neighbouring countries.
- COVID-19 pandemic.

## CONSENSUS COMPARISON

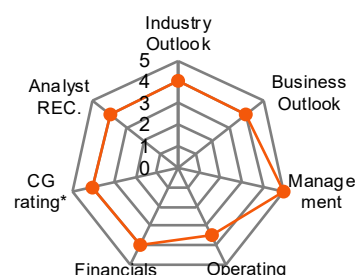
	Consensus	Thanachart	Diff
Target price (Bt)	35.07	35.00	0%
Net profit 22F (Bt m)	1,105	1,094	-1%
Net profit 23F (Bt m)	454	445	-2%
<b>Consensus REC</b>	<b>BUY: 1</b>	<b>HOLD: 4</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP is in line with the street’s forecast.

Sources: Bloomberg consensus, Thanachart estimates

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

### W — Weakness

- Limited patient-base diversification as RJH 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, Bt28.25, BUY), which have entered the mid-market segment.
- Rising competition from new non-listed rivals in Ayutthaya province.
- Regulatory risk.
- COVID-19 pandemic.

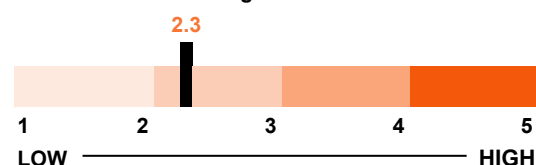
## RISKS TO OUR INVESTMENT CASE

- If RJH’s strategy of boosting revenue from the cash-patient business does not work out, this would present the key downside risk to our call.
- Given RJH’s capacity expansion plans, its new hospitals may turn profitable slower than we currently expect if there is more competition from existing or new private healthcare operators, representing the secondary downside risk to our call.
- If the adjusted relative weight (RW) under the SSS were to fall, there could be downside risk to our earnings projections.

Source: Thanachart

RJH is a small healthcare company with a portfolio of two hospitals and combined capacity of 353 beds. Its main campus is, however, the biggest private hospital in Ayutthaya province. Our ESG score on RJH is only 2.3 as the company has yet to set out clear targets and plans for the issues.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
RJH	-	-	-	-	-	-	-	-	4.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
 Note: Please see third party on "terms of use" on the following back page.

Factors	Our Comments
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>- Environmental Policies &amp; Guidelines</li> <li>- Energy Management</li> <li>- Carbon Management</li> <li>- Water Management</li> <li>- Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ RJH runs a hospital business and doesn't generate much greenhouse gas (GHG) emissions. We believe this is the reason why RJH has yet to set key targets and plans for ESG issues. That is despite it having environmental care guidelines on preventing pollution and on saving natural resources.</li> <li>▪ RJH uses two wastewater treatment systems. The systems have a combined capacity to treat 360 cubic meters of wastewater per day, which matches the hospitals' current capacity. Tests indicate that the quality of the hospitals' wastewater meets required standards.</li> <li>▪ RJH's hazardous materials and waste are mostly syringes, sharps, chemical waste and infectious materials. RJH has standards for waste sorting, measures for wearing personal protective equipment, procedures for spills of hazardous materials as well as route maps and schedules for waste transportation.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>- Human Rights</li> <li>- Staff Management</li> <li>- Health &amp; Safety</li> <li>- Product Safety &amp; Quality</li> <li>- Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ RJH attaches great importance to its medical personnel and has policies to encourage them to work for the company in the long term. Its justified and competitive rates of remuneration and fringe benefits, has created a favorable organizational culture and a pleasant work atmosphere, and built up a good relationship with its employees.</li> <li>▪ RJH pays attention to safety measures to minimize risks to both patients and its staff. RJH has certified occupational safety staff to monitor and advice on safety measures. RJH conducts EVN Rounds (site visit of hospital environment and safety development committee) on a regular basis to proactively determine risks, find their causes and prepare preliminary solutions.</li> <li>▪ RJH emphasizes the quality and standard of products while taking care of and being responsible for customers.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>- Board</li> <li>- Ethics &amp; Transparency</li> <li>- Business Sustainability</li> <li>- Risk Management</li> <li>- Innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ RJH's 10-member board of directors (BOD) has four independent directors. There are six males and four females on the board.</li> <li>▪ Executives and employees at all levels have a responsibility to be aware of risks that may occur in their work and organizational areas and to attach sufficient and appropriate importance to risk management. The BOD determines important risk achievements of the organization's objectives.</li> <li>▪ RJH provides various surgical services with innovation, including surgery that does not require a long incision in the abdomen of a patient. Technology, such as the use of cameras, is used to help to diagnose and treat diseases.</li> </ul>

Source: Thanachart, Company

## INCOME STATEMENT

Core operation set to reach a new, higher base

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	1,855	3,118	3,348	2,135	2,450
Cost of sales	1,262	1,684	1,806	1,423	1,691
<b>Gross profit</b>	<b>594</b>	<b>1,434</b>	<b>1,541</b>	<b>712</b>	<b>759</b>
% gross margin	32.0%	46.0%	46.0%	33.4%	31.0%
Selling & administration expenses	163	183	191	186	208
<b>Operating profit</b>	<b>431</b>	<b>1,250</b>	<b>1,350</b>	<b>527</b>	<b>551</b>
% operating margin	23.2%	40.1%	40.3%	24.7%	22.5%
Depreciation & amortization	109	163	170	176	192
<b>EBITDA</b>	<b>539</b>	<b>1,413</b>	<b>1,520</b>	<b>703</b>	<b>743</b>
% EBITDA margin	29.1%	45.3%	45.4%	32.9%	30.3%
Non-operating income	23	27	44	47	49
Non-operating expenses	0	0	0	0	0
Interest expense	(0)	(6)	(23)	(11)	(23)
<b>Pre-tax profit</b>	<b>453</b>	<b>1,271</b>	<b>1,372</b>	<b>563</b>	<b>577</b>
Income tax	81	255	273	113	104
<b>After-tax profit</b>	<b>372</b>	<b>1,016</b>	<b>1,099</b>	<b>450</b>	<b>473</b>
% net margin	20.1%	32.6%	32.8%	21.1%	19.3%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(1)	(4)	(5)	(5)	3
Extraordinary items	41	0	0	0	0
<b>NET PROFIT</b>	<b>412</b>	<b>1,012</b>	<b>1,094</b>	<b>445</b>	<b>477</b>
<b>Normalized profit</b>	<b>371</b>	<b>1,012</b>	<b>1,094</b>	<b>445</b>	<b>477</b>
EPS (Bt)	1.4	3.4	3.6	1.5	1.6
Normalized EPS (Bt)	1.2	3.4	3.6	1.5	1.6

## BALANCE SHEET

Two new hospitals to be added in 2024-25

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
<b>ASSETS:</b>					
Current assets:	441	1,203	1,018	557	499
Cash & cash equivalent	58	175	50	50	50
Account receivables	343	965	917	468	403
Inventories	36	60	45	35	42
Others	4	4	6	4	4
Investments & loans	0	566	566	566	566
Net fixed assets	1,272	1,428	1,774	2,250	2,431
Other assets	187	155	163	171	180
<b>Total assets</b>	<b>1,899</b>	<b>3,352</b>	<b>3,520</b>	<b>3,544</b>	<b>3,676</b>
<b>LIABILITIES:</b>					
Current liabilities:	340	1,298	1,200	1,419	1,414
Account payables	241	378	297	234	255
Bank overdraft & ST loans	70	750	786	1,090	1,062
Current LT debt	0	0	0	0	0
Others current liabilities	29	169	117	95	97
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others LT liabilities	57	89	99	63	72
<b>Total liabilities</b>	<b>398</b>	<b>1,387</b>	<b>1,299</b>	<b>1,482</b>	<b>1,486</b>
Minority interest	5	9	14	14	11
Preferreds shares	0	0	0	0	0
Paid-up capital	300	300	300	300	300
Share premium	1,093	1,093	1,093	1,093	1,093
Warrants	0	0	0	0	0
Surplus	(354)	(240)	(240)	(240)	(240)
<b>Retained earnings</b>	<b>457</b>	<b>802</b>	<b>1,053</b>	<b>894</b>	<b>1,025</b>
Shareholders' equity	1,496	1,955	2,207	2,047	2,178
<b>Liabilities &amp; equity</b>	<b>1,899</b>	<b>3,352</b>	<b>3,520</b>	<b>3,544</b>	<b>3,676</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT***Strong cash inflow stream, in our view*

<b>FY ending Dec (Bt m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Earnings before tax	453	1,271	1,372	563	577
Tax paid	(80)	(114)	(325)	(134)	(102)
Depreciation & amortization	109	163	170	176	192
Chg In working capital	9	(509)	(18)	396	80
Chg In other CA & CL / minorities	5	(1)	(8)	(29)	(24)
<b>Cash flow from operations</b>	<b>496</b>	<b>810</b>	<b>1,190</b>	<b>971</b>	<b>723</b>
Capex	(411)	(315)	(513)	(650)	(370)
Right of use	(1)	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	10	(566)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(16)	59	4	(21)	21
<b>Cash flow from investments</b>	<b>(419)</b>	<b>(821)</b>	<b>(508)</b>	<b>(671)</b>	<b>(349)</b>
Debt financing	70	680	36	304	(28)
Capital increase	0	0	(0)	0	0
Dividends paid	(315)	(643)	(842)	(604)	(346)
Warrants & other surplus	3	91	0	0	0
<b>Cash flow from financing</b>	<b>(243)</b>	<b>127</b>	<b>(807)</b>	<b>(300)</b>	<b>(374)</b>
<b>Free cash flow</b>	<b>85</b>	<b>495</b>	<b>677</b>	<b>321</b>	<b>353</b>

**VALUATION***Inexpensive valuation, in our view*

<b>FY ending Dec</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Normalized PE (x)	24.0	8.8	8.2	20.0	18.7
Normalized PE - at target price (x)	28.3	10.4	9.6	23.6	22.0
PE (x)	21.6	8.8	8.2	20.0	18.7
PE - at target price (x)	25.5	10.4	9.6	23.6	22.0
EV/EBITDA (x)	16.6	6.7	6.4	14.2	13.4
EV/EBITDA - at target price (x)	19.5	7.8	7.4	16.4	15.5
P/BV (x)	6.0	4.6	4.0	4.4	4.1
P/BV - at target price (x)	7.0	5.4	4.8	5.1	4.8
P/CFO (x)	18.0	11.0	7.5	9.2	12.3
Price/sales (x)	4.8	2.9	2.7	4.2	3.6
Dividend yield (%)	3.4	9.1	9.8	3.7	4.0
FCF Yield (%)	1.0	5.6	7.6	3.6	4.0
<b>(Bt)</b>					
Normalized EPS	1.2	3.4	3.6	1.5	1.6
EPS	1.4	3.4	3.6	1.5	1.6
DPS	1.0	2.7	2.9	1.1	1.2
BV/share	5.0	6.5	7.4	6.8	7.3
CFO/share	1.7	2.7	4.0	3.2	2.4
FCF/share	0.3	1.7	2.3	1.1	1.2

Sources: Company data, Thanachart estimates



## FINANCIAL RATIOS

*Strong financial status*

FY ending Dec	2020A	2021A	2022F	2023F	2024F
<b>Growth Rate</b>					
Sales (%)	4.8	68.0	7.4	(36.2)	14.7
Net profit (%)	4.2	145.3	8.1	(59.3)	7.1
EPS (%)	4.2	145.3	8.1	(59.3)	7.1
Normalized profit (%)	17.2	172.6	8.1	(59.3)	7.1
Normalized EPS (%)	17.2	172.6	8.1	(59.3)	7.1
Dividend payout ratio (%)	72.7	80.0	80.0	75.0	75.0
<b>Operating performance</b>					
Gross margin (%)	32.0	46.0	46.0	33.4	31.0
Operating margin (%)	23.2	40.1	40.3	24.7	22.5
EBITDA margin (%)	29.1	45.3	45.4	32.9	30.3
Net margin (%)	20.1	32.6	32.8	21.1	19.3
D/E (incl. minor) (x)	0.0	0.4	0.4	0.5	0.5
Net D/E (incl. minor) (x)	0.0	0.3	0.3	0.5	0.5
Interest coverage - EBIT (x)	na	211.3	59.4	46.2	23.8
Interest coverage - EBITDA (x)	na	238.8	66.9	61.7	32.1
ROA - using norm profit (%)	20.7	38.5	31.8	12.6	13.2
ROE - using norm profit (%)	25.7	58.6	52.6	20.9	22.6
<b>DuPont</b>					
ROE - using after tax profit (%)	25.8	58.9	52.8	21.2	22.4
- asset turnover (x)	1.0	1.2	1.0	0.6	0.7
- operating margin (%)	24.4	41.0	41.7	26.9	24.5
- leverage (x)	1.2	1.5	1.7	1.7	1.7
- interest burden (%)	99.9	99.5	98.4	98.0	96.1
- tax burden (%)	82.2	79.9	80.1	80.0	82.0
WACC (%)	5.8	5.8	5.8	5.8	5.8
ROIC (%)	30.2	66.3	42.7	14.3	14.6
NOPAT (Bt m)	354	999	1,082	421	452
invested capital (Bt m)	1,508	2,531	2,943	3,087	3,190

Sources: Company data, Thanachart estimates

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As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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### Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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