

CHULARAT HOSPITAL

THAILAND / HEALTH CARE SERVICES

CHG TB

BUY

UNCHANGED

Key takeaways from analyst meeting

TARGET PRICE	THB4.00
CLOSE	THB3.00
UP/DOWNSIDE	+33.3%
TP vs CONSENSUS	+17.2%

Highlights

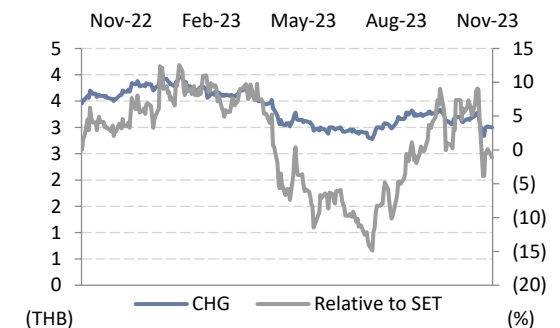
- We attended CHG's 3Q23 analyst meeting, which had a positive tone overall.
- Management maintains their 2023 revenue target of THB8.0b (vs THB5.6b in 9M23). This implies 4Q23 revenue of up to THB2.4b (vs THB2.1b in 3Q23). Key expected drivers are revenue from CHG Mae Sot, the Medical Center and international patient revenue.
- CHG Mae Sot contributed a loss of THB17m in 3Q23. Management expects it to turn profitable by next year with a breakeven point at THB15m in revenue per month (vs THB10m per month currently). The loss is likely to be less than THB50m in 2H23 as per previous guidance. Key drivers for the turnaround should be the Heart Center and the complete border opening (currently closes at 5pm).
- CHG 304 Inter has increased its capacity from 59 to 118 beds and will receive an additional Social Security Office (SSO) quota bringing the total to 120k (from 50k currently).
- CHG recently appointed Dr. Jedsada Chokdamrongsuk as CEO to replace Dr Kumpol Plussind, who has resigned. Dr. Jedsada was the ex-permanent secretary for the Public Health Ministry.

Recommendation

- We maintain BUY on CHG. CHG is trading at a cheap valuation of 24x 2024E P/E. The share price catalyst would be the strong earnings momentum in 4Q23. The loss from CHG Mae Sot should decrease as its revenue stream improves. In addition, CHG should book an additional gain of cTHB40m-60m from chronic disease treatments in 4Q23 since the actual receipt is likely to exceed the accrued amount.

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 (%)	-	11.1	6.2	12.9
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
EPS growth (%)	(33.9)	(57.3)	15.5	12.9
Core P/E (x)	11.9	27.8	24.1	21.3
Dividend yield (%)	5.3	2.2	2.5	2.8
EV/EBITDA (x)	8.2	16.0	13.9	12.2
Price/book (x)	4.4	4.4	4.0	3.7
Net debt/Equity (%)	(14.4)	(23.9)	(29.1)	(35.8)
ROE (%)	36.8	15.7	17.4	18.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.3)	(2.0)	(13.8)
Relative to country (%)	(7.8)	5.1	(2.0)
Mkt cap (USD m)	937		
3m avg. daily turnover (USD m)	3.3		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	4.04/2.60		
Issued shares (m)	11,000.00		

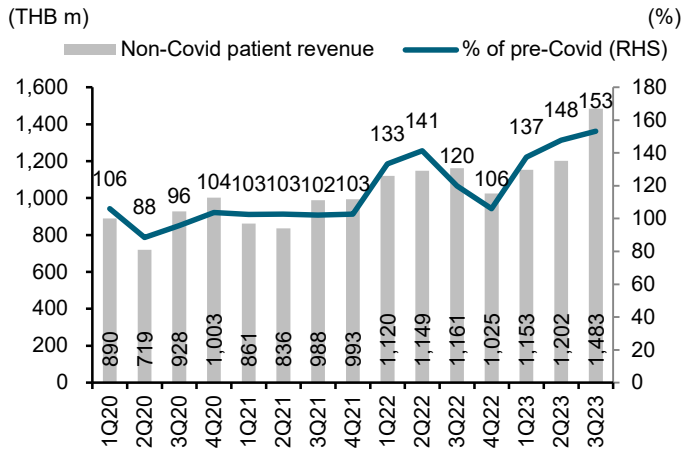
Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

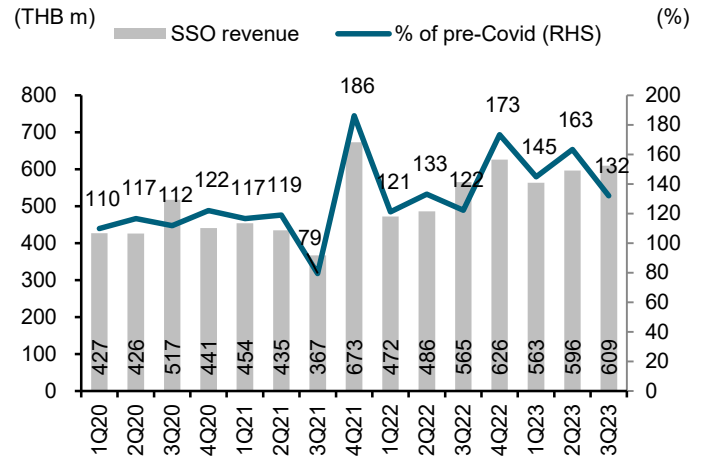
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Exhibit 1: Non-Covid cash patient revenue



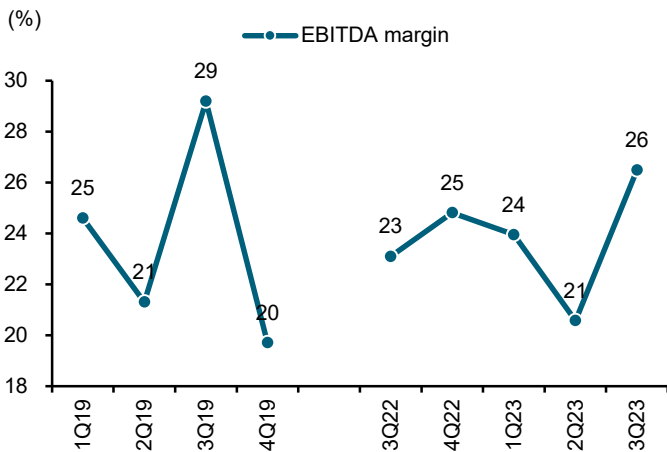
Note: Includes National Health Security Office (NHSO) revenue mainly from Heart Center
Source: CHG

Exhibit 2: SSO revenue, quarterly



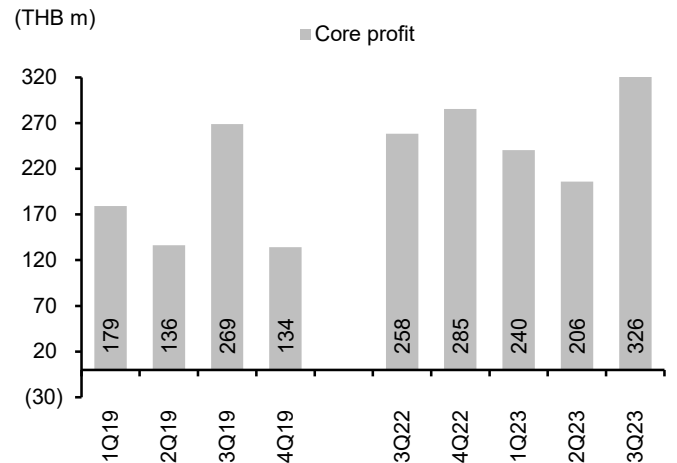
Note: Includes additional gain from chronic disease treatments of THB34m in 4Q22, THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19
Source: CHG

Exhibit 3: EBITDA margin



Source: CHG

Exhibit 4: Quarterly core profit



Source: CHG

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)
Gross profit	5,860	4,195	2,175	2,428	2,680
Other operating income	257	305	314	323	333
Operating costs	(821)	(935)	(936)	(976)	(1,015)
Operating EBITDA	5,647	3,947	1,964	2,218	2,467
Depreciation	(351)	(382)	(411)	(444)	(469)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	5,296	3,565	1,553	1,774	1,998
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
Profit before tax	5,276	3,554	1,528	1,761	1,986
Tax	(1,009)	(703)	(306)	(352)	(397)
Profit after tax	4,267	2,850	1,222	1,409	1,589
Minority interests	(63)	(72)	(36)	(38)	(41)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,204	2,778	1,186	1,371	1,548
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	4,204	2,778	1,186	1,371	1,548
Per share (THB)					
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
Growth					
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
Operating performance					
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					
Revenue by Division (THB m)					
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)
Cash flow from operations	4,065	2,582	2,548	1,762	2,048
Capex - maintenance	(539)	(777)	(600)	(410)	(350)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(142)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(539)	(919)	(600)	(410)	(350)
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)
Cash flow from financing	(1,284)	(2,452)	(1,661)	(750)	(863)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	2,242	(789)	287	602	835
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)
Tangible fixed assets (net)	4,468	4,880	5,069	5,035	4,916
Intangible fixed assets (net)	47	47	47	47	47
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
Current assets	5,897	5,058	4,239	5,007	5,917
Other assets	137	152	152	152	152
Total assets	10,550	10,280	9,649	10,384	11,175
Common equity	7,569	7,523	7,555	8,214	8,939
Minorities etc.	272	341	341	341	341
Total shareholders' equity	7,841	7,864	7,895	8,554	9,280
Long term debt	480	470	0	0	0
Other long-term liabilities	137	233	233	233	233
Long-term liabilities	617	704	233	233	233
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
Current liabilities	2,092	1,712	1,520	1,596	1,662
Total liabilities and shareholders' equity	10,550	10,280	9,649	10,384	11,175
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
Recurring P/E (x) *	7.8	11.9	27.8	24.1	21.3
Recurring P/E @ target price (x) *	10.5	15.8	37.1	32.1	28.4
Reported P/E (x)	7.8	11.9	27.8	24.1	21.3
Dividend yield (%)	6.7	5.3	2.2	2.5	2.8
Price/book (x)	4.4	4.4	4.4	4.0	3.7
Price/tangible book (x)	4.4	4.4	4.4	4.0	3.7
EV/EBITDA (x) **	5.5	8.2	16.0	13.9	12.2
EV/EBITDA @ target price (x) **	7.4	10.9	21.6	18.9	16.6
EV/invested capital (x)	5.4	4.6	5.0	4.9	4.8

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

Sources: Chularat Hospital; FSSIA estimates

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 THSI inclusion , 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. SETTHSI Index 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.																											
CG Score 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%).																											
AGM level 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&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.																											
Thai CAC 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.																											
Morningstar Sustainalytics	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 & 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+																	
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0-10	10-20	20-30	30-40	40+																									
ESG Book	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.																											
MSCI	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>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	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.																												
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	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.																												
Bloomberg	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.																											

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"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

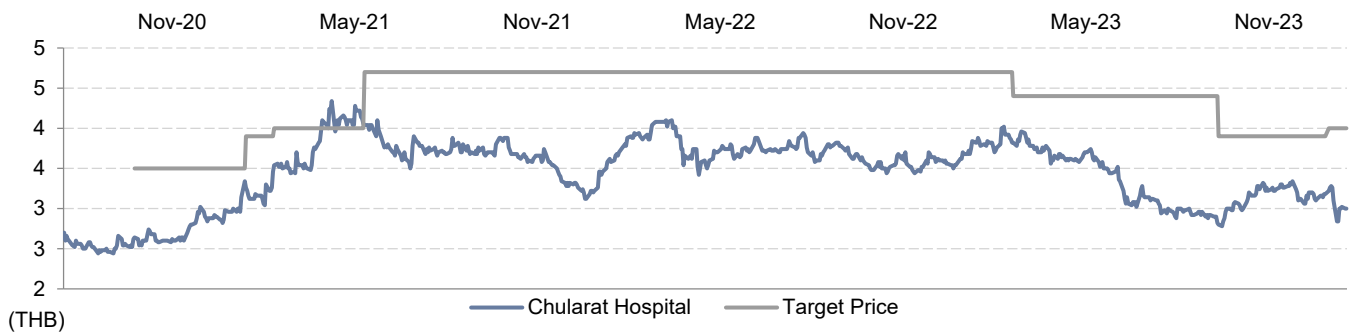
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History of change in investment rating and/or target price

Chularat Hospital (CHG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Jan-2021	BUY	3.50	05-Aug-2021	BUY	4.70	03-Nov-2023	BUY	4.00
26-Apr-2021	BUY	3.90	09-Feb-2023	BUY	4.40			
20-May-2021	BUY	4.00	03-Aug-2023	BUY	3.90			

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
Chularat Hospital	CHG TB	THB 3.00	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.

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 21-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.