

17 DECEMBER 2021

THAILAND / HEALTHCARE

VIBHAVADI MEDICAL CENTER

BUY

UNCHANGED

VIBHA TB

TARGET PRICE	THB3.20
CLOSE	THB2.54
UP/DOWNSIDE	+26.0%
PRIOR TP	THB2.80
CHANGE IN TP	+14.3%
TP vs CONSENSUS	+13.5%

ผลประกอบการที่ดีใน 4Q จากคลื่นการระบาดในเชียงใหม่

ผลประกอบการที่ดีใน 4Q จากคลื่นการระบาดในเชียงใหม่

กำไรของ VIBHA ปรับตัวขึ้นสูงเป็นประวัติการณ์ใน 3Q21 จากผลประกอบการที่ดีของ Vibhavadi Hospital และ Vibharam group (VBR ซึ่ง VIBHA ถือหุ้น 34%) หลังการเพิ่มของตัวเลขผู้ติดเชื้อ Covid แม้ว่าตัวเลขผู้ติดเชื้อ Covid ของประเทศไทยจะชะลอตัวใน 4Q21 เราคาดว่ากำไรของ VIBHA จะยังดี เนื่องจากการมีกรณีการระบาด Covid ในเชียงใหม่ในช่วงเดือน ต.ค. และ พ.ย. CMR group (ซึ่ง VIBHA ถือหุ้น 84% และรายได้คิดเป็น 51% ของ VIBHA ณ สิ้นรอบ 9M21) ซึ่งมีเตียงผู้ป่วยในจำนวนมากกว่า 1,000 เตียงในเชียงใหม่จะได้ประโยชน์จากการระบาดดังกล่าว ในที่ประชุมนักวิเคราะห์ของ VIBHA เมื่อวันที่ 16 ธ.ค. ผู้บริหารได้กล่าวว่าจะอัตราการใช้เตียงใน IPD ของ CMR เกือบเต็มในรอบ 4Q21 QTD ซึ่งทำให้เราคาดว่ากำไรจากการดำเนินงานใน 4Q21 จะโตประมาณ 40-45% y-y เป็น 470 ลบ.

การพลิกฟื้นของ VBR และ CMR จะช่วยหนุนการเติบโตภายใน

เราคาดว่ากำไรเติบโตภายในจะเกิดขึ้นต่อเนื่องในปี 2022 นำโดยการพลิกฟื้นของการดำเนินงานของ CMR และ VBR ซึ่งจุดเริ่มผลประกอบการของ VIBHA ในช่วงปี 2019-20 จากการตั้งสำรองรายได้จากสำนักงานประกันสังคมหลังการเบิกจ่ายที่ไม่ถูกต้อง ทางกลุ่มฯ ได้ใช้วิธีบันทึกทางบัญชีที่รอบคอบมากขึ้นและพัฒนากระบวนการเบิกจ่ายมาตั้งแต่ปี 2020 เพราะฉะนั้นเราจึงคาดว่าจะไม่มีการตั้งสำรองจำนวนมากอีกในอนาคต ในขณะที่ CMR และ VBR น่าจะมีตัวเลขสมาชิกประกันสังคมจดทะเบียนเพิ่มขึ้นหลังให้บริการผู้ป่วย Covid ในปี 2021 ซึ่งผู้ป่วยดังกล่าวอาจกลายเป็นลูกค้าประจำ ในภาพรวมเราคาดว่ากำไรจะอยู่ที่ 1.0 พัน ลบ. ในปี 2022 ซึ่งสูงกว่าระดับก่อน Covid อยู่ 24%

อาจมีอ็อปไซด์จากการควบรวมและซื้อกิจการ

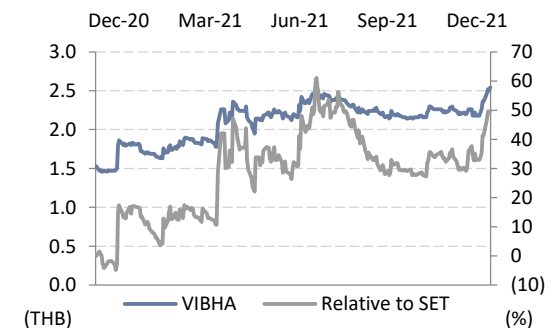
เราคาดว่า VIBHA จะขยายธุรกิจจากทั้งโครงการใหม่ รวมถึงการควบรวมและซื้อกิจการ โดย VBR กำลังดำเนินการ 4 โครงการซึ่งน่าจะเพิ่มจำนวนเตียงผู้ป่วยได้ 459 เตียง (40%) จาก 1,135 เตียงในปัจจุบัน นอกจากนี้ VIBHA อาจซื้อโรงพยาบาลใหม่หรือซื้อหุ้นเพิ่มในโรงพยาบาลพันธมิตรซึ่งบริษัท เป็นผู้ถือหุ้นรายย่อยอยู่ในปัจจุบัน เมื่อพิจารณาจากฐานะการเงินที่ดีของบริษัท ด้วยค่า IBD/E ที่ 0.9x ณ สิ้นรอบ 9M21

ปรับเพิ่มประมาณการกำไร: กำไรที่คาดว่าจะสูงเป็นประวัติการณ์ในปี 2021 น่าจะช่วยหนุนราคาหุ้น

เราปรับเพิ่มประมาณการกำไรไปปกติในปี 2021 อีก 116% เพื่อสะท้อนผลประกอบการที่คาดว่าจะดีในช่วง 2H21 และปรับเพิ่มประมาณการกำไรไปปกติในปี 2022-23 อีก 8-14% เพื่อให้สะท้อนแนวโน้มที่ดีของ VBR และ CMR ได้ดียิ่งขึ้น ซึ่งทำให้เราปรับเพิ่มราคาเป้าหมายเป็น 3.2 บาท (DCF) ปัจจุบัน VIBHA มีการซื้อขายที่ 37x ของค่า 2022E P/E ซึ่งต่ำกว่าค่าเฉลี่ย 5 ปีที่ 44x กำไรของ VIBHA น่าจะสูงเป็นประวัติการณ์ในปี 2021 จากบริการที่เกี่ยวข้องกับ Covid ในขณะที่เราคาดว่ากำไรจากการดำเนินงานภายในจะดีในปี 2022 ปัจจุบันดังกล่าวจะช่วยหนุนราคาหุ้นให้แตะระดับสูงเป็นประวัติการณ์ได้อีกที่ประมาณ 3.1-3.3 บาท

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	6,024	7,230	7,336	7,706
Net profit	450	1,580	1,007	1,165
EPS (THB)	0.03	0.12	0.07	0.08
vs Consensus (%)	-	160.9	18.6	19.4
EBITDA	1,052	1,769	1,597	1,770
Core net profit	450	1,540	1,007	1,165
Core EPS (THB)	0.03	0.10	0.07	0.08
Chg. In EPS est. (%)	-	116.4	16.4	10.8
EPS growth (%)	(47.2)	242.4	(33.1)	15.7
Core P/E (x)	84.4	24.6	36.8	31.8
Dividend yield (%)	1.6	2.7	1.7	1.9
EV/EBITDA (x)	42.7	24.8	27.2	24.4
Price/book (x)	4.2	3.7	3.0	2.9
Net debt/Equity (%)	73.5	57.9	25.0	22.1
ROE (%)	5.6	17.7	9.4	9.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	14.4	13.4	70.5
Relative to country (%)	14.3	12.5	53.6
Mkt cap (USD m)	1,031		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	35		
Major shareholder	F&S 79 (15%)		
12m high/low (THB)	2.68/1.45		
Issued shares (m)	14,082.84		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 17 ธันวาคม 2021

Investment thesis

VIBHA's core profit has been dragged down by CMR group and Vibharam group over the past three years, mainly due to Social Security Office (SSO) revenue write-offs from reimbursement mismatches. Operations should recover going forward, as the company has adopted a conservative accounting standard since 2020.

VIBHA has a complicated structure, with up to four levels of subsidiaries under it. Its restructuring plan involves a share swap from the subsidiary levels to the parent company to unlock value in those subsidiaries. This development could create positive interest and would likely be a re-rating catalyst for the stock.

Furthermore, VIBHA has continued to invest in potential growth hospitals, including Ramkhamhaeng Hospital (RAM TB, BUY, TP THB48), Sikarin Pcl (SKR TB, NR), and Thai Nakin Hospital (TNH TB, NR). This should increase its dividend income and profitability in the long term.

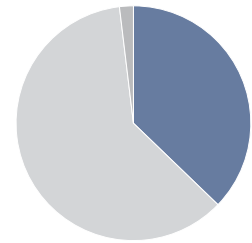
Company profile

The company currently operates 20 hospitals split into four groups: Vibhavadi Hospital, Chiang Mai Ram (CMR TB, NR), Vibharam Hospital (not listed), and partner hospitals.

www.vibhavadi.com

Principal activities (revenue, 2020)

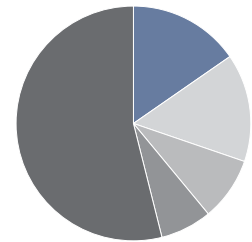
- Revenue from Vibhavadi Hospital - 37.2 %
- Revenue from CMR - 60.9 %
- Service revenue - 1.9 %



Source: Vibhavadi Medical Center

Major shareholders

- F&S 79 - 15.4 %
- Mr. Chaiyasith Viriyamettakul - 14.9 %
- Sinphate Co LTD - 8.8 %
- Ramkhamhaeng Hospital - 7.1 %
- Others - 53.9 %



Source: Vibhavadi Medical Center

Catalysts

Key growth drivers include 1) more SSO registered members; 2) an improving EBITDA margin led by new hospitals and larger share and dividend income from its subsidiaries; and 3) restructuring its shareholding structure.

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 prices and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

Event calendar

Date	Event
Feb 2022	4Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Revenue growth			
Vibhavadi hospital	34	2	2
CMR - Cash patient revenue	(2)	8	5
CMR - SSO revenue	8	5	4
Vibharam	73	(23)	3

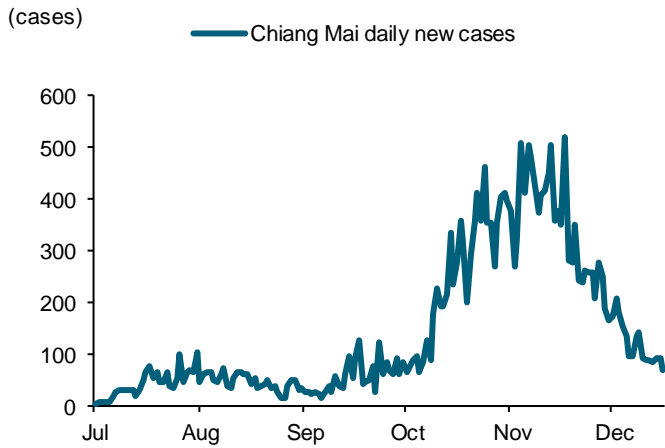
Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in patient volume, we project 2022 earnings to rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2022 earnings to rise by 7%, and vice versa, all else being equal.

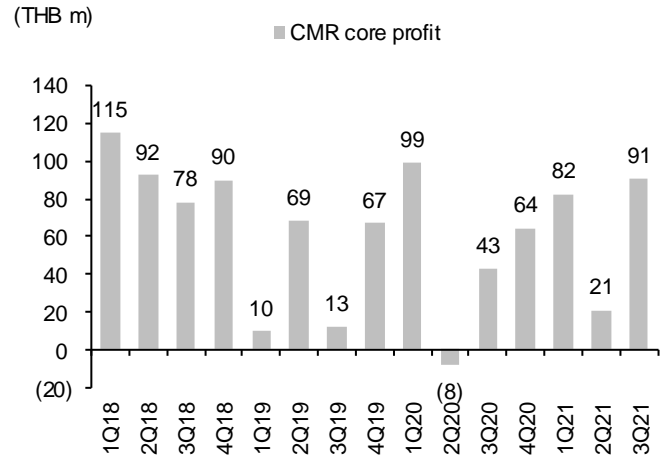
Source: FSSIA estimates

Exhibit 1: Chiang Mai daily new Covid cases



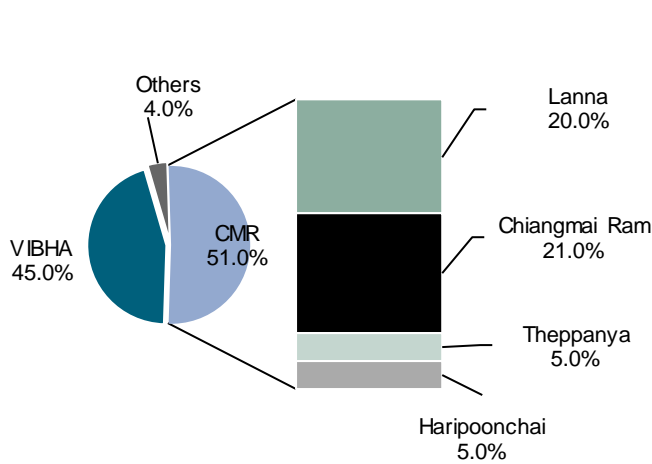
Source: [Ministry of Public Health](#)

Exhibit 2: CMR profit, quarterly trend



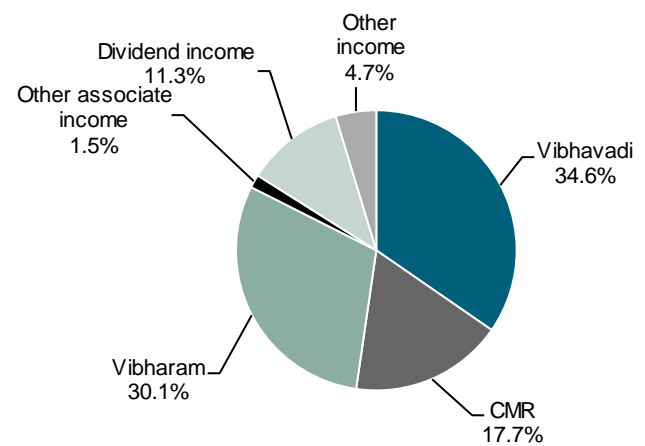
Source: CMR

Exhibit 3: Revenue breakdown by hospital as of 9M21



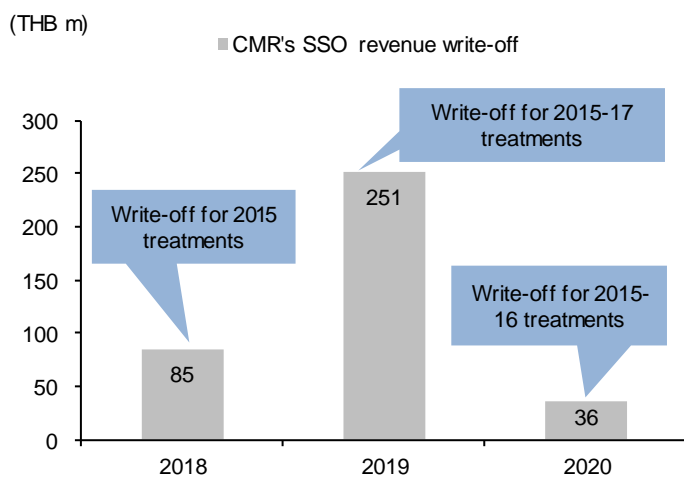
Sources: VIBHA

Exhibit 4: EBIT breakdown as of 9M21



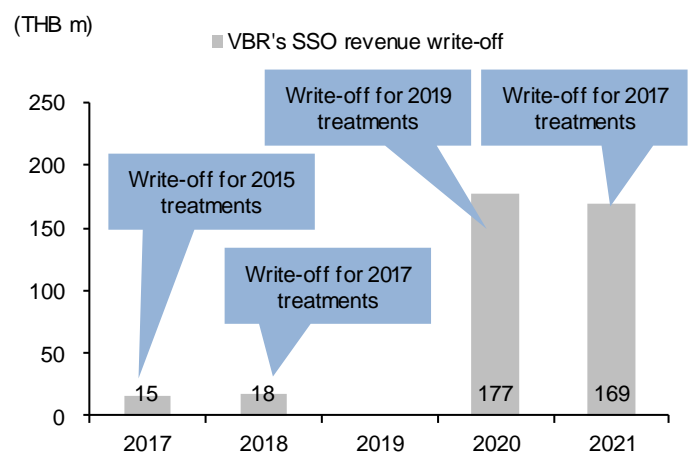
Sources: VIBHA; FSSIA estimates

Exhibit 5: CMR's SSO revenue write-offs



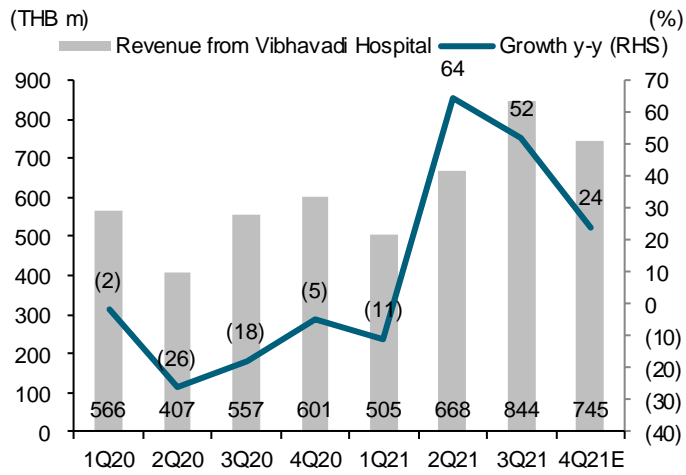
Source: VIBHA

Exhibit 6: VBR's SSO revenue write-offs



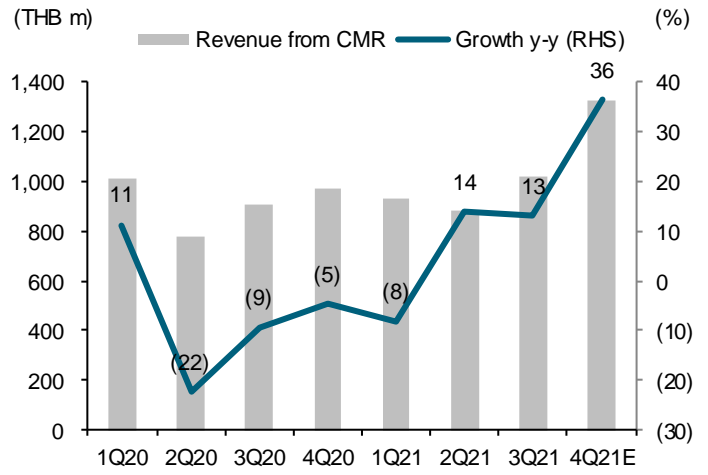
Source: VIBHA

Exhibit 7: Vibhavadi Hospital revenue



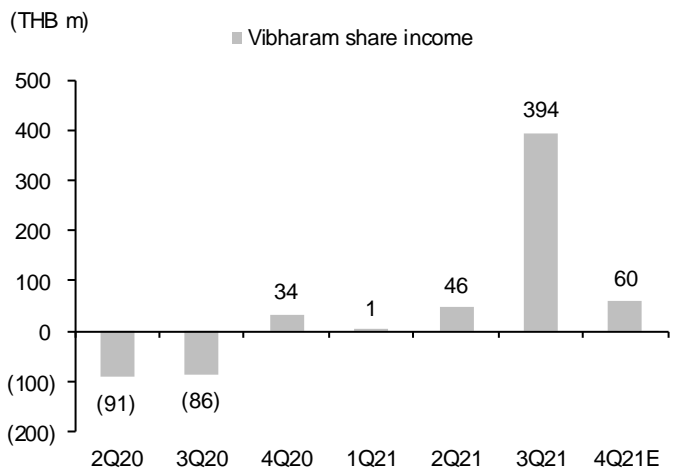
Sources: VIBHA; FSSIA estimates

Exhibit 8: CMR revenue



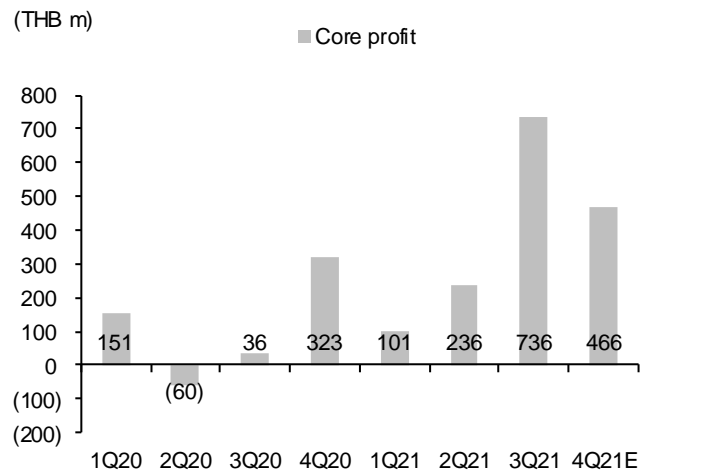
Sources: VIBHA; FSSIA estimates

Exhibit 9: VBR share income



Sources: VIBHA; FSSIA estimates

Exhibit 10: Core profit, quarterly



Sources: VIBHA; FSSIA estimates

Recap: 3Q21 results review

VIBHA reported a record high core profit of THB736m in 3Q21 (+1,918% y-y, +212% q-q), beating our estimate of THB311m due to higher-than-expected share income from Vibharam. Including a THB88m loss on fair value measurement of financial assets, 3Q21 net profit was THB651m.

Hospital revenue grew 19% q-q due to a 26% q-q revenue increase for Vibhavadi Hospital and a 16% q-q increase for CMR group.

Vibhavadi Hospital's EBITDA margin improved to 32% from 26% in 2Q21, while CMR's EBITDA margin improved to 21% from 13% in 2Q21.

Share of income surged to THB408m in 3Q21 (vs THB57m in 2Q21), mainly due to the strong performance of Vibharam.

Exhibit 11: 3Q21 results review

	3Q20	4Q20	1Q21	2Q21	3Q21	----- Change -----		9M20	9M21	Change	2021E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	(THB m)
Sales	1,520	1,638	1,508	1,602	1,909	19	26	4,387	5,019	14	7,230
COGS (incl depreciation)	(1,130)	(1,199)	(1,125)	(1,164)	(1,270)	9	12	(3,287)	(3,560)	8	(5,000)
Gross profit	390	439	383	438	638	46	64	1,100	1,459	33	2,230
SG&A	(216)	(230)	(223)	(237)	(234)	(1)	8	(695)	(694)	(0)	(929)
Operating profit	174	209	160	201	405	101	133	405	765	89	1,301
Dividend income	51	51	56	60	50	(16)	(0)	141	166	18	214
Other income	37	36	25	23	20	(14)	(47)	86	69	(20)	114
Interest expense	(50)	(48)	(50)	(49)	(59)	21	19	(155)	(158)	2	(214)
Pretax profit	212	248	191	236	416	76	96	477	842	77	1,415
Income tax	(43)	(38)	(47)	(43)	(50)	18	16	(85)	(141)	65	(269)
Associates	(115)	128	(1)	57	408	619	(453)	(191)	464	(343)	538
Minority interest	(17)	(15)	(42)	(13)	(37)	177	119	(74)	(91)	24	(143)
Core profit	36	323	101	236	736	212	1,918	127	1,074	745	1,540
Extraordinaries, GW & FX	0	0	91	35	(86)			0	40	n/a	40
Reported net profit	36	323	192	272	651	140	1,683	127	1,114	776	1,580
Outstanding shares (m)	13,576	13,576	13,576	13,576	13,576	0	0	13,576	13,576	0	13,576
Core EPS	0.00	0.02	0.01	0.02	0.05	212	1,918	0.01	0.08	7	0.10
EPS	0.00	0.02	0.01	0.02	0.05	140	1,683	0.01	0.08	8	0.12
COGS (Exclude depre)	1,021	1,091	1,017	1,054	1,144	9	12	2,956	3,215	0	4,532
Depreciation	109	108	108	110	127	15	16	331	345	0	468
EBITDA	333	368	324	371	581	57	74	876	1,276	0	1,983
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	(%)
Gross margin	26	27	25	27	33	6	8	25	29	4	31
SG&A/Revenue	14	14	15	15	12	(3)	(2)	16	14	(2)	13
EBITDA margin	22	22	21	23	30	7	9	20	25	5	27
Net profit margin	2	20	13	17	34	17	32	3	22	19	21
Operating stats											
VIBHA revenue growth (%)	(18)	(5)	(11)	64	52						
CMR revenue growth (%)	(9)	(5)	(8)	14	13						
Share income: Vibharam (THB m)	(86)	34	1	46	394						
Share income: other associates (THB m)	(30)	2	(1)	10	14						

Sources: VIBHA; FSSIA estimates

Exhibit 12: VIBHA – earnings revisions

	Current			Previous			Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue - Vibhavadi	2,845	2,893	2,950	2,502	2,670	2,893	13.7	8.3	2.0
Revenue - CMR	4,115	4,150	4,448	4,089	4,414	4,734	0.6	(6.0)	(6.0)
Total revenue	7,230	7,336	7,706	6,882	7,387	7,944	5.1	(0.7)	(3.0)
EBITDA margin (%)	24.5	21.8	23.0	20.7	21.8	23.0	3.8	-	-
Share income - Vibharam	505	121	126	9	23	35	495.5	98.2	90.5
Core profit	1,540	1,007	1,165	712	886	1,077	116.4	13.7	8.2

Note: Change of items in percentage terms are represented in ppt change

Source: FSSIA estimates

Exhibit 13: VIBHA – DCF-derived TP

Cost of equity assumptions	(%)		Cost of debt assumptions	(%)
Risk-free rate	3.0		Pre-tax cost of debt	4.0
Market risk premium	8.0		Marginal tax rate	20.0
Stock beta	1.0			
Cost of equity, Ke	11.3		Net cost of debt, Kd	3.2
Weight applied	70.0		Weight applied	30.0
WACC	8.9			
DCF valuation estimate	(THB b)	(THB/share)	Comments	
NPV	15.3	1.0	WACC 8.9%, Risk-free rate 3%, Risk premium 8%	
Terminal value	27.7	1.9	Terminal growth 3%	
Cash & liquid assets	2.2	0.2	At end-2022E	
Investments	10.1	0.7	At end-2022E	
Debt	(6.0)	(0.4)	At end-2022E	
Minorities	(2.7)	(0.2)	At end-2022E	
Residual ordinary equity	46.7	3.20		

Source: FSSIA estimates

Exhibit 14: VIBHA's bed capacity summary

Group	No.	Hospital	VIBHA's stake	No. of beds	Equity beds
			(%)	(no.)	(no.)
Vibhavadi	1	Vibhavadi	100.0	400	400
CMR	2-3	Lanna 1&2	83.6	330	276
	4	Chiangmai Ram	47.1	220	104
	5-6	Theppanya 1&2	47.1	170	80
	7	Haripoonchai	72.4	220	159
	8	KhelangNakorn	12.0	100	12
	9	Pawor	23.5	100	24
	10	Ramkamhaeng Chianmai	45.1		
		CMR total		1,140	654
Vibharam (VBR)	11	Vibharam	33.7	150	51
	12	Vibharam LaemChabang	33.7	100	34
	13	Pathepunya	16.9	160	27
	14	Vibharam Pakkred	29.8	100	30
	15	Vibharam Chaiprakarn	24.3	100	24
	16	Vibharam Amatanakorn	25.3	100	25
	17	Serirak	16.7	141	24
	18	Vibharam Samutsakorn	33.7	100	34
	19	Mahaesakhospital	17.4	132	23
	20	Vibharam Nawamin	33.7	52	18
		VBR total		1,135	289
Partner hospitals		Bangpo	28.6	100	29
		Synphaet	10.0	387	39
		Chaopraya	7.7	200	15
		Ramkamhaeng (RAM)	6.2	1,845	115
		Sikarin (SKR)	15.1	797	121
		Thai Nakarin (TNH)	11.2	190	21
		Partner hospitals total		3,032	339
		Grand total		5,307	1,282

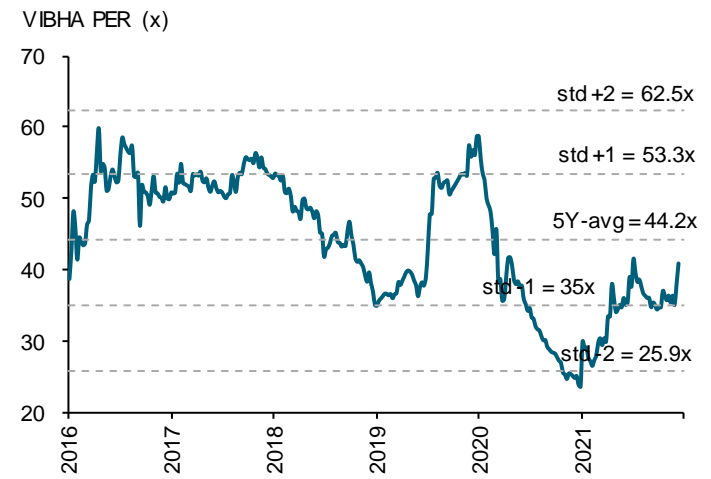
Sources: VIBHA; FSSIA estimates

Exhibit 15: Projects in pipeline

No	Hospital	VIBHA's stake	CAPEX	No. of beds	Equity beds	Expected opening year
		(%)	(THB m)	(no.)	(no.)	
1	VBR Pattanakarn	34	900	59	20	2022
2	VBR Amata 2 Parking buiding	25	400	0	0	2023
3	VBR Borwin under VBR Amata	25	1,000	150	38	2024
4	VBR Onnut	34	1,800	250	84	2025
	Total		4,100	459	142	

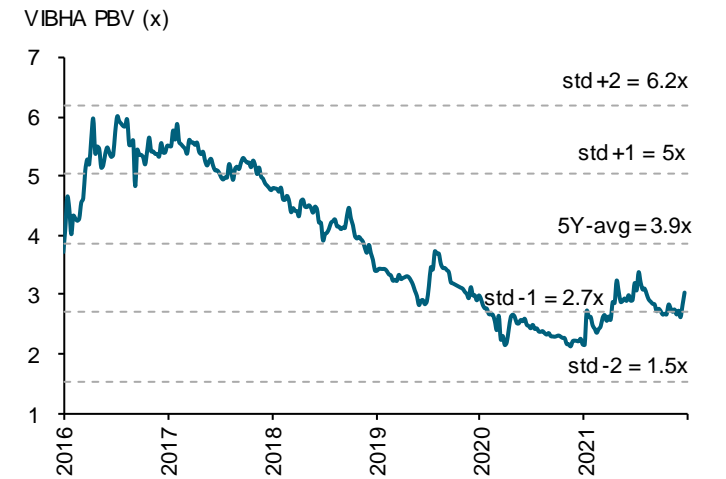
Sources: VIBHA; FSSIA estimates

Exhibit 16: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 18: Peer comparisons as of 16 Dec 2021

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	22.90	29.00	26.6	10,882	52.6	36.1	8.1	11.6	4.3	4.1	23.0	18.1
Bumrungrad Hospital	BH TB	BUY	143.00	170.00	18.9	3,398	119.1	48.2	5.4	13.2	6.7	6.1	47.6	25.8
Bangkok Chain Hospital	BCH TB	BUY	19.60	28.50	45.4	1,462	8.7	26.5	59.5	16.2	4.1	4.5	6.0	14.7
Chularat Hospital	CHG TB	BUY	3.64	4.70	29.1	1,197	13.3	28.4	57.2	22.4	6.2	6.6	9.2	17.9
Praram 9 Hospital	PR9 TB	BUY	10.90	14.00	28.4	256	39.2	23.9	5.2	8.2	2.0	1.9	14.1	10.6
Thonburi Healthcare Group	THG TB	HOLD	35.00	32.50	(7.1)	883	32.1	65.4	11.3	5.4	3.5	3.5	18.5	25.7
Vibhavadi Medical Center	VIBHA TB	BUY	2.54	3.20	26.0	1,031	24.6	36.8	17.7	9.4	3.7	3.0	24.8	27.2
Ramkhamhaeng Hospital	RAM TB	BUY	36.75	48.00	30.6	1,319	15.7	24.1	21.3	13.5	3.3	3.2	10.4	16.5
Rajthanee Hospital	RJH TB	n/a	33.75	n/a	n/a	305	10.7	22.4	55.5	26.5	6.8	5.4	7.9	15.0
Ekachai Medical Care	EKH TB	n/a	7.75	n/a	n/a	138	14.7	25.4	31.6	16.2	5.3	4.5	9.6	14.3
Thailand average						20,870	33.1	33.7	27.3	14.3	4.6	4.3	17.1	18.6
Regional														
Ramsay Health Care	RHC AU	n/a	67.98	n/a	n/a	11,056	32.7	36.8	11.3	10.2	3.8	3.7	12.6	12.7
Ihh Healthcare Bhd	IHH SP	n/a	2.08	n/a	n/a	13,415	37.7	35.1	6.3	6.5	2.4	2.4	16.5	15.7
Ryman Healthcare	RYM NZ	n/a	12.54	n/a	n/a	4,219	26.7	26.3	12.2	7.8	2.7	2.4	31.6	26.6
Apollo Hospitals Enterprise	APHS IN	n/a	5,204	n/a	n/a	9,712	862.5	83.4	2.4	18.1	20.4	17.6	67.6	33.6
Kpj Healthcare Berhad	KPJ MK	n/a	1.04	n/a	n/a	1,090	81.5	27.2	2.7	7.1	2.4	2.1	15.8	12.3
Raffles Medical Group	RFMD SP	n/a	1.32	n/a	n/a	1,809	32.2	32.2	8.4	8.6	2.8	2.7	17.9	16.9
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,290	n/a	n/a	2,243	28.6	31.9	20.5	17.6	6.6	5.7	18.0	20.0
Aier Eye Hospital Group	300015 CH	n/a	43.50	n/a	n/a	36,223	97.6	72.9	20.0	21.9	27.0	18.4	55.0	43.7
Regional average						79,768	150.0	43.2	10.5	12.2	8.5	6.9	29.4	22.7
Overall average						100,639	85.0	37.9	19.8	13.4	6.3	5.4	22.6	20.4

Sources: *Bloomberg; FSSIA estimates

Financial Statements

Vibhavadi Medical Center

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	6,546	6,024	7,230	7,336	7,706
Cost of goods sold	(4,343)	(4,047)	(4,532)	(4,796)	(4,961)
Gross profit	2,203	1,977	2,698	2,540	2,745
Other operating income	-	-	-	-	-
Operating costs	(932)	(925)	(929)	(943)	(975)
Operating EBITDA	1,271	1,052	1,769	1,597	1,770
Depreciation	(413)	(439)	(468)	(492)	(522)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	858	614	1,301	1,105	1,248
Net financing costs	(201)	(203)	(214)	(192)	(153)
Associates	260	(62)	538	155	163
Recurring non-operating income	586	251	866	487	518
Non-recurring items	(44)	0	40	0	0
Profit before tax	1,199	662	1,992	1,399	1,612
Tax	(206)	(124)	(269)	(249)	(290)
Profit after tax	993	539	1,724	1,150	1,322
Minority interests	(184)	(89)	(143)	(143)	(158)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	809	450	1,580	1,007	1,165
Non-recurring items & goodwill (net)	44	0	(40)	0	0
Recurring net profit	853	450	1,540	1,007	1,165
Per share (THB)					
Recurring EPS *	0.06	0.03	0.10	0.07	0.08
Reported EPS	0.06	0.03	0.12	0.07	0.08
DPS	0.05	0.04	0.07	0.04	0.05
Diluted shares (used to calculate per share data)	14,938	14,938	14,938	14,590	14,590
Growth					
Revenue (%)	1.1	(8.0)	20.0	1.5	5.0
Operating EBITDA (%)	(11.8)	(17.2)	68.1	(9.7)	10.8
Operating EBIT (%)	(16.6)	(28.5)	112.0	(15.1)	13.0
Recurring EPS (%)	18.5	(47.2)	242.4	(33.1)	15.7
Reported EPS (%)	11.2	(45.7)	251.3	(38.6)	11.6
Operating performance					
Gross margin inc. depreciation (%)	27.3	25.5	30.8	27.9	28.9
Gross margin of key business (%)	27.3	25.5	30.8	27.9	28.9
Operating EBITDA margin (%)	19.4	17.5	24.5	21.8	23.0
Operating EBIT margin (%)	13.1	10.2	18.0	15.1	16.2
Net margin (%)	13.0	7.5	21.3	13.7	15.1
Effective tax rate (%)	21.0	17.1	19.0	20.0	20.0
Dividend payout on recurring profit (%)	78.8	132.8	66.0	62.2	60.0
Interest cover (X)	7.2	4.3	10.1	8.3	11.5
Inventory days	14.3	15.3	14.1	14.5	14.6
Debtor days	35.4	37.3	32.3	31.8	30.3
Creditor days	27.4	30.5	28.6	29.4	29.7
Operating ROIC (%)	10.7	6.6	12.0	10.0	11.0
ROIC (%)	7.4	3.9	8.9	6.4	7.1
ROE (%)	11.4	5.6	17.7	9.4	9.2
ROA (%)	6.8	3.5	8.5	5.7	6.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Revenue from Vibhavadi Hospital	2,524	2,242	2,990	3,045	3,110
Revenue from CMR	3,927	3,668	4,115	4,150	4,448
Service revenue	95	115	125	141	147

Sources: Vibhavadi Medical Center; FSSIA estimates

Financial Statements

Vibhavadi Medical Center

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	853	450	1,540	1,007	1,165
Depreciation	413	439	468	492	522
Associates & minorities	-	-	-	-	-
Other non-cash items	617	106	183	143	158
Change in working capital	271	(752)	107	19	34
Cash flow from operations	2,154	243	2,299	1,661	1,878
Capex - maintenance	(1,437)	(1,765)	(627)	(591)	(859)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(2,831)	(427)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(4,268)	(2,192)	(627)	(591)	(859)
Dividends paid	(615)	(639)	(543)	(924)	(626)
Equity finance	65	311	0	3,035	0
Debt finance	2,484	2,035	0	(2,200)	(700)
Other financing cash flows	475	(22)	(84)	(89)	(95)
Cash flow from financing	2,409	1,685	(627)	(179)	(1,421)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	295	(265)	1,046	892	(402)
Free cash flow to firm (FCFF)	(1,913.07)	(1,746.46)	1,886.38	1,262.54	1,171.62
Free cash flow to equity (FCFE)	844.30	63.59	1,588.60	(1,219.03)	223.69
Per share (THB)					
FCFF per share	(0.14)	(0.12)	0.13	0.09	0.08
FCFE per share	0.06	0.00	0.11	(0.09)	0.02
Recurring cash flow per share	0.14	0.07	0.16	0.12	0.13
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	11,768	13,449	14,075	14,667	15,526
Less: Accumulated depreciation	(4,359)	(4,713)	(5,181)	(5,673)	(6,195)
Tangible fixed assets (net)	7,409	8,735	8,894	8,993	9,331
Intangible fixed assets (net)	723	723	723	723	723
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	9,706	10,133	10,133	10,133	10,133
Cash & equivalents	603	338	1,384	2,275	1,873
A/C receivable	593	640	640	640	640
Inventories	175	165	185	195	202
Other current assets	349	378	454	461	484
Current assets	1,719	1,521	2,662	3,571	3,199
Other assets	73	62	62	62	62
Total assets	19,630	21,175	22,475	23,483	23,448
Common equity	7,789	8,171	9,208	12,326	12,864
Minorities etc.	2,583	2,563	2,623	2,677	2,740
Total shareholders' equity	10,372	10,734	11,831	15,003	15,605
Long term debt	2,668	5,623	5,623	3,623	3,123
Other long-term liabilities	1,231	1,064	1,064	1,064	1,064
Long-term liabilities	3,899	6,687	6,687	4,687	4,187
A/C payable	342	335	375	397	411
Short term debt	3,526	2,606	2,606	2,406	2,206
Other current liabilities	1,491	813	976	990	1,040
Current liabilities	5,359	3,754	3,957	3,793	3,657
Total liabilities and shareholders' equity	19,630	21,175	22,475	23,483	23,448
Net working capital	(717)	35	(73)	(91)	(125)
Invested capital	17,194	19,688	19,740	19,820	20,124
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	0.59	0.60	0.68	0.84	0.88
Tangible book value per share	0.53	0.55	0.62	0.80	0.83
Financial strength					
Net debt/equity (%)	53.9	73.5	57.9	25.0	22.1
Net debt/total assets (%)	28.5	37.3	30.5	16.0	14.7
Current ratio (x)	0.3	0.4	0.7	0.9	0.9
CF interest cover (x)	5.2	1.3	8.4	(5.3)	2.5
Valuation					
Recurring P/E (x) *	44.5	84.4	24.6	36.8	31.8
Recurring P/E @ target price (x) *	56.1	106.3	31.0	46.4	40.1
Reported P/E (x)	41.6	76.7	21.8	35.5	31.8
Dividend yield (%)	1.8	1.6	2.7	1.7	1.9
Price/book (x)	4.3	4.2	3.7	3.0	2.9
Price/tangible book (x)	4.8	4.6	4.1	3.2	3.1
EV/EBITDA (x) **	32.9	42.7	24.8	27.2	24.4
EV/EBITDA @ target price (x) **	39.8	51.2	29.9	33.3	29.9
EV/invested capital (x)	2.4	2.3	2.2	2.2	2.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Vibhavadi Medical Center; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SEDI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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
Vibhavadi Medical Center	VIBHA TB	THB 2.54	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.
Bangkok Dusit Medical Services	BDMS TB	THB 22.90	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 price and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 143.00	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 19.60	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.
Chularat Hospital	CHG TB	THB 3.64	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 price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 10.90	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 35.00	HOLD	Downside risks to our DCF-based target price include 1) weak patient volume following the economic slowdown; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected expenses from new hospitals. Upside risk is big-lot sales of Jin Wellbeing County units.
Ramkhamhaeng Hospital	RAM TB	THB 36.75	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 16-Dec-2021 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.