

# Thailand Healthcare

## 2Q22 sector wrap-up and 3Q22 outlook

- 2Q22 aggregate core profit dropped 24% q-q due to a slowdown in Covid revenue.
- Expect strong organic operations growth momentum to continue in 3Q22, led by Thai and Middle Eastern patients.
- Maintain OVERWEIGHT rating; top picks are BDMS, BH, and PR9, with value-play stocks BCH and CHG.

### 2Q22 aggregate core profit dropped 24% q-q

Healthcare sector companies under our coverage reported a 2Q22 aggregate core profit of THB7.4b (+83% y-y, -24% q-q). The q-q drop in 2Q22 core profit was mainly due to declining Covid-related revenue following the lower reimbursement rate from the government and the seasonal effect, as 2Q is normally the low season for Thai patients. However, non-Covid revenue in 2Q22 was impressive as most hospitals reported non-Covid Thai patient revenue exceeding the pre-Covid level, including BDMS (+3%), BH (+7%), BCH (+20%), CHG (+41%), and PR9 (+27%). Meanwhile, revenue growth from international patients exceeded the pre-Covid level for BH (+10%), BCH (+25%), and PR9 (+19%), while BDMS was still lower by 10%.

### 3Q22 aggregate core profit to drop q-q and y-y

We expect 3Q22 aggregate core profit to drop y-y mainly due to the high base in 3Q21, driven by the Delta variant wave of Covid revenue, with a further drop q-q due to lower Covid revenue as most “green” Covid patients (non-severe symptoms) have shifted from IPD treatments to OPD treatments, resulting in lower billing rates. However, we expect strong organic growth to continue, driven by pent-up demand. Normally, 3Q is the healthcare high season for Thai and Middle Eastern patients.

### Promising outlook and limited impact from inflation

Overall, we have a positive view as analyst meetings indicated that revenue growth guidance for 2022 by some companies, including BDMS and PR9, has been revised up. We raise our 2022-24 core profit forecast for BH up by 9-37% given that its 2Q22 earnings beat our estimate by 57%. As for inflation, most companies predict a limited impact given that hospitals can raise the cost of treatments, medicines, and supplies to offset higher costs.

### Trading in line with the historical average

Thai healthcare stocks are trading at an average of 35x 2023E P/E, relatively in line with the five-year average of 34x. We like BDMS, BH and PR9 as we expect them to deliver strong earnings momentum in 3Q22, led by non-Covid patients. In addition, we suggest long-term investors accumulate CHG and BCH due to their deeply discounted valuations at 27x and 24x 2023E P/E, respectively. We think the market de-rated CHG and BCH due to their projected downward core profit trend over next few quarters amid the slowdown in Covid revenue, while overlooking their strong organic potential. We expect BCH and CHG to each deliver a 2023 core profit (with a small amount of Covid revenue) that exceeds the pre-Covid level by 72% and 103%, respectively (vs peers' average of 58%).



**Teerapol Udomvej, CFA**

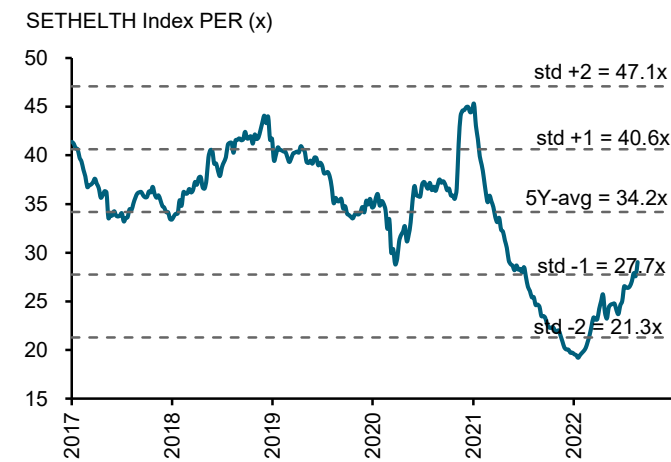
teerapol.udo@fssia.com  
+66 2611 3535

## Exhibit 1: 2Q22 core profit summary

Core profit	2Q21	3Q21	4Q21	1Q22	2Q22	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)
BDMS	1,452	2,309	2,636	3,443	2,664	83	(23)
BH	212	298	667	725	1,161	448	60
BCH	1,146	2,896	2,480	2,028	1,144	(0)	(44)
CHG	576	1,564	1,813	1,356	878	52	(35)
RAM	505	1,481	1,745	706	530	5	(25)
VIBHA	236	736	743	440	467	98	6
THG	90	831	635	522	339	279	(35)
PR9	12	83	116	157	125	959	(21)
PRINC	(154)	275	120	421	135	(187)	(68)
<b>Total</b>	<b>4,074</b>	<b>10,474</b>	<b>10,954</b>	<b>9,800</b>	<b>7,443</b>	<b>83</b>	<b>(24)</b>

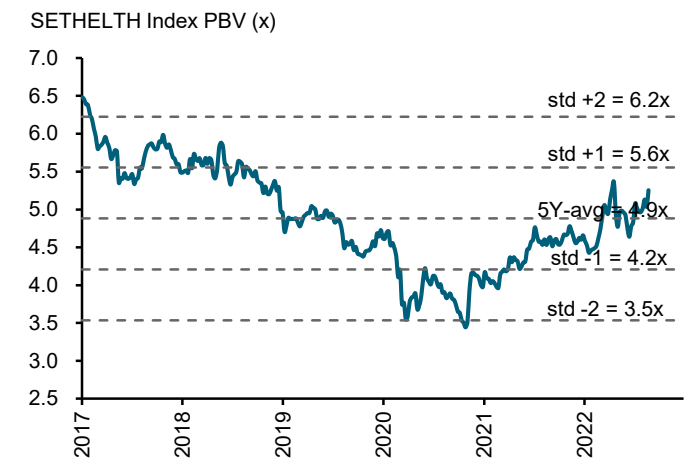
Source: FSSIA compilation

## Exhibit 2: Healthcare sector P/E band



Source: Bloomberg

## Exhibit 3: Healthcare sector EV/EBITDA band



Source: Bloomberg

## Exhibit 4: Peer comparisons as of 25 Aug-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	28.50	31.00	9	12,649	44.9	36.1	11.8	13.9	5.2	4.9	22.8	19.3
Bumrungrad Hospital	BH TB	BUY	219.00	235.00	7	4,862	41.8	37.4	23.1	23.3	9.2	8.3	26.5	24.0
Bangkok Chain Hospital	BCH TB	BUY	19.00	28.50	50	1,323	10.2	24.0	33.7	13.7	3.2	3.3	6.5	12.2
Chularat Hospital	CHG TB	BUY	3.58	4.70	31	1,100	13.0	27.0	37.8	17.7	4.7	4.9	8.7	16.0
Praram 9 Hospital	PR9 TB	BUY	18.00	18.00	0	395	29.2	28.8	10.9	10.4	3.0	2.9	14.0	13.6
Thonburi Healthcare Group	THG TB	REDUCE	67.75	45.00	(34)	1,604	40.2	80.7	15.1	7.4	5.9	6.0	22.9	32.1
Vibhavadi Medical Center	VIBHA TB	BUY	2.60	3.20	23	986	33.7	32.6	8.1	7.3	2.4	2.4	30.1	27.2
Ramkhamhaeng Hospital	RAM TB	BUY	59.50	62.00	4	1,994	32.1	31.9	12.5	11.8	3.9	3.6	27.1	26.1
Principal Capital	PRINC TB	BUY	7.75	10.00	29	824	34.4	31.4	8.4	8.5	2.8	2.6	18.1	17.2
Rajthanee Hospital	RJH TB	n/a	37.25	n/a	n/a	311	10.9	24.9	52.6	20.4	7.5	5.1	8.5	16.4
Ekachai Medical Care	EKH TB	n/a	7.50	n/a	n/a	139	24.7	24.5	15.1	14.1	5.4	3.2	14.5	13.7
<b>Thailand average</b>						<b>26,188</b>	<b>28.6</b>	<b>34.5</b>	<b>20.8</b>	<b>13.5</b>	<b>4.8</b>	<b>4.3</b>	<b>18.1</b>	<b>19.8</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	72.92	n/a	n/a	11,650	54.3	30.1	8.3	12.9	4.1	4.1	13.3	10.9
Ihh Healthcare Bhd	IHH SP	n/a	1.98	n/a	n/a	12,552	33.9	29.5	6.9	7.3	2.2	2.2	15.1	14.1
Ryman Healthcare	RYM NZ	n/a	9.35	n/a	n/a	2,917	20.4	16.9	7.4	7.6	1.4	1.4	19.6	15.2
Apollo Hospitals Enterprise	APHS IN	n/a	4,169	n/a	n/a	7,503	64.9	58.9	18.6	16.5	10.6	10.6	27.5	26.8
Kpj Healthcare Berhad	KPJ MK	n/a	0.88	n/a	n/a	850	31.3	23.0	5.6	7.4	1.7	1.7	12.3	11.1
Raffles Medical Group	RFMD SP	n/a	1.33	n/a	n/a	1,774	25.6	26.6	9.8	9.0	2.5	2.5	13.6	14.1
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,550	n/a	n/a	2,456	33.9	30.2	19.0	19.3	6.2	6.2	21.9	19.4
Aier Eye Hospital Group	300015 CH	n/a	29.71	n/a	n/a	30,538	64.9	49.3	22.4	24.1	14.8	14.8	39.8	31.2
<b>Regional average</b>						<b>70,241</b>	<b>41.1</b>	<b>33.1</b>	<b>12.2</b>	<b>13.0</b>	<b>5.4</b>	<b>5.4</b>	<b>20.4</b>	<b>17.8</b>
<b>Overall average</b>						<b>96,429</b>	<b>33.9</b>	<b>33.9</b>	<b>17.2</b>	<b>13.3</b>	<b>5.1</b>	<b>4.8</b>	<b>19.1</b>	<b>19.0</b>

Sources: Bloomberg, FSSIA estimates

## Exhibit 5: Price performance and 2023E core profit compared to pre-Covid level

Stocks	Price performance				Net profit		
	2020 (%)	2021 (%)	2022 YTD (%)	Since 2020 (%)	2019 (THB m)	2023E* (THB m)	diff (%)
Bangkok Dusit Med Services PCL	(20.0)	10.6	23.9	9.6	10,053	12,544	25
Bumrungrad Hospital PCL	(18.4)	17.5	55.3	49.0	3,883	4,654	20
Ramkhamhaeng Hospital PCL	(8.2)	42.5	49.7	95.7	1,474	2,240	52
Thonburi Healthcare Group PCL	(3.7)	44.7	81.9	153.3	322	713	122
Bangkok Chain Hospital PCL	(20.5)	47.8	(5.5)	11.1	1,149	1,977	72
Chularat Hospital PCL	(4.7)	48.8	(2.2)	38.8	719	1,456	103
Vibhavadi Medical Center PCL	(17.9)	79.6	(1.5)	45.3	853	1,165	37
Praram 9 Hospital PCL	14.6	22.2	63.6	129.3	312	492	58
Sikarin PCL	28.7	100.0	0.0	157.4	242.3	n/a	-
Principal Capital PCL	(18.0)	18.5	63.5	58.8	(347.1)	940.1	n/a
Chiang Mai Ram Medical Business PCL	(12.9)	73.9	0.7	52.5	157.8	n/a	-
Srivichai Vejvivat PCL	17.7	53.4	(11.6)	59.7	200.4	n/a	-
Ekachai Medical Care PCL	(25.6)	46.6	6.8	16.5	160.5	220.4	37
<b>Average</b>	<b>(6.83)</b>	<b>46.61</b>	<b>24.97</b>	<b>67.45</b>			<b>58</b>

Sources: Bloomberg; FSSIA estimate

## 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	SEAOIL	SYMC	TQM	WHA
AP	CENDEL	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	PPP	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	

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

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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	WIIK
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	
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Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Dusit Medical Services	BDMS TB	THB 28.50	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 219.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Bangkok Chain Hospital	BCH TB	THB 19.00	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) SSO provision expenses following a limited SSO budget.
Chularat Hospital	CHG TB	THB 3.58	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 price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 18.00	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Thonburi Healthcare Group	THG TB	THB 67.75	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 2.60	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 59.50	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.
Principal Capital	PRINC TB	THB 7.75	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 new hospitals.

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 25-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.