BUY (Unchanged)

Change in Numbers

TP: Bt 3.40 (From: Bt 3.60)

Upside : 29.8%

26 NOVEMBER 2024

Small Cap Research

Chularat Hospital Pcl (CHG TB)

Back to double-digit mode

We are a BUYer of CHG, expecting its EPS growth to rise back to double-digit mode of 14/11% y-y in 2025-26F, driven by organic growth from existing hospitals, falling losses from new ones, and no more cuts to the Social Security rate. We trim our TP to Bt3.4.

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Thanachart Securities

Rising EPS growth; BUY

We reaffirm our BUY on CHG. ***First***, we expect CHG to revert to a double-digit EPS growth mode of 14/11% in 2025-26F from 6% this year. Key low-risk drivers are organic growth from existing hospitals, lower losses from the two new projects that opened in mid-2023, and no Social Security (SS) price cuts. ***Second***, we expect a rising EBIT margin trend from higher revenue intensity and rising utilization. ***Third***, CHG is a beneficiary of the foreign direct investment (FDI) boom as it is one of the top two biggest hospital chains in the eastern part of Bangkok toward the EEC area. ***Lastly***, operating in the highly resilient megatrend healthcare industry, CHG looks inexpensive to us, trading on 22.8x 2025F PE. In this report, we cut our earnings by 4/5/7% in 2024-26F to reflect weaker-than-expected revenue in 3Q24 and the end of hospital management contracts. Our DCF-based 12-month TP (2025F base year) TP falls to Bt3.4 from Bt3.6.

Growing in all types of services

CHG's revenue mix from cash patients, Social Security Scheme (SSS), and Universal Coverage Scheme (UCS) was 64:31:4 in 9M24. Business growth is occurring in all types of services. Cash patient revenue grew 10% y-y in 9M24. CHG has gained SSS market share, with average SSS-registered persons growth of 2.7% y-y in 9M24 vs. the market's growth of 0.8%. Its UCS revenue grew 72% y-y in 9M24 to Bt263m due to more heart and cancer patients. CHG started its UCS cancer services (Cancer Anywhere Program) in late 2Q24. We estimate CHG's total revenue growth to be 9.2/7.4/6.4% in 2024-26F.

Improving margin trend

CHG's EBIT margin bottomed last year at 14.2%, and we expect a rising trend to 14.5/17.4/18.2% in 2024-26F. This is due to higher revenue intensity from its heart, stroke, and cancer services, price adjustments, increased utilization rates, and a reduction in high-cost contributions from the hospital management contracts for Pattaya City Hospital and Koh Lan Medical Center, following the expiry of those contracts in October 2024 and September 2025, respectively.

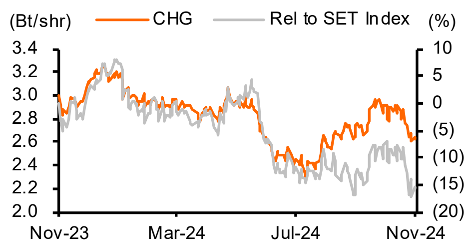
No drags from new projects till 2027F

The latest new project openings were in mid-2023, and they are contributing lower losses each year. There are four new projects in the pipeline – the 200-bed Chularat Rayong International Hospital to be opened in early 2027, a five-floor OPD building at Chularat 11 Hospital in 3Q25, a 71-bed expansion at the existing Chularat RPC in early 2025, and two new buildings with a combined 100 beds at Chularat 3 Hospital in early 2027. We do not expect major losses from most of the projects except for the opening of Chularat Rayong International Hospital in 2027.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	7,730	8,444	9,069	9,651
Net profit	1,046	1,113	1,265	1,402
Consensus NP	—	1,104	1,282	1,390
Diff frm cons (%)	—	*0.8*	*(1.4)*	*0.9*
Norm profit	1,046	1,113	1,265	1,402
Prev. Norm profit	—	1,159	1,335	1,504
Chg frm prev (%)	—	*(4.0)*	*(5.2)*	*(6.8)*
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS grw (%)	(62.4)	6.4	13.7	10.9
Norm PE (x)	27.6	25.9	22.8	20.6
EV/EBITDA (x)	17.9	15.9	13.0	11.8
P/BV (x)	3.8	3.6	3.3	3.1
Div yield (%)	2.7	1.9	2.2	2.4
ROE (%)	13.9	14.4	15.2	15.6
Net D/E (%)	(10.6)	(14.7)	(16.8)	(17.0)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 26-Nov-24 (Bt)	2.62
Market Cap (US$ m)	830.5
Listed Shares (m shares)	11,000.0
Free Float (%)	43.0
Avg Daily Turnover (US$ m)	2.1
12M Price H/L (Bt)	3.26/2.30
Sector	Health Care
Major Shareholder	Plussind Family 24.96%

Sources: Bloomberg, Company data, Thanachart estimates

Rising EPS growth; BUY

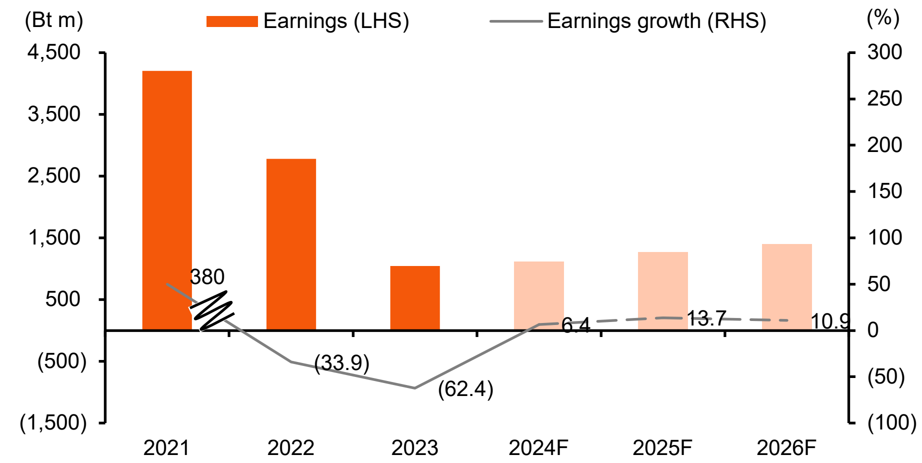
Reasons to BUY CHG

We reaffirm our BUY rating on Chularat Hospital Pcl (CHG) on the back of the following reasons:

First, we expect CHG's earnings to rise back to double-digit EPS growth mode of 14/11% y-y in 2025-26F from 6% this year. We believe the key low-risk drivers are organic growth from its existing hospitals, lower losses from the two new projects, i.e., Chularat Mae Sot International Hospital and Chularat Medical Center, which opened in around mid-2023, and no Social Security (SS) price cuts.

Note that CHG booked a Bt53m shortfall in 2Q24 for high-cost SSS care services (adjusted RW (relative weight) ≥ 2) for revenue incurred in 2023 after the Social Security Office (SSO) announced it would pay a Bt7,200/adjusted RW for the services in November-December 2023 in 2Q24. We now see a high possibility that the Social Security Board will approve paying a reimbursement rate for high-cost care services of Bt12,000/RW from this year. We thus factor this rate into our model from this year onwards. The final conclusion of the Social Security Board about the reimbursement rate for high-cost care services is widely expected to be known early next month.

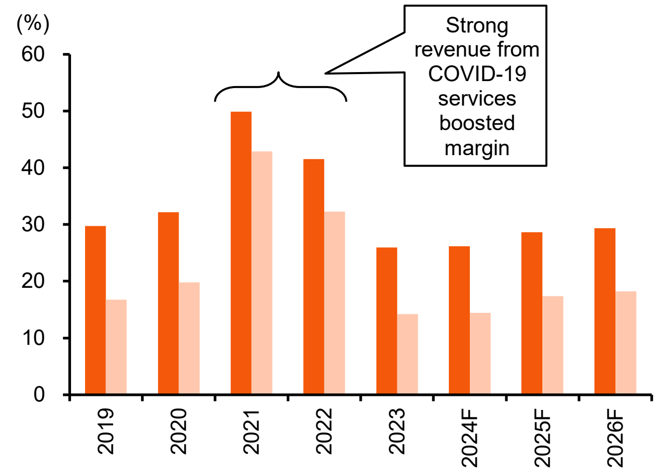
Ex 1: CHG's Earnings And Growth



Sources: Company data, Thanachart estimates

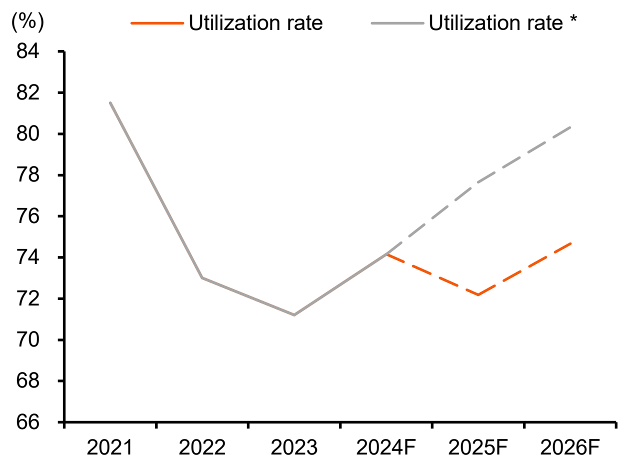
Second, CHG's EBIT margin bottomed last year at 14.2%, and we estimate it to trend up to 14.5/17.4/18.2% in 2024-26F. This is due to rising revenue intensity from its heart, stroke, and cancer services, price adjustments, rising utilization rates, and a reduction in high-cost contributions from the hospital management contracts for Pattaya City Hospital and Koh Lan Medical Center following the expiry of those contracts in October 2024 and September 2025, respectively.

Ex 2: Gross Margin And EBIT Margin



Sources: Company data, Thanachart estimates

Ex 3: Utilization Rate

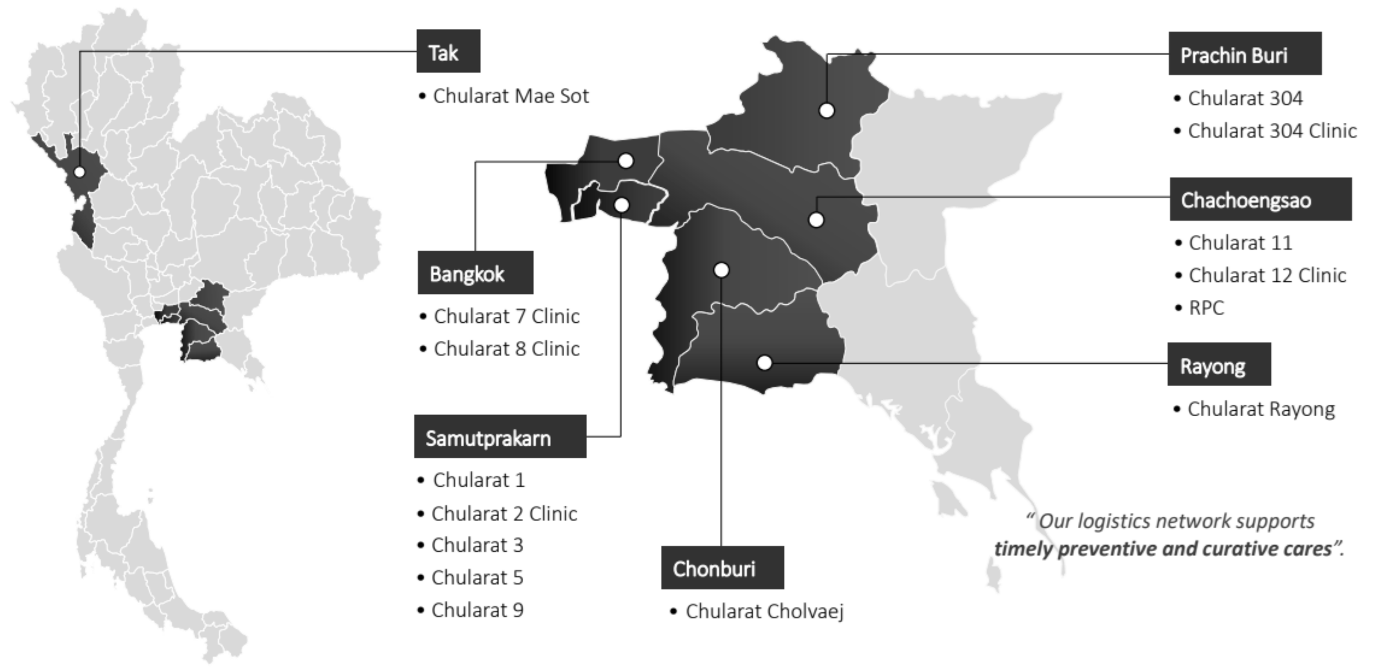


Sources: Company data, Thanachart estimates

Note: * Excluding capacity expansion with 71 beds at Chularat RPC in 2025

Third, CHG is a beneficiary of the foreign direct investment (FDI) boom as it is one of top two biggest hospital chains in the eastern part of Bangkok heading toward the Eastern Economic Corridor (EEC) area.

Ex 4: CHG Is One Of The Top Two Biggest Hospital Chains In The East Of Thailand



Source: Company data

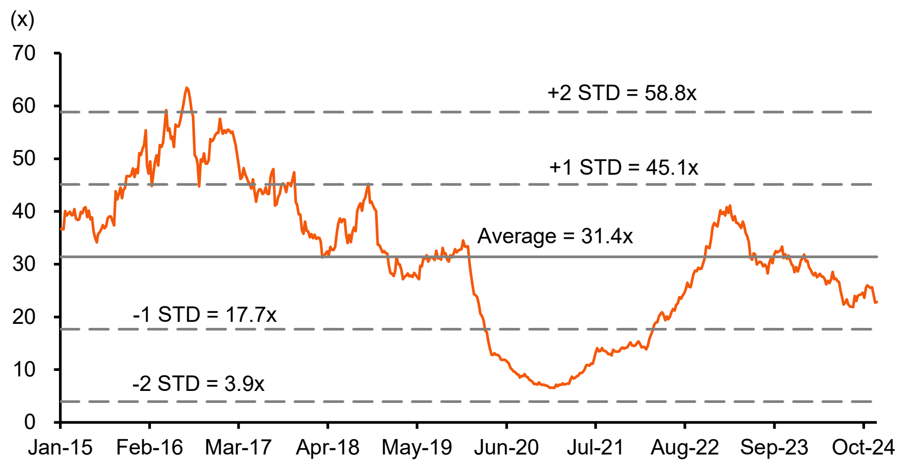
Ex 5: BOI Approvals In The EEC

Provinces	Numbers of projects				Investment value (Bt bn)			
	2022	2023	9M23	9M24	2022	2023	9M23	9M24
Chonburi	198	405	279	501	80	141	111	143
Chachoengsao	65	92	58	77	14	26	7	18
Rayong	179	278	199	317	290	159	133	173
EEC	**442**	**775**	**536**	**895**	**384**	**326**	**251**	**335**

Source: BOI

Lastly, operating in the highly resilient megatrend healthcare industry in Thailand and global markets, CHG looks inexpensive to us, trading on a 22.8x 2025F PE multiple.

Ex 6: CHG's STD PE



Sources: Bloomberg, Thanachart estimates

We cut our earnings by 4/5/7% in 2024-26F

In this report, we cut our earnings estimates by 4/5/7% in 2024-26F to reflect weaker-than-expected revenue in 3Q24 and expiring hospital management contracts. Our DCF-based 12-month TP (2025F base year) TP falls to Bt3.40/share from Bt3.60. The key changes to our assumptions are as follows:

- We cut our hospital management revenue projections by 23/93/100% in 2024-26. The hospital management contract for Pattaya City Hospital expired in the middle of October 2024, and CHG did not roll over the contract. Meanwhile, the hospital management contract for Koh Lan Medical Center will expire in September next year. We also assume that CHG will not renew the contract when it expires.

- We lower our OPD and IPD patient assumptions to reflect the negative impact of the weak economy. This causes our revenue assumptions from cash patients to fall by 7/12/15% in 2024-26F.

- We raise our estimates for CHG's revenue from Universal Coverage Scheme (UCS) to reflect stronger flows from the UCS as CHG started to provide cancer treatment to patients under the UCS in late 2Q24.

- We raise our SSS revenue assumptions for CHG by 3/6/7% in 2024-26F to reflect the higher-than-expected number of registered persons under the Social Security Scheme (SSS) and rising revenue from high-cost care (adjusted RW ≥ 2) services. Note that we previously assumed that the reimbursement rate for high-cost care services would be cut from Bt12,000/adjusted RW to Bt7,200 for two months a year every year. However, we see a high chance that the Social Security Board will pay a rate of Bt12,000 from this year onwards; we thus add back the SSS payment shortfall to our projections. The SSO already paid for high-cost services from January to June 2024 at Bt12,000/adjusted RW. Note that if the SSO pays for high-cost care at a rate of Bt7,200/adjusted RW for two months, this would lead to a downside risk of 4% to our estimate of this year's earnings.

Ex 7: Changes In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F
Hospital management revenue (Bt m)					
- New	264	264	204	18	0
- Old			264	264	264
- Change (%)			*(22.7)*	*(93.2)*	*(100.0)*
# of OPD patients (people)					
- New	926,827	1,136,700	1,193,377	1,245,867	1,304,849
- Old			1,212,816	1,282,824	1,356,799
- Change (%)			*(1.6)*	*(2.9)*	*(3.8)*
# of IPD patients (people)					
- New	73,727	91,461	96,626	101,203	104,694
- Old			97,977	103,631	108,484
- Change (%)			*(1.4)*	*(2.3)*	*(3.5)*
Revenue from cash patients (Bt m)					
- New	4,090	5,025	5,425	5,799	6,198
- Old			5,855	6,598	7,254
- Change (%)			*(7.3)*	*(12.1)*	*(14.6)*
Revenue from UC patients (Bt m)					
- New	544	244	359	377	396
- Old			341	358	376
- Change (%)			*5.4*	*5.4*	*5.4*
# of registered persons (people)					
- New	504,737	528,111	546,595	560,260	571,465
- Old			543,954	557,553	568,704
- Change (%)			*0.5*	*0.5*	*0.5*
Revenue from SSS patients (Bt m)					
- New	2,149	2,461	2,660	2,893	3,057
- Old			2,589	2,729	2,861
- Change (%)			*2.7*	*6.0*	*6.8*
Norm profit (Bt m)					
- New	2,778	1,046	1,113	1,265	1,402
- Old			1,159	1,335	1,504
- Change (%)			*(4.0)*	*(5.2)*	*(6.8)*

Sources: Company data, Thanachart estimates

Growing in all types of services

Revenue from all kinds of patients continues to grow in 2024-26F

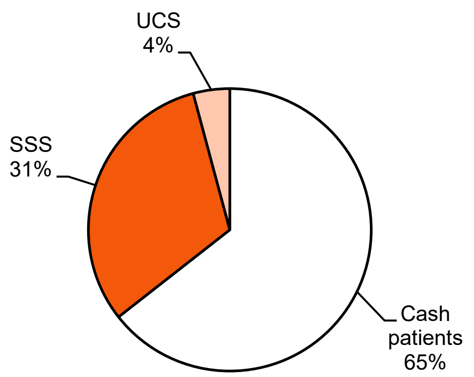
CHG's revenue mix from cash patients, SSS, and UCS was 64:31:4 in 9M24. Business growth has been seen in all types of services. Cash patient revenue grew by 10% y-y in 9M24. This was supported by growth in OPD and IPD patient volumes. OPD and IPD patients grew by 5.7% and 6.2% in 9M24 due to rising patient volumes at existing and new hospitals. We estimate CHG's OPD and IPD cash patient volume growth at 5.0/4.4/4.7% and 5.6/4.7/3.4% in 2024-26F, respectively. Meanwhile, we project CHG's revenue from cash patients to grow by 8.0/6.9/6.9% in 2024-26F.

In the SSS market, CHG has also continued to gain market share. The average number of CHG's SSS-registered persons grew by 2.7% y-y in 9M24 vs. the market's growth of 0.8%. Its market share in the SSS market continued to grow from 3.3% in 2019 to 4.0% in 9M24. We estimate CHG's number of registered persons to grow by 3.5/2.5/2.0% in 2024-26, and we project CHG's revenue from the SSS to grow by 8.1/8.8/5.7% in 2024-26F.

Due to increasing heart and cancer patients, its UCS revenue grew 72% y-y in 9M24 to Bt263m. CHG started its UCS cancer services (Cancer Anywhere Program) in late 2Q24. Note that CHG only provides stroke treatment services under the UCEP (Universal Coverage for Emergency Patients) scheme.

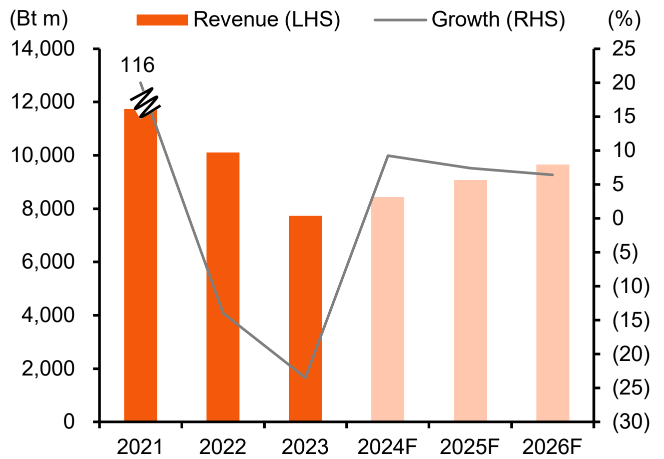
Thanks to the growth in all kinds of patients, we estimate CHG's total revenue growth at 9.2/7.4/6.4% in 2024-26F.

Ex 8: Revenue Breakdown In 9M24



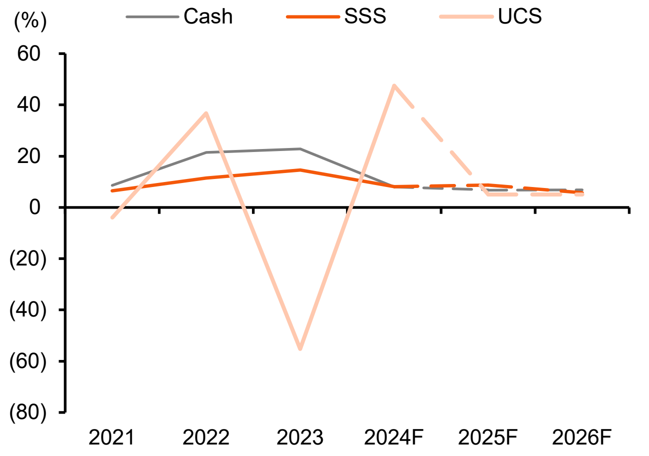
Source: Company data

Ex 9: Total Revenue Growth



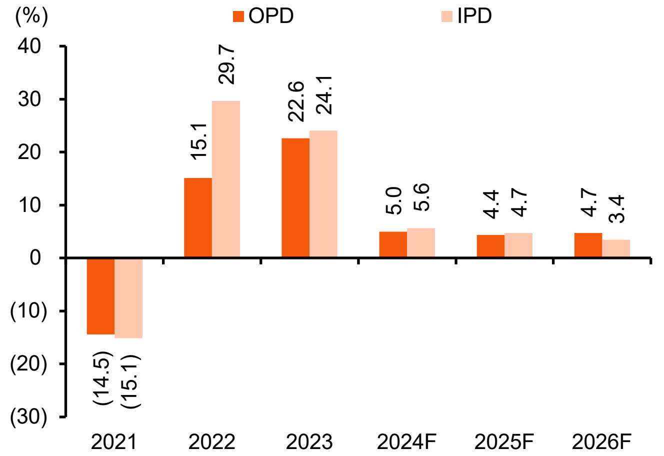
Sources: Company data, Thanachart estimates

Ex 10: Revenue Growth Of Cash, SSS, And UCS Patients



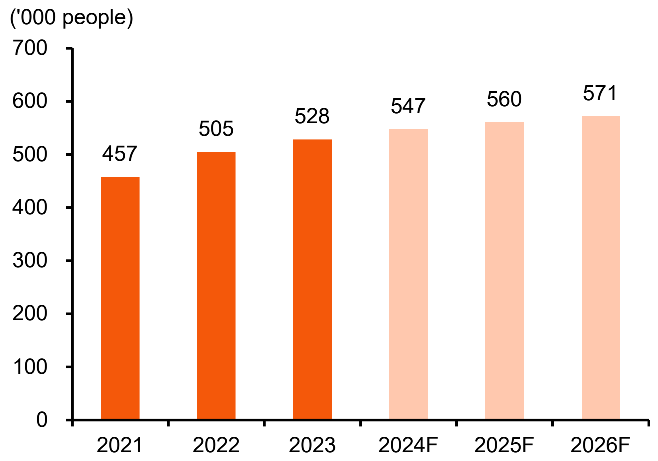
Sources: Company data, Thanachart estimates

Ex 11: OPD And IPD Patient Growth



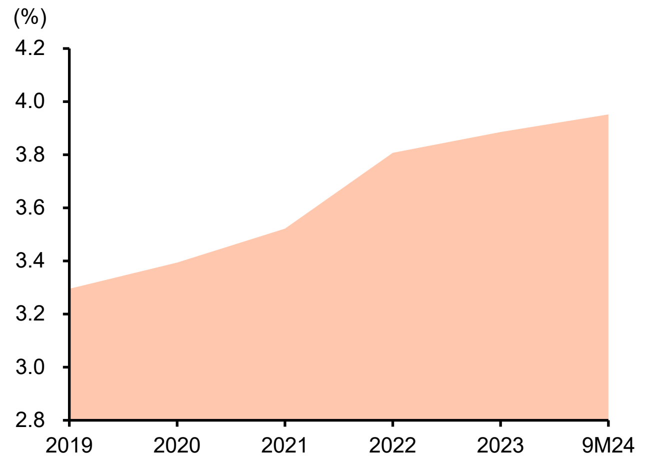
Sources: Company data, Thanachart estimates

Ex 12: Number Of Registered Persons



Sources: Company data, Thanachart estimates

Ex 13: CHG's Share Of The SSS Market



Sources: Company data, SSO

No drags from new projects till 2027F

CHG's latest two new projects – Chularat Mae Sot International Hospital and Chularat Medical Center – opened in mid-2023, and they are now contributing lower losses each year. We estimate losses from Chularat Mae Sot to decline from Bt79m in 2024 to Bt43m in 2025 and Bt12m in 2026. Note that Chularat Medical Center's operation is included in Chularat 3 International Hospital's operation.

Four new projects planned in 2025-27

CHG has four new projects in the pipeline.

First, the new greenfield Chularat Rayong International Hospital is located in Choengnoen sub-district, Muang district, Rayong province. The land area is 10-3-76.1 rai. The hospital has 200 IPD beds in a 12-floor building with a total area of 31,169 sq m. The total investment for the project is Bt1.5bn (including the land cost of Bt180m, the Bt920m construction cost, and Bt400m in medical instrument and other device costs). Construction is scheduled to start in 4Q24, and the opening is targeted for early 2027. In the first phase, CHG plans to open 59 IPD beds.

The new hospital will be held by Chularat Rayong Hospital Co., Ltd. CHG targets a 70% stake in the company, with the rest owned by doctors, nurses, other healthcare professionals, and businessmen in the area. The hospital will provide services only to cash patients (self-pay, corporate contracts, and insurance).

Second, a new five-floor OPD building is planned with a total space of 1,315 sq m in Chularat 11 International Hospital in Chachoengsao province, requiring a total investment of Bt50m. CHG plans to start construction in 3Q24 and targets to operate the new building in 3Q25. CHG intends to add MRI facilities and more new clinics and services at the new building.

Third, with the full utilization of 59 beds (the first phase) at Chularat RPC, it thus targets to open an additional 71 beds (the second phase) in early 2025. This expansion is slightly delayed from 2H24. CHG slightly spends money for this second phase opening.

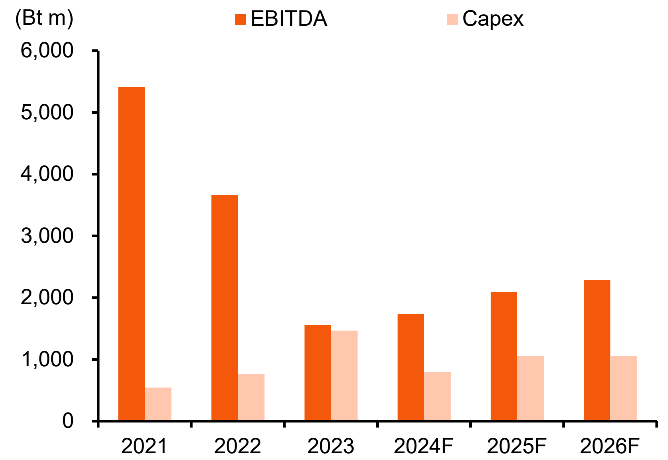
Fourth, due to the already high utilization rate at Chularat 3 International Hospital, which currently has 237 IPD beds, management plans to open two new buildings with 100 beds in early 2027. The total investment for the project is around Bt500m.

After these four projects are added to its portfolio, CHG's active bed capacity would expand by 25% from 938 beds at the end of 3Q24 to 1,168 beds in 2027.

We do not expect significant losses from most projects except for the opening of Chularat Rayong International Hospital in 2027.

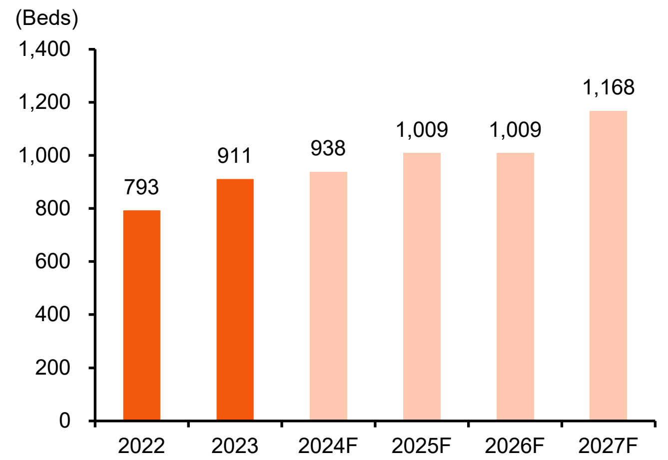
We estimate CHG's capex at Bt800m in 2024F and Bt1.1bn p.a. in 2025-26F. CHG should be able to finance its new investments using internal cash flow and debt. We estimate CHG's EBITDA at Bt1.7/2.1/2.3bn in 2024-26F. CHG is a net cash company.

Ex 14: CHG's EBITDA



Sources: Company data, Thanachart estimates

Ex 15: CHG's Number Of Active Beds



Sources: Company data, Thanachart estimates

Ex 16: 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	2,082	2,280	2,371	2,615	2,847	3,070	3,295	3,535	3,792	4,064	4,354	—
Free cash flow	878	809	1,590	1,772	1,966	2,146	2,322	2,501	2,700	2,916	2,941	52,347
PV of free cash flow	876	704	1,289	1,340	1,386	1,411	1,424	1,430	1,439	1,450	1,296	23,070

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.6
WACC (%)	7.2
Terminal growth (%)	2.0
Enterprise value	**37,115**
Net debt (end-2024F)	(1,233)
Minority interest	419
Equity value	37,929
# of shares (m)	11,000
Equity value / share (Bt)	**3.40**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 17: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 24F (%)	EPS growth 25F (%)	PE 24F (x)	PE 25F (x)	P/BV 24F (x)	P/BV 25F (x)	EV/EBITDA 24F (x)	EV/EBITDA 25F (x)	Div yield 24F (%)	Div yield 25F (%)
Ramsay Healthcare	RHC AU	Australia	na	6.4	31.6	29.7	1.9	1.8	9.4	9.0	2.1	2.2
Guangzhou Pharmaceutical	874 HK	Hong Kong	(12.6)	5.3	8.2	7.8	0.8	0.7	8.3	7.8	3.6	3.8
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	(4.3)	14.8	8.2	7.2	1.3	1.2	6.8	6.0	5.2	5.8
Apollo Hospitals Enterprise	APHS IN	India	3.2	56.5	109.7	70.1	14.6	12.5	44.4	34.3	0.2	0.2
Fortis Healthcare India	FORH IN	India	(1.2)	36.1	84.8	62.3	6.3	6.0	41.6	32.2	0.1	0.2
KPJ Healthcare	KPJ MK	Malaysia	10.9	16.4	35.8	30.8	4.2	3.9	16.0	14.7	1.5	1.7
IHH Healthcare Bhd	IHH MK	Malaysia	(35.9)	7.4	33.5	31.2	2.0	2.0	14.4	13.4	1.2	1.3
Ryman	RYM NZ	New Zealand	na	(12.5)	12.7	14.5	0.7	0.7	17.0	20.1	na	0.0
Raffles Medical Group	RFMD SP	Singapore	(23.7)	5.4	23.2	22.1	1.5	1.5	11.1	10.4	2.7	2.8
Bangkok Chain Hospital *	BCH TB	Thailand	11.6	15.1	25.7	22.3	3.1	2.9	13.0	11.5	2.5	2.9
Bangkok Dusit Medical *	BDMS TB	Thailand	11.1	10.9	25.6	23.1	4.1	4.0	19.5	17.6	3.1	3.5
Bumrungrad Hospital *	BH TB	Thailand	9.7	6.7	21.3	20.0	6.0	5.3	15.1	14.2	2.8	3.3
Chularat Hospital *	CHG TB	Thailand	6.4	13.7	25.9	22.8	3.6	3.3	15.9	13.0	1.9	2.2
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	29.0	22.4	1.5	1.5	11.8	10.7	1.7	2.5
Average			**(1.2)**	**15.1**	**33.5**	**27.4**	**3.7**	**3.4**	**17.3**	**15.3**	**2.2**	**2.3**

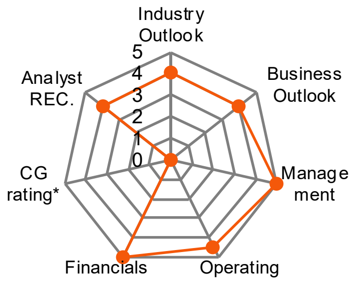
Source: Bloomberg, Thanachart estimates
Note: * Thanachart estimates, using Thanachart normalized EPS
Based on 26 November 2024 closing prices

COMPANY DESCRIPTION

Chularat Hospital Pcl (CHG) is a private hospital chain established in 1986 in the eastern region of Thailand, particularly in Samut Prakan and Chachoengsao provinces. The company operates 10 main hospitals and five clinics, providing medical treatment to cash and Social Security (SS) patients. Chularat Group offers expertise in hand 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; * No 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.

W — Weakness

- Limited patient-base diversification as CHG still mainly focuses on the low- to mid-tier and managed-care markets.

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 neighbouring countries.
- Increasing COVID-19 infections.

T — Threat

- Growing importance of franchise names and big players such as Bangkok Dusit Medical Services (BDMS TB, Bt25.75, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.34	3.40	2%
Net profit 24F (Bt m)	1,104	1,113	1%
Net profit 25F (Bt m)	1,282	1,265	-1%
Consensus REC	**BUY: 10**	**HOLD: 3**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F earnings and TP are in line with the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

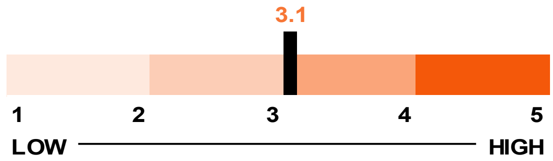
RISKS TO OUR INVESTMENT CASE

- 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. Our ESG score for CHG is 3.1, and we expect it 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)
CHG	-	-	-	BB	-	57.93	21.00	-	0.0

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)
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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 reducing the waste generated from its operations and ensuring waste intensity does not exceed 10.5kg per inpatient bed, reducing water consumption and controlling water intensity so as not to exceed 1cbm per inpatient bed, and lowering 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, speed, and safety. It targets more than 90% customer satisfaction and has received quality certifications from Hospital Accreditation (HA) and Joint Commission International (JCI).

▪ 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 that provides medical and homecare services via wireless networks.

Sources: Thanachart, Company data

Existing and new hospitals drive revenue growth in 2024-26F

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	10,103	7,730	8,444	9,069	9,651
Cost of sales	5,908	5,723	6,235	6,475	6,818
Gross profit	**4,195**	**2,008**	**2,209**	**2,594**	**2,833**
% gross margin	41.5%	26.0%	26.2%	28.6%	29.4%
Selling & administration expenses	935	911	988	1,019	1,075
Operating profit	**3,260**	**1,097**	**1,221**	**1,575**	**1,758**
% operating margin	32.3%	14.2%	14.5%	17.4%	18.2%
Depreciation & amortization	403	464	513	520	532
EBITDA	**3,664**	**1,561**	**1,734**	**2,095**	**2,291**
% EBITDA margin	36.3%	20.2%	20.5%	23.1%	23.7%
Non-operating income	311	293	250	56	39
Non-operating expenses	0	0	0	0	0
Interest expense	(16)	(24)	(35)	(13)	(9)
Pre-tax profit	**3,555**	**1,366**	**1,435**	**1,619**	**1,789**
Income tax	703	279	295	332	367
After-tax profit	**2,851**	**1,087**	**1,140**	**1,287**	**1,422**
% net margin	28.2%	14.1%	13.5%	14.2%	14.7%
Shares in affiliates' Earnings	(1)	(19)	(14)	(8)	(5)
Minority interests	(72)	(21)	(13)	(14)	(15)
Extraordinary items	0	0	0	0	0
NET PROFIT	**2,778**	**1,046**	**1,113**	**1,265**	**1,402**
Normalized profit	**2,778**	**1,046**	**1,113**	**1,265**	**1,402**
EPS (Bt)	0.3	0.1	0.1	0.1	0.1
Normalized EPS (Bt)	0.3	0.1	0.1	0.1	0.1

More new projects due to added in 2025-27

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	5,058	4,046	4,228	4,199	4,448
Cash & cash equivalent	2,001	1,524	1,775	1,825	1,925
Account receivables	2,767	2,158	2,082	1,988	2,115
Inventories	265	336	342	355	374
Others	26	27	30	32	34
Investments & loans	142	122	122	122	122
Net fixed assets	4,749	5,777	6,078	6,621	7,150
Other assets	330	319	332	340	349
Total assets	**10,280**	**10,264**	**10,762**	**11,283**	**12,069**
LIABILITIES:					
Current liabilities:	1,802	1,485	1,640	1,648	1,713
Account payables	851	894	1,025	1,064	1,121
Bank overdraft & ST loans	400	45	54	30	25
Current LT debt	65	82	73	41	34
Others current liabilities	486	464	487	513	534
Total LT debt	**334**	**556**	**415**	**232**	**191**
Others LT liabilities	280	293	314	325	337
Total liabilities	**2,416**	**2,333**	**2,368**	**2,206**	**2,241**
Minority interest	341	406	419	433	448
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	**5,277**	**5,278**	**5,728**	**6,398**	**7,134**
Shareholders' equity	7,523	7,525	7,974	8,645	9,380
Liabilities & equity	**10,280**	**10,264**	**10,762**	**11,283**	**12,069**

Sources: Company data, Thanachart estimates

Sustainable cash inflow stream

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	3,555	1,366	1,435	1,619	1,789
Tax paid	(1,289)	(325)	(279)	(327)	(357)
Depreciation & amortization	403	464	513	520	532
Chg In working capital	(291)	581	202	121	(90)
Chg In other CA & CL / minorities	182	48	(9)	(3)	(4)
Cash flow from operations	**2,560**	**2,134**	**1,861**	**1,930**	**1,870**
Capex	(769)	(1,468)	(800)	(1,050)	(1,050)
Right of use	(24)	(21)	(5)	(1)	(1)
ST loans & investments	0	0	0	0	0
LT loans & investments	(142)	19	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	56	21	(2)	4	2
Cash flow from investments	**(879)**	**(1,449)**	**(807)**	**(1,047)**	**(1,049)**
Debt financing	355	(116)	(141)	(239)	(53)
Capital increase	0	0	0	0	0
Dividends paid	(2,805)	(1,045)	(663)	(594)	(667)
Warrants & other surplus	(19)	0	0	0	0
Cash flow from financing	**(2,470)**	**(1,161)**	**(804)**	**(833)**	**(720)**
Free cash flow	**1,790**	**666**	**1,061**	**880**	**820**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.4	27.6	25.9	22.8	20.6
Normalized PE - at target price (x)	13.5	35.8	33.6	29.6	26.7
PE (x)	10.4	27.6	25.9	22.8	20.6
PE - at target price (x)	13.5	35.8	33.6	29.6	26.7
EV/EBITDA (x)	7.5	17.9	15.9	13.0	11.8
EV/EBITDA - at target price (x)	9.9	23.4	20.9	17.1	15.6
P/BV (x)	3.8	3.8	3.6	3.3	3.1
P/BV - at target price (x)	5.0	5.0	4.7	4.3	4.0
P/CFO (x)	11.3	13.5	15.5	14.9	15.4
Price/sales (x)	2.9	3.7	3.4	3.2	3.0
Dividend yield (%)	6.1	2.7	1.9	2.2	2.4
FCF Yield (%)	6.2	2.3	3.7	3.1	2.8
(Bt)					
Normalized EPS	0.3	0.1	0.1	0.1	0.1
EPS	0.3	0.1	0.1	0.1	0.1
DPS	0.2	0.1	0.1	0.1	0.1
BV/share	0.7	0.7	0.7	0.8	0.9
CFO/share	0.2	0.2	0.2	0.2	0.2
FCF/share	0.2	0.1	0.1	0.1	0.1

Sources: Company data, Thanachart estimates

CHG is a net cash company

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	(14.0)	(23.5)	9.2	7.4	6.4
Net profit (%)	(33.9)	(62.4)	6.4	13.7	10.9
EPS (%)	(33.9)	(62.4)	6.4	13.7	10.9
Normalized profit (%)	(33.9)	(62.4)	6.4	13.7	10.9
Normalized EPS (%)	(33.9)	(62.4)	6.4	13.7	10.9
Dividend payout ratio (%)	63.3	73.6	50.0	50.0	50.0
Operating performance					
Gross margin (%)	41.5	26.0	26.2	28.6	29.4
Operating margin (%)	32.3	14.2	14.5	17.4	18.2
EBITDA margin (%)	36.3	20.2	20.5	23.1	23.7
Net margin (%)	28.2	14.1	13.5	14.2	14.7
D/E (incl. minor) (x)	0.1	0.1	0.1	0.0	0.0
Net D/E (incl. minor) (x)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)
Interest coverage - EBIT (x)	200.3	45.7	34.7	121.9	202.5
Interest coverage - EBITDA (x)	225.1	65.0	49.2	162.1	263.9
ROA - using norm profit (%)	26.7	10.2	10.6	11.5	12.0
ROE - using norm profit (%)	36.8	13.9	14.4	15.2	15.6
DuPont					
ROE - using after tax profit (%)	37.8	14.4	14.7	15.5	15.8
- asset turnover (x)	1.0	0.8	0.8	0.8	0.8
- operating margin (%)	35.3	18.0	17.4	18.0	18.6
- leverage (x)	1.4	1.4	1.4	1.3	1.3
- interest burden (%)	99.5	98.3	97.6	99.2	99.5
- tax burden (%)	80.2	79.6	79.4	79.5	79.5
WACC (%)	7.2	7.2	7.2	7.2	7.2
ROIC (%)	50.1	13.8	14.5	18.6	19.6
NOPAT (Bt m)	2,615	873	970	1,252	1,398
invested capital (Bt m)	6,322	6,683	6,741	7,123	7,705

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

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