

CHULARAT HOSPITAL  
THAILAND / HEALTH CARE SERVICES

## CHG TB

BUY

UNCHANGED

## ออกตัวช้าแต่อนาคตยังสดใส

- คาดกำไรปกติจะลดลง 14% q-q มาอยู่ที่ 246 ลบ. ใน 1Q23 ส่วนมากจากกำไรเพิ่มเติมจากสำนักงานประกันสังคม (SSO) ที่หายไป
- แนวโน้มการเติบโตของกำไรน่าจะเร่งตัวขึ้นในช่วง 2H23 จากอัตราการจ่ายของ SSO ที่เพิ่มขึ้นโดยจะเริ่มมีผลตั้งแต่วันที่ 1 พ.ค. เป็นต้นไป
- คงแนะนำซื้อที่ราคาเป้าหมาย 4.4 บาท (DCF)

TARGET PRICE	THB4.40
CLOSE	THB3.48
UP/DOWNSIDE	+26.4%
PRIOR TP	THB4.40
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+7.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	10,103	7,606	8,205	8,748
Net profit	2,778	1,317	1,535	1,731
EPS (THB)	0.25	0.12	0.14	0.16
vs Consensus (%)	-	0.8	3.7	5.3
EBITDA	3,947	2,128	2,424	2,695
Core net profit	2,778	1,317	1,535	1,731
Core EPS (THB)	0.25	0.12	0.14	0.16
Chg. In EPS est. (%)	nm	0.0	0.0	nm
EPS growth (%)	(33.9)	(52.6)	16.5	12.7
Core P/E (x)	13.8	29.1	24.9	22.1
Dividend yield (%)	4.6	2.1	2.4	2.7
EV/EBITDA (x)	9.5	17.2	14.8	13.0
Price/book (x)	5.1	5.0	4.5	4.1
Net debt/Equity (%)	(14.4)	(24.9)	(30.6)	(37.6)
ROE (%)	36.8	17.3	19.1	19.6

## EBITDA margin ใน 1Q23 น่าจะทรงตัว q-q

เราคาดว่ารายได้จะปรับตัวลดลง 5% q-q รายได้จากผู้ป่วยเงินสดน่าจะค่อนข้างทรงตัว q-q แต่ยังคงสูงกว่าระดับก่อนโควิดอยู่ 33% รายได้จาก SSO น่าจะลดลงประมาณ 15% q-q ส่วนมากจากกำไรเพิ่มเติมจากการรักษาโรคเรื้อรัง (80 ลบ. ที่บันทึกใน 4Q22) ที่หายไป อย่างไรก็ตามกำไรได้ดังกล่าวน่าจะโต 10-12% y-y จากฐานสมาชิก SSO จดทะเบียนที่ใหญ่ขึ้น (ประมาณ 530k ใน 1Q23 เทียบกับ 483k ใน 1Q22) ในภาพรวมเราคาดว่า EBITDA margin น่าจะทรงตัว q-q ที่ 25% โดยมีปัจจัยกดดันจากกำไรเพิ่มเติมจาก SSO ที่หายไปและต้นทุนบุคลากรที่เพิ่มขึ้น (ขึ้นเงินเดือนประมาณ 4-5% ในเดือน ก.พ. 23) ในขณะที่กำไรปกติน่าจะลดลง 14% q-q มาอยู่ที่ 246 ลบ. กำไรดังกล่าวน่าจะสูงกว่า 1Q19 อยู่ 37%

## อัตราการจ่ายของ SSO ที่สูงขึ้นจะช่วยดันกำไรปกติขึ้นได้ 4% ในปี 2023

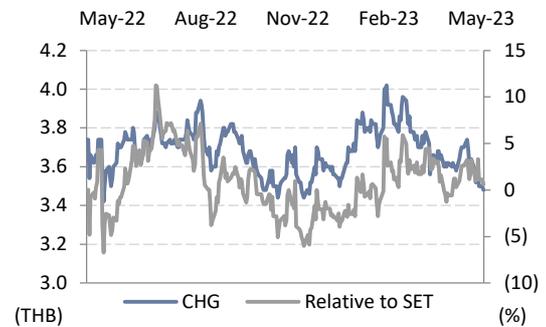
เมื่อไม่นานมานี้ SSO ได้ปรับอัตราการจ่ายคงที่สำหรับสมาชิกจดทะเบียนขึ้น 10% จาก 1,640 บาทเป็น 1,808 บาทโดยให้มีผลตั้งแต่วันที่ 1 พ.ค. เป็นต้นไป เราคาดว่าปัจจัยดังกล่าวจะทำให้กำไรปกติเพิ่มขึ้น 4% ในปี 2023 และ 6% ต่อปี นอกจากนี้เรายังคาดว่าด้วยว่าจำนวนผู้ประกันตนจะโตขึ้น 4% เป็น 525k ในปี 2023 ซึ่งจะทำให้รายได้จาก SSO เพิ่มขึ้น 8% ในปี 2023

## รายได้ปี 2023 จะสูงกว่าระดับก่อนโควิดถึง 45-55%

CHG บันทึกรายได้ที่ไม่เกี่ยวข้องกับโควิดจำนวน 6.5 พัน ลบ. ในปี 2022 (10 พัน ลบ. เมื่อรวมรายได้จากโควิด) และ 5.2 พัน ลบ. ในปี 2019 เราคาดว่ารายได้จะโตเป็น 7.6 พัน ลบ. ในปี 2023 ซึ่งต่ำกว่าเมื่อเทียบกับ 8 พัน ลบ. ตามเป้าหมายการของผู้บริหาร ปัจจัยหลักด้านสำคัญจะอยู่ที่การเติบโตจากภายใน ผู้ป่วยต่างชาติที่บินเข้ามารับการรักษา (Fly-in) และโครงการใหม่ ๆ ประกอบด้วย Mae Sot Hospital, Chularat Medical Center, และ Century Care Nursing Home นอกจากนี้ CHG ยังประกาศแผนลงทุนในโครงการใหม่ที่เกี่ยวข้องกับศูนย์ดูแลสุขภาพไปเมื่อเร็ว ๆ นี้ซึ่งน่าจะช่วยให้บริษัทฯ มีรายได้ในส่วนของผู้ประกันตนแล้ว

## การเติบโตของกำไรในช่วง 2H23 เป็นปัจจัยบวกในระยะกลาง

เราคงประมาณการกำไรปกติปี 2023-24 และราคาเป้าหมายที่ 4.4 บาท (DCF) ในขณะที่ราคาหุ้นปรับตัวลดลง 13% ในช่วงปีที่ผ่านมาและปรับตัวได้ต่ำกว่า SET อยู่ 5% เราเชื่อว่าราคาหุ้นได้สะท้อนกำไรที่ชะลอตัวหลังโควิดไปแล้ว ปัจจุบัน CHG มีการซื้อขายที่ 29x ของค่า 2023E P/E ต่ำกว่าค่าเฉลี่ยของกลุ่มที่ 31x แม้ว่าแนวโน้มกำไร 1Q23 จะไม่สดใส เราคาดการณ์ถึงแนวโน้มการเติบโตของกำไรที่ดีในช่วง 2H23



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.9)	(13.4)	(10.8)
Relative to country (%)	1.2	(4.5)	(2.7)
Mkt cap (USD m)	1,119		
3m avg. daily turnover (USD m)	4.3		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	4.04/3.38		
Issued shares (m)	11,000.00		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

teerapol.udo@fssia.com

+66 2611 3535

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 3 พฤษภาคม 2023

## Investment thesis

CHG opened two new hospitals (RPC and 304 Inter) in 2H18 which contributed an accumulated loss of THB70m in 2020 (8% of 2020 core profit). Both hospitals turned around in 2021, and we estimate that this should lead to an EBITDA margin improvement from 24% in 2019 to 34% in 2024.

CHG's revenue contributions from cash patients have gradually increased. This is another key factor to expand its EBITDA margin, in our view, as cash patients have a higher margin than Social Security Office (SSO) patients.

CHG should report strong non-Covid profit growth in 2023, led by the recovery in non-Covid cash patient numbers coupled with its larger SSO-registered member base and pent-up demand from international patients.

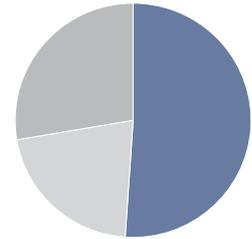
## Company profile

CHG operates a healthcare business covering the eastern part of Bangkok and its nearby provinces. The Group owns nine hospitals and four clinics.

[www.chularat.com](http://www.chularat.com)

## Principal activities (revenue, 2022)

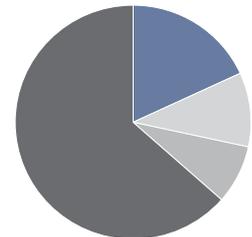
- Cash patient revenue - 51.1 %
- SSO patient revenue - 21.3 %
- NHSO patient revenue - 27.7 %



Source: Chularat Hospital

## Major shareholders

- Kannikar Plussind - 18.1 %
- Apirum Panyapol - 10.3 %
- Kobkul Panyapol - 8.1 %
- Others - 63.5 %



Source: Chularat Hospital

## Catalysts

Key potential growth drivers include 1) more SSO-registered members; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by new hospitals.

## Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

## Event calendar

Date	Event
May 2023	1Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSO volume growth	4	5	1
SSO revenue/patient growth	4	3	3
OPD volume growth	2	4	4
OPD revenue/patient growth	(10)	4	4
IPD volume growth	2	4	4
IPD revenue/patient growth	(5)	4	4

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings to rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings to rise by 3%, and vice versa, all else being equal.

Source: FSSIA estimates

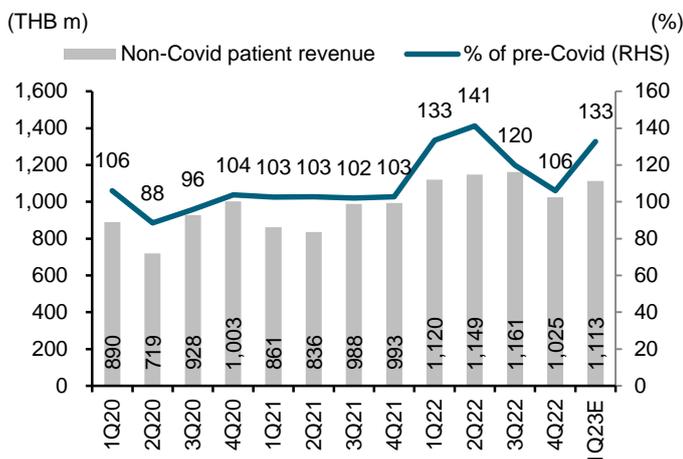


## Exhibit 1: 1Q23 results preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change		2023E	Change
	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)				
<b>Revenue</b>	<b>3,571</b>	<b>2,784</b>	<b>2,026</b>	<b>1,721</b>	<b>1,642</b>	<b>(5)</b>	<b>(54)</b>	<b>7,606</b>	<b>(25)</b>
Cost of sales (Incl. depreciation)	(1,702)	(1,497)	(1,480)	(1,229)	(1,166)	(5)	(32)	(5,268)	(11)
<b>Gross profit</b>	<b>1,869</b>	<b>1,288</b>	<b>546</b>	<b>492</b>	<b>476</b>	<b>(3)</b>	<b>(75)</b>	<b>2,339</b>	<b>(44)</b>
SG&A	(205)	(223)	(253)	(254)	(239)	(6)	17	(936)	0
<b>Operating profit</b>	<b>1,665</b>	<b>1,064</b>	<b>293</b>	<b>238</b>	<b>237</b>	<b>(1)</b>	<b>(86)</b>	<b>1,403</b>	<b>(57)</b>
Other operating income	67	68	74	96	79	(18)	18	314	3
Interest income	1	3	0	2	2	0	266	4	(28)
EBIT	1,732	1,136	367	334	318	(5)	(82)	1,721	(52)
Interest expense	(3)	(3)	(4)	(6)	(6)	0	83	(30)	82
<b>EBT</b>	<b>1,729</b>	<b>1,133</b>	<b>364</b>	<b>328</b>	<b>312</b>	<b>(5)</b>	<b>(82)</b>	<b>1,691</b>	<b>(52)</b>
Income tax	(341)	(226)	(97)	(40)	(62)	56	(82)	(338)	(52)
Minority interests	(31)	(29)	(8)	(3)	(3)	0	(90)	(36)	n/a
<b>Core profit</b>	<b>1,356</b>	<b>878</b>	<b>258</b>	<b>285</b>	<b>246</b>	<b>(14)</b>	<b>(82)</b>	<b>1,317</b>	<b>(53)</b>
Extraordinaries									
<b>Net income</b>	<b>1,356</b>	<b>878</b>	<b>258</b>	<b>285</b>	<b>246</b>	<b>(14)</b>	<b>(82)</b>	<b>1,317</b>	<b>(53)</b>
Core EPS (THB)	0.12	0.08	0.02	0.03	0.02	(14)	(82)	0.12	(53)
No of share (m)	11,000	11,000	11,000	11,000	11,000	0	0	11,000	0
Cost (Excl. depreciation)	(1,609)	(1,402)	(1,379)	(1,135)	(1,070)	(6)	(33)	(4,857)	(12)
Depreciation & amortisation	(93)	(95)	(101)	(93)	(95)	2	3	(411)	8
EBITDA	1,824	1,227	468	427	411	(4)	(77)	2,128	(46)
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	52	46	27	28.6	29.0	0	(23)	31	(11)
SG&A/Revenue	6	8	12	15	15	(0)	9	12	3
EBITDA margin	51	44	23	25	25	0	(26)	28	(11)
Net profit margin	38	32	13	17	15	(2)	(23)	17	(10)
<b>Operating stats</b>	<b>(y-y %)</b>								
SSO revenue	4	12	54	(7)	n/a				
SSO registered members ('000)	483	503	513	520	n/a				
SSO revenue per head	(4)	1	38	(17)	n/a				
Cash-OPD revenue	86	14	24	(38)	n/a				
Cash-OPD visit number	34	3	13	(5)	n/a				
Cash-OPD revenue per head	39	11	10	(34)	n/a				
Cash-IPD revenue	70	40	14	29	n/a				
Cash-IPD admission number	20	15	56	30	n/a				
Cash-IPD revenue per head	41	22	(27)	(1)	n/a				

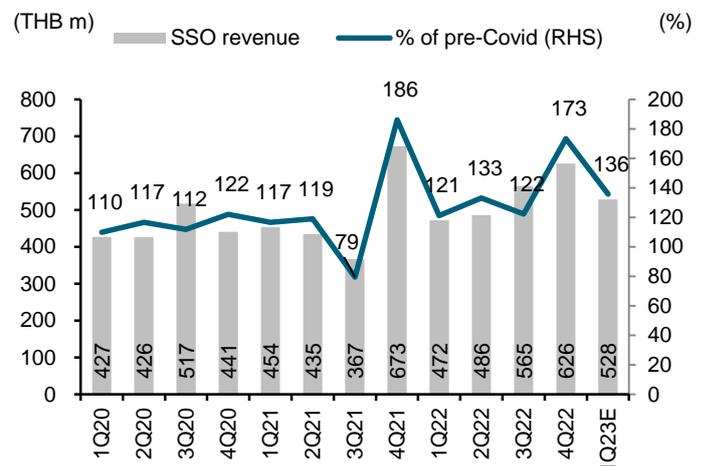
Sources: CHG; FSSIA estimates

## Exhibit 2: Non-Covid cash patient revenue



Note: Includes National Health Security Office (NHSO) revenue mainly from Heart Center

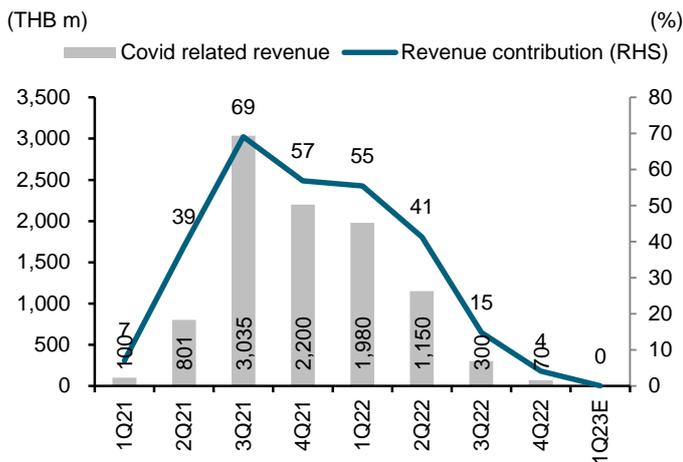
## Exhibit 3: SSO revenue, quarterly



Note: Includes additional gain from chronic disease treatments of THB50m in 4Q22E,

Sources: CHG; FSSIA estimates

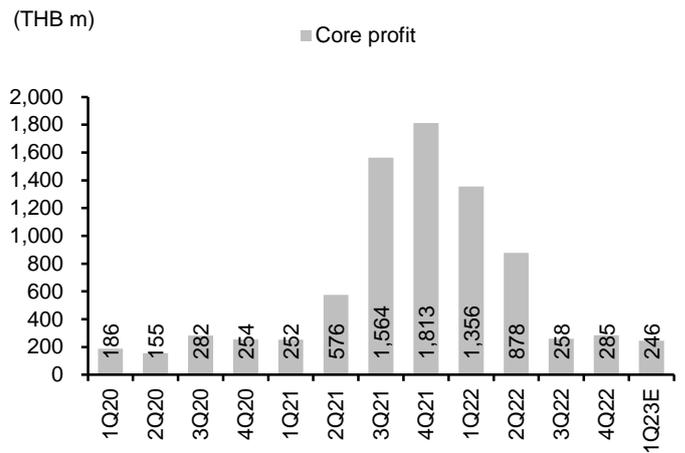
**Exhibit 4: Covid-related revenue, quarterly**



Sources: CHG; FSSIA estimates

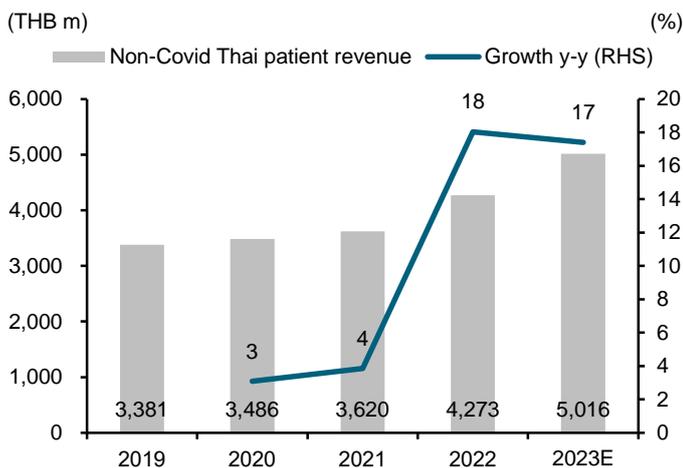
THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19  
Sources: CHG; FSSIA estimates

**Exhibit 5: Quarterly core profit**



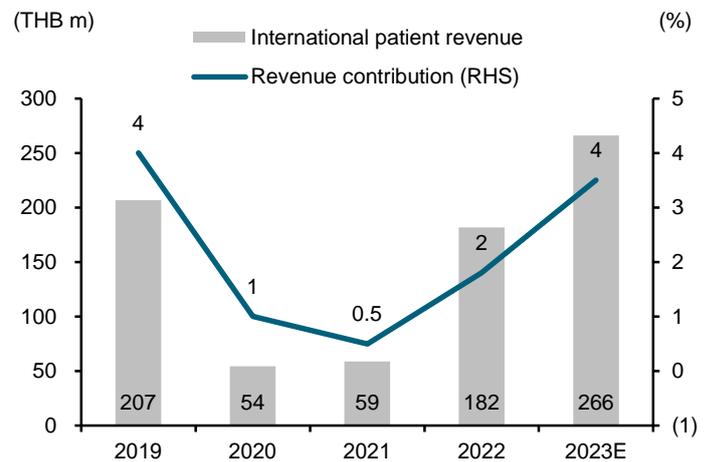
Source: CHG; FSSIA estimates

**Exhibit 6: Non-Covid Thai patient revenue, yearly**



Note: Includes National Health Security Office (NHSO) revenue mainly from Heart Center  
Sources: CHG; FSSIA estimates

**Exhibit 7: International patient revenue, yearly**



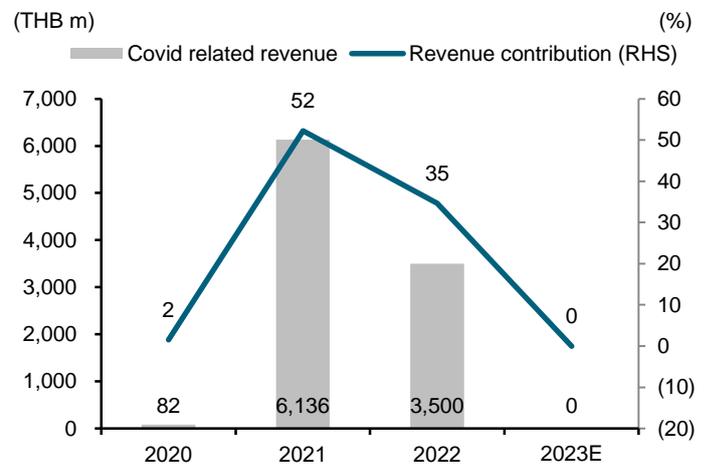
Source: FSSIA estimates

**Exhibit 8: SSO revenue, yearly**



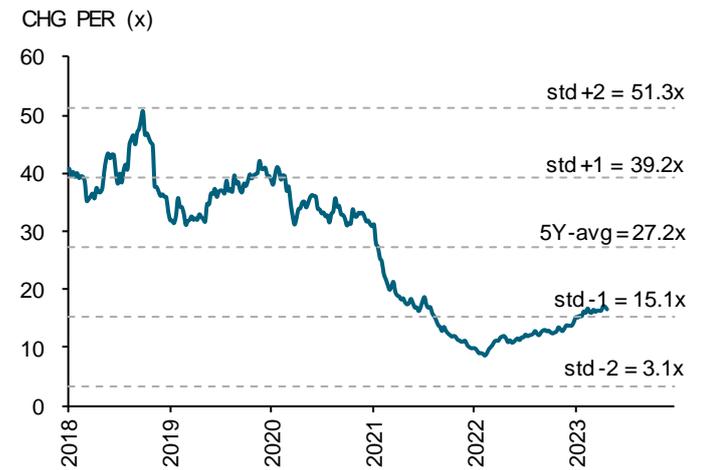
Sources: CHG; FSSIA estimates

**Exhibit 9: Covid-related revenue, yearly**



Sources: CHG; FSSIA estimates

**Exhibit 10: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 11: Historical P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 12: Peer comparisons as of 2 May 2023**

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	29.25	34.50	17.9	13,588	34.5	30.4	14.5	15.4	4.9	4.5	19.3	17.2
Bumrungrad Hospital	BH TB	BUY	239.00	260.00	8.8	5,553	35.4	32.5	25.6	24.8	8.5	7.6	22.9	20.9
Bangkok Chain Hospital	BCH TB	BUY	20.10	23.50	16.9	1,465	30.5	25.2	13.0	14.9	3.9	3.6	15.1	12.9
Chularat Hospital	CHG TB	BUY	3.48	4.40	26.4	1,119	29.1	24.9	17.3	19.1	5.0	4.5	17.2	14.8
Praram 9 Hospital	PR9 TB	BUY	18.70	22.00	17.6	430	25.2	23.3	11.9	12.0	2.9	2.7	12.4	11.2
Thonburi Healthcare Group	THG TB	REDUCE	67.25	55.00	(18.2)	1,666	48.1	42.3	11.4	12.4	5.4	5.1	26.3	23.5
Vibhavadi Medical Center	VIBHA TB	BUY	2.64	3.20	21.2	1,048	33.1	29.6	7.3	7.9	2.4	2.3	27.5	24.8
Ramkhamhaeng Hospital	RAM TB	BUY	52.50	60.00	14.3	1,842	32.1	27.5	10.0	11.2	3.1	3.0	34.5	30.2
Rajthanee Hospital	RJH TB	n/a	28.50	n/a	n/a	250	21.1	21.2	18.0	18.0	5.7	3.8	13.6	13.2
Ekachai Medical Care	EKH TB	n/a	8.10	n/a	n/a	160	24.0	22.8	12.3	12.0	5.8	2.8	12.2	11.3
<b>Thailand average</b>						<b>27,120</b>	<b>31.3</b>	<b>28.0</b>	<b>14.1</b>	<b>14.8</b>	<b>4.8</b>	<b>4.0</b>	<b>20.1</b>	<b>18.0</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	65.01	n/a	n/a	9,973	36.5	26.9	10.1	12.3	3.6	3.5	12.7	11.4
Ihh Healthcare Bhd	IHH SP	n/a	1.74	n/a	n/a	11,474	30.8	27.4	6.4	6.8	2.2	1.9	13.8	12.9
Ryman Healthcare	RYM NZ	n/a	5.35	n/a	n/a	2,322	10.6	12.0	7.5	7.6	1.2	0.7	14.4	15.7
Apollo Hospitals Enterprise	APHS IN	n/a	4,514	n/a	n/a	7,889	77.7	53.6	13.6	17.3	17.8	10.1	32.0	25.3
Kpj Healthcare Berhad	KPJ MK	n/a	1.11	n/a	n/a	1,085	23.1	20.6	9.2	10.0	2.5	2.1	11.1	10.5
Raffles Medical Group	RFMD SP	n/a	1.45	n/a	n/a	2,019	21.3	21.0	12.0	11.8	3.1	2.5	12.2	12.0
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,720	n/a	n/a	2,632	33.8	29.0	19.2	20.0	8.0	6.1	21.4	18.6
Aier Eye Hospital Group	300015 CH	n/a	29.46	n/a	n/a	30,588	57.7	44.6	20.7	22.2	24.2	11.3	33.6	26.9
<b>Regional average</b>						<b>67,983</b>	<b>36.4</b>	<b>29.4</b>	<b>12.3</b>	<b>13.5</b>	<b>7.8</b>	<b>4.8</b>	<b>18.9</b>	<b>16.7</b>
<b>Overall average</b>						<b>95,103</b>	<b>33.6</b>	<b>28.6</b>	<b>13.3</b>	<b>14.2</b>	<b>6.1</b>	<b>4.3</b>	<b>19.6</b>	<b>17.4</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Chularat Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,742	10,103	7,606	8,205	8,748
Cost of goods sold	(5,531)	(5,526)	(4,857)	(5,136)	(5,389)
<b>Gross profit</b>	<b>6,211</b>	<b>4,577</b>	<b>2,750</b>	<b>3,069</b>	<b>3,359</b>
Other operating income	257	305	314	323	333
Operating costs	(821)	(935)	(936)	(968)	(997)
<b>Operating EBITDA</b>	<b>5,647</b>	<b>3,947</b>	<b>2,128</b>	<b>2,424</b>	<b>2,695</b>
Depreciation	(351)	(382)	(411)	(444)	(469)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>5,296</b>	<b>3,565</b>	<b>1,717</b>	<b>1,980</b>	<b>2,226</b>
Net financing costs	(19)	(10)	(25)	(13)	(12)
Associates	0	(1)	0	0	0
Recurring non-operating income	0	(1)	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>5,276</b>	<b>3,554</b>	<b>1,691</b>	<b>1,966</b>	<b>2,214</b>
Tax	(1,009)	(703)	(338)	(393)	(443)
<b>Profit after tax</b>	<b>4,267</b>	<b>2,850</b>	<b>1,353</b>	<b>1,573</b>	<b>1,771</b>
Minority interests	(63)	(72)	(36)	(38)	(41)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,204</b>	<b>2,778</b>	<b>1,317</b>	<b>1,535</b>	<b>1,731</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>4,204</b>	<b>2,778</b>	<b>1,317</b>	<b>1,535</b>	<b>1,731</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.38	0.25	0.12	0.14	0.16
Reported EPS	0.38	0.25	0.12	0.14	0.16
DPS	0.20	0.16	0.07	0.08	0.09
Diluted shares (used to calculate per share data)	11,000	11,000	11,000	11,000	11,000
<b>Growth</b>					
Revenue (%)	116.1	(14.0)	(24.7)	7.9	6.6
Operating EBITDA (%)	287.4	(30.1)	(46.1)	13.9	11.2
Operating EBIT (%)	379.7	(32.7)	(51.8)	15.3	12.4
Recurring EPS (%)	379.6	(33.9)	(52.6)	16.5	12.7
Reported EPS (%)	379.6	(33.9)	(52.6)	16.5	12.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	49.9	41.5	30.7	32.0	33.0
Gross margin of key business (%)	49.9	41.5	30.7	32.0	33.0
Operating EBITDA margin (%)	48.1	39.1	28.0	29.5	30.8
Operating EBIT margin (%)	45.1	35.3	22.6	24.1	25.4
Net margin (%)	35.8	27.5	17.3	18.7	19.8
Effective tax rate (%)	19.1	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	52.3	63.3	60.0	60.0	60.0
Interest cover (X)	271.9	349.5	67.8	147.0	185.9
Inventory days	15.6	18.5	18.7	17.0	17.1
Debtor days	17.1	24.8	38.1	38.9	38.2
Creditor days	46.6	55.9	60.1	54.7	54.9
Operating ROIC (%)	83.2	47.1	21.9	26.6	30.1
ROIC (%)	80.4	45.1	20.8	25.2	28.4
ROE (%)	72.5	36.8	17.3	19.1	19.6
ROA (%)	51.1	27.4	13.7	15.6	16.2
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	4,222	5,160	4,859	5,255	5,684
SSO patient revenue	1,928	2,149	2,324	2,513	2,615
NHSO patient revenue	5,592	2,794	424	436	449

Sources: Chularat Hospital; FSSIA estimates

## Financial Statements

### Chularat Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	4,204	2,778	1,317	1,535	1,731
Depreciation	351	382	411	444	469
Associates & minorities	-	-	-	-	-
Other non-cash items	50	117	36	38	41
Change in working capital	(540)	(696)	897	(94)	(11)
<b>Cash flow from operations</b>	<b>4,065</b>	<b>2,582</b>	<b>2,661</b>	<b>1,923</b>	<b>2,229</b>
Capex - maintenance	(539)	(777)	(600)	(410)	(350)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(142)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(539)</b>	<b>(919)</b>	<b>(600)</b>	<b>(410)</b>	<b>(350)</b>
Dividends paid	(660)	(2,805)	(1,155)	(790)	(921)
Equity finance	0	0	0	0	0
Debt finance	(665)	356	(470)	0	0
Other financing cash flows	40	(3)	(36)	(38)	(41)
<b>Cash flow from financing</b>	<b>(1,284)</b>	<b>(2,452)</b>	<b>(1,661)</b>	<b>(828)</b>	<b>(962)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>2,242</b>	<b>(789)</b>	<b>400</b>	<b>685</b>	<b>917</b>
Free cash flow to firm (FCFF)	3,547.55	1,679.02	2,091.05	1,531.25	1,897.76
Free cash flow to equity (FCFE)	2,901.73	2,016.07	1,555.13	1,474.92	1,838.42

#### Per share (THB)

FCFF per share	0.32	0.15	0.19	0.14	0.17
FCFE per share	0.26	0.18	0.14	0.13	0.17
Recurring cash flow per share	0.42	0.30	0.16	0.18	0.20

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	7,129	7,867	8,467	8,878	9,228
Less: Accumulated depreciation	(2,661)	(2,987)	(3,398)	(3,842)	(4,311)
<b>Tangible fixed assets (net)</b>	<b>4,468</b>	<b>4,880</b>	<b>5,069</b>	<b>5,035</b>	<b>4,916</b>
<b>Intangible fixed assets (net)</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	142	142	142	142
Cash & equivalents	2,790	2,001	2,401	3,085	4,003
A/C receivable	616	757	833	915	915
Inventories	295	265	233	246	258
Other current assets	2,196	2,036	878	947	1,009
<b>Current assets</b>	<b>5,897</b>	<b>5,058</b>	<b>4,344</b>	<b>5,193</b>	<b>6,185</b>
Other assets	137	152	152	152	152
<b>Total assets</b>	<b>10,550</b>	<b>10,280</b>	<b>9,755</b>	<b>10,570</b>	<b>11,443</b>
Common equity	7,569	7,523	7,685	8,430	9,240
Minorities etc.	272	341	341	341	341
<b>Total shareholders' equity</b>	<b>7,841</b>	<b>7,864</b>	<b>8,026</b>	<b>8,771</b>	<b>9,580</b>
Long term debt	480	470	0	0	0
Other long-term liabilities	137	233	233	233	233
<b>Long-term liabilities</b>	<b>617</b>	<b>704</b>	<b>233</b>	<b>233</b>	<b>233</b>
A/C payable	842	851	748	791	830
Short term debt	34	400	400	400	400
Other current liabilities	1,215	462	348	375	400
<b>Current liabilities</b>	<b>2,092</b>	<b>1,712</b>	<b>1,495</b>	<b>1,566</b>	<b>1,629</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,550</b>	<b>10,280</b>	<b>9,755</b>	<b>10,570</b>	<b>11,443</b>
Net working capital	1,050	1,745	848	942	954
Invested capital	5,702	6,967	6,259	6,319	6,211

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	0.69	0.68	0.70	0.77	0.84
Tangible book value per share	0.68	0.68	0.69	0.76	0.84

#### Financial strength

Net debt/equity (%)	(29.0)	(14.4)	(24.9)	(30.6)	(37.6)
Net debt/total assets (%)	(21.6)	(11.0)	(20.5)	(25.4)	(31.5)
Current ratio (x)	2.8	3.0	2.9	3.3	3.8
CF interest cover (x)	150.0	198.7	62.4	110.6	154.6

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>9.1</b>	<b>13.8</b>	<b>29.1</b>	<b>24.9</b>	<b>22.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>11.5</b>	<b>17.4</b>	<b>36.7</b>	<b>31.5</b>	<b>28.0</b>
Reported P/E (x)	9.1	13.8	29.1	24.9	22.1
Dividend yield (%)	5.7	4.6	2.1	2.4	2.7
Price/book (x)	5.1	5.1	5.0	4.5	4.1
Price/tangible book (x)	5.1	5.1	5.0	4.6	4.2
EV/EBITDA (x) **	6.4	9.5	17.2	14.8	13.0
EV/EBITDA @ target price (x) **	8.2	12.1	22.0	19.0	16.7
EV/invested capital (x)	6.4	5.4	5.9	5.7	5.6

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Chularat Hospital; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Chularat Hospital	CHG TB	THB 3.48	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Bangkok Dusit Medical Services	BDMS TB	THB 29.25	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 239.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Bangkok Chain Hospital	BCH TB	THB 20.10	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Praram 9 Hospital	PR9 TB	THB 18.70	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Thonburi Healthcare Group	THG TB	THB 67.25	REDUCE	Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units.
Vibhavadi Medical Center	VIBHA TB	THB 2.64	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Ramkhamhaeng Hospital	RAM TB	THB 52.50	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 02-May-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.