

BUY (Unchanged)

Change in Numbers

TP: Bt 243.00 (From: Bt 310.00)

Upside : 17.4%

20 NOVEMBER 2024

Bumrungrad Hospital Pcl (BH TB)

Bad news in the price

BH's 3Q24 results disappointed us, and we cut our earnings estimates by 5-6% in 2024-26F. However, we believe the 21% drop in its share price following the 3Q24 results already reflects the bad news. At 20.2x 2025F PE, we maintain our BUY call on BH.



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Cutting our earnings and TP

BH reported a normalized profit of Bt2bn in 3Q24, up 2% y-y and 3% q-q. The relatively flat growth was disappointing and was due to a decline in revenues from international and Thai patients. Weak revenue from Kuwait, the UAE, Cambodia, and Bangladesh led to a 7% y-y drop in international patient revenue. Meanwhile, revenue from Thai patients fell by 2% y-y in 3Q24, mainly due to falling revenue intensity. BH, however, managed costs very well in 3Q24. We cut our earnings estimates by 5-6% p.a. in 2024-26F and our DCF-based 12-month TP (using 2025F as our base year) to Bt243 from Bt310.

Still offering earnings growth

Despite the 3Q24 disappointment, we still project BH's earnings to grow by 10/7% in 2024-25F. Key drivers are rising revenue from Thai and international patients and an improving margin. Although we conservatively do not assume Kuwait and UAE patients will return to BH, we expect rising patient volumes from other new markets (such as China, Indonesia, Ethiopia, Russia, and CIS countries), an improvement of the political situation in Bangladesh, a change in BH's new business strategy in Cambodia, and strong patient demand in some existing markets such as US (fly-in and expat) and Mongolia will boost BH's international patient revenue. We estimate BH's revenue to grow by 1/4% in 2024-25F. Meanwhile, BH's cost-saving programme is still doing well. Therefore, we estimate BH's EBIT margin to rise to 35.2/36.1% in 2024-25F from 32.5% in 2023.

No new expansion until 2026

The new VitalLife Scientific Wellness Center in Phuket was soft-launched in 3Q24. Three new buildings near its main campus in Sukhumvit Soi 1 – a 59-bed building, an oncology institute and advanced technology center, and the BI Annex building – are scheduled to open in 2026. BH also plans to open a 212-bed hospital and advanced diagnostics center in Phuket in 2026. Therefore, we do not expect significant new costs until 2026F, when we estimate EPS growth of 2%.

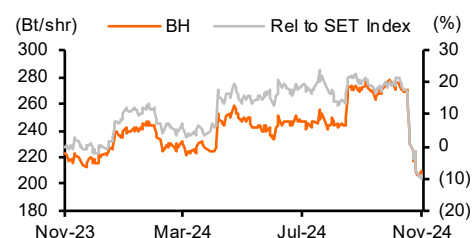
Still a BUY but no longer our top sector pick

We maintain our BUY rating on BH, but it is no longer our top sector pick. **First**, we believe the 21% drop in BH's share price following the 3Q24 results, which now leaves it trading at a 20.2x PE multiple for 2025F, has already priced in the weak 3Q24 earnings. **Second**, despite the mainly negative impact of international patient revenue, we still expect BH to deliver 10/7% earnings growth in 2024-25F. **Lastly**, BH has the highest profitability among the healthcare stocks we cover, with an ROE of 28.2% in 2025F, compared to the sector average of 18.2%.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	25,296	25,483	26,597	28,288
Net profit	7,006	7,633	8,163	8,332
Consensus NP	—	7,749	8,102	8,389
Diff frm cons (%)	—	(1.5)	0.8	(0.7)
Norm profit	6,978	7,653	8,163	8,332
Prev. Norm profit	—	8,057	8,612	8,897
Chg frm prev (%)	—	(5.0)	(5.2)	(6.3)
Norm EPS (Bt)	8.8	9.6	10.3	10.5
Norm EPS grw (%)	41.2	9.7	6.7	2.1
Norm PE (x)	23.6	21.5	20.2	19.7
EV/EBITDA (x)	16.5	15.3	14.4	13.6
P/BV (x)	6.9	6.0	5.4	5.0
Div yield (%)	2.2	2.8	3.2	3.8
ROE (%)	32.1	29.9	28.2	26.2
Net D/E (%)	(44.5)	(39.7)	(34.8)	(38.5)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 20-Nov-24 (Bt)	207.00
Market Cap (US\$ m)	4,741.2
Listed Shares (m shares)	794.9
Free Float (%)	65.3
Avg Daily Turnover (US\$ m)	23.9
12M Price H/L (Bt)	278.00/206.00
Sector	Health Care
Major Shareholder	Sophonpanich family ~35%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10



Cutting our earnings and TP

We cut our earnings by 5-6% in 2024-26F

Bumrungrad Hospital Pcl (BH) reported a normalized profit of Bt2bn in 3Q24, up 2% y-y and 3% q-q. The relatively flat growth was a disappointment resulting from a decline in revenues from international and Thai patients. Weak revenue from Kuwait, the UAE, Cambodia, and Bangladesh led to a 7% y-y drop in international patient revenue. Meanwhile, revenue from Thai patients fell by 2% y-y in 3Q24, mainly due to declining revenue intensity. BH, however, managed costs very well in 3Q24.

Therefore, we cut our earnings estimates by 5-6% p.a. in 2024-26F to reflect our key assumption changes as follows:

First, we cut our revenue from Thai patients by 5/5/7% in 2024-26F, mainly to reflect lower-than-expected revenue intensity.

Second, we lower our revenue projections from international patients by 8/8/9% in 2024-26F, mainly to reflect weaker-than-expected patient flows from Kuwait and the UAE and lower-than-expected revenue intensity.

After our earnings cuts, our DCF-based 12-month TP (using 2025F as our base year) is revised down to Bt243/share from Bt310.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F
Thai patient revenue (Bt m)					
- New	7,350	8,398	8,589	8,849	9,176
- Old			8,994	9,356	9,873
- Change (%)			(4.5)	(5.4)	(7.1)
International patient revenue (Bt m)					
- New	13,100	16,899	16,894	17,749	19,113
- Old			18,276	19,295	21,059
- Change (%)			(7.6)	(8.0)	(9.2)
Total revenue (Bt m)					
- New	20,646	25,296	25,483	26,597	28,288
- Old			27,269	28,651	30,932
- Change (%)			(6.6)	(7.2)	(8.5)
Normalized profit (Bt m)					
- New	4,941	6,978	7,653	8,163	8,332
- Old			8,057	8,612	8,897
- Change (%)			(5.0)	(5.2)	(6.3)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

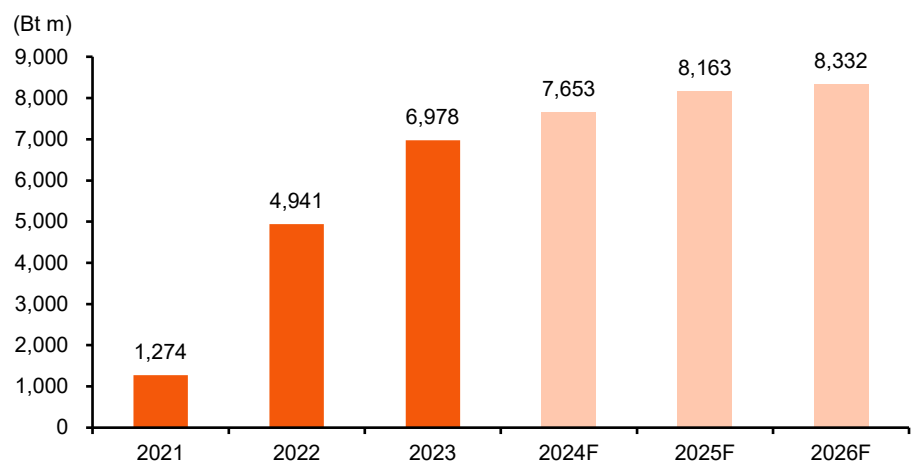
(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA excl. depre from right of use	10,688	11,129	11,764	12,369	13,027	13,641	14,281	14,945	15,639	16,367	17,126	—
Free cash flow	4,115	7,727	9,395	9,904	10,442	10,954	11,485	12,029	12,596	13,192	13,812	247,179
PV of free cash flow	4,103	6,725	7,627	7,499	7,374	7,216	6,833	6,644	6,460	6,282	6,107	109,285
Risk-free rate (%)	3.0											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	7.2											
Terminal growth (%)	2.0											
Enterprise value -	182,155											
add investments												
Net debt (end-2024F)	(11,013)											
Minority interest	362											
Equity value	192,806											
# of shares (m)	795											
Equity value/share (Bt)	243											

Sources: Company data, Thanachart estimates

Still offering earnings growth

We still estimate BH to deliver earnings growth of 10/7% in 2024-25F

Despite the disappointing results in 3Q24, we still estimate BH to deliver earnings growth of 10/7% y-y in 2024-25F. Key earnings drivers are rising revenue from Thai and international patients and expanding margins.

Ex 3: BH's Rising Earnings Momentum

Sources: Company data, Thanachart estimates

Exhibit 4 shows the change in net patient revenue of BH's top 10 nationalities.

Ex 4: Change In Net Patient Revenue Of Top 10 Nationalities

Nationality	% Change y-y in 3Q24	% Change y-y in 9M24
Qatar	6.0	32.3
Myanmar	(4.2)	(8.6)
Cambodia	(14.5)	(9.6)
Bangladesh	(8.7)	14.7
UAE	(37.2)	(24.2)
US	22.6	17.8
China	25.8	24.3
Oman	(6.0)	11.0
Mongolia	16.3	11.9
Kuwait	(67.1)	(66.4)

Source: Company data

The disappointing 3Q24 results were mainly caused by weak international patient revenue, particularly patients from Kuwait, the UAE, Cambodia, and Bangladesh.

For Kuwaiti patients, the decrease in revenue was due to the Kuwaiti government's policy of recalibrating its list of hospitals eligible to provide medical services to Kuwaiti patients under its third-party payors' program. As a result, the Kuwaiti government stopped sending government-sponsored Kuwaiti patients to Thailand for medical services from the beginning of this year. BH's management does not know the exact timing of the review's outcome. However, management expects positive results for BH. Despite this, self-pay patients from Kuwait are still seeking services at BH. With the decline in revenue from Kuwaiti patients in 3Q24 and 9M24, the revenue contribution from them dropped from 5% in 9M23 to 2% in 9M24. Note that the higher impact of the revenue drop from Kuwaiti patients in 3Q24, compared to 1H24, resulted from the high base effect in 3Q23.

For UAE patients, the decrease in revenue resulted from the UAE changing its patient referral system from a centralized model to a decentralized one. BH has, therefore, experienced a negative impact in the short term. Still, management expects the momentum to improve once the setup of each institution's representative offices is completed due to BH's strong relationships with these institutions. Note that revenue from UAE patients in 3Q24 still grew from 2Q24 by 14%.

Cambodia has been hit by rising competition from other hospitals, particularly mid-tier hospitals. BH's revenue from health check-up services provided to Cambodian patients has dropped significantly. To regain its Cambodian patients, BH is collaborating more with local healthcare service providers in Cambodia and has established a referral network there. BH has also obtained local licenses for its doctors in Cambodia to provide consultancy services locally. BH has seen an increase in check-up flows from Cambodian patients due to these business strategies.

Bangladesh is a new country that BH has started to focus on. Revenue contribution from this country grew by 31% y-y in 1H24. However, due to political tensions and major protests in Bangladesh during 3Q24, revenue from Bangladeshi patients dropped by 8.7% y-y in the quarter. Nevertheless, BH has seen improving patient flows following greater political stability. Management still believes that its double-digit revenue growth target for this country will be achieved this year.

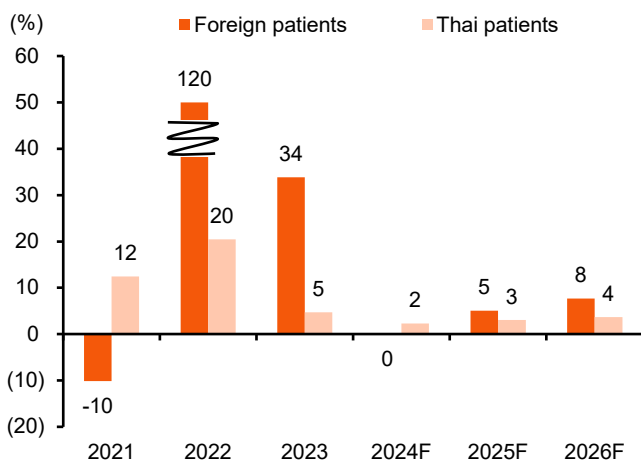
Drivers for Thai and international patients

Although we conservatively do not assume that the patient flows from Kuwait and the UAE will return to BH, we expect rising patient volumes from new markets (such as China, Indonesia, Ethiopia, Russia, and CIS countries), improvements in the political situation in Bangladesh, the impact of BH's new business strategy in Cambodia, and strong patient demand in some existing markets such as the US (fly-in and expat patients) and Mongolia to boost BH's international patient revenue.

For Thai patients, BH continues to focus on increasing the number of insurance-paid patients. Although the company saw a slight slowdown in insurance-paid patients in 3Q24 due to the high base of Thai patients in 3Q23 (driven by the flu epidemic), rising competition from hospitals participating in the Social Security Scheme (SSS), and cost management measures by insurance firms, BH plans to negotiate more with local insurance companies to improve insurance packages, sign additional contracts with both local and international insurance companies, and expand its team to support future growth. These efforts should help boost the number of insurance-paid patients and Thai patients overall.

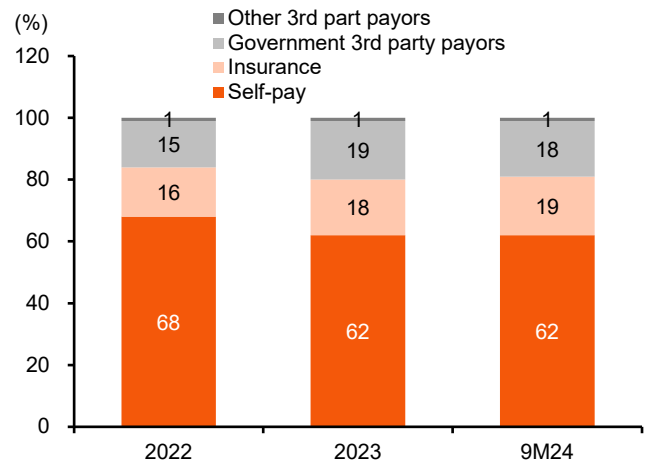
For all of the above-mentioned reasons, we estimate that BH's total revenue will grow by 1/4% in 2024-25F.

Ex 5: Revenue Growth From Thai And Int'l Patients



Sources: Company data, Thanachart estimates

Ex 6: Revenue Breakdown By Type Of Payor

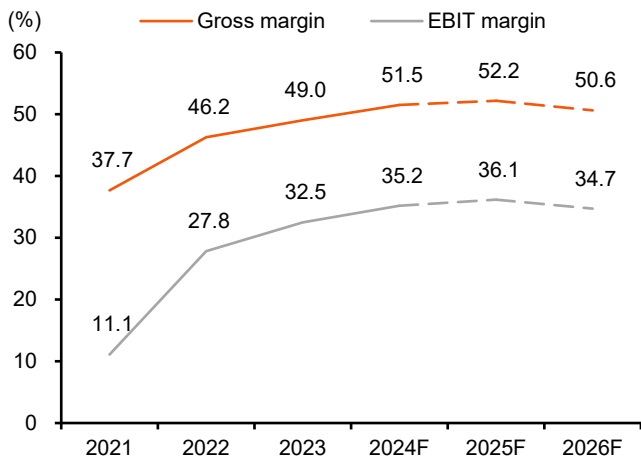


Source: Company data

Margin drivers

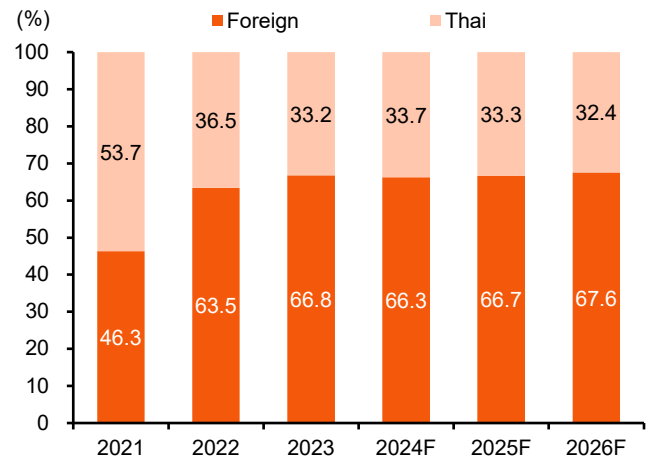
We continue to forecast that BH's gross and EBIT margins will trend upward. BH's cost-saving program is still doing well. To control costs, the company has implemented measures to manage its workforce, supply management, contract service management, inventory management, etc. In addition, we still expect revenue contribution from high-margin international patients to continue to increase. Meanwhile, the increasing revenue contribution from insurance payments for Thai patients also helps to boost margins. This is because the discount rate on insurance payments is significantly lower than the discount rate for the hospital's packages. Insurance payment discounts are around 5-6%, compared to the company's average price discount of 11-12% in 2024. As a result, we estimate BH's gross margin to increase to 51.5/52.2% in 2024-25F, up from 49.0% in 2023, and its EBIT margin to rise to 35.2/36.1% in 2024-25F, up from 32.5% in 2023.

Ex 7: Gross Margin And EBIT Margin



Sources: Company data, Thanachart estimates

Ex 8: Revenue Mix



Sources: Company data, Thanachart estimates

No new expansion until 2026F

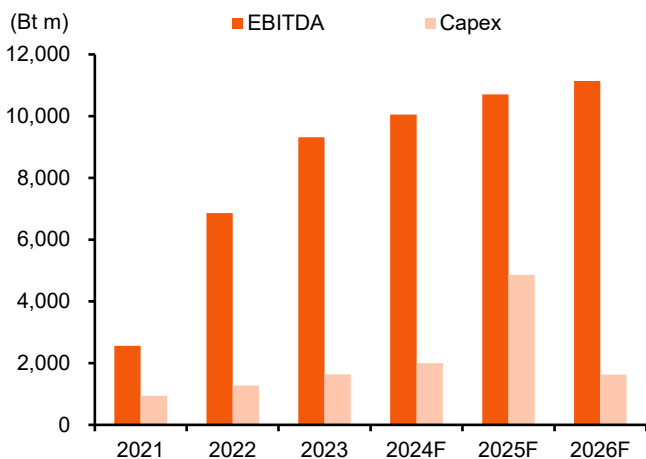
No significant impact from new investments until 2026F

The new VitalLife Scientific Wellness Center in Phuket was soft-launched in 3Q24, and its grand opening is scheduled for 1Q25. Three new buildings near its main campus in Sukhumvit Soi 1 – a 59-bed building, an oncology institute and advanced technology center, and the BI Annex building – are due to open in 2026. BH also plans to open a 212-bed hospital and advanced diagnostics center in Phuket in 2026.

The dental clinic will be relocated from Building B to Building C to expand its capacity at the existing campus. The vacant space in Building B will be utilized to set up an Arabic check-up center, aiming to increase revenue intensity and improve the conversion rate of Arab patients from outpatients to inpatients. Additionally, renovations are planned to be carried out for the ICU, CCU, and IPD wards.

Therefore, we do not expect significant new costs until 2026F, when we forecast EPS growth of 2%. We estimate BH will spend capex of Bt2/5/2bn in 2024-26F. Its internal cash flow can finance all its investments. We estimate BH will generate EBITDA of Bt10/11/11bn in 2024-26F. BH is still a net cash company.

Ex 9: EBITDA And Capex



Sources: Company data, Thanachart estimates

Ex 10: Investment Plans

- New Construction**
 - Soi 1 Project
 - BI Hospital Annex
 - BIH Phuket Hospital
- Existing Campus**
 - Expansion/renovation of dental clinic, DCC, Arabic check-up center, ICU, CCU
 - Renovation of inpatient rooms
 - Repair and replacement of MEP systems

Source: Company data

Still a BUY, but no longer our top sector pick

Reasons to BUY

We maintain our BUY rating on BH, but it is no longer our top pick in the healthcare sector.

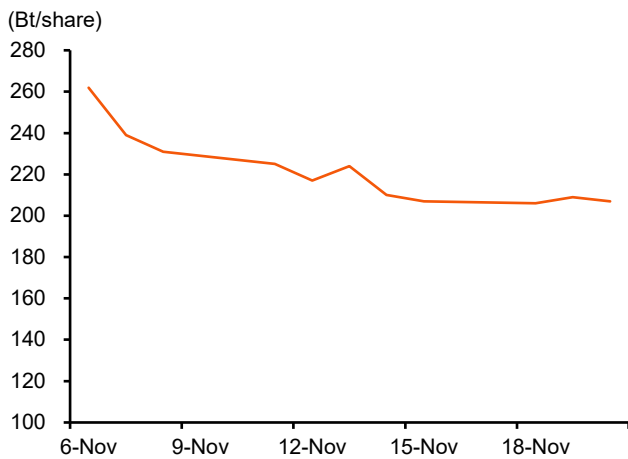
First, we believe the 21% drop in BH's share price following the 3Q24 results, which now leaves it trading at a 20.2x PE multiple for 2025F, has already priced in the weak 3Q24 earnings and the disappearance of UAE and Kuwaiti patients.

Second, despite the mainly negative impact of international patient revenue, we still expect BH to deliver 10/7% earnings growth in 2024-25F.

Lastly, BH offers the highest profitability among the healthcare stocks we cover, with an ROE of 28.2% in 2025F, compared to the sector average of 18.2%.

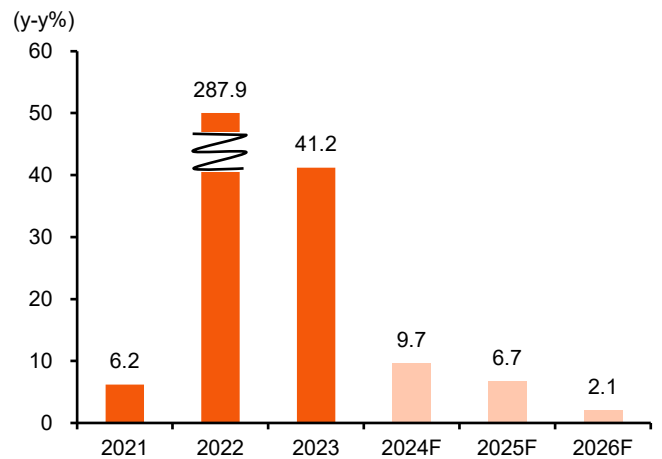
Our top sector pick is now BDMS (BDMS TB, Bt26.50, BUY).

Ex 11: BH's Share Price



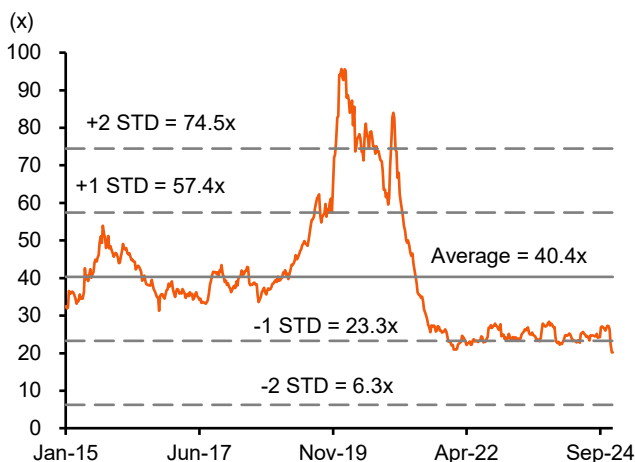
Source: Bloomberg

Ex 12: EPS Growth



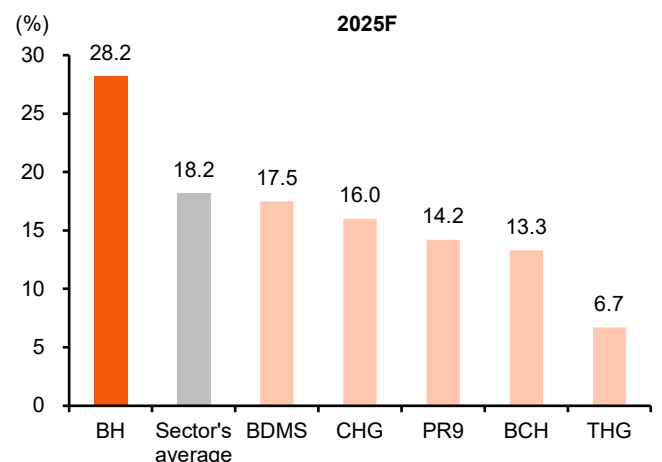
Sources: Company data, Thanachart estimates

Ex 13: STD – PE Band



Sources: Bloomberg, Thanachart estimates

Ex 14: ROE



Source: Thanachart estimates

Valuation Comparison

Ex 15: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Ramsay Healthcare	RHC AU	Australia	na	6.4	30.6	28.8	1.8	1.7	9.2	8.9	2.2	2.3
Guangzhou Pharmaceutical	874 HK	Hong Kong	(9.6)	0.9	8.0	8.0	0.8	0.7	8.7	8.4	3.7	3.9
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	(4.3)	14.8	9.2	8.0	1.5	1.3	7.5	6.6	4.6	5.2
Apollo Hospitals Enterprise	APHS IN	India	3.2	56.5	103.7	66.3	13.8	11.8	42.1	32.5	0.2	0.2
Fortis Healthcare India	FORH IN	India	(1.2)	36.2	84.0	61.7	6.2	5.9	41.2	32.0	0.1	0.2
KPJ Healthcare	KPJ MK	Malaysia	9.3	13.6	33.9	29.9	3.8	3.7	15.4	14.2	1.6	1.7
IHH Healthcare Bhd	IHH MK	Malaysia	(35.9)	7.4	33.8	31.4	2.1	2.0	14.5	13.5	1.2	1.3
Ryman	RYM NZ	New Zealand	na	(12.5)	12.1	13.9	0.7	0.7	16.5	19.6	na	0.0
Raffles Medical Group	RFMD SP	Singapore	(23.7)	5.4	23.6	22.4	1.5	1.5	11.4	10.6	2.6	2.7
Bangkok Chain Hospital *	BCH TB	Thailand	11.6	15.1	25.1	21.8	3.0	2.8	12.7	11.2	2.6	3.0
Bangkok Dusit Medical *	BDMS TB	Thailand	11.1	10.9	26.4	23.8	4.2	4.1	20.0	18.1	3.0	3.4
Bumrungrad Hospital *	BH TB	Thailand	9.7	6.7	21.5	20.2	6.0	5.4	15.3	14.4	2.8	3.2
Chularat Hospital *	CHG TB	Thailand	10.8	15.1	25.1	21.8	3.6	3.3	16.1	14.0	2.0	2.3
Praram 9 Hospital *	PR9 TB	Thailand	29.0	14.5	27.6	24.1	3.6	3.3	15.8	13.8	1.8	2.3
Thonburi Healthcare Group*	THG TB	Thailand	(20.4)	29.4	25.3	19.6	1.3	1.3	10.8	9.8	2.0	2.8
Average			(0.8)	14.7	32.7	26.8	3.6	3.3	17.1	15.2	2.2	2.3

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

Based on 20 November 2024 closing prices

COMPANY DESCRIPTION

Bumrungrad Hospital Pcl (BH) operates a private hospital business in Bangkok with a full capacity of 561 beds and more than 5,500 outpatients a day. It is one of the leading healthcare providers in Thailand and Southeast Asia, offering a complete range of healthcare services. BH is expanding and upgrading its flagship Bangkok facilities to cater to the increasing demand for private health care.

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

- Strong brand with a good international reputation.
- High-quality and complex medical treatments with good service, in our view.
- Patient base comprises the high affordability group, which is less price sensitive.

O — Opportunity

- Rising incomes should boost people's affordability in paying for better-quality healthcare services.
- An aging population will require more complex medical treatments.
- The ASEAN Economic Community's launch.

W — Weakness

- Client base is not well diversified.

T — Threat

- Rising competition from regional peers such as Singapore, Malaysia, and India.
- Policy and regulatory risks.
- COVID-19 outbreak risks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	274.05	243.00	-11%
Net profit 24F (Bt m)	7,749	7,633	-2%
Net profit 25F (Bt m)	8,102	8,163	1%
Consensus REC	BUY: 16	HOLD: 10	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is below the Street's, which we attribute to us having a more conservative view of BH's long-term growth path.

RISKS TO OUR INVESTMENT CASE

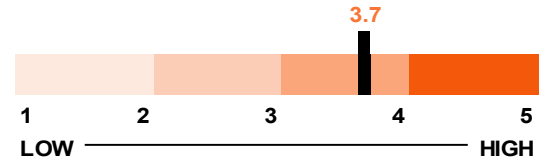
- If the number of Thai and international patients were to come in below our current expectations, this would represent the key downside risk to our call.
- If BH's billing size and margins were to be lower than our current assumptions, this would represent a secondary downside risk.
- If there is more competition from existing private healthcare operators and/or newcomers to the Thai healthcare market, this would represent a downside risk to our earnings.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

BH is a one-campus, high-end hospital in the center of Bangkok. The company’s business nature doesn’t produce much greenhouse gas. In other ESG areas, BH has a decent focus on them. Our ESG score for BH is 3.7, and we expect the score to improve in the future with more medical innovations.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	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)
BH	-	-	-	A	-	59.81	31.00	29.0	4.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, 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

- BH is a high-end, one-campus hospital in the center of Bangkok. It has the highest ratio of foreign patient income in the sector. Given its business nature, BH doesn't produce much greenhouse gas (GHG). However, we believe it has a decent focus on ESG issues.
- BH is exploring and developing the possibilities of renewable energy sources to develop its short-, medium-, and long-term emission reduction strategies further.
- BH maintains high air quality in the hospital by conducting air quality surveys, replacing air filters in all its HVAC air handling units, and installing an ultraviolet germicidal irradiation system in these units.
- BH has done water-flow reduction assessments to develop options ranging from changing sinks to redesigning BH's HVAC systems to reduce usage.
- BH is committed to minimizing waste generation. It has guidelines and initiatives on solid waste and hazardous waste management in compliance with regulations and standards.

SOCIAL

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

- BH tracks and monitors labor practices to ensure compliance with relevant local and international regulations and pursues continuous improvements. It has a human rights policy that highlights the protection of employee rights.
- BH practices transparency and fairness in its recruitment process and offers equal opportunities to job applicants without discrimination against race, nationality, religion, gender, language, age, sexual orientation, social status, and mental or physical disabilities.
- BH has a "Quality Improvement and Patient Safety Plan Procedure", which responds to demand and ensures patient satisfaction. The procedure intends to improve services, reduce costs, and lessen conflict and inconvenience to patients and employees.
- BH ensures that it remains accredited by JCI, A-HA, and global healthcare accreditation (GHA) standards, as well as other related regulations.

GOVERNANCE & SUSTAINABILITY

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

- The board of directors has five independent directors out of a total of 11. Two independent directors are female.
- BH's policy is to disclose transparent, complete, reliable, and timely information through various easily accessible channels.
- BH has the "Bumrungrad Application", a mobile application that facilitates appointment bookings, teleconsultations, payments, and access to patient health information.
- As for innovations, BH has invested in Next Generation Sequencing (NGS) technology. BH has succeeded in genetic testing for cancer risks and heart disease.
- BH has focused more on opening new excellence centers such as its Genomic Medicine Institute, Hydrogel Spacers at Urology Center, Heart Institute, etc. BH has also invested in the "Martech Transformation Platform".

Sources: Thanachart, Company data

INCOME STATEMENT

2024F revenue hit by falling Kuwaiti and UAE patients

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	20,646	25,296	25,483	26,597	28,288
Cost of sales	11,099	12,895	12,364	12,718	13,967
Gross profit	9,546	12,401	13,119	13,879	14,321
% gross margin	46.2%	49.0%	51.5%	52.2%	50.6%
Selling & administration expenses	3,798	4,180	4,151	4,266	4,500
Operating profit	5,748	8,221	8,968	9,613	9,821
% operating margin	27.8%	32.5%	35.2%	36.1%	34.7%
Depreciation & amortization	1,117	1,097	1,086	1,088	1,320
EBITDA	6,865	9,318	10,054	10,701	11,141
% EBITDA margin	33.3%	36.8%	39.5%	40.2%	39.4%
Non-operating income	308	392	499	481	486
Non-operating expenses	0	0	0	0	0
Interest expense	(4)	(2)	(7)	(7)	(6)
Pre-tax profit	6,053	8,610	9,460	10,088	10,301
Income tax	1,072	1,583	1,741	1,856	1,895
After-tax profit	4,981	7,028	7,720	8,231	8,405
% net margin	24.1%	27.8%	30.3%	30.9%	29.7%
Shares in affiliates' Earnings	(1)	(1)	(1)	0	0
Minority interests	(39)	(49)	(66)	(68)	(73)
Extraordinary items	(3)	28	(20)	0	0
NET PROFIT	4,938	7,006	7,633	8,163	8,332
Normalized profit	4,941	6,978	7,653	8,163	8,332
EPS (Bt)	6.2	8.8	9.6	10.3	10.5
Normalized EPS (Bt)	6.2	8.8	9.6	10.3	10.5

BALANCE SHEET

New buildings and new hospital due to be added in 2026

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	11,419	15,685	15,756	15,737	18,231
Cash & cash equivalent	8,276	10,745	11,050	10,830	13,000
Account receivables	2,658	4,408	4,189	4,372	4,650
Inventories	326	362	347	357	392
Others	159	169	170	177	189
Investments & loans	1	13	13	13	13
Net fixed assets	11,731	12,302	13,228	17,017	17,340
Other assets	1,108	1,212	3,231	3,254	3,282
Total assets	24,259	29,212	32,228	36,021	38,866
LIABILITIES:					
Current liabilities:	3,415	4,184	3,498	3,974	4,128
Account payables	1,085	1,078	1,186	1,220	1,339
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	2,330	3,106	2,312	2,755	2,789
Total LT debt	24	24	37	35	48
Others LT liabilities	814	906	976	1,005	1,056
Total liabilities	4,253	5,114	4,510	5,015	5,232
Minority interest	300	297	362	431	504
Preferred shares	1	1	1	1	1
Paid-up capital	795	795	795	795	795
Share premium	450	450	450	450	450
Warrants	0	0	0	0	0
Surplus	12	67	67	67	67
Retained earnings	18,448	22,489	26,043	29,263	31,818
Shareholders' equity	19,705	23,801	27,356	30,576	33,131
Liabilities & equity	24,259	29,212	32,228	36,021	38,866

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT*Strong cashflow from operations*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	6,053	8,610	9,460	10,088	10,301
Tax paid	(594)	(1,396)	(1,759)	(1,809)	(1,849)
Depreciation & amortization	1,117	1,097	1,086	1,088	1,320
Chg In working capital	(915)	(1,793)	341	(159)	(193)
Chg In other CA & CL / minorities	480	527	(778)	388	(23)
Cash flow from operations	6,141	7,045	8,351	9,596	9,555
Capex	(1,277)	(1,644)	(2,000)	(4,864)	(1,631)
Right of use	(8)	(53)	(55)	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(0)	(12)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	6	17	(1,906)	(7)	12
Cash flow from investments	(1,279)	(1,692)	(3,961)	(4,871)	(1,619)
Debt financing	(2)	28	(7)	(1)	12
Capital increase	0	0	0	0	0
Dividends paid	(2,543)	(2,938)	(4,078)	(4,943)	(5,778)
Warrants & other surplus	24	28	0	0	0
Cash flow from financing	(2,521)	(2,883)	(4,086)	(4,944)	(5,766)
Free cash flow	4,864	5,400	6,351	4,732	7,924

VALUATION*BH is inexpensive, in our view*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	33.3	23.6	21.5	20.2	19.7
Normalized PE - at target price (x)	39.1	27.7	25.2	23.7	23.2
PE (x)	33.3	23.5	21.6	20.2	19.7
PE - at target price (x)	39.1	27.6	25.3	23.7	23.2
EV/EBITDA (x)	22.8	16.5	15.3	14.4	13.6
EV/EBITDA - at target price (x)	26.9	19.6	18.1	17.0	16.2
P/BV (x)	8.4	6.9	6.0	5.4	5.0
P/BV - at target price (x)	9.8	8.1	7.1	6.3	5.8
P/CFO (x)	26.8	23.4	19.7	17.1	17.2
Price/sales (x)	8.0	6.5	6.5	6.2	5.8
Dividend yield (%)	1.7	2.2	2.8	3.2	3.8
FCF Yield (%)	3.0	3.3	3.9	2.9	4.8
(Bt)					
Normalized EPS	6.2	8.8	9.6	10.3	10.5
EPS	6.2	8.8	9.6	10.3	10.5
DPS	3.5	4.5	5.8	6.7	7.9
BV/share	24.8	29.9	34.4	38.5	41.7
CFO/share	7.7	8.9	10.5	12.1	12.0
FCF/share	6.1	6.8	8.0	6.0	10.0

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*Still enjoying earnings
growth, despite hit of fewer
Kuwait and UAE patients*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	66.4	22.5	0.7	4.4	6.4
Net profit (%)	306.2	41.9	8.9	6.9	2.1
EPS (%)	306.2	41.9	8.9	6.9	2.1
Normalized profit (%)	287.9	41.2	9.7	6.7	2.1
Normalized EPS (%)	287.9	41.2	9.7	6.7	2.1
Dividend payout ratio (%)	56.3	51.1	60.0	65.0	75.0
Operating performance					
Gross margin (%)	46.2	49.0	51.5	52.2	50.6
Operating margin (%)	27.8	32.5	35.2	36.1	34.7
EBITDA margin (%)	33.3	36.8	39.5	40.2	39.4
Net margin (%)	24.1	27.8	30.3	30.9	29.7
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.4)	(0.4)	(0.4)	(0.3)	(0.4)
Interest coverage - EBIT (x)	na	na	na	na	na
Interest coverage - EBITDA (x)	na	na	na	na	na
ROA - using norm profit (%)	21.9	26.1	24.9	23.9	22.3
ROE - using norm profit (%)	26.7	32.1	29.9	28.2	26.2
DuPont					
ROE - using after tax profit (%)	26.9	32.3	30.2	28.4	26.4
- asset turnover (x)	0.9	0.9	0.8	0.8	0.8
- operating margin (%)	29.3	34.0	37.2	38.0	36.4
- leverage (x)	1.2	1.2	1.2	1.2	1.2
- interest burden (%)	99.9	100.0	99.9	99.9	99.9
- tax burden (%)	82.3	81.6	81.6	81.6	81.6
WACC (%)	6.7	6.7	6.7	7.2	7.2
ROIC (%)	41.6	58.6	55.9	48.0	40.5
NOPAT (Bt m)	4,730	6,710	7,318	7,844	8,014
invested capital (Bt m)	11,453	13,080	16,343	19,781	20,178

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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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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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