

PRARAM 9 HOSPITAL

THAILAND / HEALTH CARE SERVICES

PR9 TB

BUY

UNCHANGED

TARGET PRICE	THB27.00
CLOSE	THB21.70
UP/DOWNSIDE	+24.4%
PRIOR TP	THB24.00
CHANGE IN TP	+12.5%
TP vs CONSENSUS	+17.1%

A rising star in medical tourism

- Middle East patients likely to accelerate in 3Q24; expect 3Q24 core profit to jump by 27% y-y to THB178m.
- Raised 2024-26E core profit by 2-6% from rising Middle East patient trend; Expect 2024 core profit to jump by 20%.
- Maintain BUY with a higher DCF-based TP of THB27.0/shr.

Expect revenue to hit a new record high in 3Q24

PR9 began targeting Middle East (ME) patients in 2Q24, and we believe we will see a significant rise in the number of ME patients in 3Q24, which is the high medical tourism season. We estimate international patient revenue to surge by 30-35% y-y, with Thai patient revenue growing by 7-9% y-y. This should lead revenue to grow by 12% y-y to hit a record high in 3Q24. The strong revenue should lead the EBITDA margin to improve to 25% (vs 23% in 3Q23 and 24% in 1H24) and core profit to jump by 27% y-y to THB178m.

Ample room to expand the Middle East patient market

The increasing ME patient base should boost the 2H24 revenue contribution of ME patients to 3-4% (vs 2% in 1H24) and international patients to 16-17% (vs 15% in 1H24). This would unlock the hospital's growth potential, as we expect PR9's ME patient revenue to be THB0.1-0.2b in 2024, while we estimate the total market size of ME patients to be at least THB10.8b in 2024 (considering only key players: BH, BDMS and BCH). Note that we estimate international patient revenue to jump 31% to cTHB750m in 2024 and grow further by 21% to cTHB900m in 2025. This should lead the revenue contribution from international patients to rise to 16-18% over 2024-25. If PR9 gains more market share or aggressively captures more ME patients, this would lead to an earnings upside.

3Q24 may ease market's concern over margins

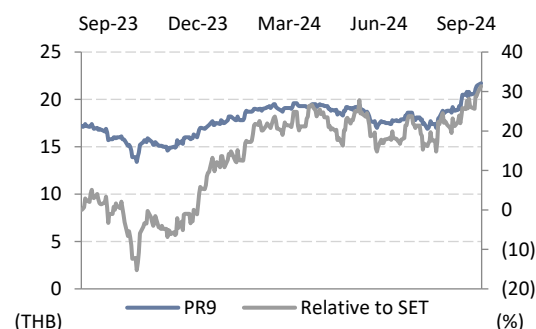
If our 3Q24 forecast is accurate, the market's concern about margins could ease, as it would reflect an increase in revenue higher than the increase in expenses (especially marketing expenses). We revise up our 2024-26E core profit by 2-6% to reflect the potential ME patient flow. We expect core profit to jump by 20% in 2024 and further by 13% in 2025.

Raised TP; expect stock valuation to re-rate soon

We roll forward our DCF valuation base to 2025 and derive a new TP of THB27/shr. Despite the share price rallying by 25% over the past three months, PR9 is still trading at an attractive valuation of 22x 2025E P/E (vs peers' avg. of 25x). The higher ME patient numbers and improving margin trend in 2H24, as well as the potential record high earnings in 4Q24, would be key re-rating catalysts for the stock.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	4,202	4,633	5,059	5,419
Net profit	558	671	759	842
EPS (THB)	0.71	0.85	0.96	1.07
vs Consensus (%)	-	3.2	4.2	5.2
EBITDA	958	1,107	1,245	1,364
Recurring net profit	558	671	759	842
Core EPS (THB)	0.71	0.85	0.96	1.07
Chg. In EPS est. (%)	-	2.3	5.4	6.6
EPS growth (%)	(1.7)	20.3	13.1	11.0
Core P/E (x)	30.6	25.4	22.5	20.3
Dividend yield (%)	1.4	2.0	2.2	2.5
EV/EBITDA (x)	15.8	13.3	11.5	10.1
Price/book (x)	3.4	3.1	2.9	2.7
Net debt/Equity (%)	(37.3)	(42.8)	(47.3)	(51.3)
ROE (%)	11.4	12.7	13.2	13.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.4	25.4	25.4
Relative to country (%)	8.0	13.2	31.9
Mkt cap (USD m)	517		
3m avg. daily turnover (USD m)	1.5		
Free float (%)	59		
Major shareholder	Khunying Potjaman Damapong (37%)		
12m high/low (THB)	21.90/13.10		
Issued shares (m)	786.30		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

Fundamental Investment Analyst on Securities; License no. 080523
 teerapol.udo@fssia.com, +66 2646 9969

Investment thesis

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

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

PR9 expects to increase the revenue contribution from international patients from 14% in 2022 to 20% by 2026. This should improve the EBITDA margin and ROE, leading to a stock valuation re-rating, in our view.

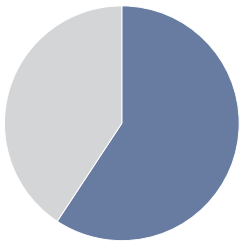
Company profile

PR9 has been operating a private hospital since 1992.

www.praram9.com

Principal activities (revenue, 2023)

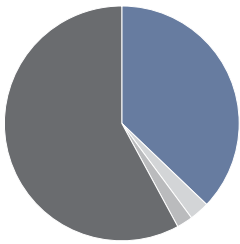
- OPD patient revenue - 59.3 %
- IPD patient revenue - 40.7 %



Source: Praram 9 Hospital

Major shareholders

- Khunying Potjaman Damapong - 37.1 %
- Thai NVDR - 2.7 %
- Krungsri Asset Management - 2.2 %
- Others - 57.9 %



Source: Praram 9 Hospital

Catalysts

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

Risks to our call

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

Event calendar

Date	Event
Nov 2024	3Q24 results announcement

Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
No. of beds (no.)	224	249	274
OPD volume growth	5	4	3
OPD revenue / patient growth	5	5	4
IPD volume growth	5	4	3
IPD revenue / patient growth	5	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 6%, and vice versa, all else being equal.

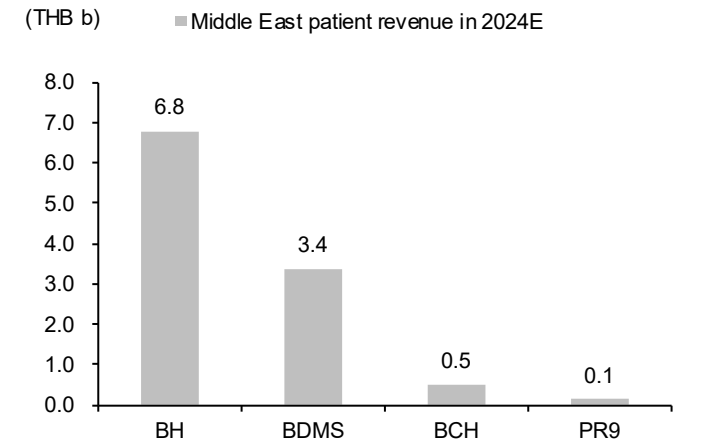
Source: FSSIA estimates

Exhibit 1: PR9 – 3Q24 results preview

FY ending Dec	3Q23	4Q23	1Q24	2Q24	3Q24E	----- 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	1,066	1,175	1,071	1,084	1,191	10	12	4,202	4,633	10
COGS (incl depreciation)	(714)	(761)	(715)	(733)	(787)	7	10	(2,820)	(3,068)	9
Gross profit	351	414	356	350	404	15	15	1,382	1,565	13
SG&A	(198)	(209)	(182)	(204)	(208)	2	5	(774)	(820)	6
Operating profit	154	205	175	146	196	34	28	608	745	22
Net other income	19	28	22	26	26	0	35	81	94	15
Interest expenses	(0)	(0)	(0)	(0)	0			(1)	0	n/a
Pretax profit	173	233	197	173	222	29	29	689	839	22
Income Tax	(33)	(45)	(38)	(34)	(44)	33	35	(131)	(168)	28
Core profit	140	188	159	139	178	28	27	558	671	20
Extraordinaries, GW & FX										
Reported net profit	140	188	159	139	178	28	27	558	671	20
Outstanding shares (m)	786	786	786	786	786	0	0	786	786	0
Pre-ex EPS (THB)	0.18	0.24	0.20	0.18	0.23	28	27	0.71	0.85	20
EPS (THB)	0.18	0.24	0.20	0.18	0.23	28	27	0.71	0.85	20
COGS excl. depreciation	(638)	(686)	(640)	(658)	(711)	8	11	(2,521)	(2,756)	9
Depreciation	(76)	(75)	(75)	(76)	(76)	1	1	(299)	(312)	4
EBITDA	249	308	271	248	299	20	20	988	1,150	16
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	33	35	33	32	34	2	1	33	34	1
SG&A/Revenue	19	18	17	19	17	2	0	18	18	(1)
EBITDA margin	23	26	25	22	25	(2)	1	23	24	1
Net profit margin	13	16	15	13	15	(2)	1	13	14	1
Operating stats	(%)	(%)	(%)	(%)	(%)					
OPD revenue growth y-y	4	3	13	10	-					
OPD volume growth y-y	5	4	9	4	-					
OPD revenue per head growth y-y	(0)	(1)	4	6	-					
IPD revenue growth y-y	(5)	12	11	5	-					
IPD volume growth y-y	(11)	13	15	(4)	-					
IPD revenue per head growth y-y	6	(1)	(4)	10	-					
Thai patient revenue growth y-y	1	6	10	5	8					
Inter patient revenue growth y-y	(5)	9	25	24	34					

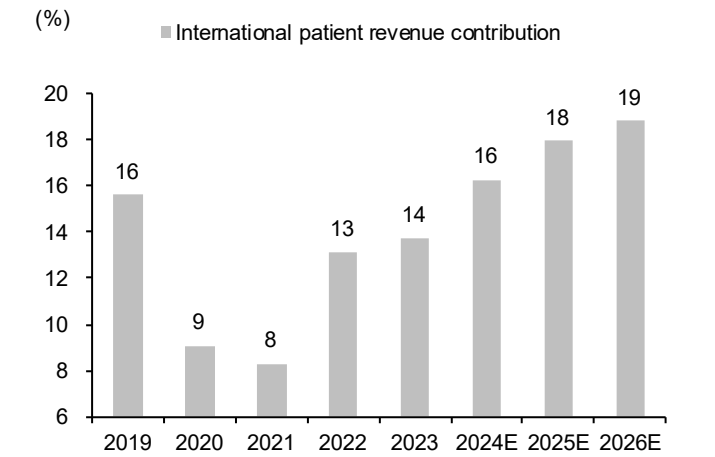
Sources: PR9; FSSIA estimates

Exhibit 2: Middle East patient revenue in 2024E



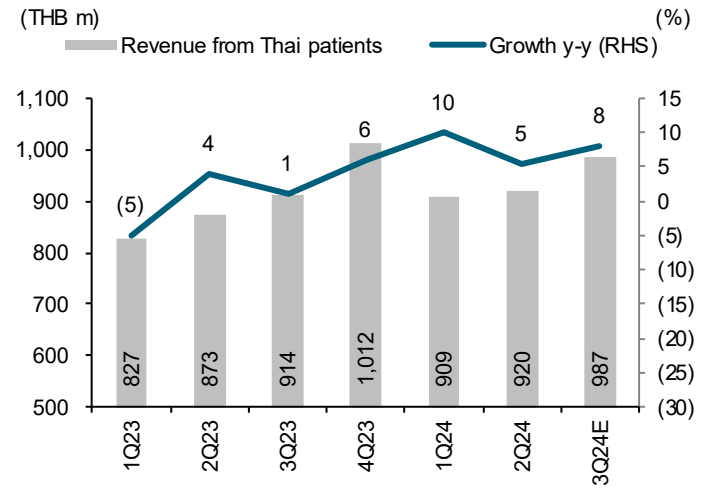
Sources: FSSIA compilation and estimates

Exhibit 3: Revenue contribution from international patients



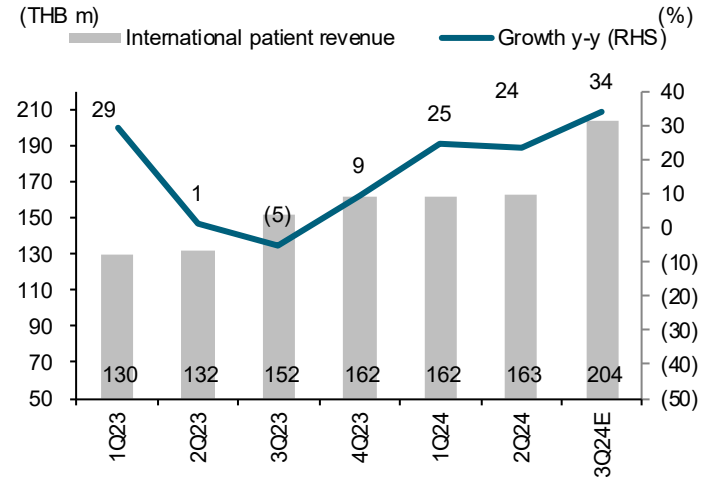
Sources: PR9; FSSIA estimates

Exhibit 4: Thai patient revenue



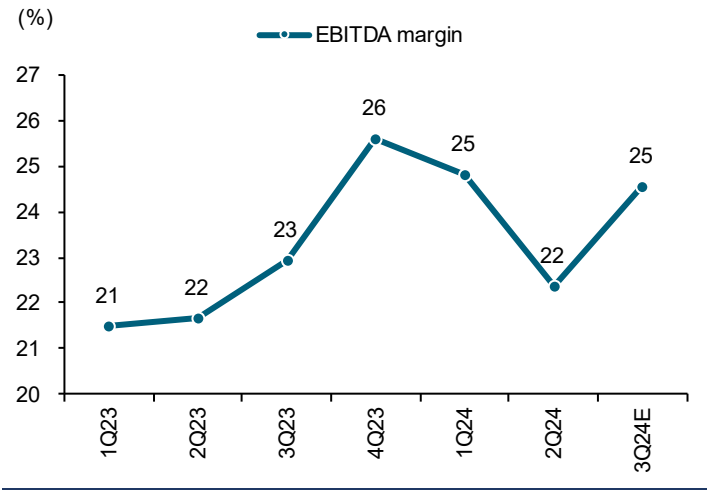
Sources: PR9; FSSIA estimates

Exhibit 5: International patient revenue



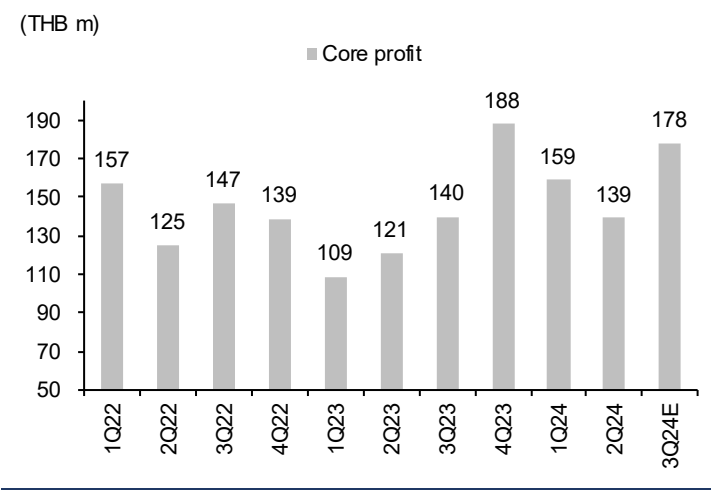
Sources: PR9; FSSIA estimates

Exhibit 6: EBITDA margin



Sources: PR9; FSSIA estimates

Exhibit 7: Core profit



Sources: PR9; FSSIA estimates

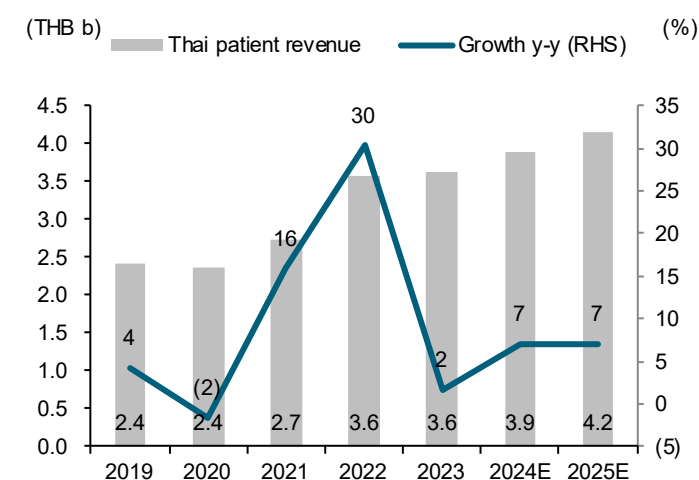
Exhibit 8: Forecast revisions

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue	4,633	5,059	5,419	4,633	4,915	5,214	0.0	2.9	3.9
EBITDA margin (%)	23.9	24.6	25.2	23.8	24.4	25.0	0.1	0.2	0.2
Core profit	671	759	842	656	720	789	2.3	5.4	6.6
Key assumptions									
OPD- Visits per day (no.)	1,573	1,636	1,685	1,573	1,620	1,668	0.0	1.0	1.0
OPD - Revenue per visit (THB)	4,784	5,023	5,224	4,784	4,927	5,075	0.0	1.9	2.9
IPD - Admissions per day (no.)	45	47	48	45	46	48	0.0	1.0	1.0
IPD - Revenue per admission (THB)	114,552	120,280	125,091	114,552	117,989	121,528	0.0	1.9	2.9

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

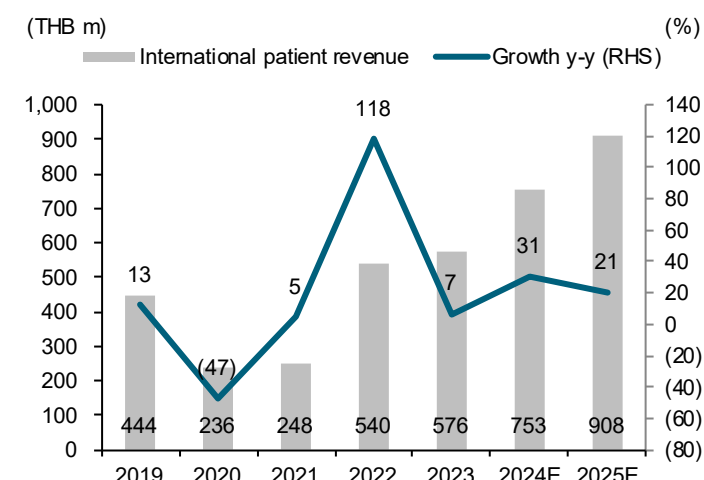
Source: FSSIA estimates

Exhibit 9: Thai patient revenue



Sources: PR9; FSSIA estimates

Exhibit 10: International patient revenue



Sources: PR9; FSSIA estimates

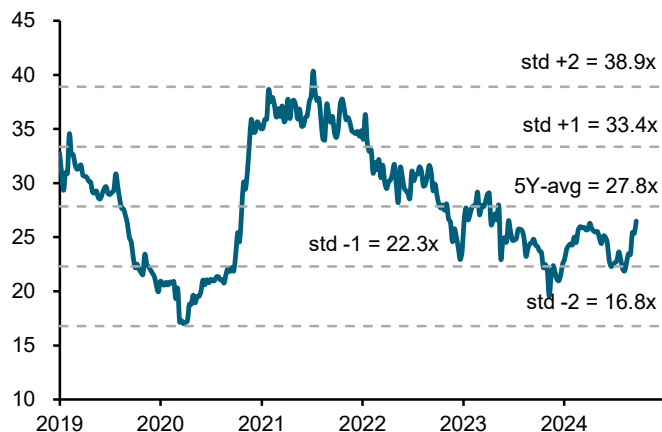
Exhibit 11: DCF valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		3.5
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.8			
Cost of equity, Ke		9.3	Net cost of debt, Kd		2.8
Weight applied		100.0	Weight applied		0.0
WACC					
		9.3			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		7.3	9.3	WACC 9.3%, risk-free rate 3%, risk premium 8%	
Terminal value		10.9	13.9	Terminal growth 3%	
Cash & liquid assets		2.7	3.5	At end-2025E	
Investments		0.3	0.3	At end-2025E	
Debt		(0.0)	(0.0)	At end-2025E	
Minorities		0.0	0.0	At end-2025E	
Residual ordinary equity		21.2	27.0		

Source: FSSIA estimates

Exhibit 12: Historical P/E band

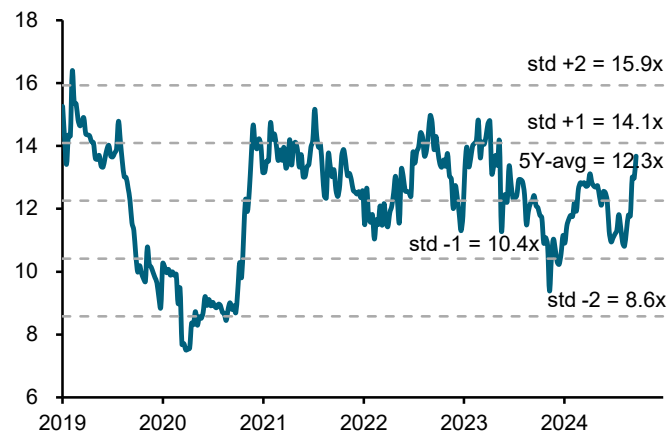
PR9 PER(x)



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical EV/EBITDA band

PR9 EV/EBITDA(x)



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 23 Sep 2024

Company	BBG	Rec	Share price			Market Cap	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	31.00	35.00	12.9	14,934	30.0	27.5	16.8	17.3	4.9	4.6	18.2	16.5
Bumrungrad Hospital	BH TB	BUY	274.00	310.00	13.1	6,603	27.9	26.4	30.1	27.7	7.8	6.9	19.0	17.6
Bangkok Chain Hospital	BCH TB	BUY	16.80	22.00	31.0	1,270	26.1	22.3	12.4	13.6	3.1	2.9	13.5	11.6
Chularat Hospital	CHG TB	BUY	2.62	3.60	37.4	874	24.0	20.8	15.5	16.7	3.6	3.3	13.7	12.0
Patrangsit Healthcare Group	PHG TB	BUY	16.70	21.00	25.7	152	17.3	15.3	14.3	15.1	2.4	2.2	8.4	7.6
Praram 9 Hospital	PR9 TB	BUY	21.70	27.00	24.4	517	25.4	22.5	12.7	13.2	3.1	2.9	13.3	11.5
Thonburi Healthcare Group	THG TB	HOLD	22.00	40.00	81.8	565	37.2	23.3	4.9	7.6	1.8	1.7	14.1	11.7
Ramkhamhaeng Hospital	RAM TB	BUY	25.00	44.00	76.0	909	17.9	15.2	8.9	10.0	1.6	1.5	22.7	18.0
Rajthanee Hospital	RJH TB	n/a	23.30	n/a	n/a	209	15.8	16.8	20.2	18.9	3.3	3.1	11.2	11.0
Ekachai Medical Care	EKH TB	n/a	6.65	n/a	n/a	157	16.1	15.8	13.6	13.9	2.2	2.1	8.5	8.1
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	40.51	n/a	n/a	6,401	32.7	31.3	6.5	6.3	1.9	1.8	9.5	9.2
Ihh Healthcare Bhd	IHH SP	n/a	2.18	n/a	n/a	14,878	33.5	31.0	6.5	6.5	2.0	1.9	14.5	13.5
Ryman Healthcare	RYM NZ	n/a	4.25	n/a	n/a	1,825	10.6	12.1	7.0	6.8	0.6	0.6	15.3	18.2
Apollo Hospitals Enterprise	APHS IN	n/a	7,153	n/a	n/a	12,317	110.9	70.2	14.1	18.9	14.7	12.5	44.6	34.6
Kpj Healthcare Berhad	KPJ MK	n/a	2.14	n/a	n/a	2,243	33.2	29.6	11.7	12.4	3.7	3.5	15.0	14.0
Raffles Medical Group	RFMD SP	n/a	0.89	n/a	n/a	1,273	23.9	22.7	6.6	6.9	1.6	1.5	11.5	10.7
Mitra Keluarga Karyasehat	MIKA IJ	n/a	3,080	n/a	n/a	2,859	36.5	31.9	19.3	19.5	6.4	5.8	22.8	19.9
Aier Eye Hospital Group	300015 CH	n/a	9.64	n/a	n/a	12,868	22.9	19.6	18.6	19.0	4.1	3.6	13.9	12.1
Regional average						54,665	38.0	31.1	11.3	12.0	4.4	3.9	18.4	16.5
Overall average						76,056	30.1	25.2	13.3	13.9	3.8	3.5	16.1	14.3

Sources: Bloomberg; FSSIA estimates

Financial Statements

Praram 9 Hospital

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,107	4,202	4,633	5,059	5,419
Cost of goods sold	(2,724)	(2,820)	(3,068)	(3,322)	(3,540)
Gross profit	1,384	1,382	1,565	1,737	1,879
Other operating income	43	51	50	50	52
Operating costs	(735)	(774)	(820)	(875)	(921)
Operating EBITDA	991	958	1,107	1,245	1,364
Depreciation	(299)	(299)	(312)	(332)	(354)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	692	659	795	913	1,010
Net financing costs	8	30	44	36	42
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	700	689	839	948	1,052
Tax	(132)	(131)	(168)	(190)	(210)
Profit after tax	568	558	671	759	842
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	568	558	671	759	842
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	568	558	671	759	842
Per share (THB)					
Recurring EPS *	0.72	0.71	0.85	0.96	1.07
Reported EPS	0.72	0.71	0.85	0.96	1.07
DPS	0.29	0.30	0.43	0.48	0.54
Diluted shares (used to calculate per share data)	786	786	786	786	786
Growth					
Revenue (%)	37.5	2.3	10.3	9.2	7.1
Operating EBITDA (%)	67.9	(3.4)	15.5	12.5	9.6
Operating EBIT (%)	133.3	(4.7)	20.6	14.8	10.6
Recurring EPS (%)	127.8	(1.7)	20.3	13.1	11.0
Reported EPS (%)	127.8	(1.7)	20.3	13.1	11.0
Operating performance					
Gross margin inc. depreciation (%)	33.7	32.9	33.8	34.3	34.7
Gross margin exc. depreciation (%)	41.0	40.0	40.5	40.9	41.2
Operating EBITDA margin (%)	24.1	22.8	23.9	24.6	25.2
Operating EBIT margin (%)	16.8	15.7	17.2	18.0	18.6
Net margin (%)	13.8	13.3	14.5	15.0	15.5
Effective tax rate (%)	18.9	19.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	40.2	42.3	50.0	50.0	50.0
Interest cover (X)	(84.0)	(22.3)	(18.2)	(25.7)	(23.9)
Inventory days	8.1	7.2	6.7	6.7	6.8
Debtor days	20.2	23.1	22.9	20.9	19.5
Creditor days	82.5	73.9	72.3	72.6	73.2
Operating ROIC (%)	18.1	17.6	20.9	24.2	26.9
ROIC (%)	17.4	16.1	18.9	21.9	24.4
ROE (%)	12.6	11.4	12.7	13.2	13.6
ROA (%)	10.5	9.3	10.3	11.0	11.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
OPD patient revenue	2,383	2,491	2,746	2,999	3,212
IPD patient revenue	1,725	1,711	1,887	2,060	2,207

Sources: Praram 9 Hospital; FSSIA estimates

Financial Statements

Praram 9 Hospital

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	568	558	671	759	842
Depreciation	299	299	312	332	354
Associates & minorities	-	-	-	-	-
Other non-cash items	10	10	0	0	0
Change in working capital	(5)	(23)	54	53	45
Cash flow from operations	871	844	1,036	1,144	1,241
Capex - maintenance	(140)	(326)	(331)	(360)	(386)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(150)	(100)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(290)	(426)	(331)	(360)	(386)
Dividends paid	(110)	(234)	(236)	(335)	(379)
Equity finance	0	0	0	0	0
Debt finance	2	1	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(108)	(233)	(236)	(335)	(379)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	473	184	469	448	475
Free cash flow to firm (FCFF)	581.44	418.17	705.39	783.71	854.58
Free cash flow to equity (FCFE)	582.47	418.73	705.39	783.71	854.58
Per share (THB)					
FCFF per share	0.74	0.53	0.90	1.00	1.09
FCFE per share	0.74	0.53	0.90	1.00	1.09
Recurring cash flow per share	1.11	1.10	1.25	1.39	1.52
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	5,638	5,898	6,229	6,589	6,975
Less: Accumulated depreciation	(2,322)	(2,556)	(2,867)	(3,199)	(3,553)
Tangible fixed assets (net)	3,315	3,343	3,362	3,390	3,422
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	154	254	254	254	254
Cash & equivalents	1,717	1,901	2,371	2,819	3,295
A/C receivable	243	290	290	290	290
Inventories	51	48	53	57	61
Other current assets	12	12	13	14	15
Current assets	2,023	2,251	2,727	3,181	3,661
Other assets	65	62	62	62	62
Total assets	5,558	5,910	6,404	6,886	7,398
Common equity	4,735	5,080	5,515	5,938	6,400
Minorities etc.	0	0	0	0	0
Total shareholders' equity	4,735	5,080	5,515	5,938	6,400
Long term debt	8	9	9	9	9
Other long-term liabilities	209	195	195	195	195
Long-term liabilities	217	204	204	204	204
A/C payable	499	522	570	618	659
Short term debt	0	0	0	0	0
Other current liabilities	106	105	115	126	135
Current liabilities	606	626	686	744	794
Total liabilities and shareholders' equity	5,558	5,910	6,404	6,886	7,398
Net working capital	(299)	(276)	(330)	(383)	(428)
Invested capital	3,235	3,382	3,348	3,323	3,310
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	6.02	6.46	7.01	7.55	8.14
Tangible book value per share	6.02	6.46	7.01	7.55	8.14
Financial strength					
Net debt/equity (%)	(36.1)	(37.3)	(42.8)	(47.3)	(51.3)
Net debt/total assets (%)	(30.8)	(32.0)	(36.9)	(40.8)	(44.4)
Current ratio (x)	3.3	3.6	4.0	4.3	4.6
CF interest cover (x)	(69.7)	(13.2)	(15.1)	(21.0)	(19.2)
Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	30.1	30.6	25.4	22.5	20.3
Recurring P/E @ target price (x) *	37.4	38.1	31.6	28.0	25.2
Reported P/E (x)	30.1	30.6	25.4	22.5	20.3
Dividend yield (%)	1.3	1.4	2.0	2.2	2.5
Price/book (x)	3.6	3.4	3.1	2.9	2.7
Price/tangible book (x)	3.6	3.4	3.1	2.9	2.7
EV/EBITDA (x) **	15.5	15.8	13.3	11.5	10.1
EV/EBITDA @ target price (x) **	19.7	20.2	17.1	14.8	13.2
EV/invested capital (x)	4.7	4.5	4.4	4.3	4.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Praram 9 Hospital; FSSIA estimates

Praram 9 Hospital PCL (PR9 TB)

FSSIA ESG rating

★ ★ ★

Exhibit 15: FSSIA ESG score implication

54.08 /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 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	2.33	2.43
BESG environmental pillar score	—	2.56	2.18
BESG social pillar score	—	1.36	1.52
BESG governance pillar score	—	4.13	4.46
ESG disclosure score	—	37.90	37.90
Environmental disclosure score	—	11.78	11.78
Social disclosure score	—	20.68	20.68
Governance disclosure score	—	81.10	81.10
Environmental			
Emissions reduction initiatives	No	Yes	Yes
Climate change policy	No	Yes	Yes
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	No	No
GHG scope 1	—	0	0
GHG scope 2 location-based	—	4	6
GHG Scope 3	—	0	5
Carbon per unit of production	—	—	—
Biodiversity policy	No	No	No
Energy efficiency policy	No	Yes	Yes
Total energy consumption	—	7	13
Renewable energy use	—	—	—
Electricity used	—	—	—
Fuel used - natural gas	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

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

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><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
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																			
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.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Praram 9 Hospital	PR9 TB	THB 21.70	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Bangkok Dusit Medical Services	BDMS TB	THB 31.00	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-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 274.00	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 16.80	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 2.62	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.
Patrasit Healthcare Group	PHG TB	THB 16.70	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.
Thonburi Healthcare Group	THG TB	THB 22.00	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 25.00	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 23-Sep-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.