

PRARAM 9 HOSPITAL PR9 TB

THAILAND / HEALTH CARE SERVICES

BUY

UNCHANGED

TARGET PRICE	THB22.00
CLOSE	THB17.20
UP/DOWNSIDE	+27.9%
PRIOR TP	THB22.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-3.2%

Penetrating the Middle East market

- Expect 3Q23 earnings to grow 6% q-q to THB128m, led by strong Thai patient volume; 4Q23 earnings should be peak for 2023.
- Recently set up international marketing team to cooperate with agents to bring Middle East patients to hospital starting in 4Q23.
- Maintain BUY with a DCF-based TP of THB22.0/shr.

3Q23 core profit to exceed pre-Covid by 44%

We estimate 3Q23 revenue to grow by 4% q-q due to the high healthcare season. IPD revenue should increase due to a higher patient volume (c130 beds/day in 3Q23 vs 116 beds/day in 2Q23). Thai patient revenue should grow 11% q-q in 3Q23 due to RSV and the influenza outbreak, while international patient revenue should grow 6% q-q from the recovery of CLMV patients. The EBITDA margin should slightly improve to 22.1% (vs 21.9% in 2Q23). Overall, we forecast 3Q23 core profit to grow by 6% q-q to THB128m, exceeding pre-Covid by 44%. Core profit should drop by 13% y-y given that PR9 had 10% Covid-related revenue in 3Q22.

Earnings to accelerate in 4Q23

Normally 4Q is the high season for PR9, and we expect its revenue to hit a new record high (current record high is THB1.1b in 4Q22). IPD volume is currently around 140-150 beds/day due to strong demand among the child patient segment. In addition, revenue from check-ups and the Lasik center should support the strong growth of OPD revenue. As a result, 4Q23 core profit should increase q-q with a scope for y-y growth.

To start capturing Middle East market in 4Q23

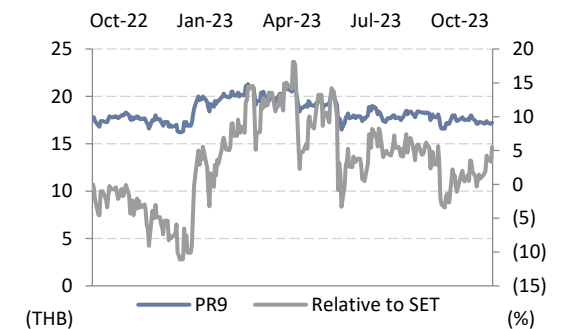
PR9 plans to penetrate the Middle East (ME) market from 4Q23. Aside from Patrick group, which recently signed an exclusive partnership to bring ME referral patients to hospital, PR9 has set up a new international marketing team to contact more agencies to refer more high-intensity ME patients. PR9 plans to use one ward (around 20 beds) to serve ME patients. This would support strong international patient revenue, potentially rising from 13% in 2022 to 20% over the next couple years.

Revise down core profit; trades at a cheap valuation

We revise down 2023-25E core profit by 5-13% to reflect the lower-than-expected revenue, mainly from fly-in Chinese tourists, and EBITDA margin. We also roll forward our DCF valuation base to 2024 and maintain our TP of THB22/shr. PR9 trades at an attractive valuation of 22x (vs its peers' average of 26x). Its share price has moved sideways over the past years, and we see this as a buying opportunity premised on 1) the upward trend of IPD patient bed-days; 2) consecutive earnings growth q-q in 3Q-4Q23; and 3) potential new S-Curve from ME patients.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,107	4,153	4,491	4,765
Net profit	568	506	603	655
EPS (THB)	0.72	0.64	0.77	0.83
vs Consensus (%)	-	(12.0)	(5.4)	(6.1)
EBITDA	991	927	1,062	1,143
Recurring net profit	568	506	603	655
Core EPS (THB)	0.72	0.64	0.77	0.83
Chg. In EPS est. (%)	-	(13.1)	(4.6)	(5.6)
EPS growth (%)	127.8	(10.9)	19.2	8.7
Core P/E (x)	23.8	26.7	22.4	20.6
Dividend yield (%)	1.7	1.9	2.2	2.4
EV/EBITDA (x)	11.9	12.5	10.5	9.4
Price/book (x)	2.9	2.7	2.5	2.4
Net debt/Equity (%)	(36.1)	(38.8)	(43.6)	(47.7)
ROE (%)	12.6	10.4	11.6	11.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.1)	(2.8)	2.4
Relative to country (%)	6.7	1.2	10.2
Mkt cap (USD m)	365		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	59		
Major shareholder	Khunying Potjaman Damapong (37%)		
12m high/low (THB)	21.30/16.10		
Issued shares (m)	786.30		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

PR9 is a standalone hospital that is known as a “value-for-money” hospital. It recently upgraded its services to include tertiary care with new specialist centres. One of the top contributors is the Kidney Transplant Institute, which is the only facility to be accredited by Joint Commission International (JCI) outside the US.

The hospital is in a growth phase, with a new building opened in July 2020. The new building enables PR9 to capture new customer groups from its new specialist centres and gives it a higher IPD capacity. PR9 has the potential to increase its IPD capacity to up to 300 beds (from 204 currently).

The improving EBITDA margin and ROE should lead to a stock valuation re-rating, in our view.

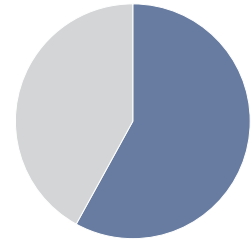
Company profile

PR9 has been operating a private hospital since 1992.

www.praram9.com

Principal activities (revenue, 2022)

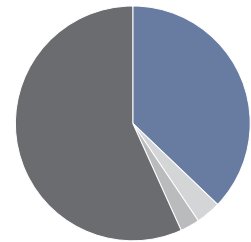
- OPD patient revenue - 58.0 %
- IPD patient revenue - 42.0 %



Source: Praram 9 Hospital

Major shareholders

- Khunying Potjaman Damapong - 37.1 %
- Thai NVDR - 3.4 %
- Krungsri Asset Management - 2.7 %
- Others - 56.8 %



Source: Praram 9 Hospital

Catalysts

Key potential growth drivers include 1) higher Thai patient volume from new specialist centres; 2) rising demand from medical tourists, especially patients from Cambodia, Laos, Myanmar and Vietnam (CLMV), as well as China; and 3) the new strategy to capture Middle East patients.

Risks to our call

Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.

Event calendar

Date	Event
Nov 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
No. of beds (no.)	249	270	312
OPD volume growth	0	4	3
OPD revenue / patient growth	0	4	3
IPD volume growth	0	4	3
IPD revenue / patient growth	3	4	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 6%, and vice versa, all else being equal.

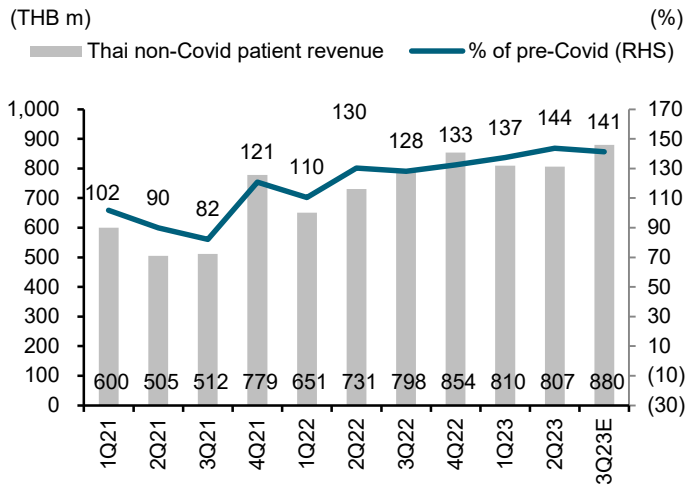
Source: FSSIA estimates

Exhibit 1: 3Q23 results preview

FY ending Dec	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,064	1,103	957	1,005	1,050	4	(1)	4,153	1
COGS (incl depreciation)	(702)	(730)	(657)	(688)	(709)	3	1	(2,789)	2
Gross profit	362	373	300	316	341	8	(6)	1,364	(1)
SG&A	(195)	(218)	(182)	(185)	(199)	7	2	(789)	7
Operating profit	167	155	118	132	143	8	(15)	575	(11)
Net other income	13	17	16	17	17	(2)	27	58	12
Interest expenses	(0)	(0)	(0)	(0)	0			(1)	n/a
Pretax profit	181	172	134	149	160	7	(12)	632	(10)
Income Tax	(33)	(33)	(25)	(28)	(32)	14	(5)	(126)	(5)
Core profit	147	139	109	121	128	6	(13)	506	(11)
Extraordinaries, GW & FX									
Reported net profit	147	139	109	121	128	6	(13)	506	(11)
Outstanding shares (m)	786	786	786	786	786	0	0	786	0
Pre-ex EPS (THB)	0.19	0.18	0.14	0.15	0.16	6	(13)	0.64	(11)
EPS (THB)	0.19	0.18	0.14	0.15	0.16	6	(13)	0.64	(11)
COGS excl. depreciation	(626)	(656)	(584)	(614)	(633)	4	0	(2,483)	2
Depreciation	(76)	(74)	(73)	(75)	(76)	1	3	(306)	2
EBITDA	257	246	207	224	235	5	1	938	(6)
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	34	34	31	31	33	1	(2)	33	(1)
SG&A/Revenue	18	20	19	18	19	1	1	19	1
EBITDA margin	24	22	21	21.9	22.1	0	(2)	22	(2)
Net profit margin	14	13	11	12	12	0	(2)	12	(2)
Operating stats	(%)	(%)	(%)	(%)					
OPD revenue growth y-y	75	20	6	5					
OPD volume growth y-y	48	13	8	4					
OPD revenue per head growth y-y	18	6	(2)	1					
IPD revenue growth y-y	13	15	(11)	1					
IPD volume growth y-y	(11)	5	(35)	(10)					
IPD revenue per head growth y-y	28	10	38	13					
Thai patient revenue growth y-y	30	11	(5)	4					
Inter patient revenue growth y-y	196	96	29	1					

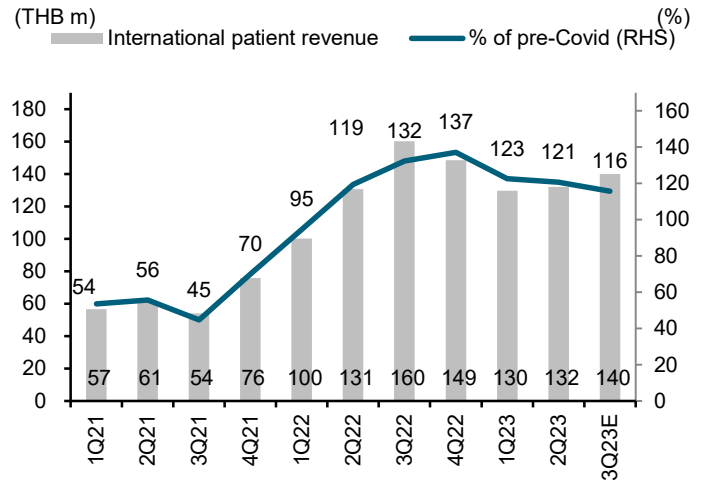
Sources: PR9; FSSIA estimates

Exhibit 2: Non-Covid Thai patient revenue



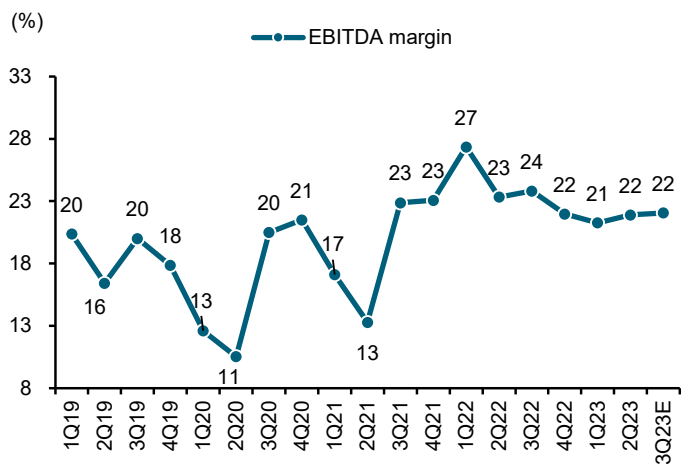
Sources: PR9; FSSIA estimates

Exhibit 3: International patient revenue



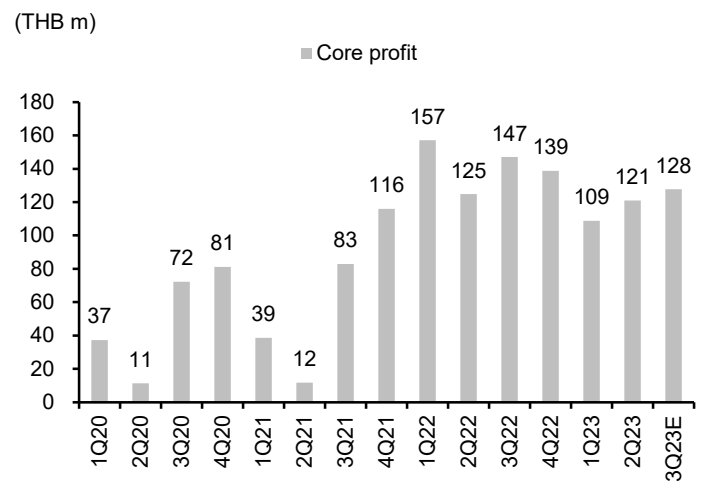
Sources: PR9; FSSIA estimates

Exhibit 4: EBITDA margin



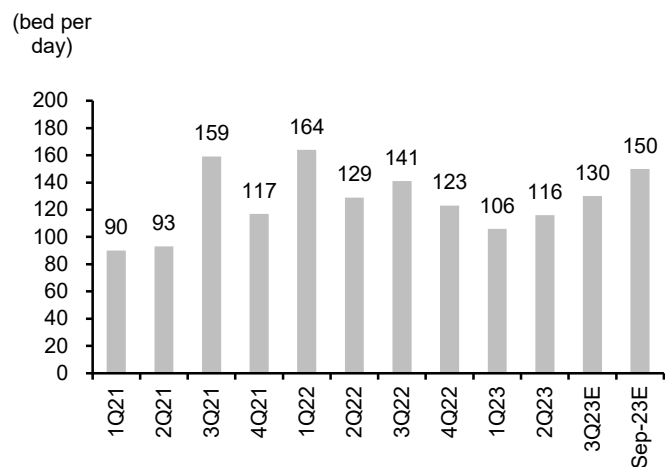
Sources: PR9; FSSIA estimates

Exhibit 5: Core profit



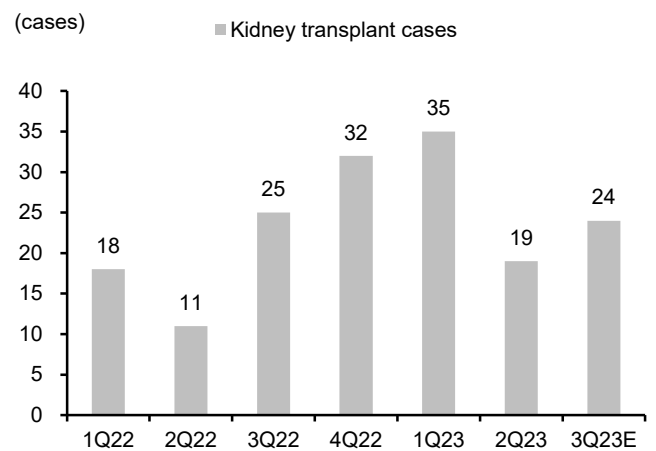
Sources: PR9; FSSIA estimates

Exhibit 6: IPD average daily census (ADC)



Sources: PR9; FSSIA estimates

Exhibit 7: Kidney transplant cases



Sources: PR9; FSSIA estimates

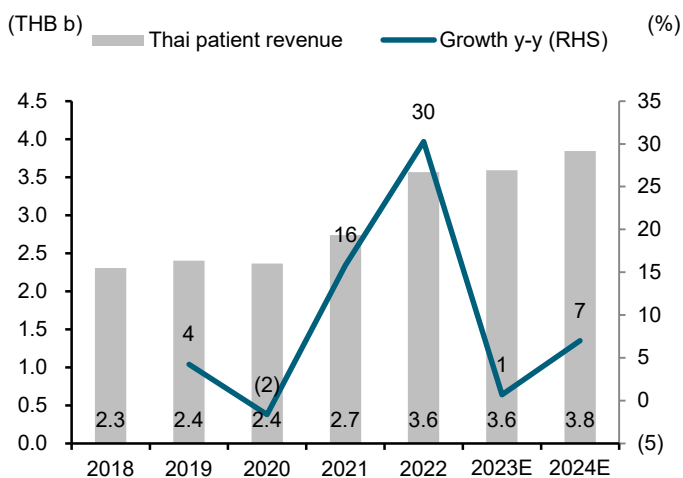
Exhibit 8: Forecast revisions

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Revenue	4,153	4,491	4,765	4,422	4,645	4,928	(6.1)	(3.3)	(3.3)
EBITDA margin (%)	22.3	23.6	24.0	23.1	23.6	24.2	(0.8)	(0.0)	(0.2)
Core profit	506	603	655	582	632	694	(13.1)	(4.6)	(5.6)
Key assumptions									
OPD- Visits per day (no.)	1,422	1,479	1,523	1,465	1,509	1,554	(2.9)	(2.0)	(2.0)
OPD - Revenue per visit (THB)	4,578	4,761	4,904	4,716	4,810	4,954	(2.9)	(1.0)	(1.0)
IPD - Admissions per day (no.)	40	41	43	43	44	45	(6.5)	(5.6)	(5.6)
IPD - Revenue per admission (THB)	122,336	127,230	131,047	122,336	124,783	128,527	0.0	2.0	2.0

Note: Change of items in percentage terms are represented in ppt change.

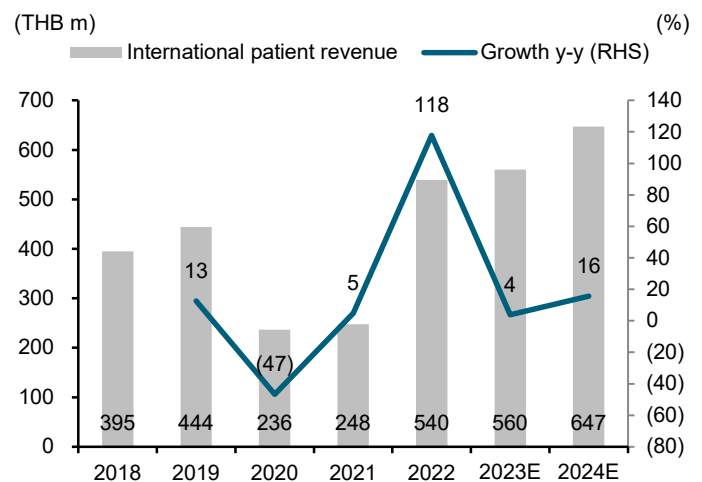
Source: FSSIA estimates

Exhibit 9: Thai patient revenue



Sources: PR9; FSSIA estimates

Exhibit 10: International patient revenue



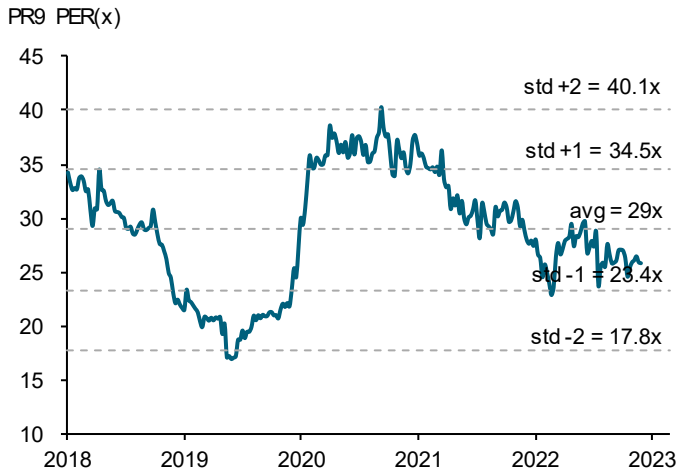
Sources: PR9; FSSIA estimates

Exhibit 11: DCF valuation

Cost of equity assumptions		Cost of debt assumptions	
	(%)		(%)
Risk-free rate	3.0	Pre-tax cost of debt	3.5
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	0.8		
Cost of equity, Ke	9.3	Net cost of debt, Kd	2.8
Weight applied	100.0	Weight applied	0.0
WACC	9.3		
DCF valuation estimate		(THB b)	(THB/share)
NPV	6.1	7.8	WACC 9.3%, risk-free rate 3%, risk premium 8%
Terminal value	8.7	11.1	Terminal growth 3%
Cash & liquid assets	2.3	2.9	At end-2024E
Investments	0.2	0.2	At end-2024E
Debt	(0.0)	(0.0)	At end-2024E
Minorities	0.0	0.0	At end-2024E
Residual ordinary equity	17.3	22.0	

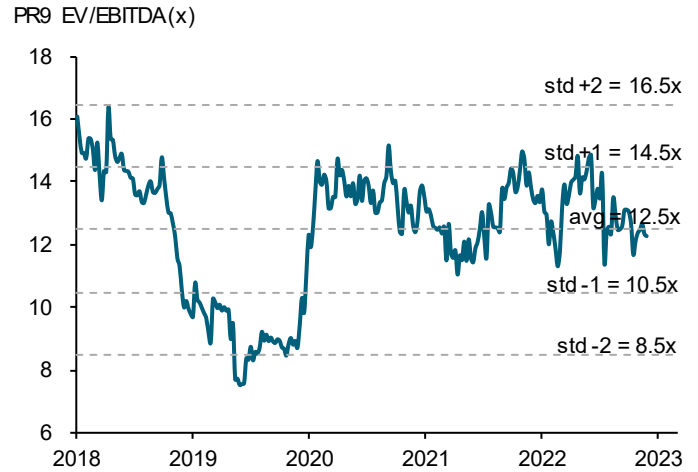
Source: FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 3 October 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	26.75	34.50	29.0	11,458	31.6	27.8	14.5	15.4	4.5	4.1	17.6	15.7
Bumrungrad Hospital	BH TB	BUY	265.00	300.00	13.2	5,677	31.2	29.8	31.1	28.0	8.9	7.9	20.8	19.7
Bangkok Chain Hospital	BCH TB	BUY	20.20	22.50	11.4	1,358	37.1	29.7	10.9	13.0	4.0	3.7	17.1	14.5
Chularat Hospital	CHG TB	BUY	3.28	3.90	18.9	972	30.4	26.3	15.7	17.4	4.8	4.4	17.6	15.3
Praram 9 Hospital	PR9 TB	BUY	17.20	22.00	27.9	365	26.7	22.4	10.4	11.6	2.7	2.5	12.5	10.5
Thonburi Healthcare Group	THG TB	REDUCE	65.25	55.00	(15.7)	1,490	46.6	41.1	11.4	12.4	5.2	5.0	25.7	22.9
Vibhavadi Medical Center	VIBHA TB	BUY	2.22	3.20	44.1	812	27.8	24.9	7.3	7.9	2.0	1.9	23.9	21.4
Ramkhamhaeng Hospital	RAM TB	BUY	39.50	60.00	51.9	1,278	24.1	20.7	10.0	11.2	2.4	2.3	28.0	24.4
Principal Capital	PRINC TB	BUY	4.98	9.00	80.7	511	28.8	21.5	6.2	7.9	1.7	1.7	14.6	12.3
Rajthanee Hospital	RJH TB	n/a	28.25	n/a	n/a	225	20.0	20.0	18.0	17.2	5.6	3.5	12.6	12.6
Ekachai Medical Care	EKH TB	n/a	7.80	n/a	n/a	147	22.1	20.6	11.1	11.6	5.7	2.5	12.6	11.5
Thailand average						24,294	29.7	25.9	13.3	14.0	4.3	3.6	18.4	16.4
Regional														
Ramsay Health Care	RHC AU	n/a	50.79	n/a	n/a	7,244	33.8	34.9	8.6	7.9	2.8	2.7	11.6	10.8
Ihh Healthcare Bhd	IHH SP	n/a	1.70	n/a	n/a	10,761	33.1	28.8	6.1	6.5	2.2	1.9	14.0	13.2
Ryman Healthcare	RYM NZ	n/a	6.15	n/a	n/a	3,111	12.1	12.8	7.5	7.2	1.4	0.8	16.1	20.3
Apollo Hospitals Enterprise	APHS IN	n/a	5,119	n/a	n/a	8,748	86.6	68.6	13.8	15.9	20.0	11.3	35.9	30.4
Kpj Healthcare Berhad	KPJ MK	n/a	1.14	n/a	n/a	1,060	23.5	21.3	9.4	9.9	2.6	2.2	11.0	10.3
Raffles Medical Group	RFMD SP	n/a	1.26	n/a	n/a	1,679	19.4	19.4	11.5	11.1	2.7	2.2	11.0	10.8
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,730	n/a	n/a	2,506	39.2	33.3	17.6	19.0	8.1	6.6	25.0	21.3
Aier Eye Hospital Group	300015 CH	n/a	17.97	n/a	n/a	22,970	48.7	37.0	18.0	19.8	19.2	8.3	28.4	22.6
Regional average						58,079	37.0	32.0	11.6	12.2	7.4	4.5	19.1	17.5
Overall average						82,373	32.8	28.5	12.6	13.2	5.6	4.0	18.7	16.9

Sources: Bloomberg; 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	4,153	4,491	4,765
Cost of goods sold	(2,172)	(2,724)	(2,789)	(2,985)	(3,156)
Gross profit	815	1,384	1,364	1,507	1,609
Other operating income	39	43	46	60	62
Operating costs	(557)	(735)	(789)	(826)	(867)
Operating EBITDA	590	991	927	1,062	1,143
Depreciation	(294)	(299)	(306)	(321)	(340)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	297	692	621	741	803
Net financing costs	4	8	12	13	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	632	754	819
Tax	(51)	(132)	(126)	(151)	(164)
Profit after tax	249	568	506	603	655
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	249	568	506	603	655
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	249	568	506	603	655
Per share (THB)					
Recurring EPS *	0.32	0.72	0.64	0.77	0.83
Reported EPS	0.32	0.72	0.64	0.77	0.83
DPS	0.14	0.29	0.32	0.38	0.42
Diluted shares (used to calculate per share data)	786	786	786	786	786
Growth					
Revenue (%)	14.8	37.5	1.1	8.2	6.1
Operating EBITDA (%)	33.0	67.9	(6.5)	14.6	7.7
Operating EBIT (%)	28.5	133.3	(10.3)	19.3	8.5
Recurring EPS (%)	23.3	127.8	(10.9)	19.2	8.7
Reported EPS (%)	23.3	127.8	(10.9)	19.2	8.7
Operating performance					
Gross margin inc. depreciation (%)	27.3	33.7	32.8	33.6	33.8
Gross margin exc. depreciation (%)	37.1	41.0	40.2	40.7	40.9
Operating EBITDA margin (%)	19.8	24.1	22.3	23.6	24.0
Operating EBIT margin (%)	9.9	16.8	14.9	16.5	16.9
Net margin (%)	8.3	13.8	12.2	13.4	13.8
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)	(54.0)	(56.3)	(50.5)
Inventory days	10.2	8.1	7.6	7.5	7.5
Debtor days	22.7	20.2	22.7	22.3	21.0
Creditor days	101.4	82.5	74.3	72.6	73.1
Operating ROIC (%)	7.7	18.1	16.4	19.5	21.4
ROIC (%)	7.5	17.4	15.3	18.2	20.0
ROE (%)	5.9	12.6	10.4	11.6	11.8
ROA (%)	5.0	10.5	8.7	9.8	10.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
OPD patient revenue	1,620	2,383	2,376	2,570	2,726
IPD patient revenue	1,367	1,725	1,777	1,922	2,039

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	506	603	655
Depreciation	294	299	306	321	340
Associates & minorities	-	-	-	-	-
Other non-cash items	3	10	0	0	0
Change in working capital	27	(5)	(19)	41	34
Cash flow from operations	574	871	793	965	1,030
Capex - maintenance	(235)	(140)	(328)	(320)	(339)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(150)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(235)	(290)	(328)	(320)	(339)
Dividends paid	(86)	(110)	(228)	(253)	(301)
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)	(253)	(301)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	250	473	237	393	390
Free cash flow to firm (FCFF)	338.71	581.44	465.46	646.06	691.53
Free cash flow to equity (FCFE)	336.58	582.47	464.92	645.53	691.00

Per share (THB)

FCFF per share	0.43	0.74	0.59	0.82	0.88
FCFE per share	0.43	0.74	0.59	0.82	0.88
Recurring cash flow per share	0.69	1.11	1.03	1.18	1.27

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	5,565	5,638	5,965	6,285	6,624
Less: Accumulated depreciation	(2,090)	(2,322)	(2,628)	(2,949)	(3,289)
Tangible fixed assets (net)	3,475	3,315	3,337	3,336	3,335
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	1,954	2,347	2,736
A/C receivable	212	243	274	274	274
Inventories	56	51	53	56	60
Other current assets	90	12	12	13	14
Current assets	1,603	2,023	2,293	2,690	3,084
Other assets	55	65	65	65	65
Total assets	5,137	5,558	5,849	6,245	6,637
Common equity	4,278	4,735	5,013	5,363	5,717
Minorities etc.	0	0	0	0	0
Total shareholders' equity	4,278	4,735	5,013	5,363	5,717
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	512	549	580
Short term debt	0	0	0	0	0
Other current liabilities	66	106	107	116	123
Current liabilities	663	606	619	665	703
Total liabilities and shareholders' equity	5,137	5,558	5,849	6,245	6,637
Net working capital	(305)	(299)	(280)	(321)	(356)
Invested capital	3,230	3,235	3,276	3,233	3,198

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

Per share (THB)

Book value per share	5.44	6.02	6.38	6.82	7.27
Tangible book value per share	5.44	6.02	6.38	6.82	7.27

Financial strength

Net debt/equity (%)	(28.9)	(36.1)	(38.8)	(43.6)	(47.7)
Net debt/total assets (%)	(24.1)	(30.8)	(33.3)	(37.5)	(41.1)
Current ratio (x)	2.4	3.3	3.7	4.0	4.4
CF interest cover (x)	(89.2)	(69.7)	(39.4)	(48.0)	(42.4)

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	54.3	23.8	26.7	22.4	20.6
Recurring P/E @ target price (x) *	69.4	30.5	34.2	28.7	26.4
Reported P/E (x)	54.3	23.8	26.7	22.4	20.6
Dividend yield (%)	0.8	1.7	1.9	2.2	2.4
Price/book (x)	3.2	2.9	2.7	2.5	2.4
Price/tangible book (x)	3.2	2.9	2.7	2.5	2.4
EV/EBITDA (x) **	20.8	11.9	12.5	10.5	9.4
EV/EBITDA @ target price (x) **	27.2	15.7	16.6	14.1	12.7
EV/invested capital (x)	3.8	3.7	3.5	3.5	3.4

* 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

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
Praram 9 Hospital	PR9 TB	THB 17.20	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.
Bangkok Dusit Medical Services	BDMS TB	THB 26.75	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 265.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Bangkok Chain Hospital	BCH TB	THB 20.20	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Chularat Hospital	CHG TB	THB 3.28	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.
Thonburi Healthcare Group	THG TB	THB 65.25	REDUCE	Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units.
Vibhavadi Medical Center	VIBHA TB	THB 2.22	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 39.50	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.
Principal Capital	PRINC TB	THB 4.98	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from new hospitals.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 03-Oct-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.