

BUMRUNGRAD HOSPITAL

BH TB

THAILAND / HEALTH CARE SERVICES

BUY

UNCHANGED

TARGET PRICE	THB280.00
CLOSE	THB213.00
UP/DOWNSIDE	+31.5%
PRIOR TP	THB280.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+11.4%

Top beneficiary of Middle East influx

- Expect flat 2Q23 core profit q-q at THB1.57b, potentially beating market's expectation, led by strong Middle East patient numbers.
- High number of Middle East tourist arrivals post Ramadan implies 3Q23 earnings could potentially hit a new record high.
- Maintain BUY with a DCF-based TP of THB280/shr.

2Q23 Middle East tourists grew 74% q-q despite Ramadan in April

Despite the 2Q23 low season from Ramadan and the Songkran festival, we believe there is a potential for BH to report a flat 2Q23 core profit q-q at THB1.57b, beating the BBG consensus of THB1.4b. We expect international patient revenue to inch up by 1% q-q, premised on 1) more Middle East tourist arrivals (136k in 2Q23 vs 78k in 1Q23), which should imply a strong medical tourism trend; and 2) a higher bed capacity of 547 beds after completing the renovation program (from c500 beds). Thai patient revenue should drop by 2% q-q due to seasonality. 2Q23 revenue should be flat q-q, with the EBITDA margin maintaining at a high 36%.

Saudi Arabian tourists increased by 4.3x y-y in 1H23

According to the Ministry of Tourism & Sports (MOTS), there were strong Middle East tourist numbers after the Ramadan period in May-June, increasing by 34% y-y and exceeding the pre-Covid level by 69%. Saudi Arabian tourists arrived at a high number of 42k, which grew by 62% y-y and exceeded pre-Covid by 4.3x in 2Q23. This may indirectly imply that BH can capture more medical tourists from Saudi Arabia. Note that revenue contributions from Saudi Arabian patients were only 1% as of 1Q23. There is a potential in the long term to rise to 7%, which was the revenue contribution from UAE patients in 2019, as Saudi Arabia has more than double the population and GDP than the UAE.

Scope of upside for 2023 core profit forecast

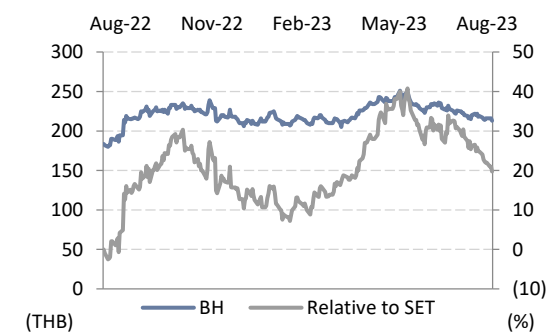
If our 2Q23 earnings estimate materialises, 1H23 core profit would account for 52% of our 2023E core profit with the scope of an upside, as 2H23 core profit should grow h-h due to the high season. In addition, we expect core profit to hit a new record high in 3Q23 on the peak healthcare season in Thailand to fully capitalise on the newly renovated IPD beds.

Weak share price is a buying opportunity

We maintain our forecast and TP with the scope of an upside mentioned above. BH's share price has fallen by 11% and underperformed the SET by 12% over the past three months, leading BH to trade at an attractive 27x 2024E P/E, lower than its 5-year average of 32x. Potential short-term catalysts are the 2Q23 results (8 Aug) and the 3Q23 outlook from the upcoming analyst meeting.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	20,721	23,713	24,669	26,167
Net profit	4,938	6,006	6,356	6,861
EPS (THB)	6.21	7.55	7.99	8.62
vs Consensus (%)	-	7.2	5.0	5.8
EBITDA	7,127	8,580	9,023	9,669
Recurring net profit	4,941	6,006	6,356	6,861
Core EPS (THB)	6.21	7.55	7.99	8.62
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	287.9	21.5	5.8	7.9
Core P/E (x)	34.3	28.2	26.7	24.7
Dividend yield (%)	1.5	1.6	2.1	2.2
EV/EBITDA (x)	22.7	18.4	17.2	15.7
Price/book (x)	8.6	7.4	6.6	5.9
Net debt/Equity (%)	(41.1)	(51.9)	(57.5)	(63.5)
ROE (%)	26.7	28.2	26.2	25.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.8)	(10.9)	15.8
Relative to country (%)	(8.4)	(11.9)	19.1
Mkt cap (USD m)	4,931		
3m avg. daily turnover (USD m)	13.8		
Free float (%)	65		
Major shareholder	Thai NVDR (16%)		
12m high/low (THB)	256.00/178.50		
Issued shares (m)	922.70		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We think BH’s operations are in an upward trend. International patient revenue should continue to improve on the back of pent-up demand for medical tourism.

We expect to see an improvement in Bumrungrad Health Network (BHN), which is the new business model that BHN and its partner hospitals have set up to jointly operate Centers of Excellence (CoE) in partnered hospitals. We believe there will be more CoE openings in partnered hospitals.

BH’s EBITDA margin should be in an upward trend as the hospital has started to reduce its medical discount rate. Plus, international patients, which normally command a higher EBITDA margin than Thai patients, are beginning to recover in terms of volume.

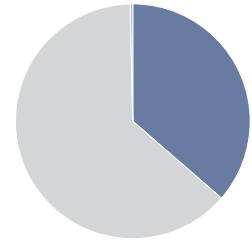
Company profile

BH is a leading private hospital (580 licensed beds) in the premium segment.

www.bumrungrad.com

Principal activities (revenue, 2022)

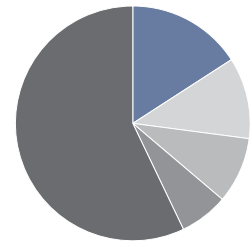
- Thai patient revenue - 36.4 %
- International patient revenue - 63.3 %
- Other revenue - 0.4 %



Source: Bumrungrad Hospital

Major shareholders

- Thai NVDR - 15.9 %
- Bangkok Insurance - 11.2 %
- UOB Kay Hian (Hong Kong) - 9.1 %
- Bangkok Bank - 6.7 %
- Others - 57.1 %



Source: Bumrungrad Hospital

Catalysts

Key growth drivers include 1) the recovery of international patient numbers; 2) its new business model, “Bumrungrad Health Network”, which should enable BH to capture the middle-class patient segment; and 3) its vital life business (Wellness) which has a high margin compared to traditional healthcare.

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) higher medical fee discount promotions, leading to a weaker EBITDA margin.

Event calendar

Date	Event
Aug 2023	2Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2025E (%)
OPD volume growth	7	2	3
OPD revenue / patient growth	7	2	3
IPD volume growth	8	2	3
IPD revenue / patient growth	6	2	3

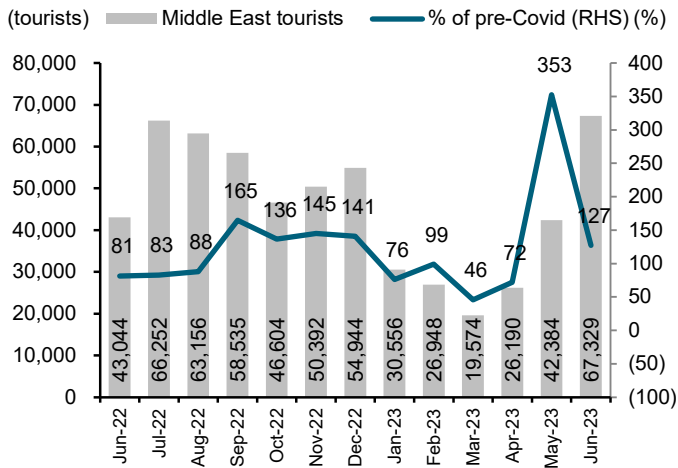
Source: FSSIA estimates

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 4%, and vice versa, all else being equal.

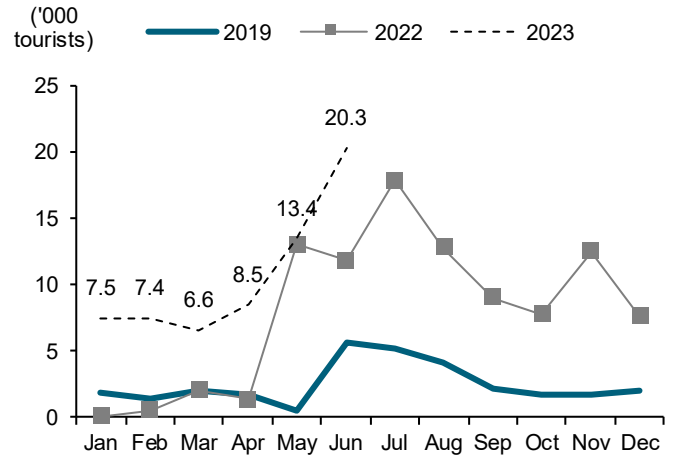
Source: FSSIA estimates

Exhibit 1: Middle East tourist arrivals



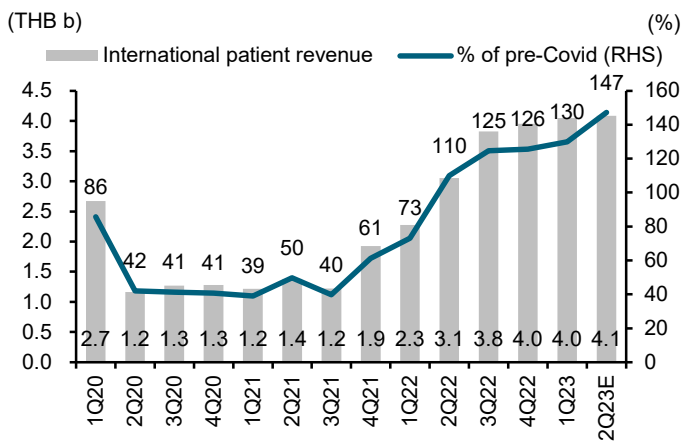
Source: Ministry of Tourism & Sports (MOTS)

Exhibit 2: Saudi Arabia tourist arrivals



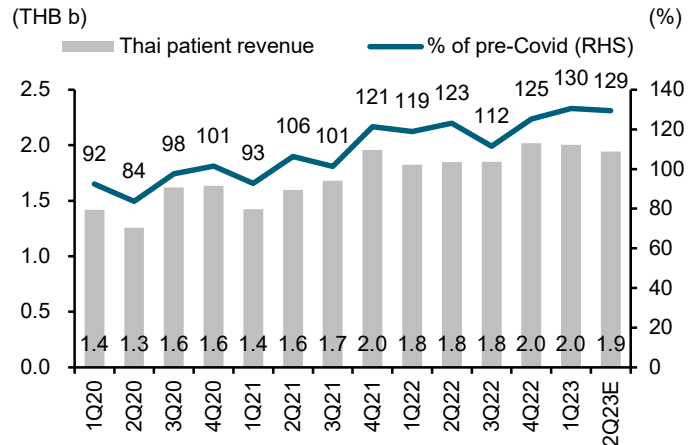
Source: MOTS

Exhibit 3: International patient revenue, quarterly



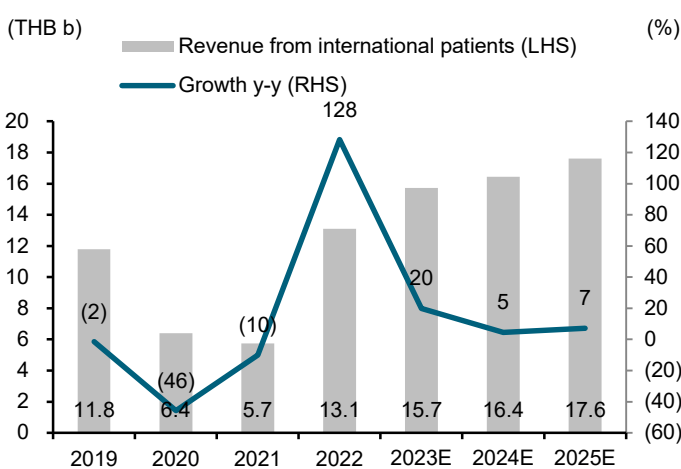
Source: BH

Exhibit 4: Thai patient revenue, quarterly



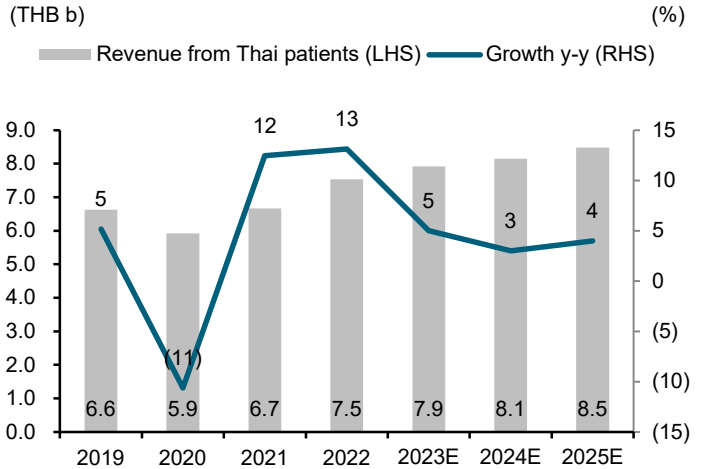
Source: BH

Exhibit 5: International patient revenue, yearly



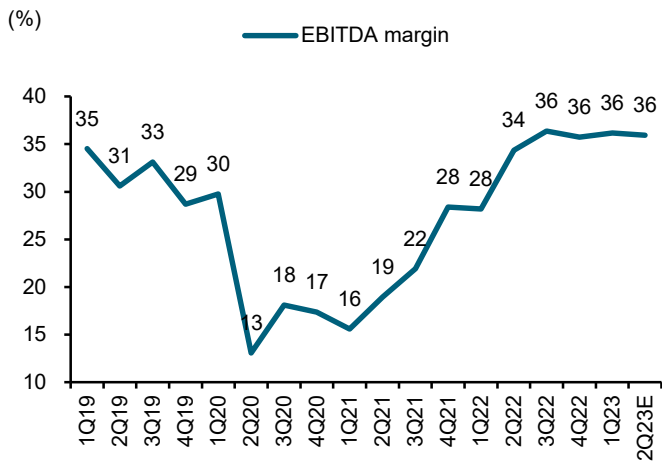
Sources: BH; FSSIA estimates

Exhibit 6: Thai patient revenue, yearly



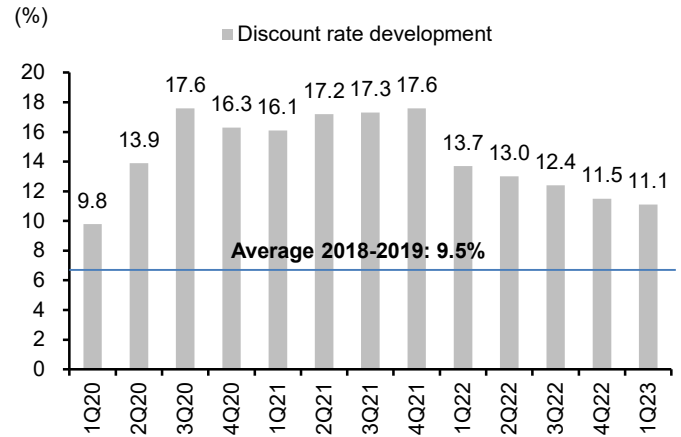
Sources: BH; FSSIA estimates

Exhibit 7: EBITDA margin, quarterly



Source: BH

Exhibit 8: Discount rate has converted to pre-Covid level



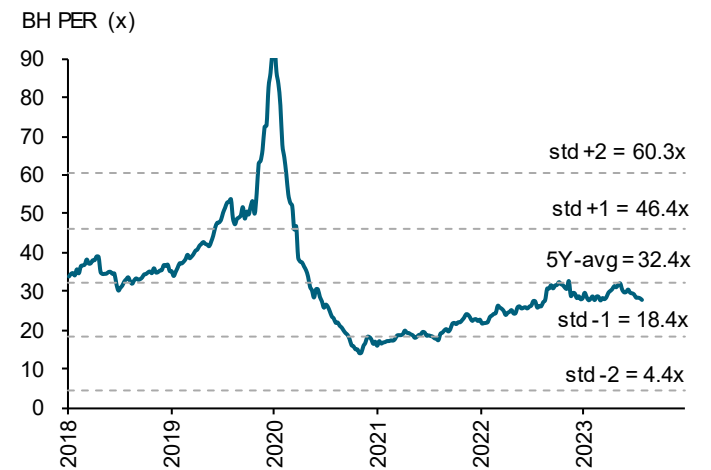
Sources: BH; FSSIA estimates

Exhibit 9: 2Q23 results preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	4,922	5,693	5,988	6,069	6,030	(1)	23	23,713	60
COGS (incl. depreciation)	(2,640)	(2,930)	(3,136)	(3,150)	(3,118)	(1)	18	(12,318)	38
Gross profit	2,282	2,764	2,851	2,920	2,913	(0)	28	11,395	101
SG&A	(887)	(999)	(1,046)	(1,013)	(1,038)	2	17	(4,157)	6
Operating profit	1,395	1,764	1,805	1,906	1,875	(2)	34	7,239	545
Net other income	27	45	80	21	21	0	(22)	187	38
Interest income	9	10	15	25	25	2	177	132	(47)
Interest expense	(1)	(1)	(1)	(0)	(0)	0	(36)	(2)	(96)
Pretax profit	1,430	1,819	1,900	1,952	1,921	(2)	34	7,556	530
Income Tax	(254)	(316)	(335)	(355)	(346)	(3)	36	(1,511)	738
Associates	(0)	(0)	(0)	(0)	(0)	0	(43)	(1)	(100)
Minority interest	(16)	(3)	(8)	(10)	(10)	0	(38)	(39)	12,579
Core profit	1,161	1,500	1,556	1,586	1,565	(1)	35	6,006	509
Extraordinaries, GW & FX	5	2	(10)	(3)		(100)	(100)	0	
Reported net profit	1,166	1,501	1,546	1,583	1,565	(1)	34	6,006	515
Outstanding shares (m)	795	795	795	795	795	0	0	795	0
Core EPS (THB)	1.46	1.89	1.96	2.00	1.97	(1)	35	7.55	509
EPS (THB)	1.47	1.89	1.94	1.99	1.97	(1)	34	7.55	515
COGS (excl. depreciation)	2,361	2,651	2,853	2,875	2,840	(1)	20	11,163	46
Depreciation	278	278	283	275	278	1	(0)	1,154	(7)
EBITDA	1,701	2,088	2,168	2,202	2,174	(1)	28	8,580	190
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	46	49	48	48	48.3	0	2	48	9
SG&A/Revenue	18	18	17	16.7	17.2	1	(1)	18	(10)
EBITDA margin	34	36	36	36.2	35.9	(0)	2	36	14
Net profit margin	24	26	26	26	26	(0)	2	25	15
Operating stats	(y-y %)	(y-y %)	(y-y %)	(y-y %)	(y-y %)				
Hospital revenue growth	65	96	54	47	23				
OPD revenue growth	93	116	48						
IPD revenue growth	40	77	60						
International patient revenue growth	121	213	105	78	34				
Thai patient revenue growth	16	10	3	10	5				

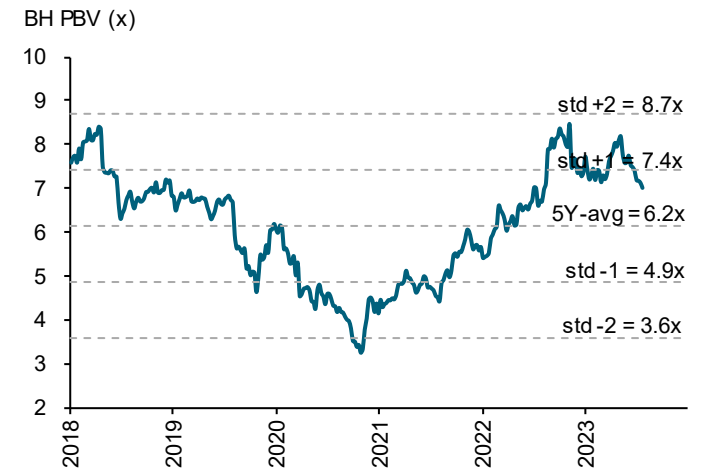
Sources: BH; FSSIA estimates

Exhibit 10: One-year forward rolling P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: One-year forward rolling P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: 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

Bumrungrad Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	12,460	20,721	23,713	24,669	26,167
Cost of goods sold	(7,731)	(11,099)	(12,318)	(12,784)	(13,471)
Gross profit	4,729	9,621	11,395	11,884	12,696
Other operating income	144	187	187	193	198
Operating costs	(3,296)	(3,798)	(4,157)	(4,275)	(4,508)
Operating EBITDA	2,758	7,127	8,580	9,023	9,669
Depreciation	(1,180)	(1,117)	(1,154)	(1,221)	(1,283)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	1,578	6,010	7,426	7,802	8,386
Net financing costs	(51)	42	131	192	239
Associates	(12)	(1)	(1)	(1)	(1)
Recurring non-operating income	(12)	(1)	(1)	(1)	(1)
Non-recurring items	(58)	(3)	0	0	0
Profit before tax	1,456	6,049	7,556	7,994	8,624
Tax	(216)	(1,072)	(1,511)	(1,599)	(1,725)
Profit after tax	1,240	4,977	6,044	6,395	6,899
Minority interests	(24)	(39)	(39)	(39)	(39)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,216	4,938	6,006	6,356	6,861
Non-recurring items & goodwill (net)	58	3	0	0	0
Recurring net profit	1,274	4,941	6,006	6,356	6,861
Per share (THB)					
Recurring EPS *	1.60	6.21	7.55	7.99	8.62
Reported EPS	1.53	6.21	7.55	7.99	8.62
DPS	3.20	3.20	3.50	4.53	4.79
Diluted shares (used to calculate per share data)	796	796	796	796	796
Growth					
Revenue (%)	0.8	66.3	14.4	4.0	6.1
Operating EBITDA (%)	6.5	158.5	20.4	5.2	7.2
Operating EBIT (%)	15.3	281.0	23.5	5.1	7.5
Recurring EPS (%)	6.2	287.9	21.5	5.8	7.9
Reported EPS (%)	1.0	306.2	21.6	5.8	7.9
Operating performance					
Gross margin inc. depreciation (%)	38.0	46.4	48.1	48.2	48.5
Gross margin exc. depreciation (%)	47.4	51.8	52.9	53.1	53.4
Operating EBITDA margin (%)	22.1	34.4	36.2	36.6	37.0
Operating EBIT margin (%)	12.7	29.0	31.3	31.6	32.0
Net margin (%)	10.2	23.8	25.3	25.8	26.2
Effective tax rate (%)	14.1	17.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	199.7	51.5	46.4	56.7	55.6
Interest cover (X)	30.7	(141.7)	(56.9)	(40.6)	(35.1)
Inventory days	17.7	11.9	11.3	11.7	11.6
Debtor days	53.7	36.3	39.1	35.8	33.8
Creditor days	42.0	34.6	37.6	39.0	38.7
Operating ROIC (%)	10.6	40.6	50.1	54.3	59.8
ROIC (%)	10.0	39.1	48.3	52.3	57.6
ROE (%)	7.1	26.7	28.2	26.2	25.2
ROA (%)	6.0	21.9	22.7	21.2	20.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Thai patient revenue	6,661	7,536	7,912	8,150	8,476
International patient revenue	5,743	13,110	15,724	16,441	17,613
Other revenue	56	75	77	78	79

Sources: Bumrungrad Hospital; FSSIA estimates

Financial Statements

Bumrungrad Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,274	4,941	6,006	6,356	6,861
Depreciation	1,180	1,117	1,154	1,221	1,283
Associates & minorities	-	-	-	-	-
Other non-cash items	318	26	39	39	39
Change in working capital	897	131	637	129	203
Cash flow from operations	3,668	6,216	7,836	7,745	8,385
Capex - maintenance	(928)	(1,170)	(1,186)	(1,233)	(1,047)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	74	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(853)	(1,170)	(1,186)	(1,233)	(1,047)
Dividends paid	(2,545)	(2,543)	(2,785)	(3,604)	(3,814)
Equity finance	0	0	0	0	0
Debt finance	(2,516)	(8)	0	0	0
Other financing cash flows	44	(155)	0	0	0
Cash flow from financing	(5,017)	(2,705)	(2,785)	(3,604)	(3,814)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(2,203)	2,341	3,865	2,908	3,525
Free cash flow to firm (FCFF)	2,934.46	5,049.59	6,652.15	6,513.49	7,340.71
Free cash flow to equity (FCFE)	342.35	4,882.92	6,650.25	6,511.59	7,338.81

Per share (THB)

FCFF per share	3.18	5.47	7.21	7.06	7.96
FCFE per share	0.37	5.29	7.21	7.06	7.95
Recurring cash flow per share	3.48	7.65	9.05	9.57	10.28

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	25,744	26,652	27,838	29,071	30,118
Less: Accumulated depreciation	(13,425)	(14,236)	(15,391)	(16,612)	(17,895)
Tangible fixed assets (net)	12,319	12,416	12,447	12,460	12,223
Intangible fixed assets (net)	71	61	61	61	61
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1	1	1	1	1
Cash & equivalents	5,936	8,276	12,141	15,049	18,574
A/C receivable	1,461	2,658	2,421	2,421	2,421
Inventories	328	326	364	377	398
Other current assets	338	159	182	189	200
Current assets	8,062	11,419	15,108	18,037	21,594
Other assets	404	362	362	362	362
Total assets	20,857	24,259	27,980	30,921	34,241
Common equity	17,286	19,705	22,926	25,679	28,726
Minorities etc.	332	300	338	377	415
Total shareholders' equity	17,618	20,005	23,265	26,056	29,141
Long term debt	71	63	63	63	63
Other long-term liabilities	924	799	799	799	799
Long-term liabilities	995	862	862	862	862
A/C payable	805	1,085	1,213	1,257	1,325
Short term debt	0	0	0	0	0
Other current liabilities	1,439	2,306	2,639	2,746	2,912
Current liabilities	2,244	3,391	3,853	4,003	4,237
Total liabilities and shareholders' equity	20,857	24,259	27,980	30,921	34,241
Net working capital	(117)	(249)	(886)	(1,015)	(1,218)
Invested capital	12,677	12,591	11,985	11,869	11,429

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

Per share (THB)

Book value per share	21.72	24.76	28.81	32.27	36.10
Tangible book value per share	21.63	24.69	28.73	32.19	36.02

Financial strength

Net debt/equity (%)	(33.3)	(41.1)	(51.9)	(57.5)	(63.5)
Net debt/total assets (%)	(28.1)	(33.9)	(43.2)	(48.5)	(54.1)
Current ratio (x)	3.6	3.4	3.9	4.5	5.1
CF interest cover (x)	7.7	(114.1)	(50.0)	(32.9)	(29.7)

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	133.0	34.3	28.2	26.7	24.7
Recurring P/E @ target price (x) *	174.9	45.1	37.1	35.1	32.5
Reported P/E (x)	139.4	34.3	28.2	26.7	24.7
Dividend yield (%)	1.5	1.5	1.6	2.1	2.2
Price/book (x)	9.8	8.6	7.4	6.6	5.9
Price/tangible book (x)	9.8	8.6	7.4	6.6	5.9
EV/EBITDA (x) **	59.5	22.7	18.4	17.2	15.7
EV/EBITDA @ target price (x) **	78.8	30.2	24.6	23.1	21.2
EV/invested capital (x)	12.9	12.8	13.2	13.1	13.2

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

Sources: Bumrungrad 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 **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 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

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
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.
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.
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.
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 02-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.