

BUY (Unchanged)
Change in Numbers

TP: Bt 3.70
Upside : 27.6%

(From: Bt 3.80)
1 AUGUST 2023

Small Cap Research

Chularat Hospital Pcl (CHG TB)

2Q23F earnings likely still soft

We see CHG posting soft earnings again in 2Q23F on slow growth in Thai cash patients and rising pre-operating expenses from its new hospitals. However, we believe its 27.7x and 24.2x PEs in 2023-24F already reflect its weak 1H23F earnings. We also expect EPS growth to resume from 2H23F onwards. We reaffirm our BUY call on CHG.



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Likely soft 2Q23F earnings on the cards

We estimate Chularat Hospital (CHG) to report a net profit of Bt241m in 2Q23F, down 72.5% y-y and flat q-q. The results look set to remain soft from 1Q23. Although we expect revenue from the Social Security Scheme (SSS) to increase q-q due to a 10% hike in the reimbursement rate for basic capitation starting from 1 May 2023, slow growth in Thai cash patients, and gross margin pressure from rising pre-operating expenses from its two new hospitals – Chularat Mae Sot International Hospital and Chularat Medical Center – lead us to expect CHG to report flat q-q earnings growth in 2Q23F. We see the substantial y-y earnings drop being due to falling revenue from COVID services.

EPS growth set to resume from 2H23F

Despite the lack of earnings growth in 1H23F due to the decline in the COVID windfall and rising pre-operating costs from new hospitals, we still like CHG as a company that we believe offers strong fundamentals, a decent business strategy geared toward high-intensity care, a solid brand and good hospital locations. We estimate its EPS growth to resume from 2H23F onwards, driven by improving cash patient flows, an increasing number of SSS-registered persons and a higher reimbursement rate, rising revenue intensity, and higher asset utilization. We expect EPS growth of 23% y-y in 2H23F and 15/13% y-y in 2024-25F.

Opened two new hospitals

The 100-bed Chularat Mae Sot International Hospital (59 beds in the first phase) (CMH) in Tak province was opened in mid-June 2023. Meanwhile, the 50-bed Chularat Medical Center (CMC) was launched in July. CMH's business flow, 1.5 months since it opened, has been in line with management's target. CMH focuses only on cash patients, both Thai patients and patients (Myanmar citizens and Chinese expats) from Myanmar. Meanwhile, CMC offers services to cash, Social Security Scheme (SSS), and UCEP patients. We estimate these two projects to make losses of Bt67/70/15m in 2023-25F.

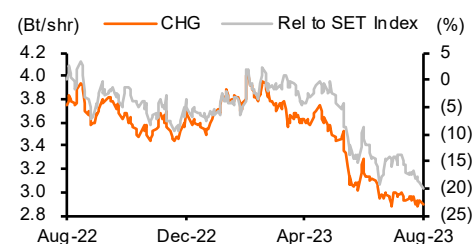
Inexpensive valuation; maintain BUY

We maintain our BUY rating on CHG. *First*, we believe CHG's 28% share price fall from its peak this year already reflects its likely weak 1H23F earnings. With the company's soft 2Q23F earnings, we only trim our estimates by 2-3% in 2023-25F and lower our DCF-based 12-month TP (2024F base year) to Bt3.70 from Bt3.80. *Second*, despite incurring new losses from its new hospitals, we estimate EPS growth to resume, growing by 23% y-y in 2H23F and 15/13% y-y in 2024-25F. *Lastly*, trading at 27.7x and 24.2x PE in 2023-24F vs. its five-year pre-COVID average of 43.4x, we regard CHG's valuation as inexpensive.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	10,103	7,456	8,364	9,024
Net profit	2,778	1,150	1,317	1,483
Consensus NP	—	1,207	1,366	1,528
Diff frm cons (%)	—	(4.8)	(3.6)	(3.0)
Norm profit	2,778	1,150	1,317	1,483
Prev. Norm profit	—	1,185	1,343	1,511
Chg frm prev (%)	—	(3.0)	(1.9)	(1.8)
Norm EPS (Bt)	0.3	0.1	0.1	0.1
Norm EPS grw (%)	(33.9)	(58.6)	14.6	12.6
Norm PE (x)	11.5	27.7	24.2	21.5
EV/EBITDA (x)	8.4	18.5	16.1	14.1
P/BV (x)	4.2	4.4	4.2	4.0
Div yield (%)	5.5	2.9	3.5	4.2
ROE (%)	36.8	15.5	17.6	19.1
Net D/E (%)	(15.3)	(25.6)	(30.9)	(35.1)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 31-Jul-23 (Bt)	2.90
Market Cap (US\$ m)	932.3
Listed Shares (m shares)	11,000.0
Free Float (%)	42.9
Avg Daily Turnover (US\$ m)	3.7
12M Price H/L (Bt)	4.02/2.88
Sector	Health Care
Major Shareholder	Plussind Family 23.79%

Sources: Bloomberg, Company data, Thanachart estimates

Likely soft 2Q23F earnings

We estimate flat q-q earnings growth in 2Q23F

We estimate Chularat Hospital (CHG) to report a net profit of Bt241m in 2Q23F, down 72.5% y-y and flat q-q. The results look set to remain soft from 1Q23. Although we expect revenue from the Social Security Scheme (SSS) to increase q-q due to a 10% hike in the reimbursement rate for basic capitation starting from 1 May 2023, slow growth in Thai cash patients and gross margin pressure from rising pre-operating expenses from its two new hospitals – Chularat Mae Sot International Hospital and Chularat Medical Center – lead us to expect CHG to report flat q-q earnings growth in 2Q23F. Meanwhile, we see the sharp drop in earnings y-y being due to falling revenue from COVID-19 services.

Ex 1: 2Q23F Earnings Preview

Income Statement (consolidation)					
Yr-end Dec (Bt m)	2Q22	1Q23	2Q23F	q-q%	y-y%
Revenue	2,784	1,716	1,733	1.0	(37.8)
Gross profit	1,288	440	447	1.6	(65.3)
SG&A	223	200	206	2.9	(7.6)
Operating profit	1,064	240	241	0.5	(77.4)
EBITDA	1,159	338	340	0.4	(70.7)
Other income	71	73	74	1.0	3.6
Interest expense	3	4	6	50.2	92.9
Profit before tax	1,133	309	309	(0.0)	(72.7)
Income tax	226	60	62	2.9	(72.6)
Equity & invest. income	0	(3)	(3)	n.a.	n.a.
Minority interests	(29)	(5)	(3)	n.a.	n.a.
Net profit	878	240	241	0.3	(72.5)
Normalized profit	878	240	241	0.3	(72.5)

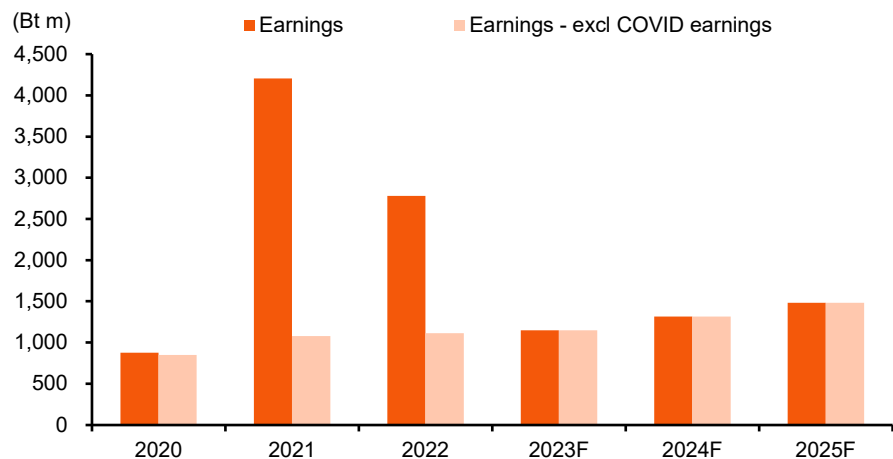
Sources: Company data, Thanachart estimates

EPS growth to resume from 2H23F

We estimate CHG's EPS growth at 23% y-y in 2H23F and 15/13% y-y in 2024-25F

Although CHG lacks an earnings growth story in 1H23F due to the decline in its COVID windfall and because of rising pre-operating costs from its new hospitals, we still like CHG as a company that we believe offers strong fundamentals, a decent business strategy of gearing itself toward high-intensity care, a solid brand, and good hospital locations. We estimate its EPS growth to resume from 2H23F onwards, driven by improving cash patient flows, a rising number of SSS-registered persons and the reimbursement rate hike, increasing revenue intensity, and rising asset utilization. We estimate CHG's EPS growth at 23% y-y in 2H23F and 15/13% y-y in 2024-25F.

Ex 2: CHG's Earnings



Sources: Company data, Thanachart estimates

CHG is in a prime location with strong healthcare demand

CHG is the most exposed in the Thai healthcare sector to the Eastern Economic Corridor (EEC). CHG's 10 existing hospitals and five existing clinics are located in the east of Thailand (Samut Prakan, Chacheongsao, Chonburi, Rayong and Prachin Buri provinces). We are confident in the long-term future of the EEC project, and we expect to see rising healthcare demand due to rising numbers of households in residential areas there and more warehouses and factories in the industrial estate areas. CHG, with its high exposure to these areas, should benefit accordingly.

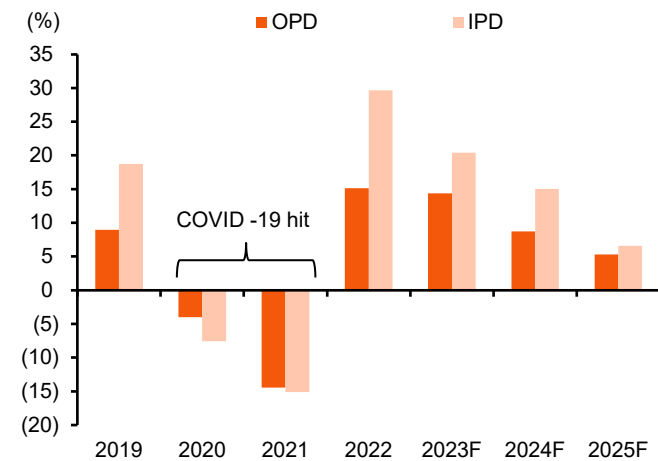
Rising high-intensity care services also add to patient inflows

CHG's business strategies of gearing itself toward high-intensity care services and raising asset utilization by providing service to cash, SSS, Universal Coverage Scheme (only for referred heart patients), and UCEP patients (including referrals from other hospitals) also help to boost its top line and earnings. Note that CHG presently provides services to referred stroke patients from more than 50 public and private hospitals.

CHG has opened stroke, cancer, advanced wound care, and hyperbaric oxygen therapy centers at its new 50-bed CMC. The company also targets to use its recently acquired 128-bed Century Care Rehabilitation Center and Residence for stroke rehabilitation treatment. All of these new additional capacities should help CHG to unlock its capacity to provide more services for Thai stroke patients and offer new services to cancer and diabetes patients (Thai and international). We estimate CHG's cash patient growth to come in at 14.8/9.2/5.4% in 2023-25F.

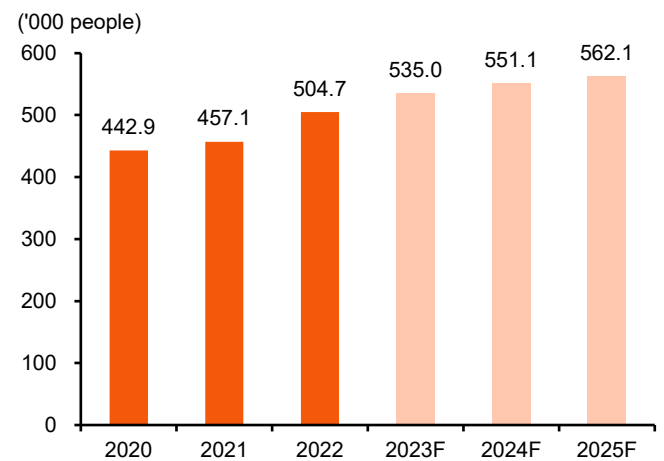
We estimate CHG's average number of SSS-registered persons to increase by 6/3/2% in 2023-25F from the average number of 504,737 people in 2022. Meanwhile, the reimbursement rate for basic capitation increased by 10% to Bt1,808/head/year, starting from 1 May 2023. CHG has also rolled over the MOU signed with the Social Security Office (SSO) to provide high-cost care services for heart patients under Section 33 and Section 39 for another six months to end until the end of December 2023. According to the MOU, CHG earns a reimbursement rate of Bt15,000/adjusted Relative Weight (RW) for providing services to SSO heart patients, up from Bt12,000/adjusted RW.

Ex 3: CHG's OPD And IPD Cash Patient Growth



Sources: Company data, Thanachart estimates

Ex 4: CHG's Registered Persons Under SSS



Sources: Company data, Thanachart estimates

Opened two new hospitals

We estimate the two new projects to make losses of Bt67/70/15m in 2023-25F

The 100-bed Chularat Mae Sot International Hospital (CMH) in Tak province was opened in mid-June 2023. The first phase was opened with only 59 beds, targeting only cash patients, both Thai and international (Chinese and Myanmar people). The hospital's key offerings are obstetrics and gynecology, surgery, internal medicine, children, cardiology, health check-ups, etc. Meanwhile, the 50-bed Chularat Medical Center (CMC) opened in July. CMC provides services to cash, Social Security Scheme (SSS) and UCEP patients.

CMH has been open for 1.5 months, and management has seen both Thai and Myanmar patients use its services. Business flow at CMH has been in line with management's target.

For CMH, we estimate it to make losses for four year before turning a profit in the fifth year. The break-even pace looks set to be slower than at Chularat Ruampat Chachoengsao Hospital and Chularat 304 International Hospital that made profits in the second and fourth years of operation, respectively. This is due to Tak province's lower population and per capita income. However, since CMH is near the Myawaddy border crossing, we expect patient flows (Myanmar citizens and Chinese expats) from Myanmar to help.

Ex 5: # Of Population And Per Capita Income

Provinces	Population* (people)	Per capita income* (Bt/year)	Private hospitals' beds** (Beds)
Tak	535,562	114,952	278
Chachoengsao	874,707	457,736	266
Prachinburi	646,934	490,499	174

Sources: * Office of the National Economic And Social Development Council In 2021

** Thanachart compilation

We are not concerned about the prospects for CMC's performance given that it is in the same location as Chularat 3 Hospital for which we foresee strong healthcare demand, particularly in stroke and cancer treatment. We estimate it to make a loss only in the first year of operation and start to turn a profit in next year.

We estimate these two projects to make losses of Bt67/70/15m in 2023-25F.

Inexpensive valuation in our view; maintain BUY

Maintaining our BUY call

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

First, we believe CHG's 28% share price fall from its peak this year already reflects its likely weak 1H23F earnings. With the company's soft 2Q23F earnings, we only fine-tune down our estimates by 2-3% in 2023-25F and trim our DCF-based 12-month TP (2024F base year) to Bt3.70/share from Bt3.80.

Ex 6: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
# of OPD patients							
- New	980,304	940,921	804,926	926,827	1,060,038	1,152,599	1,213,743
- Old					1,097,111	1,191,526	1,254,227
- Change (%)					(3.4)	(3.3)	(3.2)
# of IPD patients							
- New	72,477	66,995	56,856	73,727	88,766	102,120	108,841
- Old					89,498	102,903	109,663
- Change (%)					(0.8)	(0.8)	(0.7)
Gross profit (%)							
- New	29.7	32.2	49.9	41.5	27.4	27.8	28.6
- Old					27.8	28.0	28.7
- Change (ppt)					(0.4)	(0.2)	(0.1)
Normalized profit (Bt m)							
- New	705	877	4,204	2,778	1,150	1,317	1,483
- Old					1,185	1,343	1,511
- Change (%)					(3.0)	(1.9)	(1.8)

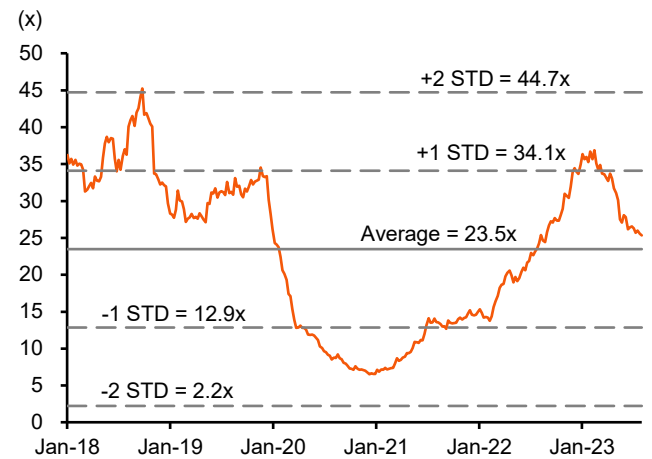
Sources: Company data, Thanachart estimates

Second, despite incurring losses from its two new hospitals, we estimate EPS growth to resume at a 23% y-y clip in 2H23F and 15/13% y-y in 2024-25F. Meanwhile, we see a potential earnings upside from unrealized revenue from the Universal Coverage for Emergency COVID Patients (UCEPCOVID) program of c.Bt200-250m that could be booked in the second half of this year.

Lastly, trading at 27.7x and 24.2x PE multiples in 2023-24F vs. its five-year pre-COVID average of 43.4x, we regard CHG's valuation as inexpensive.

Ex 7: Share Price Already Reflects Weak 1H23F Results

Source: Bloomberg

Ex 8: CHG's PE Band Chart

Sources: Bloomberg, Thanachart estimates

Ex 9: 12-month DCF-based TP Calculation, Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA excl. depre from right of use	1,819	2,037	2,218	2,402	2,589	2,787	2,987	3,192	3,421	3,661	3,925	—
Free cash flow	1,654	1,589	1,741	1,831	1,794	1,932	2,091	2,253	2,437	2,631	2,591	51,475
PV of free cash flow	1,654	1,397	1,435	1,416	1,300	1,313	1,332	1,298	1,310	1,320	1,214	24,110
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	6.2											
Terminal growth (%)	2.0											
Enterprise value	39,098											
Net debt (end-2023F)	(1,967)											
Minority interest	366											
Equity value	40,700											
# of shares (m)	11,000											
Equity value / share (Bt)	3.70											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 10: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
			23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)
Ramsay Healthcare	RHC AU	Australia	28.7	40.3	39.4	28.1	3.2	3.1	12.5	11.1	1.7	2.2
Guangzhou Pharmaceutical	874 HK	Hong Kong	9.7	0.0	8.7	8.7	1.1	1.0	8.6	8.8	1.8	1.5
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	36.4	20.5	8.5	7.1	2.0	1.9	7.8	6.5	3.6	4.2
Apollo Hospitals Enterprise	APHS IN	India	2.7	36.9	88.5	64.7	11.6	10.4	36.6	29.8	0.2	0.3
Fortis Healthcare India	FORH IN	India	(8.5)	23.8	48.3	39.0	3.9	3.3	24.1	20.8	0.0	0.1
KPJ Healthcare	KPJ MK	Malaysia	30.2	12.0	23.0	20.5	2.1	2.0	11.0	10.3	2.3	2.6
IHH Healthcare Bhd	IHH MK	Malaysia	10.0	12.8	31.8	28.2	1.9	1.8	13.7	12.9	1.9	1.3
Ryman	RYM NZ	New Zealand	0.6	(5.6)	13.6	14.4	0.9	0.9	15.6	19.6	1.3	1.8
Raffles Medical Group	RFMD SP	Singapore	(13.3)	3.0	20.9	20.3	2.5	2.4	11.8	11.6	2.6	2.6
Bangkok Chain Hospital *	BCH TB	Thailand	(63.3)	19.5	30.7	25.7	3.6	3.4	15.3	13.7	2.0	2.3
Bangkok Dusit Medical *	BDMS TB	Thailand	3.4	12.6	35.1	31.1	4.9	4.7	23.1	20.8	2.1	2.4
Bumrungrad Hospital *	BH TB	Thailand	21.3	10.8	28.6	25.9	7.6	6.9	19.7	17.7	2.1	2.7
Chularat Hospital *	CHG TB	Thailand	(58.6)	14.6	27.7	24.2	4.4	4.2	18.5	16.1	2.9	3.5
Praram 9 Hospital *	PR9 TB	Thailand	(7.0)	16.6	27.3	23.4	2.9	2.7	13.7	11.8	1.6	2.1
Thonburi Healthcare Group*	THG TB	Thailand	(33.4)	19.2	56.9	47.8	5.5	5.2	26.8	23.8	1.1	1.3
Average			(2.7)	15.8	32.6	27.3	3.9	3.6	17.3	15.7	1.8	2.1

Source: Bloomberg, Thanachart estimates

Note: * Thanachart estimates, using Thanachart normalized EPS

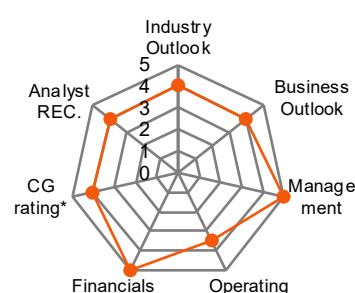
Based on 31 Jul 2023 closing prices

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 11 main hospitals and five 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

COMPANY RATING



Rating Scale

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

Source: Thanachart; *CG Rating

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 neighboring countries.
- Increasing COVID-19 infections.

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, Bt28.75, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.62	3.70	2%
Net profit 23F (Bt m)	1,207	1,150	-5%
Net profit 24F (Bt m)	1,366	1,317	-4%
Consensus REC	BUY: 7	HOLD: 9	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings are slightly below the Bloomberg consensus estimates, which we attribute to us having a more conservative view on the performance of CHG's new hospitals over the short term.

RISKS TO OUR INVESTMENT CASE

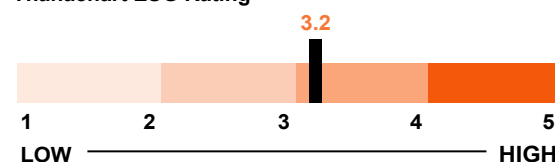
- If CHG's strategy of boosting revenue from the cash-patient business turns out to be worse than we expect, this would present the key downside risk to our earnings forecasts.
- If the Adjusted Relative Weight (RW) under the SSS or Universal Coverage schemes falls, this would pose a secondary downside 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

CHG is the sixth-largest hospital chain in Thailand. The company's business nature doesn't produce much greenhouse gas. We see CHG's plans and targets for ESG as clearer this year. Our ESG score for CHG is thus lifted to 3.2 (from 2.6), and we expect the score to improve in the future with more medical innovations.

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)
CHG	-	-	-	-	55.67	59.49	21.00	-	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" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- CHG is the sixth-largest hospital chain in Thailand, with 11 hospitals in its portfolio. The nature of its business doesn't generate much greenhouse gas (GHG).
- CHG targets to reduce the waste generated from its operations and ensure waste intensity does not exceed 10.5kg per inpatient bed, reduce water consumption and control water intensity so as not to exceed 1cbm per inpatient bed, and lower electricity intensity so that it does not exceed 100kWh per inpatient bed.
- CHG targets to be a "Green Hospital", and it has a zero waste and waste recycling policy. It has launched a "Tree Planting Campaign" on free space in hospital areas. It has policies to reduce plastic bag and Styrofoam box consumption, use both sides of pieces of paper, and replace fluorescent bulbs and fluorescent lights with LED bulbs. CHG has a sewage system and treats wastewater to improve water quality.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- CHG assigns importance to human rights through its core value, "iCare". "iCare" focuses on international patient safety, which is all about equal medical treatment and the safety of patients, along with respect for individuality.
- CHG believes it offers appropriate compensation and benefits with a pleasant atmosphere and good hygiene in the workplace. It also provides training and scholarships to employees. Chularat Inter Health offers training to nursing assistants. It targets a work-related accident rate of less than 10%.
- CHG focuses on service quality with speed and safety. It targets to have more than 90% customer satisfaction.
- CHG provides training to the public and employees of its client companies, such as first-aid training, child-care training for pregnant mothers, mobile community health promotion projects, and cardiopulmonary resuscitation training.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- CHG has 12 directors on its board (two women and 10 men). The board comprises directors with diverse qualifications including skills, experience and abilities.
- CHG has guidelines and working groups on anti-corruption, risk-assessment planning, and compliance with its code of conduct and laws for efficient and transparent operations.
- CHG has developed competitive strategies for business sustainability, i.e., for its hospital service network, customer diversification, quality of products and services, and cost control.
- CHG has a risk-management committee to oversee organizational risks.
- As for innovation, CHG's "New Normal Care" is a communication technology to provide medical and homecare services via wireless networks.

Sources: Thanachart, Company data

INCOME STATEMENT

Lower earnings in 2023F
mainly due to declining
COVID income

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	11,742	10,103	7,456	8,364	9,024
Cost of sales	5,882	5,908	5,413	6,036	6,444
Gross profit	5,860	4,195	2,043	2,328	2,580
% gross margin	49.9%	41.5%	27.4%	27.8%	28.6%
Selling & administration expenses	821	935	853	947	994
Operating profit	5,038	3,260	1,191	1,381	1,586
% operating margin	42.9%	32.3%	16.0%	16.5%	17.6%
Depreciation & amortization	371	403	427	452	463
EBITDA	5,409	3,664	1,618	1,832	2,049
% EBITDA margin	46.1%	36.3%	21.7%	21.9%	22.7%
Non-operating income	259	311	289	296	305
Non-operating expenses	0	0	0	0	0
Interest expense	(21)	(16)	(14)	(5)	(5)
Pre-tax profit	5,276	3,555	1,466	1,671	1,886
Income tax	1,009	703	284	326	373
After-tax profit	4,267	2,851	1,182	1,345	1,513
% net margin	36.3%	28.2%	15.8%	16.1%	16.8%
Shares in affiliates' Earnings	0	(1)	(7)	0	0
Minority interests	(63)	(72)	(25)	(28)	(30)
Extraordinary items	0	0	0	0	0
NET PROFIT	4,204	2,778	1,150	1,317	1,483
Normalized profit	4,204	2,778	1,150	1,317	1,483
EPS (Bt)	0.4	0.3	0.1	0.1	0.1
Normalized EPS (Bt)	0.4	0.3	0.1	0.1	0.1

BALANCE SHEET

Opened two new
hospitals this year

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	5,897	5,058	3,998	4,269	4,798
Cash & cash equivalent	2,790	2,001	2,100	2,600	3,000
Account receivables	2,437	2,767	1,634	1,375	1,483
Inventories	295	265	245	273	291
Others	376	26	19	21	23
Investments & loans	0	142	412	412	412
Net fixed assets	4,362	4,749	4,837	4,899	4,798
Other assets	291	330	253	267	273
Total assets	10,550	10,280	9,501	9,848	10,281
LIABILITIES:					
Current liabilities:	2,208	1,802	1,533	1,545	1,698
Account payables	842	851	779	868	927
Bank overdraft & ST loans	34	400	66	60	42
Current LT debt	97	65	17	15	11
Others current liabilities	1,235	486	671	602	719
Total LT debt	313	334	50	45	32
Others LT liabilities	187	280	219	234	241
Total liabilities	2,709	2,416	1,802	1,824	1,971
Minority interest	272	341	366	394	424
Preferreds 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	5,323	5,277	5,087	5,384	5,640
Shareholders' equity	7,569	7,523	7,333	7,630	7,886
Liabilities & equity	10,550	10,280	9,501	9,848	10,281

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT*Strong cash inflows*

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	5,276	3,555	1,466	1,671	1,886
Tax paid	(376)	(1,289)	(143)	(391)	(302)
Depreciation & amortization	371	403	427	452	463
Chg In working capital	(1,298)	(291)	1,081	321	(68)
Chg In other CA & CL / minorities	136	182	44	(6)	43
Cash flow from operations	4,109	2,560	2,875	2,047	2,023
Capex	(546)	(769)	(500)	(500)	(350)
Right of use	(22)	(24)	(5)	(5)	(1)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	(142)	(270)	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2)	56	6	(8)	(10)
Cash flow from investments	(570)	(879)	(769)	(513)	(361)
Debt financing	(669)	355	(666)	(14)	(35)
Capital increase	0	0	0	0	0
Dividends paid	(660)	(2,805)	(1,340)	(1,020)	(1,227)
Warrants & other surplus	0	(19)	0	0	0
Cash flow from financing	(1,329)	(2,470)	(2,006)	(1,033)	(1,262)
Free cash flow	3,563	1,790	2,375	1,547	1,673

VALUATION*Inexpensive valuation, in our view*

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	7.6	11.5	27.7	24.2	21.5
Normalized PE - at target price (x)	9.7	14.6	35.4	30.9	27.5
PE (x)	7.6	11.5	27.7	24.2	21.5
PE - at target price (x)	9.7	14.6	35.4	30.9	27.5
EV/EBITDA (x)	5.5	8.4	18.5	16.1	14.1
EV/EBITDA - at target price (x)	7.1	10.8	23.9	20.9	18.4
P/BV (x)	4.2	4.2	4.4	4.2	4.0
P/BV - at target price (x)	5.4	5.4	5.6	5.3	5.2
P/CFO (x)	7.8	12.5	11.1	15.6	15.8
Price/sales (x)	2.7	3.2	4.3	3.8	3.5
Dividend yield (%)	6.9	5.5	2.9	3.5	4.2
FCF Yield (%)	11.2	5.6	7.4	4.8	5.2
(Bt)					
Normalized EPS	0.4	0.3	0.1	0.1	0.1
EPS	0.4	0.3	0.1	0.1	0.1
DPS	0.2	0.2	0.1	0.1	0.1
BV/share	0.7	0.7	0.7	0.7	0.7
CFO/share	0.4	0.2	0.3	0.2	0.2
FCF/share	0.3	0.2	0.2	0.1	0.2

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

Strong financial status

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	116.1	(14.0)	(26.2)	12.2	7.9
Net profit (%)	379.6	(33.9)	(58.6)	14.6	12.6
EPS (%)	379.6	(33.9)	(58.6)	14.6	12.6
Normalized profit (%)	379.6	(33.9)	(58.6)	14.6	12.6
Normalized EPS (%)	379.6	(33.9)	(58.6)	14.6	12.6
Dividend payout ratio (%)	52.3	63.3	80.0	85.0	90.0
Operating performance					
Gross margin (%)	49.9	41.5	27.4	27.8	28.6
Operating margin (%)	42.9	32.3	16.0	16.5	17.6
EBITDA margin (%)	46.1	36.3	21.7	21.9	22.7
Net margin (%)	36.3	28.2	15.8	16.1	16.8
D/E (incl. minor) (x)	0.1	0.1	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.3)	(0.2)	(0.3)	(0.3)	(0.4)
Interest coverage - EBIT (x)	235.7	200.3	85.7	260.2	337.0
Interest coverage - EBITDA (x)	253.0	225.1	116.5	345.3	435.5
ROA - using norm profit (%)	50.2	26.7	11.6	13.6	14.7
ROE - using norm profit (%)	72.5	36.8	15.5	17.6	19.1
DuPont					
ROE - using after tax profit (%)	73.6	37.8	15.9	18.0	19.5
- asset turnover (x)	1.4	1.0	0.8	0.9	0.9
- operating margin (%)	45.1	35.3	19.8	20.0	21.0
- leverage (x)	1.4	1.4	1.3	1.3	1.3
- interest burden (%)	99.6	99.5	99.1	99.7	99.8
- tax burden (%)	80.9	80.2	80.6	80.5	80.2
WACC (%)	6.2	6.2	6.2	6.2	6.7
ROIC (%)	89.4	50.1	15.2	20.7	24.7
NOPAT (Bt m)	4,075	2,615	960	1,111	1,272
invested capital (Bt m)	5,224	6,322	5,366	5,150	4,970

Sources: Company data, Thanachart estimates

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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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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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