



Pick of the week

Max Healthcare (MAXHEALT)

Recommendation: **ADD**

Date: **22nd August 2022**

Current Price: ₹**379**

Time Period: **12 Months**

Potential Upside: **12%**

Target Price: ₹**425**

Why Invest

- Improved case mix, doubling of capacities, strong FCF generation support growth trajectory.
- Key growth initiatives: ongoing bed expansion, target reduction in institutional mix and recovery in international footfalls are well on track.
- We expect its ARPOBs to stay higher than peers due to rising contribution from metros and complex procedures.
- We expect a better mix to offset gradual profitability ramp-up of new beds leading to 16% EBITDA CAGR over FY22-26E.
- In our view, the management team's execution focus is best captured in its ability to drive industry-leading operating and financial metrics without undermining clinical outcomes.
- We assign a 24X Jun 24E pre-Ind AS-116 EV/EBITDA multiple to Max's network hospitals to derive an FV of Rs425. Maintain ADD.