

PATRANGSIT HEALTHCARE GROUP  
THAILAND / HEALTH CARE SERVICES

PHG TB

BUY

## การเติบโตที่ซ่อนอยู่ที่รังสิต

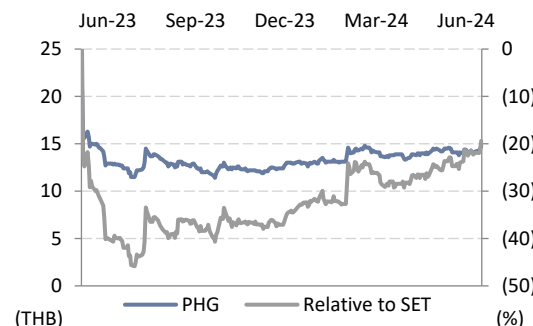
- PHG เป็นหนึ่งในโรงพยาบาลที่ valuation ถูกที่สุดในประเทศไทยด้วย 2024E P/E ที่เพียง 15x พร้อมสถานะเงินสดสุทธิและประมาณการเติบโตของกำไรปี 2024 ที่คาดว่าจะออกมาดีที่ 17%
- 3 ปัจจัยผลักดันการเติบโต: 1) Revenue intensity ที่สูงขึ้น; 2) สัดส่วนผู้ป่วยต่างประเทศที่สูงขึ้น; และ 3) อาคารใหม่เพื่อขยายความสามารถในการรองรับผู้ป่วย
- เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2024 ที่ 21 บาท (DCF)

TARGET PRICE	THB21.00
CLOSE	THB14.80
UP/DOWNSIDE	+41.9%
TP vs CONSENSUS	-

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	2,138	2,384	2,545	2,778
Net profit	259	303	335	383
EPS (THB)	0.86	1.01	1.12	1.28
vs Consensus (%)	-	-	-	-
EBITDA	417	479	538	614
Recurring net profit	259	303	335	383
Core EPS (THB)	0.86	1.01	1.12	1.28
EPS growth (%)	(27.4)	16.9	10.5	14.2

Core P/E (x)	17.1	14.6	13.3	11.6
Dividend yield (%)	3.5	4.1	4.5	5.2
EV/EBITDA (x)	8.3	7.8	6.8	6.1
Price/book (x)	2.3	2.1	2.0	1.8
Net debt/Equity (%)	(48.9)	(34.2)	(33.8)	(29.2)
ROE (%)	17.7	14.9	15.3	16.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.1	5.0	n/a
Relative to country (%)	5.6	9.6	n/a
Mkt cap (USD m)	121		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	42		
Major shareholder	Tuangjai Trakulchang (17%)		
12m high/low (THB)	21.10/11.10		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates

## อยู่ในระยะการเติบโตพร้อมยกระดับเข้าสู่การบริการระดับตติยภูมิ

เรามอง PHG เป็นหนึ่งในโรงพยาบาลที่มีมูลค่าถูกที่สุดในประเทศไทยด้วย 2024E P/E ที่เพียง 15x (เทียบกับค่าเฉลี่ยของกลุ่มฯ ที่ 25x) และ EV/bed ที่ 13 ลบ. (เทียบกับค่าเฉลี่ยฯ ที่ 31 ลบ. และการก่อสร้างโรงพยาบาลใหม่ในกรุงเทพและต่างจังหวัดซึ่งต้องลงทุนเฉลี่ย 8-12 ลบ. ตลาดได้มองข้าม PHG มาตั้งแต่ราคาหุ้นปรับตัวลดลงจากราคา IPO ที่ 21 บาทและการแพร่ระบาดของโควิดบรรเทาลง อย่างไรก็ตามเราเห็นต่างในเรื่องนี้เนื่องจากกระแสเงินสดที่บริษัทได้รับในช่วงโควิดได้ทำให้ PHG เป็นบริษัทที่มีเงินสดสุทธิ ซึ่งพร้อมยกระดับเป็นโรงพยาบาลที่ให้บริการระดับตติยภูมิ ในขณะที่เงินที่ได้จาก IPO จำนวน 1.1 พัน ลบ. จะถูกใช้เพื่อสร้างอาคารใหม่ 2 อาคาร เพื่อขยายความสามารถในการรองรับผู้ป่วยในอีก 16% เป็น 300 เตียง

## คาดการณ์กำไรปี 2024 เพิ่มขึ้น 17% เป็น 303 ลบ. ในปี 2024

ปัจจัยผลักดันการเติบโตประการแรกอยู่ที่ Revenue intensity ที่สูงขึ้นและสัดส่วนรายได้จากผู้ป่วยที่ชำระค่ารักษาพยาบาลด้วยตนเองที่สูงขึ้นหลัง PHG เริ่มให้บริการรักษาพยาบาลในระดับที่สูงขึ้นซึ่งทำให้รายได้ต่อหัวเพิ่ม 17% สำหรับผู้ป่วยนอกและ 6% สำหรับผู้ป่วยในในปี 2023 เทียบกับปีก่อนโควิด ประการที่สองหลังยกระดับให้เป็นโรงพยาบาลที่ให้บริการในระดับตติยภูมิ PHG วางแผนจับตลาดผู้ป่วยต่างประเทศเพิ่มขึ้นโดยเฉพาะอย่างยิ่ง CLMV โดยตั้งเป้าหมายผู้ป่วยต่างประเทศที่ 7-8% ของผู้ป่วยที่เข้ารับการรักษาพยาบาลในปี 2025 จาก 4-5% ในปัจจุบัน ปัจจัยทั้งสองน่าจะช่วยเพิ่มกำไรปี 2024 ได้ 17% เป็น 303 ลบ. ในปี 2024

## อาคาร 2 หลังใหม่จะช่วยผลักดันกำไรให้สูงขึ้น 400 ลบ. ภายในปี 2027

ปัจจัยผลักดันประการที่สามอยู่ที่การขยายความสามารถในการรองรับผู้ป่วยที่มีกำหนดแล้วเสร็จภายใน 2Q25 (สำหรับอาคารอเนกประสงค์) และภายใน 4Q25 (สำหรับอาคารผู้ป่วยแห่งใหม่) เมื่อแล้วเสร็จความสามารถในการรองรับผู้ป่วยนอกและผู้ป่วยในจะเพิ่มขึ้น 16% และจำนวนเครื่องฟอกไตในศูนย์ฟอกไตจะเพิ่มขึ้นเท่าตัว นอกจากนี้ปัจจัยดังกล่าวยังน่าจะช่วยปลดล็อกข้อจำกัดในด้านความสามารถในการรองรับผู้ป่วยและช่วยให้ PHG ขอโควตาสำนักงานประกันสังคมได้เพิ่มขึ้นเป็น 176,000 ผู้ประกันตน (จาก 156,000 ในปัจจุบัน) เราเชื่อว่าการขยายความสามารถในการรองรับผู้ป่วยดังกล่าวจะช่วยเพิ่มกำไรได้ในทันทีเมื่อพิจารณาจากอัตราการใช้เตียงผู้ป่วยในที่อยู่ในระดับสูงถึง 86% ในปี 2023 และอาจช่วยผลักดันกำไรปี 2027 ให้แตะ 400 ลบ. ภายในปี 2027 ซึ่งจะทำให้ค่า P/E multiple ลดลงเหลือเพียง 10-11x

## การเติบโตของกำไรปี 2024 เป็นปัจจัยบวกระยะสั้น

เราประเมินมูลค่า PHG โดยใช้วิธี DCF ซึ่งทำให้ได้ราคาเป้าหมายปี 2024 ที่ 21 บาท ราคาหุ้นมีปัจจัยบวกอยู่ที่การเติบโตของกำไรปี 2024 ที่คาดว่าจะออกมาดีถึง 45-55% y-y นับว่าสูงกว่ากลุ่มฯ พร้อม valuation ที่ต่ำกว่ากลุ่มมากถึง 50% ในหลายมิติทางการเงิน



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 มิถุนายน 2024

<div><h3>Investment thesis</h3><p>PHG is in the process of upgrading to a tertiary care hospital with new medical procedures and centers over the past year and in the upcoming two years. This has driven self-pay patient revenue contributions from 50% in 2020 to 53% in 2023, and PHG expects it to reach 60% in the near term. In addition, PHG aims to boost its international patient volume to c7-8% of total visits by 2025 from 4-5% in 2023. These two factors should drive the EBITDA margin to improve from 20% in 2023 to 22-23% in the next three years.</p><p>PHG plans to open two new buildings by 2025. This should lift the OPD and IPD capacity by 16%, unlock the capacity constraint and enable PHG to request a larger SSO quota to 176k insurers (from 156k currently). The expansion should drive earnings to exceed THB400m by 2027.</p><h3>Company profile</h3><p>PHG is a private hospital and medical service provider in Pathum Thani. PHG has expanded its capacity to three hospitals (PHG 1, PHG 2 and Mother and Child Hospital).</p><p><a href="http://www.patrangsit.com">www.patrangsit.com</a></p></div>	<div><h3>Principal activities (revenue, 2023)</h3><div><div><div>■ Self pay patient revenue - 53.4 %</div><div>■ SSO patient revenue - 35.1 %</div><div>■ NHSO patient revenue - 11.5 %</div></div></div><div>Source: Patrangsit Healthcare Group</div></div> <div><div><h3>Major shareholders</h3><div><div><div>■ Tuangjai Trakulchang - 17.4 %</div><div>■ Kamolkaloch Trakulchang - 5.6 %</div><div>■ ROJNA - 5.1 %</div><div>■ Others - 71.8 %</div></div></div><div>Source: Patrangsit Healthcare Group</div></div></div>
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### Catalysts

Key potential growth drivers include 1) an improving EBITDA margin led by more complex treatments; 2) more Social Security Office (SSO) registered insurers; and 3) benefits from the economies of scale from the larger capacity from its new building.

### Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

### Event calendar

Date	Event
Aug 2024	2Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
SSO volume growth	1	2	5
SSO revenue / patient growth	6	3	3
Self-pay - OPD volume growth	11	4	6
Self-pay - OPD revenue / patient growth	1	4	4
Self-pay - IPD volume growth	9	4	6
Self-pay - IPD revenue / patient growth	9	4	4
NHSO and Civil Servant Welfare revenue growth	12	5	7

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in patient volume, we project 2024 earnings to rise by 3%, 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

PHG is a private hospital and a medical service provider in Pathum Thani. It has expanded its capacity to three hospitals: PatRangsit Hospital, PatRangsit Hospital 2 and PatRangsit Mother and Child Hospital with a total capacity of 74 OPD rooms and 270 IPD beds.

PHG has a diversified portfolio through its revenue mix. It has a 54% revenue contribution from self-pay patients (cash and insurance), 35% from the Social Security Office scheme (SSO) and 11% from the National Health Security Office (NHSO) and Civil Servant Welfare program as of 2023.

### Exhibit 1: PHG's three hospitals



Source: PHG

Source: PHG

**PatRangsit Hospital and PatRangsit 2 Hospital**

- General Practice
- Internal Medicine
- Ear, Nose, Throat
- Cardiology
- Surgery
- Orthopedic Surgery
- Gastrointestinal Tract Endoscopy
- Accident & Emergency
- Physical Therapy
- Obstetrics & Gynecology
- Hemodialysis
- Men's Health Services
- Psychiatry
- Skin
- Dental

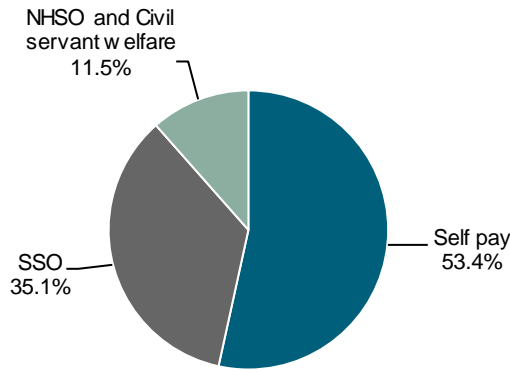
**PatRangsit Mother & Child Hospital**

- Pediatric
- Obstetrics & Gynecology

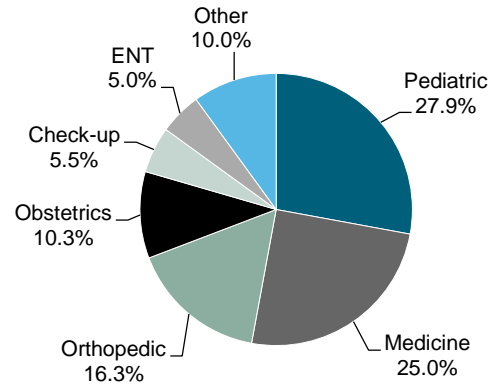
**PatRangsit Neuphrology**

- Hemodialysis

Source: PHG

**Exhibit 4: Revenue breakdown as of 2023**


Source: PHG

**Exhibit 5: Revenue breakdown by medical centers as of 2023**


Source: PHG

**Exhibit 6: Main private hospitals located in PHG's area**

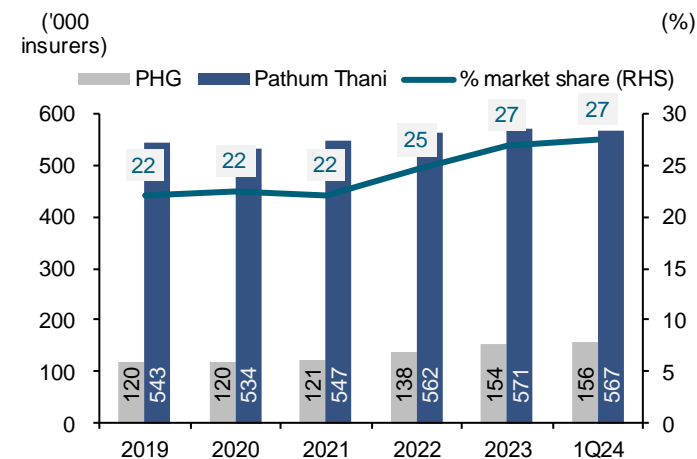
Hospital	No of beds	SSO	Self-pay
PHG	270	✓	✓
Vibhavadi Hospital	258		✓
Pathumvech Hospital	200	✓	✓
B.Care Medical Center	150	✓	✓
Phatara-Thonburi Hospital	120	✓	✓
Synphaet Lamlukka Hospital	100		✓
<b>Total</b>	<b>1,098</b>		

Source: PHG

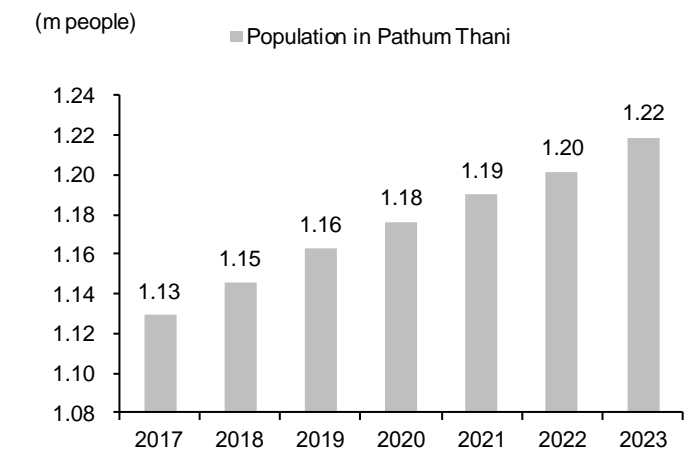
**Exhibit 7: Hospitals under SSO scheme in Pathum Thani**

Hospital	No of beds
Thammasat University Hospital	823
Pathum Thani Hospital	377
Karunvej Pathumthani	200
Pathumvech Hospital	143
PHG (SSO building)	155
Phatara-Thonburi Hospital	100
CGH Lamukka	100
<b>Total</b>	<b>1,898</b>

Source: PHG

**Exhibit 8: SSO registered insurers and market share in Pathum Thani**


Source: PHG

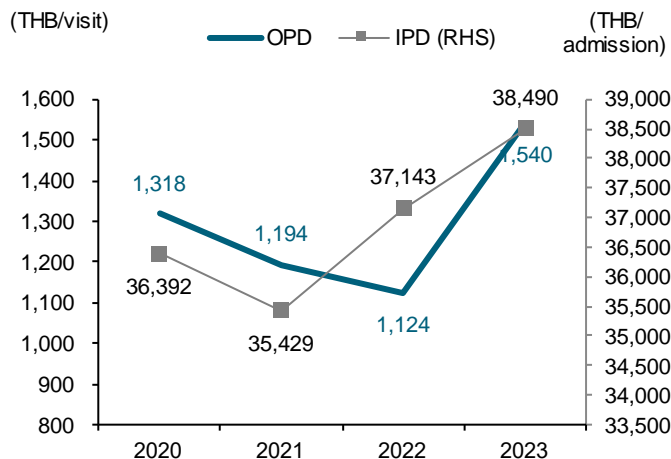
**Exhibit 9: Population in Pathum Thani increased by 1.3% CAGR over 2017-23**


Sources: Ministry of Interior; PHG

## Growth driver #1: Focusing more on complex medical treatments

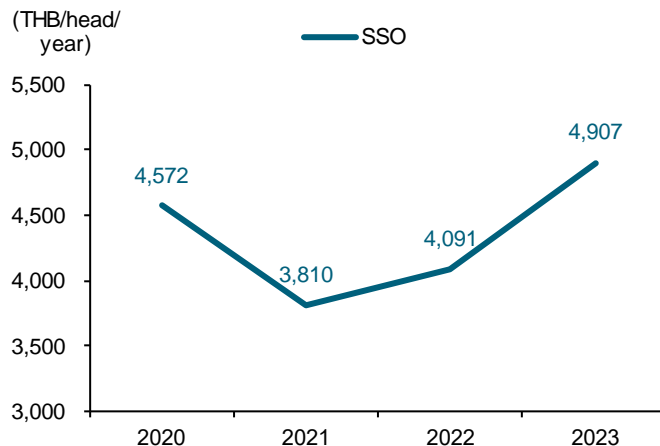
With the Covid pandemic subsiding, PHG has focused on increasing revenue intensity by launching new medical procedures and centers (i.e. Chemo Therapy Unit, HIFO Center, IVF Center and Microwave Thyroid). This led to higher revenue per head for all segments (OPD, IPD and SSO) in 2023.

**Exhibit 10: Revenue per head of self-pay patients**



Note: Excluding Covid-related revenue  
Source: PHG

**Exhibit 11: Revenue per head of SSO patients**

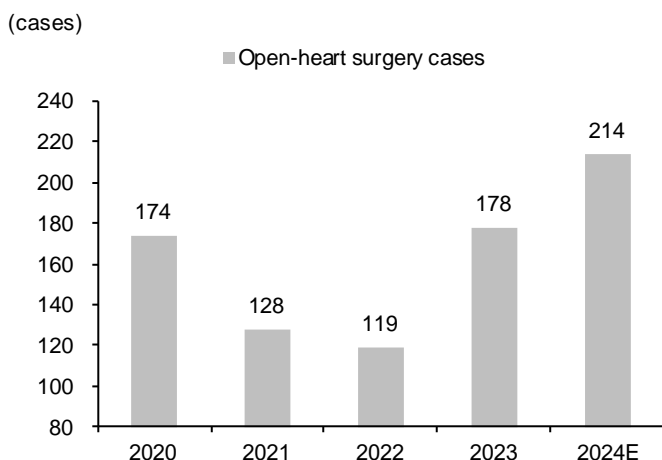


Note: Excluding Covid-related revenue  
Source: PHG

Its Cardiac Center, which is one of the key growth centers, had a record high number of cases in both open-heart surgery and cath lab cases in 2023 and was ranked first in terms of number of cases in the Region 4 Health Provider Office (Nonthaburi, Pathumthani, Phra Nakhon Si Ayutthaya, Ang Thong, Lopburi, Singburi, Saraburi and Nakornayok) due to more referred cases from partnered hospitals in the region. It is also ranked first in the number of off-pump coronary artery bypass (OPCAB) cases in Thailand.

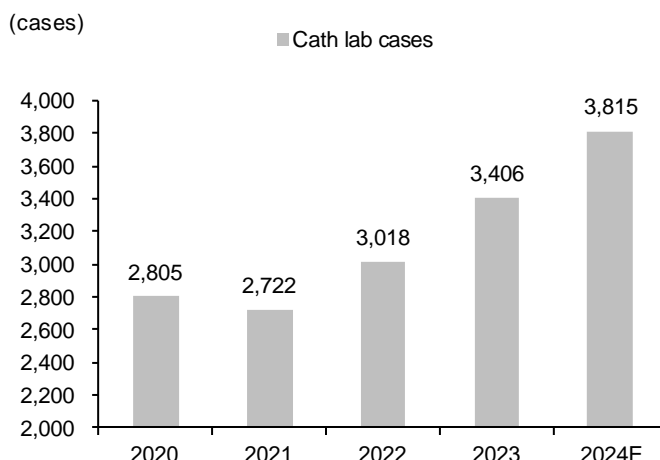
PHG also plans to open a Radiation Center in the new building. This should save costs by up to THB20m per year, as PHG currently has to send patients who need radiation therapy to other hospitals. The cost saving implies a better bottom line by THB20m per year and PHG could also capture more self-pay patients in the future.

**Exhibit 12: Open-heart surgery cases**



Sources: PHG; FSSIA estimates

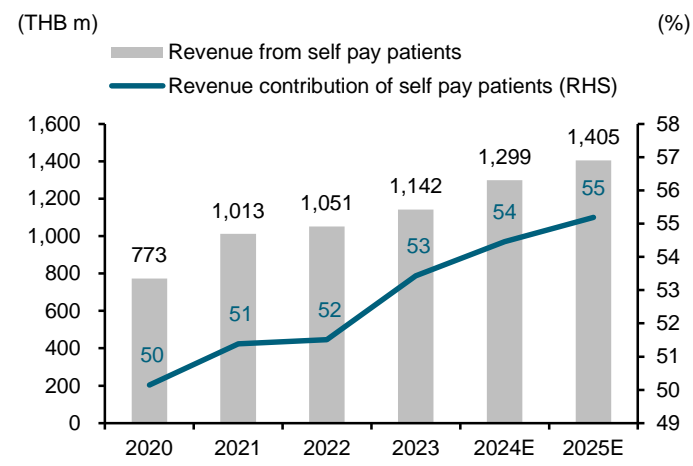
**Exhibit 13: Cath lab cases**



Sources: PHG; FSSIA estimates

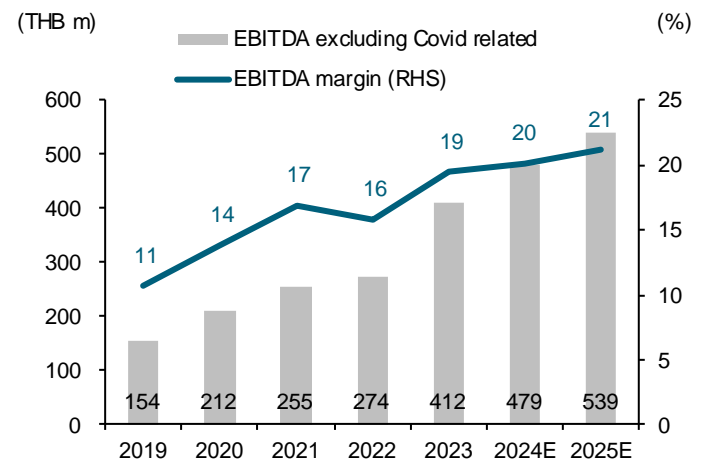
We also see a positive trend for PHG’s revenue from self-pay patients, which increased at a 9% CAGR over 2019-23, and revenue contributions from self-pay patients gradually increased from 50% in 2020 to 53% in 2023. With higher revenue intensity and a larger proportion of self-pay revenue, the EBITDA margin improved from 11% in 2019 to 19% in 2023. PHG expects the revenue contribution from self-pay patients to increase to the optimal level of 60%.

Exhibit 14: Self-pay revenue has increased...



Note: Excluding Covid-related revenue  
Source: PHG

Exhibit 15: ... resulting in an upward EBITDA margin trend



Note: Excluding Covid-related revenue  
Source: PHG



## Growth driver #2: International patients

PHG plans to capture more of the international patient market, especially CLMV. Currently, PHG's international patient volume accounts for c4-5% of total visits.

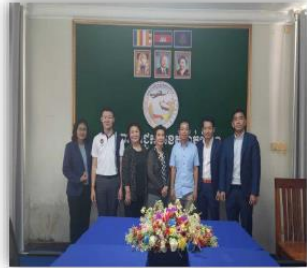
The company plans to promote that the hospital is becoming a tertiary care hospital with a variety of medical products and procedures, with pricing discounts of 20-30% from second-tier hospitals in Bangkok (e.g. Phyathai, Praram 9 and Vimut Hospital) and 40-50% discounts from first-tier hospitals in Bangkok.

PHG has recently signed a more exclusive contract with an agency to bring more CLMV patients to the hospital, and expects its international patient volume to increase to 7-8% of total visits by 2025.

We believe this should be one of the revenue and core profit growth drivers due to the high intensity compared to Thai patients. PHG also charges c30% higher medical fees compared to Thai patients for the facilitation, including transportation and interpretation.

### Exhibit 16: CLMV market expansion

#### "Cambodia market expansion through participating in health event and collaboration with DITP"



Source: PHG

### Exhibit 17: Customer service channels at Nana

#### New Customer service channels at Nana



- New medical clinic at Soi Nana for both general consultation and minor procedures started
- Boosting PHG international patient base esp. Arab

Source: PHG

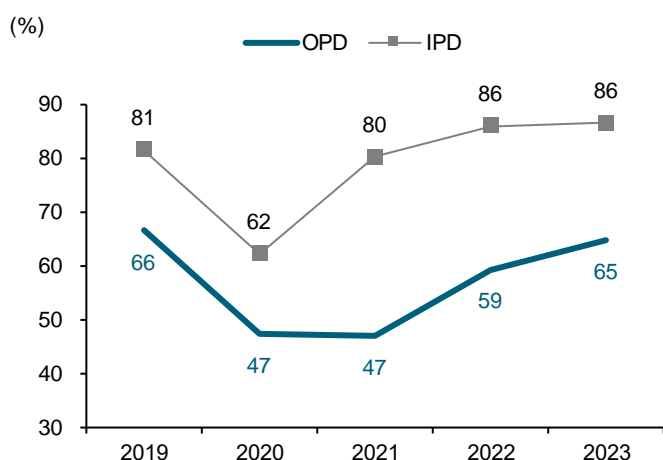
### Growth driver #3: Capacity expansion at the right time

The IPD occupancy rate reached 86% in 2023, implying high demand, especially during the high healthcare season in 3Q when occupancy reached almost 100%. Thus, we believe this would be the right time for the expansion project.

PHG plans to construct two buildings with total capex of THB680m. The first building is a mixed-use building scheduled to open in 2Q25 and the second is Patient Building I, which is scheduled to open in 4Q25. After the expansion, OPD and IPD capacity would increase by 16% and the number of dialysis units in the Dialysis Center would double. In addition, PHG plans to request the SSO to increase the SSO quota to 176k insurers (from 156k currently).

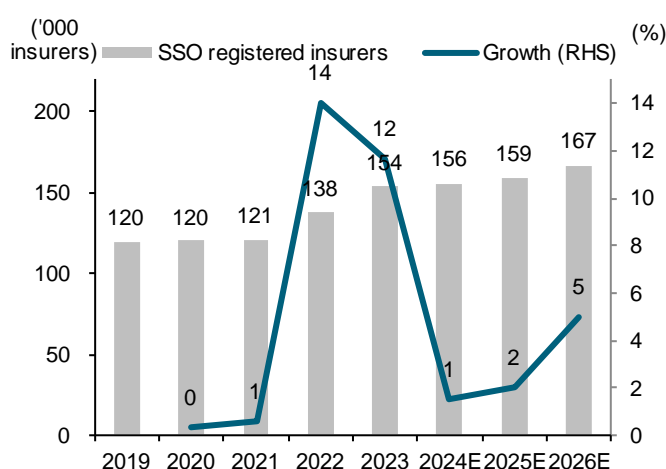
We estimate that the new building should generate EBITDA up to THB50-70m in 2026 based on incremental revenue of THB260-300m, with an EBITDA margin of 20-25%. This should be sufficiently accretive for group profit as we estimate the new building's depreciation to be THB28-32m per year.

Exhibit 18: Occupancy rate



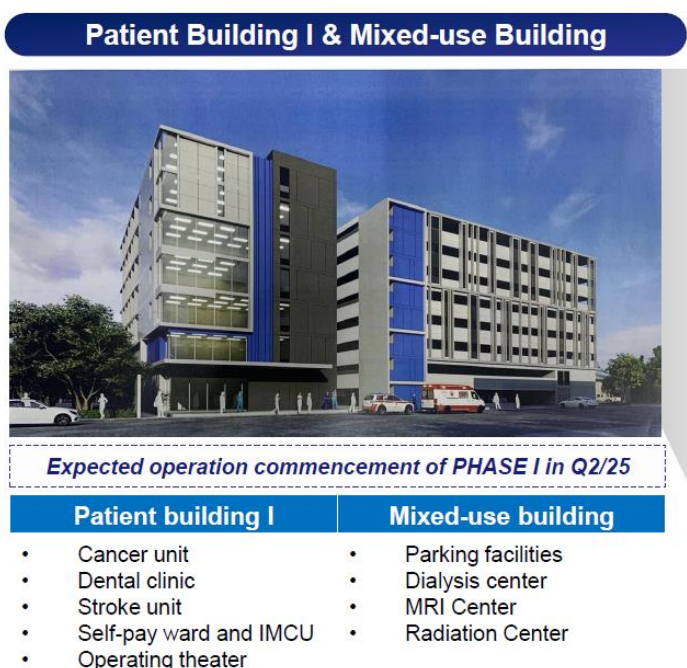
Source: PHG

Exhibit 19: SSO registered insurers



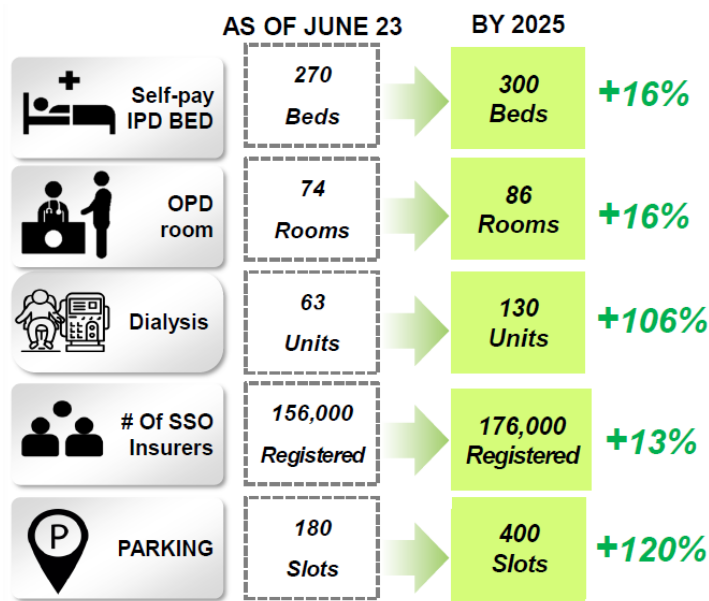
Sources: PHG; FSSIA estimates

Exhibit 20: Hospital expansion project



Source: PHG

Exhibit 21: Capacity expansion



Source: PHG

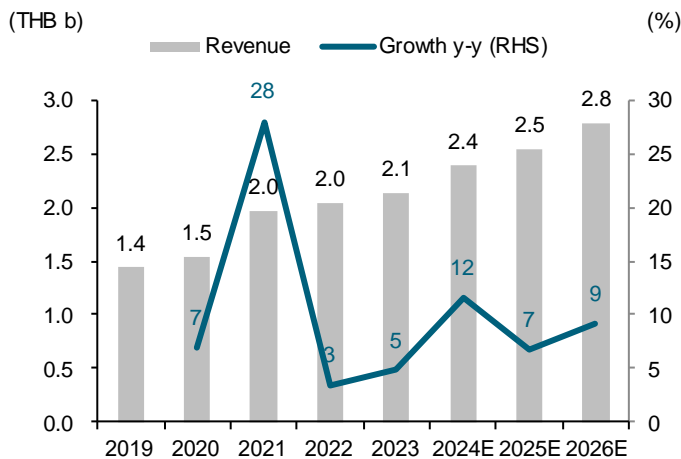


## Financial analysis

### Expect core profit to jump by 17% in 2024

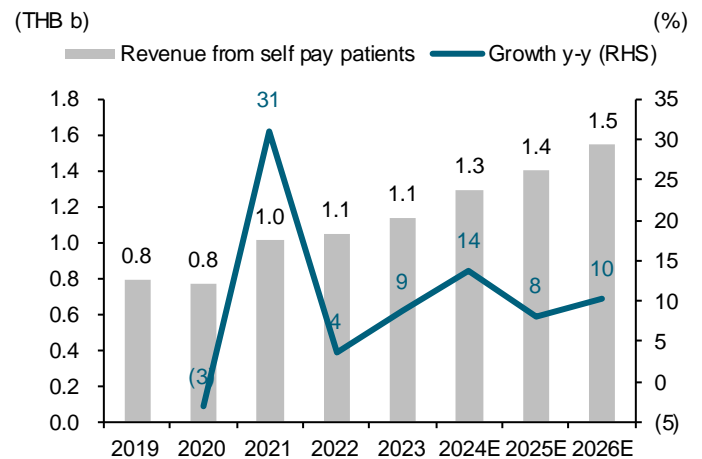
We expect revenue to grow by 12% in 2024. Self-pay patient revenue should grow by 14% y-y, driven by stronger revenue intensity. SSO patient revenue should grow by 8% y-y due to a higher number of registered insurers (156k in 2024E vs 154k in 2023) and higher revenue per head following the increasing revenue intensity. Revenue from NHSO and Civil Servant Welfare should also grow by 12% y-y due to a higher number of cases at the Cardiac Center.

Exhibit 22: Total revenue



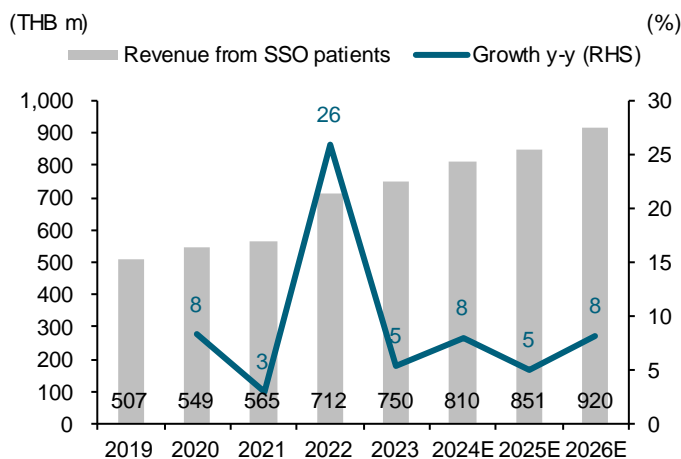
Sources: PHG; FSSIA estimates

Exhibit 23: Revenue from self-pay patients



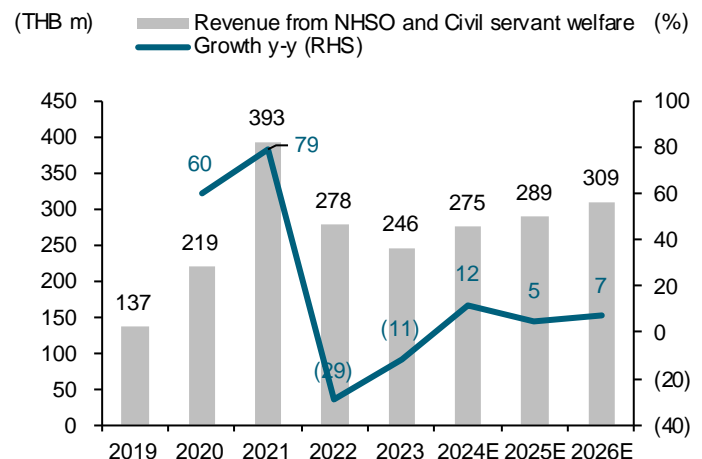
Sources: PHG; FSSIA estimates

Exhibit 24: Revenue from SSO



Sources: PHG; FSSIA estimates

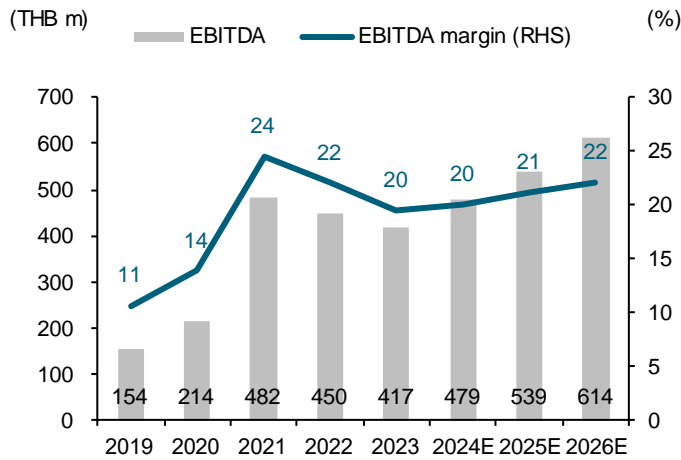
Exhibit 25: Revenue from NHSO and Civil Servant Welfare



Sources: PHG; FSSIA estimates

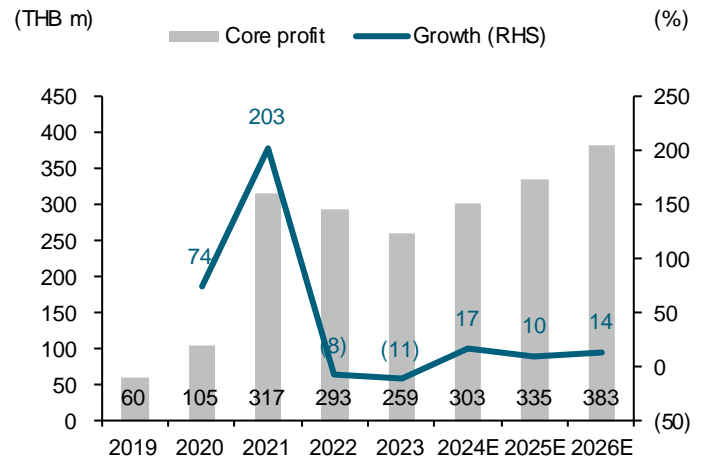
We forecast PHG's EBITDA margin to improve from 20% in 2023 to 22% in 2024, led by higher revenue intensity. As a result, we expect core profit to jump by 17% to THB303m in 2024.

### Exhibit 26: EBITDA



Sources: PHG; FSSIA estimates

### Exhibit 27: Core profit

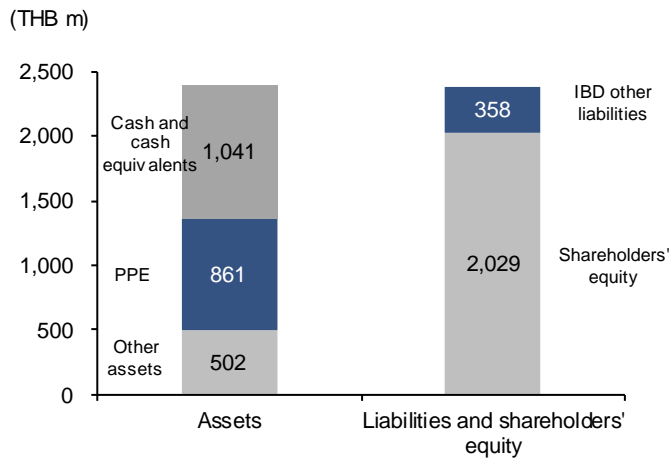


Sources: PHG; FSSIA estimates

### Healthy balance sheet with net cash position

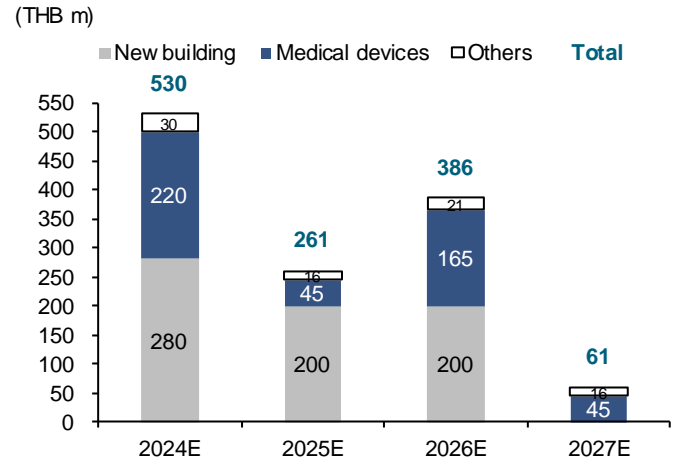
Following its IPO in 2023, PHG is a net cash company with net cash (and cash equivalents) on hand of THB1.0b as of 1Q24. PHG also can generate EBITDA of THB0.5-0.6b per year over 2024-26, based on our estimates. This should be more than sufficient to support its total capex of THB1.2b (THB0.7b for new buildings and THB0.7b for medical devices) over 2024-26.

### Exhibit 28: Financial position as of 1Q24



Source: PHG

### Exhibit 29: Capex



Source: PHG

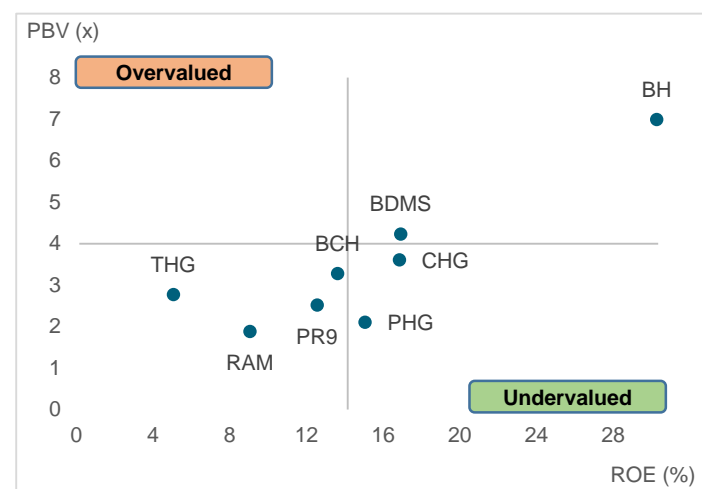
## Valuation and TP

We initiate coverage on PHG with a BUY rating and a DCF valuation using 2024 as the base year. We assume an 8% WACC and 3% terminal growth, derived from a 3% risk-free rate, 8% market risk premium, 1.0 beta and a 5% debt/95% equity weighting. From this, we derive a DCF-based TP of THB21/shr, implying 21x 2024E P/E.

### Superior ROE but trading at P/E and P/BV multiples lower than peers' avg

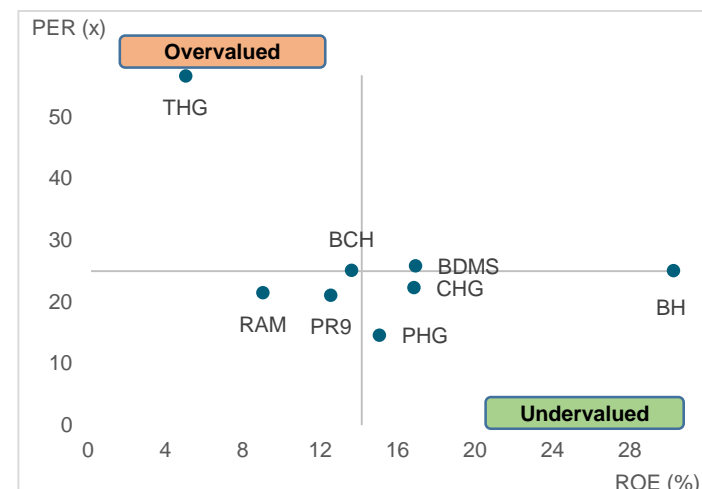
Using PBV/ROE and PE/ROE matrices, we see that PHG is in the undervalued area, given that it has a 2024E ROE of 15%, higher than its peers' average of 14%. Meanwhile, both its 2024E P/E of 15x and P/BV of 2.1x are lower than its peers' average of 25x and 3.7x, respectively.

Exhibit 30: P/BV and ROE matrix



Source: FSSIA estimates

Exhibit 31: P/E and ROE matrix

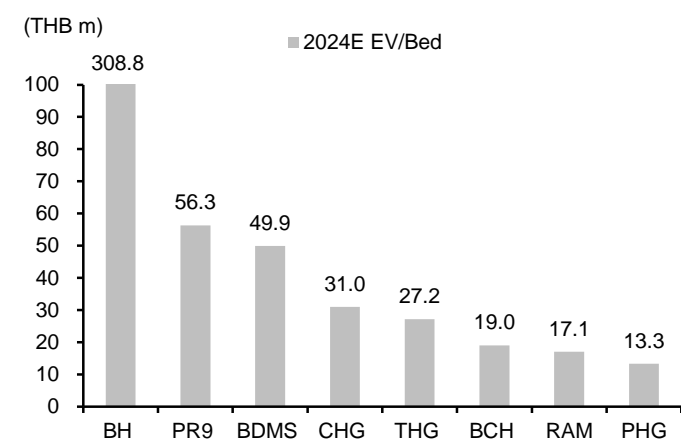


Source: FSSIA estimates

### Cheapest in terms of EV/bed

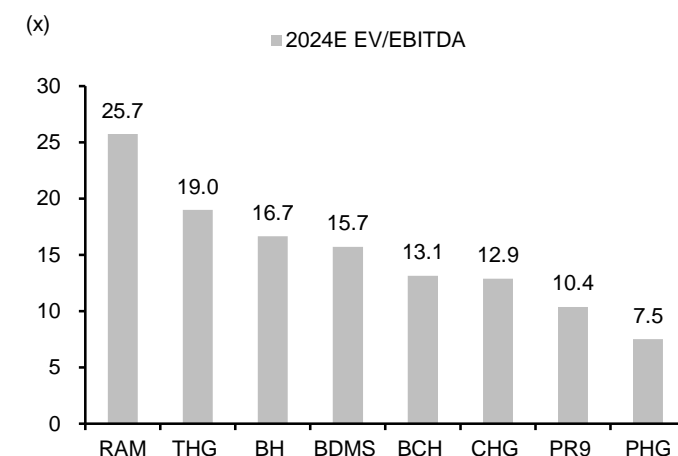
PHG's EV per bed is only THB13m, significantly lower than its peers' average of THB31m (excluding BH). In addition, compared to the average capex of THB8-12m for greenfield hospital projects in Bangkok and the provinces, we see PHG's valuation as unjustified.

Exhibit 32: EV per bed



Source: FSSIA estimates

Exhibit 33: EV/EBITDA



Source: FSSIA estimates

### Exhibit 34: DCF-derived TP

Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	4.0
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	1.0		
Cost of equity, Ke	11.0	Net cost of debt, Kd	3.2
Weight applied	95.0	Weight applied	5.0
WACC	10.6		

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	2.6	8.6	WACC 10.6%, Risk-free rate 3%, Risk premium 8%
Terminal value	3.0	10.0	Terminal growth 3%
Cash & liquid assets	0.8	2.6	At end-2024E
Investments	0.0	0.0	At end-2024E
Debt	(0.1)	(0.2)	At end-2024E
Minorities	0.0	0.0	At end-2024E
<b>Residual ordinary equity</b>	<b>6.3</b>	<b>21.0</b>	

Source: FSSIA estimates

### Exhibit 35: Peer comparisons as of 26 June 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	26.75	35.00	30.8	11,543	25.9	23.7	16.8	17.3	4.2	4.0	15.7	14.3
Bumrungrad Hospital	BH TB	BUY	246.00	310.00	26.0	5,310	25.1	23.7	30.1	27.7	7.0	6.2	16.9	15.6
Bangkok Chain Hospital	BCH TB	BUY	17.70	25.00	41.2	1,199	25.1	21.8	13.5	14.5	3.3	3.0	13.4	11.6
Chularat Hospital	CHG TB	BUY	2.64	3.90	47.7	789	22.3	19.5	16.7	17.7	3.6	3.3	13.0	11.4
Patrangsit Healthcare Group	PHG TB	BUY	14.80	21.00	41.9	121	14.6	13.3	14.9	15.3	2.1	2.0	7.8	6.8
Praram 9 Hospital	PR9 TB	BUY	17.60	24.00	36.4	376	21.1	19.2	12.4	12.6	2.5	2.3	10.4	9.2
Thonburi Healthcare Group	THG TB	HOLD	33.50	40.00	19.4	771	56.7	35.4	4.9	7.6	2.8	2.6	18.9	15.6
Ramkhamhaeng Hospital	RAM TB	BUY	30.00	44.00	46.7	978	21.5	18.3	8.9	10.0	1.9	1.8	25.5	20.3
Rajthanee Hospital	RJH TB	n/a	24.70	n/a	n/a	200	17.4	17.9	19.3	18.2	4.9	3.5	11.8	11.6
Ekachai Medical Care	EKH TB	n/a	6.80	n/a	n/a	143	17.0	16.7	13.8	13.9	5.1	2.3	9.8	9.2
Thailand average						21,429	24.7	20.9	15.1	15.5	3.7	3.1	14.3	12.6
Regional														
Ramsay Health Care	RHC AU	n/a	46.59	n/a	n/a	7,085	34.6	24.5	7.7	9.1	2.6	2.2	10.2	9.3
Ihh Healthcare Bhd	IHH SP	n/a	1.80	n/a	n/a	11,602	30.6	27.5	6.3	6.5	2.4	1.8	13.1	12.5
Ryman Healthcare	RYM NZ	n/a	3.71	n/a	n/a	1,530	9.2	9.0	7.0	7.8	0.8	0.5	14.2	18.3
Apollo Hospitals Enterprise	APHS IN	n/a	6,137	n/a	n/a	10,566	95.2	59.7	14.1	19.2	24.3	12.6	38.5	29.4
Kpj Healthcare Berhad	KPJ MK	n/a	1.92	n/a	n/a	1,758	28.4	25.0	11.9	12.3	4.2	3.3	13.6	12.8
Raffles Medical Group	RFMD SP	n/a	0.99	n/a	n/a	1,337	25.1	22.8	7.1	7.4	2.1	1.7	11.8	11.0
Mitra Keluarga Karyasehat	MIKA IJ	n/a	3,030	n/a	n/a	2,637	38.0	33.8	18.4	19.0	8.9	6.6	24.0	21.2
Aier Eye Hospital Group	300015 CH	n/a	10.71	n/a	n/a	13,464	23.7	19.4	18.9	19.6	11.2	4.3	14.1	11.9
Regional average						49,979	35.6	27.7	11.4	12.6	7.1	4.1	17.4	15.8
Overall average						71,408	29.5	24.0	13.5	14.2	5.2	3.6	15.7	14.0

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Patrangsit Healthcare Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	2,040	2,138	2,384	2,545	2,778
Cost of goods sold	(1,432)	(1,565)	(1,738)	(1,853)	(2,007)
<b>Gross profit</b>	<b>608</b>	<b>573</b>	<b>646</b>	<b>691</b>	<b>771</b>
Other operating income	14	23	24	24	25
Operating costs	(242)	(262)	(286)	(293)	(314)
<b>Operating EBITDA</b>	<b>450</b>	<b>417</b>	<b>479</b>	<b>538</b>	<b>614</b>
Depreciation	(70)	(83)	(96)	(115)	(132)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>380</b>	<b>334</b>	<b>383</b>	<b>423</b>	<b>482</b>
Net financing costs	(12)	(10)	(4)	(4)	(4)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>368</b>	<b>325</b>	<b>379</b>	<b>419</b>	<b>478</b>
Tax	(75)	(65)	(76)	(84)	(96)
<b>Profit after tax</b>	<b>293</b>	<b>259</b>	<b>303</b>	<b>335</b>	<b>383</b>
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>293</b>	<b>259</b>	<b>303</b>	<b>335</b>	<b>383</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>293</b>	<b>259</b>	<b>303</b>	<b>335</b>	<b>383</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.19	0.86	1.01	1.12	1.28
Reported EPS	1.19	0.86	1.01	1.12	1.28
DPS	0.95	0.52	0.61	0.67	0.77
Diluted shares (used to calculate per share data)	246	300	300	300	300
<b>Growth</b>					
Revenue (%)	3.5	4.8	11.5	6.7	9.2
Operating EBITDA (%)	(6.8)	(7.3)	14.8	12.4	14.1
Operating EBIT (%)	(8.0)	(12.0)	14.6	10.3	14.1
Recurring EPS (%)	(62.5)	(27.4)	16.9	10.5	14.2
Reported EPS (%)	(62.5)	(27.4)	16.9	10.5	14.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	29.8	26.8	27.1	27.2	27.8
Gross margin exc. depreciation (%)	33.2	30.7	31.1	31.7	32.5
Operating EBITDA margin (%)	22.0	19.5	20.1	21.2	22.1
Operating EBIT margin (%)	18.6	15.6	16.1	16.6	17.4
Net margin (%)	14.4	12.1	12.7	13.2	13.8
Effective tax rate (%)	20.3	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	79.5	60.1	60.0	60.0	60.0
Interest cover (X)	31.8	34.2	91.9	101.4	115.7
Inventory days	11.4	12.2	12.8	13.1	12.9
Debtor days	58.0	55.7	46.7	40.9	36.3
Creditor days	63.7	64.9	65.5	66.9	66.3
Operating ROIC (%)	30.9	26.3	25.0	22.9	23.4
ROIC (%)	30.6	26.0	24.7	22.7	23.3
ROE (%)	33.5	17.7	14.9	15.3	16.3
ROA (%)	19.5	13.4	12.5	12.9	13.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Self pay patient revenue	1,051	1,142	1,299	1,405	1,549
SSO patient revenue	712	750	810	851	920
NHSO patient revenue	278	246	275	289	309

Sources: Patrangsit Healthcare Group; FSSIA estimates



## Financial Statements

### Patransit Healthcare Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	293	259	303	335	383
Depreciation	70	83	96	115	132
Associates & minorities	-	-	-	-	-
Other non-cash items	(3)	3	0	0	0
Change in working capital	(28)	37	49	34	23
<b>Cash flow from operations</b>	<b>332</b>	<b>382</b>	<b>448</b>	<b>484</b>	<b>538</b>
Capex - maintenance	(87)	(152)	(530)	(261)	(386)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(87)</b>	<b>(152)</b>	<b>(530)</b>	<b>(261)</b>	<b>(386)</b>
Dividends paid	(233)	(380)	(156)	(182)	(201)
Equity finance	146	1,108	0	0	0
Debt finance	(58)	(280)	0	0	0
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(145)</b>	<b>448</b>	<b>(156)</b>	<b>(182)</b>	<b>(201)</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>100</b>	<b>678</b>	<b>(238)</b>	<b>42</b>	<b>(49)</b>
Free cash flow to firm (FCFF)	256.85	239.94	(77.62)	227.67	155.74
Free cash flow to equity (FCFE)	186.83	(49.49)	(81.79)	223.50	151.57
<b>Per share (THB)</b>					
FCFF per share	0.86	0.80	(0.26)	0.76	0.52
FCFE per share	0.62	(0.16)	(0.27)	0.74	0.51
Recurring cash flow per share	1.46	1.15	1.33	1.50	1.71
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,660	1,781	2,311	2,572	2,958
Less: Accumulated depreciation	(764)	(816)	(911)	(1,027)	(1,158)
<b>Tangible fixed assets (net)</b>	<b>896</b>	<b>965</b>	<b>1,400</b>	<b>1,545</b>	<b>1,799</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	6	6	6	6	6
Cash & equivalents	334	1,012	775	816	767
A/C receivable	336	316	294	276	276
Inventories	44	55	60	64	69
Other current assets	1	1	1	1	2
<b>Current assets</b>	<b>716</b>	<b>1,385</b>	<b>1,131</b>	<b>1,158</b>	<b>1,114</b>
Other assets	6	7	7	7	7
<b>Total assets</b>	<b>1,624</b>	<b>2,363</b>	<b>2,543</b>	<b>2,716</b>	<b>2,926</b>
Common equity	975	1,963	2,110	2,263	2,445
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>975</b>	<b>1,963</b>	<b>2,110</b>	<b>2,263</b>	<b>2,445</b>
Long term debt	332	52	52	52	52
Other long-term liabilities	40	44	44	44	44
<b>Long-term liabilities</b>	<b>372</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>
A/C payable	247	279	310	328	354
Short term debt	0	0	0	0	0
Other current liabilities	29	24	27	29	31
<b>Current liabilities</b>	<b>276</b>	<b>304</b>	<b>337</b>	<b>357</b>	<b>385</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,624</b>	<b>2,363</b>	<b>2,543</b>	<b>2,716</b>	<b>2,926</b>
Net working capital	106	68	19	(15)	(38)
Invested capital	1,014	1,046	1,432	1,543	1,774
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	3.97	6.54	7.03	7.54	8.15
Tangible book value per share	3.97	6.54	7.03	7.54	8.15
<b>Financial strength</b>					
Net debt/equity (%)	(0.2)	(48.9)	(34.2)	(33.8)	(29.2)
Net debt/total assets (%)	(0.1)	(40.6)	(28.4)	(28.1)	(24.4)
Current ratio (x)	2.6	4.6	3.4	3.2	2.9
CF interest cover (x)	16.6	(4.1)	(18.6)	54.6	37.4
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>12.4</b>	<b>17.1</b>	<b>14.6</b>	<b>13.3</b>	<b>11.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>17.6</b>	<b>24.3</b>	<b>20.8</b>	<b>18.8</b>	<b>16.5</b>
Reported P/E (x)	12.4	17.1	14.6	13.3	11.6
Dividend yield (%)	6.4	3.5	4.1	4.5	5.2
Price/book (x)	3.7	2.3	2.1	2.0	1.8
Price/tangible book (x)	3.7	2.3	2.1	2.0	1.8
EV/EBITDA (x) **	8.1	8.3	7.8	6.8	6.1
EV/EBITDA @ target price (x) **	11.5	12.8	11.6	10.3	9.1
EV/invested capital (x)	3.6	3.3	2.6	2.4	2.1
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Patransit Healthcare Group; FSSIA estimates

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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 <a href="#">THSI inclusion</a> , 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. <a href="#">SETTHSI Index</a> 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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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><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+										
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<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><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></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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<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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>																					
<a href="#">S&amp;P Global</a>	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
Patrangsit Healthcare Group	PHG TB	THB 14.80	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Bangkok Dusit Medical Services	BDMS TB	THB 26.75	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 246.00	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 17.70	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 2.64	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 17.60	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.
Thonburi Healthcare Group	THG TB	THB 33.50	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.
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 26-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.