

BANGKOK CHAIN HOSPITAL

THAILAND / HEALTH CARE SERVICES

BCH TB

BUY

UNCHANGED

TARGET PRICE	THB22.50
CLOSE	THB17.80
UP/DOWNSIDE	+26.4%
PRIOR TP	THB23.50
CHANGE IN TP	-4.3%
TP vs CONSENSUS	+11.2%

Getting over the worst in 2Q23

- Expect 2Q23 core profit to grow by 8% q-q to THB275m, led by both cash and SSO patient revenue.
- BCH to repay THB loan of KIH Vientiane to eliminate FX loss by 3Q23; expect strong 3Q earnings momentum due to rainy season.
- Maintain BUY with a lower DCF-TP of THB22.5/shr.

Excluding FX loss, 2Q23 core profit should exceed pre-Covid by 25%

We expect 2Q23 core profit to start recovering. Revenue should grow by 4% q-q and exceed pre-Covid by 30%, led by a small wave of Covid and a higher payment rate (THB1,808/head/year from THB1,640 effective May-23). On a negative note, we expect 2Q23 SG&A to jump by 13% q-q, mainly due to a cTHB60m FX loss from a loan in THB terms for KIH Vientiane on the LAK's depreciation against the THB. Hence, we expect the EBITDA margin to be relatively flat q-q at 23% in 2Q23, but still lower than 26% in 2Q19, pressured by three new hospitals. We forecast core profit to grow 8% q-q and exceed pre-Covid by 7% to THB275m in 2Q23.

Removing FX loss that pressured its margin since 2022

BCH was hit by an FX loss from KIH Vientiane of cTHB200m in 2022 and cTHB75m in 1H23, as LAK/THB has depreciated from 340 to 560 since 2022. BCH plans to repay the entire THB480m loan in THB terms within Sep-23 by increasing KIH Vientiane's capital. This would eliminate the FX loss from 4Q23 onward. We believe KIH Vientiane has the potential to turn profitable by 2024 as EBITDA has already turned positive since 2022, and the hospital plans to upgrade more tertiary care and promote its Cardiac Center.

Expect 3Q23 core profit to grow q-q and y-y

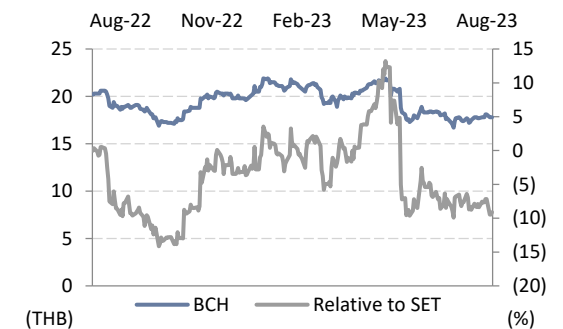
We expect 3Q23 core profit to improve q-q due to the rainy season and more Middle East patients post Ramadan. Losses from the three new hospitals should be smaller as a larger revenue stream should improve the margin since most fixed costs have stabilised. In addition, the SSO's pilot program to raise the payment rate for five medical procedures from THB12,000 to THB15,000/RW has worked well. The SSO has extended the program to end-2023 and may permanently increase the rate.

Revising down core profit; stock should have passed the bottom

We revise down 2023-25E core profit by 10-18% to reflect the weak 1H23E, and derive a new 2023 DCF-TP of THB22.5/shr. BCH's share price has fallen and underperformed the SET by 17-18% over the past three months. BCH is trading at 26x 2024E P/E, lower than its 5-year average of 29x. A share price catalyst would be the earnings momentum in 2Q-3Q23, which should indicate that it has passed the bottom in 1Q23.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,827	12,851	14,089	15,342
Net profit	3,039	1,357	1,697	2,011
EPS (THB)	1.22	0.54	0.68	0.81
vs Consensus (%)	-	(11.5)	(3.8)	5.1
EBITDA	5,059	2,956	3,424	3,882
Recurring net profit	3,039	1,357	1,697	2,011
Core EPS (THB)	1.22	0.54	0.68	0.81
Chg. In EPS est. (%)	-	(17.5)	(14.7)	(10.2)
EPS growth (%)	(55.6)	(55.4)	25.1	18.5
Core P/E (x)	14.6	32.7	26.2	22.1
Dividend yield (%)	7.9	2.8	1.7	2.1
EV/EBITDA (x)	9.2	15.1	12.7	10.9
Price/book (x)	3.6	3.5	3.3	3.0
Net debt/Equity (%)	9.2	(6.1)	(13.9)	(21.2)
ROE (%)	23.9	10.9	13.0	14.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.6	(11.4)	(13.6)
Relative to country (%)	(2.3)	(12.4)	(11.1)
Mkt cap (USD m)	1,293		
3m avg. daily turnover (USD m)	7.2		
Free float (%)	50		
Major shareholder	Chalerm Hamphanich (33%)		
12m high/low (THB)	22.20/16.60		
Issued shares (m)	2,493.75		

Sources: Bloomberg consensus; FSSIA estimates


Teerapol Udomvej, CFA

Analyst register no. 080523

teerapol.udo@fssia.com, +66 2611 3535

Investment thesis

BCH is the leading service provider under the Social Security Office (SSO) scheme with a 5% market share. It will likely be the hospital that benefits the most from Covid-19 services, including screening and treatments for Covid patients.

After Covid-19 subsidies, we think World Medical Hospital (WMC) should continue to capture rising demand from medical tourists. Normally, 50% of WMC's revenue comes from international patients, especially from the Middle East. We expect BCH to capture the strong recovery of that patient segment.

BCH opened three new hospitals in 2020-21. We see the Covid pandemic as the driver for these new hospitals to turn around earlier than expected due to the influx of Covid patients, some of which could convert to regular patients in the future.

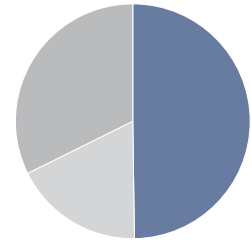
Company profile

The company operates its business as a group, providing healthcare services for both cash patients and patients under the social security scheme.

www.bangkokchainhospital.com

Principal activities (revenue, 2022)

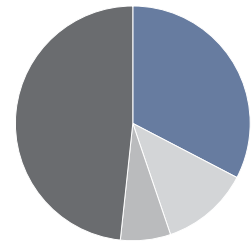
- Cash patient revenue - 49.8 %
- SSO patient revenue - 17.9 %
- NHSO patient revenue - 32.3 %



Source: Bangkok Chain Hospital

Major shareholders

- Chalerm Harnphanich - 32.6 %
- Thai NVDR - 12.2 %
- Somporn Harnphanich - 6.9 %
- Others - 48.3 %



Source: Bangkok Chain 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 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.

Event calendar

Date	Event
Aug 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSO volume growth	6	3	3
SSO revenue / patient growth	5	5	5
OPD volume growth	(36)	5	5
OPD revenue / patient growth	30	5	5
IPD volume growth	10	5	5
IPD revenue / patient growth	7	5	3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings would rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings would rise by 5%, and vice versa, all else being equal.

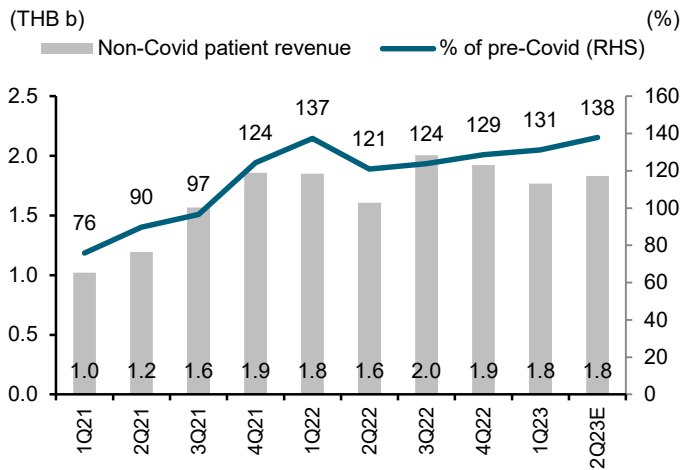
Source: FSSIA estimates

Exhibit 1: 2Q23 results preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		2023E	Chg.
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	5,523	3,429	2,788	2,674	2,770	4	(50)	12,851	(32)
COGS (incl. depreciation)	(3,487)	(3,519)	(1,876)	(1,936)	(1,961)	1	(44)	(8,971)	(30)
Gross profit	2,037	(90)	912	738	809	10	(60)	3,880	(36)
SG&A	(524)	(420)	(511)	(398)	(450)	13	(14)	(1,928)	(1)
Operating profit	1,513	(511)	401	340	359	5	(76)	1,953	(52)
Net other income	21	27	13	25	31	25	51	90	(2)
Interest expense	(39)	(35)	(34)	(28)	(28)	0	(29)	(125)	(20)
Pretax profit	1,495	(519)	380	337	362	7	(76)	1,918	(53)
Income Tax	(319)	74	(101)	(70)	(72)	4	(77)	(384)	(57)
Associates	0	0	(1)	(1)	0			2	n/a
Minority interest	(32)	41	(8)	(12)	(15)	22	(53)	(179)	51
Core profit	1,144	(403)	270	254	275	8	(76)	1,357	(55)
Extraordinaries, GW & FX	0	0	0	0	0				
Reported net profit	1,144	(403)	270	254	275	8	(76)	1,357	(55)
Outstanding shares (m)	2,494	2,494	2,494	2,494	2,494	0	0	2,494	0
Core EPS (THB)	0.46	(0.16)	0.11	0.10	0.11	8	(76)	0.54	(55)
EPS (THB)	0.46	(0.16)	0.11	0.10	0.11	8	(76)	0.54	(55)
COGS (excl. depreciation)	3,251	3,279	1,636	1,698	1,721	1	(47)	7,968	(33)
Depreciation	236	240	240	238	240	1	2	1,003	6
EBITDA	1,769	(244)	654	603	630	5	(64)	3,046	(41)
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	37	(3)	33	28	29	2	(8)	30	(2)
SG&A/Revenue	9	12	18	15	16	1	7	15	5
EBITDA margin	32	(7)	23	23	23	0	(9)	23	(4)
Net profit margin	21	(12)	10	9	10	0	(11)	11	(6)
Operating stats	(y-y %)	(y-y %)	(y-y %)	(y-y %)					
Cash-OPD revenue growth	36	45	(38)	(51)					
Cash-OPD volume growth	(14)	(23)	(63)	(74)					
Cash-OPD revenue per head growth	(21)	17	50	66					
Cash-IPD revenue growth	22	5	(9)	(20)					
Cash-IPD volume growth	(54)	(97)	(71)	(77)					
Cash-IPD revenue per head growth	117	402	(26)	7					
SSO revenue growth	29	37	7	14					
SSO registered member ('000)	976	994	1,012	1,013					
SSO registered member growth	10	11	13	8					
SSO revenue per head growth	217	45	(13)	(43)					

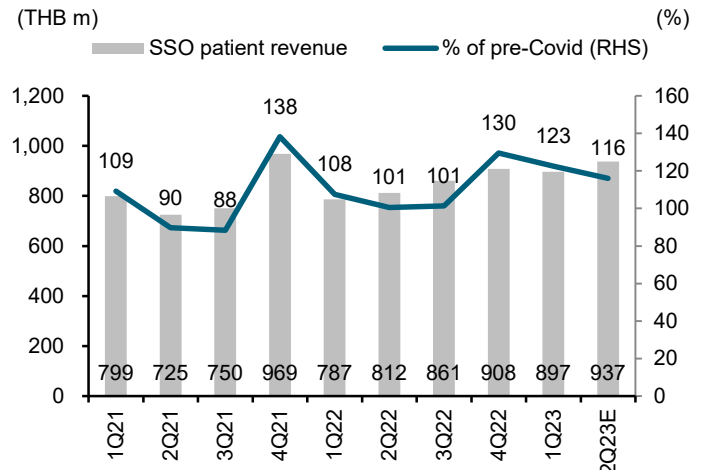
Sources: BCH; FSSIA estimates

Exhibit 2: Non-Covid general patient revenue



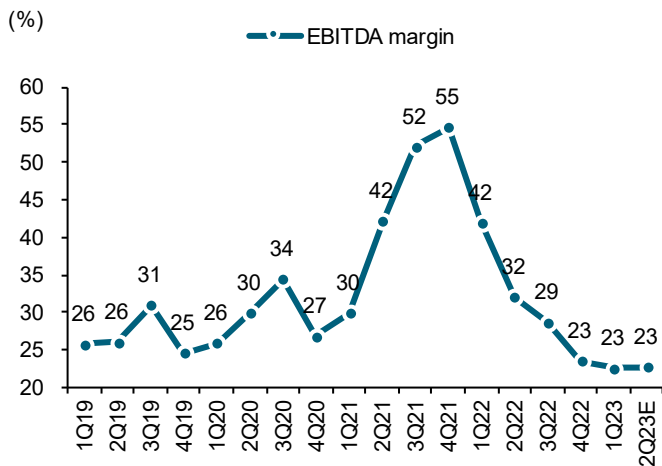
Source: BCH

Exhibit 3: SSO revenue, quarterly



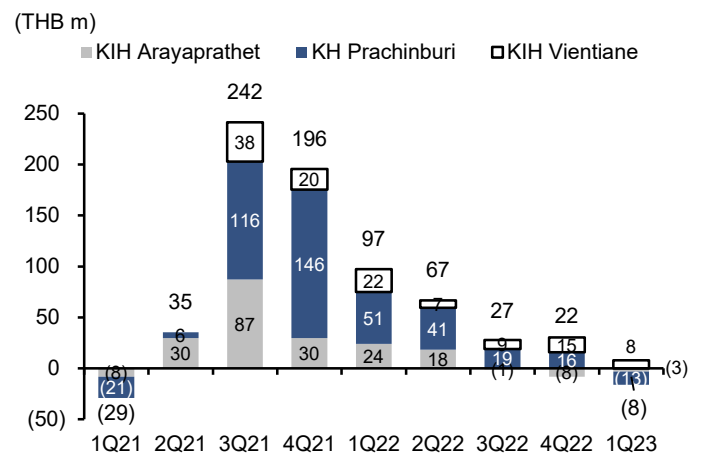
Source: BCH

Exhibit 4: EBITDA margin



Note: 3Q22 excludes Moderna write-off
Sources: BCH; FSSIA estimates

Exhibit 5: Three new hospitals EBITDA trend



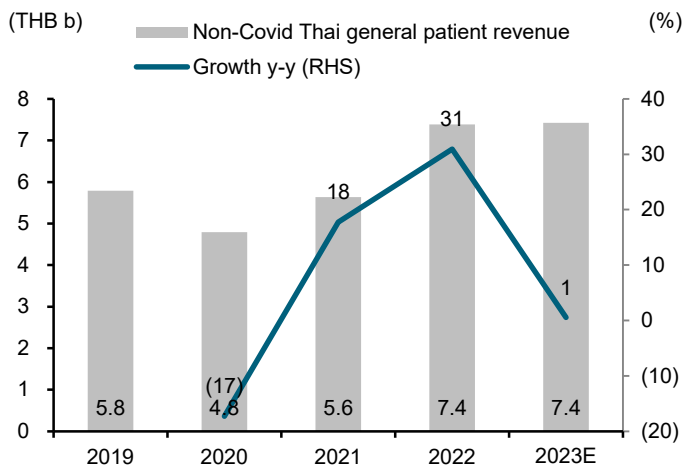
Sources: BCH; FSSIA's compilation

Exhibit 6: Forecast revisions

	Current			Previous			% Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
SSO registered members ('000)	1,038	1,069	1,101	1,038	1,069	1,101	0.0	0.0	0.0
SSO revenue per head (THB)	3,615	3,796	3,986	3,615	3,796	3,986	0.0	0.0	0.0
Cash-OPD visits per day (no.)	3,468	3,642	3,824	3,468	3,642	3,824	0.0	0.0	0.0
Cash-OPD revenue per head (THB)	3,561	3,739	3,926	3,561	3,739	3,926	0.0	0.0	0.0
Cash-IPD admissions per day (no.)	142	149	156	142	149	156	0.0	0.0	0.0
Cash-IPD revenue per head (THB)	88,677	93,111	95,904	88,677	93,111	95,904	0.0	0.0	0.0
Revenue (THB m)	12,851	14,089	15,342	12,851	14,089	15,342	0.0	0.0	0.0
EBITDA margin (%)	23.0	24.3	25.3	25.8	26.9	27.2	(2.8)	(2.6)	(1.8)
Core profit (THB m)	1,357	1,697	2,011	1,645	1,991	2,239	(17.5)	(14.7)	(10.2)

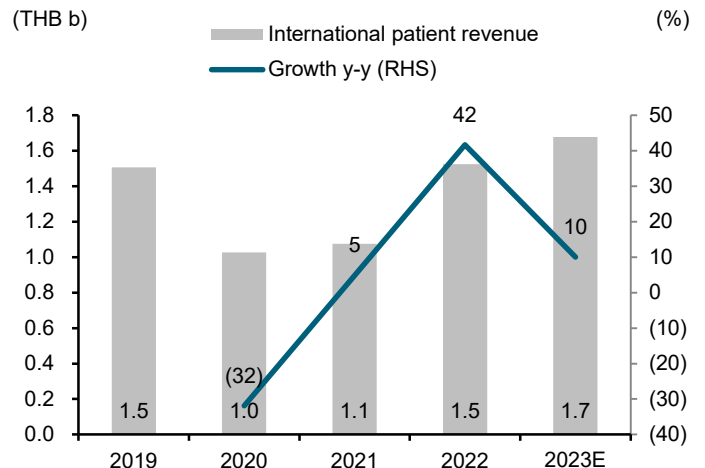
Note: Change of items in percentage terms are represented in ppt change
Source: FSSIA estimates

Exhibit 7: Non-Covid Thai general patient revenue



Sources: BCH; FSSIA estimates

Exhibit 8: International patient revenue



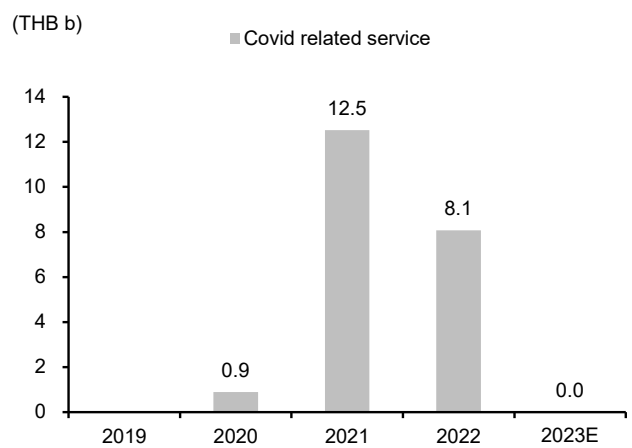
Sources: BCH; FSSIA estimates

Exhibit 9: SSO revenue, yearly



Sources: BCH; FSSIA estimate

Exhibit 10: Covid-related revenue, yearly



Sources: BCH; FSSIA estimate

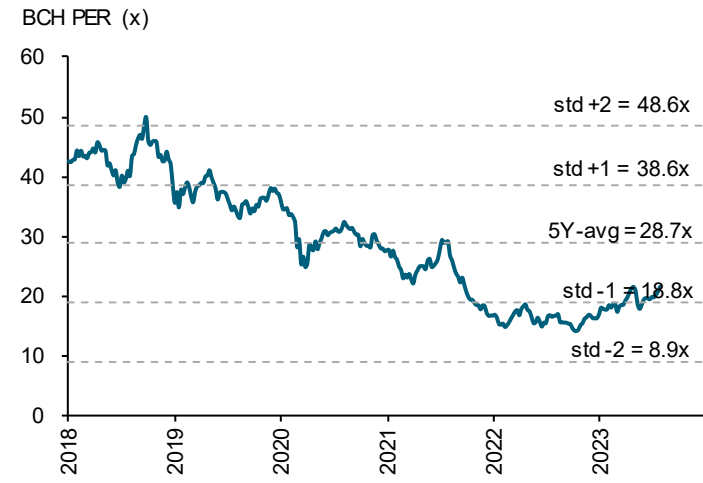
Exhibit 11: DCF-derived TP

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate	3.0		Pre-tax cost of debt	4.0	
Market risk premium	8.0		Marginal tax rate	20.0	
Stock beta	1.0		Net cost of debt, Kd	3.2	
Cost of equity, Ke	10.6		Weight applied	30.0	
Weight applied	70.0				
WACC	8.4				

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	21.6	8.7	WACC 8.4%, Risk-free rate 3%, Risk premium 8%
Terminal value	36.8	14.8	Terminal growth 3%
Cash & liquid assets	2.6	1.1	At end-2023E
Investments	0.0	0.0	At end-2023E
Debt	(3.9)	(1.6)	At end-2023E
Minorities	(1.1)	(0.4)	At end-2023E
Residual ordinary equity	56.2	22.5	

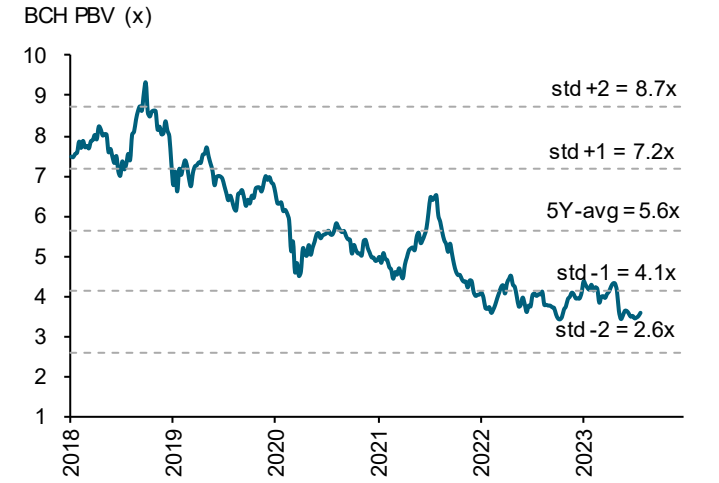
Source: FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 2 Aug 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)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	28.25	34.50	22.1	13,074	33.3	29.4	14.5	15.4	4.7	4.4	18.6	16.6
Bumrungrad Hospital	BH TB	BUY	213.00	280.00	31.5	4,931	28.2	26.7	28.2	26.2	7.4	6.6	18.4	17.2
Bangkok Chain Hospital	BCH TB	BUY	17.80	22.50	26.4	1,293	32.7	26.2	10.9	13.0	3.5	3.3	15.1	12.7
Chularat Hospital	CHG TB	BUY	2.90	3.90	34.5	929	26.9	23.3	15.7	17.4	4.2	3.9	15.5	13.4
Praram 9 Hospital	PR9 TB	BUY	18.30	22.00	20.2	419	24.7	22.8	11.9	12.0	2.8	2.6	12.1	10.9
Thonburi Healthcare Group	THG TB	REDUCE	66.50	55.00	(17.3)	1,641	47.5	41.8	11.4	12.4	5.3	5.1	26.1	23.3
Vibhavadi Medical Center	VIBHA TB	BUY	2.36	3.20	35.6	933	29.6	26.4	7.3	7.9	2.1	2.1	25.1	22.5
Ramkhamhaeng Hospital	RAM TB	BUY	41.50	60.00	44.6	1,450	25.3	21.8	10.0	11.2	2.5	2.4	29.0	25.3
Rajthanee Hospital	RJH TB	n/a	27.75	n/a	n/a	241	19.8	20.0	18.0	17.4	5.6	3.5	12.4	12.4
Ekachai Medical Care	EKH TB	n/a	7.70	n/a	n/a	156	22.3	20.9	11.5	11.5	5.6	2.5	11.9	10.7
Thailand average						25,067	29.0	25.9	13.9	14.4	4.4	3.6	18.4	16.5
Regional														
Ramsay Health Care	RHC AU	n/a	58.51	n/a	n/a	8,787	39.5	28.1	8.8	11.1	3.3	3.2	12.5	11.2
Ihh Healthcare Bhd	IHH SP	n/a	1.75	n/a	n/a	11,492	31.7	28.1	6.4	6.8	2.2	1.9	13.7	12.9
Ryman Healthcare	RYM NZ	n/a	6.78	n/a	n/a	3,040	13.5	14.3	7.5	7.2	1.6	0.9	15.5	19.5
Apollo Hospitals Enterprise	APHS IN	n/a	4,997	n/a	n/a	8,689	85.4	62.4	13.8	17.5	19.8	11.2	35.4	28.8
Kpj Healthcare Berhad	KPJ MK	n/a	1.14	n/a	n/a	1,095	22.8	20.4	9.7	10.3	2.5	2.1	10.9	10.3
Raffles Medical Group	RFMD SP	n/a	1.32	n/a	n/a	1,831	20.0	19.4	11.9	11.7	2.8	2.3	11.0	10.7
Mitra Keluarga Karyasehat	MIKA IJ	n/a	3,080	n/a	n/a	2,890	41.9	36.2	18.4	19.8	9.0	7.4	26.9	22.8
Aier Eye Hospital Group	300015 CH	n/a	19.47	n/a	n/a	25,250	48.4	37.5	18.2	19.9	20.8	9.0	29.0	23.5
Regional average						63,074	37.9	30.8	11.8	13.0	7.8	4.7	19.4	17.5
Overall average						88,141	33.0	28.1	13.0	13.8	5.9	4.1	18.8	16.9

Sources: Bloomberg; FSSIA estimates

Financial Statements

Bangkok Chain Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	21,405	18,827	12,851	14,089	15,342
Cost of goods sold	(10,561)	(12,772)	(8,971)	(9,691)	(10,427)
Gross profit	10,844	6,055	3,880	4,399	4,915
Other operating income	-	-	-	-	-
Operating costs	(1,469)	(1,946)	(1,928)	(2,015)	(2,133)
Operating EBITDA	10,248	5,059	2,956	3,424	3,882
Depreciation	(874)	(950)	(1,003)	(1,040)	(1,099)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	9,374	4,109	1,953	2,384	2,783
Net financing costs	(147)	(148)	(121)	(108)	(94)
Associates	2	0	2	2	2
Recurring non-operating income	127	84	88	92	96
Non-recurring items	0	0	0	0	0
Profit before tax	9,354	4,046	1,920	2,368	2,785
Tax	(1,846)	(888)	(384)	(473)	(557)
Profit after tax	7,507	3,157	1,536	1,895	2,228
Minority interests	(661)	(118)	(179)	(197)	(217)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,846	3,039	1,357	1,697	2,011
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	6,846	3,039	1,357	1,697	2,011
Per share (THB)					
Recurring EPS *	2.75	1.22	0.54	0.68	0.81
Reported EPS	2.75	1.22	0.54	0.68	0.81
DPS	0.33	1.40	0.50	0.30	0.37
Diluted shares (used to calculate per share data)	2,494	2,494	2,494	2,494	2,494
Growth					
Revenue (%)	139.8	(12.0)	(31.7)	9.6	8.9
Operating EBITDA (%)	306.3	(50.6)	(41.6)	15.8	13.4
Operating EBIT (%)	438.6	(56.2)	(52.5)	22.1	16.7
Recurring EPS (%)	456.9	(55.6)	(55.4)	25.1	18.5
Reported EPS (%)	456.9	(55.6)	(55.4)	25.1	18.5
Operating performance					
Gross margin inc. depreciation (%)	50.7	32.2	30.2	31.2	32.0
Gross margin exc. depreciation (%)	54.7	37.2	38.0	38.6	39.2
Operating EBITDA margin (%)	47.9	26.9	23.0	24.3	25.3
Operating EBIT margin (%)	43.8	21.8	15.2	16.9	18.1
Net margin (%)	32.0	16.1	10.6	12.0	13.1
Effective tax rate (%)	19.7	22.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	12.0	114.9	91.9	44.0	46.4
Interest cover (X)	64.5	28.4	16.9	23.0	30.6
Inventory days	12.9	12.3	13.9	10.7	10.8
Debtor days	42.9	49.3	43.7	39.9	36.6
Creditor days	40.3	41.0	49.9	38.6	38.7
Operating ROIC (%)	51.4	21.4	11.7	15.6	18.4
ROIC (%)	50.1	21.0	11.7	15.3	18.0
ROE (%)	68.9	23.9	10.9	13.0	14.3
ROA (%)	35.5	14.2	8.3	10.1	11.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Cash patient revenue	7,476	9,372	9,099	10,032	10,954
SSO patient revenue	2,905	3,371	3,752	4,058	4,388
NHSO patient revenue	11,023	6,084	0	0	0

Sources: Bangkok Chain Hospital; FSSIA estimates

Financial Statements

Bangkok Chain Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,846	3,039	1,357	1,697	2,011
Depreciation	874	950	1,003	1,040	1,099
Associates & minorities	-	-	-	-	-
Other non-cash items	660	24	176	197	217
Change in working capital	(2,204)	1,459	1,786	125	125
Cash flow from operations	6,175	5,471	4,322	3,059	3,452
Capex - maintenance	(678)	(984)	(896)	(986)	(1,074)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(1)	2	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(679)	(982)	(896)	(986)	(1,074)
Dividends paid	(821)	(3,491)	(1,247)	(746)	(933)
Equity finance	0	0	0	0	0
Debt finance	(274)	(3,153)	0	(800)	0
Other financing cash flows	(90)	(462)	(99)	(109)	(119)
Cash flow from financing	(1,186)	(7,106)	(1,346)	(1,655)	(1,053)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	4,310	(2,616)	2,080	418	1,326
Free cash flow to firm (FCFF)	5,647.32	4,645.31	3,550.83	2,188.14	2,480.26
Free cash flow to equity (FCFE)	5,131.91	875.07	3,327.20	1,164.45	2,258.92

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	2.26	1.86	1.42	0.88	0.99
FCFE per share	2.06	0.35	1.33	0.47	0.91
Recurring cash flow per share	3.36	1.61	1.02	1.18	1.33

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,417	20,274	21,174	22,160	23,234
Less: Accumulated depreciation	(7,175)	(7,992)	(8,995)	(10,035)	(11,134)
Tangible fixed assets (net)	12,243	12,282	12,179	12,125	12,100
Intangible fixed assets (net)	540	425	425	425	425
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	34	32	32	32	32
Cash & equivalents	5,256	2,640	4,720	5,139	6,464
A/C receivable	3,547	1,539	1,539	1,539	1,539
Inventories	437	362	244	265	285
Other current assets	4,302	2,294	124	135	148
Current assets	13,541	6,835	6,626	7,077	8,436
Other assets	26	223	223	223	223
Total assets	26,384	19,796	19,485	19,882	21,215
Common equity	12,980	12,445	12,555	13,506	14,583
Minorities etc.	1,326	1,065	1,146	1,234	1,332
Total shareholders' equity	14,306	13,510	13,700	14,740	15,916
Long term debt	6,791	3,888	3,888	3,088	3,088
Other long-term liabilities	170	163	163	163	163
Long-term liabilities	6,961	4,051	4,051	3,251	3,251
A/C payable	1,358	1,300	876	951	1,026
Short term debt	250	0	0	0	0
Other current liabilities	3,510	935	856	939	1,022
Current liabilities	5,117	2,235	1,733	1,890	2,048
Total liabilities and shareholders' equity	26,384	19,796	19,485	19,882	21,215
Net working capital	3,418	1,959	173	49	(77)
Invested capital	16,260	14,921	13,032	12,853	12,703

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	5.20	4.99	5.03	5.42	5.85
Tangible book value per share	4.99	4.82	4.86	5.25	5.68

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	12.5	9.2	(6.1)	(13.9)	(21.2)
Net debt/total assets (%)	6.8	6.3	(4.3)	(10.3)	(15.9)
Current ratio (x)	2.6	3.1	3.8	3.7	4.1
CF interest cover (x)	35.9	6.9	28.5	11.8	25.0

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	6.5	14.6	32.7	26.2	22.1
Recurring P/E @ target price (x) *	8.2	18.5	41.4	33.1	27.9
Reported P/E (x)	6.5	14.6	32.7	26.2	22.1
Dividend yield (%)	1.9	7.9	2.8	1.7	2.1
Price/book (x)	3.4	3.6	3.5	3.3	3.0
Price/tangible book (x)	3.6	3.7	3.7	3.4	3.1
EV/EBITDA (x) **	4.6	9.2	15.1	12.7	10.9
EV/EBITDA @ target price (x) **	5.8	11.5	19.1	16.2	13.9
EV/invested capital (x)	2.9	3.1	3.4	3.4	3.3

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

Sources: Bangkok Chain 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)¹

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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

AGM Checklist by the Thai Investors Association (TIA)²

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)³

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)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Chain Hospital	BCH TB	THB 17.80	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.
Bangkok Dusit Medical Services	BDMS TB	THB 28.25	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 213.00	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.
Chularat Hospital	CHG TB	THB 2.90	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 18.30	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 66.50	REDUCE	Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units.
Vibhavadi Medical Center	VIBHA TB	THB 2.36	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 41.50	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies.

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 2-Aug-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.