

**Chularat Hospital Pcl (CHG TB) - BUY**

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**Earnings Preview****Likely Strong 3Q24F earnings**

- **We estimate CHG to report strong earnings growth in 3Q24.**
- **Key drivers are rising cash patients and SSS patients ...**
- **... And the SSS payment for 26 chronic diseases in 3Q24.**
- **We maintain BUY.**

We estimate CHG to report strong earnings growth both y-y and q-q in 3Q24. Besides earnings growth from normal hospital operation, the shift of SSS payments for 26 chronic diseases from the fourth quarter to the third quarter is also expected to be another key driver for CHG's strong earnings growth in 3Q24.

- We estimate CHG to report Bt441m net profit in 3Q24, up 35% y-y and 129% q-q. Besides earnings growth from normal hospital operation, the shift of SSS payments for 26 chronic diseases from the fourth quarter to the third quarter is also expected to be another key driver for CHG's strong earnings growth in 3Q24. Note that the Social Security Office (SSO) paid for 26 chronic diseases in the fourth quarter of 2023, but this year it made the payment in the third quarter.
- CHG's revenue is expected to grow by 14% y-y and 20% q-q to Bt2.4bn in 3Q24. The strong revenue growth is expected due to rising revenue from cash patients both in Thai and international patients and rising revenue from SSS. Rising number of SSS-registered persons, rising revenue intensity and a shift of SSS payments for 26 chronic diseases are expected to be key drivers for SSS revenue.
- Gross margin is estimated to expand to 32.5% in 3Q24 from 29% in 3Q23 and 21.5% in 2Q24. Operating margin is expected to grow to 21.4% in 3Q24 from 17.2% in 3Q23 and 9.4% in 2Q24. The rising margin is expected due to economies of scales and a shift of SSS payments for 26 chronic diseases.
- Looking into 4Q24F, we estimate CHG's earnings to decline both y-y and q-q due to the shift of SSS payments from the fourth quarter to the third quarter. Meanwhile, we see both potential upside and downside risk to CHG's 4Q24 earnings. The potential upside risk is Bt250m pre-tax gain from UCEPCOVID if National Health Security Office (NHSO) pays the remaining accrued payment for UCEPCOVID to CHG in 4Q24. Two potential downside risks are from 1) SSS payment shortfall for high-cost care service if SSO does not guarantee the payment at the rate of Bt12,000/adjusted RW in the rest of this year. CHG may use the reimbursement rate at Bt7,200/adjusted RW in recognizing revenue for high-cost care services in 4Q24, in our view. 2) There is some downside risk to our earnings (around 1% to 2025F earnings) if CHG does not renew the hospital management contract for Pattaya City Hospital. Note that the management contract expired in mid-October 2024.
- We maintain our BUY rating on CHG as we see the likely weak 4Q24F is due to the shift of SSO's payment for 26 chronic diseases from the fourth quarter to the third quarter. Meanwhile, its core operation in 4Q24F still grows y-y. Looking into next year, we also estimate CHG to report 15% earnings growth. Trading at 23.9x PE in 2025F is also undemanding, in our view.

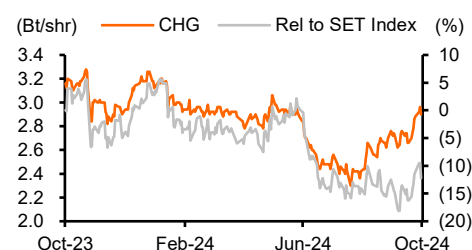
**Key Valuations**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	7,730	8,786	9,685	10,492
Net profit	1,046	1,159	1,335	1,504
Norm net profit	1,046	1,159	1,335	1,504
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS gr (%)	(62.4)	10.8	15.1	12.7
Norm PE (x)	30.5	27.5	23.9	21.2
EV/EBITDA (x)	19.9	17.8	15.4	13.7
P/BV (x)	4.2	4.0	3.7	3.4
Div. yield (%)	2.4	1.8	2.1	2.4
ROE (%)	13.9	14.9	16.0	16.5
Net D/E (%)	(10.6)	(16.5)	(20.4)	(23.4)

Source: Thanachart estimates

**Stock Data**

Closing price (Bt)	2.9
Target price (Bt)	3.6
Market cap (US\$ m)	960.2
Avg daily turnover (US\$ m)	2.2
12M H/L price (Bt)	3.28/2.30

**Price Performance**

Source: Bloomberg

## Ex 1: Likely Strong 3Q24F Earnings

Income Statement						(consolidated)	
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24F	q-q%	y-y%
Revenue	2,093	2,123	2,021	1,985	2,380	20	14
<b>Gross profit</b>	<b>607</b>	<b>543</b>	<b>523</b>	<b>427</b>	<b>773</b>	<b>81</b>	<b>28</b>
SG&A	246	243	259	240	264	10	7
Operating profit	361	300	264	186	509	173	41
<b>EBITDA</b>	<b>477</b>	<b>421</b>	<b>385</b>	<b>311</b>	<b>633</b>	<b>104</b>	<b>33</b>
Other income	77	69	87	76	71	(6)	(8)
Other expense	0	0	0	0	0	na	Na
Interest expense	7	9	9	9	9	na	na
<b>Profit before tax</b>	<b>431</b>	<b>361</b>	<b>342</b>	<b>253</b>	<b>572</b>	<b>126</b>	<b>32</b>
Income tax	90	73	76	57	126	122	39
Equity & invest. income	(5)	(9)	(5)	(5)	(5)	na	na
Minority interests	(11)	(5)	3	0	0	na	na
Extraordinary items	0	0	0	0	0	na	na
<b>Net profit</b>	<b>326</b>	<b>274</b>	<b>264</b>	<b>192</b>	<b>441</b>	<b>129</b>	<b>35</b>
<b>Normalized profit</b>	<b>326</b>	<b>274</b>	<b>264</b>	<b>192</b>	<b>441</b>	<b>129</b>	<b>35</b>

Sources: Company data, Thanachart estimates

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