

# Thailand Healthcare Sector

## Entering organic mode

Sector Valuation			TP Norm EPS growth		- Norm PE -		- P/BV -		- EV/EBITDA -		- Div yield -		
Company	BBG code	Rec.	2024F (Bt)	2025F (%)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)	
Bangkok Chain Hospital	BCH TB	BUY	21.50	(14.4)	33.8	31.9	23.8	3.0	2.8	14.5	11.7	2.2	3.1
Bangkok Dusit Medical	BDMS TB	BUY	34.00	9.4	8.7	24.3	22.3	3.8	3.7	18.2	16.7	3.3	3.6
Bumrungrad Hospital	BH TB	BUY	243.00	9.7	6.7	20.3	19.0	5.7	5.1	14.3	13.5	3.0	3.4
Chularat Hospital	CHG TB	BUY	3.40	(3.4)	25.2	25.9	20.7	3.4	3.2	15.7	12.0	2.9	3.6
Praram 9 Hospital	PR9 TB	BUY	30.00	29.0	14.5	28.1	24.6	3.6	3.4	16.2	14.1	1.8	2.2
Thonburi Healthcare Group	THG TB	SELL	12.20	(78.8)	147.2	84.0	34.0	1.3	1.2	11.6	11.0	0.0	1.6

Source: Thanachart estimates, Based on 8 January 2025 closing prices

**The Thai healthcare sector is entering a more organic growth stage. However, with its solid fundamentals and already de-rated valuations, we maintain our OVERWEIGHT stance on the sector. BCH and CHG replace BDMS and PR9 as our top sector picks.**

### Slower EPS growth reflected in valuations

The Thai healthcare sector is entering a lower earnings growth cycle from an already high earnings base of an 8% three-year EPS CAGR over 2025-27F vs. its average growth of 20% p.a. for the past five years. However, the sector's fundamentals remain strong, supported by the trends of an aging society, rising margins from higher care intensity and expansion of excellence centers, and capacity expansions. The sector's ROE looks decent at around 18%. And with an already de-rated PE for 2025F of 21.6x, which we believe reflects the slower growth outlook, we maintain our OVERWEIGHT stance on the sector.

### Earnings drivers

Key earnings drivers in this cycle of growth are 1) Thai patient growth of 4-5% p.a. in 2025-27F, 2) foreign patient growth, even without the resumption of government-sponsored Kuwaiti patients, of 4-5% p.a., 3) the average billing size rising by 2-3% p.a., 4) revenue from the Social Security Scheme (SSS) increasing by 5-10% p.a. and 5) EBIT margin widening to 17.9% in 2027F from 17.0% in 2024F from higher intensity and the operating leverage effect.

### Industry challenges

Challenges for the industry are 1) stricter health insurance claim rules and the increasing adoption of co-payment health insurance from 2025, and 2) the already high treatment cost base for Thais. Becoming less of a downside risk to hospitals offering the SSS service is the Social Security Office's (SSO) recent resolution to guarantee the SSS's high-cost treatment at Bt12,000/RW for the entire year. In some years in the past, the SSO paid less than the stated amount of Bt12,000/RW during the last few months of the year.

### Changes in our top picks

**BCH** and **CHG** replace **BDMS** and **PR9** as our top sector picks. We forecast that both companies' EPS growth will outperform the industry. While BCH's growth is 34/11%, CHG's is 25/11% in 2025-26F. Both are also leaders in SSS services, and they would benefit from the full payment at the standard rate of Bt12,000/RW. **BDMS** and **PR9** offer slower EPS growth with a similar PE, on our estimates.

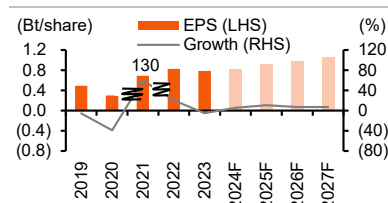


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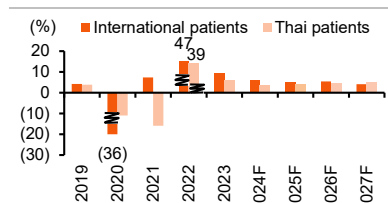
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### Organic Earnings Growth



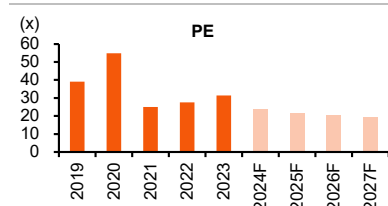
Sources: Company data, Thanachart estimates

### Slow Growth Of Cash Patients



Sources: Company data, Thanachart estimates

### Sector Valuation Looks Inexpensive



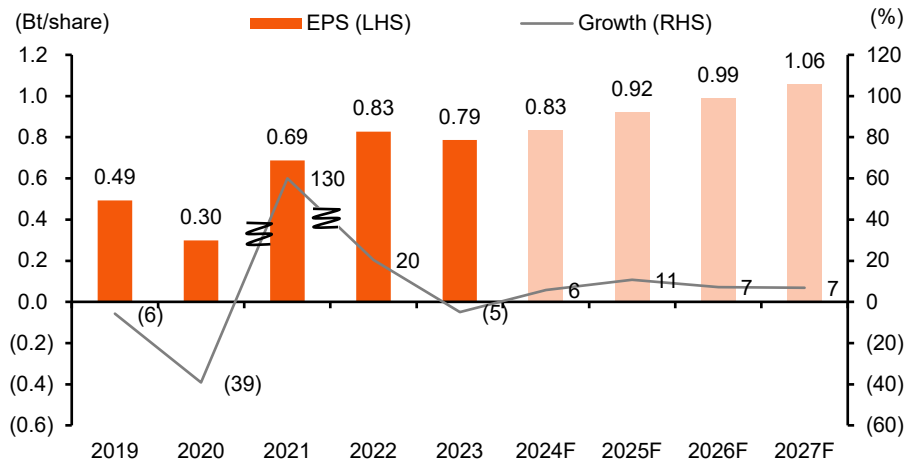
Sources: Bloomberg, Thanachart estimates

### Slower growth reflected in valuations

**Slower earnings growth with an 8% three-year EPS CAGR for 2025-27F**

We believe the Thai healthcare sector is entering a period of lower earnings growth, starting from an already high earnings base, with an 8% three-year EPS CAGR over 2025-27F, compared to the average growth of 20% p.a. over the past five years (2019-2023), which were strong years for the healthcare sector due to the COVID-19 pandemic.

**Ex 1: Healthcare Sector's EPS And Growth**



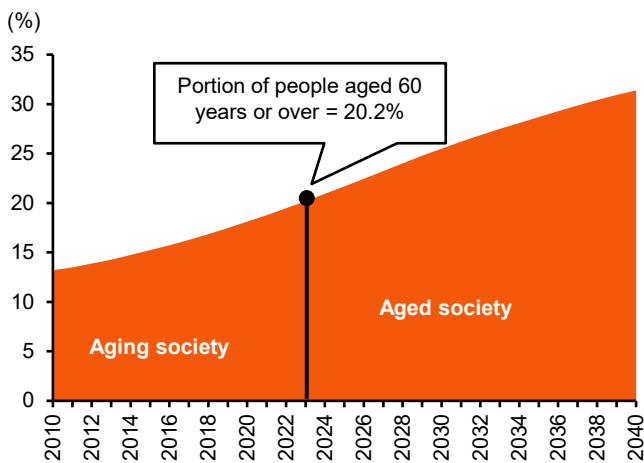
Sources: Company data, Thanachart estimates

**But the sector's fundamentals remain strong, in our view**

However, despite the slowdown in earnings growth, we believe the sector's fundamentals remain strong, supported by trends such as an aging society, rising margins from higher care intensity, the establishment of more excellence centers, and capacity expansions.

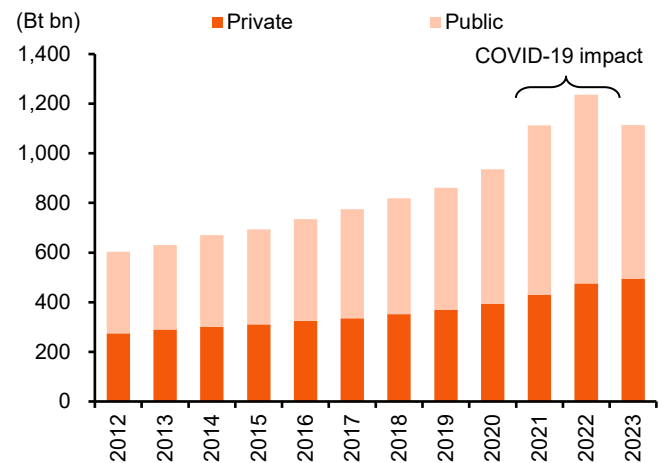
Thailand was already classified in 2023 as an aged society because the percentage of people aged 60 years and above was above 20%. The rising trend of elderly people looks set to continue. The portion of people aged 60 years and above is projected by the National Statistical Office to stand above 25% in 2030 and 30% in 2038. Thanks to the growing number of elderly people, we foresee greater healthcare demand and rising spending on healthcare services as time goes on.

**Ex 2: Thailand's Aged Society**



Source: National Statistical Office

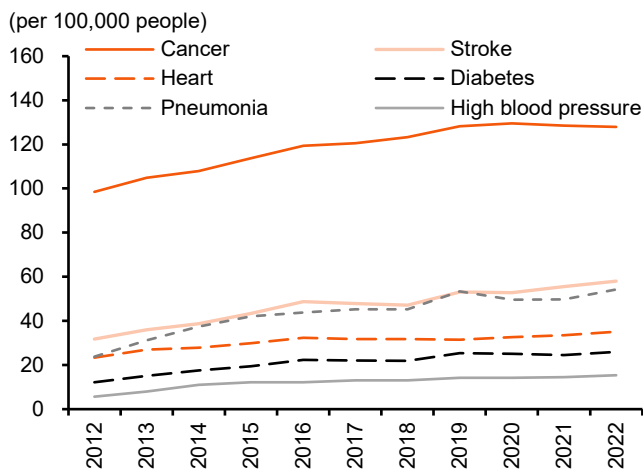
**Ex 3: Healthcare Expenditure In Thailand**



Source: NESDB

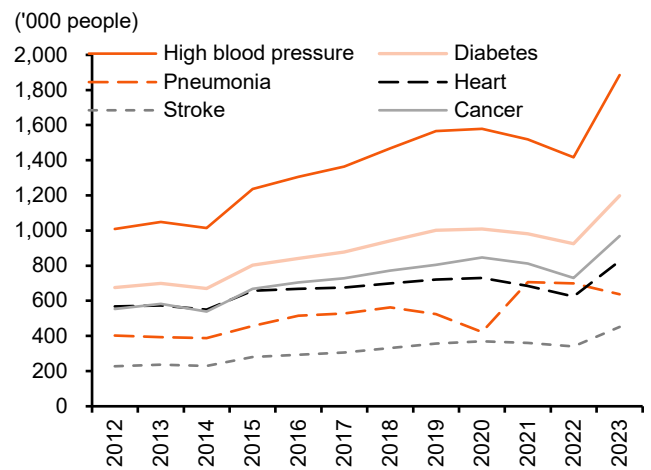
There is also a clear trend of increasing demand for high-complexity medical treatments. In addition to the rising number of elderly people, changes in consumer lifestyles, consumption behavior, increasing pollution, etc., have contributed to a dramatic rise in cancer, strokes, heart disease, and diabetes among people under the age of 50. As a result, key hospitals have enhanced their service levels to meet this rising demand by establishing specialized centers or centers of excellence for specific diseases. This trend initially started with high-end hospitals but is now extending to mid-market hospitals as well. This presents another opportunity for hospitals to differentiate themselves while increasing income and generating higher margins.

**Ex 4: Leading Causes Of Death In Thailand**



Source: Ministry of Public Health

**Ex 5: Leading Causes Of Admission In Thailand**

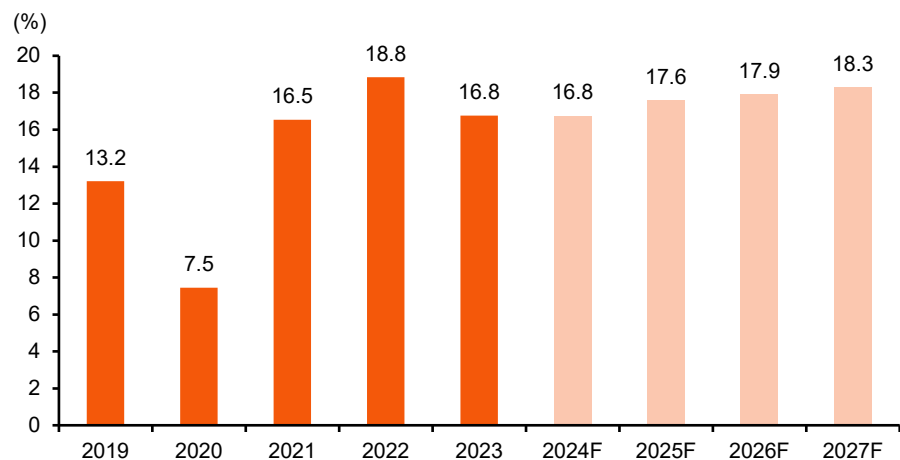


Source: Ministry of Public Health

**The sector's ROE is also decent**

Thanks to continued earnings growth, which reflects the sector's strong financial performance and effective operational strategies, the sector's ROE is also decent, showing a solid performance at around 18% p.a. in 2025-27F. This indicates a consistent ability of companies within the sector to generate profits relative to shareholders' equity, reinforcing investor confidence and supporting sustainable long-term growth in the coming years.

**Ex 6: Healthcare Sector's ROE**

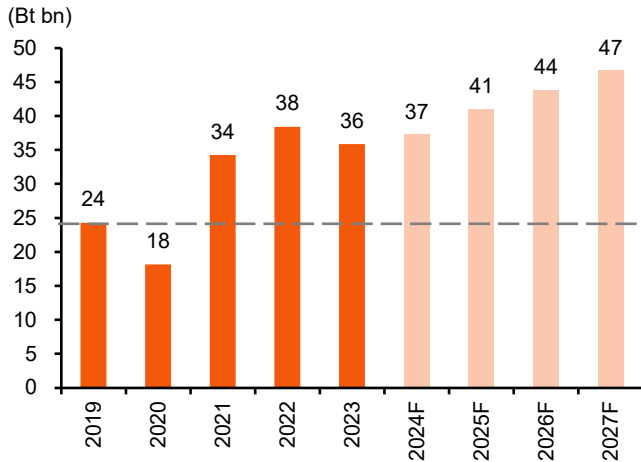


Sources: Company data, Thanachart estimates

**Strong financial position**

With the sector's strong cash inflows during the COVID years and sustainable cash inflow streams with EBITDA-adjusted right-of-use amortization at Bt37/41/44/47bn in 2024-27F, the Thai healthcare sector has a net cash position.

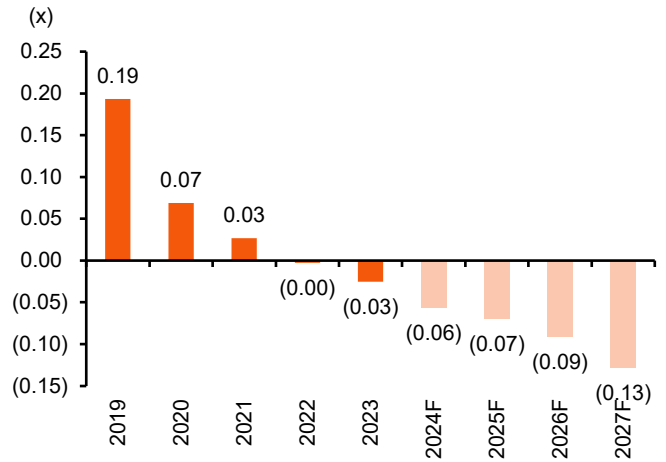
**Ex 7: Healthcare Sector's EBITDA\***



Sources: Company data, Thanachart estimates

Note: \* EBITDA excluding right-of-use amortization

**Ex 8: Healthcare Sector's Net D/E**

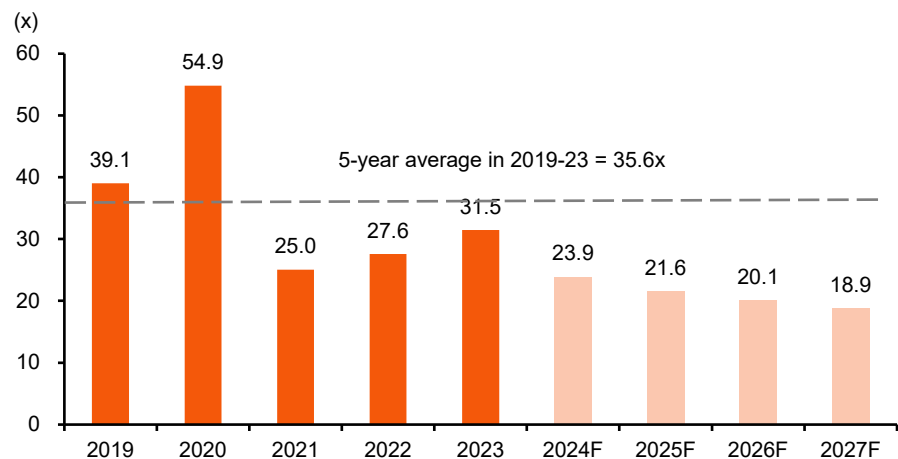


Sources: Company data, Thanachart estimates

**The sector's PE multiple has already de-rated to trade at 21.6x PE in 2025F**

The sector's PE multiple has already de-rated significantly to 21.6x PE in 2025F vs. its 35.6x five-year average from 2019-23. The healthcare sector has never traded on low PE multiples due to the highly resilient nature of the business, with listed hospitals mostly having highly trusted brands, strong franchise values, and solid healthcare service networks and infrastructure.

**Ex 9: Healthcare Sector's PE**



Sources: Bloomberg, Thanachart estimates

**We maintain our OVERWEIGHT stance on the healthcare sector**

With an already de-rated PE multiple, which we believe reflects a market adjustment to the slower growth outlook in the short to medium term, coupled with the sector's strong fundamentals and solid ROE, we maintain our OVERWEIGHT stance on the healthcare sector.

## Earnings drivers

*We revise down our earnings by 3-4% p.a. in 2024-27F*

Across the six hospitals under our coverage, we revise down our earnings estimates by 3.2/3.2/3.5/3.1% in 2024-27F mainly to reflect a weaker-than-expected number of Thai patients, lower-than-expected billing charges and an SSS payment shortfall for high-cost care services in 2H24F which we expect to be booked in 4Q24F. Details of our earnings cuts, new TPs, and ratings are shown in Exhibits 10 and 11.

### Ex 10: Our Earnings Revisions

Stocks	Earnings (Bt m)											
	New				Old				Change (%)			
	2024F	2025F	2026F	2027F	2024F	2025F	2026F	2027F	2024F	2025F	2026F	2027F
BCH	1,204	1,612	1,792	1,892	1,353	1,612	1,792	1,892	(11.0)	—	—	—
BDMS	15,724	17,096	18,499	19,713	15,978	17,722	19,254	20,312	(1.6)	(3.5)	(3.9)	(3.0)
BH	7,653	8,163	8,332	8,866	7,653	8,163	8,332	8,866	—	—	—	—
CHG	1,010	1,265	1,402	1,495	1,113	1,265	1,402	1,495	(9.2)	—	—	—
PR9	720	824	908	992	720	824	908	992	—	—	—	—
THG	139	344	484	615	523	676	859	1,075	(73.4)	(49.1)	(43.6)	(42.8)
<b>Sector</b>	<b>26,451</b>	<b>29,303</b>	<b>31,418</b>	<b>33,571</b>	<b>27,339</b>	<b>30,263</b>	<b>32,548</b>	<b>34,632</b>	<b>(3.2)</b>	<b>(3.2)</b>	<b>(3.5)</b>	<b>(3.1)</b>

Source: Thanachart estimates

### Ex 11: Our Recommendation And TP Changes

Stocks	Recommendation		TP (Bt/share)		Change in key assumptions
	New	Old	New	Old	
BCH	BUY	BUY	21.5	21.5	▪ Revise down SSS revenue and gross margin but revise up SG&A to sales in 2024F
BDMS	BUY	BUY	34.0	39.0	▪ Revise down Thai patient growth and average billing size
BH	BUY	BUY	243.0	243.0	▪ No change
CHG	BUY	BUY	3.4	3.4	▪ Revise down SSS revenue and gross margin but revise up SG&A to sales in 2024F
PR9	BUY	BUY	30.0	29.0	▪ Revise up our long-term gross margin
THG	SELL	SELL	12.2	25.0	▪ Revise down all three key businesses: hospital business, hospital and excellence center management, and residential sales

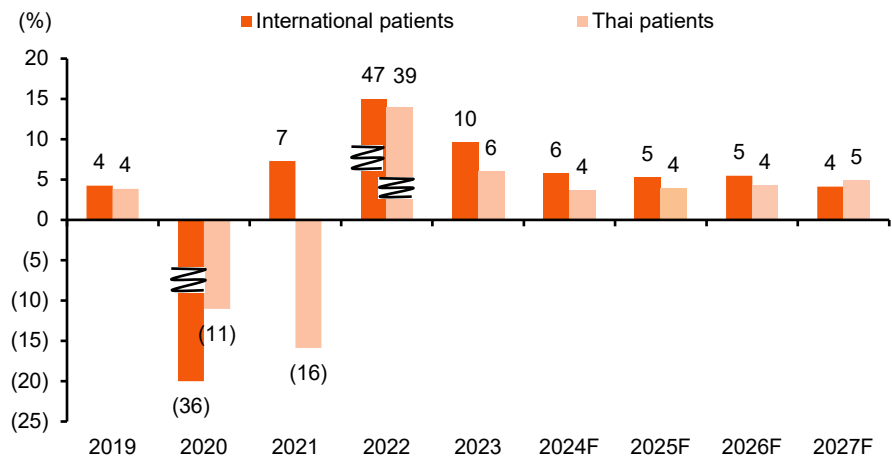
Source: Thanachart estimates

*Key earnings drivers in this cycle growth ...*

After our earnings cuts, we estimate the sector's earnings growth to be 11/7/7% in 2025-27F. Key earnings drivers in this cycle of growth are as follows:

- **Rising patient volume:** We estimate Thai cash patient growth of 4/4/5% p.a. in 2025-27F and foreign patient growth, even without the resumption of government-sponsored Kuwaiti patients, of 5/5/4% in 2025-27F. The key factors supporting this sustainable healthcare demand include the rising number of elderly people and the growing population of health-conscious consumers. We expect Thai patients to grow in existing markets and through expansion into new areas within Thailand. International patients should come from existing markets such as the UAE, Qatar, Oman, Cambodia, Myanmar, Laos, and China, as well as new markets like Saudi Arabia, Indonesia, Bangladesh, the Maldives, Libya, and the Commonwealth of Independent States (CIS).

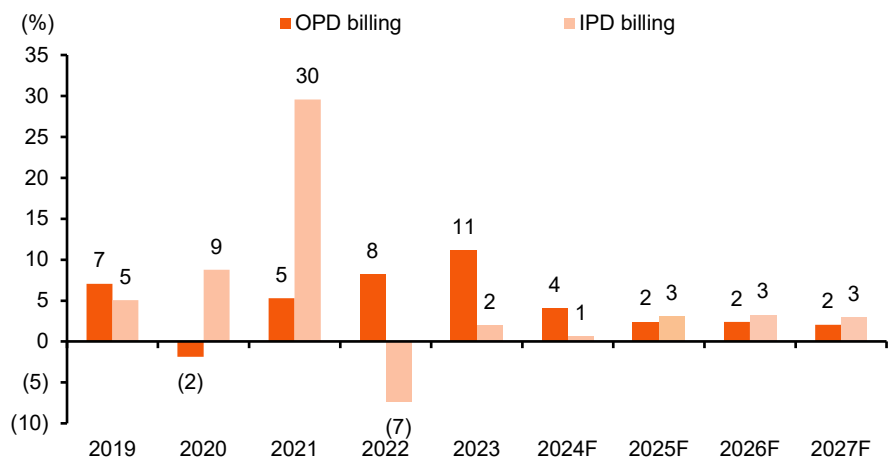
**Ex 12: Thai And International Patient Growth**



Sources: Company data, Thanachart estimates

- Rising average billing size:** During the economic slowdown, and with already high medical treatment service charges, we do not expect private hospitals to increase their pricing significantly. However, any price increases are likely to be driven by two main factors: 1) rising service costs, and 2) increasing revenue intensity, as all six hospitals under our coverage have focused on high-intensity care services by opening more specialized excellence centers. We estimate that OPD and IPD billing sizes will grow by 2% and 3% p.a., respectively, from 2025-27F.

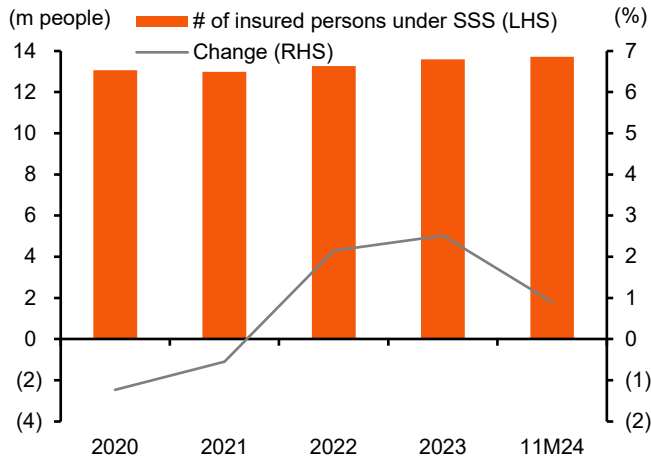
**Ex 13: OPD And IPD Billing Growth**



Sources: Company data, Thanachart estimates

- Rising revenue from the SSS:** Besides organic growth in cash patients, we estimate SSS revenue to grow by 10/5/5% in 2025-27F compared to the 1% growth in 2024F. We expect the increase in SSS revenue to be driven by three main factors: 1) the number of SSS-registered persons rising by 5/3/4% in 2025-27F from 5% growth in 2024F due to increasing numbers of employed persons under the SSS and market share gains of three listed hospital under our coverage (BCH, BDMS and CHG), 2) growing demand for complex disease care services and 3) no SSS payment shortfall for high-cost care services, following the Social Security Office (SSO) board's approval to commit to paying at the standard rate of Bt12,000/ adjusted RW from 2025.

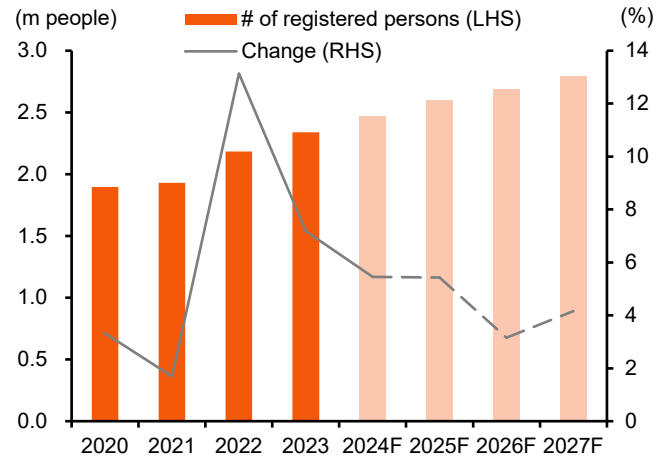
**Ex 14: # Of Insured Persons Under SSS\***



Source: Social Security Office

Note: \* Sections 33 and 39

**Ex 15: # Of Registered Persons In Private Hospitals\***



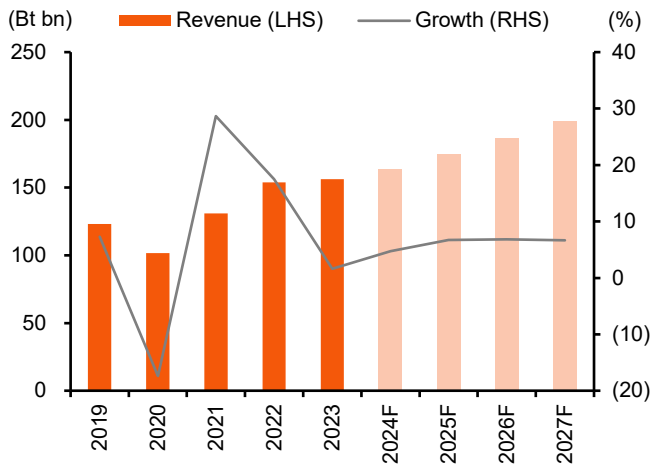
Sources: Company data, Thanachart estimates

Note: \* Hospitals under our coverage, including BCH, CHG, THG, and BDMS

- Expanding EBIT margin:** We estimate the sector's gross margin and operating margin to jump significantly to 35.8% and 17.8% in 2025F from 35.3% and 17.0% in 2024F due to rising high-intensity care services, operating leverage benefits, no SSS payment shortfall as in 2024F and falling loss contributions from BCH, BDMS, and CHG's new hospitals. Looking to 2026-27F, we expect a slight softening of gross margin to 35.7% in both years due to new hospital openings. However, due to operating leverage benefits, we expect the sector's EBIT margin to rise slightly to 17.8/17.9% in 2026-27F.

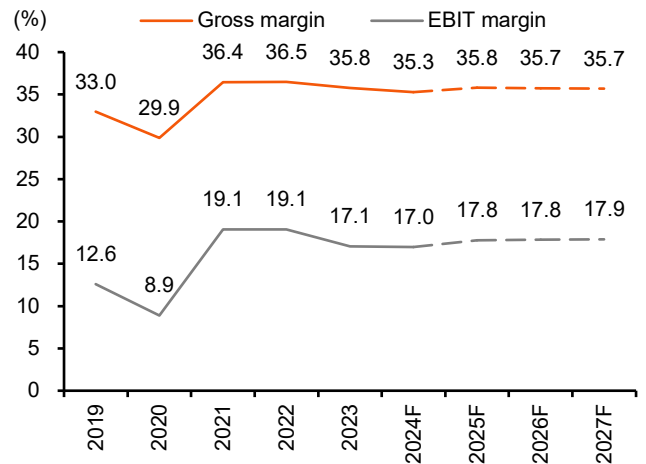
Although margins in 2025-27F look set to decline from 2021-22 due to the extra-high margin from COVID-19 services in those years, we expect the sector's gross margin and EBIT margin to remain stronger than the pre-COVID years' levels. The expansion in margins is supported by rising revenue intensity both for cash and SSS patients, the reimbursement rate for basic capitation rising by 10% to Bt1,808/head/year from Bt1,640 starting from May 2023, operating leverage benefits, and cost controls.

**Ex 16: Healthcare Sector's Revenue And Growth**



Sources: Company data, Thanachart estimates

**Ex 17: Healthcare Sector's Expanding Margin**

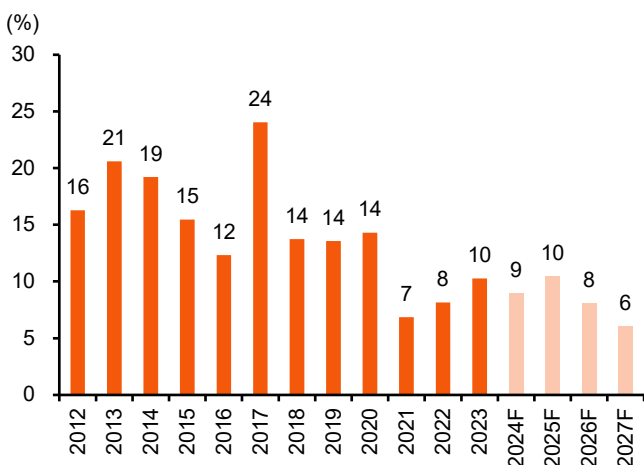


Sources: Company data, Thanachart estimates

We are not overly concerned about the new investments by the six hospitals under our coverage having much of a negative impact on their margins and earnings. Substantial investments in 2017-19, led by BDMS, caused the sector's capex over sales to increase to high levels in those years at an average of 17.0% p.a. We expect the sector's capex-to-sales ratio to decline to 8% p.a. in 2025-27F. We thus do not foresee loss contributions from new hospitals leading to a significant deterioration in the sector's margin and earnings, and we still expect the sector's earnings growth to continue in 2025-27F.

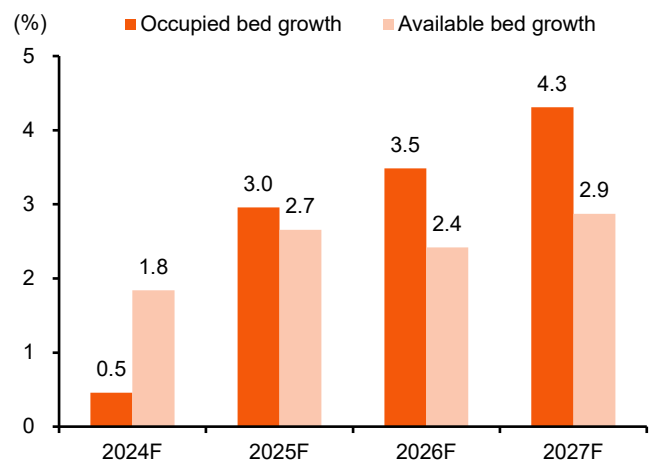
As for listed operators' capacity expansions via existing and new hospitals, the new supply still looks manageable to us. Supply growth or available bed growth is still below demand growth or occupied bed growth in 2025-27F. We estimate occupied beds to grow by 3.0/3.5/4.3% in 2025-27 vs. available bed growth of 2.7/2.4/2.9% in those years. Growth drivers for healthcare demand over the next few years are the healthcare megatrends.

**Ex 18: Capex-To-Sales Ratio**



Sources: Company data, Thanachart estimates

**Ex 19: Growth Of Demand Vs. Supply \***



Sources: Company data, Thanachart estimates

Note: \* Only of hospitals under our coverage



Exhibit 20 shows the details of the planned new capacity expansions at the existing or new campuses of the six listed hospitals under our coverage in 2024-28.

### Ex 20: New Capacity Expansions Plans In 2024-28

	Project name	Project type	Active beds (As of 2023)	Additional IPD beds capacity					Total
				2024	2025	2026	2027	2028	
<b>BCH</b>	Kasemrad Ari Cancer Rangsi Raksa Center	Brownfield (OPD)		/					
	Kasemrad Hospital Suvarnabhumi	Greenfield (1st phase = 100 beds)					268		268
	Kasemrad Hospital Rayong	Greenfield (1st phase = 100 beds)						200	200
	<b>Sub total</b>		<b>2,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>200</b>	<b>468</b>
<b>BDMS</b>	Phuket Cancer Center	Greenfield (OPD)		/					
	Phyathai Sriracha - SSS	Greenfield (1st phase = 72 beds)		113					113
	Samitivej International Children	New building (1st phase = 59 beds)			100				100
	Bangkok Chiangmai	New building (1st phase = 59 beds)			90				90
	Phyathai Bowin	New building (1st phase = 59 beds)			220				220
	Phyathai 1	New building (1st phase = 59 beds)				160			160
	Bangkok Kho Yai	Greenfield					53		53
	<b>Sub total</b>		<b>6,577</b>	<b>113</b>	<b>410</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>736</b>
<b>BH</b>	New VitalLife Building in Phuket	New building (OPD)		/					
	Room renovation + ICU	Expansion		89					89
	Annex Building	New building (OPD)					/		
	Soi 1 - IPD building	New building				59			59
	BIH Phuket	Greenfield (1st phase = 50 beds)					212		212
<b>Sub total</b>		<b>472</b>	<b>89</b>	<b>-</b>	<b>271</b>	<b>-</b>	<b>-</b>	<b>360</b>	
<b>CHG</b>	Chularat Ruampaet Chachoengsao	Expansion			71				71
	Chularat 11 Hospital	New building (OPD)			/				
	Chularat Hospital Rayong	Expansion (1st phase = 59 beds)					200		200
	Chularat 3 Hospital	Two new buildings (1st phase = 50 beds)					100		100
		Chularat Medical Center			27				27
<b>Sub total</b>		<b>911</b>	<b>27</b>	<b>71</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>398</b>	
<b>PR9</b>	Nurse Dormitory	New building				/			-
<b>Sub total</b>		<b>204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>THG</b>	Thonburi Hospital	New building (OPD)			/				-
	Thonburi Thawiwatthana	New building			49				49
	Rajyindee Hospital	Wellness and car parking		/					-
	Rajyindee Hospital	New building				24			24
	Thonburi Trang Hospital	Greenfield			23				23
	Thonburi Rangsit Hospital	Greenfield						250	250
<b>Subtotal</b>		<b>1,158</b>	<b>-</b>	<b>72</b>	<b>24</b>	<b>-</b>	<b>250</b>	<b>346</b>	
<b>Total</b>		<b>11,576</b>	<b>229</b>	<b>553</b>	<b>508</b>	<b>568</b>	<b>450</b>	<b>2,308</b>	

Source: Company data

## Industry challenges

We believe the healthcare industry faces two main challenges this year. The first is stricter health insurance claim rules and the increasing adoption of co-payment health insurance starting in 2025. The second is the already high treatment cost base for Thais.

For the SSS, we see a decreasing downside risk to hospitals offering SSS services. This is due to a recent resolution by the Social Security Office (SSO) to guarantee high-cost treatment for SSS at Bt12,000/RW. In previous years, SSO paid less than the guaranteed amount during the last few months of the year.

### Risks from health insurance's new conditions

#### 1) Stricter health insurance claim rules and the increasing adoption of co-payment health insurance

Medical treatment costs at hospitals have been steadily increasing, leading more people to make more claims on their policies, such as child health insurance and claims for illnesses caused by simple diseases. As a result, insurance companies have experienced higher loss ratios (the ratio used to measure the ability of an insurance company to pay out claims in relation to the premiums it collects from policyholders). This has caused insurance companies to become stricter in processing claims for compensation.

Furthermore, the Office of Insurance Commission (OIC) has worked together with the private sector to establish guidelines for controlling medical treatment costs to ensure they are appropriate and to protect policyholders' rights fairly. This aims to create a sustainable health insurance system and prevent premiums from becoming so high that the public cannot access health insurance. In the life insurance sector, proposals have been made to control medical treatment costs by increasing the adoption of co-payment as a condition of the insurance policy.

*A health insurance contract with a co-payment structure currently has two formats, as follows:*

- 1) *The format that requires a co-payment from the start of the health insurance coverage.* The policyholder intends to share the payment for medical treatment in the event of a claim, which is generally specified as a percentage of the medical expenses. For example, if the health insurance contract specifies a co-payment of 10% and the medical expenses amount to Bt100,000, the policyholder will need to pay Bt10,000, and the insurance company will pay Bt90,000. This co-payment insurance model allows the policyholder to pay a lower premium, in line with policyholders who have a lower risk of making claims under the health insurance policy.
- 2) *The format that requires a co-payment as a condition for the renewal of the health insurance policy applies only at the time of policy renewal.* This condition will be considered during the renewal process. The insurance company must inform the policyholder of this condition from the start of the insurance coverage and cannot add this condition later. The insurance company must include details in the renewal notice specifying whether the policyholder meets the criteria for co-payment in the following policy year. If the policyholder does not meet the criteria for co-payment in the next policy year, the insurance company must also notify the policyholder accordingly.

*There are two conditions for renewing the policy with co-payment, as follows:*

- The policyholder has a 30% co-payment if they make claims for medical treatments deemed unnecessary or for simple (non-complex) diseases three times or more, and if the total claims in a policy year reach 200% or more of the premium for the renewal year; or

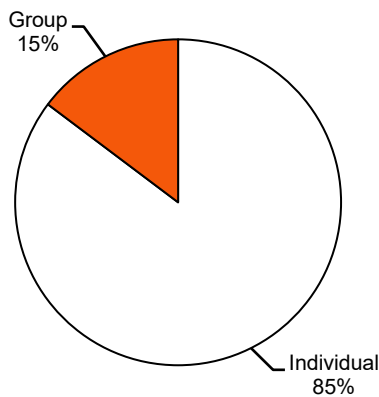
- The policyholder has a 30% co-payment if the claims ratio for the policyholder in the insurance policy year reaches 400% or more. However, the co-payment does not apply to claims for critical illness or major surgery.

However, the total co-payment in all cases combined must not exceed 50%. This means that for each medical treatment, the policyholder must contribute to the medical expenses according to the terms and conditions specified in the health insurance policy. The policyholder must pay a fixed percentage (30-50%) of the total medical costs. The OIC believes that including a co-payment condition in the policy renewal terms at the policy anniversary will help control healthcare costs and reduce unnecessary claims, which could affect premium adjustments.

Note that simple diseases refer to minor illnesses in five disease categories according to the ICD-10 (International Classification of Diseases, 10th Revision) classification: 1) Upper Respiratory Tract Infection (URI), 2) Influenza, 3) Acute Diarrhea, 4) Vertigo, and 5) Other diseases as declared by the insurance company, provided there are no complications or underlying conditions that cause severe symptoms or lead to other illnesses.

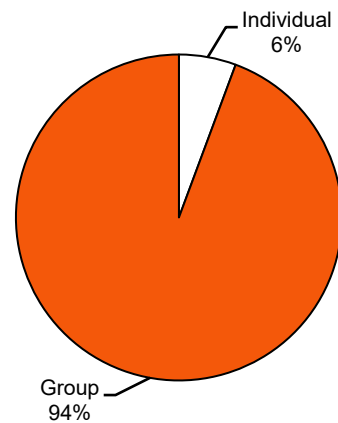
*“According to inquiries with the OIC and the Thai Life Assurance Association, health insurance with a co-payment is not a new concept. The two types of co-payment health insurance policies mentioned earlier are already being offered by insurance companies. However, insurers are increasingly likely to issue health insurance policies with a co-payment structure. Several insurance companies have been engaging in more frequent discussions with the OIC regarding co-payment conditions in preparation for the launch of new policies in the market. We expect to see more co-payment insurance policies being sold this year. However, the co-payment health insurance policy will apply only to individual health insurance, not to group health insurance, and will not be applicable to OPD services.”*

**Ex 21: Number Of Health Insurance Policy Breakdown\***



Source: OIC  
 Note: \* As of October 2024; excluding accident and critical illness insurance

**Ex 22: Breakdown of Health Insurance Policyholders \***



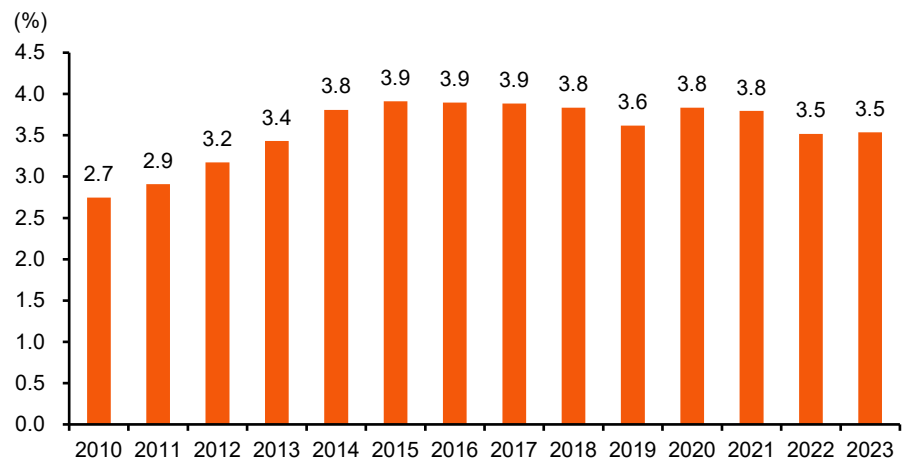
Source: OIC  
 Note: \* As of October 2024; excluding accident and critical illness insurance

According to data from the OIC as of the end of October 2024, the number of people with individual health insurance (excluding accident and critical illness insurance) is only 0.8m, while the number of individuals with group health insurance (excluding accident and critical illness insurance) stands at 13.6m. Therefore, the number of people with individual health insurance accounts for only 6% of the total number of health insurance policyholders.

We believe that the shift towards a co-payment model for health insurance policies will have a short-term negative impact on hospitals, particularly private hospitals. This is because it is likely to reduce the number of patients seeking treatment in private hospitals, especially those with minor illnesses (simple diseases).

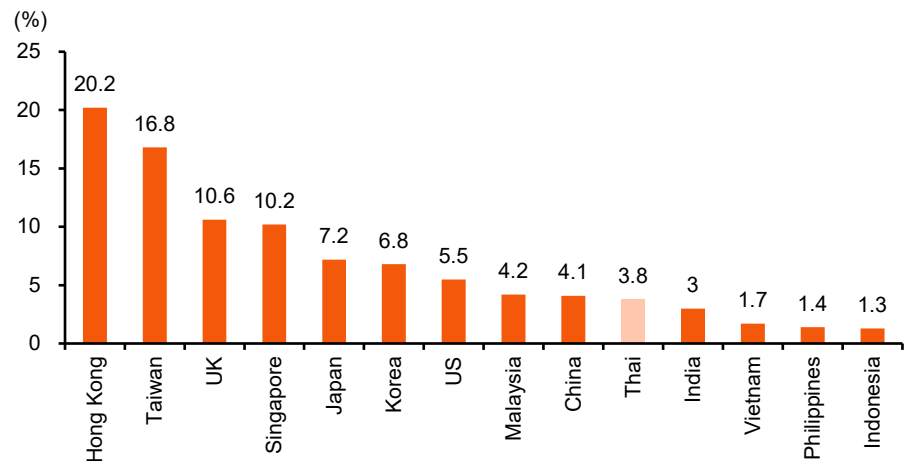
However, given the ongoing increase in healthcare costs, we view health insurance as still essential for the public. In the long term, we believe that the co-payment model could have a positive effect on the hospital industry. This is because lower insurance premiums will allow more people to access health insurance. According to the OIC, health insurance penetration in Thailand is still relatively low. Life insurance premiums account for only 3.5% of GDP, and the number of life insurance policies covers just 40% of the population as of 2023.

**Ex 23: % Of Life Insurance Premiums To Thailand's GDP**



Sources: OIC, NESDB

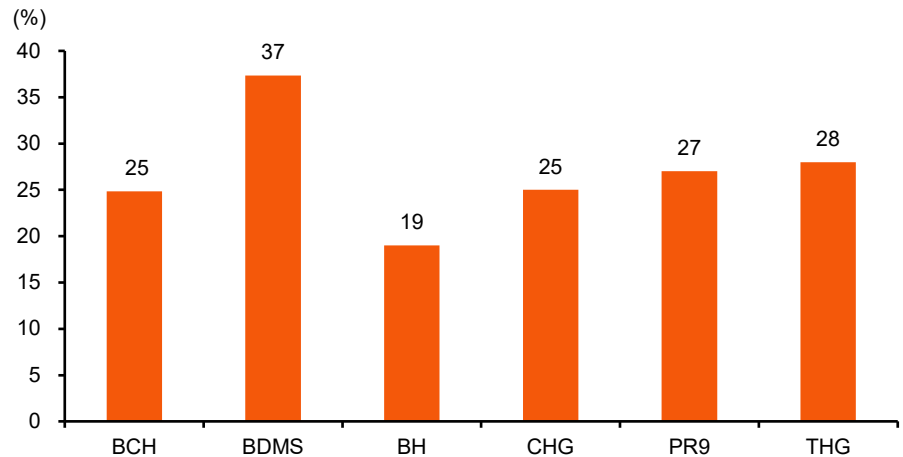
**Ex 24: % Of Life Insurance Premiums To Thailand's GDP In 2020**



Source: OECD

Among the six hospitals under our coverage, BDMS had the highest revenue contribution from insurance-paying patients, accounting for 37% of total revenue in 9M24 (7% from foreigners and 30% from Thais), while BH had the lowest at 19%. Based on hospital data and the limited proportion of people with individual health insurance (as mentioned earlier), we expect the negative impact on revenue from insurance-paying patients to be less than 10%. This suggests that the overall negative impact on hospital revenue is likely to be less than 2-4%.

**Ex 25: Revenue Contribution From Insurance-Pay Patients In 9M24\***



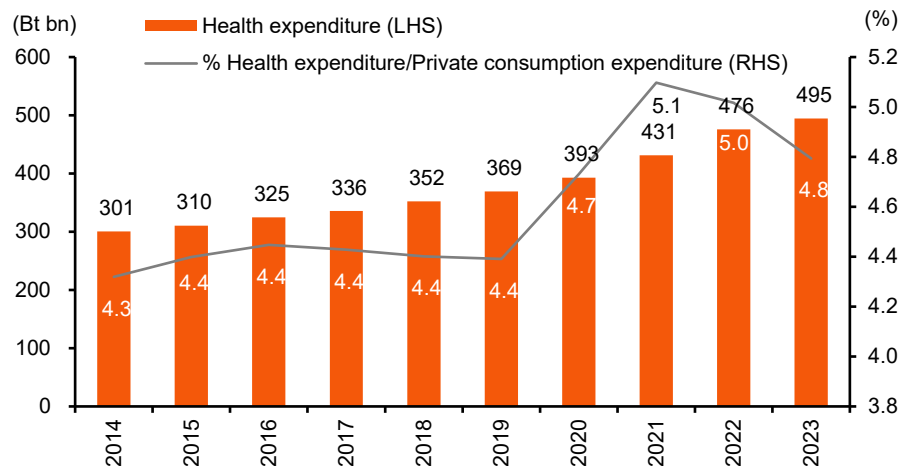
Source: Company data  
 Note: \* Calculated from total revenue

**2) Already high treatment cost base for Thais**

*Risk from high treatment cost base for Thais*

According to data from the NESDB, consumer healthcare spending has steadily increased at an average rate of 6% per year over the past decade, from 2014 to 2023. Additionally, the percentage of healthcare spending relative to private consumption expenditure has risen from 4.3% in 2014 to 4.8% in 2023.

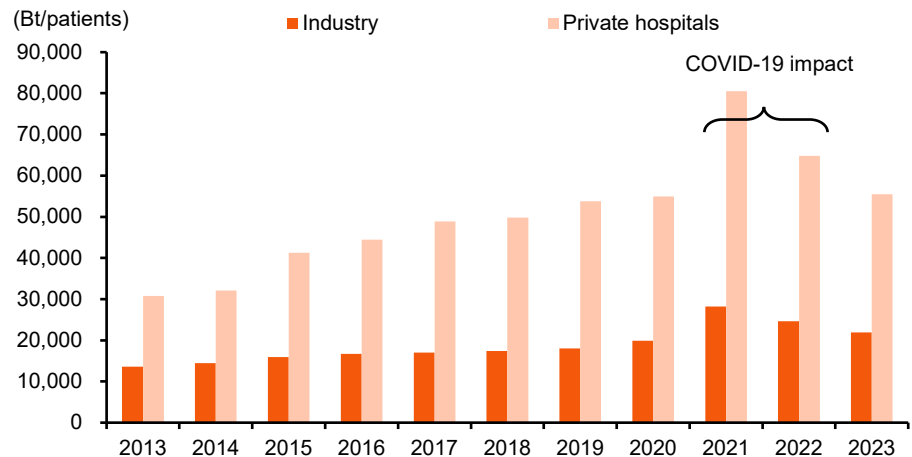
**Ex 26: Health Expenditure And % To Private Consumption Expenditure**



Source: NESDB

Data from the Ministry of Public Health also shows that the average cost of treatment for inpatients across all hospitals in the industry has increased by an average of around 6% per year over the past 10 years, from 2014 to 2023. Meanwhile, the average treatment cost for inpatients in private hospitals has increased by an average of around 8% per year over the same period.

**Ex 27: Average Treatment Cost For Inpatients**



Source: Ministry Of Public Health

The continuously increasing healthcare costs result from high prices for medications and medical technologies, as well as rising doctors' fees and medical staff salaries. In addition, many private hospitals have strategies aimed at increasing profitability, which inevitably align with market mechanisms. They emphasize their strengths in terms of speed, expertise, and higher healthcare standards, which in turn lead to higher overall costs for hospitals and healthcare facilities.

These rising healthcare costs represent a significant barrier to access to hospitals for many Thais. At the same time, the high cost of treatment may affect the ability of private hospitals to increase their treatment fees, especially during an economic slowdown. The price increases we are seeing are merely to compensate for the rising healthcare costs, including the treatment of more complex diseases. Meanwhile, patients may shift to using services from lower-tier hospitals to reduce the burden of rising healthcare costs.

### Lower risk for SSS

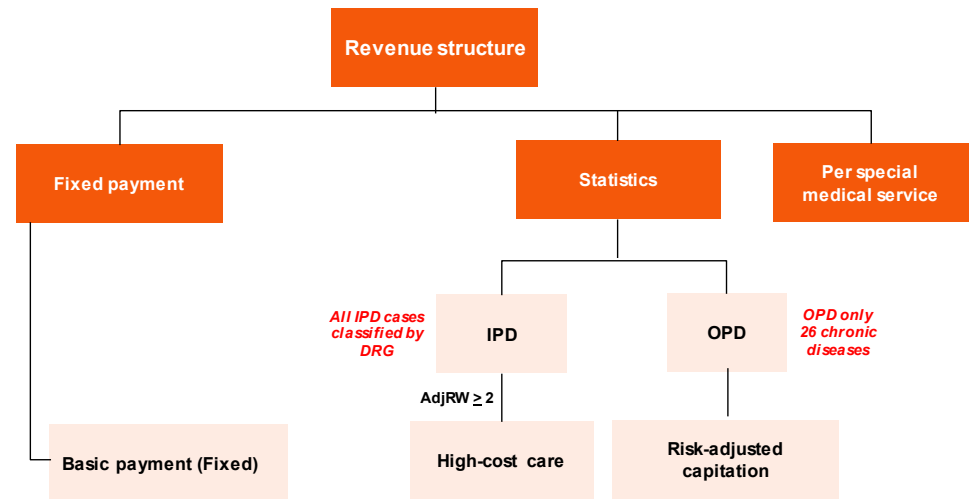
### 3) Becoming less risky for the SSS

Since 2022, the SSS has not had enough budget to pay for high-cost care services (adjusted RW  $\geq 2$ ), which has caused hospitals to experience payment shortfalls for these services in 2023 and 2024. Normally, the standard rate for high-cost care services is Bt12,000/RW, but the SSO was only able to pay Bt10,000/RW for services in December 2022 and Bt7,200/RW for services in November-December 2023. As a result, the average payment rate for 2022 and 2023 dropped to Bt11,833/RW and Bt11,200/RW, respectively.

For 2024, the SSO has already paid for high-cost care services in 1H24 at Bt12,000/RW. However, based on discussions with hospitals under SSS, we expect another payment shortfall for services provided in 2H24F, and we estimate that the SSO will pay only Bt8,000/RW for those services. This would result in an average payment rate of Bt10,000/RW for 2024.

Looking ahead, we expect the downside risk for hospitals offering SSS services to be reduced starting in 2025F. This is due to a recent resolution by the SSO to guarantee SSS high-cost treatments at Bt12,000/RW.

### Ex 28: Payment Categories Under SSS



Payment categories	2022	2023	2024F	2025-27F
1. Basic capitation (Bt/head/year)	1,640	1,752*	1,808	1,808
2. High-cost care (Bt/adjusted RW) (IPD case with adj. RW ≥ 2)	11,833	11,200	10,000	12,000
3. Risk-adjusted capitation (Bt/head/year) (26 chronic diseases for OPD cases)	453	453	453	453

Source: Thanachart compilation

Note: \* SSO increased the basic capitation rate from Bt1,640/head/year to B1,808 in May 2023

### Changes in our top picks

**BCH and CHG replace BDMS and PR9 as our top sector picks**

BCH and CHG replace BDMS and PR9 as our top sector picks. We forecast both companies' EPS growth to outperform the industry. While BCH's growth is 34/11%, CHG's is 25/11% in 2025-26F. Both are also the leaders in SSS services and they would benefit from the full payment at the standard rate of Bt12,000/RW. Meanwhile, we estimate BDMS and PR9 will offer slower EPS growth with similar PE multiples.

### Ex 29: Valuation Comparison

Sector Valuation			TP	Norm EPS growth		– Norm PE –		– P/BV –		– EV/EBITDA –		– Div yield –	
Company	BBG code	Rec.		2024F (%)	2025F (%)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
Bangkok Chain Hospital	BCH TB	BUY	21.50	(14.4)	33.8	31.9	23.8	3.0	2.8	14.5	11.7	2.2	3.1
Bangkok Dusit Medical	BDMS TB	BUY	34.00	9.4	8.7	24.3	22.3	3.8	3.7	18.2	16.7	3.3	3.6
Bumrungrad Hospital	BH TB	BUY	243.00	9.7	6.7	20.3	19.0	5.7	5.1	14.3	13.5	3.0	3.4
Chularat Hospital	CHG TB	BUY	3.40	(3.4)	25.2	25.9	20.7	3.4	3.2	15.7	12.0	2.9	3.6
Praram 9 Hospital	PR9 TB	BUY	30.00	29.0	14.5	28.1	24.6	3.6	3.4	16.2	14.1	1.8	2.2
Thonburi Healthcare Group	THG TB	SELL	12.20	(78.8)	147.2	84.0	34.0	1.3	1.2	11.6	11.0	0.0	1.6

Sources: Bloomberg, Thanachart estimates

Note: Based on 8 January 2025 closing prices

## Ex 30: Valuation Comparison



Sources: Bloomberg, Thanachart estimates

## Ex 31: Financial Summary

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	11,729	11,734	12,741	13,492
Net profit	1,406	1,204	1,612	1,792
Consensus NP	—	1,472	1,721	1,911
Diff from cons (%)	—	(18.2)	(6.3)	(6.2)
Norm profit	1,406	1,204	1,612	1,792
Prev. Norm profit	—	1,353	1,612	1,792
Chg from prev (%)	—	(11.0)	(0.0)	(0.0)
Norm EPS (Bt)	0.6	0.5	0.6	0.7
Norm EPS growth (%)	(64.3)	(14.4)	33.8	11.2
Norm PE (x)	27.3	31.9	23.8	21.4
EV/EBITDA (x)	13.5	14.5	11.7	10.8
P/BV (x)	3.0	3.0	2.8	2.7
Div yield (%)	2.3	2.2	3.1	3.5
ROE (%)	11.2	9.4	12.2	13.0
Net D/E (%)	(4.5)	(5.5)	(11.2)	(11.4)

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

## Ex 32: BCH (Market cap: US\$1,109m; TP: Bt21.5; BUY)

- BCH has the strongest earnings growth outlook at 34/11% vs. the sector at 11/7% in 2025-26F.
- We assume no return of Kuwaiti patients and that there will be an upside risk if BCH is one of the three hospitals selected by the Kuwaiti government.
- BCH, as the largest play on the SSS service, is the biggest beneficiary of the SSS's full payment at Bt12,000/RW.
- At 23.8x 2025F PE, BCH is trading at the lowest PE-to-growth (PEG) ratio of 0.7x compared to peers.



**Ex 33: Financial Summary**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	7,730	8,312	9,069	9,651
Net profit	1,046	1,010	1,265	1,402
Consensus NP	—	1,100	1,275	1,377
<i>Diff from cons (%)</i>	—	(8.1)	(0.7)	1.9
Norm profit	1,046	1,010	1,265	1,402
Prev. Norm profit	—	1,113	1,265	1,402
<i>Chg from prev (%)</i>	—	(9.2)	0.0	0.0
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS growth (%)	(62.4)	(3.4)	25.2	10.8
Norm PE (x)	25.0	25.9	20.7	18.7
EV/EBITDA (x)	16.2	15.7	12.0	11.0
P/BV (x)	3.5	3.4	3.2	3.0
Div yield (%)	2.9	2.9	3.6	4.0
ROE (%)	13.9	13.2	15.9	16.7
Net D/E (%)	(10.6)	(13.0)	(12.3)	(9.7)

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

**Ex 35: Financial Summary**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	4,202	4,638	5,070	5,495
Net profit	558	720	824	908
Consensus NP	—	711	822	884
<i>Diff from cons (%)</i>	—	1.3	0.2	2.8
Norm profit	558	720	824	908
Prev. Norm profit	—	720	824	908
<i>Chg from prev (%)</i>	—	0.0	(0.1)	0.1
Norm EPS (Bt)	0.7	0.9	1.0	1.2
Norm EPS growth (%)	(1.7)	29.0	14.5	10.3
Norm PE (x)	36.3	28.1	24.6	22.3
EV/EBITDA (x)	20.2	16.2	14.1	12.7
P/BV (x)	4.0	3.6	3.4	3.1
Div yield (%)	1.2	1.8	2.2	2.7
ROE (%)	11.4	13.5	14.2	14.5
Net D/E (%)	(37.4)	(43.4)	(45.2)	(47.0)

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

**Ex 34: CHG (Market cap: US\$756m; TP: Bt3.40; BUY)**

- CHG's earnings growth outlook of 25/11% outperforms the sector at 11/7% in 2025-26F. It is also a turnaround from a 4% contraction in 2024F.
- CHG is the second-largest play on the SSS service and thus is a beneficiary of full payment of the high-cost care service at Bt12,000/RW starting in 2025F.
- CHG is the key beneficiary of the FDI boom due to it being the largest hospital chain in the eastern Bangkok leading to the EEC area.
- CHG looks inexpensive to us, trading on a 20.7x 2025F PE multiple.

**Ex 36: PR9 (Market cap: US\$585m; TP: Bt30.0; BUY)**

- PR9 remains in a capacity ramp-up period that supports its growth cycle after the completion of Building B that raised capacity by 23% for IPD and 129% for OPD. Average utilization was 62.5% in 2024F.
- PR9's brand value has been upgraded by the expansion that has come with more specialized (or excellence) centers, which also bring in more Thai and foreign patients.
- Thanks to rising utilization trend and more excellence centers, PR9 is enjoying a rising margin trend and higher profitability.
- PR9's 2025F PE of 24.6x is inexpensive, in our view.

**Ex 37: Financial Summary**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	97,077	104,000	110,885	118,218
Net profit	14,375	15,724	17,096	18,499
Consensus NP	—	15,859	17,136	18,528
<i>Diff from cons (%)</i>	—	(0.8)	(0.2)	(0.2)
Norm profit	14,375	15,724	17,096	18,499
Prev. Norm profit	—	15,978	17,722	19,254
<i>Chg from prev (%)</i>	—	(1.6)	(3.5)	(3.9)
Norm EPS (Bt)	0.9	1.0	1.1	1.2
Norm EPS growth (%)	14.0	9.4	8.7	8.2
Norm PE (x)	26.5	24.3	22.3	20.6
EV/EBITDA (x)	19.4	18.2	16.7	15.5
P/BV (x)	4.0	3.8	3.7	3.6
Div yield (%)	2.9	3.3	3.6	3.9
ROE (%)	15.5	16.2	16.9	17.6
Net D/E (%)	1.0	(2.5)	(4.7)	(6.3)

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

**Ex 39: Financial Summary**

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	—	7,732	8,098	8,366
<i>Diff from cons (%)</i>	—	(1.3)	0.8	(0.4)
Norm profit	6,978	7,653	8,163	8,332
Prev. Norm profit	—	7,653	8,163	8,332
<i>Chg from prev (%)</i>	—	0.0	0.0	0.0
Norm EPS (Bt)	8.8	9.6	10.3	10.5
Norm EPS growth (%)	41.2	9.7	6.7	2.1
Norm PE (x)	22.2	20.3	19.0	18.6
EV/EBITDA (x)	15.5	14.3	13.5	12.8
P/BV (x)	6.5	5.7	5.1	4.7
Div yield (%)	2.3	3.0	3.4	4.0
ROE (%)	32.1	29.9	28.2	26.2
Net D/E (%)	(44.5)	(39.7)	(34.8)	(38.5)

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

**Ex 38: BDMS (Market cap: US\$11,018m; TP: Bt34.0; BUY)**

- We estimate its earnings growth at 9/8/7% in 2025-27F.
- BDMS in our view is the strongest fundamental stock in the sector as the largest hospital chain in the country with strong hospital brands in diversified price point segments.
- Its decent ROE is trending up from 16.2% in 2024F to 18.0% in 2027F. BDMS turned net cash in 2024F.
- Being the strongest player and the leader in a very strong industry with high ROE, we believe BDMS is inexpensive at 22.3x PE in 2025F.

**Ex 40: BH (Market cap: US\$4,478m; TP: Bt243; BUY)**

- After its 26% share price drop following disappointing 3Q24 results, BH looks inexpensive again to us at 19.0x PE in 2025F.
- There could be an upside risk to our soft EPS growth estimates of 7/2% in 2025-26F if BH is chosen by the Kuwaiti government as one of three Thai hospitals.
- A dragging factor of losses from its new projects in 2026F isn't really a negative fundamental factor.
- BH is the most profitable company in the sector at 28% ROE in 2025F vs. the sector average of 18%.

**Ex 41: Financial Summary**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	10,296	9,594	10,431	11,628
Net profit	295	(244)	344	484
Consensus NP	—	211	331	438
Diff from cons (%)	—	na	4.1	10.7
Norm profit	657	139	344	484
Prev. Norm profit	—	523	676	859
Chg from prev (%)	—	(73.4)	(49.1)	(43.6)
Norm EPS (Bt)	0.8	0.2	0.4	0.6
Norm EPS growth (%)	(56.1)	(78.8)	147.2	40.7
Norm PE (x)	17.8	84.0	34.0	24.1
EV/EBITDA (x)	9.5	11.6	11.0	9.9
P/BV (x)	1.2	1.3	1.2	1.2
Div yield (%)	3.3	0.0	1.6	2.5
ROE (%)	6.6	1.5	3.7	5.0
Net D/E (%)	83.2	81.2	83.7	77.7

Sources: Company data, Thanachart estimates

Note: Based on 8 January 2025 closing prices

**Ex 42: THG (Market cap: US\$338m; TP: Bt12.20; SELL)**

- We cut our earnings estimates by 73/49/44/43% in 2024-27F to reflect its weak hospital business, slow sales for the residential property Jin Wellbeing County project, and lower-than-expected revenue from hospital and excellence center management. Our DCF-based 12-month TP (2025F base year) is cut to Bt12.2 from Bt25.0.
- The risk of additional provisions for UCEPCOVID and potential suspicious transactions. As of 3Q24, THG had Bt320m in unpaid UCEPCOVID amounts and is reviewing further irregularities linked to Dr. Boon's fraud cases.
- There is a risk of a capital increase. The company expects more clarity in 1Q25.
- THG looks expensive to us, trading on 34.0x 2025F PE.

Sources: Company data, Thanachart estimates

**Risks**

The key downside risks to our OVERWEIGHT sector call would be the following:

- 1) If the number of Thai and foreign patients is below our current expectations.
- 2) If the ability to increase prices for cash patients is lower than our expectation.
- 3) If the reimbursement rate for the high-cost care services under the SS or UC schemes falls, this would pose a risk to our earnings forecasts.
- 4) If there is more competition from existing private healthcare operators and newcomers to the healthcare market in Thailand.

## Ex 43: Sector Valuation Comparison

		BCH	BDMS	BH	CHG	PR9	THG	Sector
Rating		BUY	BUY	BUY	BUY	BUY	SELL	Overweight
Target price	Thanachart	21.50	34.00	243.00	3.40	30.00	12.20	
	Consensus	20.48	34.31	269.64	3.29	29.22	23.00	
Consensus rec.	Buy	17	28	16	11	8	0	
	Hold	3	3	10	2	1	1	
	Sell	0	0	0	1	0	3	
Market cap. (US\$ m)		1,109	11,018	4,478	756	585	338	
Sales (Bt m)	2023A	11,729	97,077	25,296	7,730	4,202	10,296	156,330
	2024F	11,734	104,000	25,483	8,312	4,638	9,594	163,760
	2025F	12,741	110,885	26,597	9,069	5,070	10,431	174,792
	2026F	13,492	118,218	28,288	9,651	5,495	11,628	186,771
Norm profits (Bt m)	2023A	1,406	14,375	6,978	1,046	558	657	25,021
	2024F	1,204	15,724	7,653	1,010	720	139	26,451
	2025F	1,612	17,096	8,163	1,265	824	344	29,303
	2026F	1,792	18,499	8,332	1,402	908	484	31,418
Sales growth (%)	2023A	(37.7)	9.6	22.5	(23.5)	2.3	(11.1)	1.6
	2024F	0.0	7.1	0.7	7.5	10.4	(6.8)	4.8
	2025F	8.6	6.6	4.4	9.1	9.3	8.7	6.7
	2026F	5.9	6.6	6.4	6.4	8.4	11.5	6.9
Norm profit growth (%)	2023A	(64.3)	14.0	41.2	(62.4)	(1.7)	(56.1)	(5.0)
	2024F	(14.4)	9.4	9.7	(3.4)	29.0	(78.8)	5.7
	2025F	33.8	8.7	6.7	25.2	14.5	147.2	10.8
	2026F	11.2	8.2	2.1	10.8	10.3	40.7	7.2
Gross margin (%)	2023A	30.8	34.7	49.0	26.0	32.9	27.7	35.8
	2024F	27.5	34.1	51.5	25.0	34.7	23.2	35.3
	2025F	29.5	34.4	52.2	28.6	35.4	22.9	35.8
	2026F	30.1	34.6	50.6	29.4	35.7	23.2	35.7
SG&A/Sales (%)	2023A	15.0	20.4	16.5	11.8	18.4	17.6	18.7
	2024F	13.8	19.9	16.3	11.9	17.6	17.5	18.3
	2025F	13.0	19.8	16.0	11.2	17.3	16.5	18.0
	2026F	12.9	19.7	15.9	11.1	17.1	16.2	17.9
Net margin (%)	2023A	12.6	15.3	27.8	14.1	13.3	5.2	16.0
	2024F	11.3	15.6	30.3	12.5	15.5	(0.2)	16.2
	2025F	13.8	15.9	30.9	14.2	16.2	1.5	16.8
	2026F	14.5	16.1	29.7	14.7	16.5	2.4	16.8
ROE (%)	2023A	11.2	15.5	32.1	13.9	11.4	6.6	16.8
	2024F	9.4	16.2	29.9	13.2	13.5	1.5	16.8
	2025F	12.2	16.9	28.2	15.9	14.2	3.7	17.6
	2026F	13.0	17.6	26.2	16.7	14.5	5.0	17.9
Norm PE (x)	2023A	27.3	26.5	22.2	25.0	36.3	17.8	31.5
	2024F	31.9	24.3	20.3	25.9	28.1	84.0	23.9
	2025F	23.8	22.3	19.0	20.7	24.6	34.0	21.6
	2026F	21.4	20.6	18.6	18.7	22.3	24.1	20.1
Dividend yield (%)	2023A	2.3	2.9	2.3	2.9	1.2	3.3	2.2
	2024F	2.2	3.3	3.0	2.9	1.8	0.0	3.0
	2025F	3.1	3.6	3.4	3.6	2.2	1.6	3.4
	2026F	3.5	3.9	4.0	4.0	2.7	2.5	3.8
Net D/E (x)	2023A	(0.0)	0.0	(0.4)	(0.1)	(0.4)	0.8	(0.0)
	2024F	(0.1)	(0.0)	(0.4)	(0.1)	(0.4)	0.8	(0.1)
	2025F	(0.1)	(0.0)	(0.3)	(0.1)	(0.5)	0.8	(0.1)
	2026F	(0.1)	(0.1)	(0.4)	(0.1)	(0.5)	0.8	(0.1)

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 44: 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	28.0	26.3	1.6	1.6	8.9	8.6	2.4	2.5
Guangzhou Pharmaceutical	874 HK	Hong Kong	(11.7)	(2.3)	7.9	8.0	0.7	0.7	8.1	7.9	3.8	4.0
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	(4.1)	15.0	7.6	6.6	1.2	1.1	6.4	5.6	5.5	6.3
Apollo Hospitals Enterprise	APHS IN	India	3.2	58.6	110.8	69.8	14.7	12.6	44.8	34.5	0.2	0.2
Fortis Healthcare India	FORH IN	India	(1.2)	34.4	92.4	68.8	6.9	6.5	45.3	35.1	0.1	0.2
KPJ Healthcare	KPJ MK	Malaysia	14.2	14.5	34.6	30.3	4.2	3.9	15.6	14.4	1.6	1.8
IHH Healthcare Bhd	IHH MK	Malaysia	(34.7)	7.8	32.9	30.5	2.1	2.0	14.2	13.0	1.3	1.4
Ryman	RYM NZ	New Zealand	na	(42.0)	11.8	20.4	0.6	0.7	16.4	20.3	na	0.0
Raffles Medical Group	RFMD SP	Singapore	(25.8)	8.3	23.2	21.4	1.5	1.4	10.8	10.2	2.8	2.9
Bangkok Chain Hospital *	BCH TB	Thailand	(14.4)	33.8	31.9	23.8	3.0	2.8	14.5	11.7	2.2	3.1
Bangkok Dusit Medical *	BDMS TB	Thailand	9.4	8.7	24.3	22.3	3.8	3.7	18.2	16.7	3.3	3.6
Bumrungrad Hospital *	BH TB	Thailand	9.7	6.7	20.3	19.0	5.7	5.1	14.3	13.5	3.0	3.4
Chularat Hospital *	CHG TB	Thailand	(3.4)	25.2	25.9	20.7	3.4	3.2	15.7	12.0	2.9	3.6
Praram 9 Hospital *	PR9 TB	Thailand	29.0	14.5	28.1	24.6	3.6	3.4	16.2	14.1	1.8	2.2
Thonburi Healthcare Group*	THG TB	Thailand	(78.8)	147.2	84.0	34.0	1.3	1.2	11.6	11.0	0.0	1.6
<b>Average</b>			<b>(8.4)</b>	<b>22.5</b>	<b>37.6</b>	<b>28.4</b>	<b>3.6</b>	<b>3.3</b>	<b>17.4</b>	<b>15.2</b>	<b>2.2</b>	<b>2.5</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

Based on 8 January 2025 closing prices

## STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
<b>SET INDEX</b>	<b>(4.1)</b>	<b>(4.5)</b>	<b>(1.9)</b>	<b>(0.9)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Healthcare</b>	<b>(4.6)</b>	<b>(17.8)</b>	<b>(17.5)</b>	<b>(1.8)</b>	<b>(0.5)</b>	<b>(13.3)</b>	<b>(15.6)</b>	<b>(0.9)</b>
BCH TB	(11.0)	(14.4)	(31.3)	0.7	(6.9)	(10.0)	(29.3)	1.5
BDMS TB	(5.0)	(19.3)	(12.7)	(2.0)	(0.8)	(14.8)	(10.8)	(1.1)
BH TB	(3.5)	(27.2)	(14.5)	(2.3)	0.7	(22.8)	(12.6)	(1.4)
CHG TB	(11.2)	(13.1)	(25.2)	(2.5)	(7.1)	(8.7)	(23.2)	(1.6)
PR9 TB	2.0	15.5	57.0	(3.7)	6.1	20.0	58.9	(2.8)
THG TB	(24.6)	(33.0)	(73.5)	(12.7)	(20.5)	(28.5)	(71.5)	(11.8)

Source: Bloomberg

## SECTOR - SWOT ANALYSIS

**S — Strength**

- Value-for-money destination for healthcare services.
- Strong franchise value of listed hospitals.
- High-technology medical equipment and doctors' knowledge.
- Strong service quality and networks.
- Strong financials with net cash positions.

**O — Opportunity**

- The change in Thailand's and global demographic trend toward having more elderly people.
- Opportunities in the provinces.
- Global economic slowdown causing a demand shift to Thailand.
- The COVID-19 pandemic.

**W — Weakness**

- Higher land prices and construction costs.
- Limited doctor supply.

**T — Threat**

- Rising competition for medical tourism services.
- Slow economy in Thailand.
- Natural disasters.
- The COVID-19 impact.

## REGIONAL COMPARISON

Name	—EPS growth—		— PE —		— P/BV —		— EV/EBITDA —		— Div. Yield —	
	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Australia	na	6.4	28.0	26.3	1.6	1.6	8.9	8.6	2.4	2.5
Hong Kong	(7.9)	6.4	7.7	7.3	1.0	0.9	7.3	6.7	4.6	5.1
India	1.0	46.5	101.6	69.3	10.8	9.6	45.0	34.8	0.1	0.2
Malaysia	(10.2)	11.1	33.8	30.4	3.1	3.0	14.9	13.7	1.4	1.6
New Zealand	na	(42.0)	11.8	20.4	0.6	0.7	16.4	20.3	na	0.0
Singapore	(25.8)	8.3	23.2	21.4	1.5	1.4	10.8	10.2	2.8	2.9
Thailand	(8.1)	39.4	35.7	24.1	3.5	3.2	15.1	13.2	2.2	2.9
<b>Average</b>	<b>(10.2)</b>	<b>10.9</b>	<b>34.5</b>	<b>28.5</b>	<b>3.2</b>	<b>2.9</b>	<b>16.9</b>	<b>15.4</b>	<b>2.3</b>	<b>2.2</b>
BCH TB *	(14.4)	33.8	31.9	23.8	3.0	2.8	14.5	11.7	2.2	3.1
BDMS TB *	9.4	8.7	24.3	22.3	3.8	3.7	18.2	16.7	3.3	3.6
BH TB *	9.7	6.7	20.3	19.0	5.7	5.1	14.3	13.5	3.0	3.4
CHG TB *	(3.4)	25.2	25.9	20.7	3.4	3.2	15.7	12.0	2.9	3.6
PR9 TB *	29.0	14.5	28.1	24.6	3.6	3.4	16.2	14.1	1.8	2.2
THG TB *	(78.8)	147.2	84.0	34.0	1.3	1.2	11.6	11.0	0.0	1.6
<b>Average</b>	<b>(8.1)</b>	<b>39.4</b>	<b>35.7</b>	<b>24.1</b>	<b>3.5</b>	<b>3.2</b>	<b>15.1</b>	<b>13.2</b>	<b>2.2</b>	<b>2.9</b>

Sources: Bloomberg Consensus

Note: \* Thanachart estimate – using normalized EPS

BUY (Unchanged)

TP: Bt 21.50

(Unchanged)

Change in Numbers

Upside : 39.6%

9 JANUARY 2025

# Bangkok Chain Hospital (BCH TB)

## Outperforming growth

BCH is our top sector pick on its outperforming earnings growth of 34/11% in 2025-26F driven by demand growth, capacity expansion and full Social Security Scheme service payment. At 23.8x PE, BCH PE-to-growth is most attractive vs. peers' 0.7x in 2025F.



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### Our top healthcare sector pick

This report is a part of Healthcare Sector – **Entering organic mode**, dated 9 January 2025. We reiterate our BUY call on BCH, which is now our top sector pick, with a DCF-based 12-month TP (2025F base year) of Bt21.5. **First**, BCH has the strongest earnings growth outlook of 34/11% in 2025-26F vs. the sector at 11/7%. Note that we assume no return of Kuwaiti patients and that there would be an upside if BCH is one of the three hospitals selected by the Kuwaiti government. **Second**, BCH, as the largest Social Security Scheme (SSS) service play, is the biggest beneficiary of full SSS payment at Bt12,000/RW. **Lastly**, at 23.8x 2025F PE, BCH is trading at the lowest PE-to-growth (PEG) ratio of 0.7x compared to peers.

### Biggest beneficiary of SSS full pricing

In many of the past years, the Social Security Office (SSO) hasn't paid the full price for the SSS's high-cost care service of Bt12,000/RW in the last quarter of each year. After threats by some hospitals to cease SSS services, the SSO has just approved a guaranteed full payment of Bt12,000/RW. BCH is the biggest beneficiary as it is the largest SSS operator with 1.02m SSS-registered people in 9M24 or a 7.4% market share. Its SSS revenue contribution was 34% in 9M24. Note that BCH had to write off Bt10m in 2023 and Bt60m in 2Q24 for an SSO payment shortfall in the preceding year. Since the SSO's guarantee starts in 2025F, we expect another shortfall for high-cost care services in 2H24F, which leads to our 11% earnings cut for 2024F.

### Robust earnings growth

Key drivers of our robust EPS growth estimates of 34/11% in 2025-26F are 1) rising cash patient revenue of 8/7%, assuming no return of Kuwaiti patients, 2) revenue from the SSS rising by 10/3% due to the full payment for SSS services at Bt12,000/RW from 2025F, and 3) operating margin expanding from 13.6% in 2024F to 16.5/17.2% due to operating leverage benefits.

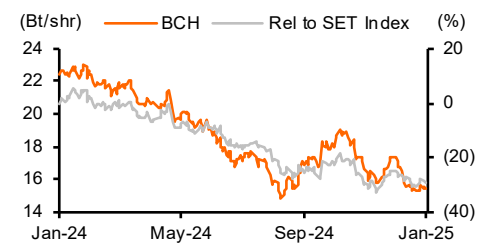
### Expansion in the pipeline

Kasemrad Ari Radiation Oncology special center was opened in September 2024, with revenue growing monthly. We expect a small loss from this cancer center only in the first year. In the pipeline are the 268-bed Kasemrad Hospital Suvarnabhumi, scheduled to open in early 2027, and the 200-250 bed Kasemrad Hospital Rayong, scheduled to open in 2028. Both hospitals provide services to cash and SSS patients.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	11,729	11,734	12,741	13,492
Net profit	1,406	1,204	1,612	1,792
Consensus NP	—	1,472	1,721	1,911
Diff frm cons (%)	—	(18.2)	(6.3)	(6.2)
Norm profit	1,406	1,204	1,612	1,792
Prev. Norm profit	—	1,353	1,612	1,792
Chg frm prev (%)	—	(11.0)	(0.0)	(0.0)
Norm EPS (Bt)	0.6	0.5	0.6	0.7
Norm EPS grw (%)	(64.3)	(14.4)	33.8	11.2
Norm PE (x)	27.3	31.9	23.8	21.4
EV/EBITDA (x)	13.5	14.5	11.7	10.8
P/BV (x)	3.0	3.0	2.8	2.7
Div yield (%)	2.3	2.2	3.1	3.5
ROE (%)	11.2	9.4	12.2	13.0
Net D/E (%)	(4.5)	(5.5)	(11.2)	(11.4)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 8-Jan-25 (Bt)	15.40
Market Cap (US\$ m)	1,109.4
Listed Shares (m shares)	2,493.7
Free Float (%)	43.8
Avg Daily Turnover (US\$ m)	6.6
12M Price H/L (Bt)	23.00/14.80
Sector	Health Care
Major Shareholder	Harnphanich Family 50%

Sources: Bloomberg, Company data, Thanachart estimates



## Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F	2027F
<b>Revenue from SSS patients (Bt m)</b>						
- New	3,371	3,850	3,702	4,062	4,185	4,395
- Old			3,904	4,062	4,185	4,395
- Change (%)			(5.2)	—	—	—
<b>Gross profit margin (%)</b>						
- New	38.7	30.8	27.5	29.5	30.1	29.6
- Old			28.6	29.5	30.1	29.6
- Change (ppt)			(1.1)	—	—	—
<b>SG&amp;A to sales (%)</b>						
- New	10.3	15.0	13.8	13.0	12.9	12.8
- Old			13.6	13.0	12.9	12.8
- Change (ppt)			0.2	—	—	—
<b>Normalized profit (Bt m)</b>						
- New	3,941	1,406	1,204	1,612	1,792	1,892
- Old			1,353	1,612	1,792	1,892
- Change (%)			(11.0)	—	—	—

Sources: Company data, Thanachart estimates

Note: \* We assume SSO to pay Bt8,000/RW for high-cost care service in 2H24.

## 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	3,144	3,377	3,553	3,803	4,070	4,344	4,621	4,908	5,210	5,526	5,890	—
Free cash flow	1,837	1,447	2,170	2,737	2,968	3,176	3,393	3,619	3,855	4,103	4,143	74,016
PV of free cash flow	1,832	1,270	1,784	2,107	2,140	2,089	2,081	2,069	2,056	2,040	1,830	32,694
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	6.8											
Terminal growth (%)	2.0											
<b>Enterprise value</b>	<b>53,991</b>											
Net debt (end-2024F)	(780)											
Minority interest	1,236											
Equity value	53,535											
# of shares (m)	2,494											
<b>Equity value/share (Bt)</b>	<b>21.5</b>											

Sources: Company data, Thanachart estimates

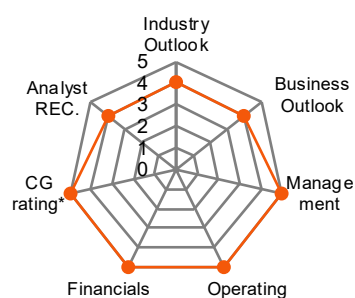


## COMPANY DESCRIPTION

Bangkok Chain Hospital Pcl (BCH) runs 16 hospitals located in Bangkok and upcountry, with a total number of licensed beds of 2,323 at the end of 3Q24. Its patient portfolio is divided into 1) cash or self-pay (including Civil Servants) and 2) patients under the Social Security Scheme. The company held an IPO and was listed on the Stock Exchange of Thailand (SET) at the beginning of 2004.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Management has substantial experience in the hospital business, particularly in the mid-tier and managed-care markets.
- Revenue is diversified.

### 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.
- COVID-19 pandemic.

### W — Weakness

- BCH has long been recognized as the largest managed-care private hospital, which could be a barrier to expanding into new client segments.

### T — Threat

- Growing importance of franchise names and big players such as BDMS, which have entered the mid-market segment.
- Slow economy.
- Regulatory risk.
- Covid-19 pandemic.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	20.48	21.50	5%
<b>Net profit 24F (Bt m)</b>	1,472	1,204	-18%
<b>Net profit 25F (Bt m)</b>	1,721	1,612	-6%
<b>Consensus REC</b>	<b>BUY: 17</b>	<b>HOLD: 3</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is slightly higher than the Street's but our 2024-25F earnings are below. This is likely due to our more bullish view on BCH's long-term growth path.

## RISKS TO OUR INVESTMENT CASE

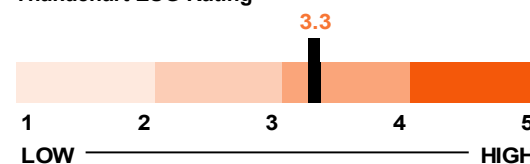
- The key downside risk to our call would be if BCH's strategy of boosting revenue from the cash-patient business were to turn out worse than our current expectation.
- A secondary downside risk would be if BCH's registered patients under the SSS were to come in lower than our current assumptions.
- If BCH's new hospitals turn around slower than our current expectation, this would present another downside risk to our call.
- 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

BCH is one of the five biggest hospital chains in Thailand. The company’s business nature doesn’t produce much greenhouse gas. BCH’s plans and targets for ESG aspects seem to be clearer this year. Our ESG score for BCH is 3.3, 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)
<b>BCH</b>	<b>YES</b>	<b>AA</b>	<b>-</b>	<b>BBB</b>	<b>-</b>	<b>55.8</b>	<b>35.00</b>	<b>-</b>	<b>5.0</b>

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

- BCH is one of Thailand's five biggest hospital chains, with 16 hospitals in its portfolio. The nature of its business doesn't generate much greenhouse gas (GHG).
- BCH targets reducing electricity usage by 0.3% in 2024 (baseline 2022), reducing water usage by 0.3%, and reducing waste by 5%.
- BCH continues to implement energy conservation measures every year. It has installed solar cells on the roofs of hospital and car park buildings at its four hospitals in Aranyaprathet, Prachinburi, Saraburi, and Chiang Rai provinces. Solar cells are being installed on the roofs of five other hospitals.
- BCH has continued its policy to reduce plastic bag use by campaigning for patients to use cloth bags instead to lower the amount of carbon dioxide released into the atmosphere.

**SOCIAL**

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

- BCH is acutely aware of the importance of human resources and has established guidelines for recruiting and selecting personnel according to laws and ethics. According to BCH, all personnel are respected and treated equally with social protection, fair working conditions, reasonable remuneration, and without discrimination.
- BCH has surveyed occupational safety practices. It also continuously reviews the statistics of serious injuries or illnesses occurring within the company, including communicating to prevent and reduce accidents. It targets zero work-related injuries.
- BCH is committed to having good-quality service and safety standards. It has also received accreditation from the Institute for Hospital Quality Improvement and the Joint Commission International (JCI). It targets to have a customer satisfaction rate of no less than 80%.
- BCH has contributed to social support activities (at least 100 times), such as by providing scholarships and financial support to purchase medical equipment for various hospitals and providing free health check-ups for people living in the vicinity.

**GOVERNANCE & SUSTAINABILITY**

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

- Presently, BCH has 12 directors (three female directors representing 25% and four independent directors representing 33% of all directors).
- BCH prohibits bribery of any kind in all activities related to its business operations. If the company needs to make a charitable donation, give business gifts, or provide financial support for any activities, it does so transparently and without the intention of getting government or private officials to take improper action.
- Its risk policies are established to identify and analyze the group's risks, set appropriate risk limits and controls, and monitor risks and adherence to limits.
- BCH has continuously improved its service efficiency to achieve excellence in medical services with highly skilled and experienced medical personnel, modern medical equipment, and specialized centers to provide integrated medical services.

Sources: Thanachart, Company data

## INCOME STATEMENT

Revenue from cash and SSS patients boosts the top line in 2025-26F

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	18,827	11,729	11,734	12,741	13,492
Cost of sales	11,535	8,116	8,507	8,978	9,429
<b>Gross profit</b>	<b>7,292</b>	<b>3,613</b>	<b>3,227</b>	<b>3,763</b>	<b>4,062</b>
% gross margin	38.7%	30.8%	27.5%	29.5%	30.1%
Selling & administration expenses	1,946	1,755	1,625	1,659	1,738
<b>Operating profit</b>	<b>5,346</b>	<b>1,859</b>	<b>1,601</b>	<b>2,103</b>	<b>2,324</b>
% operating margin	28.4%	15.8%	13.6%	16.5%	17.2%
Depreciation & amortization	950	944	987	1,041	1,053
<b>EBITDA</b>	<b>6,296</b>	<b>2,802</b>	<b>2,589</b>	<b>3,144</b>	<b>3,377</b>
% EBITDA margin	33.4%	23.9%	22.1%	24.7%	25.0%
Non-operating income	92	119	110	113	117
Non-operating expenses	0	0	0	0	0
Interest expense	(156)	(95)	(58)	(29)	(14)
<b>Pre-tax profit</b>	<b>5,282</b>	<b>1,882</b>	<b>1,654</b>	<b>2,187</b>	<b>2,427</b>
Income tax	1,135	405	324	428	475
<b>After-tax profit</b>	<b>4,147</b>	<b>1,478</b>	<b>1,330</b>	<b>1,759</b>	<b>1,952</b>
% net margin	22.0%	12.6%	11.3%	13.8%	14.5%
Shares in affiliates' Earnings	0	1	0	0	0
Minority interests	(206)	(73)	(126)	(147)	(160)
Extraordinary items	(902)	0	0	0	0
<b>NET PROFIT</b>	<b>3,039</b>	<b>1,406</b>	<b>1,204</b>	<b>1,612</b>	<b>1,792</b>
<b>Normalized profit</b>	<b>3,941</b>	<b>1,406</b>	<b>1,204</b>	<b>1,612</b>	<b>1,792</b>
EPS (Bt)	1.2	0.6	0.5	0.6	0.7
Normalized EPS (Bt)	1.6	0.6	0.5	0.6	0.7

## BALANCE SHEET

More new capacity planned to be added in 2024-28

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	6,835	4,843	4,084	4,689	4,844
Cash & cash equivalent	2,640	2,185	1,602	2,002	2,002
Account receivables	3,754	2,239	2,090	2,269	2,403
Inventories	362	306	280	295	310
Others	79	113	113	123	130
Investments & loans	31	27	27	27	27
Net fixed assets	11,829	11,728	12,023	11,825	12,241
Other assets	1,102	1,133	1,134	1,231	1,303
<b>Total assets</b>	<b>19,796</b>	<b>17,731</b>	<b>17,268</b>	<b>17,771</b>	<b>18,416</b>
<b>LIABILITIES:</b>					
Current liabilities:	3,510	3,505	2,531	2,507	2,512
Account payables	797	778	769	812	853
Bank overdraft & ST loans	0	81	82	33	22
Current LT debt	1,271	1,159	370	148	99
Others current liabilities	1,443	1,487	1,310	1,514	1,538
<b>Total LT debt</b>	<b>2,599</b>	<b>324</b>	<b>370</b>	<b>148</b>	<b>99</b>
Others LT liabilities	177	197	190	207	219
<b>Total liabilities</b>	<b>6,287</b>	<b>4,026</b>	<b>3,091</b>	<b>2,862</b>	<b>2,831</b>
Minority interest	1,065	1,110	1,236	1,384	1,544
Preferreds shares	0	0	0	0	0
Paid-up capital	2,494	2,494	2,494	2,494	2,494
Share premium	645	645	645	645	645
Warrants	0	0	0	0	0
Surplus	(187)	(192)	(192)	(192)	(192)
<b>Retained earnings</b>	<b>9,493</b>	<b>9,648</b>	<b>9,994</b>	<b>10,580</b>	<b>11,096</b>
Shareholders' equity	12,445	12,594	12,940	13,526	14,042
<b>Liabilities &amp; equity</b>	<b>19,796</b>	<b>17,731</b>	<b>17,268</b>	<b>17,771</b>	<b>18,416</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT***Robust cash inflows*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	5,282	1,882	1,654	2,187	2,427
Tax paid	(2,395)	(304)	(386)	(385)	(485)
Depreciation & amortization	950	944	987	1,041	1,053
Chg In working capital	1,893	1,552	167	(152)	(108)
Chg In other CA & CL / minorities	359	(116)	(115)	152	26
<b>Cash flow from operations</b>	<b>6,090</b>	<b>3,959</b>	<b>2,307</b>	<b>2,842</b>	<b>2,914</b>
Capex	(989)	(842)	(1,283)	(842)	(1,470)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	2	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,058)	(11)	(8)	(81)	(60)
<b>Cash flow from investments</b>	<b>(2,046)</b>	<b>(850)</b>	<b>(1,291)</b>	<b>(923)</b>	<b>(1,530)</b>
Debt financing	(3,087)	(2,306)	(742)	(493)	(108)
Capital increase	0	0	0	0	0
Dividends paid	(3,491)	(1,247)	(858)	(1,026)	(1,276)
Warrants & other surplus	(83)	(10)	0	0	0
<b>Cash flow from financing</b>	<b>(6,660)</b>	<b>(3,563)</b>	<b>(1,599)</b>	<b>(1,519)</b>	<b>(1,384)</b>
<b>Free cash flow</b>	<b>5,101</b>	<b>3,116</b>	<b>1,024</b>	<b>2,000</b>	<b>1,444</b>

**VALUATION***Inexpensive valuation, in our view*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	9.7	27.3	31.9	23.8	21.4
Normalized PE - at target price (x)	13.6	38.1	44.5	33.3	29.9
PE (x)	12.6	27.3	31.9	23.8	21.4
PE - at target price (x)	17.6	38.1	44.5	33.3	29.9
EV/EBITDA (x)	6.3	13.5	14.5	11.7	10.8
EV/EBITDA - at target price (x)	8.7	18.9	20.4	16.5	15.3
P/BV (x)	3.1	3.0	3.0	2.8	2.7
P/BV - at target price (x)	4.3	4.3	4.1	4.0	3.8
P/CFO (x)	6.3	9.7	16.6	13.5	13.2
Price/sales (x)	2.0	3.3	3.3	3.0	2.8
Dividend yield (%)	5.2	2.3	2.2	3.1	3.5
FCF Yield (%)	13.3	8.1	2.7	5.2	3.8
<b>(Bt)</b>					
Normalized EPS	1.6	0.6	0.5	0.6	0.7
EPS	1.2	0.6	0.5	0.6	0.7
DPS	0.8	0.4	0.3	0.5	0.5
BV/share	5.0	5.1	5.2	5.4	5.6
CFO/share	2.4	1.6	0.9	1.1	1.2
FCF/share	2.0	1.2	0.4	0.8	0.6

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	(12.0)	(37.7)	0.0	8.6	5.9
Net profit (%)	(55.6)	(53.7)	(14.4)	33.8	11.2
EPS (%)	(55.6)	(53.7)	(14.4)	33.8	11.2
Normalized profit (%)	(42.4)	(64.3)	(14.4)	33.8	11.2
Normalized EPS (%)	(42.4)	(64.3)	(14.4)	33.8	11.2
Dividend payout ratio (%)	65.6	62.1	70.0	75.0	75.0
<b>Operating performance</b>					
Gross margin (%)	38.7	30.8	27.5	29.5	30.1
Operating margin (%)	28.4	15.8	13.6	16.5	17.2
EBITDA margin (%)	33.4	23.9	22.1	24.7	25.0
Net margin (%)	22.0	12.6	11.3	13.8	14.5
D/E (incl. minor) (x)	0.3	0.1	0.1	0.0	0.0
Net D/E (incl. minor) (x)	0.1	(0.0)	(0.1)	(0.1)	(0.1)
Interest coverage - EBIT (x)	34.3	19.5	27.8	72.4	167.4
Interest coverage - EBITDA (x)	40.4	29.4	44.9	108.2	243.3
ROA - using norm profit (%)	17.1	7.5	6.9	9.2	9.9
ROE - using norm profit (%)	31.0	11.2	9.4	12.2	13.0
<b>DuPont</b>					
ROE - using after tax profit (%)	32.6	11.8	10.4	13.3	14.2
- asset turnover (x)	0.8	0.6	0.7	0.7	0.7
- operating margin (%)	28.9	16.9	14.6	17.4	18.1
- leverage (x)	1.8	1.5	1.4	1.3	1.3
- interest burden (%)	97.1	95.2	96.6	98.7	99.4
- tax burden (%)	78.5	78.5	80.4	80.4	80.4
WACC (%)	6.8	6.8	6.8	6.8	6.8
ROIC (%)	28.6	10.7	10.8	13.9	15.8
NOPAT (Bt m)	4,197	1,459	1,288	1,691	1,869
invested capital (Bt m)	13,675	11,972	12,160	11,853	12,261

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

TP: Bt 34.00 (From: Bt39.00)

9 JANUARY 2025

Change in Numbers

Upside : 41.7%

# Bangkok Dusit Medical (BDMS TB)

## Slower growth

BDMS is entering a slower growth period with an 8% EPS CAGR in 2025-27F. However, we maintain our BUY on the stock since it has the strongest fundamentals in the sector, in our view, as the largest hospital chain with a solid brand value in different segments.



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### Slower growth but still a BUY

This report is a part of Healthcare Sector – **Entering organic mode**, dated 9 January 2025. We still rate BDMS, no longer one of our top sector picks, as a BUY. **First**, we project its earnings to grow by 9/8/7% in 2025-27F. **Second**, BDMS, in our view, is the strongest fundamental stock in the sector, being the largest hospital chain in the country with strong hospital brands in diversified price point segments. **Third**, its decent ROE is on a rising trend from 16.2% in 2024F to 18.0% in 2027F. BDMS turned net cash in 2024F. **Lastly**, as the strongest player and the leader in a very robust industry with a high ROE, we believe BDMS is inexpensive, trading at 22.3x PE in 2025F. After trimming our earnings by 2-4% p.a. in 2024-27F to reflect slower Thai patient flows and pricing pressure, our DCF-based 12-month TP (2025F base year) is cut to Bt34.0 from Bt39.0.

### 8% three-year EPS CAGR

Key drivers of our earnings expectation of an 8% EPS CAGR in 2025-27F are as follows. We project more organic revenue growth of 6-7% p.a. Note that we conservatively assume no return of Kuwaiti patients in the worst-case scenario that BDMS isn't one of the three chosen by the Kuwaiti government. We also estimate a gradual rise in EBIT margin from 14.2% in 2024F to 14.6/14.9/15.1% in 2025-27F due to the operating leverage effect, higher revenue intensity, and a rising mix of high-margin foreign patients. We estimate its foreign revenue mix to increase to 28.9% in 2027F vs. 27.2% in 2023.

### Strong business platform

BDMS has 56 hospitals in 20 major cities in Thailand, two in Cambodia, one BDMS Wellness Clinic and Resort, and five digital healthcare platforms (HEALTH UP, WELL, BEDEE, My B+, and SKIN X). BDMS has reached the stage of offering fully integrated healthcare services (curative care, preventive care, and rehabilitative care) to patients in all income segments, including the Social Security Scheme (SSS). The diversified portfolio and market segmentation should strengthen patient flows and reduce the negative impact of the disappearance of Kuwaiti patients, stricter health insurance claim rules, and the economic slowdown.

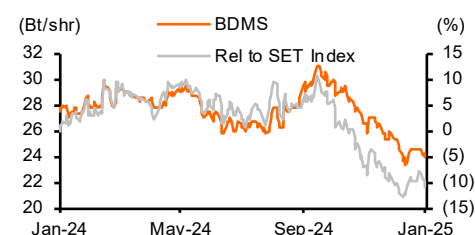
### Expansion from a high base

We estimate BDMS's capex at about Bt9.0-9.5bn p.a. in 2025-27F, or 7-8% of total revenue. By bed capacity, the announced projects imply a 7% capacity increase to 9,300 registered beds in 2027F from 8,713 registered beds in 2024 or about 2% p.a. In the pipeline over 2025-27 are the 100-bed Samitivej International Children, the 220-bed Phyathai Bowin, the 90-bed Bangkok Chiangmai, the 53-bed Bangkok Khao Yai, and the 160-bed Phyathai 1 hospitals.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	97,077	104,000	110,885	118,218
Net profit	14,375	15,724	17,096	18,499
Consensus NP	—	15,859	17,136	18,528
Diff frm cons (%)	—	(0.8)	(0.2)	(0.2)
Norm profit	14,375	15,724	17,096	18,499
Prev. Norm profit	—	15,978	17,722	19,254
Chg frm prev (%)	—	(1.6)	(3.5)	(3.9)
Norm EPS (Bt)	0.9	1.0	1.1	1.2
Norm EPS grw (%)	14.0	9.4	8.7	8.2
Norm PE (x)	26.5	24.3	22.3	20.6
EV/EBITDA (x)	19.4	18.2	16.7	15.5
P/BV (x)	4.0	3.8	3.7	3.6
Div yield (%)	2.9	3.3	3.6	3.9
ROE (%)	15.5	16.2	16.9	17.6
Net D/E (%)	1.0	(2.5)	(4.7)	(6.3)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 8-Jan-25 (Bt)	24.00
Market Cap (US\$ m)	11,017.6
Listed Shares (m shares)	15,892.0
Free Float (%)	66.7
Avg Daily Turnover (US\$ m)	42.9
12M Price H/L (Bt)	31.00/23.30
Sector	Health Care
Major Shareholder	Prasarththongosot Family 16.71%

Sources: Bloomberg, Company data, Thanachart estimates

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### Ex 1: Change In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F	2027F
<b>Thai patient growth - OPD (%)</b>						
- New	49.3	2.5	5.0	3.0	3.0	3.0
- Old			5.0	4.0	3.0	3.0
- Change (ppt)			0.0	(1.0)	0.0	0.0
<b>Thai patient growth - IPD (%)</b>						
- New	57.3	99.2	1.0	2.0	3.0	3.0
- Old			0.0	3.0	3.0	3.0
- Change (ppt)			1.0	(1.0)	0.0	0.0
<b>Average billing growth - Thai patients (%)</b>						
- New	(21.1)	16.3	1.2	2.5	3.0	3.0
- Old			1.6	3.1	3.0	3.0
- Change (ppt)			(0.4)	(0.5)	0.0	0.0
<b>Normalized profit (Bt m)</b>						
- New	12,606	14,375	15,724	17,096	18,499	19,713
- Old			15,978	17,722	19,254	20,312
- Change (%)			(1.6)	(3.5)	(3.9)	(3.0)

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	22,063	23,788	25,500	27,392	29,366	31,312	33,379	35,565	37,889	40,358	42,984	—
Free cash flow	16,312	16,883	18,622	14,403	26,504	28,462	30,532	32,716	35,026	37,472	40,062	763,807
PV of free cash flow	16,268	14,913	15,458	11,233	19,427	19,072	19,139	19,181	19,210	19,224	18,358	350,007
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	6.4											
Terminal growth (%)	2.0											
Enterprise value - add investments	541,490											
Net debt (end-2024F)	(2,579)											
Minority interest	4,201											
Equity value	539,868											
# of shares (m)	15,892											
<b>Equity value/share (Bt)</b>	<b>34.00</b>											

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Bangkok Dusit Medical Services Pcl (BDMS) was founded in 1969 and opened its first private hospital, Bangkok Hospital, in 1972. It is now Thailand's largest private hospital operator in terms of patient service revenue and market capitalization. Its main focus is Bangkok and various high-growth markets nationwide.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- As BDMS runs 56 hospitals nationwide (including Phyathai and Paolo groups) and two in Cambodia, its revenue is diversified against any particular risk in one location.
- A strong balance sheet enhances BDMS's expansion and acquisition ability.

### O — Opportunity

- Rising incomes make it more affordable for people to pay for better-quality healthcare services at private hospitals.
- More complex medical treatments due to the aging trend.
- Thailand is a value-for-money destination for medical tourism.
- Disease outbreaks.

### W — Weakness

- Since depreciation expenses make up about 6% of its 2023 revenues, BDMS's earnings are sensitive to changes in revenue and economic conditions.

### T — Threat

- Aggressive pricing policies of direct regional rivals such as hospitals in Singapore are being supported by their governments.
- Slowdown in the economy.
- Political and regulatory risks.
- Natural disasters and disease outbreaks.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	34.31	34.00	-1%
<b>Net profit 24F (Bt m)</b>	15,859	15,724	-1%
<b>Net profit 25F (Bt m)</b>	17,136	17,096	0%
<b>Consensus REC</b>	<b>BUY: 28</b>	<b>HOLD: 3</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

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

## RISKS TO OUR INVESTMENT CASE

- BDMS's new hospitals may turn profitable more slowly than we currently expect if there is more intense competition from existing private healthcare operators or if there were to be newcomers to the healthcare market in Thailand.
- If the number of Thai and international patient flows were to be lower than our current expectations.
- If BDMS Wellness Clinic and BDMS Silver Wellness & Residence turn profitable slower than we currently anticipate.
- If the Adjusted Relative Weight (RW) under the Social Security Scheme drops, there could be downside risk to our earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart





## INCOME STATEMENT

*Thai and international patients look set to drive revenue in 2024-26F*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	88,535	97,077	104,000	110,885	118,218
Cost of sales	58,329	63,412	68,501	72,738	77,339
<b>Gross profit</b>	<b>30,205</b>	<b>33,665</b>	<b>35,499</b>	<b>38,146</b>	<b>40,879</b>
% gross margin	34.1%	34.7%	34.1%	34.4%	34.6%
Selling & administration expenses	17,655	19,806	20,715	21,958	23,290
<b>Operating profit</b>	<b>12,551</b>	<b>13,859</b>	<b>14,784</b>	<b>16,188</b>	<b>17,589</b>
% operating margin	14.2%	14.3%	14.2%	14.6%	14.9%
Depreciation & amortization	5,950	5,848	6,011	6,297	6,581
<b>EBITDA</b>	<b>18,500</b>	<b>19,707</b>	<b>20,795</b>	<b>22,486</b>	<b>24,170</b>
% EBITDA margin	20.9%	20.3%	20.0%	20.3%	20.4%
Non-operating income	4,521	5,250	5,871	6,178	6,495
Non-operating expenses	0	0	0	0	0
Interest expense	(632)	(547)	(428)	(390)	(315)
<b>Pre-tax profit</b>	<b>16,440</b>	<b>18,563</b>	<b>20,227</b>	<b>21,977</b>	<b>23,769</b>
Income tax	3,227	3,755	4,005	4,351	4,706
<b>After-tax profit</b>	<b>13,212</b>	<b>14,808</b>	<b>16,222</b>	<b>17,626</b>	<b>19,063</b>
% net margin	14.9%	15.3%	15.6%	15.9%	16.1%
Shares in affiliates' Earnings	42	89	73	79	85
Minority interests	(648)	(522)	(571)	(609)	(649)
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>12,606</b>	<b>14,375</b>	<b>15,724</b>	<b>17,096</b>	<b>18,499</b>
<b>Normalized profit</b>	<b>12,606</b>	<b>14,375</b>	<b>15,724</b>	<b>17,096</b>	<b>18,499</b>
EPS (Bt)	0.8	0.9	1.0	1.1	1.2
Normalized EPS (Bt)	0.8	0.9	1.0	1.1	1.2

## BALANCE SHEET

*More new projects due to enter into its portfolio in 2024-26*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	27,799	23,545	25,272	25,197	26,183
Cash & cash equivalent	14,972	9,467	10,172	10,172	10,172
Account receivables	10,484	11,558	12,394	12,152	12,955
Inventories	2,211	2,420	2,627	2,790	2,966
Others	132	101	78	83	89
Investments & loans	1,982	2,108	2,108	2,108	2,108
Net fixed assets	81,860	87,025	90,042	93,348	96,528
Other assets	29,902	30,917	32,941	33,982	34,783
<b>Total assets</b>	<b>141,543</b>	<b>143,596</b>	<b>150,364</b>	<b>154,635</b>	<b>159,603</b>
<b>LIABILITIES:</b>					
Current liabilities:	20,616	18,433	19,850	20,306	20,952
Account payables	6,176	6,901	7,455	7,916	8,417
Bank overdraft & ST loans	532	0	0	0	0
Current LT debt	5,000	2,500	1,898	1,272	764
Others current liabilities	8,909	9,032	10,497	11,117	11,771
<b>Total LT debt</b>	<b>10,498</b>	<b>7,999</b>	<b>5,695</b>	<b>3,816</b>	<b>2,293</b>
Others LT liabilities	16,716	18,291	21,503	22,621	23,556
<b>Total liabilities</b>	<b>47,830</b>	<b>44,723</b>	<b>47,048</b>	<b>46,743</b>	<b>46,800</b>
Minority interest	3,834	3,630	4,201	4,810	5,459
Preferreds shares	0	0	0	0	0
Paid-up capital	1,589	1,589	1,589	1,589	1,589
Share premium	30,166	30,166	30,166	30,166	30,166
Warrants	0	0	0	0	0
Surplus	10,174	11,512	11,512	11,512	11,512
<b>Retained earnings</b>	<b>47,950</b>	<b>51,975</b>	<b>55,848</b>	<b>59,815</b>	<b>64,076</b>
Shareholders' equity	89,879	95,242	99,115	103,082	107,343
<b>Liabilities &amp; equity</b>	<b>141,543</b>	<b>143,596</b>	<b>150,364</b>	<b>154,635</b>	<b>159,603</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT***Sustainable cash inflow streams*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	16,440	18,563	20,227	21,977	23,769
Tax paid	(2,761)	(3,623)	(3,885)	(4,240)	(4,583)
Depreciation & amortization	5,950	5,848	6,011	6,297	6,581
Chg In working capital	(419)	(557)	(490)	541	(479)
Chg In other CA & CL / minorities	589	(601)	1,413	583	610
<b>Cash flow from operations</b>	<b>19,798</b>	<b>19,630</b>	<b>23,276</b>	<b>25,158</b>	<b>25,897</b>
Capex	(7,699)	(10,610)	(8,580)	(9,180)	(9,380)
Right of use	(7,228)	(1,012)	(1,000)	(800)	(500)
ST loans & investments	3	(12)	28	0	0
LT loans & investments	(382)	(127)	0	0	0
Adj for asset revaluation	1,033	1,338	0	0	0
Chg In other assets & liabilities	4,053	1,169	1,740	454	252
<b>Cash flow from investments</b>	<b>(10,220)</b>	<b>(9,254)</b>	<b>(7,812)</b>	<b>(9,526)</b>	<b>(9,628)</b>
Debt financing	357	(5,531)	(2,906)	(2,504)	(2,031)
Capital increase	0	0	0	0	0
Dividends paid	(7,943)	(10,343)	(11,852)	(13,128)	(14,238)
Warrants & other surplus	338	(7)	0	0	0
<b>Cash flow from financing</b>	<b>(7,248)</b>	<b>(15,881)</b>	<b>(14,758)</b>	<b>(15,632)</b>	<b>(16,269)</b>
<b>Free cash flow</b>	<b>12,099</b>	<b>9,020</b>	<b>14,696</b>	<b>15,978</b>	<b>16,517</b>

**VALUATION***Inexpensive valuation, in our view*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	30.3	26.5	24.3	22.3	20.6
Normalized PE - at target price (x)	42.9	37.6	34.4	31.6	29.2
PE (x)	30.3	26.5	24.3	22.3	20.6
PE - at target price (x)	42.9	37.6	34.4	31.6	29.2
EV/EBITDA (x)	20.7	19.4	18.2	16.7	15.5
EV/EBITDA - at target price (x)	29.3	27.5	25.9	23.8	22.1
P/BV (x)	4.2	4.0	3.8	3.7	3.6
P/BV - at target price (x)	6.0	5.7	5.5	5.2	5.0
P/CFO (x)	19.3	19.4	16.4	15.2	14.7
Price/sales (x)	4.3	3.9	3.7	3.4	3.2
Dividend yield (%)	2.5	2.9	3.3	3.6	3.9
FCF Yield (%)	3.2	2.4	3.9	4.2	4.3
<b>(Bt)</b>					
Normalized EPS	0.8	0.9	1.0	1.1	1.2
EPS	0.8	0.9	1.0	1.1	1.2
DPS	0.6	0.7	0.8	0.9	0.9
BV/share	5.7	6.0	6.2	6.5	6.8
CFO/share	1.2	1.2	1.5	1.6	1.6
FCF/share	0.8	0.6	0.9	1.0	1.0

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

*Sustainable EPS growth  
in 2024-26F*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	23.8	9.6	7.1	6.6	6.6
Net profit (%)	58.8	14.0	9.4	8.7	8.2
EPS (%)	58.8	14.0	9.4	8.7	8.2
Normalized profit (%)	58.8	14.0	9.4	8.7	8.2
Normalized EPS (%)	58.8	14.0	9.4	8.7	8.2
Dividend payout ratio (%)	75.6	77.4	80.0	80.0	80.0
<b>Operating performance</b>					
Gross margin (%)	34.1	34.7	34.1	34.4	34.6
Operating margin (%)	14.2	14.3	14.2	14.6	14.9
EBITDA margin (%)	20.9	20.3	20.0	20.3	20.4
Net margin (%)	14.9	15.3	15.6	15.9	16.1
D/E (incl. minor) (x)	0.2	0.1	0.1	0.0	0.0
Net D/E (incl. minor) (x)	0.0	0.0	(0.0)	(0.0)	(0.1)
Interest coverage - EBIT (x)	19.9	25.4	34.5	41.5	55.9
Interest coverage - EBITDA (x)	29.3	36.1	48.6	57.7	76.8
ROA - using norm profit (%)	9.3	10.1	10.7	11.2	11.8
ROE - using norm profit (%)	14.5	15.5	16.2	16.9	17.6
<b>DuPont</b>					
ROE - using after tax profit (%)	15.2	16.0	16.7	17.4	18.1
- asset turnover (x)	0.7	0.7	0.7	0.7	0.8
- operating margin (%)	19.3	19.7	19.9	20.2	20.4
- leverage (x)	1.6	1.5	1.5	1.5	1.5
- interest burden (%)	96.3	97.1	97.9	98.3	98.7
- tax burden (%)	80.4	79.8	80.2	80.2	80.2
WACC (%)	0.0	0.0	0.0	6.4	6.4
ROIC (%)	11.6	12.2	12.3	13.4	14.4
NOPAT (Bt m)	10,087	11,056	11,857	12,983	14,106
invested capital (Bt m)	90,937	96,274	96,535	97,999	100,228

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

Company Update

**TP: Bt 243.00** (Unchanged)

**Upside : 24.6%**

**9 JANUARY 2025**

# Bumrungrad Hospital Pcl (BH TB)

## Overly punished

We believe BH is overly punished after its 26% share price drop post 3Q24 results. It looks inexpensive again to us at 19.0x PE. Despite a single-digit earnings growth outlook, BH is the most profitable healthcare company at 28% ROE vs. the 18% sector average.



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### Softer growth but highly profitable; BUY

This report is a part of Healthcare Sector – *Entering organic mode*, dated 9 January 2025. We maintain our BUY on BH. **First**, after the 26% share price drop following its disappointing 3Q24 results, BH looks inexpensive again to us, trading at a 2025F PE of 19.0x. **Second**, there could be upside to our soft EPS growth estimates of 7/2% in 2025-26F if BH is selected by the Kuwaiti government as one of its three Thai hospitals. Also, the dragging factor of losses from new projects in 2026F isn't really a negative fundamental factor. **Lastly**, BH is the most profitable company in the sector at 28% ROE vs. the sector average of 18%.

### Organic earnings growth

We estimate BH's EPS growth at 7/2% in 2025-26F. Key drivers are rising revenue from Thai and foreign patients and expanding margins. While we conservatively assume no return of Kuwait and UAE patients, we expect growth from new markets (China, Indonesia, Ethiopia, Russia, CIS countries), Bangladesh after its political situation improves, a shift in BH's strategy in Cambodia, and strong demand from existing markets like the US (fly-in and expats) and Mongolia. We estimate BH's revenue to grow by 4% in 2025F, with EBIT margin expanding to 36.1% from 35.2% in 2024F. However, we expect slow earnings growth in 2026F due to rising losses from the new campus in Phuket.

### Outperforms peers by far in profitability

BH is the most profitable firm in the healthcare sector. We project its ROE at 28% this year. Even with losses from the first year of operation of its new Phuket campus and expansions in its Bangkok campus in 2026F, we still project a high ROE of 26%. The sector average ROE is only 18% this year. In fact, if we take out BH from the sector average calculation, its peers' ROE average is only 15.4% in 2025F. Note that BH's outstanding ROE is despite it being a net cash company.

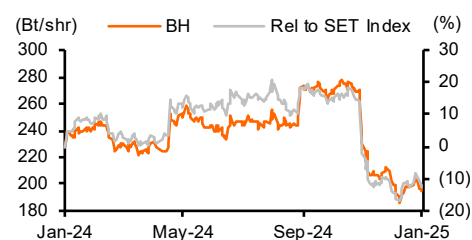
### Key new expansions in 2026F

After the soft launch of the new VitalLife Scientific Wellness Center in Phuket in 3Q24, two key expansions are scheduled for 2026F. The first comprises three new buildings near its main Bangkok campus in Sukhumvit Soi 1, which includes a 59-bed building, an oncology institute, an advanced technology center, and the BI Annex building. The second is a new 212-bed hospital in Phuket, which will also have an advanced diagnostics center.

### 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	—	7,732	8,098	8,366
Diff frm cons (%)	—	(1.3)	0.8	(0.4)
Norm profit	6,978	7,653	8,163	8,332
Prev. Norm profit	—	7,653	8,163	8,332
Chg frm prev (%)	—	0.0	0.0	0.0
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)	22.2	20.3	19.0	18.6
EV/EBITDA (x)	15.5	14.3	13.5	12.8
P/BV (x)	6.5	5.7	5.1	4.7
Div yield (%)	2.3	3.0	3.4	4.0
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 8-Jan-25 (Bt)	195.00
Market Cap (US\$ m)	4,477.7
Listed Shares (m shares)	794.9
Free Float (%)	65.3
Avg Daily Turnover (US\$ m)	27.4
12M Price H/L (Bt)	278.00/185.50
Sector	Health Care
Major Shareholder	Sophonpanich family ~35%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P40



**Ex 1: 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	17,128	—
Free cash flow	4,115	7,727	9,395	9,904	10,442	10,954	11,485	12,029	12,596	13,192	13,714	245,420
PV of free cash flow	4,103	6,782	7,725	7,627	7,533	7,208	7,048	6,883	6,722	6,566	6,063	108,508
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	6.7											
Terminal growth (%)	2.0											
Enterprise value -	182,768											
add investments												
Net debt (end-2024F)	(11,013)											
Minority interest	362											
Equity value	193,419											
# of shares (m)	795											
<b>Equity value/share (Bt)</b>	<b>243</b>											

Sources: Company data, Thanachart estimates

## 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

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

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
<b>Target price (Bt)</b>	269.64	243.00	-10%
<b>Net profit 24F (Bt m)</b>	7,732	7,633	-1%
<b>Net profit 25F (Bt m)</b>	8,098	8,163	1%
<b>Consensus REC</b>	<b>BUY: 16</b>	<b>HOLD: 10</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is below the Street's number, likely given our more conservative view on BH's new campus in Phuket that is scheduled to open in 2026.

## RISKS TO OUR INVESTMENT CASE

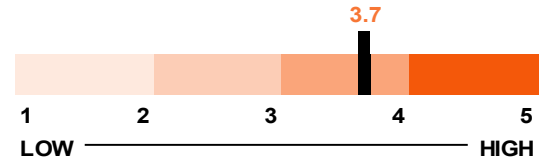
- If the number of Thai and international patients were to come in below our current expectations, this would represent the key downside risk to our call.
- If BH's billing size and margins were to be lower than our current assumptions, this would represent a secondary downside risk.
- If there is more 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	-	62.24	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

*International patients are the key driver for 2025-26F revenues*

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
<b>Gross profit</b>	<b>9,546</b>	<b>12,401</b>	<b>13,119</b>	<b>13,879</b>	<b>14,321</b>
% 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
<b>Operating profit</b>	<b>5,748</b>	<b>8,221</b>	<b>8,968</b>	<b>9,613</b>	<b>9,821</b>
% operating margin	27.8%	32.5%	35.2%	36.1%	34.7%
Depreciation & amortization	1,117	1,097	1,086	1,088	1,320
<b>EBITDA</b>	<b>6,865</b>	<b>9,318</b>	<b>10,054</b>	<b>10,701</b>	<b>11,141</b>
% 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)
<b>Pre-tax profit</b>	<b>6,053</b>	<b>8,610</b>	<b>9,460</b>	<b>10,088</b>	<b>10,301</b>
Income tax	1,072	1,583	1,741	1,856	1,895
<b>After-tax profit</b>	<b>4,981</b>	<b>7,028</b>	<b>7,720</b>	<b>8,231</b>	<b>8,405</b>
% 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
<b>NET PROFIT</b>	<b>4,938</b>	<b>7,006</b>	<b>7,633</b>	<b>8,163</b>	<b>8,332</b>
<b>Normalized profit</b>	<b>4,941</b>	<b>6,978</b>	<b>7,653</b>	<b>8,163</b>	<b>8,332</b>
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
<b>ASSETS:</b>					
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
<b>Total assets</b>	<b>24,259</b>	<b>29,212</b>	<b>32,228</b>	<b>36,021</b>	<b>38,866</b>
<b>LIABILITIES:</b>					
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
<b>Total LT debt</b>	<b>24</b>	<b>24</b>	<b>37</b>	<b>35</b>	<b>48</b>
Others LT liabilities	814	906	976	1,005	1,056
<b>Total liabilities</b>	<b>4,253</b>	<b>5,114</b>	<b>4,510</b>	<b>5,015</b>	<b>5,232</b>
Minority interest	300	297	362	431	504
Preferreds 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
<b>Retained earnings</b>	<b>18,448</b>	<b>22,489</b>	<b>26,043</b>	<b>29,263</b>	<b>31,818</b>
Shareholders' equity	19,705	23,801	27,356	30,576	33,131
<b>Liabilities &amp; equity</b>	<b>24,259</b>	<b>29,212</b>	<b>32,228</b>	<b>36,021</b>	<b>38,866</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT****Strong cash flow from operations**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
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)
<b>Cash flow from operations</b>	<b>6,141</b>	<b>7,045</b>	<b>8,351</b>	<b>9,596</b>	<b>9,555</b>
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
<b>Cash flow from investments</b>	<b>(1,279)</b>	<b>(1,692)</b>	<b>(3,961)</b>	<b>(4,871)</b>	<b>(1,619)</b>
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
<b>Cash flow from financing</b>	<b>(2,521)</b>	<b>(2,883)</b>	<b>(4,086)</b>	<b>(4,944)</b>	<b>(5,766)</b>
<b>Free cash flow</b>	<b>4,864</b>	<b>5,400</b>	<b>6,351</b>	<b>4,732</b>	<b>7,924</b>

**VALUATION****BH is inexpensive, in our view**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	31.4	22.2	20.3	19.0	18.6
Normalized PE - at target price (x)	39.1	27.7	25.2	23.7	23.2
PE (x)	31.4	22.1	20.3	19.0	18.6
PE - at target price (x)	39.1	27.6	25.3	23.7	23.2
EV/EBITDA (x)	21.4	15.5	14.3	13.5	12.8
EV/EBITDA - at target price (x)	26.9	19.6	18.1	17.0	16.2
P/BV (x)	7.9	6.5	5.7	5.1	4.7
P/BV - at target price (x)	9.8	8.1	7.1	6.3	5.8
P/CFO (x)	25.2	22.0	18.6	16.2	16.2
Price/sales (x)	7.5	6.1	6.1	5.8	5.5
Dividend yield (%)	1.8	2.3	3.0	3.4	4.0
FCF Yield (%)	3.1	3.5	4.1	3.1	5.1
<b>(Bt)</b>					
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
<b>Growth Rate</b>					
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
<b>Operating performance</b>					
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
<b>DuPont</b>					
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 (%)	0.0	0.0	0.0	6.7	6.7
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

BUY (Unchanged)

TP: Bt 3.40

(Unchanged)

Change in Numbers

Upside : 42.9%

9 JANUARY 2025

# Chularat Hospital Pcl (CHG TB)

## An FDI cycle beneficiary

CHG is our No.2 pick in the healthcare sector. Aside from its outperforming earnings growth, we see CHG as a beneficiary of the new FDI cycle in Thailand. The majority of new FDI investments are in the EEC area, which is near CHG's hospital portfolio.



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### Second top pick

This report is a part of Healthcare Sector – **Entering organic mode**, dated 9 January 2025. CHG is now our No.2 sector pick, and we reiterate BUY. **First**, CHG's earnings growth outlook of 25/11% outperforms the sector's 11/7% in 2025-26F. It is also a turnaround from the 4% fall in 2024F. **Second**, CHG is the second-largest Social Security Scheme service play and is thus a beneficiary of the full payment of the high-cost care service at Bt12,000/RW from 2025F. **Third**, CHG is a key beneficiary of the FDI boom as it is the largest hospital chain in eastern Bangkok, leading to the Eastern Economic Corridor (EEC). **Lastly**, CHG looks inexpensive to us on 20.7x 2025F PE. We cut our 2024F earnings by 9% but leave our 2025-27F estimates unchanged to reflect an SSS payment shortfall in 2H24F. Our DCF-based 12-month TP (2025F base year) remains at Bt3.40.

### Strong earnings growth

Key drivers of CHG's strong earnings growth in 2025-26F are 1) cash patient revenue growing by 7% p.a., 2) SSS revenue rising by 14/6% in 2025-26F due to more SSS-registered persons and the full payment at the standard rate of Bt12,000/RW from 2025F onwards, 3) EBIT margin expanding from 13.1% in 2024F to 17.4/18.2% in 2025-26F due to rising revenue intensity, falling revenue contribution from the low-margin hospital management business and operating leverage benefits, and 4) lower losses from the two new projects that opened in mid-2023.

### CHG's portfolio near and in EEC

CHG's total capacity is 938 beds across 10 hospitals. Most of its hospitals are located in eastern Bangkok, leading to the EEC area and the eastern border in Prachinburi province. Its largest hospital, Chularat 3, is located in eastern Bangkok, in Samut Prakan. In total, CHG operates four hospitals in eastern Bangkok, four in the EEC (spanning three provinces: Chachoengsao, Chonburi, and Rayong), one in Prachinburi, where there are several industrial estates, and one in Mae Sot, Tak province, near the western border. The government is considering upgrading Prachinburi to be part of the EEC area.

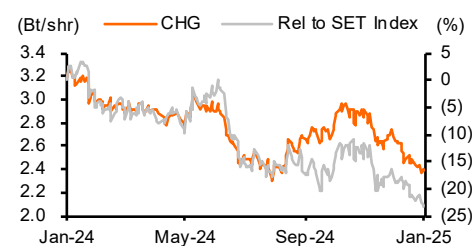
### New hospitals to bump 2027F earnings

CHG has four new projects in the pipeline, i.e., the 200-bed Chularat Rayong International Hospital to be opened in early 2027, a five-floor OPD building at Chularat 11 Hospital (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 (early 2027). We do not expect major losses from most of the projects except for the opening of Chularat Rayong International Hospital, due in 2027. This Rayong hospital would add CHG exposure right in the heart of EEC.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	7,730	8,312	9,069	9,651
Net profit	1,046	1,010	1,265	1,402
Consensus NP	—	1,100	1,275	1,377
Diff frm cons (%)	—	(8.1)	(0.7)	1.9
Norm profit	1,046	1,010	1,265	1,402
Prev. Norm profit	—	1,113	1,265	1,402
Chg frm prev (%)	—	(9.2)	0.0	0.0
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS grw (%)	(62.4)	(3.4)	25.2	10.8
Norm PE (x)	25.0	25.9	20.7	18.7
EV/EBITDA (x)	16.2	15.7	12.0	11.0
P/BV (x)	3.5	3.4	3.2	3.0
Div yield (%)	2.9	2.9	3.6	4.0
ROE (%)	13.9	13.2	15.9	16.7
Net D/E (%)	(10.6)	(13.0)	(12.3)	(9.7)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 8-Jan-25 (Bt)	2.38
Market Cap (US\$ m)	756.3
Listed Shares (m shares)	11,000.0
Free Float (%)	43.0
Avg Daily Turnover (US\$ m)	2.0
12M Price H/L (Bt)	3.26/2.30
Sector	Health Care
Major Shareholder	Plussind Family 24.96%

Sources: Bloomberg, Company data, Thanachart estimates



## Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F	2027F
<b>Revenue from SSS patients (Bt m) *</b>						
- New	2,149	2,461	2,528	2,893	3,057	3,215
- Old			2,660	2,893	3,057	3,215
- Change (%)			(5.0)	—	—	—
<b>Gross profit (%)</b>						
- New	41.5	26.0	25.0	28.6	29.4	28.0
- Old			26.2	28.6	29.4	28.0
- Change (ppt)			(1.2)	—	—	—
<b>SG&amp;A to sales (%)</b>						
- New	9.3	11.8	11.9	11.2	11.1	11.1
- Old			11.7	11.2	11.1	11.1
- Change (ppt)			0.2	—	—	—
<b>Normalized profit (Bt m)</b>						
- New	2,778	1,046	1,010	1,265	1,402	1,495
- Old			1,113	1,265	1,402	1,495
- Change (%)			(9.2)	—	—	—

Sources: Company data, Thanachart estimates

Note: \* We assume SSO to pay Bt8,000/RW for high-cost care service in 2H24.

## 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	2,082	2,280	2,374	2,619	2,851	3,074	3,299	3,540	3,797	4,070	4,360	—
Free cash flow	846	812	1,593	1,778	1,972	2,153	2,328	2,509	2,707	2,924	2,950	52,589
PV of free cash flow	844	706	1,291	1,343	1,389	1,415	1,427	1,433	1,442	1,453	1,301	23,201
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	7.3											
Terminal growth (%)	2.0											
<b>Enterprise value</b>	<b>37,245</b>											
Net debt (end-2024F)	(1,061)											
Minority interest	419											
Equity value	37,887											
# of shares (m)	11,000											
Equity value / share (Bt)	<b>3.40</b>											

Sources: Company data, Thanachart estimates

## 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

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

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.

### 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, Bt24.00, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	3.29	3.40	3%
<b>Net profit 24F (Bt m)</b>	1,100	1,010	-8%
<b>Net profit 25F (Bt m)</b>	1,275	1,265	-1%
<b>Consensus REC</b>	<b>BUY: 11</b>	<b>HOLD: 2</b>	<b>SELL: 1</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP and 2025F earnings are in line with the Street's.

## RISKS TO OUR INVESTMENT CASE

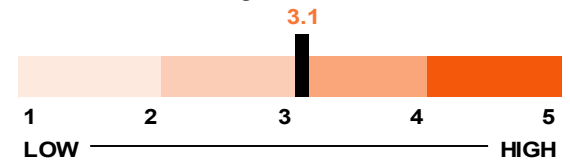
- If CHG's strategy of boosting revenue from the cash-patient business turns out to be worse than we expect, this would present the key downside risk to our earnings forecasts.
- If the Adjusted Relative Weight (RW) under the SSS or Universal Coverage schemes falls, this would pose a secondary downside 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.

Sources: Bloomberg consensus, Thanachart estimates

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	-	57.24	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)  
 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 10 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.
- Dr. Kumpol Plussind, a former CEO, has been penalized by the SEC for using insider information to buy shares of CHG.
- 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 to ensure business sustainability.
- 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

## INCOME STATEMENT

*Revenue from cash and SSS patients boosts the top line in 2025-26F*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	10,103	7,730	8,312	9,069	9,651
Cost of sales	5,908	5,723	6,234	6,475	6,818
<b>Gross profit</b>	<b>4,195</b>	<b>2,008</b>	<b>2,078</b>	<b>2,594</b>	<b>2,833</b>
% gross margin	41.5%	26.0%	25.0%	28.6%	29.4%
Selling & administration expenses	935	911	988	1,019	1,075
<b>Operating profit</b>	<b>3,260</b>	<b>1,097</b>	<b>1,090</b>	<b>1,575</b>	<b>1,758</b>
% operating margin	32.3%	14.2%	13.1%	17.4%	18.2%
Depreciation & amortization	403	464	513	520	532
<b>EBITDA</b>	<b>3,664</b>	<b>1,561</b>	<b>1,603</b>	<b>2,095</b>	<b>2,291</b>
% EBITDA margin	36.3%	20.2%	19.3%	23.1%	23.7%
Non-operating income	311	293	249	56	39
Non-operating expenses	0	0	0	0	0
Interest expense	(16)	(24)	(33)	(11)	(8)
<b>Pre-tax profit</b>	<b>3,555</b>	<b>1,366</b>	<b>1,306</b>	<b>1,619</b>	<b>1,789</b>
Income tax	703	279	269	332	367
<b>After-tax profit</b>	<b>2,851</b>	<b>1,087</b>	<b>1,037</b>	<b>1,287</b>	<b>1,422</b>
% net margin	28.2%	14.1%	12.5%	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
<b>NET PROFIT</b>	<b>2,778</b>	<b>1,046</b>	<b>1,010</b>	<b>1,265</b>	<b>1,402</b>
<b>Normalized profit</b>	<b>2,778</b>	<b>1,046</b>	<b>1,010</b>	<b>1,265</b>	<b>1,402</b>
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

## BALANCE SHEET

*More new capacity expansions planned in 2025-27*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	5,058	4,046	3,945	3,699	3,648
Cash & cash equivalent	2,001	1,524	1,525	1,325	1,125
Account receivables	2,767	2,158	2,050	1,988	2,115
Inventories	265	336	342	355	374
Others	26	27	29	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	328	340	349
<b>Total assets</b>	<b>10,280</b>	<b>10,264</b>	<b>10,474</b>	<b>10,783</b>	<b>11,269</b>
<b>LIABILITIES:</b>					
Current liabilities:	1,802	1,485	1,619	1,639	1,712
Account payables	851	894	1,025	1,064	1,121
Bank overdraft & ST loans	400	45	46	26	24
Current LT debt	65	82	63	36	33
Others current liabilities	486	464	486	513	534
<b>Total LT debt</b>	<b>334</b>	<b>556</b>	<b>355</b>	<b>203</b>	<b>187</b>
Others LT liabilities	280	293	310	325	337
<b>Total liabilities</b>	<b>2,416</b>	<b>2,333</b>	<b>2,284</b>	<b>2,167</b>	<b>2,236</b>
Minority interest	341	406	419	433	449
Preferred 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
<b>Retained earnings</b>	<b>5,277</b>	<b>5,278</b>	<b>5,525</b>	<b>5,937</b>	<b>6,339</b>
Shareholders' equity	7,523	7,525	7,771	8,183	8,585
<b>Liabilities &amp; equity</b>	<b>10,280</b>	<b>10,264</b>	<b>10,474</b>	<b>10,783</b>	<b>11,269</b>

Sources: Company data, Thanachart estimates



**CASH FLOW STATEMENT***Robust cash inflows*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	3,555	1,366	1,306	1,619	1,789
Tax paid	(1,289)	(325)	(255)	(325)	(357)
Depreciation & amortization	403	464	513	520	532
Chg In working capital	(291)	581	234	88	(90)
Chg In other CA & CL / minorities	182	48	(9)	(2)	(4)
<b>Cash flow from operations</b>	<b>2,560</b>	<b>2,134</b>	<b>1,790</b>	<b>1,901</b>	<b>1,870</b>
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)	3	1
<b>Cash flow from investments</b>	<b>(879)</b>	<b>(1,449)</b>	<b>(807)</b>	<b>(1,048)</b>	<b>(1,050)</b>
Debt financing	355	(116)	(218)	(199)	(20)
Capital increase	0	0	0	0	0
Dividends paid	(2,805)	(1,045)	(764)	(853)	(1,000)
Warrants & other surplus	(19)	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,470)</b>	<b>(1,161)</b>	<b>(982)</b>	<b>(1,052)</b>	<b>(1,020)</b>
<b>Free cash flow</b>	<b>1,790</b>	<b>666</b>	<b>990</b>	<b>851</b>	<b>820</b>

**VALUATION***Inexpensive valuation, in our view*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	9.4	25.0	25.9	20.7	18.7
Normalized PE - at target price (x)	13.5	35.8	37.0	29.6	26.7
PE (x)	9.4	25.0	25.9	20.7	18.7
PE - at target price (x)	13.5	35.8	37.0	29.6	26.7
EV/EBITDA (x)	6.8	16.2	15.7	12.0	11.0
EV/EBITDA - at target price (x)	9.9	23.4	22.7	17.3	15.9
P/BV (x)	3.5	3.5	3.4	3.2	3.0
P/BV - at target price (x)	5.0	5.0	4.8	4.6	4.4
P/CFO (x)	10.2	12.3	14.6	13.8	14.0
Price/sales (x)	2.6	3.4	3.1	2.9	2.7
Dividend yield (%)	6.7	2.9	2.9	3.6	4.0
FCF Yield (%)	6.8	2.5	3.8	3.2	3.1
<b>(Bt)</b>					
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	0.7	0.8
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

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Growth Rate</b>					
Sales (%)	(14.0)	(23.5)	7.5	9.1	6.4
Net profit (%)	(33.9)	(62.4)	(3.4)	25.2	10.8
EPS (%)	(33.9)	(62.4)	(3.4)	25.2	10.8
Normalized profit (%)	(33.9)	(62.4)	(3.4)	25.2	10.8
Normalized EPS (%)	(33.9)	(62.4)	(3.4)	25.2	10.8
Dividend payout ratio (%)	63.3	73.6	75.0	75.0	75.0
<b>Operating performance</b>					
Gross margin (%)	41.5	26.0	25.0	28.6	29.4
Operating margin (%)	32.3	14.2	13.1	17.4	18.2
EBITDA margin (%)	36.3	20.2	19.3	23.1	23.7
Net margin (%)	28.2	14.1	12.5	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)	(0.1)	(0.1)
Interest coverage - EBIT (x)	200.3	45.7	32.9	138.7	217.3
Interest coverage - EBITDA (x)	225.1	65.0	48.3	184.5	283.1
ROA - using norm profit (%)	26.7	10.2	9.7	11.9	12.7
ROE - using norm profit (%)	36.8	13.9	13.2	15.9	16.7
<b>DuPont</b>					
ROE - using after tax profit (%)	37.8	14.4	13.6	16.1	17.0
- asset turnover (x)	1.0	0.8	0.8	0.9	0.9
- operating margin (%)	35.3	18.0	16.1	18.0	18.6
- leverage (x)	1.4	1.4	1.4	1.3	1.3
- interest burden (%)	99.5	98.3	97.5	99.3	99.5
- tax burden (%)	80.2	79.6	79.4	79.5	79.5
WACC (%)	7.3	7.3	7.3	7.3	7.3
ROIC (%)	50.1	13.8	13.0	18.7	19.6
NOPAT (Bt m)	2,615	873	866	1,252	1,398
invested capital (Bt m)	6,322	6,683	6,710	7,123	7,704

Sources: Company data, Thanachart estimates

BUY (Unchanged)

TP: Bt 30.00

(From Bt29.00)

Change in Numbers

Upside : 16.5%

9 JANUARY 2025

# Praram 9 Hospital Pcl. (PR9 TB)

## Ramping up capacity

PR9 remains in a capacity ramp-up growth cycle after its major expansion of Building B in 2021. The expansion has allowed PR9 to increase capacity and boost higher-value services via its excellence centers. We reaffirm our BUY call on PR9.



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### Value-added capacity cycle; BUY

This report is a part of Healthcare Sector – **Entering organic mode**, dated 9 January 2025. We reaffirm our BUY rating on PR9 with a new DCF-based 12-month TP (2025F base year) of Bt30.0/share (up from Bt29.0). **First**, PR9 remains in a capacity ramp-up period that is supporting its growth cycle after the completion of Building B in 2021, which raised its capacity by 23% for IPD and 129% for OPD. Average utilization was 62.5% in 2024F. **Second**, we see PR9's brand value having been upgraded by the expansion that has come with more specialized (or excellence) centers, which has also brought in more Thai and foreign patients. **Third**, with a rising utilization trend and more excellence centers, PR9 is enjoying a rising margin and profitability trend. **Lastly**, PR9's 2025F PE of 24.6x is inexpensive, in our view. In this report, we fine-tune up our long-term earnings estimates from 2028-35F by 2% p.a. to reflect a slight increase in our margin assumptions.

### Not just capacity growth

PR9's Building B was opened in 2021. The building was not only for capacity growth but also for service value enhancement. The building accommodates most of the hospital's excellence centers for OPD rooms and it has increased IPD room capacity. This helps PR9 draw in many more foreign and Thai patients. We estimate PR9's patient revenue in 2024F to be 63% higher than in 2019. In 9M24, PR9's average utilization rate for IPD beds was 59% from 204 active beds. PR9 could also expand to 300 beds in its existing two buildings without significant investment.

### Much more foreign flows

PR9 saw its foreign patient revenue mix rise from only 13.7% in 2019 to 16.0% in 9M24. In 3Q24, the ratio went up to 17.6% after the company added the Middle East as its fourth foreign patient market after China, Myanmar, and Cambodia, starting in the middle of the year. We continue to estimate strong foreign patient revenue growth of 19/13/10% vs. 7% p.a. from the Thai side in 2025-27F. In 9M24, foreign patient revenue grew 31% y-y, and Thai revenue grew 9% y-y.

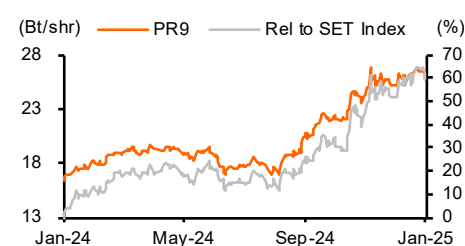
### Rising profitability

We estimate PR9's ROE to rise from 13.5% in 2024F to 14.8% in 2027F. Key drivers are rising asset utilization from a higher utilization level and widening margins from a higher intensity level with its excellence centers. We estimate PR9's EBIT margin to increase from 17.1% in 2024F to 18.9% in 2027F.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	4,202	4,638	5,070	5,495
Net profit	558	720	824	908
Consensus NP	—	711	822	884
Diff frm cons (%)	—	1.3	0.2	2.8
Norm profit	558	720	824	908
Prev. Norm profit	—	720	824	908
Chg frm prev (%)	—	0.0	(0.1)	0.1
Norm EPS (Bt)	0.7	0.9	1.0	1.2
Norm EPS grw (%)	(1.7)	29.0	14.5	10.3
Norm PE (x)	36.3	28.1	24.6	22.3
EV/EBITDA (x)	20.2	16.2	14.1	12.7
P/BV (x)	4.0	3.6	3.4	3.1
Div yield (%)	1.2	1.8	2.2	2.7
ROE (%)	11.4	13.5	14.2	14.5
Net D/E (%)	(37.4)	(43.4)	(45.2)	(47.0)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 8-Jan-25 (Bt)	25.75
Market Cap (US\$ m)	584.9
Listed Shares (m shares)	786.3
Free Float (%)	58.7
Avg Daily Turnover (US\$ m)	1.7
12M Price H/L (Bt)	26.75/16.00
Sector	Health Care
Major Shareholder	Damapong family 37.14%

Sources: Bloomberg, Company data, Thanachart estimates



**Ex 1: 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	1,235	1,353	1,458	1,554	1,647	1,742	1,838	1,939	2,044	2,155	2,272	—
Free cash flow	627	729	920	1,000	1,079	1,156	1,233	1,317	1,406	1,498	1,595	28,766
PV of free cash flow	625	635	748	759	763	763	760	757	754	750	708	12,777
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.6											
WACC (%)	7.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	20,799											
Net debt (end 2024F)	(2,412)											
Minority interest	0											
Equity value	23,211											
# of shares (m)	786											
<b>Equity value / share (Bt)</b>	<b>30.0</b>											

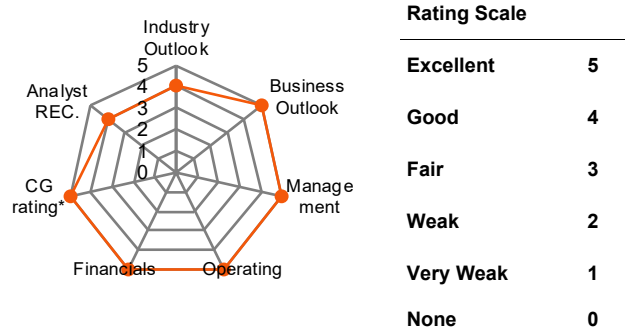
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Praram 9 Hospital Pcl (PR9) was established in 1992 on Rama IX Road, a new business district in Bangkok. As of the end of 3Q24, PR9 had 204 active IPD beds. The hospital provides a comprehensive range of tertiary-care services, including health promotion, preventive healthcare, diagnosis, treatment, and rehabilitation. Medical services cover both general care and complicated diseases.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong "Praram 9 Hospital" brand in Bangkok.
- The hospital's executives have strong relationships with doctors and professors from top medical schools.
- PR9 is in a prime location on Rama IX Road, another key business district in Bangkok.
- PR9 is very well-known for kidney transplants and cardiovascular treatment.

### O — Opportunity

- Limited public healthcare supply in Thailand.
- New building should help to unlock its capacity constraints.
- Rising patient flows from neighbouring countries.
- Ageing society megatrend.
- COVID-19 outbreaks.

### W — Weakness

- Mainly focuses on mid- to high-tier cash patients.

### T — Threat

- New rivals in the market.
- Regulatory risk.
- COVID-19 outbreaks.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	29.22	30.00	3%
Net profit 24F (Bt m)	711	720	1%
Net profit 25F (Bt m)	822	824	0%
Consensus REC	BUY: 8	HOLD: 1	SELL: 0

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimates and TP are in line with the Bloomberg consensus numbers.

## RISKS TO OUR INVESTMENT CASE

- If patient numbers are lower than we currently anticipate, this would be the key downside risk to our earnings forecasts.
- If PR9 raises its billing sizes less than we presently expect, our gross margin and profit forecasts would be subject to downside risk.
- If PR9's ability to control costs turns out to be weaker than we currently expect, this would represent a secondary downside risk to our numbers.
- 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart



**INCOME STATEMENT**

*Thai and international patients to drive revenue growth in 2024-26F*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Sales	4,107	4,202	4,638	5,070	5,495
Cost of sales	2,724	2,820	3,030	3,274	3,535
<b>Gross profit</b>	<b>1,384</b>	<b>1,382</b>	<b>1,608</b>	<b>1,796</b>	<b>1,960</b>
% gross margin	33.7%	32.9%	34.7%	35.4%	35.7%
Selling & administration expenses	735	774	815	878	941
<b>Operating profit</b>	<b>649</b>	<b>608</b>	<b>793</b>	<b>918</b>	<b>1,019</b>
% operating margin	15.8%	14.5%	17.1%	18.1%	18.6%
Depreciation & amortization	299	299	309	321	337
<b>EBITDA</b>	<b>948</b>	<b>907</b>	<b>1,103</b>	<b>1,239</b>	<b>1,357</b>
% EBITDA margin	23.1%	21.6%	23.8%	24.4%	24.7%
Non-operating income	52	81	101	109	117
Non-operating expenses	0	0	0	0	0
Interest expense	(0)	(1)	(1)	(1)	(1)
<b>Pre-tax profit</b>	<b>700</b>	<b>689</b>	<b>893</b>	<b>1,026</b>	<b>1,135</b>
Income tax	132	131	173	202	227
<b>After-tax profit</b>	<b>568</b>	<b>558</b>	<b>720</b>	<b>824</b>	<b>908</b>
% net margin	13.8%	13.3%	15.5%	16.2%	16.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>568</b>	<b>558</b>	<b>720</b>	<b>824</b>	<b>908</b>
<b>Normalized profit</b>	<b>568</b>	<b>558</b>	<b>720</b>	<b>824</b>	<b>908</b>
EPS (Bt)	0.7	0.7	0.9	1.0	1.2
Normalized EPS (Bt)	0.7	0.7	0.9	1.0	1.2

**BALANCE SHEET**

*No new significant investment in 2024-26F*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>ASSETS:</b>					
Current assets:	2,023	2,251	2,864	3,215	3,580
Cash & cash equivalent	1,717	1,901	2,420	2,730	3,055
Account receivables	243	290	381	417	452
Inventories	51	48	50	54	58
Others	12	12	13	14	15
Investments & loans	0	0	0	0	0
Net fixed assets	3,218	3,243	3,238	3,420	3,587
Other assets	316	415	417	420	423
<b>Total assets</b>	<b>5,558</b>	<b>5,910</b>	<b>6,519</b>	<b>7,055</b>	<b>7,590</b>
<b>LIABILITIES:</b>					
Current liabilities:	610	632	715	766	826
Account payables	499	522	581	628	678
Bank overdraft & ST loans	0	0	8	6	7
Current LT debt	0	0	0	0	0
Others current liabilities	110	110	126	132	141
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others LT liabilities	213	198	241	261	281
<b>Total liabilities</b>	<b>822</b>	<b>830</b>	<b>956</b>	<b>1,027</b>	<b>1,107</b>
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	786	786	786	786	786
Share premium	1,934	1,934	1,934	1,934	1,934
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
<b>Retained earnings</b>	<b>2,015</b>	<b>2,359</b>	<b>2,843</b>	<b>3,307</b>	<b>3,762</b>
Shareholders' equity	4,735	5,080	5,564	6,027	6,483
<b>Liabilities &amp; equity</b>	<b>5,558</b>	<b>5,910</b>	<b>6,519</b>	<b>7,055</b>	<b>7,590</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

	<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<i>Sustainable cash inflow</i>						
Earnings before tax		700	689	893	1,026	1,135
Tax paid		(108)	(128)	(167)	(195)	(221)
Depreciation & amortization		299	299	309	321	337
Chg In working capital		(124)	(22)	(33)	7	11
Chg In other CA & CL / minorities		94	(2)	8	(1)	1
<b>Cash flow from operations</b>		<b>862</b>	<b>836</b>	<b>1,010</b>	<b>1,158</b>	<b>1,264</b>
Capex		(149)	(324)	(300)	(500)	(500)
Right of use		(1)	(0)	0	0	0
ST loans & investments		0	0	0	0	0
LT loans & investments		0	0	0	0	0
Adj for asset revaluation		0	0	0	0	0
Chg In other assets & liabilities		(129)	(113)	37	14	13
<b>Cash flow from investments</b>		<b>(279)</b>	<b>(438)</b>	<b>(263)</b>	<b>(486)</b>	<b>(487)</b>
Debt financing		0	0	8	(2)	1
Capital increase		0	0	0	0	0
Dividends paid		(110)	(234)	(236)	(360)	(453)
Warrants & other surplus		(0)	21	0	0	0
<b>Cash flow from financing</b>		<b>(110)</b>	<b>(214)</b>	<b>(228)</b>	<b>(362)</b>	<b>(452)</b>
<b>Free cash flow</b>		<b>713</b>	<b>511</b>	<b>710</b>	<b>658</b>	<b>764</b>

**VALUATION**

	<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<i>Inexpensive valuation, in our view</i>						
Normalized PE (x)		35.7	36.3	28.1	24.6	22.3
Normalized PE - at target price (x)		41.6	42.3	32.8	28.6	26.0
PE (x)		35.7	36.3	28.1	24.6	22.3
PE - at target price (x)		41.6	42.3	32.8	28.6	26.0
EV/EBITDA (x)		19.5	20.2	16.2	14.1	12.7
EV/EBITDA - at target price (x)		23.1	23.9	19.2	16.8	15.1
P/BV (x)		4.3	4.0	3.6	3.4	3.1
P/BV - at target price (x)		5.0	4.6	4.2	3.9	3.6
P/CFO (x)		23.5	24.2	20.0	17.5	16.0
Price/sales (x)		4.9	4.8	4.4	4.0	3.7
Dividend yield (%)		1.1	1.2	1.8	2.2	2.7
FCF Yield (%)		3.5	2.5	3.5	3.2	3.8
<b>(Bt)</b>						
Normalized EPS		0.7	0.7	0.9	1.0	1.2
EPS		0.7	0.7	0.9	1.0	1.2
DPS		0.3	0.3	0.5	0.6	0.7
BV/share		6.0	6.5	7.1	7.7	8.2
CFO/share		1.1	1.1	1.3	1.5	1.6
FCF/share		0.9	0.7	0.9	0.8	1.0

Sources: Company data, Thanachart estimates



## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	37.5	2.3	10.4	9.3	8.4
Net profit (%)	127.8	(1.7)	29.0	14.5	10.3
EPS (%)	(27.8)	(1.7)	29.0	14.5	10.3
Normalized profit (%)	127.8	(1.7)	29.0	14.5	10.3
Normalized EPS (%)	127.8	(1.7)	29.0	14.5	10.3
Dividend payout ratio (%)	40.2	42.3	50.0	55.0	60.0
<b>Operating performance</b>					
Gross margin (%)	33.7	32.9	34.7	35.4	35.7
Operating margin (%)	15.8	14.5	17.1	18.1	18.6
EBITDA margin (%)	23.1	21.6	23.8	24.4	24.7
Net margin (%)	13.8	13.3	15.5	16.2	16.5
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)	(0.5)	(0.5)
Interest coverage - EBIT (x)	na	na	na	na	na
Interest coverage - EBITDA (x)	na	na	na	na	na
ROA - using norm profit (%)	10.6	9.7	11.6	12.1	12.4
ROE - using norm profit (%)	12.6	11.4	13.5	14.2	14.5
<b>DuPont</b>					
ROE - using after tax profit (%)	12.6	11.4	13.5	14.2	14.5
- asset turnover (x)	0.8	0.7	0.7	0.7	0.8
- operating margin (%)	17.1	16.4	19.3	20.3	20.7
- leverage (x)	1.2	1.2	1.2	1.2	1.2
- interest burden (%)	99.9	99.9	99.9	99.9	99.9
- tax burden (%)	81.1	81.0	80.6	80.3	80.0
WACC (%)	0.0	0.0	0.0	7.2	7.2
ROIC (%)	17.3	16.3	20.1	23.4	24.7
NOPAT (Bt m)	526	493	639	737	815
invested capital (Bt m)	3,018	3,178	3,151	3,303	3,434

Sources: Company data, Thanachart estimates

SELL (Unchanged)

TP: Bt 12.20

(From: Bt 25.00)

Change in Numbers

Downside : 11.6%

9 JANUARY 2025

# Thonburi Healthcare Group (THG TB)

## Several risks remain

We cut our earnings for THG quite sharply to reflect the weaker-than-expected performance of most of its businesses, including hospitals, residential property for seniors, and hospital and excellence center management. Our TP falls to Bt12.20, and we maintain SELL.



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### Earnings and TP cuts; maintain SELL

This report is a part of Healthcare Sector – **Entering organic mode**, dated 9 January 2025. We maintain our SELL call on THG. **First**, we cut our earnings estimates by 73/49/44/43% in 2024-2027F to reflect its weak hospital business, slow sales for the residential property Jin Wellbeing County (JWC) project, and lower-than-expected revenue from hospital and excellence center management. Our DCF-based 12-month TP (2025F base year) is cut to Bt12.20 from Bt25.0. **Second**, the recent news about the legal cases of the company's founder and one of its major shareholders creates uncertainties for the company. **Third**, THG looks expensive to us, trading at 34.0x 2025F PE.

### Growth resumes from a very low base

We expect THG to suffer a sharp 79% earnings contraction in 2024F due to its weak hospital business, mainly at Thonburi Bamrungmuang Hospital (TBH), a loss from its JWC project, rising interest expenses, and falling equity income. We then project growth to resume from a very low base at 147/41% in 2025-26F. Key drivers are organic growth from three main hospitals (Thonburi Hospital, Thonburi Thawiwatthana Hospital, and Thonburi Rajyindee Hospital), a lower loss from TBH after its cost restructuring program, higher unit sales for JWC, increasing revenue from hospital and excellence center management, and rising equity income from affiliated hospitals (Aryu International Hospital, Ubonrak Thonburi Hospital, Sirivej Hospital Chanthaburi, and Phatara Thonburi Hospital).

### Several risks remain for THG

While we expect THG's earnings growth to resume next year, several risks remain. **First**, the legal cases of founder Dr. Boon Vanasin could lead to the resignations of some doctors. **Second**, though it is not under financial stress, THG is exploring capital-raising options to strengthen its position and prepare for TBH's lease renewal. The company expects more clarity in late 1Q25. **Third**, there is a risk of additional provisions for UCEPCOVID and potential irregular transactions. As of 3Q24, THG had Bt320m in unpaid UCEPCOVID amounts and is reviewing further irregularities linked to Dr. Boon's fraud cases.

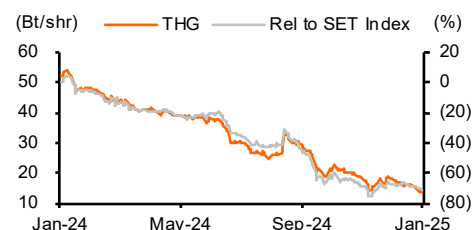
### New investment line-up

THG has announced its Bt1.6/1.8bn capex plan for capacity expansions at its three main hospitals (Thonburi Hospital, Thonburi Thawiwatthana Hospital, and Rajyindee Hospital), TBH, Thonburi Thongsong, Thonburi Trang, and JWC in 2024-25. We estimate THG's net D/E ratio at around 0.7-0.8x in 2025-27F.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	10,296	9,594	10,431	11,628
Net profit	295	(244)	344	484
Consensus NP	—	211	331	438
Diff frm cons (%)	—	na	4.1	10.7
Norm profit	657	139	344	484
Prev. Norm profit	—	523	676	859
Chg frm prev (%)	—	(73.4)	(49.1)	(43.6)
Norm EPS (Bt)	0.8	0.2	0.4	0.6
Norm EPS grw (%)	(56.1)	(78.8)	147.2	40.7
Norm PE (x)	17.8	84.0	34.0	24.1
EV/EBITDA (x)	9.5	11.6	11.0	9.9
P/BV (x)	1.2	1.3	1.2	1.2
Div yield (%)	3.3	0.0	1.6	2.5
ROE (%)	6.6	1.5	3.7	5.0
Net D/E (%)	83.2	81.2	83.7	77.7

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 8-Jan-25 (Bt)	13.80
Market Cap (US\$ m)	337.8
Listed Shares (m shares)	847.5
Free Float (%)	42.7
Avg Daily Turnover (US\$ m)	1.1
12M Price H/L (Bt)	54.00/13.80
Sector	Health Care
Major Shareholder	RAM 24.59%

Sources: Bloomberg, Company data, Thanachart estimates

## Ex 1: Change In Our Key Assumptions And Earnings Revisions

	2022	2023	2024F	2025F	2026F	2027F
<b># of OPD patients (people/year)</b>						
- New	1,187,575	1,248,188	1,244,762	1,412,920	1,627,021	1,839,670
- Old			1,327,790	1,650,777	1,864,363	2,099,912
- Change (%)			(6.3)	(14.4)	(12.7)	(12.4)
<b># of IPD patients (beds/year)</b>						
- New	210,670	206,178	183,609	189,992	199,456	209,528
- Old			198,558	211,472	224,737	236,370
- Change (%)			(7.5)	(10.2)	(11.2)	(11.4)
<b>Revenue from hospital business (Bt m)</b>						
- New	8,919	9,195	8,428	9,168	10,215	11,345
- Old			9,239	10,782	12,151	13,504
- Change (%)			(8.8)	(15.0)	(15.9)	(16.0)
<b>Revenue from Jin Wellbeing County (Bt m)</b>						
- New	444	100	51	55	111	224
- Old			113	157	204	244
- Change (%)			(55.1)	(65.1)	(45.8)	(8.1)
<b>Hospital &amp; Excellence center management (Bt m)</b>						
- New	425	795	854	937	1,021	1,100
- Previous			961	1,075	1,144	1,209
- Change (%)			(11.2)	(12.8)	(10.8)	(9.0)
<b>Gross margin (%)</b>						
- New	30.1	27.7	23.2	22.9	23.2	23.4
- Old			24.0	23.3	23.2	23.2
- Change (ppt)			(0.8)	(0.4)	0.0	0.2
<b>SG&amp;A to sales (%)</b>						
- New	14.9	17.6	17.5	16.5	16.2	16.2
- Old			16.6	15.7	15.2	15.0
- Change (ppt)			0.9	0.8	0.9	1.2
<b>Interest expenses (Bt m)</b>						
- New	305	449	512	563	556	518
- Previous			508	509	474	421
- Change (%)			0.7	10.5	17.4	23.1
<b>Equity income (Bt m)</b>						
- New	151	214	202	267	294	320
- Old			272	324	366	401
- Change (%)			(25.7)	(17.7)	(19.6)	(20.2)
<b>Normalized profit (Bt m)</b>						
- New	1,497	657	139	344	484	615
- Old			523	676	859	1,075
- Change (%)			(73.4)	(49.1)	(43.6)	(42.8)

Sources: Company data, Thanachart estimates

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

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA excl. depre from right of use	1,692	1,858	1,981	1,994	2,176	2,366	2,573	2,745	2,926	3,132	3,355	1,692	—
Free cash flow	(180)	986	1,674	2,112	2,295	2,240	2,188	2,352	2,528	2,713	2,911	(180)	31,850
PV of free cash flow	(179)	805	1,236	1,409	1,383	1,199	1,056	1,022	990	957	894	(179)	9,784
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.5												
WACC (%)	10.7												
Terminal growth (%)	2.0												
Enterprise value - add investments	19,728												
Net debt (end 2024F)	8,284												
Minority interest	1,114												
Equity value <sup>1/</sup>	10,330												
# of shares (m)	847.5												
<b>Equity value / share (Bt)</b>	<b>12.20</b>												

Sources: Company data, Thanachart estimates

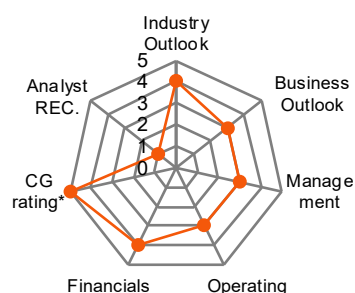
Note: <sup>1/</sup> Including the Bt2.7bn value of its investments

## COMPANY DESCRIPTION

Thonburi Healthcare Group Pcl (THG) was established on 13 August 1976 by the Vanasin family, the company's major shareholder. THG is engaged in three businesses: 1) a hospital business (private hospitals, hospital management services, and step-down care services), 2) a healthcare solutions provider business (medical services for elderly people, chronic illness patients at patients' homes, and selling dental products, devices, and equipment), and 3) other related businesses such as modular software expertise.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Very strong “Thonburi” brand in Thailand for 48 years.
- Owners and company executives have strong relationships with doctors and professors from the medical school at Mahidol University and Siriraj Hospital.
- Provides fully integrated healthcare services.

### O — Opportunity

- Limited public healthcare supply and rising healthcare demand in Thailand, China, and the CLMV market.
- Poor healthcare infrastructure in the CLMV market while healthcare demand is rising amid changes in demographic trends.
- Rising patient flows from neighboring countries.
- COVID-19 pandemic.

### W — Weakness

- Limited patient-base diversification as THG still mainly focuses on cash patients in the mid- to high-tier markets.

### T — Threat

- Competition from other private hospitals, public hospitals' specialist clinics, and Siriraj Piyamaharajkarun Hospital (SiPH).
- Regulatory and political risks.
- COVID-19 outbreak.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	23.00	12.20	-47%
<b>Net profit 24F (Bt m)</b>	211	(244)	na
<b>Net profit 25F (Bt m)</b>	331	344	4%
<b>Consensus REC</b>	<b>BUY: 0</b>	<b>HOLD: 1</b>	<b>SELL: 3</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is lower than the Street's, likely because we assign a higher discount rate in our model. This reflects its low score in corporate governance issues.

## RISKS TO OUR INVESTMENT CASE

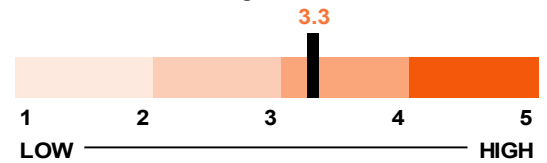
- If the number of cash patients at THG's hospitals in Thailand or revenue from existing and new hospitals or management of excellence centers is stronger than our expectations, this would present an upside risk to our earnings estimates.
- If equity-income contributions from its affiliated hospitals in Thailand and Myanmar were to exceed our expectations, this would lead to upside risk to our earnings forecasts.
- If unit sales for the senior homecare project are higher than our current expectation, this would lead to lower liquidity risk for the company.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

THG is among Thailand's top five hospital chains, with a total registered bed capacity of 1,158 in 2023. It has seven hospitals in operation and two health-service residential projects for sale and rent. The company's business doesn't produce much greenhouse gas. Our ESG score for THG is 3.3, 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)
THG	-	-	-	BBB	-	-	17.00	-	5.0

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
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>THG is one of the five biggest hospital chains in Thailand in terms of size. Its brand is well-established and has a strong reputation in the mid-end segment of the industry. THG doesn't produce much greenhouse gas (GHG), but it has a good focus on other ESG issues.</li> <li>THG targets to reduce GHG emissions by more than 20% by 2029.</li> <li>THG targets to reduce the use of non-renewable energy from the year of implementation by more than 15% by 2029.</li> <li>THG also targets to reduce the volume of non-hazardous waste from every department by more than 50% by 2029.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>THG has a policy to promote respect for human rights and equality without discrimination and division with respect to nationality, race, gender, religion, political beliefs, or any other types of belief, background, assets, origin, or status.</li> <li>THG has guidelines for employee treatment, under which management treats employees fairly and without bias. Staff are encouraged and supported to develop their potential and improve work efficiency. THG targets employee satisfaction of more than 80% in 2029.</li> <li>THG complies with various quality standards and standards of service, such as Hospital Accreditation (HA). THG targets customer satisfaction at more than 90% in 2029.</li> <li>THG's social responsibility activities consist of caring for the environment in surrounding communities, providing health knowledge, and organizing activities to make people aware of health care.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>THG has a 13-member board of directors (BOD), five of whom are women. The BOD comprises directors with diverse qualifications, including skills, experience, and abilities.</li> <li>THG complies with the Personal Data Protection Act (PDPA). It has invited consultants to educate, provide guidelines, and prepare action plans relating to the act.</li> <li>THG makes sure its businesses operate according to its code of ethics and good corporate governance.</li> <li>THG develops innovations in medical services and modern technology to enhance its ability to meet customers' requirements.</li> </ul>

Sources: Thanachart, Company data

## INCOME STATEMENT

*Hospital business is key to driving the top line in 2025-26F*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	11,582	10,296	9,594	10,431	11,628
Cost of sales	8,096	7,439	7,367	8,043	8,931
<b>Gross profit</b>	<b>3,486</b>	<b>2,857</b>	<b>2,227</b>	<b>2,388</b>	<b>2,696</b>
% gross margin	30.1%	27.7%	23.2%	22.9%	23.2%
Selling & administration expenses	1,720	1,811	1,678	1,721	1,879
<b>Operating profit</b>	<b>1,766</b>	<b>1,046</b>	<b>549</b>	<b>666</b>	<b>817</b>
% operating margin	15.2%	10.2%	5.7%	6.4%	7.0%
Depreciation & amortization	1,006	1,138	1,173	1,214	1,235
<b>EBITDA</b>	<b>2,771</b>	<b>2,184</b>	<b>1,722</b>	<b>1,881</b>	<b>2,052</b>
% EBITDA margin	23.9%	21.2%	17.9%	18.0%	17.6%
Non-operating income	339	144	120	115	116
Non-operating expenses	(25)	(10)	(25)	(15)	(10)
Interest expense	(305)	(449)	(512)	(563)	(556)
<b>Pre-tax profit</b>	<b>1,775</b>	<b>731</b>	<b>132</b>	<b>203</b>	<b>367</b>
Income tax	354	191	147	51	92
<b>After-tax profit</b>	<b>1,421</b>	<b>540</b>	<b>(16)</b>	<b>152</b>	<b>276</b>
% net margin	12.3%	5.2%	-0.2%	1.5%	2.4%
Shares in affiliates' Earnings	151	214	202	267	294
Minority interests	(75)	(97)	(47)	(75)	(85)
Extraordinary items	105	(361)	(383)	0	0
<b>NET PROFIT</b>	<b>1,602</b>	<b>295</b>	<b>(244)</b>	<b>344</b>	<b>484</b>
<b>Normalized profit</b>	<b>1,497</b>	<b>657</b>	<b>139</b>	<b>344</b>	<b>484</b>
EPS (Bt)	1.9	0.3	(0.3)	0.4	0.6
Normalized EPS (Bt)	1.8	0.8	0.2	0.4	0.6

## BALANCE SHEET

*More new capacity expansions planned in 2025-26*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	6,989	4,873	4,640	4,197	4,140
Cash & cash equivalent	2,586	940	900	500	500
Account receivables	2,211	1,855	1,708	1,715	1,752
Inventories	1,924	1,867	1,817	1,763	1,664
Others	268	211	215	219	223
Investments & loans	1,729	1,903	1,526	1,826	2,126
Net fixed assets	12,542	12,789	13,503	14,380	14,394
Other assets	3,797	3,984	3,962	3,936	3,907
<b>Total assets</b>	<b>25,057</b>	<b>23,550</b>	<b>23,631</b>	<b>24,340</b>	<b>24,567</b>
<b>LIABILITIES:</b>					
Current liabilities:	7,916	9,699	8,639	8,843	8,779
Account payables	1,498	1,630	1,514	1,543	1,713
Bank overdraft & ST loans	4,532	4,664	4,592	4,715	4,543
Current LT debt	1,581	3,155	2,296	2,358	2,271
Others current liabilities	306	250	237	227	252
<b>Total LT debt</b>	<b>4,967</b>	<b>2,091</b>	<b>2,296</b>	<b>2,358</b>	<b>2,271</b>
Others LT liabilities	1,015	983	2,498	2,475	2,473
<b>Total liabilities</b>	<b>13,898</b>	<b>12,773</b>	<b>13,433</b>	<b>13,675</b>	<b>13,523</b>
Minority interest	981	1,067	1,114	1,114	1,199
Preferreds shares	0	0	0	0	0
Paid-up capital	847	847	847	847	847
Share premium	6,896	6,896	6,896	6,896	6,896
Warrants	0	0	0	0	0
Surplus	(587)	(587)	(587)	(587)	(587)
<b>Retained earnings</b>	<b>3,022</b>	<b>2,553</b>	<b>1,928</b>	<b>2,394</b>	<b>2,689</b>
Shareholders' equity	10,178	9,709	9,084	9,550	9,845
<b>Liabilities &amp; equity</b>	<b>25,057</b>	<b>23,550</b>	<b>23,631</b>	<b>24,340</b>	<b>24,567</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*THG's cash inflow is mainly from its hospital business*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	1,775	731	132	203	367
Tax paid	(379)	(307)	(108)	(65)	(67)
Depreciation & amortization	1,006	1,138	1,173	1,214	1,235
Chg In working capital	(10)	545	82	76	232
Chg In other CA & CL / minorities	429	320	145	192	290
<b>Cash flow from operations</b>	<b>2,821</b>	<b>2,427</b>	<b>1,423</b>	<b>1,620</b>	<b>2,056</b>
Capex	(1,670)	(1,148)	(1,649)	(1,848)	(1,000)
Right of use	(41)	(90)	(100)	(100)	(100)
ST loans & investments	0	0	0	0	0
LT loans & investments	(279)	(175)	377	(300)	(300)
Adj for asset revaluation	68	(0)	0	0	0
Chg In other assets & liabilities	(170)	(726)	1,024	(141)	(121)
<b>Cash flow from investments</b>	<b>(2,092)</b>	<b>(2,139)</b>	<b>(348)</b>	<b>(2,389)</b>	<b>(1,521)</b>
Debt financing	1,013	(1,169)	(734)	247	(345)
Capital increase	27	0	0	0	0
Dividends paid	(758)	(760)	(381)	122	(189)
Warrants & other surplus	92	(5)	0	0	0
<b>Cash flow from financing</b>	<b>374</b>	<b>(1,934)</b>	<b>(1,115)</b>	<b>369</b>	<b>(535)</b>
<b>Free cash flow</b>	<b>1,151</b>	<b>1,279</b>	<b>(226)</b>	<b>(228)</b>	<b>1,056</b>

## VALUATION

*Expensive valuation, in our view*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	7.8	17.8	84.0	34.0	24.1
Normalized PE - at target price (x)	6.9	15.7	74.2	30.0	21.3
PE (x)	7.3	39.6	na	34.0	24.1
PE - at target price (x)	6.5	35.0	na	30.0	21.3
EV/EBITDA (x)	7.3	9.5	11.6	11.0	9.9
EV/EBITDA - at target price (x)	6.8	8.8	10.8	10.2	9.2
P/BV (x)	1.1	1.2	1.3	1.2	1.2
P/BV - at target price (x)	1.0	1.1	1.1	1.1	1.1
P/CFO (x)	4.1	4.8	8.2	7.2	5.7
Price/sales (x)	1.0	1.1	1.2	1.1	1.0
Dividend yield (%)	6.5	3.3	0.0	1.6	2.5
FCF Yield (%)	9.8	10.9	(1.9)	(1.9)	9.0
<b>(Bt)</b>					
Normalized EPS	1.8	0.8	0.2	0.4	0.6
EPS	1.9	0.3	(0.3)	0.4	0.6
DPS	0.9	0.5	0.0	0.2	0.3
BV/share	12.0	11.5	10.7	11.3	11.6
CFO/share	3.3	2.9	1.7	1.9	2.4
FCF/share	1.4	1.5	(0.3)	(0.3)	1.2

Sources: Company data, Thanachart estimates



## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	6.8	(11.1)	(6.8)	8.7	11.5
Net profit (%)	19.8	(81.6)	na	na	40.7
EPS (%)	19.8	(81.6)	na	na	40.7
Normalized profit (%)	9.3	(56.1)	(78.8)	147.2	40.7
Normalized EPS (%)	9.3	(56.1)	(78.8)	147.2	40.7
Dividend payout ratio (%)	47.6	129.1	50.0	55.0	60.0
<b>Operating performance</b>					
Gross margin (%)	30.1	27.7	23.2	22.9	23.2
Operating margin (%)	15.2	10.2	5.7	6.4	7.0
EBITDA margin (%)	23.9	21.2	17.9	18.0	17.6
Net margin (%)	12.3	5.2	(0.2)	1.5	2.4
D/E (incl. minor) (x)	1.0	0.9	0.9	0.9	0.8
Net D/E (incl. minor) (x)	0.8	0.8	0.8	0.8	0.8
Interest coverage - EBIT (x)	5.8	2.3	1.1	1.2	1.5
Interest coverage - EBITDA (x)	9.1	4.9	3.4	3.3	3.7
ROA - using norm profit (%)	6.1	2.7	0.6	1.4	2.0
ROE - using norm profit (%)	15.5	6.6	1.5	3.7	5.0
<b>DuPont</b>					
ROE - using after tax profit (%)	14.7	5.4	na	1.6	2.8
- asset turnover (x)	0.5	0.4	0.4	0.4	0.5
- operating margin (%)	18.0	11.5	6.7	7.3	7.9
- leverage (x)	2.5	2.4	2.5	2.6	2.5
- interest burden (%)	85.3	61.9	20.4	26.5	39.8
- tax burden (%)	80.0	73.9	na	75.0	75.0
WACC (%)	0.0	0.0	0.0	10.7	10.7
ROIC (%)	8.0	4.1	(0.4)	2.9	3.3
NOPAT (Bt m)	1,413	773	(66)	500	613
invested capital (Bt m)	18,672	18,679	17,368	18,481	18,430

Sources: Company data, Thanachart estimates

*Has the highest financial risk in the healthcare sector, in our view*

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3. Refinitiv (0-100)
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5. Moody's ESG Solutions (0-100)
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Score range	Description
CCC - B	<b>LAGGARD:</b> A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	<b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	<b>LEADER:</b> A company leading its industry in managing the most significant ESG risks and opportunities

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

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