

BUY

Initiation

TP: Bt 80.00

Upside : 20.3%

23 August 2023

Small Cap Research

Master Style Pcl (MASTER TB)

Rising sun

MASTER is a leading cosmetic surgery hospital riding the mega-trend cycle of the cosmetics industry. Its capacity expansion is unlocking growth, and we estimate EPS growth of 38/23/19% in 2024-26F after an IPO-dilutive decline of -3% this year. We value MASTER at Bt80.



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Initiating with a BUY

We initiate coverage on MASTER with a BUY rating. **First**, MASTER is riding the mega-trend growth cycle of the cosmetics industry, where its target groups are expanding in all directions from younger to older generations and from women to men and LGBT people. **Second**, MASTER is one of Thailand's top-five cosmetics hospitals with a strong brand and a well-known doctor team. **Third**, capacity expansion in 3Q23 looks set to unlock business growth, and we estimate EPS growth of 38/23/19% in 2024-26F. The 2023F EPS decline of -3% is due to 26% IPO dilution. **Lastly**, MASTER is a net-cash company, and we value it using DCF methodology with a 2024F base year at Bt80/share.

A sunrise industry

Thailand's cosmetics procedure market is projected to grow by 9.7% p.a. in 2022-30, according to Grand View Research. Demand is coming from the expansion of its target and age groups in all directions, as mentioned above. It is also growing from foreigners as Thailand is well known for its good hospital quality, while it is a top tourism destination. Amid fierce competition from both local and overseas brands, MASTER grew its revenue at a 54% CAGR over 2019-22, thanks to its strong doctor team, its ability to scale up doctors, and its intense marketing campaigns.

Capacity unlocking

Using its IPO proceeds, MASTER expanded its surgery rooms from seven to 17 in June this year. Other services are being expanded too. This is to unlock its tight capacity with lengthy queues. We estimate net profit growth in 2023F at only 21% due to the impact of depreciation, but we forecast fully diluted EPS to decline by 3% due to its IPO early in the year with 26% share dilution. With capacity unlocking, we project revenue growth of 32/24/19% in 2023-25F. The business generates around a 22% operating margin and an 18% net margin. Revenue is around 80% from cosmetic surgery, and 20% is from other procedures, such as skin, hair transplants, fillers, etc.

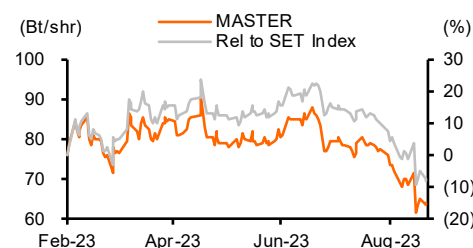
Valuation perspective

MASTER's PE looks high at 34/28x in 2024-25F. However, we believe it is justified for the following reasons. First, if we exclude its Bt8/share net-cash position, its PE should come down to 30/25x in 2024-25F. Second, operating in a mega-trend industry, MASTER's double-digit EPS growth should extend into 2027F, based on our numbers (Exhibit 5). Third, it is being priced in 2024F at only a 1.1x PEG (or 1.0x excluding net cash) vs. big hospitals at 2.7-2.9x and mid-sized hospitals at 1.6-1.9x. Lastly, our numbers exclude potential upside from its in-process M&A deals to expand specialty procedures and geographical coverage.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	1,483	1,963	2,430	2,884
Net profit	301	365	510	627
Consensus NP	—	449	590	na
Diff frm cons (%)	—	(18.8)	(13.6)	na
Norm profit	301	365	510	627
Norm EPS (Bt)	1.4	1.4	1.9	2.4
Norm EPS grw (%)	84.8	(2.8)	37.9	22.9
Norm PE (x)	46.2	47.5	34.4	28.0
EV/EBITDA (x)	33.0	30.3	23.0	17.9
P/BV (x)	34.4	6.0	5.5	4.9
Div yield (%)	0.4	1.0	1.5	1.8
ROE (%)	105.5	21.9	16.6	18.5
Net D/E (%)	(60.3)	(85.6)	(81.3)	(88.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 23-Aug-23 (Bt)	66.50
Market Cap (US\$ m)	455.2
Listed Shares (m shares)	240.0
Free Float (%)	25.8
Avg Daily Turnover (US\$ m)	4.5
12M Price H/L (Bt)	90.50/61.75
Sector	mai
Major Shareholder	Maschamadol Family 49.2%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P15

Initiating with a BUY

MASTER operates a cosmetic surgery hospital

Master Style Pcl (MASTER) was started as a medical cosmetic clinic in 2012 by its founder Dr. Raweewat Maschamadol. With growing demand, it transformed into a specialized cosmetic hospital in 2016. As a hospital, its services have widened from non-surgical procedures, i.e., botox and fillers, to a much more comprehensive range of surgical services. The hospital has operating rooms that are of hospital standard, which helps build confidence among customers who are interested in undergoing treatment. It can provide surgery that requires anesthesia by an anesthesiologist, which comes under the supervision of the Ministry of Public Health and related agencies, and it can also accommodate customers who need to recover overnight.

The hospital is on one campus located in Bangkok under the name “Masterpiece Hospital”. The company is run by a team of young executives in their 40s. MASTER was listed on the MAI on 25 January 2023. With its IPO proceeds, MASTER has announce to acquire stakes in several non-listed clinics to expand its network.

Ex 1: MASTER’s One Campus ‘Masterpiece Hospital’ Located In Bangkok



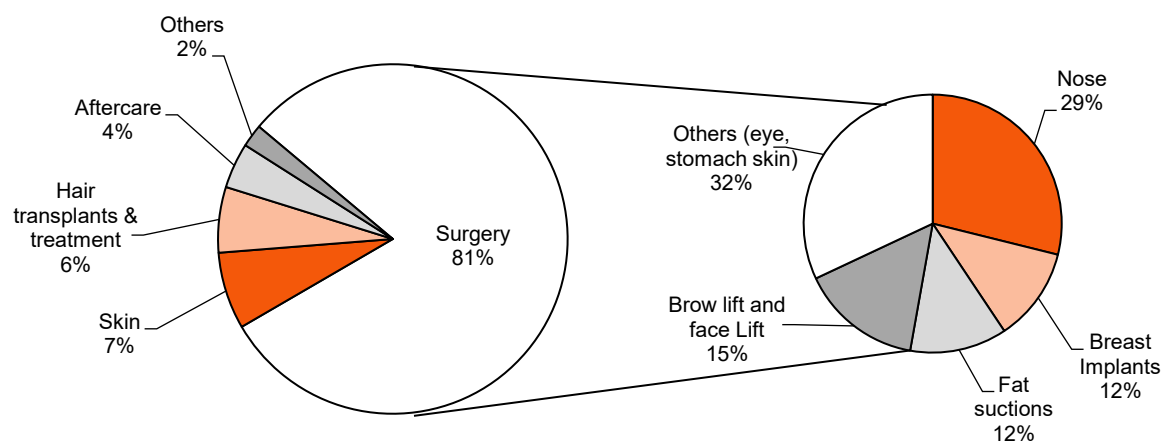
Source: Company data

Ex 2: MASTER Is Very Well-known For Nose Surgery And Brow Lifting



Source: Company data

Ex 3: 2022 Revenue Breakdown



Source: Company data

**Initiating coverage of
MASTER with a BUY and a
Bt80 TP**

We initiate coverage of MASTER with a BUY recommendation and a DCF-based 12-month TP (2024F base year) of Bt80.0/share.

First, MASTER is riding the mega-trend growth cycle of the cosmetics industry. Target groups and ages have, therefore, expanded in all directions.

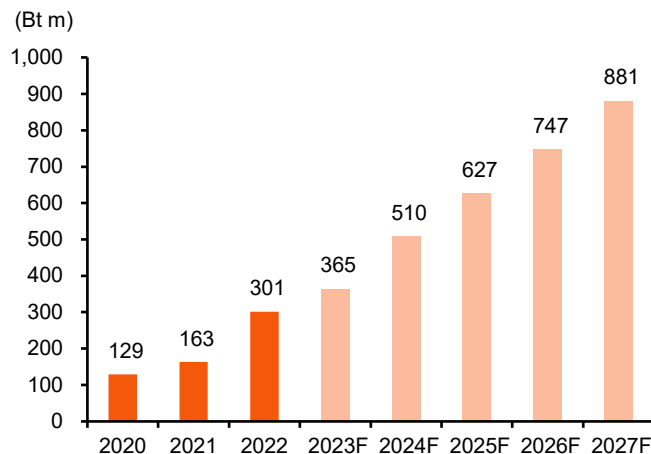
Second, MASTER is one of Thailand's top five aesthetic hospitals with a strong brand. With its well-known doctor team, MASTER is renowned for its nose surgery and eyebrow lifts.

Third, capacity expansion in 3Q23 is designed to unlock business growth, and it should enable MASTER to enjoy the industry mega-trend. We project EPS growth of 38/23/19% in 2024-26F. Our 2023F EPS decline of -3% is due to 26% IPO dilution.

Lastly, MASTER is a net-cash company, and we expect it to remain in a zero-debt position.

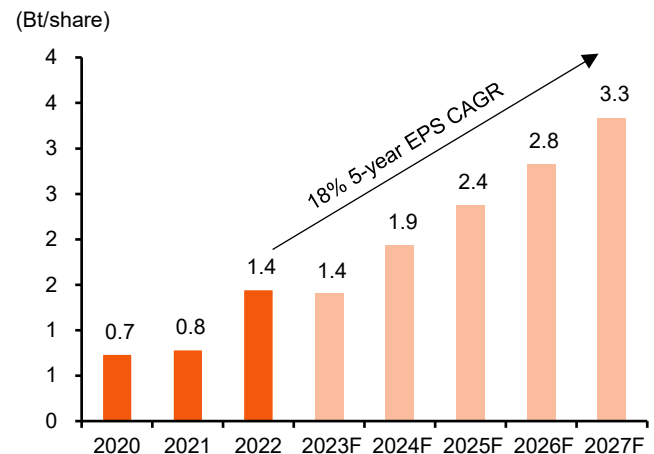
Note that MASTER, due to its net-cash position and positive cash operation, is looking for inorganic expansion opportunities which we see, like most M&As, as providing both risks and opportunities for the company. We like the deals, such as buying more clinics, that are linked to its existing business but we don't like the latest deal announcement of an investment in a media-related business, which we do not give value in our TP. We discuss more about this later in this report.

Ex 4: Net Profit Forecasts



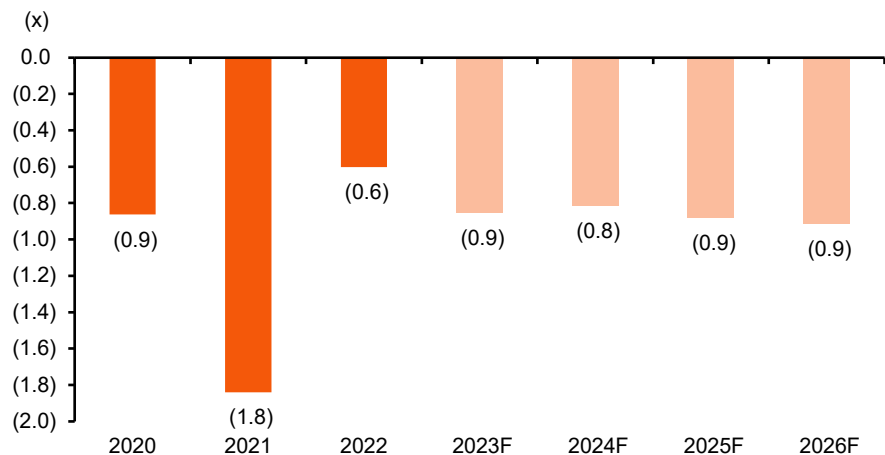
Sources: Company data, Thanachart estimates

Ex 5: A 18% EPS CAGR In 2023-27F



Sources: Company data, Thanachart estimates

Ex 6: Net D/E



Sources: Company data, Thanachart estimates

A sunrise industry

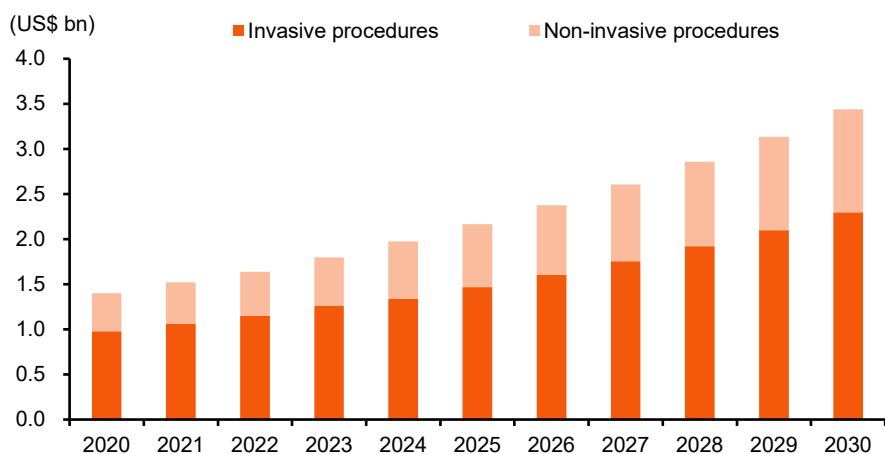
A mega-trend industry

Thailand's cosmetic procedures market size was valued at US\$1.52bn in 2021, and US\$1.64bn in 2022, and it is projected to grow at a compound annual growth rate of 9.7% p.a. in 2022-30 to reach US\$3.45bn by 20230, according to US-based Grand View Research.

Rising demand from expanded target and age groups

Demand is coming from the expansion of its target and age groups in all directions. People's perceptions have become more accepting and open to cosmetic treatment and surgery. The growing trend of having an ideal aesthetic appearance and looking like their favorite idols/celebrities on social media has increased the demand for aesthetic enhancement procedures. Age groups have expanded from middle-aged to younger people starting from the age of 20 and also among older people. While women remain the largest group, the number of men seeking cosmetic procedures is rising.

Ex 7: Thailand Aesthetic Medicine Market Projected To Grow 9.7% CAGR Over 2022-30



Source: Grand View Research

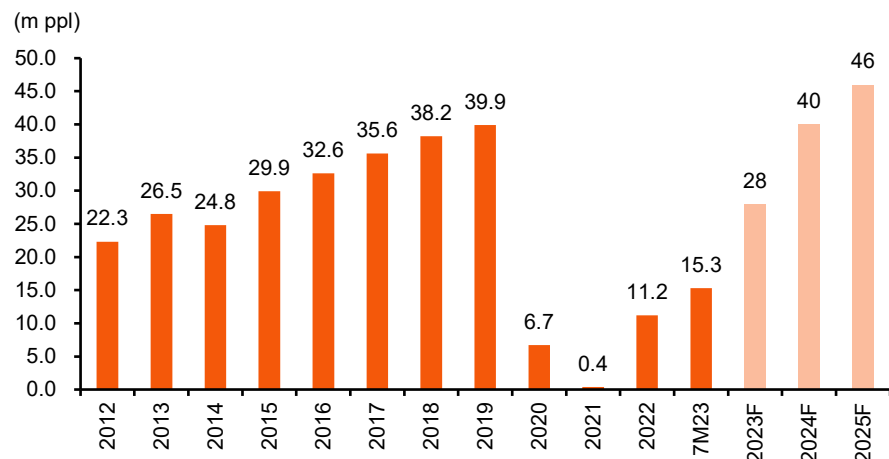
Ex 8: MASTER's Target Customers

Aged < 25	Aged between 25 and 50	Aged > 50
- Having surgery for the first time - Eyelid surgery and nose surgery	- High purchasing power - Boosting confidence - Breast surgery, eyelid surgery, liposuction, tummy tucks, hair transplants	- High purchasing power - Maintaining the condition of the face and body - Brow lifts, facelifts, hair transplants, tummy tucks

Source: Company data

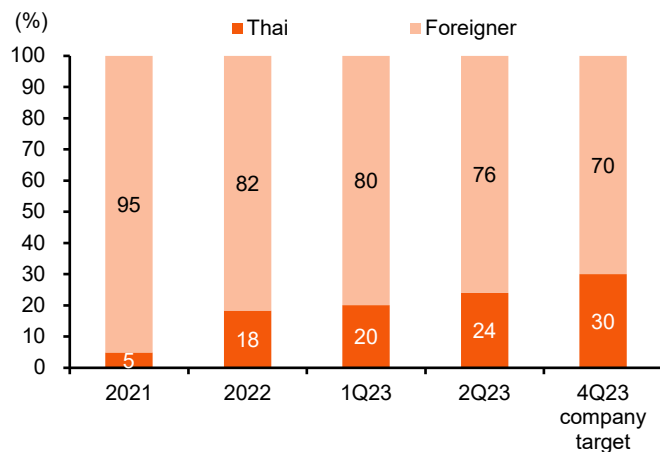
More demand is also coming from foreigners

Demand is also growing from foreigners as Thailand is well known for its good hospital quality with affordable prices and as a top tourism destination. According to the Tourism Authority of Thailand (TAT), Thailand is in third place in Asia for medical aesthetic surgery and treatment tourism. The Thai government has continued to promote Thailand as a medical tourism hub. In late 2022, the government gave the green light to lengthen medical tourism visas from 30 days to 90 days for a patient and four tourist companions from Cambodia, Laos, Vietnam, Myanmar, and China, with Japan, the United States, Denmark, and Norway in the pipeline to increase their visa stay period. In 2019, tourism contributed about 20% of the country's GDP, and 60% of medical tourists visited the country for cosmetic procedures, according to Grand View Research. MASTER aims to increase foreign patient revenue to 30% by the end of 2023, rising from 5% in 2021 and 20/24% in 1Q-2Q23. The key focus markets are mainly ASEAN and China. Please see MASTER's foreign nationality patient breakdown in Exhibit 11.

Ex 9: 60% Of 2019 Tourist Arrivals Were Cosmetic Procedure Medical Tourists

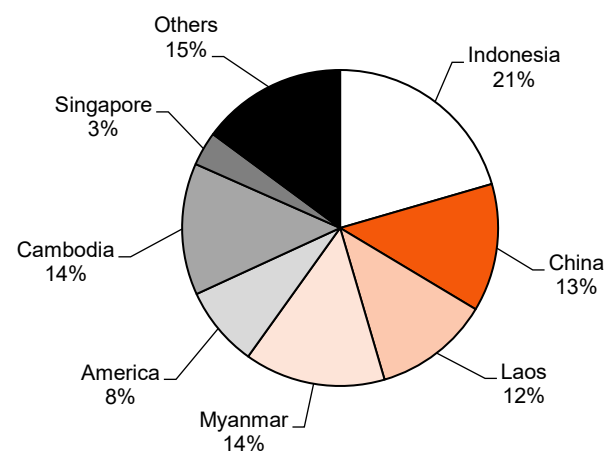
Sources: Ministry of Tourism & Sports, Thanachart estimates

Ex 10: MASTER's Growing Foreign Patient Revenue



Source: Company data

Ex 11: MASTER's 1H23 Foreign Revenue Breakdown



Source: Company data

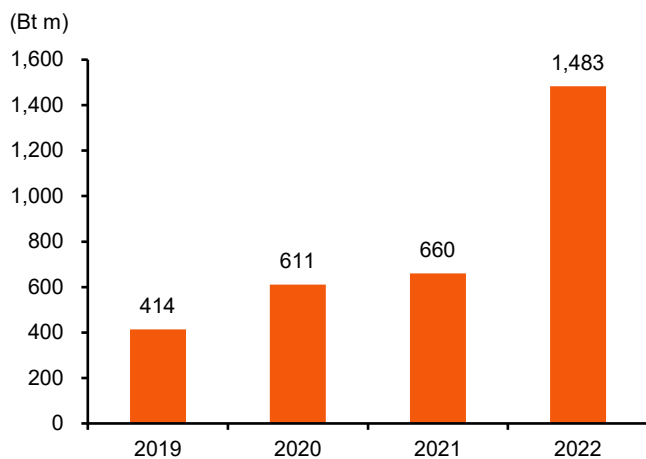
MASTER is among the top-five aesthetic hospitals in Thailand

The cosmetic industry is highly competitive, with direct large and small rivals being private hospitals or clinics that provide specialized cosmetic surgery and beauty services. MASTER is among Thailand's top five aesthetic hospitals, focusing on surgical services with a strong brand. Although it faces competition from both local and overseas brands, MASTER grew its revenue at a 54% CAGR over 2019-22, thanks to its strong doctor team, its ability to scale up doctors, and its intense marketing campaigns.

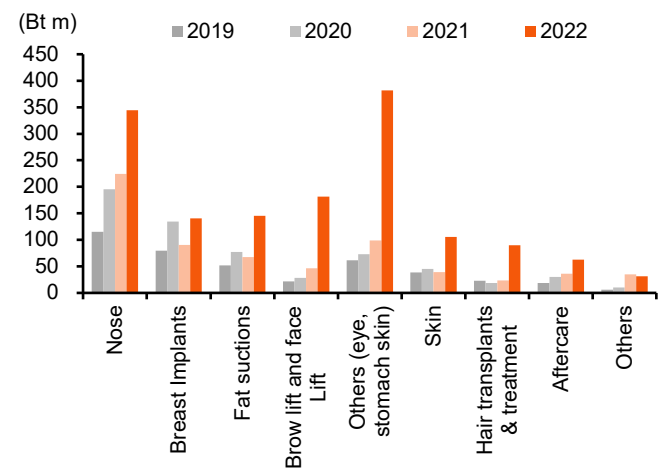
Ex 12: MASTER Is Among The Top Five Aesthetic Hospitals In Thailand

	2022 revenue (Bt m)	Growth (y-y%)
Yanhee Hospital	2,055	50%
Siam Laser Clinic	2,030	145%
The Klinique	1,639	73%
Apex Medical Center	1,586	62%
Masterpiece Hospital	1,483	125%
Teeraporn Clinic	854	100%
Meko Clinic	469	136%
Lelux Hospital	150	0%
Asia Hospital	145	64%
W Plastic Surgery Hospital	230	55%
Kamol Cosmetic Hospital	143	16%

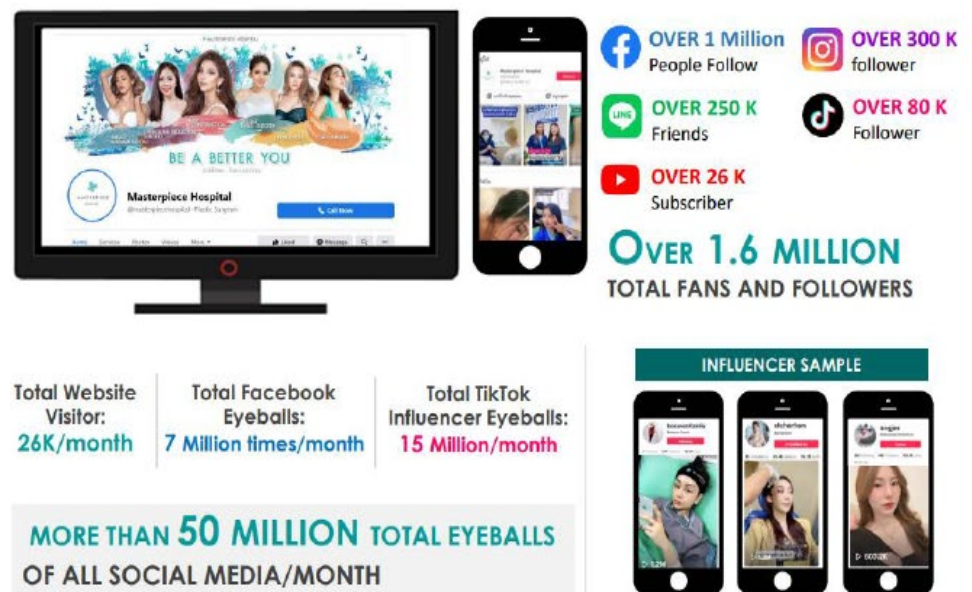
Sources: Company data, Business Online

Ex 13: MASTER's Revenue +54% CAGR Over 2019-22

Source: Company data

Ex 14: MASTER's Revenue Is Growing For All Services

Source: Company data

Ex 15: Strong Social Media Presence

Source: Company data

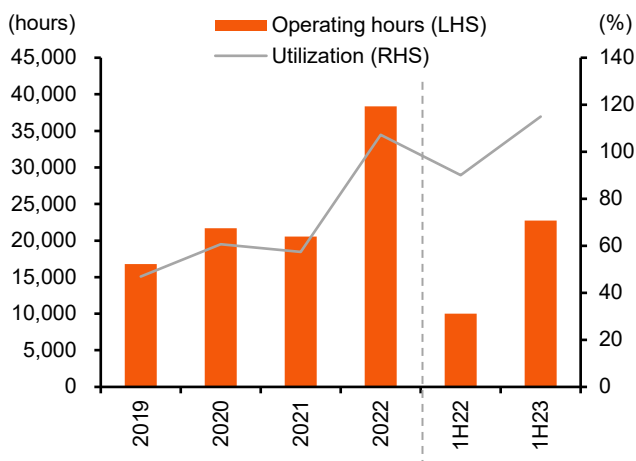
Capacity unlocking

MASTER has increased its surgery rooms from seven to 17

MASTER operated at tight capacity between 2022-1H23. Operating hours grew strongly by +29/-5/+87+179% between 2020 and 1H23. Note that the slight drop in 2021 was due to the COVID-19 outbreak. Utilization reached 107% in 2022 and 115% in 1H23. The utilization rate is based on 14 working hours per day. In periods when demand has been above capacity, MASTER has lengthened working hours from 14 hours to 16-18 hours per day.

To unlock its tight capacity with long queues, MASTER is using its IPO proceeds to expand capacity at its existing building and also renting adjacent land to construct a new building. It increased the number of surgery rooms from seven to 17 at the existing building in June 2023. Other services such as skin treatment, men's health, eye center, liposuction, hair transplants and treatment, etc., are being expanded along with it. Currently, it has 29 doctors with more doctors undergoing training.

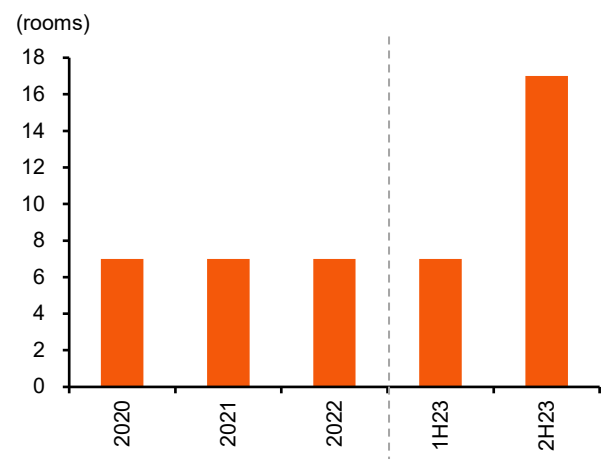
Ex 16: Capacity Is Tight



Sources: Company data, Thanachart estimates

Note: Utilization is based on 14 hours work per day

Ex 17: Increasing Number Of Surgery Rooms



Sources: Company data, Thanachart estimates

Note: Data on number of doctors provided by the company shown does includes anesthesiologist. In 2H23 there is 43 doctors, comprising 30 doctors /surgeons and 13 anesthesiologist.

We project EPS growth of 38/23/22% in 2024-26F%

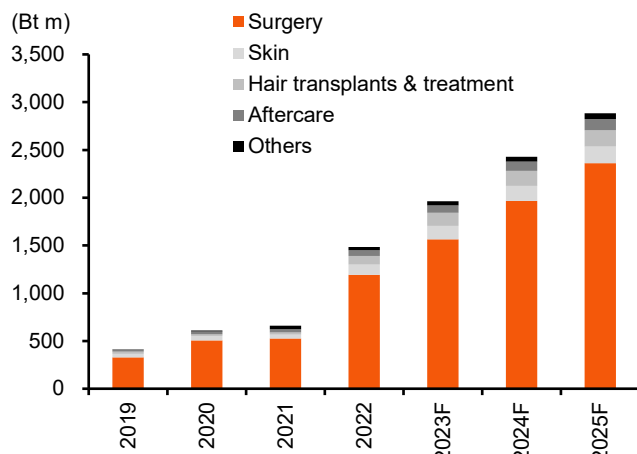
We estimate net profit growth in 2023F of only 21% due to the impact of depreciation, but fully diluted EPS is forecast at -3% due to its IPO early in the year with 26% share dilution. We project EPS growth of 38/23/19% in 2024-26F.

With capacity being unlocked, we estimate revenue growth of 32/24/19% in 2023-25F. The revenue breakdown is around 80% cosmetic surgery and 20% hair, skin, aftercare, and other services. Gross margin is in a similar range for each procedure except for skin that has a lower margin. We estimate the business to generate around a 22% operating margin and an 18% net margin in 2023F. We project these figures to expand to 25% and 20%, respectively, in 2025F on the operating leverage effect and no IPO-related costs like in 2023.

Inorganic growth from M&A deals

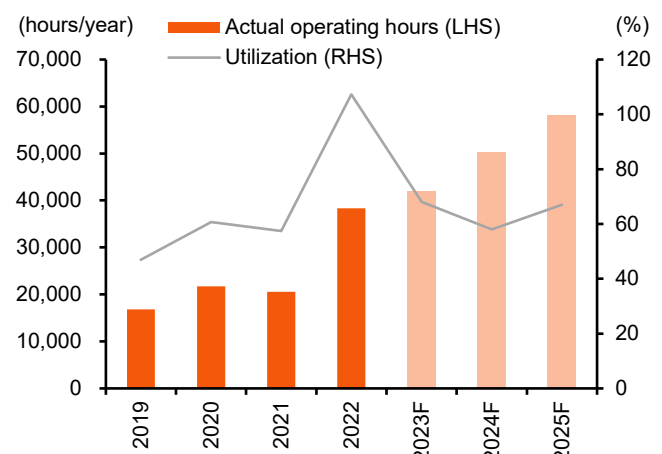
On top of organic growth, MASTER is looking to expand via M&A deals. So far, MASTER has announced M&A deals to invest in three beauty clinics to expand specialty procedures and its geographical coverage upcountry (see Exhibit 23). It also announced an investment in a 40% stake in Kin Corporation Company Limited, which runs an advertising media business and carries out marketing promotion activities. Our numbers factor in equity income from Kin Corporation and Wind Clinic starting in 4Q23 at Bt15m this year and Bt60m p.a. in 2024-25. However, note that we exclude the value of Kin Corporation from our TP because we don't see the transaction as necessary, given that the company can conduct marketing activities very well itself. There are a couple of deals in the pipeline that MASTER is negotiating, and it targets to announce these in 4Q23.

Ex 18: Revenue Forecasts



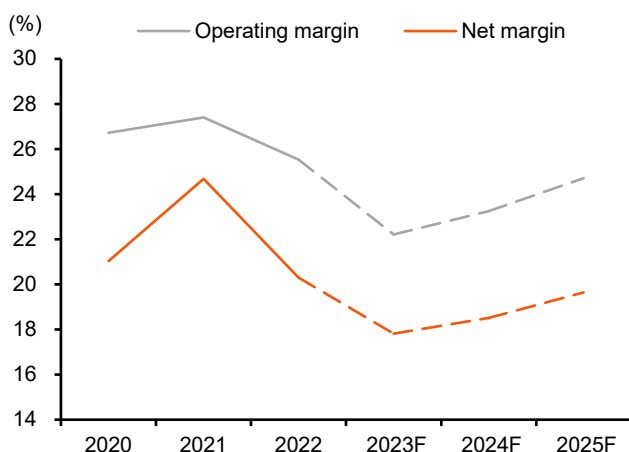
Sources: Company data, Thanachart estimates

Ex 19: Utilization Forecast



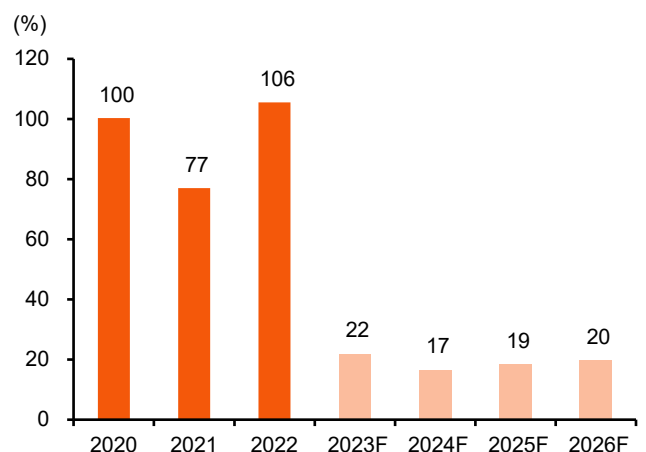
Sources: Company data, Thanachart estimates

Ex 20: Margin Forecasts



Sources: Company data, Thanachart estimates

Ex 21: ROE



Sources: Company data, Thanachart estimates

Ex 22: M&A deals Using IPO Proceeds

	Stake	2022			Deal completed	Implied trailing PE (x)	Comment
		Value (Bt m)	Revenue (Bt m)	Profit (Bt m)			
Kin Corporation	40%	160	464	116	3Q23	3	- Advertising media business and marketing promotion activities
Dr. Chen Clinic	40%	94	0	0	2024	na	- A cosmetic surgery clinic in Chiang Mai province, northern Thailand, providing consultancy services for beauty-related issues, plastic surgery, comprehensive beauty treatments, facial skincare, and facial contouring. This is for MASTER to expand upcountry
WIND Clinic	40%	64	27	(3)	3Q23	na	- A cosmetic surgery clinic with two branches in Bangkok and the northeastern province of Ubon Ratchathani, providing surgical procedures for noses, eyes, and facelifts and skin treatment such as botox and fillers. This is for MASTER to expand upcountry
Rattinan Medical Center	20%	39	138	10	2024	19	- A beauty clinic business in Bangkok providing surgery, i.e., weight loss surgery, buttock implants, tummy tucks, and laser treatment, i.e., vaginal tightening and rejuvenation, varicose veins - This is for MASTER to expand into new specialty procedures - MASTER has also loaned Bt31m to Rattinan with the option to convert the debt into equity not exceeding a 16% stake

Sources: Company data, Business Online

Ex 23: Utilization of Bt2,229m Net-fee IPO Proceeds As Of June 2023

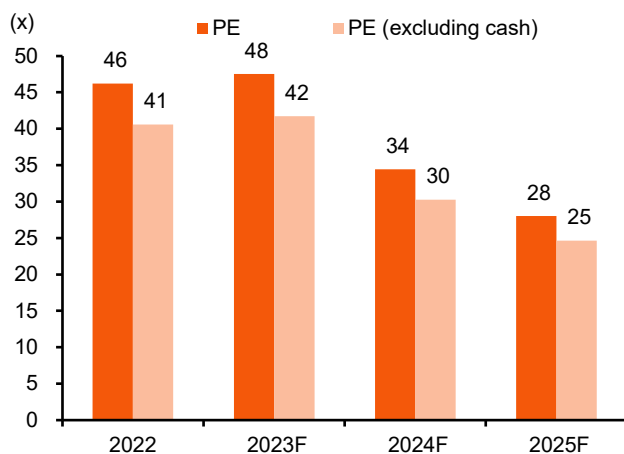
Use of fund	Amount received (Bt m)	Amount spent as of June 2023 (Bt m)	Outstanding balance (Bt m)
Renovation of the building and operating room in the original hospital area	100	99	1
Purchasing tools and medical equipment	150	23	127
Construction & renovation of the building on rented land	200	184	17
Working capital within the company and M&A deals	1,779	—	1,779
	2,229	305	1,924

Source: Company data

Valuation perspective

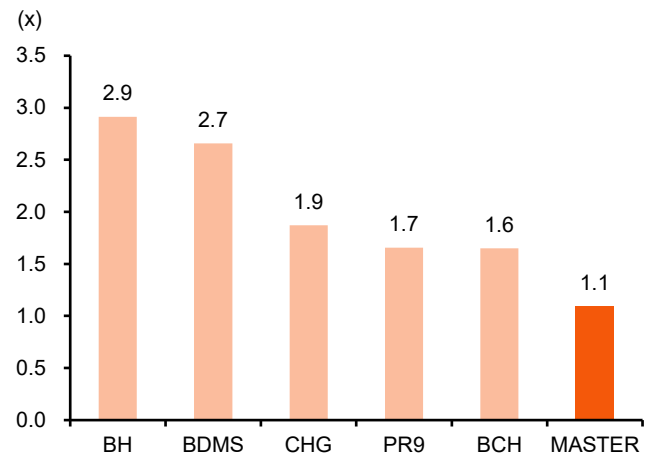
MASTER's PE looks high at 34/28x in 2024-25F. However, we believe it is justified for the following reasons. First, if we exclude its Bt8/share net-cash position, its PE should come down to 30/25x in 2024-25F. Second, given that it operates in a mega-trend industry, MASTER's double-digit EPS growth should extend into 2027F, based on our numbers (Exhibit 5). Third, it is being priced in 2024F at only 1.1x PEG (or 1.0x excluding net cash) vs. big hospitals' 2.7-2.9x and mid-sized hospitals' 1.6-1.9x. Lastly, our numbers exclude potential upside from its in-process M&As.

Ex 24: PE



Sources: Company data, Thanachart estimates

Ex 25: PEG Comparison



Sources: Company data, Thanachart estimates

Ex 26: 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	650	804	962	1,143	1,385	1,663	1,991	2,375	2,820	3,344	3,959	—
Free cash flow	336	624	752	799	1,094	1,317	1,481	1,890	2,247	2,666	3,158	34,489
PV of free cash flow	336	513	559	539	654	710	720	830	889	952	968	10,575
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	10.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	18,244											
Net debt (2023F)	(2,501)											
Minority interest	0											
Equity value	20,745											
# of shares (m)	264											
Target price/share (Bt)	80											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 27: 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 (%)
Medytox Inc	086900 KS	Korea	1.2	78.6	37.7	21.1	3.0	2.7	28.7	16.5	0.5	0.6
Hugel Inc	145020 KS	Korea	37.5	17.1	18.1	15.5	1.8	1.6	9.3	7.7	0.0	0.0
Caregen Pcl	214370 KS	Korea	91.5	86.9	42.9	230	8.5	6.7	34.3	17.4	1.3	1.3
Humedix Pcl	200670 KS	Korea	na	15.7	11.1	9.6	2.4	2.0	7.2	6.3	1.4	1.7
Ramsay Health Care	RHC AU	Australia	25.7	41.7	37.9	26.7	3.0	2.9	12.1	10.8	1.8	2.4
The Klinique Medical Clinic	KLINIQ TB	Thailand	6.4	17.8	28.3	24.0	4.6	4.2	13.9	11.3	1.8	2.1
Bangkok Chain Hospital *	BCH TB	Thailand	(63.3)	19.5	33.1	27.7	3.8	3.6	16.5	14.8	1.8	2.2
Bangkok Dusit Medical *	BDMS TB	Thailand	3.4	12.6	34.5	30.6	4.8	4.6	22.7	20.5	2.2	2.5
Bumrungrad Hospital *	BH TB	Thailand	37.0	11.0	30.4	27.4	8.8	7.7	21.0	18.9	1.6	2.6
Chularat Hospital *	CHG TB	Thailand	(58.6)	14.6	28.7	25.1	4.5	4.3	19.2	16.7	2.8	3.4
Master Style *	MASTER TB	Thailand	(2.8)	37.9	47.5	34.4	6.0	5.5	30.3	23.0	1.0	1.5
Praram 9 Hospital *	PR9 TB	Thailand	(7.0)	16.6	25.6	22.0	2.7	2.5	12.7	10.9	1.8	2.3
Thonburi Healthcare Group*	THG TB	Thailand	(33.4)	19.2	56.3	47.2	5.4	5.1	26.5	23.5	1.1	1.3
Average			3.1	29.9	33.2	41.6	4.6	4.1	19.6	15.3	1.5	1.8

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

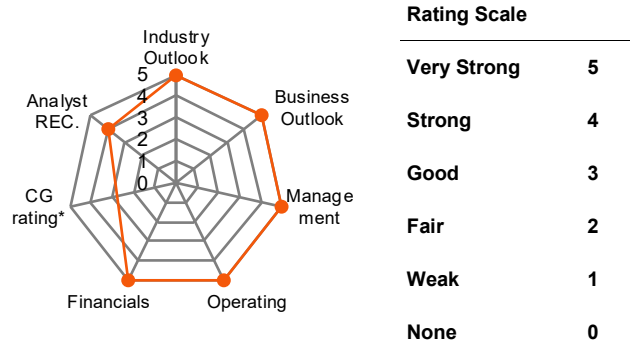
Based on 23 August 2023 closing prices

COMPANY DESCRIPTION

Master Style Pcl (MASTER) runs a private cosmetic surgery hospital under the name "Masterpiece Hospital" in Bangkok with a current capacity of 17 beds. It is one of the leading aesthetic healthcare providers in Thailand, offering a wide range of such as nose surgery, facelifts, liposuction, fillers, botox, and hair transplants. MASTER is expanding its network and specialty procedures via M&As.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- One of the big cosmetic hospitals in Thailand with significant experience and a reputable brand.
- Highly experienced and well-known doctors
- Strong marketing team

O — Opportunity

- Rising incomes should boost people's affordability.
- The mega-trend of an aging population will require more anti-aging cosmetic procedures.
- There is more demand from men and LGBTQ people.
- Rising patient flows from neighbouring countries.

W — Weakness

- Relying on well-known doctors.
- Relying on an algorithm of online platforms which MASTER uses as key channels to bring in new customers

T — Threat

- Rising competition from domestic aesthetic hospitals and clinics as well as private healthcare hospitals and regional peers such as South Korea.
- Regulatory risk.
- Slow economy.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	94.00	80.00	-15%
Net profit 23F (Bt m)	449	365	-19%
Net profit 24F (Bt m)	590	510	-14%
Consensus REC	BUY: 2	HOLD: 0	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and DCF-based TP are lower than the Bloomberg consensus estimates, which we attribute to us having factored in a more gradual ramp-up of demand for its new expansions.

RISKS TO OUR INVESTMENT CASE

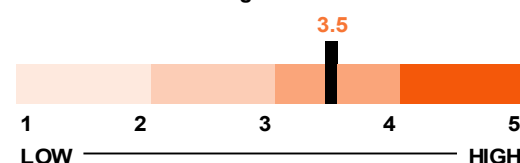
- Unexpected sluggishness in the economy may hurt purchasing power and demand for cosmetic procedures, which would present downside risk to our numbers.
- Its recent capacity expansion may turn profitable more slowly than we currently expect, representing a downside risk.
- If there is more competition from existing/new private cosmetics hospitals and clinic operators both in Thailand and overseas, this would represent another downside risk.

Sources: Bloomberg consensus, Thanachart forecasts

Source: Thanachart

MASTER operates a cosmetic surgery hospital. Its business involves ESG in many areas, such as ethical medical practices, environmental issues via electricity usage and infectious waste, etc. We assign an ESG score of 3.5 and expect an improvement from more initiatives and clearer plans and targets.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MASTER	-	-	-	-	-	-	-	-	-

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
ENVIRONMENT - Environmental Policies & Guidelines - Energy Management - Carbon Management - Water Management - Waste Management	- MASTER operates a cosmetic surgery hospital with 17 beds. It is also expanding via M&As to acquire other clinics. Its business nature doesn't emit much greenhouse gas (GHG). It is in the process of preparing GHG emission data. - The surgical hospital business has a relatively high rate of electricity consumption as the medical equipment and facilities within the hospital must always be powered. MASTER manages its energy use to be the most efficient and cost-effective possible. - The company has infectious waste to dispose of and it hires private companies with expertise to pick up and destroy this.
SOCIAL - Human Rights - Staff Management - Health & Safety - Product Safety & Quality - Social Responsibility	- MASTER adheres to human rights guidelines, namely for the rights of employees, migrant workers, consumers, and community and environment, along with practices regarding safety and occupational health at work, non-discrimination and not using child labor. There were zero cases of employee work injuries leading to employee absence in 2022. There were also no significant labor disputes in 2022. - MASTER promotes a diverse work environment and fair treatment. Women accounted for 72% of its workforce in 2022. - MASTER focuses on reducing its environmental impact and avoiding operations that may have a negative impact on the quality of life of the community around the workplace. In 2022, there were no complaints from the community about social or environmental issues. - MASTER carries out social responsibility projects including offering scholarships and study materials and providing surgery revisions. In 2022, MASTER conducted nine nose surgeries for free to people affected by poor-quality surgery.
GOVERNANCE & SUSTAINABILITY - Board - Ethics & Transparency - Business Sustainability - Risk Management - Innovation	- We believe MASTER has an acceptable board of directors (BOD) size, comprising eight members, of whom five are non-executive and independent directors and only three executive directors. The BOD chairman is a non-executive and independent director. However, we believe the BOD has too high a proportion of male directors at 88% with only 12% being female. - The audit committee comprises four members. All of them are non-executive and independent directors. - A whistle-blowing process has been established to demonstrate MASTER's transparent corporate environment.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	660	1,483	1,963	2,430	2,884
Cost of sales	312	641	875	1,080	1,266
Gross profit	348	841	1,088	1,350	1,618
% gross margin	52.7%	56.7%	55.4%	55.6%	56.1%
Selling & administration expenses	167	463	652	785	905
Operating profit	181	379	436	565	712
% operating margin	27.4%	25.5%	22.2%	23.2%	24.7%
Depreciation & amortization	31	35	53	86	92
EBITDA	212	414	489	650	804
% EBITDA margin	32.1%	27.9%	24.9%	26.8%	27.9%
Non-operating income	31	8	18	19	19
Non-operating expenses	0	0	0	0	0
Interest expense	(7)	(9)	(16)	(21)	(23)
Pre-tax profit	204	377	437	562	708
Income tax	42	76	87	112	142
After-tax profit	163	301	350	450	567
% net margin	24.7%	20.3%	17.8%	18.5%	19.6%
Shares in affiliates' Earnings	0	0	15	60	60
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	163	301	365	510	627
Normalized profit	163	301	365	510	627
EPS (Bt)	0.8	1.4	1.4	1.9	2.4
Normalized EPS (Bt)	0.8	1.4	1.4	1.9	2.4

A 18% five-year EPS
CAGR

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	342	331	2,656	2,805	3,368
Cash & cash equivalent	307	243	2,501	2,614	3,144
Account receivables	3	5	11	13	16
Inventories	26	63	117	145	170
Others	6	20	26	33	39
Investments & loans	0	0	224	388	388
Net fixed assets	96	116	563	528	486
Other assets	163	500	548	599	650
Total assets	600	947	3,991	4,320	4,892
LIABILITIES:					
Current liabilities:	288	249	586	575	758
Account payables	40	75	113	139	163
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	248	174	472	436	595
Total LT debt	0	0	0	0	0
Others LT liabilities	145	294	483	530	578
Total liabilities	433	543	1,068	1,106	1,336
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	101	190	264	264	264
Share premium	(1)	109	2,309	2,309	2,309
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	66	104	350	641	983
Shareholders' equity	167	404	2,923	3,214	3,556
Liabilities & equity	600	947	3,991	4,320	4,892

Sales are mostly in cash,
low accounts receivable

No interest-bearing debt
on its balance sheet

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	204	377	437	562	708
Tax paid	(41)	(54)	(67)	(100)	(125)
Depreciation & amortization	31	35	53	86	92
Chg In working capital	9	(3)	(23)	(4)	(4)
Chg In other CA & CL / minorities	172	(110)	287	5	196
Cash flow from operations	376	245	687	549	867
Capex	(25)	(56)	(500)	(50)	(50)
Right of use	(7)	(170)	(200)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	(224)	(164)	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(6)	(18)	340	47	47
Cash flow from investments	(38)	(244)	(584)	(218)	(53)
Debt financing	0	0	0	(0)	(0)
Capital increase	0	199	2,274	0	0
Dividends paid	(101)	(416)	(120)	(219)	(284)
Warrants & other surplus	(152)	153	0	0	0
Cash flow from financing	(253)	(64)	2,155	(219)	(284)
Free cash flow	351	189	187	499	817

MASTER has used its IPO proceeds for expansions and M&As

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	85.4	46.2	47.5	34.4	28.0
Normalized PE - at target price (x)	102.7	55.6	57.2	41.4	33.7
PE (x)	85.4	46.2	47.5	34.4	28.0
PE - at target price (x)	102.7	55.6	57.2	41.4	33.7
EV/EBITDA (x)	64.2	33.0	30.3	23.0	17.9
EV/EBITDA - at target price (x)	77.5	39.8	37.5	28.5	22.4
P/BV (x)	83.4	34.4	6.0	5.5	4.9
P/BV - at target price (x)	100.3	41.4	7.2	6.6	5.9
P/CFO (x)	37.0	56.8	25.2	32.0	20.2
Price/sales (x)	24.2	10.8	8.1	6.6	5.5
Dividend yield (%)	0.0	0.4	1.0	1.5	1.8
FCF Yield (%)	2.5	1.4	1.1	2.8	4.7
(Bt)					
Normalized EPS	0.8	1.4	1.4	1.9	2.4
EPS	0.8	1.4	1.4	1.9	2.4
DPS	0.0	0.3	0.7	1.0	1.2
BV/share	0.8	1.9	11.1	12.2	13.5
CFO/share	1.8	1.2	2.6	2.1	3.3
FCF/share	1.7	0.9	0.7	1.9	3.1

Sources: Company data, Thanachart estimates

High PE looks justified by strong EPS growth

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	7.9	124.8	32.4	23.8	18.7
Net profit (%)	26.6	84.8	21.2	39.7	22.9
EPS (%)	6.7	84.8	(2.8)	37.9	22.9
Normalized profit (%)	26.6	84.8	21.2	39.7	22.9
Normalized EPS (%)	6.7	84.8	(2.8)	37.9	22.9
Dividend payout ratio (%)	0.0	18.9	50.0	50.0	50.0
Operating performance					
Gross margin (%)	52.7	56.7	55.4	55.6	56.1
Operating margin (%)	27.4	25.5	22.2	23.2	24.7
EBITDA margin (%)	32.1	27.9	24.9	26.8	27.9
Net margin (%)	24.7	20.3	17.8	18.5	19.6
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(1.8)	(0.6)	(0.9)	(0.8)	(0.9)
Interest coverage - EBIT (x)	26.1	41.5	26.7	26.4	30.4
Interest coverage - EBITDA (x)	30.6	45.4	29.9	30.3	34.3
ROA - using norm profit (%)	29.9	38.9	14.8	12.3	13.6
ROE - using norm profit (%)	77.0	105.5	21.9	16.6	18.5
DuPont					
ROE - using after tax profit (%)	77.0	105.5	21.0	14.7	16.7
- asset turnover (x)	1.2	1.9	0.8	0.6	0.6
- operating margin (%)	32.1	26.1	23.1	24.0	25.4
- leverage (x)	2.6	2.7	1.5	1.4	1.4
- interest burden (%)	96.7	97.6	96.4	96.3	96.8
- tax burden (%)	79.6	79.8	80.0	80.0	80.0
WACC (%)	10.3	10.3	10.3	10.3	10.3
ROIC (%)	410.5	(215.7)	217.5	107.0	94.9
NOPAT (Bt m)	144	302	349	452	570
invested capital (Bt m)	(140)	160	422	601	413

Sources: Company data, Thanachart estimates

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SET THSI Index (SETTHSI)

Nowadays, long-term investment tends to be more focused on sustainable companies. The financial statement performance and the consideration in environmental, social and governance (ESG) perspective are keys aspects for analysis.

SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

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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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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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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