

PRINCIPAL CAPITAL PRINC TB

THAILAND / HEALTHCARE

BUY

Growth story of Thai healthcare prince

- คาดพอร์ตโรงพยาบาลจะขยายจาก 13 เป็น 20 แห่งภายในปี 2025; ได้ประโยชน์จากโควิดซึ่งช่วยผลการดำเนินงานปกติและเพิ่มชื่อเสียงโรงพยาบาล
- คาดกำไร 2021-25 จะโตที่ 103% CAGR
- เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 10 บาท/หุ้น (SoTP); มีช่องว่างอีกมากให้หุ้นปรับขึ้นไปเท่ากับระดับการประเมินมูลค่าของค่าเฉลี่ยอุตสาหกรรม

TARGET PRICE	THB10.00
CLOSE	THB7.70
UP/DOWNSIDE	+29.9%
TP vs CONSENSUS	-

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	5,059	7,052	7,635	8,651
Net profit	79	915	940	1,071
EPS (THB)	0.02	0.24	0.25	0.28
vs Consensus (%)	-	-	-	-
EBITDA	878	1,797	1,849	2,041
Core net profit	79	859	940	1,071
Core EPS (THB)	0.02	0.23	0.25	0.28
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	nm	982.5	9.4	13.9
Core P/E (x)	369.5	34.1	31.2	27.4
Dividend yield (%)	-	1.2	1.3	1.5
EV/EBITDA (x)	38.2	18.0	17.1	15.6
Price/book (x)	3.0	2.7	2.6	2.4
Net debt/Equity (%)	29.3	15.8	9.5	9.9
ROE (%)	0.9	8.4	8.5	9.2

ตั้งเป้าขยายเตียงผู้ป่วยมากกว่าเท่าตัวภายในปี 2025

PRINC เป็นหนึ่งในเครือโรงพยาบาลที่โตเร็วที่สุดในประเทศไทย โดยโตจาก 5 แห่งในปี 2017 เมื่อบริษัท หันเข้าสู่ธุรกิจการแพทย์เป็น 13 แห่งพร้อมเตียงผู้ป่วย 1,151 เตียงในปัจจุบัน PRINC ตั้งเป้าขยายพอร์ตโรงพยาบาลของบริษัท เป็น 20 แห่งพร้อมเตียงผู้ป่วย 3,000 เตียงภายในปี 2025 ตัวเลขดังกล่าวคิดเป็นอัตราการเพิ่มของเตียงผู้ป่วยที่ 161% ซึ่งสูงกว่าค่าเฉลี่ยของกลุ่มที่ 24% ในช่วงเดียวกันอย่างมีนัยสำคัญ

การแพร่ระบาดของโควิดช่วยย่นระยะเวลาการถึงจุดคุ้มทุนสำหรับโรงพยาบาลใหม่

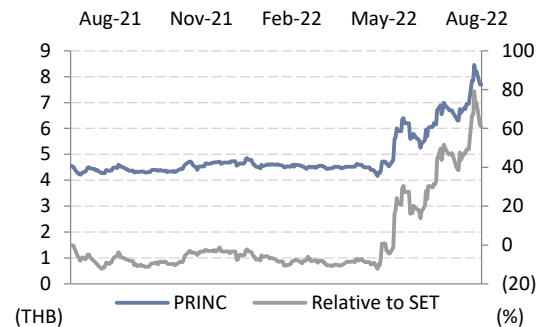
แบรนด์ "Princ" และโรงพยาบาลส่วนมากของบริษัทฯ พึ่งจะเข้าสู่ตลาด และมีการดำเนินงานโดยเฉลี่ยเพียง 2-3 ปี โดยปกติโรงพยาบาลจะต้องใช้เวลาประมาณ 5 ปีในการเพิ่มฐานลูกค้าและรายได้ อย่างไรก็ตามเป็นโชคชะตาของ PRINC ที่บริษัทฯ ประสบความสำเร็จเร็วกว่าที่คาดจากการแพร่ระบาดของโควิด ซึ่งช่วยสนับสนุน PRINC ให้สร้างชื่อเสียงและขยายฐานลูกค้าโดยไม่จำเป็นต้องใช้ค่าใช้จ่ายการตลาดเป็นจำนวนมาก โดยกลุ่มฯ ได้ใช้ทรัพยากรในการให้บริการผู้ป่วยโควิด ซึ่งทำให้เราคิดว่าผู้ป่วยกลุ่มดังกล่าวบางรายจะกลายเป็นลูกค้าประจำที่โรงพยาบาลของ PRINC

รายได้โตดีจากทั้งการดำเนินงานปกติและการขยายธุรกิจ

แม้ว่ารายได้ที่เกี่ยวข้องกับโควิด (ซึ่งคิดเป็นประมาณ 40% ของรายได้รวมในปี 2021-22E) น่าจะชะลอตัวลง เราคาดว่ารายได้จะโตในอัตรา 21% CAGR จาก 5.1 พัน ลบ. ในปี 2021 เป็น 10.7 พัน ลบ. ในปี 2025 โดยมีปัจจัยหนุนการเติบโตสำคัญประกอบด้วยรายได้ปกติที่ 10% CAGR, โรงพยาบาลใหม่ที่ 10% CAGR, และธุรกิจการแพทย์ (ผิวหนังคลินิก, คลินิกให้บริการปฐมภูมิและคลินิกดูแลผู้สูงอายุ) ที่ 2% ตัวเลขดังกล่าวคิดเป็นการเติบโตของกำไรปกติที่สูงถึง 103% CAGR (เทียบกับค่าเฉลี่ยของกลุ่มที่ 4% CAGR) จาก 79 ลบ. ในปี 2021 เป็น 1.3 พัน ลบ. ในปี 2025E

มีการซื้อขายโดยมีส่วนลดทั้งในแง่ของ P/E และมูลค่าตามราคาตลาด/เตียง

เราเริ่มรายงาน PRINC ด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 10 บาท/หุ้น (SoTP) ราคาดังกล่าวประกอบด้วย 1) ธุรกิจโรงพยาบาล 9.4 บาท/หุ้น (DCF); และ 2) ธุรกิจอสังหาริมทรัพย์ 1.2 บาท/หุ้นและหนี้สุทธิที่ 0.3 บาท/หุ้น ธุรกิจโรงพยาบาลของ PRINC (หลังหักธุรกิจอสังหาฯ) มีการซื้อขายในระดับที่น่าสนใจที่ 26x (เทียบกับค่าเฉลี่ยของกลุ่มที่ 34x) PRINC เป็นทางเลือกการลงทุนในราคาที่ถูกสำหรับกลุ่มโรงพยาบาลในประเทศไทย ที่อยู่ในช่วงเก็บเกี่ยว (สำหรับโรงพยาบาลในปัจจุบัน) และช่วงขยายธุรกิจด้วยมูลค่าตามราคาตลาด (Market cap)/เตียงที่เพียง 21 ลบ. และมีช่องว่างอีกมากให้ค่าดังกล่าวปรับขึ้นเป็น 41 ลบ. เท่ากับค่าเฉลี่ยของกลุ่มโรงพยาบาลอื่น



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	11.6	85.1	70.4
Relative to country (%)	7.4	83.5	62.1
Mkt cap (USD m)	828		
3m avg. daily turnover (USD m)	2.1		
Free float (%)	12		
Major shareholder	Sathita Viddayakorn (46%)		
12m high/low (THB)	8.55/4.12		
Issued shares (m)	3,808.57		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 9 สิงหาคม 2022

Investment thesis

PRINC has a long-term target to expand its hospital portfolio to 20 hospitals with 3,000 beds by 2025 from 13 hospitals with 1,151 beds currently. It has a strategy to penetrate secondary cities with few competitors, target the middle-income segment and offer good quality services at affordable medical prices.

We forecast revenue to grow at a 21% CAGR from THB5.1b in 2021 to THB10.7b in 2025, mainly driven by organic revenue at a 10% CAGR and new hospitals at a 10% CAGR.

The Covid pandemic supported PRINC to shorten the turnaround time of its new hospitals and succeed in expanding its customer base without major marketing expenses. Existing hospitals have entered harvesting periods, while PRINC is also looking for M&A opportunities in both hospitals and the healthcare-related business.

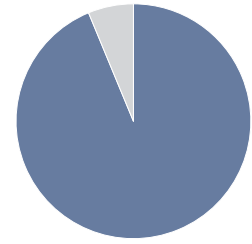
Company profile

PRINC has transformed its business from a residential property developer to a healthcare operator. Currently, PRINC owns 13 hospitals with a capacity of more than 1,000 beds.

www.principalcapital.co.th

Principal activities (revenue, 2021)

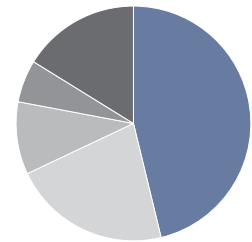
- Hospital revenue - 93.8 %
- Real estate - 6.2 %



Source: Principal Capital

Major shareholders

- Sathita Viddayakorn - 46.2 %
- Satit Viddayakorn - 21.8 %
- RATCH Group Co - 10.0 %
- IFC - 5.8 %
- Others - 16.2 %



Source: Principal Capital

Catalysts

Key growth drivers include 1) benefitting from the economies of scale due to its large network.; 2) higher utilisation rates of new hospitals; and 3) penetrating the new segment of the international patient market.

Risks to our call

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 new hospitals.

Event calendar

Date	Event
Nov-22	3Q22 results announcement

Key assumptions

	2022E	2023E	2024E
No. of hospitals (no.)	13	15	18
No. of beds (no.)	1,151	1,386	1,705
Healthcare revenue growth (%)	38.9	7.1	14.0
Property revenue growth (%)	47.0	25.0	5.0
Healthcare EBITDA margin (%)	24.0	22.4	21.9
Property EBITDA margin (%)	46.2	46.2	45.2

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings to rise by 3%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings to rise by 6%, and vice versa, all else being equal.

Source: FSSIA estimates

Key executive summary and investment thesis

- PRINC has transformed its main business from property to healthcare since 2017. Major shareholders and the management of PRINC include the founder and ex-management of BDMS. Thus, they have the expertise and knowledge required to manage their hospital portfolio.
- PRINC currently owns and operates 13 hospitals with a 1,151-bed capacity in 10 provinces. It has a strategy to penetrate secondary cities with no private hospitals or few private hospitals, target the middle-income segment and offer good quality services at affordable medical prices. PRINC's business model is similar to BDMS' hub-and-spoke model. Princ Suvarnabhumi is the hub hospital and has been upgraded to tertiary care. This would drive the overall margin for the group as the revenue per head should continue to increase from more complex treatments.
- PRINC has a long-term target to expand its hospital portfolio to 20 hospitals with 3,000 beds by 2025. This would imply a bed capacity increase of 161%, significantly higher than its peers, which we estimate to grow their bed capacity by an average of 24% in the same period. Note that we conservatively assume PRINC to expand its bed capacity to 2,000 beds by 2025.
- PRINC has continued to explore opportunities in the healthcare-related business. It has three businesses, including primary care clinics (Klai Baan Klai Jai), elderly care and a beauty clinic (Pewdee Clinic) that is ready for an expansion together with the hospital business.
- We forecast revenue to grow at a 21% CAGR from THB5.1b in 2021 to THB10.7b in 2025, mainly driven by organic revenue at a 10% CAGR and new hospitals at a 10% CAGR. Despite Covid-related revenue (accounted for c40% of total revenue in 2021-22E) likely slowing down, we still expect strong organic growth. The PRINC brand awareness and reputation has been significantly increased during the Covid pandemic as the group allocated resources to serve Covid patients. We think some patient will become regular customers at PRINC hospitals. Overall, we forecast core profit to jump to THB0.9b in 2022 and steadily grow to THB1.3b in 2025, implying a 103% CAGR over 2021-25.
- We value PRINC with a 2023 SoTP-based TP of THB10/shr, consisting of 1) the hospital business with a DCF valuation of THB9.4/shr; and 2) the property business valued at THB1.2/shr and net debt of THB0.3/shr.
- PRINC is trading at 31x 2023E P/E. If we exclude the property business valuation, the hospital business is trading at an attractive valuation of 26x (vs peers' average of 34x). At our TP, it would imply 34x P/E, justified in our view, based on strong 2021-25E earnings growth at a 103% CAGR (vs peers' 4% CAGR average).
- PRINC trades at an attractive and cheap valuation in terms of market cap/bed of only THB21m (vs Thailand chain hospitals' average of THB41m). This may be due to most of PRINC's hospitals being new hospitals which opened during 2019-21, and in the ramping up period revenue per bed was THB3m in 2019, lower than chain hospitals' average of THB7m. We forecast the revenue per bed to continue to improve to THB5m-6m by 2025. This would be a re-rating catalyst for the stock.
- Our sensitivity analysis suggests that if PRINC succeeds in expanding its bed capacity to 2,000 beds (possibly in 2025) and the market re-rates its valuation to THB28m-30m market cap/bed, it would lift our TP to THB15-16/shr.

Company background

Dr. Pongsak Viddayakorn and Dr. Satit Viddayakorn, founder and ex-management of BDMS, took over Metro Star Property PCL (METRO) for total of THB837m and changed the name to PRINC in 2013. PRINC gradually raised paid-up capital from THB610m to THB1.4b in 2016. In 2016, the company raised paid-up capital again to THB3.2b by issuing 1.8m new shares (THB1.0/shr par) for private placement to Ms. Sathita Viddayakorn and Peak Development Holding at THB2.87/shr. The proceeds (THB5.2b) were used to acquire V Brilliant Group Holding Co., Ltd., a property developer which owns several projects in Bangkok and vacant land in the provinces, for THB5.8b.

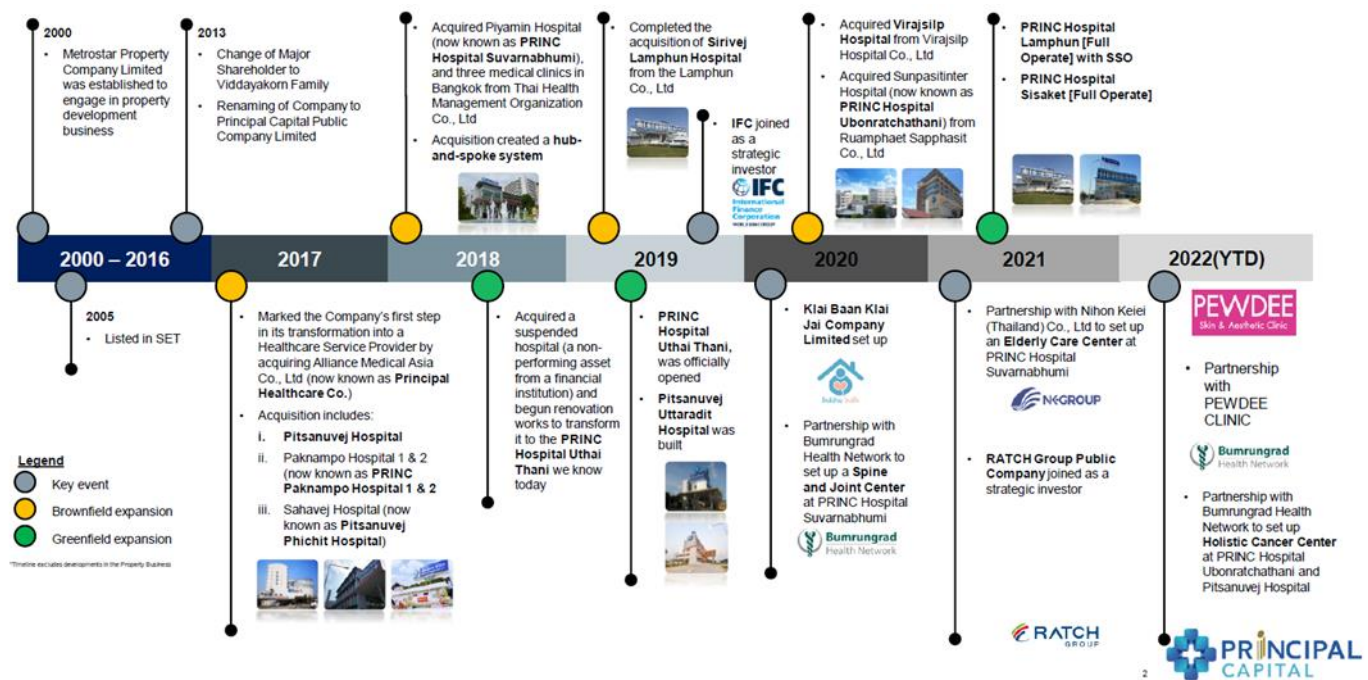
In 2017, PRINC converted its main business into healthcare by acquiring shares of Principal Health Care Company Limited ("PRINH") (originally Alliance Medical Asia Company Limited) which was operating a private hospital business with four network hospitals in three provinces for THB2.0b. After that, PRINC continued to add hospitals into its network. So far there are 13 hospitals in its healthcare portfolio.

In Feb 2019, the SET approved the reclassification industry group of PRINC from property development to healthcare sector.

In Nov 2019, PRINC raised capital through private placement (PP) to the International Finance Corporation (IFC), an institutional investor in the World Bank Group for 222.2m shares at THB4.09/shr for total proceeds of THB0.9b.

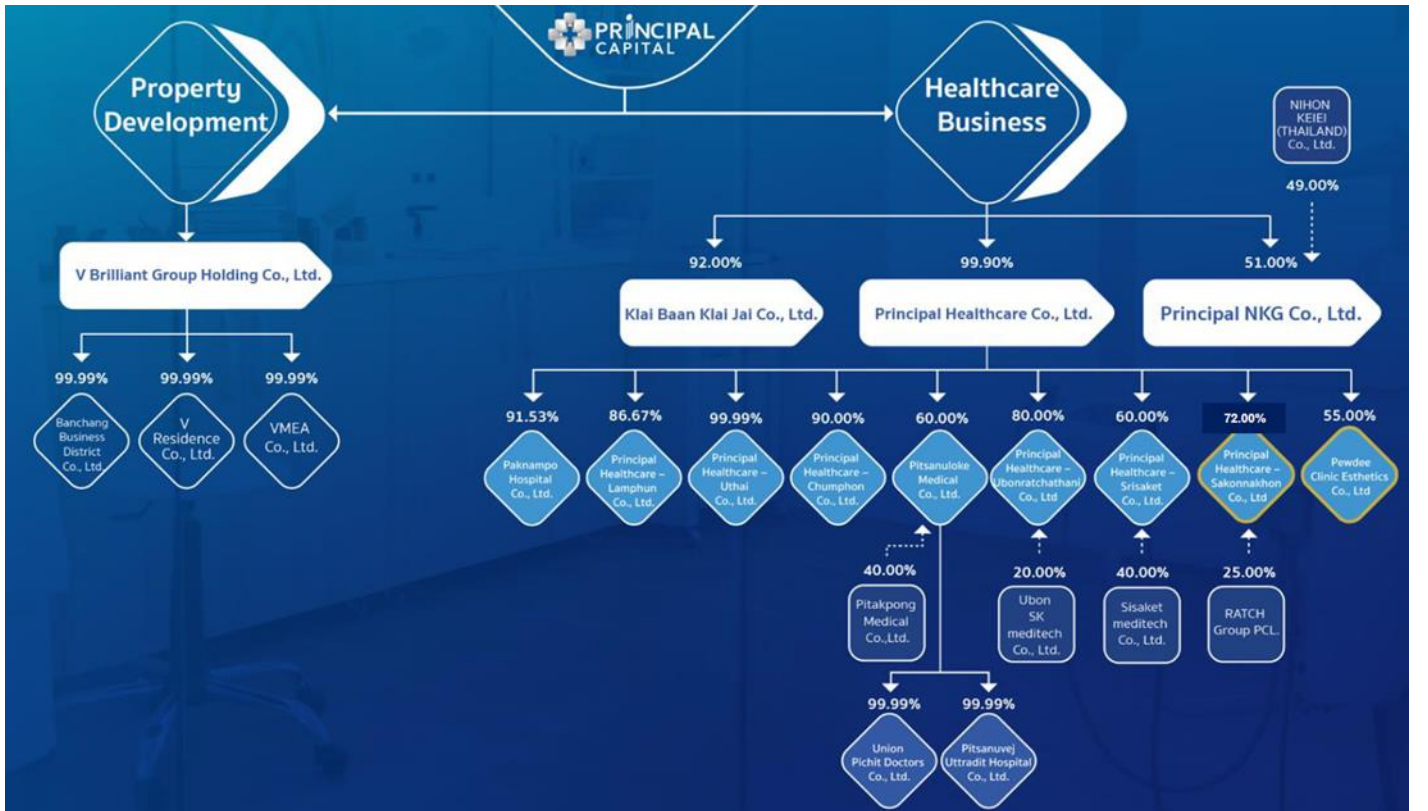
In May 2021, PRINC raised capital through PP to Ratch Group PCL (RATCH), for 346.2m shares at THB4.09/shr for total proceeds of THB1.4b.

Exhibit 1: PRINC's transformation into a healthcare business



Source: PRINC

Exhibit 2: Company structure



Source: PRINC

Hospital business: in the growth mode

Penetrating low competition areas

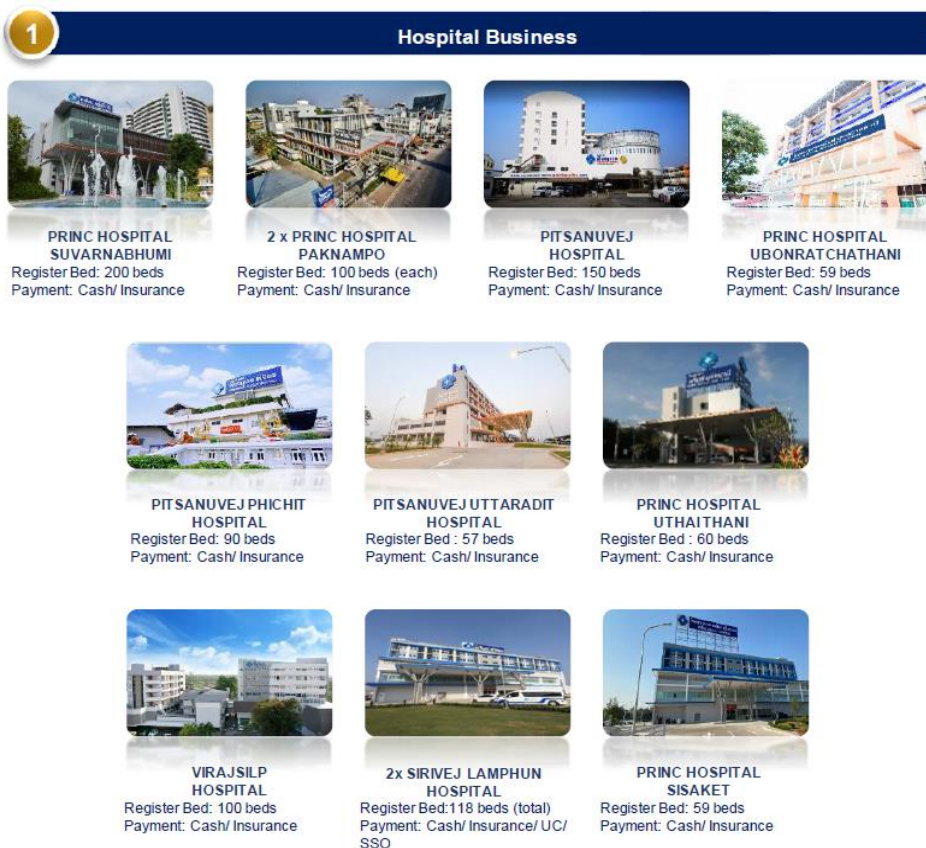
PRINC currently owns and operates 13 hospitals with total 1,151 registered bed capacity in 10 provinces covering the north, central, northeastern and southern regions of Thailand. PRINC has adopted a strategy to penetrate secondary cities with no private hospitals or few private hospitals compared to the population in the province. PRINC targets the middle-income segment and offers good quality services at affordable medical prices.

Exhibit 3: PRINC hospital summary

Hospital	Location	No. of beds (no.)	Project type	Investment (THB b)	Acquired	Opened	Highlight
1	Princ Hospital Suvarnabhumi	200	Brownfield	0.9	2018	4Q19	BHN-Joint and Spine Center
2	Pitsanuvej Hospital	150	Brownfield	2.0	2017	1982	JCI accredited, Cathlab, BHN-Cancer Center
3	Pitsanuvej Phichit Hospital	90			2017	1991	Orthopaedic Surgeons, Mammogram Ultrasound
4	Princ Paknampo Hopital 1	100			2017	1991	HIMSS Analytics stage 7, MRI 3 Tasia
5	Princ Paknampo Hopital 2	100			2017	1991	
6	Pitsanuvej Uttaradit Hospital	57			Greenfield	0.7	-
7	Sirivej Lamphun Hospital	59	Brownfield	0.1	1Q19	1998	Haemodialysis Center, Cataract surgery
8	Princ Uthai Thani Hospital	59	Greenfield	0.5	-	4Q19	Only private hospital in Uthai Thani Province
9	Virajsilp Hospital	100	Brownfield	0.6	1Q20	1979	Surgery Clinic, Gynaecology Clinic
11	Princ Ubon Ratchathani	59	Brownfield	0.5	3Q20	2015	Potential to capture CLMV patients
10	Princ Sisaket Hospital	59	Greenfield	0.5	-	2Q21	Child Health Clinic 24 hrs., Gastro colono
12	Princ Hospital Lamphun	59	Greenfield	0.5	-	1Q21	Child Health Clinic 24 hrs., Gynaecology Clinic
13	Princ Sakhon Nakhon	59	Greenfield	0.5	-	in 1Q23	Only private hospital in Sakhon Nakhon
Total		1,151					

Sources: PRINC; FSSIA's compilation and estimates

Exhibit 4: PRINC's hospital portfolio



Source: PRINC

Most of PRINC's hospitals are located in provinces that have low competition. PRINC aims for its hospitals to become leading hospitals in the area in terms of reputation, number of beds and medical capability. There are three PRINC hospitals in Uttaradit, Uthai Thani and Sakhon Nakhon which are the only private hospitals in those provinces. Meanwhile, the other hospitals are located in areas that have less than three private hospitals nearby, except for PRINC Hospital Suvarnabhumi in Samut Prakarn, which has high competition.

Exhibit 5: PRINC hospital locations



Source: PRINC

Exhibit 6: Nearby private hospital competitors

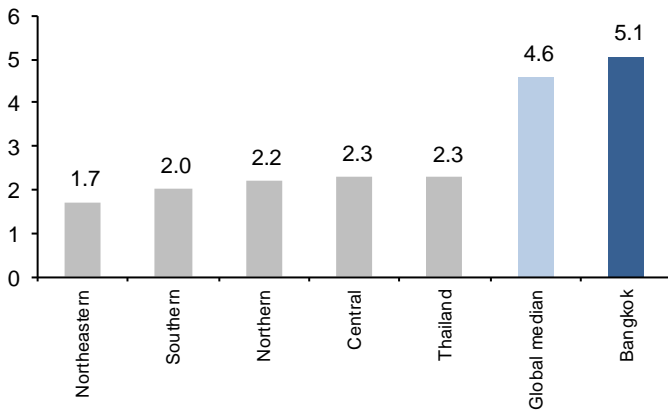
PRINC hospital	Province	Nearby private hospital
Princ Hospital Suvarnabhumi	Samut Prakarn	Chularat Hospital 3 Central Park Hospital Bangna Hospital 5 Paolo Memorial Hospital Muang Samut Paknam Hospital Samrong General Hospital
Pitsanuvej Phichit	Phichit	Chai Arun Vejchakarn Hospital Srisukho Hospital
Pitsanuvej Hospital	Phitsanulok	Bangkok Hospital Phitsanulok Ruamphat Phitsanulok Hospital Phitsanulok Hospital
Princ Hospital Paknam 1 & 2	Nakhon Sawan	Srisawan Hospital Romchat Hospital Ruamphat Hospital
Sirivej and Princ Lamphun	Lamphun	Lamphun Hospital Hariphunchai Memorial Hospital
Virajsilp Hospital	Chumphon	Thonburi-Chumphon Hospital
Princ Hospital Ubon Ratchathani	Ubon Ratchathani	Rajavej Ubonratchathani Hospital Ubonrak Thonburi Hospital
Princ Sisaket Hospital	Sisaket	Pracharak Vejchakarn Hospital
Pitsanuvej Hospital Uttaradit	Uttaradit	-
Princ Hospital Uthai Thani	Uthai Thani	-
Princ Sakhon Nakhon	Sakhon Nakhon	-

Source: PRINC

PRINC should capture the strong healthcare demand in Thailand. Thailand's healthcare expenditures only amounted to 4% of GDP in 2019, lower than the global average of 7%, and much lower than developed countries, such as the UK (10%) and the US (17%). In addition, the supply of hospital beds in Thailand, especially in the provinces is also 50% below the average of developed countries, implying more room for PRINC to capture demand in the future.

Exhibit 7: The number of hospital beds in Thailand's provinces is still far below the average in OECD countries

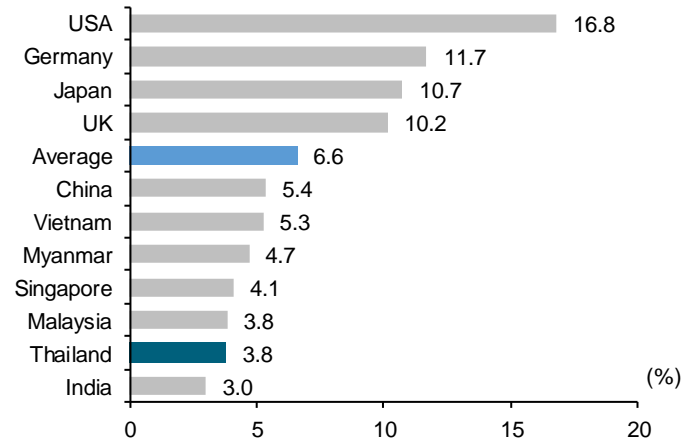
(no. of hospital beds per 1,000 population)



Note: Data as of 2018-19

Sources: National Economic and Social Development Council (NESDC), OECD

Exhibit 8: Healthcare expenditures as % of GDP as of 2019



Sources: World Health Organization (WHO)

Strong hospital revenue growth up to 2025

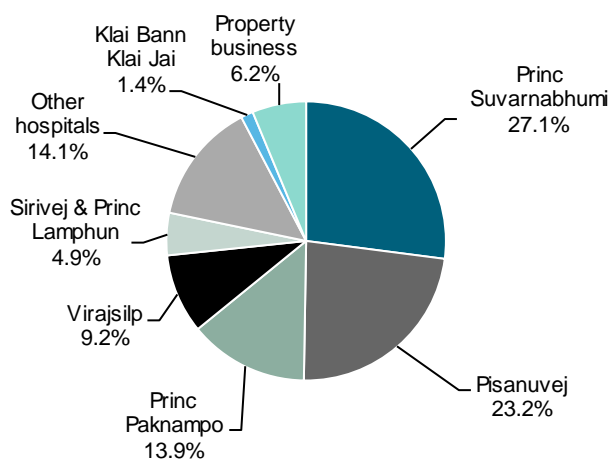
Three hospitals including Princ Suvarnabhumi, Pitsanuvej and Princ Paknampo are major revenue contributors, together contributing 64% in 2021. The other hospitals' revenue size is small as they are new hospitals opened during 2019-21. We expect that those hospitals will be the revenue key growth drivers for PRINC over the next four years.

Organic hospital revenue excluding Covid revenue grew at a 15% CAGR to THB2.9b over 2017-21, despite the impact from the Covid pandemic in 2020-21. We expect it to accelerate and grow by 33% to THB9.3b over 2021-25, driven by both organic growth and the hospital expansion from 13 to 20 hospitals.

For Covid-related revenue, it contributed THB1.8b or 38% of total revenue in 2021. We estimate it to jump to THB2.8b in 2022 and gradually decline over 2022-25.

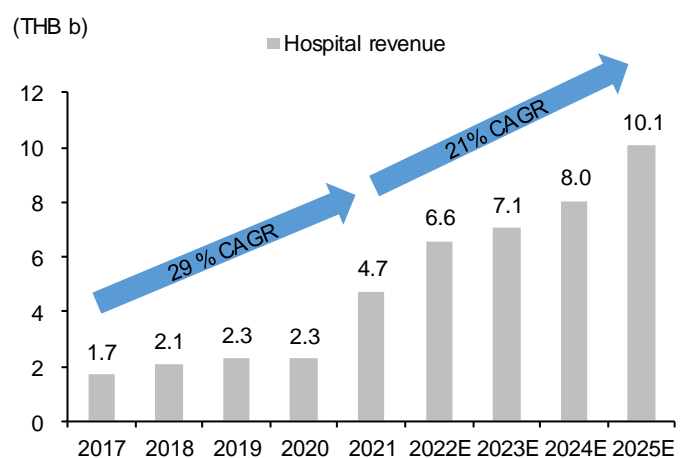
Overall, we expect hospital revenue to grow at a 21% CAGR to THB10.1b over 2021-25.

Exhibit 9: Revenue of THB5.1b breakdown as of 2021



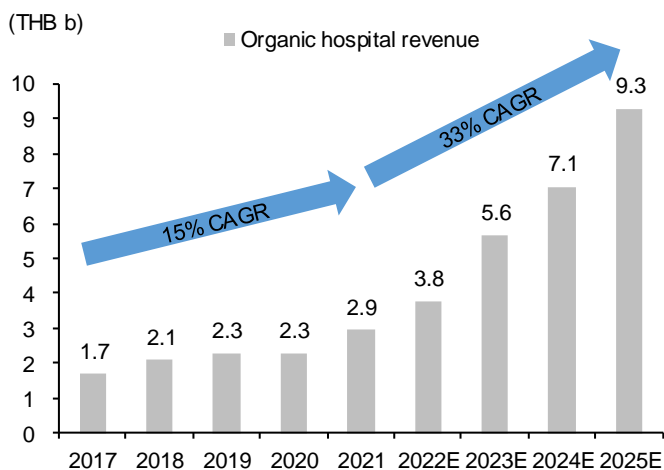
Source: PRINC

Exhibit 10: Hospital revenue



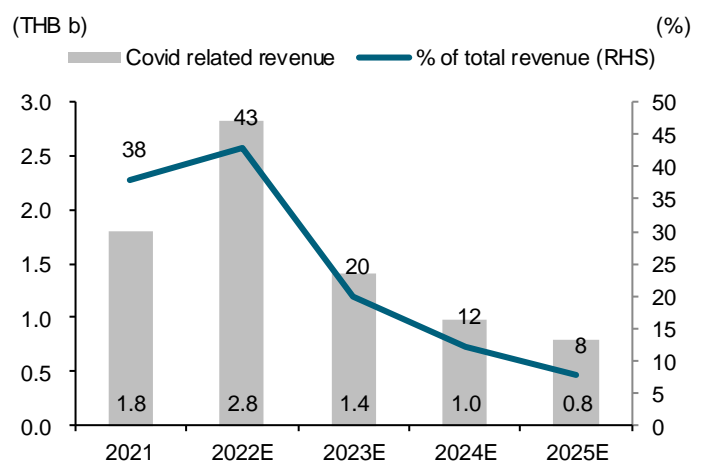
Sources: PRINC; FSSIA estimates

Exhibit 11: Hospital revenue excluding Covid related



Sources: PRINC; FSSIA estimates

Exhibit 12: Covid-related revenue



Sources: PRINC; FSSIA estimates

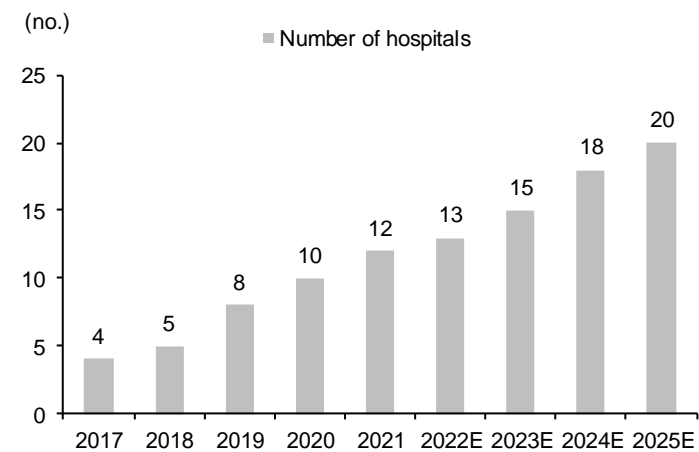
Ambitious expansion plan

Since transforming into a healthcare business in 2017, PRINC has added 1-2 hospitals every year to its portfolio, and bed capacity has increased at a 21% CAGR over 2017-22E. PRINC targets 20 hospitals with 3,000 beds over the next three years from brownfield and greenfield projects and the expansion of existing hospitals.

If PRINC succeeds as planned, it would imply a bed capacity increase of 161% from the current bed capacity of 1,151 beds, significantly higher vs its peers for which we estimate bed capacity to grow by an average of 24% over the same period.

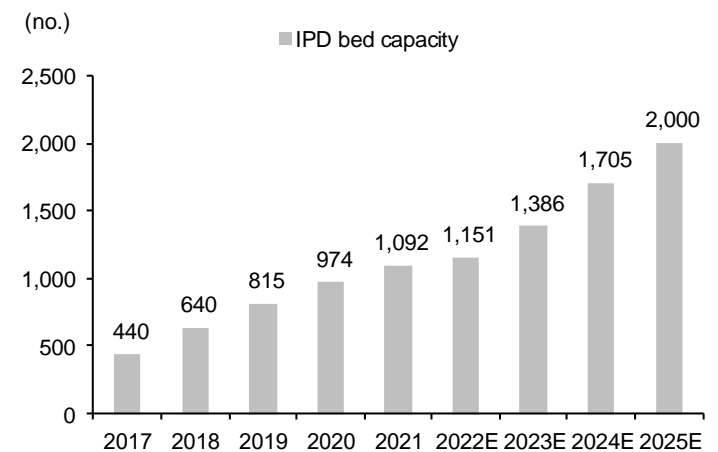
Note that we conservatively forecast PRINC to expand to 20 hospitals with 2,000 beds by 2025. This would imply a bed capacity increase of 83%, still much higher than its peers' average.

Exhibit 13: Number of hospitals in portfolio



Sources: PRINC; FSSIA estimates

Exhibit 14: IPD bed capacity in portfolio



Sources: PRINC; FSSIA estimates

Exhibit 15: Peers comparison of IPD bed capacity expansion

IPD bed capacity expansion	2021	2025	Growth
	(no.)	(no.)	(%)
BDMS	8,215	9,008	10
BH	580	580	-
BCH	2,254	2,254	-
CHG	749	1,271	70
RAM	2,096	2,780	33
THG	1,164	1,593	37
VIBHA	1,282	1,449	13
PR9	204	270	32
Average			24
PRINC	1,092	2,000	83

Note: RAM and VIBHA based on equity beds
Source: FSSIA's compilation

Princ Suvarnabhumi to upgrade to tertiary care, hub-and-spoke model

PRINC acquired Piyamin Hospital for a total consideration of up to THB900m in 2018 and renovated and rebranded it into Princ Hospital Suvarnabhumi, which opened in Dec 2019. The hospital is in a good location near Suvarnabhumi Airport and the Mega Bangna shopping centre.

PRINC plans to upgrade Princ Hospital Suvarnabhumi to provide tertiary care within 2023. This would allow PRINC to adopt a hub-and-spoke model, a similar model to BDMS. Spoke hospitals located in provinces which provide secondary care would transfer patients to the hub for more complex medical treatments.

In addition, the hospital is seeking Joint Commission International (JCI) accreditation, which is expected to be completed by the end of this year. This would enable the hospital to attract more international patients. It plans to capture CLMV and expat patients for the first phase.

Princ Suvarnabhumi’s revenue significantly jumped from THB0.2b in 2019 to THB1.4b in 2021, and we expect it to reach cTHB2.0b due to surging Covid-related revenue. The hospital has turned profitable earlier than expected considering that it recently ran its first full year operations in 2020.

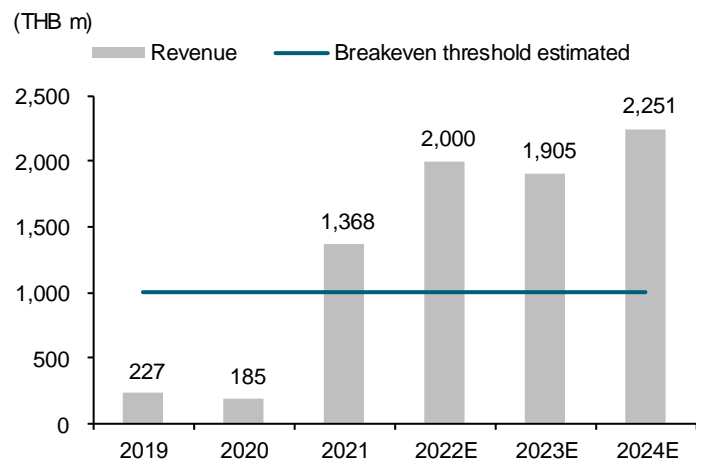
Although Covid revenue should slow down, we expect the hospital to generate organic revenue of cTHB1.9b in 2023, as the hospital has expanded its customer base during the Covid pandemic. This should lead the hospital to be permanently profitable as we estimate a breakeven threshold of cTHB1.0b in revenue per year.

Exhibit 16: Princ Suvarnabhumi’s medical services



Sources: [Princ Suvarnabhumi Hospital](#)

Exhibit 17: Princ Suvarnabhumi revenue forecasts



Sources: PRINC; FSSIA estimates

Bumrungrad Health Network model to enhance medical standard

In 2019, PRINC and BH partnered and launched the new business model “Bumrungrad Health Network” (BHN). Under this model, BH and its partnered hospitals including PRINC set up jointly operated “Centers of Excellence” (CoE). Cost, revenue, medical teams and equipment are shared between BH and partnered hospitals. BH provides training to the partnered hospitals to upgrade the knowledge and capability for medical treatments.

The medical fees for each CoE are kept at the same level for each partnered hospital. Thus, middle class income earners can access treatments with high-quality medical standards at affordable prices.

So far, three CoE under BHN have opened in PRINC hospitals. In Dec 2019, the first CoE, the Absolute Spine Care and Joint Surgery Center was opened at Princ Suvarnabhumi Hospital. In 1Q21, the Holistic Cancer Center opened at Princ Hospital Ubon Ratchathani and Pitsanuvej Hospital in Phitsanulok province.

Although revenue from the BHN model is relatively small at the moment for PRINC, the model has a high potential to enhance and upgrade medical services for other secondary care hospitals in other provinces.

Exhibit 18: List of CoE under Bumrungrad Health Network

No	CoE	Hospital	Note
1	Joint Centre	Princ Hospital Suvarnabhumi	Opened 1Q20
2	Spine Centre	Princ Hospital Suvarnabhumi	Opened 1Q20
3	Spine Centre	Nakhonthon Hospital	Opened 4Q20
4	Spine Centre	Aikchol Hospital	Opened 2021
5	Joint Centre	Aikchol Hospital	Opened 2021
6	Cancer Centre	Pisanuvej Hospital	Opened 1Q21
7	Cancer Centre	Princ Ubon Ratchathani	To open 2023

Source: BH

Exhibit 19: Absolute Spine and Joint Surgery Center at Princ Suvarnabhumi



Source: [ryto](#)

Expanding into new healthcare businesses

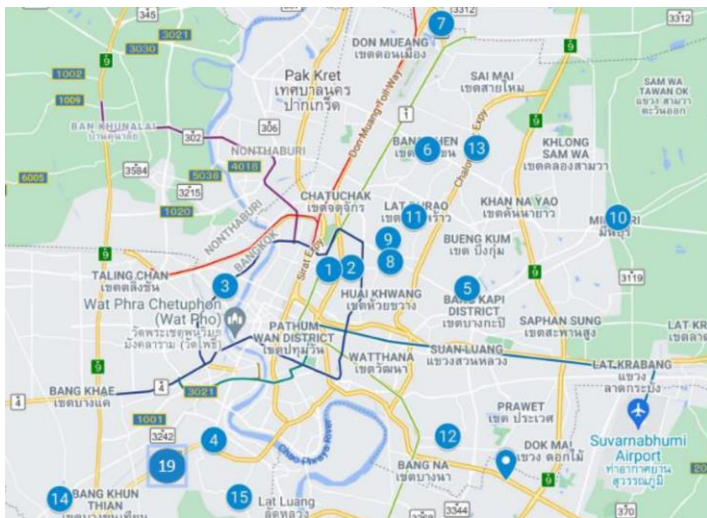
Aside from the hospital business, PRINC is exploring healthcare-related businesses. Currently, PRINC has three new businesses as follows:

1) Primary clinics: Klai Baan Klai Jai

In 2021, PRINC opened primary clinics “Klai Baan Kali Jai” in Bangkok and its vicinity to offer medical services to the patients under the Universal Health Coverage System (UC) or Gold Cardholders. PRINC expects to capture patients who were affected by the termination of services at 190 clinics in 2020. This business model would likely increase the number of referral patients who need more complicated medical treatments at PRINC’s hospitals.

Currently, PRINC has 16 clinics and plans to expand to 40 clinics by 2023, and to 100 clinics to meet its long-term goal.

Exhibit 20: Klai Baan Klai Jai locations



Source: PRINC

2) Elderly care

In 2019, PRINC establish a JV with the Nihon Keiei Group from Japan to engage in the elderly care business under the name PNKG Recovery Center. It offers care services for the elderly, chronic disease patients and people affected by brain diseases (neurological), bone (orthopaedic) and body recession (disuse syndrome).

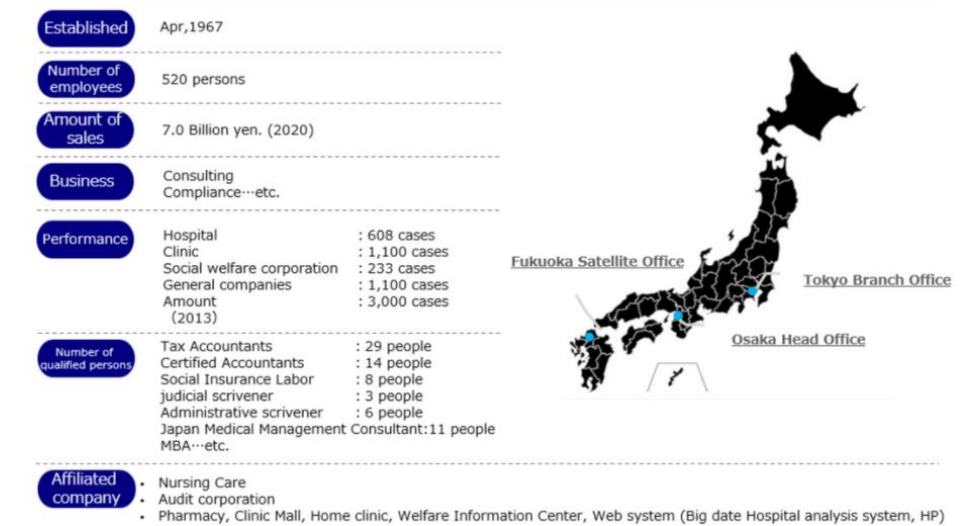
Nihon Keiei Group, established in 1967 in Japan, offers healthcare services including a hospital business, healthcare systems and nursing case. The vision is to share its expertise and knowledge with other Asian countries.

Currently, the first PNKG Recovery Center has opened at Princ Suvarnabhumi Hospital and the company plans to expand it to five centres in other PRINC hospitals by 2023.

Exhibit 21: Klai Baan Klai Jai offers treatments for UC Covid patients

Sources: [Klai Baan Klai Jai Clinic's Facebook](#)

Exhibit 22: Nihon Keiei Group profile



Source: [PNKG Recovery Center](#)

3) Skin & aesthetic clinics: Pewdee Clinic

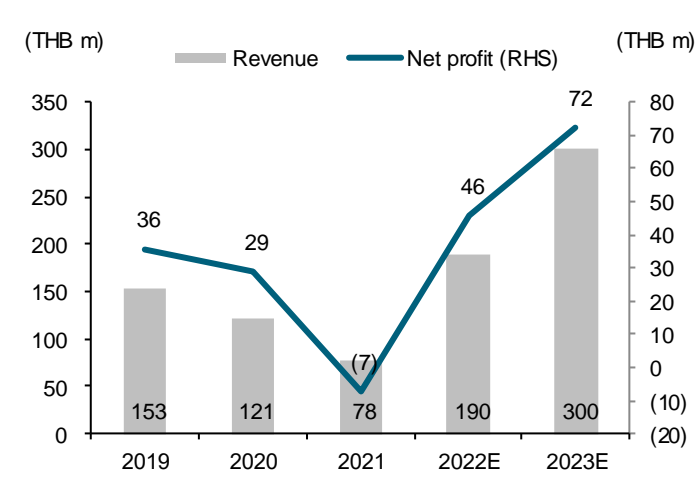
In March 2021, PRINC acquired a 55% share in Pewdee Clinic Esthetics (Pewdee Clinic) for a total investment of THB302.5m. Pewdee Clinic was established in 1990 and provides skin care services, cosmetic surgery and holistic healthcare.

The partnership between the two parties is a win-win deal, in our view. PRINC can capture the strong growth rate of the beauty clinic business, especially in provincial areas. Meanwhile, Pewdee Clinic, which previously operated 10 branches mostly in department stores like Icon Siam, Siam Paragon, Central Chidlom and Central Ladprao, is able to expand its customer base in PRINC hospitals, and it allows the clinic to refer patients who need skin care to get treatments in hospitals.

Pewdee Clinic recently opened its 11th branch at Princ Suvarnabhumi Hospital in July and plans to open up to 14 branches by 2023 at three more hospitals, potentially Princ Paknam, Phitsanuvej Hospital and Princ Ubon Ratchathani Hospital.

According to the Department of Business Development (DBD), Pewdee Clinic recorded revenue of THB153m and a profit of THB36m in 2019. But the operation was impacted by the Covid pandemic, driving its revenue down to hit the bottom at THB78m and record a loss of THB7m in 2021. PRINC expects revenue to bounce back to cTHB190m in 2022 with EBITDA growth at 29% per annum. Note that we see the acquisition price as reasonable at only c15x 2019 P/E.

Exhibit 23: Revenue and net profit of Pewdee Clinic



Source: Department of Business Development (DBD)

Exhibit 24: Pewdee Clinic at Princ Suvarnabhumi Hospital



Source: [Pewdee Clinic](#)

Healthcare-related business ready for an expansion

The revenue contribution of the healthcare-related business only accounted for 1% of PRINC's total revenue in 2021, and we estimate contributions to increase to c5% in 2022 after the acquisition of Pewdee Clinic. We expect that the healthcare-related business will grow together with PRINC's hospital business and contribute around 6-8% of PRINC's total revenue in 2025

Property business: potential to divest

PRINC currently operates three major assets in the property business as follows:

- 1) Marriott Executive Apartments Sathorn Vista Bangkok: a four-star hotel and serviced apartment with 187 units located in a central business district on Sathorn Road. This hotel was opened in 2009 and is managed by the Marriott group. It provides short-term and long-term accommodation services to international tourists and expats in Thailand
- 2) Somerset Ekkamai Bangkok: four-star hotel and serviced apartments with a total of 262 rooms located in the Sukhumvit and Ekkamai area. This hotel opened in 4Q16 and is managed by Ascott Group. It provides short-term and long-term accommodation services to international tourists and expats in Thailand.
- 3) Bangkok Business Center: 30-storey office building in Ekkamai area which offers rental space to medium-sized and large companies, both Thai and foreign.

The property business has been hit by the Covid pandemic given that the occupancy (OCC) rate of Marriott Executive Apartments declined to 41% in 2021 (vs 87% in 2019) and Somerset Ekkamai declined to 50% in 2021 (from 78% in 2019). Meanwhile, the rental revenue of Bangkok Business Center also declined due to the non-extension of lease contracts from some tenants.

However, operations have improved in 2022, with the OCC rate of two hotels increasing to 65-67% in 2Q22 after Thailand's reopening. As a result, we expect revenue to recover to c80% of the pre-Covid level and EBIT of the property business to turn positive in 2022.

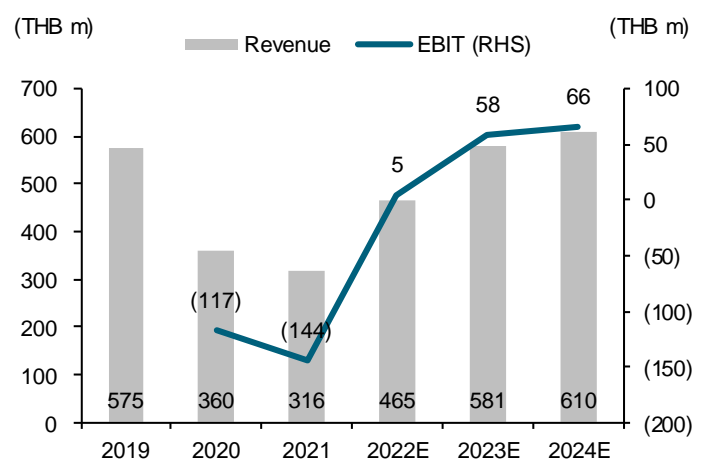
We expect PRINC to seek opportunities to divest its property business and focus only on the healthcare business. PRINC agreed to sell Bangkok Business Center to BUALUANG Office Leasehold Real Estate Investment Trust (B-WORK) for THB1.55b in 2021. The transaction is pending due to the Covid pandemic, and the agreement has been delayed to Sep-22. PRINC has participated in the Asset Warehousing program to improve debt structuring by transferring Somerset Ekkamai Bangkok for debt payments with a total value of THB1.5b. PRINC has the option to buy back the assets in 3 years (can be extended for 2 times, 1 year each time).

Exhibit 25: Property business asset values

Asset	Book value	Market value
	(THB b)	(THB b)
Marriott Executive Apartments Sathorn Vista	2.0	2.0
Bangkok Business Center Building	1.0	1.6
Somerset Ekkamai Bangkok Project	2.1	2.1
Total	5.1	5.6

Note: Book value data as of 2020
Sources: PRINC; FSSIA estimates

Exhibit 26: Revenue and EBIT of property business



Sources: PRINC; FSSIA estimates

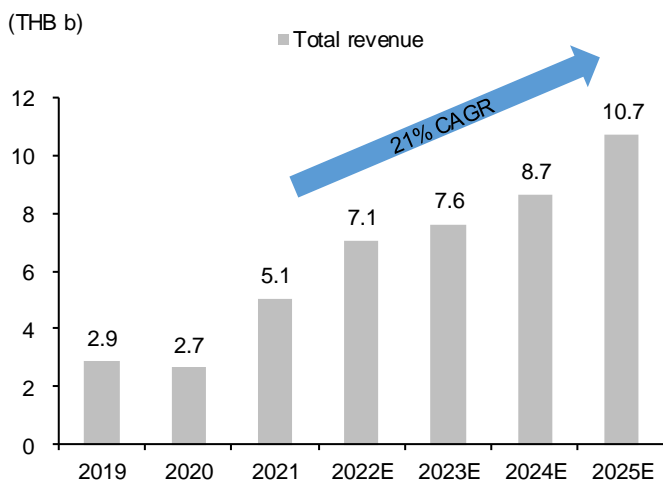
Financial analysis

Robust revenue growth led by organic and expansion projects

We forecast revenue to grow at a 21% CAGR from THB5.1b in 2021 to THB10.7b in 2025. The key growth drivers consist of organic revenue at a 10% CAGR, new hospitals at a 10% CAGR, and the healthcare-related business at 2%. We expect PRINC to open seven new hospitals during 2022-25 that would lead PRINC to operate 20 hospitals by 2025.

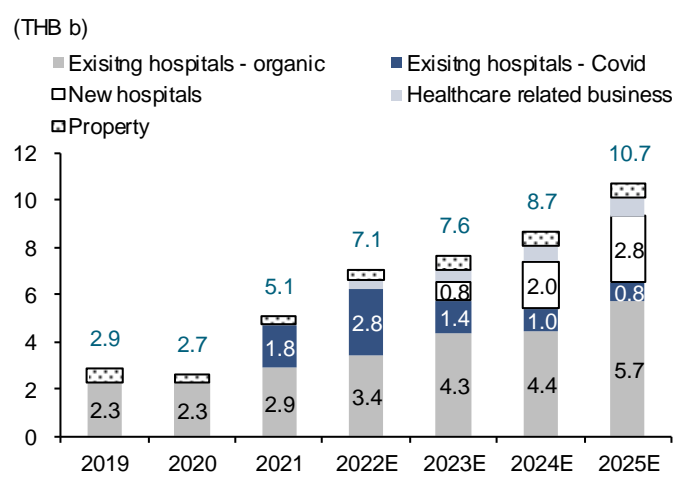
The healthcare-related business should grow in line with the hospital business, and we expect a contribution of 7% in 2025. Meanwhile, we conservatively expect the property business' revenue to exceed the pre Covid level by only 11% in 2025, implying a revenue contribution of just 6%.

Exhibit 27: Revenue forecast



Sources: PRINC; FSSIA estimates

Exhibit 28: Revenue breakdown



Sources: PRINC; FSSIA estimates

Faster ramping-up period resulting in strong earnings growth

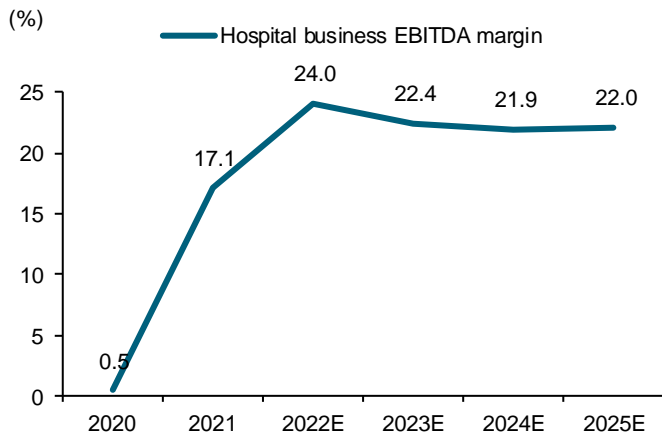
Investors may be concerned about aggressive expansion dragging down overall performance; we believe that organic growth would more than offset the drag from expansion. Normally, new hospitals take about three years to reach breakeven, and up to five years for their ramping-up periods.

We believe the Covid pandemic has supported and shortened the turnaround period of PRINC's hospital portfolio. The PRINC brand awareness and reputation has been significantly increased during the Covid pandemic without marketing expenses, as the group allocated resources to serve Covid patients. We think some patients will become regular customers at PRINC hospitals. In addition, we expect some of the expansion to be in the form of brownfield hospital acquisitions that contribute profit. Thus, it should not drag down the overall group profit.

As a result, we estimate the hospital business' EBITDA margin to slightly slow down from 24% in 2022 to 22% in 2023 due to the slowdown of Covid-related revenue (the peak EBITDA margin was at 33-34% in 3Q21 and 1Q22 when Delta and Omicron were spreading). The EBITDA margin should be relatively flat at 22% during the expansion period over 2023-25 before picking up in the harvesting period after 2026.

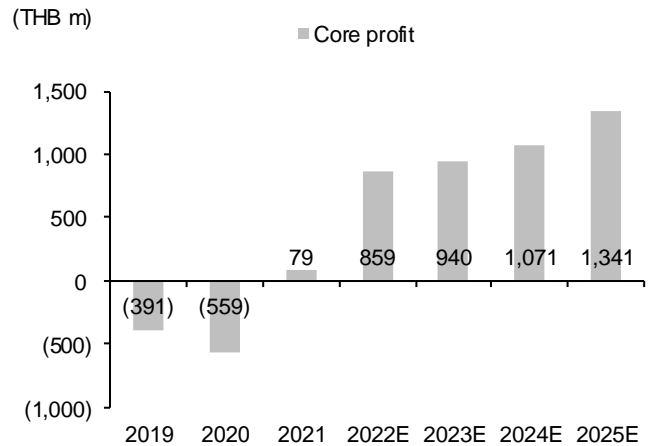
Overall, we forecast core profit to jump to THB0.9b in 2022 and steadily grow to THB1.3b in 2025, implying a 103% CAGR over 2021-25.

Exhibit 29: Hospital business EBITDA margin



Sources: PRINC; FSSIA estimates

Exhibit 30: PRINC core profit forecast

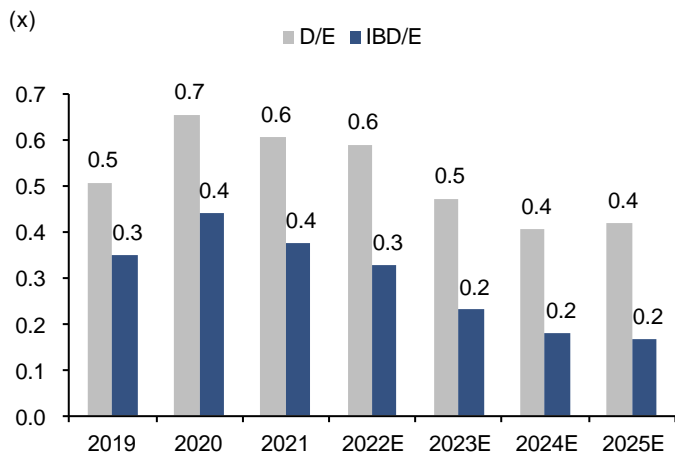


Sources: PRINC; FSSIA estimates

Healthy balance sheet to support expansion projects

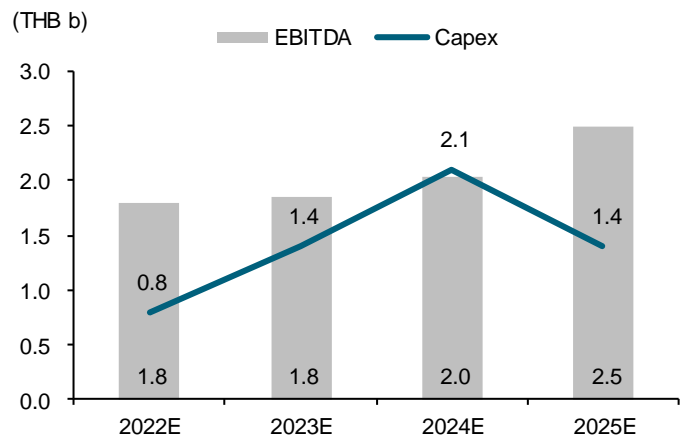
PRINC has a strong balance sheet with IBD/E of only 0.4x and D/E of 0.6x as of 1Q22. The company has a debt covenant of 1.25-2.00x D/E, implying that it still has room to leverage at least THB7.0b. This would be sufficient for expansion projects for which we estimate capex of around THB5.5b-6.0b over 2022-25. In addition, we estimate PRINC to generate EBITDA of 1.8b-2.5b per year over 2022-24, with the potential to divest the three assets in the property business with a value of up to THB5.6b. Therefore, we have no concern over its balance sheet for the next capex cycle.

Exhibit 31: D/E and IBD/E



Sources: PRINC; FSSIA estimates

Exhibit 32: EBITDA and capex



Sources: FSSIA estimates

Valuation and TP

We initiate coverage of PRINC with a BUY rating and a TP of THB10/shr, based on an SoTP valuation using 2023 as the base year. Our SoTP-based TP consists of 1) the hospital business with a DCF valuation of THB9.4/shr; and 2) the property business with a value of THB1.2/shr and net debt of THB0.3/shr.

For the hospital business, we value it with a DCF valuation, assuming 9% WACC and 3% terminal growth, derived from a 3% risk-free rate, 8% market risk premium, 1.0 beta and a 25% debt/75% equity weighting.

PRINC is now trading at 31x 2023E P/E. If we exclude the property business' valuation, the hospital business is trading at an attractive valuation of 26x (vs peers' average of 34x). At our TP, it would imply 36x P/E, justified in our view, based on strong 2021-25E earnings growth of 103% CAGR.

Exhibit 33: SoTP 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		1.0			
Cost of equity, Ke		13.4	Net cost of debt, Kd		2.8
Weight applied		75.0	Weight applied		25.0
WACC		9.0			
SoTP valuation estimate		(THB b)	(THB/share)	Comments	
Hospital business DCF - NPV		12.3	3.2	WACC 9.0%, Risk free rate 3%, Risk premium 8%	
Hospital business DCF - Terminal value		23.7	6.2	Terminal growth 3%	
Property business - Market value		4.5	1.2	Market value of three major assets of THB5.6b with 20% holding discount	
Cash & liquid assets		1.7	0.4	At end-2023E	
Investments		0.0	0.0	At end-2023E	
Debt		(2.9)	(0.8)	At end-2023E	
Minorities		(1.2)	(0.3)	At end-2023E	
Residual ordinary equity		38.1	10.0		

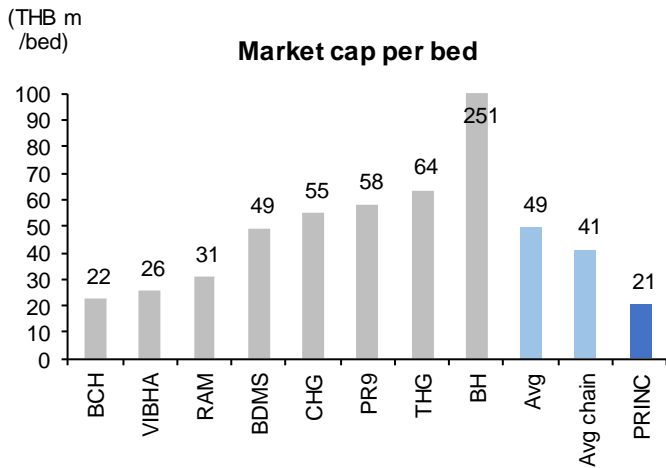
Sources: FSSIA estimates

Cheap valuation in terms of market cap per bed

We see PRINC's valuation as cheap in terms of market cap per bed. Currently, the average market cap per bed of Thailand's chain hospitals is THB41m, while PRINC's is only THB21m.

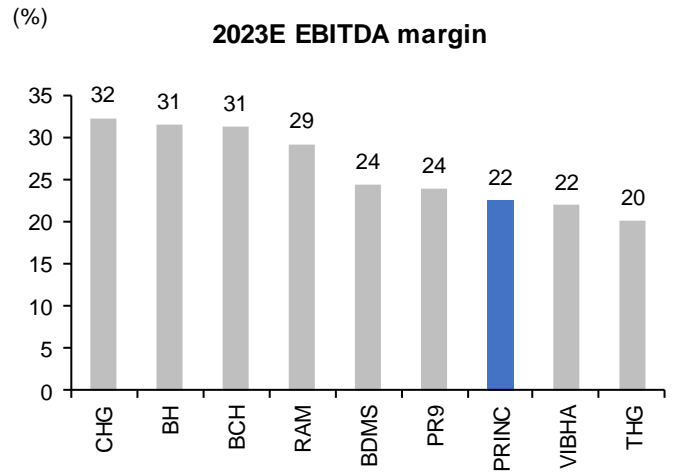
In our view, the reason that it trades at a discount to its peers is because most of PRINC's hospitals are in the ramping-up period (except Pitsanuvej which has a strong reputation in the lower part of Thailand's northern region). PRINC's average revenue per bed is THB6m in 2022E, below peers' average of THB9m. Similarly, PRINC's average core profit per bed is 0.7m in 2022E (vs peers' average of THB1.8m).

Exhibit 34: Market capital per bed



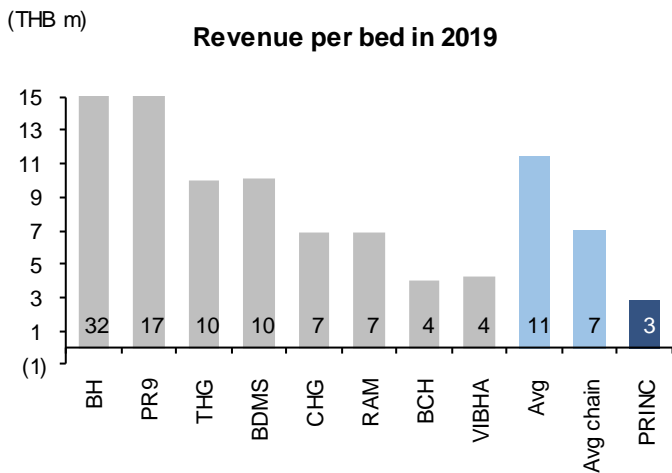
Note: 1) Excluding property business value from PRINC's market cap; 2) RAM, VIBHA and THG calculation based on equity beds
Source: FSSIA estimates

Exhibit 35: EBITDA margin



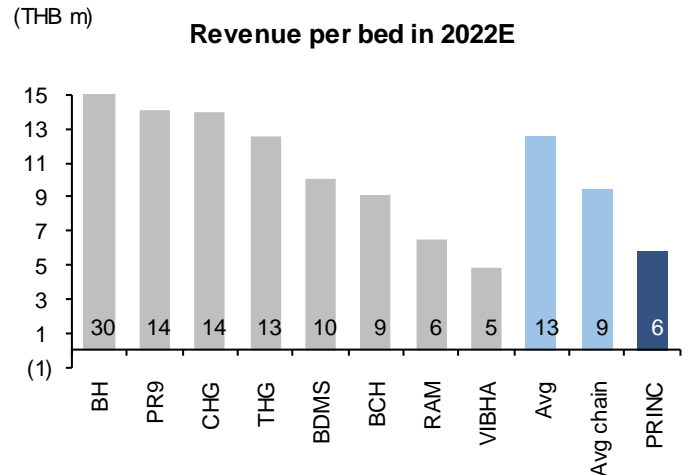
Source: FSSIA estimates

Exhibit 36: Revenue per bed in 2019



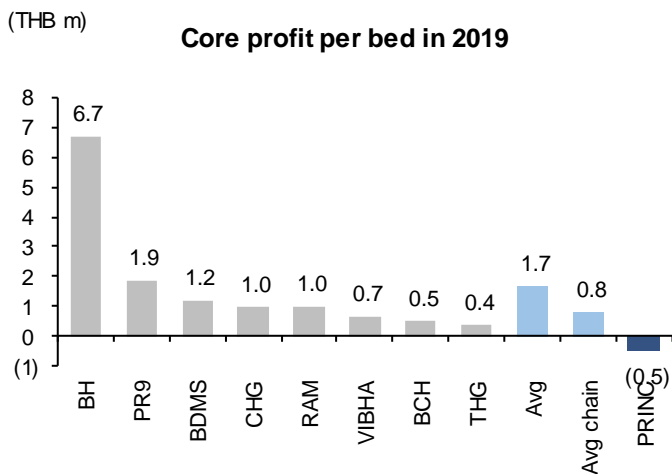
Note: RAM, THG and VIBHA calculated from no. of beds from consolidated hospitals only
Source: FSSIA estimates

Exhibit 37: Revenue per bed in 2022E



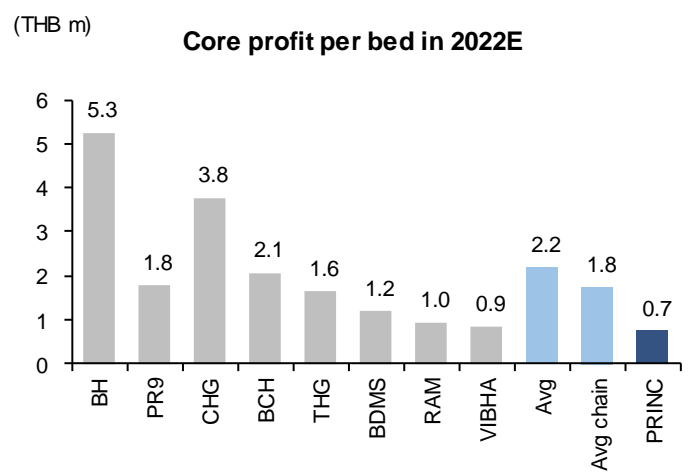
Note: RAM, THG and VIBHA calculated from no. of beds from consolidated hospitals only
Source: FSSIA estimates

Exhibit 38: Core profit per bed in 2019



Note: RAM, THG and VIBHA calculated from equity beds
Source: FSSIA estimates

Exhibit 39: Core profit per bed in 2022E



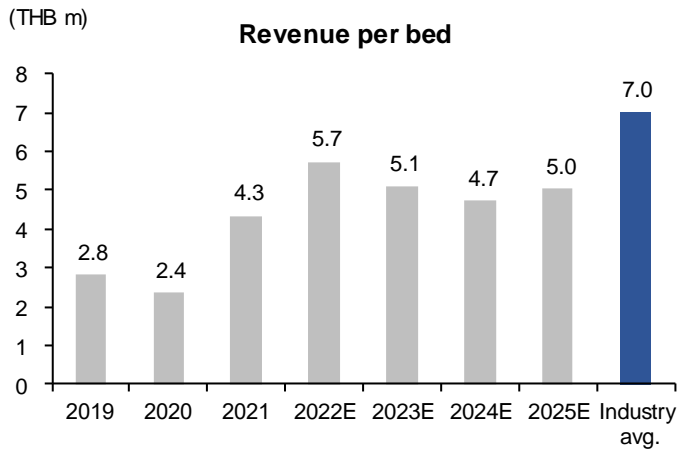
RAM, THG and VIBHA calculated from equity beds
Source: FSSIA estimates

Ample room to grow revenue and core profit per bed to match industry

As PRINC's revenue and core profit per bed are currently below its peers, this suggests ample room for PRINC to grow both in terms of revenue and profitability to reach the industry average. Most of PRINC's hospitals are in the ramping-up period and in the process of upgrading from secondary care to tertiary care. In addition, PRINC should be able to capture middle-income earners in provinces who tend to shift away from public hospitals to private hospitals.

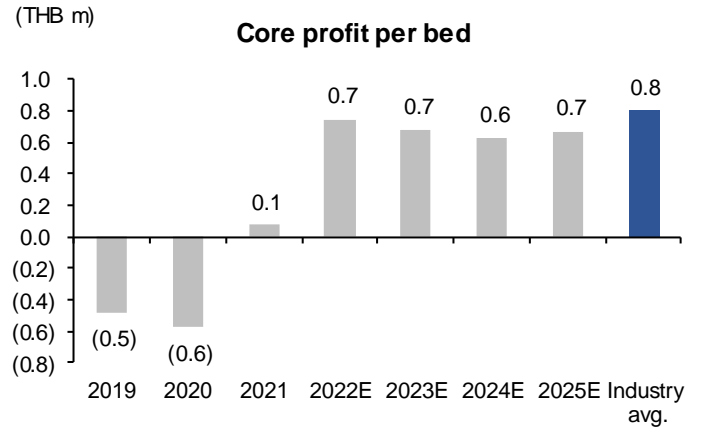
As a result, we expect revenue per bed to grow from THB4.3m in 2021 to THB5.0m in 2025, and core profit per bed to grow from THB0.1m in 2021 to THB0.7m in 2025. This would lead to a strong core profit CAGR of 28% over 2019-2025E, higher than its peers' average of 14% in the same period.

Exhibit 40: PRINC revenue per bed trend



Sources: FSSIA estimates

Exhibit 41: PRINC core profit per bed trend

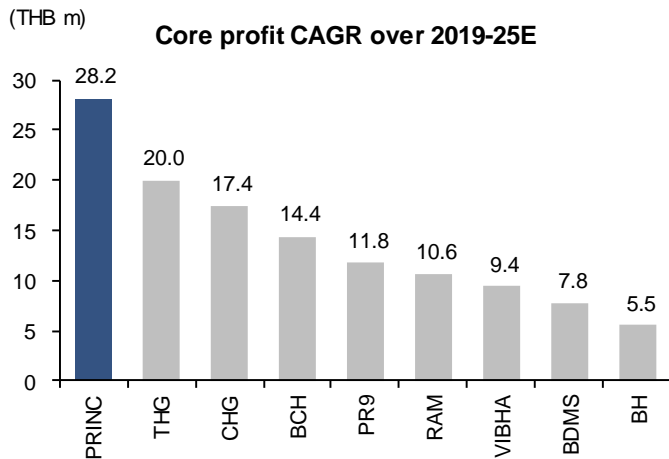


Sources: FSSIA estimates

Strong core profit growth to lead to re-rating catalyst

Strong core profit growth would be the key factor for PRINC's valuation to rerate, in our view. We have run a sensitivity analysis based on two factors: number of beds and market cap per bed. We see an upside to our TP of up to THB15-16/shr if PRINC successfully expands its bed count to 2,000 beds (possibly in 2025) and the market re-rates its valuation to THB28m-30m market cap per bed.

Exhibit 42: Core profit CAGR over 2019-25E



Source: FSSIA estimates

Exhibit 43: TP sensitivity based on number of beds and market cap per bed

(TP/share)	Market cap per bed						
	18	20	22	24	26	28	30
No. of beds							
1,151	5.4	6.0	6.6	7.3	7.9	8.5	9.1
1,400	7.6	8.4	9.1	9.8	10.6	11.3	12.0
1,600	7.6	8.4	9.2	10.1	10.9	11.8	12.6
2,000	9.5	10.5	11.6	12.6	13.7	14.7	15.8
2,400	11.3	12.6	13.9	15.1	16.4	17.6	18.9

Note: Excluding valuation of property business
Source: FSSIA estimates

Exhibit 44: Peers comparison as of 9 Aug-22

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		- EV/ EBITDA -	
			Current (LCY)	Target (LCY)	Upside (%)		22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	27.00	31.00	15	12,120	42.5	34.2	11.8	13.9	4.9	4.6	21.6	18.3
Bumrungrad Hospital	BH TB	BUY	181.50	210.00	16	4,075	47.4	34.4	17.4	22.6	8.1	7.4	28.3	21.6
Bangkok Chain Hospital	BCH TB	BUY	20.30	28.50	40	1,430	10.9	25.6	33.7	13.7	3.5	3.5	7.0	13.0
Chularat Hospital	CHG TB	BUY	3.74	4.70	26	1,162	13.6	28.3	37.8	17.7	4.9	5.1	9.1	16.8
Praram 9 Hospital	PR9 TB	BUY	16.60	18.00	8	369	26.9	26.5	10.9	10.4	2.8	2.7	12.8	12.4
Thonburi Healthcare Group	THG TB	REDUCE	65.50	45.00	(31)	1,568	38.9	78.0	15.1	7.4	5.7	5.8	22.2	31.1
Vibhavadi Medical Center	VIBHA TB	BUY	2.42	3.20	32	928	31.4	30.3	8.1	7.3	2.3	2.2	28.3	25.6
Ramkhamhaeng Hospital	RAM TB	BUY	53.75	62.00	15	1,822	29.0	28.8	12.5	11.8	3.5	3.3	24.9	24.0
Principal Capital	PRINC TB	BUY	7.70	10.00	30	828	34.1	31.2	8.4	8.5	2.7	2.6	18.0	17.1
Rajthanee Hospital	RJH TB	n/a	41.00	n/a	n/a	347	13.2	27.5	46.6	20.0	8.2	5.5	9.6	18.2
Ekachai Medical Care	EKH TB	n/a	7.45	n/a	n/a	140	24.5	24.3	15.1	14.1	5.3	3.2	14.3	13.4
Thailand average						24,788	28.4	33.6	19.8	13.4	4.7	4.2	17.8	19.2
Regional														
Ramsay Health Care	RHC AU	n/a	71.86	n/a	n/a	11,480	51.7	29.7	8.3	12.9	4.0	4.0	13.1	10.8
Ihh Healthcare Bhd	IHH SP	n/a	1.98	n/a	n/a	12,650	34.4	30.0	6.8	7.3	2.2	2.2	15.2	14.3
Ryman Healthcare	RYM NZ	n/a	9.20	n/a	n/a	2,895	20.1	16.7	7.4	7.6	1.4	1.4	19.4	16.1
Apollo Hospitals Enterprise	APHS IN	n/a	4,427	n/a	n/a	8,000	68.9	58.2	18.6	17.4	11.3	11.3	29.1	26.5
Kpj Healthcare Berhad	KPJ MK	n/a	0.88	n/a	n/a	859	31.4	23.2	5.6	7.4	1.7	1.7	12.4	11.1
Raffles Medical Group	RFMD SP	n/a	1.33	n/a	n/a	1,788	25.6	26.6	9.8	9.0	2.5	2.5	13.6	14.1
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,620	n/a	n/a	2,513	35.1	31.3	18.7	19.0	6.4	6.4	22.7	20.0
Aier Eye Hospital Group	300015 CH	n/a	30.32	n/a	n/a	31,624	65.5	49.5	22.4	24.2	15.3	15.3	40.8	31.9
Regional average						71,810	41.6	33.1	12.2	13.1	5.6	5.6	20.8	18.1
Overall average						96,598	34.0	33.4	16.6	13.3	5.1	4.8	19.1	18.8

Sources: Bloomberg; FSSIA estimates

Corporate Governance - PRINC

Board structure

Number of Independent Directors (ID)	4 of 11 board members
Percentage of IDs on the board	36.36%
ID participation/attendance at board meetings	95.9%
ID participation in audit/remuneration committees	3/3 in audit committee and 2/3 in remuneration committee
ID terms (years of service, re-election/replacement procedures)	Three years and can be re-appointed with consent from shareholders' meeting

Source: Annual report 2021, SET

Additional comments: The Board of Directors consists of at least 5 Directors and at least half of the total number of Directors must reside within the Kingdom of Thailand and the directors must have qualifications as specified by laws. The Company has the policy to evaluate the Board of Directors on the annual basis. The evaluation is based on the performance of the Committee collectively. The director shall evaluate the Board of Director's performance as a whole. The evaluation result will be analysed and summarise to improve the working efficiency of the Board of Directors in the future. 2. The Company submits the evaluation report and comment to the Board of Directors' meeting to support and improve the performance of the Board of Directors. 3. Chief Executive Officer should participate in explaining his expectation to obtain support from the Board of Directors.

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Co., Ltd.
Length of service	Since 2014 fiscal year, previously was EY Office Limited
Reporting incidents	None
Fee track record	For the auditing and reviewing financial statement of the Company amounting to THB 2.8m and THB 13,7m for the 16 subsidiaries.
Policy on change of audit firm	To review every five years

Source: Annual report 2021

Additional comments: The Company also paid other non-audit service for 2021 of THB 0.2m.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2021, THB 2.57m vs net profit of THB 79.38m
Changes/stability in senior management	Change of CEO and CFO on 4 Jan 2022
Incidents of termination of senior management	None
Track record on insider sales	None

Source: Annual report 2021, SET

Additional comments: None

Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Source: Annual report 2021

Additional comments: On 1 July 2022, PRINC was announced one of the twenty-two listed companies that have not met the free float requirement for two consecutive years or more.

Financial Statements

Principal Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	2,651	5,059	7,052	7,635	8,651
Cost of goods sold	(1,760)	(3,045)	(3,958)	(4,436)	(5,130)
Gross profit	890	2,014	3,093	3,199	3,520
Other operating income	-	-	-	-	-
Operating costs	(787)	(1,136)	(1,296)	(1,350)	(1,480)
Operating EBITDA	104	878	1,797	1,849	2,041
Depreciation	(572)	(600)	(607)	(627)	(672)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(468)	279	1,190	1,222	1,368
Net financing costs	(133)	(147)	(124)	(61)	(44)
Associates	0	0	0	0	0
Recurring non-operating income	60	62	64	66	68
Non-recurring items	48	0	56	0	0
Profit before tax	(493)	194	1,186	1,226	1,392
Tax	(44)	(101)	(181)	(196)	(223)
Profit after tax	(537)	93	1,005	1,030	1,170
Minority interests	26	(14)	(90)	(90)	(99)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(512)	79	915	940	1,071
Non-recurring items & goodwill (net)	(48)	0	(56)	0	0
Recurring net profit	(559)	79	859	940	1,071
Per share (THB)					
Recurring EPS *	(0.16)	0.02	0.23	0.25	0.28
Reported EPS	(0.15)	0.02	0.24	0.25	0.28
DPS	0.00	0.00	0.09	0.10	0.11
Diluted shares (used to calculate per share data)	3,462	3,809	3,809	3,809	3,809
Growth					
Revenue (%)	(7.7)	90.8	39.4	8.3	13.3
Operating EBITDA (%)	(44.0)	746.8	104.6	2.9	10.3
Operating EBIT (%)	nm	nm	327.4	2.7	12.0
Recurring EPS (%)	nm	nm	982.5	9.4	13.9
Reported EPS (%)	nm	nm	1,053.1	2.7	13.9
Operating performance					
Gross margin inc. depreciation (%)	12.0	28.0	35.3	33.7	32.9
Gross margin of key business (%)	12.0	28.0	35.3	33.7	32.9
Operating EBITDA margin (%)	3.9	17.4	25.5	24.2	23.6
Operating EBIT margin (%)	(17.7)	5.5	16.9	16.0	15.8
Net margin (%)	(21.1)	1.6	12.2	12.3	12.4
Effective tax rate (%)	(8.2)	52.1	16.0	16.0	16.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(3.1)	2.3	10.1	21.0	32.9
Inventory days	13.6	12.0	13.7	14.6	14.4
Debtor days	39.7	73.0	77.9	58.0	42.7
Creditor days	153.3	140.5	147.1	142.4	113.1
Operating ROIC (%)	(4.4)	1.1	8.0	8.3	9.0
ROIC (%)	(3.3)	1.1	7.3	7.6	8.2
ROE (%)	(6.5)	0.9	8.4	8.5	9.2
ROA (%)	(2.9)	1.0	5.8	5.8	6.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Hospital revenue	2,290	4,743	6,587	7,054	8,041
Real estate	360	316	465	581	610

Sources: Principal Capital; FSSIA estimates

Financial Statements

Principal Capital

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	(559)	79	859	940	1,071
Depreciation	572	600	607	627	672
Associates & minorities	-	-	-	-	-
Other non-cash items	(99)	2,153	146	90	99
Change in working capital	335	(1,890)	525	813	549
Cash flow from operations	248	942	2,137	2,470	2,391
Capex - maintenance	(1,834)	(1,681)	(800)	(1,400)	(2,100)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,833)	(1,681)	(800)	(1,400)	(2,100)
Dividends paid	0	0	0	(344)	(376)
Equity finance	0	1,416	0	0	0
Debt finance	707	(26)	(200)	(1,000)	(500)
Other financing cash flows	168	27	(34)	(36)	(40)
Cash flow from financing	875	1,417	(234)	(1,380)	(916)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(710)	679	1,104	(309)	(625)
Free cash flow to firm (FCFF)	(1,452.68)	(591.99)	1,488.16	1,191.54	385.05
Free cash flow to equity (FCFE)	(709.98)	(737.29)	1,103.59	34.30	(248.78)

Per share (THB)

FCFF per share	(0.38)	(0.16)	0.39	0.31	0.10
FCFE per share	(0.19)	(0.19)	0.29	0.01	(0.07)
Recurring cash flow per share	(0.03)	0.74	0.42	0.44	0.48

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	18,216	16,611	17,411	18,811	20,911
Less: Accumulated depreciation	(5,361)	(4,823)	(5,429)	(6,056)	(6,728)
Tangible fixed assets (net)	12,855	11,788	11,981	12,754	14,182
Intangible fixed assets (net)	1,824	1,824	1,824	1,824	1,824
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	3	4	4	4	4
Cash & equivalents	212	891	1,994	1,685	1,060
A/C receivable	343	1,681	1,328	1,099	926
Inventories	72	129	168	188	217
Other current assets	24	1,024	1,427	734	297
Current assets	650	3,724	4,917	3,706	2,500
Other assets	83	76	76	76	76
Total assets	15,415	17,415	18,802	18,363	18,586
Common equity	8,297	9,808	10,723	11,320	12,015
Minorities etc.	1,028	1,052	1,108	1,162	1,222
Total shareholders' equity	9,325	10,860	11,832	12,482	13,236
Long term debt	4,094	4,068	3,868	2,868	2,368
Other long-term liabilities	610	596	596	596	596
Long-term liabilities	4,704	4,664	4,464	3,464	2,964
A/C payable	956	1,387	1,804	1,657	1,524
Short term debt	0	0	0	0	0
Other current liabilities	430	504	702	761	862
Current liabilities	1,386	1,891	2,506	2,417	2,385
Total liabilities and shareholders' equity	15,415	17,415	18,802	18,363	18,586
Net working capital	(948)	942	417	(396)	(945)
Invested capital	13,817	14,634	14,302	14,261	15,140

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

Per share (THB)

Book value per share	2.40	2.58	2.82	2.97	3.15
Tangible book value per share	1.87	2.10	2.34	2.49	2.68

Financial strength

Net debt/equity (%)	41.6	29.3	15.8	9.5	9.9
Net debt/total assets (%)	25.2	18.2	10.0	6.4	7.0
Current ratio (x)	0.5	2.0	2.0	1.5	1.0
CF interest cover (x)	(4.4)	(4.0)	9.9	1.6	(4.7)

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	(47.7)	369.5	34.1	31.2	27.4
Recurring P/E @ target price (x) *	(61.9)	479.8	44.3	40.5	35.6
Reported P/E (x)	(52.1)	369.5	32.0	31.2	27.4
Dividend yield (%)	-	-	1.2	1.3	1.5
Price/book (x)	3.2	3.0	2.7	2.6	2.4
Price/tangible book (x)	4.1	3.7	3.3	3.1	2.9
EV/EBITDA (x) **	304.5	38.2	18.0	17.1	15.6
EV/EBITDA @ target price (x) **	381.3	48.2	22.9	21.9	19.9
EV/invested capital (x)	2.3	2.3	2.3	2.2	2.1

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

Sources: Principal Capital; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
Principal Capital	PRINC TB	THB 7.70	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) losses from new hospitals
Bangkok Dusit Medical Services	BDMS TB	THB 27.00	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 price and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 181.50	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) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Bangkok Chain Hospital	BCH TB	THB 20.30	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 3.74	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 16.60	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 65.50	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 2.42	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 53.75	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 09-Aug-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.