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Medical Tourism In ASEAN



14 August 2024

Healthcare | Healthcare Facilities & Svcs

Health Care Facilities & Svcs

Connecting Wellness And Tourism

- ASEAN countries – the preferred medical tourism (MT) destination.** This report attempts to identify key investment ideas under the MT theme, given the region’s growing attractiveness to affluent travellers seeking premium medical treatment. Beyond value-for-money service offerings, the rise of qualified professionals, in our view, will continue to drive the MT industry in South-East Asia. This, in turn, should benefit prominent healthcare service providers in the region. Our preferred picks include Medikaloka Hermina (HEAL), Bundamedik (BMHS IJ, NR), IHH Healthcare (IHH), KPJ Healthcare (KPJ), Sunway Healthcare Group (non-listed), Raffles Medical Group (RFMD), Bangkok Dusit Medical Services (BDMS) and Bumrungrad Hospital (BH).
- Why ASEAN?** According to Market.us, the global MT market was valued at USD13.1bn in 2023. Medical tourists visiting ASEAN countries accounted for a [third](#) of global medical tourists. That said, ASEAN is now home to renowned healthcare professionals with extensive medical expertise and are highly skilled in their respective fields. While state-of-the-art medical facilities play a part in attracting foreign patients, many hospitals and healthcare institutions in Asia have also obtained international accreditation ie Joint Commission International (JCI) – which upholds the highest standards in the industry, in adhering to globally recognised standards of quality and safety) – and this helps to build trust and confidence among medical tourists.
- Malaysia and Thailand are the biggest winners.** Thailand is regarded as the largest MT revenue contributor in the ASEAN region, with an estimated USD850m in 2023. In contrast, Malaysia’s MT revenue amounted to USD444m (MYR2bn) while Singapore’s MT revenue was at an estimated c.USD250-270m) in the same year. As the strong SGD has made Singapore a less attractive MT destination, we see Thailand and Malaysia benefiting from the shifting of interest from medical tourists seeking for value-for-money quality healthcare services – they will also benefit from visa-free travel to both countries.
- Cutting-edge medical equipment.** To keep with the challenges in improving the quality of medical services, hospitals in South-East Asia are expected to invest heavily in medical devices (estimated market size of USD10.9bn in 2023). For instance, BH, via its partnership with IBM, has established the first IBM Watson – machine-learning artificial intelligence (AI) used for oncology work. Beyond Thailand, IHH has invested SGD78m in a proton therapy centre – the first in South-East Asia – at Mount Elizabeth Novena Hospital, to treat cancer patients. In the meantime, IHH Malaysia was the first in South-East Asia offering fibroblast activation protein inhibitor (FABI) PET/CT scans for precise tumour detection and treatment planning.
- ASEAN MT stock ideas.** Our actionable ideas are largely centred on healthcare service providers that are prominent players in MT. Key proxies include Medikaloka Hermina, Bundamedik, IHH, KPJ, Sunway Healthcare Group, RFMD, BDMS and BH.

Top Picks

Bangkok Dusit Medical Services (BDMS TB) – BUY
 IHH Healthcare (IHH MK) – BUY
 Medikaloka Hermina (HEAL IN) – BUY
 Sunway (SHB MK) – BUY

Target Price

THB37.00
 MYR7.90
 IDR1,700.00
 MYR5.00

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Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Bangkok Dusit Medical Services	Buy	THB37.00	33.3	25.0	4.4	18.5	2.4
IHH Healthcare	Buy	MYR7.90	25.8	31.9	1.8	5.6	0.9
KPJ Healthcare	Buy	MYR2.14	12.4	25.0	3.1	12.7	2.1
Medikaloka Hermina	Buy	IDR1,700	29.3	21.8	3.7	18.2	1.9
Raffles Medical	Neutral	SGD1.00	12.4	21.4	1.6	7.4	2.2
Sunway	Buy	MYR5.00	19.3	29.2	1.7	6.1	1.4

Source: Company data, RHB

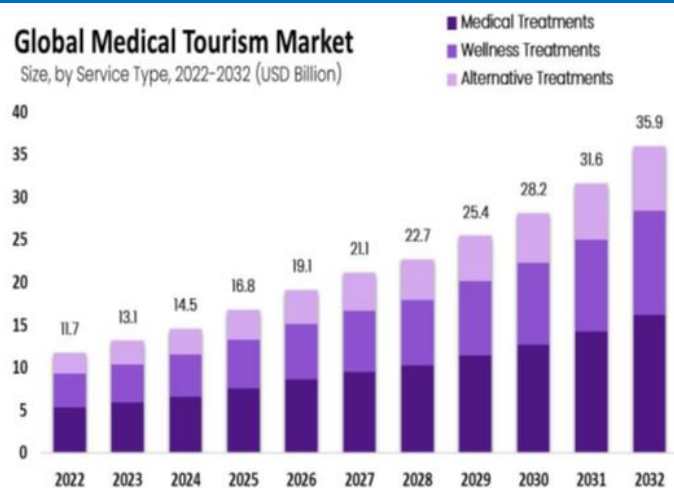
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The Dynamics Of Medical Tourism In ASEAN

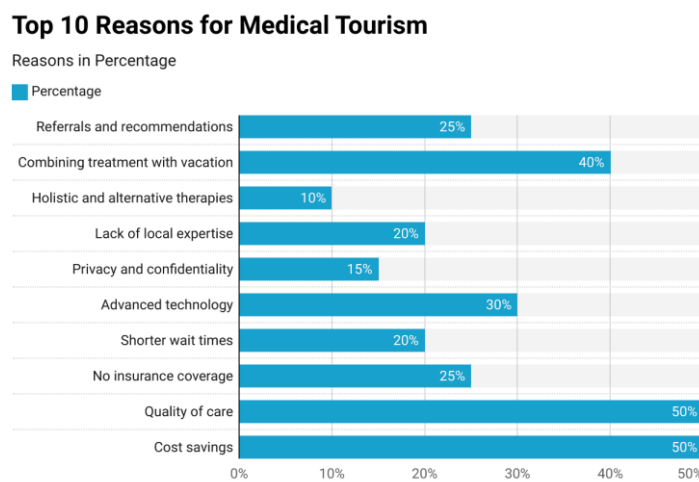
Why ASEAN? The global MT market is estimated to be worth around USD35.9bn by 2032, implying a CAGR of 11.9% from 2023, according to Market.us. While the key reasons of a medical tourist seeking treatment abroad can be dissimilar from one person to the next, there are commonalities – cost savings and quality of care are among the key factors they have to consider. From that perspective, hospitals in ASEAN countries have proactively differentiated themselves via investments in medical equipment and promoting clinical excellence awards, to better attract foreign medical tourists.

Figure 1: The size of the global MT market (2022-2032F)



Source: Market.us

Figure 2: Top 10 reasons for MT



(Reasons in %)

Source: Market.us

For instance, Thailand’s strength in MT extends well beyond the traditional hospitality it has been offering to promote investments in cutting-edge medical technology. The Board of Investment (BoI) is offering incentives such as exemptions on corporate income tax and import duties, and easing regulatory procedures related to setting up and establishing a support network to encourage international medical equipment businesses in Thailand. Thailand also recently signed a MoU with Saudi Arabia to attract medical tourists, and relaxed medical visa regulations last year to make healthcare more accessible for international patients – it decreased the cost to apply for such visas, and lengthened the period of time international patients can remain in the country.

For Malaysia, its key competitive advantage lies in the delivery of medical services in specialty areas like *in vitro* fertilisation (IVF – with the highest success rate achieved by Alpha IVF). Meanwhile, the National Heart Institute (IJN) has been recognised as the Cardiology Service Provider of the Year in Asia Pacific by the Global Health and Travel Award for seven consecutive years. There are also other well-known procedures offered by respective hospitals, eg ear, nose and throat (ENT) services at Prince Court Medical Centre, and treatments for cancer (Subang Jaya Medical Centre clinched the Multi-Disciplinary Oncology Service Provider of the Year in Asia-Pacific for the fifth consecutive year). Malaysia also recently signed an MoU with China extending visa-free travel until the end of 2025. Such a policy is expected to have a positive spillover effect on MT, as China tourists account for 5% of the country’s MT revenue (vs the 66% accounted for by Indonesia tourists).

Indonesia has a less established track record in the MT industry, particularly due to the lack of brand recognition, accreditation and healthcare infrastructure. According to a statement from former president Joko Widodo, as cited by Kompas, Indonesia loses approximately USD11.5bn (or IDR180trn) in medical services revenue due to a significant number of its citizens seeking medical treatment abroad. Indonesia has begun taking steps to stem this outflow and redirect funds into the local healthcare sector.

Such initiatives include:

- i. Setting up a 41ha MT special economic zone (SEZ) in Sanur, Bali, with the aim of integrating the country's health and tourism sectors;
- ii. Announcing investments made into 15 class-A and class-B hospitals in greater Jakarta, Bali, and Medan in Sumatra, as MT pilot projects;

- iii. Addressing the medical talent crunch by allowing foreign doctors to practice in Indonesia via the Omnibus Law. The latest version of the bill seeks to streamline the employment process for foreign doctors and Indonesian graduates from foreign institutions who wish to practice in Indonesia, while also increasing the number of specialists within the country. In addition, the Indonesian Government is establishing a Returning Expert Programme (akin to what was done in Malaysia) with appropriate incentives and academic accreditations.

Singapore's main competitive advantages – excellence in healthcare quality, reliability, track record in practising medicine safely, a diverse number of healthcare services that include alternative treatment and psychiatric care, and the presence of numerous globally approved hospitals that offer advanced medical technologies and highly trained medical professionals – have led to the island nation's success as a top medical tourism destination. Other competitive advantages could come from English being widely spoken in healthcare institutions there, clean and safe neighbourhoods, a stable political situation, and price transparency. In addition, for tourists, Singapore also offers a solid list of heritage or historical attractions, new attractions, shopping venues, events, an efficient transportation system, and diverse accommodation options. Overall, we believe Singapore competes on the basis of quality and value-added services – and not so much on the volume of basic healthcare provided.

Demographic and geographic factors

Demographic and geographic factors. Given the close proximity to countries with well-developed medical infrastructure like Thailand, Singapore and Malaysia, Indonesians spent IDR165trn (USD10.7bn) per year for medical treatment abroad, especially in Malaysia. That said, Malaysia has become the first destination choice for Indonesians, given the language and cultural similarities. Beyond demographics, the availability of direct flights from Medan and Jakarta to Penang (biggest revenue contributor to MT in Malaysia) has made Malaysia an attractive MT destination for Indonesians. For instance, a typical medical check-up could be accomplished within a day for Indonesians traveling from Medan to Penang (45-50mins).

Figure 3: Weekly direct flights available from Indonesia

Weekly flights (sample dates chosen: 6-12 Jan 2025)	6-Jan- 25	7-Jan- 25	8-Jan- 25	9-Jan- 25	10-Jan- 25	11-Jan- 25	12- Jan-25	Total	Minimum Traveling time	Flight availability
	Mon	Tue	Wed	Thur	Fri	Sat	Sun			
Medan (KNO) to Penang	5	6	5	6	5	6	2	35	45-50mins	Carriers: AirAsia, Citilink Indonesia, Firefly
Medan (KNO) to KL	12	11	12	11	12	11	7	76	1hr	Carriers: AirAsia, Batik Air, Malaysia Airlines, Thai Lion Air
Jakarta (CGK) to Penang	4	3	4	3	4	3	2	23	2hrs25mins	Carriers: AirAsia, Batik Air, AirAsia Indonesia
Jakarta (CGK) to KL	29	28	28	28	27	28	19	187	2hrs	Carriers: AirAsia, Garuda Indonesia, Batik Air, MAS, Citilink Indonesia, TransNusa, KLM
Medan (KNO) to Bangkok (BKK)	0	0	0	0	0	0	0	0	4-5hrs (min 1 stop)	No direct flights, requires at least one stop. Carriers: Malaysia Airlines, Singapore Airlines, Garuda Indonesia
Medan (KNO) to Phuket (HKT)	0	0	0	0	0	0	0	0	1hr50mins (min 1 stop)	No direct flight, requires at least one stop. Carriers: Malaysia Airlines, Singapore Airlines, Garuda Indonesia
Jakarta (CGK) to Bangkok (BKK)	9	8	9	9	9	8	5	57	3hrs30mins	Carriers: AirAsia Indonesia, Thai Air, Thai Lion Air, Garuda Indonesia
Jakarta (CGK) to Phuket (HKT)	0	0	0	0	0	0	0	0	1hr45mins (min 1 stop)	No direct flight, requires at least one stop. Carriers: Scoot, Jetstar, Malaysia Airlines, Airasia, Thai Lion Air
Medan (KNO) to Singapore	2	2	2	2	2	2	1	13	1hr30mins	Carriers: Singapore Airlines, Malaysia Airlines
Jakarta (CGK) to Singapore	32	31	30	32	33	30	21	209	1hr45mins	Carriers: Jetstar, AirAsia Indonesia, Citilink, Batik Air, Scoot, TransNusa, Garuda Indonesia, Singapore Airlines, Thai Lion Air, Batik Air

Source: Google, RHB

MT visas. Generally, MT visa requirements are largely similar across the four countries under our market coverage. Note that the Thai Government is planning to implement a multiple-entry medical treatment visa, or non-MT visa, which would extend international patients' length of stay in Thailand for up to one year, from up to 60 days and 90 days per entry previously. This would greatly attract and facilitate their targeted patient markets, while healthcare operators should also benefit from the scheme. Indonesia already offers MT visa with a 1-year period of stay.

Figure 4: MT visas by country

Country Type of Visa	Indonesia						Malaysia eVisa for Medical	Thailand			Singapore Short-term visit pass (STVP)		
	C3	D3		E34	A3***	B3***		F3***	MT	Non-O		Non-MT*	
Length of stay	> 60 days (extendable)	> 60 days per entry (extendable)		One year	Visa-free Visit 30 days (non-extendable)	VOA 30 days (extendable)	VOA 7 days (non-extendable)	30-90 days	60 days or less per entry (extendable)	> 60 days per entry (extendable)	One year	Minimum period of 14-30 days (extendable)	
Speed of processing visa application	Four working days after payment	Four working days after payment		Four working days after payment			Granted directly at the immigration checkpoint if all requirements are met	Two days	3-60 days	3-60 days	Na	3-5 working days (excluding the day of submission, weekends and holidays). Some applications may take longer to process. In addition to the standard visa application requirements, a doctor's letter is needed. Most private hospitals assist international patients with visa application submissions. NA	
Pre-requisite for applying	Statement from a government agency/private institution/foreigner explaining that they will undergo medical treatment in Indonesia.				Given on the immigration checkpoints. Only requires passport that is valid for 6 months and return ticket or onward ticket		Given on the immigration checkpoints, after completing the verification process, including payment, profile creation and verification	Valid passport for at least six months/MHTC letter/hospital appointment letter by MHTC/companion information for entry.	Appointment letter from hospital or medical centre in Thailand confirming the patient's name and the expected period or duration of treatment.				
Validity	Within 90 days from the date of issue							Within 3 months from the date of issuance	Within three months from the date of issue	Within three months from the date of issue	Within one year from the date of issue		
Difference	Single Visit	Several Trips		Limited Stay (1 year)	Visa-Free	Visa on Arrival (VOA)	Visa on Arrival (VOA)	Single Visit	Single visit	Single visit	Multiple entries	Multiple entries	
Cost**	60 days, 2m	180 days, 6m	1-2 years, 3m	Five years, 5m	10 years, 10m	Visa 5m Verification cost (Category 1) 1m	No charges apply	500K	500K			Nominal extension THB 1,900	SGD30

Note: *The Non-MT visa application is still pending currently, and will be effective once published in the Royal Gazette. **Cost under the Indonesia columns are in IDR (shortened to fit table), ***Applied to several countries

Source: Respective country websites, RHB

Halal MT – another opportunity not to be missed. There is growing demand for *halal* MT in the region, especially in Malaysia and Singapore which receives a large share of medical tourists from Muslim-majority countries like Indonesia, Saudi Arabia, the United Arab Emirates (UAE), etc. Due to growing demand worldwide, hospitals around the globe are increasingly ramping up efforts to better serve Muslim patients with specific healthcare needs and requirements. Providers of Muslim-friendly MT services are required to have a sound understanding of Islamic medical service components to ensure the satisfaction of patients who come from different nations. We bring up the example of healthcare providers who offer *halal* medications such as gelatin capsules and insulin that have no porcine ingredients. Other than medication, healthcare operators involved in *halal* MT should consider offering Muslim-friendly services such as *halal* food, *qibla* signposts, prayer facilities, provide doctors and nurses that are the same gender as the patients and, if required, funeral services according to Islamic requirements.

Pricing perspective

Affordable service without compromising on quality. The primary consideration of a healthcare traveller has been centred around the cost of medical treatment. On the back of stubbornly high inflation and long waiting times at hospitals in developed countries (in the US and UK, the waiting list for treatment could reach as long as 52 weeks), medical tourists are seeking cross-border healthcare alternatives to fulfil their needs. This comes on top of the availability of highly skilled doctors, the wide range of treatments available, and globally recognised quality care that South-East Asia healthcare providers can offer. For price-sensitive patients, they would often prefer places like Thailand and Malaysia where costs are likely lower than their countries of origin.

For instance, a patient from the US could benefit from lower treatment costs – by 60-80% in Malaysia, 25-40% in Singapore, and 50-75% in Thailand – depending on the type of treatment itself. In Thailand – which is known for plastic and reconstructive surgery services – the average cost of a facelift is USD2,400 vs USD19,000 for a similar procedure done in the US. The cost in Thailand includes travel expenses of about USD1,900 for a round trip from the US, and still presents a stark 77% discount to the cost of such a procedure in the US.

Figure 5: Comparison of costs of medical treatment by country

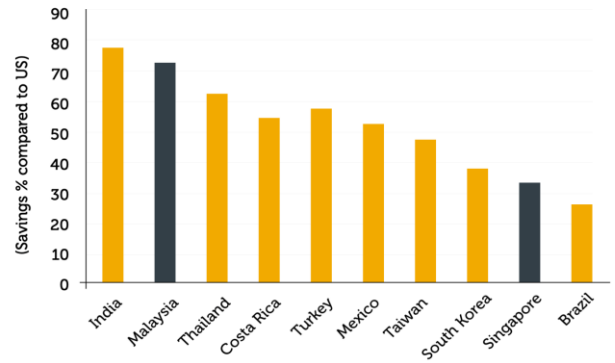
Procedure	The US/ UK	Malaysia	Thailand	Singapore	Indonesia
Cardiac Surgery					
Heart bypass	USD55,000-130,000	USD11,500-12,500	USD11,000	USD13,000-18,500	USD2,103 – 4,598
Heart valve replacement	USD130,000-160,000	USD14,500-15,500	USD10,500	USD12,000-13,000	USD2,103
Coronary angioplasty	USD42,000-57,000	USD7,500-8,500	USD13,000	USD11,500-13,000	USD1,650-5,468
Orthopedic Surgery					
Hip replacement	USD24,000-43,000	USD9,500-10,500	USD12,000	USD12,000-16,000	USD4,598
Knee replacement	USD38,000-42,000	USD7,500-8,500	USD10,000	USD12,000-13,500	USD,598
Spinal fusion	USD60,000-63,000	N/A	USD7,000	USD8,000-10,000	USD5,824
Plastic and Reconstructive Surgery					
Face lift	USD19,000-21,000 (US) USD19,000-21,000 (UK)	USD2,500-500	USD2,400	USD6,500-7,500	USD1,349-2,575
Breast augmentation/reduction	USD9,000-11,000 (US) USD7,000-8,000 (UK)	USD3,000-4,000	USD3,500-4,500	USD7,000-9,000	USD1,211-3,218
Liposuction	USD14,000-16,000 (US) USD5,000-6,000 (UK)	USD2,000-3,000	USD1,200	USD4,500-5,500	USD920-1,032
Tummy tuck	USD11,000-12,000 (US) USD8,000-9,000 (UK)	USD2,000-2,500	USD2,000	USD8,000-10,000	USD3,678-6,130
Nose surgery	USD6,500-7,500 (US) USD6,000-6,500 (UK)	USD2,00-2,500	USD1,200	USD3,500-4,500	USD674-1,686
Fertility					
IVF treatment (per cycle)	USD15,000-20,000 (US) USD6,000-15,000	USD3,000-4,000	USD6,000-7,000 USD12,000	USD13,000-15,000	USD3,985-4,598

Source: Malaysian Health Travel Council (MHTC), Company data

Figure 6: Top 3 MT destinations in ASEAN



Figure 7: Cost savings for medical tourists by country



Source: MHTC, Singapore Tourism Board (STB), The Tourism Authority of Thailand

Source: Patients Beyond Borders

Summary of respective countries' investment ideas

Figure 8: Key summary of respective countries' investment ideas

	Indonesia	Malaysia	Singapore	Thailand
Overview	<ul style="list-style-type: none"> Contributions from MT remain small. Most of the foreign patient visits are centred around Bali. Indonesia loses approximately USD11.5bn (or IDR180trn) in medical treatment revenue, due to a significant number of citizens seeking medical treatment abroad. 	<ul style="list-style-type: none"> Malaysia generated a total revenue of MYR2bn from the MT sector, on the back of 1m medical tourists. Indonesian constituted >60% of Malaysia MT's revenue, followed by China, India, the UK and Japan. 	<ul style="list-style-type: none"> Limited data on MT as the Government has stopped reporting MT receipts since 2015. Last reported medical tourists amounting to 610,000 in 2013 (MY: 881,000 during the same year). 	<ul style="list-style-type: none"> Welcomed 2.86m international patient visits and generated c.THB52bn in revenue during 2023. Patients from the Middle East countries are the top source market (mainly from Kuwait, Oman, Qatar, and the UAE), followed by the group of Cambodia, Laos, Myanmar, and Vietnam or CLMV countries, the US and China.
Competitive advantage	<ul style="list-style-type: none"> Has rich tradition of herbal medicine and alternative therapies, such as Jamu (traditional herbal medicine), which can attract tourists interested in holistic and traditional health treatments. Indonesia is a renowned tourist destination with its rich cultural heritage, stunning landscapes, and tropical climate. 	<ul style="list-style-type: none"> Strategic geographical presence. Medical tourists (mainly from Indonesia) often find it convenient to travel to Malaysia given the short distance and availability of flights. Pricing affordability. Availability of high-standard medical treatments. 	<ul style="list-style-type: none"> Relatively easy entry into Singapore for medical care. Price transparency. Availability of critical and complex multi-specialty care. 	<ul style="list-style-type: none"> Thailand currently has 62 medical institutions accredited by the JCI, which is the most in South-East Asia, and ranked the fourth in the world. Pricing affordability. Highly skilled labour. Medical specialists are internationally-trained, specialised physicians in a broad range of clinical fields. World-class tourism destination and hospitality services.
Key drivers and Government's initiatives	<ul style="list-style-type: none"> MT has been designated as one of the national government's strategic priority programmes. Malang becomes the fourth MT area in Indonesia, announced in 2023, after North Sumatra, Bali and North Sulawesi. Bali has established a SEZ for Healthcare, targeting international tourists. Indonesian Government passed a healthcare bill in Jul 2023, aimed at addressing the shortage of specialist doctors in the country. The bill seeks to streamline the process for foreign doctors and Indonesian graduates from foreign institutions who wish to practice in Indonesia. 	<ul style="list-style-type: none"> Strong ties between Malaysian Healthcare Travel Council (MHTC) and private players. MHTC provides end-to-end services for health travellers arriving in Malaysia such as disembarkation and expediting visa and customs clearance, information dissemination and facilitating information and arrangements for transport, accommodations and travels in Malaysia. Recent extension of visa-free travel arrangement for China and India tourists. 	<ul style="list-style-type: none"> Ability to service the growing demand for critical and complex care needs (eh proton therapy). Singapore Tourism Board (STB) released a concept and pricing revenue tender in July for the purpose of creating and running a wellness centre at the Marina South Coastal location. It claimed that the endeavour is consistent with its plan to expand the number of wellness experiences it offers travellers. 	<ul style="list-style-type: none"> The Government established a 10-year plan (2017-2026) to upgrade Thailand as a medical hub. The Government is on the way to implement the multiple-entry medical treatment visa, or non-MT visa, which would extend international patients' length of stay in Thailand for up to one year, from up to 60 days and 90 days per entry.
Featured stock ideas	<ul style="list-style-type: none"> Medikaloka Hermina (HEAL IJ, BUY, TP: IDR1,700) Bundamedik (BMHS IJ, NR) 	<ul style="list-style-type: none"> IHH Healthcare (IHH MK, BUY, TP: MYR7.90) KPJ Healthcare (KPJ MK, BUY, TP: MYR1.) Sunway (SWB MK, BUY, MYR5.00) 	<ul style="list-style-type: none"> Raffles Medical (RFMD SP, NEUTRAL, TP: SGD1.00) 	<ul style="list-style-type: none"> Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37.00) Bumrungrad Hospital (BH TB, NR)

Source: RHB

Indonesia - Aspiring To New Heights

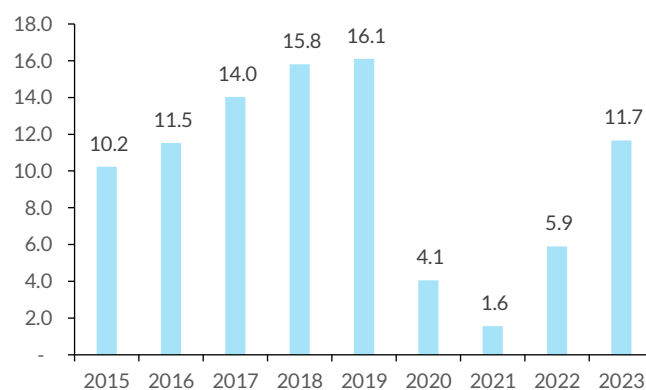
Overview and outlook

Competitive advantage. Indonesia presents a lucrative opportunity for MT due to several factors. First, it is a renowned tourist destination due to its rich cultural heritage, stunning landscapes, and tropical climate. Combining medical treatment with a holiday experience can be very attractive for potential medical tourists. The Government has made effort to increase the number of tourism sites in areas other than Bali, thereby broadening the appeal of the country as a MT destination. Note that foreign visitor arrivals have not recovered from the levels recorded during the COVID-19 pandemic.

Figure 9: Indonesia's top tourist destinations



Figure 10: Number of foreign visitor arrivals in Indonesia (m)



Source: Tourism & Creative Economy Ministry, RHB

Source: BPS, RHB

Second, Indonesia has a rich tradition of herbalism and alternative therapies such as *jamu* (traditional herbal treatments), which can attract tourists interested in such areas. As such, the Government is focusing on establishing Indonesia as a premier wellness tourism destination worldwide. Three wellness destinations have been selected, due to their unique and diverse attractions – Solo, Jogjakarta and Bali

Indonesia benefits from MT but faces significant competition from other established Asian countries. Former president Joko Widodo has said that Indonesia loses approximately USD11.5bn (IDR180trn) in medical revenue, due to a significant number of citizens seeking treatment abroad. He also said that over 1m Indonesians travel to countries such as Malaysia, Japan, South Korea, Singapore, or to various European nations, and the US for medical care. We note the number of areas of improvements that remain, which are:

- i. Healthcare infrastructure: Compared to more established MT destinations, Indonesia still needs to improve its healthcare infrastructure and ensure consistent high-quality services.
- ii. Brand recognition: Indonesia is not yet widely recognised as a top MT destination, and it needs to enhance its global marketing efforts.
- iii. Accreditation and standards: Ensuring more hospitals and clinics receive international accreditation, which would be crucial in building trust with international patients.

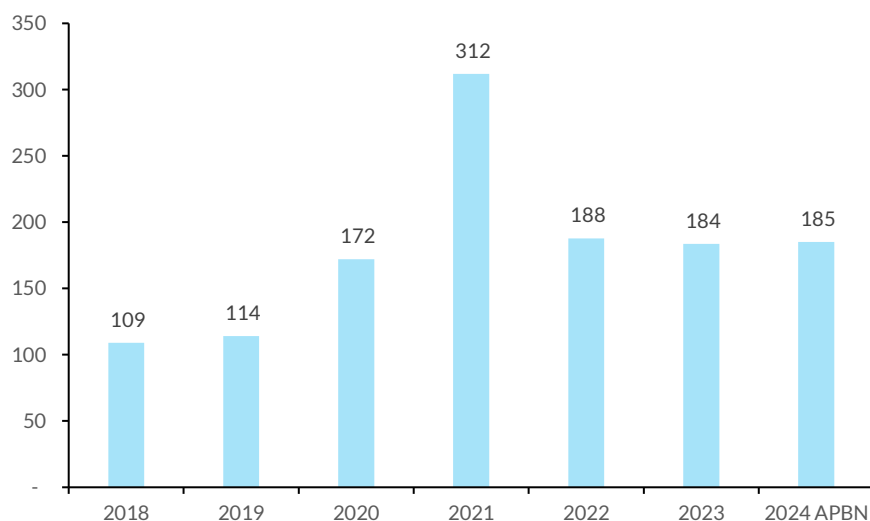
MT visa. Indonesia has six visa schemes that allow an individual to stay in Indonesia while undergoing treatment. The C3 visa is a single-visit visa, while the D3 visa allows multiple visits until they expire, with each visit lasting 60 days and being extendable. Both visas permit a 60-day stay and can be extended. The E34 visa allows a 1-year stay for medical treatment. Before applying, visitors must obtain a letter from a government agency or private institution confirming they will receive medical treatment in Indonesia. There are also visa-on-arrival options, i.e. the B3 and F3 visas that allow individuals to stay for 30 days (extendable) and seven days respectively (non-extendable). Meanwhile, the A3 visa allows for a visa-free entry for a 30-day stay and is non-extendable. This visa requires only a passport valid for at least six months and a return or onward ticket for continued travel to another country. There is no fee for the application of this visa. The A3, B3, and F3 visas will be issued after completing the verification process at the immigration checkpoint. A MT visa allows multiple entries for up to 10 years, whereas a general tourist visa is valid for only up to five years.

Additionally, a MT visa is processed faster, taking four working days compared to five working days for a general tourist visa.

Key drivers of MT in Indonesia

Government spending continues to play an integral role in the healthcare industry. In 2024, it plans to spend IDR185.2trn on healthcare. Next year, it may allocate around IDR191.5-217.8trn, to help improve the quality of healthcare services

Figure 11: Indonesian Government's healthcare budget (IDRtrn)



Source: Ministry of Finance, RHB

MT is now a national strategic priority programme for the Government. Malang has been announced (in 2023) as the fourth MT area for the country, after North Sumatra (with the Medan Medical Tourism Board), Bali (with the Bali Medical Tourism Association), and North Sulawesi (with North Sulawesi Health Tourism). This should lead to a stronger healthcare ecosystem for the country.

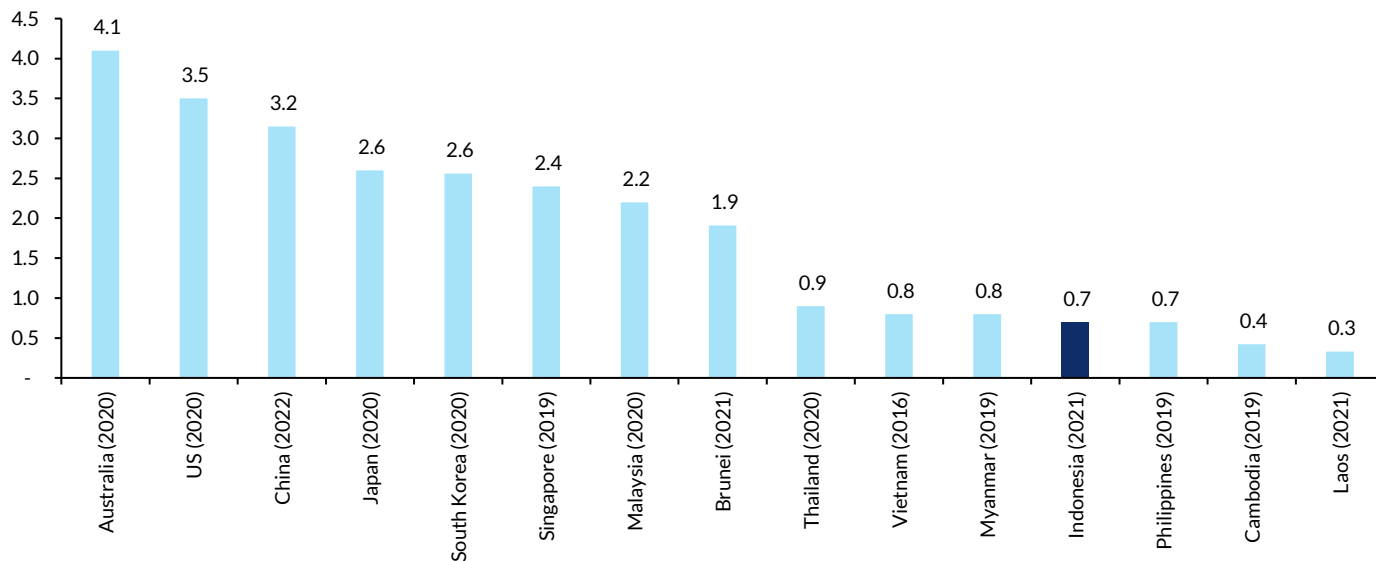
The Malang MT initiative may focus on domestic tourists, at first. Once successful, it may then target international medical tourists. Meanwhile, Bali has established a SEZ for healthcare, targeting international tourists. Bali International Hospital is poised to become Indonesia's foremost MT destination, under the management of Indonesia Healthcare Corporation (IHC), and is set to open in 3Q24.

At the planning stage for the hospital, Indonesia Healthcare (IH) was engaged in consultations with the US' Mayo Clinic. Situated in the healthcare SEZ in Sanur, this hospital will span 67,465sqm across four floors, with 239 beds, 38 intensive care units, eight operating rooms, four catheterisation laboratory (cathlab), and five centres of excellence (COE) equipped with advanced diagnostic imaging capabilities.

This hospital is structured around the COE concept, particularly in fields such as cardiology, oncology and neurology. Furthermore, gastroenterology, orthopaedics, and a medical check-up department will be integrated into this state-of-the-art facility.

Additionally, the Indonesian Government passed a healthcare bill in Jul 2023 to address the shortage of specialist doctors in the country. The latest version of the bill seeks to streamline the employment process for foreign doctors and Indonesian graduates from foreign institutions who wish to practice in Indonesia, while also increasing the number of specialists within the country. Although concrete implementation remains critical, this is expected to alleviate some of the specialist shortages which will, in turn support, the expansion of hospitals and enhance service quality. The new healthcare bill also aims to reduce the number of outbound medical tourists from Indonesia.

Figure 12: Indonesia's doctors per 1,000 persons vs other countries



Source: World Health Organisation's Global Health Workforce Statistics, OECD, supplemented by country data

Some key listed hospital players are also opening or have opened hospitals near these four MT areas to capitalise on new growth opportunities. Siloam International Hospital (SILO) has two hospitals in Bali, one in Medan, North Sumatra and one in Manado, North Sulawesi. BMHS has a hospital in Bali and HEAL is mulling the option of building a hospital in Bali by 2025. For Mitra Keluarga Karyasehat (MIKA), all its hospitals are in Java, especially in the Greater Jakarta and Surabaya areas.

Our conversations with hospital company representatives have revealed that many high-income Indonesians go abroad for the treatment of cancer, heart disease, neurological ailments, and others. As such, the hospital plays are working hard to build COEs to persuade them to seek treatment at home instead.

Figure 13: MIKA's COE offers healthcare services for the areas listed below



Source: Company data

Figure 14: SILO's COEs offer treatment in the following areas below



Source: Company data

Figure 15: BMHS' COEs offer treatment in the following areas below

The image displays ten different medical services offered by BMHS: GynROSE Clinic, Robotic Surgery, Bunda Neuro Center, Eras, NICU/PICU, Laparoscopi, Bunda Health Center, RSM Oncology, Klinik Tumbuh Kembang Anak, and Bunda Endoscopy Center. On the right side, the text reads 'Bunda General Hospital Bunda Women & Children Hospital Jakarta'. At the bottom, there is a row of logos for various partners: BUNDA, Diagnos, morularvf, BGP, BIC CLINIC, ER+, BDI, RSJP PARAMARTA, imtb, and BUNDA PINTAR.

Source: Company data

Revenue trend and portion

Representatives from SILO and BMHS told us that the international patients are mostly admitted into their Bali hospitals. About 75% of throughput of two SILO hospitals in Bali (BIMC Kuta dan BIMC Nusa Dua) consist of foreign patients. For BMHS, around 35% of its patient traffic is from foreign patients, but ticket sizes are higher, ie about 65% of revenue booked by its hospitals in Bali. SILO has a stronger case mix than BMHS, with what we believe might be higher patient intensity in areas like its general polyclinic, orthopedics, internal medicine and plastic surgery.

Nevertheless, MT traffic and revenue contributions for both companies remain meagre, as they make up <5% of revenues (from the respective Bali facilities) for SILO and BMHS. BMHS' hospital in Bali has 25 beds only, ie c.4% of its total hospital beds. Meanwhile, SILO's two hospitals in Bali have 18 beds each, which is just 1% of its total operational beds.

Stock picks

Medikaloka Hermina (HEAL IJ, BUY, TP: IDR1,700)

We like HEAL for the long term due to its aggressive expansion plan, initiatives to decrease its reliance on BPJS patients, as well as fruitful collaborations with its partners (Astra International (ASII), Quadria) that may fuel growth ahead. It remains focused on growing in ex-Java areas, where competition is lower. Note that its revenue from hospitals in Java made up c. 83% of total revenue in 2023, vs 95% in 2016.

Figure 16: Breakdown of HEAL's revenue sources by geographical area

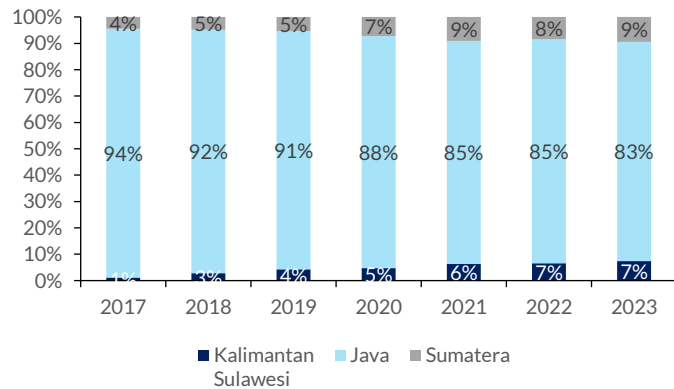
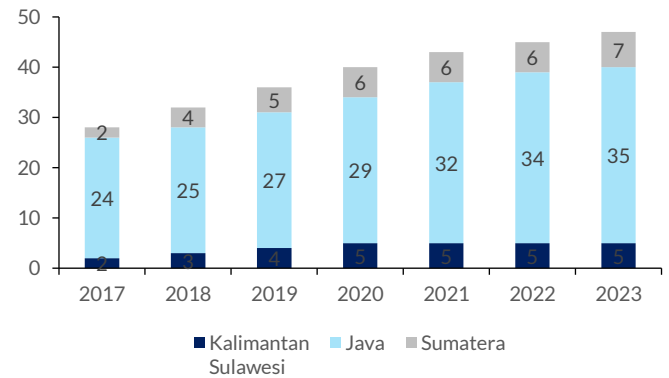


Figure 17: Number of HEAL's hospitals by island



Source: Company data, RHB

Source: Company data, RHB

We expect it to open 3-4 new hospitals a year. HEAL has already secured land in the Bandung (in Bali) area, and a hospital may be opened here in the near term. It remains positive on the growth potential of MT in Indonesia, especially after the opening of its IHC Sanur facility. HEAL is also exploring the option of opening hospitals in other SEZs, as it is also now easier for foreign doctors to be employed in Indonesia. Management noted that treatments for some areas, eg dentistry, are lucrative. The stock is trading at an attractive c.11x 2024 EV/EBITDA (its 5-year band), which is at a c.50% discount to its peer, MIKA.

Bundamedik (BMHS IJ, NR)

This major healthcare operator offers services from its hospitals, *in vitro* fertilisation (IVF) clinics as well as laboratories. It manages a hospital in Denpasar, which has a sizeable volume of and revenue from international patients. It also plans to expand, and may use the land next to its hospital in Denpasar, Bali to do so. It is also considering adding more beds or upgrading several COEs, and expand offerings from just being a maternity and children's healthcare service provider, to becoming a general hospital.

BMHS has opened Morula (IVF clinic) in Nusa Dua to entice more foreign patients. Its Bali clinic is popular among medical tourists. It is also working with Singaporean doctors to enhance services. Morula may become the entry point for outpatients, and a conduit for referrals on more complex medical cases to its Denpasar hospital.

Recently, Jinxin Fertility Group (Jinxin) and Morula Indonesia (Morula) announced a strategic partnership following the signing of a subscription and investment share purchase agreement. Under this agreement, Jinxin will become a significant shareholder in Morula upon the completion of the proposed equity investment. Jinxin and Morula will then leverage their expertise in assisted reproductive technology (ART) to jointly tap into the IVF market in Indonesia and South-East Asia.

Figure 18: BMHS' collaboration with Jinxin



Source: Company data

BMHS is focusing more on IVF treatments, to strengthen its position as a leading fertility clinic in the country. Its biggest competition in IVF is from Malaysia and Singapore, so it aims to open an IVF clinic in Bali to capitalise on the high influx of foreign tourists there, while providing value-added services via its collaboration with Jinxing.

Risks

Slower expansion plans from hospital companies. Without rapid and widespread investment in healthcare infrastructure, Indonesia may struggle to meet the increasing demand for high-quality medical services. This can lead to an insufficient number of hospital beds as well as state-of-the-art facilities (ie COEs), thereby capping the range of specialised treatments available and reducing the overall attractiveness of Indonesia as a MT destination

Competition from neighbours. Thailand, Malaysia, and Singapore have already established themselves as premier MT destinations that offer high-quality healthcare services, advanced medical technologies, and a well-developed infrastructure. These countries attract a large number of international patients each year due to their reputation for excellence in medical care, affordable treatment costs, and seamless patient experiences.

Regulatory and policy uncertainty. Frequent changes in healthcare regulations and unclear policy frameworks create an unpredictable environment for both local and international investors, hindering their willingness to fund new projects or expand existing facilities. Without clear and stable regulations, implementing long-term strategies for improving healthcare infrastructure and services becomes challenging. This concern is particularly pronounced during the current transition period towards installing a new government. For instance, the future implementation of the omnibus law could help improve the supply of specialists in Indonesia – but the outcome of this remains uncertain at the moment.

Shortage of skilled medical professionals. This will significantly cut back the growth of Indonesia's MT industry. With an insufficient number of highly trained healthcare personnel, Indonesia may find it challenging to provide the advanced and specialised treatments that attract international patients. Indonesia's number of doctors per 1,000 persons (Figure 12) lags behind that of other countries. As previously mentioned, the implementation of the omnibus law is crucial for enhancing Indonesia's healthcare industry and, ultimately, its medical tourism sector.

Cost and affordability. Cost and affordability, particularly in relation to drug prices and currency fluctuations, present significant risks to Indonesia's MT industry. FX rates, ie the USD/IDR, may greatly affect the cost of medical treatment, medications, and related services for patients. The depreciation of the IDR against other currencies (particularly the USD) might translate to the rising cost of importing medical supplies and pharmaceutical products, leading to higher treatment costs. This price increase can make Indonesia less competitive compared to neighbouring countries

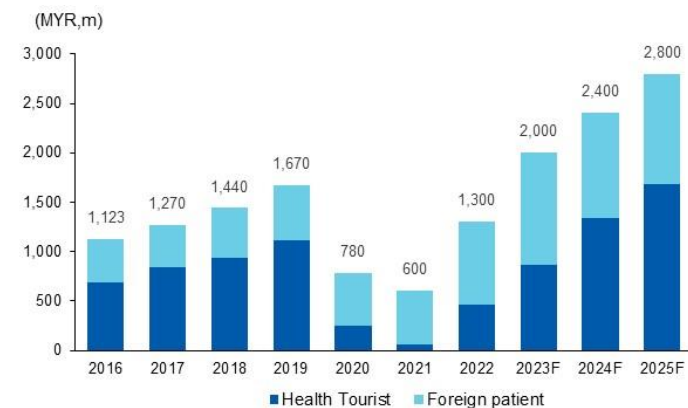
Malaysia – Cuti-Cuti Malaysia

Overview of MT in Malaysia

Medical tourism in Malaysia. Malaysia has become a major MT destination, due to its affordable yet high-quality facilities, on top of its abundant tourist attractions. It offers a wide variety of medical treatments, ranging from routine check-ups to complex surgeries – and all come at competitive prices. English is widely spoken here, while other major languages are Bahasa Malaysia, Chinese and Indian (the latter two, in various dialects). Translators are also widely available at various public amenities as well as in the hospitals, allowing patients to convey their health conditions to doctors without hassle.

Size of Malaysia’s MT market. According to Malaysia Healthcare Travel Council (MHTC), Malaysia generated a total revenue of MYR2bn from the MT segment, surpassing its pre-pandemic peak of MYR1.67bn. The new CEO of MHTC, Dr Mohamed Ali Abu Bakar, expressed his optimism on Malaysia’s MT industry earlier this year, emphasising that 2023 was a successful year as MT revenue reached Malaysia’s Healthcare Travel Industry Blueprint 2021-2025 targeted revenue of MYR2bn, two years earlier than expected. That said, Malaysia welcomed over 1m medical tourist arrivals in 2023, which is an increase of >15% compared to the total medical tourist arrivals in 2022. Putting things into perspective, this represents a 34% YoY increase in average spending ticket size per medical tourist (to MYR2,040), which indicates that more medical tourists are coming to seek resolution for more complex cases.

Figure 19: Malaysia’s MT revenue trend (2016-2025F)



Source: United Nations (UN), RHB

Figure 20: MT revenue breakdown by country

No.	Country of Origin	% of total HT Revenue
1.	Indonesia	65.8%
2.	China	5.1%
3.	India	3.1%
4.	United Kingdom	2.0%
5.	Japan	2.0%
6.	Australia	1.6%
7.	Singapore	1.6%
8.	Philippines	1.3%
9.	United States	1.2%
10.	Bangladesh	1.2%

Source: UN, RHB

MT visa. Malaysia’s MT visa is for individuals who wish to undergo medical treatment while exploring the country’s rich cultural heritage and natural wonders. It allows visitors to stay for an extended period, thereby ensuring they have ample time to receive medical care and recover before going home. To note, Malaysia MT visa is a single-entry visa that is valid for three months from the date of issue. of which the permit is valid for a period of three months from the date of issue. Visa applicants can bring along two adult companions, which will enable MT visa holders to spend time with loved ones while recovering.

Figure 21: Malaysia – top five MT source countries by region

Central			Northern		
No.	Country of Origin	% of total MT revenue	No.	Country of Origin	% of total MT revenue
1	Indonesia	31%	1	Indonesia	90%
2	China	10%	2	China	1%
3	India	7%	3	United Kingdom	1%
4	Japan	4%	4	India	1%
5	United Kingdom	4%	5	Japan	1%

Southern			East Malaysia		
No.	Country of Origin	% of total MT revenue	No.	Country of Origin	% of total MT Rev revenue
1	Indonesia	79%	1	Indonesia	74%
2	Singapore	4%	2	China	7%
3	China	4%	3	Philippines	3%
4	Vietnam	1%	4	United Kingdom	2%
5	India	1%	5	South Korea	1%

Source: MHTC, RHB

Penang – at the forefront of MT in Malaysia. The Pearl of the Orient is one of Malaysia's most densely populated and urbanised states. Home to 1.74m residents and offering a large array of well-loved hawker food, the island is not only a major tourist attraction spot. It has also become the most established MT destination in Malaysia. In pre-pandemic times, the state generated MT revenue of MYR750m – accounting for the lion's share of the national figure, or 45% of the country's MT revenue).

A key factor of Penang being a MT destination is its cultural similarity to Medan, Indonesia (the majority of residents in both areas are descendants of immigrations from Fujian, China, and speak the Hokkien dialect). Also, the short travelling distance between the two places, as well as the availability of medical tourist-friendly hotels (short driving distance between hotels and hospitals, and the former also works with private hospitals) are some of the key factors that have contributed to the success of MT in Penang.

Figure 22: Penang private hospitals' expansion plans

Hospital	Expansion plan
Island Hospital Penang	Completed phase 1 and 2 expansion with 300 beds. Phase 3 expansion is ongoing, entails 400 beds.
Sunway Medical Centre Penang	110 beds, by 3Q24
Sunway Paya Terubung, Penang	120 beds by 2Q29
Pantai Hospital Penang	117 beds by 4Q24

Source: Company data, respective media, RHB

Key competitive advantages

Strong ties between MHTC and private players. MHTC is a non-profit government organisation that was established in 2005. Its goal is to provide support to develop the MT industry in Malaysia. Chaired by the Minister of Health Datuk Seri Dr Dzulkefly Ahmad and Minister of Economy Mohd Rafizi Ramli, the senior executives from the Health Ministry and Economic Planning Unit (EPU) have joined hands to offer leadership and a strategic roadmap for the MHTC members.

MHTC also receives an allocated MYR20 pa from the Government to help fund its annual operating expenditure. It has more than 40 members – mainly private hospitals and specialty clinics – who can tap into the large pool of industry resources (regulatory updates, latest industry development). MHTC also offers a platform for 2-way communication with the Government, and brings opportunities to participate in roadshows and other events.

MHTC also provides end-to-end services for medical tourists arriving in Malaysia, via a booth located in Kuala Lumpur International Airport (KLIA) and Penang International Airport. Services include: i) Facilitating healthcare travellers' arrivals upon disembarkation, and expediting visa and customs clearance, ii) serving as the one-stop centre for information related to medical tourists staying in Malaysia – these include medical enquiries and advice on tourism options, iii) dissemination of information on Malaysia's healthcare services for walk-in international travellers; iv) providing information and arrangements for transport, accommodations and travel in Malaysia.

Figure 23: MHTC's concierge area at KLIA



Source: MHTC, RHB

Figure 24: MHTC's lounge at KLIA



Source: MHTC, RHB

Strategic geographical presence. With Malaysia's strategic location, medical tourists often find it convenient to travel to Malaysia, given the short traveling distance and availability of flights. A flight from Medan to Penang only takes 45 minutes, and a flight from Singapore to Kuala Lumpur takes an hour. In contrast, flights from Medan or Singapore to Bangkok could easily be as long as 2.5-5 hours.

New flight routes between Malaysia and foreign countries should boost health patient footfalls in Malaysia. [China's Xiamen Airlines](#) has resumed direct flights from Xiamen to Penang every Tuesday, Thursday and Sunday since 4Q23. AirAsia recently launched a new route connecting Kuala Lumpur and Kota Kinabalu with [Ningbo](#), China, and will introduce a connection between Kuala Lumpur and Lucknow, India (by Sep 2024), Kuala Lumpur-Bhubaneswar (the capital of Odisha, South India) route (May 2024) – these should have a positive spillover effect as both China and India are the second and third highest MT revenue contributors for Malaysia.

Cost of medical treatment. Malaysia offers some of best healthcare services for those seeking affordable healthcare that doesn't compromise on quality. In fact, the cost of medical procedures in Malaysia is often much lower compared to many western countries as well as its regional peers like Singapore, making it an attractive choice for individuals who want to save on medical expenses.

For instance, the cost of a [coronary artery bypass grafting](#) (CABG) treatment in Malaysia starts at USD18,000. This is much lower, when compared to the USD56,000 charge (approximated) from a Singapore facility. Moreover, the cost of medications and aftercare services is also significantly less expensive in Malaysia. Typical rehabilitation for stroke patients could cost MYR100-300 (per session) in [Malaysia](#), whereas the cost in [Singapore](#) could be SGD169 and above. As such, Malaysia providing value-for-money post-treatment services will allow patients to receive comprehensive medical care without breaking the bank. This makes it an ideal destination for individuals looking to receive medical treatments or procedures that may not be covered by their insurance, or those who simply want to save money on medical expenses.

Availability of high-standard medical treatment. Malaysia's private hospitals have invested in modern medical facilities equipped with the latest technology, which enables healthcare professionals to provide high-quality medical treatment. For instance, private hospitals can now offer top-notch medical procedures like: i) Robotic assisted total knee arthroplasty (TKA) by [KPJ Healthcare](#); ii) using the latest transcatheter aortic valve (TAVI), Navitor, to treat patients with severe aortic stenosis at the [National Heart Institute](#); iii) the implementation of da Vinci Xi Robotic Surgery in [Prince Court Medical Centre](#) and [Subang Jaya Medical Centre](#) for cancer treatments.

In addition, the presence of internationally accredited hospitals and clinics in Malaysia is a testament to its commitment to providing world-class healthcare services. These facilities have earned the trust of local and foreign patients as they adhere to strict medical protocols and follow international standards. For instance, there are 17 private hospitals being accredited by JCI (which uphold the industry highest standard in MT practices) as at Jul 2024. Patients can be assured that they will receive top-notch medical care and treatment when visiting these hospitals or clinics.

Opportunities beyond Indonesia. The recent passing of a healthcare bill on Jul 2023 by the Indonesian Government seeks to address the shortage of specialist doctors in the country (this shortage could mean a lower number of medical tourists to that country). For Malaysian private healthcare players, this may not pose a significant risk since a doctors' credibility and reputation requires a significant amount of time to establish. In addition, the new healthcare bill was signed during President Joko Widodo's term in office, which may mean there could be a risk of policies being amended by Indonesia's new administration. We note that this government's agenda is to focus on: i) Developing the new capital city, and ii) a free meal programme. As such, we think that any change in healthcare policies from the new administration in Indonesia will pose as a negative risk to Malaysia healthcare players.

Meanwhile, Mainland China and India are the alternate source countries for MT in Malaysia. To promote Malaysia as an international MT destination, MHTC has established strategic ties with markets such as Bangladesh, Mainland China, Cambodia, Myanmar and the Middle East. These markets are seen as having high potential due to the lack of healthcare facilities there, having cultural similarities, and the availability of frequent direct flights. In particular, MHTC has been marketing Malaysia as a fertility hub to attract medical tourists from China seeking to circumvent their country's guidelines on gender selection and IVF procedures. In line with this, major private sector players are aiming to establish secondary markets in Indochina, South Asia and the Middle East and North Africa (MENA), while fortifying their presence in Indonesia.

Stock picks

IHH Healthcare (IHH MK, BUY, TP: MYR7.90)

Overview. IHH has an established network of >35 patient assistance centres (PAC) in places like China, Dhaka, Vietnam, Jakarta, Bandung (the latter two, in Indonesia) and Myanmar to reach out to a pool of international patients. With its international patient division, the group's PACs have played a crucial role in planning a patient's overseas trip. Services including making appointments with doctors, examining patients' insurance policies, making flight and hotel bookings, facilitating airport transports, as well as providing translators and other concierge services that cover a patient's journey.

Strategic partner. It has developed business relationships with hotels such as Amari SPICE Penang Hotel, Dorsett Kuala Lumpur, DoubleTree by Hilton Kuala Lumpur, Evergreen Laurel Hotel, which are located near its hospitals. Also, PACs will also provide recommendations on tourist attractions that patients can visit after their treatments.

Outlook. At the latest MT expo (hosted by MHTC) held at Pakuwon Mall in Surabaya, IHH received overwhelming response from visitors. While the group strives to enhance its healthcare service quality, its chief commercial officer Sipika Singh stressed on the importance of deepening its presence in Indonesia, while continuing to offer value-driven healthcare solutions to Indonesian patients.

Back by its solid brand equity and regional geographical presence, IHH is a compelling proxy in the MT industry. Meanwhile, its solid footing in Penang (Malaysia largest MT revenue contributor) via Gleneagles Penang and Pantai Hospital Bayan Lepas should set it to benefit from the surge of China tourists (due to visa-free travel between the two countries) as well as organic growth from Indonesia patients. Note: The MT segment accounted for 5% of IHH Malaysia's total revenue in 2023.

KPJ Healthcare (KPJ MK, BUY, TP: MYR1.46)

Overview. KPJ's MT division comprises a network of 10 hospitals in Malaysia, that are designated to serve international patients. The ten hospitals are accredited by Malaysian Society for Quality in Health (MSQH) – of these, four have JCI accreditation. Further to that, KPJ's presence overseas has been boosted by the establishment of its International Patient Centre (IPC), a one-stop station for international patients' travel and visa services.

Its IPCs are located primarily in Indonesia. KPJ Kuching is currently the group's largest MT revenue contributor, accounting for 24% of KPJ's total MT revenue in 2023. This hospital is benefiting from the influx of medical tourists mainly from West Kalimantan. Close on its heels is KPJ Johor (18% of Group MT revenue), with majority of the medical tourists travelling in from Batam.

Strategy. Beyond Indonesia, the group is planning to expand its geographical presence into areas like Singapore, South Asia, Indochina and the MENA region. Post identifying the targeted markets, the group is now strategically examining specific products and services to cater to patients from here – this has entailed the establishment of a specialised sales team dedicated to promoting KPJ's healthcare services to international audiences, as well as the opening of new representative offices across key markets in 2024.

MT division steered by ex-industry expert. KPJ's MT division is overseen by its chief marketing officer Sherene Azli, the ex-CEO of MHTC. In her previous designation, she led Malaysia's MT industry to greater heights, eg being crowned "Destination of the Year" for healthcare travel from 2015 to 2017, and with a highly commendable mention in 2018 by UK-based International Medical Travel Journal. She was appointed to KPJ's board on Nov 2023. Leveraging on her vast experience, the group had set an ambitious target of double-digit YoY revenue growth under its MT segment by 2024 (following a 41% YoY leap in 2023).

Sunway (SWB MK, BUY, MYR5.00)

Background of Sunway Healthcare Group (SHG). SHG is a homegrown integrated private healthcare group in Malaysia. It currently has total combined licensed beds numbering 1,157 (as at 2023) and operates Sunway Medical Centres (SMCs) in Sunway City, Sunway Velocity, Penang as well as other ancillary healthcare businesses that include Sunway Specialist Centre Damansara, SMC Singapore, Sunway Traditional and Complementary Medicine (TCM) Centre, Sunway Home Healthcare and Sunway Fertility Centre (Kuching).

The first SMC, part of the country's largest quaternary and regional tertiary care private hospital network, was established in Nov 1999. It has 28 COEs, 724 beds, house with more than 60 medical specialties, and provides a complete range of medical and surgical solutions. This medical institution is renowned in specialties such as cancer care, haematology, targeted radionuclide therapy, robotic-assisted surgery, bone marrow transplants, kidney transplants, pediatric cardiac surgery, orthopedics, gastroenterology and hepatology, neurology and neurosurgery, cardiac and vascular, women and children services, to name a few.

SMC+'s strategic location... Nestled in Malaysia's largest integrated township of Sunway City, the hospital is surrounded by matured residential neighbourhoods, an integrated resort, university, hotels, shopping gallery and commercial buildings. SMC has also made more healthcare services available to over 1m people in Subang Jaya.

... capitalised on by Sunway's leisure and hospitality division. Its exposure to a matured township has also enabled SMC to attract pools of international visitors by leveraging its capability in the hospitality and leisure division. For instance, SMC has been able to bundle its medical treatment solutions by integrating complimentary access to Sunway Lagoon (its leisure theme park) and accommodation at Sunway Resorts Hotels.

Offering a one-of-its-kind retirement retreat. Sunway Sanctuary has 235 service suites offering accommodation, full-board nourishing meals, specially curated social and recreational activities, as well as wellness services such as massage, traditional Chinese medicine and physiotherapy, and a heated saltwater pool. The residence offers "an elegant living experience" that emulates the retirement village communities in developed countries like Japan and Australia. Currently, 28% of the residents staying at Sunway Sanctuary are international travellers and expatriates. SHG is collaborating with travel agents to market Sunway Sanctuary to international patients as a preferred senior living residence in Malaysia.

Valuation. We like Sunway not only for its strategic exposure in Iskandar Malaysia and the upcoming listing of its healthcare unit, but also for Sunway Construction's (SCGB MK, BUY, TP: MYR5.00) promising job prospects. We value the property unit at a 25% discount to RNAV. We also remove our holding company discount, as the IPO for SHG will be accelerated.

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Figure 25: Sunway's healthcare packages

SUNWAY MEDICAL CENTRE

3D2N PACKAGE AT SUNWAY CITY
 "Get your health checked, shop, play & stay all at Amazing Sunway City."

FREE 1 SUNWAY LAGOON PASS

FREE 1 50 MIN MASSAGE

FREE 1 AIRPORT PICK UP

Deluxe Room	Single	Twin
Standard Screening	MYR 1730	MYR 1410
Premier Screening	MYR 2170	MYR 1850

PACKAGE INCLUDES

- Health Screening at Sunway Medical Centre
- 2 Nights Accomodation
- **FREE** Daily Breakfast at Hotel
- **FREE** one way transfer to Sunway Medical Centre on the day of health screening
- **FREE** 1 Simcard Starter Pack worth RM 25.00

Terms and Conditions

- Prices quoted above are for the twin sharing, minimum of 2 pax*.
- Room confirmation will be subject to availability.
- Full payment is required at least ten (10) days before arrival date.
- No refund will be allowed.
- The screening package is only applicable for adults aged 18 and above.
- The package offer is valid until 31st March 2021.
- Travel period during peak seasons will incur additional charges.
- One way airport pick up is provided for up to 6 pax.
- Prices are subjected to change without prior notice.

Payment Method

- All payment must be made under Sunway Travel.
- Telegraphic Transfer
- Company : Sunway Travel Sdn Bhd
- Bank : Maybank Berhad
- Account No : 012316400936
- Swift Code : MBBEMYKL
- Address : No.30-32 Jalan PJS 11 /28A, Bandar Sunway 46150 PJ, Selangor Darul Ehsan, Malaysia.
- Bank charges are to be borne by the payer.
- Please email / fax bank's remittance with date, bank name and Malaysia's corresponding bank.
- All documents must be clearly stated.

Source: SHG, RHB

Risks

- i. **Higher-than-expected operating costs.** We see risks arising from the surge in utility costs (as a result of higher fuel cost) and staff wages (especially for nurses, due to scarcity) – which may crimp margins.
- ii. **Slower-than-expected hospital expansion plans.** This may cap the growth of healthcare service providers, if the increase in the number of beds cannot keep up with the pace of the surge in patient volume.
- iii. **Weakening MYR/USD rate.** A softer MYR will have a more apparent impact on the generic drugmakers under our coverage, as the majority of their production costs (active pharmaceutical ingredients) are denominated in USD.
- iv. **Regulatory risks.** It was reported earlier that Bank Negara Malaysia (BNM) intends to mandate health insurance offering co-payment of 5% of claimable expenses subject to a maximum co-payment limit to be set by the licensed insurers/*takaful* operator and/ or an RM500 deductible. The Association of Private Hospital Malaysia (APHM) has openly opposed such a move, as such a policy could increase the burden of patients if they are hospitalised. Subsequent to that, we understand that BNM has then confirmed that it is not capping co-payments in health insurance but instead allowing insurers to determine their own maximum limits.

Singapore – Moving Up The Medical Tourism Value Chain

Singapore's journey as a MT destination

Singapore was arguably the first nation in ASEAN to formally declare its intention to draw medical tourists and encourage the export of healthcare services abroad. Singapore had welcomed almost 200,000 overseas visitors in 2002 who came for medical care. Based largely on economic projections, the Economic Review Committee's Health Services Working Group recommendation in 2003 [was](#) to attract 1m foreign patients with 1,000 daily admissions by 2012, generating SGD3bn in health expenditure or SGD2.6bn in value added to the economy, creating 13,000 new jobs, and growing the market share from 1% of GNP to 3%.

To accomplish this, the Economic Development Board (EDB), International Enterprise (IE) Singapore, and the Singapore Tourism Board (STB) created SingaporeMedicine in 2003. This multi-agency initiative's mission was to promote, develop, and uphold Singapore's status as a global centre for MT.

In October 2003, former Transport Minister Khaw Boon Wan's speech at the launch of SingaporeMedicine to promote MT in Singapore stated the following with regards to realising Singapore's dream of becoming a regional medical hub:

"Making Singapore a regional medical hub is one of the Ministry of Health's (MOH) eight priorities.

"To fully realise our old dream of becoming a regional medical hub requires a concerted effort, by all sectors, public or private, and by all relevant agencies: MOH, Ministry of Trade & Industry (MTI), National University of Singapore (NUS), EDB, STB, IE Singapore. The SingaporeMedicine that we are launching today shall be the rallying point and a powerful symbol of our collective will and commitment towards this ambition."

"Fortunately, we have clear strengths relative to the competition. We have very well trained doctors, nurses, pharmacists, laboratory technologists etc. HIV is not a major problem here and we have a very safe blood supply. Our hospitals are well organised and well managed, with a high standard of care. Our life sciences efforts add a further boost as we can leverage on the pharmaceutical companies and the research community to achieve breakthroughs in clinical care and translational research. And we have a tradition of working well together as Singapore Inc, once the vision is clear and the strategy, well articulated."

"In three specialties alone, heart, eye and cancer, I see tens of millions of middle-class patients within a 7-hour flying radius, waiting to be served. If they can be attracted here, they will keep us all very busy. But we must collaborate more, cut out unnecessary cost, further enhance reliability and make it easy for the patients to seek treatment here."

"Another important component of our overall strategy is to recruit and train many more doctors and nurses. This is critical, because matching supply of healthcare workers with demand is the key to ensuring that becoming a medical hub does not push up healthcare cost. If foreign patient load grows, without corresponding increase in doctors and nurses, then healthcare cost is bound to rise."

It is worth noting that Singapore's MOH was not directly involved in the SingaporeMedicine programme. This was probably because through MOH, the Government manages the public healthcare system to ensure that good and affordable basic medical services are available to all [Singaporeans](#). Therefore, it may not be ideal to promoted the health sector to foreign patients. It is worth noting that, in 2018, the MOH issued a [statement](#) stating that "The priority of the Ministry of Health (MOH) and public healthcare institutions (PHIs) is to serve Singaporeans' healthcare needs. Our PHIs are not allowed to actively market themselves to foreign patients. MOH has also recently asked PHIs to cease any contracts with service providers to assist foreign patients referred for medical treatment in Singapore."

◆ Singapore was arguably the first nation in ASEAN to formally declare its intention to draw medical tourists and encourage the export of healthcare services abroad.

◆ SingaporeMedicine was launched in 2003 to promote, develop, and uphold Singapore's status as a global centre for medical tourism.

◆ Singapore's public healthcare system is for ensuring good and affordable basic medical services are available to all Singaporeans.

Competitive advantages

We think Singapore's main competitive advantages – excellence in healthcare quality, reliability, safe medical procedures, diverse healthcare services that include alternative treatment and psychiatric care, and the presence of numerous globally approved hospitals that offer advanced medical technologies and highly trained medical professionals – are responsible for the country's success as a top MT destination. Some of the other competitive advantages could come from English being widely spoken in healthcare institutions, a clean and safe neighbourhood, a stable political situation, and price transparency.

In addition, as a tourist destination, Singapore also offers a long list of heritage or historical attractions, new attractions, shopping opportunities, events, an efficient transportation system, and diverse accommodation options. Overall, we believe Singapore competes on the basis of quality and value-added services, and not so much on the volume of basic health care.

Limitations

We do note that some segments of healthcare tourists are sensitive about product or service costs. This would include the total cost, ie not just the cost of medical fees but also the accommodation cost, food cost, and transportation cost. A tight labour market for skilled healthcare professionals has pushed the operating costs of Singapore healthcare service providers up further. In addition, a relatively strong SGD vs regional currencies has made Singapore healthcare costs more expensive compared to similar services offered by Malaysia or Thailand.

In some ways, we also note that the limited availability of *halal* food could pose a limitation for the growing demand for MT.

Key drivers of MT in Singapore

Relatively easy entry into Singapore for medical care

A short-term visit pass (STVP), generally in the form of an electronic visit pass or e-Pass, is issued at the point of entry to visitors who are eligible for entry and short-term stay in Singapore as tourists, for social visits, or for medical treatment. The Singapore Government does not issue a medical tourist visa because a short-term visit pass (STVP) suffices to enter Singapore to receive medical care. It should be noted that the STVP requirement varies across countries. As per the Immigration and Checkpoints Authority (ICA) website, currently, citizens from only 36 countries need a visa to enter Singapore, and this excludes most of the ASEAN countries, the source of most medical tourists visiting Singapore. To further encourage MT, the officials tend to provide a long-stay option. The ICA provides an option to extend their STVP for visitors seeking an extension of stay for medical treatment. In addition, most private healthcare players have a dedicated team to provide overseas patients with the necessary support to secure a STVP.

Singapore's private healthcare players offer price transparency

To combat escalating hospital costs in Singapore, the MOH unveiled new benchmark fees for the private healthcare sector on 14 Jun 2023. These benchmarks, covering hospital fees, surgeon fees, and anaesthetist fees, were recommended by the independent Fee Benchmarks Advisory Committee (FBAC) and subsequently adopted by MOH.

The MOH fee benchmarks represent recommended charges for hospital and doctor fees within the private healthcare sector and are not applicable to public hospitals. Private hospital costs in Singapore are divided into hospital fees, encompassing room charges, surgical facilities, medications, nursing services, and more, and doctor fees, which include the professional fees of surgeons and anaesthetists, as well as inpatient attendance fees.

The benchmarks cover hospital fees for 29 common surgical procedures and eight medical conditions, surgeon fees for 2,100 procedures (enabling coverage under MediShield Life and MediSave), anaesthetist fees for 500 procedures, and doctors' inpatient attendance fees. These benchmarks are accessible on the MOH [website](#).

The fee benchmarks act as guidelines and are not mandatory. Also, the fee benchmarks are a range, and the actual fees charged by doctors or hospitals may vary depending on factors like complexity. Less complex cases may be charged at the lower end of the fee benchmark range, while more complex cases could be at the higher end of the range. We believe these benchmark fees offer medical tourists a quick, rough estimate of what it could cost to get a medical procedure done in Singapore.

Loss of competitiveness to neighbouring countries like Malaysia and Thailand...

For many years, international patients have been travelling to Singapore for a variety of medical services, including scopes, heart bypass surgery, organ transplants, and other surgical treatments. These patients have come from Indonesia, Sri Lanka, Vietnam, and other countries. But as time has gone on, Singapore has had to contend with increasing competition from players in the region – especially from Malaysia and Thailand, whose healthcare systems are able to provide common treatments for far lower prices than Singapore does.

- ◆ Singapore's MOH publishes fee benchmarks that represent recommended charges for hospital and doctor fees within the private healthcare sector. However, these benchmarks act as guidelines and are not mandatory

In an [article by The Straits Times](#), IHH Healthcare Singapore, the largest private healthcare provider here, said foreign patients made up about 15% of its total patient base at the end of 2023, down from 20% in 2019. The foreign patients that it has lost are mostly those who come for health screenings and scopes. Those who are sick continue to come here for treatment, and their problems are more complex after the COVID-19 pandemic. As such, they are staying longer and chalking up bigger bills, as a result. The average length of stay of a foreign patient has gone up to 4-5 days, from 3-4 days before the pandemic.

In addition to the improved quality of healthcare in Malaysia and Thailand, we believe higher operating costs for Singapore's private healthcare arising from a tight labour market for skilled healthcare staff, a relatively stronger SGD against the regional currencies, and an increase in other incidental costs (eg accommodation and air fares) could have led to an irreversible decline in the absolute medical tourist numbers in Singapore.

...but growing demand for critical and complex care needs

We highlight that, even though Singapore may be handling a lower volume of foreign patients, it may still be benefiting in terms of revenues as foreign patients are shifting from seeking elective single-specialty care – including scopes – to more critical and complex multi-specialty care that may not be available in their home countries.

In the above mentioned [The Straits Times article](#), Jeffrey Law, IHH Healthcare Singapore's chief commercial officer, also noted that the IHH group has been building on its position as a regional COE for high-acuity care, offering cancer treatments such as chimeric antigen receptor (CAR) T-cell therapy, complex surgery, and transplantation of stem cells, faecal microbiota, livers and kidneys. At the same time, it is pioneering new treatments and drugs, and investing in building stronger capabilities in emerging areas like precision medicine.

A good example of critical and complex care would be proton therapy, a newer mode of radiation treatment that delivers less radiation than conventional radiotherapy and is costlier. This has been drawing foreign patients to Singapore. Three players here have been offering it since 2023 – IHH, the Singapore Institute of Advanced Medicine Holdings (SAM) and the National Cancer Centre Singapore.

As per [The Straits Times article](#), foreign patients now account for c.50% of the patients undergoing proton treatment at IHH, and for c.40% of the total patient volume for proton therapy at SAM. Thailand also offers proton therapy, but reportedly restricts it to Thai nationals.

SAM's foreign patients come mostly from Indonesia, Australia, Malaysia, Vietnam and India to get treatment for typically brain, head and neck, liver, cranio-spinal and prostate cancers. On average, they get 30-35 daily treatments, and they stay in Singapore for 1.5-2 months.

We believe demand for such services will attract a higher number of foreign patients for specific procedures, as these high-end services are difficult to find elsewhere in the region. We maintain that Singapore will continue to be the preferred destination in specialised areas of medicine such as oncology, organ transplants, orthopaedics, cardiology, and neurology, among others. This is especially true as Singapore brings expertise in such procedures, and the country has a reputation as a trusted and mature healthcare hub in the region.

STB looking to promote wellness tourism

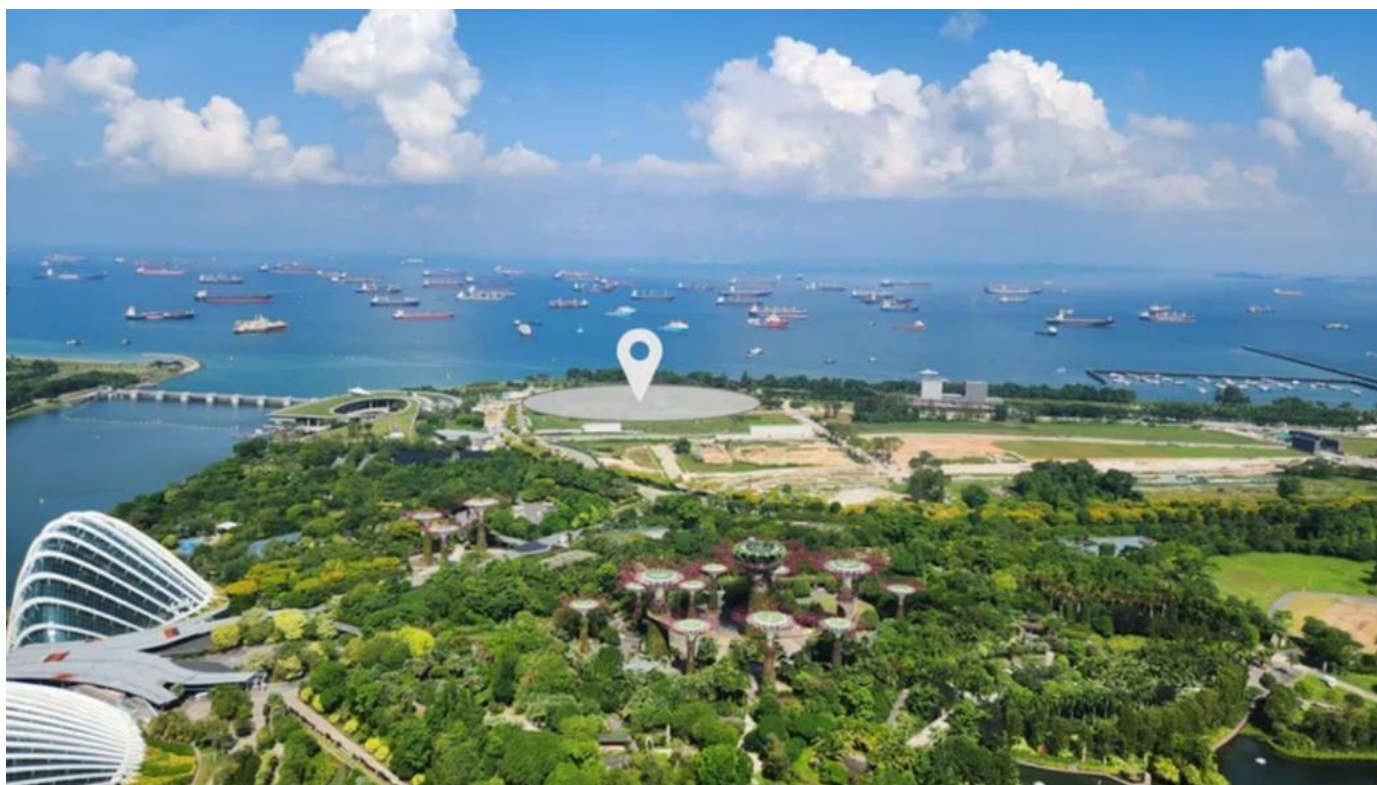
The [STB released a concept and pricing revenue tender](#) in July for the purpose of creating and running a wellness centre at the Marina South Coastal location. It claimed that the endeavour is consistent with its plan to expand the number of wellness experiences it offers travellers.

The 42,266sqm Marina South Coastal site is leased for 45 years, with a 15-year option to extend, subject to terms and conditions. Situated on the waterfront, the site offers a potential gross floor area of 80,000 square metres. The main functions of the site are wellness centres, complementary and alternative medicine, and fitness and lifestyle.

◆ Even though Singapore may be handling a lower volume of foreign patients, it may still be benefiting in terms of revenues as foreign patients are visting for more critical and complex multi-specialty care

◆ A good example of critical and complex care would be proton therapy, a newer mode of radiation treatment. Foreign patients account for c.50% of the patients undergoing proton treatment at IHH, and for c.40% of the patient volume for proton therapy at SAM

Figure 26: The 42,266sqm Marina South wellness tourism site



Source: The Business Times ([link](#))

Proposals with "innovative and high-quality concepts" that can enhance the participants' mental, emotional, or physical welfare are sought after by the STB. These suggestions can include anything from equipment- or water-based exercises for indoor and outdoor use to fitness or recovery-related activities. The attraction, according to STB, needs to put in place a "strong pipeline" of frequent wellness-themed activities or programmes both at its premises and in the neighborhood's public places.

Singapore has stopped reporting MT receipts since 2015

There is an issue with data gathering with regards to the number of medical tourists. The number of international patients seeking medical care in Singapore may be somewhat inflated because those receiving treatment may be accompanied by medical tourists. In addition, the count of foreign patients may include foreigners who come to Singapore for medical care, which would conceal the actual number of medical tourists. These numbers are not made public by the Government.

◆ The actual number of medical tourists visiting Singapore is not made public by the Government, and the STB stopped reporting MT receipts separately from 2015

Figure 27: Number of Singapore’s medical tourists, ‘000 (2005-2013)

('000)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Medical Tourists	370	410	400	370	665	NA	500	850	610
Sources	UNESCAP (2009)	Foreign Policy (2008)	Lim (not determined)	IMTJ (2013)	Kim et al. (2013)	NA	Sydney Morning Herald (2012)	IMTJ (2013)	Coelho (2015)

Source: Governing Medical Tourism: The Roles of Singaporean Government ([source](#))

Based on data aggregated from researchers and published in the paper titled “Governing Medical Tourism: The Roles of Singaporean Government” ([source](#)), medical tourist volumes saw a 12.6% CAGR during 2005-2012, reaching a peak of 850,000 tourist arrivals in 2012. We note that this figure fell short of the targeted goal of 1m medical tourist arrivals set during the launch of SingaporeMedicine in 2003. Due to the lack of available data, the number of medical tourists in Singapore is estimated to be around 500,000 each year ([link](#)). Approximately 60% of these visitors are from Indonesia.

Since the launch of SingaporeMedicine in 2003, medical tourism receipts grew rapidly until 2008, reaching a peak of SGD1.3bn in 2007. The data for the 2003-2006 period refers to total expenditure of visitors (TEV), which is used a proxy for medical tourism receipts (TR) as the split for TR was not provided by the STB. TR comprise mainly TEV and include expenditure from transit passengers, foreign air/sea crew and foreign students. TEV refers to any expenditure incurred by visitors during their stay in Singapore, as well as the amount they prepaid on components such as accommodation and sightseeing tours before arrival.

Figure 28: Singapore - Total expenditure of visitors and tourism receipts over 2003-2014

(SGDm)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Accommodation	927	1,384	1,765	2,239	3,289	3,608	2,839	3,623	4,390	5,038	5,332	5,309
Food & Beverage	573	880	1,014	1,052	1,664	1,848	1,512	1,903	2,239	2,246	2,294	2,263
Shopping	2,277	3,117	3,264	3,687	4,073	3,982	3,377	3,971	4,489	4,588	4,553	4,116
Sightseeing & Gaming	105	113	115	124	144	177	201	4,013	5,391	5,240	5,471	5,823
Local Transport	218	360	437	477	647	751	624	700	779	805	835	818
Medical	190	383	561	763	1,283	1,165	777	856	980	1,110	832	994
Others					3,672	3,945	3,311	3,866	4,010	4,055	4,152	4,238
TOTAL	4,316	6,278	7,172	8,421	14,772	15,475	12,642	18,931	22,277	23,081	23,469	23,560
Medical (as % of total)	4.4	6.1	7.8	9.1	8.7	7.5	6.1	4.5	4.4	4.8	3.5	4.2

Note: Data from 2003 to 2006 refers to total expenditure of visitors (TEV). Data from 2007 onwards refers to tourism receipts (TR). TEV data from 2003 to 2006 was used as a proxy for medical tourism due to the absence of segmented breakdowns within TR during that period.

Source: STB, RHB

We believe the Global Financial Crisis (GFC) led to a slowdown in MT receipts until 2009. Post GFC, there was an improvement in MT receipts, but the number tapered off in 2013 and 2014. In 2015, the Singapore Tourist Board integrated MT into the "others" category, discontinuing the availability of specific data on MT receipts.

Figure 29: Singapore - tourism receipts over 2015-2023

(SGDm)	2015	2016	2017	2018	2019	2020	2021	2022	2023
Accommodation	4,680	5,916	6,016	5,666	5,529	1,022	580	2,963	4,471
Food & Beverage	2,319	2,787	2,649	2,593	2,497	454	192	1,282	3,976
Shopping	3,913	5,958	6,172	5,385	5,640	703	174	2,784	4,954
Sightseeing & Gaming	5,093	5,348	5,618	5,859	5,997	951	223	2,337	5,065
Others*	5,772	5,739	6,352	7,440	8,026	1,700	723	4,812	8,690
Total TR	21,777	25,748	26,807	26,943	27,689	4,830	1,892	14,178	27,156

Note: Starting 2015, the STB integrated MT into the "others" category.

Source: STB, RHB

Stock picks

Raffles Medical (RFMD SP, NEUTRAL, TP: SGD1.00)

Diversifying out of Singapore to support long-term growth

Overview. Raffles Medical Group (RFMD) is a private healthcare provider from Singapore, that operates medical facilities in Singapore, China, Japan, Vietnam, and Cambodia. It has a network of clinics with family physicians, specialists, and dental surgeons. It also owns Raffles Hospital, a tertiary care hospital in Singapore that accommodates surgical centres, medical laboratories, and specialist centres in various areas like obstetrics and gynecology, cardiology, oncology, and orthopaedics. RFMD also operates three hospitals in China, in Chongqing, Shanghai, and Beijing. It recently agreed to buy a majority stake in the American International Hospital (AIH) in Ho Chi Minh City as the healthcare company seeks to expand its operations beyond China and Singapore.

Strong recovery in 2024 earnings growth. We estimate that RFMD will report 13% YoY profit growth in 2024, reversing the decline in profit witnessed in 2023. The growth will be driven by the addition of 176 more beds dedicated to the transitional care facilities (TCF) programme. This, we believe, will not only help improve its healthcare business revenue but could also boost the margin. We expect lower losses from the China business, and the losses in its insurance business should gradually taper off over the next few quarters.

Near-term risks from cost and loss of healthcare tourists. We anticipate wage pressure because RFMD intends to expand its operations by hiring more doctors, specialists, and nurses. Singapore's private healthcare players have been struggling with the shortage of skilled nursing staff amidst elevated competition from other developed economies, as well as from Singapore's public healthcare players. The international patient load may not recover to pre-pandemic levels and could remain weak in the foreseeable future, amidst a relatively strong SGD and competition from regional healthcare businesses.

Long-term growth from outside of Singapore. In the longer term, we believe that RFMD's revenue growth will be bolstered by the expansion of its activities at its China hospitals. RFMD had also announced plans to acquire a majority interest in American International Hospital (AIH) in Ho Chi Minh City. RFMD will also enter into a management service agreement to manage AIH. We believe that the revenue contribution will only happen in late 2024 as the contract is contingent upon the fulfilment of specific condition precedents and necessary regulatory clearances.

Compelling valuation. We value RFMD based on an average value derived from the use of P/E, P/BV, EV/EBITDA, and DCF valuation methods. Our TP does not include any premium or discount to the fair value, as RFMD's ESG score of 3.1 is in line with the country's median ESG score. While RFMD's valuation looks compelling relative to regional healthcare stocks, we do not see any near-term rerating catalysts.

Risks

Inability to attract and retain medical talent. Singapore has been losing out to other developed markets in its ability to attract healthcare talent within the region to come and work in the country. Much of it is related to Singapore's immigration policies. While the Government is trying to address it, we believe a lot more needs to be done to alleviate the shortage of healthcare professionals in Singapore.

Sustained rise in operating costs. Already, a tight market for quality healthcare talent and competition with public healthcare for retaining medical professionals have led to higher operating costs for Singapore's private healthcare providers. A sustained rise in these operating costs will eventually lead to higher prices for patients and will dent Singapore's price competitiveness in the MT market.

SGD strength relative to regional currencies. The outlook for the SGD relative to the regional currencies is beyond the control of Singapore's private healthcare players. Sustained strength in the SGD, which is needed in periods of high inflation to keep a tab on rising consumer prices, will continue to make Singapore's MT offerings less competitive relative to those offered by Malaysia and Thailand.

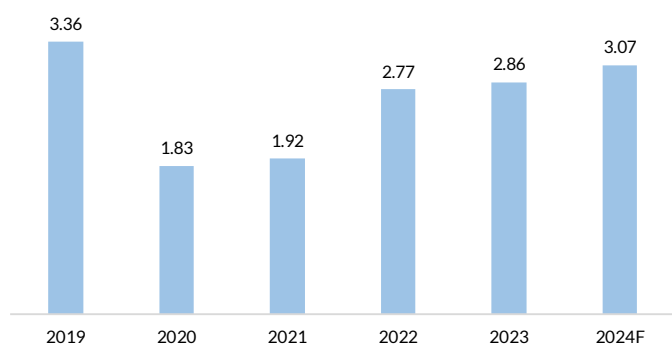
Inability to raise prices. To combat escalating hospital costs in Singapore, the MOH unveiled new benchmark fees for the private healthcare sector on 14 Jun 2023. These benchmarks cover hospital fees, surgeon fees, and anaesthetist fees. The MOH fee benchmarks represent recommended charges for hospital and doctor fees within the private healthcare sector and are not applicable to public hospitals. Although this helps in creating price transparency, intervention by the regulators to try and cap the prices for private healthcare would dissuade companies from growing their operations in Singapore and, as such, ultimately hurt the MT industry.

Thailand - The Medical Tourism Jewel of Asia

Overview and outlook

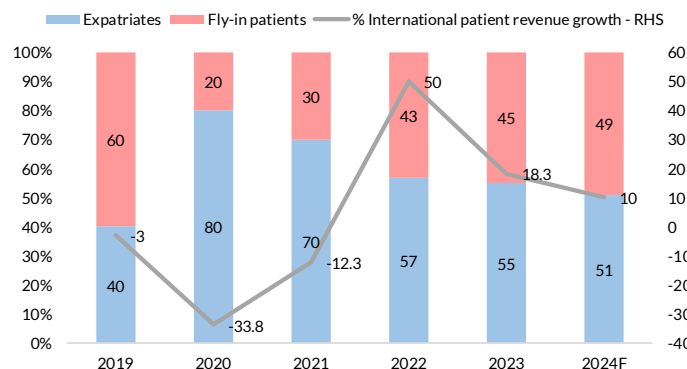
Thailand has become the key MT hub in South-East Asia. Based on the 2020-2021 Medical Tourism Index, the kingdom's MT industry was ranked fifth out of 46 destinations globally. In 2023, It welcomed 2.86m international patient visits and generated c.THB52bn in revenue – 45% from fly-in patients and 55% from expatriates – exceeding the pre-pandemic levels in 2019. Breaking down by type of treatment, cosmetic was ranked the first (26%), followed by dental care (18%), orthopedic (15%), cardiovascular cases (12%), cancer (11%), neurological (11%), and fertility (8%). In 2024, total revenue is expected to ramp up 10% to c.THB57bn, while an ongoing recovery of international tourist arrivals may support the fly-in patient revenue mix, and lift it to 49% of the total.

Figure 30: International patients in Thailand (m visits)



Source: Kasikorn Research Centre

Figure 31: International patient revenue mix and growth (%)

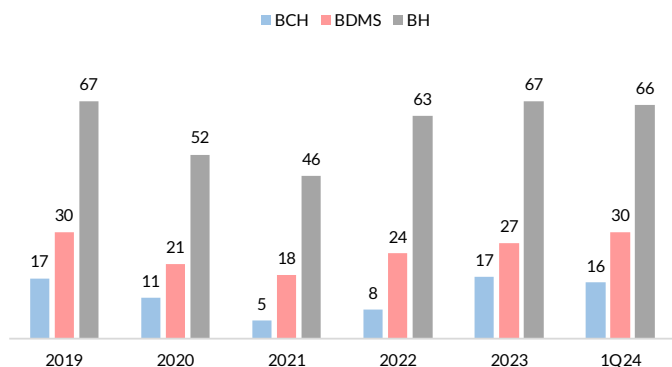


Source: Kasikorn Research Centre

Three leading private healthcare institutions – Bangkok Chain Hospital (BCH TB, BUY, TP: THB25), Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37), and Bumrungrad Hospital (BH TB, NR) – play a vital role in driving the country's MT activities. BH leads the market, with two-thirds of its revenue from international patients, followed by c.30% for BDMS, and c.17% for BCH.

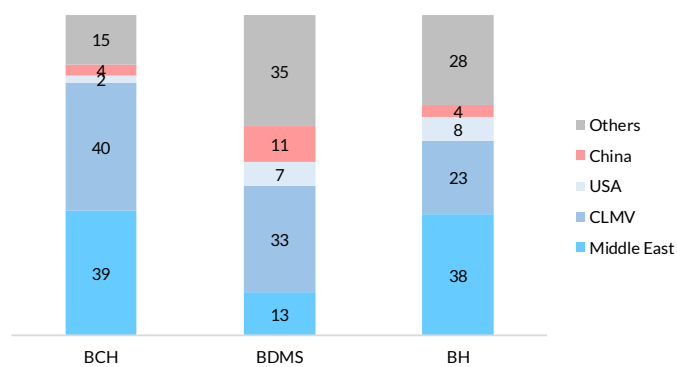
For these hospital companies, the Middle East is the top source market (mainly from Kuwait, Oman, Qatar, and the United Arab Emirates), followed by the group of Cambodia, Laos, Myanmar, and Vietnam (CLMV), the US, and China. As BCH and BDMS operate hospital campuses in Thailand's bordering areas, they also benefit from cross-border patients from these CLMV nations. Their international patients' revenue mix by nationality is detailed in Figure 33.

Figure 32: International patient revenue contributions among major listed healthcare companies in Thailand



Source: Company data, RHB

Figure 33: International patient revenue mix by nationality, for the major listed healthcare companies in Thailand



Source: Company data, RHB

Competitive advantages

Patient confidence and quality operators. Thailand currently has 62 medical institutions accredited by the US-based JCI – the global driver of quality improvement and patient safety in healthcare – the most in South-East Asia region and ranked the fourth in the world. For instance, BH was the first hospital in Asia to receive the JCI accreditation in 2002. It has leading medical technology and equipment, ensuring the highest hygienic standards and prompt services with short waiting periods. Many of them also meet other international standards, ie Global Healthcare Accreditation (GHA), ISO certifications, Hazard Analysis Critical Control Point (HACCP), etc.

Affordability. Thailand has built a solid reputation for high-quality healthcare services at value-for-money pricing. Costs are competitive – materially less or more reasonable than its competitors in the region and in Western countries. For instance, the prices of major cardiac surgeries in Thailand are >80% lower than that of the US and UK, and >15% lower than Singapore. The pricing of plastic surgery and fertility treatments in Thailand are >50% less than the US, UK, and Singapore. Thai private hospitals also occasionally offer various promotions to attract international patients – and saving on medical bills may act as an extra impetus that brings medical tourists to Thailand

Highly skilled experts. Thailand has renowned top-rated hospitals including BH and BDMS' Bangkok Hospital, which are known for advanced medical services. The country's medical professionals – doctors, nurses, physical therapists, pharmacists, and other servicing personnel – are also highly skilled. There are internationally-trained, specialised physicians in a broad range of clinical fields, including cardiology, oncology, orthopedics, reproductive biology, ophthalmology, dentistry, cosmetology, etc. They provide examinations and treatments with high standards and the best possible outcomes. Their expertise, combined with the unique Thai hospitality, enhances patients' overall experience.

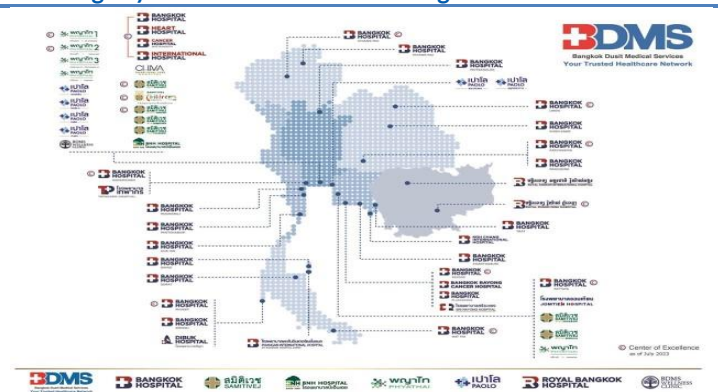
World-class tourism destination and hospitality services. Thailand is one of the global top-ranked destinations for travellers, and we think that the number of international arrivals may recover to the 2019 pre-pandemic levels of c.39m in 2025F. Thailand has a wide range of land and sea attractions, as well as renowned resort accommodations and cuisine. Additionally, Thai people are known for their hospitality, warmth, friendliness, and graciousness. Meanwhile, hospitals in key tourism cities like Bangkok, Phuket, and Chiang Mai are well-equipped, to meet a robust demand among both Thai and foreign patients. These factors have attracted visitors entering the kingdom for both medical treatments and leisure in the same trip.

Figure 34: Apart from international accreditations, BH is also on Newsweek's list of the World's Best Hospital in 2024



Source: Company data

Figure 35: BDMS provides the broadest medical care network, covering key tourism destinations throughout Thailand



Source: Company data

Figure 36: Thailand's tourist numbers and receipts

Thailand	2016	2017	2018	2019	2020	2021	2022	2023	2024F	2025F
International tourists (m)	32.5	35.6	38.2	39.8	6.7	0.4	11.2	28.0	35.0	39.0
Domestic tourists (m trips)	145	153	166	166	90	53	189	240	245	250
Chinese tourists (m)	8.8	9.8	10.5	11.0	1.2	0.0	0.3	3.5	6.0	9.0
% Chinese tourist contribution	26.9%	27.6%	27.6%	27.6%	18.6%	3.0%	2.5%	13.0%	17.1%	23.1%
International tourism receipts (THBtrn)	1.6	1.8	1.9	1.9	0.3	0.0	0.9	1.2	1.9	2.0
Domestic tourism receipts (THBtrn)	0.9	1.0	1.1	1.1	0.5	0.2	0.6	0.8	1.1	1.2
Total tourism receipts (THBtrn)	2.5	2.8	2.9	3.0	0.8	0.2	1.5	2.0	3.0	3.2
% tourism receipts to GDP	15.6%	16.7%	16.9%	17.0%	4.9%	1.4%	8.6%	11.2%	16.5%	16.9%

Source: Ministry of Tourism and Sports, World Bank, RHB

Key drivers of MT in Thailand

Government policies. The Government has emphasised the promotion of MT by establishing a 10-year plan (2017-2026) to upgrade Thailand as a medical hub – this encompasses healthcare services, wellness, academics, and products. Key strategies focus on: i) Competitiveness, ii) medical treatments, iii) health promotion activities, iv) traditional Thai and alternative medicines, v) medical research and academics, vi) health and medical products, and vii) marketing through electronic and social media channels as well as business matching events between agencies and healthcare operators. Thailand will hold a promotion on being a global health destination at Expo 2025 in Japan. We expect Thailand's healthcare spending to total THB952bn in 2024, before crossing the THB1trn mark in 2026, in which 70% may be from the public sector to enhance the country's healthcare system, including the area of MT.

New visa scheme. The Government is on the way to implement the multiple-entry medical treatment visa, or non-MT visa, which would extend international patients' length of stay in Thailand for up to one year, from up to 60 days and 90 days per entry. This may strongly attract and facilitate targeted patients, while healthcare operators may also benefit from the scheme. Still, the non-MT visa application will be effective, once the announcement on it is published in the Royal Gazette.

Improving outlook for key source markets.

- i. **Kuwaiti Government's healthcare cost-cutting policies to be finalised.** Kuwait is minimising its approved hospital list for citizens to get the guarantee of payment for medical treatments. It may be finalised in 3Q24. The issue has affected BH (c.5% of revenue), BCH (c.4%), and BDMS (<1%) in the short term. Still, we expect BH and a handful of key hospitals under BDMS and BCH to remain in the list.
- ii. **Vast long-term upside from Saudi Arabia.** Thailand and Saudi Arabia have finalised their first MoU on health security and medical and wellness tourism. Saudi Arabia has the biggest economy in the Middle East, and its health expenditures accounted c.6% of its GDP.
- iii. **China patient numbers may gradually improve, from both expatriate and fly-in segments.** For the latter, there might be a recovery in China tourist arrivals. Recently, the Shanghai administration included fertility services for couples under its medical insurance scheme from Jun 2024 onwards. We expect this to have a limited impact on IVF clinics in Thailand, which tends to attract high-income earners.
- iv. **More patients from Myanmar, Laos, and Cambodia.** This is based on the rising urbanisation trend in these countries and higher confidence among high-income patients or those seeing more affordable healthcare.
- v. **New source market penetrations.** Listed Thai hospitals are on the move to strengthen their international patient mix to improve earnings and profitability in the longer term, by exploring the demand for medical treatment from further potential source markets, ie India, Kazakhstan, Libya, and other Eastern European nations.

Business expansion of Thai healthcare operators. The three major listed healthcare companies are still expanding their hospital networks to meet rising demand. Many of them will be located in tourist destinations (eg Bangkok, Suvarnabhumi International Airport area, Phuket) and industrial areas (eg Rayong) to capture both the Thai and foreign worker markets. These new hospitals may enable more foreign patients to access their services – and would act as earnings growth catalysts moving forward.

Figure 37: Thailand's public and private healthcare spending, and % to GDP

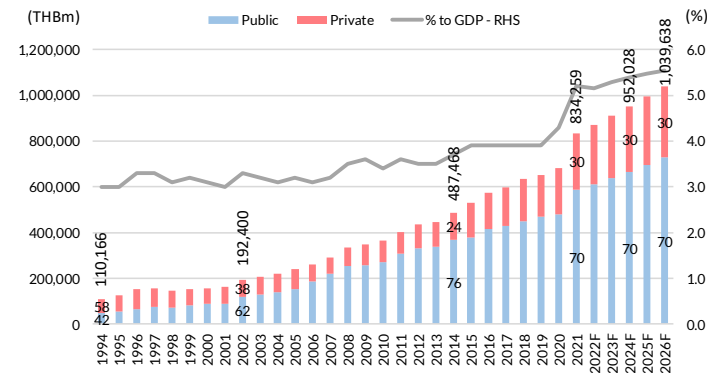
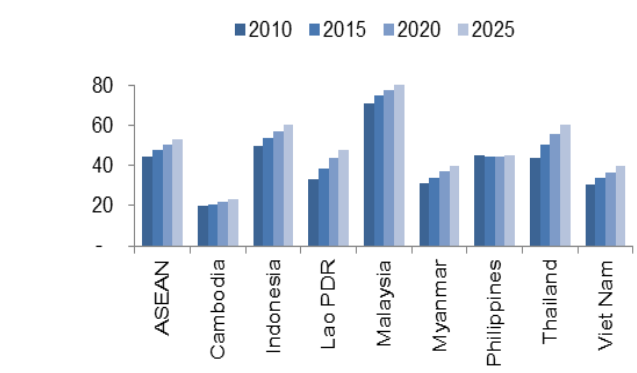


Figure 38: Rising urbanisation rate (%) among South-East Asian countries



Source: Thailand's Ministry of Public Health, MarketLine, RHB

Source: UN

Figure 39: Key listed Thai hospitals' business expansions

Companies	Projects	Registered beds	Opening / Completion	Capex (THBm)
BCH	New projects			
	Kasemrad Ari Radiation Oncology Centre	-	3Q24	300
	Kasemrad Hospital Suvarnabhumi	268	2027	1,650
	Kasemrad Hospital Rayong	200-250	2028	1,480
	Asset enhancements			
	Kasemrad Hospital Bangkai (major renovations)	311	1Q25	303
	Kasemrad Hospital Pathumthani (upgrading)	200	1Q25	430
Kasemrad Hospital Maesai (extension)	30	3Q25	100-120	
BDMS	New projects			
	Phyathai Sriracha 2 - Social Security Annex	113	2024	
	Phuket Cancer Center at Bangkok Siriraj Hospital	-	2024	
	Samitivej International Children Hospital	100	2024	
	Phyathai Hospital Bowin	220	2025	c.8,000-9,000
	Bangkok Hospital Chiangmai	90	2025	
	Bangkok Hospital Khaoyai	53	2026-2027	
	Phyathai 1 Hospital (extension)	160	2026-2027	
BDMS Silver Wellness & Residence (mixed-use)	n.a.	2029	23,545	
BH	New projects			
	Sukhumvit Soi 1 new building and other extensions	59	2025	c.4,000
	Bumrungrad International Hospital Phuket	212	2026	4,300
A new hospital building on Petchburi Road	200-240	2028	9,250	

Source: Company data, RHB

Stock picks

Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37)

BDMS operates an extensive private healthcare business, and has a network of 57 hospitals (8,564 structured beds) in Thailand and two campuses (133 beds) in Cambodia. It runs six hospital groups – Bangkok Hospital Group, Samitivej Hospital Group, BNH Hospital, Phyathai Hospital Group, Paolo Hospital Group and Royal Hospital Group. The company is well-positioned to benefit from the backdrop of a growing Thai and regional healthcare industry. In addition, BDMS’ network also covers businesses that support medical care such as medical laboratories, medicine production and saline production.

The company has set strong targets: i) 3-year revenue growth of c.10% CAGR, ii) c.9,300 structured beds by 2027 (2023: c.8,600), iii) occupancy rate hikes to 75% (2023: 69%) by increasing patient volumes, and iv) keeping its EBITDA margin at c.25% through better revenue intensity and more profitable case mix. Also, it aims raise its revenue mix from third-party payers – private medical insurance patients – to 40% in three years (2023: 36%), which would benefit BDMS’ profit margin.

BDMS has competitive advantages in Thailand’s upcountry as it has one of the best private medical centres in each location. Among the listed Thai hospitals. BDMS generates the highest revenue contributions from provincial hospitals, at 46%. As such, the company would strongly benefit from the international tourism recovery and the growing MT trends at key destinations, ie Pattaya, Phuket, Chiangmai, Hat Yai, Koh Samui, etc.

Figure 40: BDMS’ positive international patient growth



Figure 41: BDMS’ strong hospital revenue growth at tourist destinations is leading to its profitability improvement



Source: Company data

Source: Company data

We expect BDMS to record stabilised 12% core profit growth in 2024, supported by: i) Increasing COE services for Thai and foreign patients, ii) expansion (opening two new hospitals), and iii) rising number of China patients, with a limited impact from a decrease in patients from Kuwait. In the short term, we are more upbeat on its 3Q24 earnings growth, as 3Q is the peak quarter for healthcare services. The stock is still trading at an undemanding 26x 2024F P/E, below -2SD from its 10-year historical trading mean.

Bumrungrad Hospital (BH TB, NR)

BH owns and operates a premium hospital with 580 licensed inpatient beds in downtown Bangkok, ie Bumrungrad International Hospital. It is an early mover in MT and runs one of the largest and most sophisticated private hospitals in South-East Asia. It has had >600,000 international patient cases annually from over 190 countries. It also invested in advanced medical technologies to serve both upscale Thai and foreign patient needs, ie robotic and minimally invasive surgeries, genomics, scientific wellness, and telemedicine.

BH should be on the list of approved hospitals by the Kuwaiti government. It may be able to recover traffic of Kuwaiti patients (c.5% of total revenue) from 4Q24F onwards, and strongly benefit from having less competition. Also, it should be the key beneficiary if Saudi Arabia approves Thailand as another overseas treatment destinations for its citizens.

We expect BH to deliver stronger numbers in 2H24. Key support factors: i) A high season in 3Q24F, from an increasing number of international patients, with possible 2-digit topline growth YoY, ii) expansions (ie the opening of Vitalife Center in Phuket in June, addition of 12 new ICU beds in July, and additional capacity for OPD clinics), iii) efficient cost management (ie personnel, procurement, and utilities).

To grow, it is also penetrating the high-potential market of Phuket – the major city and resort destination in south Thailand. It started by opening a scientific wellness centre, Vitalife, there in Jun 2024, to provide longevity medicine services to targeted high-spending customers. BH also plans to open the 212-bed Bumrungrad International Hospital Phuket as its second hospital asset in 2026, with a total capex of THB4.3bn. With a population of >450,000 residents and c.5.4m visitors (mainly from China, Russia, Germany, Australia, the UK, and France), the new campus would serve demand from high-income local residents, the neighbouring provinces, expatriate communities, and tourists, as well as facilitating the growth of the country's MT industry. Meanwhile, it plans to expand in Bangkok by opening a THB9.2bn new hospital building on Petchburi Road with c.200-240 beds in 2028. The two hospital projects may act as catalysts for a new S-curve in its earnings growth over the longer term.

Figure 42: Bumrungrad International Hospital in Phuket is to be launched in 2026



Source: Company data

Figure 32: Bumrungrad's new branch of its Vitalife Scientific Wellness Centre in Phuket opened in 2Q24



Source: Company data

Risks

- i. **Challenging economic conditions.** Economic uncertainty may affect patients' decision-making in going to private hospitals for treatment, while operators may also see rising competition (ie improving services among public hospitals, and treatment packages at promotional prices offered by other players) and higher costs (ie medicine, personnel, and utilities) which could undermine their topline and profit margins.
- ii. **Decline in the inflow of medical tourists.** While Thailand aims to become a MT hub, uncertainties (ie pandemics, natural disasters, and political unrest) may affect travelling plans, and lead to fluctuations in the number of foreign visitor arrivals to the kingdom. This may lead to a smaller number of international patients and lower revenue intensity among the Thai healthcare operators.
- iii. **Competition.** Many countries are developing their own public health infrastructure to support MT, which may lead to having more alternative destinations for medical tourists. Some potential rivals in the region include Malaysia, Singapore, and China, and the Middle East countries like United Arab Emirates and Turkey.
- iv. **Regulatory risks.** Amendments in the government's public health policies may benefit the majority of the Thai public. Still, it may be challenging for Thailand's private hospitals participating in state programmes to compete with public hospitals and manage their own profitability.

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