

# CHULARAT HOSPITAL

THAILAND / HEALTHCARE

# CHG TB

# BUY

UNCHANGED

## Organic growth + Covid boost gains

- Expect stronger 1Q22 earnings due to more Covid patients.
- 2022E core profit and non-Covid profit to exceed pre-Covid levels by 196% and 84%, respectively.
- Maintain BUY with our 2022 DCF-based TP of THB4.7; trading at an unjustified valuation for a post-Covid winner stock.

TARGET PRICE	THB4.70
CLOSE	THB3.70
UP/DOWNSIDE	+27.0%
PRIOR TP	THB4.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+13.7%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	11,742	9,598	7,111	7,563
Net profit	4,204	2,125	1,456	1,658
EPS (THB)	0.38	0.19	0.13	0.15
vs Consensus (%)	-	38.7	4.0	4.9
EBITDA	5,647	3,093	2,294	2,572
Core net profit	4,204	2,125	1,456	1,658
Core EPS (THB)	0.38	0.19	0.13	0.15
Chg. In EPS est. (%)	nm	29.7	0.0	nm
EPS growth (%)	379.6	(49.4)	(31.5)	13.8
Core P/E (x)	9.7	19.1	27.9	24.5
Dividend yield (%)	5.4	3.1	2.1	2.4
EV/EBITDA (x)	6.9	12.5	16.8	14.6
Price/book (x)	5.4	5.4	5.3	4.8
Net debt/Equity (%)	(29.0)	(30.0)	(31.8)	(38.6)
ROE (%)	72.5	28.2	19.2	20.6

### Expect Covid-related revenue to grow q-q in 1Q22

We expect CHG's earnings to remain strong in 1Q22. Covid-related revenue should increase q-q due to the surging Omicron variant. The number of infected patients rose from an average of c6,700 cases per day to more than 20,000 over the past two weeks. The number of Covid patients under CHG's care also increased from c3,500 beds/day in 4Q21 to more than c4,000 beds/day in Jan-Feb. CHG has started to accept Home Isolation patients, with more than 1,000 cases/day in Feb-22. We expect CHG to book Moderna vaccination revenue of c360k doses in 1H22 (already booked 90k doses in 4Q21). Overall, we expect CHG to report a core profit of cTHB1.4-1.6b in 1Q22 (vs THB1.8b in 4Q21).

### Strong 2022E earnings even without Covid

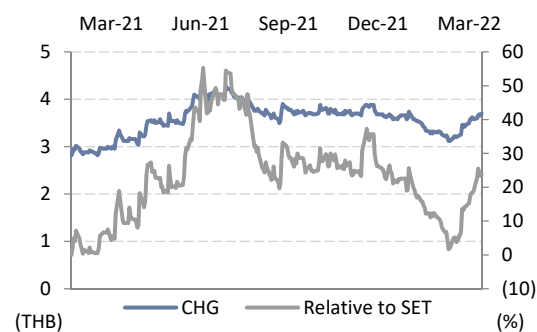
We estimate that organic core profit should hit THB1.1b in 2021 and grow by 22% to THB1.3b in 2022, driven by the recovery in both Thai and international non-Covid patient numbers, a larger SSO-registered member base and three new managed heart centres. 2022E organic core profit of THB1.3b should exceed the pre-Covid level by 84%. Aside from strong organic growth, we expect an additional Covid profit of THB0.8b based on Covid-related revenue of THB2.7b in 2022 (vs THB6.1b in 2021). As a result, we expect a total core profit of THB2.1b in 2022, exceeding the pre-Covid level by 196%.

### IPD bed capacity to jump 70% by 2026

CHG plans to open three new greenfield hospitals including CHG Mae Sot (100 beds), Cancer Center (50 beds) and CHG Phraeksa (100 beds). CHG also plans to expand its IPD capacity for existing hospitals by up to 272 beds. As a result, its IPD capacity would jump by 70% from the 749 beds currently to 1,271 beds by 2026. This would support long-term growth for CHG over the next five years.

### Revised 2022E core profit

We revise up our 2022E core profit by 30% to reflect the strong 1Q22 outlook. CHG trades at an attractive 19x 2022E P/E (31x non-Covid profit) vs its peers' average of 35x and its five-year average of 34x. We believe its current valuation is unjustified and that it deserves to trade at a premium valuation to both its peers and historically as CHG is one of the few stocks that can leverage the pandemic and use it to boost organic earnings going forward.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	18.6	0.5	32.1
Relative to country (%)	21.5	(1.9)	25.5
Mkt cap (USD m)	1,224		
3m avg. daily turnover (USD m)	7.2		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	4.44/2.76		
Issued shares (m)	11,000.00		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

CHG opened two new hospitals (RPC and 304 Inter) in 2H18 and they contributed an accumulated loss of THB70m in 2020 (8% of 2020 core profit). Both hospitals have already turned around in 2021, and we estimate that this should lead to an EBITDA margin improvement from 24% in 2019 to 32% in 2023.

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 earnings growth in 2022, led by the recovery in non-Covid cash patient numbers coupled with Covid-related services, which should become recurring income going forward.

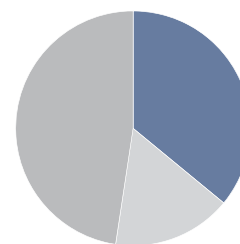
## Company profile

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, 2021)

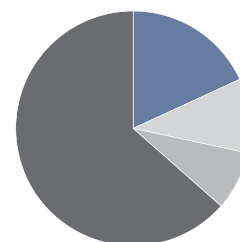
- Cash patient revenue - 36.0 %
- SSO patient revenue - 16.4 %
- NHSO patient revenue - 47.6 %



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 2022	1Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
SSO volume growth	6	2	1
SSO revenue / patient growth	1	2	3
OPD volume growth	(3)	5	4
OPD revenue / patient growth	(4)	(5)	4
IPD volume growth	23	9	4
IPD revenue / patient growth	(15)	(5)	4

Source: FSSIA estimates

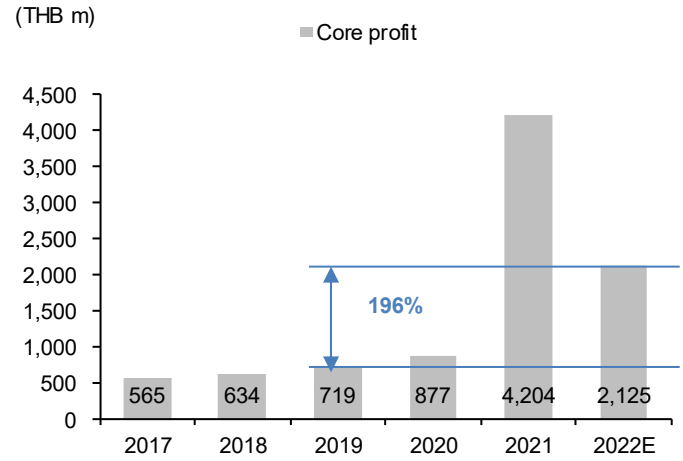
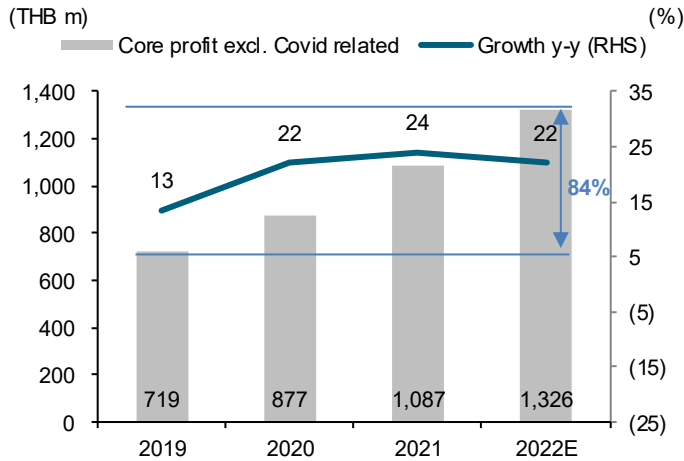
## Earnings sensitivity

- 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: Non-Covid core profit to exceed 2019 level by 84%**

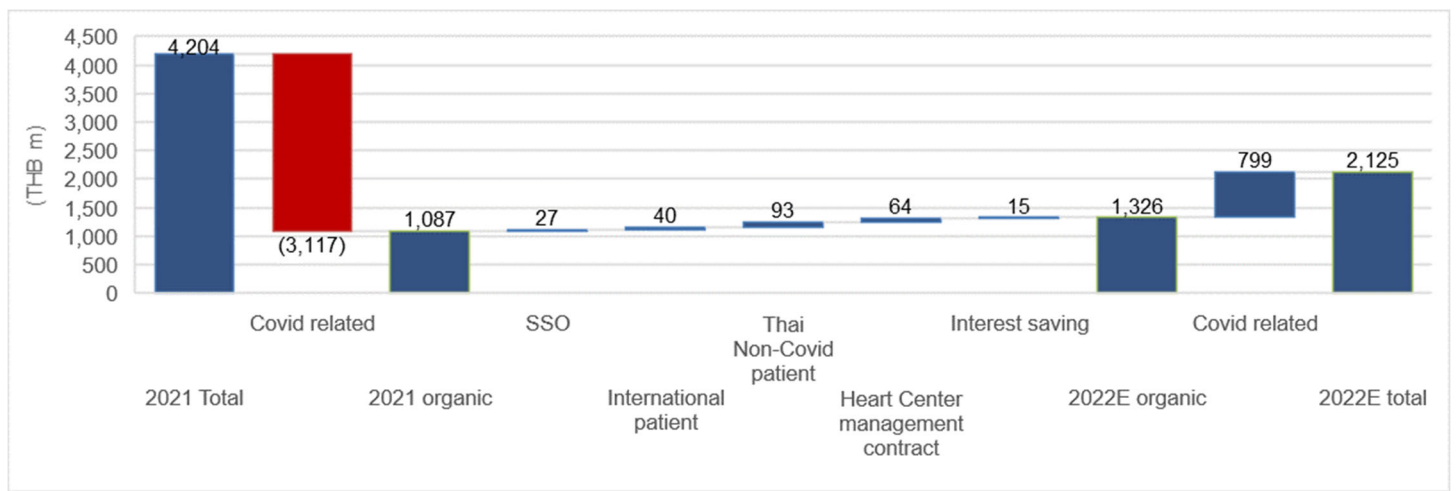
**Exhibit 2: Core profit including Covid-related services to exceed 2019 level by 196%**



Sources: CHG; FSSIA estimates

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**Exhibit 3: 2022E core profit breakdown**



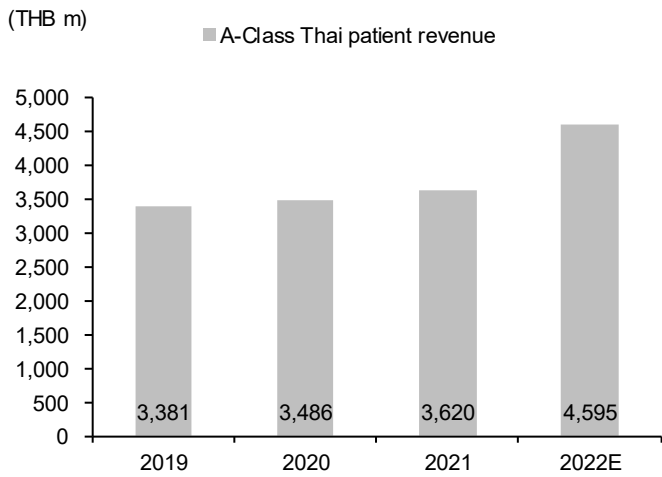
Source: FSSIA estimates

**Exhibit 4: 2022E key earnings growth items**

Key growth items	Assumptions
SSO	Expect SSO registered members to increase by 40k
International patients	Expect international patient revenue, which normally contributes around 4-5% of total revenue (cTHB200m), to recover with an NPM of 20-25%
Non-Covid Thai patients	Expect non-Covid Thai patient revenue in 2022 to grow by 15% with an NPM of 20%
Heart Centre management contract	Expect three new managed heart centres to contribute revenue of cTHB400m with an NPM of 15%
Interest savings	Expect CHG to gradually repay its debt thanks to its strong cashflow in 2021, which should reduce interest expenses by 60-70% in 2022
Covid-related services	Expect Covid-related revenue of THB2.7b in 2022, accounting for 43% of Covid-related revenue in 2021 with an NPM of 35-40%

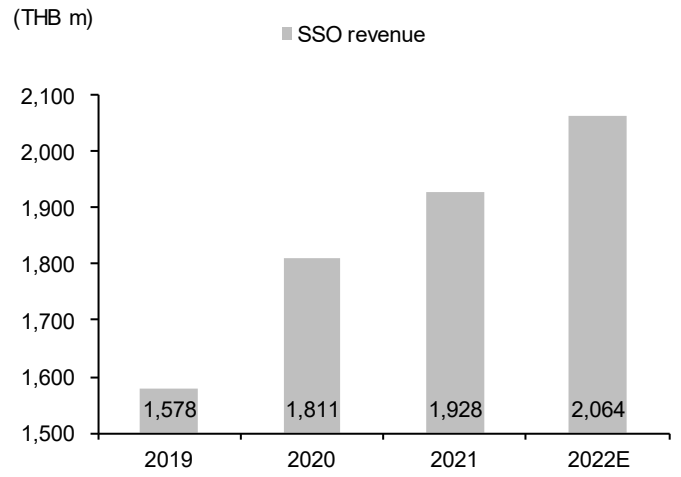
Source: FSSIA estimates

**Exhibit 5: Non-Covid cash patient revenue**



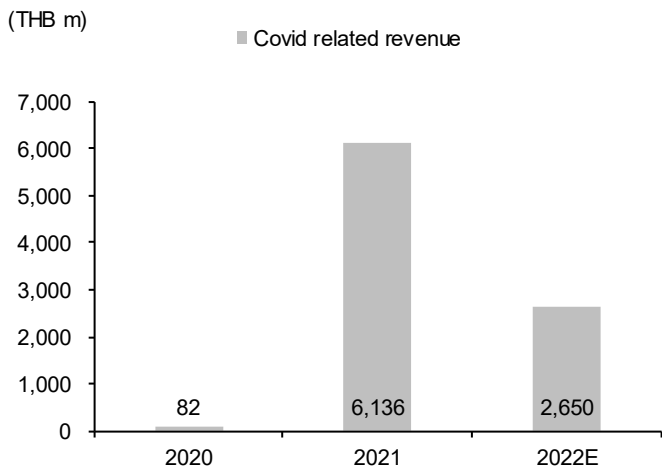
Sources: CHG; FSSIA estimates

**Exhibit 6: SSO revenue**



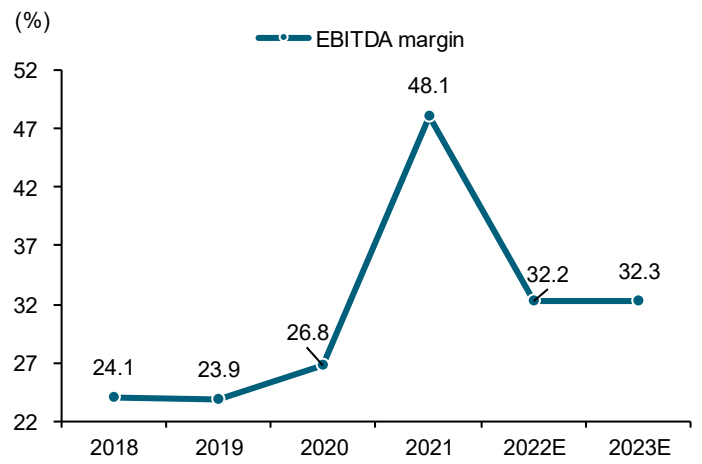
Sources: CHG; FSSIA estimates

**Exhibit 7: Covid-related revenue**



Sources: CHG; FSSIA estimates

**Exhibit 8: EBITDA margin**



Sources: CHG; FSSIA estimates

## Recap: 4Q21 results review

CHG reported a record high core profit of THB1.8b in 4Q21 (+614% y-y, +16% q-q), beating our estimate by 46% and the Bloomberg consensus by 113% mainly due to higher-than-expected revenue and an improved EBITDA margin.

Revenue jumped by 156% y-y but fell 12% q-q due to the slowdown in Covid-related services from 69% of total revenue in 3Q21 to 57% in 4Q2. Organic revenue hit a new record. SSO revenue jumped by 83% q-q and 53% y-y thanks to cTHB190m in additional revenue from chronic disease treatments during 2020, as the actual amount received was larger than the accrued amount. Meanwhile, cash patient revenue grew 16% q-q and 35% y-y. As a result, non-Covid Thai cash patient revenue and SSO patient revenue both reached a new record high in 4Q21.

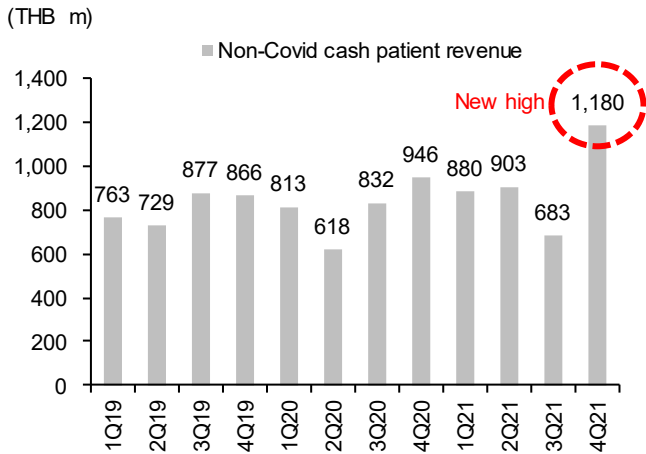
The EBITDA margin jumped to 62% in 4Q21 (vs 47% in 3Q21) thanks to its strong organic operational growth, additional SSO revenue, and a cTHB200m reversal of its employee expense.

### Exhibit 9: 4Q21 results review

Year to Dec	4Q20	1Q21	2Q21	3Q21	4Q21	----- Change -----		2020	2021	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>Revenue</b>	<b>1,511</b>	<b>1,415</b>	<b>2,071</b>	<b>4,390</b>	<b>3,866</b>	<b>(12)</b>	<b>156</b>	<b>5,433</b>	<b>20,672</b>	<b>280</b>
Cost of sales (Incl. depreciation)	(1,000)	(995)	(1,206)	(2,159)	(1,523)	(29)	52	(3,685)	(5,882)	60
<b>Gross profit</b>	<b>510</b>	<b>420</b>	<b>865</b>	<b>2,232</b>	<b>2,343</b>	<b>5</b>	<b>359</b>	<b>1,748</b>	<b>5,860</b>	<b>235</b>
SG&A	(207)	(160)	(206)	(338)	(117)	(65)	(43)	(673)	(821)	22
<b>Operating profit</b>	<b>303</b>	<b>260</b>	<b>659</b>	<b>1,893</b>	<b>2,226</b>	<b>18</b>	<b>634</b>	<b>1,075</b>	<b>5,038</b>	<b>369</b>
Other operating income	13	57	64	67	69	2	411	29	257	791
Interest income	1	0	1	0	0	(100)	(100)	3	1	(70)
EBIT	317	318	724	1,961	2,294	17	623	1,107	5,297	379
Interest expense	(7)	(6)	(5)	(5)	(5)	2	(30)	(36)	(21)	(40)
EBT	310	312	718	1,956	2,289	17	639	1,071	5,275	393
Income tax	(57)	(63)	(143)	(377)	(426)	13	645	(219)	(1,009)	361
Minority interests	0.9	2.3	0.8	(15)	(51)	233	(5,530)	24	(63)	n/a
<b>Core profit</b>	<b>254</b>	<b>252</b>	<b>576</b>	<b>1,564</b>	<b>1,812</b>	<b>16</b>	<b>614</b>	<b>877</b>	<b>4,204</b>	<b>379</b>
Net income	254	252	576	1,564	1,812	16	614	877	4,204	379
<b>Core EPS (THB)</b>	<b>0.02</b>	<b>0.02</b>	<b>0.05</b>	<b>0.14</b>	<b>0.16</b>	<b>16</b>	<b>614</b>	<b>0.08</b>	<b>0.38</b>	<b>379</b>
<b>No of share (m)</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>11,000</b>	<b>11,000</b>	<b>0</b>
Cost (Excl. depreciation)	(912)	(908)	(1,121)	(2,071)	(1,431)	(31)	57	(3,331)	(5,531)	66
Depreciation & amortisation	(88)	(87)	(86)	(87)	(92)	5	4	(354)	(351)	(1)
EBITDA	405	404	809	2,048	2,386	16	490	1,053	3,261	210
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	34	30	42	51	61	10	27	32	28	(4)
SG&A/Revenue	14	11	10	8	3	(5)	(11)	12	4	(8)
EBITDA margin	27	29	39	47	62	15	35	19	16	(4)
Net profit margin	17	18	28	36	47	11	30	16	20	4
<b>Operating stats</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>					
SSO revenue	22	6	2	(29)	53					
SSO registered members ('000)	440	448	457	460						
SSO revenue per head	22	5	(0)	(32)						
Cash-OPD revenue	18	15	86	29	59					
Cash-OPD visit number	6	(3)	51	11						
Cash-OPD revenue per head	11	18	23	16						
Cash-IPD revenue	(0)	(10)	40	35	5					
Cash-IPD admission number	(1)	(12)	9	(25)						
Cash-IPD revenue per head	0	3	29	80						

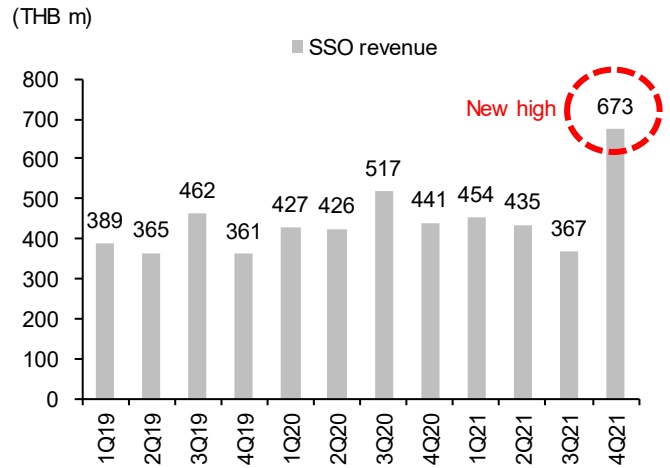
Sources: CHG; FSSIA estimates

**Exhibit 10: Non-Covid cash patient revenue**



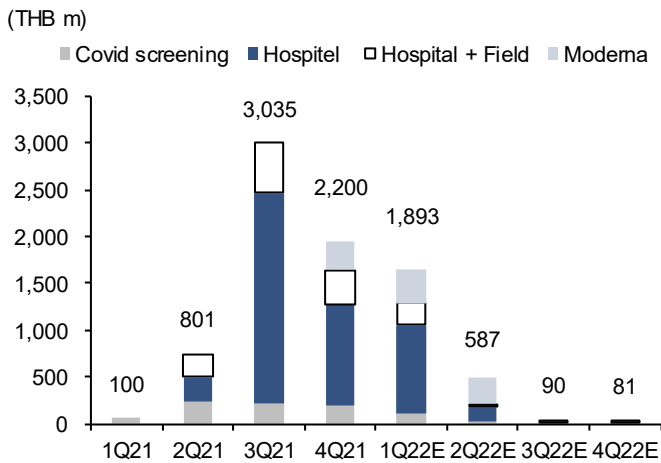
Note: Includes NHSO revenue mainly from Heart Center  
Sources: CHG; FSSIA estimates

**Exhibit 11: SSO revenue**



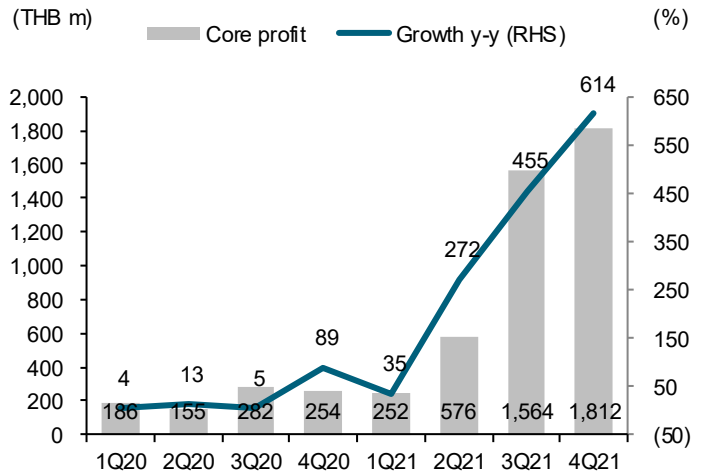
Note: Includes additional gain from chronic disease treatments of THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19  
Sources: CHG; FSSIA estimates

**Exhibit 12: Covid-related revenue**



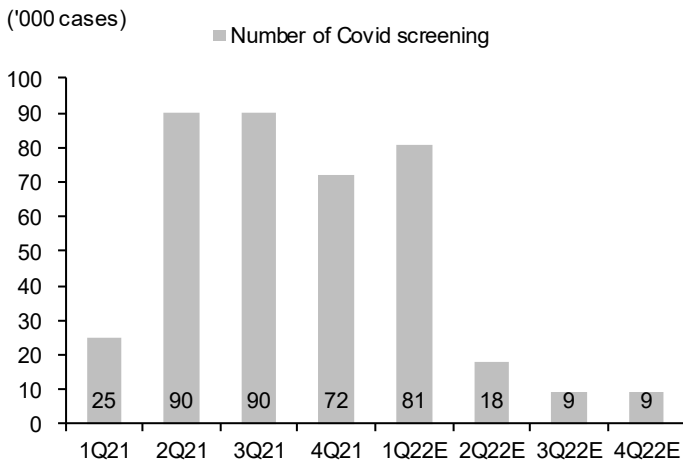
Sources: CHG; FSSIA estimates

**Exhibit 13: Quarterly core profit growth**



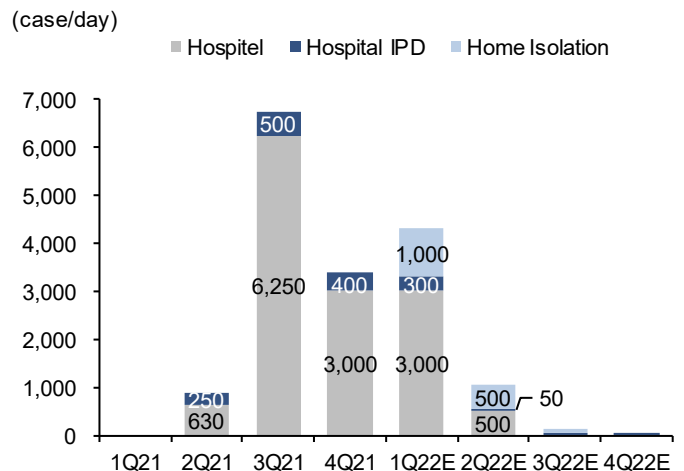
Source: CHG

**Exhibit 14: Covid screening cases**



Sources: CHG; FSSIA estimates

**Exhibit 15: Covid patients in hospital and hospital IPD**



Sources: CHG; FSSIA estimates

## Exhibit 16: Forecast revisions

	Current			Previous			Change		
	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (%)	2023E (%)	2024E (%)
SSO registered members ('000)	484	494	499	465	479	484	4.1	3.1	3.1
SSO revenue per head (THB)	4,261	4,346	4,476	4,171	4,338	4,468	2.2	0.2	0.2
Cash-OPD visits per day (no.)	2,863	3,006	3,126	2,939	3,115	3,240	(2.6)	(3.5)	(3.5)
Cash-OPD revenue per head (THB)	2,191	-	2,165	1,926	2,023	2,104	13.7	(100.0)	2.9
Cash-IPD admissions per day (no.)	199	-	225	199	217	225	0.0	(100.0)	0.0
Cash-IPD revenue per head (THB)	25,435	24,163	25,129	22,969	24,117	25,082	10.7	0.2	0.2
Revenue	9,598	7,111	7,563	7,872	7,085	7,536	21.9	0.4	0.4
EBITDA margin (%)	32.2	32.3	-	31.4	32.0	-	0.8	0.2	0.0
Core profit	2,125	1,456	1,658	1,639	1,456	1,658	29.7	(0.0)	(0.0)

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

Source: FSSIA estimates

## Exhibit 17: DCF valuation

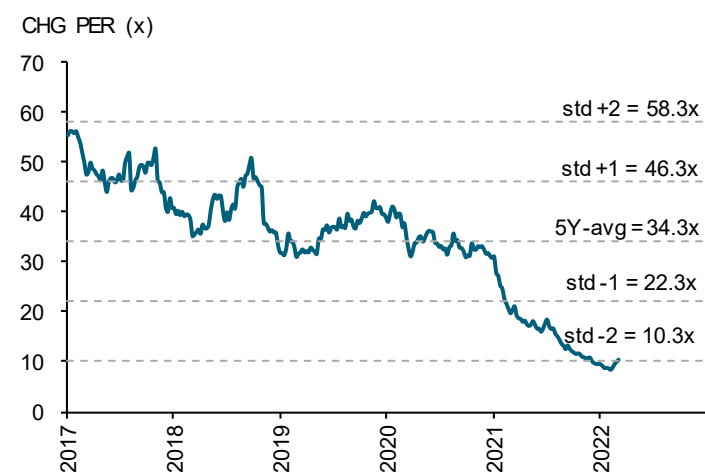
Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	3.5
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	0.9		
Cost of equity, Ke	10.0	Net cost of debt, Kd	2.8
Weight applied	75.0	Weight applied	40.0
WACC	8.2		

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	16.5	1.5	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	33.3	3.0	Terminal growth 3%
Cash & liquid assets	2.4	0.2	At end-2022E
Investments	0.0	0.0	At end-2022E
Debt	(0.1)	(0.0)	At end-2022E
Minorities	(0.3)	(0.0)	At end-2022E
<b>Residual ordinary equity</b>	<b>51.8</b>	<b>4.7</b>	

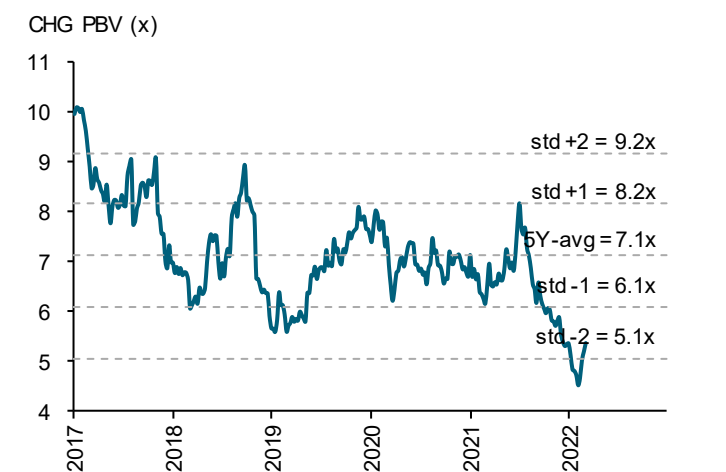
Source: FSSIA estimates

## Exhibit 18: Historical P/E band



Sources: Bloomberg; FSSIA estimates

## Exhibit 19: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 20: Peer comparisons as of 11 Mar-22

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		- EV/ EBITDA -	
			Current (LCY)	Target (LCY)	Upside (%)		22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	25.50	29.00	13.7	12,188	40.1	32.3	11.8	13.9	4.7	4.3	20.4	17.3
Bumrungrad Hospital	BH TB	BUY	166.00	190.00	14.5	3,967	48.4	31.5	15.7	23.0	7.6	6.9	28.1	19.7
Bangkok Chain Hospital	BCH TB	BUY	20.50	28.50	39.0	1,537	14.0	25.9	27.4	14.4	3.7	3.7	8.7	13.3
Chularat Hospital	CHG TB	BUY	3.70	4.70	27.0	1,224	19.1	27.9	28.2	19.2	5.4	5.3	12.5	16.8
Praram 9 Hospital	PR9 TB	BUY	11.80	15.00	27.1	279	25.0	19.5	8.4	10.2	2.0	2.0	10.3	8.4
Thonburi Healthcare Group	THG TB	HOLD	60.00	32.50	(45.8)	1,529	112.1	81.6	5.4	7.3	6.1	5.9	39.2	33.7
Vibhavadi Medical Center	VIBHA TB	BUY	2.58	3.20	24.0	1,053	37.4	32.3	9.4	9.2	3.1	2.9	27.6	24.8
Ramkhamhaeng Hospital	RAM TB	BUY	37.50	48.00	28.0	1,353	24.6	22.2	13.5	14.5	3.3	3.1	16.7	15.1
Rajthanee Hospital	RJH TB	n/a	32.25	n/a	n/a	289	9.8	20.1	56.4	25.5	6.5	5.0	7.4	13.4
Ekachai Medical Care	EKH TB	n/a	7.70	n/a	n/a	139	14.2	26.7	33.5	15.0	5.3	4.6	9.4	15.3
<b>Thailand average</b>						<b>23,559</b>	<b>34.5</b>	<b>32.0</b>	<b>21.0</b>	<b>15.2</b>	<b>4.8</b>	<b>4.4</b>	<b>18.0</b>	<b>17.8</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	61.70	n/a	n/a	10,247	30.0	35.1	11.3	9.8	3.4	3.4	11.3	11.5
Ihh Healthcare Bhd	IHH SP	n/a	2.06	n/a	n/a	13,273	36.9	34.7	6.4	6.7	2.4	2.3	16.2	15.1
Ryman Healthcare	RYM NZ	n/a	9.56	n/a	n/a	3,247	20.6	21.2	12.2	7.4	2.1	1.9	26.4	22.2
Apollo Hospitals Enterprise	APHS IN	n/a	4,854	n/a	n/a	9,209	821.9	75.5	2.4	19.1	19.4	16.8	64.5	31.9
Kpj Healthcare Berhad	KPJ MK	n/a	0.99	n/a	n/a	1,022	76.2	30.0	2.8	6.6	2.2	2.0	15.3	12.2
Raffles Medical Group	RFMD SP	n/a	1.15	n/a	n/a	1,595	28.5	30.0	8.4	7.5	2.5	2.3	15.4	14.9
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,200	n/a	n/a	2,187	27.5	30.8	21.2	18.2	6.5	5.7	17.5	19.1
Aier Eye Hospital Group	300015 CH	n/a	32.50	n/a	n/a	26,155	71.6	53.6	20.1	22.0	19.5	13.5	40.6	32.3
<b>Regional average</b>						<b>66,936</b>	<b>139.2</b>	<b>38.9</b>	<b>10.6</b>	<b>12.2</b>	<b>7.3</b>	<b>6.0</b>	<b>25.9</b>	<b>19.9</b>
<b>Overall average</b>						<b>90,495</b>	<b>81.0</b>	<b>35.0</b>	<b>16.4</b>	<b>13.9</b>	<b>5.9</b>	<b>5.1</b>	<b>21.5</b>	<b>18.7</b>

Sources: Bloomberg; FSSIA estimates



## Financial Statements

### Chularat Hospital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	5,433	11,742	9,598	7,111	7,563
Cost of goods sold	(3,331)	(5,531)	(5,942)	(4,402)	(4,568)
<b>Gross profit</b>	<b>2,102</b>	<b>6,211</b>	<b>3,656</b>	<b>2,709</b>	<b>2,994</b>
Other operating income	29	257	300	300	300
Operating costs	(673)	(821)	(863)	(715)	(722)
<b>Operating EBITDA</b>	<b>1,457</b>	<b>5,647</b>	<b>3,093</b>	<b>2,294</b>	<b>2,572</b>
Depreciation	(354)	(351)	(405)	(432)	(456)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>1,104</b>	<b>5,296</b>	<b>2,688</b>	<b>1,862</b>	<b>2,116</b>
Net financing costs	(33)	(19)	2	6	7
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>1,071</b>	<b>5,276</b>	<b>2,690</b>	<b>1,868</b>	<b>2,123</b>
Tax	(219)	(1,009)	(514)	(357)	(406)
<b>Profit after tax</b>	<b>852</b>	<b>4,267</b>	<b>2,176</b>	<b>1,511</b>	<b>1,717</b>
Minority interests	24	(63)	(51)	(55)	(59)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>877</b>	<b>4,204</b>	<b>2,125</b>	<b>1,456</b>	<b>1,658</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>877</b>	<b>4,204</b>	<b>2,125</b>	<b>1,456</b>	<b>1,658</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.08	0.38	0.19	0.13	0.15
Reported EPS	0.08	0.38	0.19	0.13	0.15
DPS	0.05	0.20	0.12	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 (%)	5.2	116.1	(18.3)	(25.9)	6.4
Operating EBITDA (%)	18.2	287.4	(45.2)	(25.8)	12.1
Operating EBIT (%)	22.3	379.7	(49.2)	(30.7)	13.6
Recurring EPS (%)	21.9	379.6	(49.4)	(31.5)	13.8
Reported EPS (%)	24.3	379.6	(49.4)	(31.5)	13.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	32.2	49.9	33.9	32.0	33.6
Gross margin of key business (%)	32.2	49.9	33.9	32.0	33.6
Operating EBITDA margin (%)	26.8	48.1	32.2	32.3	34.0
Operating EBIT margin (%)	20.3	45.1	28.0	26.2	28.0
Net margin (%)	16.1	35.8	22.1	20.5	21.9
Effective tax rate (%)	20.4	19.1	19.1	19.1	19.1
Dividend payout on recurring profit (%)	62.7	52.3	60.0	60.0	60.0
Interest cover (X)	33.6	271.9	(1,159.3)	(308.5)	(314.8)
Inventory days	18.6	15.6	18.8	22.9	19.1
Debtor days	31.1	17.1	25.3	38.4	39.6
Creditor days	64.5	46.6	53.7	65.3	54.6
Operating ROIC (%)	18.3	83.2	39.9	28.0	32.0
ROIC (%)	17.5	80.4	38.6	27.1	31.0
ROE (%)	22.7	72.5	28.2	19.2	20.6
ROA (%)	14.1	51.1	21.3	15.5	17.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	3,208	4,222	4,134	4,193	4,535
SSO patient revenue	1,811	1,928	2,064	2,148	2,234
NHSO patient revenue	413	5,592	3,400	770	793

Sources: Chularat Hospital; FSSIA estimates

## Financial Statements

### Chularat Hospital

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	877	4,204	2,125	1,456	1,658
Depreciation	354	351	405	432	456
Associates & minorities	-	-	-	-	-
Other non-cash items	90	50	51	55	59
Change in working capital	70	(540)	124	(16)	(97)
<b>Cash flow from operations</b>	<b>1,390</b>	<b>4,065</b>	<b>2,704</b>	<b>1,927</b>	<b>2,076</b>
Capex - maintenance	(400)	(539)	(400)	(400)	(303)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(400)</b>	<b>(539)</b>	<b>(400)</b>	<b>(400)</b>	<b>(303)</b>
Dividends paid	(550)	(660)	(2,200)	(1,275)	(874)
Equity finance	0	0	0	0	0
Debt finance	(360)	(665)	(414)	0	0
Other financing cash flows	0	40	(51)	(55)	(59)
<b>Cash flow from financing</b>	<b>(910)</b>	<b>(1,284)</b>	<b>(2,665)</b>	<b>(1,330)</b>	<b>(933)</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>80</b>	<b>2,242</b>	<b>(360)</b>	<b>197</b>	<b>841</b>
Free cash flow to firm (FCFF)	1,026.10	3,547.55	2,311.71	1,529.60	1,775.76
Free cash flow to equity (FCFE)	629.99	2,901.73	1,839.69	1,472.58	1,714.37

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	0.09	0.32	0.21	0.14	0.16
FCFE per share	0.06	0.26	0.17	0.13	0.16
Recurring cash flow per share	0.12	0.42	0.23	0.18	0.20

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	6,625	7,129	7,529	7,929	8,232
Less: Accumulated depreciation	(2,352)	(2,661)	(3,065)	(3,497)	(3,953)
<b>Tangible fixed assets (net)</b>	<b>4,273</b>	<b>4,468</b>	<b>4,464</b>	<b>4,432</b>	<b>4,279</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	0	0	0	0
Cash & equivalents	548	2,790	2,429	2,627	3,467
A/C receivable	481	616	712	783	859
Inventories	179	295	317	235	244
Other current assets	555	2,196	1,795	1,330	1,414
<b>Current assets</b>	<b>1,763</b>	<b>5,897</b>	<b>5,254</b>	<b>4,975</b>	<b>5,984</b>
Other assets	117	137	137	137	137
<b>Total assets</b>	<b>6,201</b>	<b>10,550</b>	<b>9,902</b>	<b>9,591</b>	<b>10,447</b>
Common equity	4,024	7,569	7,494	7,675	8,460
Minorities etc.	169	272	272	272	272
<b>Total shareholders' equity</b>	<b>4,193</b>	<b>7,841</b>	<b>7,766</b>	<b>7,948</b>	<b>8,732</b>
Long term debt	609	480	0	0	0
Other long-term liabilities	124	137	137	137	137
<b>Long-term liabilities</b>	<b>732</b>	<b>617</b>	<b>137</b>	<b>137</b>	<b>137</b>
A/C payable	570	842	905	670	696
Short term debt	570	34	100	100	100
Other current liabilities	135	1,215	993	736	783
<b>Current liabilities</b>	<b>1,275</b>	<b>2,092</b>	<b>1,998</b>	<b>1,506</b>	<b>1,578</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,201</b>	<b>10,550</b>	<b>9,902</b>	<b>9,591</b>	<b>10,447</b>
Net working capital	510	1,050	926	942	1,039
Invested capital	4,948	5,702	5,574	5,558	5,502

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

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	0.37	0.69	0.68	0.70	0.77
Tangible book value per share	0.36	0.68	0.68	0.69	0.76

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	15.1	(29.0)	(30.0)	(31.8)	(38.6)
Net debt/total assets (%)	10.2	(21.6)	(23.5)	(26.3)	(32.2)
Current ratio (x)	1.4	2.8	2.6	3.3	3.8
CF interest cover (x)	20.2	150.0	(792.4)	(242.9)	(254.1)

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>46.4</b>	<b>9.7</b>	<b>19.1</b>	<b>27.9</b>	<b>24.5</b>
<b>Recurring P/E @ target price (x) *</b>	<b>59.0</b>	<b>12.3</b>	<b>24.3</b>	<b>35.5</b>	<b>31.2</b>
Reported P/E (x)	46.4	9.7	19.1	27.9	24.5
Dividend yield (%)	1.4	5.4	3.1	2.1	2.4
Price/book (x)	10.1	5.4	5.4	5.3	4.8
Price/tangible book (x)	10.2	5.4	5.5	5.3	4.8
EV/EBITDA (x) **	28.5	6.9	12.5	16.8	14.6
EV/EBITDA @ target price (x) **	36.0	8.8	16.1	21.6	18.9
EV/invested capital (x)	8.4	6.8	6.9	6.9	6.8

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

Sources: Chularat Hospital; 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	ICI	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	SPALI	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	TRC	TSC	TSR	TSTE	TSTH
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
Chularat Hospital	CHG TB	THB 3.70	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 25.50	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 166.00	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 20.50	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 11.80	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 60.00	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.
Vibhavadi Medical Center	VIBHA TB	THB 2.58	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 37.50	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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-Mar-2022 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.