

PRARAM 9 HOSPITAL PR9 TB

THAILAND / HEALTH CARE SERVICES

BUY

UNCHANGED

Hale and hearty start to 2024

- Expect 1Q24 core profit to jump by 31% y-y to THB143m, driven by strong Thai patient and Chinese expat patient revenue.
- Two earnings catalysts: 1) potential to capture Middle East market; and 2) price adjustments in the beginning of the year.
- Maintain BUY with a DCF-based TP of THB24.0/shr.

TARGET PRICE	THB24.00
CLOSE	THB19.40
UP/DOWNSIDE	+23.7%
PRIOR TP	THB22.00
CHANGE IN TP	+9.1%
TP vs CONSENSUS	+13.6%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	4,202	4,633	4,915	5,214
Net profit	558	656	720	789
EPS (THB)	0.71	0.83	0.92	1.00
vs Consensus (%)	-	9.1	5.4	3.3
EBITDA	958	1,107	1,201	1,304
Recurring net profit	558	656	720	789
Core EPS (THB)	0.71	0.83	0.92	1.00
Chg. In EPS est. (%)	-	8.7	9.8	9.6
EPS growth (%)	(1.7)	17.5	9.8	9.7
Core P/E (x)	27.3	23.3	21.2	19.3
Dividend yield (%)	1.5	2.1	2.4	2.6
EV/EBITDA (x)	13.9	11.7	10.4	9.2
Price/book (x)	3.0	2.8	2.6	2.4
Net debt/Equity (%)	(37.3)	(42.7)	(46.8)	(50.7)
ROE (%)	11.4	12.4	12.6	12.9

Revenue and margins to improve y-y in 1Q24

We estimate 1Q24 revenue to grow by 13% y-y to THB1.1b. Thai patient revenue should grow by 10-12% y-y, while international patient revenue should jump by 20-25% y-y due to a low base and higher Chinese expat patient revenue. IPD patient volume should increase to an average of 120-130 beds/day (vs 106 beds in 1Q23). We expect the EBITDA margin to improve to 23% (vs 21% in 1Q23) thanks to strong revenue growth. Overall, we forecast 1Q24 core profit to jump by 31% y-y to THB143m.

Middle East market may lift revenue by 3-5%

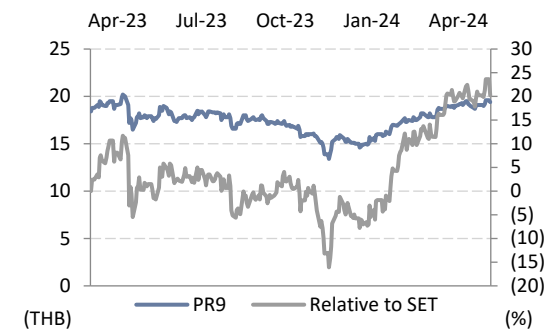
PR9 recently set up a new international marketing team to contact more agencies to attract more Middle East (ME) patients. We expect to see more traffic in 3Q24. This should support strong international patient revenue, potentially rising from 14% of the revenue contribution in 2023 to 18-19% in 2024 (vs our forecast of 15%). We estimate that for every 1% increase in ME patient revenue, 2024E core profit may rise by 2%, all else being equal. In addition, PR9 recently raised its OPD medical service fee (from THB250 to THB350) and the IPD room rate by 10%. This should increase its margin, given that additional fees are likely to flow through to the bottom line.

Expect 2024 core profit to grow by 18% to THB656m

We expect revenue to grow by 10% in 2024 (vs management's guidance of 10-15%), driven by a 5% higher patient volume and a 5% price adjustment and revenue intensity. We expect the EBITDA margin to improve from 22.5% in 2023 to 23.9% in 2024, and the net profit margin to improve 0.9 pts to 14.2% in 2024 (vs management's guidance of +1-2 pts). As a result, we forecast 2024 core profit to jump by 18% to THB656m. Our forecast still has the scope of an upside as we have not factored in more ME patients via the new international marketing team.

Revise up core profit; trading at an attractive valuation

We lift 2024-25E core profit by 9-10% to reflect the strong 1Q24 outlook, and derive a new 2024 DCF-TP of THB24/shr. PR9 is trading at a cheap valuation of 23x 2024E P/E (vs peers' avg. of 25x). Share price catalysts are strong 1H24E earnings growth of 25-30% y-y, with earnings peaking in 3Q24 due to seasonality and a potential new flow of ME patients.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.1	18.3	(7.2)
Relative to country (%)	1.0	19.8	4.5
Mkt cap (USD m)	420		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	59		
Major shareholder	Khunying Potjaman Damapong (37%)		
12m high/low (THB)	20.70/13.10		
Issued shares (m)	786.30		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

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

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

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

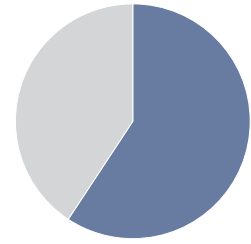
Company profile

PR9 has been operating a private hospital since 1992.

www.praram9.com

Principal activities (revenue, 2023)

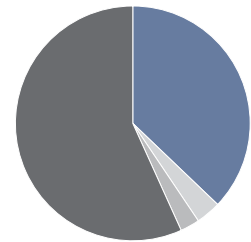
- OPD patient revenue - 59.3 %
- IPD patient revenue - 40.7 %



Source: Praram 9 Hospital

Major shareholders

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



Source: Praram 9 Hospital

Catalysts

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

Risks to our call

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

Event calendar

Date	Event
May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
No. of beds (no.)	224	249	274
OPD volume growth	5	3	3
OPD revenue / patient growth	5	3	3
IPD volume growth	5	3	3
IPD revenue / patient growth	5	3	3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in patient volume, we project 2024 earnings to rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2024 earnings to rise by 6%, and vice versa, all else being equal.

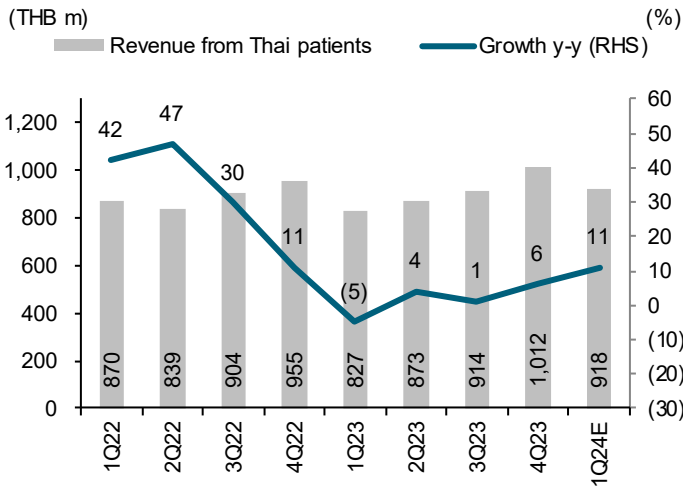
Source: FSSIA estimates

Exhibit 1: PR9 - 1Q24 results preview

FY ending Dec	1Q23	2Q23	3Q23	4Q23	1Q24E	Change		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	957	1,005	1,066	1,175	1,080	(8)	13	4,202	4,633	10
COGS (incl. depreciation)	(657)	(688)	(714)	(761)	(729)	(4)	11	(2,820)	(3,068)	9
Gross profit	300	316	351	414	351	(15)	17	1,382	1,565	13
SG&A	(182)	(185)	(198)	(209)	(197)	(6)	8	(774)	(820)	6
Operating profit	118	132	154	205	154	(25)	31	608	745	22
Net other income	16	17	19	28	24	(14)	50	81	75	(8)
Interest expenses	(0)	(0)	(0)	(0)	0	(100)	(100)	(1)	0	n/a
Pretax profit	134	149	173	233	178	(23)	33	689	820	19
Income Tax	(25)	(28)	(33)	(45)	(36)	(21)	43	(131)	(164)	25
Core profit	109	121	140	188	143	(24)	31	558	656	18
Extraordinaries, GW & FX										
Reported net profit	109	121	140	188	143	(24)	31	558	656	18
Outstanding shares (m)	786	786	786	786	786	0	0	786	786	0
Pre-ex EPS (THB)	0.14	0.15	0.18	0.24	0.18	(24)	31	0.71	0.83	18
EPS (THB)	0.14	0.15	0.18	0.24	0.18	(24)	31	0.71	0.83	18
COGS excl. depreciation	(584)	(614)	(638)	(686)	(649)	(5)	11	(2,521)	(2,756)	9
Depreciation	(73)	(75)	(76)	(75)	(80)	6	10	(299)	(312)	4
EBITDA	207	224	249	308	258	(16)	25	988	1,131	15
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	31	31	33	35	33	(3)	1	33	34	1
SG&A/Revenue	19	18	19	18	18	0	(1)	18	18	(1)
EBITDA margin	21	22	23	26	23	(2)	2	23	24	1
Net profit margin	11	12	13	16	13	(3)	2	13	14	1
Operating stats	(%)	(%)	(%)	(%)	(%)					
OPD revenue growth y-y	6	5	4	3	-					
OPD volume growth y-y	8	4	5	4	-					
OPD revenue per head growth y-y	(2)	1	(0)	(1)	-					
IPD revenue growth y-y	(11)	1	(5)	12	-					
IPD volume growth y-y	(35)	(10)	(11)	13	-					
IPD revenue per head growth y-y	38	13	6	(1)	-					
Thai patient revenue growth y-y	(5)	4	1	6	11					
Inter patient revenue growth y-y	29	1	(5)	9	25					

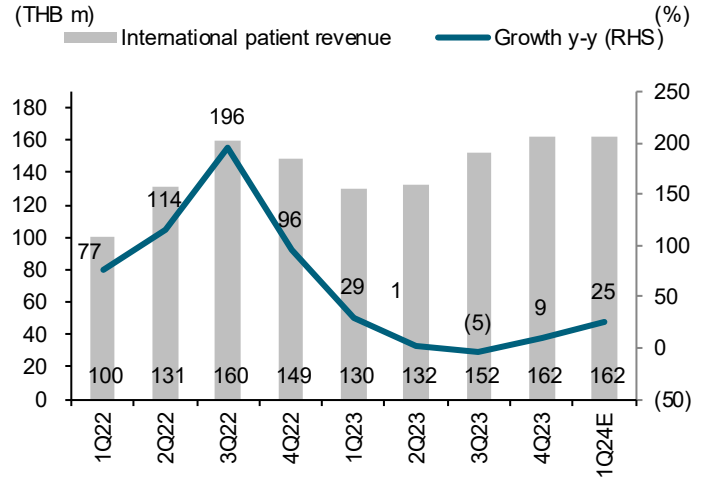
Sources: PR9; FSSIA estimates

Exhibit 2: Thai patient revenue



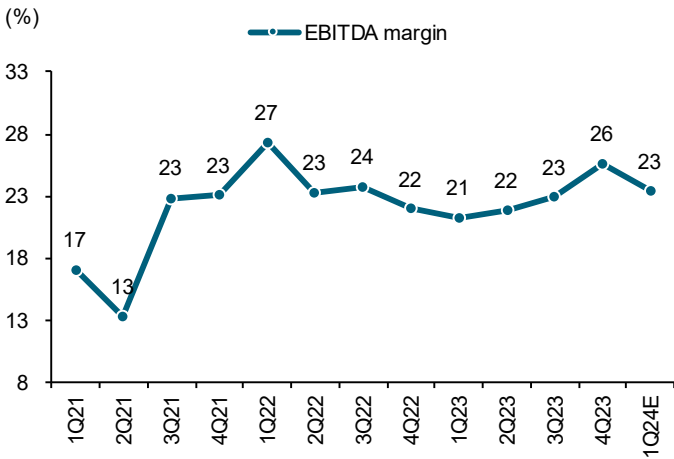
Sources: PR9; FSSIA estimates

Exhibit 3: International patient revenue



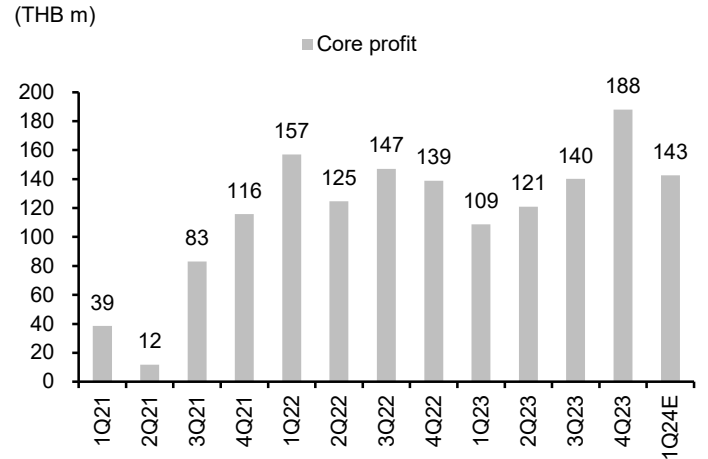
Sources: PR9; FSSIA estimates

Exhibit 4: EBITDA margin



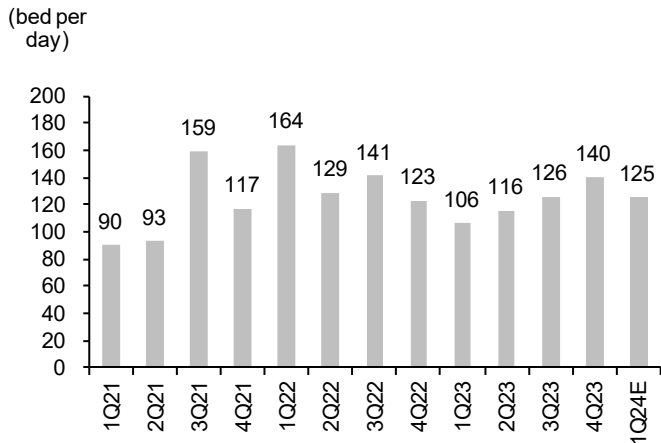
Sources: PR9; FSSIA estimates

Exhibit 5: Core profit



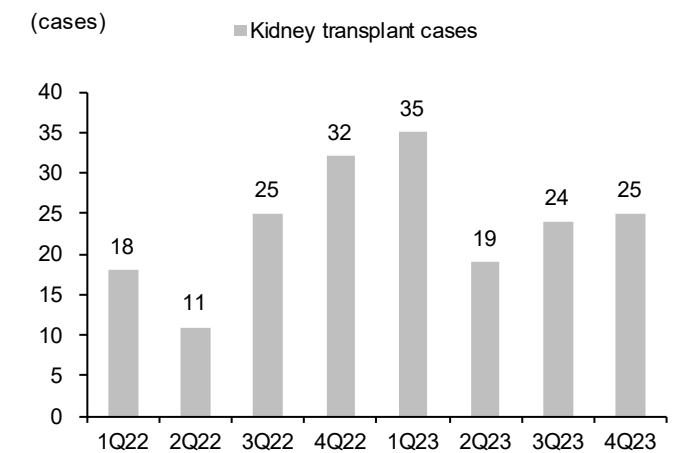
Sources: PR9; FSSIA estimates

Exhibit 6: IPD average daily census (ADC)



Sources: PR9; FSSIA estimates

Exhibit 7: Kidney transplant cases



Sources: PR9; FSSIA estimates

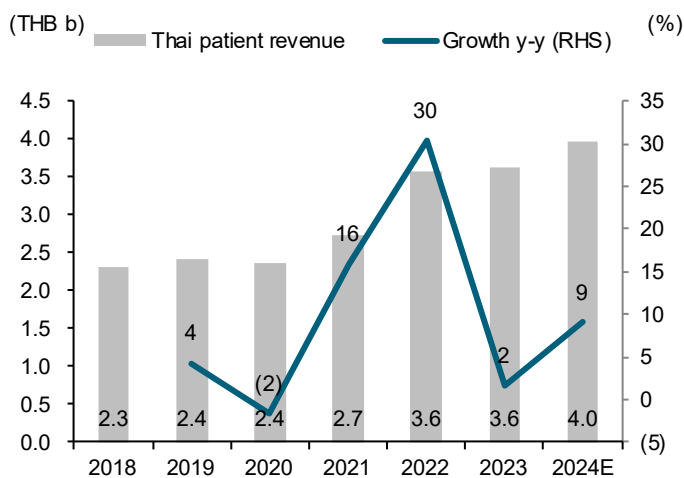
Exhibit 8: Forecast revisions

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Revenue	4,633	4,915	5,214	4,549	4,826	n/a	1.8	1.8	n/a
EBITDA margin (%)	23.9	24.4	25.0	23.3	23.6	n/a	0.6	0.8	n/a
Core profit	656	720	789	603	656	n/a	8.7	9.8	n/a
Key assumptions									
OPD- Visits per day (no.)	1,573	1,620	1,668	1,508	1,554	n/a	4.3	4.3	n/a
OPD - Revenue per visit (THB)	4,784	4,927	5,075	4,761	4,904	n/a	0.5	0.5	n/a
IPD - Admissions per day (no.)	45	46	48	42	43	n/a	8.0	8.0	n/a
IPD - Revenue per admission (THB)	114,552	117,989	121,528	126,365	130,156	n/a	(9.3)	(9.3)	n/a

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

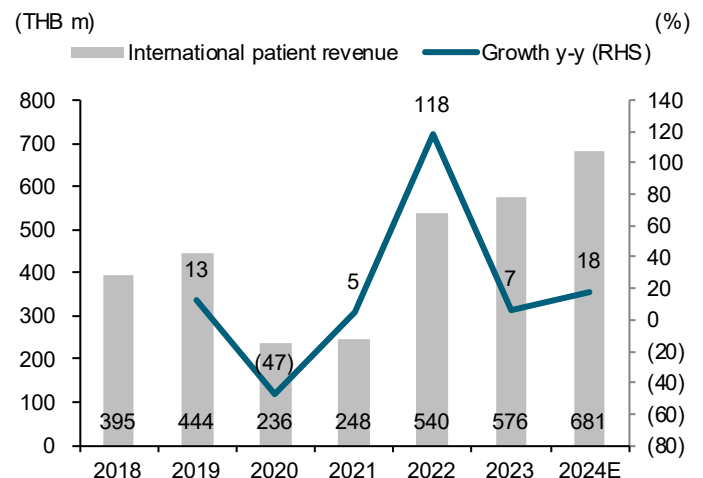
Source: FSSIA estimates

Exhibit 9: Thai patient revenue



Sources: PR9; FSSIA estimates

Exhibit 10: International patient revenue



Sources: PR9; FSSIA estimates

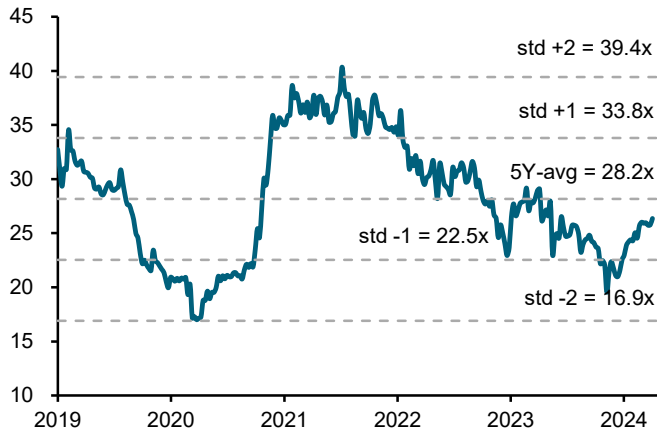
Exhibit 11: DCF valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		3.5
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.8			
Cost of equity, Ke		9.3	Net cost of debt, Kd		2.8
Weight applied		100.0	Weight applied		0.0
WACC		9.3			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		6.5	8.3	WACC 9.3%, risk-free rate 3%, risk premium 8%	
Terminal value		9.8	12.5	Terminal growth 3%	
Cash & liquid assets		2.3	2.9	At end-2024E	
Investments		0.3	0.3	At end-2024E	
Debt		(0.0)	(0.0)	At end-2024E	
Minorities		0.0	0.0	At end-2024E	
Residual ordinary equity		18.9	24.0		

Source: FSSIA estimates

Exhibit 12: Historical P/E band

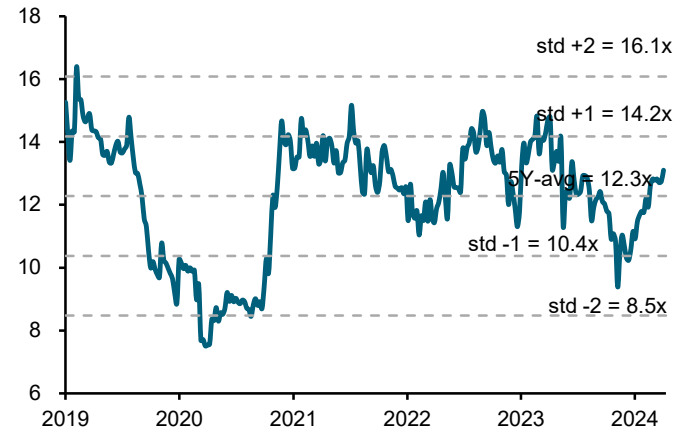
PR9 PER(x)



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical EV/EBITDA band

PR9 EV/EBITDA(x)



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 9 April 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)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	28.50	35.00	22.8	12,458	27.6	25.3	16.8	17.3	4.5	4.2	16.7	15.2
Bumrungrad Hospital	BH TB	BUY	232.00	305.00	31.5	5,073	25.0	23.5	28.8	26.8	6.7	5.9	16.5	15.3
Bangkok Chain Hospital	BCH TB	BUY	20.60	26.00	26.2	1,413	27.6	24.4	14.2	14.9	3.8	3.5	15.0	13.2
Chularat Hospital	CHG TB	BUY	2.92	3.90	33.6	884	24.7	21.6	16.7	17.7	4.0	3.7	14.4	12.7
Praram 9 Hospital	PR9 TB	BUY	19.40	24.00	23.7	420	23.3	21.2	12.4	12.6	2.8	2.6	11.7	10.4
Thonburi Healthcare Group	THG TB	HOLD	41.25	44.00	6.7	962	42.9	35.8	7.8	9.1	3.3	3.2	18.6	16.8
Ramkhamhaeng Hospital	RAM TB	BUY	30.50	46.00	50.8	1,007	20.9	18.1	9.3	10.2	1.9	1.8	25.7	20.5
Rajthanee Hospital	RJH TB	n/a	24.70	n/a	n/a	203	17.4	17.9	19.1	18.8	4.9	3.2	12.9	12.2
Ekachai Medical Care	EKH TB	n/a	7.65	n/a	n/a	149	19.0	18.7	14.6	13.4	5.6	2.5	10.4	9.7
Thailand average						22,568	25.4	22.9	15.5	15.6	4.2	3.4	15.8	14.0
Regional														
Ramsay Health Care	RHC AU	n/a	53.51	n/a	n/a	8,138	36.1	40.0	8.6	7.1	3.0	2.9	11.7	11.0
Ihh Healthcare Bhd	IHH SP	n/a	1.72	n/a	n/a	11,258	33.5	31.0	6.3	5.9	2.3	1.9	14.1	13.3
Ryman Healthcare	RYM NZ	n/a	4.48	n/a	n/a	1,865	8.9	11.2	7.5	7.0	1.0	0.6	11.8	14.9
Apollo Hospitals Enterprise	APHS IN	n/a	6,505	n/a	n/a	11,233	111.2	95.8	13.8	14.7	25.7	14.5	45.7	40.1
Kpj Healthcare Berhad	KPJ MK	n/a	1.91	n/a	n/a	1,756	36.0	28.5	10.2	11.6	4.3	3.6	15.2	13.8
Raffles Medical Group	RFMD SP	n/a	1.03	n/a	n/a	1,419	21.5	26.4	8.6	7.1	2.2	1.9	10.6	12.5
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,820	n/a	n/a	2,530	41.6	35.7	17.1	17.7	8.3	6.7	25.6	22.5
Aier Eye Hospital Group	300015 CH	n/a	13.01	n/a	n/a	16,781	34.4	27.3	18.3	19.6	13.9	6.0	20.3	16.3
Regional average						54,980	40.4	37.0	11.3	11.3	7.6	4.8	19.4	18.0
Overall average						77,548	32.4	29.6	13.5	13.6	5.8	4.0	17.5	15.9

Sources: Bloomberg; FSSIA estimates

Financial Statements

Praram 9 Hospital

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,107	4,202	4,633	4,915	5,214
Cost of goods sold	(2,724)	(2,820)	(3,068)	(3,241)	(3,424)
Gross profit	1,384	1,382	1,565	1,674	1,790
Other operating income	43	51	50	50	52
Operating costs	(735)	(774)	(820)	(855)	(891)
Operating EBITDA	991	958	1,107	1,201	1,304
Depreciation	(299)	(299)	(312)	(332)	(353)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	692	659	795	869	951
Net financing costs	8	30	25	31	36
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	700	689	820	900	987
Tax	(132)	(131)	(164)	(180)	(197)
Profit after tax	568	558	656	720	789
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	568	558	656	720	789
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	568	558	656	720	789
Per share (THB)					
Recurring EPS *	0.72	0.71	0.83	0.92	1.00
Reported EPS	0.72	0.71	0.83	0.92	1.00
DPS	0.29	0.30	0.42	0.46	0.50
Diluted shares (used to calculate per share data)	786	786	786	786	786
Growth					
Revenue (%)	37.5	2.3	10.3	6.1	6.1
Operating EBITDA (%)	67.9	(3.4)	15.5	8.5	8.6
Operating EBIT (%)	133.3	(4.7)	20.6	9.4	9.4
Recurring EPS (%)	127.8	(1.7)	17.5	9.8	9.7
Reported EPS (%)	127.8	(1.7)	17.5	9.8	9.7
Operating performance					
Gross margin inc. depreciation (%)	33.7	32.9	33.8	34.1	34.3
Gross margin exc. depreciation (%)	41.0	40.0	40.5	40.8	41.1
Operating EBITDA margin (%)	24.1	22.8	23.9	24.4	25.0
Operating EBIT margin (%)	16.8	15.7	17.2	17.7	18.2
Net margin (%)	13.8	13.3	14.2	14.6	15.1
Effective tax rate (%)	18.9	19.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	40.2	42.3	50.0	50.0	50.0
Interest cover (X)	(84.0)	(22.3)	(32.2)	(28.4)	(26.4)
Inventory days	8.1	7.2	6.7	6.8	6.8
Debtor days	20.2	23.1	22.9	21.5	20.3
Creditor days	82.5	73.9	72.3	73.5	73.5
Operating ROIC (%)	18.1	17.6	20.9	23.0	25.3
ROIC (%)	17.4	16.1	18.9	20.8	22.9
ROE (%)	12.6	11.4	12.4	12.6	12.9
ROA (%)	10.5	9.3	10.3	10.5	10.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
OPD patient revenue	2,383	2,491	2,746	2,913	3,091
IPD patient revenue	1,725	1,711	1,887	2,002	2,124

Sources: Praram 9 Hospital; FSSIA estimates

Financial Statements

Praram 9 Hospital

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	568	558	656	720	789
Depreciation	299	299	312	332	353
Associates & minorities	-	-	-	-	-
Other non-cash items	10	10	0	0	0
Change in working capital	(5)	(23)	54	35	37
Cash flow from operations	871	844	1,021	1,087	1,179
Capex - maintenance	(140)	(326)	(330)	(350)	(371)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(150)	(100)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(290)	(426)	(330)	(350)	(371)
Dividends paid	(110)	(234)	(236)	(328)	(360)
Equity finance	0	0	0	0	0
Debt finance	2	1	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(108)	(233)	(236)	(328)	(360)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	473	184	456	409	448
Free cash flow to firm (FCFF)	581.44	418.17	691.50	736.80	808.12
Free cash flow to equity (FCFE)	582.47	418.73	691.50	736.80	808.12

Per share (THB)

FCFF per share	0.74	0.53	0.88	0.94	1.03
FCFE per share	0.74	0.53	0.88	0.94	1.03
Recurring cash flow per share	1.11	1.10	1.23	1.34	1.45

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	5,638	5,898	6,228	6,578	6,949
Less: Accumulated depreciation	(2,322)	(2,556)	(2,867)	(3,199)	(3,552)
Tangible fixed assets (net)	3,315	3,343	3,361	3,379	3,397
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	154	254	254	254	254
Cash & equivalents	1,717	1,901	2,357	2,766	3,214
A/C receivable	243	290	290	290	290
Inventories	51	48	53	56	59
Other current assets	12	12	13	14	15
Current assets	2,023	2,251	2,713	3,125	3,578
Other assets	65	62	62	62	62
Total assets	5,558	5,910	6,389	6,820	7,290
Common equity	4,735	5,080	5,499	5,892	6,321
Minorities etc.	0	0	0	0	0
Total shareholders' equity	4,735	5,080	5,499	5,892	6,321
Long term debt	8	9	9	9	9
Other long-term liabilities	209	195	195	195	195
Long-term liabilities	217	204	204	204	204
A/C payable	499	522	570	602	635
Short term debt	0	0	0	0	0
Other current liabilities	106	105	115	122	130
Current liabilities	606	626	686	724	765
Total liabilities and shareholders' equity	5,558	5,910	6,389	6,820	7,290
Net working capital	(299)	(276)	(330)	(365)	(402)
Invested capital	3,235	3,382	3,347	3,330	3,311

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

Per share (THB)

Book value per share	6.02	6.46	6.99	7.49	8.04
Tangible book value per share	6.02	6.46	6.99	7.49	8.04

Financial strength

Net debt/equity (%)	(36.1)	(37.3)	(42.7)	(46.8)	(50.7)
Net debt/total assets (%)	(30.8)	(32.0)	(36.8)	(40.4)	(44.0)
Current ratio (x)	3.3	3.6	4.0	4.3	4.7
CF interest cover (x)	(69.7)	(13.2)	(27.0)	(23.0)	(21.5)

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	26.9	27.3	23.3	21.2	19.3
Recurring P/E @ target price (x) *	33.2	33.8	28.8	26.2	23.9
Reported P/E (x)	26.9	27.3	23.3	21.2	19.3
Dividend yield (%)	1.5	1.5	2.1	2.4	2.6
Price/book (x)	3.2	3.0	2.8	2.6	2.4
Price/tangible book (x)	3.2	3.0	2.8	2.6	2.4
EV/EBITDA (x) **	13.7	13.9	11.7	10.4	9.2
EV/EBITDA @ target price (x) **	17.3	17.7	14.9	13.4	12.0
EV/invested capital (x)	4.2	4.0	3.9	3.8	3.6

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

Sources: Praram 9 Hospital; FSSIA estimates

Praram 9 Hospital PCL (PR9 TB)

FSSIA ESG rating

54.08 /100
Exhibit 15: FSSIA ESG score implication

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.
★★	>19-39	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.
★	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 16: 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	Moody's	Refinitiv	S&P Global	ESG score	Disclosure 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](https://www.settrade.com); FSSIA's compilation
Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	2.33	2.43
BESG environmental pillar score	—	2.56	2.18
BESG social pillar score	—	1.36	1.52
BESG governance pillar score	—	4.13	4.46
ESG disclosure score	—	37.90	37.90
Environmental disclosure score	—	11.78	11.78
Social disclosure score	—	20.68	20.68
Governance disclosure score	—	81.10	81.10
Environmental			
Emissions reduction initiatives	No	Yes	Yes
Climate change policy	No	Yes	Yes
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	No	No
GHG scope 1	—	0	0
GHG scope 2 location-based	—	4	6
GHG Scope 3	—	0	5
Carbon per unit of production	—	—	—
Biodiversity policy	No	No	No
Energy efficiency policy	No	Yes	Yes
Total energy consumption	—	7	13
Renewable energy use	—	—	—
Electricity used	—	—	—
Fuel used - natural gas	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No
Waste reduction policy	No	Yes	Yes
Hazardous waste	—	—	—
Total waste	—	—	—
Waste recycled	—	—	—
Waste sent to landfills	—	—	—
Environmental supply chain management	No	No	No
Water policy	No	Yes	Yes
Water consumption	—	60	151
Social			
Human rights policy	Yes	Yes	Yes
Policy against child labor	No	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes
Consumer data protection policy	No	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes
Gender pay gap breakout	No	No	No
Pct women in workforce	—	—	—
Pct disabled in workforce	—	—	—
Business ethics policy	No	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes
Health and safety policy	No	Yes	Yes
Lost time incident rate - employees	—	—	—
Total recordable incident rate - employees	—	1	0
Training policy	Yes	Yes	Yes
Fair remuneration policy	No	No	No
Number of employees – CSR	2,083	1,987	2,011
Employee turnover pct	—	11	13
Total hours spent by firm - employee training	14,566	13,462	66,852
Social supply chain management	No	No	No
Governance			
Board size	10	10	9
No. of independent directors (ID)	4	7	6
No. of women on board	2	2	2
No. of non-executive directors on board	7	7	6
Company conducts board evaluations	Yes	Yes	Yes
No. of board meetings for the year	7	7	7
Board meeting attendance pct	97	100	89
Board duration (years)	3	3	3
Director share ownership guidelines	No	No	No
Age of the youngest director	56	56	57
Age of the oldest director	72	73	74
No. of executives / company managers	7	5	5
No. of female executives	2	0	0
Executive share ownership guidelines	No	No	No
Size of audit committee	3	3	3
No. of ID on audit committee	3	3	3
Audit committee meetings	4	4	4
Audit meeting attendance %	100	100	100
Size of compensation committee	3	3	3
No. of ID on compensation committee	3	2	3
No. of compensation committee meetings	2	2	2
Compensation meeting attendance %	83	100	100
Size of nomination committee	3	3	3
No. of nomination committee meetings	2	2	2
Nomination meeting attendance %	83	100	100
Sustainability governance			
Verification type	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 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+																		
NEGL	Low	Medium	High	Severe																										
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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Praram 9 Hospital	PR9 TB	THB 19.40	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Bangkok Dusit Medical Services	BDMS TB	THB 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 232.00	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 2.92	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Thonburi Healthcare Group	THG TB	THB 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.
Ramkhamhaeng Hospital	RAM TB	THB 30.50	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies.

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 09-Apr-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.