

# CHULARAT HOSPITAL

## CHG TB

THAILAND / HEALTH CARE SERVICES

# BUY

UNCHANGED

## Come back to healthy growth

- Expect 3Q23 core profit to jump by 48% q-q to THB305m due to a strong cash patient volume and improving EBITDA margin.
- 2024 earnings growth is promising from a lower loss from its new hospital and an absence of one-time expenses.
- Maintain BUY with a higher DCF-TP of THB4/shr.

TARGET PRICE	THB4.00
CLOSE	THB3.18
UP/DOWNSIDE	+25.8%
PRIOR TP	THB3.90
CHANGE IN TP	+2.6%
TP vs CONSENSUS	+12.2%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	10,103	7,606	8,205	8,748
Net profit	2,778	1,186	1,371	1,548
EPS (THB)	0.25	0.11	0.12	0.14
vs Consensus (%)	-	17.0	5.3	12.0
EBITDA	3,947	1,964	2,218	2,467
Recurring net profit	2,778	1,186	1,371	1,548
Core EPS (THB)	0.25	0.11	0.12	0.14
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(33.9)	(57.3)	15.5	12.9
Core P/E (x)	12.6	29.5	25.5	22.6
Dividend yield (%)	5.0	2.0	2.4	2.7
EV/EBITDA (x)	8.7	17.0	14.8	13.0
Price/book (x)	4.6	4.6	4.3	3.9
Net debt/Equity (%)	(14.4)	(23.9)	(29.1)	(35.8)
ROE (%)	36.8	15.7	17.4	18.1

### Expect 3Q23 to be the first y-y growth in the past five quarters

We expect 3Q23 revenue to grow by 13% q-q. Cash patient revenue should grow by 14% q-q due to influenza and flu outbreaks during the rainy season and should exceed pre-Covid by 42%. SSO revenue should grow by 11% q-q due to a higher payment rate (THB1,808/head/year from THB1,640 effective May 2023). EBITDA margin should significantly improve to 24% in 3Q23 (vs 21% in 2Q23) given CHG Mae Sot's recent opening while its expenses have incurred since 1Q23. The overall core profit should jump by 48% q-q to THB305m thanks to strong revenue growth and an absence of provision of UCEP Covid (THB46m booked in 2Q23). In addition, 3Q23 would be the first quarter that the core profit grows y-y since the Covid pandemic ended in 2Q22. Note that CHG may book a gain on fair value adjustments of a cross-currency swap for its term loan on Mae Sot Hospital in this quarter, but we have not factored this in our 3Q23 forecast.

### Earnings momentum should continue in 4Q23

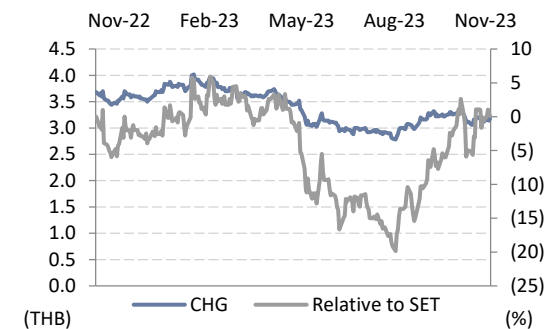
We expect the strong earnings momentum to continue in 4Q23. The loss from CHG Mae Sot should decrease as its revenue stream improves. In addition, CHG would book an additional gain of cTHB40-60m from chronic disease treatment in 4Q23 since the actual receipt is likely to exceed the accrued amount.

### Return to growth mode in 2024

We expect 2024 earnings to jump by 16%. We estimate the loss of CHG Mae Sot to reduce from THB70-80m in 2023 (including pre-operating expenses in 1H23) to THB20-30m in 2024. In addition, the one-off provision expense of THB40-50m booked in 2023 should disappear in 2024. CHG Medical Center, which opened in 3Q23, should help raise the group's revenue intensity and drive the EBITDA margin.

### Cheap valuation

We maintain our forecast and roll forward our DCF-based valuation to 2024E and derive a new TP of THB4.00/shr. CHG trades at 25.5x 2024E P/E, lower than its 5-year average of 26.5x. It has a catalyst from a strong earnings recovery in 2H23.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.0)	9.7	(10.7)
Relative to country (%)	1.5	21.1	3.4
Mkt cap (USD m)	973		
3m avg. daily turnover (USD m)	3.3		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	4.04/2.68		
Issued shares (m)	11,000.00		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

CHG should report strong profit growth in 2024, led by a recovery in non-Covid cash patient numbers coupled with its larger SSO-registered member base and pent-up demand from international patients.

CHG's revenue contributions from cash patients have gradually increased. This is another key factor for its EBITDA margin to expand, in our view, as cash patients have a higher margin than Social Security Office (SSO) patients.

CHG opened two new hospitals (CHG Mae Sot and CHG Medical Center) recently. We expect both to turn profitable by 2025 and become new growth drivers along with RPC and CHG 304 Inter, which opened in 2018.

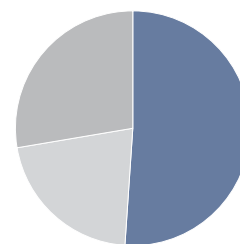
### Company profile

CHG operates a healthcare business covering the eastern part of Bangkok and its nearby provinces. The Group owns nine hospitals and four clinics.

[www.chularat.com](http://www.chularat.com)

### Principal activities (revenue, 2022)

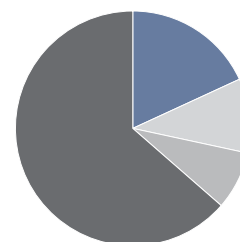
- Cash patient revenue - 51.1 %
- SSO patient revenue - 21.3 %
- NHSO patient revenue - 27.7 %



Source: Chularat Hospital

### Major shareholders

- Kannikar Plussind - 18.1 %
- Apirum Panyapol - 10.3 %
- Kobkul Panyapol - 8.0 %
- Others - 63.6 %



Source: Chularat Hospital

### Catalysts

Key potential growth drivers include 1) more SSO-registered members; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by new hospitals.

### Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in 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.

### Event calendar

Date	Event
Nov 2023	3Q23 result announcement

### Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSO volume growth	4	5	1
SSO revenue/patient growth	4	3	3
OPD volume growth	2	4	4
OPD revenue/patient growth	(10)	4	4
IPD volume growth	2	4	4
IPD revenue/patient growth	(5)	4	4

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 3%, and vice versa, all else being equal.

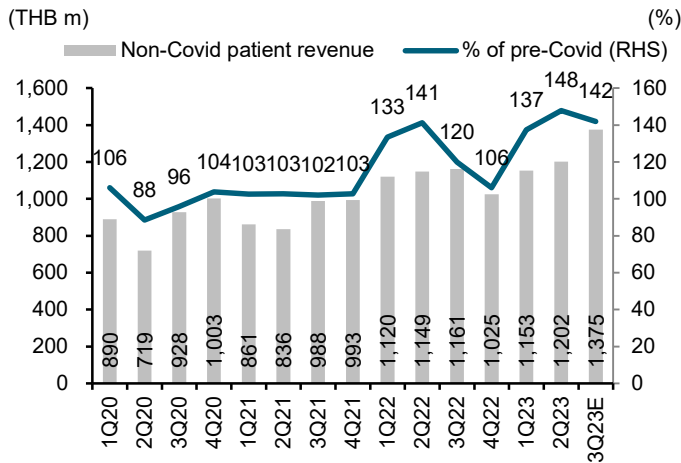
Source: FSSIA estimates

## Exhibit 1: 3Q23 results preview

	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 %)
<b>Revenue</b>	<b>2,026</b>	<b>1,721</b>	<b>1,716</b>	<b>1,799</b>	<b>2,034</b>	<b>13</b>	<b>0</b>	<b>7,606</b>	<b>(25)</b>
Cost of sales (Incl. depreciation)	(1,480)	(1,229)	(1,276)	(1,380)	(1,485)	8	0	(5,431)	(8)
<b>Gross profit</b>	<b>546</b>	<b>492</b>	<b>440</b>	<b>418</b>	<b>549</b>	<b>31</b>	<b>1</b>	<b>2,175</b>	<b>(48)</b>
SG&A	(253)	(254)	(200)	(222)	(233)	5	(8)	(936)	0
<b>Operating profit</b>	<b>293</b>	<b>238</b>	<b>240</b>	<b>196</b>	<b>316</b>	<b>61</b>	<b>8</b>	<b>1,240</b>	<b>(62)</b>
Other operating income	74	96	73	70	70	0	(6)	314	3
Interest income	0	2	1	3	3	0		4	(28)
Equity income	0	(1)	(3)	(2)	(2)	0			0
<b>EBIT</b>	<b>367</b>	<b>334</b>	<b>309</b>	<b>267</b>	<b>387</b>	<b>45</b>	<b>5</b>	<b>1,558</b>	<b>(56)</b>
Interest expense	(4)	(6)	(4)	(5)	(5)	0	21	(30)	82
<b>EBT</b>	<b>364</b>	<b>328</b>	<b>305</b>	<b>262</b>	<b>382</b>	<b>46</b>	<b>5</b>	<b>1,528</b>	<b>(57)</b>
Income tax	(97)	(40)	(60)	(56)	(76)	38	(21)	(306)	(57)
Minority interests	(8)	(3)	(5)	(0)	(0)	0	(96)	(36)	n/a
<b>Core profit</b>	<b>258</b>	<b>285</b>	<b>240</b>	<b>206</b>	<b>305</b>	<b>48</b>	<b>18</b>	<b>1,186</b>	<b>(57)</b>
Extraordinaries									
<b>Net income</b>	<b>258</b>	<b>285</b>	<b>240</b>	<b>206</b>	<b>305</b>	<b>48</b>	<b>18</b>	<b>1,186</b>	<b>(57)</b>
Core EPS (THB)	0.02	0.03	0.02	0.02	0.03	48	18	0.11	(57)
No of shares (m)	11,000	11,000	11,000	11,000	11,000	0	0	11,000	0
Cost (Excl. depreciation)	(1,379)	(1,135)	(1,177)	(1,276)	(1,379)	8	(0)	(5,020)	(9)
Depreciation & amortisation	(101)	(93)	(99)	(104)	(106)	2	5	(411)	8
EBITDA	468	427	411	370	492	33	5	1,964	(50)
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	27	29	26	23	27	4	0	29	(13)
SG&A/Revenue	12	15	12	12	11	(1)	(1)	12	3
EBITDA margin	23	25	24	21	24	4	1	26	(13)
Net profit margin	13	17	14	11	15	4	2	16	(12)
<b>Operating stats</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>					
SSO revenue	54	(7)	19	23	-				
SSO registered members ('000)	513	520	525	528					
SSO revenue per head	38	(17)	10	17					
Cash-OPD revenue	24	(38)	(41)	(20)					
Cash-OPD visit number	13	(5)	(19)	(7)					
Cash-OPD revenue per head	10	(34)	(26)	(13)					
Cash-IPD revenue	14	29	(5)	5					
Cash-IPD admission number	56	30	9	30					
Cash-IPD revenue per head	(27)	(1)	(13)	(19)					

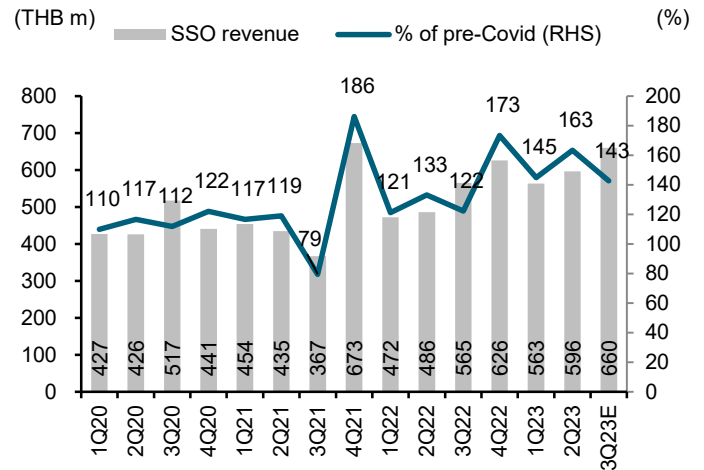
Sources: CHG; FSSIA estimates

**Exhibit 2: Non-Covid cash patient revenue**



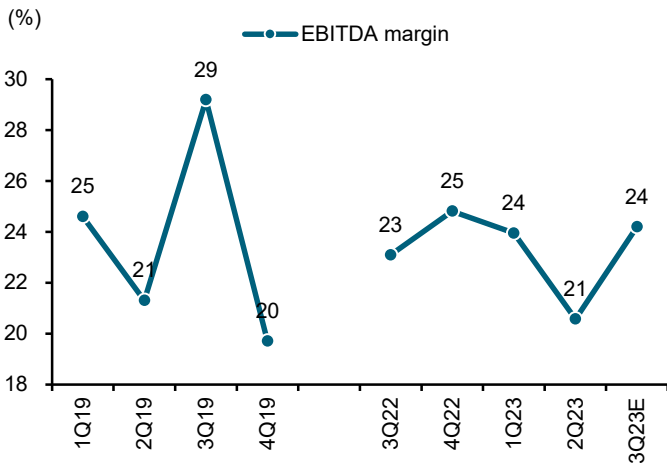
Note: Includes National Health Security Office (NHSO) revenue mainly from Heart Center  
Sources: CHG; FSSIA estimates

**Exhibit 3: SSO revenue, quarterly**



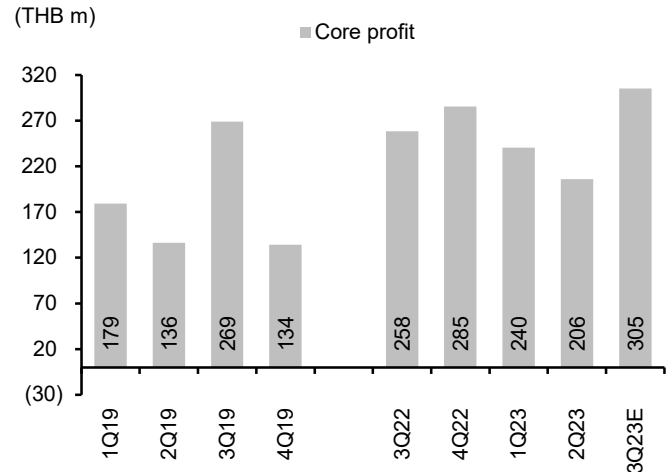
Note: Includes additional gain from chronic disease treatments of THB34m in 4Q22, THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19  
Sources: CHG; FSSIA estimates

**Exhibit 4: EBITDA margin**



Sources: CHG; FSSIA estimates

**Exhibit 5: Quarterly core profit**



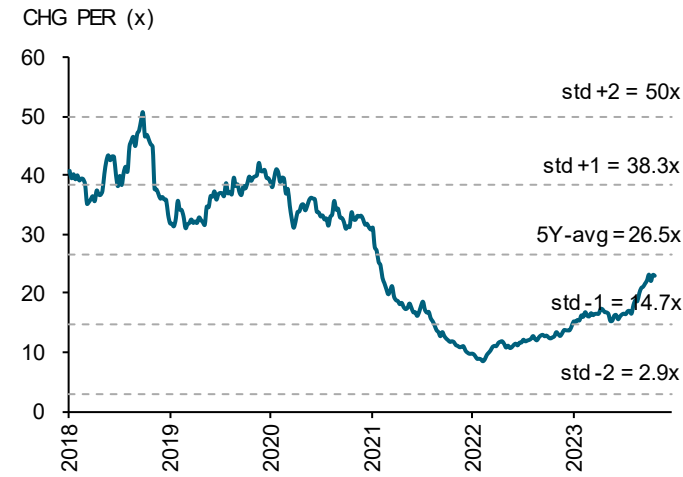
Source: CHG; FSSIA estimates

**Exhibit 6: DCF-derived TP**

Cost of equity assumptions (%)		Cost of debt assumptions (%)	
Risk-free rate	3.0	Pre-tax cost of debt	3.5
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	0.9		
Cost of equity, Ke	10.0	Net cost of debt, Kd	2.8
Weight applied	75.0	Weight applied	40.0
WACC	8.2		
DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	15.1	1.4	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	26.7	2.4	Terminal growth 3%
Cash & liquid assets	2.9	0.3	At end-2024E
Investments	0.1	0.0	At end-2024E
Debt	(0.4)	(0.0)	At end-2024E
Minorities	(0.3)	(0.0)	At end-2024E
<b>Residual ordinary equity</b>	<b>44.0</b>	<b>4.0</b>	

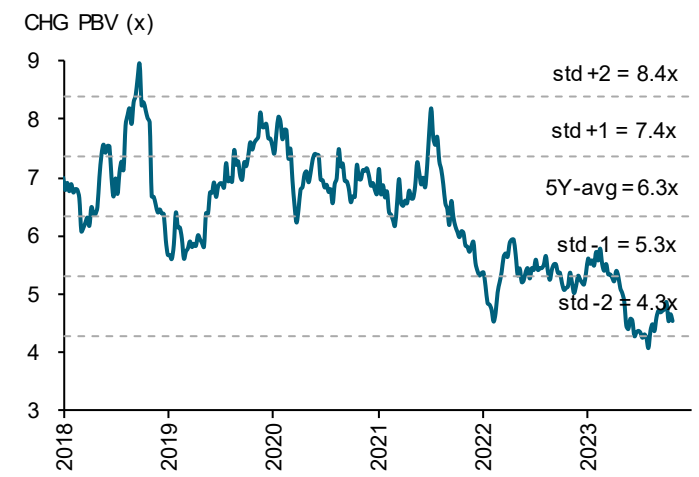
Source: FSSIA estimates

**Exhibit 7: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: Historical P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 9: Peer comparisons as of 2 Nov 2023**

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	26.75	34.50	29.0	11,824	31.6	27.8	14.5	15.4	4.5	4.1	17.6	15.7
Bumrungrad Hospital	BH TB	BUY	256.00	300.00	17.2	5,660	30.1	28.8	31.1	28.0	8.6	7.6	20.0	19.0
Bangkok Chain Hospital	BCH TB	BUY	20.00	24.50	22.5	1,387	36.8	29.4	10.9	13.0	4.0	3.7	17.0	14.3
Chularat Hospital	CHG TB	BUY	3.18	4.00	25.8	973	29.5	25.5	15.7	17.4	4.6	4.3	17.0	14.8
Praram 9 Hospital	PR9 TB	BUY	15.80	22.00	39.2	346	24.6	20.6	10.4	11.6	2.5	2.3	11.3	9.5
Thonburi Healthcare Group	THG TB	REDUCE	61.50	55.00	(10.6)	1,450	44.0	38.7	11.4	12.4	4.9	4.7	24.4	21.8
Ramkhamhaeng Hospital	RAM TB	BUY	41.75	60.00	43.7	1,393	25.5	21.9	10.0	11.2	2.5	2.4	29.1	25.4
Rajthanee Hospital	RJH TB	n/a	26.25	n/a	n/a	218	19.2	18.1	18.3	17.9	5.3	3.3	12.4	11.5
Ekachai Medical Care	EKH TB	n/a	7.70	n/a	n/a	150	22.1	20.3	11.1	11.6	5.6	2.4	12.4	11.3
<b>Thailand average</b>						<b>23,401</b>	<b>29.3</b>	<b>25.7</b>	<b>14.8</b>	<b>15.4</b>	<b>4.7</b>	<b>3.9</b>	<b>17.9</b>	<b>15.9</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	50.29	n/a	n/a	7,412	33.9	34.7	8.6	8.1	2.8	2.7	11.6	10.8
Ihh Healthcare Bhd	IHH SP	n/a	1.72	n/a	n/a	11,098	32.7	30.1	6.2	6.4	2.3	1.9	14.1	13.5
Ryman Healthcare	RYM NZ	n/a	5.77	n/a	n/a	2,337	11.5	12.1	7.5	7.8	1.3	0.8	13.4	12.8
Apollo Hospitals Enterprise	APHS IN	n/a	4,887	n/a	n/a	8,439	83.6	67.2	13.8	15.6	19.3	10.9	34.7	29.6
Kpj Healthcare Berhad	KPJ MK	n/a	1.26	n/a	n/a	1,157	25.7	23.3	9.4	9.9	2.8	2.4	11.6	10.9
Raffles Medical Group	RFMD SP	n/a	1.20	n/a	n/a	1,637	18.8	18.8	11.5	11.0	2.6	2.1	10.2	10.2
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,700	n/a	n/a	2,426	38.8	33.2	17.2	18.4	7.9	6.5	24.9	21.4
Aier Eye Hospital Group	300015 CH	n/a	18.30	n/a	n/a	23,339	48.7	38.3	18.2	19.7	19.6	8.3	28.6	22.9
<b>Regional average</b>						<b>57,846</b>	<b>36.7</b>	<b>32.2</b>	<b>11.6</b>	<b>12.1</b>	<b>7.3</b>	<b>4.5</b>	<b>18.6</b>	<b>16.5</b>
<b>Overall average</b>						<b>81,246</b>	<b>32.8</b>	<b>28.8</b>	<b>13.3</b>	<b>13.9</b>	<b>5.9</b>	<b>4.2</b>	<b>18.3</b>	<b>16.2</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Chularat Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,742	10,103	7,606	8,205	8,748
Cost of goods sold	(5,882)	(5,908)	(5,431)	(5,777)	(6,068)
<b>Gross profit</b>	<b>5,860</b>	<b>4,195</b>	<b>2,175</b>	<b>2,428</b>	<b>2,680</b>
Other operating income	257	305	314	323	333
Operating costs	(821)	(935)	(936)	(976)	(1,015)
<b>Operating EBITDA</b>	<b>5,647</b>	<b>3,947</b>	<b>1,964</b>	<b>2,218</b>	<b>2,467</b>
Depreciation	(351)	(382)	(411)	(444)	(469)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>5,296</b>	<b>3,565</b>	<b>1,553</b>	<b>1,774</b>	<b>1,998</b>
Net financing costs	(19)	(10)	(25)	(14)	(12)
Associates	0	(1)	0	0	0
Recurring non-operating income	0	(1)	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>5,276</b>	<b>3,554</b>	<b>1,528</b>	<b>1,761</b>	<b>1,986</b>
Tax	(1,009)	(703)	(306)	(352)	(397)
<b>Profit after tax</b>	<b>4,267</b>	<b>2,850</b>	<b>1,222</b>	<b>1,409</b>	<b>1,589</b>
Minority interests	(63)	(72)	(36)	(38)	(41)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,204</b>	<b>2,778</b>	<b>1,186</b>	<b>1,371</b>	<b>1,548</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>4,204</b>	<b>2,778</b>	<b>1,186</b>	<b>1,371</b>	<b>1,548</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.38	0.25	0.11	0.12	0.14
Reported EPS	0.38	0.25	0.11	0.12	0.14
DPS	0.20	0.16	0.06	0.07	0.08
Diluted shares (used to calculate per share data)	11,000	11,000	11,000	11,000	11,000
<b>Growth</b>					
Revenue (%)	116.1	(14.0)	(24.7)	7.9	6.6
Operating EBITDA (%)	287.4	(30.1)	(50.2)	12.9	11.2
Operating EBIT (%)	379.7	(32.7)	(56.4)	14.2	12.6
Recurring EPS (%)	379.6	(33.9)	(57.3)	15.5	12.9
Reported EPS (%)	379.6	(33.9)	(57.3)	15.5	12.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	49.9	41.5	28.6	29.6	30.6
Gross margin exc. depreciation (%)	52.9	45.3	34.0	35.0	36.0
Operating EBITDA margin (%)	48.1	39.1	25.8	27.0	28.2
Operating EBIT margin (%)	45.1	35.3	20.4	21.6	22.8
Net margin (%)	35.8	27.5	15.6	16.7	17.7
Effective tax rate (%)	19.1	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	52.3	63.3	60.0	60.0	60.0
Interest cover (X)	271.9	349.5	61.3	129.4	161.2
Inventory days	15.6	18.5	18.4	17.0	17.1
Debtor days	17.1	24.8	38.1	38.9	38.2
Creditor days	46.6	55.9	59.0	54.5	54.9
Operating ROIC (%)	83.2	47.1	19.8	23.9	27.1
ROIC (%)	80.4	45.1	18.8	22.6	25.6
ROE (%)	72.5	36.8	15.7	17.4	18.1
ROA (%)	51.1	27.4	12.5	14.2	14.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	4,222	5,160	4,859	5,255	5,684
SSO patient revenue	1,928	2,149	2,324	2,513	2,615
NHSO patient revenue	5,592	2,794	424	436	449

Sources: Chularat Hospital; FSSIA estimates

## Financial Statements

### Chularat Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	4,204	2,778	1,186	1,371	1,548
Depreciation	351	382	411	444	469
Associates & minorities	-	-	-	-	-
Other non-cash items	50	117	36	38	41
Change in working capital	(540)	(696)	914	(91)	(10)
<b>Cash flow from operations</b>	<b>4,065</b>	<b>2,582</b>	<b>2,548</b>	<b>1,762</b>	<b>2,048</b>
Capex - maintenance	(539)	(777)	(600)	(410)	(350)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(142)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(539)</b>	<b>(919)</b>	<b>(600)</b>	<b>(410)</b>	<b>(350)</b>
Dividends paid	(660)	(2,805)	(1,155)	(712)	(823)
Equity finance	0	0	0	0	0
Debt finance	(665)	356	(470)	0	0
Other financing cash flows	40	(3)	(36)	(38)	(41)
<b>Cash flow from financing</b>	<b>(1,284)</b>	<b>(2,452)</b>	<b>(1,661)</b>	<b>(750)</b>	<b>(863)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>2,242</b>	<b>(789)</b>	<b>287</b>	<b>602</b>	<b>835</b>
Free cash flow to firm (FCFF)	3,547.55	1,679.02	1,977.55	1,370.49	1,716.84
Free cash flow to equity (FCFE)	2,901.73	2,016.07	1,441.63	1,314.16	1,657.50

#### Per share (THB)

FCFF per share	0.32	0.15	0.18	0.12	0.16
FCFE per share	0.26	0.18	0.13	0.12	0.15
Recurring cash flow per share	0.42	0.30	0.15	0.17	0.19

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	7,129	7,867	8,467	8,878	9,228
Less: Accumulated depreciation	(2,661)	(2,987)	(3,398)	(3,842)	(4,311)
<b>Tangible fixed assets (net)</b>	<b>4,468</b>	<b>4,880</b>	<b>5,069</b>	<b>5,035</b>	<b>4,916</b>
<b>Intangible fixed assets (net)</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	142	142	142	142
Cash & equivalents	2,790	2,001	2,287	2,890	3,725
A/C receivable	616	757	833	915	915
Inventories	295	265	241	256	268
Other current assets	2,196	2,036	878	947	1,009
<b>Current assets</b>	<b>5,897</b>	<b>5,058</b>	<b>4,239</b>	<b>5,007</b>	<b>5,917</b>
Other assets	137	152	152	152	152
<b>Total assets</b>	<b>10,550</b>	<b>10,280</b>	<b>9,649</b>	<b>10,384</b>	<b>11,175</b>
Common equity	7,569	7,523	7,555	8,214	8,939
Minorities etc.	272	341	341	341	341
<b>Total shareholders' equity</b>	<b>7,841</b>	<b>7,864</b>	<b>7,895</b>	<b>8,554</b>	<b>9,280</b>
Long term debt	480	470	0	0	0
Other long-term liabilities	137	233	233	233	233
<b>Long-term liabilities</b>	<b>617</b>	<b>704</b>	<b>233</b>	<b>233</b>	<b>233</b>
A/C payable	842	851	773	821	862
Short term debt	34	400	400	400	400
Other current liabilities	1,215	462	348	375	400
<b>Current liabilities</b>	<b>2,092</b>	<b>1,712</b>	<b>1,520</b>	<b>1,596</b>	<b>1,662</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,550</b>	<b>10,280</b>	<b>9,649</b>	<b>10,384</b>	<b>11,175</b>
Net working capital	1,050	1,745	831	922	931
Invested capital	5,702	6,967	6,241	6,298	6,189

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

#### Per share (THB)

Book value per share	0.69	0.68	0.69	0.75	0.81
Tangible book value per share	0.68	0.68	0.68	0.74	0.81

#### Financial strength

Net debt/equity (%)	(29.0)	(14.4)	(23.9)	(29.1)	(35.8)
Net debt/total assets (%)	(21.6)	(11.0)	(19.6)	(24.0)	(29.8)
Current ratio (x)	2.8	3.0	2.8	3.1	3.6
CF interest cover (x)	150.0	198.7	57.9	96.9	134.7

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>8.3</b>	<b>12.6</b>	<b>29.5</b>	<b>25.5</b>	<b>22.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>10.5</b>	<b>15.8</b>	<b>37.1</b>	<b>32.1</b>	<b>28.4</b>
Reported P/E (x)	8.3	12.6	29.5	25.5	22.6
Dividend yield (%)	6.3	5.0	2.0	2.4	2.7
Price/book (x)	4.6	4.6	4.6	4.3	3.9
Price/tangible book (x)	4.7	4.7	4.7	4.3	3.9
EV/EBITDA (x) **	5.8	8.7	17.0	14.8	13.0
EV/EBITDA @ target price (x) **	7.4	10.9	21.6	18.9	16.6
EV/invested capital (x)	5.8	4.9	5.4	5.2	5.2

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

Sources: Chularat Hospital; FSSIA estimates



# Chularat Hospital PCL (CHG TB)

**FSSIA ESG rating**

★★

## Exhibit 10: FSSIA ESG score implication

**38.25 /100**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★☆☆☆	<b>&gt;19-39</b>	<b>Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.</b>
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 11: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET	THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Woody's	Refinitiv	S&P Global	ESG score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BCH	39.71	--	--	--	4.00	5.00	Certified	High	48.21	--	--	27.19	18.00	3.52	47.60
BDMS	74.00	Y	Y	Y	5.00	4.00	--	Medium	61.06	AA	34.00	59.83	72.00	3.45	58.92
BH	51.21	--	--	--	4.00	4.00	--	Medium	64.29	A	29.00	59.03	27.00	5.08	47.79
CHG	38.25	--	--	--	4.00	5.00	--	High	55.35	--	--	59.57	21.00	2.34	50.24
PR9	54.08	--	Y	Y	5.00	5.00	Certified	High	71.12	--	--	62.39	--	2.43	37.90
PRINC	18.00	--	--	--	4.00	4.00	Certified	--	--	--	--	--	--	--	--
RAM	11.75	--	--	--	3.00	--	--	High	--	--	--	--	--	--	--
THG	18.75	--	--	--	5.00	5.00	--	High	--	--	--	--	--	--	--
VIBHA	20.88	--	--	--	4.00	3.00	Declared	High	--	--	--	--	17.00	--	--

Sources: [SETTRADE.com](http://SETTRADE.com); FSSIA's compilation

## Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	—	—	2.21	2.34
BESG environmental pillar score	—	—	4.04	4.18
BESG social pillar score	—	—	0.74	0.79
BESG governance pillar score	—	—	4.19	4.49
<b>ESG disclosure score</b>	<b>36.82</b>	<b>36.82</b>	<b>41.54</b>	<b>50.24</b>
Environmental disclosure score	16.49	16.49	17.67	32.92
Social disclosure score	12.70	12.70	19.41	30.29
Governance disclosure score	81.10	81.10	87.36	87.36
<b>Environmental</b>				
Emissions reduction initiatives	Yes	Yes	Yes	Yes
Climate change policy	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	No	No
GHG scope 1	0	0	0	0
GHG scope 2 location-based	4	4	4	4
GHG Scope 3	1	1	1	1
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—
Renewable energy use	—	—	—	—
Electricity used	4	4	4	7
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 13: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes
Hazardous waste	0	0	0	0
Total waste	1	1	1	1
Waste recycled	0	0	0	0
Waste sent to landfills	—	—	—	—
Environmental supply chain management	No	No	No	No
Water policy	No	No	Yes	Yes
Water consumption	89	73	80	70
<b>Social</b>				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	84	85
Pct disabled in workforce	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0
Total recordable incident rate - employees	—	—	—	—
Training policy	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	3,612	3,616	3,871	4,520
Employee turnover pct	—	—	20	20
Total hours spent by firm - employee training	—	—	32,904	85,880
Social supply chain management	No	No	No	No
<b>Governance</b>				
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of women on board	2	2	2	2
No. of non-executive directors on board	11	11	11	10
Company conducts board evaluations	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	7	7	6
Board meeting attendance pct	100	100	95	100
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	60	62	63	59
Age of the oldest director	77	78	79	80
<b>No. of executives / company managers</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
No. of female executives	2	2	2	2
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3
Audit committee meetings	5	5	5	5
Audit meeting attendance %	100	100	100	100
<b>Size of compensation committee</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of ID on compensation committee	4	4	4	4
No. of compensation committee meetings	2	2	2	2
Compensation meeting attendance %	100	100	83	100
<b>Size of nomination committee</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of nomination committee meetings	2	2	2	2
Nomination meeting attendance %	100	100	83	100
<b>Sustainability governance</b>				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																			
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

Source: FSSIA's compilation

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chularat Hospital	CHG TB	THB 3.18	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.
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 256.00	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 20.00	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) SSO provision expenses following a limited SSO budget.
Praram 9 Hospital	PR9 TB	THB 15.80	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 61.50	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.
Ramkhamhaeng Hospital	RAM TB	THB 41.75	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.

All share prices are as at market close on 02-Nov-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.