

Thonburi Healthcare Group Pcl (THG TB) - SELL

Siriporn Arunothai | Email: Siriporn.aru@thanachartsec.co.th

News Update

Announcement to increase capital

- **THG has announced a capital increase of 942 m shares.**
 - **The proceeds will be used to repay debt and fund W/C.**
 - **The deal will result in 53% dilution of shares and EPS.**
 - **We put our TP "Under Reviewed" but maintain SELL.**
- **Capital increase** - THG has announced a capital increase of 941.7 m shares:
 - 1) **Private Placement (PP):** THG will allocate 430.5 m shares via PP to Ramkhamhaeng Hospital Pcl. (RAM) at an offering price of Bt8.65/share (compared to THG's book value per share of Bt8.53 at the end of 2024). Upon completion of the offering, RAM will hold 638.9 m shares, increasing its stake in THG from 24.59% to 49.99%. Since RAM will own more than 25% of THG, RAM will request a waiver from the mandatory tender offer requirement for all securities of the company, as per the shareholders' meeting resolution (Whitewash).
 - 2) **Rights Offering (RO):** After the PP, THG will allocate 511.2 m newly issued ordinary shares (at par value Bt1/share) to existing shareholders via a RO at a ratio of 5 existing shares for every 2 newly issued shares, at an offering price of Bt5/share.
 - **Use of proceeds** - THG plans to use the proceeds from the capital increase, totaling Bt6.3bn, as follows:
 - 1) To repay debt of Bt5.9bn in 2025.
 - 2) To use as working capital of Bt354m in 2025.
 - **Impact of the deal** - We believe this deal is positive for THG, and we expect its operations and earnings to improve.
 - 1) With debt repayment, THG's interest expenses will decrease. Given its average funding cost of 4.8%, we estimate that interest expenses will decline by Bt284m annually.
 - 2) The deal will increase liquidity for THG and its subsidiaries, which we expect will help improve its credit rating and funding costs in the future. After the debt repayment of Bt5.9bn, THG's net debt-to-equity ratio will decrease from 1.1x at the end of 2024 to 0.4x.
 - 3) With RAM as a new major shareholder, THG is expected to reduce operating costs (such as procurement costs) and realize synergies between the two hospital groups (RAM and THG).

However, due to the 53% share dilution, we expect THG's EPS and TP to be diluted. Furthermore, since the share price increased by 13% yesterday, we maintain our SELL rating.

Key Valuations

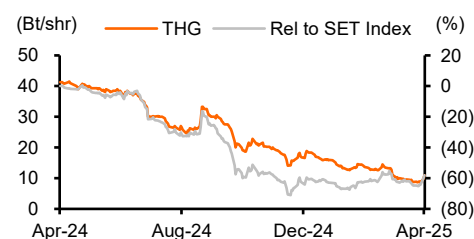
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	9,479	10,431	11,628	12,960
Net profit	(1,765)	344	484	615
Norm net profit	(110)	344	484	615
Norm EPS (Bt)	(0.1)	0.4	0.6	0.7
Norm EPS gr (%)	na	na	40.7	26.9
Norm PE (x)	na	26.8	19.1	15.0
EV/EBITDA (x)	6.3	4.9	4.5	4.2
P/BV (x)	1.3	1.0	0.9	0.9
Div. yield (%)	0.0	2.0	3.1	4.3
ROE (%)	na	4.1	5.0	6.1
Net D/E (%)	112.3	83.7	77.7	66.6

Source: Thanachart estimates

Stock Data

Closing price (Bt)	10.9
Target price (Bt)	12.2
Market cap (US\$ m)	271
Avg daily turnover (US\$ m)	1.0
12M H/L price (Bt)	41.50/8.55

Price Performance



Source: Bloomberg

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