

## RAMKHAMHAENG HOSPITAL

THAILAND / HEALTH CARE SERVICES

## RAM TB

BUY

UNCHANGED

## โครงการต่าง ๆ กำลังก้าวหน้า

- คาดรายได้จะค่อนข้างทรงตัว y-y ในปี 2023; รายได้ที่ไม่เกี่ยวข้องกับโควิดน่าจะโต 10-15%
- แผนการขยายธุรกิจที่กำลังดำเนินการอยู่: คาดเปิด Ram 2 ได้ใน 2Q23 และจะเพิ่มจำนวนเตียงผู้ป่วยอีก 27% ในปี 2028
- คงแนะนำซื้อหลังปรับลดราคาเป้าหมายลงเป็น 60 บาท (DCF)

## การเติบโตที่ไม่เกี่ยวข้องกับโควิดนำโดยโรงพยาบาลหลักของ RAM และฐานผู้ป่วยประกันสังคม (SSO) ที่เพิ่มขึ้น

ในที่ประชุมนักวิเคราะห์เมื่อวันที่ 4 เม.ย. ผู้บริหารกล่าวว่าบริษัท คาดว่ารายได้จะค่อนข้างทรงตัว y-y ในปี 2023 ใกล้เคียงกับที่เราคาด เราคาดว่ารายได้ที่ไม่เกี่ยวข้องกับโควิดจะคิดเป็นประมาณ 14% ของรายได้โรงพยาบาลซึ่งหมายความว่ารายได้โรงพยาบาลที่ไม่เกี่ยวข้องกับโควิดน่าจะโต 10-15% ในปี 2023 จากศูนย์การแพทย์เฉพาะทางใหม่ที่โรงพยาบาลหลักของ RAM และจำนวนผู้ป่วย SSO ลงทะเบียนที่เพิ่มขึ้นจากกลุ่ม Vibharam โดยเฉพาะอย่างยิ่ง Chiangrai Ram ซึ่งเพิ่งเข้าร่วมโครงการ SSO เมื่อไม่นานมานี้และจะช่วยเพิ่มจำนวนผู้ป่วยลงทะเบียนได้ 50,000 คน

## คาด RAM 2 จะสร้างผลขาดทุนไม่เกิน 50-70 ลบ. ในปี 2023

RAM จะเพิ่มส่วนการลงทุนใน Ramkhamhaeng 2 Hospital (RAM 2) จาก 50.75 เป็น 52.17% ผ่านหุ้นออกใหม่ บริษัทฯ ได้เพิ่มงบลงทุนจาก 3.5 พัน ลบ. เป็น 4.5 พัน ลบ. ส่วนมากเพื่อใช้เป็นเงินทุนสำหรับการก่อสร้าง ศูนย์รังสีวิทยาและเครื่องมือแพทย์ RAM จะรวม RAM 2 ไว้ในงบการเงินของบริษัทฯ RAM 2 ซึ่งมีจำนวนเตียงจดทะเบียนรวม 560 เตียงน่าจะเปิดได้ใน 2Q23 โดยจะมี 60-100 เตียงในขั้นต้น ผู้บริหารคาดว่าจะเกิดผลขาดทุน 200-250 ลบ. ในปีแรกของการดำเนินงานซึ่งคิดเป็นผลขาดทุนประมาณ 50-70 ลบ. สำหรับ RAM ในปี 2023 เราคาดว่า EBITDA ของ RAM 2 จะพลิกเป็นบวกได้ภายในปี 2025

## ความสามารถในการรับผู้ป่วยใน (IPD) จะเพิ่ม 27% ในปี 2028

RAM ยังคงขยายเครือข่ายโรงพยาบาลอย่างต่อเนื่อง ความสามารถในการรับ IPD จะเพิ่มจาก 6,920 เตียง ณ. สิ้นปี 2022 เป็น 8,790 เตียงภายในปี 2028 (จากประมาณ 2,068 เตียงเป็น 2,962 ในแง่ของจำนวนเตียงตามส่วนการลงทุน, +43%) ส่วนมากจากโครงการสร้างใหม่ อาทิเช่น Mahasarakham RAM ที่ประกาศไปเมื่อไม่นานมานี้โดย RAM จะถือหุ้นอยู่ที่ 50% Mahasarakham RAM ซึ่งมีขนาด 120 เตียงจะมุ่งเน้นไปยังผู้ป่วยเงินสด และมีกำหนดเปิดให้บริการภายในปี 2026 ด้วยงบลงทุน 1.2 พัน ลบ. RAM ให้เหตุผลในการก่อสร้างโรงพยาบาลใหม่ เนื่องจากมีคณะแพทยศาสตร์ของมหาวิทยาลัยมหาสารคาม และจังหวัดอยู่ในช่วงการเติบโต

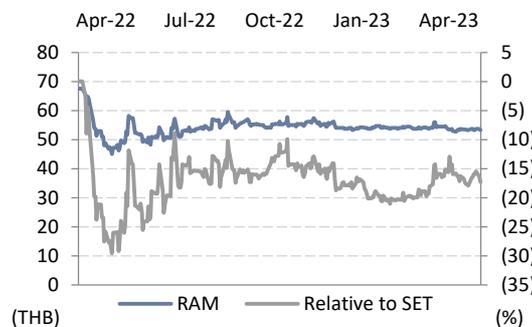
## ปรับลดประมาณการกำไรปกติปี 2023-24

เราปรับลดประมาณการกำไรปกติปี 2023-24 ลง 7-8% เพื่อสะท้อนรายได้ที่ต่ำกว่าคาดจาก Vibharam และ EBITDA margin ใน 4Q22 ซึ่งทำให้ได้ราคาเป้าหมายปี 2023 ใหม่ที่ 60 บาท (DCF) RAM มีการซื้อขายอยู่ที่ 33x ของค่า 2023E P/E ค่อนข้างใกล้เคียงกับค่าเฉลี่ยของกลุ่ม

TARGET PRICE	THB60.00
CLOSE	THB53.25
UP/DOWNSIDE	+12.7%
PRIOR TP	THB62.00
CHANGE IN TP	-3.2%
TP vs CONSENSUS	+27.7%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	10,687	10,907	11,613	12,451
Net profit	2,088	1,965	2,289	2,531
EPS (THB)	1.74	1.64	1.91	2.11
vs Consensus (%)	-	8.6	22.4	24.9
EBITDA	2,356	2,368	2,677	2,935
Core net profit	2,088	1,965	2,289	2,531
Core EPS (THB)	1.74	1.64	1.91	2.11
Chg. In EPS est. (%)	nm	(8.2)	(6.6)	nm
EPS growth (%)	(48.4)	(5.9)	16.5	10.6
Core P/E (x)	30.6	32.5	27.9	25.2
Dividend yield (%)	2.1	2.1	1.8	2.0
EV/EBITDA (x)	35.0	34.9	30.5	27.1
Price/book (x)	3.3	3.2	3.0	2.9
Net debt/Equity (%)	35.7	35.5	30.6	21.6
ROE (%)	11.2	10.0	11.2	11.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.7)	(1.4)	(13.4)
Relative to country (%)	(2.6)	4.1	(9.0)
Mkt cap (USD m)	1,866		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	24		
Major shareholder	F&S 79 (23%)		
12m high/low (THB)	69.25/44.75		
Issued shares (m)	1,200.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 11 เมษายน 2023

### Investment thesis

RAM currently operates 18 hospitals with a capacity of more than 2,400 beds. We think the stock is undervalued due to its complicated structure and lack of trading liquidity. RAM split its par in 2021 and trading liquidity has improved since then.

RAM has diversified its portfolio both geographically and through its revenue mix. RAM has several hospital brands to capture patients from the middle-income to high-income segments.

RAM is in an expansion mode. Its organic growth should be driven by VBR, which is in a harvesting period after investing in greenfield hospitals. RAM also has several projects in the pipeline which should lift its capacity by more than 40% (based on equity beds) by 2028.

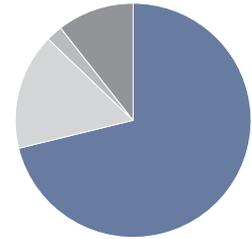
### Company profile

RAM is a private hospital which opened in 1988. Currently, RAM operates 18 hospitals with a capacity of more than 2,400 beds. It is the second largest private hospital operator in Thailand in terms of registered beds.

[www.ram-hosp.co.th](http://www.ram-hosp.co.th)

### Principal activities (revenue, 2022)

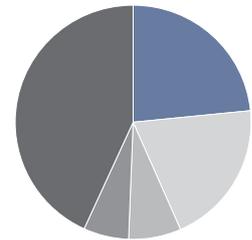
- Cash patient - 71.2 %
- SSO - 16.1 %
- NHSO - 2.3 %
- Sales of medical equipment - 10.5 %



Source: Ramkhamhaeng Hospital

### Major shareholders

- F&S 79 - 23.4 %
- Cypress Consolidated Healthcare - 20.0 %
- Chiangmai Ram Hospital - 7.2 %
- Vibhavadi Hospital PCL - 6.2 %
- Others - 43.2 %



Source: Ramkhamhaeng Hospital

### Catalysts

Key potential growth drivers include 1) an improving EBITDA margin led by new hospitals and a larger share of profits and dividend income from its subsidiaries; 2) more Social Security Office (SSO) registered members via VBR group; and 3) economies of scale due to its large network.

### 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 its subsidiary companies.

### Event calendar

Date	Event
May 2023	1Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
Ramkhamhaeng revenue growth (y-y %)	5	5	5
Ramkhamhaeng EBITDA margin (%)	32	33	33
Subsidiary revenue growth (y-y %)	(1)	8	10
Subsidiary EBITDA margin (%)	15	17	18
Share income - Synphaet (THB m)	225	275	285
Share income - Sukhumvit (THB m)	116	123	130
Share income - Chiangmai Ram (THB m)	105	112	115
Share income - VIBHA (THB m)	62	88	101
Share income - THG (THB m)	266	301	334

Source: FSSIA estimates

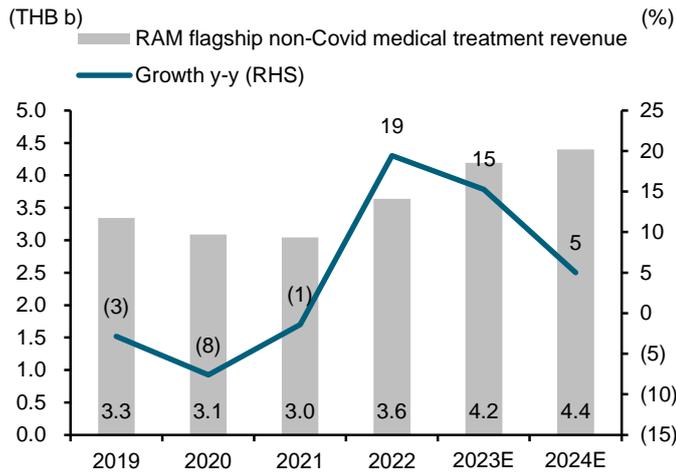
### Earnings sensitivity

- 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 5%, and vice versa, all else being equal.

Source: FSSIA estimates

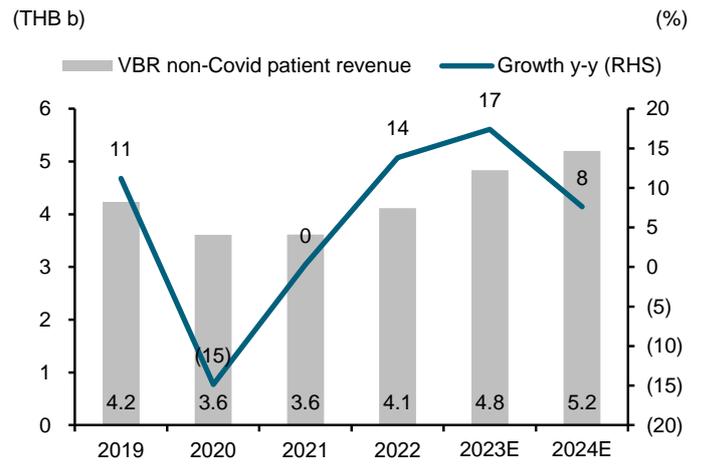


**Exhibit 1: RAM flagship's non-Covid medical treatment revenue**



Sources: RAM; FSSIA estimates

**Exhibit 2: VBR's non-Covid patient revenue**



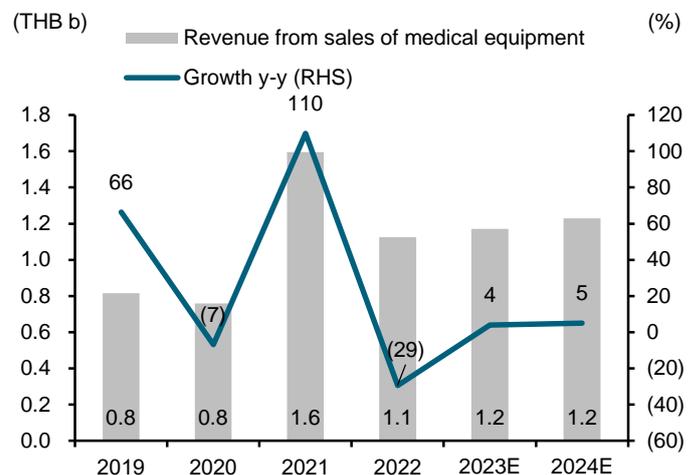
Sources: RAM; FSSIA estimate

**Exhibit 3: Number of SSO-registered members**



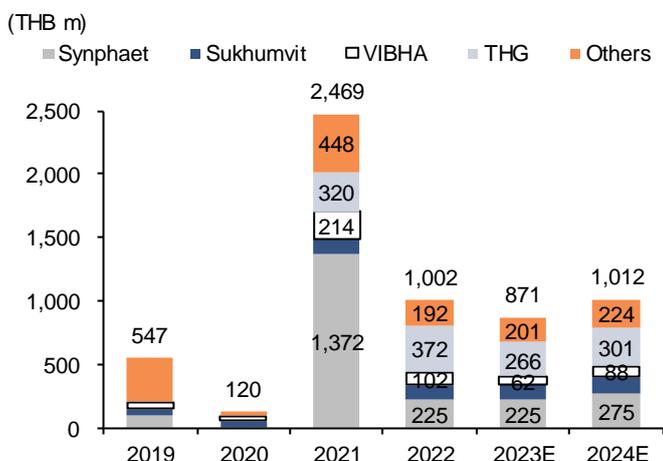
Sources: RAM; FSSIA estimate

**Exhibit 4: Revenue from sales of medical equipment**



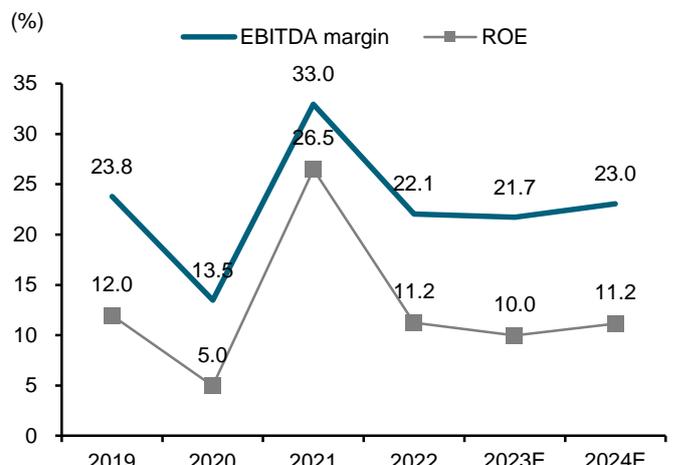
Sources: RAM; FSSIA estimates

**Exhibit 5: RAM's share income**



Sources: RAM; FSSIA estimates

**Exhibit 6: EBITDA margin and ROE**



Sources: RAM; FSSIA estimates

**Exhibit 7: RAM – forecast revisions**

	Current			Previous		Change	
	2023E	2024E	2025E	2023E	2024E	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Revenue	10,907	11,613	12,451	11,155	11,761	(2)	(1)
EBITDA margin (%)	21.7	23.0	23.6	28.4	29.1	(7)	(6)
Core profit	1,965	2,289	2,531	2,140	2,451	(8)	(7)
<b>Key assumptions</b>							
RAM's flagship hospital revenue	4,192	4,402	4,622	3,982	4,181	5	5
Revenue from sales of medical equipment	1,171	1,229	1,278	1,166	1,224	0	0
Subsidiary hospital revenue	5,544	5,982	6,550	6,007	6,356	(8)	(6)
Share income	871	1,012	1,085	823	1,009	6	0

Note: Change of items in percentage terms are represented in ppt change  
 Sources: RAM; FSSIA estimates

**Exhibit 8: DCF-derived TP**

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	10.7		Net cost of debt, Kd	2.8
Weight applied	70.0		Weight applied	30.0
WACC	8.3			
<b>DCF valuation estimate</b>	<b>(THB b)</b>	<b>(THB/share)</b>	<b>Comments</b>	
NPV	24.1	20.1	WACC 8.3%, Risk-free rate 3%, Risk premium 8%	
Terminal value	66.7	55.6	Terminal growth 3%	
Cash & liquid assets	0.6	0.5	At end-2023E	
Investments	0.0	0.0	At end-2023E	
Debt	(10.8)	(9.0)	At end-2023E	
Minorities	(8.6)	(7.2)	At end-2023E	
<b>Residual ordinary equity</b>	<b>72.0</b>	<b>60.0</b>		

Source: FSSIA estimates

**Exhibit 9: Peer comparisons as of 11 April 2023**

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	30.50	34.50	13.1	14,153	36.0	31.7	14.5	15.4	5.1	4.7	20.1	18.0
Bumrungrad Hospital	BH TB	BUY	235.00	260.00	10.6	5,454	34.8	32.0	25.6	24.8	8.4	7.5	22.5	20.5
Bangkok Chain Hospital	BCH TB	BUY	21.20	25.50	20.3	1,544	29.5	24.3	14.1	16.0	4.1	3.7	15.2	12.8
Chularat Hospital	CHG TB	BUY	3.68	4.40	19.6	1,182	30.7	26.4	16.5	18.8	5.2	4.7	18.0	15.4
Praram 9 Hospital	PR9 TB	BUY	18.40	22.00	19.6	422	24.8	22.9	11.9	12.0	2.8	2.7	12.2	11.0
Thonburi Healthcare Group	THG TB	REDUCE	69.25	55.00	(20.6)	1,714	49.5	43.6	11.4	12.4	5.6	5.3	27.0	24.1
Vibhavadi Medical Center	VIBHA TB	BUY	2.68	3.20	19.4	1,062	33.6	30.0	7.3	7.9	2.4	2.3	27.9	25.1
Ramkhamhaeng Hospital	RAM TB	BUY	53.25	60.00	12.7	1,866	32.5	27.9	10.0	11.2	3.2	3.0	34.9	30.5
Rajthanee Hospital	RJH TB	n/a	29.00	n/a	n/a	253	21.8	22.1	18.4	17.6	5.8	3.9	13.9	13.7
Ekachai Medical Care	EKH TB	n/a	7.95	n/a	n/a	157	23.6	22.4	12.3	12.0	5.7	2.7	12.0	11.0
<b>Thailand average</b>						<b>27,807</b>	<b>31.7</b>	<b>28.3</b>	<b>14.2</b>	<b>14.8</b>	<b>4.8</b>	<b>4.1</b>	<b>20.4</b>	<b>18.2</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	69.11	n/a	n/a	10,539	38.8	28.5	10.1	12.3	3.9	3.7	13.1	11.8
Ihh Healthcare Bhd	IHH SP	n/a	1.76	n/a	n/a	11,639	30.9	27.5	6.4	6.8	2.2	1.9	13.8	12.9
Ryman Healthcare	RYM NZ	n/a	5.38	n/a	n/a	2,320	10.7	12.0	7.0	7.2	1.2	0.7	14.4	15.8
Apollo Hospitals Enterprise	APHS IN	n/a	4,237	n/a	n/a	7,478	72.9	50.2	13.8	17.6	16.9	9.5	30.2	23.9
Kpj Healthcare Berhad	KPJ MK	n/a	1.18	n/a	n/a	1,166	24.6	21.9	9.2	10.0	2.6	2.2	11.5	10.9
Raffles Medical Group	RFMD SP	n/a	1.48	n/a	n/a	2,067	22.1	21.8	12.0	11.7	3.2	2.6	12.5	12.3
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,850	n/a	n/a	2,722	35.5	30.6	19.4	20.2	8.4	6.4	22.4	19.4
Aier Eye Hospital Group	300015 CH	n/a	31.05	n/a	n/a	32,368	59.4	45.9	22.2	23.7	25.5	12.3	34.2	27.2
<b>Regional average</b>						<b>70,299</b>	<b>36.9</b>	<b>29.8</b>	<b>12.5</b>	<b>13.7</b>	<b>8.0</b>	<b>4.9</b>	<b>19.0</b>	<b>16.8</b>
<b>Overall average</b>						<b>98,106</b>	<b>34.0</b>	<b>29.0</b>	<b>13.5</b>	<b>14.3</b>	<b>6.2</b>	<b>4.5</b>	<b>19.8</b>	<b>17.6</b>

Sources: Bloomberg; FSSIA estimates

**Exhibit 10: Capacity summary**

Group	No	Hospital	RAM's stake	No. of beds	No. of beds based on stake
			(%)	(no.)	(no.)
<b>Ramkhamhaeng Hospital</b>	<b>1</b>	<b>Ramkhamhaeng Hospital</b>	<b>100.0</b>	<b>486</b>	<b>486</b>
Subsidiaries	2	Chaiyaphum Ram	78.0	60	47
	3	Mueng Loei Ram	77.7	100	78
	4	Chiangrai Ram (Watcharasirivej)	40.3	50	20
Subsidiaries - Vibharam (VBR)	5	Pattanakarn	50.0	150	75
	6	Laemchabang	50.0	100	50
	7	Samutsakhon	50.0	100	50
	8	Nawamin	50.0	52	26
	9	Parkkred	44.2	100	44
	10	Amatanakron	37.6	100	38
	11	Samut Prakarn	49.6	100	50
	12	Mahaesak	25.9	132	34
	13	Phaetpanya	25.0	160	40
	14	Cancer Center Amatanakorn	18.8	10	2
		<b>Total Ram and subsidiaries</b>		<b>1,700</b>	<b>1,039</b>
Associates - operated directly	15	Chiangmai Ram	42.9	200	86
	16	Phayao Ram	40.0	100	40
	17	Buriram Ram	36.1	90	32
	18	Sukhumvit	34.2	80	27
	19	Khonkaen Ram	16.4	300	49
		<b>Total associates - operated directly</b>		<b>770</b>	<b>235</b>
Associates - operated through Synphaet	20	Ramintra	28.4	346	98
	21	Theparak	23.0	120	28
	22	Lumlukka	28.4	100	28
	23	Srinakarin	21.3	100	21
	24	Serirak	22.5	238	53
	25	Nakhon Pathom	32.0	240	77
		<b>Total associates - operated through Synphaet</b>		<b>1,144</b>	<b>306</b>
Partner hospitals	26	Vibhavadi (VIBHA)	9.2	1,282	117
	27	Thonburi (THG)	21.7	1,380	299
	28	Petcharat Hospital	17.9	100	18
	29	Eak Udorn	9.3	350	33
	30	Chaophaya	6.8	200	14
	31	EKH	5.3	142	7
		<b>Total partner</b>		<b>3,454</b>	<b>488</b>
		<b>Grand total existing beds</b>		<b>7,068</b>	<b>2,068</b>
Projects in pipeline	32	Ramkhamhaeng 2 (Ram Nakra)	52.2	560	292
	33	Ramkhamhaeng 3 (Narathiwat Road)	100.0	210	210
	34	Nan Ram	52.5	141	74
	35	Vientiane Ram	70.0	150	105
	36	Thonburi Rangsit	40.0	250	100
	37	Mahasaraklam RAM	50.0	120	60
	38	Kanchanaburi	15.8	100	16
	39	Synphaet Pattanakan	15.7	100	16
	40	Rajthanee Romklao	14.0	150	21
		<b>Total project in pipeline</b>		<b>1,781</b>	<b>894</b>

Sources: RAM; FSSIA estimates

## Financial Statements

### Ramkhamhaeng Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	12,664	10,687	10,907	11,613	12,451
Cost of goods sold	(7,125)	(6,817)	(6,930)	(7,295)	(7,841)
<b>Gross profit</b>	<b>5,539</b>	<b>3,869</b>	<b>3,977</b>	<b>4,318</b>	<b>4,609</b>
Other operating income	-	-	-	-	-
Operating costs	(1,364)	(1,513)	(1,609)	(1,641)	(1,674)
<b>Operating EBITDA</b>	<b>4,175</b>	<b>2,356</b>	<b>2,368</b>	<b>2,677</b>	<b>2,935</b>
Depreciation	(816)	(998)	(1,090)	(1,136)	(1,157)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>3,359</b>	<b>1,359</b>	<b>1,278</b>	<b>1,540</b>	<b>1,778</b>
Net financing costs	(224)	(234)	(240)	(237)	(223)
Associates	2,259	1,002	871	1,012	1,085
Recurring non-operating income	2,640	1,450	1,322	1,488	1,575
Non-recurring items	122	0	0	0	0
<b>Profit before tax</b>	<b>5,897</b>	<b>2,575</b>	<b>2,360</b>	<b>2,791</b>	<b>3,130</b>
Tax	(506)	(274)	(283)	(356)	(409)
<b>Profit after tax</b>	<b>5,391</b>	<b>2,301</b>	<b>2,077</b>	<b>2,435</b>	<b>2,721</b>
Minority interests	(1,220)	(212)	(112)	(146)	(190)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,171</b>	<b>2,088</b>	<b>1,965</b>	<b>2,289</b>	<b>2,531</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(122)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>4,049</b>	<b>2,088</b>	<b>1,965</b>	<b>2,289</b>	<b>2,531</b>
<b>Per share (THB)</b>					
Recurring EPS *	3.37	1.74	1.64	1.91	2.11
Reported EPS	3.48	1.74	1.64	1.91	2.11
DPS	0.76	1.10	1.10	0.95	1.05
Diluted shares (used to calculate per share data)	1,200	1,200	1,200	1,200	1,200
<b>Growth</b>					
Revenue (%)	61.9	(15.6)	2.1	6.5	7.2
Operating EBITDA (%)	295.8	(43.6)	0.5	13.0	9.7
Operating EBIT (%)	892.2	(59.6)	(5.9)	20.5	15.4
Recurring EPS (%)	540.6	(48.4)	(5.9)	16.5	10.6
Reported EPS (%)	559.9	(49.9)	(5.9)	16.5	10.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	37.3	26.9	26.5	27.4	27.7
Gross margin of key business (%)	37.3	26.9	26.5	27.4	27.7
Operating EBITDA margin (%)	33.0	22.1	21.7	23.0	23.6
Operating EBIT margin (%)	26.5	12.7	11.7	13.3	14.3
Net margin (%)	32.0	19.5	18.0	19.7	20.3
Effective tax rate (%)	14.4	17.4	19.0	20.0	20.0
Dividend payout on recurring profit (%)	22.5	63.2	67.2	50.0	50.0
Interest cover (X)	26.8	12.0	10.8	12.8	15.0
Inventory days	38.7	40.8	40.9	40.2	39.8
Debtor days	54.7	77.7	67.7	63.6	59.3
Creditor days	25.1	30.4	35.9	35.3	34.9
Operating ROIC (%)	23.3	7.7	6.2	7.4	9.0
ROIC (%)	16.8	6.4	5.4	6.2	6.9
ROE (%)	26.5	11.2	10.0	11.2	11.7
ROA (%)	16.6	6.4	5.5	6.3	6.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient	8,845	7,604	7,659	8,215	8,907
SSO	1,575	1,716	1,836	1,928	2,025
NHSO	649	241	241	241	241
Sales of medical equipment	1,595	1,126	1,171	1,229	1,278

Sources: Ramkhamhaeng Hospital; FSSIA estimates

## Financial Statements

### Ramkhamhaeng Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	4,049	2,088	1,965	2,289	2,531
Depreciation	816	998	1,090	1,136	1,157
Associates & minorities	-	-	-	-	-
Other non-cash items	2,038	609	112	146	190
Change in working capital	(199)	439	(911)	(7)	1,152
<b>Cash flow from operations</b>	<b>6,705</b>	<b>4,134</b>	<b>2,256</b>	<b>3,564</b>	<b>5,029</b>
Capex - maintenance	(1,776)	(4,895)	(654)	(680)	(1,081)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(4,791)	(1,480)	(395)	(395)	(360)
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(6,567)</b>	<b>(6,375)</b>	<b>(1,049)</b>	<b>(1,075)</b>	<b>(1,441)</b>
Dividends paid	(969)	(1,362)	(1,320)	(1,320)	(1,145)
Equity finance	0	0	0	0	0
Debt finance	753	1,318	(600)	(300)	(300)
Other financing cash flows	589	2,527	(76)	(73)	(95)
<b>Cash flow from financing</b>	<b>372</b>	<b>2,483</b>	<b>(1,996)</b>	<b>(1,693)</b>	<b>(1,540)</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>510</b>	<b>242</b>	<b>(789)</b>	<b>796</b>	<b>2,048</b>
Free cash flow to firm (FCFF)	377.20	(1,997.35)	1,458.11	2,730.86	3,822.58
Free cash flow to equity (FCFE)	1,479.50	1,604.43	530.99	2,116.43	3,193.03

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	0.31	(1.66)	1.22	2.28	3.19
FCFE per share	1.23	1.34	0.44	1.76	2.66
Recurring cash flow per share	5.75	3.08	2.64	2.98	3.23

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,197	24,024	24,678	25,358	26,439
Less: Accumulated depreciation	(8,133)	(9,062)	(10,152)	(11,288)	(12,445)
<b>Tangible fixed assets (net)</b>	<b>11,064</b>	<b>14,961</b>	<b>14,526</b>	<b>14,069</b>	<b>13,994</b>
<b>Intangible fixed assets (net)</b>	<b>409</b>	<b>422</b>	<b>422</b>	<b>422</b>	<b>422</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	20,016	21,496	21,891	22,286	22,646
Cash & equivalents	1,126	1,369	580	1,376	3,424
A/C receivable	2,524	2,023	2,023	2,023	2,023
Inventories	756	770	782	824	885
Other current assets	373	373	983	1,051	367
<b>Current assets</b>	<b>4,779</b>	<b>4,534</b>	<b>4,368</b>	<b>5,274</b>	<b>6,699</b>
Other assets	143	202	202	202	202
<b>Total assets</b>	<b>36,411</b>	<b>41,615</b>	<b>41,409</b>	<b>42,254</b>	<b>43,963</b>
Common equity	17,781	19,387	20,032	21,001	22,388
Minorities etc.	6,362	8,592	8,629	8,702	8,797
<b>Total shareholders' equity</b>	<b>24,143</b>	<b>27,980</b>	<b>28,661</b>	<b>29,704</b>	<b>31,185</b>
Long term debt	4,501	5,189	4,889	4,889	4,889
Other long-term liabilities	404	501	501	501	501
<b>Long-term liabilities</b>	<b>4,905</b>	<b>5,690</b>	<b>5,390</b>	<b>5,390</b>	<b>5,390</b>
A/C payable	460	676	687	723	777
Short term debt	5,548	6,178	5,878	5,578	5,278
Other current liabilities	1,356	1,092	792	859	1,333
<b>Current liabilities</b>	<b>7,363</b>	<b>7,945</b>	<b>7,357</b>	<b>7,160</b>	<b>7,388</b>
<b>Total liabilities and shareholders' equity</b>	<b>36,411</b>	<b>41,615</b>	<b>41,409</b>	<b>42,254</b>	<b>43,963</b>
Net working capital	1,838	1,398	2,310	2,317	1,165
Invested capital	33,470	38,480	39,350	39,296	38,429

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	14.82	16.16	16.69	17.50	18.66
Tangible book value per share	14.48	15.80	16.34	17.15	18.30

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	37.0	35.7	35.5	30.6	21.6
Net debt/total assets (%)	24.5	24.0	24.6	21.5	15.3
Current ratio (x)	0.6	0.6	0.6	0.7	0.9
CF interest cover (x)	7.6	7.9	3.2	9.9	15.3

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>15.8</b>	<b>30.6</b>	<b>32.5</b>	<b>27.9</b>	<b>25.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>17.8</b>	<b>34.5</b>	<b>36.6</b>	<b>31.5</b>	<b>28.4</b>
Reported P/E (x)	15.3	30.6	32.5	27.9	25.2
Dividend yield (%)	1.4	2.1	2.1	1.8	2.0
Price/book (x)	3.6	3.3	3.2	3.0	2.9
Price/tangible book (x)	3.7	3.4	3.3	3.1	2.9
EV/EBITDA (x) **	19.0	35.0	34.9	30.5	27.1
EV/EBITDA @ target price (x) **	20.9	38.4	38.3	33.5	29.8
EV/invested capital (x)	2.4	2.1	2.1	2.1	2.1

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

Sources: Ramkhamhaeng Hospital; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Ramkhamhaeng Hospital	RAM TB	THB 53.25	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.
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 prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 235.00	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 21.20	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 3.68	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 price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 18.40	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 69.25	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.

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 11-Apr-2023 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.