

PRARAM 9 HOSPITAL

THAILAND / HEALTH CARE SERVICES

PR9 TB

BUY
UNCHANGED

รายงานผลประกอบการ 2Q23

กำไรปกติ 2Q23 โต 11% q-q เป็น 121 ลบ. ใกล้เคียงกับที่เราคาด

TARGET PRICE	THB22.00
CLOSE	THB18.10
UP/DOWNSIDE	+21.5%
TP vs CONSENSUS	+3.7%

Highlights

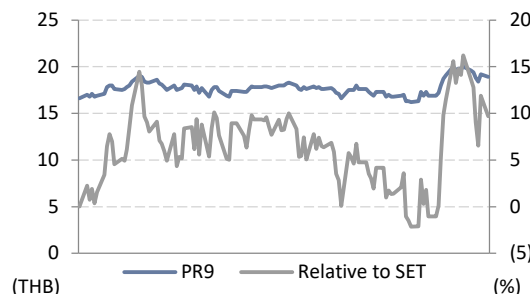
- PR9 รายงานกำไรปกติ 2Q23 อยู่ที่ 121 ลบ. (-3% y-y, +11% q-q) ใกล้เคียงกับที่เราคาด
- ใน 2Q23 รายได้โต 5% q-q แม้ว่า 2Q จะเป็นฤดูธุรกิจที่ซบเซา รายได้จากผู้ป่วยชาวไทย โต 5% q-q โดยได้ปัจจัยผลักดันจาก Lasik Center, Mind Center และ Pediatric Center นอกจากนี้รายได้จากผู้ป่วยต่างชาติก็โต 2% q-q
- รายได้จากผู้ป่วยชาวไทยและต่างชาติสูงกว่าระดับก่อนโควิดอยู่ 55% และ 21% ตามลำดับ
- สัดส่วนรายได้จากผู้ป่วยชาวไทยและต่างชาติคิดเป็น 77% และ 13% ตามลำดับ
- ใน 2Q23 ค่าใช้จ่ายการขายและบริหาร (SG&A) เพิ่มเล็กน้อยที่ 1% q-q ในขณะที่ต้นทุนขาย (COGS) เพิ่ม 5% q-q ตามการเพิ่มของรายได้ซึ่งทำให้ EBITDA margin ปรับตัวดีขึ้นเป็น 22% (เทียบกับ 21% ใน 1Q23)

Outlook

- เราคาดว่ากระแสรายได้จะดีต่อเนื่องใน 3Q23 เนื่องจากเป็นฤดูฝน ปัจจุบันอัตราการใช้เตียงผู้ป่วยในเกือบแตะระดับสูงสุดไปแล้ว PR9 กำลังพิจารณาเปิดหอผู้ป่วยใหม่ (ประมาณ 20 เตียง) ปริมาณผู้ป่วยใน (IPD) ที่เพิ่มขึ้นน่าจะช่วยหนุนให้ EBITDA margin ปรับตัวดีขึ้นอีกครั้งหลังชะลอตัวจาก 23-24% ใน 2Q-3Q22 เป็น 21-22% ในช่วง 1H23

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,107	4,422	4,645	4,928
Net profit	568	582	632	694
EPS (THB)	0.72	0.74	0.80	0.88
vs Consensus (%)	-	0.1	(2.9)	(2.2)
EBITDA	991	1,023	1,098	1,193
Recurring net profit	568	582	632	694
Core EPS (THB)	0.72	0.74	0.80	0.88
EPS growth (%)	127.8	2.6	8.5	9.8
Core P/E (x)	25.1	24.4	22.5	20.5
Dividend yield (%)	1.6	2.0	2.2	2.4
EV/EBITDA (x)	12.6	11.9	10.8	9.6
Price/book (x)	3.0	2.8	2.6	2.5
Net debt/Equity (%)	(36.1)	(40.1)	(44.2)	(48.3)
ROE (%)	12.6	11.9	12.0	12.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.7	(10.4)	9.0
Relative to country (%)	(0.7)	(8.3)	15.0
Mkt cap (USD m)	405		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	59		
Major shareholder	Khunying Potjaman Damapong (37%)		
12m high/low (THB)	21.30/16.00		
Issued shares (m)	786.30		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

Analyst register no. 080523

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

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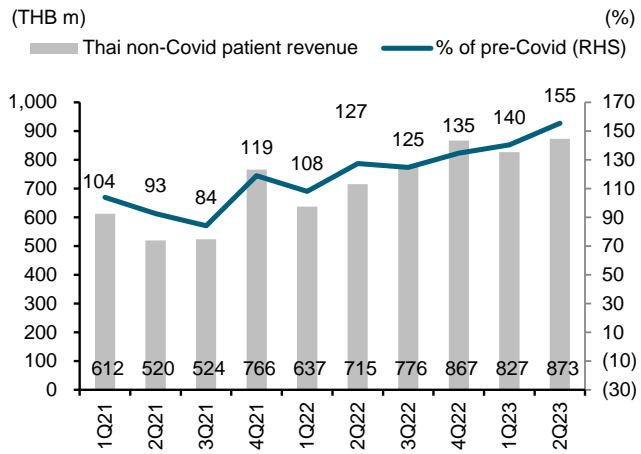
บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 11 สิงหาคม 2023

Exhibit 1: PR9 – 2Q23 operations summary

FY ending Dec	2Q22	3Q22	4Q22	1Q23	2Q23	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	970	1,064	1,103	957	1,005	5	4	4,422
COGS (incl depreciation)	(664)	(702)	(730)	(657)	(688)	5	4	(2,947)
Gross profit	306	362	373	300	316	5	3	1,475
SG&A	(164)	(195)	(218)	(182)	(185)	1	13	(805)
Operating profit	142	167	155	118	132	12	(7)	670
Net other income	12	13	17	16	17	8	51	58
Interest expenses	(0)	(0)	(0)	(0)	(0)	(8)	(1)	(1)
Pretax profit	154	181	172	134	149	11	(3)	728
Income Tax	(29)	(33)	(33)	(25)	(28)	12	(3)	(146)
Core profit	125	147	139	109	121	11	(3)	582
Extraordinaries, GW & FX								
Reported net profit	125	147	139	109	121	11	(3)	582
Outstanding shares (m)	786	786	786	786	786	0	0	786
Pre-ex EPS (THB)	0.16	0.19	0.18	0.14	0.15	11	(3)	0.74
EPS (THB)	0.16	0.19	0.18	0.14	0.15	11	(3)	0.74
COGS excl. depreciation	(588)	(626)	(656)	(584)	(614)	5	4	(2,640)
Depreciation	(75)	(76)	(74)	(73)	(75)	2	(1)	(306)
EBITDA	229	257	246	207	224	8	(2)	1,034
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	32	34	34	31	31	0	(0)	33
SG&A/Revenue	17	18	20	19	18	(1)	1	18
EBITDA margin	23	24	22	21	22	1	(1)	23
Net profit margin	13	14	13	11	12	1	(1)	13
Operating stats	(%)	(%)	(%)	(%)	(%)			
OPD revenue growth y-y	61	75	20	6	5			
OPD volume growth y-y	43	48	13	8	-			
OPD revenue per head growth y-y	13	18	6	(2)	-			
IPD revenue growth y-y	44	13	15	(11)	1			
IPD volume growth y-y	39	(11)	5	(35)	-			
IPD revenue per head growth y-y	4	28	10	38	-			
Thai patient revenue growth y-y	47	30	11	(5)	4			
Inter patient revenue growth y-y	114	196	96	29	1			

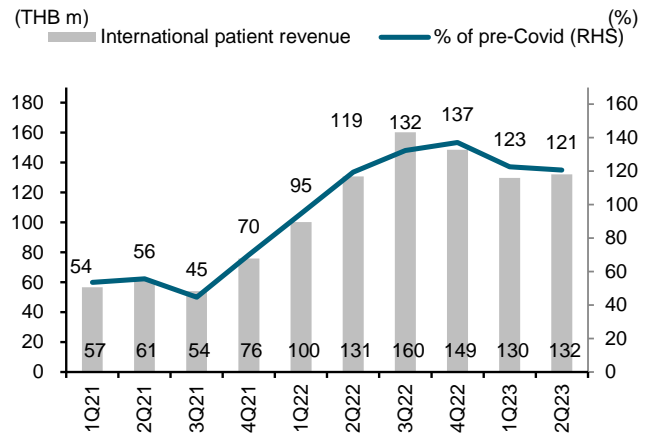
Sources: PR9; FSSIA estimates

Exhibit 2: Non-Covid Thai patient revenue



Sources: PR9; FSSIA estimates

Exhibit 3: International patient revenue



Sources: PR9; FSSIA estimates

Financial Statements

Praram 9 Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,987	4,107	4,422	4,645	4,928
Cost of goods sold	(2,172)	(2,724)	(2,947)	(3,086)	(3,260)
Gross profit	815	1,384	1,475	1,559	1,669
Other operating income	39	43	46	48	50
Operating costs	(557)	(735)	(805)	(832)	(867)
Operating EBITDA	590	991	1,023	1,098	1,193
Depreciation	(294)	(299)	(306)	(322)	(342)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	297	692	716	776	851
Net financing costs	4	8	12	14	16
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	300	700	728	790	867
Tax	(51)	(132)	(146)	(158)	(173)
Profit after tax	249	568	582	632	694
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	249	568	582	632	694
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	249	568	582	632	694
Per share (THB)					
Recurring EPS *	0.32	0.72	0.74	0.80	0.88
Reported EPS	0.32	0.72	0.74	0.80	0.88
DPS	0.14	0.29	0.37	0.40	0.44
Diluted shares (used to calculate per share data)	786	786	786	786	786
Growth					
Revenue (%)	14.8	37.5	7.7	5.1	6.1
Operating EBITDA (%)	33.0	67.9	3.2	7.4	8.6
Operating EBIT (%)	28.5	133.3	3.6	8.3	9.7
Recurring EPS (%)	23.3	127.8	2.6	8.5	9.8
Reported EPS (%)	23.3	127.8	2.6	8.5	9.8
Operating performance					
Gross margin inc. depreciation (%)	27.3	33.7	33.4	33.6	33.9
Gross margin exc. depreciation (%)	37.1	41.0	40.3	40.5	40.8
Operating EBITDA margin (%)	19.8	24.1	23.1	23.6	24.2
Operating EBIT margin (%)	9.9	16.8	16.2	16.7	17.3
Net margin (%)	8.3	13.8	13.2	13.6	14.1
Effective tax rate (%)	17.0	18.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	44.2	40.2	50.0	50.0	50.0
Interest cover (X)	(79.4)	(84.0)	(62.3)	(56.1)	(52.0)
Inventory days	10.2	8.1	7.4	7.6	7.5
Debtor days	22.7	20.2	21.4	21.7	20.4
Creditor days	101.4	82.5	72.1	73.5	73.2
Operating ROIC (%)	7.7	18.1	18.9	20.5	22.7
ROIC (%)	7.5	17.4	17.7	19.1	21.1
ROE (%)	5.9	12.6	11.9	12.0	12.3
ROA (%)	5.0	10.5	9.9	10.1	10.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
OPD patient revenue	1,620	2,383	2,521	2,648	2,810
IPD patient revenue	1,367	1,725	1,901	1,997	2,119

Sources: Praram 9 Hospital; FSSIA estimates

Financial Statements

Praram 9 Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	249	568	582	632	694
Depreciation	294	299	306	322	342
Associates & minorities	-	-	-	-	-
Other non-cash items	3	10	0	0	0
Change in working capital	27	(5)	14	28	35
Cash flow from operations	574	871	903	982	1,071
Capex - maintenance	(235)	(140)	(344)	(330)	(350)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(150)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(235)	(290)	(344)	(330)	(350)
Dividends paid	(86)	(110)	(228)	(291)	(316)
Equity finance	0	0	0	0	0
Debt finance	(2)	2	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(88)	(108)	(228)	(291)	(316)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	250	473	331	361	405
Free cash flow to firm (FCFF)	338.71	581.44	559.55	653.02	721.73
Free cash flow to equity (FCFE)	336.58	582.47	559.02	652.48	721.20

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	0.43	0.74	0.71	0.83	0.92
FCFE per share	0.43	0.74	0.71	0.83	0.92
Recurring cash flow per share	0.69	1.11	1.13	1.21	1.32

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	5,565	5,638	5,982	6,311	6,661
Less: Accumulated depreciation	(2,090)	(2,322)	(2,629)	(2,951)	(3,293)
Tangible fixed assets (net)	3,475	3,315	3,353	3,360	3,368
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	4	154	154	154	154
Cash & equivalents	1,244	1,717	2,048	2,409	2,815
A/C receivable	212	243	276	276	276
Inventories	56	51	56	59	62
Other current assets	90	12	13	14	14
Current assets	1,603	2,023	2,393	2,757	3,167
Other assets	55	65	65	65	65
Total assets	5,137	5,558	5,965	6,337	6,754
Common equity	4,278	4,735	5,090	5,430	5,808
Minorities etc.	0	0	0	0	0
Total shareholders' equity	4,278	4,735	5,090	5,430	5,808
Long term debt	6	8	8	8	8
Other long-term liabilities	190	209	209	209	209
Long-term liabilities	196	217	217	217	217
A/C payable	597	499	544	569	601
Short term debt	0	0	0	0	0
Other current liabilities	66	106	114	120	128
Current liabilities	663	606	658	690	729
Total liabilities and shareholders' equity	5,137	5,558	5,965	6,337	6,754
Net working capital	(305)	(299)	(313)	(341)	(376)
Invested capital	3,230	3,235	3,258	3,238	3,210

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	5.44	6.02	6.47	6.91	7.39
Tangible book value per share	5.44	6.02	6.47	6.91	7.39

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	(28.9)	(36.1)	(40.1)	(44.2)	(48.3)
Net debt/total assets (%)	(24.1)	(30.8)	(34.2)	(37.9)	(41.6)
Current ratio (x)	2.4	3.3	3.6	4.0	4.3
CF interest cover (x)	(89.2)	(69.7)	(47.6)	(46.2)	(43.1)

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	57.1	25.1	24.4	22.5	20.5
Recurring P/E @ target price (x) *	69.4	30.5	29.7	27.4	24.9
Reported P/E (x)	57.1	25.1	24.4	22.5	20.5
Dividend yield (%)	0.8	1.6	2.0	2.2	2.4
Price/book (x)	3.3	3.0	2.8	2.6	2.5
Price/tangible book (x)	3.3	3.0	2.8	2.6	2.5
EV/EBITDA (x) **	22.0	12.6	11.9	10.8	9.6
EV/EBITDA @ target price (x) **	27.2	15.7	14.9	13.6	12.1
EV/invested capital (x)	4.0	3.9	3.7	3.7	3.6

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

Sources: Praram 9 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

ANALYST(S) CERTIFICATION

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

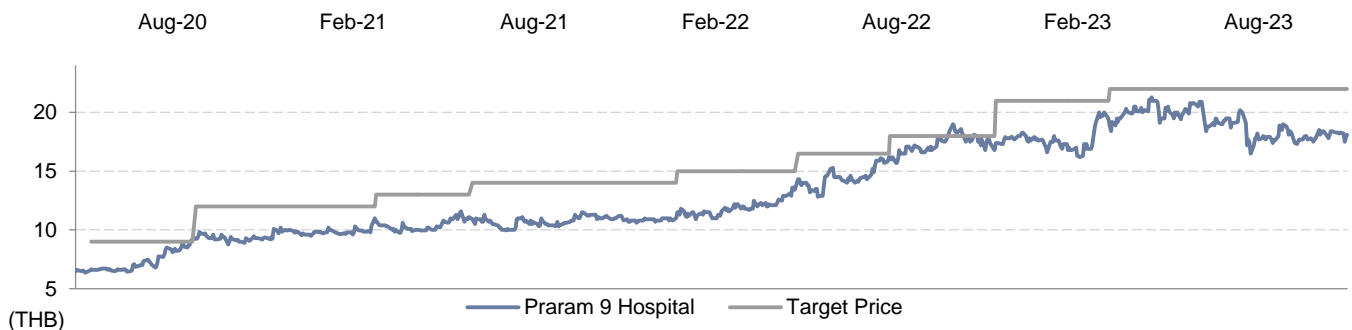
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History of change in investment rating and/or target price

Praram 9 Hospital (PR9 TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Aug-2020	BUY	9.00	16-Jul-2021	BUY	14.00	12-Jul-2022	BUY	18.00
20-Nov-2020	BUY	12.00	10-Jan-2022	BUY	15.00	11-Oct-2022	BUY	21.00
26-Apr-2021	BUY	13.00	22-Apr-2022	BUY	16.50	17-Jan-2023	BUY	22.00

Teerapol Udomvej, CFA started covering this stock from 30-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Praram 9 Hospital	PR9 TB	THB 18.10	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 10-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.