

THONBURI HEALTHCARE GROUP

THAILAND / HEALTH CARE SERVICES

Bamrungmuang went under the knife

- THG broke even in 1Q24 due to one-off expenses of Thonburi Bamrungmuang, which is in a business restructuring. The operation should improve in 2Q24.
- Expect profit to jump from THB0.3b in 2023 to THB0.5b in 2024.
- Maintain HOLD with a 2024 DCF-based TP of THB40/shr.

1Q24 earnings should be the bottom of this year

We attended an analyst meeting today (11 June 2024). From the meeting, we believe that weak 1Q24 earnings are likely the bottom. Also, the operation should improve from 2Q24 onwards. Note that THG only broke even in 1Q24 due mainly to the restructuring of the business model of Thonburi Bamrungmuang, which incurred one-off expenses from Feb to May 2024.

EBITDA of Thonburi Bamrungmuang to turn positive in 2Q24

THG decided to delay its plan to upgrade Thonburi Bamrungmuang to super tertiary care and spin off the hospital for five years. The new plan is to use the same business model as Thonburi 1 and 2 to focus on tertiary care and target middle-income customers. However, the hospital invested in staff and equipment (especially medical and IT) in 2023. Therefore, changing the business plan resulted in one-off expenses, mostly from Feb to May 2024. Also, it resulted in a negative EBITDA of cTHB40m for Thonburi Bamrungmuang in 1Q24. The one-off expense should reduce and help the hospital post a positive EBITDA in 2Q24.

Expect Thonburi Bamrungmuang operation to normalize in 2H24

In 1Q24, Thonburi Bamrungmuang booked revenue of THB80-90m/month, relatively in line with the pre-Covid level but slightly lower than its THB100m/month average in 2023. With the new business plan and management team (same as THG1), management targets revenue to ramp up to THB120-140m/month and IPD utilization rate to improve from 30-35% to more than 50%, its breakeven threshold in 2H24. Overall, we expect THG's revenue to grow by 7% to THB10.5b and core profit to jump from THB0.3b in 2023 to THB0.5b in 2024.

Cut core profit; still trading at an expensive valuation

We cut 2024-25E core profit by 14-39% to reflect the weak operation at Thonburi Bamrungmuang and derived a new 2024 DCF-based TP of THB40/shr. We maintain our HOLD rating on THG due mainly to the expensive valuation of 40x 2025E P/E (vs peers' average of 23x). A share price catalyst, in our view, would be a new partner for the Jin Wellbeing County project and the turnaround of Thonburi Bamrungmuang.

THG TB

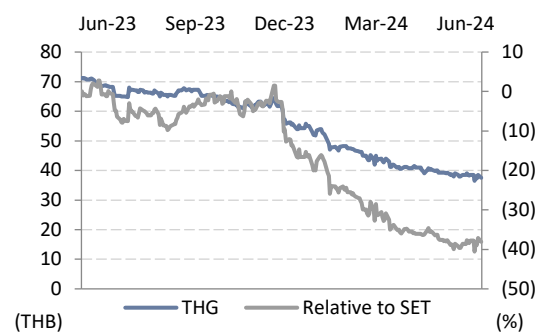
HOLD

UNCHANGED

TARGET PRICE	THB40.00
CLOSE	THB37.50
UP/DOWNSIDE	+6.7%
PRIOR TP	THB44.00
CHANGE IN TP	-9.1%
TP vs CONSENSUS	+5.6%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	9,844	10,486	11,454	12,353
Net profit	295	501	802	1,028
EPS (THB)	0.35	0.59	0.95	1.21
vs Consensus (%)	-	(0.5)	18.2	32.1
EBITDA	1,722	2,040	2,492	2,855
Recurring net profit	295	501	802	1,028
Core EPS (THB)	0.35	0.59	0.95	1.21
Chg. In EPS est. (%)	-	(38.5)	(17.9)	(14.0)
EPS growth (%)	(80.3)	69.6	60.1	28.2
Core P/E (x)	107.7	63.5	39.6	30.9
Dividend yield (%)	1.2	1.1	1.8	2.3
EV/EBITDA (x)	24.1	20.6	16.9	14.4
Price/book (x)	3.1	3.1	3.0	2.8
Net debt/Equity (%)	78.7	80.8	79.3	67.9
ROE (%)	2.9	4.9	7.6	9.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.5)	(14.3)	(47.0)
Relative to country (%)	(0.6)	(9.9)	(37.5)
Mkt cap (USD m)	863		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	40		
Major shareholder	Ramkhamhaeng Hospital (25%)		
12m high/low (THB)	71.75/36.50		
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 before the Covid pandemic. 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. In particular, it missed its presales target, while Covid-19 slowed the demand for condominiums. Also, the project's fixed costs and interest expenses should continue to burden the group.

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

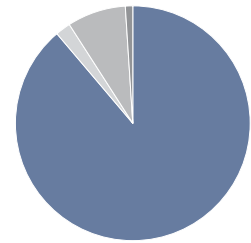
Company profile

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

www.thg.co.th

Principal activities (revenue, 2023)

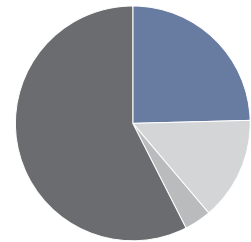
- Revenue from hospital operations - 88.8 %
- Revenue from sale of goods - 2.1 %
- Revenue from other services - 8.1 %
- Revenue from sales of condominium unit - 1.0 %



Source: Thonburi Healthcare Group

Major shareholders

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



Source: Thonburi Healthcare Group

Catalysts

Key potential growth drivers are 1) a turnaround of the new hospitals; 2) higher medical tourism demand; and 3) big-lot sales of 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
Aug 2024	1Q24 results announcement

Key assumptions

	2024E (%)	2025E (%)	2026E (%)
OPD volume growth	5	5	5
OPD revenue / patient growth	1	3	3
IPD volume growth	5	5	5
IPD revenue / patient growth	1	3	3
Jin transferred (units)	15	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

Recap: 1Q24 results review

THG reported a 1Q24 net profit of THB6m, sharply down from THB211m in 1Q23. The core profit was weak due to lower hospital revenue y-y and fewer room transfers at Jin Wellbeing.

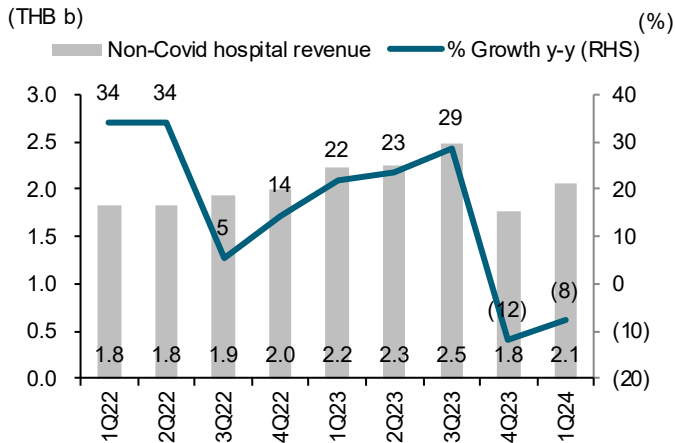
Revenue declined by 7% y-y due to an 8% y-y decrease in hospital revenue. The main reason was a slowdown of international patients at THG Bamrungmuang. Excluding THG Bamrungmuang, hospital revenue grew by 4% y-y. In addition, the sales revenue of Jin Wellbeing dropped by 69% y-y since it only transferred three residential units during the quarter (vs nine units in 1Q23).

COGS increased by 6% y-y, while SG&A decreased by 7% y-y. As a result, EBITDA margin decreased to 19% (vs 27% in 1Q23). The share of profit of Ar Yu Hospital increased to THB20m (vs 14m in 1Q23), while the share of profit of Ubonrak and Siriivej increased to THB31m (vs THB18m in 1Q23).

Exhibit 1: 1Q24 results review

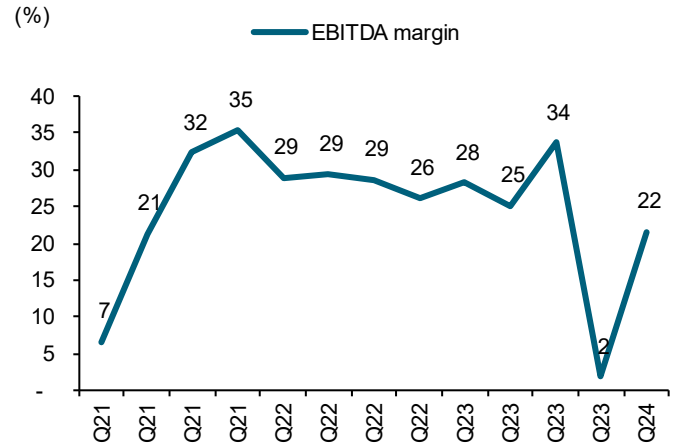
	1Q23	2Q23	3Q23	4Q23	1Q24	Change		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	2,508	2,515	2,724	2,096	2,337	11	(7)	9,844	10,486	(15)
COGS (incl depreciation)	(1,740)	(1,836)	(1,863)	(2,000)	(1,846)	(8)	6	(7,439)	(7,777)	(8)
Gross profit	768	679	862	96	490	410	(36)	2,405	2,709	(31)
SG&A	(441)	(453)	(439)	(488)	(411)	(16)	(7)	(1,821)	(1,893)	4
Operating profit	327	227	422	(392)	79	120	(76)	584	815	(66)
Net other income	45	30	51	18	30	67	(32)	144	149	(54)
Interest expense	(99)	(112)	(116)	(123)	(126)	2	27	(449)	(501)	47
Pretax profit	273	146	357	(497)	(16)	97	(106)	279	464	84
Income tax	(55)	(41)	(79)	75	(14)	(119)	(74)	(100)	(93)	(70)
Associates' income	18	33	51	32	31	(4)	68	214	241	n/a
JV income	14	15	25	26	20	(26)	41			
Minority interest	(38)	(24)	(46)	11	(16)	(245)	(59)	(97)	(111)	29
Core profit	212	128	308	(353)	4	101	(98)	295	501	80
Extraordinaries, GW & FX	(1)	(0)	2	(1)	2			0	0	n/a
Reported net profit	211	128	310	(354)	6	102	(97)	295	501	(82)
Outstanding shares (m)	847	847	847	847	847	0	0	849	849	0
Core EPS (THB)	0.25	0.15	0.37	(0.42)	0.01	102	(97)	0.35	0.59	n/a
COGS (excl depreciation)	1,469	1,556	1,572	1,704	1,552	(9)	6	6,301	6,552	(11)
Depreciation	271	280	291	296	295	(0)	9	1,138	1,225	13
EBITDA	675	584	840	(20)	455	2,424	(33)	2,079	2,430	(32)
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	31	27	32	5	21	16	(10)	24	26	(6)
SG&A/Revenue	18	18	16	23	18	(6)	0	18	18	3
EBITDA margin	27	23	31	(1)	19	20	(7)	21	23	(5)
Net profit margin	8	5	11	(17)	0	17	(8)	3	5	(11)
Operating stats	(y-y %)	(y-y %)	(y-y %)	(y-y %)						
OPD revenue growth	20	16	14	5						
OPD visits growth	16	17	11	12						
OPD revenue per head growth	3	(1)	3	(7)						
IPD revenue growth	10	25	49	17						
IPD visits growth	8	16	27	27						
IPD revenue per head growth	2	7	18	(8)						

Sources: THG; FSSIA estimates

Exhibit 2: Non-Covid hospital revenue, quarterly

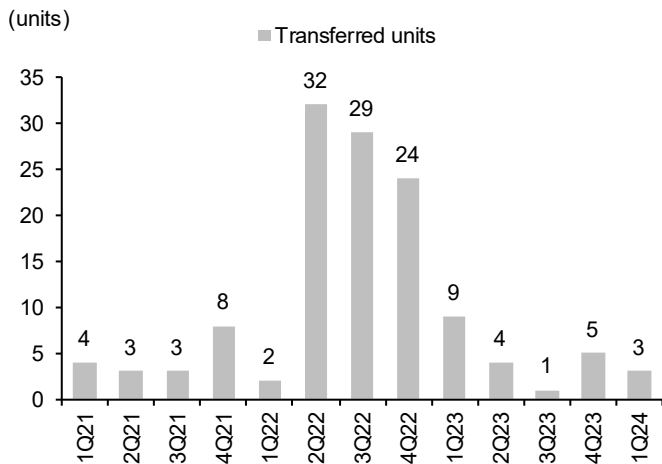
Note: Includes Moderna vaccinations

Source: THG

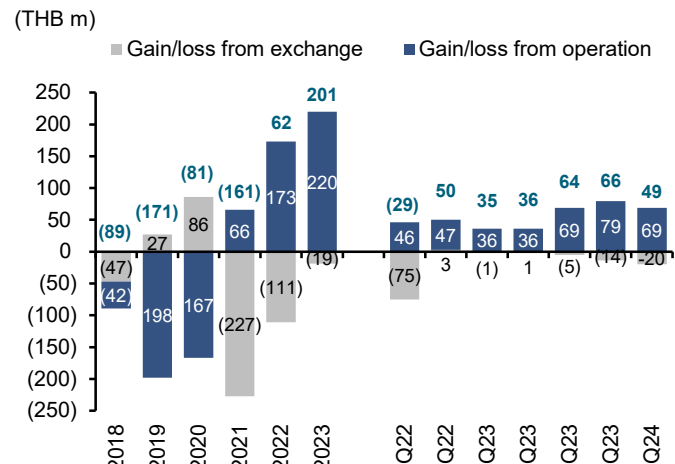
Exhibit 3: EBITDA margin, quarterly

Note: EBITDA including share and JV income

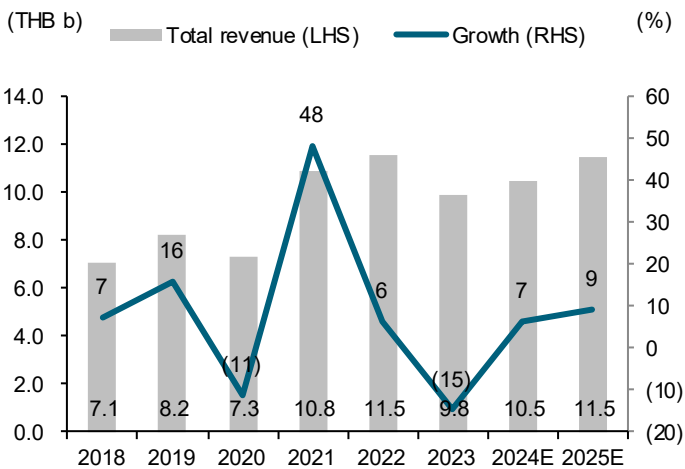
Source: THG

Exhibit 4: Jin Wellbeing units transferred, quarterly

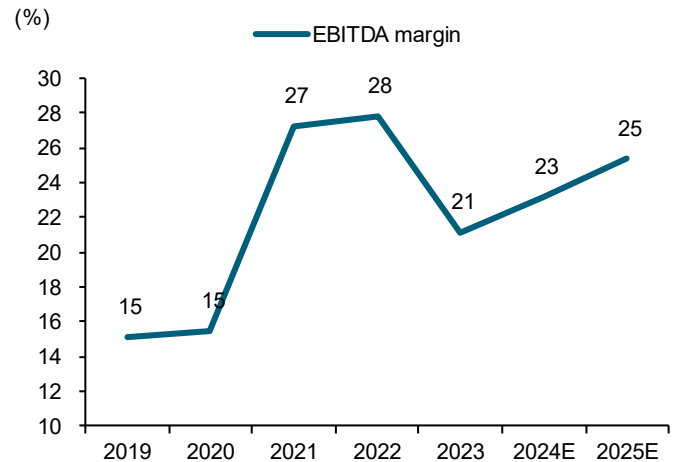
Source: THG

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	3.8	4.1	4.5	4.0	4.2	4.4	(4.7)	(1.9)	1.0
IPD patient revenue	4.4	4.7	5.0	4.4	4.9	5.4	0.0	(4.7)	(6.5)
Jin Wellbeing revenue	0.1	0.2	0.2	0.2	0.2	0.2	(47.4)	0.0	0.0
Revenue	10.5	11.5	12.4	11.0	11.9	12.8	(4.8)	(3.6)	(3.5)
EBITDA margin (%)	19.5	21.8	23.1	21.9	22.6	23.8	(2.4)	(0.9)	(0.7)
Core profit	0.50	0.80	1.03	0.81	1.0	1.2	(38.5)	(17.9)	(14.0)

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

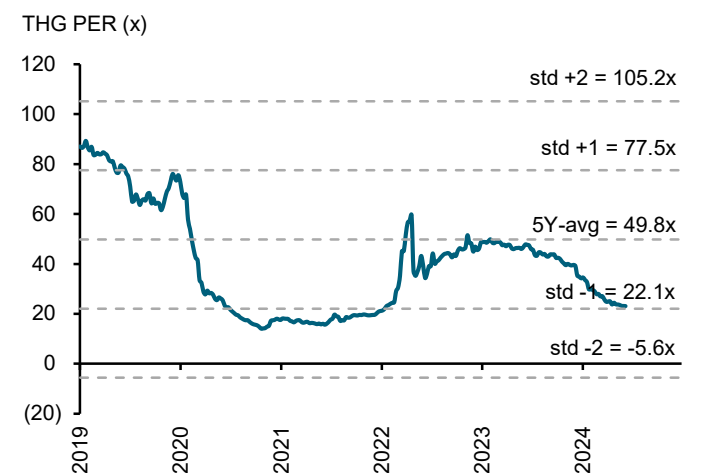
Sources: THG; FSSIA estimates

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		13.8	16.3	WACC 8.2%, Risk-free rate 3%, Risk premium 8%	
Terminal value		27.5	32.4	Terminal growth 3%	
Cash & liquid assets		2.3	2.7	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	
Residual ordinary equity		33.9	40.0		

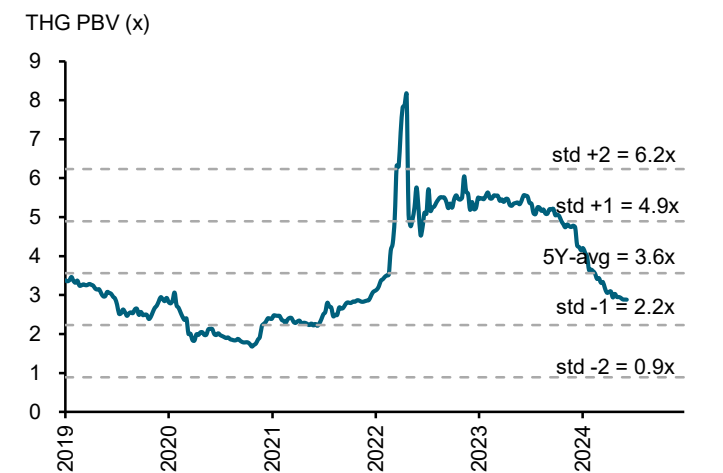
Source: FSSIA estimates

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 10 June 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA	
			Current	Target	Upside		24E	25E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)		(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand														
Bangkok Dusit Med Service	BDMS TB	BUY	26.75	35.00	30.8	11,544	25.9	23.7	16.8	17.3	4.2	4.0	15.7	14.3
Bumrungrad Hospital	BH TB	BUY	239.00	310.00	29.7	5,159	24.4	23.0	30.1	27.7	6.8	6.0	16.4	15.1
Bangkok Chain Hospital	BCH TB	BUY	18.70	25.00	33.7	1,266	26.6	23.0	13.5	14.5	3.5	3.2	14.1	12.3
Chularat Hospital	CHG TB	BUY	2.90	3.90	34.5	866	24.5	21.4	16.7	17.7	4.0	3.6	14.3	12.6
Praram 9 Hospital	PR9 TB	BUY	18.60	24.00	29.0	397	22.3	20.3	12.4	12.6	2.7	2.5	11.1	9.9
Thonburi Healthcare Group	THG TB	HOLD	37.50	40.00	6.7	863	63.5	39.6	4.9	7.6	3.1	3.0	20.6	16.9
Ramkhamhaeng Hospital	RAM TB	BUY	30.00	46.00	53.3	978	20.5	17.8	9.3	10.2	1.9	1.8	25.5	20.3
Rajthanee Hospital	RJH TB	n/a	25.25	n/a	n/a	208	18.0	18.0	19.1	19.3	5.1	3.3	13.2	12.0
Ekachai Medical Care	EKH TB	n/a	7.00	n/a	n/a	147	17.7	17.8	14.6	13.3	5.2	2.4	10.3	9.9
Thailand average						21,429	27.0	22.8	15.3	15.6	4.0	3.3	15.7	13.7
Regional														
Ramsay Health Care	RHC AU	n/a	48.68	n/a	n/a	7,385	32.8	36.4	8.6	7.6	2.7	2.7	11.2	10.5
Ihh Healthcare Bhd	IHH SP	n/a	1.78	n/a	n/a	11,719	34.7	30.9	6.3	6.2	2.4	2.0	14.6	13.3
Ryman Healthcare	RYM NZ	n/a	3.72	n/a	n/a	1,567	7.4	9.3	7.5	7.0	0.9	0.5	10.8	14.3
Apollo Hospitals Enterprise	APHS IN	n/a	6,057	n/a	n/a	10,555	104.8	95.1	13.8	14.1	24.3	13.7	43.3	38.4
Kpj Healthcare Berhad	KPJ MK	n/a	1.94	n/a	n/a	1,812	37.0	29.3	10.2	11.7	4.4	3.6	15.6	14.1
Raffles Medical Group	RFMD SP	n/a	1.03	n/a	n/a	1,398	21.3	26.2	8.6	7.1	2.2	1.8	10.5	12.3
Mitra Keluarga Karyasehat	MIKA IJ	n/a	3,050	n/a	n/a	2,622	44.3	37.5	17.1	18.4	8.8	7.2	27.1	23.6
Aier Eye Hospital Group	300015 CH	n/a	11.91	n/a	n/a	15,313	31.5	26.9	18.3	18.9	12.8	5.5	18.8	16.0
Regional average						52,372	39.2	36.4	11.3	11.4	7.3	4.6	19.0	17.8
Overall average						73,801	32.8	29.2	13.4	13.6	5.6	3.9	17.2	15.6

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	10,486	11,454	12,353
Cost of goods sold	(8,054)	(7,439)	(7,777)	(8,310)	(8,866)
Gross profit	3,486	2,405	2,709	3,144	3,487
Other operating income	-	-	-	-	-
Operating costs	(1,745)	(1,821)	(1,893)	(1,960)	(2,028)
Operating EBITDA	2,746	1,722	2,040	2,492	2,855
Depreciation	(1,006)	(1,138)	(1,225)	(1,308)	(1,397)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	1,740	584	815	1,185	1,458
Net financing costs	(305)	(449)	(501)	(501)	(501)
Associates	151	214	241	258	273
Recurring non-operating income	465	357	390	413	435
Non-recurring items	105	0	0	0	0
Profit before tax	2,005	492	705	1,098	1,392
Tax	(329)	(100)	(93)	(168)	(224)
Profit after tax	1,676	392	612	930	1,169
Minority interests	(75)	(97)	(111)	(128)	(141)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,602	295	501	802	1,028
Non-recurring items & goodwill (net)	(105)	0	0	0	0
Recurring net profit	1,497	295	501	802	1,028
Per share (THB)					
Recurring EPS *	1.77	0.35	0.59	0.95	1.21
Reported EPS	1.89	0.35	0.59	0.95	1.21
DPS	0.90	0.45	0.41	0.66	0.85
Diluted shares (used to calculate per share data)	847	847	847	847	847
Growth					
Revenue (%)	6.4	(14.7)	6.5	9.2	7.8
Operating EBITDA (%)	(2.4)	(37.3)	18.5	22.2	14.6
Operating EBIT (%)	(6.9)	(66.4)	39.5	45.3	23.1
Recurring EPS (%)	20.3	(80.3)	69.6	60.1	28.2
Reported EPS (%)	20.0	(81.6)	69.5	60.1	28.2
Operating performance					
Gross margin inc. depreciation (%)	30.2	24.4	25.8	27.5	28.2
Gross margin exc. depreciation (%)	38.9	36.0	37.5	38.9	39.5
Operating EBITDA margin (%)	23.8	17.5	19.5	21.8	23.1
Operating EBIT margin (%)	15.1	5.9	7.8	10.3	11.8
Net margin (%)	13.0	3.0	4.8	7.0	8.3
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	2.4	3.2	3.8
Inventory days	64.7	62.8	61.6	60.8	60.8
Debtor days	85.9	83.3	78.2	71.6	66.4
Creditor days	111.6	86.8	85.1	84.0	84.1
Operating ROIC (%)	8.3	2.1	3.6	5.1	6.3
ROIC (%)	9.0	2.9	4.6	5.9	7.0
ROE (%)	15.5	2.9	4.9	7.6	9.4
ROA (%)	7.4	2.7	4.0	5.2	6.0

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Revenue from hospital operations	10,211	8,742	9,369	10,189	11,035
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	78	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	501	802	1,028
Depreciation	1,006	1,138	1,225	1,308	1,397
Associates & minorities	-	-	-	-	-
Other non-cash items	214	532	111	128	141
Change in working capital	(211)	0	(39)	(54)	(47)
Cash flow from operations	2,506	1,966	1,798	2,184	2,519
Capex - maintenance	(1,951)	(1,109)	(1,635)	(1,963)	(865)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(243)	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(2,194)	(1,109)	(1,635)	(1,963)	(865)
Dividends paid	(758)	(760)	(381)	(350)	(561)
Equity finance	27	0	(35)	0	0
Debt finance	1,002	0	0	0	0
Other financing cash flows	520	(97)	(78)	(90)	(99)
Cash flow from financing	792	(856)	(494)	(440)	(660)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1,104	0	(331)	(219)	995
Free cash flow to firm (FCFF)	616.83	1,305.74	663.86	721.75	2,155.04
Free cash flow to equity (FCFE)	1,834.70	759.73	85.40	131.62	1,555.95
Per share (THB)					
FCFF per share	0.73	1.54	0.78	0.85	2.54
FCFE per share	2.16	0.90	0.10	0.16	1.84
Recurring cash flow per share	3.21	2.32	2.17	2.64	3.03
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	22,487	23,217	24,851	26,814	27,679
Less: Accumulated depreciation	(7,455)	(8,185)	(9,409)	(10,717)	(12,114)
Tangible fixed assets (net)	15,032	15,032	15,442	16,097	15,564
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,815	2,815	2,815	2,815	2,815
Cash & equivalents	2,586	2,586	2,255	2,037	3,031
A/C receivable	2,246	2,246	2,246	2,246	2,246
Inventories	1,084	1,084	1,127	1,205	1,285
Other current assets	1,092	1,092	1,163	1,271	1,371
Current assets	7,008	7,008	6,792	6,758	7,933
Other assets	225	225	225	225	225
Total assets	25,081	25,081	25,275	25,896	26,538
Common equity	10,178	10,178	10,263	10,714	11,181
Minorities etc.	998	998	1,031	1,070	1,112
Total shareholders' equity	11,176	11,176	11,294	11,784	12,293
Long term debt	6,852	6,852	6,852	6,852	6,852
Other long-term liabilities	784	784	784	784	784
Long-term liabilities	7,635	7,635	7,635	7,635	7,635
A/C payable	1,498	1,498	1,558	1,665	1,776
Short term debt	4,525	4,525	4,525	4,525	4,525
Other current liabilities	246	246	262	286	309
Current liabilities	6,269	6,269	6,345	6,476	6,610
Total liabilities and shareholders' equity	25,081	25,081	25,275	25,896	26,538
Net working capital	2,678	2,678	2,717	2,770	2,817
Invested capital	20,751	20,751	21,199	21,908	21,422
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	12.01	12.01	12.11	12.64	13.19
Tangible book value per share	12.01	12.01	12.11	12.64	13.19
Financial strength					
Net debt/equity (%)	78.7	78.7	80.8	79.3	67.9
Net debt/total assets (%)	35.1	35.1	36.1	36.1	31.4
Current ratio (x)	1.1	1.1	1.1	1.0	1.2
CF interest cover (x)	7.0	2.7	1.2	1.3	4.1
Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	21.2	107.7	63.5	39.6	30.9
Recurring P/E @ target price (x) *	22.6	114.8	67.7	42.3	33.0
Reported P/E (x)	19.8	107.6	63.5	39.6	30.9
Dividend yield (%)	2.4	1.2	1.1	1.8	2.3
Price/book (x)	3.1	3.1	3.1	3.0	2.8
Price/tangible book (x)	3.1	3.1	3.1	3.0	2.8
EV/EBITDA (x) **	15.1	24.1	20.6	16.9	14.4
EV/EBITDA @ target price (x) **	15.9	25.4	21.6	17.8	15.2
EV/invested capital (x)	2.0	2.0	2.0	1.9	1.9
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thonburi Healthcare Group; FSSIA estimates

Thonburi Healthcare Group (THG TB)

FSSIA ESG rating


20.88 /100

Exhibit 13: 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.

Source: FSSIA estimates

Exhibit 14: 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
CHG	38.25	--	--	--	4.00	5.00	--	High	55.35	--	--	59.57	21.00	2.34	50.24
PRINC	18.00	--	--	--	4.00	4.00	Certified	--	--	--	--	--	--	--	--
RAM	11.75	--	--	--	3.00	--	--	High	--	--	--	--	--	--	--
THG	20.88	--	--	--	5.00	5.00	--	High	--	--	--	--	17.00	--	--
VIBHA	20.88	--	--	--	4.00	3.00	Declared	High	--	--	--	--	17.00	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 15: ESG disclosure from the company's one report

FY ending Dec 31		FY 2022	FY ending Dec 31		FY 2022
Environmental			Governance		
Climate change policy		Yes	Board size / Independent directors (ID) / Female		13 / 4 / 4
Climate change opportunities discussed		--	No. of board meetings for the year / % attendance		13 / 97.8%
GHG scope 2 location-based policy		Yes	Company conducts board evaluations		Yes
Biodiversity policy		--	Number of non-executive directors on board		11
Energy efficiency policy		Yes	Director share ownership guidelines		No
Electricity used		14,123,000	Board age limit		No
Fuel used - crude oil/diesel		--	Age of the youngest / oldest director		40 / 78
Waste reduction policy		Yes	Number of executives / female		10 / 5
Water policy		Yes	Executive share ownership guidelines		No
Water consumption		--	Size of audit committee / ID		3 / 3
Social			Audit committee meetings		12
Human rights policy		Yes	Audit committee meeting attendance (%)		100
Policy against child labor		--	Size of compensation committee		3 / 3
Quality assurance and recall policy		Yes	Number of compensation committee meetings		12
Consumer data protection policy		--	Compensation committee meeting attendance (%)		100
Equal opportunity policy		Yes	Size of nomination committee / ID		3 / 3
Gender pay gap breakout		--	Number of nomination committee meetings		12
Pct women in workforce		Yes	Nomination committee meeting attendance (%)		100
Business ethics policy		Yes	Board compensation (THB m)		6.72
Anti-bribery ethics policy		Yes	Auditor fee (THB m)		8.55
Health and safety policy		Yes	<i>(PricewaterhouseCoopers ABAS Ltd.)</i>		
Lost time incident rate - employees		--			
Training policy		Yes			
Fair remuneration policy		Yes			
Number of employees - CSR		--			
Total hours spent by firm - employee training		--			
Social supply chain management		Yes			

Source: 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 Sustainabilitytics	The Sustainabilitytics' 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</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>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</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></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

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 37.50	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 26.75	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 239.00	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 18.70	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 18.60	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 30.00	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 10-Jun-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.