

BUY (Unchanged)
Change in Numbers

TP: Bt 3.60
Upside : 13.9%

(From: Bt 3.70)
1 SEPTEMBER 2023

Small Cap Research

Chularat Hospital Pcl (CHG TB)

Getting back on track

After a base adjustment from COVID revenue, a revenue reversal from UCEPCOVID, and pre-operating expenses in 1H23, we expect CHG's earnings to start growing again from 3Q23F. We believe the time is right to BUY CHG at 29.6x PE vs. a 16/14% EPS growth in 2024-25F.



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Earnings growth resuming in 3Q23F

CHG's earnings fell 80% y-y in 1H23 due to a sharp base adjustment from extra COVID revenue in 1H22, a revenue reversal for the government's COVID program (UCEPCOVID), and pre-operating expenses from its two new hospitals. We cut our estimates by 10-12% p.a. in 2023-25F and DCF-based TP (2024F base year) to Bt3.60 from Bt3.70. However, those factors are no longer a burden and we expect CHG's earnings to start growing again from 3Q23F onward both y-y and q-q. We project 26% h-h growth in 2H23F. We reaffirm our BUY call on CHG as we see the resumption of earnings growth as a near-term catalyst. We also believe its 29.6x 2024F PE is inexpensive for a strong hospital chain with 16/14% EPS growth in 2024-25F.

Underlying business is strong

CHG only suffered a base adjustment and expenses from its new hospitals. Its normal course of business is strong. Revenues from cash patients and social security services (SSS) in 2Q23 were more than 60% above 2Q19's level, driven by all key factors of volume, revenue intensity, and pricing. Cash patient revenue is being driven by CHG's strategies of gearing toward high-intensity care services (heart, stroke, spine, etc.) and high-margin international patients. SSS revenue is driven by rising SSS-registered persons and a rising reimbursement rate. We estimate CHG's revenue growth for cash and SSS patients at its existing hospitals at 15/10/8% and 12/7/5% in 2023-25F.

Two new hospitals already opened

Pre-operating expenses in 1H23F were due to the recruitment of doctors and nurses to prepare for its two new hospitals. The 100-bed Chularat Hospital Mae Sot (59 beds in the first phase) (CHM) in Tak province was opened in mid-June 2023. The 50-bed Chularat Medical Center (CMC) was opened in July. CHM targets cash patients, both Thai and foreigners, who are mostly Myanmar citizens and Chinese expatriates in Myanmar. CMC offers services to cash, Social Security Scheme (SSS), and UCEP patients. We estimate loss contributions of Bt67/70/16m from these hospitals in 2023-25F.

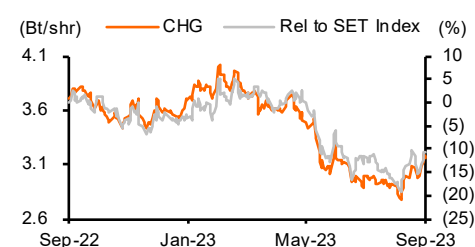
Low risk of further UCEP revenue reversal

CHG reversed revenue from UCEPCOVID of c.Bt40m in 4Q22 and Bt46m in 2Q23 since the actual payment from the government was lower than CHG's accrued income. Although CHG still had Bt543m in accrued income left at the end of June 2023, it also had cash income from UCEPCOVID of Bt250m that had yet to be booked as revenue. This amount not booked offers a cushion to prevent a further revenue reversal, if any, in the future.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	10,103	7,496	8,449	9,117
Net profit	2,778	1,010	1,175	1,334
Consensus NP	—	1,135	1,294	1,442
Diff frm cons (%)	—	(11.0)	(9.2)	(7.5)
Norm profit	2,778	1,010	1,175	1,334
Prev. Norm profit	—	1,150	1,317	1,483
Chg frm prev (%)	—	(12.1)	(10.8)	(10.0)
Norm EPS (Bt)	0.3	0.1	0.1	0.1
Norm EPS grw (%)	(33.9)	(63.6)	16.4	13.5
Norm PE (x)	12.5	34.4	29.6	26.1
EV/EBITDA (x)	9.2	23.3	19.9	17.3
P/BV (x)	4.6	4.8	4.6	4.5
Div yield (%)	5.1	2.3	2.9	3.5
ROE (%)	36.8	13.7	15.9	17.5
Net D/E (%)	(15.3)	(14.9)	(22.5)	(29.9)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Sep-23 (Bt)	3.16
Market Cap (US\$ m)	992.9
Listed Shares (m shares)	11,000.0
Free Float (%)	42.9
Avg Daily Turnover (US\$ m)	3.6
12M Price H/L (Bt)	4.02/2.78
Sector	Health Care
Major Shareholder	Plussind Family 23.79%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P11

Earnings growth resuming in 3Q23F

We estimate 26% h-h and 4% y-y growth in 2H23F

Chularat Hospital Pcl's (CHG) earnings fell by 80% y-y in 1H23 due to a sharp base adjustment from extra COVID revenue in 1H22, a revenue reversal for the government's COVID program (UCEPCOVID), and pre-operating expenses for its two new hospitals, i.e., Chularat Hospital Mae Sot and Chularat Medical Center.

With the extra revenue reversal from UCEPCOVID and higher-than-expected expenses from its two new hospitals, we cut our earnings estimates by 10-12% p.a. in 2023-25F. Given our earnings cuts, our DCF-based 12-month TP (2024F base year) is revised down to Bt3.60 from Bt3.70.

However, we no longer see the revenue reversal from UCEPCOVID and pre-operating expenses from its two new hospitals as a burden for CHG and we expect CHG's earnings to start growing again from 3Q23F onward both y-y and q-q. We estimate 26% h-h and 4% y-y growth in 2H23F.

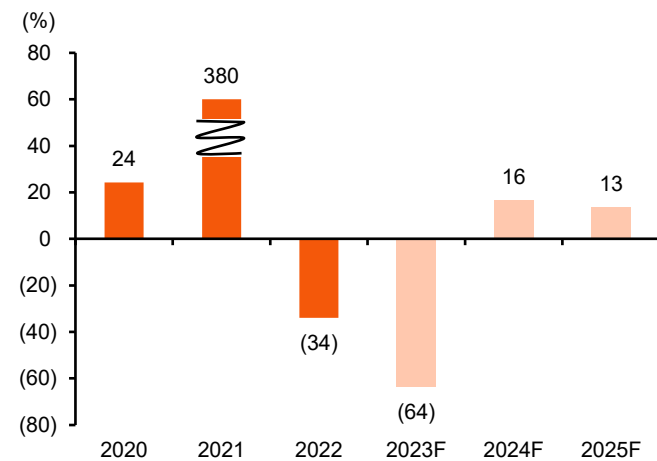
We reaffirm our BUY call on CHG seeing the resumption of its earnings growth as a near-term catalyst. We also believe its 29.6x 2024F PE is inexpensive for a strong hospital chain with 16/14% EPS growth in 2024-25F.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Revenue from UC patients (Bt m)							
- New	353	414	398	544	187	231	243
- Old					220	231	243
- Change (%)					(15.0)	-	-
Gross profit (%)							
- New	29.7	32.2	49.9	41.5	25.7	26.2	26.9
- Old					27.4	27.8	28.6
- Change (ppt)					(1.7)	(1.7)	(1.6)
SG&A to sales (%)							
- New	13.0	12.4	7.0	9.3	12.2	12.0	11.7
- Old					11.4	11.3	11.0
- Change (ppt)					0.8	0.7	0.7
Normalized profit (Bt m)							
- New	705	877	4,204	2,778	1,010	1,175	1,334
- Old					1,150	1,317	1,483
- Change (%)					(12.1)	(10.8)	(10.0)

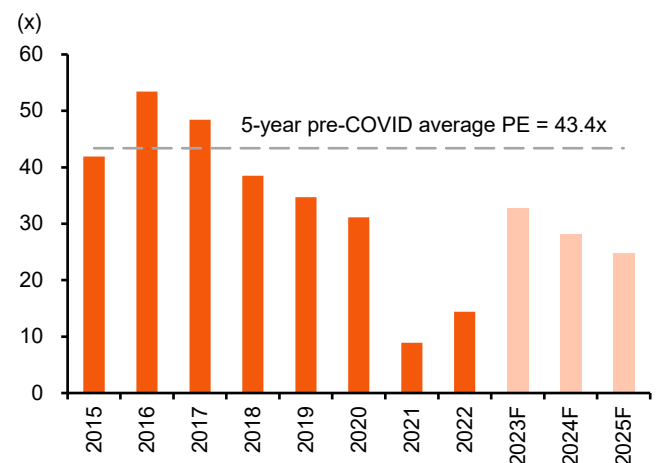
Sources: Company data, Thanachart estimates

Ex 2: CHG's Earnings Growth Resumes



Sources: Company data, Thanachart estimates

Ex 3: Inexpensive Valuation



Sources: Company data, Thanachart estimates

Ex 4: 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	1,648	1,854	2,028	2,202	2,377	2,562	2,748	2,940	3,158	3,386	3,632	—
Free cash flow	1,738	1,710	1,598	1,681	1,635	1,763	1,913	2,065	2,238	2,423	2,618	52,011
PV of free cash flow	1,738	1,503	1,317	1,299	1,185	1,198	1,219	1,189	1,203	1,216	1,226	24,361
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	6.2											
Terminal growth (%)	2.0											
Enterprise value	38,654											
Net debt (end-2023F)	(1,129)											
Minority interest	346											
Equity value	39,438											
# of shares (m)	11,000											
Equity value / share (Bt)	3.60											

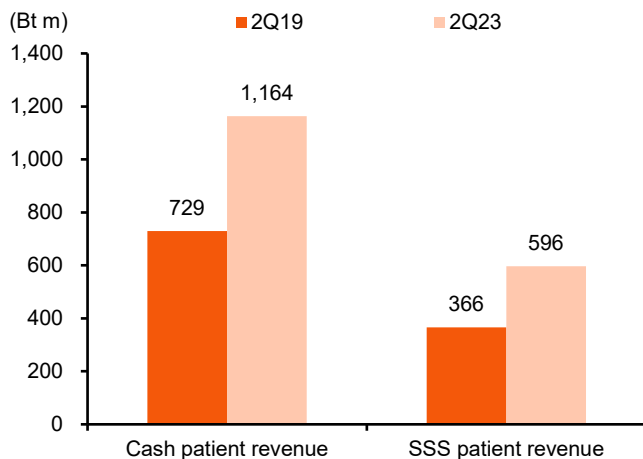
Sources: Company data, Thanachart estimates

Underlying business is strong

Revenues from cash and SSS patients in 2Q23 were above 2Q19's by over 60%

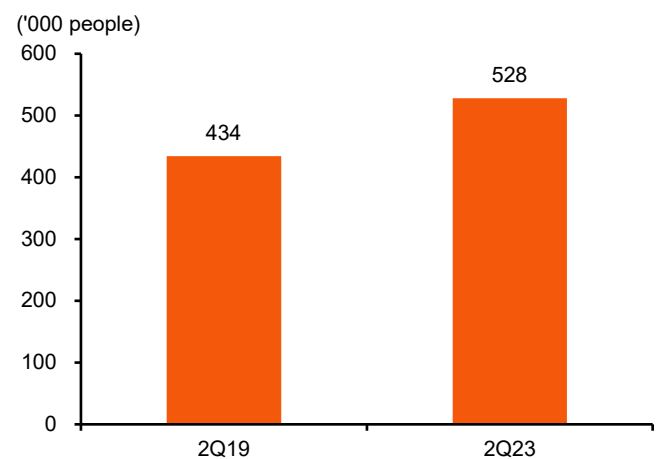
CHG only suffered a base adjustment from its falling windfall from COVID-19 services and expenses from its new hospitals. Meanwhile, its normal underlying business from existing hospitals remain strong. CHG's revenues from cash patients and the Social Security Service (SSS) in 2Q23 were above 2Q19's by over 60%, driven by all key factors of volume, revenue intensity, and pricing.

Ex 5: Core Revenue Up To A New Base



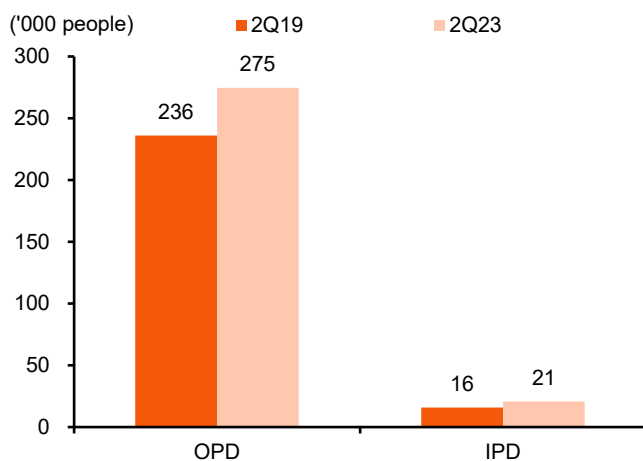
Source: Company data

Ex 6: SSS-Registered Persons



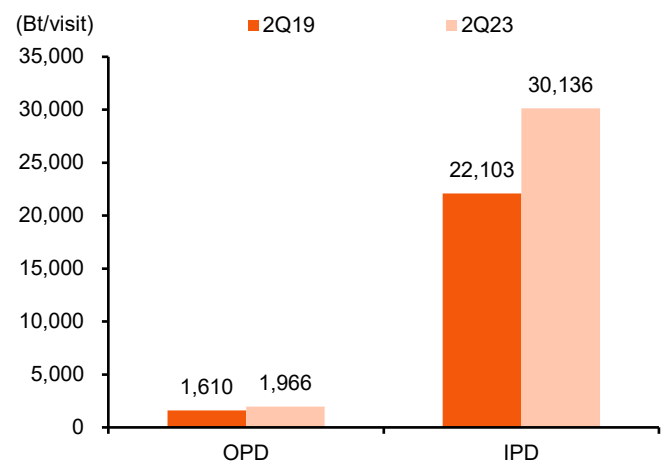
Source: Company data

Ex 7: OPD And IPD Visits



Source: Company data

Ex 8: OPD And IPD Billing



Source: Company data

CHG has nine existing hospitals, five clinics, three managed excellence centers, and two managed hospitals in its portfolio in Bangkok and the east of Thailand. Details are shown in Exhibit 9.

Ex 9: CHG's Existing Hospitals, Clinics And Managed Excellence Centers

Names	Types	# Beds	Locations
Chularat 1	Hospital	26	Samutprakarn
Chularat 3	Hospital	237	Samutprakarn
Chularat 5	Hospital	26	Samutprakarn
Chularat 9	Hospital	139	Samutprakarn
Chularat 11	Hospital	141	Chachoengsao
Ruampat Chachoengsao	Hospital	59	Chachoengsao
Chularat Cholvaej	Hospital	56	Chonburi
Chularat Rayong	Hospital	50	Rayong
Chularat 304	Hospital	59	Prachin Buri
Chularat 2	Clinic	-	Samutprakarn
Chularat 7	Clinic	-	Bangkok
Chularat 8	Clinic	-	Bangkok
Chularat 304	Clinic	-	Prachin Buri
Chularat 12	Clinic	-	Chachoengsao
Sirindhorn	Managed Heart Center	-	Bangkok
Samutprakarn Hospital	Managed Heart Center	-	Samutprakarn
Rayong Hospital	Managed Heart Center	-	Rayong
Pattaya City Hospital	Managed Hospital	-	Chonburi
Koh Lan Medical Center	Managed Hospital	-	Chonburi

Source: Company data

Strong revenue trend to continue due to strong demand ...

CHG's patient flows at its existing campuses remain strong, particularly at Chularat 3 and Chularat 9 hospitals, which are its two main campuses. These two hospitals' SSS quota of c.300K is also fully registered. Note that the two hospitals contributed 70% of total revenue in 1H23. The strong demand is mainly driven by CHG's strategies to gear toward high-intensity care services (heart, stroke, spine, etc.) and high-margin international patients from the Middle East and CLMV markets.

... and capacity unlocking

Due to the already high asset utilization at Chularat 3 and Chularat 9 hospitals presently, together with CHG adding more high-complexity medical treatment at its new Chularat Medical Center (CMC) that is located adjacent to Chularat 3, we expect more cash and SSS patients to come to be treated at these two hospitals. To unlock Churat 3 and Chularat 9's capacity constraints and to serve rising patient demand, CHG has added 50 beds at its new CMC, and it fully acquired the 128-bed Century Care Store Rehabilitation Center and Residence in June this year.

For Chularat 304 and Ruampat Chachoengsao, demand has also been strong, and we still foresee an ability to increase the number of SSS-registered persons at Chularat 304, which stood at c.43K people in 2Q23. Management, therefore, targets to increase the number of IPD beds at Chularat 304 and Ruampat Chachoengsao to 118 and 130 in 2H23 from 59 beds each presently. Meanwhile, Chularat 304 also aims to increase its SSS quota next year.

CHG's average number of registered persons stood at 528K in 2Q23, up by 5% y-y. CHG has a total SSS quota of 565K persons. It still has part of the quota available to take on a larger number of registered persons. We assign a conservative assumption for the number of registered persons of 530K in 2023F, up by 5.0% y-y. The rise in the basic capitation reimbursement rate under the SSS by 10.2% starting from May 2023 should also help to add to CHG's top line and earnings over the rest of this year and next year. Meanwhile, high-intensity care services also help to boost CHG's SSS income from high-cost care (adjusted relative weight ≥ 2).

Thanks to its strong business momentum at its existing hospitals continuing along with capacity unlocking, we estimate revenue growth for cash and SSS patients at existing hospitals of 15/10/8% and 12/7/5% in 2023-25F.

Two new hospitals already opened

There were pre-operating expenses for CHM and CMC

The 100-bed Chularat Hospital Mae Sot (59 beds in the first phase) (CHM) in Tak province was opened in mid-June 2023. The 50-bed Chularat Medical Center (CMC) was opened in July 2023. To prepare for these two hospitals' openings, CHG had to recruit doctors and nurses during 1H23, and this caused CHG to incur pre-operating expenses for these two new hospitals.

CHM targets cash patients, both Thai and foreign patients, who are mostly Myanmar citizens and Chinese expats in Myanmar. The hospital's key offerings are obstetrics and gynecology, surgery, internal medicine, children, cardiology, health check-ups, etc. CHG targets CHM's revenue contribution for international patients of around 30-40%.

Ex 10: Chularat Hospital Mae Sot (CHM)



Source: Company data

Ex 11: CHM – Inside Hospital



Source: Company data

Ex 12: CHM – OPD Zone



Source: Company data

Ex 13: CHM – IPD Room



Source: Company data

We estimate losses of Bt67/70/16m from these two hospitals in 2023-25F

CHG provides five high-intensity care products at CMC, i.e., a stroke center, radiotherapy center, MRI and intervention center, nuclear medicine center, and hyperbaric oxygen therapy center. CMC offers services to cash, SSS, and UCEP patients.

We estimate loss contributions of Bt67/70/16m from these two hospitals in 2023-25F.

Ex 14: Chularat Medical Center (CMC)



Source: Company data

Ex 15: CMC – Stroke Center



Source: Company data

Ex 16: CMC – MRI And Intervention Center



Source: Company data

Ex 17: CMC – Radiotherapy Center



Source: Company data

Ex 18: CMC – Nuclear Medicine Center



Source: Company data

Ex 19: CMC – Hyperbaric Oxygen Therapy Center



Source: Company data

Valuation Comparison

Ex 20: 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	18.5	(2.9)	34.6	35.6	2.8	2.7	11.7	10.9	1.9	1.8
Guangzhou Pharmaceutical	874 HK	Hong Kong	8.5	4.2	8.3	8.0	1.0	0.9	8.4	8.3	3.6	3.7
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	25.8	28.5	8.8	6.9	1.9	1.8	7.7	6.4	3.5	4.2
Apollo Hospitals Enterprise	APHS IN	India	2.7	26.0	82.8	65.7	10.8	9.8	34.3	29.2	0.2	0.3
Fortis Healthcare India	FORH IN	India	(8.5)	20.7	45.5	37.7	3.6	3.0	22.8	20.0	0.0	0.2
KPJ Healthcare	KPJ MK	Malaysia	30.2	10.0	23.6	21.5	2.2	2.0	11.2	10.6	2.2	2.4
IHH Healthcare Bhd	IHH MK	Malaysia	5.3	14.0	32.8	28.8	1.9	1.8	14.1	13.2	2.1	1.3
Ryman	RYM NZ	New Zealand	0.6	(5.6)	13.1	13.9	0.9	0.9	15.2	19.0	1.3	1.9
Raffles Medical Group	RFMD SP	Singapore	(17.2)	0.0	19.7	19.7	2.2	2.1	10.7	10.6	2.9	2.8
Bangkok Chain Hospital *	BCH TB	Thailand	(63.3)	19.5	32.8	27.4	3.8	3.6	16.4	14.6	1.8	2.2
Bangkok Dusit Medical *	BDMS TB	Thailand	3.4	12.6	33.8	30.1	4.7	4.5	22.3	20.1	2.2	2.5
Bumrungrad Hospital *	BH TB	Thailand	37.0	11.0	29.9	27.0	8.7	7.6	20.6	18.6	1.7	2.6
Chularat Hospital *	CHG TB	Thailand	(63.6)	16.4	34.4	29.6	4.8	4.6	23.3	19.9	2.3	2.9
Praram 9 Hospital *	PR9 TB	Thailand	(7.0)	16.6	25.9	22.2	2.7	2.5	12.9	11.1	1.7	2.2
Thonburi Healthcare Group*	THG TB	Thailand	(33.4)	19.2	55.7	46.7	5.3	5.0	26.2	23.3	1.1	1.3
Average			(4.1)	12.7	32.1	28.0	3.8	3.5	17.2	15.7	1.9	2.1

Source: Bloomberg, Thanachart estimates

Note: * Thanachart estimates, using Thanachart normalized EPS

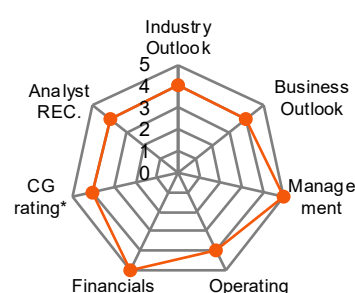
Based on 1 Sep 2023 closing prices

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, Bt27.75, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.53	3.60	2%
Net profit 23F (Bt m)	1,135	1,010	-11%
Net profit 24F (Bt m)	1,294	1,175	-9%
Consensus REC	BUY: 10	HOLD: 7	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings are below the Bloomberg consensus estimates, which we attribute to us having a more conservative view of its two new hospitals.
- But our DCF TP is in line with the Street's, likely given our more bullish view on CHG's long-term growth path and the rollover of our base year to 2024F.

Sources: Bloomberg consensus, Thanachart estimates

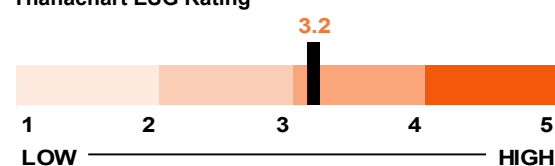
RISKS TO OUR INVESTMENT CASE

- 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.

Source: Thanachart

CHG is the sixth-largest hospital chain in Thailand. The company's business 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, therefore, 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)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CHG	-	-	-	-	-	59.6	21.00	-	4.0

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 "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	7,496	8,449	9,117
Cost of sales	5,882	5,908	5,572	6,237	6,661
Gross profit	5,860	4,195	1,923	2,212	2,456
% gross margin	49.9%	41.5%	25.7%	26.2%	26.9%
Selling & administration expenses	821	935	914	1,013	1,064
Operating profit	5,038	3,260	1,009	1,199	1,392
% operating margin	42.9%	32.3%	13.5%	14.2%	15.3%
Depreciation & amortization	371	403	432	462	474
EBITDA	5,409	3,664	1,442	1,661	1,866
% EBITDA margin	46.1%	36.3%	19.2%	19.7%	20.5%
Non-operating income	259	311	289	295	305
Non-operating expenses	0	0	0	0	0
Interest expense	(21)	(16)	(25)	(27)	(27)
Pre-tax profit	5,276	3,555	1,273	1,467	1,671
Income tax	1,009	703	248	286	331
After-tax profit	4,267	2,851	1,025	1,181	1,340
% net margin	36.3%	28.2%	13.7%	14.0%	14.7%
Shares in affiliates' Earnings	0	(1)	(10)	0	0
Minority interests	(63)	(72)	(5)	(6)	(6)
Extraordinary items	0	0	0	0	0
NET PROFIT	4,204	2,778	1,010	1,175	1,334
Normalized profit	4,204	2,778	1,010	1,175	1,334
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	4,178	4,550	4,823
Cash & cash equivalent	2,790	2,001	1,800	2,600	3,000
Account receivables	2,437	2,767	2,054	1,620	1,499
Inventories	295	265	305	308	301
Others	376	26	19	22	23
Investments & loans	0	142	342	342	342
Net fixed assets	4,362	4,749	5,032	5,084	4,972
Other assets	291	330	564	619	653
Total assets	10,550	10,280	10,117	10,594	10,790
LIABILITIES:					
Current liabilities:	2,208	1,802	1,921	2,019	2,109
Account payables	842	851	916	1,025	1,095
Bank overdraft & ST loans	34	400	201	248	173
Current LT debt	97	65	94	116	81
Others current liabilities	1,235	486	710	630	760
Total LT debt	313	334	376	463	323
Others LT liabilities	187	280	225	240	246
Total liabilities	2,709	2,416	2,522	2,722	2,678
Minority interest	272	341	346	351	357
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	5,003	5,275	5,509
Shareholders' equity	7,569	7,523	7,249	7,521	7,755
Liabilities & equity	10,550	10,280	10,117	10,594	10,790

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	1,273	1,467	1,671
Tax paid	(376)	(1,289)	(106)	(351)	(259)
Depreciation & amortization	371	403	432	462	474
Chg In working capital	(1,298)	(291)	738	540	198
Chg In other CA & CL / minorities	136	182	78	(17)	56
Cash flow from operations	4,109	2,560	2,417	2,101	2,139
Capex	(546)	(769)	(700)	(500)	(350)
Right of use	(22)	(24)	(5)	(5)	(1)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	(142)	(200)	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2)	56	(300)	(49)	(38)
Cash flow from investments	(570)	(879)	(1,205)	(554)	(389)
Debt financing	(669)	355	(128)	156	(251)
Capital increase	0	0	0	0	0
Dividends paid	(660)	(2,805)	(1,284)	(904)	(1,100)
Warrants & other surplus	0	(19)	0	0	0
Cash flow from financing	(1,329)	(2,470)	(1,412)	(748)	(1,350)
Free cash flow	3,563	1,790	1,717	1,601	1,789

VALUATION

Inexpensive valuation, in our view

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	8.3	12.5	34.4	29.6	26.1
Normalized PE - at target price (x)	9.4	14.3	39.2	33.7	29.7
PE (x)	8.3	12.5	34.4	29.6	26.1
PE - at target price (x)	9.4	14.3	39.2	33.7	29.7
EV/EBITDA (x)	6.0	9.2	23.3	19.9	17.3
EV/EBITDA - at target price (x)	6.9	10.5	26.7	22.8	19.9
P/BV (x)	4.6	4.6	4.8	4.6	4.5
P/BV - at target price (x)	5.2	5.3	5.5	5.3	5.1
P/CFO (x)	8.5	13.6	14.4	16.5	16.2
Price/sales (x)	3.0	3.4	4.6	4.1	3.8
Dividend yield (%)	6.3	5.1	2.3	2.9	3.5
FCF Yield (%)	10.2	5.2	4.9	4.6	5.1
(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	0.2	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)	(25.8)	12.7	7.9
Net profit (%)	379.6	(33.9)	(63.6)	16.4	13.5
EPS (%)	379.6	(33.9)	(63.6)	16.4	13.5
Normalized profit (%)	379.6	(33.9)	(63.6)	16.4	13.5
Normalized EPS (%)	379.6	(33.9)	(63.6)	16.4	13.5
Dividend payout ratio (%)	52.3	63.3	80.0	85.0	90.0
Operating performance					
Gross margin (%)	49.9	41.5	25.7	26.2	26.9
Operating margin (%)	42.9	32.3	13.5	14.2	15.3
EBITDA margin (%)	46.1	36.3	19.2	19.7	20.5
Net margin (%)	36.3	28.2	13.7	14.0	14.7
D/E (incl. minor) (x)	0.1	0.1	0.1	0.1	0.1
Net D/E (incl. minor) (x)	(0.3)	(0.2)	(0.1)	(0.2)	(0.3)
Interest coverage - EBIT (x)	235.7	200.3	40.5	44.2	51.4
Interest coverage - EBITDA (x)	253.0	225.1	57.9	61.3	68.9
ROA - using norm profit (%)	50.2	26.7	9.9	11.3	12.5
ROE - using norm profit (%)	72.5	36.8	13.7	15.9	17.5
DuPont					
ROE - using after tax profit (%)	73.6	37.8	13.9	16.0	17.5
- asset turnover (x)	1.4	1.0	0.7	0.8	0.9
- operating margin (%)	45.1	35.3	17.3	17.7	18.6
- leverage (x)	1.4	1.4	1.4	1.4	1.4
- interest burden (%)	99.6	99.5	98.1	98.2	98.4
- tax burden (%)	80.9	80.2	80.5	80.5	80.2
WACC (%)	6.2	6.2	6.2	6.2	6.7
ROIC (%)	89.4	50.1	12.9	15.8	19.4
NOPAT (Bt m)	4,075	2,615	813	965	1,117
invested capital (Bt m)	5,224	6,322	6,120	5,748	5,331

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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