

CHULARAT HOSPITAL

THAILAND / HEALTH CARE SERVICES

CHG TB

BUY

UNCHANGED

TARGET PRICE	THB3.60
CLOSE	THB2.44
UP/DOWNSIDE	+47.5%
PRIOR TP	THB3.90
CHANGE IN TP	-7.7%
TP vs CONSENSUS	+3.9%

Strong 2Q24 to signal earnings recovery

- Expect 2Q24 core profit to grow 17% y-y to THB241m due to strong cash patient revenue and an improving margin.
- Expect strong earnings growth momentum to continue, driven by better performance of CHG Mae Sot and CHG Medical Center.
- Maintain BUY with a new DCF-TP of THB3.6/shr.

Expect strong 2Q24 top-line growth in the low season

We expect 2Q24 revenue to grow by 11% y-y, led by 10-12% y-y higher cash patient revenue. SSO revenue should grow by 6-7% y-y due to a larger registered member base (537k in 2Q24E vs 528k in 2Q23) and a higher fixed payment rate. We estimate CHG Mae Sot to contribute a loss of THB15m-20m, relatively in line with its 1Q24 loss of THB20m. Overall, we estimate the EBITDA margin to improve to 22% (vs 21% in 2Q23). This should lead 2Q24 core profit to grow by 17% y-y to THB241m.

Earnings growth has resumed and should continue

If our 2Q24 forecast materializes, it implies the earnings trend has shifted from a drop y-y for six quarters since 3Q22 (except 3Q23) to growth for two consecutive quarters (1Q24 and 2Q24) due to the improvement of CHG Medical Center and CHG Mae Sot, for which fixed costs have been incurred since 1Q23, while revenue has continued to ramp up. We expect strong earnings growth y-y in 2H24. Its EBITDA margin should normalize at 24% in 2H24 (vs 22-23% in 1H24E) driven by a higher patient volume at CHG Mae Sot and higher revenue intensity at CHG Medical Center.

Insufficient SSO high-cost care may soon be resolved

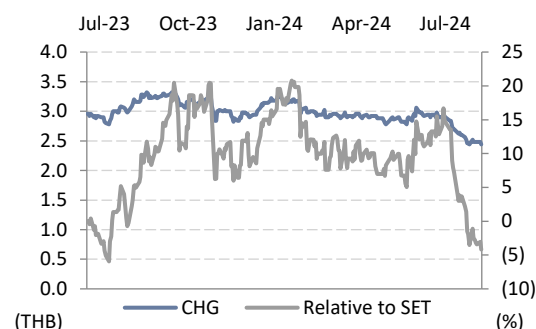
There is a high possibility that the SSO may not have a sufficient budget to pay high-cost care (RW>2) for the last three treatment periods in 2023 (Oct-23 to Dec-23). Based on our assumption that the payment will be revised down from 12,000/RW to 7,500/RW, we estimate that CHG may book a revenue reversal of up to THB35m-45m in 2H24, compared to the revenue reversal of THB3m booked in 4Q23 for the treatment period in Dec-22. On a positive note, the SSO has considered raising the budget for high-cost care, which has not been raised since 2020 (the last increase was 17% from THB640 to THB746/head in Jan-2020).

Revising down profit; trading at an unjustified cheap valuation

We trim our 2024 core profit forecast by 7% to reflect the insufficient SSO high-cost care budget and slower-than-expected ramp-up rate of CHG Mae Sot, and derive a DCF-TP of THB3.6/shr. CHG is trading at an attractive valuation of 22x 2024E P/E. Its current share price is at the pre-Covid level, while its core profit profile is above pre-Covid by 67%. This implies a limited downside, in our view.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	7,730	8,462	9,156	9,780
Net profit	1,046	1,203	1,388	1,527
EPS (THB)	0.10	0.11	0.13	0.14
vs Consensus (%)	-	0.9	5.7	4.5
EBITDA	1,822	2,067	2,313	2,518
Recurring net profit	1,046	1,203	1,388	1,527
Core EPS (THB)	0.10	0.11	0.13	0.14
Chg. In EPS est. (%)	-	(7.4)	(6.7)	(6.4)
EPS growth (%)	(62.4)	15.0	15.4	10.0
Core P/E (x)	25.7	22.3	19.3	17.6
Dividend yield (%)	2.9	2.7	3.1	3.4
EV/EBITDA (x)	14.6	12.7	11.1	10.0
Price/book (x)	3.6	3.4	3.1	2.9
Net debt/Equity (%)	(8.2)	(11.3)	(17.1)	(22.5)
ROE (%)	13.9	15.5	16.7	17.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.3)	(15.3)	(16.4)
Relative to country (%)	(16.2)	(10.5)	(4.0)
Mkt cap (USD m)	743		
3m avg. daily turnover (USD m)	2.1		
Free float (%)	43		
Major shareholder	Kannikar Plussind (18%)		
12m high/low (THB)	3.40/2.42		
Issued shares (m)	11,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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<div><h3>Investment thesis</h3><p>CHG should report strong profit growth in 2024, led by a recovery in cash patient numbers coupled with its larger Social Security Office (SSO)-registered member base and pent-up demand from international patients.</p><p>CHG's revenue contributions from cash patients have gradually increased. This is another key factor for its EBITDA margin to expand, in our view, as cash patients have a higher margin than SSO patients.</p><p>CHG opened two new hospitals (CHG Mae Sot and CHG Medical Center) recently. We expect both to turn profitable by 2025 and become new growth drivers along with RPC and CHG 304 Inter, which opened in 2018.</p></div> <div><h3>Company profile</h3><p>CHG operates a healthcare business covering the eastern part of Bangkok and its nearby provinces. The Group owns nine hospitals and four clinics.</p><p>www.chularat.com</p></div>	<div><h3>Principal activities (revenue, 2023)</h3><div><div><div>Cash patient revenue - 65.0 %</div><div>SSO patient revenue - 31.8 %</div><div>NHSO patient revenue - 3.2 %</div></div></div><div><p>Source: Chularat Hospital</p></div><div><h3>Major shareholders</h3><div><div><div>Kannikar Plussind - 18.1 %</div><div>Apirum Panyapol - 10.3 %</div><div>Kobkul Panyapol - 8.0 %</div><div>Others - 63.6 %</div></div></div><div><p>Source: Chularat Hospital</p></div></div></div>
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Catalysts

Key potential growth drivers include 1) more registered SSO-members; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by new hospitals.

Risks to our call

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.

Event calendar

Date	Event
Aug 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
SSO volume growth	4	1	1
SSO revenue/patient growth	0	3	3
OPD volume growth	5	5	4
OPD revenue/patient growth	7	5	4
IPD volume growth	5	5	4
IPD revenue/patient growth	7	5	4

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 3%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: CHG – 2Q24 results preview

	2Q23	3Q23	4Q23	1Q24	2Q24E	----- Change -----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Revenue	1,799	2,093	2,123	2,021	1,988	(2)	11	7,730	8,462	9
Cost of sales (Incl. depreciation)	(1,380)	(1,486)	(1,580)	(1,498)	(1,484)	(1)	7	(5,723)	(6,196)	8
Gross profit	418	607	543	523	504	(4)	21	2,008	2,266	13
SG&A	(222)	(246)	(243)	(259)	(260)	0	17	(911)	(997)	9
Operating profit	196	361	300	264	244	(7)	24	1,097	1,269	16
Other operating income	70	77	65	85	72	(16)	3	284	295	4
Interest income	3	1	4	1	1	0	(60)	9	6	(30)
Equity income	(2)	(5)	(9)	(9)	(9)	0	251	(19)	(10)	(48)
EBIT	267	434	361	342	309	(10)	16	1,370	1,561	14
Interest expense	(5)	(7)	(9)	(5)	(5)	0	7	(24)	(18)	(26)
EBT	262	427	352	337	304	(10)	16	1,346	1,543	15
Income tax	(56)	(90)	(73)	(76)	(64)	(16)	15	(279)	(317)	14
Minority interests	(0)	(11)	(5)	3	1			(21)	(22)	5
Core profit	206	326	274	264	241	(9)	17	1,046	1,203	15
Extraordinaries										
Net income	206	326	274	264	241	(9)	17	1,046	1,203	15
Core EPS (THB)	0.02	0.03	0.02	0.02	0.02	(9)	17	0.10	0.11	15
No of shares (m)	11,000	11,000	11,000	11,000	11,000	0	0	11,000	11,000	0
Cost (Excl. depreciation)	(1,276)	(1,370)	(1,459)	(1,377)	(1,360)	(1)	7	(5,282)	(5,693)	8
Depreciation & amortization	(104)	(117)	(121)	(121)	(123)	2	18	(441)	(503)	14
EBITDA	370	554	486	470	439	(7)	19	1,822	2,067	13
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	23	29	26	26	25	(1)	2	26	27	1
SG&A/Revenue	12	12	11	13	13	0	1	12	12	0
EBITDA margin	21	26	23	23	22	(1)	2	24	24	1
Net profit margin	11	16	13	13	12	(1)	1	14	14	1
Operating stats	(y-y %)	(y-y %)	(y-y %)	(y-y %)	(y-y %)					
SSO revenue	23	8	11	11	6					
SSO registered members ('000)	528	529	530	537	537					
SSO revenue per head	17	5	8	9	n/a					
Cash-OPD revenue	(20)	(6)	24	19	n/a					
Cash-OPD visit number	(7)	2	11	10	n/a					
Cash-OPD revenue per head	(13)	(8)	12	8	n/a					
Cash-IPD revenue	5	24	22	19	n/a					
Cash-IPD admission number	30	29	29	10	n/a					
Cash-IPD revenue per head	(19)	(4)	(6)	8	n/a					

Sources: CHG; FSSIA estimates

Exhibit 2: Revenue from general patients, quarterly

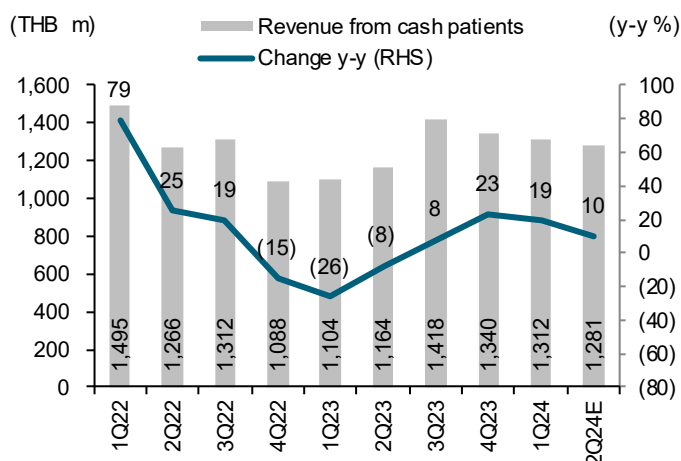
Note: Includes National Health Security Office (NHSO) revenue mainly from Heart Center
Sources: CHG; FSSIA estimates

Exhibit 3: SSO revenue, quarterly

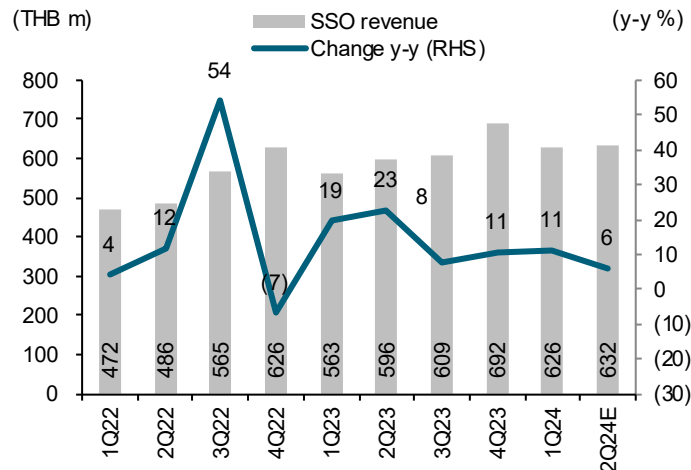
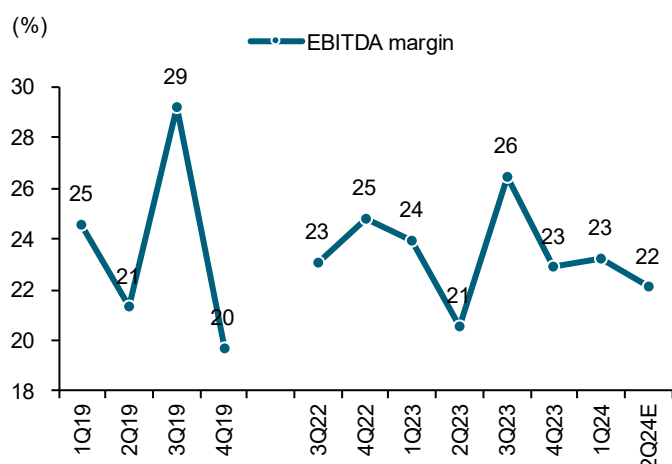
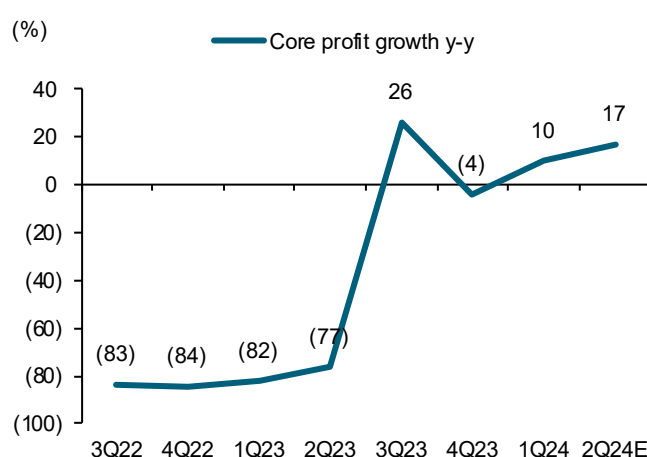
Note: Includes additional gain from chronic disease treatments of THB34m in 4Q22, THB190m in 4Q21, THB25m in 3Q20, and THB74m in 3Q19
Sources: CHG; FSSIA estimates

Exhibit 4: EBITDA margin



Sources: CHG; FSSIA estimates

Exhibit 5: Earnings growth y-y trend



Source: CHG; FSSIA estimates

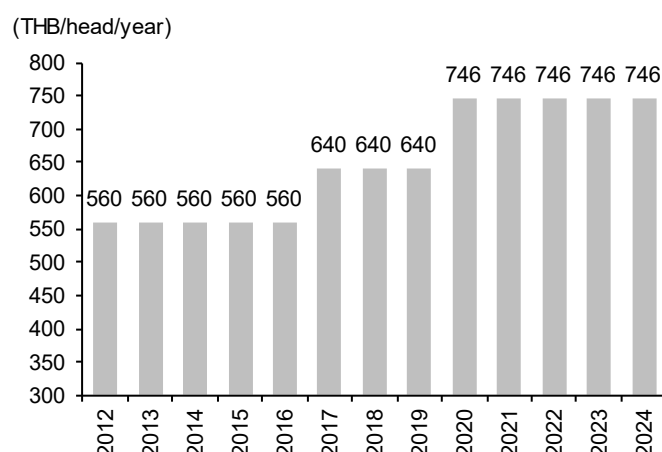
Exhibit 6: SSO's payment rate

SSO (THB/head/year)	2016	2019	2020	2023
Fixed payment	1,460	1,500	1,640	1,808
Chronic diseases	432	447	453	453
High cost care (RW>2)	560	640	746	746
Quality of hospitals	80	120	-	-
Total	2,532	2,707	2,839	3,007

Note: Excludes payments for special medical services (high-cost equipment, dental care, one-day surgery (ODS), etc.)

Sources: SSO; FSSIA compilation

Exhibit 7: SSO's global budget of high cost care (RW>2)



Sources: SSO; FSSIA's compilation

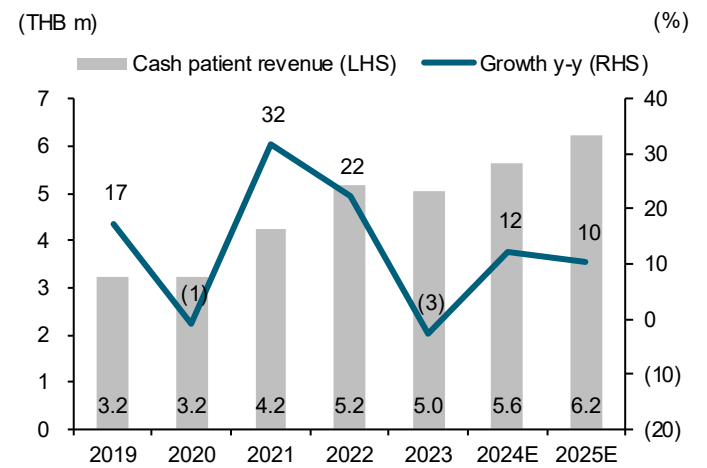
Exhibit 8: Forecast revisions

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
SSO registered members ('000)	549	555	560	576	581	587	(4.6)	(4.6)	(4.6)
SSO revenue per head (THB)	4,660	4,800	4,944	4,800	4,944	5,093	(2.9)	(2.9)	(2.9)
Cash-OPD visits per day (no.)	3,270	3,433	3,571	3,270	3,401	3,537	0.0	1.0	1.0
Cash-OPD revenue per head (THB)	2,224	2,335	2,428	2,182	2,269	2,360	1.9	2.9	2.9
Cash-IPD admissions per day (no.)	263	276	287	263	274	285	0.0	1.0	1.0
Cash-IPD revenue per head (THB)	31,156	32,714	34,023	30,574	31,797	33,069	1.9	2.9	2.9
Revenue	8,462	9,156	9,780	8,560	9,136	9,749	(1.1)	0.2	0.3
EBITDA margin (%)	24.4	25.3	25.7	25.6	26.7	27.2	(1.1)	(1.4)	(1.4)
Core profit	1,203	1,388	1,527	1,300	1,488	1,632	(7.4)	(6.7)	(6.4)

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

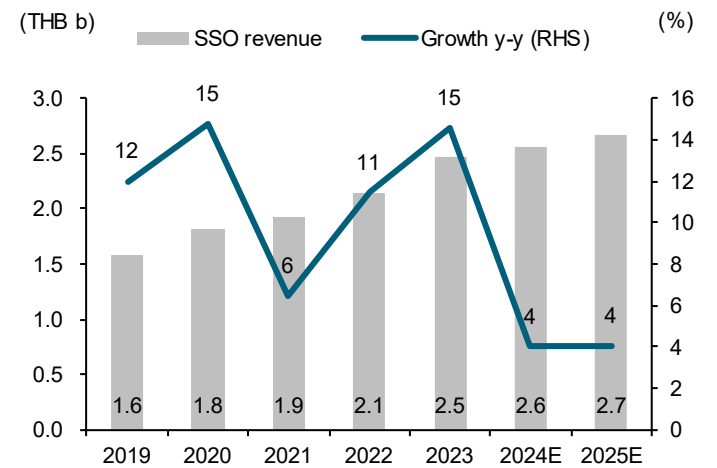
Source: FSSIA estimates

Exhibit 9: Cash patient revenue



Sources: CHG; FSSIA estimates

Exhibit 10: SSO revenue



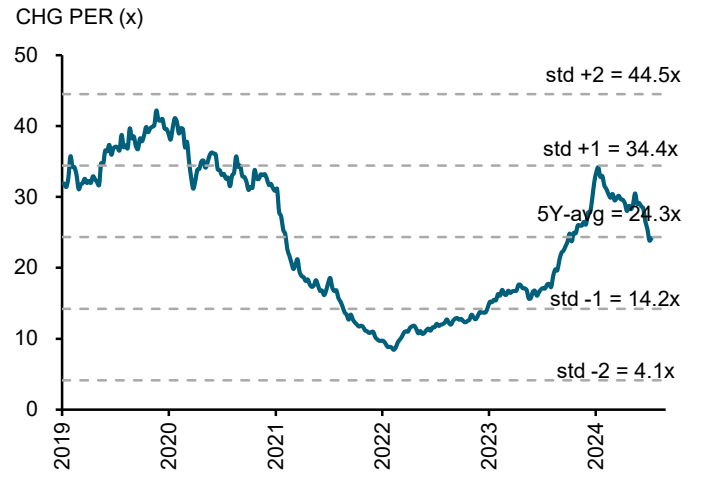
Sources: CHG; FSSIA estimates

Exhibit 11: 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		0.9	Net cost of debt, Kd		2.8
Cost of equity, Ke		10.0	Weight applied		40.0
Weight applied		75.0			
WACC		8.2			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		13.3	1.2	WACC 8.2%, risk-free rate 3%, risk premium 8%	
Terminal value		26.1	2.4	Terminal growth 3%	
Cash & liquid assets		1.0	0.1	At end-2024E	
Investments		0.1	0.0	At end-2024E	
Debt		(0.0)	(0.0)	At end-2024E	
Minorities		(0.4)	(0.0)	At end-2024E	
Residual ordinary equity		40.0	3.6		

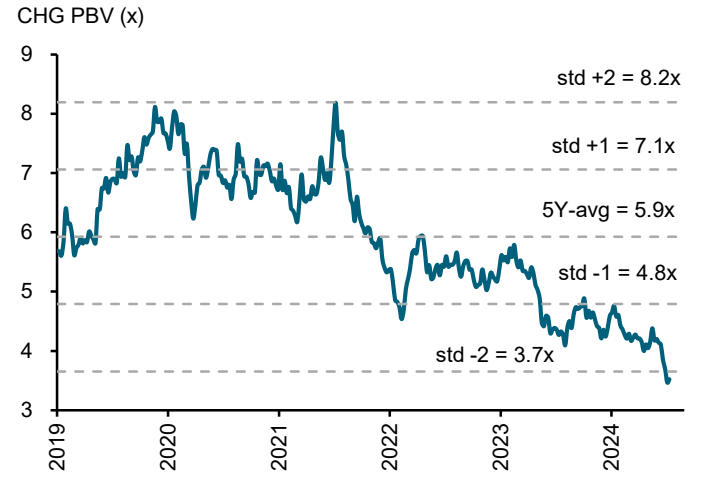
Source: FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 16 July 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	26.50	35.00	32.1	11,663	25.7	23.5	16.8	17.3	4.2	3.9	15.6	14.2
Bumrungrad Hospital	BH TB	BUY	247.00	310.00	25.5	5,438	25.2	23.8	30.1	27.7	7.0	6.2	17.0	15.7
Bangkok Chain Hospital	BCH TB	BUY	17.40	25.00	43.7	1,202	24.7	21.4	13.5	14.5	3.2	3.0	13.1	11.4
Chularat Hospital	CHG TB	BUY	2.44	3.60	47.5	743	22.3	19.3	15.5	16.7	3.4	3.1	12.7	11.1
Patrangsit Healthcare Group	PHG TB	BUY	16.50	21.00	27.3	137	16.3	14.8	14.9	15.3	2.3	2.2	8.8	7.8
Praram 9 Hospital	PR9 TB	BUY	18.30	24.00	31.1	398	21.9	20.0	12.4	12.6	2.6	2.4	10.9	9.7
Thonburi Healthcare Group	THG TB	HOLD	28.50	40.00	40.4	669	48.2	30.1	4.9	7.6	2.4	2.3	16.8	13.9
Ramkhamhaeng Hospital	RAM TB	BUY	30.00	44.00	46.7	997	21.5	18.3	8.9	10.0	1.9	1.8	25.5	20.3
Rajthanee Hospital	RJH TB	n/a	24.80	n/a	n/a	204	17.3	17.8	19.3	18.2	4.9	3.4	11.7	11.5
Ekachai Medical Care	EKH TB	n/a	6.70	n/a	n/a	148	16.6	16.3	13.6	13.9	5.2	2.3	9.7	9.2
Thailand average						21,391	24.2	20.6	15.1	15.5	3.7	3.1	14.2	12.5
Regional														
Ramsay Health Care	RHC AU	n/a	47.52	n/a	n/a	7,352	35.7	25.3	7.3	9.3	2.7	2.3	10.3	9.5
Ihh Healthcare Bhd	IHH SP	n/a	1.83	n/a	n/a	11,948	31.8	28.3	6.2	6.5	2.4	1.8	13.3	12.8
Ryman Healthcare	RYM NZ	n/a	4.29	n/a	n/a	1,793	10.7	11.4	7.0	7.6	1.0	0.6	15.4	21.6
Apollo Hospitals Enterprise	APHS IN	n/a	6,454	n/a	n/a	11,114	100.1	63.1	14.1	19.1	25.5	13.3	40.4	30.9
Kpj Healthcare Berhad	KPJ MK	n/a	1.88	n/a	n/a	1,748	27.9	24.6	11.9	12.2	4.2	3.2	13.5	12.6
Raffles Medical Group	RFMD SP	n/a	1.04	n/a	n/a	1,396	25.9	23.5	7.1	7.4	2.2	1.8	12.2	11.4
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,940	n/a	n/a	2,591	36.7	32.6	18.5	19.0	8.6	6.3	22.9	20.3
Aier Eye Hospital Group	300015 CH	n/a	10.80	n/a	n/a	13,863	24.9	20.6	18.8	19.5	11.6	4.5	14.6	12.5
Regional average						51,806	36.7	28.7	11.4	12.6	7.3	4.2	17.8	16.5
Overall average						73,197	29.6	24.1	13.4	14.1	5.3	3.6	15.8	14.2

Sources: Bloomberg; FSSIA estimates

Financial Statements

Chularat Hospital

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	10,103	7,730	8,462	9,156	9,780
Cost of goods sold	(5,908)	(5,723)	(6,196)	(6,623)	(7,024)
Gross profit	4,195	2,008	2,266	2,533	2,756
Other operating income	305	284	295	304	313
Operating costs	(935)	(911)	(997)	(1,060)	(1,123)
Operating EBITDA	3,947	1,822	2,067	2,313	2,518
Depreciation	(382)	(441)	(503)	(536)	(571)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	3,565	1,381	1,565	1,777	1,946
Net financing costs	(10)	(15)	(12)	2	5
Associates	(1)	(19)	(10)	(4)	1
Recurring non-operating income	(1)	(19)	(10)	(4)	1
Non-recurring items	0	0	0	0	0
Profit before tax	3,554	1,346	1,543	1,776	1,952
Tax	(703)	(279)	(317)	(364)	(399)
Profit after tax	2,850	1,067	1,225	1,412	1,554
Minority interests	(72)	(21)	(22)	(24)	(26)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,778	1,046	1,203	1,388	1,527
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	2,778	1,046	1,203	1,388	1,527
Per share (THB)					
Recurring EPS *	0.25	0.10	0.11	0.13	0.14
Reported EPS	0.25	0.10	0.11	0.13	0.14
DPS	0.16	0.07	0.07	0.08	0.08
Diluted shares (used to calculate per share data)	11,000	11,000	11,000	11,000	11,000
Growth					
Revenue (%)	(14.0)	(23.5)	9.5	8.2	6.8
Operating EBITDA (%)	(30.1)	(53.8)	13.5	11.9	8.8
Operating EBIT (%)	(32.7)	(61.3)	13.3	13.6	9.5
Recurring EPS (%)	(33.9)	(62.4)	15.0	15.4	10.0
Reported EPS (%)	(33.9)	(62.4)	15.0	15.4	10.0
Operating performance					
Gross margin inc. depreciation (%)	41.5	26.0	26.8	27.7	28.2
Gross margin exc. depreciation (%)	45.3	31.7	32.7	33.5	34.0
Operating EBITDA margin (%)	39.1	23.6	24.4	25.3	25.7
Operating EBIT margin (%)	35.3	17.9	18.5	19.4	19.9
Net margin (%)	27.5	13.5	14.2	15.2	15.6
Effective tax rate (%)	19.8	20.4	20.4	20.4	20.4
Dividend payout on recurring profit (%)	63.3	73.6	60.0	60.0	60.0
Interest cover (X)	349.5	88.7	132.8	(784.4)	(399.2)
Inventory days	18.5	20.8	22.4	22.5	22.6
Debtor days	24.8	38.5	39.5	38.2	35.8
Creditor days	55.9	60.3	59.5	59.8	60.0
Operating ROIC (%)	47.1	15.9	17.1	19.1	20.8
ROIC (%)	45.1	14.9	16.3	18.3	20.0
ROE (%)	36.8	13.9	15.5	16.7	17.0
ROA (%)	27.4	10.5	12.1	13.4	13.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Cash patient revenue	5,160	5,025	5,646	6,225	6,733
SSO patient revenue	2,149	2,461	2,560	2,663	2,770
NHSO patient revenue	2,794	244	256	269	277

Sources: Chularat Hospital; FSSIA estimates

Financial Statements

Chularat Hospital

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	2,778	1,046	1,203	1,388	1,527
Depreciation	382	441	503	536	571
Associates & minorities	-	-	-	-	-
Other non-cash items	117	30	22	24	26
Change in working capital	(696)	435	(135)	(48)	(42)
Cash flow from operations	2,582	1,951	1,593	1,900	2,083
Capex - maintenance	(777)	(1,451)	(508)	(549)	(587)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(142)	19	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(919)	(1,432)	(508)	(549)	(587)
Dividends paid	(2,805)	(1,045)	(770)	(722)	(833)
Equity finance	0	0	0	0	0
Debt finance	356	(120)	(705)	0	0
Other financing cash flows	(3)	44	(22)	(24)	(26)
Cash flow from financing	(2,452)	(1,121)	(1,497)	(746)	(859)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(789)	(601)	(412)	605	637
Free cash flow to firm (FCFF)	1,679.02	543.33	1,103.00	1,353.13	1,498.47
Free cash flow to equity (FCFE)	2,016.07	443.25	357.95	1,326.62	1,470.01

Per share (THB)

FCFF per share	0.15	0.05	0.10	0.12	0.14
FCFE per share	0.18	0.04	0.03	0.12	0.13
Recurring cash flow per share	0.30	0.14	0.16	0.18	0.19

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	7,867	9,318	9,825	10,375	10,962
Less: Accumulated depreciation	(2,987)	(3,414)	(3,917)	(4,453)	(5,024)
Tangible fixed assets (net)	4,880	5,903	5,908	5,922	5,937
Intangible fixed assets (net)	47	104	104	104	104
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	142	122	122	122	122
Cash & equivalents	2,001	1,399	987	1,592	2,229
A/C receivable	757	874	959	959	959
Inventories	265	336	363	388	411
Other current assets	2,036	1,436	1,572	1,701	1,817
Current assets	5,058	4,046	3,880	4,639	5,416
Other assets	152	88	88	88	88
Total assets	10,280	10,264	10,104	10,876	11,668
Common equity	7,523	7,525	7,958	8,624	9,318
Minorities etc.	341	406	406	406	406
Total shareholders' equity	7,864	7,931	8,364	9,030	9,724
Long term debt	470	705	0	0	0
Other long-term liabilities	233	247	247	247	247
Long-term liabilities	704	953	247	247	247
A/C payable	851	894	963	1,030	1,092
Short term debt	400	45	45	45	45
Other current liabilities	462	442	484	524	559
Current liabilities	1,712	1,381	1,492	1,599	1,696
Total liabilities and shareholders' equity	10,280	10,264	10,104	10,876	11,668
Net working capital	1,745	1,311	1,446	1,494	1,535
Invested capital	6,967	7,529	7,669	7,731	7,788

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

Per share (THB)

Book value per share	0.68	0.68	0.72	0.78	0.85
Tangible book value per share	0.68	0.67	0.71	0.77	0.84

Financial strength

Net debt/equity (%)	(14.4)	(8.2)	(11.3)	(17.1)	(22.5)
Net debt/total assets (%)	(11.0)	(6.3)	(9.3)	(14.2)	(18.7)
Current ratio (x)	3.0	2.9	2.6	2.9	3.2
CF interest cover (x)	198.7	29.9	31.6	(585.6)	(300.4)

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	9.7	25.7	22.3	19.3	17.6
Recurring P/E @ target price (x) *	14.3	37.9	32.9	28.5	25.9
Reported P/E (x)	9.7	25.7	22.3	19.3	17.6
Dividend yield (%)	6.6	2.9	2.7	3.1	3.4
Price/book (x)	3.6	3.6	3.4	3.1	2.9
Price/tangible book (x)	3.6	3.6	3.4	3.2	2.9
EV/EBITDA (x) **	6.6	14.6	12.7	11.1	10.0
EV/EBITDA @ target price (x) **	9.8	21.6	18.9	16.6	15.0
EV/invested capital (x)	3.7	3.5	3.4	3.3	3.2

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

Sources: Chularat Hospital; FSSIA estimates

Chularat Hospital PCL (CHG TB)

FSSIA ESG rating

★★

Exhibit 15: FSSIA ESG score implication

38.25 /100

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; FSSIA's compilation

Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	2.21	2.34
BESG environmental pillar score	—	—	4.04	4.18
BESG social pillar score	—	—	0.74	0.79
BESG governance pillar score	—	—	4.19	4.49
ESG disclosure score	36.82	36.82	41.54	50.24
Environmental disclosure score	16.49	16.49	17.67	32.92
Social disclosure score	12.70	12.70	19.41	30.29
Governance disclosure score	81.10	81.10	87.36	87.36
Environmental				
Emissions reduction initiatives	Yes	Yes	Yes	Yes
Climate change policy	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	No	No
GHG scope 1	0	0	0	0
GHG scope 2 location-based	4	4	4	4
GHG Scope 3	1	1	1	1
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—
Renewable energy use	—	—	—	—
Electricity used	4	4	4	7
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes
Hazardous waste	0	0	0	0
Total waste	1	1	1	1
Waste recycled	0	0	0	0
Waste sent to landfills	—	—	—	—
Environmental supply chain management	No	No	No	No
Water policy	No	No	Yes	Yes
Water consumption	89	73	80	70
Social				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	84	85
Pct disabled in workforce	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0
Total recordable incident rate - employees	—	—	—	—
Training policy	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	3,612	3,616	3,871	4,520
Employee turnover pct	—	—	20	20
Total hours spent by firm - employee training	—	—	32,904	85,880
Social supply chain management	No	No	No	No
Governance				
Board size	12	12	12	12
No. of independent directors (ID)	4	4	4	4
No. of women on board	2	2	2	2
No. of non-executive directors on board	11	11	11	10
Company conducts board evaluations	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	7	7	6
Board meeting attendance pct	100	100	95	100
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	60	62	63	59
Age of the oldest director	77	78	79	80
No. of executives / company managers	6	6	6	6
No. of female executives	2	2	2	2
Executive share ownership guidelines	No	No	No	No
Size of audit committee	3	3	3	3
No. of ID on audit committee	3	3	3	3
Audit committee meetings	5	5	5	5
Audit meeting attendance %	100	100	100	100
Size of compensation committee	5	5	5	5
No. of ID on compensation committee	4	4	4	4
No. of compensation committee meetings	2	2	2	2
Compensation meeting attendance %	100	100	83	100
Size of nomination committee	5	5	5	5
No. of nomination committee meetings	2	2	2	2
Nomination meeting attendance %	100	100	83	100
Sustainability governance				
Verification type	No	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 Sustainabilitys	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 & 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="2">Average:</td><td rowspan="2">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><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
CCC	0.000-1.428																					
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chularat Hospital	CHG TB	THB 2.44	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.
Bangkok Dusit Medical Services	BDMS TB	THB 26.50	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 247.00	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 17.40	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.
Patangsit Healthcare Group	PHG TB	THB 16.50	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.
Praram 9 Hospital	PR9 TB	THB 18.30	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 28.50	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 16-Jul-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.