

# PRINCIPAL CAPITAL

# PRINC TB

THAILAND / HEALTHCARE

# BUY

UNCHANGED

TARGET PRICE	THB9.00
CLOSE	THB6.55
UP/DOWNSIDE	+37.4%
PRIOR TP	THB10.00
CHANGE IN TP	-10.0%
TP vs CONSENSUS	-10.0%

## 3Q22 hit by write-off

- Booked a core loss of THB104m in 3Q22 mainly due to Moderna vaccination write-off of THB151m.
- Expect strong core profit to grow at a 24% CAGR over 2019-25, led by organic growth and hospital expansion projects.
- Maintain BUY with a 2023 SoTP-TP of THB9.0/shr.

### Excluding one-off, 3Q22 core profit would be THB61m

PRINC reported a THB104m loss for 3Q22 due to a THB151m provision expense for inventory obsolescence of Moderna vaccines. Excluding this one-off, core profit would be THB61m. Revenue dropped 15% q-q. Hospital revenue dropped 17% q-q, as Covid revenue plunged 66% q-q and contributions dropped from 43% in 2Q22 to 18% in 3Q22. However, Non-Covid revenue grew by 21% and exceeded the pre-Covid level by 65%. Property business revenue grew by 24% q-q as the OCC rates of The Marriott Sathorn Vista and Somerset Ekamai increased to 82-83% in 3Q22 from 39-48% in 2Q22. EBITDA margin dropped from 20% in 2Q22 to 3% in 3Q22. Excluding the one-off, the EBITDA margin would be 13%.

### Non-Covid revenue exceeded pre-Covid by 65% in 3Q22

We are still confident in organic operations. Non-Covid healthcare revenue exceeded pre-Covid by 65% in 3Q22 due to a larger customer base, as the hospital number rose from 8 in 2019 to 13 in 2022, and some Covid patients converted to regular customers. Overall, we estimate non-Covid healthcare revenue of THB4.1b in 2022, exceeding the 2019 level by 72%, and it should grow further by 40% in 2023, driven by organic growth and new hospitals (we assume two new hospitals). This should lead to core profit growth of 19% in 2023 to THB658m.

### Cut earnings due to slower Covid revenue

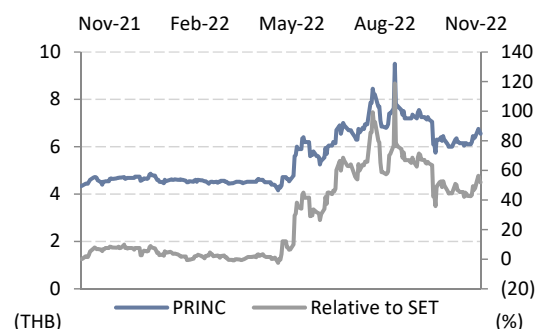
We revise down 2022-24E core profit by 18-36% mainly due to the faster-than-expected decline in Covid revenue. We derive a new SoTP-TP of THB9.0/shr. PRINC has an ambitious expansion plan to increase its number of hospitals from 13 with 1,210 beds currently to 20 hospitals with 2,000 beds by 2025. The stock offers strong earnings growth at a 24% CAGR over 2019-25E (vs peers' average of 14% CAGR).

### Weak share price is opportunity to accumulate stock

We believe the weak share price following the 3Q22 results is an opportunity to accumulate the stock, given that the Moderna write-off is a one-off item and we expect 4Q22 to turn profitable again. PRINC's hospital business (excluding property business) trades at an attractive valuation of 23x 2024E P/E (vs peers' avg of 31x). PRINC is one of the cheapest investing options for a fast-growing hospital chain in Thailand that is in a harvesting (for existing hospitals) and expansion period.

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	5,059	6,695	6,773	7,992
Net profit	79	610	658	881
EPS (THB)	0.02	0.16	0.17	0.23
vs Consensus (%)	-	-	-	-
EBITDA	878	1,455	1,575	1,878
Core net profit	79	554	658	881
Core EPS (THB)	0.02	0.15	0.17	0.23
Chg. In EPS est. (%)	-	(35.5)	(30.0)	(17.7)
EPS growth (%)	nm	598.0	18.8	33.9
Core P/E (x)	314.3	45.0	37.9	28.3
Dividend yield (%)	-	0.9	1.1	1.4
EV/EBITDA (x)	33.2	20.1	18.4	15.5
Price/book (x)	2.5	2.4	2.3	2.2
Net debt/Equity (%)	29.3	27.7	23.6	23.6
ROE (%)	0.9	5.5	6.2	7.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.0	(14.9)	50.2
Relative to country (%)	1.2	(15.1)	51.1
Mkt cap (USD m)	676		
3m avg. daily turnover (USD m)	9.2		
Free float (%)	12		
Major shareholder	Sathita Vidayakorn (46%)		
12m high/low (THB)	9.70/4.16		
Issued shares (m)	3,808.57		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

 teerapol.udo@fssia.com  
 +66 2611 3535

## 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 1,210 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 15% CAGR from THB5.1b in 2021 to THB8.8b in 2025, mainly driven by organic revenue at an 8% CAGR and new hospitals at a 7% 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.

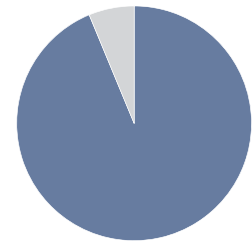
## Company profile

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](http://www.principalcapital.co.th)

## Principal activities (revenue, 2021)

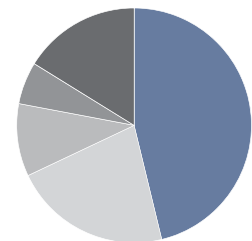
- Hospital revenue - 93.8 %
- Real estate - 6.2 %



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
Feb-22	4Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
No. of hospitals (no.)	13	15	18
No. of beds (no.)	1,210	1,386	1,705
Healthcare revenue growth (%)	31.4	(0.6)	19.2
Property revenue growth (%)	47.0	25.0	5.0
Healthcare EBITDA margin (%)	19.9	21.1	21.7
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.

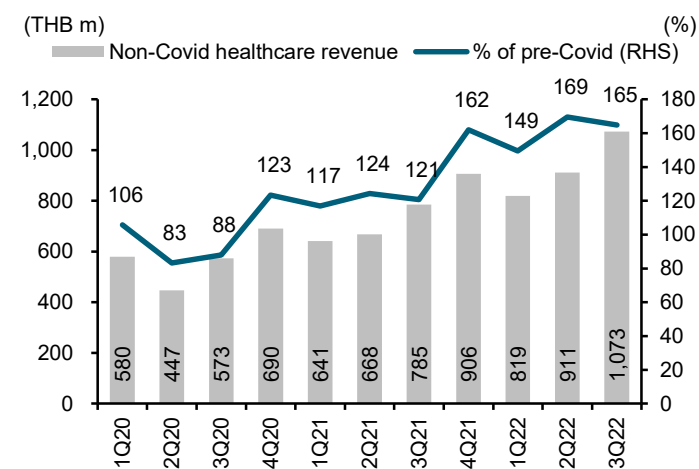
Source: FSSIA estimates

## Exhibit 1: 3Q22 results review

FY ending Dec	3Q21	4Q21	1Q22	2Q22	3Q22	Change		2022E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(q-q %)
Sales	1,678	1,737	2,085	1,751	1,496	(15)	(11)	6,695	32
Hospital revenue	1,603	1,647	1,987	1,646	1,367	(17)	(15)		
Property revenue	75	90	98	105	130	24	74		
COGS (incl depreciation)	(1,021)	(1,208)	(1,287)	(1,191)	(1,106)	(7)	8	(4,445)	22
<b>Gross profit</b>	<b>657</b>	<b>529</b>	<b>798</b>	<b>561</b>	<b>391</b>	<b>(30)</b>	<b>(41)</b>	<b>2,250</b>	<b>59</b>
SG&A	(280)	(329)	(289)	(336)	(478)	42	71	(1,423)	25
<b>Operating profit</b>	<b>377</b>	<b>200</b>	<b>509</b>	<b>224</b>	<b>(88)</b>	<b>(139)</b>	<b>(123)</b>	<b>827</b>	<b>197</b>
Net other income	16	12	14	13	12	(8)	(26)	90	46
Interest expenses	(36)	(36)	(38)	(40)	(40)	0	10	(151)	3
<b>Pretax profit</b>	<b>356</b>	<b>176</b>	<b>486</b>	<b>197</b>	<b>(116)</b>	<b>(159)</b>	<b>(133)</b>	<b>767</b>	<b>296</b>
Income Tax	(65)	(29)	(85)	(32)	26	(182)	(140)	(123)	21
Associates	0	(0)	(0)	(0)	0	(190)	(83)	0	(100)
Minority interest	(15)	(26)	(36)	(31)	(14)	(55)	(8)	(90)	567
<b>Core profit</b>	<b>275</b>	<b>120</b>	<b>365</b>	<b>135</b>	<b>(104)</b>	<b>(177)</b>	<b>(138)</b>	<b>554</b>	<b>598</b>
Extraordinaries, GW & FX	0	0	56	0	0			56	
<b>Reported net profit</b>	<b>275</b>	<b>120</b>	<b>421</b>	<b>135</b>	<b>(104)</b>	<b>(177)</b>	<b>(138)</b>	<b>610</b>	<b>669</b>
Outstanding shares (m)	3,809	3,809	3,809	3,809	3,809	0	0	3,809	0
<b>Pre-ex EPS (THB)</b>	<b>0.07</b>	<b>0.03</b>	<b>0.11</b>	<b>0.04</b>	<b>(0.03)</b>	<b>(177)</b>	<b>(138)</b>	<b>0.15</b>	<b>598</b>
<b>EPS (THB)</b>	<b>0.07</b>	<b>0.03</b>	<b>0.11</b>	<b>0.04</b>	<b>(0.03)</b>	<b>(177)</b>	<b>(138)</b>	<b>0.16</b>	<b>669</b>
COGS excl. depreciation	(870)	(1,059)	(1,139)	(1,030)	(941)	(9)	8	(3,817)	25
Depreciation	(150)	(149)	(148)	(161)	(165)	3	9	(628)	5
EBITDA	506	324	634	358	49	(86)	(90)	1,455	66
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	39	30	38	32	26	(6)	(13)	34	6
SG&A/Revenue	17	19	14	19	32	13	15	21	(1)
EBITDA margin	30	19	30	20	3	(17)	(27)	22	4
Net profit margin	16	7	20	8	(7)	(15)	(23)	9	8

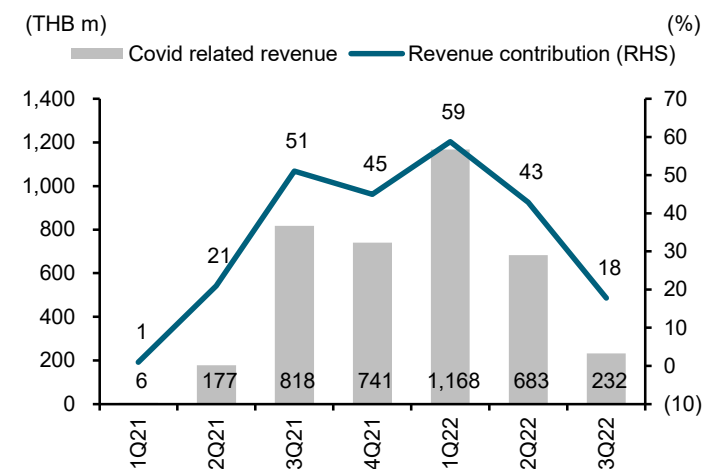
Sources: PRINC; FSSIA estimates

## Exhibit 2: Non-Covid healthcare revenue, quarterly



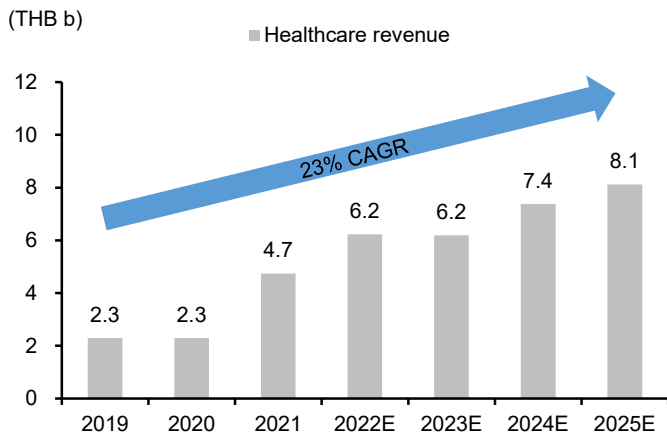
Sources: PRINC; FSSIA estimates

## Exhibit 3: Covid revenue, quarterly



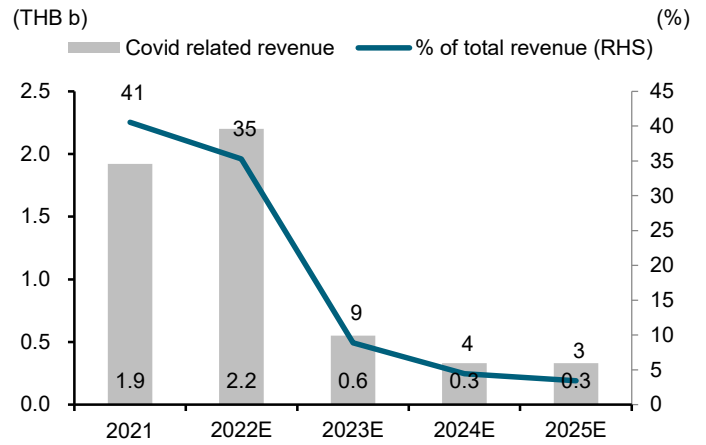
Sources: PRINC; FSSIA estimates

**Exhibit 4: Healthcare revenue**



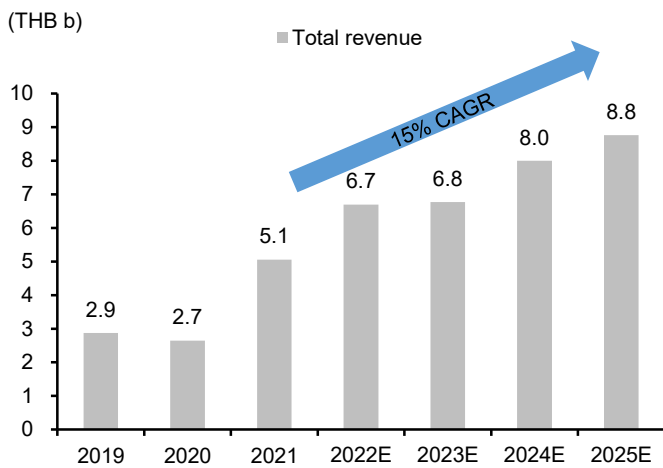
Note: Includes hospital and healthcare-related revenue  
Sources: PRINC; FSSIA estimates

**Exhibit 5: Covid-related revenue**



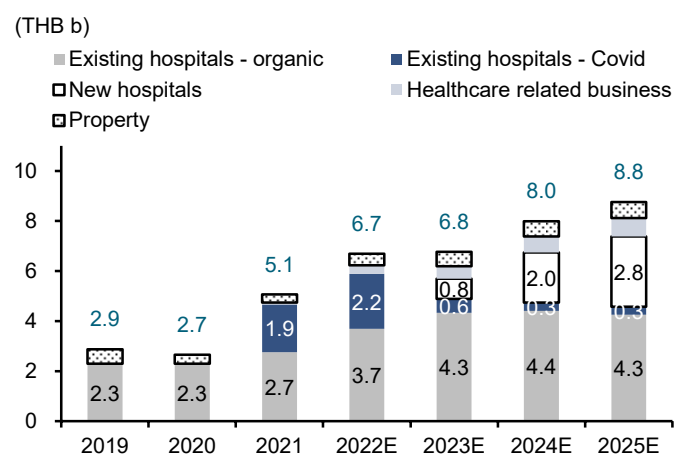
Sources: PRINC; FSSIA estimates

**Exhibit 6: Total revenue forecast**



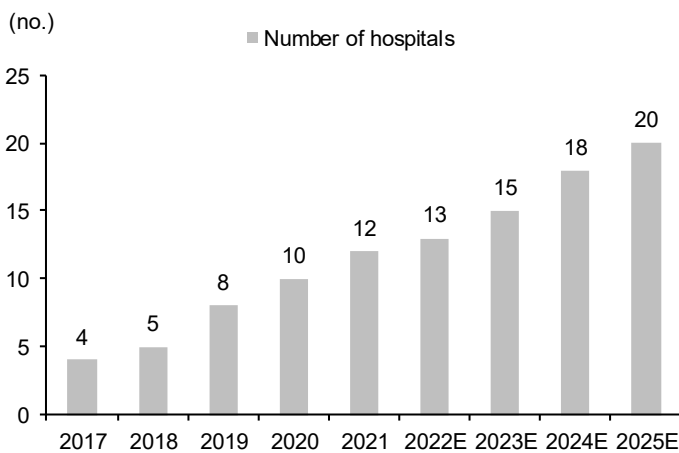
Sources: PRINC; FSSIA estimates

**Exhibit 7: Revenue breakdown**



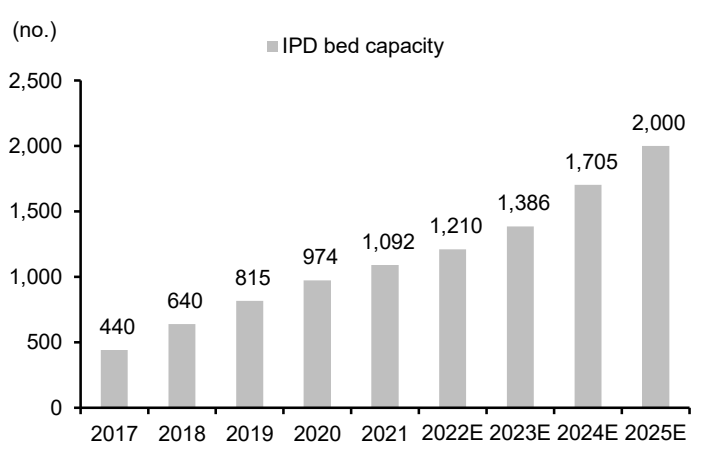
Sources: PRINC; FSSIA estimates

**Exhibit 8: Number of hospitals in portfolio**



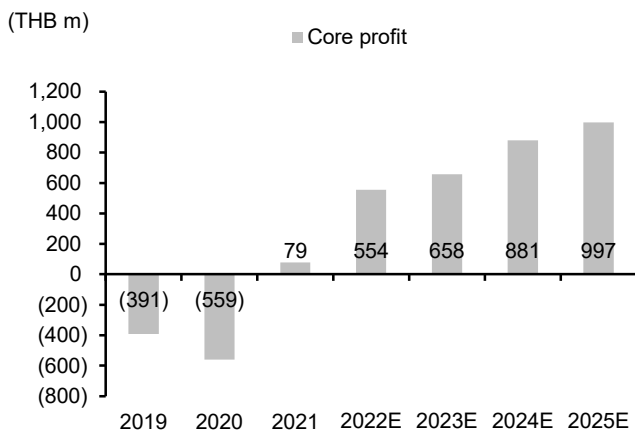
Sources: PRINC; FSSIA estimates

**Exhibit 9: IPD bed capacity in portfolio**



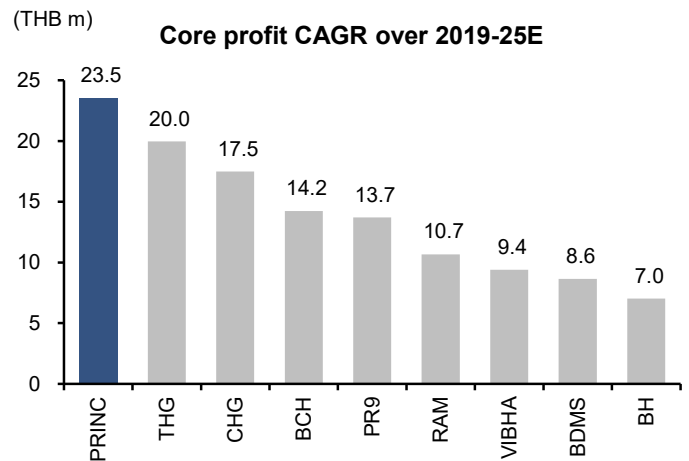
Sources: PRINC; FSSIA estimates

## Exhibit 10: Core profit forecast



Sources: PRINC; FSSIA estimates

## Exhibit 11: Core profit CAGR over 2019-25E



Sources: FSSIA estimates

## Exhibit 12: 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 (%)
Revenue	6,695	6,773	7,992	7,052	7,635	8,651	(5)	(11)	(8)
- Hospital revenue (non-Covid)	3,685	5,137	6,409	3,416	5,136	6,408	8	0	0
- Hospital revenue (Covid)	2,200	550	330	2,826	1,413	989	(22)	(61)	(67)
- Healthcare related revenue	345	505	644	345	505	644	0	0	0
- Property revenue	465	581	610	465	581	610	0	0	0
EBITDA margin (%)	21.7	23.3	23.5	25.5	24.2	23.6	(4)	(1)	(0)
Core profit	554	658	881	859	940	1,071	(36)	(30)	(18)

Source: FSSIA estimates

## Exhibit 13: 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	10.3	2.7	WACC 9.0%, Risk-free rate 3%, Risk premium 8%
Hospital business DCF - Terminal value	23.4	6.1	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	0.5	0.1	At end-2023E
Investments	0.0	0.0	At end-2023E
Debt	(3.4)	(0.9)	At end-2023E
Minorities	(1.1)	(0.3)	At end-2023E
<b>Residual ordinary equity</b>	<b>34.1</b>	<b>9.0</b>	

Sources: FSSIA estimates

## Exhibit 14: Peers comparison as of 9 November 2022

Company	BBG	Rec	Share price			Market Cap (USD m)	PE			ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		22E (x)	23E (x)	24E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
<b>Thailand</b>															
Bangkok Dusit Med Service	BDMS TB	BUY	30.50	33.00	8	13,141	42.7	37.6	32.6	13.2	14.2	5.5	5.1	22.8	20.4
Bumrungrad Hospital	BH TB	BUY	224.00	235.00	5	4,827	42.7	38.3	35.2	23.1	23.3	9.4	8.5	27.1	24.5
Bangkok Chain Hospital	BCH TB	BUY	18.80	26.00	38	1,271	14.7	23.7	20.6	24.9	14.9	3.7	3.4	9.4	12.6
Chularat Hospital	CHG TB	BUY	3.60	4.70	31	1,074	13.1	27.2	23.9	37.9	17.7	4.7	4.9	8.8	16.0
Praram 9 Hospital	PR9 TB	BUY	17.50	21.00	20	373	25.5	24.3	22.4	12.0	11.8	2.9	2.8	12.5	11.9
Thonburi Healthcare Group	THG TB	REDUCE	75.75	45.00	(41)	1,740	45.0	90.2	82.2	15.1	7.4	6.6	6.8	25.2	35.3
Vibhavadi Medical Center	VIBHA TB	BUY	2.84	3.20	13	1,045	36.8	35.6	31.8	8.1	7.3	2.6	2.6	32.3	29.2
Ramkhamhaeng Hospital	RAM TB	BUY	55.75	62.00	11	1,814	31.9	31.3	27.3	11.8	11.3	3.6	3.4	29.3	25.5
Principal Capital	PRINC TB	BUY	6.55	9.00	37	676	45.0	37.9	28.3	5.5	6.2	2.4	2.3	20.1	18.4
Rajthanee Hospital	RJH TB	n/a	32.50	n/a	n/a	262	8.5	23.2	22.1	50.6	18.7	6.5	4.1	6.6	15.2
Ekachai Medical Care	EKH TB	n/a	8.25	n/a	n/a	148	24.7	25.0	24.3	16.4	15.0	5.9	3.5	14.8	14.2
<b>Thailand average</b>						<b>26,373</b>	<b>28.6</b>	<b>34.8</b>	<b>31.4</b>	<b>20.1</b>	<b>13.7</b>	<b>4.9</b>	<b>4.3</b>	<b>18.6</b>	<b>20.0</b>
<b>Regional</b>															
Ramsay Health Care	RHC AU	n/a	58.70	n/a	n/a	8,667	42.4	30.9	22.2	8.3	11.4	3.3	3.3	12.8	11.3
Ihh Healthcare Bhd	IHH SP	n/a	1.77	n/a	n/a	11,060	33.1	28.5	26.1	6.7	7.0	2.1	2.1	14.6	13.7
Ryman Healthcare	RYM NZ	n/a	8.01	n/a	n/a	2,326	17.2	14.2	12.3	7.4	7.7	1.2	1.2	17.6	12.2
Apollo Hospitals Enterprise	APHS IN	n/a	4,361	n/a	n/a	7,714	67.9	62.6	44.2	18.6	16.5	11.1	11.1	28.7	28.6
Kpj Healthcare Berhad	KPJ MK	n/a	0.87	n/a	n/a	800	33.3	24.7	21.1	5.2	7.0	1.7	1.7	12.3	11.0
Raffles Medical Group	RFMD SP	n/a	1.41	n/a	n/a	1,839	24.0	26.2	24.4	11.0	9.6	2.6	2.6	12.7	13.8
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,870	n/a	n/a	2,538	37.4	33.4	29.0	19.2	19.6	6.9	6.9	24.2	21.3
Aier Eye Hospital Group	300015 CH	n/a	26.00	n/a	n/a	25,976	62.0	48.1	37.3	20.9	22.6	12.3	12.3	35.9	28.5
<b>Regional average</b>						<b>60,921</b>	<b>39.7</b>	<b>33.6</b>	<b>27.1</b>	<b>12.2</b>	<b>12.7</b>	<b>5.1</b>	<b>5.1</b>	<b>19.9</b>	<b>17.6</b>
<b>Overall average</b>						<b>87,293</b>	<b>33.3</b>	<b>34.3</b>	<b>29.6</b>	<b>16.8</b>	<b>13.2</b>	<b>5.0</b>	<b>4.7</b>	<b>19.1</b>	<b>19.0</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Principal Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	2,651	5,059	6,695	6,773	7,992
Cost of goods sold	(1,760)	(3,045)	(3,817)	(3,866)	(4,703)
<b>Gross profit</b>	<b>890</b>	<b>2,014</b>	<b>2,878</b>	<b>2,907</b>	<b>3,289</b>
Other operating income	-	-	-	-	-
Operating costs	(787)	(1,136)	(1,423)	(1,331)	(1,411)
<b>Operating EBITDA</b>	<b>104</b>	<b>878</b>	<b>1,455</b>	<b>1,575</b>	<b>1,878</b>
Depreciation	(572)	(600)	(628)	(669)	(712)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(468)</b>	<b>279</b>	<b>827</b>	<b>906</b>	<b>1,166</b>
Net financing costs	(133)	(147)	(124)	(117)	(106)
Associates	0	0	0	.	0
Recurring non-operating income	60	62	64	66	68
Non-recurring items	48	0	56	0	0
<b>Profit before tax</b>	<b>(493)</b>	<b>194</b>	<b>823</b>	<b>855</b>	<b>1,127</b>
Tax	(44)	(101)	(123)	(137)	(180)
<b>Profit after tax</b>	<b>(537)</b>	<b>93</b>	<b>700</b>	<b>718</b>	<b>947</b>
Minority interests	26	(14)	(90)	(60)	(66)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(512)</b>	<b>79</b>	<b>610</b>	<b>658</b>	<b>881</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(48)</b>	<b>0</b>	<b>(56)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(559)</b>	<b>79</b>	<b>554</b>	<b>658</b>	<b>881</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.16)	0.02	0.15	0.17	0.23
Reported EPS	(0.15)	0.02	0.16	0.17	0.23
DPS	0.00	0.00	0.06	0.07	0.09
Diluted shares (used to calculate per share data)	3,462	3,809	3,809	3,809	3,809
<b>Growth</b>					
Revenue (%)	(7.7)	90.8	32.3	1.2	18.0
Operating EBITDA (%)	(44.0)	746.8	65.7	8.2	19.2
Operating EBIT (%)	nm	nm	196.9	9.6	28.6
Recurring EPS (%)	nm	nm	598.0	18.8	33.9
Reported EPS (%)	nm	nm	668.7	7.8	33.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	12.0	28.0	33.6	33.0	32.2
Gross margin of key business (%)	12.0	28.0	33.6	33.0	32.2
Operating EBITDA margin (%)	3.9	17.4	21.7	23.3	23.5
Operating EBIT margin (%)	(17.7)	5.5	12.4	13.4	14.6
Net margin (%)	(21.1)	1.6	8.3	9.7	11.0
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	7.2	8.3	11.6
Inventory days	13.6	12.0	13.9	15.4	14.1
Debtor days	39.7	73.0	82.5	67.1	48.5
Creditor days	153.3	140.5	149.5	150.2	110.2
Operating ROIC (%)	(4.4)	1.1	5.3	5.7	7.0
ROIC (%)	(3.3)	1.1	5.0	5.3	6.5
ROE (%)	(6.5)	0.9	5.5	6.2	7.9
ROA (%)	(2.9)	1.0	4.2	4.5	5.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Hospital revenue	2,290	4,743	6,230	6,192	7,383
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	554	658	881
Depreciation	572	600	628	669	712
Associates & minorities	-	-	-	-	-
Other non-cash items	(99)	2,153	146	60	66
Change in working capital	335	(1,890)	486	617	576
<b>Cash flow from operations</b>	<b>248</b>	<b>942</b>	<b>1,814</b>	<b>2,004</b>	<b>2,235</b>
Capex - maintenance	(1,834)	(1,681)	(1,800)	(1,400)	(2,100)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(1,833)</b>	<b>(1,681)</b>	<b>(1,800)</b>	<b>(1,400)</b>	<b>(2,100)</b>
Dividends paid	0	0	0	(222)	(263)
Equity finance	0	1,416	0	0	0
Debt finance	707	(26)	(200)	(500)	(300)
Other financing cash flows	168	27	(33)	(24)	(26)
<b>Cash flow from financing</b>	<b>875</b>	<b>1,417</b>	<b>(233)</b>	<b>(746)</b>	<b>(590)</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>(710)</b>	<b>679</b>	<b>(218)</b>	<b>(142)</b>	<b>(455)</b>
Free cash flow to firm (FCFF)	(1,452.68)	(591.99)	164.99	741.58	256.97
Free cash flow to equity (FCFE)	(709.98)	(737.29)	(218.48)	80.11	(191.71)

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	(0.38)	(0.16)	0.04	0.19	0.07
FCFE per share	(0.19)	(0.19)	(0.06)	0.02	(0.05)
Recurring cash flow per share	(0.03)	0.74	0.35	0.36	0.44

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	18,216	16,611	18,411	19,811	21,911
Less: Accumulated depreciation	(5,361)	(4,823)	(5,451)	(6,120)	(6,832)
<b>Tangible fixed assets (net)</b>	<b>12,855</b>	<b>11,788</b>	<b>12,960</b>	<b>13,691</b>	<b>15,079</b>
<b>Intangible fixed assets (net)</b>	<b>1,824</b>	<b>1,824</b>	<b>1,824</b>	<b>1,824</b>	<b>1,824</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	3	4	4	4	4
Cash & equivalents	212	891	672	531	76
A/C receivable	343	1,681	1,346	1,143	983
Inventories	72	129	162	164	199
Other current assets	24	1,024	1,355	651	274
<b>Current assets</b>	<b>650</b>	<b>3,724</b>	<b>3,534</b>	<b>2,488</b>	<b>1,532</b>
Other assets	83	76	76	76	76
<b>Total assets</b>	<b>15,415</b>	<b>17,415</b>	<b>18,398</b>	<b>18,083</b>	<b>18,514</b>
Common equity	8,297	9,808	10,418	10,855	11,472
Minorities etc.	1,028	1,052	1,110	1,146	1,185
<b>Total shareholders' equity</b>	<b>9,325</b>	<b>10,860</b>	<b>11,528</b>	<b>12,000</b>	<b>12,657</b>
Long term debt	4,094	4,068	3,868	3,368	3,068
Other long-term liabilities	610	596	596	596	596
<b>Long-term liabilities</b>	<b>4,704</b>	<b>4,664</b>	<b>4,464</b>	<b>3,964</b>	<b>3,664</b>
A/C payable	956	1,387	1,739	1,444	1,397
Short term debt	0	0	0	0	0
Other current liabilities	430	504	667	675	796
<b>Current liabilities</b>	<b>1,386</b>	<b>1,891</b>	<b>2,406</b>	<b>2,119</b>	<b>2,193</b>
<b>Total liabilities and shareholders' equity</b>	<b>15,415</b>	<b>17,415</b>	<b>18,398</b>	<b>18,083</b>	<b>18,514</b>
Net working capital	(948)	942	456	(161)	(737)
Invested capital	13,817	14,634	15,320	15,433	16,246

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

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	2.40	2.58	2.74	2.85	3.01
Tangible book value per share	1.87	2.10	2.26	2.37	2.53

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	41.6	29.3	27.7	23.6	23.6
Net debt/total assets (%)	25.2	18.2	17.4	15.7	16.2
Current ratio (x)	0.5	2.0	1.5	1.2	0.7
CF interest cover (x)	(4.4)	(4.0)	(0.8)	1.7	(0.8)

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>(40.5)</b>	<b>314.3</b>	<b>45.0</b>	<b>37.9</b>	<b>28.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(55.7)</b>	<b>431.8</b>	<b>61.9</b>	<b>52.1</b>	<b>38.9</b>
Reported P/E (x)	(44.3)	314.3	40.9	37.9	28.3
Dividend yield (%)	-	-	0.9	1.1	1.4
Price/book (x)	2.7	2.5	2.4	2.3	2.2
Price/tangible book (x)	3.5	3.1	2.9	2.8	2.6
EV/EBITDA (x) **	266.1	33.2	20.1	18.4	15.5
EV/EBITDA @ target price (x) **	347.9	43.9	26.5	24.3	20.5
EV/invested capital (x)	2.0	2.0	1.9	1.9	1.8

\* 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	DRSH	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	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	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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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)

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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

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### 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 6.55	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 30.50	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 224.00	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 18.80	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 3.60	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 price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 17.50	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) higher-than-expected expenses from its new building.
Thonburi Healthcare Group	THG TB	THB 75.75	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 2.84	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 55.75	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-Nov-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.