

# THONBURI HEALTHCARE GROUP

## THAILAND / HEALTH CARE SERVICES

# THG TB

# HOLD

UNCHANGED

TARGET PRICE	THB44.00
CLOSE	THB41.25
UP/DOWNSIDE	+6.7%
PRIOR TP	THB55.00
CHANGE IN TP	-20.0%
TP vs CONSENSUS	-7.4%

## On the mend

- 4Q23 earnings hit by adjustment of Covid-related treatments; expect 1Q24 to turn around with strong revenue trend in 1Q24.
- Expect core profit to jump from THB0.3b in 2023 to THB0.8b in 2024, driven by larger OPD and IPD capacity.
- Maintain HOLD with 2024 DCF-TP of THB44/shr.

### Expect earnings to turn around in 1Q24

THG reported a negative surprise for 4Q23: a net loss of THB354m due to a THB452m adjustment to the estimated allowance for Covid-19 patients' medical bills to reflect the current payment status. Excluding this one-off item, net profit would be cTHB100m. We believe its operations should improve in 1Q24. According to the latest analyst meeting on 25 Mar, management noted a positive revenue trend in Jan and Feb of around +10% y-y. In addition, the accounts receivable (AR) outstanding for Covid treatments totaled cTHB300m as of 4Q23, and THG expects to collect all payments from UCEP, implying a limited impact from provisions in 2024. Thus, we believe earnings will recover in 1Q24.

### Expect revenue to grow by 12% to THB11b in 2024

We forecast revenue to grow by 12% to THB11b in 2024, driven by the larger capacity of THG1 (+80 OPD rooms) and THG2 (+45 OPD rooms and 49 IPD beds), which should complete construction by 3Q24. This should lift group capacity by 23% for OPD and 8% for IPD. In addition, Thonburi Sermrath should secure one Heart Center management contract this year (from four currently). THG also targets an increase in Jin Wellbeing County unit transfers to 35-40 rooms in 2024 (vs 19 rooms in 2023). We expect the EBITDA margin (including share income) to improve to 25% in 2024 from 21% in 2023, in line with THG's guidance. This should boost core profit from THB0.3b in 2023 to THB0.8b in 2024.

### Targets revenue to grow by 15% CAGR over 2023-28

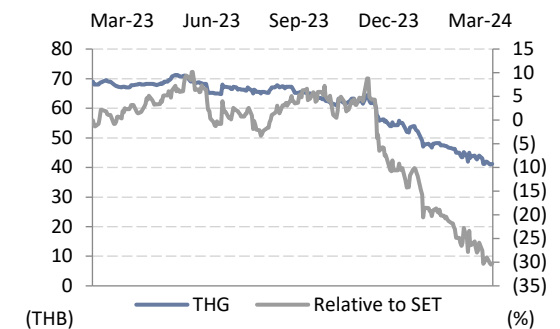
THG revealed its long-term target for revenue to increase by 15% CAGR to THB20b over 2023-28, while aiming for its EBITDA margin to improve from 21% in 2023 to 25-28% by 2028. Key drivers would be the expansion of existing hospitals, seeking potential partners, and spinning off potential companies, including Thonburi Sermrath, by 2025.

### Cut core profit; still trading at an expensive valuation

We cut 2024-25E core profit by 30-33% to reflect the latest guidance, and derive a new 2024 DCF-TP of THB44/shr. We maintain our HOLD rating on THG mainly due to the expensive valuation of 43x 2024E P/E (vs peers' avg of 25x). A share price catalyst, in our view, would be a new partner for the Jin Wellbeing County project.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	9,844	11,013	11,884	12,799
Net profit	295	814	976	1,195
EPS (THB)	0.35	0.96	1.15	1.41
vs Consensus (%)	-	(25.9)	(21.7)	21.6
EBITDA	1,722	2,409	2,688	3,044
Recurring net profit	295	814	976	1,195
Core EPS (THB)	0.35	0.96	1.15	1.41
Chg. In EPS est. (%)	nm	(32.5)	(29.6)	nm
EPS growth (%)	(80.3)	175.8	19.9	22.5
Core P/E (x)	118.4	42.9	35.8	29.2
Dividend yield (%)	1.1	1.6	2.0	2.4
EV/EBITDA (x)	26.0	18.6	16.8	14.5
Price/book (x)	3.4	3.3	3.2	3.0
Net debt/Equity (%)	78.7	76.2	75.5	64.2
ROE (%)	2.9	7.8	9.1	10.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.8)	(25.3)	(39.8)
Relative to country (%)	(5.9)	(23.7)	(30.5)
Mkt cap (USD m)	960		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	40		
Major shareholder	Ramkhamhaeng Hospital (25%)		
12m high/low (THB)	71.75/40.50		
Issued shares (m)	847.47		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

THG is in an expansion mode, as it opened three hospitals during 2018-19. The three hospitals have recently turned profitable and improved the overall performance of the group.

Aside from the new hospitals that had impacted group earnings, Jin Wellbeing is currently a drag on THG, as it missed its presales target, while Covid-19 slowed the demand for condominiums. The project's fixed costs and interest expenses should continue to be a burden on the group.

We like THG's fundamentals, but have a HOLD rating due to the expensive valuation and uncertainty over Jin Wellbeing.

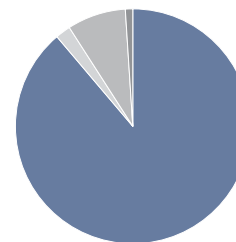
### Company profile

The company operates a medical treatment business under nine hospitals and is also a healthcare solutions provider.

[www.thg.co.th](http://www.thg.co.th)

### Principal activities (revenue, 2023)

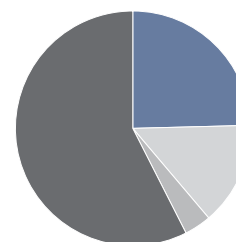
- Revenue from hospital operations - 88.8 %
- Revenue from sale of goods - 2.1 %
- Revenue from other services - 8.1 %
- Revenue from sales of condominium unit - 1.0 %



Source: Thonburi Healthcare Group

### Major shareholders

- Ramkhamhaeng Hospital - 24.6 %
- Jaruwan Vanasin - 14.2 %
- Rajthane Land Development - 3.7 %
- Others - 57.5 %



Source: Thonburi Healthcare Group

### Catalysts

Key potential growth drivers are 1) the turnaround of new hospitals; 2) rising demand for medical tourism; and 3) big-lot sales for Jin Wellbeing.

### Risks to our call

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. Downside risks include 1) regulatory risks from drug prices and medical bill controls; and 2) a slowdown in international patients due to economic concerns.

### Event calendar

Date	Event
May 2024	1Q24 results announcement

### Key assumptions

	2024E (%)	2025E (%)	2026E (%)
OPD volume growth	7	2	2
OPD revenue / patient growth	4	3	3
IPD volume growth	7	7	7
IPD revenue / patient growth	4	3	3
Jin transferred (units)	36	35	35

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in patient volume, we project 2024 earnings to rise by 5%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2024 earnings to rise by 11%, and vice versa, all else being equal.

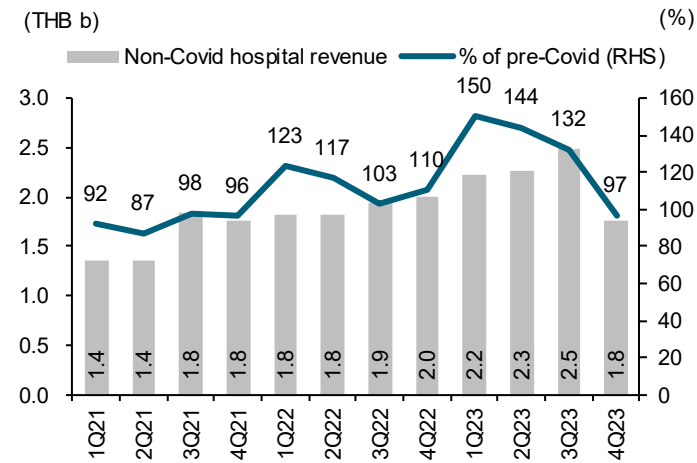
Source: FSSIA estimates

## Exhibit 1: 4Q23 results review

	4Q22	1Q23	2Q23	3Q23	4Q23	Change		2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	2,382	2,508	2,515	2,724	2,096	(23)	(12)	9,844	(15)
COGS (incl depreciation)	(1,755)	(1,740)	(1,836)	(1,863)	(2,000)	7	14	(7,439)	(8)
<b>Gross profit</b>	<b>627</b>	<b>768</b>	<b>679</b>	<b>862</b>	<b>96</b>	<b>(89)</b>	<b>(85)</b>	<b>2,405</b>	<b>(31)</b>
SG&A	(437)	(441)	(453)	(439)	(488)	11	12	(1,821)	4
<b>Operating profit</b>	<b>190</b>	<b>327</b>	<b>227</b>	<b>422</b>	<b>(392)</b>	<b>(193)</b>	<b>(307)</b>	<b>584</b>	<b>(66)</b>
Net other income	94	45	30	51	18	(64)	(81)	144	(54)
Interest expense	(83)	(99)	(112)	(116)	(123)	7	49	(449)	47
<b>Pretax profit</b>	<b>200</b>	<b>273</b>	<b>146</b>	<b>357</b>	<b>(497)</b>	<b>(239)</b>	<b>(348)</b>	<b>279</b>	<b>84</b>
Income tax	(3)	(55)	(41)	(79)	75	(194)	(2,576)	(100)	(70)
Associates' income	23	18	33	51	32	(37)	40	214	n/a
JV income	20	14	15	25	26	4	30		
Minority interest	(21)	(38)	(24)	(46)	11	(124)	(151)	(97)	29
<b>Core profit</b>	<b>219</b>	<b>212</b>	<b>128</b>	<b>308</b>	<b>(353)</b>	<b>(215)</b>	<b>(261)</b>	<b>295</b>	<b>80</b>
Extraordinaries, GW & FX	19	(1)	(0)	2	(1)	(146)	(104)	0	n/a
<b>Reported net profit</b>	<b>238</b>	<b>211</b>	<b>128</b>	<b>310</b>	<b>(354)</b>	<b>(214)</b>	<b>(249)</b>	<b>295</b>	<b>(82)</b>
Outstanding shares (m)	847	847	847	847	847	0	0	849	0
<b>Core EPS (THB)</b>	<b>0.28</b>	<b>0.25</b>	<b>0.15</b>	<b>0.37</b>	<b>(0.42)</b>	<b>(214)</b>	<b>(249)</b>	<b>0.35</b>	<b>n/a</b>
COGS (excl depreciation)	1,502	1,469	1,556	1,572	1,704	8	13	6,301	(11)
Depreciation	253	271	280	291	296	2	17	1,138	13
EBITDA	579	675	584	840	(20)	(102)	(103)	2,079	(32)
<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	26	31	27	32	5	(27)	(22)	24	(6)
SG&A/Revenue	18	18	18	16	23	7	5	18	3
EBITDA margin	24	27	23	31	(1)	(32)	(25)	21	(5)
Net profit margin	10	8	5	11	(17)	(28)	(27)	3	(11)
<b>Operating stats</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>					
OPD revenue growth	(0)	20	16	14					
OPD visits growth	5	16	17	11					
OPD revenue per head growth	(5)	3	(1)	3					
IPD revenue growth	28	10	25	49					
IPD visits growth	23	8	16	27					
IPD revenue per head growth	4	2	7	18					

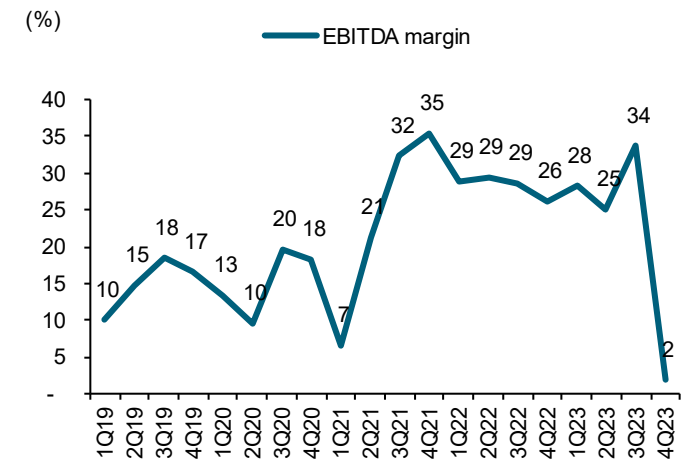
Sources: THG; FSSIA estimates

**Exhibit 2: Non-Covid hospital revenue, quarterly**



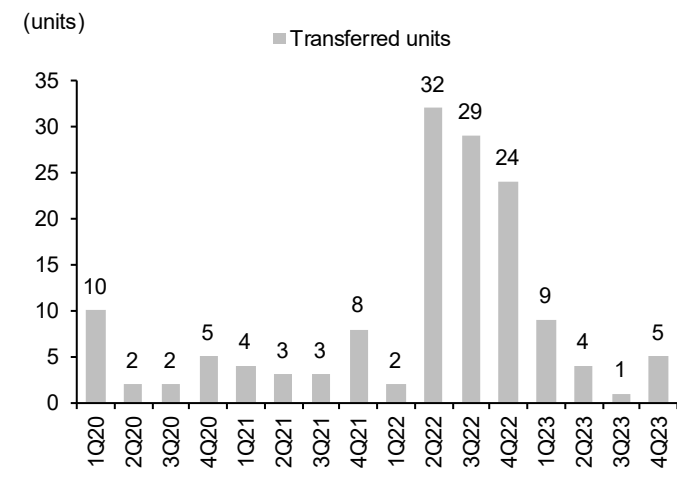
Note: Includes Moderna vaccinations  
Source: THG

**Exhibit 3: EBITDA margin, quarterly**



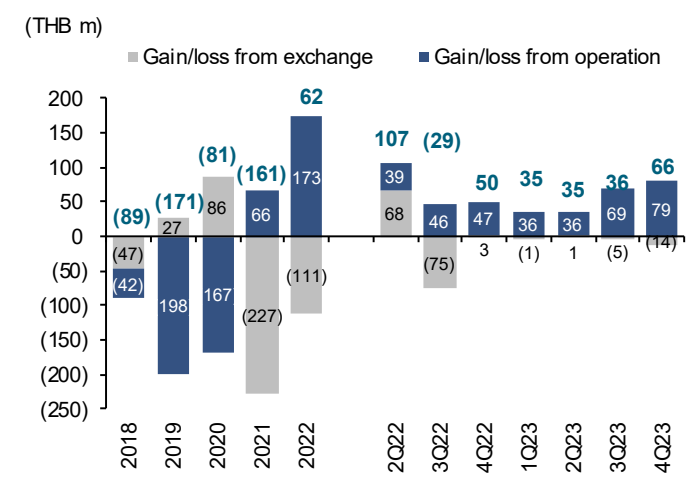
Note: EBITDA including share and JV income  
Source: THG

**Exhibit 4: Jin Wellbeing units transferred, quarterly**



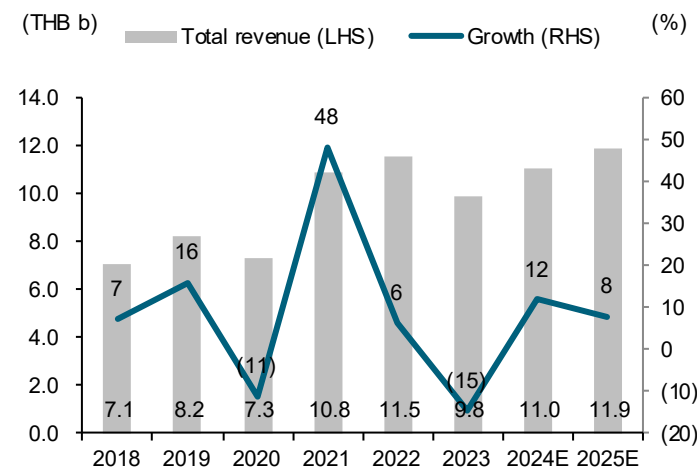
Source: THG

**Exhibit 5: Ar Yu International Hospital profit and loss**



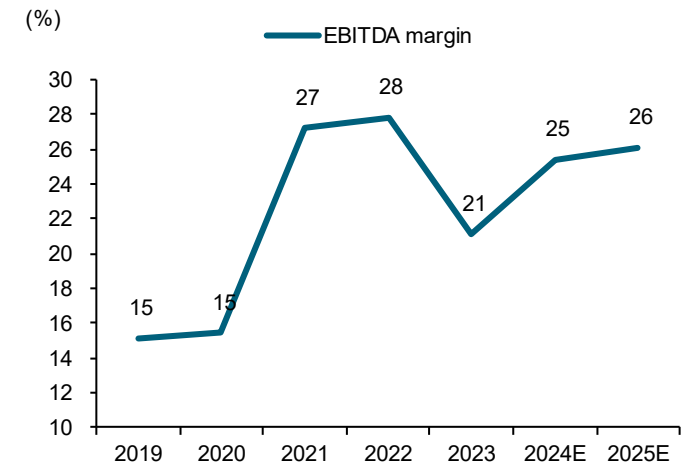
Source: THG

**Exhibit 6: Total revenue, yearly**



Sources: THG; FSSIA estimates

**Exhibit 7: EBITDA margin should exceed pre-Covid level**



Note: EBITDA including share income  
Sources: THG; FSSIA estimates

**Exhibit 8: Forecast revisions**

	Current			Previous			Change		
	2024E (THB b)	2025E (THB b)	2026E (THB b)	2024E (THB b)	2025E (THB b)	2026E (THB b)	2024E (%)	2025E (%)	2026E (THB b)
OPD patient revenue	4.0	4.2	4.4	3.4	3.6	3.7	18.1	18.1	18.1
IPD patient revenue	4.4	4.9	5.4	4.0	4.3	4.6	8.9	13.1	17.5
Jin Wellbeing revenue	0.2	0.2	0.2	0.2	0.2	0.3	6.5	0.9	(24.6)
Revenue	11.0	11.9	12.8	11.4	12.1	12.9	(3.4)	(2.0)	(0.7)
EBITDA margin (%)	21.9	22.6	23.8	25.4	26.4	0.0	(3.5)	(3.8)	23.8
Core profit	0.81	0.98	1.20	1.21	1.4	1.7	(32.5)	(29.6)	(27.8)

Note: Change of items in percentage terms are represented in ppt change  
Sources: THG; FSSIA estimates

**Exhibit 9: THG – DCF-derived TP**

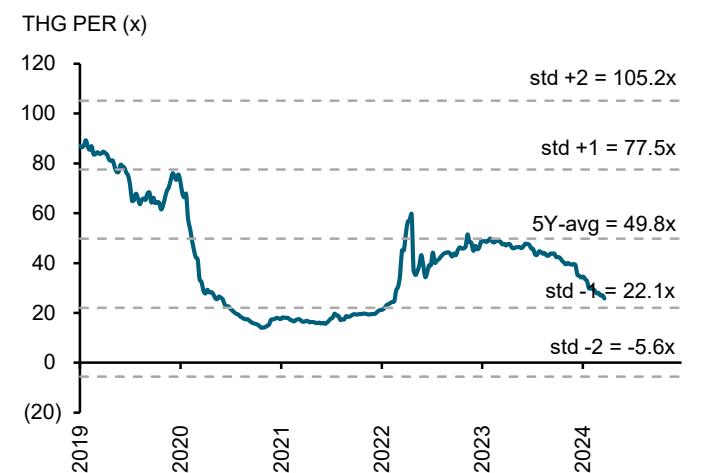
Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	3.5
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	1.1		
Cost of equity, Ke	11.8	Net cost of debt, Kd	2.8
Weight applied	60.0	Weight applied	40.0
WACC	8.2		

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	15.1	17.8	WACC 8.2%, Risk-free rate 3%, Risk premium 8%
Terminal value	29.3	34.6	Terminal growth 3%
Cash & liquid assets	2.5	3.0	At end-2024E
Investments	2.8	3.3	At end-2024E
Debt	(11.4)	(13.4)	At end-2024E
Minorities	(1.0)	(1.2)	At end-2024E
<b>Residual ordinary equity</b>	<b>37.3</b>	<b>44.0</b>	

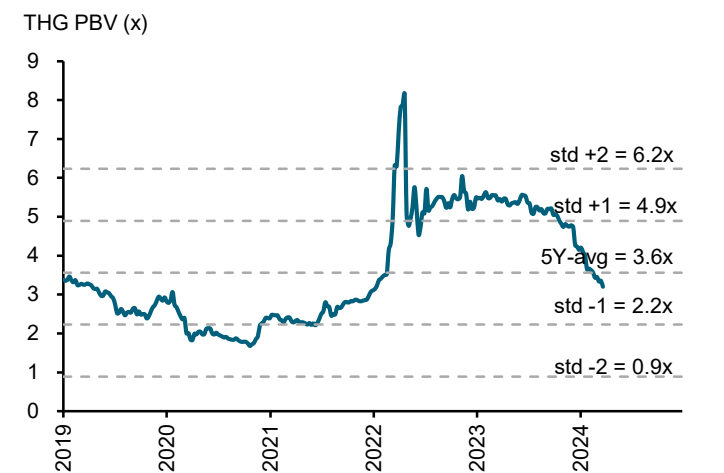
Source: FSSIA estimates

**Exhibit 10: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 11: Historical P/BV band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 12: Peer comparisons as of 27 March 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	28.50	35.00	22.8	12,437	27.6	25.3	16.8	17.3	4.5	4.2	16.7	15.2
Bumrungrad Hospital	BH TB	BUY	224.00	305.00	36.2	4,890	24.1	22.7	28.8	26.8	6.5	5.7	15.9	14.8
Bangkok Chain Hospital	BCH TB	BUY	20.60	26.00	26.2	1,411	27.6	24.4	14.2	14.9	3.8	3.5	15.0	13.2
Chularat Hospital	CHG TB	BUY	2.90	3.90	34.5	876	24.5	21.4	16.7	17.7	4.0	3.6	14.3	12.6
Praram 9 Hospital	PR9 TB	BUY	19.00	22.00	15.8	410	24.8	22.8	11.5	11.7	2.7	2.6	12.0	10.8
Thonburi Healthcare Group	THG TB	HOLD	41.25	44.00	6.7	960	42.9	35.8	7.8	9.1	3.3	3.2	18.6	16.8
Ramkhamhaeng Hospital	RAM TB	BUY	31.00	46.00	48.4	1,022	21.2	18.4	9.3	10.2	1.9	1.8	26.0	20.7
Rajthanee Hospital	RJH TB	n/a	24.90	n/a	n/a	205	17.5	18.0	19.1	18.8	5.0	3.3	13.0	12.3
Ekachai Medical Care	EKH TB	n/a	7.75	n/a	n/a	151	19.3	18.6	14.6	13.4	5.7	2.6	10.5	9.7
<b>Thailand average</b>						<b>22,362</b>	<b>25.5</b>	<b>23.1</b>	<b>15.4</b>	<b>15.5</b>	<b>4.2</b>	<b>3.4</b>	<b>15.8</b>	<b>14.0</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	56.27	n/a	n/a	8,452	38.1	42.2	8.6	7.0	3.2	3.1	12.1	11.3
Ihh Healthcare Bhd	IHH SP	n/a	1.72	n/a	n/a	11,234	33.4	31.1	6.3	6.0	2.3	1.9	14.1	13.2
Ryman Healthcare	RYM NZ	n/a	4.42	n/a	n/a	1,876	9.1	11.4	7.5	7.0	1.1	0.6	11.9	13.6
Apollo Hospitals Enterprise	APHS IN	n/a	6,231	n/a	n/a	10,754	106.5	91.6	13.8	14.9	24.7	13.9	43.8	38.4
Kpj Healthcare Berhad	KPJ MK	n/a	1.90	n/a	n/a	1,752	35.8	28.4	10.2	11.6	4.2	3.5	15.2	13.7
Raffles Medical Group	RFMD SP	n/a	1.05	n/a	n/a	1,432	21.7	26.7	8.6	7.1	2.2	1.9	10.7	12.6
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,710	n/a	n/a	2,457	40.4	34.6	17.1	17.8	8.0	6.5	25.0	21.8
Aier Eye Hospital Group	300015 CH	n/a	12.81	n/a	n/a	16,638	34.1	27.0	18.3	19.6	13.8	5.9	20.2	16.2
<b>Regional average</b>						<b>54,595</b>	<b>39.9</b>	<b>36.6</b>	<b>11.3</b>	<b>11.4</b>	<b>7.4</b>	<b>4.7</b>	<b>19.1</b>	<b>17.6</b>
<b>Overall average</b>						<b>76,956</b>	<b>32.3</b>	<b>29.4</b>	<b>13.5</b>	<b>13.6</b>	<b>5.7</b>	<b>4.0</b>	<b>17.3</b>	<b>15.7</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

Thonburi Healthcare Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	11,540	9,844	11,013	11,884	12,799
Cost of goods sold	(8,054)	(7,439)	(7,936)	(8,544)	(9,125)
<b>Gross profit</b>	<b>3,486</b>	<b>2,405</b>	<b>3,078</b>	<b>3,340</b>	<b>3,673</b>
Other operating income	-	-	-	-	-
Operating costs	(1,745)	(1,821)	(1,893)	(1,960)	(2,028)
<b>Operating EBITDA</b>	<b>2,746</b>	<b>1,722</b>	<b>2,409</b>	<b>2,688</b>	<b>3,044</b>
Depreciation	(1,006)	(1,138)	(1,225)	(1,308)	(1,399)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>1,740</b>	<b>584</b>	<b>1,184</b>	<b>1,380</b>	<b>1,645</b>
Net financing costs	(305)	(449)	(478)	(478)	(478)
Associates	151	214	241	258	273
Recurring non-operating income	465	357	390	413	435
Non-recurring items	105	0	0	0	0
<b>Profit before tax</b>	<b>2,005</b>	<b>492</b>	<b>1,096</b>	<b>1,315</b>	<b>1,602</b>
Tax	(329)	(100)	(171)	(211)	(266)
<b>Profit after tax</b>	<b>1,676</b>	<b>392</b>	<b>925</b>	<b>1,104</b>	<b>1,336</b>
Minority interests	(75)	(97)	(111)	(128)	(141)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,602</b>	<b>295</b>	<b>814</b>	<b>976</b>	<b>1,195</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(105)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,497</b>	<b>295</b>	<b>814</b>	<b>976</b>	<b>1,195</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.77	0.35	0.96	1.15	1.41
Reported EPS	1.89	0.35	0.96	1.15	1.41
DPS	0.90	0.45	0.67	0.81	0.99
Diluted shares (used to calculate per share data)	847	847	847	847	847
<b>Growth</b>					
Revenue (%)	6.4	(14.7)	11.9	7.9	7.7
Operating EBITDA (%)	(2.4)	(37.3)	39.9	11.6	13.2
Operating EBIT (%)	(6.9)	(66.4)	102.7	16.5	19.2
Recurring EPS (%)	20.3	(80.3)	175.8	19.9	22.5
Reported EPS (%)	20.0	(81.6)	175.6	19.9	22.5
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	30.2	24.4	27.9	28.1	28.7
Gross margin exc. depreciation (%)	38.9	36.0	39.1	39.1	39.6
Operating EBITDA margin (%)	23.8	17.5	21.9	22.6	23.8
Operating EBIT margin (%)	15.1	5.9	10.8	11.6	12.9
Net margin (%)	13.0	3.0	7.4	8.2	9.3
Effective tax rate (%)	18.8	35.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	51.0	129.2	70.0	70.0	70.0
Interest cover (X)	7.2	2.1	3.3	3.8	4.4
Inventory days	64.7	62.8	60.9	60.5	60.8
Debtor days	85.9	83.3	74.4	69.0	64.0
Creditor days	111.6	86.8	84.1	83.6	84.0
Operating ROIC (%)	8.3	2.1	5.3	6.0	7.0
ROIC (%)	9.0	2.9	6.0	6.6	7.7
ROE (%)	15.5	2.9	7.8	9.1	10.6
ROA (%)	7.4	2.7	5.2	5.7	6.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Revenue from hospital operations	10,211	8,742	9,787	10,619	11,480
Revenue from sale of goods	284	206	206	216	227
Revenue from other services	601	795	833	874	916
Revenue from sales of condominium unit	444	100	187	175	175

Sources: Thonburi Healthcare Group; FSSIA estimates

## Financial Statements

### Thonburi Healthcare Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	1,497	295	814	976	1,195
Depreciation	1,006	1,138	1,225	1,308	1,399
Associates & minorities	-	-	-	-	-
Other non-cash items	214	532	111	128	141
Change in working capital	(211)	0	(74)	(40)	(46)
<b>Cash flow from operations</b>	<b>2,506</b>	<b>1,966</b>	<b>2,077</b>	<b>2,372</b>	<b>2,688</b>
Capex - maintenance	(1,951)	(1,109)	(1,640)	(1,967)	(896)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(243)	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(2,194)</b>	<b>(1,109)</b>	<b>(1,640)</b>	<b>(1,967)</b>	<b>(896)</b>
Dividends paid	(758)	(760)	(381)	(570)	(683)
Equity finance	27	0	(35)	0	0
Debt finance	1,002	0	0	0	0
Other financing cash flows	520	(97)	(78)	(90)	(99)
<b>Cash flow from financing</b>	<b>792</b>	<b>(856)</b>	<b>(494)</b>	<b>(659)</b>	<b>(782)</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>1,104</b>	<b>0</b>	<b>(57)</b>	<b>(254)</b>	<b>1,011</b>
Free cash flow to firm (FCFF)	616.83	1,305.74	914.44	882.81	2,270.36
Free cash flow to equity (FCFE)	1,834.70	759.73	358.74	315.42	1,694.02

#### Per share (THB)

FCFF per share	0.73	1.54	1.08	1.04	2.68
FCFE per share	2.16	0.90	0.42	0.37	2.00
Recurring cash flow per share	3.21	2.32	2.54	2.85	3.23

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	22,487	23,217	24,857	26,824	27,720
Less: Accumulated depreciation	(7,455)	(8,185)	(9,410)	(10,718)	(12,117)
<b>Tangible fixed assets (net)</b>	<b>15,032</b>	<b>15,032</b>	<b>15,447</b>	<b>16,106</b>	<b>15,603</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,815	2,815	2,815	2,815	2,815
Cash & equivalents	2,586	2,586	2,529	2,274	3,285
A/C receivable	2,246	2,246	2,246	2,246	2,246
Inventories	1,084	1,084	1,155	1,245	1,329
Other current assets	1,092	1,092	1,222	1,319	1,420
<b>Current assets</b>	<b>7,008</b>	<b>7,008</b>	<b>7,151</b>	<b>7,084</b>	<b>8,280</b>
Other assets	225	225	225	225	225
<b>Total assets</b>	<b>25,081</b>	<b>25,081</b>	<b>25,639</b>	<b>26,230</b>	<b>26,924</b>
Common equity	10,178	10,178	10,576	10,982	11,495
Minorities etc.	998	998	1,031	1,070	1,112
<b>Total shareholders' equity</b>	<b>11,176</b>	<b>11,176</b>	<b>11,608</b>	<b>12,052</b>	<b>12,606</b>
Long term debt	6,852	6,852	6,852	6,852	6,852
Other long-term liabilities	784	784	784	784	784
<b>Long-term liabilities</b>	<b>7,635</b>	<b>7,635</b>	<b>7,635</b>	<b>7,635</b>	<b>7,635</b>
A/C payable	1,498	1,498	1,596	1,721	1,837
Short term debt	4,525	4,525	4,525	4,525	4,525
Other current liabilities	246	246	275	297	320
<b>Current liabilities</b>	<b>6,269</b>	<b>6,269</b>	<b>6,396</b>	<b>6,543</b>	<b>6,682</b>
<b>Total liabilities and shareholders' equity</b>	<b>25,081</b>	<b>25,081</b>	<b>25,639</b>	<b>26,230</b>	<b>26,924</b>
Net working capital	2,678	2,678	2,752	2,792	2,838
Invested capital	20,751	20,751	21,239	21,938	21,482

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

#### Per share (THB)

Book value per share	12.01	12.01	12.48	12.96	13.56
Tangible book value per share	12.01	12.01	12.48	12.96	13.56

#### Financial strength

Net debt/equity (%)	78.7	78.7	76.2	75.5	64.2
Net debt/total assets (%)	35.1	35.1	34.5	34.7	30.1
Current ratio (x)	1.1	1.1	1.1	1.1	1.2
CF interest cover (x)	7.0	2.7	1.8	1.7	4.5

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>23.4</b>	<b>118.4</b>	<b>42.9</b>	<b>35.8</b>	<b>29.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>24.9</b>	<b>126.3</b>	<b>45.8</b>	<b>38.2</b>	<b>31.2</b>
Reported P/E (x)	21.8	118.3	42.9	35.8	29.2
Dividend yield (%)	2.2	1.1	1.6	2.0	2.4
Price/book (x)	3.4	3.4	3.3	3.2	3.0
Price/tangible book (x)	3.4	3.4	3.3	3.2	3.0
EV/EBITDA (x) **	16.3	26.0	18.6	16.8	14.5
EV/EBITDA @ target price (x) **	17.1	27.3	19.6	17.7	15.3
EV/invested capital (x)	2.2	2.2	2.1	2.1	2.1

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

Sources: Thonburi Healthcare Group; 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 <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+									
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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.																			

**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

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
Thonburi Healthcare Group	THG TB	THB 41.25	HOLD	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. Downside risks include 1) regulatory risks from drug prices and medical bill controls; and 2) a slowdown in international patients due to economic concerns.
Bangkok Dusit Medical Services	BDMS TB	THB 28.50	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 224.00	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 20.60	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Chularat Hospital	CHG TB	THB 2.90	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 19.00	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.
Ramkhamhaeng Hospital	RAM TB	THB 31.00	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 27-Mar-2024 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.