

Hong Kong

ADD (no change)

Consensus ratings*: Buy 7 Hold 0 Sell 0

Current price:	HK\$7.59
Target price:	HK\$12.03
Previous target:	HK\$13.16
Up/downside:	58.5%
CGS-CIMB / Consensus:	na
Reuters:	2138.HK
Bloomberg:	2138 HK
Market cap:	US\$1,140m
	HK\$8,944m
Average daily turnover:	US\$1.01m
	HK\$7.93m
Current shares o/s:	1,178m
Free float:	36.1%

*Source: Bloomberg

Key changes in this note

- FY23F/24F revenue decreased by 4.9%/7.7%.
- FY23F/24F EBITDA margin decreased by 0.2%/0.4% pt.
- FY23F/24F EPS decreased by 11.7%/26.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.7	-5.6	-46.9
Relative (%)	-4.6	-1.6	-20.7

Major shareholders

	% held
TANG Chi Fai (Chairman & CEO)	63.9
The Goldman Sachs Group	6.5
OrbiMed Advisors III Ltd	5.8

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EC Healthcare

Strong medical services revenue

- ECH's FY22 net profit was 36%/46% below our/Bloomberg consensus forecasts, impacted by the prolonged Omicron outbreak in HK.
- M&As will continue to lead strong revenue growth in medical services.
- Reiterate Add, with a lower TP of HK\$12.03 due to c.12%/26% FY23F/24F EPS cuts.

2H22 net profit fell below on prolonged Covid-19 impact

EC Healthcare's (ECH) 2H3/FY22 (Oct 21 to Mar 22) was badly hit by the fifth wave of Covid-19 in HK given the compulsory closure of its beauty parlours (7 Jan to 20 Apr 2022). ECH's 2H22 revenue grew 15% yoy to HK\$1.48bn, mainly driven by medical services (+56% yoy), while aesthetic medical and beauty services revenue fell 33% yoy, no thanks to the closure of beauty services for 84 days. 2H22 core net profit fell 51% yoy to HK\$46m due to decreased clinic visitors. FY22 net profit was HK\$198m, up 2% yoy, driven by strong growth in medical services (revenue +76% yoy in FY22) and new contribution from veterinary business, as well as strong aesthetic and beauty services in 1H22 (revenue +62% yoy in 1H22).

M&As to continue to lead medical services segment growth

Total service floor space increased 34% yoy to 540k sq ft in FY22; medical services expanded to 29 specialist disciplines and full-time/exclusive registered practitioners increased to 251, driven by M&As and organic growth. ECH spent HK\$641m and completed a few major acquisitions for veterinary, dental, specialists and pain & wellness businesses in FY22. The company also acquired a veterinary hospital in Apr 2022 and a health screening business in May 2022 (Fig 5 for details). Meanwhile, ECH opened two imaging centres and the flagship pain & wellness centre and also added one floor for ophthalmology, obstetrics and gynaecology in the headquarters, Langham Place. Given the good M&A track record, which helped to improve profitability for its acquired businesses, supported by strong marketing and customer base, we believe M&As will continue to boost its medical services business in FY23-24F. We estimate medical services to achieve c.25% revenue CAGR in FY23-25F (excluding potential M&As).

Aesthetic and beauty services recovering in FY23F

We expect a strong recovery in aesthetic medical and beauty services in FY23F (we estimate 23% yoy growth) on easing Omicron impact, underpinned by robust domestic demand and government consumption voucher. We cut our FY23F/24F EPS forecasts by c.12%/26% to reflect slower growth in aesthetic medical and beauty services due to further delays in the opening of China-HK borders on prolonged Covid-19 in HK. Nevertheless, we expect strong business recovery in all segments in FY23F (EPS +83% yoy), driven by rapidly-growing medical services (organic growth and M&As) and improving profitability due to the recovery in aesthetic medical and beauty services business.

Reiterate Add with lower TP HK\$12.03

Our TP falls to HK\$12.03, based on 30x CY23F P/E, still 1x PEG, reflecting the long-term earnings outlook. Share price catalysts include China-HK border reopening in summer 2022 and strong local demand for aesthetic medical and beauty services. Risks: further delays in the reopening of China-HK border.

Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (HK\$m)	2,080	2,920	3,788	4,758	5,835
Operating EBITDA (HK\$m)	289	492	846	1,069	1,301
Net Profit (HK\$m)	192.9	197.5	384.3	507.3	662.8
Normalised EPS (HK\$)	0.12	0.17	0.31	0.43	0.56
Normalised EPS Growth	(54.9%)	36.9%	83.0%	38.5%	30.7%
FD Normalised P/E (x)	61.40	45.44	24.82	17.92	13.72
DPS (HK\$)	0.16	0.14	0.26	0.34	0.45
Dividend Yield	2.09%	1.90%	3.44%	4.54%	5.93%
EV/EBITDA (x)	26.59	17.34	10.27	8.07	6.51
P/FCFE (x)	28.2	113.3	41.0	23.1	15.5
Net Gearing	(25.2%)	(27.2%)	(29.9%)	(35.8%)	(46.7%)
P/BV (x)	6.63	4.75	5.04	5.66	6.18
ROE	11.2%	12.4%	20.1%	30.3%	43.8%
% Change In Normalised EPS Estimates			(11.7%)	(26.3%)	
Normalised EPS/consensus EPS (x)			0.75	0.73	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Strong medical services revenue

Figure 1: FY22 results review

FYE Mar (HK\$m)	2HFY22	2HFY21	yoy % chg	hoh % chg	2HFY22 Cum	2HFY21 Cum	yoy % chg	FY22F Prev.	Comments
Revenue	1,476	1,283	15.0	2.2	2,920	2,080	40.3	3,059	2HFY22 revenue grew 15% yoy, driven by medical services
Operating costs	(1,293)	(1,084)	19.3	14.4	(2,427)	(1,791)	35.5	(2,418)	(+56% yoy), aesthetic medical and beauty services (-33% yoy).
EBITDA	183	199	(8.2)	(41.7)	492	289	70.2	641	
EBITDA margin (%)	12.4	15.5			16.9	13.9		21.0	EBITDA margin contracted by 3% pts yoy to 12.4% due to
Depn & amort.	(52)	(41)	27.6	(29.7)	(167)	(110)	52.9	(166)	compulsory closure of beauty business in HK for 84 days.
EBIT	95	128	(25.5)	(58.6)	325	180	80.8	452	(closure since 8 Jan 2022 to 20 April 2022, total 104 days)
Interest expense	(31)	(15)	110.2	66.8	(49)	(24)	106.8	(37)	
Interest & invt inc	36	31	16.1	274.7	45	40	13.2	23	
Associates' contrib	(2)	4	(146.1)	(247.7)	(1)	5	N/M	6	
Exceptionals	(8)	57	(113.9)	-	2	65	-	10	Government subsidy HK\$75.3m in 2HFY21
Pretax profit	90	206	(56.2)	(61.1)	321	266	20.9	453	
Tax	(15)	(33)	(53.4)	(57.2)	(51)	(40)	26.3	(68)	
Tax rate (%)	16.9	15.9			15.8	15.2		15.0	
Minority interests	(37)	(23)	59.1	3.6	(73)	(33)	123.1	(76)	2HFY22 core net profit fell 50.5% yoy due to 84 days closure
Net profit	38	149	(74.8)	(76.5)	198	193	2.4	309	of beauty parlours and decreased visitors in clinics, no thanks to
Core net profit	46	92	(50.5)	(69.7)	196	127	53.8	300	the fifth wave of Covid-19 pandemic in HK.
EPS (HK\$ cts)	3.3	14.6	(77.5)	(76.5)	17.1	18.8	(8.8)	27.4	FY22 net profit formed 64% of our FY22 forecast, mainly due to the
Core EPS (HK\$ cts)	4.0	9.0	(55.9)	(69.7)	17.0	12.4	36.9	26.6	prolonged pandemic impact to the group medical and aesthetic medical service

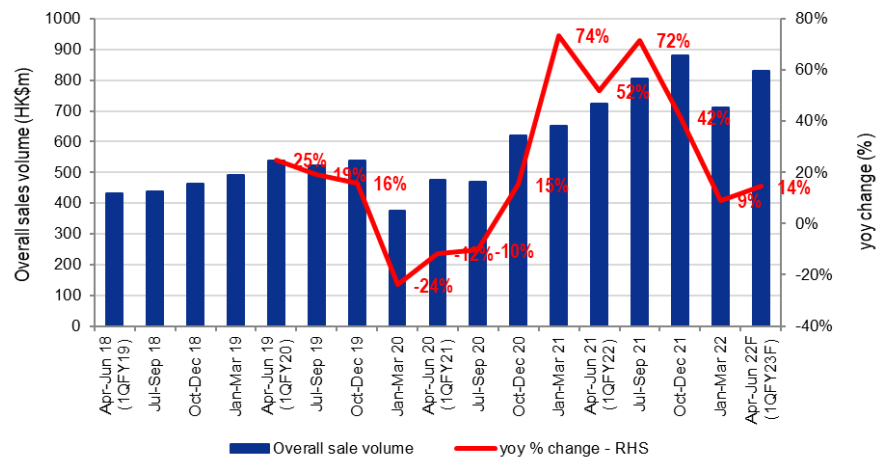
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Revenue breakdown by services segments (FY19 to FY25F)

FYE 31 Mar	Mar-19A	1H20	2H20	Mar-20A	1H21	2H21	Mar-21A	1H22	2H22	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue breakdown by services segments (HK\$ million)													
Medical services	523	324	299	623	361	598	960	758	931	1,689	2,169	2,641	3,135
Total aesthetic and beauty services	1,314	734	529	1,262	406	650	1,056	658	434	1,091	1,342	1,687	2,102
- Medical aesthetic services	835	463	318	781	249	393	642	400	319	719	884	1,114	1,393
- Wellness & beauty services and healthcare products	479	271	211	481	158	256	414	258	114	372	458	572	710
Veterinary and performance marketing	16	61	2	63	30	35	64	28	112	139	277	430	597
Total	1,852	1,118	830	1,949	797	1,283	2,080	1,444	1,476	2,920	3,788	4,758	5,835
- Local customers	1,154	682	636	1,319	738	1,207	1,946	1,364	1,382	2,746	3,356	3,866	4,280
- Mainland Chinese customers	698	436	194	630	59	76	135	80	93	173	433	892	1,555
Revenue breakdown by services segments (yoy change %)													
Medical services	77%	102%	-17%	19%	12%	100%	54%	110%	55%	76%	28%	22%	19%
Total aesthetic and beauty services	30%	6%	-15%	-4%	-45%	23%	-16%	62%	-33%	3%	23%	26%	25%
- Aesthetic medical services	47%	8%	-22%	-6%	-46%	24%	-18%	61%	-19%	12%	23%	26%	25%
- Wellness & beauty services and healthcare products (traditional t	8%	2%	-2%	1%	-42%	22%	-14%	63%	-55%	-10%	23%	25%	24%
Veterinary and performance marketing	n.a.	n.a.	n.a.	0%	-51%	1623%	2%	-6%	223%	117%	99%	55%	39%
Total	42%	28%	-15%	5%	-29%	55%	7%	81%	15%	40%	30%	26%	23%
- Local customers	n.a.	n.a.	n.a.	14%	8%	90%	48%	85%	15%	41%	22%	15%	11%
- Mainland Chinese customers	n.a.	n.a.	n.a.	-10%	-86%	-61%	-79%	35%	23%	28%	150%	106%	74%
Revenue breakdown by services segments (weighting %)													
Medical services	28%	29%	36%	32%	45%	47%	46%	53%	63%	58%	57%	56%	54%
Total aesthetic and beauty services	71%	66%	64%	65%	51%	51%	51%	46%	29%	37%	35%	35%	36%
- Medical aesthetic services	45%	41%	38%	40%	31%	31%	31%	28%	22%	25%	23%	23%	24%
- Wellness & beauty services and healthcare products	26%	24%	25%	25%	20%	20%	20%	18%	8%	13%	12%	12%	12%
Veterinary and performance marketing	1%	5%	0%	3%	4%	3%	3%	2%	8%	5%	7%	9%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
- Local customers	62%	61%	77%	68%	93%	94%	94%	94%	94%	94%	89%	81%	73%
- Mainland Chinese customers	38%	39%	23%	32%	7%	6%	6%	6%	6%	6%	11%	19%	27%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Sales volume, by quarter (1QFY19 to 1QFY23F). The company guided for 14% yoy sales volume growth in 1QFY23F (April – Jun 2022) although there was a closure of 20 days of beauty parlours during the period



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Organic business expansion (April 2022 to Jun 2022)

Date	Medical discipline	Location	Main services	Estimated expenses
Mar 20	Haircare Centre	Mongkok, Hong Kong (Langham Place)	Opening of Hair Forest: Hair regeneration	Estimated expenses HK\$5m
Sep 20	Advanced Imaging Service Centre	Yuen Long, Hong Kong	Provision of high-end image detection such as magnetic resonance MRI, Ultrasound and X-ray to new customers in the New Territories.	Estimated expenses HK\$20m
Jan 21	Shenzhen Headquarter	Shenzhen, China	Mainland China Head office : total 12,000 sq ft, in Futian, Shenzhen	Estimated expenses HK\$10m
Mar 21	Health management and Haircare centre	Causeway Bay, Hong Kong (World Trade Centre)	Provision of full range of comprehensive health screening, health products, health management and hair treatment services.	Estimated expenses HK\$40m
Apr-20 to Mar-21	8 new Pain Treatment Centres	Kwun Tong, Hong Kong	Two flagship stores in Kwun Tong (APM office tower) and Tusen Wan, and 6 new pain treatment clinics.	Estimated expenses HK\$38m
Apr-20 to Mar-21	3 new beauty services clinics	Greater Bay Area, China	Opening of 3 new clinics in the Greater Bay Area, China	Estimated expenses HK\$12m
May 21	Advanced Imaging Service Centre	Tsim Sha Tsui, Hong Kong	The third Advanced Imaging service Centre with GFA of approximately 3,200 sq ft in Tsim Sha Tsui.	Estimated expenses HK\$35m
Jul 21	Ophthalmology centre	Mongkok, Hong Kong (Langham Place)	Add 17,900 sq ft in Langham Place. Opening of the first ophthalmology centre and a new obstetrics and gynaecology centre.	Estimated expenses HK\$30m
Nov 21	Pain management flagship store	Tai Koo Shing, Hong Kong	Provision of full range of pain management services	Estimated expenses HK\$10m
Feb 22	Healthcare medical centre and advanced imaging centre	Tai Koo Shing, Hong Kong	Provision of full range of comprehensive healthcare services and high-end image detection.	Estimated expenses HK\$10m
Apr 22	Multi-service flagship medical centre at Fun House	Central, Hong Kong	The medical centre comprises 7 floors with a total GFA of 22k sq.ft. The upper five floors offer services including but not limited to general medical, orthopaedics, ophthalmology, chiropractic, physiotherapy and pain management and the ground floor and basement of the New Flagship Centre will be an advanced imaging centre serving as a one-stop medical imaging service hub.	Estimated expenses HK\$30m

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Merger and acquisitions (Apr 2020 to Jun 2022)

Date	Asset	Equity stake post deal	Main services	Considerations
FY21				
18-May-20	Acquisition of New Medical Center Limited	51%	One multi-disciplinary clinic with 11 registered medical practitioners in Hong Kong	Total HK\$136m (estimate P/E at 9x)
17-Jul-20	Raises stake by 24% in NYMG (Hong Kong Pain and Wellness Solution Limited)	Increased to 75% from 51%	21 clinics in Hong Kong with 24 chiropractors and four registered medical practitioners in orthopaedics and traumatology	Total HK\$106m (estimate P/E at 10x)
20-Oct-20	Acquisition of Obstetrics And Gynaecology Chain (Zenith)	51%	Four clinics in Hong Kong with eight registered medical practitioners specialised in O&G; also offers in vitro fertilisation (IVF) referral services out of Hong Kong	Total HK\$85m
14-Dec-20	Acquisition of PathLab Medical Laboratories	First tranche: 75%	Five medical laboratories in Hong Kong with over 40 full-time registered medical practitioners	First tranche: HK\$337.5m
14-Dec-20	Acquisition of PathLab Medical Laboratories (final tranche)	Final tranche: 97%	Laboratory technologies; also one of the first local Covid-19 nucleic acid testing institutions recognised by the Hong Kong government	Final tranche: Cash consideration depending on financial performance of the target group: HK\$108m-238m
FY22				
15-Apr-21	Acquisition of Physiotherapy business	51%	Operates a physiotherapy centre in Central with 7 registered physiotherapists, 5 rehabilitation therapists, 1 sports therapist and 1 personal trainer.	Total HK\$10m (estimate P/E at 5x)
15-Jun-21	Acquisition of Veterinary business	51%	The veterinary company operates two veterinary hospitals and two veterinary imaging centres in HK with 14 registered veterinary surgeons.	Total HK\$66m (estimate P/E at 6x)
16-Aug-21	Acquisition of Veterinary business	First tranche: 51%	The veterinary company operates two registered veterinary surgeons and two veterinary hospitals in HK.	Total HK\$26m (historical P/E at 6.2x)
5-Nov-21	Acquisition of Premier Medical Group	70%	5 medical centres in Hong Kong with 30 full-time registered medical practitioners and covering 18 specialist disciplines.	Total HK\$100m (historical P/E at 10x)
29-Nov-21	Acquisition of Bayley & Jackson Dental Surgeons	55%	7 dental clinics in Hong Kong with 32 dentists and owns an extensive loyal corporate client base.	Total HK\$129.4m (historical P/E at 15.5x)
16-Feb-22	Acquisition of multi-disciplinary medical services centres	100%	12 clinics including dental services, chronic disease management services, specialty services, imaging and diagnostic services and medical network of over 250 affiliated clinics providing GP, specialist and physiotherapy services.	Total HK\$68m (historical P/E at 6.7x)
6-Apr-22	Acquired 75% of a veterinary hospital	75%	The target company operates a veterinary hospital in Tai Po with four registered veterinary surgeons	Total HK\$15.8m (historical P/E at 4.7x)
23-May-22	Acquisition of Health Screening Business	75%	Mobile Medical International Holdings operates 4 health screening centres in Jordan, Causeway Bay, Tsuen Wan and Kwun Tong, a medical centre in Jordan and a laboratory in Lai Chi Kok supporting the medical laboratory testing works.	Total HK\$41.2m (historical P/E at 5.6x)
6-Jun-22	Acquired 30% stake in a developing project	30%	Acquired 30% stake in the JV company (a premium purposed-built medical grade building in TST, HK).	Total HK\$275m

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Earnings revisions

FYE Mar (HK\$ m)	Mar-22A	Mar-23F			Mar-24F			Mar-25F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	2,920	3,982	3,788	-4.9%	5,154	4,758	-7.7%	n.a.	5,835	n.a.
EBITDA	536	725	763	5.3%	1,082	978	-9.6%	n.a.	1,200	n.a.
EBITDA margin (%)	18.3%	20.3%	20.1%	-0.2% pts	21.0%	20.6%	-0.4% pts	n.a.	20.6%	n.a.
Net profit	198	415	384	-7.5%	659	507	-23.0%	n.a.	663	n.a.
EPS (HK\$)	0.124	0.352	0.311	-11.7%	0.584	0.431	-26.3%	n.a.	0.563	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Peers comparison

Company	Code	Recom.	Price	Target price	Upside (%)	Market Cap	P/E (x)		3-year EPS CAGR %	P/BV (x)		ROE		EV/EBITDA (X)		Yield	
			(local curr)	(local curr)		(US\$m)	CY22F	CY23F		CY22F	CY23F	CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
EC Healthcare	2138 HK	Add	7.59	12.03	58%	1,140	28.0	18.9	55.4%	5.0	5.5	18.0%	27.6%	11.6	8.6	3.1%	4.3%
Angelalign Technology	6699 HK	Not Rated	160.50	N/A	N/A	3,451	63.6	50.1	N/A	6.2	5.4	9.9%	11.4%	63.3	50.0	0.2%	0.3%
China Medical System	867 HK	Not Rated	12.24	N/A	N/A	3,825	7.7	7.1	9.9%	1.7	1.5	23.9%	22.7%	5.9	5.2	5.2%	5.6%
China Resources Phoenix Healthcare	1515 HK	Not Rated	5.22	N/A	N/A	862	12.8	11.8	9.1%	0.8	0.8	6.5%	6.9%	6.8	5.7	2.4%	2.0%
Euroeyes Int'l	1846 HK	Not Rated	6.42	N/A	N/A	273	13.9	10.5	27.5%	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%
Modern Dental	3600 HK	Add	3.09	6.38	106%	377	7.2	4.8	23.8%	1.4	1.2	18.8%	27.4%	4.4	2.8	6.3%	9.3%
Sihuan Pharmaceutical	460 HK	Not Rated	1.24	N/A	N/A	1,474	16.3	13.2	-0.5%	1.1	1.0	8.7%	7.7%	N/A	N/A	0.0%	0.0%
Wenzhou Kangning Hospital	2120 HK	Not Rated	12.10	N/A	N/A	115	7.7	6.6	N/A	N/A	N/A	7.5%	7.8%	N/A	N/A	2.6%	3.0%
Average of medical and healthcare services providers and medical related companies							18.4	14.9	14.0%	2.3	2.0	12.6%	14.0%	20.1	15.9	2.4%	2.9%
Bangkok Chain Hospital	BCH TB	Add	18.30	24.50	34%	1,286	12.5	15.7	-24.7%	3.1	2.8	26.8%	18.7%	7.8	9.6	4.0%	3.2%
Bangkok Dusit	BDMS TB	Hold	24.70	27.00	9%	11,059	38.2	36.3	12.8%	4.6	4.5	12.4%	12.5%	19.9	19.2	2.2%	2.2%
Bumrungrad Hospital	BH TB	Hold	176.00	179.00	2%	3,942	56.1	45.1	38.1%	8.1	7.9	14.7%	17.7%	33.2	28.0	1.8%	1.8%
IHH Healthcare Bhd	IHH MK	Add	6.36	8.12	28%	12,707	35.6	30.4	5.8%	2.2	2.1	7.0%	7.7%	15.0	13.6	1.0%	1.2%
KPJ Healthcare	KPJ MK	Hold	0.83	0.99	20%	813	29.4	27.5	33.2%	1.6	1.6	5.7%	5.8%	8.1	8.1	1.7%	1.8%
Raffles Medical	RFMD SP	Hold	1.12	1.33	19%	1,494	31.8	30.1	0.2%	2.1	2.1	6.8%	7.1%	14.6	13.6	2.5%	2.5%
Average of regional healthcare services providers							33.9	30.9	10.9%	3.6	3.5	12.2%	11.6%	16.4	15.4	2.2%	2.1%
Aetna Inc	AET US	Not Rated	1.12	N/A	N/A	1,493	29.5	27.3	4.3%	2.1	2.1	7.5%	7.7%	14.1	13.1	2.2%	2.1%
Centene Corp	CNC US	Not Rated	472.34	N/A	N/A	113,874	16.6	14.6	10.3%	3.0	2.6	17.5%	18.6%	12.9	11.3	1.1%	1.1%
Molina Healthcare	MOH US	Not Rated	454.64	N/A	N/A	57,509	18.5	16.4	13.4%	3.5	3.0	18.4%	18.4%	12.6	11.2	0.7%	0.7%
UnitedHealth Group	UNH US	Not Rated	265.61	N/A	N/A	15,591	15.4	13.6	17.2%	4.3	3.2	31.4%	26.4%	7.8	6.3	0.0%	0.0%
Average of US healthcare services providers							20.0	18.0	11.3%	3.2	2.7	18.7%	17.8%	11.9	10.5	1.0%	1.0%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 23 JUN 2022)



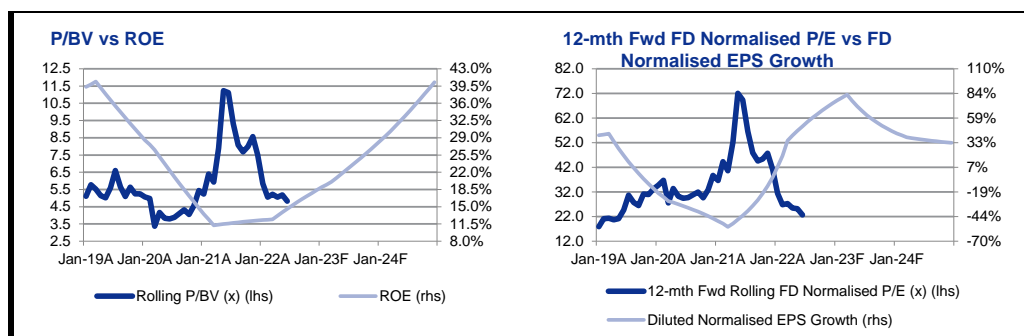
ESG in a nutshell

EC Healthcare (ECH) believes there should be a balance between economic development, society, and the environment. Therefore, ECH said it regards ESG as one of the main priorities in mapping its business development.

Since 2015, the philosophy of United Nations Sustainable Development Goals has been embedded in ECH's corporate mission, integrating "Good Health and Wellbeing" into the company's mission of "bringing health, beauty, and happiness to everyone". ECH said that it does not see financial success as coming at the expense of society or the environment, while creating a positive impact on society and the environment does not need to come at the expense of profit. By creating shared value within the surrounding communities, the company can ultimately bring prosperity to all stakeholders.

In our view, ECH is not involved in any environmentally-detrimental industry practices and tries to minimise the environmental impact of its operations.

<p>Keep your eye on</p> <p>ECH believes there should be a balance between economic development, society, and the environment. Therefore, ECH said it regards ESG as one of the main priorities in mapping its business development.</p>	<p>Implications</p> <p>The company communicates and engages with different stakeholders – including employees, customers and suppliers – in order to improve sustainability, better serve its community, and simultaneously deliver outperformance for the company.</p>
<p>ESG highlights</p> <p>ECH said that sustainability and today's environmental and societal challenges are an important responsibility.</p>	<p>Implications</p> <p>In FY21, ECH invited a number of internal and external stakeholders to participate in discussing the sustainability policies and measures of the company. Besides, the company appreciates the importance of environmental protection and has actively encouraged its staff to participate in environmental protection activities, such as recycling waste batteries and solid waste. ECH encourages employee involvement in worthy causes through its philanthropic and CSR initiatives.</p>
<p>Trends</p> <p>In FY21, the company's energy and water consumption decreased from a year earlier.</p>	<p>Implications</p> <p>ECH's total electricity consumption per employee was 992kWh in FY21, down by 25% yoy.</p> <p>ECH's total water consumption per employee was 4.95 cubic metres in FY21, down by 23% yoy.</p> <p>ECH's total greenhouse gas emission was 1,535 tonnes in FY21, up by 3% yoy.</p> <p style="text-align: right; font-size: small;">SOURCES: CGS-CIMB RESEARCH, REFINITIV</p>

BY THE NUMBERS

Profit & Loss

(HK\$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	2,080	2,920	3,788	4,758	5,835
Gross Profit	1,845	2,570	3,335	4,188	5,136
Operating EBITDA	289	492	846	1,069	1,301
Depreciation And Amortisation	(110)	(167)	(298)	(318)	(339)
Operating EBIT	180	325	548	751	962
Financial Income/(Expense)	16	(4)	(15)	(15)	(15)
Pretax Income/(Loss) from Assoc.	5	(1)	9	15	28
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	200	320	541	751	975
Exceptional Items	65	2	18	0	0
Pre-tax Profit	266	321	559	751	975
Taxation	(40)	(51)	(89)	(120)	(156)
Exceptional Income - post-tax					
Profit After Tax	226	271	469	631	819
Minority Interests	(33)	(73)	(85)	(124)	(156)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	193	198	384	507	663
Normalised Net Profit	160	269	451	631	819
Fully Diluted Normalised Profit	127	196	366	507	663

Cash Flow

(HK\$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	289.1	492.2	845.7	1,069.0	1,300.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	80.3	38.2	(22.5)	(17.1)	(11.0)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	327.1	294.3	(45.9)	(72.6)	(82.4)
Net Interest (Paid)/Received	(21.9)	(47.5)	(18.6)	(18.5)	(18.3)
Tax Paid	(53.7)	(50.9)	(89.4)	(120.2)	(156.0)
Cashflow From Operations	620.8	726.2	669.4	840.6	1,033.1
Capex	(135.9)	(250.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(348.0)	(399.0)	(300.0)	(300.0)	(300.0)
Other Investing Cashflow	114.8	1.4	2.6	2.7	2.9
Cash Flow From Investing	(369.0)	(647.6)	(447.4)	(447.3)	(447.1)
Debt Raised/(repaid)	25.4	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	106.8	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(113.9)	(171.8)	(169.6)	(307.4)	(405.8)
Preferred Dividends					
Other Financing Cashflow	138.4	(48.9)	(21.2)	(21.2)	(21.2)
Cash Flow From Financing	156.8	(220.7)	(190.8)	(328.6)	(427.1)
Total Cash Generated	408.6	(142.1)	31.2	64.7	159.0
Free Cashflow To Equity	277.2	78.6	222.0	393.3	586.0
Free Cashflow To Firm	275.4	127.5	243.2	414.6	607.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(HK\$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	939	874	905	970	1,129
Total Debtors	370	370	456	544	634
Inventories	40	101	131	165	202
Total Other Current Assets	66	170	170	170	170
Total Current Assets	1,415	1,516	1,663	1,849	2,136
Fixed Assets	961	1,405	1,428	1,449	1,468
Total Investments	240	247	247	247	247
Intangible Assets	989	1,401	1,401	1,401	1,401
Total Other Non-Current Assets	186	292	292	292	292
Total Non-current Assets	2,376	3,345	3,368	3,389	3,408
Short-term Debt	287	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	215	315	409	513	629
Other Current Liabilities	815	1,049	1,235	1,529	1,853
Total Current Liabilities	1,317	1,363	1,643	2,042	2,482
Total Long-term Debt	240	236	236	236	236
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	528	806	806	806	806
Total Non-current Liabilities	768	1,041	1,041	1,041	1,041
Total Provisions	75	105	105	105	105
Total Liabilities	2,160	2,510	2,790	3,189	3,629
Shareholders' Equity	1,269	1,881	1,772	1,580	1,445
Minority Interests	362	469	469	469	469
Total Equity	1,631	2,351	2,241	2,050	1,914

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	6.8%	40.3%	29.8%	25.6%	22.6%
Operating EBITDA Growth	(31.6%)	70.2%	71.8%	26.4%	21.7%
Operating EBITDA Margin	13.9%	16.9%	22.3%	22.5%	22.3%
Net Cash Per Share (HK\$)	0.37	0.54	0.57	0.62	0.76
BVPS (HK\$)	1.14	1.60	1.50	1.34	1.23
Gross Interest Cover	7.60	6.64	25.81	35.42	45.36
Effective Tax Rate	15.2%	15.8%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	135%	87%	84%	80%	80%
Accounts Receivables Days	22.63	20.91	16.72	16.17	15.49
Inventory Days	76.90	73.41	93.45	95.06	95.81
Accounts Payables Days	63.89	63.61	69.51	70.71	71.26
ROIC (%)	17.1%	17.1%	19.2%	28.1%	40.6%
ROCE (%)	9.9%	13.2%	20.9%	30.3%	41.6%
Return On Average Assets	4.6%	6.3%	9.4%	12.5%	15.4%

Key Drivers

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Medical services rev (yoy %)	54.0%	76.0%	28.4%	21.8%	18.7%
Aesthetic and beauty services rev (yoy %)	-16.3%	3.3%	23.0%	25.7%	24.7%
Performance marketing rev (yoy %)	2.0%	117.3%	99.1%	55.1%	38.8%
Medical services OPM (%)	9.9%	12.0%	13.1%	14.6%	15.0%
Aesthetic and beauty services OPM (%)	14.0%	9.8%	16.3%	17.3%	18.3%
Performance marketing OPM (%)	12.8%	8.2%	10.0%	10.0%	10.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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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. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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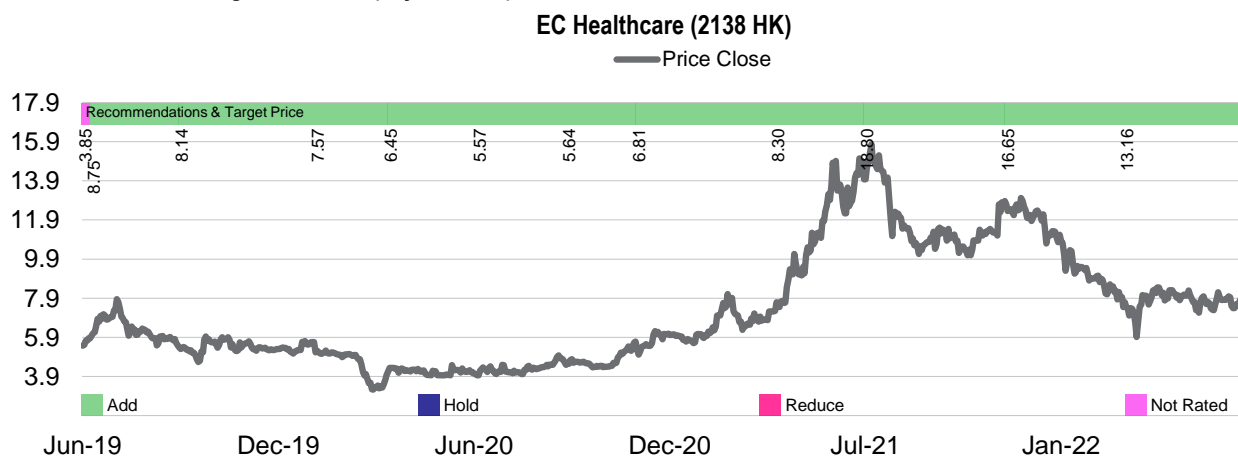
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

2016