

# CHULARAT HOSPITAL

THAILAND / HEALTHCARE

CHG TB

**BUY**

UNCHANGED

TARGET PRICE	THB4.70
CLOSE	THB3.52
UP/DOWNSIDE	+33.5%
PRIOR TP	THB4.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+12.8%

## Solid operations escaped attention

- Strong 3Q22 operations were hidden by non-recurring items.
- One of the best healthcare stocks in terms of improvement over pre-Covid level; we estimate new normalised profit at cTHB300m-400m/quarter (vs THB180m during the pre-Covid period).
- Expect core profit to grow q-q in 4Q22, driven by pent-up demand.

### Market misinterprets 3Q22 results

CHG's share price has fallen by 5% following its 3Q22 results announcement. We believe the market has misinterpreted CHG's 3Q22 results. It reported a profit of THB258m, missing expectations. However, CHG booked three non-recurring items: 1) THB80m from an additional bonus paid to employees; 2) a THB25m tax expense relating to Moderna vaccine write-offs; and 3) a THB59m loss on fair value adjustments of financial assets (cross-currency swap to lock in the interest rate for the term loan for Mae Sot Hospital). Excluding non-recurring items, 3Q22 core profit would be cTHB420m, in line with our estimate. In addition, the second item will reverse to tax income in 4Q22, and the third item will also reverse when CHG draws down the term loan in 1H23.

### 3Q22 indicates new norm profit with low contribution from Covid

We think CHG's 3Q22 operations are representative of its new normalised profit. Covid-related revenue (excl. Moderna vaccinations) accounted for only 8% of total revenue. Compared to its peers, CHG delivered the best improvement in 3Q22 results when compared to 3Q19. Non-Covid revenue exceeded the pre-Covid level by 21% (vs peers' 8%) with an EBITDA margin improvement by 5 ppt (vs peers' 3 ppt), and core profit exceeded by 57% (vs peers' 28%). Overall, we estimate a new normalised profit of THB300m-400m/quarter (vs THB180m average in pre-Covid period), with a potential upside from a higher SSO payment rate, which is likely to be announced by the beginning of next year.

### Strong 4Q22 outlook

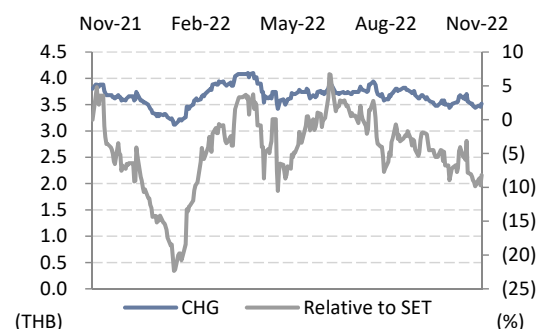
CHG guided that 4Q22 revenue should grow q-q or at least be flat q-q, driven by strong pent-up demand from Thai non-Covid patients and fly-in international patients. CHG should book the last payments (30% of budget amount) for chronic disease treatments during 2021 in 4Q. The actual receipts should be larger than the accrued amount, potentially leading to an extra gain of cTHB100m in 4Q22 (vs THB190m in 4Q21).

### Trading at an unjustified valuation

CHG is trading at an attractive 27x 2023E P/E, lower than its five-year average of 32x and peers' average of 31x. This is unjustified in our view, as CHG has a superior 2023E ROE of 18% vs peers' average of 14%.

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	11,742	10,483	7,186	7,642
Net profit	4,204	3,021	1,456	1,658
EPS (THB)	0.38	0.27	0.13	0.15
vs Consensus (%)	-	3.1	5.7	7.1
EBITDA	5,647	4,200	2,315	2,596
Core net profit	4,204	3,021	1,456	1,658
Core EPS (THB)	0.38	0.27	0.13	0.15
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	379.6	(28.2)	(51.8)	13.9
Core P/E (x)	9.2	12.8	26.6	23.4
Dividend yield (%)	5.7	4.7	2.3	2.6
EV/EBITDA (x)	6.5	8.5	15.6	13.6
Price/book (x)	5.1	4.6	4.8	4.4
Net debt/Equity (%)	(29.0)	(36.0)	(34.6)	(40.8)
ROE (%)	72.5	37.9	17.7	19.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.6	(3.3)	(4.3)
Relative to country (%)	(0.9)	(2.2)	(3.0)
Mkt cap (USD m)	1,084		
3m avg. daily turnover (USD m)	3.7		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	4.16/3.08		
Issued shares (m)	11,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

CHG opened two new hospitals (RPC and 304 Inter) in 2H18 which contributed an accumulated loss of THB70m in 2020 (8% of 2020 core profit). Both hospitals turned around in 2021, and we estimate that this should lead to an EBITDA margin improvement from 24% in 2019 to 34% in 2024.

CHG's revenue contributions from cash patients have gradually increased. This is another key factor to expand its EBITDA margin, in our view, as cash patients have a higher margin than Social Security Office (SSO) patients.

CHG should report strong earnings growth in 2022-23, led by the recovery in non-Covid cash patient numbers coupled with its larger SSO-registered member base and pent-up demand from international patients.

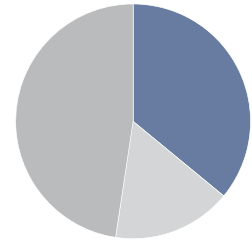
## Company profile

CHG operates a healthcare business covering the eastern part of Bangkok and its nearby provinces. The Group owns nine hospitals and four clinics.

[www.chularat.com](http://www.chularat.com)

## Principal activities (revenue, 2021)

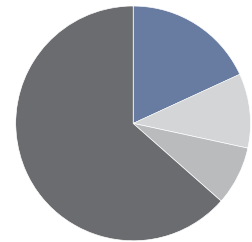
- Cash patient revenue - 36.0 %
- SSO patient revenue - 16.4 %
- NHSO patient revenue - 47.6 %



Source: Chularat Hospital

## Major shareholders

- Kannikar Plussind - 18.1 %
- Apirum Panyapol - 10.3 %
- Kobkul Panyapol - 8.1 %
- Others - 63.5 %



Source: Chularat Hospital

## Catalysts

Key potential growth drivers include 1) more SSO registered members; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by new hospitals.

## Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

## Event calendar

Date	Event
Feb 2023	2022 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
SSO volume growth	10	2	1
SSO revenue/patient growth	1	0	3
OPD volume growth	(3)	6	3
OPD revenue/patient growth	(4)	4	4
IPD volume growth	23	6	4
IPD revenue/patient growth	(15)	4	4

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings to rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings to rise by 3%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: 3Q22 vs 3Q19 performance

	3Q22				3Q19				% Change				P/E multiple	
	Total revenue	Non-Covid revenue	EBITDA margin	Core profit	Total revenue	Non-Covid revenue	EBITDA margin	Core profit	Total revenue	Non-Covid revenue	EBITDA margin	Core profit	2023E	5-yr avg
	(THB m)	(THB m)	(%) (THB m)	(THB m)	(THB m)	(THB m)	(%) (THB m)	(THB m)	(%)	(%)	(ppt)	(%)	(x)	(x)
BDMS	23,985	21,931	25	3,386	21,887	21,887	23	2,890	10	0	2	17	36	36
BH	5,693	5,456	36	1,501	4,742	4,742	33	1,055	20	15	3	42	35	35
BCH*	3,429	2,707	32	499	2,469	2,469	29	402	39	10	3	24	26	32
CHG*	2,026	1,726	30	422	1,431	1,431	25	269	42	21	5	57	27	32

\*BCH's 3Q22 performance adjusted to exclude Moderna vaccination write-off; CHG's 3Q22 performance adjusted to exclude non-recurring items

Sources: FSSIA's compilation and estimates

## Exhibit 2: Healthcare sector share price performance and 2023E core profit compared to 2019

Company	BBG	Price performance				Net profit		
		2020	2021	2022 YTD	Since 2020	2019	2023E	diff
		(%)	(%)	(%)	(%)	(THB m)	(THB m)	(%)
Bangkok Dusit Med Services PCL	BDMS TB	(20.0)	10.6	28.3	13.5	10,053	12,893	28
Bumrungrad Hospital PCL	BH TB	(18.4)	17.5	56.0	49.7	3,883	5,049	30
Ramkhamhaeng Hospital PCL	RAM TB	(8.2)	42.5	40.3	83.4	1,474	2,140	45
Thonburi Healthcare Group PCL	THG TB	(3.7)	44.7	88.6	162.6	322	1,186	269
Bangkok Chain Hospital PCL	BCH TB	(20.5)	47.8	1.5	19.3	1,149	1,977	72
<b>Chularat Hospital PCL</b>	<b>CHG TB</b>	<b>(4.7)</b>	<b>48.8</b>	<b>(3.8)</b>	<b>36.4</b>	<b>719</b>	<b>1,456</b>	<b>103</b>
Vibhavadi Medical Center PCL	VIBHA TB	(17.9)	79.6	1.5	49.7	853	1,165	37
Praram 9 Hospital PCL	PR9 TB	14.6	22.2	55.5	117.8	312	566	81
Sikarin PCL	SKR TB	(10.7)	0.0	7.0	(4.5)	242	n/a	-
Principal Capital PCL	PRINC TB	28.7	100.0	7.7	177.2	(347)	658	nm
Chiang Mai Ram Medical Business PCL	CMR TB	(18.0)	18.5	27.6	24.0	158	n/a	-
Srivichai Vejvivat PCL	VIH TB	(12.9)	73.9	(13.7)	30.7	200	n/a	-
Ekachai Medical Care PCL	EKH TB	17.7	53.4	(21.0)	42.7	160	235	46
<b>Average/Total</b>		<b>(5.68)</b>	<b>43.03</b>	<b>21.18</b>	<b>61.74</b>	<b>18,577</b>	<b>27,346</b>	<b>47</b>

Sources: Bloomberg; FSSIA's compilation

## Recap: 3Q22 results review

CHG reported a core profit of THB258m in 3Q22 (-83% y-y, -71% q-q), missing our estimate by 42% mainly due to three non-recurring items: 1) THB80m from an additional bonus paid to employees; 2) a THB25m tax expense relating to Moderna vaccine write-offs; and 3) a THB59m loss on fair value adjustments of financial assets. Excluding non-recurring items, 3Q22 core profit would be cTHB420m, in line with our estimate.

Revenue dropped by 27% q-q due to a slowdown in Covid-related revenue, which significantly dropped by 74% q-q and contributed 15% of total revenue in 3Q22 (vs 41% in 2Q22).

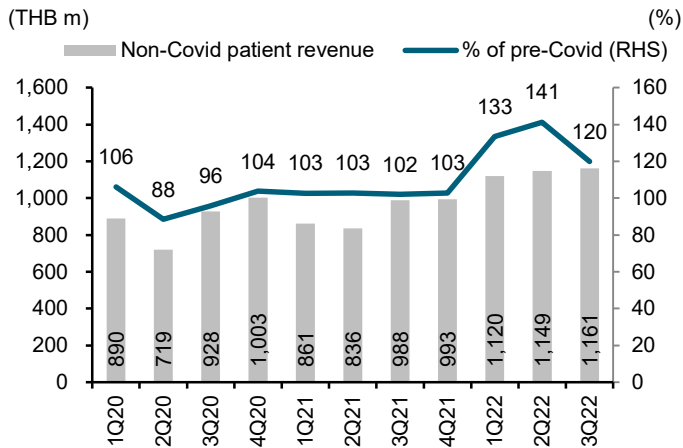
Excluding Covid-related revenue, organic revenue remained strong in 3Q22. SSO revenue increased by 16% q-q and exceeded the pre-Covid level by 22%. Non-Covid cash patient revenue (A-class and National Health Security Office (NHSO)) grew 1% q-q and exceeded the pre-Covid level by 20%.

CHG's EBITDA margin dropped from 44% in 2Q22 to 23% in 3Q22. Excluding non-recurring items, the EBITDA margin would be at 30%, which is relatively high compared to 24% in 2019.

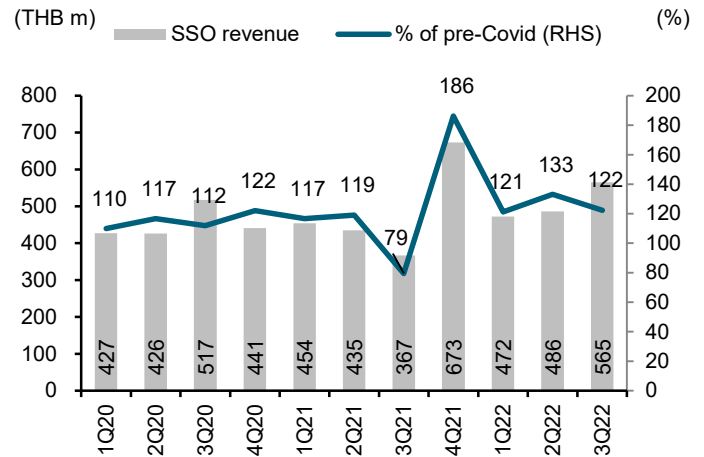
### Exhibit 3: Summary of 3Q22 operations

Year to 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)	(y-y %)
<b>Revenue</b>	<b>4,390</b>	<b>3,866</b>	<b>3,571</b>	<b>2,784</b>	<b>2,026</b>	<b>(27)</b>	<b>(54)</b>	<b>10,483</b>	<b>(11)</b>
Cost of sales (Incl. depreciation)	(2,159)	(1,523)	(1,702)	(1,497)	(1,480)	(1)	(31)	(6,097)	4
<b>Gross profit</b>	<b>2,232</b>	<b>2,343</b>	<b>1,869</b>	<b>1,288</b>	<b>546</b>	<b>(58)</b>	<b>(76)</b>	<b>4,386</b>	<b>(25)</b>
SG&A	(338)	(117)	(205)	(223)	(253)	13	(25)	(891)	8
<b>Operating profit</b>	<b>1,893</b>	<b>2,226</b>	<b>1,665</b>	<b>1,064</b>	<b>293</b>	<b>(72)</b>	<b>(85)</b>	<b>3,495</b>	<b>(31)</b>
Other operating income	67	69	67	68	74	8	10	300	17
Interest income	0	1	1	3	0	(92)	187	10	409
<b>EBIT</b>	<b>1,961</b>	<b>2,295</b>	<b>1,732</b>	<b>1,136</b>	<b>367</b>	<b>(68)</b>	<b>(81)</b>	<b>3,805</b>	<b>(28)</b>
Interest expense	(5)	(5)	(3)	(3)	(4)	25	(24)	(7)	(66)
<b>EBT</b>	<b>1,956</b>	<b>2,290</b>	<b>1,729</b>	<b>1,133</b>	<b>364</b>	<b>(68)</b>	<b>(81)</b>	<b>3,797</b>	<b>(28)</b>
Income tax	(377)	(426)	(341)	(226)	(97)	(57)	(74)	(726)	(28)
Minority interests	(15)	(51)	(31)	(29)	(8)	(72)	(47)	(51)	n/a
<b>Core profit</b>	<b>1,564</b>	<b>1,813</b>	<b>1,356</b>	<b>878</b>	<b>258</b>	<b>(71)</b>	<b>(83)</b>	<b>3,021</b>	<b>(28)</b>
Extraordinaries									
<b>Net income</b>	<b>1,564</b>	<b>1,813</b>	<b>1,356</b>	<b>878</b>	<b>258</b>	<b>(71)</b>	<b>(83)</b>	<b>3,021</b>	<b>(28)</b>
<b>Core EPS (THB)</b>	<b>0.14</b>	<b>0.16</b>	<b>0.12</b>	<b>0.08</b>	<b>0.02</b>	<b>(71)</b>	<b>(83)</b>	<b>0.27</b>	<b>(28)</b>
No of shares (m)	11,000	11,000	11,000	11,000	11,000	0	0	11,000	0
Cost (Excl. depreciation)	(2,071)	(1,431)	(1,609)	(1,402)	(1,379)	(2)	(33)	(5,692)	3
Depreciation & amortisation	(87)	(92)	(93)	(95)	(101)	6	15	(405)	15
<b>EBITDA</b>	<b>2,048</b>	<b>2,386</b>	<b>1,824</b>	<b>1,227</b>	<b>468</b>	<b>(62)</b>	<b>(77)</b>	<b>4,200</b>	<b>(26)</b>
<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	51	61	52	46	27	(19)	(24)	42	(8)
SG&A/Revenue	8	3	6	8	12	4	5	9	2
EBITDA margin	47	62	51	44	23	(21)	(24)	40	(8)
Net profit margin	36	47	38	32	13	(19)	(23)	29	(7)
<b>Operating stats</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>				
SSO revenue	(29)	53	4	12	54				
SSO registered members ('000)	460	464	483	503	513				
SSO revenue per head	(32)	45	(4)	1	38				
Cash-OPD revenue	29	59	86	14	24				
Cash-OPD visit number	11	7	34	3	13				
Cash-OPD revenue per head	16	48	39	11	10				
Cash-IPD revenue	35	5	70	40	14				
Cash-IPD admission number	(25)	(25)	20	15	56				
Cash-IPD revenue per head	80	41	41	22	(27)				

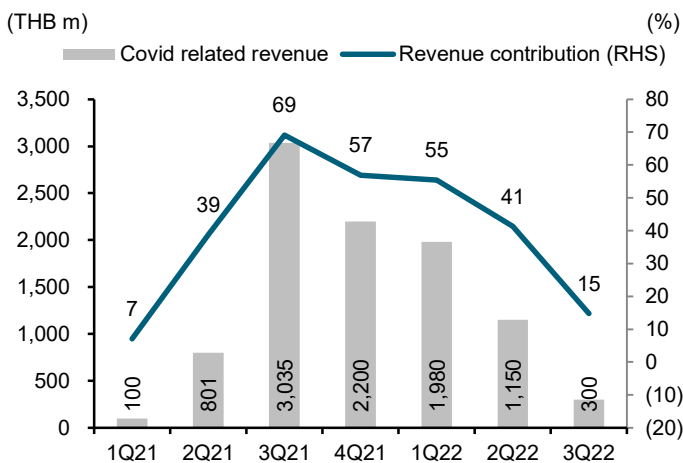
Sources: CHG; FSSIA estimates

**Exhibit 4: Non-Covid cash patient revenue**

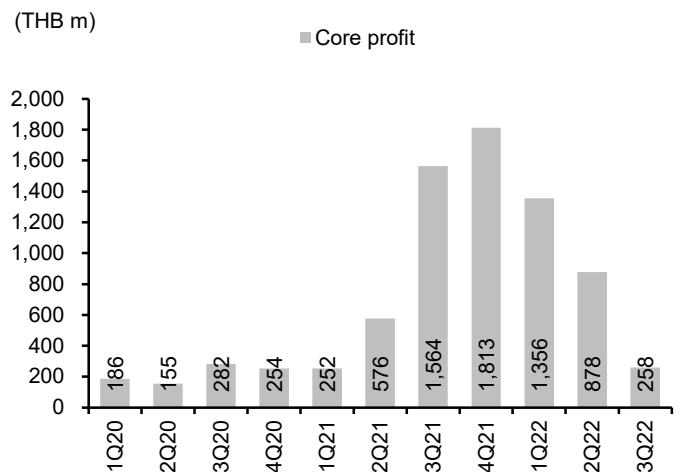
Note: Includes NHSO revenue, mainly from Heart Center  
Sources: CHG; FSSIA estimates

**Exhibit 5: SSO revenue**

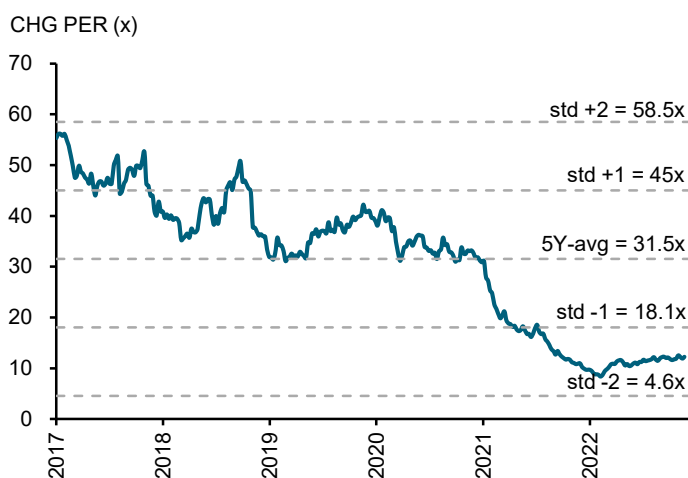
Note: Includes additional gain from chronic disease treatments of THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19  
Sources: CHG; FSSIA estimates

**Exhibit 6: Covid-related revenue**

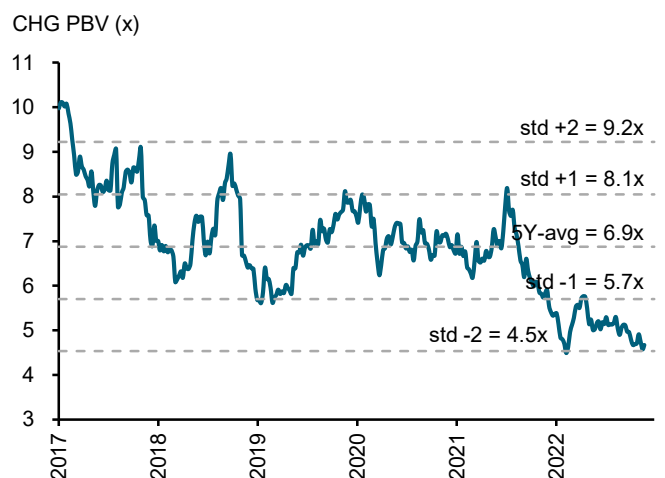
Sources: CHG; FSSIA estimates

**Exhibit 7: Quarterly core profit**

Source: CHG; FSSIA estimates

**Exhibit 8: Historical P/E band**

Sources: Bloomberg; FSSIA estimates

**Exhibit 9: Historical P/BV band**

Sources: Bloomberg; FSSIA estimates

## Exhibit 10: Peer comparisons as of 24 November 2022

Company	BBG	Rec	----- Share price -----			Market Cap (USD m)	----- PE -----			---- ROE ----		---- PBV ----		EV/ EBITDA	
			Current	Target	Upside		22E	23E	24E	22E	23E	22E	23E	22E	23E
			(LCY)	(LCY)	(%)		(x)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand															
Bangkok Dusit Med Service	BDMS TB	BUY	29.50	33.00	12	13,125	41.3	36.4	31.6	13.2	14.2	5.3	5.0	22.0	19.7
Bumrungrad Hospital	BH TB	BUY	220.00	255.00	16	4,896	37.9	34.7	32.0	25.2	24.5	9.0	8.0	24.5	22.5
Bangkok Chain Hospital	BCH TB	BUY	20.40	26.00	27	1,424	15.9	25.7	22.4	24.9	14.9	4.0	3.7	10.1	13.7
Chularat Hospital	CHG TB	BUY	3.52	4.70	34	1,084	12.8	26.6	23.4	37.9	17.7	4.6	4.8	8.5	15.6
Praram 9 Hospital	PR9 TB	BUY	17.10	21.00	23	376	24.9	23.8	21.9	12.0	11.8	2.9	2.7	12.2	11.5
Thonburi Healthcare Group	THG TB	REDUCE	70.25	55.00	(22)	1,667	36.9	50.3	44.3	16.9	11.8	6.0	5.9	21.6	25.6
Vibhavadi Medical Center	VIBHA TB	BUY	2.68	3.20	19	1,019	34.8	33.6	30.0	8.1	7.3	2.5	2.4	30.8	27.9
Ramkhamhaeng Hospital	RAM TB	BUY	55.75	62.00	11	1,873	31.9	31.3	27.3	11.8	11.3	3.6	3.4	29.3	25.5
Principal Capital	PRINC TB	BUY	6.05	9.00	49	645	41.6	35.0	26.2	5.5	6.2	2.2	2.1	18.8	17.2
Rajthanee Hospital	RJH TB	n/a	30.00	n/a	n/a	256	8.1	21.9	20.9	50.6	18.7	6.1	3.9	6.4	14.8
Ekachai Medical Care	EKH TB	n/a	8.35	n/a	n/a	157	23.2	23.6	24.2	17.6	13.9	5.9	3.2	13.6	13.2
Thailand average						26,523	28.1	31.2	27.6	20.3	13.9	4.7	4.1	18.0	18.8
Regional															
Ramsay Health Care	RHC AU	n/a	65.14	n/a	n/a	10,085	47.0	35.7	24.9	8.3	11.5	3.6	3.6	13.6	12.3
Ihh Healthcare Bhd	IHH SP	n/a	1.80	n/a	n/a	11,485	32.9	28.2	25.6	6.7	7.0	2.0	2.0	14.4	13.5
Ryman Healthcare	RYM NZ	n/a	6.85	n/a	n/a	2,144	15.0	12.0	11.3	7.4	8.0	1.0	1.0	17.5	14.0
Apollo Hospitals Enterprise	APHS IN	n/a	4,815	n/a	n/a	8,438	74.5	70.3	49.5	18.6	16.3	12.2	12.2	31.5	31.6
Kpj Healthcare Berhad	KPJ MK	n/a	0.94	n/a	n/a	928	34.1	25.1	22.2	5.7	7.3	1.9	1.9	12.7	11.5
Raffles Medical Group	RFMD SP	n/a	1.33	n/a	n/a	1,797	22.9	25.1	23.3	11.0	9.6	2.5	2.5	12.2	13.2
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,730	n/a	n/a	2,436	36.3	32.4	28.4	19.0	19.5	6.6	6.6	23.4	20.7
Aier Eye Hospital Group	300015 CH	n/a	26.35	n/a	n/a	26,328	63.3	48.5	38.0	20.7	22.5	12.3	12.3	36.0	28.6
Regional average						63,640	40.8	34.7	27.9	12.2	12.7	5.3	5.3	20.1	18.2
Overall average						90,163	33.4	32.6	27.7	16.9	13.4	5.0	4.6	18.9	18.6

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Chularat Hospital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	5,433	11,742	10,483	7,186	7,642
Cost of goods sold	(3,331)	(5,531)	(5,692)	(4,449)	(4,616)
<b>Gross profit</b>	<b>2,102</b>	<b>6,211</b>	<b>4,791</b>	<b>2,737</b>	<b>3,025</b>
Other operating income	29	257	300	300	300
Operating costs	(673)	(821)	(891)	(722)	(730)
<b>Operating EBITDA</b>	<b>1,457</b>	<b>5,647</b>	<b>4,200</b>	<b>2,315</b>	<b>2,596</b>
Depreciation	(354)	(351)	(405)	(432)	(456)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>1,104</b>	<b>5,296</b>	<b>3,795</b>	<b>1,883</b>	<b>2,140</b>
Net financing costs	(33)	(19)	2	9	8
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>1,071</b>	<b>5,276</b>	<b>3,797</b>	<b>1,892</b>	<b>2,148</b>
Tax	(219)	(1,009)	(726)	(378)	(430)
<b>Profit after tax</b>	<b>852</b>	<b>4,267</b>	<b>3,071</b>	<b>1,514</b>	<b>1,718</b>
Minority interests	24	(63)	(51)	(57)	(60)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>877</b>	<b>4,204</b>	<b>3,021</b>	<b>1,456</b>	<b>1,658</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>877</b>	<b>4,204</b>	<b>3,021</b>	<b>1,456</b>	<b>1,658</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.08	0.38	0.27	0.13	0.15
Reported EPS	0.08	0.38	0.27	0.13	0.15
DPS	0.05	0.20	0.16	0.08	0.09
Diluted shares (used to calculate per share data)	11,000	11,000	11,000	11,000	11,000
<b>Growth</b>					
Revenue (%)	5.2	116.1	(10.7)	(31.5)	6.3
Operating EBITDA (%)	18.2	287.4	(25.6)	(44.9)	12.1
Operating EBIT (%)	22.3	379.7	(28.3)	(50.4)	13.6
Recurring EPS (%)	21.9	379.6	(28.2)	(51.8)	13.9
Reported EPS (%)	24.3	379.6	(28.2)	(51.8)	13.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	32.2	49.9	41.8	32.1	33.6
Gross margin of key business (%)	32.2	49.9	41.8	32.1	33.6
Operating EBITDA margin (%)	26.8	48.1	40.1	32.2	34.0
Operating EBIT margin (%)	20.3	45.1	36.2	26.2	28.0
Net margin (%)	16.1	35.8	28.8	20.3	21.7
Effective tax rate (%)	20.4	19.1	19.1	20.0	20.0
Dividend payout on recurring profit (%)	62.7	52.3	60.0	60.0	60.0
Interest cover (X)	33.6	271.9	(1,636.7)	(214.7)	(270.0)
Inventory days	18.6	15.6	19.2	22.2	19.1
Debtor days	31.1	17.1	23.3	38.5	39.7
Creditor days	64.5	46.6	54.8	63.3	54.6
Operating ROIC (%)	18.3	83.2	55.7	27.7	31.9
ROIC (%)	17.5	80.4	53.9	26.8	30.9
ROE (%)	22.7	72.5	37.9	17.7	19.7
ROA (%)	14.1	51.1	28.7	14.5	16.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	3,208	4,222	4,141	4,584	4,937
SSO patient revenue	1,811	1,928	2,142	2,179	2,269
NHSO patient revenue	413	5,592	4,200	424	436

Sources: Chularat Hospital; FSSIA estimates



## Financial Statements

### Chularat Hospital

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	877	4,204	3,021	1,456	1,658
Depreciation	354	351	405	432	456
Associates & minorities	-	-	-	-	-
Other non-cash items	90	50	51	57	60
Change in working capital	70	(540)	16	81	(98)
<b>Cash flow from operations</b>	<b>1,390</b>	<b>4,065</b>	<b>3,492</b>	<b>2,026</b>	<b>2,076</b>
Capex - maintenance	(400)	(539)	(400)	(400)	(306)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(400)</b>	<b>(539)</b>	<b>(400)</b>	<b>(400)</b>	<b>(306)</b>
Dividends paid	(550)	(660)	(2,200)	(1,812)	(874)
Equity finance	0	0	0	0	0
Debt finance	(360)	(665)	(414)	0	0
Other financing cash flows	0	40	(51)	(57)	(60)
<b>Cash flow from financing</b>	<b>(910)</b>	<b>(1,284)</b>	<b>(2,665)</b>	<b>(1,869)</b>	<b>(934)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>80</b>	<b>2,242</b>	<b>427</b>	<b>(243)</b>	<b>837</b>
Free cash flow to firm (FCFF)	1,026.10	3,547.55	3,099.40	1,628.39	1,772.91
Free cash flow to equity (FCFE)	629.99	2,901.73	2,627.37	1,568.84	1,710.51
<b>Per share (THB)</b>					
FCFF per share	0.09	0.32	0.28	0.15	0.16
FCFE per share	0.06	0.26	0.24	0.14	0.16
Recurring cash flow per share	0.12	0.42	0.32	0.18	0.20
Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	6,625	7,129	7,529	7,929	8,235
Less: Accumulated depreciation	(2,352)	(2,661)	(3,065)	(3,497)	(3,953)
<b>Tangible fixed assets (net)</b>	<b>4,273</b>	<b>4,468</b>	<b>4,464</b>	<b>4,432</b>	<b>4,282</b>
<b>Intangible fixed assets (net)</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	548	2,790	3,217	2,974	3,810
A/C receivable	481	616	721	793	869
Inventories	179	295	304	237	246
Other current assets	555	2,196	1,961	1,344	1,429
<b>Current assets</b>	<b>1,763</b>	<b>5,897</b>	<b>6,202</b>	<b>5,348</b>	<b>6,355</b>
Other assets	117	137	137	137	137
<b>Total assets</b>	<b>6,201</b>	<b>10,550</b>	<b>10,850</b>	<b>9,964</b>	<b>10,821</b>
Common equity	4,024	7,569	8,389	8,034	8,818
Minorities etc.	169	272	272	272	272
<b>Total shareholders' equity</b>	<b>4,193</b>	<b>7,841</b>	<b>8,662</b>	<b>8,306</b>	<b>9,090</b>
Long term debt	609	480	0	0	0
Other long-term liabilities	124	137	137	137	137
<b>Long-term liabilities</b>	<b>732</b>	<b>617</b>	<b>137</b>	<b>137</b>	<b>137</b>
A/C payable	570	842	867	677	703
Short term debt	570	34	100	100	100
Other current liabilities	135	1,215	1,085	744	791
<b>Current liabilities</b>	<b>1,275</b>	<b>2,092</b>	<b>2,052</b>	<b>1,521</b>	<b>1,594</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,201</b>	<b>10,550</b>	<b>10,850</b>	<b>9,964</b>	<b>10,821</b>
Net working capital	510	1,050	1,034	953	1,051
Invested capital	4,948	5,702	5,682	5,569	5,517
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	0.37	0.69	0.76	0.73	0.80
Tangible book value per share	0.36	0.68	0.76	0.73	0.80
<b>Financial strength</b>					
Net debt/equity (%)	15.1	(29.0)	(36.0)	(34.6)	(40.8)
Net debt/total assets (%)	10.2	(21.6)	(28.7)	(28.8)	(34.3)
Current ratio (x)	1.4	2.8	3.0	3.5	4.0
CF interest cover (x)	20.2	150.0	(1,132.1)	(177.8)	(214.8)
Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>44.2</b>	<b>9.2</b>	<b>12.8</b>	<b>26.6</b>	<b>23.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>59.0</b>	<b>12.3</b>	<b>17.1</b>	<b>35.5</b>	<b>31.2</b>
Reported P/E (x)	44.2	9.2	12.8	26.6	23.4
Dividend yield (%)	1.4	5.7	4.7	2.3	2.6
Price/book (x)	9.6	5.1	4.6	4.8	4.4
Price/tangible book (x)	9.7	5.1	4.6	4.8	4.4
EV/EBITDA (x) **	27.1	6.5	8.5	15.6	13.6
EV/EBITDA @ target price (x) **	36.0	8.8	11.6	21.2	18.6
EV/invested capital (x)	8.0	6.4	6.3	6.5	6.4
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Chularat Hospital; FSSIA estimates



## Corporate Governance report of Thai listed companies 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	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENEL	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	MTSIB	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	CHAX	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	TIPIPP	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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\* 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	SEAOL	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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#### Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Chularat Hospital	CHG TB	THB 3.52	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Bangkok Dusit Medical Services	BDMS TB	THB 29.50	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 220.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Bangkok Chain Hospital	BCH TB	THB 20.40	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Praram 9 Hospital	PR9 TB	THB 17.10	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 70.25	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 2.68	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.
Principal Capital	PRINC TB	THB 6.05	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 24-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.