

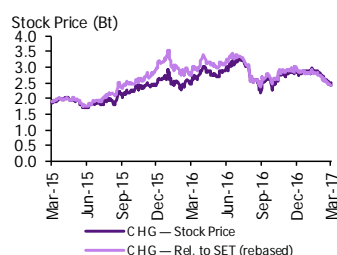
BUY

Stock Data

Last close (Mar 17) (Bt)	2.46
12-m target price (Bt)	3.50
Upside (Downside) to TP (%)	42.28
Mkt cap (Btbn)	27.06
Mkt cap (US\$m)	775

Bloomberg code	CHG TB
Reuters code	CHG.BK
Risk rating	L
Mkt cap (% SET)	0.18
Sector % SET	4.48
Shares issued (mn)	11,000
Par value (Bt)	0.10
12-m high / low (Bt)	3.3 / 2.1
Avg. daily 6m (US\$m)	3.73
Foreign limit / actual (%)	49 / 7
Free float (%)	39.5
Dividend policy (%)	≥ 50

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	(10.9)	(12.1)	(8.9)
Relative to SET	(9.9)	(14.3)	(19.3)

Source: SET, SCBS Investment Research

Raweenuch Piyakriengkai

Fundamental Investment

Analyst on Securities

(66-2) 949-1002

raweenuch.piyakriengkai@scb.co.th

Play on strong earnings growth

After the one-off weakness in 4Q16, we expect operations to get back on track with core earnings growth at 22% CAGR in 2016-18. We also see earnings upside from SC operations. CHG's share price has fallen by 14% YTD and it is trading at 1.8x PE to earnings growth, a discount to average of regional peers of 2.1x – in direct opposition to the prospects of strong earnings growth. We see this as an opportunity to buy and maintain our BUY call; it is our lead pick in the sector.

Operations improving. CHG's lackluster 4Q16 earnings were mainly a reflection of lower patient volume growth during the period of mourning, unable to offset the effect on EBITDA margin of the higher operating costs after the completion of its flagship expansions in 3Q16. CHG says operations are getting back to normal and are improving thus far in the year – with first quarter normally a good time for hospitals, as the weather changes. Rising patient volume will bring better asset utilization and wider margin, in our view.

Upside from SC service. Since January 1, 2017, SC insured persons have been given an additional benefit: an annual health checkup (including basic checkup and special services depending on age). The allowance covers Bt200-800/person and the hospital will get direct reimbursement from the Social Security Office. In 2016, CHG had 401K SC insured persons on average. Assuming 30% of these do an annual checkup and the checkup costs Bt500/person, we see 2017 earnings upside of 4% for CHG; this is not factored into our earnings projection.

Expansion is on track. CHG's expansion plans are unchanged. It has three investment projects in the pipeline: 1) an expansion of Chularat Cholavaej Hospital in Chonburi that will add 59 beds, with operations expected to start in 1H17; 2) an upgrade of Chularat 304 International Hospital in Prachinburi from a clinic to a hospital by adding 100 beds, operations to start in 1H18; and 3) a greenfield project, Ruampat Chacheongsao Hospital in Chacheongsao (CHG holds 64.58%). This is a 100-bed hospital which is expected to open its doors in 2019.

Maintain BUY and it stays as our lead pick. We maintain our core earnings forecast of Bt675mn in 2017 and Bt842mn in 2018, giving a two-year CAGR of 22% - the best growth of those in our healthcare coverage. CHG's share price has fallen by 14% YTD to where it is trading at 1.8x PE to earnings growth (2016-18 CAGR), a discount to regional peer average of 2.1x – yet has strong earnings prospects. We see this is as an opportunity to buy CHG, our lead pick in the sector (TP at Bt3.5/share).

Forecasts and valuation

Year to 31 Dec	Unit	2015	2016	2017F	2018F	2019F
Revenue	(Btmn)	3,155	3,637	4,126	4,913	5,727
EBITDA	(Btmn)	835	909	1,125	1,374	1,633
Core profit	(Btmn)	538	564	675	842	1,016
Reported profit	(Btmn)	538	564	675	842	1,016
Core EPS	(Bt)	0.049	0.051	0.061	0.077	0.092
DPS	(Bt)	0.012	0.036	0.045	0.055	0.065
P/E, core	(x)	50.3	48.0	40.1	32.1	26.6
EPS growth, core	(%)	12.0	4.8	19.7	24.7	20.7
P/BV, core	(x)	9.1	8.4	7.7	7.0	6.3
ROE	(%)	18.7	18.2	20.1	22.8	24.8
Dividend yield	(%)	0.5	1.5	1.8	2.2	2.6
EV/EBITDA	(x)	32.0	30.2	24.2	19.8	16.6

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY Dec 31	2015	2016	2017F	2018F	2019F
Total revenue	3,155	3,637	4,126	4,913	5,727
Cost of goods sold	(2,082)	(2,469)	(2,780)	(3,288)	(3,816)
Gross profit	1,073	1,168	1,346	1,625	1,911
SG&A	(426)	(494)	(522)	(601)	(679)
Other income	24	21	41	49	57
Interest expense	1	10	21	19	18
Pre-tax profit	670	686	845	1,054	1,272
Corporate tax	132	121	169	211	254
Equity a/c profits	0	0	0	0	0
Minority interests	0	(1)	(1)	(1)	(1)
Core profit	538	564	675	842	1,016
Extra-ordinary items	0	0	0	0	0
Net Profit	538	564	675	842	1,016
EBITDA	835	909	1,125	1,374	1,633
Core EPS (Bt)	0.05	0.05	0.06	0.08	0.09
Net EPS (Bt)	0.05	0.05	0.06	0.08	0.09
DPS (Bt)	0.01	0.04	0.04	0.05	0.06

Profit and Loss Statement (Btmn)

FY Dec 31	4Q15	1Q16	2Q16	3Q16	4Q16
Total revenue	853	886	876	963	912
Cost of goods sold	(560)	(582)	(620)	(643)	(624)
Gross profit	293	304	256	320	288
SG&A	122	114	118	122	140
Other income	4	4	6	6	4
Interest expense	0	1	1	3	4
Pre-tax profit	175	193	143	201	149
Corporate tax	33	37	27	40	17
Equity a/c profits	0	0	0	0	0
Minority interests	(0)	(0)	(0)	(0)	(0)
Core profit	142	157	116	160	131
Extra-ordinary items	0	0	0	0	0
Net Profit	142	157	116	160	131
EBITDA	221	241	196	259	213
Core EPS (Bt)	0.01	0.01	0.01	0.01	0.01
Net EPS (Bt)	0.01	0.01	0.01	0.01	0.01

Balance Sheet (Btmn)

FY Dec 31	2015	2016	2017F	2018F	2019F
Total current assets	1,353	1,335	1,541	1,622	1,805
Total fixed assets	1,987	2,936	3,097	3,416	3,692
Total assets	3,560	4,518	4,893	5,306	5,780
Total loans	78	794	744	694	694
Total current liabilities	540	1,096	1,239	1,330	1,374
Total long-term liabilities	26	157	107	57	57
Total liabilities	591	1,294	1,387	1,428	1,472
Paid-up capital	1,100	1,100	1,100	1,100	1,100
Total equity	2,969	3,224	3,506	3,878	4,308
BVPS (Bt)	0.27	0.29	0.32	0.35	0.39

Balance Sheet (Btmn)

FY Dec 31	4Q15	1Q16	2Q16	3Q16	4Q16
Total current assets	1,353	1,418	1,389	1,421	1,335
Total fixed assets	1,987	2,173	2,412	2,778	114
Total assets	3,560	3,877	4,095	4,478	4,518
Total loans	78	123	369	661	801
Total current liabilities	540	645	852	1,133	1,096
Total long-term liabilities	26	42	69	91	157
Total liabilities	591	716	949	1,251	1,294
Paid-up capital	1,100	1,100	1,100	1,100	1,100
Total equity	2,969	3,161	3,145	3,227	3,224
BVPS (Bt)	0.27	0.29	0.29	0.29	0.29

Cash Flow Statement (Btmn)

FY Dec 31	2015	2016	2017F	2018F	2019F
Core Profit	538	564	675	842	1,016
Depreciation and amortization	164	213	259	301	343
Operating cash flow	710	774	966	1,114	1,330
Investing cash flow	(588)	(1,155)	(420)	(620)	(620)
Financing cash flow	(174)	679	(401)	(520)	(636)
Net cash flow	(85)	268	139	(39)	59

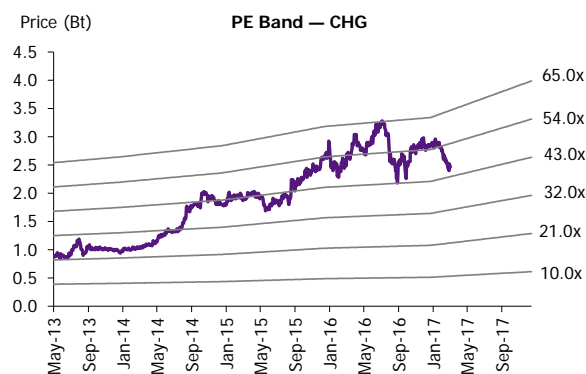
Main Assumptions

	2015	2016	2017F	2018F	2019F
Revenue breakdown (%)					
Cash service	51	55	60	64	67
Social securities (SC)	36	36	34	31	28
Universal coverage project (UC)	13	9	6	6	5

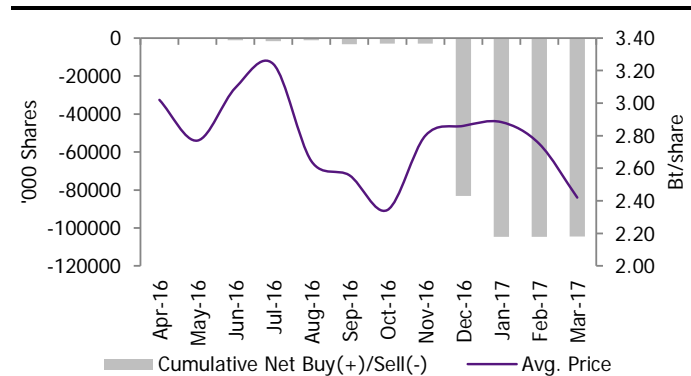
Key Financial Ratios

FY Dec 31	2015	2016	2017F	2018F	2019F
Gross margin(%)	34.0	32.1	32.6	33.1	33.4
Operating margin(%)	20.5	18.5	20.0	20.8	21.5
EBITDA margin(%)	26.3	24.8	27.0	27.7	28.2
EBIT margin(%)	19.5	20.5	21.5	22.5	23.5
Net profit margin(%)	17.1	15.5	16.4	17.1	17.7
ROE (%)	18.7	18.2	20.1	22.8	24.8
ROA (%)	15.8	14.0	14.3	16.5	18.3
Net D/E (x)	net cash	0.1	0.0	0.0	0.0
Interest coverage (x)	1,031.2	95.4	54.5	71.9	92.7
Debt service coverage (x)	15.8	1.4	1.7	2.1	2.5
Payout Ratio (%)	24.5	70.2	70.0	70.0	70.0

PE Band Chart

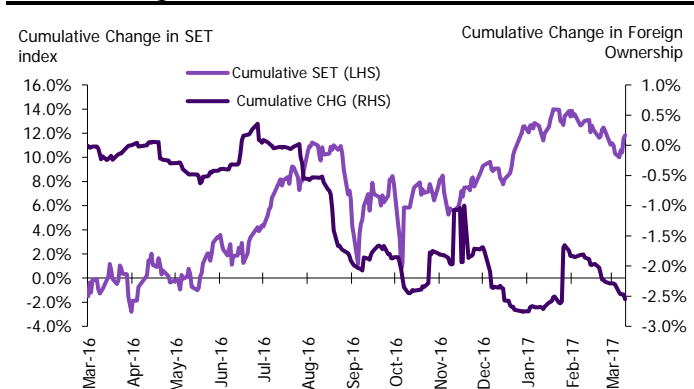


12-Month Cumulative directors trade



Source: SEC

12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

Figure 1: Valuation summary (Closing price as of Mar 17, 2017)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					16A	17F	18F	16A	17F	18F	16A	17F	18F	16A	17F	18F	16A	17F	18F	16A	17F	18F
BDMS	Buy	20.40	27.5	36.3	38.6	34.5	30.6	5	12	13	5.4	5.4	4.9	14	16	17	1.4	1.4	1.6	23.2	21.3	18.8
BCH	Buy	13.10	17.0	30.8	43.4	35.7	29.8	43	22	20	6.1	5.7	5.0	15	16	18	1.3	1.0	1.2	19.9	16.3	14.8
BH	Sell	180.50	190.0	6.8	36.5	33.1	29.0	6	10	14	8.9	8.0	7.1	26	25	26	1.4	1.5	1.7	28.2	20.5	17.8
CHG	Buy	2.46	3.5	44.1	48.0	40.1	32.1	5	20	25	8.4	7.7	7.0	18	20	23	1.5	1.8	2.2	30.2	24.2	19.8
Average					41.6	35.8	30.4	15	16	18	7.2	6.7	6.0	18	19	21	1.4	1.4	1.7	25.4	20.6	17.8

Source: SCBS Investment Research

CG Rating 2016 Companies with CG Rating

★★★★★

AMATA, AOT, BAFS, BAY, BCP, BIGC, BTS, BWG, CK, CPF, CPN, CSL, DELTA, DEMCO, DRT, DTAC, DTC, EASTW, EGCO, GFPT, GPSC, GRAMMY, HANA, HMPRO, INTUCH, IRPC, IVL, KBANK, KCE, KKP, KTB, KTC, LHBANK, LPN, MBK, MCOT, MINT, MONO, NKI, NYT, OTO, PHOL, PPS, PS, PSL, PTT, PTTEP, PTTGC, QH, QTC, RATCH, SAMART, SAMTEL, SAT, SC, SCB, SCC, SCCC, SE-ED, SIM, SITHAI, SNC, SPALI, SSSC, STEC, SVI, TCAP, THCOM, TISCO, TKT, TMB, TNDT, TOP, TSC, TTCL, TU, UV, VGI, WACOAL, WAVE

★★★★

2S, AAV, ACAP, ADVANC, AGE, AH, AHC, AKP, ALUCON, AMANAH, ANAN, AP, APCO, APCS, ARIP, ASIA, ASIMAR, ASK, ASP, AUCTION, AYUD, BANPU, BBL, BDMS, BEM, BFIT, BLA, BOL, BROOK, CEN, CENTEL, CFRESH, CGH, CHG, CHO, CHOW, CI, CIMBT, CKP, CM, CNS, CNT, COL, CPI, DCC, EA, ECF, EE, ERW, FORTH, FPI, GBX, GC, GCAP, GL, GLOBAL, GLOW, GUNKUL, HOTPOT, HYDRO, ICC, ICHI, IFEC, INET, IRC, JSP, K, KSL, KTIS, L&E, LANNA, LH, LHK, LIT, LOXLEY, LRH, LST, M, MACO, MALEE, MBKET, MC, MEGA, MFC, MOONG, MSC, MTI, MTL, NCH, NOBLE, NSI, NTV, OCC, OGC, OISHI, ORI, PACE, PAP, PB, PCSGH, PDI, PE, PG, PJW, PLANB, PM, PPP, PR, PRANDA, PREB, PRG, PRINC, PT, PTG, PYLON, Q-CON, RICHY, ROBINS, RS, RWI, S, S & J, SABINA, SALEE, SAMCO, SCG, SEAFSCO, SFP, SIAM, SINGER, SIS, SMK, SMPC, SMT, SNP, SPI, SPPT, SPRC, SR, SSF, SST, STA, SUSCO, SUTHA, SWC, SYMC, SYNEX, SYNTEC, TAE, TAKUNI, TASCOS, TBSP, TCC, TF, TFI, TGC1, THAI, THANA, THANI, THIP, THRE, THREL, TICON, TIPCO, TK, TKS, TMC, TMI, TMILL, TMT, TNITY, TNL, TOG, TPC, TPCORP, TRC, TRU, TRUE, TSE, TSR, TSTE, TSTH, TTA, TTW, TVD, TVO, TWPC, UAC, UP, UPF, VIH, VNT, WINNER, YUASA, ZMICO

★★★

AEC, AEONTS, AF, AIRA, AIT, AJ, AKR, AMARIN, AMATAV, AMC, APURE, AQUA, ARROW, AS, BA, BEAUTY, BEC, BH, BIG, BJC, BJCHI, BKD, BR, BROCK, BRR, BTNC, CBG, CGD, CHARAN, CITY, CMR, COLOR, COM7, CPL, CSC, CSP, CSR, CSS, CTW, DCON, DIMET, DNA, EARTH, EASON, ECL, EFORL, EPCO, EPG, ESSO, FE, FER, FOCUS, FSMART, FSS, FVC, GEL, GIFT, GLAND, GOLD, GSTEL, GYT, HPT, HTC, HTECH, IFS, IHL, ILINK, INSURE, IRCP, IT, ITD, J, JMART, JMT, JUBILE, JWD, KASET, KBS, KCAR, KGI, KKC, KOOL, KWC, KYE, LALIN, LPH, MAJOR, MAKRO, MATCH, MATI, M-CHAI, MDX, MFEC, MJD, MK, MODERN, MPG, NC, NCL, NDR, NEP, NOK, NUSA, PATO, PCA, PDG, PF, PICO, PIMO, PL, PLAT, PLE, PMTA, PPM, PRIN, PSTC, QLT, RCI, RCL, RICH, RML, RPC, SANKO, SAPPE, SAWAD, SCI, SCN, SCP, SEAOL, SENA, SIRI, SKR, SLP, SMG, SMIT, SORKON, SPA, SPC, SPCG, SPVI, SSC, STANLY, STPI, SUC, TACC, TCCC, TCMC, TEAM, TFD, TFG, TIC, TIW, TKN, TLUXE, TMD, TNP, TOPP, TPA, TPAC, TPCH, TPIPL, TPOLY, TRITN, TRT, TTI, TVI, TWP, U, UBIS, UMI, UPOIC, UT, UWC, VIBHA, VPO, VTE, WICE, WIJK, WIN, XO

Corporate Governance Report

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.

SMG was voluntarily delisted from the Stock Exchange of Thailand effectively on June 2, 2016

Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

ADVANC, AKP, AMANAH, ASP, AYUD, BAFS, BANPU, BAY, BBL, BCP, BKI, BLA, BTS, BWG, CENTEL, CFRESH, CIMBT, CNS, CPI, CPN, CSL, DCC, DEMCO, DIMET, DRT, DTAC, DTC, EASTW, ECL, EGCO, ERW, FE, FSS, GBX, GCAP, GLOW, HANA, HTC, ICC, IFEC, INTUCH, IRPC, IVL, KBANK, KCE, KGI, KKP, KTB, KTC, LANNA, LHBANK, LHK, MBK, MBKET, MFC, MINT, MONO, MOONG, MSC, MTI, NKI, NSI, OCEAN, PB, PE, PG, PHOL, PM, PPP, PPS, PR, PSL, PT, PTG, PTT, PTTEP, PTTGC, Q-CON, QLT, RATCH, S & J, SABINA, SAT, SCB, SCC, SCG, SINGER, SIS, SMPC, SNC, SNP, SPC, SPI, SSF, SSI, SSSC, SVI, TCAP, TCMC, TF, TGC1, THANI, THCOM, THRE, THREL, TIPCO, TISCO, TMB, TMD, TNITY, TNL, TOG, TOP, TPCORP, TSC, TSTH, TTCL, TVI, WACOAL

Declared (ประกาศเจตนา)

2S, A, ABC, AEC, AF, AI, AIRA, ALUCON, AMATA, ANAN, AOT, AP, APCO, AQUA, ASIAN, ASK, BCH, BEAUTY, BFIT, BJCHI, BROCK, BROOK, BRR, BSBM, BTNC, CGH, CHOTI, CHOW, CM, COL, CPALL, CPF, CSC, CSS, EE, EPCO, FC, FER, FNS, FPI, FSMART, GEL, GFPT, GIFT, GLOBAL, GPSC, GREEN, GUNKUL, HMPRO, ICHI, IEC, IFS, ILINK, INET, IRC, J, JMART, JMT, JUBILE, JUTHA, K, KASET, KBS, KCAR, KSL, KTECH, KYE, L&E, LPN, LVT, M, MBAX, MC, MCOT, MIDA, MILL, ML, MPG, MTL, NBC, NINE, NMG, NNCL, NTV, NUSA, OCC, OGC, PACE, PAF, PCSGH, PDG, PDI, PIMO, PK, PLANB, PLAT, PRANDA, PRG, PRINC, PSTC, PYLON, QH, RML, ROBINS, ROH, SANKO, SAUCE, SC, SCCC, SCN, SEAOL, SE-ED, SENA, SGP, SITHAI, SMIT, SMK, SORKON, SPACK, SPPT, SPRC, SR, SRICHA, STA, SUSCO, SYNTEC, TAE, TAKUNI, TASCOS, TBSP, TFG, TFI, TICON, TIP, TKT, TLUXE, TMILL, TMT, TPA, TPP, TRT, TRU, TRUE, TSE, TU, TVD, TVO, TVT, U, UBIS, UKEM, UOBKH, UREKA, UWC, VGI, VIBHA, VNT, WAVE, WHA, WICE, WIJK, XO

N/A

AAV, ABICO, ACAP, ACC, ADAM, AEONTS, AFC, AGE, AH, AHC, AIE, AIT, AJ, AJD, AKR, ALLA, ALT, AMA, AMARIN, AMATAV, AMC, APCO, APURE, APX, AQ, ARIP, ARROW, AS, ASEFA, ASIA, ASIMAR, ASN, ATP30, AU, AUCTION, BA, BAT-3K, BCPG, BDMS, BEC, BEM, BGT, BH, BIG, BIGC, BIZ, BJC, BKD, BLAND, BLISS, BM, BOL, BPP, BR, BRC, BSM, BTC, BTW, BUI, CBG, CCET, CCN, CCP, CEN, CGD, CHARAN, CHEWA, CHG, CHO, CHUO, CI, CIG, CITY, CK, CKP, CMO, CMR, CNT, COLOR, COM7, COMAN, CPH, CPL, CPR, CRANE, CSP, CSR, CTW, CWT, DAI, DCON, DCON, DELTA, DNA, DRACO, DSGT, DTCL, EA, EARTH, EASON, ECF, EFORL, EIC, EKH, EMC, EPG, ESSO, ESTAR, ETE, EVER, F&D, FANCY, FMT, FN, FOCUS, FORTH, FVC, GC, GENCO, GJS, GL, GLAND, GOLD, GRAMMY, GRAND, GSTEL, GTB, GYT, HARN, HFT, HOTPOT, HPT, HTECH, HYDRO, IHL, INOX, INSURE, IRCP, IT, ITD, ITEL, JAS, JCT, JSP, JTS, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTIS, KWC, KWG, LALIN, LDC, LEE, LH, LIT, LOXLEY, LPH, LRH, LST, LTX, MACO, MAJOR, MAKRO, MALEE, MANRIN, MATCH, MATI, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MFEC, MGT, MJD, MK, MODERN, MPIC, NC, NCH, NCL, NDR, NEP, NETBAY, NEW, NEWS, NFO, NOBLE, NOK, NPK, NPP, NWR, NYT, OHTL, OISHI, ORI, OTO, PAE, PAP, PATO, PCA, PERM, PF, PICO, PJW, PL, PLE, PMTA, POLAR, POMPUI, POST, PPM, PRAKIT, PREB, PRECHA, PRIN, PRO, PSH, PTL, QTC, RAM, RCI, RCL, RICH, RICHY, RIJ, ROCK, ROJNA, RP, RPC, RPH, RS, RWI, S, S11, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SAPPE, SAWAD, SAWANG, SCI, SCP, SE, SEAFSCO, SELIC, SF, SFP, SGF, SHANG, SIAM, SIM, SIMAT, SIRI, SKR, SLP, SMART, SMM, SMT, SOLAR, SPA, SPALI, SPCG, SPG, SPORT, SPVI, SO, SSC, SST, STANLY, STAR, STEC, STHAI, STPI, SUC, SUPER, SUTHA, SVH, SVOA, SWC, SYMC, SYNEX, T, TACC, TAPAC, TC, TCB, TCC, TCCC, TCJ, TCOAT, TEAM, TFD, TGPRO, TH, THAI, THANA, THE, THIP, THL, TIC, TIW, TK, TKN, TKS, TM, TMC, TMI, TMW, TNDT, TNH, TNP, TNPC, TNR, TOPP, TPAC, TPBI, TPCH, TPIPL, TPOLY, TR, TRC, TRITN, TRUBB, TSF, TSI, TSE, TTA, TTI, TTL, TTTM, TTW, TUCC, TWP, TWPC, TWZ, TYCN, UAC, UEC, UMI, UMS, UNIQ, UP, UPA, UPF, UPOIC, UT, UTP, UV, UVAN, VARO, VI, VIH, VNG, VPO, VTE, WG, WIN, WINNER, WORK, WORLD, WP, WR, YCI, YNP, YUASA, ZMICO

Explanations

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 27, 2017) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.